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Market Week: January 22, 2024

The Markets (as of market close January 19, 2024)

Wall Street closed the holiday-shortened week generally higher, with each of the benchmark indexes listed here posting gains, except for the Russell 2000 and the Global Dow. The surge in stocks was driven primarily by information technology and communication services, with chip makers leading the charge. Other than financials, which ticked up marginally higher, the remaining market sectors ended the week in the red. Following December's surge, investors became pensive about stocks to begin the new year after expectations of an impending interest rate cut waned. However, favorable economic news helped bolster confidence in equities, at least for the time being. Long-term bond prices faded, pushing yields higher, as good economic news, particularly in the labor sector, supported the Federal Reserve's inclination to keep rates higher for longer.

Stocks closed lower last Tuesday as investor sentiment was dampened by rising bond yields and a suggestion from Federal Reserve Governor Christopher Waller that interest rate cuts should not be rushed. The Russell 2000 fell 1.2%, the Global Dow lost 1.0%, the Dow slid 0.6%, the S&P 500 declined 0.4%, and the Nasdaq dipped 0.2%. Ten-year Treasury yields rose 11.6 basis points to 4.06% as bond values declined. Crude oil prices settled at \$71.81 per barrel after falling 1.2%. The dollar rose 0.7%, while gold prices fell 1.0%.

Equities fell for the second straight session last Wednesday as rising Treasury yields impacted megacap companies. The Global Dow (-0.8%) fell the furthest, followed by the Russell 2000 (-0.7%), the Nasdaq and the S&P 500 (-0.6%), and the Dow (-0.3%). Yields on 10-year Treasuries rose to 4.10%. The worst-performing sectors included real estate, consumer discretionary, information technology, and materials. Crude oil prices rose 0.6% to \$72.81 per barrel. The dollar was flat, while gold prices declined 1.1%.

A surge in megacap tech shares helped push stocks higher last Thursday. The Nasdaq led the benchmark indexes listed here, gaining 1.4%, followed by the S&P 500 (0.9%), the Global Dow and the Russell 2000 (0.6%), and the Dow (0.5%). Ten-year Treasury yields continued to ascend, gaining 3.8 basis points to close at 4.14%. Crude oil prices jumped 2.0% to \$74.02 per barrel. The dollar was flat, while gold prices gained 0.9%.

Stocks rallied to close out the week last Friday, with the S&P 500 reaching an all-time high. The information technology sector led the day's gains with chip makers driving the advance. The Nasdaq advanced 1.7%, followed by the S&P 500 (1.2%), the Dow (1.1%), the Russell 2000 (1.0%), and the Global Dow (0.8%). Ten-year Treasury yields were flat, closing at 4.14%. Crude oil prices ended their streak, falling 0.4% to \$73.82 per barrel. The dollar dipped 0.3%, while gold prices rose 0.5%.



Key Dates/Data Releases

1/25: Durable goods orders, gross domestic product, international trade in goods, new home sales

