Market Overview

Market Overview

THE MONTH AT A GLANCE

	JAN
S&P 500	1.68%
MSCI EAFE	0.58%
MSCI Emerging Markets	-4.64%
Bloomberg US Aggregate	-0.27%

All returns are total returns as of the month end 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.

MARKETS DIP IN EARLY JANUARY BEFORE US LARGE CAPS CONTINUE RALLY

The first few weeks of January may have caused some heartburn for investors with the S&P 500 quickly shedding 1.7% in the first few trading days of the year. However, the market rally, at least for US large cap stocks, continued as the S&P 500 went on to gain 1.68% in January. The story was a bit different in other areas of the equity market where the early January selloff was both deeper and longer, leaving other areas of the stock market in the red for January.

As expected, the Fed held rates steady following their January meeting. The Fed's statement gave both bears and bulls something to hang their hats on. On one hand, the Fed removed prior language on the possibility of future hikes, while also seemingly tempering the timing of rate cuts by saying it "does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainability toward 2%." Only the Fed knows what will dictate "greater confidence," but the market has begun reducing odds of rate cuts in March, down from 75% before Christmas, to slightly worse than a coin toss.

The US economy surpassed expectations for the fourth quarter, raising optimism about the idea of the Federal Reserve achieving a soft landing. Real GDP growth was particularly strong, at a 3.3% annualized rate[1], but lower than the third quarter's blowout 4.9% growth rate. Consumer spending and the resilience of the labor market drove most of the growth. On the other hand, larger application pools, lower turnover rates, slower hiring, and easing wage pressures continue to point to a cooling labor market. A recent spate of headlines of companies announcing layoffs adds fuel to this story, though the last time this story played out the round of tech layoffs never really made a dent in overall employment reports.

1. Bureau of Economic Analysis, https://www.bea.gov/news/2024/gross-domestic-product-fourth-quarter-and-year-2023-advance-estimate

Source: Helios Quantitative Research, Bloomberg

Market Overview

Ascent Wealth STRATEGIES

Equity Markets	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	1.68%	1.68%	20.79%	10.97%	14.27%	12.59%
Russell Midcap	-1.42%	-1.42%	6.67%	5.48%	10.05%	9.46%
Russell 2000	-3.89%	-3.89%	2.36%	-0.79%	6.77%	7.00%
MSCI ACWI	0.59%	0.59%	14.70%	6.12%	10.16%	8.43%
MSCI EAFE	0.58%	0.58%	10.01%	4.59%	6.91%	4.77%
MSCI Emerging Markets	-4.64%	-4.64%	-2.94%	-7.50%	0.99%	2.86%
Fixed Income Markets						
Bloomberg US Aggregate	-0.27%	-0.27%	2.10%	-3.17%	0.83%	1.63%
Bloomberg US Treasury	-0.28%	-0.28%	1.22%	-3.60%	0.38%	1.10%
Bloomberg US Corporate	-0.17%	-0.17%	4.16%	-2.92%	2.12%	2.75%
Bloomberg US MBS	-0.46%	-0.46%	1.23%	-3.03%	0.00%	1.18%
Bloomberg Municipal	-0.51%	-0.51%	2.90%	-0.78%	1.99%	2.78%
Bloomberg US Corporate High Yield	-0.00%	-0.00%	9.28%	1.87%	4.44%	4.52%
Bloomberg Global Aggregate	-1.38%	-1.38%	0.94%	-5.67%	-0.89%	0.13%
Alternative Markets						
Dow Jones US Real Estate	-4.90%	-4.90%	-2.99%	3.60%	3.95%	6.75%
Bloomberg Commodity	-0.09%	-0.09%	-11.84%	7.16%	4.07%	-2.43%
Wilshire Liquid Alternative Index	2.57%	2.57%	4.92%	1.91%	2.69%	1.69%

MARKET HIGHLIGHTS

- US small cap and emerging market stocks stayed substantially in the red in January, losing 3.89% and 4.64%, respectively. Mid cap and small cap stocks had been outperforming in the late 2023 rally, helping close the huge gap driven by the outperformance of the Magnificent 7 stocks.
- Yields on intermediate and long-dated government bonds rose a bit in January as investors slightly tempered their bets on a March rate cut and putting downward pressure on most bond prices.
- Real estate continues to come under pressure, losing 4.90% in January and a fairly consistent place at the bottom of the league tables over the last year.

Source: Helios Quantitative Research, Bloomberg
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Market Overview

EQUITY SECTOR PERFORMANCE

Ranked S&P 500 Sector Total Returns

SECTOR	JAN
Communication Services	5.02%
Information Technology	3.95%
Financials	3.04%
Health Care	3.01%
S&P 500	1.68%
Consumer Staples	1.54%
Energy	-0.38%
Industrials	-0.88%
Utilities	-3.01%
Consumer Discretionary	-3.53%
Materials	-3.91%
Real Estate	-4.74%

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	JAN
Large Cap Growth	2.49%
S&P 500	1.68%
Large Cap Blend	1.39%
Developed International	0.58%
Large Cap Value	0.10%
Mid Cap Growth	-0.54%
Mid Cap Blend	-1.42%
Mid Cap Value	-1.79%
Small Cap Growth	-3.21%
Small Cap Blend	-3.89%
Small Cap Value	-4.54%
Emerging Markets	-4.64%

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	JAN
US Aggregate 1-3 Year	0.40%
US Agency	0.28%
TIPS	0.18%
US Corporate High Yield	-0.00%
US Corporate	-0.17%
Global High Yield	-0.19%
US Aggregate	-0.27%
US Treasury	-0.28%
Municipal	-0.51%
EM Bonds (USD)	-0.56%
Global Aggregate	-1.38%
US Aggregate 10+ Year	-1.52%

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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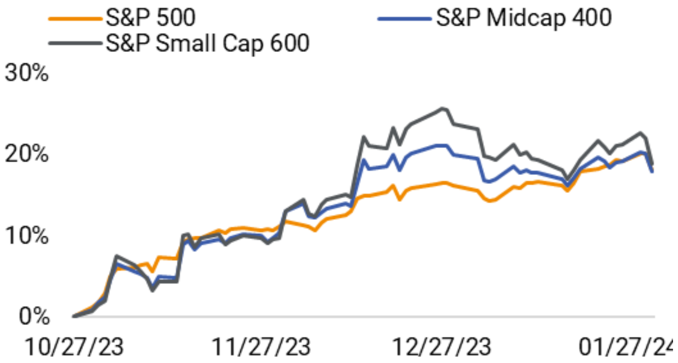
Charts of the Month

