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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Success is a science; if you have the conditions, you get the result." Oscar Wilde

MARKETS

Macro Recap: It was a light news week with limited economic data, and overall participation remained subdued as investors anticipated another extended holiday weekend.

On Tuesday, the S&P Case-Shiller Home Price Index for October posted a 4.9% increase (consensus 5.0%), compared to the previous month's 3.9%. Thursday saw November's pending home sales registering a 0.0% change (consensus 0.5%), with October being revised from -1.5% to -1.2%.

The release of the Chicago PMI on Friday revealed a decline to 46.9% in December (consensus 50.0%), down from November's 55.8%.

The labor market update scheduled for release this Friday is anticipated to be the most closely monitored economic report in the opening week of 2024. This update for December comes after a November report that exceeded expectations, revealing the creation of 199,000 new jobs. While this figure surpassed October's job growth of 150,000, it fell below the 12-month average of 240,000.

Equity Recap: As 2023 concluded, the major U.S. stock indexes achieved their ninth consecutive positive week, with the S&P 500 finishing just 0.6% below its record closing high from January 3, 2022. The Dow rose by 0.8% for the week, the S&P 500 increased by 0.3%, and the NASDAQ saw a slight uptick of 0.1%.

The past year witnessed a significant shift in equity performance, characterized by a surge in a select group of mega-cap growth stocks in 2023. This propelled a U.S. large-cap growth index to a remarkable total return of 42.7%, surpassing its large-cap value counterpart, which achieved an 11.5% result.

Despite making substantial gains in the final two months of the year, U.S. small-cap stocks in 2023 lagged significantly behind their large-cap counterparts. The Russell 2000 Index, representing small caps, posted a total return of 16.9%, trailing the 26.5% return of the large-cap counterpart. Notably, the small-cap index experienced a remarkable 22% surge in the last two months of 2023.

The S&P 500's overall gain in 2023 marked the fourth positive year out of the past five, signifying a noteworthy turnaround from the negative result in 2022. The index delivered a robust 26.3% total return, offsetting the 18.1% decline of the previous year. Other major indexes also performed well, with the NASDAQ registering a substantial 44.6% increase, and the Dow gaining 16.2%.

Bonds/Rates Recap: A change in the interest-rate projections at the end of 2023 triggered a reversal in the government bond market. The bond market experienced significant price drops and escalating yields in 2021 and 2022 due to increasing inflation. In 2023, the yield on the 10-year U.S. Treasury reached its peak in mid-October at 5.02%, the highest level since 2007. However, it then underwent a substantial decline, closing the year without any change at 3.88%. Simultaneously, the yield on the 2-year note decreased 17 basis points, finishing at 4.25%.

INDICES

	Dec 29 Close	Dec 25 Open	Weekly, %/BP Chg	Dec-22	YTD Change
DJIA	37,690	37,386	0.8%	33,147	13.7%
S&P 500	4,770	4,755	0.3%	3,840	24.2%
NASDAQ	15,011	14,993	0.1%	10,466	43.4%
Russell 2000	2,027	2,034	-0.3%	1,761	15.1%
KBW Bank Indx	96.0	95.3	0.7%	100.9	-4.8%
VIX	12.5	13.0	-4.5%	21.7	-42.5%
Oil (WTI	$72.57	$73.56	-1.3%	$80.26	-9.6%
Prime	8.50	8.50	0.00	7.50	1.00
BTFP Rate	4.84	4.85	-0.01	4.50	0.34
3m Tbill	5.33	5.35	-0.02	4.34	0.99
2yr UST	4.25	4.32	-0.07	4.43	-0.18
10yr UST	3.88	3.90	-0.02	3.87	0.01
2-10yr UST Spread	-37	-43	6	-56	19
2y AAA Muni/10y UST	58.9%	58.0%	0.8%	60.4%	-1.5%
10y AAA Muni/10y UST	58.5%	58.6%	-0.1%	68.1%	-9.7%
5yr Inflation Rate	2.15	2.19	-0.03	2.38	-0.23

Week Ahead

- **Monday:** New Year's holiday
- **Tuesday:** Construction spending
- **Wednesday:** Fed minutes, ISM manufacturing, JOLTS
- **Thursday:** ADP Employment Report
- **Friday:** Dec. Unemployment, ISM non-manufacturing

Share
Forward

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