

Market Review

Snapshot

Global stocks were mixed in January. U.S. stocks broadly advanced and outperformed developed and emerging markets indices. Yields were volatile, and U.S. bonds declined slightly.

- The S&P 500 Index logged its third consecutive monthly gain, returning 1.68% in January, reaching several record highs in the month before dropping sharply on the last day.
- Stocks sold off at the end of January after Fed Board Chair Jerome Powell indicated a March rate cut was likely off the table, although cuts later in 2024 were still probable.
- The U.S. economy expanded at an annualized rate of 3.3% in the fourth quarter of 2023, following growth of 4.9% in the third quarter.
- The pace of year-over-year U.S. headline inflation rose from 3.1% in November to 3.4% in December, while core inflation slowed from 4% to 3.9%. Inflation inched lower in Europe in January, while U.K. inflation inched higher in December. Consumer prices remained above central bank targets.
- The S&P 500's sector results were mixed, with six sectors declining and five advancing. Real estate and materials were the largest decliners, and communication services and information technology were the top performers.
- Non-U.S. developed markets stocks advanced slightly for the month amid weak to flat economic growth and persistent inflation. Emerging markets stocks declined sharply.
- U.S. Treasury yields were volatile in January, and the broad bond market declined fractionally.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	1.68	16.01	1.68	20.82	10.99	14.30	12.62
U.S. Small-Cap Equity							
Russell 2000	-3.89	17.62	-3.89	2.40	-0.76	6.80	7.03
Intl. Developed Markets Equity							
MSCI World ex USA	0.43	15.87	0.43	9.48	4.94	7.06	4.79
Emerging Markets Equity							
MSCI Emerging Markets	-4.64	7.01	-4.64	-2.94	-7.50	0.99	2.86
Global Real Estate Equity							
S&P Global REIT	-4.02	16.24	-4.02	-3.25	1.75	1.18	4.12
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-0.27	8.23	-0.27	2.10	-3.17	0.83	1.63
Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.38	7.90	-1.38	0.94	-5.67	-0.89	0.13
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.44	1.36	0.44	5.24	2.36	1.92	1.27

Data as of 1/31/2024. 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.				Non-U.S. Developed Markets				Emerging Markets			
		QTD (%)		YTD (%)		QTD (%)		YTD (%)		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth
Large	Value	0.10	2.49	0.10	2.49	-0.29	1.59	-0.29	1.59	-3.38	-5.89	-3.38	-5.89
	Growth	2.49	0.10	2.49	0.10	1.59	-0.29	1.59	-0.29	-5.89	-3.38	-5.89	-3.38
Small	Value	-4.54	-3.21	-4.54	-3.21	-1.33	-2.08	-1.33	-2.08	-0.69	-2.76	-0.69	-2.76
	Growth	-3.21	-4.54	-3.21	-4.54	-2.08	-1.33	-2.08	-1.33	-2.76	-0.69	-2.76	-0.69

- U.S. stocks broadly advanced in January and outperformed non-U.S. stocks, but size and style indices delivered mixed results.
- Large-cap stocks gained more than 1% and sharply outperformed small-caps, which declined almost 4%.
- Growth stocks outperformed value stocks. Among large-caps, growth stocks were up nearly 2.5%, while value stocks were nearly flat. Among small-caps, growth and value stocks declined.

