Smarter Way to Invest

Equity Indexes Reach New All-Time Highs

Market Update FEBRUARY 2024

February exhibited a strong rebound for equities, with the recent rally leading the S&P 500 index and several other major equity indexes to reach new all-time highs to close out the month. All major asset classes saw positive returns for the month, with the exception of the fixed income sector. The Fed's interest rate policy has remained unchanged as of late, however, bond yields experienced a slight uptick leading to downward price pressure and negative returns as of month-end.

"The equity market rally persists despite the unwinding of anticipation for aggressive rate cuts, as the initial forecasts of six to seven rate reductions have now been revised to expectations of approximately three 25bps rate cuts."

January inflation metrics (released in February) came in mixed, as headline CPI fell to 3.09% year-over-year, above expectations; and Core CPI, while decreasing slightly to 3.87% year-over-year, was higher than expectations of 3.70%. The shelter (housing) component, which makes up roughly one-third of the CPI index, increased 0.6% in January compared to the previous month, and 6% on a year-over-year basis, contributing to the elevated reading compared to expectations. On a positive note, Core PCE, the Fed's preferred measure of inflation, dropped to 2.85% year-over-year, down from last months reading of 2.94%.

Additionally, the US economy has exhibited some positive signs of resilience, with the unemployment rate holding steady below 4%. February's reading of 3.9% was a slight uptick from the prior month's 3.70%, however the US added 275,000 nonfarm payroll jobs in February, exceeding expectations of 198,000. While the job market shows resilience, there are emerging signs of potential cooling. Nevertheless, the labor market continues to demonstrate strength. This, coupled with the steady (but slowly declining) inflation metrics have provided optimism to investors and has bolstered equity markets.

To close out February, the S&P 500 reached new all-time highs, closing at a level of 5,096 on February 29th. Several other equity indices, such as the Dow Jones Industrial Average and the NASDAQ 100 indices also reached all-time highs to close out February. The equity market rally persists despite the unwinding of anticipation for aggressive rate cuts, as the initial forecasts of six to seven rate reductions have now been revised to expectations of approximately three 25bps rate cuts. This adjustment has led to rising bond and treasury yields, which have weighed negatively on the performance of the fixed-income market. The market rally last year was primarily driven by a handful of dominant names, which has continued to start the year, as the 'Magnificent 7' and Mega Cap names like Nvidia (NVDA) have bolstered the broader index returns. We have, however, begun to see a slight shift in the landscape, with a broader range of companies beginning to contribute positive returns again. Notably, the S&P 500 equal-weight index has recently broken above its previous all-time high, surpassing the peak set in early 2022.

Some of this rally seems to be driven by optimism from resiliency in various economic activity. At first glance, the housing market seems strong, with home prices continuing to climb. However, the underlying impact of elevated mortgage rates and reduced housing starts has created challenges in housing supply and affordability. The sustained price appreciation appears to be fueled primarily by limited inventory. Throughout February, mortgage rates climbed to 6.94%, marking a significant increase from the sub 3% lows experienced in 2021. Concurrently, existing home sales for January 2024 totaled just 4 million, trailing behind the 10-year monthly average of 5.28 million. The phenomenon of the "lock-in effect" has emerged as a plausible explanation, with existing homeowners opting to retain their low-interest rates. Compounding the situation, housing starts witnessed a notable decline of approximately 10% from 2022 to 2023, potentially exacerbating supply constraints. This trend has continued in 2024 as housing starts declined from 1.56 million as of December 2023 to just 1.33 million as of January 2024. As a result, housing prices surged by 5.57% in 2023, as indicated by the Case-Shiller National Home Price Index.

