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Bull Market Grows Legs as Participation Widens

Each of the large-cap indices rose more than 1.0% in this news-heavy week, with the S&P 500 (+1.4%), Dow Jones Industrial Average (+1.2%), and Nasdaq 100 (+1.4%) hitting new all-time highs. The Nasdaq Composite increased 1.1%, and the small-cap Russell 2000 increased 0.9%.



Gains were logged across ten of the 11 S&P 500 sectors, including the utilities (+3.7%), materials (+3.2%), and health care (+2.9%) sectors with the biggest gains. The communication services sector (-0.01%) was the lone holdout amid softness in its top-weighted components.

Briefly highlighting the key events, the big banks reported better-than-expected Q1 earnings reports and issued upbeat commentary, core CPI for March was muted on a year-over-year basis at 1.6%, retail sales surged 9.8% m/m in March (Briefing.com consensus +5.3%), Coinbase (COIN) became a public company, and federal agencies recommended a pause in Johnson & Johnson's (JNJ) vaccine.

There were a lot of narratives surrounding these events, but the takeaway for the market was that the good news was good, and the bad news wasn't bad enough to detract from the good news. To illustrate, the JNJ vaccine news was disappointing, but the alternatives are plentiful. Coinbase struggled after its open, signaling buyer exhaustion, but ARK Invest's Cathie Woods scooped up shares.

The market simply showed no quit and respected the bullish trend (particularly in the S&P 500) despite calls for a pullback/consolidation.

In the background, the Fed did what the Fed has done: make sure markets know that it will keep monetary policy accommodative, even as the economy and labor market continue to rebound. Fed Chair Powell added that once substantial progress on its employment and inflation goals has been reached, it will start to taper asset purchases well before it raises interest rates.

The one surprising thing from this week was that long-term interest rates accelerated their monthly downtrend despite strong economic data. The 10-yr yield declined ten basis points to 1.57%, including an 11-bps drop in one day, in a move fueled by short-covering activity.

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