

# Quarterly Economic Update

## **U.S Markets**

Stocks notched solid gains in the first quarter as enthusiasm about artificial intelligence, signs of a soft landing, and dovish talk from the Fed buoyed investor confidence.

For the quarter, the Dow Jones Industrial Average rose 5.62 percent, the Standard & Poor's 500 Index gained 10.16 percent, and the Nasdaq Composite picked up 9.11 percent.<sup>1</sup>

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"The difference between death and taxes is death doesn't get worse every time Congress meets."

— Will Rogers, cowboy, writer, and American stage and film actor

## **Rocky Start in Q1**

Stocks saw modest gains in January as positive economic data (retail sales, gross domestic product [GDP] report) and upbeat Q4 corporate reports helped offset a mixed inflation update. As expected, the Fed kept rates unchanged at its January meeting. The more neutral language used by the Fed led some to believe the Fed was concerned about inflation and might be slow to adjust rates. That news took the wind out of stocks' sails, curtailing gains for the month.<sup>2</sup>

## **Building Momentum**

In February, stocks regained some momentum as investor enthusiasm surrounding artificial intelligence overshadowed the Fed's next move with interest rates. By mid-month, investors' attention shifted to any company offering an artificial intelligence update in its quarterly report.

## **Marching Onward**

Mostly positive economic news in March—including strong but moderating GDP growth, steady unemployment, and decelerating inflation—propelled stocks. All three averages set record highs during the month.<sup>3</sup>

At its March meeting, the Fed left rates unchanged and signaled its inclination to cut interest rates three times this year—each time by a quarter of a percentage point. Markets rallied to new highs following the news, which led to the S&P having its best first-quarter performance in five years.<sup>4</sup>

## **Q1 Sector Scorecard**

The Q1 rally was generally broad-based, with all but one major sector of the S&P 500 Index posting gains for the quarter. Energy (+12.57 percent) topped the pack of double-digit leaders that included the tech-heavy Communications Services sector (+12.37 percent), Financials (+12.02 percent), and Industrials (+10.50 percent)—all of which outperformed the overall index.

Materials (+8.59 percent), Health Care (+8.32 percent), Technology (+8.20 percent), Consumer Staples (+6.01 percent), Consumer Discretionary (+2.56 percent), and Utilities (+3.66 percent) also notched solid positive returns, further demonstrating how market leadership broadened beyond tech-related names over the quarter. Real Estate (-1.32 percent) was the sole sector to finish in the red.<sup>5</sup>

<b>U.S. Market Recap</b>			
	March 2024 (%)	Q1 2024 (%)	YTD (%)
S&P 500	3.10	10.16	10.16
Nasdaq	1.79	9.11	9.11
Russell 1000	3.09	9.91	9.91
10-Year Treasury Notes	4.21	0.34	0.34

Yahoo Finance, December 31, 2023. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

## **What Investors May Be Talking About in April**

The Fed opens its two-day meeting on April 30, and investors can expect the Fed to look closely at the drivers of inflation. The Fed will examine each component of the Consumer Price Index, which measures the prices of consumer goods and services across more than 200 categories.<sup>6</sup>

In January, more than two-thirds of the CPI's 3.1% was driven by the category called shelter, which includes rent prices. Shelter was sticky again in February and has been one of the most stubborn areas for some time.<sup>7</sup>

The Fed will be watching shelter and other key categories to see what's driving inflation as it evaluates whether to adjust short-term rates at some point this year.

## **World Markets**

The MSCI EAFE Index rose 5.06 percent during the first quarter on signs that the European Central Bank and others were considering cutting short-term rates. In fact, Switzerland's Swiss National Bank cut its main policy rate in late March.<sup>8</sup>

In Europe, Spain (+10.73 percent), Italy (+6.67 percent), Germany (+4.61 percent), the United Kingdom (+4.23 percent), and France (+3.51 percent) all posted gains.<sup>9</sup>

Pacific Rim markets also trended higher, with Japan (+3.07 percent) and Korea (+3.95 percent) leading.<sup>10</sup>

<b>World Market Recap</b>			
Index	March 2024 (%)	Q1 2024 (%)	YTD (%)
<b>Emerging</b>			
Hang Seng (China)	0.18	-2.97	-2.97
KOSPI (Korea)	3.95	3.44	3.44
Nikkei (Japan)	3.07	20.63	20.63
Sensex (India)	1.59	1.95	1.95
EGX 30 (Egypt)	-7.18	7.99	7.99
Bovespa (Brazil)	-0.71	-4.53	-4.53
IPC All-Share (Mexico)	3.88	0.31	0.31
ASX 200 (Australia)	1.95	4.03	4.03
<b>Europe</b>			
DAX (Germany)	4.61	10.39	10.39
CAC 40 (France)	3.51	8.78	8.78
IBEX 35 (Spain)	10.73	9.63	9.63
FTSE 100 (United Kingdom)	4.23	2.84	2.84
IT40 (Italy)	6.67	14.49	14.49

Yahoo Finance, December 31, 2023. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.



