# April 2024 Market Recap

*By Dan Frost*

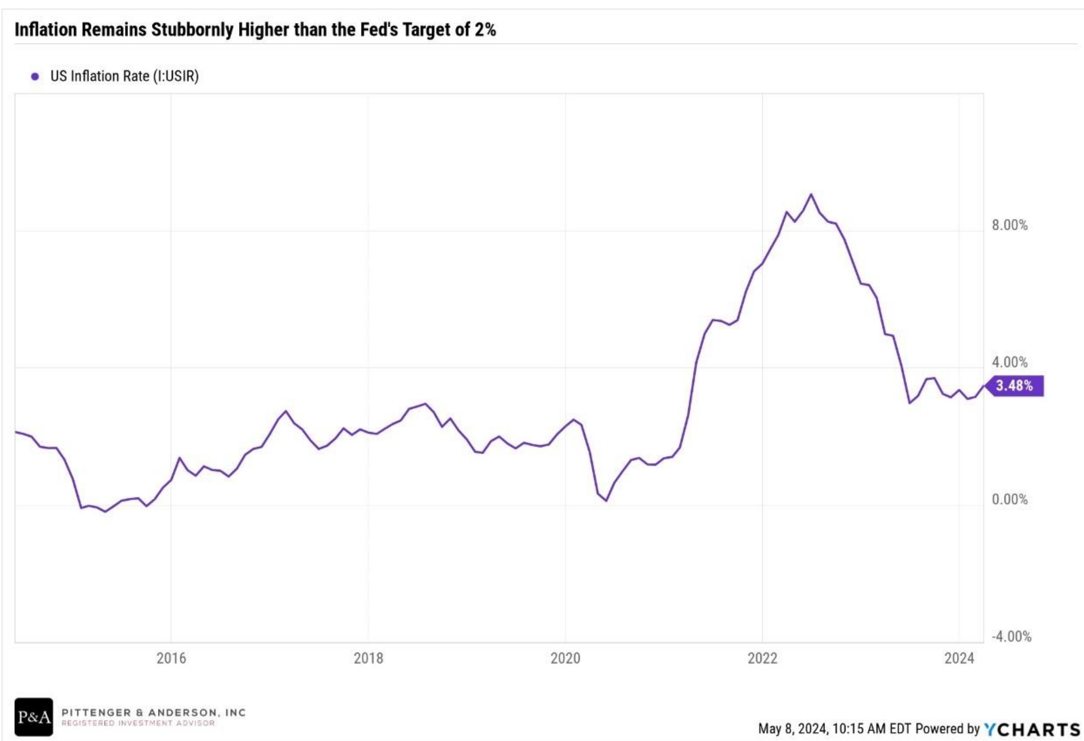
## Highlights

- Inflation remains stubbornly high.
- Stocks had a difficult month, but still remain in positive territory over the past 12 months.
- Interest rates saw a significant increase during the month.
- The chances of a Fed rate cut have diminished.

## Economic Update

Inflation

Stronger than expected March consumer and producer price growth fueled a growing sentiment that a Fed pivot on interest rates is increasingly unlikely in the very near future. Consumer price increases ticked up in both February and March, growing at 3.48% in the most recent release.



