



MARKET VIEW WEEKLY

March 8th, 2024



ECONOMIC REVIEW¹

- The Institute of Supply Management (ISM) released its February Services index which came in at 52.6, falling short of the 53.0 forecast.
- The Job Openings and Labor Turnover Survey (JOLTS) report showed that job openings changed little in January.
 - Vacancies inched down to 8.863 million from December's downwardly revised level of 8.889 million.
- The latest employment report showed 275,000 new jobs were added in February, surpassing the expected 198,000.
 - Meanwhile, the unemployment rate rose to 3.9%, the highest level since January 2022.

How do ISM Services, JOLTS, and the Jobs report impact you?

- The latest ISM Services reading marks the 14th straight month the index has been in expansion territory. This is good news for market participants as the services sector makes up 70% of economic activity.
- Therefore, it is no surprise that the services sector supported strong job growth in February.
 - Services sector jobs entail everything from retail to banking to real estate to education to healthcare to media.
- Looking further into the February jobs report:
 - Health care and social assistance saw the largest hiring gains of 90,700 jobs.
 - Leisure and hospitality also saw robust growth, adding 58,000 jobs. The report highlighted job gains in food services and drinking places, which increased by about 42,000 in February after three months of little change.
 - Transportation and warehouse employment rose by 19,700 jobs.
- Ultimately, it was the third straight month of seasonally adjusted gains above 200,000 and the 38th consecutive month of growth. It is fresh evidence that four years after going into pandemic shutdowns, America's jobs engine still has plenty of steam. Lastly, employers continue to bring jobless workers onto their payrolls, but people with jobs are staying put. The quits rate in January dropped to 2.1%, the lowest rate since August 2020.



A LOOK FORWARD¹

- Next week, investors will be focused on whether inflation is continuing to move lower, highlighted by the release of the Consumer Price Index (CPI) and Producer Price Index (PPI) readings. Investors will also gain insight into consumer spending trends via the retail sales reading.

How do CPI and Retail Sales Impact You?

- This week, investors will seek answers to the biggest question: "Is the inflation fight over?"
- Importantly, lower inflation should give the Federal Reserve the green light for rate cuts. Lower interest rates would mean lower rates when taking out a loan or originating a mortgage.
- What is also important for the end consumer is that food price inflation has fallen for 17 straight months, and prices are only 2.57% higher than a year ago after peaking at over 11% in August 2022.
- Similarly, energy price inflation should continue to be negative, which should contribute to lower gas prices. The average price for a gallon of gas is \$3.39 compared to \$3.47 a year ago.²



MARKET UPDATE³

Market Index Returns as of 3/08/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.23%	7.73%	7.73%	32.86%	11.48%	15.22%
NASDAQ	-1.15%	7.31%	7.31%	43.01%	7.99%	17.76%
Dow Jones Industrial Average	-0.85%	3.21%	3.21%	22.65%	8.96%	11.11%
Russell Mid-Cap	0.83%	5.56%	5.56%	19.87%	5.73%	11.13%
Russell 2000 (Small Cap)	0.34%	2.97%	2.97%	15.83%	-1.14%	7.93%
MSCI EAFE (International)	2.47%	5.78%	5.78%	17.43%	5.10%	7.82%
MSCI Emerging Markets	1.24%	1.51%	1.51%	9.96%	-5.31%	2.62%
Bloomberg US Agg Bond	0.81%	-0.50%	-0.50%	4.70%	-2.51%	0.70%
Bloomberg High Yield Corp	0.55%	1.02%	1.02%	12.18%	2.22%	4.39%
Bloomberg Global Agg	1.36%	-1.10%	-1.10%	4.99%	-4.66%	-0.72%



OBSERVATIONS

- The S&P 500 snapped a run of back-to-back weekly gains, and the major U.S. equity indices finished the week in negative territory.
- For the week, the Dow fell 0.85%, the S&P 500 slipped 0.23%, and the technology-heavy Nasdaq dropped 1.15%.
- Opposite the major indices, mid and small-cap stocks were positive for the week. Mid-cap stocks returned 0.83%, and small-cap stocks returned 0.34%.
- International Markets and emerging markets outperformed significantly for the week but continued to trail for the year.
- Bonds posted a fourth consecutive week of positive returns, though they remain negative for the year, excluding High Yield securities, which have performed well thus far.



BY THE NUMBERS

Sky-High Cocoa Prices: Bitcoin isn't the only thing flying high this year. There's a commodity that's soared almost 40% since the start of this year. Cocoa, the commodity behind chocolate, has jumped in price due to poor weather, fires, and a virus that impacts the crop. It hit a record high recently, trading at over \$6,500 per metric ton. The big picture: About two-thirds of the world's cocoa production happens in the West African nations of Ivory Coast and Ghana, a large portion of which is exported to Europe. The Red Sea crisis could act as a fresh catalyst in driving up already high prices, as freight rates impacting international trade react to conflict in the region, according to a recent report by the International Cocoa Organization (ICCO).⁴

401k Millionaires: The number of seven-figure 401(k) accounts at Fidelity Investments jumped 20% in 2023's final quarter to 422,000, marking a sharp recovery from the previous quarter's 7.7% drop, an analysis released by Fidelity on Tuesday shows. The only time when the ranks of 401(k) millionaires at Fidelity was higher was in 2021's fourth quarter when there were 442,000 such accounts. Elsewhere, the number of seven-figure IRAs is at a record 391,600 accounts. The average age of 401(k) millionaires at Fidelity skews older at around 59. However, Gen Xers also hit a nice milestone in the last few months of 2023. Those who have had the same 401(k) plan for 15 straight years saw average balances hit \$501,000. That said, the average overall retirement balance at Fidelity is far from the millionaire mark, at \$118,600.⁵

Economic Definitions

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.

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.

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. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

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).

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.

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.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 3/08/2024.

² <https://newsroom.aaanortheast.com/gas-prices>

³ Data obtained from Morningstar as of 3/08/2024.

⁴ <https://www.axios.com/2024/02/08/cocoa-prices-record>

⁵ https://www.bloomberg.com/news/articles/2024-02-27/number-of-401-k-retirement-millionaires-at-fidelity-rises-20-with-stock-surge?utm_source=www.stsheet.com&utm_medium=newsletter&utm_campaign=opportunity-south-of-the-border&embedded-checkout=true