

Weekly Update – February 26, 2024

Market Returns Ending 2/23/2024			
Category	1 Week	MTD	YTD
US			
Large Cap	1.7%	5.1%	6.9%
Mid Cap Growth	0.7%	6.3%	5.7%
Mid Cap Value	1.2%	3.7%	1.9%
Small Cap	-0.8%	3.7%	-0.4%
International			
Developed	1.1%	1.5%	2.1%
Emerging	1.3%	5.6%	0.7%
Bonds			
Aggregate	-0.1%	-1.9%	-2.1%
High Yield	0.3%	0.1%	0.1%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	1.4	1.5	1.7
Mid	1.2	1.1	0.7
Small	-1.0	-0.8	-0.6
	YTD		
	Value	Core	Growth
Large	3.5	6.6	9.2
Mid	1.9	3.0	5.7
Small	-2.8	-0.4	2.2

Source: Bloomberg

Key Events: The soft landing begins to materialize

December’s Fed minutes illustrated that the board was surprised by US economic strength; consensus among Fed officials was that rates were likely to remain higher for longer. Economic data continues the positive trend the Fed saw in December.

Earnings data showed evidence of this strength as well; after declining for 2 years, S&P 500 revenue growth has increased for two quarters in a rowⁱ, supporting the Fed’s soft-landing thesis.

Market review: Processing profit growth

Markets quietly digested the prospect of a soft landing alongside earnings reports. Large cap stocks led the way on the heels of blowout Nvidia earnings.

Investment grade bonds were flat for the week while high yield gained as spreads reached their lowest levels since 2021, illustrating continued risk appetite.

Outlook: A new relationship with interest rates

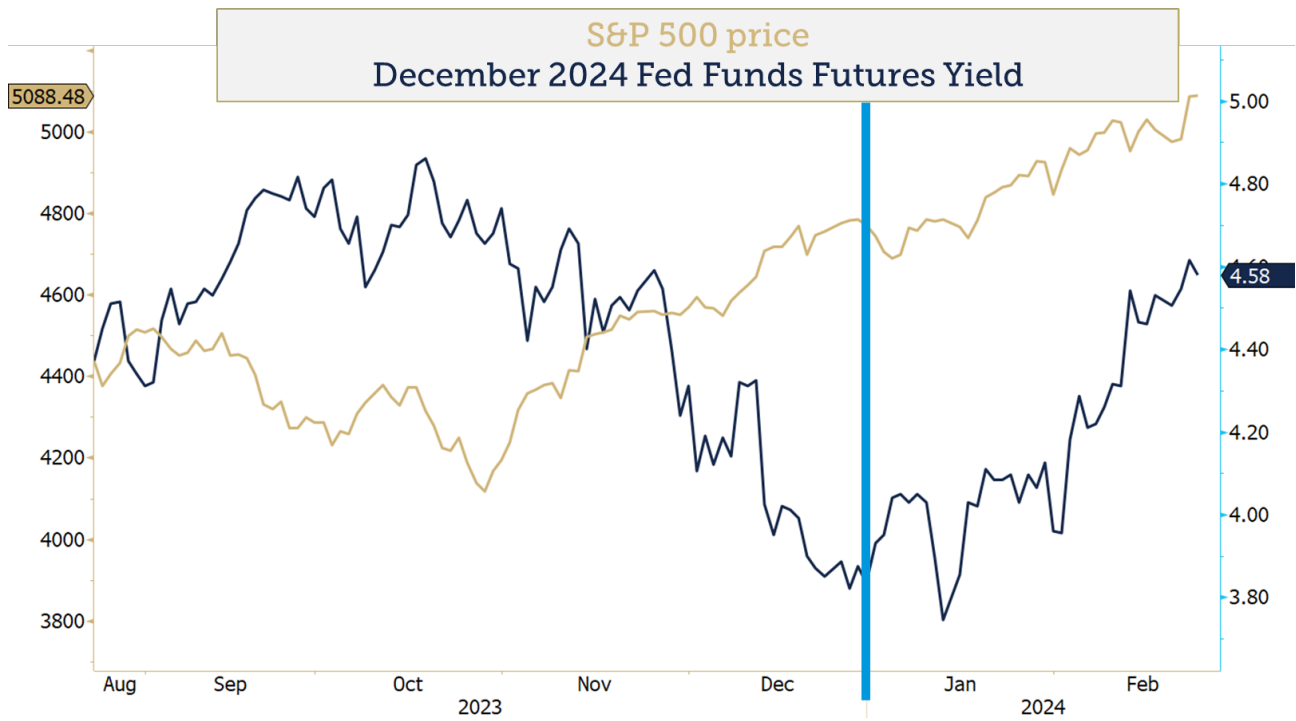
The chart below illustrates the changing relationship between stocks and rate cut expectations; in 2023 stocks were driven by expectations for rate cutsⁱⁱ. Fed Governor Powell’s dovish comments in October coincided with peak rates. Expectations for December Fed Funds dropped from 5% to below 4%, prompting stocks to rally through year-end.

