

Weekly Market Recap

January 13th, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	5,827	-1.9%	-0.9%
Dow Jones Industrial Average	41,938	-1.9%	-1.4%
NASDAQ	19,162	-2.3%	-0.8%
Russell 2000 [®] Index	2,269	-0.5%	1.7%
MSCI EAFE Index	2,271	0.7%	0.4%
Ten-Year Treasury Yield	4.76%	0.2%	0.9%
Oil WTI ¹ (\$/bbl ²)	\$76.67	3.7%	6.9%
Bonds ³	\$95.95	-0.9%	-0.4%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

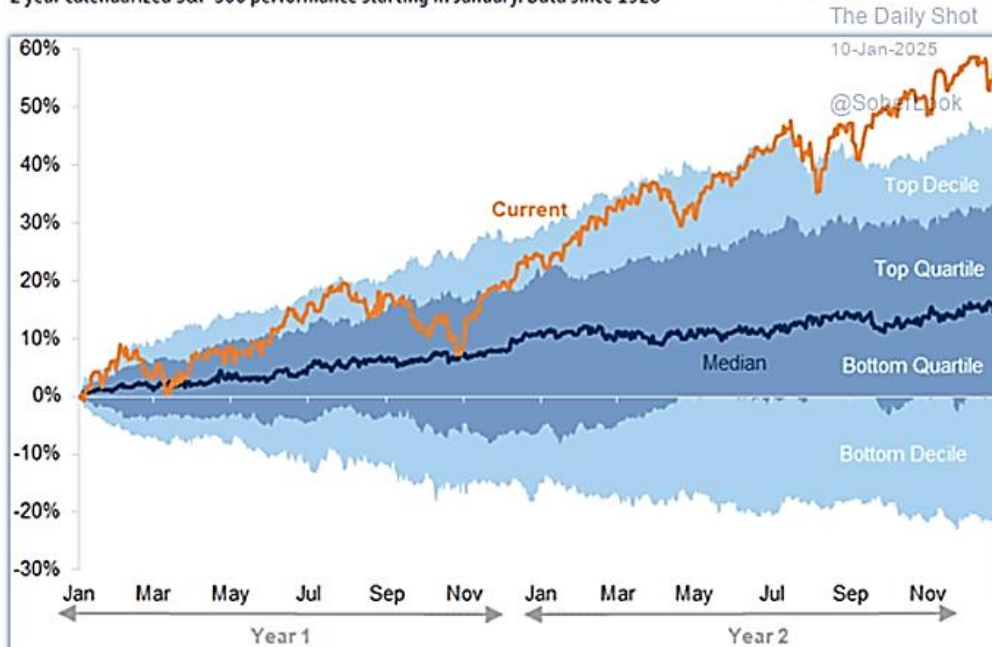
U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -1.9% as higher interest rates, a stronger U.S. dollar, and concerns regarding President-elect Trump's trade/tariff policies provided an overhang on stocks. Friday's strong December payrolls report (256k was ahead of expectations for 155k) contributed to the 2-year Treasury yield touching the highest level since October and the 10-Year yield reaching the highest level since November 2023. Friday's Michigan Consumer Sentiment was in line with analysts' expectations, but inflation expectations increased +0.5% to 3.3%. The strong U.S. economic data contributed to a meaningful hawkish shift in expectations for Federal Reserve (Fed) rate cuts in 2025 with futures markets now pricing cuts of less than 0.30% in 2025 from 0.50% last week. The U.S. dollar was up +0.7% and higher for the sixth straight week. Gold was up +2.3% and oil (WTI) was up +3.7%.
- S&P 500 Index Sector Returns:
 - Energy (+0.9%) rose, as the price of oil increased +3.7%.
 - Healthcare (+0.5%) outperformed, as investors appeared to favor defensive equities.
 - Materials (+0.1%) rose, led by precious metals miners.
 - Communication services (-0.7%) fell, led lower by social media and traditional media stocks.
 - Industrials (-1.0%) fell, led lower by transports stocks.
 - Consumer staples (-1.9%) and utilities (-2.0%) fell, as interest rates increased.
 - Consumer discretionary (-2.3%) fell, led lower by homebuilders, autos, and internet retail.
 - Financials (-2.7%) fell, led lower by banks.
 - Technology (-3.1%) fell, led lower by semiconductors and software.
 - Real Estate (-4.1%) fell, as interest rates increased.

