

# CAPITAL MARKETS REPORT - MARCH 25, 2024



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SERVICE BEYOND COMPARISON

## Market Movers:

- Policymakers maintained their outlook for three cuts in 2024 and moved toward slowing the pace of reducing the Fed's bond holdings, suggesting they aren't overly alarmed by a recent uptick in inflation. While Jerome Powell continued to highlight officials would like to see more evidence that prices are coming down, he also said it will be appropriate to start easing "at some point this year."
- Bond investors who were once convinced that the Fed would start cutting rates this week have recalibrated to the higher-for-longer reality. Treasury yields have climbed as data continued to point to persistent inflation, causing traders to push back their timetable for US monetary easing. This morning, futures aren't fully pricing in a cut until the FOMC's July meeting.
- Wall Street traders sent stocks to fresh all-time highs, Wednesday, as the Federal Reserve signaled it is still track to cut interest rates for the first time since the onset of the pandemic. In a historic move, the S&P 500 topped 5,200 on speculation that the end of the most-aggressive Fed hiking cycle in a generation will fuel consumer demand and corporate profits.
- The latest round of housing, manufacturing and labor data pointed to a resilient economy that, in theory, would scare playmakers trying to bring inflation back to target. A day after the Fed signaled it's on track to cut rates, traders decided to keep looking at the glass half full. Following Wednesday's Fed decision, stocks were swept up in a rally driven by the perception that the central bank wasn't as hawkish as assumed.
- Bond prices are opening the week slightly lower ahead of today's 2-Year auction (1PM EDT) and several Fed officials slated to speak at various events. The 2 and 10-Year yields are both up just a couple bps at 4.60% and 4.23%, respectively. **The 2/10 spread has now been inverted since July 2022.**

## Market Last Week

|             | 3/15/24<br>Close | 3/22/24<br>Close | Weekly<br>Change |
|-------------|------------------|------------------|------------------|
| 2 yr. Note  | 4.73%            | 4.59%            | <b>-14bps</b>    |
| 5 yr. Note  | 4.33%            | 4.18%            | <b>-15bps</b>    |
| 10 yr. Note | 4.31%            | 4.20%            | <b>-11bps</b>    |
| 30 yr. Bond | 4.43%            | 4.38%            | <b>-5bps</b>     |
| SOFR Rate   | 5.31%            | 5.31%            | <b>unch</b>      |

## Data This Week

| Date/Time<br>(EST)  | Economic Data                      | Market<br>Estimate | Prior<br>Report |
|---------------------|------------------------------------|--------------------|-----------------|
| 3/25/24<br>10:00 AM | New Home Sales                     | 677k               | 661k            |
| 3/26/24<br>8:30 AM  | Durable Goods<br>Orders            | 1.0%               | -6.2%           |
| 3/26/24<br>8:30 AM  | Durable Goods<br>Ex-Transportation | 0.4%               | -0.4%           |
| 3/26/24<br>10:00 AM | Consumer<br>Confidence             | 107.0              | 106.7           |
| 3/27/24<br>6:00 AM  | MBA Mortgage<br>Applications       | n/a                | -1.6            |
| 3/28/24<br>8:30 AM  | GDP Annualized<br>QoQ              | 3.2%               | 3.2%            |
| 3/28/24<br>8:30 AM  | Initial Jobless<br>Claims          | 212k               | 210k            |
| 3/28/24<br>8:30 AM  | Continuing<br>Claims               | 1816k              | 1807k           |
| 3/28/24<br>9:45 AM  | Chicago PMI                        | 46.0               | 44.0            |
| 3/28/24<br>10:00 AM | Univ. of Michigan<br>Sentiment     | 76.5               | 76.5            |
| 3/29/24<br>8:30 AM  | Personal Income                    | 0.4%               | 1.0%            |
| 3/29/24<br>8:30 AM  | Personal<br>Spending               | 0.5%               | 0.2%            |

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