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## Market Stats & Commentary

**Market Vital Signs as of 4/30/2024**

| ***Stock Indexes*** | April | YTD | 1 Year |
|---|---|---|---|
| S&P 500 | -4.08% | 6.04% | 22.66% |
| Dow Jones Industrial Average | -4.92% | 0.92% | 13.25% |
| NASDAQ Composite | -4.41% | 4.31% | 28.06% |
| Russell Mid Cap Index | -5.40% | 2.73% | 16.35% |
| Russell 2000 Small Cap Index | -7.04% | -2.22% | 13.32% |
| MSCI EAFE Developed Int'l Index | -2.45% | 3.08% | 9.28% |
| MSCI Emerging Markets Index | 0.72% | 2.83% | 9.88% |
| ***Bond Indexes*** | | | |
| BBgBarc US Aggregate Bond Index | -2.53% | -3.28% | -1.47% |
| BBgBarc US Corp High Yield Bond Index | -0.95% | 0.46% | 8.95% |
| ***Interest Rates*** | 4/30/24 | 12/31/23 | 4/30/23 |
| Fed Funds Target Range | 5.25%-5.50% | 5.25%-5.50% | 4.75%-5.00% |
| 10 Yr U.S. Treasury Rate | 4.670% | 3.940% | 3.440% |

Last month I said to expect some red in the return numbers for April, given the abnormally strong first quarter. Well, the numbers ended up more red than I expected them to be. The only exception was the emerging markets index, which was fueled by expectations of more government stimulus in China. I'm not sure I trust the rally in Chinese stocks in April, but only time will tell.

The bond indexes had a tough month as well, driven by the realization that Fed cuts are probably going to come slower than anticipated a few months ago.

All in all, April was tougher than a $4 steak!

### The U.S. Economy Continues to Show Strength

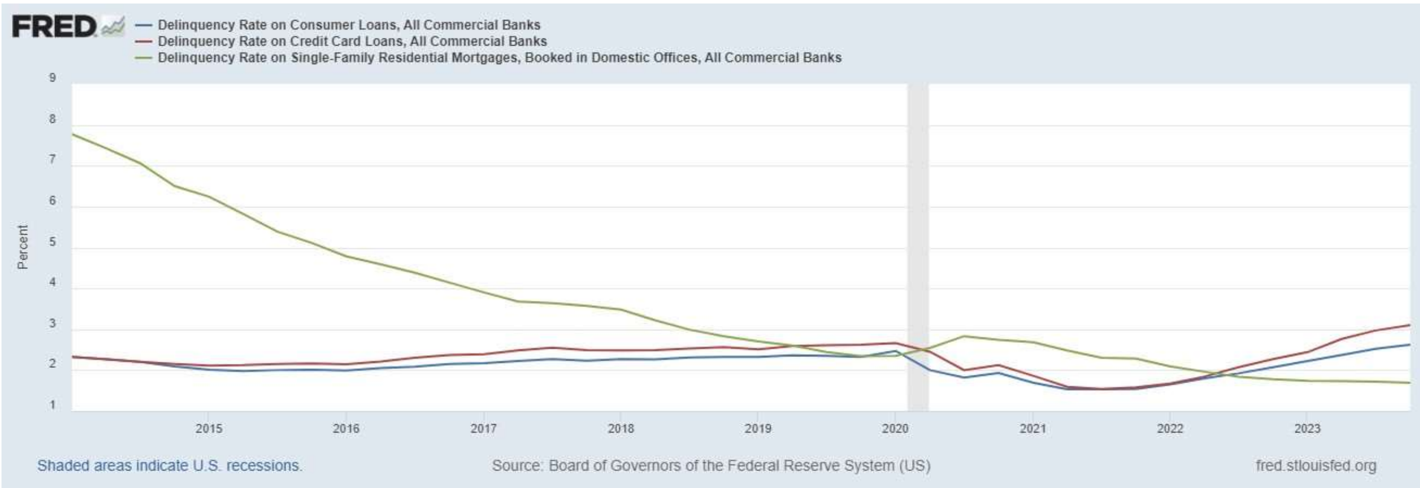
Here are a few bullet points on the state of the economy:

- As of May 16, 2024, the GDP Now forecast for Q2 2024 is a very healthy 3.6%.
- 92% of the S&P 500 companies have reported Q1 earnings so far and the blended EPS growth rate YOY is 5.34%.
- The JOLTS (job openings) number stands at about 8.5M, but importantly – the ratio of job seekers to openings has risen to .8. This means the labor market is (slowly) coming into balance. A ratio of 1 would mean there are the same number of openings as people looking for work.
- As one might infer from the JOLTS number, the national unemployment rate has ticked up to 3.9%.
- As of May 15,2024, the Consumer Price Index is up 3.4% YOY, remaining stubbornly high compared to pre COVID levels.

