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MARKET VIEW WEEKLY

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ECONOMIC REVIEW[1]

- Both ADP and nonfarm payrolls job reports were in the spotlight last week and signaled a continued healthy labor market.
- The nonfarm payrolls jobs report for March beat expectations last week with 303,000 new jobs added. This beat expectations of 200,000 and February's increase of 270,000. There are also 8.76 million job openings available.
    - Private jobs increased 232,000 led by healthcare which added 72,000 jobs and the leisure and hospitality industry which added 49,000 jobs.
    - Government jobs also increased by 71,000 which was led primarily by local government jobs rather than federal government jobs.[2]
- Hourly wages showed signs of improvement which moved up 0.3% from February and have risen 4.1% YoY.
- The average workweek for employees ticked up slightly from 34.3 to 34.4 hours.
- The unemployment rate also moved down slightly to 3.8% from 3.9% in February and remains historically low. This marks the 26th consecutive month the unemployment rate has remained below 4%.
- The ISM Manufacturing PMI for March was also released last week and came in at 50.3, beating forecasts of 48.4 and February's reading of 47.8. A reading above 50 signals a sector in economic expansion. New orders, employment, and production also recorded gains within manufacturing from February.
    - This is the first reading since September 2022 that the manufacturing sector has moved into expansion.

How does the Labor Report and PMI impact you?

- The strong jobs reports in March indicates a healthy labor market that has continued to remain resilient since the COVID pandemic.
- Continued strength in the labor market and the expansion in the manufacturing sector may signal to the Federal Reserve (Fed) that the economy is growing at a higher rate than expected and rate cuts are not required in the near term.
- Given that the labor market is healthy, and inflation has not moved down enough over the last few months, the Fed may wait to cut interest rates.

A LOOK FORWARD[1]

- This week, data on the Consumer Price Index (CPI) and Producer Price Index (PPI), which measure the price levels of goods and services for consumers and producers, will be the key report that investors focus on.

How do CPI and PPI impact you?

- An above expected inflation reading this week may give the Fed hesitation to cut rates as early as anticipated. Higher inflation coupled with a healthy labor market may push rate cuts out further with higher interest rates remaining elevated for longer this year.
- The Fed delaying rate cuts makes it more expensive for consumers when financing bigger ticket items such as cars and homes. Additionally, in recent months, energy prices have moved higher which is a risk for inflation moving higher.

MARKET UPDATE[3]

Market Index Returns as of 4/5/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.93%	-0.93%	9.53%	28.75%	10.21%	14.36%
NASDAQ	-0.79%	-0.79%	8.45%	35.48%	6.69%	16.37%
Dow Jones Industrial Average	-2.23%	-2.23%	3.77%	18.63%	7.34%	10.37%
Russell Mid-Cap	-1.61%	-1.61%	6.85%	22.66%	4.60%	10.20%
Russell 2000 (Small Cap)	-2.86%	-2.86%	2.17%	19.45%	-1.63%	6.89%
MSCI EAFE (International)	-1.35%	-1.35%	4.36%	13.27%	3.73	6.61%
MSCI Emerging Markets	0.28%	0.28%	2.65%	9.04%	-5.69%	1.76%
Bloomberg US Agg Bond	-1.06%	-1.06%	-1.83%	-0.49%	-2.95%	0.21%
Bloomberg High Yield Corp	-0.49%	-0.49%	0.98%	10.52%	1.84%	4.00%
Bloomberg Global Agg	-0.69%	-0.69%	-2.76%	-1.13%	-5.14%	-1.21%

OBSERVATIONS

- All three US large cap equity indices posted negative returns last week with the Dow Jones declining -2.23%. This was the worst weekly performance for the Dow in a year. The S&P 500 posted a -0.93% return and NASDAQ outperformed relative to the other two indexes with a -0.79% return.
- Mid-caps returned -1.61%, outperforming the Dow Jones, but trailed the S&P 500 and NASDAQ. Small caps posted a -2.86% return for the week and underperformed large and mid-caps.
- International equities posted a -1.35% return for the week and underperformed emerging markets, which posted a positive return of 0.28%. Emerging markets are now outperforming US small caps year-to-date.
- Major bond indices declined for the week as yields across the treasury curve rose. The US Agg posted a -1.06% return and lagged High Yield and Global bonds. High Yield, which is less sensitive to interest rates, outperformed with a -0.49% return.

BY THE NUMBERS

4.8 Magnitude Earthquake Rattles NYC & New Jersey: A 4.8 magnitude earthquake, one of the strongest in state history, was recorded in New Jersey that shook residents in surrounding states and New York City on Friday morning. The temblor was reported about 5 miles north of Whitehouse Station, New Jersey, at about 10:23 a.m. Friday, according to the United States Geological Survey. The epicenter was about 45 miles from New York City, where residents reported shaking furniture and floors. People reported feeling the shaking as far north as Maine and as far south as Norfolk, Virginia, following the quake, according to the United States Geological Survey. A 4.0 magnitude aftershock slammed New Jersey at around 6 p.m. No major disruptions or damage have been reported in New Jersey or New York. USGS is still investigating the exact fault line at the center of Friday’s quake and said it occurred in a region with dozens of fault lines that were more active millions of years ago.[4]

Yellen says US-China Relationship on ‘More Stable Footing’ but More Can Be Done: U.S. Treasury Secretary Janet Yellen met on Sunday in Beijing with Chinese Premier Li Qiang and sent a message of mutual cooperation despite the nations' differences. Yellen came to China top of mind with trade practices that put American companies and workers at an unfair competitive disadvantage. The meeting comes after the U.S. and China on Saturday agreed to hold "intensive exchanges" on more balanced economic growth, according to a U.S. statement. "While we have more to do, I believe that, over the past year, we have put our bilateral relationship on more stable footing," Yellen said.[5]

Economic Definitions

The ADP Report: The ADP National Employment Report is an independent estimate of the change in U.S. nonfarm, private employment derived from actual, anonymous payroll data of client companies served by ADP.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

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

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

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.

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).

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 4/5/2024.
[2] Employment Situation Summary - 2024 Q01 Results (bls.gov)
[3] Data obtained from Morningstar as of 4/5/2024.
[4] 4.8 magnitude earthquake rattles NYC, New Jersey: Live updates (msn.com)
[5] Yellen says US-China relationship on 'more stable footing' but more can be done: NPR