Scott Gunn | Mar 29, 2024

February 2024

Markets in Review

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Stock markets jumped higher again, as the S&P 500 rose 5.2% during February (increasing its year-to-date gains to 6.8%) and the MSCI All Country World index rose 4.2% during the month (which improves its year-to- date return to 4.7%). The Bloomberg BarCap U.S. Aggregate Bond index, on the other hand, dropped -1.4% during February, reducing its year-to-date return to -1.7%.

This was the second month in a row that was positive for stocks, but negative for bonds, as the Federal Reserve indicated that they were going to take longer than expected to cut interest rates this year. The economy continues to grow, but price levels are still high and increasing at a rate that is above the Fed's target, which is good for corporate profits, but bad for lenders if interest rates stay higher for longer.

Monthly Highlights

Powell explains that the Federal Reserve doesn't want to cut rates too soon

The CPI inflation data showed that price increases aren't slowing down

A boom in artificial intelligence continues to capture the imagination of investors

News in Review

Below are some stories that caught our eye this past month.

Powell Tells '60 Minutes' That Fed is Wary of Cutting Rates Too Soon

The Chairman of the Federal Reserve Bank, Jerome Powell, spoke to an interviewer on the "60 Minutes" television show and explained that they were waiting for more data to "confirm that inflation is moving down to 2% in a sustainable way." As a result, many investors who were hoping for a rate cut as soon as March were likely disappointed, however, the Chairman did say that "all but a couple of our participants believe that it will be appropriate to begin ... cutting rates this year," which keeps rate cuts on the table for later in the year.

Prices Rose More Than Expected in January as Inflation Won't Go Away

Less than two weeks after Chairman Powell's TV interview, the Consumer Price Index (CPI) showed that core inflation increased at a pace of 3.9% year-over-year, even though it was expected to come down to 3.7%. While that isn't a reason for the Federal Reserve to panic, it illustrates the challenge that the Fed has in bringing inflation back down to their target, which is double that level (e.g. 3.9% vs. 2%).

Nvidia Quarterly Profit Rises Again

Investors have been excited about Artificial Intelligence (AI) for the past two years and the biggest company in the middle of the excitement is Nvidia, which makes the most sought-after computer chips that power the computers that are at the center of the AI boom. Nvidia's profit increased 33% quarterly, but it is up a staggering 769% in the past 12 months. Those impressive results have been accompanied by a 40% move higher in the stock this year (following a 239% return last year).

Hair Salon Prompts Customers to Give 'Unreasonably High' Tips

A customer who recently visited their hair salon was shocked to see "50%, 70%, and 90%" pre-selected as the three default tipping options. After they posted the picture of it on social media, the shop was ridiculed for picking such unreasonably high amounts, however, there were also options for "Custom Tip" or even "No Tip". The story's moral is always to look before you click!

DISCLOSURE

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S&P 500 INDEX: The Standard & Poor's 500 Index is an unmanaged, capitalization-weighted index of 500 stocks designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

NASDAQ 100 INDEX: The Nasdaq 100 Index is an unmanaged, capitalization-weighted index of the largest 100 non- financial stocks traded on the Nasdaq market. Unlike the S&P 500 it does not represent all major industries and may be more volatile than more broadly constructed indices.

MSCI ACWI INDEX: The MSCI ACWI captures large- and mid-cap representation across 23 developed markets (DM) and 24 emerging markets (EM) countries. With 2,495 constituents, the index covers approximately 85% of the global investable equity opportunity set.

Bloomberg U.S. Aggregate Bond Index: The Bloomberg U.S. Aggregate Bond Index is a broad-based index of the U.S. investment-grade, fixed-rate bond market, including both government-related and corporate securities and mortgage- backed and asset-backed securities.