# MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

## FEBRUARY 2024

- The best and worst performing S&P 500® sector in December was Communication Services and Real Estate, respectively
- Earliest rate cut expected in May, but more likely 2H2024
- Labor markets remain tight

Tech-related issues led markets higher in January, with many large-cap stocks rebounding from a relative pause in December, while smaller caps lagged sharply following the gains seen in December. Despite concerns going into fourth-quarter earnings reports, the VIX Index or "fear gauge" hovered in the low teens for much of January as investors appeared complacent around a host of geopolitical issues and economic events. For the full month, the Dow Jones Industrial Average increased by 1.2%, the S&P 500® index was up 1.6%, and the smaller cap-weighted Russell 2000® decreased by 3.9%.

Six of the eleven sectors of the S&P 500 increased during January. Communication Services was the best-performing sector for the month, which increased by 4.8% and was followed by the Information Technology sector, up 3.9%. The Real Estate sector posted the weakest performance in the month, which decreased by 4.8%, followed by the Materials sector, which was down 3.9%. For the prior twelve months, the Information Technology sector was the best performer, with a 48.7% increase, followed by the Communication Services sector, up 41.7%. In comparison, the Utilities sector was the worst performer for the past twelve months, with an 11.1% decrease, followed by the Energy sector, down 7.8%.

A much stronger than forecast January Jobs report combined with comments from Fed Chair Powell appears to push the chances of a rate cut back to May at the earliest and more likely into 2H2024. With the FOMC voting to hold the Fed funds rate unchanged at 5.25%-5.5% in its January meeting, the Fed has sent a tepid signal it is done raising interest rates but also signaling a rate cut does not appear to be in the cards for March. However, the latest dataset from CME FedWatch has investors continuing to optimistically look for six 25 BPS rate cuts to emerge in 2024. We look for an update on the Fed governors' views with the next FOMC meeting scheduled for March 20th – with the last forecast targeting three, 25 BPS reductions in the funds rate this year.

We suggest that given a strong economy, as evidenced by 4Q2023 GDP up 3.3% and a 3.7% unemployment rate, there is no unusual economic pressure for the FOMC to rush into cutting interest rates now – with the FOMC wanting to avoid a replay of the 1970s when inflation resurged. Goods deflation has been a key driver to lower inflation the past six months, while services remain sticky. Goods deflation is expected to abate into 2H2024, requiring services inflation to ease to move toward the 2.0% inflation target level. Yet, wage pressures remain – with January wages rising 0.6% for the month and at an annualized pace of 4.5% - largely due to the workweek falling by -0.2 hours to 34.1 hours (a cycle low). Adjusting for the shortened work week, the average weekly earnings were actually unchanged. Some economists note that the first step taken by employers looking to contain compensation costs is to trim hours worked before moving to layoffs – suggesting investors and the FOMC face continued uncertainties today that whipsawed treasury yields at week's end.

Looking at CY 2024, consensus earnings forecasts, as reported by Bloomberg, point to growth of roughly 9.7% for the S&P 500 to a bit over $242. As we have previously reported, earnings estimates for 2024 have been relatively stagnant, with forecasts pointing to a flat to down 2% EPS trend lines with substantive influence from a narrow group of mega-cap tech sector issues being the driving factor for the broader index. Thus, growth appears poised to be much more modest on an equal-weight basis. We see heightened volatility risks as existing if these tech sector leaders experience any faltering in demand or if investors become disenchanted by delays in rate cuts from the FOMC.

### Where to from here?

We favor selective investment among issues offering better valuations today, taking an intermediate-term investment time horizon into account with a focus on large-cap stocks among the healthcare, industrial, and energy sectors, along with small and midcap stocks that lagged in 2023. In addition, interest rate-sensitive utilities and real estate issues could respond positively to stabilizing and/or further fund rate declines later in the year. That is, although market valuations appear fairly full in the near term for the overall S&P 500, we anticipate improved economic trends to drive moderate economic and corporate earnings growth later in 2024 and into 2025, offering solid potential intermediate-term returns for investors.


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# MARKET AND ECONOMIC STATISTICS

| **Market Indices:** | **1/31/2024** | **12/29/2023** | **% Change YTD** | **12/29/2023** | **% Change (Monthly)** |
|---|---|---|---|---|---|
| S&P Composite | 4,845.65 | 4,769.83 | 1.59% | 4,769.83 | 1.59% |
| Dow Jones Industrials | 38,150.30 | 37,689.54 | 1.22% | 37,689.54 | 1.22% |
| NASDAQ Composite | 15,164.01 | 15,011.35 | 1.02% | 15,011.35 | 1.02% |
| Russell 2000 | 1,947.34 | 2,027.07 | -3.93% | 2,027.07 | -3.93% |
| FTSE 100 | 7,630.57 | 7,733.24 | -1.33% | 7,733.24 | -1.33% |
| Shanghai Composite | 2,788.55 | 2,974.94 | -6.27% | 2,974.94 | -6.27% |
| Nikkei Stock Average | 36,286.71 | 33,464.17 | 8.43% | 33,464.17 | 8.43% |
| Stoxx Europe 600 | 485.67 | 478.99 | 1.39% | 478.99 | 1.39% |
| MSCI Emerging Markets | 975.80 | 1,023.74 | -4.68% | 1,023.74 | -4.68% |
| MSCI Emerging Markets Small Cap | 1,343.04 | 1,367.16 | -1.76% | 1,367.16 | -1.76% |

| **Performance of S&P 500 by Industry:** | **% of Index as of 1/31/2024** | **1 Month** | **3 Month** | **Year to Date** | **12 Months** |
|---|---|---|---|---|---|
| Consumer Discretionary | 10.30% | -3.55% | 13.31% | -3.55% | 18.29% |
| Consumer Staples | 6.14% | 1.37% | 7.72% | 1.37% | 0.25% |
| Energy | 3.81% | -0.52% | -2.34% | -0.52% | -7.80% |
| Financials | 13.14% | 2.90% | 19.88% | 2.90% | 6.03% |
| Health Care | 12.77% | 2.84% | 12.71% | 2.84% | 5.29% |
| Industrials | 8.59% | -0.92% | 14.87% | -0.92% | 10.89% |
| Information Technology | 29.51% | 3.91% | 21.57% | 3.91% | 48.74% |
| Materials | 2.28% | -3.93% | 8.31% | -3.93% | -2.81% |
| Communication Services | 8.85% | 4.84% | 18.44% | 4.84% | 41.68% |
| Utilities | 2.23% | -3.06% | 3.04% | -3.06% | -11.13% |
| Real Estate | 2.38% | -4.79% | 15.41% | -4.79% | -6.16% |
| S&P 500 (Absolute performance) | 100% | 1.59% | 15.54% | 1.59% | 18.86% |

| **Interest Rates:** | **1/31/2024** | **12/29/2023** | **YTD Change (Basis Points)** | **12/29/2023** | **Month Change (BPS)** |
|---|---|---|---|---|---|
| Fed Funds Effective Rate | 5.33% | 5.33% | 0 | 5.33% | 0 |
| Prime Rate | 8.50% | 8.50% | 0 | 8.50% | 0 |
| Three Month Treasury Bill | 5.28% | 5.33% | -5 | 5.33% | -5 |
| Ten Year Treasury | 3.91% | 3.88% | 3 | 3.88% | 3 |
| Spread - 10 Year vs 3 Month | -1.37% | -1.45% | 8 | -1.45% | 8 |

| **Foreign Currencies:** | **1/31/2024** | **12/29/2023** | **% Change YTD** | **12/29/2023** | **% Change (Monthly)** |
|---|---|---|---|---|---|
| Brazil Real (in US dollars) | 0.20 | 0.21 | -2.1% | 0.21 | -2.1% |
| British Pound (in US dollars) | 1.27 | 1.27 | -0.3% | 1.27 | -0.3% |
| Canadian Dollar (in US dollars) | 0.74 | 0.76 | -1.4% | 0.76 | -1.4% |
| Chinese Yuan (per US dollar) | 7.17 | 7.10 | 1.0% | 7.10 | 1.0% |
| Euro (in US dollars) | 1.08 | 1.10 | -2.0% | 1.10 | -2.0% |
| Japanese Yen (per US dollar) | 146.92 | 141.04 | 4.2% | 141.04 | 4.2% |

| **Commodity Prices:** | **1/31/2024** | **12/29/2023** | **% Change YTD** | **12/29/2023** | **% Change (Monthly)** |
|---|---|---|---|---|---|
| CRB (Commodity) Index | 521.47 | 510.32 | 2.2% | 510.32 | 2.2% |
| Gold (Comex spot per troy oz.) | 2039.52 | 2062.98 | -1.1% | 2062.98 | -1.1% |
| Oil (West Texas int. crude) | 75.85 | 71.65 | 5.9% | 71.65 | 5.9% |
| Aluminum (LME spot per metric ton) | 2241.35 | 2345.50 | -4.4% | 2345.50 | -4.4% |
| Natural Gas (Futures 10,000 MMBtu) | 2.10 | 2.51 | -16.5% | 2.51 | -16.5% |

| **Economic Indicators:** | **12/31/2023** | **1/31/2023** | **% Change YTD** | **10/31/2023** | **% Change (Monthly)** |
|---|---|---|---|---|---|
| Consumer Price Index | 308.9 | 300.5 | 2.8% | 307.6 | 0.4002% |
| Producer Price Index | 253.8 | 257.8 | -1.5% | 254.83 | -0.39% |
| | **4Q23** | **3Q23** | **2Q23** | **1Q23** | **4Q22** |
| GDP Growth Rate (Quarterly) | 3.30% | 4.90% | 2.10% | 2.20% | 2.60% |
| Unemployment Rate (End of Month) | **December 3.7%** | **November 3.7%** | **October 3.8%** | **September 3.8%** | **August 3.8%** |

