

Stocks Slide After Huge Post-election Run

The stock market followed last week's surge with some consolidation activity.



The S&P 500 hit another record high on Monday, and closed above 6,000 for the first time, but settled 2.1% lower this week. The index is still 1.5% higher since the election results.

Selling favored chipmakers and mega caps, but losses were broad based. The equal-weighted S&P 500 closed 1.7% lower than last Friday. Only two S&P 500 sectors closed higher this week while eight sectors logged losses ranging from 1.1% to 5.5%.

The energy (+0.6%) and financial (+1.4%) sectors were the lone standouts in positive territory while the health care sector (-5.5%) registered the largest loss, followed by the information technology sector (-3.2%).

Health care related stocks struggled through the week,

but exhibited noticeable weakness on Friday after the news that President-elect Trump nominated Robert F. Kennedy, Jr., known as a vaccine skeptic, to lead the Department of Health and Human Services.

Chipmakers were also struggling through the week, and also exhibited noticeable weakness on Friday after fiscal Q1 guidance from Applied Materials (AMAT), a leading chip equipment maker, failed to meet the market's more optimistic expectations.

The overall negative bias this week wasn't extreme compared to last week's surge, and stemmed from concerns over interest rates and speculation that the Fed may be more cautious with rate cuts than the market previously hoped. The 10-yr yield, which briefly reached 4.50%, settled 12 basis points higher than last Friday at 4.43%. The 2-yr yield settled five basis points higher than last Friday at 4.30%.

This price action was related in part to remarks by Fed Chair Powell indicating that the "economy is not sending any signals that we need to be in a hurry to lower rates." This week's data largely corroborated Mr. Powell's comments.

Total CPI was up 2.6% year-over-year, versus 2.4% in September, and core CPI up 3.3% year-over-year, unchanged from September. Total PPI was up 2.4% year-over-year, versus 1.9% in September, and the index for final demand, less food and energy, was up 3.1% year-over-year, versus 3.0% in September.

Weekly jobless claims remained below recession-like levels, reflecting ongoing strength in the labor market that may translate to higher consumer spending, piling more pressure on inflation. Retail sales were solid in October and the data was stronger than headline numbers suggest due to upward revisions in the September data.

- Nasdaq Composite: -3.2% for the week / +24.4% YTD
- S&P 500: -2.1% for the week / +23.1% YTD
- S&P Midcap 400: -2.7% for the week / +15.3% YTD
- Russell 2000: -4.0% for the week / +13.7% YTD
- Dow Jones Industrial Average: -1.2% for the week / +15.3% YTD

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