

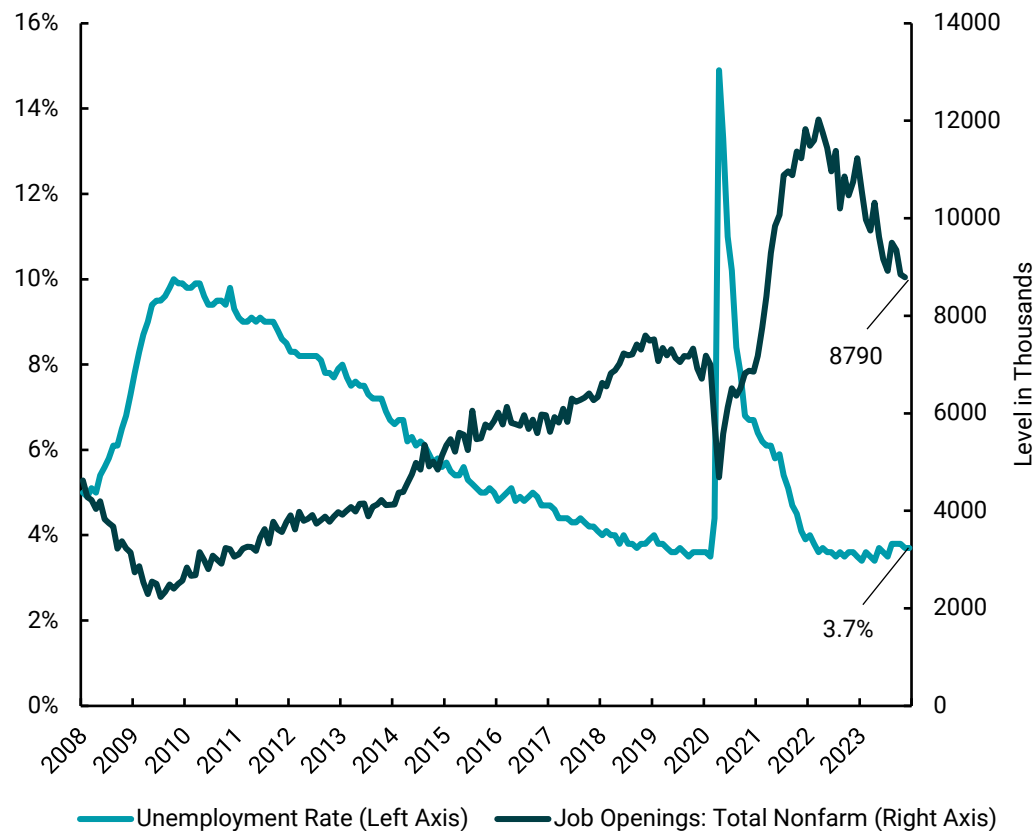
Weekly market update



Chart of the week (Jan. 05, 2024)

Unemployment Rate and Job Openings

Monthly, Seasonally Adjusted



In an economy supported primarily by consumer spending, consumer health becomes paramount. A broad array of factors influence consumers, like inflation, but the primary influence is the job market. Consumers with jobs are much healthier, from an economic sense, than those without a job. And so, not surprisingly, data around employment plays a key role in our outlook.

There are multiple reports which provide insight into the job market. For example, every week, we get data on new jobless claims and continuing jobless claims. High-frequency data, such as these, can be important as we try to identify shifts in trends, but it can be volatile. Then, every month, we get reports on the Job Opening and Labor Turnover Survey (JOLTS), which gives us information on the number of new jobs and new hires, along with how many people are quitting their jobs. On the first Friday of each month, we get the Department of Labor’s (DOL) report, which gives us information on new hires, hours worked, labor force participation, and wages. In general, the monthly DOL labor report is viewed as the most comprehensive look into the job market.

This week’s chart combines information from the JOLTS report, and the DOL employment report released on January 5. A key part of our outlook for the economy is jobs. A key part of the inflation outlook is wages. Thinking about the balance of labor supply versus labor demand can give us an idea of what we might expect as we think about labor costs going forward. The dark line on the chart represents the number of open jobs in the JOLTS report, while the lighter line represents the headline unemployment rate in the monthly DOL report.

We can clearly see the impact of the pandemic, as well as the rapid recovery from an unemployment rate that spiked to over 15%. As companies realized business was going to return, demand for workers spiked and job openings went above pre-pandemic levels. At one point, there were roughly two open jobs for every unemployed person in the U.S. This was an environment where demand for labor was so high it sparked significant wage gains. Competition for workers between companies was fierce, and inflation surged higher.

