

Stocks End The Week Mostly Higher In Good Start To Earnings Season

The S&P 500 advanced 0.5% this week, as the first busy week of earnings reports for the third quarter was generally viewed as better than feared. The benchmark index outpaced the Nasdaq Composite (+0.4%) but fell behind the Russell 2000 (+1.6%).



The Dow Jones Industrial Average (-0.2%) gave up its weekly advance on Friday after shares of Johnson & Johnson (JNJ) and Boeing (BA) lost over 6% apiece on negative news.

Starting with the good news, seven of the 11 S&P 500 sectors finished in positive territory, with health care (+2.0%), real estate (+1.8%), and financials (+1.6%) advancing the most. The Dow Jones Transportation Average (+2.1%) stood out, too.

The financials sector was powered by upbeat earnings results from JPMorgan Chase (JPM), Bank of America (BAC), Wells Fargo (WFC), and Citigroup (C) among others. Positive reactions to results from United Airlines (UAL), J.B. Hunt Transport Services (JBHT), CSX (CSX), and KC Southern (KSU) accounted for the outperformance of the

transportation average.

The health care space not only benefited from an earnings-driven gain in UnitedHealth (UNH) but also by news that a \$50 billion package offered by five companies, including Johnson & Johnson, could settle the opioid lawsuits.

JNJ also beat earnings expectations but its subsequent drop on Friday followed news that it recalled 33,000 bottles of baby power for traces of asbestos. Boeing took a hit after Reuters reported that the company may have misled the FAA about the safety of its 737 MAX based on instant messages between two employees in 2016.

The energy sector (-1.7%) was this week's laggard, followed by information technology (-0.9%) amid a revenue miss from IBM (IBM) and possibly some de-risking efforts.

Economic data wasn't too positive this week, but it did help strengthen expectations for a Fed rate cut at the October FOMC meeting. Most notably, U.S. retail sales unexpectedly declined 0.3% in September (Briefing.com)

consensus +0.3%), and China's Q3 GDP (+6.0%) grew at its slowest year-over-year pace in 27+ years.

As for trade, reports indicated that China may struggle fulfilling its agreement to purchase \$50 billion of U.S. agricultural goods unless President Trump lifts retaliatory tariffs. Complicating the matter, China threatened unspecified countermeasures against the U.S. if it passes legislation that supports pro-democracy protesters in Hong Kong.

The U.S. Treasury market was more reserved this week, with investors perhaps waiting for Saturday's Brexit vote in Parliament. The 2-yr yield declined three basis points to 1.57%, the 10-yr yield was unchanged at 1.75%. The U.S. Dollar Index fell 1.1% to 97.26. WTI crude fell 1.8% (-\$0.99) to \$53.76/bbl.

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