

Weekly Market Recap

February 12, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	5,027	1.4%	5.4%
Dow Jones Industrial Average	38,672	0.0%	2.6%
NASDAQ	15,991	2.3%	6.5%
Russell 2000 [®] Index	2,010	-0.8%	-0.8%
MSCI EAFE Index	2,223	0.0%	-0.6%
Ten-Year Treasury Yield	4.16%	0.1%	0.3%
Oil WTI ¹ (\$/bbl ²)	\$76.56	5.9%	6.9%
Bonds ³	\$97.62	-0.9%	-1.3%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +1.4% and crossed over the 5,000 milestone (fresh record high for the index) as investor sentiment benefited from strong earnings reports and rising 2024 earnings growth expectations. Strong Treasury auction results this week dampened some fears around Treasury supply. Consumer Price Index (CPI) inflation revisions were little changed as expected, which continued to support the narrative of declining inflation leading to Federal Reserve (Fed) rate cuts in 2024. The 10-year U.S. Treasury yield rose from 4.02% to 4.16%. Gold fell -0.7% while WTI crude rose +5.9%.
- S&P 500 Index Sector Returns:
 - Technology (+3.2%) rose, led by software and chip stocks.
 - Consumer discretionary (+1.5%) rose, led by autos and home improvement retailers.
 - Healthcare (+1.4%) rose, led by pharma stocks and managed-care stocks.
 - Industrials (+1.2%) rose, led by transports and aerospace and defense stocks.
 - Communication services (+1.0%) rose, partially offset by weakness in social media stocks.
 - Real estate (+0.3%) rose, led data centers, offices, and cell towers.
 - Financials (+0.2%) rose, led by asset managers.
 - Materials (+0.0%) were flat, led by chemical companies.
 - Energy (-0.2%) fell, despite the price of WTI rising +5.9%.
 - Consumer staples (-1.3%) and utilities (-2.1%) fell, as investors favored less-defensive sectors.

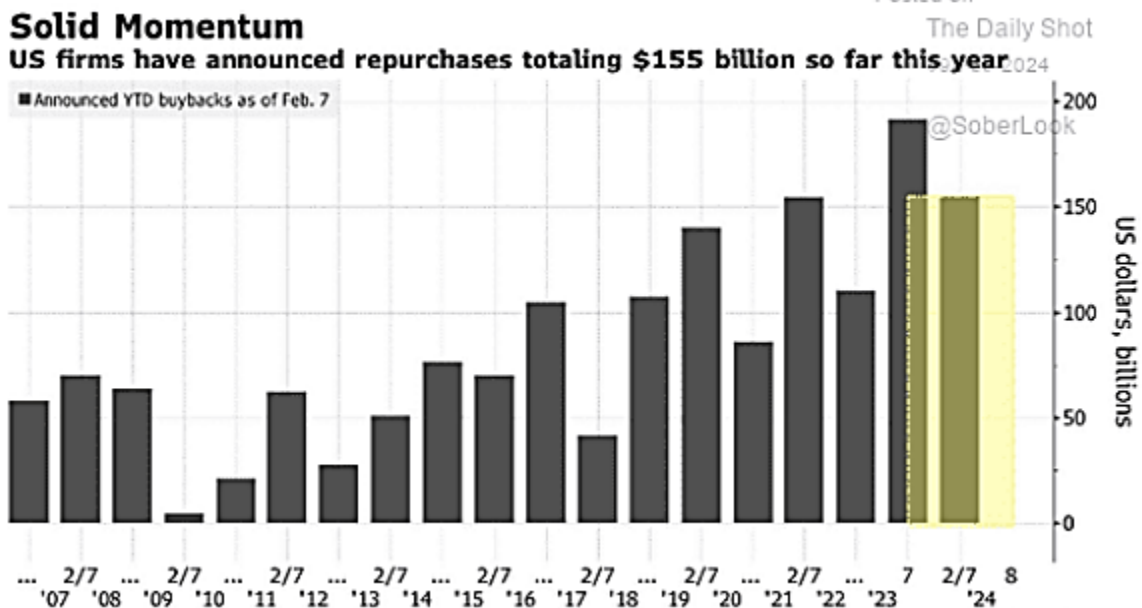
- Historically, stocks and bonds generated positive returns six, 12, and 18 months after the two soft landing scenarios in the past 60 years.

