Weekly Market Insights

April 8, 2024

An Odd Week!

Financial Markets

Both equity and fixed income markets were quite volatile this past week, each reacting to the same economic releases. The Dow ended the week down 2.27%, the S&P 500 down 0.95%, and the NASDAQ down 0.80%. The ending results don't adequately portray the daily volatility that occurred throughout the week. The markets, as most readers are aware, have been driven by Fed signals about future rate cuts. Stronger than expected economic growth data and hawkish comments from Fed officials led investors to lower the risk profile of their stock portfolios by selling. This selling continued through the week until Friday, when the market reversed following the stronger than expected jobs report, and investors resumed buying. All U.S. equity markets showed substantial gains for the day. The Dow gained 0.80%, S&P 500 gained 1.11%, and the NASDAQ gained 1.24%. Investor psyches were bolstered by some Fed presidents reaffirming the strong likelihood of three easing moves by year-end. Investors will surely anxiously await next Wednesday's CPI release.

Economics

There is a chance that next week's headline CPI will come in higher than expected. The reason is energy prices. Investors, when analyzing this, should keep two things solidly in mind. First, the Federal Reserve puts little emphasis on the price of oil because it does not respond to monetary policy. Second, the recent upward price movement can be largely explained by the ongoing hostilities in the Middle East and Ukraine. So, this will not likely be a major factor in the Fed's thinking.

An overall look at the U.S. economy should put investors at ease. The labor market is doing well and not in stress. Job growth is strong, growing 303,000 in the latest month, coming in higher than expected. The unemployment rate dropped to 3.8%, lower than the expected 3.9%. One can look at the longer-term positives of these reports. Over time, a strong labor market is good for consumers which can help the budget deficit. Reason being, government revenues (tax collections) go up, while automatic stabilizers (welfare spending) go down. Granted, these are long-term benefits and certainly not guaranteed, but they make the point that the economy is in good shape and looks poised to stay that way for some time to come.

Conclusion

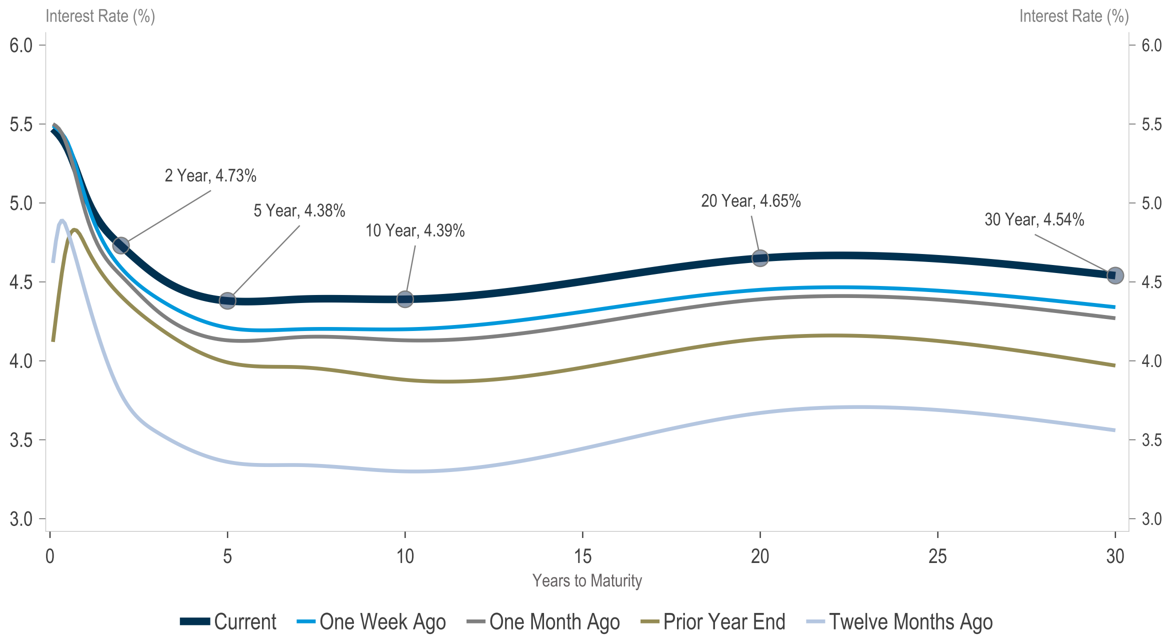
The United States economy appears to be healthy. In fact, most countries around the globe would gladly trade economic places. Volatility will remain, and investors, and traders alike, will remain closely attuned to the Fed. We expect the Fed to cut rates in time but don't expect anything dramatic.

Weekly Market Insights

Beginning next week and each week until the end of the year, we will discuss an economic issue that is likely to be debated during the presidential campaign. Some examples are the independence of the Fed and the future of globalism and international trade. The objective is to provide a short history along with some pros and cons. Hopefully, those who are not particularly familiar with these issues can get a better view. Please don't hesitate to send in a request for a topic. You can find our contact information at the bottom of our letter.

Yield Curve

Interest Rates for U.S. Treasury Securities by Maturity Date



U.S. Department of Treasury, Daily Treasury Bill Rates Data
Data as of 4/5/2024

Michael Olin Clark
Senior Advisor
moclark@1919ic.com

Ryan Schutte, CFA, CFP®
Senior Investment Associate
rschutte@1919ic.com

Abigail McKenna
Portfolio Administrator
amckenna@1919ic.com

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