

Weekly Wrap

Week in Review: Mixed week as earnings season begins with rotational trade

This week saw the Nasdaq Composite (-1.1%) finally take a breather, as money flowed out of mega-cap technology stocks and into value-oriented cyclical stocks. The S&P 500 advanced 1.3%, trailing both the Dow Jones Industrial Average (+2.3%) and Russell 2000 (+3.6%) in gains this week.

The big banks kicked off the Q2 earnings season with large provisions for credit losses, but that didn't deter investors from investing in this unloved space this week. The S&P 500 financials sector rose 2.0% as part of the rotational trade, and it's worth mentioning that most reporting companies did exceed quarterly expectations.

The industrials (+5.8%), and materials (+5.4%) sectors benefited the most from this rotation, though, rising more than 5.0%. The health care sector (+5.1%) also outperformed, deriving its strength from another round of encouraging vaccine news.

Specifically, two COVID-19 vaccine candidates from the **Pfizer (PFE)** and **BioNTech (BNTX)** collaboration received fast-track designation from the FDA, and **Moderna's (MRNA)** vaccine candidate elicited neutralizing antibodies in all 45 participants in a Phase 1 study.

The market, however, was slowed down by the negative week in mega-cap technology stocks, pestering U.S.-China tensions, and a rollback in the reopening process in California due to the rising coronavirus caseload. In addition, the inability of the S&P 500 to stay above its June 8 closing level (3232.39) kept the bulls in check.

Netflix (NFLX) shares fell 10%, with a bulk of those losses coming after the company issued cautious subscriber guidance at the end of the week. **Amazon (AMZN)** and **Microsoft (MSFT)** pulled back 7% and 5%, respectively, following strong performances in the prior week.

U.S. Treasuries traded near their flat lines all week. The 2-yr yield declined two basis points to 0.14%, and the 10-yr yield was unchanged at 0.63%. The U.S. Dollar Index declined 0.7% to 95.95. WTI crude futures finished little changed at \$40.56/bbl.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	26075.30	26671.95	596.65	2.3	-6.5
Nasdaq	10617.44	10503.19	-114.25	-1.1	17.1
S&P 500	3185.04	3224.73	39.69	1.2	-0.2
Russell 2000	1422.68	1473.32	50.64	3.6	-11.7

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