WELLS FARGO
Investment Institute

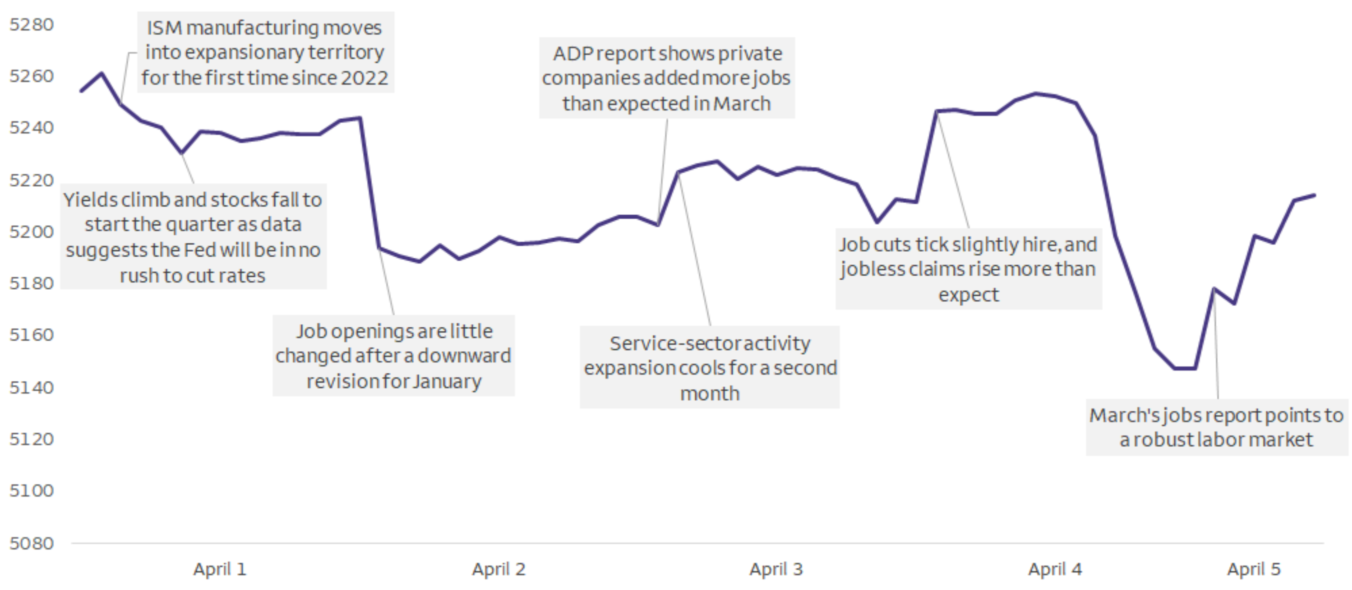
Looking Ahead

April 5, 2024

Stocks lower on jobs data

Stocks were down this week amid concerns about stronger-than-expected economic growth due to personal consumption expenditure (PCE) inflation data, labor market data, and business-related updates. Friday's jobs report showed a formidable increase in hiring, although other data points suggested relative balance. Also in focus were the Institute for Supply Management (ISM) purchasing managers' indexes (PMIs) for manufacturing and services, with the former moving into expansionary territory for the first time in 16 months. Finally, Fedspeak continued to emphasize the importance of patience. Looking ahead to next week, markets will be watching March's Consumer Price Index (CPI) and Producer Price Index (PPI) inflation along with consumer sentiment and small business optimism. Investors will also be watching the start of first-quarter earnings season.

S&P 500 Index performance week of April 1 – 5



Sources: Bloomberg, Wells Fargo Investment Institute. Data from April 1, 2024, through April 5, 2024, at 12:00 p.m. ET. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment.

