

## Markets in Review

Stocks continued to rally in December, with the S&P gaining 4.4%, increasing its full year gains to 24.2%. The MSCI All Country World index also improved, gaining 4.7% for the month, which improved its full year return to 20.1%. Bonds also jumped with the Bloomberg BarCap U.S. Aggregate Bond index up 3.8% for December, bringing its full year return to a 5.5% gain.

The last month of the year turned out to be another good one for both stocks and bonds, as the Federal Reserve indicated that they were likely to begin cutting interest rates in 2024, which added fuel to the rally in stocks and even lit a fuse under the bond market. After an extremely bad year for bonds in 2022, and one which wasn't very good for stocks either, 2023 turned out to be a great year for both.

## Monthly Highlights

- Benchmark interest rates dropped below 4.2%, after jumping as high as 5%
- Excitement around Artificial Intelligence helped pushed the Nasdaq to record highs
- Investors believe the Fed is done raising rates and will begin lowering them in 2024

## News in Review

Below are some stories that caught our eye this past month. To learn more, follow the links to the full article.

**Treasury\_Frenzy Drives 10-Year Yield Below 4.2%**

The yield on US treasury bonds - the most liquid bonds in the world - jumped as high as 5% earlier this year, but recently dropped down below 4.2%. This yield is the benchmark for all other bonds and is the most widely followed rate in the world. Lower interest rates, all things being equal, can lead to higher stock and bond prices and could signal the end of the Federal Reserve's interest rate hiking cycle.

### **AI Mania Driving Nasdaq 100's Best Run Since 1999**

Artificial Intelligence (AI) captured the world's attention and the companies seen as having the most to gain from the latest craze – Nvidia, Microsoft, Google, etc. – are seeing their stocks zoom higher, and in fact, just seven stocks were responsible for 64% of the Nasdaq 100's gains in 2023. This narrow leadership in the stock market could be a sign of increasing risk in the market, or it could be viewed as just the beginning of a large tidal wave of investment which will follow. In the meantime, some tech investors haven't been this excited in 25 years.

### **Investors Cheer Fed's Dovish Pivot**

A so-called "dovish" pivot from the Federal Reserve has gotten investors even more excited about stocks. The Fed is called "hawkish" when they are raising interest rates (e.g. "hawkish" on inflation) and called "dovish" when they are lowering rates (or are less worried about inflation). Given that 17 of the 19 Fed governors responsible for setting interest rate policy have forecast that interest rates will be lower a year from now, it stands to reason that the Fed will be lowering interest rates in 2024 and that is why investors are so excited.

## **Florida Woman Wants Hershey to Pay \$5m Over "Misleading" Halloween Candy**

A woman in Florida is suing Hershey because she says its Halloween-themed candy was "misleading" and didn't match the illustrations on the packages. The \$4.49 peanut butter pumpkin candy is depicted with eyes and a mouth on the wrapper but has no facial features or carvings when you open it up. It's unclear why she is actually asking for 1 million times as much as the cost of the candy just because she's disappointed by how it looks but you never know what a jury of 12 people will decide.

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**S&P 500 INDEX:** The Standard & Poor's 500 Index is an unmanaged, capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

**NASDAQ 100 INDEX:** The Nasdaq 100 Index is an unmanaged, capitalization-weighted index of the largest 100 non-financial stocks traded on the Nasdaq market. Unlike the S&P 500 it does not represent all major industries and may be more volatile than more broadly constructed indices.

**MSCI ACWI INDEX:** The MSCI ACWI captures large- and mid-cap representation across 23 developed markets (DM) and 24 emerging markets (EM) countries. With 2,495 constituents, the index covers approximately 85% of the global investable equity opportunity set.

**Bloomberg U.S. Aggregate Bond Index:** The Bloomberg U.S. Aggregate Bond Index is a broad-based index of the U.S. investment-grade, fixed-rate bond market, including both government-related and corporate securities and mortgage-backed and asset-backed securities.

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