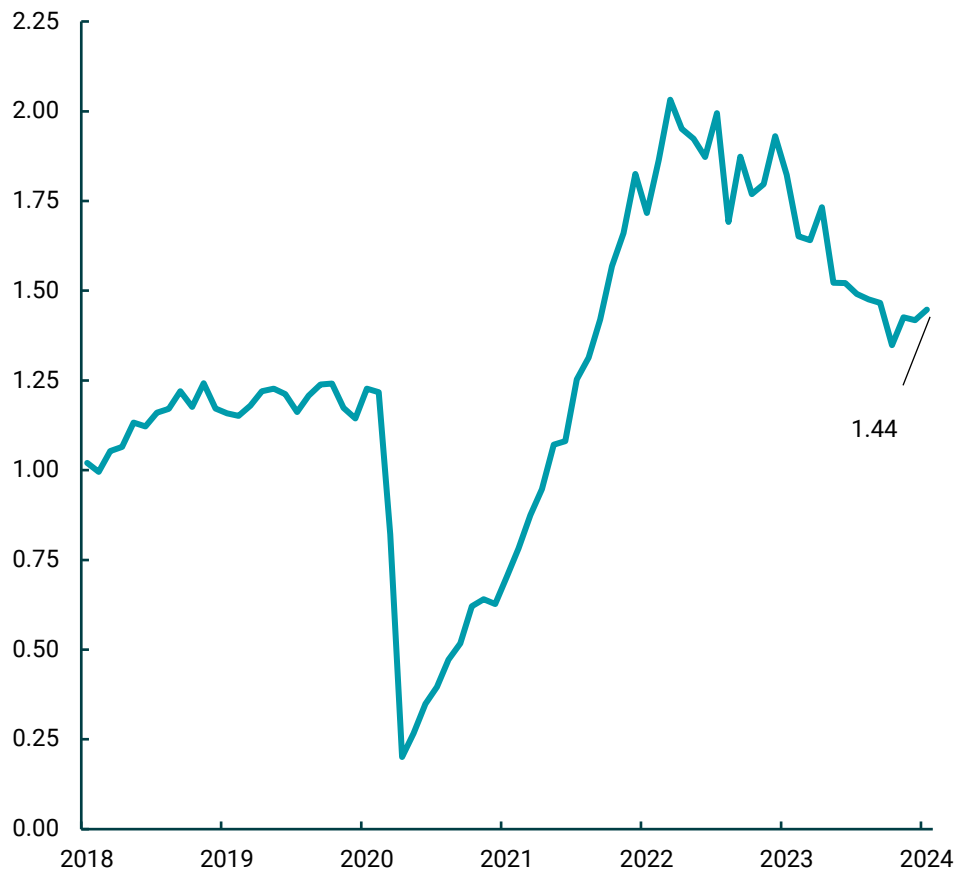


Weekly market update



Chart of the week (Mar. 08, 2024)

Ratio of U.S. Job Openings to Unemployed



The employment market plays a material part of our outlook for the economy, inflation, interest rates and Fed monetary policy. With roughly two-thirds of the U.S. economy driven by consumer spending, the first week of each month—when we get several job market data points—can set the tone for the capital markets. Let’s take a quick review of what we saw in the latest data.

The monthly employment report from the Department of Labor (DOL) provides the most comprehensive view of the labor market. Within that release, we see the overall unemployment rate, the number of new jobs for the month, wage information, the number of hours worked and the labor force participation rate.

January’s report rang some alarm bells, as job growth was very strong and wages advanced by a much stronger number than expected. The result was higher interest rates, as expectations for the Fed to begin lowering the Federal Funds rate were pushed further into the future. While other measures of inflation (and inflation overall) have trended lower, the Fed is keenly aware of the long-term nature of wage increases. This set the stage for this month’s employment report to be even more important.

The [February report](#) helped ease some fears of higher inflation. Average hourly earnings were only up by 0.1% (compared to having been up by 0.6% in January). Meanwhile, the number of new jobs in February was a still robust 275,000. January’s very high reading on jobs—at 353,000—also was revised lower, meaning that the two-month average of new jobs is closer to our original expectations. At the same time, we saw the workweek expand a bit, which is good, while the labor force participation rate was unchanged at 62.5%, which is neutral. The headline unemployment rate showed an increase of 0.2% to stand at 3.9%. The fact that it is below 4% extends a streak of low unemployment which we have not seen since the 1960s.

Our recent commentary has highlighted the path of the economy towards a “soft landing.” The consensus expectation as the Fed began to raise rates back in March 2022 was for the economy to slow and for unemployment to rise. However, as the Fed eventually raised rates to their current target of 5.25 to 5.5%, unemployment remained surprisingly stable. To date, the headline unemployment number has moved from 3.6% to only 3.9%, an incredibly resilient performance. Furthermore, as employment remained strong, helping to support consumers, we saw overall inflation fall.

