

Monthly Market Perspectives

February 2024

KEY INSIGHTS

- Stock prices made new all time highs in February. The S&P 500 and the Dow Jones had their best start to the year through the first two months since 2019. Bond yields rose across the curve.
- Employment and wages remained strong during the month. CPI was hotter than expected while PCE came in line with expectations. Both metrics are still materially higher than the Fed's target rate.
- The Federal Reserve is expected to leave rates unchanged during their March meeting until they have greater confidence that inflation is contained.

ECONOMY

- The labor market remained strong as the change in nonfarm payrolls and average hourly earnings surprised to the upside.
- The ISM Manufacturing index has been in a contraction for 16 straight months, as the February reading fell to 47.8, compared to the estimate at 49.5. The service sector continued to expand with the ISM Services index at 53.4, beating the estimate of 52.
- The headline inflation rate (CPI) in the US came in at 3.1%, slightly higher than expected at 2.9% year over year. The Fed's preferred inflation gauge, the PCE, came in line at 2.8% year over year.

EQUITY MARKETS

- In February, the S&P 500 appreciated 5.3%. US small and mid cap indices rose during the month by 3.3% and 5.9%, respectively. Developed international rose 1.86%, while emerging markets rose 4.78% for the month.
- As of month end, 97% of the S&P 500 had reported earnings as of month end, according to FactSet. 73% of companies have beat earning estimates by an average of 4.1%, lower than the 5 year average of 77% beating by 8.5%. The blended growth rate for fourth quarter earnings is currently 4.0%. If the positive growth rate is achieved, this will mark the second straight quarter of year-over-year growth.
- The market still expects nearly 11% earnings growth for 2024. The continued price appreciation of the market will likely hinge on this growth materializing as the S&P 500 has a forward 12 month P/E ratio near 20, materially higher than the 10 year average of 17.7.

WHAT TO WATCH

- ISM Services Index 03/05
- Nonfarm Payrolls 03/08
- Unemployment Rate 03/08
- CPI 03/12
- FOMC March Rate Decision 03/20
- PCE Deflator 03/29

FIXED INCOME

- In the bond markets, yields across the curve increased during the month as inflation and employment figures came in higher than expected. The Bloomberg U.S. Aggregate Index fell by 1.4%. The Bloomberg U.S. Corporate High Yield Index rose by 0.3% for the month as credit spreads narrowed by 32bps.
- The Federal Reserve is expected to leave rates unchanged during its March meeting, as inflation is still higher than their 2% target and the economic data remains strong.
- Interest rate futures are currently pricing 3-4 cuts for 2024, down from 5-6 cuts at the beginning of the year.
- Markets have begun to consider the possibility of the Federal Reserve keeping rates higher for longer, given recent inflation readings that were higher than the Federal Reserve would prefer.

COMMODITIES / CURRENCIES / REAL ESTATE

- West Texas Intermediate (WTI) rose during the month, ending at \$78.26 a barrel.
- Gold prices increased to \$2,044.30 per oz., up ~\$5 from the end of January.
- The U.S. dollar (USD) Spot Index increased ~1% against a basket of currencies.
- Domestic real estate finished the month higher, as the Wilshire U.S. Real Estate Securities Index rose ~2.3% in February.



