



# WEEKLY HEADINGS

## THOUGHTS OF THE WEEK

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Hope you are staying warm! This week brought record low temperatures and wind chill advisories across the nation—causing school closures, airport delays, and dangerous travel conditions for millions of Americans. While this should not be surprising given January is traditionally the coldest time of the year, the deep freeze is wreaking havoc for many. The bad news: another artic blast is expected to roll in over the weekend, with temperatures expected to remain below average for much of the US. The good news: the cold snap will eventually come to an end. And just like the weather, the bond market is going through its own version of a cold snap, with yields 10-30 basis points higher since the start of the year. Fortunately, like the weather, we do not expect this cooling trend to last. Here's why:

- Policymakers Pour 'Cold Water' On Excessive Rate Cuts** | Treasury yields have steadily climbed since the start of the year, with the 10-year Treasury yield rising back to 4.16% after reaching a low of 3.79% in late December. A retracement after the spectacular rally in the final months of the year was expected. If you recall, we flagged in our December 15 *Weekly Headings* report that Treasury yields were vulnerable to a mild reversal as we were concerned that the market had gotten ahead of itself pricing in six 25 basis point rate cuts in 2024 according to fed funds futures (nearly double the Fed's and our projections). We also worried that any signs of economic resilience could weigh on sentiment. Right on cue, the stronger than expected retail sales report and Fed speakers (Waller, in particular) walking back expectations for a near-term rate cut have dented sentiment and pushed yields higher. However, with Fed rate cuts still on the horizon, we doubt yields will move sustainably higher.

- Economic Data Likely To 'Chill'** | The probability of a recession has eased considerably as economic growth remains more resilient than expected. And, while consensus now expects a soft, non-recessionary landing in 2024, our economist still has the 'mildest ever' recession penciled in this year. Why? We expect higher borrowing costs, rising credit card debt and a weaker job market to dampen, but not derail consumer spending. This should drive the economy's growth rate from a 2.3% pace in 2023 to a below-trend rate of ~1.0% in 2024. It should also drive inflation lower, building a case for less restrictive Fed policy in the coming months. A continuation of this favorable macro backdrop of moderating growth (slowing, but still at a level to avoid a deep recession) and cooling inflation should provide support for the bond market and lead to lower yields in the months ahead.

- Will The Quarterly Refunding Announcement 'Ice' Bond Yields?** | The US Treasury Quarterly Refunding Announcements (QRA) have garnered a lot of attention in recent months. Given huge deficits, soaring interest servicing costs, and key buyers stepping out of the market, the amount of Treasury issuance has become a concern for markets. Rightfully so, as the Treasury Department issued an enormous amount of supply last year—to the tune of \$2.5 trillion. This was one of the key factors that drove 10-year Treasury yields above 5.0% over the summer. Fortunately, the Fed pivot and the Treasury Department's tilt in issuance toward shorter maturities in the November refunding announcement sparked an everything rally in the final months of 2023. But, with yields nearly 100 basis points lower and government funding needs still significant, the next QRA coming at the end of this month could be a pivotal event for the markets. While the upcoming QRA may not provide the same tailwind to Treasurys that we saw last quarter, we are also not expecting any major surprises and expect issuance to remain weighted to shorter maturities.

