

Weekly Wrap

Week in Review: Stocks fall in a week dominated by trade headlines

The S&P 500 lost 2.2% this week on U.S.-China trade uncertainty, although a major reversal on Friday helped pare losses. The Dow Jones Industrial Average lost 2.1%, the Nasdaq Composite lost 3.0%, and the Russell 2000 lost 2.5%.

All 11 S&P 500 sectors finished lower with the trade-sensitive information technology (-3.6%), materials (-2.8%), and industrial (-2.8%) sectors leading the retreat. The Philadelphia Semiconductor Index lost 5.9%.

The stock market entered the week near all-time highs before President Trump rattled global equity markets when he said he was going to increase the tariff rate on \$200 of Chinese imports to 25% from 10%, effective at the end of the week. Slow trade progress and China renegeing on its prior commitments prompted the President to take a hard-lined stance.

Beijing vowed retaliatory tariffs, but it still sent its chief negotiator, Vice Premier Liu He, to Washington to continue talks. Investors sought to de-risk from a richly-valued stock market, although each intraday low was met with renewed buying interest.

The trade angst also sent U.S. Treasuries higher in a flight for safety and boosted the **CBOE Volatility Index (VIX)** to 23.38 at its high from Friday's closing level of 12.87. Both cooled down, though, as equities gained traction at the end of the week. The 2-yr yield declined eight basis points to 2.24%, and the 10-yr yield declined seven basis points to 2.46%. The VIX ended the week at 16.04.

President Trump's tariff hike went into effect Friday, and he said there was no need to rush a trade deal, which sent stocks to their lowest levels of the week. Positive-sounding trade rhetoric, however, from Treasury Secretary Steven Mnuchin and China's Vice Premier about the week's trade discussions helped stocks stage a recovery.

Nothing was set in terms of next steps, but the U.S. is reportedly giving China three to four more weeks to reach a trade deal. President Trump also said the tariffs may or may not be removed depending on the outcome but is prepared to levy 25% tariffs on an additional \$325 billion of Chinese imports.

In corporate news, **Uber (UBER)** made its highly-anticipated public debut on Friday, opening at \$42 per share. That was below its IPO price of \$45, which was already at the lower end of the \$44 to \$50 range. **Chevron (CVX)** decided to not provide a counteroffer to **Occidental Petroleum's (OXY)** revised proposal to acquire **Anadarko Petroleum (APC)**.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	26504.95	25942.37	-562.58	-2.1	11.2
Nasdaq	8164.00	7916.94	-247.06	-3.0	19.3
S&P 500	2945.64	2881.40	-64.24	-2.2	14.9
Russell 2000	1614.02	1572.99	-41.03	-2.5	16.6

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