Market Overview

Market Overview

Ascent Wealth STRATEGIES

THE MONTH AT A GLANCE

	DEC
S&P 500	4.53%
MSCI EAFE	5.31%
MSCI Emerging Markets	3.91%
Bloomberg US Aggregate	3.83%

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.

MARKET RALLY CONTINUES TO CLOSE OUT THE YEAR, S&P 500 GAINS OVER 26%

The rally across capital markets continued largely uninterrupted in December, despite a slight head fake on December 20th. Investors may have feared another bout of volatility heading into fall after the S&P 500 had lost just over 10% from the summer high, only for the index to rally over 15% from October 27th through the end of the year and coming within striking distance of new all-time highs. The S&P 500 ended up gaining 4.53% in December and 26.26% for 2023 on a total return basis. For the month, the MSCI EAFE outperformed while emerging markets underperformed the S&P 500.

Bonds also continued their rally and gained over 9% from their mid-October lows, ending the year up 5.53%. One of the big bond stories of 2023 is the changing consensus around future Federal Reserve actions. As those expectations have shifted, yields on government bonds have come down as well, pushing up bond prices and giving bond investors some relief from recent pain. Heading into the year the thought was a recession was nearly inevitable in 2023 leading investors to think the Fed's policy may change, which turned into a "higher-for-longer" narrative that coincided with the volatility across both bonds and stocks in the late summer and early fall. Currently, the growing consensus is the Fed will pivot in early-to-mid 2024 and begin cutting rates, which has, at least in part, fueled the rally over the last few months.

While risks still remain in the economy, the consumer continues to drive the economy forward, supported by a still hot, yet slowly cooling, jobs market and higher income, even after adjusting for inflation. While inflation has come down substantially over the year, it remains above the Fed's target and the third quarter of the year saw some of the improvement reverse. Changing Fed expectations remain the focus of investors heading into the new year and could become a source of volatility if they were to shift again.

Source: Helios Quantitative Research, Bloomberg

Market Overview

Equity Markets	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4.53%	26.26%	25.95%	10.27%	15.86%	12.05%
Russell Midcap	7.71%	17.19%	16.72%	6.28%	12.86%	9.46%
Russell 2000	12.23%	16.88%	16.55%	2.47%	10.11%	7.15%
MSCI ACWI	4.80%	22.20%	21.80%	5.93%	11.86%	7.97%
MSCI EAFE	5.31%	18.24%	17.54%	3.83%	8.25%	4.32%
MSCI Emerging Markets	3.91%	9.83%	9.71%	-4.47%	3.75%	2.71%
Fixed Income Markets						
Bloomberg US Aggregate	3.83%	5.53%	5.28%	-3.26%	1.15%	1.82%
Bloomberg US Treasury	3.37%	4.05%	3.94%	-3.77%	0.58%	1.27%
Bloomberg US Corporate	4.34%	8.52%	8.29%	-3.19%	2.68%	2.96%
Bloomberg US MBS	4.31%	5.05%	4.55%	-2.84%	0.31%	1.40%
Bloomberg Municipal	2.32%	6.40%	6.39%	-0.40%	2.26%	3.04%
Bloomberg US Corporate High Yield	3.73%	13.45%	13.49%	2.01%	5.40%	4.61%
Bloomberg Global Aggregate	4.16%	5.72%	5.66%	-5.44%	-0.27%	0.39%
Alternative Markets						
Dow Jones US Real Estate	8.98%	12.19%	11.26%	5.80%	7.33%	7.67%
Bloomberg Commodity	-3.10%	-12.55%	-12.23%	8.56%	4.92%	-2.54%
Wilshire Liquid Alternative Index	0.40%	4.42%	4.42%	1.15%	2.62%	1.43%

MARKET HIGHLIGHTS

- December's performance was a welcomed end to the year as it continued the prior month's rally. As for December itself, the clear winner was Small Cap as it greatly outperformed both Midcap and Large Cap, returning 12.23%, compared to 7.71% and 4.53%, respectively.
- The MSCI ACWI and EAFE both did well, performing better than the S&P 500, while emerging markets alone slightly underperformed, though it still gained almost 4%.
- Bonds also benefited from the year end rally where aggregate bonds continued to climb from mid-October lows and surpassed its 2023 high from April.
- Real estate was not left out and was able to return nearly 9%, but the same cannot be said for commodities, which fell an additional 3.10%.

Source: Helios Quantitative Research, Bloomberg
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Market Overview

Ascent Wealth STRATEGIES

EQUITY SECTOR PERFORMANCE

Ranked S&P 500 Sector Total Returns

SECTOR	DEC
Real Estate	8.70%
Industrials	6.96%
Consumer Discretionary	6.10%
Financials	5.36%
Communication Services	4.81%
Materials	4.56%
S&P 500	4.53%
Health Care	4.30%
Information Technology	3.83%
Consumer Staples	2.67%
Utilities	1.91%
Energy	-0.08%

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	DEC
Small Cap Value	12.47%
Small Cap Blend	12.23%
Small Cap Growth	11.97%
Mid Cap Value	7.77%
Mid Cap Blend	7.71%
Mid Cap Growth	7.58%
Large Cap Value	5.52%
Developed International	5.31%
Large Cap Blend	4.93%
S&P 500	4.53%
Large Cap Growth	4.43%
Emerging Markets	3.91%

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	DEC
US Aggregate 10+ Year	7.31%
US Corporate	4.34%
EM Bonds (USD)	4.20%
Global Aggregate	4.16%
Global High Yield	4.03%
US Aggregate	3.83%
US Corporate High Yield	3.73%
US Treasury	3.37%
TIPS	2.69%
Municipal	2.32%
US Agency	1.90%
US Aggregate 1-3 Year	1.20%

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

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.

