

MARKET VIEW WEEKLY

Ladenburg Asset Management



ECONOMIC REVIEW¹

- The Leading Economic Index (LEI) for December showed a decline of 0.1% from the previous month and is down -7.1% on a year-over-year (YoY) basis. This marks the 21st consecutive decline in the Index and the lowest reading since May 2020.
- Personal Consumption Expenditure (PCE) data reflected inflation continued to moderate in December.
 - Headline PCE rose 0.2% month-over-month (MoM), in line with expectations, but above the previous month's reading of -0.1%.
 - Headline PCE rose 2.6% YoY, in line with expectations and unchanged from the previous month's YoY reading.
 - Services remained the main driver of PCE, rising 0.3% MoM, and 3.9% YoY (the good news is that services inflation fell below 4% for the first time in over a year).
 - Core PCE also rose 0.2% MoM, in line with expectations but above the previous month's reading of 0.1%.
 - Core PCE rose 2.9% YoY, below expectations of 3.0% and the previous month's YoY reading of 3.2%.
 - The Core PCE annualized 3-month and 6-month rates have risen 1.5% and 1.9%, respectively, both below the Fed's 2% target.
- Gross Domestic Product (GDP) for Q4 2023 grew at a 3.3% annualized rate, beating expectations of 2%.
 - GDP for 2023 increased by 2.5%, better than the increase of 1.9% in 2022.

How does LEI, PCE, and GDP data impact you?

- December's LEI reading marked the smallest decline since March 2022 and six of the ten components were positive.
 - The LEI's six-month and twelve-month growth rates have turned upward.
- The Q4 GDP growth reading ended 2023 on a better-than-anticipated economic standing, led by strong consumer spending despite many forecasts of recession and aggressive monetary policy.
- PCE is the preferred price index used by the Federal Reserve (Fed) to measure inflation. The continued moderation in consumer prices, particularly measured by the 3 and 6-month annualized Core PCE, provides the Fed the data to support the policy shift announced in December.



A LOOK FORWARD¹

- The most anticipated data release next week will be the Federal Reserve's interest rate decision along with earnings from Big Tech.

How does the Federal Reserve's Rate Decision and Big Tech earnings impact you?

- It is anticipated the Fed will continue to hold rates steady at 5.25-5.50%.
 - The last time the Fed raised rates was in July 2023. The market is anticipating rate cuts this year and will be digesting any new details on an updated outlook for cuts.
- Apple, Google, Amazon, Microsoft, and Meta will report earnings next week.
 - The majority of the market gains in 2023 and so far in 2024 have been concentrated in these companies and as a result, investors will be focused on their earnings power and forecasted guidance for 2024.



MARKET UPDATE²

Market Index Returns as of 1/26/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.07%	2.62%	2.62%	22.13%	10.98%	14.85%
NASDAQ	0.94%	2.98%	2.98%	34.10%	6.04%	17.63%
Dow Jones Industrial Average	0.65%	1.20%	1.20%	14.60%	10.16%	11.41%
Russell Mid-Cap	0.94%	-0.63%	-0.63%	8.28%	5.69%	10.62%
Russell 2000 (Small Cap)	1.75%	-2.37%	-2.37%	5.14%	-0.79%	7.38%
MSCI EAFE (International)	2.01%	-0.57%	-0.57%	8.31%	3.45%	6.89%
MSCI Emerging Markets	1.47%	-3.74%	-3.74%	-3.85%	-8.15%	1.53%
Bloomberg US Agg Bond	0.10%	-1.30%	-1.30%	1.14%	-3.57%	0.78%
Bloomberg High Yield Corp	0.61%	-0.07%	-0.07%	9.10%	1.86%	4.57%
Bloomberg Global Agg	0.08%	-2.33%	-2.33%	-0.05%	-6.02%	-0.92%



OBSERVATIONS

- All major indices posted positive returns for the week with US Equity markets closing near all-time highs.
- Small caps were the strongest performing market cap for the week but are still underperforming the S&P 500 by 4.99% YTD.
- Developed International and Emerging markets outperformed US Large Caps for the week but are still trailing YTD.
- Emerging Markets continued to lag Developed International markets for the week and are trailing by 3.17% YTD.
- Bonds notched positive returns for the week with yields mostly unchanged. High Yield outperformed higher-quality bonds for the week.



BY THE NUMBERS

- **The Big Year for EVs Gets Off to a Bumpy Start:** The auto industry's pivot to electric vehicles has been rocked by setbacks in the first weeks of 2024, creating more uncertainty as a flood of new battery-powered models are hitting showrooms. The latest bad news came Wednesday when Tesla, the world's most valuable automaker, warned of notably lower growth this year and left investors with few answers on how it will slow its profit-margin erosion. The downbeat remarks followed data earlier this year showing a slowdown in EV sales growth in the U.S., automakers delaying or cutting back on plans and anxiety rising among dealership owners. This year was supposed to be an important one and a turning point for the industry. However, within the past several months, signs have emerged that the EV push might have gotten ahead of U.S. consumers. Several automakers have postponed investment in EVs, and some are reconfiguring plans to sell more hybrids. While EV sales increased 47% in the U.S. last year, outpacing the broader car market, the rate of growth slowed from the prior year, according to research firm Motor Intelligence. Car dealers are getting nervous they could end up stuck with unwanted EVs. Inventory levels for electric vehicles are rising, and automakers are having to resort to price cuts and discounts to stimulate buyer interest. ³
- **3 U.S. Troops Killed and 34 Wounded in Jordan:** President Biden is vowing to respond after a drone strike linked to Iran killed three U.S. service members. The attack wounded at least 34 others and that number could rise, according to a U.S. official. The unmanned aerial drone struck American troops stationed in northeast Jordan near the Syrian border early Sunday. A U.S. official told NPR that the service members' injuries vary, with many suffering from traumatic brain injury. There are also reports of a spinal injury and at least one case of a shrapnel wound. It marks the first deadly attack on U.S. forces in the Middle East since the Israel-Hamas broke out with the Hamas attacks on Israel on Oct. 7. The U.S. has been attempting to contain the conflict and prevent it from spreading further in the region. The Islamic Resistance in Iraq, a coalition of militias backed by Iran, claimed credit for the attack. ⁴

Economic Definitions

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

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.

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

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.

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.

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¹ Data obtained from Bloomberg as of 1/26/2024.

² Data obtained from Morningstar as of 1/26/2024.

³ [The Big Year for EVs Gets Off to a Bumpy Start-WSJ](#)

⁴ [3 U.S. troops were killed and 34 wounded in a drone strike on a base in Jordan-NPR](#)