SMITH SHELLNUT WILSON
AN AFFILIATE OF b1BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

March 4, 2024

"Always be a first-rate version of yourself, instead of a second-rate version of somebody else." Judy Garland

MARKETS

Macro Recap: It was a loaded week of economic news. In February, US consumer confidence saw a decline, marking the first downturn in four months, attributed to deteriorating sentiments regarding economic outlook, job market prospects, and financial conditions.

Although the US economy expanded towards the end of last year, the growth rate moderated slightly due to a downward revision in inventories. Despite this, stronger household spending and investment were observed. GDP rose at a revised annualized pace of 3.2% in the fourth quarter, down from the prior estimate of 3.3%. Notably, consumer spending outpaced initial estimations, advancing at a 3% rate.

The Federal Reserve's preferred measure of tracking inflation indicated a continued but slower rise in consumer prices. In January, the PCE Price Index recorded a 2.8% annual rate, excluding volatile food and energy prices, aligning with economists' expectations, and marking the slowest increase since March 2021.

Meanwhile, the price of US crude oil surged above $80 per barrel, reaching its highest level in approximately four months by the end of the week. Oil prices saw a rise of over 4% throughout the week amidst concerns that a coalition of oil-producing nations might prolong recent production cuts.

Equity Recap: The stock market exhibited a tentative tone in its price action during the initial days of the week, but momentum shifted as buying activity intensified in the latter half. This surge in buying propelled the Nasdaq Composite to achieve a fresh all-time high by the week's conclusion. Notably, it became the final major index to reach a new record high within the upward trend that had previously propelled the S&P 500 and Dow Jones Industrial Average to new all-time closing highs earlier this year.

Bond/Rate Recap: This week saw a decline in Treasury yields, providing additional bolstering for the stock market. The yield on the 2-year note dropped by 19 basis points to 4.53%, while the yield on the 10-year note settled eight basis points lower at 4.18%. These movements were in response to a lackluster $63 billion 2-year note auction and a $64 billion 5-year note sale, contrasted with a successful $42 billion 7-year note offering.

INDICES

	Mar 1 Close	Feb 26 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	39,087	39,165	-0.2%	37,690	3.7%
S&P 500	5,137	5,089	0.9%	4,770	7.7%
NASDAQ	16,275	16,024	1.6%	15,011	8.4%
Russell 2000	2,076	2,017	3.0%	2,027	2.4%
KBW Bank Indx	96.4	95.7	0.7%	96.0	0.4%
VIX	13.5	13.9	-3.1%	12.5	8.5%
Oil (WTI	$80.25	$76.34	5.1%	$72.57	10.6%
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	5.41	-0.04	5.33	0.03
2yr UST	4.59	4.70	-0.12	4.25	0.34
10yr UST	4.23	4.26	-0.03	3.88	0.35
2-10yr UST Spread	-36	-45	8	-37	1
2y AAA Muni/10y UST	62.1%	60.2%	1.9%	58.9%	3.2%
10y AAA Muni/10y UST	60.4%	59.9%	0.5%	58.5%	1.9%
5yr Inflation Rate	2.45	2.39	0.06	2.15	0.30

Week Ahead

- **Monday:** No major reports
- **Tuesday:** ISM nonmanufacturing index
- **Wednesday:** ADP Employment, JOLTS, Wholesale Inventory, Powell testifies to Congress
- **Thursday:** Productivity and labor costs, Pending home sales, Consumer credit
- **Friday:** Feb Unemployment report

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Chad McKeithen | Research Department
Smith Shellnut Wilson, LLC
661 Sunnybrook Rd., Ste 130
Ridgeland, MS 39157
601.605.1776
www.ssw1776.com
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