

Index Name	QTD Return	YTD Return
Dow Jones Industrial Average	6.14%	6.14%
S&P 500 (Large Co. index)	10.56%	10.56%
Russell 2000 (Small Co. index)	5.18%	5.18%
MSCI EAFE (Int'l Equity index)	5.78%	5.78%
Bloomberg U.S. Aggregate Bond	-0.78%	-0.78%

Market Commentary

The first quarter of 2024 was mostly a continuation of the market rally in stocks. The S&P 500 returned 11% for the quarter. International markets were up less than U.S. counterparts, with Developed Market stocks up 6%. Small Cap U.S. equities underperformed Large Cap U.S. equities, with small caps up 5%. Real Estate Investment Trusts (“REITs”) actually fell during the quarter, and ended down 1%. Bonds also fell modestly during the quarter, with the Bloomberg U.S. Aggregate down nearly 1%, given a slight backup in rates.

All signs point to the Fed being done raising interest rates in this business cycle. The Fed’s most recent Summary of Economic Projections (“SEP”) indicated that the median member of the Federal Open Market Committee (“FOMC”) anticipates 75 basis points of interest rate cuts in 2024. The market probabilities indicated 150 basis points of interest rate cuts in 2024 at the beginning of the year. The market probabilities have since moved to a 50 basis point rate cut expectation. Recently the market has been weighing the possibility of rates remaining higher in 2024, given the slowing of the trend towards lower inflation.

In 2024, a shallow economic recession remains our base case. The market consensus is for a soft landing by the Fed, where we avoid a recession and inflation continues to come down to the Fed’s 2% target. While a soft landing is possible, we still believe the economic and market backdrops point to a more conservative posture and muted expectation for 2024. Even if the Fed is able to engineer a “soft landing”, in our view the equity upside is limited due to slow earnings growth and higher than average market valuations.

Market Highlights

- For YTD 2024, MBF portfolios performed between fixed income markets and equity markets
- In Q1 2024, Large Cap Growth stocks were the leading sub-asset class, up 11%
- 11 out of 11 MBF managers beat their benchmark returns for the trailing 10 year period

Market commentary provided in partnership with Cornerstone Management, Inc.