

# Market Overview

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## MARKETS TAKE PROFITS FROM LATE 2023 RALLY AND NEGATIVE CPI REPORT

### THE MONTH AT A GLANCE, SO FAR

	MTD
S&P 500	0.06%
MSCI EAFE	-0.76%
MSCI Emerging Markets	-2.76%
Bloomberg US Aggregate	-0.29%

All returns are total returns as of the date of the report unless otherwise noted.

Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment. Past performance is not indicative of future results.

Jobs, inflation, and expectations around what the Federal Reserve may or may not do continue to be the focus of markets as 2024 begins. The latest jobs report showed December exceeded most economists' expectations, with the economy adding 216,000 jobs<sup>1</sup>, surpassing estimates by 41,000<sup>2</sup>. Further, wages rose more than anticipated, having gained 4.1% compared to December 2022<sup>1</sup>. While the unemployment rate remained steady at 3.7%<sup>1</sup>, the drop in labor force participation will be an area to watch. Overall, last year saw 2.7 million new jobs added as the economy<sup>1</sup> defied strongly held expectations of a recession arriving sometime in 2023. Despite the stronger-than-expected jobs report, the overall cooling trend continues to be the predominant belief across economists, though wage growth could spell trouble for dovish expectations around Federal Reserve policy in 2024.

On the inflation front, the Consumer Price Index (CPI) rose by 0.3% in December and 3.4% over the year<sup>3</sup>, both faster than the market had expected and an acceleration from November. However, yearly changes in core CPI, which excludes the more volatile food and energy components, continued to improve in December, though just barely, rising 3.9% versus the 4.0% gain from the November report. Shelter continues to play a significant role in the headline inflation story, despite indications and expectations throughout the year that it would slow. While one month's report does not indicate a trend, if a trend were to form, the current expectations for the Federal Reserve to begin cutting rates early this year could be in jeopardy. As the market has continued to show over the last year, changing expectations can quickly create ripples and volatility across capital markets.

The market's growing consensus on a substantial dovish pivot from the Federal Reserve this year fueled the late 2023 market rally. However, the same expectations may also set the stage for potential volatility if that picture were to shift again. The market saw multiple consensus expectations shifts in 2023 and this year may be no different. While only time will tell, investors will likely stay focused on the upcoming inflation, retail sales, and jobs reports to continue to take the temperature of the health of the consumer. At some point the relentless focus on the Federal Reserve will shift, but not yet.

1. Bureau of Labor Statistics, <https://www.bls.gov/news.release/empsit.nr0.htm>

2. Consensus estimate from Bloomberg's survey of economists

3. Bureau of Labor Statistics, <https://www.bls.gov/news.release/cpi.nr0.htm>

Source: Helios Quantitative Research, Bloomberg

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Equity Markets	MTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>S&amp;P 500</b>	0.06%	0.06%	21.21%	9.86%	14.67%	12.03%
Russell Midcap	-2.19%	-2.19%	8.49%	4.04%	10.87%	9.10%
Russell 2000	-4.57%	-4.57%	4.07%	-1.80%	7.27%	6.54%
<b>MSCI ACWI</b>	-0.38%	-0.38%	15.44%	5.09%	10.66%	7.92%
MSCI EAFE	-0.76%	-0.76%	9.61%	3.15%	7.19%	4.19%
MSCI Emerging Markets	-2.76%	-2.76%	-0.96%	-7.53%	2.19%	2.66%
<b>Fixed Income Markets</b>						
<b>Bloomberg US Aggregate</b>	-0.29%	-0.29%	2.41%	-3.16%	1.02%	1.70%
Bloomberg US Treasury	-0.36%	-0.36%	1.38%	-3.59%	0.49%	1.17%
Bloomberg US Corporate	-0.30%	-0.30%	4.61%	-3.01%	2.48%	2.81%
Bloomberg US MBS	-0.24%	-0.24%	1.70%	-2.94%	0.18%	1.28%
Bloomberg Municipal	-0.24%	-0.24%	3.75%	-0.48%	2.12%	2.87%
Bloomberg US Corporate High Yield	-0.16%	-0.16%	9.08%	1.81%	4.62%	4.48%
Bloomberg Global Aggregate	-1.20%	-1.20%	1.20%	-5.63%	-0.63%	0.22%
<b>Alternative Markets</b>						
Dow Jones US Real Estate	-1.52%	-1.52%	3.34%	5.11%	5.85%	7.20%
Bloomberg Commodity	-1.20%	-1.20%	-12.65%	6.60%	3.96%	-2.47%
Wilshire Liquid Alternative Index	0.27%	0.27%	3.15%	0.95%	2.42%	1.39%

## MARKET HIGHLIGHTS

- Most areas of capital markets gave back some of their profits from the late 2023 rally, though the S&P 500 was able to gain 6 basis points in the first half of January. Small cap US stocks, which had been handily outperforming their rivals in the last part of 2023, fared the worst, losing 4.57%.
- Internationally, developed markets underperformed the S&P 500 but not nearly to the extent that emerging markets did with the MSCI EAFE down just 76 basis points, compared to the MSCI Emerging Market's 276 basis point loss.
- Yields moved up on the back of a higher-than-expected CPI report, putting pressure on bond prices and pushing the Bloomberg US Aggregate down 29 basis points in the first few weeks of the year.

Source: Helios Quantitative Research, Bloomberg

Total returns as of the report date unless otherwise noted. Returns over 1 year are annualized. Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses and don't reflect any particular investment. Past performance is not indicative of future results.

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## EQUITY SECTOR PERFORMANCE

Ranked S&P 500 Sector Total Returns

SECTOR	MTD
Health Care	2.86%
Communication Services	2.49%
Consumer Staples	1.08%
Information Technology	1.05%
S&P 500	0.06%
Utilities	-0.62%
Financials	-0.93%
Real Estate	-1.39%
Consumer Discretionary	-1.90%
Industrials	-2.28%
Energy	-2.76%
Materials	-3.07%

Sector total returns are based on the S&P 500 GICS Level 1 indices.

