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ECONOMIC REVIEW¹

- The Federal Reserve (Fed) maintained interest rates between 5.25% and 5.50% during its first meeting of 2024, aligning with market predictions.
- The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI) rose to 49.1 in January from 47.1 in December. Readings above 50 indicate expansion, while those below 50 signal contraction.
 - The latest figure marks the 15th consecutive month the index has been in contraction territory after 29 months of growth dating back to June 2020. The January reading was above the forecast of 47.2.
- The latest Job Openings and Labor Turnover Summary (JOLTS) report showed that job openings rose to a 3-month high in December. Vacancies increased to 9.026 million from November's upwardly revised level of 8.925 million. The latest reading was higher than the expected 8.750 million vacancies.
- Employers added a seasonally adjusted 353,000 jobs last month, the Labor Department reported Friday, the strongest reading in a year. December's payroll gains were revised upward to 333,000 from 216,000.
- The unemployment rate held steady at 3.7%, its lowest rate since the 1960s, and wages grew at a rate of 4.5%.

How does the Fed decision, manufacturing data, and the jobs report impact you?

- This decision from the Fed to hold rates steady represents the fourth consecutive meeting where the cost of borrowing was kept unchanged, reinforcing the belief that the interest rate hiking cycle has ended.
- On the back of better-than-expected manufacturing data, we received a better-than-expected jobs report.
- Two specific data points in the labor report are welcome signs for the American consumer:
 - The report showed a pickup in monthly and annual wage growth (0.6%/4.5%). Translating into greater purchasing power, the main driver of economic growth.
 - The prime-age labor force (25-54-year-olds) participation rate rose to 83.3% in January, showing that those in their highest earning potential years continue to enter the workforce, a positive sign for economic activity.



A LOOK FORWARD¹

- Next week, we will receive the ISM Services PMI reading, which is expected to increase to 52.1.
- We will also receive the Federal Reserve's Consumer Credit report, which is expected to show that consumers' total outstanding credit fell to \$16.5 billion from \$23.75 billion a month earlier.

How does services data and consumer credit data impact you?

- Consumers continue to spend on services over goods. Regardless, any spending is welcome as long as it supports economic growth and does not drive individuals into debt.
- While consumers continue to borrow at a high rate, the decline in the total amount of outstanding credit is encouraging. Combined with higher borrowing costs resulting from increases in interest rates, this rise in credit card balances means there is a risk that consumers will pull back on their discretionary spending in the coming months.
- However, we have not seen this come to fruition as the latest gross domestic product (GDP) reading showed that the economy is growing at an annual rate of 3.3%, supported mainly by Personal Consumption Expenditures (PCE), which increased by 1.7%.



MARKET UPDATE²

Market Index Returns as of 02/02/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.41%	4.06%	4.06%	21.84%	10.71%	14.81%
NASDAQ	1.13%	4.14%	4.14%	31.25%	5.54%	17.57%
Dow Jones Industrial Average	1.43%	2.65%	2.65%	16.41%	10.18%	11.43%
Russell Mid-Cap	0.62%	-0.01%	-0.01%	6.68%	4.85%	10.30%
Russell 2000 (Small Cap)	-0.77%	-3.12%	-3.12%	0.42%	-1.84%	6.93%
MSCI EAFE (International)	0.02%	-0.54%	-0.54%	7.83%	3.49%	6.69%
MSCI Emerging Markets	0.32%	-3.43%	-3.43%	-2.39%	-8.55%	1.24%
Bloomberg US Agg Bond	0.65%	-0.66%	-0.66%	1.76%	-3.21%	0.81%
Bloomberg High Yield Corp	0.10%	0.03%	0.03%	8.13%	1.74%	4.42%
Bloomberg Global Agg	0.37%	-1.97%	-1.97%	0.14%	-5.68%	-0.96%



OBSERVATIONS

- All major indices posted positive returns for the week, with US Equity markets closing at all-time highs.
- Small caps trailed their large-cap peers, returning -0.77% for the week compared to 1.41% for the S&P 500, 1.43% for the Dow Jones Industrial Average, and 1.13% for the NASDAQ.
- Developed International and Emerging markets underperformed US Large Caps for the week and are still trailing year to date (YTD).
- Bonds notched positive returns for the week. High Yield underperformed higher-quality bonds for the week.



BY THE NUMBERS

- **Home Sales Were the Lowest in Almost 30 Years in 2023:** Existing-home sales slid 19% in 2023 from the prior year to 4.09 million, the National Association of Realtors (NAR) said Friday. That total was lower than during the subprime crisis and the lowest full-year level since 1995. The last time existing home sales were this low was in 1995, when mortgage rates were mostly higher, standing between 7% and 9.5%. The median existing home sales price in 1995 was \$114,600, less than one-third of the December 2023 median price. The national median existing-home price rose 4.4% in December from a year earlier to \$382,600, according to NAR. The U.S. population was also much smaller, about 266 million in 1995, compared with about 336 million today, according to Census data. The good news is that mortgage rates have dropped more than a percentage point since October when they rose to a 23-year high. Mortgage purchase applications rose in the week ended January 12th to the highest seasonally adjusted level since July, according to the Mortgage Bankers Association.³
- **Superbowl Tickets are the Most Expensive They Have Ever Been:** Prices for the February 11th game are the most expensive on record. Just getting inside Allegiant Stadium to see the Kansas City Chiefs take on the San Francisco 49ers will cost around \$8,000 for a single ticket, which is 35% more expensive than the \$5,997 “get-in” price of the Super Bowl this time last year. The 2020 game (the first time the Chiefs and 49ers faced off) was previously the most expensive Super Bowl on record, according to TickPick, which had an average purchase price of \$6,370. Those tickets were 35% less expensive than this year’s matchup.⁴

Economic Definitions

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

Federal Reserve's Consumer Credit Report: The Federal Reserve's G.19 Statistical Release, "Consumer Credit," is published monthly, generally on the fifth business day of the month. The release provides national aggregate amounts (by type and holder) of outstanding credit held by households; it also contains selected average terms of credit.

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.

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.

ISM Services 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.

Purchasing Managers' Index (PMI): The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers. The purpose of the PMI is to provide information about current and future business conditions to company decision-makers, analysts, and investors.

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.

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.

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.

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.

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.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 2/2/2024.

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

³ https://www.wsj.com/economy/housing/home-sales-likely-fell-to-15-year-low-in-2023-3da220e1?mod=economy_feat5_housing_pos2

⁴ <https://www.cnn.com/2024/01/29/business/super-bowl-ticket-prices/index.html>

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