*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation.Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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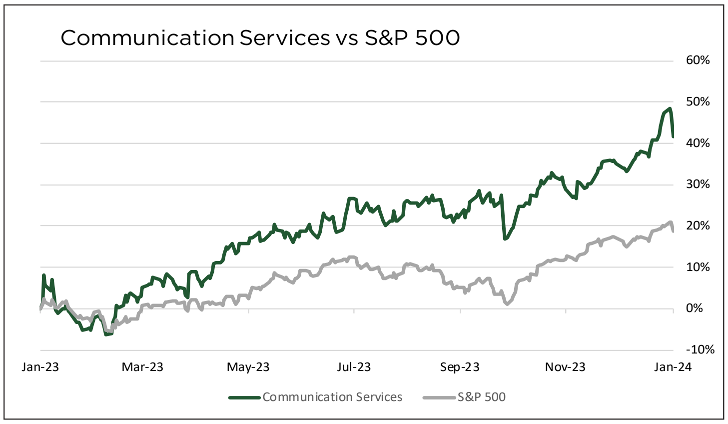
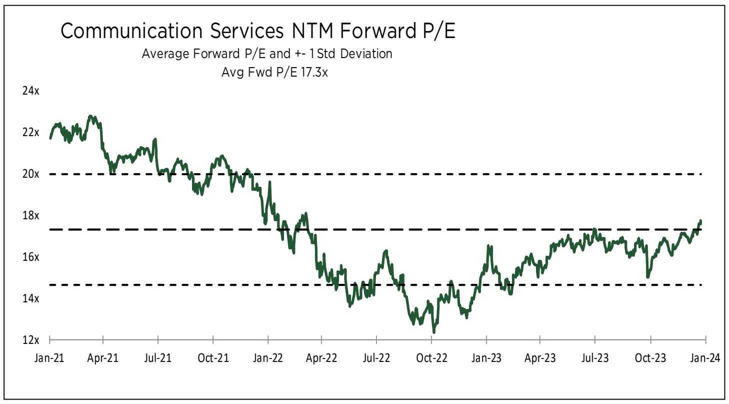
## Sector Updates

# COMMUNICATIONS SERVICES




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 4.84% | 18.44% | 4.84% | 41.68% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | Netflix Inc | 15.9% |
| | Verizon Communica- | 12.3% |
| | Meta Platforms Inc | 10.2% |
| | Fox Corp | 8.9% |
| | Fox Corp | 8.5% |
| **Laggards** | Warner Bros Discovery | -12.0% |
| | Live Nation Entertain. | -5.1% |
| | Charter Comm. | -4.6% |
| | Paramount Global | -1.4% |
| | News Corp | -0.6% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $12.19 | $14.45 | $16.47 |
| 21.2x | 17.9x | 15.7x |

## Sector Update

Communications Services (+4.84%) outperformed the market in January, driven by the performance of the Diversified Telecommunications Services (+9.4%) and Entertainment (+8.7%) sub-sectors.

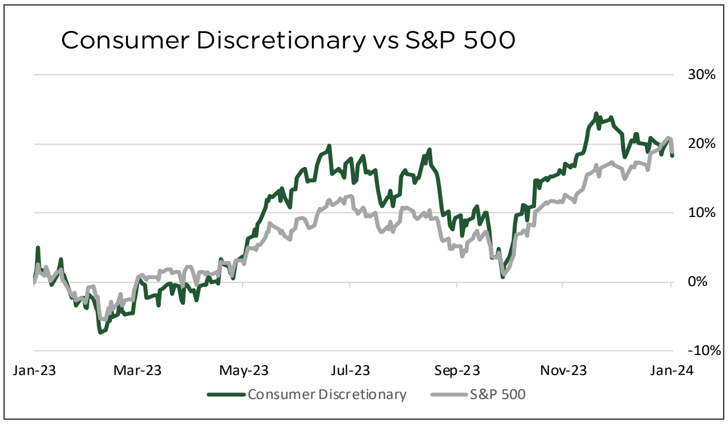
The Diversified Telecommunications Services equity performance was driven by Verizon Communications (+12.3%), the largest U.S. wireless carrier. Leading U.S wireless carriers completed most of their 5G network build-outs and are expected to reduce their annual capital expenditures over the next few years. Given a benign competitive environment, lower capital spending, and rising free cash flows, U.S. carriers could increase their level of shareholder returns over the next few years. The two largest U.S. telecommunications companies have 6%+ dividend yields.

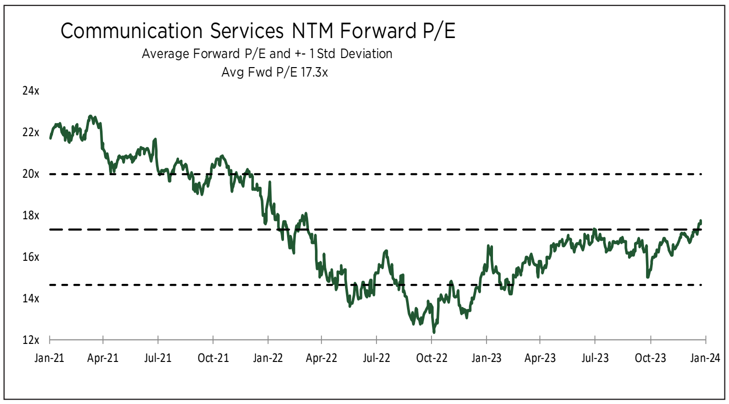
Netflix delivered the best January equity appreciation (+15.9%) in the Communications Services sector, contributing to the Entertainment sub-sector outperforming the market. Netflix reported better than expected Q-4 23 subscriber additions as it benefited from its lower-priced ad-supported service, representing 40% of its customer additions. U.S. streaming content companies' introduction of lower-priced, ad-supported services could expand their potential market opportunity. Streaming content companies reported that they generated greater revenue per customer from their lower-priced ad-supported services than from their higher-priced ad-free services.

The Interactive Media & Services sub-sector outperformed the market in January (+3.8%), driven by the appreciation of Meta Platforms shares (+10.2%). The company reported better-than-expected quarterly results as it benefited from the continued recovery of the digital advertising market.

The Communications Services sector appears attractively valued, with a P/E of 17.9 x and 15.7x the consensus analyst FY24/25 EPS estimates, compared to estimated FY25 earnings growth of 14% and its average twelve-month forward P/E multiple of 17.3x.

# CONSUMER DISCRETIONARY




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| -3.55% | 13.31% | -3.55% | 18.29% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| Leaders | General Motors Co | 8.0% |
| | O'Reilly Automotive Inc | 7.7% |
| | AutoZone Inc | 6.8% |
| | Marriott International | 6.3% |
| | Airbnb Inc | 5.9% |
| Laggards | Tesla Inc | -24.6% |
| | Etsy Inc | -17.9% |
| | VF Corp | -12.4% |
| | Lululemon Athletica Inc | -11.2% |
| | Norwegian Cruise Line | -11.2% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $47.53 | $57.70 | $65.85 |
| 28.8x | 23.7x | 20.8x |

## Sector Update

The Consumer Discretionary sector started slowly in 2024, sharply lagging behind the broader market for January. Among Consumer Discretionary subsectors, the strongest performance was seen in Multiline Retail and Specialty Retail. Consumer Discretionary subsectors that were softest included Automobiles and Auto Components. As seen in the accompanying chart, the Consumer Discretionary sector has underperformed the S&P 500 on a 1-month, 3-month, year-to-date, and trailing twelve-month basis.

