

June 25, 2018

What Happened in the Markets?

- Stocks sold off to start the week with the S&P 500 falling 1.4% to close at 2,722. US equities traded lower amid broad global market weakness with Japanese and Chinese indices off 1% overnight, several European markets off 2% this morning, and all three of the major US equity indices recording 1.3%+ moves lower today.
- Many pointed to escalating trade tensions as the driver for today's weakness, with rhetoric/trade action heating up with the Europe and China. Potential quarter-end rebalancing, as well as breaching of certain technical levels were also cited as contributing to today's weakness.
- Nine of the 11 S&P sectors finished lower on the session, with only defensive-oriented Utilities and Consumer Staples sectors ending the day in the green. Recent winners Technology (-2.3%), Discretionary (-2.2%) and Energy (-2.2%) were the worst performers.
- Despite the weakness in equities, cross-asset action today was more muted. Treasuries rallied just modestly across the curve, with the 10-year down just 1 basis point to 2.88% as of the 4 p.m. equity market close, and the US dollar slightly weaker against a basket of its trading peers.

Catalysts for Market Move

US stocks had a challenging start to the week, with the S&P falling 1.4% in Monday's session in the worst trading day since early April. The move followed a broad sell-off in global equities that saw Japanese and Chinese indices down 1%, and several European markets with losses greater than 2%. Nine of the 11 S&P sectors finished lower on the session, with only defensive-oriented Utilities and Consumer Staples sectors ending the day in the green. Technology (-2.3%), Discretionary (-2.2%) and Energy (-2.2%) were the biggest laggards. Trade was looked to as the main culprit for the down day as the US sparred with both China and the European Union. Over the weekend, President Trump signaled he would seek to block Chinese investment in American tech companies and limit the import of tech goods, prompting President Xi Jinping to vow that China would "punch back." Tariffs are also being threatened against the EU, with the Trump administration targeting taxes on European autos. Further market pressures came from rebalancing ahead of quarter-end next week. This notably affected Tech and Consumer Discretionary after their strong performances so far in 2018. They are up 10.7% and 11.2%, respectively, sizably outpacing the S&P 500's 2.7% year-to-date return. Today's move marked the 36th 1%+ move in the S&P 500 this year, reflecting the return of volatility to markets after an unusual level of calm in 2017.

Market data provided by Bloomberg.

Dow Jones Industrial Average (DJIA): A price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.

NASDAQ Composite Index: A broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

S&P 500 Index: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

US Trade-Weighted Dollar Index: A weighted average of the foreign exchange value of the US dollar against a subset of the broad index currencies that circulate widely outside the US.

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