[What's New]

Stock Market Sees Steepest Weekly Decline in Over a Year

The stock market rally experienced its worst week in more than a year, sending clear warning signals. The S&P 500, which had been nearing record highs, decisively dropped below its 50-day moving average, while the Nasdaq crashed its important support. Concerns are growing that the U.S. economy may be slowing down and that the Federal Reserve could be lagging in its response. Simultaneously, a sharp sell-off in artificial intelligence stocks, led by Nvidia (NVDA), intensified the downward trend.

Many stocks that were either holding steady or showing strength faltered over the past week, with some barely hanging on. Tesla (TSLA), which had a strong Thursday rally, gave back all of its gains and more by Friday.

Market Recap

In a holiday-shortened week, the stock market saw significant losses. The Dow Jones Industrial Average fell 2.9%, while the S&P 500 declined by 4.25%, marking their worst week since March 2023. The Nasdaq composite suffered a steeper drop, losing 5.8%—its largest weekly decline since January 2022. Meanwhile, the small-cap Russell 2000 tumbled 5.7%.

Having entered a bullish trend at the end of August, the S&P 500 seemed poised for further gains but fell sharply below its 50-day moving average last week. The Russell 2000 also slid below this key technical level. Although the Dow Jones remained above its 50-day line, it saw a sharp pullback from recent highs.

The Nasdaq led the downturn, breaching its 50-day line on Tuesday and getting close to its 200-day line. Although the S&P 500 has not yet crossed below this critical level, it is approaching it.

The Invesco S&P 500 Equal Weight ETF (RSP) lost 3.1%, dropping under its 21-day line and testing its 10-week average.

Oil prices fell sharply, with U.S. crude futures dropping 8% to $67.67 a barrel—the lowest since June 2023. Gasoline futures also slid 9.4%, hitting their lowest levels in three years.

The bond market saw a rally, with the 10-year Treasury yield falling by 20 basis points to 3.71%.

It briefly touched 3.65% on Friday, falling below its Aug. 5 global sell-off low. The two-year Treasury yield dropped even more, by 27.5 basis points to 3.65%, as the yield curve moved out of inversion.

Despite a series of weak economic data, including a soft jobs report, market expectations for a half-point Federal Reserve rate cut in mid-September remain around 30%, down from 50% earlier in the week. Fed Governor Christopher Waller, considered one of the more hawkish policymakers, signaled support for a September rate cut but leaned toward a smaller move. Investors anticipate between 100 to 125 basis points in rate cuts by year-end.

The upcoming CPI and PPI inflation reports will be closely watched, as they could provide the Fed with the justification needed for more aggressive rate cuts.

ETF Performance

Growth-oriented exchange-traded funds (ETFs) suffered across the board. The iShares Expanded Tech-Software Sector ETF (IGV) fell 4%, with heavyweights Adobe and Oracle among the main contributors. The VanEck Vectors Semiconductor ETF (SMH) dropped a steeper 11.7%, as Nvidia's stock plummeted 13.9% for the week, closing at 102.83. Nvidia, a major player in both the chip and AI industries, remains a key stock to watch, with the 100 level representing a significant support point for both the company and the broader sectors it influences.

Meanwhile, the SPDR S&P Metals & Mining ETF (XME) tumbled 9.8%, and the SPDR S&P Homebuilders ETF (XHB) slid 4.4%. Other sector ETFs also took hits, with the Energy Select SPDR ETF (XLE) down 5.8% and the Health Care Select Sector SPDR Fund (XLV) dropping 2.1%. The Industrial Select Sector SPDR Fund (XLI) declined 4.2%, while the Financial Select SPDR ETF (XLF) slipped 3.2%.

Speculative ETFs saw even sharper declines. The ARK Innovation ETF (ARKK) shed 7.2%, while the ARK Genomics ETF (ARKG) lost 8.15%. Both Tesla and Nvidia, key holdings in ARK Invest's funds, contributed to these declines.