

## Economic Data Leaves Wall Street Mixed In Volatile Start To Fourth Quarter

The S&P 500 declined 0.3% in a volatile week of trading. Several economic reports reawakened growth concerns and contributed to heavy selling, but the market was able to end the week on a positive note following decent employment data for September.



The Dow Jones Industrial Average lost 0.9%, and the Russell 2000 lost 1.3%. The Nasdaq Composite increased 0.5%.

Five S&P 500 sectors finished lower, while six finished higher. The energy (-3.8%), materials (-2.5%), industrials (-2.4%), and financials (-2.2%) sectors posted big losses, as did the Dow Jones Transportation Average (-3.0%). The information technology (+1.1%) and health care (+0.9%) sectors showed relative strength. The Philadelphia Semiconductor Index rose 2.0%.

This week's market-moving reports (in order of release) included the ISM Manufacturing Index, ISM Non-Manufacturing Index, and Employment Situation Report:

- The ISM Manufacturing Index for September declined to 47.8% (Briefing.com consensus 50.2%) from 49.1% in August for its worst reading since June 2009.
- The ISM Non-Manufacturing Index for September fell to 52.6% (Briefing.com consensus 55.4%) from 56.4% in August.
- September nonfarm payrolls increased by 136,000 (Briefing.com consensus 150,000) following upward revisions in August and July. The unemployment rate dropped to 3.5%, which is the lowest since December 1969. Average hourly earnings were flat (Briefing.com consensus +0.3%).

The continued weakness in the manufacturing sector forced investors to reassess earnings prospects and premium valuations, especially if the weakness tricked over into the consumer-oriented services sector. As suspected, and evidenced by the data, non-manufacturing activity did slow down, but the ensuing selling may have been too much, too soon.

At one point, the S&P 500 was down 4.1% in less than three sessions. An opportunistic mindset took hold, likely contributing to some short-covering activity, to help

the broader market bounce from a short-term oversold condition. The buy-the-dip momentum picked up after the employment report showed modest jobs growth, propelling the S&P 500 back above its 50-day moving average (2942) by week's end.

Apple (AAPL) had a great week. Apple shares rose 3.7% this week after JP Morgan raised its price target to \$265 from \$243 and the Nikkei Asian Review reported it asked its suppliers to increase iPhone 11 production by up to 10%.

Another noteworthy story included Charles Schwab (SCHW) eliminating commissions for stocks, ETFs, and options listed on U.S. or Canadian exchanges. E\*Trade (ETFC) and TD Ameritrade (AMTD) followed suit, and shares of all three companies posted huge losses this week.

U.S. Treasury yields continued to decline amid the growth concerns and growing expectations for the Fed to cut rates not only in October but also in December. The 2-yr yield fell 23 basis points to 1.39%, and the 10-yr yield fell 16 basis points to 1.52%. The U.S. Dollar Index declined 0.3% to 98.74. WTI crude dropped 5.6% to \$52.78/bbl, further pressured by rising inventory levels.

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