Week Ending 6/14/2024

WEEK IN PERSPECTIVE

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Mega caps lead index gains, broader market takes a breather

The S&P 500 and Nasdaq Composite hit fresh record highs this week and closed 1.6% and 3.2% higher, respectively.

Other major indices logged declines on the week, though. The Dow Jones Industrial Average declined 0.5% and the Russell 2000 fell 1.0%.

Gains in the mega cap space played an integral role in index-level gains for the S&P 500 and Nasdaq. The equal-weighted S&P 500 slid 0.5% this week.

Apple was an influential winner from the space, jumping 7.9% and hitting record highs after introducing “Apple Intelligence,” the personal intelligence system for iPhone, iPad, and Mac, at its Worldwide Developers Conference.

Broadcom, another top performing mega cap, surged 23.4% after a better-than-expected earnings report, outlook, and a 10-for-1 stock split announcement.

Another notable technology company -- Adobe -- delivered pleasing earnings results and guidance, gaining 12.9% this week.

These three names helped propel the S&P 500 information technology sector to a 6.4% gain. The next best performing sector was real estate, gaining 1.2%. On the flip side, the energy (-2.3%) and financial (-2.0%) sectors logged the biggest declines.

The underlying downside bias that left the equal-weighted S&P 500 lower on the week was driven by some normal consolidation efforts following a solid run in many stocks. Meanwhile, mega caps were reacting to the aforementioned corporate news, along with a solid drop in market rates.

The 10-yr note yield declined 22 basis points this week and the 2-yr note yield declined 20 basis points to 4.69%. This was in response to this week's slate of bond auctions, including a soft $58 billion 3-yr note sale, a strong $39 billion 10-yr note sale, and a solid $22 billion 30-yr bond reopening.

The activity in Treasuries was also in response to pleasing inflation data. The May Consumer Price Index reflected some welcome disinflation on a year-over-year basis in total CPI (actual +3.3%; prior +3.4%) and core CPI (actual +3.4%; prior +3.6%) and the May Producer Price Index showed a 0.2% month-over-month decline in total PPI while core PPI was unchanged from the prior month.

The market was also reacting to the latest move by the Fed. The FOMC left the target range for the fed funds rate unchanged at 5.25-5.50%, as expected. The vote was unanimous, as expected. The directive reiterated that, "The Committee does not expect it will be appropriate to reduce the target range until it has greater confidence that inflation is moving sustainably toward 2 percent," as expected.

If there was a surprise, it would be the Summary of Economic Projections (SEP), which showed a median estimate of only one rate cut this year versus three at the time of the March projections. Also, Fed Chair Powell's press conference featured a Fed Chair who was non-committal about the policy path.

Rate cut expectations moved up as a result of the aforementioned events. The fed funds futures market is pricing in a 70.2% probability of a 25 basis points rate cut at the September FOMC meeting, up from 50.5% one week ago, according to the CME FedWatch Tool.

- S&P 500: +1.6% for the week / +13.9% YTD
- Nasdaq Composite: +3.2% for the week / +17.8% YTD
- S&P Midcap 400: -0.9% for the week / +4.1% YTD
- Dow Jones Industrial Average: -0.5% for the week / +2.4% YTD
- Russell 2000: -1.0% for the week / -1.0% YTD

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