



Koss Olinger
2700-A NW 43rd Street
Gainesville, FL 32606
352-373-3337
thepartners@kossolinger.com



Quarterly Market Review: January-March 2024



The Markets (first quarter through March 29, 2024)

Wall Street got off to a fast start to begin 2024. Investors were encouraged by strength in the economy, the likelihood of interest rate cuts, possibly beginning in June, and opportunities in artificial intelligence. Each of the benchmark indexes listed here posted solid first-quarter gains led by the S&P 500 and the Nasdaq. Several indexes reached new highs throughout the quarter. The S&P 500 hit its first record high in two years late in January, leading to its best first-quarter performance since 2019. The Federal Reserve provided encouraging news following its meeting in March as it projected three interest rate cuts by the end of the year. Ten-year Treasury yields stayed around 4.20% for most of the quarter, up from 3.86% at the close of 2023. Roughly 76.0% of S&P 500 companies reported fourth-quarter corporate earnings that exceeded analysts' expectations. Some of the "Magnificent Seven" megacap stocks stumbled a bit in the first quarter. Nevertheless they were responsible for nearly 40.0% of the S&P 500's year-to-date gain, which is down from over 60.0% last year. Ten of the 11 market sectors posted quarterly gains, with industrials, information technology, communication services, financials, and energy climbing more than 10.0%.

The U.S. dollar underwent several ups and downs, ultimately closing the first quarter higher. Gold prices advanced to reach record highs. Crude oil prices, which began the year at about \$71.00 per barrel, climbed nearly 16.0% to over \$82.00 per barrel as oil exporting countries cut back on supplies. Home mortgage rates began the year at about 6.62% for the 30-year fixed rate, according to Freddie Mac. Rates jumped as high as 6.94% at the end of February, before falling to 6.79% at the end of March. The retail price for regular gasoline was \$3.523 per gallon on March 25, \$0.027 above the February 26 price and \$0.407 higher than the price three months earlier. Regular retail gas prices increased \$0.102 from a year ago. Gold prices declined in the third quarter, nearing a seven-month low.

January saw stocks get off to a slow start as investors took some recent gains, particularly from tech shares and moved into sectors that lagged in 2023, including consumer staples, health care, and energy. By the end of the month, each of the benchmark indexes listed here posted gains, with the exception of the Russell 2000. Inflation data showed prices inched higher, with the Consumer Price Index (CPI) and the personal consumption expenditures (PCE) price index increasing, both monthly and annually. The Federal Reserve met in January and maintained the federal funds target rate range at 5.25%-5.50%. The economy proved resilient in January, despite the ongoing war in Ukraine and the turmoil in the Middle East. Gross domestic product rose 3.2%, while personal consumption expenditures, a measure of consumer spending, rose 3.0%. Job growth remained steady, while industrial production inched higher. All 11 market sectors ended January higher, led by industrials and materials. Bond returns were slightly negative, with yields on 10-year Treasuries inching up 10.0 basis points.

Large-cap stocks advanced for the fourth consecutive month in February. Several of the benchmark indexes listed here reached record highs, with the S&P 500 off to its strongest start to a year since 2019. Value stocks and small caps also enjoyed a favorable month. Among the benchmark indexes listed here, the Nasdaq and the Russell 2000 led the way. In contrast, bond values dipped lower, pushing yields up. The economy continued to expand, despite operating in the highest interest-rate environment in nearly 20 years. The CPI and PCE price index climbed higher as inflationary pressures continued to prove stubborn. However, the annual rates for both indexes declined. Retail sales dropped 0.8%, pulled lower by declines in sales for motor vehicles and parts and gasoline stations. Job gains were robust, adding more than 300,000

Key Dates/Data Releases

4/1: S&P Global Manufacturing PMI

4/2: JOLTS

4/3: S&P Global Services PMI

4/4: International trade in goods and services

4/5: Employment situation

4/10: Consumer Price Index, Treasury budget statement

4/11: Producer Price Index

4/12: Import and export prices

4/15: Retail sales

4/16: Housing starts, industrial production

4/18: Existing home sales

4/23: New home sales

4/24: Durable goods orders

4/25: International trade in goods, GDP

4/26: Personal income and outlays

new jobs. Investors' hopes for an interest rate reduction waned on stubborn inflationary pressures, coupled with strength in the labor market and the economy.

