



WEEK OF FEBRUARY 12, 2024

Market Update

Consumer credit was weaker than expected. Large technology names such as Nvidia and Alphabet continued to lift equity markets. Economic data showed signs of softening.

Quick Hits

- 1. Report releases:** Consumer credit was lower than expected in December.
- 2. Financial market data:** The S&P 500 and Nasdaq have risen in 14 of the past 15 weeks.
- 3. Looking ahead:** The focus this week will be on consumer inflation, retail sales, and consumer confidence.

Report Releases: February 5–9, 2024

S&P Global US Composite PMI January (Monday)

The S&P Global US Composite Purchasing Managers' Index, which provides an indication of economic trends through the eyes of purchasing managers, surprised to the downside. The service sector was weaker than expected at 52.5 versus an expectation of 52.9.

- Expected/prior month composite PMI: 52.3/52.3
- Actual composite PMI: 52



ISM Services Index January (Monday)

Service sector confidence improved more than expected in January, with the index rising to a four-month high.

- Expected/prior ISM Services index: 52/50.5
- Actual ISM Services index: 53.4



Trade Balance December (Wednesday)

The international trade deficit widened modestly, driven by a 1.3 percent increase in imports in December.

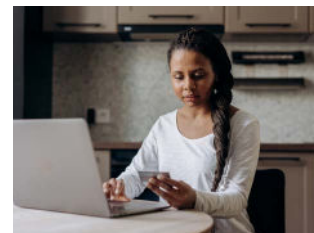
- Expected/prior trade deficit: -\$62 billion/-\$61.9 billion
- Actual trade deficit: -\$62.2 billion



Consumer Credit December (Wednesday)

Consumer credit surprised to the downside, expanding by roughly \$1.5 billion versus expectations of nearly \$13 billion. Consumers appear to have used their credit cards for shopping early in the fourth quarter, clamping down on spending in December.

- Expected/prior month consumer credit: \$12.88B/\$23.75B
- Actual consumer credit \$1.56B



>> The Takeaway

- Although the U.S. economy remains in expansionary territory, we are seeing signs of moderating in the service sector and the international trade deficit.
- Consumer credit missed expectations by a wide margin in December. Delinquencies rose in 2023.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.40%	3.77%	5.52%	24.88%
Nasdaq Composite	2.34%	5.48%	6.58%	37.58%
DJIA	0.09%	1.41%	2.74%	16.65%
MSCI EAFE	0.11%	-1.00%	-0.43%	9.67%
MSCI Emerging Markets	0.75%	2.03%	-2.70%	0.77%
Russell 2000	2.44%	3.25%	-0.76%	6.41%

Source: Bloomberg, as of February 9, 2024

The S&P 500 and Nasdaq Composite moved higher for the 14th week in the past 15 as big tech continued to propel the market. Nvidia and Alphabet each rose more than 4.5 percent. Semiconductors, apparel, airlines, and pharmaceuticals were among other solid performers. Regional banks and payment companies, such as New York Community Bank and PayPal, struggled.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.20%	-1.47%	2.39%
U.S. Treasury	-1.18%	-1.46%	1.52%
U.S. Mortgages	-1.23%	-1.69%	1.39%
Municipal Bond	-0.10%	-0.61%	3.25%

Source: Bloomberg, as of February 9, 2024

The back end of the Treasury yield curve lifted. The 10-year moved 16 basis points (bps) higher to close at 4.19 percent and the 30-year rose 16 bps to 4.38 percent. The rise in U.S. equities may prompt some investors to move out of slower-growth, long-maturity positions.

>> The Takeaway

- The “Magnificent Seven” continued to carry the market, with Nvidia and Alphabet each rising more than 4.5 percent.
- Some Treasury buyers may be rethinking their positions in the wake of a strong equity market rally.

Looking Ahead

It will be a busy week for economic data, with a focus on consumer inflation, retail sales, and consumer confidence.

- The week kicks off Tuesday with the release of the **Consumer Price Index (CPI) report** for January. It's expected to show slowing year-over-year inflation, with headline consumer price growth set to fall from 3.4 percent in December to 2.9 percent.
- On Thursday, **retail sales and industrial production reports** for January will be released. Retail sales are set to fall modestly after two consecutive months of solid sales growth. Industrial production is expected to improve for the second month in a row, due in part to a rise in capacity utilization.
- Finally, Friday wraps with the release of the preliminary **University of Michigan consumer sentiment survey** for February. Economists expect sentiment to be unchanged after two months of notable improvements.





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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