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MEEDER EDGE AND PRIVATE WEALTH

Market Viewpoints

December 2023

Market Highlights

TOTAL RETURNS (AS OF 12/31/23)

EQUITY INDICES	1 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR
S&P 500	4.5%	26.3%	26.3%	10.0%	15.7%
US Large Cap Growth	4.4%	42.7%	42.7%	8.9%	19.5%
US Large Cap Value	5.5%	11.5%	11.5%	8.9%	10.9%
US Small Cap	12.2%	16.9%	16.9%	2.2%	10.0%
Developed International	5.3%	18.2%	18.2%	4.0%	8.2%
Emerging Markets	3.9%	9.8%	9.8%	-5.1%	3.7%
FIXED INCOME INDICES	**1 MONTH**	**YTD**	**1 YEAR**	**3 YEAR**	**5 YEAR**
US Investment Grade	3.8%	5.5%	5.5%	-3.3%	1.1%
US High Yield	3.7%	13.5%	13.5%	2.0%	5.2%

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

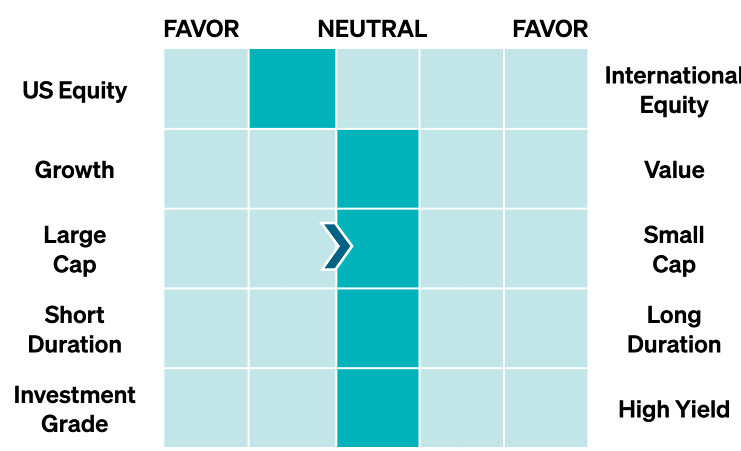
U.S. Equity markets rose again in December to cap off a strong 2023 gaining 26.3% for the year. The S&P 500 crossed the finish line with nine straight weeks of gains, its longest winning streak since 2004. The late year surge has been propelled by cooling inflation and hopes of multiple rate cuts in 2024. Value outpaced Growth for the month but trailed significantly for the year as the spread between the two settled at roughly 30%, largely driven by the AI craze. Small-Caps were the primary beneficiary of dovish Fed talk as they soared in December to make up for what has been a tough year. International markets performed well for the month but once again trailed U.S. Equity for the year.

FIXED INCOME

Bonds built off their strong November to post another solid month as yields continued to decline. The back-to-back positive months in U.S. Investment Grade, as measured by the Bloomberg U.S. Aggregate Bond Index, pushed the space into the black for the year avoiding a third consecutive down year. In fact, it was the strongest two-month return for the Index in the last 30 years. U.S. High Yield spread tightening accelerated mid-month on the Fed's dovish tone, pushing spreads to their tightest levels of the year. This, along with defaults coming up short of expectations drove this year's above average performance.

Portfolio Positioning

- U.S. Equity markets once again outperformed their international counterparts during 2023. This continues a 16-year trend of cumulative domestic outperformance. There have been many head fakes throughout this period where it looked like international names would turn the tide and 2024 will present another opportunity. With cheaper valuations overseas and the dollar coming under pressure against anticipated rate cuts, the backdrop is set for international outperformance. However, the strength and resilience of the U.S. economy can never be underestimated so we continue to slightly favor U.S. Equities.
- We have moved to neutral equity market cap on an improving outlook for Small-Caps. Recession risk is fading but we remain cautious as headwinds lurk that have the potential to re-accelerate inflation, causing the Fed to hold rates higher than the market is anticipating. If rate cuts don't materialize, pressure on Small-Caps will mount, stalling the year-end rally.



