

WEEK OF APRIL 15, 2024

Market Update

U.S. equities sold off again as the Consumer Price Index (CPI) came in higher than expected. Bond yields continued their rise; investors demanded higher yields because consumer inflation has increased.

Quick Hits

- 1. Report releases:** Consumer inflation exceeded estimates in March, whereas producer inflation was more moderate.
- 2. Financial market data:** Flat guidance bit JPMorgan as Apple moved higher on AI chips.
- 3. Looking ahead:** This week's data will focus on retail sales, industrial production, and housing.

Report Releases: April 8–12, 2024

Consumer Price Index (CPI) March (Wednesday)

Consumer prices rose more than expected, highlighting the challenges facing the Federal Reserve (Fed) in its ongoing efforts to combat inflation.

- Prior monthly CPI/core CPI growth: +0.4%/+0.4%
- Expected monthly CPI/core CPI growth: +0.3%/+0.3%
- Actual monthly CPI/core CPI growth: +0.4%/+0.4%
- Prior year-over-year CPI/core CPI growth: +3.2%/+3.8%
- Expected year-over-year CPI/core CPI growth: +3.4%/+3.7%
- Actual year-over-year CPI/core CPI growth: +3.5%/+3.8%



Federal Open Market Committee (FOMC) Meeting Minutes March (Wednesday)

FOMC minutes from the March Fed meeting indicated the central bank remains data dependent when making policy decisions. This meeting included discussions on potentially tapering the Fed's balance sheet runoff later in the year.



Producer Price Index (PPI) March (Thursday)

Producer inflation was largely in line with economist estimates, helping calm concerns about rising inflationary pressure across the economy.

- Prior monthly PPI/core PPI growth: +0.6%/+0.3%
- Expected monthly PPI/core PPI growth: +0.3%/+0.2%
- Actual monthly PPI/core PPI growth: +0.2%/+0.2%
- Prior year-over-year PPI/core PPI growth: +1.6%/+2.1%
- Expected year-over-year PPI/core PPI growth: +2.2%/+2.3%
- Actual year-over-year PPI/core PPI growth: +2.1%/+2.4%



Preliminary University of Michigan Consumer Sentiment Survey April (Friday)

Consumer sentiment fell modestly after hitting a two-year high in March. Consumer expectations soured because of rising short- and long-term inflation expectations.

- Expected/prior month consumer sentiment survey: 79/79.4
- Actual consumer sentiment survey: 77.9



>> The Takeaway

- Consumer prices rose more than expected, whereas producer prices were more muted.
- Consumer confidence lessened in April, though the spread between consumer and producer input prices in March may help first-quarter earnings.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-1.52%	-2.44%	7.86%	25.50%
Nasdaq Composite	-0.45%	-1.23%	7.97%	34.00%
DJIA	-2.36%	-4.54%	1.32%	13.99%
MSCI EAFE	-1.12%	-2.45%	3.20%	9.63%
MSCI Emerging Markets	-0.34%	-0.06%	2.30%	7.27%
Russell 2000	-2.91%	-5.68%	-0.80%	13.23%

Source: Bloomberg, as of April 12, 2024

Global equities were lower as hotter-than-expected consumer inflation likely pushed out the Fed's first rate cut of 2024. These fears were eased the following day, however, when producer inflation came in softer than expected. JPMorgan weighed on the Dow Jones Industrial Average, falling more than 7 percent as the company kept guidance for net interest income in line with prior guidance at \$90 billion. (The street had expected a lift of \$2 billion–\$3 billion for 2024.) Apple fared better, announcing it would have new M4 AI chips for its Mac and iPad lineup.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.75%	-2.52%	-0.55%
U.S. Treasury	-1.68%	-2.62%	-1.99%
U.S. Mortgages	-1.93%	-2.96%	-1.18%
Municipal Bond	-0.72%	-1.11%	1.20%

Source: Bloomberg, as of April 12, 2024

Treasury yields moved higher on the back of the hotter-than-expected CPI report. The belly of the curve, between 2-year and 10-year yields, saw the largest moves; the 5-year rose more than 14 basis points (bps) to close at 4.54 percent. The 10-year rose 10 bps to close at 4.5 percent.

>> The Takeaway

- Stronger-than-expected inflation and flat guidance from JPMorgan sent equities lower.
- Yields continued their rise as investors demanded greater yield to offset inflation.

Looking Ahead

This week's data will focus on retail sales, industrial production, and housing.

- The week kicks off Monday with the release of **retail sales** for March and the **National Association of Home Builders Housing Market Index** for April. The retail sales report is expected to show solid growth, which would mark two consecutive months with rising sales. Home builder confidence is expected to improve modestly after rising more than expected in March.
- On Tuesday, **industrial production data** for March will be released. Industrial production is set to improve for the second consecutive month, driven in part by rising manufacturing production.
- Finally, on Thursday, we expect **existing home sales data**. Sales are set to fall in March after improving more than expected in February. High prices, still-high mortgage rates, and a lack of supply are expected to serve as headwinds for home sales during the month.





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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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