

# Weekly Market Recap

April 15, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	5,123	-1.6%	7.4%
Dow Jones Industrial Average	37,983	-2.4%	0.8%
NASDAQ	16,175	-0.5%	7.8%
Russell 2000 <sup>®</sup> Index	2,003	-2.9%	-1.2%
MSCI EAFE Index	2,298	-0.9%	2.7%
Ten-Year Treasury Yield	4.52%	0.1%	0.6%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$85.51	-1.6%	19.3%
Bonds <sup>3</sup>	\$95.96	-0.7%	-2.6%

<sup>1</sup>WTI = West Texas Intermediate Oil. <sup>2</sup>bbl = Barrel. <sup>3</sup>Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

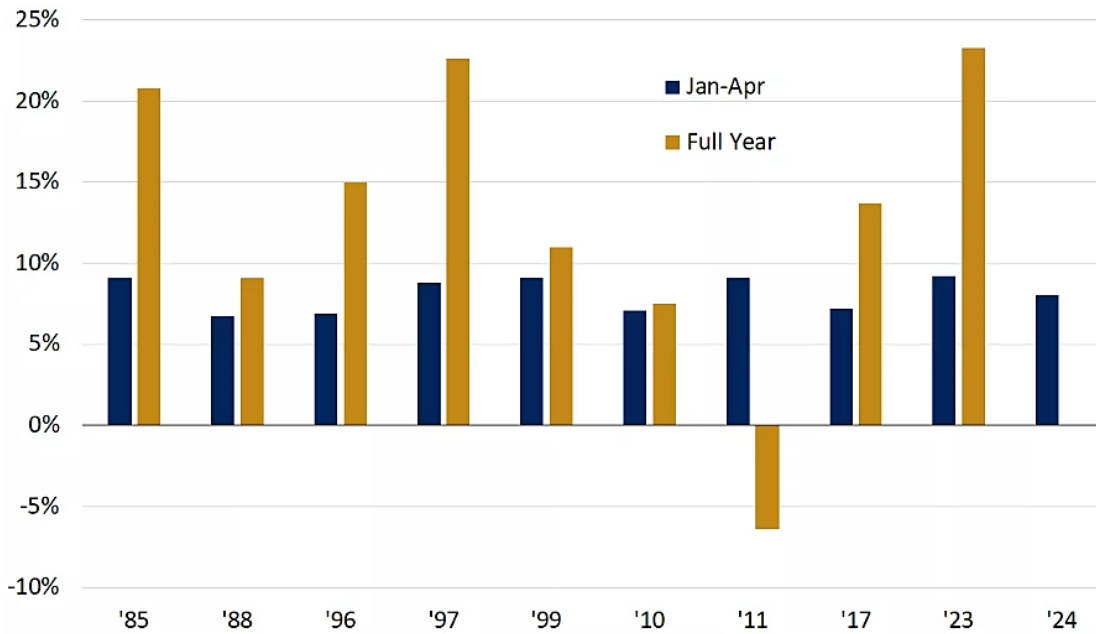
## Last Week:

### U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -1.6% as March core Consumer Price Index (CPI) ex-food and energy rose +0.4% month-over-month (above analysts' estimates of 0.3%). This supported the narrative of reaccelerating inflation and reduced the futures market expectations that the Federal Reserve (Fed) will cut interest rates in June to 21% from 60% a week prior. The futures market is pricing the December median fed funds rate to be ~4.97%, which suggests only 40 basis points (bps) of rate cuts in 2024. The inflation data also led to an increase in yields as the 10-year Treasury yield rose to 4.52% (the highest level since November 2023). Geopolitical concerns continued with elevated tension involving Iran and Israel over the weekend. Gold rose +1.2% while WTI crude fell -1.6%.
- S&P 500 Index Sector Returns:
  - Technology (-0.2%) outperformed.
  - Communication services (-0.5%) outperformed, partially offset by weakness from cable companies and wireless networks.
  - Consumer discretionary (-0.7%) fell, led lower by travel stocks, home improvement retailers, and other autos.
  - Consumer staples (-1.2%) and utilities (-1.5%) outperformed, as investors favored more-defensive stocks.
  - Energy (-1.9%) fell, as the price of WTI fell -1.6%.
  - Industrials (-2.2%) fell, led lower by airlines, aerospace and defense, and logistics stocks.
  - Materials (-3.1%) fell, led lower by paint and chemical companies.
  - Real Estate (-3.1%) fell, led lower by office, cell towers, and public storage.
  - Healthcare (-3.1%) fell, led lower by pharmaceutical stocks and med-tech stocks.
  - Financials (-3.6%) fell, led lower by the banks.

