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The Trader

## Stocks Fall 0.1% on Hawkish Talk From the Fed

Stocks edge lower on comments hinting that interest rates might rise sooner than investors expect. Second-half forecasts from the Street's strategists. Valero's selloff seems overdone.

By [Avi Salzman](#)

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The past week saw the stock-market debut of a company called [GoPro](#), which makes video cameras you can strap to your head. If investors strapped cameras to their heads to film the highs and lows of finance last week, no one would watch.

Trading remains subdued, and stocks mostly treaded water. The Dow Jones Industrials and Standard & Poor's 500 fell slightly on the week, in reaction to more hawkish banter by Federal Reserve officials. The talk suggests the central bank might raise interest rates as soon as the first quarter of 2015, slightly earlier than investors have been expecting.

After closing at a new record high the previous Friday, the Dow finished the week down 0.6%, or 95 points, to 16,851.84. The S&P 500 index fell 1.9 points, or 0.1%, to 1960.97. The Nasdaq Composite added 30 points, or 0.7%, to close at 4397.93.

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### ***Second-Half Projections***

Big banks graciously provided reporters with coffee, pastries, and 150-page briefing books last week, outlining their expectations for the rest of 2014. In a dull market, a good Danish is crucial, as are a few surprising projections—like a possible oil-supply shock or the specter of fast-rising interest rates. Both forecasts were on the menu in these sessions.

Most strategists think equities remain the most attractive asset class, and that large-cap U.S. stocks could continue to reward investors despite relatively high valuations. The bull

market has lasted 63 months, versus an average of 58 months for the 11 bull markets since 1949, according to S&P Capital IQ. But stocks still offer an earnings yield of 5.2%, while Treasuries pay out a measly 2.5%, notes **David Dietze, chief investment strategist at Point View Wealth Management.**

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