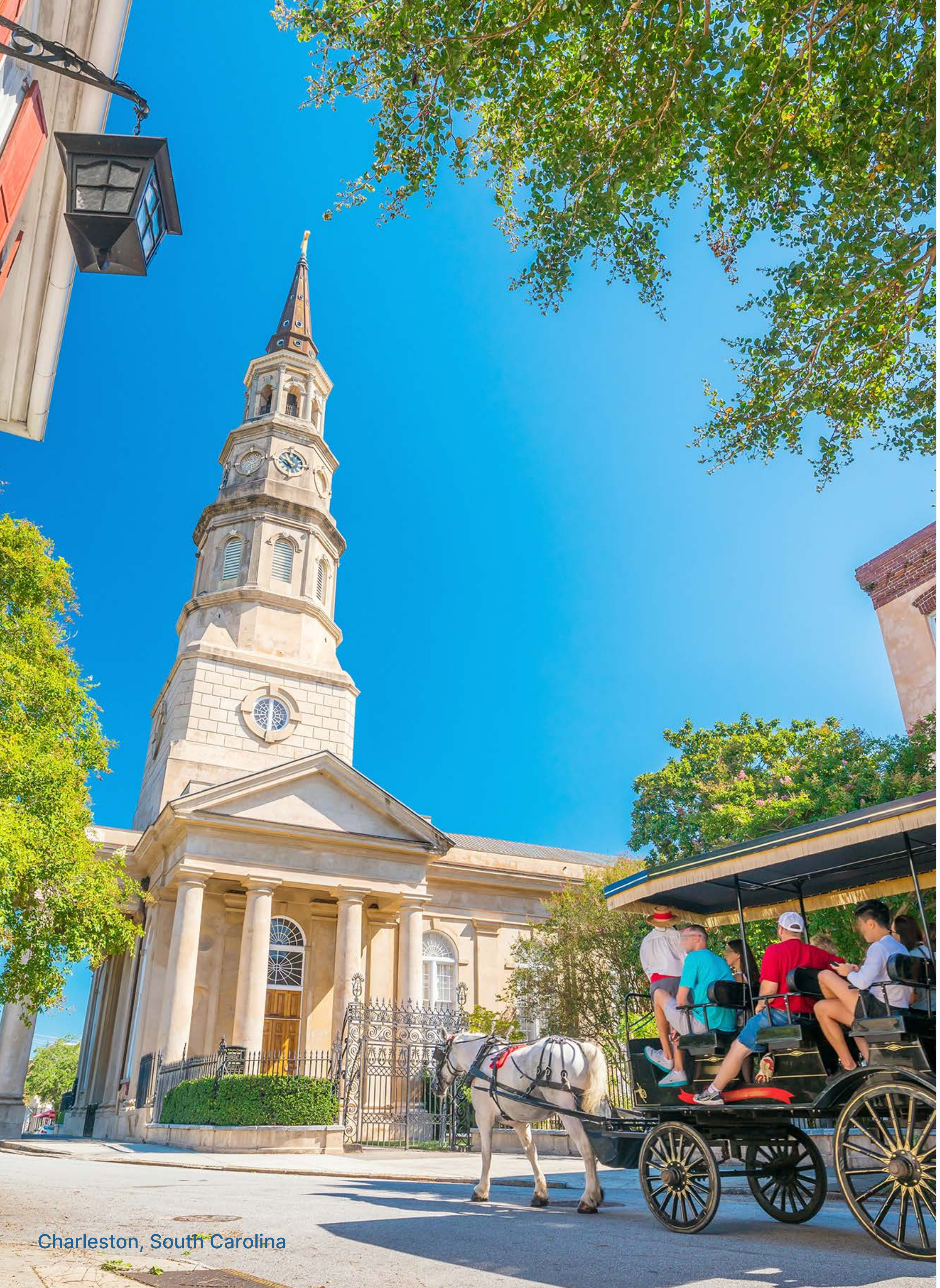

Charleston, South Carolina

WEEK OF FEBRUARY 20, 2024

Market Update

Consumer and producer prices were higher than anticipated this week. As a result, equity investors focused on moving toward companies that have historically generated more of their profits in the short-term, and fixed-income investors demanded higher yields.

