

## S&P 500 and Nasdaq Kick Off the Summer with New Record Highs

Each of the major indices bounced back from last week's losses and rose more than 2.0% this week, showcasing that the buy-the-dip strategy was still alive and well. The S&P 500 (+2.7%) and Nasdaq Composite (+2.4%) set all-time intraday and closing record highs while the Dow Jones Industrial Average (+3.4%) and Russell 2000 (+4.3%) outperformed with strong gains.



All 11 S&P 500 sectors contributed to the record-setting advance, including the energy (+6.7%), financials (+5.3%), and industrials (+3.0%) sectors atop the sector standings after a trio of pitiful performances last week. The utilities sector (+0.7%) underperformed on a relative basis.

There were many developments this week that supported the bullish action:

- The S&P 500 reclaimed its 50-day moving average (4193) on Monday, which really set the tone for the rest of the week given that this key technical level has rewarded buyers over the past 14 months.
- Fed Chair Powell said on Tuesday the central bank isn't going to raise rates preemptively because there are fears of inflation and said he expects strong jobs growth in the fall.

- The White House unveiled a \$1.2 trillion "Bipartisan Infrastructure Framework" on Thursday that included \$579 billion in new spending.
- 23 large banks easily passed the Fed's latest stress test on Thursday, raising expectations for increased share buybacks and dividends.
- The FDA granted Breakthrough Therapy designation for Eli Lilly's (LLY) investigational antibody therapy for Alzheimer's disease. Nike (NKE) jumped 15% on Friday following its earnings report.

The stock market overlooked a weaker-than-expected new home sales report for May and grew patience for the labor market to improve and inflation rates to peak. The core-PCE Price Index for May rose 0.5% m/m (Briefing.com consensus 0.6%), leaving it up 3.4% yr/yr. Weekly initial jobless claims (411,000) stayed above 400,000 for the second straight week.

Elsewhere, the 10-yr yield rose nine basis points to 1.54% while the 2-yr yield increased one basis point to 0.27%. This curve-steepening activity provided additional fuel for the bank stocks.

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