

PERFORMA



Q4 2023

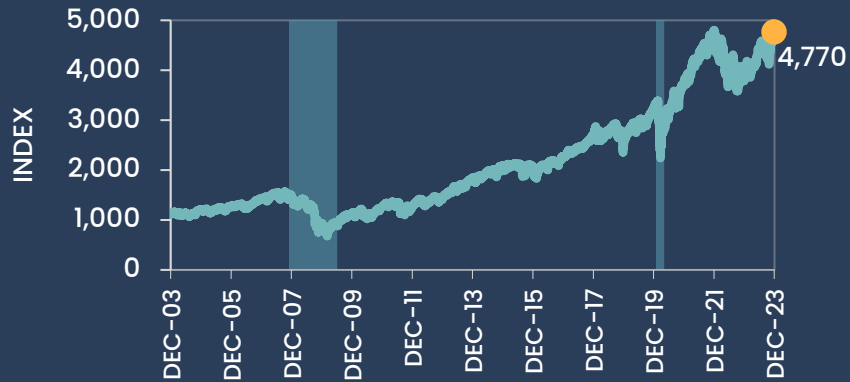
QUARTERLY MARKET UPDATE



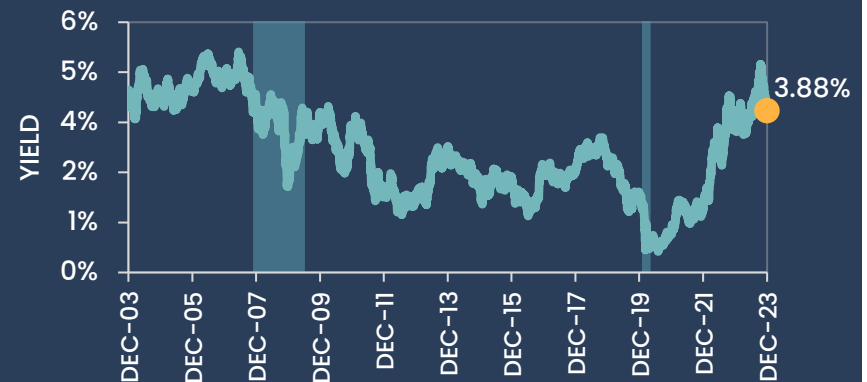
QUARTERLY MARKET UPDATE

MARKET PERFORMANCE | 20 YEARS THROUGH Q4 2023

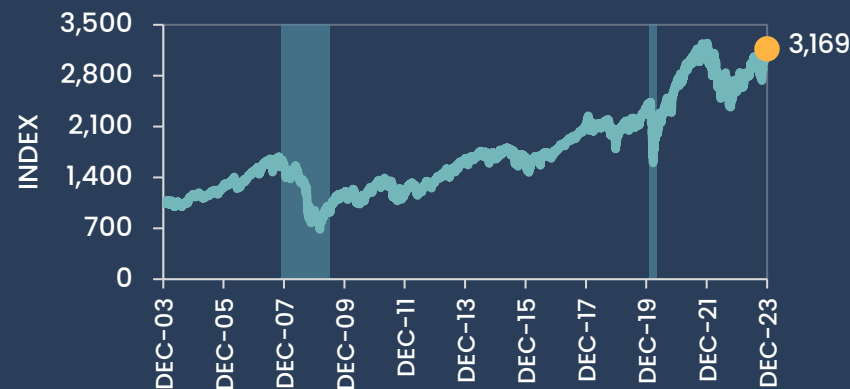
U.S. EQUITIES | S&P 500



RATES | 10-YR U.S. TREASURIES



GLOBAL EQUITIES | MSCI WORLD



Q4 MARKET PERFORMANCE

- THE S&P 500 RETURNED 11.69% FOR THE QUARTER AND FINISHED UP 26.29% FOR THE YEAR.
- THE YIELD ON 10-YR U.S. TREASURIES DECREASED -69 BPS DURING THE QUARTER LEAVING 10-YR YIELDS VIRTUALLY UNCHANGED FOR THE YEAR.
- THE MSCI WORLD INDEX RETURNED 11.53% FOR THE QUARTER AND FINISHED UP 24.44% FOR THE YEAR.

