Monday March 11, 2024

SUMMARY-

I. Market volatility reappears after averages make new highs.

II. Labor report reveals softening, which the Fed may prefer.

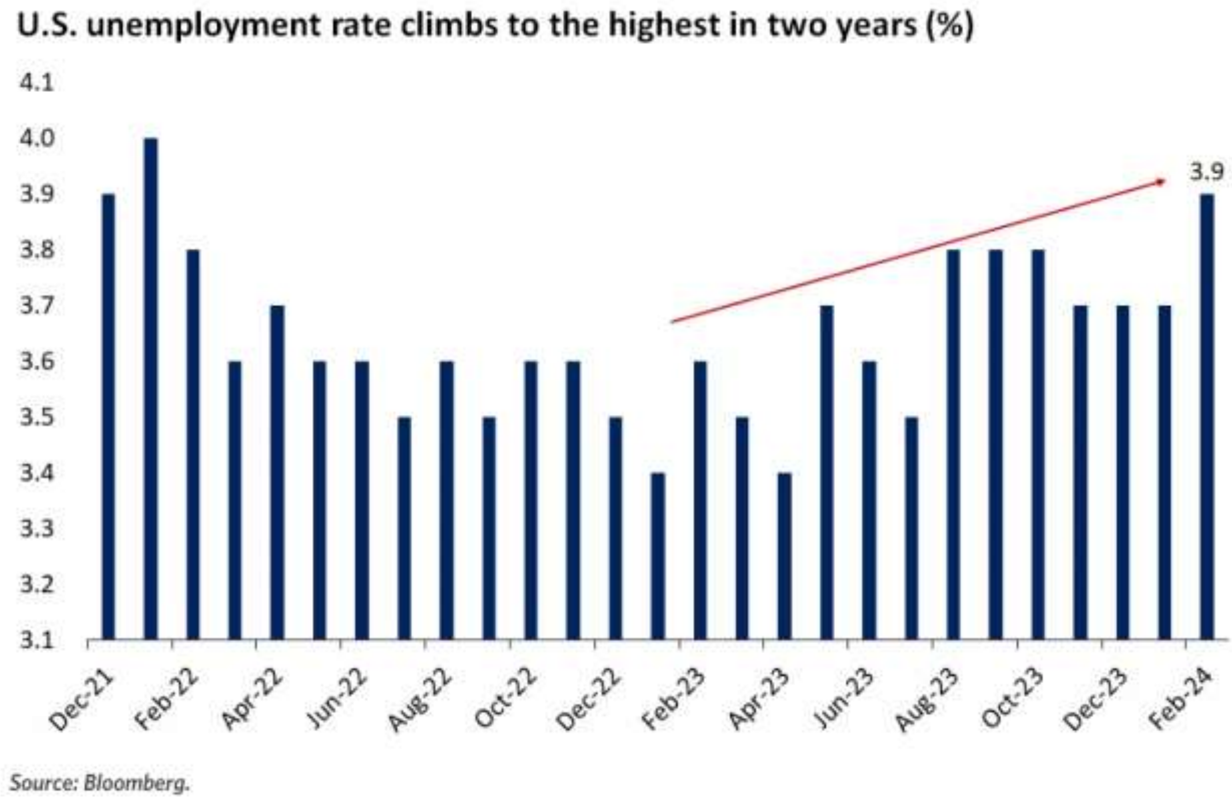
III. Rate cuts still expected to commence in June.