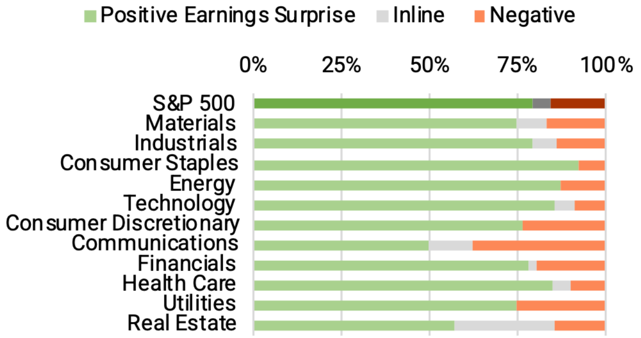
LARGE CAPS GAIN GROUND

Cumulative total return, Oct. 27, 2023 to Jan. 31, 2024



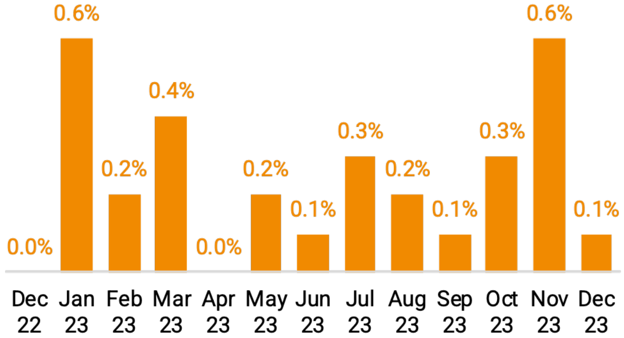
Q4 EARNINGS UP 0.68% SO FAR

Earnings vs consensus analyst expectations, Jan 31, 2024



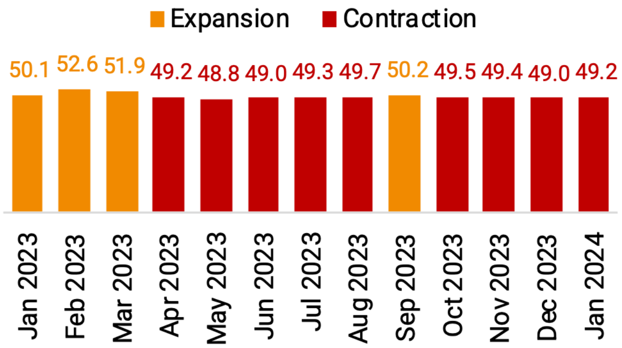
REAL PERSONAL INCOME

December 2022 to December 2023



CHINA MANUFACTURING COOLING

PMI Survey



FED EXPECTATIONS

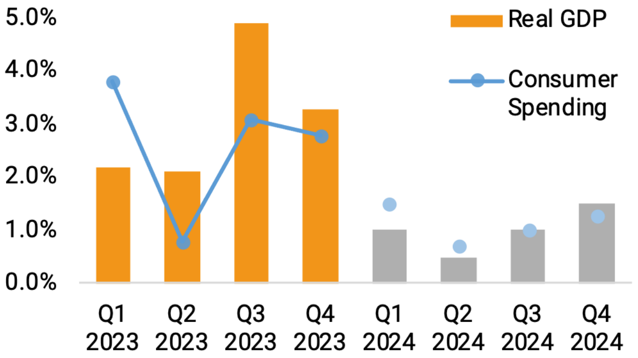
Fed futures implied probabilities, latest as of Jan. 31, 2024

	Mar. 20	May 1	Jun. 12	Jul. 31	Sep. 18	Nov. 7
6.00% - 6.25%						
5.75% - 6.00%						
5.50% - 5.75%						
5.25% - 5.50%	45.5%	4.9%				
5.00% - 5.25%	52.8%	46.3%	4.3%	0.2%		
4.75% - 5.00%	1.6%	47.3%	41.5%	6.1%	0.2%	0.1%
4.50% - 4.75%		1.5%	47.2%	41.8%	6.1%	2.7%
4.25% - 4.50%			6.8%	45.2%	41.8%	21.1%
4.00% - 4.25%			0.2%	6.5%	45.2%	43.2%
3.75% - 4.00%				0.2%	6.5%	29.0%
3.50% - 3.75%					0.2%	3.8%
3.25% - 3.50%						0.1%

Meeting Date

GROSS DOMESTIC PRODUCT

GDP & Consumer Spending, Q1 2023 to Q4 2024 (Forecast)



Source: Helios Quantitative Research, Bloomberg, Bureau of Economic Analysis, Census Bureau

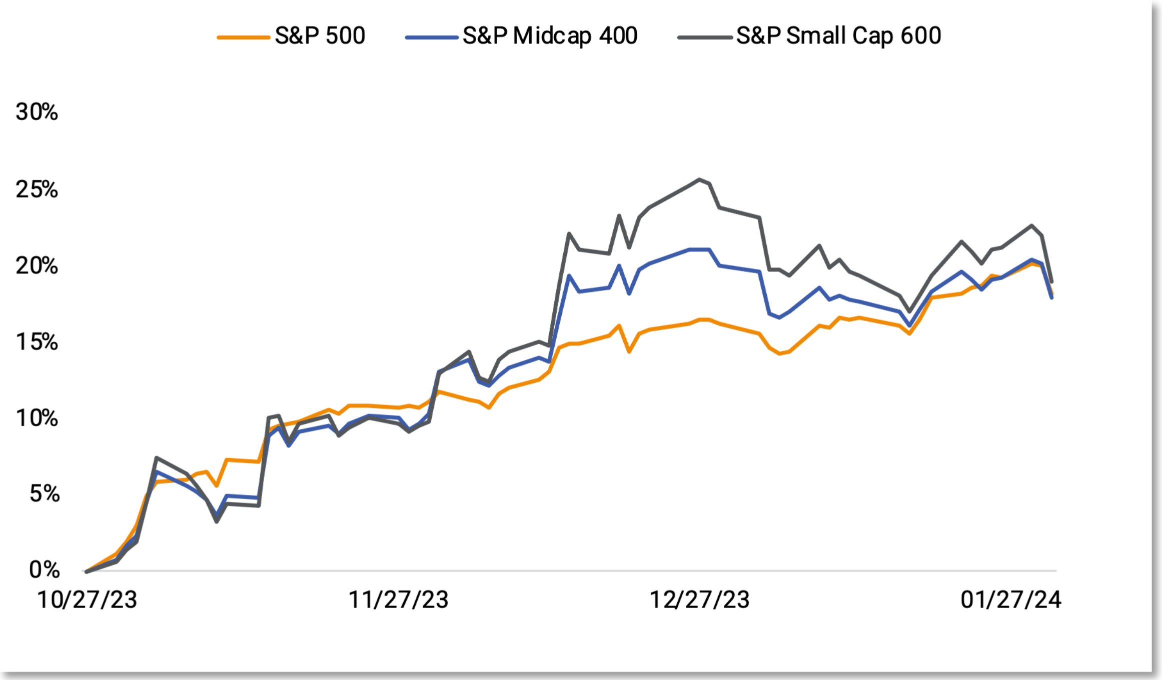
Large Caps Make Up Ground

WHAT DOES IT MEAN?

- The Magnificent 7 rally propelling equity markets higher was a major theme of 2023, however in December there was a glimpse of a changing story as small and mid cap stocks significantly outperformed large cap.
- However, that proved temporary as the volatility in the first part of January led to mid and small cap stocks to give us most, if not all of the relatively outperformance they had versus large cap stocks.
- While the Magnificent 7 stocks did well in January, it was not to the degree that they did last year. The Bloomberg Magnificent 7 Index outperformed the S&P 500 by less than 50 basis points in January.

MID AND SMALL CAPS GIVE UP DECEMBER'S OUTPERFORMANCE

Cumulative total return since recent low on October 27, 2023 through January 31, 2024



Source: Helios Quantitative Research, Bloomberg, Federal Reserve Bank of New York
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Fourth Quarter Earnings Update

