MEEDER

MEEDER EDGE AND PRIVATE WEALTH

Market Viewpoints

February 2024

Market Highlights

TOTAL RETURNS (AS OF 2/29/24)

EQUITY INDICES	1 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR
S&P 500	5.3%	7.1%	30.5%	11.9%	14.8%
US Large Cap Growth	6.8%	9.5%	45.9%	12.5%	18.8%
US Large Cap Value	3.7%	3.8%	14.0%	8.4%	9.4%
US Small Cap	5.7%	1.5%	10.0%	-0.9%	6.9%
Developed International	1.8%	2.4%	14.4%	4.4%	6.8%
Emerging Markets	4.8%	-0.1%	8.7%	-6.3%	1.9%
FIXED INCOME INDICES	**1 MONTH**	**YTD**	**1 YEAR**	**3 YEAR**	**5 YEAR**
US Investment Grade	-1.4%	-1.7%	3.3%	-3.2%	0.6%
US High Yield	0.3%	0.3%	11.0%	1.9%	4.0%

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

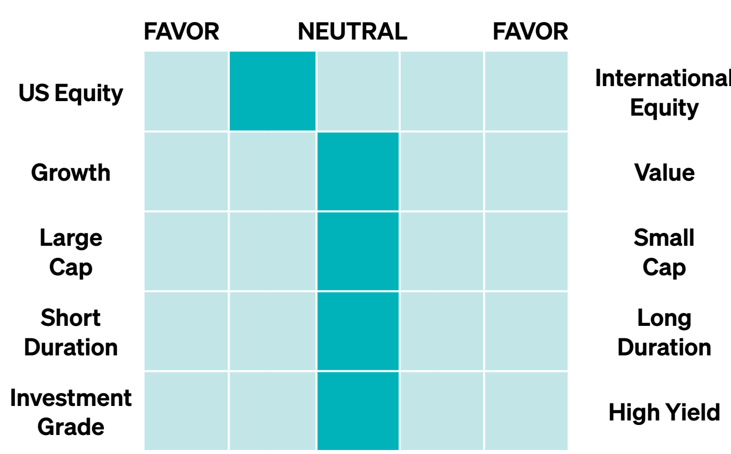
U.S. Equity markets rallied in February as the S&P 500 was up 5.3% to post its fourth consecutive month of positive gains. The index was rattled mid-month by a hotter than expected CPI print, but markets were reassured of continued disinflation later in the month as Core PCE declined for the twelfth consecutive month. U.S. Growth once again outpaced Value on the back of NVIDIA as the chipmaker's earnings continue to exceed lofty expectations. The rally broadened in February as U.S. Small-Caps posted a strong return and moved into positive territory YTD. Emerging Markets were propelled by government action in China to help stabilize the property market boosting investor confidence.

FIXED INCOME

Volatility in the treasury markets persisted in February as expectations for Fed rate cuts in 2024 shifted from six to three. Interest rates ticked up across the yield curve during the month with the 10-year treasury rising from 3.9% to 4.3%. Fed language continuing to indicate a willingness to keep rates "higher for longer" drove the move. Despite the move higher, the 10-year remains significantly lower than the multi-year high of 5% reached in October 2023. The upward pressure in rates has led to negative returns in U.S. Investment Grade for the year. U.S. High Yield eked out a positive gain as credit spreads tightened further.

Portfolio Positioning

- Strong economic data, a resilient job market, consumer spending, continued disinflation, and increased earnings expectations have been catalysts for U.S. equities. With a concerning macroeconomic backdrop and weak growth in Europe along with China's well documented struggles, we continue to prefer U.S. equities over International.
- Small-Caps continue to offer attractive relative valuations but for momentum to be sustained rates will need to decline further. If evidence of a lasting shift downward in rates presents itself, an increase in small cap allocations could be warranted.
- Longer term bonds, which are more sensitive to interest rate movements, remain vulnerable to a reacceleration of inflation. With Fed cuts on the horizon, we remain cautious to extend duration until the path becomes clearer.



Market Insights

CONFERENCE BOARD NO LONGER FORECASTS RECESSION

The Conference Board Leading Economic Index (LEI) continued its descent, falling 0.4% in January to its lowest level since May 2020 (see **Figure 1**). Many economists and investors track this measure closely but what is it exactly?

In a nutshell, the LEI is a composite index designed to forecast future economic activity in the United States. It is produced by The Conference Board, a non-profit research organization, and is a combination of ten indicators. These indicators, each chosen for their ability to signal changes in economic conditions include metrics in manufacturing, employment, and interest rates. There is no such thing as a perfect indicator, but the LEI has a good track record of predicting recessions. So, what is it telling us now?

With January's decline, the index logged its 23rd consecutive month of negative readings (see **Figure 2**). It's the longest streak since March 2009, which would typically scream "recession" as the indicator has historically turned downward prior to the occurrence of recessions. However, the economy has yet to capitulate, and the Conference Board is no longer forecasting a recession in 2024 as six of the ten indicators have been positive over the last six-month period. They do, however, expect real GDP growth to slow to near zero percent over the next couple of quarters.

