

S&P 500 Closes Below 50-Day Moving Average Despite Good Data

The S&P 500 (-0.6%), Nasdaq Composite (-0.5%), and Dow Jones Industrial Average (-0.1%) ended the week with modest declines, while the small-cap Russell outperformed with a 0.4% gain. The latter turned positive amid quadruple witching-options expiration activity at the end of the week.



To start, let's recap the good economic data investors received this week:

- Total retail sales surprisingly increased 0.7% m/m in August (Briefing.com consensus -0.7%)
- Total CPI increased 0.3% m/m (Briefing.com consensus +0.4%), which was better than feared
- The September Philadelphia Fed Index was much better than expected with a reading of 30.7 (Briefing.com consensus 19.6)
- The September Empire State Manufacturing Survey was much better than expected with a reading of 34.3 (Briefing.com consensus 18.6)
- The 4-week moving average for both initial claims and continuing claims continued to decrease
- Industrial production data for August increased in-line with expectations, unlike in China where

it missed expectations

That's a lot of good news, but nine of the 11 S&P 500 sectors still closed lower. The materials (-3.2%), utilities (-3.1%), industrials (-1.6%), and communication services (-1.2%) sectors underperformed with 1-3% losses. The energy (+3.3%) and consumer discretionary (+0.5%) sectors closed higher.

The inference behind this discrepancy was that the market was wrestling with the peak growth narrative, which entails slower growth rates, especially when considering other negative-sounding factors.

In the corporate space, 3M (MMM), American Express (AXP), Comcast (CMCSA), PNC (PNC), and Timken (TKR) provided cautious-sounding business commentary. Apple (AAPL) didn't excite investors with its annual product event. Oracle (ORCL) provided underwhelming earnings news.

In addition, not only was there uncertainty about infrastructure and the debt ceiling, but there

were also growing problems in China. Beijing's regulatory crackdown persisted, a Chinese province entered lockdown because of a Covid outbreak, and reports discussed the possibility of Evergrande -- one of China's largest property developers -- defaulting on its debt.

There was one good rebound day this week, but sellers had a firm grip on the market, leaving the S&P 500 below its 50-day moving average (4436) on a closing basis. The Treasury market saw some selling interest, too, whether it was because of the decent economic data, cash-raising efforts, or technical factors. The 10-yr yield increased three basis points to 1.37%.

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