



MARKET VIEW WEEKLY

December 29th, 2023



ECONOMIC REVIEW¹

- The year 2023 has come to a close and we now start the first official trading week of 2024. With a new year upon us, we want to recap how markets and the economy performed in 2023.
- A mania surrounding artificial intelligence and technology stocks sent the Nasdaq Composite soaring 44.64% in 2023, its best year since 2020.
- The Dow Jones Industrial Average advanced 16.18%, topping 37,000 for the first time in history and the index also set seven record closes in the final days of 2023.
- The S&P 500 Index rose for nine straight weeks to end the year, its best win streak since 2004. The index ultimately returned +26.29% in 2023.
- When bond yields rise, prices of existing bonds fall and vice versa. This phenomenon hit bondholders particularly hard in 2022, with the Bloomberg U.S. Aggregate Bond Index generating a total return of -13.0%.² Bondholders had the opportunity to earn higher income due to elevated bond yields in 2023. Higher yields allowed investors to earn meaningful income streams, and as a result, bonds returned 5.53% in 2023.
- A balanced portfolio of 60% stocks and 40% bonds became a viable option for investors again, returning 17.98%

Catalysts behind 2023 stock and bond returns?

- Undoubtedly, one of the biggest drivers behind the year's positive market outcomes was the notable easing in inflation, which provided some breathing room for the Federal Reserve (Fed) and the economy. Since inflation peaked at 9.1% in June 2022, the Consumer Price Index (CPI) has fallen to 3.1%, solidifying disinflation as the key theme for 2023.
- We mention inflation first and foremost, as this was the catalyst that allowed the Fed to pause rate hikes in July 2023 and is what has led the Fed to allude to cutting interest rates by 0.75% in 2024.
- Potential Fed rate cuts were not only good for the stock market, but for the bond market. The yield on the benchmark 10-year U.S. Treasury note neared 5% at its peak in early October 2023, only to fall below 4% in December. The October peak represented the highest yield for 10-year Treasuries since 2007.



A LOOK FORWARD¹

- Next week, we will receive the December Jobs Report.
- Economists are expecting the economy to add 170,000 jobs, down from the 190,000 jobs added in November.
- Economists are also expecting the unemployment rate to rise slightly from 3.7% to 3.8%

How does the jobs report impact you?

- U.S. employers have added jobs for 35 consecutive months. However, the pace of job creation has been slowing steadily over the past two years. While there are still 1.3 job openings per unemployed person. This ratio, one of the most obvious signs of excess demand for labor, is almost back down to pre-pandemic levels.
- With labor demand not as hot as it used to be, a strong December jobs report will be key for signaling that economic activity will continue to be strong in 2024.



MARKET UPDATE³

Market Index Returns as of 12/29/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.34	11.69	26.29	26.29	10.25	15.89
NASDAQ	0.14	13.79	44.64	44.64	6.09	18.94
Dow Jones Industrial Average	0.81	13.09	16.18	16.18	9.63	12.73
Russell Mid-Cap	0.32	12.82	17.23	17.23	6.04	12.89
Russell 2000 (Small Cap)	-0.28	14.03	16.93	16.93	2.14	10.15
MSCI EAFE (International)	1.16	10.42	18.24	18.24	3.80	8.26
MSCI Emerging Markets	3.24	7.86	9.83	9.83	-5.02	3.75
Bloomberg US Agg Bond	0.48	6.82	5.53	5.53	-3.29	1.15
Bloomberg High Yield Corp	0.40	7.16	13.44	13.44	1.99	5.40
Bloomberg Global Agg	0.48	8.10	5.72	5.72	-5.53	-0.27



OBSERVATIONS

- Market returns were broadly positive as the end-of-year rally continued into the last week of the year.
- The Dow was the leader of the three major U.S. indices, rising 0.81% on the week, the S&P 500 returned 0.34%, and the NASDAQ followed suit, notching a 0.14% gain.
- Small caps fell during the last week of the year, after a very strong month, posting a -0.28% weekly return.
- Developed International markets were positive, up 1.16%, while Emerging Markets finished the year strong, rising 3.24%.
- The U.S. Aggregate Bond Index was up 0.48%, and both corporate credit and global bonds rose as well.



