

January Market Update

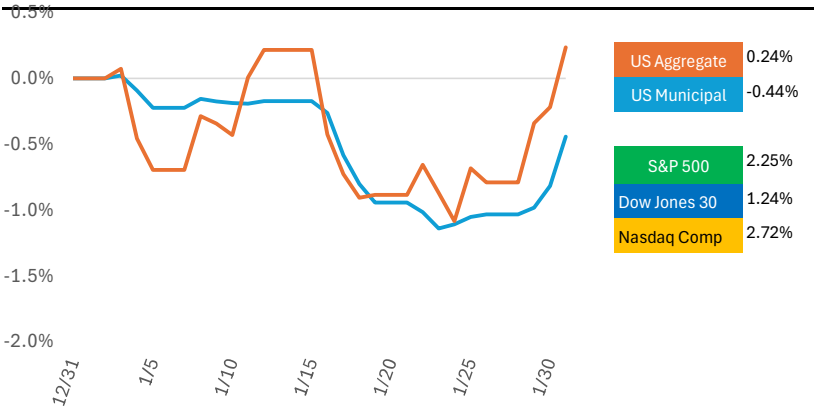
As of 1/31/24 | amnat.com



Macro & Market View: Optimistic Fresh Start

Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, and inflation have contributed to negative returns in broad fixed income benchmarks and positive returns in broad equity benchmarks shown below. For this month, we've seen equity markets increase for the three broad US indices, while correlations have been -23% and -83% for the aggregate and municipal bond markets, respectively. Typically, the month of January brings a positive return over the last five decades of 1.43% and we have observed a stronger start to the year of 2.25%.

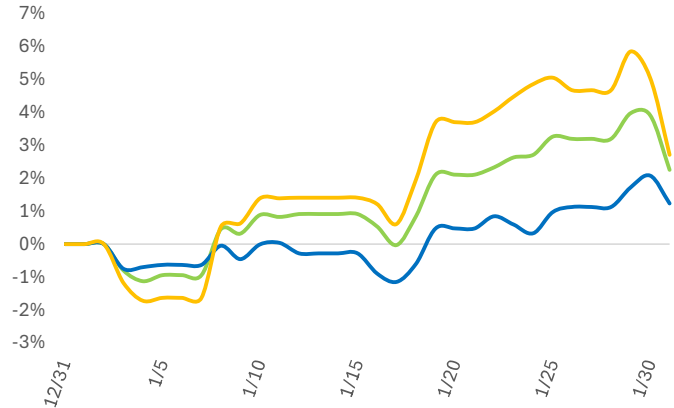
Fixed Income Index Returns



January Returns

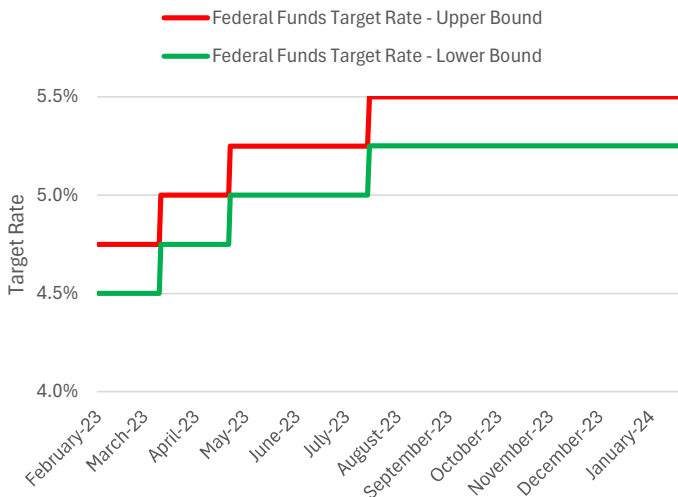
US Aggregate	0.24%
US Municipal	-0.44%
S&P 500	2.25%
Dow Jones 30	1.24%
Nasdaq Comp	2.72%