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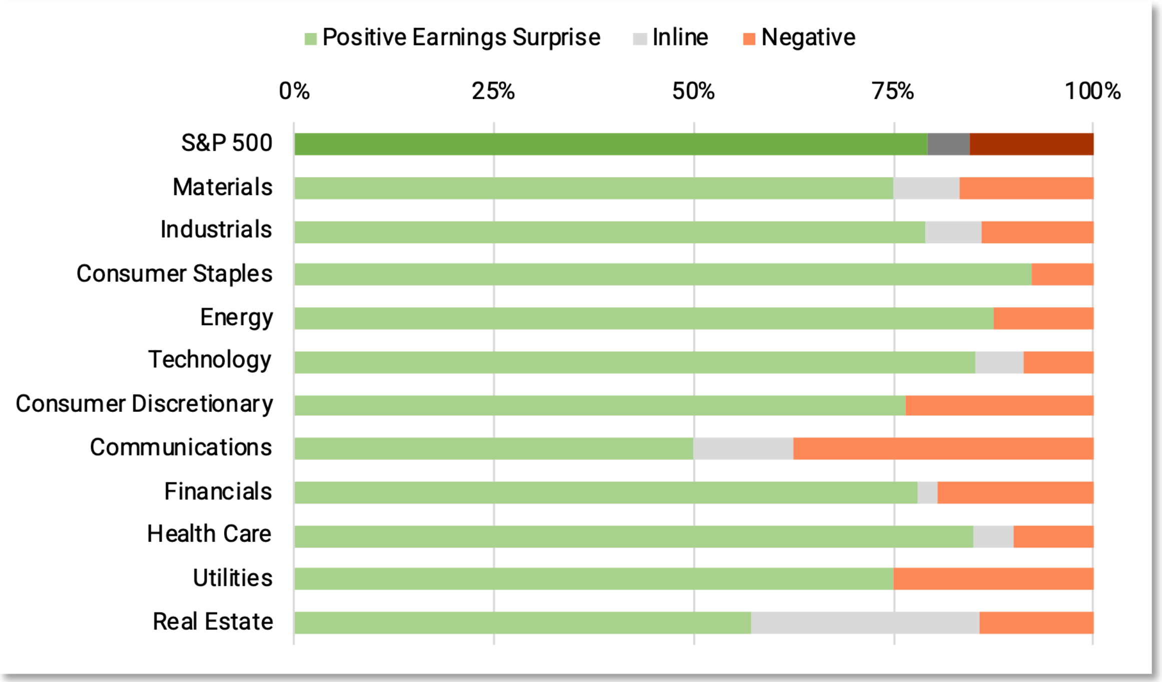
STRATEGIES

WHAT DOES IT MEAN?

- Nearly half of S&P 500 constituents have reported their sales and earnings numbers for Q4, with an aggregate sales surprise of 1.14% and earnings surprise of 6.87%.
- So far, Health Care has the largest sales surprise of 2.30%, where last season it also did fairly well. Utilities are reporting the most negative sales surprise again at -6.47%.
- Meanwhile, Energy has the largest earnings surprise at 21.55%, where it was the only sector to report a negative surprise last season. All the other sectors have reported positive earnings surprises so far, with Health Care in second at 12.07%.

Q4 EARNINGS BEATING EXPECTATIONS SO FAR, EARNING UP 0.68%

Earnings vs. consensus analyst expectations, latest as of January 31, 2024



Source: Helios Quantitative Research, Bloomberg
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GDP Forecasts Suggest a Soft Landing

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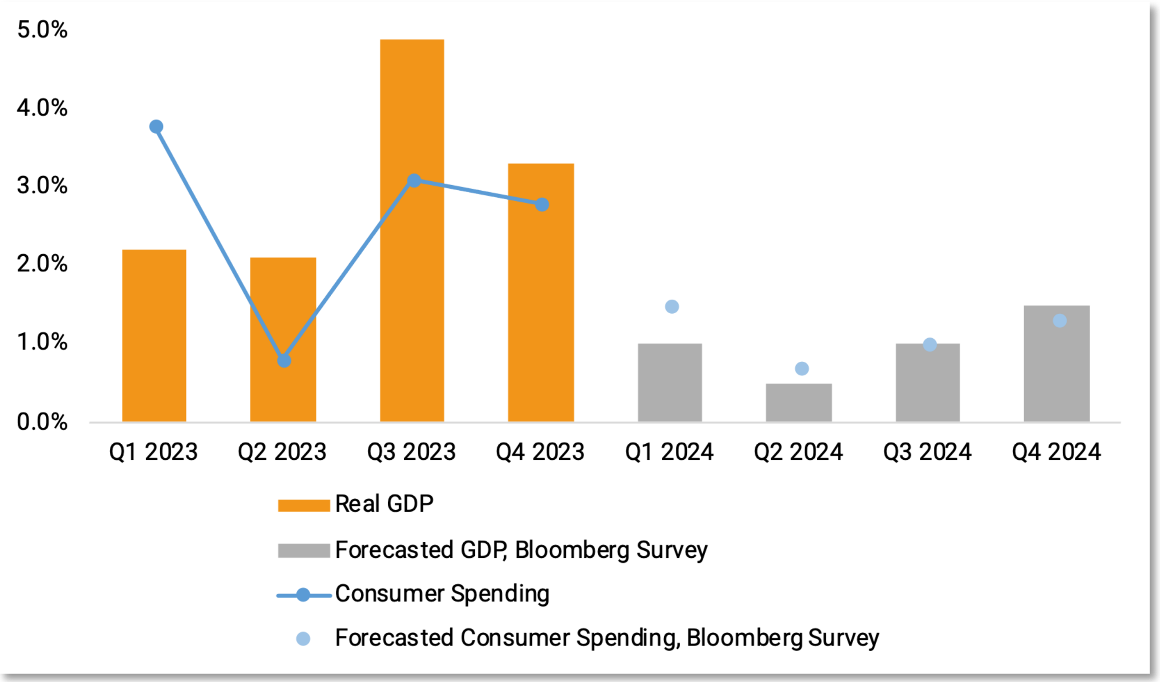
WHAT DOES IT MEAN?

- Fourth quarter GDP came in strong at an annualized rate of 3.3%, driven by a decrease in inflation that stimulated consumer spending.
- Consumer spending, which accounts for about two-thirds of the economy, saw broad growth across various sectors, contributing 1.9 percentage points to GDP.
- Personal spending rose 2.8% with gains in both goods and services.
- GDP is projected to grow between 0.5% and 1.5% quarter-over-quarter in 2024, according to a Bloomberg News survey[1].

STRONG GDP GROWTH DEFIED PREDICTIONS OF A RECESSION

Real GDP and Consumer Spending, Q1 2023 to Q4 2024 (Forecast)



1. Bloomberg News survey of 74 economists conducted from Jan. 19 to Jan. 24
Source: Helios Quantitative Research, Bloomberg

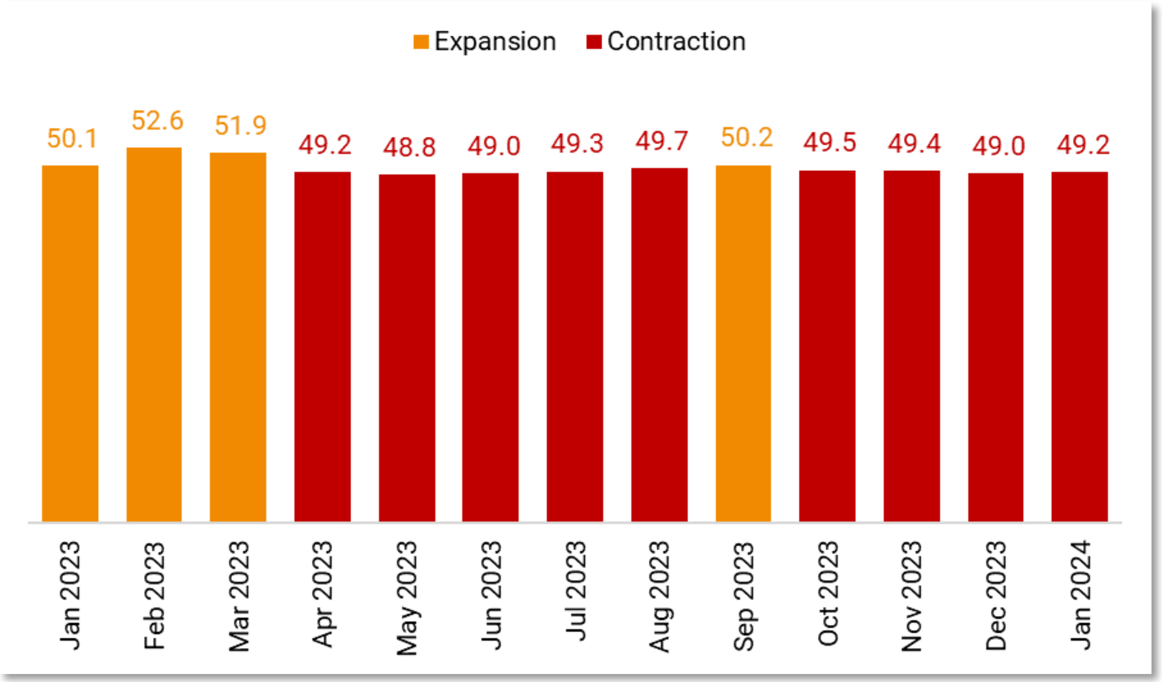
Chinese Economy Indicating Fatigue

WHAT DOES IT MEAN?

