



The Weekly Market Update – 1/22/24: Leading Equity Index at New High

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	4,839.81	1.17%	1.47%	1.47%	26.05%	4,839.81	0.0%
Dow Jones Industrial Average	37,863.80	0.72%	0.46%	0.46%	14.23%	37,863.80	0.0%
NASDAQ Composite	15,310.97	2.26%	2.00%	2.00%	46.29%	16,057.44	4.9%
Russell 2000	1,944.39	-0.34%	-4.08%	-4.08%	10.40%	2,442.74	25.6%
MSCI EAFE (USD)	2,179.25	-2.14%	-2.54%	-2.54%	12.11%	2,398.71	10.1%
MSCI Emerging Markets (USD)	970.91	-2.55%	-5.16%	-5.16%	1.52%	1,444.93	48.8%
Bloomberg Commodity Index	96.80	-1.18%	-1.87%	-1.87%	-14.19%	237.95	145.8%
Barclays U.S. Aggregate Bond	90.36	-1.10%	-1.46%	-1.46%	1.66%	112.07	24.0%

Source: FactSet

The S&P 500 index closed at an all-time high Friday, completing a two-year recovery. On 1/19/24, the widely followed, large-company S&P 500 equity index closed at 4,840, its first time above 4,800 and the highest close since 1/3/22 (4,796). From that date, the 2022 bear market (we define as a peak-to-trough decline of at least -20%) began, ultimately making a low of 3,577 on 10/12/22 (down -25.4% from the peak). It took just 15 months to return to new highs. We looked at the 10 S&P 500 bear markets since 1960 and the average time from the closing low to a new closing high was 26 months. From the October 2022 low, the index has gained +35.4%, including +24.2% in 2023 and +1.5% in 2024 (year-to-date, YTD, through 1/19/24). We attribute sustained equity market gains over the past 15 months to better-than-expected U.S. economic growth, moderating inflation, and an investor view that the Federal Reserve Bank (Fed) will make a 2024 pivot to lowering its short-term interest rate target. Last week's surge (the S&P 500 and Nasdaq Composite indices gained +1.2% and +2.3%, respectively) was led by the Information Technology sector and growth stocks (generally representative of companies and sectors with above-average earnings growth potential). The S&P 500 Technology sector rallied +4.3% for the week and was up +4.9% in January through 1/19/24. It was one of three global industry classification standards (GICS) sectors to exceed the S&P 500's YTD return; the other two were Communications Services (+4.2%) and Health Care (+2.2%). In addition, the large-company Russell 1000 index gained +1.2% YTD through 1/19/24, with the Russell 1000 Growth component up +3.0%, while the Russell 1000 Value index declined -0.9%. The S&P 500 trades at 20.0x the FactSet consensus (from Wall Street analysts) 2024 earnings estimate (price-to-earnings, or P/E ratio), which is 22% above the 16.4x average since 2000. We believe that investor optimism for 2024 earnings growth has contributed to continued equity market gains this year with consensus estimated 2024 earnings growth for the Technology and Health Care sectors of +18.1% and +16.8%, respectively (as of 1/19/24).

Retail sales grew more than expected in December, providing ongoing data showing resilient consumer spending. According to the Census Bureau, U.S. retail sales increased +0.6% in December 2023 vs. November 2023 (month-to-month, M/M) and +4.0% (not seasonally adjusted) compared to December 2022 (Y/Y). On a 3-month rolling average, U.S. retail sales increased +3.5% in December, exceeding the 3-month average in November and October, indicating that retail sales growth modestly accelerated during the fourth quarter (4Q23). Following the results, U.S. 4Q23 economic growth (gross domestic product, or GDP) estimates moved higher, with FactSet (from Wall Street economists) reflecting a +1.5% consensus estimate (up from +1.0% a week earlier) and the Federal Reserve Bank of Atlanta's GDPNow estimate at +2.4%.

Earnings and economic data are in the spotlight this week as 4Q23 data sets the stage for 2024. Earnings reports from 75 S&P 500 companies are scheduled this week. Estimates have slipped in January; the FactSet consensus reflects a -1.0% earnings per share (EPS) decline vs. +1.9% EPS growth expected at the end of December. This has not changed the outlook for 2024, however, with full-year EPS estimated to grow +12.0%. The largest expected positive contributor to 4Q23 results is the Technology sector. The Bureau of Economic Analysis, BEA, will report the first estimate of 4Q23 GDP growth on Friday. If growth is reported in-line with the +1.5% consensus estimate (annualized quarterly growth adjusted for inflation), 2023 full-year GDP growth should come in at +2.4%.

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