

Weekly Wrap

The stock market recorded its second consecutive week of gains, with the Dow (+1.5% for the week), Nasdaq (+1.0% for the week), and S&P 500 (+0.8% for the week) reaching fresh record highs.

Equity indices saw limited movement on Monday and Tuesday, as investors awaited Wednesday's semiannual testimony on monetary policy. The market welcomed the testimony, considering comments made by Fed Chairman Jay Powell were seen as a sure sign that the FOMC will reduce the fed funds target rate range by at least 25 basis points on July 31.

Chairman Powell said that baseline expectations for solid economic growth remain in place, but he noted that the composition of growth in Q1 was poor due to net exports and inventories driving the overall increase. The Fed chairman also said that growth in consumer spending was weak in Q1 while business investment slowed notably. The dovish remarks led to another increase in expectations for a 50-basis point rate cut. At the end of the week, the fed funds futures market saw a 21.4% implied likelihood of a 50-basis point rate cut on July 31, up from 5.4% one week ago.

Fed officials have been pointing to weakening inflation metrics to justify the growing hopes for a rate cut, but economic data released this week showed a larger than expected increase in Core CPI (actual 0.3%; Briefing.com consensus 0.2%) and Core PPI (actual 0.3%; Briefing.com consensus 0.3%) in June. On a yr/yr basis, core CPI is up 2.1% while core PPI is up 2.3%. Meanwhile, the Fed's preferred inflation gauge, core PCE, increased 1.7% yr/yr in Q1, which is a faster rate than what was seen when the central bank began raising rates at the end of 2015 (1.2%).

The energy sector was the top performer of the week, climbing 2.2% since last Friday. The advance was supported by a 4.8% gain in the price of crude oil, which reclaimed its 50-day moving average (59.80), ending the week at \$60.21/bbl.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	26922.12	27332.03	409.91	1.5	17.2
Nasdaq	8161.79	8244.14	82.35	1.0	24.2
S&P 500	2990.41	3013.77	23.36	0.8	20.2
Russell 2000	1575.62	1570.00	-5.62	-0.4	16.4

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