

Apple, oil, and market rates drive index losses

The stock market registered broad-based losses on this holiday-shortened week.



The price action in stocks was largely dictated by moves in Apple, market rates, and oil. Some sessions this week featured below-average volume as participants remained in vacation mode after Labor Day weekend.

Apple declined 6.0% this week following reports that Chinese officials are being prohibited from using Apple devices. Semiconductor stocks also sold off in sympathy. The PHLX Semiconductor Index fell 3.2%.

The news goes beyond Apple and the semiconductor stocks, however. The worry for the market is that, if China purposely chooses to make business difficult for a company like Apple, which has a good and important working

relationship in China, then it can do so for a lot of other U.S. companies doing business in China.

The sharp increase in oil prices prompted worries about inflation expectations and consumer spending pressures. That understanding contributed to this week's stock sell off. WTI crude oil futures jumped \$1.92, or 2.2%, to \$87.47/bbl. That move follows news that Saudi Arabia and Russia are planning to extend their voluntary oil production cuts of 1 million barrels per day and 300,000 barrels per day, respectively, through the end of 2023.

Treasury yields climbed this week as market participants reacted to a slate of economic data. The 2-yr note yield rose nine basis points to 4.97% and the 10-yr note yield rose nine basis points to 4.26%.

The ISM Services PMI showed that services sector activity accelerated in August but prices also increased at a faster pace. The latter will be a concerning development presumably for the Fed, which will be contemplating the notion of rates needing to stay higher for longer.

Initial jobless claims for the week ending September 2 were just 216,000 -- the lowest since February -- and that Q2 productivity was revised lower (to 3.5% from 3.7%) while unit labor costs were revised higher (to 2.2% from 1.6%).

Only two of the S&P 500 sectors logged a gain -- energy (+1.4%) and utilities (+0.3%) -- while the industrials (-2.9%), information technology (-2.3%), and materials (-2.5%) sectors all declined more than 2.0%.

- Nasdaq Composite: -1.9% for the week / +31.5% YTD
- S&P 500: -1.3% for the week / +16.1% YTD
- S&P Midcap 400: -3.6% for the week / +5.9% YTD
- Russell 2000: -3.6% for the week / +5.1% YTD
- Dow Jones Industrial Average: -0.8% for the week / +4.3% YTD

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