SMITH SHELLNUT WILSON
AN AFFILIATE OF b1BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Never confuse a single failure with a final defeat." F Scott Fitzgerald

MARKETS

Macro Recap: Recession concerns eased following a stronger-than-expected U.S. retail sales report. July's retail sales increased by 1.0% month-over-month,surpassing economists' consensus forecast of around 0.4%. Further optimism came on Thursday as new unemployment claims decreased compared to the previous week.

A key consumer price inflation measure dipped below 3.0% for the first time since early 2021, with the Consumer Price Index rising 2.9% year-over-year in July and the Producer Price Index increasing by 2.2%. These figures bolstered expectations for an interest-rate cut next month.

Meanwhile, an indicator tracking U.S. consumer sentiment saw its first rise in six months. Although August's preliminary reading of 67.8 from the University of Michigan's Consumer Sentiment Index exceeded expectations, it remained below February's recent high of 79.6. Notably, consumers' inflation expectations for the next year are at their lowest since December 2020.

Gold futures continued their upward momentum, setting new records for the third consecutive week. On Friday, the commodity exceeded the $2,500-per-ounce mark, with an afternoon price of around $2,545, representing a year-to-date increase of over 20%.

Equity Recap: Following two weeks of heightened market volatility, the major U.S. stock indexes achieved their most substantial weekly gains of 2024. The NASDAQ led the way with a surge of over 5%, while the S&P 500 climbed 4%, and the Dow advanced by 3%, driven by positive data on inflation, retail sales, and consumer sentiment.

Tech stocks, which had contributed to the previous week's market decline, were among the strongest performers, with the sector posting an average gain of 7.6%. This robust performance helped the NASDAQ outpace the S&P 500 and Dow, both of which have less exposure to the tech sector than the NASDAQ.

Bond/Rate Recap: The 10-year note yield fell by 5 basis points to 3.89%, while the 2-year note yield rose 2 basis points to 4.07%. This week's movement further tightened the 2s10s spread, compressing it by three basis points to -18 basis points.

Week Ahead: Investors and economists will focus on Jackson Hole, Wyoming, where the U.S. Federal Reserve is set to host its annual three-day economic policy symposium starting Thursday, August 22. Fed Chair Jerome Powell is one of the key speakers, with a scheduled address on Friday.

INDICES

	Aug 16 Close	Aug 12 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	40,660	39,498	2.9%	37,690	7.9%
S&P 500	5,554	5,344	3.9%	4,770	16.4%
NASDAQ	17,632	16,745	5.3%	15,011	17.5%
Russell 2000	2,142	2,081	2.9%	2,027	5.7%
KBW Bank Indx	110.7	106.6	3.9%	96.0	15.3%
VIX	15.4	20.4	-24.3%	12.5	23.9%
Oil (WTI	$76.54	$76.84	-0.4%	$72.57	5.5%
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	5.21	5.21	0.00	5.33	-0.12
2yr UST	4.07	4.05	0.01	4.25	-0.18
10yr UST	3.89	3.94	-0.05	3.88	0.01
2-10yr UST Spread	-18	-12	-6	-37	19
2y AAA Muni/10y UST	65.5%	66.5%	-1.0%	58.9%	6.6%
10y AAA Muni/10y UST	68.5%	67.3%	1.3%	58.5%	10.1%
5yr Inflation Rate	1.98	1.98	0.00	2.15	-0.18

Week Ahead

- **Monday:** LEI
- **Tuesday:** No major reports
- **Wednesday:** FOMC minutes
- **Thursday:** Existing home sales, Weekly unemployment
- **Friday:** Powell's speech at Jackson Hole, New home sales

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Chad McKeithen | Research Department
Smith Shellnut Wilson, LLC
661 Sunnybrook Rd., Ste 130
Ridgeland, MS 39157
601.605.1776
www.ssw1776.com
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