Charts of the Month

Ascent Wealth STRATEGIES

2023 US EQUITY STYLE BOX

Russell indices, cumulative total returns

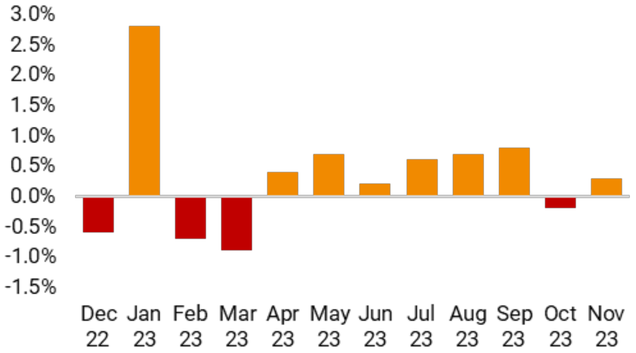
	Growth	Blend	Value
Large	42.67%	26.50%	11.41%
Mid	25.86%	17.19%	12.66%
Small	18.63%	16.88%	14.58%

BONDS WILD END OF THE YEAR

Cumulative total return, Bloomberg US Aggregate

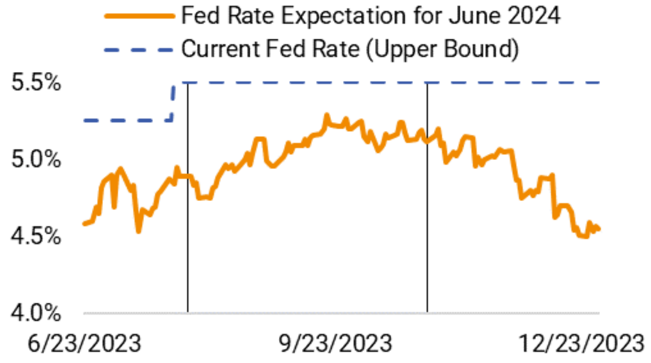
RETAIL SALES

Monthly change, December 2022 to November 2023



FED EXPECTATIONS REVERT

Market Implied Rate



FED EXPECTATIONS

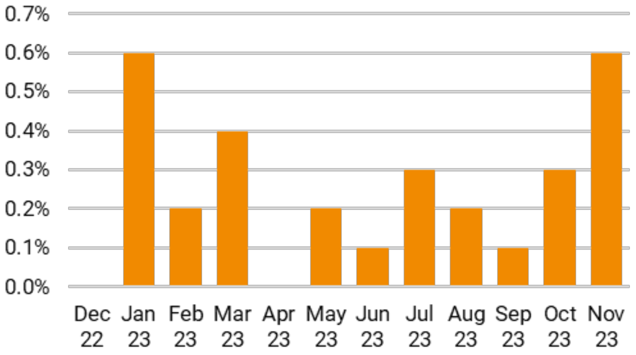
Fed futures implied probabilities

	Jan. 31	Mar. 20	May 1	Jun. 12	Jul. 31	Sep. 18
6.00% - 6.25%						
5.75% - 6.00%						
5.50% - 5.75%						
5.25% - 5.50%	82.4%	11.5%				
5.00% - 5.25%	17.6%	73.4%	11.3%			
4.75% - 5.00%		15.1%	71.9%	10.5%	1.2%	0.1%
4.50% - 4.75%			16.5%	67.8%	16.9%	2.1%
4.25% - 4.50%			0.4%	20.2%	62.5%	19.6%
4.00% - 4.25%				1.4%	18.1%	59.8%
3.75% - 4.00%					1.3%	17.1%
3.50% - 3.75%						1.2%
3.25% - 3.50%						

Meeting Date

REAL PERSONAL INCOME

Monthly change, December 2022 to November 2023



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

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Stock and Bond 2023 Style Boxes

Ascent Wealth STRATEGIES

WHAT DOES IT MEAN?

- With the so-called Magnificent 7 stocks (Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia, Tesla) driving the majority of equity market gains for the year, it's no surprise that large cap growth significantly outperformed in 2023, with the Russell 1000 Growth Index gaining nearly 43% for the year.
- On the fixed income side of things, long duration has won out, though the end of year rally was the driver of the outperformance and long duration had been underperforming throughout most of the year.

LARGE CAP GROWTH DOMINATES EQUITY LEAGUE TABLES IN 2023

2023 Total Returns, Stocks Represented by Russell Indices, Bonds by Bloomberg Indices

		Growth	Blend	Value
Stocks	Large	42.79%	26.58%	11.46%
	Mid	26.09%	17.38%	12.83%
	Small	19.18%	17.43%	15.12%

		Short	Intermediate	Long
Bonds	Aggregate	4.78%	5.54%	6.62%
	Treasury	5.03%	4.08%	3.50%
	Corporate	5.70%	8.60%	11.27%

Source: Helios Quantitative Research, Bloomberg, Federal Reserve Bank of New York

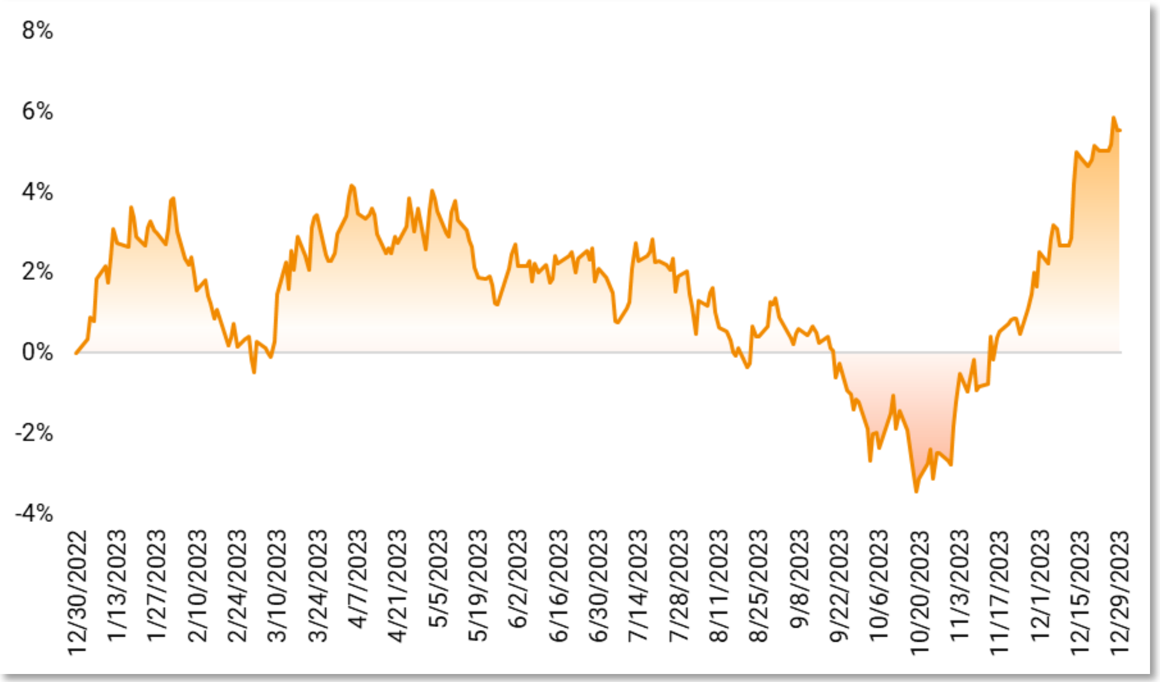
Bond's Wild Ride in the Second Half of '23

WHAT DOES IT MEAN?

