WEEKLY MARKET UPDATE | APRIL 5, 2024

Stocks see late rebound, but remain on shaky ground.

The economy

- Despite a late rally, major U.S. equity market indexes were shaken somewhat during the week ending April 5, which featured a minor earthquake centered in northern New Jersey on Friday. Early in the week, investors worried that stronger-than-expected economic data could reignite inflation and lead the Federal Reserve (the Fed) to delay its pivot to an interest rate-cutting cycle. The data also sparked a sharp rise in U.S. Treasury yields. (Bond prices fall as yields rise.) Additionally, Fed Chair Jerome Powell and two Fed regional presidents appeared to send mixed signals regarding monetary policy.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) climbed 2.5 points to 50.3 in March, exceeding market expectations. The reading indicated expansion in the U.S. manufacturing sector for the first time in 16 months. (A PMI reading above 50 indicates an increase in manufacturing activity.) Additionally, the ISM's Production and New Orders indexes posted gains of 6.2 and 1.5 points to 54.6 and 51.4, respectively, in March, denoting growth in both sectors. Although the Employment Index moved up 1.5 points to 47.4, it remained in contraction territory for the sixth consecutive month.
- During an appearance at the Stanford Business, Government, and Society Forum in California on Wednesday, Fed Chair Powell indicated that the central bank generally remains on track to begin to reduce interest rates sometime this year. He cited the cooling labor market, as wage growth has slowed, alleviating concerns that higher costs for employers will lead to higher inflation. Powell commented, "The recent data do not, however, materially change the overall picture, which continues to be one of solid growth, a strong but rebalancing labor market, and inflation moving down toward 2 percent on a sometimes bumpy path." Powell also noted that the federal-funds rate is "likely at its peak for this tightening cycle. If the economy evolves broadly as we expect, most FOMC [Federal Open Market Committee] participants see it as likely to be appropriate to begin lowering the policy rate at some point this year."
- Meanwhile, during a virtual conference sponsored by social media company LinkedIn on Thursday, Minneapolis Fed President Neel Kashkari—who is not a voting member on the FOMC—said that he had "jotted down two rate cuts this year if inflation continues to fall back towards our 2% target. If we continue to see inflation moving sideways, then that would make me question whether we needed to do those rate cuts at all." On the same day, in a prepared speech to the Home Building Association of Richmond, Richmond Fed President Thomas Barkin commented that it is "smart for the Fed to take our time" to gauge the direction of inflation before reducing interest rates, noting that "no one wants inflation to reemerge."
- There was significant news during the week regarding the U.S. labor market. According to the Department of Labor, U.S. payrolls expanded by a greater-than-expected total of 303,000 jobs in March, up from than the 270,000 added in February (revised downward from the government's previous estimate of 275,000). The unemployment rate dipped 0.1 percentage point to 3.8%. Employment in health care, government, and leisure and hospitality increased by 72,000, 71,000, and 49,000 jobs, respectively, in March. Average hourly earnings rose 0.3% and 4.1% in March and year-over-year, respectively. The 12-month increase was modestly lower than the 4.3% annual rise in February, and represented the smallest year-over-year wage growth since June 2021. This led to optimism that the economy can still add jobs without stoking inflation.
- The Department of Labor also reported that, during the week ending March 30, initial unemployment insurance claims, a barometer of the health of the labor market, rose by 9,000 to a two-month high of 221,000. The total represented an increase from the 216,000 claims filed during the same week in 2023. The four-week moving average of initial claims was up 2,750 week-over-week to 214,250, but was down 10,000 from the four-week average of 224,250 a year earlier.

Stocks

- Global equities posted negative returns during the week. Emerging markets outperformed developed markets.
- U.S. equities declined for the week. Energy and communication services were the top-performing sectors, while health care and real estate lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.40% for the week.
- Global bond markets lost ground for the week.
- Corporate bonds led the markets, followed by government bonds and high-yield bonds.

The Numbers as of April 5, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.3%	6.4%	19.7%	773.4
MSCI EAFE ($)	-0.2%	4.9%	11.7%	2345.9
MSCI Emerging Mkts ($)	0.5%	2.4%	6.5%	1048.8
US & Canadian Equities				
Dow Jones Industrials ($)	-2.3%	3.2%	16.2%	38904.0
S&P 500 ($)	-1.0%	9.1%	26.8%	5204.3
NASDAQ ($)	-0.8%	8.2%	34.4%	16248.5
S&P/ TSX Composite (C$)	0.4%	6.2%	10.2%	22264.4
UK & European Equities				
FTSE All-Share (£)	-0.6%	1.9%	2.6%	4313.9
MSCI Europe ex UK (€)	-0.3%	8.7%	12.7%	1830.9
Asian Equities				
Topix (¥)	-2.4%	14.2%	37.8%	2702.6
Hong Kong Hang Seng ($)	1.1%	-1.9%	-17.7%	16723.9
MSCI Asia Pac. Ex-Japan ($)	0.4%	2.0%	3.5%	539.5
Latin American Equities				
MSCI EMF Latin America ($)	0.3%	-4.5%	17.4%	2542.1
Mexican Bolsa (peso)	1.4%	1.3%	8.7%	58147.8
Brazilian Bovespa (real)	-0.9%	-5.4%	25.9%	126945.7
Commodities ($)				
West Texas Intermediate Spot	4.1%	20.9%	7.3%	86.6
Gold Spot Price	4.4%	12.6%	15.7%	2327.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.2%	-2.3%	-0.7%	460.6
JPMorgan Emerging Mkt Bond	-0.2%	1.2%	8.6%	858.6
10-Year Yield Change (basis points*)				
US Treasury	20	52	109	4.40%
UK Gilt	14	54	64	4.07%
German Bund	10	38	22	2.40%
Japan Govt Bond	6	18	32	0.79%
Canada Govt Bond	12	48	80	3.59%
Currency Returns **				
US$ per euro	0.4%	-1.8%	-0.8%	1.084
Yen per US$	0.2%	7.5%	15.1%	151.63
US$ per £	0.1%	-0.8%	1.6%	1.264
C$ per US$	0.4%	2.6%	0.7%	1.359

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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