December 2023 Market Update

Special points of interest:

- **Major domestic equity markets all rose in December; the S&P500 index recorded 9 weeks in a row of gains.**
- **The perception now is that economic growth is moderating and inflation is declining to the Fed's goal sooner.**
- **The IMF is forecasting 2.9% global growth in 2024, roughly on par with 2023.**
- **With the rising probability of a 'soft' economic landing and recent market momentum, conditions look good for more market gains in 2024.**

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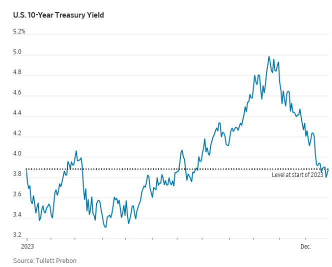
The Markets in December 2023

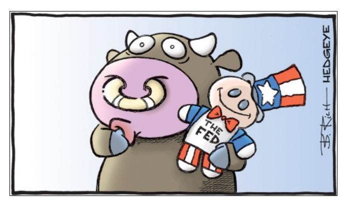
The markets had some type of Santa Claus rally after all, even if it mostly concentrated in the weeks leading up to Christmas rather than the traditional time afterwards. For the month of December, the Nasdaq rose 5.5% while the DJIA and S&P500 indices gained 4.8% and 4.4% respectively. In fact, the S&P500 index marked its 9th week in a row of gains (its longest streak since 2004) and ended the year within 0.6% of its all-time high.

Commodities were a mixed bag. Crude oil traded on the NY Mercantile Exchange fell 5.7% while gold prices rose a modest 1.2%. Rates on the 10-year Treasury



Bond fell from 4.352% at the end of November to 3.866% by December's close. Interestingly, for all of the rate drama that the fixed income markets endured for the year, the yield on 10-Year Treasuries ended the year about flat with where it started the year, as can be seen in the chart here—providing relief for those who went against the grain and allocated more to bonds within 2023.

By year's end, the emerging perception among investors was that economic growth is moderating and inflation is declining to the Fed's goal sooner (we may even see disinflation). Based on this, the expectation is that we will see several rate cuts starting as soon as the end of Q1 2024.



December markets relied heavily on the gift of potential future Fed interest rate cuts in 2024 and a 'soft' economic landing.

A Look Ahead

High global inflation, rising domestic interest rates, wars in Europe and the Middle East, and an emerging real estate crisis in China defined the year just past, even as pandemic supply chain shocks finally eased. The year ahead will likely prove just as tumultuous. The International Monetary Fund forecasts global growth of 2.9% for 2024, which would be roughly on par with 2023, but warns that ongoing military conflicts and the results of around 40 national elections this year could threaten that growth. Domestically, employment has held up well even as wage gains have cooled. Private payrolls increased 164,000 last month, the most since August, while initial unemployment applications fell to 202,000 in the final week of 2023, the lowest level since October. It appears that the Fed can claim Mission Accomplished in it's campaign against inflation, bringing into view the probability of a 'soft' economic landing in 2024. Given this and recent market momentum, I believe that conditions look good for continued market gains in both equity and bond markets. Election years tend to be friendly to markets. Happy New Year!

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