



## WEEKLY ECONOMIC UPDATE MARCH 4, 2024

Stocks extended their tech-led advance last week as signs of a resilient and still-enthusiastic consumer boosted momentum.

### **Nasdaq Sets New High**

Stocks traded in a narrow band early in the week but ended the five-trading sessions with a powerful advance.

While the Dow dipped lower, artificial intelligence (AI) names powered the gains in the S&P 500 and the Nasdaq Composite. The Nasdaq bobbed around the 16,000 level for most of the week before posting consecutive record highs on Thursday and Friday, surpassing its 2021 record. It was the last of the three major stock benchmarks to reach a record high this year.<sup>1</sup>

Economic news also helped boost markets. The Personal Consumption Expenditures (PCE) Index, the Fed's preferred inflation gauge, rose 0.3 percent in January versus December—and 2.4 percent on a 12-month basis. Both were in line with expectations. Stocks ticked up on Thursday following the release of the report.<sup>2</sup>



## Weekly Market Insights (WMI)

### Major Index Return Summary

Name	5D TR	1M TR	YTD TR	1Y TR
<b>Dow Jones Industrial Average</b>	-0.11%	1.76%	4.09%	22.24%
<b>MSCI EAFE</b>	0.68%	3.45%	3.25%	15.82%
<b>Nasdaq Composite</b>	1.74%	6.05%	8.55%	44.19%
<b>S&amp;P 500</b>	0.95%	4.87%	7.97%	32.12%

### S&P 500 Daily Close



### 10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
<b>10 Year Treasury Rate</b>	<b>4.19%</b>	3.87%	8.27% ▲
03/01/24		4.22%	-0.71% ▼
		4.01%	4.49% ▲

Source: YCharts.com, March 2, 2024. Weekly performance is measured from Monday, February 26, to Friday, March 1.

ROC 5 = the rate of change in the index for the previous 5 trading days.

TR = total return for the index, which includes any dividends as well as any other cash distributions during the period.

Treasury note yield is expressed in basis points.

## Consumers Remain Upbeat

With all the excitement over AI, it's easy to overlook some key economic indicators that also speak to the underlying strength of the economy—specifically, consumer data.

In addition to the closely watched PCE report, an end-of-week consumer survey revealed that while sentiment softened in February, it remained near a 32-month high. Fresh data this week also showed an unexpected jump in personal income.

Finally, the PCE report also reflected an ongoing consumer shift from goods to services—a sign the economy continues to normalize after the pandemic. Since two-thirds of gross domestic product comes from consumer spending, these consumer-related metrics helped support the narrative that the economy appears to be gathering momentum.<sup>3,4</sup>

## This Week: Key Economic Data

**Monday:** Motor Vehicle Sales.

**Tuesday:** Factory Orders. ISM Services Index.

**Wednesday:** ADP Employment Report. JOLTS. Beige Book.

**Thursday:** Federal Reserve Chair Jerome Powell Speech. Jobless Claims. International Trade in Goods & Services. Productivity and Costs.

**Friday:** Employment Situation.

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# Quote of the Week



*“One of the most frequent tactics used to defend an argument you can’t defend is to attack the other side’s character rather than their argument.”*

**– A Midwestern Doctor**



If you're looking for a heart-pounding rollercoaster ride into the uncharted territory of financial wild things, forget boring old S&P 500 returns. Look no further than the shiny new bitcoin ETFs hitting the market.

Or not.

You may have seen ads for the newest, easiest way to invest in the cryptocurrency bitcoin through exchange traded funds. Some of the EFTs are offered by Wall Street giants like Franklin Templeton, Fidelity, and BlackRock. The funds hold the digital tokens themselves, meaning any money you put into the fund will buy bitcoin directly. Your returns will follow every dizzying peak and stomach-churning dip of the crypto rollercoaster.

A bitcoin fund managed by a reputable brokerage firm may provide an air of respectability. It may make it easy for ordinary investors to own cryptocurrency without necessarily having any idea what “blockchain” means or what a “digital wallet” is. That does not however necessarily make Bitcoin an investment instead of a speculation.

Investments, by definition, offer ownership of something with intrinsic value. Think tangible assets like South Dakota farmland or gold, ownership in companies like the S&P 500, or even an original painting by Picasso.

But bitcoin is just lines of code floating in the digital ether, backed by hype and speculation. Bitcoin could be in contention as the mother of all speculations. Fans will assert – correctly – that someone who had bought it in mid-2013 would have enjoyed a 2,500% return by the end of 2023. Detractors shudder at its lack of tangible existence or government backing and its tsunamic volatility. It crashed over 70% in 2018 and 65% in 2022, enough to make even the bravest investor wince. By comparison, the S&P was down

4.2% in 2018 and 18% in 2022. But then Bitcoin soared a mind-boggling 307% in 2020 and 155% in 2023. Comparatively, the S&P was up a boring 18% in 2020 and 24% in 2023. Any “currency” that makes the stock market look boringly stable is no currency, much less an investment.

Bitcoin may eventually mature into a stable currency, widely accepted and used in transactions around the world as a currency. But here's the thing - these new ETFs open the door for everyday folks to dabble in this digital frenzy without diving headfirst into the crypto rabbit hole. There is no need to wrestle with exchanges or fear hackers lurking in the shadows. It's speculating in bitcoin made easy, perhaps too easy.

The SEC, bless their cautious hearts, warns that these are "highly speculative investments." Wise words, considering bitcoin's volatility could make even a roller coaster operator blush. The SEC's suggested maximum exposure is 5% of your portfolio. That's an allocation for wild-eyed gamblers. A 1% holding would be for those with a strong case of fear of missing out (FOMO), and 0% would be for an evidenced-based long-term investor.

Remember, too, that the IRS does not treat bitcoin like dollars or other currency. Buying and selling bitcoin incurs the same capital gains taxes as stocks, which means those wild swings could land you a hefty tax bill.

Calling bitcoin an investment is like calling a lottery ticket a financial strategy. It's a gamble, pure and simple. One fueled by hype, speculation, and a dash of digital snake oil. If you are looking for a dependable store of value, look elsewhere at a diversified portfolio of real assets.

Cryptocurrency is the circus sideshow of the financial world, dazzling and dangerous in equal measure. A recommendation? Just watch the show from the sidelines. The entertainment value is likely to cost you much less that way. Alternatively, you might consider investing in the crypto miners, the computer infrastructure underlying the crypto currencies. There at least you won something tangible, computers and a warehouse. Some limited partnerships actually distribute their income, unlike their publicly traded relatives, transforming your crypto investment from equity-like to credit-like.<sup>5</sup>

## **Footnotes And Sources**

1. The Wall Street Journal, February 29, 2024
2. CNBC.com, February 29, 2024
3. MarketWatch.com, March 01, 2024
4. CNBC.com, February 27, 2024.

## 5. [advisorperspectives.com/articles/2024/02/05/bitcoin-investment-efts-do-not-make-less-risky?topic=alternative-investments](https://advisorperspectives.com/articles/2024/02/05/bitcoin-investment-efts-do-not-make-less-risky?topic=alternative-investments)

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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