

Philip Blancato, Chief Market Strategist, Osaic

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## ECONOMIC REVIEW<sup>1</sup>

- The Federal Reserve (Fed) followed through on the widely held expectation to hold the federal funds rate target steady in a range of 5.25% to 5.50% last week; rates remain at a 23-year high.
  - Despite stronger-than-anticipated inflation in recent months, Chairman Jerome Powell reaffirmed the Federal Open Market Committee's (FOMC's) projection to cut interest rates three times this year.
- Investors celebrated the more optimistic scenario laid out by policymakers, driving markets to new highs on the Chairman's comments that his outlook for inflation to continue declining had not changed substantially.
  - The Dow Jones Industrial Average, S&P 500, and the Nasdaq Composite all closed at record highs together for the first time since November 2021, shortly before the central bank significantly tightened policy.
- Expectations that the central bank would cut rates by June rose to around 75% in futures markets late Wednesday, up from closer to 50% earlier last week, according to CME Group.
  - After an initial jump in expectations for six or even seven cuts this year following the Fed's December pivot, market projections are now largely aligned with those of Fed officials.
- The Summary of Economic Projections (SEP) shed more light on the views of committee members who now collectively expect faster growth, higher inflation, and a stronger job market.
  - These views manifested in the committee's dot plot through the distribution of forecasts showing just one FOMC participant now expects more than three rate cuts this year, down from five at the December meeting.
  - Rate cut expectations for 2025 shifted to three cuts from four, as well.

### How do Fed Rate Decisions impact you?

- The Fed's recognition of faster growth, higher inflation, and a stronger job market all support the refrain about rates investors have heard for some time now, "higher for longer."
  - However, the economy has proven robust in the face of higher rates, and the risk of cutting too early carries with it the risk of reigniting the inflation problem and repeating the policy mistakes of the 1970s.
- Investors should understand the narrow path the Fed walks has risks on both sides: cutting too early as highlighted above, and moving too slowly, which could weigh too heavily on the economy and force a recession.
  - Tighter policy is having an effect, but resurgent inflation is too significant of a concern to risk declaring victory at this point.



## A LOOK FORWARD<sup>1</sup>

- This week, new home sales, durable goods orders, and particularly Personal Consumption Expenditures (PCE) will demand investors' attention.

### How does Inflation Data Impact You?

- PCE, specifically Core PCE – excluding the volatile food and energy categories, is the Fed's preferred inflation gauge and most significantly influences the central bank's inflation projections.
  - Chairman Powell is set to speak following Friday's report, which should provide more clarity on the economy's progress toward the central bank's 2% target.



## MARKET UPDATE<sup>2</sup>

Market Index Returns as of 3/22/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	2.31%	10.12%	10.12%	34.65%	11.94%	15.23%
NASDAQ	2.86%	9.63%	9.63%	40.49%	8.33%	17.52%
Dow Jones Industrial Average	1.97%	5.25%	5.25%	25.57%	8.97%	11.49%
Russell Mid-Cap	2.05%	6.83%	6.83%	26.92%	6.04%	11.11%
Russell 2000 (Small Cap)	1.61%	2.52%	2.52%	22.34%	-0.41%	8.04%
MSCI EAFE (International)	1.21%	5.64%	5.64%	17.78%	4.72%	7.27%
MSCI Emerging Markets	0.51%	1.90%	1.90%	9.16%	-5.35%	2.11%
Bloomberg US Agg Bond	0.73%	-1.00%	-1.00%	1.06%	-2.61%	0.38%
Bloomberg High Yield Corp	0.59%	1.37%	1.37%	12.59%	2.33%	4.26%
Bloomberg Global Agg	0.15%	-2.23%	-2.23%	-0.25%	-5.03%	-1.22%



## OBSERVATIONS

- All major averages were positive on the week with the NASDAQ leading the way (2.86%) followed by the S&P 500 (2.31%) and finally the Dow Jones Industrial Average (1.97%).
  - Mid- and small-cap stocks also performed well, returning 2.05% and 1.61%, respectively.
- International markets were also positive with developed markets (1.21%) outpacing emerging markets (0.51%).
- Bonds resumed a string of positive returns after faltering last week.
  - Fixed income markets were up domestically, internationally, and across the credit spectrum.



## BY THE NUMBERS

**Boeing CEO Dave Calhoun to Step Down in Wake of Ongoing Safety Problems:** Boeing CEO Dave Calhoun said Monday he intends to leave the beleaguered company by the end of the year in a major shakeup of the company's leadership. Boeing's chairman and the head of the commercial airplane unit are also leaving. Boeing's chairman, Larry Kellner, will not stand for re-election as a board director. The board has elected former Qualcomm CEO Steve Mollenkopf to succeed him. Boeing has been buffeted by more than five years of problems with its airplanes, including two fatal crashes of the 737 Max in 2018 and 2019 that killed 346 people, and most recently a door plug that blew out of the side of an Alaska Airlines 737 Max in January, leaving a gaping hole in the side of the plane.<sup>3</sup>

**Track how many perfect NCAA brackets are left in 2024:** The final perfect men's bracket has fallen. No. 8 Utah State defeated No. 9 TCU 88-72 to eliminate the last perfect bracket among major online games: Men's Bracket Challenge Game, ESPN, CBS, and Yahoo. The men's tournament started with more than 31 million entries. Going into Friday, we were left with more than 2,100 perfect brackets. But on game No. 31 of the tournament, the Aggies defeated the Horned Frogs and also took down the last perfect bracket.

Last year, the last perfect women's bracket fell when Stanford — then a No. 1 seed — suffered a shocking second-round defeat. The Cardinals did not let history repeat itself, defeating No. 7 Iowa State 87-81 in a thrilling overtime affair that lasted late into Sunday night (or early Monday morning for those on Eastern Standard Time), keeping their postseason hopes and the final 18 remaining perfect women's brackets alive. We began the tournament with more than four million entries. Last year, the final perfect bracket was busted in the 40th game of the tournament — 40 games in, the quest for perfection will continue Monday.<sup>4</sup>

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## Economic Definitions

**Durable Goods Orders:** This concept tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

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

**New Home Sales:** This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of houses sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

**PCE (headline & core):** PCE (headline & 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.

**The Fed's dot plot:** is a chart updated quarterly that records each Fed official's projection for the central bank's key short-term interest rate, the federal funds rate.

## 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.

### *Disclosures*

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<sup>1</sup> Data obtained from Bloomberg as of 3/22/2024.

<sup>2</sup> Data obtained from Morningstar as of 3/22/2024.

<sup>3</sup> [Boeing CEO Dave Calhoun to step down in wake of ongoing safety problems | CNN Business](#)

<sup>4</sup> [Track how many perfect NCAA brackets are left in 2024 | NCAA.com](#)

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