

## Equities

U.S. equities capped off an unexpected banner year by rising for a 9th straight week, a feat last accomplished in 2004. The S&P 500 gained 24.23% in 2023, ending the year within basis points of its all-time high. Returns were incredibly lopsided last year – the tech and communication services sectors each rose more than 50% while consumer staples, energy, and utilities each declined. The Magnificent 7, representing more than a quarter of the S&P 500, more than doubled as a group and drove nearly two-thirds of the index return. International stocks lagged but still finished up. U.S. stocks enter 2024 priced at 20x expected earnings.

## Fixed income

The 10-year Treasury ends 2023 at 3.88%, close to where it started, traveling in a range of 3.31%-5.00%. The Fed raised rates to 5.25-5.50%, the highest since 2001. Economic expectations drove long-term yields and fixed income performance. In Q1, recession fears and the March regional bank failures caused a modest core fixed income rally, only to suffer a sharp sell-off on the back of economic optimism in late summer/fall. The Fed's dovish pivot in Q4 left markets pricing in six rate cuts for this year and carried a swing back to positive territory for bond performance. One note of caution: the yield curve ends the year still deeply inverted.

## Commodities

Oil moved lower during 2023, ending at \$71.65/bbl. The primary stories of the year involved disappointing demand outside the U.S. – and especially in China – as well as surging oil production in the U.S., where supply ended the year at an all-time high of 13.3mmbpd. Appetite among non-Saudi OPEC members to further support prices appears lukewarm. Gold ended near an all-time high as real rates plunged in Q4.

## Economic overview

Pervasive fear of recession at the start of 2023 proved unwarranted as the economy fired on all cylinders last year. The primary engine remained the consumer, supported by the labor market and still carried on the tailwind of excess pandemic savings. Business investment, led by a recovery in bricks and mortar building, was also robust, and government spending added to what is likely to be growth of about 3.0% Q4/Q4 for the year. Inflation decelerated from 6.4% at the start of the year to 3.1% y/y in November, although the decline has been uneven and core CPI remains 4.0% y/y.

Equities (price index)		MTD	QTD	YTD	2022
S&P 500	4,769.83	4.42%	11.24%	24.23%	-19.44%
DJIA	37,689.54	4.84%	12.48%	13.70%	-8.78%
NASDAQ	15,011.35	5.52%	13.56%	43.42%	-33.10%
Russell 2000	2,027.07	12.05%	13.56%	15.09%	-21.56%
MSCI World	3,169.18	4.81%	11.07%	21.77%	-19.46%
MSCI Europe	2,020.40	4.93%	10.71%	16.68%	-17.28%
MSCI EAFE	2,236.16	5.24%	10.09%	15.03%	-16.79%
MSCI Asia	169.39	4.41%	7.67%	8.76%	-19.36%
MSCI EM	1,023.74	3.71%	7.45%	7.04%	-22.37%
VIX	12.45	-0.47	-5.07	-9.22	4.45

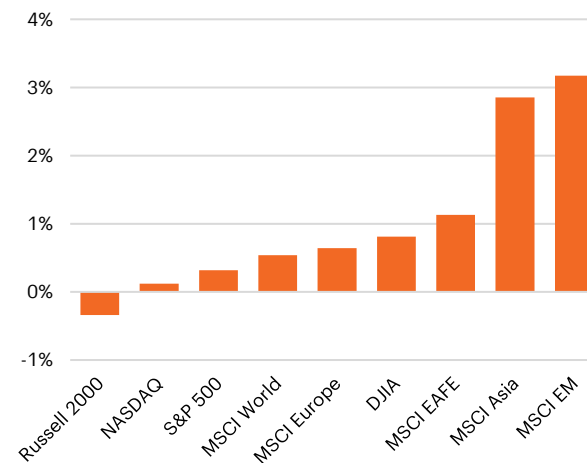
## Fixed income (total return index)

Barclays U.S. Agg	2,162.00	3.83%	6.82%	5.53%	-13.01%
Inv. grade bonds	3,221.05	4.34%	8.50%	8.52%	-15.76%
High yield bonds	2,479.95	3.73%	7.16%	13.45%	-11.19%
Leveraged Loans	3,726.33	1.60%	2.84%	13.07%	-0.60%

## Alternatives (total return index)

FTSE NAREIT	23,923.60	8.86%	17.98%	11.36%	-24.95%
REIT Index					
GS Commodity Index	535.64	-3.62%	-12.14%	-12.20%	8.71%
Alerian MLP Index	1,886.43	-2.17%	4.98%	26.56%	30.92%

## Last week's equity returns



Commodities		MTD	QTD	YTD	2022
WTI Crude	\$71.65	-5.67%	-21.08%	-10.73%	6.71%
Brent Crude	\$77.04	-6.99%	-19.17%	-10.32%	10.45%
Natural Gas	\$2.51	-10.28%	-14.17%	-43.82%	19.97%
Gold	\$2,072	1.65%	12.10%	13.45%	-0.13%

## Currency

Dollar Index (DXY)	101.33	-2.09%	-4.56%	-2.11%	8.21%
USDCNY	7.10	-0.49%	-2.71%	2.92%	8.54%
Bitcoin	41,935	11.08%	55.88%	153.55%	-64.30%

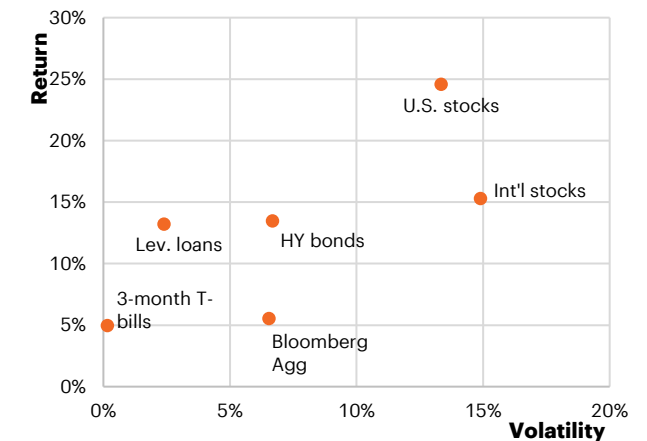
## Spreads

Inv. grade bonds	99 bps	-5 bps	-22 bps	-31 bps	38 bps
High yield bonds	323 bps	-47 bps	-71 bps	-146 bps	186 bps
Leveraged loans	468 bps	-17 bps	-8 bps	-92 bps	149 bps
Emerging markets	297 bps	-9 bps	-19 bps	-42 bps	42 bps

## Interest rates

Fed Funds Target	5.375%	5.375%	5.375%	4.375%	4.38%
SOFR	5.40%	7 bps	9 bps	110 bps	425 bps
3-month LIBOR*	5.59%	-4 bps	-7 bps	82 bps	456 bps
2-year Treasury	4.25%	-43 bps	-79 bps	-18 bps	369 bps
10-year Treasury	3.88%	-45 bps	-69 bps	0 bps	236 bps
30-year Treasury	4.03%	-47 bps	-67 bps	7 bps	206 bps
Barclays U.S. Agg	4.53%	-52 bps	-86 bps	-15 bps	293 bps
Inv. grade bonds	5.06%	-54 bps	-98 bps	-36 bps	309 bps
High yield bonds	7.59%	-84 bps	-129 bps	-137 bps	475 bps

## Major asset class risk and returns in 2023



Source: Bloomberg Finance, L.P., as of December 28, 2023.

## 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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