Returns around the only two soft landing examples over the past 60 years

Performance before and after the Fed's last hike	18 mo before	12 mo before	6 mo before	6 mo after	12 mo after	18 mo after
1983-1984						
U.S. Bonds	7.3%	8.6%	0.7%	14.6%	23.9%	23.6%
U.S. Large-Cap Stocks	7.2%	-3.0%	-5.6%	22.0%	32.3%	30.8%
International Large-cap Stocks	12.2%	3.4%	-8.9%	15.4%	38.4%	48.1%
U.S. Mid-Cap Stocks	2.9%	-12.2%	-10.2%	27.2%	38.7%	34.8%
U.S. Small-Cap Stocks	5.5%	-8.3%	3.9%	15.1%	17.3%	24.1%
1994-1995						
U.S. Bonds	0.6%	-2.5%	0.8%	8.8%	16.8%	10.4%
U.S. High Yield Bonds	3.5%	-1.7%	1.8%	12.3%	19.5%	14.3%
U.S. Large-Cap Stocks	6.2%	0.5%	4.2%	20.5%	39.1%	27.1%
International Large-cap Stocks	5.0%	-4.4%	-5.6%	13.3%	16.1%	11.2%
U.S. Mid-Cap Stocks	4.0%	-2.8%	1.7%	22.4%	35.3%	23.2%
U.S. Small-Cap Stocks	4.6%	-5.7%	2.2%	22.0%	30.7%	20.6%

Sources: Bloomberg L.P.; Edward Jones.

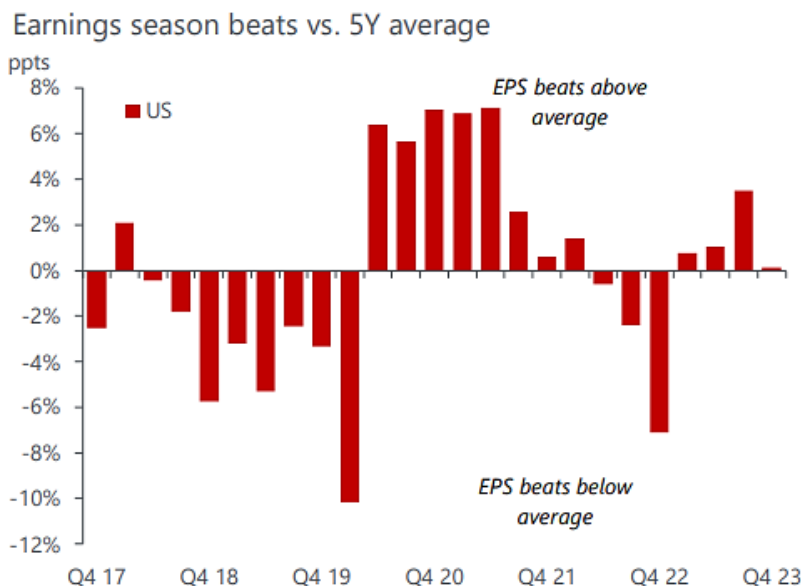
- 2024 has started off with strong share buyback activity.



Sources: Bloomberg L.P.; Edward Jones.

