

Independence Asset Advisors

MONTHLY MARKET REVIEW – February 2024

	Feb 2024	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	5.34%	7.11%	30.45%	11.91%	14.76%	12.70%
U.S. Small Cap Equities Russell 2000	5.65%	1.54%	10.05%	-0.94%	6.89%	7.13%
Energy Infrastructure Equities Alerian U.S. Midstream	5.28%	5.84%	23.60%	27.71%	12.25%	5.88%
Core Infrastructure MSCI World Core Infrastructure	-0.44%	0.15%	5.34%	3.95%	3.80%	3.69%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	1.86%	-2.25%	5.58%	4.61%	3.18%	5.81%
Global Equities MSCI All Country World Index	4.29%	4.90%	23.15%	6.79%	10.51%	8.37%
International Developed Equities MSCI EAFE	1.83%	2.42%	14.41%	4.45%	6.77%	4.39%
Emerging Market Equities MSCI Emerging Markets	4.76%	-0.11%	8.73%	-6.30%	1.89%	3.01%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-1.41%	-1.68%	3.33%	-3.16%	0.56%	1.43%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.13%	-0.38%	5.42%	-0.21%	1.91%	2.68%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	0.29%	0.29%	11.03%	1.84%	4.16%	4.34%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.91%	1.59%	11.49%	5.69%	5.26%	4.49%

MARKET UPDATE

- February was a good period for global equities, with domestic and foreign indexes gaining.
- Monthly gains were attributable to resilient economic data and relatively strong corporate earnings results.
 - U.S. large cap stocks gained 5.3%, with “growth” outperforming “value” by 4.3% (S&P 500).
 - The S&P 500 Index ended the month trading at a record high of 5,096.
- Non-U.S. equities also performed well, with the MSCI All Country World Index gaining 4.3%.
 - Developed markets were led by Japan, with the Nikkei 225 Index reaching its first record in 30 years.
 - Emerging markets gained 4.8% following a rebound in China stocks.
- Fixed income index market returns diverged, with taxable investment grade bonds declining 1.4% and High Yield eking out a small gain.
 - The U.S. Aggregate Index yielded 4.9%; high yield/loans yielded 7.9% and 10.4%, respectively.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, The Economist, StatisticsCanada, 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"> The U.S. economy grew at a 3.2% annualized pace in the fourth quarter, propelled by healthy consumer spending. According to the International Monetary Fund, the U.S. economy is projected to expand 2.1% in 2024.
Profits	<ul style="list-style-type: none"> The fourth quarter earnings season has wound down, with 98% of market cap reporting and roughly three-quarters of companies beating analysts' estimates. The current estimate for operating earnings per share (EPS) is \$54.21. This would represent y/y earnings growth of 7.6% and a q/q increase of 3.8%. Information Technology results were strong, while low oil and natural gas prices weighed on the energy sector.
Jobs	<ul style="list-style-type: none"> The U.S. economy added 353,000 jobs in January, which was better than the Dow Jones estimate for 185,000. The unemployment rate held steady at 3.7% versus an estimate of 3.8%.
Inflation	<ul style="list-style-type: none"> New inflation results showed inflationary pressures continued to ease. The Fed's preferred gauge, the Personal Consumption Expenditures Price Index, climbed 2.4% in January compared with a year earlier (down from 2.6% in Dec). Core PCE climbed 2.8% from January 2023, following a 2.9% December reading.
Interest Rates	<ul style="list-style-type: none"> The federal funds rate ended January unchanged at 5.25% to 5.50%. Lower inflation results and signs that the U.S. economy was cooling have prompted Fed officials to announce the central bank may be ready to lower interest rates later this year, but emphasizing there is no urgent need to cut rates given the strength of the U.S. economy and employment.

CANADA:

- The U.S. dollar index (DXY) increased 0.9% in February and 2.8% year-to-date (see chart to the right), while the U.S. dollar strengthened 2.5% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.35**.
- The Bank of Canada's policy rate remained unchanged at 5.00% in February.
- Canada's fourth quarter economic growth exceeded forecast, reducing the pressure to the central bank to cut interest rates any time soon.
- The Canadian economy expanded at an annualized rate of 1.0% in the fourth quarter, which was higher than the Bank of Canada's expectation for zero growth and analysts' median prediction for 0.8% growth.
- January GDP likely gained 0.4% from December according to Statistics Canada, suggesting the economy is not sinking, but rather moving forward at a very slow pace.



COMMODITIES:

OIL:

- **The price of crude oil was \$78.26 per barrel (WTI).**
- Oil prices increased \$2.41 per barrel, or 3.2%, in February.
- The price increase was attributable to speculation that OPEC+ will extend supply cuts, which are expected to remain in place through June.
- **Oil is forecasted to trade between \$80 and \$82 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$75.23	\$79.29	\$70.38	10%
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 \$3.84 USD per pound.**
- Copper prices decreased \$0.05 per pound, or 1.3%, in February.
- The small monthly decline, and lower 12-month price forecast, are attributable to renewed evidence that economic support measures from China are failing to stimulate demand for the metal. Copper supply is also forecasted to increase in 2024.

Year	Ave. Price	High	Low	% Change
2024	\$3.80	\$3.91	\$3.68	-1%
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%

- **Copper is forecasted to trade between \$3.50 and \$3.80 per pound over the next 12 months.**

ALUMINUM:

- **The price of aluminum was \$2,228 USD per tonne.**
- Aluminum prices decreased \$52.00 per tonne, or 2.3%, in February.
- The monthly price activity, and lower 12-month forecast, are attributable to sanctions developments between the United States and Russia, which refrained from targeting the Russian aluminum industry with the effect of increasing global supply. On the demand side, a pessimistic outlook from top consumer China further declined the price outlook.

Year	Ave. Price	High	Low	% Change
2024	\$2,230	\$2,382	\$2,154	-6.5%
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%

- **Aluminum is forecasted to trade between \$2,090 USD/tonne and \$2,190 over the next 12 months.**

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