

# Quarterly Commentary

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Q1 2024



## Investment Summary and Outlook

### Actions to Consider Taking Now

- Add US Small Caps
- Add European Growth Equities
- Add Japanese Equities
- Add Cyclical Equities
- Add Value Equities
- Add Mortgage Backed Securities (MBS)

Despite the outsized contribution of technology growth stocks to this quarter's US equity advance, we continue observing market dynamics shifting across the financial landscape. There remains a growing consensus that the technology and mega-cap sectors, which have been market leaders since the beginning of 2023, may be hitting valuation ceilings even with robust growth outlooks driven by artificial intelligence spending. More favorable year-over-year comparables could see a rotation in market leadership across the rest of the market, especially out-of-favor sectors. Cyclical stocks, known for their strong performance in robust economic conditions, continue to draw attention, especially with higher commodity prices and industrial demand. Additionally, value-oriented stocks present an attractive investment proposition, as valuations show promising signs when juxtaposed with current market prices.

Should the US economy start to slow down, lighting the soft-landing runway for the Fed to start cutting rates, certain sectors stand to benefit from a lower-rate environment. These include real estate, consumer discretionary, and financials. If US dollar appreciation is arrested as the US embarks on a rate-cut cycle, this should prove to be a tailwind for Emerging Market (EM) equities, which are well-positioned to yield substantial returns in the event of a Fed rate-cutting cycle.

Despite prevailing optimism among economists and strategists for a soft landing by the Federal Reserve, one must not overlook the downside risks, such as the risk of an accelerating US economy rather than one sliding into recession. Higher commodity prices and a Fed on hold could potentially tip the economy into a recession, succumbing to the weight of higher interest rates and inflation. Will a slowing labor market help slow down consumer demand, a key inflationary pressure point that Fed officials have opined upon several times. Factors such as diminishing savings, higher borrowing rates, and a cooling labor market could exert pressure on consumer spending collectively.

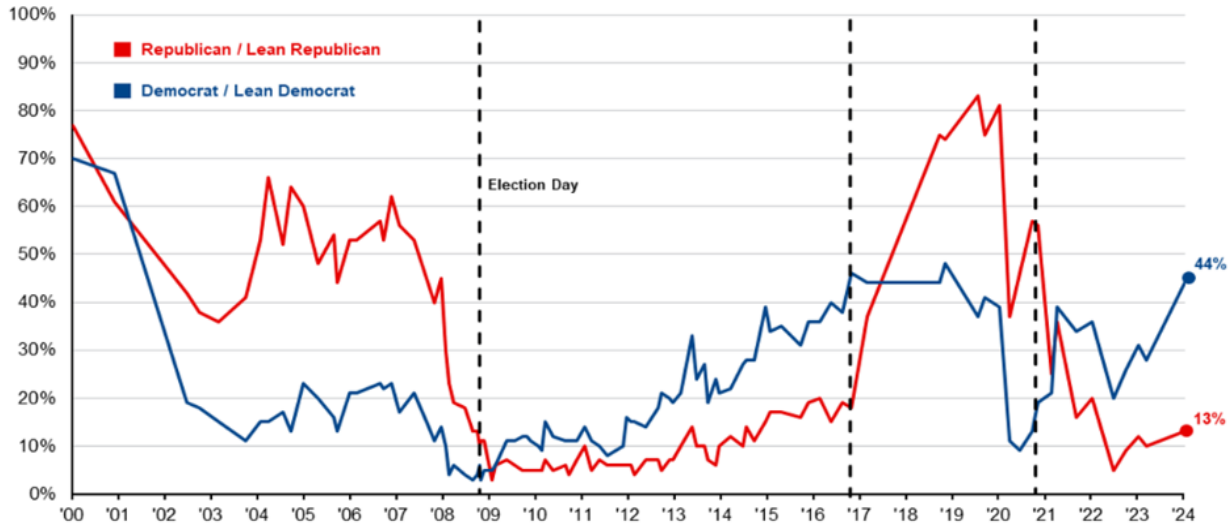
When the US economy does experience an eventual downturn, it is not expected to mirror the severity of the early months of the COVID-19 pandemic, which saw a 15% unemployment rate, nor is it predicted to be as prolonged as the 2007-2009 financial crisis. Nonetheless, the possibility of a recession, albeit milder than initially feared at the start of 2023, remains a pertinent risk. However, a risk pushed out further, perhaps beyond the 2024 election. This risk could be exacerbated if the Fed remains tighter for longer and fails to anticipate labor market weakness that could push the US economy into recession. However, an anticipatory dovish pivot by the Fed could mitigate the severity of any potential economic downturn.

As the 2024 US election nears, it's tempting to let political preferences dictate investment decisions. However, history suggests that staying invested, regardless of which party holds the presidency, tends to lead to stronger returns. Sidestepping the market based on political control can result in missing out on significant appreciation, underscoring the importance of a consistent investment strategy over political timing.

## Consumer confidence by political affiliation

GTM U.S. 68

Percentage of Republicans and Democrats who rate current economic conditions as excellent or good



Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.0%
Real GDP growth	1.9%	2.2%	1.8%	2.9%

Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in January 2024, "Americans More Upbeat on the Economy; Biden's Job Rating Remains Very Low." Pew Research Center asks the question: "Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?". S&P 500 returns are average annualized total returns between presidential inauguration dates. Real GDP growth are average annualized GDP growth rates. Guide to the Markets – U.S. Data are as of March 31, 2024.

**J.P.Morgan**  
ASSET MANAGEMENT

Source: <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

## Expectations Rise for the Fed to Achieve a Soft Landing

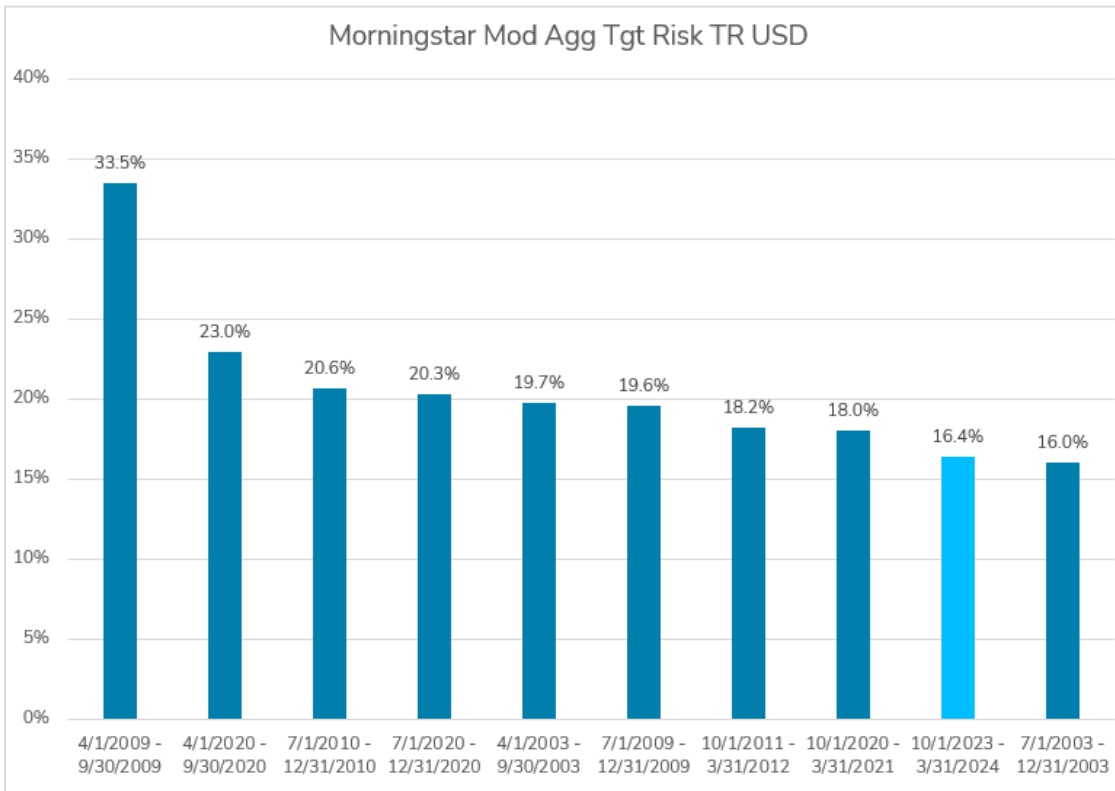
As we navigate through 2024, the markets continue to be significantly influenced by the Federal Reserve's monetary policy decisions, ongoing inflationary pressures, and labor market dynamics. Economists and investors have continued raising the probability that the Fed will successfully achieve the difficult task of steering the economy towards a soft landing, decreasing the probability of a hard landing and increasing the chance of a no-landing scenario. At the most recent meeting of the FOMC, Chair Powell noted that inflation is trending towards the central bank's goal of 2.0%. However, the start of the year saw hotter-than-expected inflation and labor market readings. Still, Powell attributed those to seasonality and reiterated the expectation for three rate cuts by the end of 2024.

