



Monthly Market Update | February 2024

Earnings Season and Robust Economic Data Bring Another Record-Setting Month



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MONTHLY MARKET SUMMARY

- The S&P 500 Index gained +5.17% in February, with all eleven sectors trading higher during the month. Communication discretionary led the top monthly returns in the index, followed by industrial and materials. Underperforming the S&P500 was the utilities sector.
- Small and mid-cap stocks rebounded in February as the Russell 2000 traded up by +5.52%. Small-cap names outperformed the S&P500 over the month, though the index fell short of beating the tech-heavy NASDAQ, which returned +6.12%.
- The 10-year Treasury note saw its yield rise in February, settling at 4.251%. It was the second straight month of rising yields.

STOCKS CONTINUE TO CLIMB IN FEBRUARY, DRIVEN BY TECH AND AI MANIA

For a fourth consecutive month, American equities gained. And by a lot. Throughout February, the S&P500 and the Dow Jones Industrial Average reached multiple highs, up +5.17% and +2.22%, respectively. The NASDAQ closed the month with its first high since November 2021, completing the recovery from the 2022 tech sell-off. In February, the technology-heavy index rose +6.12%. Much of the monthly equity returns stemmed from corporate earnings season and mega-cap businesses, including those linked to technology and artificial intelligence.

In February, small and mid-cap stocks rallied for a reversal from one month earlier. The Russell 2000 provided a monthly return of +5.52%, with the small-cap index advancing +1.37% YTD.

Treasury yields rose for a second consecutive month as economic data led investors to speculate on delayed rate cuts. Throughout February, the 10-year Treasury note saw its yield rise 28.6 basis points to 4.251%. This marks the most significant monthly gain since October, when the 10-year yield spiked above 5%.

PERSISTENT SPECULATION ON THE TIMING OF INTEREST RATE CUTS

While the Federal Reserve did not meet in February, a slew of economic information added to investor speculation on future monetary policy decisions. Adding another 353,000 new jobs in January, the U.S. labor market showed resilience and exceeded analyst predictions.

Inflation also remains sticky, with the latest Consumer Price Index (CPI) showing January's prices were +3.1% higher than one year earlier for an acceleration from the prior month. The Fed's preferred inflation gauge, the personal consumption expenditures index (PCE), put annual inflation at +2.4%. This was the lowest year-over-year increase since early 2021. Given that the central bank's target for inflation is +2%, these lagging indicators show the economy is still running too hot, complicating the Fed's decision to cut interest rates.

Another month of robust labor markets and price growth means uncertainty still reigns surrounding monetary policy. At the time of writing, the first interest rate cuts are anticipated to begin in mid-2024. For now, investors will closely follow economic news as they anxiously await further guidance from the central bank following its next meeting in late March.

This Month in Numbers

FIGURE 1

U.S. STYLE RETURNS (FEBRUARY 2024 IN %)

	Value	Blend	Growth
Large	3.03%	5.34%	7.28%
Medium	1.93%	5.94%	9.69%
Small	2.35%	3.33%	4.27%

<https://www.morningstar.com>. Month end trailing returns for 1-month.

FIGURE 2

U.S. STYLE RETURNS (YTD IN %)

	Value	Blend	Growth
Large	3.17%	7.10%	10.36%
Medium	-1.23%	4.12%	9.27%
Small	-3.15%	-0.76%	1.59%

<https://www.morningstar.com>. YTD, Total Return % NAV.

Style Returns represent the average returns on the investments of fund managers who use specific styles in managing their funds.

Large Cap Value - IVE: iShares S&P 500 Value ETF. This ETF focuses on the value segment of the S&P 500, targeting companies that are considered undervalued compared to their fundamentals. Value investing looks for stocks that are believed to be priced below their intrinsic value.

Mid Cap Value - IJJ: iShares S&P Mid-Cap 400 Value ETF. This targets mid-cap companies that exhibit value characteristics within the S&P MidCap 400 index. Mid-cap refers to companies with a market capitalization typically between \$2 billion and \$10 billion.

Small Cap Value - IJS: iShares S&P Small-Cap 600 Value ETF. This ETF aims at small-cap companies with value characteristics in the S&P SmallCap 600 index. Small-cap companies are typically those with a market capitalization of between \$300 million and \$2 billion.

Large Cap Blend - IVV: iShares Core S&P 500 ETF. This ETF tracks the performance of the S&P 500 Index, representing large-cap companies. Large-cap refers to companies with a market capitalization of more than \$10 billion, generally considered stable and secure investments.

