Daily Market Notes

Market Update :

DJIA: 35126
S&P 4,426
Nasdaq: 14817
10YR T-Note: 1.26%

EUR/USD: 1.19
VIX: 17.53
Gold: $ 1831
Crude Oil: $ 73.30

Prices Current as of 12:05 PM
Source: CNBC

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Special Comment – The next edition of the Daily Market Notes will appear on Monday, August 2nd.

In a day of reactions to some important earnings reports and not so much to what the latest announcement from the Fed was, the various stock indices ended widely mixed with the Nasdaq able to advance for six out of the past seven sessions.

The Dow declined after a very brief higher start and ended with a closing loss of 127 hurt by earnings-related selling in MCD, 3M and V in addition to weakness in financial issues like AXP and TRV.

The S&P chopped around from being lower to as much as a 14 point advance just before 3pm until a late slide resulted in a closing loss of 1 point to 4400. It was negatively influenced by declines in the heaviest weighted stocks such as AAPL and MSFT.

The Nasdaq was the upside hero as it gained 102 points up to 14,782 due to help from advances in GB, GOOGL and ROKU, although the participation by all of the large tech leaders was not there. The Russell 2000 Index of small stocks did well with a 33 point advance, as this one has been chopping around aimlessly which just illustrates the rotation from large to smaller issues and vice-versa which has been going on almost on a daily basis lately. And the VIX eased back to 18.31, sort of in the middle of its recent range.

Following the Fed's latest two-day policy meeting, the central bank said it was leaving its key interest rate unchanged and would continue to buy billions in bonds every month.

They also noted that vaccinations were helping the economy, but it dropped a sentence in its statement that it had included after its previous meeting that said those vaccinations have reduced the spread of COVID-19. That was the only reference to the delta variant that has caused a spike in COVID cases in several hotspots in the United States and many other countries.

Their comments did not telegraph when they were thinking about withdrawing support and they will probably wait until January to say something once they get a sense of how the labor market looks in the fall. So in a sense, all of the hoopla about any Fed statement and subsequent press conference was basically much ado about nothing.

The Fed has kept its benchmark short-term rate pegged at nearly zero since March 2020, when the pandemic tore through the economy. The central bank has also been buying $120 billion in Treasury and mortgage bonds each month in a bid to spur more borrowing and spending and the statement said that the economy is moving closer to the “substantial further progress” needed before the Fed makes any changes to this amount of money that it has been supplying to the markets.

Analysts expect the Fed to move toward reducing the bond purchases that have helped keep interest rates low through the pandemic. The big question for investors is the timing and pace of such a pullback. The market is also weighing concerns about the pace of the economic recovery, which could be stymied by the renewed spread of COVID-19.

Then there are the ongoing concerns about whether inflation will continue to rise, depending on the economic recovery and supply chain problems that have made some goods more expensive.

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There were some positive reactions to earnings such as GOOGL which reported a profit surge last quarter. PFE also rose after its profit and revenue surged on strong sales of its COVID-19 vaccine and other medicines. The drugmaker also raised its sales and profit forecasts for the year. BA jumped after the airplane maker reported a surprise quarterly profit, its first since 2019.

Solid earnings weren't enough to lift stocks for other companies. Dow components MCD and V declined despite reporting a gain in revenue and beating analysts' forecasts. And previously unstoppable FB rose but lost that gain and more in extended trading after-hours despite reporting after the market closed that its second-quarter earnings doubled thanks to a massive increase in advertising revenue.

Investors will be focusing much of their attention on what companies are forecasting for the rest of the year. Those forecasts, along with a mix of economic reports on gross domestic product and personal income and spending, should give investors a clearer picture of the economic recovery's trajectory as they head into August.

This week will be the largest one for second-quarter earnings, which are now projected to be ahead by 74% over last year. The lineup is as follows: yesterday Dow components MCD, V, and AAPL lower in addition to SBUX, JNPR, CAKE, MCO, SHOP,HUM and CB while GOOGL, MAT, SIX and Dow components BA and MSFT were higher; today – FB, CTXS, TAP, TROW, CTXS, ICE, PYPL and Dow component MRK lower while HLT, VLO, MO, CMCSA, YUM, MA, ALGN, QCOM, XLNX and CG are higher; tonight - AMZN, GILD, TMUS, SWKS, WWWE, TWLO, PINS, MHK, SAVE and X; Friday – Dow components CAT, CHV and PG plus XOM, WWY.

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Economic reports include: yesterday – Fed latest policy decision at 2pm – see above; today – weekly jobless claims slipped to 400,000 while the first estimate of 2Q G.D.P. came in well below consensus at 6.5%, June pending home sales, based on contracts signed, fell by 1.9%; Friday – June personal income and spending.

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Disclosures

Don Selkin is the Chief Market Strategist at Newbridge Securities Corporation, member FINRA/SIPC and provides the Fair Value analysis for CNBC each morning. The commentary provided in this Market Letter is intended to provide our current or potential customers with timely market analysis and should not be considered a research report. This Market Letter may contain, and is limited to: Discussions of broad based indices; Commentaries on economic, political or market conditions; Technical analysis concerning the demand and supply for a sector, index or industry based in trading volume and price; Statistical summaries of multiple companies' financial data, including listings of current ratings; and, recommendations regarding increasing or decreasing holdings in particular industries or securities. This Market Letter does not make a financial or investment recommendation or otherwise promotes a product or service of the firm. This Market Letter contains only news, facts, and commentary on information previously reported from a news source believed to be accurate and reliable by the author. These news sources include the following: {Bloomberg Financial, Reuters, and Associated Press}. It is possible that at any given point in time, the author, Newbridge Securities, or one or more of its employees or registered individuals associated with Newbridge Securities, may hold a position, either long, or short, as well as options, bonds, or other instruments in the companies noted in this report.