1/26: Personal income and outlays

Stock Market Indexes

Market/Index	2023 Close	Prior Week	As of 1/19	Weekly Change	YTD Change
DJIA	37,689.54	37,592.98	37,863.80	0.72%	0.46%
Nasdaq	15,011.35	14,972.76	15,310.97	2.26%	2.00%
S&P 500	4,769.83	4,783.83	4,839.81	1.17%	1.47%
Russell 2000	2,027.07	1,950.96	1,944.39	-0.34%	-4.08%
Global Dow	4,355.28	4,341.83	4,318.47	-0.54%	-0.85%
fed. funds target rate	5.25%-5.50%	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps
10-year Treasuries	3.86%	3.95%	4.14%	19 bps	28 bps
US Dollar-DXY	101.39	102.43	103.25	0.80%	1.83%
Crude Oil-CL=F	\$71.30	\$72.80	\$73.79	1.36%	3.49%
Gold-GC=F	\$2,072.50	\$2,052.20	\$2,031.50	-1.01%	-1.98%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Retail and food services sales rose 0.6% in December and 5.6% over the December 2022 rate. Total retail sales for 2023 increased 3.2%. Retail trade sales were up 0.6% from November 2023 and up 4.8% above last year. Nonstore (online) retail sales were up 9.7% from last year, while sales at food services and drinking places increased 11.1% from December 2022.
- Import prices were unchanged in December after declining 0.5% in November. Import fuel prices decreased 0.3% in December, while nonfuel prices were unchanged. Prices for imports fell 1.6% for the year ended in December. Import prices have not risen on a 12-month basis since January 2023. Prices for exports fell 0.9% for the third consecutive month in December. Export prices fell 3.2% over the past year.
- Industrial production inched up 0.1% in December after being unchanged in November. For the 12 months ended in December, industrial production rose 1.0%. Manufacturing output ticked up 0.1% last month after increasing 0.2% in November. Excluding motor vehicles and parts, manufacturing output declined 0.1% in December. Utilities declined 1.0% in December, while mining rose 0.9%. The major market groups posted mixed results in December. The production of consumer goods moved up 0.2%, while production of nondurable consumer goods was flat.
- The number of building permits issued for residential construction increased by 1.9% in December over November and 6.1% above the December 2022 rate. Issued building permits for single-family homes in December were 1.7% above the November figure. In 2023, an estimated 1,469,800 building permits were issued, which was 11.7% below the 2022 figure. The number of housing starts fell 4.3% last month, but was 7.6% above the December 2022 estimate. Housing completions rose 8.7% in December and 13.2% above the December 2022 rate.
- Sales of existing homes declined 1.0% in December and 6.2% from December 2022. According to the latest report from the National Association of REALTORS®, despite the drop in December sales, activity is expected to pick up in 2024 as mortgage rates continue to decline and more inventory is expected to appear on the market. In December, unsold inventory sat at a 3.2-month supply, down from 3.5 months in November, but up from 2.9 months a year ago. The median existing-home sales price was \$382,600 in December, down from \$387,700 in November, but 4.4% above the December 2022 price of \$366,500. Sales of existing single-family homes also fell in December, down 0.3% from the previous month's total. The median existing single-family home price was \$387,000, down from November's price of \$392,200, but up from the December 2022 price of \$372,000.
- The national average retail price for regular gasoline was \$3.058 per gallon on January 15, \$0.015 per gallon lower than the prior week's price and \$0.252 less than a year ago. Also, as of January 15, the East Coast price decreased \$0.036 to \$3.039 per gallon; the Midwest price rose \$0.055 to \$2.823 per gallon; the Gulf Coast price decreased \$0.006 to \$2.670 per gallon; the Rocky Mountain price fell \$0.032 to \$2.733 per gallon; and the West Coast price decreased \$0.096 to \$3.976 per gallon.
- For the week ended January 13, there were 187,000 new claims for unemployment insurance, a decrease of 16,000 from the previous week's level, which was revised up by 1,000. This is the lowest

level for initial claims since September 24, 2022 when it was 182,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended January 6 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended January 6 was 1,806,000, a decrease of 26,000 from the previous week's level, which was revised down by 2,000. States and territories with the highest insured unemployment rates for the week ended December 30 were New Jersey (2.8%), Rhode Island (2.8%), Minnesota (2.6%), Montana (2.5%), Alaska (2.3%), California (2.3%), Massachusetts (2.3%), Pennsylvania (2.2%), New York (2.1%), and Washington (2.1%). The largest increases in initial claims for unemployment insurance for the week ended January 6 were in New York (+20,535), California (+9,454), Texas (+9,337), Georgia (+6,261), and South Carolina (+4,152), while the largest decreases were in New Jersey (-4,044), Massachusetts (-3,341), Connecticut (-2,896), Iowa (-1,847), and Pennsylvania (-1,566).

Eye on the Week Ahead

Reports focusing on several different sectors of the economy are available this week. The manufacturing sector is represented by the report on durable goods orders for December. New orders for durable goods rose 5.4% in November. The latest information on sales of new single-family homes is out this week. Sales fell 12.2% in November and look to rebound in December. The advance estimate of gross domestic product for the fourth quarter of 2023 is out this week. GDP expanded at an annualized rate of 4.9% in the third quarter. The report on personal income and expenditures for December is released this week. This report includes the personal consumption expenditures price index, a key inflation guide for the Federal Reserve. The PCE price index slid 0.1% in November. However, other inflation indicators increased in December, and it is likely that the PCE price index will follow suit.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates).

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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