- Data on the Chinese economy can be both hard to come by and hard to trust, but the most recent manufacturing survey indicates the manufacturing and factory activity has been under pressure since April 2023.
- The weakness is despite stimulus measures the government has undertaken since the back half of last year and may mean that more stimulative measures are coming.
- Manufacturing weakness may compound China's economic growth goals, already strained from the property crisis and deflationary pressures.

MANUFACTURING HAS BEEN SLOWING FOR 9 OF LAST 10 MONTHS

China Manufacturing PMI



Source: Helios Quantitative Research, Bloomberg

Fed & Inflation Expectations

MARKET PROBABILITIES OF FED POLICY BY MEETING

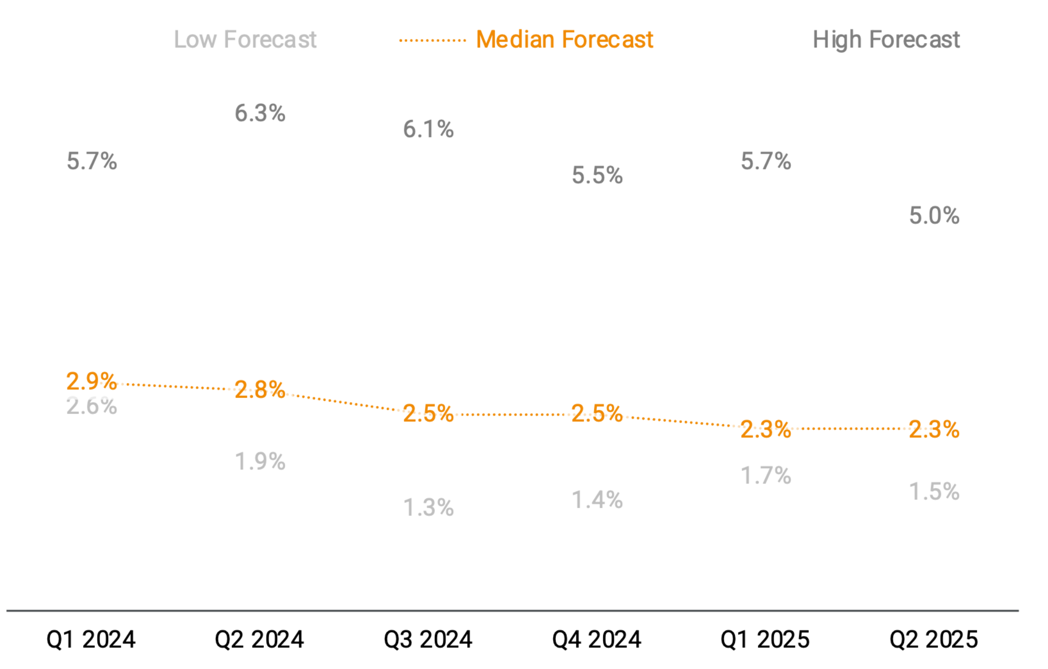
Derived from Fed futures market as of January 31, 2024

	Mar. 20	May 1	Jun. 12	Jul. 31	Sep. 18	Nov. 7
6.00%- 6.25%						
5.75%- 6.00%						
5.50%- 5.75%						
5.25%- 5.50%	45.5%	4.9%				
5.00%- 5.25%	**52.8%**	46.3%	4.3%	0.2%		
4.75%- 5.00%	1.6%	**47.3%**	41.5%	6.1%	0.2%	0.1%
4.50%- 4.75%		1.5%	**47.2%**	41.8%	6.1%	2.7%
4.25%- 4.50%			6.8%	**45.2%**	41.8%	21.1%
4.00%- 4.25%			0.2%	6.5%	**45.2%**	**43.2%**
3.75%- 4.00%				0.2%	6.5%	29.0%
3.50%- 3.75%					0.2%	3.8%
3.25%- 3.50%						0.1%

Meeting Date

CONSUMER PRICE INDEX EXPECTATIONS

Economists surveyed by Bloomberg, latest as of January 31, 2024



Probabilities may not sum to 100% due to rounding.
Source: Helios Quantitative Research, Bloomberg, CME FedWatch Tool

Recession Monitor

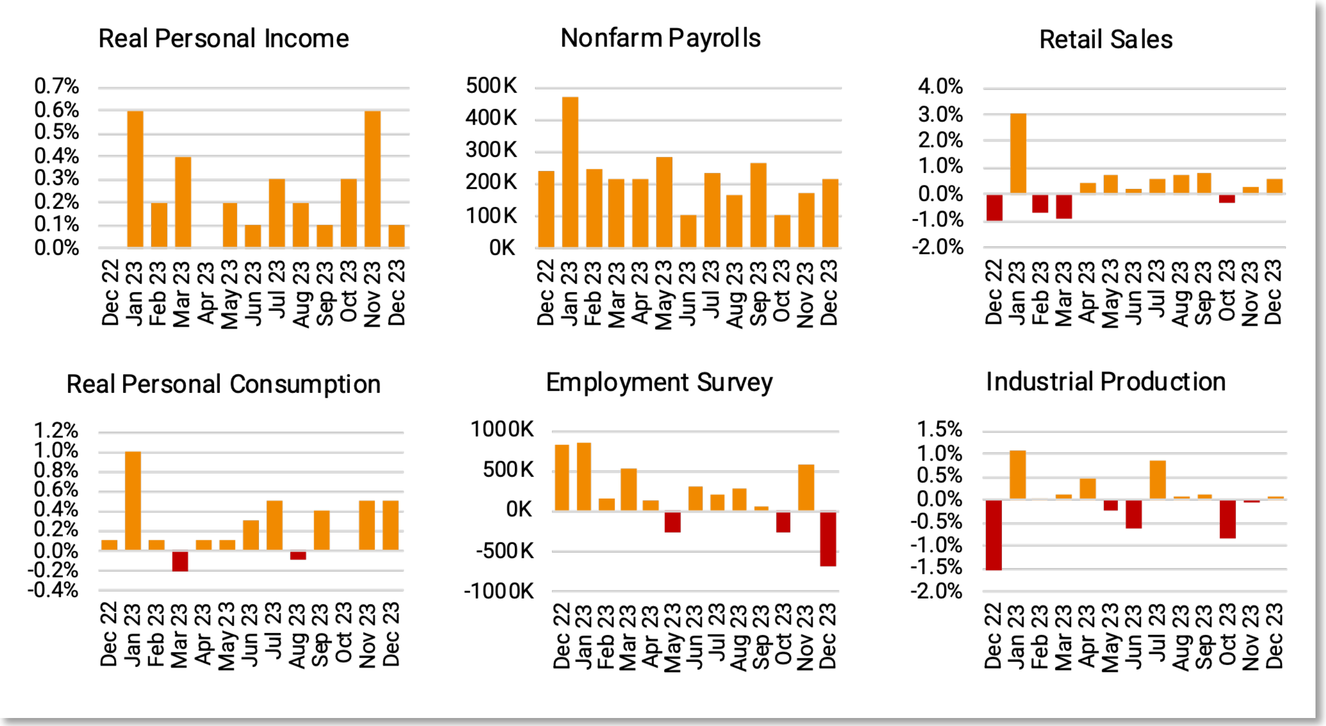
Ascent Wealth
STRATEGIES

WHAT DOES IT MEAN?

