

Growth Concerns and Profit Taking

The S&P 500 lost 2.2% this week, as concerns about global growth underpinned a risk-off mindset. With few catalysts to justify further gains, and a confluence of discouraging data, news, and technical drivers, the market succumbed to profit-taking interest after its strong start to the year.



The Dow Jones Industrial Average lost 2.2%, the Nasdaq Composite lost 2.5%, and the Russell 2000 lost 4.3%.

Nine of the 11 S&P 500 sectors finished lower, led by the energy (-3.9%), health care (-3.9%), and industrial (-2.9%) sectors. Conversely, the real estate (+0.5%) and utilities (+0.7%) sectors were the lone groups to finish higher.

The leading narrative for the market this week was that global growth is slowing and that the market got ahead of itself pricing in economic prospects.

Major developments reinforcing this belief included (1) a surprisingly weak U.S. nonfarm payroll figure, which grew by just 20,000 (Briefing.com consensus

173,000); (2) the European Central Bank (ECB) issuing a dovish-minded policy stance; (3) 2019 GDP growth forecast cuts from the OECD, ECB, and China; and (4) slight-to-moderate growth for 10 of the 12 Fed districts, indicated in the Fed's Beige Book for March.

Likewise, there were growing concerns about the prospects for a U.S.-China trade deal.

U.S. Ambassador to China, Terry Branstad told The Wall Street Journal that a date has not yet been set for a summit because neither side feels an agreement is imminent. Separately, President Trump said if a China trade deal is "not a great deal," he will not make one, and that the U.S. will do well with or without a China trade deal.

There were some technical drivers in play, too. The S&P 500's inability to sustain a retest of its November high and stay above the 2800 level exacerbated selling efforts that sent the benchmark index below its 200-day moving average. The Nasdaq Composite, Russell 2000, and Dow Jones Transportation Average also fell below their 200-day moving averages.

The U.S. Treasury market exhibited a flight-to-safety trade, which drove yields notably lower after making notable moves higher in the prior week. The 2-yr yield dropped 11 basis points to 2.44%, and the 10-yr yield dropped 13 basis points to 2.63%. The U.S. Dollar Index rose 0.9% to 97.36. WTI crude lost 0.6% to \$56.14/bbl.

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