

Weekly Market Recap

January 22, 2024

	Price	Price Returns	
Index	Close	Week	YTD
S&P 500® Index	4,840	1.2%	1.5%
Dow Jones Industrial Average	37,864	0.7%	0.5%
NASDAQ	15,311	2.3%	2.0%
Russell 2000® Index	1,944	-0.3%	-4.1%
MSCI EAFE Index	2,171	-2.5%	-2.9%
Ten-Year Treasury Yield	4.13%	0.2%	0.2%
Oil WTI ¹ (\$/bbl ²)	\$73.62	1.3%	2.7%
Bonds ³	\$98.02	-1.1%	-1.3%

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

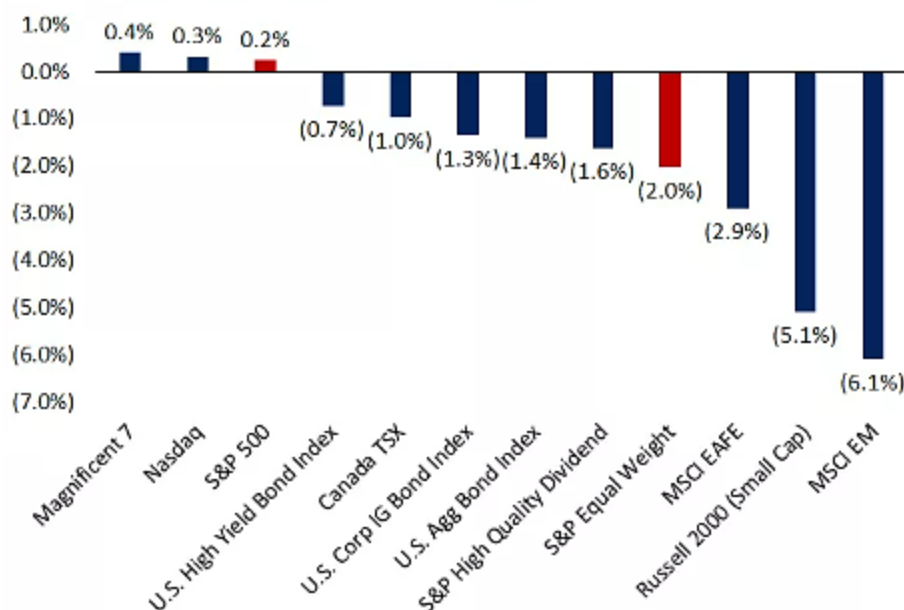
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +1.2% and closed at an all-time high on Friday as investor sentiment benefitted from increasing expectations for an economic soft landing, falling inflation, and a weaker U.S. dollar. December retail sales came in stronger than expected, which highlighted ongoing strength from the U.S. consumer, despite higher interest rates and the 4Q23 resumption of student-loan repayments. The January National Association of Home Builders (NAHB) sentiment rose along with a strong report for December housing starts. University of Michigan consumer sentiment improved, and there was a further drop in year-ahead inflation expectations. The 10-year U.S. Treasury yield rose from 3.96% to 4.13%. Gold fell -1.1%, while WTI crude rose +1.3%.
- S&P 500 Index Sector Returns:
 - Technology (+4.3%) rose, led by software stocks.
 - Communication services (+2.0%) rose.
 - Financials (+0.9%) rose, led by fintech stocks.
 - Consumer discretionary (+0.5%) rose, led by home improvement retailers and homebuilders.
 - Industrials (+0.3%) rose, led by airlines, rails, aerospace and defense stocks, and transports.
 - Healthcare (-0.7%), consumer staples (-1.0%), and utilities (-3.7%) underperformed, as investors favored less-defensive sectors.
 - Materials (-1.5%) fell, led lower by precious metals miners and chemical companies.
 - Energy (-3.1%) fell, even as the price of WTI rose +1.3%.

- Thus far, in 2024, the “Magnificent Seven” stocks have modestly outperformed the S&P 500 Equal Weight Index and the Russell 2000® Index (small caps).

