MARKET UPDATE

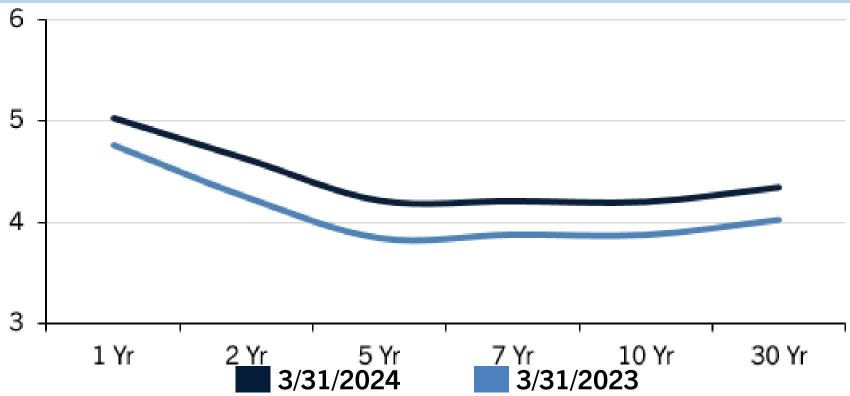
as of 3/31/2024

Monthly Commentary

The Month In Review

- Bond yields fell across most points along the yield curve in March. Modest price gains combined with good carry led to total return of 0.78% for the Bloomberg U.S. Intermediate Aggregate Index.
- Lower yields came about despite a set of economic reports that still point to growth. While economic growth is welcoming news, too much growth could limit the trajectory of lower inflation which in turn could delay Fed rate cuts.
- After the March FOMC meeting, both the Summary of Economic Projections and Powell's news conference continued to signal three rate cuts this year. The apparent stalling of progress on inflation did not change their view, first expressed in December, that monetary policy is likely too restrictive and should be scaled back to prevent the economy from slipping into recession.
- It is notable that this projection of three rate cuts was despite the Committee's *increase* of its estimate of core PCE, the Fed's favored inflation metric. The median forecast for core PCE for 2024 increased from 2.4% previously to 2.6%. Perhaps the Fed's comfort with this level of inflation stems from the fact that housing-related inflation is one of the key factors restraining its rate of decline. Given the time lags in capturing rent changes and home prices, this component of the inflation data will likely remain sticky.
- Domestic and international equity indices posted new highs in March as an influx of investor cash, optimism about the economy, and corporate earnings contributed to a bullish sentiment. In the S&P 500, Value outperformed Growth for the month but still lags year-to-date, while the top sector was Energy.

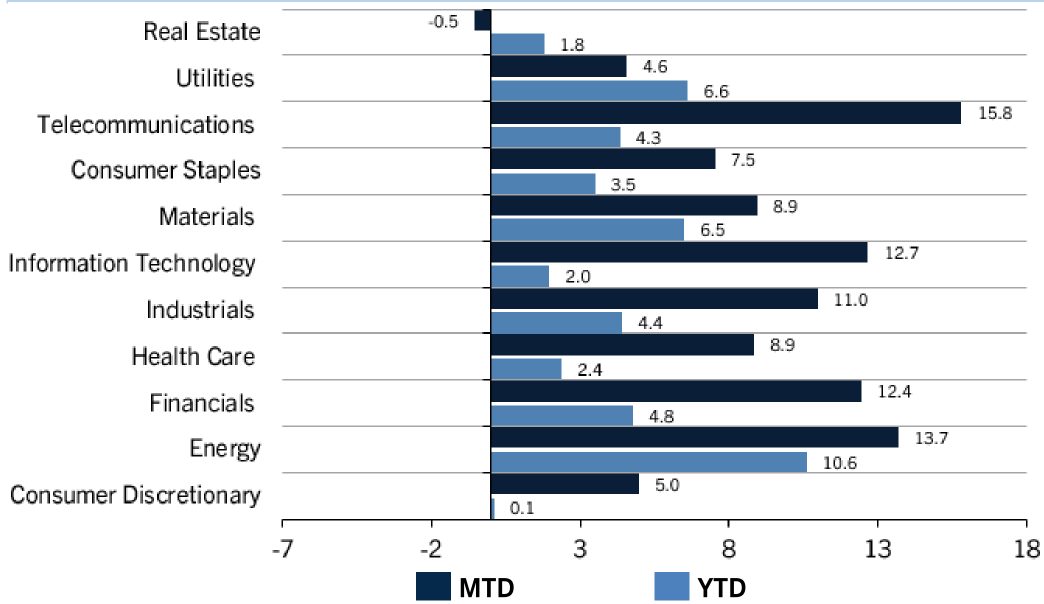
Yield Curve (%)



Key Rates (%)	Mar-24	1 Year Ago	2 Years Ago
Fed Funds Rate	5.50	5.00	0.50
2-Yr U.S. Treasury	4.62	4.03	2.46
10-Yr U.S. Treasury	4.20	3.47	2.38
30-Yr Fixed Mortgage	7.24	6.88	4.89

