First Quarter 2024 Market Summary

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First Quarter 2024 Market Summary

The year has started on a positive note, with equity markets producing robust returns and carrying forward the momentum from the strong finish in 2023. Notably, the S&P 500 has achieved double-digit percentage returns for consecutive quarters, a rare occurrence not seen since 2012. This underscores the exceptional performance witnessed recently as the U.S. market reached all-time highs.

The rally was sparked in the fourth quarter of 2023 by the Federal Reserve's indication that policy rates had peaked and rate cuts in 2024 were on the table. Since then, economic data continues to surprise to the upside, prompting the Fed to raise their projected GDP growth estimates for the year. They also raised 2024 inflation projections, indicating they may be more comfortable in a 2-3% range than their original 2% target. The Fed still expects to cut rates 75bps in the second half of the year, which is less than the market's prior expectation of 150bps. However, during the quarter, market rates increased to meet Fed expectations.

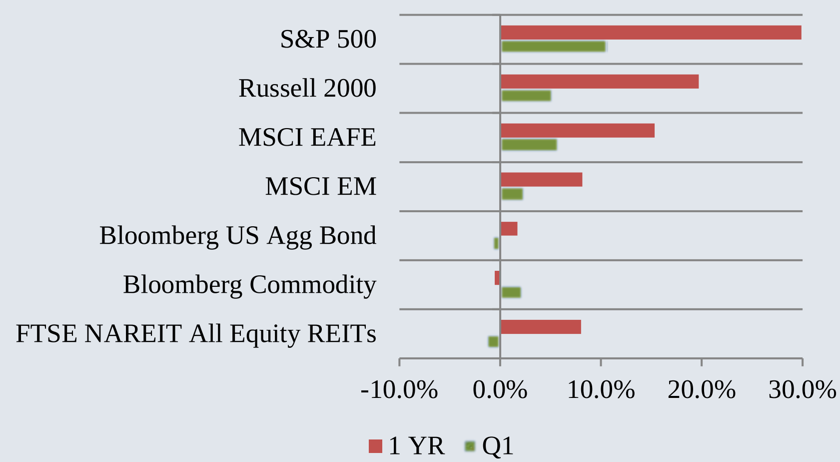
The chart below shows that U.S. large company stocks (i.e., S&P 500, a market-cap weighted index) increased 10.6% during the quarter, and U.S. small company stocks (i.e., Russell 2000 Index) were up 5.2%. Large-cap growth stocks continued their outperformance. However, in the past two months, performance has broadened to other parts of the market; indicating the market's strength beyond the Magnificent Seven. Ten of the eleven S&P 500 sectors had positive returns, with Real Estate being the exception. Five sectors – Energy, Financials, Industrials, Technology and Communication Services – had double-digit returns.

International stocks, represented by the MSCI ACWI ex US Index, gained 4.7% during the quarter. However, in local currency terms, international stocks were up 8.3%. Japan and Europe notably performed well, with local currency returns of 19.3% and 9.7%, respectively, while emerging markets lagged behind developed markets. In the short term the U.S. dollar has momentum, but currency has historically been cyclical. The strong underlying performance of international companies should be seen as a positive, despite currency headwinds.

The Bloomberg Barclays U.S. Aggregate Bond Index, representing a broad basket of bonds, declined 0.78% during the quarter. Interest rates increased as the market adjusted its expectations. Credit spreads tightened during the quarter, particularly in corporates. With yields in fixed income generally above 5%, fixed income returns are better insulated from interest rate movements. For example, it's estimated that if interest rates rise 1%, the U.S. Aggregate will roughly be down 1%, but if rates decline 1%, the outcome would be a double-digit return. Thus, the risk-reward is favorable, but the path to returns can meander in the short term. For example, last year, fixed income was ultimately up 5.5% but had multiple drawdowns of greater than 4% along the way.

The labor market remains strong, consumer spending is resilient, and manufacturing is picking up domestically and abroad. As evidenced, the ISM Manufacturing Index moved into expansionary mode as of March. This seems to be in keeping with the "rolling recessions" we've seen in recent quarters, as various sectors have seen their fortunes rise and fall individually rather than all sectors entering into a recession at once. Looking forward, the most popular current predictions for the overall economy are a "soft landing" or even "no landing." The proponents for a "hard landing" have quieted, though not disappeared.

Broad Market Index Returns
First Quarter 2024



First Quarter 2024 Market Summary (continued)

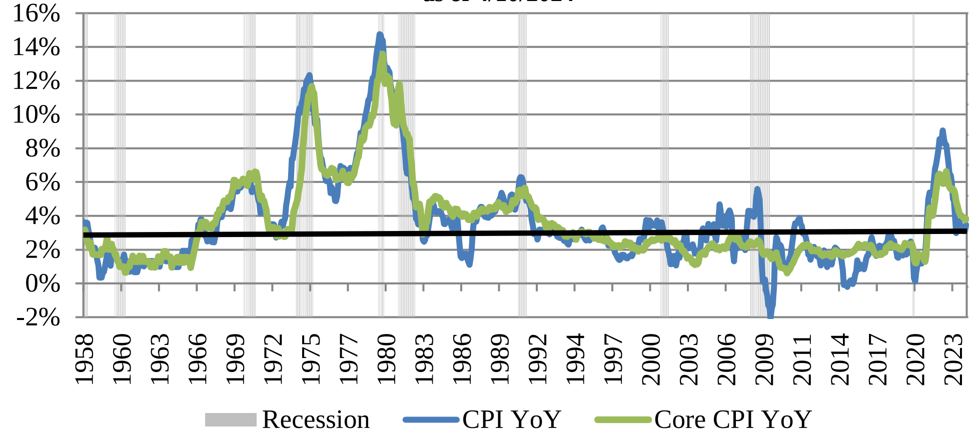
While political and geopolitical concerns persist, they are currently not anticipated to significantly impact economic or earnings growth in the short-term. However, it's essential to acknowledge that market sentiment can shift, and despite current investor optimism driving upside volatility, market corrections are typical, even in strong years. Inevitably, pessimistic news will resurface, casting a shadow over present optimism. Negative developments garner greater attention and exert a stronger emotional impact than positive ones. For many, losses sting twice as much as gains. Due to this emotional link, market sentiment is more volatile than economic fundamentals.

Nevertheless, the market's recent rally should be celebrated. Since 1950, when S&P 500 returns in the first quarter have exceeded 10%, full-year returns have averaged 21%. Therefore, investors should not shy away from investing in high-performing markets, as the market often operates near or at all-time highs. While probabilities serve as context rather than forecasts, they underscore the importance of maintaining a diversified and resilient investment strategy.

