

Market Review

Snapshot

Broad U.S. stock indices rallied to record highs in February despite continued uncertainty around inflation and Fed policy. Non-U.S. stocks also delivered gains. Meanwhile, yields rose, and U.S. bonds declined for the second straight month.

- The S&P 500 Index advanced for the fourth consecutive month, returning 5.34% in February and reaching a fresh record high on better-than-expected fourth-quarter earnings. Bolstered by strength in the artificial intelligence industry, notably NVIDIA's record fourth-quarter profits and sales, the Nasdaq Composite also reached a record high.
- All S&P 500 Index sectors rallied for the month, led by consumer discretionary and industrials. The utilities sector posted the smallest gain.
- With 97% of S&P 500 companies reporting fourth-quarter results by month-end, the year-over-year earnings growth rate was 4%, according to FactSet.
- Stocks in non-U.S. developed markets also advanced, but they lagged the U.S. average. Emerging markets stocks outperformed non-U.S. developed markets stocks but underperformed U.S. stocks.
- The pace of year-over-year U.S. headline inflation eased back to 3.1% in January after rising to 3.4% in December, while core inflation held steady at 3.9%. Inflation inched lower in Europe in February but remained above the central bank's target.
- U.S. Treasury yields rose for the month, and the broad bond market declined.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	5.34	11.98	7.11	30.45	11.91	14.76	12.70
U.S. Small-Cap Equity							
Russell 2000	5.65	13.95	1.54	10.05	-0.94	6.89	7.13
Intl. Developed Markets Equity							
MSCI World ex USA	1.71	7.73	2.15	14.01	4.65	6.88	4.41
Emerging Markets Equity							
MSCI Emerging Markets	4.76	3.80	-0.11	8.73	-6.30	1.89	3.01
Global Real Estate Equity							
S&P Global REIT	0.31	5.43	-3.72	1.56	0.88	1.26	3.63
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-1.41	2.08	-1.68	3.33	-3.16	0.56	1.43
Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.26	1.43	-2.62	3.10	-5.52	-1.03	-0.13
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.42	1.33	0.86	5.31	2.50	1.97	1.32

Data as of 2/29/2024. 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	3.80	9.49	3.80	9.49	0.09	4.90	0.09	4.90	0.52	-0.70	0.52	-0.70
	Growth	9.49	3.80	9.49	3.80	4.90	0.09	4.90	0.09	-0.70	0.52	-0.70	0.52
Small	Value	-1.42	4.66	-1.42	4.66	-2.10	-0.76	-2.10	-0.76	1.36	0.58	1.36	0.58
	Growth	4.66	-1.42	4.66	-1.42	-0.76	-2.10	-0.76	-2.10	0.58	1.36	0.58	1.36

- U.S. stocks broadly advanced in February and year to date and outperformed non-U.S. stocks.
- Small-cap stocks modestly outperformed large-caps in February. Large-caps maintained a significant year-to-date advantage, returning 6.9% compared with 1.5% for small-caps.
- Growth stocks sharply outperformed value stocks for the month and the year-to-date period. In February, small-cap growth stocks led all other categories. Year to date, large-cap growth stocks were top performers.

