



Weekly Recap

U.S. equities began the week with the S&P 500 building on the all-time closing high set the prior week. This week was quiet from a Fed speak perspective ahead of FOMC's January meeting. Fed rate cut expectations, according to the CME FedWatch Tool, show the odds of a March move at about 50%, compared to the 75% a month ago. Several important economic reports, beginning with Manufacturing PMI, exceeded expectations, marking the highest level since October 2022, though manufacturing costs have risen at the fastest pace since April 2023. Services PMI also surpassed expectations but witnessed the slowest increase in output charges since June 2020. Q4 GDP reading exceeded expectations, growing at a 3.3% seasonally adjusted annual rate, driven by robust consumer spending and strong public-sector outlays and exports. Initial Claims came in higher than the consensus of 200,000, with 214,000 claims for the week ending January 20. The core personal consumption expenditures (PCE) price index, the Federal Reserve's preferred measure of underlying inflation, rose at its slowest annual pace in nearly three years with a print of 2.9% in December. On a monthly basis, it rose 0.2%. Despite continued economic strength and subdued inflation, markets remain split on the likelihood of a March rate cut, with expectations of cuts by June at the latest. Emphasis on high-quality stocks, particularly in big tech, has emerged, raising concerns about concentration and valuations. Earnings season was in full swing, with 75 S&P 500 companies reporting as investors were particularly focused on specific company earnings in EVs, streaming, and tech. U.S. major indices finished the week higher, with the S&P 500 up 1.06%, the Dow 0.65%, and the Nasdaq 0.94%. Energy was the best performer, while consumer discretionary was the worst performer. Value outperformed growth for the week.

Key Thought for The Week

Investors received additional data on inflation with today's headline Personal Consumption Expenditures (PCE) price index and core PCE reports. Both figures rose 0.2% in December according to data from the Bureau of Economic Analysis, which was in line with consensus expectations. Year-over-year headline PCE inflation remained unchanged at 2.6% while year-over-year core PCE inflation slowed from 3.2% to 2.9%, under 3% for the first time since March 2021. The year-over-year gain is significantly below the 7.1% logged in June 2022 and yet that still masks the extent by which inflation cooled in the latter half of 2023. In the six months ending in December, prices rose at just a 2% annual rate. The Federal Reserve's preferred inflation gauge is Core PCE, which excludes the more volatile costs of food and energy. Inflation trending back toward the Federal Reserve's target of 2% hints it may have cooled enough for the Fed to entertain cutting rates while still leaving its overnight target rate in "restrictive territory". This would preserve for the Fed insurance against the economy weakening. The cooling inflation indicated by PCE, juxtaposed with a strong economy, evidenced by gross domestic product growing at a 3.3% annual rate in the fourth quarter, suggests the Fed may take a wait-and-see approach at next week's meeting.

1/26/2024	Wk	Wk	YTD	12 Mos
	Net	%	Div	%
	Change	Change	Yield	Change
STOCKS	Close			
DJIA	38,109.43	245.63	0.65	1.11
S&P 500	4,890.97	51.16	1.06	2.54
NASDAQ	15,455.36	144.39	0.94	2.96
S&P MidCap 400	2,763.77	22.81	0.83	-0.64
EAFE	2,210.87	31.62	1.45	-1.13
Emerging Market	988.30	17.39	1.79	-3.46

	Yield	FOREX	Price	Wk %
			Change	
TREASURIES				
1-Year	4.78	USD/EUR	1.09	-0.39
2-Year	4.36	JPY/USD	148.12	0.00
5-Year	4.04	USD/GBP	1.27	0.00
10-Year	4.14	CAD/USD	1.34	-0.15
30-Year	4.37			

Source: FactSet/Bloomberg

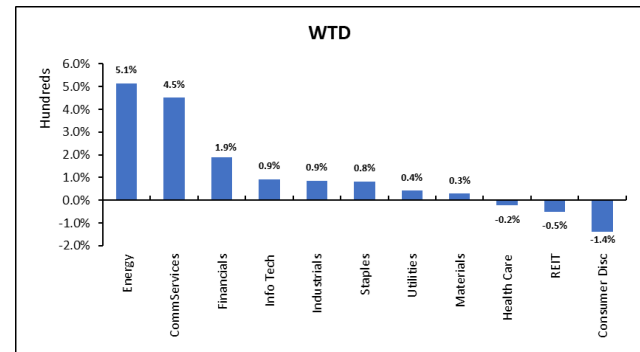
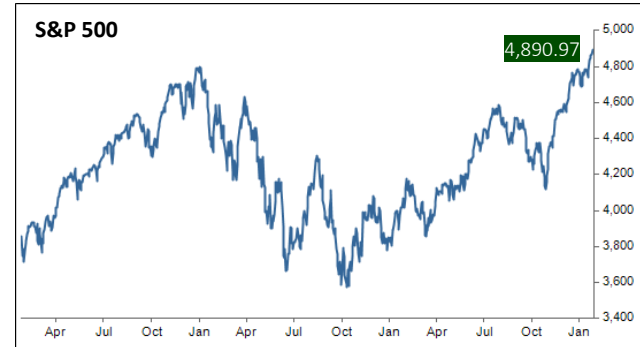
Sector - Large Cap

	Wk	Wk	WTD	MTD	QTD	YTD
	Net	%				
	Change					
Defensive	Close					
Staples	769.72	6.35	0.8%	1.0%	1.0%	1.0%
Health Care	1,622.26	-3.73	(0.2%)	2.0%	2.0%	2.0%
CommServices	268.00	11.58	4.5%	8.9%	8.9%	8.9%
Eco Sensitive						
Consumer Disc	1,377.67	-19.56	(1.4%)	(2.8%)	(2.8%)	(2.8%)
Energy	643.85	31.52	5.1%	0.6%	0.6%	0.6%
Industrials	960.37	8.25	0.9%	(0.5%)	(0.5%)	(0.5%)
Info Tech	3,598.29	33.08	0.9%	5.9%	5.9%	5.9%
Materials	520.05	1.50	0.3%	(3.6%)	(3.6%)	(3.6%)

Interest Rate Sensitive

Financials	642.82	11.86	1.9%	2.6%	2.6%	2.6%
Utilities	311.10	1.31	0.4%	(3.4%)	(3.4%)	(3.4%)
REIT	241.83	-1.24	(0.5%)	(3.9%)	(3.9%)	(3.9%)

	COMING UP NEXT WEEK		Consensus	Prior
01/30	Consumer Confidence	(Jan)	113.0	110.7
01/30	JOLTS Job Openings	(Dec)	8,725K	8,790K
01/31	Chicago PMI SA	(Jan)	47.8	46.9
01/31	Fed Funds Target Upper Bound	-	5.50%	5.50%
02/01	ISM Manufacturing SA	(Jan)	47.3	47.4
02/02	Nonfarm Payrolls SA	(Jan)	165.0K	216.0K
02/02	Unemployment SA	(Jan)	3.8%	3.7%
02/02	Durable Orders SA M/M (Final)	(Dec)	0.0%	0.0%
02/02	Factory Orders SA M/M	(Dec)	0.25%	2.6%
02/02	Michigan Sentiment NSA (Final)	(Jan)	78.8	78.8



Russell Style Return

WTD	Value	Blend	Growth
Large	1.24%	1.04%	0.88%
Medium	1.04%	0.94%	0.70%
Small	1.93%	1.75%	1.57%

YTD	Value	Blend	Growth
Large	0.40%	2.33%	3.98%
Medium	(1.00%)	(0.63%)	0.26%
Small	(2.58%)	(2.37%)	(2.15%)