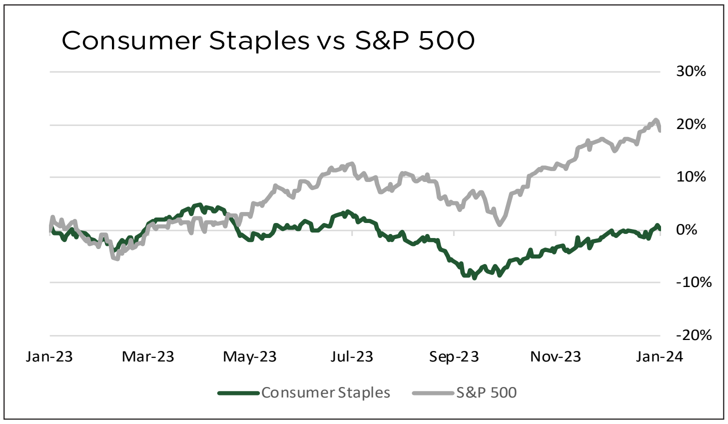
Better-than-expected holiday retail sales were reported for December, underscoring the resiliency of American shoppers. The 0.6% gain for December followed the better than expected retail sales report of positive 0.3% in November. For the full year of 2023, retail sales grew a robust 5.6%. Department stores, internet retailers, and auto dealers were three of the key shopping categories that fueled the December gain. Categories linked to home buying, such as furniture and appliances, lagged in the month. With roughly two-thirds of the U.S. economy linked to consumer spending, we view solid retail sales trends as a positive macro indicator.

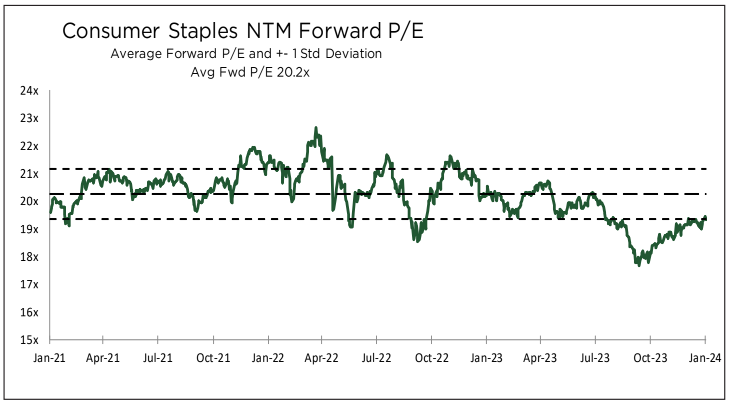
Mortgage rates continued to weaken, with the average 30-year fixed rate mortgage tracking below 7% in January versus over 8% as recently as October. Lower rates may be providing some help to the housing market, with the Mortgage Bankers Association reporting a pickup in mortgage application volume in mid-January, albeit down versus the prior year. However, the National Association of Realtors reported that existing home sales for the full year of 2023 dropped 19% to 4.09 million, which was the lowest since 1995. For the month of December, existing home sales dropped 6.2% year-over-year as consumers continued to grapple with high home prices impacting affordability.

Consumer sentiment, as reported by the University of Michigan, climbed to its highest point since 2021 in January. The preliminary consumer sentiment report for January was 78.8, which reflects a sharp increase versus the December level of 69.7. Also advancing strongly was the consumer expectations index, which measures sentiment for the next six months and was reported at 75.9 for January versus 67.4 for December. Slowing inflation appears to have been an important component of improved consumer sentiment, with consumers incorporating expectations for inflation to drop below 3% over the next year.

The December jobs report underscored the economy's health, as seen by a strong 216,000 new jobs created in the last month of 2023. Although job growth remains relatively strong, the pace of new job creation has slowed since last summer. The areas with the strongest job growth for the month were government, leisure and hospitality, and health care.

# CONSUMER STAPLES




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.37% | 7.72% | 1.37% | 0.25% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | Sysco Corp | 10.7% |
| | Procter & Gamble Co/ | 7.2% |
| | Colgate-Palmolive Co | 5.6% |
| | Church & Dwight Co Inc | 5.6% |
| | Costco Wholesale Corp | 5.3% |
| **Laggards** | Archer-Daniels-Midland | -23.0% |
| | Walgreens Boots | -13.6% |
| | Bunge Global SA | -12.7% |
| | Estee Lauder Cos | -9.8% |
| | Dollar Tree Inc | -8.0% |

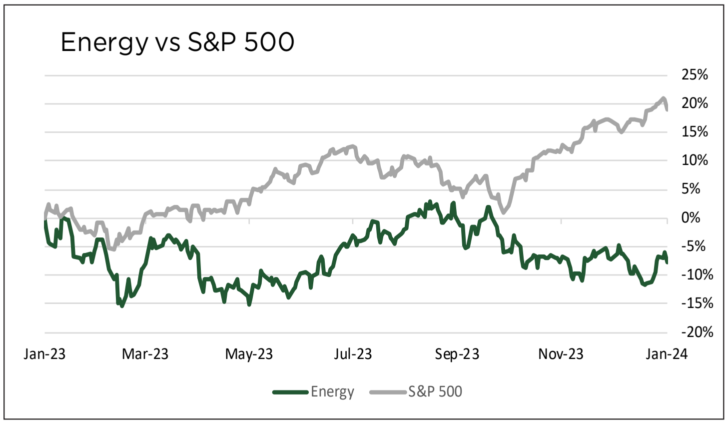
**Consensus FY EPS / P/E**

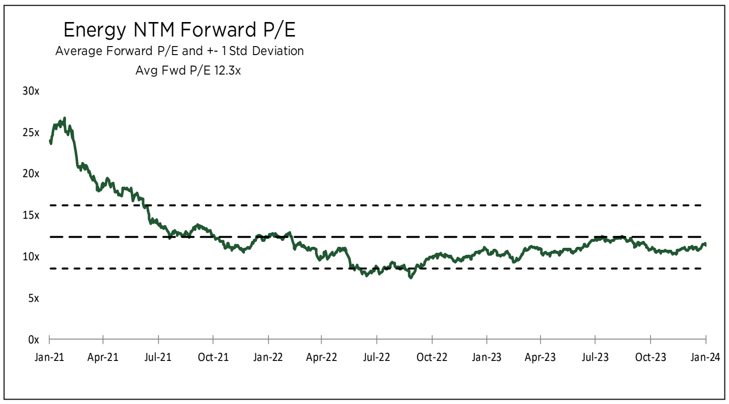
| Last Year | Current Year | Next Year |
|---|---|---|
| $37.44 | $38.69 | $41.71 |
| 20.6x | 20.0x | 18.5x |

## Sector Update

The Consumer Staples sector increased by 1.37% on average in January and slightly underperformed the S&P 500 Index which increased by 1.59%. While an investment in many of the Consumer Staples companies continues to offer an attractive dividend yield, the rate movements influence interest in the group. Household products contributed the most during January as a key company replenished inventory with its retailers and posted strong results. Other household product companies benefit from strong consumer brand loyalty and continue to innovate and offer products across the price spectrum to capture consumer shopping patterns. The Consumer Staples segment trades with a current forward P/E of about 20.0x, which is relatively in line with its average forward P/E of 20.2x. Packaged food stocks trade with a low teens P/E valuation and near historic low levels is still making the group an attractive investment option for 2024. Volume inflection and attractive valuation could catalyze renewed interest in the group, especially if promotions, price competition, and input costs remain stable. Results for 2024 should benefit from moderating input cost pressures (grains, oils, etc.), realizing cost savings and efficiencies, leveraging improved supply chains, and operating with better-aligned inventory levels at retail. Further emphasis includes the pace of margin recovery, the level of promotions and competitive pressures, and consumer shopping patterns and behaviors. Historically, the Consumer Staples stocks have weakened as the New Year begins and investors reposition portfolios away from more defensive stocks. Given the attractive valuation, a market weighting in the Consumer Staples segment remains preferred. We continue to advise a selective investment among the Consumer Staples stocks and prefer investing in companies with pricing, leading market share, strong balance sheets, and experienced management.

Amid earnings season and despite ongoing macroeconomic overhangs, many companies are reporting profits ahead of consensus estimates. Those companies that successfully executed pricing strategies and invested in their supply chains are better positioned and are realizing margin recovery. Key takeaways from company updates include consumer behavior, inventory levels at retail, the opportunity for pricing as wrap-around pricing ends, the outlook for mixed input costs, the pace of gross margin recovery, interest rate forecasts, currency translation, and increasing brand support and innovation. As consumers face higher cost pressures and an uncertain economic environment, they remain increasingly focused on absolute price points. For the food distribution industry, 2024 started strong as the food away-from-home trend continues to gain share, offering a positive macro. Key factors to monitor for tobacco companies include the economy and inflation, adult consumer dynamics, the adoption of smoke-free products, illicit e-vapor enforcement in the US, and regulatory, litigation, and legislative developments. Within the household and beauty channels, volume trends remain a key driver of gross margin recovery along with pricing and consumer shopping behavior. Portfolio transformation through divestments and acquisitions and streamlining the number of product offerings remains a key theme.