- Changing Fed expectations caused the yield curve to shift dramatically over the second half of the year. In the Fall, we saw aggregate bonds quickly sell off, causing many investors to fear what another negative year for bonds may mean for their portfolios.
- However, the rally from the end of October onward fueled a sharp rally in bonds and yields came down and expectations for the Fed shifting to a more dovish tone.
- As we head into 2024 there seems to be a growing consensus for the path for the Fed, though that may mean the risk for volatility is greater if those expectations shift again.

SHARP RALLY LIFTS BONDS OUT OF THE RED FOR THE YEAR

Cumulative total return, Bloomberg US Aggregate



Source: Helios Quantitative Research, Bloomberg

Market Expectations for Fed Policy

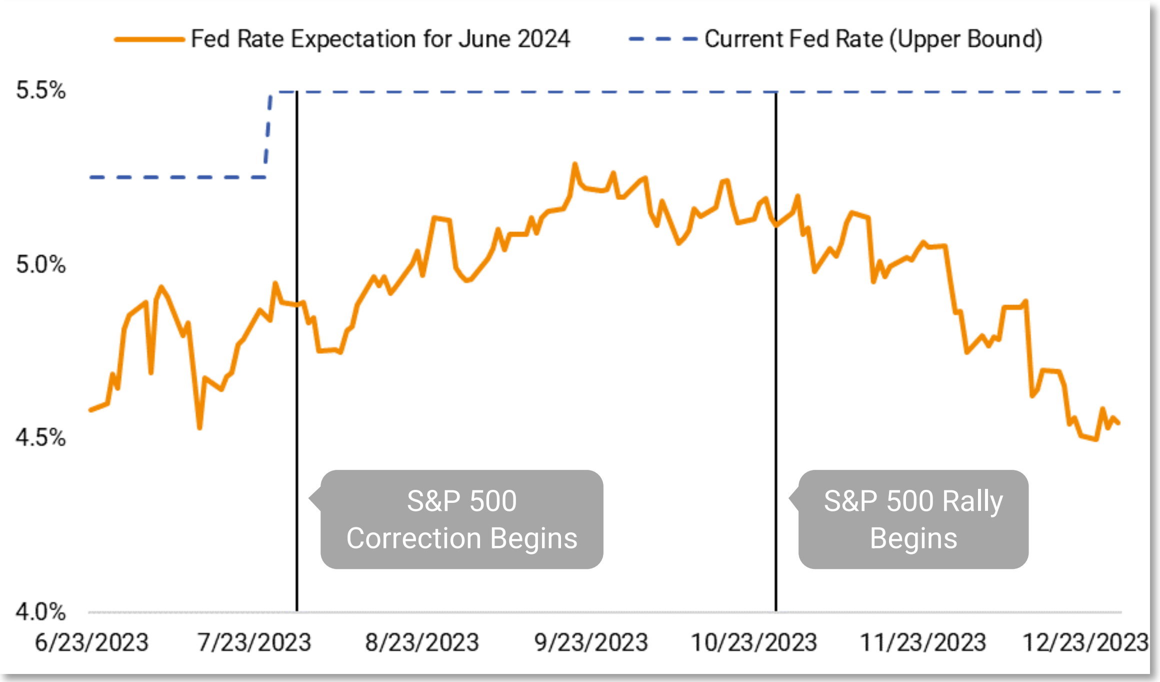
Ascent Wealth STRATEGIES

WHAT DOES IT MEAN?

- Based on press coverage it may seem obvious that investor expectations around Fed policy have changed substantially over the year. Visualizing those expectations and how they have coincided with pivot points in the S&P 500 shows
- Over the course of the second half of the year, investor expectations increased nearly a percentage point before falling back to slightly below where they were at the end of June.

THE ROUND TRIP IN THE CHANGING FED EXPECTATIONS

Market implied rate following the June 2024 Fed Meeting



Source: Helios Quantitative Research, Bloomberg

Fed & Inflation Expectations

MARKET PROBABILITIES OF FED POLICY BY MEETING

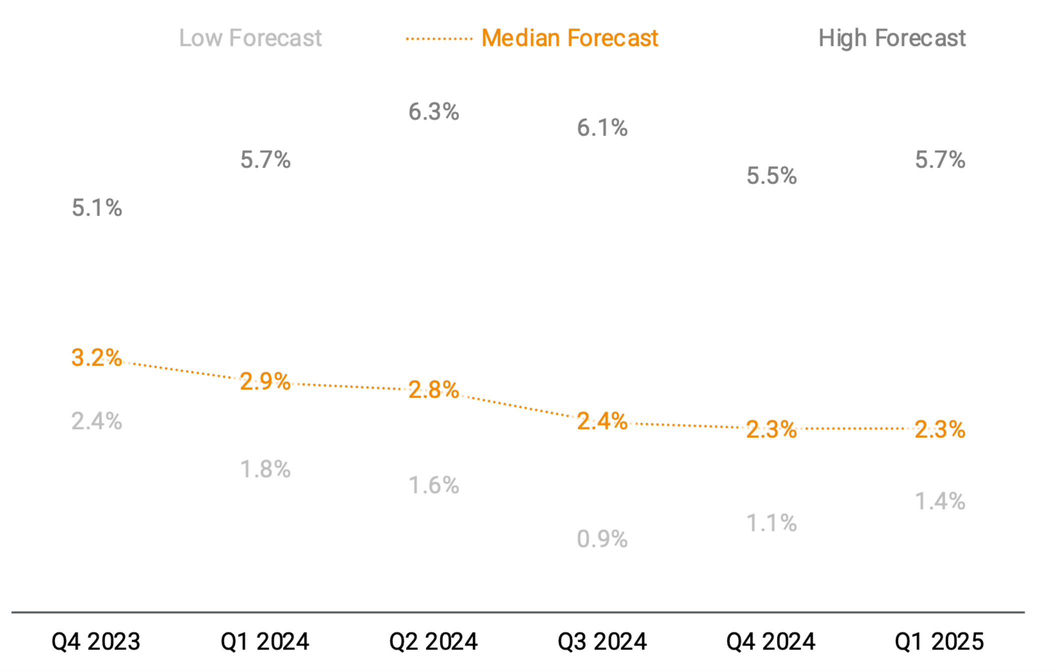
Derived from Fed futures market as of December 29, 2023

