

U.S.-China Trade Talks Advance while Government Avoids Another Shutdown

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The Dow Jones Industrial Average gained 3.1%, the Nasdaq Composite gained 2.4%, and the Russell 2000 gained 4.2%.

10 of the 11 S&P 500 sectors finished higher this week with energy (+4.8%), industrials (+3.5%), and materials (+3.4%) leading the advance. Conversely, the utilities sector (-0.3%) was the lone group to finish with a loss this week.

The U.S. and China concluded a week-long round of

trade negotiations this week, although structural issues -- forced technology transfers, enforcement oversight, and China subsidizing domestic industries -- were unresolved. Mid-level talks will continue next week in Washington while President Trump considers a possible 60-day extension to the March 1 deadline.

Also, on Capitol Hill, President Trump signed a bipartisan funding resolution to avoid another government shutdown, although the \$1.375 billion allotted for border security fell short of the \$5.7 billion that was requested. As a result, President Trump declared a national emergency, setting up a likely legal battle, in order to secure funding from other departments to build a border wall.

The Fed, meanwhile, continued to assure investors that they need not fear tighter monetary policy at this juncture. Fed Governor Brainard (FOMC voter) said she thinks the balance sheet normalization effort should come to an end later this year.

These developments served to increase investor confidence in the face of slumping retail sales data and downside corporate guidance. Strikingly, the week's gains lifted the S&P 500 above its 200-day moving

average, which traders consider an important technical level, for the first time since December 4.

Retail sales for December declined 1.2% (Briefing.com consensus +0.2%) -- the market's biggest monthly decline in nearly 10 years. There was a belief, however, that the December retail sales numbers were aberrant and would give way to better retail sales data for January.

Separately, Coca-Cola (KO), PepsiCo (PEP), NVIDIA (NVDA), Applied Materials (AMAT), Activision Blizzard (ATVI), and Mattel (MAT) were some of the companies this week that issued downside guidance. Cisco Systems (CSCO), however, provided investors with positive results.

U.S. Treasuries retreated this week, driving yields higher in a curve-flattening trade. The 2-yr yield increased eight basis points to 2.52%, and the 10-yr yield increased four basis points to 2.67%. The U.S. Dollar Index gained 0.3% to 96.90. WTI crude rose 5.4% to \$55.56/bbl.

S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Indices are unmanaged and one cannot invest directly in an index. Each company's security affects the index in proportion to its market value. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Dow Jones Industrial Average is a widely-used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service oriented firms. Data and rates used were indicative of market conditions as of the date shown and compiled by briefing.com. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security. Past performance is not a guarantee of future results. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

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