

Weekly Market Perspectives

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Anthony Saglimbene

Chief Market Strategist
Ameriprise Financial

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Can The Bull Market Handle A Mid-Life Crisis?

U.S. stocks finished mostly lower last week. The S&P 500 Index and Dow Jones Industrials Average ended the week essentially flat, while the NASDAQ Composite dropped for the second consecutive week. The Russell 2000 Index experienced its worst week since the opening of the year. However, the roughly 2.0% loss in the small-cap stock benchmark last week remains modest when compared to the roughly +25% gain the Index has experienced since its October lows. Notably, hotter-than-expected February inflation data and slowing retail sales trends created more chop across stock momentum last week and pushed back on the notion, at least on the surface, that Federal Reserve rate cuts are coming soon. That said, the S&P 500 and Dow remain less than 2.0% off their 52-week highs, while the NASDAQ and Russell 2000 sit less than 4.0% away from their recent market tops.

It’s important to note that stocks have come a long way in recent months. In fact, the last several months of stock performance in the U.S. has seen some of the longest stretches of consecutive weekly gains for the major averages in decades. And while not much changed fundamentally last week following the warmer inflation prints, stocks likely need additional positive catalysts to continue to push higher, in our view. At the same time, catalysts that are less friendly to supporting the *soft-landing narrative* (i.e., positive growth trends and lower interest rates) could be met with some near-term selling pressure, given such strong gains recently. Yet, we believe longer-term investors should look through these potential market gyrations over the near term as long as fundamental conditions remain on a sound base.

Energy (+3.7%), Materials (+1.5%), and Communication Services (+0.4%) outperformed the S&P 500 last week, while Real Estate (-3.1%) and Consumer Discretionary (-1.2%) underperformed. Tesla (-6.7%) and Meta Platforms (-4.3%) were notable laggards.

U.S. Treasury prices weakened as yields across the curve rose all week. The 2-year and 10-year Treasury yields rose over 20 basis points on the week in response to lingering inflation pressures and \$117 billion in Treasury auctions. The U.S. Dollar Index was stronger across a basket of major currencies, Gold finished the week fractionally lower, and West Texas Intermediate (WTI) crude rose +2.6%.

Continued focus on inflation

Without a doubt, investors’ primary focus last week was centered on inflation, which continues to show a non-linear path toward the Fed’s 2.0% target. The headline Consumer Price Index (CPI) rose +3.2% year-over-year in February, hotter than forecast as well as January’s +3.1% level. Core CPI, which excludes food and energy, rose +3.8% year-over-year in February, also hotter than forecast but a tick lower than January’s +3.9% reading. Although the top-line consumer inflation readings were somewhat disappointing, super core and Owners’ Equivalent Rent (OER) measures of inflation in the February CPI report came down, leaving the broader disinflation narrative intact, in our view.

Nevertheless, a hotter-than-expected February Producer Price Index (PPI) print and a softer-than-expected retail sales report late in the week put pressure on stock prices. Headline PPI on both a month-over-month and year-over-year

basis surprised to the upside modestly, while core PPI was also warmer than estimates. In addition, while retail sales improved month-over-month versus January's unexpected decline (revised even lower than initially reported), sales ex-autos in February were weaker than forecast.

Bottom line: Last week's updates on inflation suggest there are stickier components within consumer and producer pricing that likely justify the Federal Reserve's "wait-and-see" approach to cutting interest rates. This week's FOMC meeting will be closely watched not only for policy language on inflation trends but also if there has been a change in where policymakers see rate policy headed through the rest of the year. More on that below.

In other items of interest last week, a preliminary look at March inflation expectations within the Michigan Sentiment Survey showed little change from February and helped add support that consumer inflation expectations remain well-anchored.