	Jan. 31	Mar. 20	May 1	Jun. 12	Jul. 31	Sep. 18
6.00% - 6.25%						
5.75% - 6.00%						
5.50% - 5.75%						
5.25% - 5.50%	**82.4%**	11.5%				
5.00% - 5.25%	17.6%	**73.4%**	11.3%			
4.75% - 5.00%		15.1%	**71.9%**	10.5%	1.2%	0.1%
4.50% - 4.75%			16.5%	**67.8%**	16.9%	2.1%
4.25% - 4.50%			0.4%	20.2%	**62.5%**	19.6%
4.00% - 4.25%				1.4%	18.1%	**59.8%**
3.75% - 4.00%					1.3%	17.1%
3.50% - 3.75%						1.2%
3.25% - 3.50%						

Meeting Date

CONSUMER PRICE INDEX EXPECTATIONS

Economists surveyed by Bloomberg, latest as of December 29, 2023



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

Recession Monitor

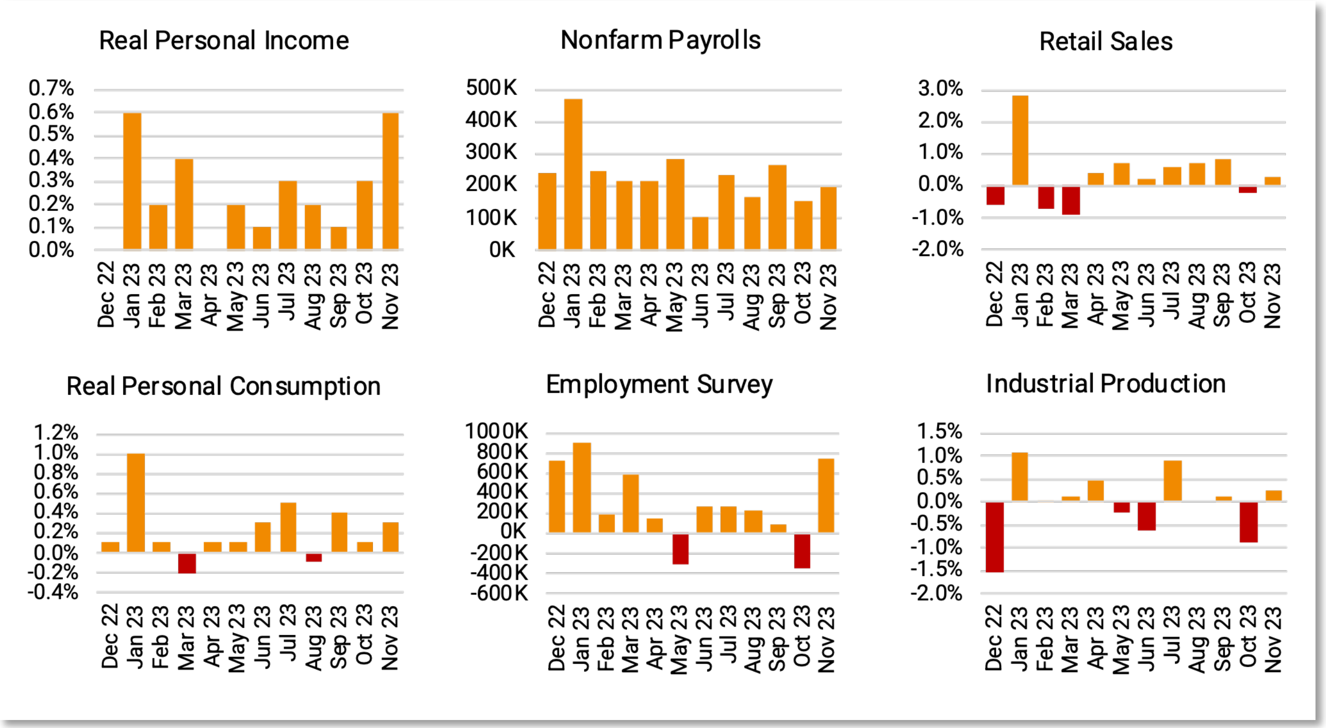
Ascent Wealth
STRATEGIES

WHAT DOES IT MEAN?

- Payrolls came in over expectations where the outperformance was driven by gains in government and healthcare, relative to the consensus.
- Real personal incomes increased by 0.6%, which is double what real personal consumption increased by, at 0.3%. The three months of accelerating gains in inflation-adjusted income are supportive of the latest consumption and retail sales support.
- 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 November 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

