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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Life's most persistent and urgent question is, 'What are you doing for others?'" Rev Dr Martin Luther King Jr.

MARKETS

Macro Recap: Recent efforts to further reduce inflation have hit a snag, according to Wednesday's data from the U.S. Federal Reserve's preferred inflation measure. The Personal Consumption Expenditures (PCE) Index increased at an annual rate of 2.3% in October, up from 2.1% in September. When excluding energy and food prices, the core PCE Index rose to 2.8% in October from 2.7% the previous month.

Despite inflation remaining above the Federal Reserve's long-term target of 2%, Fed officials have recently expressed optimism that price pressures are easing and that the labor market remains robust. These comments were part of the minutes released on Wednesday from the Fed's policy meeting held on November 6–7. The next Fed meeting is set for December 17–18.

On Monday, President-Elect Donald Trump threatened to impose tariffs on imports from China, Canada, and Mexico, prompting warnings of potential retaliatory trade actions from these countries. The Canadian dollar and Mexican peso fell sharply against the U.S. dollar, and stocks of certain automakers declined.

Equity Recap: In a holiday-shortened trading week, all major U.S. stock indexes gained over 1%, continuing the positive momentum from the previous week. The S&P 500 and the Dow reached new record highs, while the NASDAQ remained just below its record set about three weeks ago.

Bond/Rate Recap: U.S. government bond yields dropped significantly on Monday following President-Elect Donald Trump's announcement of Scott Bessent as the next Treasury secretary. The 10-year U.S. Treasury yield closed at approximately 4.17% on Friday, down from 4.42% the previous week and a recent intraday high of 4.50% on November 15.

Week Ahead: A monthly labor market report, set to be released on Friday, will reveal if the recent slowdown in U.S. job growth continued into November. In October, the economy added just 12,000 new jobs, significantly lower than the robust gains of the previous month and the smallest increase since December 2020. Additionally, initial job gain figures for August and September were revised downward. The unemployment rate remained steady at 4.1%.

INDICES

	Nov 29 Close	Nov 25 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	44,911	44,297	1.4%	37,690	19.2%
S&P 500	6,032	5,969	1.1%	4,770	26.5%
NASDAQ	19,218	19,004	1.1%	15,011	28.0%
Russell 2000	2,435	2,407	1.2%	2,027	20.1%
KBW Bank Indx	138.2	137.4	0.5%	96.0	43.9%
VIX	13.5	15.2	-11.4%	12.5	8.5%
Oil (WTI)	$68.00	$71.24	-4.5%	$72.57	-6.3%
Gold	$2,643	$2,716	-2.7%	$1,973	34.0%
Prime	7.75	7.75	0.00	8.50	-0.75
Effective Fed Funds	4.58	4.58	0.00	5.32	-0.74
3m Tbill	4.49	4.54	-0.05	5.33	-0.85
2yr UST	4.15	4.37	-0.22	4.25	-0.10
10yr UST	4.17	4.40	-0.23	3.88	0.29
2-10yr UST Spread	1	2	-1	-37	39
2y AAA Muni/10y UST	61.3%	60.1%	1.2%	58.9%	2.4%
10y AAA Muni/10y UST	67.0%	66.9%	0.1%	58.5%	8.5%
5yr Inflation Rate	2.35	2.44	-0.09	2.15	0.19

Week Ahead

- **Monday:** ISM manufacturing index, Cnstr spending
- **Tuesday:** JOLTS
- **Wednesday:** ADP Employment, ISM nonmanufacturing index, Factory Orders
- **Thursday:** Trade balance
- **Friday:** Jobs and unemployment report

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