

Happy New Year! To get an idea of what may lie ahead in 2024, we need to briefly review the market landscape through the end of last year. The S&P 500 finished the year roughly 25% higher, but as shown in Friday's [Tweet of the Day](#), the top 10 stocks were behind approximately 75% of the advance. The charts below show no surprise that the biggest winners were the Technology, Communications, and Consumer Discretionary sectors. The rest lagged the index, but only Health Care, Consumer Staples, and Utilities ended the year lower. Aside from the short end of the yield curve, we ended the year in a position strikingly similar to the beginning after the fourth-quarter bond rally. Bonds are responding to signs of declining inflation and, ultimately, a dovish bias from the Fed.

The outperformance of the top three sectors of the S&P 500 in 2023 was incredible. We suspect there will be a normalization in 2024, whether it's outperformance by the laggards or a correction concentrated in last year's winners. It's hard to imagine the latter scenario if yields continue falling, so the former appears more likely so long as inflation or growth scares don't get in the way. As bonds started rallying, the market dynamics changed slightly. As shown below, the sector performance picture over the last month is quite different from last year's story. A year of comeback stories may lie ahead if we continue on this path.



## What To Watch Today

### Earnings

Time	Symbol	Company Name	Market Cap ▼	Fiscal Quarter Ending	Consensus EPS* Forecast	# Of Ests	Last Year's Report Date	Last Year's EPS*
⊖	BHP	BHP Group Limited	\$347,519,730,620	Sep/2023		N/A	N/A	N/A


Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
TUESDAY, JANUARY 2						
14:45	USD S&P Global Manufacturing PMI(Dec)		-	-	48.2	48.2
15:00	USD Construction Spending (MoM)(Nov)		-	-	0.5%	0.6%
16:30	USD 3-Month Bill Auction		-	-	-	5.26%
16:30	USD 6-Month Bill Auction		-	-	-	5.08%

Investing Summit: Early Bird Registration Available Now

January 27th, we are hosting a live event featuring Greg Valliere to discuss investing in the 2024 presidential election. What will a new president mean for the markets, the risks, and where to invest through it all? **Greg will be joined by Lance Roberts, Michael Lebowitz, and Adam Taggart** for morning presentations covering everything you need to know for the New Year.

**Register now, as there are only 150 seats. The session is a LIVE EVENT, and no recordings will be provided.**



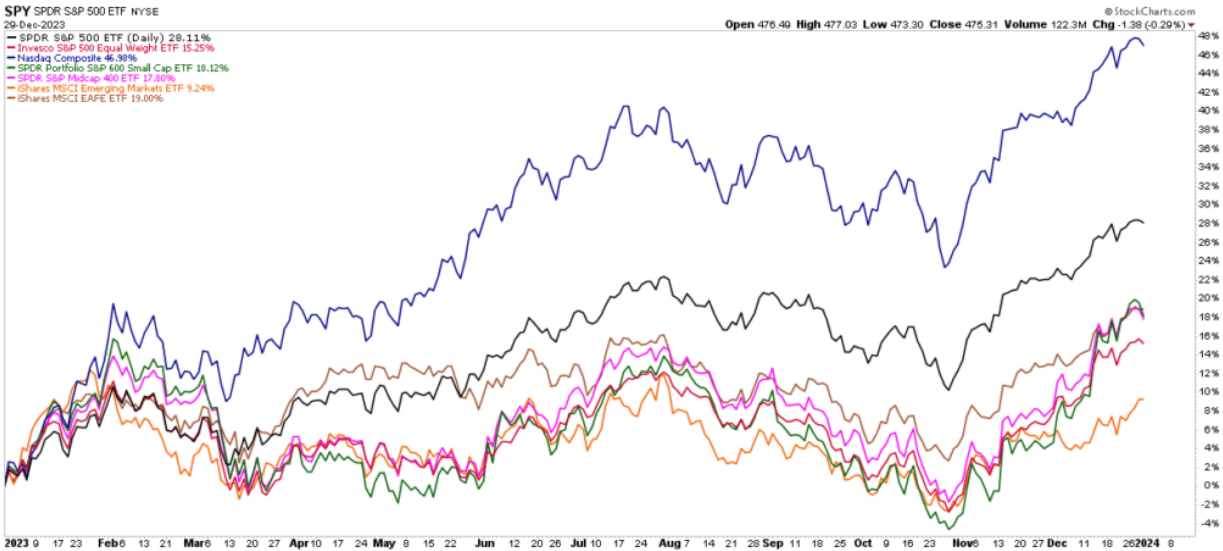
# Navigating Markets in a Presidential Cycle