BY THE NUMBERS

- **It's the Magnificent Seven's Market. The Other Stocks Are Just Living in It:** The Magnificent Seven stocks (AAPL, TSLA, MSFT, GOOGL, NVDA, META, AMZN) have swelled to represent about 30% of the S&P 500's market value, according to Goldman Sachs Global Investment Research. That is approaching the highest-ever share for any seven stocks. The influence of the big tech stocks is massive on a global scale, too. Within the MSCI All Country World Index—a benchmark that claims to cover about 85% of the global investible equity market—the combined weighting of the Magnificent Seven is larger than that of all of the stocks from Japan, France, China and the U.K.⁴
- **Minimum Wages on the Rise:** As of January 1, seven states and the District of Columbia (DC) will have minimum wages of \$15 or more, up from just four states plus DC last year. The newcomers to the category are Maryland, New Jersey, and most of New York State (with the exception of New York City, Westchester, and Long Island, which already had a \$15 minimum in place and where the minimum wage is increasing to \$16 in 2024). In 2024, an additional twenty-two states are raising their minimum wages. But twenty states are still using the federal minimum wage of \$7.25, which hasn't gone up since 2009. The highest state minimum wage in 2024 will be Washington state, at \$16.28, up from \$15.74. A close second is California, which is raising its minimum to \$16 from \$15.50 on January 1. The state with the biggest jump in its minimum wage this year will be Hawaii, which is hiking it by \$2. January 1 is not the only day minimum wages will go up. Some states, such as Nevada and Oregon, have increases set for July 1. Florida's minimum will go up on September 30.⁵

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

The statements provided herein are based solely on the opinions of the Osaic Research Team and are being provided for general information purposes only. Neither the information nor any opinion expressed constitutes an offer or a solicitation to buy or sell any securities or other financial instruments. Any opinions provided herein should not be relied upon for investment decisions and may differ from those of other departments or divisions of Osaic Wealth, Inc. or its affiliates. Certain information may be based on information received from sources the Osaic Research Team considers reliable; however, the accuracy and completeness of such information cannot be guaranteed.

Certain statements contained herein may constitute “projections,” “forecasts” and other “forward-looking statements” which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial information. Any opinions, projections, forecasts and forward-looking statements presented herein reflect the judgment of the Osaic Research Team only as of the date of this document and are subject to change without notice. Osaic has no obligation to provide updates or changes to these opinions, projections, forecasts and forward-looking statements. Osaic is not soliciting or recommending any action based on any information in this document.

Securities and investment advisory services are offered through the firms: Osaic Wealth, Inc., Triad Advisors, LLC, Osaic Institutions, Inc., and Woodbury Financial Services, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Securities are offered through Securities America, Inc., American Portfolios Financial Services, Inc., and Ladenburg Thalmann & Co., broker-dealers and member of FINRA and SIPC. Advisory services are offered through Arbor Point Advisors, LLC, American Portfolios Advisors, Inc., Ladenburg Thalmann Asset Management, Inc., Securities America Advisors, Inc., and Triad Hybrid Solutions, LLC, registered investment advisers. Advisory programs offered by Osaic Wealth, Inc., Securities America Advisors, Inc., Triad Advisors, LLC, and Woodbury Financial Services, Inc., are sponsored by VISION2020 Wealth Management Corp., an affiliated registered investment adviser. 6189195

¹ Data obtained from Bloomberg as of 12/31/2023.

² <https://www.usbank.com/investing/financial-perspectives/market-news/interest-rates-affect-bonds.html#:~:text=Bondholders%20have%20had%20the%20opportunity,Index%20through%20mid%2DDecember%202023.>

³ Data obtained from Morningstar as of 12/31/2023.

⁴ <https://www.wsj.com/finance/stocks/its-the-magnificent-sevens-market-the-other-stocks-are-just-living-in-it-5d212f95>

⁵ <https://www.cnn.com/2023/12/06/success/minimum-wage-increases-2024/index.html>



**60 Barrett Drive, Suite G
Webster, NY 14580**

Phone (585) 265-2870

Fax (585) 265-2885

www.emeraldinc.com

Securities offered through Securities America, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. Advisory services offered through Securities America Advisors, Inc., an SEC Registered Investment Advisory Firm. The Securities America Companies and Emerald Financial Services are separate entities.