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

- The final reading of Gross Domestic Product, the most widely used measure of economic activity, for the fourth quarter of 2023 was revised higher to an annual rate of 3.4%, versus the anticipated 3.3%.
  - One of the major contributors to the upward revision was an increase in consumer spending, particularly in the services sector of the economy.
  - Increases in government spending and non-residential investment also drove the final reading higher, while a decrease in private inventories was a headwind to GDP.
- The Personal Consumption Expenditures Price Index (PCE) measures inflation within the U.S. economy.
  - PCE illustrated that in February prices rose by 2.8%.
  - Core PCE, which excludes the more volatile food and energy prices rose only 2.5%, the lowest reading since March of 2021.<sup>2</sup>
- The slight rise in the headline inflation reading, coupled with a fall in the core measure implies an overall disinflationary environment. However, energy prices are still rising.
  - This is exemplified by the rise in oil prices of 4.66% in February.
- Personal income, released along with PCE, rose 0.3%, a moderation from January's 1.0% figure.

### How does PCE and GDP impact you?

- The Federal Reserve's (Fed's) favorite measure to gauge the inflation's trajectory is core PCE.
  - The speed and timing at which interest rate cuts come from the central bank may depend on how fast this core measure continues to fall.
- Cutting interest rates too soon could reignite inflation, which has been moderating over the past year, but cutting rates too late could hinder economic growth.
  - Continued strong readings of GDP may give the Fed confidence that the economy will remain resilient.



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

- This week, the jobs report, which contains data on the health of the U.S. labor market will be released. This will be in the spotlight for investors.

### How does the Labor Report impact you?

- The Fed has two jobs. They want to keep prices stable and promote maximum employment (keep the unemployment rate low). This means the Fed will intently be focused on the state of the labor market.
  - A weaker labor market may give the Fed more incentive to cut rates sooner than expected.



## MARKET UPDATE<sup>3</sup>

Market Index Returns as of 3/28/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.40%	10.56%	10.56%	31.76%	11.63%	15.04%
NASDAQ	-0.29%	9.31%	9.31%	37.43%	8.73%	17.18%
Dow Jones Industrial Average	0.84%	6.14%	6.14%	23.72%	8.56%	11.30%
Russell Mid-Cap	1.66%	8.60%	8.60%	24.49%	6.18%	11.09%
Russell 2000 (Small Cap)	2.60%	5.18%	5.18%	22.02%	0.27%	8.10%
MSCI EAFE (International)	0.13%	5.78%	5.78%	15.77%	4.66%	7.32%
MSCI Emerging Markets	0.45%	2.37%	2.37%	8.65%	-5.12%	2.22%
Bloomberg US Agg Bond	0.23%	-0.78%	-0.78%	2.17%	-2.46%	0.36%
Bloomberg High Yield Corp	0.10%	1.47%	1.47%	12.08%	2.26%	4.21%
Bloomberg Global Agg	0.15%	-2.08%	-2.08%	0.62%	-4.69%	-1.17%



## OBSERVATIONS

- Two of the three major equity indices were positive in the past week, with only the technology-oriented NASDAQ falling slightly (-0.29%). The Dow Jones rose 0.84% and led the way over the S&P 500 which returned 0.40%.
- Mid and small-cap stocks outperformed their large-cap peers, rising 1.66% and 2.60%, respectively.
  - The rise in small and mid-cap names, as well as the relative outperformance of the Dow shows a potential broadening market outside of the technology companies that dominated 2023.
- Both international and emerging markets were positive in the shortened trading week, with emerging markets leading the two, returning 0.45%.
- Bonds rose for the second straight week as yields moderated once again.
  - Lower credit quality bonds have performed well while both U.S. and international bonds remain in the red on the year despite a move up on the week.



## BY THE NUMBERS

**Sam Bankman-Fried Receives a 25-Year Prison Sentence:** Sam Bankman-Fried, the billionaire who was tried and found guilty of fraud pertaining to his cryptocurrency exchange, will be behind bars for 25 years. Bankman-Fried's lawyers argued that the sentence should be in the 5-7-year range, while prosecutors were seeking 40-50 years. For perspective, Bernie Madoff received 150 years, Jeff Skilling (CEO of Enron) received 14, and Elizabeth Holmes (Theranos founder) spent 11 years behind bars. The judge who carried out the sentence berated Bankman-Fried, accusing him of multiple counts of perjury for intentionally lying under oath, and for witness intimidation. The sentencing of other FTX co-conspirators is expected to come in the following weeks. Because of testimony provided to the prosecution, their sentences are expected to be lighter. <sup>4</sup>

**Francis Scott Key Bridge in Baltimore Collapsed:** A container ship bound for Singapore early Tuesday morning crashed into and collapsed the Francis Scott Key Bridge in Baltimore, Maryland. The ship lost power and issued a distress call, as well as attempted to drop anchor before eventually colliding with the bridge. Searches continue for six missing workers who were filling potholes at the time of the collapse. All six are tragically presumed to be dead. The destruction not only had a significant human toll, but also a large economic one. As one of the largest ports in the United States, particularly for the automotive industry, there may be a lengthening of supply chains, especially in the area regionally. The bridge also handles roughly 35,000 commuters a day, which will pose significant challenges to local citizens. So far there has been no link to terrorism that has been identified or published by law enforcement agencies. <sup>5</sup>

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## Economic Definitions

**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 & 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.

**Personal Income:** Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

**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.

**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.

**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*

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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<sup>1</sup> Data obtained from Bloomberg as of 3/29/2024.

<sup>2</sup> [pi0224.pdf \(bea.gov\)](#)

<sup>3</sup> Data obtained from Morningstar as of 3/29/2024.

<sup>4</sup> [Why Sam Bankman-Fried Received a 25-Year Prison Sentence \(msn.com\)](#)

<sup>5</sup> [Baltimore Bridge Collapse Latest: 6 Construction Workers Presumed Dead | TIME](#)

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