



A Pivotal Week for the Markets

Monday, 5/13/2024

Last week was quiet on the economic and data front. The one high frequency data indicator we did receive was jobless claims, which ticked up after a dull stretch of near constancy. The jobless claims figure came in at 231,000, which is at the higher end of my preferred range of 200-240k. There could be some seasonality impacting this report, as half of the increase came from New York and the jump could be tied to summer teaching schedules.

In addition, the University of Michigan Consumer Confidence Survey came out last Friday and dropped significantly, below expectations. This drop mirrors what we saw with the Conference Board Consumer Confidence Index indicators a couple of weeks ago. Lower consumer sentiment and jobless claims may be red flags that bear watching quite closely.

Also in the University of Michigan Consumer Confidence Survey, 1-year inflation expectations rose from 3.2% to 3.5%. These consumer inflation expectation reports are often highly correlated to oil and gas price increases—which had been rising from the conflict in the Middle East, although they have dropped in the futures markets in recent days. The higher gas prices also likely weighed on the consumer sentiment drop.

This upcoming week is quite critical on the data front. On Wednesday, we will receive both retail sales and the Consumer Price Index (CPI) reports. Expectations are for headline CPI to be 3.4% over the last 12 months, which is down from 3.5%, and for the core CPI to be 3.6%, down from 3.8%. A hotter than expected CPI could create more downside risk for stocks and bonds.

I'd like to see the Federal Reserve (Fed) cutting rates as soon as July, but the Fed will be data dependent. Thus, this is a very big week for the markets if data differs from expectations.

Glossary

Conference Board Consumer Confidence Index: The monthly Consumer Confidence Survey®, based on a probability-design random sample, is conducted for The Conference Board by Nielsen, a leading global provider of information and analytics around what consumers buy and watch. The Conference Board is a global, independent business membership and research association working in the public interest.

Consumer Price Index (CPI): A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. Core CPI excludes food and energy costs.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States.

Futures market: An auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date.

University of Michigan Consumer Sentiment Index: A consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in December 1966. Each month at least 500 telephone interviews are conducted of a contiguous United States sample. Fifty core questions are asked.

Past performance is not indicative of future results. You cannot invest in an index.

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