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SERVICE BEYOND COMPARISON

Market Movers:

- Treasuries came under renewed pressure on speculation that optimism regarding disinflation may have gone too far. In another sign that the world's largest economy remains on solid footing, the ISM services index hit a four-month high, while prices picked up. The news jolted trading on a day when investors were already digesting cautious views from Powell over the weekend.
- Wall Street traders sent bonds and stocks down Monday, with strong economic data reinforcing the view that the Federal Reserve isn't ready to call victory over inflation just yet. Ten year yields climbed 14 basis points to 4.16% and two year notes approached 4.50%. Fed swaps almost wiped out the odds of a March rate cut, and the chances of a May cut have also been reduced.
- While volatility across asset classes remains relatively contained compared to recent gyrations, the worry is that it could spike if the global economy faces another shock. Markets are pricing in over a percentage point of rate cuts from the Fed and ECB this year, though the survey still sees inflation as having the biggest impact on markets in 2024.
- Gains on Wednesday were fueled by a renewed surge in big tech and a strong sale of 10 year Treasuries dimmed supply concerns. Bonds barely budged after the US government sold a record \$42 billion of 10 year Treasuries at a lower-than-anticipated yield.
- Bonds fell Thursday despite a strong 30 year auction that reduced jitters about oversupply. The S&P 500 briefly hit 5,000 for the first time. The day's jobless claims reading added to evidence of a still strong labor market and gave credence to the recent cautious rhetoric from central bank speakers.
- Investors breathed a sigh of relief as CPI revisions showed little change versus the previous year.

Market Last Week

| | 2/2/24 Close | 2/9/24 Close | Weekly Change |
|-------------|-----------------|-----------------|------------------|
| 2 yr. Note | 4.37% | 4.48% | +11bps |
| 5 yr. Note | 3.98% | 4.14% | +16bps |
| 10 yr. Note | 4.02% | 4.18% | +16bps |
| 30 yr. Bond | 4.22% | 4.37% | +15bps |
| SOFR Rate | 5.32% | 5.31% | -1bp |

Data This Week

| Date/Time (EST) | Economic Data | Market Estimate | Prior Report |
|---------------------|--------------------------------|--------------------|-----------------|
| 2/13/24 8:30 AM | CPI MoM | 0.2% | 0.2% |
| 2/13/24 8:30 AM | CPI Ex Food and Energy MoM | 0.3% | 0.3% |
| 2/13/24 8:30 AM | CPI YoY | 2.9% | 3.4% |
| 2/14/24 7:00 AM | MBA Mortgage Applications | n/a | 3.7% |
| 2/15/24 8:30 AM | Empire Manufacturing | -12.5 | -43.7 |
| 2/15/24 8:30 AM | Retail Sales Advance MoM | -0.1% | 0.6% |
| 2/15/24 8:30 AM | Retail Sales Ex Auto MoM | 0.2% | 0.4% |
| 2/15/24 8:30 AM | Initial Jobless Claims | 220k | 218k |
| 2/15/24 9:15 AM | Industrial Production MoM | 0.2% | 0.1% |
| 2/16/24 8:30 AM | Housing Starts | 1458k | 1460k |
| 2/16/24 8:30 AM | PPI Final Demand MoM | 0.1% | -0.1% |
| 2/16/24 10:00 AM | Univ. of Michigan Sentiment | 80.0 | 79.0 |

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