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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Age does not matter if the matter does not age." Carlos P Romulo

MARKETS

Macro Recap: The week kicked off with uncertainty due to speculation that President Trump and his administration were considering the removal of Federal Reserve Chair Powell, raising concerns about potential threats to the Fed's independence. Additionally, China issued warnings of retaliation against nations that restrict trade with China under U.S. pressure during trade negotiations.

However, the sentiment improved later in the week when President Trump announced that he had no intention of dismissing Fed Chair Powell. He also signaled a more conciliatory approach towards China, suggesting that China's tariff rates would be significantly reduced (though not eliminated) if a trade agreement could be reached.

In economic news, U.S. consumer sentiment continued its downward trend, with the University of Michigan reporting a final April reading of 52.2, down from 57.0 in March. This marks the fourth consecutive monthly decline, driven by concerns over higher tariffs and inflationary pressures. At the end of 2024, the index stood at 74.0.

The International Monetary Fund revised its global economic growth forecasts downward, citing risks associated with increased tariffs. The IMF now projects a 2.8% annual GDP growth rate for 2025 and 3.0% for 2026, compared to its previous forecasts of 3.3% for both years, made three months before the recent tariff escalations.

Equity Recap: The stock market demonstrated robust performance this week. Major U.S. stock indexes initially experienced a sharp decline on Monday but subsequently posted significant gains over the next four days, recovering from the previous week's negative results. The NASDAQ surged by 6.7% for the week, while the S&P 500 increased by 4.6%, and the Dow Jones Industrial Average rose by 2.5%.

The NASDAQ's weekly outperformance relative to other major U.S. indexes was driven by strong quarterly results from leading technology companies and the overall strength of the tech sector throughout the week. Technology stocks in the S&P 500 surged nearly 8% on average for the week, whereas the consumer staples sector declined by more than 1%.

Bond/Rate Recap: Prices of U.S. government bonds increased, leading to a decrease in yields, as recent volatility in the fixed-income market subsided. The 10-year U.S. Treasury note yield closed at approximately 4.26% on Friday, down from a recent intraday high of 4.59% on April 11. Similarly, yields for longer-dated Treasuries experienced declines, with the 30-year bond yield closing at around 4.72%.

Week Ahead: The upcoming week promises a wealth of economic data, including additional quarterly earnings reports, the monthly jobs report, an initial estimate of first-quarter GDP growth, an inflation update, and other key economic indicators. The employment report will be particularly noteworthy, as it will reveal how April's job growth measures up against March's unexpectedly strong gain of 228,000 jobs.

INDICES

	Apr 25 Close	Apr 21 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	40,114	39,142	2.5%	42,544	-5.7%
S&P 500	5,525	5,283	4.6%	5,882	-6.1%
NASDAQ	17,383	16,286	6.7%	19,311	-10.0%
Russell 2000	1,958	1,881	4.1%	2,230	-12.2%
KBW Bank Indx	117.0	110.6	5.7%	127.5	-8.3%
Bitcoin	$93,574	$87,413	7.0%	$93,714	-0.1%
Oil (WTI)	$63.13	$63.19	-0.1%	$71.72	-12.0%
Gold	$3,310	$3,403	-2.7%	$2,625	26.1%
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	4.28	4.31	-0.03	4.31	-0.03
2yr UST	3.76	3.77	-0.01	4.24	-0.48
10yr UST	4.24	4.40	-0.16	4.57	-0.33
2-10yr UST Spread	47	62	-14	33	15
2y AAA Muni/10y UST	78.9%	77.9%	1.0%	66.5%	12.4%
10y AAA Muni/10y UST	80.8%	80.2%	0.6%	68.4%	12.3%
5yr Inflation Forecast	2.34	2.27	0.07	2.42	-0.08

Week Ahead

- **Monday:** No major reports
- **Tuesday:** JOLTS, Case Shiller Home Price Index, Cons. Conf.
- **Wednesday:** 1st Q GDP, PCE, ADP employment, Pending home sales
- **Thursday:** ISM Manufacturing index, Construction spending
- **Friday:** Unemployment report, Factory orders

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Forward

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