

Weekly Wrap

Week in Review: New year brings end to S&P 500's five-week winning streak

The stock market ended a stellar 2019 on a quiet note, started 2020 with a bang, then succumbed to some profit taking after a U.S. airstrike escalated tensions in the Middle East. By week's end, the S&P 500 declined 0.2%, the Dow Jones Industrial Average declined 0.04%, and the Russell 2000 declined 0.5%. The Nasdaq Composite, however, did increase 0.2%.

The positive, yet short-lived, catalyst this week was China announcing it will cut the reserve requirement ratio for small and large banks by 50 basis points on Jan. 6. The accommodative policy provides about \$115 billion in additional liquidity that can be lent out.

Stocks quickly gave back gains the following day on Friday after a U.S. airstrike in Iraq killed Iran's top military leader, General Qasem Suleimani, which prompted retaliatory threats from Iran. In addition, the release of the ISM Manufacturing Index for December, which fell to its lowest level since June 2009, dampened risk sentiment.

Given the gravitas of the Middle East situation, the disappointing manufacturing data, and how far the market's record run has come, investors did not overreact. Selling pressure was modest on the presumptions that the geopolitical angst isn't something to get overly concerned about yet and that central bank easing will help the manufacturing sector overcome weakness.

Separately, President Trump said the Phase One trade deal will be signed at the White House on Jan. 15 and that he will later travel to Beijing for Phase Two talks. Market reaction was muted to the news, indicating it was already priced into the market.

U.S. Treasuries ended the week higher, as investors did assume some defensive positioning. The 2-yr yield fell seven basis points to 1.51%, and the 10-yr yield fell eight basis points to 1.79%. The U.S. Dollar Index finished flat at 96.90. WTI crude rose 2.1%, or \$1.29, to \$63.03/bbl.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	28645.26	28634.88	-10.38	-0.0	0.3
Nasdaq	9006.62	9020.77	14.15	0.2	0.5
S&P 500	3240.02	3234.85	-5.17	-0.2	0.1
Russell 2000	1669.03	1660.87	-8.16	-0.5	-0.4

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Sentiment

Positive (1)

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