YTD 2024 (% total return, as of 1/18/24)

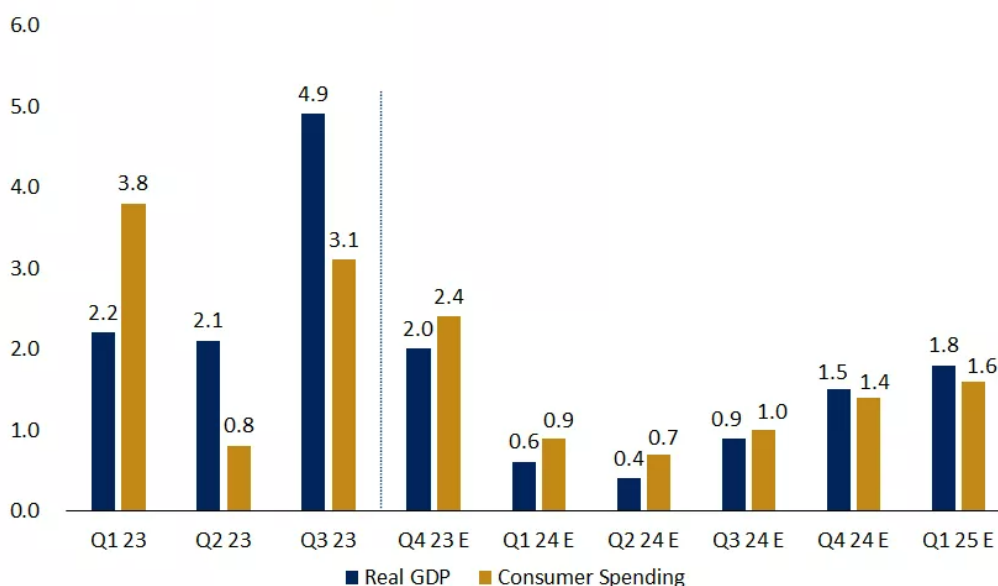


The “Magnificent 7” stocks refer to the seven top-performing stocks in the S&P 500: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla.
Sources: Bloomberg L.P.; Edward Jones.

- Analysts’ expectations are for the U.S. economy and consumer spending growth to decelerate in 4Q23, 1Q24, and 2Q24, before reaccelerating in 3Q24 and beyond. Historically, slowing gross domestic product (GDP) growth without a recession, lower inflation, and a Federal Reserve (Fed) rate-cutting cycle has provided a favorable backdrop for financial markets.

U.S. Real GDP and consumption expected to slow before reaccelerating

Actual and Forecast (QoQ% SAAR)



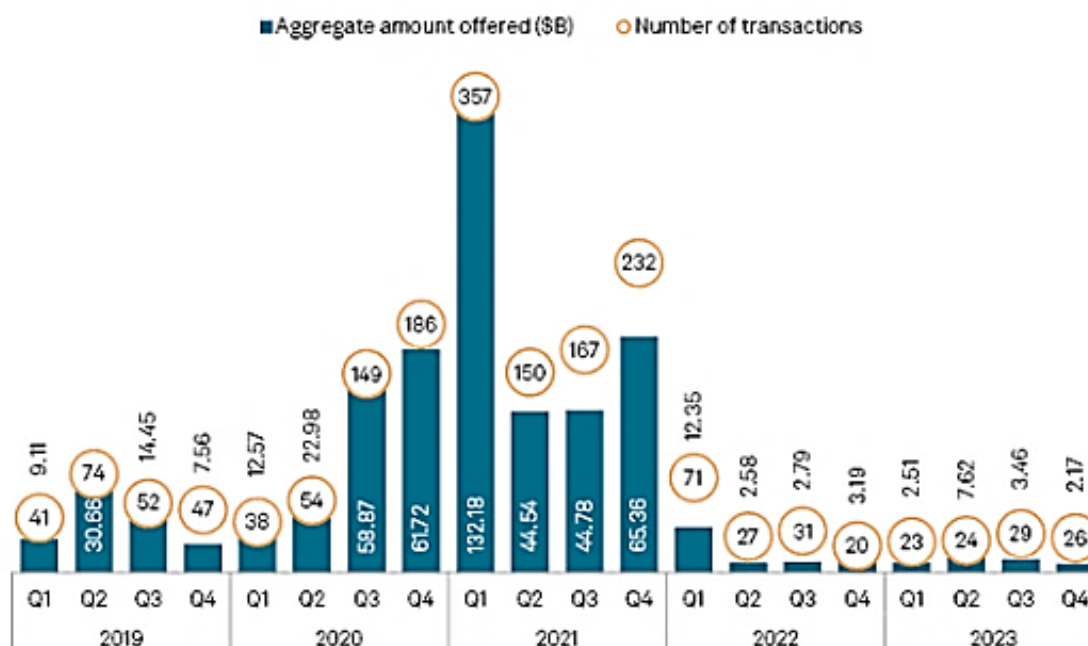
QoQ: quarter-over-quarter. SAAR: seasonally adjusted annual rate. Sources: Bloomberg L.P.; Edward Jones.

