

January 10, 2023



ST. JOHNS PREP INVESTMENT CLUB

2023 MARKET REPORT FULL-YEAR

Uncovering the markets of 2023

****Not Financial Advice ; All Research is for informational use only & is all performed by HS Students grade 9-12****

Overall Performance

FY [1/1 ->12/31]

Highlighting the 2023 return of the three major United States indices against our fund.

- NASDAQ-100 Composite Index | +43.5%
- **St. John's Prep Investment Club | +27.8%**
- S&P-500 Index | +23.8%
- The Dow Jones Industrial Average | +12.8%

What Moved Markets?

Overall the focus of 2023 appeared to be on the Federal Reserve with the stock market dependent on interest rate projections. Inflation, bank-issues, and Artificial Intelligence also affected the market in 2023.

- Higher than expected earnings contributed to an early summer large tech rally.
- Cooling inflation and job data gave hope of interest rate hike pause.
- Strong late year economic data provided hopes for soft-landing.
- Little volatility in 2023 aside from temporary drawbacks from March financial issues & global conflict in the Fall.



Breaking Down the Move

*The large-cap stocks appeared to dominate throughout 2023 while leaving smaller-caps behind. The large rally can mainly be attributed to the 'Magnificent 7' tech stocks. Bonds end negative year with **major** rally.*

Top Performing Sector

Throughout 2023 the top performing sector in the S&P-500 has been technology (NYSE: XLK). Technology stocks overall have gained 56%.

Why?

- Artificial Intelligence emerging sent tech on a rally through a major growth in earnings expectations.
- Macroeconomic conditions with cooling inflation has provided hope for rate-cuts and pushed technology stocks higher.

Weakest Performing Sector

The weakest sector in 2023 has been Utilities. Utility Stocks have lost -7.17% over the year.

Why?

- Increase in treasury yields have provided an alternative for a high-yielding investment.
- Utilities generally underperform with high interest rates.



GROWTH VS VALUE

[As measured with iShares Growth & Value ETFs] :

- A rotation back into tech & growth names continued throughout 2023.
- Growth names performed significantly better than value stocks and are on par with outperformance similar to 2021.
- Growth stocks attracted investors due to rising hopes for the end of rate-hikes which would assist companies that are borrowing capital.



Corporate Earnings

- 2023 -

- S&P 500 total Earnings per Share year-over-year growth is relatively flat.
- Earnings growth in Consumer Discretionary sector can be attributed to major technology growth with high demand for hardware in the wake of Artificial Intelligence.
- Earnings declined mainly in the Health Care, Energy and Materials sector. Health Care earnings fell due to high rates & other sector-specific problems. While Oil and commodities prices falling hurt Energy & Materials.



FX : US Dollar

- DXY [TradingView \$ INDEX] showing USD down 2.00% against the global exchange.
- Relatively flat year due to aggressive rate hikes in other countries.
- Recession fears in the United States have increased in 2022 with cooling inflation, sending the Dollar lower.

Global Events

- **Artificial Intelligence**
 - ▶ AI has become immensely popular as the year went on.
 - ▶ AI has created massive new demand for tech but may threaten workforce as it advances.
- **Israel & Palestine Conflict**
 - ▶ Surprise attacks sent global media in shock.
 - ▶ Defense companies have performed particularly well since the attacks on October 7.
- **Banking Turbulence**
 - ▶ Earlier in the year banks saw some issues with unrealized losses which followed in some regional banks collapsing.
 - ▶ This volatility was temporary but greater underlying issues could still be prevalent.
- **Politics** 
 - ▶ United States debt ceiling and limitless spending have had some market effect this past year.
 - ▶ The 2024 election is likely to cause some market uncertainty as we approach November.



EUROPEAN ECONOMIC TRENDS

Great Britain has been displaying similar economic resilience as the United States. Recent reports of retail sales growth were far above expectations. Along with strong lingering consumer demand, inflation continues to cool faster than consensus forecasts. Month-Month GDP for October did decline -0.3% compared to 0.0% expectations. The Bank of England is holding rates at 5.25%, almost identical to the US.

FTSE 100 Index: +3.8% in 2023

What's up next?



Technical Analysis can help be a guide for the market's direction. Above is the weekly chart to the S&P-500.

- The S&P 500 has rallied significantly and is showing little signs of slowdown with market volatility at pre-pandemic lows.
- The Red highlights a large supply zone as sellers consistently push price downwards.
- The S&P 500 is approaching this highlighted supply zone which includes the S&P's all time high.
- The trend is bullish, but resistance and possible excessive 'overbought' levels could bring the market a breather in the coming months.

Upcoming Events

January

- 1/25 : USA GDP QoQ (Q4 2023)
- 1/26 : Consumer Income & Spending MoM Growth (Dec)

Very Important

- 1/31: Federal Reserve Rate Decision & Press Conference
- 2/2 : Non Farm Payrolls & Unemployment Rate (Jan)
- 2/13 : Inflation Data (Jan)

Contributors

Will Hodgkinson, Matthew Spidle, James Minor, Ryan Murphey, Kieran Glynn, Patric Brennan, John House, Paul Botti, John Shalhoub, Thomas Marino, Zachary Aronson, Samuel Corning, Jack Sprayer, Tyler Pallotta, Alex AbouEzzi, Matt Leblanc, Jonah Greenblatt, Seamus O'Holleran, Calvin Albrecht, Davis Moran, Lukas Schieber, Zander Barry, Anthony Sapochetti, Connor Smith, Zach Saporito, Maddox MacDonald, Pierce Labrie

Editor : Zach Saporito
Moderator : David Hennessey

****Not Financial Advice ; All Research is for informational use only & is all performed by HS Students grade 9-12****