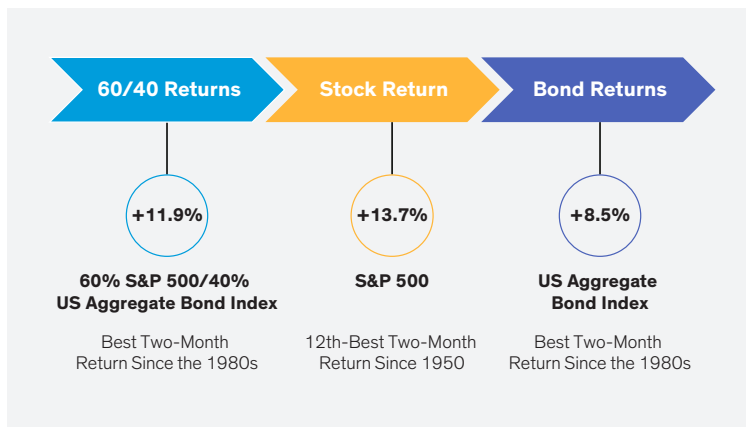




Despite a volatile ride in 2023, markets punctuated a strong year with a historic two-month rally.

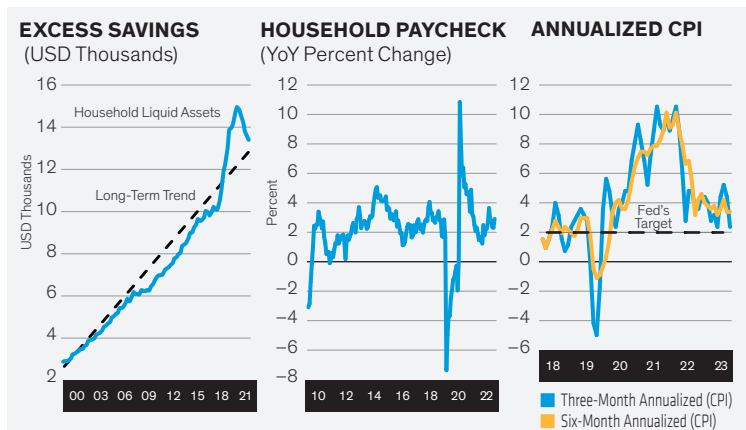
Rapidly falling interest rates—where long-term rates fell nearly 100 basis points and the 10-year US Treasury fell below 4%—ultimately pushed markets higher at year-end. In fact, a 60/40 portfolio had its best two-month run since the early 1980s, as did the US Agg. And the S&P 500 logged its 12th-best two-month return in about 75 years.



Past performance does not guarantee future results. | Equities: S&P 500 price return; bonds: US Aggregate Bond Index | As of December 31, 2023 | Source: Bloomberg, LPL Financial, S&P and AB

Consumer strength continued to drive growth, but we expect that trend to wane in the new year.

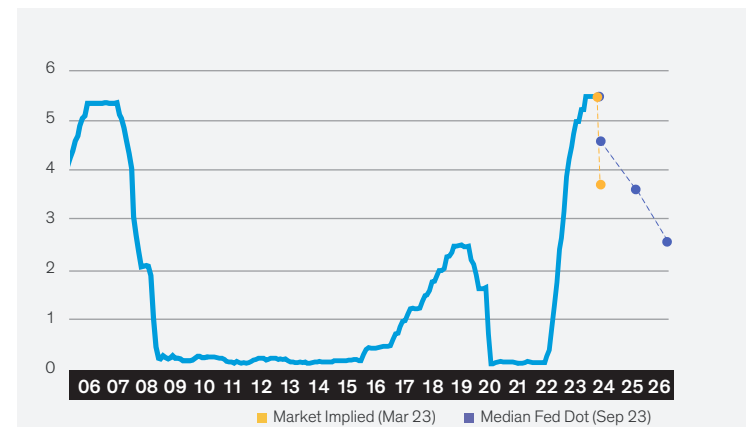
While consumer strength may slow, consumer debt to income levels is historically healthy, labor markets remain resilient and the critical household paycheck proxy—reflecting inflation-adjusted consumptive power—remain solid. Annualizing recent inflation is also encouraging, as near-term numbers continue to descend toward 2% in 2024.



