

Stocks lose ground but still finish month higher in front of G-20 meeting

The S&P 500 declined 0.3% this week, but still increased 6.9% this month to record its best June since 1955. Price action reflected some consolidation in front of the G-20 meeting between President Trump and President Xi after Friday's close.



The Dow Jones Industrial Average (-0.5%) and the Nasdaq Composite (-0.3%) trimmed their monthly gains to 7.2% and 7.4%, respectively. The small-cap Russell 2000 (+1.1%) played catch-up, increasing its monthly advance to 6.9%.

This week's laggards included the defensive-oriented S&P 500 real estate (-2.7%), utilities (-2.1%), health care (-1.2%), and consumer staples (-1.0%) sectors -- most of which had gotten richly valued ahead of end-of-the-quarter rebalancing. Outperformers included the materials (+1.5%) and financials (+1.5%) sectors. The Philadelphia Semiconductor Index climbed 3.4%, bolstered by better-than-feared guidance from Micron (MU).

There was no shortage of headlines and speculation leading up to the G-20 summit, which at the time of this

writing was still in progress. If the consensus view holds true, then more headlines and speculation should be expected. The market was expecting President Trump and President Xi to agree to continue talks and hold off on any additional tariffs, which would placate the market while it continues to assess monetary policy.

St. Louis Fed President James Bullard (FOMC voter) had the market re-calculating its rate-cut expectations this week after he said he didn't think it was necessary to cut the fed funds rate by 50 basis points. Instead, he favored a 25 basis points reduction. This stance from one of the Fed's most vocal doves, who was also the lone dissident in this month's FOMC meeting, tempered growing hopes for a 50 basis points cut next month.

It's still widely expected that the Fed will cut rates, though. Muted inflation pressure indicated in the Fed's preferred inflation gauge -- the PCE Price Index -- and weakening regional PMI readings were the latest data points to assure the market's thinking.

In key corporate news, Boeing (BA) disclosed that the FAA asked it to address a risk that its 737 software patch overlooked, pushing back Boeing's timeline for a

fix by another three months. AbbVie (ABBV) announced it will acquire Allergan (AGN) for about \$63 billion, or \$188.24 per share, in cash and stock.

U.S. Treasuries continued to advance, sending yields lower across the curve. The 2-yr yield declined ten basis points to 1.74%, and the 10-yr yield declined eight basis points to 2.00%. The U.S. Dollar Index was unchanged at 96.18. WTI crude advanced 1.8% to \$58.38/bbl amid bullish inventory data and lingering U.S.-Iran tensions.

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