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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The only thing we know about the future is that it is going to be different." Dr Peter Ferdinand Druck

MARKETS

Macro Recap: The focus for the week was the Friday Jobs report, where the U.S. economy added 216,000 new jobs in December, surpassing the expectations of most economists and marking the most significant monthly gain in three months. Meanwhile, the unemployment rate held steady at 3.7%. In total, the economy generated 2.7 million jobs in 2023, averaging a monthly gain of 225,000.

Scheduled for release this Thursday, the Consumer Price Index report will reveal whether the positive trends in inflation persisted into December. In November, inflation increased at an annual rate of 3.1%, a slight decrease from the 3.2% recorded the previous month. Excluding the influence of volatile food and energy prices, core inflation rose by 4.0% in November.

Equity Recap: The upward momentum observed in stocks, marked by nine consecutive weekly gains in late 2023, did not carry over into 2024. This was evident as the major U.S. indexes recorded their initial weekly declines since late October. The NASDAQ experienced a decline of over 3% for the week, while the S&P 500 and Dow registered more modest decreases.

Apple (AAPL) notably suffered, witnessing a nearly 6.0% drop following two analyst downgrades and reports that the Department of Justice (DOJ) is nearing the filing of an antitrust case against the tech giant.

Looking at historical patterns, the stock market's performance in January is often a strong indicator for the rest of the year. Notably, 70.5% of the time since 1929, the S&P 500 has posted a positive return for the year after gaining ground in January or has posted an annual loss when the market has declined in the first month, according to S&P Dow Jones Indices.

Bonds/Rates Recap: The yield on the 10-year note increased by 16 basis points to 4.04%, while the 2-year note yield saw a rise of 14 basis points to 4.39%.

Treasuries experienced heightened volatility, partly attributed to a reassessment of rate-cut expectations following the release of minutes from the December 12-13 FOMC meeting, which were less dovish than anticipated. During discussions on the policy outlook, the committee indicated that the policy rate is likely at or near its peak for this tightening cycle. However, the Fed clarified that it is not entirely ruling out the possibility of future rate hikes.

Uncertainty regarding rate cuts was further fueled by economic releases on Friday. The December Employment Situation Report revealed nonfarm payrolls, average hourly earnings, and an unchanged unemployment rate that exceeded expectations for an increase. In addition, the December ISM Services PMI indicated a larger-than-expected deceleration in the growth of the service sector for December.

INDICES

	Jan 5 Close	Jan 1 Open	Weekly, %/BP Chg	Dec-22	YTD Change
DJIA	37,466	37,690	-0.6%	37,690	-0.6%
S&P 500	4,697	4,770	-1.5%	4,770	-1.5%
NASDAQ	14,524	15,011	-3.2%	15,011	-3.2%
Russell 2000	1,951	2,027	-3.7%	2,027	-3.7%
KBW Bank Indx	97.1	96.0	1.2%	96.0	1.2%
VIX	13.4	12.5	7.2%	12.5	7.2%
Oil (WTI	$73.66	$72.57	1.5%	$72.57	1.5%
Prime	8.50	8.50	0.00	8.50	0.00
BTFP Rate	4.94	4.84	0.10	4.84	0.10
3m Tbill	5.37	5.33	0.03	5.33	0.03
2yr UST	4.38	4.25	0.13	4.25	0.13
10yr UST	4.05	3.88	0.17	3.88	0.17
2-10yr UST Spread	-34	-37	4	-37	4
2y AAA Muni/10y UST	58.5%	58.9%	-0.4%	58.9%	-0.4%
10y AAA Muni/10y UST	57.8%	58.5%	-0.7%	58.5%	-0.7%
5yr Inflation Rate	2.21	2.15	0.05	2.15	0.05

Week Ahead

- **Monday:** Consumer credit
- **Tuesday:** Trade balance
- **Wednesday:** Wholesale inventories
- **Thursday:** CPI, Weekly unemployment
- **Friday:** PPI

Share
Forward

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