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| -0.52% | -2.34% | -0.52% | -7.80% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| Leaders | Marathon Petroleum | 11.6% |
| | Phillips 66 | 8.4% |
| | Valero Energy Corp | 6.8% |
| | Exxon Mobil Corp | 2.8% |
| | Pioneer Natural Re- | 2.2% |
| Laggards | Baker Hughes Co | -16.6% |
| | APA Corp | -12.7% |
| | EQT Corp | -8.4% |
| | Devon Energy Corp | -7.2% |
| | Schlumberger NV | -6.4% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $60.80 | $55.25 | $60.16 |
| 10.5x | 11.5x | 10.6x |

## Sector Update

Energy-related equities continued to lag through January as underlying energy prices were relatively flat despite a macro environment filled with both geopolitical and economic uncertainty. With this backdrop, the Energy sector once again underperformed the broader market. Both the Oil, Gas & Consumable Fuels subsector and the Energy Equipment & Services subsector declined in the month, with the sharpest drop seen in the Energy Equipment & Services subsector. The Energy sector has underperformed the S&P 500 for the 1-month, 3-months, year-to-date, and trailing twelve-month periods, as seen in the accompanying table.

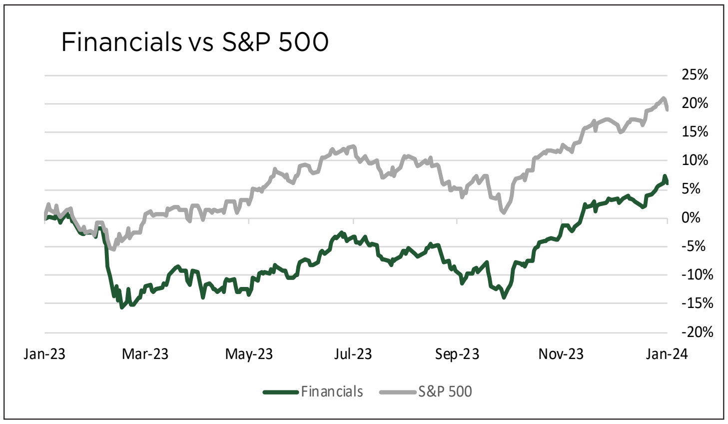
In early January, crude oil prices were cut by Saudi oil producers in a move that occurred against a backdrop of general softness in global oil markets. The pricing rollback came despite production curbs by Saudi Arabia and in an environment made more uncertain by attacks on shipping in the Red Sea. The net effect of the price move appears to have fueled U.S. crude export demand amidst a tightening of WTI pricing versus Brent.

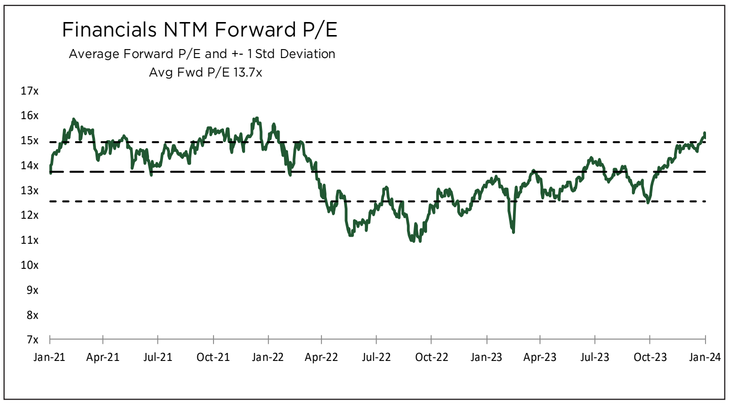
OPEC reported in its monthly oil market report that the cartel expects global oil demand to grow in 2024 and 2025. World oil demand is expected to increase by 2.25 million barrels per day in 2024, with growth expected to continue in 2025 at a moderate rate of 1.85 million barrels per day. The outlook for 2025 reflects expected increases in demand led by China and the Middle East. OPEC has maintained a view that oil use will keep growing in the coming decades despite the growth of cleaner energy alternatives. In mid-January, OPEC's Secretary General issued a report detailing the many calls for peak oil that have proved faulty over the years due to a range of factors, such as underestimating the size of the recoverable resource base. He goes on to suggest that given underlying growth trends, it is hard to see peak oil demand occurring by the end of the decade, as some forecasters have predicted and laid out a case for growth continuing into 2045.

West Texas Intermediate (WTI) crude oil prices moved higher in January, with WTI trading from the $71 per barrel range to end the month at about $75 per barrel. Natural gas prices decreased from about $2.51 per million Btu to end the month at about $2.10 per million Btu. Retail gasoline prices slightly decreased in the month, moving to $3.21 per gallon at the end of the month from the $3.24 average price seen at the end of the prior month and down from the prior year's level of $3.59.

The Baker Hughes oil rig count was down slightly in the month, coming in at 499 rigs versus 500 rigs last month. The oil rig count at month-end was down versus the prior year's level of 621 rigs. U.S. crude oil storage at 422 million barrels was down from last month's level of 437 million barrels. We note that storage levels have generally been declining off the 2020 pandemic high and are currently below the prior year's level of 453 million barrels. Following the downturn seen during the height of the pandemic in 2020, U.S. crude oil production has been in an uptrend which continued during 2023. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 13.0 million barrels per day at the end of the month.

# FINANCIALS




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 2.90% | 19.88% | 2.90% | 6.03% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| Leaders | W R Berkley Corp | 15.8% |
| | Progressive Corp/The | 11.9% |
| | Arch Capital Group Ltd | 11.0% |
| | Travelers Cos Inc/The | 11.0% |
| | Allstate Corp/The | 10.9% |
| Laggards | MarketAxess Holdings | -23.0% |
| | Invesco Ltd | -11.3% |
| | Franklin Resources Inc | -10.6% |
| | Charles Schwab Corp | -8.5% |
| | Morgan Stanley | -6.4% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $37.96 | $42.67 | $47.41 |
| 17.0x | 15.1x | 13.6x |

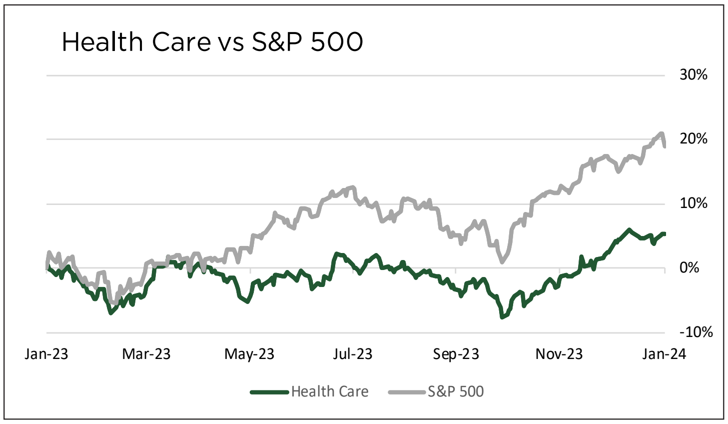
## Sector Update

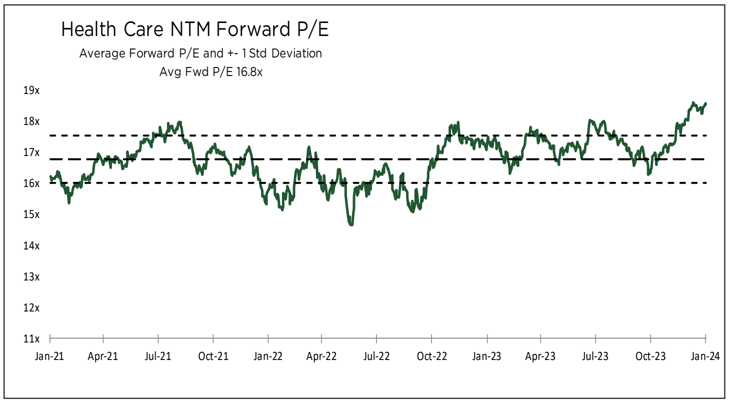
The Financials sector gained 2.9% in January, extending a rally in risk-on sentiment supported by hopes of a soft landing in the broader economy into 2024. The sector outpaced the S&P500® index advance of 1.59% in the same period. The Financials sector posted a strong 19.9% rebound in the last three months, ahead of a 15.5% advance in the S&P 500. Sector returns remain well below the broader market on a trailing twelve-month basis, given banking liquidity issues in March of 2023.

