

Rate cut enthusiasm drives strong gains

The stock market had a strong showing this week, which drove the three major indices to fresh record highs.



The S&P 500 for its part closed above 5,200 for the first time with a 2.3% gain this week. The Nasdaq Composite jumped 2.9% and the Dow Jones Industrial Average gained 2.0%.

The gains were largely in response to the FOMC policy announcement. The committee voted unanimously to leave the target range for the fed funds rate unchanged at 5.25-5.50%. This was expected and was not the reason for increased buying activity.

Buying increased due to the closely-watched dot plot, which is included in the updated Summary of Economic Projections (SEP), showing that the Fed still anticipates three rate cuts this year despite recent inflation readings coming in hotter

than expected.

Fed Chair Powell's press conference following the FOMC policy announcement didn't deter the influx of buying. He largely reiterated prior comments, indicating that the Fed needs more evidence that inflation is moving toward the 2% target before cutting rates. Mr. Powell also said that it will be appropriate to slow the pace of asset runoff fairly soon.

Rate cut expectations moved up this week, contributing to the positive bias in the stock market. The implied likelihood of a June cut rose to 75.4% from 58.8% last week, according to the CME FedWatch Tool.

The price action in Treasuries also contributed to the positive bias in the stock market. The 2-yr note yield declined 12 basis point to 4.60% and the 10-yr note yield fell eight basis points to 4.22%.

Mega cap stocks had an outsized impact on index gains.

Only one of the S&P 500 sectors logged a decline -- real estate (-0.4%) -- while the communication services (+4.8%), industrials (+2.9%), information technology (+2.9%), and consumer discretionary (+2.8%) sectors saw the largest gains.

- S&P 500: +2.3% for the week / +9.7% YTD
- Nasdaq Composite: +2.9% for the week / +9.4% YTD
- S&P Midcap 400: +2.3% for the week / +7.5% YTD
- Dow Jones Industrial Average: +2.0% for the week / +4.7% YTD
- Russell 2000: +1.6% for the week / +2.2% YTD

Past performance is not a guarantee of future results. Indices are unmanaged and one cannot invest directly in an index. Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Data and rates used were indicative of market conditions as of the date shown and compiled by Briefing.com. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Each company's security affects the index in proportion to its market value. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Park Avenue Securities LLC (PAS) is a wholly owned subsidiary of The Guardian Life Insurance Company of America (Guardian). PAS is a registered broker/dealer offering competitive investment products, as well as a registered investment advisor offering financial planning and investment advisory services. PAS is a member of FINRA and SIPC.

Provided by Briefing.com.