SMITH SHELLNUT WILSON
AN AFFILIATE OF b1BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

January 22, 2024

"The most damaging phrase in the language is 'We've always done it this way'." Grace Hopper

MARKETS

Macro Recap: The Retail Sales report for December, Housing Starts data for the same month, and weekly initial jobless claims all exceeded expectations. A recent survey of U.S. consumers revealed a robust improvement in sentiment for the second consecutive month, marking the most significant two-month increase since 1991. The University of Michigan's January sentiment reading climbed to 78.8, a notable rise from December's 69.7 and November's 61.3. Consumers expressed increased optimism about the ongoing alleviation of inflation.

However, the U.S. residential real estate market faced challenges in 2023 due to elevated interest rates. On Friday the National Association of Realtors reported a substantial decline in existing home sales, reaching the lowest annual level since 1995. With a total of 4.09 million home sales last year, there was a 19% decrease compared to 2022's 5.03 million.

Equity Recap: Major U.S. stock indexes extended the gains from the previous week, with a Friday rally propelling the S&P 500 to a level that surpassed its previous all-time closing high established on January 3, 2022. The Dow surpassed a record it had set just 17 days earlier. This recent surge marked the 11th positive week out of the past 12. The Nasdaq Composite is up 2.0% for the year thanks to this week's 2.3% gain.

The broader market experienced subdued price movements, influenced by increasing market rates as participants adjusted their rate cut expectations. This adjustment was prompted by comments from certain Fed officials and robust economic data that seemed unlikely to prompt the Fed to implement rate cuts as quickly or extensively as the market had anticipated.

In 2023, small-cap stocks and large-cap value stocks underperformed many other segments of the U.S. stock market, and this trend persisted into the opening weeks of 2024. By Friday's close, the small-cap benchmark was down approximately 4% year-to-date, while the large-cap value benchmark showed a nearly 1% decrease.

Bonds/Rates Recap: Several factors, including a significant drop in weekly unemployment claims, contributed to a shift in the perspective on interest-rate cuts, leading to the 10-year U.S. Treasury bond yield reaching its highest level in over five weeks. By the end of Friday, the yield had risen to approximately 4.14%, a notable increase from its recent low of 3.79% on December 27. Additionally, the 2-year note yield experienced a substantial 26 basis points jump.

Federal Reserve Governor Waller, who is a voting member of the FOMC, suggested the possibility of the Fed initiating rate cuts this year. However, he reaffirmed the Fed's projection of three cuts, in contrast to the market's expectation of six cuts. The implied probability of a 25-basis point cut at the March FOMC meeting now stands at 45.4%, a decrease from the 81.0% recorded the previous Friday.

INDICES

	Jan 19 Close	Jan 15 Open	Weekly, %/BP Chg	Dec-23	YTD Change
DJIA	37,864	37,466	1.1%	37,690	0.5%
S&P 500	4,840	4,697	3.0%	4,770	1.5%
NASDAQ	15,311	14,524	5.4%	15,011	2.0%
Russell 2000	1,944	1,951	-0.3%	2,027	-4.1%
KBW Bank Indx	94.1	97.1	-3.1%	96.0	-2.0%
VIX	13.7	13.4	2.4%	12.5	9.8%
Oil (WTI	$73.66	$73.66	0.0%	$72.57	1.5%
Prime	8.50	8.50	0.00	8.50	0.00
BTFP Rate	4.91	4.94	-0.03	4.84	0.07
3m Tbill	5.34	5.37	-0.02	5.33	0.01
2yr UST	4.39	4.38	0.01	4.25	0.14
10yr UST	4.09	4.05	0.04	3.88	0.21
2-10yr UST Spread	-30	-34	4	-37	7
2y AAA Muni/10y UST	64.2%	58.5%	5.7%	58.9%	5.4%
10y AAA Muni/10y UST	60.1%	57.8%	2.3%	58.5%	1.6%
5yr Inflation Rate	2.30	2.21	0.10	2.15	0.15

Week Ahead

- **Monday:** Conference Board Leading Economic Index
- **Tuesday:** No major reports scheduled
- **Wednesday:** No major reports scheduled
- **Thursday:** 4th Q GDP, Durable Goods, New Home Sales
- **Friday:** PCE, Pending Home Sales

ALL CONTENT IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD IN NO WAY BE CONSTRUED OR INTERPRETED AS A SOLICITATION TO SELL OR AN OFFER TO SELL ADVISORY SERVICES OR PRODUCTS.

Share
Forward

Chad McKeithen | Research Department
Smith Shellnut Wilson, LLC
661 Sunnybrook Rd., Ste 130
Ridgeland, MS 39157
601.605.1776
www.ssw1776.com
Preferences | Unsubscribe