Dallas, Texas

WEEK OF FEBRUARY 5, 2024

Market Update

The Federal Reserve (Fed) stayed put last week, leaving the federal funds rate with an upper bound of 5.5 percent. U.S. economic data continued to show strength, with employment and consumer confidence reports surprising to the upside.

Quick Hits

1. **Report releases:** The fourth-quarter GDP report showed that the economy grew at a faster rate than expected.
2. **Financial market data:** Meta Platforms and Amazon rose as AI and cloud growth impressed.
3. **Looking ahead:** This week's focus will be service sector confidence, the U.S. trade balance, and consumer credit.

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Market Update—February 5, 2024

Report Releases: January 29–February 2, 2024

Consumer Board Consumer Confidence Index
January (Tuesday)

Consumer confidence improved for the third consecutive month, bringing the index to its highest level in more than two years.

- Expected/prior month consumer confidence: 108/114.8
- Actual consumer confidence: 114.8

FOMC Rate Decision
January (Wednesday)

As expected, the Fed left the federal funds rate unchanged after its January meeting. Fed Chair Jerome Powell indicated at the post-meeting news conference that it's unlikely the central bank will cut interest rates at its next meeting in March but left the door open to the possibility.

- Expected/prior federal funds rate upper bound: 5.5%/5.5%
- Actual federal funds rate upper bound: 5.5%

ISM Manufacturing Index
January (Thursday)

Manufacturer confidence improved more than expected, with the index rising to its highest level in more than a year. Despite the improvement, the index remained in contractionary territory.

- Expected/prior ISM Manufacturing index: 47.2/47.1
- Actual ISM Manufacturing index: 49.1

Employment Report
January (Friday)

Hiring continued to accelerate in January, with 353,000 new jobs added after an upwardly revised 333,000 jobs in December. This was notably higher than expected, signaling continued strong labor demand across the economy.

- Expected/prior change in nonfarm payrolls: +185,000/+333,000
- Actual change in nonfarm payrolls: +353,000

>> The Takeaway

- The Fed stayed put at its January meeting, leaving the federal funds rate with an upper bound of 5.5 percent.
- Economic data showed strength in the U.S. economy, with employment and consumer confidence surprising to the upside.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.41%	2.34%	4.06%	21.84%
Nasdaq Composite	1.13%	3.07%	4.14%	31.25%
DJIA	1.43%	1.32%	2.65%	16.41%
MSCI EAFE	0.02%	−1.11%	−0.54%	7.83%
MSCI Emerging Markets	0.32%	1.27%	−3.43%	−2.39%
Russell 2000	−0.77%	0.80%	−3.12%	0.42%

Source: Bloomberg, as of February 2, 2024

U.S. equities led the way as we received major earnings reports from five firms—Microsoft, Apple, Alphabet, Amazon, and Meta Platforms—from the "Magnificent Seven." Meta Platforms and Amazon fared particularly well; AI propelled growth at Meta Platforms, whereas Amazon was supported by reacceleration in its AWS cloud business. International and small-caps lagged as the Fed held firm and Chinese equities continued to struggle.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.38%	−0.66%	1.76%
U.S. Treasury	−0.38%	−0.66%	1.07%
U.S. Mortgages	−0.45%	−0.91%	0.71%
Municipal Bond	0.34%	−0.17%	3.13%

Source: Bloomberg, as of February 2, 2024

The Treasury yield curve saw modest movement, with the long end of the curve moving lower as the Federal Open Market Committee (FOMC) held rates steady. The move lower in longer-dated maturities reflects investors locking in longer-term rates in the event we see an economic slowdown from elevated Fed policy. The 10-year yield declined 11 basis points (bps), closing the week at 4.03 percent.

