

## WEEKLY INSIGHT

May 17th, 2024

### Consumer Sentiment and Inflation

As we entered the week, inflation and consumer sentiment remained front of mind. Is consumer sentiment diminishing? Is inflation “sticky”?

Last Friday, the University of Michigan released its preliminary Consumer Sentiment Index for May. Consumer sentiment declined 12.7% to 67.4 from April’s 77.2, its lowest level in six months. According to the survey, consumers perceive negative developments on a number of dimensions with worries that inflation, unemployment and interest rates may all be moving in an unfavorable direction in the year ahead.

Consumer spending appears to have slowed as Retail Sales for April were flat, missing consensus expectations for a rise of 0.4% and well below the 0.6% rise in March. Sales increases in the prior two months were revised downward.

Housing appears to have paused. The National Association of Home Builders released its Housing Market Index for May. Citing high mortgage rates and declining builder confidence, the index decreased to 45, its first decline since November 2023.

The Bureau of Labor Statistics (BLS) released two key measures of inflation for April. On Tuesday BLS released its Producer Price Index (PPI) which increased 2.2% year-over-year (YOY). BLS noted that this was the largest increase since rising 2.3% for the 12 months ended April 2023. Prices for final demand services rose 0.6%, the largest since July 2023, and accounted for approximately two-thirds of the overall increase in PPI. Prices for final demand goods increased 0.4%, which was driven primarily by the 5.4% rise in gasoline prices.

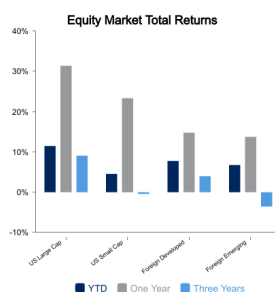
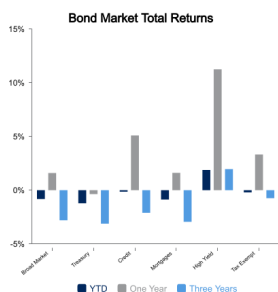
On Wednesday BLS released its Consumer Price Index (CPI). CPI rose 3.4% YOY, meeting consensus expectations and below the 3.5% YOY increase for March. Shelter and gasoline were the primary contributors to the rise, while food was unchanged.

One bright spot has been corporate earnings. According to FactSet, 92% of S&P 500 companies having reported the blended (reported and yet-to-report) earnings growth for the first-quarter stands at 5.4% YOY, its highest since the second-quarter 2022. For calendar-year 2024, analysts now project earnings will increase 11.1% YOY.

### It Keeps Going and Going and Going...

Over the last week, equities continued their uptick as both the S&P 500 and NASDAQ indexes recorded new highs. The Russell 3000 Index rose 2.4%. Growth continued its relative performance over Value, rising 2.7% versus 2.1%. Small caps outperformed large caps as the Russell 2000 Index advanced 2.7%, while the Russell 1000 increased 2.4%.

Foreign developed outpaced foreign emerging, rising 2.5% versus 1.7%. Yields modestly declined over the week, resulting in a positive return for bonds of 1%.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b)	5.50	5.25	0.25
3-Month T-Bill	5.40	5.14	0.00
10-Year Treasury	4.34	3.53	1.63
30-Year Treasury	4.50	3.85	2.34
10-Year Corporate AA	5.21	4.84	N/A
10-Year High Yield Corp.	6.65	7.13	4.41

Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz)	2,385.99	1,989.17	1,843.43
Oil (WTI, \$/barrel)	78.63	70.86	65.37

Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	104.35	102.56	90.32
USD/EUR	0.92	0.92	0.82
USD/JPY	154.88	136.39	109.35

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