Labor markets look to be normalizing as nonfarm payroll gains have come in strong, and the Job Openings and Labor Turnover Survey (JOLTS) showed a slowing quits rate. The combination of workers quitting jobs at a slower pace and growing labor force participation has helped lower the risk of further wage inflation.

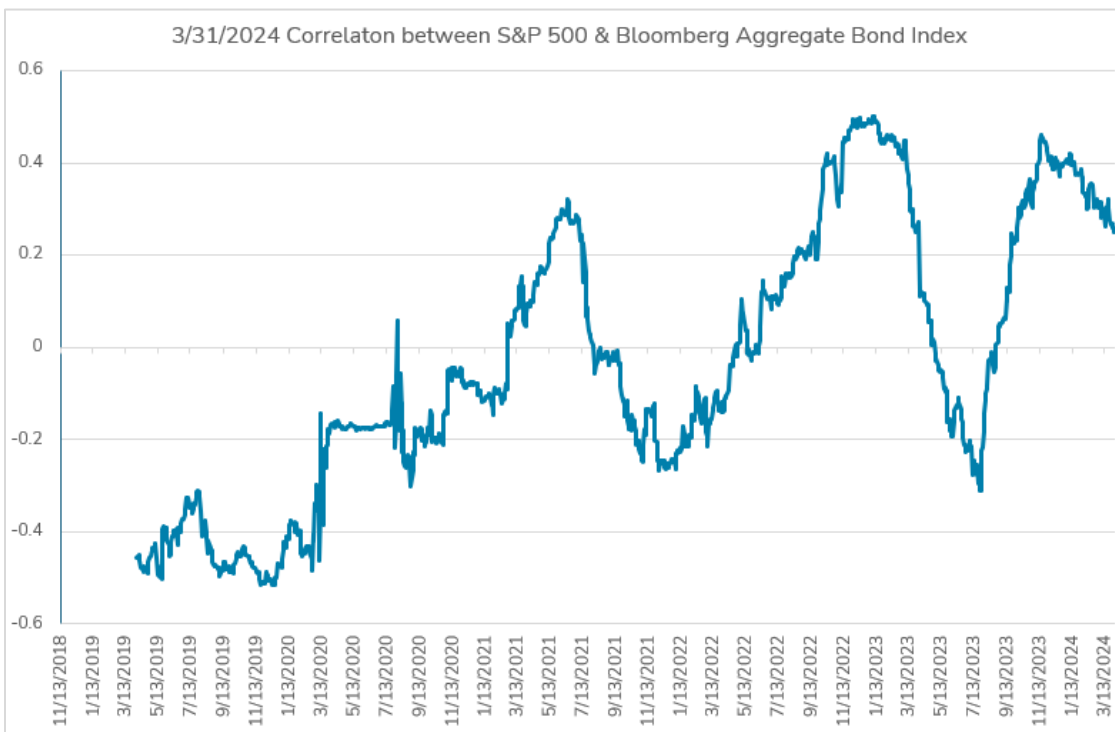
Consumer spending has been a potential headwind to rate cuts, as higher interest rates have not deterred Americans from spending and borrowing. While consumer spending decelerated slightly in February to 0.8% from 1.0% in January, the monthly gain was still the second-largest increase since January 2023. The economy's strength helped propel equity markets to double-digit returns for the quarter, and a trend dominated by artificial intelligence broadened out into other sectors.

Debt markets saw leveraged loans and high-yield bonds outperform, benefiting from lower rate sensitivity. Treasury yield dynamics and corporate credit spreads also reflected evolving market conditions and investor sentiment toward recession risks and inflation expectations.

The traditional balanced portfolio, represented by the Morningstar Moderate Aggressive Index, has had the 9<sup>th</sup> best back-to-back quarterly performance since 2000. While correlations between equities and bonds remain positive, the blended portfolio returned 5.4% for the quarter and 16.4% from Q4 2023 – Q1 2024. Typically, these assets counterbalance each other, but the correlations turned positive as inflation rose after the pandemic. Correlations briefly turned negative in the second half of 2023 but have moved into positive territory again. The benefits of bond diversification rise as correlations fall, and recent trends show correlations are still positive but trending downward. Decreasing interest rates and inflation expectations are expected to push correlations closer to historical norms and benefit investors by achieving better risk-adjusted returns without the need for esoteric asset classes.



Source: Morningstar Direct



Source: Bloomberg

## Domestic Fixed Income Markets

Inflation, consumer spending, and employment releases throughout the 1st quarter dispelled any notion that the US economy was on the brink of a recession, let alone a soft-landing slowdown. Hotter-than-expected readings on inflation and nonfarm payrolls contributed to a sell-off in longer-maturity debt as long-term interest rates rose from the beginning of year levels. Rather than cutting rates at the March FOMC, as expected at the beginning of 2024, the Federal Reserve held rates at the 5.25%-5.50% target rate. The committee did not change their near-term outlook on the expected Fed Funds Rate (2-3 rate cuts by year-end) but updated their Summary of Economic Projections (SEP) to account for higher nominal economic growth and inflation. Chair Powell provided some dovish comments at the post-FOMC press conference, suggesting that the Fed would be more proactive should labor market conditions deteriorate and/or tightened financial conditions were to put stress on the banking system. The Fed's base case remains a soft landing. However, Fed officials have noted that the path towards reaching the 2% target in inflation has lengthened and that unusual seasonal factors are influencing near-term inflation readings.

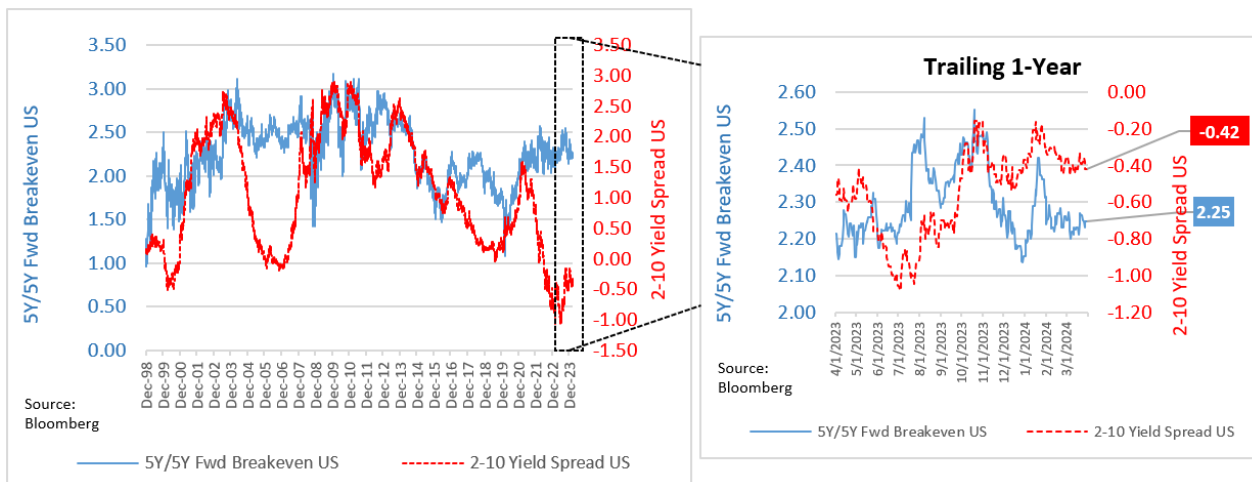
Rising gasoline prices, a sticky housing shelter component, and elevated core services costs (motor vehicle insurance the main culprit) have kept the Consumer Price Index above 3% on a year-over-year basis (3.2% from the February 2024 release); however, the Fed's preferred inflation metric, PCE Core Deflator, continues to drop year-over-year (2.78% from the February 2024 release). Though at a slower pace, core inflation continues progressing towards the Fed's long-term goal. Still, headline inflation remains threatened by higher energy prices, which could complicate the Fed's plan to cut rates in the face of rising inflation, especially as the election season draws near.

