

Market Watch

March 25, 2024

Primary Market Drivers

Inflation

February Core PCE will be released this Friday, 3/29. The Fed reiterated its plan for 75bps worth of rate cuts in 2024 at last week's meeting, though many are looking at February's inflation data as evidence that the central bank should instead hold off. Recall a couple of weeks ago, February CPI rose 0.4% m/m, in line with expectations. The y/y figure increased +3.2%, which was slightly higher than expectations for an increase of +3.1%. Shelter costs and Energy prices were the main culprits, accounting for over 60% of the total gain. The market met the data with a collective shrug and equities resumed their rally. February PPI came in well above expectations at +0.6% m/m vs expectations for +0.3%. The y/y pace was +1.6%, which was the biggest move up since September 2023. Neither readings were particularly good news, and all eyes now turn to Friday's Core PCE report.

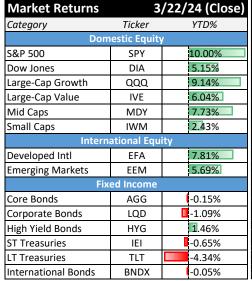
Fed Policy

Last week, the Fed left rates unchanged at 5.25% - 5.50%, the fifth consecutive month without an adjustment. The decision was a foregone conclusion, though investors were far more interested in what the central bank had to say regarding future policy. Despite inflation proving stubborn to move below 3% and an economy remains stronger than most would've anticipated, the Fed stuck to its "75 bps worth of rate cuts in 2024" plan established at the beginning of the year. Powell's tone was decidedly more dovish than it has been in some time, and the market took notice. CME's FedWatch Tool currently places odds of a June cut at just under 75%, up significantly from last week. Suddenly, the "data-dependent" Fed seems rather determined to cut rates as the election looms.

Economic Data

Last week's attention was focused on the Fed meeting and what was essentially the final significant week of earnings announcements. Takeaways from the Fed meeting leaned dovish, which helped equities make another new all-time high last Wednesday on most major indices. Earnings takeaways were somewhat muted, though a strong announcement from Micron helped drive some renewed excitement in semicodunctors not named Nvidia. This week's economic calendar is busy, as we get data from a variety of segments: Durable Goods Orders (3/26), Consumer Confidence (3/26), FHFA House Price Index (3/26), US Q4 GDP (3/28), Chicago PMI (3/28), Michigan Consumer Sentiment (3/28), Pending Home Sales (3/28), Personal Spending & Income (3/29), and the main focus this week, February Core PCE (3/29).

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems In





Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary		
What's Working	What's Not	What's Next
Long-Term Disinflation	Economy Still Slowing	February Core PCE (3/29)
Fed Pause / Three Rate Cuts Projected	Core Inflation Stubborn & Elevated	US Q4 GDP (3/28)
Strong Labor Market & GDP	Yield Curve Inversions Persist	What's the next big market driver?
Earnings Growth	Elevated Interest Rates	
Recession Unlikely	Ongoing Global & Domestic Conflicts	
Bull Market & New All-Time Highs	Federal Deficit	

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