

# Weekly Wrap

*Week in Review: Stock market falls from record highs, Fed cuts rates, Trump threatens China with more tariffs*

The stock market sold off this week with a bulk of its losses coming after President Trump threatened a 10% tariff rate on \$300 billion of Chinese goods, effective September 1. The S&P 500 (-3.1%) and the Nasdaq Composite (-3.9%) pulled back considerably from last week's record highs, while the Dow Jones Industrial Average (-2.6%) and Russell 2000 (-2.9%) also had poor performances.

Heading into the week, investors already knew it was going to be eventful. Earnings were in full force, highlighted by upbeat results and guidance from **Apple (AAPL)**; the Fed held its policy meeting that concluded with a 25-basis points rate cut and an announcement to end its balance sheet reduction efforts two months ahead of schedule; U.S.-China trade talks wrapped up in Shanghai, albeit with little progress; and the July employment report showed another decent gain in nonfarm payrolls.

Still, none of these outcomes appeared to stir much conviction among investors. Instead, stocks fell noticeably after Fed Chair Powell described the July rate cut as a "mid-cycle adjustment," although much of that decline was erased the following day as investors regrouped to the idea of low rates and a suggestion from Mr. Powell that monetary policy could still accommodate another rate cut.

That was the case until President Trump's tariff threat on Thursday reignited trade and growth concerns that send stocks and U.S. Treasury yields sharply lower and undid the gains in oil (\$55.74, -\$0.45, -0.8%).

Nine of the 11 S&P 500 sectors finished lower with seven losing at least 3.0%. The consumer discretionary (-4.6%) and information technology (-4.4%) sectors fell over 4.0%, while the utilities (+0.3%) and real estate (+2.1%) sectors benefited from the lower interest rates.

The trade-sensitive semiconductor and transportation stocks also succumbed to heavy selling pressure. The Dow Jones Transportation Average dropped 3.7%, and the Philadelphia Semiconductor dropped 6.6%. Disappointing guidance from **Advanced Micro Devices (AMD)** also weighed on the semiconductor group.

Aside from the obvious drop in equities, the flattening of the yield curve was also a discouraging development for investors and lenders that depend on healthy net interest margins. The spread between the 2-yr yield and 10-yr yield narrowed to 15 bps from 24 bps last week. The 2-yr yield fell 13 basis points to 1.71%, and the 10-yr yield fell 22 basis points to 1.86%. The U.S. Dollar Index increased 0.1% to 98.10, briefly hitting a two-year high before pulling back following the tariff news.

Index	Started Week	Ended Week	Change	% Change	YTD %
<b>DJIA</b>	27192.45	26485.01	-707.44	-2.6	13.5
<b>Nasdaq</b>	8330.21	8004.07	-326.14	-3.9	20.6
<b>S&amp;P 500</b>	3025.86	2932.05	-93.81	-3.1	17.0
<b>Russell 2000</b>	1578.97	1533.66	-45.31	-2.9	13.7

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