

Cyclical Sectors Lead S&P 500 Back to Record Levels in Earnings-driven Advance

The S&P 500 advanced for the third straight week, rising 1.2% and nearly setting new record highs as investors remained generally pleased with earnings reports. The Dow Jones Industrial Average rose 0.7%, the Nasdaq Composite rose 1.9%, and the Russell 2000 rose 1.5%.



The value-oriented S&P 500 energy sector (+4.3%) was this week's outright leader, with oil prices (\$56.44, +2.68, +5.0%) climbing 5%. The information technology (+2.5%), industrials (+2.2%), and financials (+2.0%) sectors followed suit, while the real estate (-1.1%) and consumer discretionary (-0.8%) sectors were left behind.

Twelve of the 30 Dow components reported earnings this week. Positive reactions belonged to Procter & Gamble (PG), United Technologies (UTX), Caterpillar (CAT), Boeing (BA), Microsoft (MSFT), Dow Inc. (DOW), Visa (V), Intel (INTC). Conversely, McDonald's (MCD), 3M (MMM), Travelers (TRV), and Verizon (VZ) failed to stir much enthusiasm following their results.

Investors seemingly looked for positive signs, if any, for a reason to overlook the negative. A better-than-feared

outlook for the return of Boeing's 737 MAX helped investors overlook its earnings miss and prior analyst downgrades. Similarly, positive results and upbeat guidance from Lam Research (LRCX) and Intel (INTC) outweighed negative ones from Texas Instruments (TXN).

Caterpillar didn't even need a reason to rally soon after its disappointing results and guidance. Amazon (AMZN) missed profit estimates and provided a cautious outlook for the holiday quarter, but shares were able to recover nicely.

On Friday, after all earnings reports were released for the week, the benchmark index was less than one point from its intraday high (3027.98). The mood was helped by the USTR office saying it was close to finalizing some sections of a "Phase One" trade deal with China. The news sent an unchanged 10-yr yield up four basis points to 1.80% to end the week.

Tucked behind all the headlines was Apple (AAPL) quietly rising 4.3% as analysts continued to increase their price targets for the stock. Apple will report quarterly results next week.

Other story stocks this week included Biogen (BIIB) surprising investors by saying it will seek FDA approval for its Alzheimer's drug in 2020 after it had renounced the treatment in March. Tesla (TSLA) reporting a surprise profit. Nike (NKE) and Under Armour (UAA) announced on the same day that their CEOs will be stepping down from the helm next year.

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