MACROECONOMICS

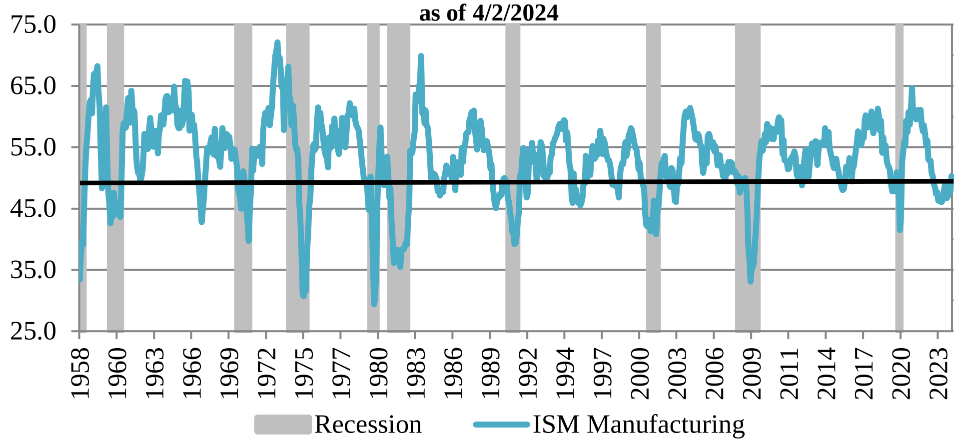
- The Bureau of Economic Analysis released the advanced estimate of first quarter 2024 real GDP, an annual rate increase of 1.6% from the preceding quarter.
- Inflation is down from the highs in 2022 but still above the Federal Reserve's target and was essentially at the same levels as last quarter. In March, headline CPI increased 3.5% year-over-year. Core CPI, which excludes food and energy, had a 3.8% increase.

Inflation - Consumer Price Index (CPI)
as of 4/10/2024



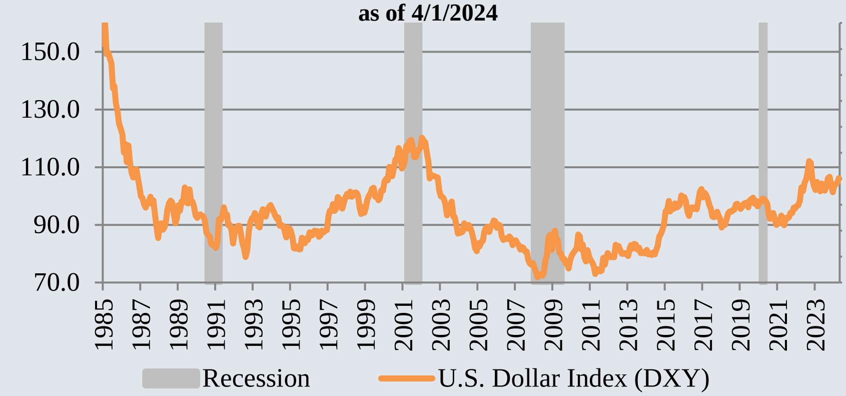
- The ISM Manufacturing Index increased during the quarter, finishing at 50.3 versus 47.1 in December. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index was slightly higher during the quarter and finished at 51.4 in March.

ISM Manufacturing Index
as of 4/2/2024



- In March, the Conference Board Leading Economic Index decreased 0.3% month-over-month to 102.4. The index, which is a composite of leading employment, housing, manufacturing, and market indicators, has declined significantly over the past year but the trend is improving.
- The U.S. dollar appreciated over the past quarter.

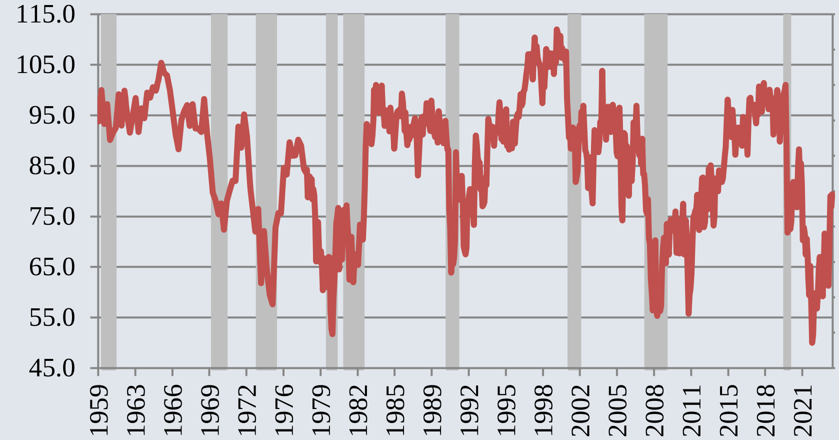
U.S. Dollar Index (DXY)
as of 4/1/2024



CONFIDENCE METRICS

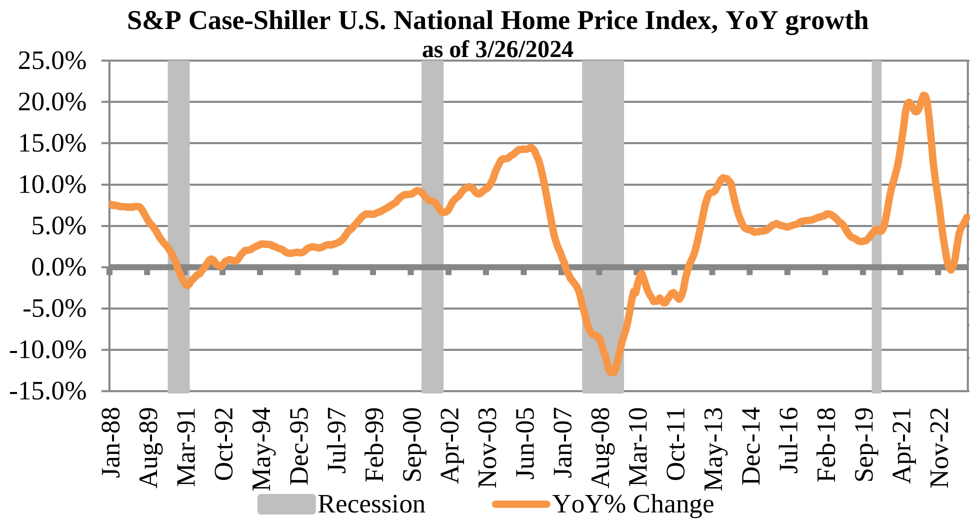
- The Conference Board's Consumer Confidence Index March reading was 104.7, down from 108.0 in December. Consumers are concerned with inflation but have a positive view on the labor market.
- The University of Michigan Consumer Sentiment Index final reading for March was 79.4, as the index continues to be more positive.

