WEEKLY MARKET RECAP: March 18 – March 22, 2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

After the U.S. economy's impressive 4% annualized growth in the second half of 2023, investors are searching for clues as to whether this strong momentum will persist into 2024. For much of this quarter, the closely watched Atlanta Fed GDPNow model has forecasted growth of at or above 3%. However, after last week's retail sales report, estimates were revised meaningfully lower.

Retail sales rose 0.6% m/m in February, marking the fastest gain since September. However, sales for January and December were revised down by 0.5% and 0.3%, respectively. Spending at gas stations rose 0.9%, reflecting higher gasoline prices, while spending at auto dealers and building material suppliers only partially recovered last month's losses. Importantly, control group retail sales, which are used to calculate GDP and exclude gasoline, autos, building materials and food services, looked bleak, remaining unchanged after a 0.3% decline in January. With control group sales now tracking negative through the first two months of the year, the Atlanta Fed nowcast for 1Q real personal consumption fell from 3.4% to 2.2%, dragging the latest GDPNow estimate for 1Q24 growth down to 2.3%.

Overall, consumer momentum appears to be fading after an impressive 2023. However, as falling inflation and rising real wages offset dwindling excess savings, even moderate consumption growth could carry the U.S. economy to a softlanding this year. In this environment, stocks could grind higher while bond yields remain relatively stable, although a well-diversified portfolio may best protect against any unforeseen threats that could emerge.

Thanks for reading! Have a great weekend.