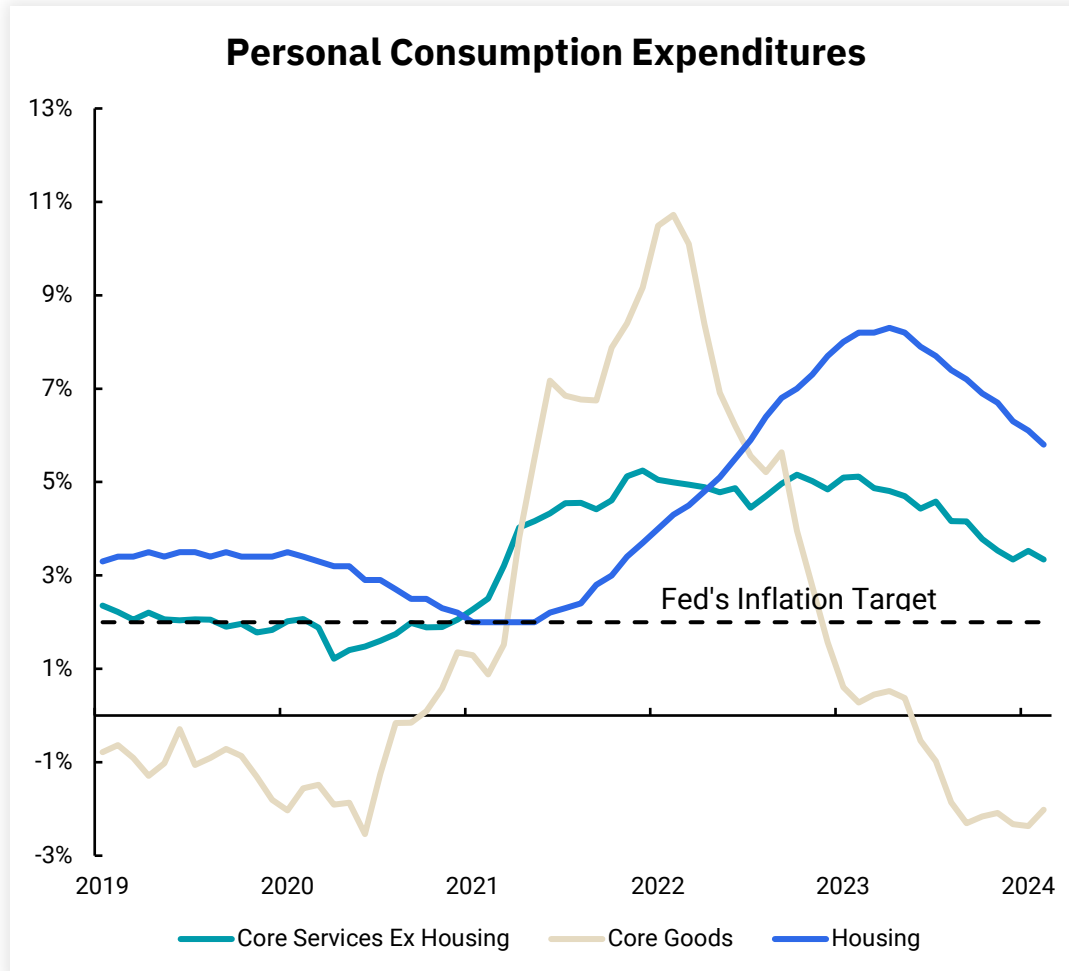


Weekly market update



Chart of the week (Mar. 29, 2024)



It doesn't happen often, but despite the capital markets being closed for Good Friday, an important economic data point was released. Not unlike labor market reports, there are several different inflation readings that provide a bit of a mosaic on inflation. We follow both the [Consumer Price Index](#) (CPI) and the [Producer Price Index](#) (PPI). Still, when it comes to the measure of inflation most preferred by the Federal Reserve, we are talking about the [Personal Consumption Expenditures Price Index](#), or PCE.

Just like with CPI and PPI, we tend to look most closely at the "core" readings of PCE due to the inherently volatile nature of food and energy prices, both of which are excluded from core inflation readings. That is not to say those prices don't matter, particularly in the case of energy, as longer-lasting changes in energy prices eventually work their way through the "core" parts of inflation, too. Nevertheless, historically the Fed has reacted much more often to higher (and lower) inflation when they have made monetary policy decisions based on overall inflation, including food and energy.

So, what did PCE show us for February? The headline number was up 0.3% versus an estimated 0.4%. That looks good until we see that January's number was revised up to 0.4% from an initial release of up 0.3%. And so, all in all, we can call headline inflation a wash and as expected. On a year-over-year basis, headline PCE is up 2.5%. On the more important core reading, we saw an increase of 0.3%, as expected. However, like the headline number, January's release was revised higher to 0.5% from 0.4%. That's maybe a skosh higher than expected, although year-over-year was as anticipated at 2.8%. Overall, nothing in these numbers should materially impact the Fed's outlook. Fed Chair Powell is speaking post the release, and we expect his comments to stay down the middle as far as their outlook.

