



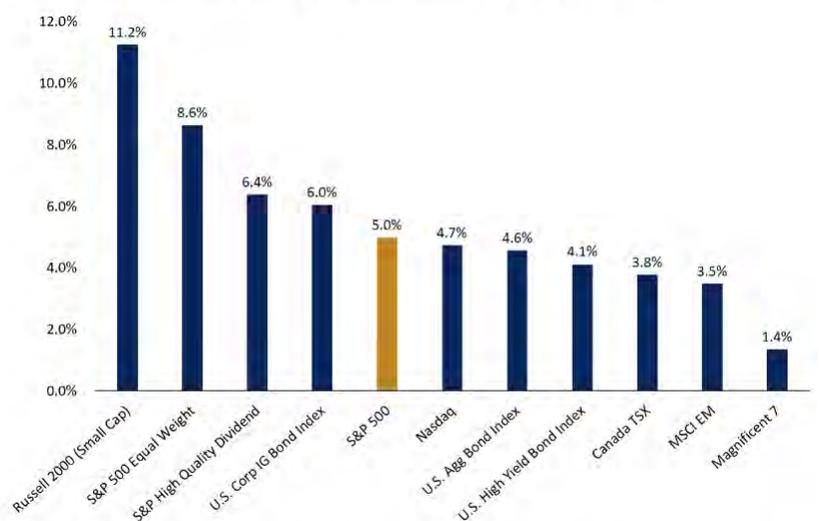
MARKET MENTIONS: Santa aka a Dovish Fed Came Early This Holiday

- Last week's December FOMC meeting proved to be a pivotal one for markets:
 1. The "dot plot" pointed to three rate cuts in 2024
 2. The Fed signals a form of a soft landing in the economy with a steady unemployment rate
 3. Fed Chair Jerome Powell reaffirmed the notion that inflation doesn't have to reach 2.0% for the Fed to start cutting rates
- Also, last week's retail sales report surprised to the upside, with total retail sales increasing 0.3% m/m on a seasonally adjusted basis in November. Excluding auto and gas, retail sales increased 0.6% m/m, up from 0.1% growth in October. Sales at gasoline stations decreased 2.9% due to falling energy prices. Auto sales rebounded 0.5% after falling 1.1% the prior month. Elsewhere in the report, sales in food services, furniture, health & personal care, and sporting goods all increased, while sales in electronics & appliances and building materials both decreased, demonstrating consumers' continued preference for services.
- Importantly, sales in the control group, which includes the categories used to calculate GDP, increased 0.4% in November, above expectations and up from a flat reading in October. As a result, GDP estimates for Q4 were revised upwards. The Atlanta Fed's GDPNow model is currently projecting real GDP to grow 2.6% q/q in 4Q23, up from its estimate of 1.2% a week prior. In addition, healthy retail sales data along with a favorable headline CPI reading, a cooler than expected PPI report, and the FOMC's dovish pivot should similarly augur well for profits in Q4.

CHART OF THE WEEK

We are starting to see a broadening of market leadership emerge, especially as the notion of lower rates next year is embraced by investors. Over the past month, the Magnificent 7 stocks, which have led most of the year, were up just 1.5%, while the Russell 2000 small-cap index, a laggard in 2023, was up nearly 11%.

The laggards play some catch-up, one-month returns (%), as of 12/14/23



Source: Data as of 12-14-23. Edward Jones – Weekly Market Wrap. Dec 15 2023. <https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-market-weekly-update>

Source: Bloomberg. Magnificent 7 includes Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla.

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Moe Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moeez evaluates the markets using industry-leading technical and fundamental analysis.

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