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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The greater the obstacle, the more glory in overcoming it."
Jean Baptiste Poquelin "Moliere"

MARKETS

Macro Recap: Trade conflicts significantly impacted market participants as the United States imposed a 25% tariff on most goods from Canada and Mexico on Tuesday, while also increasing existing duties on Chinese imports. In response, these three key U.S. trading partners retaliated with their own tariffs, prompting U.S. officials to temporarily suspend duties on certain Canadian and Mexican goods, including automobiles, for one month.

The February ISM Manufacturing PMI indicated a combination of decelerating activity, rising prices, and weakening employment within the manufacturing sector. Meanwhile, the ADP Employment Change Report for February fell short of expectations, whereas the ISM Services PMI for February exceeded forecasts.

Friday's job report revealed a gain of 151,000 jobs in February, slightly below most analysts' expectations but representing a modest increase from the previous month's revised figure of 125,000. Despite this, overall growth has been moderating, with monthly job gains averaging 168,000 over the past 12 months.

Additionally, the U.S. dollar's value relative to a basket of other major currencies declined by 2.4% for the week as of Friday afternoon, marking its largest weekly drop since November 2022. In contrast, the euro experienced its most significant weekly gain against the dollar since 2009, following announcements of increased stimulus spending by European governments.

Equity Recap: Trade tensions exerted significant pressure on the market, leading to the S&P 500's third consecutive weekly decline and its steepest drop since last September. The index recorded a total return of -3.1%, slightly outperforming the NASDAQ's -3.4% result, while the Dow Jones Industrial Average fell by 2.3%.

On Thursday, the NASDAQ entered a correction, as sharp declines in many of its technology stocks pushed the index more than 10% below a high reached a couple of weeks earlier and its record level set nearly three months ago.

Bond/Rate Recap: Treasuries closed with losses. The 10-year yield rose nine basis points to 4.32%, and the 2-year yield settled unchanged at 4.00%.

Week Ahead: The CPI report scheduled for release on Wednesday will reveal whether the recent trend of slightly higher-than-expected inflation continued into February. The most recent CPI report indicated an annual core inflation rate of 3.3% in January, excluding volatile energy and food prices. This result exceeded economists' consensus forecast and was slightly above the previous month's annual figure.

INDICES

	Mar 7 Close	Mar 3 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	42,802	43,841	-2.4%	42,544	0.6%
S&P 500	5,770	5,955	-3.1%	5,882	-1.9%
NASDAQ	18,196	18,847	-3.5%	19,311	-5.8%
Russell 2000	2,075	2,163	-4.0%	2,230	-6.9%
KBW Bank Indx	123.4	135.3	-8.8%	127.5	-3.2%
Bitcoin	$80,739	$93,160	-13.3%	$93,714	-13.8%
Oil (WTI)	$66.66	$70.00	-4.8%	$71.72	-7.1%
Gold	$2,915	$2,875	1.4%	$2,625	11.1%
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	4.30	4.29	0.01	4.31	-0.01
2yr UST	4.00	4.03	-0.03	4.24	-0.24
10yr UST	4.30	4.24	0.06	4.57	-0.27
2-10yr UST Spread	30	21	9	33	-3
2y AAA Muni/10y UST	64.7%	64.3%	0.4%	66.5%	-1.7%
10y AAA Muni/10y UST	68.6%	68.4%	0.3%	68.4%	0.2%
5yr Inflation Forecast	2.57	2.64	-0.07	2.42	0.15

Week Ahead

- **Monday:** No major news
- **Tuesday:** JOLTS, Small Business Optimism Index
- **Wednesday:** CPI, Federal Budget
- **Thursday:** PPI, Weekly unemployment
- **Friday:** UofM Consumer Sentiment

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