University of Michigan Consumer Sentiment Index
as of 4/1/2024

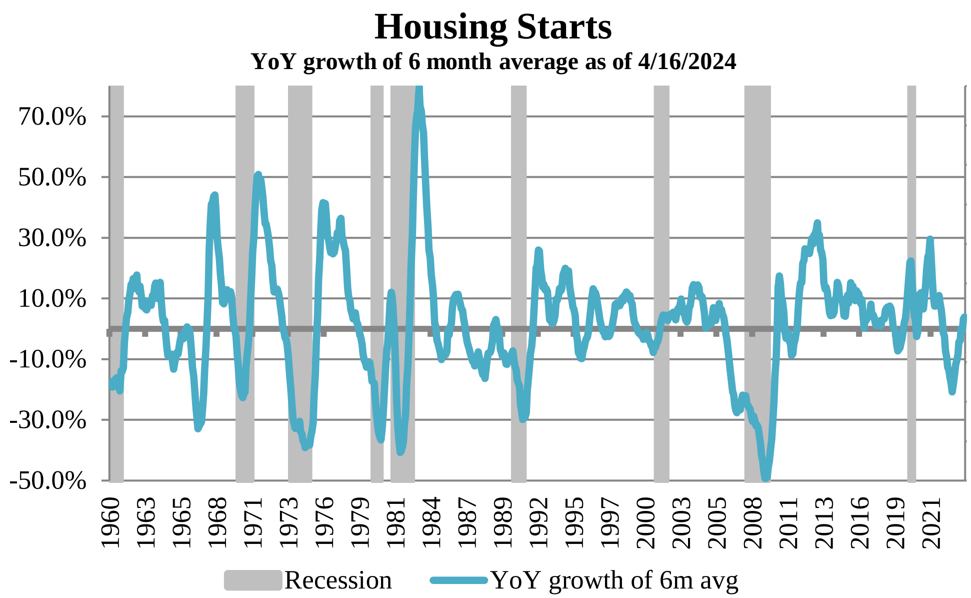


HOUSING

- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed home prices increased 6.0% year/year in January. Prices continue to rebound.

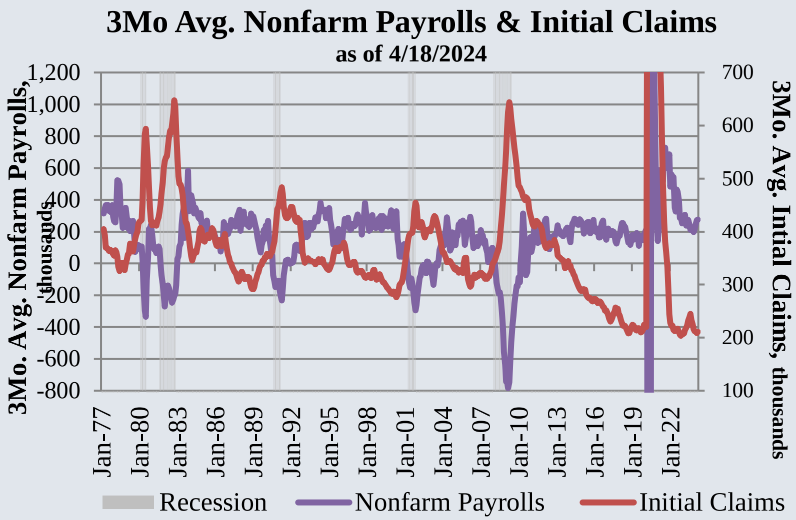


- Housing starts declined during 2023, in part, due to higher financing costs. But, in the past few months starts have leveled. The housing market remains supply-challenged.

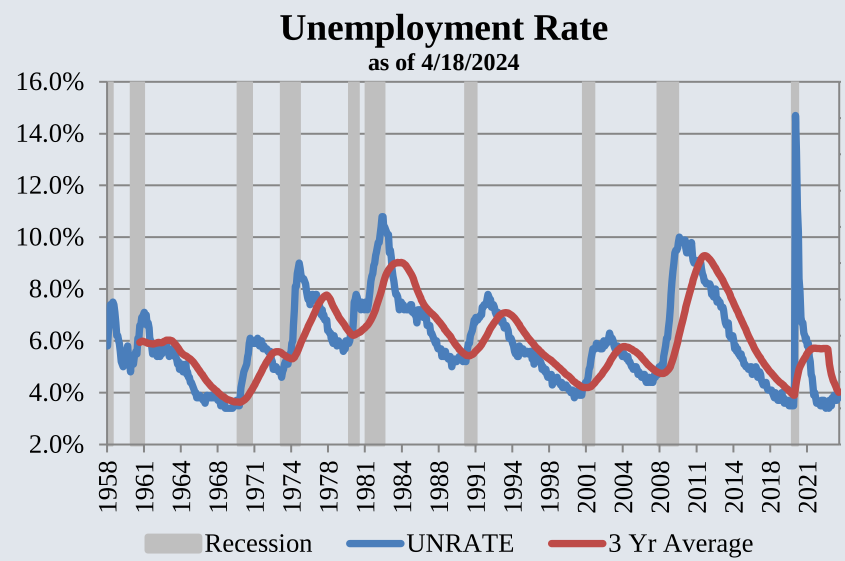


EMPLOYMENT

- During the quarter, nonfarm payrolls averaged 276,333 jobs added per month, while initial claims remain low.



