

Euro

Nasdaq and S&P slip amid doubts over tech outlook

Dollar soft as weak US wage data add to caution over Fed rate path

Global Market Overview



Traders on the floor of the New York stock Exchange © Getty

JULY 28, 2017 by: Dave Shellock

Friday 21.00 BST

What you need to know

- Amazon results add to worries about technology sector
- S&P 500 and Nasdaq Composite ease 0.1 per cent
- Dollar index hovers near 13-month low
- Brent oil hits two-month peak above \$52
- Gold touches fresh six-week high

Overview

US stocks and the dollar went into the weekend on a cautious note as participants focused on the latest retreat for technology stocks — alongside disappointing results from Amazon — weak data on US wage growth, and the latest setback to Republican plans to [repeal Obamacare](#).

But there was no stopping oil prices as Brent climbed above \$52 a barrel to its [highest level in two months](#) following further signs this week that a global glut of crude might be easing.

Hot topic

For many in the markets the focus remained on technology stocks following a steep and sudden sell-off in the sector on Thursday that caught many by surprise.

“In a very low volatility world this felt a bit like a ‘flash crash’, but the reality is that in more normal markets we probably wouldn’t be making too big a deal about it,” said Jim Reid, macro strategist at Deutsche Bank. “There was nothing concrete causing the sell-off.”

Indeed, the tech-heavy Nasdaq Composite equity index pared its initial drop on Thursday, only to come under renewed pressure on Friday.

By the close of trade, the index was down 0.1 per cent at 6,374 — off an earlier low of 6,337, but still 1.3 per cent short of a record intraday high hit early in the previous session.

Oliver Jones at Capital Economics highlighted the remarkable rally in the tech sector this year — not just in the US, but globally — and argued there was little cause for concern just yet.

“The key difference between today and the dotcom bubble of the late 1990s and early 2000s is that the recent strength appears justified by improved earnings, both actual and projected,” he said.

Amazon shares contributed to the latest leg lower for the Nasdaq as they fell 2.5 per cent, after the online retailer’s second-quarter earnings came in [well short of expectations](#).

The benchmark S&P 500 also fell 0.1 per cent on Friday to 2,472 — leaving it 0.5 per cent shy of its record peak, also reached on Thursday, and down a fraction over the week.



In Europe, the pan-regional Stoxx 600 index fell 1 per cent — leaving it 0.5 per cent lower on the week — as the tech sector shed 1.3 per cent.

London's FTSE 100 fell 1 per cent as tobacco stocks fell sharply amid concern that US regulators might force producers to lower nicotine levels in cigarettes.

Forex and fixed income

The dollar continued to hover near a 13-month low against a basket of currencies, as the euro pushed back above the \$1.17 level to its highest point since the start of 2015.

The dollar's latest bout of weakness came hard on the heels of the Federal Reserve's latest policy meeting and statement, and was exacerbated by events in Washington late on Thursday.

“Another hurdle for President Trump's healthcare reform, another hurdle backing the funds for tax reform, another hurdle in the way of higher Treasury yields — and so nothing good for the dollar,” said Kit Juckes, strategist at Société Générale.

The Federal Reserve set off alarm bells in some quarters on Wednesday as a subtle shift in its [comments on inflation](#) heightened speculation that a third rise in interest rates this year may not materialise.

US GDP data offered little encouragement to Fed rate hawks. The economy expanded at an annualised pace of 2.6 per cent in the second quarter of the year — “respectable rather than great”, according to James Knightley, economist at ING.

“However, given the Fed story is more about inflation right now this is unlikely to sway sentiment in any meaningful way,” he said.

“On that front we had a weak employment cost index figure of 0.5 per cent quarter on quarter for the second quarter versus 0.8 per cent in the first quarter, which again highlights the lack of inflation pressures emanating from the jobs market.

“This will keep the market mindset as doubting the Fed's indicated path for interest rate hikes.”

The euro was up 0.7 per cent against the dollar at \$1.1754, and up 0.8 per cent over the week.

There was no respite for the Swiss franc as the euro shot up a further 1.1 per cent to SFr1.1386 — a fresh two-and-a-half-year high.



The 10-year US Treasury yield was down 2 basis points at 2.29 per cent — but still up 6bp for the five-day period.

Commodities

Oil prices remained in sharp focus as Brent powered through the \$52 a barrel mark to settle at \$52.52 — up a hefty 9.3 per cent over the week. That marked the international crude benchmark's biggest weekly rise since December.

The latest bout of dollar weakness helped gold climb \$11 to a six-week high of \$1,269 an ounce. The metal was up \$15 for the week.

Additional reporting by Michael Hunter in London and Alice Woodhouse in Hong Kong

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