



Equities

U.S. stocks gained for a third straight week as interest rates moved slightly lower and earnings remained broadly solid. The one thing that has not been supportive of equities is economic data – U.S. data continued surprising to the downside, but markets have largely overlooked this. With earnings season largely complete, S&P 500 EPS grew about 7% y/y, again beating expectations. The beat was driven by stronger-than-expected revenue growth, a trend that has been buoyed by persistent consumer inflation. The S&P 500 has regained almost the entirety of its 3-week -5.4% drawdown in April, ending the week near an all-time high. However, both other developed and emerging markets have outperformed the U.S. over that period.

Fixed income

Bonds rallied across the board as the tone set by the April payroll data carried into last week. Despite multiple Fed speakers urging patience with the Fed rate cut timeline, markets are swinging back towards expecting two rate cuts in 2024. The 10-year Treasury yield ended the week down -1 basis point at 4.50%, but despite the rally is still down -1.97% year-to-date.

Commodities

Oil prices ended slightly higher but continues to trade in a tight band amid mixed fundamental signals. Demand signals have been weak, but inventories fell last week and the U.S. continues to replenish the Strategic Petroleum Reserve. Oil is likely to be rangebound in the leadup to the OPEC+ meeting on June 1. Natural gas prices have risen more than 40% since late April as demand for LNG exports has grown. Gold prices, which declined as equities rebounded, rose last week as real yields fell.

Economic overview

It was a light week for data, but the two key releases were noteworthy. Initial jobless claims broke a streak of stronger-than-expected readings to unexpectedly jump to 231,000 in the week ending May 4. In and itself, this isn't a bad number, but it is the highest in 8 months, and coming on the heels of other data showing moderating job growth helped fuel expectations there is room for rate cuts. The University of Michigan consumer sentiment survey was surprisingly weak, slumping to 67.4 in May when 76.2 was expected. The inflation expectations readings jumped, with the 1-year hitting 3.5%, up from 3.2% previously.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	5,222.68	3.71%	-0.60%	9.49%	24.23%
DJIA	39,512.84	4.49%	-0.74%	4.84%	13.70%
NASDAQ	16,340.87	4.36%	-0.24%	8.86%	43.42%
Russell 2000	2,059.78	4.35%	-3.05%	1.61%	15.09%
MSCI World	3,419.92	3.47%	-0.52%	7.91%	21.77%
MSCI Europe	2,140.39	3.81%	1.28%	5.94%	16.68%
MSCI EAFE	2,346.16	2.88%	-0.14%	4.92%	15.03%
MSCI Asia	177.55	1.89%	0.38%	4.82%	8.76%
MSCI EM	1,071.64	2.46%	2.73%	4.68%	7.04%
VIX	12.55	-3.10	-0.46	0.10	-9.22

Fixed income (total return index)		MTD	QTD	YTD	2023
Barclays U.S. Agg	2,119.50	1.36%	-1.20%	-1.97%	5.53%
Inv. grade bonds	3,168.59	1.34%	-1.23%	-1.63%	8.52%
High yield bonds	2,516.04	0.93%	-0.02%	1.46%	13.45%
Leveraged Loans	3,861.93	0.50%	1.15%	3.59%	13.32%

Alternatives (total return index)		MTD	QTD	YTD	2023
FTSE NAREIT	22,673.27	4.28%	-3.97%	-5.32%	11.36%
REIT Index					
GS Commodity Index	577.15	-1.54%	-0.91%	7.75%	-12.20%
Alerian MLP Index	2,159.57	1.76%	0.52%	14.48%	26.56%

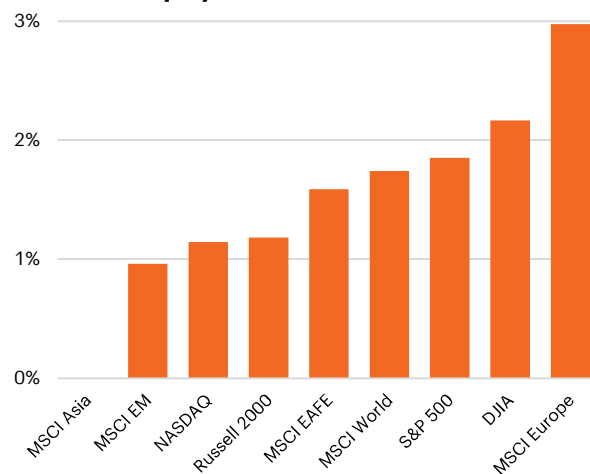
Commodities		MTD	QTD	YTD	2023
WTI Crude	\$78.26	-4.48%	-5.90%	9.23%	-10.73%
Brent Crude	\$82.79	-5.77%	-5.36%	7.46%	-10.32%
Natural Gas	\$2.25	13.11%	27.74%	-10.42%	-43.82%
Gold	\$2,375	3.13%	7.11%	14.63%	13.45%

Currency		MTD	QTD	YTD	2023
Dollar Index (DXY)	105.30	-0.87%	0.78%	3.92%	-2.11%
USDCNY	7.23	-0.20%	0.06%	1.79%	2.92%
Bitcoin	60,501	1.06%	-13.14%	42.33%	157.01%

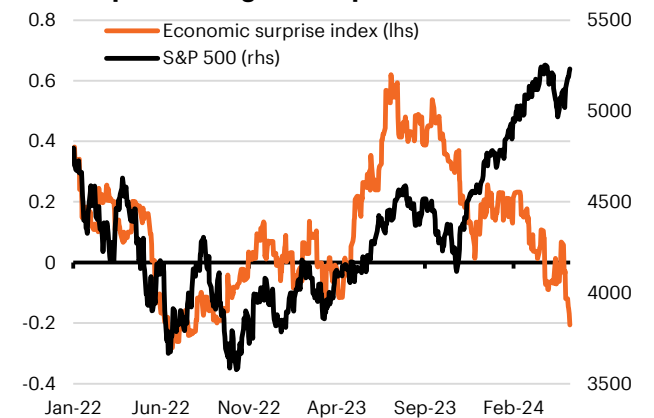
Spreads		MTD	QTD	YTD	2023
Inv. grade bonds	87 bps	0 bps	-3 bps	-12 bps	-31 bps
High yield bonds	298 bps	-3 bps	-1 bps	-25 bps	-146 bps
Leveraged loans	424 bps	-12 bps	-15 bps	-35 bps	-101 bps
Emerging markets	256 bps	-1 bps	-8 bps	-41 bps	-42 bps

Interest rates		MTD	QTD	YTD	2023
Fed Funds Target	5.375%	5.375%	5.375%	5.375%	4.38%
SOFR	5.31%	-3 bps	-3 bps	-7 bps	108 bps
3-month LIBOR*	5.59%	0 bps	3 bps	-1 bps	83 bps
2-year Treasury	4.87%	-17 bps	25 bps	62 bps	-18 bps
10-year Treasury	4.50%	-18 bps	30 bps	62 bps	0 bps
30-year Treasury	4.64%	-15 bps	30 bps	61 bps	7 bps
Barclays U.S. Agg	5.11%	-20 bps	26 bps	58 bps	-15 bps
Inv. grade bonds	5.55%	-18 bps	25 bps	49 bps	-36 bps
High yield bonds	7.92%	-19 bps	26 bps	33 bps	-137 bps

Last week's equity returns



Data surprises diverge from equities



Source: Bloomberg Finance, L.P., as May 9, 2024.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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