



# PENSION & WEALTH MANAGEMENT ADVISORS

IMPROVING FINANCIAL SECURITY

800 South Street, Suite 160, Waltham, MA 02453 | 1.781.810.0800

## Q1 2024 - Market Commentary<sup>1</sup>

- At its latest meeting in March, the U.S. Federal Reserve remained on hold and made no changes to interest rates.
- Even though inflation data was higher than expected and the U.S. job market remained resilient over the past three months, the Fed's latest Summary of Economic Projections maintained its median forecast to reduce interest rates by 0.75% during 2024.
- During the first quarter, U.S. stocks once again dominated global returns as confidence increased that the U.S. economy would avoid a recession and the mania over artificial intelligence related stocks continued.
- The stock market rally that began in late October 2023 exhibited strong momentum throughout the first quarter with no major pullbacks although some signs of speculative trading began to emerge.
- U.S. mega cap tech stocks once again dominated market returns and provided the catalyst for the S&P 500 Index to return +10.6%, its first back-to-back quarterly double-digit gain in 12 years and for only the 8th time since 1950.
- Wide return disparities within U.S. stocks continued as the Russell Top 50 Index of the largest 50 U.S. stocks returned +11.9% while the Russell 2000 Index of U.S. small cap stocks returned only +5.2%.
- International stocks generated positive returns but continued to lag U.S. stocks given the return dominance of U.S. mega cap tech stocks. The MSCI All Countries Ex U.S. Index returned +4.7% during the first quarter.
- Emerging market stocks continued to underperform by a wide margin, mostly due to the continued poor performance of China but the strengthening U.S. dollar was also a headwind.
- The MSCI Emerging Markets Index returned just +2.4% for the first quarter as China returned -2.4%.
- Bonds experienced a choppy first quarter as the U.S. economic growth outlook improved, inflation remained sticky, and investors lowered their interest rate cut expectations.
- The 10-year U.S. Treasury yield at quarter end was 4.21%, up from 3.88% at the start of the year and after peaking at 4.33% in mid-March. The Bloomberg Aggregate Bond Index returned -0.8% during the first quarter.
- High yield bonds performed better with a +1.5% return, benefiting from the improved U.S. economic growth outlook. Oil gained +16.5% for the first quarter, benefiting from stronger global economic growth as well as suppliers remaining disciplined on production.
- Gold rallied +8.8% during the first quarter, hitting a new all-time high, even as the U.S. dollar strengthened.
- Gold benefited from central bank demand as well as concerns over the growing U.S. federal debt levels and interest payments on the debt.
- Bitcoin's rally continued, surging another +66.5% during the first quarter and after having gained +153% in 2023.
- After SEC approval, Bitcoin ETFs began trading and the level of investor interest surged for an asset that has limited supply.
- Despite negative returns from bonds, global balanced portfolios still generated solid returns given the very strong performance of U.S. stocks.
- The average global balanced fund as measured by Morningstar returned +4.4% during the first quarter.

## Performance Table<sup>1</sup>

	<u>1Q24</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>	
S&P 500 Index (U.S. large/mega cap stocks)	10.6%	↑↑↑	26.3%	↑↑↑↑	-18.1%	↓↓↓	28.7%	↑↑↑↑	18.4%	↑↑↑
Russell 2000 Index (U.S. small cap stocks)	5.2%	↑↑	16.9%	↑↑↑	-20.4%	↓↓↓	14.8%	↑↑↑	20.0%	↑↑↑
Russell 3000 Index (all U.S. stocks)	10.0%	↑↑	26.0%	↑↑↑↑	-19.2%	↓↓↓	25.7%	↑↑↑	20.9%	↑↑↑
MSCI EAFE Index (large cap developed markets int'l stocks)	5.8%	↑↑	18.2%	↑↑↑	-14.5%	↓↓↓	11.3%	↑↑↑	7.8%	↑↑
MSCI EM Index (emerging markets stocks)	2.4%	↑	9.8%	↑↑	-20.1%	↓↓↓	-2.5%	↓	18.3%	↑↑↑
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	4.7%	↑	15.6%	↑↑↑	-16.0%	↓↓↓	7.8%	↑↑	10.7%	↑↑↑
MSCI All Countries World Index (all global stocks)	8.2%	↑↑	22.2%	↑↑↑	-18.4%	↓↓↓	18.5%	↑↑↑	16.3%	↑↑↑
Bloomberg Aggregate Bond Index (inv. grade bonds)	-0.8%	↓	5.5%	↑↑	-13.0%	↓↓↓	-1.5%	↓	7.5%	↑↑
Bloomberg High Yield Index (below inv. grade corp. bonds)	1.5%	↑	13.5%	↑↑↑	-12.2%	↓↓↓	4.0%	↑	5.0%	↑
Bloomberg Short-Term Treasury Index (cash)	1.2%	↑	5.1%	↑	1.0%	↔	0.0%	↔	1.0%	↑
Bloomberg Municipal Bond Index	-0.4%	↓	6.4%	↑↑	-8.6%	↓↓	1.6%	↑	5.0%	↑
Gold	8.8%	↑↑	13.2%	↑↑↑	0.0%	↔	-3.7%	↓	25.1%	↑↑↑↑
Oil (West Texas Intermediate Crude)	16.5%	↑↑↑↑	-11.4%	↓↓↓	6.7%	↑↑	55.8%	↑↑↑↑	-20.9%	↓↓↓
Bitcoin	66.5%	↑↑↑↑↑	153.0%	↑↑↑↑↑	-64.0%	↓↓↓	59.0%	↑↑↑↑↑	303.7%	↑↑↑↑↑
Morningstar Global Balanced (60% stocks / 40% stocks)	4.4%	↑	10.7%	↑↑↑	-12.3%	↓↓↓	11.3%	↑↑↑	6.2%	↑↑

<sup>1</sup> Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.