MoneyMatters
Market Update

Q1
2024

Balanced Optimism

ROEHL & YI
INVESTMENT ADVISORS, LLC

Balanced Optimism

The year 2023 was marked by redemption. Most markets bounced back strongly after a rough 2022, recouping what was lost and placing us close to where we began two years ago. With the Federal Reserve's pronouncement in December that 2024 was likely to see substantial rate cuts, stocks and bonds rose feverishly in the final two months to finish what turned out to be a good year across the board.

The economy has proven, yet again, to be resilient. As of December 2023, the unemployment rate was 3.7% (Source: *Bureau of Labor Statistics*). For all of 2023, employers added 2.7 million jobs, or an average monthly gain of 225,000 jobs. This was lower than the increase of 4.8 million in 2022 (with an average monthly gain of 399,000), but a larger gain than in the years preceding the pandemic (Source: *JP Morgan*).

GDP in the fourth quarter of 2023 was 3.3% (Source: *Bureau of Economic Analysis*), staving off a recession, albeit much lower than the prior quarter's growth of 4.9% (Source: *US Department of Commerce*). Inflation pressures continue to ease but remain above the Fed's 2% target as consumer prices for all items rose 3.4% from December 2022 to December 2023 (Source: *Bureau of Labor Statistics*). Wage growth (after inflation) turned positive for the first time since the pandemic (Source: *Blue River*), allowing workers some chance to repair the damage done to budgets from rising prices.

The potential moderation of interest rates in 2024 could also loosen the housing market via a larger inventory and untether those who wish to move but have otherwise stayed put.

There are plenty of positive economic indicators, and the coming year promises to be no less eventful than 2023. Odds are good there will be more noise for investors to sort through amidst the handful of challenges that may confound this favorable movement – including China struggling economically and no longer powering world growth, a contentious US presidential election, the spread of broader conflict in the Middle East, a growing debt crisis, and the consumer remaining under financial pressure, to name a few.

All things considered, Roehl & Yi would ideally like to see stock prices become less bound to interest rates and driven instead by more traditional profit growth – marking a true sign of a sustainably healthy market.

Market Recap
Stock Market

The S&P 500 Index ended 2023 with a big finish gaining 26.29%, a stark reversal from the 18.11% loss in 2022. The Russell 1000 large-cap growth index was up 42.68%, the Russell 1000 large-cap value index rose by 11.46%, and the Russell 2000 small-cap gained 16.93%, turning positive in the final two months of the year. Meanwhile, international stocks were up 18.24%* and the US bond market rose 5.53% for the year (Source: *Morningstar*).

The table below is an overview of market performance for 2023.

**The MSCI EAFE Index is an equity index that captures large- and mid-cap representation across 21 Developed Markets and countries around the world, excluding the US and Canada.*