Of course, wages are not the only input to the inflation equation. Over the last few months, we have seen a welcome easing of inflationary pressures. Still, when thinking in the longer term, the Fed is paying attention to wages, and within this month’s DOL report, average hourly earnings were up a bit more than expected. We continue to expect inflation pressures to ease in the coming months. Nevertheless, before the Fed can claim “mission accomplished” on getting inflation back to its 2% target, we will want to see the labor market continue to normalize. If we can do this without seeing unemployment rise materially, it would be a huge win for the Fed, the economy and U.S. consumers.

Weekly market update



Commentary (Jan. 05, 2024)

Domestic Equities

- U.S. stocks closed the first week of 2024 with losses, giving back some of the gains from a strong 2023 finish. The tech-heavy Nasdaq Composite Index fell more than 3%, about twice as much as the S&P 500 Index. The Russell 2000 Index, which outperformed in the fourth quarter, fell over 4% for the week.
- Investors entered the year a bit cautious that valuations may be stretched due to lofty expectations for rate cuts this year. Futures indicate expectations for six cuts in 2024 beginning in March, but Federal Reserve officials forecast roughly three cuts for the year.
- The jobs report out Jan. 5 was received as a “Goldilocks” scenario and sparked a rally. The overall picture of the report shows the jobs market maintaining a healthy tempo but not heating up in an inflationary way. Almost 60% of private industries added workers, a healthy breadth.

Bonds

- U.S. Treasury yields moved higher off recent lows on stronger-than-expected employment data and retreating rate hike expectations.
- The broad investment grade market, as measured by the Bloomberg US Aggregate Bond Index, was negative for the week, with higher rates and widening corporate and securitized spreads weighing on returns.
- Municipal bonds outperformed taxable bonds, with the Bloomberg Municipal Bond Index generating a positive return for its tenth consecutive week.
- Developed market bonds moved lower as investors paired back rate-cut expectations on higher Eurozone inflation and stronger-than-expected global PMI data. Local currency-denominated bonds were further weighed down by a strengthening U.S. dollar. Most notably, the Japanese Yen experienced its biggest sell-off since 2020 after traders tempered rate hike expectations following the Jan. 1 earthquake.

International Equities

- Global stock markets faced a gloomy start to the new year as geopolitical tensions continued to rise in the Middle East. At the same time, investors worked to digest mixed economic data and its impact on economic growth.
- Foreign developed markets traded lower this week as European stock markets fell amid somber economic news. Eurozone factory activity continued to deteriorate, suggesting that the region’s economy is facing a sustained decline in manufacturing activity and demand for manufactured goods.
- Emerging markets stocks also dropped this week as Asian and Latin American markets stumbled. India’s economy appears to be on solid ground as its services Purchasing Managers Index (PMI) hit a three-month high of 59, the 29th consecutive month above 50, which suggests the country continues to benefit from favorable economic conditions.

Economics

- The Bureau of Labor Statistics (BLS) reported total nonfarm payroll employment increased by 216,000 in December, totaling 157 million. Monthly gains were highest in the government, health care and social assistance sectors. The unemployment rate (U-3) was unchanged at 3.7%.
- Additionally, the BLS Job Openings and Labor Turnover Survey (JOLTS) indicated that job openings declined slightly to 8.8 million. Separations were 5.3 million, with quits declining to 3.5 million and layoffs and discharges totaling 1.5 million.
- Weekly initial claims for unemployment insurance declined by 18,000 for the week ending Dec. 30, totaling 202,000. Continuing claims for the week ending Dec. 23 were 1.86 million.
- The Consumer Price Index will be released on Thursday.

Weekly Market Update

For Week Ending January 05, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	37,466.11	-0.6%	-0.6%	16.3%
S&P 500 Index	4,697.24	-1.5%	-1.5%	25.4%
NASDAQ Composite	14,524.07	-3.2%	-3.2%	42.1%
S&P 400 Midcap Index	2,712.50	-2.5%	-2.5%	13.6%
S&P 600 Smallcap Index	1,270.66	-3.6%	-3.6%	11.7%
MSCI EAFE	7,685.89	-1.3%	-1.3%	15.7%
MSCI Emerging Markets	522.66	-2.1%	-2.1%	4.5%
Bloomberg US Agg	2,136.02	-1.2%	-1.2%	3.5%
Bloomberg Municipal 5 Yr	487.82	-0.2%	-0.2%	3.7%
Bloomberg US Corporate	3,171.45	-1.5%	-1.5%	6.0%
Bloomberg Glb Agg ex US Hdg	561.93	-0.5%	-0.5%	6.9%
Bloomberg High Yield	2,452.17	-1.1%	-1.1%	10.9%
MSCI US REIT Index	2,115.30	-1.6%	-1.6%	11.5%
Bloomberg Commodity Index	226.64	0.1%	0.1%	-3.2%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	4.50%
3-Month Treasury	5.37%	5.33%	5.33%	4.59%
1-Year Treasury	4.83%	4.76%	4.76%	4.75%
2-Year Treasury	4.38%	4.25%	4.25%	4.46%
5-Year Treasury	4.01%	3.85%	3.85%	3.91%
7-Year Treasury	4.03%	3.88%	3.88%	3.82%
10-Year Treasury	4.05%	3.88%	3.88%	3.72%
30-Year Treasury	4.20%	4.03%	4.03%	3.79%

