

# CAPITAL MARKETS REPORT - MAY 6, 2024



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## Market Movers:

- Wall Street took the slowdown in the US jobs market as an indication that the Federal Reserve will be able to start cutting rates as early as September. Equities wiped out this week's losses. Two year treasury yields, which are more sensitive to imminent Fed moves, tumbled 10bps to 4.77% after hitting a 2024 high of 5%.
- Stocks rose Monday as a solid earnings season propped up the market despite bets the Federal Reserve will keep interest rates higher for longer. After pulling back for the most part in April, equities staged a rebound toward the end of the month.
- Early results from the reporting season suggest that over 80% of US companies are beating expectations. The 10yr fell 5bps to 4.62%. The Treasury ramped up its estimate for borrowing for the current quarter to \$243B, more than most dealers had anticipated.
- On the eve of the Fed decision, a broad gauge of US labor costs closely watched by policymakers jumped the most in a year. The data signaled wage pressures, reinforcing bets that officials will keep rates unchanged. That perception combined with a plunge in consumer confidence weighed heavily on equities. The two year hit 5%, the highest since November.
- Officials unanimously decided Wednesday to leave the target range for fed funds unchanged. Bonds rallied after Powell downplayed the possibility of rate hikes and the Fed said it will shrink its balance sheet at a slower pace to ease strains on money markets. Treasuries climbed across the curve. The two year dropped below 5%. Swap traders boosted bets on policy easing in 2024.
- Friday's nonfarm payrolls advanced 175,000 last month, the smallest gain in six months. The unemployment rate ticked up to 3.9% and wage gains slowed. The S&P rose 1% and swaps traders are now pricing in two cuts or 50bps of easing this year.

## Market Last Week

	4/26/24 Close	5/3/24 Close	Weekly Change
2 yr. Note	4.99%	4.82%	<b>-17bps</b>
5 yr. Note	4.69%	4.50%	<b>-19bps</b>
10 yr. Note	4.66%	4.51%	<b>-15bps</b>
30 yr. Bond	4.78%	4.67%	<b>-11bps</b>
SOFR Rate	5.31%	5.31%	<b>unch</b>

## Data This Week

Date/Time (EDT)	Economic Data	Market Estimate	Prior Report
5/7/24 3:00 PM	Consumer Credit	\$15.0b	\$14.1b
5/8/24 7:00 AM	MBA Mortgage Applications	n/a	-2.3%
5/8/24 10:00 AM	Wholesale Trade Sales MoM	0.8%	2.3%
5/8/24 10:00 AM	Wholesale Inventories MoM	-0.4%	-0.4%
5/9/24 8:30 AM	Initial Jobless Claims	212k	208k
5/9/24 8:30 AM	Continuing Claims	1784k	1774k
5/10/24 10:00 AM	Univ. of Michigan Sentiment	76.2	77.2
5/10/24 10:00 AM	U. of Mich. Cur- rent Conditions	78.9	79.0
5/10/24 10:00 AM	Univ. of Michigan Expectations	75.4	76.0
5/10/24 10:00 AM	Univ. of Michigan 1yr Inflation	3.3%	3.2%
5/10/24 10:00 AM	Univ. of Michigan 5-10yr Inflation	3.0%	3.0%
5/10/24 2:00 PM	Monthly Budget Statement	\$250b	-\$237b

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