 = RECESSION

QUARTERLY MARKET UPDATE

MARKET PERFORMANCE | Q4 2023

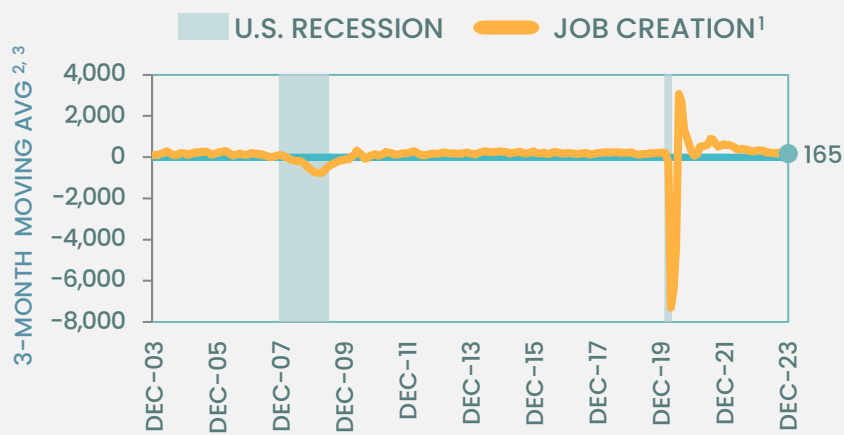
	MACRO			FIXED INCOME			EQUITY			
TIME PERIOD	US\$ ¹	10-YR U.S. TREASURY (BPS)	OIL ²	CASH ³	INTERMEDIATE GOV/CREDIT ⁴	HIGH YIELD ⁵	S&P 500	MSCI WORLD	RUSSELL 2000	RUSSELL 3000
QTD	-4.56%	-69	-21.08%	1.37%	4.56%	7.08%	11.69%	11.53%	14.03%	12.07%
YTD	-2.11%	0	-10.73%	5.10%	5.24%	13.40%	26.29%	24.44%	16.93%	25.96%

- **OVERSOLD MARKET CONDITIONS, COUPLED WITH THE FEDERAL RESERVE'S DOVISH PIVOT, SPARKED AN AGGRESSIVE RALLY IN U.S. TREASURIES DURING THE FOURTH QUARTER AS MOST OF THE TREASURY CURVE SHIFTED LOWER.**
- **DESPITE A 177 BPS RANGE THROUGHOUT THE YEAR, 10-YR U.S. TREASURIES COMPLETED THEIR ROUND TRIP AND FINISHED 2023 EXACTLY WHERE THEY STARTED WITH A YIELD OF 3.88%.**
- **DURING THE FOURTH QUARTER, FALLING YIELDS (RISING BOND PRICES) BOOSTED FIXED INCOME RETURNS AS STRATEGIES CLAWED BACK SOME OF THE 2022 LOSSES.**
- **A DOVISH PIVOT FROM THE FED WAS ALL THAT EQUITY MARKETS NEEDED IN ORDER TO STAGE A ROBUST YEAR-END RALLY AS YEAR-TO-DATE RETURNS REACHED LEVELS FEW ANTICIPATED AT THE OUTSET OF 2023.**