March continued the bull run for stocks. Each of the benchmark indexes listed here advanced, with the Global Dow, the Russell 2000, and the S&P 500 each gaining over 3.0%. Utilities, financials, materials, and energy led the market sectors in March. Consumer spending and gross domestic product expanded in March. Inflationary pressures continued to increase as the Consumer Price Index rose 0.4% for the month and 3.2% for the year. Producer prices rose 0.6%, more than double most analysts' expectations. Overall, price pressures remained firmer than expected. Crude oil prices rose nearly 6.0%, while prices at the pump increased by about \$0.274 for a gallon of regular gasoline.

Stock Market Indexes

Market/Index	2023 Close	As of March 29	Monthly Change	Quarterly Change	YTD Change
DJIA	37,689.54	39,807.37	2.08%	5.62%	5.62%
Nasdaq	15,011.35	16,379.46	1.79%	9.11%	9.11%
S&P 500	4,769.83	5,254.35	3.10%	10.16%	10.16%
Russell 2000	2,027.07	2,124.55	3.39%	4.81%	4.81%
Global Dow	4,355.28	4,676.17	3.71%	7.37%	7.37%
fed. funds target rate	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps	0 bps
10-year Treasuries	3.86%	4.20%	-5 bps	34 bps	34 bps
US Dollar-DXY	101.39	104.55	0.40%	3.12%	3.12%
Crude Oil-CL=F	\$71.30	\$83.06	6.05%	16.49%	16.49%
Gold-GC=F	\$2,072.50	\$2,244.70	9.39%	8.31%	8.31%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Latest Economic Reports

- **Employment:** Total employment increased by 275,000 in February following a downwardly revised January total of 229,000 new jobs. Employment trended up in health care, government, food services and drinking places, social assistance, and transportation and warehousing. Over the 12 months ended in February, employment increased by an average of 230,000 per month. In February, the unemployment rate rose by 0.2 percentage point to 3.9% and was 0.3 percentage point higher than the rate a year earlier. The number of unemployed persons rose by 334,000 to 6.5 million, which was nearly 500,000 above the February 2023 figure. In February, the number of long-term unemployed (those jobless for 27 weeks or more), at 1.2 million, fell by 74,000 and accounted for 18.7% of all unemployed people. The labor force participation rate, at 62.5%, was unchanged from the January figure, while the employment-population ratio, at 60.1%, ticked down 0.1 percentage point. In February, average hourly earnings increased by \$0.05 to \$34.57 following an increase of \$0.18 in January. Since February 2023, average hourly earnings rose by 4.3%. The average workweek increased by 0.1 hour to 34.3 hours in February.
- There were 215,000 initial claims for unemployment insurance for the week ended February 24, 2024. During the same period, the total number of workers receiving unemployment insurance was 1,905,000. A year ago, there were 221,000 initial claims, while the total number of workers receiving unemployment insurance was 1,718,000.
- **FOMC/interest rates:** The Federal Open Market Committee made no change to the federal funds target rate range following its meeting in March. The Committee decided to maintain interest rates at their current level primarily because inflation, while showing signs of general easing, remained elevated. The Fed continued to forecast three interest rate reductions this year, although that could change based on the course of inflation and the economy.
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 3.4% in the fourth quarter, according to the third and final estimate from the Bureau of Economic Analysis. GDP increased 4.9% in the third quarter. Compared to the third quarter, personal consumption expenditures rose from 3.1% to 3.3%. Fixed investment rose 2.6% to 3.5%. Nonresidential fixed investment increased from 1.4% to 3.7%. Residential fixed investment fell 3.9 percentage points to

2.8%. Exports decreased from 5.4% to 5.1%. Imports decreased from 4.2% to 2.2%. Government spending decreased 1.2 percentage points to 4.6%. The personal consumption expenditures price index increased 1.8% in the fourth quarter, compared with an increase of 1.7% in the third quarter.

