6 DEGREES
WEALTH

**February 2024 Market Recap**

February wobbled at times, but markets managed to plow through any investor reservations and log a strong winning month. It was “keep calm and carry on,” with technology and growth powering many indexes to new highs this month. All major equity indexes were in the green on the month, though we saw bonds wobble as the Fed’s path became less clear. Across the investment marketplace gold was flat to slightly positive on the month (driven into the green only on the last trading day of the month), WTI oil rose moderately but failed to break $80, the US Dollar gained slightly back above $104, and it was bonds the biggest loser on the month with 10-year treasury yields jumping 30+bps in the month of Feb. No part of the bond market was a safe haven as munis sold off along with treasuries and corporates. Credit and more risky parts of the bond market, that tend to be more correlated with equities, outperformed the longer duration safe havens.

Equities had a very strong month with 10 of the 11 S&P 500 sectors positive in February. Only the very rate sensitive Utilities sector was down on the month about a -1% drop. To the surprise of nobody, the trend continued with consumer discretionary up 6% (AMZN and TSLA led), followed by industrials, Info tech, communications and Financials to round out the top performing sectors. We once again saw the S&P 500 outperform the Dow, though hopefully now with AMZN replacing WBA in the Dow it continues to shift a bit more core/growthy than value to better represent the US economy as a whole. What worked in 2023 continued to work best again in Feb with the Magnificent 7 leading the market charge and the cap-weighted S&P 500 outperforming the S&P 500 equal weight by over 100bps on the month. While Mag7 led, it was also a broad-based rally with Value, Small caps, International and Emerging Markets all positive on the month. The strong Feb, on the heels of a solid start in Jan, has the S&P 500 up 7% on the year and NASDAQ up 10%. While we are concerned we could run into a near-term pullback and some profit taking, revenues and earnings have been supportive of the market rally, and any pullback is likely temporary and not the start of a disaster.

Inflation kicked up in Feb causing consternation on how many cuts the Fed will actually make this year. Investors are now completely baffled on what is the right projection for Fed policy with March clearly off the table at this point, and June or July looking likely. The likelihood of a June cut is 56.4% as of end of Feb down from almost 100% at the start of the month. And year end is pricing in only -83bps of cuts to an implied rate of 4.496 vs. the -145bps of cuts priced in 1/31/24 and an implied rate of 3.863%. So, investors still see 3-4 cuts on the year, but in February have stated adjusting down trajectory. The sticky inflation- especially the core in PCE and CPI is a concern and will need to be evaluated if it was an aberrant data point and downtrend/stability resumes, or if March will tick up as well and cause more concerns on higher for longer for the bulk of 2024. For now, we see a summer cut likely though inflation trajectory will drive the path and we may be pushing back our expectation from June to July.