This week's chart breaks the PCE down into some of its components to get a visual of what is happening within the inflation numbers. You may have heard the Fed describe a measure they deemed "super-core" some months ago. Since wages are not measured directly in the inflation data, they look at the "core services excluding housing" as a proxy since wages are the biggest part of the cost structure in that sector. However, our chart shows housing, as it has been a key part of keeping the core inflation readings above the headline for the last few months. The third data point in our chart is "core goods," and note that our chart goes back to before the pandemic. Doing so reveals the significant changes in inflation across different sectors. We know spending on core goods exploded higher during the pandemic, leading to significantly higher prices. Then, as the economy has re-opened and supply chains heal, we can see core goods are back to a disinflationary environment like the pre-pandemic period.

What has yet to recover are the more secular parts of inflation such as housing and core services. We can see the trends in both continue to improve, but the absolute levels remain above the Fed's target and above the pre-pandemic levels. The easy declines in inflation are behind us; it gets harder from here.

Weekly market update



Commentary (Mar. 29, 2024)

Domestic Equities

- The S&P 500 Index rose over 10% in the first quarter of 2024, boosted by strong corporate earnings, continued AI excitement and hopes that interest rates will start to come down. The index hit 22 all-time closing highs during the quarter, and more than half of the stocks in the index hit new 52-week highs.
- Energy was the best-performing sector in the first quarter, and communication services, financials and industrials also outperformed. Real estate was the only sector with negative returns.
- Growth outperformed value during the quarter, but value staged a comeback in the back half of March, significantly outperforming growth. Similarly, small caps had negative returns for most of the quarter but turned positive in March and considerably outperformed in the last week.

Bonds

- U.S. Treasuries were mixed with short-term to intermediate-term rates moving higher while longer-term rates were marginally lower. Treasury auction results showed stable demand, with the two- and five-year auctions tailing by less than 0.01%, while the seven-year auction traded through by 0.02%. During a U.S. Monetary forum this week, Federal Reserve Governor Waller stated he believes the Fed should delay or reduce cuts in response to recent data. This follows similar comments by Atlanta Fed President Bostic last week.
- The broad investment-grade market was positive for the week as measured by the Bloomberg US Aggregate Bond Index, with the index benefiting most from the drop in long-term rates. Spreads across the corporate and securitized markets were essentially flat for the week.
- Japan's monetary authorities threatened to intervene in the currency markets after the Yen fell to a 34-year low against the USD.

International Equities

- The MSCI ACWI Ex USA Index returned about 4.5% for the quarter, led by gains in the financials and information technology sectors. Stock markets in Japan, the Netherlands and Taiwan were the top-performing countries for the quarter.
- Foreign developed markets traded sideways this week, ending the quarter up nearly 5.5%. European financials and Japanese consumer discretionary stocks made meaningful contributions to performance. Growth stocks rallied this quarter, outperforming value stocks by over 2.5%.
- Emerging markets struggled this week but finished the quarter up nearly 2%, the second straight quarter of positive returns. Asia was the top-performing region, with stock markets in Taiwan and India delivering the best returns. Semiconductor stocks in the technology sector delivered the highest returns.

Economics

- The Bureau of Economic Analysis (BEA) reported consumer spending rose 0.8% in February as spending on services increased 0.9% and spending on goods increased 0.6%. Within goods, durable goods increased by 1.4%, while nondurable goods increased by 0.1%. Over the prior 12 months, consumer spending increased by 4.9%. Personal income in February rose 0.3% at a seasonally adjusted monthly rate due to higher employee compensation. Over the prior 12 months, personal income increased 4.6%. The personal savings rate was 3.6% in February.
- Inflation, measured by changes in personal consumption expenditures (PCE inflation), rose 0.3% in February and 2.5% over the prior 12 months. Most of the monthly increase was due to higher energy prices.
- The JOLTS report will be released on Tuesday, and the March jobs report will be released on Friday.