Current analysis does not guarantee future results. As of December 31, 2023 | Source: Bloomberg, S&P/Case-Shiller Home Price Index, US Bureau of Labor Statistics, US Federal Reserve and AB

Growing evidence of a US soft landing spurred expectations for the Federal Reserve to cut interest rates in 2024.

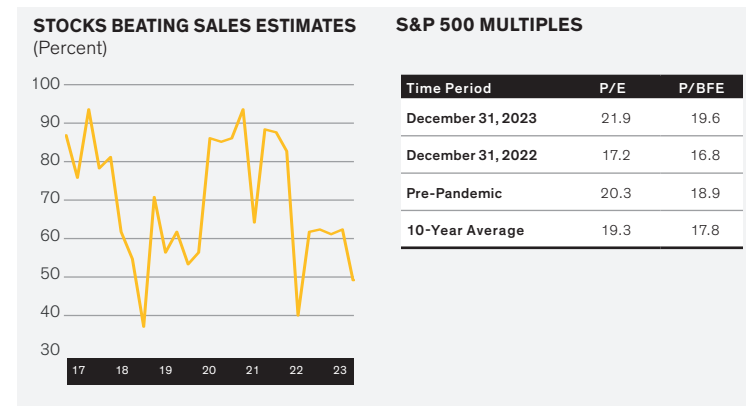
Inflation fell further, while growth and the labor market were stronger than projected one year ago. In turn, this “immaculate disinflation” helped drive late gains after the Fed surprised with projected rate cuts in 2024. Markets saw this “blink”—and raised those expectations.



Historical analysis and current forecasts do not guarantee future results. | As of December 31, 2023 | Source: Bloomberg, US Federal Reserve and AB

Equity valuations ended 2023 at historically high levels—raising questions going forward amid economic normalization.

Investors can expect top-line sales to slow as consumer spending wanes. As sales come down, certain parts of the market have historically reacted well—such as quality. We maintain that markets should broaden beyond the “Magnificent Seven” to the “Magnificent Others” in 2024 and beyond.



Historical analysis and current forecasts do not guarantee future results. | P/E: price to earnings; P/BFE: price to blended forward earnings | As of December 31, 2023 | Source: AB

Richard A. Brink, CFA
Chief Market Strategist

Eric Winograd
Director—Developed Market
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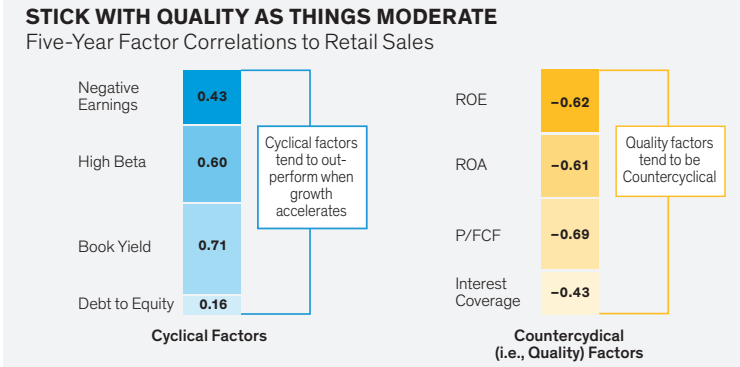
Walt Czaicki, CFA
Senior Investment Strategist

Daryl Clements
Tax-Exempt Portfolio Manager

EQUITIES

In the current environment, we continue to advise staying in more fertile ground.

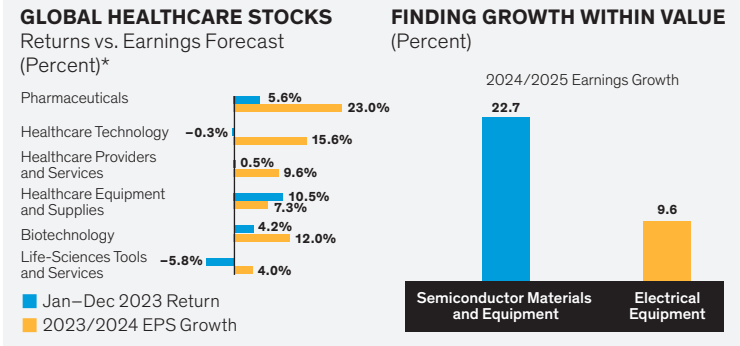
Amid moderating economic growth and heightened valuations, investors may want to gravitate toward stocks with higher-quality factors. While many high-quality factors remain attractive to fairly valued, they have historically tended to be countercyclical.