2023 Market Returns (December 31, 2023)

	4Q 2023	FULL YEAR 2023	FULL YEAR 2022	CURRENT YIELD	COMMENTS
EQUITIES					
US Large Stocks - S&P 500	11.69	26.29	-18.11	1.48	*With a big finish, index gained back what was lost in 2022.*
US Large Value - Russell 1000 Value	9.50	11.46	-7.54	2.28	*A reversal from 2022, value and dividend stocks significantly underperformed in 2023.*
US Large Growth - Russell 1000 Growth	14.16	42.68	-29.14	0.75	*Megacap Tech drove performance as the "Magnificent 7" surged higher.*
US Small Stocks - Russell 2000	14.03	16.93	-20.44	1.41	*Turned positive only in final two months of the year.*
Int'l Developed Stocks - MSCI EAFE	10.42	18.24	-14.45	3.19	*Foreign markets index also gained back losses from 2022.*
Emerging Markets Stocks - MSCI EM	7.86	9.83	-20.09	2.84	*Emerging markets lagged developed markets primarily due to China underperformance.*
FIXED INCOME					
Cash - US 3-Month Treasury Bill	1.37	5.01	1.46	5.40	*Treasury Bills & money market yields remain over 5%.*
Core Bonds - Bloomberg US Aggregate	6.82	5.53	-13.01	4.60	*Turned positive only in final two months of the year.*
US 10-Year Treasury Bonds	6.99	3.80	-16.37	3.88	*The 10-year yield rose to over 5% briefly in October before rapidly falling under 4%.*
Bloomberg Muncipal Bonds	7.89	6.40	-8.53	3.05	*Muni bonds finished the year strong after a difficult stretch from 2022 through October.*
Bloomberg US TIPS	4.71	3.90	-11.85	5.70	*Inflation-linked bonds steady and positive all year.*
Bloomberg US High Yield	7.16	13.45	-11.19	7.62	*"Junk" bonds followed the path of the US stock rally.*
Int'l Bonds - FTSE World Gov't Bond	8.08	5.19	-18.26	3.58	*Helped by a weaker dollar, international bonds turned positive in November.*
ALTERNATIVES/MISCELLANEOUS					
US Public Real Estate - DJ US Select REIT	16.35	13.96	-25.96	3.90	*Commercial real estate still weak but may be steadying.*
Bloomberg Commodity	-4.63	-7.91	16.09		*A decline for most commodities after being 2022 leaders.*
Gold - LBMA Gold Price	11.11	14.59	0.44		*Mainly steady and positive all year.*
Oil - West Texas Crude	28.46	13.24	6.41		*Record U.S. output helps cap world oil price.*
Bitcoin - S&P Bitcoin	56.06	153.69	-63.89		*Back from the dead despite scandal & failure of FTX.*
US Dollar, Change	-3.15	-2.20	5.33		*Fell in last two months of year, along with interest rates*
Consumer Price Index, 12 Mo Change		3.10	7.10		*Headline inflation steadily declined during the year.*

Sources: Morningstar, S&P Global, FTSE Russell, MSCI, Bloomberg. Past performance is no guarantee of future returns.
Current yields are based on forward dividend yields for equities and yield to maturity for bonds.
Data as of 12/31/2023

Market Rebound Spreads Globally

2023 was a momentous year for stock markets around the world, with the exceptions being Turkey, China, and Hong Kong. These rebounds are underscored by the US market being only in 7th place in terms of returns. When it came to market sectors we saw a near-perfect reversal from 2022 with technology leading the way with a 56% return (Source: *Morningstar*).

2023 Country & Sector Returns

Argentina	52.1%	USA	26.2%	Canada	14.7%
Mexico	40.3%	Germany	23.3%	Australia	13.8%
Greece	39.9%	France	21.7%	UK	12.4%
Brazil	32.7%	Japan	20.3%	S.Africa	1.5%
Italy	30.6%	S.Korea	19.0%	Turkey	-8.6%
Spain	30.3%	Switzerland	17.7%	China	-11.2%
		India	17.1%	Hong Kong	-13.8%

2023 local stock market returns, in US dollars

US S&P 500 Index Sector	2023 return	2022 return	Sample firms
Technology	56.0%	-26.5%	Software, hardware
Communication Services	52.8%	-29.8%	Internet, media, telephone
Consumer Discretionary	39.6%	-32.5%	Retail stores, auto makers
Industrials	18.1%	-16.8%	Machinery, aerospace
Materials	12.4%	-17.9%	Miners, agriculture, timber
Real Estate	12.3%	-20.0%	Property management
Financials	12.0%	-18.7%	Banks, Insurance
Health Care	2.0%	-8.3%	Drug companies, health services
Energy	-0.6%	31.7%	Oil & gas
Consumer Staples	-0.8%	-5.3%	Household food, personal care
Utilities	-7.2%	-0.6%	Electric & water

Source: Morningstar
Data as of 12/31/2023

The chart above displays 2022 and 2023 returns for all 11 sectors of the S&P 500. The primary purpose is to show that most of the sectors with the strongest 2023 performance significantly lagged in 2022, and vice versa. The data in this chart is for informational purposes only. Past performance is no guarantee of future returns.

