



PENSION & WEALTH MANAGEMENT ADVISORS

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Q4 2023 - Market Commentary¹

- Global stock and bond markets staged strong rallies during November and December as inflation readings in the U.S., Europe, and U.K. were softer than expected and investors aggressively priced in more interest rate cuts in 2024.
- At its December meeting, the U.S. Federal Reserve remained on pause.
- However, investors stayed well ahead of the Fed with Fed Funds futures projecting 1.50% of interest rate cuts during 2024 and providing a major catalyst for the fourth quarter stock and bond market rallies.
- Big gains for U.S. stocks were led by small caps, which had surged into year-end.
- The Russell 2000 Index of small cap stocks returned +14.0% for the fourth quarter and finished 2023 with a solid +16.9% gain.
- Large caps continued their sizable rally with the S&P 500 Index returning +11.7% during the fourth quarter and +26.3% for the year with the Russell 1000 Growth Index the biggest outperformer with a +42.7% return during 2023.
- Foreign stocks struggled to keep pace with U.S. stocks all year and the trend continued during the fourth quarter.
- The MSCI All Countries Ex U.S. Index had a solid +9.7% return during the fourth quarter and +15.6% for 2023.
- Emerging markets remained a laggard during the fourth quarter, primarily due to the ongoing poor performance of China, the worst performing stock market in 2023 with an -11.2% return.
- The MSCI EM Index gained +7.9% for Q4 and +9.8% for 2023, well behind all other major global equity benchmarks.
- The 10-year U.S. Treasury bond yield plunged from 4.56% to 3.88% during the fourth quarter, completely reversing the third quarter rise and providing a major catalyst for the stock market rally during the last two months of 2023.
- The 10-year U.S. Treasury bond yield barely changed in 2023 but the bond market had one of its most volatile years on record.
- The Bloomberg Aggregate Bond Index returned +6.8% in Q4 and finished the year at +5.3%, ending its two-year losing streak.
- High yield bonds were the strongest bond segment with a +13.5% return for the year.
- Oil was one of the weakest commodities during the fourth quarter, declining over 20%, as global economic growth slowed.
- Gold rallied +11.1% during Q4, hitting an all-time high, and benefiting from the large drop in global bond yields.
- Bitcoin staged an impressive rally, surging +56% during the fourth quarter and +153% for the year.
- It was boosted by the risk-on rally and a favorable legal ruling that raised the prospects and expectations for a spot Bitcoin Exchange Traded Fund to be approved by the SEC.
- With stocks and bonds producing strong year-end rallies, balanced portfolios had their strongest quarterly gain in three years.
- As measured by Morningstar, the average 60% stock / 40% bond balanced portfolio returned +8.6% for the fourth quarter and +13.9% for 2023.

Performance Table¹

	4Q23		2023		2022		2021		2020	
S&P 500 Index (U.S. large/mega cap stocks)	11.7%	↑↑↑	26.3%	↑↑↑↑	-18.1%	↓↓↓	28.7%	↑↑↑↑	18.4%	↑↑↑
Russell 2000 Index (U.S. small cap stocks)	14.0%	↑↑↑	16.9%	↑↑↑	-20.4%	↓↓↓	14.8%	↑↑↑	20.0%	↑↑↑
Russell 3000 Index (all U.S. stocks)	12.1%	↑↑↑	26.0%	↑↑↑↑	-19.2%	↓↓↓	25.7%	↑↑↑	20.9%	↑↑↑
MSCI EAFE Index (large cap developed markets int'l stocks)	10.4%	↑↑↑	18.2%	↑↑↑	-14.5%	↓↓↓	11.3%	↑↑↑	7.8%	↑↑↑
MSCI EM Index (emerging markets stocks)	7.9%	↑↑	9.8%	↑↑	-20.1%	↓↓↓	-2.5%	↓	18.3%	↑↑↑
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	9.7%	↑↑	15.6%	↑↑↑	-16.0%	↓↓↓	7.8%	↑↑	10.7%	↑↑↑
MSCI All Countries World Index (all global stocks)	11.0%	↑↑↑	22.2%	↑↑↑	-18.4%	↓↓↓	18.5%	↑↑↑	16.3%	↑↑↑
Bloomberg Aggregate Bond Index (invnt. grade bonds)	6.8%	↑↑	5.5%	↑↑	-13.0%	↓↓↓	-1.5%	↓	7.5%	↑↑
Bloomberg High Yield Index (below invnt. grade corp. bonds)	7.2%	↑↑	13.5%	↑↑↑	-12.2%	↓↓↓	4.0%	↑	5.0%	↑
Bloomberg Short-Term Treasury Index (cash)	1.5%	↑	5.1%	↑↑	1.0%	↑	0.0%	↔	1.0%	↑
Bloomberg Municipal Bond Index	7.8%	↑↑	6.4%	↑↑	-8.6%	↓	1.6%	↑	5.0%	↑↑
Gold	11.1%	↑↑↑	13.2%	↑↑↑	0.0%	↔	-3.7%	↓	25.1%	↑↑↑↑
Oil (West Texas Intermediate Crude)	-21.5%	↓↓↓	-11.4%	↓↓↓	6.7%	↑	55.8%	↑↑↑↑	-20.9%	↓↓↓
Bitcoin	56.0%	↑↑↑↑↑	153.0%	↑↑↑↑↑	-64.0%	↓↓↓	59.0%	↑↑↑↑	303.7%	↑↑↑↑
Morningstar Global Balanced (60% stocks / 40% stocks)	8.6%	↑↑	13.9%	↑↑↑	-13.6%	↓↓↓	13.9%	↑↑↑	11.7%	↑↑↑

¹ Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.