

10/28/2024

The Week Ahead



THINGS TO WATCH

AI Spending

Five of the "Magnificent Seven" companies report quarterly results this week. Plenty of attention will be given to the pace of spending on generative artificial intelligence (AI)-enabled chips and data center servers by the three dominant hyperscale enterprise cloud providers: Amazon (AMZN), Alphabet (GOOGL), and Microsoft. Of the largest technology platforms, it seems only Meta Platforms (META) has been given credit by investors for generating a tangible return on generative AI spending.

iPhone 16 Refresh Cycle

Apple's (AAPL) commentary on the reception of its recently-released iPhone 16 in China will likely be top of mind for analysts and investors when the consumer technology giant reports its results Thursday. The timeline for Apple Intelligence on the iPhone 16 and the growth rate in its Services business will also be closely analyzed.

Pharmaceutical Earnings

Major drugmakers Eli Lilly (LLY), Merck (MRK), AbbVie (ABBV) Amgen (AMGN), Regeneron (REGN), and Biogen (BIIB) all deliver quarterly earnings this week. Drug price negotiations with the Biden administration and the trajectory of sales and testing of anti-obesity GLP-1 drugs will be front and center for most of these firms.

October Jobs Report

Bureau of Labor Statistics data on Friday morning is expected to show the U.S. economy added 108,000 nonfarm jobs in October, which would be a deceleration from gains of 254,000 and 159,000 the prior two months. The report will likely incorporate the short-term detrimental effects on hiring and economic activity of Hurricanes Helene and Milton. Over time, hurricane-related job losses in most hard-hit areas tend to be offset by hiring tied to reconstruction and repair. A weaker-than-expected print would probably keep the Fed on pace to cut its benchmark rate by 25 basis points at both of its remaining policy-setting meetings this year on November 6-7 and December 17-18.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Millions Annualized)	3.84	3.90	▼
New Home Sales (Thousands Annualized)	738	672	▲
S&P Global U.S. Manufacturing PMI	47.8	49.6	▼
S&P Global U.S. Services PMI	55.3	55.0	▲
U. of Mich. Consumer Sentiment	70.5	66.4	▲
U. of Mich. 1-year Inflation Expectations	2.7%	2.9%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	42114.40	-2.66%	13.45%	30.00%
NASDAQ	18518.61	0.16%	24.07%	45.59%
S&P 500	5808.12	-0.96%	23.12%	40.72%
MSCI EAFE	2360.20	-2.51%	7.88%	23.75%
BB U.S. Aggregate	2210.01	-0.93%	2.09%	11.09%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.64%	4.61%	5.46%
10-Year Treasury	4.24%	3.78%	4.95%

REPORTS DUE THIS WEEK	LATEST
JOLTS Job Openings (Millions)	8.04
Core PCE Price Index (Y/Y)	2.7%
ISM Manufacturing PMI	47.2
Non-Farm Payrolls (Thousands)	254
Unemployment Rate	4.1%

Total returns are as of 10/25/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

\$6.51 trillion

The amount in U.S. money market funds as of the latest ICI data on October 23, a new record and up from \$6.13 trillion just three months ago. The total amount of cash in these ultra-short-term, high-yielding vehicles has increased 41% from just two years ago. Extended valuations in the stock market and concerns of rising yields might explain the persistence of the cash buildup. Optimists might view such a large amount of cash as dry powder to be deployed in future market corrections.

18.9%

Tesla's (TSLA) automotive gross margin in the third quarter, the highest quarterly reading since 4Q22. The EV maker benefited from lower raw material costs, unexpected Cybertruck profitability, and what seems to be stabilizing pricing for its most popular models. In the analyst call following last Wednesday's results, CEO Elon Musk forecast between 20% and 30% growth in vehicle sales in 2025. TSLA shares gained 21% last week after a recent bout of weakness following an underwhelming robotaxi event on October 10.

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