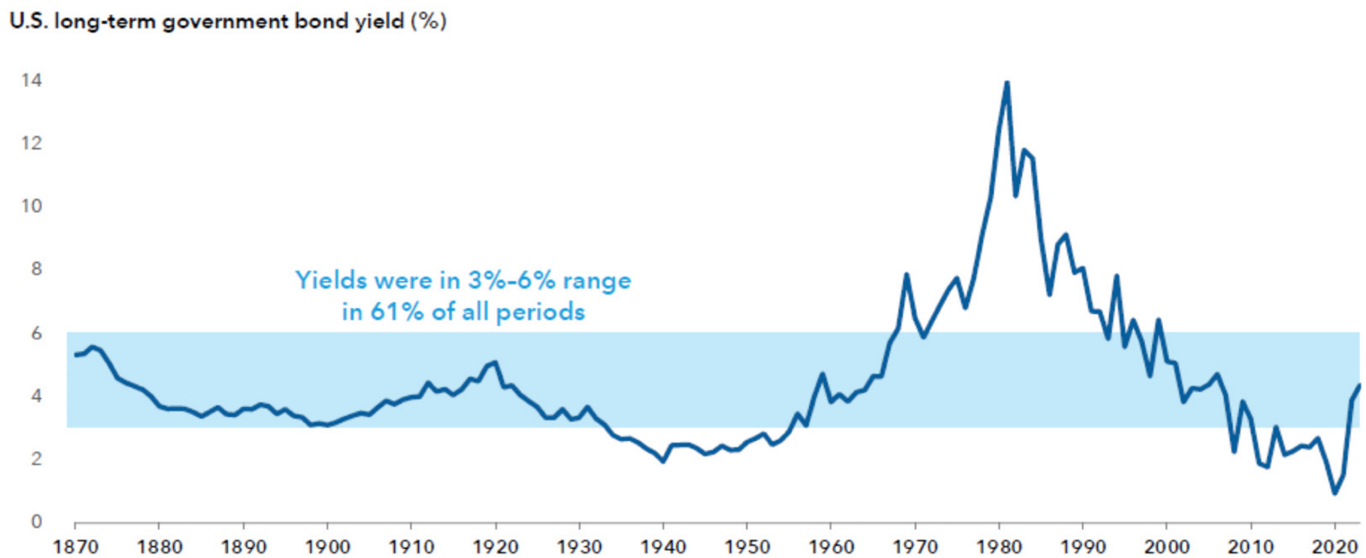
The Economy
Interest Rates Remain Far From Historical Peaks

Understandably, investors have been whipsawed by the recent interest rate hikes, particularly given the speed at which they have occurred. Even with the Federal Funds rate increasing from 0% to over 5% from the start of 2022, US long-term rates today remain within normal ranges and far below the 14% interest rates experienced in 1980.

The Federal Reserve is in a delicate balance to achieve both lower inflation and economic growth, which could weigh on markets, though consumers are seeing a much higher return on bond yields.

On the upside, historically when 10-year rates were 4.0% to 6.0%, the median annualized return since 1976 for the S&P 500 Index was 14.20%, while the Bloomberg US Aggregate Index returned 6.99% (Source: *Capital Group*).

A Return to Higher Bond Yields



Sources: Capital Group, Federal Reserve, Robert Shiller. Data for 1871–1961 represents average monthly U.S. long-term government bond yields compiled by Robert Shiller. Data for 1962–2022 represents 10-year Treasury yields, as of December 31 each year within the period. Data for 2023 is as of November 30, 2023. Past results are not predictive of results in future periods.)

