



WEEK OF JANUARY 8, 2024

# Market Update

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## Quick Hits

1. **Report releases:** Hiring accelerated in December; 216,000 jobs were added during the month.
2. **Financial market data:** Apple was downgraded twice as analysts see potential headwinds affecting phone sales.
3. **Looking ahead:** This week's data will focus on international trade, small business optimism, and inflation.

## Report Releases: January 2–5, 2024

### ISM Manufacturing Index December (Wednesday)

Although manufacturer confidence improved more than expected to end the year, the index remained in contractionary territory.

- Expected/prior ISM Manufacturing index: 47.1/46.7
- Actual ISM Manufacturing index: 47.4



### Federal Open Market Committee (FOMC) Meeting Minutes December (Wednesday)

The minutes from the December Federal Open Market Committee (FOMC) meeting contained no major surprises. Federal Reserve (Fed) members discussed the economy's slowing growth rate in the fourth quarter, along with the prospects for rate cuts in 2024.



### Employment Report December (Friday)

Hiring continued to accelerate in December; 216,000 jobs were added following a downwardly revised 173,000 new jobs in November. Underlying data also showed signs of increased labor demand as the unemployment rate remained at 3.7 percent against calls for an increase to 3.8 percent.

- Expected/prior change in nonfarm payrolls: +175,000/+173,000
- Actual change in nonfarm payrolls: +216,000



### ISM Services Index December (Friday)

Service sector confidence fell more than expected, with the index dropping from 52.7 to 50.6 against calls for a more modest decline. The larger-than-expected drop was primarily attributed to a slowdown in service sector hiring.

- Expected/prior ISM Services index: 52.5/52.7
- Actual ISM Services index: 50.6



## >> The Takeaway

- Manufacturing sector confidence rose more than expected and services posted a larger-than-expected drop in December.
- Although employment was better than expected, reports from October and November were revised downward.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-1.50%	-1.50%	-1.50%	22.58%
Nasdaq Composite	-3.23%	-3.23%	-3.23%	38.57%
DJIA	-0.56%	-0.56%	-0.56%	13.83%
MSCI EAFE	-1.26%	-1.26%	-1.26%	13.70%
MSCI Emerging Markets	-2.09%	-2.09%	-2.09%	4.01%
Russell 2000	-3.73%	-3.73%	-3.73%	10.57%

Source: Bloomberg, as of January 5, 2024

The S&P 500 lost 1.5 percent and the Nasdaq Composite tumbled 3.23 percent, snapping a streak of nine consecutive weeks with gains for the indices. Every company in the “Magnificent Seven” (i.e., Apple, Alphabet, Microsoft, Amazon, Meta Platforms, Tesla, and Nvidia) declined. Apple was downgraded by Barclays and Piper Sandler because they anticipate headwinds to phone sales in the first half of 2024.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.20%	-1.20%	2.37%
U.S. Treasury	-1.02%	-1.02%	1.30%
U.S. Mortgages	-1.26%	-1.26%	1.55%
Municipal Bond	-0.29%	-0.29%	4.89%

Source: Bloomberg, as of January 5, 2024

Treasury yields moved higher, in part because FOMC minutes didn’t contain major surprises. The 10-year rose 17 basis points (bps) to 4.04 percent, the 2-year was up 13 bps to 4.38 percent, and the 30-year rose 18 bps to 4.2 percent.

## >> The Takeaway

- The “Magnificent Seven” took a breather after a strong 2023, with Apple facing potential iPhone headwinds.
- Treasury yields moved higher as FOMC minutes offered little reason to believe the Fed would make a dramatic change to its higher-for-longer rate outlook.

## Looking Ahead

International trade, small business optimism, and inflation will be key points of interest in the week ahead.

- The week kicks off Tuesday with the release of the **National Federation of Independent Business (NFIB) Small Business Optimism Index** and the **Trade Balance Report**. The NFIB index is expected to stay flat at 90.6. The international trade deficit is set to increase modestly in November, which would mark three consecutive months with rising deficits.
- On Thursday, December's **Consumer Price Index report** will be released. Headline consumer inflation is set to increase year-over-year but core inflation is expected to fall to its lowest level since May 2021.
- The week wraps Friday with the **Producer Price Index** report for December. Producer inflation is expected to rise on a headline basis, with year-over-year producer prices set to increase 1.3 percent.





Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance

of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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