Equity Index Returns

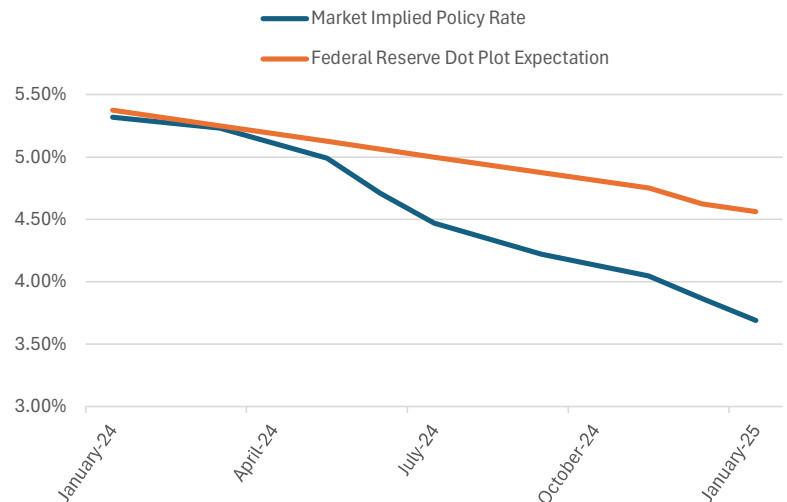


Source: Bloomberg LP

Market participants are now forecasting the policy rate that sets interest rates for the economy to be lowered over the next twelve months. The next Federal Reserve meeting is March 2024 to discuss monetary policy. The overall expectation is for the policy rate to be lowered by near -2% to 3.69% in the next twelve months. The change in market participants view of what they think the Federal Reserve should do can be explained by the inflation data measured by CPI (Consumer Price Index).



Source: Bloomberg LP



Wichita Falls

2732 Midwestern Pkwy
Wichita Falls, TX 76308
(940) 397-2420

Fort Worth

1500 W 7th
Fort Worth, TX 76102
(817) 505-1534

Flower Mound

1201 Cross Timbers Rd
Flower Mound, TX 75028
(469) 322-6202

Houston

1235 North Loop West,
Suite 907
Houston, TX 77008
(713) 913-0972

Denton

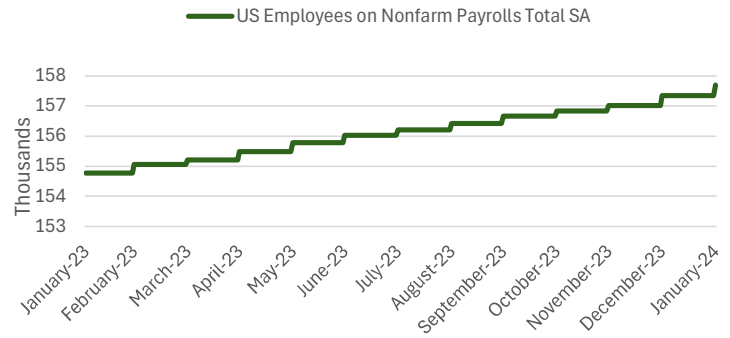
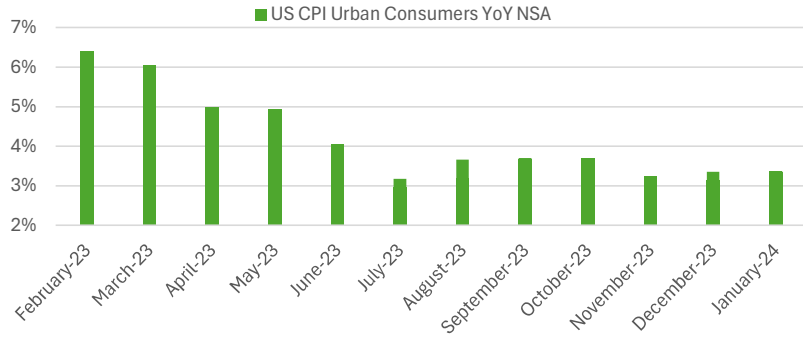
120 S. Carroll Blvd
Denton, TX 76201
(469) 322-6202