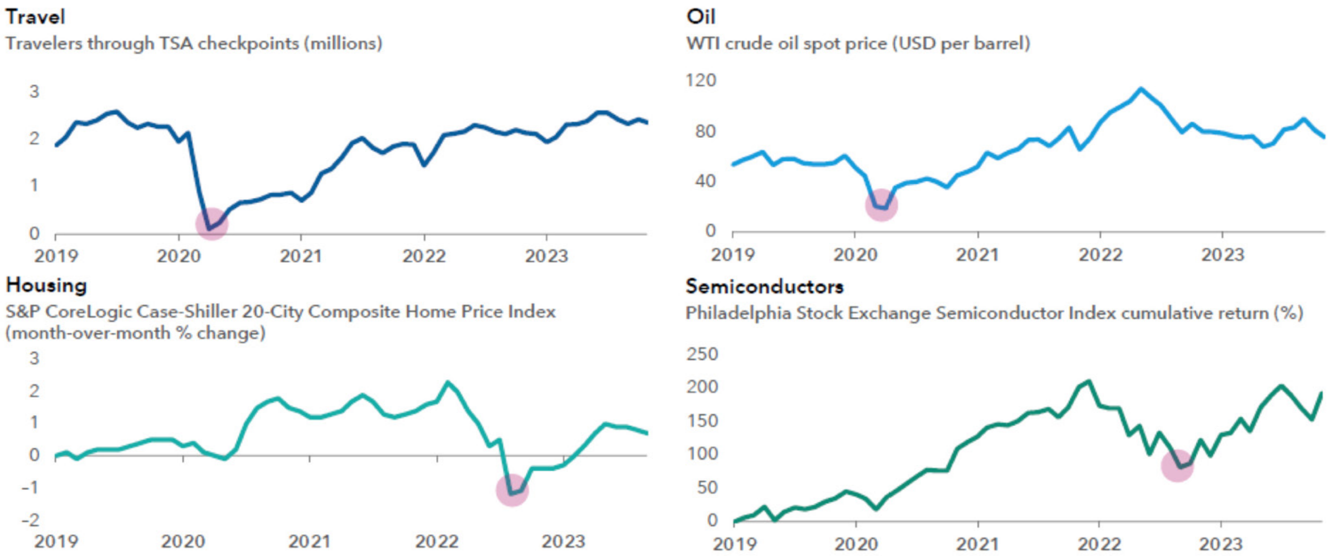
Mini-Recessions May Be a Saving Grace

Many analysts predicted a recession in 2023, which did not come to fruition in the traditional sense as demonstrated by a fall in GDP for two successive quarters.

A recession did occur, however, just not all at once. Over the past year and a half, we have been experiencing a phenomenon economists call a ***rolling recession*** – marked by different economic sector downturns at different times.

The charts below show various periods of decline across industries and markets. For example, residential housing contracted sharply in 2022 with existing home sales tumbling nearly 40% (Source: *Capital Group*). There are now signs of a housing market recovery. These types of contractions and recoveries (rolling recessions) could help prevent a traditional full-blown recession in 2024, despite the possibility for continuous stubborn inflation and higher interest rates.