Featuring **Greg Valliere**

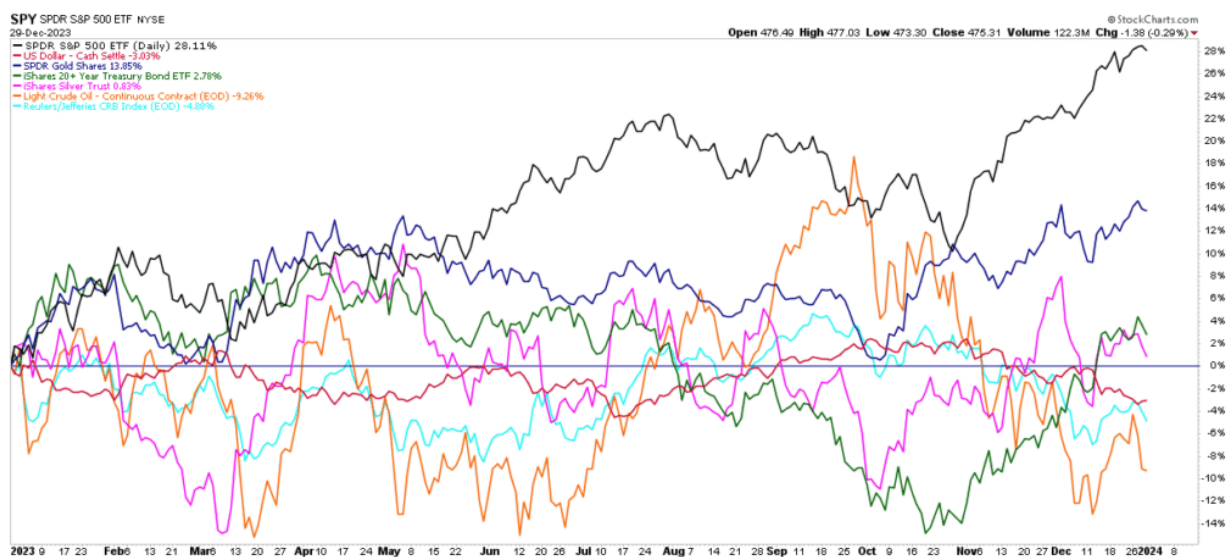
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Market Trading Update

