



Dallas, Texas

WEEK OF FEBRUARY 5, 2024

# Market Update

The Federal Reserve (Fed) stayed put last week, leaving the federal funds rate with an upper bound of 5.5 percent. U.S. economic data continued to show strength, with employment and consumer confidence reports surprising to the upside.

## Quick Hits

- 1. Report releases:** The fourth-quarter GDP report showed that the economy grew at a faster rate than expected.
- 2. Financial market data:** Meta Platforms and Amazon rose as AI and cloud growth impressed.
- 3. Looking ahead:** This week's focus will be service sector confidence, the U.S. trade balance, and consumer credit.

Report Releases: January 29–February 2, 2024

Consumer Board  
Consumer  
Confidence Index  
January (Tuesday)

Consumer confidence improved for the third consecutive month, bringing the index to its highest level in more than two years.

- Expected/prior month consumer confidence: 108/114.8
- Actual consumer confidence: 114.8



FOMC Rate Decision  
January  
(Wednesday)

As expected, the Fed left the federal funds rate unchanged after its January meeting. Fed Chair Jerome Powell indicated at the post-meeting news conference that it’s unlikely the central bank will cut interest rates at its next meeting in March but left the door open to the possibility.

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



ISM Manufacturing  
Index  
January (Thursday)

Manufacturer confidence improved more than expected, with the index rising to its highest level in more than a year. Despite the improvement, the index remained in contractionary territory.

- Expected/prior ISM Manufacturing index: 47.2/47.1
- Actual ISM Manufacturing index: 49.1



Employment Report  
January (Friday)

Hiring continued to accelerate in January, with 353,000 new jobs added after an upwardly revised 333,000 jobs in December. This was notably higher than expected, signaling continued strong labor demand across the economy.

- Expected/prior change in nonfarm payrolls: +185,000/+333,000
- Actual change in nonfarm payrolls: +353,000



>> The Takeaway

- The Fed stayed put at its January meeting, leaving the federal funds rate with an upper bound of 5.5 percent.
- Economic data showed strength in the U.S. economy, with employment and consumer confidence surprising to the upside.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.41%	2.34%	4.06%	21.84%
Nasdaq Composite	1.13%	3.07%	4.14%	31.25%
DJIA	1.43%	1.32%	2.65%	16.41%
MSCI EAFE	0.02%	−1.11%	−0.54%	7.83%
MSCI Emerging Markets	0.32%	1.27%	−3.43%	−2.39%
Russell 2000	−0.77%	0.80%	−3.12%	0.42%

Source: Bloomberg, as of February 2, 2024

U.S. equities led the way as we received major earnings reports from five firms—Microsoft, Apple, Alphabet, Amazon, and Meta Platforms—from the “Magnificent Seven.” Meta Platforms and Amazon fared particularly well; AI propelled growth at Meta Platforms, whereas Amazon was supported by reacceleration in its AWS cloud business. International and small-caps lagged as the Fed held firm and Chinese equities continued to struggle.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.38%	−0.66%	1.76%
U.S. Treasury	−0.38%	−0.66%	1.07%
U.S. Mortgages	−0.45%	−0.91%	0.71%
Municipal Bond	0.34%	−0.17%	3.13%

Source: Bloomberg, as of February 2, 2024

The Treasury yield curve saw modest movement, with the long end of the curve moving lower as the Federal Open Market Committee (FOMC) held rates steady. The move lower in longer-dated maturities reflects investors locking in longer-term rates in the event we see an economic slowdown from elevated Fed policy. The 10-year yield declined 11 basis points (bps), closing the week at 4.03 percent.

