



Two Minutes With Todd

Supporting Charts + Commentary

November 27, 2023

Chart #1: Betting On Rate Cuts?



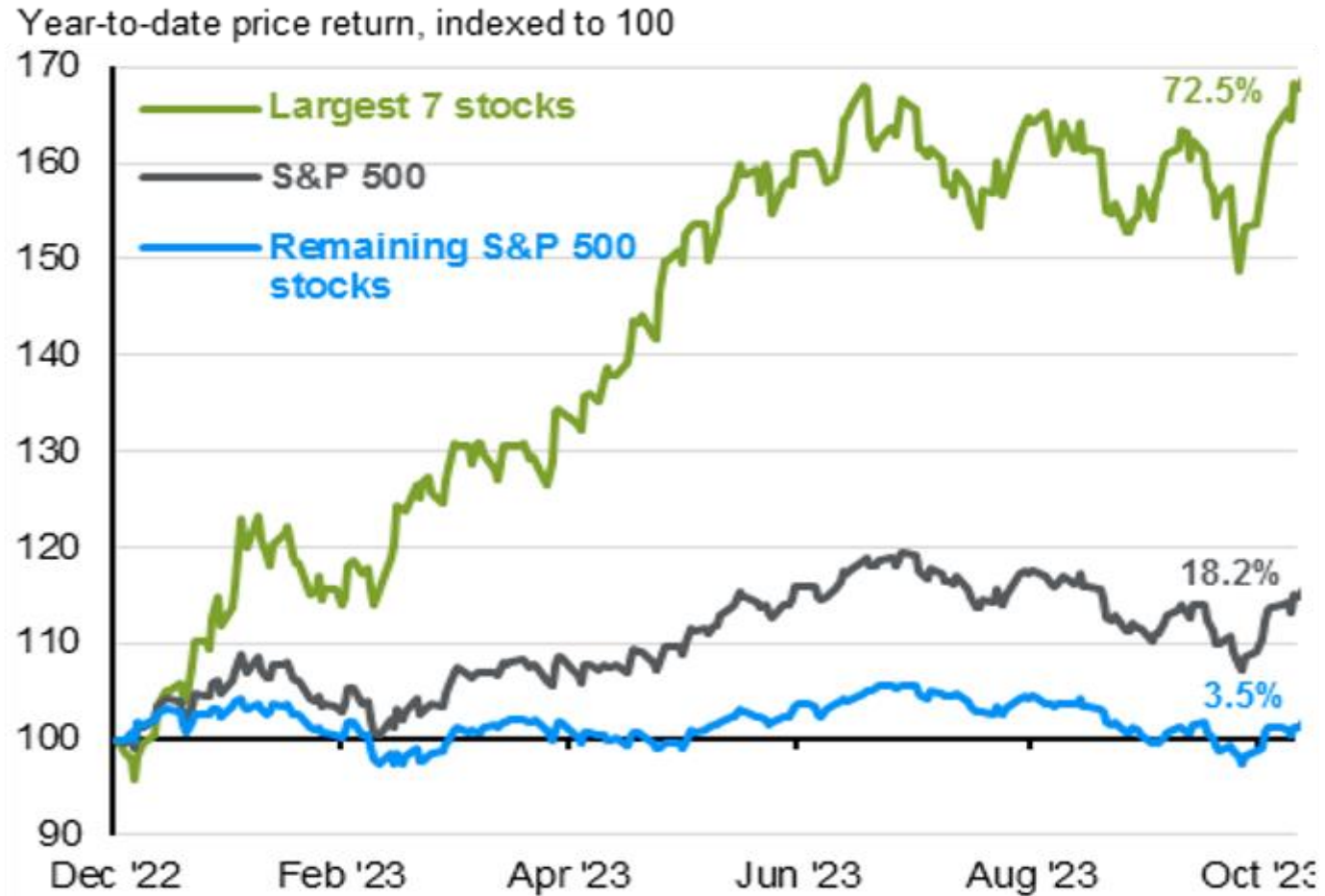
Market-based odds the Fed will lower its target rate by June 2024

Daily; Sept. 29 to Nov. 21, 2023



It's that time of year again when Wall Street starts publishing 2024 market outlooks. While none of the outlooks we've reviewed have been excessively bullish, one key assumption that many on Wall Street are making is that the Federal Funds Rate (FFR) will be lower in June 2024. Seen above, the market is starting to reflect this consensus as implied by the US Treasury rate curve. While we have started adjusting fixed income portfolios into slightly longer duration positions, we remain cautious that outright rate cuts will show up by June 2024.

Chart #2: Market Concentration Persists



Optimism in technology companies, particularly the largest seven stocks, continues to drive markets higher.....at the expense of the remaining 493 companies in the S&P 500. Notably, the largest seven stocks appear poised to make new 2023 highs while the rest of the S&P 500 has a ways to go before new highs are attained. We continue to believe now is a good time to be trimming holdings in these top 7 companies back to target weight.

Appendix

Correction / Recession Indicators



Market Price Indicators		
Commodities Trend (50 Day Moving Average) ¹	Declining	
S&P 500 Trend (200 Day Moving Average) ¹	Above	
High Yield Credit Spreads (579 bps ave) ²	390	
BBB Credit Spreads (172 bps ave) ²	143	
Yield Curve 10yr - 3M (175 bps ave) ²	-1.07	
Yield Curve 10yr -2yr ²	-45	
NYSE Advance/Decline Line (month/month) ¹	Advancing	

Economic Indicators		
Continued Unemployment Claims (mln) ²	1,654	
GDP Nowcast (1.5-2.5% ave) ⁵	2.1%	
Case-Schiller HPI (y/y) ⁶	-1.1%	
US ISM Manufacturing (>50= expansion) ²	46.7	
US ISM Services (>50= expansion) ²	51.6	
Headline Consumer Price Index (y/y) ²	3.7%	
Leading Economic Index (m/m) ²	-0.4%	

Sentiment Indicators		
CNN Fear/Greed Index ³	Greed	
AAII % Bulls Sentiment (39% ave) ⁴	45.3%	
Volatility Index (13-19 ave) ¹	12.8%	
CBOE Total Put/Call Ratio (range = 0.9 to 1.1) ¹	1.11	
% S&P 500 Above the 200 Day Moving Average (40-60 ave) ¹	57.8%	
Total Positive	4 / 19	
Total Negative	10 / 19	

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