

Weekly Wrap

Week in Review: Cyclical sectors lead S&P 500 back to record levels in earnings-driven advance

The S&P 500 advanced for the third straight week, rising 1.2% and nearly setting new record highs as investors remained generally pleased with earnings reports. The Dow Jones Industrial Average rose 0.7%, the Nasdaq Composite rose 1.9%, and the Russell 2000 rose 1.5%.

The value-oriented S&P 500 energy sector (+4.3%) was this week's outright leader, with oil prices (\$56.44, +2.68, +5.0%) climbing 5%. The information technology (+2.5%), industrials (+2.2%), and financials (+2.0%) sectors followed suit, while the real estate (-1.1%) and consumer discretionary (-0.8%) sectors were left behind.

12 of the 30 Dow components reported earnings this week. Positive reactions belonged to **Procter & Gamble (PG)**, **United Technologies (UTX)**, **Caterpillar (CAT)**, **Boeing (BA)**, **Microsoft (MSFT)**, **Dow Inc. (DOW)**, **Visa (V)**, **Intel (INTC)**.

Conversely, **McDonald's (MCD)**, **3M (MMM)**, **Travelers (TRV)**, and **Verizon (VZ)** failed to stir much enthusiasm following their results.

Investors seemingly looked for positive signs, if any, for a reason to overlook the negative. A better-than-feared outlook for the return of Boeing's 737 MAX helped investors overlook its earnings miss and prior analyst downgrades. Similarly, positive results and upbeat guidance from **Lam Research (LRCX)** and **Intel (INTC)** outweighed negative ones from **Texas Instruments (TXN)**.

Caterpillar didn't even need a reason to rally soon after its disappointing results and guidance. **Amazon (AMZN)** missed profit estimates and provided a cautious outlook for the holiday quarter, but shares were able to recover nicely.

On Friday, after all earnings reports were released for the week, the benchmark index was less than one point from its intraday high (3027.98). The mood was helped by the USTR office saying it was close to finalizing some sections of a "Phase One" trade deal with China. The news sent an unchanged 10-yr yield up four basis points to 1.80% to end the week.

Tucked behind all the headlines was **Apple (AAPL)** quietly rising 4.3% as analysts continued to increase their price targets for the stock. Apple will report quarterly results next week.

Separately, **Biogen (BIIB)** surprised investors by saying it will seek FDA approval for its Alzheimer's drug in 2020 after it had renounced the treatment in March. **Tesla (TSLA)** reported a surprise profit. **Nike (NKE)** and **Under Armour (UAA)** announced on the same day that their CEOs will be stepping down from the helm next year.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	26770.20	26958.06	187.86	0.7	15.6
Nasdaq	8089.54	8243.12	153.58	1.9	24.2
S&P 500	2986.20	3022.55	36.35	1.2	20.6
Russell 2000	1535.48	1558.71	23.23	1.5	15.6

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Rank : positive