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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Get it down. Take chances. It may be bad, but it's the only way you can do anything really good." William Faulkner

MARKETS

Macro Recap: Last week brought several notable developments. On Tuesday, the Bureau of Labor Statistics released its annual revision, revealing that the economy added 911,000 fewer jobs between March 2024 and March 2025 than previously estimated. This downward adjustment underscores a softer labor market than initially believed. In a separate report released on Thursday, weekly unemployment claims rose to 263,000, the highest level in nearly four years, adding to concerns about slowing job growth.

Inflation data released Thursday provided the final major input ahead of this week's FOMC meeting. The CPI showed headline inflation rising to a 2.9% annual rate in August, up from 2.7% in July. Core CPI, which excludes food and energy, increased 0.3% month-over-month, matching economists' expectations. On an annual basis, core inflation climbed to 3.1%, suggesting that underlying price pressures remain persistent despite broader disinflationary trends.

Consumer sentiment also showed signs of weakening. According to the University of Michigan's preliminary September survey, sentiment fell to 55.4 from 58.2 in late August. This marks the second consecutive monthly decline and reflects growing unease among consumers, likely driven by labor concerns and inflationary pressures.

Meanwhile, gold continued its impressive rally. Futures prices reached a record high of $3,706 per ounce on Tuesday morning, marking the fourth consecutive weekly gain. Over the past month, gold has surged more than 10%, closing Friday around $3,681, as investors increasingly seek safe-haven assets amid economic uncertainty.

Finally, the bond market remains firmly aligned with expectations for monetary easing. As of Friday's close, rate futures implied a 96.4% probability that the Fed will cut interest rates by 25 basis points at its meeting concluding Wednesday, September 17. A smaller 3.6% chance was priced in for a more aggressive half-point cut, reflecting the market's confidence in a dovish pivot.

Equity Recap: Last week, all three major U.S. equity indexes posted gains. The Nasdaq led with a 2.16% rise, closing at a record high driven by strength in AI-related stocks. The S&P 500 gained 1.74%, supported by tech and financials, while the Dow rose 1.21%, marking its first positive week in three. Investor optimism was fueled by cooling inflation data and growing expectations of a Federal Reserve rate cut this week.

Bond/Rate Recap: The yield on the 10-year U.S. Treasury bond declined for the fourth straight week, reflecting growing expectations of a Federal Reserve rate cut. On Thursday, it briefly dipped below 4.00% for the first time in over five months, and by Friday's close, it settled around 4.06%. That's a sharp drop from its recent peak of 4.49% in mid-July, signaling a notable shift in investor sentiment toward lower long-term interest rates.

INDICES

	Sep 8 Open	Sep 12 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	45,401	45,834	1.0%	42,544	7.7%
S&P 500	6,482	6,584	1.6%	5,882	11.9%
NASDAQ	21,700	22,141	2.0%	19,311	14.7%
Russell 2000	2,391	2,397	0.3%	2,230	7.5%
KBW Bank Indx	148.5	151.4	2.0%	127.5	18.8%
Bitcoin	$111,274	$115,593	3.9%	$93,714	23.3%
Oil (WTI)	$61.87	$62.69	1.3%	$71.72	-12.6%
Gold	$3,587	$3,643	1.6%	$2,625	38.8%
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	4.00	4.02	0.02	4.31	-0.29
2yr UST	3.51	3.56	0.05	4.24	-0.68
10yr UST	4.07	4.06	-0.01	4.57	-0.51
2-10yr UST Spread	56	50	-6	33	18
2y AAA Muni/10y UST	60.9%	56.8%	-4.1%	66.5%	-9.7%
10y AAA Muni/10y UST	75.0%	70.7%	-4.4%	68.4%	2.3%
5yr Inflation Forecast	2.46	2.45	0.00	2.42	0.03

Week Ahead

- **Monday:** No major reports
- **Tuesday:** Retail sales, Export and import, Industrial production, Housing Market
- **Wednesday:** FOMC meeting announcement, Housing starts
- **Thursday:** LEI, Weekly unemployment
- **Friday:** No major reports

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