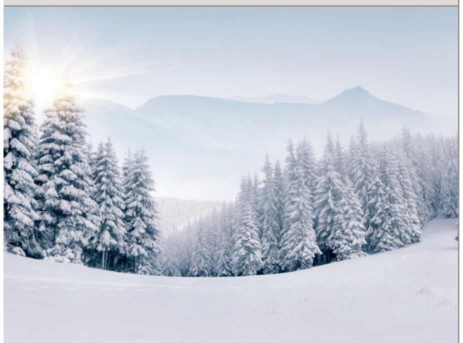
RAYMOND JAMES®

market update

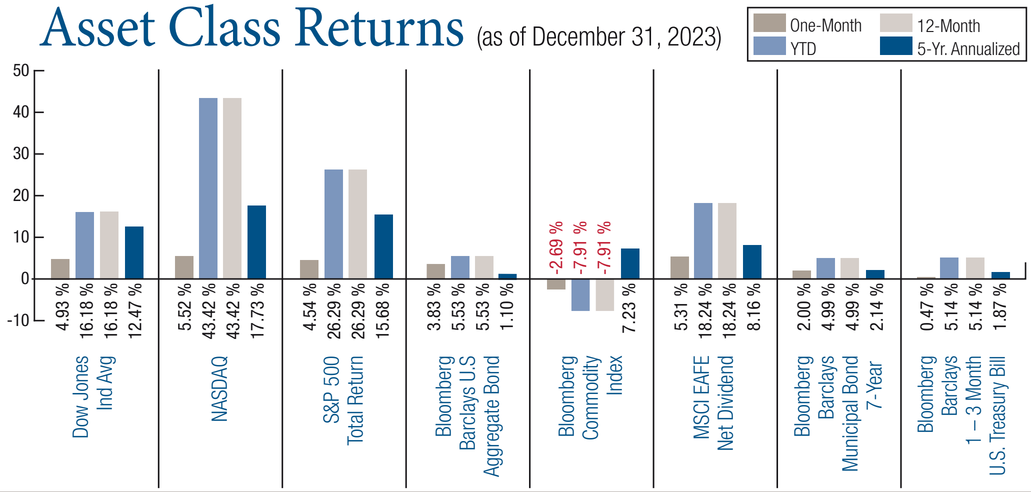
JANUARY | 2024

From the Office of Jeff Sgroi, CFP®



"Goals are like magnets. They'll attract the things that make them come true."
– *Tony Robbins*

Asset Class Returns (as of December 31, 2023)



Market & Economic Synopsis

- Ongoing quality-control issues at Boeing disrupt hundreds of flights as inspections continue.
- Republican 2024 presidential candidate list narrows as DeSantis and Ramaswamy are latest to drop out.
- SEC approves the first U.S.-listed exchange traded funds to track bitcoin, in a move expected to broaden investor accessibility to the mercurial asset.
- Dow Jones Industrial Average reaches 38,000 for first time ever on January 22, 2024.
- Oil prices expected to rise as key shipping lanes disrupted and Houthi rebel threats prompt U.S. Naval action.

Market Outlook

As opined in our last *Market Update*, we finished 2023 with strong, positive movement in both the equity and fixed-income markets. That momentum has carried through to the first few weeks of 2024. Interestingly, what worked best last year were some of the worst performers the year prior (2022).

Asset Class Return Unpredictability

On a broad scale, U.S. equities were the best performing asset class in 2023, after outperforming only real estate in 2022. On the flip side, cash & cash alternatives and commodities were relative underperformers in 2023, while being the two best asset classes in 2022.

