

Weekly Market Recap

The week in review

- ISM Services PMI rose to 53.4 from 50.5
- Initial jobless claims fell to 218K

The week ahead

- CPI
- Retail sales

Thought of the week

Inflation is often feared to be a self-fulfilling prophecy, as consumers and businesses that expect higher prices may inadvertently fuel inflationary pressures themselves. For example, consumers may ask for a raise or accelerate purchases to front-run rising prices, while businesses may hike prices in anticipation of higher input costs. To maintain price stability, the Federal Reserve closely monitors long-term inflation expectations and aims to keep them anchored at levels consistent with its inflation mandate. For investors, understanding the different measures of inflation expectations is critical for assessing the outlook for inflation and policy.

This week's chart tracks inflation expectations for the next five years from consumers, professional forecasters and financial markets. After spiking in 2022, inflation expectations have steadily trended back to normal. In fact, professional forecasters surveyed by the Philadelphia Fed and investors trading 5-year breakevens both expect annual CPI inflation of 2.3%, consistent with the Fed reaching and maintaining its 2% PCE inflation target through 2028. Consumers, likely burdened by negative headlines, have a more pessimistic outlook, as those surveyed by the University of Michigan anticipate annual inflation of 2.9%. However, not only have consumers' expectations historically settled above others, but also they move more slowly and rarely deviate from their long-term average, suggesting that financial markets and professionals may offer more valuable insights in real time.

Despite geopolitical tensions and resilient economic activity, well-anchored inflation expectations should help keep inflation on its downward trend, opening the door for policy easing from the Fed later this year. Indeed, the January CPI report could show that the disinflationary momentum established in 2023 continued into 2024.

Please see important disclosures on next page.

Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	5027	1.40	5.52	5.52	25.18	34.68
Dow Jones 30	38672	0.09	2.74	2.74	17.24	30.99
Russell 2000	4995	2.44	-0.76	-0.76	6.61	-8.99
Russell 1000 Growth	2194	2.58	8.78	8.78	41.08	33.89
Russell 1000 Value	1015	0.14	1.09	1.09	8.48	24.28
MSCI EAFE	2225	0.12	-0.41	-0.41	8.84	10.43
MSCI EM	996	0.76	-2.69	-2.69	0.10	-22.94
NASDAQ	15991	2.34	6.58	6.58	36.77	16.85

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.81	-0.82	-1.47	-1.47	1.95	-10.06
U.S. Corporates	5.31	-0.95	-1.45	-1.45	4.03	-9.49
Municipals (10yr)	2.94	-0.38	-0.63	-0.63	2.50	-1.70
High Yield	7.93	0.13	0.17	0.17	9.38	4.93

Key Rates	Levels (%)					
	2/9/24	2/2/24	12/29/23	12/29/23	2/9/23	2/9/21
2-yr U.S. Treasuries	4.48	4.36	4.23	4.23	4.48	0.11
10-yr U.S. Treasuries	4.17	4.03	3.88	3.88	3.67	1.18
30-yr U.S. Treasuries	4.37	4.22	4.03	4.03	3.75	1.95
10-yr German Bund	2.38	2.23	2.00	2.00	2.31	-0.44
SOFR	5.31	5.32	5.38	5.38	4.55	0.05
3-mo. EURIBOR	3.89	3.90	3.91	3.91	2.61	-0.54
6-mo. CD rate	N/A	2.22	2.23	2.23	N/A	0.21
30-yr fixed mortgage	6.80	6.80	6.76	6.76	6.18	2.96
Prime Rate	8.50	8.50	8.50	8.50	7.75	3.25

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
20.39	4.54	1.36	42201
17.91	4.78	N/A	12148
21.68	1.78	1.36	2493
27.98	12.11	0.64	25740
15.14	2.39	2.22	20358
13.66	1.79	2.99	16100
11.79	1.59	2.98	6873
27.81	6.11	0.69	25943

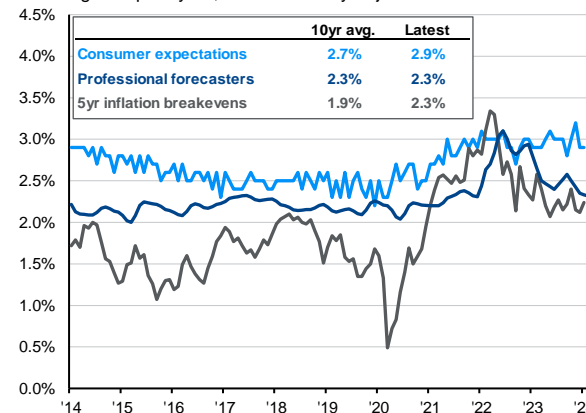
Currencies	Levels		
	2/9/24	12/29/23	2/9/23
\$ per €	1.08	1.10	1.08
\$ per £	1.26	1.27	1.22
¥ per \$	149.33	140.98	130.93

Commod.	Levels		
	2/9/24	12/29/23	2/9/23
Oil (WTI)	76.23	71.89	78.04
Gasoline	3.14	3.12	3.44
Natural Gas	1.92	2.58	2.40
Gold	2024	2078	1879
Silver	22.66	23.79	22.47
Copper	8092	8476	8954
Corn	N/A	N/A	N/A
BBG Idx	223.91	226.43	236.43

Chart of the Week

Inflation expectations, next 5 years

% change vs. prior year, non-seasonally adjusted



Style Returns

	V	B	G
L	0.1	1.4	2.6
M	0.6	1.3	2.9
S	1.4	2.4	3.5
	V	B	G
L	1.1	5.5	8.8
M	-0.2	1.3	4.7
S	-3.2	-0.8	1.8

S&P 500 Sector Returns

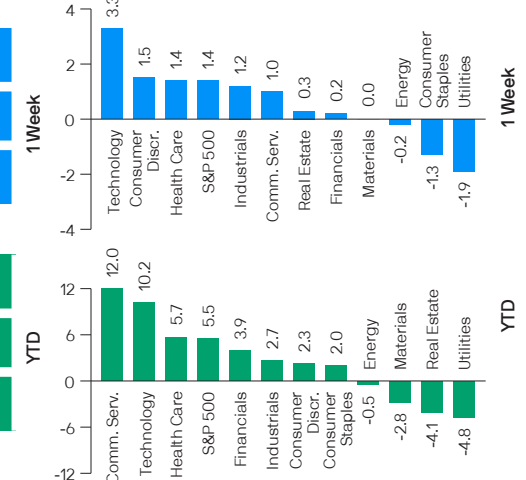




Chart of the Week: Source: BLS, FactSet, Federal Reserve Bank of Philadelphia, University of Michigan, J.P. Morgan Asset Management. The Survey of Professional Forecasters reflects the median estimate by forecasters of average CPI inflation, is interpolated to a monthly series and has been adjusted to exclude realized inflation readings within the forecast window.

Thought of the week: Source: BLS, FactSet, Federal Reserve Bank of Philadelphia, University of Michigan, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI. 0903c02a81dbac80

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period.

Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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