The relationship has not held in 2024; strength in economic data released in January caused December 2024 rate expectations to go back above 4.5%, but stocks have rallied. Strong earnings results have led to optimism that the Fed could engineer a soft landing, keeping stocks high despite higher rates.

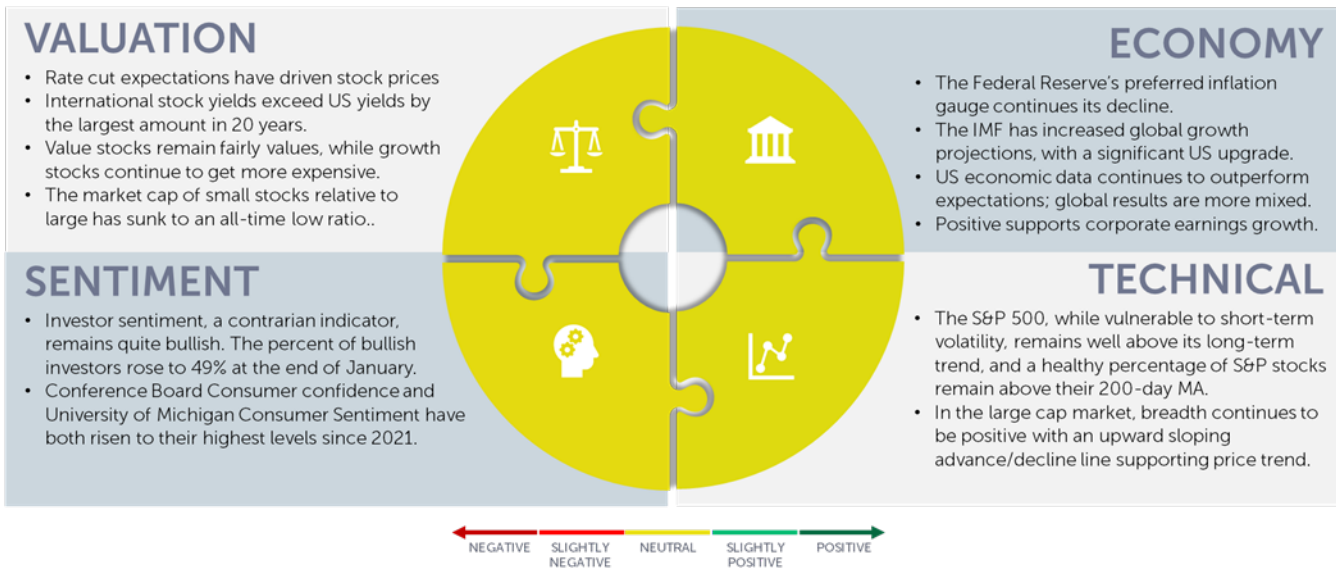
We would cheer a soft landing, but we’re not banking on it. Our portfolios remain structured to benefit from strength but withstand potential adversity.

S&P 500 soars in 2024 despite expectations for higher interest rates





OneAscent Navigator Outlook: February 2024



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ⁱ Source: FactSet [Microsoft Word - Earnings Insight 021624.docx \(factset.com\)](#)

ⁱⁱ Source: Bloomberg. Expectations for rate cuts illustrated by Fed Funds futures for December 2024, illustrating speculators' estimates for interest rates at the end of 2024. A movements in Fed Funds Futures drove markets in 2023, a relationship which has not held so far during 2024..

ⁱⁱⁱ Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield