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**THE NATELLI
PRIVATE CLIENT GROUP**
of Oppenheimer & Co. Inc.

Market Month: January 2024



The Markets (as of market close January 31, 2024)

Stocks closed January generally higher. Each of the benchmark indexes listed here ended January higher, with the exception of the small caps of the Russell 2000. Historically, positive market returns in January are often a precursor to favorable market performance for the remainder of the year. Of course, past performance is no guarantee of future results. Despite the end results, January proved to be a month of ebbs and flows. It began with stocks closing in the red, only to pick up momentum throughout the rest of the month.

The most recent inflation data showed prices inched higher in December after falling the previous month. Both the Consumer Price Index and the personal consumption expenditures price index increased, both monthly and annually. However, core prices, excluding the more volatile food and energy indexes, declined over the 12 months ended in December.

The Federal Reserve met in January and maintained the federal funds target rate range at its current 5.25%-5.50%. According to the Fed, the economy continued to show strength and job gains were steady. While noting that inflation had slowed, it remained above the Fed's target of 2.0%, all of which bolstered the Fed's reluctance to begin lowering interest rates.

The economy has proven resilient despite the ongoing war in Ukraine and turmoil in the Middle East. Fourth-quarter gross domestic product expanded at an annualized rate of 3.3%, according to the initial estimate. Consumer spending, the largest contributor to GDP, was 2.8%.

Job growth remained steady, with 216,000 new jobs added in December, an increase from November's 173,000. Wages continued to rise, increasing 4.1% over the last 12 months. Unemployment claims increased from a year ago (see below).

Fourth-quarter earnings season for S&P 500 companies has been lackluster so far. While the majority of companies have yet to release earnings data, the percentage of S&P 500 companies that have reported positive earnings surprises is below average according to FactSet, while actual earnings reported have been below estimates in aggregate. Companies in the financial sector have been particularly subpar. Roughly 25% of the S&P 500 companies have reported fourth-quarter earnings. Of these companies, 69% exceeded estimates, which is below the five-year average of 77%. In aggregate, companies reported earnings that are 5.3% below estimates, which is below the five-year average of 8.5%.

Sales of existing homes retreated in December, primarily due to lack of inventory, high prices, and advancing mortgage rates. Sales of new single-family homes increased 8.0% in December and 4.4% over the past 12 months.

Industrial production ticked higher in December after no growth in November and an 0.8% decline in October. Manufacturing ticked up 0.1% in December but declined 2.2% in the fourth quarter. Excluding motor vehicles and parts, factory output declined 0.1% in December and 0.3% in the fourth quarter. According to the latest survey from the S&P Global US Manufacturing Purchasing Managers' Index™, the manufacturing sector slipped further into contraction in December. The services sector saw business accelerate marginally.

Eight of the 11 market sectors ended December higher, led by communication services and information technology. Last month saw real estate, consumer discretionary, materials, and utilities decline.

Key Dates/Data Releases

2/1: S&P Manufacturing PMI

2/2: Employment situation

2/5: S&P Services PMI

2/7: International trade in goods and services

2/12: Treasury statement

2/13: Consumer Price Index

2/15: Retail sales, import and export prices, industrial production

2/16: Producer Price Index, housing starts

2/22: Existing home sales

2/26: New home sales

2/27: Durable goods orders

2/28: International trade in goods, GDP

2/29: Personal income and outlays

Bond prices gained some momentum at the end of January, particularly following the Fed's decision to maintain interest rates for longer than some had expected. Despite the late-month surge in bond prices, 10-year Treasury yields generally closed the month higher. The 2-year Treasury yield fell nearly 11.0 basis points to about 4.21% in January. The dollar inched higher against a basket of world currencies. Gold prices rode a topsy-turvy month, ultimately closing lower. Crude oil prices advanced in January on the heels of production cuts and shipping interruptions in the Middle East. The retail price of regular gasoline was \$3.095 per gallon on January 29, \$0.233 above the price a month earlier but \$0.394 lower than a year ago.

Stock Market Indexes

Market/Index	2023 Close	Prior Month	As of January 31	Monthly Change	YTD Change
DJIA	37,689.54	37,689.54	38,150.30	1.22%	1.22%
Nasdaq	15,011.35	15,011.35	15,164.01	1.02%	1.02%
S&P 500	4,769.83	4,769.83	4,845.65	1.59%	1.59%
Russell 2000	2,027.07	2,027.07	1,947.34	-3.93%	-3.93%
Global Dow	4,355.28	4,355.28	4,375.95	0.47%	0.47%
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%	3.86%	3.96%	10 bps	10 bps
US Dollar-DXY	101.39	101.39	103.55	2.13%	2.13%
Crude Oil-CL=F	\$71.30	\$71.30	\$75.76	6.26%	6.26%
Gold-GC=F	\$2,072.50	\$2,072.50	\$2,057.90	-0.70%	-0.70%

