WEEKLY MARKET UPDATE | APRIL 19, 2024

Fed Chair tables rate cuts.

The economy

- Major U.S. equity market indexes moved lower during the week ending April 19. Seemingly hawkish comments by Federal Reserve (Fed) Chair Jerome Powell and relatively strong economic data further heightened investors' concerns that the central bank will delay interest-rate cuts until later this year. Monetary policy hawks have a negative view of inflation and its economic impact, and thus tend to favor higher interest rates.
- During an appearance at the Wilson Center's Washington Forum on the Canadian Economy, Powell cautioned that sticky inflation data during the first quarter had led to doubts that the central bank will be able to reduce interest rates while there are no signs of a slowdown in the U.S. economy. The Fed Chair said, "The recent data have clearly not given us greater confidence and instead indicate that it is likely to take longer than expected to achieve that confidence." Powell also noted that the Fed most likely will maintain the federal-funds rate at its current range of 5.25% to 5.50% as long as the annual inflation rate remains above its 2% target. "We think policy is well positioned to handle the risks that we face. Right now, given the strength of the labor market and progress on inflation so far, it's appropriate to allow restrictive policy further time to work."
- In response to Powell's comments on Tuesday, the yield on the monetary policy-sensitive 2-year U.S. Treasury note briefly rose to 5% in intraday trading for the first time since mid-November 2023, and ended the week at 4.97%. Since the 2-year Treasury yield reflects where the market thinks the federal-funds rate will be, on average, over the next two years, some investors view it as a key indicator for the direction of the Fed's policy rate.
- According to the Census Bureau, retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of U.S. gross domestic product (GDP)—registered a greater-than-expected upturn of 0.7% in March, and rose 4.0% over the previous 12-month period. Additionally, the government revised the sales increase for February upward from 0.6% to 0.9%. Core sales, which exclude motor vehicles and parts, and gasoline stations, were up 1.0% and 4.9% in March and year-over-year, respectively. Nonstore retailers, along with food services and drinking places, posted the most notable year-over-year sales gains in March. In contrast, furniture and home furnishing stores, as well as sporting goods, hobby, musical instrument and book stores, recorded the largest declines in sales over the previous 12-month period.
- Geopolitical tensions resurfaced in the Middle East during the week. On Saturday, April 13, Iran deployed missiles and drones in an attack on Israel. The Israelis were able to repel the attack with the aid of a coalition that included the U.S., the U.K., France, Saudi Arabia, and Jordan. In the early morning (local time) on Friday, April 19, Israel retaliated with a narrowly focused drone attack on several military facilities in the city of Isfahan in central Iran. There appeared to be limited damage and no reports of fatalities in either skirmish. The Biden administration urged both countries not to escalate the hostilities.
- There was significant news during the week regarding the U.S. real-estate market. The National Association of Realtors (NAR) reported that sales of existing homes declined 4.3% and 3.7% in March and year-over-year, respectively, to an annualized rate of 4.2 million. (Home sales are viewed as an indicator of housing market trends, and by extension, the health of the broader economy.) The median existing-home sale price was up 4.8% over the previous 12-month period to $393,500—the ninth consecutive month of year-over-year gains—but remained below the all-time high of $413,800 recorded in June 2022. (Higher shelter costs put upward pressure on inflation.)
- According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage climbed 22 basis points (0.22%) to 7.10% during the week ending April 18—the highest level in more than four months. The rate remained below the 23-year high of 7.79% recorded during the week ending October 26, 2023, but was well above the historical trough of 2.65% seen in early January 2021.

Stocks

- Global equities declined during the week. Developed markets outperformed emerging markets.
- U.S. stocks recorded losses for the week. Utilities and consumer staples were the top-performing sectors, while information technology and consumer discretionary lagged. Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.62% during the week.
- Global bond markets lost ground for the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

The Numbers as of April 19, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-2.1%	3.1%	14.7%	749.4
MSCI EAFE ($)	-1.8%	0.5%	4.6%	2247.5
MSCI Emerging Mkts ($)	-2.2%	-0.5%	2.9%	1018.6
US & Canadian Equities				
Dow Jones Industrials ($)	0.0%	0.8%	12.4%	37986.4
S&P 500 ($)	-3.0%	4.1%	20.3%	4967.2
NASDAQ ($)	-5.5%	1.8%	26.7%	15282.0
S&P/ TSX Composite (C$)	-0.4%	4.1%	5.7%	21807.4
UK & European Equities				
FTSE All-Share (£)	-1.3%	1.5%	0.2%	4296.4
MSCI Europe ex UK (€)	-0.8%	5.9%	7.9%	1783.8
Asian Equities				
Topix (¥)	-4.8%	11.0%	28.8%	2626.3
Hong Kong Hang Seng ($)	-3.0%	-4.8%	-20.5%	16224.1
MSCI Asia Pac. Ex-Japan ($)	-2.1%	-1.0%	-0.1%	523.4
Latin American Equities				
MSCI EMF Latin America ($)	-3.2%	-10.4%	6.4%	2385.7
Mexican Bolsa (peso)	-1.3%	-2.7%	2.9%	55858.2
Brazilian Bovespa (real)	-0.6%	-6.7%	20.0%	125230.1
Commodities ($)				
West Texas Intermediate Spot	-3.4%	15.5%	7.0%	82.7
Gold Spot Price	1.3%	16.1%	19.6%	2399.7
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.6%	-4.3%	-1.7%	450.9
JPMorgan Emerging Mkt Bond	-0.7%	-0.7%	7.7%	842.6
10-Year Yield Change (basis points*)				
US Treasury	10	74	109	4.62%
UK Gilt	9	70	46	4.23%
German Bund	14	48	6	2.50%
Japan Govt Bond	0	24	38	0.85%
Canada Govt Bond	9	63	76	3.74%
Currency Returns**				
US$ per euro	0.1%	-3.5%	-2.9%	1.066
Yen per US$	0.9%	9.6%	15.2%	154.63
US$ per £	-0.6%	-2.8%	-0.6%	1.237
C$ per US$	-0.2%	3.8%	2.0%	1.375

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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