

Record closing highs amid falling rates and mixed data

The S&P 500 (+2.0%) and Nasdaq Composite (+3.5%) set fresh all-time highs on this holiday-shortened week.



Gains in the mega cap space had an outsized impact on index gains while the equal-weighted S&P 500 closed with a 0.4% decline this week.

Tesla (TSLA) was a top performer from the mega cap space, jumping 27% on better-than-expected Q2 delivery numbers.

The price action in mega cap names led the S&P 500 communication services (+3.9%), consumer discretionary (+3.8%), and information technology (+3.9%) sectors to close at the top of the leaderboard among the 11 sectors.

Growth worries were part of the story this week after the ISM Manufacturing Index for June reflected a contraction in activity (i.e. sub-50 reading) and the Employment Situation Report for June reflected a softening in labor market conditions. The main concern for stock market participants is how a slowdown in economic activity and consumer spending may impact earnings growth.

Still, the jobs report went the market's way in terms of rate cuts and coincided with a recalibration of rate cut expectations. The likelihood of a 25-basis points rate cut at the September FOMC meeting moved to 76.3% on Friday from 64.1% one week ago, according to the CME FedWatch Tool.

Treasury yields fell this week in response to the data. The 10-yr note yield slid seven basis points to 4.27% and the 2-yr note yield declined 12 basis points to 4.60%. The drop in rates did not translate into broad support for equities due to the emerging worries about an economic slowdown and softening labor market that may lower earnings growth.

- Nasdaq Composite: +22.3% YTD
- S&P 500: +16.7% YTD
- Dow Jones Industrial Average: +4.5% YTD
- S&P Midcap 400: +4.1% YTD
- Russell 2000: -0.02% YTD

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