

## Busy week brings mixed price action

It was a busy week in terms of market-moving events and price action at the index level.



This buying left the Nasdaq Composite at a fresh all-time high by the end of the week. It was the last major index to reach a new record high in the uptrend that brought the S&P 500 and Dow Jones Industrial Average to new all-time closing highs earlier this year.

Market participants received earnings results from retailers like Target (TGT) and Costco (COST), and earnings from Broadcom (AVGO). The economic calendar was headlined by the February ISM Non-Manufacturing Index on Tuesday and February Jobs Report on Friday.

Also, Fed Chair Powell delivered his semiannual monetary policy testimony before Congress on Wednesday and Thursday, but this did not move

the market as much as some aforementioned events and general consolidation activity. Mr. Powell reiterated the Fed's view that there is no rush to cut rates, but that it will likely be appropriate to cut rates later this year if the economy evolves as expected. There was also some positive buzz this week around the potential for the ECB to cut rates later this year like the Fed is expected to.

This week's economic data largely corroborated the market's thinking about rate cuts, and about a soft landing scenario for the market. The ISM Non-Manufacturing Index showed that business activity and order growth improved in February, but the Employment Index fell below 50.0%, indicating a contraction for the second time in the past three months.

The February jobs report showed nonfarm payrolls increased by a better-than-expected 217,000 following a downwardly revised 229,000 increase in January, the unemployment rate rose to 3.9% from 3.7%, and average hourly earnings growth was smaller than expected at 0.1% month-over-month.

A large driving factor for price action this week was general consolidation activity after a big run that had the major indices, and many individual stocks, sitting at all-time highs. Mega cap stocks and semiconductor-related shares, which led market gains on the way up, experienced profit-taking activity this week. The Vanguard Mega Cap Growth ETF (MGK) declined 1.5% versus a 0.3% decline the market-cap weighted S&P 500.

The broader market, aside from mega caps and semiconductor shares, enjoyed some buy-the-dip action in the latter part of the week.

Only three S&P 500 sectors logged declines, reflecting the underperformance of tech stocks and mega caps. The consumer discretionary sector logged the largest loss, down 2.6%, followed by information technology (-1.1%) and communication services (-0.7%). Meanwhile, the utilities (+3.2%), materials (+1.6%), real estate (+1.5%), and energy (+1.2%) sectors all registered decent gains this week.

Treasuries settled the week with gains, digesting the economic data and rate cut implications from Fed Chair Powell's testimony. The 2-yr note yield declined four basis points this week to 4.49%. The 10-yr note yield declined nine basis points this week to 4.09%.

- S&P 500: -0.3% for the week / +7.4% YTD
- Nasdaq Composite: -1.2% for the week / +7.2% YTD
- S&P Midcap 400: +1.4% for the week / +6.1% YTD
- Dow Jones Industrial Average: -0.9% for the week / +2.7% YTD
- Russell 2000: +0.3% for the week / +2.7% YTD

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