

Weekly Wrap

Week in review: Investors Take Profits after Fed Decision, Resume Buying after Strong Jobs Data

The S&P 500 increased 0.2% this week, as a strong employment report helped the market rebound from a post-FOMC pullback. The Nasdaq Composite increased 0.2%, and Russell 2000 rose 1.4%. The Dow Jones Industrial Average declined 0.1%.

The Federal Open Market Committee left the fed funds rate unchanged at 2.25-2.50% on Wednesday. It also acknowledged that overall inflation and core inflation have declined and remained below its 2 percent target. Some market participants believed the Fed was setting the precedent for a rate cut should inflation continue to remain persistently below the Fed's target.

Fed Chair Powell, however, downplayed the need to address the muted inflation pressure with a change in policy, including a rate cut, since he thinks the recent deceleration in inflation is being caused by transitory factors.

The news provided an excuse to take some profits off the table after the S&P 500 and Nasdaq Composite set new closing, and intraday, records to begin the week. Selling interest pulled the S&P 500 back to the 2900 level where it found some support. Buying conviction would return soon after the release of the Employment Situation Report for April on Friday, sending stocks back to near record highs.

The S&P 500 health care (+1.3%), financials (+1.2%), and industrials (+1.1%) sectors outperformed the broader market. The energy sector (-3.3%) was the biggest drag on the market following a further decline in oil prices (\$61.93/bbl, -\$1.30, -2.1%). The communication services sector (-1.8%) was weighed down by shares of **Alphabet (GOOG)** after a revenue shortfall.

Once again, the employment report pointed to strong headline growth and subdued inflationary pressure stemming from rising wages. Nonfarm payrolls increased by 263,000 while average hourly earnings were up just 0.2%, leaving them up 3.2% yr/yr, unchanged from what was seen in the March report. The April report should support the Fed's case for staying on its current policy path.

In other corporate news, shares of **Apple (AAPL)** outperformed the broader market after pleasing investors with its earnings results and guidance. **Amazon (AMZN)** also outperformed after Warren Buffet confirmed **Berkshire Hathaway (BRK.B)** has been buying shares of the company.

U.S. Treasuries retreated after Fed Chair Powell's press conference, driving yields higher. Before the press conference, the 2-yr yield hit 2.22% and the 10-yr yield hit 2.46%, but finished the week at 2.32% and 2.53%, respectively.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	26543.33	26504.95	-38.38	-0.1	13.6
Nasdaq	8146.40	8164.00	17.60	0.2	23.0
S&P 500	2939.88	2945.64	5.76	0.2	17.5
Russell 2000	1591.82	1614.02	22.20	1.4	19.7

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