- The last two years of total return for the S&P 500 Index were one of the strongest two-year periods since 1928.

Exhibit 2: The rise in the S&P 500 in the past two years has been one of the strongest since 1928

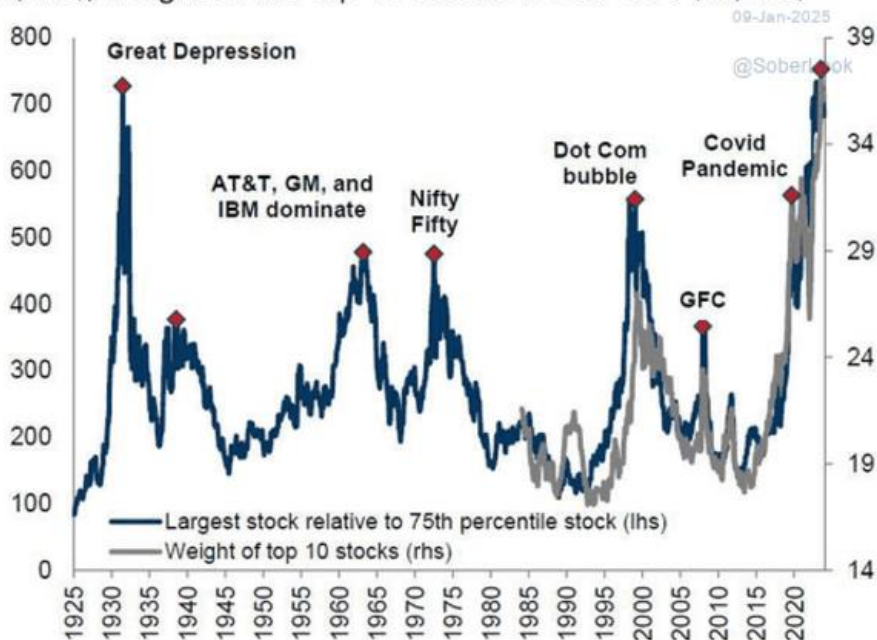
2 year calendarized S&P 500 performance starting in January. Data since 1928



Sources: Goldman Sachs; The Daily Shot.

- The current weight of the top ten stocks in the S&P 500 Index is near all-time highs.

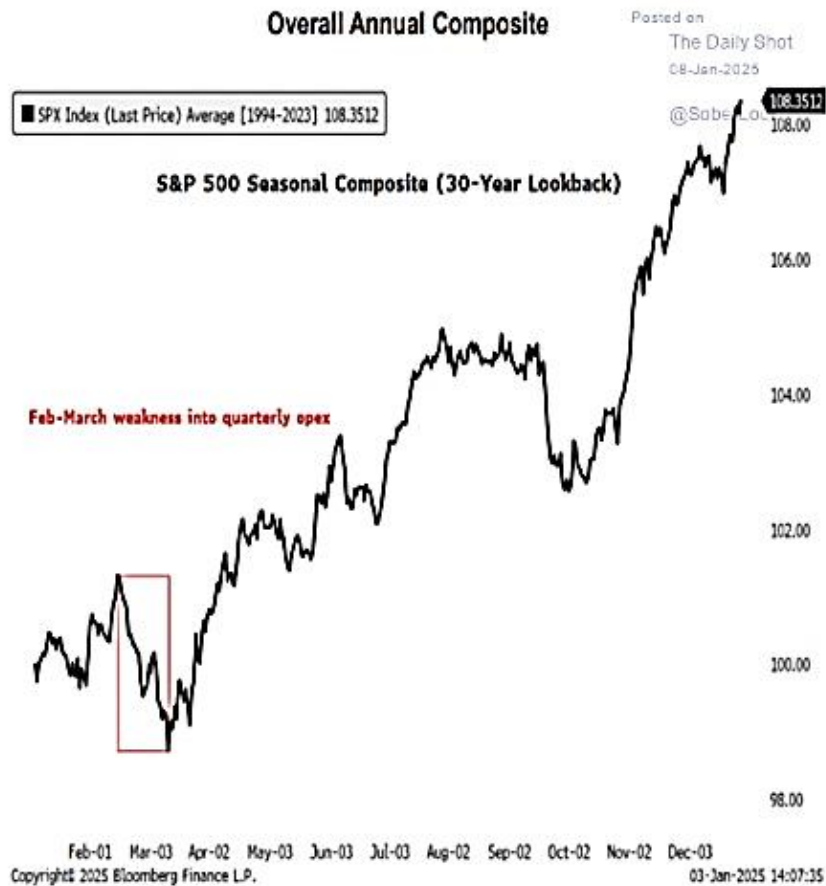
Market cap of the largest stock relative to 75th percentile stock (x, lhs), weight of the top 10 stocks in S&P 500 (% , rhs)*



