

# Keeping up with the (Dow) Joneses.



## The economy

- Major U.S. equity market indexes moved higher during the week ending May 17, as generally favorable inflation news and weaker-than-expected economic data spurred investors' hopes that the Federal Reserve (Fed) will pivot to a rate-cutting cycle by the end of summer. The Dow Jones Industrial Average closed above 40,000 for the first time on Friday.
- According to the Department of Labor, the consumer-price index (CPI) rose 0.3% in April, marginally lower than the 0.4% increase in March. The 3.4% year-over-year advance in the index was in line with market expectations, and was down slightly from the 3.5% annual rise in March. Housing and gasoline prices comprised roughly 70% of the month-over-month increase in the CPI. Housing costs rose 0.4% and 5.5% in April and year-over-year, respectively, while gasoline prices posted corresponding increases of 2.8% and 1.2% in April and the previous 12-month period. Food prices were flat in April following a 0.1% uptick in March, and rose 2.2% year-over-year, matching the annual upturn for the preceding month. The 3.6% rolling 12-month rise in core inflation, as measured by the CPI for all items less food and energy, was down 0.2 percentage point from the year-over-year upturn in March, 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 a 32% chance that the central bank will implement an initial rate cut of 25 basis points (0.25%) following its meeting on July 30-31—up from a 27% probability a day earlier. As of the end of this week, the FedWatch Tool reflected a 50% likelihood that the central bank will cut the federal-funds rate by 25 basis points to a range of 5.00-5.25% at its meeting on September 17-18.
- During a discussion at the annual general meeting of the Foreign Bankers' Association, a Netherlands-based trade association, in Amsterdam on Tuesday, Fed Chair Jerome Powell reiterated that the central bank is maintaining its cautious stance regarding inflation and interest rates. Powell said, "We had higher [inflation] readings in the first quarter...than we expected." The Fed Chair also noted that he believes inflation will ease towards the central bank's 2% target rate this year. "We're just going to have to see where the inflation data fall out," he said.
- Regarding inflation at the wholesale level, the Department of Labor announced 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 0.5% in April, up from the 0.2% increase in March. The PPI's 2.2% advance over the previous 12-month period was marginally higher than the 2.1% annual rise in March, and was the largest annual gain since April 2023. Core wholesale inflation, as measured by the PPI less food, energy, and trade services, rose 0.4% and 3.1% in March and year-over-year, respectively.
- According to the Census Bureau, U.S. retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of the nation's gross domestic product (GDP)—were virtually flat in April compared to the 0.6% gain in March, and rose 2.7% over the previous 12-month period. Core sales, which exclude motor vehicles and parts, as well as gasoline stations, dipped 0.1% in April, but were up 3.5% year-over-year. Food services and drinking places, and gasoline stations posted the most notable gains versus the same period in 2023.
- The Census Bureau also reported that new housing starts, a gauge of the health of the residential real estate market, climbed 5.7% in April, but dipped 0.6% over the previous 12-month period. The number of building permits, an indicator of new construction activity in the near term, declined 3.0% and 2.0% in April and year-over-year, respectively.

## Stocks

- Global equities finished in positive territory during the week. Emerging markets outperformed developed markets.
- U.S. stocks gained ground for the week. Information technology and real estate were the top-performing sectors, while industrials and consumer discretionary lagged. Growth stocks led value, while small caps outperformed large caps.

## Bonds

- The 10-year U.S. Treasury note yield dipped to 4.42% during the week.
- Global bond markets rallied during the week.
- Corporate bonds led the markets, followed by government bonds and high-yield bonds.

The Numbers as of May 17, 2024	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indexes</b>				
MSCI ACWI (\$)	1.5%	9.2%	21.1%	794.1
MSCI EAFE (\$)	1.5%	6.5%	12.5%	2381.6
MSCI Emerging Mkts (\$)	2.5%	7.3%	12.3%	1098.6
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	1.2%	6.1%	19.3%	40003.6
S&P 500 (\$)	1.5%	11.2%	26.3%	5303.3
NASDAQ (\$)	2.1%	11.2%	31.5%	16686.0
S&P/ TSX Composite (C\$)	0.7%	7.2%	10.7%	22465.4
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	0.0%	8.3%	8.6%	4584.2
MSCI Europe ex UK (€)	0.6%	10.5%	12.9%	1861.1
<b>Asian Equities</b>				
Topix (¥)	0.6%	16.0%	27.2%	2745.6
Hong Kong Hang Seng (\$)	3.1%	14.7%	-0.9%	19553.6
MSCI Asia Pac. Ex-Japan (\$)	2.9%	7.8%	11.3%	570.2
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	0.2%	-6.4%	7.9%	2493.5
Mexican Bolsa (peso)	-0.2%	0.3%	4.2%	57580.5
Brazilian Bovespa (real)	0.5%	-4.4%	16.5%	128224.5
<b>Commodities (\$)</b>				
West Texas Intermediate Spot	1.2%	10.6%	10.3%	79.2
Gold Spot Price	1.7%	16.5%	23.1%	2407.9
<b>Global Bond Indices (\$)</b>				
Bloomberg Global Aggregate (\$)	1.0%	-2.5%	1.5%	459.7
JPMorgan Emerging Mkt Bond	1.1%	2.0%	11.0%	865.9
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	-8	54	77	4.42%
UK Gilt	-4	60	17	4.13%
German Bund	0	49	7	2.52%
Japan Govt Bond	4	34	57	0.95%
Canada Govt Bond	-7	52	45	3.63%
<b>Currency Returns**</b>				
US\$ per euro	0.9%	-1.5%	0.9%	1.087
Yen per US\$	-0.1%	10.4%	12.2%	155.70
US\$ per £	1.4%	-0.2%	2.4%	1.271
C\$ per US\$	-0.4%	2.8%	0.8%	1.361

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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