

Dow Shrugs Off Tariffs, Returns to Record Territory

Wall Street rallied this week with investors shrugging off another tranche of U.S. tariffs on Chinese goods. The S&P 500 and the Dow touched new records -- the first time that's happened for the Dow since January 26 -- and finished the week with respective gains of 0.9% and 2.3%. The Nasdaq lagged though, slipping 0.3%.



President Trump announced on Monday evening that the U.S. will be slapping tariffs on \$200 billion worth of Chinese goods starting on September 24. The tariff rate will start at 10%, but will increase to 25% on January 1. The president also said he will impose additional tariffs on \$267 billion worth of Chinese goods if Beijing retaliates -- which it vowed to do with 5-10% tariffs on \$60 billion worth of U.S. goods.

Stocks unexpectedly took off on Tuesday following the tariff announcement, with some analysts pointing to the fact that the initial 10% tariff rate by the U.S. was not as harsh as expected -- thereby reflecting a willingness to negotiate. Others said the rally reflected the market's belief that the U.S.-China trade dispute will eventually die down. Short-covering activity likely helped as well.

The heavily-weighted financial sector was among the top-performing groups this week with a gain of 2.3%, benefiting from a steepening of the yield curve. The yield on the benchmark 10-yr Treasury note climbed seven basis points to end Friday at 3.07%, while the Fed-sensitive 2-yr yield jumped two basis points to 2.81%.

Conversely, the top-weighted information technology sector (-0.1%) underperformed this week, getting surpassed by consumer discretionary (+0.4%) for the top spot in the 2018 sector standings. The two groups hold year-to-date gains of 18.5% and 18.7%, respectively. For comparison, the S&P 500 is up 9.6%.

In total, eight of the eleven S&P sectors finished in the green, with cyclical sectors showing relative strength. A new sector, communication services, will be born after Friday's close, and it will involve reclassifying several widely-held technology, telecom, and media stocks into the new sector -- including Facebook (FB), Alphabet (GOOG), Verizon (VZ), Netflix (NFLX), and Walt Disney (DIS).

In individual stocks, cannabis names were in focus this week, with Tilray (TLRY) going on a wild ride after its CEO suggested that his business would be

a “smart hedge” for major pharmaceutical companies. TLRY shares traded as high as \$299.46/share -- 175% above last Friday’s close -- before ending the week at \$123.00/share (+13%).

On the oil front, WTI crude climbed 2.6% this week to \$70.77/bbl even though President Trump criticized OPEC on Thursday morning, saying the “OPEC monopoly must get [oil] prices down now!” Reuters then reported on Friday that OPEC and non-OPEC countries are discussing the possibility of raising output by 500,000 barrels a day to counter falling supply from Iran due to U.S. sanctions.

Looking ahead, the Federal Reserve will release its latest policy directive on Wednesday. The market is all but certain that the central bank will hike rates -- with the CME FedWatch Tool placing the chances at 100% -- so investors will be more focused on the Fed’s rate forecast, especially for 2019.

S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Indices are unmanaged and one cannot invest directly in an index. Each company’s security affects the index in proportion to its market value. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Data and rates used were indicative of market conditions as of the date shown and compiled by briefing.com. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security. Past performance is not a guarantee of future results. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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