Weekly Insight

May 10th, 2024

Equities Bounce Back with Strong Gains to Start the Month

Equities started off May with solid gains as the S&P 500 rallied 3.4% this week. The NASDAQ fared better with a 4.5% advance as Apple posted its largest single day gain in 18 months. Core bonds were up 1% as the positive correlation between equities and bonds persists. This week's gains were set in motion last week when the Federal Reserve highlighted the high bar to further rate hikes. Fed Chair Powell highlighted little desire to raise rates further even amid inflation that is well above target for its third consecutive year.

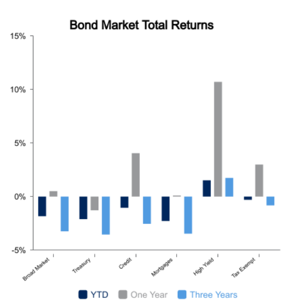
The S&P 500 is now within 2% of regaining its highs, but there have been plenty of blue-chip stocks that have suffered this earnings season. CVS Health posted its largest daily decline since 2009, while Starbucks had its largest single day drop since 2000. There have been several other big drops in consumer and trucking names which has many analysts questioning whether the consumer is poised for a notable slowdown.

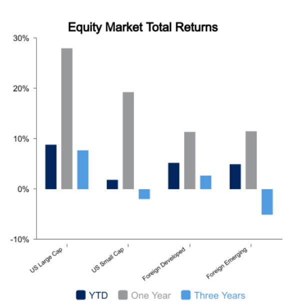
The Employment Outlook Might be Flashing a Caution Sign

The jobs report was the economic highlight of the week. Nonfarm payrolls increased by 175,000 which was well below estimates. This lower number combined with the weakness noted above in some consumer equities helped fuel a rally in bonds on the expectation of a potential growth slowdown. A closer look shows that the number was just fine as private payrolls were up 167,000 versus a one-year average of 182,000. The drop was in government jobs. However, it is important to note that this series has significant built-in smoothing effects, thus it is a lagging economic indicator.

The ISM Services data came in this week and this series is starting to look quite recessionary. The Employment Subindex has seen its six-month average fall to 47.9 and is looking likely to keep falling. This has only fallen below 50 three times since series inception in 1998 and all three were tied to recessions. The 47.9 reading is well below 50.

Next week brings the key inflation numbers, which have run hot the last three months. This appears to have the potential setup where an inline number is good enough to support both equity and bond prices. Conversely, a higher number is likely more of a concern now that the growth outlook has diminished somewhat. Market participants were fine with elevated inflation if it was perceived to bring elevated earnings but could become less enthusiastic if growth tapers into sticky inflation.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	5.50	5.25	0.25
3-Month T-Bill	5.39	5.18	0.01
10-Year Treasury	4.49	3.52	1.58
30-Year Treasury	4.64	3.84	2.28
10-Year Corporate AA	5.34	4.80	N/A
10-Year High Yield Corp	6.74	7.07	4.41
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	2,308.85	2,034.56	1,831.24
Oil (WTI, $/barrel)	78.99	73.71	64.90
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	105.55	101.61	90.23
USD/EUR	0.93	0.91	0.82
USD/JPY	155.53	135.23	108.60

Jim Dombek,
JD, CTFA, AFTA
Director of Trust Services
& Counsel
(815) 748-5011

Stacia Little
Trust Officer
(815) 748-1609

Mary Phelan, CTFA
Trust Officer &
Operations Supervisor
(815) 748-1607