

Monthly Market Update | May 1, 2024

Rising Treasury Yields Cause Stocks & Bonds to Trade Lower

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Monthly Market Summary

- The S&P 500 Index returned -4.0%, outperforming the Russell 2000 Index's -6.8% return. Ten of the eleven S&P 500 sectors traded lower in April, led by Real Estate.
- Corporate investment-grade bonds produced a -3.2% total return as Treasury yields rose, while corporate high-yield bonds produced a -1.3% total return.
- International stocks outperformed U.S. stocks. The MSCI EAFE developed market stock index returned -3.2%, while the MSCI Emerging Market Index returned -0.2%.

Stocks & Bonds Trade Lower as Treasury Yields Rise

The S&P 500 traded lower for the first time in six months. The magnitude of the sell-off was relatively small at -4.0%, but it ended the S&P 500's 5-month rally. A rapid rise in Treasury yields contributed to the move lower in equities, with the 10-year yield rising +0.48% to end April at 4.68%. The Russell 2000 Index, which is more sensitive to interest rate movements, traded lower by -6.8% as rising interest rates weighed on smaller companies. In the credit market, bond prices declined as Treasury yields rose. As discussed below, the prospect of a first-half 2024 interest rate cut continues to diminish.

An Update on This Year's Biggest Market & Economic Trends

The S&P 500, despite trading lower in April, has gained +5.9% this year. Companies like Nvidia, Amazon, and Google-parent Alphabet account for a significant portion of the S&P 500's gains. The three companies benefit from increasing investment in artificial intelligence, which drives demand for their data centers, cloud computing software, and semiconductors. In contrast, small cap stocks are trading lower this year due to their sensitivity to higher rates. This is because smaller companies rely more on short-term financing and floating-rate debt, which causes their interest rates to reset faster.

The sharp rise in Treasury yields is one of the biggest stories this year. At the start of 2024, investors expected the Federal Reserve to start cutting interest rates in March. It's now May, and March passed without an interest rate cut. What is preventing the Fed from lowering rates? Inflation and employment data. Inflation progress is slowing, and unemployment is still below 4%. The low unemployment rate allows the Fed to focus more on reducing inflation. As a result, investors expect only one rate cut in 2024, down from six at the start of the year. Furthermore, the first cut is not expected until Q4.

Rising commodity prices are one reason that inflation remains sticky. Oil prices have risen +14.3% this year, leading to a +22.5% increase in gasoline prices. Copper, which is a barometer of economic activity due to its wide array of end uses, has gained +17.6%. Higher commodity prices hint at solid underlying demand, and economic data suggests the U.S. economy is adjusting to higher rates. New home sales reached a 6-month high in Q1, and consumers continued to spend despite higher rates. The U.S. economy's resilience to higher rates is another reason the Fed is not rushing to cut rates.

THIS MONTH IN NUMBERS

FIGURE 1

U.S. Style Returns (April in %)

	Value	Blend	Growth
Large	-4.2	-4.0	-4.2
Mid	-5.2	-5.3	-5.9
Small	-6.2	-6.8	-7.6

Data Reflects Most Recently Available As of 4/30/2024

FIGURE 3

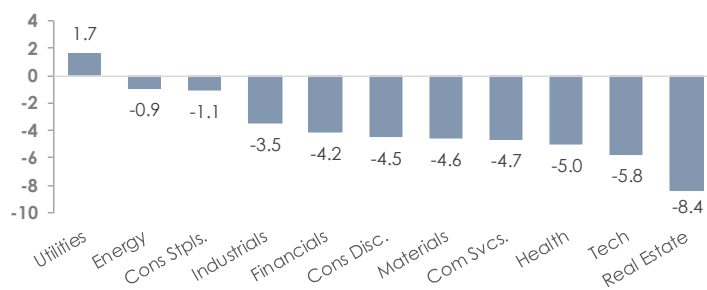
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	4.2	5.9	6.6
Mid	2.5	2.7	3.0
Small	-3.7	-2.1	-0.6

Data Reflects Most Recently Available As of 4/30/2024

FIGURE 2

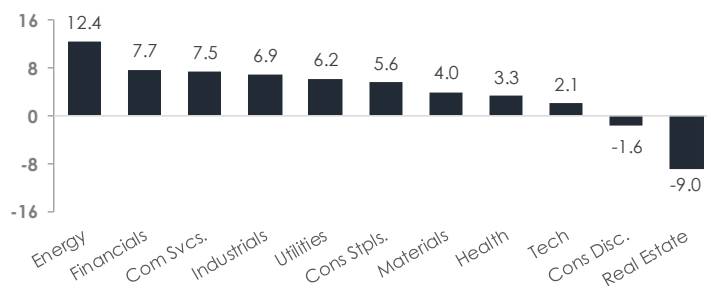
U.S. Sector Returns (April in %)



Data Reflects Most Recently Available As of 4/30/2024

FIGURE 4

U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 4/30/2024

FIGURE 5

Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	-4.0%	4.3%	20.9%	5.9%	22.3%	24.8%
Dow Jones	-4.9%	-0.4%	15.5%	0.9%	12.9%	17.3%
Russell 2000	-6.8%	1.8%	19.8%	-2.1%	13.3%	-9.6%
Russell 1000 Growth	-4.2%	4.1%	23.6%	6.6%	31.6%	26.4%
Russell 1000 Value	-4.2%	4.2%	18.3%	4.2%	13.1%	14.9%
MSCI EAFE	-3.2%	3.0%	16.9%	2.5%	8.0%	7.4%
MSCI EM	-0.2%	6.8%	13.7%	1.9%	7.5%	-18.5%
NASDAQ 100	-4.4%	2.0%	21.5%	3.8%	32.4%	27.6%

