Monthly Market Review

Multi-Asset Class | January 2024

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 4.53% in December.

► Within the S&P, ten of the 11 sectors posted positive returns. The Real Estate sector was the best performer for the month, returning 8.70%, while the second-best performing sector, Industrials, posted a return of 6.96%. Energy was the worst performing sector, posting a return of -0.08%.

► Positive returns were seen across all market capitalizations, with small-caps (Russell 2000) returning 12.23%, mid-caps (Russell Mid Cap Index) returning 7.71%, and large-caps (Russell 1000 Index) returning 4.93%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned 5.02%. Developed markets, represented by the MSCI EAFE Index, saw returns of 5.31%. Within developed markets, Australia, as represented by the MSCI Australia Index, performed the best in December with a return of 9.02%, Emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of 3.91% in December. This was, in part, due to a negative month in China, as represented by the MSCI China Index, which returned -2.41%.

► Within the ACWI ex-U.S. Index, all of the 11 sectors posted positive returns. Real Estate was the best performing sector, with a return of 7.71%. Materials, the second-best performer in December, posted a return of 7.57%. Telecom was the worst performing sector, posting a return of 0.05%.

Fixed Income

► Treasury yields fell across the curve in December, with greater changes on the longer end. On the long end, the yield on the 10-year decreased 45 basis point (bps) while the yield on the 30-year decreased 47 bps. On the shorter end, the yield on the 2- and 5 year decreased 43 bps and 42 bps respectively, causing the Broad Treasury Index to return 3.41% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) returned 3.83% in December. Investment-grade (IG) credit as a whole returned 4.19%, AAA-rated bonds returned 2.48%, AA-rated bonds returned 4.08%, A-rated bonds returned 4.22%, and BBB-rated bonds returned 4.48%. High-yield corporates saw a return of 3.73% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 9.92% in December. Eight of the nine real estate sectors had positive returns for the month. The Self-Storage sector did the best, returning 21.12%. The worst performing sector of the month was Data Centers, returning -1.52%.

► Listed infrastructure, represented by the FTSE Global Core Infrastructure 50/50 Index, returned 4.52% for the month. Energy and Utilities returned -0.08% and 1.91% respectively during the month.

► The active contract for West Texas Intermediate (WTI) crude fell to $71.65/barrel in December, down $4.31 from $75.96/barrel at the end of November.

Items to Watch

► The December Federal Open Market Committee (FOMC) meeting ended with the decision to hold the target rate steady in a range between 5.25% and 5.5%. The minutes confirmed the “participants viewed the policy rate as likely at or near its peak for this tightening cycle” though they also noted the exact policy path will depend on how the economy evolves and they are highly attentive to inflation risks and circumstances that may prolong the need for current rates. The updated December dot plot median projection for 2024 shows 75 bps of cuts as inflation and economic growth gradually slow.

► In combination with the Federal Reserve (Fed) forecasts, the Job Openings and Labor Turnover Survey (JOLTs) continues to support the tempered market view as job openings in November fell slightly to 8.79 million, their lowest level since March 2021. The number of job openings to unemployed ratio remained near flat at 1.40, down from its high of 2.0 in 2022. Overall, this points to a moderating trend in job openings and a slackening labor market, which should see cooling demand but is still robust enough for workers who want a job to find one.

► While U.S. headline inflation (CPI) continues to cool, with a year-over-year (YoY) rate of 3.1% in November, the path is not so straight for other countries. Both France and Germany saw preliminary harmonized headline inflation accelerate in December, rising 4.1% and 3.8% YoY respectively. These increases were due in large part to reductions in subsidies of energy prices which kept prices down last year, however, further changes to subsidies and taxes this year are expected to keep inflation higher. This supports the messaging of the European Central Bank pointing to rates remaining unchanged for longer.

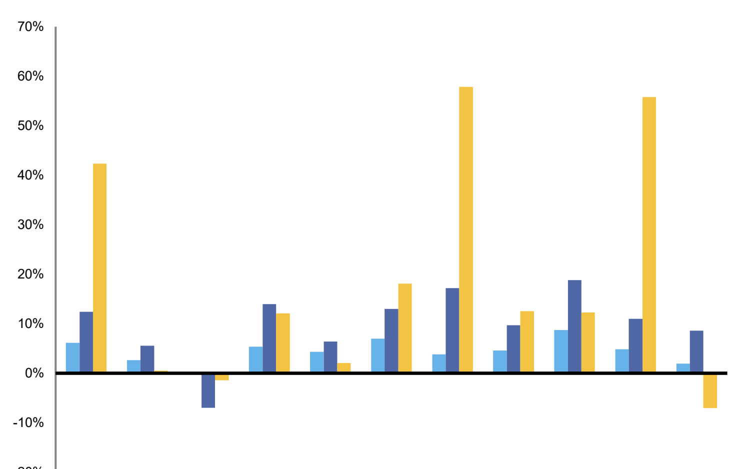
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	4.53%	11.68%	26.26%	26.26%
Russell 3000	5.29%	12.06%	25.93%	25.93%
Russell 2000	12.23%	14.02%	16.88%	16.88%
Russell 1000	4.93%	11.95%	26.50%	26.50%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	5.02%	9.75%	15.62%	15.62%
MSCI EAFE	5.31%	10.42%	18.24%	18.24%
MSCI Emerging Markets	3.91%	7.87%	9.83%	9.83%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	3.83%	6.82%	5.53%	5.53%
Bloomberg Barclays Global Agg	4.16%	8.10%	5.72%	5.72%
Bloomberg Barclays U.S. HY	3.73%	7.16%	13.45%	13.45%
Alternatives and Diversifying	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE Global Core Infrastructure	4.52%	11.11%	3.10%	3.10%
FTSE NAREIT Equity	9.92%	16.22%	13.73%	13.73%
Bloomberg Commodity	-3.10%	-5.91%	-12.55%	-12.55%

