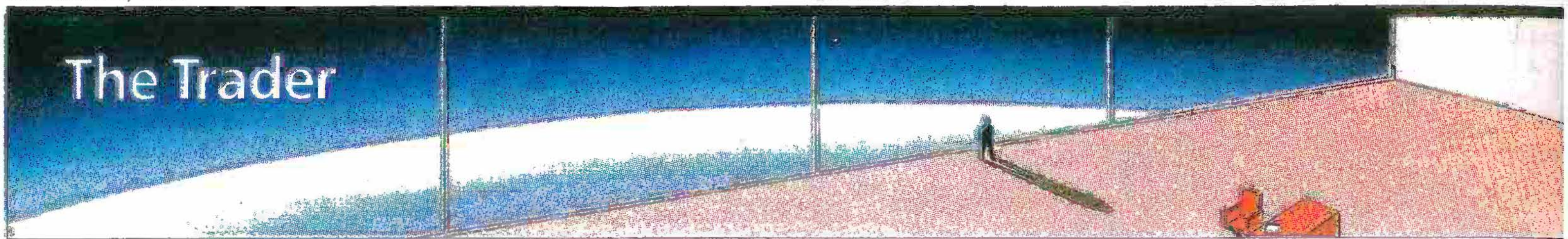


Stocks Slide 1% as Trump Rally Grows Weary

by Ben Levisohn

IT HAD TO END SOMETIME.

After three weeks of big gains that began with Donald J. Trump's presidential victory, the Standard & Poor's 500 index finally finished a week in negative territory.

The S&P 500 fell 1% to 2,191.95, while the Nasdaq Composite tumbled 2.7% to 5255.65, ending a three-week post-election rally. The Dow Jones Industrial Average eked out an 18.28-point, or 0.1%, gain to 19,170.42, extending its winning streak to four weeks.

What's behind the weakness? The data, what there was of it, was decent, with the U.S. unemployment rate dropping to its lowest level since 2007, and personal income growing more quickly than expected in October. And the Organization of Petroleum Exporting Countries finally agreed to cut production, causing oil—and Treasury yields—to surge.

Stocks' recent action is a sign that investors are rotating from one part of the market to another.

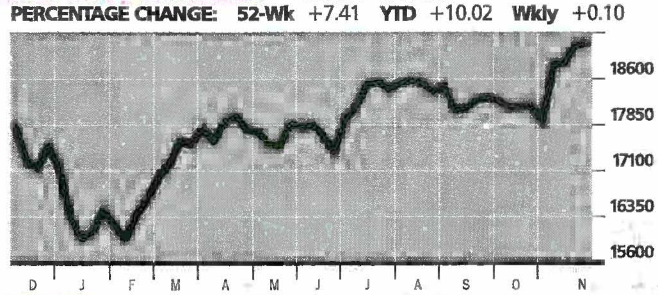
But the pause seems to be more a case of the market needing to stop and catch its breath after coming so far, so fast since the election. "The market went straight up for three weeks," says Jason Ware, chief investment officer at Albion Financial Group. "It's exhaustion."

Not too exhausted, however, for a massive sector rotation. Tech dropped 2.9% last week, helping to explain why the Nasdaq suffered more than the other major indexes. Energy stocks, however, gained 2.6%, thanks to OPEC's agreement, which should have canceled out tech's losses in the S&P 500, except for the fact that tech has nearly three times the weighting in the popular benchmark. Financials and materials continued to outperform, too, even as consumer staples and utilities suffered.

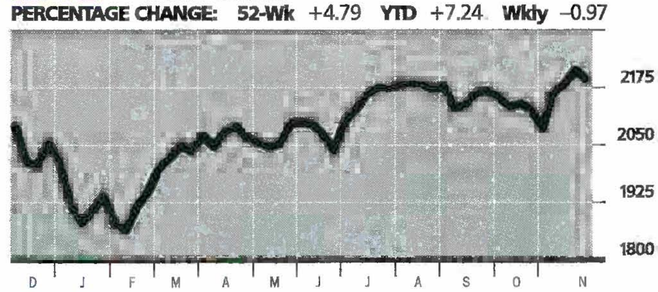
That market action is a sign that investors are no longer buying stocks whole hog, but are rotating their money from one part of the market to another, says Michael Shaoul, CEO of Marketfield Asset Management. That could keep a lid on the S&P 500 for the time being, as each purchase is offset by a sale. "They're buying this, and selling that to fund it," Shaoul says. "Whether the index goes up or not isn't as important as being in the right parts."

What's the right part? For now, it looks like the market's cheapest stocks, says Paul Hickey, co-founder of Bespoke Investment Group. Through the end of November, stocks with price/earnings ratios under 10 had gained 11% since the election, while those with P/Es over 20 picked up 1.7%, he says. And it just so happens that more of those pricey stocks are in sectors like tech, while cheaper ones are in more economically sensitive sectors like financials, energy, and industrials. Higher P/E stocks are also more negatively affected by rising Treasury yields, which make their future growth worth less,

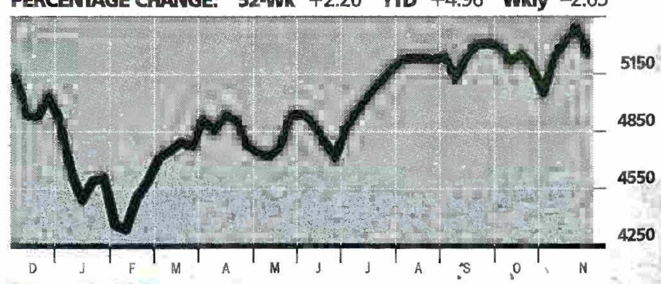
Dow Jones Industrials CLOSE 19170.42
PERCENTAGE CHANGE: 52-Wk +7.41 **YTD** +10.02 **Wkly** +0.10



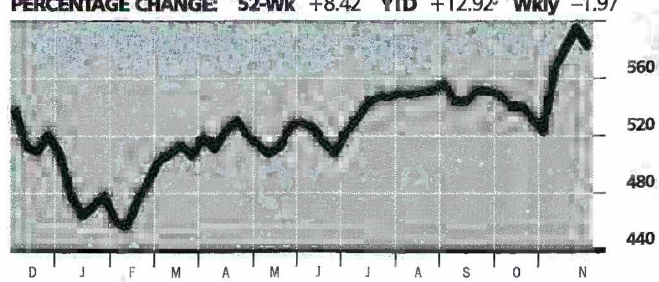
S&P 500 CLOSE 2191.95
PERCENTAGE CHANGE: 52-Wk +4.79 **YTD** +7.24 **Wkly** –0.97



Nasdaq Composite CLOSE 5255.65
PERCENTAGE CHANGE: 52-Wk +2.20 **YTD** +4.96 **Wkly** –2.65



Barron's 400 CLOSE 583.16
PERCENTAGE CHANGE: 52-Wk +8.42 **YTD** +12.92 **Wkly** –1.97



Source: Barron's Statistics