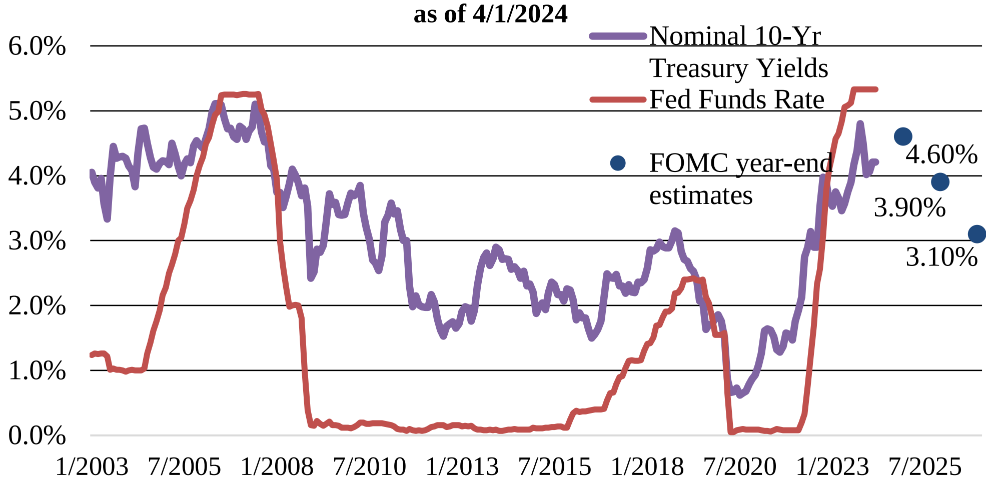
- The unemployment rate increased slightly during the quarter to 3.8%.



FED POLICY

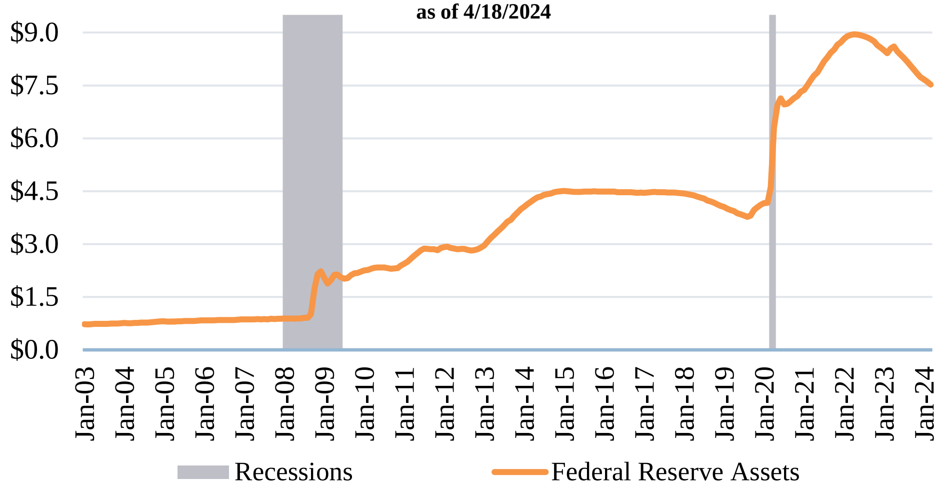
- The Federal Open Market Committee (FOMC) maintained the federal funds rate at 5.25%-5.5% during the past few meetings. In March, the Fed raised GDP and inflation expectations for 2024, while also raising 2025 and 2026 interest rate guidance.

U.S. 10-Year Treasury Yield vs. Fed Funds Rate
as of 4/1/2024



- In 2022, the Fed started to reduce its holdings of Treasuries and agency MBS. Other central banks have been reducing their balance sheets as well.

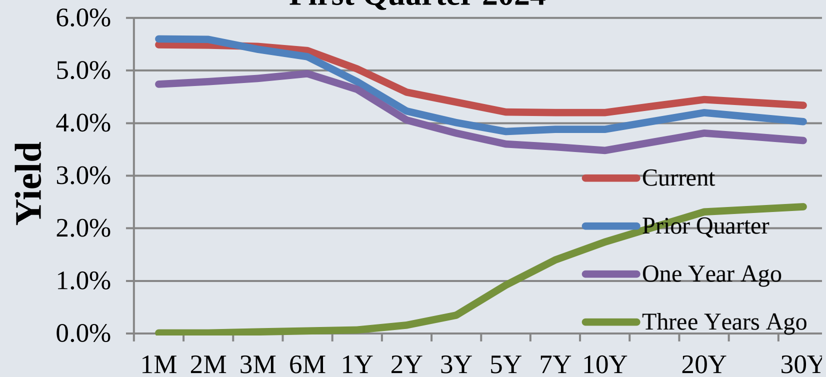
Federal Reserve Balance Sheet, assets in trillions $
as of 4/18/2024



FIXED INCOME

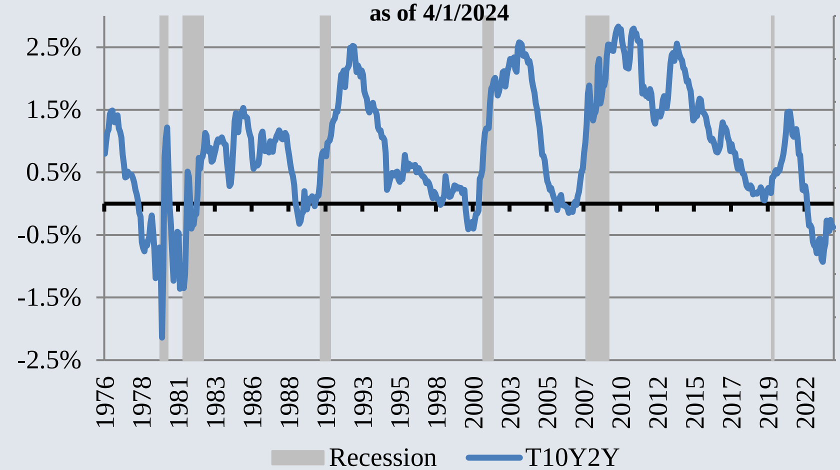
- Yields across the U.S. Treasury curve increased during the quarter as the market adjusted their expectations for less rate cuts by the Fed in 2024. Short-term interest rates are controlled or heavily influenced by central banks, whereas long-term interest rates are affected by market forces and economic growth.

U.S. Treasuries Yield Curve
First Quarter 2024



- The spread between short and intermediate-term Treasuries has remained inverted since July 2022 (the past 21 months), and finished at negative 38bps in March. Historically, the 10-year to 2-year Treasury curve has "inverted" 6-20 months before recessions.