- Since 1982, when the U.S. stock market was higher at the beginning of May, the S&P 500 Index went on to generate a full year of positive returns 90% of the time. There were nine years in which the year-to-date increase heading into May was in the 6.5-9.5% range (similar to 2024's 8% year-to-date gain), and in those previous periods, U.S. equity markets generated an average full-year gain of 13%.

### Returns in Years With a January-to-April Gain Similar to 2024



Y axis is total return % of the S&P 500 Index. Sources: Edward Jones; Bloomberg L.P.

- Historically, the third-highest dividend yield cohort generated the highest annualized returns and risk-adjusted returns (represented by Sharpe and Sortino ratios).

**Figure 5: S&P 500 Dividend Yield Cohorts 12/31/2002 to 12/31/2023**

Dividend Yield	Payout Ratio	Annualized Return	Standard Deviation	Sharpe	Sortino
<b>Highest</b> Dividend Yield 4.50%	<b>Lowest</b> Dividend Yield 21.10%	<b>3<sup>rd</sup> Highest</b> 12.11%	<b>2<sup>nd</sup> Highest</b> 15.90%	<b>3<sup>rd</sup> Highest</b> 0.63%	<b>3<sup>rd</sup> Highest</b> 0.97%
<b>2<sup>nd</sup> Highest</b> 2.85%	<b>3<sup>rd</sup> Highest</b> 33.50%	<b>2<sup>nd</sup> Highest</b> 11.07%	<b>3<sup>rd</sup> Highest</b> 17.08%	<b>2<sup>nd</sup> Highest</b> 0.61%	<b>2<sup>nd</sup> Highest</b> 0.90%
<b>3<sup>rd</sup> Highest</b> 1.60%	<b>2<sup>nd</sup> Highest</b> 51.05%	<b>Highest</b> Dividend Yield 10.77%	<b>Lowest</b> Dividend Yield 17.88%	<b>Highest</b> Dividend Yield 0.52%	<b>Highest</b> Dividend Yield 0.75%
<b>Lowest</b> Dividend Yield 0.80%	<b>Highest</b> Dividend Yield 68.65%	<b>Lowest</b> Dividend Yield 10.30%	<b>Highest</b> Dividend Yield 18.11%	<b>Lowest</b> Dividend Yield 0.50%	<b>Lowest</b> Dividend Yield 0.73%

Sources: Bloomberg L.P.; Breckinridge; The Daily Shot.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6.

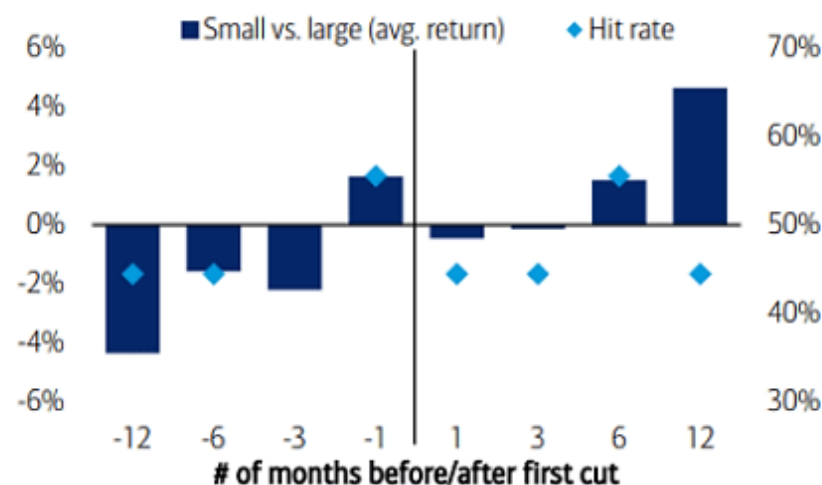
- In 2024, equity markets appear to be handling higher interest rate expectations (represented by the 2-year Treasury yield) much better than in 2022 and 2023, when the S&P 500 experienced significantly more downside volatility when the 2-year Treasury yield rose.