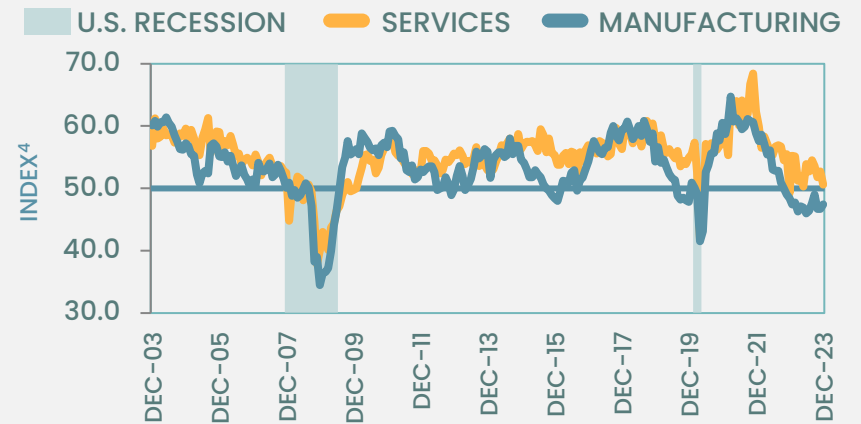
QUARTERLY MARKET UPDATE

ECONOMIC INDICATORS | 20 YEARS THROUGH Q4 2023

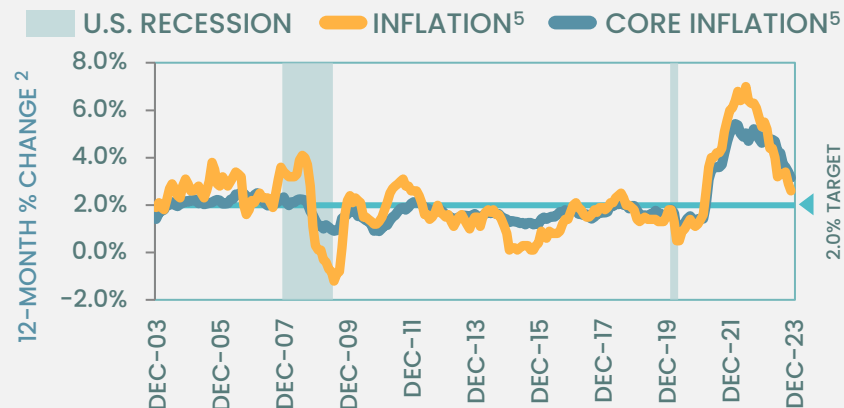
LABOR MARKET | JOB CREATION



ECONOMIC ACTIVITY | ISM SURVEYS



INFLATION



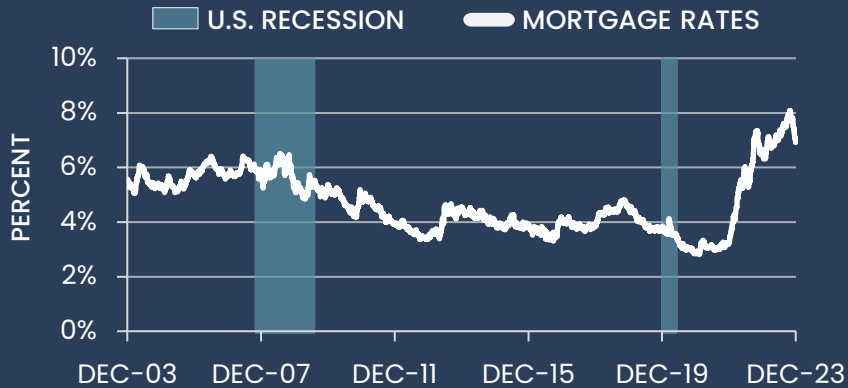
COMMENTS

- RECENT LABOR MARKET DATA HAS BEEN CONSISTENT WITH A GENERAL COOLING OF CONDITIONS AS THE 3-MONTH MOVING AVERAGE HAS RETURNED TO PRE-PANDEMIC LEVELS.
- Q4 MANUFACTURING SECTOR DATA REMAINED IN CONTRACTIONARY TERRITORY WITH READINGS BELOW 50 IN ALL THREE MONTHS (THE LAST 14 MONTHS IN A ROW). MEANWHILE, SERVICE SECTOR DATA REMAINED IN EXPANSIONARY TERRITORY THROUGHOUT THE QUARTER EVEN THOUGH THE DECEMBER READING WAS SOFT AT 50.6.
- HEADLINE AND CORE INFLATION METRICS HAVE IMPROVED MEANINGFULLY, HOWEVER BOTH REMAIN ABOVE THE FED'S 2% TARGET, SUGGESTING THE JOB ON INFLATION IS INCOMPLETE.

