Week Ending 8/25/2023

WEEK IN **PERSPECTIVE**

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Nasdaq and S&P 500 break losing streak in week of gyrations

It was a generally good week for the mega-cap names and a relatively lackluster week for the broader market.

To wit: the market-cap weighted S&P 500 rose 0.8% this week while the Invesco S&P 500 Equal-Weight ETF, based on the S&P 500® Equal Weight Index, posted a fractional loss. The Russell 2000 was down 0.3% for the week and the S&P Midcap 400 Index was flat. The Nasdaq Composite gained 2.3% and the Dow Jones Industrial Average declined 0.4%.

With their gains this week, the S&P 500 and Nasdaq Composite broke a three-week losing streak.

There wasn't a lot of consistency in the trading action this week, which saw its share of gyrations in a week accented with light volume and big news items that included the July Existing Home Sales and New Home Sales reports, the preliminary Manufacturing and Services PMI readings for August, NVIDIA's earnings report, results from a large and diverse batch of retailers, and Fed Chair Powell's policy-oriented speech at the Jackson Hole Symposium.

In brief:

- Existing home sales were slightly weaker than expected, impeded yet again by limited supply and affordability pressures from high mortgage rates.

- New home sales were slightly stronger than expected, driven by sales of more moderately priced homes as higher building costs crimped the supply of lower-priced homes while higher mortgage rates contributed to affordability pressures across the spectrum.

- The preliminary Manufacturing and Services PMI readings showed a deceleration in activity from July and an ongoing contraction in the manufacturing sector.

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- NVIDIA delivered another blowout earnings report, replete with much stronger than expected guidance, yet the stock struggled to hold its gains after the report.

- The results from the retailers were a mixed bag but comments from Macy's about weakening consumer credit trends, and disappointing results and/or guidance from Dick's Sporting Goods, Dollar Tree Stores and Foot Locker that were attributed in part to inventory shrink (i.e., theft), overshadowed good news from other reporters.

- Fed Chair Powell stuck by the Fed's 2.0% inflation target; he reiterated that the process of getting inflation back down to 2.0% still has a long way to go; and he acknowledged that the Fed will raise rates again if it is appropriate. Nothing he hasn't said before. What he didn't say is that the Fed is thinking about cutting rates, yet that omission wasn't a surprise either.

The best-performing sectors this week were information technology (+2.6%), consumer discretionary (+1.1%), and communication services (+1.0%). The commonality is that they all have mega-cap stocks under their roof. The energy sector (-1.4%) was the biggest decliner this week with oil prices fading some on continued concerns about China's weakening economy.

That weakening prompted the PBOC to cut its one-year loan prime rate by 10 basis points to 3.45% on Monday and officials to urge financial institutions to assist in stabilizing the stock market. On a related note, Reuters reported Friday that China is planning to lower the duty on stock trading by 50%. China's Shanghai Composite declined 0.6% on Friday and lost 2.2% for the week.

Separately, the Treasury market had its own gyrations this week. The 2-yr note yield saw a trading range that spanned from 4.92% to 5.10%. It settled the week at 5.05%, up 14 basis points for the week. The 10-yr note yield saw a trading range that spanned from 4.18% to 4.35%. It settled the week at 4.24%, down one basis point for the week.

The U.S. Dollar Index was up 0.8% for the week to 104.19.

- Nasdaq Composite: +2.3% for the week / +29.8% YTD
- S&P 500: +0.8% for the week / +14.7% YTD
- Russell 2000: -0.3% for the week / +5.2% YTD
- S&P Midcap 400: flat for the week / +6.1% YTD
- Dow Jones Industrial Average: -0.4% for the week / +3.6% YTD