



MARKET VIEW WEEKLY

February 16th, 2024



ECONOMIC REVIEW¹

- The headline Consumer Price Index (CPI) figure rose 0.3% in January, its highest reading in four months and above the consensus expected 0.2%.
 - While the yearly rate fell to 3.1% from December's reading of 3.4%, annual inflation last month still exceeded the forecast rate of 2.9%.
 - Despite a 2% increase in the price of natural gas, the broader energy category declined 0.9%, due to falling gasoline prices, which backed up -3.3% and tempered the headline number.
- Core CPI, which excludes the volatile food and energy categories, increased by 0.4%, beating the consensus expectation of 0.3% and reaccelerating beyond December's reading, also 0.3%.
 - Core prices are up 3.9% versus a year ago – unchanged from last month – and supported by elevated transportation services (running at 9.5% year-over-year) and lagging shelter inflation (6.0% YoY).
- The Producer Price Index (PPI) also indicated an unexpected increase in price pressures last month, rising 0.3%.
 - Energy (-1.7%) and food prices (-0.3%) declined from the producer's perspective, meaning the increase in "core" PPI was driven by rising prices in the services sector (2.2%).
 - Core PPI jumped 0.5% in January – the largest monthly increase since July, but the annual rate has trended down since peaking at 9.7% in March of 2022.
- In other consumer-related news, retail sales declined in January (-0.8%) and revisions to prior months were negative.
 - Retail sales have fallen in three of the last four months and this figure is up a meager 0.6% in the last year.

How do CPI, PPI, and Retail Sales impact you?

- Hotter inflation readings are hardly encouraging for investors hoping for falling interest rates this year.
 - A stubborn CPI and a resurgent PPI figure (in conjunction with a robust labor market and solid economic growth) give the Federal Reserve (Fed) little reason to consider easing monetary policy.
- Declining retail sales may suggest that consumers – the primary engine driving the American economy – are finally running out of pandemic-era excess savings.
 - Despite these less-than-ideal readings, many economists are looking past the January figures, instead pointing to other, less-alarming data and measurement challenges unique to the first month of the year.²



A LOOK FORWARD¹

- In a short week due to the President's Day holiday, U.S. Leading Economic Indicators (LEI), existing home sales, and the minutes from the Fed's January Federal Open Market Committee (FOMC) meeting highlight a light week of economic data.

How do LEI, Fed Minutes, and Existing Homes impact you?

- LEI, while less predictive in recent years, provides a helpful "big picture" perspective of the economy.
- Existing home sales are expected to increase for January, adding to speculation that the measure may have found a bottom from which to climb as the housing market adjusts to a higher interest rate environment.
- Fed minutes should shed some light on what central bank officials make of the stronger and hotter economic and inflation backdrop to start 2024.



MARKET UPDATE³

Market Index Returns as of 02/16/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.35%	5.15%	5.15%	24.69%	10.10%	14.44%
NASDAQ	-1.31%	5.18%	5.18%	34.92%	4.96%	17.12%
Dow Jones Industrial Average	0.02%	2.76%	2.76%	16.65%	9.11%	10.68%
Russell Mid-Cap	0.67%	1.93%	1.93%	9.94%	4.02%	9.98%
Russell 2000 (Small Cap)	1.17%	0.40%	0.40%	6.09%	-2.11%	6.75%
MSCI EAFE (International)	1.47%	1.04%	1.04%	11.16%	3.00%	6.90%
MSCI Emerging Markets	2.11%	-0.65%	-0.65%	4.33%	-8.81%	2.20%
Bloomberg US Agg Bond	-0.55%	-2.01%	-2.01%	2.31%	-3.49%	0.47%
Bloomberg High Yield Corp	-0.32%	-0.15%	-0.15%	10.86%	1.48%	4.23%
Bloomberg Global Agg	-0.34%	-3.11%	-3.11%	1.59%	-5.88%	-1.08%



OBSERVATIONS

- The S&P 500 and the NASDAQ both pulled back last week in response to two hotter-than-expected inflation readings and declining retail sales.
 - The Dow barely edged out a positive return after falling in unison with the other major indexes early last week.
- Domestically, Mid and Small-cap stocks both outperformed indices tracking companies of larger market capitalization.
- Internationally, developed markets were solidly positive (1.47%) and emerging markets jumped more than 2%.
- Bonds were negative domestically, globally, and across the credit spectrum.



BY THE NUMBERS

- **The Secret Oil Trading Ring That Funds Russia's War:** In the early days of the Ukraine war, data trickled out showing that a mysterious firm called Nord Axis had become one of the biggest global traders of Russian oil. The company seemed to have sprung from nowhere. It had been incorporated in Hong Kong nine days before Russia's invasion. A man from Belize who was a nominee director said later that year that he didn't know why Nord Axis had been founded or who its owners were. With Western buyers of Russian oil beating a retreat, Nord Axis and several other obscure firms were keeping the nation's most important industry afloat by finding new places to sell the oil, generating billions of dollars in revenue for President Vladimir Putin's war effort. The U.S. and other Western countries wanted to choke off Russia's oil money. But who was masterminding the deals? The answer: a little-known trader from Azerbaijan named Etibar Eyyub, who swiftly assembled a clandestine trading and shipping empire that now moves vast quantities of oil to buyers in China, India, and other new markets, according to people who have worked with or done deals with him. These people claim Eyyub has cobbled together a fleet of aging tankers and disguised the trading by using a maze of companies registered in Dubai and Hong Kong.⁴
- **U.S. Drafts U.N. Resolution Calling for Temporary Cease-Fire in Gaza:** The U.S. has circulated a draft resolution at the United Nations Security Council calling for a temporary cease-fire in Gaza "as soon as practicable" and in tandem with the release of all hostages taken on Oct. 7, as the Biden administration increasingly clashes with the Israeli government over the conduct of the war. Washington has long rejected any resolution on Gaza that includes the word cease-fire, arguing that doing so would allow Hamas to survive to fight another day, and has advocated instead for "pauses" to facilitate the release of hostages and allow humanitarian aid into Gaza. The U.S. ambassador to the U.N., Linda Thomas-Greenfield, said this week that the U.S. would veto an Algerian proposal scheduled for a vote on Tuesday that calls for an immediate cease-fire and doesn't explicitly condemn Hamas and the Oct. 7 attack the group led, according to a diplomat familiar with the text.⁵

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 & 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) track the resale of new and used goods to the public, for personal or household consumption. This concept is based on the value of goods sold.

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.

Conference Board Leading Economic Index (LEI): Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: random sample of U.S. households Sample Size: approx. 3,000 households.

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.

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¹ Data obtained from Bloomberg as of 2/16/2024.

² [Data Show the Economy Is Booming. Wall Street Thinks Otherwise. - WSJ](#)

³ Data obtained from Morningstar as of 2/16/2024.

⁴ [The Secret Oil-Trading Ring That Funds Russia's War - WSJ](#)

⁵ [U.S. Drafts U.N. Resolution Calling for Temporary Cease-Fire in Gaza - WSJ](#)



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