



Canterbury Consulting

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## Global Positioning Statement™

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December 31, 2023

## Drivers of the Market

### Equity and Fixed Income Markets Rally

- In the fourth quarter, U.S. equities rallied on expectations that the Federal Reserve would begin cutting rates in early 2024 following weak economic data coming out of both the US and international markets. Rate-sensitive sectors like technology, consumer discretionary, and real estate did well, while energy dipped in light of weak oil prices. Small cap outperformed large cap, a slight reversal of the overall trend for the year, but both posted returns in the low double-digits.
- International developed equities and emerging markets (EM) equities both posted positive returns for the quarter, despite getting off to a weak start, on expectations of imminent rate cuts and easing inflationary pressures. Growth and rate-sensitive sectors outperformed, while China continued to weigh down EM performance, which left room for developed market equities to outperform.
- Inflation, measured by CPI, decreased in October and November but increased in December to a year-over-year rate of 3.4%. CPI excluding food and energy, generally viewed as sticky inflation or Core CPI, fell to a year-over-year rate of 3.9% from 4.1% in September. Indicators used to measure U.S. economic activity such as the ISM Manufacturing and Non-Manufacturing indexes marginally decreased over the quarter. ISM Manufacturing PMI continued to show contractionary economic activity while ISM Non-Manufacturing showed expansionary economic activity, creating an uncertain outlook of taming inflation for the Fed.
- As inflation continued to trend lower in the fourth quarter, the Federal Reserve agreed to leave rates unchanged at a range between 5.25% - 5.50% at the December FOMC meeting. During the meeting, the Fed communicated that holding interest rates at elevated levels for too long is a risk they are monitoring and signaled three potential rate cuts of 25 basis points by the end of 2024. This was a large pivot from their September FOMC communication where they announced that rates could stay higher for longer. As a result, intermediate-to-long-term treasury yields fell, and risk assets rallied during the quarter. Investment grade (IG) spreads narrowed from 125 basis points (bps) to 104 bps, and high yield (HY) spreads narrowed from 403 bps to 339 bps over the quarter, well below their long-term medians.

