

# Weekly market update

## Chart of the week (Feb. 02, 2024)



As economic data goes, the Department of Labor's (DOL) monthly report on employment is among the most important. Consumer spending is responsible for most of the U.S.'s gross domestic product (GDP), and having a job is the most important factor in consumers' ability to spend. It takes a lot of time and effort to follow all the inputs to the report to have an idea of what we will see on the first Friday of every month. Usually, the consensus is within an acceptable range, although this report has a history of surprises. [This month's report](#) will go down as one of the bigger surprises we have seen in a while.

The trend in job growth, as reported as the nonfarm payroll number, has been slowing as the economic recovery ages. This trend is normal; it was taken into account when calculating the expected job growth for January to be around 185,000. January is also when annual seasonal adjustments are implemented, but this was factored into the expectation. Instead, we got what can only be called a blow-out number with new jobs totaling 353,000, twice the expectation, along with upward revisions to the previous two months' job growth numbers. This growth helped keep headline unemployment number at 3.7%, versus an expected tick higher to 3.8%. From an economic standpoint, this release furthers the idea of continued growth and lessens the chances of a recession. After getting our first look at [fourth-quarter 2023 GDP](#) at 3.3%, we would expect first-quarter 2024 growth to slow a bit. However, the most recent revisions to the [Atlanta Fed's GDP model](#) have moved higher to 4.2%. Wow.

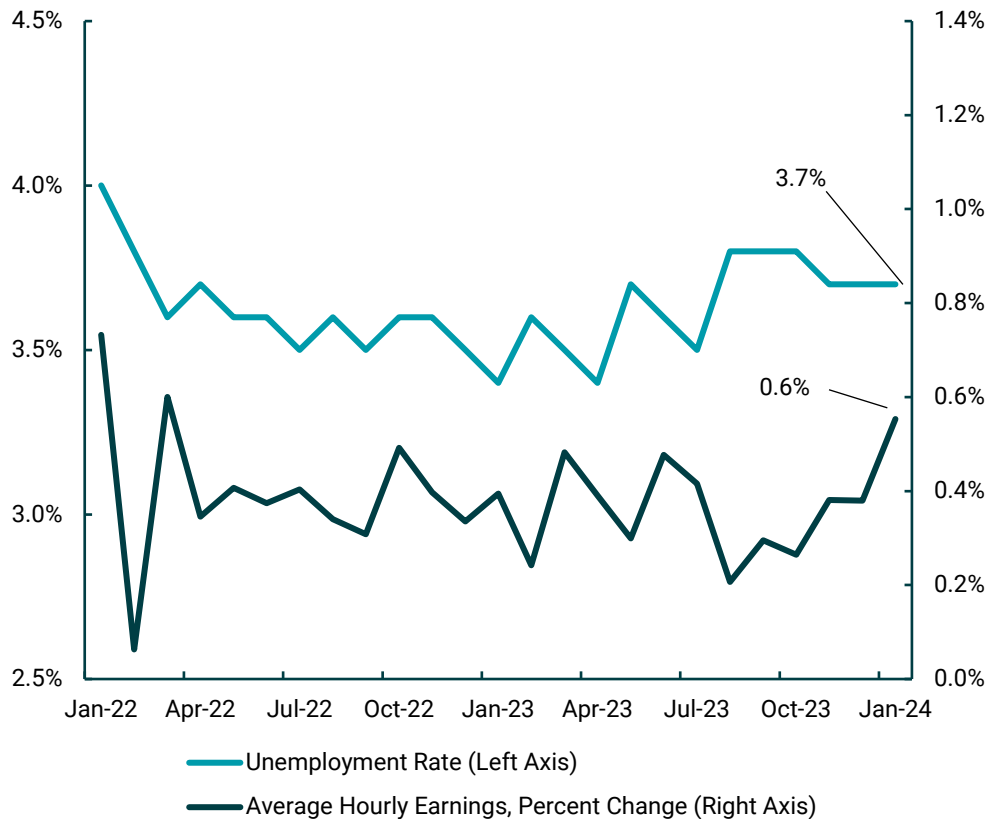
Within the number, we also get data on wages and the workweek. The news was more mixed within this part of the DOL's report. From this data, we are highlighting wage growth, alongside headline unemployment, in our chart. The ability of the economy to continue to grow and for the employment market to remain so stable over this period is remarkable, as this chart covers the period of the Fed increasing their overnight Fed Funds target rate by 5.25%.

Headline unemployment was 3.6% in March 2022, when the Fed began raising rates as inflation surged. With that in mind, a headline unemployment rate of 3.7% in the most recent report is an unexpected positive outcome, as unemployment has only increased by 0.1% since the Fed began raising rates.

The wage growth number, however, gives us reason to question [how quickly the Fed will begin to reduce rates](#). For January, wage growth was reported at 0.6%, which results in a year-over-year increase of 4.5%. Both numbers are well above expectations, and since wages are a key part of the Fed's outlook on longer-term inflation, this increase (which continues a bit of a trend over the last few months) will almost certainly catch the eye of Jay Powell and his fellow Federal Open Market Committee (FOMC) members. The workweek data showed a decline of 0.2%, which lessens the sting of average hourly earnings, but while the labor market is becoming more "balanced," the Fed must remain vigilant to wage inflation.