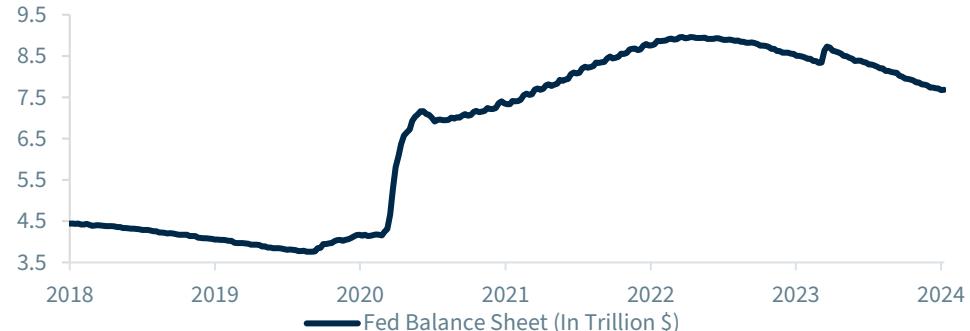
- Is The Fed Getting Ready To 'Defrost' The Balance Sheet?** | Treasury issuance is likely to remain elevated for the foreseeable future, however Fed officials (i.e., Logan, Waller) have started discussing when it may be appropriate to slow down the pace of the Fed's balance sheet runoff. Since quantitative tightening began in June 2022, the Fed's balance sheet has declined from ~\$9T to ~\$7.7T. Although no official announcements have been made and the timing remains uncertain, the signaling from officials suggests that a tapering of the Fed's balance sheet is on the horizon. If the Treasury's QRA continues to lean toward more short-term issuance, then an earlier than expected taper could be in the cards. This would be welcome news for the bond market. Why? Because it would reduce the amount the Treasury Department needs to borrow from other investors. With the Fed currently reducing its Treasury holdings by \$60B/month (\$720B/year), any reduction in the Fed's QT program should alleviate upward pressure on bond yields from increased Treasury supply. This, plus the prospect of Fed rate cuts, should give Treasurys a boost.

**Bottom Line** | While rates have moved higher to begin the year, it is likely a consolidation period and interest rates should move lower over the next 12 months. From a positioning standpoint, the risk-return framework on the longer end of the curve is better as the 10-year Treasury yield is expected to fall to 3.50% by year end. This should support investment grade bonds, as they benefit from their longer-duration characteristics. Any move above 4.25% represents a good opportunity to lock in attractive yields.

## CHART OF THE WEEK

### Is The Fed About To Taper Its Balance Sheet Unwind?

The Fed's balance sheet has fallen to its lowest level since March 2021, down \$1.3 trillion from its peak. Recent comments from several Fed officials suggest that policymakers could start tapering the balance sheet runoff sooner than expected.



\* See Charts of the week on page 3.

## ECONOMY

- Retail sales were stronger than expected (+0.6% MoM) with the Control Group component up 0.8% MoM.\* The US consumer continues to defy expectations and seems to feel invincible as long as job growth continues to remain strong. We remain concerned with the strong increase in credit card borrowing and the potential risks to consumer demand and the economy if labor growth slows.
- Industrial and manufacturing production surprised to the upside (+0.1% MoM) but was weak in December.\* We expect utilities production to prop up the industrial production index in January as colder weather moves utilities production higher.
- The Index of Consumer Sentiment was much stronger than markets were expecting in January (78.8 vs. 69.5 estimate) while both measures of inflation expectations, 12-months ahead as well as 5-years ahead, continued to move lower, 2.9% and 2%, respectively.\*
- Focus of the Week:** We will be watching the GDP report on Thursday as well as the PCE report that follows on Friday. We estimate 4Q23 GDP QoQ (annualized) growth to be ~1.7%, driven by resilient consumer spending, business fixed investment, and government spending, while inventories are likely to be a drag on the headline number, after contributing a large 1.3% to the 3Q number. Important housing reports will also be released next week: the New (Thur.) and Pending (Fri.) Home Sales indices.