Weekly Market Update

For Week Ending March 29, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	39,807.37	0.8%	6.1%	24.3%
S&P 500 Index	5,254.35	0.4%	10.6%	32.5%
NASDAQ Composite	16,379.46	-0.3%	9.3%	38.4%
S&P 400 Midcap Index	3,046.36	1.9%	10.0%	25.9%
S&P 600 Smallcap Index	1,344.66	2.6%	2.5%	18.2%
MSCI EAFE	8,234.32	0.1%	5.8%	17.3%
MSCI Emerging Markets	546.47	0.5%	2.4%	9.3%
Bloomberg US Agg	2,145.23	0.2%	-0.8%	2.4%
Bloomberg Municipal 5 Yr	487.03	-0.2%	-0.4%	2.1%
Bloomberg US Corporate	3,208.19	0.2%	-0.4%	5.5%
Bloomberg Glb Agg ex US Hdq	568.11	0.2%	0.6%	5.8%
Bloomberg High Yield	2,516.52	0.1%	1.5%	12.6%
MSCI US REIT Index	2,136.09	2.4%	-0.6%	12.8%
Bloomberg Commodity Index	231.40	0.9%	2.2%	0.8%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	5.00%
3-Month Treasury	5.36%	5.36%	5.33%	4.72%
1-Year Treasury	5.02%	4.96%	4.76%	4.49%
2-Year Treasury	4.62%	4.59%	4.25%	4.10%
5-Year Treasury	4.21%	4.18%	3.85%	3.68%
7-Year Treasury	4.21%	4.20%	3.88%	3.64%
10-Year Treasury	4.20%	4.20%	3.88%	3.56%
30-Year Treasury	4.34%	4.38%	4.03%	3.76%

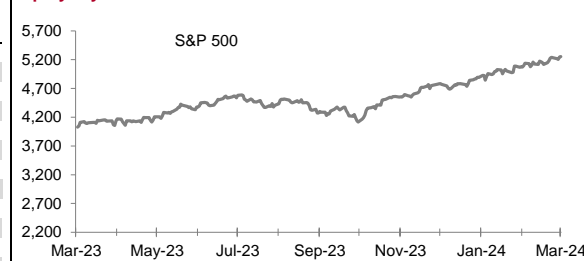
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.25%	7.18%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	8.75%
SOFR	5.34%	5.31%	5.38%	4.83%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,229.87	2,165.44	2,062.98	1,964.70
Crude Oil (WTI)	83.17	80.63	71.65	69.73
Gasoline	3.54	3.53	3.12	3.49
Natural Gas	1.76	1.81	2.33	3.19
Copper	4.01	4.01	3.89	4.09

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.18	21.76	5.00	1.86
S&P 500	21.91	23.54	4.81	1.42
S&P 500 Value	17.23	17.70	2.89	2.31
S&P 500 Growth	28.33	32.53	10.81	0.67
NASDAQ	28.96	35.32	6.37	0.78
S&P Midcap 400	17.28	17.13	2.59	1.79
S&P Smallcap 600	16.16	15.57	1.85	1.97
MSCI EAFE	14.82	14.26	1.87	3.17
MSCI Emerging Markets	12.82	14.65	1.64	3.01

Source: Bloomberg

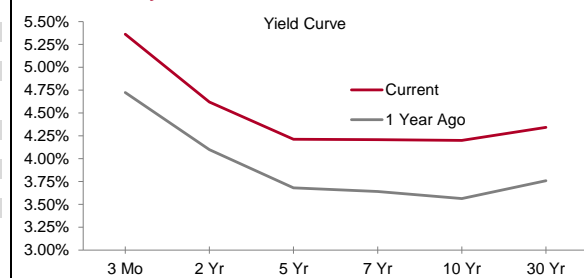
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	4.55	3.22	2.13	8.05	10.55	12.75
Mid	5.40	5.60	5.75	4.12	9.95	15.60
Small	3.39	3.24	3.10	0.14	2.46	4.77

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.35	0.49	1.23	0.29	-0.35	-3.24
Corp	0.54	0.96	1.95	0.79	0.26	-1.69
HY	0.93	1.17	1.66	1.91	1.46	2.07

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.2%	6.0%
CPI Core Inflation	3.8%	5.5%
Personal Consumption Exp (PCE) Core	2.8%	4.8%

	Last Release	Year Ago
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)	210	232
Change in Non-Farm Payroll (000's)	275	287
Average Hourly Earnings (Y/Y % Change)	4.3%	4.7%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	104.7	104.0
Consumer Spending (\$ Bil)	19,189	18,297
Consumer Credit (\$ Bil)	5,039	4,916
Retail Sales (\$ Bil)	701	690

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,521	1,436
Case-Shiller Home Price Index	310.46	292.81

	Last Release	Year Ago
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,679	21,990
Quarter over Quarter Change	3.4%	2.6%
Year Over Year Change	3.1%	0.7%
ISM Manufacturing	47.80	47.70
Capacity Utilization	78.25	79.55
Markit US Composite PMI	52.20	52.30

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	102.8	109.7
Trade Weighted Dollar Index	121.6	120.7
EUR / USD	1.08	1.08
JPY / USD	151.35	132.86
CAD / USD	0.74	0.74
AUD / USD	0.65	0.67

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	4.34%	15.82%
Energy	10.60%	13.69%
Information Technology	1.97%	12.69%
Financials	4.78%	12.46%
Industrials	4.41%	10.97%
Materials	6.50%	8.95%
Health Care	2.38%	8.85%
Consumer Staples	3.49%	7.52%
Consumer Discretionary	0.10%	4.98%
Utilities	6.62%	4.57%
Real Estate	1.77%	-0.55%

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