



Capital Markets Snapshot

Courtesy of LWS Financial

Week ending December 29, 2023

The markets received a holiday gift over the last two months of 2023 with a decline in interest rates and surging equity performance, which helped investors recover from a disappointing 2022. In a year where inflation and interest rates were a top concern, comments from the Federal Reserve in recent weeks have led many investors to believe that the FOMC is done with rate increases and are now looking for interest rate cuts in 2024.

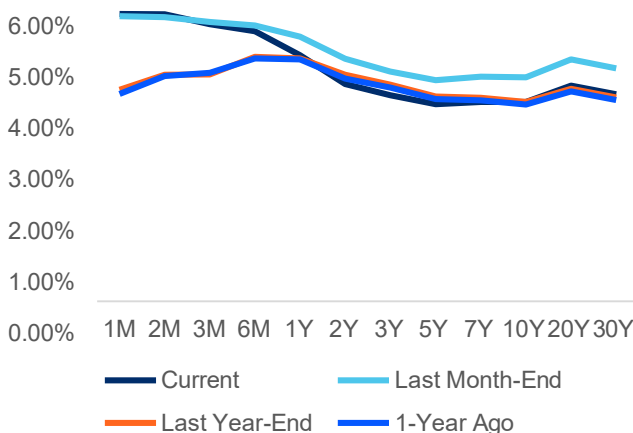
Fixed Income Markets Overview

- Bond yields had a rollercoaster ride this year with the 10-year U.S. Treasury closing the year at 3.88%, the exact rate where it was one year ago. In October, the yield had reached a high of over 5.00% but has come down in recent weeks.
- The 2-year U.S. Treasury yield fell to 4.25% on Friday, down from 4.42% at the start of the year. The 30-year U.S. Treasury yield closed the year at 4.03%, up from 3.97% one year prior.
- 30-year mortgage rates closed the year at 6.61% according to Freddie Mac but had reached as high as 7.79% in mid-October. The increase in rates did not drive down prices as housing supply remains an issue in the U.S. Redfin reported the average median sales price in 2023 was \$409,000, the highest in history.

| Asset Class | Name | 1W | YTD | 3Y(Ann.) | 5Y(Ann.) |
|------------------|----------------------------|-------|--------|----------|----------|
| Short | 1-3 Year Govt/Credit | 0.20% | 4.65% | 0.09% | 1.48% |
| Core Plus | Intermediate Govt/Credit | 0.35% | 5.24% | -1.62% | 1.63% |
| | International Aggregate | 0.48% | 5.72% | -5.52% | -0.27% |
| | US Aggregate | 0.48% | 5.53% | -3.28% | 1.15% |
| | US Treasury | 0.41% | 4.05% | -3.79% | 0.58% |
| | US TIPS | 0.17% | 3.90% | -0.90% | 3.19% |
| | US Corporate | 0.65% | 8.52% | -3.24% | 2.68% |
| | US Corporate High Yield | 0.40% | 13.45% | 1.99% | 5.40% |
| Other | Emerging Markets Aggregate | 0.36% | 9.09% | -3.10% | 1.85% |
| Muni | US Municipals | 0.18% | 6.40% | -0.40% | 2.26% |
| | US Municipals High Yield | 0.04% | 9.21% | 0.76% | 3.50% |

Source: Bloomberg as of December 29, 2023

U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of December 29, 2023

Interest Rates (%)

| Date | 12/29/2023 | 11/30/2023 | 12/30/2022 | 12/29/2022 |
|-------------------------|------------|------------|------------|------------|
| Federal Funds Rate | 5.60% | 5.56% | 4.12% | 4.04% |
| 3 Month Treasury | 5.40% | 5.45% | 4.42% | 4.45% |
| 6 Month Treasury | 5.26% | 5.38% | 4.76% | 4.73% |
| 2 Year Treasury | 4.23% | 4.73% | 4.41% | 4.34% |
| 5 Year Treasury | 3.84% | 4.31% | 3.99% | 3.94% |
| 10 Year Treasury | 3.88% | 4.37% | 3.88% | 3.83% |
| 30 Year Treasury | 4.03% | 4.54% | 3.97% | 3.92% |
| US Aggregate | 4.53% | 5.05% | 4.68% | 4.64% |
| US Corporate | 5.06% | 5.60% | 5.42% | 5.39% |
| US Corporate High Yield | 7.59% | 8.43% | 8.96% | 8.93% |
| US Municipal | 3.22% | 3.57% | 3.55% | 3.55% |
| US Municipal High Yield | 5.57% | 5.81% | 5.83% | 5.83% |

