"Worst Week in Years"

The lead from this weekend's WSJ:

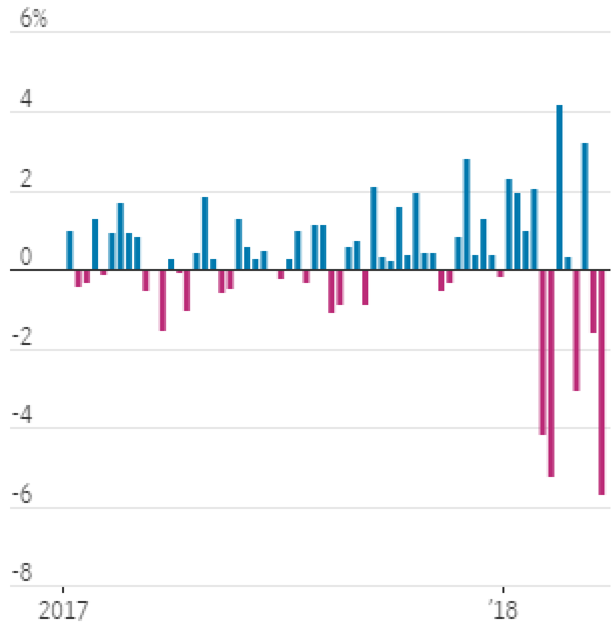
Stocks Sink to Worst Week in Years

Dow sheds 5.7% as tough trade moves, interest rates and tech worries rattle investors

By Akane Otani, Riva Gold and Michael Wursthorn

U.S. stocks suffered their worst week in more than two years, signaling mounting investor anxiety over whether factors from restrictive trade policies to rising interest rates could disrupt the nine-year bull market.

The Dow Jones Industrial Average fell more than 1,400 points over five days, a 5.7% decline that marked the blue-chip index's biggest weekly percentage loss since January 2016. Financial stocks in the S&P 500 dropped 3% Friday, with Bank of America and Morgan Stanley falling nearly 5% apiece. Tech stocks slid nearly as much, with Facebook posting its third-worst weekly fall on record.



Source: WSJ Market Data Group

Larger tech companies and banks had benefited for much of the past year from bets that the global economy would expand while interest rates rose gradually—the so-called Goldilocks scenario for stocks. Enthusiasm for shares of fast-growing companies drove many names in the sectors sharply higher, with Facebook, Apple , Bank of America and Citigroup all surging double-digit percentages last year.

Friday's selling underscored the vulnerability of those bets, which investors had based on a number of assumptions that have come under question in recent weeks. While signs of growth persist, increasingly restrictive trade policies threaten to disrupt a global economic recovery that had helped lift major indexes from New York to Hong Kong to multiyear highs in January. And growing backlash over how technology firms handle their users' data has driven some of the most popular names in the sector lower. ...

The Dow Jones Industrial Average slid 424.69 points, or 1.8%, to 23533.20 on Friday, deepening its declines for the year and closing at its lowest level since November. The S&P 500 fell 55.43 points, or 2.1%, to 2588.26 and the Nasdaq Composite shed 174.01 points, or 2.4%, to 6992.67.

Stocks elsewhere around the world fell broadly, with benchmark indexes in Europe, Japan, Shanghai and Hong Kong each losing more than 3% for the week. (as shown below)

The trading week began on a downbeat note, as investors—unnerved by reports that a third-party firm had improperly kept Facebook users' data—dumped some of the best-performing technology shares of the year. Selling in stocks then intensified after the Trump administration said it would impose tariffs on tens of billions of dollars of Chinese imports, on top of levying duties on steel and aluminum imports—raising fears that tighter trade policies could dull economic growth.

China's commerce ministry responded Friday by announcing it would levy tariffs against $3 billion worth of U.S. goods, including pork and recycled aluminum. ...

Shares of manufacturers, steelmakers and aluminum producers logged steep weekly losses, as investors shied away from firms whose profits could take a hit if the price of industrial goods rises. Century Aluminum fell 20% for the week, while U.S. Steel lost 15% and heavy-machinery maker Caterpillar lost 7.8%.

