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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Commitment is the nucleus of all success." Diana Nyad

MARKETS

Macro Recap: Last week, the market experienced several notable developments. The December ISM Services PMI reading exceeded expectations, while the November JOLTS Report indicated a significant increase in job openings. Conversely, the ADP Employment Change report for December fell short of consensus, recording 122,000 jobs added compared to the anticipated 131,000. Additionally, weekly Initial Claims unexpectedly dropped to 201,000, against a consensus of 218,000.

On Friday, the U.S. labor market demonstrated resilience with a December jobs gain of 256,000, surpassing economists' forecasts by approximately 100,000. This result concluded a year with an average monthly job gain of 186,000. The unemployment rate for December decreased to 4.1% from 4.2% in the previous month.

In the commodities market, the price of U.S. crude oil increased for the third consecutive week, reaching nearly $77 on Friday, marking a rise of over 10% over the three-week period. Gold futures also saw a second week of gains, climbing to approximately $2,717, less than 3% below the record level achieved two and a half months ago.

Equity Recap: The major U.S. stock indexes declined by approximately 2%, marking their second consecutive weekly drop as investors grew concerned about a potential deceleration in interest-rate cuts. This was the fourth negative week out of the last five for the S&P 500, which ended more than 4% below its record high set on December 6.

Bond/Rate Recap: Following Friday's stronger-than-expected jobs report, the yield on the 10-year U.S. Treasury note surged to its highest level in over 14 months, reaching 4.79% on Friday morning before closing at approximately 4.77%. Meanwhile, the 2-year yield increased by 12 basis points from the previous Friday, settling at 4.40%. This recent spike indicates growing market expectations that the U.S. Federal Reserve may approve only one rate cut this year.

Week Ahead: A Consumer Price Index (CPI) report, set to be released on Wednesday, will reveal whether the recent trend of slightly higher-than-expected inflation continued into December. Last month's CPI report indicated an annual rate of 2.7% for November, up from 2.6% in October, highlighting the ongoing challenges in aligning inflation with the Federal Reserve's long-term target of 2.0%.

INDICES

	Jan 10 Close	Jan 6 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	41,938	42,732	-1.9%	42,544	-1.4%
S&P 500	5,827	5,942	-1.9%	5,882	-0.9%
NASDAQ	19,162	19,622	-2.3%	19,311	-0.8%
Russell 2000	2,189	2,268	-3.5%	2,230	-1.8%
KBW Bank Indx	126.0	128.9	-2.3%	127.5	-1.2%
Bitcoin	$94,772	$99,154	-4.4%	$93,714	1.1%
Oil (WTI)	$76.57	$74.36	3.0%	$71.72	6.8%
Gold	$2,690	$2,630	2.3%	$2,625	2.5%
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	4.32	4.29	0.03	4.31	0.01
2yr UST	4.38	4.27	0.11	4.24	0.14
10yr UST	4.76	4.60	0.16	4.57	0.19
2-10yr UST Spread	38	33	5	33	5
2y AAA Muni/10y UST	65.0%	65.1%	-0.1%	66.5%	-1.5%
10y AAA Muni/10y UST	68.0%	67.2%	0.8%	68.4%	-0.5%
5yr Inflation Forecast	2.53	2.41	0.12	2.42	0.11

Week Ahead

- **Monday:** Federal budget
- **Tuesday:** Producer Price Index
- **Wednesday:** CPI, Business inventories, Housing Market Index
- **Thursday:** Retail sales, Weekly unemployment
- **Friday:** Housing starts, Industrial production and capacity utilization

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