*Consists of US stocks with price, shares, and revenue data listed on the New York Stock Exchange (NYSE), AMEX, or NASDAQ. Series prior to 1985 estimated based on data from Kenneth French data library reflecting the market cap distribution of NYSE stocks. Left Y axis is the market cap of the largest stock relative to 75th percentile stock. Right Y axis is the weight of the top ten stocks in the S&P 500 by percentage. GFC: Great Financial Crisis. Sources: Goldman Sachs; The Daily Shot.

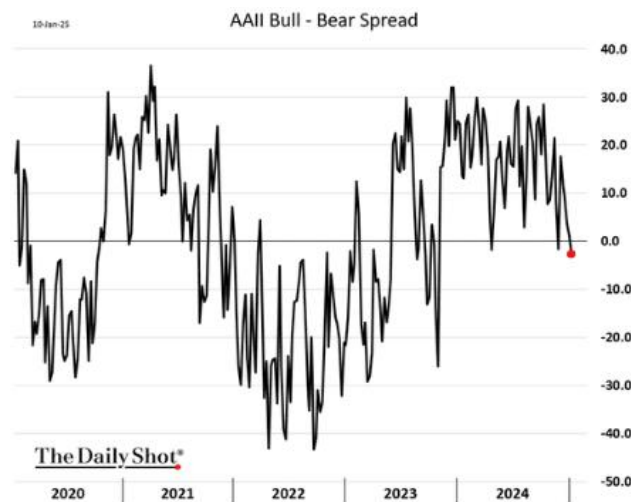
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6-7.

- Historically, February and March are weak months for U.S. equity returns.



Sources: Bloomberg L.P.; The Daily Shot.

- The falling American Association of Individual Investors (AAII) Bull – Bear spread suggests that retail investors appear to be turning more bearish on U.S. equities. When the spread is greater than zero, the AAI survey indicates a bullish sentiment for equities; however, when the spread is below zero, the AAI survey indicates a bearish sentiment for equities.

