

## S&P 500 exits correction territory in winning week

The stock market had a strong showing this week.



The S&P 500 (+4.6%) exited correction territory, rising 10.9% from its low close in April 8 (4,982.77). The Nasdaq Composite jumped 6.7% this week and the Dow Jones Industrial Average registered a 2.5% gain.

Things started relatively weak as stocks dropped on Monday in response to chatter that President Trump and his team are looking into whether the president can remove Fed Chair Powell, which fostered concerns about attacks on the Fed's independence. Also, China warned of retaliation against countries that curtail their trade with China because of U.S. pressure in trade negotiations.

The mood shifted later in the week when President Trump declared that he has no intention of firing Fed Chair Powell. He also indicated he won't play hardball with China in any negotiations and that China's tariff rate will

come down substantially (but not to zero) if a deal can be reached

The upside bias was aided by short-covering activity and contrarian-minded buying interest driven by reports of a pervasive bearish mindset. Outsized gains in the mega cap space contributed to the overall performance. The Vanguard Mega Cap Growth ETF jumped 7.4%.

The outperformance of the mega caps was also reflected in S&P 500 sector performance. The technology sector bounced 7.9%, the consumer discretionary sector surged 7.4%, and the communication services sector rose 6.4%.

The huge batch of earnings news this week was headlined by a few mega caps. Tesla saw an 18.1% increase after a dour Q1 earnings report that was tempered by Elon Musk indicating he will be curtailing his DOGE work. Alphabet shares jumped 6.8% after reporting earnings.

This week also featured pleasing price action in the Treasury market, providing added support to equities. The 10-yr yield was six basis points lower than last week at 4.27% and the 2-yr yield was four basis points lower than last week at 3.76%.

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