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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Forever is composed of nows." Emily Dickinson

MARKETS

Macro Recap: Concerns about economic growth kept the broader market in check in response to this week's financial data.

US factory activity shrank in May at a faster pace as output came close to stagnating and a measure of orders fell by the most in nearly two years. The ISM manufacturing gauge fell 0.5 points to 48.7, the weakest in three months, data out Monday showed. Readings less than 50 indicate contraction. The figure was softer than the 49.5 median estimate.

US job openings, per the JOLTS report, fell in April to the lowest level in over three years, consistent with a gradual slowdown in the labor market. Private payrolls increased by 152,000 last month, according to the ADP Research Institute. The median estimate in a Bloomberg survey of economists called for a 175,000 increase.

May's job growth figure of 272,000 significantly surpassed economists' forecasts of around 180,000, with wage growth also exceeding expectations. This complicates the potential for an interest rate cut this year. Following Friday morning's report, government bond yields rose while stocks remained unchanged.

Equity Recap: U.S. stock indexes rebounded from a slight setback the previous week, with the NASDAQ and the S&P 500 surpassing their record highs from last month. Renewed enthusiasm for artificial intelligence boosted technology stocks, leading to a 2.4% weekly return for the NASDAQ, outpacing the more modest gains of the S&P 500 and Dow.

Bond/Rate Recap: On Thursday, the 10-year U.S. Treasury bond yield fell to its lowest level in over two months. However, this drop was quickly reversed following Friday's stronger-than-expected jobs report. After closing at 4.28% on Thursday, the 10-year note's yield rose to 4.43% on Friday. The 2-year note yield declined two basis points to 4.87%.

Week Ahead: The new week features a U.S. Federal Reserve policy meeting concluding on Wednesday and an inflation report scheduled for release that morning. The Fed is widely expected to keep interest rates unchanged. The Consumer Price Index report will reveal how May's annual inflation rate compares to April's 3.4% figure.

INDICES

	June 7 Close	June 3 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	38,799	38,686	0.3%	37,690	2.9%
S&P 500	5,347	5,278	1.3%	4,770	12.1%
NASDAQ	17,133	16,735	2.4%	15,011	14.1%
Russell 2000	2,027	2,070	-2.1%	2,027	0.0%
KBW Bank Indx	103.0	104.9	-1.9%	96.0	7.2%
VIX	12.2	13.1	-6.8%	12.5	-1.8%
Oil (WTI	$75.53	$77.09	-2.0%	$72.57	4.1%
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	5.39	5.40	-0.01	5.33	0.05
2yr UST	4.89	4.86	0.03	4.25	0.64
10yr UST	4.43	4.47	-0.03	3.88	0.55
2-10yr UST Spread	-46	-39	-6	-37	-8
2y AAA Muni/10y UST	66.0%	68.9%	-2.8%	58.9%	7.2%
10y AAA Muni/10y UST	66.4%	68.9%	-2.6%	58.5%	7.9%
5yr Inflation Rate	2.29	2.35	-0.06	2.15	0.13

Week Ahead

- **Monday:** No major reports scheduled
- **Tuesday:** Small Business Optimism Index
- **Wednesday:** FOMC 2-Day Meeting, CPI
- **Thursday:** PPI, Weekly Unemployment
- **Friday:** UofM Consumer Sentiment, Export/Import

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