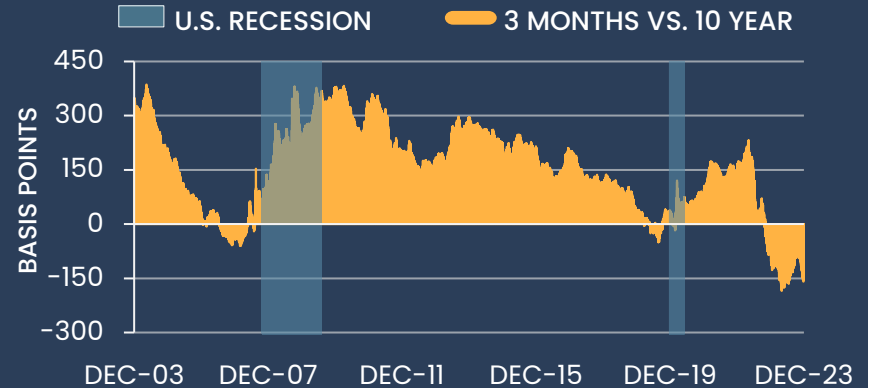
QUARTERLY MARKET UPDATE

HOUSING ACTIVITY DWINDLES AND THE TREASURY CURVE INVERTS FURTHER

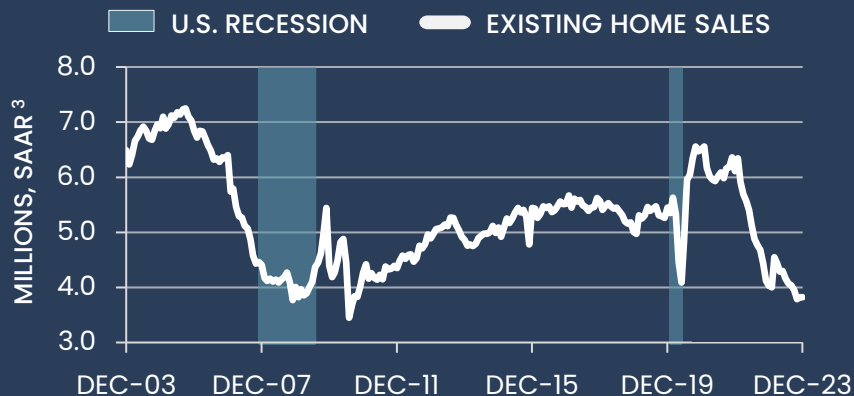
MORTGAGE RATES¹



3 MONTH BILLS & 10'S



EXISTING HOME SALES²



COMMENTS

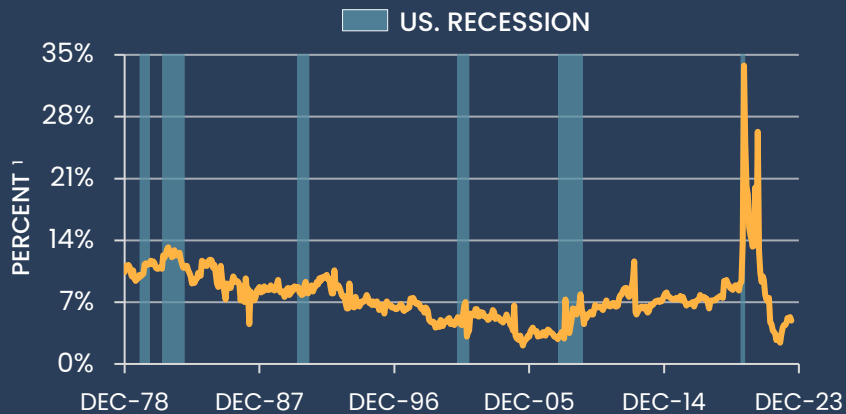
- THE NATIONAL AVERAGE FOR 30-YR FIXED RATE MORTGAGES REMAINS ELEVATED DESPITE A LITTLE RELIEF SPURRED BY A SIZABLE DECLINE IN TREASURY YIELDS DURING THE QUARTER.
- THE RAPID FALL IN LONGER MATURITY U.S. TREASURY YIELDS DURING Q4 WORKED TO FURTHER INVERT THE TREASURY CURVE AS THE SPREAD BETWEEN 10-YR UST YIELDS AND 3-MONTH BILLS (A HISTORICALLY RELIABLE RECESSION INDICATOR) FELL BY 58 BPS FROM -87 BPS TO -145 BPS.
- THE HOUSING SECTOR CONTINUES TO FACE AFFORDABILITY ISSUES WHICH HAS HURT ACTIVITY AND IS A HEADWIND FOR BROADER ECONOMIC GROWTH.

SOURCE: BLOOMBERG, PERFORMA, NBER | ¹ BANKRATE.COM, U.S. HOME MORTGAGE 30-YEAR FIXED NATIONAL AVERAGE ² NATIONAL ASSOCIATION OF REALTORS, ³ SAAR: SEASONALLY ADJUSTED ANNUALIZED RATE.

