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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

May 28, 2024

"Creativity is a habit, and the best creativity results from good work habits." Twyla Tharp

MARKETS

Macro Recap: There was a batch of economic data, which garnered mixed responses. The S&P Global U.S. Manufacturing PMI rose to 50.9 from 50.0, and the S&P Global U.S. Services PMI increased to 54.8 from 51.3. The New Home Sales Report for April was weaker than expected, while April Durable Orders exceeded expectations. Additionally, the final reading of the University of Michigan's Consumer Sentiment survey indicated that year-ahead inflation expectations slowed to 3.3% from the preliminary reading of 3.5%.

Several U.S. Federal Reserve policymakers expressed a willingness to further tighten monetary policy rather than loosen it if inflation risks escalate, according to the minutes released on Wednesday from the Fed meeting that concluded on May 1. The possibility of an additional interest rate increase was discussed as policymakers evaluated the recent mixed inflation readings.

Oil prices fell by around 2% for the week, reaching their lowest level in over three months, due to a report indicating an increase in U.S. crude inventories. By Friday afternoon, U.S. crude was priced at less than $78 per barrel, significantly down from the year-to-date high of $87 recorded in early April.

Equity Recap: The major U.S. stock indexes had markedly different performances this week. The Dow fell over 2%, the NASDAQ rose more than 1%, and the S&P 500 posted a slight gain. The Dow broke a five-week winning streak, dropping more than 900 points below the record-high 40,000-point threshold it had surpassed the previous week.

The NASDAQ's outperformance was partly driven by another strong week for information technology stocks, leading the market to a sector-level return of 3.4%. The tech sector has been performing well, coming off an earnings season in which its growth rate ranked third highest among the 11 S&P 500 sectors.

Bond/Rate Recap: The 10-yr note yield settled four basis points higher this week at 4.47% and the 2-yr note yield settled 13 basis points higher at 4.95%.

Week Ahead: Thursday's scheduled release of an updated U.S. GDP estimate will be one of the most closely watched economic reports in this holiday-shortened week. The initial estimate released in late April indicated that GDP grew at an annual rate of 1.6% in the first quarter, down from 3.4% in the fourth quarter of last year.

INDICES

	May 24 Close	May 20 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	39,070	40,004	-2.3%	37,690	3.7%
S&P 500	5,305	5,303	0.0%	4,770	11.2%
NASDAQ	16,921	16,686	1.4%	15,011	12.7%
Russell 2000	2,070	2,096	-1.2%	2,027	2.1%
KBW Bank Indx	104.9	107.4	-2.3%	96.0	9.2%
VIX	11.9	12.0	-0.5%	12.5	-4.2%
Oil (WTI	$77.72	$80.06	-2.9%	$72.57	7.1%
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	0.07
2yr UST	4.95	4.82	0.12	4.25	0.70
10yr UST	4.47	4.42	0.05	3.88	0.59
2-10yr UST Spread	-49	-41	-8	-37	-11
2y AAA Muni/10y UST	66.3%	64.8%	1.5%	58.9%	7.4%
10y AAA Muni/10y UST	67.3%	60.4%	6.9%	58.5%	8.8%
5yr Inflation Rate	2.33	2.33	0.00	2.15	0.17

Week Ahead

- **Monday:** Memorial Day
- **Tuesday:** S&P/Case-Shiller Home Price Index, Consumer Confidence
- **Wednesday:** No major reports
- **Thursday:** 1st Q GDP, Pending home sales
- **Friday:** PCE

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