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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Time brings all things to pass." Aeschylus

MARKETS

Macro Recap: It was a light week for economic news. Initial jobless claims for the week ending December 28 fell by 9,000 to 211,000 (consensus 224,000), while continuing claims dropped by 52,000 to 1.844 million. The main takeaway is that the low level of initial claims indicates employers are hesitant to lay off workers, reflecting an optimistic outlook on business prospects.

The December ISM Manufacturing Index came in at 49.3% (consensus 48.5%), up from 48.4% in November. Since 50.0% is the threshold between expansion and contraction, the December reading suggests that manufacturing activity contracted compared to the previous month, but at a slower rate. This marks the ninth consecutive month (and 25th out of 26) of contraction in the manufacturing sector.

Equity Recap: A modest rally on Friday for the major U.S. stock indexes wasn't enough to offset small daily declines earlier in the week amid the transition to a new year. The S&P 500, the NASDAQ, and the Dow each posted a weekly decline of around 0.5%.

The S&P 500's 25% return in 2024 marked the second consecutive year with a gain of more than 20%—the strongest back-to-back annual results since 1997/1998. However, last year's rally was narrow, with just seven technology-oriented stocks accounting for more than 53% of the index's overall return.

Bond/Rate Recap: Yields remained relatively stable for the week. The 10-year U.S. Treasury rate increased by 3 basis points, from 4.57% to 4.60%, while the 2-year Treasury rate rose from 4.25% to 4.27%.

A U.S. bond market benchmark delivered a moderately positive return for 2024, despite significant volatility due to changing inflation and monetary policy expectations. The yield on the 10-year U.S. Treasury note peaked at 4.73% in April, dropped to a low of 3.61% in September, and ended 2024 at around 4.57%, compared to 3.88% at the end of 2023.

Week ahead: The monthly labor market report, to be released on Friday, will reveal if the recent uneven trend in U.S. job growth continued into December. In November, the economy added 227,000 new jobs, significantly higher than October's weak addition of 36,000 jobs but slightly below September's 255,000 figure.

INDICES

	Jan 3 Close	Dec 30 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	42,732	42,573	0.4%	42,544	0.4%
S&P 500	5,942	5,907	0.6%	5,882	1.0%
NASDAQ	19,622	19,487	0.7%	19,311	1.6%
Russell 2000	2,268	2,228	1.8%	2,230	1.7%
KBW Bank Indx	128.9	127.6	1.0%	127.5	1.1%
Bitcoin	$99,154	$91,919	7.9%	$93,714	5.8%
Oil (WTI)	$74.36	$70.99	4.7%	$71.72	3.7%
Gold	$2,630	$2,607	0.9%	$2,625	0.2%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.29	4.31	-0.02	4.31	-0.02
2yr UST	4.27	4.25	0.02	4.24	0.03
10yr UST	4.60	4.57	0.03	4.57	0.03
2-10yr UST Spread	33	32	0	33	0
2y AAA Muni/10y UST	65.1%	67.0%	-1.9%	66.5%	-1.3%
10y AAA Muni/10y UST	67.2%	69.2%	-2.1%	68.4%	-1.2%
5yr Inflation Forecast	2.41	2.42	-0.01	2.42	-0.01

Week Ahead

- **Monday:** Factory Orders
- **Tuesday:** JOLTS, ISM nonmanufacturing, Trade balance
- **Wednesday:** Dec FOMC minutes, ADP employment, Consumer credit
- **Thursday:** Wholesale inventories, Weekly enemployment
- **Friday:** Unemployment report, UofM Consumer Sentiment

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