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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

February 10, 2025

"Attention is the rarest and purest form of generosity." Simone Weil

MARKETS

Macro Recap: The news cycle in the first half of the week was heavily focused on tariffs. President Trump announced that the U.S. would impose a 25% tariff on imported goods from Canada and Mexico, and a 10% tariff on imports from China. He also mentioned that tariffs on the EU would be introduced soon.

However, leaders from Canada and Mexico managed to negotiate a one-month reprieve from these tariffs with the U.S. Meanwhile, China stated that it would impose a 15% tariff on imports of coal and LNG from the U.S., along with 10% tariffs on crude oil, agricultural machinery, and certain vehicles starting February 10. The market viewed China's response as largely symbolic, and overall, there's a consensus that the tariff discussions are more about temporary negotiating tactics rather than lasting policy changes.

There were several key economic data points that impacted the markets this week. The December JOLTS reported a significant drop in job openings to 7.6 million. January's Services PMI readings were weaker than expected, raising concerns about growth.

U.S. consumer sentiment fell to its lowest level in seven months, with participants voicing worries that tariffs will lead to inflation. February's preliminary reading from the University of Michigan's sentiment index dropped by 3.3 points to 67.8, falling well below economists' expectations.

The January employment report showed a gain of 143,000 jobs, which fell short of analysts' forecasts and indicated a slowdown compared to the previous month. On a positive note, initial job growth estimates for November and December were revised upward by a total of 100,000, and the unemployment rate decreased from 4.1% to 4.0%.

Equity Recap: U.S. stocks fell early in the week due to the imposition of tariffs. However, they recovered, finishing with only minor declines after some tariffs were temporarily rolled back. The S&P 500 fell by 0.4%, while the Nasdaq posted a 0.5% decrease.

Bond/Rate Recap: The yield on the 10-year Treasury note declined for the third time in the past four weeks as investors reevaluated their outlook on inflation and FOMC policy. By Friday's close, the yield stood at 4.49%, a drop from a recent peak of 4.80% recorded on January 13. Meanwhile, the yield on the 2-year note increased by four basis points to settle at 4.28%.

Week Ahead: The CPI report set to be released on Wednesday will indicate whether the recent trend of slightly higher-than-expected inflation continued into January. The December CPI report reflected an annual core inflation rate of 3.2%, marking an extension of the inconsistent progress made toward aligning inflation more closely with the FOMC's long-term target of 2.0%.

INDICES

	Feb 7 Close	Feb 3 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	44,303	44,545	-0.5%	42,544	4.1%
S&P 500	6,026	6,041	-0.2%	5,882	2.4%
NASDAQ	19,523	19,627	-0.5%	19,311	1.1%
Russell 2000	2,280	2,288	-0.3%	2,230	2.2%
KBW Bank Indx	139.5	138.5	0.8%	127.5	9.5%
Bitcoin	$95,038	$91,704	3.6%	$93,714	1.4%
Oil (WTI)	$71.00	$73.72	-3.7%	$71.72	-1.0%
Gold	$2,861	$2,777	3.0%	$2,625	9.0%
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	4.33	4.27	0.05	4.31	0.02
2yr UST	4.29	4.25	0.04	4.24	0.05
10yr UST	4.49	4.52	-0.02	4.57	-0.08
2-10yr UST Spread	20	27	-7	33	-12
2y AAA Muni/10y UST	61.4%	64.7%	-3.3%	66.5%	-5.1%
10y AAA Muni/10y UST	66.0%	67.4%	-1.4%	68.4%	-2.4%
5yr Inflation Forecast	2.62	2.60	0.02	2.42	0.20

Week Ahead

- **Monday:** No major reports
- **Tuesday:** No major reports
- **Wednesday:** CPI, Federal Budget
- **Thursday:** PPI, Weekly unemployment
- **Friday:** Retail sales, Bus. inventories, Industrial prod./capacity

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