Mid Cap Blend - IJH: iShares Core S&P Mid-Cap ETF. It mirrors the performance of the S&P MidCap 400 Index, focusing on mid-cap companies that offer a balance between the fast growth of small-cap companies and the stability of large-cap companies.

Small Cap Blend - IJR: iShares Core S&P Small-Cap ETF. This follows the S&P SmallCap 600 Index, concentrating on small-cap companies. These companies often offer higher growth potential but with greater volatility and risk compared to mid- and large-cap stocks.

Large Cap Growth - IVW: iShares S&P 500 Growth ETF. This ETF targets the growth segment of the S&P 500, focusing on companies expected to grow at an above-average rate compared to the market. Growth investing involves buying stocks of companies that are anticipated to grow at a significantly faster rate than the overall market.

Mid Cap Growth - IJK: iShares S&P Mid-Cap 400 Growth ETF. It aims at mid-cap companies with growth characteristics within the S&P MidCap 400 index. Growth companies are those expected to grow sales and earnings at a faster rate than the average company in their industry or the market.

Small Cap Growth - IJT: iShares S&P Small-Cap 600 Growth ETF. This focuses on small-cap companies within the S&P SmallCap 600 index that exhibit growth characteristics. Growth stocks are often more volatile than value stocks but offer the potential for higher returns.

FIGURE 3

U.S. SECTOR RETURNS (FEBRUARY 2024 IN %)

GICS Sector	February 2024 in %	YTD in % (as of 3.24.2024)
Basic Materials	8.7%	3.20%
Communications Services	7.2%	9.65%
Consumer Discretionary	6.5%	3.80%
Energy	6.3%	2.12%
Financials	5.7%	6.98%
Healthcare	4.2%	6.93%
Industrials	3.2%	6.78%
Real Estate	3.2%	-0.34%
Staples	2.4%	3.61%
Information Technology	2.3%	12.54%
Utilities	1.1%	-1.66%

<https://www.nasdaq.com/articles/february-2024-review-and-outlook>

<https://digital.fidelity.com/prgw/digital/research/sector>

FIGURE 4**MARKET DATA CENTER**

		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Equities	S&P 500	5,096	5.3%	7.1%	7.1%	30.4%	30.4%
	Nasdaq	16,092	6.2%	6.2%	7.3%	41.7%	41.7%
	Dow Jones	38,996	2.5%	2.5%	3.8%	22.0%	22.0%
	Russell 1000 Value	1,685	3.7%	3.7%	3.8%	14.0%	14.0%
	Russell 1000 Growth	3,337	6.8%	6.8%	9.5%	45.9%	45.9%
	Russell 2000 Value	2,294	3.3%	3.3%	-1.4%	5.5%	5.5%
	Russell 2000 Growth	1,243	8.1%	8.1%	4.7%	14.2%	14.2%
	MSCI EAFE	2,286	1.9%	1.9%	2.5%	15.1%	15.1%
	MSCI EM	1,021	4.8%	4.8%	-0.1%	9.1%	9.1%

		Yield	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Fixed Income	US Treasurys	4.46%	-1.3%	-1.6%	-1.6%	2.3%	2.3%
	US IG Corporates	5.41%	-1.5%	-1.7%	-1.7%	6.00%	6.00%
	US HY Corporates	7.86%	0.3%	0.3%	0.3%	11.0%	11.0%

		Level	Month Return	QTD Return	YTD Return	1-Yr Return	3-Yr Return
Commodities	Oil (\$/barrel)	\$78	3.2%	9.2%	9.2%	1.6%	1.6%
	Gold (\$/oz)	\$2,044	0.2%	-0.9%	-0.9%	11.9%	11.9%
	Copper (\$/mt)	\$8,402	-1.2%	-0.7%	-0.7%	-6.1%	-6.1%

		Level	Prior Month	Prior Quarter	Prior Year	1-Yr Ago	3-Yr Ago
Currencies	EUR (\$/€)	\$1.08	\$1.08	\$1.10	\$1.10	\$1.06	\$1.06
	JPY (\$/¥)	¥150	¥147	¥141	¥141	¥136	¥136
	GBP (\$/£)	\$1.26	\$1.27	\$1.27	\$1.27	\$1.20	\$1.20

<https://www.sofi.com/article/investment-strategy/february-2024-market-lookback/>

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