- February saw the federal budget deficit come in at \$296.0 billion, well above the \$22.0 billion from the January deficit. Through the first five months of fiscal year 2024, the total deficit sits at \$828.0 billion, is roughly \$105.0 billion higher than the first five months of the previous fiscal year. So far in fiscal year 2024, total government receipts were \$1.9 trillion (\$1.7 trillion in 2023), while government outlays were \$2.7 trillion through the first five months of fiscal year 2024, compared to \$2.5 trillion over the same period in the previous fiscal year.
- **Inflation/consumer spending:** According to the latest personal income and outlays report, personal income rose 0.3% in February (1.0% in January), while disposable personal income increased 0.2% in February, down from 0.4% in January. Consumer prices climbed 0.3% in February, the same increase as in the previous month. Excluding food and energy (core prices), consumer prices rose 0.3% in February, down from January's 0.5% increase. Consumer prices rose 2.5% since February 2023, 0.1 percentage point more than the advance for the 12 months ended in January. Core prices increased 2.8% over the same period, 0.1 percentage point lower than the year ended in January.
- The Consumer Price Index rose 0.4% in February after advancing 0.3% in January. Over the 12 months ended in February, the CPI rose 3.2%, up 0.1 percentage point from the period ended in January. Excluding food and energy prices, the CPI rose 0.4% in February, unchanged from the previous month, and 3.8% from February 2023, 0.1 percentage point less than the rate for the 12-month period ended in January. Prices for shelter, up 0.4%, continued to rise in February, as did gasoline prices (3.8%). Combined, these two indexes contributed to over 60.0% of the monthly all items increase. Food prices were unchanged in February. Over the last 12 months ended in February, food prices rose 2.2%, shelter prices increased 5.7%, while energy prices fell 1.9%.
- Prices that producers received for goods and services rose 0.6% in February following a 0.3% increase in the previous month. Producer prices increased 1.6% for the 12 months ended in February, up from the 0.9% increase for the 12 months ended in January. Producer prices less foods, energy, and trade services advanced 0.4% in February (0.6% in January), while prices excluding food and energy increased 0.3%. For the 12 months ended in February, prices less foods, energy, and trade services moved up 2.8%, a 0.2 percentage point increase over the 12 months ended in January. Prices less foods and energy increased 2.0% for the year ended in February, unchanged from the prior 12-month period.
- **Housing:** Sales of existing homes rose 9.5% in February from January. However, sales were down 3.3% from February 2023. The median existing-home price was \$384,500 in February, up from the January price of \$378,600 and well above the February 2023 price of \$363,600. Unsold inventory of existing homes represented a 2.9-month supply at the current sales pace, down slightly from 3.0 months in January but above the 2.6-month supply from a year earlier. Sales of existing single-family homes increased 10.3% in February but declined 2.7% for the year. The median existing single-family home price was \$388,700 in February, up from \$382,900 in January and above the February 2023 price of \$368,100. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.74% as of March 14, down from 6.88% the previous week and from 6.60% one year ago.
- New single-family home sales decreased in February after increasing in December and January. Sales of new single-family homes fell 0.3% in February. Nevertheless, sales were up 5.9% from February 2023. The median sales price of new single-family houses sold in February was \$400,500 (\$414,900 in January). The February average sales price was \$485,000 (\$523,400 in January). The inventory of new single-family homes for sale in February represented a supply of 8.4 months at the current sales pace, down from 9.3 months in January.
- **Manufacturing:** Industrial production edged up 0.1% in February after declining 0.5% in the previous month. Manufacturing output rose 0.8% in February after falling 1.1% in January. Mining increased 2.2%, while utilities dropped 7.5% because of warmer-than-typical temperatures. Over the past 12 months ended in February, total industrial production was down 2.0%. For the 12 months ended in February, manufacturing decreased 0.7%, mining rose 1.4%, while utilities increased 0.8%.
- New orders for durable goods rose 1.4% in February following two consecutive monthly decreases. Excluding transportation, new orders increased 0.5% in February. Excluding defense, new orders rose 2.2%. New orders for transportation equipment advanced 3.3% in February, contributing to the overall increase in new orders. New orders for nondefense capital goods in February increased 4.4%, while new orders for defense capital goods decreased 12.7%.
- **Imports and exports:** U.S. import prices advanced 0.3% in February following a 0.8% advance in the previous month. The February and January advances were the first consecutive increases since September and August 2023. Despite the recent advances, prices for imports decreased 0.8% over the