In terms of performance, leveraged loans, convertible debt, and high-yield bonds continue to outperform the broader investment-grade segments, benefiting from lower interest rate sensitivity and narrower risk premiums demanded by investors relative to US government debt. The short end of the government bond curve continues to outperform, benefiting from high short-term rates. At the same time, longer-dated Treasuries suffered from a rise in rates as the 10-Year Treasury ended the quarter at 4.20%, up from 3.88% at the beginning of 2024. Investment grade corporates outperformed as a narrowing in borrowing spreads helped offset the rise in borrowing rates.

Rates	1Q24	2023	Sector Performance	1Q24	2023
USTREAS T-Bill Cnst Mat Rate 1 Mon	1.34	5.11	Bloomberg Municipal TR USD	-0.39	6.40
USTREAS T-Bill Cnst Mat Rate 3 Mon	1.30	5.11	ICE BofA US Corporate TR USD	-0.10	8.40
USTREAS T-Bill Cnst Mat Rate 2 Yr	0.40	4.99	Bloomberg Treasury 7-20 Yr TR USD	-1.86	3.69
USTREAS T-Bill Cnst Mat Rate 10 Yr	-1.61	3.80	Bloomberg US Treasury 20+ Yr TR USD	-3.83	2.66
USTREAS T-Bill Cnst Mat Rate 30 Yr	-4.17	2.54	Bloomberg US Corporate High Yield TR USD	1.47	13.45
Benchmark: Bloomberg US Treasury Bills TR USD	1.27	5.13	Bloomberg US Convertible Comp TR USD	2.09	13.49
			Benchmark: Bloomberg US Agg Bond TR USD	-0.78	5.53

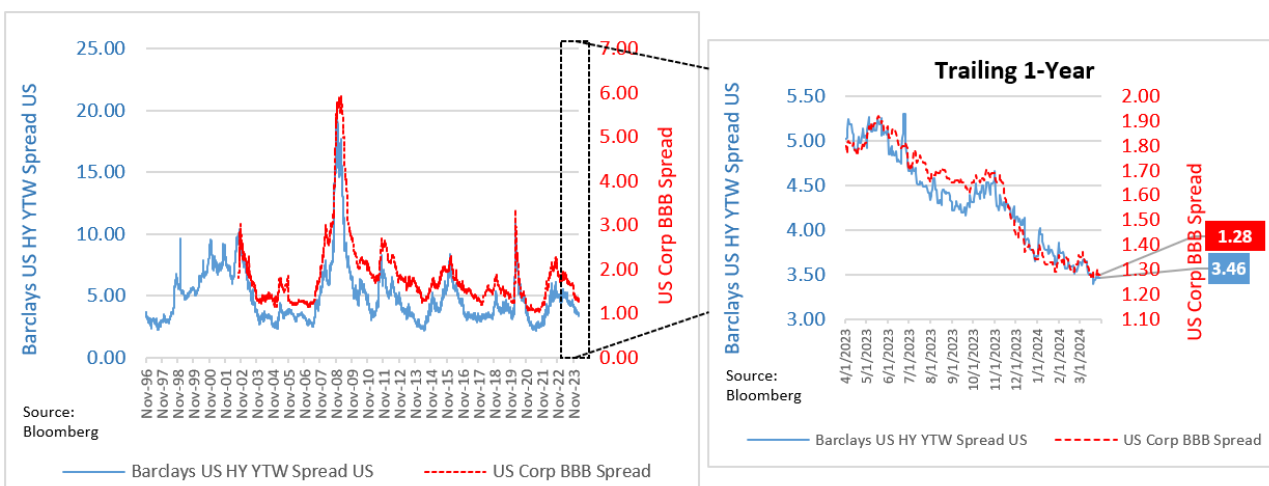
Source: Morningstar Direct

Even with the rise in nominal and short-term real rates, long-term inflation expectations, implied by the breakeven spread between long-term TIPS versus nominal Treasuries, remain well-anchored in the 2.00-2.50% range. The 2-10 Year spread in the Treasury yield curve remains inverted with short rates higher than long rates, but not deeply inverted as observed last Autumn, when recession fears were much greater.



Agency Mortgage-Backed Securities (MBS) remain an attractive option for income generation with minimal credit risk, buoyed by an implicit government guarantee. Option-adjusted spreads have narrowed as implied rate volatility has dropped (reducing the uncertainty of prepayment risk). Still, valuations remain attractive relative to other investment grade spread sectors, such as corporate bonds. Despite borrower pressures across industrial offices and multi-family, AAA-rated Commercial Mortgage-Backed Securities (CMBS) also remain attractive as post-2008 GFC structures are more conservatively underwritten with less financial leverage and more creditor protections.

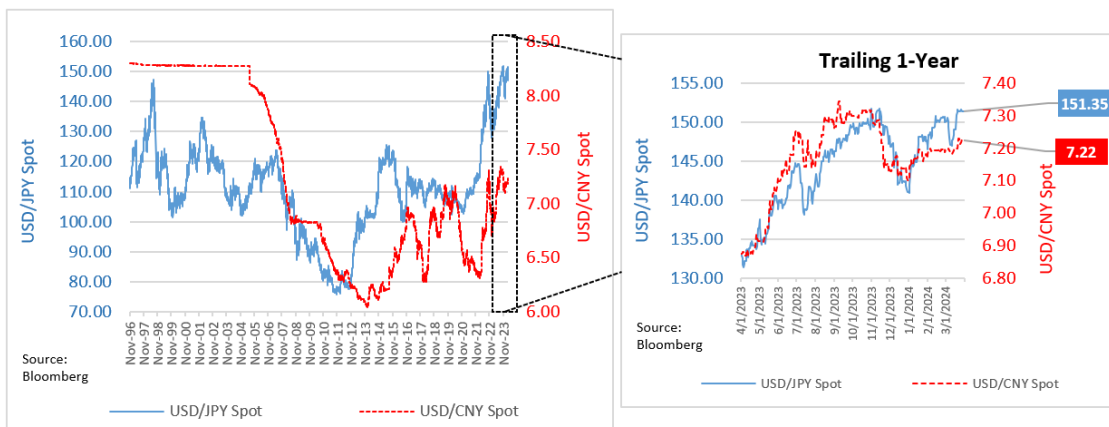
Corporate credit spreads narrowed further in the first quarter, benefiting investment-grade and below-investment-grade (high-yield) corporate bonds. Corporate borrowing fundamentals remain strong, underpinned by robust balance sheets and minimal refinancing requirements. The high-yield bond sector, despite inherent risks, continues to demonstrate resilience and income-generation capacity, particularly as recession fears recede. The sector has experienced a credit profile enhancement, with numerous companies taking advantage of refinancing due to lower borrowing spreads offsetting higher interest rates.