Spreads Over 10-Year US Treasuries

| Date | 12/29/2023 | 11/30/2023 | 12/30/2022 | 12/29/2022 |
|-------------------------|------------|------------|------------|------------|
| 30 Year Treasury | 0.15% | 0.17% | 0.09% | 0.09% |
| US Aggregate | 0.65% | 0.68% | 0.80% | 0.81% |
| US Corporate | 1.18% | 1.23% | 1.54% | 1.56% |
| US Corporate High Yield | 3.71% | 4.06% | 5.08% | 5.10% |
| US Municipal | -0.66% | -0.80% | -0.33% | -0.28% |
| US Municipal High Yield | 1.69% | 1.44% | 1.95% | 2.00% |

Source: Bloomberg and U.S. Treasury as of December 29, 2023

Equity Markets Overview

- Despite the ninth consecutive week of gains, the S&P 500 fell just short of an all-time high on Friday. All three major indices turned in a strong performance in 2023, led by the NASDAQ which was up 44.6%. The S&P 500 was up 26.3% for the year, while the Dow Jones was up 16.2%.
- The best performing sectors of the S&P were Information Technology, which had a gain of 57.8%, and Communications Technology, which was up 55.8%. The only two sectors with negative returns were Utilities, which was down 7.1%, and Energy, with a decline of 1.4%.
- The small group of equities known as the “Magnificent Seven” accounted for an estimated 62% of the S&P’s return for the year. Of these seven stocks, the best performer was Nvidia, which was up 239%.

| Asset Class | Name | 1W | YTD | 3Y(Ann.) | 5Y(Ann.) |
|-------------|-------------------------|--------|--------|----------|----------|
| All-Cap | S&P 1500 | 0.31% | 25.47% | 10.06% | 15.58% |
| Large-Cap | S&P 500 | 0.34% | 26.29% | 10.24% | 15.89% |
| | S&P 500 Growth | 0.09% | 30.03% | 6.77% | 16.45% |
| | S&P 500 Value | 0.64% | 22.23% | 13.44% | 14.29% |
| Mid-Cap | S&P Midcap 400 | -0.14% | 16.44% | 8.15% | 12.85% |
| | S&P Midcap 400 Growth | -0.22% | 17.49% | 4.29% | 12.17% |
| | S&P Midcap 400 Value | -0.06% | 15.39% | 12.01% | 13.10% |
| Small-Cap | S&P Smallcap 600 | -0.02% | 16.05% | 7.32% | 11.16% |
| | S&P Smallcap 600 Growth | -0.18% | 17.10% | 4.22% | 10.57% |
| | S&P Smallcap 600 Value | 0.13% | 14.89% | 10.31% | 11.41% |
| Int'l. | MSCI ACWI ex-USA | 1.74% | 15.62% | 1.42% | 7.17% |
| | MSCI EM | 3.24% | 9.83% | -5.02% | 3.75% |

Source: Bloomberg as of December 29, 2023

Alternative Markets Overview

- After two years of negative returns, gold had a strong year finishing up by 12.8% and staying above the key \$2,000 an ounce level. The price rallied in the last few weeks of the year due in part to the outlook for lower interest rates.
- The price of oil also had a volatile year, but the price per barrel fell during the last part of the year to close at \$77 per barrel on news of ample inventories. For the year, the price per barrel was down 2.0%
- Bitcoin had an impressive gain of more than 150% for the year as investors became optimistic about the potential for an SEC approval of bitcoin ETFs.

| Name | 1W | YTD | 3Y (Ann.) | 5Y (Ann.) |
|------------------------|--------|---------|-----------|-----------|
| S&P GSCI | -1.39% | -4.27% | 19.34% | 8.68% |
| Gold | 1.80% | 14.59% | 3.26% | 10.20% |
| FTSE All Equity NAREIT | 0.76% | 11.36% | 6.09% | 7.64% |
| Bitcoin | -3.93% | 153.01% | 13.55% | 60.88% |
| Ethereum | -0.47% | 92.08% | 45.27% | 76.39% |

Source: Bloomberg as of December 29, 2023



Upcoming Week

- The key report for the first week in 2024 will be the December jobs report, which will be released on Friday. Current expectations are looking for an increase of 163,000 jobs.
- Other economic releases this week include the ISM Manufacturing and Non-Manufacturing Indices, Construction Spending, and the release of the December FOMC Minutes.

Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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