



WEEK OF MAY 28, 2024

Market Update

Technology and communication services were the only equity sectors that were positive last week. U.S. Treasuries sold off amid concerns of persistent inflation.

Quick Hits

- 1. Report releases:** Existing home sales fell for the second consecutive month in April.
- 2. Financial market data:** Semiconductors led a narrow rally after Nvidia earnings were released.
- 3. Looking ahead:** This week, we expect consumer confidence data and a key inflation metric.

Report Releases: May 20–24, 2024

Existing Home Sales April (Wednesday)

The pace of existing home sales unexpectedly slowed for the second consecutive month.

- Expected/prior month existing home sales change: +0.8%/–3.7%
- Actual existing home sales change: –1.9%



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

The minutes from the May FOMC meeting showed a hawkish tilt at the Federal Reserve (Fed), with many participants believing a higher-for-longer interest rate environment is needed to combat inflation.



S&P Global US Composite PMIs May (Thursday)

Manufacturing and services segments surprised to the upside. Manufacturing reached expansionary territory, rising from 50 to 50.9; services moved from 51.3 to 54.8.

- Expected/prior US Composite PMI: 51.1/51.3
- Actual US Composite PMI: 54.4



Durable Goods April (Friday)

Industrial durable goods orders were better than expected in April, with defense and transportation the two major drivers.

- Expected/prior month change: –1%/+2.6%
- Actual production change: +0.7%



>> The Takeaway

- Existing home sales surprised to the downside in April amid rising rates and a more hawkish tone from the Fed.
- Services and manufacturing segments improved notably in May. Durable goods surprised to the upside in April.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.05%	5.48%	11.85%	30.89%
Nasdaq Composite	1.42%	8.16%	13.05%	36.59%
DJIA	-2.30%	3.49%	4.44%	21.57%
MSCI EAFE	-0.86%	3.93%	7.12%	16.16%
MSCI Emerging Markets	-1.48%	3.78%	6.71%	14.57%
Russell 2000	-1.21%	4.97%	2.64%	18.94%

Source: Bloomberg, as of May 24, 2024

U.S. equities were mixed, with Nvidia earnings leading semiconductors higher in a narrow rally. Technology and communication services were the lone positive sectors. Energy and real estate each fell more than 3.7 percent; financials and consumer discretionary each lost at least 1.8 percent. The market continued to struggle, with softening data and persistent inflation in pockets of the economy such as shelter, auto insurance, and hospital costs.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.66%	-1.68%	2.05%
U.S. Treasury	1.44%	-1.87%	0.34%
U.S. Mortgages	2.00%	-2.12%	1.54%
Municipal Bond	0.15%	-1.47%	3.60%

Source: Bloomberg, as of May 24, 2024

The short-to-intermediate portion of the yield curve (i.e., maturities of 1–5 years) moved higher. The 2-year increased 12 basis points (bps), closing at 4.95 percent amid concerns that the Fed will cut rates and inflation will remain elevated.

>> The Takeaway

- Equities were led by Nvidia earnings, which paced a very narrow rally.
- Treasury yields moved higher. Bond investors are questioning the impact of potential rate cuts this fall.

Looking Ahead

The focus this week will be on consumer confidence and inflation. The highlight will be the April release of the Personal Consumption Expenditures Price Index (Core PCE), a key inflation gauge for the Fed.

- The week kicks off Tuesday with the release of the **Conference Board Consumer Confidence Index** for May. Consumer confidence is expected to dip modestly, which would mark three consecutive months with falling confidence.
- On Wednesday, the **Fed's Beige Book**, which summarizes economic conditions across the 12 Fed districts, will be released.
- We expect the second release of **first-quarter gross domestic product (GDP)** data on Thursday. It's expected to be revised downward from 1.6 percent to an annualized 1.2 percent.
- Finally, on Friday, **Core PCE** will be released. This key inflation metric for the central bank is expected to be 2.8 percent year-over-year.





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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.

Authored by the Investment Research team at Commonwealth Financial Network®

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Pickler Wealth Advisors

1135 Halle Park Circle | Collierville, TN 38017

901.316.0160 | 901.316.0155 fax | www.picklerwealthadvisors.com