U.S. Treasury Spread 10-year vs. 2-year
as of 4/1/2024



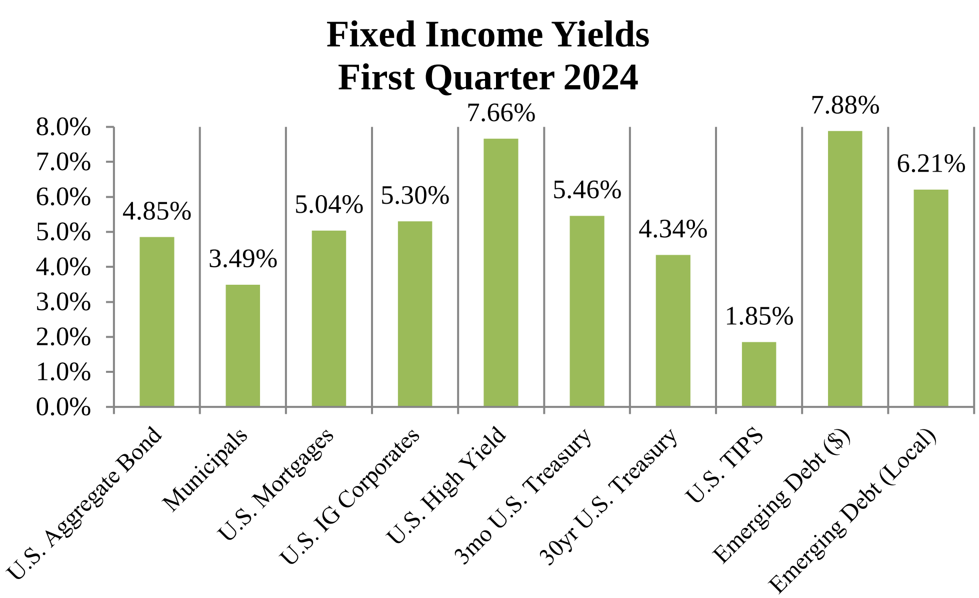
FIXED INCOME (continued)

- During the quarter, the Bloomberg Barclays U.S. Aggregate was down 0.78%. Bonds with less interest rate sensitivity, generally, performed better as rates rose.

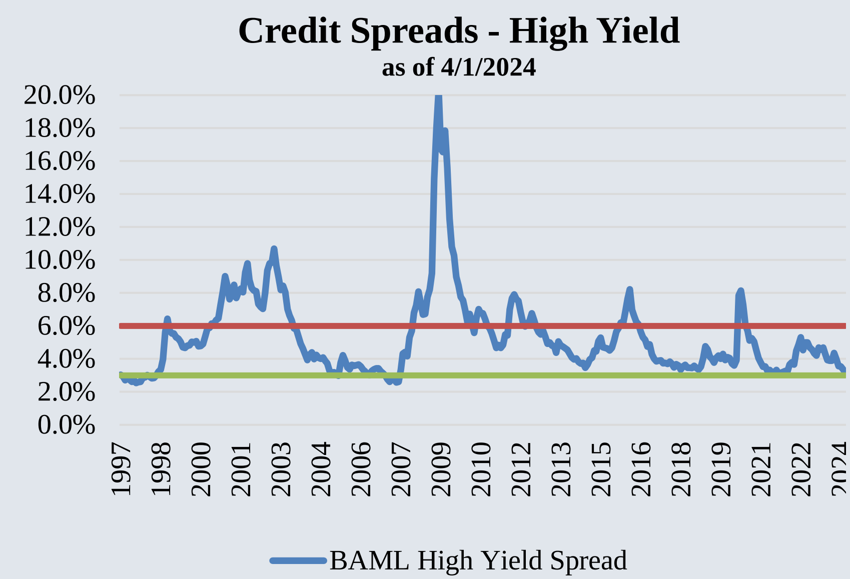
	1Q 24 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	-0.78%	1.70%	0.36%	1.54%
Municipals	-0.39%	3.13%	1.59%	2.66%
U.S. Mortgages	-1.04%	1.39%	-0.39%	1.12%
U.S IG Corporates	-0.40%	4.43%	1.52%	2.61%
U.S. High Yield	1.47%	11.15%	4.21%	4.44%
3mo U.S. Treasury	1.30%	5.35%	2.06%	1.41%
30yr U.S. Treasury	-4.06%	-7.73%	-3.91%	0.66%
U.S. TIPS	-0.08%	0.45%	2.49%	2.21%
Emerging Debt ($)	1.80%	10.70%	0.60%	2.90%
Emerging Debt (LCL)	-2.20%	3.40%	-0.40%	-0.50%

Bloomberg and JPMorgan Indices

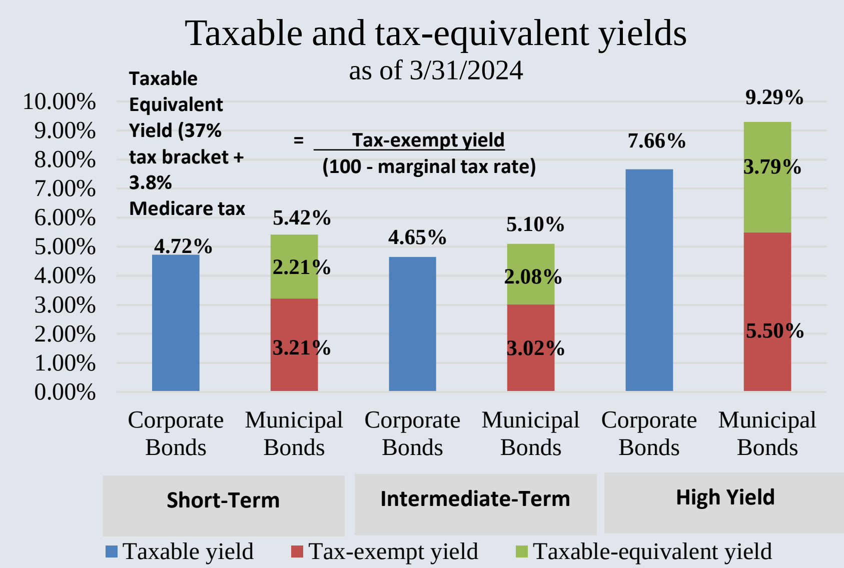
- Yields increased during the first quarter and remain at attractive levels.



- Credit spreads tightened during the quarter and are not reflecting stress in the financial system at the moment.



- Municipals are currently more attractive relative to taxable bonds on an after-tax basis for investors in the highest marginal tax bracket.