Economic Indicators

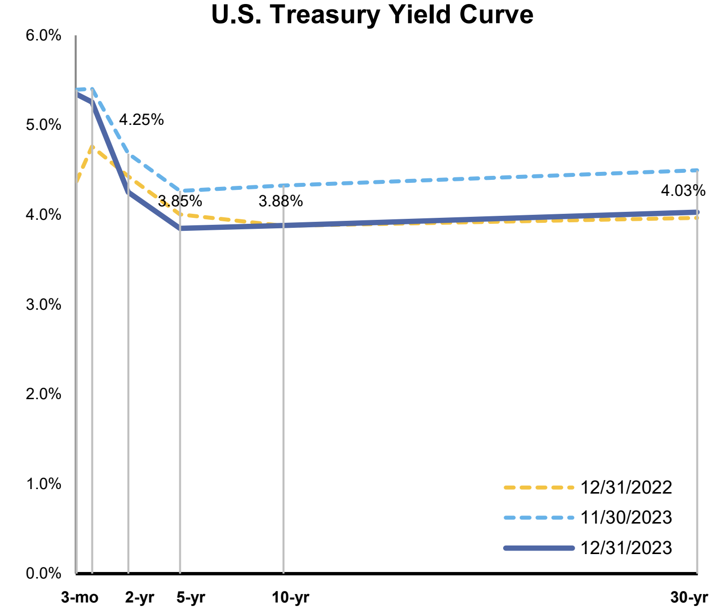
Domestic	Current	Previous Month
Unemployment Rate (%)	3.8%	3.7%
Initial Jobless Claims (4 week average)	212 K	212.3 K
CB Leading Economic Indicators	-0.5	-1.0
Capacity Utilization	78.8%	78.7%
GDP (annual growth rate)	4.9%	2.1%
University of Michigan Consumer Confidence	69.7	61.3
New Home Starts	590 K	672 K
Existing Home Sales	3.8 MM	3.8 MM
Retail Sales (YoY)	3.6%	2.0%
U.S. Durable Goods (MoM)	5.4%	-5.1%
Consumer Price Index (YoY)	3.1%	3.2%
Producer Price Index (MoM)	0.0%	-1.9%
Developed International*	**9/30/2023**	**6/30/2023**
Market GDP (annual rate)	1.5%	1.9%
Market Unemployment	4.4%	4.3%

Stock Market Sector Performance (S&P 500)

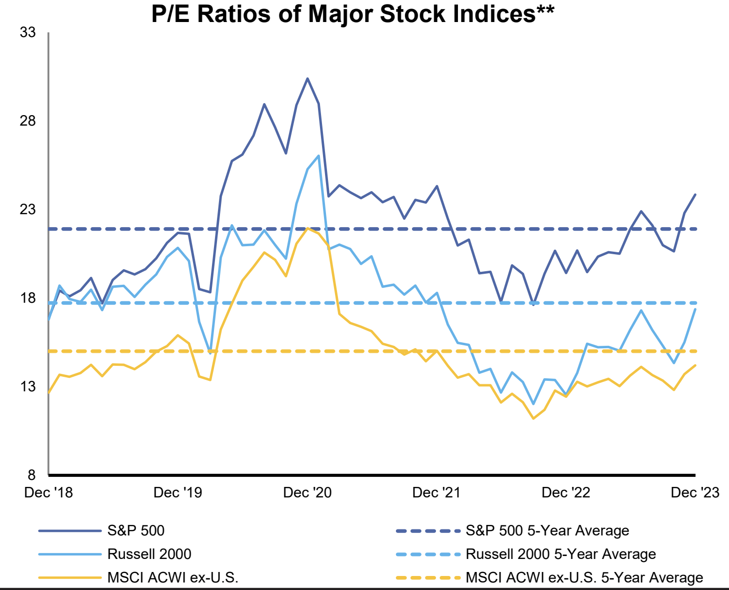


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	6.10%	2.67%	-0.08%	5.36%	4.30%	6.96%	3.83%	4.56%	8.70%	4.81%	1.91%
QTD	12.42%	5.54%	-6.99%	13.98%	6.41%	13.00%	17.17%	9.69%	18.83%	10.95%	8.56%
YTD	42.30%	0.52%	-1.42%	12.10%	2.06%	18.08%	57.84%	12.55%	12.27%	55.80%	-7.08%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of December 31, 2023, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2023 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*