The markets are reacting with higher interest rates as the timing of rate reductions is pushed further out, and stocks are mixed. However, from an economic standpoint, this is an outstanding report.

Unemployment Rate and Average Hourly Earnings



Source: Federal Reserve Bank of St. Louis.  
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## Commentary (Feb. 02, 2024)

### Domestic Equities

- The Dow Jones Industrial Average and the S&P 500 Index continued to hit new all-time highs this week, as a strong earnings season and a robust labor market fuel investor optimism.
- Large cap continues to dominate over small cap, with the Russell 2000 Index down over 2% year-to-date. More large companies are beating earnings expectations than small companies are, and persistently high interest rates weigh more heavily on small caps.
- Several mega-caps reported earnings this week. Meta reported strong sales growth and initiated its first-ever dividend. Amazon also saw sales and profits grow more than expected. Exxon and Chevron reported near-record annual profits on strong oil demand.
- Apple's report was better than expected, but the stock fell as the company continues to face challenges in China.

### Bonds

- U.S. Treasuries initially rallied on lower-than-expected Treasury refunding and renewed concerns over the regional banking sector. However, the market finished the week mixed, with rates moving higher into week-end on stronger than expected employment data.
- It was a busy week for global central banks, with more than ten central banks making policy announcements this week. Most notably, the U.S. Federal Reserve had its first policy meeting of 2024 on Wednesday, announcing that it was keeping rates unchanged at 5.25-5.50%. Although this was broadly in line with expectations, in the post-meeting press conference, Chair Powell took a slightly more hawkish tone, casting doubt on the possibility of a March rate cut. This, coupled with stronger economic data, sent rate cut odds lower, with the futures market pricing in less than a 25% probability for a cut in March at the week-end.

### International Equities

- The International Monetary Fund increased its global economic growth forecast to 3.1% on the strength of the U.S. economy and a reduced likelihood of a hard landing despite new risks from commodity price spikes and supply chain challenges from the Middle East turmoil.
- This week, developed markets struggled to capture much upward momentum despite resilient performance in Japan and some smaller European markets. Australia's fourth-quarter inflation rate was lower than expected at 4.1%, increasing confidence that the central bank has finished its rate-tightening cycle.
- Emerging markets sputtered this week as continued market weakness from Chinese stocks dragged down the index. South Korea's exports rose 18% year-over-year, exceeding expectations. Exports rose for the fourth consecutive month due to a surge in demand for computer chips.

### Economics

- The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment increased by 353,000 in January, the highest monthly increase since January 2023 and above the 12-month average of 244,000. Most of the monthly job gains occurred in the professional and business services, health care and retail trade sectors. November and December payrolls were revised up by 9,000 and 117,000, respectively.
- The BLS also reported the unemployment rate (U-3) was 3.7%, and the labor force participation rate was 62.5%; both were unchanged in the month.
- The Job Openings and Labor Turnover Survey (JOLTS) indicated job openings rose slightly in December, totaling 9 million. The series peaked in March 2022 at 12 million but remains well above the February 2020 level of 7 million.

## Weekly Market Update

For Week Ending February 02, 2024

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	38,654.42	1.4%	2.6%	16.0%
S&P 500 Index	4,958.61	1.4%	4.1%	20.6%
NASDAQ Composite	15,628.95	1.1%	4.1%	29.2%
S&P 400 Midcap Index	2,767.15	0.2%	-0.4%	3.2%
S&P 600 Smallcap Index	1,273.63	-1.3%	-3.3%	-1.4%
MSCI EAFE	7,741.73	0.0%	-0.5%	7.1%
MSCI Emerging Markets	515.51	0.3%	-3.4%	-3.0%
Bloomberg US Agg	2,147.82	0.6%	-0.7%	0.9%
Bloomberg Municipal 5 Yr	488.20	0.6%	-0.1%	1.9%
Bloomberg US Corporate	3,204.82	0.6%	-0.5%	2.8%
Bloomberg Glb Agg ex US Hdg	563.05	0.5%	-0.3%	5.1%
Bloomberg High Yield	2,480.77	0.1%	0.0%	7.6%
MSCI US REIT Index	2,072.71	-0.6%	-3.6%	-4.8%
Bloomberg Commodity Index	223.04	-2.0%	-1.5%	-6.9%

	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Key Rates</b>				
Fed Funds Target	5.50%	5.50%	5.50%	4.75%
3-Month Treasury	5.36%	5.35%	5.33%	4.61%
1-Year Treasury	4.79%	4.77%	4.76%	4.59%
2-Year Treasury	4.36%	4.35%	4.25%	4.10%
5-Year Treasury	3.98%	4.04%	3.85%	3.49%
7-Year Treasury	4.00%	4.10%	3.88%	3.44%
10-Year Treasury	4.02%	4.14%	3.88%	3.39%
30-Year Treasury	4.22%	4.37%	4.03%	3.54%