ROE: return on equity; ROA: return on assets; P/FCF: price to free cash flow | As of December 31, 2023 | Source: Piper Sandler and AB

QUALITY GROWTH AND VALUE

While healthcare lagged, it continues to offer durable earnings potential, and a broad range of valuations provides fertile ground for stock selection. Among value equities, extreme underperformance may offer an attractive entry point—particularly in companies generating high free cash flow and solid earnings.

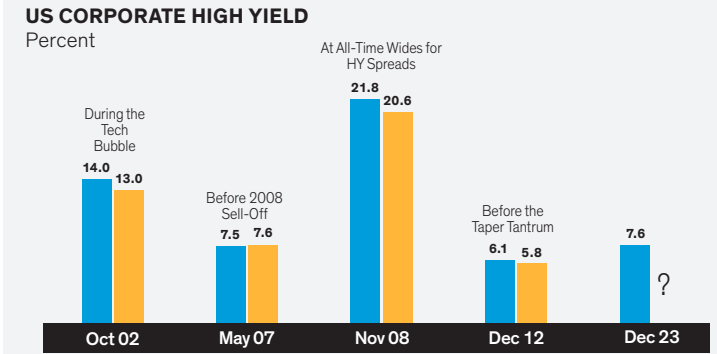


Left display shows six industry groups within the MSCI World Health Care Index. *Earnings growth forecasts are based on consensus estimates. | Left display as of December 31, 2023 | Right display as of December 15, 2023 | Source: FactSet, MSCI and AB

FIXED INCOME

Corporate and municipal finances are generally healthy, creating great potential for investors.

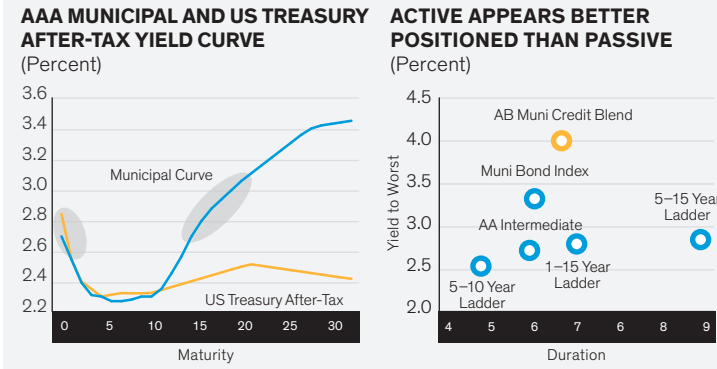
Credit—and more specifically high yield—continues to look appealing. The level of yield is highly predictive of returns in the forward five years. As we move toward normalization, we believe high yield represents a compelling risk-adjusted opportunity inside of equity portfolios.



Past performance does not guarantee future results. For illustrative purposes only. | HY: high-yield. | Returns are represented Bloomberg US Corporate High Yield Index. | As of December 31, 2023 | Source: Bloomberg, J.P. Morgan, S&P, US Federal Reserve and AB

MUNICIPAL

Leaning into active management can help investors take advantage of an inverted yield curve. Meanwhile, being overweight municipal credit, adding duration and employing a barbell maturity structure can help investors pick up additional yield.



Past performance does not guarantee future results. For illustrative purposes only. | As of December 31, 2023 | Source: Bloomberg, Municipal Market Data and AB

A Word About Risk—Market Risk: The market values rise and fall from day to day, so investments may lose value. **Interest-Rate Risk:** Fixed-income securities may lose value if interest rates rise or fall—long-term securities tend to rise and fall more than short-term securities. The values of mortgage-related and asset-backed securities are particularly sensitive to changes in interest rates due to prepayment risk. **Credit Risk:** A bond's credit rating reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered and the bond's value may decline. **Inflation Risk:** Prices for goods and services tend to rise over time, which may erode the purchasing power of investments. **Derivatives Risk:** Investments in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market. **Leverage Risk:** Trying to enhance investment returns by borrowing money or using other leverage tools can magnify both gains and losses, resulting in greater volatility.

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