

Weekly Market Recap

April 22, 2024

| Index | Price | Price Returns | |
|---|---------|---------------|-------|
| | Close | Week | YTD |
| S&P 500® Index | 4,967 | -3.0% | 4.1% |
| Dow Jones Industrial Average | 37,986 | 0.0% | 0.8% |
| NASDAQ | 15,282 | -5.5% | 1.8% |
| Russell 2000® Index | 2,003 | -2.8% | -3.9% |
| MSCI EAFE Index | 2,248 | -1.8% | 0.5% |
| Ten-Year Treasury Yield | 4.62% | 0.1% | 0.7% |
| Oil WTI ¹ (\$/bbl ²) | \$82.13 | -4.1% | 14.6% |
| Bonds ³ | \$95.38 | -0.6% | -3.1% |

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

Last Week:

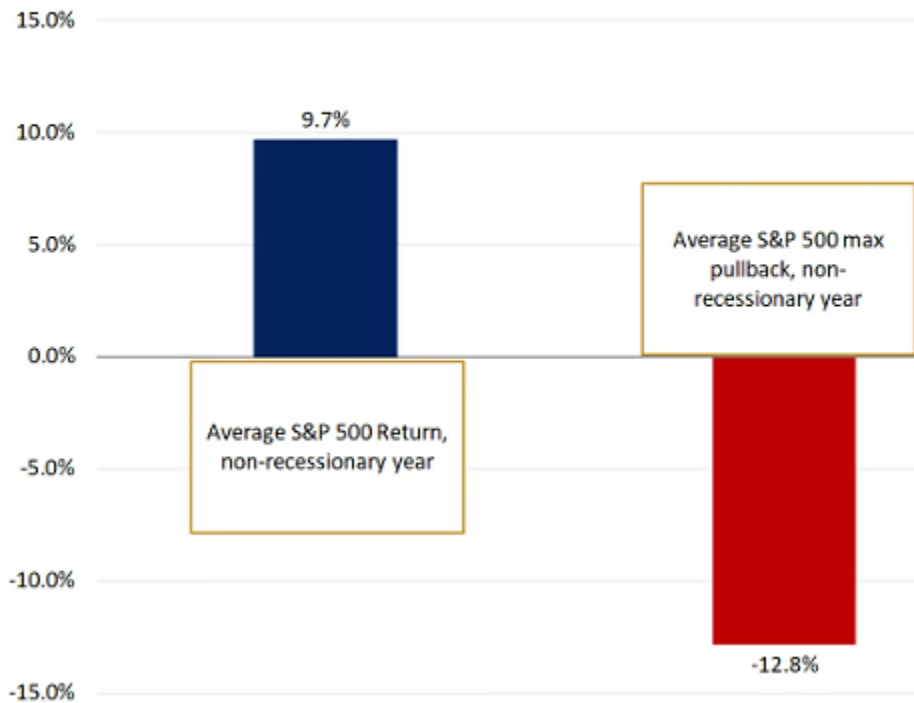
U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -3.0% as heightened war tensions in the Middle East reduced sentiment for risk assets. Comments from the Federal Reserve (Fed) supported the narrative that the Fed will hold interest rates higher for longer, which also weighed on investor sentiment. Fed Chair Jerome Powell said that recent U.S. economic data has shown a lack of progress on reducing inflation, which contributed to the futures markets expectations of only two rate cuts in 2024 (the first is expected in September). Israel carried out a very limited retaliation from Iran's previous attack. President Biden called for increasing tariffs on Chinese steel/aluminum and reimposing oil sanctions on Venezuela. The Fed comments and better inflation data also led to an increase in yields as the 10-year Treasury yield rose to 4.62% from 4.52%. Gold rose +1.7% while WTI crude fell -4.1%.
- S&P 500 Index Sector Returns:
 - Utilities (+1.9%), consumer staples (+1.4%), and healthcare (0.0%) outperformed, as investors favored more-defensive stocks.
 - Financials (+0.8%) rose, led by the banks.
 - Materials (-1.1%) fell, led lower by precious metals and paint companies.
 - Energy (-1.2%) fell, as the price of WTI fell -4.1%.
 - Industrials (-2.0%) fell, led lower by transports and logistics stocks, partially offset by strength from airlines and aerospace and defense.
 - Communication services (-3.2%) fell, partially offset by strength from cable companies and wireless networks.
 - Real Estate (-3.6%) fell, led lower by office, cell towers, and public storage.
 - Consumer discretionary (-4.5%) fell, led lower by travel stocks, home improvement retailers, and other autos.
 - Technology (-7.3%) fell, led lower by software stocks.

