

Weekly Market Recap

April 29, 2024

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500® Index	5,100	2.7%	6.9%
Dow Jones Industrial Average	38,240	0.7%	1.5%
NASDAQ	15,928	4.2%	6.1%
Russell 2000® Index	2,002	2.8%	-1.2%
MSCI EAFE Index	2,266	1.3%	1.3%
Ten-Year Treasury Yield	4.67%	0.1%	0.8%
Oil WTI ¹ (\$/bbl ²)	\$83.65	1.7%	16.7%
Bonds ³	\$95.33	-0.1%	-3.3%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

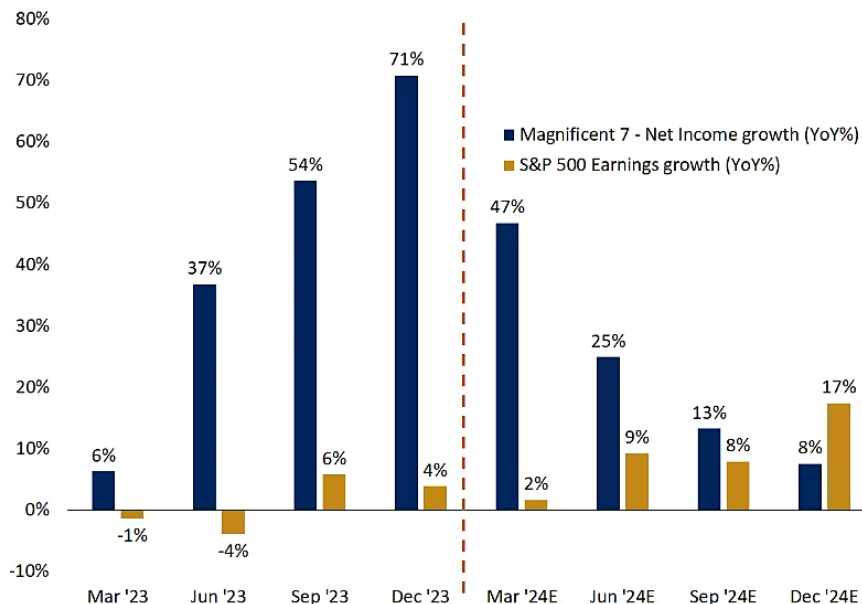
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +2.7% as corporate earnings were generally well received. The blended earnings growth rate of 3.5% for S&P 500 companies is near analyst expectations from the end of the quarter (158 of the S&P 500 companies have reported earnings thus far). Friday's personal consumption expenditures (PCE) report for March was right in-line with analyst expectations, which seemed to soothe some inflation fears. The futures market is now pricing in only one rate cut from the Federal Reserve (Fed) by the end of 2024, with a second cut in March 2025. April flash Purchasing Managers' Index (PMI) came in broadly below analyst expectations, which reflected a reduction in orders for the first time in six months, in addition to companies scaling back employment for the first time in nearly four years. The 10-year Treasury yield rose to 4.67% from 4.62%. Gold fell -2.8% while WTI crude rose +1.7%.
- S&P 500 Index Sector Returns:
 - Technology (+5.1%) rose, led by semiconductor stocks and software stocks.
 - Consumer discretionary (+3.5%) rose, led by travel stocks.
 - Communication services (+2.7%) rose, led by traditional media.
 - Industrials (+1.8%) rose, led by transports and logistics stocks, and partially offset by weakness from aerospace and defense.
 - Real Estate (+1.6%) rose, led by data centers, offices, and apartments.
 - Consumer staples (+1.5%), utilities (+1.9%), and healthcare (+0.8) underperformed, as investors favored less-defensive stocks.
 - Financials (+1.1%) rose, led by fintech and the banks.
 - Energy (+0.7%) rose, as the price of WTI rose +1.7%.
 - Materials (+0.7%) rose, led by precious metals and chemical companies.

