

Open-End Net Fund Flows (\$)	11/23	10/23	YTD (Nov)
Equity	-59.0B	-43.7B	-437.3B
Taxable Bond	-9.2B	-23.9B	-8.1B
Municipal Bond	-3.5B	-10.6B	-17.8B
Hybrid	-5.6B	-14.9B	-98.0B
Taxable Money Market	197.7B	-34.7B	940.1B

Key Interest Rates/Yields	12/29/23	11/30/23	12/30/22
Federal Funds Target Rate	5.50%	5.50%	4.50%
2-Year T-Note	4.25%	4.68%	4.43%
5-Year T-Note	3.85%	4.27%	4.01%
10-Year T-Note	3.88%	4.33%	3.88%
Bond Buyer 40	4.48%	4.72%	4.67%

Commodities/U.S. Dollar	12/23	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.09%	-2.11%	-2.11%
FTSE/Core CRB Excess Ret.	-3.59%	-5.01%	-5.01%
Crude Oil/WTI (per Barrel)	-5.67%	-10.73%	-10.73%
Natural Gas (per million BTUs)	-10.28%	-43.82%	-43.82%
Gold Bullion (Ounce)	1.65%	13.45%	13.45%

## Total Return Performance

U.S. Stock Indices	12/23	YTD	12 Mo.
S&P 500	4.53%	26.26%	26.26%
DJIA	4.93%	16.18%	16.18%
Nasdaq 100	5.56%	55.13%	55.13%
S&P MidCap 400	8.72%	16.39%	16.39%
Russell 2000	12.23%	16.88%	16.88%
Russell 3000	5.29%	25.93%	25.93%

U.S. Styles/Market Caps	12/23	YTD	12 Mo.
S&P 500 Growth	3.71%	30.02%	30.02%
S&P 500 Value	5.51%	22.19%	22.19%
S&P MidCap 400 Growth	7.40%	17.44%	17.44%
S&P MidCap 400 Value	10.19%	15.35%	15.35%
Russell 2000 Growth	11.97%	18.63%	18.63%
Russell 2000 Value	12.47%	14.58%	14.58%

Foreign Stock Indices (USD)	12/23	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	5.47%	17.94%	17.94%
MSCI Emerging Markets NET	3.91%	9.83%	9.83%
MSCI Europe NET	5.00%	19.89%	19.89%
MSCI BRIC NET	2.05%	1.96%	1.96%
MSCI EM Latin America NET	8.29%	32.71%	32.71%
Nikkei 225	5.27%	21.77%	21.77%

Bloomberg Fixed Income Ind.	12/23	YTD	12 Mo.
U.S. Treasury: Intermediate	2.10%	4.28%	4.28%
GNMA 30 Year	4.19%	5.40%	5.40%
Municipal Bond (22+)	3.45%	9.35%	9.35%
U.S. Aggregate	3.83%	5.53%	5.53%
Intermediate Corporate	2.84%	7.29%	7.29%
U.S. Corporate High Yield	3.73%	13.44%	13.44%
Global Aggregate	4.16%	5.72%	5.72%
EM Hard Currency Aggregate	4.27%	9.63%	9.63%

Sources: Bloomberg and Investment Company Institute

**Past performance is no guarantee of future results.** Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

## Climate

The direction of central bank policy, inflation, and the threat of an economic recession befalling the U.S. dominated headlines throughout much of 2023. Over the first three quarters, the Federal Reserve ("Fed") increased the federal funds target rate (upper bound) from 4.50% to 5.50% before pausing in September. Inflation, as measured by the trailing 12-month change in the rate of the consumer price index (CPI), moderated from 6.5% on 12/31/22 to 3.1% as of 11/30/23 (most recent data). November marks the thirty-third consecutive month that inflation has been elevated above the Fed's stated goal of 2.0%. The U.S. economy remained resilient in the face of higher interest rates, but business investment slowed substantially. Global merger and acquisitions (M&A) activity fell by nearly 20% on a year-over-year basis in 2023 to its lowest level in a decade. Additionally, U.S. initial public offerings (IPO) for companies valued at \$50 million or more have stagnated since the Fed began hiking interest rates. Data from Renaissance Capital revealed that just 108 IPOs raised a combined \$19.4 billion in 2023. For comparison, a record 397 IPOs raised \$142.4 billion in 2021. As discussed further in the "Stock" and "Bond Market" sections below, the equity and fixed income markets posted exceptional returns in December, and finished 2023 with significant gains.

