Weekly Market Commentary
March 04, 2024

The Markets

The bull market is alive and well.

"We know what investors are thinking," reported Jacob Sonenshine of *Barron's*. "The gains can keep coming, driven by an economy that is neither too hot nor too cold…The economy is growing, but only moderately, and the Federal Reserve can keep thinking about when it can start cutting interest rates…This dynamic is why nobody wants to miss out on the rally—and why they think it can keep going. A recent survey from Investors Intelligence shows the number of bulls outnumbered their bearish counterparts by the widest margin since late 2021."

Recent market performance owes much to:

- **Solid earnings growth and strong corporate profits**. Last week, 97 percent of the companies in the Standard & Poor's 500 Index had shared how well they performed in the fourth quarter of 2023. Overall, blended earnings for companies in the Index grew 4 percent year-over-year, exceeding expectations. Blended net profits were stable at 11.2 percent year-over-year, reported John Butters of FactSet.
- **Slowing Inflation**. Last week, one of the Fed's favorite inflation gauges, the personal consumption expenditures (PCE) price index, showed inflation moved lower year-over-year. Prices rose 2.6 percent over the 12 months through December 2023 and 2.4 percent over the 12 months through January 2024. While inflation trended lower over the longer period, it increased month-to-month. In December 2023, prices rose 0.1 percent, and in January 2024, prices rose 0.3 percent.
- **Enthusiasm for artificial intelligence (AI)**. Investors expect AI to boost productivity and corporate earnings. "Innovations in electricity and personal computers unleashed investment booms of as much as 2% of U.S. GDP as the technologies were adopted into the broader economy. Now, investment in artificial intelligence is ramping up quickly and could eventually have an even bigger impact on [economic growth]," reported Goldman Sachs.

Last week, the Standard & Poor's 500 and Nasdaq Composite Indices closed at record highs, while the Dow Jones Industrial Average retreated. All three indices finished February with gains, reported Chuck Mikolajczak of Reuters. The U.S. Treasury market rallied with yields falling for all but the shortest maturity of Treasuries.

Data as of 3/1/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.0%	7.7%	30.0%	9.6%	12.9%	10.8%
Dow Jones Global ex-U.S. Index	0.4	2.0	9.8	-1.7	3.1	1.9
10-year Treasury Note (yield only)	4.2	N/A	4.0	1.5	2.8	2.6
Gold (per ounce)	1.1	-1.4	11.3	5.7	9.3	4.3
Bloomberg Commodity Index	1.9	-1.5	-9.4	4.7	3.7	-3.2

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

PRINTING HOUSES ON THE MOON. For decades, Star Trek and its many spinoffs told tales of space travel. In that fictional universe, the Starfleet explored space at the behest of an interstellar government following the rules and laws of that government.

For many years, actual space exploration fell under the purview of governments, too. However, that has been changing. Today, space is a rapidly growing private sector endeavor. Estimates suggest the private space industry could be valued at $770 billion by 2027, reported Reuters.

In the next decade or so, we may see:

- **Direct-to-device satellite programs**. "Integrating satellite and terrestrial mobile networks could unlock new revenue for the satellite, semiconductor, and telecom industries," wrote David Jarvis and colleagues in Deloitte Insights. "…this technology does not compete with terrestrial cellular services from mobile network operators. It provides limited connectivity in areas where there is no terrestrial cellular coverage." (Extraterrestrial service is not yet available.)

- **Growth of the Low Earth Orbit (LEO) economy**. An early area of growth in the space economy is expected to take place 99 to 1,200 miles above the Earth in what's known as LEO. According to Deloitte, "…the industry can be dissected into six broad market segments that encompass specific commercial activities." The segments include infrastructure, services, on-orbit research and development, on-orbit manufacturing, space tourism, and media, entertainment and advertising.

- **Habitable communities on the moon by 2040**. "In the vast expanse of the cosmos, a visionary dream is becoming a reality: homes on the moon, an audacious endeavor spearheaded by NASA. This cosmic ambition…is now hurtling towards reality, fueled by cutting-edge technology, innovation, and unyielding determination...Imagine houses emerging from the moon's surface…crafted from the very rock chips and mineral fragments that define the moon's rugged terrain. How, you may understandably ask? With 3D printers," reported *Architectural Digest*.

The growing space industry will create opportunities for investors – and for new graduates who can pursue careers related to space in the private industry, as well as within governments.

Weekly Focus – Think About It
"Live long and prosper."

—Dr. Spock, Fictional Star Trek character

Best regards,

Heritage Capital Advisors, LLC

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
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