



WEEK OF JANUARY 29, 2024

# Market Update

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The fourth-quarter GDP growth report surprised to the upside, showing that the economy grew faster than expected. In addition, we saw signs of moderating inflation. Both were indications of a resilient U.S. economy with more historically normal levels of inflation.

## Quick Hits

- 1. Report releases:** The fourth-quarter GDP report showed that the economy grew at a faster rate than expected.
- 2. Financial market data:** Small-caps rallied on the fourth-quarter GDP surprise and signs of lower inflation.
- 3. Looking ahead:** Consumer confidence, Federal Reserve (Fed) policy, and employment are key points of interest in the week ahead.

## Report Releases: January 22–26, 2024

### Preliminary S&P Global US PMI January (Wednesday)

The US Purchasing Managers' Index, a proxy for business confidence, surprised to the upside. Services improved by 0.1 and manufacturing surprised by 2.9.

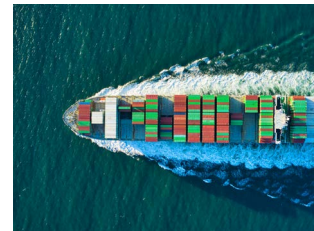
- Expected/prior month PMI: 50.7/50.9
- Actual PMI: 52.3



### Advanced Fourth-Quarter GDP Estimate January (Thursday)

The economy grew more than expected in the fourth quarter, supported by better-than-expected personal consumption growth. Although this capped a strong year, economists expect to see notably slower growth throughout 2024.

- Expected/prior quarter GDP growth: +2%/+4.9%
- Actual GDP growth: +3.3%



### Preliminary Durable Goods Orders December (Thursday)

Headline durable goods orders came in below expectations, due in part to a slowdown in volatile transportation orders. Core orders, on the other hand, beat expectations, signaling continued business investment.

- Expected/prior durable goods orders monthly change: +1.5%/+5.5%
- Actual durable goods orders change: +0%
- Expected/prior core durable goods orders monthly change: +0.2%/+0.5%
- Actual core durable goods orders change: +0.6%



### Personal Income and Spending Report December (Friday)

Personal income and spending continued to rise in December. Income growth fell in line with economist estimates, whereas spending growth was higher than expected.

- Expected/prior personal income monthly change: +0.3%/+0.4%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: +0.5%/+0.4%
- Actual personal spending change: +0.7%



## >> The Takeaway

- Fourth-quarter GDP surprised to the upside, rising 3.3 percent when 2 percent growth was expected.
- Business confidence surprised to the upside despite softer-than-expected durable goods orders in December.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.07%	2.62%	2.62%	22.13%
Nasdaq Composite	0.94%	2.98%	2.98%	34.10%
DJIA	0.65%	1.20%	1.20%	14.60%
MSCI EAFE	2.01%	-0.57%	-0.57%	8.31%
MSCI Emerging Markets	1.47%	-3.74%	-3.74%	-3.85%
Russell 2000	1.75%	-2.37%	-2.37%	5.14%

Source: Bloomberg, as of January 26, 2024

International markets rallied on news that China would lower the amount of money its banks would be required to hold starting on February 5. This was seen as an injection of liquidity into struggling Chinese markets. Stateside, small-caps outperformed as the fourth-quarter GDP report beat estimates and showed easing inflation.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.30%	-1.30%	1.14%
U.S. Treasury	-1.37%	-1.37%	0.29%
U.S. Mortgages	-1.52%	-1.52%	0.00%
Municipal Bond	-1.10%	-1.10%	2.33%

Source: Bloomberg, as of January 26, 2024

The Treasury yield curve saw modest movement, with the front end of the curve moving lower as longer maturity yields were lifted. Bond moves were relatively muted ahead of the upcoming Federal Open Market Committee (FOMC) meeting. The 10-year rose just 3 basis points (bps), closing the week at 4.16 percent.

### >> The Takeaway

- Positive news from Taiwan Semiconductor added to continued confidence in the AI and mega-cap rally.
- Bond markets were relatively muted ahead of the FOMC meeting.

## Looking Ahead

This week will be a busy one, with reports on consumer confidence, Fed policy, and employment expected.

- The week kicks off on Tuesday with the release of the **Conference Board Consumer Confidence Index** for January. Consumer confidence is expected to rise, which would mark three consecutive months of improvement.
- On Wednesday, we expect the **FOMC rate decision**. The Fed is expected to keep the federal funds rate unchanged at the conclusion of its January meeting, though Chair Jerome Powell may hint at future rate cuts at the post-meeting news conference.
- Thursday will focus on manufacturing with the release of the **ISM Manufacturing report** for January. Manufacturer confidence is expected to improve modestly in January but is expected to remain in contractionary territory.
- Finally, the week wraps Friday with the **employment report** for January. Economists expect to see a solid 180,000 jobs were added following an unexpected acceleration in hiring in December.





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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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