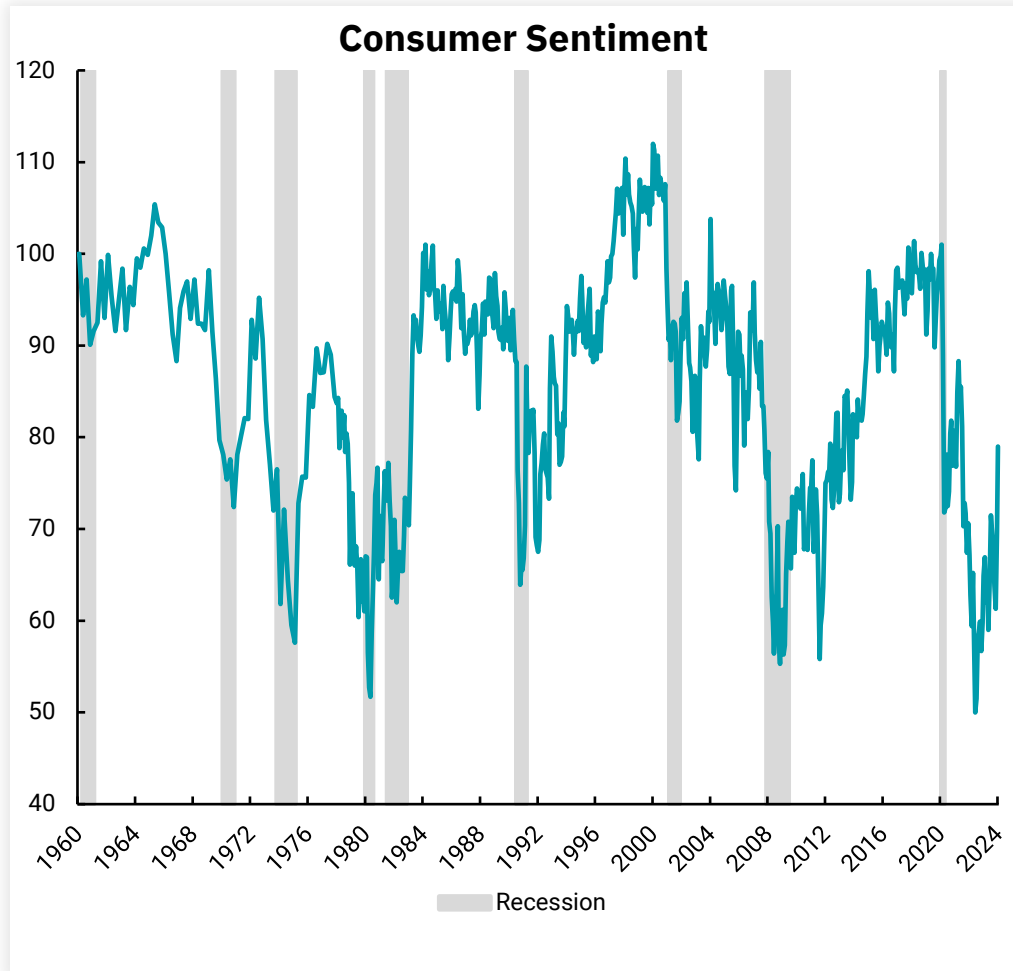


Weekly market update



Chart of the week (Feb. 09, 2024)



In addition to economic data reported by the government, such as the Department of Labor's monthly report on [employment](#) and [various inflation measures](#), we also follow some reports that attempt to measure business or consumer opinions. These surveys attempt to capture feelings about current conditions, as well as expectations for the economy and inflation. Expectations can be an important barometer because businesses and consumers often act based on how they feel. If the outlook is positive, we tend to see businesses willing to invest in growth and maintain or add to employment. Meanwhile, consumers who feel confident about the future are more likely to spend and make decisions to buy homes or automobiles. The opposite is true when expectations are poor.

This week's chart is a long-term view of the [University of Michigan Consumer Sentiment Index](#). As we can see, it goes back to 1960 and consists of a monthly survey of some 500 consumers who answer about 50 questions that cover three primary areas: their personal finances, business conditions and buying conditions. The people interviewed change over time, with each month's survey responses coming from new interviewees and about 40% from repeat interviewees. Since consumer spending makes up about two-thirds of gross domestic product (GDP), considering how consumers feel and what that might mean to spending has a history of foretelling future economic activity.

Within these broad areas, we can glean information that could impact the job market, as well as retailers' and consumers' feelings about factors like interest rates and inflation. A review of the chart also shows how recessions, indicated by the gray bars, tend to correlate with declines in survey readings. Interestingly, the survey is indexed to its beginning value in the 1960s. Readings have been measured as better or worse since that time. It seems they started the survey at a pretty good time in the economy, as since then, the survey has resided more at lower levels than at higher levels. More than the absolute level, however, it's the change in the index that provides the most insight. Looking to the right of the chart, we see a significant decline before a rebound over the last few months. Thinking about the economy in 2023, many economists were expecting the onset of a recession as the Federal Reserve was aggressively raising rates, the yield curve was inverted and, yes, the University of Michigan Consumer Sentiment survey was declining. All these factors have portended a period of economic weakness in the past, so small wonder recession expectations were high.

