

Weekly Market Recap

February 20, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	5,006	-0.4%	4.9%
Dow Jones Industrial Average	38,628	-0.1%	2.5%
NASDAQ	15,776	-1.3%	5.1%
Russell 2000 [®] Index	2,033	1.3%	0.3%
MSCI EAFE Index	2,238	0.6%	0.1%
Ten-Year Treasury Yield	4.28%	0.1%	0.4%
Oil WTI ¹ (\$/bbl ²)	\$78.25	1.8%	9.2%
Bonds ³	\$97.10	-0.5%	-1.6%

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

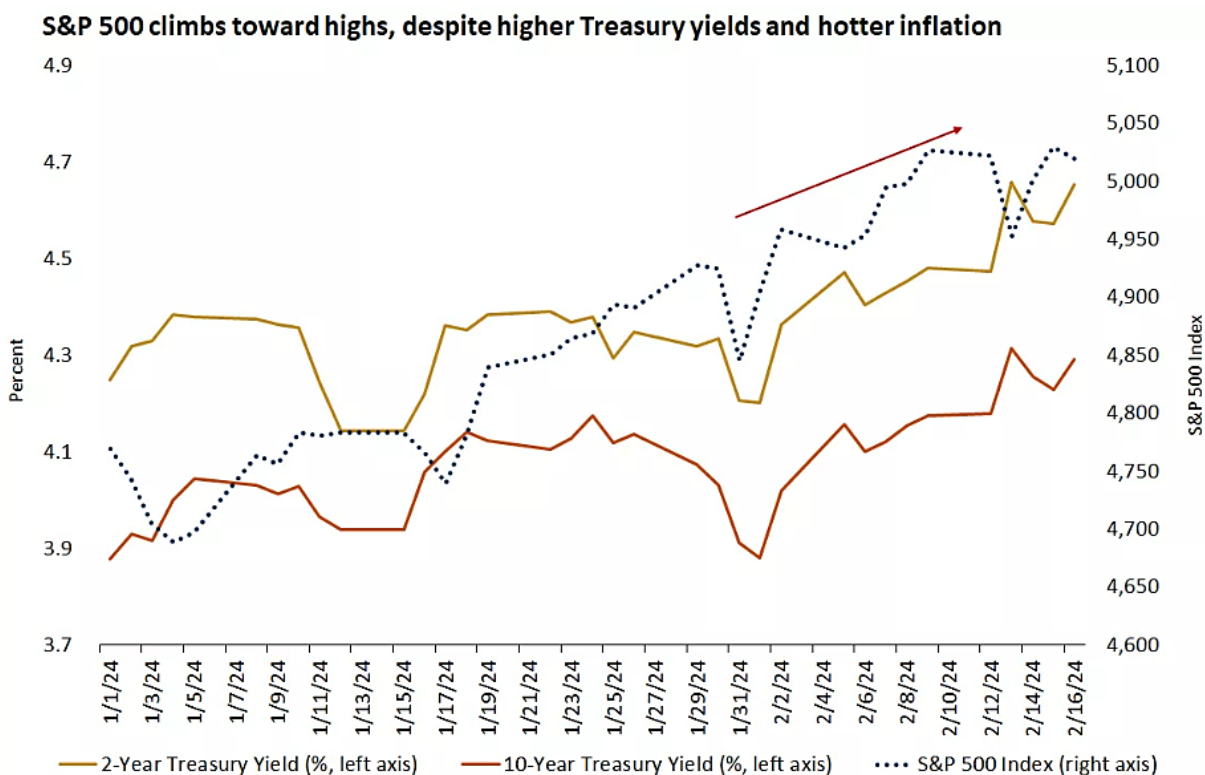
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -0.4% as better-than-expected Consumer Price Index (CPI) and Producer Price Index (PPI) inflation data supported the narrative that the Federal Reserve (Fed) will maintain interest rates higher for longer, reducing expectations for rate cuts in 2024. The futures market is now pricing in a near 0% chance of a rate cut at the March Fed meeting and a 70% probability of a rate cut in June (down from 92% last week). Fed President of Chicago, Austan Goolsbee, noted that slightly higher inflation over the coming months is still consistent with the path back to the 2% target, cautioning the impact of overtightening on Fed's employment mandate. January retail sales were weaker, while February preliminary Michigan Consumer Sentiment was up (in line with expectations). The 10-year U.S. Treasury yield rose from 4.13% to 4.28%. Gold fell -1.2% while WTI crude rose +1.8%.
- S&P 500 Index Sector Returns:
 - Materials (+2.3%) rose, led by chemical companies.
 - Energy (+2.2%) fell, as the price of WTI rose +1.8%.
 - Financials (+1.4%) rose, led by the banks.
 - Utilities (+1.4%), healthcare (+1.0%), and consumer staples (+0.2%) outperformed, as investors favored more-defensive sectors.
 - Industrials (+0.9%) rose, led by logistics and transports.
 - Real Estate (-0.2%) outperformed, led by office, travel, and apartment real estate investment trusts (REITs).
 - Consumer discretionary (-0.8%) fell, led lower by travel stocks.
 - Communication services (-1.6%) fell.
 - Technology (-2.5%) fell, led lower by software stocks.

