

Spotlight seized by stimulus news from China

The market's attention was largely focused on China during the past week.



The country's officials announced a raft of measures aimed at boosting consumption, property demand, and stock market liquidity. The People's Bank of China lowered its reserve requirement ratio, the repurchase rate, the medium-term lending facility rate, and hinted at a potential cut to the loan prime rate. A flood of fiscal spending was also announced with upcoming bond issuance expected to reach roughly half of the amount spent to counter the Great Financial Crisis.

Chinese equities soared in response with the Shanghai Composite and Hong Kong's Hang Seng jumping 13.0% for the week while risk assets in Europe and the U.S. also showed strength, though ongoing pressure on the price of crude kept growth concerns at the back of the market's mind.

There was also renewed strength in semiconductor names after Micron (MU) beat quarterly expectations and issued strong guidance. The stock rallied to a two-month high, taking the PHLX Semiconductor Index for the ride (+4.3% for the week).

Longer-dated Treasuries ended the week with slight losses while the 2-yr note eked out a gain as rate cut expectations increased. At the end of the week, the fed funds futures market was pointing to a 54.8% implied likelihood of another 50-basis point cut in November, up from 50.4% a week ago.

- Nasdaq Composite: +1.0% for the week / +20.7% YTD
- S&P 500: +0.6% for the week / +20.3% YTD
- S&P Midcap 400: +0.5% for the week / +12.1% YTD
- Dow Jones Industrial Average: +0.6% for the week / +12.2% YTD
- Russell 2000: -0.1% for the week / +9.7% YTD

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