2024 ECONOMIC & MARKET OUTLOOK
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TO RECESSION OR NOT TO RECESSION

Heading into 2023, the markets were bracing for a widely expected recession. In hindsight, we all know that was not to be. So, will 2024 be the year we finally see a recession? Or will that ever-elusive soft landing be achieved?

Generally, we see a grinding expansion and moderating growth as the market stays relatively positive. Rather than a crash landing, we see the potential for a bumpy landing in which growth probably dips. Prior to the December Federal Open Market Committee (FOMC) meeting, there was a risk the Federal Reserve (Fed) could make a mistake with monetary policy, but Fed Chairman Powell seems cognizant of this concern.

One wild card to monitor is fiscal policy. We have been dealing with monetary policy restraint, but on the fiscal side, the U.S government is now running baseline trillion-dollar deficits, and oftentimes, the government spending aspect to growth gross domestic product (GDP) growth tends to get overlooked.

In terms of the economic indicators to keep an eye on, we and Professor Siegel, WisdomTree Senior Economist, will be scrutinizing labor market data, especially weekly jobless claims and productivity at the top of the list.
WHAT’S THE LATEST ON INFLATION?

Inflation has continued to cool toward the end of 2023, and some would argue that disinflation is now the prominent trend. Two questions on our minds are whether progress on inflation will stall and whether the Fed’s 2% inflation target will prove reasonable.

The answer to the progress on inflation lies in our own internal metrics. If you’re looking at real-time inflation, we likely already hit the Fed’s 2% inflation target. In new homes data, we see signs of outright deflation, and disinflation, at the very least, in rents. The combination of owners’ equivalent rent and rents is about one-third of the Consumer Price Index (CPI).

Another consideration is our strong domestic currency and what it means for importing goods from countries like Germany and Japan. They now represent cheap goods coming in as a disinflationary force. Unfortunately, a counter to these disinflationary forces may soon be coming on the wage front. The economic effects of the recent jump in union wages haven’t yet filtered through.

As many know, we have our own WisdomTree model for inflation, and it’s proven to be a good predictor of the trend. Our numbers substitute more real-time data for the shelter component of CPI, as shelter is one of the last bastions of high inflation in the official statistics. Chicago Fed President Austan Goolsbee recently said, the only thing they have to worry about is shelter inflation, and further singing the same tune as Professor Siegel regarding productivity benefits offsetting some inflationary pressures.

Let’s review how our numbers differ from the official model. The official shelter inflation metric for the last 12 months has been 6.5%. Ours is at about 5.1%—basically 1.5 percentage points less than the official metric. When you plug our shelter inflation data into the CPI, headline core inflation looks much closer to the 2% target than the official statistics, which show a 4% core CPI and a 3.1% headline CPI. Our proprietary measures of inflation recently came in at 2.2% for headline and 2.8% for core.
One potential risk to the economy is a housing slowdown. While it has been somewhat resilient so far, some recent signs indicate that possibility. One narrative is that lags in home sales are normal, and we should expect more softness in the next six months. We could see this trending quite positively for the Fed, but it also highlights the risk of the Fed doing too much as fresh data flows its way over the next six months.

Inflation has always been a critical topic, but how we view and discuss it today has to change. One reason for that is the economic impact of globalization; specifically, productivity in key sectors like Artificial Intelligence (AI) can be far more disinflationary. In fact, improvements we’ve seen over the past 20 years across all technology sectors tend to be deflationary (consider the advent and advances of smartphones alone). If AI is able to continue doing the work of less specialized people and save companies money, it will reduce upward pressure on inflation.

Figure 1: Trailing 12M Core Inflation: With Alternative Shelter Metrics

CHART TAKEAWAY: As many know, we have our own WisdomTree model for inflation, and it’s proven to be a good predictor of the trend. Our numbers substitute more real-time data for the shelter component of CPI, as shelter is one of the last bastions of high inflation in the official statistics.

Sources: WisdomTree calculations. Core data from Bureau of Labor Statistics (BLS). Alternate measures of shelter include replacing Primary Rent with Zillow Rental Index and BLS Owners’ Equivalent Rent and Case-Shiller Housing Data.
FED POLICY IMPACT

Following the December FOMC meeting, it appears the Fed is done raising rates in this tightening cycle. When looking at Fed policy for 2024, the pivot for rate cuts has now come into focus.

Against that backdrop, the question is whether the Fed will provide forward guidance about cutting rates as early as the January meeting and make a move as soon as the March 2024 meeting, like the money and bond markets are expecting, as of this writing. The timing for actual rate cuts will be dependent on upcoming economic/inflation reports, with Chairman Powell, once again emphasizing the “totality” of the data.