Quick Hits

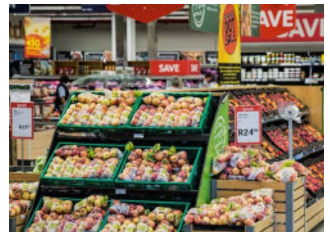
1. **Report releases:** Consumer and producer prices both increased by more than expected to start the year.
2. **Financial market data:** Hotter-than-expected inflation reports for January led large-cap equities to take a breather.
3. **Looking ahead:** The focus will be Fed Policy, U.S. Purchasing Manager Indices, and existing home sales.

Report Releases: February 12–16, 2024

Consumer Price Index
January
(Tuesday)

Headline and core consumer prices both rose by more than expected on a year-over-year basis in January, driven by stubbornly high service price growth to start the year.

- Prior monthly CPI/core CPI growth: +0.2%/+0.3%
- Expected monthly CPI/core CPI growth: +0.2%/+0.3%
- Actual monthly CPI/core CPI growth: +0.3%/+0.4%
- Prior year-over-year CPI/core CPI growth: +3.4%/+3.9%
- Expected year-over-year CPI/core CPI growth: +2.9%/+3.7%
- Actual year-over-year CPI/core CPI growth: +3.1%/+3.9%



Retail Sales
January
(Thursday)

Retail sales fell by more than expected to start the year. The declines were widespread, as nine of the 13 measured categories saw lower sales to start the year.

- Expected/prior month retail sales monthly change: -0.2%/+0.4%
- Actual retail sales monthly change: -0.8%

Industrial Production
January
(Thursday)

Industrial production surprisingly declined in January, driven in part by a slowdown in manufacturing production during the month.

- Expected/prior month production change: +0.2%/0.0%
- Actual production change: -0.1%

Preliminary University of Michigan Consumer Sentiment Survey
February
(Friday)

Consumer sentiment rose for the third straight month in February. The modest increase for the index was driven by improved consumer outlook for future economic conditions.

- Expected/prior month Consumer Sentiment Index: 80.0/79.0
- Actual Consumer Sentiment Index: 79.6

>> The Takeaway

- Consumer and producer inflation came in higher than expected in January.
- Retail sales fell by more than expected in January, but consumer sentiment showed signs of improvement in February.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.35%	3.41%	5.15%	24.69%
Nasdaq Composite	-1.31%	4.10%	5.18%	34.92%
DJIA	0.02%	1.43%	2.76%	16.65%
MSCI EAFE	1.47%	0.46%	1.04%	11.16%
MSCI Emerging Markets	2.11%	4.19%	-0.65%	4.33%
Russell 2000	1.17%	4.46%	0.40%	6.09%

Source: Bloomberg, as of February 16, 2024

The news of hotter-than-expected inflation in January slowed mega-cap tech stocks for the week. As a result, the S&P 500 and Nasdaq composite both moved lower. Energy was the top-performing sector as concerns around conflict in the Middle East remained high. Financials also performed well as the potential for higher rates could be supportive of net interest margin (spreads between loans issued and interest paid on deposits). Tech, communication services, and consumer discretionary were among the worst-performing sectors for the week despite their recent strength.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.74%	-2.01%	2.31%
U.S. Treasury	-1.76%	-2.03%	1.33%
U.S. Mortgages	-1.86%	-2.31%	1.20%
Municipal Bond	-0.20%	-0.71%	4.64%

Source: Bloomberg, as of February 16, 2024

The belly of the yield curve between the 2- and 10-year treasury maturities saw the greatest lift in yields this past week. The hotter-than-expected inflation report saw a repricing of longer-term rate expectations as investors demanded greater yield should inflation be more persistent. The 5-year treasury rate was up almost 14 basis points over the prior week's close.