Market Insights

LOOKING BACK, LOOKING FORWARD

Equity markets were remarkable in 2023 for a multitude of reasons but a seemingly interesting development was how wrong most of the Wall Street strategists were with their forecasts. The consensus view was particularly negative heading into 2023 with rising geopolitical tensions, elevated inflation, economic concerns in response to global rate hikes, and recession fears dampening expectations for the S&P 500. The index opened the year at 3855 with the average forecast of top strategists calling for it to end at 4030, a roughly 4.5% gain (see **Figure 1**). Many strategists were even calling for a flat to negative year but the index persevered finishing at 4,770, above all expectations.

This, however, is not an anomaly. The track record of strategists correctly forecasting the market one year out is less than stellar. This shouldn't come as a surprise as it's extremely difficult to predict where the market is going in the short-term with consistent accuracy. The extensive research that goes into the forecasts should not be discounted though, as it is informative when making long-term allocation decisions.

That being said, what's the consensus view for 2024? The average forecast of approximately 4850 would indicate a 2% gain for the year while the high end and low end predict returns of 13% and -12% respectively (see **Figure 2**). Again, these should be taken with a grain of salt and not drive us to make short-term reactionary decisions but are useful when digging into the underlying reasoning.

VOLATILITY IS THE PRICE OF ADMISSION

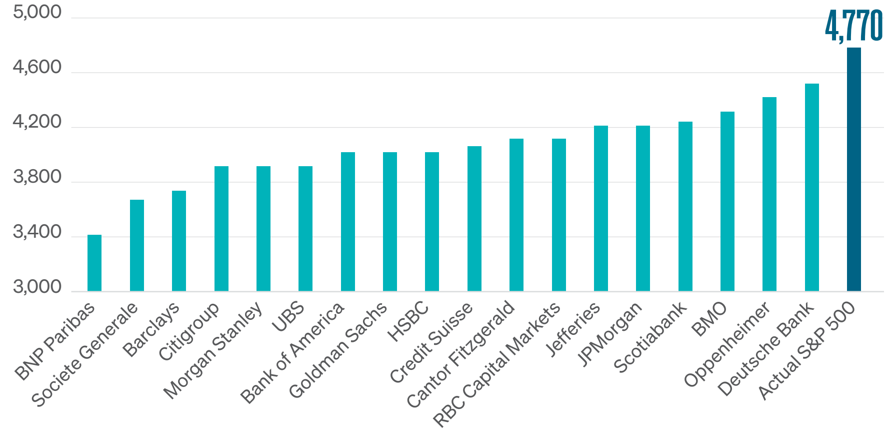
As the calendar turns it's important to remind ourselves of the volatile nature of stocks. As investors in equities, volatility is par for the course when seeking to achieve long-term capital appreciation. More often than not, it is a bumpy ride, but the patience to stay invested through turbulent times is rewarding in the long run. Last year alone, the S&P 500 saw corrections of approximately -6.4% and -10.3%. In fact, you can expect to see multiple corrections a year on average from the S&P 500 (see **Figure 3**). Some highlights:

- Over seven 3% dips per year
- A 10% correction about once a year
- 20% bear markets about every three years

Keep these statistics ingrained in your mind the next time scary headlines inevitably roil the markets with no end in sight.