Week in review: April 1 – 5

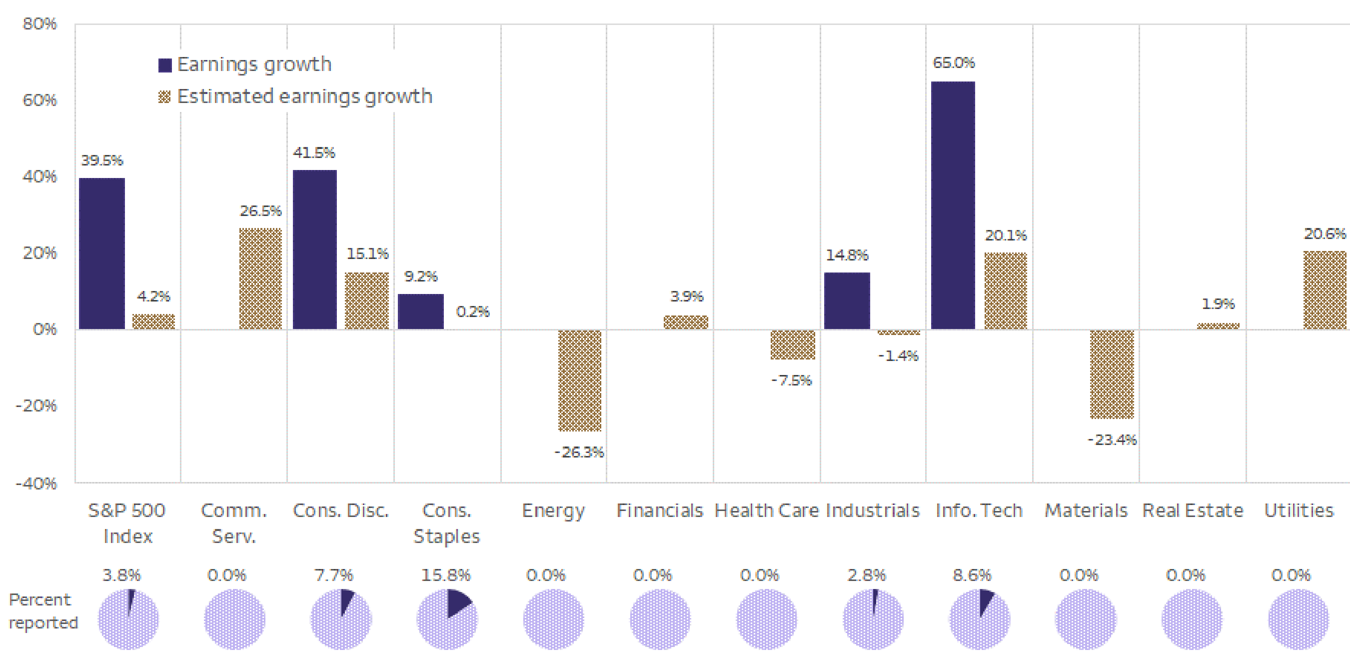
All eyes were on labor market data this week. Nonfarm payrolls surprised to the upside with 303K jobs added in March, the largest month-over-month (MOM) increase since May 2023. The majority of the increase was in health care, government, and leisure/hospitality (which has now returned to its pre-pandemic level). Meanwhile, the unemployment rate aligned with consensus expectations at 3.8% (a slight MOM decline), as did the average workweek at 34.4 (a slight MOM increase). Wage growth remains elevated relative to the pre-pandemic average, with average hourly earnings coming in at 4.1% year over year (YOY). However, it has continued its trend of gradually slowing since early 2022. Additionally, the Job Openings and Labor Turnover Survey (JOLTS) survey showed job openings increased to 8.756M for February, coming in below consensus expectations but still indicating strong demand. The ADP employment report for March saw a MOM increase as well, with private employers adding 184K jobs (above consensus expectations). The Federal Reserve (Fed) has often spoke of the labor market coming into a better balance as a key factor in assessing the economy's strength — this month's reports appeared to show that while job growth saw a spike, the implications have been tempered by slowing wage growth and still-strong demand.

Another focal point was the ISM's PMIs for manufacturing and services. The manufacturing PMI for March surprised to the upside, moving into expansionary territory at 50.3 for the first time in 16 months. The report noted expectations for strength in the second quarter along with solid demand. Meanwhile, the services PMI came in lower than expected, falling to 51.4. A notable detractor was the Prices Index, which fell to its lowest level since March 2020 (indicating higher prices paid). Meanwhile, factory orders for February surprised to the upside, increasing 1.4% MOM after January's 3.8% decline.

We will also return to February PCE inflation data, which was released last Friday (while markets were closed). The prints came in largely in line with consensus expectations and evidenced a still-slow pace of decline. Core and headline PCE both cooled MOM, with core seeing a more pronounced slowdown. Meanwhile, the YOY core print declined 0.1% and the headline print increased 0.1%. Core PCE now sits at a 2.8% annual rate, still above the Fed's target of 2%, and has substantiated market expectations for an initial rate cut in June and three total in 2024. Also supporting these toned-down expectations was a plethora of Fedspeak emphasizing patience amid signs of economic strength.