## EQUITY STYLE & SIZE PERFORMANCE

Ranked Style, Size, and Geography Total Returns

ASSET CLASS	MTD
Large Cap Growth	0.73%
S&P 500	0.06%
Large Cap Blend	-0.17%
Developed International	-0.76%
Large Cap Value	-1.22%
Mid Cap Growth	-1.84%
Mid Cap Blend	-2.19%
Mid Cap Value	-2.34%
Emerging Markets	-2.76%
Small Cap Growth	-4.30%
Small Cap Blend	-4.57%
Small Cap Value	-4.83%

Asset class total returns are based on the Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Midcap, Russell Midcap Growth, Russell Midcap Value, Russell 2000, Russell 2000 Growth, Russell 2000 Value, MSCI EAFE, and MSCI Emerging Markets indices.

## CREDIT SECTOR PERFORMANCE

Ranked Fixed Income Sectors Total Returns

SECTOR	MTD
US Aggregate 1-3 Year	0.33%
TIPS	0.14%
US Agency	0.14%
US Corporate High Yield	-0.16%
Municipal	-0.24%
Global High Yield	-0.25%
US Aggregate	-0.29%
US Corporate	-0.30%
US Treasury	-0.36%
EM Bonds (USD)	-0.69%
Global Aggregate	-1.20%
US Aggregate 10+ Year	-1.63%

Sector total returns are based on the Bloomberg US Aggregate, US Treasury, US Treasury Inflation Notes, US Agency, Municipal, US Corporate, US Corporate High Yield, Global Aggregate, Global High Yield, and EM USD Aggregate indices.

Source: Helios Quantitative Research, Bloomberg

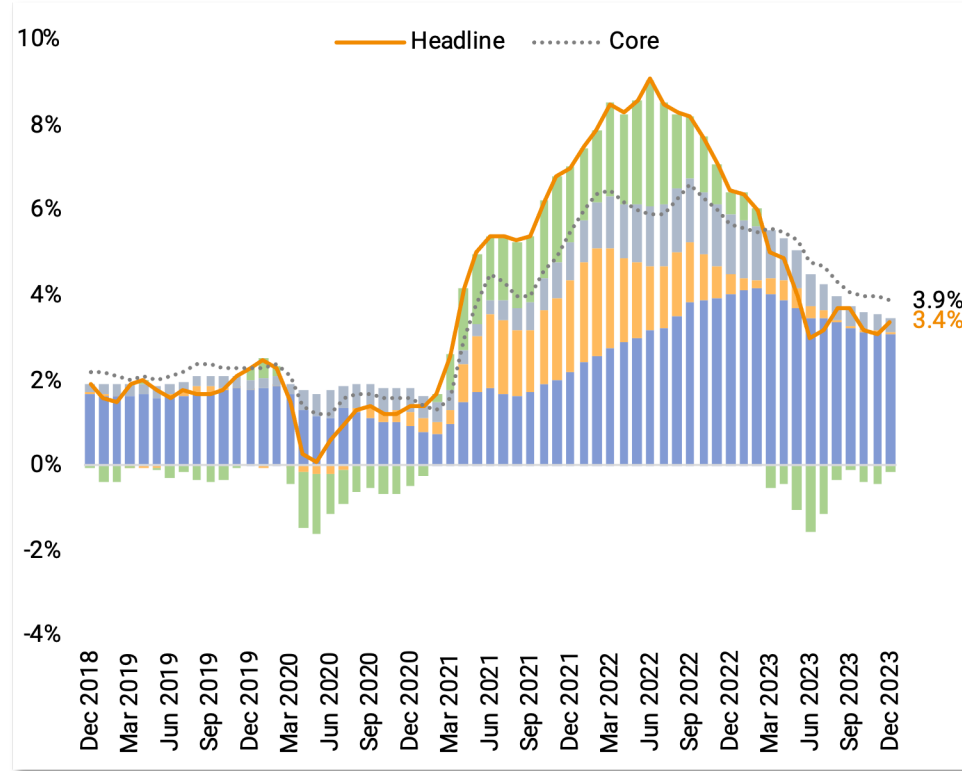
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# Inflation Breakdown

