SIGHT|LINES

MARKET PULSE

February 22, 2024

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- Equities rose today, with the information technology and consumer discretionary sectors performing best.
- The S&P 500 rose 2.11%, the Dow Jones Industrial Average (Dow) was up 1.18%, and the Nasdaq rose 2.96%.
- Non-U.S. markets were higher. The DAX (Germany) was up 1.47%, and the Nikkei (Japan) was up 2.19%.
- The 2-year Treasury yield rose 4 basis points (bps) to 4.71%, and the 10-year Treasury was unchanged at 4.32%.

CATALYSTS

- U.S. equity markets rose today with the S&P 500 setting a new record high on the heels of Nvidia's (NVDA) fourth quarter results, which reaffirmed the continued demand for artificial intelligence (AI) systems. The company's Chief Financial Officer commented that she believes "the world has reached the tipping point of a new computing era" with demand surging globally across companies, industries, and nations. This led to a broader rally in technology stocks, including software and semiconductors. For reference, NVDA is just over 4% of the S&P 500.
- Equity markets continued their strong momentum this year, largely as a result of solid earnings results from the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla). These seven companies account for almost 30% of the S&P 500 market cap and have contributed almost half of its 34.8% return since the start of 2023. Our latest Investment Strategy Brief delves into the transformative impact of AI and whether this boom is temporary or enduring. While we believe we are on the brink of a new era with AI as the transformative force, we do see risks and the potential for volatility ahead. Last week's hotter-than-expected inflation report was a reminder that the Federal Reserve (Fed) still faces challenges in cooling inflation to its 2% target.

INVESTMENT STRATEGY OUTLOOK

- Entering 2024, we observe several enduring changes in the post-pandemic world that may well require a recalibration of market expectations. Read our full *Outlook 2024: Embracing Change* report here.
- We expect core personal consumption expenditure (PCE) inflation to fall to 2.00%-2.25% by the end of 2024 and the Fed to potentially ease monetary policy with two or three 25-basis-point cuts in the second half of the year.
- Our base case outlook calls for a soft landing, but we acknowledge a reasonable chance of a mild recession. The consumer, who of late may well be "spending beyond their means," will be an important factor.
- We're anticipating positive calendar year returns for stocks (6.3%), but with increased volatility and market weakness at some points throughout the year. We believe consensus forecasts for earnings growth are too optimistic.
- We believe we are in a new interest rate regime and expect interest rates to remain well above their pre-COVID levels in this new business cycle. We expect the 10-year Treasury to be less volatile in 2024 and remain range-bound between 3.75%-4.25% for much of the year.
- For more insights and market commentary visit Stifel Insights.

Past performance does not indicate future results. The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Dow Jones Industrial Average is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market, and Capital Market. The Nikkei 225 consists of the shares of the 225 largest companies in Japan. The DAX Index consists of the 30 most actively traded German companies on the Frankfurt Stock Exchange.

TBD

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