WEEKLY MARKET UPDATE | APRIL 12, 2024

Sticky inflation eclipses hopes for rate cuts.

The economy

- U.S. stocks finished in negative territory during the week ending April 12, which began with a solar eclipse in much of the country on Monday. Stronger-than-expected inflation data cast a shadow of doubt that the Federal Reserve (the Fed) will pivot to interest-rate cuts in the near future.
- According to the U.S. Department of Labor, the consumer-price index (CPI) rose 0.4% in March, matching the increase in February. The 3.5% year-over-year advance in the index exceeded market expectations, and was up from the 3.2% annual rise in February. Housing and gasoline prices accounted for more than half of the month-over-month increase in the CPI. Housing costs increased 0.4% and 5.7% in March and year-over-year, respectively, while gasoline prices posted corresponding increases of 1.7% and 1.3% for the month and the previous 12-month period. Food prices ticked up 0.1% in March after finishing flat in February, and rose 2.2% year-over-year, matching the annual upturn for the preceding month. The 3.8% rolling 12-month rise in core inflation, as measured by the CPI for all items less food and energy, was unchanged from the year-over-year upturn in February, and represented the smallest annual increase since April 2021.
- In response to the release of the CPI data on Wednesday, CME's FedWatch Tool, which provides a gauge of the markets' expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at Federal Open Market Committee (FOMC) meetings, implied just a 15% chance that the central bank will implement an initial rate cut of 25 basis points (0.25%) following its meeting in June—tumbling 41 percentage points from a 56% probability a day earlier. The FedWatch Tool indicated an 85% probability that the central bank will maintain the benchmark rate at a range of 5.25-5.50% at its June meeting. At the end of this week, there was a 73% likelihood of a 25-basis-point reduction in the federal-funds rate following the June FOMC meeting, with a 26% chance that the Fed would leave the rate unchanged.
- Regarding inflation at the wholesale level, the Department of Labor reported that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, rose 0.2% in March, sharply lower than the 0.6% increase in February. However, the PPI's 2.1% advance over the previous 12-month period was higher than the 1.6% annual rise in February, and represented the largest 12-month increase since April 2023. Core wholesale inflation, as measured by the PPI less food, energy, and trade services, was up 0.2% and 2.8% in March and year-over-year, respectively. The annual increase matched February's 2.8% upturn in the index.
- Minutes from the Fed's March 19-20 meeting, released on Wednesday, revealed that the FOMC members considered a proposal to slow the pace of the runoff of the central bank's $7.4 trillion in asset holdings from its balance sheet. In May 2022, the Fed initiated a program to allow its holdings of $60 billion in U.S. Treasury securities to run off and $35 billion in mortgage-backed securities (MBS) to mature without purchasing new issues. The central bank now is seeking to reduce the pace of the runoff in Treasurys by roughly half, while maintaining the $35 billion cap on MBS. A rapid runoff can lead to higher interest rates as the market absorbs the increased supply of debt as the Fed does not purchase new securities. Slowing the runoff would decrease the debt supply in the market, easing the pressure on interest rates. In a discussion of interest-rate policy, the FOMC members "agreed that they did not expect that it would be appropriate to reduce the target range until they have gained greater confidence that inflation is moving sustainably toward 2 percent."

Stocks

- Global equities were mixed during the week. Emerging markets gained ground and outperformed developed markets.
- U.S. stocks declined for the week. Information technology and communication services were the top-performing sectors, while financials and health care lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.52% for the week.
- Global bond markets experienced a downturn for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of April 12, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.2%	6.6%	18.3%	774.9
MSCI EAFE ($)	-0.9%	2.7%	7.1%	2297.6
MSCI Emerging Mkts ($)	0.9%	3.1%	5.8%	1055.1
US & Canadian Equities				
Dow Jones Industrials ($)	-2.4%	0.8%	11.6%	37983.2
S&P 500 ($)	-1.6%	7.4%	23.6%	5123.4
NASDAQ ($)	-0.5%	7.8%	33.0%	16175.1
S&P/ TSX Composite (C$)	-1.6%	4.5%	6.5%	21900.0
UK & European Equities				
FTSE All-Share (£)	0.9%	2.9%	2.2%	4353.7
MSCI Europe ex UK (€)	-0.6%	7.0%	9.7%	1801.7
Asian Equities				
Topix (¥)	2.1%	16.6%	37.4%	2759.6
Hong Kong Hang Seng ($)	0.0%	-1.9%	-17.8%	16721.7
MSCI Asia Pac. Ex-Japan ($)	0.9%	2.4%	2.9%	541.7
Latin American Equities				
MSCI EMF Latin America ($)	-0.4%	-5.4%	9.2%	2518.6
Mexican Bolsa (peso)	-2.6%	-1.4%	3.5%	56600.9
Brazilian Bovespa (real)	-0.7%	-6.2%	18.3%	125894.0
Commodities ($)				
West Texas Intermediate Spot	-2.2%	18.7%	3.5%	85.0
Gold Spot Price	1.8%	14.6%	16.1%	2369.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.1%	-3.8%	-2.0%	453.3
JPMorgan Emerging Mkt Bond	-0.9%	0.1%	7.5%	849.5
10-Year Yield Change (basis points*)				
US Treasury	12	64	107	4.52%
UK Gilt	7	61	57	4.14%
German Bund	-4	34	-1	2.36%
Japan Govt Bond	7	24	38	0.86%
Canada Govt Bond	5	54	68	3.65%
Currency Returns**				
US$ per euro	-1.8%	-3.6%	-3.7%	1.064
Yen per US$	1.1%	8.7%	15.6%	153.24
US$ per £	-1.5%	-2.2%	-0.6%	1.245
C$ per US$	1.4%	4.0%	3.3%	1.378

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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