Bank shares slid as government bonds, which have rallied on the tariff news, strengthened for a second straight week. The recent pullback in bond yields, which fall as prices rise, narrowed the gap between short- and long-dated U.S. Treasury notes—something that tends to hurt lenders' profits. The KBW Nasdaq Bank Index of large U.S. lenders fell 3.3% for the day, finishing down 8% for the week.

The week's selling came as many investors were grappling with a number of potential threats, including rising interest rates, a possible tightening of regulations for tech giants and data suggesting some slowdown in economic growth in Europe.

Business activity in the eurozone slowed for a second straight month in March, data showed Thursday, and the Citi Economic Surprise Indicator for the eurozone, which measures economic data releases against expectations, has fallen to its most negative level in two years.

Adding to the downbeat tone in markets: a selloff in the technology sector, which extended declines Friday as investors worried that backlash over Facebook's handling of user data could lead to tighter regulations.

Facebook shares tumbled again Friday, posting a 14% weekly decline—its biggest since 2012. Other technology names slipped, with Twitter , Apple and Google parent Alphabet each losing more than 7% for the week. ...

The combination of factors pushed many investors out of stocks, with mutual funds and exchange-traded funds tracking global equities posting a net $19.9 billion in outflows in the week through Wednesday, according to a Bank of America Merrill Lynch report citing data from EPFR Global. ...

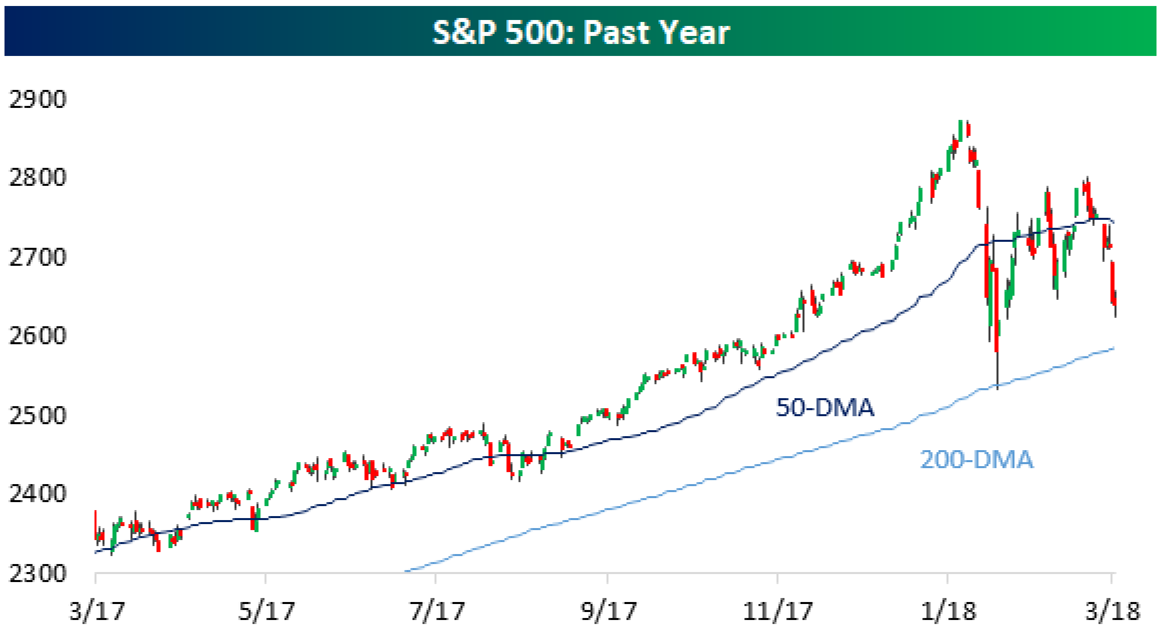
From Bespoke:

