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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"A good snapshot stops a moment from running away." Eudora Welty

MARKETS

Macro Recap: This week's events were highlighted by Fed Chair Powell's speech at the Jackson Hole Economic Symposium on Friday, which had a dovish tone and acknowledged that "the time has come for policy to adjust." Earlier in the week, the FOMC Minutes from the July 30-31 meeting drew attention for the Fed's remarks suggesting that a rate cut was "plausible" at that meeting.

The market appeared to shrug off revisions to nonfarm payrolls for the April 2023-March 2024 period, which revealed there were 818,000 fewer jobs than previously estimated, raising concerns that the labor market may have been softening for longer than initially thought.

A recent decline in U.S. mortgage rates contributed to a 1.3% increase in sales of existing homes in July, breaking a four-month streak of declines. Although prices dipped compared to June, they remained near the record levels reached that month.

On Wednesday, the price of U.S. crude oil briefly dropped to its lowest point in more than six months, falling to $71.46 per barrel.

Equity Recap: The S&P 500, NASDAQ, and Dow all rose by over 1% for the week, though they didn't quite match the previous week's substantial gains. However, they continued their recovery from a challenging start to August.

With two strong weeks, the major U.S. stock indexes have nearly regained all the ground lost during the period of heightened volatility in late July and early August. By Friday's close, the S&P 500 was just 0.58% away from its mid-July record high, the Dow was only 0.06% below its historic peak from last month, and the NASDAQ remained 4.13% below its record.

Bond/Rate Recap: The growing likelihood of interest-rate cuts produced another volatile week for U.S. government bonds. The 10-yr note yield dropped eight basis points this week to 3.81% and the 2-yr note yield settled 16 basis points lower at 3.91%.

Week Ahead: While there is a mix of economic news, market participants will be primarily focused on Friday's PCE release, with expectations that the core month-over-month figure for July will have increased by 0.2% and 2.7% year-over-year.

INDICES

	Aug 23 Close	Aug 19 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	41,175	40,660	1.3%	37,690	9.2%
S&P 500	5,635	5,554	1.4%	4,770	18.1%
NASDAQ	17,878	17,632	1.4%	15,011	19.1%
Russell 2000	2,219	2,142	3.6%	2,027	9.5%
KBW Bank Indx	113.7	110.7	2.7%	96.0	18.4%
VIX	15.9	15.4	2.9%	12.5	27.4%
Oil (WTI)	$74.83	$76.54	-2.2%	$72.57	3.1%
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	5.13	5.21	-0.08	5.33	-0.20
2yr UST	3.92	4.07	-0.15	4.25	-0.33
10yr UST	3.80	3.89	-0.09	3.88	-0.08
2-10yr UST Spread	-12	-18	6	-37	25
2y AAA Muni/10y UST	63.8%	65.5%	-1.8%	58.9%	4.9%
10y AAA Muni/10y UST	70.7%	68.5%	2.2%	58.5%	12.3%
5yr Inflation Rate	2.02	1.98	0.04	2.15	-0.14

Week Ahead

- **Monday:** Durable goods orders
- **Tuesday:** S&P/Case-Shiller, Consumer Confidence Index
- **Wednesday:** No major reports
- **Thursday:** 2nd Q GDP, Weekly unemployment, Pending home sales
- **Friday:** PCE, UofM consumer sentiment

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