

Market Review

Snapshot

U.S. and global stocks and bonds rallied to close out 2023. Plunging bond yields, slowing inflation and more-dovish central bank policy coincided with the late-year surge.

- Solid gains in November and December boosted the S&P 500 Index's 2023 returns to more than 26%. Falling Treasury yields, easing inflation and expectations for the Fed to start cutting interest rates in 2024 contributed to an upbeat market backdrop.
- The interest-rate-sensitive real estate sector was the top-performing S&P 500 sector for the month and quarter. For both periods, the energy sector was the sole decliner. Year to date, the technology sector's return topped 57%.
- Non-U.S. developed markets stocks rallied but lagged U.S. stocks for the quarter and year. Emerging markets stocks advanced but not as strongly as their developed markets peers.
- All U.S. size and style indices rallied for the month and quarter. Small-cap stocks outperformed large caps, while growth outperformed value among large-caps and underperformed among small-caps. Outside the U.S., small caps outperformed large caps in December, and both categories performed similarly for the quarter. Growth outperformed value in both periods.
- In its attempt to engineer a soft landing, the Fed held rates steady and eyed three rate cuts in 2024. The European Central Bank and Bank of England also remained on hold for the quarter.
- After climbing to 3.7% in August, the annual rate of U.S. headline inflation slowed to 3.1% by November. Inflation moderated to 2.4% in Europe and 3.9% in the U.K.
- U.S. Treasury yields declined for the month and quarter, and the broad bond market delivered solid gains.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	4.54	11.69	26.29	26.29	10.00	15.69	12.03
U.S. Small-Cap Equity							
Russell 2000	12.22	14.03	16.93	16.93	2.22	9.97	7.16
Intl. Developed Markets Equity							
MSCI World ex USA	5.47	10.51	17.94	17.94	4.42	8.45	4.32
Emerging Markets Equity							
MSCI Emerging Markets	3.91	7.86	9.83	9.83	-5.08	3.68	2.66
Global Real Estate Equity							
S&P Global REIT	9.50	15.47	10.23	10.23	3.08	4.16	4.72
U.S. Fixed Income							
Bloomberg U.S. Aggregate	3.83	6.82	5.53	5.53	-3.31	1.10	1.81
Global Fixed Income							
Bloomberg Global Aggregate Bond	4.16	8.10	5.72	5.72	-5.51	-0.32	0.38
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.47	1.38	5.14	5.14	2.21	1.87	1.23

Data as of 12/31/2023. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

		U.S.			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	9.50	14.16	11.46	42.68
	Small	15.26	12.75	14.65	18.66

- U.S. stocks soared for the quarter, bolstering year-to-date gains. Most broad size and style indices delivered double-digit returns for both periods.
- Small-cap stocks rose 14% for the quarter, outperforming their large-cap peers. Year to date, large-caps sharply outperformed small caps.
- For the quarter, the growth style outperformed in the large-cap universe and underperformed among small-caps. Year to date, growth stocks outperformed across the board, with large-cap growth stocks gaining 43%.

		Non-U.S. Developed Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	8.49	12.80	19.01	17.65
	Small	10.04	11.18	14.70	10.57

- International developed markets stocks rallied in the quarter, lifting their year-to-date gains. Size and style indices delivered solid results for both periods.
- Large- and small-cap stocks performed similarly in the quarter, gaining nearly 11%. Year to date, large-caps gained 18% and outperformed small-caps, which returned 13%.
- Large- and small-cap growth stocks outperformed their value peers for the quarter. Year to date, value stocks maintained a performance advantage over their growth counterparts.