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

Latest Economic Reports

- Employment:** Total employment increased by 216,000 in December. Employment continued to trend up in government, health care, social assistance, and construction, while transportation and warehousing lost jobs. Employment rose by 2.7 million in 2023 (an average monthly gain of 225,000), less than the increase of 4.8 million in 2022 (an average monthly gain of 399,000). Employment in October was revised down by 45,000 and the change for November was revised down by 26,000. With these revisions, employment in October and November combined was 71,000 lower than previously reported. In December, the unemployment rate was unchanged at 3.7% but was 0.2 percentage point higher than the rate a year earlier. The number of unemployed persons was relatively unchanged at 6.3 million but was 570,000 above the December 2022 figure. In December, the number of long-term unemployed (those jobless for 27 weeks or more), at 1.2 million, was little changed from November and over the year. These individuals accounted for 19.7% of all unemployed persons. The labor force participation rate, at 62.5%, and the employment-population ratio, at 60.1%, both decreased by 0.3 percentage point in December and showed little or no change over the year. In December, average hourly earnings increased by \$0.15 to \$34.27. For 2023, average hourly earnings rose by 4.1% (average hourly earnings were \$32.29 in December 2022). The average workweek decreased by 0.1 hour to 34.3 hours in December, down 0.1 hour from December 2022.
- There were 214,000 initial claims for unemployment insurance for the week ended January 20, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,833,000. A year ago, there were 194,000 initial claims, while the total number of workers receiving unemployment insurance was 1,658,000.
- FOMC/interest rates:** As expected, the Federal Open Market Committee maintained the target range for the federal funds rate at the current 5.25%-5.50% following its meeting in January. In arriving at its decision, the Committee noted that the economy had expanded at a solid pace, job gains moderated since last year but remained strong, the unemployment rate was low, and inflation eased over the past year but remained elevated. Essentially, while progress has been made in achieving employment and inflation goals, more moderating needs to be done. Interest rates are not expected to be reduced until the Committee has gained greater confidence that inflation is moving sustainably toward 2.0%.
- GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annual rate of 3.3% in the fourth quarter. GDP increased 2.5% in 2023 (from the 2022 annual level to the 2023 annual

level), compared with an increase of 1.9% in 2022. The increase in GDP in 2023 primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and inventory investment. Imports decreased. Consumer spending, as measured by the personal consumption expenditures index, rose 2.8% in the fourth quarter, down from 3.1% in the previous quarter. Spending on services rose 2.4% in the fourth quarter compared with a 2.2% increase in the third quarter. Consumer spending on durable goods increased 4.6% in the fourth quarter, while consumer spending on nondurable goods increased 3.4%. Fixed investment advanced 2.1% in the fourth quarter after increasing 10.0% in the third quarter. The personal consumption expenditures price index increased 1.7% in the fourth quarter, compared with an increase of 2.6% in the third quarter.

- December saw the federal budget deficit come in at \$129.4 billion, down roughly \$185.0 billion under the November 2023 deficit. The deficit for the first three months of fiscal year 2024, at \$509.9 billion, is \$88.5 billion higher than the first three months of the previous fiscal year. So far in fiscal year 2024, total government receipts were \$1.1 trillion (\$1.0 trillion in 2023), while government outlays were \$1.6 trillion through the first three months of fiscal year 2024, compared to \$1.4 trillion over the same period in the previous fiscal year.
- **Inflation/consumer spending:** According to the latest personal income and outlays report, personal income and disposable personal income rose 0.3% in December after increasing 0.4% in November. Consumer spending advanced 0.7% in December after increasing 0.4% the previous month. Consumer prices inched up 0.2% in December after falling 0.1% in November. Excluding food and energy (core prices), consumer prices rose 0.2% in December, 0.1 percentage point above the November advance. Consumer prices rose 2.6% since December 2022, unchanged from the 12 months ended in November. Core prices increased 2.9% over the same period, 0.3 percentage point lower than the year ended in November.
- The Consumer Price Index rose 0.3% in December after ticking up 0.1% in November. Over the 12 months ended in December, the CPI rose 3.4%, up 0.3 percentage point from the period ended in November. Excluding food and energy prices, the CPI rose 0.3% in December, unchanged from the previous month, and 3.9% for the year ended in December, down 0.1 percentage point from the 12-month period ended in November. Prices for shelter, up 0.5%, continued to rise in December, contributing to over half of the monthly all items increase. Energy rose 0.4% over the month. Food prices increased 0.2% in December.
- Prices that producers received for goods and services declined 0.1% in December after being unchanged in November. Producer prices increased 1.0% for the 12 months ended in December, up from a 0.9% increase for the year ended in November. Producer prices less foods, energy, and trade services inched up 0.2% in December (0.1% in November), while prices excluding food and energy were flat for the second straight month. For the 12 months ended in December, prices less foods, energy, and trade services moved up 2.5%, the same increase as for the 12 months ended in November. Prices less foods and energy increased 1.8% for the year ended in December (2.0% for the period ended in November). In December, prices for food fell 0.9% for the month and 5.0% year over year. Energy prices were down 1.2% in December and 4.8% since December 2022.
- **Housing:** Sales of existing homes decreased 1.0% in December and 6.2% from December 2022. The median existing-home price was \$382,600 in December, lower than the November price of \$387,700 but higher than the December 2022 price of \$366,500. Unsold inventory of existing homes represented a 3.2-month supply at the current sales pace, down slightly from November (3.5 months) but above the 2.9-month supply in December 2022. Sales of existing single-family homes decreased 0.3% in December and 7.3% since December 2022. The median existing single-family home price was \$387,000 in December, down from \$392,200 in November but above the December 2022 price of \$372,000.
- New single-family home sales increased in December, climbing 8.0% after dropping 7.4% in November. Sales were up 4.4% from December 2022. The median sales price of new single-family houses sold in December was \$413,200 (\$426,000 in November). The December average sales price was \$487,300 (\$485,500 in November). The inventory of new single-family homes for sale in December represented a supply of 9.1 months at the current sales pace.
- **Manufacturing:** Industrial production increased 0.1% in December after being unchanged in the previous month. Manufacturing edged up 0.1% in December after increasing 0.2% in November. Mining rose 0.9%, while utilities fell 1.0%. Over the past 12 months ended in December, total industrial production was 1.0% below its year-earlier reading. For the 12 months ended in December, manufacturing increased 1.2%, utilities declined 4.9%, while mining increased 4.3%.
- New orders for durable goods were flat in December following a 5.5% increase in November. New orders for durable goods rose 4.4% since December 2022. Excluding transportation, new orders increased 0.6% in December. Excluding defense, new orders increased 0.5%. Primary metals, up three