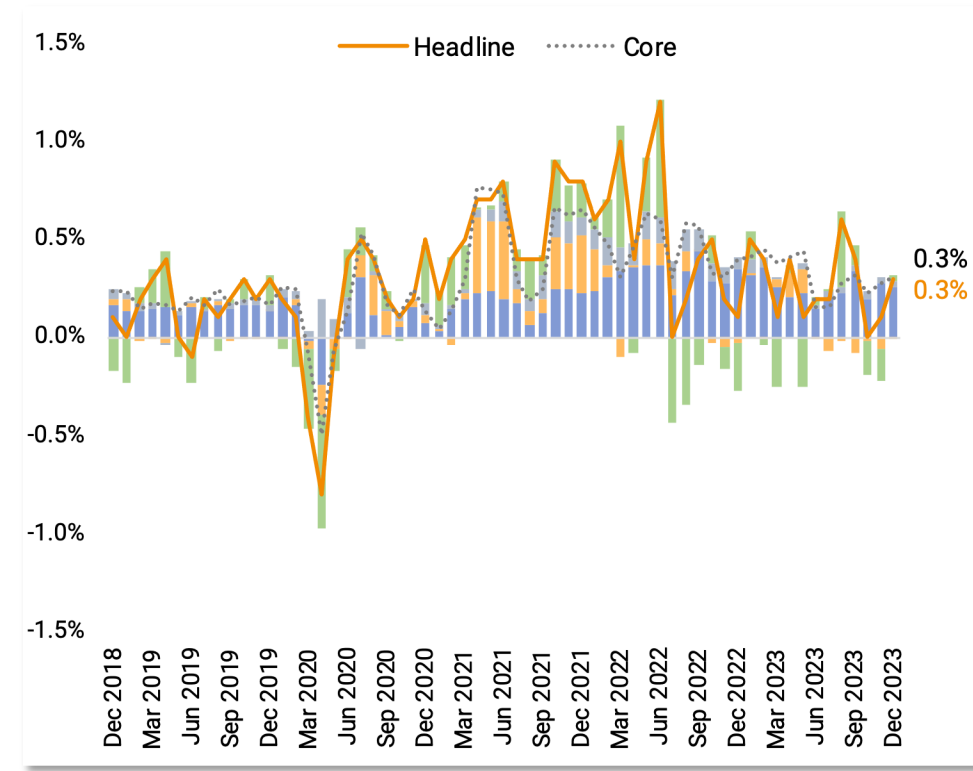
## CORE INFLATION CONTINUES TO IMPROVE

Major components of the Consumer Price Index, annual change



Energy Food

Major components of the Consumer Price Index, monthly change



Goods<sup>1</sup> Services<sup>1</sup>

1. Excludes food and energy

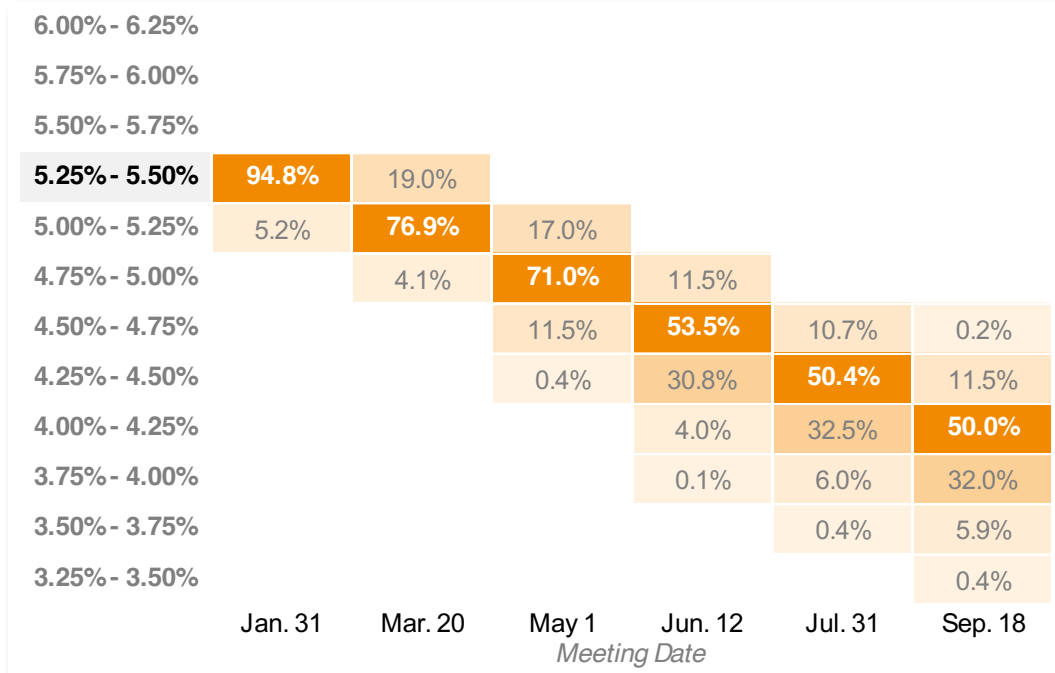
Source: Helios Quantitative Research, Bloomberg, Bureau of Labor Statistics

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# Fed & Inflation Expectations

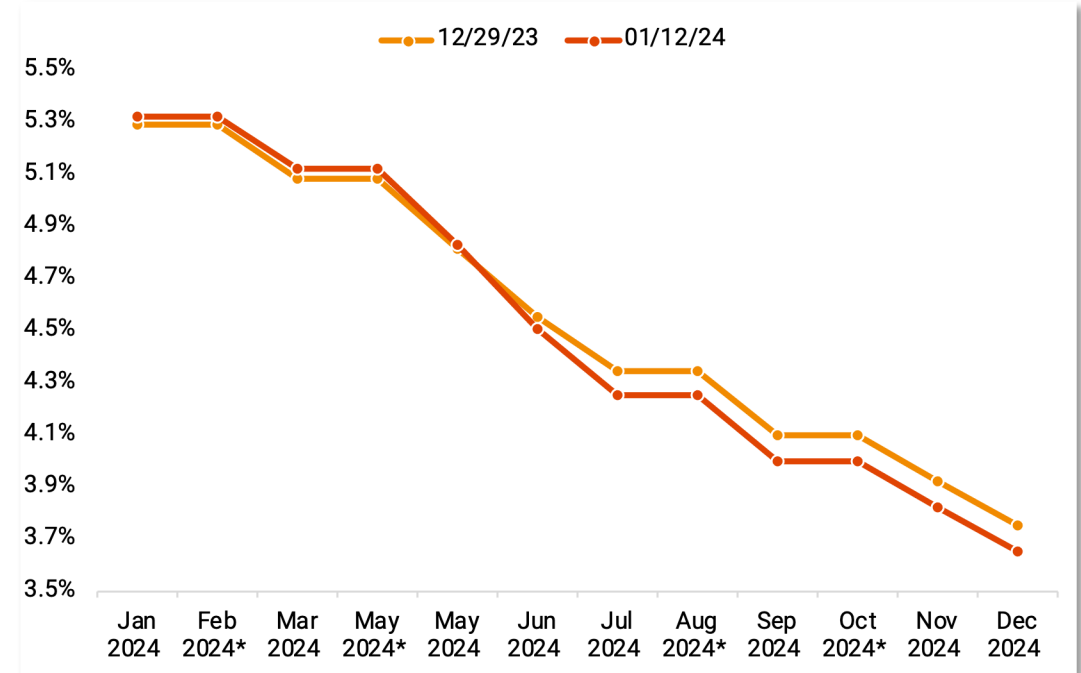
## MARKET PROBABILITIES OF FED POLICY BY MEETING

Derived from Fed futures market as of January 12, 2024



## IMPLIED FED FUNDS RATE

End of Q4 versus January 12, 2024



Probabilities may not sum to 100% due to rounding.

