

Weekly Market Recap

The week in review

- Markit Manufacturing PMI rose to 51.5
- Markit Services PMI fell to 51.3
- Initial jobless claims fell to 201K, down from 213K

The week ahead

- 4Q GDP (2nd estimate)
- PCE
- Consumer Confidence
- Pending Home Sales

Thought of the week

Market expectations for Fed policy have swung dramatically over the past few months, from the higher-for-longer narrative to expectations of aggressive policy easing. With stronger-than-expected jobs and growth data this year and inflation still mild, investors have had to reassess their outlook for policy rates.

This week's chart shows that the past five months have been a wild ride for policy expectations. In October, investors expected minimal change in interest rates in 2024. Sentiment then shifted dramatically after the Fed's dovish pivot in December, sparking optimism for swifter policy easing this year. Soon after, markets turned increasingly dovish, calling for a rate cut by March and ~170bps of easing, more than double the Fed's December forecast. Today, markets are pricing in a 79% probability of a rate cut by June and a total of 82bps of cuts for the year, suggesting at least three cuts with a chance of a fourth.

Bond and equity markets have responded differently to these shifts. Bond markets repriced in line with policy expectations, with the 10Y Treasury yield rising from 3.88% to 4.26% this year. As the Fed prepares to cut rates, current bond yields offer investors an attractive entry point to add duration and income. For equities, prices have continued moving higher with the S&P 500 up 21.9% since October and 6.9% year-to-date. So long as higher yields are being driven by expectations for stronger growth rather than higher inflation, equities should remain supported.

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	5089	1.68	6.91	6.91	28.88	37.40
Dow Jones 30	39132	1.30	4.10	4.10	20.54	31.85
Russell 2000	5012	-0.77	-0.37	-0.37	7.38	-5.90
Russell 1000 Growth	2202	1.65	9.24	9.24	43.96	39.08
Russell 1000 Value	1038	1.41	3.49	3.49	12.65	24.93
MSCI EAFE	2288	1.44	2.51	2.51	14.67	12.41
MSCI EM	1028	1.23	0.59	0.59	7.28	-19.74
NASDAQ	15997	1.41	6.67	6.67	39.14	21.61

Fixed Income	Yield	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.92	0.25	-1.77	-1.77	2.92	-9.32
U.S. Corporates	5.37	0.41	-1.50	-1.50	5.74	-8.01
Municipals (10yr)	2.96	0.14	-0.60	-0.60	4.45	-0.28
High Yield	7.98	0.42	0.27	0.27	11.28	5.13

Key Rates	Levels (%)					
	2/23/24	2/16/24	12/29/23	12/29/23	2/23/23	2/23/21
2-yr U.S. Treasuries	4.67	4.64	4.23	4.23	4.66	0.11
10-yr U.S. Treasuries	4.26	4.30	3.88	3.88	3.88	1.37
30-yr U.S. Treasuries	4.37	4.45	4.03	4.03	3.88	2.21
10-yr German Bund	2.39	2.40	2.00	2.00	2.49	-0.30
SOFR	5.30	5.30	5.38	5.38	4.55	0.01
3-mo. EURIBOR	3.95	3.93	3.91	3.91	2.69	-0.54
6-mo. CD rate	N/A	2.27	2.23	2.23	N/A	0.20
30-yr fixed mortgage	7.06	7.06	6.76	6.76	6.62	3.08
Prime Rate	8.50	8.50	8.50	8.50	7.75	3.25

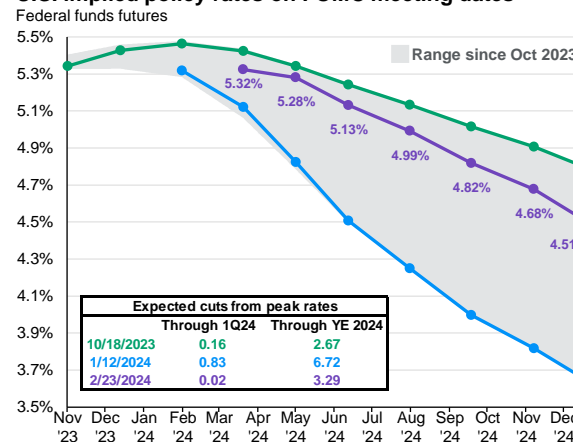
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
20.52	4.58	1.35	42725	
18.08	4.82	N/A	12085	
21.81	1.79	1.37	2493	
27.70	12.10	0.64	25835	
15.47	2.44	2.19	20817	
14.01	1.84	2.99	16558	
12.13	1.64	2.98	7101	
27.54	6.09	0.69	25953	

Currencies	Levels		
	2/23/24	12/29/23	2/23/23
\$ per €	1.08	1.10	1.06
\$ per £	1.27	1.27	1.20
¥ per \$	150.54	140.98	134.85

Commod.	Levels		
	2/23/24	12/29/23	2/23/23
Oil (WTI)	78.59	71.89	75.26
Gasoline	3.27	3.12	3.38
Natural Gas	1.74	2.58	2.17
Gold	2027	2078	1826
Silver	22.72	23.79	21.52
Copper	8443	8476	9060
Corn	N/A	N/A	N/A
BBG Idx	220.80	226.43	232.64

Chart of the Week

U.S. implied policy rates on FOMC meeting dates



Style Returns

	V	B	G
L	1.4	1.7	1.7
M	1.2	1.1	0.7
S	-1.0	-0.8	-0.6
	V	B	G
L	3.5	6.9	9.2
M	1.9	3.0	5.7
S	-2.8	-0.4	2.2

S&P 500 Sector Returns

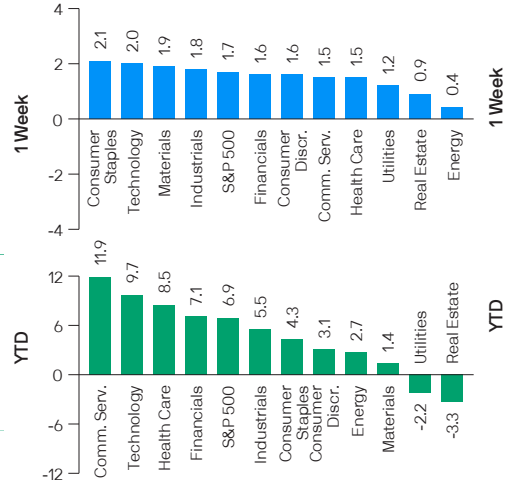




Chart of the Week: Source: Bloomberg, CME Group, J.P. Morgan Asset Management.

Thought of the week: Source: Bloomberg, CME Group, Standard & Poor's, 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.

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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