### January 22 – January 26

<b>MON</b>	Leading Economic Index Bank of Japan Meeting	<b>WED</b>	Bank of Canada Meeting	<b>FRI</b>	PCE Pending Home Sales
<b>TUE</b>		<b>THU</b>	ECB Meeting GDP (4Q23 1 <sup>st</sup> Est.) New Home Sales		1/30 JOLTS 1/31 FOMC meeting 2/2 Employment Report

## EQUITY

- Earnings season began on a fairly weak note thus far as normalizing net interest margins combined with accelerating expenses particularly in credit charge offs weighed on Financials, while higher utilization rates (the rate at which healthcare services are used) weighed on the expense outlook in the Health Care space. As a result, YoY EPS growth estimates for 4Q23 were revised lower to -2% YoY primarily driven by Financials.\* We're reluctant to draw broad market conclusions from the first week of earnings season given that the bulk of secular growth drivers (e.g., Tech, Communication Services) will report earnings over the next two weeks which could drive earnings estimates higher. Early reads from Taiwan Semiconductor's results point to continued strength in AI investment, which could support Technology earnings broadly.
- Small-cap equities are down ~5% year-to-date, marking the worst start to a year since 2016.\* The weakness has been driven in part by a consolidation following the robust performance (+14%) in 4Q, but also because of the rise in rates due to its negative correlation to Treasury yields. The weakness thus far follows historical seasonality, as January has historically been the third weakest month on average for small caps over the last 30 years. Despite the weakness, we remain constructive on small cap over the next 12 months as a rebound in economic activity, Fed rate cuts and a moderation in both interest rates and inflation should be supportive.
- Focus of the Week:** Next week, we get earnings results from 77 companies representing 16% of the S&P 500 market cap. This represents the first week we get results from all 11 sectors, which could be particularly meaningful for forward estimates.

## FIXED INCOME

- Treasury yields drifted higher following comments from Waller and Bostic (both voting members of the FOMC), which suggested that rate cuts may not come as soon as the market expects. This caused market expectations for a 25 bps March rate cut to pull back from a nearly 80% chance to ~50%. Several stronger than expected economic prints (i.e., claims, retail sales) also weighed on sentiment.
- While the economy is still showing signs of strength, the Citi Economic Surprise Index (which measures how economic indicators are coming in relative to expectations) briefly dipped into negative territory. This is interesting because up until now, the 10-year Treasury has moved directionally with the Index over the last six months. This disconnect can be resolved in two ways, either Treasury yields resume their decline or economic data start to improve—we expect the former.
- Focus of the Week:** A trio of central bank meetings kick off next week with the Bank of Japan, Canada and ECB on tap. No changes are expected at any of the meetings, but the BOJ may hint of an eventual shift away from its negative interest rate policy. Next week will also bring \$162B of new Treasury supply (2-, 5- and 7- year notes).

## POLITICS

- Primary season officially began on Monday with the Iowa Republican caucuses, which saw former President Trump secure a widely expected first-place win with approximately 51% of the vote. His victory supports our expectation that the GOP nomination remains his to lose. While Nikki Haley and Ron DeSantis' tight race for second place will be a factor to watch as the New Hampshire primary rapidly approaches on January 23, the lack of a clear second-place winner/Trump alternative will limit both candidates from capitalizing on momentum for an alternative out of Iowa—another positive for Trump. His strong performance and the ongoing Haley-DeSantis battle should be viewed as another signal of his likely winning trajectory through the GOP primaries, setting him up for another rematch with incumbent President Joe Biden.

