WEEKLY MARKET UPDATE | JANUARY 26, 2024

U.S. stocks rise on upbeat earnings reports and economic data.

The economy

- U.S. equities posted gains during the week ending January 26, as investors were encouraged by better-than-expected corporate earnings reports and generally positive economic data. Gross domestic product (GDP) data in particular raised investors' hopes that the Federal Reserve (Fed) would be able to guide the U.S. economy to a "soft landing," in which growth and inflation slow, but the economy does not enter recession. The broad-market S&P 500 Index reached several record highs during the week.
- According to the initial estimate from the Department of Commerce, U.S. GDP grew at an annualized rate of 3.3% in the fourth quarter of 2023, down from the 4.9% rise in the third quarter, but significantly exceeding expectations. The U.S. economy expanded by 2.5% for the 2023 calendar year, topping 2022's 1.9% annual gain, bolstered by increases in consumer spending—which comprises more than two-thirds of U.S. GDP—and nonresidential fixed investment (purchases of both nonresidential structures and equipment and software). The main contributors to GDP for the fourth quarter included consumer spending, exports, state and local government spending, and nonresidential fixed investment. The government attributed the lower economic growth rate in the fourth quarter relative to the previous three-month period primarily to slowdowns in private inventory investment (a measure of the changes in values of inventories from one time period to the next) and federal government spending.
- The Department of Commerce also reported that the personal-consumption-expenditures (PCE) price index rose 0.2% in December—up slightly from the 0.1% uptick in November—and posted an annual increase of 2.6%. Food prices were up 0.1% for the month and 1.5% year-over-year. Energy prices increased 0.3% in December, but declined 2.2% over the previous 12 months. The core PCE price index, which excludes volatile food and energy costs, rose 0.2% in December, and the year-over-year increase of 2.9% was down from the 3.2% annual rise in November. The PCE price index is the Fed's preferred gauge of inflation, as it tracks the change in prices paid by or on behalf of consumers for a more comprehensive set of goods and services than that of the consumer-price index (CPI).
- The Conference Board Leading Economic Index® (LEI), which is designed to signal peaks and troughs in the U.S. business cycle, dipped 0.1% to 103.1% in December. The LEI was down 2.9% for the six-month period ending December 31, but represented an improvement from the 4.3% decline over the first half of 2023. Six of the ten leading indicators within the LEI moved higher in December; however, this was offset by weakness in manufacturing, the ongoing high interest-rate environment, and relatively low consumer confidence. In a news release announcing its monthly survey results, the Conference Board noted, "As the magnitude of monthly declines has lessened, the LEI's six-month and twelve-month growth rates have turned upward but remain negative, continuing to signal the risk of recession ahead. Overall, we expect GDP growth to turn negative in Q2 and Q3 of 2024 but begin to recover late in the year."
- The downward trend in mortgage rates over the past several months continues to benefit the U.S. housing market. The Mortgage Bankers Association (MBA) reported that mortgage applications in the U.S. increased 3.7% during the week ending January 19, compared to the previous seven-day period. The MBA's Refinance Index fell 7.0% week-over-week and 8.0% over the previous 12-month period. The Purchase Index was up 3.0% for the week, but fell 18.0% year-over-year. According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage ticked up 9 basis points (0.09%) to 6.69% during the week ending January 25, but remained below the 23-year high of 7.76% recorded during the week ending November 2, 2023.

Stocks

- Global equities gained ground for the week. Emerging markets fared better than developed markets.
- U.S. equities finished in positive territory during the week. Energy and communication services were the top-performing sectors, while consumer discretionary and real estate lagged. Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 4.14% during the week.
- Global bond markets were virtually flat for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of January 26, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.2%	0.9%	13.1%	733.2
MSCI EAFE ($)	1.5%	-1.1%	5.1%	2210.9
MSCI Emerging Mkts ($)	1.8%	-3.5%	-6.1%	988.3
US & Canadian Equities				
Dow Jones Industrials ($)	0.6%	1.1%	12.3%	38109.4
S&P 500 ($)	1.1%	2.5%	20.5%	4891.0
NASDAQ ($)	0.9%	3.0%	34.2%	15455.4
S&P/ TSX Composite (C$)	1.0%	0.8%	2.1%	21125.3
UK & European Equities				
FTSE All-Share (£)	2.3%	-1.3%	-1.8%	4174.9
MSCI Europe ex UK (€)	1.9%	0.7%	6.1%	1695.5
Asian Equities				
Topix (¥)	-0.5%	5.5%	26.2%	2497.7
Hong Kong Hang Seng ($)	4.2%	-6.4%	-29.3%	15952.2
MSCI Asia Pac. Ex-Japan ($)	2.0%	-3.9%	-9.1%	508.4
Latin American Equities				
MSCI EMF Latin America ($)	0.5%	-5.1%	7.3%	2527.0
Mexican Bolsa (peso)	2.5%	-0.9%	3.1%	56859.0
Brazilian Bovespa (real)	1.1%	-3.9%	13.0%	129009.1
Commodities ($)				
West Texas Intermediate Spot	6.3%	8.9%	-3.7%	78.0
Gold Spot Price	-0.6%	-2.4%	4.7%	2016.7
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.1%	-2.3%	-0.2%	460.4
JPMorgan Emerging Mkt Bond	0.0%	-2.0%	4.4%	831.3
10-Year Yield Change (basis points*)				
US Treasury	2	26	64	4.14%
UK Gilt	4	43	65	3.96%
German Bund	-4	28	9	2.30%
Japan Govt Bond	5	10	22	0.72%
Canada Govt Bond	3	41	66	3.52%
Currency Returns**				
US$ per euro	-0.4%	-1.7%	-0.3%	1.085
Yen per US$	0.0%	5.0%	13.7%	148.12
US$ per £	0.0%	-0.2%	2.4%	1.270
C$ per US$	0.1%	1.5%	0.9%	1.345

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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