Fourth Quarter 2023

### Returns through December 31, 2023

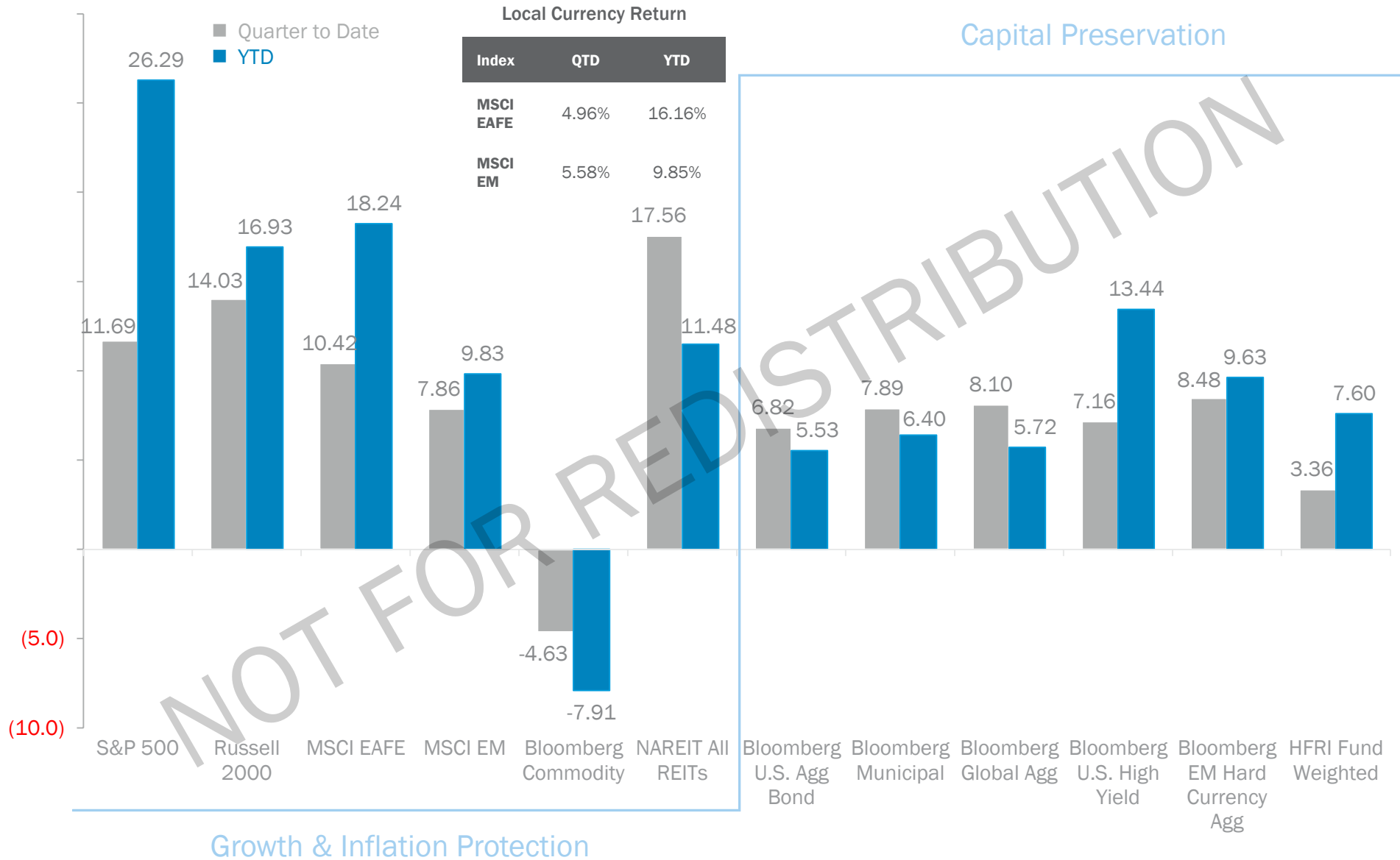
Index	QTD	YTD
<b>Growth</b> MSCI ACWI	11.03%	22.20%
<b>Capital Preservation</b> Bloomberg Global Aggregate	8.10%	5.72%
<b>Inflation Protection</b> Morningstar U.S. Real Asset*	8.02%	6.16%

Sources: MSCI ACWI Index, MSCI ACWI ex-US Index, MSCI EAFE Index, MSCI EM Index, Federal Reserve Board of Governors, U.S. Bureau of Labor Statistics, Morningstar

\*40% TIPS, 30% L/S Commodity, 15% REITs, 10% Global Nat. Resources, 5% MLPs

# Index Returns (%)

Through December 31, 2023



Source: Morningstar

Year over Year Statistics<sup>1</sup>

	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 30, 2022	December 29, 2023
<b>S&amp;P 500</b>	2,506.85	3,230.78	3,756.07	4,766.18	3,839.50	4,769.83
<b>S&amp;P 500 EPS</b>	159.85	163.15	142.70	198.95	223.08	217.64
<b>P/E of S&amp;P 500</b>	16.74	21.22	28.78	25.80	18.24	21.92
<b>P/E of MSCI EAFE</b>	13.20	17.31	25.15	17.04	14.17	14.74
<b>P/E of MSCI EM</b>	11.33	15.11	22.38	14.29	12.34	14.54
<b>S&amp;P 500 Earnings Yield</b>	5.97	4.71	3.48	3.88	5.48	4.36
<b>Fed Funds Effective Rate</b>	2.27	1.55	0.09	0.08	4.10	5.33
<b>3 Month LIBOR</b>	2.81	1.91	0.24	0.21	4.77	5.59
<b>10 Year Treasury Yield</b>	2.68	1.92	0.91	1.51	3.87	3.88
<b>30 Year Mortgage Rate</b>	4.51	3.86	2.87	3.27	6.66	6.99
<b>Bloomberg U.S. Agg Yield</b>	3.28	2.31	1.12	1.75	4.68	4.53
<b>Bloomberg HY Spread</b>	5.26	3.36	3.60	2.83	4.69	3.23
<b>Gold (\$/oz)</b>	1,282.49	1,517.27	1,898.36	1,829.20	1,824.02	2,062.98
<b>WTI Crude Oil (\$/bbl)</b>	45.41	61.06	48.52	76.99	80.26	71.65
<b>Unemployment Rate</b>	3.90	3.60	6.70	3.90	3.50	3.70
<b>Headline CPI<sup>2</sup></b>	1.90	2.30	1.40	7.00	6.50	3.40
<b>VIX Index</b>	25.42	13.78	22.75	17.22	21.67	12.45

