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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

April 8, 2024

"Procrastination makes easy things hard, hard things harder." Mason Cooley

MARKETS

Macro Recap: Most of the data released last week, including the March ISM Manufacturing Index and the March employment report, continued to indicate strength in the economy.

The focus of the week was Friday's unemployment report. The U.S. labor market showed resilience, with March's job additions totaling 303,000, surpassing economists' expectations of around 205,000. This figure marked the highest monthly increase in 10 months, matching the 303,000 jobs added in May 2023. Concurrently, the unemployment rate declined to 3.8% from the previous month's 3.9%.

Following this week's data and comments from Federal Reserve officials, market participants adjusted their expectations for rate cuts. Minneapolis Fed President Kashkari's remarks garnered attention, suggesting the possibility that the Fed might refrain from rate cuts if inflation progress stalls. Consequently, the probability of a rate cut in June dwindled to approximately 52.4%.

In the commodities market, both oil and gold recorded notable price gains for the second consecutive week, extending their recent strong performance. U.S. crude oil prices reached nearly $87 per barrel by Friday afternoon, up from $83 the previous week and $71 at the beginning of 2024. Meanwhile, gold spot prices climbed to around $2,345 per ounce on Friday, reaching a record high.

Equity Recap: The possibility of delaying an initial interest-rate cut until the latter part of this year hurt stocks, influenced by robust economic data and cautious remarks from U.S. Federal Reserve policymakers. Stocks experienced a decline of over 1% on Thursday, and although there was a partial recovery on Friday, it was insufficient to prevent stocks from recording weekly losses.

The CBOE VIX, which tracks investors' expectations of short-term market volatility, surged to its highest closing level in more than five months.

Bond/Rate Recap: The yield on the 10-year U.S. Treasury bond surged to its highest level in over four months due to the latest jobs data adding to upward pressure amidst a changing interest rate perspective. It closed at approximately 4.39% on Friday, marking an increase from the previous week's close of 4.20%.

Week Ahead: A forthcoming Consumer Price Index (CPI) report set for release on Wednesday will indicate whether the trend of slightly elevated inflation, exceeding expectations, continued into March. In February, the CPI report revealed an annual rate of 3.2%, up from 3.1% the preceding month. Additionally, a separate report on wholesale prices also indicated inflation levels slightly surpassing expectations.

INDICES

	April 5 Close	April 1 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	38,904	39,807	-2.3%	37,690	3.2%
S&P 500	5,204	5,254	-1.0%	4,770	9.1%
NASDAQ	16,249	16,379	-0.8%	15,011	8.2%
Russell 2000	2,063	2,125	-2.9%	2,027	1.8%
KBW Bank Indx	101.9	104.9	-2.8%	96.0	6.1%
VIX	16.1	13.0	23.8%	12.5	29.4%
Oil (WTI	$86.25	$83.42	3.4%	$72.57	18.9%
Prime	8.50	8.50	0.00	8.50	0.00
Effective Fed Funds	5.33	5.33	0.00	5.32	0.01
3m Tbill	5.37	5.34	0.03	5.33	0.04
2yr UST	4.79	4.60	0.19	4.25	0.54
10yr UST	4.46	4.20	0.26	3.88	0.58
2-10yr UST Spread	-33	-40	7	-37	4
2y AAA Muni/10y UST	65.9%	64.8%	1.2%	58.9%	7.1%
10y AAA Muni/10y UST	60.0%	59.9%	0.1%	58.5%	1.5%
5yr Inflation Rate	2.52	2.44	0.08	2.15	0.37

Week Ahead

Monday: No major reports
Tuesday: No major reports
Wednesday: CPI, Wholesale inventories
Thursday: PPI, Weekly unemployment
Friday: U of M Cons. Sentiment

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