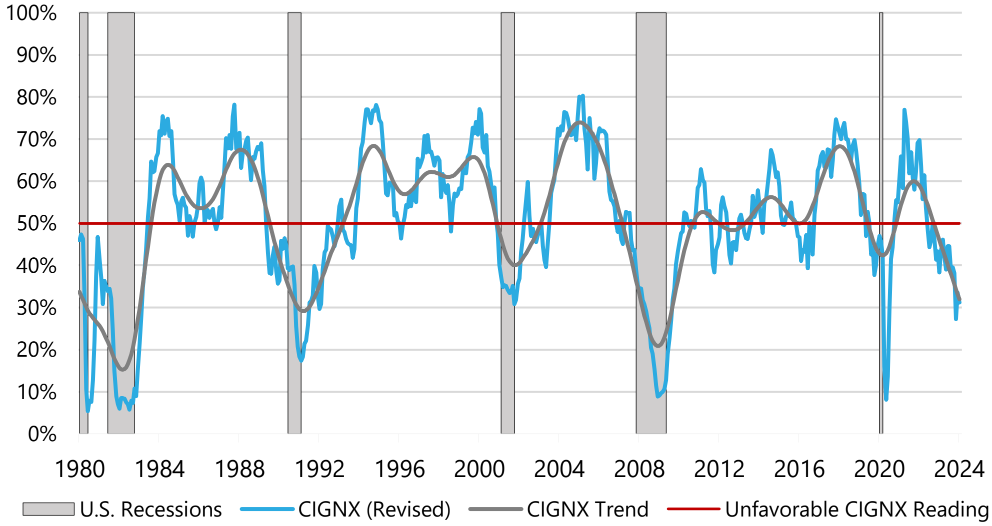
The continued rally in equity markets underscores the positive impact that economic resilience and steadily declining inflation has had on investor optimism. While certain segments of the economy have demonstrated resilience on the surface, the underlying data suggests that challenges do persist. Looking ahead in 2024, we anticipate corporate earnings and stock market returns will be strongly correlated to the economic environment and ability of the Fed to balance its fight against inflation with avoiding a recessionary slowdown in economic activity.

Smarter Way to Invest

MARKET SENTIMENT= MIXED

Signal Update FEBRUARY 2024

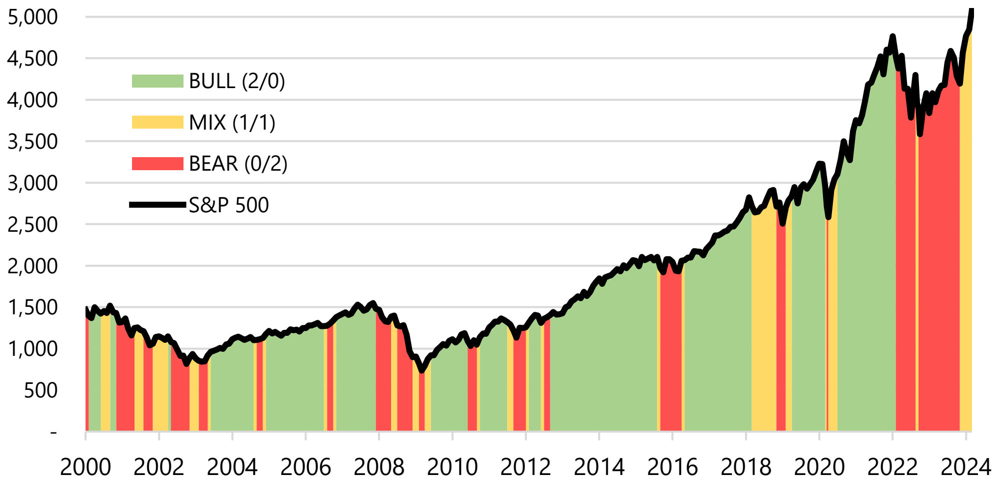
CIGNX = 31.9



Our **CIGNX** Economic Indicator has a revised reading of **31.9**, down slightly from last month's revised reading of **32.6**. While the reading is down slightly from last month, this is indicative of continued sluggish economic activity and a continued unfavorable trend in economic activity. This remains well below our baseline threshold of **50.0,** indicative of unfavorable conditions, and is below the baseline reading of **40.0**, which we typically interpret as the economy experiencing recessionary conditions. **Our overall economic outlook remains unfavorable.**

MONTH (2023)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CIGNX (Revised)	32.6	**31.9**										
CIGNX Trendline	31.9	**30.7**										

ALPHA = Positive (Buy) OMEGA = Negative (Sell)



Our short-term **(Alpha)** signal remained **Positive** during the month of February, while our intermediate-term signal **(Omega)** remains **Negative**, indicating the near-term market trajectory is favorable while the long-term outlook for the market trajectory is unfavorable. We remain in a "Mixed" positioning across each of our Dynamically managed Portfolios, with a slightly reduced exposure to equities. **Our overall market sentiment outlook is Mixed.**

