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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

August 5, 2024

"Start where you are. Use what you have. Do what you can." Arthur Ashe

MARKETS

Macro Recap: The U.S. Federal Reserve once again decided not to cut interest rates, but stocks rose after Chair Jerome Powell indicated that a rate reduction could be considered at the next meeting in mid-September if inflation continues to decline. In its updated policy statement, the Fed also signaled a shift in focus, showing increased attention to concerns about labor market weakening alongside inflation risks.

While the Fed kept its key interest rate steady on Wednesday, two other central banks made different moves. The Bank of England cut its key rate for the first time in four years, while the Bank of Japan raised its benchmark rate due to concerns about the weakening yen.

Weekly initial jobless claims, a key economic indicator, rose to 249,000 (consensus 233,000), up from 235,000 last week. This increase suggests some softening in the labor market, which could dampen discretionary spending. Additionally, the ISM Manufacturing Index showed a further weakening in the manufacturing sector, dropping deeper into contraction territory at 46.8% in July (consensus 48.5%) from 48.5% in June.

Stocks experienced a sharp decline on Friday after U.S. job growth slowed for the third consecutive month and the unemployment rate climbed to its highest level in nearly three years. July's addition of 114,000 jobs fell short of expectations and was well below the 12-month average of 215,000, while the unemployment rate increased to 4.3% from 4.1% the previous month.

Gold futures reached new record highs, briefly surpassing the $2,500-per-ounce mark for the first time on Friday. By Friday afternoon, the price had risen 4% for the week and was up approximately 20% year to date.

Equity Recap: Weak labor market data and mixed earnings reports weighed on stocks this week, leading the S&P 500 and NASDAQ to decline for the third consecutive week, while the Dow ended its four-week winning streak. The sell-off intensified on Friday, leaving the S&P 500 5.7% below its July 16 record high, and pushing the NASDAQ into correction territory, down 10.0% from its July 10 peak.

Bond/Rate Recap: A changing interest rate outlook and new economic data sparked a rally in government bond prices, driving the yield on the 10-year U.S. Treasury bond down to around 3.80% on Friday, its lowest level in eight months. The yields on 2- and 30-year notes also dropped significantly for the week, reaching levels not seen since late last year.

INDICES

	Aug 2 Close	July 29 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	39,737	40,589	-2.1%	37,690	5.4%
S&P 500	5,347	5,459	-2.1%	4,770	12.1%
NASDAQ	16,776	17,358	-3.4%	15,011	11.8%
Russell 2000	2,109	2,260	-6.7%	2,027	4.1%
KBW Bank Indx	106.4	115.3	-7.8%	96.0	10.8%
VIX	23.4	16.4	42.7%	12.5	87.9%
Oil (WTI	$73.53	$77.16	-4.7%	$72.57	1.3%
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	5.14	5.29	-0.15	5.33	-0.19
2yr UST	3.86	4.38	-0.53	4.25	-0.39
10yr UST	3.78	4.19	-0.41	3.88	-0.10
2-10yr UST Spread	-8	-19	11	-37	29
2y AAA Muni/10y UST	68.8%	65.2%	3.7%	58.9%	9.9%
10y AAA Muni/10y UST	68.3%	66.3%	2.0%	58.5%	9.9%
5yr Inflation Rate	1.96	2.16	-0.19	2.15	-0.19

Week Ahead

- **Monday:** ISM nonmanufacturing index
- **Tuesday:** Trade balance
- **Wednesday:** Consumer credit
- **Thursday:** Wholesale inventories, Weekly unemployment claims
- **Friday:** No major reports

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