\* No scheduled FOMC meeting during the month

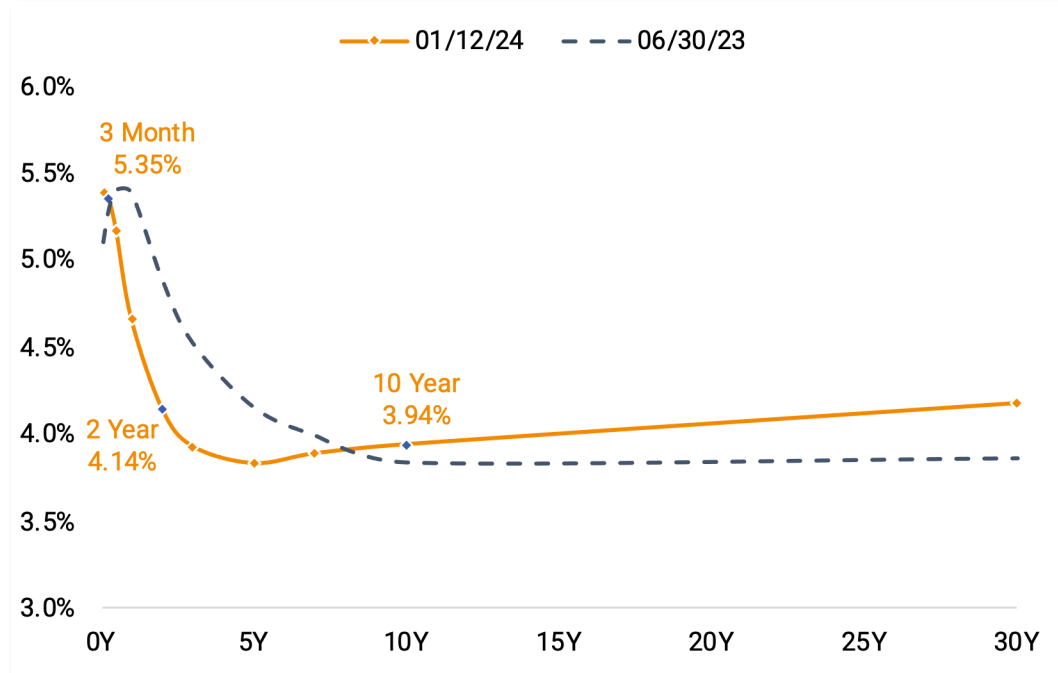
Source: Helios Quantitative Research, Bloomberg, CME FedWatch Tool

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# Yield Curves & Spreads

## US TREASURY YIELDS

Comparison between June 30, 2023 & January 12, 2024 Yields



## YIELD CURVE INVERSION SPREADS

June 30, 2023 to January 12, 2024



Source: Helios Quantitative Research, Bloomberg

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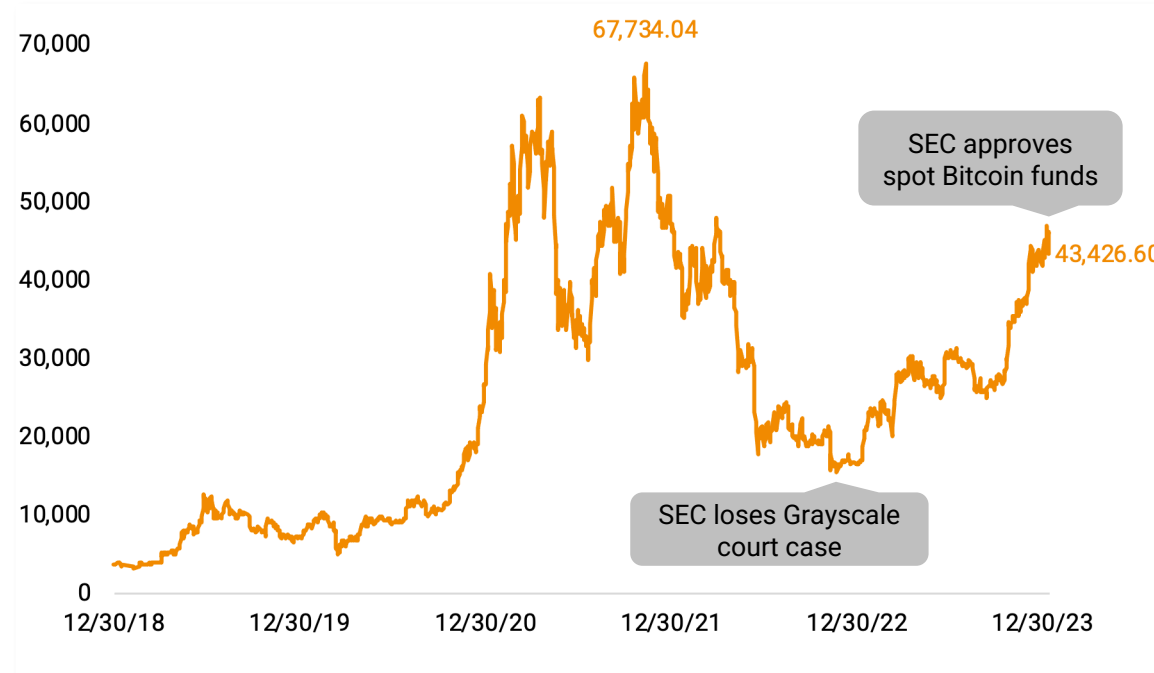
# Spot Bitcoin ETFs Get Green Light

