

9/16/2024

# The Week Ahead



## THINGS TO WATCH

### The First Cut

On Wednesday afternoon, the Federal Open Market Committee (FOMC) is expected to begin its fourth easing cycle in the last 25 years after a nearly 14-month holding period during which the policy rate was maintained in a range of 5.25% - 5.50%. Late last week, market pricing indicated 100% odds of a 0.25% cut and a roughly 51% probability of a more aggressive 0.50% cut. The FOMC will also release its quarterly Summary of Economic Projections, which include the group's forecasts for core inflation, the unemployment rate, and the policy rate for the end of 2024, 2025, and 2026.

### Bank of Japan and Carry Trade

Overnight Thursday, the Bank of Japan (BOJ) is likely to hold its policy rate at a miniscule 0.25% after hiking by 15 basis points at its last policy meeting on July 31. BOJ Governor Kazuo Ueda's remarks on the trajectory for additional tightening will be the key factor in assessing the risk of a further unwinding in the yen carry trade, a strategy whereby investors borrow at ultra-low rates in Japan to fund investments with higher yields in the U.S. and other countries.

### Gold

The precious metal broke out again to a series of new all-time highs last week, advancing 3.3% to push substantially above \$2,500 per ounce after a three-week period of consolidation around that key level. A weaker U.S. dollar, lower Treasury yields, elevated geopolitical tensions, and concerns about growing government debt burdens have seemingly combined to support gold. From these levels, a multi-month consolidation (similar to what we saw in the second quarter) would likely be a healthy technical development that could foretell further gains in 2025.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	91.2	90.5	▲
Consumer Price Index (Y/Y)	2.5%	3.3%	▼
Core Consumer Price Index (Y/Y)	3.2%	3.4%	▼
Producer Price Index (Y/Y)	1.7%	2.5%	▼
Continuing Jobless Claims (Thousands)	1,850	1,813	▲
U. of Mich. Consumer Sentiment	69.0	68.2	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	41393.78	2.62%	11.35%	22.07%
NASDAQ	17683.98	5.98%	18.43%	29.06%
S&P 500	5626.02	4.06%	19.13%	27.79%
MSCI EAFE	2357.45	2.17%	10.11%	18.99%
BB U.S. Aggregate	2264.16	0.54%	5.04%	10.02%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.88%	5.18%	5.45%
10-Year Treasury	3.66%	3.84%	4.25%

REPORTS DUE THIS WEEK	LATEST
Retail Sales (M/M)	1.0%
Housing Starts (Millions Annualized)	1.24
Building Permits (Millions Annualized)	1.40
Existing Home Sales (Millions Annualized)	3.95

Total returns are as of 9/13/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

## NUMBERS OF THE WEEK

10.65%

The gap between the small cap Russell 2000 Index's closing level last Friday (2,182.49) and its all-time closing high of 2,442.74 nearly three years ago on November 8, 2021. This is the Russell 2000's longest stretch without making a new closing high since a 45-month gap between July 13, 2007 and April 27, 2011. In recent months, U.S. small cap stocks have enjoyed a bout of relative strength as some market participants have begun positioning for an economic soft landing accompanied by a healthy dose of Fed rate cuts.

4.4%

Same-store-sales growth of prepared food and beverages at Casey's General Store (CASY) in its most recent quarter. As a gas station and convenience store chain with 2,600 locations across 15 states primarily in Midwest and Mid-South towns with fewer than 20,000 people, CASY's is seen as a useful gauge of exurban and rural consumer spending patterns. Although a 4.4% growth rate in locations opened at least 12 months is a deceleration from 5.9% in the year-ago quarter, it does not suggest a broken consumer.

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