



WEEK OF MAY 13, 2024

# Market Update

Equities continued their rally as those sectors that benefited from more persistent inflation outperformed. U.S. Treasuries were little changed as investors wait for this week's inflation data.

## Quick Hits

- 1. Report releases:** Consumer sentiment fell by more than expected in May.
- 2. Financial market data:** Utilities, financials, and staples rally on the potential of higher for longer.
- 3. Looking ahead:** This week will be busy on the economic front with inflation, retail sales, housing, and industrial production all in focus.



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## Report Releases: May 6–10, 2024

### Consumer Credit March (Tuesday)

Consumer credit came in below expectations in March. This is a trailing measure but confirms some of the recent trends we have seen in waning consumer confidence.

- Expected/Prior Month Consumer Credit: \$14.130B/\$14.125B
- Actual Consumer Credit: \$6.274B



### Fed Speaker Commentary

There were numerous Federal Reserve (Fed) speakers providing commentary this past week including Tom Barkin, John Williams, Neel Kashkari, Susan Collins, Mary Daly, Lorie Logan, Austan Goolsbee, among others. The commentary was mixed with Kashkari issuing concerns over inflation staying at its current level. Barkin, on the other hand, said he thought rates were weighing on the economy.



### MBA Mortgage Applications Week ending May 3 (Wednesday)

Mortgage Applications tend to be volatile on a weekly basis but the recent move lower in rates did coincide with increased demand for the week ending May 3.

- Prior Weekly Mortgage Application Change: -2.3%
- Actual Weekly Mortgage Application Change: 2.6%



### Preliminary University of Michigan Consumer Sentiment Survey May (Friday)

Consumer sentiment fell by more than expected in May due to worsening consumer views on the current economic conditions as well as a drop in expectations for the future.

- Expected/Prior Month Consumer Sentiment Index: 76.2/77.2
- Actual Consumer Sentiment Index: 67.4



## >> The Takeaway

- The Fed Governors remain mixed in the near-term policy stance—not ruling out hikes—but also believe the prior hikes continue to weigh on the economy.
- Consumer confidence fell by more than expected as consumers continue to be concerned about the level of inflation.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.89%	3.77%	10.03%	28.41%
Nasdaq Composite	1.17%	4.40%	9.12%	33.60%
DJIA	2.20%	4.53%	5.48%	21.09%
MSCI EAFE	1.77%	3.12%	6.29%	13.10%
MSCI Emerging Markets	0.98%	2.56%	5.46%	12.53%
Russell 2000	1.21%	4.39%	2.07%	19.89%

Source: Bloomberg, as of May 10, 2024

The market saw a broadening out of this year's rally as we move deeper into earnings season. Utilities, financials, materials, and consumer staples led the way. Technology, energy, and consumer discretionary were underperformers as investors look to risk-off and higher for longer rate names. JP Morgan Chase (JPM), Costco (COST), and NextEra (NEE) were all up more than 4 percent on the week. The move in Costco came even as April sales missed expectations.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.36%	-1.97%	-0.32%
U.S. Treasury	1.12%	-2.18%	-2.00%
U.S. Mortgages	1.85%	-2.26%	-0.80%
Municipal Bond	1.08%	-0.55%	2.75%

Source: Bloomberg, as of May 10, 2024

Treasuries were relatively subdued last week. The 10-year Treasury ended flat at 4.50 percent. This week will have a greater amount of economic data with both Producer and Consumer Price Indices due. As a result, there could potentially be larger moves in the treasury market.

### >> The Takeaway

- Equities saw a broadening out of its rally as higher for longer sectors benefited.
- Treasuries saw little movement ahead of this week's inflation data.



## Looking Ahead

This week will be busy on the economic front with inflation, retail sales, housing, and industrial production all in focus.

- Wednesday will be the busiest day of the week in terms of economic data. The **Consumer Price Index** and **Retail Sales** reports for April are due out at 8:30 a.m. Consumer inflation is set to slow on a year-over-year basis in April, with both headline and core inflation expected to moderate during the month. Retail sales are expected to show continued growth in April, which would mark three consecutive months with rising sales if estimates prove to be accurate.
- Later that morning we will see the release of the **Home Builders Housing Market Index** for May. Economists expect to see unchanged home builder confidence in May, which would leave the index in expansionary territory during the month.
- Finally, Thursday will see the release of **Industrial Production** for April. Industrial production growth is expected in April, supported by continued manufacturing production during the month.







Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure

developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg U.S. Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg U.S. Mortgage-Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg U.S. Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

Authored by the Investment Research team at Commonwealth Financial Network®

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LifeTime Asset Management, LLC

801 Corporate Center Drive | Suite 110 | Raleigh, NC 27607

919.845.5315 | 919.845.5346 fax | [www.lifetimeasset.com](http://www.lifetimeasset.com)

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