After the Close

An Ameriprise Global Asset Allocation Committee publication

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A hot jobs report and a chip reset end nine consecutive weeks of sunshine

On the day

U.S. stocks sold off on Friday as a stronger-than-expected May jobs report collided with a second day of aggressive semiconductor selling, ending the S&P 500 Index's nine-week winning streak. The NASDAQ Composite fell 4.2% (its largest loss in over a year), weighed down by broad-based losses across chip and AI-linked shares. The Russell 2000 Index dropped 3.3%, its steepest decline in weeks. However, the Dow Jones Industrial Average held up relatively better on the day, slipping 1.4%, buoyed by a rotation into Consumer Staples, Utilities, and Health Care. The S&P 500 declined 2.6%, pulling back from its first close above 7,600 earlier this week.

In our view, two forces drove today's sell-off. First, the Bureau of Labor Statistics reported the U.S. economy added +172,000 nonfarm payrolls in May, nearly doubling the *Bloomberg* consensus estimate of 88,000. The unemployment rate held steady at 4.3%. Notably, March and April payrolls were revised upward by a combined +93,000, painting an even stronger picture of labor market conditions. As a result, the data pushed U.S. Treasury yields higher, with the 10-year yield rising to 4.54%. Odds of a Federal Reserve rate hike by year's end jumped higher as well.

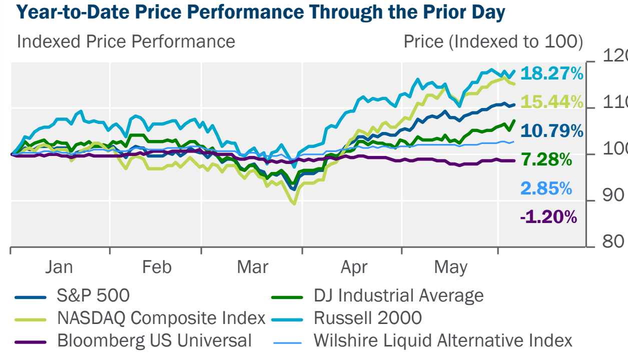
Second, the sell-off in semiconductors that began Thursday after Broadcom reported earnings on Wednesday extended and deepened today. Broadcom beat both revenue and earnings-per-share estimates for the prior quarter, but its AI chip revenue guidance came in below analyst expectations. In our view, this triggered a textbook "*sell the news*" reaction across the entire chip complex, with the Philadelphia Semiconductor Index declining by 10.3% on the day. Micron Technology, Advanced Micro Devices, and Intel all extended Thursday's losses as well. Notably, the rotation into defensive sectors was pronounced, with Consumer Staples gaining +1.6%, and Healthcare and Utilities both finishing higher.

Today's Market Action at a Glance

Benchmark	Index Level	Net Change	% Change
S&P 500 Index	7,383	-200.6	-2.6%
Dow Jones Industrial Average	50,866	-695.2	-1.4%
Russell 2000 Index	2,837	-97.5	-3.3%
NASDAQ Composite	25,709	-1,121	-4.2%
Best Performing S&P Sector: Consumer Staples			+1.6%
Worst Performing S&P Sector: Info Tech			-5.8%
10-year U.S. Treasury Yield: 4.54%			+7 basis points
West Texas Intermediate (WTI) Oil: $90.23			-3.0% per barrel
Spot Gold: $4,340.90			-3.6% per troy oz

All data and charts via FactSet as of approximately 4 PM ET. Past performance is not a guarantee of future results.

Year-to-Date Price Performance Through the Prior Day



Source: FactSet Prices

Committee View

In our view, today's combination of a hot jobs report and a resetting of AI expectations is actually a healthy condition for the markets and economy, even if it might feel uncomfortable on a day like today. Yes, the labor market's strength likely complicates the rate outlook and pushes the prospect of Fed easing further out, and at a time when energy prices remain elevated, and inflation pressures haven't fully subsided. And the two-day unwind in chip stocks is a reminder that even in a strong AI spending cycle, guidance matters and valuations need to be earned (also a healthy longer-term condition). Importantly, the breadth of today's rotation, with money flowing into Staples, Utilities, and Health Care, suggests investors aren't leaving the market. They're just repositioning within it. **Bottom line:** Economic and corporate fundamentals enter this period of recalibration from a position of strength, following nine straight weeks of outsized gains. In our view, a few clouds shouldn't bother investors after the run of nearly daily sunshine for so long.

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