- Payrolls came in over expectations where the outperformance was driven by gains in government and healthcare.
- Real personal incomes increased by 0.1%, however real personal consumption increased at a larger rate of 0.5%. The three months of gains in inflation-adjusted income are supportive of the latest retail sales report, but also point to increased use of credit to support spending habits.
- Looking ahead into 2024 economists are expecting consumer spending to decelerated (but stay positive) across the first half of the year and for industrial production to stay relatively tepid.

KEY COMPONENTS THE NBER EVALUATES

Monthly changes, December 2022 to December 2023

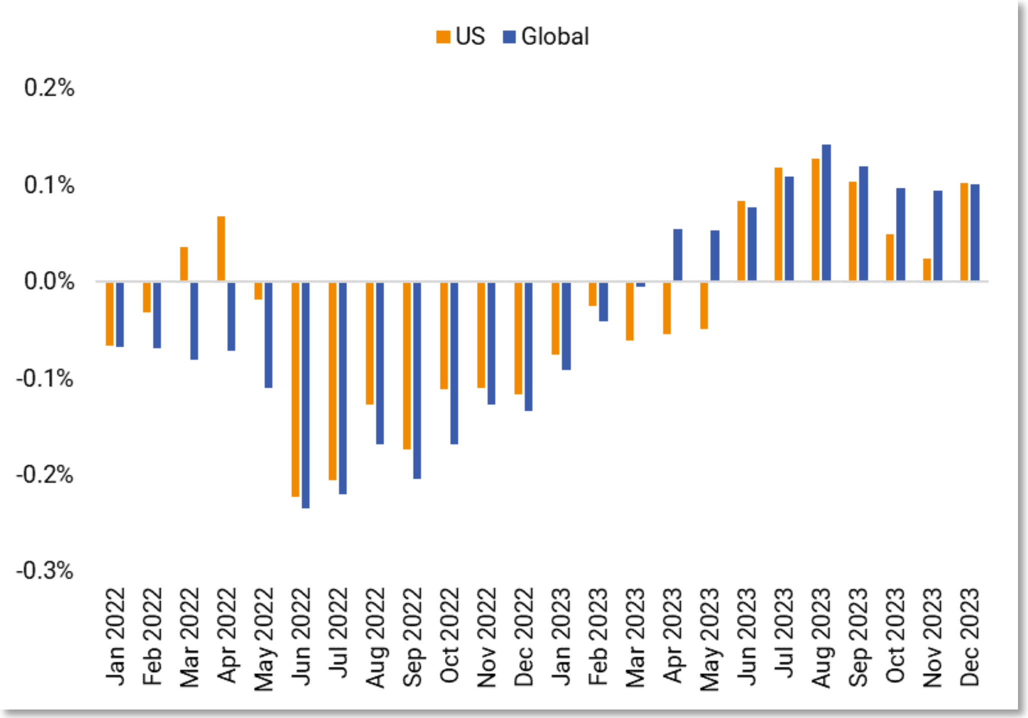


Note: Employment Survey is the monthly change in the size of the civilian labor force from the Bureau of Labor Statistics Current Population Survey.

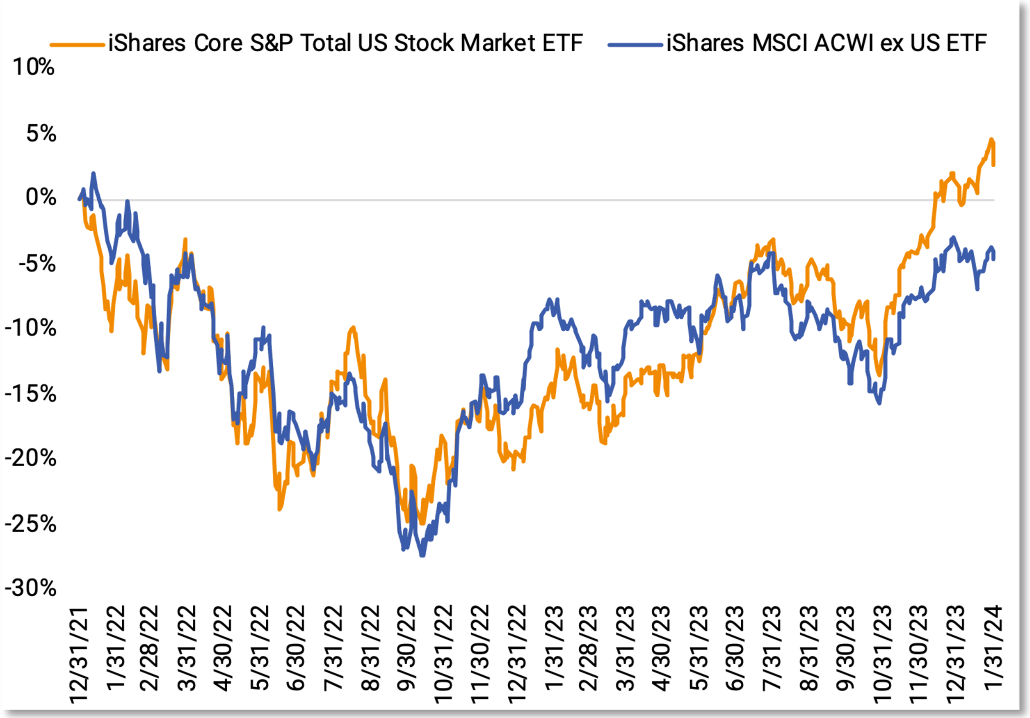
Source: Helios Quantitative Research, Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Federal Reserve

