Market Commentary

January 2024

- Stocks were mixed to start the year. Large cap U.S. equity markets delivered positive results, while small cap and emerging market stocks lagged.
- Fixed income returns were mostly negative but rallied to end the month.
- At its most recent central bank meeting, the Federal Reserve signaled that cuts are possible but not imminent as it holds rates steady.

MARKET RETURNS AS OF JANUARY 31, 2024[1]

	January %	1 Year %	3 Year %	5 Year %	10 Year %
S&P 500 TR	1.68	20.82	11.00	14.30	12.62
DJ Industrial Average TR	1.31	14.36	10.59	11.19	11.82
NASDAQ Composite TR	1.04	31.99	5.90	16.80	15.12
Russell 2000 TR	-3.89	2.40	-0.76	6.80	7.03
MSCI EM GR	-4.63	-2.55	-7.15	1.37	3.25
MSCI EAFE GR	0.58	10.58	5.11	7.44	5.27
Bloomberg US Agg Bond TR	-0.27	2.10	-3.17	0.83	1.63

MARKETS

The start of the year saw mixed markets. The S&P 500 TR Index, Dow Jones Industrial Average TR Index and Nasdaq Composite TR Index posted over 1% positive returns, while small cap and emerging markets lagged.

Standout earnings reports from magnificent seven companies such as Amazon, Meta, and Microsoft buoyed markets. Amazon's earnings beat estimates driven by strong results from its e-commerce business and growth in advertising. Meta provided a strong outlook and its first dividend to shareholders. Microsoft recorded its highest profit growth in more than two years as excitement about artificial intelligence helped power the growing demand for its cloud services.

Small cap stocks had a challenging start to the year following a very strong December. Interestingly, many market strategists, such as UBS Group, believe that the stocks could be poised for further price appreciation despite the recent volatility.

U.S. fixed income returns were mixed. The Bloomberg US Agg Bond TR Index was marginally down but had a strong final week of the month.

THE FED AND RATES

The Federal Reserve met in late January and agreed to hold its benchmark federal funds rate steady in a range between 5.25% and 5.5%. Federal Reserve Chair Jerome Powell joined 60 minutes this past weekend to discuss that the central bank has shifted its focus from "if" to "when" to begin cutting rates, while emphasizing they are not in a rush to do so. "There is no easy, simple, obvious path," Powell said. "We think the economy is in a good place. We think inflation is coming down. We just want to gain a little more confidence that it's coming down in a sustainable way."

While the labor market was slow and steady during much of 2023, the January jobs number that was reported right after the close of the month showed that the US economy added 353,000 jobs in January, nearly double the number that economists had forecasted and showing real strength in the labor market. The data also showed an uptick in wage growth in January.

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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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