WEEK OF MARCH 25, 2024

Market Update

The S&P 500 had its best weekly performance this year as the Federal Reserve (Fed) signaled that rate cuts remain on the horizon for 2024. Bond yields fell on the news as bond investors interpreted this as a signal that inflation headwinds will subside.

Quick Hits

1. Report releases: Existing home sales picked up in February.

2. Financial market data: The Fed left rates unchanged but signaled that cuts remain likely in 2024.

3. Looking ahead: Investors will focus on durable goods orders, consumer confidence, and personal income and spending.

Report Releases: March 18–22, 2024

National Association of Home Builders Housing Market Index
March
(Monday)

Home builder sentiment improved more than expected, reaching an eight-month high and bringing the index into expansionary territory for the first time this year.

- Expected/prior month sentiment: 48/48
- Actual sentiment: 51

Housing Starts and Building Permits:
February
(Tuesday)

Housing starts and building permits improved more than expected after experiencing sharp declines in January.

- Expected/prior month housing starts monthly change: +8.2%/–12.3%
- Actual housing starts monthly change: +10.7%
- Expected/prior month building permits monthly change: +0.5%/–0.3%
- Actual building permits monthly change: +1.9%

Federal Open Market Committee (FOMC) Rate Decision
March
(Wednesday)

As expected, the Fed left the federal funds rate unchanged at the conclusion of its March meeting. Fed Chair Jerome Powell reiterated the central bank's belief that rate cuts are likely this year at his post-meeting news conference.

- Expected/prior federal funds rate upper limit: 5.5%/5.5%
- Actual federal funds rate upper limit: 5.5%

Existing Home Sales
February
(Friday)

Existing home sales grew more than expected in February. The annualized rate of existing home sales now sits at a one-year high.

- Expected/prior month existing home sales change: –1.3%/+3.1%
- Actual existing home sales change: +9.5%

>> The Takeaway

- Housing data showed signs of a recovery as the spring season approaches.
- The FOMC continued to signal that interest rate cuts will occur this year.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.31%	2.81%	10.12%	34.65%
Nasdaq Composite	2.86%	2.15%	9.63%	40.49%
DJIA	1.97%	1.36%	5.25%	25.57%
MSCI EAFE	1.21%	3.15%	5.64%	17.78%
MSCI Emerging Markets	0.51%	2.01%	1.90%	9.16%
Russell 2000	1.61%	0.96%	2.52%	22.34%

Source: Bloomberg, as of March 22, 2024

The S&P 500 had its best week this year as signals of future rate cuts boosted confidence for equity investors. The potential for rate cuts should reduce the burden on higher-growth businesses that have been facing rising costs of capital with rates at their current levels. Technology, banks, apparel retailers, semiconductors, autos, cruise lines, and home builders were among industries that reacted favorably. Athletic apparel struggled as Lululemon and Nike provided soft guidance.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.70%	–1.00%	1.06%
U.S. Treasury	0.42%	–1.18%	–0.64%
U.S. Mortgages	0.82%	–1.28%	0.32%
Municipal Bond	0.16%	–0.22%	3.99%

Source: Bloomberg, as of March 22, 2024

Treasury yields moved lower as bond investors' concern around inflation eased after the Fed meeting. The belly of the curve between 2-year and 10-year maturities continued to be the main area of action. The 5-year fell 10 basis points (bps).

>> The Takeaway

- The S&P 500 had its best week of the year as the Fed indicated rate cuts are on the horizon.
- Yields declined in the belly of the curve because the Fed's cut signal indicates it believes inflation will ease.

Looking Ahead

This holiday-shortened week will be relatively quiet on the economic data front. That said, investors will still monitor durable goods orders, consumer confidence, and personal income and spending.

- The week kicks off on Monday with the release of **new home sales data** for February. New home sales are expected to pick up modestly.
- On Tuesday, we expect the preliminary release of the **durable goods orders report** for February and the **Conference Board's Consumer Confidence Index** for March. Headline and core durable goods orders are expected to rebound after falling in January. Consumer confidence is set to rise modestly after dropping more than expected in February.
- Finally, Friday will wrap with **personal income and spending data** for February. Both are expected to increase. Spending growth has been impressively resilient over the past two years; any further improvement would be a good sign for consumer spending.

Authored by the Investment Research team at Commonwealth Financial Network®

Amy Cook
Sterling Financial Group
4525 South Wasatch Boulevard | Suite 250 | Salt Lake City, UT 84124
801.263.3636 | 801.269.6767 fax | www.sfg.us | amy@sfg.us