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osaic

MARKET VIEW WEEKLY

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ECONOMIC REVIEW[1]

- The headline inflation figure highlighting February's Consumer Price Index (CPI) reading increased 0.4% month-over-month (MoM) and 3.2% year-over-year (YoY).
  - The YoY number came in hotter than expected, having been projected to rise at 3.1% YoY. The MoM number was in line with expectations, rising 0.4%.
- Core inflation, which excludes the more volatile food and energy prices, rose 0.4% MoM and remains elevated at 3.8% YoY.
  - The number fell from last month's 3.9% but missed expectations of a fall to 3.7%.
- The Producer Price Index (PPI) rose 0.6% MoM in February, handily outpacing expectations of a 0.3% rise for the month, while the YoY number advanced 1.6% compared to an expected rise of 1.1%.
  - Core MoM PPI rose 0.3%, which was down from last month's 0.5% reading but above the 0.2% expectation.
  - Core YoY PPI remained at 2.0%, which was higher than the fall to 1.9% economists were expecting.
- Retail sales rebounded from a paltry January reading, coming back 0.6% in February, but the underlying details of the release were a bit underwhelming.
  - February's numbers were somewhat weaker than expected and paired with downward revisions showing that January sales actually declined by 1.1% rather than the 0.8% drop reported previously.

How do CPI, PPI, and Retail Sales impact you?

- Inflationary concerns are gaining attention following two consecutive months of hotter-than-expected CPI and PPI reports.
  - Though the much-anticipated slowdown in shelter inflation appears to be gaining traction.
- A renewed uptick in the inflationary environment, coupled with decently strong economic growth, invites the Fed to prolong its pause and keep interest rates at the current 5.25-5.50% target range.
- The "higher-for-longer" narrative will likely continue if we see inflation readings that do not show any sign of the rapid disinflation that both the Fed and investors are looking for.
- The relatively modest increase in retail sales, paired with a larger negative January revision, suggests a potential crack in consumer spending strength.

A LOOK FORWARD[1]

- Next week, investors will be focused on the outcome of the Fed's March interest rate decision.

How do Fed Rate Decisions Impact You?

- The Fed is widely expected to hold rates steady. More importantly, this meeting will update the central bank's Summary of Economic Projections (SEP), a wide-ranging collection of economic expectations including the latest release of the Fed's "dot plot," which projects where each Fed official believes the federal funds rate will finish 2024.
  - After this meeting, the Fed has just six more opportunities to cut interest rates this year.
  - Policymakers have forecasted three rate cuts for 2024.

MARKET UPDATE[2]

Market Index Returns as of 3/15/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.09%	7.63%	7.63%	31.26%	10.61%	14.54%
NASDAQ	-0.68%	6.58%	6.58%	37.41%	6.67%	16.72%
Dow Jones Industrial Average	0.01%	3.22%	3.22%	22.61%	7.83%	10.75%
Russell Mid-Cap	-0.83%	4.68%	4.68%	22.25%	4.43%	10.42%
Russell 2000 (Small Cap)	-2.02%	0.89%	0.89%	16.95%	-2.88%	7.03%
MSCI EAFE (International)	-1.32%	4.38%	4.38%	20.16%	4.00%	6.94%
MSCI Emerging Markets	-0.12%	1.38%	1.38%	12.84%	-6.09%	2.05%
Bloomberg US Agg Bond	-1.23%	-1.72%	-1.72%	1.63%	-2.80%	0.41%
Bloomberg High Yield Corp	-0.24%	0.77%	0.77%	12.54%	2.09%	4.19%
Bloomberg Global Agg	-1.29%	-2.38%	-2.38%	1.34%	-5.07%	-1.06%

OBSERVATIONS

- The major stock indexes faltered for a second week in a row, with only the Dow in positive territory.
- For the week, NASDAQ declined by -0.68%, following weakness in NVIDIA Corp. and other chipmakers.
- The S&P 500 slouched -0.09%, notching its first consecutive weekly decline since October.
- International and emerging markets fell off as well, sinking -1.32% and -0.12%, respectively.
- Bonds run of four consecutive weeks of positive returns was halted. The yield on the 10-year U.S. Treasury jumped to 4.30% from 4.08% the week prior. Bond price and yield are inversely related.

BY THE NUMBERS

Two Canals, Two Big Problems—One Global Shipping Mess: More than 50 ships queued to cross the Panama Canal on a recent day—from tankers hauling propane to cargo ships packed with food. A prolonged drought has led the canal's operator to cut the number of crossings, resulting in longer waits. The tolls that ships pay are now around eight times more expensive than normal. Over 7,000 miles away, vessels that move containers through Egypt's Suez Canal are waiting for naval escorts or avoiding the passage altogether to take a much longer voyage around South Africa. Ship operators fear that their crews could be imperiled on the journey through the Red Sea by missile or drone attacks from a Yemen-based rebel group. Ship operators are bracing for months of uncertainty in the waterways where some 18% of global trade volumes crossed last year. For now, the interruptions to supply chains are on a modest scale compared with the more widespread bottlenecks seen in 2020 and 2021.[3]

Why Chicago dyes its river green for St. Patrick's Day: For the last 60 years, enterprising Chicagoans have dyed the city's river a vibrant green in honor of St. Patrick's Day. In 1962, members of the Chicago Journeymen Plumbers Local Union who were feeling festive dumped 100 pounds of that dye into the Chicago River, which turned it green for an entire week, per the Illinois Office of Tourism. The dyeing process itself is surprisingly simple: It takes just two boats, each featuring relatives of the first families, to dye the river; one boat does the dumping, and the other does the mixing. Around 40 pounds of dye and two hours later, the six-man team successfully turns the river a shade of shamrock green. And though the dye only lasts a few hours in the river, it stains the fingernails of the small but mighty team for weeks.[4]

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America**.**

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

The Fed's dot plot: is a chart updated quarterly that records each Fed official's projection for the central bank's key short-term interest rate, the federal funds rate.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as
of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

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[1] Data obtained from Bloomberg as of 3/15/2024.
[2] Data obtained from Morningstar as of 3/15/2024.
[3] Two Canals, Two Big Problems—One Global Shipping Mess | WSJ
[4] Why Chicago dyes its river green for St. Patrick's Day | CNN