



May 1, 2024

Rising Treasury Yields Cause Stocks & Bonds to Fall

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.
- 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 mid-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%. 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

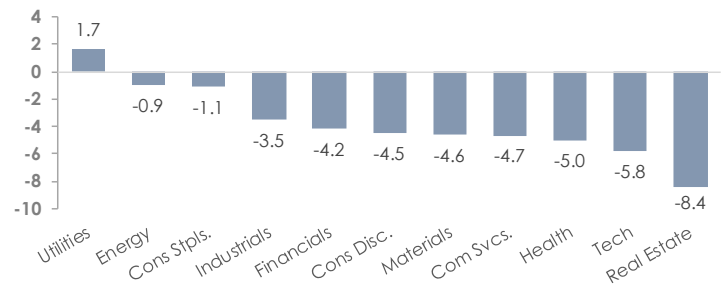
U.S. Style Returns (April in %)

| | 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 2

U.S. Sector Returns (April in %)



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

FIGURE 3

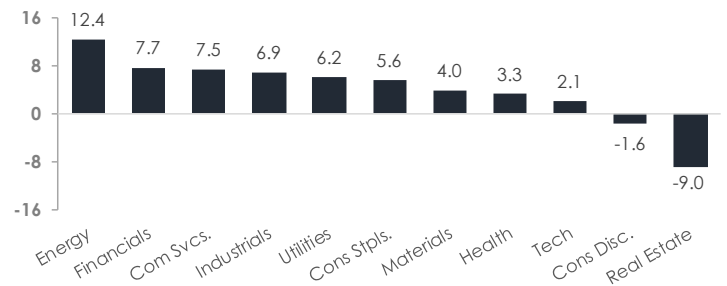
U.S. Style Returns (YTD in %)

| | 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 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% |

| | 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 |

| 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% |

| 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% |

| 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

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