IV. Further inflation data this week as market continues to broaden.

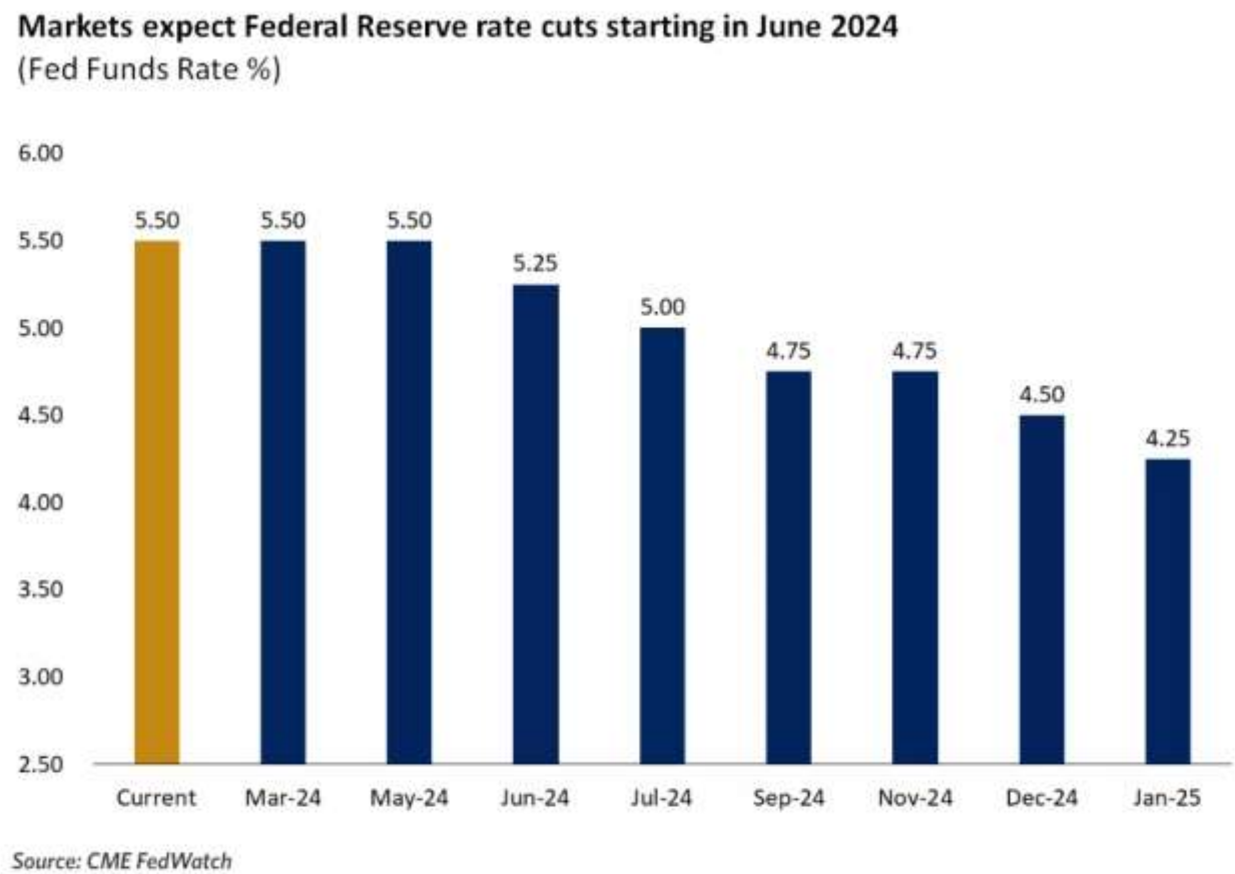
Good morning:

We cautioned last week that hot equity markets may be due for a pause after several weeks of advancing higher. This was especially true for a handful of chip stocks that experienced an intraday reversal on Friday suggesting that they may indeed have gone up too far too fast. After making new highs, major large cap averages ended the week with modest losses. Leading indices lower was the NASDAQ that gave back 1.2% while the Dow lost 0.9% and the S&P 500 declined a mere 0.3%. Investors also heard from Chairman Powell last week who reiterated his patient stance, noting that while rate cuts are still expected this year, additional evidence of disinflationary trends are necessary first.

One key data point the Fed will undoubtedly be watching also reported new results last week. The U.S. labor market non-farm jobs report released last week was somewhat mixed but overall suggested the labor market is starting to cool. Total jobs added in February were 275,000, which was well above the expected level of 200,000. However, January's figure was revised sharply lower from 353,000 to 229,000 while the unemployment rate ticked up from 3.7% to 3.9%, its highest rate in two years. In addition, the average hourly earnings figure in the labor report also cooled in February. Total wage gains went from 4.5% year-over-year last month to 4.3%, and well below the recent peak of 5.9% in March 2022. While wage gains are moderating very gradually, the trend lower is broadly supportive of lower services inflation, which is another focus area for the Federal Reserve.