A big concern we have is heightened volatility in the U.S. Treasury (UST) market caused by uncertainty around Fed messaging and market expectations. This scenario has played out many times. The Fed thinks it’s sent a direct message to the markets, but the markets misinterpret it, and the disconnect has a negative effect.

We do believe the Fed made a policy mistake on the inflation front by not hiking quickly enough. The last thing it wants to do is make another error in declaring inflation dead and cutting rates prematurely. However, the policymakers appear to have now struck a balance by becoming flexible about future decisions.
The longer the Fed stays too high, the more risk there is in the whole system, for the economy and for equities. Bonds lost their typical hedge characteristics in the last 24 months when rising bond yields triggered a sell-off in equities. Bonds weren’t the insurance asset they used to be, when stocks would go down and bonds would go up. While bond volatility has experienced record highs, the trend for equities has been lower volatility. A solution for heightened volatility in the bond market could be floating rate Treasuries—and that is the best hedge for equities.

Thinking ahead to rate cuts, expectations have changed dramatically, and they will no doubt continue to evolve throughout 2024. While the Fed’s revised Dot Plot now sees three rate cuts worth 75 basis points (bps) for next year, as we went to press, the market was pricing in six cuts totaling 150 bps. The key question for 2024 is: will the Fed match the market’s newfound expectations or will the markets be disappointed? That being said, the bottom line message is that rate cuts are coming, it’s just a question of timing and magnitude.
TRENDS IN EQUITY MARKETS

Artificial Intelligence

Looking back at the AI craze, the lingering question is whether it got overhyped. But it’s hard to look more magnificent than the “Magnificent Seven” stock price performance in 2023.

It seems as though everyone excited about AI also got excited about NVIDIA’s business results, which could be one of world’s greatest growth stories we have ever seen. But the expectations bar has been raised, and it will be tougher and tougher for NVIDIA to deliver in the coming periods. With that firm priced for years of success, take the example of its compatriot, Taiwan Semiconductor. Without a company like this, there is no NVIDIA, because NVIDIA designs the chips to be fabricated by the likes of Taiwan Semiconductor. Compare the valuation of the two companies, and it is like looking at night and day, possibly due to the perception of geopolitical risk around Taiwan.

Those two are just a couple of firms among hundreds, but this illustrates how pockets of the AI trend look more expensive while others may still be more fairly valued or even inexpensive. By and large, it’s early innings. ChatGPT’s splash was only a year ago, and in the grand scheme of historical tech adoption, a single year is nothing.

Value vs. Growth

Though the lack of a corporate dividend policy need not mean a company is unprofitable, it does often correspond to the company showing up in a growth stock universe. Data from Dartmouth’s Ken French shows that over the last 20 years, the companies that paid no dividend outperformed the quintile that paid the highest dividends by the largest amount on record. We are looking at the merits of a mean reversion thesis that plays out over the longer run.
The issue for these mean reversion concepts is that a similar performance gap has opened up between large and small caps over the last 10, 15, 20 years, essentially since S&P 500-style firms emerged from the dot-com rubble in late 2002 and into 2003. The problem as we head into 2024 is that many small- and mid-cap companies are unprofitable firms that are further punished by higher borrowing costs and rising costs of capital.

In short, value is out of favor relative to growth, and small caps are out of favor relative to large caps, and definitely relative to mega caps. The bold among us should recognize opportunity in small-cap value for the double whammy mean reversion, should that play out. And the December FOMC meeting definitely was a catalyst in this direction that we think can play out throughout 2024 with lower risk of a recession and deeper policy mistakes.

**CHART TAKEAWAY:** Over the last two decades, companies who did not pay a dividend outperformed high dividend payers by a record-setting margin. Should outperformance mean revert, stock market screens for dividend payers may prove fortuitous.

Sources: Kenneth French Data Library, CRSP database. Data 7/31/1927-7/31/2023, with August and September 2023 sourced from WisdomTree PATH using the Russell 3000. The axis commences in 1947 because it is 20-year rolling data. Stocks separated into top quintile minus bottom quintile.
In general, a focus on quality stock selection can help drive a smoother ride within equity markets, and we think the core of portfolios should remain centered on large-cap quality stocks.

**International Ideas**

Our favorite international idea, Japanese equities, also has a quality factor play but with a 2024 catalyst: explicit action by the Tokyo Stock Exchange to increase quality metrics across corporate Japan. Companies are taking action—engaging in higher cash dividends and buybacks, reducing cross-shareholdings and even conducting some more mergers and acquisitions. And it could be that the forthcoming change in aggregate countrywide return on equity (ROE) and other quality metrics are what catalyzes new money to come into Japan.

