

Stocks Snap Losing Streak, Trade Comments Inspire Rebound Rally

The S&P 500 rose 2.8% this week, snapping a four-week losing streak as the market turned more optimistic on trade dealings with China. The Dow Jones Industrial Average increased 3.0%, the Nasdaq Composite increased 2.7%, and the Russell 2000 increased 2.4%.



All 11 S&P 500 sectors finished higher with gains ranging from 1.8% (utilities) to 3.6% (industrials). Trade-sensitive areas like the Dow Jones Transportation Average (+4.0%) and Philadelphia Semiconductor Index (+4.1%) outperformed the broader market.

Prior to Monday's open, those results might have looked less probable. On Sunday, futures extended last Friday's sell-off after President Trump responded to Chinese retaliatory tariffs by increasing the tariff rates on \$525 billion of Chinese imports. That negative reaction was short-lived, however, after President Trump said China called top U.S. negotiators to express interest in restarting trade talks, which China denied multiple times.

The market, perhaps exhausted from the trade uncertainty, recessionary fears, and volatility, latched onto the president's remarks as an excuse to rebound. The week's trade-inspired rally grew some legs after China said it wasn't immediately looking to retaliate against the latest tariff increases and repeated its willingness to resolve their dispute through "calm" negotiations.

This reprieve in trade tensions, coupled with month-end rebalancing that tends to favor risk assets after a four-week losing streak, helped risk sentiment return to the market. From a technical standpoint, the S&P 500 remained bounded by its 50-day moving average (2945) as the benchmark index briefly challenged the key technical average before pulling back.

Economic data this week showed the U.S. consumer, whose spending accounts for approximately 70% of GDP, to remain in good standing. Personal spending increased better than expected in July, and consumer spending growth was upwardly revised for the second quarter. The trade dispute, however, contributed

to a downward revision to consumer sentiment for August, threatening to temper discretionary spending activity in the months ahead.

The U.S. Treasury market was more reserved this week, but yields still finished lower. The 2-yr yield declined three basis points to 1.50%, and the 10-yr yield declined two basis points to 1.51%. The U.S. Dollar Index advanced 1.2% to 98.81. WTI crude rose 1.7% to \$55.06/bbl.

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