

Weekly Wrap

Week in Review: Cyclical assets slide on trade uncertainty

The S&P 500 lost 1.2% this week, as trade and growth concerns sent investors fleeing from cyclical assets and seeking shelter in U.S. Treasuries and low-beta stocks.

The blue-chip Dow Jones Industrial Average lost 0.7%, the tech-laden Nasdaq Composite lost 2.3%, and the small-cap Russell 2000 lost 1.4%.

The S&P 500 information technology (-2.8%) and the Philadelphia Semiconductor Index (-6.4%) underperformed on efforts to de-risk amid concerns that China could retaliate against U.S. tech companies. The S&P 500 energy sector lost 3.4%, as oil prices (\$58.62/bbl, -\$4.11, -6.6%) had their worst week in 2019. Concerns about global growth and end-demand contributed to the weakness in oil.

On the other hand, the defensive-oriented health care (+1.2%), utilities (+1.7%), and real estate (+0.3%) sectors outperformed.

It was a bit of a messy week leading up to these results, although a bit of good news did help tame selling interest.

Summing up the bad:

- Several companies around the world reportedly began to suspend business or cut ties with China's Huawei Technologies.
- The U.S. is reportedly considering blacklisting several more Chinese firms after it put restrictions on Huawei last week.
- Trade rhetoric out of China grew more aggressive and nationalistic, while the U.S. reiterated that Huawei poses national security risks.
- Preliminary manufacturing data for the eurozone remained weak.

Summing up the good:

- The U.S. granted Huawei a 90-day reprieve to continue to work with U.S. companies to service existing networks and mobile devices.
- Both sides appeared committed in striking a trade deal. President Trump said a solution to the Huawei matter could be included in a final deal.
- The minutes from the Apr. 30-May 1 FOMC meeting indicated that interest rates will remain low.

The takeaway is that market appeared exhausted from the deluge of trade headlines that could swing from positive to negative on any given day. At the same time, the uncertainty in the outcome, and duration, of a trade dispute fed into concerns about economic growth and corporate earnings prospects.

U.S. Treasuries advanced in a flight for safety, driving yields lower in a curve-flattening trade. The 2-yr yield dropped eight basis points to 2.16%, and the 10-yr yield dropped 14 basis points to 2.32%. The U.S. Dollar Index declined 0.4% to 97.58.

Earnings reports were retail-heavy this week. **Home Depot (HD)**, **Target (TGT)**, **TJX Companies (TJX)**, **L Brands (LB)**, and **AutoZone (AZO)** advanced following their results. **Kohl's (KSS)**, **Lowe's (LOW)**, **Nordstrom (JWN)**, **Urban Outfitters (URBN)**, **Foot Locker (FL)**, and **Best Buy (BBY)** all dropped sharply following their results/guidance.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	25764.00	25585.69	-178.31	-0.7	9.7
Nasdaq	7816.28	7637.01	-179.27	-2.3	15.1
S&P 500	2859.53	2826.06	-33.47	-1.2	12.7
Russell 2000	1535.76	1513.63	-22.13	-1.4	12.2

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Rank : positive