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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"There is nothing so stable as change." Bob Dylan

MARKETS

Macro Recap: In a recent speech, U.S. Federal Reserve Chair Jerome Powell stated that the central bank will "wait for greater clarity" before making any adjustments to interest rates. Powell anticipates that higher tariffs will lead to "higher inflation and slower growth," and he cautioned about a potential "challenging scenario" where the Fed may struggle to balance its dual mandate of maximizing employment while maintaining price stability. This stance did not sit well with the President, who hinted that Powell's "termination" couldn't come soon enough.

Despite recent surveys indicating a decline in consumer sentiment, U.S. retailers reported a larger-than-expected increase in sales for March, with a 1.4% gain compared to the previous month. Although automobile-related sales contributed significantly to the overall increase, sales excluding autos also exceeded expectations.

Amid concerns that higher tariffs could drive inflationary pressures in the coming months, CPI fell to its lowest level in four years. Inflation recorded a 2.4% annual rate in March, down from 2.8% in February. On a month-over-month basis, prices decreased by 0.1%, marking the first monthly decline since May 2020.

The European Central Bank approved an interest rate cut for the seventh consecutive policy meeting on Thursday. This decision was in response to recent weak economic growth in Europe, as the continent increases defense and infrastructure spending and faces rising tensions over tariffs.

The price of gold rose for the sixth week out of the past seven, surpassing the $3,300-per-ounce level for the first time just a week after exceeding $3,200 an ounce. On Friday, gold was trading around $3,335, up more than 25% year-to-date.

Amid heightened trade tensions, the U.S. dollar's status as the world's chief reserve currency came under renewed pressure. Its value relative to a basket of other major currencies fell for the sixth week out of the past seven, and the dollar dropped on Thursday to a three-year low, more than 8% below its year-end 2024 level.

Equity Recap: News about tariffs continued to loom over quarterly earnings season, and stocks couldn't maintain the previous week's sharply positive momentum. The S&P 500 fell around 1.5%, and the Dow and NASDAQ both dropped around 2.6% in a trading week that was shortened by the observance of Good Friday.

Bond/Rate Recap: Prices of U.S. government bonds rose, sending yields lower, as implied interest rate volatility continues to hover around one-year high levels. The yield of the 10-year U.S. Treasury bond fell from around 4.43% at the close of the previous week to 4.40% on Friday.

INDICES

	Apr 18 Close	Apr 14 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	39,142	40,213	-2.7%	42,544	-8.0%
S&P 500	5,283	5,363	-1.5%	5,882	-10.2%
NASDAQ	16,286	16,724	-2.6%	19,311	-15.7%
Russell 2000	1,881	1,860	1.1%	2,230	-15.7%
KBW Bank Indx	110.6	108.6	1.9%	127.5	-13.2%
Bitcoin	$87,413	$84,883	3.0%	$93,714	-6.7%
Oil (WTI)	$63.19	$62.29	1.4%	$71.72	-11.9%
Gold	$3,403	$3,225	5.5%	$2,625	29.7%
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	4.31	4.31	0.00	4.31	0.00
2yr UST	3.77	3.90	-0.13	4.24	-0.47
10yr UST	4.40	4.43	-0.03	4.57	-0.18
2-10yr UST Spread	62	52	9	33	29
2y AAA Muni/10y UST	77.9%	77.9%	0.0%	66.5%	11.4%
10y AAA Muni/10y UST	80.2%	80.0%	0.2%	68.4%	11.7%
5yr Inflation Forecast	2.27	2.42	-0.15	2.42	-0.15

Week Ahead

- **Monday:** Leading Economic Index
- **Tuesday:** No major reports
- **Wednesday:** New home sales
- **Thursday:** Durable goods
- **Friday:** U of M Consumer Sentiment

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