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## STOCK MARKET TODAY

# Dow Jones Futures: Stocks Tumble As Fed's Powell Says March Rate Cut Unlikely; What To Do Now



ED CARSON | 06:52 PM ET 01/31/2024

**D**ow Jones futures tilted higher after hours, along with S&P 500 futures and Nasdaq futures, after the market sold off as Federal Reserve chief Jerome Powell said a Fed rate cut in March was unlikely.

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The stock market rally started Wednesday with techs solidly lower following earnings from **Microsoft (MSFT)**, Google parent **Alphabet (GOOGL)** and **Advanced Micro Devices (AMD)**. But sharp losses broadened following Fed chief Powell's comments.

While the major indexes still look healthy, investors should be cautious about new buys in the very short term and consider taking some profits.

## Earnings

**Qualcomm (QCOM)**, **Nextracker (NXT)**, former NXT parent **Flex (FLEX)** and **Align Technology (ALGN)** reported Wednesday night. QCOM stock edged lower overnight on **strong earnings** and in-line guidance. **Nextracker stock skyrocketed**, signaling a buying opportunity. ALGN stock surged above its 200-day line. FLEX stock climbed modestly.

**Royal Caribbean (RCL)** reports before the open. RCL stock has an emerging base and is finding key support.

**Amazon.com (AMZN)**, **Apple (AAPL)** and **Meta Platforms (META)** loom Thursday night. All three Magnificent Seven stocks fell modestly Wednesday.

Meta is on **IBD Leaderboard**. MSFT stock is on **IBD Long-Term Leaders**. Meta stock, Google, Microsoft and Novo Nordisk are all on the **IBD 50**. Google stock is on the **IBD Big Cap 20**.

## Dow Jones Futures Today

Dow Jones futures were 0.1% above fair value. S&P 500 futures climbed 0.2% and Nasdaq 100 futures rose 0.3%.

The 10-year Treasury yield, extending losses from its 3 p.m. ET close, came down to 3.93%.

Remember that overnight action in **Dow futures** and elsewhere doesn't necessarily translate into actual trading in the next regular **stock market** session.

## Fed Chief Powell Dismisses March Rate Cut

As expected, the Federal Reserve took no action at its two-day meeting and officially moved monetary policy away from a tightening bias. However, policymakers signaled they aren't ready to cut rates yet.

"The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent," said the Fed statement.

**Fed chief Powell was explicit**, saying, "I don't think it's likely" that policymakers will feel confident enough by the March meeting. He did say current policy is restrictive and believes it'll make sense to ease at some point this year.

The Fed meeting announcement and Powell's comments followed a few weeks of Fed and European Central Bank officials pushing back at the consensus for quick, deep rates in 2024.

The odds of a Fed rate cut in March fell 35.5%, down from 40.4% on Tuesday. Markets had seen a 60% chance of a March cut shortly before the Fed announcement and Powell's comments on weak economic data. There's a 92% chance of a cut by May 1, but the odds of 50 basis points of easing fell to 31%.

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## Stock Market Rally

The stock market rally extended losses after the Fed announcement and especially Powell's comments, closing near session lows

The Dow Jones Industrial Average fell 0.8% in Wednesday's **stock market trading**, reversing lower from a fresh all-time high intraday. The S&P 500 index slumped 1.6%. The Nasdaq composite tumbled 2.2%, just below its 21-day moving average

Microsoft fell 2.7% on Wednesday despite strong earnings and guidance. Google stock plunged 7.5% amid weak ad revenue growth. AMD stock declined 2.5%, but came well off lows despite in-line earnings and a weak revenue forecast. The reports from the three AI-infused tech giants took their toll on other techs.

Meta stock sank 2.5% and Amazon shed 2.4%. AAPL stock slid 2%, its sixth straight loss.

Elsewhere, losses were muted — until Powell dismissed a March rate cut.