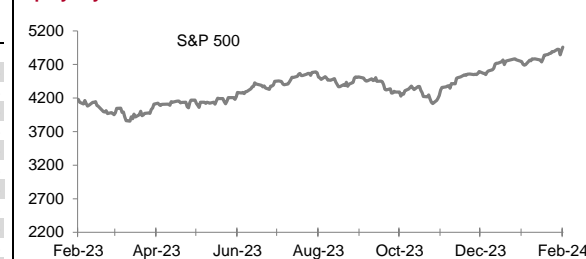
	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Consumer Rates</b>				
30-Year Mortgage	7.06%	6.99%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	8.50%
SOFR	5.32%	5.32%	5.38%	4.56%

	Last Price	Prior Week	Year End	Year Ago
<b>Commodities</b>				
Gold	2,039.76	2,018.52	2,062.98	1,912.72
Crude Oil (WTI)	72.28	78.01	71.65	73.09
Gasoline	3.15	3.10	3.12	3.49
Natural Gas	2.08	2.18	2.33	3.67
Copper	3.82	3.85	3.89	4.11

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	18.32	21.91	4.96	1.87
S&P 500	20.73	22.40	4.66	1.42
S&P 500 Value	16.11	19.20	3.05	2.36
S&P 500 Growth	27.21	25.40	7.96	0.66
NASDAQ	27.81	37.19	6.26	0.76
S&P Midcap 400	15.59	15.88	2.41	1.92
S&P Smallcap 600	14.89	14.16	1.81	1.73
MSCI EAFE	13.81	14.04	1.76	3.27
MSCI Emerging Markets	11.87	14.02	1.55	3.34

Source: Bloomberg

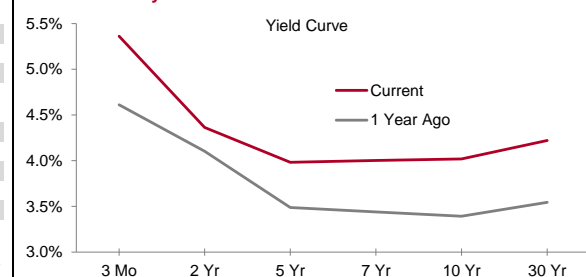
### Equity Style



1 Month*			Year to Date*			
	Value	Core	Growth	Value	Core	Growth
Large	0.40	4.65	8.45	1.02	4.06	6.73
Mid	-2.59	-0.11	2.33	-2.62	-0.44	1.69
Small	-4.67	-2.75	-0.84	-4.98	-3.30	-1.62

\*S&P Indices

### Fixed Income Style



1 Month*			Year to Date*			
	Short	Interm.	Long	Short	Interm.	Long
Govt	0.25	0.09	-1.59	0.13	-0.19	-2.45
Corp	0.42	0.27	-0.11	0.29	-0.13	-1.23
HY	0.56	0.45	0.90	0.40	0.03	0.32

1-3 Yrs 1-10 Yrs +10 Yrs

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	3.4%	6.5%
CPI Core Inflation	3.9%	5.7%
Personal Consumption Exp (PCE) Core	2.9%	4.9%

	Last Release	Year Ago
<b>Jobs</b>		
Unemployment Rate (U3)	3.7%	3.4%
Broader Unemployment Rate (U6)	7.2%	6.7%
JOLT Survey (in millions)	9.03	11.23
Jobless Claims (000's)	224	199
Change in Non-Farm Payroll (000's)	353	482
Average Hourly Earnings (Y/Y % Change)	4.5%	4.6%

	Last Release	Year Ago
<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	114.8	106.0
Consumer Spending (\$ Bil)	19,002	17,944
Consumer Credit (\$ Bil)	5,010	4,875
Retail Sales (\$ Bil)	710	672

	Last Release	Year Ago
<b>Housing</b>		
Housing Starts (000's)	1,460	1,357
Case-Shiller Home Price Index	312.15	296.90

	Last Release	Year Ago
<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	22,673	21,990
Quarter over Quarter Change	3.3%	2.6%
Year Over Year Change	3.1%	0.7%
ISM Manufacturing	49.10	47.40
Capacity Utilization	78.57	78.92
Markit US Composite PMI	52.30	46.80

	Last Release	Year Ago
<b>U.S. General</b>		
Leading Economic Indicators	103.1	111.0
Trade Weighted Dollar Index	121.0	119.0
EUR / USD	1.08	1.09
JPY / USD	148.38	128.68
CAD / USD	0.74	0.75
AUD / USD	0.65	0.71

### S&P 500 Sector Returns

	1 Month	YTD
Communication Services	11.90%	10.91%
Information Technology	9.61%	6.78%
Health Care	2.39%	4.19%
Financials	3.26%	3.66%
Consumer Staples	2.14%	3.31%
Industrials	2.44%	1.47%
Consumer Discretionary	1.77%	0.83%
Energy	-1.45%	-0.28%
Materials	-2.68%	-2.87%
Utilities	-4.28%	-2.96%
Real Estate	-5.18%	-4.30%

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