## Forward Looking Forecasts

	Real GDP <sup>3</sup>	CPI <sup>3</sup>	Unemployment <sup>3</sup>	10-Yr Treasury <sup>3</sup>	S&P 500 EPS <sup>4</sup>	Forward P/E <sup>4</sup>	MSCI EAFE EPS <sup>4</sup>	Forward P/E <sup>4</sup>	MSCI EM EPS <sup>4</sup>	Forward P/E <sup>4</sup>
2023	2.4%	4.1%	3.6%	3.88%	\$233.61	20.42	\$157.53	14.20	\$81.32	12.59
2024	1.3%	2.6%	4.2%	3.80%	\$241.70	19.73	\$163.17	13.70	\$86.50	11.83

1) Source: Bloomberg

2) Values are carried forward from the most recent reported value (12/31/2023)

3) Forecasts are consensus opinions from forecasting agencies, aggregated by Bloomberg, throughout the month

4) Index Forecasts - Forward 12-month estimate, Forward 24-month estimate

Estimate calculated from quarter end (i.e. Dec. 31, 2023 - Dec. 31, 2024). Price in P/E ratio static as of quarter end.

## Current U.S. Economic Conditions: Cautious Growth

### Contraction

U.S. GDP Growth  
 U.S. Unemployment  
 U.S. Credit Markets  
 Volatility (VIX)  
 Yield Curve  
 Investor Sentiment

### Normal Growth

U.S. GDP Growth: Above avg. growth  
 U.S. Unemployment: Below avg. unemployment  
 U.S. Credit Markets: Below avg. spreads  
 Volatility (VIX): Below avg. volatility  
 Yield Curve  
 Investor Sentiment: Above avg. sentiment

### Panic

U.S. GDP Growth  
 U.S. Unemployment  
 U.S. Credit Markets  
 Volatility (VIX)  
 Yield Curve: Sig. below average  
 Investor Sentiment

### Manic Growth

U.S. GDP Growth  
 U.S. Unemployment  
 U.S. Credit Markets  
 Volatility (VIX)  
 Yield Curve  
 Investor Sentiment