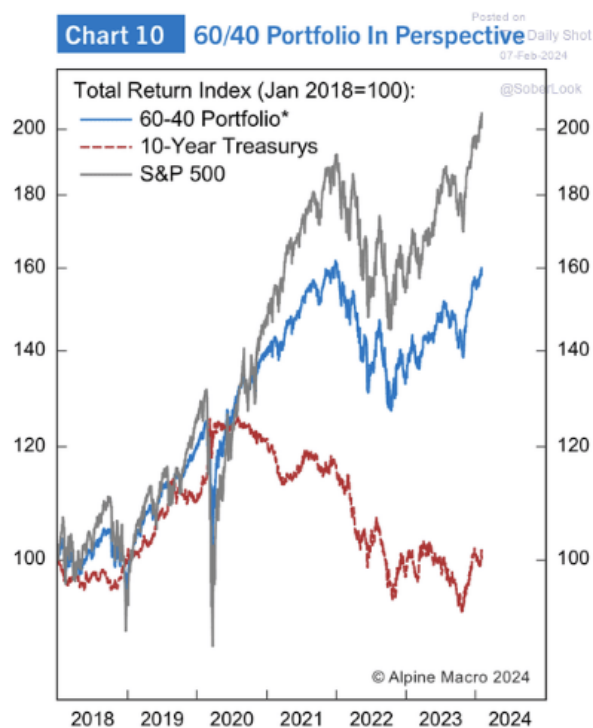
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- Q4 earnings beats (better than earnings expectations) are similar to the five-year average beats.



EPS: earnings per share. Note: Based on Refinitiv Datastream total market universe. Sources: Oxford Economics; Refinitiv; Datastream; IBES.

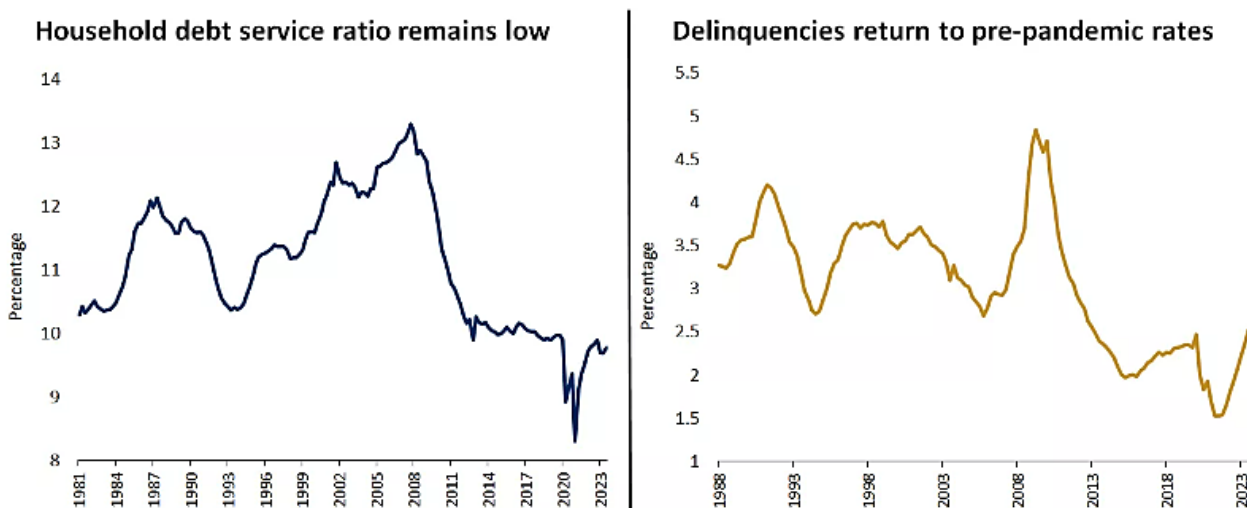
- The S&P 500 Index and a 60% equity/40% bond portfolio outperformed the 10-year Treasury on a total return basis during the post-pandemic inflationary environment.



*Consists of 60% S&P 500 and 40% 10-year Treasuries. Y axis is total return rebased to 100. Sources: Alpine Macro; The Daily Shot.