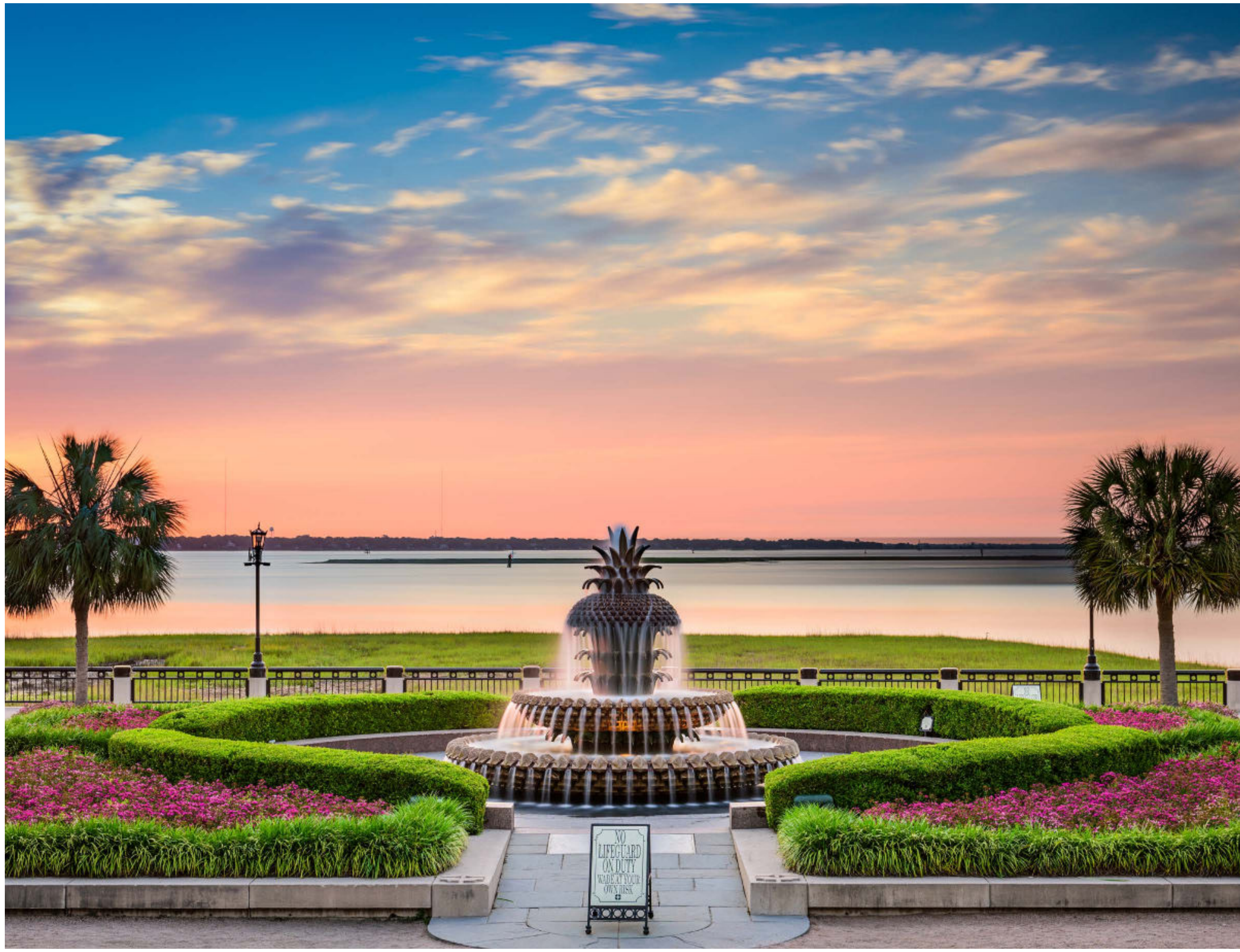
>> The Takeaway

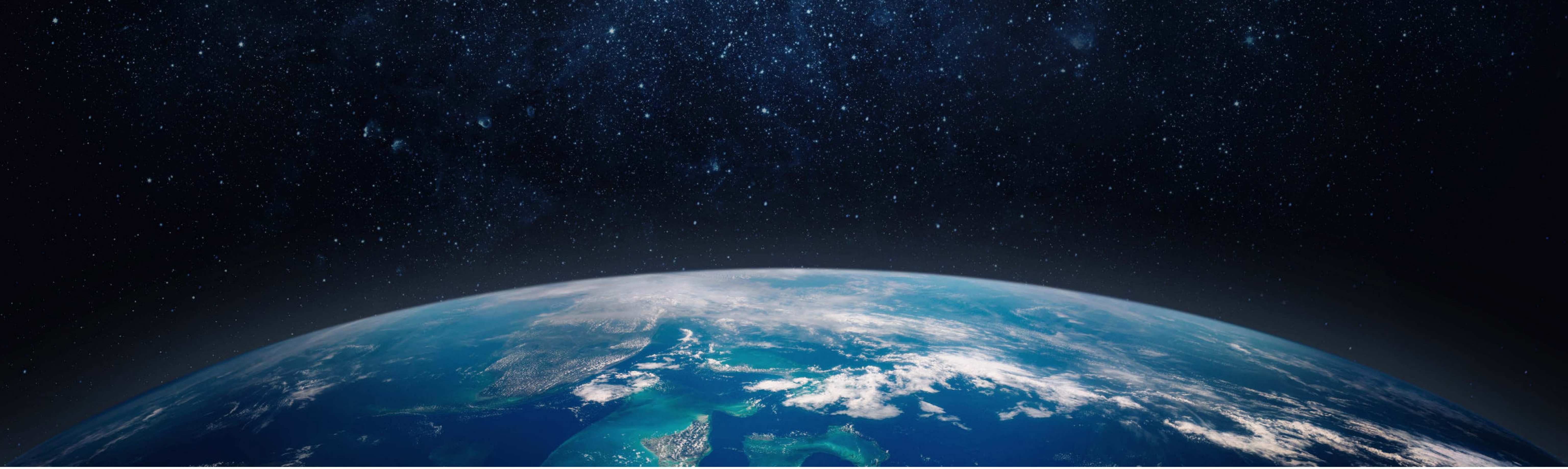
- The surprise inflation report saw a slight rotation back toward value stocks.
- Bond investors demanded higher yields as higher inflation will take a bigger bite out of their coupon payments.

Looking Ahead

This week will be a bit lighter on the economic data front. The focus will be Fed Policy, U.S. Purchasing Manager Indices, and existing home sales.

- The week will kick off on Tuesday with the release of the **Philadelphia Fed Non-Manufacturing Activity report** for February. The January report showed a decline of 3.7 percent outside the manufacturing sector as the service segment of the economy has slowed a bit as we have seen a slight rebound in manufacturing.
- Tuesday will see the release of both **FOMC meeting minutes** for January. The minutes from the Federal Reserve's January meeting are set to be released on Wednesday. While there were no changes to interest rates at this meeting, the minutes will still be closely monitored by economists and investors looking for hints on the future path of monetary policy.
- Finally, Thursday will wrap with the release of both the **Preliminary S&P Global U.S. PMIs** for February and **existing home sales** for January. The Composite PMI is expected to soften a bit as both the services and manufacturing PMIs are expected to give up some ground. Sales of existing homes are set to rise in January following a larger-than-expected decline in December. The pace of existing home sales growth fell notably throughout 2022 and 2023, due to a combination of high prices, high mortgage rates, and a lack of supply of homes for sale.





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