CAPITAL MARKETS | BROAD ASSET CLASS RETURNS

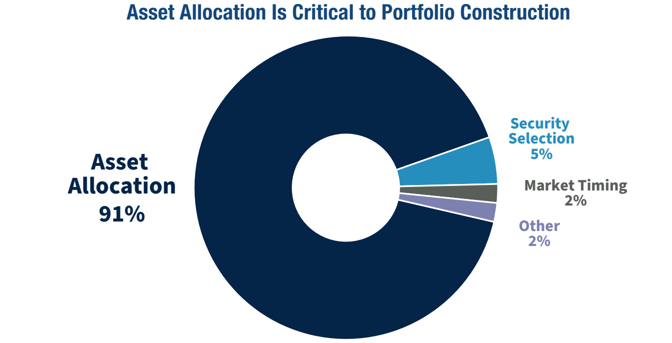
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Non-US Equities 17.0%	US Equities 32.4%	Real Estate 14.3%	US Equities 1.4%	Real Estate 15.3%	Non-US Equities 24.8%	Cash & Cash Alternatives 1.8%	US Equities 31.5%	US Equities 18.4%	Real Estate 38.6%	Commodities 13.8%	US Equities 26.3%
US Equities 16.0%	Non-US Equities 21.6%	US Equities 13.7%	Fixed Income 0.5%	US Equities 12.0%	US Equities 21.8%	Fixed Income 0.0%	Non-US Equities 23.2%	Blended Portfolio 12.5%	US Equities 28.7%	Cash & Cash Alternatives 1.5%	Non-US Equities 18.6%
Blended Portfolio 11.4%	Blended Portfolio 17.0%	Blended Portfolio 8.0%	Blended Portfolio 0.5%	Commodities 11.4%	Blended Portfolio 15.0%	Blended Portfolio -4.0%	Blended Portfolio 21.1%	Non-US Equities 8.1%	Commodities 27.1%	Fixed Income -13.0%	Blended Portfolio 16.8%
Fixed Income 4.2%	Cash & Cash Alternatives 0.0%	Fixed Income 6.0%	Cash & Cash Alternatives 0.0%	Blended Portfolio 6.9%	Fixed Income 3.5%	US Equities -4.4%	Real Estate 19.5%	Fixed Income 7.5%	Blended Portfolio 14.3%	Non-US Equities -13.8%	Real Estate 9.8%
Real Estate 0.6%	Fixed Income -2.0%	Cash & Cash Alternatives 0.0%	Non-US Equities -2.6%	Non-US Equities 3.3%	Cash & Cash Alternatives 0.8%	Real Estate -7.6%	Fixed Income 8.7%	Cash & Cash Alternatives 0.5%	Non-US Equities 13.2%	Blended Portfolio -15.4%	Fixed Income 5.5%
Cash & Cash Alternatives 0.1%	Commodities -9.6%	Non-US Equities -3.9%	Real Estate -24.2%	Fixed Income 2.6%	Commodities 0.7%	Commodities -13.0%	Commodities 5.4%	Commodities -3.5%	Cash & Cash Alternatives 0.0%	US Equities -18.1%	Cash & Cash Alternatives 5.1%
Commodities -1.1%	Real Estate -25.8%	Commodities -17.0%	Commodities -24.7%	Cash & Cash Alternatives 0.3%	Real Estate -0.2%	Non-US Equities -13.6%	Cash & Cash Alternatives 2.2%	Real Estate -13.1%	Fixed Income -1.5%	Real Estate -27.5%	Commodities -12.6%

Blended Portfolio Allocation: 45% US Equity / 15% Non-US Equity / 40% Fixed Income. As of: 12/31/2023

Drilling down into equity sectors, large growth (i.e., think mega-cap technology companies) led the bull market charge in 2023, after a completely downtrodden 2022. Fixed-income returns exhibited parallels to the equity markets, with long-term bonds posting strong double-digit gains in 2023 after suffering more than any other fixed-income sector in 2022. Agency bonds were the second-best bond class in 2022, yet the weakest in 2023.

In short, year-to-year variances between asset classes both broad and narrow, has been the norm the past couple of years. Interestingly, a study done regarding portfolio construction and associated returns shows that 91% of performance is based upon asset allocation selection. Only a small portion is attributed to security selection and market timing.

Asset Allocation Is Critical to Portfolio Construction



Source: Determinants of Portfolio Performance, Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower, Financial Analysts Journal, Vol. 42, No. 4 (Jul. – Aug., 1986), pp. 39-44

It is critical that we align client risk profiles with proper investment strategies. This is why, in addition to regular conversations, we ask for you to participate in our Nitrogen (formerly Riskalyze) online risk assessment.

2024 Economic Outlook

"With current available resources, the U.S. is estimated to be able to grow sustainably at ~1.9% without triggering higher prices."

–Eugenio J. Alemán, Ph.D., Chief Economist, Raymond James & Giampiero Fuentes, CFP®, Economist, Raymond James

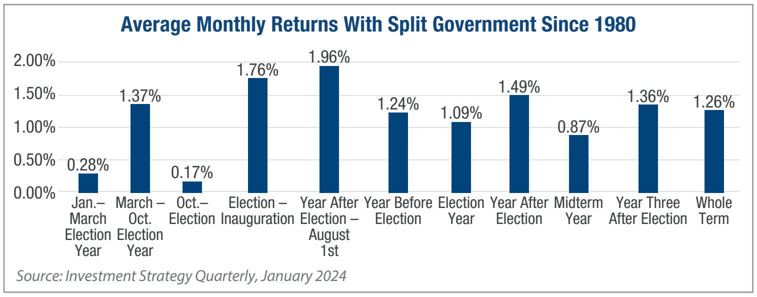
This expectation is aligned with many economists' beliefs that the Federal Reserve can, will, and has navigated the proverbial "soft landing" for the U.S. economy, whereby inflation is tamed, and a recession is avoided. Various economic data has thus far backed this ideal scenario, albeit into a slowing economy.

