

Weekly Wrap

Week in Review: Wall Street pulls back from record highs as earnings season kicks off

The major averages -- S&P 500 (-1.2%), Dow Jones Industrial Average (-0.7%), and Nasdaq Composite (-1.2%) -- began the week by eking out record closes, but the stock market ultimately looked uninspired during the first week of the second quarter earnings-reporting season. The Russell 2000 lost 1.4%.

Earnings reports came in mostly better than expected, including those from the big banks and **Microsoft (MSFT)**. Many of these stocks reacted positively to the good news, but the lack of positive price action in the market suggested that much of the good news may have already been priced in.

Shares of those companies that didn't at least meet expectations, however, like **Netflix (NFLX)** and **CSX Corp. (CSX)** were punished. Disappointing guidance from CSX rattled the Dow Jones Transportation Average (-0.3%), which fell 3.6% on Wednesday before earnings reports from **Union Pacific (UNP)** and **KC Southern (KSU)** welcomed renewed buying interest.

The S&P 500 communication services sector (-3.1%) was this week's laggard, as shares of Netflix fell 13% in the two sessions following its earnings report. The real estate (-2.3%) and energy (-2.7%) sectors were added weights on the market. Energy stocks were pressured by oil prices losing nearly 8% this week, although prices stabilized on Friday after Iran seized a British oil tanker.

The consumer staples (+0.2%) and materials (+0.2%) sectors were the lone sectors that finished higher. The Philadelphia Semiconductor Index was a notable standout, rising 1.3% following positive earnings results and hopeful commentary from **Taiwan Semi (TSM)**.

Another round of Fed speak this week affirmed the market's expectations for at least a 25-basis points rate cut at the July 30-31 FOMC meeting. According to a report from *The Wall Street Journal* on Friday, the Fed is signaling that it will go ahead with the quarter-point cut.

That shouldn't be too surprising considering that economic data didn't convey any strong indications for a sharp rate cut. Retail sales for June increased 0.4% (Briefing.com consensus 0.2%), and the Philadelphia Fed Index for July climbed to 21.8 (Briefing.com consensus 5.0) from 0.3 in June.

U.S. Treasuries edged higher, pushing yields lower across the curve. The 2-yr yield declined two basis points to 1.82%, and the 10-yr yield declined three basis points to 2.05%. The U.S. Dollar Index advanced 0.3% to 97.15.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	27332.03	27154.20	-177.83	-0.7	16.4
Nasdaq	8244.14	8146.49	-97.65	-1.2	22.8
S&P 500	3013.77	2976.61	-37.16	-1.2	18.7
Russell 2000	1570.00	1547.90	-22.10	-1.4	14.8

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