DOMESTIC EQUITIES

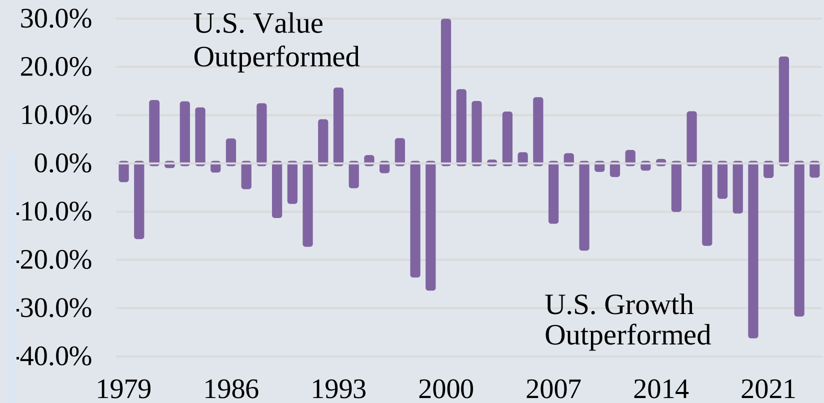
First Quarter 2024 Returns			
	Value	Core	Growth
Mega Cap		11.9%	
Large Cap	9.0%	10.3%	11.4%
Mid Cap	8.2%	8.6%	9.5%
Small Cap	2.9%	5.2%	7.6%
Micro Cap	3.6%	4.7%	6.6%

- The Russell 1000 Index, comprising of large and mid-capitalization stocks, posted a positive total return of 10.3% during the first quarter. On a year-over-year basis, the Russell 1000 Index has increased 29.9%.
- Small capitalization stocks, as represented by the Russell 2000 Index, increased 5.2% during the first quarter. On a year-over-year basis, the index has increased 19.7%.

	S&P 500 Weight	Russell 1000 Value Weight	Russell 1000 Growth Weight	1Q 24 Return	1-Yr Return	10-Yr Return
Energy	3.9%	8.1%	0.5%	13.7%	17.7%	4.7%
Materials	2.4%	4.8%	0.7%	8.9%	17.6%	9.2%
Financials	13.2%	22.7%	6.4%	12.5%	33.5%	11.1%
Industrials	8.8%	14.3%	5.8%	11.0%	26.7%	11.1%
Cons. Disc.	10.3%	5.0%	14.9%	5.0%	28.7%	12.6%
Technology	29.6%	9.4%	44.0%	12.7%	46.0%	22.0%
Comm. Services	9.0%	4.6%	12.0%	15.8%	49.8%	9.4%
Real Estate	2.3%	4.6%	0.8%	-0.5%	9.6%	8.0%
Health Care	12.4%	14.2%	10.6%	8.8%	16.1%	11.7%
Cons. Staples	6.0%	7.7%	4.1%	7.5%	7.2%	9.3%
Utilities	2.2%	4.7%	0.1%	4.6%	0.4%	8.4%
S&P 500 Index	100.0%	100.0%	100.0%	10.6%	29.9%	13.0%

- During the quarter, technology remained strong, but performance broadened and more sectors participated. Real Estate was the only sector with negative returns.

U.S. Value vs. Growth Relative Equity Performance (as of 3/31/24)

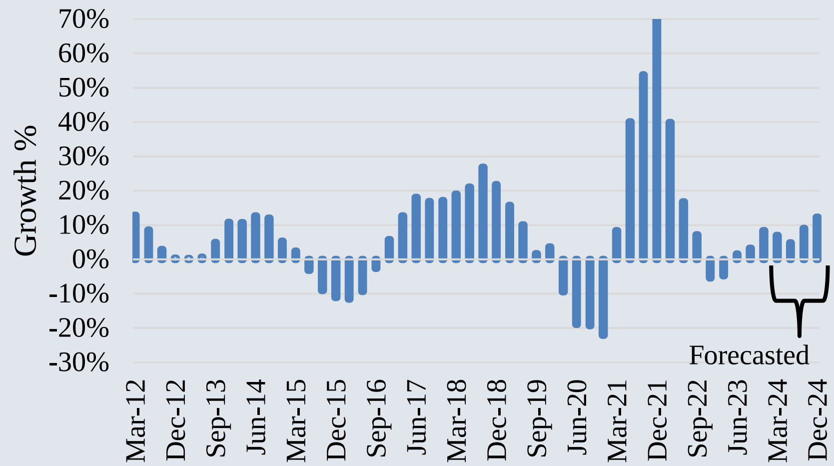


Russell 1000 Value TR vs. Russell 1000 Growth TR

- Growth outperformed Value during the first quarter and significantly for 2023. Growth has outperformed for twelve out of the past seventeen years.

S&P 500 Earnings Growth

Trailing 12-Month Operating Earnings Growth YoY
(as of 4/22/2024)



- Corporate earnings growth has slowed over the past year, but earnings are expected to rebound over the next year.

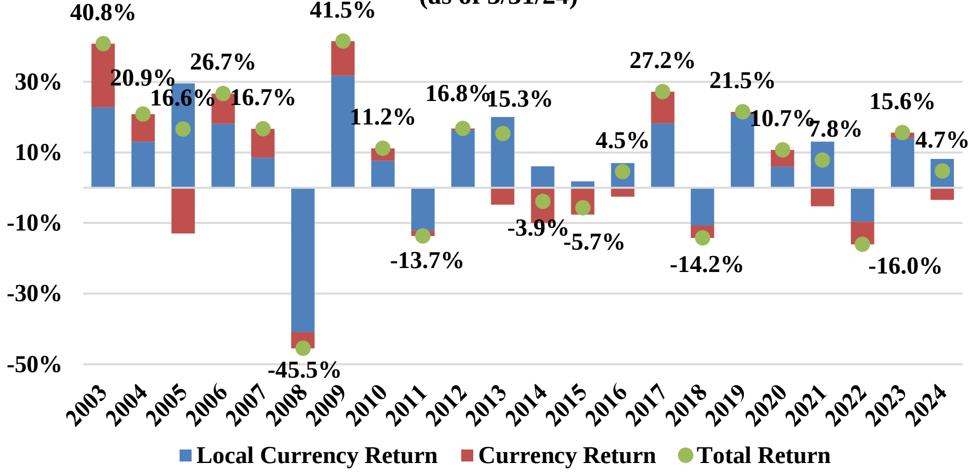
INTERNATIONAL EQUITIES

- Developed international stocks, as represented by the MSCI EAFE, were up 5.8% during the quarter, and were up 15.3% on a year-over-year basis.
- Emerging market stocks underperformed developed markets during the first quarter as the MSCI Emerging Markets Index was up 2.4%. On a year-over-year basis, emerging market stocks are trailing developed markets with a return of 8.2%.

