

THINGS TO WATCH

–CAN THE S&P 500 HOLD 5,000? After a middling first two weeks of the year, the S&P 500 quickly climbed 6% from January 17 through February 9. Better-than-expected 4Q23 corporate earnings and growing expectations of Fed rate cuts later this year powered the index to a closing level of 5,026.61 last Friday. This is 13% above its 200-day moving average of 4,463 and a 41% gain from its closing low of 3,577 on October 12, 2022. The latest leg of the rally has been increasingly narrow, however, with just five stocks (NVIDIA, Microsoft, Meta Platforms, Amazon.com, and Eli Lilly) accounting for nearly 70% of the S&P 500's 5.52% year-to-date total return through last week.

–WILL EARNINGS MOMENTUM CONTINUE? We are about two-thirds through fourth quarter earnings season covering the reporting period from November 16 through February 15. According to Bloomberg Intelligence data, nearly 80% of the S&P 500 companies that have reported results thus far have surpassed estimates, above the 10-year average of 74%. Boosted by strong results from mega cap technology-oriented companies, index-level adjusted earnings per share (EPS) are now on pace to grow 6% from a year ago, compared to expectations for just 1% growth in the first week of January. Another 64 S&P 500 companies will report results this week.

–CDNS AND AMAT RESULTS: After the market closes today, electronic design automation software specialist Cadence Design Systems (CDNS) reports its fourth quarter results. CDNS, an \$85 billion market cap maker of high-end programs used to design complex semiconductor and electronic systems, is expected to report sales grew 18% in the period from a year ago and order backlog increased by 2%-5%. On Thursday evening, \$153 billion market cap semiconductor equipment maker Applied Materials (AMAT) delivers January quarter results. Investors will be focused on management's guidance surrounding the "hand off" in growth later this year from elevated Chinese orders in 2023 to the leading-edge foundry/logic demand from customers outside China and Taiwan working to expand chip production capacity.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
S&P Global U.S. Services PMI	52.5	50.6	▲
S&P Global U.S. Composite PMI	52.0	50.7	▲
ISM Services PMI	53.4	51.9	▲
Consumer Credit (\$ billion)	1.56	10.14	▼
Continuing Jobless Claims (Thousands)	1,871	1,833	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	38671.69	0.09%	2.74%	17.24%
NASDAQ	15990.66	2.34%	6.58%	36.83%
S&P 500	5026.61	1.40%	5.52%	25.15%
MSCI EAFE	2222.57	0.20%	-0.07%	9.42%
BB U.S. Aggregate	2132.11	-0.84%	-1.34%	2.02%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	5.38%	5.36%	4.73%
10-Year Treasury	4.17%	4.01%	3.66%

REPORTS DUE THIS WEEK	LATEST
Consumer Price Index (Y/Y)	3.4%
Core Consumer Price Index (Y/Y)	3.9%
Producer Price Index (Y/Y)	1.0%
Retail Sales (M/M)	0.6%
Housing Starts (Millions Annualized)	1.46

Total returns are as of 2/9/24. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

\$7 trillion

According to a Wall Street Journal report last Thursday, the upper range of the amount Sam Altman, co-founder and CEO of ChatGPT developer OpenAI, is reportedly seeking to raise with prospective investors to fund a project to dramatically increase the world's AI chip-building capacity. Altman's fundraising plans would be five times the total amount of U.S. corporate debt issued in 2023 (\$1.44 trillion) and about 13 times the amount of the \$527 billion in total semiconductor sales last year.

\$5,888

The price per metric ton of front-month cocoa futures late last Friday, the highest level ever in futures pricing data dating back to 1960. The doubling of cocoa prices over the last year occurred amid a stretch of extremely poor weather in West Africa driven by an intense El Nino pattern. Sporadic and volatile rainfall followed by extended dry periods have crippled cocoa farms in Cote d'Ivoire and Ghana, which combine to account for roughly 60% of global production.

DISCLOSURES



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