## ENERGY/SECURITY

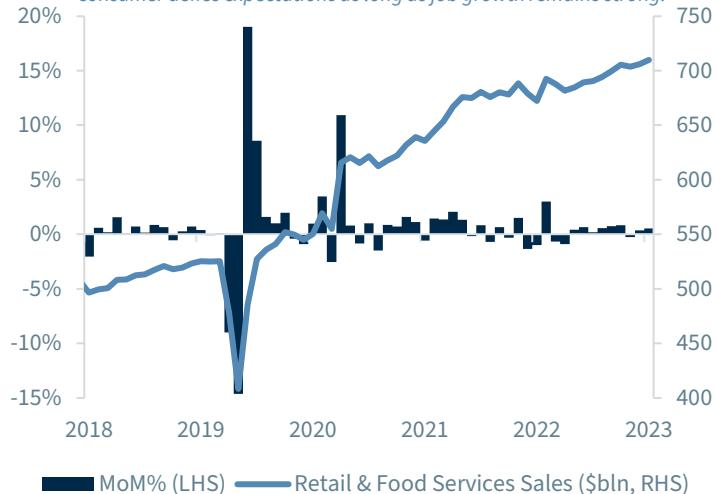
- This week, Iran launched missiles at targets in Iraq, Syria, and Pakistan, further adding to the already heightened level of tensions in the region. While Iran's aggressive actions obviously need to be seen in the context of Israel's war in Gaza, let's emphasize that Iran is not engaging in any direct military confrontation with Israel itself. The leaders in Tehran are pragmatic—they understand full well that fighting Israel directly would lead to devastating consequences for the Iranian armed forces and economy. Thus, this is a red line that Iran is avoiding. Another such red line would be for Iran to attempt blockading the Strait of Hormuz. The recent attacks by Yemen's Houthi rebels against marine shipping in the Red Sea are annoying, but there is no meaningful impact on oil supply—whereas the Strait of Hormuz poses much more risk to the oil market.

<sup>2</sup> \*See Charts of the week on page 3.

## Charts of the Week

### Retail Food & Services Sales

*Retail sales were stronger than expected (+0.6% MoM). The US consumer defies expectations as long as job growth remains strong.*



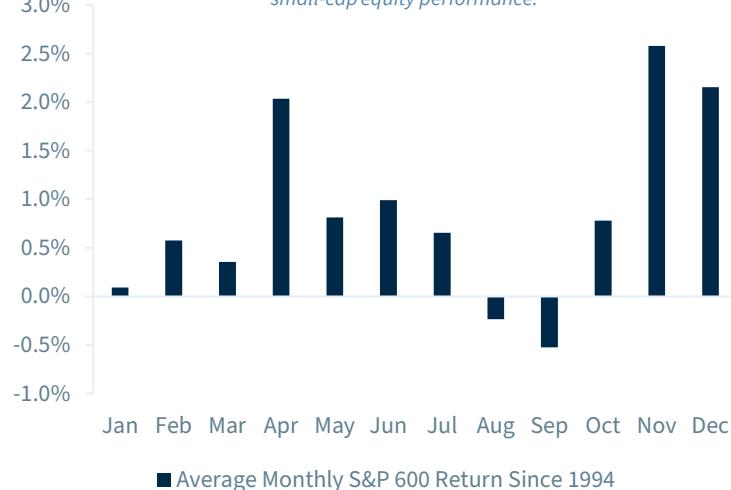
### Michigan Consumer Sentiment

*The Index of Consumer Sentiment was much stronger than markets were expecting in January (78.8 vs 69.5 estimate).*



### Historically Challenging Month for Small Caps

*Dating back to 1994, January represents the third weakest month for small-cap equity performance.*



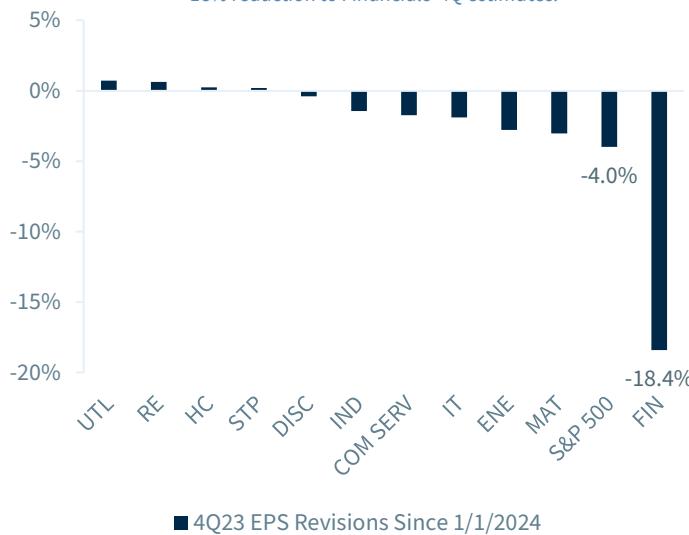
### Industrial Production

*Industrial and manufacturing production surprised to the upside (+0.1% MoM) but was still weak in December.*



