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# Highland ReCAP

*A Review of Capital Markets*

## February 2024

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### Summary

Markets were mixed in February, with strong equity returns rising to new highs, continuing to ride a wave of AI-powered optimism. Treasury yields rose for the month, with most of the pain centered around the January CPI release that came in higher than expected and a better than expected jobs report. Non-U.S. markets experienced a strong February, despite economic headwinds, with the Nikkei (Japan) and DAX (Germany) equity indexes climbing to all-time highs, while each country published negative Q4 GDP growth numbers.

### Equities

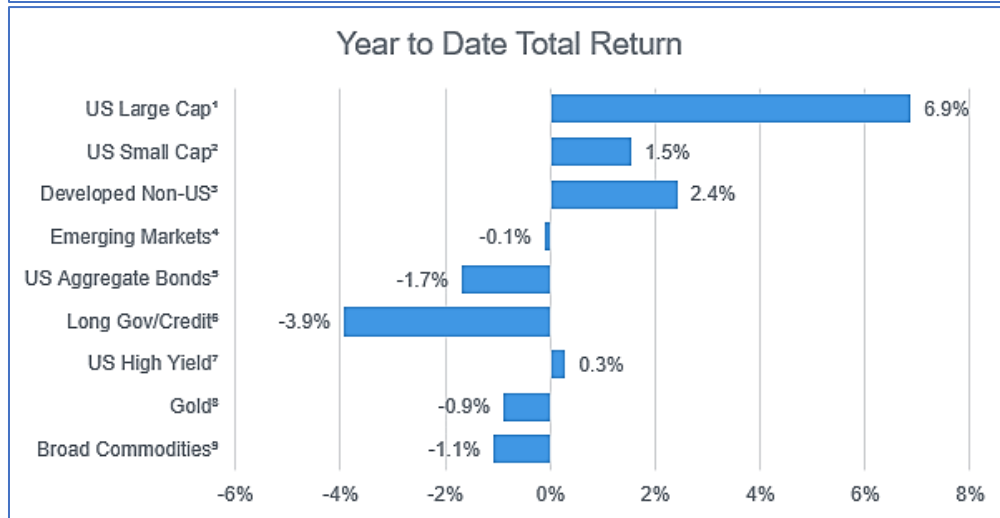
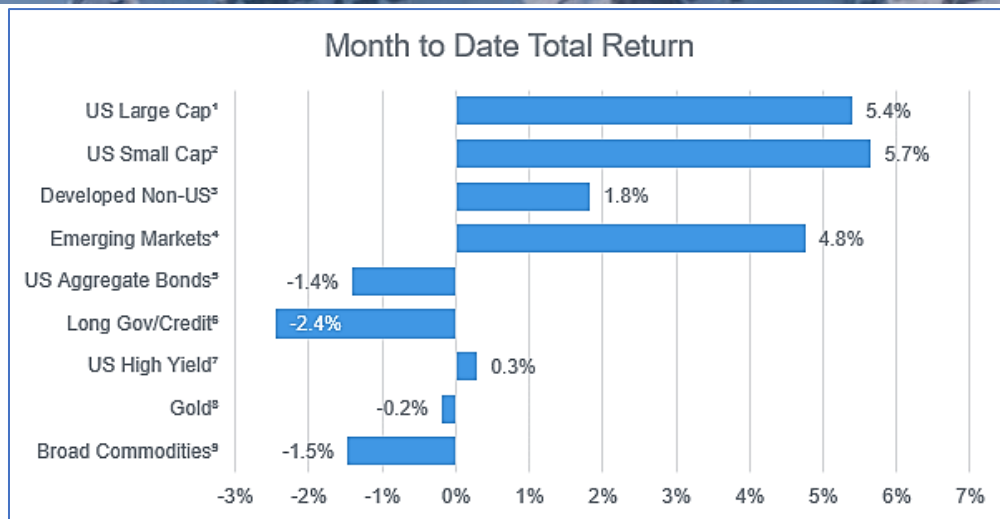
Stocks finished higher in February, with U.S. large caps booking consecutive monthly gains to start the year for the first time since 2019. February's rally was punctuated by strong earnings and a rosy outlook from Nvidia, with the company's market cap breaching \$2 trillion in the immediate aftermath. In Japan, the Nikkei 225 rallied 8% with the index climbing to a level not seen since 1989. Meanwhile, Chinese markets bounced off January lows to boost the emerging markets index to a 4.8% return for the month.

### Fixed Income

Bonds faced challenges early and often in February, beginning with nonfarm payrolls growing 353k for January, nearly double expectations, leading to a 20bps single-day jump in the 10-year Treasury yield. Two weeks later, CPI came in higher than markets had hoped, and the bond sell-off resumed, as investors were expecting rate cuts and pushed back their projections to the second half of 2024. The appetite for credit risk, however, remained strong during February, as high yield spreads tightened 27 bps month over month.

# Market Trends

As of February 29, 2024



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap <sup>1</sup>	5.4%	12.1%	6.9%	29.8%	10.7%	14.4%	12.4%
US Small Cap <sup>2</sup>	5.7%	14.0%	1.5%	10.0%	-0.9%	6.9%	7.1%
Developed Non-US <sup>3</sup>	1.8%	7.9%	2.4%	14.4%	4.4%	6.8%	4.4%
Emerging Markets <sup>4</sup>	4.8%	3.8%	-0.1%	8.7%	-6.3%	1.9%	3.0%
US Aggregate Bonds <sup>5</sup>	-1.4%	2.1%	-1.7%	3.3%	-3.2%	0.6%	1.4%
Long Gov/Credit <sup>6</sup>	-2.4%	3.7%	-3.9%	1.6%	-7.7%	0.0%	2.2%
US High Yield <sup>7</sup>	0.3%	4.0%	0.3%	11.0%	1.8%	4.2%	4.3%
Gold <sup>8</sup>	-0.2%	0.2%	-0.9%	11.3%	5.3%	8.1%	3.6%
Broad Commodities <sup>9</sup>	-1.5%	-3.7%	-1.1%	-3.9%	7.2%	5.7%	-1.8%

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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