## Stock Market

The S&P 500 Index ("Index") closed December 2023 at 4,769.83, just 0.56% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. As of 12/29/23, the S&P MidCap 400 and S&P SmallCap 600 Indices stood 4.44% and 10.08%, respectively, below their record closing highs. In December, the S&P 500 Index posted a total return of 4.53%. Ten of the eleven major sectors that comprise the index registered positive total returns for the month. The top-performer was Real Estate, up 8.70%, while the worst showing came from Energy which was down 0.08%. The S&P 500 Index posted a total return of 26.26% over the trailing 12-month period ended 12/29/23. Nine of the eleven major sectors were up on a total return basis. The index's top performer was Information Technology, up 57.84%, while the worst showing came from Utilities which fell by 7.08%. Market breadth widened substantially in November and December, driven by expectations that the Fed would likely cut interest rates in the new year. In December, 416 of the companies that comprise the S&P 500 Index showed positive price performance for the month compared to just 148 in October. Likewise, the S&P MidCap 400 and S&P SmallCap 600 Indices saw positive price movement in 349 and 544 of their constituents, respectively, in December, compared to 77 and 136, respectively, in October.

## Bond Market

The yield on the benchmark 10-year T-note closed trading on 12/29/23 at 3.88%, down 45 basis points (bps) from its 4.33% close on 11/30/23, according to Bloomberg. The 3.88% yield stood 157 bps above its 2.31% average for the 10-year period ended 12/29/23. Notably, after peaking at 4.99% on 10/19/23, the yield on the 10-year T-note plummeted by 111 bps, ending the year unchanged. Historically, an inverted yield curve (when short-term yields rise above long-term yields) has been a fairly accurate predictor of an impending recession. In fact, the 2/10 yield curve was inverted for six to twenty-four months before all but one U.S. recession between 1955 and 2018. For context, the yield on the 2-year T-note stood 37 bps higher than the yield on the 10-year T-note at the end of December. This marks 18 months in a row where the yield curve has remained inverted between these two benchmarks. As revealed in the "Fixed Income" section to the left, each of the fixed income indices we track posted positive total returns in December, as well as for the year. December's performance comes on the heels of a decidedly dovish shift in tone from the Fed. Just a few short months after announcing rates may need to remain "higher for longer", Fed officials revealed that they were likely to lower rates by 75 bps over the course of three cuts in 2024. Data from Bloomberg shows that investors expect the Fed may cut rates more dramatically than that. As of 12/29/23, Fed funds rate futures contracts were pricing in 158 bps of rate cuts in 2024.