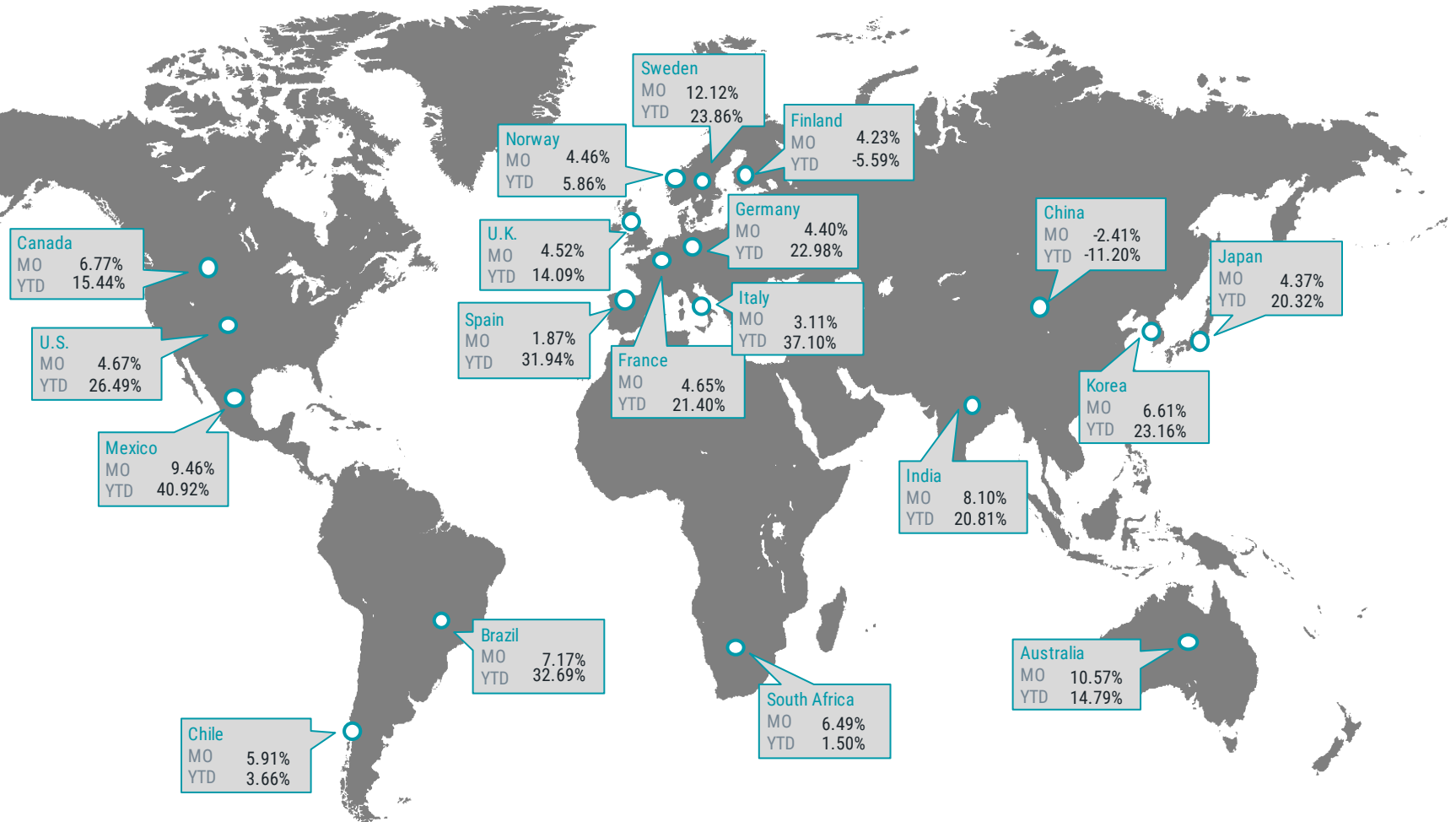
		Emerging Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	7.58	7.67	13.72	4.53
	Small	10.18	7.74	24.10	23.79

- The broad emerging markets stock index advanced for the quarter and year-to-date period but underperformed its developed markets peers.
- Small-cap stocks outperformed large-caps in the quarter. Year to date, small-caps advanced nearly 24% versus 9% for large-cap stocks.
- Large-cap growth and value stocks performed similarly in the quarter, while small-cap value stocks outperformed their growth peers. Year to date, the value style outperformed across the board.

Data as of 12/31/2023. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.

U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Fixed-Income Returns

U.S. bonds rebounded sharply in the fourth quarter amid declining Treasury yields and cooling inflation. The fourth-quarter rally left the broad bond market index with a solid year-to-date gain.

