

Mega-cap rebound and macro crosscurrents lift stocks

Stocks finished higher in a holiday-shortened week, with the S&P 500 (+1.1%) and Nasdaq Composite (+1.5%) outpacing the DJIA (+0.3%).



Importantly, the S&P 500 closed above its 50-day moving average on Friday and the Nasdaq Composite snapped a five-week losing streak.

Mid- and small-cap stocks also participated, with the S&P Mid Cap 400 (+1.2%) and Russell 2000 (+0.7%) posting solid gains, highlighting broad-based buying amid ongoing rotation. Several mega-cap technology and communication services names, which had slipped in recent weeks following earnings-related weakness, garnered renewed buying interest, helping lift indexes and ETFs.

Corporate earnings and guidance remained central to market action, driving notable moves across multiple sectors and individual stocks throughout the week. Cyclical sectors including industrials (+1.7%), financials

(+1.6%), and energy (+1.7%) contributed meaningfully to the advance, while defensives such as consumer staples (-2.3%) and health care (-0.6%) underperformed, giving back some of their strong gains from previous weeks.

Economic releases underscored a mixed backdrop. Advance fourth-quarter GDP came in at 1.4% versus the Briefing.com consensus of 3.0% (prior 4.4%), while the Q4 Chain Deflator was 3.6% (Briefing.com consensus 3.3%; prior 3.8%), confirming that inflation remains above the Fed's comfort level even as growth slows. December personal income rose 0.3% (Briefing.com consensus 0.3%; prior revised 0.4%), and personal spending increased 0.4% (Briefing.com consensus 0.2%; prior revised 0.4%), while the December PCE Price Index came in at 0.4% (Briefing.com consensus 0.3%; prior 0.2%), with the core reading also 0.4% (Briefing.com consensus 0.4%; prior 0.2%). The data collectively suggested that the economy continues to expand at a moderate pace, but elevated inflation keeps near-term rate-cut expectations in check.

Geopolitical and policy developments added further complexity.

Oil experienced a volatile week amid escalating tensions between the U.S. and Iran, while Friday's Supreme Court ruling on tariffs briefly unsettled trade-sensitive sectors and contributed to short-term market swings. These events, together with earnings-driven moves, created a dynamic week of headline-driven rotation across sectors and individual names.

Overall, the market demonstrated resilience, with mega-cap technology and communication services seeing a technical rebound, mid- and small-cap stocks participating broadly, and cyclical sectors contributing to gains. Defensive areas lagged, reflecting selective positioning amid a mix of macro, policy, and geopolitical developments, setting the stage for continued focus on earnings, inflation, and international risks in the weeks ahead.

- Nasdaq Composite: +1.5% week-to-date
- S&P Mid Cap 400: +1.2% week-to-date
- S&P 500: +1.1% week-to-date
- Russell 2000: +0.7% week-to-date
- DJIA: +0.3% week-to-date

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