

CHIEF INVESTMENT OFFICE

Investment Insights

Weakness Is An Opportunity

February 2024

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The outsized weakness across the broad equity markets today, February 13, accelerated throughout the day after investors began to fully digest the January inflation report. The core and headline consumer price indexes (CPI) rose 0.4% and 0.3% respectively for January, which was 0.1% above the consensus expectations. The slight increase, which was primarily driven by upward price pressures in shelter, food, electricity and airline fares, is being viewed as a slight disappointment given the fact that many economists were leaning toward a slower rate of increase. Federal Reserve rate cut expectations, which have already shifted recently from starting in March to June, are now pricing in a rate cut path potentially starting later in July.

On the back of the adjusted expectations bond yields rose, which has placed downward pressure on Equities. Looking at the S&P 500 Index, equity markets, which have enjoyed strong momentum since November 2023, are giving back around 1.5% on the day. We don't view this as a change to our stance that inflation is in a broad downtrend with some stickiness in certain areas. This is to be expected and just represents a small detour from the overall trend, in our opinion. We would use weakness in equity markets in the coming weeks as an opportunity to add to Equities given our view that positive earnings trends continue, yields have broadly peaked, and a new, measured rate cutting cycle is on the horizon starting in June. We believe small capitalization shares represent the most attractive opportunity for long term investors at this time and we remain committed to higher-quality large capitalization shares, including a balanced view on Technology shares and consistent dividend growers.

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Data as of February 13, 2024

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S&P 500 Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

Consumer Price Index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

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