## WHAT DOES IT MEAN?

- Last week, the SEC approved 11 applications for ETFs to track spot Bitcoin. Providers included BlackRock, ARK, Fidelity, and Invesco, many of which had pre-emptively engaged in a pricing war by amending their applications with lower fees ahead of the approval.
- The move was widely anticipated following the SEC losing the Grayscale lawsuit, effectively forcing the SEC's hand.
- Following the court case, Bitcoin rallied significantly, though has retreated since the actual approval. On the first day of trading, the ETFs saw \$4.6B worth of trading volume.

## BITCOIN'S WILD RIDE TO APPROVAL

Price of Bitcoin, December 30, 2018 to January 12, 2024





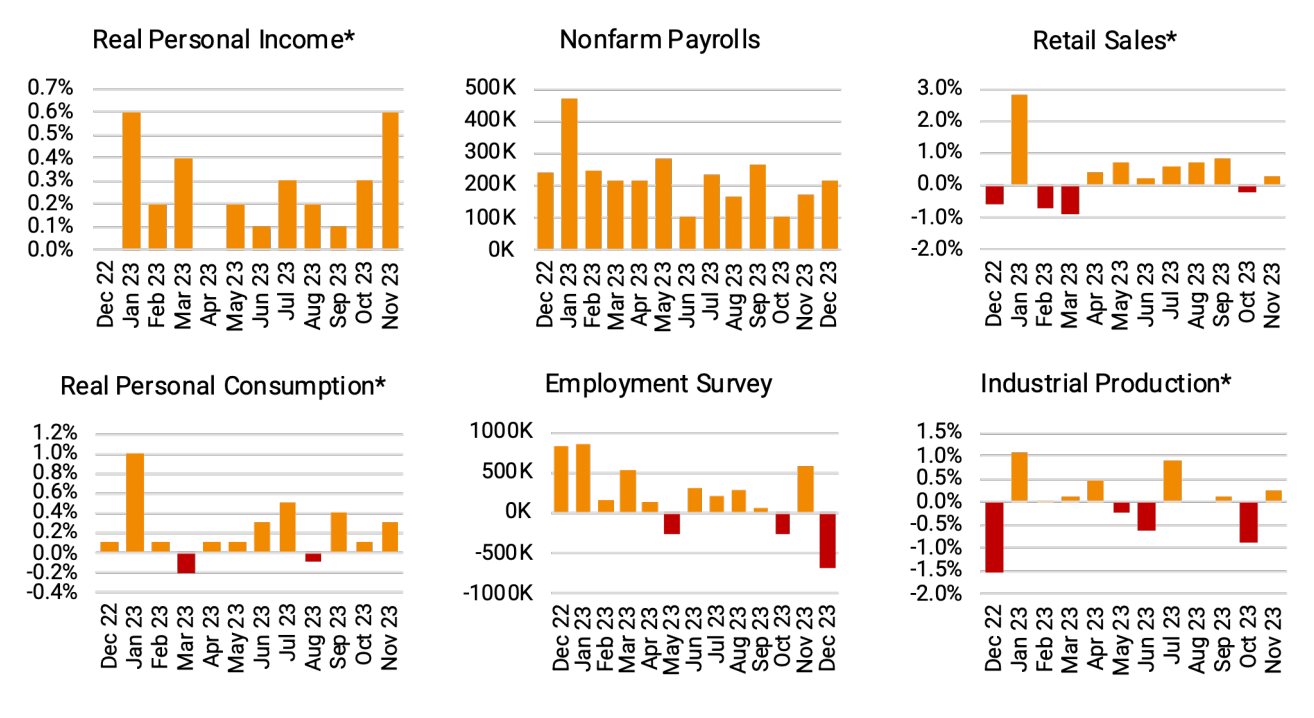
# Recession Monitor

## WHAT DOES IT MEAN?

- In December, nonfarm payrolls continued to show resilience, capping a year of steady gains where government, health care, and social assistance saw job increases, but cyclical sectors like transportation and warehousing saw declines.
- There was a noticeable drop in the employment survey, negating the large gains seen in the previous month, coming to a net negative of -98k across November and December.
- Adjusted for inflation, personal income and consumption remained positive. Additionally, Retail Sales, and Industrial Production also remain slightly positive.

## KEY COMPONENTS THE NBER EVALUATES

Monthly changes, December 2022 to December 2023, unless otherwise noted



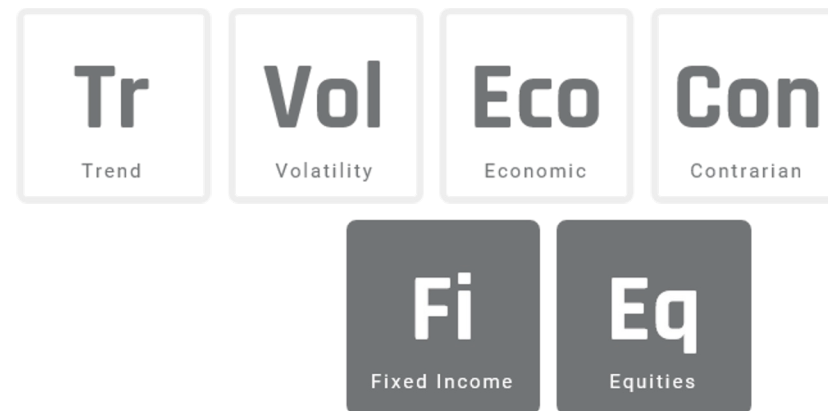
Note: Employment Survey is the monthly change in the size of the civilian labor force from the Bureau of Labor Statistics Current Population Survey.