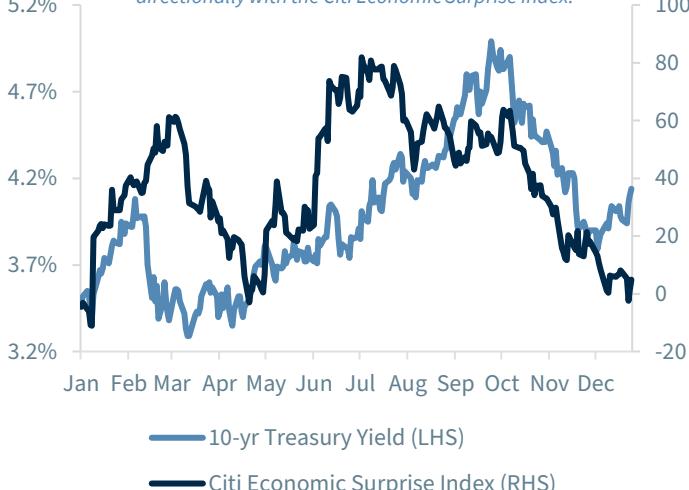
### Financials Drag on 4Q Earnings

*S&P 500 4Q23 EPS revised lower by 4% YTD mainly driven by an ~18% reduction to Financials' 4Q estimates.*



### The Citi Economic Surprise Index

*Over the last six months, the 10-yr Treasury yield has moved directionally with the Citi Economic Surprise Index.*



\* Index definitions can be found on the disclosure pages

\*\*Globally averaged annual surface air temperatures from 1940 to 2023 above the pre-industrial average of 13.68°C. Data Source: ERA5. Credit: C3S/ECMWF.

