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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Chance is the first step you take; luck is what comes afterward." Amy Tan

MARKETS

Macro Recap: It was a busy week marked by earnings reports from about 40% of the S&P 500 by market capitalization, a decision from the FOMC, and significant economic data releases.

On Wednesday, the FOMC unanimously decided to keep the target range for the federal funds rate steady at 4.25-4.50%. This decision was widely anticipated and had minimal impact on stocks and bonds by the end of the day.

A notable change in their directive was the removal of the statement, "Inflation has made progress toward the Committee's 2 percent objective..."

On Thursday, the market received positive news with initial jobless claims posting an encouragingly low 207,000 for the week ending January 25. The fourth quarter Advanced GDP update showed an annualized growth rate of 2.3%. The standout figure from the GDP report was the robust 4.2% growth in personal spending, the highest since Q1 2023.

Additionally, the core-PCE Price Index, the Fed's preferred measure of inflation, rose 2.8% year-over-year for the third consecutive month, following a 0.2% month-over-month increase. The key takeaway is that consumer spending remains strong, and inflation is persistently above the Fed's 2% target, highlighting why the Fed is not rushing to change its policy stance.

Stocks declined late Friday after the White House confirmed that tariffs of 25% on Canada and Mexico, and 10% on China, would start on Saturday. These tariff actions were linked to issues related to immigration, trade deficits, and fentanyl.

Equity Recap: The Dow Jones Industrial Average managed a modest 0.3% gain this week, while the S&P 500 dropped 1.0%, the Nasdaq Composite decreased by 1.6%, and the Russell 2000 recorded a 0.9% loss.

Bond/Rate Recap: Treasuries experienced a volatile week but ended with gains. The 10-year yield decreased by six basis points from last Friday, settling at 4.57%, while the 2-year yield dropped by three basis points to 4.24%.

INDICES

	Jan 31 Close	Jan 27 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	44,545	44,424	0.3%	42,544	4.7%
S&P 500	6,041	6,101	-1.0%	5,882	2.7%
NASDAQ	19,627	19,954	-1.6%	19,311	1.6%
Russell 2000	2,288	2,308	-0.9%	2,230	2.6%
KBW Bank Indx	138.5	137.7	0.6%	127.5	8.7%
Bitcoin	$91,704	$102,870	-10.9%	$93,714	-2.1%
Oil (WTI)	$73.72	$74.14	-0.6%	$71.72	2.8%
Gold	$2,777	$2,768	0.3%	$2,625	5.8%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.27	4.29	-0.02	4.31	-0.04
2yr UST	4.25	4.26	-0.01	4.24	0.01
10yr UST	4.52	4.60	-0.08	4.57	-0.05
2-10yr UST Spread	27	33	-6	33	-6
2y AAA Muni/10y UST	64.7%	65.2%	-0.5%	66.5%	-1.8%
10y AAA Muni/10y UST	67.4%	68.0%	-0.6%	68.4%	-1.0%
5yr Inflation Forecast	2.60	2.55	0.05	2.42	0.18

Week Ahead

- **Monday:** ISM manufacturing
- **Tuesday:** JOLTS, Factory orders
- **Wednesday:** ADP employment, ISM services index
- **Thursday:** Weekly jobless claims
- **Friday:** Nonfarm Payrolls, UofM Cons. Sent.

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