CETERA®
INVESTMENT
MANAGEMENT

MONTHLY RECAP

February 2024 Recap

At-A-Glance

The S&P 500 delivered its best February performance since 2015, ending the month at 5,096, its 14th record high of 2024. Year-to-date, the S&P 500 is trailing the Nasdaq Composite by just 0.22%.

The Dow Jones Industrial Average rose 846-points (+2.50%) in February. The Dow-30 index is up 3.84% so far this year and capped its first four-month winning streak since November 2021.

The Nasdaq Composite surged 6.22% in February, capping its largest four-month point gain on record (+3,240 pts) and largest four-month percentage gain since August 2020 (+25.2%). For the year the Nasdaq is up 7.33%.

The benchmark 10-year Treasury yield closed out February at 4.224%, climbing almost 0.3% amid rising expectations that interest rates will remain higher for longer.

Bloomberg's Commodities Index fell 1.47% in February. Pullbacks in natural gas, grains, and copper overshadowed gains in livestock and crude oil. Amidst warmer temperatures, natural gas fell to $1.50/MMBtu's on Feb. 20, it lowest price since at least 1997.

Market Indices[1]	February	Year-to-Date
S&P 500	5.34%	7.11%
Russell 3000	5.41%	6.58%
Russell 2000	5.65%	1.54%
MSCI EAFE	1.83%	2.42%
MSCI Emerging Markets	4.76%	-0.11%
Bloomberg U.S. Aggregate Bond	-1.41%	-1.68%
Bloomberg U.S. Municipal Bond	0.13%	-0.38%
Bloomberg U.S. Corporate High Yield	0.29%	0.29%

[1]FactSet (all equity performance is total return, which includes dividends).

All three major U.S. equity indices finished positive for a fourth straight month, with the S&P 500 recording its largest February gain in nearly a decade. Stocks primarily rallied on broadening investor appetites for artificial intelligence (AI) related technology companies, with its bellwether leading AI chipmaker supporting the theme with blockbuster better-than-expected quarterly earnings growth. The tech-heavy Nasdaq Composite surged over 6.2% for the month, finishing February at it first all-time closing high since November 2021.

The leap-year ending month finished on a high note after the Fed's preferred measure of inflation, the core Personal Consumption Expenditures (PCE) price index, exactly matched forecasts, rising 0.4% in January. Notably, the core PCE 12-month inflation measure declined to 2.8%, its lowest level since early 2021, right at the start of the inflation surge. Moreover at 2.8% annualized, the core PCE price index is now 76% of the way toward the Fed's 2% target goal, down from its 5.6% annualized peak in February 2022. The data helped relieve concerns about a more significant inflation increase.

Following the PCE inflation report, financial markets are pricing in a 2024 year-ending Fed Funds rate of 4.5% versus the current range of 5.25% to 5.50%. This implies three 0.25% rate cuts this year with the first cut expected in June. Odds for a 0.25% rate cut at the Fed's June 12 policy meeting now stand at 66%, up from 57% before the PCE release.

February equity gains were again supported by outsized fourth quarter earnings results. The fourth quarter earnings season is over 97% complete with 487 S&P 500 reporting quarterly results with 70% exceeding analysts' projections. In aggregate, earnings are beating estimates by a wide margin, yet year-over-year profit growth is varying significantly by sector. So far, earnings growth in Communication Services, Consumer Discretionary, and Technology are the strongest, up 42.8%, 25.6%, and 22.2% year-over-year, respectively. This contrasts with Energy and Materials' fourth quarter earnings that have fallen the most, down 23.0% and 21.4% year-over-year, respectively.

As shown below, February gains were concentrated within Russell Small and Mid cap indices, predominately amongst their blend and growth constituents. Year-to-date style leadership was focused within Large Cap Growth stocks (+9.49%). Only Small cap Value registered negative returns so far this year (-1.42%).

February Returns

	Value	Blend	Growth
Large Cap	3.69%	5.40%	6.82%
Mid Cap	4.78%	5.59%	7.52%
Small Cap	3.27%	5.65%	8.12%

YTD Returns

	Value	Blend	Growth
Large Cap	3.80%	6.87%	9.49%
Mid Cap	2.90%	4.08%	6.94%
Small Cap	-1.42%	1.54%	4.66%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 1/31/2024.

All 11 S&P 500 major sectors posted February gains, led by Consumer Discretionary, Industrials and Materials. Remarkably, S&P 500 Industrials (+7.23%) had its strongest monthly performance since November, backed by solid quarterly earnings results. Technology (*not shown below*) was the fourth best sector gainer last month (+6.31%), extending its YTD gain to over 10.5%. Also notable, sector index levels for both Industrials and Technology registered closing record highs 12 times so far this year.

Top Sector Performers – February[1]	**Bottom Sector Performers – February[1]**
Consumer Discretionary (+8.71%)	Real Estate (+2.58%)
Industrials (+7.23%)	Consumer Staples (+2.32%)
Materials (+6.46%)	Utilities (+1.12%)
Top Sector Performers – YTD[1]	**Bottom Sector Performers – YTD[1]**
Communication Services (+11.01%)	Materials (+2.30%)
Technology (+10.51%)	Utilities (-1.93%)
Financials (+7.33%)	Real Estate (-2.28%)

[1] FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends)

Foreign developed equities widely trailed the U.S. last month with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) underperforming the S&P 500 by 3.5%. In MSCI country-specific indices, during the month Japan recorded its first new record high since 1989, gaining 3.0% in February, extending its 2024 gain to 7.75%. Germany gained 4.1% in February while the U.K fell 0.28%. Emerging markets garnered the spotlight, posting their best February performance since 2012, up 4.7%. Korea (+7.36%) and China (+8.39%) led the advance while South Africa tumbled 5.62%.

Turning to fixed-income markets, the yield on 10-year Treasury notes ended February at 4.244%, up 0.29% for the month. With Treasury yields rebounding, the Bloomberg U.S. Government Index fell 1.30% while the longer-duration Bloomberg index of U.S. Government long-term bonds sank 2.28%. An index mix of long-term U.S. Government and corporate credit bonds fell the most, down 2.44%.

On a broader basis, investment-grade bonds of all types, as measured by the Bloomberg U.S. Aggregate Bond Index, also fell (-1.41%) in February. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, performed best, up 0.29% last month. Municipal bonds also outperformed, up 0.13%.

About Cetera® Investment Management

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group

“Cetera Financial Group” refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Disclosures

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman 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 debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody’s and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S.

markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond 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. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable 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, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.