- U.S. stocks continue to be led (highest returns) by the technology sector.



- U.S. initial public offering (IPO) activity remains weak.

US IPO activity since 2019

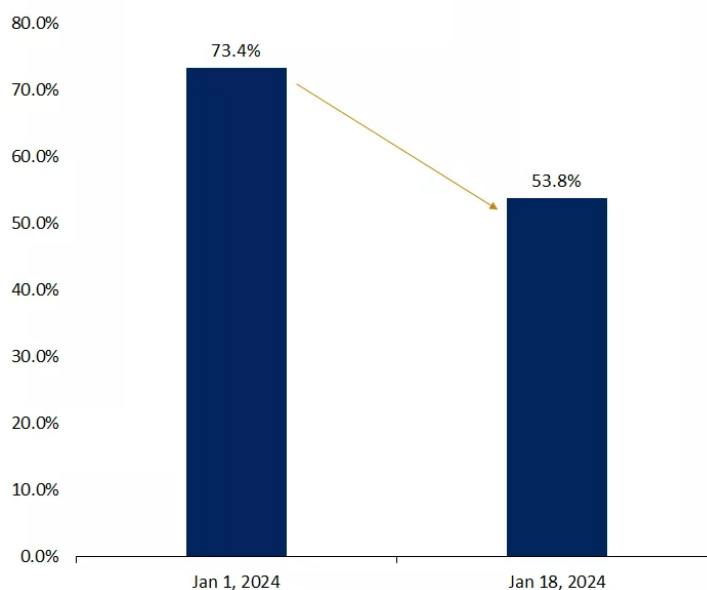


Sources: S&P Global; The Daily Shot.

Fixed Income Markets

- Futures markets expect the Fed to cut rates six times in 2024. However, the probability of the Fed cutting rates at the March meeting has recently decreased to 53.8% as some Fed speakers have pushed back on a March cut.

Probability of March Fed rate cut has come down to just over 50%



Sources: CME Fed Watch; The Daily Shot.

- Bank of America's private clients are selling T-bills as they extend duration.

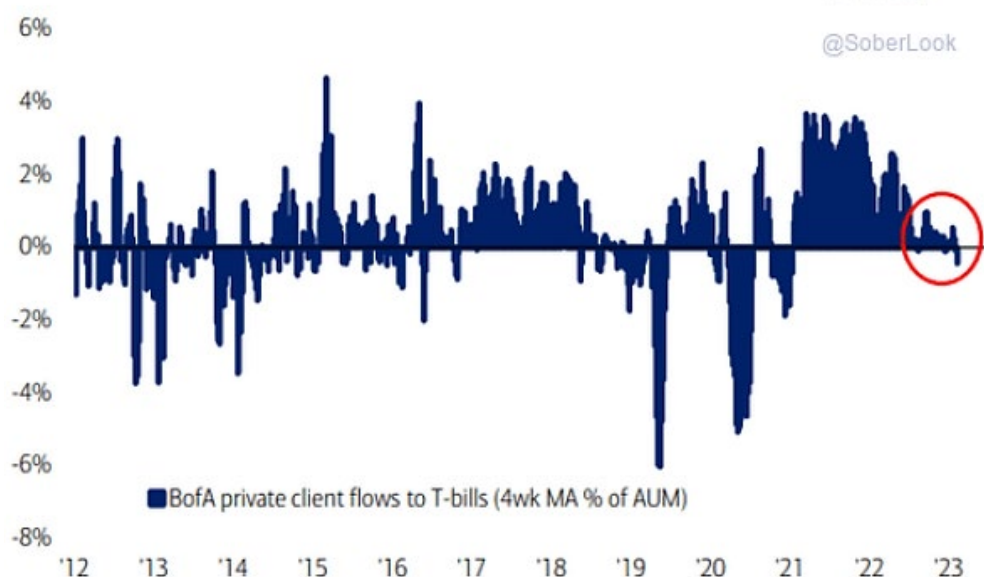
Chart 10: BofA private clients selling T-bills, extending duration

BofA private client flows to T-bills (4-week MA % of AUM)

The Daily Shot

19-Jan-2024

@SoberLook



T-bills: treasury bills. MA: moving average. AUM: assets under management. Sources: Bank of America; The Daily Shot.

