

Rates fall, stocks rise

It was a fairly strong week for stocks that results in decent gains for the major indices. Some softer price action at the end of the week was offset by sizable gains in the first half of the week.



Including last Friday, the major indices registered four consecutive winning sessions at Wednesday's close. This week's upside moves had the S&P 500 reclaim a position above its 50-day moving average.

Broad based gains reflected market participants' willingness to buy on weakness, aided by a big drop in market rates. Overall, there just wasn't a lot of conviction on the part of sellers. Many of this week's sessions featured below-average, which is not out of the ordinary for the last week of August ahead of Labor Day weekend.

Mega cap stocks took charge, benefitting from the drop in market rates.

The 2-yr note yield fell 17 basis points this week to 4.88% and the 10-yr note yield fell seven to 4.17%. Those moves were in response to a batch of economic data that wasn't too bad, but wasn't too good either. Slightly weaker than expected economic reports were a good thing in the market's eyes as it relates to Fed policy. That is to say, market participants have been waiting for data to corroborate the notion that the Fed won't raise rates again.

The economic calendar this week featured the August Consumer Confidence Index, July JOLTS - Job Openings Report, the second estimate for Q2 GDP, July Personal Income and Spending, the August ISM Manufacturing Index, and the August Employment Situation Report.

A big move in oil prices was lurking under the radar this week. WTI crude oil futures jumped 2.3% on Friday, which brought this week's percentage gain to 7.8%, to \$85.55/bbl. That move in oil prices underpinned strength in the S&P 500 energy sector, up 3.8% this week, but also raised eyebrows as it relates to inflation staying persistently high.

Aside from energy, the information technology (+4.4%), consumer discretionary (+3.0%), and communication services (+3.5%) sectors saw the largest gains. The countercyclical utilities (-1.7%) and consumer staples (-0.3%) sectors were the lone holdouts to close with a loss this week.

On the earnings front, Dow component Salesforce was a standout winner following its quarterly results and guidance. Retailers Dollar General and Five Below sank after reporting quarterly results that featured below-consensus guidance while Best Buy and lululemon athletica jumped after their earnings report.

- Nasdaq Composite: +3.3% for the week / +35.1% YTD
- S&P 500: +2.5% for the week / +17.6% YTD
- S&P Midcap 400: +3.5% for the week / +9.9% YTD
- Russell 2000: +3.6% for the week / +9.1% YTD
- Dow Jones Industrial Average: +1.4% for the week / +5.1% YTD

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