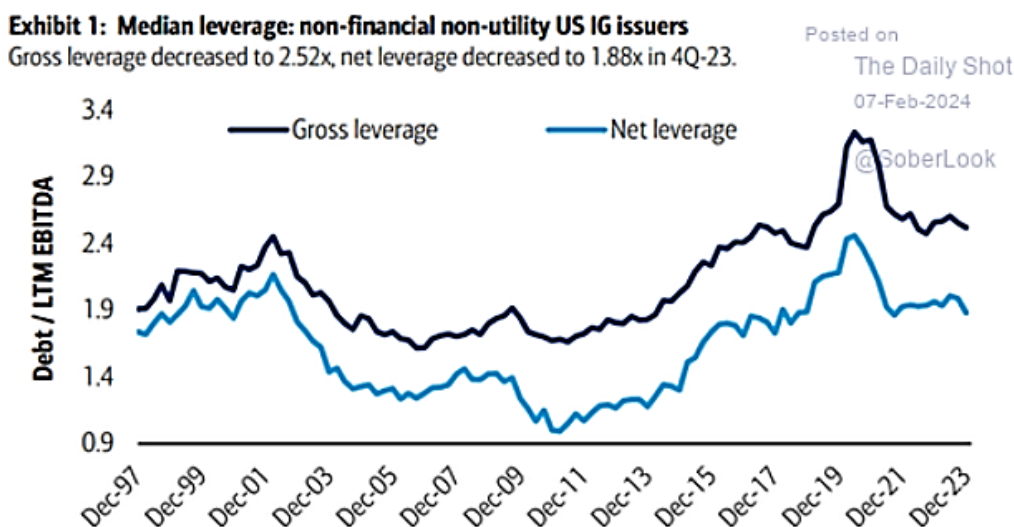
Fixed Income Markets

- Debt payments as a percent of disposable income is at a similar level to 2019. However, mortgage delinquencies are now slightly above pre-COVID-19 rates.



Sources: Bloomberg L.P.; Edward Jones.

- U.S. investment grade issuer leverage has moved lower since 2020 but remains elevated.



Y axis is debt/long-term earnings before interest taxes, depreciation, and amortization. LTM: last twelve months. Note: Based on medians for U.S. investment grade non-financial non-utility issuers, 4Q23 values are preliminary. Net debt is gross debt minus cash and marketable securities. Sources: Bank of America; The Daily Shot.

U.S. Economic and Political News

- The Manheim Used Vehicle Value Index was down the most year-over-year since July 2023.
- S&P Global's reading of services sector activity jumped unexpectedly to a four-month high and back into expansion territory (from 50.5 in December to 53.4 in January, with readings greater than 50 indicating expansion).

International Markets and News

- European markets (STOXX 600 Index) rose +0.2% as a few European companies reported earnings that were better than expected, partially offset by senior European Central Bank officials continuing to warn against cutting interest rates too early.
- The Chinese stock market (Shanghai Composite) rose +5.0% as many economists expect the Chinese government will introduce further stimulus measures to help the weak property markets, soft consumer demand, and deflationary pressures.
- Japanese equities (Nikkei 225 Index) rose +2.0% as investor sentiment benefitted from strong corporate earnings results, healthy foreign interest in Japanese equities, and ongoing signals from the Bank of Japan that it will maintain its accommodative monetary policy.

This Week:

- The volume of corporate earnings reports will be high this week.
- Economic data:
 - Monday: Treasury Budget;
 - Tuesday: National Federation of Independent Business (NFIB) Small Business Index, CPI, Hourly Earnings, Average Workweek, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, U.S. Department of Energy (DOE) Crude Inventories;
 - Thursday: Empire Manufacturing, Export Prices, Import Prices, Philadelphia Fed Index, Retail Sales, Capacity Utilization, Industrial Production, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index, Treasury International Capital (TIC) Flows;
 - Friday: Building Permits, Housing Starts, Producer Price Index (PPI), Michigan Consumer Sentiment (Preliminary).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **The Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. **Earnings per share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. The **Manheim Used Vehicle Value Index (MUVVI)** is independent of underlying shifts in the characteristics of vehicles being sold. It is increasingly recognized by both financial and economic analysts as the premier indicator of pricing trends in the used vehicle market but should not be considered indicative or predictive of any individual remarketer's results. The Index is adjusted for mix of vehicle classes, mileage, and seasonality. **The Producer Price Index (PPI)** measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category. (Technical definitions are sourced from Corporate Finance Institute.)

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