US vs. International Economic Data

MONTHLY CHANGES IN LEADING ECONOMIC INDICATORS



TOTAL RETURN COMPARISON



Source: Helios Quantitative Research, Bloomberg

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Ecosystem


Tr
Trend
Vol
Volatility
Eco
Economic
Con
Contrarian
Fi
Fixed Income
Eq
Equities

Trend Level Element

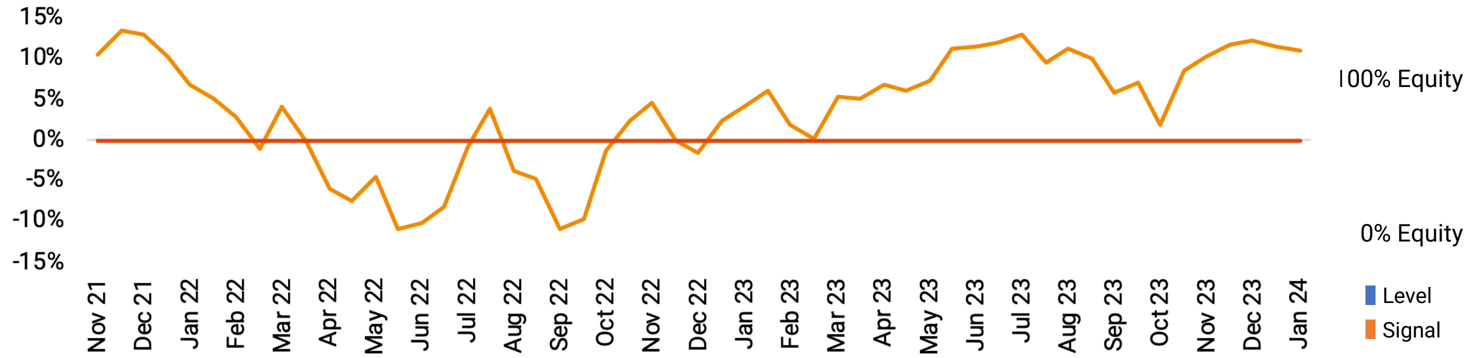
Ascent Wealth STRATEGIES

TRADE RATIONALE

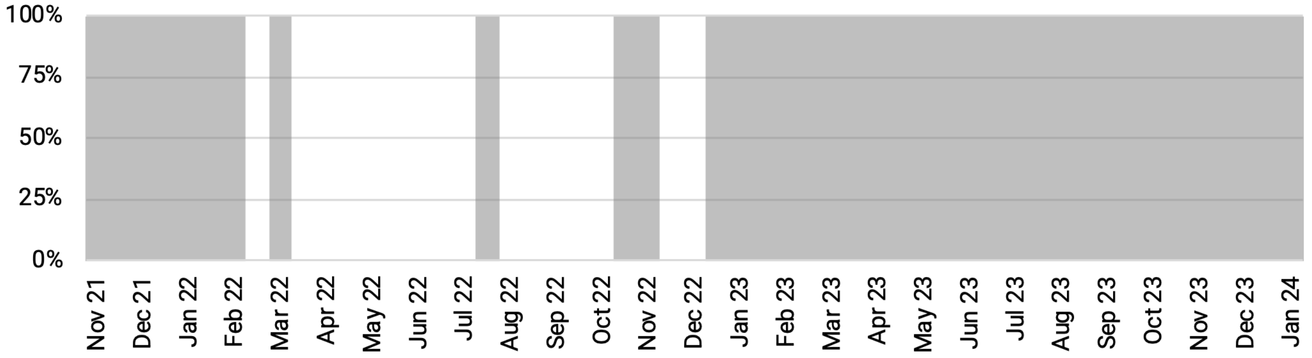
The Trend Element has a positive view of equity markets. The rally in the S&P 500 that began at the end of October continued in January, despite a brief tumble at the start of the month when the index fell 1.7% before resuming its upward march. The continued rally in the second half of January was notable since the S&P 500 marched higher despite the Federal Reserve attempting to dampen the market's expectation of multiple rate cuts this year that could begin in March. Anytime there is a growing consensus around any topic, the risks to the rally could come in the form of rapidly changing expectations.

Tr
Trend

SIGNAL



HISTORICAL EXPOSURE

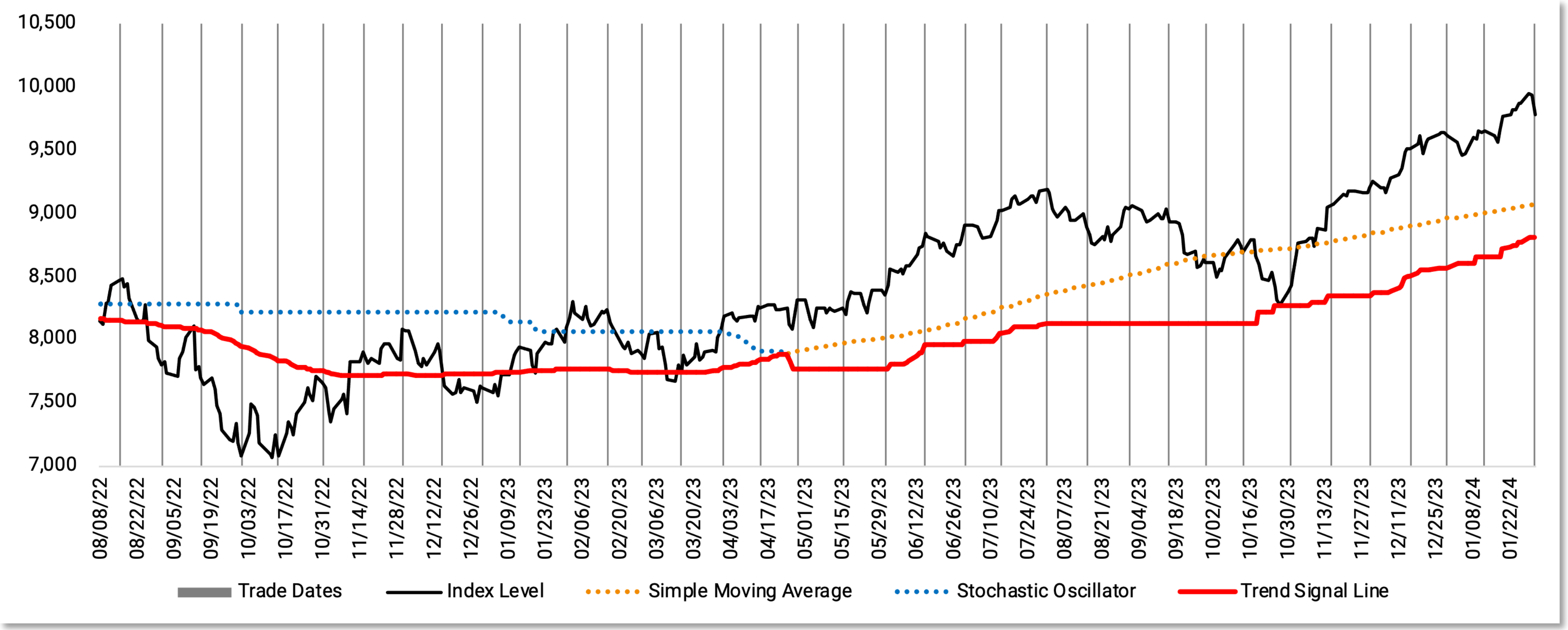


Source: Helios Quantitative Research, Bloomberg

Trend Level Element

Ascent Wealth STRATEGIES

DAILY ELEMENT DATA



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Volatility Level Element

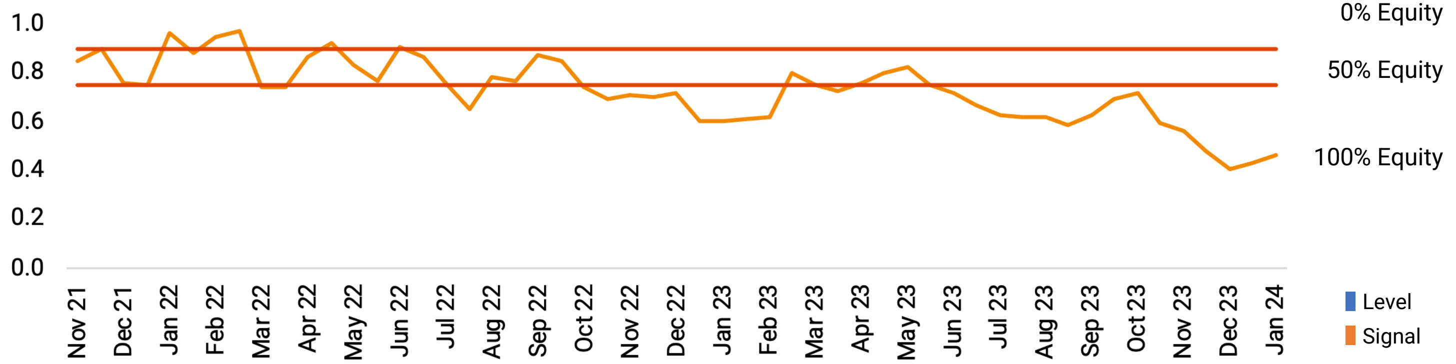
Ascent Wealth STRATEGIES

TRADE RATIONALE

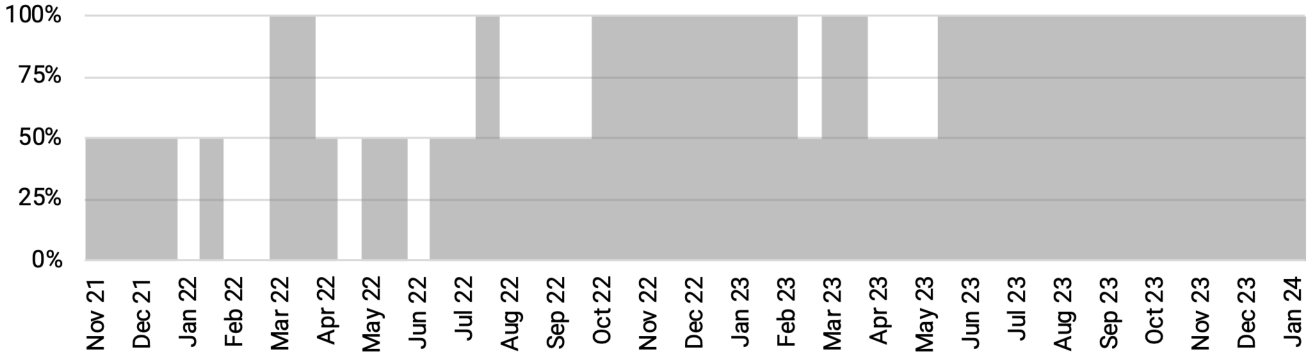
The Volatility Element has a positive view of equity markets. While short-term implied volatility has ticked up slightly, it has done so from a relatively low point at the end of last year. Credit spreads have also ticked up marginally since the end of last year but remain well below levels that would prompt the Element to move to a more cautious view.