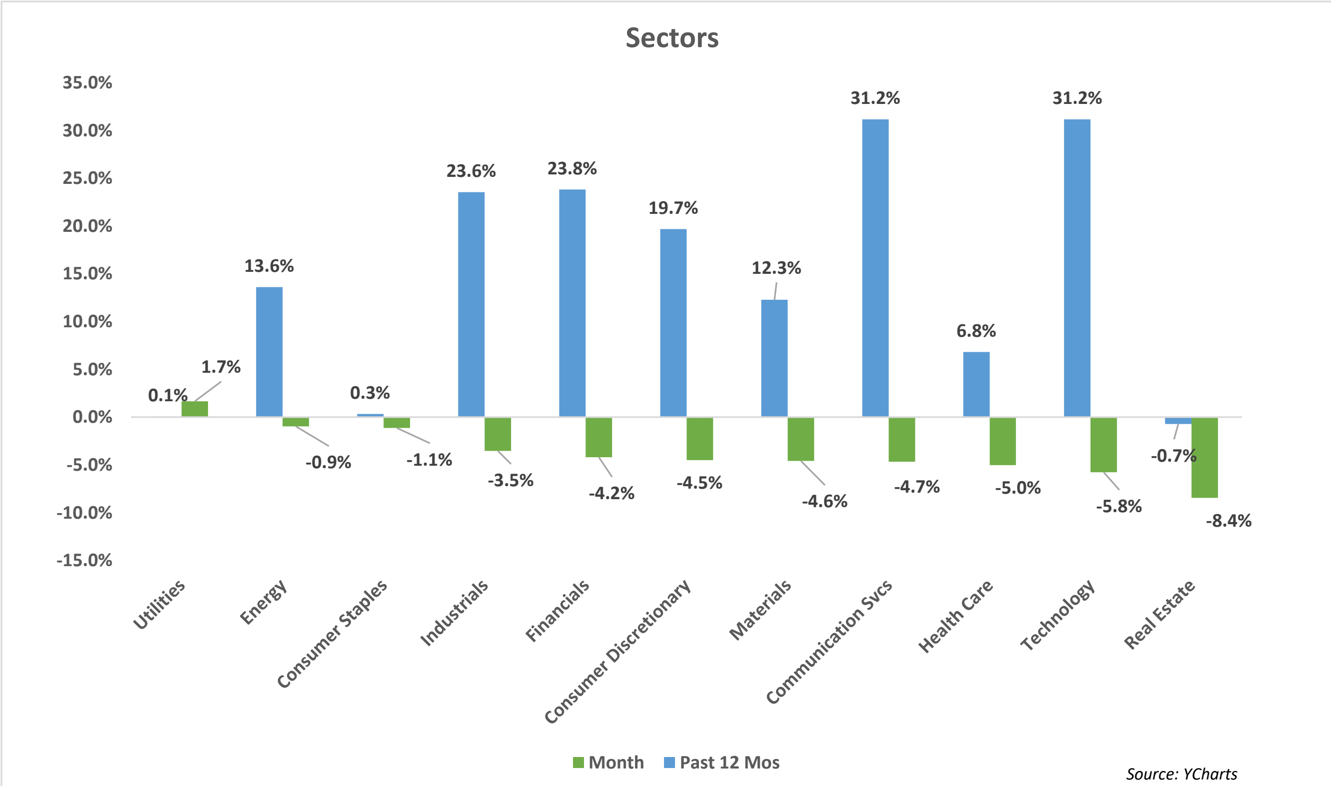
## Stocks and Bonds

Equities endured a tough April following three straight months of gains. The S&P 500 fell 4.1% in its first monthly decline of 2024, the NASDAQ sank 4.4%, and the Dow Jones Industrial Average tumbled 4.9%. Emerging Markets was the only index on our chart (below) to post a positive gain in April. The Russell 2000 was the worst performer in April, plummeting 7%.

Volatility increased during the month of April with intraday moves averaging 1.13% compared to only 0.73% in March.

