

## Nasdaq Escapes with a Weekly Gain, its First in Five Weeks

This week featured a lot of churn and rotation between growth and value stocks, which made for a lackluster performance at the index level. The Nasdaq Composite (+0.3%) rose modestly, while the S&P 500 (-0.4%), Dow Jones Industrial Average (-0.5%), and Russell 2000 (-0.4%) ended with modest losses.



The market appeared to adhere to the “peak growth” narrative this week after April housing starts, April existing home sales, and the Philadelphia Fed Index for May all decelerated on a month-over-basis basis. To be fair, preliminary data out of the IHS did show manufacturing and service-sector activity accelerate in May.

Accordingly, the cyclical S&P 500 energy (-2.8%), industrials (-1.7%), financials (-0.9%), materials (-1.4%), and consumer discretionary (-1.2%) sectors declined the most this week. Aside from the consumer discretionary sector, each of these sectors are up double-digit percentages this year.

Conversely, investors leaned defensively on the health care (+0.7%), real estate (+0.9%), utilities

(+0.3%), consumer staples (+0.1%), and information technology (+0.1%) sectors. Granted, the outperformance of the tech sector was more likely a function of investors nibbling into beaten-down growth stocks.

The growth stocks helped the S&P 500 climb back above its 50-day moving average (4091) after it briefly dipped below the key technical level for the first time since March on Wednesday.

Separately, the FOMC Minutes from the April meeting revealed that some participants thought it might be appropriate to start talking about tapering asset purchases in future meetings if the economy continues to make rapid progress towards the Fed’s goals on employment and inflation.

The market didn’t react too noticeably to this passage, arguably due to a view that it might have been more surprising to see no mention of the need to start talking about tapering asset purchases.

The 10-yr yield decreased one basis point to

1.63%, representing a view that the Treasury market isn't that concerned about inflation and is siding with the Fed's view that inflation will be transitory.

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