Rolling Recessions May Limit Risk of Broad Downturn

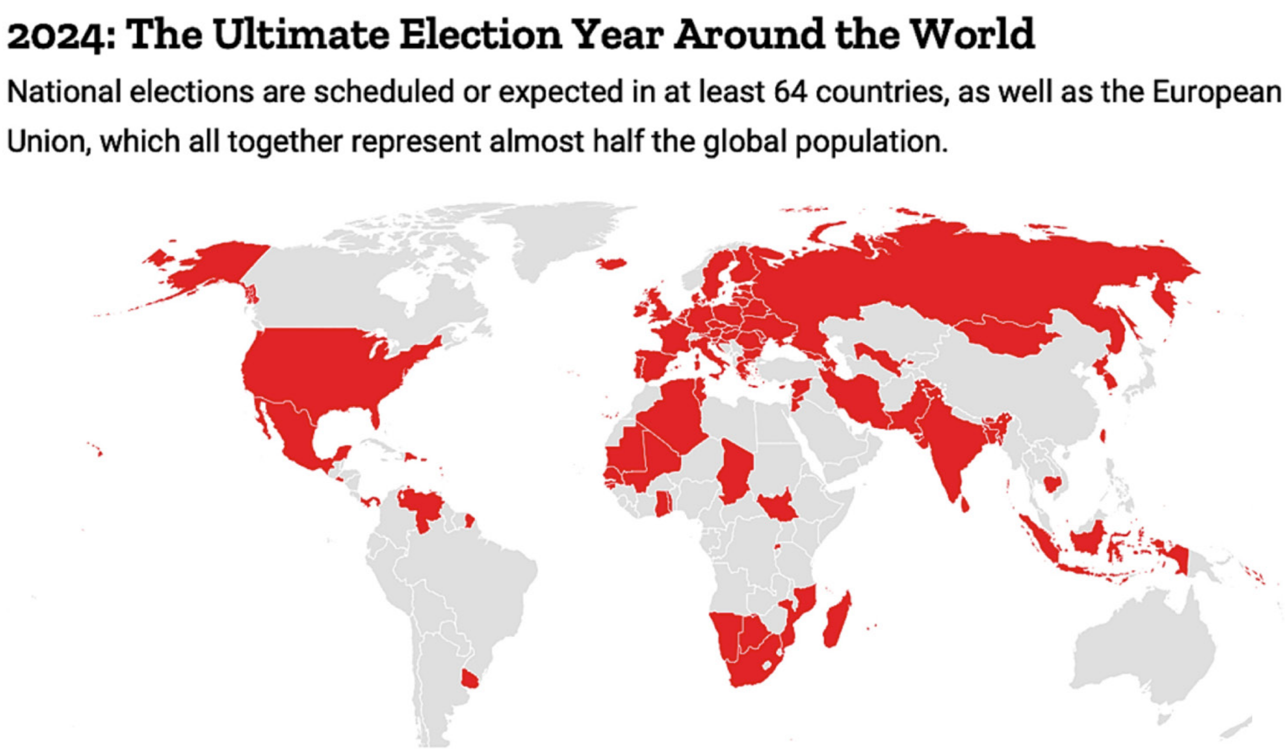


Sources: Capital Group, Travel: Transportation Security Agency (TSA), U.S. Department of Homeland Security. Data is a 30-day moving average. As of November 30, 2023. Oil: Refinitiv. As of November 30, 2023. Housing: Standard & Poor's. Latest available monthly data is September 2023, as of November 30, 2023. Semiconductors: Philadelphia Stock Exchange. As of November 30, 2023. Data represents cumulative price return since January 1, 2019. Markers indicate recent low points and to illustrate that a recovery may have already begun in these four sectors. Past results are not predictive of results in future periods

The World
Global Elections and the Unknown

The US is not the only country expecting an election this year. National elections are scheduled or expected in at least 64 countries as well as the European Union. Those 64 countries, along with the EU, represent almost half of the global population. These exercises in democracy always have the potential for unknown risks abroad as well as here at home (Source: *Time Magazine*).