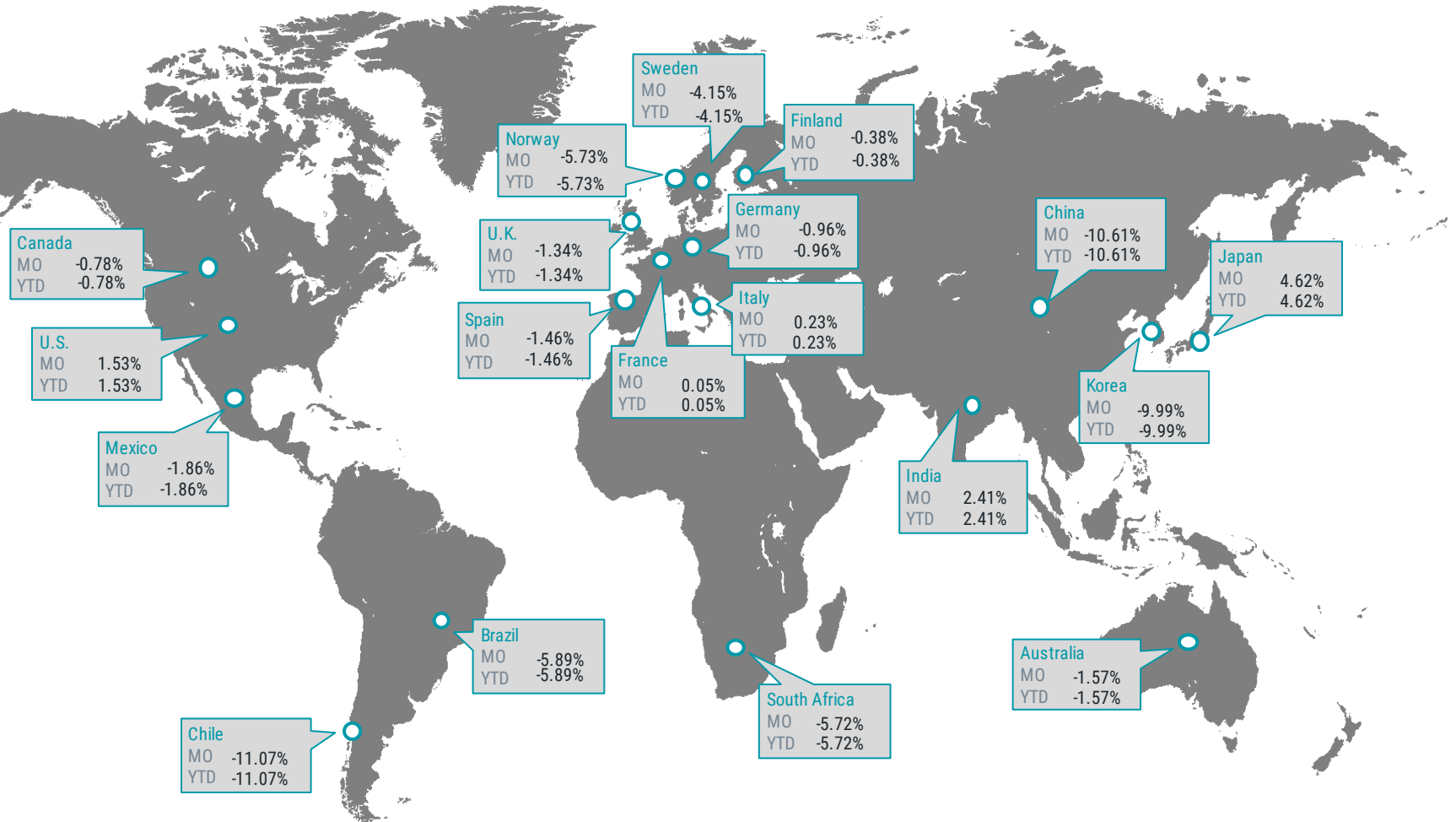
- The broad international developed markets stocks index increased slightly in January.
- Large-cap stocks rose fractionally and outperformed small-caps, which declined nearly 2%.
- Growth stocks outpaced value stocks among large-caps, but they underperformed in the small-cap universe.

- The broad emerging markets stock index underperformed its developed markets peers, declining almost 5% in January.
- Unlike trends in the developed markets indices, emerging markets small-cap stocks fared better than large-cap stocks.
- Value stocks outperformed their growth peers across capitalizations. Within emerging markets, small-cap value stocks were top performers, declining 0.69%.

Data as of 1/31/2024. 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

Treasury yields were volatile in January but ended the month only slightly changed. After finishing 2023 on a strong note, bonds declined slightly in January.

