

Weekly Commentary

Top Five Most Memorable Trades of 2023

Embracing a ‘risk on’ approach in 2023 turned out to be the right move for investors. While most market practitioners were calling for a recession at the beginning of the year, both equity and bond markets defied expectations and the overall economy remains in good shape. During this holiday season, we are grateful for these strong, and pleasantly surprising, returns in 2023. Here are what we believe are the top five most memorable trades of the market this year:

- **1. The Magnificent 7:** The S&P 500, trading within a few points of a new all-time high, is up an unbelievable 26% year to date. As we’ve highlighted several times this year, nearly all positive performance can be attributed to just a few stocks known as ‘The Magnificent Seven’ (Apple, Amazon, Alphabet, Microsoft, Nvidia, Meta and Tesla). Powered by AI-driven narratives, together the stocks are up 74%. If excluded from the S&P 500, index returns for the year would drop to 11%. While a gift for investors this year, we continue to find this level of performance concentration concerning and believe these mega-cap technology stocks may be the most vulnerable to a re-rating.
- **2. Bitcoin:** While bitcoin conjures up PTSD for some, those who invested in 2023 were well rewarded. The cryptocurrency is up a whopping 165% this year with many partially attributing the strong returns to optimism around the first US spot [Bitcoin ETF](#) receiving regulatory approval. The price appreciation is ironically also helping a related area of the market: FTX creditor claims. The claims trade on the secondary market and have steadily increased in price throughout the year. According to [claims-market.com](#), transactions are now closing between \$0.60 to \$0.65 on the dollar compared to \$0.15-\$0.20 in January.
- **3. Long Duration CCC High Yield Bonds:** The riskiest area of the liquid bond market is up 31% in 2023. Although this segment of the high yield market is very small – most junk debt has an average maturity of under five years – it’s still notable given most were expecting a recession in 2023. This category of bonds started the year with an 18% yield or 1,429 basis point spread over Treasuries. That has since compressed to 14%, and 1,016 basis points. Despite the strong performance, riskier companies have encountered challenges securing financing in the liquid markets. Of note, a CCC rated bond was successfully issued last week, the first since April.
- **4. Lionel Messi:** In July, it was announced that Lionel Messi officially joined Inter Miami CF. The famed soccer player immediately reenergized Major League Soccer with ticket sales skyrocketing as a result. According to [TicketIQ](#), the average list price for home games on the secondary market rose 468% following the announcement. The impact was more extreme for away games being held in large markets. For example, NY Red Bulls tickets surged by 1760%, Los Angeles AC by 1648% and Orlando City SC by 1,709%. Heightened demand for apparel, soccer streaming subscriptions, and tourism also contributed to the economic boon which should continue for years to come.

- **5. The Macallan 1926:** In a nod to whiskey enthusiasts, The Macallan 1926 sold at auction for £2.1 million in September, making it the most expensive bottle ever purchased. The previous record for whiskey was set in 2019 by another Macallan 1926 bottle. After being aged in sherry casks for six decades, just 40 bottles were produced in 1986. They were never put up for sale but rather given to Macallan's (Scotland distiller founded in 1824) top clients. According to Sotheby's, this bottle was the first to have undergone reconditioning by The Macallan Distillery ahead of the auction, thus increasing the appeal of the offering.

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