Global Indices Below 200-DMAs With Death Crosses To Boot

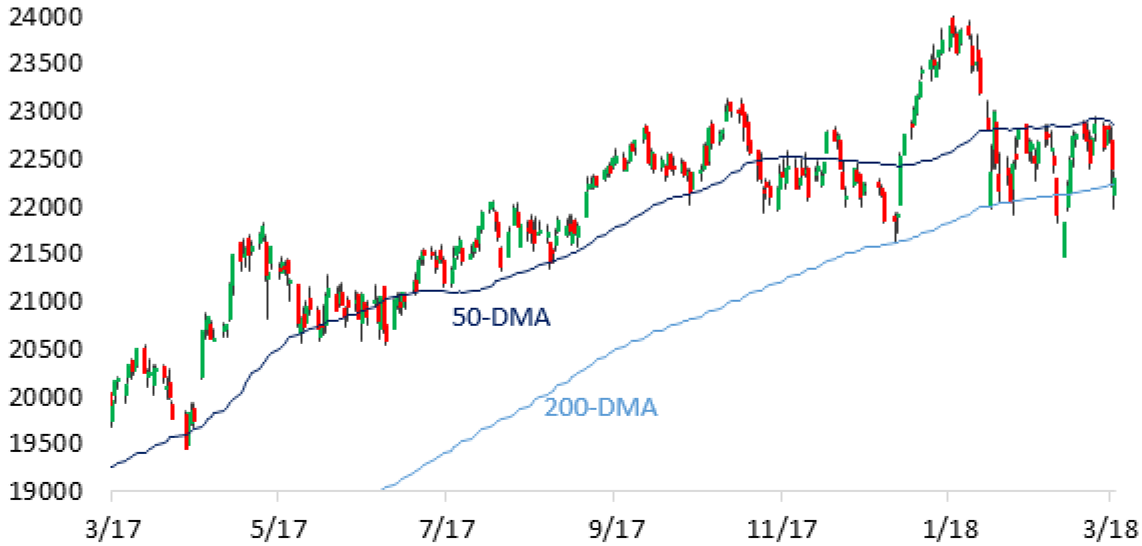
Mar 23, 2018

It's been a week to forget for global equity indices. In the charts below we chart local currency prices for indices in the US (S&P 500), Europe (Stoxx 600), Italy (FTSE MIB), Spain (IBEX 35), the UK (FTSE 100), Germany (DAX), Japan (Nikkei 225), and Australia (ASX 200). All are now below their 50-DMAs and the US is the only index hanging on to its 200-DMA. Adding to that technical damage are a number of death crosses. This bearish technical indicator is triggered when the 50-DMA passes below the 200-DMA when both are downward sloping. (Sounds scary, but, like most technical indicators, it has no predictive power.) The Stoxx 600, FTSE 100, and DAX all fit this bill.

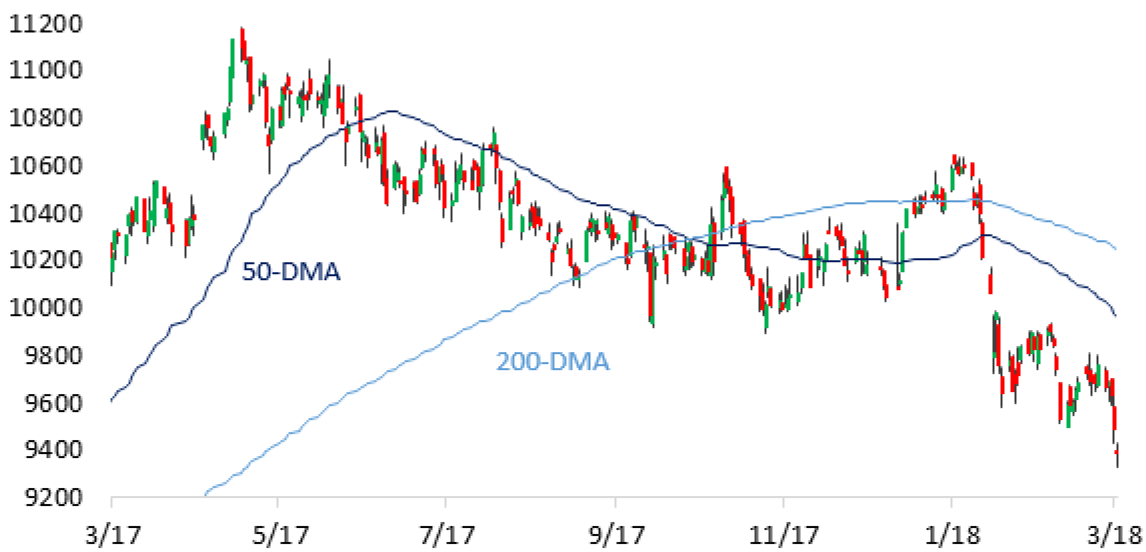
As if death crosses and moves below long-term averages weren't enough, the Stoxx 600, IBEX 35, FTSE 100, and DAX are all at 52-week lows on a closing basis. The Nikkei closed the week with its second-largest decline since the 2016 US Presidential election, and US equities have dropped on 4 of 5 trading days in 3 of the past 4 weeks. The weakness of the price action across global equities is consistent and broad-based.