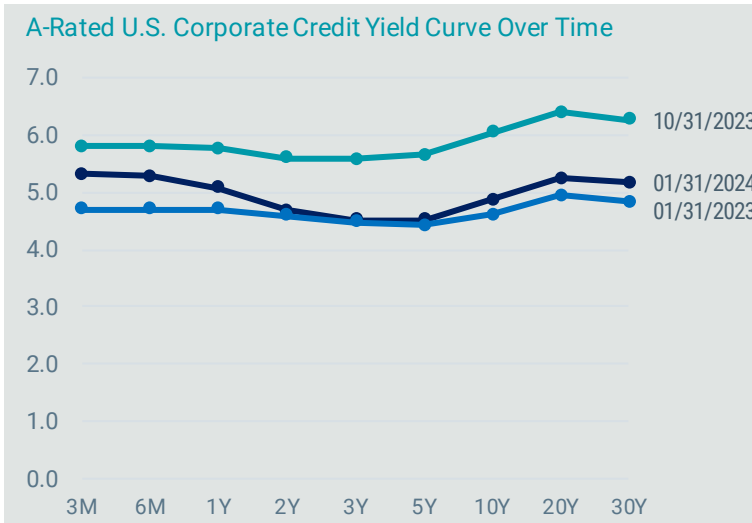
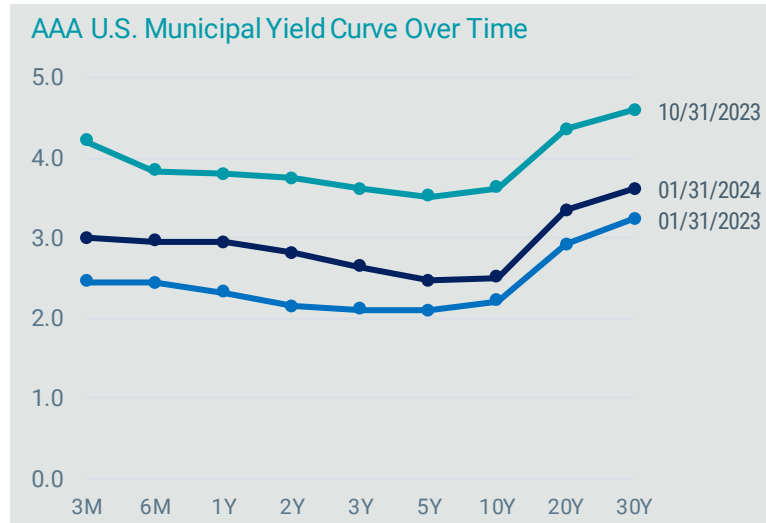
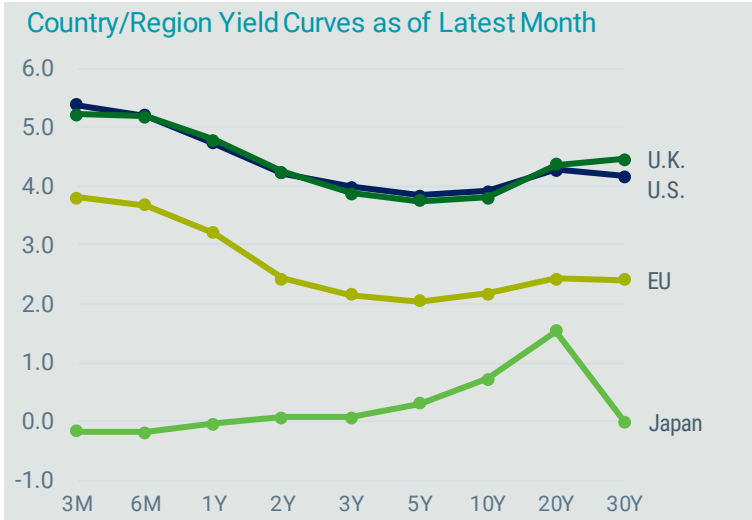
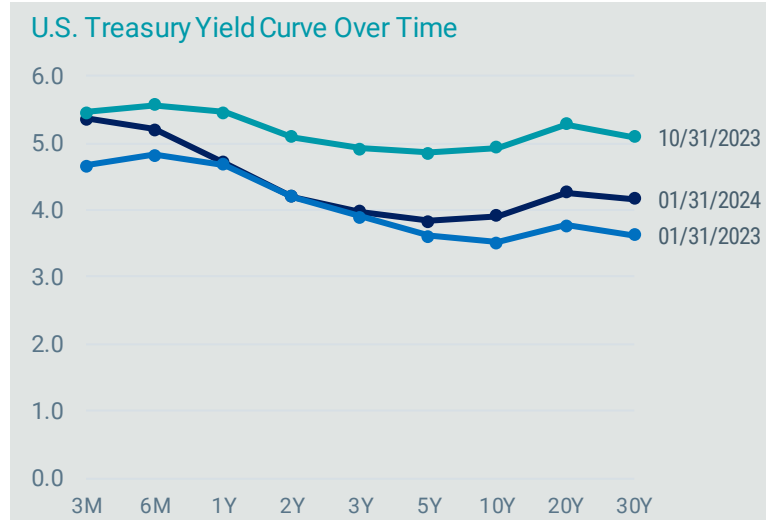
- The Bloomberg U.S. Aggregate Bond Index returned -0.27% in January, as all index sectors declined fractionally. Investment-grade corporates outperformed the index, while Treasuries and MBS underperformed.
- Against a backdrop of robust fourth-quarter economic growth and expectations for Fed rate cuts, U.S. Treasury yields were volatile. The 10-year Treasury yield ended January at 3.92%, 4 bps higher than the prior month-end. The two-year Treasury yield dropped 4 bps to 4.21%.
- Credit spreads were also volatile. Investment-grade spreads ended the month slightly tighter, while high-yield spreads widened. The high-yield corporate index was flat for the month.
- The Fed held rates steady. Fed Chair Jerome Powell noted rates would stay at current levels until the Fed is confident annual inflation is moving sustainably to target while also stating further hikes are unlikely. This news reduced market hopes for a March rate cut, but expectations for cuts later in 2024 remained intact.
- Annual headline CPI climbed to 3.4% in December, the first increase since August. Core CPI eased slightly to 3.9%, with shelter costs still driving the gain. The annual core PCE price index, the Fed's preferred inflation gauge, moderated to 2.9%.
- Municipal bonds declined fractionally and underperformed Treasuries.
- Inflation breakeven rates increased in January, and TIPS returns advanced slightly.

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U.S. Fixed Income							
Bloomberg U.S. Aggregate	-0.27	8.23	-0.27	2.10	-3.17	0.83	1.63
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	0.00	8.42	0.00	9.28	1.87	4.44	4.52
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-0.17	10.38	-0.17	4.16	-2.92	2.12	2.75
Municipals							
Bloomberg Municipal Bond	-0.51	8.26	-0.51	2.90	-0.78	2.00	2.78
U.S. TIPS							
Bloomberg U.S. TIPS	0.18	5.66	0.18	2.21	-1.05	2.91	2.24
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-0.28	6.65	-0.28	1.22	-3.60	0.38	1.10
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.44	1.36	0.44	5.24	2.36	1.92	1.27

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Global Yield Curves



Data as at 1/31/2024 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).