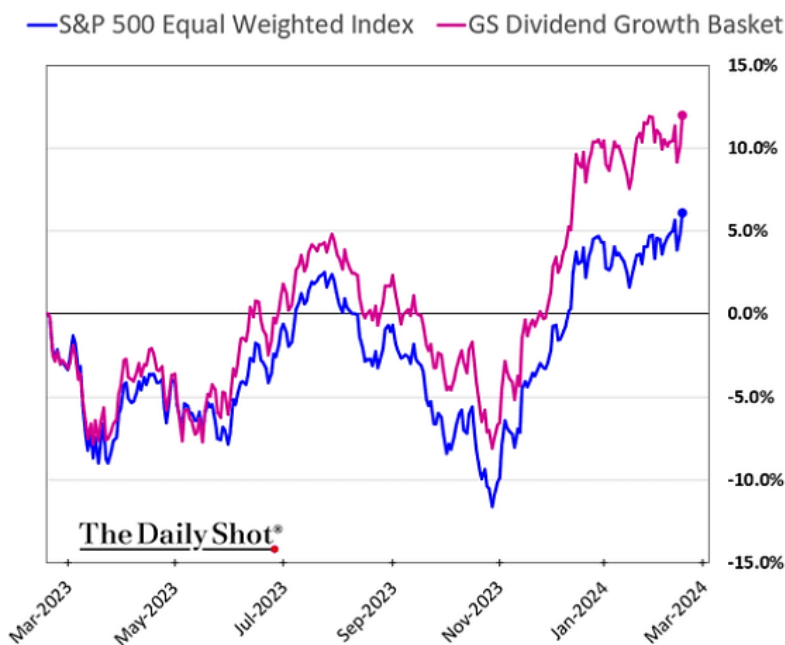
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on pages 6-7.

- The better-than-expected inflation data caused the S&P 500 Index to decline earlier in the week. However, the U.S. Large Cap Equity Index (stocks that make up the S&P 500 in approximately the same proportion as they are in the index) remains near the all-time high.



Sources: Bloomberg L.P.; Edward Jones.