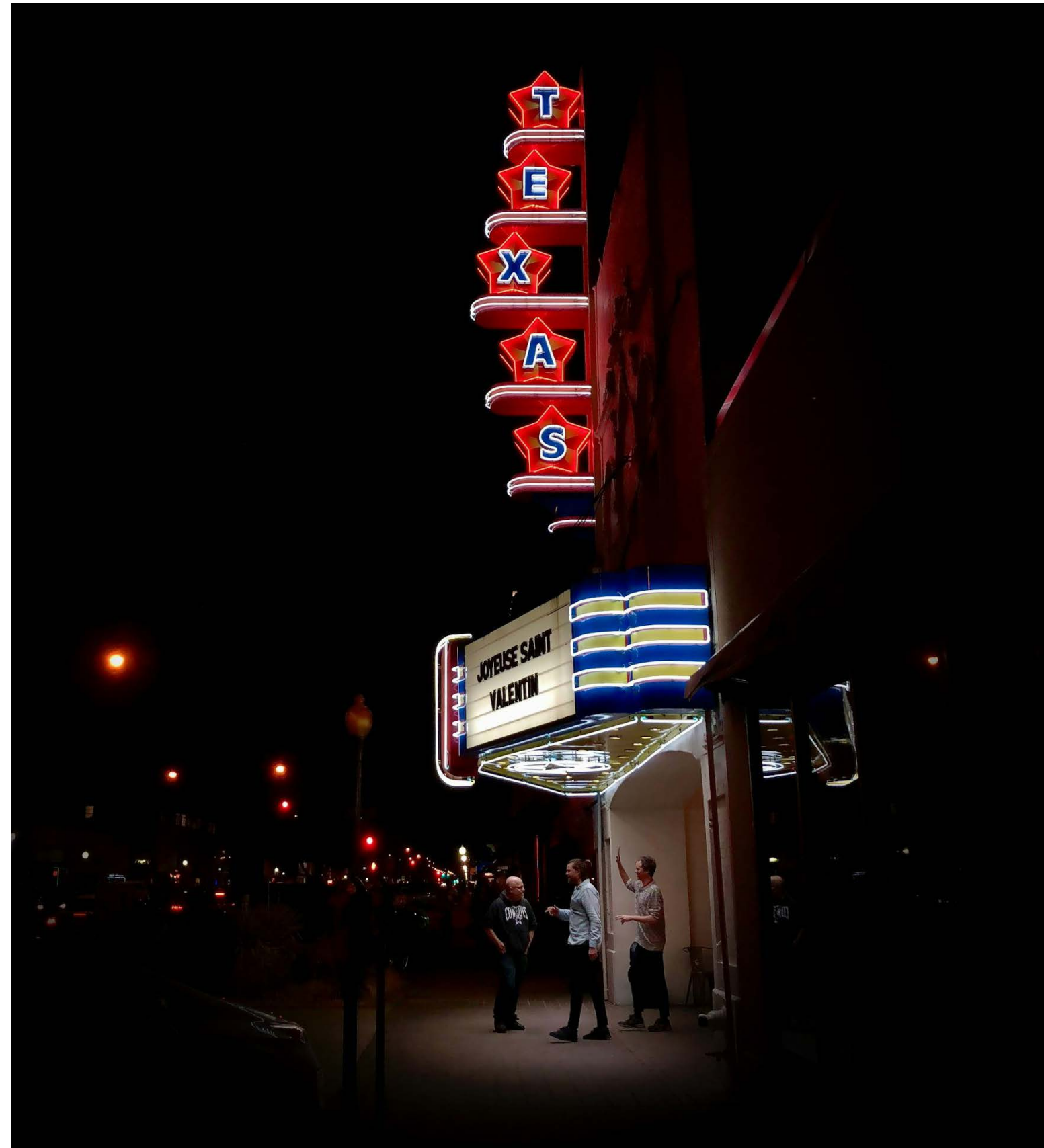
>> The Takeaway

- The “Magnificent Seven” fared well in a major week of earnings, with five of the seven reporting.
- The front end of the curve held steady as the Fed did the same. The longer end of the curve moved a bit lower as investors locked in rates.

## Looking Ahead

This week will be a bit quieter on the economic data front. The focus will be service sector confidence, the U.S. trade balance, and consumer credit.

- The week kicks off on Monday with the release of the **S&P Global US Composite PMI** and the **ISM Services index**. The S&P Global US Composite PMI remains in expansionary territory. The ISM Services index is expected to improve from 50.6 to 52.
- On Wednesday, **trade balance** and **consumer credit** reports for December are expected. The international trade deficit is set to fall modestly in December, which would mark two consecutive months with a shrinking deficit. Consumer credit is expected to be at \$16.5 billion, down from \$23.75 billion.







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Authored by the Investment Research team at Commonwealth Financial Network®

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