Ascent Wealth
STRATEGIES

Ecosystem

Tr
Trend

Vol
Volatility

Eco
Economic

Con
Contrarian

Fi
Fixed Income

Eq
Equities

Trend Level Element

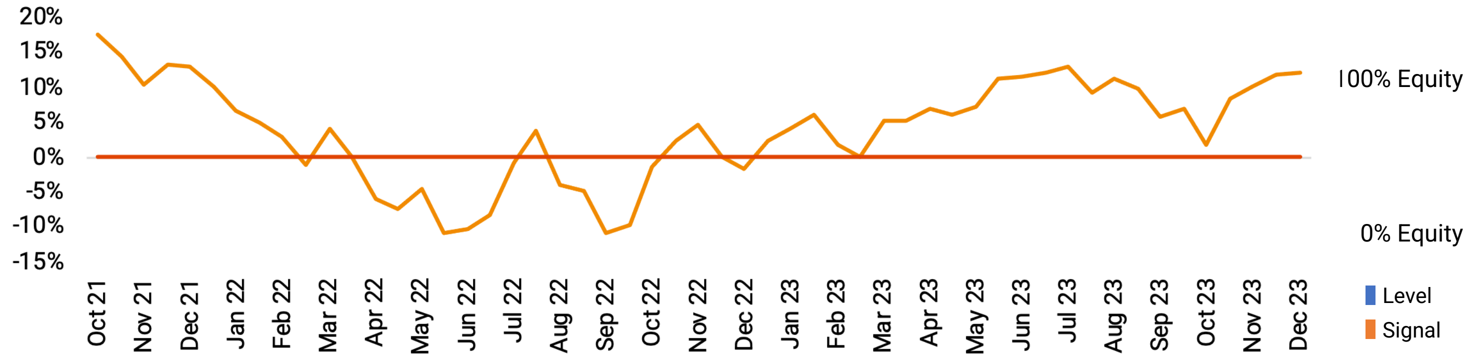
Ascent Wealth
STRATEGIES

TRADE RATIONALE

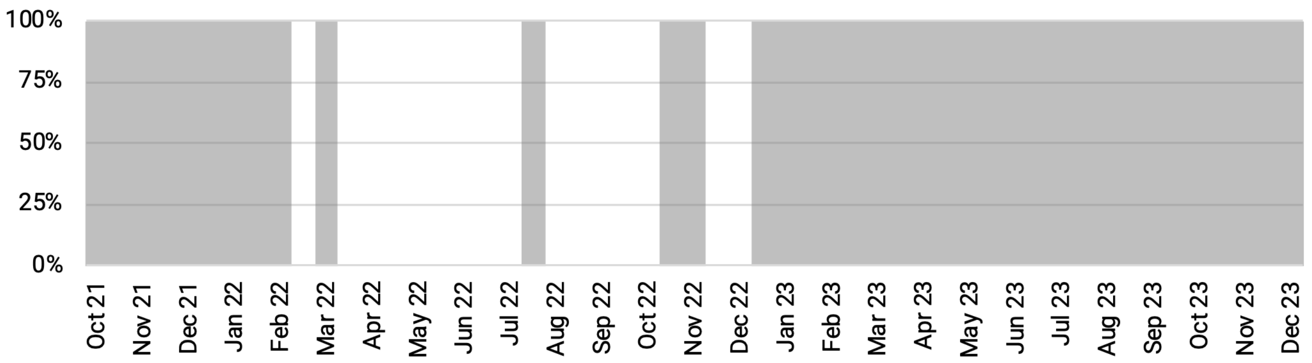
The Trend Element has a positive view of equity markets. In December, the S&P 500 continued the significant upward rally that began toward the end of October. The rally has, at least partially, been fueled by investors anticipating the Fed to pivot away from its hawkish stance and to potentially cut rates multiple times in 2024. The growing consensus around what the Fed will do will likely shape next year and potentially roil markets if expectations change.

Tr
Trend

SIGNAL



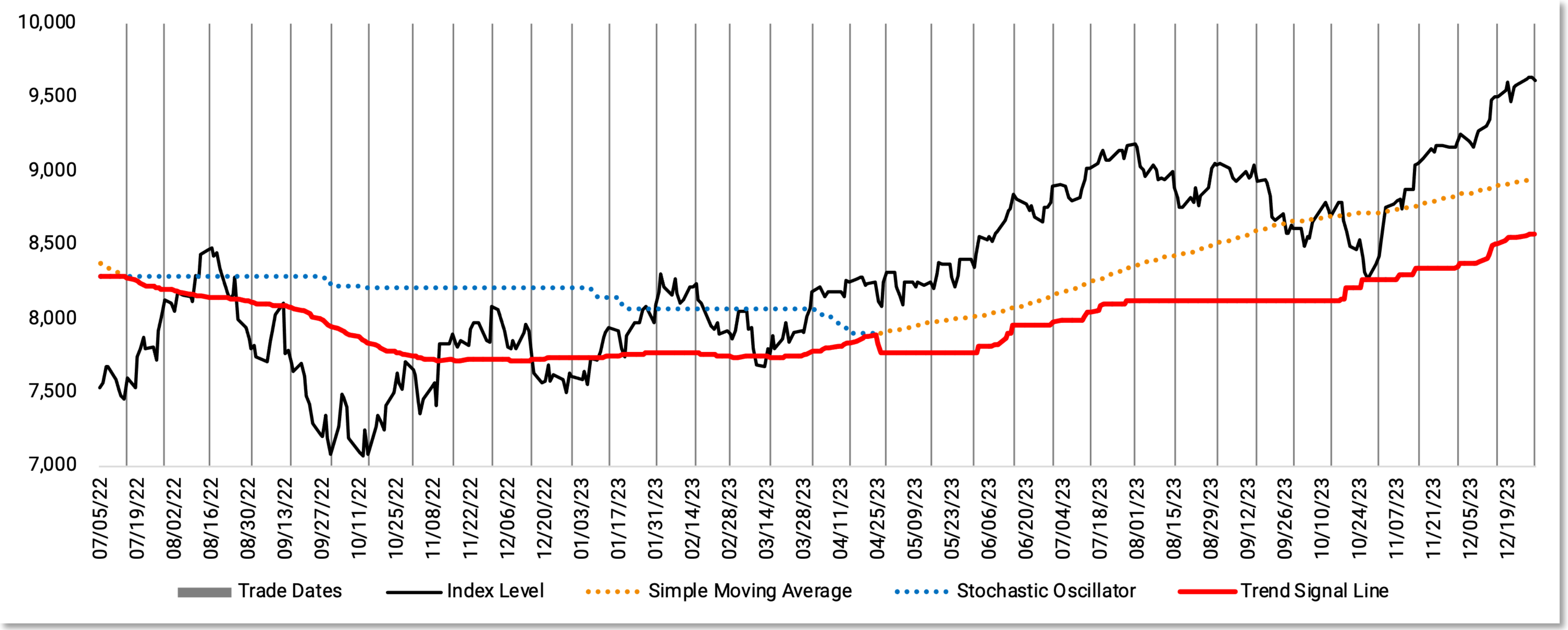
HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

