

WEEKLY INSIGHT

February 16th, 2024

Earnings Season Showing Strong Results

Equities were up marginally for the week despite falling after reaching record highs. Investors continue to adopt a “risk-on” mentality despite lofty price-to-earnings (P/E) valuations as corporate earnings appear to be generally strong. The S&P 500 finished up 0.1%, while the NASDAQ rose 0.6%. Small caps rose significantly during the week gaining 2.4%. Treasury yields backed up to three-month highs with bond indices falling 0.9%

At the beginning of 2024, over 90% of the stocks in the S&P 500 were trading above their 50-day moving average. This continued the bullish momentum that had occurred during the last two months of 2023 in a broad-based rally across a large number of sectors and companies. However, by early February the percent of stocks trading over their 50-day moving average had fallen to 63%, despite the S&P 500 gaining almost 5% in the first six weeks of the year. The market rally was more restricted to a small number of stocks and sectors, echoing the same characteristics of the first 10 months of 2023.

January Inflation Higher than Expected

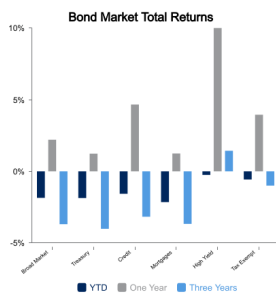
Inflation, as measured by the Consumer Price Index (CPI), came in higher than forecasted in January (3.1% actual versus 2.9% forecasted). Although January’s CPI was lower than the previous month (3.4%), inflation appears to remain sticky with several categories of goods and services exhibiting relatively high levels of inflation. Shelter costs, auto insurance and recreation continue to show signs of relatively high rates of inflation. Equity markets sold off following the release of the CPI number as investors perceived persistent inflation puts potential rate cuts by the Federal Reserve for 2024 at risk.

Fourth Quarter Earnings Relatively Strong

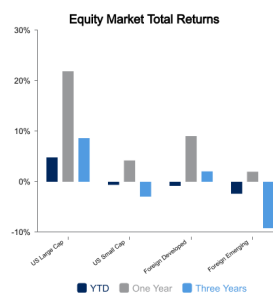
The month of February marks the fourth quarter earnings results season. With two-thirds of the S&P 500 companies having reported fourth quarter earnings thus far this month, approximately 80% of companies have beat analysts’ expectations. Compared to the fourth quarter of 2022, earnings are expected to grow 9%. This is higher than expectations were at the start of 2024 as results are coming in relatively strong across most sectors. Calendar-year 2024 earnings growth is forecasted to be 9.7% compared to calendar-year 2023, primarily led by Information Technology and Communication Services companies. The bulk of the forecasted earnings growth is expected to be limited to a small handful of sectors.

Labor Market Showing Continued Strength

During the latest quarterly earnings season there have been several bellwether companies of note across various sectors announcing layoffs in order to cut costs and optimize operating margins. However, weekly initial jobless claims are down from their two-year highs that peaked in June of 2023 and are currently at the midpoint of the two-year range. This would indicate a rebalancing of a continuing resilient labor market as the unemployment rate is currently at 3.7%, still at the very low end of its historic range.



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Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b)	5.50	4.75	0.25
3-Month T-Bill	5.38	4.75	0.04
10-Year Treasury	4.26	3.80	1.21
30-Year Treasury	4.43	3.84	2.01
10-Year Corporate AA	#N/A	N/A	4.31
10-Year High Yield Corp.	6.67	7.14	4.41
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz)	1,992.33	1,836.01	1,818.86
Oil (WTI, \$/barrel)	76.64	78.59	59.47
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	104.72	103.92	90.48
USD/EUR	0.93	0.94	0.82
USD/JPY	150.58	134.16	105.38

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