MARKET UPDATE

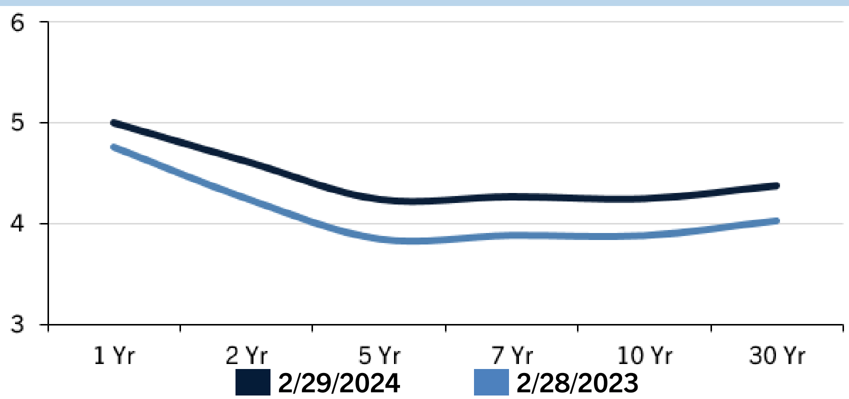
as of 2/29/2024

Monthly Commentary

The Month In Review

- Bond yields increased markedly in February due in part to the January inflation report which showed a higher increase than expected. The closely-watched core services ex-shelter reading of 0.70% was the highest since September of 2022 and double the December result.
- The strength of this report confirms the FOMC statement of January 31 which stated that the Fed does not see cuts until it is more confident that inflation is nearing 2%. This statement was widely interpreted as hawkish and the January inflation report corroborated that interpretation.
- The economic strength still evident across many indicators suggests the Fed is correct in pushing off the timing of the first rate cut. The strong January labor report (353K jobs added) was accompanied by healthy revisions to the prior two months. That said, the annual revisions embedded in the January nonfarm payroll report may still be distorted by the pandemic years, so the strength could be overstated.
- As the year began, we were skeptical that the huge move lower in yields could be sustained so we view this pullback as both rational and prudent in light of a Fed that seeks to move cautiously.
- Equity market performance was strong in February despite the pullback in bond yields. Earnings from the S&P 500 index proved better than expected, helping drive the index to a new high.

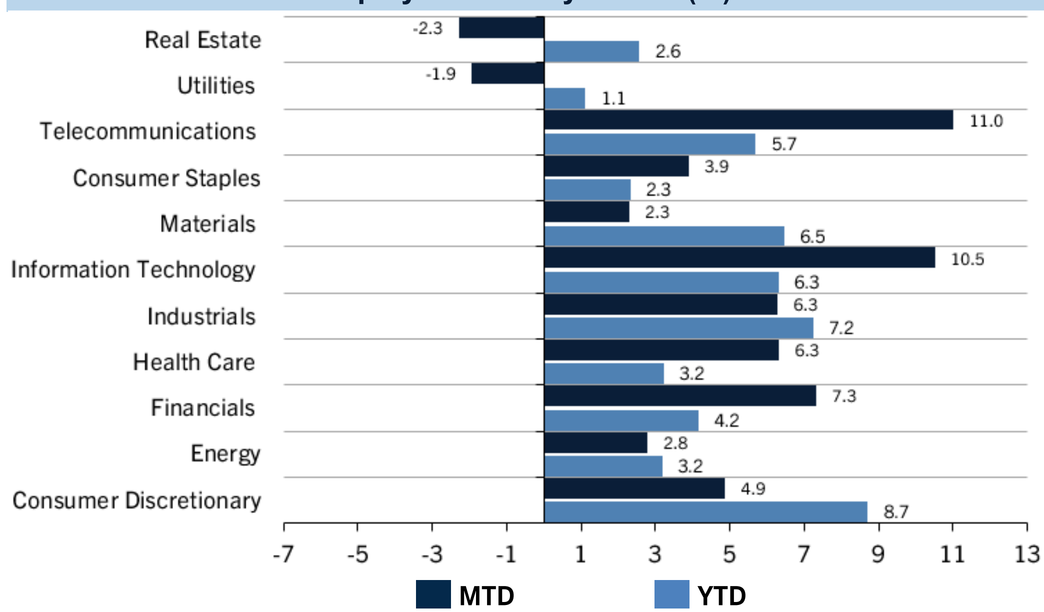
Yield Curve (%)



Key Rates (%)	Feb-24	1 Year Ago	2 Years Ago
Fed Funds Rate	5.50	4.75	0.25
2-Yr U.S. Treasury	4.62	4.88	1.34
10-Yr U.S. Treasury	4.25	3.99	1.73
30-Yr Fixed Mortgage	7.30	7.03	4.30

Index Returns (%)	Feb-24	YTD	1 Year	3 Year Ann.
S&P 500	5.34	7.11	30.45	11.91
MSCI EAFE	1.83	2.42	14.41	4.45
MSCI EM	4.76	-0.11	8.73	-6.30
Bloomberg Int. U.S. Aggregate	-1.19	-1.19	3.69	-2.14
Bloomberg Municipal Bond	0.13	-0.38	5.42	-0.21

