

# Weekly Market Recap

## The week in review

- Headline CPI rose by 0.3% m/m and 3.4% y/y
- Core CPI rose by 0.3% m/m and 3.9% y/y
- PPI fell 0.1% m/m
- Initial jobless claims fell to 202K

## The week ahead

- Retail Sales
- Consumer Sentiment
- Existing Home Sales

## Thought of the week

Over the past two years, the Federal Reserve's aggressive monetary tightening lifted short-term interest rates to their highest levels since the early 2000s. As a result, investors pounced on cash-like products for both safety and income in 2023, pushing money market fund assets to a record-high \$5.98 trillion, and this number is still climbing. Of course, cash serves an important role in portfolios and yields above 5% look attractive. However, investors tempted by higher cash rates should remember that re-investment risk is elevated, and holding too much cash can come at a cost.

Looking across the last six rate hiking cycles reveals that cash tends to underperform both stocks and bonds in the year after rates peak. In fact, the S&P 500 and a balanced 60/40 stock-bond portfolio outperformed 6-month CDs in five of the last six such periods, while the Bloomberg U.S. Aggregate outperformed across all six periods. Moreover, assuming that peak rates for the current cycle are already behind us, cash is on pace to underperform once again. Since month-end CD rates peaked in September, the S&P 500 and U.S. Agg have experienced impressive gains of 12.1% and 6.5%, respectively, while a 6-month CD has returned a more modest 1.7% over the same period.

Despite the recent market rally, investors have not missed their chance to move long-term money out of money market funds, and the opportunity cost of holding too much cash could increase further as the Fed eases policy in 2024. Given this, long-term investors should embrace opportunities across equities, fixed income and private markets to achieve their long-term goals. *Please see important disclosures on next page.*

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4784	1.87	0.34	0.34	22.08	31.90
Dow Jones 30	37593	0.35	-0.21	-0.21	12.35	28.59
Russell 2000	4849	0.00	-3.73	-3.73	5.65	-4.58
Russell 1000 Growth	2034	3.66	0.84	0.84	38.62	30.31
Russell 1000 Value	999	-0.28	-0.62	-0.62	6.33	23.78
MSCI EAFE	2227	0.87	-0.39	-0.39	11.57	11.42
MSCI EM	996	-0.57	-2.65	-2.65	0.79	-19.64
NASDAQ	14973	3.09	-0.24	-0.24	37.24	17.24

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.55	0.92	-0.29	-0.29	2.06	-8.91
U.S. Corporates	5.08	1.26	-0.30	-0.30	4.30	-8.27
Municipals (10yr)	2.81	0.08	-0.18	-0.18	3.71	-0.29
High Yield	7.89	0.97	-0.16	-0.16	9.19	5.87

Key Rates	Levels (%)					
	1/12/24	1/5/24	12/29/23	12/29/23	1/12/23	1/12/21
2-yr U.S. Treasuries	4.14	4.40	4.23	4.23	4.12	0.14
10-yr U.S. Treasuries	3.96	4.05	3.88	3.88	3.43	1.15
30-yr U.S. Treasuries	4.20	4.21	4.03	4.03	3.56	1.88
10-yr German Bund	2.20	2.13	2.00	2.00	2.14	-0.47
SOFR	5.31	5.31	5.38	5.38	4.30	0.08
3-mo. EURIBOR	3.93	3.94	3.91	3.91	2.29	-0.55
6-mo. CD rate	N/A	2.26	2.23	2.23	1.81	0.18
30-yr fixed mortgage	6.81	6.81	6.76	6.76	6.42	2.88
Prime Rate	8.50	8.50	8.50	8.50	7.50	3.25

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
19.54	4.31	1.42	40157
17.59	4.72	N/A	11742
21.18	1.75	1.40	2420
26.53	11.54	0.68	23872
14.84	2.33	2.25	20037
13.39	1.76	2.79	16115
11.66	1.58	2.40	6877
26.51	5.82	0.73	24265

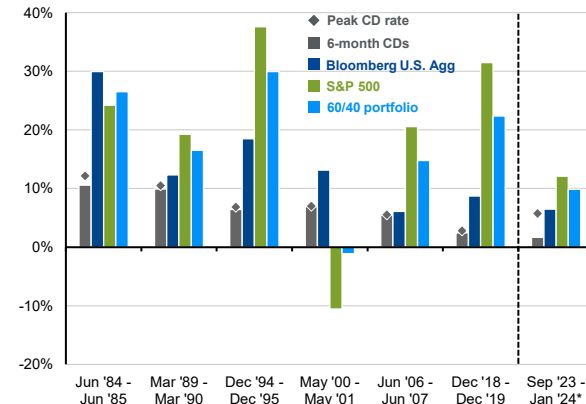
Currencies	Levels		
	1/12/24	12/29/23	1/12/23
\$ per €	1.10	1.10	1.08
\$ per £	1.28	1.27	1.22
¥ per \$	144.73	140.98	129.82

Commod.	Levels		
	1/12/24	12/29/23	1/12/23
Oil (WTI)	71.91	71.89	78.32
Gasoline	3.07	3.12	3.26
Natural Gas	3.10	2.52	3.47
Gold	2056	2078	1883
Silver	23.06	23.79	23.70
Copper	8289	8476	9072
Corn	6.10	6.10	6.06
BBG Idx	225.32	226.43	242.22

## Chart of the Week

### Investment opportunities outside of CDs

Peak 6-month CD rate during previous rate hiking cycles and subsequent 12-month total returns



## Style Returns

	V	B	G
L	-0.3	1.9	3.7
M	0.0	0.7	2.3
S	-0.6	0.0	0.6

	V	B	G
L	-0.6	0.3	0.8
M	-1.6	-1.5	-1.2
S	-3.8	-3.7	-3.6

## S&P 500 Sector Returns

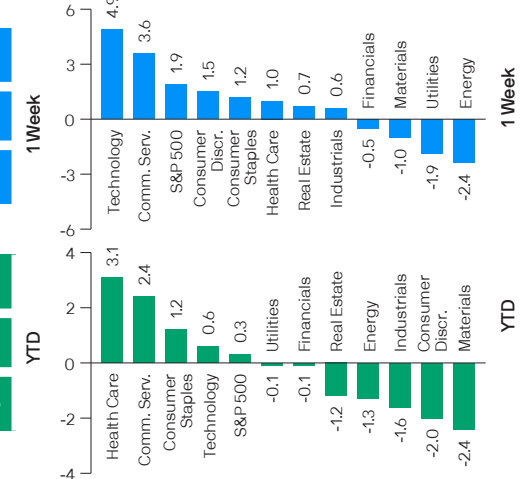




Chart of the Week: Source: Bloomberg, Federal Reserve, Robert Shiller, JPMAM. 60/40 portfolio is 60% S&P 500 and 40% Bloomberg U.S. Agg. S&P 500 data prior to 1988 from Robert Shiller. Month-end CD data from the Federal Reserve before 2013 and Bloomberg thereafter. CD return assumes reinvestment at prevailing 6-month rate when initial CD matures. \*Return calculated through 1/12/2024.

Thought of the week: Source: Bloomberg, Federal Reserve, ICI, Robert Shiller, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI. 0903c02a81dbac80

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period.

Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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