Total job openings also declined from its peak in March 2022 of 12.2 million to 8.9 million last month. Since wage growth is a key component to overall inflation trends, any normalizing of supply and demand for labor will be welcomed by the Fed. During his testimony to Congress last week, Chairman Powell stated the Fed was “not far” from gaining the confidence it needs to begin a rate-cutting cycle. Currently, markets are pricing in about four rate cuts this year starting in June. We believe this may serve as a fundamentally supportive floor under equities for the near term.



This week may see some further profit taking from short-term traders as we anticipate heightened volatility to remain with us for a while. Additionally, several new inflation reports will be released this week which could also spark reactions in the equity market. Tuesday's CPI, Thursday's PPI, and Friday's PCE reports will each paint a picture about the potential likelihood of Fed rate cuts on the horizon. Although the market is not expecting a rate cut at this week's FOMC meeting, the Fed's accompanying commentary could prompt a market reaction if Chairman Powell's remarks reveal anything new.

As we noted last week, market breadth continued to expand last week in the S&P 500, the NASDAQ, as well as the Russell 2000. The Bloomberg chart below shows the current percentage of members within the S&P 500, Nasdaq Composite and Russell 2000 that are trading above their respective 200-day Simple Moving Averages. Compared to last Friday, the SPX (white line) breadth moved up to 79.16% from 76.55%, the COMPX (blue line) edged up to 49.72% from 49.62%, and the RUT (red line) increased to 57.68% from 56.68%. We believe that any broadening out of performance beyond a narrow group of mega-cap tech stocks is generally healthy for this bull market and can be rewarding to well diversified portfolios and investors.

Source: Bloomberg L.P.

The final batch of Raymond James 1099s is scheduled to be released this Friday and will be available to download by week's end. However, if any third-party investment firm subsequently changes their data in any way, Raymond James is obligated to issue an amended 1099 for that entire account. Should this occur, and your return has already been filed, do not panic. In many cases, the change may not require you to refile as it could be de minimis in nature. Please let us know if you have any questions or need any assistance obtaining your tax reporting documents during this tax season.

Have a great week!

Mark and Jeff

Mark S. Loftus, CFP®
Managing Partner & Founder, LPWP
Registered Principal, RJFS
CA Insurance License #0C83705

Jeffrey C. Preusser, CFP®
Senior Partner, LPWP
Registered Principal, RJFS
CA Insurance License #0E01600

O: 630.566.9200 // T: 844.890.8750 // F: 630.566.9292
1901 Butterfield Road, Suite 100, Downers Grove, IL 60515
www.loftus-preusser.com

DISCLAIMER:

If you no longer want to receive this Monday Outlook email, simply reply to this email with “REMOVE” or “OPT OUT” in the subject line and we will remove you from our email list.

Opinions expressed in this email are those of the author and are not necessarily those of Raymond James. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material nor is it a recommendation.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.

All investments are subject to risk regardless of strategy selected. Individual investor's results will vary. Past performance does not guarantee future results. Forward looking data is subject to change at any time and there is no assurance that projections will be realized. Diversification and strategic asset allocation do not ensure a profit or protect against a loss.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

Raymond James makes a market in AAPL, AMZN, GOOGL, META, MSFT, NVDA, AND TSLA. This is not a recommendation to purchase or sell the stocks of the companies mentioned.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

Market return and statistical data obtained from: https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

Every investor's situation is unique, and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.

This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Every type of investment, including mutual funds, involves risk. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

Certified Financial Planner Board of Standards, Inc. (CFP Board) owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, and CFP® (with plaque design) in the United States, which it authorizes use of by individuals who successfully complete CFP Board’s initial and ongoing certification requirements.