

Independence Asset Advisors

MONTHLY MARKET REVIEW – January 2024

	Jan 2024	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	1.68%	20.82%	10.99%	14.30%	12.62%
U.S. Small Cap Equities Russell 2000	-3.89%	2.40%	-0.76%	6.80%	7.03%
Energy Infrastructure Equities Alerian U.S. Midstream	0.53%	14.39%	28.97%	11.12%	5.44%
Core Infrastructure MSCI World Core Infrastructure	0.59%	1.22%	4.04%	4.35%	4.10%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-4.04%	-1.46%	5.79%	3.00%	6.14%
Global Equities MSCI All Country World Index	0.59%	14.70%	6.12%	10.16%	8.43%
International Developed Equities MSCI EAFE	0.58%	10.01%	4.59%	6.92%	4.77%
Emerging Market Equities MSCI Emerging Markets	-4.64%	-2.94%	-7.50%	0.99%	2.86%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-0.27%	2.10%	-3.17%	0.83%	1.63%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-0.51%	2.90%	-0.78%	2.00%	2.78%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	0.00%	9.28%	1.87%	4.44%	4.52%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.68%	11.12%	5.58%	5.41%	4.42%

MARKET UPDATE

- Global markets returns were mixed in January following an “almost everything rally” in the fourth quarter.
- U.S. large cap “growth” outperformed “value” by 2.4% amid gains in Tech and Comm. Services sectors.
- The S&P 500 Index ended January at 4,846.
- U.S. small cap equities declined nearly 4% following the Fed’s less “dovish” comments.
- Energy infrastructure equities gained 0.5% amid a 6.3% increase in WTI crude oil prices.
- Non-U.S. equity returns were mixed, with developed markets gaining and emerging markets falling.
- The sharp decline in Emerging Markets was attributable to sluggish Chinese economic data.
- Fixed income returns were muted in January as markets scaled back the number of rate cuts priced for 2024.
- The Bloomberg U.S. Aggregate Index yielded 4.6% at month-end, while IG corporate bonds yielded 5.1%.
- Corporate high yield bonds were flat in January after gaining 13.5% in 2023.
- U.S. government bonds declined in January as yields on 10- and 30-year Treasuries rose to 4.0% and 4.2%.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, CBC, Bank of Canada, Bloomberg, Capital Economics, Reuters, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> Preliminary figures suggest the U.S. economy grew at a 3.3% annualized pace in the fourth quarter, a deceleration from the third quarter, but well above consensus expectations for 2.0% growth.
Profits	<ul style="list-style-type: none"> The fourth quarter earnings season is underway, with approximately 25% of companies reporting. The current estimate for operating earnings per share is \$51.77, which would represent y/y earnings growth of 2.8% and a q/q decline of 0.9%.
Jobs	<ul style="list-style-type: none"> The U.S. unemployment rate remained unchanged at 3.7%. Wage growth exceeded expectations, rising 0.6% m/m and 4.5% y/y. January initial jobs came in at a very strong 350,000, with sub-4% unemployment.
Inflation	<ul style="list-style-type: none"> Core PCE (Personal Consumption Expenditure) inflation, which excludes food and energy, slowed to 2.9% y/y in December.
Interest Rates	<ul style="list-style-type: none"> The Fed elected to take no action when it met in January, holding the policy rate at 5.25%-5.50%, and is expected to remain on hold past March. The Fed did not offer guidance as to when interest rates may move lower, but offered that “we are looking for greater confidence that inflation is moving sustainably down to our goal (of a 2% long-term rate).”

CANADA:

- The U.S. dollar index (DXY) increased 1.9% in January.
- The U.S. dollar strengthened 1.1% against the Canadian dollar in January to end the month with an exchange rate of **1.34**.



- The Bank of Canada's policy was unchanged in January, ending the month at 5.00%.
- CPI inflation (Consumer Price Index) increased 0.3% to an annualized rate of 3.4% in December.
- The Canadian economy grew more than expected, which is likely to push expectations for a first rate cut further into 2024.
- Most of the economic growth came from goods-producing industries, including manufacturing and wholesale trade, which are heavily influenced by exports.
- If the December growth estimate holds, the Canadian economy would have growth by 1.5% in 2023.

COMMODITIES:

OIL:

The price of crude oil was **\$75.85 per barrel (WTI)**.

- Oil prices increased \$4.52 per barrel, or 6.3%, in January.
- The monthly price increase was attributable to OPEC+, which announced its plan to maintain a production cut of 2.2 million barrels per day for the first quarter.
- Global oil demand is forecasted to increase by 2 million barrels per day in 2024.
- Oil is forecasted to trade between **\$75 and \$82 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$73.66	\$78.23	\$70.38	6%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- The price of copper was **\$3.89 USD per pound**.
- Copper prices were flat in January.
- Copper prices declined to \$3.73 per pound by mid-January before rebounding in the second half of the month. The monthly price swing was attributable to China's manufacturing sector contraction, which was mostly offset by forecasted production cuts in 2024.
- Copper is forecasted to trade between **\$3.59 per pound and \$3.90 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$3.82	\$3.91	\$3.73	0%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

ALUMINUM:

- The price of aluminum was **\$2,280 USD per tonne**.
- Aluminum prices decreased \$104 per tonne, or 4.4%, in January.
- Aluminum prices decreased in January, and are expected to fall further in the next 12 months, amid expectations for lower global demand and sustained production.
- Aluminum is forecasted to trade between **\$2,115 USD/tonne and \$2,280 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$2,239	\$2,382	\$2,154	-4.4%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

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