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	5.31%	-2.5%	-3.0%	-3.2%	-1.5%	-10.0%
U.S. Corporates	5.81%	-3.2%	-3.6%	-4.0%	-0.3%	-11.3%
Municipal Bonds	4.14%	-0.9%	-1.2%	-1.2%	1.9%	-2.6%
High Yield Bonds	8.32%	-1.3%	0.0%	0.2%	7.2%	1.1%

Key Rates	4/30/2024	3/31/2024	1/31/2024	10/31/2023	4/30/2023	4/30/2021
2 yr Treasury	5.03%	4.62%	4.22%	5.06%	4.06%	0.16%
10 yr Treasury	4.68%	4.20%	3.95%	4.90%	3.45%	1.63%
30 yr Treasury	4.79%	4.34%	4.19%	5.06%	3.67%	2.30%
30 yr Mortgage	7.49%	7.25%	6.96%	8.06%	6.85%	3.11%
Prime Rate	8.50%	8.50%	8.50%	8.50%	8.00%	3.25%

Data Reflects Most Recently Available As of 4/30/2024

	Dividend Yield	NTM P/E	P/B
S&P 500	1.34%	20.1x	4.5x
Dow Jones	1.82%	17.7x	4.8x
Russell 2000	1.32%	21.8x	1.9x
Russell 1000 Growth	0.55%	26.0x	11.7x
Russell 1000 Value	1.95%	15.3x	2.4x
MSCI EAFE	2.90%	13.9x	1.8x
MSCI EM	2.58%	12.2x	1.6x
NASDAQ 100	0.57%	24.7x	7.2x

Commodities	Level	1 month	YTD
Oil (WTI)	81.93	-1.5%	14.3%
Gasoline	2.52	-2.0%	22.5%
Natural Gas	1.99	12.9%	-14.4%
Propane	0.81	-3.4%	19.9%
Ethanol	1.54	4.4%	-4.7%
Gold	2,303	2.9%	11.2%
Silver	26.65	7.0%	10.7%
Copper	4.56	14.0%	17.6%
Steel	813	-12.7%	-28.4%
Corn	4.47	1.1%	-5.2%
Soybeans	11.59	-2.7%	-10.0%

Firm Disclosures

Past performance does not guarantee future results. The performance information shown herein is based on total returns with dividends reinvested and does not reflect the deduction of advisory and/or other fees normally incurred in the management of a portfolio.

Stock performance and fundamental data is based on the following instruments: SPDR S&P 500 ETF (SPY), SPDR Dow Jones ETF (DIA), iShares Russell 2000 ETF (IWM), iShares Russell 1000 Growth ETF (IWF), iShares Russell 1000 Value ETF (IWD), iShares MSCI EAFE ETF (EFA), iShares MSCI Emerging Markets ETF (EEM), Invesco QQQ Trust (QQQ).

Fixed Income performance is based on the following instruments: iShares Core U.S. Aggregate Bond ETF (AGG), iShares Investment Grade Corporate ETF (LQD), iShares National Muni Bond ETF (MUB), iShares High Yield Corporate ETF (HYG).

Fixed Income yields and key rates are based on the following instruments: Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US Municipal Securities, ICE BofA US High Yield, 2 Year US Benchmark Bond, 10 Year US Benchmark Bond, 30 Year US Benchmark Bond, 30 Year US Fixed Mortgage Rate, US Prime Rate.

Commodity prices are based on the following instruments: Crude Oil WTI (NYM \$/bbl), Gasoline Regular U.S. Gulf Coast (\$/gal), Natural Gas (NYM \$/mmbtu), Propane (NYM \$/gal), Ethanol (CRB \$/gallon), Gold (NYM \$/ozt), Silver (NYM \$/ozt), Copper NYMEX (\$/lb), U.S. Midwest Domestic Hot-Rolled Coil Steel (NYM \$/st), Corn (CBT \$/bu), Soybeans (Chicago \$/bu).

U.S. Style performance is based on the following instruments: iShares Russell 1000 Value ETF (IWD), SPDR S&P 500 ETF Trust (SPY), iShares Russell 1000 Growth ETF (IWF), iShares Russell Mid-Cap Value ETF (IWS), iShares Russell Midcap ETF (IWR), iShares Russell Mid-Cap Growth ETF (IWP), iShares Russell 2000 Value ETF (IWN), iShares Russell 2000 ETF (IWM), iShares Russell 2000 Growth ETF (IWO).

U.S. Sector performance is based on the following instruments: Consumer Discretionary Sector SPDR ETF (XLY), Consumer Staples Sector SPDR ETF (XLP), Energy Sector SPDR ETF (XLE), Financial Sector SPDR ETF (XLF), Health Care Sector SPDR ETF (XLV), Industrial Sector SPDR ETF (XLI), Materials Sector SPDR ETF (XLB), Technology Sector SPDR ETF (XLK), Communication Services Sector SPDR ETF (XLC), Utilities Sector SPDR ETF (XLU), Real Estate Sector SPDR ETF (XLRE).