



QUARTERLY MARKET REVIEW • RETROSPECTIVE

Fourth Quarter 2023

Stocks finished 2023 with a powerful rally as inflation cooled and the Fed signaled that its rate increases were likely over.

Data as of December 31, 2023 | Retrospective review prepared October 2026
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THE QUARTER AT A GLANCE

A year-end rally capped a strong 2023

+11.2%**S&P 500**

Price return for the quarter

+24.2%**S&P 500, FULL YEAR**Price return for 2023, after a
19% decline in 2022**3.88%****10-YEAR TREASURY YIELD**Dec. 29 close, down from
about 5% in October**3.1%****INFLATION (CPI)**November, year over year,
down from 6.5% a year earlier**01****Rates reversed course.**

After briefly topping 5% in October, the 10-year Treasury yield fell sharply as inflation cooled.

02**The Fed signaled cuts ahead.**

In December, Fed officials projected that they could lower rates in 2024.

03**Gains broadened out.**

Smaller companies and more parts of the market joined the rally in November and December.

U.S. STOCKS

Stocks finished 2023 with a powerful rally

The S&P; 500 gained 11.2% in the fourth quarter, the Nasdaq rose 13.6%, and the Dow Jones Industrial Average rose 12.5%, reaching record highs in December.

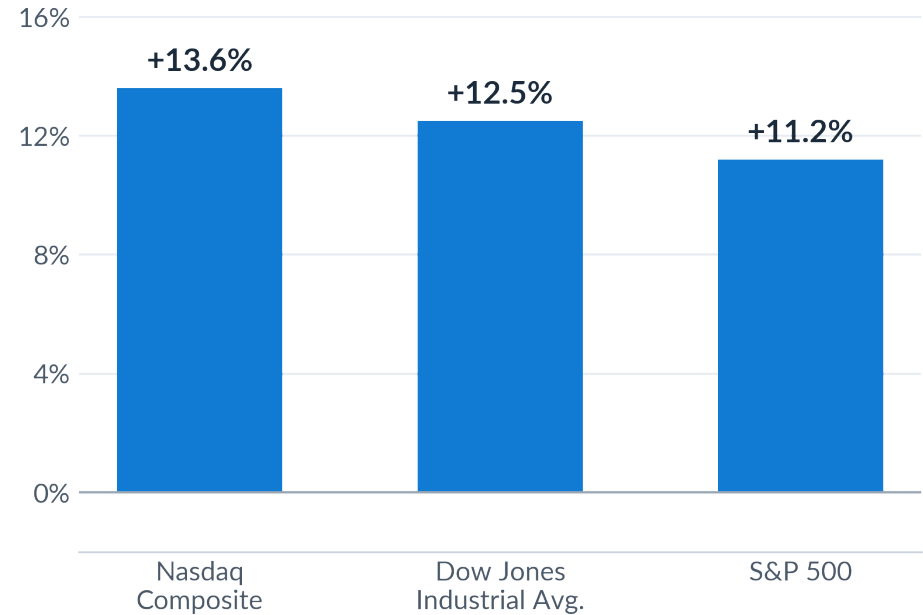
Stocks fell in October as interest rates climbed, then rallied sharply in November and December as inflation cooled and investors grew confident the Fed was done raising rates. The gains spread beyond the largest technology companies to smaller companies and other parts of the market.

For the full year, the S&P; 500 rose 24.2%, the Nasdaq rose 43.4%, and the Dow rose 13.7%, a strong recovery from 2022.

WHY IT MATTERS

Many forecasters expected a recession in 2023. Instead, markets posted one of their better years. Some of the strongest gains can come when sentiment is at its gloomiest.

Fourth-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, September 29 to December 29, 2023. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

The Fed held steady and signaled rate cuts ahead

The Federal Reserve kept its benchmark rate at 5.25% to 5.50% throughout the quarter. In December, Fed officials' projections showed they expected to lower rates in 2024, a major shift that markets welcomed.

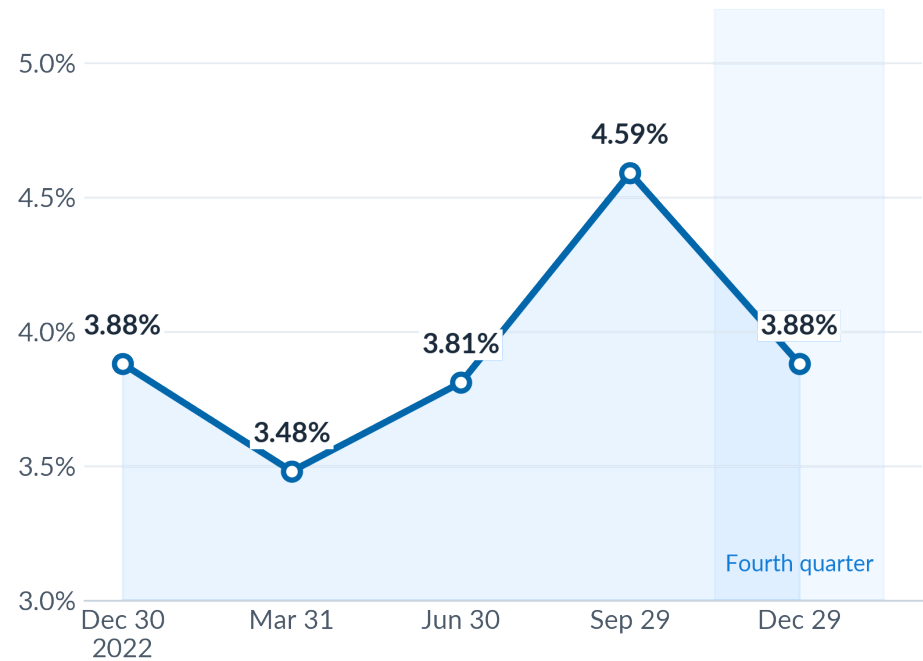
The 10-year Treasury yield briefly topped 5% in October, its highest level since 2007, then fell to 3.88% by year-end, right where it began the year.