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 pages 6-7.

- After the strong rally for the S&P 500 Index of approximately 25% in the past six months, the recent downward volatility is consistent with historical equity results. Since 1930, the average S&P 500 Index return in a non-recessionary year is 9.7% with an average max correction of 12.8%.

The average S&P return in non-recessionary years has been 9.7%, with an average max pullback of 12.8% (1930-2023)



Sources: Edward Jones; Morningstar Direct.

- The relative underperformance of Value versus Growth is near 50-year lows.

Chart 5: MSCI US Value vs Growth Close to 50yr Lows

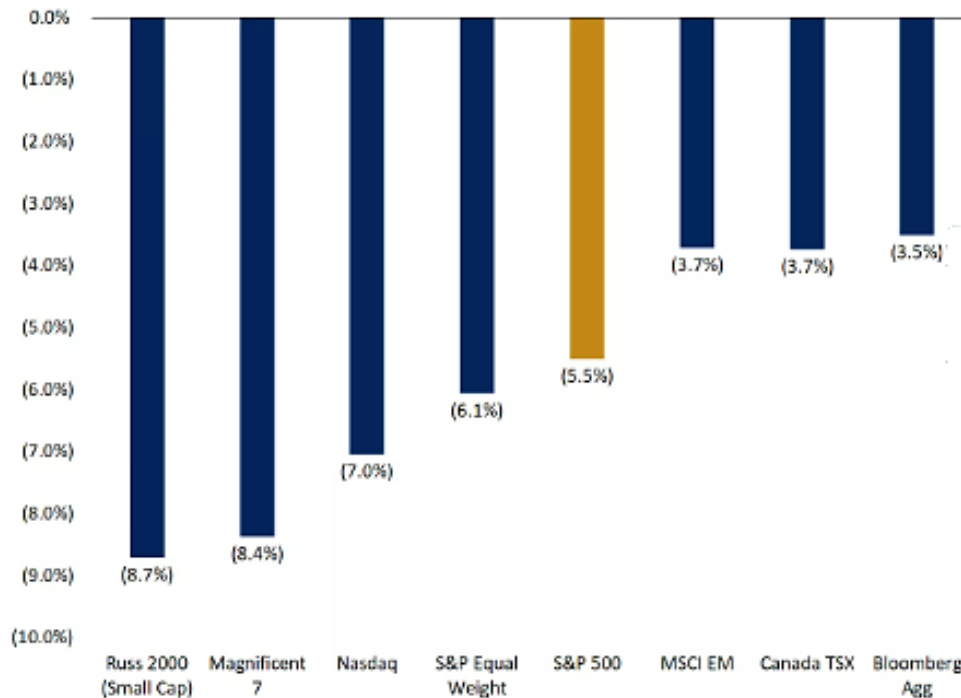


Sources: ASR; MSCI; LSEG Datastream; The Daily Shot.

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- Growth equities and interest-rate sensitive stocks fell the most in the recent correction as the market appears to be pricing in the narrative that the Fed will hold interest rates higher for longer.