### However, Consumers Are Getting Stretched

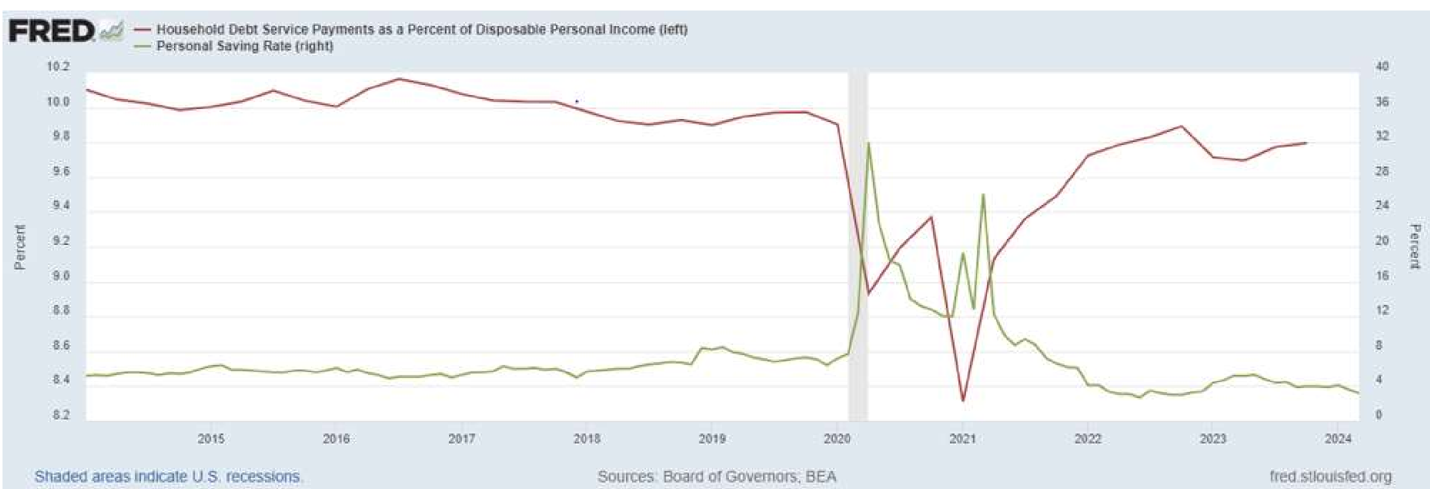
As mentioned in previous comments, the excess savings consumers had accumulated during COVID was used up around October of 2023. My question then was this – would consumers continue to spend at those levels or would they cut back and try to maintain the savings balances from that point on. My general view on U.S. consumers is that they will spend at a level they are used to until they are FORCED to make a change, and so far that has held true.

However, there are trends developing that may force a change in the coming months. The chart below shows delinquency rates on consumer loans, credit cards, and mortgage loans for the last 10 years.




Mortgage loan delinquencies are still quite low but notice the upward trend in credit card and personal loan delinquencies. If a consumer is pinched and can't pay *all* their bills that month, he or she is most likely to skip the credit card bill rather than the car loan or mortgage loan. Credit card delinquencies are now higher than they have been in the last 10 years and personal loan delinquencies have matched 10 year highs. Is this the canary in the coal mine? I don't know, but I think the trend is relevant and bears watching.

**Before You Get Too Worried**




The chart above plots houseld debt service payments against the personal savings rate for the last 10 years. While the delinquency data seems to indicate some impending softening of spending, consumers' debt payments (as a percent of income) are still historically low. I'm guessing this is in large part a result of the massive mortgage refinance boom during COVID which allowed homeowners to restructure mortgages and other debt at a **low** fixed rate for a **long** term.

One last anectdotal nugget – during the earnings report season, a few of the low price retailers made mention of their customers pulling back or being more intentional about spending. Hopefully the decisions are their own choices and not because they are already late on their credit cards…

David

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## Disclosures, Disclaimers & Other Assorted Compliance Fun

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Investing involves risk and you may incur a profit or loss regardless of strategy selected. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

### Index Descriptions

S&P 500: Representing approximately 80% of the investable U.S. equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested.

Dow Jones Industrial Average Total Return: The Dow Jones Industrial Average is a composite of 30 stocks spread among a wide variety of industries, such as financial services, industrials, consumer services, technology, health care, oil & gas, consumer goods, telecommunications, and basic materials. The index represents approximately 23.8% of the U.S. market, and is price weighted (component weightings are affected by changes in the stocks' prices). Maintained by the Averages Committee, components are added and deleted on an as-needed basis.

Russell Midcap: A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 31% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment.

Russell 2000: Based on a combination of their market cap and current index membership, this index is comprised of approximately 2,000 of the smaller securities from the Russell 3000. Representing approximately 10% of the Russell 3000, the index is created to provide a full and unbiased indicator of the small cap segment.

NASDAQ: The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. As of June 2, 2014, the index consists of 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Market Index: A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 2, 2014, the index consists of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

Bloomberg Barclays U.S. Aggregate (BCAG): A representation of SEC-registered, taxable, and dollar denominated securities. The index covers the U.S. investment grade fixed rate bond market, with index components for asset-backed securities, government and corporate securities, and mortgage pass-through securities. Must be rated investment grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.

Bloomberg Barclays U.S. Corporate High Yield: Covers the universe of fixed rate, non-investment grade debt which includes corporate (Industrial, Utility, and Finance both U.S. and non-U.S. corporations) and non-corporate sectors. The index also includes Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. Must publicly issue, dollar-denominated and non-convertible, fixed rate (may carry a coupon that steps up or changes according to a predetermined schedule), and be rated high-yield (Ba1 or BB+ or lower) by at least two of the following: Moody's, S&P, and Fitch. Also, must have an outstanding par value of at least $150 million and regardless of call features have at least one year to final maturity.

U.S. government bonds and Treasury notes are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury notes are certificates reflecting intermediate term (2-10 years) obligations of the U.S. government. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

International investing involves special risk, including currency fluctuations, differing financial accounting standards, and possibly political and economic volatility.

Investing in emerging markets can be riskier than investing in well established foreign markets.