

Investors Look Past Growth Worries, Wall Street Mounts Historic Quarter

The S&P 500 bounced back this week, gaining 1.2% to cap off its best quarter (+13.1%) since 2009. Leadership from the recently-battered industrial sector (+2.9%) helped the market overcome lingering growth concerns.



The Dow Jones Industrial Average (+1.7%), the Nasdaq Composite (+1.1%), and the Russell 2000 (+2.3%) finished with quarterly gains of 11.2%, 16.5%, and 14.2%, respectively.

The S&P 500 industrials (+2.9%), consumer discretionary (+1.9%), and consumer staples (+1.6%) sectors led the broader market higher. Conversely, the utilities (-0.5%) and communication services (-0.5%) sectors were the lone groups to finish with losses.

Continued weakness in the eurozone contributed to a slow start for the broader market. Burgeoning concerns about growth sent the yield on the benchmark 10-yr German bund into negative territory. Dwindling growth expectations, and the hunt for yields, likely sent investors flocking to the U.S. Treasury market, sending yields even

lower.

The 2-yr yield and the 10-yr yield declined five basis points each to 2.27% and 2.41%, respectively. Strikingly, the 2-yr yield dropped 23 basis points this month, while the 10-yr yield dropped 30 basis points this month. The U.S. Dollar Index advanced 0.6% to 97.27.

It should be noted, though, that the 2-yr yield was at 2.16% at its low, and the 10-yr yield was at 2.34% at its low this week. Once Treasuries cooled off in the back half of the week, equities tacked on a bulk of their gains.

The relatively low yields appear to be helping the U.S. housing market, which should offer a measure of support for the economy. Mortgage applications continued to increase, new home sales increased last month, and homebuilders KB Home (KBH) and Lennar (LEN) provided investors with an upbeat outlook for the sector.

In other key news, U.S. and China held “constructive” trade talks in Beijing; UK Prime Minister Theresa May’s Brexit deal was shut down for the third time; and Fed Governor Randal Quarles believes further rate hikes may

be necessary, as he remains optimistic about economic growth.

Separately, Uber Technologies (UBER), Centene (CNC), and Thermo Fisher (TMO) were some of the more notable companies that made sizable acquisitions this week. Lyft (LYFT), meanwhile, made its highly-anticipated market debut on Friday.

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