of the last four months, drove the overall increase, after increasing 1.4% in December.

- **Imports and exports:** U.S. import prices were unchanged in December after declining 0.5% in November. Import prices fell 1.6% over the past year. Prices for import fuel declined 0.3% in December following a 6.4% drop in November. Import fuel prices fell 9.4% from December 2022 to December 2023. Prices for nonfuel imports were unchanged in December after ticking up 0.1% in November. Nonfuel imports fell 0.8% since December 2022. Export prices declined 0.9% in December after falling 0.9% in November. Prices for exports decreased 0.9% for the third consecutive month in December. Those were the first one-month declines since June 2023. Lower prices for both agricultural and nonagricultural exports contributed to the December drop. U.S. export prices fell 3.2% over the past year. Despite the recent declines, the December decrease was the smallest 12-month drop since February 2023.
- The international trade in goods deficit was \$88.5 billion in December, down \$0.9 billion, or 1.0%, from November. Exports of goods were \$169.8 billion in December, \$4.1 billion, or 2.5%, less than in November. Imports of goods were \$258.3 billion in December, \$3.2 billion, or 1.3%, less than in November. Since December 2022, exports rose 1.0%, while imports declined 0.3%.
- The latest information on international trade in goods and services, released January 9, is for November and revealed that the goods and services trade deficit was \$63.2 billion, a decrease of \$1.3 billion from the October deficit. November exports were \$253.7 billion, 1.9% less than October exports. November imports were \$316.9 billion, 1.9% less than October imports. Year to date, the goods and services deficit decreased \$161.8 billion, or 18.4%, from the same period in 2022. Exports increased \$28.8 billion, or 1.0%. Imports decreased \$133.0 billion, or 3.6%.
- **International markets:** Inflation continued to fall in most major countries at the end of 2023. However, several central banks, including those of Japan, Germany, the European Union, Canada, and the United Kingdom are maintaining their current monetary policies. While Europe's economic growth hasn't quite kept up with the United States, it appears reasonably certain that the recession some feared will not come to fruition. The EU's economy was flat in the fourth quarter, Japan's economy declined 0.7%, Germany saw its economy recede 0.3%, while the U.K.'s economy dipped 0.1%. This is compared to the U.S. GDP, which expanded by 3.3%. For January, the STOXX Europe 600 Index rose 2.7%; the United Kingdom's FTSE was flat; Japan's Nikkei 225 Index gained 8.4%; and China's Shanghai Composite Index lost 6.0%.
- **Consumer confidence:** Consumers began the new year with a surge in confidence and restored optimism for 2024. The Conference Board Consumer Confidence Index® increased in January to 114.8, following a 108.0 reading in December. The reading was the highest since December 2021 and marked the third straight monthly increase. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, rose to 161.3 in January, up from 147.2 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, improved to 83.8 in January from 81.5 in December.

Eye on the Month Ahead

Entering February, much of the focus will be on the economy, inflation, and global unrest, particularly in the Middle East. Recent data has shown that the economy has weathered the aggressive interest-rate policy adopted by the Federal Reserve, which does not meet again until March. Inflationary pressures continued to slowly recede, prompting speculation as to when the Fed will begin lowering interest rates.

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). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.



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