

CAPITAL MARKETS REPORT - MAY 4, 2026



Birmingham (866) 405-6864
Baton Rouge (800) 421-6182
Shreveport (866) 453-5150
Little Rock (800) 737-0535

SERVICE BEYOND COMPARISON

- Fed Divisions Grow as Officials Signal Uncertain Rate Path
- U.S.–EU Trade Tensions Rise with New Auto Tariffs
- Stocks Rally to Records on Earnings Strength and Iran Deal Hopes

Fed policy uncertainty intensified this week as multiple officials dissented against guidance suggesting the next move would be a rate cut, instead emphasizing a more balanced outlook between easing and tightening. Policymakers cited resilient economic conditions alongside rising inflation risks tied to elevated energy prices from the Middle East conflict, arguing that forward guidance should reflect the increased uncertainty. This marked the largest number of dissents in decades, underscoring growing division within the Fed and reinforcing a “higher-for-longer” narrative as officials weigh the risk that prolonged supply shocks could keep inflation above target.

Trade tensions re-emerged as a key macro risk after the U.S. announced plans to raise tariffs on European auto imports to 25%, citing noncompliance with a prior agreement. The move threatens to disrupt an already strained global auto sector. European officials pushed back, raising the potential for retaliatory measures and renewed friction between two major economic blocs. With tariffs adding to cost pressures already exacerbated by supply chain disruptions and geopolitical instability, the decision introduces another layer of price friction for consumers.

Equity markets shrugged off much of the news and set record highs on Friday. Supported by strong corporate earnings, resilient economic data, and hope for a U.S.–Iran agreement, investors remain cautiously optimistic. The S&P 500 is on pace for its longest weekly advance since 2024, with gains led by technology and megacap stocks amid ongoing AI-driven momentum. The sustainability of the rally remains closely tied to developments in both monetary policy and geopolitical negotiations, with markets increasingly sensitive to shifts in either narrative.

Markets are very volatile and active this morning following reports and denials that a US naval vessel was stuck by missiles in the Strait of Hormuz. Treasury yields are mildly higher with 2 and 10-year notes currently at 3.91% and 4.39%, respectively.

Market Last Week

	4/24/2026	5/1/2026	Weekly Change In Bps
2 yr. Note	3.78%	3.88%	10
5 yr. Note	3.92%	4.01%	9
10 yr. Note	4.30%	4.37%	7
30 yr. Bond	4.91%	4.95%	4
SOFR Rate	3.65788%	3.64637%	-1.151

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
5/4/2026 10:00 AM	Durable Goods Orders (Mar F)	0.80	0.01
5/4/2026 10:00 AM	Factory Orders (Mar)	0.60%	0.00%
5/5/2026 8:30 AM	Trade Balance (Mar)	-\$59.7b	-\$57.3b
5/5/2026 10:00 AM	New Home Sales (Mar)	0.06	-0.18
5/5/2026 10:00 AM	ISM Services Index (Apr)	53.80	5400.00%
5/6/2026 7:00 AM	MBA Mortgage Applications (May 1)	N/A	-1.60%
5/6/2026 8:15 AM	ADP Employment Change (Apr)	115K	62k
5/7/2026 8:30 AM	Initial Jobless Claims (May 2)	203k	189k
5/8/2026 8:30 AM	Change in Nonfarm Payrolls (Apr)	60k	178k
5/8/2026 8:30 AM	Unemployment Rate (Apr)	4.30%	4.30%
5/8/2026 10:00 AM	U. of Mich. Sentiment (May P)	49.30	49.80
5/8/2026 10:00 AM	Wholesale Inventories MoM (Mar F)	1.40%	1.40%

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