



Oklahoma City, Oklahoma

WEEK OF MAY 20, 2024

# Market Update

Equities continued their rally; sectors that benefited from more persistent inflation outperformed. Treasuries were little changed as investors look toward this week's inflation data.

## Quick Hits

- 1. Report releases:** Consumer inflation improved modestly in April.
- 2. Financial market data:** Soft data supported stocks and bonds.
- 3. Looking ahead:** Investors await this week's Federal Open Market Committee (FOMC) meeting minutes for clues on rate cuts.



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## Report Releases: May 13–17, 2024

### Consumer Price Index (CPI) April (Wednesday)

Consumer inflation showed signs of softening in April; headline and core consumer inflation fell modestly on a year-over-year basis.

- Prior monthly CPI/core CPI growth: +0.4%/+0.4%
- Expected monthly CPI/core CPI growth: +0.4%/+0.3%
- Actual monthly CPI/core CPI growth: +0.3%/+0.3%
- Prior year-over-year CPI/core CPI growth: +3.5%/+3.8%
- Expected year-over-year CPI/core CPI growth: +3.4%/+3.6%
- Actual year-over-year CPI/core CPI growth: +3.4%/+3.6%



### Retail Sales April (Wednesday)

Retail sales were unchanged in April, whereas core sales fell modestly.

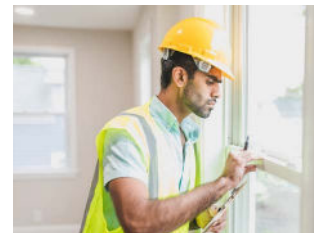
- Expected/prior month retail sales monthly change: +0.4%/+0.6%
- Actual retail sales monthly change: +0%



### Home Builders Housing Market Index May (Wednesday)

Home builder sentiment fell sharply in May, bringing the index into contractionary territory for the first time since February.

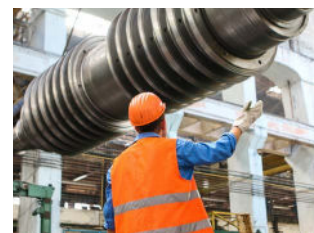
- Expected/prior month sentiment: 51/51
- Actual sentiment: 45



### Industrial Production April (Thursday)

Industrial production was flat during the month, which was slightly less than expected. Manufacturing production fell..

- Expected/prior month production change: +0.1%/+0.1%
- Actual production change: +0%



## >> The Takeaway

- Economic reports surprised to the downside, indicating a slowdown in the economy. This may lead the Federal Reserve (Fed) to cut interest rates sooner than expected.
- Retail sales were the big surprise. Strong consumers are critical; consumption makes up roughly 70 percent of the U.S. economy.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.60%	5.43%	11.80%	29.51%
Nasdaq Composite	2.15%	6.65%	11.47%	34.52%
DJIA	1.35%	5.93%	6.90%	22.24%
MSCI EAFE	1.66%	4.83%	8.06%	15.69%
MSCI Emerging Markets	2.71%	5.34%	8.32%	15.78%
Russell 2000	1.79%	6.26%	3.90%	19.92%

Source: Bloomberg, as of May 17, 2024

U.S. equities were broadly higher. Soft economic data may have strengthened the case for a Fed rate cut this summer or fall. Technology, real estate, and health care were among the top performers. Technology and real estate would benefit from lower rates; their valuations at current rate levels appear elevated from a historical perspective. Industrials, consumer discretionary, and materials were among the worst performers. In a sign of consumer softening, retail sales missed expectations in April.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.94%	-1.40%	1.38%
U.S. Treasury	1.66%	-1.66%	-0.42%
U.S. Mortgages	2.43%	-1.71%	0.80%
Municipal Bond	1.02%	-0.61%	3.13%

Source: Bloomberg, as of May 17, 2024

Treasuries rallied a bit on softer economic data, leading yields lower. The 10-year yield fell 8.4 basis points (bps), closing the week at 4.42 percent. The 30-year fell nearly the same amount, closing at 4.56 percent.

### >> The Takeaway

- Equities were led by technology and real estate as the potential for lower rates provided support for their valuations.
- Treasuries rallied slightly on softer economic data, moving yields beyond the 2-year lower.

## Looking Ahead

The big event this week will be the release of FOMC meeting minutes as investors look for clues on the timing of potential interest rate cuts.

- The week kicks off on Wednesday with the release of **existing home sales** for April. Sales are expected to fall modestly after dropping more than expected in March.
- We'll also see **FOMC meeting** minutes on Wednesday. The minutes from the Fed's May meeting are expected to show further details on the central bank's decision to slow the pace of balance sheet runoffs later in the year.
- On Thursday, we expect the preliminary release of **S&P Global Composite PMI** for May. Investors will look to these figures to see whether the economy has moved closer to contractionary territory.
- Finally, on Friday, we'll receive the preliminary release of **durable goods orders** for April. Orders are expected to slow considerably, to 0.3 percent growth, down from 2.6 percent in March.





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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 US 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 US 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 US 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.

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