



Cleveland, Ohio

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 AI 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%



Conference Board Consumer Confidence Index February (Tuesday)

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 AI rally. The face of this performance was Super Micro Computer, which focuses on AI 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 AI-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

- AI 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.





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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