### Stocks vs. Interest Rates



- Historically, small-cap stocks have typically outperformed large-cap stocks 6-12 months after the first rate cut.

**Exhibit 2: Small caps typically outperform in the 6-12mos after the first rate cut**  
 Small vs. large cap relative returns in the 1/3/6/12 months before and after the first Fed rate cut since 1974



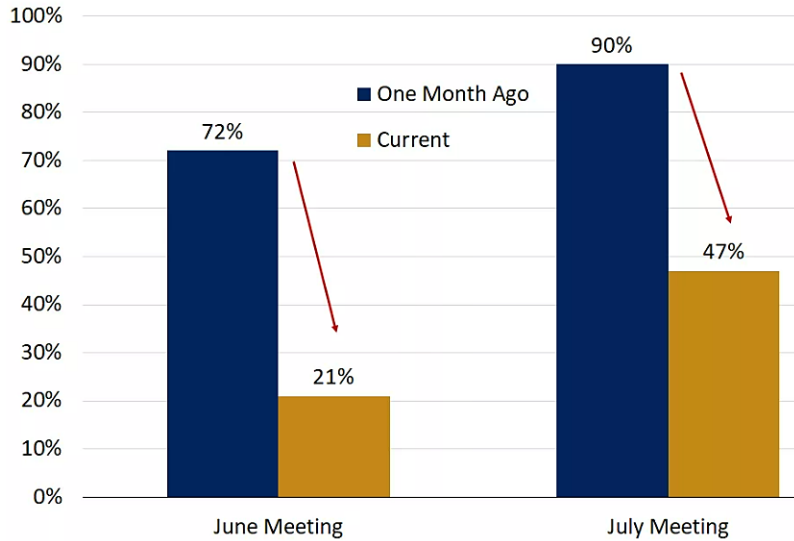
Sources: Fama French; Haver Analytics; Bank of America; The Daily Shot.

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## Fixed Income Markets

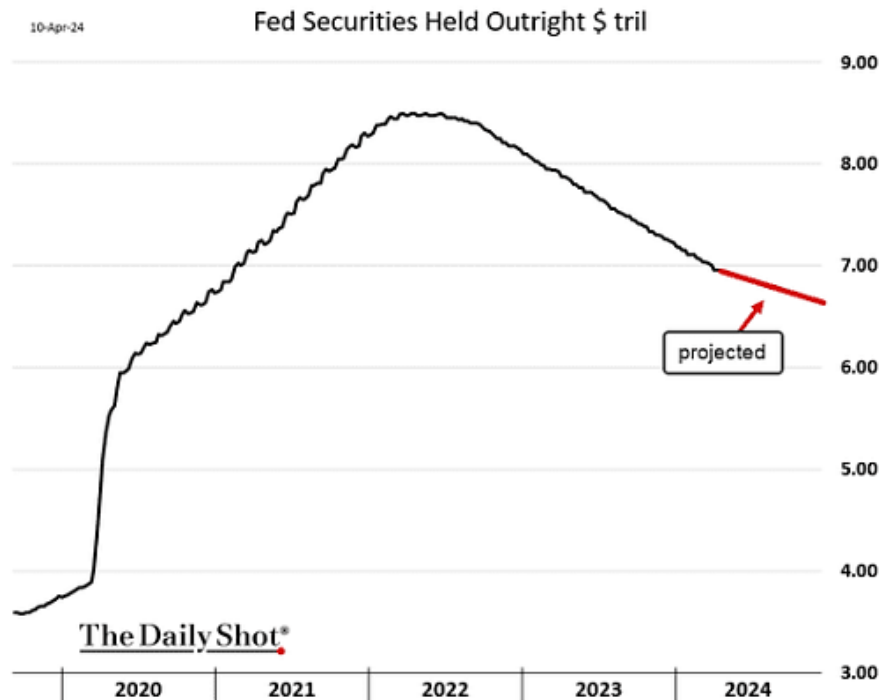
- The fed funds futures market implied the probability of a rate cut in June and July has dropped significantly in the in the past month as the inflation data has been better than expected.

