



**Old Second**  
WEALTH MANAGEMENT



**RIVERSTREET**  
ADVISORS, LLC

Monthly Mosaic | February 2, 2024



## Perspective

Finally! The S&P recovered from bear market territory after teasing new highs at the end of 2023. The S&P broke through the 1/3/2022 high of 4,794 briefly on January 12th and finally closed above 4,780 the following week. This recovery of just over 24 months from peak to peak was consistent with average bear market recoveries and much shorter than both the 2000 and 2007 bear market recoveries which both took over four years. The Nasdaq and Small-cap index have yet to reach new highs and the breadth of the recovery across smaller names will be dependent on the state of the economy.

In the Fed's January 31st press conference following their first FOMC rate meeting of the year, Jerome Powell indicated the Fed does not have a growth mandate and a rate cut at the March meeting would be unlikely; noting "continued declines in inflation are really the main thing we are looking at..." Despite Powell walking back expectations for a rate cut in March, the market has priced in a rate cut by no later than June. In consideration of the strong labor market with unemployment at 3.7% and fourth quarter GDP growth at 3.3%, the economy appears to be quite resilient in the wake of the Fed's rate hike tirade. An indication that the Fed intends to stand pat should be more than enough for the economy to maintain expansion through 2024.

As we entered January with the beginning of the elections cycle, we fully anticipated market uncertainty in the first half of the year as the landscape evolved and candidates presented their agendas. Possibly one of the unanticipated potential outcomes of the primaries was an uncontested race for both parties. While Nicky Haley performed well among independents in New Hampshire, it is difficult to see a path where President Trump does not receive his party's nomination while President Biden appears to have the nod from the DNC. Short of a ruling in one of the many legal battles President Trump is mired in, it appears the 2024 election may be a rematch of 2020. I guess it's possible a third party candidate runs under the slogan "Hindsight being 2020!" With the uncertainty around primary mudslinging all but gone, it's possible we see the markets rally earlier than typical election years.

Geopolitical events still weigh heavy as conflict in the Middle East has done anything but moderate. A strike by an Iranian backed militia on a U.S. post in Jordan will certainly result in retaliation by the U.S. in the coming weeks. While an escalation in the Middle East does not bode well for the economic landscape in consideration of the ongoing war in the Ukraine; history has shown that U.S. response to attacks as such is likely to be measured, well-coordinated, quick and very precise. We continue to monitor these events in consideration of market risk they may present for our international exposure and future outlook in these markets.



## Monthly Recap

- U.S. National Debt passes \$34 Trillion, 123% of National GDP.
- SEC approved the listing and trading of a number of spot bitcoin exchange-traded product (ETP) shares, with \$4.6 billion of shares being traded the first day.
- Congress passed a short-term spending bill to avert government shut-down, funding agencies into March.
- Primary season kicked off with the Iowa Caucuses and the New Hampshire Primary. Presidents Biden and Trump are virtually uncontested with significant leads in their respective parties.
- In their first meeting of 2024, the Federal Reserve left Fed Funds Rate unchanged at 5.25% - 5.50% but downplayed market expectations of rate cuts starting soon.



## Markets

Market Indices	Total Return as of: 1/31/2024		
	MTD %	YTD %	1-Year %
S&P 500 Index	1.68%	15.99%	20.79%
NASDAQ Composite	1.04%	18.29%	32.05%
Russell 2000 Index	-3.89%	17.60%	2.36%
MSCI EAFE Index	0.43%	15.87%	9.48%
MSCI Emerging Markets	-4.64%	7.02%	-2.94%
BBG US Aggregate Bond	-0.27%	8.23%	2.10%
WTI Crude Oil	5.86%	-6.38%	-3.83%
Gold	-1.14%	2.80%	5.76%



## Interest Rates

	Close 1/31	Prior Month	Year Ago
Fed Funds Target	5.50%	5.50%	4.50%
6-Month US Treasury	5.20%	5.26%	4.81%
2-Year US Treasury	4.21%	4.25%	4.11%
10-Year US Treasury	3.91%	3.88%	3.42%

### The Month Ahead

#### FEBRUARY 2<sup>ND</sup>

Unemployment Rate & Average Hourly Earnings

#### FEBRUARY 10<sup>TH</sup>

Consumer Price Index Report

#### FEBRUARY 16<sup>TH</sup>

Housing Starts, consumer Sentiment & Producer Price Index Report

#### FEBRUARY 26<sup>TH</sup>

New Home Sales

#### FEBRUARY 29<sup>TH</sup>

Personal Spending & Personal Consumption Expenditures Index Report

# Questions?

Your Wealth Management team is here to answer.

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