

Weekly Wrap

Week in Review: S&P 500 registers first monthly decline in 2019 as investors dump equities and buy Treasuries amid growth concerns

The S&P 500 lost 1.3% this week and 6.6% this month, registering its first monthly decline in 2019. Lingering U.S.-China trade tensions and a surprise 5% tariff rate on Mexico from President Trump contributed to broad-based efforts to de-risk and seek safety in U.S. Treasuries.

The Dow Jones Industrial Average (-3.0%), the Nasdaq Composite (-2.4%), and the Russell 2000 (-3.2%) finished with monthly losses of 6.7%, 7.9%, and 7.9%.

No S&P 500 sector finished higher this week, and eight sectors finished with losses between 2.1% (materials) and 4.5% (energy). The negative disposition sent the S&P 500 below its 200-day moving average (2776) to close the week.

Another week came and went with no progress on the U.S.-China trade front. Instead, tensions appeared to escalate following negative developments throughout the week:

- Chinese state media suggested that Beijing could use its dominant position in rare earth minerals to restrict exports.
- Beijing reportedly put U.S. soybean purchases on hold in May.
- China said it is drafting a list of "unreliable" foreign companies that harm the interests of its firms, increasing speculation about Chinese retaliation against the U.S.

The big headline on Friday, which helped accelerate weekly losses was President Trump announcing a 5% tariff rate on all goods imported from Mexico starting on June 10. The tariff rate will increase incrementally during the summer and reach 25% on Oct. 1 unless Mexico takes actions to curb the flow of undocumented migrants entering the U.S.

Investors continued to de-risk from the stock market, and bolster demand for U.S. Treasuries, fearful that these trade tensions will engender slower economic growth and lower earnings prospects. The 8.8% weekly drop in WTI crude (\$53.48/bbl, -\$5.14) also reflected concerns that slower growth will weaken end demand.

The 2-yr yield dropped 20 basis points to 1.94%, and the 10-yr yield dropped 18 basis points to 2.14%. For the month, the 2-yr yield fell 33 basis points, and the 10-yr yield fell 37 basis points. The U.S. Dollar Index advanced 0.2% to 97.76 this week.

Strikingly, 3-month yield finished 21 basis points higher than the 10-yr yield, widening this difference to its largest since the financial crisis. This term spread, according to research from the Federal Reserve Bank of San Francisco, is the most reliable predictor of a recession among the different term spreads.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	25585.69	24815.04	-770.65	-3.0	6.4
Nasdaq	7637.01	7453.15	-183.86	-2.4	12.3
S&P 500	2826.06	2752.06	-74.00	-2.6	9.8
Russell 2000	1513.63	1465.49	-48.14	-3.2	8.7

Copyright (C) 2019 Briefing.com

Related tickers: None

All News: All News

Weekly Wrap: Weekly Wrap

Rank : negative