

## February 5, 2024 – Investment Commentary

### Market Movements

Hopes of a soft landing for the U.S. economy - a scenario where inflation eases without a sharp rise in unemployment - have supported markets in recent months. Last week, stocks were mixed, and bonds were up on the week. The S&P 500 outperformed the MSCI EAFE and MSCI Emerging Markets indices. Small cap stocks fell for the fifth week in the last six. Company management calls during Q4 earning season have witnessed mentions of recession falling by 80% since the high six quarters ago. As for fixed income, the 10 yr. Treasury yield fell 12 bps on the week to 4.03% and the 2/10 treasury yield spread flattened to -34 bps. The best performing parts of the bond market included municipals and investment grade corporates. High yield bond spreads rose on the week to 330 bps, still below their 20-year average of roughly 500 bps.

### What We Heard: Fed rate cut patience, selective impressive earnings, and strong jobs report

The Fed meeting was as expected in terms of holding the Fed funds rate steady and Powell being incrementally more hawkish. Powell recognizes cutting too soon risks a return of inflation, but cutting too late can trigger an economic downturn. The Q&A at the press conference was focused on “what” exactly the Fed would be looking for to gain greater confidence. Powell responded with a focus on a longer time more than magnitude, meaning it has been a good six months for inflation, but just six months; we need more of the recent trends to confirm that they are here to stay. He also highlighted that the U.S. economy looks to be re-accelerating, suggesting that is not a problem (i.e., the employment component of their dual mandate). On the week, treasury yields may have been down a bit based on regional bank concerns more so than the Fed. The U.S. dollar rose, suggesting markets see the Fed likely to be the relatively tighter global central bank (Powell is the bigger hawk amongst his worldwide counterparts), the jobs report also made that case as well.

The Super Six (ex Telsa) outperformance has persisted year to date, with the group driving S&P 500 performance. The premium valuation reflects investor expectations of sales growth of approximately 12% vs. 3% for the S&P 493. We believe although growth expectations are high, if estimates are realized and valuation multiple remains unchanged, the group is likely to continue to generate strong performance.

#### Disclosures

*Investment Commentary Sources: Bloomberg. Investment advisory services offered through Robertson Stephens Wealth Management, LLC (“Robertson Stephens”), an SEC-registered investment advisor. Registration does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the Commission. This material is for general informational purposes only and should not be construed as investment, tax or legal advice. It does not constitute a recommendation or offer to buy or sell any security, has not been tailored to the needs of any specific investor, and should not provide the basis for any investment decision. Please consult with your Advisor prior to making any Investment decisions. The information contained herein was carefully compiled from sources believed to be reliable, but Robertson Stephens cannot guarantee its accuracy or completeness. Information, views and opinions are current as of the date of this presentation, are based on the information available at the time, and are subject to change based on market and other conditions. Robertson Stephens assumes no duty to update this information. Unless otherwise noted, any individual opinions presented are those of the author and not necessarily those of Robertson Stephens. Indices are unmanaged and reflect the reinvestment of all income or dividends but do not reflect the deduction of any fees or expenses which would reduce returns. Past performance does not guarantee future results. Forward-looking performance targets or estimates are not guaranteed and may not be achieved. Investing entails risks, including possible loss of principal. Alternative investments are only available to qualified investors and are not suitable for all investors. Alternative investments include risks such as illiquidity, long time horizons, reduced transparency, and significant loss of principal. This material is an investment advisory publication intended for investment advisory clients and prospective clients only. Robertson Stephens only transacts business in states in which it is properly registered or is excluded or exempted from registration. A copy of Robertson Stephens’ current written disclosure brochure filed with the SEC which discusses, among other things, Robertson Stephens’ business practices, services and fees, is available through the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). © 2024 Robertson Stephens Wealth Management, LLC. All rights reserved. Robertson Stephens is a registered trademark of Robertson Stephens Wealth Management, LLC in the United States and elsewhere.*