- The Magnificent 7 (M7) stocks have outperformed the S&P 493 as the M7 generated significantly stronger earnings growth relative to the rest of the U.S. market. However, Edward Jones expects the S&P 493 stocks to close the earnings gap by the end of 2024, which may contribute to a broadening out of equity returns.

Earnings outperformance between mega-cap tech and the rest of the market will likely start to narrow

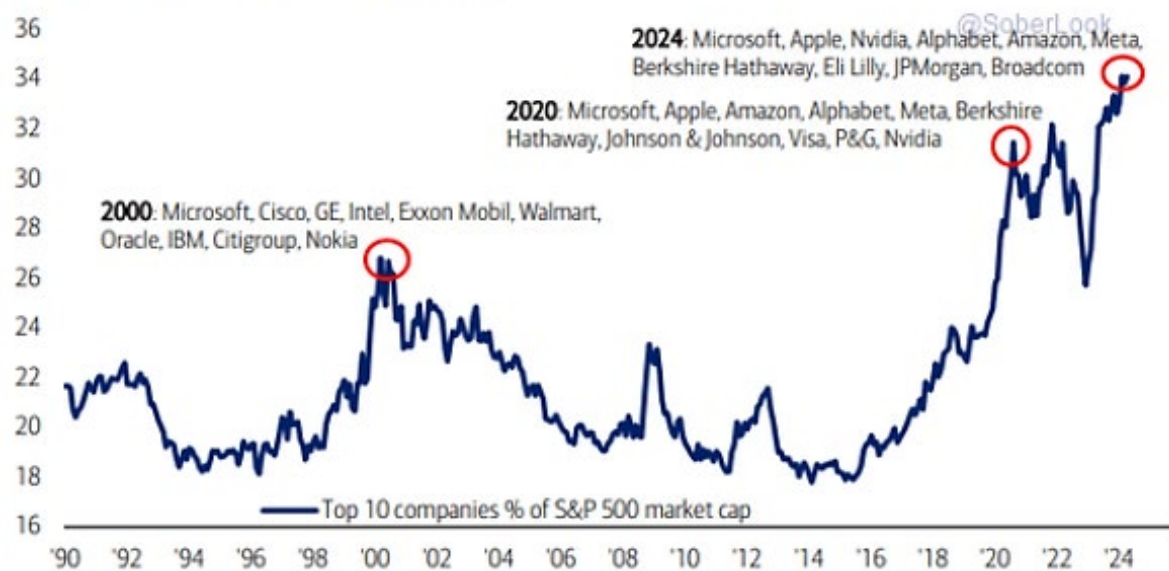


The M7 refers to a group of high-performing U.S. stocks in the S&P 500 Index comprised of Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla. The S&P 493 is an abbreviation for the S&P 500 Index minus the M7 and is not an official index. Sources: FactSet; Edward Jones.

- The U.S. equity market remains quite concentrated in the top ten stocks of the S&P 500 Index. Historically, peak levels of concentration led to 3-5+ years of a reduction in concentration.

Chart 2: "Anything But Bonds" bull = "long monopolies, short leverage"

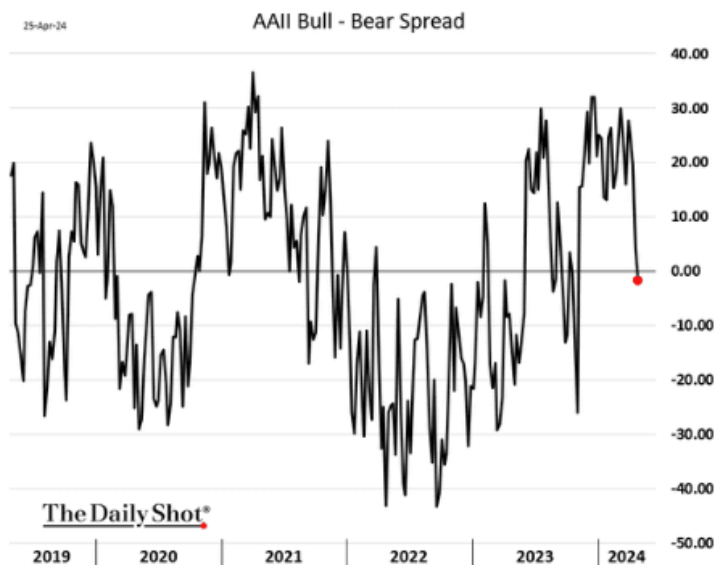
Top 10 companies % of S&P 500 market cap



Sources: Bank of America; Bloomberg L.P.; The Daily Shot.