## Asset Class Performance | Distribution by Asset Class and Style (as of January 18)\*\*

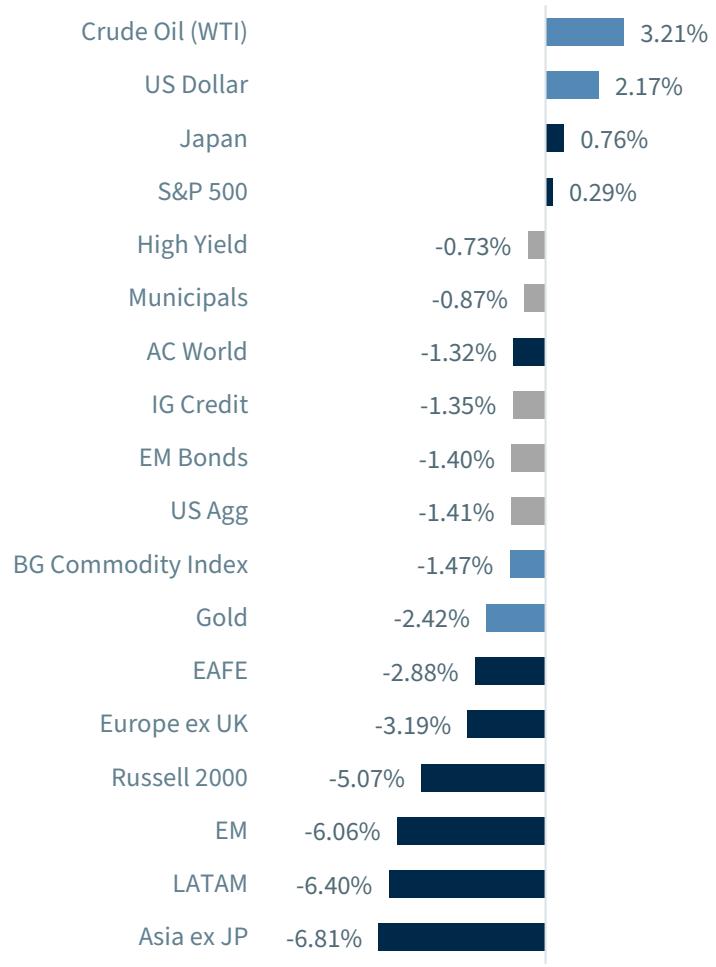
	US Equities (Russell indices)			International Equities (MSCI indices)			Fixed Income (Bloomberg indices)				
Weekly Returns (as of January 18)	Value	Blend	Growth	Large Cap	Dev. Mkt	World	Emerg. Mkt	1-3 YR	Medium	Long	
Large Cap	-1.1%	-0.1%	0.8%	Large Cap	-0.3%	-0.2%	-2.6%	Treasury	0.1%	-0.6%	-1.2%
	-1.4%	-1.1%	-0.2%	Mid Cap	-0.7%	-1.2%	-2.5%	Invest. Grade	-0.1%	-0.4%	-0.8%
	-1.9%	-1.6%	-1.3%	Small Cap	-1.1%	-1.3%	-2.0%	High Yield	-0.2%	-0.4%	-0.7%
Mid Cap	-1.7%	0.1%	1.6%	Large Cap	-0.1%	-0.2%	-4.8%	Treasury	0.2%	-0.8%	-2.0%
	-2.9%	-2.4%	-1.2%	Mid Cap	-0.5%	-2.1%	-3.9%	Invest. Grade	0.1%	-0.6%	-1.3%
	-5.5%	-5.1%	-4.6%	Small Cap	-1.5%	-2.9%	-2.1%	High Yield	-0.2%	-0.7%	-1.0%
Small Cap	-1.9%	-1.6%	-1.3%	Large Cap	-0.3%	-0.2%	-2.6%	Treasury	0.1%	-0.6%	-1.2%
	-1.4%	-1.1%	-0.2%	Mid Cap	-0.7%	-1.2%	-2.5%	Invest. Grade	-0.1%	-0.4%	-0.8%
	-1.1%	-0.1%	0.8%	Small Cap	-1.1%	-1.3%	-2.0%	High Yield	-0.2%	-0.4%	-0.7%

## Asset Class Performance | Weekly and Year-to-Date (as of January 18)\*\*

## Weekly\*\*\*



## Year-to-Date\*\*\*



\*\*Weekly performance calculated from Thursday close to Thursday close.

\*\*\*Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

# Weekly Data\*\*

Data as of January 18

## US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4780.9	0.0	0.3	0.3	23.7	9.9	14.3	12.1
DJ Industrial Average	37468.6	(0.6)	(0.6)	(0.6)	12.5	6.7	8.7	8.6
NASDAQ Composite Index	15055.6	0.6	0.3	0.3	37.4	5.0	16.0	13.6
Russell 1000	5040.3	(0.1)	0.1	0.1	26.5	9.0	15.5	11.8
Russell 2000	4780.8	(1.6)	(5.1)	(5.1)	16.9	2.2	10.0	7.2
Russell Midcap	7794.5	(1.1)	(2.4)	(2.4)	17.2	5.9	12.7	9.4

## Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	518.0	(1.5)	(4.0)	(4.0)	2.6	5.1	11.4	8.2
Industrials	946.3	(0.4)	(1.9)	(1.9)	14.2	9.8	11.9	9.9
Comm Services	252.3	0.9	2.7	2.7	50.8	6.7	12.1	8.3
Utilities	310.2	(3.0)	(3.6)	(3.6)	(9.2)	2.1	6.2	8.5
Consumer Discretionary	1383.1	(1.5)	(2.5)	(2.5)	30.0	2.2	11.4	11.7
Consumer Staples	765.9	(0.3)	0.6	0.6	3.6	7.1	10.3	8.8
Health Care	1624.9	(1.0)	2.3	2.3	6.7	7.8	11.2	11.3
Information Technology	3483.5	2.3	2.6	2.6	55.7	16.9	26.3	21.1
Energy	610.1	(2.2)	(4.6)	(4.6)	(6.8)	28.8	10.0	3.3
Financials	620.8	(0.9)	(0.8)	(0.8)	8.1	8.6	9.8	9.9
Real Estate	240.7	(2.4)	(4.0)	(4.0)	2.2	5.4	6.9	8.1

## Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.2	0.2	5.2	2.3	1.9	1.3
2-Year Treasury (%)	4.4	(0.1)	(0.0)	(0.0)	2.8	(0.4)	1.0	0.8
10-Year Treasury (%)	4.1	(1.2)	(2.0)	(2.0)	(2.6)	(6.0)	(0.2)	1.0
Bloomberg US Corporate HY	8.1	(0.4)	(0.7)	(0.7)	8.1	1.6	4.4	4.4
Bloomberg US Aggregate	4.7	(0.9)	(1.4)	(1.4)	0.4	(3.5)	0.8	1.6
Bloomberg Municipal	--	(0.6)	(0.9)	(0.9)	2.5	(0.7)	2.0	2.8
Bloomberg IG Credit	5.3	(0.8)	(1.3)	(1.3)	2.5	(3.4)	2.2	2.7
Bloomberg EM Bonds	7.3	(0.4)	(1.4)	(1.4)	4.1	(3.2)	1.2	2.8

## Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude (\$/bl)	74.0	2.7	3.2	3.2	(7.0)	12.2	6.5	(2.4)
Gold (\$/Troy Oz)	2021.6	0.1	(2.4)	(2.4)	6.0	3.4	9.5	4.9
Bloomberg Commodity Index	97.2	(0.5)	(1.5)	(1.5)	(12.9)	6.5	3.6	(2.5)

## Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	103.5	1.2	2.2	2.2	1.1	4.5	1.5	2.5
Euro	1.1	(0.9)	(1.8)	(1.8)	0.2	(3.5)	(0.9)	(2.2)
British Pound	1.3	(0.3)	(0.6)	(0.6)	2.3	(2.3)	(0.4)	(2.6)
Japanese Yen	148.2	(1.5)	(4.9)	(4.9)	(13.4)	(11.2)	(5.8)	(3.5)

## International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	717.0	(0.7)	(1.3)	(1.3)	15.7	5.2	10.6	8.4
MSCI EAFE	2171.1	(1.5)	(2.9)	(2.9)	6.6	2.9	7.0	4.4
MSCI Europe ex UK	2434.9	(1.1)	(3.2)	(3.2)	8.1	4.5	8.9	5.1
MSCI Japan	3726.3	(0.9)	0.8	0.8	15.1	0.5	6.5	5.4
MSCI EM	961.3	(3.4)	(6.1)	(6.1)	(3.9)	(8.2)	1.7	2.7
MSCI Asia ex JP	597.6	(3.6)	(6.8)	(6.8)	(8.1)	(10.3)	1.7	3.7
MSCI LATAM	2491.3	(3.4)	(6.4)	(6.4)	15.3	7.6	2.8	2.3
Canada S&P/TSX Composite	15356.6	(0.8)	(1.0)	(1.0)	1.9	5.0	6.3	4.1

\*\*Weekly performance calculated from Thursday close to Thursday close.

**DISCLOSURES**

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

**INTERNATIONAL INVESTING** | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

**SECTORS** | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

**OIL** | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

**CURRENCIES** | Currency investing is generally considered speculative because of the significant potential for investment loss. These markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

**GOLD** | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

**FIXED INCOME** | Fixed-income securities (or bonds) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

**US TREASURYS** | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

**CONSUMER PRICE INDEX** | The Consumer Price Index (CPI) measures the overall change in consumer prices based on a representative basket of goods and services over time.

