



Business

Help Economy

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MARKETS MOSTLY FLAT AS HEALTH CARE STOCKS GET HAMMERED

Weekly Market Update — April 20, 2019

- The markets saw muted activity this week, likely due to the holidays, and the week's stock market performances ended mixed, with not a whole lot of movement in either direction
- The smaller-cap benchmarks lagged the large-cap indexes and the technology-heavy NASDAQ as the number of shares exchanging hands reached a year-to-date low on Monday

- The muted calm on Wall Street was likely due in part to the holiday–shortened trading week as markets were closed on Friday in observance of Good Friday, which also coincided with the start of Passover, and most markets in Europe are closed on Monday
- Further, the CBOE Volatility Index, or the VIX, hit an eight–month low on Wednesday
- The DJIA increased 0.6%, NASDAQ inched up 0.2%, the S&P 500 declined 0.1% and the smaller-cap Russell 2000 dropped 1.2%
- While 4 of the 11 S&P 500 sectors were in the red, it was the Health Care sector that saw a lot of pressure as it dropped 4.4% on the week and is the only sector of the 11 that is negative year–to–date
- Weakness in the health care sector seems to be in response to political sound bites as it appears that this will be a topic for a while – probably central to the next presidential election
- There were quite a few companies reporting earnings, and for the most part, the results were solid. The coming week will see about one–third of companies reporting

Weekly Market Performance

	Close	Week	YTD
DJIA	26,560	0.6%	13.9%
S&P 500	2,905	-0.1%	15.9%
NASDAQ	7,998	0.2%	20.5%
MSCI EAFE	1,928	0.6%	12.1%
*Bond Index	2,099.43	0.06%	2.58%
10-Year Treasury Yield	2.56%	-0.01%	-0.12%

*Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results.

Positive Earnings Didn't Help Health Care

This week saw a lot of companies reporting first quarter earnings and for the most part, stocks reacted favorably, although like the overall activity for the week, the news was muted.

The Health Care sector, on the other hand, was anything but muted as investors continue to sell, causing the sector to drop significantly on the week and enter negative territory for the year – the only sector to be negative too. Although there will undoubtedly be plenty to debate in the upcoming presidential election – which is still 18 months away – health care is likely to be a central topic as health care costs continue to rise.

Interestingly, this week's performance in health care was a tale of multiple personalities, as the sector was hammered on the week despite very positive earnings reports from some of its members, notably from UnitedHealth, Johnson & Johnson, and Abbott Labs.

But early in the week, Democratic presidential candidate Bernie Sanders repeated the call for a “Medicare for all” system, which caused Insurer stocks to fall and received a spirited response from UnitedHealth Group's CEO.

In addition, there are worries about a White House-backed legal challenge to the Affordable Care Act, which could impact subsidies to hospitals and other providers.

Semiconductors Jump

The Philadelphia Semiconductor Index rose 4.1% and many of its members contributed to the outperformance of the S&P 500 Information Technology sector, which moved up 1.3% on the week.

Year-to-date, the Information Technology sector leads the pack, with a staggering return of 25.46%. But shockingly, there are three other sectors right around +20%, including:

- Industrials (+21.68%)
- Consumer Discretionary (+20.79%)
- Communication Services (+19.59%)

And only the Utilities sector has failed to breach double-digit gains YTD as it is up a “modest” 8.20%. These numbers make the negative YTD return of the Health Care sector much more dramatic in comparison.

Semiconductor stocks surge further into record

Philadelphia Semiconductor Index, points



Economic Data

March retail sales, reported Thursday, bounced back much more strongly than expected and helped erase worries after the slight decline in February and the disappointing Christmas spending season.

Further, jobless claims surprised a little bit, as they fell to a new five–decade low for the second consecutive week.

President Trump and the Fed

President Trump renewed his criticism of the Federal Reserve this week and he used Twitter to get his view across. On Monday, Trump tweeted that “if the Fed had done its job properly...the [Dow] would have been up 5,000 to 10,000 additional points, and GDP would have been well over 4% instead of 3%...with almost no inflation. ”

Across the Atlantic

Most European markets were closed Friday and the following Monday for the Easter holiday, but this week saw:

- The pan-European STOXX Europe 600 Index rise
- Germany’s DAX rise 1.8%
- The French CAC 40 Index rise 1.4%
- UK’s FTSE 100 Index gain 0.44%

Sources

nyse.com; factset.com; standardandpoors.com; bls.gov; commerce.gov; sec.gov; federalreserve.gov; dol.gov; msci.com; nasdaq.com; dowjones.com; morningstar.com; edwardjones.com; bloomberg.com

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