Stock Market Recap – Jan. 2024

Bill Winkeler, CFA, CFP®
Chief Investment Officer

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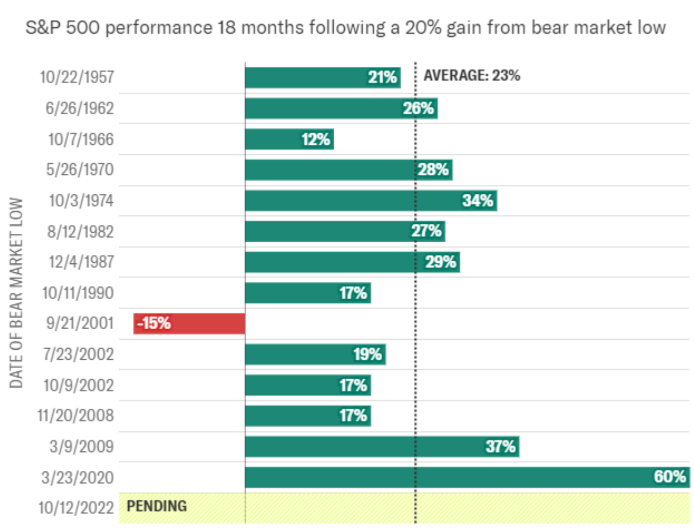
Month in Review

- It was a choppy month for stock and bond markets as volatility rose towards the end of January. US large caps squeezed out a positive return, while US small caps and international equities trailed.
- Investors pushed expectations of interest rate cuts out, helping to increase interest rates, which weighed on major bond markets during the month.
- Economic data remains strong enough that the Federal Reserve largely took a March rate cut off the table in late January.

Equity Markets Following Bear Market Recoveries

The S&P 500 reached a new all-time high on January 25th, illustrating the progress the equity market has made following the most recent bear market. Along with making new all-time highs comes an influx of short-term noise, making it important to review the history of market returns following bear market recoveries. Looking at all 14 cases since 1957, the S&P 500 rose an average of 23% over the 18 month period following the 20% recovery from a bear market low. In present day, the S&P 500 had a bear market low on October 12, 2022, and recovered 20% roughly 9 months later in June 2023. Ignoring short-termism around all-time highs, history suggests the equity markets continue to rise after recovering from a bear market.



Source: Yahoo! Finance as of 1/30/2024; BMO Capital Markets via Brian Belski.

What's on Deck for February?

- Earnings season will wrap up, after companies posted largely mixed results in January.
- Banks are back in focus following the surprise weakness in some regional bank earnings. Given the events of March/April 2023, investors have heightened sensitivity to any perceived weakness in the banking channel.
- The Federal Reserve does not have a (FOMC) meeting in February, so investors will look for additional information from Fed officials following the January meeting. The Federal Reserve surprised investors by taking a March rate cut off the table, suggesting it would happen later in 2024 depending on economic data.