

5/13/2024

The Week Ahead

THINGS TO WATCH

-APRIL INFLATION TRENDS: Investors will be dialed in to this week's consumer price index (CPI) and producer price index (PPI) data for April after Friday's upside surprise (3.5% vs. 3.2%) in consumers' one-year inflation expectations in the University of Michigan's preliminary May sentiment index. Tomorrow morning, year-over-year PPI is projected to have ticked up to 2.2% in April from 2.1% in March. According to the median estimate in a Bloomberg survey, the April CPI reading (released Wednesday morning) is expected to be 0.4% for the second straight month. The annual rate of change in CPI is likely to have ticked down to 3.4% in April from 3.5% the prior month based on the same survey.

-HOME DEPOT: Tomorrow morning, Home Depot's (HD) quarterly results are projected to include a 2%-4% decline in same-store-sales (SSS) amid a challenging environment for retail home improvement spending on big-ticket items including new appliances. Investors will be looking for an update from HD management on the timeline for closing the recent \$18 billion acquisition of SRS Distribution.

-WALMART: On Thursday morning, Walmart (WMT) is expected to report SSS growth of 4%-5% in its January-April quarter. The hypermarket retailer could be poised to report a fourth straight quarter of gross margin expansion amid continued inventory progress and customers' increasing preference for cheaper, higher-margin private label items.

-DEERE: Agricultural and turf equipment maker Deere & Co. (DE) is expected to report sales declined 11% to \$13.28 billion when it releases fiscal 2Q24 results pre-market Thursday. The challenging combination of elevated dealer inventories and suppressed corn and soybean crop prices likely pressured its top line in recent months. Despite recent headwinds, the company's evolving business model toward a higher percentage of recurring services and aftermarket revenue is likely to reduce sales volatility and support profit margins moving forward.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
Consumer Credit (\$ billion)	6.27	3.21	▲
Continuing Jobless Claims (Thousands)	1,785	1,813	▼
U. of Mich. Consumer Sentiment	67.4	76.9	▼
U. of Mich. 1-year Inflation Expectations	3.5%	3.0%	▲
U. of Mich. 5-10 year Inflation Expectation	3.1%	2.9%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	39512.84	2.20%	5.48%	20.33%
NASDAQ	16340.87	1.17%	9.12%	33.91%
S&P 500	5222.68	1.89%	10.03%	28.21%
MSCI EAFE	2325.37	1.80%	6.62%	12.82%
BB U.S. Aggregate	2124.32	0.05%	-1.87%	-0.08%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	5.40%	5.40%	5.20%
10-Year Treasury	4.50%	4.54%	3.44%

REPORTS DUE THIS WEEK	LATEST
Consumer Price Index (Y/Y)	3.5%
Core Consumer Price Index (Y/Y)	3.8%
Producer Price Index (Y/Y)	2.1%
Retail Sales (M/M)	0.7%
Housing Starts (Millions Annualized)	1.32

Total returns are as of 5/10/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

3.5%

The average rate of U.S. inflation expected over the next year by respondents to the University of Michigan's preliminary sentiment index for May (released last Friday morning). The reading was a 6-month high and above the median estimate of 3.2% in a Bloomberg survey of forecasters. The data put some upward pressure on Treasury yields Friday and caused the S&P 500 to pare early morning gains as the index seemed poised to make a run at its all-time closing high of 5,254 on March 28.

17.8 million

The number of active users reported by point-of-sale financing platform Affirm Holdings (AFRM) last week as part of its fiscal 3Q24 results, up 18% from one year ago. AFRM's transactions per active users have risen 70% to 4.6 over the last two years. Its partnerships with Shopify (SHOP) and Amazon (AMZN) have led to increased market share in the "Buy-Now-Pay-Later" (BNPL) channel. BNPL providers typically provide interest-free short-term financing and take a cut of the purchase price of the item sold.

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