



MARKET VIEW WEEKLY

January 5th, 2024



ECONOMIC REVIEW¹

- The Job Opening & Labor Turnover Survey (JOLTS) showed that Openings fell to 8.79 million and Quits declined to 3.47 million in November.
 - There are now only 1.40 jobs per unemployed person, compared to 1.2 before the pandemic.
 - Both the quits rate and the hiring rate are now in line with pre-pandemic averages.
 - The number of job openings remains slightly above its pre-pandemic level.
- December nonfarm payrolls showed that 216,000 jobs were created, beating the consensus view of 170,000.
 - Last month's number was revised to 173,000 from a previous reading of 199,000.
 - Two-month net revisions came in at -71,000, demonstrating over-optimism in initial readings.
 - The unemployment rate held constant at 3.7%, despite expectations of a rise to 3.8%, influenced by a slowdown in new entries into the labor force.
 - Hourly earnings rose 0.4%, beating consensus expectations; on a year-over-year basis, wages rose a healthy 4.1%.

How do the JOLTS and Jobs Report data impact you?

- Job openings fell to a 32-month low in November, implying that the prolonged U.S. hiring boom is fading. Since March 2022, job openings have steadily declined from the record high of 12 million.
- The number of people quitting their jobs dropped to a 33-month low. Fewer people quitting their jobs indicates that the labor markets are softening.
- December's addition of 216,000 new jobs was slower than the average gain through 2023 of 224,750 jobs but suggests plenty of residual strength in a cooling U.S. labor market.
- In 2023, employers added 2.7 million jobs, a slowdown from 4.8 million in 2022 but a better gain than in the several years preceding the pandemic.



A LOOK FORWARD¹

- December's Consumer Price Index (CPI) and Producer Price Index (PPI) release highlight the economic data slate.
- Headline inflation estimates are for an increase of 0.2% month over month and 3.2% year over year. Expectations for Core inflation are 0.3% month over month and 3.8% versus one year prior.
- Analysts' estimates show Producer Prices will increase marginally following a flat November reading.

How does inflation data impact you?

- Market participants will be hyper-focused on US inflation data, looking for cues on how active the Federal Reserve will be in softening its interest rate positioning.
- The cooling we've seen in headline inflation is likely to pause in the December data, with gas prices rising modestly on a seasonally adjusted basis, while core data likely remains steady.



MARKET UPDATE²

Market Index Returns as of 1/5/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-1.50%	-1.50%	-1.50%	22.58%	9.52%	15.10%
NASDAQ	-3.23%	-3.23%	-3.23%	38.57%	5.28%	17.61%
Dow Jones Industrial Average	-0.56%	-0.56%	-0.56%	13.83%	8.91%	12.24%
Russell Mid-Cap	-2.17%	-2.17%	-2.17%	12.24%	4.68%	11.94%
Russell 2000 (Small Cap)	-3.73%	-3.73%	-3.73%	10.57%	-0.44%	8.62%
MSCI EAFE (International)	-1.26%	-1.26%	-1.26%	13.70%	3.08%	7.68%
MSCI Emerging Markets	-2.09%	-2.09%	-2.09%	4.01%	-6.33%	3.26%
Bloomberg US Agg Bond	-1.20%	-1.20%	-1.20%	2.37%	-3.45%	0.82%
Bloomberg High Yield Corp	-1.12%	-1.12%	-1.12%	9.73%	1.57%	4.88%
Bloomberg Global Agg	-1.38%	-1.38%	-1.38%	2.82%	-5.88%	-0.68%



OBSERVATIONS

- Following a strong year for markets in 2023, most indexes started the first week of 2024 lower, following a pullback in tech stocks. Driving market losses are likely investors locking in profits following a strong rally in 2023.
- The S&P 500 fell -1.50%, halting a nine-week winning streak, the Dow Jones Industrial Average slipped -0.56%, and the tech-heavy NASDAQ declined -3.23%.
- Small caps fell the most for the week, down -3.73%.
- Developed International markets were negative, down -1.26%, while Emerging Markets fell further, down -2.09%.
- The U.S. Aggregate Bond Index was down -1.20% and both corporate credit and global bonds declined as well.



BY THE NUMBERS

- **FAA orders grounding of certain Boeing 737 Max 9 planes after Alaska Airlines incident:** The Federal Aviation Administration on Saturday ordered the grounding and immediate inspection of about 171 Boeing 737 Max 9 aircraft worldwide after a mid-flight emergency late Friday involving one of the planes operated by Alaska Airlines. The decision comes after an Alaska Airlines flight was forced to abruptly land in Portland, Ore., on Friday night after a door plug blew out in mid-air, leaving a hole in the aircraft next to two unoccupied seats. In a news conference on Saturday night, National Transportation Safety Board (NTSB) Chair Jennifer Homendy said the accident could have led to more severe outcomes if the plane had been at its cruising altitude of 35,000 feet, with people standing or walking to use a restroom, but thankfully, the flight was "only 10 minutes out from the airport when the door blew."³
- **Saving the Panama Canal will take years and cost billions, if it's even possible:** The vestiges of an ancient forest tell the story of just how bad things are at the drought-stricken Panama Canal. A few hundred feet from the massive ships hauling goods across the globe, gaunt tree stumps rise above the waterline. They're all that remains of a woodland flooded more than a century ago to create the canal. It's not unusual to see them at the height of the dry season — but now, in the immediate aftermath of what's usually the rainy period, they should be fully submerged. They're a visible reminder of how parched conditions have crippled a waterway that handles \$270 billion a year in global trade. And there are no easy solutions. The Panama Canal Authority is weighing potential fixes that include an artificial lake to pump water into the canal and cloud seeding to boost rainfall, but both options would take years to implement if they're even feasible.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.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

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).

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

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 1/5/2024.

² Data obtained from Morningstar as of 1/5/2024.

³ [Boeing 737 Max 9 Planes Grounded - NPR](#)

⁴ [Saving the Panama Canal Will Take Years and Cost Billions, If It's Even Possible - Bloomberg](#)



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