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U.S. Economic and Political News

- January's N.Y. Fed's Empire State Manufacturing Index survey hit one of its lowest levels in series history.

International Markets and News

- European markets (STOXX 600 Index) fell -1.6% as European Central Bank President Christine Lagarde signaled that it was “likely” that interest rates would be cut in the summer. The rate cuts were expected by futures markets to be in the spring.
- The Chinese stock market (Shanghai Composite) fell -1.7% as Q4 GDP grew +1.0% from the third quarter's +0.8% expansion. Retail sales rose a lower-than-expected +7.4% year-over-year.
- Japanese equities (Nikkei 225 Index) rose +1.1% as further signs of easing inflationary pressure dampened expectations about any shift in the Bank of Japan's ultra-accommodative monetary policy.

This Week:

- The volume of corporate earnings reports will be high this week.
- Economic data:
 - Monday: Leading Indicators;
 - Tuesday: American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Flash Manufacturing Purchasing Managers' Index (PMI), Flash Services PMI, U.S. Department of Energy (DOE) Crude Inventories;
 - Thursday: Weekly Jobless Claims; Durable Orders, Wholesale Inventories, Q4 GDP, New Home Sales, Energy Information Administration (EIA) Natural Gas Inventories;
 - Friday: Core personal consumption expenditures (PCE), Personal Spending, Personal Income, Pending Home Sales.

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.
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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P U.S. Aggregate Bond Index is designed to measure the performance of publicly issued U.S. dollar denominated investment-grade debt. The index is part of the S&P Aggregate™ Bond Index family and includes U.S. treasuries, quasi-governments, corporates, taxable municipal bonds, foreign agency, supranational, federal agency, and non-U.S. debentures, covered bonds, and residential mortgage pass-throughs.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The S&P 500® Investment Grade Corporate Bond Index, a subindex of the S&P 500 Bond Index, seeks to measure the performance of U.S. corporate debt issued by constituents in the S&P 500 with an investment-grade rating. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500, which is widely regarded as the best single gauge of large-cap U.S. equities.

The S&P 500 Quality High Dividend Index is designed to measure the performance of S&P 500 members that exhibit both high quality and high dividend yield characteristics.

The S&P U.S. High Yield Corporate Bond Index is designed to track the performance of U.S. dollar-denominated, high-yield corporate bonds issued by companies whose country of risk use official G-10 currencies, excluding those countries that are members of the United Nations Eastern European Group (EEG). Qualifying securities must have a below-investment-grade rating (based on the lowest of S&P Global Ratings, Moody's, and Fitch) and maturities of one or more months.

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 MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

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: **Assets under management (AUM)**, also called funds under management, is the total market value of the securities a financial institution (such as a bank, mutual fund, or hedge fund) owns or manages on behalf of its clients. **The Empire State Manufacturing Index** rates the relative level of general business conditions New York state. A level above 0.0 indicates improving conditions, below indicates worsening conditions. The reading is compiled from a survey of about 200 manufacturers in New York state. 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. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. An **initial public offering (IPO)** refers to the process of offering shares of a private corporation to the public in a new stock issuance for the first time. An IPO allows a company to raise equity capital from public investors. **Personal consumption expenditures (PCE)**, also known as consumer spending, is a measure of the spending on goods and services by people of the United States. According to the Bureau of Economic Analysis (BEA), a U.S. government agency, PCE accounts for about two-thirds of domestic spending and is a significant driver of gross domestic product (GDP). **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors. A **seasonally adjusted annual rate (SAAR)** is a rate adjustment used for economic or business data, such as sales numbers or employment figures, that attempts to remove seasonal variations in the data. **The S&P/TSX Composite** is the headline index for the Canadian equity market. It is the broadest in the S&P/TSX family and is the basis for multiple sub-indices including but not limited to equity indices, Income Trust Indices, Capped Indices, GICS Indices and market cap based indices. The Toronto Stock Exchange (TSX) serves as the distributor of both real-time and historical data for this index. (Technical definitions are sourced from Corporate Finance Institute.)

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