

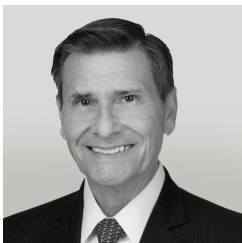
# Three Things to Close 2023, and Three Things to Look Forward to in 2024 by Rick Cortez

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## Tactical Absolute Return Team



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## Three Things That Drove the Market in 2023

## Three Things to Look for in 2024

## 1 Outstanding Performance of AI Stocks and the “Magnificent Seven”

The stock market’s gains in 2023 were for the most part illusory – driven by the so-called “Magnificent Seven,” large-cap technology stocks that have a heavy hand in artificial intelligence (AI). We’re just now at the tip of the iceberg with AI, learning how this new technology could help us in medicine, finance, logistics, and many other fields.

## 1 Why Will the Fed Cut Rates? Recession or Soft Landing?

The question on everyone’s mind is not if, but when the Fed begins to cut interest rates. The question should be “Why?” Is it a response to poor data and an impending recession, or have they achieved the hoped-for “soft landing” by vanquishing inflation before it could impact employment?

## 2 Interest Rate Volatility, Which Had a Direct Impact on Market Movements

As the year began, markets indicated that investors didn’t fully believe the Fed was fully committed to its rate-hike campaign. As the year wore on, the yield curve inverted, and 10-year Treasury yields soared to generational highs. The stock market was highly correlated to rates, rallying as the year closed.

## 2 Will the Magnificent Seven (and Equity Markets) Continue Their Run?

The gains of the “Magnificent Seven” stocks in 2023 were astounding – and likely unrepeatable. Will these seven stocks continue to cook in 2024, or will they tread water while the rest of the market catches up to that rich valuation?

## 3 The Perceived Fed Pivot, and the Trajectory of Interest Rates

Inflation has moderated from 40-year highs to more manageable levels. The Fed’s statements turned from hawkish to accommodative, and they paused rate hikes. Now it seems that the Fed is poised to begin cutting rates at some point in 2024.

## 3 The Presidential Election: Will Volatility Increase as We Approach November?

Political developments are always a wild card when it comes to investing. Presidential election years are even more challenging, as markets rarely follow the patterns we expect. The coming election season could lead to unprecedented volatility given the candidates involved and the number of issues that have already emerged.

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