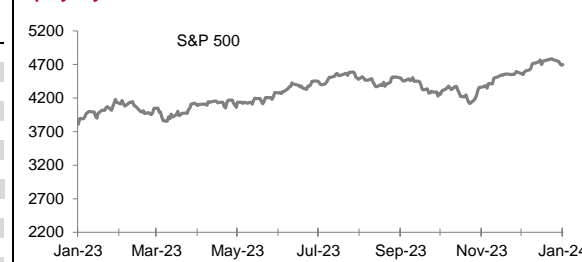
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.07%	6.99%	6.99%	5.83%
Prime Rate	9.25%	9.25%	8.50%	8.25%
SOFR	5.31%	5.38%	5.38%	4.31%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,045.45	2,062.98	2,062.98	1,832.89
Crude Oil (WTI)	73.81	71.65	71.65	72.27
Gasoline	3.08	3.12	3.12	3.29
Natural Gas	2.89	2.51	2.51	4.61
Copper	3.81	3.89	3.89	3.82

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.81	20.90	4.81	1.91
S&P 500	19.75	21.58	4.41	1.50
S&P 500 Value	15.73	18.96	3.01	2.38
S&P 500 Growth	25.66	24.44	7.40	0.71
NASDAQ	26.64	35.90	5.81	0.82
S&P Midcap 400	15.07	15.56	2.36	2.00
S&P Smallcap 600	14.76	14.06	1.79	1.74
MSCI EAFE	13.34	13.85	1.73	3.29
MSCI Emerging Markets	11.79	11.82	1.58	3.14

Source: Bloomberg

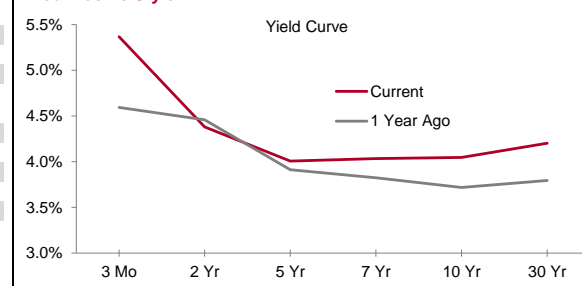
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	5.46	2.96	0.85	0.01	-1.50	-2.33
Mid	5.68	4.12	2.68	-2.06	-2.46	-2.84
Small	6.22	5.92	5.57	-3.51	-3.60	-3.68

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.65	0.89	2.29	-0.20	-0.57	-2.73
Corp	0.80	1.27	1.76	-0.25	-0.87	-2.84
HY	1.14	1.90	3.73	-0.48	-1.11	-1.55

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.1%	7.1%
CPI Core Inflation	4.0%	6.0%
Personal Consumption Exp (PCE) Core	3.2%	5.1%
Jobs		
Unemployment Rate (U3)	3.7%	3.5%
Broader Unemployment Rate (U6)	7.1%	6.5%
JOLT Survey (in millions)	8.79	10.75
Jobless Claims (000's)	202	206
Change in Non-Farm Payroll (000's)	216	239
Average Hourly Earnings (Y/Y % Change)	4.1%	4.8%
Consumer & Spending		
Consumer Confidence (Conf Board)	110.7	109.0
Consumer Spending (\$ Bil)	18,859	17,892
Consumer Credit (\$ Bil)	4,990	4,842
Retail Sales (\$ Bil)	706	678
Housing		
Housing Starts (000's)	1,560	1,427
Case-Shiller Home Price Index	312.95	298.71
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,491	21,851
Quarter over Quarter Change	4.9%	2.7%
Year Over Year Change	2.9%	1.7%
ISM Manufacturing	47.40	48.40
Capacity Utilization	78.79	80.26
Markit US Composite PMI	50.90	45.00
U.S. General		
Leading Economic Indicators	103.0	111.5
Trade Weighted Dollar Index	118.8	121.7
EUR / USD	1.09	1.05
JPY / USD	144.63	133.41
CAD / USD	0.75	0.74
AUD / USD	0.67	0.68

S&P 500 Sector Returns

	1 Month	YTD
Health Care	6.01%	2.10%
Utilities	3.72%	1.84%
Energy	2.81%	1.12%
Financials	5.58%	0.40%
Consumer Staples	3.05%	0.05%
Communication Services	5.08%	-1.12%
Materials	4.54%	-1.42%
Real Estate	4.35%	-1.90%
Industrials	3.78%	-2.15%
Consumer Discretionary	1.29%	-3.45%
Information Technology	-0.03%	-4.04%

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