FIGURE 1

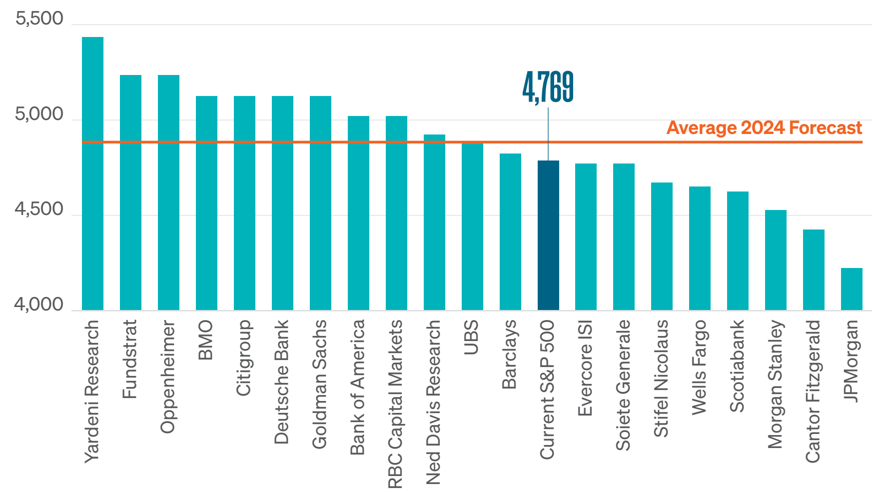
S&P 500: WALL STREET'S 2023 YEAR-END PRICE TARGETS VS. ACTUAL YEAR-END LEVEL (TARGET DATA VIA MARKETWATCH IN DEC 2022)



SOURCE: CREATIVE PLANNING

FIGURE 2

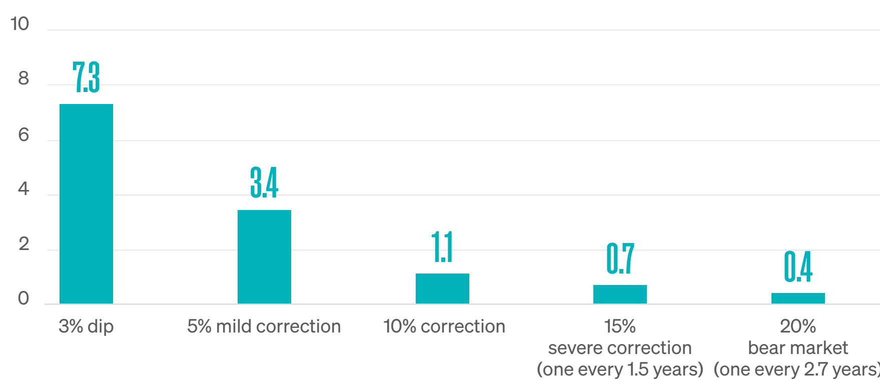
WALL STREET'S S&P 500 FORECAST FOR 2024



SOURCE: ALL STAR CHARTS

FIGURE 3

VOLATILITY IS THE TOLL WE PAY TO INVEST S&P 500 PER YEAR (1950–2022)



SOURCE: CARSON INVESTMENT RESEARCH, NED DAVIS RESEARCH

Outside the Markets

As most of us were busy overeating and catching up on Netflix shows during the holiday season, thirteen-year-old Willis Gibson of Stillwater, Oklahoma was busy achieving an unprecedented feat in the classic video game Tetris. Masterfully maneuvering the falling shapes for over 38 minutes, Willis reached the elusive “kill screen,” an accomplishment captured in a video shared on his YouTube channel. Vince Clemente, president of the Classic Tetris World Championship, expressed astonishment at his victory, stating it had never been done by a human. Previously, the game posed an unbeatable challenge by the 29th level, conquered only by artificial intelligence.

For years, Tetris stumped players due to its infinite nature, lacking a scripted end. Gibson’s breakthrough follows a long history of gamers attempting to surpass levels limited by the game’s speed. Willis disclosed his innovative techniques like “hypertapping,” using directional arrows for faster controller movements, and “rolling,” employing drumming motions beneath the controller, to execute his strategy.

Known as Blue Scuti in the gaming world, Willis etched his name in history on December 21st by pushing the game to its limits, leading to the crash. His exuberance was palpable in the video as he reached Level 157, unprecedented territory, which was not designed to accommodate such heights. Following the crash, Willis exclaimed joyously but admitted to numb fingers, expressing how nerves set in after 30 minutes of intense play.

When prompted for advice to fellow young gamers, Willis conveyed a message of determination and hard work, asserting that dedication and effort often yield desired outcomes. Sage advice from the teenager as we gear up to achieve our own desired accomplishments in the new year.

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