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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The most wasted day of all is that on which we have not laughed." Nicolas Chamfort

MARKETS

Macro Recap: Market participants processed a mix of economic releases. The Employment Cost Index for Q1 showed a 1.2% rise in compensation costs, surpassing expectations for a 1.0% increase. This report added to growing concerns about persistent inflation and the possibility of the Fed delaying its rate cut plans.

During his press conference, Fed Chair Powell alleviated some of these concerns by stating that it was "unlikely that the next policy rate move will be a hike." This statement followed the FOMC's decision to maintain the fed funds rate range at 5.25-5.50%, as anticipated, citing a lack of significant progress toward meeting the inflation target in recent months.

A gauge tracking monthly shifts in U.S. consumer sentiment plummeted to its lowest level since 2022. Many consumers surveyed in the Conference Board's latest report expressed worries about inflation and the employment outlook.

The release of the April employment report on Friday prompted a positive market response. The report was weak enough to ease concerns about a potential rate hike but not weak enough to raise alarms about the state of the labor market.

Nonfarm payrolls expanded by a smaller-than-anticipated 175,000 (consensus 250,000), average hourly earnings increased by a smaller-than-expected 0.2% (consensus 0.3%), the unemployment rate rose higher than expected to 3.9% (consensus 3.8%), and the average workweek was shorter than anticipated at 34.3 hours (consensus 34.4).

Equity Recap: The primary U.S. stock indices climbed for the second consecutive week, recouping a significant portion of the losses incurred during three weeks of decline in April. The week's performance was volatile, with stocks falling sharply on Tuesday but rebounding on Thursday and Friday, buoyed by upbeat sentiment regarding earnings and employment data. Ultimately, all major indices ended the week with gains. Apple (AAPL) and Amazon.com (AMZN) were notable winners among large-cap stocks, with both companies reporting positive earnings and outlook. Apple shares surged 8.3%, while Amazon shares rose 3.7%.

Bond/Rate Recap: U.S. government bond yields decreased, ending a streak of four consecutive weekly increases that had propelled the yield of the 10-year U.S. Treasury bond to its highest level since last November. The yield on the 10-year note dropped by 17 basis points this week to 4.50%, while the yield on the 2-year note declined by 19 basis points to 4.81%.

INDICES

	May 3 Close	April 29 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	38,676	38,240	1.1%	37,690	2.6%
S&P 500	5,128	5,100	0.5%	4,770	7.5%
NASDAQ	16,156	15,928	1.4%	15,011	7.6%
Russell 2000	2,036	2,002	1.7%	2,027	0.4%
KBW Bank Indx	103.2	102.7	0.5%	96.0	7.5%
VIX	13.5	15.0	-10.2%	12.5	8.4%
Oil (WTI	$78.11	$83.06	-6.0%	$72.57	7.6%
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	5.39	5.39	-0.01	5.33	0.05
2yr UST	4.82	4.99	-0.18	4.25	0.57
10yr UST	4.51	4.66	-0.16	3.88	0.63
2-10yr UST Spread	-31	-34	2	-37	6
2y AAA Muni/10y UST	66.5%	65.5%	1.0%	58.9%	7.6%
10y AAA Muni/10y UST	60.5%	60.0%	0.5%	58.5%	2.0%
5yr Inflation Rate	2.36	2.45	-0.09	2.15	0.20

Week Ahead

Monday: No major reports
Tuesday: Consumer credit
Wednesday: Wholesale inventories
Thursday: Weekly unemployment claims
Friday: UofM Cons. Sent., Federal budget

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