

WEEKLY MARKET RECAP: January 01- January 05,2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Despite recession fears stoked by tight monetary policy, banking sector hiccups and elevated geopolitical tensions, all asset classes, save one, experienced positive returns.

U.S. Large Cap stocks led the rebound with a 26.3% return, as AI enthusiasm propelled mega-cap tech stocks to lofty valuations. Small Cap stocks nearly kept pace, climbing 16.9%, reflecting resilient domestic consumption and beaten-down initial valuations. Turning to international markets, DM equities outperformed their EM counterparts. Corporate governance reforms in Japan, better-than-expected progress on inflation in Europe and resilient earnings boosted DM equities to a 18.9% gain. On the other hand, EM equities ended the year with a 10.3% gain as the downturn in China offset strong gains in Taiwan, India and Korea. Within fixed income, high yield bonds defied expectations, posting a healthy 14.0% return, driven by resilient fundamentals among the underlying securities and an only a moderate increase in default rates. Meanwhile, the broader bond market rallied late in the year, with the U.S. Agg. up 5.5% as investors were comforted by the Fed's dovish shift. Within alternatives, REITs rebounded to a 11.4% gain on the back of strong demand for data centres and hopes for lower long-term rates. Cash, while posting a multi-decade high return of 5.1%, lagged other assets to finish near the bottom of the performance charts. Finally, in a stark reversal from 2022, commodities fell by 7.9%, ending the year as the poorest performer partly due to weaker demand growth from China.

Thanks for reading! Have a great weekend.

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