JANUARY 2024

Capital Markets Commentary

MEEDER

Market Highlights

TOTAL RETURNS (AS OF 1/31/24)

EQUITY INDICES	1 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR
S&P 500	1.7%	1.7%	20.8%	11.0%	14.3%
US Large Cap Growth	2.5%	2.5%	35.0%	10.0%	18.0%
US Large Cap Value	0.1%	0.1%	6.1%	9.2%	9.3%
US Small Cap	-3.9%	-3.9%	2.4%	-0.8%	6.8%
Developed International	0.6%	0.6%	10.0%	4.6%	6.9%
Emerging Markets	-4.6%	-4.6%	-2.9%	-7.5%	1.0%
FIXED INCOME INDICES	**1 MONTH**	**YTD**	**1 YEAR**	**3 YEAR**	**5 YEAR**
US Investment Grade	-0.3%	-0.3%	2.1%	-3.2%	0.8%
US High Yield	0.0%	0.0%	9.2%	1.9%	4.3%

SOURCE: MORNINGSTAR DIRECT, MEEDER INVESTMENT RESEARCH. INDICES: S&P 500 INDEX, RUSSELL 1000 GROWTH, RUSSELL 1000 VALUE, RUSSELL 2000, MSCI EAFE, MSCI EM, BLOOMBERG US AGG BOND, ICE BOFA US HIGH YIELD

EQUITIES

U.S. Equity performance was a mixed bag in January as the S&P 500 started the year in negative territory, bounced back to set multiple record closes, and closed on a weaker note finishing up 1.7%. The index was propelled by continued optimism around a soft-landing scenario and strong economic data which included a Q4 annualized GDP print of 3.3%. U.S. Growth stocks picked up right where they left off in 2023 carrying the broad index higher. After finishing the year strong, U.S. Small-Caps resumed their struggle finishing down 3.9% as the markets readjusted rate cut expectations. China's economic concerns continue to be an anchor on the Emerging Markets index as it finished the month down 4.6%.

FIXED INCOME

The 10-year treasury yield ticked up in January from 3.9% to 4% sending U.S. Investment Grade bonds slightly into the red to start the year. Fed Chair Jerome Powell poured cold water on the notion that we would get a rate cut in March as the FOMC held the fed funds rate steady for the fourth straight meeting. A need for sustained evidence that inflation has stabilized will be necessary for the easing cycle to begin. The markets continue to get ahead of themselves with the expectations of rate cuts, continuing to cause volatility in treasuries. U.S. High Yield spreads remained tight leading to flat returns to open the year.

Market Insights

AS GOES JANUARY, SO GOES THE YEAR

There's an old Wall Street belief that the media is fond of blasting out this time of year. The phrase has been coined, "As goes January, so goes the year." Also referred to as the "January Barometer," the theory was first devised by Yale Hirsch, the creator of the Stock Trader's Almanac, in 1972. The basic idea is that if the stock market rises in January, it will continue to rise for the rest of the year, and if it falls in January, it will continue to fall.

Believers of the indicator argue that it reflects investor sentiment and can set the tone for the rest of the year. They believe that strong performance in January indicates confidence and optimism among investors, leading to continued buying and rising prices. Conversely, weak performance in January suggests pessimism and caution, leading to selling and declining prices.

And they have statistics to back them up. Going back to 1950, a positive January has led to average returns in the S&P 500 of 16.8% while a negative January has led to average returns of -1.8% for the corresponding year (see **Figure 1**). So, with the S&P 500 up 1.7% this past January, should we load up on equities? Not quite.

Critics argue that the January Barometer is purely a statistical coincidence and lacks a rational basis. They point out that the correlation between January returns and full-year returns is not consistently strong enough to be relied upon for investment decisions. And with the multitude of headwinds lurking, we would remind investors to remain cautious and consider a range of factors as opposed to relying on a single indicator when making investment decisions.

HOUSEHOLD DEBT COMPOSITION LARGELY FIXED

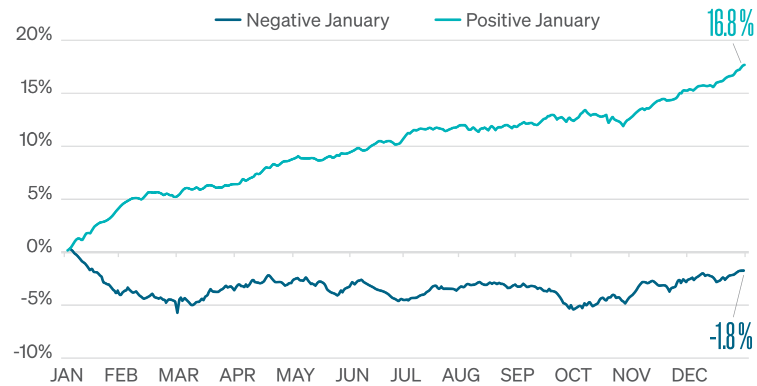
As the Fed set out to combat inflation during the current rate hiking cycle, an unsaid objective of theirs was to bring a little pain to consumers and slow down spending. This effort has largely been ineffective up to this point. While excess savings accumulated during the pandemic fueling the spending has been well documented, the composition of consumer debt has also played a role in delaying rate hike effects.