\* Through November 2023

Source: Helios Quantitative Research, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Federal Reserve

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# Ecosystem



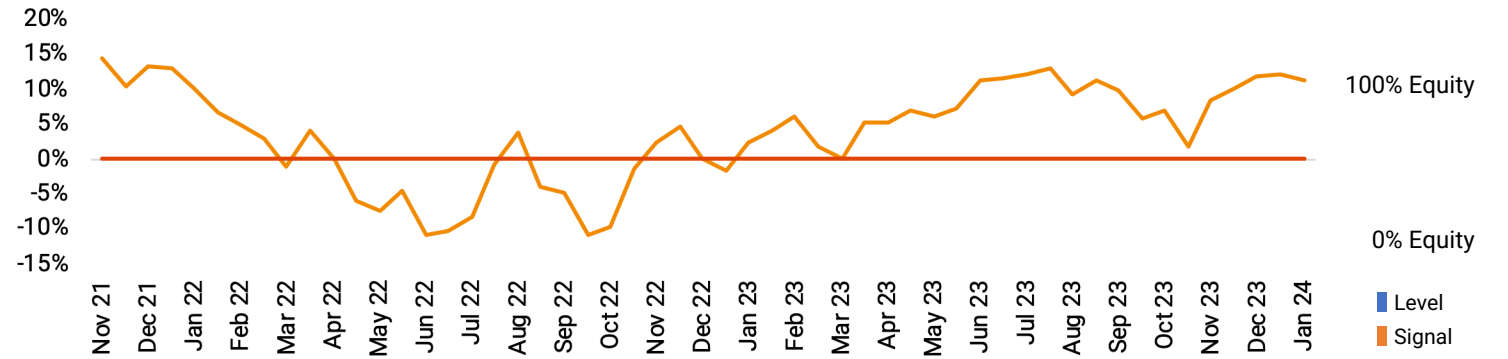
# Trend Level Element

## TRADE RATIONALE

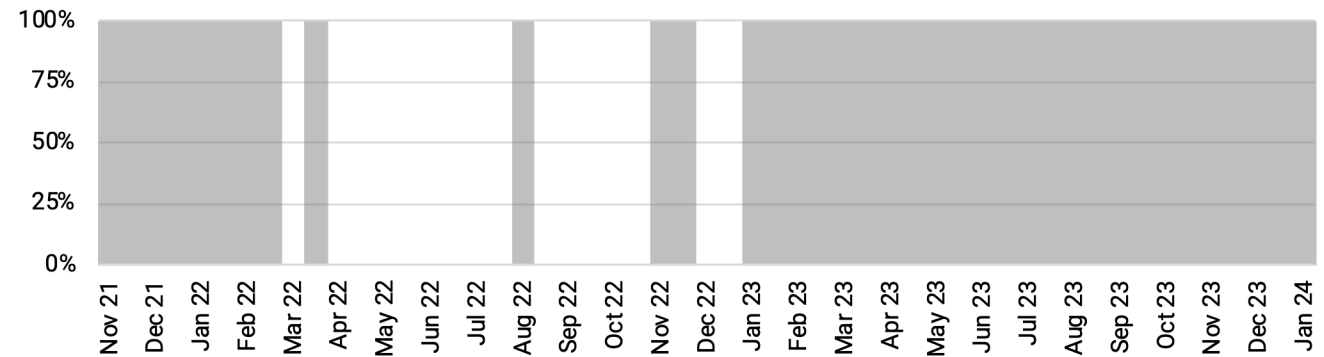
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## SIGNAL