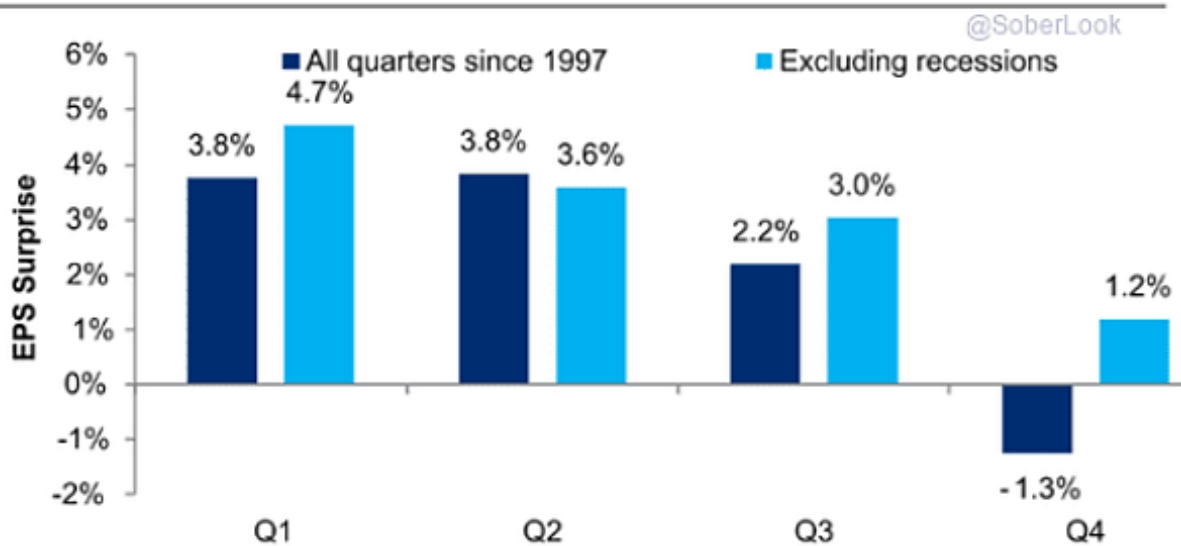
Growth and interest-rate sensitive parts of the market have corrected most thus far (% pullback from recent highs)



The "Magnificent 7" refers to a group of high-performing U.S. stocks in the S&P 500 Index comprised of Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla. Sources: Edward Jones; Bloomberg L.P.

- Historically, companies have generated the strongest earnings per share (EPS) beats during the first quarter of each calendar year.

First Quarter S&P 500 EPS Beats Tend to be the Strongest of the Year



Sources: Citi Private Bank; The Daily Shot.

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Fixed Income Markets

- The Fed funds futures markets now expect only two rate cuts in 2024 with the first cut likely to occur in September this year, which is consistent with the increase in the 2-Year and 10-Year Treasury yields.

U.S. Treasury Yields have moved higher as market expectations of Fed rate cuts have decreased

