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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The only thing we know about the future is that it is going to be different." Dr Peter Ferdinand Drucker

MARKETS

Macro Recap: It was a hectic week marked by a slew of quarterly earnings reports, another rate cut from the FOMC, and the results of the congressional and presidential elections.

On Wednesday, stocks surged as investors digested the election outcomes, with the Dow jumping 3.6%, the NASDAQ climbing 3.0%, and the S&P 500 rising 2.5%. Bond prices fell, pushing yields higher, with the 10-year U.S. Treasury yield closing at 4.43%, up from 4.29% on Tuesday.

The election results brought relief, as participants were pleased that it wouldn't be contested. Additionally, there was optimism about economic growth, with expectations that president-elect Trump's plans to lower taxes and reduce regulations would boost growth above potential.

The U.S. Federal Reserve cut its benchmark rate by a quarter-percentage point, following a half-point reduction in September. This move was anticipated, and both stocks and Treasury yields remained steady after Thursday's announcement.

U.S. consumer sentiment reached its highest level in seven months, surpassing most economists' expectations. Friday's preliminary reading from the University of Michigan's Consumer Sentiment Index, based on a survey conducted on Monday before the election, reflected this optimism.

Equity Recap: The major U.S. stock indexes had their best week in a year, with gains ranging from nearly 5% to 6%. The NASDAQ, the S&P 500, and the Dow all reached record highs, with the S&P 500 and the Dow briefly surpassing the 6,000- and 44,000-point marks, respectively, before closing just below those levels.

Investor expectations for short-term U.S. stock market volatility dropped significantly following Tuesday's election. By Friday's close, the Cboe Volatility Index had fallen about 31% for the week, reaching its lowest level in over three months.

Bond/Rate Recap: U.S. government bond yields ended the week slightly lower, despite a volatile period that saw the 10-year Treasury yield briefly spike to 4.48% during intraday trading on Wednesday. The yield then pulled back, closing at approximately 4.30% on Friday, down from the previous week's close of 4.37%.

Week Ahead: Following the U.S. Federal Reserve's recent interest-rate cut, an upcoming Consumer Price Index (CPI) report on Wednesday will reveal if the mixed inflation readings continued into October. The latest CPI report for September indicated an annual inflation rate of 2.4%, a slight decrease from August's 2.5%. However, core inflation, which excludes energy and food prices, rose to 3.3% in September, up from 3.2% in the previous month.

INDICES

	Nov 8 Close	Nov 4 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	43,989	42,052	4.6%	37,690	16.7%
S&P 500	5,996	5,729	4.7%	4,770	25.7%
NASDAQ	19,287	18,240	5.7%	15,011	28.5%
Russell 2000	2,400	2,210	8.6%	2,027	18.4%
KBW Bank Indx	131.7	121.5	8.4%	96.0	37.2%
VIX	14.9	21.9	-31.7%	12.5	20.0%
Oil (WTI)	$70.12	$69.49	0.9%	$72.57	-3.4%
Gold	$2,673	$2,737	-2.3%	$1,973	35.5%
Prime	7.75	8.00	-0.25	8.50	-0.75
Effective Fed Funds	4.59	4.83	-0.24	5.32	-0.73
3m Tbill	4.52	4.50	0.02	5.33	-0.81
2yr UST	4.25	4.21	0.05	4.25	0.00
10yr UST	4.30	4.38	-0.08	3.88	0.43
2-10yr UST Spread	5	17	-12	-37	42
2y AAA Muni/10y UST	62.5%	63.8%	-1.3%	58.9%	3.6%
10y AAA Muni/10y UST	69.5%	69.3%	0.3%	58.5%	11.1%
5yr Inflation Rate	2.42	2.38	0.05	2.15	0.27

Week Ahead

- **Monday:** Veterans Day holiday
- **Tuesday:** No major reports
- **Wednesday:** CPI, Federal Budget
- **Thursday:** PPI, Weekly unemployment
- **Friday:** Retail sales, Business inventories, Industrial production

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