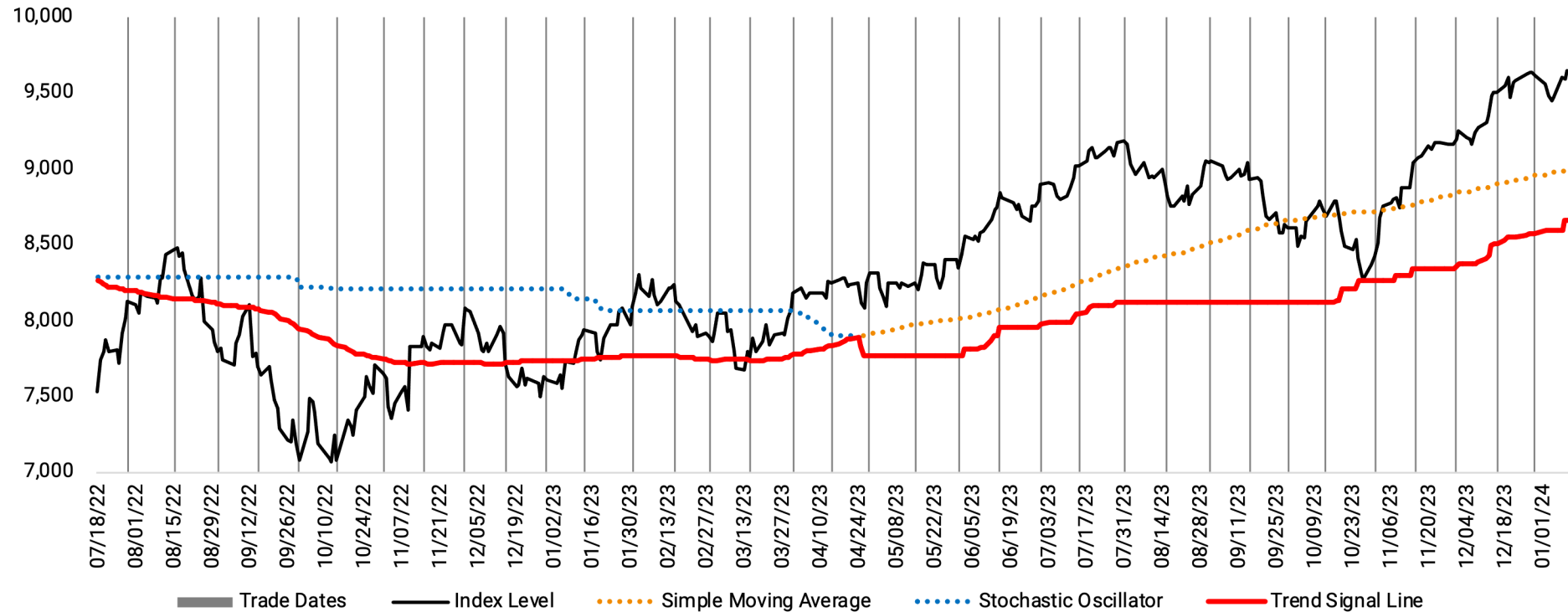
## HISTORICAL EXPOSURE



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# Trend Level Element

## Daily Element Data



Source: Helios Quantitative Research, Bloomberg

No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns. An index is a hypothetical portfolio of securities representing a particular strategy, market, or a market segment used as indicator for that particular strategy, market, or market segment. Indexes cannot be invested in directly.

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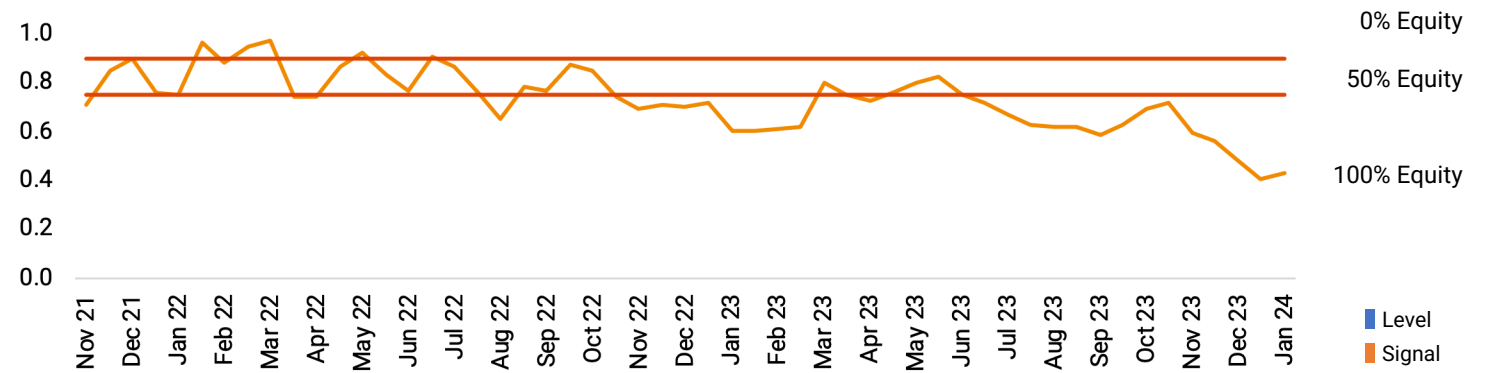
# Volatility Level Element

