

Weekly Wrap

Week in Review: Stock market continues record run as trade talks progress and investors embrace risk

The S&P 500 (+0.9%), Nasdaq Composite (+1.1%), and Dow Jones Industrial Average (+1.2%) broke out to new record highs in a week full of trade headlines that were viewed favorably by the market. Cyclical sectors set the pace while U.S. Treasuries sold off. The small-cap Russell 2000 (+0.6%) trailed its large-cap peers.

Commerce Secretary Wilbur Ross started the week by saying "good progress" was being made in "Phase One" negotiations. Progress this week consisted of discussions taking place to remove some tariffs in order to sign this first section, which will reportedly be pushed back to December as both sides continue to discuss terms and a venue.

China's Commerce Ministry announced that it reached an agreement with the U.S. for both sides to phase out tariffs, but President Trump said he had yet to agree to roll back existing tariffs. White House Director of Trade and Manufacturing Policy Peter Navarro confirmed reports that there were at least considerations being made to delay the Dec. 15 tariffs.

The key takeaway was that the market continued to think that some sort of deal will still get signed, unless there are material developments to suggest otherwise. This optimistic view continued to foster a risk-on mindset in the stock market and a bearish sentiment in the Treasury market.

The Dow Jones Transportation Average (+3.1%) and S&P 500 financials sector (+2.4%) outperformed this week and both groups hit 52-week highs. The Philadelphia Semiconductor Index (+2.8%) and the S&P 500 information technology (+1.7%) and industrials (+1.9%) sectors set new all-time highs. The energy (+2.0%) and materials (+2.0%) sectors also outperformed.

The sell-off in the Treasury market sent yields higher in a curve-steepening trade that contributed to the outperformance of the financials sector. The higher yields, though, did hurt sentiment in the real estate (-3.7%) and utilities (-3.7%) sectors.

The 2-yr yield rose ten basis points to 1.66%, and the 10-yr yield rose 20 basis points to 1.93%. The U.S. Dollar Index advanced 1.2% to 98.37. WTI crude rose \$1.00 (+1.8%) to \$57.21/bbl.

Other positive reminders for the market were monetary policy remains favorable, the labor market remains strong, and the U.S. consumer remains in good shape. For some investors, this reinforced a fear of missing out on a market breaking out to record highs amid signs of trade progress.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	27347.36	27681.24	333.88	1.2	18.7
Nasdaq	8386.40	8475.31	88.91	1.1	27.7
S&P 500	3066.91	3093.08	26.17	0.9	23.4
Russell 2000	1589.33	1598.86	9.53	0.6	18.6

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