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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"A plan is only useful if it can survive reality." Morgan Housel

MARKETS

Macro Recap: This week, the stock market witnessed diverse price movements, notably marked by a significant downturn prompted by a January CPI report that exceeded expectations. The report revealed a higher-than-anticipated rise in U.S. consumer prices, with the annual rate of the Consumer Price Index reaching 3.1%, compared to the expected 2.9%, and Core CPI at 3.9%, versus the anticipated 3.7%. This data was seen as justification for the Federal Reserve officials to maintain their hawkish stance and postpone discussions regarding an initial rate cut.

In addition to the elevated CPI reading, investors also absorbed a Retail Sales report for January that fell below consensus expectations. U.S. consumers curbed their spending more than anticipated post-holiday season, with retail sales declining by 0.8% on a seasonally adjusted basis compared to the previous month. Moreover, sales figures for December and November were revised downward from their initially reported numbers.

Furthermore, there was an unforeseen decrease in jobless claims to 212,000, and a higher-than-anticipated Producer Price Index (PPI) report for January.

A survey reflecting U.S. consumers' sentiment about the economy exhibited its third consecutive monthly increase, reaching its highest level since July 2021. The University of Michigan's preliminary February sentiment reading climbed to 79.6, a sharp rise from the recent low of 61.3 recorded in November.

Initial estimates from Japan and the United Kingdom indicated that both economies slipped into recessions in late 2023, with negative growth recorded for the second consecutive quarter. Japan's fourth-quarter GDP declined at an annual rate of 0.4%, while the U.K. economy contracted by 0.3%.

Equity Recap: The S&P 500 recorded a slight decline, breaking a five-week streak of positive performances. Despite this setback, the S&P 500 still maintained a nearly 22% increase from its recent low in late October. The Dow ended the week with minimal change, while the NASDAQ experienced a decline of over 1%.

Bond/Rate Recap: The latest inflation data led to a notable increase in Treasury yields for the second week in a row and dampened investors' expectations for any interest-rate cuts over the short term. The yield of the 10-year U.S. Treasury bond closed at 4.30% on Friday, up sharply from a recent intraday low of 3.82% on February 1.

INDICES

	Feb 16 Close	Feb 12 Open	Weekly, %/BP Chg	Dec-23	YTD Change
DJIA	38,628	38,672	-0.1%	37,690	2.5%
S&P 500	5,006	5,027	-0.4%	4,770	4.9%
NASDAQ	15,776	15,991	-1.3%	15,011	5.1%
Russell 2000	2,033	2,010	1.1%	2,027	0.3%
KBW Bank Indx	95.4	93.6	1.9%	96.0	-0.6%
VIX	14.2	12.9	10.1%	12.5	14.4%
Oil (WTI	$79.19	$76.84	3.1%	$72.57	9.1%
Prime	8.50	8.50	0.00	8.50	0.00
BTFP Rate	5.40	5.40	0.00	4.84	0.56
3m Tbill	5.37	5.37	-0.01	5.33	0.04
2yr UST	4.64	4.48	0.16	4.25	0.39
10yr UST	4.28	4.18	0.10	3.88	0.40
2-10yr UST Spread	-36	-31	-5	-37	1
2y AAA Muni/10y UST	60.9%	62.2%	-1.4%	58.9%	2.0%
10y AAA Muni/10y UST	59.6%	60.1%	-0.5%	58.5%	1.1%
5yr Inflation Rate	2.42	2.31	0.11	2.15	0.27

Week Ahead

- **Monday:** Presidents' Day holiday
- **Tuesday:** CBO Leading Economic Index
- **Wednesday:** Release of FOMC minutes, Jan 30–31 meeting
- **Thursday:** Existing home sales
- **Friday:** No major reports

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