



WEEK OF MAY 6, 2024

Market Update

Equities rallied as soft economic data gave the Federal Reserve (Fed) more reasons to cut interest rates in 2024. Intermediate-term rates declined notably amid weak data and a slower pace of balance sheet tightening from the Fed.

Quick Hits

- 1. Report releases:** Hiring slowed in April; 175,000 jobs were added against calls for 240,000.
- 2. Financial market data:** Equities rallied as soft economic data gave the Fed more reasons to cut rates in 2024.
- 3. Looking ahead:** Although the week will be light on economic data, several Fed members are expected to speak.



Report Releases: April 29–May 3, 2024

Conference Board Consumer Confidence Index April (Tuesday)

Consumer confidence surprisingly fell, with the index dropping to its lowest level since July 2022. Consumer views on current economic conditions soured because of high food and fuel prices.

- Expected/prior month consumer confidence: 104/103.1
- Actual consumer confidence: 97



Federal Open Market Committee (FOMC) Rate Decision May (Wednesday)

The Fed left the federal funds rate unchanged after its May meeting, as expected. Fed Chair Jerome Powell said the Fed will remain data dependent when setting rates throughout the year.

- Expected/prior federal funds rate upper limit: 5.5%/5.5%
- Actual federal funds rate upper limit: 5.5%



Trade Balance March (Thursday)

The trade deficit narrowed slightly in March; imports fell 1.6 percent and exports dropped 2 percent.

- Expected/prior trade deficit: -\$69.8 billion/-\$69.5 billion
- Actual trade deficit: -\$69.4 billion



Employment Report April (Friday)

Hiring slowed in April, with 175,000 jobs added against calls for a more robust 240,000. Although this was solid on a historical basis, it represented the smallest monthly increase since October 2023.

- Expected/prior change in nonfarm payrolls: +240,000/+315,000
- Actual change in nonfarm payrolls: +175,000



>> The Takeaway

- Consumer confidence and the labor market surprised to the downside in April.
- The Fed plans to remain data dependent; softer-than-expected jobs data pulled rate cut probabilities forward to September.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.56%	1.84%	7.99%	28.23%
Nasdaq Composite	1.44%	3.19%	7.85%	36.08%
DJIA	1.14%	2.27%	3.21%	19.20%
MSCI EAFE	1.63%	1.32%	4.44%	11.32%
MSCI Emerging Markets	2.03%	1.56%	4.43%	11.64%
Russell 2000	1.71%	3.15%	0.85%	20.28%

Source: Bloomberg, as of May 3, 2024

The market took a risk-on approach, with emerging markets, the Russell 2000, and the Nasdaq Composite leading the way. Weaker-than-expected employment data gave the Fed a greater argument to begin cutting interest rates in 2024. As a result, the dollar fell 0.9 percent and growth international equities rallied. The potential for cuts also supported debt-burdened utilities, which fared best among all sectors, followed by consumer discretionary and real estate. Underperforming sectors included energy and financials.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.27%	-2.06%	-0.48%
U.S. Treasury	1.06%	-2.24%	-2.21%
U.S. Mortgages	1.65%	-2.46%	-1.02%
Municipal Bond	0.61%	-1.02%	2.36%

Source: Bloomberg, as of May 3, 2024

Treasury yields reversed some of their recent increases in the belly of the curve. The area between 2- and 10-year maturities was lower on the back of the weaker employment report and the reduction in the rate of quantitative tightening for the Fed's balance sheet. The 10-year Treasury yield fell more than 17 basis points (bps), closing at 4.5 percent.

>> The Takeaway

- Equities took a risk-on approach amid easing Fed policy and a softer dollar.
- Intermediate-term yields declined notably amid softer economic data and a slower pace of balance sheet tightening by the Fed.

Looking Ahead

It will be a light week on the economic data front, though several Fed members are expected to speak.

- The week kicks off on Tuesday with the release of **consumer credit data** for March. This volatile figure is expected to increase \$16.5 billion. Also on Tuesday, Neel Kashkari, Minneapolis Fed president, is expected to speak. Kashkari was hawkish a couple of weeks ago when he questioned rate cuts for 2024.
- On Wednesday, we expect the release of MBA mortgage applications as we move into the spring home sale season.
- Finally, on Friday, the preliminary **University of Michigan consumer sentiment survey** for May will be released. It's expected to drop from 77.2 to 77.





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