Upcoming Elections Around the World

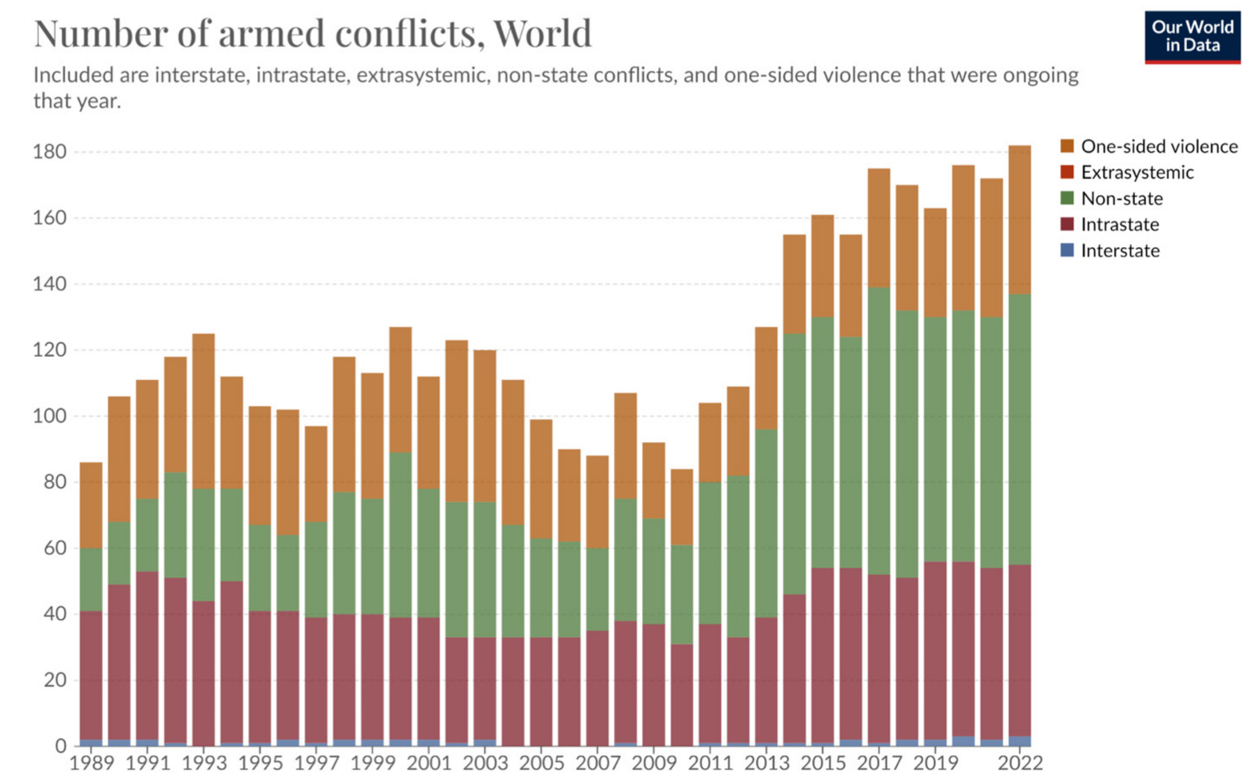


Source: Time Magazine

Increasing Risk of War

In much the way the Russia-Ukraine war impacted oil, gas, and grain trade, other global conflicts have the potential to disrupt imports and exports, cause port delays, and affect our social order. Roehl & Yi will closely monitor these global events and strive to mitigate any material consequences to your portfolios.

Geopolitical Risk Rising



Source: Uppsala Conflict Data Program (2023)

Roehl & Yi's Final Thoughts

The economy is limber, but we believe that the full gravity of the rate hike cycle on the broader economy has likely yet to be observed. Continue to be mindful of converging domestic and world events that can cause market volatility and proceed with logic and reason.

Consider these three suggestions:

1. As we move into a more stabilized rate environment, fixed income may present opportunities.
   NOTE: At the end of 2023, municipal bond yields were relatively higher and therefore we believe that they are more attractive than in prior years.
2. Emphasize value and diversification to help protect against a resurgence in inflation.
3. Ensure stock holdings are high quality.

The Roehl & Yi Promise

Roehl & Yi is committed to delivering more value through enhanced client engagement, new educational videos, resource-filled emails, and more.

As always, we are grateful for your continued trust in Roehl & Yi, and we ask that your first phone call be to us if you have any questions or concerns about your investments or other financial matters. May you and your family experience happiness and good health.

ROEHL & YI
INVESTMENT ADVISORS, LLC

For A Personal Wealth of Reasons

450 Country Club Rd., Suite 200, Eugene, OR 97401
Tel: 541.683.2085 • Toll Free: 888.683.4343
www.Roehl-Yi.com

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INFO@ROEHL-YI.COM