

CAPITAL MARKETS REPORT - FEBRUARY 20, 2024



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Market Movers:

- Wall street got a reality check on Tuesday, with hotter-than-expected inflation data triggering a slide in both stock and bond prices. Equities pushed away from their all-time highs as CPI topped estimates (0.3% vs 0.2%). Treasuries sold off, pushing two-year yields to 4.65%, the highest since December. Swap traders ratcheted down their expectations for a cut before July.
- CPI data came as a disappointment for investors after the recent downdraft in price pressures that helped bolster expectations for rate cuts this year. The numbers also gave credence to the wait-and-see approach espoused by Powell and other Fed officials. 10-year yields climbed 14bps to 4.31%.
- Chicago Fed President Goolsbee said slightly higher inflation data for a few months would still be consistent with a path back to the central bank's goal. He emphasized it's important not to judge the inflation trend from one month's number and that the Fed's 2% target is based on PCE, not CPI.
- For months, investors have been dealing with clashing economic narratives. Progress toward lower inflation has shaped the view that the Fed can cut interest rates from multiyear highs to avoid pushing the US into a recession. At the same time, the economy has continually outperformed expectations.
- Aside from retail sales falling, factory production also pointed to a loss of momentum, but didn't necessarily signal significant deterioration in the economy. Thursday's data showed homebuilder sentiment hit a six-month high and jobless claims declined.
- Friday, swaps were pricing 85bps of Fed policy easing in 2024, down from around 150bps of cuts just two weeks ago. US consumer sentiment improved for a third month as Americans grew more optimistic. PPI rose in January fueled by a rise in service costs.

Market Last Week

	2/9/24 Close	2/16/24 Close	Weekly Change
2 yr. Note	4.48%	4.64%	+16bps
5 yr. Note	4.14%	4.28%	+14bps
10 yr. Note	4.18%	4.28%	+10bps
30 yr. Bond	4.37%	4.44%	+7bps
SOFR Rate	5.31%	5.30%	-1bp

Data This Week

Date/Time (EST)	Economic Data	Market Estimate	Prior Report
2/20/24 8:30 AM	Philadelphia Fed Non-Manufacturing	-8.8	-3.7%
2/20/24 10:00 AM	Leading Index	-0.3%	-0.1%
2/21/24 7:00 AM	MBA Mortgage Applications	n/a	-2.3%
2/21/24 2:00 PM	FOMC Meeting Minutes		
2/22/24 8:30 AM	Chicago Fed Nat Activity Index	-0.23	-0.15
2/22/24 8:30 AM	Initial Jobless Claims	216k	212k
2/22/24 8:30 AM	Continuing Claims	1885k	1895k
2/22/24 9:45 AM	US Manufacturing PMI	50.5	50.7
2/22/24 9:45 AM	US Services PMI	52.5	52.5
2/22/24 9:45 AM	US Composite PMI	52.0	52.0
2/22/24 10:00 AM	Existing Home Sales	3.96m	3.78m
2/22/24 10:00 AM	Existing Home Sales MoM	4.8%	-1.0%

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