Summary

Economic data for the week included U.S. economic growth coming in positively for Q1, but not as robust as expected, in addition to rises in durable goods and new home sales, while consumer sentiment remained challenged.

Equities were positive globally last week, with stronger corporate earnings and positive economic data abroad. Bonds were mixed as yields were stable to a bit higher across the yield curve. Commodities were also mixed, with energy higher and metals lower.

Economic Notes

(-) The advance report for first quarter **U.S. GDP** came in at 1.6%, well lower than the consensus expectation of 2.5%, not to mention Q4's final growth estimate of 3.4%. The details of the report were stronger than the headline figures suggested, though, as consumer spending grew 2.5% (accounting for 1.7% of the total growth percentage contribution, with gains in services offset by decline in goods, particularly in automotive and energy), residential and non-residential fixed investment, as well as state/local government spending. These were partially offset by drops (reducing the total GDP growth figure by a sizeable -1.2%) in net exports and private inventories, the latter of which is a component that often self-corrects quarter-to-quarter. Absent those two, the report would have looked closer in line with consensus (and there are two potential revisions to come in future months). The GDP price index rose 3.1% on an annualized quarter-over-quarter basis, while headline PCE rose an annualized 3.4%, and core PCE at 3.7%—all were well above the rates of the prior quarter and pointing to stickier price influences.

The final Atlanta Fed's GDPNow estimate for Q1 came in at 2.7%, having bounced around between 2% and 3% most of the past few weeks. While their figure has fallen a bit from higher initial levels, the Blue Chip economist consensus had steadily improved from around 1% in early January to a steady 2% level lately (within a range of about 1.5% to 2.5% for the 10 lowest and highest estimates, respectively).

Interestingly, the initial GDPNow measure for Q2 has come in at an extremely robust 3.9%, well above the Blue Chip consensus estimate of around 1.5%. Contributors continue to be led by consumer spending (2.7% of the total), as well as expectations for improved government spending and a reversal upward in inventories (about 0.5% for each). The general thinking is that Q2 growth is expected to see ongoing deceleration, but it remains to be seen if growth will be revised and/or continue to outperform or slide back toward the 2% trend level more persistently.

(0/-) **Personal income** rose 0.5% in March, meeting expectations and nearly double the prior month's rate, led by wage/salary income and a strong tick higher in rental income. **Personal spending** increased by 0.8%, matching the pace of the prior month and exceeding the 0.6% expected, led by higher consumption of goods over services. The personal savings rate came in at 3.2%. Over the past year, personal income rose nearly 5%, while spending rose 6%—still led by services. The **PCE price index** for the month rose 0.3% on both a headline level and core level, ex-food and energy, both of which matched expectations and the still-high pace of the prior month. As with CPI, core services ex-housing also remained higher than hoped. Year-over-year, headline and core PCE were up 2.7% and 2.8%, respectively. These remain well above the Federal Reserve's 2% target, demonstrating the stickiness in prices, particularly those on the services side.

(+) **Durable goods orders** rose 2.6% in March, just exceeding the 2.5% median forecast and several percent better than the prior month. The normally-volatile categories of commercial aircraft (up 30%) and autos provided the biggest boost for March, along with gains in electronics. Removing transportation pulled the gain down to a meager 0.2%, which matched the gain in the core capital goods orders category, as well as the rise in core capital goods shipments. Year-over-year, overall durable goods orders are up just over 1%, with little difference if transportation is excluded, but when goods inflation is incorporated, pulls the number down towards flat.

(+) **New home sales** rose 8.8% in March to a seasonally-adjusted level of 693k units, surpassing the expected rise of only 0.9%, and reversing the prior month's -5% decline, including downward revisions. Every U.S. region saw gains, led by the South, while the Northwest lagged. In terms of inventories, the months' supply fell a bit to 8.3; this is down from the 2022 peak of over 10, but well above the 'normal' level of around 5-6 seen just before the pandemic. Nationally, new home sales are up 8% over the past year, reflecting the market absorbing homes as they're completed, despite mortgage rates that remain above 7%. However, the median sales price over the trailing 12 months has fallen -2% to $430,700. This is a bit misrepresentative, as the price decline reflects the evolution in buyer demand (notably toward smaller homes), while the price per square foot for overall home sales has been fairly steady over the last two years (following five years of gains).

