



MARKET VIEW WEEKLY

February 23rd, 2024



ECONOMIC REVIEW¹

- The Leading Economic Index (LEI) for January showed a month-over-month decline of 0.4% and marked the 22nd consecutive decline in the Index. However, the Index is no longer signaling a recession for the first time in two years given that six of the ten index components have been positive over the last six months.
- Existing home sales data released this week reflected a month-over-month rebound in January with four million previously owned homes being sold. This was a 3.1% increase from December but still a 1.7% decrease from a year earlier.
 - High mortgage rates, low supply, and increased home prices last year sent existing home sales to their lowest level in almost thirty years.
 - A decline in peak mortgage rates from the Fall of last year helped strengthen sales in January as affordability increased.²
- The minutes from the January Federal Reserve (Fed) Open Market Committee (FOMC) were released this week and provided more insights into their future policy decisions.
 - Many participants noted that the risks of achieving their policy goals were moving into better balance but remained attentive to inflation risks.
 - Most participants highlighted the risk of moving too quickly to ease policy in case inflation reaccelerates but noted that inflation was expected to continue moving lower toward the Fed's 2% target.

How does LEI, Existing Home Sales, and FOMC Minutes impact you?

- LEI, which has been less reliable in recent years, is no longer signaling a recession and could be indicating economic activity that is stabilizing or rebounding, particularly in the manufacturing sector.
- The increase of home sales is a welcome sign for the housing market which is trying to rebound after a difficult 2023. As mortgage rates stabilize from their peak in October and affordability increases a rebound in housing may continue.
- The minutes from January FOMC meeting gave important insight into how the Fed is interpreting economic and inflation data which will lead to future monetary policy affecting interest rates and economic activity.

A LOOK FORWARD¹



- The most anticipated data release next week will be the Personal Consumption Expenditure (PCE) Price Index along with the Conference Board Consumer Confidence Index.

How does PCE and Consumer Confidence impact you?

- While inflation data has continued to moderate it has not yet reached the Fed's 2% target. PCE, the preferred price index used by the Fed to measure inflation, is a major factor that influences their policy stance and will help determine the pace of rate cuts.
- Consumer Confidence has been increasing in recent months signaling that consumers are more optimistic about their current financial situation and expectations for the future. The increase has been mostly attributed to lower inflation, the anticipation of lower interest rates, and a strong labor market.



MARKET UPDATE³

Market Index Returns as of 2/23/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.68%	6.91%	6.91%	30.25%	10.76%	14.67%
NASDAQ	1.41%	6.67%	6.67%	41.52%	6.39%	17.27%
Dow Jones Industrial Average	1.30%	4.10%	4.10%	21.78%	9.17%	10.84%
Russell Mid-Cap	1.05%	3.00%	3.00%	14.30%	4.11%	10.04%
Russell 2000 (Small Cap)	-0.77%	-0.37%	-0.37%	8.37%	-2.77%	6.30%
MSCI EAFE (International)	1.44%	2.49%	2.49%	15.55%	3.72%	6.85%
MSCI Emerging Markets	1.23%	0.57%	0.57%	8.59%	-6.95%	1.88%
Bloomberg US Agg Bond	0.25%	-1.77%	-1.77%	3.49%	-3.17%	0.50%
Bloomberg High Yield Corp	0.42%	0.27%	0.27%	11.52%	1.68%	4.25%
Bloomberg Global Agg	0.43%	-2.69%	-2.69%	3.25%	-5.64%	-1.06%



OBSERVATIONS

- Most major US indices posted positive returns for the week, boosted by Nvidia earnings, with Large Cap Equity markets closing near all-time highs.
- Small caps were the weakest performing market cap and are underperforming the S&P 500 by 7.28% YTD.
- International markets slightly underperformed US Large Caps for the week and are still trailing YTD.
- Emerging Markets lagged Developed International markets for the week and are trailing by 1.92% YTD.
- Bonds notched positive returns for the week with yields posting moderate declines.



BY THE NUMBERS

- **U.S. to Invest Billions to Replace China-Made Cranes at Ports:** The Biden administration plans to invest billions in the domestic manufacturing of cargo cranes, seeking to counter fears that the prevalent use of China-built cranes with advanced software at many U.S. ports poses a potential national-security risk. Administration officials said more than \$20 billion would be invested in port security, including domestic cargo-crane production, over the next five years. The money, tapped from the \$1 trillion bipartisan infrastructure bill passed in 2021, would support a U.S. subsidiary of Mitsui, a Japanese company, to produce the cranes. The Biden administration's actions follow a Wall Street Journal investigation last year that revealed U.S. fears that giant cranes made by a Chinese, state-owned company in use at American ports could present an espionage and disruption risk. Cranes at some ports used by the U.S. military were also flagged as surveillance threats. Officials raised the concern that the software on the cranes could be manipulated by China to impede American shipping or, worse, temporarily disrupt the operation of the crane.⁴
- **FDA Warns Against Smartwatches and Rings that Claim to Measure Blood Sugar:** Smartwatches and rings that claim to measure blood sugar levels for medical purposes without piercing the skin could be dangerous and should be avoided, the U.S. Food and Drug Administration warned Wednesday. The agency's notice doesn't apply to smartwatch apps linked to sensors, such as continuous glucose monitoring systems, that measure blood sugar directly. Using the unapproved smartwatch and smart ring devices could result in inaccurate blood sugar measurements, with "potentially devastating" consequences, said Dr. Robert Gabbay, of the American Diabetes Association. This could cause patients to take the wrong doses of medication, leading to dangerous levels of blood sugar and possibly mental confusion, coma or even death. Several companies are working on noninvasive devices to measure blood sugar, but none has created a product accurate and secure enough to get FDA approval, said Dr. David Klonoff, who has researched diabetes technology for 25 years. In the meantime, consumers who want to measure their blood sugar accurately can buy an FDA-cleared blood glucose monitor at any pharmacy.⁵

Economic Definitions

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

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

Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

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.

Disclosures

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¹ Data obtained from Bloomberg as of 2/23/2024.

² [Home Sales Rebounded in January After Last Year's Sharp Decline-WSJ](#)

³ Data obtained from Morningstar as of 2/23/2024.

⁴ [U.S. to Invest Billions to Replace China-Made Cranes at Nation's Ports-WSJ](#)

⁵ [FDA warns against smartwatches and rings that claim to measure blood sugar without needles-AP](#)



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