

Week Ended January 30, 2024

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	3.654 (-1.0 bps)	Bond Buyer 40 Yield:	4.82 (-2 bps)
6 Mo. T-Bill:	3.624 (-0.5 bps)	Crude Oil Futures:	65.21 (4.14)
1 Yr. T-Bill:	3.461 (-7.4 bps)	Gold Spot:	4,894.23 (-93.26)
2 Yr. T-Note:	3.522 (-7.2 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.590 (-6.9 bps)	US High Yield:	6.98 (3 bps)
5 Yr. T-Note:	3.788 (-3.7 bps)	BB:	5.90 (4 bps)
10 Yr. T-Note:	4.235 (1.0 bps)	B:	7.28 (7 bps)
30 Yr. T-Bond:	4.872 (4.6 bps)		

President Donald Trump announced on Friday that he would nominate Kevin Warsh to succeed current Federal Reserve Chairman Jerome Powell when his term expires in May. Warsh had previously served on the Federal Reserve's Board of Governors from 2006 to 2011 and was among the finalists for the position back in 2017, though he was ultimately passed over in favor of Chairman Powell. Historically known as a monetary hawk, he appears to have grown increasingly aligned with President Trump's desire for a more accommodative monetary policy. Despite the ongoing political pressure, the Federal Reserve held rates unchanged at the first meeting of 2024 on Wednesday, citing elevated inflation and a stabilizing labor market as reasons for their decision. In other economic news, new orders for durable goods rose 5.3% in November, beating the consensus expected 4.0%. November's trade deficit came in at \$56.8 billion, much larger than the consensus expected \$44.0 billion. Exports fell by \$10.9 billion while imports rose by \$16.8 billion. The Producer Price Index (PPI) rose 0.5% in December, coming in above the consensus 0.2%. Producer prices are now up 3.0% versus a year ago. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: January Final S&P Global US Manufacturing PMI (52.0, 51.9), January ISM Manufacturing (48.5, 47.9); Wednesday: January 30 MBA Mortgage Applications (n/a, -8.5%), January ADP Employment Change (45k, 41k), January ISM Services Index (53.5, 54.4); Thursday: (January 31 Initial Jobless Claims (212k, 209k); Friday: January Change in Nonfarm Payrolls (68k, 50k), January Unemployment Rate (4.4%, 4.4%), February Preliminary University of Michigan Consumer Sentiment (55.0, 56.4).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	48,892.47 (-0.42%)	Strong Sectors:	Comm. Services, Energy,
S&P 500:	6,939.03 (0.35%)		Utilities
S&P Midcap:	3,437.10 (-1.41%)	Weak Sectors:	Materials, Cons. Discretionary,
S&P Smallcap:	1,549.15 (-0.89%)		Health Care
NASDAQ Comp:	23,461.82 (-0.16%)	NYSE Advance/Decline:	1,411 / 1,354
Russell 2000:	2,613.74 (-2.07%)	NYSE New Highs/New Lows:	183 / 18
		AAll Bulls/Bears:	44.4% / 30.8%

It was a fragmented week for equities; while the S&P 500 climbed 0.4%—briefly touching a historic 7,000 before closing Friday near 6,858—mid and small caps struggled, with the S&P 400 and 600 falling 1.4% and 0.9%, respectively. Earnings season hit its stride as 103 companies reported, including 36 mega-caps. To date for 4Q23 quarterly results, 81% of the 181 reporting S&P 500 firms have topped estimates. However, elevated valuations left little room for error. **Microsoft Inc.** plummeted 10% (erasing \$357b in value) after Azure growth cooled slightly to 38%. Despite Azure being capacity-constrained, the market balked at its near 30x earnings multiple. **Apple Inc.** saw a similar "valuation trap." Despite record iPhone sales of \$85.3b, shares rose only 0.6% because Services revenue missed by a negligible \$10m. When a stock trades north of 30x earnings, even a minor miss in high-margin segments can neutralize an otherwise stellar quarter. Conversely, **Meta Platforms Inc.** surged 10.4% after besting sales and earnings expectations and raising guidance, trading at a more modest 24x earnings. AI is driving efficiencies at Meta. Their engineer's output increased by 30% since 2025 and Mark Zuckerberg stated, "work once done by 'big teams' now demands 1 person." Looking ahead, the momentum continues next week with 129 S&P 500 companies reporting, headlined by Google's parent **Alphabet Inc.**, **Amazon.com Inc.**, **Eli Lilly & Co.**, **AbbVie Inc.**, and **Advanced Micro Devices Inc.**.

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