

Weekly Wrap

Week in Review: Fed Leans More Dovish, U.S. Treasury Yields Drop, Growth Concerns Grow

The S&P 500 lost 0.8% this week in a tale of two trading narratives. The first narrative lifted the S&P 500 to a new 2019 high on the notion that low U.S. Treasury yields and a dovish Fed were a boon for risk assets. However, the week's gains were wiped out on Friday amid renewed worries that the market continues to get ahead of itself in pricing in a better economic outlook than what economic data indicate.

The Dow Jones Industrial Average lost 1.3%, and the Nasdaq Composite lost 0.6%. The Russell 2000 underperformed with a steep loss of 3.1%

The S&P 500 financial sector (-4.9%) was the week's outright laggard, pressured by concerns that the compression in spreads will lead to weak net interest margins for lenders. Conversely, the consumer discretionary (+1.2%), real estate (+0.9%), and consumer staples (+0.7%) sectors outperformed.

On Wednesday, the Federal Open Market Committee left the target range for the fed funds rate unchanged at 2.25-2.50%; signaled that it does not expect any rate hikes now in 2019 versus two rate hikes expected at the time of the December 2018 meeting; and said it will begin tapering its balance sheet runoff in May with an end date of Sept. 30.

The Fed's pivot to an even more dovish mindset made it clear that the market doesn't have to fear the Fed like it did in the fourth quarter. At the same time, however, some viewed the pivot as a dim outlook for economic growth that won't translate well for earnings growth.

Nevertheless, the indication for no rate hikes in 2019 (and only one in 2020) sent U.S. Treasury yields noticeably lower across the curve, which was further accentuated by growth concerns.

The 2-yr yield dropped 12 basis points to 2.32%, and the 10-yr yield dropped 13 basis points to 2.46%. The U.S. Dollar Index increased 0.1% to 96.65. WTI crude increased 0.8% to \$59.01/bbl.

Growth concerns were reinforced by an earnings warning from **FedEx** (FDX), disappointing manufacturing data out of Europe, and declining exports out of Japan and South Korea. FedEx called attention to slowing international macroeconomic conditions and weaker global trade growth trends. **Nike** (NKE) didn't help ease concerns after reporting underwhelming growth in North American sales.

In other macro developments, China confirmed trade negotiations with the U.S. will continue in Beijing next week and in Washington in early April. EU leaders have offered to delay the Brexit date until May 22 if British lawmakers approve Prime Minister Theresa May's deal next week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	25848.87	25502.32	-346.55	-1.3	9.3
Nasdaq	7688.53	7642.67	-45.86	-0.6	15.2
S&P 500	2822.48	2800.71	-21.77	-0.8	11.7
Russell 2000	1553.54	1505.92	-47.62	-3.1	11.7

Copyright (C) 2019 Briefing.com

Related tickers: None

All News: All News

Weekly Wrap: Weekly Wrap

Rank : positive