

## Equities

U.S. stocks continued to push through headwinds – the stress at NYCB, volatile Chinese stocks, and rebounding rates among them. The S&P 500 rose 1.37%, with tech stocks again leading. While high-quality megacap names gained again, unprofitable tech also participated last week, rising 5.40%. Following the second-best 3-month rally in the S&P 500 since 2009, the AAI Investor Sentiment survey shows a 95th percentile reading, implying widespread bullishness. Markets in China rebounded into the Lunar New Year, but the CSI 300 – measuring performance of onshore Chinese equities – has dipped -22% since mid-2022.

## Fixed income

A steady drip of Fed speakers and strong data continue to erode expectations for a March rate cut. In a light data week, there were headlines regarding several large Treasury auctions, but the price action remained subdued while Treasury yields drifted higher. The 10-year yield ended the week up 16 bps to 4.18% and the 2-year yield rose 12 bps. The CBO released new estimates of the Federal deficit and debt dynamics. While the revised deficit predictions showed improvement of a smaller shortfall, higher interest rates than expected made estimates of future debt service payments (i.e., interest payments) significantly worse.

## Commodities

Oil prices rose steadily through last week, ending around \$77/bbl. The market seems to be in a holding pattern as OPEC+ is expected to keep supply steady and there are questions around how quickly the U.S. can increase production. Tensions in the Middle East remain a risk, as oil tankers have increasingly avoided the Red Sea. Weakness in China continues to weigh on copper prices.

## Economic overview

Last week was light on data, giving outsized importance to just a few releases. The ISM Services index jumped to 53.4 in January from 50.5 previously, and the prices paid index surged to 64.0, the highest in 12 months. Given the size of the surprise, however, there is concern that cold temperatures in Jan impacted the response quality. The Senior Loan Officer Survey showed 30.6% of institutions tightening lending standards, below the 70% high just two quarters ago. While still high, it reflects easing in concern about recession and the banking system.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	5,026.61	3.73%	5.38%	5.38%	24.23%
DJIA	38,671.69	1.37%	2.61%	2.61%	13.70%
NASDAQ	15,990.66	5.45%	6.52%	6.52%	43.42%
Russell 2000	2,009.99	3.22%	-0.84%	-0.84%	15.09%
MSCI World	3,281.42	2.37%	3.54%	3.54%	21.77%
MSCI Europe	1,999.04	-0.89%	-1.06%	-1.06%	16.68%
MSCI EAFE	2,225.20	-1.02%	-0.49%	-0.49%	15.03%
MSCI Asia	167.41	0.54%	-1.17%	-1.17%	8.76%
MSCI EM	995.53	2.02%	-2.76%	-2.76%	7.04%
VIX	12.93	-1.42	0.48	0.48	-9.22

## Fixed income (total return index)

Barclays U.S. Agg	2,130.21	-1.20%	-1.47%	-1.47%	5.53%
Inv. grade bonds	3,174.23	-1.29%	-1.45%	-1.45%	8.52%
High yield bonds	2,484.10	0.17%	0.17%	0.17%	13.45%
Leveraged Loans	3,761.89	0.23%	0.90%	0.90%	13.32%

## Alternatives (total return index)

FTSE NAREIT	22,908.03	0.65%	-4.25%	-4.25%	11.36%
REIT Index					
GS Commodity Index	558.99	0.71%	4.36%	4.36%	-12.20%
Alerian MLP Index	1,958.80	-0.57%	3.84%	3.84%	26.56%

## Commodities

		MTD	QTD	YTD	2023
WTI Crude	\$76.84	1.31%	7.24%	7.24%	-10.73%
Brent Crude	\$82.19	0.59%	6.68%	6.68%	-10.32%
Natural Gas	\$1.85	-12.05%	-26.53%	-26.53%	-43.82%
Gold	\$2,023	-1.23%	-2.34%	-2.34%	13.45%

## Currency

Dollar Index (DXY)	104.11	0.81%	2.74%	2.74%	-2.11%
USDCNY	7.19	0.34%	1.32%	1.32%	2.92%
Bitcoin	47,547	11.98%	11.85%	11.85%	157.01%

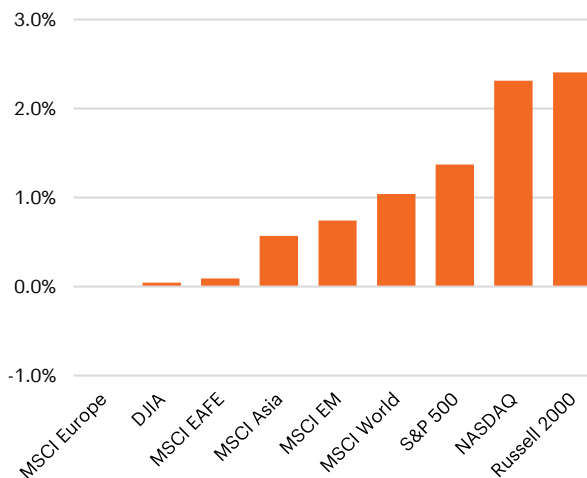
## Spreads

Inv. grade bonds	95 bps	-1 bps	-4 bps	-4 bps	-31 bps
High yield bonds	316 bps	-28 bps	-7 bps	-7 bps	-146 bps
Leveraged loans	454 bps	-4 bps	-5 bps	-5 bps	-101 bps
Emerging markets	289 bps	-12 bps	-8 bps	-8 bps	-42 bps

## Interest rates

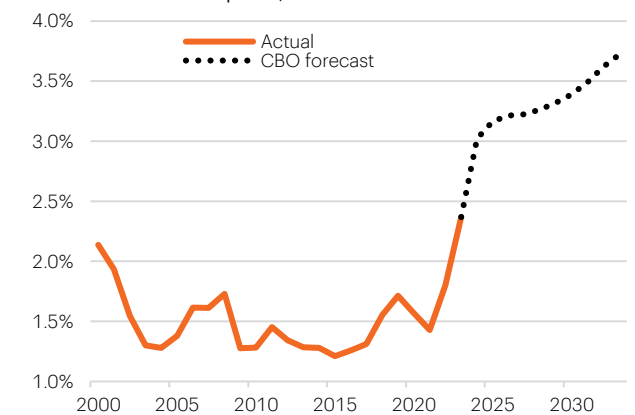
Fed Funds Target	5.375%	5.375%	5.375%	5.375%	4.375%
SOFR	5.31%	-1 bps	-7 bps	-7 bps	108 bps
3-month LIBOR*	5.56%	-1 bps	-3 bps	-3 bps	83 bps
2-year Treasury	4.48%	27 bps	23 bps	23 bps	-18 bps
10-year Treasury	4.18%	26 bps	30 bps	30 bps	0 bps
30-year Treasury	4.37%	21 bps	34 bps	34 bps	7 bps
Barclays U.S. Agg	4.81%	22 bps	27 bps	27 bps	-15 bps
Inv. grade bonds	5.31%	20 bps	25 bps	25 bps	-36 bps
High yield bonds	7.75%	-5 bps	16 bps	16 bps	-137 bps

## Last week's equity returns



## Rising deficits, rates - and problems

Federal net interest expense, % of nom. GDP



Source: Congressional Budget Office, as of February 8, 2024.

## Equities

**S&P 500:** Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

## Credit

**Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

## Alternatives

**FTSE NAREIT All Equity REITs Index:** Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

## Commodities

**Generic 1st Crude Oil (WTI Crude):** Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

## Currency

**Dollar Spot Index:** Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

## Spreads

**Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

## Interest rates

**Fed funds target:** Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

**Sources:** Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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