**Short Term vs. Long Term**

With short-term Treasuries hovering above 5%, there is a high hurdle for anyone looking to consider equity engagement. It’s an opportunity cost of doing anything in equities because the money markets’ lack of volatility is also part of the calculus.

Our long-run view, however, is that stocks are real assets; earnings and dividends tend to grow over time. The 5% hurdle rate may not be there forever, especially if the Fed does, in fact, take rates down in 2024. We think the 10-Year Treasury Inflation-Protected Securities (TIPS) yield is really the most appropriate bond metric to check when gauging equity risk premia. There, you’re again below 2% as we enter 2024. That means the S&P 500 has at least a 300 bps equity premium over TIPS today. Excluding Tech, U.S. value stocks are trading for 14 to 15 times earnings, which is more like a 7% equity earnings yield and a 5% equity premium to TIPS. Small caps are baking in a recession, which is what we infer from 8%-9% earnings yields in that asset class. That is where the opportunity lies. There is no iron law that says portfolios must be top-heavy in the Magnificent Seven because of high exposure to S&P 500 proxies.

Going down the cap spectrum could open valuation doors. Nevertheless, it’s easier said than done. The 5% yield on cash is a real issue for stocks right now; post December FOMC meeting, it has less chance of being the market’s anvil in 2024, too. For the last few months, we believed the primary risk for equities was a Fed too stubborn to bring rates down. We think the Fed recognizes that inflation risks are subsiding and bringing more optimistic confidence for 2024.

**WisdomTree.com/investments**
NEW RATE REGIME

While the money and bond markets wonder what higher for longer will actually mean, the more accurate way of looking at fixed income is that it has entered into a new rate regime. The end result of this rate hike cycle will be that interest rates are now at levels a generation of investors have not witnessed before, ushering in a new “old” rate regime, one that harkens back to pre-financial crisis times. Against this backdrop, investors have a whole new dynamic to consider in their fixed income portfolio decision-making process.

Duration

The biggest question on investors’ minds for next year is when and how to extend duration. Have we reached the point to begin this trade? And if so, how could investors go about doing it?

One approach is to extend duration in a deliberate fashion and not try to go all at once and “market-time” the trade. This approach can be accomplished by moving closer to the core benchmark. The vast majority of investors have been short, or under-weight in, duration to their benchmarks for quite some time. So, in our opinion, investors should consider getting closer to neutral to the benchmark in their overall fixed income positioning.

We believe, within that broader framework, the barbell approach would certainly represent a solution to achieve a fixed income investor’s duration target. As previously mentioned, Treasury floating rate notes could act as one of the “weights,” while on the other end of the barbell, something more core or core-like could be appropriate. Investors would then be able to toggle back and forth, given their rate outlook, to achieve the bond positioning and income they need. Utilizing this strategy, you don’t need to put all of your bets down on the longer end of the curve and make a ‘call’ on where you think the 10-Year Treasury yield will be. The barbell strategy can help extend duration while also being mindful of the yield curve and how it’s still inverted.
The Yield Curve

Yield curve inversion was all the rage a year ago, so the next key question for the money and bond markets is whether we think the Treasury yield curve can go back into positive territory in 2024. First off, a lot will depend on the outlook for the Fed. If we get the forward guidance from the Fed that the policy maker is going to start cutting rates, then the steepening trend we’ve seen throughout the autumn months would probably take on another head of steam.

In our opinion, there are pressures at both ends of the curve that are favoring a potential re-steepeening. Obviously, the Fed lowering rates is the first consideration. In addition, increased supply due to baseline trillion-dollar deficits could have more of a painful effect on the long end of the curve.

Credit vs. Rates

As an investment committee (in our model portfolios), we have been over-weight in credit versus rates. Do we continue with that into 2024, and what are our thoughts about high yield? There’s still some value and carry left in the investment-grade space, but you should be more selective in high yield.

It’s directly linked to the magnitude of the slowdown we see in the economy and the responsiveness of the Fed. We think you will benefit from carry. Given where rates are, you’re still getting roughly 25% additional yield by being in investment-grade credit. In high yield, one should be more selective. It will be important to see positive cash flow because default rates could rise further from current readings.
Figure 3: U.S. Fixed Income Yields

CHART TAKEAWAY: While the money and bond markets wonder what higher for longer will actually mean, the more accurate way of looking at fixed income is that it has entered into a new rate regime. The end result of this rate hike cycle will be that interest rates are now at levels a generation of investors have not witnessed before, ushering in a new ‘old’ rate regime, one that harkens back to pre-Financial Crisis times.

