



## Financial Markets

Stocks closed a strikingly strong year on an even stronger note, with most primary equity indices registering double-digit gains for both the quarter and year. The S&P 500 Index led the charge with a 26.3% calendar year return. The Index's impressive gains were driven by the so-called Magnificent Seven — a group of technology-related behemoths that include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia, and Tesla, and account for over a quarter of the capitalization-weighted S&P. Though their 2023 gains were extraordinary, these stocks fell sharply in 2022, so their two-year returns are less remarkable; in fact, three of the stocks declined over the two-year period. The same pattern holds for the S&P itself, which closed 2023 at roughly the same price level it began 2022. And while those seven stocks were responsible for over 60% of the Index's 2023 gains, most of their dominance came in the first part of the year; the S&P's 11.7% rally in the final quarter was far more widespread. In fact, the average stock, as measured by the S&P 500 equal-weighted Index, gained 11.9% during the last three months — bringing the average gain for the year up to 13.8%.



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water on markets by reiterating that the Committee remains data-driven. We expect the fluidity of such expectations to continue to manifest in the volatility of financial asset values – most notably stocks and bonds. Regardless of how many rate cuts may come in 2024, that the