



Indianapolis, Indiana

WEEK OF JANUARY 22, 2024

Market Update

Quick Hits

1. **Report releases:** Retail sales and consumer confidence surprised to the upside in December.
2. **Financial market data:** Positive economic data forced the market to reconsider how many times the Federal Reserve (Fed) will cut rates in 2024.
3. **Looking ahead:** Business confidence, economic growth, and personal spending will be critical points of interest in the week ahead.

Report Releases: January 16–19, 2024

Retail Sales December (Wednesday)

Retail sales increased more than expected in December, which was a good sign for personal consumption growth.

- Expected/prior month retail sales monthly change: +0.4%/+0.3%
- Actual retail sales monthly change: +0.6%



Industrial Production December (Wednesday)

Industrial production grew more than expected in December, due in part to an unexpected rise in manufacturing production.

- Expected/prior month production change: -0.1%/+0%
- Actual production change: +0.1%



Employment Report January (Friday)

Consumer sentiment unexpectedly improved in January; the index rose to its highest level in more than two years. The boost was widespread, with consumer views on current economic conditions and expectations for the future improving notably.

- Expected/prior month consumer sentiment index: 70.1/69.7
- Actual consumer sentiment index: 78.8



Existing Home Sales December (Friday)

Existing home sales fell modestly in December, capping their worst year since 1995. High mortgage rates, lack of supply, and rising home prices served as headwinds throughout the year.

- Expected/prior month existing home sales change: +0.3%/+0.8%
- Actual existing home sales change: -1%



>> The Takeaway

- Retail sales and consumer confidence surprised to the upside in December.
- Existing home sales surprised to the downside as rates have moved higher.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.19%	1.54%	1.54%	23.83%
Nasdaq Composite	2.26%	2.01%	2.01%	38.59%
DJIA	0.76%	0.55%	0.55%	15.91%
MSCI EAFE	-2.13%	-2.52%	-2.52%	7.66%
MSCI Emerging Markets	-2.54%	-5.13%	-5.13%	-3.87%
Russell 2000	-0.33%	-4.05%	-4.05%	5.78%

Source: Bloomberg, as of January 19, 2024

The S&P 500 reached a record high on Friday, closing at 4,839.81. The “Magnificent Seven” (i.e., Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) were mostly higher. Major chip manufacturer Taiwan Semiconductor surprised to the upside after noting it was normalizing inventory levels and receiving strong demand on the AI side of its business. Nvidia gained more than 8 percent.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.39%	-1.39%	1.14%
U.S. Treasury	-1.39%	-1.39%	0.23%
U.S. Mortgages	-1.61%	-1.61%	0.08%
Municipal Bond	-1.01%	-1.01%	2.42%

Source: Bloomberg, as of January 19, 2024

The Treasury yield curve continued its shift higher as positive economic data in retail sales, industrial production, and home builder confidence led investors to question whether the Fed would need to keep rates higher for longer. The 10-year Treasury yield moved almost 21 basis points (bps) higher, closing the week at 4.15 percent. The 2-year sold off as yields rose more than 26 bps, closing at 4.41 percent.

>> The Takeaway

- Positive news from Taiwan Semiconductor added to confidence in AI and the mega-cap rally.
- Yields moved higher on the back of positive economic data and more hawkish Fed speak.

Looking Ahead

Business confidence, economic growth, and personal spending will be key points of interest in the week ahead.

- The week kicks off on Wednesday with the release of the **S&P Global Preliminary Purchasing Manager's Indices (PMI)** for January. Manufacturing and services are expected to soften slightly.
- On Thursday, we expect the advanced estimate of fourth-quarter GDP and the **preliminary durable goods orders report** for December. GDP growth is expected to show slowing growth, due in part to a slowdown in personal consumption growth in the quarter. Headline and core durable goods orders are set to increase for the second consecutive month.
- Finally, the week wraps on Friday with the **personal income and spending report** for December. Both are expected to rise, which would mark nine consecutive months with increased spending.





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®

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LifeTime Asset Management, LLC

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

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