Trend Level Element

DAILY ELEMENT DATA



Source: Helios Quantitative Research, Bloomberg

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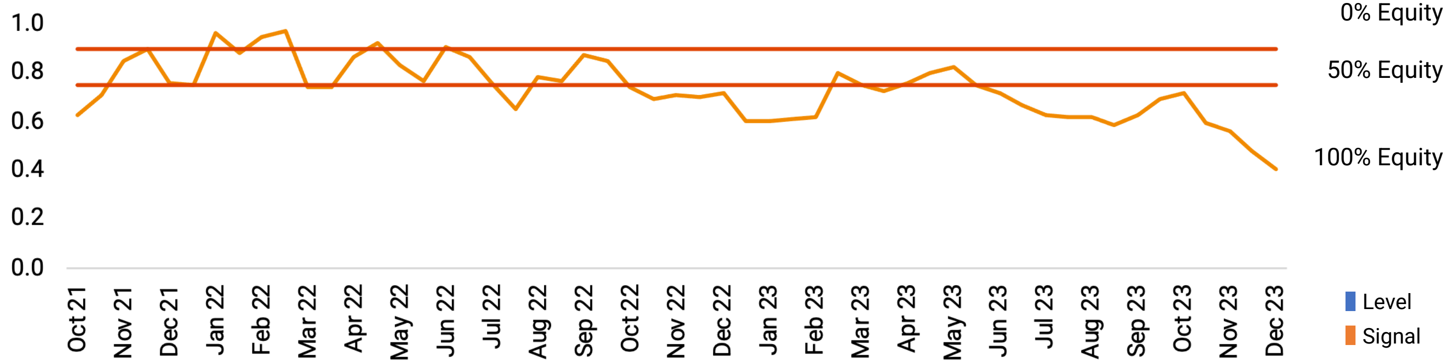
Volatility Level Element

TRADE RATIONALE

The Volatility Element has a positive view of equity markets. Prior risks that were priced into corporate balance sheets, as well as implied equity risk, have come down substantially since the end of October, coinciding with the equity market rally and improving investor moods. Driven by expectations that the Fed will cut rates in late Q1 or early Q2 of 2024, a risk reversal could be seen if inflation data rebounds and stalls rate cut efforts.

Vol
Volatility

SIGNAL



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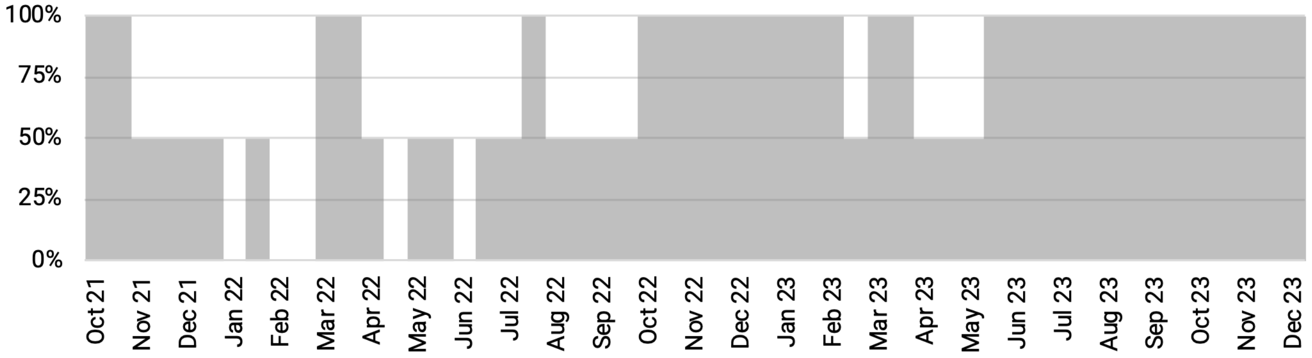
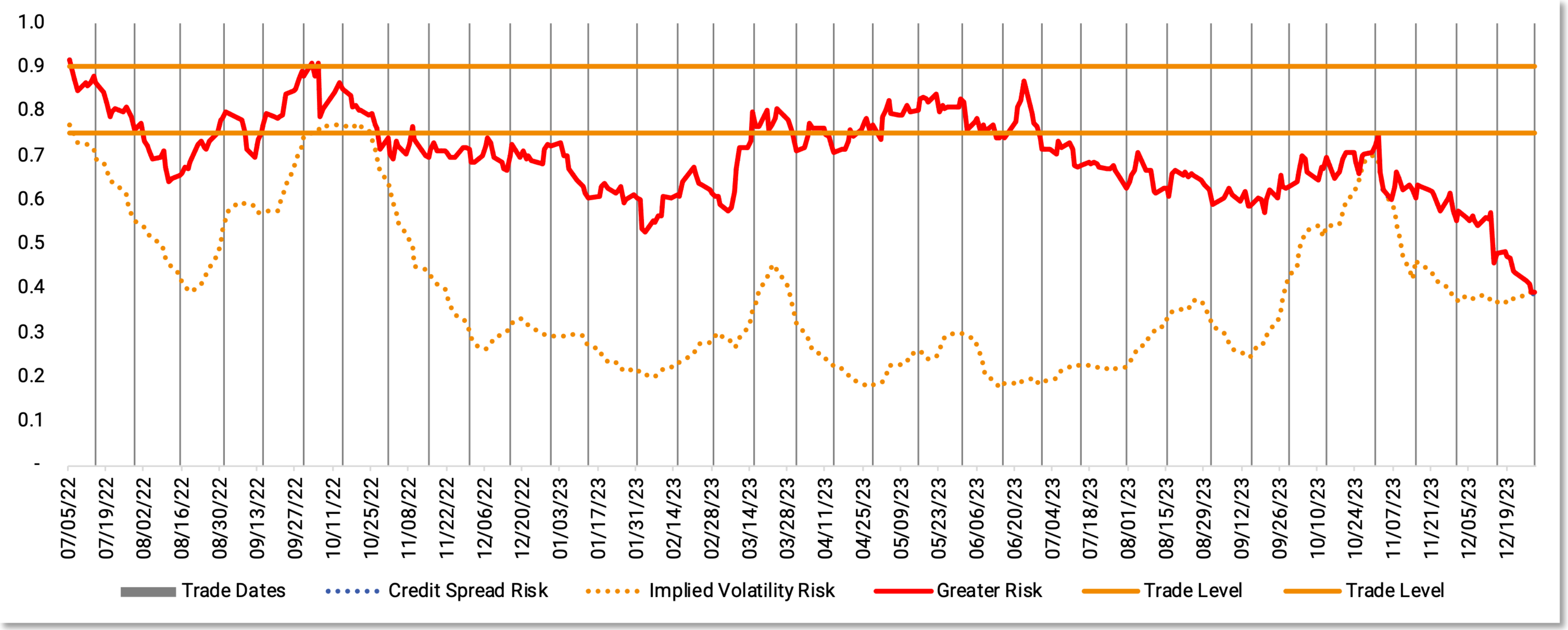