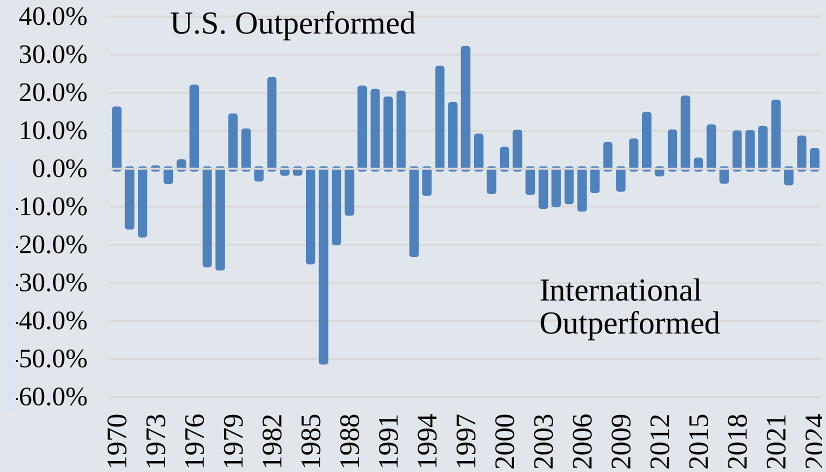
	1Q 24 Return	1-Yr Return	5-Yr Return	10-Yr Return
World	8.2%	23.2%	10.9%	8.7%
World Ex-US	4.7%	13.3%	6.0%	4.3%
EAFE	5.8%	15.3%	7.3%	4.8%
Europe	5.2%	14.1%	8.0%	4.4%
Japan	11.0%	25.8%	7.8%	6.7%
Pacific Ex-Japan	-1.7%	2.4%	3.0%	3.4%
Emerging Markets	2.4%	8.2%	2.2%	2.9%
EM (Asia)	3.4%	6.3%	2.8%	4.5%
EM (Latin America)	-4.0%	22.6%	3.7%	1.7%
EM (Eastern Europe)	1.7%	43.7%	-19.4%	-9.3%

- Currency detracted from international equity returns. The U.S. dollar has been very strong the past ten years, but currency trends tend to be cyclical.

MSCI ACWI ex US Index, total return and currency impact (as of 3/31/24)



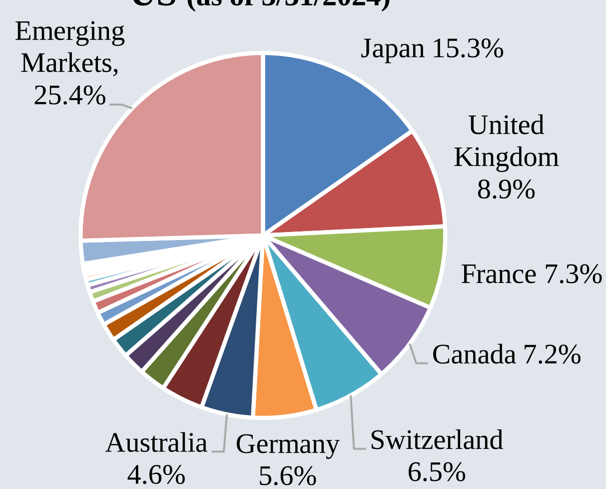
U.S. vs. International Equity Performance (as of 3/31/24)