Source: Bloomberg, as of 12/12/2023.
WHAT COULD GO RIGHT? WHAT COULD GO WRONG?

Christopher Gannatti, CFA
Global Head of Research

“What could go right is that we get a few quarters behind us and continue to see strong adoption of AI coming out of Microsoft or Amazon Web Services and if interest rates trend more in a lower than higher direction.

What could go wrong? Washington continues to remind us that anything can happen. We recently avoided a government shutdown, and we didn’t have a Speaker of the House for a stretch of time. 2024 is an election year in many global markets, including the U.S. So, if we’re hearing too many anecdotes coming out of that, it’s probably not great.”

Kevin Flanagan
Head of Fixed Income Strategy

“To follow up on that point, Moody’s just recently downgraded its outlook for U.S. sovereign long-term debt from stable to negative, which means if they take action again, we will no longer be a AAA country.

But in terms of reactions in the Treasury market, as we saw with the S&P downgrade and the Fitch downgrade, U.S. Treasuries are still considered the global store of value, and we don’t think that would change.

Let’s also keep an eye on the Bank of Japan’s (BOJ) monetary policy to see if the BOJ could “buck the trend” of expected rate cuts from other global central banks.”
In the words of Jan Brady, China, China, China. I think there is a risk of a decline in their economy. They’re trying to support it with totalitarian regimes. Does that mean they get a little more aggressive on the military front? And is conflict in Taiwan a potential geopolitical story for next year? It’s been interesting to watch China evolve over the past few years, as it’s embraced the capital markets and then moved away from them, and it doesn’t really know where it sits.

What can go right is we have several real-time bullish catalysts for Japanese equities. We have the tripling of the annual contribution that an individual will be able to make to the equivalent of a traditional IRA or 401k in that country. We have corporate governance reforms being strong-armed by the Tokyo Stock Exchange. We have the continuation of the TINA trade (there is no alternative), and a 10-year Japan Government Bond (JGB) remains at 0.7. And so, stocks are appealing there relative to bonds with price earnings multiples in the low teens. And you also have the potential for capital rotation out of a perceived risk asset, which is Chinese equities, into a G7 economy neighbor right there next door in Japan.

What could go wrong would be the housing market continues to freeze. Then The Street comes to the realization that a 7.3% mortgage rate is not going to suddenly see the freeze over-dissipate if that mortgage rate comes down to 6.3% or even 5.3% because so many people are locked in at sub-3% rates that we have a clog. And that would be the source of not only labor rigidity but job losses in the United States. That is the thing that could go wrong.
I agree with all of these. A key wild card for next year is geopolitics and how this all settles or escalates. We have been droning on about the Fed as a key risk for the markets but now the primary uncertainty is pivoting to geopolitical tensions. As a result, I see investors looking to reallocate away from the U.S. rivalry with China to more ally countries like Japan and India.

I also look forward to what Chris Gannatti is saying: the benefits of AI and technology diffusing through the economy are potentially a very positive, long-run, bullish catalyst for the economy and hopefully the markets. All of this ushers in yet another interesting year in 2024.
ASSET ALLOCATION SUMMARY

Macro/Fed Policy

+ The U.S. labor market remains strong and the pace of economic growth continues to exceed low expectations
+ The Fed has made progress on the inflation front -- our proprietary measure of core inflation recently came in at 2.8% YoY
+ It appears rate cuts are coming, but a notable deterioration in economic data and continued disinflation may be required to validate expectations for significant policy easing in 2024

Equities

+ We are positive on domestic equities given our outlook for corporate earnings and advances in technology to support productivity
+ Within U.S. equities we are tilted towards mid and small caps, dividend payers, and companies with lower valuation multiples
+ While the S&P 500 Index trades at a steep premium to international equities, relative valuations outside of the top-heavy market gauges are near long-term averages
+ Outside the U.S. we are underweight Europe and China but see more attractive prospects for growth and stability elsewhere

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Source: WisdomTree, as of December 2023. Evaluations are subject to change as market conditions change. This is for illustration purposes only and does not represent investment advice. All evaluations are on a relative and not absolute basis. Red = a negative relative evaluation; gray = a neutral relative evaluation; green = a positive relative evaluation. You cannot invest in an index, and past performance does not guarantee future results.
**Fixed Income**

+ We continue to add duration in a deliberate manner, moving closer to a “neutral” stance relative to benchmarks
+ However, given the inverted nature of the yield curve and our expectation for ongoing interest rate volatility, we remain allocated to short-duration bonds, including Treasury floating rate notes
+ We remain constructive on quality screened credit and have selectively rotated into mortgage-backed securities