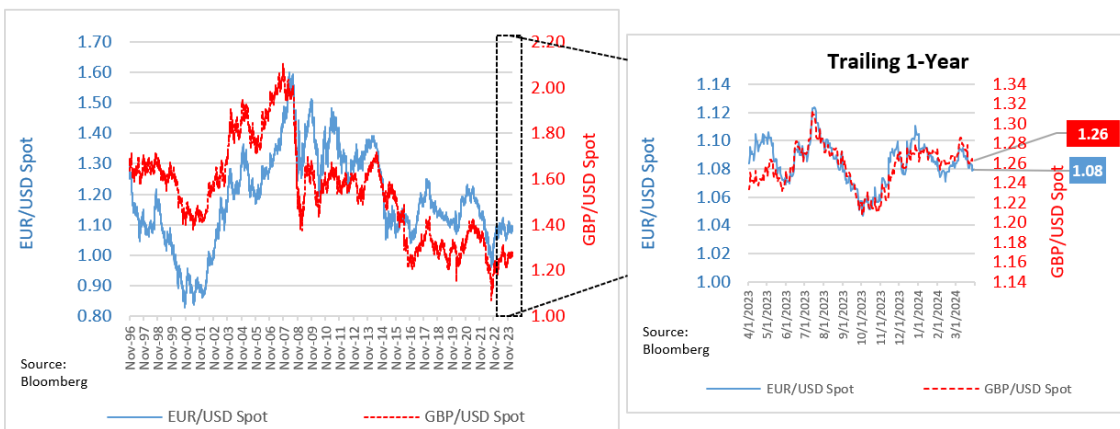
## International Fixed Income Markets

The end of the first quarter saw the Bank of Japan (BOJ) end eight years of negative interest rates along with unorthodox policies such as yield curve control, becoming one of the final developed national central banks to tighten monetary policy in response to post-pandemic inflation. However, the yen depreciated against the US dollar (150 USD/Yen, a multi-decade low) as the BOJ pledged to maintain its 6 trillion yen/month pace of bond purchases while sounding cautious about raising future rates and moving to quantitative tightening of the balance sheet.

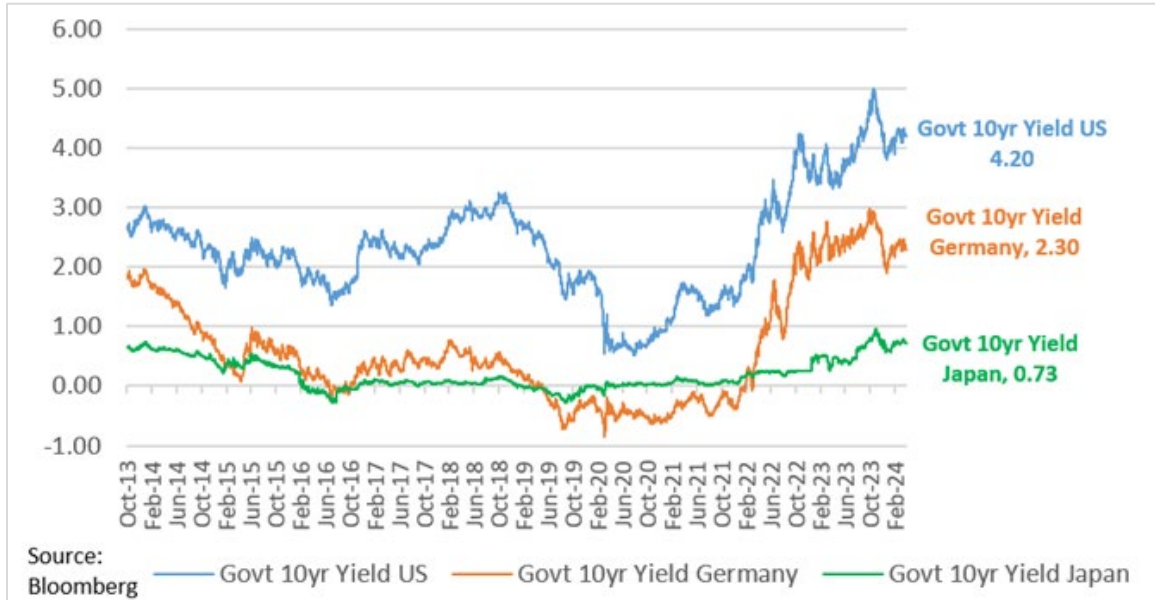
China's currency, the yuan or renminbi, also came under pressure, dropping to a four-month low against the US dollar, as the country faces pressure to ease its monetary policy in the face of broad economic weakness and ongoing financial pressures facing the country's bank and property sectors. Currency analysts also point towards Japanese yen depreciation as producing a cascading sell-off across Asian currencies as major Asian exporters are under pressure to depreciate their currencies to maintain trade competitiveness. The yuan broke the psychological barrier of 7.20 USD/CNY as the country's banking system was pressured to defend the currency.



Across the Atlantic, the Bank of England and the European Central Bank left policy rates unchanged at their respective March meetings but laid the groundwork to cut rates in June, although the timing of rate cuts may be predicated on when the US Federal Reserve cuts rates. Unlike the US economy, the United Kingdom and continental Europe have experienced economic slowdowns, with the UK economy entering recession. However, inflation has moderated faster across Europe versus the US. Even though economic fortunes between the US and Europe have diverged, both the British pound and the euro remain range bound versus the US dollar.



The Bloomberg Global Aggregate ex-US Index returned -3.2% in US dollar terms, underperforming the US Aggregate, as currency depreciation largely weighed on relative performance. Developed sovereign bond yields continue to move in tandem, although the 10-year Japanese Government Bond has risen in anticipation of the end of yield curve control.



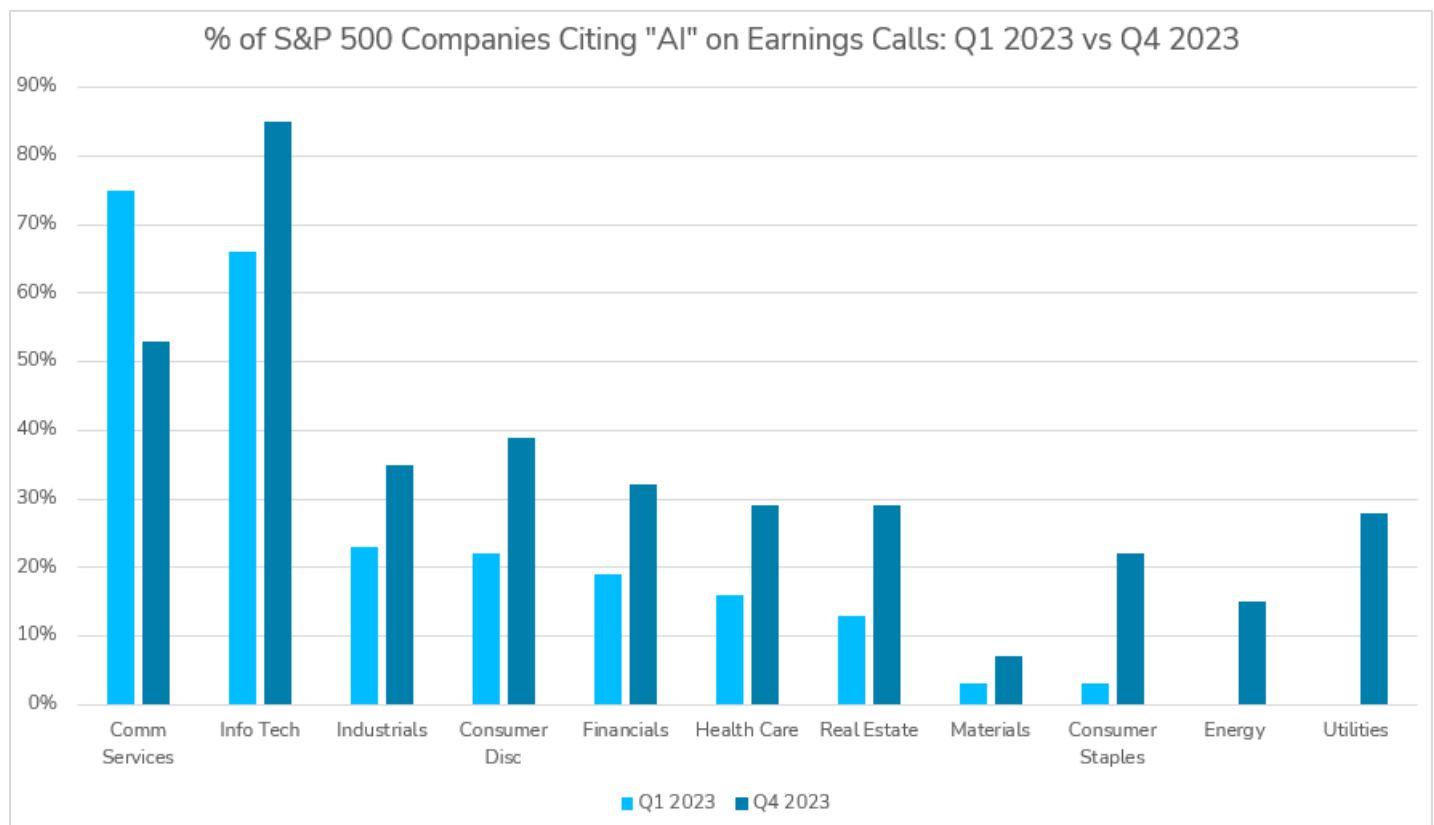
As economic growth is faltering, a downturn in equity and credit markets is expected to bolster the performance of Euro and UK sovereign bonds, although a strengthening US dollar would offset this performance. Despite a weaker economic landscape, corporate balance sheets remain robust.

