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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

April 15, 2024

"Have confidence in your ability, and be tough enough to follow through." Rosalynn Carter

MARKETS

Macro Recap: Market participants faced a whirlwind of significant events this week that influenced market dynamics. A surge in market rates, a shift in rate-cut forecasts, and rising geopolitical tensions, fueled by speculation about a potential Iranian attack on Israel, contributed to a bearish sentiment.

The market responded negatively to the March Consumer Price Index (CPI) figures, which exceeded expectations. The total CPI rose by 0.4% month-over-month, surpassing the anticipated 0.3% increase, while core CPI, excluding volatile food and energy prices, also rose by 0.4%, outpacing the expected 0.3% rise. Meanwhile, the Producer Price Index (PPI) showed a softer-than-expected increase on a monthly basis, with a 0.2% rise compared to the projected 0.3%. However, the annual PPI accelerated to 2.1% in March from 1.6% in February.

These data releases heightened concerns about the Federal Open Market Committee's (FOMC) hawkish stance, prompting market participants to adjust their rate cut expectations. The likelihood of a rate cut at the upcoming June FOMC meeting plummeted to 27.7%, down from 69.3% just a month ago. Initially, market expectations for 2024 foresaw six rate cuts, but the recent developments have revised this down to only two anticipated rate cuts for the year.

Equity Recap: This week, the stock market saw significant declines, marking the second consecutive week of retreat for the S&P 500 and the Dow from their record highs reached at the end of March. The NASDAQ experienced a smaller, fractional decline compared to its counterparts, partially due to the relatively robust performance of several technology stocks.

Bond/Rate Recap: Treasury yields surged significantly in reaction to the data and a series of lackluster Treasury auctions. Auctions included a $58 billion 3-year note on Tuesday, a $39 billion 10-year note on Wednesday, and a $22 billion 30-year bond on Thursday. The yield on the 10-year note increased by 12 basis points to 4.50%, while the 2-year note, particularly sensitive to shifts in the fed funds futures rate, rose by 15 basis points to 4.88%.

Week Ahead: The upcoming release of U.S. retail sales data on Monday could shed light on whether the recent positive momentum carried into March. Following an unexpected 1.1% decline in January, sales rebounded with a 0.6% increase in February.

INDICES

	April 12 Close	April 8 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	37,983	38,904	-2.4%	37,690	0.8%
S&P 500	5,123	5,204	-1.6%	4,770	7.4%
NASDAQ	16,175	16,249	-0.5%	15,011	7.8%
Russell 2000	2,003	2,063	-2.9%	2,027	-1.2%
KBW Bank Indx	98.1	101.9	-3.7%	96.0	2.1%
VIX	17.3	16.1	7.4%	12.5	39.0%
Oil (WTI	$85.66	$86.25	-0.7%	$72.57	18.0%
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	5.38	5.37	0.01	5.33	0.05
2yr UST	4.90	4.79	0.11	4.25	0.65
10yr UST	4.52	4.46	0.06	3.88	0.64
2-10yr UST Spread	-38	-33	-5	-37	0
2y AAA Muni/10y UST	64.6%	65.9%	-1.3%	58.9%	5.7%
10y AAA Muni/10y UST	59.2%	60.0%	-0.8%	58.5%	0.7%
5yr Inflation Rate	2.53	2.52	0.01	2.15	0.38

Week Ahead

- **Monday:** Retail sales, Business inventories
- **Tuesday:** Housing starts, Industrial production/capacity
- **Wednesday:** No major reports
- **Thursday:** Leading economic indicators, existing home sales
- **Friday:** No major reports

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