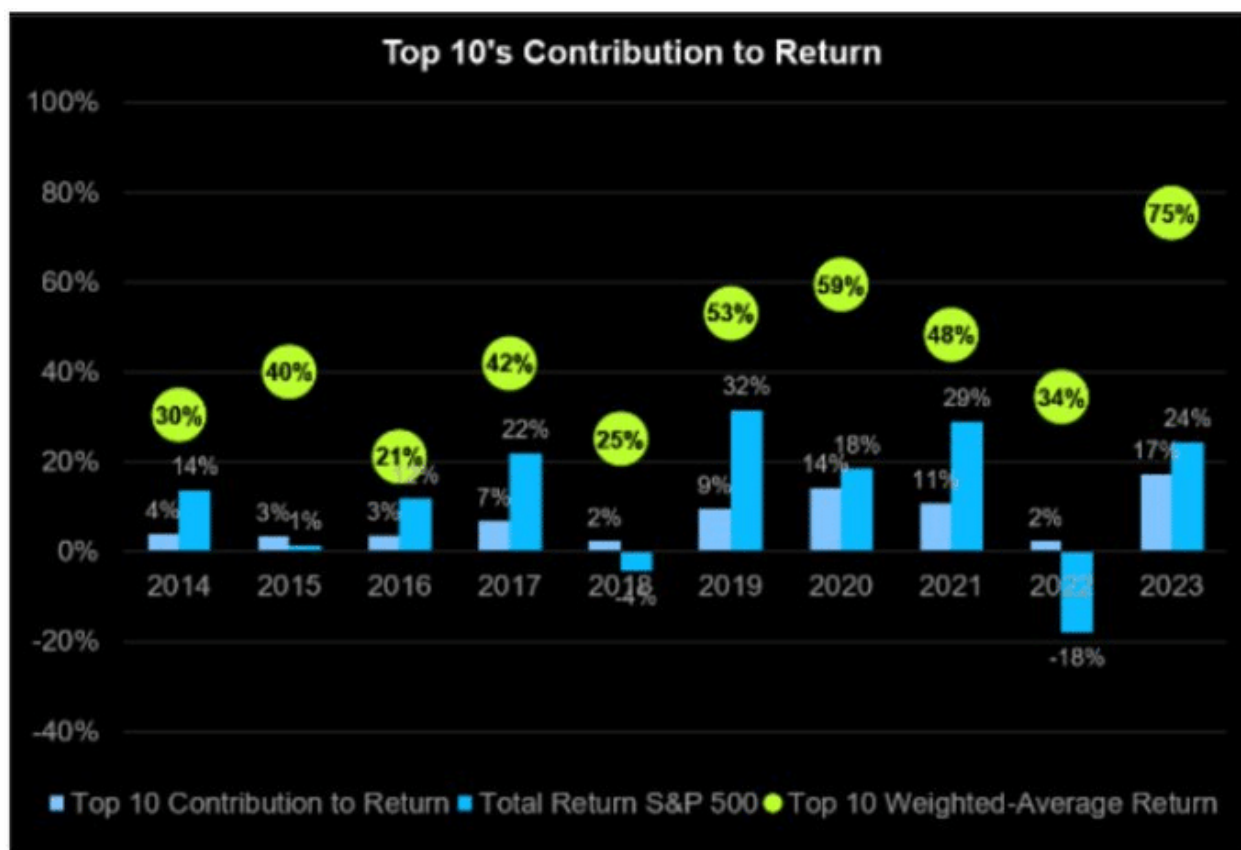
With 2023 now in the books, we can review where the performance was and was not. I have compiled two charts below showing the 2023 returns for the major markets and major commodities. For the equity markets, it was clearly a year dominated by U.S. markets and, more specifically, Technology, Communications, and Discretionary sectors. For portfolio allocators using diversified holdings, returns were well below the S&P 500 Index.



The chart below compares the performance of bonds, the dollar, metals, and commodities to the S&P 500 Index. Despite concerns about inflation, commodities produced a negative return for the year, along with crude oil and the dollar.



What is clear is that despite all of the concerns about a recession, high interest rates, the national debt, the deficit, or de-dollarization, the place to be was stocks, and more specifically, the "Magnificent 7," which comprised nearly 75% of the markets return.



As we head into 2024, the big question is whether or not the performance of 2023 will continue. Will it be the continued reign of just seven stocks due to passive ETF flows, or will this be a year that laggards will become leaders?

We don't have an answer, nor does anyone else. However, we suspect that regardless of how things start out, the market will likely have some surprises this year that undermine the most



confident of forecasts.

Wishing you a happy and prosperous New Year.

