QUARTERLY MARKET COMMENT
First Quarter 2024

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FINANCIAL PLANNING

Investors were optimistic heading into 2024 given the performance of the markets near the end of 2023. But few predicted the power of this rally that continued through most of Q1. For the U.S. markets, it was the best Q1 performance since 2019. As noted in the chart below, all market areas, domestic and international, experienced positive returns except for real estate and long-term bonds. Mega-cap stocks dominated with the S&P 500 Top 50 up 12%. A broadening of the market rally continued into March with the S&P Midcap 400 up 6%, outpacing the larger cap S&P 500 up 3%. Communication services, energy, information technology, and financials were the best sectors - a bit of a change from the previous quarter. Commodities were also positive, led by energy and livestock. Fixed income was mixed with 30-year US Treasury Bonds being impacted the most, down 4.10%. The first quarter performance was a continuation of the market's upward move that began in November 2023. Once the Federal Reserve (Fed) decided to pause interest rate hikes, the markets took off and remained positive through much of Q1. The anticipation of the Fed cutting interest rates and the prospects of artificial intelligence (AI) helped drive the markets higher.

Data received throughout the quarter confirmed that the economy was growing better than originally projected. The resilience of the underlying economy showing strong job growth and robust corporate earnings, gave consumers a boost of confidence to keep spending. This provided a welcome backdrop for the markets to feed off and broadened the rally outside of just mega-cap. The risk of a recession fell out of the headlines with a higher probability of a soft landing somewhere down the road. This all sounds wonderful except for the elephant in the room - inflation. Each month the reports on inflation were going up, not down. It has become crystal clear that this last leg of slaying the inflation dragon is not done. The Fed has been focused on driving inflation down since March of 2022 with eleven interest rate hikes. In December of 2023, the Fed had penciled in three rate cuts in 2024, projecting a slower economy, and repeated this message in their March policy meeting. However, once the March jobs report and inflation numbers were released this month, it became evident that the economy was growing too fast for the Fed to start lowering interest rates. They are looking for trends in the data to determine their next move. Do they need to raise interest rates still or give the economy time to work through this better-than-expected cycle? Time will tell.

Lately, the markets have been digesting the news on the strong economic data and the stickiness of higher inflation. The Fed is not in a rush to cut rates at this point. As a result, interest rates have been moving higher and this has rattled the equity markets. It is not unusual for the markets to experience a pullback (-5% to -9%) or a correction (-10% to -19%) after such a run up. This is where the markets seem to be at the moment, and this is very normal. As the geopolitical risks present themselves and we get closer to the upcoming presidential election, additional volatility is expected. The general trend of the market is upward, but the ride may be getting a bit bumpier.

Asset Index Category	1Q 2024 %	3-Year Average %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	10.16	9.77	13.14	10.87
S&P 400 Index-Mid-size Companies	9.52	5.30	9.95	8.25
Russell 2000 Index-Sm Companies	4.81	-1.46	6.65	6.12
US Real Estate Funds	-0.97	1.69	3.45	5.85
Gold	7.37	8.47	10.24	4.76
US Commodities	4.27	11.04	7.53	-0.72
Global Real Estate Funds	-0.83	-1.32	0.62	3.31
MSCI EAFE-Developed International	5.06	2.09	4.61	2.06
MSCI EM Index-Emerging Markets	1.90	-7.46	-0.28	0.48
Barclays US Aggregate Bond Index	-0.78	-2.46	0.36	1.54
Long US Government Bond Index	-4.10	-10.72	-5.45	-1.76
Emerging Market Bond Index	1.04	-0.99	0.71	1.19

As we know, investing in anything is not without risk. There are times when the markets get ahead of themselves (price is greater than valuation) or do not digest news well (i.e. rate cut announcements timing or amount). It is ultimately the long-term upward trend of the markets that we need to stay focused on. The last few years have provided a great case study on the benefits of patience.

We appreciate and value the trust you have placed in us to help guide you through your financial life. Let us know if you have any questions or concerns.

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