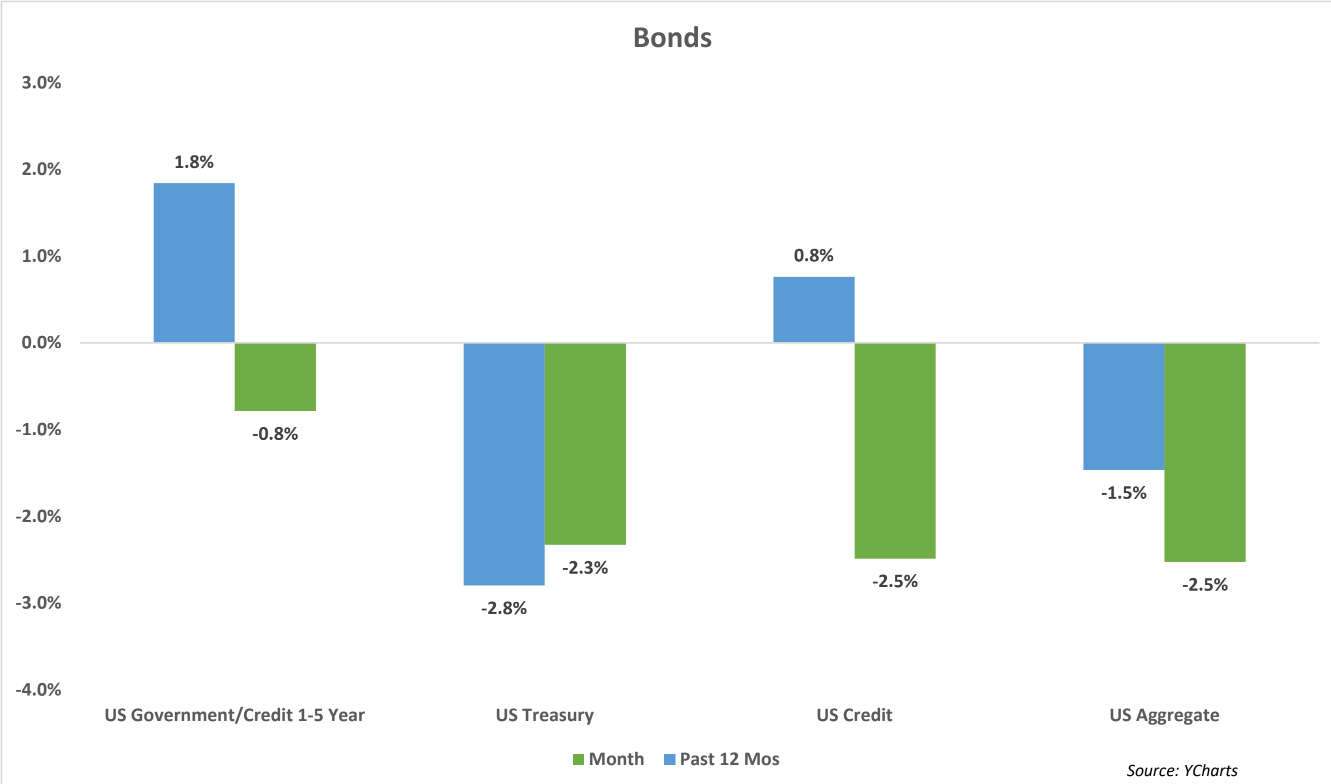
The Magnificent 7 continue to account for an outsized portion of the market's performance so far this year at 51% of the S&P 500's 10.6% return. When AAPL (-11.5% YTD) and TSLA (-26.2% YTD) are stripped out, the remining five accounted for 74% of the gain YTD, according to Standard and Poor's.


Only the Utilities sector was positive in April. Of the remaining ten sectors, Real Estate was the worst-performing sector, sinking 8.4%, followed by Technology and Health Care which fell 5.8% and 5.0%, respectively.




Yields on long-term Treasury bonds rose significantly in April. The 10-year Treasury note finished at 4.69%, up from 4.2% at the end of March. The 5-year Treasury note increased 51 basis points, the most of any duration on the curve. The 2-year, 3-year, 20-year, and 30-year all increased by at least 45 basis points, while there was little activity on the shorter end of the curve.

The rise in interest rates led to a sell-off across the bond market with all four of the benchmarks in the chart below finishing in negative territory for the month. The Bloomberg US Aggregate Bond Index has been in a drawdown for the past 45 months, which is the longest bond bear market in history.

