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# Financial Week Newsletter

*Summarized by Smith Shellnut Wilson*

May 13, 2024

***"Mediocrity knows nothing higher than itself, but talent instantly recognizes genius." Sir Arthur Conan Doyle***

## MARKETS

**Macro Recap:** Macro Recap: The week was relatively quiet in terms of economic releases, with notable developments occurring towards the end of the week. On Thursday, new filings for unemployment benefits surged to their highest level in over eight months, as the latest weekly update from the U.S. government reported approximately 231,000 unemployment claims, up from 209,000 the previous week. This trend follows a recent deceleration in U.S. job growth.

The main highlight of the week was Friday's release of the preliminary University of Michigan Index of Consumer Sentiment for May. The index plummeted to 67.4 in May (expected 76.5; previous 77.2), accompanied by a rise in year-ahead inflation expectations to 3.5% from 3.2%. The stock market responded with a subdued and slightly negative reaction to the report.

**Equity Recap:** Equity Recap: For the third consecutive week, U.S. stock indexes experienced gains as earnings season drew to a close. The S&P 500 increased by approximately 2%, while the NASDAQ saw a rise of about 1%. Despite these recent advancements, the indexes remain slightly below the record levels reached before a market downturn in the first half of April.

As the first-quarter earnings season approaches its conclusion, anticipation for upcoming second-quarter results has been mounting. Analysts have been revising their earnings-per-share estimates for the second quarter upwards by 0.7% throughout April. This marks the first instance in over two years where estimates have risen, rather than decreased, during the initial month of a quarter.

The index gauging investors' short-term expectations of U.S. stock market volatility continued its downward trend for the third consecutive week. The Cboe Volatility Index recorded a nearly 7% decline for the week. Compared to its recent peak on April 15, the index has decreased by more than 34%.

**Bond/Rate Recap:** Stable activity in Treasuries offered backing to equities throughout the week. The yield on the 10-year note remained steady at 4.50% for the week, while the yield on the 2-year note decreased by six basis points to 4.87%.

**Week Ahead:** A Consumer Price Index report slated for publication on Wednesday will reveal whether the recent trend of slightly higher-than-anticipated inflation continued into April. In the previous month's CPI report, March recorded an annual rate of 3.5%, an increase from 3.2% in the previous month. Core inflation, excluding volatile food and energy prices, surged by 3.8% in March.

## INDICES

| | May 10 Close | May 6 Open | Weekly Change | Dec 31 2023 | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 39,513 | 38,676 | 2.2% | 37,690 | 4.8% |
| **S&P 500** | 5,223 | 5,128 | 1.9% | 4,770 | 9.5% |
| **NASDAQ** | 16,341 | 16,156 | 1.1% | 15,011 | 8.9% |
| **Russell 2000** | 2,060 | 2,036 | 1.2% | 2,027 | 1.6% |
| **KBW Bank Indx** | 106.1 | 103.2 | 2.7% | 96.0 | 10.4% |
| **VIX** | 12.6 | 13.5 | -7.0% | 12.5 | 0.8% |
| **Oil (WTI** | $78.26 | $78.11 | 0.2% | $72.57 | 7.8% |
| **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** | 5.40 | 5.39 | 0.01 | 5.33 | 0.06 |
| **2yr UST** | 4.87 | 4.82 | 0.05 | 4.25 | 0.62 |
| **10yr UST** | 4.50 | 4.51 | -0.01 | 3.88 | 0.62 |
| **2-10yr UST Spread** | -37 | -31 | -6 | -37 | 0 |
| **2y AAA Muni/10y UST** | 64.2% | 66.5% | -2.3% | 58.9% | 5.3% |
| **10y AAA Muni/10y UST** | 59.0% | 60.5% | -1.5% | 58.5% | 0.5% |
| **5yr Inflation Rate** | 2.35 | 2.36 | -0.01 | 2.15 | 0.20 |

## Week Ahead

- **Monday:** No major reports
- **Tuesday:** PPI
- **Wednesday:** CPI, Retail sales, Business inventories, Housing mkt index
- **Thursday:** Housing starts, Export and import prices, Industrial production
- **Friday:** Leading Economic Index

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Forward

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