

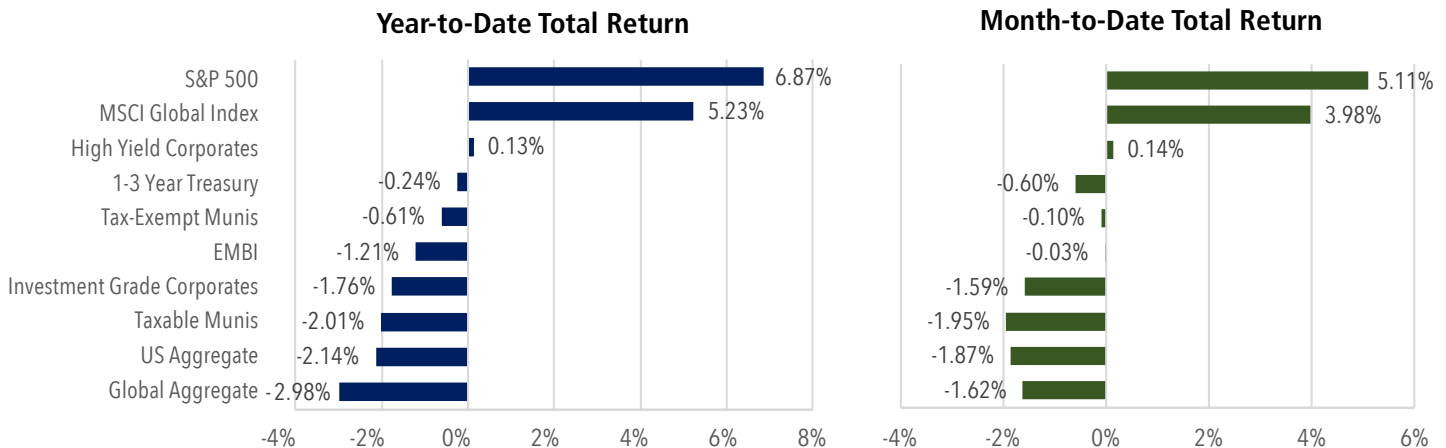
Week Ending: **February 23, 2024**

## Real Construction

### Economic Overview:

This week, NVIDIA's earnings announcement was awaited with bated breath, almost eclipsing the fervor typically reserved for Federal Reserve meetings. Lately, the market buzzword has been artificial intelligence (AI), driving narratives and investment flows. However, it's not just equity investors riding the wave of enthusiasm. Recent Census Bureau data reveals a significant uptick in manufacturing construction within the computer sector. Under the "Computer/electronic/electrical" classification, industries manufacturing computers, peripherals, communications equipment, and related electronic products and their components are expanding their footprint. Notably, this surge holds its ground even after adjusting for inflation, underscoring the genuine momentum in this sector. [The real activity is a testament to the burgeoning influence of AI and related technologies as they become increasingly more important to economic growth and investor interest.](#)

### Total Returns by Asset Class



Source: Bloomberg

### Highlights of the Week:

**High Yield:** The strong economy, slowing inflation, and strong earnings have buoyed high-yield returns in what has otherwise been a challenging environment for fixed income. Despite the 10-year Treasury being almost 30 basis points higher month-to-date through February 22, high-yield bonds post a positive return for the month.

**Municipals:** Illinois Governor J.B. Pritzker is proposing a \$52.7 billion budget for Fiscal Year 2025, raising sports betting levies and extending caps on corporate tax deductions to convert an expected \$721 million deficit into a \$128 million surplus. Additionally, the Governor proposes to fully fund the State's pension plans by 2048, which are currently funded at 45%.

**Equities:** The U.S. equity market rallied for this holiday-shortened week. NVIDIA contributed to the strong fourth-quarter earnings results, helping equities end the week at record highs. All sectors posted gains, with consumer staples, technology, and financials leading markets higher, while utilities, real estate, and energy were the market laggards.

**Securitized Products:** After showing strong performance in January, Commercial Mortgage-Backed Securities (CMBS) remains bifurcated, with some sectors such as data center and industrial offering bright spots while the office is still encumbered by the challenges of higher interest rates and a looming wall of debt maturities occurring this year and next. Compelling opportunities to capture value relative to other sectors exist in deals with modest leverage, well-capitalized borrowers, and resilient property types.