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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

April 29, 2024

"I invent nothing, I rediscover." Auguste Rodin

MARKETS

Macro Recap: U.S. economic growth remained in positive territory in this year's first quarter, but it slowed markedly from the previous quarter and fell short of most economists' forecasts. Amid still-elevated inflation, GDP grew at an annualized rate of 1.6% in the latest period, down from a 3.4% figure in last year's fourth quarter.

The recent trend of higher-than-expected inflation numbers appears to be weighing on U.S. consumers, as a measure of consumer sentiment fell, reversing course following recent gains. The University of Michigan's sentiment survey findings released on Friday marked a turnaround from March when the university's sentiment index climbed to its highest level in 32 months.

Ahead of a U.S. Federal Reserve meeting, a report released on Friday showed that the Fed's preferred gauge for tracking inflation remained above policymakers' 2.0% long-term target rate. The Personal Consumption Expenditures Price Index rose at a 2.8% annual rate in March excluding food and energy prices—unchanged from February's core inflation figure, and a tenth of a percentage point above what most economists had forecast.

Equity Recap: The S&P 500 and NASDAQ rebounded significantly last week, breaking a three-week streak of losses, thanks to robust earnings from technology firms, which counteracted concerns arising from recent economic and inflation data. The NASDAQ surged by over 4% for the week, while the S&P 500 saw a gain of nearly 3%. However, the Dow performed less impressively, posting only a marginal increase.

Near the midpoint of earnings season, the earnings growth outlook has improved relative to the previous week. FactSet reported on Friday that analysts were expecting S&P 500 companies to post a 3.5% first-quarter earnings increase compared with the same quarter a year earlier, based on results released so far and projections for companies that haven't yet reported. Just a week earlier, the projected growth rate was 0.5%.

Bond/Rate Recap: Yields on U.S. government bonds increased for the fourth consecutive week, with the yield on the 2-year Treasury briefly surpassing 5.00% on Thursday for the first time since last November. This level was last observed in 2006. Meanwhile, the yield on the 10-year bond closed the week at approximately 4.67%.

Week Ahead: Alongside a fresh batch of quarterly earnings reports, the upcoming week will feature a U.S. Federal Reserve policy meeting concluding on Wednesday and a jobs report scheduled for Friday. Market expectations suggest the Fed will maintain interest rates at their current level. The jobs report will provide insight into April's job growth compared to March's unexpectedly high increase of 303,000 jobs.

INDICES

	April 26 Close	April 22 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	38,240	37,986	0.7%	37,690	1.5%
S&P 500	5,100	4,967	2.7%	4,770	6.9%
NASDAQ	15,928	15,282	4.2%	15,011	6.1%
Russell 2000	2,002	1,948	2.8%	2,027	-1.2%
KBW Bank Indx	102.7	100.1	2.6%	96.0	6.9%
VIX	15.0	18.7	-19.7%	12.5	20.7%
Oil (WTI	$83.06	$83.14	-0.1%	$72.57	14.5%
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	5.39	5.37	0.02	5.33	0.06
2yr UST	4.99	4.99	0.01	4.25	0.74
10yr UST	4.66	4.62	0.04	3.88	0.78
2-10yr UST Spread	-34	-37	3	-37	4
2y AAA Muni/10y UST	65.5%	64.5%	1.1%	58.9%	6.6%
10y AAA Muni/10y UST	60.0%	59.3%	0.7%	58.5%	1.6%
5yr Inflation Rate	2.45	2.43	0.02	2.15	0.29

Week Ahead

- **Monday:** No major reports
- **Tuesday:** S&P CoreLogic Case-Shiller Home Price Index, Consumer Confidence Index
- **Wednesday:** ADP report, JOLTS, ISM manufacturing index, Construction spending
- **Thursday:** Factory orders, trade balance
- **Friday:** Nonfarm payrolls, Consumer credit, ISM non-manufacturing index

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Forward

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