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# Highland ReCAP

*A Review of Capital Markets*

## December 2023

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### Summary

Keeping with the holiday spirit, markets finished the year in a generous mood, filling investors' stockings with one final month's worth of bumper returns for stocks and bonds. With the consensus in the U.S. and internationally, agreeing that interest rate hikes are likely a thing of the past, worries of a broad economic recession continue to wane as we transition to 2024.

### Equities

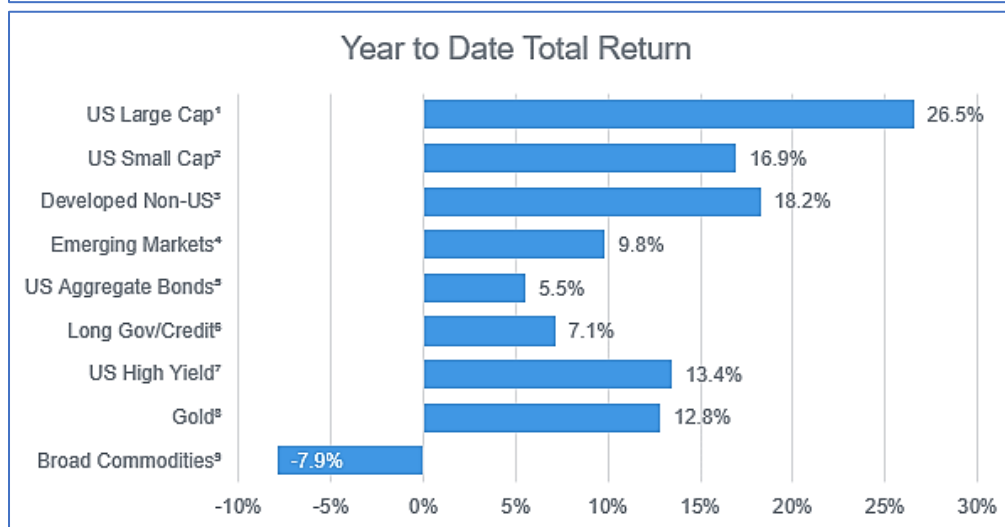
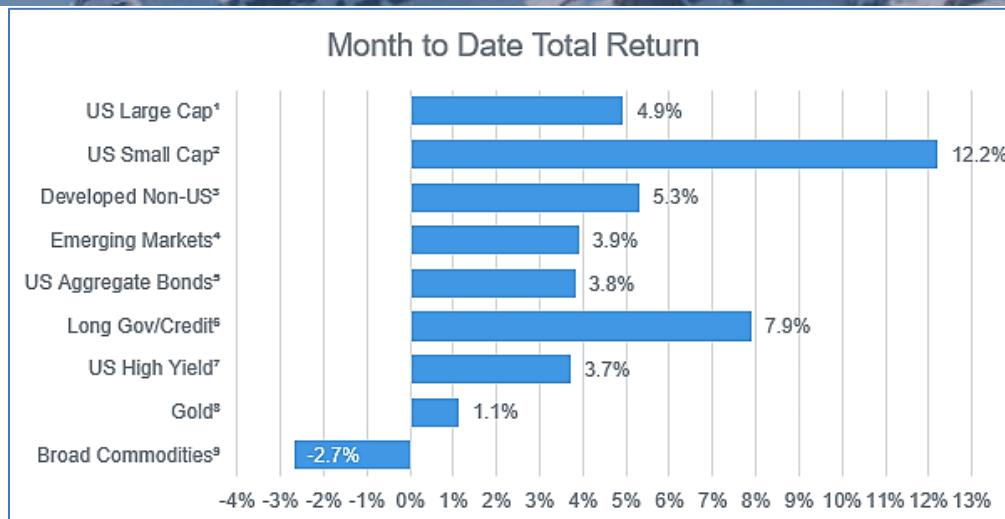
Equity markets rallied higher into the end of 2023, capping a bounce-back year that saw large cap stocks in the U.S. rack up returns above 25%. In December, small cap equities led the way, returning a whopping 12.2% for the month, while non-U.S. stocks saw solid gains as well. Investor sentiment was buoyed by continued consumer resilience in the holiday season, supplemented by hopes for supportive economic policy in the coming year.

### Fixed Income

Bonds finished the year on a positive note, as long-term interest rates continued to decline, providing a boost to fixed income investors. U.S. aggregate bonds finished the month ahead by almost 4% as the 10-year Treasury yield briefly traded below 3.8% before settling slightly higher to end the year. Long duration outperformed, achieving equity-like returns for the second consecutive month, with the market outlook on future interest rates reflecting an expectation of rate cuts as early as the coming spring.

# Market Trends

As of December 31, 2023



	1M	3M	1Y	3Y	5Y	10Y
US Large Cap <sup>1</sup>	4.9%	12.0%	26.5%	9.0%	15.5%	11.8%
US Small Cap <sup>2</sup>	12.2%	14.0%	16.9%	2.2%	10.0%	7.2%
Developed Non-US <sup>3</sup>	5.3%	10.4%	18.2%	4.0%	8.2%	4.3%
Emerging Markets <sup>4</sup>	3.9%	7.9%	9.8%	-5.1%	3.7%	2.7%
US Aggregate Bonds <sup>5</sup>	3.8%	6.8%	5.5%	-3.3%	1.1%	1.8%
Long Gov/Credit <sup>6</sup>	7.9%	13.2%	7.1%	-8.7%	1.1%	3.2%
US High Yield <sup>7</sup>	3.7%	7.2%	13.4%	2.0%	5.4%	4.6%
Gold <sup>8</sup>	1.1%	11.4%	12.8%	2.3%	8.9%	4.7%
Broad Commodities <sup>9</sup>	-2.7%	-4.6%	-7.9%	10.8%	7.2%	-1.1%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit  
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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# Disclosure Statements

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