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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Don't take life too seriously; you'll never get out of it alive" Alphonse Allais

MARKETS

Macro Recap: Global trade tensions eased slightly this week as leaders from the U.S. and China reached a partial agreement to roll back some of the tariffs imposed earlier this year. President Trump announced that the average tariff rate on Chinese imports will be reduced from 57% to 47%. The deal also touches on broader trade concerns, including rare earth export restrictions, fentanyl trafficking, and U.S. agricultural exports, particularly soybeans.

On the monetary policy front, the Federal Reserve delivered its second consecutive quarter-point rate cut, bringing the effective federal funds rate down to 3.87%. That marks a total reduction of 50 basis points for the year. However, Fed Chair Jerome Powell introduced some uncertainty around future policy moves, stating that another rate cut in December is "not a foregone conclusion" due to a lack of consensus among committee members. In response, market expectations for a December cut dropped from 96% to 68%.

Meanwhile, the ongoing government shutdown, now in its 33rd day, is beginning to impact economic data releases. Key reports such as the initial estimate for Q3 GDP were delayed last week, and there's growing doubt about the release of Friday's monthly jobs report, along with data on construction spending, trade, and factory orders. If the shutdown continues past Tuesday, it will surpass the 2018-2019 record and become the longest in U.S. history.

Equity Recap: Large-cap U.S. equities extended their rally for a third straight week, with major indexes setting new record highs. However, gains were not broad-based, as mid- and small-cap stocks posted slight declines. The NASDAQ led performance with a 2.3% weekly return, fueled by strong earnings from several of its top technology names. The S&P 500 added 0.7%, while the Dow Jones Industrial Average rose 0.8%.

Bond/Rate Recap: U.S. Treasury yields moved higher over the week, with most of the upward pressure coming midweek following comments from Fed Chair Jerome Powell that added uncertainty around the likelihood of a December rate cut. The 10-year Treasury yield rose to 4.08%, up from 4.02% the prior week. Shorter-duration yields also climbed, with the 2-year increasing 7 basis points to end at 3.57%.

INDICES

	Oct 27 Open	Oct 31 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	47,207	47,563	0.8%	42,544	11.8%
S&P 500	6,792	6,840	0.7%	5,882	16.3%
NASDAQ	23,205	23,725	2.2%	19,311	22.9%
Russell 2000	2,513	2,479	-1.4%	2,230	11.2%
KBW Bank Indx	149.9	149.8	0.0%	127.5	17.5%
Bitcoin	$115,151	$110,245	-4.3%	$93,714	17.6%
Oil (WTI)	$61.47	$60.98	-0.8%	$71.72	-15.0%
Gold	$4,034	$4,003	-0.8%	$2,625	52.5%
Prime	7.25	7.00	-0.25	7.50	-0.50
Effective Fed Funds	4.11	3.87	-0.24	4.33	-0.46
3m Tbill	3.84	3.80	-0.04	4.31	-0.51
2yr UST	3.50	3.57	0.07	4.24	-0.67
10yr UST	4.02	4.08	0.05	4.57	-0.49
2-10yr UST Spread	52	50	-2	33	18
2y AAA Muni/10y UST	70.3%	69.1%	-1.2%	66.5%	2.6%
10y AAA Muni/10y UST	67.9%	66.8%	-1.1%	68.4%	-1.6%
5yr Inflation Forecast	2.40	2.41	0.01	2.42	-0.01

Week Ahead

- **Monday:** ISM manufacturing index, Construction spending*
- **Tuesday:** JOLTS*, Factory orders*
- **Wednesday:** ADP employment, ISM nonmanufacturing
- **Thursday:** Productivity & labor costs*, Wholesale inventories*
- **Friday:** Nonfarm payrolls* UofM consumer sent., Consumer credit*

***Could be delayed or canceled**

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