

# MARKET VIEW WEEKLY

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## ECONOMIC REVIEW<sup>1</sup>

- March retail sales beat consensus expectations, and February data were revised sharply upward.
  - Retail sales exceeded forecasts, rising 0.7% in March versus the expected gain of 0.4%.
    - Eight out of thirteen categories posted increases led by e-commerce and gas stations.
    - Excluding autos, sales rose 1.1% – beating consensus with the largest monthly increase in over a year.
    - The initial 0.3% gain in February retail sales ex-autos was doubled to 0.6% in the March release.
  - Retail sales were up 4.0% compared to one year ago, and sales excluding autos were up 4.3%.
  - “Core” retail sales – excluding food services, auto dealers, building materials stores, and gasoline stations, which are an important factor in calculating GDP, increased by 1.1%.
- Residential construction softened in March as rates pushed higher, with both single-family and multi-family starts declining during the month.
  - Housing starts in the US plunged 14.7% month-over-month to an annualized rate of 1.321 million in March, reversing from an upwardly revised 1.549 mil level in February and well below forecasts of 1.485 mil.
  - Building permits, a proxy of future construction, came in weaker than expected, falling 4.3% to 1.458 mil.
- The Conference Board's leading economic index (LEI) fell 0.3% in March after an upwardly revised 0.2% in February.
  - The index has now declined 5.5% over the past year as the manufacturing-based indicators continue to wane. LEI has fallen in 24 of the last 25 months, with February showing the only sign of life.

### How do retail sales and housing data impact you?

- The path of retail sales delivers insight into the economy's direction because consumer spending drives growth. This latest reading is another data point that confirms to the Federal Reserve (Fed) that economic growth remains intact and the first of their mandates—price stability—should remain their main priority.
- Housing data is also showing the effects of this surprising economic strength through higher mortgage rates.
  - Persistently higher inflation and the prospect of a higher-for-longer interest rate environment have pushed up long-term rates, which should restrict near-term demand, generating temporary headwinds for builders.
- LEI is designed to show whether the economy is getting better or worse; however, the index has largely fallen out of favor because its heavy reliance on manufacturing ignores the predominance of services in the economy.



## A LOOK FORWARD<sup>1</sup>

- The Fed's preferred inflation measure, Personal Consumption Expenditures (PCE), and Q1 GDP are on tap this week.

### How do housing data and retail sales impact you?

- Growth may have moderated slightly but will still show meaningful strength in the face of higher rates.
  - Meanwhile, March's inflation print is poised to remain elevated.
- These data points won't do much to change the higher-for-longer rate stance of Fed Chairman Powell, who remarked earlier in the week, "We'll need greater confidence that inflation is moving sustainably towards 2% before it would be appropriate to ease policy."<sup>2</sup>



## MARKET UPDATE<sup>3</sup>

Market Index Returns as of 4/19/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-3.04%	-5.40%	4.58%	22.16%	7.97%	13.19%
NASDAQ	-5.52%	-6.68%	2.01%	27.73%	4.31%	14.78%
Dow Jones Industrial Average	0.05%	-4.49%	1.37%	14.84%	6.10%	9.74%
Russell Mid-Cap	-2.39%	-6.50%	1.54%	14.63%	2.71%	9.10%
Russell 2000 (Small Cap)	-2.76%	-8.29%	-3.54%	10.52%	-2.47%	5.88%
MSCI EAFE (International)	-2.29%	-4.69%	0.83%	6.93%	2.09%	5.75%
MSCI Emerging Markets	-3.58%	-3.64%	-1.36%	4.16%	-6.97%	0.80%
Bloomberg US Agg Bond	-0.61%	-2.36%	-3.11%	-0.63%	-3.52%	-0.05%
Bloomberg High Yield Corp	-0.58%	-1.64%	-0.19%	8.94%	1.38%	3.63%
Bloomberg Global Agg	-0.55%	-2.22%	-4.26%	-1.64%	-5.94%	-1.51%



## OBSERVATIONS

- It was another difficult week for broad market equities. The Tech-heavy Nasdaq declined -5.52% on the week, its worst such weekly performance since 2022; the S&P 500 dropped -3.04%, while the Dow Jones Industrial Average eked out a mild gain of +0.05%.
- There was no discernable saving grace down the cap spectrum, with Mid-caps down -2.39 % and Small caps returning -2.76%, both mild outperformance of a dismal S&P 500 Index return.
- International equities posted a -2.29% return for the week and outperformed emerging markets, which posted a negative return of -3.58%.
- Major bond indices declined for the week as yields across the treasury curve rose.
  - The US Agg posted a -0.61% return and lagged High Yield and Global bonds.
  - High Yield, which is less sensitive to interest rates, outperformed with a -0.58% return.



## BY THE NUMBERS

**Nvidia's stock plunge leads 'Magnificent Seven' to a record weekly market-cap loss:** The decline in "Magnificent Seven" stocks erased a collective \$950 billion from their market capitalizations this week, which made for the group's worst-ever weekly loss of market value. While Tesla Inc.'s stock was the biggest weekly percentage decliner of the gang from a stock perspective, Apple Inc. Microsoft Corp. and Nvidia Corp. were bigger contributors to the market-cap losses, as those three companies are all worth substantially more than the electric car maker. Nvidia was the biggest market-cap loser of the week, shedding almost \$300 billion. Shares of Nvidia fell 13.6% on the week as the semiconductor sector came under pressure. Nvidia's stock also suffered its worst weekly performance on a percentage basis since it dropped 16.1% on Sept. 2, 2022. According to Dow Jones Market Data, it declined 10% in Friday's action to log its worst single-day percentage drop since it fell 18.5% on March 16, 2020. With the stock off almost \$85, it secured its largest one-day price decline on record.<sup>4</sup>

**249th Anniversary of Paul Revere's Ride:** On April 16th, 1775, Paul Revere began to gather tips that a British raid was planned for the city of Concord, Massachusetts, in the coming days. There were two routes that the British soldiers could take: by land through the Boston Neck and by sea across the Charles River. Revere arranged to have a signal lit in the Old North Church – one lantern if the British were coming by land and two lanterns if they were coming by sea. On April 18th, 1775, 700 British soldiers under the command of Lieutenant Colonel Francis Smith gathered on Boston Common and boarded ships to raid Concord. At about 10 PM, with two lanterns lit, Revere and two other riders, William Dawes and Samuel Prescott, began their nighttime rides towards Lexington and Concord to rouse the minutemen and warn citizens of an attack.<sup>5</sup>

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## Economic Definitions

**Building Permits:** This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

**Conference Board Leading Economic Index:** Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation

**Housing Starts:** Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**Retail Sales:** Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

## Index Definitions

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Barclays Municipal Bond Index:** The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

### *Disclosures*

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 4/19/2024.

<sup>2</sup> <https://www.cnn.com/2024/04/16/powell-cites-lack-of-progress-this-year-in-reaching-feds-inflation-goal.html>

<sup>3</sup> Data obtained from Morningstar as of 4/19/2024.

<sup>4</sup> [Nvidia's stock plunge leads 'Magnificent Seven' to a record weekly market-cap loss \(msn.com\)](https://www.foxnews.com/tech/ai/nvidia-stock-plunge-leads-magnificent-seven-to-record-weekly-market-cap-loss)

<sup>5</sup> <https://www.paulrevere.org/the-real-story/>