

## Wall Street Ekes out Gains Despite Profit-Taking Efforts

The S&P 500 gained 0.1% this week despite recurring concerns about a slowdown in global growth and a U.S. China trade deal leading to some profit-taking action



The Dow Jones Industrial Average gained 0.2%, the Nasdaq Composite gained 0.5%, and the Russell 2000 gained 0.5%.

The utilities (+2.0%), information technology (+1.8%), industrials (+1.5%), and real estate (+1.4%) sectors were this week's leaders. Conversely, the S&P 500 energy (-3.3%), materials (-1.6%), and financial (-1.5%) sectors were this week's laggards.

The stock market kicked off the week right where it left off: with gains. Shares of mega-cap stocks helped prop the S&P 500 back to its 200-day moving average ahead of President Trump's State of the Union Address on Tuesday.

From a trader's perspective, the 200-day moving average was an important technical level to keep an eye on. For some, it seemed like a reasonable, and convenient, stopping point for the market to reassess its fundamental issues.

President Trump's speech didn't move the market, but the fundamental issues of a slowdown in global growth and a U.S.-China trade deal did cause some broad-based profit taking. Though these concerns were nothing new, they did provide an excuse for investors to de-risk from a market that perhaps overextended its rally from the December low. The S&P 500 finished the week below its 200-day moving average.

Some disappointing updates from Europe that stirred growth concerns included (1) the Bank of England leaving its key rate unchanged at 0.75% and lowering its 2019 GDP growth outlook to 1.2% from 1.7%, (2) the EU Commission cutting its 2019 euro area GDP growth forecast to 1.3% from 1.9%, and (3) Germany reporting a 0.4% month-over-month decline in industrial production and a 1.6% month-over-month decline in factory orders in December.

As for trade news, expectations for a trade deal before the March 1 deadline were lowered. NEC Director Larry Kudlow stated there remained a sizable distance to go with trade talks. In addition, President Trump confirmed that it is unlikely he will meet with China's President Xi before the trade deadline. Reports, however, indicated that the White House could extend the deadline if necessary.

Earnings reports this week were mixed and replete with disappointing guidance. Alphabet (GOOG) and Walt Disney (DIS) headlined the week's reports but both exceeded expectations.

Separately, there were some notable M&A news this week. BB&T (BBT) and SunTrust Banks (STI) announced an all-stock merger of equals valued at approximately \$66 billion, which would make it the sixth largest U.S. retail bank if approved. Ultimate Software (ULTI) received a cash buyout offer led by private equity firm Hellman & Friedman for \$11 billion, or \$331.50/share.

U.S. Treasuries saw some continued buying interest this week, pushing yields lower across the curve. The 2-yr yield decreased four basis points to 2.46%, and the 10-yr yield decreased six basis points to 2.63%. The U.S. Dollar Index increased 1.1% to 96.63 while WTI crude lost 4.5% to \$52.76/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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