



WEEK OF JANUARY 16, 2024

Market Update

Quick Hits

1. **Report releases:** Headline consumer inflation accelerated in December, but core inflation slowed on a year-over-year basis.
2. **Financial market data:** Short-to intermediate term Treasuries moved lower as investors anticipated rate cuts from the Federal Reserve (Fed).
3. **Looking ahead:** Retail sales, housing, and consumer confidence will be key points of interest in the week ahead.

Report Releases: January 8–12, 2024

NFIB Small Business Optimism Index December (Tuesday)

Although the index performed better than expected, business owners continue to battle inflation headwinds. Despite its rise of 1.3 points, the index remains well below its 50-year average of 98.

- Expected/Prior NFIB Small Business Optimism Index: 90.6/90.6
- Actual NFIB Small Business Optimism Index: 91.9



Trade Balance Report December (Tuesday)

The trade deficit unexpectedly narrowed due to a rise in service exports and a fall in imports.

- Expected/prior trade balance report: -\$64.9 billion/-\$64.5 billion
- Actual trade balance report: -\$63.2 billion



Consumer Price Index (CPI) December (Thursday)

Consumer inflation increased modestly, with headline prices rising monthly and year-over-year. Core consumer inflation, which strips out the impact of volatile food and energy prices, fell to a two-year low.

- Prior monthly CPI/core CPI growth: +0.1%/+0.3%
- Expected monthly CPI/core CPI growth: +0.2%/+0.3%
- Actual monthly CPI/core CPI growth: +0.3%/+0.3%
- Prior year-over-year CPI/core CPI growth: +3.1%/+4%
- Expected year-over-year CPI/core CPI growth: +3.2%/+3.8%
- Actual year-over-year CPI/core CPI growth: +3.4%/+3.9%



Producer Price Index (PPI) December (Friday)

Producer prices fell in December, with the 0.1 percent drop in prices coming in below economist estimates for a 0.1 percent increase. Headline and core producer inflation was below economist estimates and the Fed's 2 percent target to end the year.

- Prior monthly PPI/core PPI growth: -0.1%/+0%
- Expected monthly PPI/core PPI growth: +0.1%/+0.2%
- Actual monthly PPI/core PPI growth: -0.1%/+0%
- Prior year-over-year PPI/core PPI growth: +0.8%/+2%
- Expected year-over-year PPI/core PPI growth: +1.3%/+2%
- Actual year-over-year PPI/core PPI growth: +1%/+1.8%



>> The Takeaway

- The trade balance improved due to rising service exports and falling import levels.
- Small business owners and consumers still see inflation as a concern.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.87%	0.34%	0.34%	21.59%
Nasdaq Composite	3.09%	-0.24%	-0.24%	36.28%
DJIA	0.35%	-0.21%	-0.21%	11.98%
MSCI EAFE	0.87%	-0.40%	-0.40%	10.02%
MSCI Emerging Markets	-0.57%	-2.65%	-2.65%	-0.73%
Russell 2000	0.00%	-3.73%	-3.73%	5.03%

Source: Bloomberg, as of January 13, 2024

The S&P 500 and Nasdaq Composite posted positive gains again last week after having their nine-week winning streak snapped. The Nasdaq led the way as Nvidia and Meta Platforms rose more than 11 percent and 6 percent, respectively. Mega-cap names led the way as yields lowered. The move to mega-caps can be seen as a “flight to safety” despite valuations.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.29%	-0.29%	2.41%
U.S. Treasury	-0.36%	-0.36%	1.38%
U.S. Mortgages	-0.24%	-0.24%	1.70%
Municipal Bond	-0.24%	-0.24%	3.75%

Source: Bloomberg, as of January 13, 2024

The belly of the curve between the 2 and 10-year Treasury maturities fell as investors continue to be concerned about global growth; they are pricing in a 76 percent chance of a rate cut in March. The 2-year yield fell 20 basis points (bps) as investors expect the Federal Open Market Committee (FOMC) to need to provide support to the economy via numerous rate cuts in 2024.

>> The Takeaway

- Mega-cap names outperformed as investors flocked to these names with strong balance sheets to help reduce risk
- The area of the Treasury curve between the 2- and 10-year fell; the front end of the curve is expected to move lower, toward a more neutral and supportive level, as global growth has started to slow.

Looking Ahead

Retail sales, housing, and consumer confidence will be key points of interest in the week ahead.

- The week kicks off on Wednesday with the release of **retail sales data** and **industrial production reports**. Retail sales are set to rise for the second straight month, which would be a good sign for personal consumption and overall economic growth in the fourth quarter. Industrial production is expected to fall modestly, due in part to an anticipated slowdown in manufacturing production.
- On Friday, the **preliminary University of Michigan consumer sentiment survey** for January and **existing home sales** for December are anticipated. The first look at consumer sentiment in January is expected to show slightly lower confidence levels. Existing home sales are set to increase modestly, which would mark two consecutive months with rising sales.





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.

Authored by the Investment Research team at Commonwealth Financial Network®

©2024 Commonwealth Financial Network®

LifeTime Asset Management, LLC

801 Corporate Center Drive | Suite 110 | Raleigh, NC 27607
919.845.5315 | 919.845.5346 fax | www.lifetimeasset.com

Securities offered through Commonwealth Financial Network®, Member FINRA/SIPC.