## Takeaway

The Fed's recent revelation that it was targeting three rate cuts totaling 75 bps in 2024 sent the equity and fixed income markets surging in December. Both the NASDAQ and the Dow Jones Industrial Indices set all-time highs during the month. On 12/28/23, the S&P 500 Index closed within 14 points of its all-time high. The Bloomberg U.S. Aggregate Bond Index rose by 8.53% on a total return basis in November and December combined. That said, investors would be well-served to watch the data closely. Inflation remains well-above the Fed's stated target of 2.0%, and investors are pricing in significantly larger interest rate cuts than the Fed is forecasting. We expect the general themes of central bank policy, inflation, and the threat of an economic recession to remain front and center in investors' minds as we enter the first half of 2024.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	4796.56	1/3/2022	1741.89	2/3/2014	4769.83	-0.56%	26.26%	1.49%
S&P 500 Growth	3423.28	12/27/2021	939.68	2/3/2014	3030.31	-11.48%	30.02%	0.71%
S&P 500 Value	1721.88	12/28/2023	788.67	2/11/2016	1718.22	-0.21%	22.19%	2.38%
S&P MidCap 400	2910.70	11/16/2021	1218.55	3/23/2020	2781.54	-4.44%	16.39%	1.68%
S&P MidCap 400 Growth	1427.19	11/16/2021	570.39	2/3/2014	1285.93	-9.90%	17.44%	1.08%
S&P MidCap 400 Value	932.50	2/2/2023	373.28	3/23/2020	916.00	-1.77%	15.35%	2.29%
S&P 100	2242.44	12/28/2023	772.29	2/3/2014	2236.19	-0.28%	32.91%	1.42%
DJIA	37710.10	12/28/2023	15372.80	2/3/2014	37689.54	-0.05%	16.18%	1.95%
Nasdaq 100	16906.80	12/27/2023	3440.50	2/3/2014	16825.93	-0.48%	55.13%	0.87%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2027.07	-17.02%	16.88%	1.54%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1284.09	-24.89%	18.63%	0.66%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2332.89	-11.75%	14.58%	2.39%
Russell 3000	2804.93	1/3/2022	1046.22	2/3/2014	2748.21	-2.02%	25.93%	1.47%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	4189.62	2/11/2016	7869.48	-0.85%	17.94%	3.18%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	533.83	-23.65%	9.83%	2.74%
Ibovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	27718.49	-6.00%	31.79%	5.08%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1083.48	-43.56%	18.77%	5.71%
S&P BSE 500/India (USD)	369.13	12/29/2023	118.07	2/3/2014	369.13	0.00%	25.75%	1.21%
Shanghai Composite/China (USD)	832.07	6/12/2015	320.10	3/20/2014	418.93	-49.65%	-3.86%	2.85%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.06	-29.69%	17.27%	1.61%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2182.60	-48.54%	-10.56%	4.06%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1634.50	-4.14%	25.99%	3.14%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	485.19	2/3/2014	1418.09	-15.25%	42.30%	0.80%
S&P 500 Consumer Staples	841.99	4/20/2022	409.84	2/3/2014	762.32	-9.46%	0.52%	2.93%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	640.05	-13.17%	-1.42%	3.64%
S&P 500 Utilities	394.81	9/12/2022	189.68	1/3/2014	321.92	-18.46%	-7.08%	3.46%
S&P 500 Financials	688.85	1/12/2022	264.89	2/11/2016	626.35	-9.07%	12.10%	1.75%
S&P 500 Banks	461.87	1/12/2022	180.19	2/11/2016	351.16	-23.97%	10.96%	3.11%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	758.92	-22.57%	11.28%	3.95%
S&P 500 Health Care	1664.59	4/8/2022	634.74	2/3/2014	1590.36	-4.46%	2.06%	1.66%
S&P 500 Pharmaceuticals	1038.11	9/12/2023	479.47	2/3/2014	989.35	-4.70%	0.33%	2.51%
NYSE Arca Biotechnology	6319.77	2/8/2021	2322.12	1/6/2014	5418.80	-14.26%	2.86%	0.22%
S&P 500 Information Technology	3406.64	12/28/2023	557.98	2/3/2014	3397.16	-0.28%	57.84%	0.76%
Philadelphia Semiconductor	4214.59	12/27/2023	517.46	2/3/2014	4175.47	-0.93%	67.00%	1.06%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	246.00	-14.72%	55.80%	0.76%
S&P 500 Industrials	966.65	12/28/2023	412.06	3/23/2020	964.73	-0.20%	18.08%	1.62%
S&P 500 Materials	569.63	12/31/2021	234.97	1/25/2016	539.62	-5.27%	12.55%	1.98%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	125.69	-25.08%	6.01%	1.84%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	263.83	-19.95%	-5.01%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	183.37	12/31/2013	297.45	-6.95%	9.53%	6.83%
ICE BofA U.S. High Yield Constrained	525.95	12/27/2023	313.74	2/11/2016	525.70	-0.05%	13.46%	7.79%

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