



### Weekly Recap

The week's major news was Thursday's December Consumer Price Index (CPI) report. Generally, consumer inflation was modestly hotter than expectations for the period, but not sufficiently strong enough to derail the equity markets narrative of Federal Reserve Fed fund rate cuts later this spring. Headline CPI came in at 3.4% year-over-year (y/y), exceeding consensus estimate of 3.2%. Core inflation, which excludes the volatile food and energy components, was up 3.9% y/y, which was slightly above the consensus estimate of 3.8%. New vehicle and apparel prices drove goods prices higher. The labor market remains strong with initial and continuing jobless claims beating expectations with 202k and 1,834k claims, respectively. Labor market data has consistently supported the narrative of a soft or no-landing economic scenario for 2024. The larger banks and asset managers kicked off the fourth-quarter earnings season this week with mixed results, as earnings were weaker than consensus estimates due to regulatory charges and pressure on margins. According to FactSet, earnings for the S&P 500 are expected to grow 1.4% y/y in the fourth quarter, which will be the second consecutive quarter of positive earnings growth. Equity indexes bounced back last week with growth indexes, such as the Nasdaq 100, especially strong. After selling off to start the year, market leadership returned to technology, communication services, and consumer discretion names last week. Bond yields were modestly lower after a choppy week of trading in the bond market.

### Key Thought for The Week

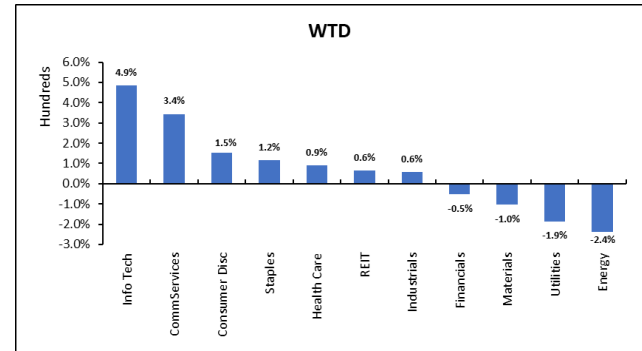
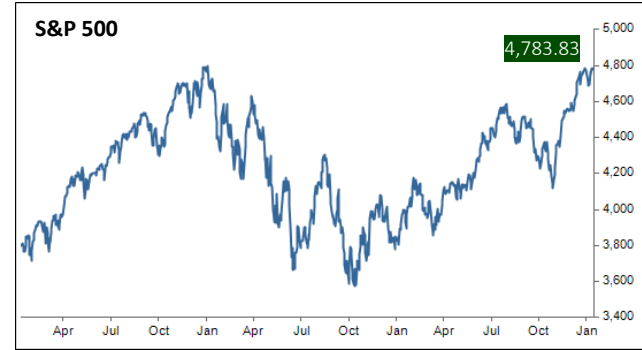
In 2023, the Merrill Lynch Option Volatility Estimate (the MOVE Index), a yield curve-weighted index of implied volatility on 1-month Treasury options, decreased from 51.4% peak to trough between March 15<sup>th</sup> and September 15<sup>th</sup>. But despite the massive volatility in interest rates, the 10-year U.S. Treasury Note yield ended 2023 at 3.88% which is exactly where it ended its 2022 campaign. The 2-year Note yield dropped 17.8 basis points (bps) to approximately 4.25%, which steepened the yield spread between the two benchmark tenors to -37 bps. While the shape of the yield curve remained inverted, it did feel like a step in the right direction as cooling inflation began to indicate the eventual easing of monetary policy by the U.S. Federal Reserve. Forecasting the path of interest rates is a difficult task, and by most accounts, research suggests that predictions of higher or lower interest rates by market experts yields (pun intended) results that are consistent with nothing more than a coin flip. The yield curve in 2024 is facing many headwinds, including potential Fed interest rate cuts, balance sheet run off, tight labor conditions, and geopolitical risks, to name just a few. Right now, it is anyone's guess where the 10-year yield closes the year, but oddly enough Bloomberg's forward curve matrix is forecasting 3.99%, exactly where it was at the time of this writing.

	1/12/2024	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
<b>STOCKS</b>	Close					
DJIA	37,592.98	126.87	0.34	1.96	-0.26	9.95
S&P 500	4,783.83	86.59	1.84	1.48	0.29	20.10
NASDAQ	14,972.76	448.69	3.09	0.78	-0.26	36.10
S&P MidCap 400	2,728.63	16.13	0.59	1.70	-1.90	6.24
EAFE	2,203.90	-3.84	-0.17	3.16	-1.44	6.88
Emerging Market	994.75	-7.33	-0.73	2.72	-2.83	-2.31
				Wk % Change		
<b>TREASURIES</b>	Yield			Price		
1-Year	4.67			USD/EUR	1.09	0.05
2-Year	4.15			JPY/USD	144.91	-0.19
5-Year	3.84			USD/GBP	1.27	0.20
10-Year	3.95			CAD/USD	1.34	-0.31
30-Year	4.18					

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	771.38	8.83	1.2%	1.2%	1.2%	1.2%
Health Care	1,637.75	14.43	0.9%	3.0%	3.0%	3.0%
CommServices	251.52	8.37	3.4%	2.2%	2.2%	2.2%
<b>Eco Sensitive</b>						
Consumer Disc	1,390.05	20.89	1.5%	(2.0%)	(2.0%)	(2.0%)
Energy	631.77	-15.46	(2.4%)	(1.3%)	(1.3%)	(1.3%)
Industrials	949.41	5.41	0.6%	(1.6%)	(1.6%)	(1.6%)
Info Tech	3,417.85	158.37	4.9%	0.6%	0.6%	0.6%
Materials	526.40	-5.54	(1.0%)	(2.5%)	(2.5%)	(2.5%)
<b>Interest Rate Sensitive</b>						
Financials	625.08	-3.35	(0.5%)	(0.2%)	(0.2%)	(0.2%)
Utilities	321.70	-6.14	(1.9%)	(0.1%)	(0.1%)	(0.1%)
REIT	248.37	1.57	0.6%	(1.3%)	(1.3%)	(1.3%)

	COMING UP NEXT WEEK	Consensus	Prior
01/16	Empire State Index SA	(Jan)	-5.0 -14.5
01/17	Retail Sales Ex Auto Fuel SA M/M	(Dec)	0.20% 0.56%
01/17	Retail Sales SA M/M	(Dec)	0.40% 0.30%
01/17	Business Inventories SA M/M	(Nov)	-0.10% -0.10%
01/18	Housing Starts SAAR	(Dec)	1,450K 1,560K
01/18	Philadelphia Fed Index SA	(Jan)	-7.5 -12.8
01/19	Existing Home Sales SAAR	(Dec)	3,820K 3,820K
01/19	Michigan Sentiment NSA (Preliminary)	(Jan)	67.8 69.7



### Russell Style Return

	WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large		(0.28%)	1.82%	3.66%		(0.62%)	0.17%	0.84%
Medium		(0.01%)	0.66%	2.29%		(1.64%)	(1.52%)	(1.24%)
Small		(0.61%)	0.00%	0.65%		(3.85%)	(3.73%)	(3.61%)

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