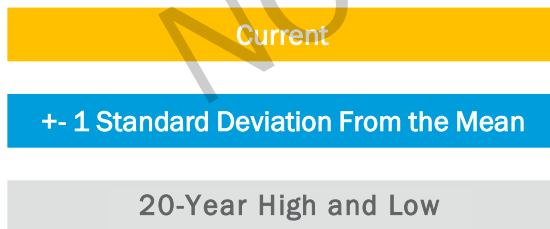
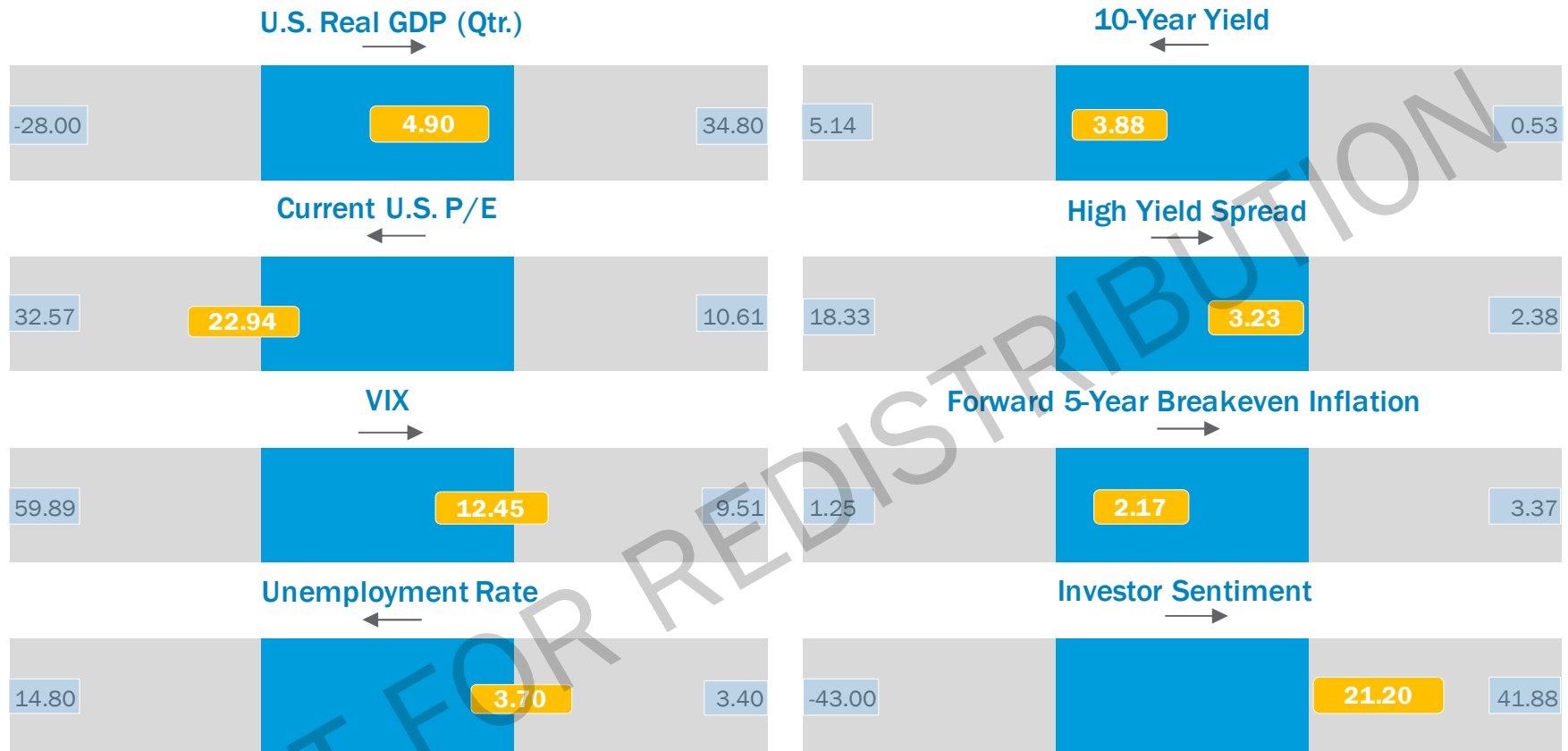
Metrics	Quarter avg.	10-year avg.
<b>U.S. GDP Growth:</b> Prior quarter U.S. Real GDP versus the 10 year U.S. Real GDP average*	4.9%	2.6%
<b>U.S. Unemployment:</b> Quarter avg. unemployment rate versus the 10 year average	3.7%	5.0%
<b>U.S. Credit Markets:</b> Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average	377	427
<b>Volatility (VIX):</b> Quarter avg. VIX average versus the 10 year VIX average	14.5	18.3
<b>Yield Curve:</b> Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average	(-13) bps	121 bps
<b>Investor Sentiment:</b> Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index.	12.2	1.5

\*U.S. GDP Growth is the current, end of previous quarter reading

Source: Bloomberg

# Global Positioning Indicators

Through December 31, 2023



Source: Bloomberg