MONTHLY MARKET COMMENTARY, AS OF JANUARY 2024

US Equity	Jan-24	YTD	Last 12m
S&P 500	1.7%	1.7%	20.8%
Russell 1000	1.4%	1.4%	20.2%
Russell 1000 Value	0.1%	0.1%	6.1%
Russell 1000 Growth	2.5%	2.5%	35.0%
Russell 2000	-3.9%	-3.9%	2.4%
Russell 2000 Value	-4.5%	-4.5%	-0.1%
Russell 2000 Growth	-3.2%	-3.2%	4.5%
International Equity			
MSCI All-Country World ex-US	-1.0%	-1.0%	5.9%
MSCI EAFE	0.6%	0.6%	10.0%
MSCI Europe	-0.1%	-0.1%	10.2%
MSCI Japan	4.6%	4.6%	18.5%
MSCI Emerging Markets	-4.6%	-4.6%	-2.9%
Fixed Income			
U.S. Intermediate Treasuries	0.2%	0.2%	2.9%
U.S. Long Treasuries	-2.2%	-2.2%	-5.3%
U.S. TIPS	0.2%	0.2%	2.2%
Corporate IG Bond	-0.2%	-0.2%	4.2%
High-Yield Bonds	0.0%	0.0%	9.3%
Tax-Exempt Bonds	-0.5%	-0.5%	3.6%
International Bonds	-1.4%	-1.4%	0.9%
Emerging Market Bonds	-0.6%	-0.6%	5.1%
Currencies			
Us Dollar	1.9%	1.9%	1.2%
Euro	-2.0%	-2.0%	-0.4%
Yen	4.2%	4.2%	12.9%
Emerging Markets	-0.9%	-0.9%	1.2%
Real Assets			
Commodities	0.4%	0.4%	-7.1%
Energy	2.8%	2.8%	-10.8%
Industrial Metals	-1.9%	-1.9%	-17.6%
Gold	-9.7%	-9.7%	-15.0%
Master Limited Partnerships	4.4%	4.4%	24.0%
Real Estate Investment Trust	-4.2%	-4.2%	-1.5%

Source: Bloomberg data

Markets started the year with mixed returns, as major central banks signaled that rate cuts could take longer than expected. In the US, the Fed kept its policy rate at 5.50% (upper bound). The decision was widely expected but came with a hawkish message that rate cuts probably won't arrive as fast as the market expects. Inflation came above expectations with the CPI registering a 3.4%YoY reading, hotter than the 3.1% YoY of November. Despite this, US equities finished in positive territory, benefiting from positive growth data, corporate earnings and AI enthusiasm. The US GDP for 4Q came at 3.3% YoY[i], while Europe avoided a technical recession registering a 0.1% YoY[ii] growth. Performance was also mixed in the fixed income market as short rates were little changed and longer rates saw a slight increase.

US Equity: The S&P 500 rose +1.7% during the month, registering record highs. Technology (+3.91%) and Communication Services (+4.84%) were the top performers supported by corporate earnings and as AI enthusiasm continues to be a tailwind for most growth stocks. Worst returns were on Consumer Discretionary (-3.55%), dragged by Tesla's corporate earnings and guidance, Materials (-3.93%), given slower global growth pressuring commodities prices and Real Estate (-4.79%)[iii] that continues to suffer from higher rates. The possibility of higher rates for longer was also a headwind for small caps that finished with negative returns.

International Equity: Non-US equities were mostly negative during the month. Europe ended in slightly negative territory as it faced mixed economic data and the ECB left rates unchanged. Inflation, measured by the CPI, came at 2.9% YoY for December, hotter than the 2.4% YoY of November[iv]. The hot inflation print weighed on the hopes of an early interest rate cut. GDP news were positive for most countries and the composite PMI rose 0.3 points in January to 47.9[v], improving sentiment for equities, as a technical recession was expected in the eurozone. Emerging markets was the worst region, dragged down by China. The MSCI China Index fell -10.6% as concerns over the economy, especially in the property market, continue to pressure equities. The MSCI Emerging Markets ex-China was also in the red (-2.5%)[vi] as concerns of a hawkish Fed were a headwind for emerging regions.

Fixed Income: Results were mixed for fixed income assets. Long-term treasuries were the worst performers as yields rose with the inflation data and solid growth. The 10-year Treasury yield closed at 3.99% up from 3.88%[vii] at the beginning of the month, and the 2-year yield increased from 4.23% to 4.27%[viii]. Corporate credit had flat returns, despite a modest increase on credit spreads, as it benefited from income returns. TIPS outperformed treasuries as December's inflation came hotter than expected.

Liquid Real Assets: Commodities were slightly positive thanks to energy as oil prices increased due to the geopolitical risks in the Middle East. Natural gas prices fell due to high storage levels. Industrial metals fell given the outlook of decelerating global growth, especially in China. Higher rates put slight pressure on gold, but were an important headwind for real estate, due to their high debt levels.[ix]

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[i] US GDP Growth Rate. Trading Economics. https://tradingeconomics.com/united-states/gdp-growth

[ii] Euro Area GDP Growth Rate. Trading Economics. https://tradingeconomics.com/euro-area/gdp-growth-annual

[iii] Bloomberg data.

[iv] Monthly markets review – December 2023. Schroders. https://www.schroders.com/en-gb/uk/individual/insights/monthly-markets-review---december-2023/

[v] Monthly Market Review. JPMorgan. https://am.jpmorgan.com/be/en/asset-management/adv/insights/market-insights/market-updates/monthly-market-review/

[vi] Bloomberg data.

[vii] 10 Year Treasury Rate. Ycharts.com

[viii] 2 Year Treasury Rate. Ycharts.com

[ix] December 2023. Capital Market Flash Report. A summary of global market activity in December. Greycourt. https://www.greycourt.com/.