

## Equities

U.S. stocks gained a third consecutive week as performance broadened out into small-cap and value stocks. The market reverted to megacap leadership through the year's first 3 weeks, as the S&P 500 gain 1.5% but just 38% of stocks were positive; however, a solid start to earnings season and strong U.S. economic data pushed two-thirds of names into positive territory last week adding another 1.06% gain. The S&P 500 fwd. P/E ratio eclipsed 20x for the first time since 2022. Stocks in Europe, Asia, and EM all rose last week but remain down YTD as U.S. leadership endures.

## Fixed income

Benchmark yields were broadly unchanged last week as a pre-FOMC holding pattern settled over the market. The 10-year Treasury held a relatively tight range of 4.08% to 4.19% and ended the week close to the middle. No rate change is expected at the January 31 meeting this week, but markets still have 50/50 odds of a rate cut at the March 20 meeting. The FOMC statement and Fed Chair Powell's press conference will likely provide some guidance for markets on this front. Looking further out the curve, despite several weeks of strong data, markets still expect 135 bps of rate cuts in 2024, down a little from a peak of 165 bps.

## Commodities

Crude prices rose into the upper-\$70s – the highest since late November – on the back of strong U.S. growth data. U.S. crude production plummeted in the most recent data due to record-cold temperatures across much of the country, causing a large drop in inventories and boosting prices. Industrial metals such as copper gained on the positive cyclical backdrop, as well, while gold slumped.

## Economic overview

In Q4, the economy was firing on all cylinders with growth of 3.3%, holding significant positive momentum. Household consumption was once again the big engine driving above-potential growth, and in Q4 households spent cheerfully on goods and services. Business investment, a smaller sector, grew 1.9% and also saw gains in each major category. Government spending contributed 0.56% to the headline number and has been a positive contributor to growth all year. This rounds out an exceptional year – growth in 2023 ended at 3.1%, eclipsing the consensus expectation of a meager 0.5% growth at the start of the year.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	4,890.97	2.54%	2.54%	2.54%	24.23%
DJIA	38,109.43	1.11%	1.11%	1.11%	13.70%
NASDAQ	15,455.36	2.96%	2.96%	2.96%	43.42%
Russell 2000	1,978.33	-2.40%	-2.40%	-2.40%	15.09%
MSCI World	3,216.23	1.48%	1.48%	1.48%	21.77%
MSCI Europe	2,009.32	-0.55%	-0.55%	-0.55%	16.68%
MSCI EAFE	2,222.74	-0.60%	-0.60%	-0.60%	15.03%
MSCI Asia	165.07	-2.55%	-2.55%	-2.55%	8.76%
MSCI EM	985.10	-3.77%	-3.77%	-3.77%	7.04%
VIX	13.26	0.81	0.81	0.81	(9.22)

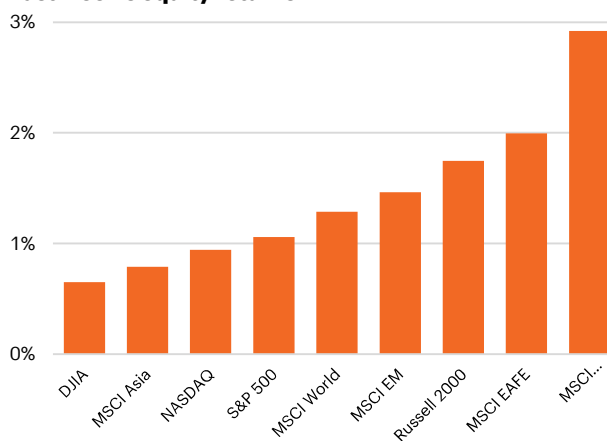
## Fixed income (total return index)

Barclays U.S. Agg	2,133.99	-1.30%	-1.30%	-1.30%	5.53%
Inv. grade bonds	3,186.35	-1.08%	-1.08%	-1.08%	8.52%
High yield bonds	2,478.31	-0.07%	-0.07%	-0.07%	13.45%
Leveraged Loans	3,751.51	0.62%	0.62%	0.62%	13.32%

## Alternatives (total return index)

FTSE NAREIT	23,035.50	-3.71%	-3.71%	-3.71%	11.36%
REIT Index					
GS Commodity Index	561.45	4.82%	4.82%	4.82%	-12.20%
Alerian MLP Index	1,977.95	4.85%	4.85%	4.85%	26.56%

## Last week's equity returns



Commodities		MTD	QTD	YTD	2023
WTI Crude	\$78.01	8.88%	8.88%	8.88%	-10.73%
Brent Crude	\$83.55	8.45%	8.45%	8.45%	-10.32%
Natural Gas	\$2.71	7.88%	7.88%	7.88%	-43.82%
Gold	\$2,017	-2.63%	-2.63%	-2.63%	13.45%

## Currency

Dollar Index (DXY)	103.43	2.07%	2.07%	2.07%	-2.11%
USDCNY	7.18	1.09%	1.09%	1.09%	2.92%
Bitcoin	41,994	-1.21%	-1.21%	-1.21%	157.01%

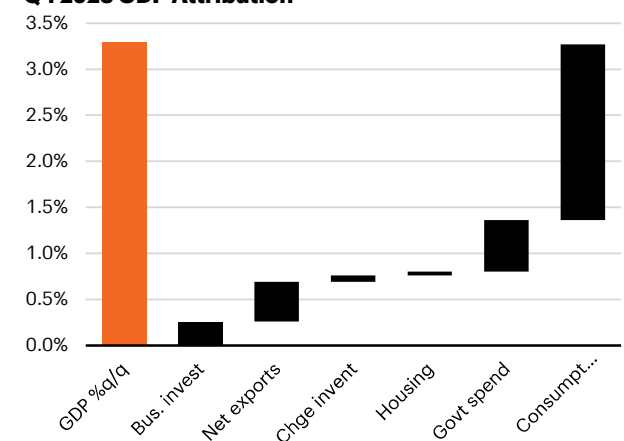
## Spreads

Inv. grade bonds	92 bps	-7 bps	-7 bps	-7 bps	-31 bps
High yield bonds	325 bps	2 bps	2 bps	2 bps	-146 bps
Leveraged loans	455 bps	-4 bps	-4 bps	-4 bps	-101 bps
Emerging markets	298 bps	1 bps	1 bps	1 bps	-42 bps

## Interest rates

Fed Funds Target	5.375%	5.375%	5.375%	5.375%	4.375%
SOFR	5.32%	-6 bps	-6 bps	-6 bps	108 bps
3-month LIBOR*	5.58%	-1 bps	-1 bps	-1 bps	83 bps
2-year Treasury	4.35%	10 bps	10 bps	10 bps	-18 bps
10-year Treasury	4.14%	26 bps	26 bps	26 bps	0 bps
30-year Treasury	4.37%	34 bps	34 bps	34 bps	7 bps
Barclays U.S. Agg	4.74%	21 bps	21 bps	21 bps	-15 bps
Inv. grade bonds	5.23%	17 bps	17 bps	17 bps	-36 bps
High yield bonds	7.75%	16 bps	16 bps	16 bps	-137 bps

## Q4 2023 GDP Attribution



Sources: Bureau of Economic Analysis, as of January 25, 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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