Pushback against Big Tech concerns

Finally, there was a little more pushback last week against growing concerns that Big Tech, and by extension, the overall market, is in a "dot-com-like" bubble. For instance, while an increasing number of S&P 500 constituents are hitting new 52-week highs, fewer than a third of the Index has hit record levels. That is less frothy than during the tech bubble in the late 1990s and early 2000s and may still leave room for stocks to rally higher. Importantly, outsized, secular-driven profit growth remains concentrated in Big Tech. *Goldman Sachs* recently highlighted that since 2019, the Magnificent Seven has collectively delivered a +28% annualized return, with 20 percentage points coming from sales growth, roughly 7 percentage points from margin expansion, and just 1 percentage point coming from multiple expansion. Notably, that earnings strength is seen continuing in the first quarter. According to *FactSet* estimates, Communication Services, Information Technology, and Consumer Discretionary are expected to be some of the largest contributors to Q1'24 earnings per share (EPS) growth. Big Tech sits prominently in these three sectors. For example, if Meta Platforms is excluded from Communication Services, the sector's expected Q1'24 EPS growth would fall to +9.3% year-over-year from +19.4%. Similarly, if NVIDIA is excluded from Information Technology, the sectors' expected Q1'24 EPS would fall to +6.2% year-over-year from +18.9%.

Bottom line: While continued resiliency across the U.S. economy and broadening profit and performance participation across the S&P 500 could be a positive for the overall market and help strengthen the bull market over time, we believe investors shouldn't lose sight of the areas that continue to drive the bulk of corporate profits. In our view, the profit growth associated with Big Tech today stands in stark contrast to the profitless companies that drove the tech wreck at the turn of the century.

The week ahead

Speaking of bull markets, thus far, the current bull market in the S&P 500 has run 517 trading days. In relation to the other 26 bull markets for the S&P 500 going back to 1929, the current stretch would put this bull market right at the median point, according to *Bespoke Investment Group*. However, the average bull market has lasted twice as long at 1,011 days. As *Bespoke* also notes, that's because the last few decades of bull markets have lasted extremely long. In terms of current bull market gains, the S&P 500 is higher by +44.7% since mid-October 2022, which is well below the median bull market gain of +76.7% and not even half the average bull market gain of +114.4%. So, at least by historical standards, there may be gas left in this bull's tank.

Bottom line: In our view, the current bull market is really just an extension of improving economic conditions and inflation trends since the end of 2022. At the same time, improved investor confidence, working consumers, healthy savings and debt conditions, and increasing corporate profit growth have added further fuel to the bull market this year. As long as these fundamental conditions remain on track, the bull market should be able to weather a mid-life crisis should one occur.

Dialing in on the week, it's really all about the Federal Reserve. Policymakers will deliver their rate decision and an updated Summary of Economic Projections on Wednesday. Although the Fed is widely expected to leave rate policy unchanged at the conclusion of its March meeting, updated forecasts for the number of rate cuts this year will likely see outsized attention from investors. In December, the median forecast for rate cuts in 2024 included three 25-basis point cuts in the fed funds rate. Given warmer-than-expected inflation and resilient growth over recent months, investors are anxious that policymakers, in aggregate, may dial back the number of rate cuts for this year. Although stocks have looked past the market reducing rate cut expectations for this year, will they remain so hopeful if the Fed themselves sees less room to cut? In our view, it's all about the dot plot and how the Fed frames inflation forecasts through the rest of this year. Other items of note this week include a batch of housing data and preliminary looks at March manufacturing and services activity on Thursday.

Overseas, the Bank of Japan (BOJ), Bank of England (BoE), Reserve Bank of Australia (RBA), and a few others will also provide monetary policy updates this week. Outside of the Fed, the BOJ could make some waves on Tuesday if it decides to hike its key interest rate for the first time since 2007. Given that policymakers in Japan are growing more confident about achieving their 2% inflation target, the BOJ may be nearing a point where it can finally move off its decade-plus-long negative interest rate policy. While this week's meeting may not provide liftoff, we anticipate the BOJ will at least set the stage for a rate hike in April.

