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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"There are some things you learn best in calm, and some in storm." Willa Sibert Cather

MARKETS

Macro Recap: Markets spent the week walking a tightrope between optimism over potential Federal Reserve policy easing and ongoing concerns about inflation. A notable bright spot emerged in housing, where a dip in mortgage rates helped lift activity. Existing home sales rose 2.0% in July, beating expectations, according to the National Association of Realtors. While the median sales price was slightly higher than a year ago, it remained below the record set in June 2025, suggesting some moderation in pricing momentum.

Investor sentiment turned more positive late in the week following Fed Chair Jerome Powell's remarks at the Jackson Hole symposium. Powell acknowledged signs of labor market softening and noted that "the balance of risks" around inflation appears to be shifting. His comments fueled speculation that the Fed may consider a rate cut at its upcoming September 16–17 meeting.

Equity Recap: Equities rallied sharply on Friday, reversing a five-day losing streak for the S&P 500. The Dow Jones Industrial Average led the way, gaining 1.6% for the week and hitting its first record high of 2025. The S&P 500 ended the week up 0.3%, while the NASDAQ slipped 0.6%, reflecting continued pressure on growth and tech names. The late-week rebound was largely driven by Powell's comments, which signaled a potential shift in the Fed's policy stance.

Bond/Rate Recap: Treasury yields declined as markets recalibrated expectations for Fed policy. The 2-year yield fell to 3.69%, while the 10-year settled at 4.26%. The moves reflect growing confidence in a potential rate cut, tempered by persistent inflation concerns. According to CME Group's FedWatch tool, futures markets are now pricing in an 83.1% probability of a quarter-point cut in September—up sharply following Powell's remarks.

Week Ahead: Looking ahead, attention turns to Friday's release of the Personal Consumption Expenditures (PCE) Index, the Fed's preferred inflation gauge. The data will be closely watched for signs of progress toward the central bank's 2% target. The most recent report, covering June, showed headline PCE inflation at 2.6% and core inflation at 2.8%, the highest in four months. These figures continue to support the Fed's cautious approach, even as market expectations for easing grow.

INDICES

	Aug 18 Open	Aug 22 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	44,946	45,632	1.5%	42,544	7.3%
S&P 500	6,450	6,467	0.3%	5,882	9.9%
NASDAQ	21,623	21,497	-0.6%	19,311	11.3%
Russell 2000	2,287	2,362	3.3%	2,230	5.9%
KBW Bank Indx	143.0	148.1	3.5%	127.5	16.1%
Bitcoin	$117,573	$114,666	-2.5%	$93,714	22.4%
Oil (WTI)	$62.80	$63.66	1.4%	$71.72	-11.2%
Gold	$3,336	$3,372	1.1%	$2,625	28.5%
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	4.21	4.18	-0.03	4.31	-0.13
2yr UST	3.75	3.70	-0.05	4.24	-0.54
10yr UST	4.32	4.25	-0.06	4.57	-0.32
2-10yr UST Spread	56	56	-1	33	23
2y AAA Muni/10y UST	60.2%	60.0%	-0.2%	66.5%	-6.4%
10y AAA Muni/10y UST	73.8%	75.7%	1.9%	68.4%	7.3%
5yr Inflation Forecast	2.45	2.51	0.07	2.42	0.09

Week Ahead

- **Monday:** New home sales
- **Tuesday:** S&P/Case-Shiller 20-City Home Price Index, Durable goods
- **Wednesday:** No major reports
- **Thursday:** 2nd qtr GDP, Pending home sales, Weekly unemployment
- **Friday:** PCE, U of M Consumer sent.

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