



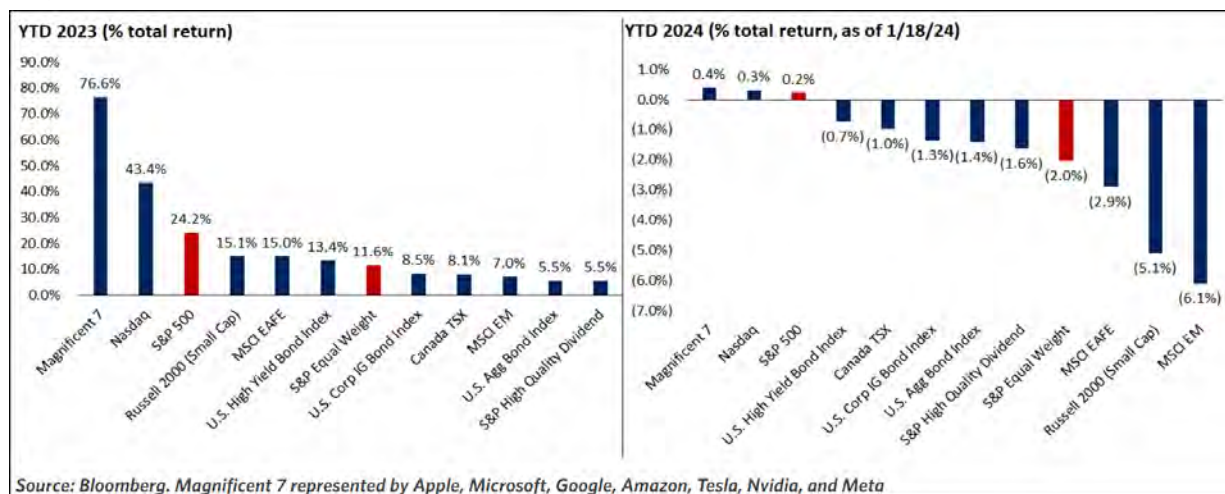
MARKET MENTIONS: “Return of the Mag” 7

- The S&P500 made a new all-time high of 4,839 on Friday, so thus far 2024 seems like a resumption of 2023. Other sectors that lead the rally in late 2023 like small-cap stocks, the broader equal-weight S&P 500, and investment-grade bonds, have now come under some pressure early in 2024. From a sector perspective, technology and communication services remain leaders, but we are also seeing some outperformance from defensive parts of the market, like health care and consumer staples.
- This week we will get a first look at U.S. 4th quarter GDP on January 25, which could offer a clue on the direction of economic growth and consumption coming into the new year. Thus far, expectations are for GDP growth to fall from 4.9% annualized to around 2.0% in the 4th quarter. However, the Atlanta Fed's GDP-Now tracker, a real-time indicator of GDP based on current economic data, indicates that growth in the 4th quarter may have been closer to 2.4%. If U.S. GDP growth does come in around 2.4%, this will be the fifth quarter that economic growth has been above trend growth of 1.5% - 2.0%, despite rapidly rising interest rates and elevated inflation.
- Also this week we get the PCE and Core PCE inflation numbers on January 26. Inflation and the direction of inflation has been a focal point for financial markets and consumers. The inflation data thus far in 2024 has been more mixed. The CPI (consumer price index) inflation figures have surprised to the upside, while the PPI (producer price index) inflation data has surprised to the downside. Expectations are for headline PCE inflation for December to remain flat at 2.6% year-over-year, while core PCE inflation is expected to fall from 3.2% to 3.0%. Keep in mind that the Fed had projected at its December meeting that both headline and core PCE inflation would reach 2.4% in 2024. So while the direction of travel has been positive, the Federal Reserve may prefer to see inflation, particularly core inflation, closer to its 2.4% forecast this year before signaling rate cuts.

CHART OF THE WEEK

This chart shows the performance of various asset classes in 2023 and year-to-date. After a strong year in 2023, the Magnificent 7 remain leaders year-to-date. Will this trend continue throughout 2024? We think it is possible but just to a much lesser degree than 2023.

Early Q4 2023 earning results show the tech sector demonstrating solid earnings resulting from head count and cost management along with the strong demand for digital and AI-related capabilities.



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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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