

Mega-cap names lead “buy the dip” advance

The equity market regained its footing this week, lifted by a persistent “buy the dip” mentality, resilient earnings sentiment, and renewed leadership from mega-cap stocks.



After last week’s pullback, the S&P 500 rose 2.4% to finish just shy of a new all-time closing high, while the Nasdaq Composite surged 3.9% to notch a new record. The Dow Jones Industrial Average added 1.4%, the Russell 2000 rose 2.4%, and the S&P Midcap 400 advanced 0.6%.

Strong gains in Apple (+8.4% week-to-date), which announced a \$100 billion increase in U.S. manufacturing investment, were a major driver of index-level strength. Mega-cap momentum was evident across the board. The market-weighted S&P 500 (+2.4%) far outpaced the equal-weighted S&P 500, which rose just 0.8%, underscoring the narrow leadership of the rally.

Most S&P 500 sectors participated in the rebound. The information technology sector led with a 4.3% gain, followed by the consumer discretionary (+3.8%), communication services (+3.3%), consumer staples (+3.1%), and materials (+2.4%) sectors. The financial sector rose 0.7%, and utilities added 0.4%. Real estate (-0.1%), energy (-1.0%), and health care (-0.8%) were the only sectors to post losses.

The PHLX Semiconductor Index increased a modest 0.8%

despite early-week excitement following President Trump’s announcement that chipmakers committed to domestic production would be exempt from upcoming 100% tariffs. NVIDIA hit a new record high, while enthusiasm around domestic tech investment helped offset weakness in several names following mixed earnings results.

Treasury yields rose modestly this week, giving back some of their post-nonfarms payrolls report gains. The 2-year yield increased six basis points to 3.76%, and the 10-year yield rose seven basis points to 4.29%. St. Louis Fed President Musalem, a current FOMC voter, said inflation pressures may persist due to tariffs and that it appears appropriate for the Fed to maintain its current policy rate, though he added he remains open-minded.

There were notable developments regarding President Trump’s anticipated Federal Reserve Board nominations this week.

Reports indicated that Fed Governor Christopher Waller is emerging as a top candidate for Fed Chair, though no official announcement has been made. President Trump also appointed Dr. Stephen Miran to fill the recently vacated Fed Board seat of Adriana Kugler temporarily through January 31, 2026, while the search for a permanent replacement continues.

Additionally, reports surfaced that James Bullard, former St. Louis Fed president, and Marc Summerlin, a former economic adviser under the Bush administration, have been added to the shortlist for Fed Chair consideration alongside Kevin Hassett, Waller, and former Fed Governor Kevin Warsh. Treasury Secretary Bessent has reportedly withdrawn his name from consideration.

These moves underscore ongoing uncertainty about the Fed's leadership direction amid a complex economic environment shaped by tariffs and inflation concerns.

While the week lacked major macro catalysts, the market digested a steady flow of earnings and trade headlines, including the rollout of higher tariff rates on several key trading partners and a tentative summit scheduled between President Trump and President Putin. Reports that U.S. Customs may begin imposing a 39% tariff on certain gold bars briefly unsettled markets, though the White House later clarified that standard bullion would be exempt.

Altogether, this week marked a clear return to risk-on sentiment, driven primarily by mega-cap tech and resilient consumer demand. Still, the widening gap between market-weighted and equal-weighted performance points to a rally that remains heavily dependent on a handful of names.

- Nasdaq Composite +3.9% for the week/ +11.0% YTD
- S&P 500 +2.4% for the week / +8.6% YTD
- Russell 2000: +2.4% for the week/ -0.5% YTD
- DJIA: +1.4% for the week/ +3.8% YTD
- S&P Mid Cap 400 +0.6% for the week/ +0.1% YTD

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