Vol
Volatility

SIGNAL



HISTORICAL EXPOSURE

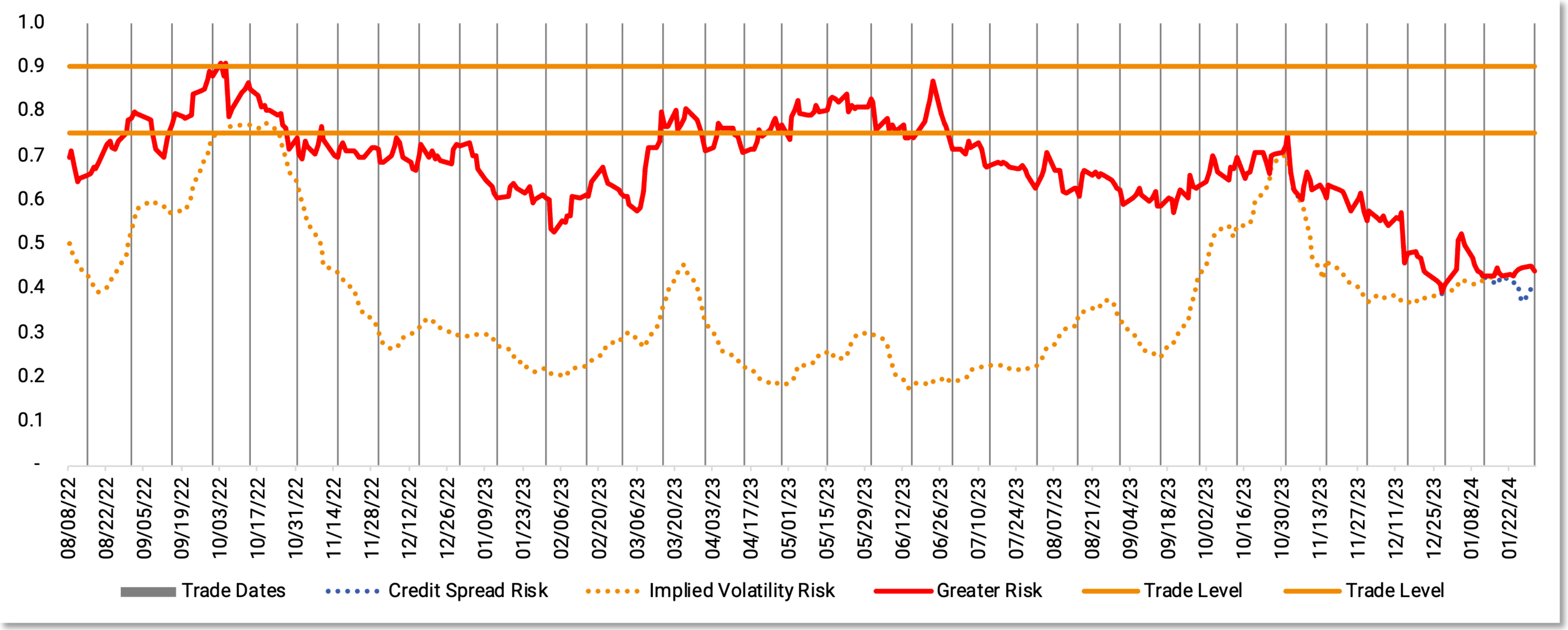


Source: Helios Quantitative Research, Bloomberg

Volatility Level Element

Ascent Wealth
STRATEGIES

DAILY ELEMENT DATA



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Economic Level Element

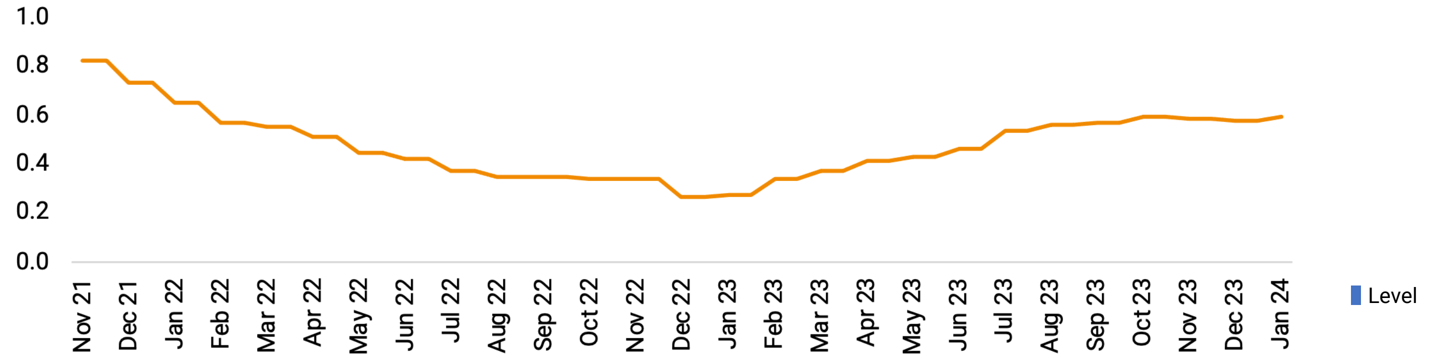
Ascent Wealth
STRATEGIES

TRADE RATIONALE

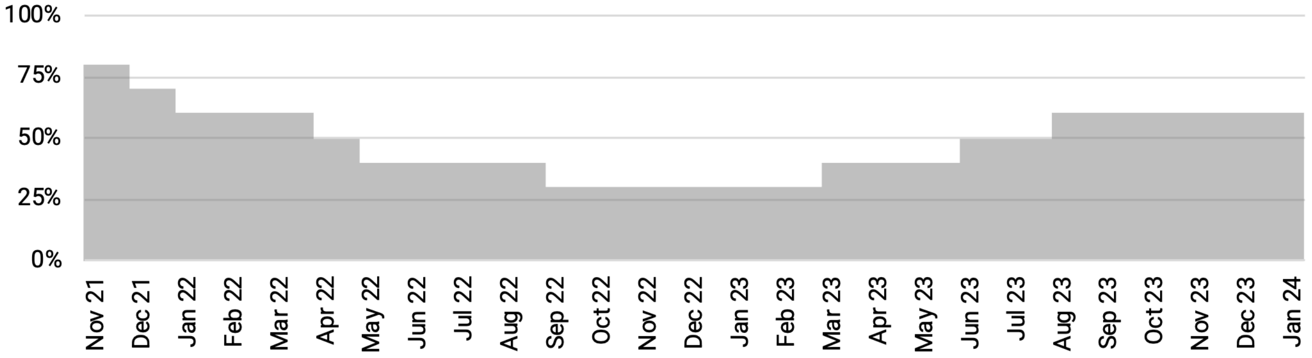
The Economic Element maintains a slightly positive view of equity markets. The cautious optimistic view has been steady for the last few months, buoyed by a continued strong labor market and sentiment that significantly improved from its prior historic lows. Partially countering the attractive areas of the economy are risks and weaknesses in services conditions and sales. Recent production data has at least marginally improved together with global output helping the underlying score see a small improvement, though would require significantly more changes to warrant a change in view.