past year. Prices for import fuel rose 1.8% in February after advancing 1.2% in January. The February increase was the largest advance since a 6.4% rise in September 2023. In spite of the recent advances, import fuel prices fell 4.1% over the past year. Prices for nonfuel imports increased 0.2% in February following a 0.7% increase the previous month. Despite the recent increases, prices for nonfuel imports declined 0.5% over the past 12 months. Export prices advanced 0.8% in February after rising 0.9% in January. Despite the recent increases, export prices declined 1.8% for the year ended in February. That was the smallest 12-month drop since export prices decreased 0.8% for the period from February 2022 to February 2023.

- The international trade in goods deficit was \$91.8 billion in February, up \$1.3 billion, or 1.5%, from January. Exports of goods were \$175.1 billion in February, \$4.8 billion, or 2.8%, more than in January. Imports of goods were \$266.9 billion in February, \$6.1 billion, or 2.3%, more than in January. Since February 2023, exports rose 3.6%, while imports increased 2.8%.
- The latest information on international trade in goods and services, released March 7, is for January and revealed that the goods and services trade deficit was \$67.4 billion, up \$3.3 billion from the December deficit. January exports were \$257.2 billion, 0.1% more than December exports. January imports were \$324.6 billion, 1.1% more than December imports. Year over year, the goods and services deficit decreased \$2.9 billion, or 4.1%, from January 2023. Exports decreased \$1.0 billion, or 0.4%. Imports decreased \$3.9 billion, or 1.2%.
- **International markets:** The United Kingdom appears headed for a period of consumer-led economic growth. Falling inflation and rising purchasing power have increased hopes of a further economic rebound in the U.K. European countries may be heading to an interest rate decrease. While the Bank of England held rates in March, Switzerland became the first European country to cut rates. China's industrial profits expanded to start the year, offering further evidence that the Chinese economy may be stronger than some suggested. For March, the STOXX Europe 600 Index rose 3.8%; the United Kingdom's FTSE gained 4.5%; Japan's Nikkei 225 Index gained 2.6%; and China's Shanghai Composite Index dipped 0.2%.
- **Consumer confidence:** Consumer confidence was little changed in March from February. The Conference Board Consumer Confidence Index® was 104.7 in March, essentially unchanged from a downwardly revised 104.8 in February. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, rose to 151.0 in March, up from 147.6 in the previous month. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, slipped to 73.8 in March, down from 76.3 in February.

Eye on the Quarter Ahead

The second quarter of 2024 will likely focus on election campaign rhetoric, first-quarter corporate earnings, and the ongoing turmoil in Ukraine and the Middle East. Investors will be watching for an interest rate reduction by the Federal Reserve, possibly in June.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks

worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

IMPORTANT DISCLOSURES

2700-A NW 43rd Street, Gainesville, FL 32606, (352) 373-3337 or 1-800-373-3302.

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