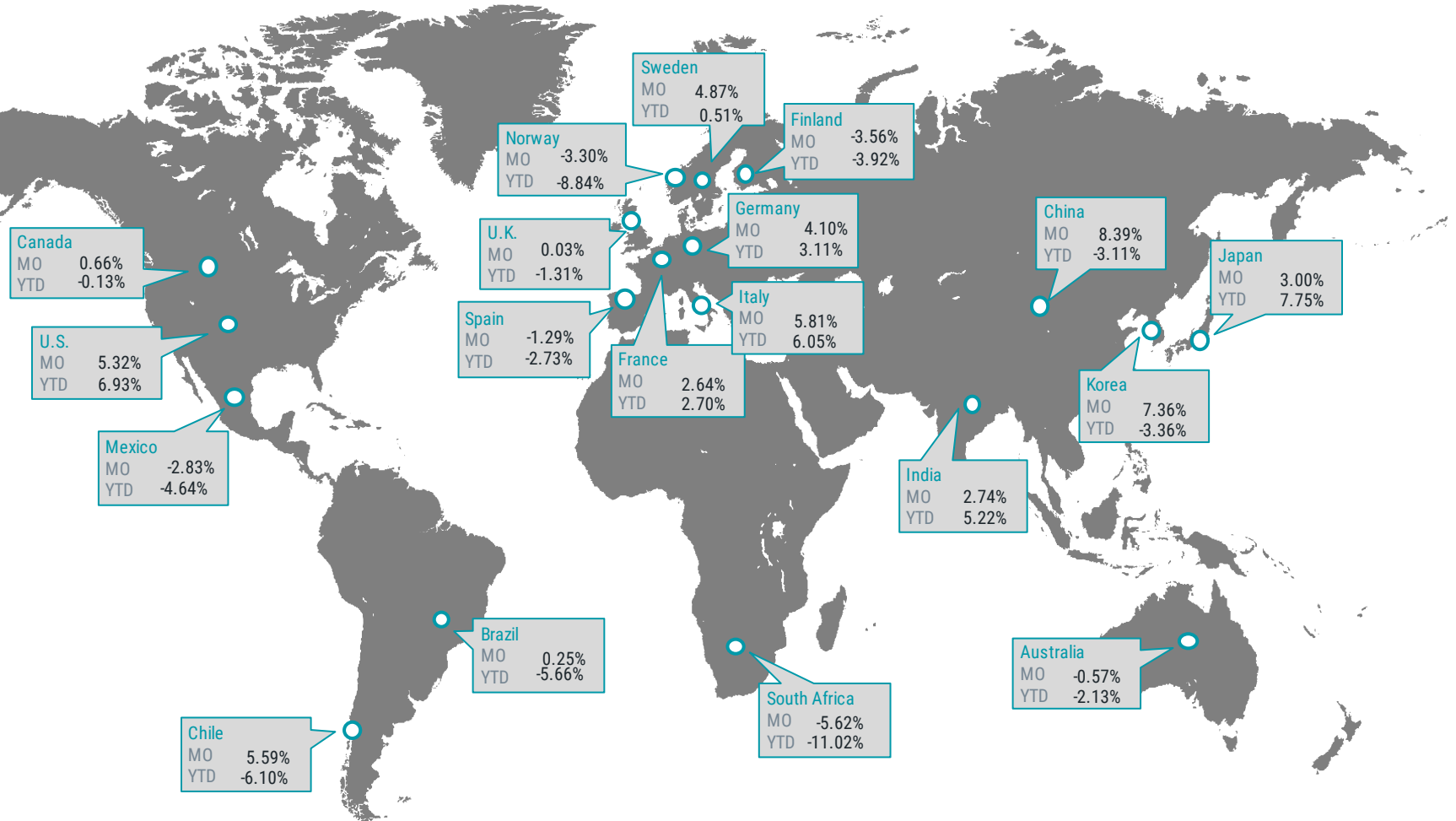
- The broad international developed markets stocks index advanced in February and year to date.
- Large-cap stocks rose 1.9% in February and outperformed small-caps, which were up fractionally. Year to date, large-caps gained 2.6%, while small-cap stocks declined 1.4%.
- Growth outpaced value across capitalization categories in February and year to date. Large-cap growth stocks were top performers for the two-month period, while small-cap value stocks were the main laggards.

- Emerging markets stocks rallied and outperformed non-U.S. developed markets stocks in February. Year to date, emerging markets stocks were nearly flat.
- Large-cap stocks outperformed their small-cap peers in February, but they declined slightly and underperformed small-caps for the year-to-date period.
- In February, growth stocks outperformed value stocks across capitalizations. Year to date, value stocks were the top performers.

Data as of 2/29/2024. 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

Amid persistent inflation and a still-strong labor market, Treasury yields rose in February. Investment-grade bonds posted a negative return for the month.

