

New Year Brings End to S&P 500's Five-Week Winning Streak

The stock market ended a stellar 2019 on a quiet note, started 2020 with a bang, then succumbed to some profit taking after a U.S. airstrike escalated tensions in the Middle East. By week's end, the S&P 500 declined 0.2%, the Dow Jones Industrial Average declined 0.04%, and the Russell 2000 declined 0.5%. The Nasdaq Composite, however, did increase 0.2%.



The positive, yet short-lived, catalyst this week was China announcing it will cut the reserve requirement ratio for small and large banks by 50 basis points on Jan. 6. The accommodative policy provides about \$115 billion in additional liquidity that can be lent out.

Stocks quickly gave back gains the following day on Friday after a U.S. airstrike in Iraq killed Iran's top military leader, General Qasem Soleimani, which prompted retaliatory threats from Iran. In addition, the release of the ISM Manufacturing Index for December, which fell to its lowest level since June 2009, dampened risk sentiment.

Given the gravitas of the Middle East situation, the disappointing manufacturing data, and how far the market's record run has come, investors did not overreact. Selling pressure was modest on the presumptions that

the geopolitical angst isn't something to get overly concerned about yet and that central bank easing will help the manufacturing sector overcome weakness.

Separately, President Trump said the Phase One trade deal will be signed at the White House on Jan. 15 and that he will later travel to Beijing for Phase Two talks. Market reaction was muted to the news, indicating it was already priced into the market.

U.S. Treasuries ended the week higher, as investors did assume some defensive positioning. The 2-yr yield fell seven basis points to 1.51%, and the 10-yr yield fell eight basis points to 1.79%. The U.S. Dollar Index finished flat at 96.90. WTI crude rose 2.1%, or \$1.29, to \$63.03/bbl.

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