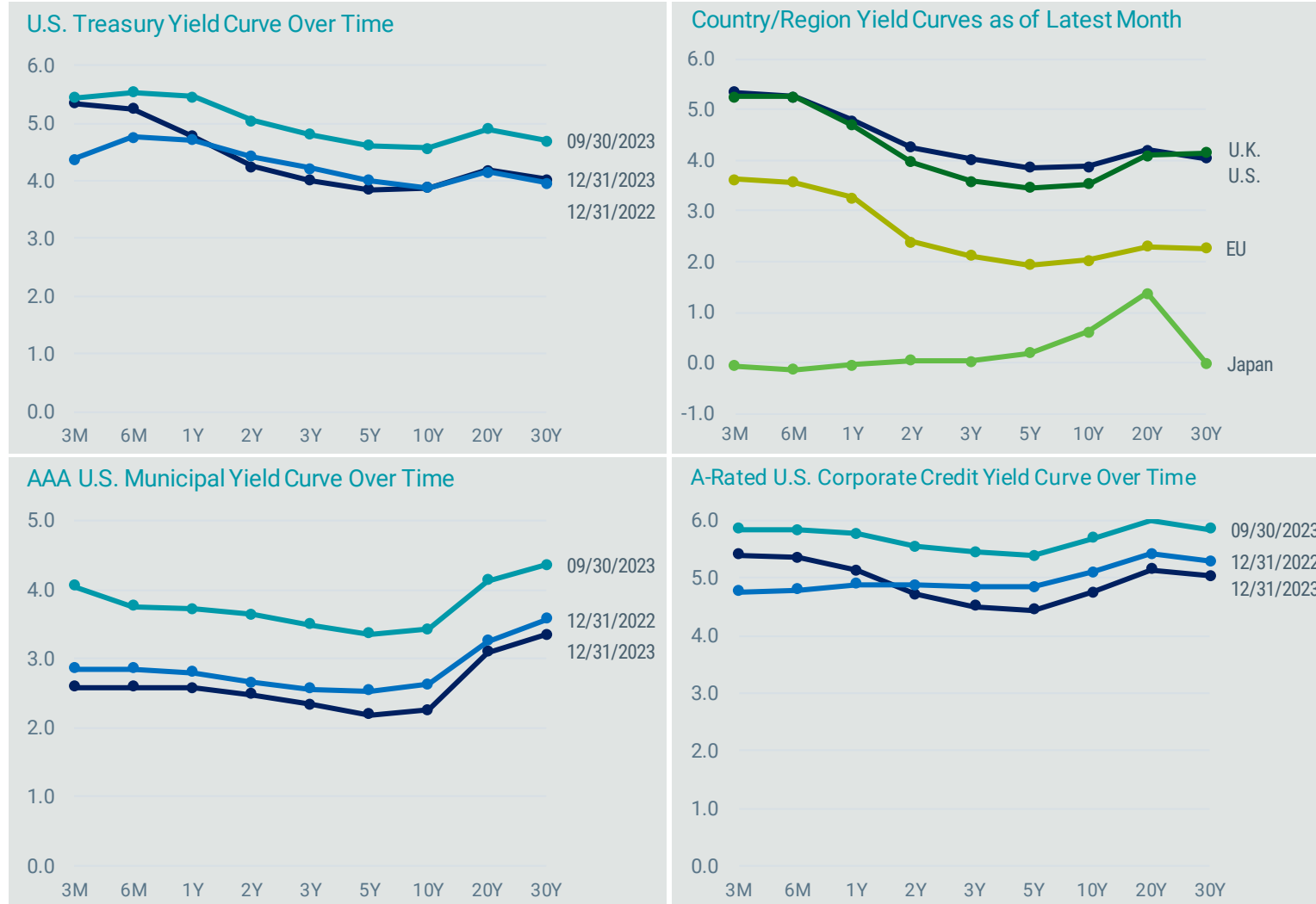
- The Bloomberg U.S. Aggregate Bond Index returned 3.83% in December and 6.82% for the fourth quarter. This late-year rebound, amid slowing inflation and a more-dovish Fed, pushed the index's one-year return to 5.53%.
- Treasury yields sharply declined in the quarter, with the 10-year note ending December at 3.88%, 70 bps lower than September 30. The two-year Treasury yield dropped 80 bps to 4.25%.
- After widening early in the quarter, credit spreads tightened through December, and corporate bonds outperformed Treasuries in December and the fourth quarter. MBS also outperformed Treasuries. High-yield corporates advanced but lagged investment-grade corporates for both periods.
- The Fed held rates steady throughout the quarter. By December, policymakers noted they expect to make three rate cuts in 2024.
- Annual headline CPI slowed in the quarter to 3.1% in November, largely due to falling energy prices. Core inflation moderated to a 4% annualized gain in November. The shelter index, up 6.5%, continued to account for approximately 70% of the increase in core CPI.
- Municipal bond (muni) yields declined significantly, and munis outperformed Treasuries for the quarter. Munis advanced in December but lagged Treasuries.
- Inflation expectations declined in the quarter, and TIPS underperformed nominal Treasuries.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
Global Fixed Income							
Bloomberg Global Aggregate Bond	4.16	8.10	5.72	5.72	-5.51	-0.32	0.38
U.S. Fixed Income							
Bloomberg U.S. Aggregate	3.83	6.82	5.53	5.53	-3.31	1.10	1.81
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	3.73	7.16	13.44	13.44	1.98	5.37	4.60
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	4.34	8.50	8.52	8.52	-3.29	2.63	2.95
Municipals							
Bloomberg Municipal Bond	2.32	7.89	6.40	6.40	-0.40	2.25	3.03
U.S. TIPS							
Bloomberg U.S. TIPS	2.69	4.71	3.90	3.90	-1.00	3.15	2.42
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	3.36	5.66	4.05	4.05	-3.82	0.53	1.27
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.47	1.38	5.14	5.14	2.21	1.87	1.23

Data as of 12/31/2023. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Global Yield Curves



Data as at 12/31/2023 Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).