CETERA® INVESTMENT MANAGEMENT

MONTHLY RECAP

January 2024 Recap

At-A-Glance

The S&P 500 cut its monthly gain in half on the final trading day of January on prospects for higher for longer interest rates.

The Dow Jones Industrial Average gained 460-points (+1.31%) in January. The Dow-30 index reached a new milestone on Jan 22, closing above 38,000 for the first time and finished the month at 38,150.

The Nasdaq Composite fell 2.2% on Jan 31, trimming its monthly gain to 1.04%.

The Bloomberg U.S. Government Index dipped 0.27% last month while the longer-duration U.S. Government Long Index declined 2.19%.

Bloomberg's Commodities Index rose 0.40% in January after falling 2.69% in December. U.S. WTI crude oil ended January at $75.85/barrel, up 6.24% for the month. Gold prices fell 0.70% in January.

Market Indices[1]	January	Year-to-Date
S&P 500	1.68%	1.68%
Russell 3000	1.11%	1.11%
Russell 2000	-3.89%	-3.89%
MSCI EAFE	0.58%	0.58%
MSCI Emerging Markets	-4.64%	-4.64%
Bloomberg U.S. Aggregate Bond	-0.27%	-0.27%
Bloomberg U.S. Municipal Bond	-0.51%	-0.51%
Bloomberg U.S. Corporate High Yield	-0.00%	-0.00%

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

Equities finished January with a third straight monthly gain but ended on a sour note with the S&P 500 slumping 1.6% for its worst single-day loss in over four months. As widely expected, on January 31 the Federal Reserve held rates unchanged at 5.25%-5.50% for a fourth straight meeting. While Fed Chairman Powell acknowledged that rates are likely at their peak, he doubts that 2024 rate cuts will begin in March. Policymakers won't likely have sufficient confidence by March that inflation has sustainably moved toward the 2% target. Powell's "not March" comments thus shifted Wall Street's majority expectations for the first 2024 rate cut to begin in May instead of March.

Policymakers have held interest rates unchanged since July 2023. Since then, inflation data has drifted notably lower. Most recently the Federal Reserve's preferred measure of inflation, the core Personal Consumption Expenditures (PCE) price index, rose at an annual rate of 2.9% in December (+3.0% expected) from 3.2% in November. While the core PCE inflation measure excludes volatile food and energy prices, it was at its slowest pace since March 2021.

January equity gains were again supported by the latest quarterly earnings results that had earlier gotten off to a rocky start. With 185 of S&P 500 companies now reporting quarterly results, around 71% are topping analysts' projections. In aggregate, earnings are beating estimates by 6.4% but year-over-year profit growth is varying significantly. So far, Tech+ (inclusive of Internet Retail & Media) and Financials' fourth quarter earnings growth are at forefront, up 36.1% and 9.5% year-over-year, respectively. This contrasts with Energy and Materials' fourth quarter earnings that have fallen the most, down 28.8% and 21.3% year-over-year, respectively.

As shown below, January gains were concentrated among Large Caps, whereas Mid and Small Caps posted negative returns. Large cap Growth performance extensively dominated relative to their Value counterparts (+2.49% vs. +0.10%). Small cap Value fell the most in January (-4.54%) after being the top style performer the month prior (+12.45% in December).

January Returns	Value	Blend	Growth
Large Cap	0.10%	1.39%	2.49%
Mid Cap	-1.79%	-1.42%	-0.54%
Small Cap	-4.54%	-3.89%	-3.21%

YTD Returns	Value	Blend	Growth
Large Cap	0.10%	1.39%	2.49%
Mid Cap	-1.79%	-1.42%	-0.54%
Small Cap	-4.54%	-3.89%	-3.21%

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.

S&P 500 sector performance was mixed in January with five of the 11 sector groups posting gains. Communication Services (+5%) performed best, adding onto its 6.1% December gain. Likewise, Technology advanced nearly 4% in January, extending its 3.8% prior month gain. Real Estate fell the most in January (-4.7%), backpedaling much of its 8.7% December gain, which made it the top performing sector that month.

Top Sector Performers – January & YTD[1]	Bottom Sector Performers – Jan & YTD[1]
Communication Services (+5.02%)	Consumer Discretionary (-3.53%)
Technology (+3.95%)	Materials (-3.91%)
Financials (+3.05%)	Real Estate (-4.74%)

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

Foreign developed equity 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 1.1%. In MSCI country-specific indices, Japan rallied 4.62%, while Germany (-0.96%) and the U.K (-1.44%) lagged. Emerging markets tumbled in January, down 4.6%, as India's 2.4% gain was overshadowed by steep losses in China and Korea, down 10.61% and 9.99%, respectively.

Turning to fixed-income markets, the yield on 10-year Treasury notes ended January at 3.954%, up just 0.08% for the month. With Treasury yields inching upward, the Bloomberg U.S. Government Index fell a modest 0.27%. The longer-duration Bloomberg index of U.S. Government long-term bonds fell more aggressively, down 2.19%.

On a broader basis, investment-grade bonds of all types, as measured by the Bloomberg U.S. Aggregate Bond Index, also fell 0.27% in January. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, was unchanged last month. Municipal bonds also underperformed, off 0.51%.

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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.