



## The Bull Market is Still Intact

Tuesday, 5/28/2024

Last week brought a mixture of economic reports that provided reassurance following the prior week's economic disappointments. Encouraging claims data and strong durable goods reports in April eased some of my nervousness from the prior week's disappointing housing starts and new home sales figures. Gross domestic product (GDP) for this quarter is now projected to be in the low three's, which is above the Federal Reserve's (the Fed's) and most economists' year-end target.

NVIDIA's earnings seemed to monopolize the market's attention, overshadowing other stocks following another strong report. This report caps off another strong earnings season, especially in light of the light GDP growth in Q1.

In terms of monetary policy, the recent Federal Open Market Committee (FOMC) minutes indicated that some members discussed the potential to raise rates, which understandably caused market jitters. However, that discussion should not have surprised close listeners to Powell's remarks. Powell discussed his stance as not believing raising rates was appropriate, even if he did not deny that a discussion occurred. My view remains that rate cuts should still occur by the end of this year—with inflation data that should be coming down.

A positive development is the noticeable decrease in commodity prices, such as oil, which is down about 10% from its high. This drop should eventually reflect in broader economic indicators and help moderate future inflation readings. Also, our analysis of the New Tenant Rent Index developed by the Bureau of Labor Statistics (BLS) confirms our own index and indicates that there were no significant rental increases over last year. As we have noted, this is contrary to the official BLS reports that are used in the Consumer Price Index (CPI) measure. This discrepancy should correct over time and could lead to rate cuts sooner rather than later.

Looking ahead, it is a light week for data until we get to the official employment reports next week. In summary, last week brought some stability back to the economic data and a comforting tempering of commodity prices that continues grounds for cautious optimism. The bull market is still intact.

## Glossary

**Commodity:** A raw material or primary agricultural product that can be bought and sold.

**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 Open Market Committee (FOMC):** The branch of the Federal Reserve Board that determines the direction of monetary policy.

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

**Gross domestic product (GDP):** The sum total of all goods and services produced across an economy.

**Inflation:** Characterized by rising price levels. Core inflation excludes the impact of food and energy. Headline inflation is a measure of the total inflation in an economy, including the prices of food, energy, and other wholesale products that households use daily.

**New Tenant Rent Index:** Measures prices renters would face if they changed housing units every period.

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

Professor Jeremy Siegel is Senior Economist to WisdomTree. This material contains the current research and opinions of Professor Siegel, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.