

## WEEKLY INSIGHT

May 3rd, 2024

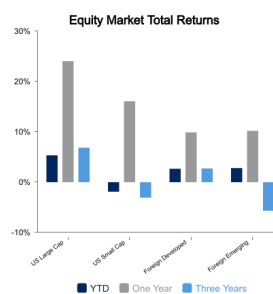
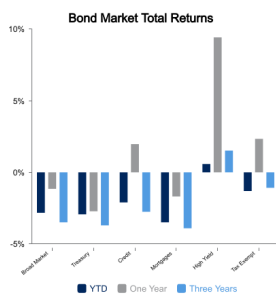
### Disappointing Progress on Inflation

Attention this week was on Federal Reserve Chair Powell and the Federal Open Market Committee (FOMC) as the meeting ended with affirmation of no rate cut following recent disappointing progress in bringing inflation down. It will take “longer than expected” for the committee to gain enough confidence that inflation is on a path back to target and rate cuts are appropriate. Policymakers left interest rates unchanged in a range of 5.25-5.50%, where they have been since July. Powell said it would be appropriate to start cutting rates “at some point this year” while emphasizing a high bar of proof exists that current policy is not sufficiently restrictive enough and a further hike is needed. Our base case remains for one cut occurring post-election day.

Equity markets fell 0.6% this week as stock prices continue to reflect how higher interest rates for a longer period impact valuation by raising the discount rate used for calculating the present value of future earnings. Equity markets remain ahead 5.4% year-to-date compared to bond markets now down 2.8%. The bond market advanced 0.5% this week as investors viewed the lower chance of a rate hike as an opportunity to pause the climb of the 10-year United States Treasury note at 4.6%, up from 4.2% at the start of April.

ISM Manufacturing data proved once again that one month does make a trend. This manufacturing gauge fell 1.1 points to 49.2, after expanding a month earlier for the first time since 2022. Readings less than 50 indicate contraction. United States manufacturing had shown optimistic signs earlier this year, but this month’s figures reflect that producers continue to battle headwinds of higher interest rates, elevated input cost and slow overseas markets. United States job openings fell in March to the lowest in three years while quits and hiring slowed, indicating more softening in the labor market. Available positions decreased to 8.5 million from 8.8 million prior, according to the Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS). The so-called quits rate, which measure workers who voluntarily leave their job, fell to 2.1%, the lowest since August 2020.

The Conference Board’s headline consumer-confidence index deteriorated to 97.0 in April from 103.1. Surveyed consumers pointed to being deeply concerned about the future, with expectations falling to 66.4 from 74.0 the prior month, the lowest level since July 2022. A reading below 80 historically has signaled recession within the next year.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper)	5.50	5.00	0.25
3-Month T-Bill	5.41	5.11	0.00
10-Year Treasury	4.63	3.42	1.63
30-Year Treasury	4.75	3.71	2.30
10-Year Corporate AA	5.49	4.66	N/A
10-Year High Yield Corp	6.93	7.02	4.41
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz.)	2,319.56	2,016.68	1,769.13
Oil (WTI, \$/barrel)	79.00	71.66	63.58
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	105.76	101.96	91.28
USD/EUR	0.93	0.91	0.83
USD/JPY	154.57	136.55	109.31

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