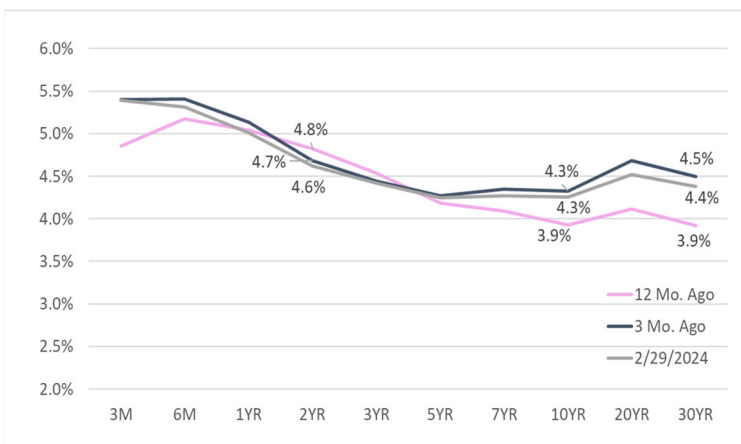
GLOBAL MARKET SUMMARY

Index	Level	1 Mos.	3 Mos.	12 Mos.
S&P 500	5,096.3	5.34%	11.96%	30.43%
Dow Jones Industrial Average	38,996.4	2.50%	8.96%	22.03%
NASDAQ Composite	16,091.9	6.22%	13.36%	41.69%
MSCI Emerging Markets	1,020.9	4.78%	3.86%	9.11%
MSCI EAFE	2,286.0	1.86%	7.92%	15.10%
MSCI All Country World	761.3	4.33%	10.05%	23.77%

U.S. TREASURY MARKET

Maturity	12 Mo. Ago	3 Mo. Ago	2/29/2024	Change 3 Month
1M	4.6%	5.4%	5.4%	0.01%
3M	4.9%	5.4%	5.4%	-0.01%
6M	5.2%	5.4%	5.3%	-0.09%
1YR	5.0%	5.1%	5.0%	-0.13%
2YR	4.8%	4.7%	4.6%	-0.06%
3YR	4.5%	4.4%	4.4%	-0.03%
5YR	4.2%	4.3%	4.2%	-0.02%
7YR	4.1%	4.3%	4.3%	-0.07%
10YR	3.9%	4.3%	4.3%	-0.08%
20YR	4.1%	4.7%	4.5%	-0.16%
30YR	3.9%	4.5%	4.4%	-0.12%

U.S. TREASURY YIELD CURVE



U.S. EQUITY SIZE & STYLE RETURNS

3 Month				12 Months		
Value	Core	Growth		Value	Core	Growth
9.05%	11.96%	14.49%	Large	21.66%	30.43%	38.58%
8.83%	13.19%	17.40%	Medium	5.23%	13.01%	20.85%
9.82%	11.92%	13.89%	Small	1.04%	6.40%	11.72%

S&P 500 Index Sector Returns

Index	1 Mos.	3 Mos.	12 Mos.
Information Technology	6.3%	14.7%	58.8%
Health Care	3.2%	10.9%	15.9%
Financials	4.2%	13.1%	15.2%
Cons. Discretionary	8.7%	11.3%	32.6%
Industrials	7.2%	13.7%	22.1%
Communication Services	5.7%	16.3%	58.4%
Cons. Staples	2.3%	6.7%	8.0%
Energy	3.2%	2.7%	6.1%
Utilities	1.1%	-0.1%	-1.2%
Real Estate	2.6%	6.2%	6.2%
Materials	6.5%	7.0%	9.3%

U.S. FIXED INCOME

Index	Level	1 Mos.	3 Mos.	1 Year
Bloomberg U.S. Treasury Bills: 1-3 Months	278	-0.4%	1.1%	4.3%
Bloomberg U.S. Aggregate	2,126	-1.4%	2.1%	3.3%
Bloomberg Treasury	2,241	-1.3%	1.7%	2.3%
Bloomberg U.S. TIPS	339	-1.1%	1.8%	2.5%
Bloomberg U.S. Credit	3,167	-1.5%	2.6%	6.0%
Bloomberg Corporate High Yield	2,487	0%	4.0%	11.0%

OTHER

	2/29/2024	1/31/2024	11/30/2023
Fed Funds Target	5.5	5.5	5.5
30-Year Fixed Mortgage	7.3	6.96	7.57
WTI Oil (\$/barrel)	78.26	75.71	75.85
Gold (\$/oz)	2,044.30	2,039.52	2,036.41
Natural Gas (\$/mmBtu)	1.86	2.10	2.80
Euro (\$/€)	1.0805	1.0818	1.0888

