Earnings and Trade Worries Sink Under Armour and Apparel Makers

Federal reserve policy and the trade war with China produced a volatile week for the Entrepreneur Index™.

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The Entrepreneur Index™ is feeling the heat.

Monetary policy and trade relations have been the dominant factors moving stock prices for months, and they combined last week to produce one of the most volatile weeks in the market this year.

Stock prices fell sharply on Wednesday, after the Federal Reserve Board decided to cut interest rates by only 25 basis points. Fed Chairman Jerome Powell suggested the move was a "mid-cycle adjustment" and not necessarily the first of a series of rate cuts.

Investors decided yesterday that more rate cuts would be forthcoming despite the relatively less dovish stance of the Chairman. The yield on the 10-year Treasury bond plunged by more than 10 basis points to its lowest level in more than three years and stock prices recovered their losses from the previous day. President Trump spoiled the fun by announcing more tariffs on another $300 billion in Chinese imports yesterday afternoon, causing a rapid reversal and a more than 600-point swing in the Dow index.

For the week, the Entrepreneur Index™ was down 2.39 percent while the Dow and S&P 500 indexes fell 2.15 percent and 2.08 percent respectively. The Nasdaq Composite was down 2.4 percent in the last five days.

Trade-sensitive stocks were hit hardest with apparel makers and retailers suffering large losses on the week as the trade war with China is expected to hurt demand and disrupt global supply chains further. Under Armour Inc. had one of the biggest losses, falling 21.25 percent in the last five days. The athletic wear manufacturer reported disappointing earnings on Tuesday and it continues to lose market share in North America, its biggest market.

Ralph Lauren Corp. was also down 9.87 percent on the week while L Brands lost 6.52 percent and Gap Inc. fell 6.39 percent. Delivery giant Fedex Corp., a good barometer of sentiment on global economic growth, fell 7.13 percent in the last week. Vehicle manufacturers Ford Motor Co. (-3.02) and PACCAR Inc. (-4.28) were also down sharply.

Asset managers Blackrock and Franklin Resources suffered from the market volatility this week. BlackRock was down 4.76 percent while Franklin Resources, which reported a more than ten percent drop in quarterly earnings this week, fell 9.32 percent.

The technology sector was generally down for the week. All four FAANG stocks on the Entrepreneur Index™ were down with Facebook (-4.82 percent) and Amazon.com (-4.46) falling the furthest. The semiconductor chip-makers were among the hardest hit as trade uncertainties and the continuing restrictions on business with Chinese telecom giant Huawei weighed on stock prices. NVIDIA Corp. was down 6.17 percent on the week and Analog Devices fell 6.34 percent. TripAdvisor Inc., which reports earnings next week, was down 6.43 percent in the last five days.

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The news wasn’t all bad. Cloud services provider Akamai Technologies had one of the bigger gains this week, rising 7.78 percent after it beat analyst estimates with financial results reported on Tuesday. Twitter also gained 3.54 percent on the week.

Homebuilder D.R. Horton Inc. beat estimates and was up 5.82 percent this week. Meanwhile, oil and gas producer Hess Corp. posted a smaller loss then expected this week and raised production forecasts for the year. The stock was up 6.67 percent for the week despite a sharp drop in the price of oil after President Trump’s tweets about further tariffs on China. It is up 57.2 percent this year. Tesla shares started the week off strongly but retreated in the last two days. They were up 3.37 percent over the last five trading sessions.

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