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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Perhaps too much of everything is as bad as too little." Edna Ferber

MARKETS

Macro Recap: The markets saw significant negative impacts, with both bond and equity markets experiencing losses due to expectations of higher interest rates and geopolitical tensions arising from events in the Middle East.

March Retail Sales surpassed expectations, rising by 0.7% compared to a consensus estimate of 0.4%. This data indicates that the U.S. consumer, supported by a robust job market, continued to spend confidently in March, reinforcing the outlook of a soft landing or no landing for the U.S. economy.

U.S. Federal Reserve Chair Jerome Powell acknowledged that it may take longer than anticipated to gain enough confidence that inflation is trending downward sustainably. In a speech on Tuesday, Powell reiterated the recent message about a postponed timeline for interest rate adjustments, stating that it's appropriate to give restrictive policies more time to take effect.

The price of U.S. crude oil briefly surged by around 4% to over $85 per barrel late on Thursday following heightened tensions between Israel and Iran. However, prices quickly retreated as tensions eased, with Friday afternoon's price settling around $83, marking a roughly 3% decline for the week.

Equity Recap: The S&P 500's pullback from its late-March record high intensified, with the index ending the week down 3.0%, marking its third consecutive week of losses. The Russell 2000 declined by 2.8%, the Nasdaq Composite saw a 5.5% drop, while the price-weighted Dow Jones Industrial Average remained unchanged for the week.

Bond/Rate Recap: U.S. government bond yields increased for the third consecutive week as investors moderated their expectations for imminent interest rate cuts. The yield on the 10-year U.S. Treasury bond briefly reached 4.69% on Tuesday, the highest since last November, before pulling back to close at 4.61% on Friday. Meanwhile, the 2-year note yield rose by nine basis points to settle at 4.97%.

Week Ahead: The U.S. government's initial estimate for first-quarter GDP, set to be released on Thursday, is anticipated to indicate continued solid economic growth, albeit at a slower pace compared to the 3.4% annual rate seen in the fourth quarter of last year. A projection by U.S. Federal Reserve economists on Tuesday forecasted a growth rate of 2.9% for the first quarter. Additionally, the March PCE core deflator is scheduled for release on Friday, with expectations suggesting a month-over-month increase of 0.3% and a year-over-year rise of 2.7% for the Fed's primary inflation measure.

INDICES

	April 19 Close	April 15 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	37,986	37,983	0.0%	37,690	0.8%
S&P 500	4,967	5,123	-3.0%	4,770	4.1%
NASDAQ	15,282	16,175	-5.5%	15,011	1.8%
Russell 2000	1,948	2,003	-2.8%	2,027	-3.9%
KBW Bank Indx	100.1	98.1	2.0%	96.0	4.2%
VIX	18.7	17.3	8.1%	12.5	50.3%
Oil (WTI	$83.14	$85.66	-2.9%	$72.57	14.6%
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	5.38	-0.01	5.33	0.04
2yr UST	4.99	4.90	0.09	4.25	0.74
10yr UST	4.62	4.52	0.10	3.88	0.74
2-10yr UST Spread	-37	-38	1	-37	0
2y AAA Muni/10y UST	64.5%	64.6%	-0.1%	58.9%	5.6%
10y AAA Muni/10y UST	59.3%	59.2%	0.1%	58.5%	0.8%
5yr Inflation Rate	2.43	2.53	-0.10	2.15	0.28

Week Ahead

- **Monday:** No major reports
- **Tuesday:** New home sales
- **Wednesday:** Durable goods orders
- **Thursday:** Q1 GDP, Pending home sales
- **Friday:** PCE, UofM Consumer sentiment

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