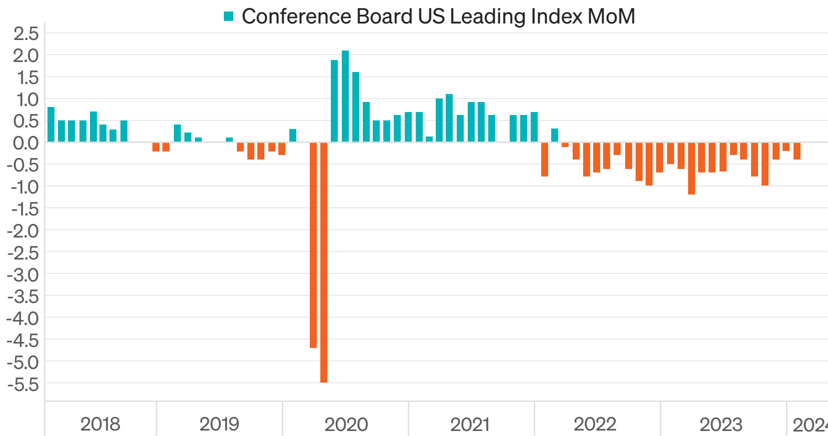
There is certainly a lot to be optimistic about in the U.S. economy and that has been reflected in the equity markets as they continue to post all-time highs. Many headwinds and potential roadblocks are always lurking though, and with the LEI producing mixed signals, it bears watching as we progress further into 2024.

U.S. DOLLAR STILL KING

There has been a lot of noise as of late around the end of the U.S. dollar's role as the world's reserve currency. While its share of global foreign currency reserves has ticked down slightly over the last two decades to roughly 60%, it is still three times larger than the Euro and more than ten times the size of the Yen and Pound (see **Figure 3**). According to the Carson Group, such concerns are unfounded for several reasons.

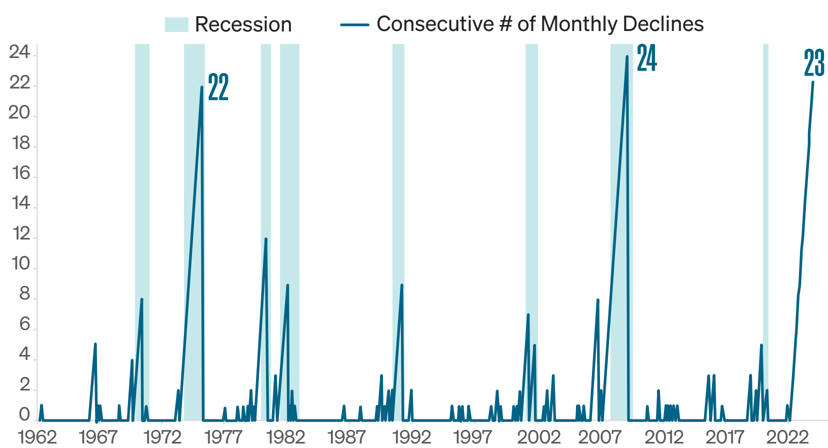
Global confidence in the U.S. and its currency remains strong due to structural advantages such as deep and liquid financial markets, a commitment to open trade, and a robust rule of law. Additionally, the USD is widely used in international borrowing, with 62% of foreign currency borrowing denominated in dollars. And with sustained trade deficits, a surplus of USD's is held by foreign entities who often invest in U.S. financial assets, particularly Treasuries. Given these dynamics and its entrenchment in global markets, the UDS's dominant role is unlikely to diminish in the foreseeable future.

FIGURE 1
LEI MONTH OVER MONTH



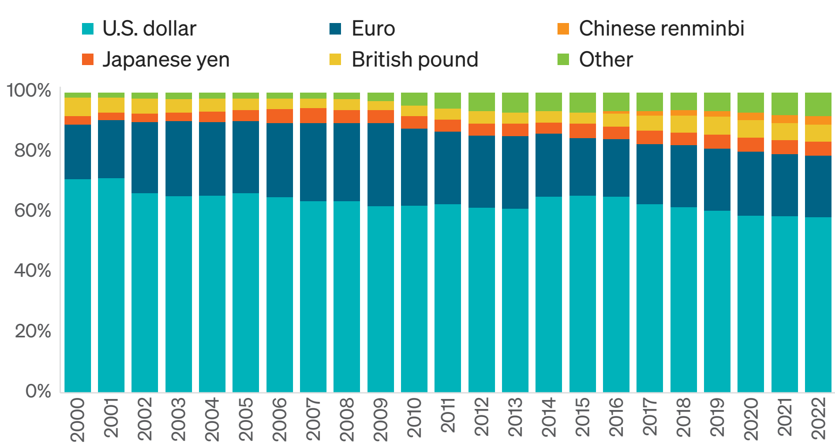
SOURCE: 2024 BLOOMBERG FINANCE LP

FIGURE 2
LEI CONSECUTIVE MONTHS
CONFERENCE BOARD LEADING INDEX



SOURCE: CONFERENCE BOARD

FIGURE 3
WORLD EX US: "IN THE U.S. DOLLAR WE TRUST"
SHARE OF FOREIGN EXCHANGE RESERVES



SOURCE: CARSON INVESTMENT RESEARCH, FEDERAL RESERVE

Outside the Markets

At one point or another it is likely that we've all been guilty of returning a book late to the library. While a nuisance, the fines that came along with our forgetfulness were never meaningful enough to send us into crippling debt. In fact, many libraries have been moving away from charging these small fines all together and that's a good thing for a patron of the Licking County Library in Newark, Ohio.

A book of poetry from 1905 titled "Heart Throbs" was returned to the Newark library on February 9th. The book was a whopping 93 years overdue. The patron who returned the book had found it at a relative's house and discovered the due date card stamped "Nov 9 '31." The library did away with overdue fines in 2017 but an estimate if fines were still in place was approximately $6,000. The book is still in great shape and the story has amazed library staffers. It has yet to be decided if the book will be returned to the patron or kept by the library as a relic.

IMPORTANT DISCLOSURES

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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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