S&P Global Ratings is projecting a 3-4% default rate in 2024 for European speculative-grade issuers. European fixed income looks attractive relative to the rest of the world should the UK and the European continent's economic fortunes firm up.

## US Equity Markets

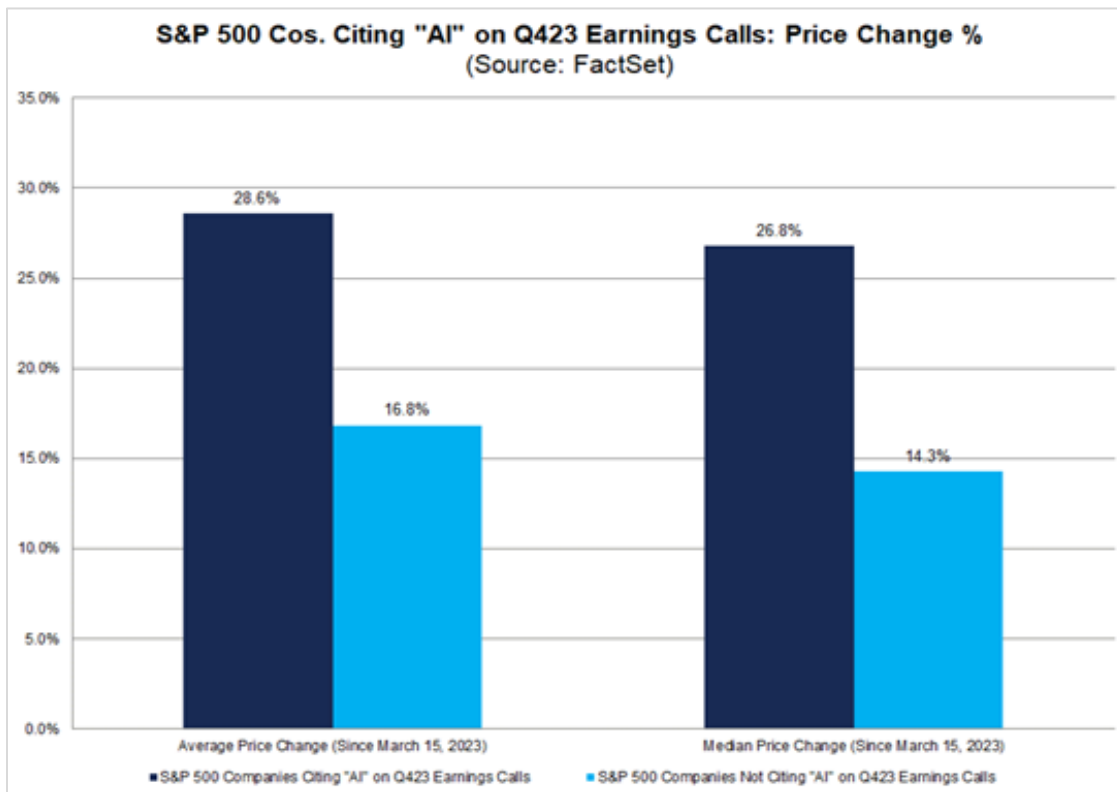
US equity markets have demonstrated remarkable resilience and growth in the first quarter, with the S&P 500, Nasdaq 100, Dow Jones Industrial Average, and Russell 2000 posting gains of 10.5%, 9.3%, 6.1%, and 5.2%, respectively. This performance added approximately \$4 trillion to equity valuations, underscoring a solid start to the year despite repricing of expected Fed interest rate cuts. As the rally has continued to push markets higher, the S&P 500 notched 22 all-time highs and posted its best start to the year since 2019. A notable shift in market dynamics includes broadening equity returns beyond the dominant Magnificent Seven tech giants, with sectors like Energy, Communication Services, Financials, and Industrials posting double-digit returns for the quarter.

The surge in artificial intelligence (AI) investment is becoming more widespread among companies, diversifying beyond a few early adopters into a broader array of sectors. As businesses navigate a stabilizing labor market, there's a noticeable pivot towards enhancing productivity through capital investments, particularly in AI technologies. This trend is evidenced by the increasing references to "AI" in corporate earnings calls. A notable uptick was observed from the first to the fourth quarter of 2023, with a 16% average increase in AI mentions across ten sectors. This reflects a growing commitment to integrating AI into operational strategies to drive efficiency and innovation.



Source: FactSet

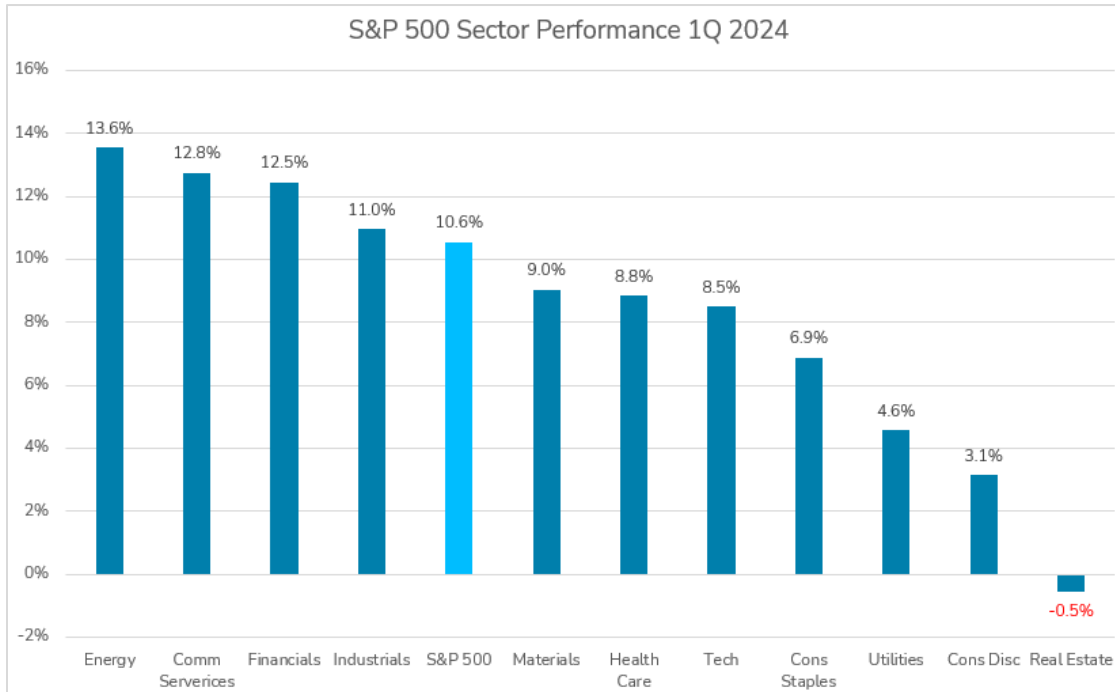
The market has responded favorably to companies across all sectors that mention investing in artificial intelligence (AI) during their earnings calls. A comparison of performance over the past 12 months reveals a significant disparity: companies that discussed AI investments averaged a 28.6% gain, compared to a 16.8% gain for those that did not highlight AI during earnings season. This data underscores the positive impact of AI integration on company valuations and investor sentiment, emphasizing the growing importance of AI as a key factor in corporate performance and market perception.



