

10/7/2024

The Week Ahead



THINGS TO WATCH

Oil, Israel, and Iran

West Texas Intermediate (WTI) crude oil rose 9% last week, pushing above \$74 per barrel for the first time in a month to record its largest weekly increase in two years. Escalating hostilities between Israel and Iran around the operations of Tehran-backed Hezbollah in Lebanon and a comment from President Biden about discussions of a potential Israeli strike on Iran's oil facilities drove last week's sharp gains. Some analysts expect the Biden Administration to release additional barrels from the U.S. Strategic Petroleum Reserve if Israel attack's Iranian oil operations. Even after last week's gain, WTI crude oil is 11% lower than a year ago, while the AAA national average price of retail gasoline (\$3.18 per gallon) is down 16% over the last 12 months.

FOMC Minutes

On Wednesday afternoon, the Federal Reserve will release minutes from its policy-setting meeting three weeks ago which resulted in a 0.50% rate cut. Discussion in the minutes surrounding the dissent of Fed Governor Michelle Bowman (who voted for a 0.25% cut) and other voters that were potentially unsure of the larger cut could be newsworthy, especially given last Friday's strong payrolls report. Notable Federal Open Market Committee (FOMC) voters scheduled to speak this week include a trio of regional presidents: John Williams (New York), Raphael Bostic (Atlanta), and Mary Daly (San Francisco).

Robotaxi Unveiling

Tesla (TSLA) CEO Elon Musk will host the company's long-awaited Robotaxi event at Warner Bros. Discovery's (WBD) movie lot studio in Burbank, California on Thursday. Any update on a production timeline for TSLA's \$25,000 mass market EV could overshadow what are likely to be high-level comments from Musk on the progress toward a full self-driving (FSD) robotaxi that could realistically satisfy U.S. highway safety regulators.

| LAST WEEK'S ECONOMIC DATA | LATEST | 3MO PRIOR | CHANGE |
|-------------------------------|--------|-----------|--------|
| JOLTS Job Openings (Millions) | 8.04 | 8.23 | ▼ |
| ISM Manufacturing PMI | 47.2 | 48.5 | ▼ |
| ISM Services PMI | 54.9 | 48.8 | ▲ |
| Non-Farm Payrolls (Thousands) | 254 | 118 | ▲ |
| Unemployment Rate | 4.1% | 4.1% | - |
| Average Hourly Earnings (Y/Y) | 4.0% | 3.8% | ▲ |

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|-----------------------|----------|--------|--------|--------|
| DJ Industrial Average | 42352.75 | 0.13% | 14.03% | 30.42% |
| NASDAQ | 18137.85 | 0.12% | 21.51% | 38.13% |
| S&P 500 | 5751.07 | 0.26% | 21.87% | 36.87% |
| MSCI EAFE | 2433.62 | -1.63% | 11.49% | 26.63% |
| BB U.S. Aggregate | 2251.76 | -1.22% | 3.51% | 11.37% |

| KEY BOND RATES | WEEK | 1MO AGO | 1YR AGO |
|------------------|-------|---------|---------|
| 3-Month T-Bill | 4.62% | 5.08% | 5.50% |
| 10-Year Treasury | 3.97% | 3.76% | 4.73% |

| REPORTS DUE THIS WEEK | LATEST |
|---------------------------------|--------|
| NFIB Small Business Optimism | 91.2 |
| Consumer Price Index (Y/Y) | 2.5% |
| Core Consumer Price Index (Y/Y) | 3.2% |
| Producer Price Index (Y/Y) | 1.7% |
| U. of Mich. Consumer Sentiment | 70.1 |

Total returns are as of 10/3/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

\$157 billion

The implied valuation of leading generative artificial intelligence (AI) firm OpenAI following a \$6.6 billion funding round completed last week led by Thrive Capital, Microsoft (MSFT), NVIDIA (NVDA), Softbank, and Fidelity Management & Research Co. The funding round makes OpenAI one of the most valuable venture capital-backed startups in the world, alongside Elon Musk's SpaceX and TikTok parent ByteDance. With a valuation of \$157 billion, OpenAI would be larger than 87% of the companies in the S&P 500.

1.9%

The percentage of U.S. workers that voluntarily left their job in August according to the Labor Department's Job Openings and Labor Turnover Survey released last week. As the so-called quits rate hit its lowest level since June 2020, investors may wonder if workers are becoming increasingly wary of leaving their current position for potentially greener pastures. Excluding the pandemic years of 2020 and 2021, the last time the quits rate reached 1.9% was July 2015, when the unemployment rate was 5.2%.

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