Special points of interest:

- **Both equity and fixed income markets generally turned in negative performance in the month while commodities were mixed.**
- **Our economy created fewer jobs than expected in the month, renewing recession fears.**
- **Evidence of economic softening seems to be growing, even as some signs of resilience are present.**
- **Best case for 2024 now is two interest rate cuts starting in September.**

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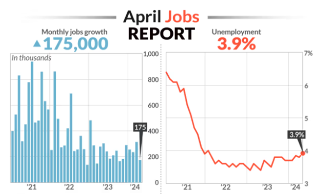
April 2024 Market Update

The Markets in April 2024

The month of April felt like a Clint Eastwood movie—specifically, The Good, the Bad, and the Ugly. The good news is that corporate earnings are generally coming in stronger than feared, especially in the tech space. The bad news is GDP growth is slowing down, renewing fears of a recession on the horizon. And the ugly news continues to be persistent inflation above the Fed's target.

In the markets, the Dow Jones Industrial average dropped 5% in the month while the S&P500 index fell 4.2% and the Nasdaq lost 4.4%. Commodities were mixed. Oil prices were lower by



1.5% while gold prices increased 3.3%. The yield on the 10—year Treasury Note rose from 4.206% at the end of March to 4.686% by the end of April.

According to the Labor Department, the economy created just 175k new jobs in April, a six-month low. Economists had forecast 240k new jobs last month. Additionally, the unemployment rate rose slightly to 3.9% from 3.8% the prior month. This may be the start of the long-predicted slowdown in hiring as a result of the Fed's multi-point rate increase campaign and could also provide support for eventual rate cuts later this year. Meanwhile, wages increased modestly by 0.2% and 3.9% over the past 12 months, down from 4.1% previously (and the lowest level in 3 years).

Are we approaching a recession? While most economic metrics point to 'not yet', some are flashing warning signals.

A Look Ahead

At the risk of sounding like a broken record here, Fed rate cuts continue to be the subject of wild speculation in markets, predicated on whether the economy and inflation are still roaring or finally turning a corner. On that point, I believe that the evidence is tilting towards transition. As above, hiring is slowing down and consumer-oriented companies (fast food restaurants, coffee shops, etc) are citing growing consumer caution in their earnings. Collectively, we have finally burned through all of our built-up, pandemic-era savings. Further, April's monthly survey from the Institute for Supply Management shows service-sector activity falling to contraction levels for the first time in 15 months, even as manufacturing improves somewhat. K-shaped economy, for sure! At the moment, the Fed is on hold and I suspect that we need to see several additional softening inflation data points—which I do think will come—before we will actually get rate cuts. To me, best case now for 2024 is two rate cuts starting in September. Ironically, the worse things start to look on the economic front, the better chances that we get those cuts sooner.

Disclaimers:

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