MONTH (2023)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
ALPHA	BUY	**BUY**										
OMEGA	SELL	**SELL**										

www.asmarterwaytoinvest.com • support@asmarterwaytoinvest.com • P: 810.588.6178

Asset Class Indices	S&P 500 Index	S&P 400 Index	S&P 600 Index	U.S. Agg Bond Index	S&P GSCI Index	S&P 1500 Real Estate
Monthly	5.34%	5.94%	3.32%	-1.41%	0.87%	2.06%
Year to Date	7.11%	4.13%	-0.75%	-1.68%	5.38%	-2.97%

Market Review FEBRUARY 2024

U.S. Lg Cap Stocks

The S&P 500 Index posted a positive gain in February, returning 5.34% for the month, continuing to lead the market cap indices year-to-date. Last year, we observed a prevailing theme of large and mega cap companies outperforming the broader market, and 2024 has started off with a similar theme. The mega cap names and the 'Magnificent 7' are again leading the pack, notably Nvidia has returned 59.75% for the year, compared to the equal weight S&P 500 which has only returned 3.31% year-to-date.

U.S. Md Cap Stocks

The S&P 400 Mid Cap Index saw a sizeable increase in the month of February. Following last month's negative returns for January, the mid cap index led the pack with a strong return of 5.94%, outperforming both large and small cap equities. Similarly to the S&P 500. a few of the larger names of the index are producing the majority of returns, notably in the mid cap index the largest constituent, Super Micro Computers, an artificial intelligence beneficiary, has pulled the index higher returning over 200% year-to-date.

U.S. Sm Cap Stocks

The S&P 600 Small Cap Index has continued to underperformed both its large and mid cap counterparts, returning 3.32% for the month of February. Small cap stocks have begun to recover slowly, however remain in the negative for the year, and continue to trail the broader equity markets. The uncertainty of interest rate trajectory and when (and how many) rate cuts will occur this year have dampened the performance of small cap equities, a trend we saw throughout the previous year.

U.S. Bonds

The Bloomberg U.S. Aggregate Total Return Index experienced negative performance again in February, posting returns of -1.41%, continuing from last months slight decline of -0.27%. High yield bonds again eked out slightly positive returns while the rest of the sectors remained in the red. Yield curves remain inverted, with the 2–10-year Treasury Yield spread inverted by 39 basis points, and the 10yr – 3mo spread inverted by 120 basis points as of the end of February. Although the Fed's interest rate policy remains unchanged, yields across most bond sectors have risen slightly, putting downward pressure on bond prices.

Alternative Assets

The S&P GSCI Total Return Index posted returns of 0.87% last month. However, certain precious metals, particularly gold and silver, have struggled with negative year-to-date returns of -1.46% and -5.11%, respectively. Other commodity sub asset classes within the GSCI index have exhibited strong positive gains to start the year, with the 5.38% return thus far year-to-date outperforming all other major asset classes and sectors other than large cap equities. In particular, oil has led the way, with brent crude oil spot price seeing an 8.66% return for the year.

U.S. Real Estate

The S&P 1500 Real Estate Index returned 2.06% for the month of February, a change in trend from last months sizeable loss of -4.93%. Real estate has struggled thus far in 2024 amid uncertainty of the interest rate policy trajectory. Residential housing markets remain strong, with supply and demand imbalances driving prices and valuations higher. However, REITs primarily operating institutional and commercial real estate properties are more sensitive to impacts to net operating income, thus remain highly sensitive to the prevailing interest rate environment and debt service costs.

www.asmarterwaytoinvest.com • support@asmarterwaytoinvest.com • P: 810.588.6178

The information presented herein is based on data derived from various underlying data sources. The figures presented, while deemed accurate, are not guaranteed. A Smarter Way to Invest makes no representation or warranties as to the accuracy of the information presented, the underlying source data, or the source data providers. The content of this letter is provided for informational purposes only and is not advice or a recommendation for the purchase or sale of any security. Carefully consider your investment objectives, risk factors, and charges and expenses before investing. There are risks involved with investing, including possible loss of principal. This information reflects the views of the Smarter Way To Invest Portfolio Management Team on the date made and may change without notice. We will not be responsible for any investment decisions, damages or other losses resulting from or related to the use of the information we provide. When applicable, we have provided references where information was acquired for use in this newsletter.

Copyright © 2024 A Smarter Way to Invest, all rights reserved.