WEEK IN PERSPECTIVE

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Sellers Take Control in Shortened Week

The stock market had a tough four-day week, with the S&P 500 losing 1.7% and closing lower in each session as buyers appeared exhausted. The Dow Jones Industrial Average (-2.2%) and the Russell 2000 (-2.8%) both declined more than 2.0% while the Nasdaq Composite declined 1.6%.

All 11 S&P 500 sectors finished the week in negative territory, led lower by the real estate (-3.9%), health care (-2.7%), and industrials (-2.5%) sectors with losses over 2.0%. The top-weighted information technology sector declined 1.8%, while the consumer discretionary sector (-0.3%) outperformed on a relative basis.

No one event dragged the market lower. Instead, it was a confluence of negative-sounding news that pressured risk sentiment amid speculation for a larger pullback.

On the macro-related front:

- Goldman Sachs reduced its Q4 and 2021 GDP forecasts
- The enhanced unemployment benefits expired
- Axios reported that Senator Manchin (D-WV) would only support $1.5 trillion for any human infrastructure plan
- The ECB said it could start reducing its emergency asset purchases by a moderate pace
- Treasury Secretary Yellen warned about the economic consequences if lawmakers don't resolve the debt-ceiling issue
- Both the $24 bln 30-year bond and the $38 bln 10-yr note auctions saw decent demand, reflecting lingering growth concerns
- Cryptocurrencies sold off, remind some investors about reducing their risk exposure

On the corporate front:

- A court ruled that Apple (AAPL) must give developers the ability to create their own payment options
- Johnson & Johnson (JNJ), Merck (MRK), and Amgen (AMGN) were downgraded to Equal-Weight from Overweight at Morgan Stanley
- The airlines lowered their Q3 outlooks, as did Sherwin-Williams (SHW) because of raw material issues.

The 10-yr yield increased two basis points to 1.34% amid some hot PPI data for August and continued improvement in the weekly initial and continuing claims report.

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