



Weekly Recap

The holiday shortened week began with U.S. equities under pressure – the main catalyst being last week’s hotter-than-expected January CPI print. However, one month’s worth of data is not expected to be a significant deterrent in the broader disinflation narrative. All major U.S. stock indexes recorded weekly gains, following Nvidia Corp.’s remarkable earnings report. Artificial intelligence (AI) enthusiasm has continued to provide a broader tech tailwind and reintroduced index concentration concerns. The big tech rally enabled the S&P 500 to touch the 5,100-mark Friday morning before retreating. The January FOMC minutes were released mid-week with unsurprising conclusions. Most officials emphasized the risks associated with cutting rates too soon, while others highlighted the downside risks of higher rates for an extended period. Slowing of quantitative tightening (QT) will likely be the focus of the March meeting, in combination with a continued debate on the timing of Fed fund rate cuts. Initial jobless claims came in the lowest since early January at 201k, below 216k expected and 212k prior. Continuing claims were also lighter than surveyed at 1862k. The S&P Global U.S. PMI data was mixed with manufacturing above consensus at 51.5 (strongest read since September 2022), while services was below at 51.3. Existing home sales grew by 3.1% month-over-month to 4000k, ahead of 3980k expected. In all, the labor market remains resilient, there is modest growth in services activity, and a decline in mortgage rates likely contributed to the increase in home sales. Next week, there will be more inflation data with the release of the personal consumption expenditures (PCE) which is the Fed’s preferred inflation gauge.

Key Thought for The Week

On Wednesday, the FOMC minutes were released from the January 31<sup>st</sup> meeting and were consistent with Fed Chair Jerome Powell’s tone at the post-meeting press conference and the changes implemented within the policy statement. The Fed remains hawkish with their messaging given the upside risk to inflation if the FOMC was to commence cutting rates too soon. The Fed’s stance to keep rates higher for longer was underscored by stronger than expected CPI and PPI prints from January, both of which hit the tape after the Fed meeting. Fed Governor Bowman is on record saying that the time for rate cuts is “certainly not now” while Richmond Fed President Barkin iterated that January’s inflation data “definitely did not make things easier. It made things harder.” With all that stated, the implied probability of a March rate cut is now 2.0%, according to Bloomberg. Additionally, odds of a cut in May have been reduced to less than 30% as of late Thursday, down from 96.9% at the beginning of February. What has this meant for the rate environment? Since the beginning of February, yields have backed up rapidly across the entire U.S. Treasury yield curve. The 2Y yield at 4.69% is up 48 basis points (bps), while the 10Y has increased 34 bps to 4.25%.

2/23/2024	Wk Net	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
<b>STOCKS</b>	Close	Change	Change	Yield	Change
DJIA	39,131.53	503.54	1.30	1.88	3.83
S&P 500	5,088.80	83.23	1.66	1.40	6.69
NASDAQ	15,996.82	221.17	1.40	0.73	6.56
S&P MidCap 400	2,858.02	29.72	1.05	1.61	2.75
EAFE	2,279.59	22.38	0.99	3.04	1.94
Emerging Market	1,029.44	13.21	1.30	2.59	0.56

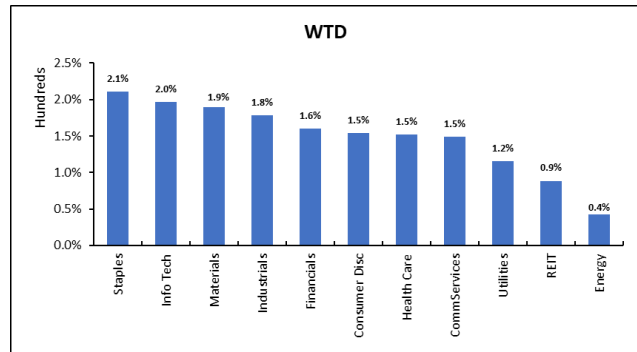
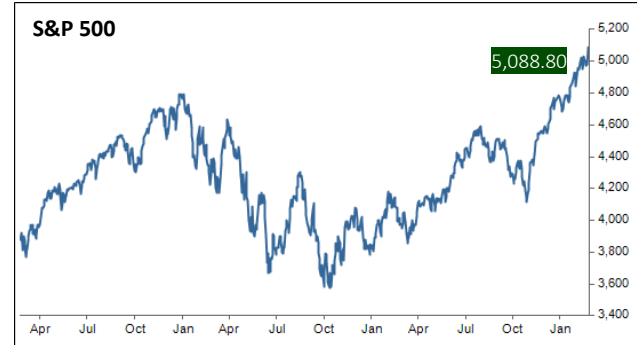
TREASURIES	Yield	FOREX	Price	% Change
1-Year	5.00	USD/EUR	1.08	0.41
2-Year	4.69	JPY/USD	150.52	-0.21
5-Year	4.28	USD/GBP	1.27	0.54
10-Year	4.25	CAD/USD	1.35	-0.16
30-Year	4.36			

Source: FactSet/Bloomberg

Sector - Large Cap	Wk Net Change	WTD	MTD	QTD	YTD
<b>Defensive</b>					
Staples	793.18	16.36	2.1%	2.6%	4.0%
Health Care	1,720.80	25.68	1.5%	5.2%	8.2%
CommsServices	274.75	4.02	1.5%	6.5%	11.7%
<b>Eco Sensitive</b>					
Consumer Disc	1,461.27	22.16	1.5%	6.8%	3.0%
Energy	652.35	2.76	0.4%	2.5%	1.9%
Industrials	1,016.05	17.77	1.8%	6.3%	5.3%
Info Tech	3,721.99	71.78	2.0%	5.4%	9.6%
Materials	546.67	10.18	1.9%	5.5%	1.3%

Interest Rate Sensitive	Wk Net Change	WTD	MTD	QTD	YTD
Financials	669.07	10.52	1.6%	3.8%	6.8%
Utilities	313.42	3.57	1.2%	0.4%	(2.6%)
REIT	242.95	2.13	0.9%	1.4%	(3.4%)

COMING UP NEXT WEEK		Consensus	Prior
02/26 New Home Sales SAAR	(Jan)	695.0K	664.0K
02/27 Durable Orders SA M/M (Preliminary)	(Jan)	-3.2%	-0.01%
02/27 Consumer Confidence	(Feb)	111.9	114.8
02/28 GDP Chain Price SAAR Q/Q (2 <sup>nd</sup> Preliminary)	(Q4)	1.5%	1.5%
02/28 GDP SAAR Q/Q (2 <sup>nd</sup> Preliminary)	(Q4)	2.4%	3.3%
02/29 Personal Consumption Expenditure SA M/M	(Jan)	-	0.70%
02/29 Personal Income SA M/M	(Jan)	0.40%	0.30%
02/29 Chicago PMI SA	(Feb)	46.6	46.0
03/01 ISM Manufacturing SA	(Feb)	48.5	49.1
03/01 Michigan Sentiment NSA (Final)	(Feb)	79.6	79.6



Russell Style Return

WTD	Value	Blend	Growth
Large	1.41%	1.55%	1.65%
Medium	1.19%	1.05%	0.74%
Small	(0.99%)	(0.77%)	(0.55%)

YTD	Value	Blend	Growth
Large	3.49%	6.59%	9.24%
Medium	1.87%	3.00%	5.74%
Small	(2.81%)	(0.38%)	2.17%