



WEEK OF FEBRUARY 26, 2024

Market Update

Stocks moved higher as Nvidia's earnings results and the trend of advanced computing showed strength. Bond investors adjusted rate expectations on the margin as hotter-than-expected January inflation data continued to ripple through rates.

Quick Hits

- 1. Report releases:** Existing home sales rose modestly in January, but the annualized pace of home sales remained well below pre-pandemic levels.
- 2. Financial market data:** Nvidia's earnings report provided support for equities.
- 3. Looking ahead:** The focus this week will be on durable goods, consumer confidence retail sales, and consumer confidence.

Report Releases: February 19–23, 2024

Philadelphia Fed Non-Manufacturing Activity Report February (Tuesday)

The regional activity index declined 5 points from January, falling to -8.8. The main driver was a drop in new orders, which fell for the 11th time in 12 months. Nonetheless, more than 43 percent of firms expect increases in future activity.



FOMC Meeting Minutes January (Tuesday)

The minutes from the Federal Reserve's (Fed's) January meeting showed that central bankers remain divided on the appropriate timing for an interest rate cut. Hawkish Fed members pointed toward the risks associated with easing too soon, whereas dovish members cited the fall in inflationary pressure at the end of 2023.



Preliminary S&P Global US PMIs February (Friday)

The S&P Global US composite PMI fell 0.6 points in February to 51.4, slightly below the expectation of 51.5, as services came in weaker than expected.

- Manufacturing PMI expected/prior month change: 50.6/50.7
- Manufacturing actual PMI: 51.5
- Services PMI expected/prior month: 52.4/52.5
- Services actual PMI: 51.3



Existing Home Sales January (Friday)

Existing home sales rose in January, bringing the annualized pace of sales to its highest level in five months. Despite the improvement, the pace of home sales remains well below pre-pandemic levels.

- Expected/prior month existing home sales change: +4.9%/-0.8%
- Actual existing home sales change: +3.1%



>> The Takeaway

- The service sector continued to show signs of softening as new orders remained lackluster.
- Federal Open Market Committee (FOMC) members are split on the path ahead for rates.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.68%	5.15%	6.91%	30.25%
Nasdaq Composite	1.41%	5.57%	6.67%	41.52%
DJIA	1.30%	2.75%	4.10%	21.78%
MSCI EAFE	1.44%	1.90%	2.49%	15.55%
MSCI Emerging Markets	1.23%	5.47%	0.57%	8.59%
Russell 2000	-0.77%	3.66%	-0.37%	8.37%

Source: Bloomberg, as of February 23, 2024

Large-cap equities moved higher, fueled by Nvidia’s earnings announcement after Wednesday’s close. On the earnings call, Nvidia President and CEO Jensen Huang said, “Accelerated computing and generative AI have hit the tipping point.” The company beat revenue and earnings guidance by 7.55 percent and 11.28 percent, respectively. (This came on top of already-lofty expectations of 239.6 percent revenue and 427.3 percent earnings growth.) Consequently, semiconductor stocks were among the top performing industries, along with discount retailers such as Walmart and construction material firms such as Sherwin Williams and Home Depot.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.50%	-1.77%	3.49%
U.S. Treasury	-1.48%	-1.76%	2.40%
U.S. Mortgages	-1.79%	-2.24%	2.36%
Municipal Bond	-0.05%	-0.56%	5.26%

Source: Bloomberg, as of February 23, 2024

The Treasury yield curve saw a modest increase in the inversion of the curve; the 10-year yield minus the 3-month Treasury bill increased to 1.15 percent versus 1.1 percent the previous week. Recent reports of hotter-than-expected inflation have caused the 3-month Treasury bill to increase almost 3 basis points (bps). The 10-year yield has increased nearly 9 bps as the case for keeping interest rates higher for longer received additional data support.

>> The Takeaway

- Nvidia continued to propel the market higher as accelerated computing fueled earnings growth.
- Bond investors continued to adjust on the margin for a higher-for-longer interest rate environment should we see more surprises to the upside before continued normalization in inflation.

Looking Ahead

This week will have several important economic data releases covering a wide variety of economic areas, including durable goods, consumer confidence, and manufacturing confidence.

- The week kicks off Tuesday with the release of the durable goods orders report for January and the **Conference Board Consumer Confidence Index** for February. Headline durable goods orders are set to fall in January, due in part to a drop in volatile aircraft orders. Core durable goods orders, on the other hand, are expected to increase modestly. Consumer confidence is expected to remain unchanged after reaching a two-year high in January.
- Thursday will see the release of **personal income and spending reports** for January. Personal income and spending are expected to rise, which would mark 24 consecutive months with spending growth.
- Finally, Friday wraps with the release of **ISM Manufacturing index** for February. Manufacturer confidence is expected to improve modestly, though the index is expected to remain in contractionary territory for the month.





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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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