



Indianapolis, Indiana

WEEK OF JANUARY 22, 2024

# Market Update

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## Quick Hits

1. **Report releases:** Retail sales and consumer confidence surprised to the upside in December.
2. **Financial market data:** Positive economic data forced the market to reconsider how many times the Federal Reserve (Fed) will cut rates in 2024.
3. **Looking ahead:** Business confidence, economic growth, and personal spending will be critical points of interest in the week ahead.



## Report Releases: January 16–19, 2024

### Retail Sales December (Wednesday)

Retail sales increased more than expected in December, which was a good sign for personal consumption growth.

- Expected/prior month retail sales monthly change: +0.4%/+0.3%
- Actual retail sales monthly change: +0.6%



### Industrial Production December (Wednesday)

Industrial production grew more than expected in December, due in part to an unexpected rise in manufacturing production.

- Expected/prior month production change: -0.1%/+0%
- Actual production change: +0.1%



### Employment Report January (Friday)

Consumer sentiment unexpectedly improved in January; the index rose to its highest level in more than two years. The boost was widespread, with consumer views on current economic conditions and expectations for the future improving notably.

- Expected/prior month consumer sentiment index: 70.1/69.7
- Actual consumer sentiment index: 78.8



### Existing Home Sales December (Friday)

Existing home sales fell modestly in December, capping their worst year since 1995. High mortgage rates, lack of supply, and rising home prices served as headwinds throughout the year.

- Expected/prior month existing home sales change: +0.3%/+0.8%
- Actual existing home sales change: -1%



## >> The Takeaway

- Retail sales and consumer confidence surprised to the upside in December.
- Existing home sales surprised to the downside as rates have moved higher.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.19%	1.54%	1.54%	23.83%
Nasdaq Composite	2.26%	2.01%	2.01%	38.59%
DJIA	0.76%	0.55%	0.55%	15.91%
MSCI EAFE	-2.13%	-2.52%	-2.52%	7.66%
MSCI Emerging Markets	-2.54%	-5.13%	-5.13%	-3.87%
Russell 2000	-0.33%	-4.05%	-4.05%	5.78%

Source: Bloomberg, as of January 19, 2024

The S&P 500 reached a record high on Friday, closing at 4,839.81. The “Magnificent Seven” (i.e., Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) were mostly higher. Major chip manufacturer Taiwan Semiconductor surprised to the upside after noting it was normalizing inventory levels and receiving strong demand on the AI side of its business. Nvidia gained more than 8 percent.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.39%	-1.39%	1.14%
U.S. Treasury	-1.39%	-1.39%	0.23%
U.S. Mortgages	-1.61%	-1.61%	0.08%
Municipal Bond	-1.01%	-1.01%	2.42%

Source: Bloomberg, as of January 19, 2024

The Treasury yield curve continued its shift higher as positive economic data in retail sales, industrial production, and home builder confidence led investors to question whether the Fed would need to keep rates higher for longer. The 10-year Treasury yield moved almost 21 basis points (bps) higher, closing the week at 4.15 percent. The 2-year sold off as yields rose more than 26 bps, closing at 4.41 percent.

## >> The Takeaway

- Positive news from Taiwan Semiconductor added to confidence in AI and the mega-cap rally.
- Yields moved higher on the back of positive economic data and more hawkish Fed speak.

## Looking Ahead

Business confidence, economic growth, and personal spending will be key points of interest in the week ahead.

- The week kicks off on Wednesday with the release of the **S&P Global Preliminary Purchasing Manager's Indices (PMI)** for January. Manufacturing and services are expected to soften slightly.
- On Thursday, we expect the advanced estimate of fourth-quarter GDP and the **preliminary durable goods orders report** for December. GDP growth is expected to show slowing growth, due in part to a slowdown in personal consumption growth in the quarter. Headline and core durable goods orders are set to increase for the second consecutive month.
- Finally, the week wraps on Friday with the **personal income and spending report** for December. Both are expected to rise, which would mark nine consecutive months with increased spending.





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Mike Graziano, CMT®, CRPC®, CFP®, Chief Investment Officer

Graziano Budny Wealth Management Group, LLC  
6143 S Willow Drive | Suite 310 | Greenwood Village, CO 80111

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Authored by the Investment Research team at Commonwealth Financial Network®

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