**PRODUCER PRICE INDEX** | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

**ISM MANUFACTURING INDEX** | The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

**ISM NON-MANUFACTURING (SERVICES) INDEX** | The ISM Non-Manufacturing, or Services Index, measures business activity for the overall economy; above 50 indicating growth, while below 50 indicating contraction. The index represents the economic activity of more than 15 industries, measuring employment, prices, and inventory levels.

**MICHIGAN CONSUMER SENTIMENT INDEX** | The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan to measure the overall health of the economy. The survey is based on telephone interviews that gather information on consumer expectations for the economy.

**PENDING HOME SALES INDEX** | The Pending Home Sales Index (PHSI) is a monthly housing market index released by the National Association of Realtors. The PHSI shows the number of sales in which a contract has been signed, but the transaction hasn't yet closed; the closing process can take up to two months.

**LEADING ECONOMIC INDEX** | The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

**NFIB SMALL BUSINESS INDEX** | The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides an indication of the health of small businesses in the US, which account of roughly 50% of the nation's private workforce.

**CITI ECONOMIC SURPRISE INDEX** | Citigroup Economic Surprise Index represents the sum of the difference between official economic results and forecasts. With a sum over 0, its economic performance generally beats market expectations. With a sum below 0, its economic conditions are generally worse than expected.

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DATA SOURCE | FactSet, Bloomberg as of 1/18/2024

## DOMESTIC EQUITY DEFINITION

**DOW JONES INDUSTRIAL AVERAGE (DJIA)** | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**NASDAQ COMPOSITE INDEX** | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

**S&P 500** | The **S&P 500 Total Return Index**: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**S&P 500 EQUAL WEIGHT INDEX** | The **S&P 500 Equal Weight Index**: The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

**LARGE GROWTH** | **Russell 1000 Growth Total Return Index**: This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

**MID GROWTH** | **Russell Mid Cap Growth Total Return Index**: This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

**LARGE BLEND** | **Russell 1000 Total Return Index**: This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

**SMALL GROWTH** | **Russell 2000 Growth Total Return Index**: This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

**MID BLEND** | **Russell Mid Cap Total Return Index**: This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

**SMALL BLEND** | **Russell 2000 Total Return Index**: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

**LARGE VALUE** | **Russell 1000 Value Total Return Index**: This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

**MID VALUE** | **Russell Mid Cap Value Total Return Index**: This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

**SMALL VALUE** | **Russell 2000 Value Total Return Index**: This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

**MAGMAN** | MAGMAN stocks is a term used to describe six of the current largest and least volatile technology companies listed on the NASDAQ – Microsoft, Apple, Google, Meta, Amazon, and Netflix.

## COMMODITY INDEX DEFINITION

**BLOOMBERG COMMODITY INDEX (BCOM)** | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

**DUTCH TTF** | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

## FIXED INCOME DEFINITION

**AGGREGATE BOND | Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

**HIGH YIELD | Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

**CREDIT | Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

**MUNICIPAL | Bloomberg Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

**BLOOMBERG CAPITAL AGGREGATE BOND TOTAL RETURN INDEX** | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

**BLOOMBERG EMERGING MARKET BOND INDEX** | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment-grade and below-investment-grade securities.

**GERMAN BUND** | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

## INTERNATIONAL EQUITY DEFINITION

**EMERGING MARKETS EASTERN EUROPE | MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe.

**EMERGING MARKETS ASIA | MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**EMERGING MARKETS LATIN AMERICA | MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**EMERGING MARKETS | MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

**PACIFIC EX-JAPAN | MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**JAPAN | MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

**FOREIGN DEVELOPED MARKETS | MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

**EUROPE EX UK | MSCI Europe Ex UK Net Return Index:** The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

**MSCI EAFE** | The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

**MSCI ACWI** | The MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

**CANADA S&P/TSX COMPOSITE** | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

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