Insurers were the top-performing subsector in January, benefiting from a modest back-up in yields, reversing weak performance to close 2023. Each of the top five performing Financials in January are insurers, with the group advancing 6.1% in aggregate to start the year. Resilient economic behavior, including better-than-expected consumer spending, employment, and GDP growth trends, kept risk-on sentiment in place, with Banks (1.7%), Consumer Finance (3.9%), and Diversified Financials (5.9%) topping the S&P return in January. Credit spreads remain tight compared to any point in the current Fed rate hiking cycle, down ~64bps from the peak of bank liquidity stress and indicating perceived risks as being comparable to January of 2022 when the market made prior record highs. Against this backdrop, it is unsurprising to see solid returns in the cyclically oriented Financials sector.

Bank earnings provided a solid start to Q4 earnings season in January, with results largely better than expected when excluding industry-wide FDIC assessment charges used to replenish the Deposit Insurance Fund for those affected by bank failures in March 2023. Forward outlooks were broadly positive on potential rebounds in capital markets activity and fee incomes, with interest income outlooks flat to declining in the mid-single digits, assuming multiple FOMC rate cuts in the back half of 2024. These factors likely benefit mega-cap universal banks to a greater extent than regional or community banks, where interest income is a more meaningful revenue driver for the latter.

Financials performance in 2024 will likely depend on the path and pace of Fed rate policy in returning a positive slope to the yield curve. Lower short-term rates could improve net interest margin outlooks on reduced funding costs. Loan demand and willingness to lend remain depressed, while credit risks in consumer and CRE books remain elevated in the near term. The Financials Sector currently trades at a forward P/E ratio of 15.1x FY24 expectations, above its three-year average forward twelve-month multiple (13.7x). Valuations in the financial sector appear fair to full and will require selectivity in the face of an uncertain near-term outlook.




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 2.84% | 12.71% | 2.84% | 5.29% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| Leaders | Catalent Inc | 14.9% |
| | Cencora Inc | 13.3% |
| | HCA Healthcare Inc | 12.6% |
| | Intuitive Surgical Inc | 12.1% |
| | Stryker Corp | 12.0% |
| Laggards | Humana Inc | -17.4% |
| | Insulet Corp | -12.0% |
| | IQVIA Holdings Inc | -10.0% |
| | Bio-Techne Corp | -8.9% |
| | Charles River Lab. | -8.5% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $67.35 | $87.53 | $98.26 |
| 24.3x | 18.7x | 16.6x |

## Sector Update

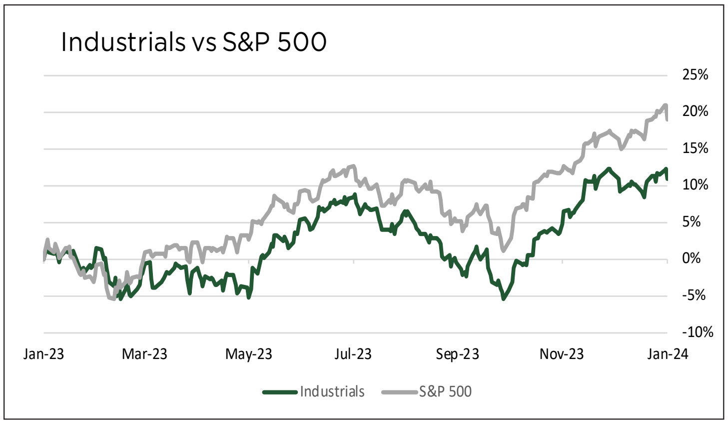
The Healthcare sector rose 2.84% in January, outperforming the S&P 500's 1.59% gain. Strong economic data and anticipation of a Federal Reserve pivot propelled the S&P 500 to its first new all-time highs in over two years. While inflation data suggests that the Fed may still have work to do to get prices under control, GDP and labor market readings indicate that the U.S. economy remains on solid footing for now. During January, the Healthcare sector benefited from a strong procedure environment. Expectations have grown that the Healthcare sector will be positioned well in 2024.

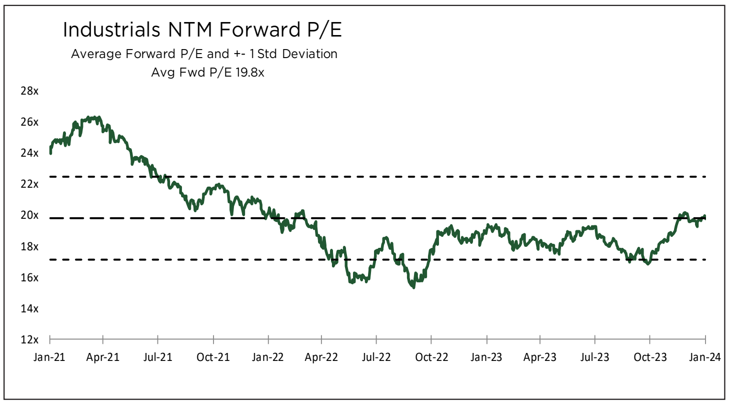
In early January, the JP Morgan Health Care Conference took place. During the conference, Dexcom unveiled the company's Stelo sensor, a sensor for people with type 2 diabetes, while Abbott touted the FreeStyle Libre as the most successful MedTech product in history. Medtronic discussed restoring the firm's earnings power, while Johnson & Johnson outlined development timelines. On the pharmaceutical side, Johnson & Johnson announced the purchase of antibody-conjugate maker Ambrx for $2 billion, while Merck purchased cancer biotech Harpoon for $680 million. GSK pumped $1 billion into its Asthma pipeline, while Novartis struck a deal targeting gastrointestinal and cardiovascular conditions.

4 out of the 5 subsectors within Health Care registered gains in January, including a 4.8% gain from Biotechnology, which led the Health Care sector. A slowdown in China and a tough funding environment weighed on biotechnology performance throughout 2023, although expectations for lower rates and a more favorable operating environment improved sentiment in January. Pharmaceuticals were the next best-performing subsector within Healthcare, reflecting decent earnings outlooks, positive trends outlined during the JP Morgan conference, and the roll-off of Covid sales. The best-performing stock within the Healthcare sector in January was Catalent, which provided an upbeat outlook for 2024. The second best-performing stock within the Health Care sector was Cencora, which also provided a positive outlook for 2024. Meanwhile, in January, HCA Healthcare, Intuitive Surgical, and Stryker benefited from strong procedure trends.

On the contrary, Humana was the worst-performing stock in Health Care during January. Humana released a dire 2024 outlook during the firm's earnings call, specifically outlining higher medical utilization in Medicare Advantage plans. Additionally, IQVIA shares fell after the FTC blocked a potential acquisition, and Bio-Techne missed quarterly earnings estimates. Charles River Labs was also down in January after reporting that backlogs are down to about a year after previously being at around 18-24 months. The Health Care sector trades at a current forward P/E ratio of 18.7x, above the historical average of 16.8x.

# INDUSTRIALS




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| -0.92% | 14.87% | -0.92% | 10.89% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | United Rentals Inc | 9.1% |
| | RTX Corp | 8.3% |
| | WW Grainger Inc | 8.1% |
| | TransDigm Group Inc | 8.0% |
| | Fortive Corp | 6.2% |
| **Laggards** | Boeing Co/The | -19.0% |
| | Rockwell Automation | -18.4% |
| | 3M Co | -13.7% |
| | Generac Holdings Inc | -12.0% |
| | Quanta Services Inc | -10.1% |

**Consensus FY EPS / P/E**

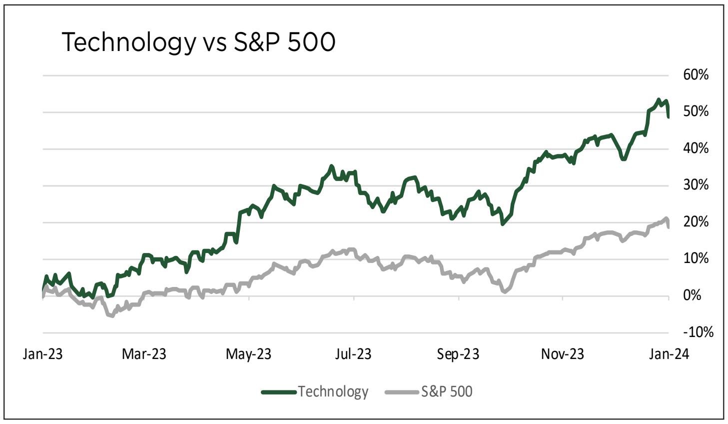
| Last Year | Current Year | Next Year |
|---|---|---|
| $41.02 | $47.92 | $54.50 |
| 23.3x | 19.9x | 17.5x |

