

## Sloppy Week Ends in Record Highs

The S&P 500 (+0.4%), Dow Jones Industrial Average (+0.2%), and Nasdaq Composite (+0.4%) eked out small gains and ended the week in record territory. The small-cap Russell 2000 struggled this week and declined 1.1%.



The trading week was shortened to four days in observance for July 4th on Monday, so the week's action started on Tuesday when the S&P 500 snapped a streak of seven straight record closes. Reportedly, investors were worried about peak growth concerns due to a deceleration in the June ISM Non-Manufacturing Index and the spread of the Delta Covid variant.

The next day featured a mega-cap driven advance before the peak growth narrative again resurfaced as an excuse to do some selling on Thursday. The biggest source of angst was out of the Treasury market after the 10-yr yield traded as low as 1.25% in part due to short-covering activity since many people had been calling for yields to go up and not down.

To be fair, growth concerns seemed legitimate on Thursday after Japan extended its coronavirus state of emergency through Aug. 22 (barring spectators from the Olympics), and reports indicated the People's Bank of China (PBOC) could soon cut the required reserve ratio for banks due to slower growth expectations. The PBOC did just that by 50 bps on Friday.

Stocks and Treasury yields recovered a bit on Thursday and continued their rebound bids on Friday, with some attributing technical factors and a buy-the-dip mindset for the resilient price action. At the end of the sloppy week, the growth stocks stood atop the leaderboard while the cyclical stocks generally lagged.

The S&P 500 consumer discretionary (+1.5%) and real estate (+2.6%) sectors finished with strong gains and were the only sectors that rose more than 1.0%. Conversely, the energy (-3.4%), communication services (-0.4%), and financials (-0.6%) sectors were the only sectors that closed lower.

Interestingly, WTI futures briefly hit a six-year high above \$76 per barrel after OPEC+ was unable to agree to

further production increases. On a related note, the EIA reported its seventh-straight weekly inventory draw.

The 10-yr yield ended the week at 1.36%, or seven basis points below last Friday's settlement.

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