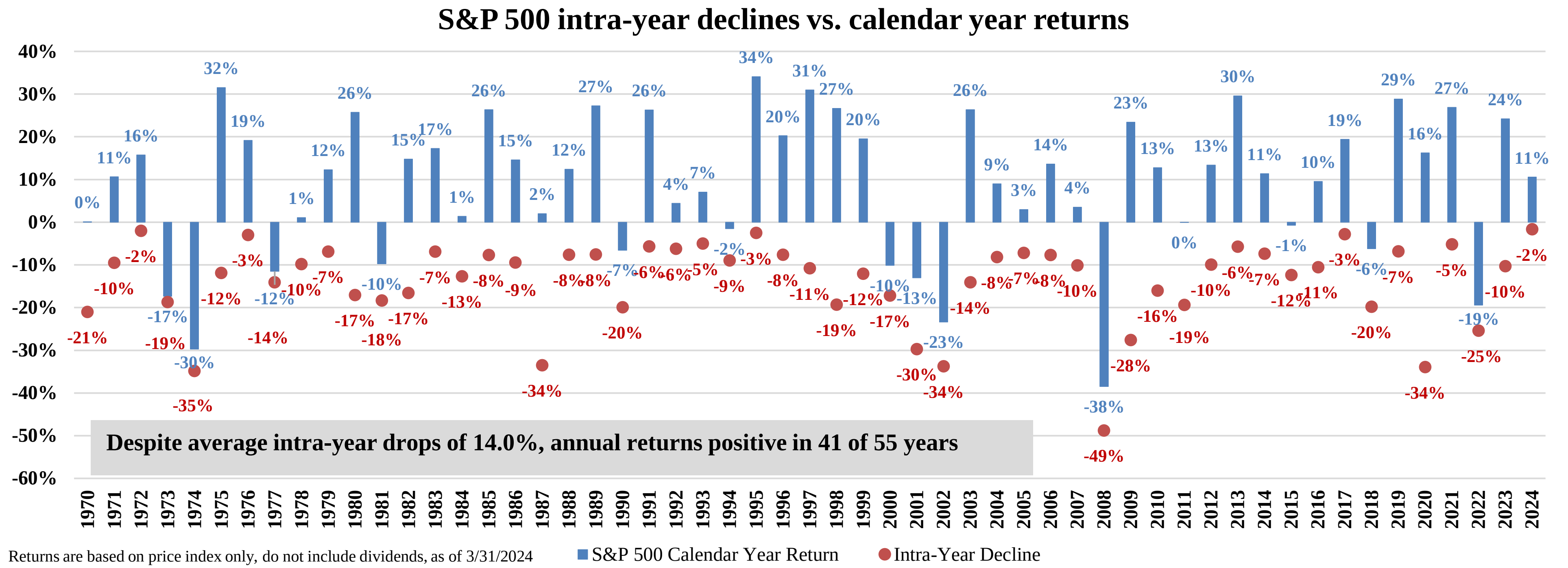


S&P 500 TR vs. MSCI EAFE NR

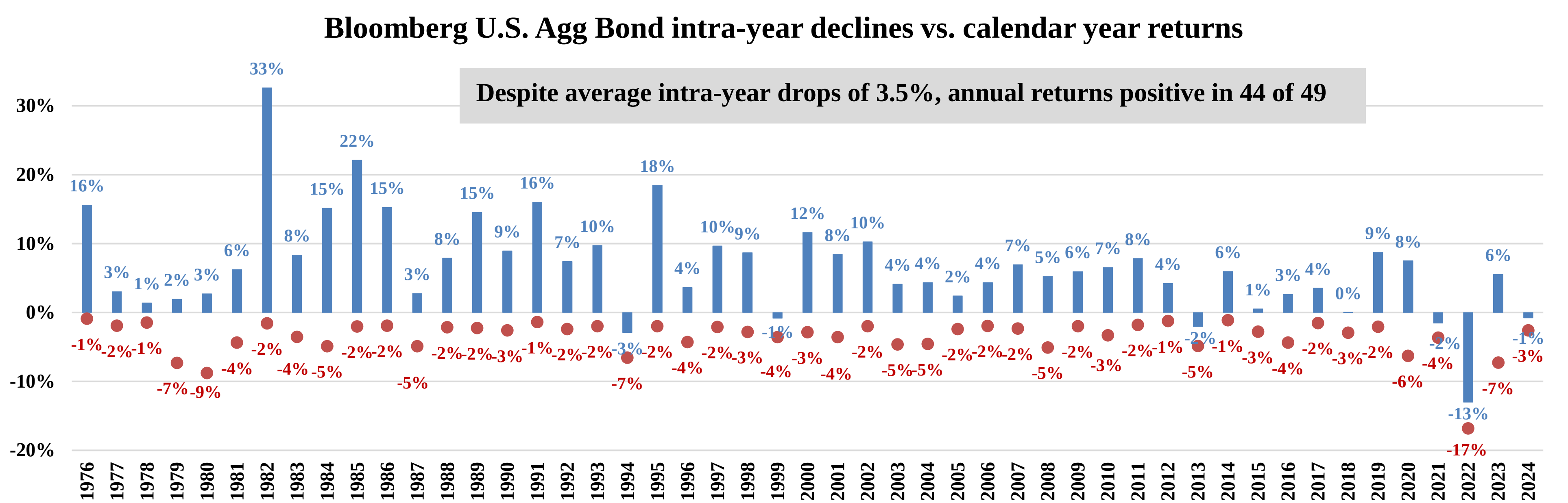
- International equities performed worse than U.S. equities during the quarter. International equities have underperformed U.S. equities in eleven out of the last fourteen years. Performance is cyclical as shown in the chart above.

Country Weighting in MSCI ACWI ex US (as of 3/31/2024)





Returns are based on price index only, do not include dividends, as of 3/31/2024



Returns are based on total return, as of 3/31/2024

Market leadership changes. Focus on asset allocation and diversification.

Best

Asset Class Performance

Worst

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD	10-yrs '14-'23 Return	10-yrs '14-'23 Volatility
Small Cap 38.8%	Real Estate 28.0%	Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	Large Cap 26.3%	Large Cap 10.6%	Large Cap 12.0%	Small Cap 20.2%
Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	International 25.6%	Fixed Income 0.0%	Real Estate 28.7%	Emerging Markets 18.7%	Large Cap 28.7%	Cash 1.5%	International 18.9%	International 5.9%	Real Estate 8.0%	Real Estate 17.3%
International 23.3%	Fixed Income 6.0%	Fixed Income 0.6%	Large Cap 12.0%	Large Cap 21.83%	Real Estate -4.0%	Small Cap 25.5%	Large Cap 18.4%	Commodities 27.1%	High Yield -12.7%	Small Cap 16.9%	Small Cap 5.2%	Small Cap 7.2%	Emerging Markets 17.2%
Asset Allocation 14.9%	Asset Allocation 5.3%	Cash 0.0%	Commodities 11.8%	Small Cap 14.7%	High Yield -4.1%	International 22.7%	Asset Allocation 10.5%	Small Cap 14.8%	Fixed Income -13.0%	Asset Allocation 14.2%	Asset Allocation 4.3%	Asset Allocation 5.9%	International 15.2%
High Yield 7.3%	Small Cap 4.9%	International -0.4%	Emerging Markets 11.6%	Asset Allocation 14.5%	Large Cap -4.4%	Asset Allocation 19.4%	International 8.3%	Asset Allocation 13.5%	Asset Allocation -13.9%	High Yield 14.0%	Emerging Markets 2.4%	International 4.8%	Large Cap 15.2%
Real Estate 2.9%	Cash 0.0%	Asset Allocation -2.0%	Real Estate 8.6%	High Yield 10.4%	Asset Allocation -5.8%	Emerging Markets 18.9%	Fixed Income 7.5%	International 11.8%	International -14.0%	Real Estate 11.4%	Commodities 2.2%	High Yield 3.6%	Commodities 14.3%
Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Allocation 8.3%	Real Estate 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Emerging Markets 10.3%	High Yield 2.1%	Emerging Markets 3.1%	Asset Allocation 10.2%
Fixed Income -2.0%	Emerging Markets -1.8%	Small Cap -4.4%	Fixed Income 2.7%	Fixed Income 3.5%	Commodities -11.3%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Emerging Markets -19.7%	Fixed Income 5.5%	Cash 1.3%	Fixed Income 1.8%	High Yield 8.6%
Emerging Markets -2.3%	International -4.5%	Emerging Markets -14.6%	International 1.5%	Commodities 1.7%	International -13.4%	Commodities 7.7%	Commodities -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	Fixed Income -0.8%	Cash 1.2%	Fixed Income 4.8%
Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.3%	Cash 2.2%	Real Estate -5.1%	Emerging Markets -2.2%	Real Estate -25.0%	Commodities -7.9%	Real Estate -1.3%	Commodities -1.1%	Cash 0.5%

Performance of all sited indices is calculated on a total return basis and includes dividend reimbursement. Indices are not available for direct investment. Past performance is not indicative of future results. It is important to remember that there are risks inherent in any investment and there is no assurance that any asset class or index will provide positive performance over time.

* Large Cap – S&P 500 Index
* Small Cap – Russell 2000 Index
* International – MSCI EAFE GR Index
* Emerging Markets – MSCI EM GR Index
* Fixed Income – Barclays Capital Aggregate Bond Index
* Real Estate – FTSE NAREIT All Equity REIT Index
* Commodities – Bloomberg Commodity Index
* High Yield – Barclays Global High Yield Index

*Cash – Barclays 1-3m Treasury Index

The "Asset Allocation" portfolio assumes the following weights: 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays Agg, 5% Barclays 1-3m Treasury, 5% Barclays Global High Yield Index, 5% Bloomberg Commodity Index, 5% FTSE NAREIT All Equity REIT Index

Source: Morningstar, through 3/31/2024

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