

Investors Take Profits after Fed Decision, Resume Buying after Strong Jobs Data

The S&P 500 increased 0.2% this week, as a strong employment report helped the market rebound from a post-FOMC pullback. The Nasdaq Composite increased 0.2%, and Russell 2000 rose 1.4%. The Dow Jones Industrial Average declined 0.1%.



The Federal Open Market Committee left the fed funds rate unchanged at 2.25-2.50% on Wednesday. It also acknowledged that overall inflation and core inflation have declined and remained below its 2 percent target. Some market participants believed the Fed was setting the precedent for a rate cut should inflation continue to remain persistently below the Fed's target.

Fed Chair Powell, however, downplayed the need to address the muted inflation pressure with a change in policy, including a rate cut, since he thinks the recent deceleration in inflation is being caused by transitory factors.

The news provided an excuse to take some profits off the table after the S&P 500 and Nasdaq Composite set new closing, and intraday, records to begin the week.

Selling interest pulled the S&P 500 back to the 2900 level where it found some support. Buying conviction would return after the release of the April Employment Situation Report on Friday, sending stocks back to near record highs.

The S&P 500 health care (+1.3%), financials (+1.2%), and industrials (+1.1%) sectors outperformed the broader market. The energy sector (-3.3%) was the biggest drag on the market following a further decline in oil prices (\$61.93/bbl, -\$1.30, -2.1%). The communication services sector (-1.8%) was weighed down by shares of Alphabet (GOOG) after a revenue shortfall.

Once again, the employment report pointed to strong headline growth and subdued inflationary pressure stemming from rising wages. Nonfarm payrolls increased by 263,000 (Briefing.com consensus 200,000) while average hourly earnings were up just 0.2%, leaving them up 3.2% yr/yr and unchanged from the March report. The April report should support the Fed's case for staying on its current policy path.

In other corporate news, shares of Apple (AAPL) outperformed the broader market after pleasing

investors with its earnings results and guidance. Amazon (AMZN) also outperformed after Warren Buffett confirmed Berkshire Hathaway (BRK.B) has been buying shares of the company.

U.S. Treasuries retreated after Fed Chair Powell's press conference on Wednesday, driving yields higher. Before the press conference, the 2-yr yield hit 2.22% and the 10-yr yield hit 2.46%, but finished the week at 2.32% and 2.53%, respectively.

Past performance is not a guarantee of future results. Indices are unmanaged and one cannot invest directly in an index. Diversification does not guarantee investment returns and does not eliminate the risk of loss.

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. 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. 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. 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.

Park Avenue Securities LLC (PAS) is an indirect, wholly-owned subsidiary of The Guardian Life Insurance Company of America (Guardian). PAS is a registered broker/dealer offering competitive investment products, as well as a registered investment advisor offering financial planning and investment advisory services. PAS is a member of FINRA and SIPC.

Provided by Briefing.com