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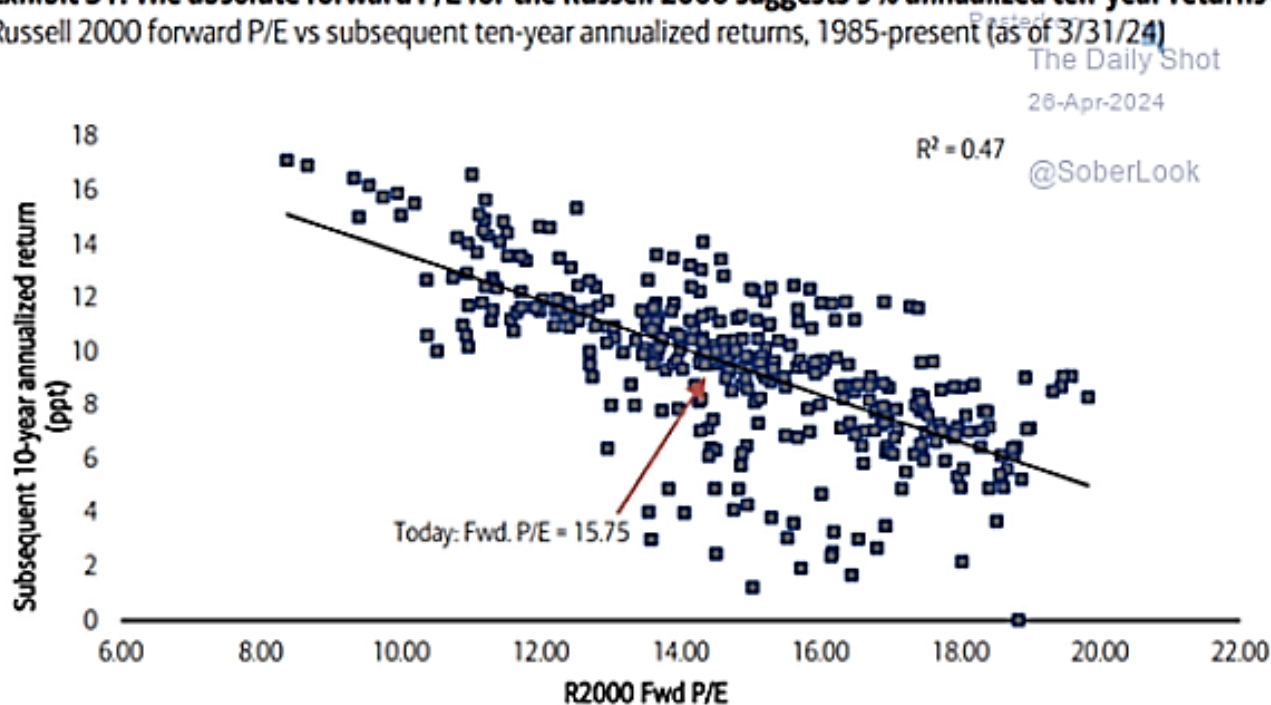
- Retail investors appear to be bearish as the American Association of Individual Investors' (AAII) bull-bear spread (positive/negative spread implies investors are bullish/bearish about the market) dipped into negative territory for the first time in 2024. The AII bull-bear spread is often considered a contrarian indicator, which may suggest that the market tends to move against the sentiment of investors (i.e., AII bull-bear spread is negative, contrarian investors will expect a market uptrend).



