Sluggish employment data spur a market rally.

The economy

- In a “bad news is good news” scenario, major U.S. equity market indexes moved higher during the week ending May 3. Relatively weak employment data released on Friday rekindled investors’ hopes that the Federal Reserve (Fed) may begin to reduce interest rates sooner than previously anticipated. This offset a market slump earlier in the week due to several disappointing corporate earnings reports. Furthermore, investors had a somewhat muted reaction to Fed Chair Jerome Powell’s comments following the Federal Open Market Committee’s (FOMC) meeting on Tuesday and Wednesday.
- According to the Department of Labor, U.S. payrolls expanded by a lower-than-expected total of 175,000 jobs in April, down sharply from the 315,000 added in March. The unemployment rate ticked up 0.1 percentage point to 3.9%. Employment in health care, social assistance, and transportation and warehousing increased by 56,000, 31,000, and 22,000 jobs, respectively, in April. Average hourly earnings were up 0.2% and 3.9% in April and year-over-year, respectively. The 12-month increase was modestly lower than the 4.1% annual rise in March, and represented the smallest year-over-year wage growth since June 2021.
- As widely expected, the FOMC left the federal-funds rate unchanged in a range of 5.25% to 5.50% following its meeting this week, and suggested that interest-rate cuts are not imminent. In a statement announcing the rate decision, the FOMC noted, “Inflation has eased over the past year but remains elevated. In recent months, there has been a lack of further progress toward the Committee’s 2 percent inflation objective.” Additionally, the Fed announced that, beginning in June, it will reduce the pace of the runoff in its Treasury holdings each month from $60 billion to $25 billion, while maintaining the $35 billion cap on the reduction of mortgage-backed securities (MBS). A rapid runoff of the Fed’s holdings can lead to higher interest rates as the market absorbs the increased supply of debt with reduced support from the central bank to purchase new securities. Slowing the runoff would decrease the debt supply in the market, easing the pressure on interest rates.
- At a news conference following the FOMC meeting, Fed Chair Powell commented that, despite sticky inflation, the central bank does not see the need for a rate hike. Powell said, “I think it's unlikely that the next policy rate move will be a hike.” But the Fed Chair also said that the central bank is “prepared to maintain the current target range for the federal funds rate for as long as appropriate.” Additionally, Powell quashed talk of stagflation, which refers to an environment of stagnant economic activity, accelerating inflation, and rising unemployment. “I don’t really understand where that’s coming from,” he commented, noting that the economy continues to grow and the annual inflation rate is under 3%. “I don’t see the ‘stag’ or the ‘flation’.”
- The Conference Board’s Consumer Confidence Index® came in at a lower-than-expected reading of 97.0 in March, down sharply from 103.1 in February. The index entered negative territory; a reading below 100 signals a decline in consumer confidence regarding the future economic situation. The Expectations Index, an indicator of consumers’ short-term outlook for income, business, and labor market conditions, fell 7.6 points to 66.4 in April. A reading below 80 suggests that consumers believe there will be a recession in the U.S. over the next 12 months. The Present Situation Index, which reflects consumers’ views of current conditions in the business and labor markets, declined 3.9 points to 142.9.

Stocks

- Global equities were mixed during the week. Emerging markets outperformed developed markets.
- U.S. stocks posted gains for the week. Utilities and consumer discretionary were the top-performing sectors, while energy and financials lagged. Growth stocks led value, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield declined to 4.50% during the week.
- Global bond markets recorded positive returns for the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

©2024 SEI®

The Numbers as of May 3, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.2%	4.6%	18.2%	760.5
MSCI EAFE ($)	0.4%	2.1%	7.2%	2283.6
MSCI Emerging Mkts ($)	1.1%	2.8%	7.8%	1052.9
US & Canadian Equities				
Dow Jones Industrials ($)	1.1%	2.6%	16.7%	38675.7
S&P 500 ($)	0.5%	7.5%	26.3%	5127.8
NASDAQ ($)	1.4%	7.6%	35.0%	16156.3
S&P/ TSX Composite (C$)	-0.1%	4.7%	8.4%	21947.4
UK & European Equities				
FTSE All-Share (£)	1.0%	5.6%	6.4%	4469.1
MSCI Europe ex UK (€)	-1.5%	5.8%	9.4%	1782.1
Asian Equities				
Topix (¥)	1.6%	15.3%	31.5%	2728.5
Hong Kong Hang Seng ($)	4.7%	8.4%	-7.4%	18475.9
MSCI Asia Pac. Ex-Japan ($)	1.2%	2.5%	5.3%	542.3
Latin American Equities				
MSCI EMF Latin America ($)	0.2%	-7.4%	12.9%	2466.8
Mexican Bolsa (peso)	-1.3%	-0.5%	4.4%	57099.5
Brazilian Bovespa (real)	1.6%	-4.2%	25.8%	128496.1
Commodities ($)				
West Texas Intermediate Spot	-5.8%	10.2%	15.2%	79.0
Gold Spot Price	-1.5%	11.3%	12.1%	2299.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.6%	-4.0%	-2.3%	452.7
JPMorgan Emerging Mkt Bond	0.4%	-0.3%	7.0%	846.0
10-Year Yield Change (basis points*)				
US Treasury	-16	62	112	4.50%
UK Gilt	-10	69	57	4.22%
German Bund	-8	47	31	2.49%
Japan Govt Bond	1	29	48	0.90%
Canada Govt Bond	-17	54	85	3.65%
Currency Returns**				
US$ per euro	0.7%	-2.5%	-2.2%	1.077
Yen per US$	-3.4%	8.4%	13.8%	152.88
US$ per £	0.5%	-1.4%	-0.2%	1.255
C$ per US$	0.1%	3.3%	1.1%	1.368

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.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly-owned subsidiary of SEI Investments Company.

©2024 SEI®