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# Financial Week Newsletter

*Summarized by Smith Shellnut Wilson*

September 30, 2024

***"There was another life I might have had, but I am having this one." Kazuo Ishiguro***

## MARKETS

**Macro Recap:** Mainland Chinese stocks surged after the central bank introduced measures to boost the sluggish growth of the world's second-largest economy. On Tuesday, the People's Bank of China announced plans to reduce borrowing costs, inject additional funds into the economy, and ease mortgage repayment burdens for households.

The U.S. government's latest estimate for second-quarter economic growth showed GDP expanding at an annual rate of 3.0%, matching the previous estimate and exceeding economists' expectations of 2.9%. Notably, personal spending increased by 2.8%, well above the two-year average of 2.2%, indicating resilience against recession.

On Friday, the U.S. Federal Reserve's preferred inflation gauge revealed a continued, albeit slow, easing of price pressures. The PCE Index rose at an annual rate of 2.2% in August, slightly below economists' forecasts and the lowest since February 2021. The core PCE Index, which excludes energy and food prices, increased by 2.7%, aligning with expectations.

U.S. consumer sentiment improved for the second consecutive month, reversing a downward trend that began in the spring. The University of Michigan's Consumer Sentiment Index rose to 70.1 in September from 67.9 in August, reflecting increased optimism as inflation pressures eased.

The price of U.S. crude oil fell nearly 4% over the week, dropping to less than $69 per barrel on Friday. This price is down from a recent high of nearly $84 per barrel in early July and remains relatively stable year-to-date.

**Equity Recap:** U.S. stocks climbed for the third consecutive week, continuing their rebound from a significant drop in early September. The S&P 500 and the Dow both increased by 0.6%, reaching new record highs set the previous week. Meanwhile, the NASDAQ gained 1.0%, closing 2.8% below its record high from over two months ago.

**Bond/Rate Recap:** Longer-dated Treasuries ended the week with slight losses, whereas the 2-year note saw a modest gain due to increasing expectations for rate cuts. By the end of the week, the Fed funds futures market suggested a 54.8% chance of another 50-basis point cut in November, up from 50.4% the week before.

**Week Ahead:** A monthly employment report set to be released on Friday will reveal how September's job growth stacks up against August's increase of 142,000 jobs. Although this figure surpassed the previous month's gain, it fell short of economists' consensus expectations. Additionally, initial estimates for June and July were revised downward by a total of 86,000 jobs.

## INDICES

| | Sep 27 Close | Sep 23 Open | Weekly Change | Dec 31 2023 | YTD Change |
|---|---|---|---|---|---|
| DJIA | 42,313 | 42,063 | 0.6% | 37,690 | 12.3% |
| S&P 500 | 5,738 | 5,703 | 0.6% | 4,770 | 20.3% |
| NASDAQ | 18,120 | 17,948 | 1.0% | 15,011 | 20.7% |
| Russell 2000 | 2,225 | 2,228 | -0.1% | 2,027 | 9.7% |
| KBW Bank Indx | 113.9 | 115.0 | -0.9% | 96.0 | 18.6% |
| VIX | 17.0 | 16.2 | 5.0% | 12.5 | 36.2% |
| Oil (WTI) | $68.18 | $71.00 | -4.0% | $72.57 | -6.0% |
| Prime | 8.00 | 8.00 | 0.00 | 8.50 | -0.50 |
| Effective Fed Funds | 4.83 | 4.83 | 0.00 | 5.32 | -0.49 |
| 3m Tbill | 4.60 | 4.65 | -0.05 | 5.33 | -0.73 |
| 2yr UST | 3.56 | 3.59 | -0.03 | 4.25 | -0.69 |
| 10yr UST | 3.75 | 3.74 | 0.01 | 3.88 | -0.13 |
| 2-10yr UST Spread | 19 | 15 | 4 | -37 | 56 |
| 2y AAA Muni/10y UST | 67.0% | 66.7% | 0.3% | 58.9% | 8.1% |
| 10y AAA Muni/10y UST | 70.0% | 70.2% | -0.1% | 58.5% | 11.6% |
| 5yr Inflation Rate | 2.06 | 2.05 | 0.00 | 2.15 | -0.10 |

## Week Ahead

- **Monday:** No major reports
- **Tuesday:** Jolts, ISM Manufacturing, Construction spending
- **Wednesday:** ADP National Employment
- **Thursday:** ISM Nonmanufacturing, Factory orders, Weekly unemployment
- **Friday:** Jobs and unemployment

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