Market Commentary

February 2024

- Markets were risk-on in February, with equity markets delivering positive returns around the world and across sectors.
- Inflation rose in January, underscoring that while on the right trajectory, it may continue to be a bumpy ride towards the Federal Reserve's target of 2%.
- Only time will tell if markets give us the cautionary "Ides of March" or a sustained period of market returns, however, measures can be taken now to navigate either scenario effectively.

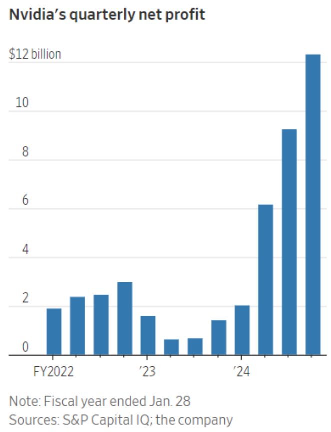
MARKET RETURNS AS OF FEBRUARY 29, 2024[1]

	February %	YTD %	1 Year %	3 Year %	5 Year %	10 Year %
S&P 500 TR	5.34	7.11	30.5	11.91	14.76	12.70
S&P 500 Equal Weighted TR	4.16	3.31	13.3	8.67	11.57	10.52
DJ Industrial Average TR	2.50	3.84	22.0	10.25	10.86	11.62
NASDAQ Composite TR	6.22	7.33	41.6	7.69	17.38	15.23
Russell 2000 TR	5.65	1.54	10.0	-0.94	6.89	7.13
MSCI EM GR	4.77	-0.08	9.2	-5.93	2.28	3.39
MSCI EAFE GR	1.84	2.44	15.0	4.97	7.29	4.89

MARKETS

Stocks gained during the month, led by big tech on the back of continued AI enthusiasm and strong earnings. The S&P 500 rose 5.3%, the Nasdaq rose 6.2% and the DJIA trailed, up 2.5%. Market returns started to broaden out, with all S&P 500 equity sectors delivering positive returns, the S&P 500 equal weight rising 4.2%, and small caps played catch up after a tough January, rising 5.7%.

While many were debating whether AI was just a buzzword, the Magnificent 7 were busy beating earnings expectations. Chipmaker Nvidia posted another blockbuster earnings report, with a bulk of its sales coming from its division that focuses on data centers, the huge server farms where most AI computation takes place. Goldman Sachs Group Inc.'s Scott Rubner dubbed Nvidia "the most important stock on planet earth".



Fixed income markets were mostly negative, as the Bloomberg US Aggregate Bond Index continues to reflect adjusting interest expectations. The Bloomberg US Corporate High Yield index eked out a positive return of +0.3%.

THE FED AND RATES

The Federal Reserve's preferred inflation measure showed that prices rose again, in-line with expectations. The core personal consumption expenditures price index, which excludes the volatile costs of food and energy, increased 0.4% on a monthly basis in January.

Still, the overarching inflation trajectory suggests a gradual shift towards favorable inflation dynamics based on year over year percent changes. Markets expect three to four rate cuts in 2024, mostly in the second half of the year.

NOW WHAT?

Consider talking to your investment advisor about:

- **Scope out a plan to put investable cash to work.** While the timing is uncertain, interest rate cuts are likely coming, and that means that cash yields are at - or near - their highs. History suggests that stocks and bonds tend to outperform cash when the Fed stops hiking.
- **Right-size any concentration risk**. Market rallies may change portfolio risk profiles. Work with your advisor to see if a rebalance may be in order.
- **Get ahead of the tax season crunch.** You have until tax-day to make IRA contributions for the prior year. In 2024, you can contribute up to $6,500, or $7,500 if you're age 50 or older by the end of the year; or your taxable compensation for the year. If you've already checked that box, you can make contributions toward your 2024 tax year limit of $7,000 until tax day in 2025.

FOOTNOTES:

Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

Sources:

1. Data from Morningstar. Returns over one year are annualized.

Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

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