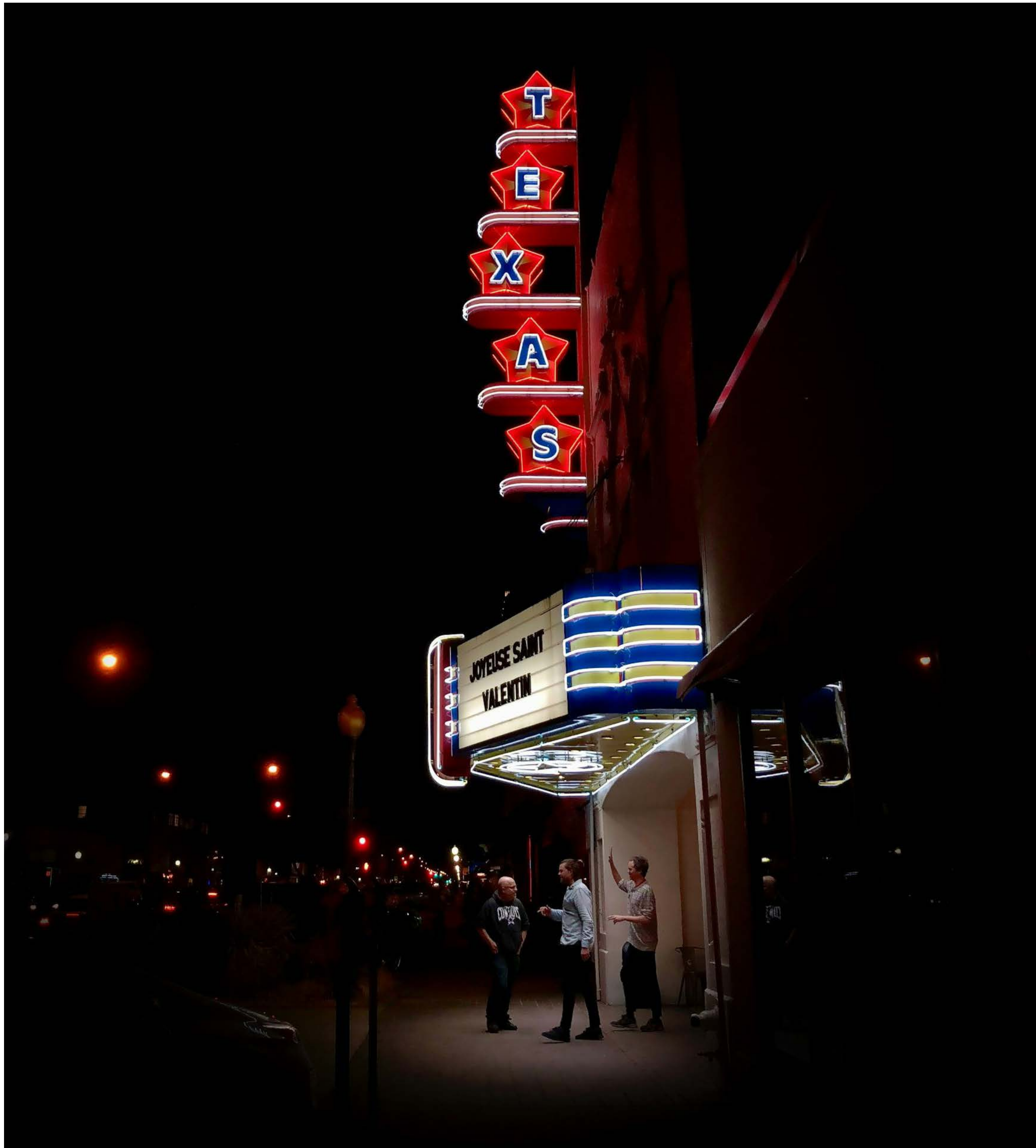
>> The Takeaway

- The "Magnificent Seven" fared well in a major week of earnings, with five of the seven reporting.
- The front end of the curve held steady as the Fed did the same. The longer end of the curve moved a bit lower as investors locked in rates.

Looking Ahead

This week will be a bit quieter on the economic data front. The focus will be service sector confidence, the U.S. trade balance, and consumer credit.

- The week kicks off on Monday with the release of the **S&P Global US Composite PMI and the ISM Services index**. The S&P Global US Composite PMI remains in expansionary territory. The ISM Services index is expected to improve from 50.6 to 52.
- On Wednesday, **trade balance and consumer credit reports** for December are expected. The international trade deficit is set to fall modestly in December, which would mark two consecutive months with a shrinking deficit. Consumer credit is expected to be at $16.5 billion, down from $23.75 billion.



Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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