



Equities Slump As Concern Elevates - Stock Market Overview

February saw stock valuations retreat to where they were in July and August 2019. Analysts believe that the pullback has helped identify several overvalued stocks. Valuations are considered to be more in line with historical standards relative to where they were at the beginning of the year.

The final week of February saw all equity indices fall substantially. The S&P 500 Index slumped 11.49%, the Dow Jones Industrial Index fell 13.6%, and the tech-heavy Nasdaq Index gave up 10.54%.

The pullback among all major equity indices has been one of the fiercest in market history, yet reigning in valuations that were considered lofty by many analysts. Fortunately, the stellar performance of the equity markets in 2019 is serving as a buffer for the dramatic pullback.

U.S. corporate earnings for a host of companies in various sectors are estimated to be revised downward following the review of sales and inventory figures.

When U.S. equity markets fell 14% over two months in 2003 during the SARS outbreak, rates were much higher, with the 10-year Treasury yielding over 3.5%. The yield on the 10-year Treasury on Feb 28th at 1.13% is lower than the current S&P 500 Index yield for stock dividends at 1.97% on Feb 28th. Analysts view the yield difference as a benefit for stocks for yield seeking investors.

Sources: S&P, Dow Jones, Nasdaq, Bloomberg, U.S. Treasury