As inflation measures have receded and the job market has remained firm, we have seen a welcome rebound in consumer sentiment measures, with the survey for January surging 13% to its highest level since July of 2021. We are still about 7% below the average since 1978, so one would be correct in saying things are not great. Still, the improvement in sentiment provides insight to a consumer who is feeling a lot better today and expecting more in the coming months.

Weekly market update



Commentary (Feb. 09, 2024)

Domestic Equities

- The S&P 500 Index crossed 5000 for the first time on Friday. The index was up over 1% for the week, propelled by strong earnings.
- Earnings season is past its peak, with 65% of U.S. companies having reported. Over 75% of companies beat expectations, and forward estimates for 2024 and 2025 have inched higher.
- Although 90% of energy companies beat expectations, the sector is up only 1% for the year, and forward expectations have declined the most, down 6.4%. Communication services and tech were among the strongest sectors for the season and have outperformed year-to-date.
- Small caps continue to struggle relative to large caps. Only 65% of small companies are beating estimates so far this season, and forward estimates have come down slightly. The Russell 2000 Index is flat for the year.

Bonds

- U.S. Treasuries were lower on concerns over new issue supply and pushback from Fed Chair Powell on near-term rate cut expectations. The recent back-up in rates attracted buyers at the U.S Treasury's auctions this week, with the 3-, 10- and 30-year auctions receiving strong demand despite their record size.
- The broad investment-grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, was negative for the week, with higher rates weighing on returns, while narrowing spreads were a slight positive.
- High-yield bonds outperformed investment-grade credit for the second week in a row. Across the high-yield market, CCC-rated debt was the top-performing credit segment, along with credits in the transportation sector.
- Global bond yields rose with most central banks that met this week leaving rates unchanged and pushing back on near-term rate cut expectations.

International Equities

- Global stock markets moved higher as investors worked to digest a deluge of corporate earnings data while continuing to assess monetary policy actions from global central banks.
- Developed markets struggled to gain traction for the second straight week. Japanese stocks continued their impressive gains, while European markets turned in mixed results. European financials face headwinds as concerns mount over bank exposures to commercial property loans.
- Emerging markets rallied this week as key markets across Asia and Latin America rose. Chinese stocks rebounded this week as policymakers signaled the country will take more robust measures to support its economy and stock market. Meanwhile, China appears trapped in a deflationary cycle as consumer and producer prices fell in January.

Economics

- The Bureau of Economic Analysis reported that the trade deficit in December was \$62.2 billion, compared to \$61.9 billion in November. Exports rose 1.5%, totaling \$258 billion, while imports rose 1.3%, totaling \$320 billion.
- The Federal Reserve reported that consumer credit usage increased 0.4% in December, with most of the increase occurring in revolving credit, which rose 1%. Non-revolving credit rose 0.2% in the month.
- The Department of Labor reported initial claims for unemployment insurance for the week ending Feb. 3 were 218,000, a decrease of 9,000 from the prior week but above the four-week average of 212,250.
- The January Consumer Price Index (CPI) report will be released on Tuesday. The industrial production and retail sales reports will be released on Thursday. The January Producer Price Index (PPI) and the University of Michigan Index of Consumer Sentiment will be released on Friday.

Weekly Market Update

For Week Ending February 09, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	38,671.69	0.1%	2.7%	17.2%
S&P 500 Index	5,026.61	1.4%	5.5%	25.2%
NASDAQ Composite	15,990.66	2.3%	6.6%	36.8%
S&P 400 Midcap Index	2,808.47	1.5%	1.1%	8.5%
S&P 600 Smallcap Index	1,288.34	1.2%	-2.1%	4.0%
MSCI EAFE	7,750.52	0.1%	-0.4%	8.3%
MSCI Emerging Markets	519.40	0.8%	-2.7%	-0.3%
Bloomberg US Agg	2,130.21	-0.8%	-1.5%	1.9%
Bloomberg Municipal 5 Yr	486.82	-0.3%	-0.4%	2.0%
Bloomberg US Corporate	3,174.23	-1.0%	-1.5%	4.0%
Bloomberg Glb Agg ex US Hdq	560.23	-0.5%	-0.8%	5.4%
Bloomberg High Yield	2,484.10	0.1%	0.2%	9.4%
MSCI US REIT Index	2,076.88	0.2%	-3.4%	-0.7%
Bloomberg Commodity Index	223.91	0.4%	-1.1%	-5.3%

Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	5.50%	5.50%	5.50%	4.75%
3-Month Treasury	5.37%	5.36%	5.33%	4.73%
1-Year Treasury	4.86%	4.79%	4.76%	4.85%
2-Year Treasury	4.48%	4.36%	4.25%	4.48%
5-Year Treasury	4.14%	3.98%	3.85%	3.86%
7-Year Treasury	4.17%	4.00%	3.88%	3.78%
10-Year Treasury	4.18%	4.02%	3.88%	3.66%
30-Year Treasury	4.37%	4.22%	4.03%	3.73%

Consumer Rates

30-Year Mortgage	7.16%	7.06%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	8.50%
SOFR	5.31%	5.32%	5.38%	4.55%

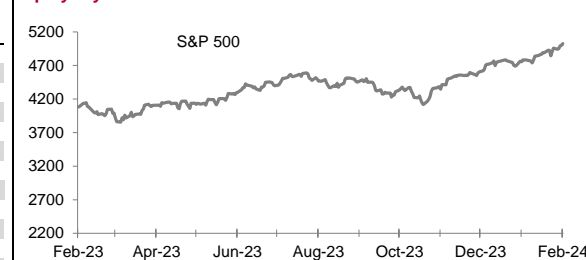
Commodities

Gold	2,024.26	2,039.76	2,062.98	1,861.78
Crude Oil (WTI)	76.84	72.28	71.65	74.28
Gasoline	3.18	3.15	3.12	3.43
Natural Gas	1.85	2.08	2.33	3.64
Copper	3.68	3.82	3.89	4.11

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.29	21.16	4.81	1.95
S&P 500	21.01	22.71	4.72	1.41
S&P 500 Value	16.11	19.16	3.04	2.37
S&P 500 Growth	27.85	26.33	8.25	0.63
NASDAQ	28.45	38.03	6.40	0.74
S&P Midcap 400	15.90	16.08	2.45	1.85
S&P Smallcap 600	15.15	14.14	1.80	1.74
MSCI EAFE	13.86	13.98	1.75	3.31
MSCI Emerging Markets	12.12	11.72	1.57	3.27

Source: Bloomberg

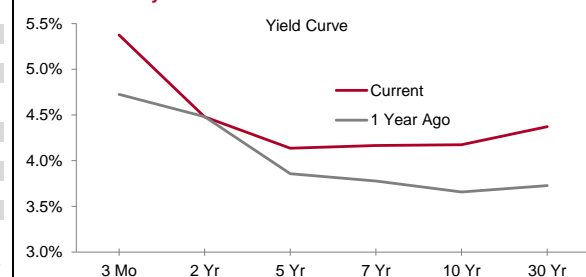
Equity Style



1 Month*			Year to Date*				
	Value	Core	Growth		Value	Core	Growth
Large	0.92	5.77	10.06	> 10%	1.04	5.52	9.44
Mid	-0.46	2.93	6.22	0% - 10%	-2.26	1.07	4.30
Small	-1.24	1.02	3.25	< 0%	-4.49	-2.15	0.19

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*				
	Short	Interm.	Long		Short	Interm.	Long
Govt	0.10	-0.26	-2.33	> 10%	0.01	-0.64	-4.58
Corp	0.34	-0.01	-1.47	0% - 10%	0.24	-0.56	-3.18
HY	0.76	0.82	1.15	< 0%	0.60	0.16	0.33

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.4%	6.5%
CPI Core Inflation	3.9%	5.7%
Personal Consumption Exp (PCE) Core	2.9%	4.9%
Jobs		
Unemployment Rate (U3)	3.7%	3.4%
Broader Unemployment Rate (U6)	7.2%	6.7%
JOLT Survey (in millions)	9.03	11.23
Jobless Claims (000's)	218	220
Change in Non-Farm Payroll (000's)	353	482
Average Hourly Earnings (Y/Y % Change)	4.5%	4.6%
Consumer & Spending		
Consumer Confidence (Conf Board)	114.8	106.0
Consumer Spending (\$ Bil)	19,002	17,944
Consumer Credit (\$ Bil)	5,010	4,894
Retail Sales (\$ Bil)	710	672
Housing		
Housing Starts (000's)	1,460	1,357
Case-Shiller Home Price Index	312.15	296.90
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,673	21,990
Quarter over Quarter Change	3.3%	2.6%
Year Over Year Change	3.1%	0.7%
ISM Manufacturing	49.10	47.40
Capacity Utilization	78.57	78.92
Markit US Composite PMI	52.00	46.80
U.S. General		
Leading Economic Indicators	103.1	111.0
Trade Weighted Dollar Index	121.2	118.3
EUR / USD	1.08	1.07
JPY / USD	149.29	131.59
CAD / USD	0.74	0.74
AUD / USD	0.65	0.69

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	11.09%	12.05%
Information Technology	11.53%	10.25%
Health Care	2.61%	5.69%
Financials	3.57%	3.90%
Industrials	4.56%	2.66%
Consumer Discretionary	4.27%	2.32%
Consumer Staples	0.91%	1.95%
Energy	1.21%	-0.50%
Materials	-0.76%	-2.84%
Real Estate	-2.87%	-4.06%
Utilities	-6.53%	-4.85%

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