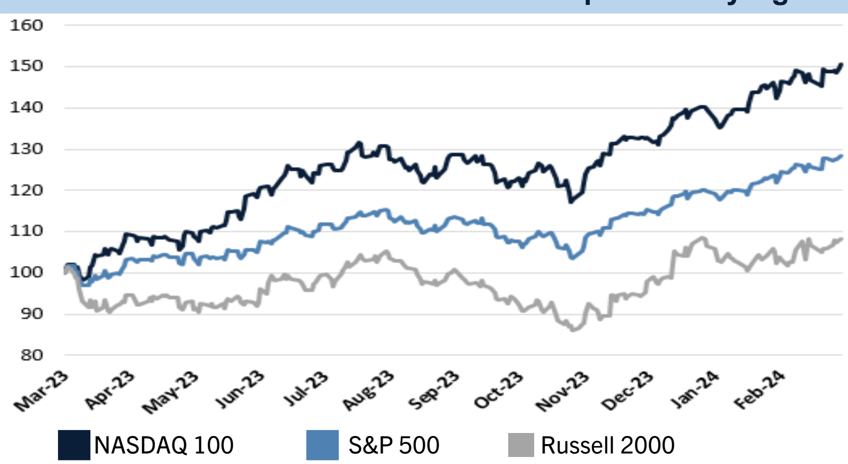
Equity Returns by Sector (%)



Monthly Commentary Continued

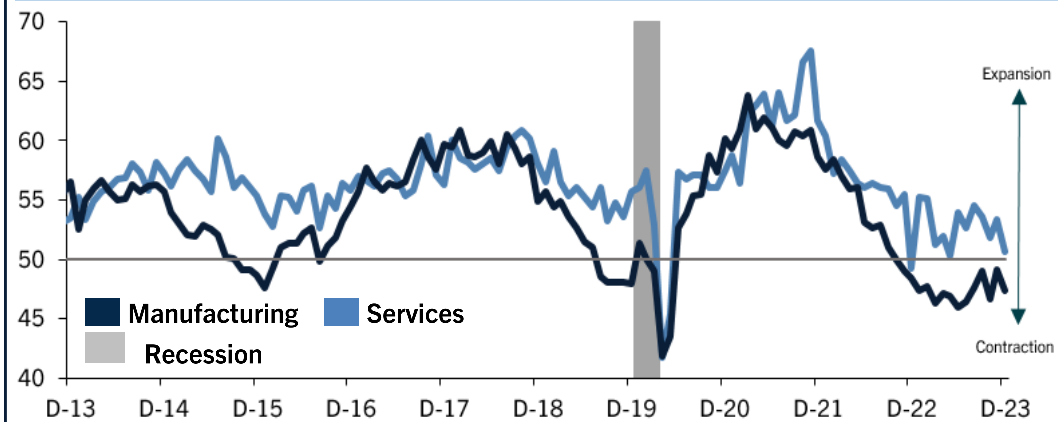
- Corporate bonds have been performing well as demand from investors for the attractive absolute yields available in the corporate sector has been quite strong.
- Numerous equity indices hit new highs in February including the Nasdaq composite, the S&P 500, Japan's Nikkei, and Germany's DAX. The S&P 500 equal-weighted index was up by 4.16%, an encouraging signal that the market's gains are gaining breadth. Importantly, the Russell 2000 index of small company stocks outperformed the S&P 500, 5.65% vs. 5.34%.
- The best-performing sector within the S&P 500 was the Discretionary sector, another sign that investors are increasingly confident in a soft landing.
- The top three contributors to return for the S&P 500 were Nvidia Corp., Meta Platforms, Inc., and Amazon.com, Inc., whereas Apple, Inc. and Amgen, Inc. were the biggest detractors.
- To close February, the S&P 500 had just under 13% (12.72%) of its constituents putting in new 52 week highs.

Chart of the Month—Credit Card Delinquencies by Age

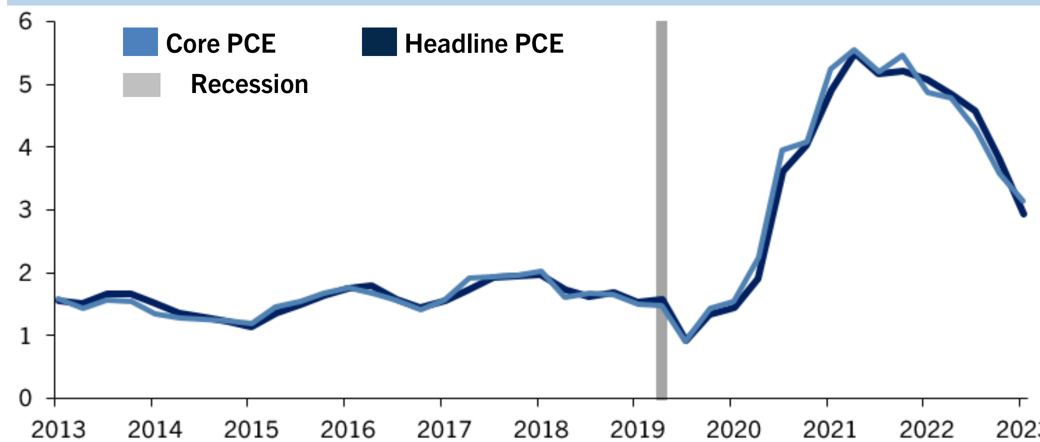


Non-Farm Payrolls (Thousands)

ISM Manufacturing and Services



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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www.maplecapital.com
535 Stone Cutters Way, Montpelier, VT 05602 Toll Free: 800.255.9946