

Weekly Market Insights

April 29, 2024

Tech Saves the Day

Financial Markets

United States equity markets began last week on a strong note, and, through Wednesday, appeared ready to wipe out the losses suffered in the three weeks prior. However, when Thursday arrived, we received some disturbing economics news, and the markets reversed. Inflation proved higher than expected and growth, lower—an unwanted combination. Investors proceeded to bail out of the markets as if the Fed had announced a surprise rate hike. Friday arrived, and, fueled by positive earnings reports from Microsoft and Google, investors started aggressively buying tech stocks. As the day progressed, the buying spread to other sectors, and the markets ended the week with gains. The Dow rose 0.67%, the S&P 500 rose 2.67%, while the NASDAQ rose 4.23%. The aforementioned technology sector deserves special mention, gaining 5.11% on the week. It can be argued that the underlying sentiment turned bullish, as investors appear afraid of missing the boat.

Economics

Currently, the United States economy is in good shape, and, few, beyond stock investors, are celebrating. Employment and business investment are strong and growing. New business formations are higher today than they were before the pandemic, personal income is up, and CPI is gradually declining. So, why do pollsters tell us people are both worried and angry with the government's handling of the economy? The primary culprit is inflation. But, why inflation when the CPI has steadily declined from its 9% peak in June of 2022? Because, as the well-known pollster Charlie Cook tells us, most people don't know the difference between the CPI and the FBI. Now, he is using humor to make a point, but the idea is important. Consumers feel the cumulative result of multi-year price increases for housing, goods and services, and, while the rate of increase is slowing, prices are not declining to pre-pandemic levels. In the case of certain goods like gasoline, it doesn't matter whether the government can do anything about it. People are angry and want to have someone to blame.

Conclusion

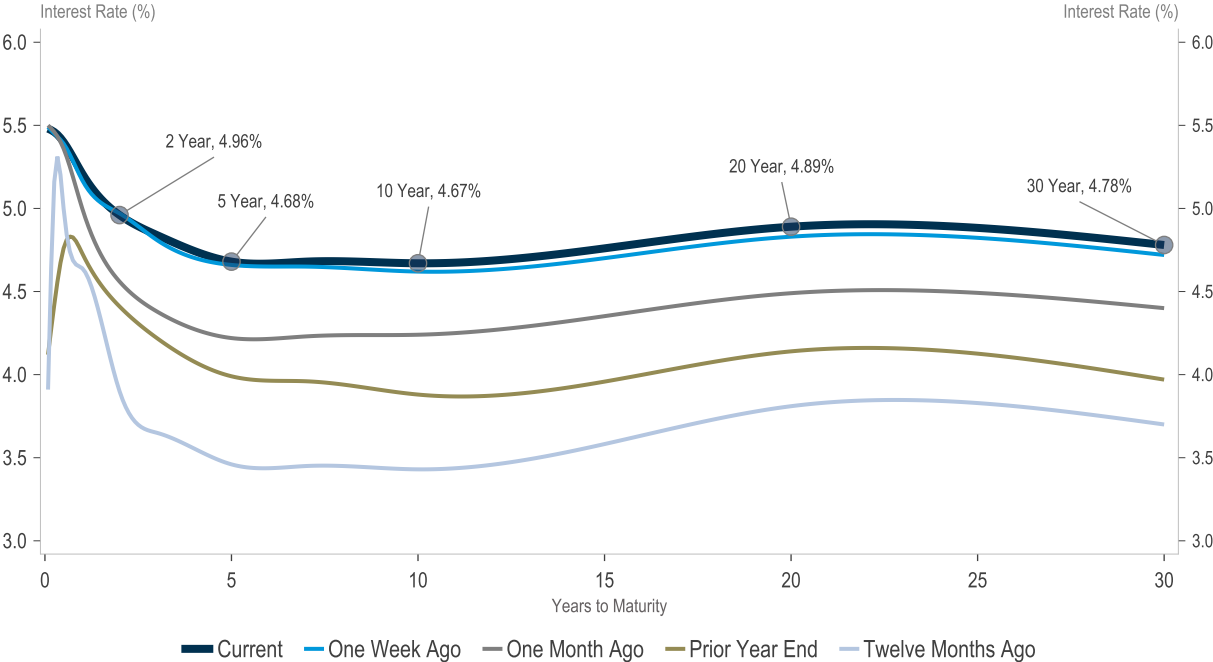
The United States economy remains in good shape, as does most of the industrialized world. China is the standout exception. China's struggling financial markets are a reflection of its economy. There are, of course, non-economic worries to consider—two wars and what appears to be a bitter election.

For readers interested in exploring some interesting theories, here are two: 1) China is stuck in an economic malaise. Follow the country's trade numbers and the debt crisis. 2) Is the United States entering a new growth phase? Follow the investment in and the productivity, mobility, and growth of the labor force. A very important variable that we don't know how to measure is improvements in education.

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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 4/26/2024

Michael Olin Clark
Senior Advisor
moClark@1919ic.com

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

Abigail McKenna
Portfolio Administrator
amckenna@1919ic.com

Please visit us at 1919ic.com

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