This week’s chart gives some indication about how that has happened. In addition to the DOL report, we get a monthly report called the [Job Opening and Labor Turnover Survey](#), or JOLTS. Among the measures we see in this report are how many people are quitting their jobs and how many open jobs there are in the economy. We all know [how crazy the job market got](#) as we came through the pandemic, and the chart shows that the ratio of open jobs to unemployed persons reached unseen levels, peaking at two open jobs for every unemployed person. Since then, we have seen this trend lower. The lower number of open jobs to unemployed persons, along with fewer people quitting their jobs, indicates a labor market which is more balanced. The Fed needs to see this to be able to have more confidence in inflation getting sustainably to their 2% target, so they can begin to reduce interest rates.

Weekly market update



Commentary (Mar. 08, 2024)

Domestic Equities

- U.S. stocks were about flat for the week. The S&P 500 Index hit a record closing high on Thursday but declined Friday following the DOL jobs report.
- Investors were encouraged by Fed Chair Powell's testimony to Congress, in which he indicated the central bank was not far from being able to cut interest rates. Some analysts indicated that Friday's jobs report, which showed that the economy added more jobs than expected in February, supports the thesis that the Fed has curbed inflation without tipping the economy into a downturn. However, the unemployment rate ticked up, and wage growth declined. This could indicate an economic slowdown is coming, but it also increases the likelihood of rate cuts by mid-year.
- Costco shares hit a record high price on Thursday, then fell about 7% after its earnings report Friday showed that sales missed estimates.

Bonds

- U.S. Treasuries rallied on softer economic data and assurances from Fed Chair Powell that the Federal Reserve will begin cutting rates later this year. The belly of the curve experienced the biggest drop during the week, followed by yields at the long end, whereas Treasury bill yields were relatively flat.
- The broad investment-grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, was positive for the week, with the index benefitting from lower rates and narrowing spreads across corporate and securitized sectors.
- The Market CDX North American Investment Grade Index, a measure of perceived credit risk in the market, made a new low this week, breaking below 0.50% for the first time since December 2021.
- The European Central Bank (ECB) decided to keep policy rates unchanged at its Mar. 7 meeting, but President Lagarde hinted at a possible cut in June.

International Equities

- Markets rallied as investors remained fixated on interpreting comments from central bankers about the direction and timing of policy rate changes impacting the world's largest economies.
- Foreign developed markets posted gains for the seventh straight week as most markets across the Pacific and European regions moved higher. Germany, Europe's largest economy, reported that exports jumped at the beginning of the year, indicating that its industrial weakness might be easing. If the trend continues, it could ease concerns about Germany's economic growth outlook.
- Emerging markets reversed last week's losses as Asian semiconductor companies continued their upward momentum. Mexico's headline inflation slowed for the first time since October, increasing investor optimism that the country's central bank will start cutting rates later this month.

Economics

- The Bureau of Labor Statistics (BLS) reported that total non-farm payroll increased by 275,000 in February, well above the 12-month average of 230,000. Most of the monthly job gains occurred in the health care, government, food service and social assistance sectors. Despite the increase in employment, the unemployment rate rose by 0.2%, reaching 3.9%.
- Additionally, the Job Openings and Labor Turnover Summary (JOLTS) indicated job openings were 8.9 million in January, a decline of 26,000 from December. Separations declined by 78,000, totaling 5.3 million in January.
- The Federal Reserve reported that consumer credit increased at a seasonally adjusted annual rate of 4.7% in January as both revolving and non-revolving credit usage increased.
- The Consumer Price Index (CPI) will be released on Tuesday, and the Producer Price Index (PPI) and retail sales will be released on Thursday.

Weekly Market Update

For Week Ending March 08, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	38,722.69	-0.8%	3.2%	20.6%
S&P 500 Index	5,123.69	-0.2%	7.7%	30.4%
NASDAQ Composite	16,085.11	-1.1%	7.3%	40.1%
S&P 400 Midcap Index	2,952.39	1.5%	6.4%	16.1%
S&P 600 Smallcap Index	1,310.75	0.0%	-0.3%	8.5%
MSCI EAFE	8,233.85	2.5%	5.8%	17.8%
MSCI Emerging Markets	541.89	1.2%	1.5%	8.9%
Bloomberg US Agg	2,151.22	0.8%	-0.5%	5.1%
Bloomberg Municipal 5 Yr	488.99	0.3%	0.0%	4.2%
Bloomberg US Corporate	3,207.50	0.9%	-0.4%	7.6%
Bloomberg Glb Agg ex US Hdg	567.30	0.7%	0.4%	7.7%
Bloomberg High Yield	2,505.18	0.5%	1.0%	12.0%
MSCI US REIT Index	2,147.90	1.3%	-0.1%	6.5%
Bloomberg Commodity Index	227.28	0.9%	0.4%	-1.6%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	4.75%
3-Month Treasury	5.38%	5.37%	5.33%	4.98%
1-Year Treasury	4.93%	4.94%	4.76%	5.21%
2-Year Treasury	4.47%	4.53%	4.25%	5.07%
5-Year Treasury	4.05%	4.16%	3.85%	4.35%
7-Year Treasury	4.06%	4.19%	3.88%	4.20%
10-Year Treasury	4.07%	4.18%	3.88%	3.99%
30-Year Treasury	4.25%	4.33%	4.03%	3.89%

