

## S&P 500 closes the week below key technical level

It was a tough week for stocks. At the start of the week, the S&P 500 slipped below its 200-day moving average.



By the end of the week, the S&P 500 settled 10.3% lower than the July 31 closing high (i.e. a technical correction) and tested support near the 4,100 level.

Many stocks participated in a broad retreat. Only one of the 11 S&P 500 sectors logged a gain -- utilities (+1.2%) -- while the communication services (-6.3%) and energy (-6.2%) sectors saw the largest declines.

Weakness in the communication services sector was driven by Alphabet, which logged a 9.8% decline on the week after an earnings report that contained some relatively disappointing growth for its cloud business, and Meta Platforms, which fell 3.9% following its earnings report.

Microsoft and Amazon.com were met with positive reactions after reporting quarterly results.

Participants were also digesting a slate of mostly better-than-expected earnings results from blue chip names. Verizon, Coca-Cola, Dow, RTX, General Electric, and 3M were among the standouts in that respect.

Geopolitical angst contributed to the overall negative bias throughout the week, but tensions peaked on Friday following reports that the US carried out airstrikes against Iranian backed targets in Syria. Separate reports indicated that Israel is expanding ground operations in Gaza. Participants learned about those developments right before the weekend when market's are closed for trading and investors can't react in real-time.

There was a heavy news flow this week in addition to the aforementioned headlines and earnings news. The headlines included Ford and the UAW reaching a tentative agreement, the ECB leaving its corridor of key interest rates unchanged following ten consecutive rate increases, and a batch of economic data.

The economic calendar was highlighted by a whopping 4.9% real GDP growth in the third quarter and a September Personal Income and Spending report that failed to show a strong trend of disinflation. Those reports reflect ongoing strength in the economy and inflation that looks somewhat sticky, which is not likely to persuade the Fed to cut rates anytime soon.

Treasuries were better behaved this week, but that did not help stocks much. The 2-yr note yield declined six basis points to 5.03% and the 10-yr note yield fell seven basis points to 4.85%.

In other news, Rep. Mike Johnson (R-LA) was elected Speaker of the House after receiving unanimous Republican support.

- Nasdaq Composite: -2.6% for the week / +20.8% YTD
- S&P 500: -2.5% for the week / +7.2% YTD
- Dow Jones Industrial Average: -2.1% for the week / -2.2% YTD
- S&P Midcap 400: -2.6% for the week / -4.3% YTD
- Russell 2000: -2.8% for the week / -7.1% YTD

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