Falling yields lifted bond prices, and bonds posted a strong fourth quarter, finishing 2023 with positive returns after a painful 2022.

WHY IT MATTERS

2023 showed how quickly bond markets can turn. Investors who held their bonds through 2022's decline began to benefit as rates came back down.

10-year U.S. Treasury yield, quarter-end closes



Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates; U.S. Department of the Treasury. Constant-maturity yields at each quarter-end.

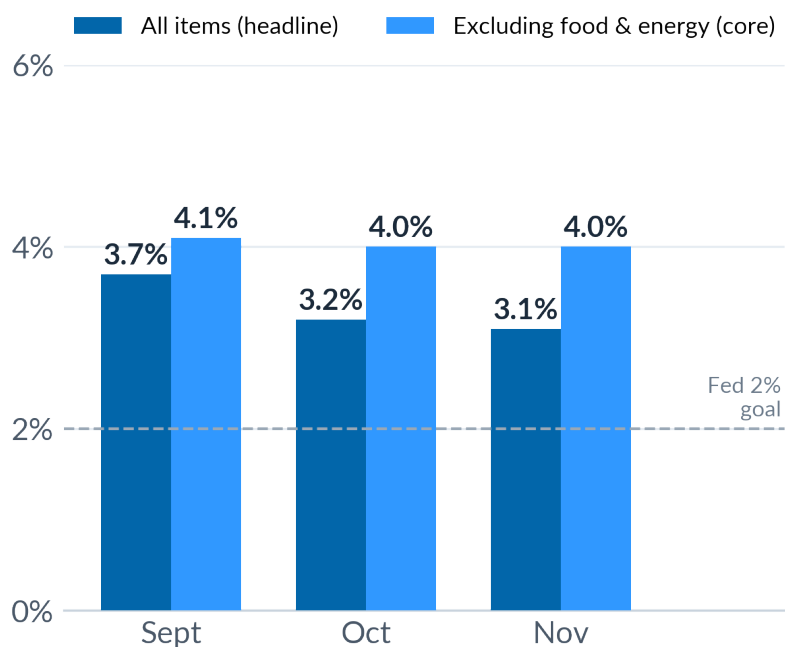
INFLATION AND OIL

Inflation continued to cool as oil prices fell

Overall inflation was 3.1% in November, down from 6.5% at the end of 2022. Core inflation, which leaves out food and energy, eased to 4.0%, its lowest level since 2021.

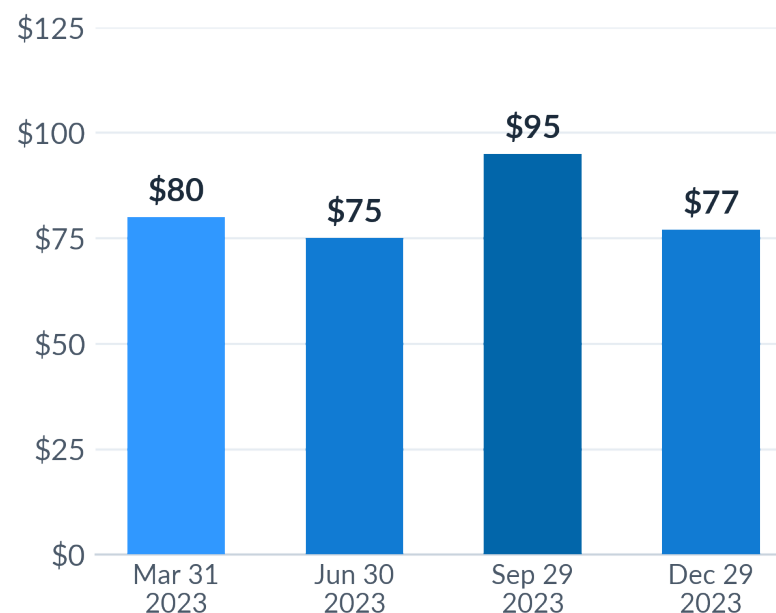
Oil prices fell back after their third-quarter jump as global supply proved stronger than expected. Brent crude ended the year near \$77 a barrel, down from about \$95 at the end of September.

Consumer price inflation, year over year



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end.

LOOKING BACK

What came next

Record highs in 2024

The S&P; 500 reached its first record high in two years in January 2024 and kept climbing through much of the year.

Rate cuts arrived later than hoped

The Fed held rates steady until September 2024, when it made its first cut.

Inflation kept easing

Inflation continued to move toward the Fed's 2% goal through 2024, though the path was bumpy.

Another strong year

The S&P; 500 gained about 23% in 2024.

KEEPING PERSPECTIVE

At the start of 2023, a recession seemed likely to many forecasters. By year-end, the economy had kept growing and stocks had recovered most of 2022's losses. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements; H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Bureau of Labor Statistics. Data as of December 31, 2023, unless otherwise noted. The "Looking back" page reflects data through December 2024.

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