

Stocks fall in a week dominated by trade headlines

The S&P 500 lost 2.2% this week on U.S.-China trade uncertainty, although a major reversal on Friday helped pare losses. The Dow Jones Industrial Average lost 2.1%, the Nasdaq Composite lost 3.0%, and the Russell 2000 lost 2.5%.



All 11 S&P 500 sectors finished lower with the trade-sensitive information technology (-3.6%), materials (-2.8%), and industrial (-2.8%) sectors leading the retreat. The Philadelphia Semiconductor Index lost 5.9%.

The stock market entered the week near all-time highs before President Trump rattled global equity markets when he said he was going to increase the tariff rate on \$200 of Chinese imports to 25% from 10%, effective at the end of the week. Slow trade progress and China renegeing on its prior commitments prompted the President to take a hard-lined stance.

Beijing vowed retaliatory tariffs, but it still sent its chief negotiator, Vice Premier Liu He, to Washington to continue talks. Investors sought to de-risk from a richly-valued stock market, although each intraday low was met with

renewed buying interest.

The trade angst also sent U.S. Treasuries higher in a flight for safety and boosted the CBOE Volatility Index (VIX) to 23.38 at its high from Friday's closing level of 12.87. Both cooled down, though, as equities gained traction at the end of the week. The 2-yr yield declined eight basis points to 2.24%, and the 10-yr yield declined seven basis points to 2.46%. The VIX ended the week at 16.04.

President Trump's tariff hike went into effect Friday, and he said there was no need to rush a trade deal, which sent stocks to their lowest levels of the week. Positive-sounding trade rhetoric, however, from Treasury Secretary Steven Mnuchin and China's Vice Premier about the week's trade discussions helped stocks stage a recovery.

Nothing was set in terms of next steps, but the U.S. is reportedly giving China three to four more weeks to reach a trade deal. President Trump also said the tariffs may or may not be removed depending on the outcome but is prepared to levy 25% tariffs on an additional \$325 billion of Chinese imports.

In corporate news, Uber (UBER) made its highly-anticipated public debut on Friday, opening at \$42 per share. That was below its IPO price of \$45, which was already at the lower end of the \$44 to \$50 range. Chevron (CVX) decided to not provide a counteroffer to Occidental Petroleum's (OXY) revised proposal to acquire Anadarko Petroleum (APC).

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