WEEKLY MARKET UPDATE | MAY 24, 2024

It takes just minutes for stocks to get into the mix.

The economy

- Major U.S. equity market indexes saw mixed performance during the week ending May 24, as minutes of the Federal Reserve's (Fed) most recent meeting reignited investors' concerns that the central bank will keep interest rates higher for longer. This was partially offset by generally positive corporate earnings. The Dow Jones Industrial Average declined for the week. Both the broad-market S&P 500 Index and the tech-heavy Nasdaq Composite Index briefly touched record highs during the week, but only the latter index ended the period in positive territory. The S&P 500 was nearly flat.
- According to minutes from the Federal Open Market Committee's (FOMC) April 30-May 1 meeting, released on Wednesday, the members reiterated their view that the inflation rate would fall to 2% over the medium term. However, they cautioned that recent data had not boosted their confidence to convince them that there had been progress toward the 2% level. Consequently, the FOMC participants noted that "the disinflation process would likely take longer than previously thought." The members also discussed the need to maintain restrictive monetary policy for a longer period if inflation does not "show signs of moving sustainably toward 2 percent or reducing policy restraint in the event of an unexpected weakening in labor market conditions. Various participants mentioned a willingness to tighten [monetary] policy further should risks to inflation materialize in a way that such an action became appropriate."
- During an appearance at the Peterson Institute for International Economics in Washington, D.C., on Tuesday, Fed Governor Christopher J. Waller acknowledged that inflation has been stickier than the central bank had anticipated. However, he noted that "more recent data on the economy indicates that restrictive monetary policy is helping to cool off aggregate demand and the inflation data for April suggests that progress toward 2 percent has likely resumed. Central bankers should never say never, but the data suggests that inflation isn't accelerating, and I believe that further increases in the policy rate are probably unnecessary." Peterson cited April data indicating flat retail sales growth, declines in manufacturing and business activity, as signs that the economy is cooling.
- The Department of Labor reported that initial unemployment insurance claims, a barometer of the health of the labor market, dipped 8,000 to 215,000 during the week ending May 18. The total represented a decrease from the 227,000 claims filed during the same week in 2023. The four-week moving average of initial claims rose 1,750 week-over-week to 219,750, but was down 3,000 from the four-week average of 222,750 a year earlier.
- There was significant news during the week regarding the U.S. real-estate market. The National Association of Realtors reported that sales of existing homes fell 1.9% for both April and year-over-year to an annualized rate of 4.14 million. (Home sales are viewed as an indicator of housing market trends, and by extension, the health of the broader economy.) However, the median existing-home sale price was up 5.7% over the previous 12-month period to $407,600—the 10th consecutive month of year-over-year gains—and remained slightly below the all-time high of $413,800 recorded in June 2022. (Higher shelter costs put upward pressure on inflation.)
- The University of Michigan's Index of Consumer Sentiment decreased 8.1 points (10.5%) to 69.1 in May—the lowest reading in five months. According to the survey, consumers' expectations for inflation over the next year ticked up 0.1 point month-over-month to 3.3%. Consumers' long-term inflation expectations of 3.0% were unchanged from April. In a press release announcing the results of its survey, the University of Michigan commented, "These deteriorating expectations suggest that multiple factors pose downside risk for consumer spending. Still, sentiment remains almost 20% above a year ago."

Stocks

- Global equities recorded negative returns during the week. Developed markets narrowly outperformed emerging markets.
- U.S. stocks ended mixed for the week. Information technology and communication services were the top-performing sectors, while energy and real estate lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.47% during the week.
- Global bond markets lost ground during the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of May 24, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.8%	8.5%	22.1%	789.0
MSCI EAFE ($)	-0.7%	5.7%	14.3%	2364.4
MSCI Emerging Mkts ($)	-0.8%	6.6%	13.2%	1091.4
US & Canadian Equities				
Dow Jones Industrials ($)	-2.3%	3.7%	19.2%	39069.6
S&P 500 ($)	0.0%	11.2%	27.8%	5304.7
NASDAQ ($)	1.4%	12.7%	33.3%	16920.8
S&P/ TSX Composite (C$)	-0.6%	6.5%	12.9%	22320.9
UK & European Equities				
FTSE All-Share (£)	-1.0%	7.2%	9.9%	4538.0
MSCI Europe ex UK (€)	-0.2%	10.2%	14.9%	1856.6
Asian Equities				
Topix (¥)	-0.1%	15.9%	27.8%	2742.5
Hong Kong Hang Seng ($)	-4.8%	9.2%	-0.7%	18608.9
MSCI Asia Pac. Ex-Japan ($)	-0.6%	7.2%	12.6%	567.0
Latin American Equities				
MSCI EMF Latin America ($)	-3.2%	-9.1%	6.5%	2419.9
Mexican Bolsa (peso)	-3.8%	-3.4%	3.1%	55417.7
Brazilian Bovespa (real)	-2.9%	-7.2%	13.1%	124474.4
Commodities ($)				
West Texas Intermediate Spot	-3.1%	8.3%	8.5%	77.6
Gold Spot Price	-3.1%	13.0%	20.1%	2334.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.5%	-3.2%	1.6%	456.2
JPMorgan Emerging Mkt Bond	-0.5%	1.3%	10.6%	859.5
10-Year Yield Change (basis points*)				
US Treasury	4	59	65	4.47%
UK Gilt	13	73	-11	4.26%
German Bund	7	56	6	2.58%
Japan Govt Bond	6	39	58	1.01%
Canada Govt Bond	-2	49	29	3.60%
Currency Returns**				
US$ per euro	-0.2%	-1.7%	1.1%	1.085
Yen per US$	0.8%	11.3%	12.0%	156.91
US$ per £	0.3%	0.0%	3.4%	1.274
C$ per US$	0.4%	3.2%	0.2%	1.367

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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