2024 Election Year Outlook

"Expectations of a divided government set the conditions for calmer waters, seeing positive average monthly returns both ahead of the election (0.17%) and in the years after."

–Ed Mills, Managing Director, Washington Policy Analyst, Equity Research

As Mr. Mills articulates above, and the chart below demonstrates, a split government in Washington D.C., on average, provides a positive backdrop for the equity markets. This is most simply explained based on challenges in pushing legislation through channels when Republicans and Democrats share executive and legislative powers.



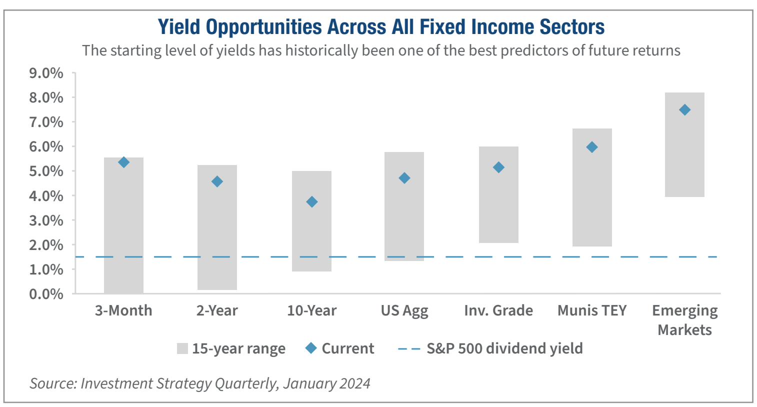
Source: Investment Strategy Quarterly, January 2024

2024 Fixed Income Outlook

"While interest rates are well off their recent peaks, yields still stand at their highest level in nearly 15 years."

–Tracey Manzi, CFA, Senior Investment Strategist, Investment Strategy

After two years of interest rates consistently trending upward, rates pulled back significantly at the Fed's strong hint of ending the tightening cycle in late 2023. Bond prices reacted accordingly, as most fixed-income indices finished solidly to the upside after wavering much of the year. Even with movement toward year end, yields sit toward the upper end of 15-year ranges.



Source: Investment Strategy Quarterly, January 2024

In summary, we are leaning into 2024 with optimism given current market and economic conditions. Additionally, the timing of our election cycle is favorable. Please contact our office if you would like to discuss your personal situation and/or sentiment further!

From the Officefront

We have had a great start to the year with our team of Susan, Zach, Alyssa, and me. Alyssa and I plan to attend the Raymond James Private Client Group Regional Conference in Las Vegas the first week of February. Last year's event, held in Denver, had a strong lineup of speakers and consultants – we expect more of the same for 2024 and will be sure to share our discoveries and findings upon our return.

In the meantime, Zach was recognized as *RJFS Outstanding Branch Associate of the Quarter* last month. The *Branch Associate of the Quarter* award is given to one RJFS branch associate per quarter, who consistently demonstrates excellence in supporting their branch. By my pen, there are over 10,000 branch associates throughout Raymond James nationwide – to be recognized as a top performer within a group that size is remarkable. When Zach learned of his award, he was quick to credit Alyssa and Susan for their support and part in receiving this recognition. Certainly, it is a well deserved and shared award for our team. Nice work!

From the Homefront

Hockey season is in full swing for our twins again. It means most weekends are spent away from home, at tournaments in other mountain towns, sharing too-small hotel rooms, and many miles in our Suburban with stinky hockey gear. It is the best!

So the girls can get a little extra skating time, I have built a skating rink in our side yard – for the third time in the past four years. Each year, we learn another trick to improve the ice surface, lighting, or boards. Since the girls' hockey skills and shooting have improved, we are losing fewer pucks in the snow, though! With any luck, we will have good ice through the end of February. Here is a heartfelt shot of Lily, Hannah, and a couple of their friends on our ice.

In the meantime, I had the good fortune to visit my parents in Massachusetts before Christmas. Stella joined me, and she attended the *Nutcracker* in Boston with my mom. They enjoyed pastries and travel on the "T" (Boston's version of the subway) to and from the Boston Ballet's theatre in the South End. This was the first time in years that Stella has not performed in the *Nutcracker* herself but hopes to participate again next Christmas.

Worthwhile Reads

I just finished a must read for hockey players, hockey parents, or even just fans of the sport. *Beartown*, by Fredrik Backman, is the story of a youth hockey team in a small town struggling for its identity and survival. I suspect many of you who are parents of young kids or teens, or those who grew up in or live in a rural community would enjoy this book as well. It is part of a trilogy that I hope to finish in the next few months.

In the meantime, on a recommendation from a dear client, I just started *Die With Zero – Getting All You Can From Your Money and Your Life* by Bill Perkins.

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617 West Main Street, Suite E | Aspen, CO 81611 | 970-925-4334 | 888-925-4335 | www.raymondjames.com/sgroi