Source: Helios Quantitative Research, Bloomberg

Volatility Level Element

DAILY ELEMENT DATA



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Economic Level Element

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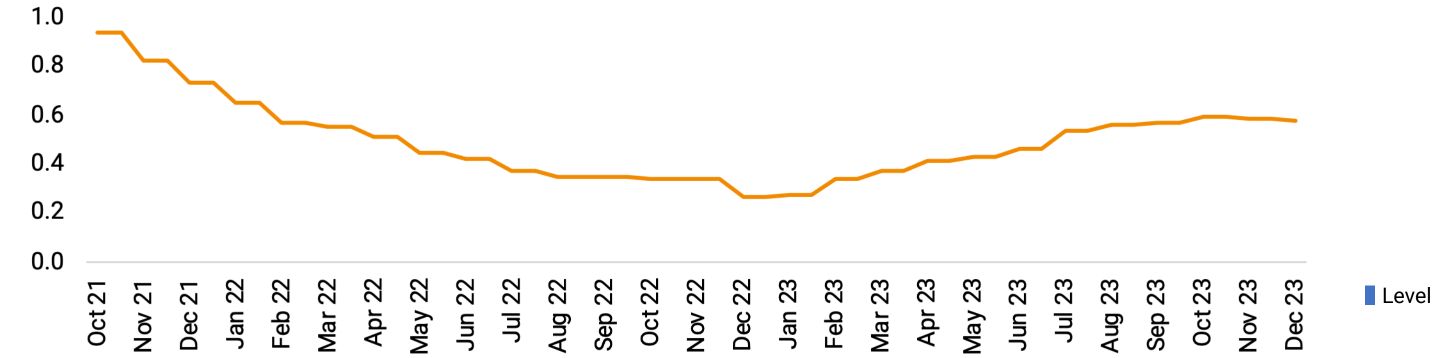
STRATEGIES

TRADE RATIONALE

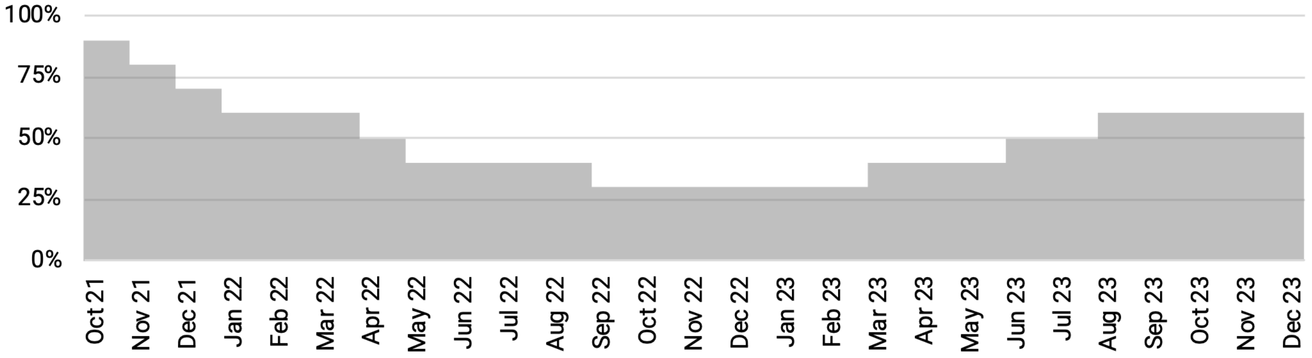
The Economic Element maintains a slightly positive view of equity markets. The view has been steady since the end of October, though the underlying economic data did see a slight slip in global output. The Element sees risks across the economic landscape, particularly in areas such as production, sales, and services conditions. Categories such as sentiment, employment, and financial system stress are helping to offset these negative aspects and inform the Element's overall view.