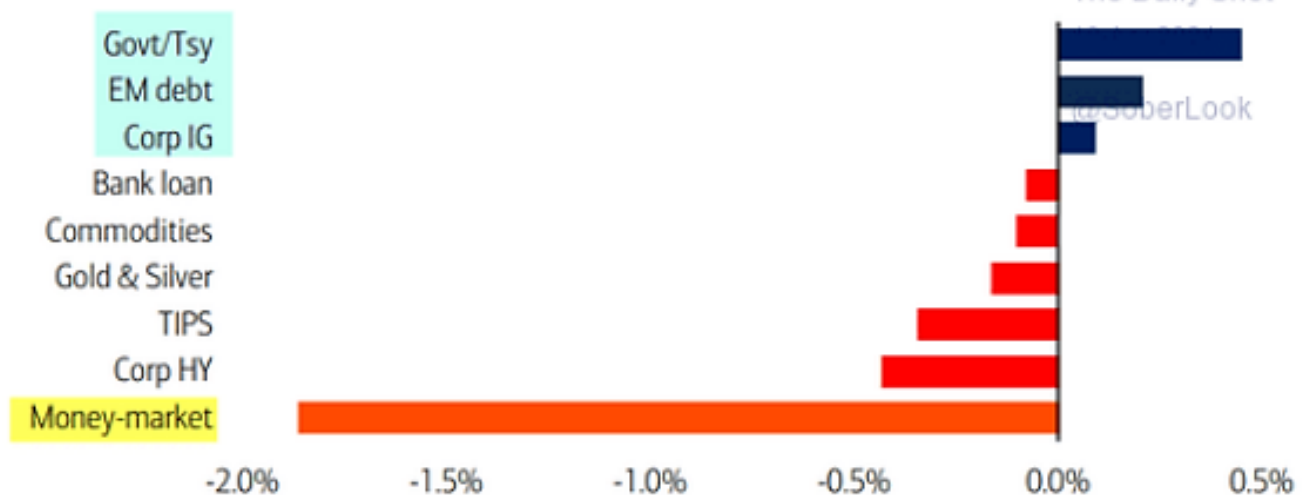


Sources: Bloomberg L.P.; Edward Jones.

- Fund flows suggest that investors believe longer-term interest rates have peaked as investors appear to be redeeming capital from money market funds and adding capital to longer-term fixed rate debt.

Chart 11: FICC inflows to Treasuries, EM debt, IG bonds

Weekly FICC flows as a % AUM



AUM: assets under management. EM: emerging markets. IG: investment grade. FICC: Fixed Income Clearing Corporation. TIPS: Treasury Inflation-Protected Securities. Sources: Bank of America; EPFR Global; The Daily Shot.

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U.S. Economic and Political News

- March retail sales beat analyst's expectations, while retail sales ex-autos and fuel sales were also ahead of analyst's expectations.
- N.Y. Fed's April Empire State Manufacturing Index printed data below analyst's expectations with the prices paid index moving up five points, while prices received remained steady.
- Jobless claims were in line with analyst's estimates.
- March housing starts came in below analyst's estimates, falling month-over-month.

International Markets and News

- European markets (STOXX 600 Index) fell -1.2% as the European Central Bank officials signaled a rate cut in June will be tied to geopolitical developments, and futures markets repriced less Bank of England rate cuts on stickier inflation data.
- The Chinese stock market (Shanghai Composite) fell -1.9% along with global markets despite the Chinese government reporting Q1 gross domestic product (GDP) growth of 5.3%, which was ahead of analyst's expectations.

This Week:

- The volume of corporate earnings reports will be high this week.
- Economic data:
 - Monday: Limited U.S. data Index;
 - Tuesday: New Home Sales, Markit Manufacturing/Services Purchasing Managers' Index (PMI), American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Durable Orders, U.S. Department of Energy (DOE) Crude Inventories;
 - Thursday: Wholesale Inventories, GDP, Pending Home Sales, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
 - Friday: Core personal consumption expenditures (PCE), Personal Spending, Personal Income, Michigan Consumer Sentiment (Final).

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.
Executive Director

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The Bloomberg Aggregate Bond Index is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

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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 S&P 500[®] Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500[®]. The index includes the same constituents as the capitalization-weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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 World ex-USA Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 of 23 Developed Markets countries.

The MSCI Emerging Markets Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 26 Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

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 S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX).

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: **Assets under management (AUM)**, also called funds under management, is the total market value of the securities a financial institution (such as a bank, mutual fund, or hedge fund) owns or manages on behalf of its clients. **Earnings per share (EPS)** is a company's net income subtracted by preferred dividends and then divided by the average number of common shares outstanding. The resulting number serves as an indicator of a company's profitability. **The Empire State Manufacturing Index** rates the relative level of general business conditions New York state. A level above 0.0 indicates improving conditions, below indicates worsening conditions. The reading is compiled from a survey of about 200 manufacturers in New York state. **Fed funds futures** are financial futures contracts based on the federal funds rate and traded on the Chicago Mercantile Exchange (CME) operated by CME Group Inc. (CME). The federal funds rate is the rate banks charge each other for overnight loans of reserves on deposit with the Federal Reserve. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. A **money market fund** is a kind of mutual fund that invests in highly liquid, near-term instruments. These instruments include cash, cash equivalent securities, and high-credit-rating, debt-based securities with a short-term maturity (such as U.S. Treasuries). **Personal consumption expenditures (PCE)**, also known as consumer spending, is a measure of the spending on goods and services by people of the United States. **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers. (Technical definitions are sourced from Corporate Finance Institute.)

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