

## Tough Week for Stocks

Selling momentum returned to the stock market this week amid a host of concerns, including rising rates and valuations. The Nasdaq Composite fell 3.2%, the S&P 500 fell 2.2%, the Dow Jones Industrial Average fell 1.4%, and the Russell 5000 fell just 0.3%.



The Treasury market was a major source of discomfort, as the 10-yr yield hit 1.56% early in the week amid expectations for sustained inflation pressures and eventual Fed tapering. Considering the 10-yr yield flirted with 1.30% last week, this rate of change didn't sit well for the elevated valuations of the growth stocks.

Exacerbating the situation were continued uncertainty on the debt ceiling and infrastructure, deteriorating technical factors as the S&P 500 sliced through its 50-day moving average (4443), and ongoing supply chain disruptions as highlighted by several companies this week.

The week did end on a high note, as new money got put to work on the first day of October, but the damage was already done. The S&P 500 information

technology (-3.3%) and health care (-3.5%) sectors dropped more than 3.0%, while the energy sector (+5.8%) was the only group that closed higher -- and it rallied 6% amid higher energy prices.

Positive momentum in energy prices fed into the inflation narrative, as reports discussed fuel shortages in the UK and an energy crunch in China. WTI crude futures rose 2.5% to \$75.87/bbl. On a related note, Dollar Tree (DLTR) announced that it will start selling certain items for \$1.25 to \$1.50.

The Treasury market eventually calmed down, though, with the 10-yr yield settling at 1.47%, or one basis point above last Friday's settlement. There was some mixed economic data in the mix:

- Weekly initial claims were higher than expected at 362,000 (Briefing.com consensus 340,000)
- The September ISM Manufacturing Index was better than expected with a reading of 61.1% (Briefing.com consensus 59.5%), while China's September Manufacturing PMI entered contraction territory with a reading of 49.6.

- The core PCE Price Index was up 3.6% year-over-year in August -- a 30-year high
- The Conference Board's Consumer Confidence Index dropped to 109.3 in September (Briefing.com consensus 114.4) from 115.2 in August

Separately, Merck (MRK) announced positive data for its COVID-19 oral antiviral with immediate plans to seek emergency use authorization from the FDA. Merck also confirmed an acquisition of Acceleron Pharma (XLRN) for approximately \$11.5 billion, or \$180.00 per share, in cash.

In Fed news, Fed Chair Powell reiterated his view before the Senate Banking Committee that inflation pressures should remain elevated before moderating closer to the Fed's 2% longer-run goal. Boston Fed President Rosengren and Dallas Fed President Kaplan announced their retirements.

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