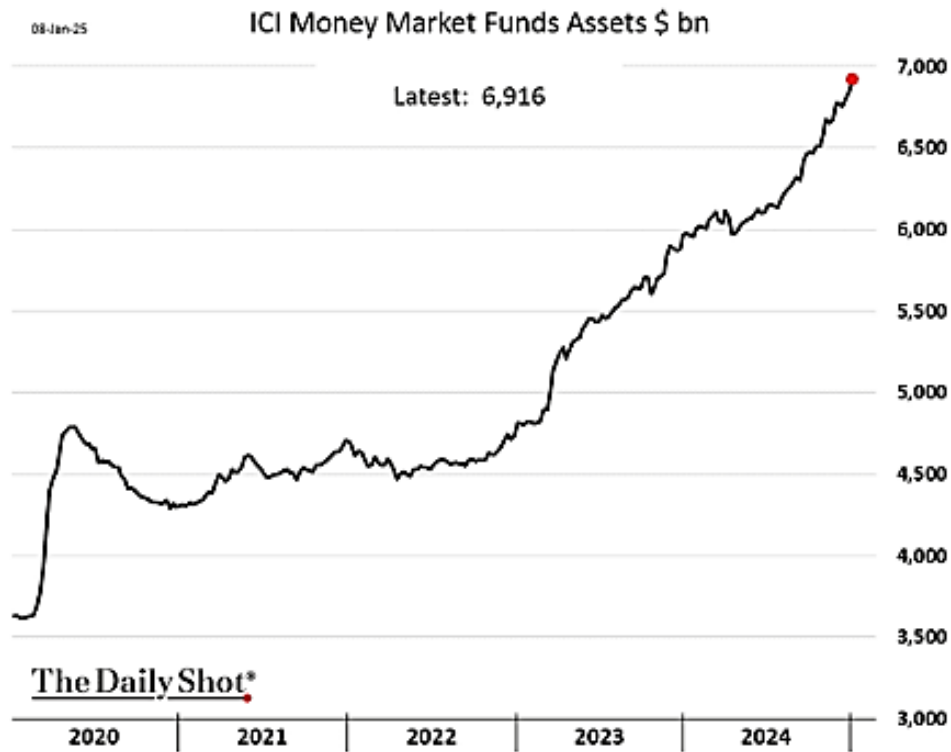


Sources: AAI; The Daily Shot.

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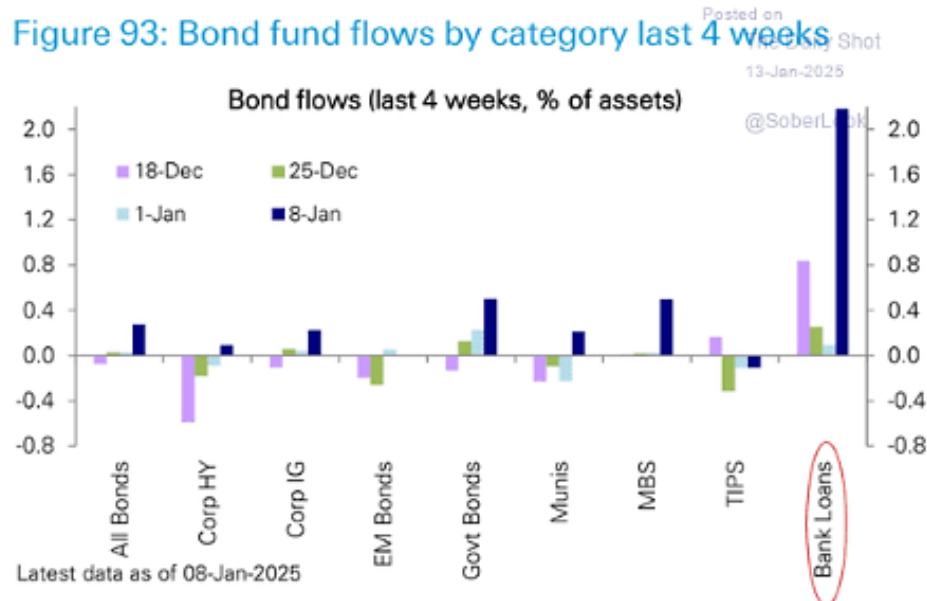
Fixed Income Markets

- U.S. money market funds are approaching an all-time high of \$7 trillion.



ICI: Investment Company Institute. Sources: Bloomberg L.P.; The Daily Shot.

- Bank loans have experienced the strongest inflows in the past four weeks relative to other bond categories.



EM: emerging markets; MBS: mortgage backed securities; TIPS: Treasury Inflation Protected Securities. Sources: Deutsche Bank; The Daily Shot.

U.S. Economic and Political News

- November job openings and labor turnover survey (JOLTS) job openings posted a surprise increase, though hiring rates slowed and the quits rate fell to the lowest level since mid-2020.

