WEEKLY MARKET UPDATE | MARCH 22, 2024

Stocks rally as the dot plot thickens.

The economy

- The U.S. equity market experienced an upturn for the week ending March 22. Investors had a positive reaction to the Federal Reserve's (Fed) monetary policy announcement and so-called dot plot of economic projections, which indicated that the central bank remains on track to pivot to interest-rate cuts later this year. All three major U.S. equity market indexes achieved record highs during the week.
- As widely anticipated, the Federal Open Market Committee (FOMC) maintained the federal-funds rate in a range of 5.25% to 5.50% following its meeting on Tuesday and Wednesday. In a statement announcing its rate decision, the FOMC noted, "Inflation has eased over the past year but remains elevated…The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."
- The Fed's dot plot indicated a median federal-funds rate of 4.6% at the end of 2024, unchanged from its previous estimate issued in December, signaling that the central bank still may reduce the federal-funds rate by roughly 75 basis points (0.75%)—most likely in three increments of 25 basis points—by the end of this year. The dot plot also projected that core personal-consumption-expenditures (PCE) inflation could rise from its most recent annual increase of 2.4% in January to 2.6% by the end of 2024. 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).
- During a news conference following the FOMC's meeting, Fed Chair Jerome Powell noted that continued strong labor market data would not preclude rate cuts. Powell said "Strong hiring in and of itself would not be a reason to hold off on rate cuts." He also acknowledged that the January and February CPI data and core PCE inflation for January came in a bit hotter than expected. Powell said, "We don't really know if this is a bump on the road or something more. We'll have to find out."
- Following the Fed's statement and Powell's comments on Wednesday, CME's FedWatch Tool, which provides a gauge of the markets' expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at FOMC meetings, implied a 67% chance that the central bank will implement an initial rate cut of 25 basis points following its meeting in June—an increase of 11 percentage points from a 56% probability a day earlier.
- There was significant news during the week regarding the U.S. real-estate market. The National Association of Realtors (NAR) reported that sales of existing homes climbed 9.5% in February to an annualized rate of 4.4 million—exceeding expectations—but declined 3.3% year-over-year. (Home sales are viewed as an indicator of housing market trends, and by extension, the health of the broader economy.) The median existing-home sale price was up 5.7% over the previous 12-month period to $384,500—the eighth consecutive month of year-over-year gains—but remained below the all-time high of $413,800 recorded in June 2022. (Higher shelter costs put upward pressure on inflation.) The inventory of unsold existing homes as of the end of February stood at 1.1 million—up 5.9% from the end of January— equivalent to a 2.9-month supply at the current monthly sales pace. The NAR considers a six-month supply of homes to be a "balanced market," in which prices rise modestly. Inventories of greater than six months typically have favored buyers, while a supply of homes that will be depleted in less than six months denotes a "seller's market."

Stocks

- Global equities garnered positive returns during the week. Developed markets outperformed emerging markets.
- U.S. equities posted gains for the week. Communication services and information were the top-performing sectors, while real estate and health care lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 4.21% during the week.
- Global bond markets eked out gains for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of March 22, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.0%	7.8%	25.1%	783.3
MSCI EAFE ($)	1.3%	5.4%	14.8%	2356.4
MSCI Emerging Mkts ($)	1.3%	2.4%	7.2%	1048.3
US & Canadian Equities				
Dow Jones Industrials ($)	2.0%	4.7%	23.0%	39475.9
S&P 500 ($)	2.3%	9.7%	32.6%	5234.2
NASDAQ ($)	2.9%	9.4%	39.4%	16428.8
S&P/ TSX Composite (C$)	0.6%	4.9%	13.0%	21984.1
UK & European Equities				
FTSE All-Share (£)	2.4%	2.1%	5.7%	4322.5
MSCI Europe ex UK (€)	1.0%	8.6%	15.5%	1829.2
Asian Equities				
Topix (¥)	5.3%	18.9%	43.7%	2813.2
Hong Kong Hang Seng ($)	-1.3%	-3.2%	-17.7%	16499.5
MSCI Asia Pac. Ex-Japan ($)	1.3%	2.1%	4.3%	540.2
Latin American Equities				
MSCI EMF Latin America ($)	0.8%	-5.0%	22.3%	2528.8
Mexican Bolsa (peso)	0.6%	-1.4%	7.1%	56583.1
Brazilian Bovespa (real)	0.3%	-5.3%	29.8%	127064.4
Commodities ($)				
West Texas Intermediate Spot	0.6%	13.8%	16.5%	81.5
Gold Spot Price	0.1%	4.5%	8.0%	2159.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.1%	-2.3%	-0.3%	460.5
JPMorgan Emerging Mkt Bond	1.0%	1.0%	9.6%	857.3
10-Year Yield Change (basis points*)				
US Treasury	-10	33	78	4.21%
UK Gilt	-17	40	57	3.93%
German Bund	-12	30	13	2.32%
Japan Govt Bond	-5	13	42	0.74%
Canada Govt Bond	-10	33	69	3.44%
Currency Returns**				
US$ per euro	-0.7%	-2.1%	-0.2%	1.081
Yen per US$	1.6%	7.3%	15.7%	151.37
US$ per £	-1.1%	-1.0%	2.5%	1.260
C$ per US$	0.5%	2.7%	-0.8%	1.361

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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