## **Indicators**

**Gross Domestic Product:** Q3 economic growth was revised lower, from a 5.2 percent annualized pace to 4.9 percent, primarily due to a downward revision of consumer spending.<sup>7</sup>

**Employment:** Employers added 199,000 jobs in November, which was lifted by the return of 30,000 striking auto workers. The number was slightly above the consensus estimate of 190,000. The unemployment rate dropped to 3.7%, while wage growth (+0.4 percent month-over-month) was in line with expectations.<sup>8</sup>

**Retail Sales:** Retail sales rose 0.3 percent in November, up from a revised -0.2 percent in October. Excluding auto and gasoline sales, retail sales climbed 0.6 percent.<sup>9</sup>

**Industrial Production:** Industrial production rose by 0.2 percent, aided by increased manufacturing. Year-over-year, industrial production was lower by 0.4 percent.<sup>10</sup>

**Housing:** Housing starts topped Wall Street expectations, as new housing construction rose 14.8 percent in November.<sup>11</sup>

Sales of existing homes rose 0.8 percent in November—the first increase since May. Year-over-year sales fell 7.3 percent, the smallest drop since April 2022.<sup>12</sup>

New home sales dropped 12.2 percent in November, though they were 1.4 percent above last November.<sup>13</sup>

**Consumer Price Index:** Consumer prices rose 0.1 percent in November and 3.1 percent from a year ago. Core inflation, which excludes energy and food, increased 0.3 percent month-over-month and 4.0 percent from last November. These numbers remained above the Fed's 2.0 percent target.<sup>14</sup>

**Durable Goods Orders:** Durable goods orders rose 5.2 percent in November, the largest gain since July 2020. This gain was more than double the consensus estimate of 2.0 percent.<sup>15</sup>

### **The Fed**

The FOMC elected to leave interest rates unchanged at both its October/November and December meetings.

Following its December meeting, the Fed signaled that it may cut interest rates three times in 2024. While careful not to declare a victory in its inflation battle, the Fed acknowledged that inflationary pressures have eased.<sup>16</sup>



## **By the Numbers: Identity Theft**

- Respondents who have experienced at least one case of identity theft: 73%<sup>17</sup>
- People who have faced identity theft multiple times: 27%<sup>17</sup>
- Percent who have been victims of at least one company data breach in 2023: 30%<sup>17</sup>
- Number of identity theft reports received by the Federal Trade Commission in 2022: 1.1 million<sup>17</sup>
- Respondents who have experienced a financial account takeover: 33%<sup>17</sup>
- Growth of identity theft over the past 20 years: 584%<sup>18</sup>
- States with the largest increase in identity thefts (last 10 years): Louisiana, Delaware, and Pennsylvania<sup>18</sup>
- State with the highest number of reported identity theft cases per capita: Georgia<sup>18</sup>
- The most common type of identity theft in 2022: credit card fraud, 441,822 instances<sup>18</sup>
- The city with the highest reported rate of identity theft per capita in 2022: Tuscaloosa, Alabama<sup>18</sup>
- Identity theft reported in 2022 related to online shopping, payments, emails, and social media: 29%<sup>19</sup>
- Amount of people who are likely to be victims of identity fraud: 1 in 15<sup>19</sup>
- The nation most targeted for identity fraud: America<sup>19</sup>
- Number of children who are victims of identity crimes every year: Over 1 million<sup>19</sup>
- Average amount of time to resolve an identity theft issue: 100-200 hours<sup>19</sup>



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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The S&P 500 Composite Index is an unmanaged group of securities considered to be representative of the stock market in general. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The Russell 1000 Index is an index that measures the performance of the highest-ranking 1,000 stocks in the Russell 3000 Index, which is comprised of 3,000 of the largest U.S. stocks. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark for the performance in major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

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The Hang Seng Index is a benchmark index for the blue-chip stocks traded on the Hong Kong Stock Exchange. The KOSPI is an index of all stocks traded on the Korean Stock Exchange. The Nikkei 225 is a stock market index for the Tokyo Stock Exchange. The SENSEX is a stock market index of 30 companies listed on the Bombay Stock Exchange. The Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange. The Bovespa Index tracks 50 stocks traded on the Sao Paulo Stock, Mercantile, & Futures Exchange. The IPC Index measures the companies listed on the Mexican Stock Exchange. The Merval tracks the performance of large companies based in Argentina. The ASX 200 Index is an index of stocks listed on the Australian Securities Exchange. The DAX is a market index consisting of the 30 German companies trading on the Frankfurt Stock Exchange. The CAC 40 is a benchmark for the 40 most significant companies on the French Stock Market Exchange. The Dow Jones Russia Index measures the performance of leading Russian Global Depository Receipts (GDRs) that trade on the London Stock Exchange. The FTSE 100 Index is an index of the 100 companies with the highest market capitalization listed on the London Stock Exchange.

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