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Michael's Musings

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INDEX	LAST	NET	% CHG	% CHG YTD	% CHG vs. HIGH	50 Day M.A.	200 Day M.A.
Dow Jones	37404.35	322.35	0.87%	12.84%	1.22%	34911	34159
Dow Jones Transports	15992.09	266.21	1.69%	19.42%	-6.15%	14863	14875
Dow Jones Utilities	868.86	1.15	0.13%	-10.19%	-17.86%	852	894
S&P 500	4746.75	48.40	1.03%	23.63%	-1.49%	4460	4332
S&P 400 Midcap	2778.12	36.61	1.34%	14.31%	-5.05%	2528	2537
S&P 600 Smallcap	1313.19	21.71	1.68%	13.45%	-11.12%	1166	1178
NASDAQ	14963.87	185.92	1.26%	42.97%	-7.70%	13883	13269
NASDAQ 100	16757.41	203.25	1.23%	53.18%	-0.04%	15561	14630
Russell 2000 (Smallcap)	2017.06	34.23	1.73%	14.53%	-17.97%	1793	1822

Treasury Yield Curve

PRIME	30 Yr. Jumbo	90 Day T-Bill	2 Yr. T-Note	10 Yr. T-Note	30 Yr. T-Bond
8.50%	7.33%	5.420%	4.330%	3.890%	4.030%

4Q23 — A Strong Finish

The financial markets staged a strong finish to 2023, recovering from what had been a rockier third quarter and beginning of the fourth. For most of October, there were concerns that the stock market, in particular, was at risk of breaking down in more severe fashion; yet, sentiment quickly shifted from caution to confidence almost as if a switch had been flipped, and the rally in many asset prices was then on! Many attributed the sharp turnaround to a growing belief that the Federal Reserve would begin to cut interest rates in the first half of 2024. This optimism was further bolstered by what has now arguably become the consensus view that the Fed may actually be able to pull off what many believed impossible just a year or two ago — a “soft landing.” Getting inflation back down toward the Fed’s long-term target without crashing the economy in the process was always going to be a challenge; however, the central bank has so far managed to do so even if many economic metrics have slowed. A recession remains a possibility, though there is now hope that a looser Fed policy may be enough to avoid such an imminent contraction in the economy.

THE EQUITY MARKET

The stock market was the primary beneficiary of the renewed optimism and expectation for lower interest rates that emerged in the fourth quarter. The S&P 500 finished 2023 up around 24% but as late as October 27 that number was a much more modest 7%.

THE EQUITY MARKET

The gain in stocks was, therefore, very much back-loaded, with November and December both seeing impressive performance. Even better, the rally was quite broad, with progress made across the general market. There were concerns earlier in the year that only a handful of large companies had been responsible for the majority of the market's gains, yet such worries largely went away in the fourth quarter thanks to the improved performance even among smaller companies. The result was that by the end of 2023, the Dow Jones Industrial Average had made its first new all-time high since January 2022 and the S&P 500 was just a few points away from doing the same. In other words, the large cap indices have now effectively regained what they lost during a challenging 2022.

THE BOND MARKET

The rise in stocks during the fourth quarter coincided with a corresponding drop in interest rates. This, of course, helped boost bond prices, which move inversely to rates. After a 2022 that saw investors doubly-punished by losses in both stocks and bonds, the late-year recovery in these financial assets was a welcome relief. While rates are unlikely to fall back down as low as they were at their nadir during the COVID shutdown, a less restrictive Fed policy would potentially help keep them from rising again as sharply as they did a couple of years ago. What's more, lower rates should also help ease credit conditions and financing costs for companies. The hope is that this can further stimulate the economy by increasing investment and lending.

COMMODITIES

Commodities were more mixed in the fourth quarter, continuing a trend of what has been a more rangebound last couple of years. Gold prices bottomed in early October and finished 2023 strong, hitting a new all-time high above \$2100 before retreating back down slightly. Despite reduced inflation fears, the precious metal has remained resilient. Crude Oil and Natural Gas, on the other hand, sold off in the final months of the year to end 2023 lower than they began it. That has helped to further ease inflation data, but Oil, in particular, refuses to break down completely. It remains supported for now around \$65-70. More broadly as an asset class, Commodities were flat on the year. After performing relatively well during a rough 2022 for other assets, Commodities did not contribute much for investors in 2023.

CONCLUSION

The fourth quarter salvaged what had otherwise been a rather mixed year for financial assets up to that point. Stocks and bonds took off to the upside in late October and never really looked back into year-end. While that has translated into renewed optimism going into 2024, challenges will remain to sustain such strong performance. Many economic indicators continue to reflect that the economy has slowed from its pace of a couple of years ago, and the yield curve does remain inverted. Historically, an inverted yield curve has been a very reliable recession indicator, even though it sometimes takes a year or two for the inversion to result in an official recession. Moreover, while the stock market is not as overvalued as it was at its peak in 2021-2022, many valuation metrics remain on the higher end of their historical ranges.

So, while there are plenty of reasons to be hopeful that prices will continue to rise — including the fact that presidential election years have historically been stronger than average — risk management must remain a priority.

Sincerely,



Michael A. Jones

Additions to the team:



Please give a warm welcome to our newest team member, Amy Galluzzo. She joins the Jones Financial Group with 20+ years of financial services industry experience. She is licensed with her series 7 General Securities Representative License and 66 Uniform combined state exam. Her role will be a Senior Registered Client Service Associate.

Anniversaries:

Steve Briggs celebrated 11 years with Raymond James in November.

Congratulations:

David Jones passed the SIE exam in October & Series 7 General Securities Representative exam in December!

Kristen LaRue “KP” passed the Series 63 Uniform Securities Agent State Law exam in December!

Upcoming Holidays/Events:

We will be closed on Monday, February 19th for Washington’s Birthday & Friday, March 29th for Good Friday.

Checkout our Facebook page for upcoming events. We are hoping to host the annual Movie Day in March as well as an economic breakfast seminar.

<https://www.facebook.com/jonesfinancialgroup>

Deadlines:

IRA and Roth Contributions **April 15th 2024**

Would you like to be invited to our Annual Client Advocate Dinner? Refer a friend or relative to us and have them call to schedule their initial meeting to be invited to next year’s event held in May 2025.

Help us grow in 2024!

Our goal is to offer services to several other clients just like you! We would be honored if you would:

- Add a name to our mailing list;
- Bring someone to a workshop or client event;
- Have them come in for a complimentary initial meeting.

Please call Rhiannon Spencer at (815) 391-6000 and we would be happy to assist you!

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Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable, however, their accuracy or completeness cannot be guaranteed.

Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs, or expenses. No investment strategy, such as asset allocation and rebalancing, can guarantee a profit or protect against loss in periods of declining values.

In general, the bond market is volatile, bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. The investor should note that investments in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which may be even greater in emerging markets.

The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility.

The S&P 500 is an unmanaged index of 500 widely held stocks. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The Barclays Capital U.S. Aggregate Bond Index is often used to represent investment grade bonds being traded in the United States. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S.

The Dow Jones Transportation Average™ is a 20-stock, price-weighted index that represents the stock performance of large, well-known U.S. companies within the transportation industry. The Dow Jones Utilities Index is a member of the Dow Jones Global Indices® family, is designed to measure the stock performance of U.S. companies in the utilities industry. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The S&P SmallCap 600® seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The Nasdaq-100 Index (NDX®) defines today's modern-day industrials—comprised of 100 of the largest and most innovative non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index

Sources: Wall Street Journal, Bloomberg Finance, Federal Reserve, Barron's, Treasury Department, Reveille Letter.

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