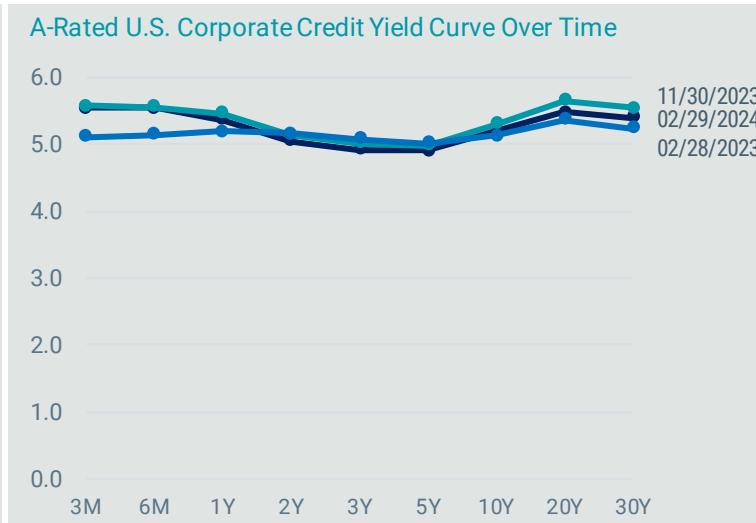
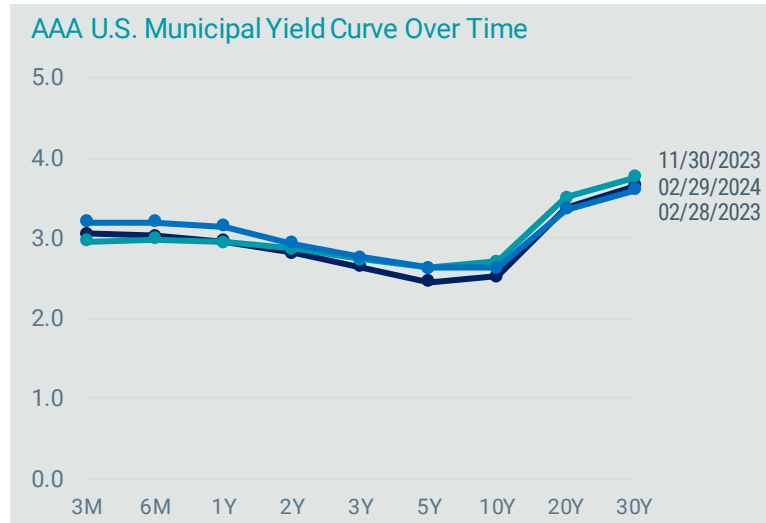
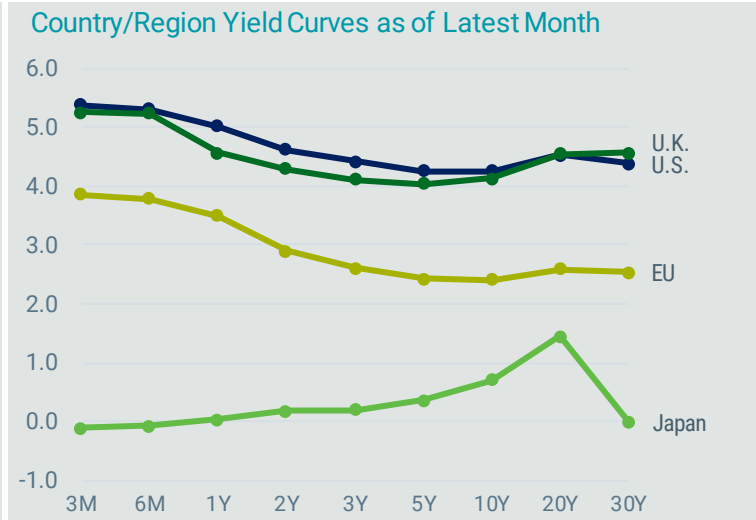
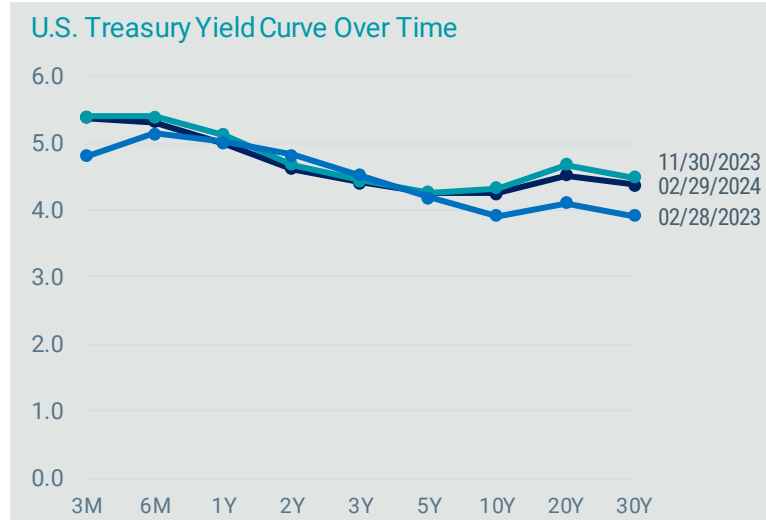
- The Bloomberg U.S. Aggregate Bond Index returned -1.41% in February. All index sectors declined, led by MBS and corporate bonds. Treasuries declined but outperformed the broad investment-grade index.
- The 10-year Treasury yield ended February at 4.26%, 34 bps higher than it was at the end of January. The two-year Treasury yield jumped 42 bps to 4.63%.
- Investment-grade credit spreads ended the month nearly flat, while high-yield spreads tightened approximately 30 bps.
- With inflation remaining above target, market expectations for Fed rate cuts shifted notably. By the end of February, the futures market, which previously expected the first rate cut to arrive in March, pushed back its forecast to June. It also reduced its 2024 outlook from six to three rate cuts.
- Year-over-year energy prices fell, and annual headline CPI slipped back to 3.1% in January, down from 3.4% in December. Core CPI remained unchanged at 3.9%, with the shelter component still driving the gain. The annual core PCE price index, the Fed's preferred inflation gauge, inched down to 2.8% from 2.9% in December.
- Municipal bonds advanced modestly and outperformed Treasuries.
- Inflation breakeven rates increased in February. TIPS declined but outperformed nominal Treasuries.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.26	1.43	-2.62	3.10	-5.52	-1.03	-0.13
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-1.41	2.08	-1.68	3.33	-3.16	0.56	1.43
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	0.29	4.03	0.29	11.03	1.84	4.16	4.34
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-1.50	2.59	-1.67	5.97	-2.85	1.77	2.49
Municipals							
Bloomberg Municipal Bond	0.13	1.93	-0.38	5.42	-0.21	1.91	2.68
U.S. TIPS							
Bloomberg U.S. TIPS	-1.07	1.77	-0.90	2.51	-0.87	2.69	2.08
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-1.31	1.72	-1.59	2.29	-3.44	0.17	0.94
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.42	1.33	0.86	5.31	2.50	1.97	1.32

Data as of 2/29/2024. 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 2/29/2024 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).