## TRADE RATIONALE

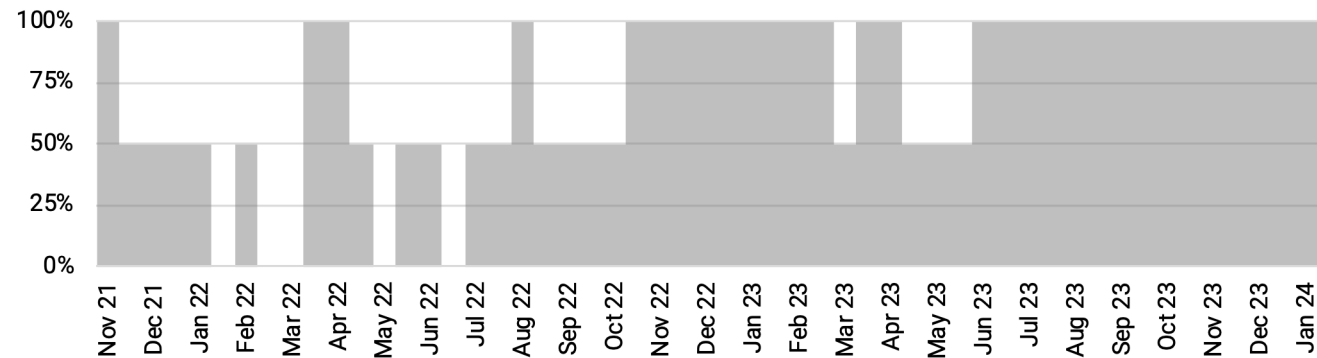
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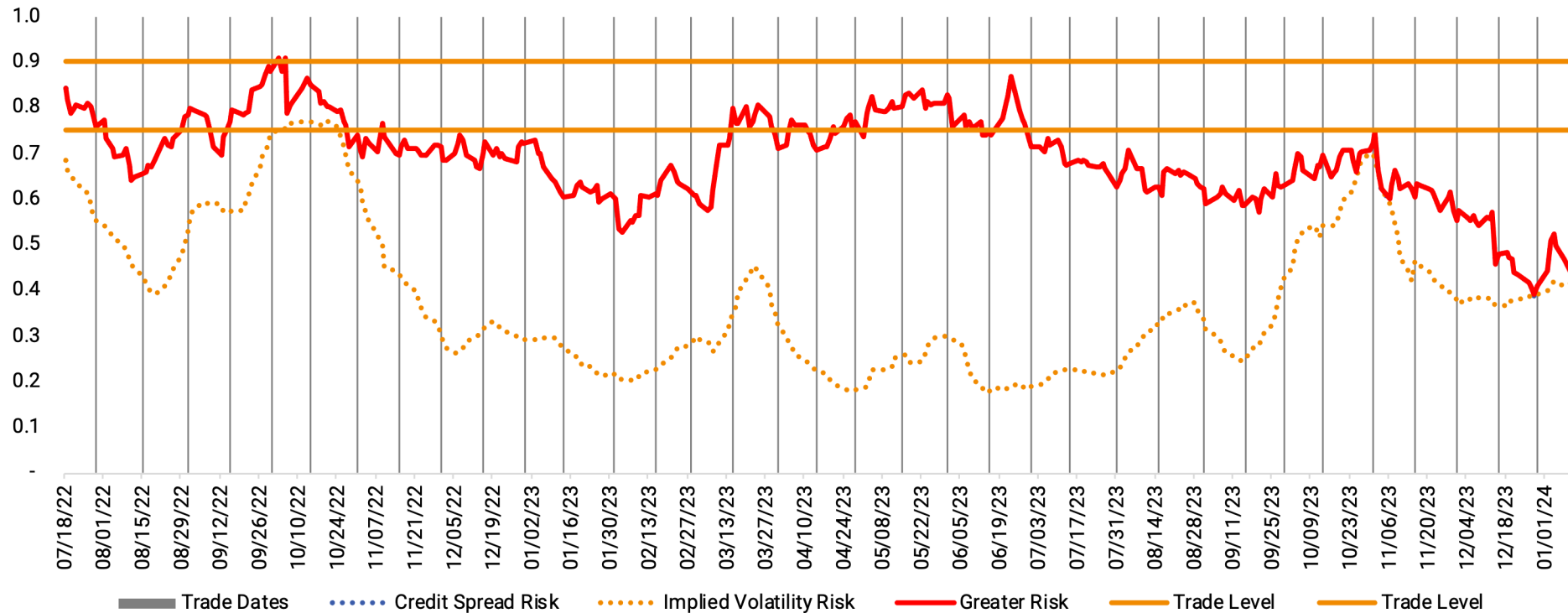
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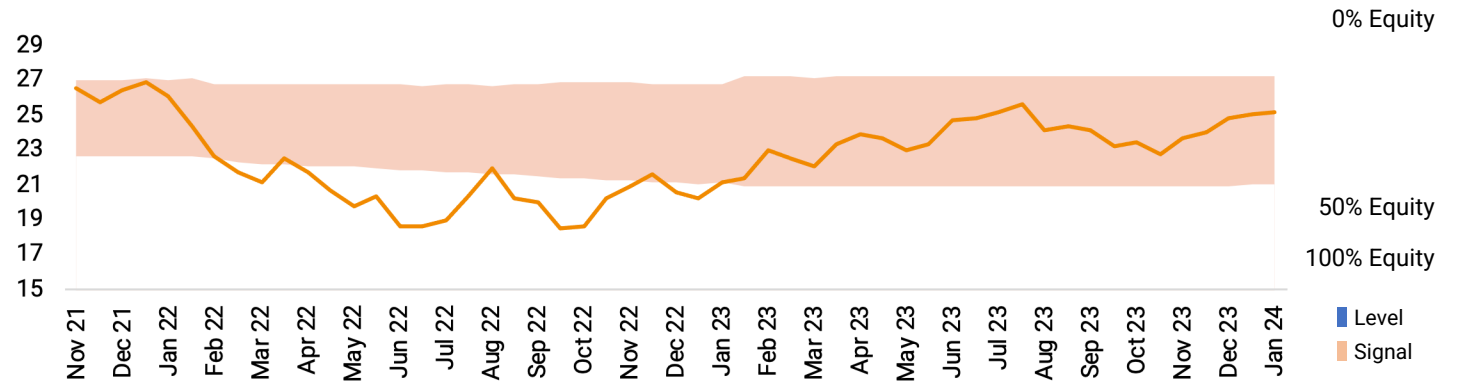
# Contrarian Level Element

## TRADE RATIONALE

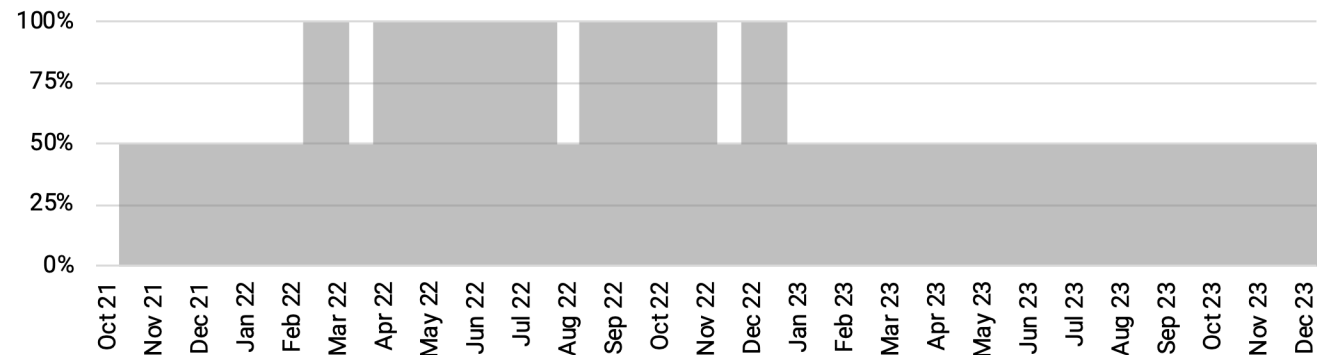
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# Definitions & Disclosures

METHODS, DEFINITIONS, AND MORE



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