



MARKET VIEW WEEKLY

January 12th, 2024



ECONOMIC REVIEW¹

- The Consumer Price Index (CPI) rose 0.3% in December, above the consensus expectation (0.2%) and the previous month's reading (0.1%).
 - On an annual basis, headline CPI moved higher for the first time in three months to 3.4%, exceeding forecasts.
- While these figures are substantially better than the 6.5% reading in December 2022 (or the peak inflation rate of 9.1% seen in June 2022), prices are still increasing at a rate well above the Federal Reserve's (Fed's) 2% target.
 - After two straight monthly declines, energy prices pushed 0.4% higher last month driven by marginally higher gasoline prices and a jump in electricity costs, which increased 1.3% in December.
 - Food prices rose a modest 0.2%, though they have moderated significantly from their peak, having risen just 1.3% in the past year.
- Core CPI, the Fed's preferred inflation gauge which excludes the volatile energy and food components, rose 0.3%, matching consensus expectations and the November reading.
 - Core prices fell 0.1% to 3.9% year-over-year, the measure's slowest pace since May 2021, but shelter costs remain elevated having increased 0.5% in December.
- The Producer Price Index (PPI) fell 0.1% last month, coming below the consensus expectation of a 0.1% increase and marking its second consecutive monthly decline.
 - "Core" PPI, which also strips out food and energy prices, was unchanged in December, bringing the annual rate for 2023 to 1.8% – the lowest reading since December 2020.

How does inflation data impact you?

- Investors may be encouraged by some notable positives in these reports – producer prices running below the Fed's 2% target and Core CPI ticking below 4%; however, the central bank still has work to do fighting inflation.
 - Consumer inflation accelerated into the end of the year as demand for services (largely restaurants, hotels, and travel) remained strong, and cyclical components of the economy (think housing, capex, and durable goods) rebounded in response to easing financial conditions.
- Despite substantial improvements made on the inflation front over the last year, market participants may have grown overly optimistic about the prospects of a dovish Fed and likely soft landing given the reacceleration of both cyclical and non-cyclical components of the economy.



A LOOK FORWARD¹

- In a short week with U.S. markets closed for Martin Luther King Day on Monday, retail sales and a slate of housing reports highlight the economic data releases.
- Several Fed Governors and Presidents including Waller, Bowman, Williams, and Bostic are also set to speak.

How do retail sales and housing data impact you?

- Retail sales should provide critical information on consumer strength and holiday spending, while the housing data could indicate a potential rebound in the cyclical components of the economy.



MARKET UPDATE²

Market Index Returns as of 1/12/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.87%	0.34%	0.34%	21.59%	9.59%	14.95%
NASDAQ	3.09%	-0.24%	-0.24%	36.28%	5.30%	17.53%
Dow Jones Industrial Average	0.35%	-0.21%	-0.21%	11.98%	8.76%	11.78%
Russell Mid-Cap	0.66%	-1.52%	-1.52%	9.26%	4.14%	11.17%
Russell 2000 (Small Cap)	0.00%	-3.73%	-3.73%	5.03%	-1.30%	7.60%
MSCI EAFE (International)	0.87%	-0.40%	-0.40%	10.02%	3.08%	7.26%
MSCI Emerging Markets	-0.57%	-2.65%	-2.65%	-0.73%	-7.64%	2.39%
Bloomberg US Agg Bond	0.92%	-0.29%	-0.29%	2.41%	-3.17%	1.01%
Bloomberg High Yield Corp	0.97%	-0.16%	-0.16%	9.08%	1.89%	4.69%
Bloomberg Global Agg	0.38%	-1.01%	-1.01%	1.27%	-5.64%	-0.63%



OBSERVATIONS

- Mega-cap tech stocks surged again, driving the tech-heavy NASDAQ up more than 3% to lead all major indices.
- Both the S&P 500 and Dow Jones Industrial Average climbed higher, as well, 1.87% and 0.35%, respectively.
 - All three benchmarks retraced some of the losses recorded in the first week of the year.
- Small caps were flat on the week while mid-caps improved 0.66%.
- Developed International markets advanced 0.87%, while Emerging Markets retreated -0.57%.
- Bond prices climbed domestically, internationally, and across the credit spectrum.



BY THE NUMBERS

- **SEC Approves Bitcoin ETFs for Everyday Investors:** The U.S. Securities and Exchange Commission voted Wednesday to allow mainstream investors to buy and sell Bitcoin as easily as stocks and mutual funds, a decision hailed by the industry as a game changer. The SEC decision clears the way for the first U.S. exchange-traded funds that hold bitcoin to be sold to the public. Expectations of U.S. regulatory approval for such funds drove the price of bitcoin to the highest level in about two years. The digital currency traded just below \$46,000 late Wednesday, up from \$17,000 in January 2023. Until now, everyday investors who wanted to buy and sell digital currencies have had to either trade on crypto exchanges and incur hefty transaction fees or purchase products that track Bitcoin in less direct ways. At least half a dozen bitcoin-futures ETFs are already on the market. Those funds use futures contracts to provide exposure to bitcoin price moves, though they have been criticized for often straying from bitcoin's price. All 11 applications filed by asset managers have been greenlighted to list. The new funds, known as spot-bitcoin ETFs because they buy and sell the digital currency itself, are expected to begin trading on Thursday.³
- **Iowa caucus results: Trump wins, DeSantis edges Haley for second place, Ramaswamy ends campaign:** Republican former President Donald Trump won the Iowa caucus by around 30 points over his closest rival, setting a new record for victory margins in the Iowa Republican caucus. Florida Gov. Ron DeSantis came in a distant second, followed closely by former South Carolina Gov. Nikki Haley. Entrepreneur Vivek Ramaswamy ended his presidential campaign and endorsed Trump after coming in fourth. With 95% of the ballots counted, Trump appeared to have won around 51% of caucus-goers. He also won 98 of the state's 99 counties, NBC News projected. By the end of the night, the path for any Trump challenger had grown narrower. And Trump's hold over the Republican base appeared stronger than ever.⁴

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 1/12/2024.

² Data obtained from Morningstar as of 1/12/2024.

³ [SEC.gov | Statement on the Approval of Spot Bitcoin Exchange-Traded Products](https://www.sec.gov/spotlight/bitcoin/20200310-sec-answers-to-questions-received-from-the-public-regarding-the-approval-of-spot-bitcoin-exchange-traded-products.htm)

⁴ [Iowa caucus results: Trump wins, DeSantis edges Haley for second place, Ramaswamy ends campaign \(cnbc.com\)](https://www.cnn.com/2020/02/03/politics/iowa-caucus-results/index.html)



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