By Friday morning, the major averages were down for the week. As of 12:00 p.m. ET, the S&P 500 Index fell 0.8%, the Dow declined 2.1%, and the Nasdaq Composite dipped 0.6%.

First-quarter earnings are starting to trickle in



Sources: Bloomberg, Wells Fargo Investment Institute. Chart shows actual versus projected S&P 500 Index earnings growth by sector. Actual earnings growth as of April 5, 2024 at 8:30 a.m. ET. Bloomberg consensus estimated earnings growth as of March 29, 2024 at 8:30 a.m. ET. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment.

Looking ahead to next week: April 8 – 12

The highlight of the week will be inflation data, with CPI data out Wednesday and PPI data and import prices due later in the week. Other releases capturing attention include the Federal Open Market Committee's March 20 meeting minutes and a preliminary reading on April consumer sentiment and inflation expectations from the University of Michigan. Also on tap: the March budget statement, small business optimism for the month, and February wholesale trade. In the auction space, the U.S. Treasury department issues $119 billion in 3-, 10-, and 30-year securities.

In Asia, investors will be focused on major Chinese releases, including the country's CPI, PPI, trade balance, new loans, and money supply growth. From Japan, watch for updates on labor cash earnings, producer prices, trade data, machine tool orders, money stock, and finalized February industrial production. The Bank of Korea's policy meeting will be accompanied by the country's unemployment rate, while readings on Australian consumer and business confidence also hit the tape.

In Europe, the focus will be on Thursday's European Central Bank (ECB) policy meeting and its euro area bank lending survey. From the U.K., look for updates on gross domestic product, industrial production, house prices, and the trade balance. Elsewhere in the region, Germany's finalized March CPI and February's industrial production data and trade balance hit the tape, along with France's finalized March CPI.

Scheduled economic releases for week of April 8, 2024

Date	Time	Country	Release	For	Consensus	Prior
Monday, 4/8	2:00 AM	Germany	Industrial Production SA MoM	February	0.5%	1.0%
Monday, 4/8	8:30 PM	Australia	Westpac Consumer Conf SA MoM	April		-1.8%
Monday, 4/8	9:30 PM	Australia	NAB Business Confidence	March		0.3
Tuesday, 4/9	2:00 AM	Japan	Machine Tool Orders YoY	March Prelim		-8.0%
Tuesday, 4/9	6:00 AM	U.S.	NFIB Small Business Optimism	March	90.0	89.4
Tuesday, 4/9	7:50 PM	Japan	PPI YoY	March	0.8%	0.6%
Wednesday, 4/10	8:30 AM	U.S.	CPI YoY	March	3.5%	3.2%
Wednesday, 4/10	8:30 AM	U.S.	CPI Ex Food and Energy YoY	March	3.7%	3.8%
Wednesday, 4/10	8:30 AM	Canada	Building Permits MoM	February	-3.9%	13.5%
Wednesday, 4/10	9:45 AM	Canada	Bank of Canada Rate Decision	April 10	5.0%	5.0%
Wednesday, 4/10	2:00 PM	U.S.	FOMC Meeting Minutes	March 20		
Wednesday, 4/10	9:30 PM	China	CPI YoY	March	0.4%	0.7%
Wednesday, 4/10	9:30 PM	China	PPI YoY	March	-2.8%	-2.7%
Thursday, 4/11	8:00 AM	Brazil	Retail Sales YoY	February		4.1%
Thursday, 4/11	8:15 AM	Eurozone	ECB Main Refinancing Rate	April 11	4.5%	4.5%
Thursday, 4/11	8:30 AM	U.S.	PPI Final Demand YoY	March		1.6%
Thursday, 4/11	8:30 AM	U.S.	PPI Ex Food and Energy YoY	March		2.0%
Thursday, 4/11	8:30 AM	U.S.	Initial Jobless Claims	April 6		221k
Thursday, 4/11	7:00 PM	South Korea	Unemployment rate SA	March	2.8%	2.6%
Friday, 4/12	12:30 AM	Japan	Capacity Utilization MoM	February		-7.94%
Friday, 4/12	2:00 AM	U.K.	Industrial Production MoM	February	0.0%	-0.2%
Friday, 4/12	2:00 AM	U.K.	Manufacturing Production MoM	February	0.1%	0.0%
Friday, 4/12	8:00 AM	India	CPI YoY	March	4.85%	5.09%
Friday, 4/12	8:30 AM	U.S.	Import Price Index MoM	March	0.3%	0.3%
Friday, 4/12	10:00 AM	U.S.	U. of Mich. Sentiment	April Prelim	78.7	79.4
Friday, 4/12	10:00 PM	South Korea	BOK Base Rate	April 12	3.5%	3.5%

Source: Bloomberg. Data as of April 5, 2024, as of 12:00 P.M. ET. Times shown in table are in Eastern Time. SA = seasonally adjusted.