Source: <https://insight.factset.com/second-highest-number-of-sp-500-companies-citing-ai-on-earnings-calls-over-past-10-years>

During the quarter, the standout sectors were Energy, Communication Services, Financials, and Industrials, each achieving double-digit gains. The technology sector underperformed the broader S&P 500 for the quarter, while Consumer Discretionary and Real Estate posted the lowest returns.

Momentum continues to be the dominant factor in equities as the quarter saw a return of 22.6%, bringing the total return over the last two combined quarters to 40.5%. March saw a change in leadership as value-oriented factors led for the month, with value, dividend, and low volatility/high dividend outperforming their high beta and momentum counterparts.



Source: Morningstar Direct

Factor-Based Equity	Jan-24	Feb-24	Mar-24	1Q24
S&P 500 Enhanced Value TR USD	1.15	3.85	8.01	13.46
DJ US Select Dividend TR USD	-1.75	1.28	6.62	6.10
S&P High Yield Dividend Aristcrts TR USD	-1.09	1.89	5.15	5.96
S&P 500 Low Volatility High Div TR USD	-0.89	1.54	5.12	5.79
S&P 500 Dividend Aristocrats TR USD	-0.40	2.68	4.72	7.09
S&P 500 Equal Weighted TR USD	-0.82	4.16	4.46	7.91
S&P 500 High Beta TR USD	-2.45	5.07	4.32	6.92
S&P 500 Momentum TR USD	5.85	11.16	4.16	22.55
S&P 500 Quality TR USD	3.01	5.04	3.72	12.23
Benchmark: S&P 500 TR USD	1.68	5.34	3.22	10.56
S&P 500 Low Volatility TR USD	0.99	1.66	3.09	5.84

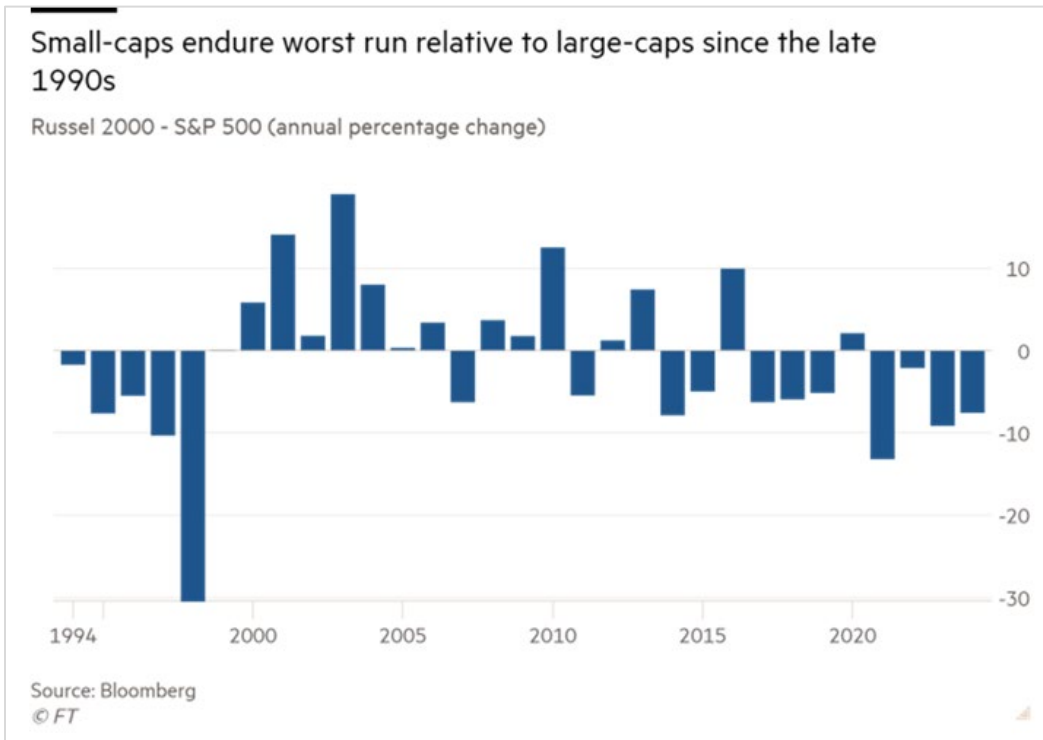
Source: Morningstar Direct

Equity market returns have been strong across all market cap and style segments, with value stocks outperforming growth stocks in March, thus reducing the quarterly performance gap between the two. Since 2020, the performance disparity has widened, with the Russell 2000 index returning 24% compared to the S&P 500's impressive 60%. This divergence has been challenging for investors who traditionally favor small-cap stocks for their long history of outperformance. The current environment has dampened enthusiasm for small caps, attributed to their weaker financials, limited pricing power in an inflationary context, and higher sensitivity to interest rate hikes. Notably, about 40% of the Russell 2000 constituents' debt is short-term or floating rate, in stark contrast to roughly 9% for S&P 500 companies. Additionally, the Russell 2000 saw a 17.6% decrease in fourth-quarter earnings year-over-year, against the S&P 500's 4% earnings increase—primarily driven by the Magnificent Seven. Despite approximately 30% of Russell 2000 companies being unprofitable, analysts have estimated a 14% earnings growth for 2024.

Equity Style Box Returns (%)						
Mar-24			1Q 2024			
	Value	Core	Growth	Value	Core	Growth
Large	5.0	3.2	1.8	9.0	10.3	11.4
Mid	5.2	4.3	2.4	8.2	8.6	9.5
Small	4.4	3.6	2.8	2.9	5.2	7.6

Source: Morningstar Direct

\*Returns are presented for Value, Core, and Growth styles from the Russell 1000, Russell Mid Cap, and Russell 2000.



Source: <https://www.ft.com/content/e0029cb2-df39-41bd-b17b-808503b240c3>

Prospects for small-cap equities may brighten with anticipated Federal Reserve rate cuts, potentially catalyzing profit growth and investor re-engagement. Small caps are currently at a significant discount relative to large caps, unseen since 1999-2000, suggesting a ripe environment for a rebound, especially if the economy maintains growth without slipping into recession. This scenario would favor small-cap stocks, setting the stage for potential outperformance.

## International Equity Markets

On the international front, both Japan and Europe have shown positive momentum. Japanese equities rose by double-digits, benefiting from policy shifts, while the Netherlands, Ireland, and Italy also posted double-digit returns. The MSCI All Country World Index ex USA returned 4.7% for the quarter. At the same time, Latin American equities struggled to maintain their momentum from 2023, falling 4%. Brazilian equities, the largest contributor to Latin America, faced ripple effects from China's weakness and global growth concerns in the US and abroad that led to a loss of 4.7% for the quarter.

