

## Rebounding After Last Week's Slump

The stock market rebounded following last week's big declines..



Buy-the-dip interest was a support factor, along with upside momentum acting as its own catalyst by the end of the week. Many stocks participated, but mega caps and semiconductor shares had an outsized impact on index gains.

The PHLX Semiconductor Index (SOX) surged 10.0%. NVIDIA (NVDA) was a standout performer, bouncing 15.8% following last week's slide.

Things looked a little shaky on Wednesday after the August Consumer Price Index stoked selling interest due to the understanding that core-CPI, which excludes food and energy, remained above the Fed's 2.0% target at 3.2% year-over-year.

Stocks quickly recovered, though, when the S&P 500 held

above last Friday's low (5,402) on Wednesday's initial retreat. The strength in NVIDIA also helped get stocks back on a winning track.

Other data this week garnered muted responses from stocks and bonds. Initial jobless claims were little changed and remain below recession-like levels at 230,000 and the August Producer Price Index reflected moderating inflation at the wholesale level.

Selling interest in recent weeks was partially predicated on concerns about economic growth, but this week's price action signaled a shift in that thinking. Small and mid cap stocks outperformed their larger peers by the end of the week, reflecting the belief that the U.S. economy will enjoy a soft landing and that the Fed will cut rates to secure that soft landing.

Market participants also see a higher likelihood of a 50 basis points rate cut at next week's FOMC meeting compared to one week ago. The fed funds futures market now shows a 45.0% probability of a 50 basis points rate cut in September, up from 30.0% last Friday, according to the CME FedWatch Tool.

The 2-yr yield, which is most sensitive to changes in the fed funds rate, dropped seven basis points this week to 3.58% and the 10-yr yield dropped six basis points to 3.65%.

Only one S&P 500 sector settled lower -- energy (-0.7%) -- while the information technology sector led the pack by a wide margin, climbing 7.3%.

- S&P 500: +4.0% for the week / +18.0% YTD
- Nasdaq Composite: +6.0% for the week / +17.8% YTD
- Dow Jones Industrial Average: +2.6% for the week / +9.8% YTD
- S&P Midcap 400: +3.2% for the week / +9.1% YTD
- Russell 2000: +4.4% for the week / +7.7% YTD

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