



Economic & Market Commentary

Stocks finished mostly higher last week in volatile trading. Markets tanked on Wednesday as the Federal Reserve, which left the short-term rate unchanged, indicated rates cuts are not coming anytime soon squashing hopes of a March rate cut. Their policy statement offered several changes, with the biggest focus on the Fed saying that the committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward its 2% target. The statement also added that risks to achieving its employment and inflation goals are moving into better balance and removed its hiking bias statement about "additional policy firming." The statement also said that inflation has eased, though it remains elevated, and the committee remains highly attentive to inflation risks. Before Wednesday's Fed FOMC meeting, there was a 50% chance of a March rate cut. As of this morning, this now stands at just 15%. Market hopes now shift to a first rate cut in May, of which there is now a 65% probability. Based on Friday's much stronger than expected jobs report, hopes of a May rate cut may fade as well. Job gains in January rose 353,000, much higher than the consensus forecast of 175,000. The unemployment rate held steady at 3.7%, average hourly earnings rose at an annualized pace of 4.5%, and revisions to November (+9,000) and December (+117,000) job reports were to the upside. If the Fed is seeking better balance between labor supply and demand, January's job report did not help. Friday saw a big rally driven mainly by better-than-expected earnings by Meta and Amazon. So far, S&P 500's fourth-quarter 2023 earnings are in line with forecasts at 1.5% growth. More importantly, 2024 earnings growth guidance has held up well, only slightly deteriorating to +11.2% from +11.7% as of December 31st. Earnings growth is key to maintaining and expanding valuations.

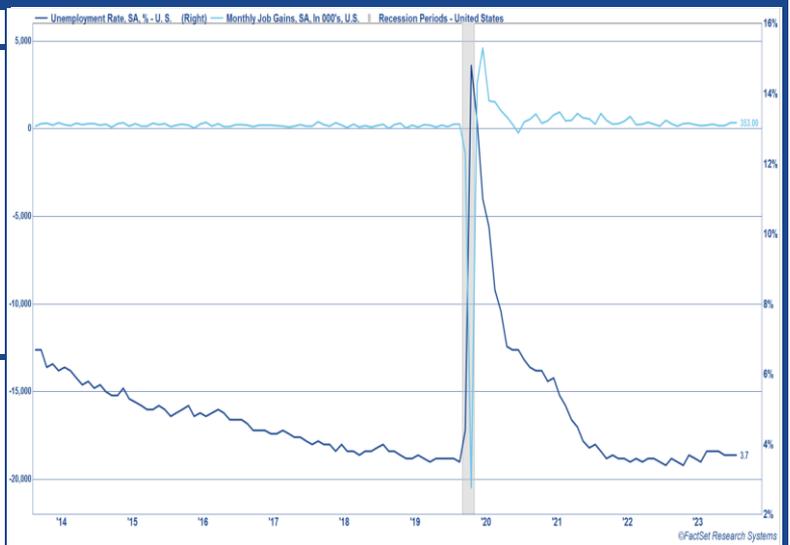
Index Total Returns - February 2, 2024

	1-Wk	YTD	1-Yr
NASDAQ	1.13	4.14	29.17
S&P 500	1.41	4.06	20.59
Dow Jones	1.43	2.65	15.98
S&P 400	0.15	-0.44	3.25
MSCI-Developed	0.02	-0.54	7.08
Russell 2000	-0.77	-3.12	-0.36
MSCI-Emerging	0.32	-3.43	-3.02

Barclay's U.S. Bond Index

High Yield	0.10	0.03	7.59
5-year Muni	0.64	-0.13	1.87
Municipal	0.94	-0.17	2.89
Int. Gov. Credit	0.27	-0.17	2.67
Aggregate	0.65	-0.66	0.95

U.S. Labor Market



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.80	4.77	4.68
U.S. 2-Yr	4.37	4.35	4.08
U.S. 3-Yr	4.15	4.15	3.75
U.S. 5-Yr	3.99	4.04	3.48
U.S. 10-Yr	4.03	4.15	3.40
U.S. 30-Yr	4.22	4.38	3.56

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.12	3.26	2.73
U.S. AA	3.14	3.30	2.85
U.S. A	3.64	3.80	3.43
U.S. Baa	4.28	4.44	4.07
U.S. Municipal	3.32	3.47	3.04
Michigan	3.48	3.63	3.20

S&P 500 Sector Total Returns - February 2, 2024

Sector	1-Wk	YTD	1-Yr
Communication Services	1.64	10.91	39.52
Info Tech	0.78	6.78	46.63
Health Care	1.98	4.19	8.58
Financials	0.89	3.66	8.53
Consumer Staples	2.15	3.31	4.86
Industrials	1.90	1.47	13.85
Consumer Discretionary	3.77	0.83	18.85
Energy	-0.91	-0.28	0.07
Materials	0.76	-2.87	-0.06
Utilities	0.42	-2.96	-8.30
Real Estate	-0.40	-4.18	-4.95

Index Characteristics	P/E	P/E NTM	Dividend
	NTM	10yr-Avg.	Yield
S&P 500 - Large Cap	20.25	17.94	1.37
S&P 400 - Mid Cap	14.64	15.53	1.51
S&P 600 - Small Cap	13.67	15.19	1.80