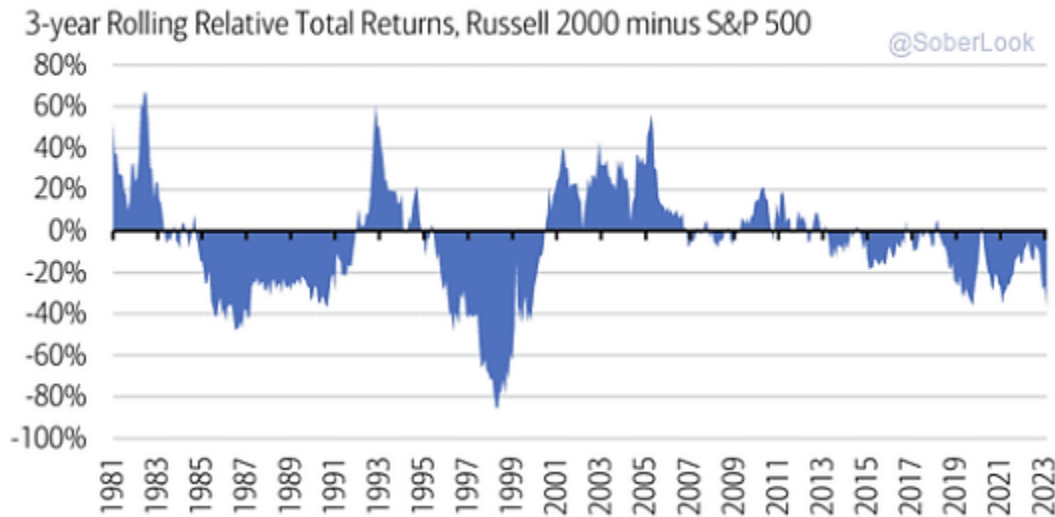
- Dividend growth stocks have outperformed the average stock in the S&P 500 Index since the summer of 2023.



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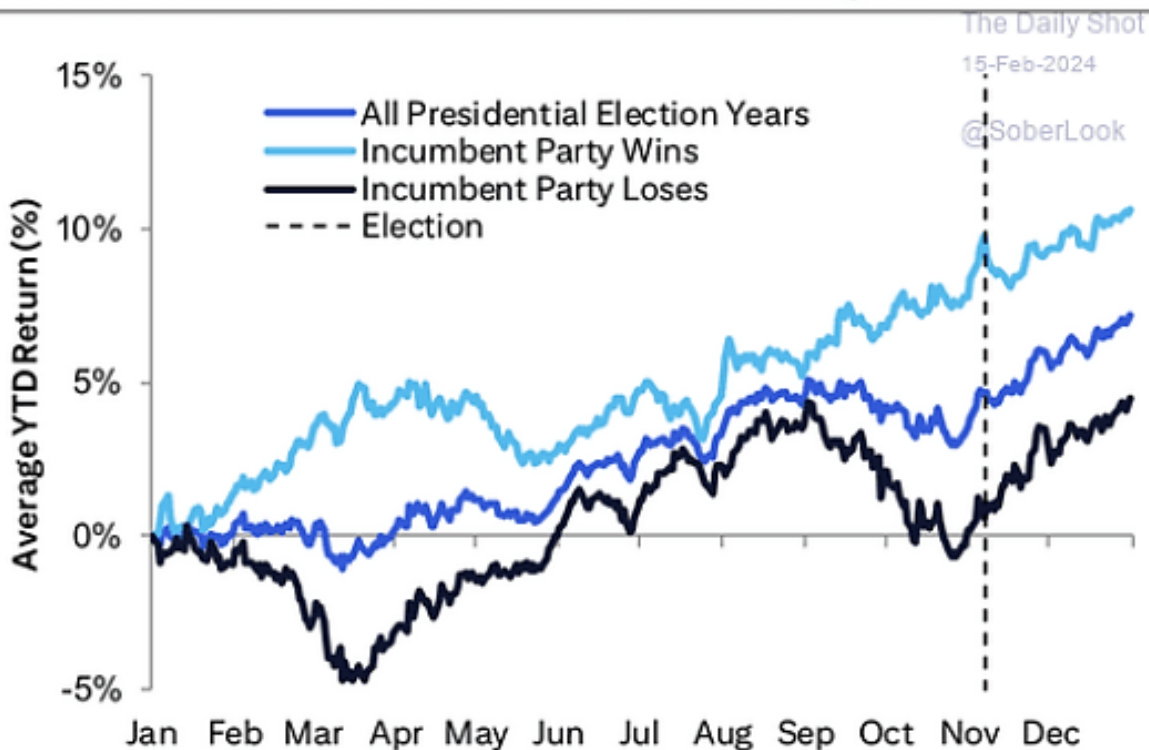
- Historically, small-cap stocks outperformed large-cap stocks for nearly ten years after the 2000 tech bubble popped.

