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Weekly Market Recap

October 31, 2024

What happened last week:

- **Yields Pushed Higher**: Talk of fiscal worries added to the existing upside momentum for U.S. Treasury yields.
- **Stocks Sold Off**: Global equities declined broadly in choppy price action.
- **NASDAQ Gains**: The exception to the negative week for equities was the tech-heavy NASDAQ 100, which benefited from the 22% gain by Tesla.

What we're watching this week

- **Earnings**: Over 40% of the S&P 500, including five of the Mag 7 names, reports this week.
- **Economic Data**: Friday's jobs report is the main event, but 3Q GDP, consumer confidence, and the Fed's preferred measure of wage growth (ECI) all add to the mosaic.
- **Policy Backdrop**: Treasury's announcement of expected bond sales will get more scrutiny than normal, as will the Bank of Japan meeting after their surprise political developments over the weekend.

Market Perspectives

- Higher interest rates were the story of last week, and this time, for the wrong reason - many in the market are talking about the unsustainable fiscal position of the U.S. government, no matter the result of the upcoming election. The 10-year yield rose 16 basis points on the week to above 4.2%, adding to its powerful move from the 3.6% level in mid-September. Despite all the talk about the trajectory of the federal deficit, the dollar has been a one-way trade higher over that time frame, and last week saw another rally in the greenback. The opposite behavior would be expected between the dollar and interest rates if the market was seriously concerned about fiscal sustainability; recent price action and concern around the long end of the curve may be overblown.

- Increased perception of risk around the world's risk-free asset is bound to bleed over into other assets; however, equity markets saw broad-based declines last week. The exception was the NASDAQ 100, which posted modest gains due in no small part to the 22% weekly rally by Tesla after a surprisingly positive earnings report. International markets also declined last week as investors await China's stimulus announcement, now scheduled for the week of the U.S. election. Japan was also met with investor de-risking ahead of the weekend's snap parliamentary elections; the long-ruling Liberal Democratic Party lost its majority due to corruption scandals.

- We are at the start of two of the biggest weeks of the year for investors, which will likely set the tone for trading through the end of 2024. With over 40% of the S&P 500 reporting earnings this week, company-specific fundamentals are bound to have market-wide implications. Top-tier economic data releases, including a jobs report, 3Q GDP, and quarterly wage growth, will keep the Fed debate active on the macro side. Other policy developments will round out the week, including the Treasury's quarterly debt sale schedule and the reaction to Japan's weekend election results.

CPI = Consumer Price Index, PPI = Producer Price Index, PMI = Purchasing Managers' Index, PCE = Personal Consumption Expenditures Price Index.