Index Returns (%)	Mar-24	YTD	1 Year	3 Year Ann.
S&P 500	3.22	10.56	29.88	11.49
MSCI EAFE	3.18	5.67	15.19	4.74
MSCI EM	2.20	2.09	7.86	-5.14
Bloomberg Int. U.S. Aggregate	0.78	-0.42	2.30	-1.66
Bloomberg Municipal Bond	0.00	-0.39	3.13	-0.41

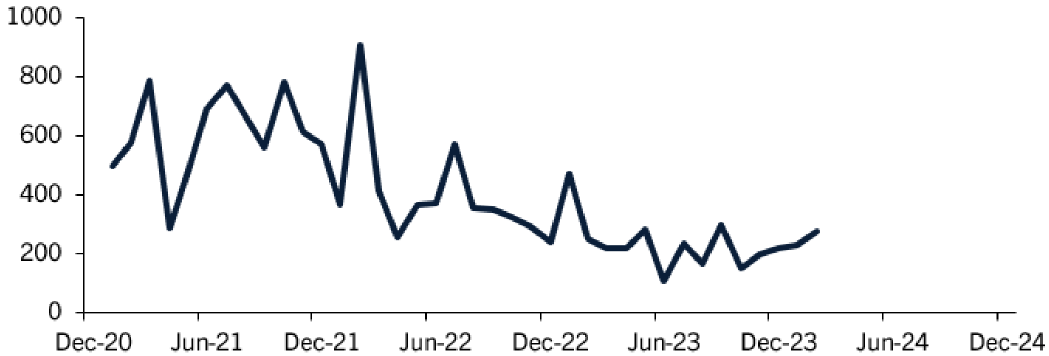
Equity Returns by Sector (%)



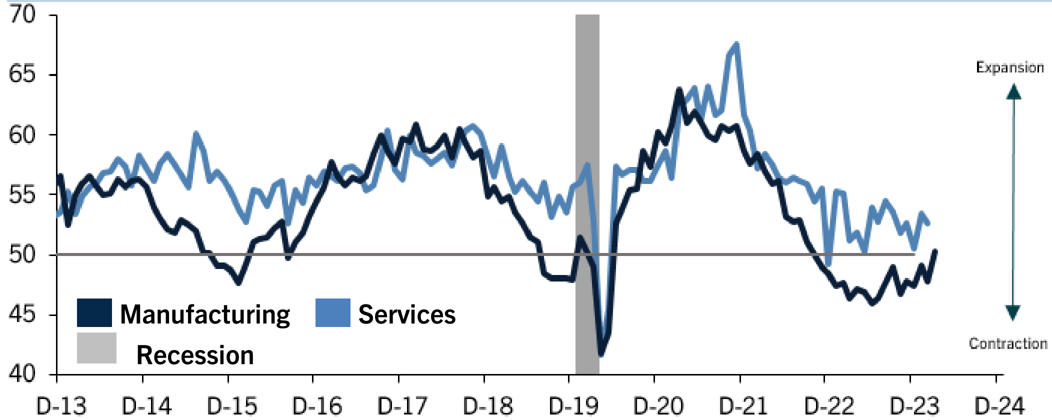
Monthly Commentary Continued

- The non-farm payroll report for February showed a healthy gain of 275,000 jobs, but the prior two-month revisions were -167,000. Average hourly earnings were up by just 0.1%, or 4.3% year-over-year, which should be viewed favorably by the Fed.
- The closely-watched ISM reports still point to growth: the ISM Services report for February remained in expansionary territory at 52.6, while the ISM Manufacturing report for March (released on April 1) printed at 50.3, the first time above 50 since September 2022.
- A historic rate hike took place in March by the Bank of Japan: the last official negative interest rate in the world was raised into positive territory. Japan's benchmark interest rate was raised to a range of 0 to 0.1%. The BoJ has finally reached a comfort level with its inflation prospects; market reaction in the U.S. was muted, but ramifications may be felt in the future if demand for U.S. bonds is diminished.
- During March, both small stocks (Russell 2000 index) and developed international outperformed the S&P 500 index, indicating greater breadth. While the Technology sector has garnered much attention for its outperformance in recent quarters, the tech -heavy Nasdaq index lagged all the other major market indices in March.
- Within the S&P 500 Index, Nvidia, Alphabet, and Microsoft were the top three contributors to return for the month. Apple, Tesla, and Adobe were the biggest detractors in March.

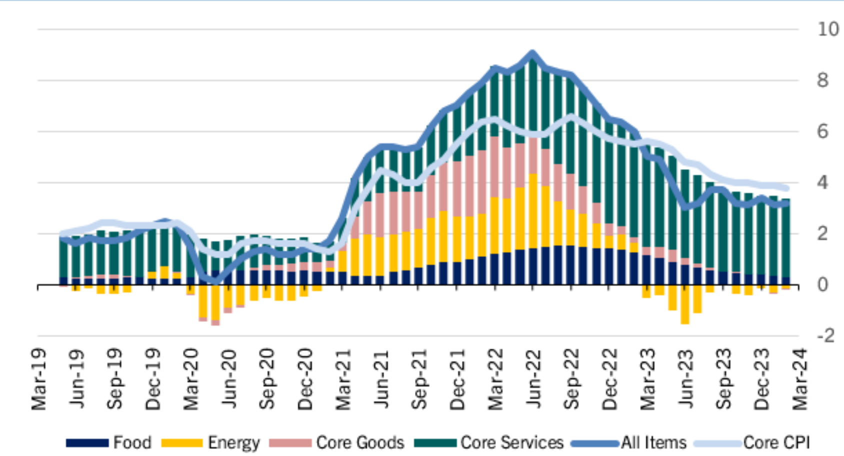
Non-Farm Payrolls (Thousands)