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**Alternatives**

+ With the expectation that stock-bond correlations could remain in positive territory, we believe trend-following and other liquid alternative strategies can play an important role in multi-asset class portfolios

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GLOSSARY:

Artificial intelligence (AI): A field that combines computer science and robust datasets to enable problem-solving.
Basis point (bp): 1/100th of 1 percent. Bond yield: Refers to the interest received from a bond and is usually expressed annually as a percentage based on its current market value.
Bullish: A position that benefits when asset prices rise.
Bureau of Labor Statistics (BLS): A federal agency that collects and disseminates various data about the U.S. economy and labor market.
Case-Shiller Home Price Indexes: A group of indexes that tracks changes in home prices throughout the United States. The indexes are based on a constant level of data on properties that have undergone at least two arm’s length transactions. Case-Shiller produces indexes representing certain metropolitan statistical areas as well as a national index.
Consumer Price Index (CPI): A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. Core CPI excludes food and energy costs.
Core inflation: Inflation excluding the impact of food and energy.
Corporate bond: A debt security issued by a corporation.
Deflation: A downward movement of the general price level of goods and services.
Disinflation: Term used to describe instances of slowing inflation, different from deflation in that price levels are still increasing overall, just at a slower rate.
Dividend yield: A financial ratio that shows how much a company pays out in dividends each year relative to its share price.
Dot Plot: A chart based on the economic projections of the Federal Reserve board members that illustrates their views on the appropriate pace of policy firming and provides a target range or target level for the federal funds rate.
Duration: A measure of a bond’s sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.
Earnings multiple: Another way of saying price-to-earnings multiple.
Federal Open Market Committee (FOMC): The branch of the Federal Reserve Board that determines the direction of monetary policy.
Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States.
Fiscal Policy: Government spending policies that influence macroeconomic conditions. These policies affect tax rates, interest rates and government spending, in an effort to control the economy.
Fitch Ratings: An international credit rating agency. Investors use the company’s ratings to determine which investments are less likely to default and yield a solid return.
Floating Rate Treasury Note: A debt instrument issued by the U.S. government whose coupon payments are linked to the 13-week Treasury bill auction rate.
Gross domestic product (GDP): The sum total of all goods and services produced across an economy.
Growth: Style of investing emphasizing stocks with share prices typically higher in relation to financial metrics, such as dividends or earnings.
High yield (HY): Sometimes referred to as “junk bonds,” these securities have a higher risk of default than investment-grade securities.
Inflation: Characterized by rising price levels.
Inverted yield curve: An interest rate environment in which long-term debt instruments have a lower yield than short-term debt instruments of the same credit quality.
Investment grade (IG): A rating that signifies a municipal or corporate bond presents a relatively low risk of default.
Magnificent Seven: A term used by stock market investors to describe a set of seven large tech stocks.
Market capitalization: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.
Mean reversion: The concept that a series of returns has a tendency to return to its average level over longer periods, even if shorter periods can exhibit wide swings.
Monetary policy: Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.
Price-to-earnings (P/E) ratio: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.
Quality: Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets and operating profitability. This term is also related to the quality factor, which associates these stock characteristics with excess returns versus the market over time.
Recession: Two consecutive quarters of negative GDP growth, generally characterized by a slowing economy and higher unemployment.
Return on equity (ROE): Measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders have invested.
S&P 500 Index: A market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor’s Index Committee designed to represent the performance of the leading industries in the United States economy.
Securitized: A debt security whose value is backed by an asset or pool of assets such as a mortgage.
Size capitalization: A measure by which a company’s size is classified. Large caps are usually classified as companies that have a market cap of more than $10 billion. Mid-caps range from $2 billion to $10 billion. Small caps are typically new or relatively young companies and have a market cap between $200 million and $2 billion.
TINA: An acronym for “there is no alternative.” It is often used by investors to justify a lackluster performance by stocks on the grounds that other asset classes offer even worse returns.
TIPS: Bonds issued by the U.S. government. TIPS provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, you are paid the adjusted principal or original principal, whichever is greater.
Treasury (UST): Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.
Valuations: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.
Value: Style of investing characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the value factor, which associates these stock characteristics with excess returns versus the market over time.
Yield curve: Graphical depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.
Yield: The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.
Zillow Rental Index: A repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent.
IMPORTANT INFORMATION

Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please call 866.909.9473, or visit WisdomTree.com/investments to view or download a prospectus. Investors should read the prospectus carefully before investing.

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Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. High-yield or “junk” bonds have lower credit ratings and involve a greater risk to principal. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline.

Diversification does not guarantee a profit or eliminate the risk of a loss.

You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

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