Y axis is level of AII Bull-Bear Spread (positive implies retail investors are more bullish than bearish). Sources: Edward Jones; Bloomberg L.P.

- At the current valuations of the Russell 2000 Index, U.S. small caps could generate a 9.0% annualized return over the next ten years based on research from Bank of America.

Exhibit 31: The absolute forward P/E for the Russell 2000 suggests 9% annualized ten-year returns
 Russell 2000 forward P/E vs subsequent ten-year annualized returns, 1985-present (as of 3/31/24)

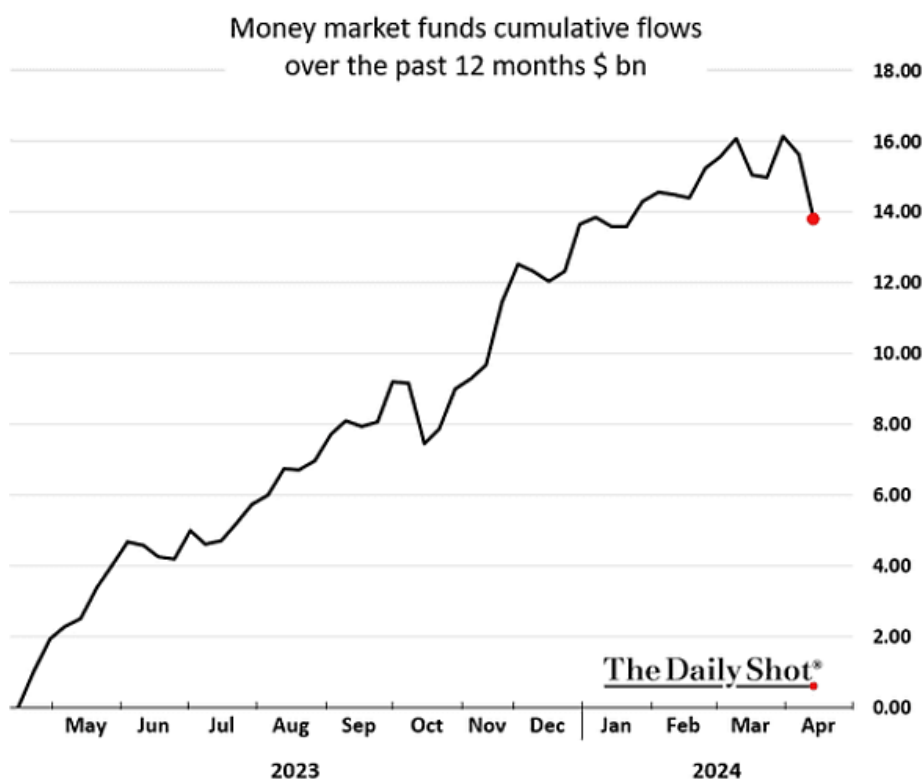


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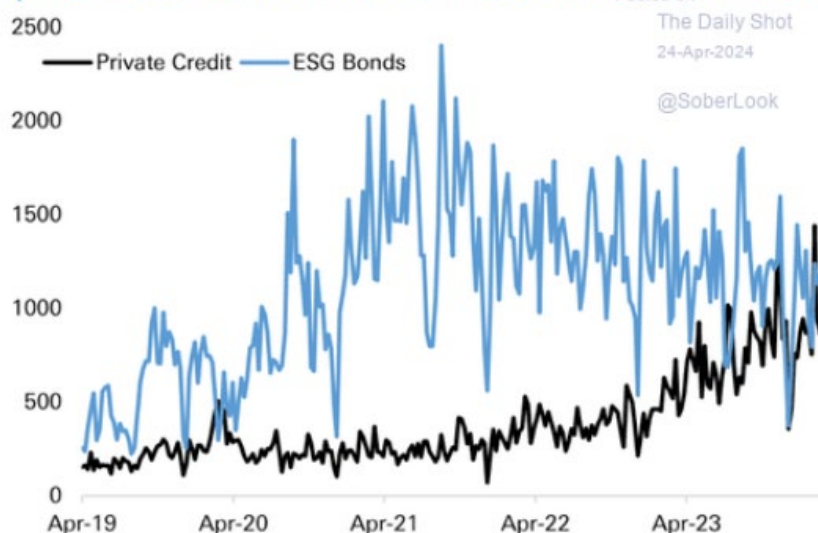
Fixed Income Markets

- Money market funds are now experiencing redemptions. Where is cash going?