Small-cap outperformance has happened in cycles. A decade of Small-cap leadership followed the last time relative valuations were at these levels.



- The S&P 500 Index typically rises during election years, especially if the incumbent party wins.

FIGURE 6: Presidential Year Stock Market Returns using S&P 500 since 1952

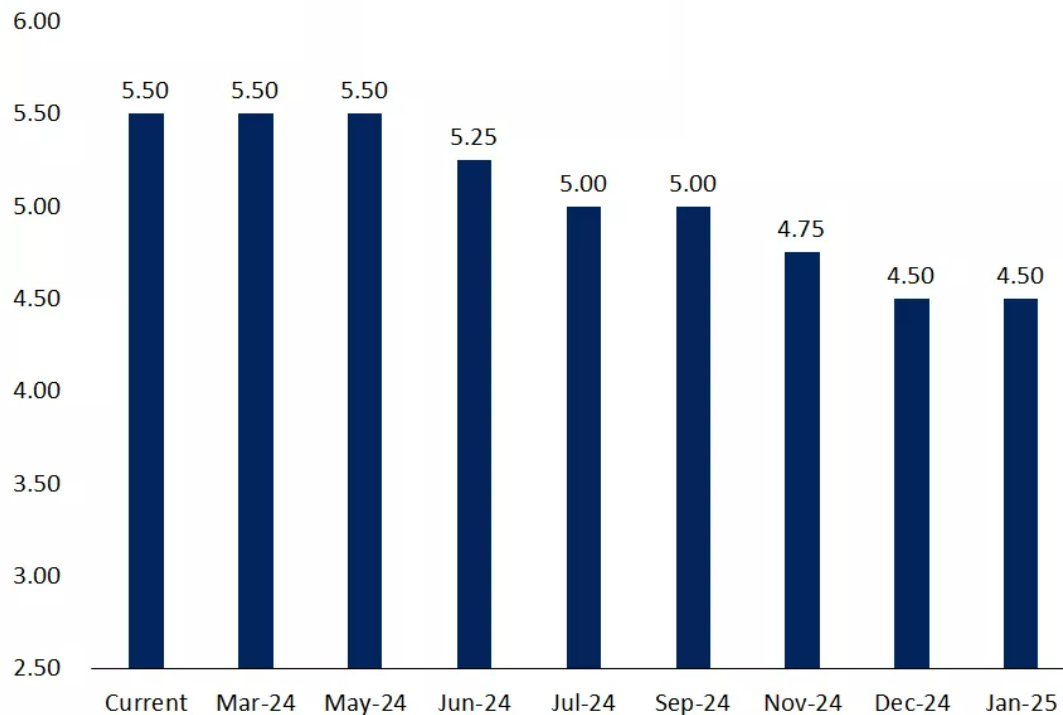


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Fixed Income Markets

- Futures markets are expecting the Fed to cut rates four times in 2024, which is less than the six cuts expected just three weeks ago.