### Fed Funds Futures Market Implied Probability of a Rate Cut in June and July



Sources: CME FedWatch Tool; Edward Jones.

- We believe the Fed is implying that it may taper its quantitative tightening program to approximately half of the current pace.



Sources: Reuters; The Daily Shot.

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## U.S. Economic and Political News

- Friday's April preliminary Michigan Consumer Sentiment Index missed analyst expectations. However, one-year inflation expectations rose +0.2% to 3.1%, while five- to ten-year expectations also rose to 3.0% (a five month high), according to Bloomberg L.P.
- Thursday's March Producer Price Index (PPI) data showed core PPI down 0.2% on a month-over-month basis, in-line with analyst's expectations. Headline PPI fell -0.4% from February to 0.2%, which was below analyst expectations for 0.3%.

## International Markets and News

- European markets (STOXX 600 Index) fell -0.3% as the European Central Bank left its key deposit rate at a record high of 4.0% as expected, but said that if an updated inflation assessment (due in June) were to increase its confidence that inflation is converging to the target in a sustained manner, it would be appropriate to reduce the current level of monetary policy restriction.
- The Chinese stock market (Shanghai Composite) fell -1.6% as weak inflation data underscored the soft demand and slow growth hanging over the Chinese economy.
- Japanese equities (Nikkei 225 Index) rose +1.4% as Bank of Japan (BoJ) Governor Kazuo Ueda said that the BoJ would not change its monetary policy directly in response to exchange rate moves.

## This Week:

- The volume of corporate earnings reports will be light this week.
- Economic data:
  - Monday: Empire Manufacturing, Retail Sales, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index;
  - Tuesday: Building Permits, Housing Starts, Capacity Utilization, Industrial Production, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Treasury International Capital (TIC) Flows, U.S. Department of Energy (DOE) Crude Inventories;
  - Thursday: Philadelphia Fed Index, Existing Home Sales, Leading Indicators, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Limited U.S. data.

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®  
Executive Director

Griffith Jones, Jr.  
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**The S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

**The Russell 2000® Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

**The Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**The NASDAQ Composite Index** is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**The MSCI EAFE Index** is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**The STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**The Nikkei 225** is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

**The Shanghai Stock Exchange Composite Index** is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **The Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending.

**Dividend Yield:** a financial ratio that measures the annual value of dividends received relative to the market value per share of a security. In other words, the dividend yield formula calculates the percentage of a company's market price of a share that is paid to shareholders in the form of dividends. The term

**federal funds rate** refers to the target interest rate range set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other overnight. A **futures market** is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today. **Hit rate** is a metric or measure of business performance traditionally associated with sales. It is defined as the number of sales of a product divided by the number of customers who go online, planned call, or visit a company to find out about the product. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States. The survey is conducted by the University of Michigan and is based on telephone interviews that gather information on consumer expectations for the economy. **The Producer Price Index (PPI)** measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category. **The Sharpe ratio** indicates how well an equity investment is performing compared to a risk-free investment, taking into consideration the additional risk level involved with holding the equity investment. **The Sortino ratio** is a variation of the Sharpe ratio that only factors in downside risk. **Quantitative tightening (QT)** refers to monetary policies that contract, or reduce, the Federal Reserve System (Fed) balance sheet. This process is also known as balance sheet normalization. (Technical definitions are sourced from Corporate Finance Institute.)

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