Intl Equity	1Q24	2023
MSCI China NR USD	-2.19	-11.20
MSCI AC Asia NR USD	5.61	11.07
MSCI EM Asia NR USD	3.35	7.76
MSCI FM Asia NR USD	6.35	7.73
MSCI ACWI NR USD	8.20	22.20
MSCI World ex USA NR USD	5.59	17.94
MSCI EAFE PR USD	5.06	15.03
MSCI Europe NR USD	5.23	19.89
MSCI EM NR USD	2.37	9.83
MSCI EM Latin America NR USD	-3.96	32.71
Nikkei 225 Average NR JPY	21.35	30.40
Benchmark: MSCI ACWI Ex USA NR USD	4.69	15.62

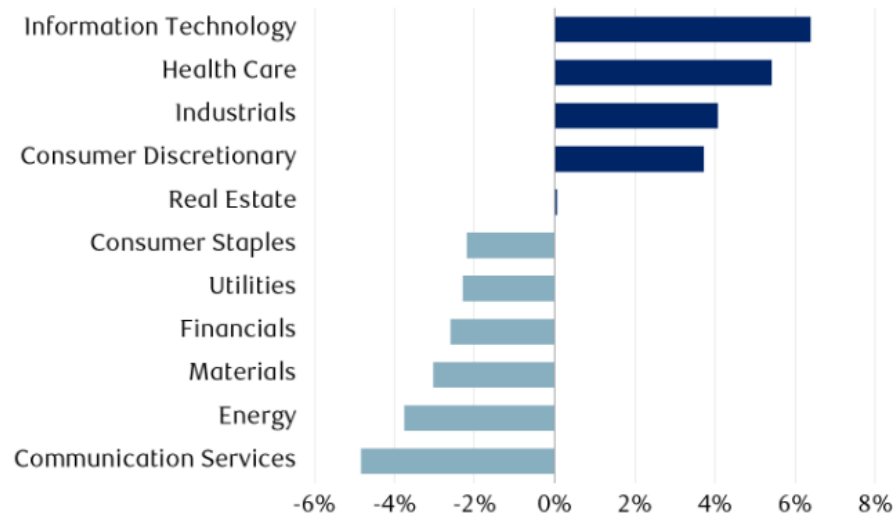
UK & EU Select Country Returns	1Q24	2023
S&P Netherlands BMI NR USD	15.39	24.52
S&P Ireland BMI NR USD	14.87	37.91
S&P Italy BMI NR USD	11.85	36.42
S&P Spain BMI NR USD	7.41	30.18
S&P France BMI NR USD	5.99	20.87
S&P Germany BMI NR USD	5.86	21.58
S&P United Kingdom BMI NR USD	2.59	14.03
S&P Sweden BMI NR USD	2.21	24.01
S&P Switzerland BMI NR USD	-1.17	16.19
S&P Norway BMI NR USD	-4.12	6.11

Source: Morningstar Direct

European equities look to be nearing a trough and show potential for moderate growth in the near term. Europe is typically known for its old economy, dominated by finance, telecommunications, utilities, energy, and materials businesses. However, the change in sector composition since 2011 shows a rotation toward higher-growth businesses whose revenues are less dependent on the region.

## Low-growth sectors have been scaled back, while higher-growth sectors have gained

Changes in the sector composition of the MSCI Europe ex UK Index between January 2011 and March 2024



Note: The former Telecommunication Services sector was expanded and renamed Communication Services in 2018.

Source – Bloomberg, MSCI

Source: <https://www.rbcwealthmanagement.com/en-us/insights/the-metamorphosis-of-european-equities>

As the index has changed, the sources of revenue from outside Europe have grown to 55%, increasing the companies' exposure to economies that are growing faster than their local markets. This change in sources of revenue has filtered through to companies' profitability, return on equity (ROE), earnings stability, and cash flows. ROE measured at 2023 year-end now stands at 13%, up from 9.8% in 2011.

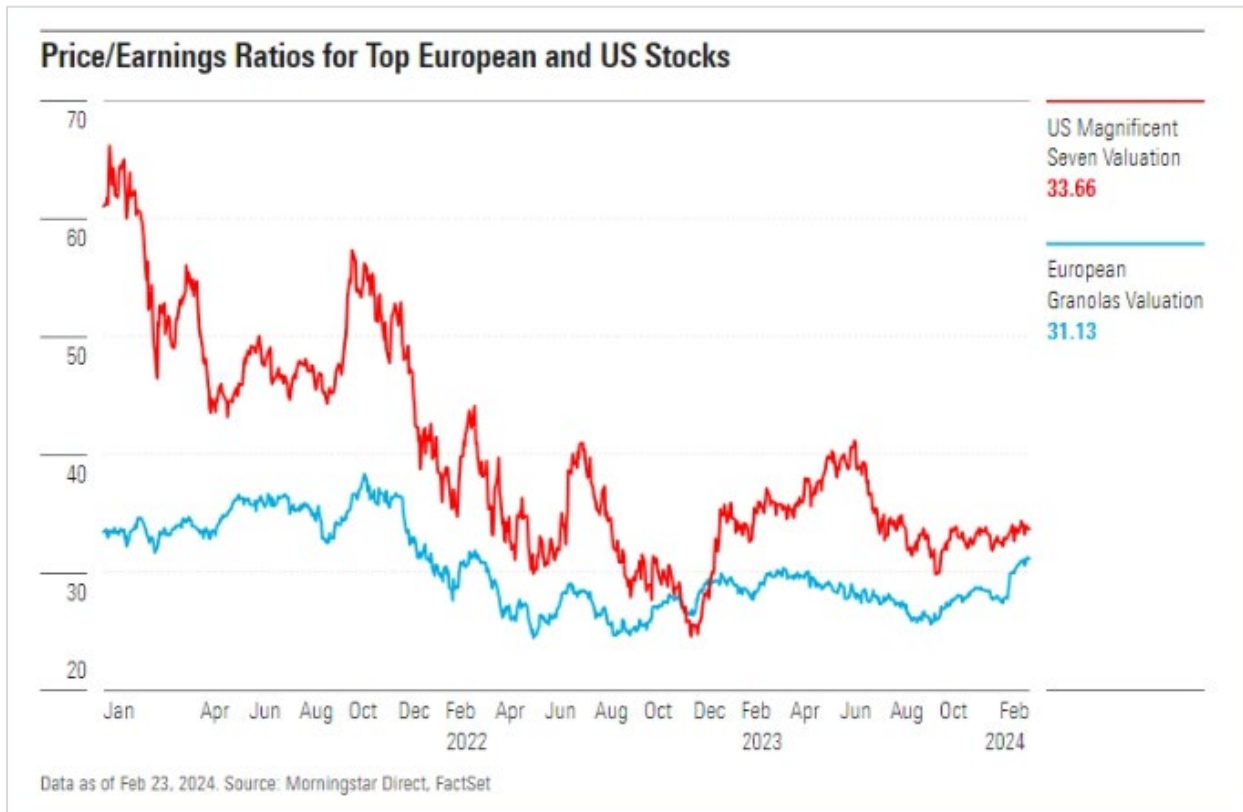
The region has managed to avoid a recession despite several headwinds from the pandemic, energy price surges following Russia's invasion of Ukraine, and tighter monetary policy. Economic signs have started to improve recently in the HCOB Eurozone Composite Purchasing Managers Index, picking up since October, and the ECB lending survey is trending towards being less restrictive. Inflation continues to fall while real wage growth is improving, and expectations for the ECB to begin a rate-cutting cycle could help further stabilize the region.

On a relative basis, when adjusting for sector weighting differences, European equities trade at a steep discount not seen since 2011's sovereign debt crisis. While Europe may not provide high growth potential like the US, it may benefit from an improving Chinese economy and more robust business investment as policy becomes less restrictive.



Source: <https://www.goldmansachs.com/intelligence/pages/how-to-diversify-as-stock-markets-concentrated.html>

Investors seeking to diversify beyond the Magnificent Seven can potentially allocate towards the European version, nicknamed the "Granolas." In 2021, Goldman Sachs identified 11 companies that reflect a broader segment of the European stock market than the Magnificent Seven. The companies show solid earnings growth, low volatility, high and stable margins, strong balance sheets, and durable dividends. An equal-weighted portfolio of the 11 stocks vs. the Magnificent Seven stocks posted a return of 103% since the start of 2021 vs 128% for their American counterpart. This subset of the European market represents a more diversified basket of equities as the 11 companies include names from the healthcare and consumer discretionary sectors but still come at a premium to the local markets.



