March 4, 2024

Weekly Viewpoint

Market Performance Broadens Out During February

Performance for Week Ending 3/1/2024

The Dow Jones Industrial Average (Dow) finished off 0.11%, the Standard & Poor's 500 Index (S&P 500) gained 0.95% and the Nasdaq Composite Index (NASDAQ) added 1.74%. Sector breadth was mixed with 6 S&P sector groups closing higher and 5 closing lower. The Real Estate (+3.29%) sector was the best performer while Health Care (-1.05%) was the weakest.

Index*	Closing Price 3/1/2024	Percentage Change for Week Ending 3/1/2024	Year-to-Date Percentage Change Through 3/1/2024
Dow	39087.38	-0.11%	+3.71%
S&P 500	5137.08	+0.95%	+7.70%
Nasdaq	16274.94	+1.74%	+8.42%

Market Observations: 2/19/2024 – 2/23/2024

Stocks finished the week higher with the S&P 500 posting a fresh all-time high on Friday. For the month of February, the S&P 500 finished up 5.2% - its fourth consecutive monthly gain. When combined with January's performance, the broader market has gained 7.7%, its best start to a year since 2019. Driving the gains has been the better than expected fourth quarter earnings season, the end of the Federal Reserve's rate hiking cycle, and resilient economic growth. Market performance started to broaden out during February, with both the small-cap Russell 2000 (+5.5%) and S&P mid-cap 400 (+5.8%) outperforming the large-cap S&P 500.

Economic Roundup: The second revision to the Q4 gross domestic product (GDP), showed the US economy growing at a 3.2% annualized pace, down slightly from the initial estimate of 3.3%. Consumer spending during the quarter advanced at a 3% rate, faster than initially estimated. US consumer confidence fell in February for the first time in four months as Americans' views deteriorated about the outlook for the economy, the job market, and financial conditions. The Conference Board's gauge of sentiment decreased to 106.7 from a downwardly revised 110.9 a month earlier. Sales of new homes edged higher in January as builders and buyers capitalized on lower mortgage rates at the start of the year. Purchases of new singlefamily homes increased 1.5% to a 661K annual pace after the prior three months were revised lower. The median sales price of a home decreased to $420.7K in January from a year ago, marking the fifth-straight decline. US initial jobless claims rose by 13K to 215K in the week ending Feb. 24. The four-week moving average—which helps to smooth week to week volatility—fell to 212.5K from 215.5K previously.

Fed Speak: Federal Reserve ("Fed") officials were in synch with their messaging last week, i.e., they are done hiking rate but in no hurry to start cutting. NY Fed President John Williams said he doesn't see a need for officials to tighten policy further and reiterated that he expects the central bank to cut rates later this year. Williams acknowledged that inflation has retreated from multi-decade highs, but he emphasized officials want to see inflation return to 2% and remain there on a sustained basis. San Francisco Fed President Mary Daly said central bank officials are ready to lower interest rates as needed but emphasized there's no urgent need to cut given the strength of the economy. Boston Fed President Susan Collins said the central bank will likely lower interest rates later this year as the outlook for sustainable 2% inflation strengthens. Collins, this year a non-voting member of the Fed panel that sets rates, also suggested the path to lower borrowing costs may look different than the rapid descents of past easing cycles.

Q4 Earnings Season: Through Friday, 489 members of the S&P 500 have reported results with over 75% beating expectations. Aggregate earnings for the group are up 7.75%, well ahead of the 1.2% estimated pace in early-January. On the sector level, the strongest growth is coming from the Communication Services, Utilities and Consumer Discretionary sectors while the Energy and Materials sectors have posted the weakest results. With fourth quarter earnings season just about wrapped up, the focus in the coming weeks will turn to first quarter results. Consensus earnings expectations for the S&P 500 compiled by Bloomberg shows growth in the first quarter is expected to expand by 4.3%. On the sector level, 8 of the 11 S&P sector groups are forecast to deliver positive growth, with the strongest coming from Communication Services, Utilities, Technology, and Consumer Discretionary. Looking to full year data, 2024 S&P 500 earnings growth is estimated at 9.7% followed by 13.9% growth during 2025.

The Week Ahead: The focal points in the coming week will be Fed Chair Powell's testimony on Capitol Hill and the February jobs report on Friday. All eyes will be on Fed Chair Powell's testimonies to the House Financial Services Committee and the Senate Banking Committee on Wednesday and Thursday, respectively, with investors expected to parse his commentary for clues on the timing of the first rate cut. In terms of the payroll report, the Bloomberg consensus expects nonfarm payrolls to expand by to moderate to +190k from +353k in January. The unemployment rate is forecast to remain steady at 3.7%. On Wednesday, investors will also pay attention to the ADP Employment Change report and the Job Openings and Labor Turnover Survey (JOLTS) report. Other notable economic releases include the ISM services index and factory orders on Tuesday. Turning to politics, key events for next week include 'Super Tuesday', when 16 states and territories will be holding primary elections. That comes ahead of the State of the Union address by President Biden on Thursday. On the Fed front, outside of Chair Powell's testimony six other Fed Heads will take the stage. Elsewhere, the Fed's Beige Book report is also scheduled to be released on Wednesday. Earnings season will pretty much wrap up this week with just 8 S&P 500 members reporting results with the focus on retailers Target and Costco.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.