



WEEK OF APRIL 8, 2024

# Market Update

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U.S. equities sold off this week as the Federal Reserve (Fed) members displayed a difference of opinion on how to tame the economy amid recent strong data. Bond yields rose dramatically as manufacturing and employment surprised to the upside.

## Quick Hits

- 1. Report releases:** Hiring accelerated in March, as 303,000 jobs were added during the month.
- 2. Financial market data:** Equity markets sold off this week as dissonance at the Fed left investors uncertain.
- 3. Looking ahead:** Following the strong jobs report all eyes will be on inflation data and the Fed minutes this week.

## Report Releases: April 1–5, 2024

### ISM Manufacturing March (Monday)

Manufacturer confidence improved by more than expected in March as the index rose into expansionary territory for the first time in more than a year.

- Expected/prior ISM Manufacturing Index: 48.3/47.8
- Actual ISM Manufacturing Index: 50.3



### ISM Services March (Wednesday)

Service sector confidence fell by more than expected in March due in part to a continued slowdown in service sector hiring during the month. Service sector price growth also slowed during the month, which is a good sign for inflation.

- Expected/prior ISM Services Index: 52.8/52.6
- Actual ISM Services Index: 51.4



### Trade Balance February (Thursday)

The trade deficit widened by more than expected in February as import growth outpaced exports during the month. The trade deficit now sits near a one-year high; however, it remains well below the record levels seen in early 2022.

- Expected/prior trade deficit: - \$67.6 billion/- \$67.6 billion
- Actual trade deficit: - \$68.9 billion



### Employment Report March (Friday)

Hiring continued to accelerate in March, as an impressive 303,000 jobs were added during the month. The unemployment rate fell from 3.9 percent in February to 3.8 percent in March.

- Expected/prior change in Nonfarm Payrolls: +214,000/+270,000
- Actual change in Nonfarm Payrolls: +303,000



## >> The Takeaway

- Manufacturing activity rose into expansionary territory while Services continues to weaken.
- Employment came in stronger than expected, surprising by 89,000 jobs over expectations of 214,000 to be added in March.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.93%	-0.93%	9.53%	28.75%
Nasdaq Composite	-0.79%	-0.79%	8.45%	35.48%
DJIA	-2.23%	-2.23%	3.77%	18.63%
MSCI EAFE	-1.35%	-1.35%	4.36%	13.27%
MSCI Emerging Markets	0.28%	0.28%	2.65%	9.04%
Russell 2000	-2.86%	-2.86%	2.17%	19.45%

Source: Bloomberg, as of April 5, 2024

U.S. equities were lower on the week as a hotter-than-expected ISM Manufacturing and March Employment report puts pressure on the Fed to think twice about a June cut. Fed Chair Jerome Powell seemed to reiterate his comments indicating a potential cut in June, but this was sharply reversed by comments from the head of the Minneapolis Fed, Neel Kashkari, who commented that there was the potential for no rate cuts this year. As a result, health care, real estate, consumer staples, and consumer discretionary stocks all struggled. Energy, communications services, and materials were top-performing sectors.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.06%	-1.83%	-0.49%
U.S. Treasury	-1.07%	-2.01%	-2.14%
U.S. Mortgages	-1.04%	-2.07%	-0.78%
Municipal Bond	-0.65%	-1.03%	1.54%

Source: Bloomberg, as of April 5, 2024

Treasury yields beyond the two-year maturity rose sharply this week. The hotter-than-expected Manufacturing and jobs report had bondholders demanding greater yields if the economy continues to run hot and inflation continues to linger. The 5- and 10-year yields rose 15 and 17 basis points over the prior week close.

### >> The Takeaway

- Hawkish comments from Neel Kashkari sent equities lower as the economy continues to run hot.
- Yields rose dramatically on the back of positive economic data and mixed Fed commentary.

## Looking Ahead

Following the strong jobs report, all eyes will be on inflation data and the Fed minutes this week.

- The week kicks off on Wednesday with the release of the **Consumer Price Index (CPI)** and Federal Reserve Meeting Minutes for March. Headline consumer inflation is expected to accelerate on a year-over-year basis in March while core consumer inflation is expected to slow modestly. While the Fed kept interest rates unchanged at its March meeting, the minutes from the meeting will still be widely analyzed by economists and investors for potential guidance on the future path of monetary policy.
- Thursday will see the release of the **Producer Price Index (PPI)** for March. Producer inflation is set to slow in March after rising by more than expected in February.
- Finally, Friday will wrap with the **Preliminary University of Michigan Consumer Sentiment Index** for April. Consumer sentiment is set to fall modestly in April after rising to a two-year high 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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