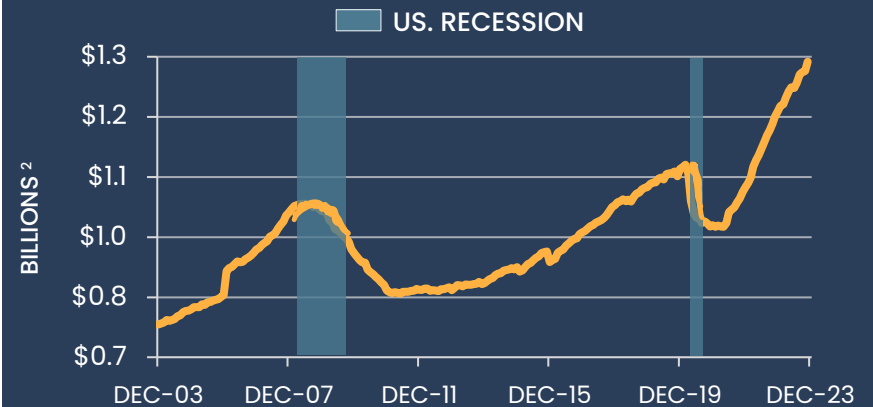
QUARTERLY MARKET UPDATE

U.S. CONSUMER | STILL SPENDING DESPITE CHALLENGES

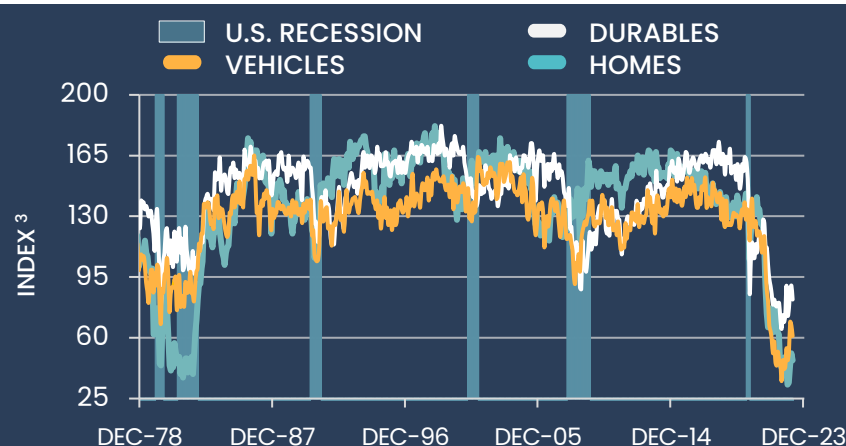
U.S. SAVING RATE



REVOLVING CONSUMER CREDIT



U. MICHIGAN BUYING CONDITIONS



COMMENTS

- WITH INFLATION TRENDING LOWER AND A STILL-HEALTHY LABOR MARKET, THE U.S. CONSUMER HAS BENEFITED FROM POSITIVE REAL EARNINGS.
- DESPITE THE IMPROVEMENT IN REAL WAGES, CONSUMERS CONTINUED TO RAMP UP CREDIT CARD DEBT DURING Q4 AND REPORTED POOR BUYING CONDITIONS FOR HOMES, CARS AND HOUSEHOLD DURABLES.
- EVEN WITH THE CHALLENGING ENVIRONMENT, HIGH-FREQUENCY DATA (SUCH AS RESTAURANT ACTIVITY, HOTEL BOOKINGS AND TSA THROUGHPUT) CONTINUE TO HIGHLIGHT A STILL-ACTIVE U.S. CONSUMER.

QUARTERLY MARKET UPDATE

KEY THEME SUMMARY | Q4 2023

1. THE FED

- INFLATION HAS TRENDED MEANINGFULLY LOWER, WHICH HAS ALLOWED THE FEDERAL RESERVE TO TAKE A PATIENT, WAIT-AND-SEE APPROACH TO MONETARY POLICY.
- THE FED LEFT INTEREST RATES UNCHANGED DURING THE FOURTH QUARTER AND BEGAN PREPPING MARKETS FOR A SHIFT IN ITS BALANCE SHEET REDUCTION PLAN AS WELL AS LOWER INTEREST RATES IN 2024.
