

Friday's retreat leaves market with modest losses

The Dow Jones Industrial Average eked out a slim gain this week while the S&P 500 and Nasdaq saw modest declines.



The beginning of the week was quiet in terms of market-moving events and somewhat light on participation. The second half of the week featured plenty of market-moving events, capped off with a quarterly options and futures expiration day on Friday. Downside moves had the S&P 500 and Nasdaq close below their 50-day moving averages.

The major indices had been on track for a winning week until Friday's retreat. Despite a lower finish at the index level, eight of the 11 S&P 500 sectors closed with a gain. Information technology, which is the most heavily weighted sector, declined 2.2%.

Apple was a top laggard from the info tech sector, dropping 1.8% this week amid reports of ongoing scrutiny in China and following its product event that featured the introduction of the iPhone 15. Adobe was another weak component, dropping 5.6% following its underwhelming fiscal Q4 guidance.

Weak semiconductor constituents also contributed to the sector's underperformance. That weakness followed Arm's successful IPO on Thursday and a Reuters report that Taiwan Semiconductor Manufacturing Co. is delaying chip equipment shipments. The PHLX Semiconductor Index fell 2.5%.

Netflix, which is among the top performers this year, tumbled 10.4% this week after its disclosure that the ad business is not material yet to its overall revenue.

The collective weight of large cap losses weighed heavily on index performance.

There were some other corporate news items that drove selling activity, including Spirit Airlines, Frontier Group, Delta Air Lines, and

American Airlines all warning about their Q3 outlooks partially due to rising fuel costs.

Additionally, the United Auto Workers launched targeted strikes at three manufacturing plants (one for each of the Big Three) after being unable to reach a deal on a new contract with the automakers. Ford, Stellantis, and General Motors still closed with gains of 2.5%, 5.6%, and 3.0%, respectively, this week.

Market participants also digested a slate of economic releases. Chief among them was the August Consumer Price Index report. Briefly, total CPI was up a robust 0.6%, as expected, and core-CPI, which excludes food and energy, was up 0.3% (Briefing.com consensus 0.2%). That left total CPI up 3.7% year-over-year, versus 3.2% in July, and core CPI up 4.3% year-over-year, versus 4.7% in July.

The key takeaway from the report is that core inflation, which is what the Fed monitors more closely, showed ongoing improvement on a year-over-year basis; however, it is still well above the Fed's 2.0% target, reflecting a sticky quality that probably won't compel the Fed to raise rates further at this point, but which will certainly keep the Fed in a "higher for longer" mindset.

Treasuries handled this week's inflation data reasonably well, which was supportive of stocks. Yields drifted higher, but moves weren't panicky. The 2-yr note yield rose seven basis points this week to 5.04%. The 10-yr note yield rose seven basis points this week to 4.33%.

Rising oil prices remained top of mind this week. WTI crude oil futures jumped 4.2% to \$91.00/bbl.

As a reminder, the Fed meets next week with a policy decision announcement at 2:00 p.m. ET on Wednesday. Market participants are not expecting a rate hike and will be more focused on the updated Summary of Economic Projections and the tone that Fed Chair Powell takes at his press conference.

- Nasdaq Composite: -0.4% for the week / +31.0% YTD
- S&P 500: -0.2% for the week / +15.9% YTD
- S&P Midcap 400: -0.3% for the week / +5.6% YTD
- Russell 2000: -0.2% for the week / +4.9% YTD
- Dow Jones Industrial Average: +0.1% for the week / +4.4% YTD

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