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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The best impromptu speeches are the ones written well in advance." Ruth Gordon

MARKETS

Macro Recap: The stock market enjoyed another successful week, with small-cap stocks rebounding after a slow start to the year. The Russell 2000 surged by 2.4% while the S&P 500 broke the 5,000 mark for the first time.

Earnings reports also played a role in boosting market sentiment, with companies like Ford (F), Eli Lilly (LLY), DuPont (DD), Arm Holdings (ARM), and Walt Disney (DIS) posting strong results.

Interestingly, despite Treasury yields experiencing sharp increases, stocks remained resilient. This was attributed to ongoing robust economic data and statements from Fed Chair Jerome Powell indicating a cautious approach ahead.

Key economic indicators, such as the January ISM Services PMI and the weekly jobless claims report, showed positive trends, while the annual CPI revisions had minimal impact on inflation expectations.

Equity Recap: Small-cap stocks saw some rebound action after underperforming to start the year. The S&P 500's more than 1% gain for the week pushed the index above the 5,000-point threshold for the first time and marked its 14th positive result out of the past 15 weeks. The NASDAQ added more than 2% while the Dow posted a fractional gain. Strong earnings results from selected technology companies fueled another week of equity market-style leadership for growth stocks relative to value stocks. Year to date, the total return for a U.S. large-cap growth benchmark was 8.8% versus 1.1% for its value counterpart.

Bond/Rate Recap: he 2-yr note yield rose 12 basis points to 4.50% and the 10-yr note yield rose 16 basis points to 4.19%. The increased selling in Treasuries started last week in response to ongoing strength in economic data of late that has the market repricing rate cut expectations. This also followed comments from Fed Chair Jerome Powell last weekend, who said on 60 Minutes that the Fed needs to see more evidence that inflation is moving sustainably down to its 2% target before lowering rates.

The probability of a 25-basis points rate cut at the May FOMC meeting decreased slightly according to the CME FedWatch Tool.

INDICES

	Feb 9 Close	Feb 5 Open	Weekly, %/BP Chg	Dec-23	YTD Change
DJIA	38,672	38,654	0.0%	37,690	2.6%
S&P 500	5,027	4,959	1.4%	4,770	5.4%
NASDAQ	15,991	15,629	2.3%	15,011	6.5%
Russell 2000	2,010	1,963	2.4%	2,027	-0.8%
KBW Bank Indx	93.6	94.7	-1.2%	96.0	-2.5%
VIX	12.9	14.2	-9.0%	12.5	3.9%
Oil (WTI	$76.84	$72.06	6.6%	$72.57	5.9%
Prime	8.50	8.50	0.00	8.50	0.00
BTFP Rate	5.40	5.40	0.00	4.84	0.56
3m Tbill	5.37	5.37	0.00	5.33	0.04
2yr UST	4.48	4.42	0.06	4.25	0.23
10yr UST	4.18	4.12	0.06	3.88	0.30
2-10yr UST Spread	-31	-31	0	-37	6
2y AAA Muni/10y UST	62.2%	61.6%	0.6%	58.9%	3.4%
10y AAA Muni/10y UST	60.1%	60.1%	0.1%	58.5%	1.6%
5yr Inflation Rate	2.31	2.26	0.05	2.15	0.15

Week Ahead

- **Monday:** Treasury budget
- **Tuesday:** Consumer Price Index
- **Wednesday:** No major reports
- **Thursday:** Retail sales, Industrial production, Housing Market Index
- **Friday:** U of M Consumer Sent, PPI, Housing Starts

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