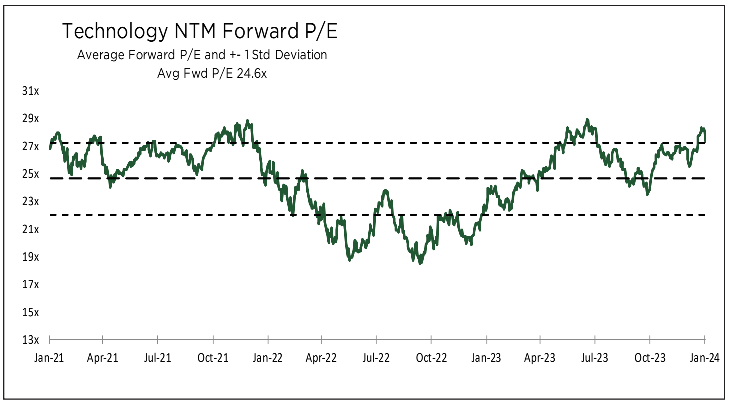
## Sector Update

The Industrial Sector decreased 0.92% in January, underperforming the 1.59% increase in the S&P 500. The Industrial sector has also underperformed the S&P 500 on a three-month basis, a Year-to-Date basis, and a trailing-12-month basis. 6 of the 12 subsectors within Industrials increased in the month, with the most significant increase coming from Trading Companies & Distributors with a 7.5% increase. Two of the top 5 best-performing stocks within the Industrials sector are the Trading Companies & Distributors members, including United Rentals and WW Grainger. Both companies reported solid earnings reports in January.

United Rentals was the best-performing equity in the Industrial Sector, with a 9.1% gain. United Rentals benefited from upside results during the firm's fourth-quarter earnings call, reflecting broad-based strength of demand across the company's end markets. Additionally, United Rentals announced the firm's intention to repurchase $1.5 billion of common stock in 2024. Raytheon Technologies was the next best-performing equity within the Industrials sector, with an 8.3% gain. Raytheon's 8.3% gain reflects upside earnings results and improved sentiment surrounding geared turbofan inspections. On the contrary, the worst-performing equity in the Industrials sector was Aerospace & Defense peer Boeing, with a 19% decline. Early in January, a door plug failure on an Alaskan Airlines flight led to multiple 737 MAX 9 planes grounding. Following the grounding of these planes, the Federal Aviation Administration halted the production of 737 jets, which further weighed on shares. Shares of 3M also lagged the Industrials sector in January due to lawsuit concerns and an earnings miss, while Rockwell Automation declined due to supply chain woes.

The January Manufacturing PMI registered a reading of 49.1%, up 2% from the seasonally adjusted 47.1% recorded in December. The New Orders Index moved into expansion territory at 52.5%, 5.5% higher than the seasonally adjusted December figure of 47%. The Production Index reading of 50.4% represents a 0.5% increase compared to December's seasonally adjusted figure of 49.9%. The Industrial Sector is trading at a Forward P/E of 19.9x, slightly above the sector's three-year average of about 19.8x.




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 3.91% | 21.57% | 3.91% | 48.74% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | Juniper Networks Inc | 25.4% |
| | NVIDIA Corp | 24.2% |
| | Palo Alto Networks Inc | 14.8% |
| | Advanced Micro Devic- | 13.8% |
| | International Business | 12.3% |
| **Laggards** | Enphase Energy Inc | -21.2% |
| | First Solar Inc | -15.1% |
| | ON Semiconductor | -14.8% |
| | Intel Corp | -14.3% |
| | Zebra Technologies | -12.4% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $96.11 | $117.14 | $141.32 |
| 36.7x | 30.1x | 25.0x |

## Sector Update

Technology (+3.91%), the Semiconductor & Semiconductor Capital Equipment (+9.3%), and Software (+5.5%) sub-sectors outperformed the market in January driven by the double-digit equity appreciation of semiconductor and software companies that could benefit from the potential acceleration of corporate and government demand for generative AI.

Advanced Micro Devices (AMD) and Taiwan Semiconductor (TSM), the largest manufacturer of advanced semiconductors, recently reported their quarterly results and guided to the potential acceleration of generative AI demand in FY24. AMD raised its FY24 generative AI revenue guidance from $2 billion to $3.5 billion+, and TSM guided its FY24 revenue growth of 20%-25% year-over-year driven by higher generative AI demand.

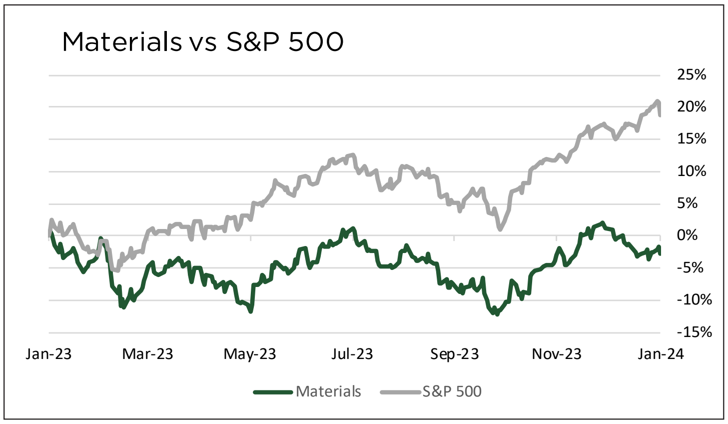
Generative AI technology may have contributed to the significant rise in corporate and government network breaches as hackers employed this new technology. The escalating threats against corporate and government networks could drive increased demand for security software. This view may have contributed to Palo Alto Networks' (PANW) industry-leading equity performance in January (+14.8 %).

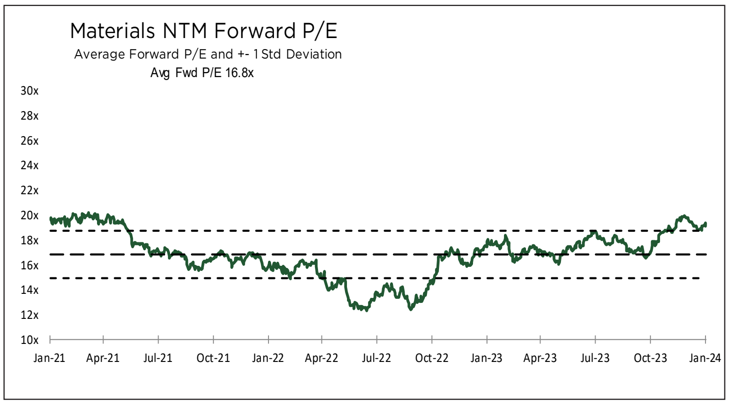
Palo Alto Networks, the largest independent security software company, reported that it ingests 5 billion petabytes of security data daily, more than any other company. It applies security analytics and generative AI to help identify and respond to emerging threat vectors in real-time.

Microsoft, the largest software company, outperformed the market in January after reporting better-than-expected Q-2 24 results and the acceleration of generative AI demand. Microsoft's Q-2 24 Azure cloud revenue grew 28% year-over-year, with generative AI boosting its revenue growth by 600 basis points, compared to a 300 basis point contribution in Q-1 24.

The Technology sector appears close to fairly valued, with a P/E of 30.1x and 25x the consensus analyst FY24/25 EPS estimates. This compares to the estimated FY25 EPS growth of 21% and its average twelve-month forward P/E of 24.6x.

