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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

July 22, 2024

"What is right to be done cannot be done too soon." Jane Austen

MARKETS

Macro Recap: It was a relatively light week of economic news. U.S. retail sales remained unchanged in June compared to the previous month, outperforming economists' expectations, which had forecasted a decline of about 0.4%. This report highlights strong discretionary spending on goods in June, suggesting that the economy is not headed for a hard landing.

However, another report indicated a negative trend, as the latest weekly count of initial unemployment claims rose to 243,000. This figure matches a previous high from last month, which was the highest since August 2023. This data supports the view that the labor market is softening, reinforcing the belief that the Federal Reserve will lower the target range for the Fed funds rate at the September meeting.

Equity Recap: It was a losing week for the stock market, but not for the broader market as a whole. The losses were not widespread; instead, they were concentrated among mega-cap stocks and many growth stocks, particularly semiconductor stocks that had previously been favored by momentum investors.

The NASDAQ dropped nearly 4%, ending a six-week streak of gains as several of its major technology stocks declined for the second consecutive week. The S&P 500 experienced a smaller weekly loss of around 2%, while the Dow stood out with a nearly 1% gain.

Amid a week of volatile trading, an index tracking investors' expectations for short-term U.S. stock market volatility reached its highest level in nearly three months. The Cboe Volatility Index (VIX) surged 32% for the week, reaching its highest point since April 22, when it was near its year-to-date high.

Bond/Rate Recap: Government bond yields had a slight increase but mostly remained stable over the week. The 10-year U.S. Treasury bond yield rose from 4.18% to 4.22%, while the 2-year note yield increased by 6 basis points to 4.51% by Friday's close.

Week Ahead: The U.S. government's initial estimate of second-quarter GDP, scheduled for release on Thursday, is expected to show that the economy grew at a 1.9% rate, slightly higher than the 1.4% annual growth rate in the first quarter. On Friday, the Fed's preferred gauge of price stability, the core PCE Index, is forecasted to indicate a 2.4% price increase in June compared to a 2.6% annual increase in May.

INDICES

	July 19 Close	July 15 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	40,288	40,001	0.7%	37,690	6.9%
S&P 500	5,505	5,615	-2.0%	4,770	15.4%
NASDAQ	17,727	18,398	-3.6%	15,011	18.1%
Russell 2000	2,184	2,148	1.7%	2,027	7.8%
KBW Bank Indx	112.4	108.8	3.3%	96.0	17.0%
VIX	16.2	12.5	30.2%	12.5	30.3%
Oil (WTI	$79.62	$82.21	-3.2%	$72.57	9.7%
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	5.33	5.33	0.00	5.33	0.00
2yr UST	4.51	4.45	0.06	4.25	0.27
10yr UST	4.22	4.18	0.03	3.88	0.34
2-10yr UST Spread	-30	-27	-3	-37	7
2y AAA Muni/10y UST	64.4%	65.9%	-1.5%	58.9%	5.5%
10y AAA Muni/10y UST	66.1%	67.4%	-1.3%	58.5%	7.7%
5yr Inflation Rate	2.18	2.17	0.01	2.15	0.03

Week Ahead

- **Monday:** No major reports scheduled
- **Tuesday:** Existing home sales
- **Wednesday:** New home sales
- **Thursday:** Second-quarter GDP, Durable goods orders, Weekly unemployment
- **Friday:** PCE Price Index, UoM consumer sent

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