## The Week Ahead

We kick off the first week of 2024 with the December ISM Manufacturing report tomorrow morning. The consensus expects it to rise to 47.1 from 46.7 in November, still in contractionary territory but improving. Tomorrow afternoon will be the release of FOMC minutes. Since the Fed often tailors its minutes to reflect a desired sentiment, it could tweak the tone to suit whatever may lie in the upcoming inflation report. Friday brings with it an update on the employment situation in December. Expectations are for 163k jobs added, following 199k in November. No Fed members are scheduled to speak, so the upcoming minutes will have to do their talking for now.

## A Closer Look at 2023 Performance

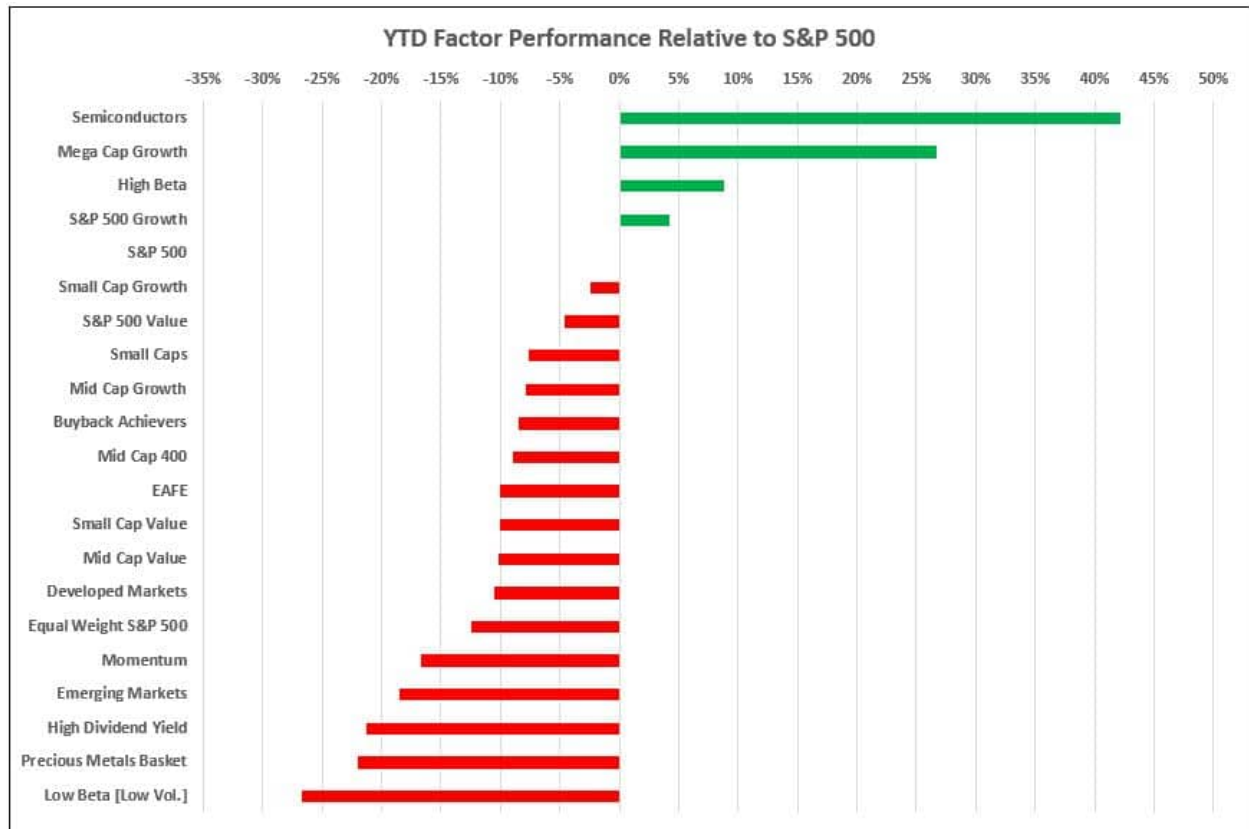
The heat map shown below does a great job of highlighting the unbelievable disparity in returns last year at the individual stock level. The lightest shades of green still don't quite capture the magnitude of returns in the mega-cap growth segment. Three of the seven largest companies in the index returned *triple digits*, while the remaining four returned 48%+. Meanwhile, the utilities sector is almost entirely red, with the largest company diving 28% for the year. As we wrote above, a slight normalization in 2024 would not be surprising after a year with such wide disparities.