# MATERIALS




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| -3.93% | 8.31% | -3.93% | -2.81% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | Nucor Corp | 7.4% |
| | Steel Dynamics Inc | 2.2% |
| | Martin Marietta Materi- | 1.9% |
| | Packaging Corp of | 1.8% |
| | Ecolab Inc | -0.1% |
| **Laggards** | Albemarle Corp | -20.6% |
| | DuPont de Nemours Inc | -19.7% |
| | Newmont Corp | -16.6% |
| | Mosaic Co/The | -14.0% |
| | FMC Corp | -10.9% |

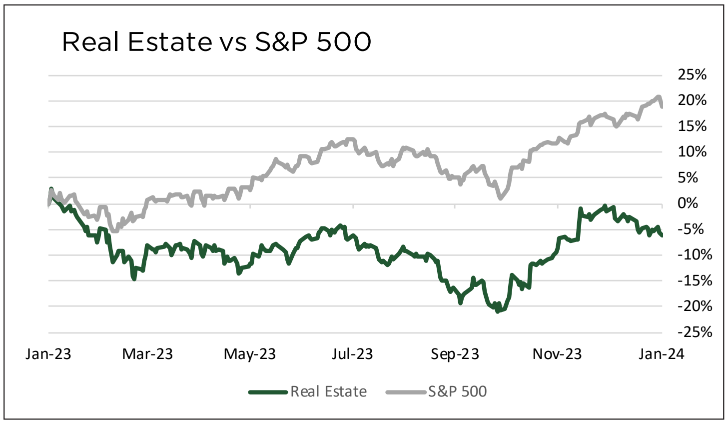
**Consensus FY EPS / P/E**

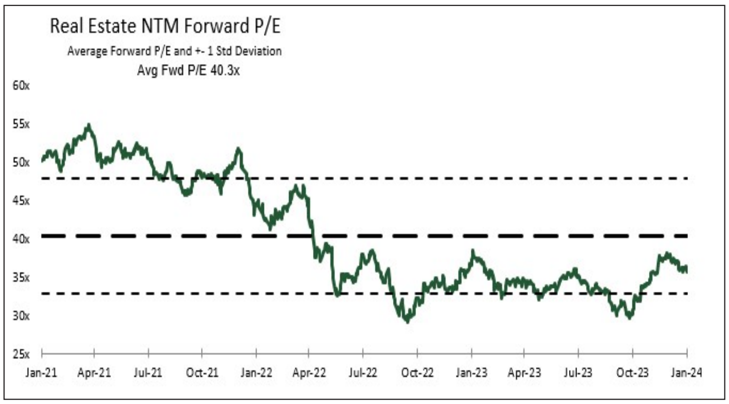
| Last Year | Current Year | Next Year |
|---|---|---|
| $26.71 | $27.26 | $31.07 |
| 19.4x | 19.0x | 16.7x |

## Sector Update

The Materials segment decreased by 3.93% in January and underperformed the S&P 500 Index, which increased by 1.59%. All segments reported decreases for the month except a modest increase for the Construction Materials segment. Moderating interest rates provides a positive tailwind to begin 2024, but movement in interest rates remains a key influence on the group of stocks. The Materials segment now trades with a current forward P/E of about 19.0x which is above its average forward P/E of about 16.8x. For 2024, key factors to monitor include the outlook for the macroeconomic environment, interest rate trends, consumer behavior and confidence trends, inventory levels, realized pricing, capital spending, and volume. The companies should realize strengthening margins as input costs moderate and earnings should accelerate in 2024. Selective investment among the group remains a key factor, with a preference for strong management teams and high-quality businesses. Preferred areas for potential investment include hydrocarbon, coatings, and lithium.

Companies in the chemical segment continue to seek consistent free cash flow generation, manage balance sheets, focus on portfolio mix, and invest in the business for the long term. Results in 2024 hinge on consumer demand, pricing, margin, mix, and market share gains. For 2024, the outlook for chemical stocks is for a stronger 2H vs 1H, reflecting demand, utilization rates, and margin expected trends. Copper prices continue to increase, reflecting the supply risk following market disruptions, making buyers increasingly nervous. Copper prices reflect tight supply and continued higher demand driven by the movement towards renewable energy. The lithium sector has faced price deflation, inventory destocking, declining EV demand and sentiment, and an increasingly uncertain supply/demand balance. A more favorable outlook for 2H could change the view and catalyze renewed interest in the group. Potential expectations for more favorable demand in 2H, the need to rebuild inventories, and supply adjustments could provide lithium price support as the year progresses and rebuild positive sentiment towards lithium companies. Retail inventory destocking, ongoing inflation, and weaker consumer demand were negative overhangs on demand for packaging material in FY23 as consumers shifted spending to services. Results in 2024 are subject to the timing of strengthening consumer demand.




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| -4.79% | 15.41% | -4.79% | -6.16% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | Digital Realty Trust Inc | 4.4% |
| | Equinix Inc | 3.0% |
| | Federal Realty Invest. | -1.3% |
| | Host Hotels & Resorts | -1.3% |
| | Equity Residential | -1.6% |
| **Laggards** | SBA Communications | -11.8% |
| | Extra Space Storage Inc | -9.9% |
| | American Tower Corp | -9.4% |
| | CBRE Group Inc | -7.3% |
| | Public Storage | -7.2% |

**Consensus FY EPS / P/E**

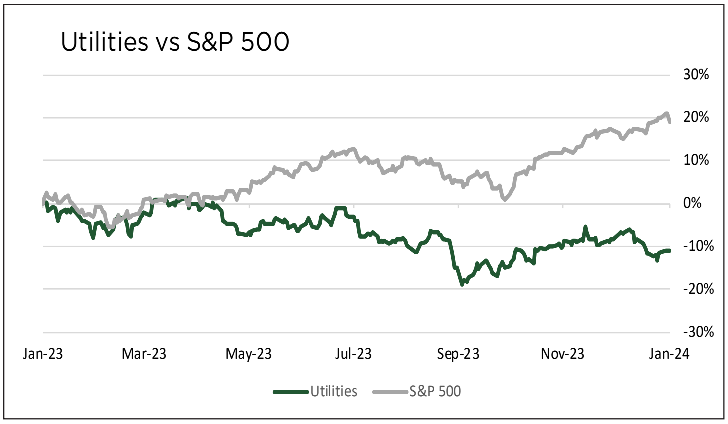
| Last Year | Current Year | Next Year |
|---|---|---|
| $5.80 | $6.70 | $7.38 |
| 41.3x | 35.7x | 32.4x |

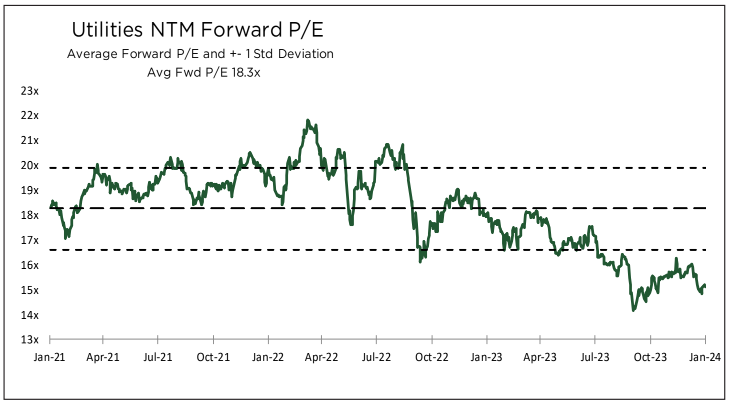
## Sector Update

After experiencing a strong yearend 2023 rally driven by declining interest rates (with the Real Estate sector leading the S&P 500 in December), January saw a shift in investor sentiment as the 10-year Benchmark Treasury rate moved from the 3.90% level to a range of 4.15%. As a result, as illustrated in the adjacent table, Real Estate was the worst-performing segment of the S&P in January, with the group posting a 4.79% decline versus the 1.59% gain achieved by the broad-based S&P 500. The outlook on interest rates remains a bit clouded in the near term, while over the intermediate time frame, rates are widely expected to fall, which would be supportive for yield proxy issues inclusive of Real Estate. Still, in the near term, issues exist with the FOMC unlikely to cut the funds rate until mid-year, with Fed governors anticipating three 25 BPS, cuts in 2024 that stand in contradiction to investor expectations targeting six such cuts to commence this spring, while uncertainties on the U.S. economic persist. Given this outlook into 2024, along with the 4Q2023 rebound for the REIT sector, selectivity remains the name of the game for Real Estate investment in 2024, with better growth potential persisting for the Data Center segment.

Looking across the REIT sector, profit taking set in pretty much across the board in January, with appreciation arising for two issues – data center leaders, Digital Realty, and Equinix. Leasing activity remains robust among data centers globally while emerging AI demand and new service offerings are forecast to fuel sustained strong demand into the second half of this decade. Digital Realty led the pack in January after completing capital raise efforts and making progress on pipeline construction, with new data centers poised to open this year, fueling a rebound from the dilutive effects of capital initiatives in 2023. In addition, while experiencing modest valuation declines in January, Federal Realty reports stable 94% occupancy along with double-digit leasing spreads from its high-end shopping centers, while Host Hotels reported mid-single digit RevPAR pricing trends during January that helped to support both issues.

In contrast, in January, tower REITs and self-storage operators experienced profit-taking/valuation pressures. On the macro side, tower activity is expected to decelerate in 2024 as carriers slow network activity, with the three leading communications services companies talking of trimming capex by about 4% this year – along with a shift to fiber focus from wireless. SBA Communications faces churn exposure from T Mobile, while American Tower faces pressure to FFO growth following the sale of their operations in India. The self-storage segment is experiencing a weakening trend in lease rate growth of late. For sector leader Extra Space Storage, following the Life Storage acquisition, longer-term fundamentals appear solid, although over-supply issues appear to exist in some markets, while the firm faces debt refinancings in 2025 ($1.8B) that have weighed on the stock of late. Thus, after rebounding at yearend 2023, profit-taking arose for many Real Estate issues in January.




