

# MarketWatch

## Stock market ends slightly lower after Fed raises rates

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Fed statement 'gradual enough for the bulls, but signals a more aggressive approach down the road'



*Getty Images*  
Jerome Powell presided over his first meeting as Federal Reserve chairman.

U.S. stock-market indexes ended a turbulent session slightly lower on Wednesday after the Federal Reserve delivered its sixth interest-rate increase since the end of 2015 and signaled it still expects to deliver two more before the end of the year.

The central bank also upped its forecast for the number of rate increases it expects to deliver in 2019. Stocks saw whipsaw price action, swinging between gains and losses following the policy announcement and during Powell's news conference before ending the session in negative territory.

### What are markets doing?

The S&P 500 SPX, -0.91% fell 5.01 points, or 0.2%, to 2,711, with eight of its 11 main sectors posting declines. Energy shares led the gains, rising 2.6%, as oil futures hit a seven-week high. Consumer-staples shares were the worst performers, down 1.3%.

The Dow Jones Industrial Average DJIA, -1.02% which at its session high was up more than 250 points, ended down 44.96 points, or 0.2%, at 24,682.31. The Nasdaq Composite Index COMP, -0.88% declined 19.02 points, or 0.3%, to 7,345.29.

Small-cap stocks bucked the trend, ending higher. The Russell 2000 index RUT, -0.68% rose 8.9 points, or 0.6%, to 1,579.30.

Much of the gain for the Russell was due to a rally by banking stocks, which comprise 25% of the benchmark, according to FactSet.

### **What is driving the markets?**

The central bank raised interest by a quarter of a percentage point, as widely expected. However, Powell played down policy makers' view on future rates as seen on the so-called dot plots, which are anonymous forecasts from each FOMC member on the future path of the fed-funds rate.

"The only thing that got a vote at the meeting was this rate hike. No one voted on the dot plot," he said.

The yield on 10-year U.S. Treasury note TMUBMUSD10Y, -1.40% initially extended its rise, topping 2.93%, before paring the increase to trade near 2.883%—not far off its level ahead of the policy announcement. Yields and Treasury prices move in opposite directions.

The ICE U.S. Dollar Index DXY, +0.18% weakened after the Fed decision, trading 0.8% lower at 89.710.

### **What are strategists saying?**

"The Fed is forecasting two more hikes this year, but beyond that nobody knows what the economy will do, so their projections are meaningless," said Joe Saluzzi, co-head of equity trading at Themis Trading.

Saluzzi also said extremely low volumes may have contributed to the choppy price action, possibly due to the spring snowstorm hitting the East Coast.

"It's very quiet, especially for a Fed and when volumes and liquidity are thin any sizable order can move markets as we are seeing today," Saluzzi said.

"Markets should like this statement that seems to have just enough for everyone: it's gradual enough for the bulls, but signals a more aggressive approach down the road in 2019-2020," said Ryan Larson, head of equity trading at RBC Global Asset Management.

"A good percentage of Russell 2000 stocks are financials, which respond well to an environment with a steepening yield curve. As primarily domestic stocks, they respond well to strong domestic conditions," said Mark Luschini, chief investment strategist at Janney Montgomery Scott.

### **What data are in focus?**

The current-account deficit for the fourth quarter rose by 26% in the fourth quarter, widening to \$128.2 billion from a revised \$101.5 billion in the third quarter.

Existing-home sales ran at a seasonally adjusted annual pace of 5.54 million in February.

### **Which stocks are in focus?**

Shares of General Mills Inc. GIS, -0.79% plunged 8.9% after earnings and an outlook that came in below expectations.

Facebook FB, -1.51% rebounded, rising 0.7%, but the stock remained down 8.5% for the week. The selloff for the social-media giant came after it was revealed that Cambridge Analytica, a firm hired to

assist President Donald Trump's 2016 campaign, allegedly harvested private information of 50 million Facebook users without their permission.

WhatsApp co-founder Brian Acton said late Tuesday it was now time to delete Facebook.

MuleSoft Inc. MULE, -0.09% rose 5.3% after Salesforce.com Inc. CRM, -1.75% said following Tuesday's closing bell that it is buying the software company. Salesforce shares were down 2.7%.

Southwest Airlines Co. LUV, +0.19% shares slumped by 4.8% after the company cut its outlook for first-quarter revenue per available seat mile to be in line with a year ago from previous guidance of a 1% to 2% increase.

Home-building shares rallied after existing-home sales snapped a two-month losing streak. D.R. Horton Inc. DHI, +0.01% rose 2.9%, while Lennar Corp. LEN, +0.75% advanced 1.8%.

Shares of Dow component Apple Inc. AAPL, +0.60% fell 2.3%, leading blue-chip decliners.

### **What are other markets doing?**

Asian stocks closed mixed, with Japan's exchange NIK, +0.99% closed for a holiday.

In Europe, most indexes closed in negative territory.

Oil prices CLK8, -1.09% climbed to trade at their highest levels in nearly seven weeks, after a surprise weekly decline in U.S. crude inventories. May West Texas Intermediate crude jumped 2.6% to settle at \$65.17 a barrel.

Gold prices GCJ8, +0.45% settled higher and rose in electronic trading. Gold finished at \$1,321.50 an ounce, up \$9.60, or 0.7%.

*Ryan Vlastelica contributed to this report*