Source: <https://www.morningstar.com.au/insights/stocks/246873/magnificent-seven-vs-the-granolas-how-does-europes-version-stack-up>

There is cautious optimism surrounding Chinese equities as the quarter's final month saw China's factory activity beat expectations. The boost to the industrial sector could help it achieve its ambitious growth target of 5% for the year. The Caixin manufacturing index rose to 51.1 on April 1st as a reading above 50 signals expansion and marked its fifth consecutive in expansionary territory, the longest period in two years. At the same time, a government-published manufacturing PMI reading snapped a five-month contractionary trend to rise into expansionary territory. The readings show the industrial sector of the economy is gaining momentum for a recovery.

Despite the pickup in subindexes of PMI surveys showing demand picking up, economists have cautioned that it remains to be seen how sustainable the rebound will be given persistent weakness in other sectors. Contractionary readings in sub-gauges for prices show lingering deflationary pressures that squeeze profit margins.

While the economy's industrial sector is flashing optimism, it is currently contending with a real estate crisis, sagging consumer confidence, and growing geopolitical tensions. The government has provided modest support to the economy with policy rate cuts and fiscal support but fell short of providing enough cushion to drive economic activity higher.

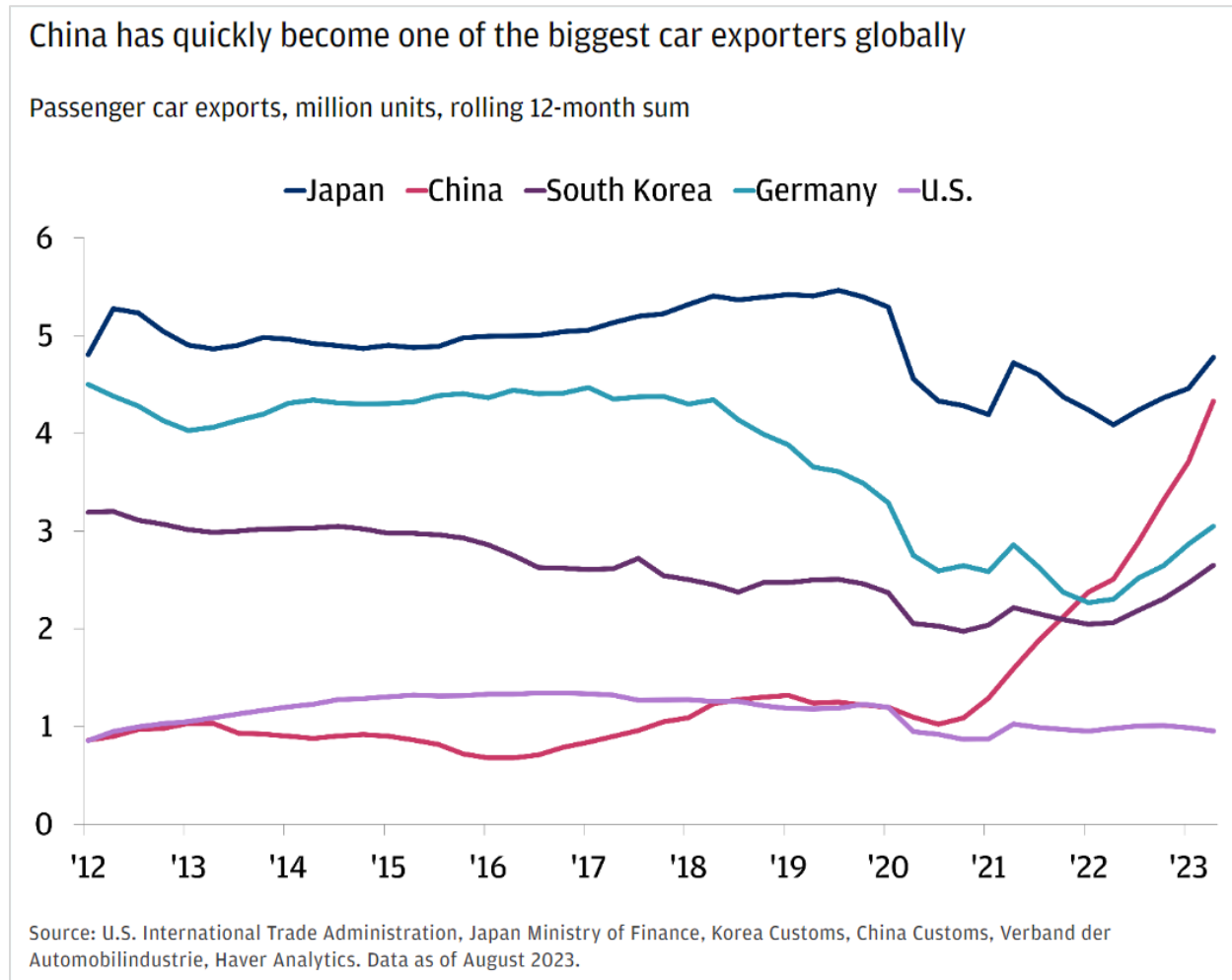
JPMorgan notes that three key components are guiding the Chinese market in 2024: real estate, exports and business sentiment.

The real estate market is in its third year of a slowdown, and homebuyers are still not confident that developers can deliver completed units. The widening gap between new construction sales and completed units delivered has resulted in a sales collapse and a downward spiral in prices.



Source: <https://privatebank.jpmorgan.com/apac/en/insights/markets-and-investing/china-outlook-2024-bear-with-it>

Exports for the country remain an important indicator as global growth in developed markets slows and the US diversifies its supply chains. The second half of 2023 saw export prices fall over concerns of over-capacity. Still, emerging sectors like electric vehicles could improve the export outlook. The integration of other high-tech supply chains that China dominates makes diversifying away from the country difficult for manufacturers and may result in "friend-shoring" being only a buzzword.



Source: <https://privatebank.jpmorgan.com/apac/en/insights/markets-and-investing/china-outlook-2024-bear-with-it>

Business sentiment is the third key indicator, as private sector investment has slowed significantly since the pandemic. Government regulation has increased over the last few years and lowered confidence in the corporate sector. A more transparent and predictable environment may appear if further monetary policy easing continues in 2024 and geopolitical tensions with the US decrease. The outlook for the remainder of 2024 looks challenging, with concerns over stimulus and consumer and business confidence.

## Conclusion

The first quarter of 2024 has been a testament to the dynamic nature of the global markets, reflecting both resilience and evolving challenges. The US equity markets, in particular, have showcased impressive growth, with major indices such as the S&P 500 and Nasdaq 100 achieving substantial gains. This upward trajectory, propelled in part by the burgeoning interest in artificial intelligence (AI), has not only added trillions to equity valuations but also signaled a potential shift in market dynamics. While technology and mega-cap sectors have led the charge, there's a growing anticipation of a broader distribution of market leadership, possibly favoring cyclical and value-oriented stocks amid changing economic conditions.

Internationally, the landscape is equally intriguing. Developments in Japan and Europe indicate a nuanced recovery path, with policy shifts and economic indicators suggesting potential growth opportunities. Europe, in particular, shows signs of an economic trough, with sector rotation hinting at a gradual shift towards higher-growth businesses. Meanwhile, China's industrial sector provides a glimmer of hope for its ambitious growth targets despite ongoing challenges in real estate and consumer confidence. The global narrative is complex, underscored by cautious optimism, policy recalibrations, and the strategic realignment of investments towards sectors poised for growth.

As we advance through 2024, the overarching theme is one of cautious optimism tempered by the acknowledgment of inherent risks and uncertainties. The Federal Reserve's maneuvers towards a soft landing, the evolving dynamics of the labor market, and the interplay of inflation and consumer spending are pivotal factors shaping the outlook. The anticipation of Federal Reserve rate cuts offers a ray of hope for certain sectors and emerging markets, setting the stage for a potentially diverse investment landscape. This period of transition underscores the importance of strategic adaptability, informed by a comprehensive understanding of market trends, economic indicators, and the subtle shifts in investor sentiment.



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