February 9, 2024

Weekly Recap

Equity markets rallied for the third week in a row, with the S&P 500 gaining 1.37%, and the Nasdaq and Dow Jones gaining 2.31% and 0.04%, respectively. The positive sentiment stemmed from expectations of the Federal Reserve (Fed) remaining on hold with rate hikes, despite strong economic data like the robust January jobs report. However, Chair Powell's hawkish stance on inflation suggests rate cuts in March are unlikely, potentially leading to future volatility. Treasury yields generally rose across the curve on the heels of the higher-than-expected payrolls data that came out last Friday, which led to a major sell off in Treasuries. The 10-year Treasury yield ended the week at 4.18%, up 15 basis points from last week. The January jobs report surprised with its strength, adding 353,000 jobs, and revising previous months upwards. This reinforces the Fed's resolve to maintain its current stance on inflation control. Additionally, wage growth picked up to 4.5% year-over-year, raising concerns about potential inflationary pressures, as underlying economic data and Powell's comments suggest a wait-and-see approach. Despite this, the S&P 500 continues to push towards all-time highs and eclipsed the 5,000 mark to end the week, marking an impressive milestone for the index. Investors remain cautiously optimistic, balancing hopes of a soft landing against potential inflationary headwinds. All eyes will be on CPI next week to gauge where the fight against inflation stands.

Key Thought for The Week

Economic data reinforces the narrative of a growing and stable economy despite elevated interest rates that may remain higher for a more extended period than the market expects. Indeed, the narrative of a successful economic soft landing continues to be supported by improving economic releases. The term “good news is bad news,” coined by traders and investors to describe the theoretically inverse relationship between monetary policy and economic strength, has returned to the financial news. The yield on the U.S. 10-year Treasury peaked before the Treasury refunding announcement in November at 5.0%. A lighter supply of bonds and the Fed’s pivot on rates caused yields to decline to 3.9% by year-end. A robust labor market that continues to exceed economist expectations, improved manufacturing numbers, and solid consumer consumption have caused bond yields to back up again. 10-year Treasury yields are up over 30 basis points this year. So far, equity markets overall have not been negatively impacted by the move higher in bond yields, but selectively, several rate-sensitive sectors have experienced pressure. As the mid-March FOMC meeting approaches, traders will be laser-focused on all potential clues from Federal Reserve members regarding the direction of Fed policy and its effect on equity markets for the remainder of 2024. With equity valuations already stretched, continued "good" economic news that drives yield higher may be "bad" for the Fed and stock prices.

2/9/2024 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	38,671.69	17.27	0.04	1.90	2.61	14.75
S&P 500	5,026.61	68.00	1.37	1.42	5.38	23.16
NASDAQ	15,990.66	361.71	2.31	0.73	6.52	35.63
S&P MidCap 400	2,808.47	41.32	1.49	1.64	0.97	6.68
EAFE	2,222.57	-0.61	-0.03	3.10	-0.61	5.20
Emerging Market	997.54	9.33	0.94	2.66	-2.56	-2.63

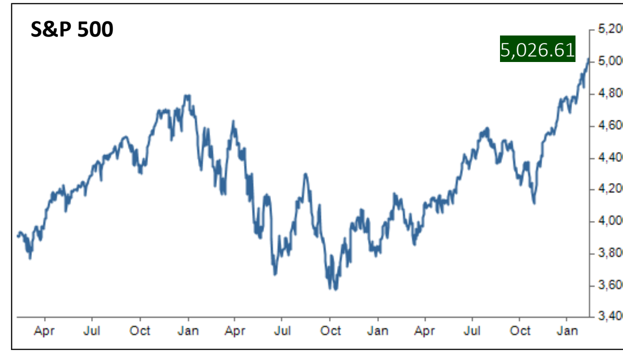
TREASURIES	Yield
1-Year	4.87
2-Year	4.48
5-Year	4.14
10-Year	4.18
30-Year	4.37

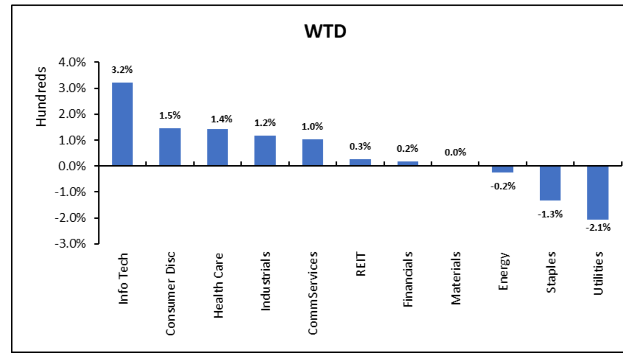
FOREX	Price	Wk % Change
USD/EUR	1.08	-0.04
JPY/USD	149.29	-0.61
USD/GBP	1.26	-0.02
CAD/USD	1.35	0.02

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	775.65	-10.44	(1.3%)	0.4%	1.7%	1.7%
Health Care	1,678.00	23.66	1.4%	2.6%	5.5%	5.5%
CommServices	275.17	2.79	1.0%	6.7%	11.9%	11.9%
Eco Sensitive						
Consumer Disc	1,450.31	20.76	1.5%	6.0%	2.3%	2.3%
Energy	635.81	-1.54	(0.2%)	(0.1%)	(0.7%)	(0.7%)
Industrials	989.85	11.41	1.2%	3.6%	2.6%	2.6%
Info Tech	3,742.20	116.28	3.2%	6.0%	10.2%	10.2%
Materials	524.12	0.10	0.0%	1.1%	(2.9%)	(2.9%)
Interest Rate Sensitive						
Financials	649.17	1.16	0.2%	0.7%	3.6%	3.6%
Utilities	305.72	-6.49	(2.1%)	(2.0%)	(5.0%)	(5.0%)
REIT	241.26	0.61	0.3%	0.7%	(4.1%)	(4.1%)

COMING UP NEXT WEEK		Consensus	Prior
02/13 CPI ex-Food & Energy SA M/M	(Jan)	0.30%	0.30%
02/13 CPI ex-Food & Energy NSA Y/Y	(Jan)	3.8%	3.9%
02/13 CPI NSA Y/Y	(Jan)	2.9%	3.4%
02/15 Philadelphia Fed Index SA	(Feb)	-15.0	-10.6
02/15 Retail Sales ex-Auto SA M/M	(Jan)	0.30%	0.40%
02/15 Retail Sales SA M/M	(Jan)	-0.10%	0.60%
02/15 Industrial Production SA M/M	(Jan)	0.20%	0.10%
02/16 Housing Starts SAAR	(Jan)	1,455K	1,460K
02/16 PPI SA M/M	(Jan)	0.10%	-0.10%
02/16 Michigan Sentiment NSA (Preliminary)	(Feb)	80.0	79.0





Russell Style Return

WTD	Value	Blend	Growth
Large	0.14%	1.49%	2.58%
Medium	0.56%	1.26%	2.92%
Small	1.36%	2.44%	3.53%

YTD	Value	Blend	Growth
Large	1.09%	5.24%	8.78%
Medium	(0.19%)	1.25%	4.72%
Small	(3.19%)	(0.76%)	1.78%

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