MONTHLY MARKET COMMENTARY

APRIL 2024 Executive Summary

Benchmark Returns as of April 30, 2024

	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	-4.08%	6.04%	**Bloomberg Aggregate Bond Index**	-2.53%	-3.28%
Dow Jones Industrial Average	-4.92%	0.92%	**Developed International**	-1.72%	3.01%
Nasdaq	-4.38%	4.52%	**Emerging Markets**	0.47%	2.92%

Last month we reported that equity markets had "moved steadily upward from their October 2023 lows without a significant pullback" and the S&P 500 closed at its all-time high on March 28th. That upward march reversed in April when stronger-than-expected economic reports met with hawkish comments by Federal Reserve officials to drive interest rates higher and slow the bull market's charge. Elevated geopolitical tensions added to the cautious tone, despite a largely positive start to the first quarter earnings season.

April kicked off with the release of the U.S. jobs report, which showed the addition of 303,000 new jobs and an unemployment rate of 3.8% – its 26th month below 4.0%. The markets initially cheered this news of ongoing strength in the labor market as a sign of continued economic resilience. However, the enthusiasm was short-lived as inflation concerns resurfaced.

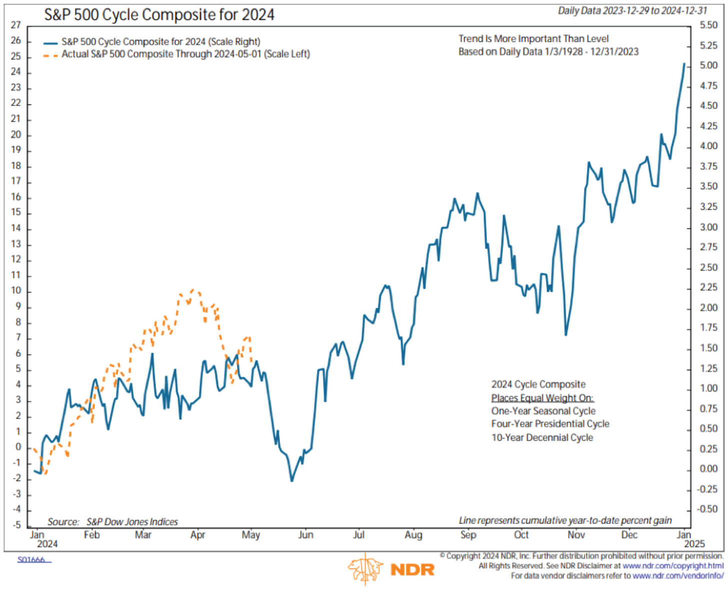
The March CPI report, released on April 10th, came in higher than expected at +3.5% for all items and +3.8% excluding food and energy. While not a major jump, the "stickiness" of prices pushed market expectations for the timing of cuts to the fed funds rate further out in 2024. For perspective, the fed funds rate has been unchanged at ~5.33% since last summer. At the end of 2023, markets were forecasting cuts of 1.60% over the course of 2024. By late April, that forecast had dropped to 0.35%.

The forecasts were likely influenced by comments throughout the month by U.S. central bankers, including Fed Chair Jerome Powell, who said on April 16th that "given the strength of the labor market and progress on inflation so far, it's appropriate to allow restrictive policy further time to work and let the data and the evolving outlook guide us." Benchmark interest rates reacted to this "higher for longer" outlook; both the two-year and 10-year Treasury yields rose to five-month highs, thereby depressing bond prices. The Fed's stance was confirmed when the April 30 – May 1 FOMC meeting concluded with no change to the fed funds rate. However, markets reacted positively to the accompanying statement that characterized the first quarter's higher inflation as a "lack of further progress" towards a goal of 2% versus an actual acceleration.

Geopolitical tensions escalated during the month, including conflicts in the Middle East, which raised concerns about oil supply disruptions and contributed to volatility in energy markets. The long-standing logjam in the U.S. Capitol over military aid to Ukraine, Israel and Taiwan was finally broken when both houses of Congress approved a $95 billion package that was signed into law on April 24th.

Corporate earnings season was in full swing during April, with companies reporting their financial results for the first quarter of the year. The resilient economic environment appears to be supporting company profits. By late April, nearly half of S&P 500 companies had reported 1Q earnings. According to Factset, year-over-year earnings are on pace to grow for the third consecutive quarter.

Overall, April was a month characterized by increased volatility and lower performance in the U.S. equity and bond markets. We view the "higher for longer" status of interest rates as an opportunity to lock in relatively higher yields on fixed income instruments in client accounts. As for the equity markets, seasonality may also be at play and losses are not unexpected. To quote our colleagues at Ned Davis Research (NDR), "the consolidation comes at a time of the year when pullbacks have been common." With their permission, we wrap up our April recap with the NDR S&P 500 Cycle Composite, which combines the one-, four-, and 10-year cycle:



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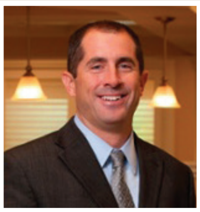

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