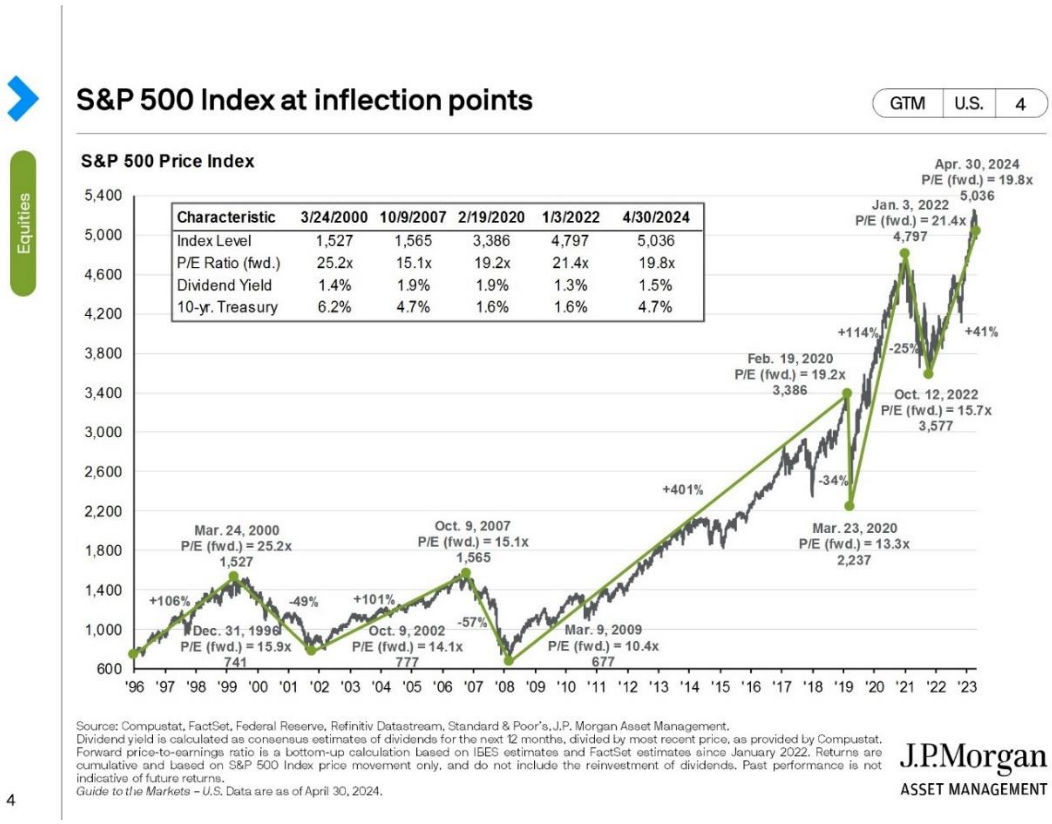



**The Fed's Dilemma, Strong Earnings, Buffett's Wisdom**

Over the past month, it's evident that the Fed's rate-cutting path has narrowed. Initially, there was consensus for up to six rate cuts this year, but recent economic data, particularly on inflation, suggests only one or two cuts may occur, complicated by the upcoming Presidential election in 2024.

Earnings season has been favorable for stocks, with approximately 80% of S&P 500 companies reporting Q1 results. 77% have surpassed earnings expectations, with year-over-year earnings growing by 5%.

The S&P 500, currently trading at a P/E ratio of 19.8x forward earnings, requires sustained profit growth to maintain market momentum. Eventually, stocks will hit an air pocket, either due to concerns over slowing growth, higher interest rates, geopolitical events, or some other unknown shock to the system.




In an interview a few years back Warren Buffett said, "Stocks are safe for the long-run and they're very unsafe for tomorrow," emphasizing that investing in stocks means investing in a business' future value. While it is impossible to know precisely what that future value is, there is a very high likelihood that the value of a basket of several high-quality companies will be higher in ten, twenty or thirty years than it is today.

Rather than trying to predict if now is a good time to get into or out of the market, successful long-term investing involves maintaining a consistent allocation, focusing on owning quality businesses at fair prices, and allowing them to compound over time.