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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The learn-it-all will always do better than the know-it-all." Satya Nadella

MARKETS

Macro Recap: The U.S. government shutdown entered its fourth week, now marking the second-longest in American history. The ongoing stalemate has disrupted the release of key economic indicators, injecting fresh uncertainty into financial markets.

Despite the data blackout, Friday's Consumer Price Index (CPI) report was released on schedule due to statutory requirements tied to inflation-linked benefits. The report showed annual inflation rising at a slightly slower pace than expected, 3.0% in September versus the 3.1% consensus, bolstering hopes for additional Federal Reserve rate cuts and fueling bullish momentum across equities.

Meanwhile, consumer sentiment continued to deteriorate. The University of Michigan's Consumer Sentiment Index fell for the fourth consecutive month, dropping to 53.6 in October from 55.1 in September. The index had stood at 61.7 as recently as July, with respondents citing persistent inflation concerns and signs of labor market softening.

In commodities, gold's impressive nine-week winning streak came to an end. After hitting a record high of approximately $4,350 on Monday, gold futures retreated to around $4,120 by Friday afternoon, marking the metal's first weekly decline since mid-August.

Crude oil prices, on the other hand, rebounded sharply. U.S. crude climbed nearly 7% for the week to trade around $61.50 per barrel, snapping a three-week losing streak. The rally followed new U.S. sanctions targeting major Russian oil producers. Still, prices remained well below the mid-June high of $75 per barrel.

Equity Recap: The stock market extended its rebound from the previous week, posting another broad-based advance as investors shifted back into equities after a recent pullback. Major indexes delivered strong weekly performances: the S&P 500 rose 1.9%, the Nasdaq Composite gained 2.3%, and the Dow Jones Industrial Average climbed 2.2%. Meanwhile, the Russell 2000 (+2.5%) and S&P MidCap 400 (+2.3%) slightly outpaced their large-cap peers, signaling renewed interest in cyclical sectors and smaller-cap stocks.

Bond/Rate Recap: U.S. Treasury yields ticked upward over the week, reflecting subtle shifts in investor sentiment. The 10-year Treasury yield inched up from 3.99% to 4.02%, while the 2-year yield climbed from 3.46% to 3.50%. These modest increases suggest continued market recalibration around interest rate expectations and economic outlook.

Week Ahead: Trading in the bond market continued to reinforce expectations for a rate cut at the upcoming U.S. Federal Reserve meeting, set to conclude on Wednesday. As of Friday afternoon, futures pricing reflected a nearly 97% probability of a quarter-point reduction, according to CME FedWatch. If confirmed, this would mark the Fed's second rate cut of the year, following its move in mid-September.

INDICES

	Oct 20 Open	Oct 24 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	46,191	47,207	2.2%	42,544	11.0%
S&P 500	6,664	6,792	1.9%	5,882	15.5%
NASDAQ	22,680	23,205	2.3%	19,311	20.2%
Russell 2000	2,452	2,513	2.5%	2,230	12.7%
KBW Bank Indx	144.6	149.9	3.6%	127.5	17.6%
Bitcoin	$110,970	$115,151	3.8%	$93,714	22.9%
Oil (WTI)	$57.09	$61.47	7.7%	$71.72	-14.3%
Gold	$4,318	$4,034	-6.6%	$2,625	53.7%
Prime	7.25	7.25	0.00	7.50	-0.25
Effective Fed Funds	4.11	4.11	0.00	4.33	-0.22
3m Tbill	3.91	3.84	-0.06	4.31	-0.47
2yr UST	3.46	3.50	0.04	4.24	-0.74
10yr UST	3.99	4.02	0.03	4.57	-0.55
2-10yr UST Spread	53	52	-1	33	20
2y AAA Muni/10y UST	69.2%	70.3%	1.0%	66.5%	3.8%
10y AAA Muni/10y UST	70.3%	67.9%	-2.4%	68.4%	-0.6%
5yr Inflation Forecast	2.33	2.40	0.08	2.42	-0.02

Week Ahead

- **Monday:** No major reports
- **Tuesday:** Consumer confidence, Case-Shiller Home index
- **Wednesday:** FOMC meeting, Pending home sales
- **Thursday:** 3rd Qtr GDP*, Weekly jobs
- **Friday:** PCE*

***Could be delayed or canceled**

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