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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

December 9, 2024

"Adventure is worthwhile in itself." Amelia Earhart

MARKETS

Macro Recap: The focus last week was on Friday's nonfarm payroll report. The labor market showed improvement in November, with a monthly increase of 227,000 jobs, surpassing economists' expectations and significantly higher than the previous month's revised figure of 36,000. Compared to October, November's annual wage growth remained steady at 4.0%, while the unemployment rate rose slightly to 4.2% from 4.1%. This outcome aligns with the market's slight inclination, pending next week's CPI and PPI reports, to reduce the target range for the federal funds rate by another 25 basis points at the December FOMC meeting.

The November ISM Manufacturing Index came in at 48.4%, above the consensus of 47.6% and up from the previous month's 46.5%. The key takeaway is that while manufacturing activity remains weak, there was a positive sign with the new orders index moving back into expansion territory after seven months of contraction.

On Wednesday, the November ISM Non-Manufacturing Index was reported at 52.1%, below the consensus of 55.5% and down from the prior month's 56.0%. The main takeaway is that respondents frequently mentioned tariff concerns when considering their outlooks.

A measure of U.S. consumer sentiment increased for the fifth consecutive month, reaching its highest level since last May. Friday's preliminary reading from the University of Michigan's Consumer Sentiment Index showed an increase to 74.0, up from November's final reading of 71.8.

Equity Recap: The NASDAQ climbed over 3%, marking its third consecutive weekly gain and reaching record levels alongside the S&P 500. The S&P 500 increased by 1% for the week, while the Dow ended slightly lower after pulling back from a record high it achieved on Wednesday.

Bond/Rate Recap: Treasuries had a strong week, with the 2-year note yield decreasing by six basis points to 4.10% and the 10-year note yield falling by three basis points to 4.15%.

Week Ahead: The Consumer Price Index (CPI) report will be released on Wednesday, providing the U.S. Federal Reserve with another crucial data point before its December 17–18 meeting. The November survey is for 2.7% annualized price growth. The last October CPI report indicated an annual rate of 2.6%, up from September's 2.4%, highlighting the ongoing uneven progress in aligning inflation with the Fed's long-term target of 2.0%.

INDICES

	Dec 6 Close	Dec 2 Open	Weekly Change	Dec 31 2023	YTD Change
DJIA	44,643	44,911	-0.6%	37,690	18.4%
S&P 500	6,090	6,032	1.0%	4,770	27.7%
NASDAQ	19,860	19,218	3.3%	15,011	32.3%
Russell 2000	2,409	2,435	-1.1%	2,027	18.8%
KBW Bank Indx	135.6	138.2	-1.8%	96.0	41.2%
VIX	12.8	13.5	-5.5%	12.5	2.6%
Oil (WTI)	$67.31	$68.00	-1.0%	$72.57	-7.2%
Gold	$2,638	$2,643	-0.2%	$1,973	33.7%
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	4.39	4.49	-0.10	5.33	-0.94
2yr UST	4.10	4.15	-0.05	4.25	-0.15
10yr UST	4.15	4.17	-0.02	3.88	0.27
2-10yr UST Spread	5	1	3	-37	42
2y AAA Muni/10y UST	61.9%	61.3%	0.6%	58.9%	3.0%
10y AAA Muni/10y UST	67.0%	67.0%	0.0%	58.5%	8.5%
5yr Inflation Rate	2.33	2.35	-0.01	2.15	0.18

Week Ahead

- **Monday:** Wholesale inventories
- **Tuesday:** Productivity and labor costs, Small Business Optimism Index
- **Wednesday:** CPI
- **Thursday:** PPI, Weekly unemployment
- **Friday:** Export and import prices

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