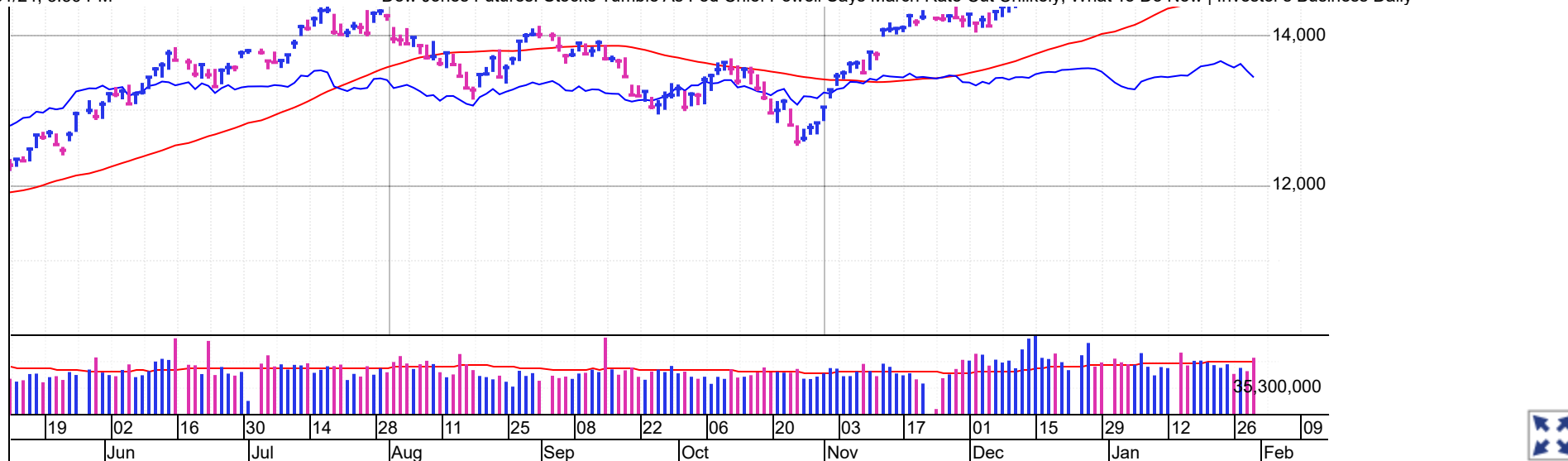
The Russell 2000 tumbled 2.45%, undercutting the 21-day line and nearing the 50-day. Regional banks were a big drag on the small-cap index.

The Invesco S&P 500 Equal Weight ETF (**RSP**), close to break-even for much of the session, sank 1.3%. RSP closed just above the 21-day. The First Trust Nasdaq 100 Equal Weighted Index ETF (**QQEW**) retreated 1.4%, less than the Nasdaq 100's 1.9% slide.

## NASDAQ Composite Index (0NDQC)

15,164.01 345.88 ↓ 2.23%





01/31/2024 (Market Close)

A week earlier, the Nasdaq was getting extended from its 50-day line. But it just 2.6% above that key level on Wednesday

Remember that markets often have a Day Two reaction to Fed meetings that reverses course. Also, Friday's jobs report will put Fed chief Powell's comments in fresh context.

The 10-year Treasury yield slid 9 basis points to 3.965%, closing below 4% for the first time since Jan. 12.

Before the open, a weaker-than-expected ADP employment report and Employment Cost Index brought yields down a few basis points. Treasury yields hit 3.94% intraday as **New York Community Bancorp (NYCB)** plummeted on a surprise Q4 loss due to a spike in loan-loss provisions as it faces stricter capital requirement.

U.S. crude oil prices fell 2.5% to \$75.85 a barrel.

## ETFs

Among growth ETFs, the iShares Expanded Tech-Software Sector ETF (**IGV**) slumped 2.2%, with MSFT stock a key holding. The VanEck Vectors Semiconductor ETF (**SMH**) gave up 1.4%. QCOM stock is an SMH holding, along with AMD.

Reflecting stocks with more speculative stories, the ARK Innovation ETF (**ARKK**) skidded 3.1% lower and ARK Genomics (**ARKG**) lost 3.3%.

The SPDR S&P Metals & Mining ETF (**XME**) fell 1.6%, and U.S. Global Jets (**JETS**) descended 0.8%. The SPDR S&P Homebuilders ETF (**XHB**) and the Energy Select SPDR ETF (**XLE**) each stepped down 1.9%. The Health Care Select Sector SPDR Fund (**XLV**) edged down 0.1%.

The Industrial Select Sector SPDR Fund (**XLI**) gave up 1.2%.

The Financial Select SPDR ETF (**XLF**) fell 1.1%. The SPDR S&P Regional Banking ETF (**KRE**) tumbled 5.85%, first as NYCB stock crashed and then adding to losses on Fed chief Powell.

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## What To Do Now

The stock market rally pulled back on Fed chief Powell, but the major indexes haven't shown significant damage, at least so far. But stocks that flashed buy signals on Monday might be in trouble now.

Earnings will remain intense Thursday, with the jobs report looming Friday. Those could provide catalysts for a market bounce or heavier selling.

Investors should likely wait until the dust settles on Friday morning before considering new buys. They may want to exit recent entries and mull taking at least partial profits in various stocks, especially those with earnings due.

That said, the current action could generate new setups in the coming days and weeks. So keep working on your watchlists. But also have your exit plans ready

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