International Markets and News

- European markets (STOXX 600 Index) rose +0.7% as some investors still expect the European Central Bank (ECB) to cut interest rates in January, despite Euro area inflation accelerating to 2.4% in December from 2.2% in November.
- The Chinese stock market (Shanghai Composite) fell -1.3% as China's inflation data suggests the country is still struggling with deflationary pressures.
- Japanese equities (Nikkei 225 Index) fell -1.8% as investors appeared to be concerned with the timing of the Bank of Japan's next interest rate hike.

This Week:

- The volume of corporate earnings reports will be light this week.
- Economic data:
 - Monday: Treasury Monthly Budget;
 - Tuesday: National Federation of Independent Business (NFIB) Small Business Index, Producer Price Index (PPI), Redbook Chain Store, American Petroleum Institute (API) Crude Inventories, NY Fed President Speaking Event;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Consumer Price Index (CPI), Empire Manufacturing, Department of Energy (DOE) Crude Inventories, Hourly Earnings/Workweek, NY Fed President Speaking Event;
 - Thursday: Import/Export Prices, Philadelphia Fed Index, Retail Sales, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
 - Friday: Building Permits, Housing Starts, Capacity Utilization, Industrial Production, Treasury International Capital (TIC) Flows.

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **American Association of Individual Investors (AAII)** is a nonprofit investor education organization with local chapters throughout the United States. AAII's purpose is to help investors manage their own portfolios and earn better-than-average returns while taking on lower-than-average risk. The **Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. A **futures market** is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today. The **Investment Company Institute (ICI)** is the trade association for American and international investment companies, including mutual funds, closed-end funds, exchange traded funds, and unit investment trusts. The **job openings and labor turnover survey (JOLTS)** is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment. The **Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. The **NAHB/Wells Fargo Housing Market Index (HMI)** is a monthly sentiment survey of members of the National Association of Home Builders (NAHB). The index measures sentiment among builders of U.S. single-family homes, and is a widely watched gauge of the U.S. housing sector. Since housing represents a large capital investment and spurs additional consumer spending on appliances and furnishings, housing market indices help to monitor the overall health of the economy. **NFIB Small Business Optimism Index** is a composite of ten seasonally adjusted components calculated based on the answers of around 620 NFIB members. This questions include: plans to increase employment, plans to make capital outlays, plans to increase inventories, expect economy to improve, expect real sales higher, current inventory, current job openings, expected credit conditions, now a good time to expand, and earnings trend. The **Nifty Fifty** was a group of 50 large-cap stocks on the New York Stock Exchange that were most favored by institutional investors in the 1960s and 1970s. Investment in these top 50 stocks—similar to blue-chip stocks of today—is said to have propelled the American economy to its bull market of the 1970s. Companies in this group were usually characterized by consistent earnings growth and high P/E ratios. **Nonfarm payroll** measures the number of workers in the U.S. except those who work in farming, private households, non-profits, and sole proprietorships or self-employment, as well as those

who are active military service members. The Bureau of Labor Statistics (BLS) surveys private and government entities throughout the U.S. to obtain information about their payrolls. The nonfarm payroll numbers are reported monthly to the public through the closely followed employment situation summary. The term **NY Empire State Index** refers to the result of a monthly survey of manufacturers in New York state. The survey is conducted by the Federal Reserve Bank of New York. The bank sends out the survey every month to business leaders who represent a wide swath of the manufacturing sector. The headline number for the index refers to the main index of the survey, which summarizes general business conditions in New York state. The index is widely watched for insights into the state and direction of manufacturing in New York state. The **Philadelphia Federal Index (or Philly Fed Survey)** is a regional federal-reserve-bank index measuring changes in business growth. It is also known as the "Manufacturing Business Outlook Survey." The **Producer Price Index (PPI)** measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category. The index is published monthly by the U.S. Bureau of Labor Statistics (BLS). **Treasury International Capital (TIC)** is a set of monthly and quarterly statistical reports measuring all flows of portfolio capital into and out of the U.S. and the resultant positions between U.S. and foreign residents. The data is used as an economic indicator and can help to predict the direction of the U.S. dollar (USD). (Technical definitions are sourced from Corporate Finance Institute.)

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