McKinney

205 W. Louisiana St, Suite
103
McKinney, TX 75069
(214) 307-1664

Dallas

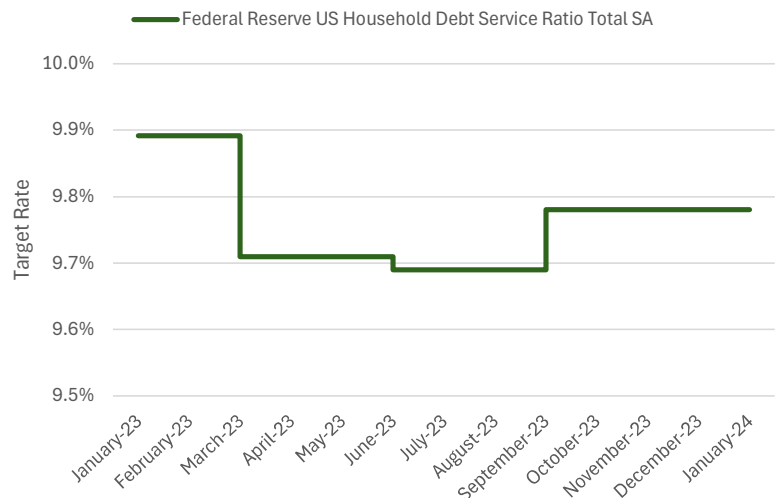
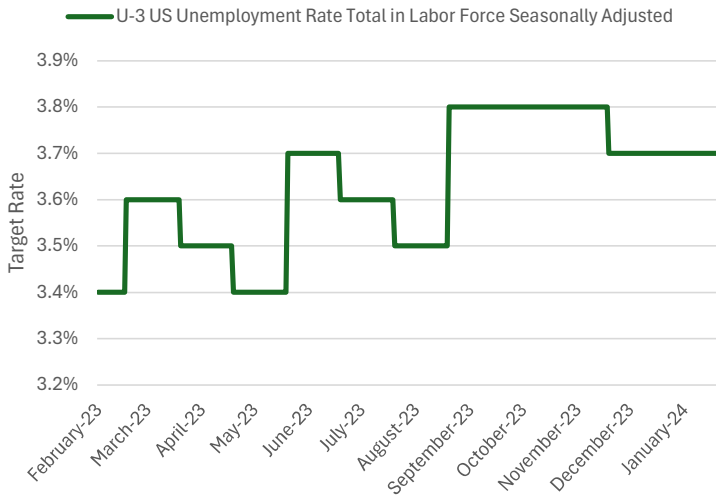
10000 N. Central
Expressway, Suite 800
Dallas, TX 75231
(214) 534-1766



Source: Bloomberg LP

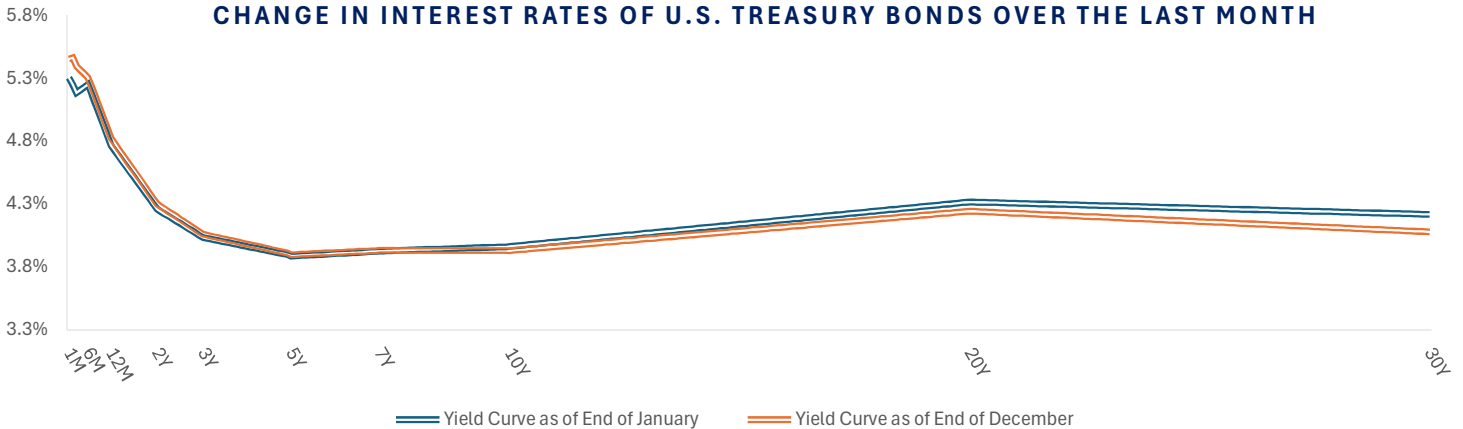
Through January, we have observed inflation trending downward as shown in the US CPI Consumers year-over-year chart above. Additionally, nonfarm payrolls have been increasing adding to the uncertainty that the Federal Reserve is done raising interest rates. But as the data shows, the improvements in CPI as it has moved downward back to the current Fed target of 2.5% has given market participants hope that the end of the interest rate hiking is nearly over. With the interest rate uncertainty, the treasury yield curve has exhibited an inversion that historically implies the economy is near a recession. The consumer has been strong as we noted in our December Market Update and upheld throughout this part of the business cycle.

