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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"To be prepared is half the victory." Miguel de Cervantes

MARKETS

Macro Recap: A convergence of rising inflation, declining consumer confidence, and trade policy uncertainties has significantly impacted the markets, continuing to sow uncertainty. This week, ongoing concerns about U.S. trade policy were particularly influential. President Trump announced a 25% tariff on all imported passenger vehicles starting April 3. He also indicated that reciprocal tariffs would be applied to all countries, although the U.S. would adopt a lenient approach.

The U.S. government's latest estimate of fourth-quarter economic growth revealed that GDP expanded at an annual rate of 2.4%, slightly above an earlier estimate but below the third quarter's 3.1% figure. Looking ahead, the first estimate of first-quarter 2025 GDP is scheduled for release on April 30, with most economists predicting annual growth to fall below 2.0%.

According to Friday's reading from the PCE Index, inflation has moved further above the U.S. Federal Reserve's 2.0% long-term target. Core PCE inflation, excluding food and energy prices, rose at an annual rate of 2.8% in February, surpassing economists' consensus forecast and the previous month's figure.

Stocks declined on Friday following a monthly gauge of U.S. consumer sentiment, which recorded its lowest reading since November 2022. The University of Michigan's survey indicated that respondents increasingly expect inflation to worsen. Additionally, two-thirds of respondents anticipate a rise in unemployment—the highest proportion since 2009.

Equity Recap: Rising inflation, declining consumer confidence, and trade policy uncertainties have amplified market volatility, resulting in significant losses across major indices. The S&P 500, which had closed above its 200-day moving average earlier in the week, fell by 1.5%. The DJIA decreased by 1%, and the Nasdaq Composite dropped by 2.6%.

Bond/Rate Recap: The Treasury yield curve steepened, with the 10-year Treasury yield remaining steady at 4.25%, while the 2-year yield declined by four basis points to 3.91%.

Week Ahead: The upcoming week may once again highlight global trade tensions, as President Donald Trump recently indicated that he plans to announce reciprocal tariffs on key trading partners on Wednesday. The extent of these tariff increases could depend on trade reports from the Secretaries of Commerce and Treasury, which are due to the President on Tuesday.

Additionally, the next monthly labor market report, scheduled for release on Friday, will reveal whether the moderate slowdown in job growth observed in the first two months of 2025 continued into March. In February, the economy added 151,000 new jobs, slightly up from 125,000 in January but significantly below the figures from the last two months of 2024.

INDICES

	Mar 28 Close	Mar 24 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	41,584	41,985	-1.0%	42,544	-2.3%
S&P 500	5,581	5,668	-1.5%	5,882	-5.1%
NASDAQ	17,323	17,784	-2.6%	19,311	-10.3%
Russell 2000	2,023	2,057	-1.6%	2,230	-9.3%
KBW Bank Indx	121.0	123.4	-1.9%	127.5	-5.1%
Bitcoin	$82,523	$85,122	-3.1%	$93,714	-11.9%
Oil (WTI)	$69.36	$68.28	1.6%	$71.72	-3.3%
Gold	$3,085	$3,022	2.1%	$2,625	17.6%
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	4.29	0.00	4.31	-0.02
2yr UST	3.91	3.95	-0.04	4.24	-0.33
10yr UST	4.25	4.25	0.00	4.57	-0.32
2-10yr UST Spread	34	29	4	33	1
2y AAA Muni/10y UST	69.1%	66.4%	2.7%	66.5%	2.7%
10y AAA Muni/10y UST	76.4%	72.4%	4.1%	68.4%	8.0%
5yr Inflation Forecast	2.63	2.57	0.06	2.42	0.21

Week Ahead

- **Monday:** No major reports
- **Tuesday:** ISM manufacturing, JOLTS, Construction spending
- **Wednesday:** ADP Employment, Factory orders
- **Thursday:** ISM non-manufacturing, Trade Balance
- **Friday:** Unemployment report

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