

[What's New]

Market Sentiment Boosted by Fed Rate Cuts and AI Advances

Investor enthusiasm is currently fueled by expectations of Federal Reserve rate cuts and advancements in artificial intelligence, two major drivers behind this year's stock market rally.

Nvidia (NVDA) CEO Jensen Huang highlighted "incredible" demand for the company's AI chips, noting that production of their next-generation Blackwell chips is progressing rapidly. This news propelled Nvidia's stock upward, positively impacting other AI-related stocks and boosting the broader market.

Federal Reserve Meeting: Anticipated Rate Cuts

The Federal Reserve will convene on September 17-18, with a statement scheduled for release at 2 p.m. ET on Wednesday, followed by a press conference with Fed Chairman Jerome Powell at 2:30 p.m. ET.

It's widely anticipated that the Fed will announce an interest rate cut. However, there is uncertainty regarding whether the initial reduction will be 25 or 50 basis points, so the announcement will likely carry some element of surprise.

Market expectations are almost fully set for a total of 100 basis points in rate cuts by year-end, with over a 50% chance of 125 basis points. Fed officials will also provide an updated "dot plot" and economic forecasts. Powell's remarks will be scrutinized for insights on the trajectory of future rate cuts.

A smaller cut or hints at a more gradual pace of reductions could potentially disappoint investors.

Stock Market Performance

The stock market experienced a rebound last week following the previous week's sharp sell-off, which had undermined market expectations.

The Dow Jones Industrial Average gained 2.6% for the week. The S&P 500 climbed 4%, and the Nasdaq composite surged 5.95%, marking their strongest weekly performances of the year. The Russell 2000 saw a 4.4% increase.

On September 6, the Nasdaq dropped below the low of its August 13 follow-through day, a bearish signal. Although the S&P 500 didn't fall below this level, it came close.

Stocks made a significant recovery this past week, with a turning point on Wednesday when the indexes, after an initial decline, reversed direction sharply. The S&P 500 ended the day above its 50-day moving average, with the Nasdaq following suit on Thursday.

By Friday, the Dow and S&P 500 approached record highs, while the Russell 2000 and S&P MidCap 400 gapped above their key levels after nearly hitting their 200-day lines earlier in the week.

The 10-year Treasury yield decreased by 6 basis points to 3.65%, while U.S. crude oil futures increased by 1.45% to \$68.65 a barrel, recovering from a 52-week low earlier in the week.

ETF Performance

Among growth-focused ETFs, the iShares Expanded Tech-Software Sector ETF (IGV) rose 4.8%, benefiting from significant holdings in Microsoft. The VanEck Vectors Semiconductor ETF (SMH) jumped 10.2%, with Nvidia being a major component.

The SPDR S&P Metals & Mining ETF (XME) rebounded by 8.2%. The U.S. Global Jets ETF (JETS) saw a 3.7% increase, and the SPDR S&P Homebuilders ETF (XHB) advanced by 6.5%. The Energy Select SPDR ETF (XLE) gained 3.7%, while the Health Care Select Sector SPDR Fund (XLV) rose 1.4%.

Additionally, the Industrial Select Sector SPDR Fund (XLI) climbed 3.7%, and the Financial Select SPDR ETF (XLF) inched up by 0.5%.