MONEYWATCH

Wall Street marks a milestone as the S&P 500 closes above 5,000 for the first time

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Wall Street closed out its latest winning week with a milestone, the S&P 500's first close above 5,000.

The benchmark index rose 0.6%, marking its 14th winning week in the last 15. The Nasdaq composite rose 1.2%, pulling closer to its all-time high set in late 2021, as Big Tech stocks were some of the market's strongest. Nvidia, Microsoft and Amazon all posted big gains.

The Dow Jones Industrial Average was a laggard a day after setting its own all-time high, dipping 0.1%. Treasury yields held relatively steady in the bond market, helping to keep things smooth.

The milestone closing number is sure to induce FOMO (fear of missing out) emotions, noted Adam Turnquist, chief technical strategist for LPL Financial, in a note this morning in anticipation of the S&P 500 index breaking 5,000.

"Outside of a potential sentiment boost, round numbers such as 5,000 often provide a psychological area of support or resistance for the market. Researchers often refer to them as 'cognitive shortcuts' that create a round-number bias," he said.

Beyond the headlines and hooplah, the milestone translates into real gains for investment accounts and most importantly retirement savings says Mark Hamrick, senior economic analyst at Bankrate, in a note on the record-braking closing.

"Long-term investors, including those saving for retirement, have been rewarded by sticking with the market using a methodical and consistent approach through thick and thin. Market cycles come and go, but the need to invest for retirement is a constant," Hamrick said.

Wall Street's rally got going with hopes that cooling inflation would convince the Federal Reserve to dial down the pressure by cutting interest rates. But Federal Reserve Chairman Jerome Powell has signaled that rate cuts may be coming later than some investors had hoped given a remarkably solid economy.

That economic strength has in turn raised expectations for profit growth from companies, supporting the market's recent gains.

Cloudflare was the latest company to soar after reporting stronger profit than analysts had expected for its most recent quarter. The cloud-services company jumped 21.2% after it said it signed both its largest new customer and its largest renewal ever, despite an overall economic environment that "remains challenging to predict."

Tech stock rally

Big tech stocks were doing most of the market's heavy lifting, as they've been doing for more than a year, in part on mania around artificial-intelligence technology. Nvidia, Microsoft and Amazon were three of the strongest forces lifting the S&P 500 after each rose at least 1.4%.

They helped offset a 2.9% drop for PepsiCo, which reported weaker revenue for the latest quarter than analysts expected. It said growth is slowing because customers are getting back to their snacking and other behaviors from before the pandemic.

Expedia tumbled 17.8% despite also reporting stronger profits than expected. Analysts pointed to some forecasts by the company for measures for the first three months of 2024 that signal slower bookings growth. The company also announced a new CEO, Ariane Gorin, will take over in May.

Take-Two Interactive, the publisher of "Grand Theft Auto" and other video games, sank 8.1% after it reported weaker profit than expected. It also cut its forecast for results for its fiscal year, which ends at the close of March.

Earnings season boost

Profits have largely been coming in better than expected for big companies in the S&P 500 this reporting season, which is roughly two-thirds completed. That's usually the case, but even more companies than usual are doing so this time around, according to FactSet.

S&P 500 companies look to be on track to report 3% growth in earnings per share from a year earlier. That's a modest figure, but it would be just a second straight quarter of growth following several quarters of declines.

That has helped optimism rise on Wall Street, but contrarians say it might have gone too far and carried stocks to too-expensive heights.

Traders are flowing into some riskier investments at a quick enough pace that a contrarian measure kept by Bank of America is leaning more toward "sell" now than "buy," though it's not at convincing levels. The measure tracks how much fear and greed are in the market, and it suggested buying in October when fear was at a convincing high.

In the bond market, Treasury yields were inching higher, but movements were calmer than earlier in the month when they were jumping as traders forcefully pushed out their forecasts for rate cuts.

The yield on the 10-year Treasury rose to 4.16% from 4.15% late Thursday. Earlier this month, it was at just 3.85%.

It's an encouraging signal that the stock market can continue to hit highs even as expectations dim for an imminent cut to interest rates, particularly after the market seemed to be moving solely on such forecasts.

"A less emotional market is a positive sign, though investors must fight against the complacency that is a natural reaction to such a strong and steady bull run," said Mark Hackett, Nationwide's chief of investment research.