



## WEEKLY ECONOMIC UPDATE JAN. 29, 2024

Stocks continued their upward climb last week as excitement around big tech continued; positive economic reports stoked investors' belief that the Federal Reserve has pulled off a soft landing.

### **Stocks Power Ahead**

Big tech was back last week, pushing the Dow and the S&P 500 to new highs early in the week as markets resumed the late Q4 rally.

The so-called "Magnificent Seven" stocks—comprising 28% of the S&P 500 Index—resumed their pole position at the head of the pack as investors maintained their artificial intelligence (AI)-related bullishness and rewarded widespread cost-cutting at many tech giants. While the rally fizzled on Friday, the week's gains were slow but steady.<sup>1,2,3</sup>

The big economic news last week was better-than-expected economic growth and inflation news. Real Gross Domestic Product grew at a 3.3% annualized clip in Q4 2023, ahead of Wall Street consensus expectations of 2%.

The Personal Consumption Expenditures (PCE) Index, one of the Fed's most favored inflation gauges, showed core inflation (excluding food and energy) cooled in December, with an annualized rate of 2.9%, beating consensus expectations. Core inflation was 3.2% on an annualized basis—its lowest level since March 2021. While the inflation update didn't move markets much, it helped validate investors' optimism that Fed policy has maintained economic growth while bringing inflation down.<sup>4</sup>



## Major Index Return Summary

Name	ROC 5	1M TR	YTD TR	1Y TR
<b><u>Dow Jones Industrial Average</u></b>	0.65%	1.59%	1.20%	14.69%
<b><u>MSCI EAFE</u></b>	2.00%	0.57%	-0.56%	9.14%
<b><u>Nasdaq Composite</u></b>	0.94%	2.56%	2.98%	35.37%
<b><u>S&amp;P 500</u></b>	1.06%	2.54%	2.62%	22.43%

## 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><u>10 Year Treasury Rate</u></b>	<b>4.15%</b>	3.89%	6.68% ▲
01/26/24		4.86%	-14.61% ▼
		3.49%	18.91% ▲

Source: YCharts.com, January 27, 2024. Weekly performance is measured from Monday, January 22, to Friday, January 26.

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.

## Earnings Season Feeds FOMO

The market digested Q4 earnings news from some of the largest companies, with enthusiasm feeling like FOMO. The “fear of missing out” drove much investor sentiment and seemed to build market momentum.

While the enthusiasm for AI continues to be one driver of technology stock prices, the spotlight last week was on layoffs. Over 23,000 workers at 85 tech companies have lost their jobs this month. The market appears to be rewarding the cost-cutting measures, with many tech giants repositioning themselves with AI in mind, and some analysts inferring that this emphasis on efficiency may encourage investors.<sup>5,6</sup>

## This Week: Key Economic Data

**Tuesday:** FOMC Meeting. Consumer Confidence. Home Price Index.

**Wednesday:** FOMC Announcement/Fed Chair Press Conference.

**Thursday:** Jobless Claims. ISM Manufacturing Index. Fed Balance Sheet.

**Friday:** Employment Situation.

## Quote of the Week



*“The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding.”*

– Louis Brandeis

## Of Note



Inflation is dead! At least that's what you would think if you listened to government officials and talking heads in the financial media. So, how is this victory over inflation working out for the average person? Not so great.

Based on official DPI data, price inflation has cooled somewhat, although it remains far above the Federal Reserve's 2% target. That hasn't stopped President Biden and most of the mainstream financial media from declaring victory over rising prices. Biden even suggested that companies should start cutting prices since inflation is falling.

It's important to remember that even if we believe the government numbers and price inflation is cooling, that doesn't mean consumers are getting any relief. Prices are not falling. They're just going up slower than they were six months ago.

And those price increases are cumulative. Since January 2022, prices have risen 9.7% based on the CPI. And the CPI is designed to understate rising prices. In other words, we're all still coping with much higher prices no matter what the latest CPI report says. And the suffering is far worse than sterile BLS reports indicate.

This becomes clear when we go out in the real world and stop listening to news people spouting government numbers. Ironically, we can learn more about the actual impact of inflation from the movie Home Alone than we can from some guy on CNBC droning on and on about the CPI. In this 1990 classic, 8-year-old Kevin McCallister's family went on a holiday trip to Paris and accidentally left him alone in his house. Chaos ensues. You may recall that after realizing he's alone, Kevin makes a trip to the grocery store. After all, a kid has to eat. Kevin bought a basket full of groceries including a half-gallon of milk, orange juice, Wonder Bread, a Stouffer's frozen turkey dinner, toilet paper, Snuggle dryer sheets, Tide liquid laundry detergent, plastic wrap, Kraft macaroni and cheese, and a bag of army men. He paid a grand total of \$19.83 with a \$1 off coupon for the orange juice.

In 2022, that same basket of groceries would have cost around \$44.40 based on a shopping trip by a West Virginia mother. That's a 123.9% increase. (Keep in mind prices vary somewhat depending on the store and location.)

This year, Kevin would have to fork out a whopping \$72.28 for his provisions at a Chicago store. That's another 62.8% increase in just one year. Since 1990, the price of Kevin's groceries has gone up over 264%. So much for that 3.1% CPI. This just goes to show that real-life price inflation is far worse than the official numbers indicate.<sup>7</sup>

## Footnotes And Sources

1. The Wall Street Journal, January 22, 2024

2. CNBC.com, January 22, 2024
3. The Wall Street Journal, January 25, 2024
4. CNBC.com, January 25, 2024
5. Slickcharts.com, January 26, 2024
6. CNBC.com, January 26, 2024
7. [zerohedge.com/personal-finance/inflation-real-life-much-worse-government-fantasy-world](https://www.zerohedge.com/personal-finance/inflation-real-life-much-worse-government-fantasy-world)

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