

Mixed Week on Wall Street as Continued Weakness in Health Care Curbs Earnings Enthusiasm

The S&P 500 declined 0.1% in this abbreviated trading week, as heavy selling in the health care sector (-4.4%) outweighed a round of generally positive earnings reports.



Overall price action was tame, though, which was reflective of a tired market after a massive rally this year. Despite the decline, the S&P 500 finished just above the 2900 level.

The Dow Jones Industrial Average increased 0.6%, and the Nasdaq Composite increased 0.2%. The Russell 2000 underperformed with a loss of 1.2%.

The first full week of the first quarter earnings-reporting season provided investors with a slew of earnings beats from widely-held companies. Most stocks reacted favorably, but the overall market response to the good news was muted, likely due to the sense that much of the good news had already been priced in.

Investors, meanwhile, continued to reduce exposure to the

beaten-up health care sector, which fell into negative territory for the year. The space remains under political pressure to curb rising health care costs, which is likely to continue throughout the 2020 presidential campaign trail. The sense that there would be an opportunity cost in remaining in the sector overshadowed positive earnings reports from UnitedHealth (UNH), Johnson & Johnson (JNJ), and Abbott Labs (ABT).

The semiconductor industry, though, continued to be an area of strength for the stock market. The Philadelphia Semiconductor Index rose 4.1%, and many of its components also contributed to the outperformance of the S&P 500 information technology sector (+1.3%).

The semiconductor space received a boost from news that Apple (AAPL) and Qualcomm (QCOM) settled their royalty dispute and agreed to a six-year licensing deal on Tuesday. Shares of Qualcomm surged 39.7% from Monday's closing price. Intel (INTC) followed up with a well-received announcement that it will drop out of the 5G smartphone modem business.

The S&P 500 industrials sector (+1.3%) outperformed alongside the tech sector following a batch of earnings beats. Some of those beats came from Union Pacific

(UNP), Honeywell (HON), Danaher (DHR), United Rentals (URI), and CSX Corp. (CSX).

U.S. Treasuries finished lower this week, pushing yields higher across the curve. The 2-yr yield increased four basis points to 2.38%, and the 10-yr yield increased six basis points to 2.56%. The U.S. Dollar Index increased 0.5% to 97.46. WTI crude increased 0.2% to \$64.03/bbl.

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