



WEEK OF MARCH 11, 2024

Market Update

Weak iPhone and Tesla sales in China moved the Nasdaq Composite lower. Rates for Treasuries with maturities greater than five years fell as the Federal Reserve (Fed) indicated it was close to cutting interest rates.

Quick Hits

- 1. Report releases:** Hiring accelerated in February, with a strong 275,000 jobs added during the month.
- 2. Financial market data:** Weak iPhone and Tesla sales in China helped send the Nasdaq lower.
- 3. Looking ahead:** Inflation reports (consumer inflation on Tuesday and producer inflation on Thursday) will be the primary focus this week.

Report Releases: March 4–8, 2024

ISM Services Index February (Tuesday)

Service sector confidence fell more than expected in February, due in part to a slowdown in service sector employment. Despite the decline, the index remained in expansionary territory.

- Expected/prior ISM Services index: 53/53.4
- Actual ISM Services index: 52.6



Job Openings and Labor Turnover Survey (JOLTS) January (Wednesday)

Job openings were almost exactly in line with expectations as the pace of the decline in openings continued to moderate.

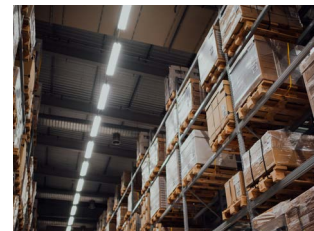
- Expected job openings/prior job openings: 8,862,000/9,026,000
- Actual job openings: 8,863,000



Trade Balance January (Thursday)

The trade deficit increased more than expected in January, due to a 1.1 percent rise in imports that overwhelmed a 0.1 percent rise in exports.

- Expected/prior trade deficit: –\$63.5 billion/–\$64.2 billion
- Actual trade deficit: –\$67.4 billion



Employment Report February (Friday)

Hiring accelerated in February, with 275,000 new jobs added following a downwardly revised 229,000 jobs in January. Although headline job growth remained strong, the unemployment rate ticked up, from 3.7 percent to 3.9 percent.

- Expected/prior change in nonfarm payrolls: +200,000/+229,000
- Actual change in nonfarm payrolls: +275,000



>> The Takeaway

- Confidence in the service sector softened a bit more than expected in February.
- Hiring was stronger than expected in February, and the decline in job openings continued to moderate in January.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.23%	0.58%	7.73%	32.86%
Nasdaq Composite	-1.15%	-0.02%	7.31%	43.01%
DJIA	-0.85%	-0.61%	3.21%	22.65%
MSCI EAFE	2.47%	3.28%	5.78%	17.43%
MSCI Emerging Markets	1.24%	1.62%	1.51%	9.96%
Russell 2000	0.34%	1.40%	2.97%	15.83%

Source: Bloomberg, as of March 8, 2024

The tech-oriented Nasdaq Composite led the way down, with Apple and Tesla the main drivers. Apple was fined \$2 billion by the European Union and is under continued scrutiny for how it has worked with Epic Games. It was also reported that the company's iPhone sales in China fell 24 percent in the first six weeks of the year as consumers shifted to Chinese-based phones such as Huawei. Tesla fell more than 13 percent as demand in China waned and suspected arson shut down its German factory.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.21%	-0.50%	4.70%
U.S. Treasury	1.01%	-0.60%	3.29%
U.S. Mortgages	1.55%	-0.57%	4.29%
Municipal Bond	0.41%	0.03%	5.61%

Source: Bloomberg, as of March 8, 2024

Treasuries with maturities greater than five years rallied as investors took a risk-off sentiment from equities and Fed Chairman Jerome Powell said the central bank was "not far from a level of confidence needed to cut" interest rates. This indicated the Fed may be more confident it has reeled in inflation, which is supportive for bond investors with fixed coupon payments. The U.S. 10-year Treasury declined more than 9 basis points (bps) to close at 4.09 percent.

>> The Takeaway

- Chinese consumer demand for iPhones and Teslas was weak to start the year.
- Bond investors bought the belly and long end of the curve as the Fed indicated it was close to cutting interest rates.

Looking Ahead

We expect several important economic data releases this week. Inflation reports will be the primary focus, with consumer inflation data due Tuesday and producer inflation statistics expected Thursday.

- The week kicks off Tuesday with the release of the **Consumer Price Index (CPI)** report for February. Headline consumer inflation is expected to pick up, with economists calling for a 0.4 percent rise in prices after a 0.3 percent increase in January.
- On Thursday, retail sales data and the **Producer Price Index (PPI)** for February are expected. Retail sales (both headline and core) are set to rebound after falling more than expected in January. Producer inflation is expected to increase 0.3 percent after a 0.3 percent rise in January.
- Finally, Friday will wrap with the preliminary **University of Michigan consumer sentiment survey** for March. Consumer sentiment is expected to increase modestly after falling more than expected in February.





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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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