- News items in the fixed income market has shifted from a focus on environmental, social, and governance (ESG) bonds to private credit.

Weekly news items on ESG Bonds and Private Credit



Y axis is weekly news items. Sources: Bloomberg L.P.; Deutsche Bank Research; The Daily Shot. **ESG Risk:** The use of ESG factors could result in selling or avoiding investments that subsequently perform well or purchasing investments that subsequently underperform. As a result, strategies that take ESG factors into account could underperform similar strategies that do not take into account ESG factors.

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U.S. Economic and Political News

- Thursday's Q1 gross domestic product (GDP) sparked a good amount of "stagflation" commentary (generated from slow growth and elevated inflation) from economists given slower-than-expected growth and higher core PCE (inflation metric) for the quarter.
- There was an uptick in the consumer's one- and five-year inflation expectations in Friday's final University of Michigan Consumer Sentiment Index for April.

International Markets and News

- European markets (STOXX 600 Index) rose +1.7% as an easing of Middle East tensions and solid corporate earnings results boosted sentiment for equities, despite hawkish comments from a few European Central Bank (ECB) officials who seemed to push back against the narrative for the ECB to cut rates in June.
- The Chinese stock market (Shanghai Composite) rose +0.8% as China reported Q1 GDP growth of 5.3%, and 15 economists surveyed by Bloomberg raised China's 2024 GDP growth expectations to 4.8% from 4.6%.
- Japanese equities (Nikkei 225 Index) rose +2.3% as the Bank of Japan refrained from making changes to its accommodative monetary policy at its April meeting.

This Week:

- The volume of corporate earnings reports will be high this week.
- Economic data:
 - Monday: Limited U.S. data;
 - Tuesday: Employment Cost Index, Federal Housing Finance Agency (FHFA) House Price Index, Chicago PMI, Consumer Confidence, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Federal Open Market Committee (FOMC) Meeting, Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Automatic Data Processing (ADP) Employment Report, Construction Spending, Institute for Supply Management (ISM) Manufacturing Index, Markit Manufacturing PMI, Job Openings and Labor Turnover Survey (JOLTS), U.S. Department of Energy (DOE) Crude Inventories;
 - Thursday: Challenger Job Cuts, Unit Labor Costs (preliminary), Productivity (preliminary), Factory Orders, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories, Trade Balance;
 - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, ISM Non-Manufacturing Index, N.Y. Fed President Speaking Event.

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **American Association of Individual Investors' (AAII) bull-bear spread** represents the percentage of AAIL's member investors who are bullish about the market's direction over the coming 6 months less the percentage who are bearish. A **futures market** is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States. The survey is conducted by the University of Michigan and is based on telephone interviews that gather information on consumer expectations for the economy. A **money market fund** is a kind of mutual fund that invests in highly liquid, near-term instruments. These instruments include cash, cash equivalent securities, and high-credit-rating, debt-based securities with a short-term maturity (such as U.S. Treasuries). **Personal consumption expenditures (PCE)**, also known as consumer spending, is a measure of the spending on goods and services by people of the United States. **The price-to-earnings (P/E) ratio** measures a company's share price relative to its earnings per share (EPS). Often called the price or earnings multiple, the P/E ratio helps assess the relative value of a company's stock. **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers. **R-squared (R²)** is a statistical measure that represents the proportion of the variance for a dependent variable that's explained by an independent variable in a regression model. (Technical definitions are sourced from Corporate Finance Institute.)

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