- DOVISH RHETORIC FROM THE FED ACCELERATED MARKET EXPECTATIONS FOR LOWER INTEREST RATES, CREATING A DIVERGENCE BETWEEN THE FED (EXPECTING THREE 25 BPS RATE CUTS BY YEAR END 2024) AND THE MARKET (PRICING IN ABOUT SIX CUTS).

2. U.S. LABOR MARKET STILL TIGHT

- THE U.S. LABOR MARKET PROVED TO BE PARTICULARLY RESILIENT IN 2024.
- JOB CREATION AVERAGED 165K DURING Q4, A NOTABLE SLOWDOWN FROM THE THIRD QUARTER, BUT STILL AT A HEALTHY LEVEL AND CONSISTENT WITH PRE-PANDEMIC READINGS.
- INITIAL JOBLESS CLAIMS, WHICH TRACKS PEOPLE FILING FOR UNEMPLOYMENT BENEFITS, REMAINED AT HISTORICALLY LOW LEVELS, GIVING NO INDICATION THAT WE ARE ABOUT TO SEE A DRAMATIC WEAKENING IN LABOR MARKET CONDITIONS.

3. HOUSING SECTOR

- THE RAPID DECLINE IN INTEREST RATES DURING Q4 PROVIDED SOME RELIEF TO 30-YR MORTGAGE RATES, WHICH DROPPED BACK TOWARD A STILL-HEFTY 7% BY QUARTER END.
- THE DECLINE IN MORTGAGE RATES DID LITTLE TO REMEDY PERSISTENT AFFORDABILITY ISSUES, WHICH HAS WEIGHED HEAVILY ON ACTIVITY, WITH EXISTING HOME SALES AT THE LOWEST LEVELS SINCE THE HOUSING BUBBLE BURST DURING THE GLOBAL FINANCIAL CRISIS.
- WHILE HOUSING ACTIVITY HAS STRUGGLED, THE WEAKNESS HAS NOT YET EXTENDED TO HOUSE PRICES (WHICH REMAIN ELEVATED).

DISCLAIMERS & CONTACT INFORMATION

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