

Market Closes Out the Month at Record Highs

Each of the large-cap indices set intraday and closing record highs this week amid continued strength in the mega-cap stocks. The Nasdaq Composite rose 2.7%, almost matching the 2.9% gain in the Vanguard Mega Cap Growth ETF (MGK). The S&P 500 rose 1.3%, while the Dow Jones Industrial Average (+0.4%) and Russell 2000 (+0.3%) rose modestly.



Seven of the 11 S&P 500 sectors closed higher, led by communication services (+2.0%) and information technology (+2.0%) with 2% gains. The financials (-0.9%), energy (-0.8%), industrials (-0.3%), and utilities (-0.5%) sectors closed lower.

It was a big week for earnings, which included approximately one-third of the S&P 500 components and reports from Apple (AAPL), Microsoft (MSFT), Amazon.com (AMZN), Alphabet (GOOG), and Facebook (FB).

Most companies exceeded EPS estimates, but commentary was littered with supply chain issues and higher costs. One key takeaway was that companies experienced robust demand, which

provided them the opportunity to raise prices to offset inflationary pressures. Unfortunately, these supply chain issues are expected to persist in the fourth quarter.

These supply chain woes likely contributed to the underperformance of value stocks, evident by the 0.5% decline in the Russell 1000 Value Index this week. In addition, the Advance Q3 GDP report was weaker than expected, and Democrats continued to drag their feet on infrastructure after President Biden announced a framework for the \$1.75 trillion budget reconciliation bill.

Back to the mega-caps, Microsoft and Alphabet were the earnings winners this week with 7% weekly gains. Tesla (TSLA), though, was the biggest winner with a 22.5% gain that was jumpstarted by an agreement to sell 100,000 vehicles to Hertz Global (HTZZ). TSLA reached a \$1 trillion market capitalization.

Facebook made news not because of its earnings report but because it confirmed a name change to “Meta” and a ticker change to “MVR,” starting Dec. 1.

The Treasury market, meanwhile, was a bit of a mess throughout the week. The 2-yr yield finished two basis points higher at 0.49%, while the 10-yr yield dropped ten basis points to 1.56%.

The increase in the 2-yr yield reflected continued expectations for the Fed to hike rates sooner than forecasted due to inflation. In turn, fears that the economy could be further stymied by a policy mistake may have fueled the price action in longer-dated yields.

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