DVI
David Vaughan Investments

Capital Markets Commentary

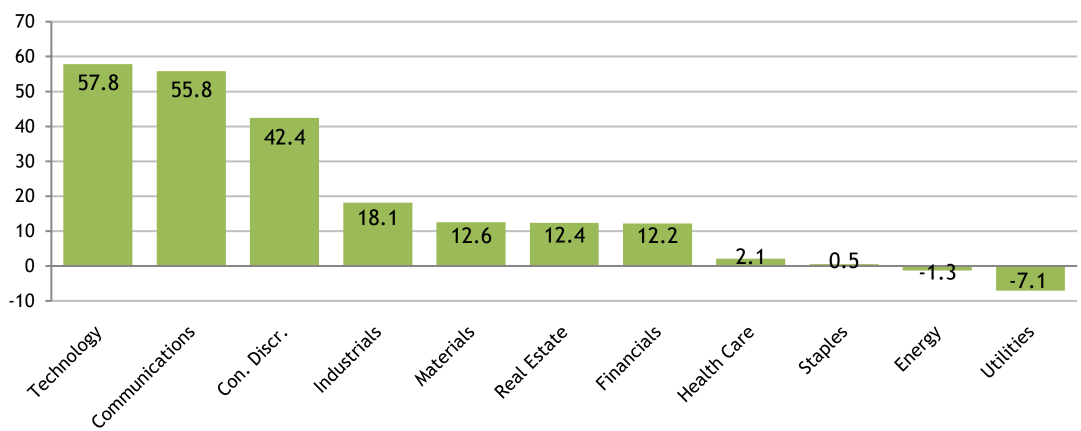
12/31/2023

The stock market rallied in the fourth quarter: Both the S&P and NASDAQ posted gains for nine consecutive weeks to conclude the year, resulting in major stock indices finishing in positive territory for 2023. Decelerating inflation, anticipating the Federal Reserve (Fed) rate cuts, and the sustained momentum of a strong economy contributed to this robust performance. The Consumer Price Index (CPI) revealed that inflation slowed to 3.1%, down from its June 2022 peak at 9.1%. To close the year, the Fed kept the federal funds rate unchanged and confirmed its policy shift, projecting three 25-basis-point reductions in 2024. While the “Magnificent 7” dominated much of the year, markets gains broadened in Q4. The S&P achieved 11.7% during the quarter, resulting in an overall gain of 26.3% for 2023.

Real Estate emerged as the top-performing sector in the market for the quarter, propelled by declining mortgage rates. For the year, Technology (57.8%) and Communications Services (55.8%) stood out as the best performers driven by momentum in artificial intelligence (AI). Consumer Discretionary (42.4%) excelled due to a resilient consumer base. Only the Energy (-1.3%) and Utilities (-7.1%) sectors experienced negative returns for the year.

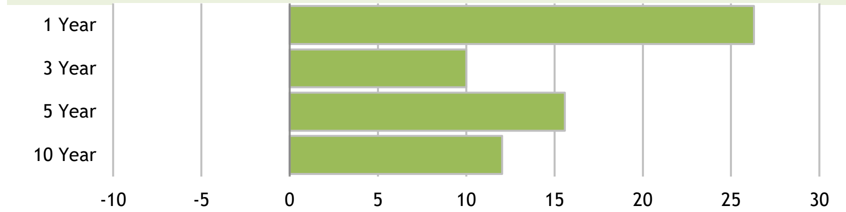
Interest rates declined in Q4 as financial conditions eased, leading to a bond market rally. The 2-year Treasury Bond yield declined 79 basis points, from 5.04% to 4.25%. The 10-year Treasury Bond yield also declined 69 basis points, ending at 3.88%. The Bloomberg Aggregate Bond Index gained 6.82% during the quarter and finished the year up 5.53%.

S&P 500 Index: Sector Returns Percent Year-to-Date

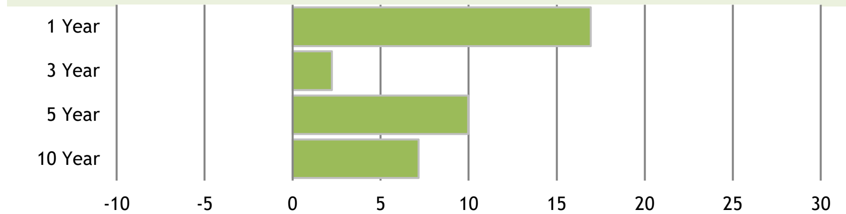


Source: Morningstar

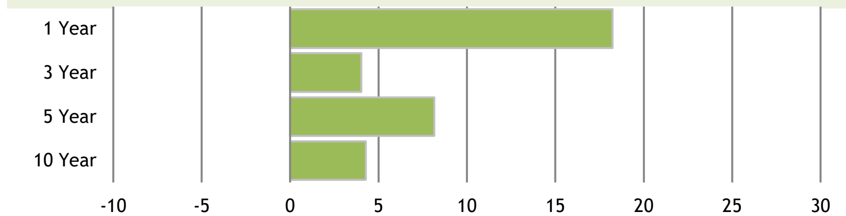
S&P 500 **Average Annual Percent Total Return**



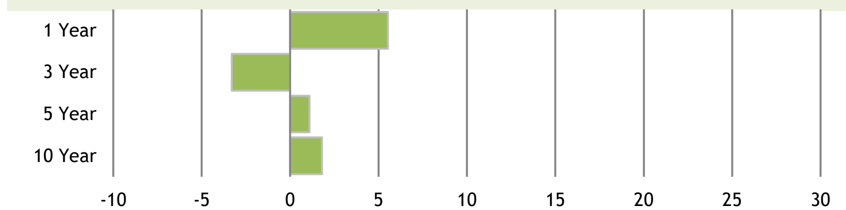
Russell 2000 Small Cap Index



MSCI EAFE International Index



Bloomberg US Aggregate Bond Index



Bloomberg US Treasury Bill 1-3 Month