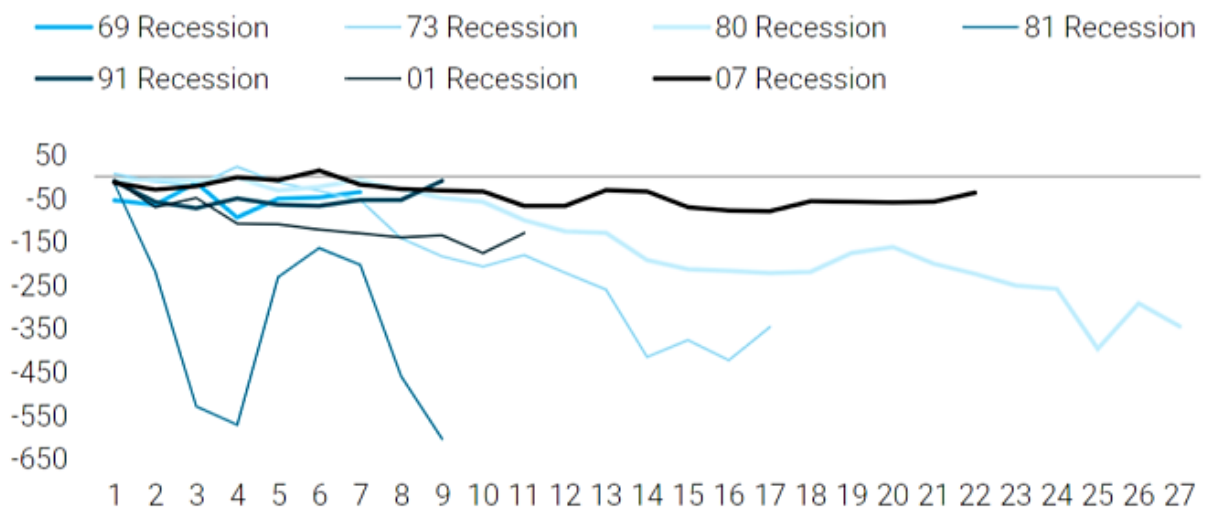
Markets now expect rate cuts to start in June 2024



Y-axis represents the Fed Funds Rate. Sources: CME Fed Watch; Edward Jones.

- The lead time from an inverted real yield curve to a recession varies widely based on history.

Chart 2: Increasing or sustained negative real yield curves precede recession



X-axis is months. Y-axis is basis points. Sources: Federal Reserve; NBER; TS Lombard.

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U.S. Economic and Political News

- N.Y. Fed's Empire State Manufacturing Index and Philadelphia Fed's Index indicators were both ahead of expectations.
- Initial jobless claims were below expectations despite the continued wave of layoff notices. However, continuing jobless claims were a bit higher.

International Markets and News

- European markets (STOXX 600 Index) rose +1.4% as the U.K. economy fell into recession in the last three months of 2023 and inflation held steady in January, which revived market expectations that the Bank of England could cut interest rates as early as June this year.
- The Chinese stock market (Shanghai Composite) was closed for the week due to Lunar New Year holiday.
- Japanese equities (Nikkei 225 Index) rose +4.3% as Japan's economy contracted -0.4% quarter-over-quarter in the last three months of 2023, primarily due to sluggish demand.

This Week:

- The volume of corporate earnings reports will be high this week.
- Economic data:
 - Monday: Limited Data;
 - Tuesday: Leading Indicators, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, U.S. Department of Energy (DOE) Crude Inventories, Federal Open Market Committee (FOMC) Minutes;
 - Thursday: Existing Home Sales, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories, Manufacturing/Services Purchasing Managers' Index (PMI);
 - Friday: Limited Data.

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

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
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.

Dividend Growing, No-Change-in-Dividend, and Dividend Cutting: Each dividend-paying stock is further classified into one of the three categories based on changes to their dividend policy over the previous 12 months. Dividend Growers and Initiators include stocks that increased their dividend anytime in the last 12 months. Once an increase occurs, it remains classified as a grower for 12 months or until another change in dividend policy. No-Change stocks are those that maintained their existing indicated annual dividend for the last 12 months (i.e., companies that have a static, non-zero dividend). Dividend Cutters and Eliminators are companies that have lowered or eliminated their dividend anytime in the last 12 months. Once a decrease occurs, it remains classified as a cutter for 12 months or until another change in dividend policy. (Source: Ned Davis Research).

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. **The Empire State Manufacturing Index** rates the relative level of general business conditions New York state. A level above 0.0 indicates improving conditions, below indicates worsening conditions. The reading is compiled from a survey of about 200 manufacturers in New York state. The term **federal funds rate** refers to the target interest rate range set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other overnight. A **futures market** is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. **The Philadelphia Federal Index** (or Philly Fed Survey) is a regional federal-reserve-bank index measuring changes in business growth. It is also known as the "Manufacturing Business Outlook Survey." **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors. **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. **The S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. (Technical definitions are sourced from Corporate Finance Institute.)

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