89% of U.S. consumer debt, primarily composed of mortgages, student loans, and auto loans, is fixed thus shielding it from impact (see **Figure 2**). A much smaller percentage of debt, primarily in floating credit card rates, is tasked with doing the Fed's bidding. In the aggregate, it has not affected the consumer at large but rather smaller pockets of low-income households carrying credit card debt. These households are bearing the brunt of the pain as credit card delinquencies are on the rise and above pre-pandemic levels (see **Figure 3**). A continuance of this trend could spell trouble.

FIGURE 1

A POSITIVE JANUARY IS A GOOD THING FOR 2024

S&P 500 PERFORMANCE FOR THE YEAR BASED ON IF JANUARY IS HIGHER OR LOWER

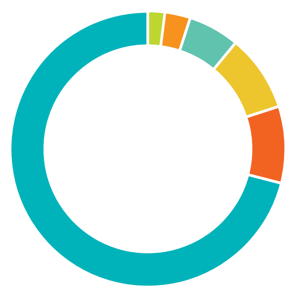


SOURCE: CARSON INVESTMENT RESEARCH, FACTSET 01/29/2024

FIGURE 2

89% OF US CONSUMER DEBT IS FIXED RATE (MORTGAGE, STUDENT, AND AUTO LOANS)

CONSUMER DEBT OUTSTANDING, 2022

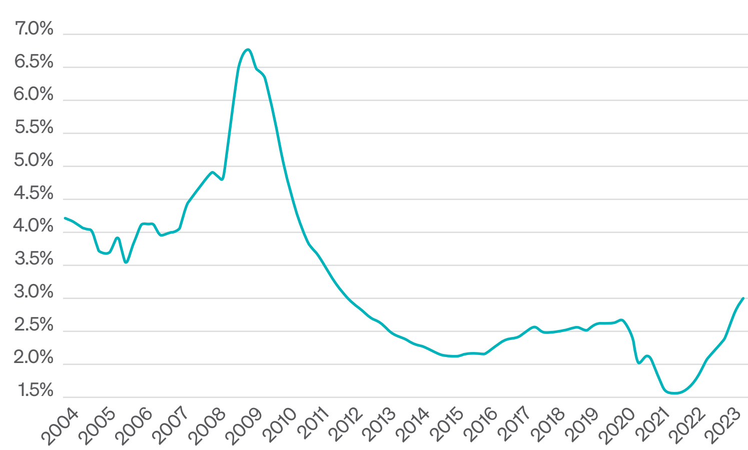


Household Mortgage Debt	**Fixed Rate 71%**
Student Loans	**Fixed Rate 9%**
Auto Loans	**Fixed Rate 9%**
Credit Card Debt	Variable Rate 6%
Other Household Debt	Variable Rate 3%
HELOC	Variable Rate 2%

SOURCE: APOLLO

FIGURE 3

PERCENTAGE OF TOTAL OUTSTANDING CREDIT CARD BALANCES AT LEAST 30 DAYS OVERDUE, 2004 TO PRESENT



SOURCE: FEDERAL RESERVE

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INDEX DESCRIPTIONS

S&P 500 Index – The Index tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices and includes approximately 80% of the total market capitalization of U.S. public companies.

Russell 1000 Growth Index – The Index measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium-term (2-year) growth, and higher sales per share historical growth. The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

Russell 1000 Value Index – The Index measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium-term (2 years) growth, and lower sales per share historical growth (5 years). The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

RUSSELL 2000 Index – The Index is constructed to provide a comprehensive, unbiased barometer of the small-cap segment of the US equity market. A subset of the Russell 3000 Index, it includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

MSCI EAFE Index – The Index is an equity index that captures large and mid-cap representation across 21 Developed Markets countries* around the world, excluding the US and Canada. With 783 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EM Index – The Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries*. With 1,440 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Aggregate Bond Index – The Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS, and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index. The US Aggregate Index was created in 1986, with history backfilled to January 1, 1976.

ICE BofA US High Yield Bond Index – The Index tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of $100 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the Eurobond and US domestic bond markets), 144a securities, and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify, provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify, provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index.

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