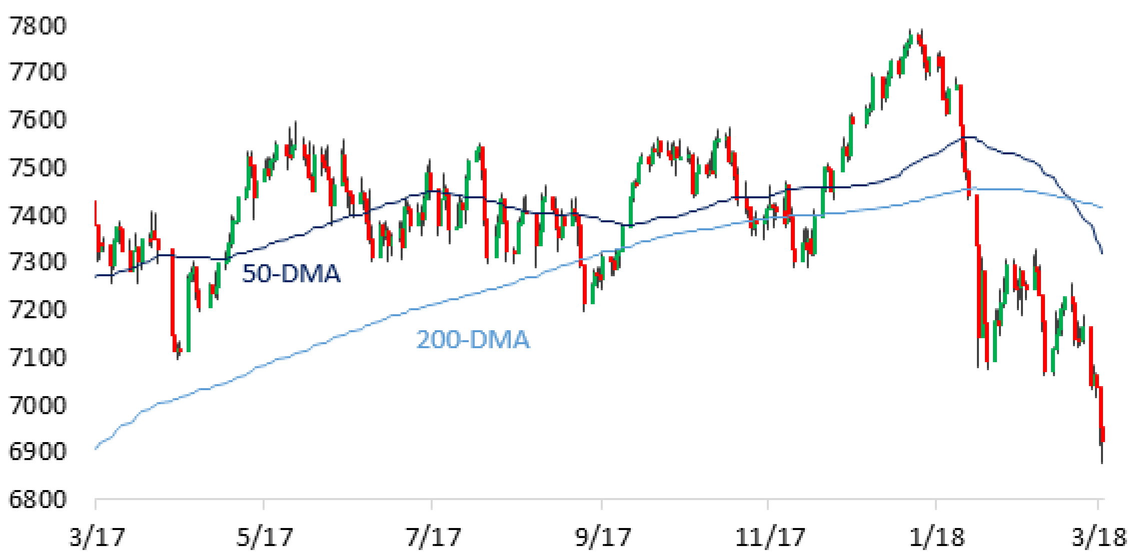
FTSE MIB: Past Year



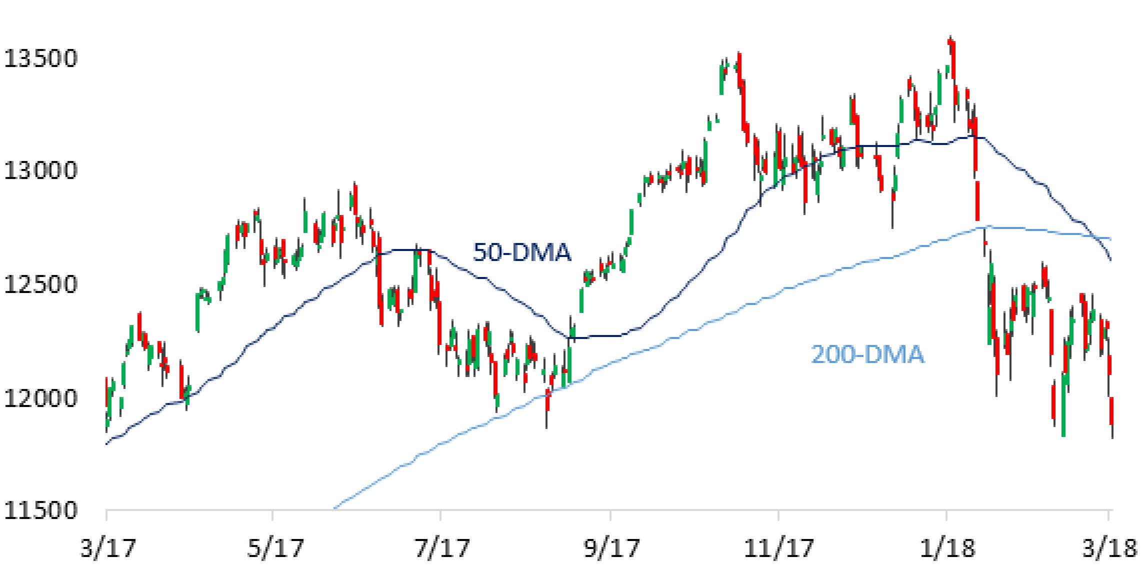
IBEX 35: Past Year



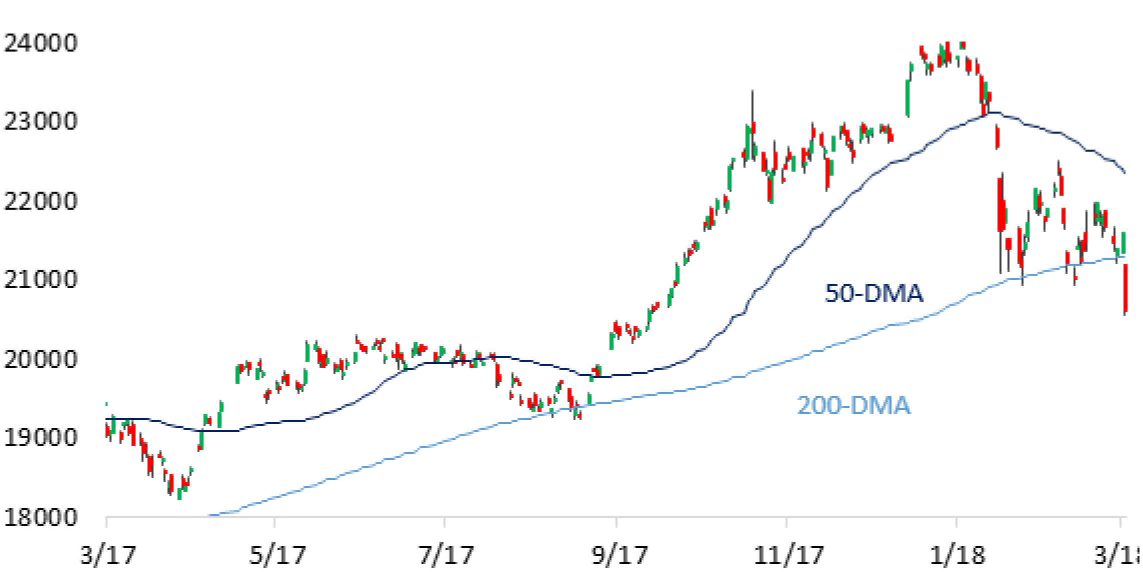
FTSE 100: Past Year



DAX: Past Year



Nikkei 225: Past Year



ASX 200: Past Year

Our thoughts

So has Mr. Market suddenly realized that Trump is the worst president in history, at least according to this year's vote of the 170 members of the American Political Science Association's Presidents and Executive Politics section? Has Wall Street finally reached its limit for the mounting chaos surrounding his administration? Besides reportedly calling your boss a "moron" (Former Secretary of State Tillerson), "dumb as shit" (Former Director of National Economic Council Cohn), and an "idiot" and a "dope" (Former National Security Advisor General McMaster) being a good way to get "Former" added to your title, should we be concerned about the latest departures from the circus? While our answer would be "no" in the case of Tillerson, and "yes" with Cohn being replaced by a Talking Head and McMaster being replaced by a Neocon who still believes the Iraq war was a good idea and has advocated preventive wars with North Korea and Iran, will it matter? We don't know, nor does anyone else, although there will be a multitude of so called experts proclaiming precognition after the fact. What we do know is that if your Risk Profile is accurate you shouldn't be all that concerned and, if you are, then it (your Risk Profile) may need to be adjusted. **"People can foresee the future only when it coincides with their own wishes, and the most grossly obvious facts can be ignored when they are unwelcome." -** George Orwell