MARKET VIEW WEEKLY

Ladenburg Asset Management

ECONOMIC REVIEW[1]

- Retail Sales figures released last week showed that consumers spent $709.9 billion on retail goods and services in December.
    - This represented month-over-month growth of 0.6% from November and year-over-year growth of 5.6% from December of 2022.
- Retail Sales in aggregate grew 3.2% in 2023 as consumers continued to spend down their excess savings, which in turn stimulated the economy in a year where potential recessionary fears failed to materialize.
- One of the largest monthly drops in December's Retail Sales reports came from sales at gas stations, which are used as a proxy for total dollars spent on gas.
    - A decline, like in December, tends to correspond with a fall in gas prices.
        - Falling energy prices have been a theme since November, allowing consumers to shift consumption habits to other areas of the economy.
- The largest monthly gains from the retail sales report came from clothing & accessories, as well as general merchandise.
    - Gains in these areas are consistent with holiday shopping expected in December.
- In addition to Retail Sales, the University of Michigan Consumer Sentiment preliminary reading for January was released and showed surprising positivity among American shoppers.
    - The reading rose to 78.8 from last month's 69.7. January's reading was the highest since July of 2021.
    - The strong upward move was driven by consumers' expectations for lower inflation, and stronger economic conditions.

How do retail sales and consumer sentiment data impact you?

- Consumer spending accounts for around two-thirds of Gross Domestic Product (GDP).
    - Strong levels of consumer spending reflected by Retail Sales are an indicator of economic strength.
- Strong Consumer Sentiment readings indicate a similar concept. Consumers who feel as if they are in a strong economic position are more likely to bolster discretionary spending, and as a result, bolster the economy.
    - Consumer inflation expectations are also important to the Federal Reserve, which must manage the perception of inflation as much as the actual figures themselves.

A LOOK FORWARD[1]

- Investors will get a key look into both economic activity and inflation with GDP and the Personal Consumption Expenditure (PCE) reports slated for release this week.

How do GDP and PCE data impact you?

- Both measures will be closely watched by the Federal Reserve (Fed) which is expected to hold its target rate steady at their January 31st meeting.
    - Stronger than anticipated GDP or PCE data could incentivize the Fed to hold rates higher for longer.

MARKET UPDATE[2]

Market Index Returns as of 1/19/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.19%	1.54%	1.54%	23.83%	9.62%	14.56%
NASDAQ	2.26%	2.01%	2.01%	38.59%	5.21%	17.43%
Dow Jones Industrial Average	0.76%	0.55%	0.55%	15.91%	8.88%	11.29%
Russell Mid-Cap	-0.04%	-1.56%	-1.56%	10.08%	3.77%	10.50%
Russell 2000 (Small Cap)	-0.33%	-4.05%	-4.05%	5.78%	-2.16%	7.01%
MSCI EAFE (International)	-2.13%	-2.52%	-2.52%	7.66%	2.31%	6.57%
MSCI Emerging Markets	-2.54%	-5.13%	-5.13%	-3.87%	-9.24%	1.52%
Bloomberg US Agg Bond	-1.10%	-1.39%	-1.39%	1.14%	-3.56%	0.82%
Bloomberg High Yield Corp	-0.52%	-0.68%	-0.68%	8.85%	1.54%	4.44%
Bloomberg Global Agg	-1.42%	-2.42%	-2.42%	-0.17%	-6.07%	-0.83%

OBSERVATIONS

- Tech stocks continued where they left off last week, leading markets higher with the NASDAQ rising over 2%.
- The S&P 500 and Dow Jones both rose on the week as domestic equities rallied into the weekend.
    - The Dow Jones erased its losses from the beginning of the year and is now in positive territory year-to-date.
- Both small and mid-cap stocks were down on the week as returns remained concentrated within large-cap growth.
- Developed international and emerging markets fell on news of both a stronger dollar and weaker-than-expected economic data out of Europe.
- Bond prices fell during the week as data that pointed towards lingering inflation kept rates elevated.

BY THE NUMBERS

- **Nearly 100 Million Americans Are Facing Extreme Cold This Week:** Record-breaking cold weather has surged across much of the U.S. reaching from Louisiana to Oregon. Intense snow and windstorms caused power outages for over 350,000 households and canceled more than 1,000 flights per day. In New York, heavy snow forced the Buffalo Bills to reschedule their game against the Pittsburgh Steelers. Conditions brought not only colder weather and snow, but a deluge of rain affected parts of the country like Maine, which saw a record-breaking high tide of 14.57 feet. The flooding caused significant coastal damage across the Eastern Seaboard. The cold weather, which fell as low as -41 degrees in Montana, is expected to subside next week, with warmer weather expected to roll in across the West, and North-Central U.S. as early as Sunday. Cities like Des Moines and Minneapolis are expected to register temperature swings of 40-50 degrees off of their recent lows. [3]

- **Gen Z is Obsessed with Being Rich:** A recent study from Intuit Credit Karma found that 44% of the Gen Z survey respondents (those born between 1996-2012) noted an overall obsession with becoming rich, compared with just 27% of the larger population. Despite the obsession, 43% of Gen Z feel financially insecure. Courtney Alev, a financial advocate at Credit Karma describes the feelings of financial inadequacy as stemming from a distortion between perception and reality after comparing their financial status to their peers, social media influencers, or even celebrities. Housing unaffordability, rising student debt levels, and social security shortfalls are also contributing to the financial insecurities of the fledging adult generation. While Gen Z and Millennials may not be in the best financial shape, they are slated to inherit the $84 trillion amassed by Baby Boomers as the wealth transfer continues through the coming decades. [4]

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

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

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.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100).

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.

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[1] Data obtained from Bloomberg as of 1/19/2024.
[2] Data obtained from Morningstar as of 1/19/2024.
[3] Nearly 100 million in the U.S. face extreme cold this week : NPR
[4] Gen Z Is Obsessed with Being Rich (msn.com)