Stock Market Recap							
Benchmark	Total Returns			LTM PE		Yield %	
	Weekly	MTD	YTD	Current	5-Year Median	Current	5-Year Median
S&P 500 Index: 5,117	-0.1%	0.5%	7.6%	25.3	21.5	1.4	1.6
Dow Jones Industrial Average: 38,715	0.0%	-0.6%	3.2%	23.1	19.8	1.8	2.1
Russell 2000 Index: 5,068	-2.0%	-0.6%	0.9%	43.9	36.8	1.3	1.4
NASDAQ Composite: 15,973	-0.7%	-0.7%	6.6%	38.7	34.2	0.7	0.8
Best Performing Sector (weekly): Energy	3.8%	6.3%	9.3%	11.6	10.8	3.4	3.9
Worst Performing Sector (weekly): Real Estate	-2.8%	-0.2%	-2.5%	36.8	36.6	3.3	3.0

Source: Factset. Data as of 03/15/2024

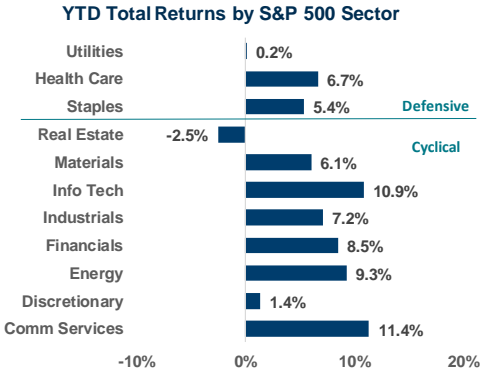
Bond/Commodity/Currency Recap			
Benchmark	Total Returns		
	Weekly	MTD	YTD
Bloomberg U.S. Universal	-1.1%	0.0%	-1.4%
West Texas Intermediate (WTI) Oil: \$80.99	2.6%	2.2%	12.7%
Spot Gold: \$2,156.01	-1.1%	5.5%	4.5%
U.S. Dollar Index: 103.43	0.7%	-0.7%	2.1%
Government Bond Yields	Yield Chg		
	Weekly	MTD	YTD
2-year U.S. Treasury Yield: 4.72%	25 bps chg	11 bps chg	47 bps chg
10-year U.S. Treasury Yield: 4.32%	23 bps chg	7 bps chg	43 bps chg

Source: Factset. Data as of 03/15/2024. bps = basis points

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Important Disclosures

Sources: FactSet and Bloomberg. FactSet and Bloomberg are independent investment research companies that compile and provide financial data and analytics to firms and investment professionals such as Ameriprise Financial and its analysts. They are not affiliated with Ameriprise Financial, Inc.



Source: S&P Global, Factset. Data as of 03/15/2024

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The fund's investments may not keep pace with **inflation**, which may result in losses.

A rise in **interest rates** may result in a price decline of fixed-income instruments held by the fund, negatively impacting its performance and NAV. Falling rates may result in the fund investing in lower yielding debt instruments, lowering the fund's income and yield. These risks may be heightened for longer maturity and duration securities.

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Past performance is not a guarantee of future results.

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

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The **Dow Jones Industrial Average** (DJIA) is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Standard & Poor's 500 Index** (S&P 500® Index), an unmanaged index of common stocks, is frequently used as a general measure of market performance. The index reflects reinvestment of all distributions and changes in market prices but excludes brokerage commissions or other fees.

The **NASDAQ composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

The **US Dollar Index** (USDIX) indicates the general international value of the USD. The USDIX does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

The **Consumer Price Index** (CPI) is an inflation indicator that measures the change in the total cost of a fixed basket of products and services, including housing, electricity, food, and transportation. The CPI is published monthly by the Commerce Department and is also commonly referred to as the cost-of-living index.

University of **Michigan Consumer Sentiment Survey** is a rotating panel survey based on a nationally representative sample of households in the coterminous U.S. The minimum monthly change required for significance at the 95% level in the Sentiment Index is 4.8 points; for Current and Expectations Index the minimum is 6.0 points.

Producer Price Index (PPI) measures change in the prices paid to U.S. producers of goods and services. It is a measure of inflation at the wholesale level. The index is published monthly by the U.S. Bureau of Labor Statistics (BLS).

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