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# Financial Week Newsletter

*Summarized by Smith Shellnut Wilson*

July 29, 2024

***"The more I see the less I know for sure." John W Lennon***

## MARKETS

**Macro Recap:** The week kicked off with the news that President Biden would exit the 2024 presidential race and endorse Kamala Harris for the candidacy. The equity and bond markets responded mildly to this announcement.

Despite historically high interest rates and ongoing inflation concerns, the U.S. economy gained momentum in the second quarter. GDP grew at an annual rate of 2.8%, surpassing economists' consensus forecast and significantly up from the 1.4% rate in the first quarter.

The U.S. Federal Reserve's preferred inflation measure remained unchanged from the previous month, staying modestly above the Fed's long-term target of around 2.0%. Excluding energy and food prices, the core Personal Consumption Expenditures Index increased at an annual rate of 2.6% in June, the same as May's figure and the slowest price growth in over three years. On a month-to-month basis, core inflation rose 0.2% in June.

Amid expectations of weakening global demand, the price of U.S. crude oil dropped nearly 4% for the week, settling at around $77 per barrel, the lowest level in about seven weeks. As recently as July 3, oil was trading near $84 per barrel.

**Equity Recap:** The stock market had a mixed performance this week. The S&P 500 and NASDAQ declined for the second consecutive week amid volatile trading, while the Dow recorded its fourth straight weekly gain. Despite modest rallies on Monday and Friday, sell-offs on Wednesday outweighed gains for the S&P 500 and NASDAQ.

A shift in market performance continued for the third week, with large-cap stocks lagging behind the previously underperforming small-cap segment and growth equities underperforming the value style. Over the past three weeks, a large-cap benchmark dropped a cumulative 1.5%, while a small-cap index surged 11.5%. In terms of equity styles, a growth index fell 6.6% over three weeks, whereas its value counterpart rose 4.6%.

**Bond/Rate Recap**: The 10-year note yield decreased by four basis points to 4.20%, while the 2-year note yield dropped by 12 basis points to 4.39%.

**Week Ahead:** In addition to more quarterly earnings reports, the upcoming week will feature a U.S. Federal Reserve policy meeting ending on Wednesday and a jobs report on Friday. The Fed is widely anticipated to keep interest rates unchanged but is expected to signal cuts later in the year. The jobs report will reveal how July's job growth compares to June's unexpectedly high increase of 206,000 jobs.

## INDICES

| | July 26 Close | July 22 Open | Weekly Change | Dec 31 2023 | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 40,589 | 40,288 | 0.7% | 37,690 | 7.7% |
| **S&P 500** | 5,459 | 5,505 | -0.8% | 4,770 | 14.5% |
| **NASDAQ** | 17,358 | 17,727 | -2.1% | 15,011 | 15.6% |
| **Russell 2000** | 2,260 | 2,184 | 3.5% | 2,027 | 11.5% |
| **KBW Bank Indx** | 115.3 | 112.4 | 2.6% | 96.0 | 20.1% |
| **VIX** | 16.4 | 16.2 | 1.0% | 12.5 | 31.6% |
| **Oil (WTI** | $77.16 | $79.62 | -3.1% | $72.57 | 6.3% |
| **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** | 5.29 | 5.33 | -0.04 | 5.33 | -0.04 |
| **2yr UST** | 4.38 | 4.51 | -0.13 | 4.25 | 0.13 |
| **10yr UST** | 4.19 | 4.22 | -0.02 | 3.88 | 0.31 |
| **2-10yr UST Spread** | -19 | -30 | 11 | -37 | 18 |
| **2y AAA Muni/10y UST** | 65.2% | 64.4% | 0.8% | 58.9% | 6.3% |
| **10y AAA Muni/10y UST** | 66.3% | 66.1% | 0.2% | 58.5% | 7.9% |
| **5yr Inflation Rate** | 2.16 | 2.18 | -0.03 | 2.15 | 0.00 |

## Week Ahead

- **Monday:** No major reports scheduled
- **Tuesday:** JOLTS, Case-Shiller Home Price Index, Cons. Conf.
- **Wednesday:** FOMC policy meeting, ADP
- **Thursday:** ISM manufacturing index, Construction spend., Productivity
- **Friday:** Nonfarm payrolls, Factory orders

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