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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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People generally see what they look for and hear what they listen for." Harper Lee

MARKETS

Macro Recap: Once again, the U.S. economy surpassed the predictions of most economists in the fourth quarter, with GDP growing at an annual rate of 3.3%. Although this represented a deceleration from the third quarter's 4.9% pace, it concluded a robust 2023, where the full-year GDP expansion reached 3.1%. This performance alleviated concerns about the possibility of a recession.

The U.S. Federal Reserve's favored measure for monitoring inflation recorded a slight 0.2% month-to-month rise in December. Although this marked an improvement from the 0.1% decline observed in November, it concluded a year in which the Personal Consumption Expenditures Price Index increased at an annual rate of 2.9% in 2023, excluding the influence of volatile food and energy prices. This figure stands significantly below the level seen in 2022.

Alongside a fresh batch of quarterly earnings reports, the upcoming week will feature a U.S. Federal Reserve policy meeting concluding on Wednesday and a monthly jobs report on Friday. Anticipations suggest that the Fed will maintain unchanged interest rates, while the jobs report will provide insights into how January's employment growth stacks up against December's unexpectedly substantial gain of 216,000 jobs.

Equity Recap: The S&P 500 and the Dow inched above the previous week's record highs, marking their 12th increase out of the past 13 weeks. The NASDAQ also recorded a modest weekly gain but remained 3.7% below its historic high reached on November 19, 2021.

Bond/Rate Recap: Treasuries showed minimal changes from the previous Friday after positive economic releases. The yield on the 10-year note increased by one basis point, closing at 4.16%, while the 2-year note yield declined by five basis points this week, settling at 4.36%. These movements were influenced by the results of Wednesday's $61 billion 5-year note auction, which experienced lackluster demand, in contrast to the robust performance of Tuesday's $60 billion 2-year note sale.

INDICES

	Jan 26 Close	Jan 22 Open	Weekly, %/BP Chg	Dec-23	YTD Change
DJIA	38,109	37,864	0.6%	37,690	1.1%
S&P 500	4,891	4,840	1.1%	4,770	2.5%
NASDAQ	15,455	15,311	0.9%	15,011	3.0%
Russell 2000	1,978	1,944	1.7%	2,027	-2.4%
KBW Bank Indx	96.4	94.1	2.4%	96.0	0.4%
VIX	13.9	13.7	1.9%	12.5	11.9%
Oil (WTI	$77.59	$73.66	5.3%	$72.57	6.9%
Prime	8.50	8.50	0.00	8.50	0.00
BTFP Rate	5.40	4.91	0.49	4.84	0.56
3m Tbill	5.34	5.34	0.00	5.33	0.01
2yr UST	4.33	4.39	-0.05	4.25	0.08
10yr UST	4.10	4.09	0.02	3.88	0.23
2-10yr UST Spread	-23	-30	7	-37	14
2y AAA Muni/10y UST	65.2%	64.2%	1.0%	58.9%	6.3%
10y AAA Muni/10y UST	61.5%	60.1%	1.4%	58.5%	3.0%
5yr Inflation Rate	2.30	2.30	-0.01	2.15	0.14

Week Ahead

- **Monday:** No major reports scheduled
- **Tuesday:** Case Shiller Home Prices, JOLTS, Cons. Conf.
- **Wednesday:** FOMC meeting/announcement, ADP Employment
- **Thursday:** ISM - Manufacturing, Construction spending, Productivity & labor costs
- **Friday:** Nonfarm Payrolls, Factory orders UofM cons conf

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