## What About the Other Factors?

We already touched on the extreme outperformance of the Mega-Cap Growth factor, but what about the rest of the factors we monitor in SimpleVisor? Simply put, there wasn't much that worked. Having seen the heat map above, you probably guessed that the semiconductors basket was the top performer. As shown below, the other factors outperforming last year were Mega-Cap Growth, High Beta, and Large-Cap Growth. As a further testament to the disparity of returns in 2023, the equal-weight S&P 500 index underperformed its market-cap-weighted counterpart by a

whopping 12.5%.



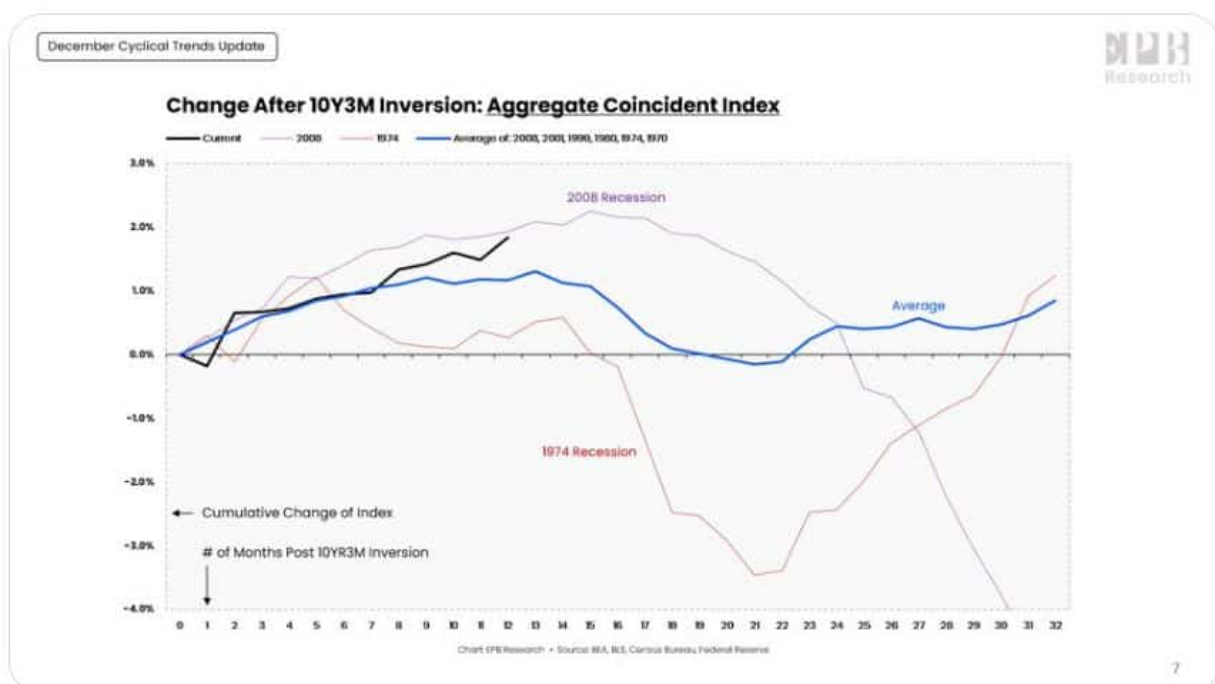
## Tweet of the Day



**Eric Basmajian** ✓  
@EPBResearch

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It's still too early, and almost irresponsible, to confidently declare that "this time is different."



?Want to have better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

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*If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*