

WEEK OF MARCH 4, 2024

Market Update

The rally in artificial intelligence (AI) continued last week as Dell posted strong earnings as demand for its AI servers rose. Bond investors bought between 2-year and 10-year maturities as the Federal Reserve's (Fed's) inflation gauge came in line with expectations.

Quick Hits

- 1. Report releases: Personal income and spending increased in January.
- **2. Financial market data:** The Al rally picked up breadth as Dell and Super Micro Computer gained traction.
- **3. Looking ahead:** All eyes will be on employment data, with job openings and February's employment report scheduled for release.

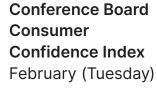


Report Releases: February 26-March 1, 2024

Preliminary Durable Goods Orders January (Tuesday)

Headline durable goods orders missed expectations, due in part to a slowdown in volatile transportation orders. Core durable goods orders also slowed to start the year, signaling slowing business investment.

- Expected/prior durable goods orders monthly change: -5%/-0.3%
- Actual durable goods orders change: -6.1%
- Expected/prior core durable goods orders monthly change: +0.2%/-0.1%
- Actual core durable goods orders change: -0.3%



Consumer confidence fell notably after rising more than expected in January. The pullback was caused primarily by souring consumer views on current economic conditions.

- Expected/prior month consumer confidence: 115/110.9
- Actual consumer confidence: 106.7





Personal Spending and Personal Income January (Thursday)

Personal income and spending continued to rise in January, marking 10 consecutive months with personal spending growth.

- Expected/prior personal income monthly change: +0.4%/+0.3%
- Actual personal income change: +1%
- Expected/prior personal spending monthly change: +0.2%/+0.7%
- Actual personal spending change: +0.2%



ISM Manufacturing Index February (Friday)

Manufacturer confidence fell more than expected, caused by slowing employment and new order growth.

- Expected/prior ISM Manufacturing index: 49.5/49.1
- Actual ISM Manufacturing index: 47.8



>> The Takeaway

- Consumer confidence fell in February despite rising personal income and spending in January.
- Manufacturing confidence fell more than expected in February.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.99%	0.81%	7.97%	31.11%
Nasdaq Composite	1.76%	1.14%	8.55%	43.12%
DJIA	0.00%	0.24%	4.09%	20.97%
MSCI EAFE	0.72%	0.79%	3.23%	15.36%
MSCI Emerging Markets	-0.30%	0.38%	0.27%	7.35%
Russell 2000	3.00%	1.06%	2.62%	10.86%

Source: Bloomberg, as of March 1, 2024

Small-caps fared well on the heels of the Al rally. The face of this performance was Super Micro Computer, which focuses on Al server solutions. (The Dow Jones announced Super Micro Computer would be added to the S&P 500 as part of its quarterly rebalance.) Dell had better-than-expected earnings as it benefited from the move to Al-integrated servers. Health care, utilities, and staples struggled.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.39%	-1.30%	4.65%
U.S. Treasury	0.38%	-1.22%	3.50%
U.S. Mortgages	0.42%	-1.67%	3.95%
Municipal Bond	0.01%	-0.37%	5.70%

Source: Bloomberg, as of March 1, 2024

Treasuries rallied in the belly of the curve between 2-year and 10-year maturities. The release of the Fed's preferred inflation gauge, the core Personal Consumption Expenditures (core PCE) Price Index, showed inflation in line with expectations, reinforcing confidence for bond investors. The 5-year yield fell almost 13 basis points (bps).

>> The Takeaway

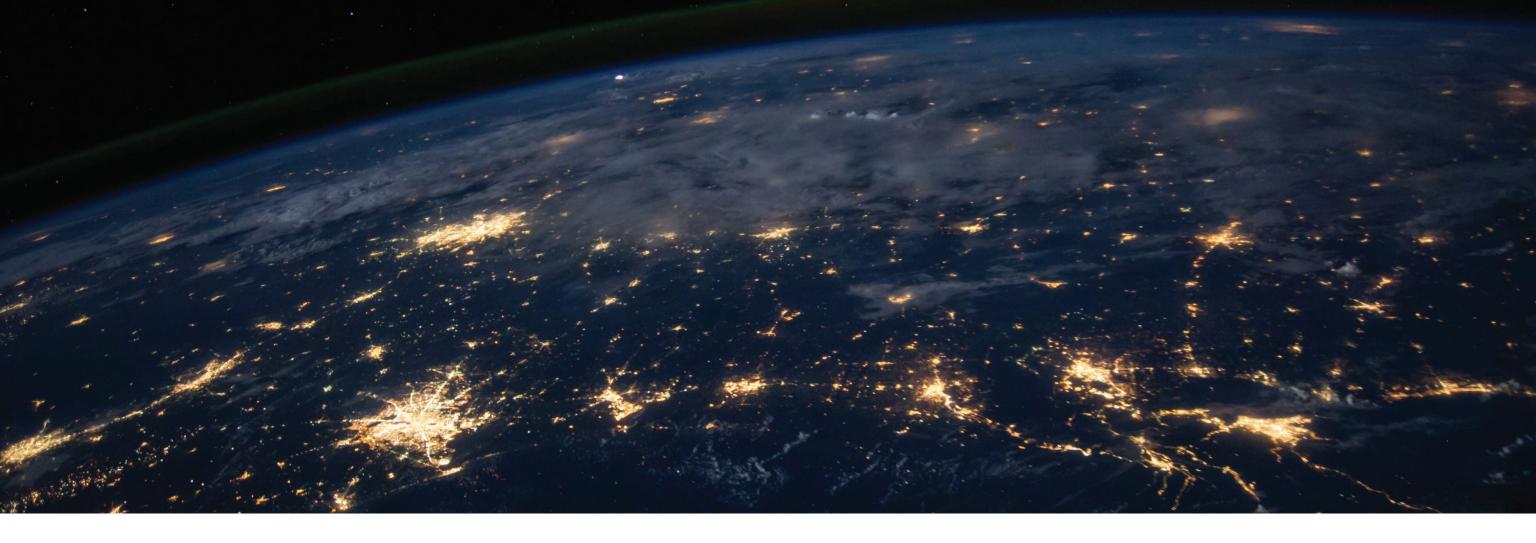
- Al servers rallied and saw participation from large- and small-caps.
- Bond investors had renewed confidence in buying the belly of the curve after a key inflation report was in line with expectations.

Looking Ahead

This week, we expect several important economic data releases, including reports on service sector confidence, trade balance, and employment.

- On Tuesday, the ISM Services index for February is expected to be released. Service sector confidence is set to fall modestly after reaching a four-month high in January.
- On Wednesday, the Job Openings and Labor Turnover Survey (JOLTS) report will be released. It should provide information on labor market tightening and employee confidence.
- The January trade balance report is due Thursday. The international trade deficit is expected to increase modestly; the advance estimate for the trade of goods showed a widening trade gap.
- Finally, Friday will wrap with the **February employment report**. Hiring growth is expected to slow after surging more than expected in January. Nonetheless, economists still expect to see that a solid 188,000 jobs were added during the month.





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Authored by the Investment Research team at Commonwealth Financial Network.®

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