Eco
Economic

SIGNAL



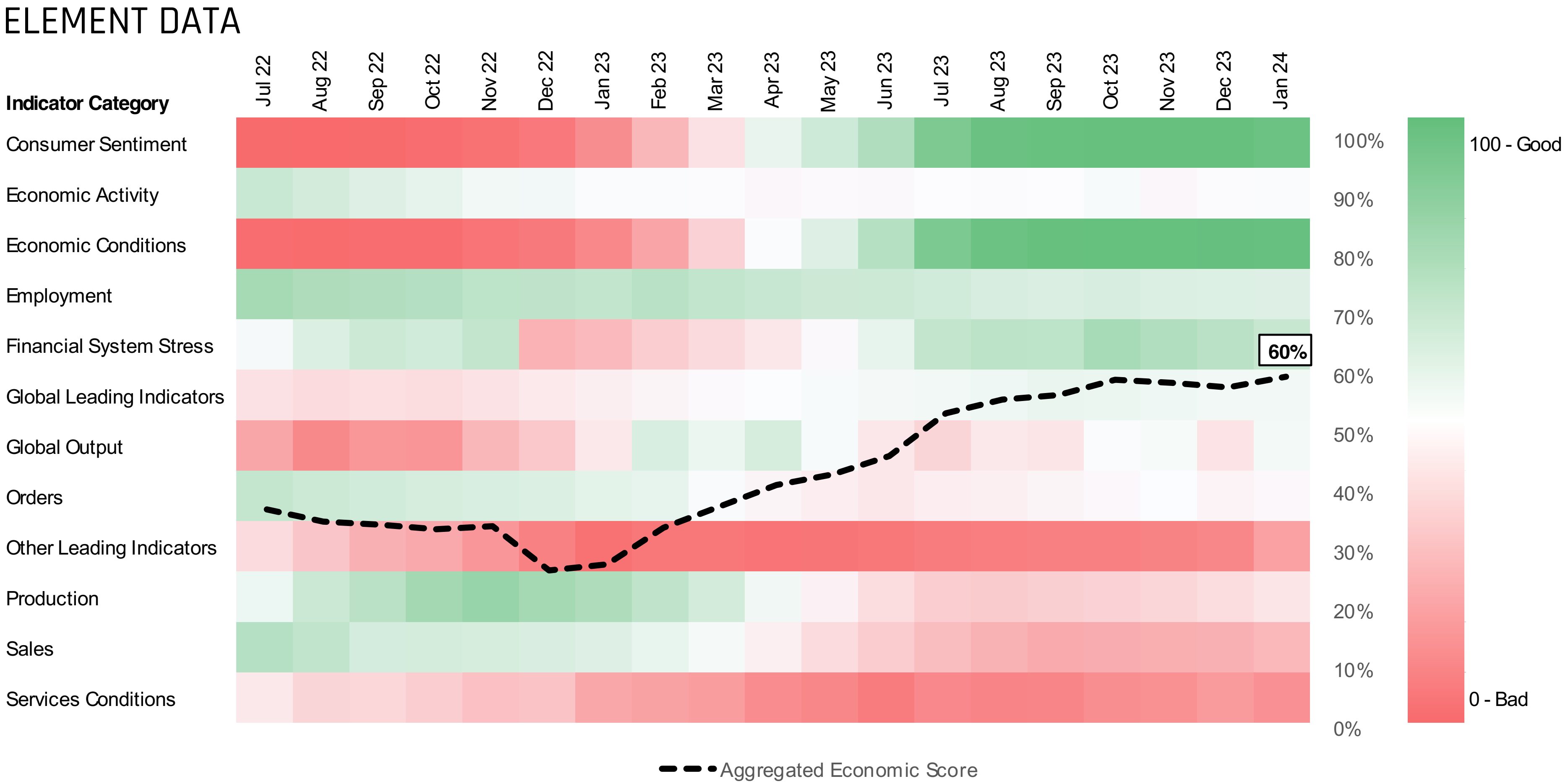
HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

Economic Level Element

Ascent Wealth STRATEGIES



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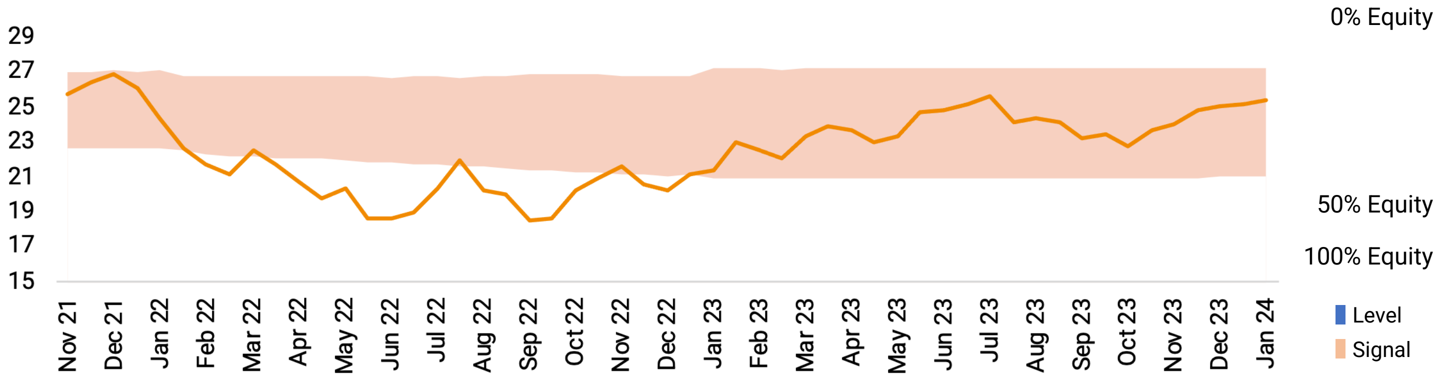
Contrarian Level Element

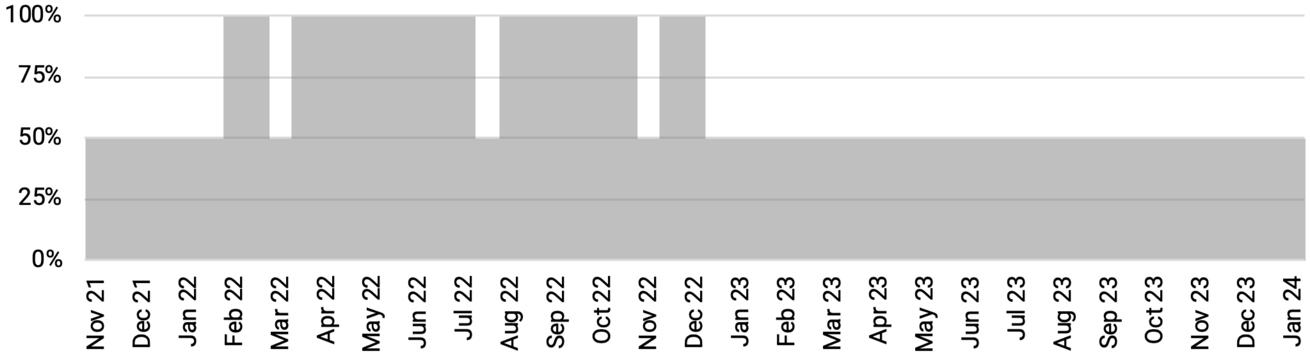
TRADE RATIONALE

The Contrarian Element has a neutral view of equity markets. Equity market valuations have risen during the market rally that began in late October though remain in a normal range based on recent history. The fourth quarter's earnings season is underway and initial signs point to relatively meager earnings growth and decent sales growth based on companies that had reported by the end of January. Relative to analysts' expectations compiled by Bloomberg, nearly 80% of reported results have beat earnings expectations.

SIGNAL



HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

Disclosures

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