The U.S. labor market conditions remain tight with the unemployment rate sitting at 3.7% with a small trend over the last year. We have also observed the U.S. Household Debt Service Ratio remaining below the threshold associated with consumer weakness in past economic cycles. Debt service ratios will likely continue to feel the pressure from nominally higher prices and higher interest debt repayments.



Source: Bloomberg LP

CHANGE IN INTEREST RATES OF U.S. TREASURY BONDS OVER THE LAST MONTH



Across the sectors in equity markets, company reporting has shown a positive surprise to sales and earnings for the month. Across the sector grouping, only financials have shown a negative sales surprise and consumer discretionary having a slightly negative earnings surprise. For the month, 168 companies of the S&P 500 reported with the majority of the companies being in the financials sector. We consider this positive earnings surprise to be a tailwind for equity valuations continuing into the quarter. For the companies reported, the overall sales and earnings surprise is up 1.43% and 6.80%, respectively for the month and this shows companies are remaining more profitable than consensus analyst estimates.

For our equity portfolios, here are our top and bottom three performers per strategy. Our Legacy portfolio focuses on blending long-term growth and value on a discretionary basis, while our Dividend portfolio seeks lower volatility and higher current income. We also have Momentum and Quality strategies that are factor-driven, smart beta portfolios. The Momentum portfolio dynamically adjusts positions to benefit from positive momentum while remaining diversified. The Quality portfolio blends low volatility with the momentum factor to produce a portfolio focused on high quality equity income and positive momentum. Benjamin Builder solutions offer an efficient method to invest broadly across geography, style, and sector using a dynamic fund screening process and complement the other equity strategies.

The Three Best and Worst Investments during the Month

	Legacy Portfolio		Dividend Portfolio		Momentum Portfolio		Quality Portfolio	
Best	VZ	12.33%	PG	7.23%	FTNT	10.18%	FTNT	10.18%
	SYK	12.03%	MSFT	5.73%	VEEV	7.73%	VEEV	7.73%
	AMGN	9.11%	AVGO	5.71%	PG	7.23%	PG	7.23%
Worst	BA	-19.04%	WSO	-8.75%	DD	-19.67%	FSLR	-15.08%
	ALB	-20.58%	UI	-9.90%	ENPH	-21.20%	ROK	-18.42%
	TSLA	-24.63%	ROK	-18.42%	SEDG	-28.95%	ENPH	-21.20%

Benjamin Builder Solutions	
Best	FCOM 3.76%
	FHLC 2.33%
	FTEC 2.16%
Worst	FDIS -3.97%
	DTRE -4.42%
	XLRE -4.82%

With the ongoing commitment by the Federal Reserve to reach the 2% inflation target, there is still progress to be made given that 3.35% inflation year-over-year is still not 2%. Also, the stance of “no further rate high hikes” does not necessarily mean that rate cuts are coming soon although investors are expecting it through the futures market. The Fed will continue on the path of reaching a 2% inflation target on a sustained basis. With the stance of “seeing what the data brings”, monetary policy will be dictated by the evolution of inflation over time and the underlying economy and consumer. Finally, when we compare historical monthly returns for the S&P 500 over the last five decades with the increase in interest rates, it brings us back to the impact of diversification across asset classes to portfolio volatility and providing current income. Corporate and municipal bonds now provide a real rate of total return that includes current income as well as price appreciation as interest rates come down. With the innovation of generative artificial intelligence (AI), the productivity of employees is poised to introduce a fundamental change like the invention of electronic hardware, the internet, and the web 3.0 impacted business productivity and processes. These factors lead us to value and growth investments across sectors that are augmenting their business processes with AI tools. Thank you for your continued trust in managing your financial assets. Please reach out to your administrator if you have any questions.



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