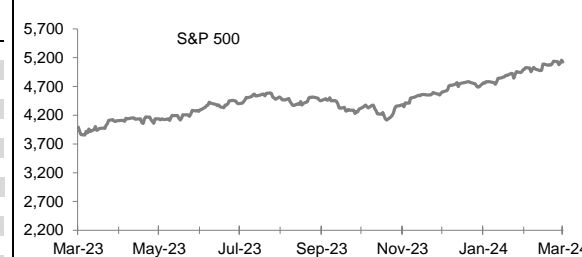
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.10%	7.27%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	8.50%
SOFR	5.31%	5.31%	5.38%	4.55%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,178.95	2,082.92	2,062.98	1,813.80
Crude Oil (WTI)	78.01	79.97	71.65	72.90
Gasoline	3.40	3.34	3.12	3.47
Natural Gas	1.81	1.84	2.33	3.43
Copper	3.89	3.86	3.89	4.03

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.62	21.17	4.86	1.91
S&P 500	21.32	22.96	4.69	1.47
S&P 500 Value	16.68	17.18	2.81	2.39
S&P 500 Growth	27.70	32.23	10.71	0.69
NASDAQ	28.41	36.87	6.27	0.81
S&P Midcap 400	16.94	16.56	2.50	1.81
S&P Smallcap 600	16.00	15.15	1.80	2.02
MSCI EAFE	14.67	14.21	1.86	3.19
MSCI Emerging Markets	12.60	14.68	1.63	3.05

Source: Bloomberg

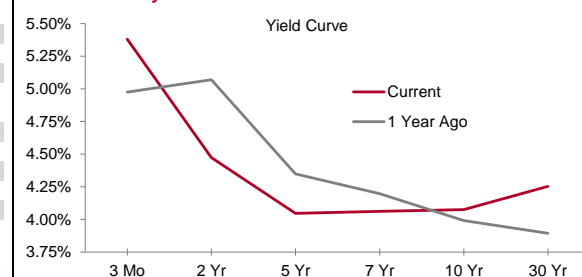
Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
3.65	2.69	1.91	4.73	7.73	10.35
Mid					
3.70	6.08	8.23	0.72	6.40	11.91
Small					
3.11	3.06	3.02	-2.36	-0.28	1.79

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
0.27	0.47	2.04	0.30	-0.10	-2.47
Corp					
0.43	0.72	1.24	0.68	0.22	-1.67
HY					
0.87	0.94	1.15	1.44	1.01	1.39

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.1%	6.4%
CPI Core Inflation	3.9%	5.6%
Personal Consumption Exp (PCE) Core	2.8%	4.9%
Jobs		
Unemployment Rate (U3)	3.9%	3.6%
Broader Unemployment Rate (U6)	7.3%	6.8%
JOLT Survey (in millions)	8.86	10.43
Jobless Claims (000's)	217	245
Change in Non-Farm Payroll (000's)	275	287
Average Hourly Earnings (Y/Y % Change)	4.3%	4.7%
Consumer & Spending		
Consumer Confidence (Conf Board)	106.7	103.4
Consumer Spending (\$ Bil)	19,054	18,230
Consumer Credit (\$ Bil)	5,039	4,916
Retail Sales (\$ Bil)	700	696
Housing		
Housing Starts (000's)	1,331	1,340
Case-Shiller Home Price Index	310.67	294.39
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,669	21,990
Quarter over Quarter Change	3.2%	2.6%
Year Over Year Change	3.1%	0.7%
ISM Manufacturing	47.80	47.70
Capacity Utilization	78.53	79.64
Markit US Composite PMI	52.50	50.10
U.S. General		
Leading Economic Indicators	102.7	110.4
Trade Weighted Dollar Index	121.4	120.7
EUR / USD	1.09	1.05
JPY / USD	147.06	137.36
CAD / USD	0.74	0.72
AUD / USD	0.66	0.66

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	2.47%	11.27%
Communication Services	-0.33%	10.86%
Financials	4.29%	8.01%
Health Care	1.61%	7.45%
Industrials	4.71%	7.37%
Energy	4.21%	5.34%
Consumer Staples	1.96%	4.84%
Materials	7.75%	4.41%
Consumer Discretionary	1.30%	2.63%
Utilities	6.22%	0.63%
Real Estate	4.84%	0.31%

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