

## Stock market posts its best week this year on expectations for the Fed to cut rates

The stock market had its best week in 2019, with the S&P 500 (+4.4%) and the Dow Jones Industrial Average (+4.7%) each rising over 4.0%, on expectations the Fed will cut rates to mitigate slowing growth. The Nasdaq Composite advanced 3.9%, and the Russell 2000 advanced 3.3%.



All 11 S&P 500 sectors finished higher with gains ranging from 0.9% (communication services) to 9.1% (materials).

Coming into the week, the S&P 500 was down 6.7% from its record close, and market participants had sensed that the market was due for a bounce from a short-term oversold condition. The rebound effort was put on hold, though, as regulatory concerns surrounding Facebook (FB), Apple (AAPL), Amazon (AMZN), and Alphabet (GOOG) sent these widely-held stocks reeling on Monday.

Heavy losses from these FAANG stocks barely put a dent in the broader market, though, before the market quickly latched onto the idea that the Fed will be forced to cut rates at least once this year. These stocks recouped most, if not all, of their losses from Monday this week.

Several Federal Reserve officials, including Fed Chair Powell, acknowledged concerns about trade tensions and persistently low inflation levels. Mr. Powell even said that the Fed will act as appropriate to sustain the economic expansion, which the market interpreted as a signal for looser monetary policy.

Deceleration in jobs growth and soft wage-based inflation in the Labor Department's Employment Situation Report for May bolstered these rate-cut expectations. The fed funds futures market sees a 85.6% implied likelihood of a rate cut at the July 30-31 FOMC meeting.

Nonfarm payrolls increased by just 75,000 (Briefing.com consensus 180,000), and average hourly earnings increased 0.2% (Briefing.com consensus 0.3%). Year-over-year, average hourly earnings were up 3.1% versus 3.2% in April.

Growing expectations for a rate cut sent the fed funds-sensitive 2-yr yield down ten basis points to 1.84%. The 10-yr yield declined six basis points to 2.08%. The U.S. Dollar Index fell 1.2% to 96.58. WTI crude increased 0.8% to \$53.92/bbl.

Separately, after President Trump surprised the market last week by announcing a 5% tariff rate on all imports from Mexico, the two sides reportedly made progress this week. Market participants hoped that the U.S. could delay the planned tariffs from going into effect on Monday.

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