

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 semiconductors 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 Inc.

Market Returns 3/22/24 (Close)

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	10.00%
Dow Jones	DIA	5.15%
Large-Cap Growth	QQQ	9.14%
Large-Cap Value	IVE	6.04%
Mid Caps	MDY	7.73%
Small Caps	IWM	2.43%
International Equity		
Developed Intl	EFA	7.81%
Emerging Markets	EEM	5.69%
Fixed Income		
Core Bonds	AGG	-0.15%
Corporate Bonds	LQD	-1.09%
High Yield Bonds	HYG	1.46%
ST Treasuries	IEI	-0.65%
LT Treasuries	TLT	-4.34%
International Bonds	BNDX	-0.05%



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	

Disclosures

The views and opinions expressed herein are solely those of the authors, Ken Hartley, CFA, and Don Moening, and do not reflect the opinions or beliefs of Clarus Wealth Advisors and/or Private Client Services. The content of this report is for informational purposes only and is not investment advice. Market information, statistics, and economic data referenced in the Portfolio Manager Commentary were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc, and Ned Davis Research, a paid third-party research provider.

Clarus Wealth Advisors, LLC is a registered Investment Advisor with the Securities Exchange Commission.

Securities offered by Registered Representatives of Private Client Services, Member FINRA/SIPC.

Clarus Wealth Advisors LLC and Private Client Services are unaffiliated companies.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investors should carefully consider investment objectives, risks, charges and expenses before investing. Some risks to consider are:

Equity Market Risk : *Economic, market, political, and issuer-specific conditions and events will cause the value of equity securities to rise or fall. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.*

Value Investment Risk : *Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform equity funds that use other investment strategies.*

Small Company Risk : *Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.*

Tax Advantage Strategy Risk : *An investment strategy that considers the tax implications of investment decisions may alter the construction of portfolios and affect portfolio holdings, when compared to those of non-tax managed. The Clarus Wealth Advisors anticipates that performance of a tax-managed portfolio may deviate from that of non-tax managed portfolios.*

Cyber Security Risk : *Clarus Wealth Advisor's use of internet, technology and information systems may expose the Portfolio to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, among other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause a portfolio and/or its service providers to suffer data corruption or lose operational functionality.*

Portfolios are subject to change at any time and are under the sole discretion of Clarus Wealth Advisors, LLC.