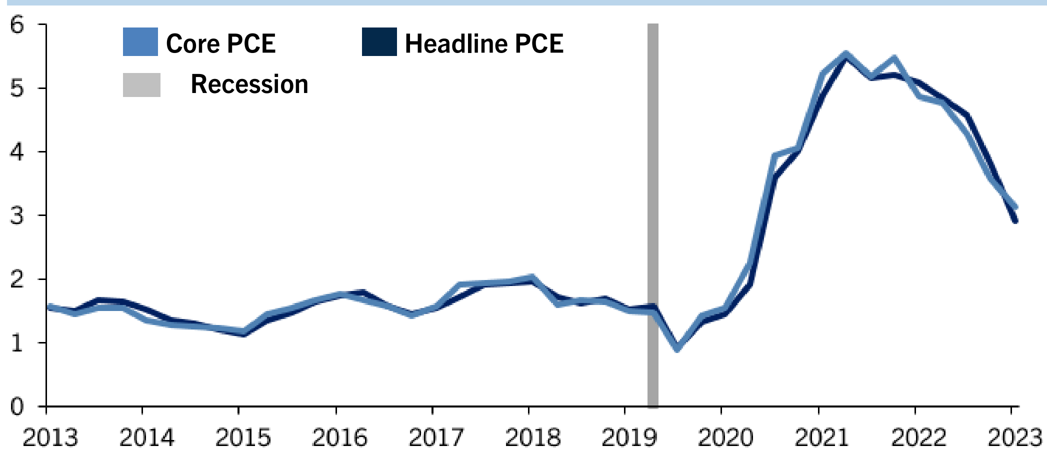
ISM Manufacturing and Services



Contributions to US CPI YoY (%)



PCE Inflation (%)



Disclosures

Firm Definition and Contact Information

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Index Definitions

The S&P 500 (S&P 500) Total Return is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends.

MSCI EAFE Total Return Net is the Morgan Stanley Capital International Europe, Australia, and Far East index that is a market-capitalization-weighted index of 21 non-U.S. industrialized country indexes. The index includes net dividends reinvested minus-tax-credit calculations, but subtracts withholding taxes retained at the source for foreigners who do not benefit from a double taxation treaty.

The MSCI Emerging Markets (MSCI EM) Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD (Municipal Bond Index) covers the US-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The Bloomberg Intermediate U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market with less than 10 years to maturity. The securitized sector includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The federal funds rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight. When a depository institution has surplus balances in its reserve account, it lends to other banks in need of larger balances. In simpler terms, a bank with excess cash, which is often referred to as liquidity, will lend to another bank that needs to quickly raise liquidity. (1) The rate that the borrowing institution pays to the lending institution is determined between the two banks; the weighted average rate for all of these types of negotiations is called the effective federal funds rate.(2) The effective federal funds rate is essentially determined by the market but is influenced by the Federal Reserve through open market operations to reach the federal funds rate target. All Key Rates and Returns by Index are quoted out of Bloomberg.

The CPI Index represents changes in prices of all goods and services purchases for consumption by urban households. Retail Gas Prices are provided by AAA using data from up to 120,000 retail stations. West Texas Intermediate (WTI) crude oil is a specific grade of crude oil and one of the main three benchmarks in oil pricing, along with Brent and Dubai Crude.

Equity Returns by Sector are based on the GICS methodology. Return data are calculated by Bloomberg using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Chart Definitions

The Services and Manufacturing PMI from the Institute for Supply Management (ISM) is a composite index based on the diffusion indexes for four of the indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries. The Manufacturing PMI is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries, and Inventories (seasonally adjusted). Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. Supplier Deliveries is an exception. A Supplier Deliveries Index above 50 percent indicates slower deliveries and below 50 percent indicates faster deliveries.

The PCE Price Index Excluding Food and Energy, also known as the core PCE price index, is released as part of the monthly Personal Income and Outlays report. The core index makes it easier to see the underlying inflation trend by excluding two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices. The core PCE price index is closely watched by the Federal Reserve as it conducts monetary policy. The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States. Quarterly and annual data are included in the GDP release.

Disclosures

Total Nonfarm, commonly known as Total Nonfarm Payroll, is a measure of the number of U.S. workers in the economy that excludes proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed. This measure accounts for approximately 80 percent of the workers who contribute to Gross Domestic Product (GDP).

The diffusion non-farm payrolls chart are based on the percent of industries with employment increasing plus one-half the industries unchanged employment, where 50% indicates an equal balance between industries with increasing and decreasing employment.

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