Eco
Economic

SIGNAL



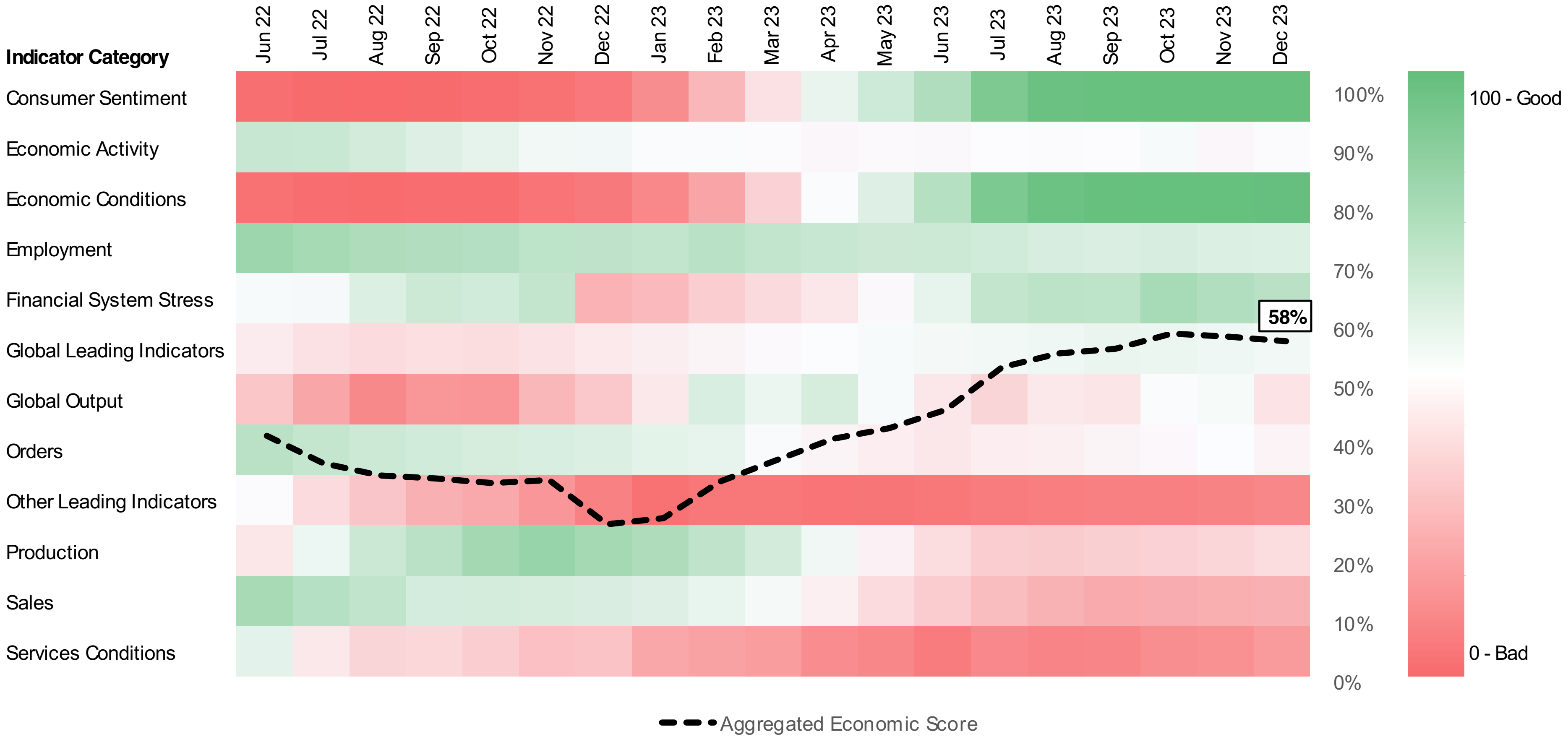
HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

Economic Level Element

ELEMENT DATA



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Contrarian Level Element

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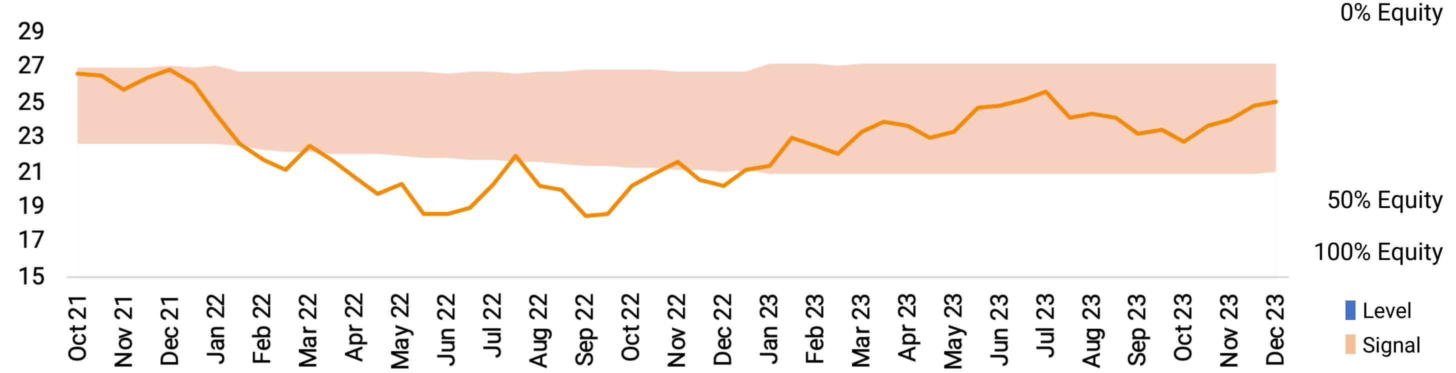
STRATEGIES

TRADE RATIONALE

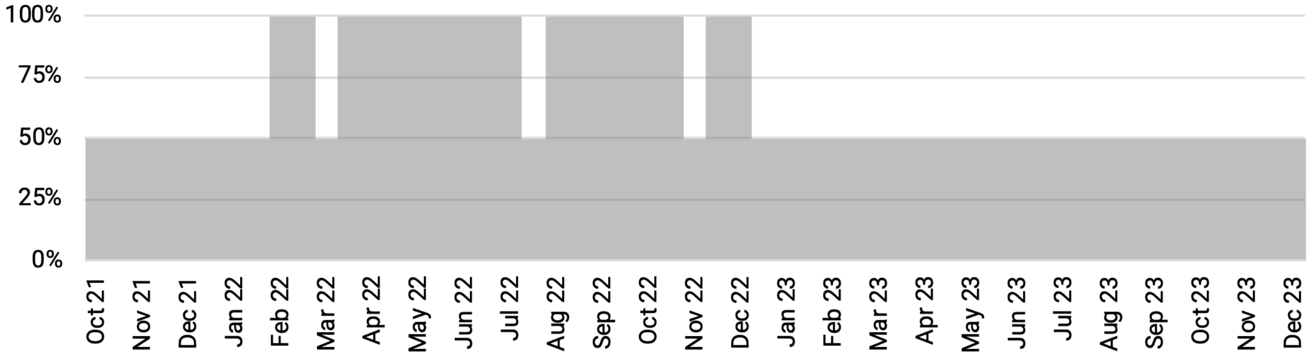
The Contrarian Element has a neutral view of equity markets. As the equity market rallied, valuations have started to creep up as well, though remain solidly in a normal range based on recent history. If trends were to continue, or fourth quarter earnings come under unexpected pressure, the market may move into 'expensive' territory causing the element to have a negative view of the equity market.

Con
Contrarian

SIGNAL



HISTORICAL EXPOSURE



Source: Helios Quantitative Research, Bloomberg

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