Source : Bloomberg

**Sector Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| -3.06% | 3.04% | -3.06% | -11.13% |

**S&P 500 Performance**

| 1 Month | 3 Months | YTD | TTM |
|---|---|---|---|
| 1.59% | 15.54% | 1.59% | 18.86% |

| | Company Performance | 1 Month |
|---|---|---|
| **Leaders** | Constellation Energy | 4.4% |
| | NRG Energy Inc | 2.6% |
| | FirstEnergy Corp | 0.1% |
| | Consolidated Edison Inc | -0.1% |
| | Southern Co/The | -0.9% |
| **Laggards** | AES Corp/The | -13.4% |
| | Eversource Energy | -12.2% |
| | PG&E Corp | -6.4% |
| | American Water Works | -6.0% |
| | Edison International | -5.6% |

**Consensus FY EPS / P/E**

| Last Year | Current Year | Next Year |
|---|---|---|
| $18.47 | $20.23 | $21.77 |
| 16.9x | 15.4x | 14.3x |

## Sector Update

The utilities sector retrenched 3.06% in January, lagging the 1.59% advance in the broader market S&P 500® index. A modest back-up in medium and longer yields with continued risk-on sentiment backed by growing expectations of a soft landing in the US economy appeared to benefit high beta cyclicals and the broader market with defensive and yield-oriented equities pulling back. The utility group was among the worst-performing sectors to kick off 2024 and was the worst-performing sector in the S&P in 2023. Elevated interest rates and resilient economic activity have been a 'double-whammy' for the group, with better-than-expected unemployment, consumer spending, and GDP prints catalyzing underperformance in January. It remains the case that alternative interest-bearing investments in the bond market provide reasonable alternatives to 'bond proxy' equities compared to the past ~15 years, and the realization of an economic soft-landing could push off a defensive rotation toward the sector.

Despite relative weakness in the sector, growth-oriented Utilities NRG and Constellation Energy outperformed the S&P in the month. Constellation (CEG) and NRG (NRG) were among the top-performing Utilities in 2023. AES continued to be a volatile issue and was down 13.4% in January after being the worst-performing Utility last year. Broadly speaking, trading activity within the sector in early 2024 was an extension of the prior year's performance.

While interest rate direction and macro uncertainty are likely to be primary drivers of Utility performance in 2024, the sector continues to appear well-positioned for above-trend earnings growth on a multi-year basis, given significant visibility into long-term capex cycles around transmission and distribution modernization in addition to renewable energy projects supported by regulators. The Utilities sector earnings season kicks into full gear in February, where current and multi-year outlook updates could provide a catalyst for the group.

The Utilities sector appears attractively valued relative to its historical trend as the group trades closer to two standard deviations below its three-year average forward earnings multiple of 18.3x. The sector remains a beneficiary of lower rates and could see a dramatic improvement in performance in 2024 if soft landing optimism proves to be optimistic—driving a defensive rotation in the broader market. Given attractive valuation, yield, and defensive characteristics—we see an opportunity for new investment in the Utilities sector at this juncture.

# ECONOMIC CALENDAR

| Date | Release | For | Prior |
|---|---|---|---|
| 2-Feb | Nonfarm Payrolls | Jan | 333K |
| 2-Feb | Nonfarm Private Payrolls | Jan | 278K |
| 2-Feb | Avg. Hourly Earnings | Jan | 0.4% |
| 2-Feb | Unemployment Rate | Jan | 3.7% |
| 2-Feb | Average Workweek | Jan | 34.3 |
| 2-Feb | Factory Orders | Dec | 2.6% |
| 2-Feb | Univ. of Michigan Consumer Sentiment - Final | Jan | 78.8 |
| 5-Feb | S&P Global US Services PMI - Final | Jan | 51.4 |
| 5-Feb | ISM Non-Manufacturing PMI | Jan | 50.5% |
| 7-Feb | MBA Mortgage Applications Index | 2/3 | -7.2% |
| 7-Feb | Trade Balance | Dec | -$63.2B |
| 7-Feb | EIA Crude Oil Inventories | 2/3 | +1.23M |
| 7-Feb | Consumer Credit | Dec | $23.7B |
| 8-Feb | Initial Claims | 2/3 | 224K |
| 8-Feb | Continuing Claims | 1/27 | 1898K |
| 8-Feb | Wholesale Inventories | Dec | -0.2% |
| 8-Feb | EIA Natural Gas Inventories | 2/3 | -197 bcf |
| 12-Feb | Treasury Budget | Jan | NA |
| 13-Feb | Core CPI | Jan | NA |
| 13-Feb | CPI | Jan | NA |
| 14-Feb | MBA Mortgage Applications Index | 2/10 | NA |
| 14-Feb | EIA Crude Oil Inventories | 2/10 | NA |
| 15-Feb | Continuing Claims | 2/3 | NA |
| 15-Feb | Export Prices ex-ag. | Jan | -0.9% |
| 15-Feb | Import Prices ex-oil | Jan | 0.0% |
| 15-Feb | Initial Claims | 2/10 | NA |
| 15-Feb | Retail Sales | Jan | 0.6% |
| 15-Feb | Retail Sales ex-auto | Jan | 0.4% |
| 15-Feb | Capacity Utilization | Jan | 78.6% |
| 15-Feb | Industrial Production | Jan | 0.1% |
| 15-Feb | Business Inventories | Dec | NA |
| 15-Feb | NAHB Housing Market Index | Feb | NA |
| 15-Feb | EIA Natural Gas Inventories | 2/10 | NA |
| 15-Feb | Net Long-Term TIC Flows | Dec | NA |
| 16-Feb | Building Permits | Jan | NA |
| 16-Feb | Core PPI | Jan | NA |
| 16-Feb | Housing Starts | Jan | NA |
| 16-Feb | PPI | Jan | NA |
| 16-Feb | Univ. of Michigan Consumer Sentiment - Prelim | Feb | NA |
| 21-Feb | MBA Mortgage Applications Index | 2/17 | NA |
| 21-Feb | EIA Crude Oil Inventories | 2/17 | NA |
| 22-Feb | Continuing Claims | 2/10 | NA |

# ECONOMIC CALENDAR

| | | | |
|---|---|---|---|
| 22-Feb | Initial Claims | 2/17 | NA |
| 22-Feb | Existing Home Sales | Jan | 3.78M |
| 22-Feb | EIA Natural Gas Inventories | 2/17 | NA |
| 26-Feb | New Home Sales | Jan | NA |
| 27-Feb | Durable Goods -ex transportation | Jan | NA |
| 27-Feb | Durable Orders | Jan | NA |
| 27-Feb | FHFA Housing Price Index | Dec | NA |
| 27-Feb | S&P Case-Shiller Home Price Index | Feb | NA |
| 27-Feb | Consumer Confidence | Feb | NA |
| 28-Feb | MBA Mortgage Applications Index | 2/24 | NA |
| 28-Feb | Adv. Intl. Trade in Goods | Jan | NA |
| 28-Feb | Adv. Retail Inventories | Jan | NA |
| 28-Feb | Adv. Wholesale Inventories | Jan | NA |
| 28-Feb | GDP - Second Estimate | Q4 | 3.3% |
| 28-Feb | GDP Deflator - Second Estimate | Q4 | 1.5% |
| 28-Feb | EIA Crude Oil Inventories | 24-Feb | NA |
| 29-Feb | Continuing Claims | 2/17 | NA |
| 29-Feb | Initial Claims | 2/24 | NA |
| 29-Feb | PCE Prices | Jan | NA |
| 29-Feb | PCE Pricces - Core | Jan | NA |
| 29-Feb | Personal Income | Jan | NA |
| 29-Feb | Personal Spending | Jan | NA |
| 29-Feb | Pending Home Sales | Jan | NA |
| 29-Feb | EIA Natural Gas Inventories | 2/24 | NA |

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Sectors and sector components defined by Standard & Poor's GICS Level 1 index. For the list of all holdings in GICS Level 1 index sectors, contact your Davenport Financial Advisor.

**Leaders:** Represent top five best stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

**Laggards:** Represent top five worst stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

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**S&P 500®:** The S&P 500 Index is comprised of 500 U. S. stocks and is an indicator of the performance of the overall U.S. stock market. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index.

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**Stoxx Europe 600:** The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**MSCI Emerging Markets:** The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. (MSCI Website).

**MSCI Emerging Markets Small Cap:** The MSCI Emerging Markets Small Cap Index includes small cap representation across 23 Emerging Markets countries. With 1,889 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

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