Scheduled earnings releases for week of April 8, 2024

Ticker	Company	Report date	Call time	Revenue est. (billions)	EPS est.	EPS year ago
DAL	Delta Air Lines, Inc.	Wednesday, 4/10	10:00 AM	$12.55	$0.35	$0.25
FAST	Fastenal Company	Thursday, 4/11	10:00 AM	$1.91	$0.53	$0.52
STZ	Constellation Brands, Inc. Class A	Thursday, 4/11	10:30 AM	$2.10	$2.11	$1.98
KMX	CarMax, Inc.	Thursday, 4/11	9:00 AM	$5.79	$0.46	$0.44
WFC	Wells Fargo & Company	Friday, 4/12	10:00 AM	$20.19	$1.07	$1.23
STT	State Street Corporation	Friday, 4/12	12:00 PM	$3.06	$1.51	$1.52
BLK	BlackRock, Inc.	Friday, 4/12	7:30 AM	$4.64	$9.34	$7.93
JPM	JPMorgan Chase & Co.	Friday, 4/12	8:30 AM	$41.80	$4.18	$4.10
C	Citigroup Inc.	Friday, 4/12	-	$20.37	$1.20	$2.19

Source: FactSet. Data as of April 5, 2024, as of 8:30 A.M. ET. Times shown in table are in Eastern Time. EPS = earnings per share.

Risk Considerations

Different investments offer different levels of potential return and market risk. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. Although **Treasuries** are considered free from credit risk they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic condition.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility.

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Definitions

An index is unmanaged and not available for direct investment.

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The ADP employment change report measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

The change in real average hourly earnings measure the change in real earnings or hours of all workers on nonfarm payrolls.

Average weekly hours (or average workweek) is the average number of hours worked per week.

The budget balance (or budget statement) is the difference between government revenues and government expenditures.

Business confidence tracks the general state of the economy as it relates to businesses. It can include broad economy-wide conditions or specific economic conditions of a particular industry.

Consumer confidence (or consumer sentiment) tracks sentiment among households or consumers.

The Consumer Price Index (CPI) is a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Factory orders track the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by industry approach (or output-based GDP) is the sum of the gross value added (output less intermediate consumption) of all industry and services sectors of the economy (at basic prices), plus all taxes less subsidies on products. This concept is adjusted for inflation.

House/home prices track changes in residential property prices.

Import price indexes track changes in the prices of goods produced abroad and sold domestically (imports).

Industrial production measures the output of industrial establishments in the following industries: mining and quarrying, manufacturing and public utilities (electricity, gas and water supply). Production is based on the volume of the output.

The international trade balance measures the difference between the movement of merchandise trade and/or services leaving a country (exports) and entering a country (imports). This measure tracks the value of the merchandise trade balance.

The Job Openings by Industry Total Survey (JOLTS) tracks the number of specific job openings in an economy.

Machine tool orders tracks trends in machine tool orders placed with major manufacturers.

The money supply (or money stock) measures the total amount of money in circulation in a country or group of countries in a monetary union.

Nonfarm productivity tracks the total output that can be produced with a given input of labor. Generally it is measured by dividing total real gross domestic product by either total employment or total hours worked.

PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Purchasing Managers' Indexes (PMI) track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

The Producer Price Index (PPI) is a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Small business optimism tracks the general state of the economy as it relates to businesses. It can include broad economy-wide conditions or specific economic conditions of a particular industry.

The unemployment (or jobless) rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

University of Michigan Consumer Sentiment Index is published monthly by the University of Michigan. Each month at least 500 telephone interviews are conducted throughout the U.S. The Index of Consumer Sentiment is developed from these interviews.

Wage growth (or labor cash earnings) generally tracks total remuneration (in cash or in kind) paid to employees in return for work done (or paid leave).

Wholesale sales (also referred to as wholesale trade) is a form of trade in which goods are purchased and stored in large quantities and sold to resellers, professional users or groups, but not to final consumers. This concept is based on the value of goods sold.

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