(-) The **Univ. of Michigan index of consumer sentiment** fell -2.2 points for April to 76.0, below the 77.8 expected. Both assessments of the current situation and expectations for the future fell by several points, contributing to the overall drop. Inflation expectations for the coming year rose by 0.3% to 3.2%, a tenth higher than expected, while those for the next 5-10 years rose 0.2% to 3.0%. Sentiment continues to remain tempered, largely due to higher price levels and concerns about ongoing inflation, particularly if this happens to affect the prices for gasoline, which are the most relied on real time reminder of energy prices for most.

(+) **Initial jobless claims** for the Apr. 20 ending week fell by -5k to 207k, below the 215k median forecast. Continuing claims for the Apr. 13 week declined by -15k to 1.781 mil., below the expected 1.814 mil. No unusual data was noted, with the largest increases/decreases in the largest states, as expected.

Market Notes

Period ending 4/26/2024	**1 Week %**	**YTD %**
DJIA	0.67	2.05
S&P 500	2.68	7.38
NASDAQ	4.23	6.32
Russell 2000	2.80	-0.84
MSCI-EAFE	1.92	2.77
MSCI-EM	3.77	2.36
Bloomberg U.S. Aggregate	-0.08	-3.19

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2023	5.40	4.23	3.84	3.88	4.03
4/19/2024	5.45	4.97	4.66	4.62	4.72
4/26/2024	5.46	4.96	4.68	4.67	4.78

U.S. stocks rebounded last week, as the busiest week of the quarterly earnings season took more of the market's attention. Per FactSet, nearly half of S&P 500 firms have now reported results, with over 75% with a positive earnings surprise, and 60% with a positive revenue surprise. The blended year-over-year earnings growth rate for the quarter also improved to 3.5%.

By sector, consumer discretionary and technology stocks led with gains upward of 4-5%, followed by industrials and consumer staples. Laggards with only minor gains included health care, materials, and energy. Real estate saw gains of over a percent, despite higher yields. Again, most eyes were on the high-profile 'Magnificent 7' group. In discretionary, Tesla shares were up on investors cheering news on announcement of expected production of cheaper electric cars in the coming year, as well as futuristic talk of robots. In communications, Meta fell over -15% as investors appeared disappointed by weaker guidance for future revenue, as well as heavy spending on AI with an uncertain near-term payoff. However, that increased spending benefited sentiment around Nvidia. Alphabet, on the other hand, saw earnings beat expectations in addition to announcing its first dividend. These tech reports continue to show a bifurcation of optimism about AI's potential in coming years, but also large expenses required to keep up in the increasingly competitive landscape.

Foreign stocks saw positive results as well, with the U.K. and emerging markets outpacing Europe and Japan. Sentiment was driven by stronger economic and PMI results, signs of improvement in corporate earnings, as well as the apparent easing of Middle East tensions. Among the emerging nations, all key markets saw gains, led by a 7% rise in China, as sentiment about this year's economic growth picture appeared to improve, as well as announced reforms to capital markets intended to strengthen governance and provide better shareholder protections.

Bonds were mixed last week, with short-term yields little changed, while long-term yields rose a bit. Corporates, especially high yield and senior floating rate loans, outperformed governments. Foreign bonds were mixed along with little change in the U.S. dollar. Interestingly, the 10-year U.S. Treasury yield of 4.7% is not far from the just-released Q1 nominal GDP (real+inflation) rate of 4.8% last week. Traditionally, these two numbers have run fairly close to each other in normal times, aside from more extreme zero-rate policy periods and recessions.

Commodities were mixed last week, with gains in energy and agriculture offset by declines in industrial and precious metals. Crude oil rose 2% last week to $84/barrel, as inventories fell back a bit. Some of the embedded geopolitical premium (assumed to be somewhere in the neighborhood of $5-10) has appeared to have drained away, in no small part to higher U.S. production capacity, in addition to capacity elsewhere, which has provided a safety valve of sorts.

Have a good week.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.