



## MARKET VIEW WEEKLY

February 9<sup>th</sup>, 2024



### ECONOMIC REVIEW<sup>1</sup>

- The Institute for Supply Management's (ISM) overall gauge of Services came in hot at 53.4, outpacing the consensus estimate of 52.0. Readings above 50 indicate expansion, while those below 50 signal contraction.
  - Prices paid for materials jumped 7.3% to 64.0, showing that costs are increasing at a faster pace.
  - The other major measures of activity were mostly higher.
    - New orders, a proxy for future demand, rose to a three-month high of 55.0.
    - Business activity held steady at 55.8, the employment index rose to 50.5 from 43.8, while the supplier deliveries index increased to 52.4 from 49.5.
- The Federal Reserve's Consumer Credit report showed that credit outstanding rose \$1.6 billion to a record \$5.01 trillion, translating to a 0.4% annual growth rate for December, far below consensus estimates of \$16 billion.
  - In the prior month, total credit grew by a revised \$23.5 billion, representing a 5.7% increase.
  - Revolving credit, which includes credit cards, rose \$1 billion in December.
  - Non-revolving credit, such as loans for vehicle purchases and school tuition, climbed a mere \$519 million.

#### How do services data and consumer credit impact you?

- Service sector economic activity expanded for the 13<sup>th</sup> consecutive month, growing in 43 of the last 44 months.
  - Despite the Fed's elevated rate environment cooling inflation, the services sector is still solidly humming along.
  - Prices paid nearly surged to a one-year high with increases "driven by higher shipping costs and across-the-board increases in commodities and services prices<sup>1</sup>", per ISM's Anthony Nieves.
- Consumer spending continues to be the engine that drives US economic growth; however, a key outstanding question is how much of that spending is being fueled by credit?
  - Despite a strong labor market supporting durable consumer spending, elevated prices continue to force Americans to choose to carry larger credit balances.



### A LOOK FORWARD<sup>1</sup>

- Next week, investors will turn their attention to the path of interest rates, with major releases including January's CPI (CPI Year over Year {YoY}) Est: 2.90%, Core CPI YoY Est: 3.70%), Retail Sales (Est: -0.20%) and Industrial Production (Est: +0.30%).

#### How do CPI, Retail Sales, and Industrial Production impact you?

- The inflationary environment has cooled markedly, yet despite this progress, it is still likely running too hot for the Fed, which may push rate cuts off until further progress is made.
- Retail Sales provide a look into goods demand and should indicate whether strong consumer spending continued into the new year.
- Industrial production has drifted sideways for the last year, though recent ISM Manufacturing reports have shown demand has moderately improved, output remains stable, and inputs are accommodating.



## MARKET UPDATE<sup>2</sup>

Market Index Returns as of 02/09/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.40%	5.52%	5.52%	24.88%	10.45%	15.10%
NASDAQ	2.34%	6.58%	6.58%	37.58%	5.42%	17.99%
Dow Jones Industrial Average	0.09%	2.74%	2.74%	16.65%	9.35%	11.38%
Russell Mid-Cap	1.26%	1.25%	1.25%	9.87%	3.94%	10.42%
Russell 2000 (Small Cap)	2.44%	-0.76%	-0.76%	6.41%	-2.86%	7.38%
MSCI EAFE (International)	0.11%	-0.43%	-0.43%	9.67%	2.78%	7.01%
MSCI Emerging Markets	0.75%	-2.70%	-2.70%	0.77%	-8.97%	1.67%
Bloomberg US Agg Bond	-0.82%	-1.47%	-1.47%	2.39%	-3.52%	0.56%
Bloomberg High Yield Corp	0.13%	0.17%	0.17%	10.23%	1.60%	4.42%
Bloomberg Global Agg	-0.81%	-2.77%	-2.77%	0.97%	-6.06%	-1.08%



## OBSERVATIONS

- All major indices posted positive returns for the week, with the S&P 500 crossing the 5,000 milestone, a fresh record high for the index. The NASDAQ added more than +2% while the Dow barely squeaked out a positive return.
- Small caps were the best-performing asset class, outpacing their larger cap brethren, returning 2.44%.
- Developed International and Emerging markets underperformed US Large Caps for the week and are still trailing year to date (YTD).
- Bonds were negative domestically and globally, while credit (High Yield Corp.) outperformed higher-quality bonds for the week.



## BY THE NUMBERS

- **A Six Pack Of Beer For \$340?** How much would things cost if they increased as much as the price of a Super Bowl commercial? The cost for a 30-second commercial during the Super Bowl has reached a record high this year: \$7 million. Some advertisers are even paying \$4 million for a pregame ad. Since the first Super Bowl in 1967, the cost of a 30-second ad has gone up 185x, according to a research paper from BofA Securities that was published on Thursday. An ad back in 1967 cost \$37,500. A 185x jump since 1967, even considering the higher-than-normal recent inflation environment, is huge. If some Super Bowl-watching favorites kept pace with that type of inflation, chicken wings would cost \$43 a pound today (23 cents a pound in 1967), and a six-pack of beer would be \$340. Non-football items like a gallon of gas would cost \$61 today if they inflated as much as the price of a Super Bowl commercial, the S&P 500 index would be trading at 16,374, and the average price of a house would be \$4.2 million.<sup>3</sup>
- **Super Bowl LVIII Wagering Estimates:** A record 68 million American adults (26%) are expected to bet \$23.1 billion on Super Bowl LVIII, a 35 percent increase from 2023 estimates, according to American Gaming Association (AGA) research. Bettors plan to wager an estimated \$23.1 billion on this year's Big Game, up from \$16 billion last year. With the expansion of legal sports betting, traditional Super Bowl wagers are expected to pass casual wagers for a second consecutive year. 42.7 million American adults plan to place a traditional sports wager online, at a retail sportsbook or with a bookie (up 41% from 2023), while 36.5 million plan to bet casually with friends or as part of a pool or squares contest (up 32% from 2023).<sup>4</sup> Unfortunately for those Kansas City Chiefs and the San Francisco 49ers based in California and Missouri, they won't be able to make a legal wager. That's because California and Missouri are two of a dozen states that have not yet legalized sports gambling amid its explosion across the U.S. over the past few years.<sup>5</sup>

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## *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.

**Federal Reserve's Consumer Credit Report:** The Federal Reserve's G.19 Statistical Release, "Consumer Credit," is published monthly, generally on the fifth business day of the month. The release provides national aggregate amounts (by type and holder) of outstanding credit held by households; it also contains selected average terms of credit.

**Industrial Production:** Industrial production measures the real output of the manufacturing, mining, and electric and gas utilities industries.

**ISM Manufacturing Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

**ISM Services Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

**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.

## Disclosures

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<sup>1</sup> Data obtained from Bloomberg as of 2/09/2024.

<sup>2</sup> Data obtained from Morningstar as of 2/09/2024.

<sup>3</sup> <https://www.marketwatch.com/story/a-six-pack-of-beer-for-340>

<sup>4</sup> <https://www.americangaming.org/resources/super-bowl-lviii-wagering-estimates>

<sup>5</sup> <https://www.npr.org/2024/02/09/1229814430/super-bowl-sports-betting>



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