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Weekly Market Guide

April finished as the weakest month for equities since last September. The S&P 500 is down -4.5%, Nasdaq Composite -4.8%, and Russell 2000 -7.0% from the end of March. **The negative catalyst has been "sticky" inflation, resulting in a reset of Fed expectations, and higher bond yields.**

Big picture: *We believe the positives outweigh the potential negatives*. The economy is holding up well (buoyed by fiscal stimulus and employment). The undersupplied labor market is resulting in continued job additions, which is supporting economic growth and corporate earnings. Additionally, we view inflation on a downward path, albeit "bumpier" than desired- with the higher inflation due (in part) from economic strength. Over the next year, as inflation comes down, Fed cuts are likely at some point, which will put downward pressure on bond yields and support higher stock valuations. In a soft-landing scenario, we have a fundamental price objective of 5100-5600 for the S&P 500 by year-end. Technically, the S&P 500 remains in a solid intermediate-term uptrend following its breakout to new highs in January (with history suggesting elevated odds of higher prices over the next year). **Overall, we view the current market with a positive lens.**

Short-Term: *Choppy trading may persist for a while*. The S&P 500's oversold bounce was met by resistance at the 50-day moving average (5127). Yesterday's rejection saw the S&P 500 drop -1.6% with 85% down-volume and 4.7x decliners vs. advancers- raising the odds that there may be more to go in price (or time) before the current pullback runs its course. The softening momentum leaves a higher hurdle for appreciable market strength, and we remind investors that pullbacks are often a process. Absent a quick reversal on inflation/Fed action, equities may become more range-bound over the coming weeks (or months). Initial support to monitor includes 4953 (April lows), followed by solid support at 4800 (breakout point to new all-time highs). **All in all, we view the current pullback as normal, believe it is healthy to digest overbought stretches (i.e. 28% S&P 500 climb from October-March), and would use the consolidation phase as opportunity.**

What to watch: With investors re-focusing their attention on inflation and Fed policy, the incoming data will remain highly influential- beginning with today's FOMC announcement. With the market now pricing in only 1 rate cut this year (down from 6 expected in January), it will be interesting to hear the Fed Chair's message and assess the bond market's reaction. Additionally, Friday's April jobs report will provide an update on employment and wages (would like to see a downside surprise in wage growth). Bond yields have regained their inverse influence to equities over the past several weeks, and their uptrend is likely to remain a headwind to stocks (as long as it persists). From a contrarian standpoint, bearish sentiment and low Fed cut expectations leave potential upside on positive surprises.

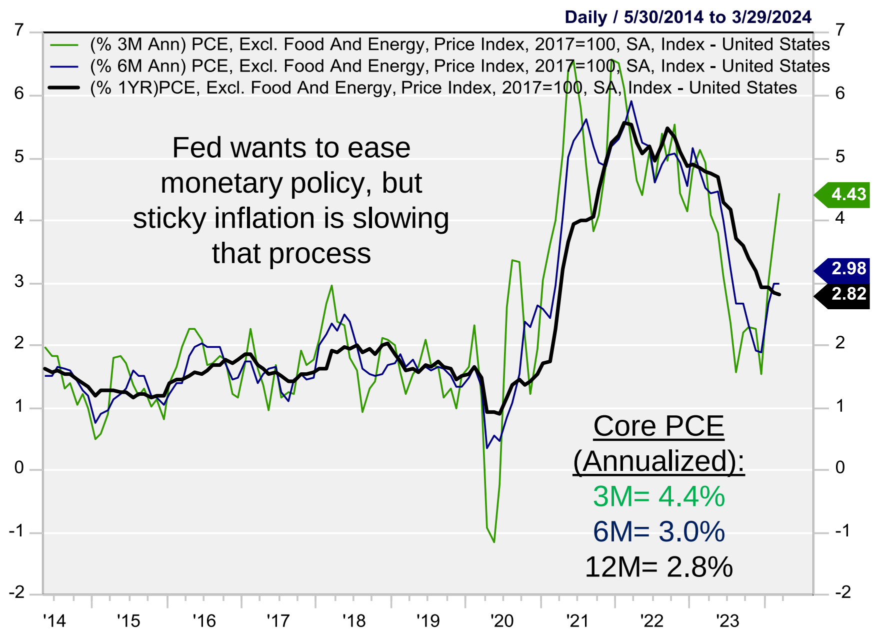
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	0.3%	10.9%
S&P 500	5.6%	20.8%
S&P 500 (Equal-Weighted)	2.1%	10.9%
NASDAQ Composite	4.3%	28.1%
Russell 2000	-2.6%	11.6%
MSCI All-Cap World	4.1%	15.5%
MSCI Developed Markets	2.0%	6.4%
MSCI Emerging Markets	2.2%	7.1%
NYSE Alerian MLP	9.6%	24.5%
MSCI U.S. REIT	-8.4%	-2.5%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	13.0%	9.1%
Energy	11.7%	4.1%
Financials	7.1%	13.1%
Industrials	6.6%	8.8%
Information Technology	6.3%	29.2%
Consumer Staples	5.7%	6.2%
S&P 500	***5.6%***	-
Utilities	5.2%	2.3%
Materials	3.4%	2.4%
Health Care	2.8%	12.3%
Consumer Discretionary	0.2%	10.3%
Real Estate	-10.5%	2.0%

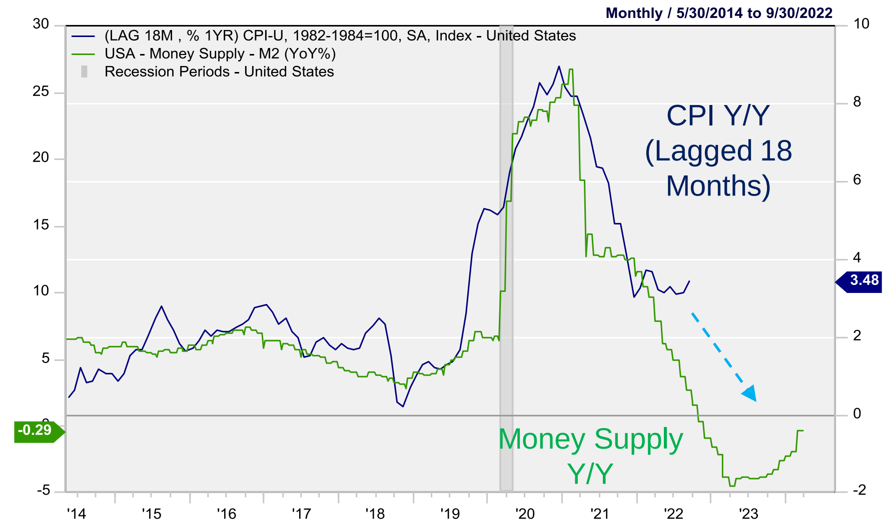
Source: FactSet

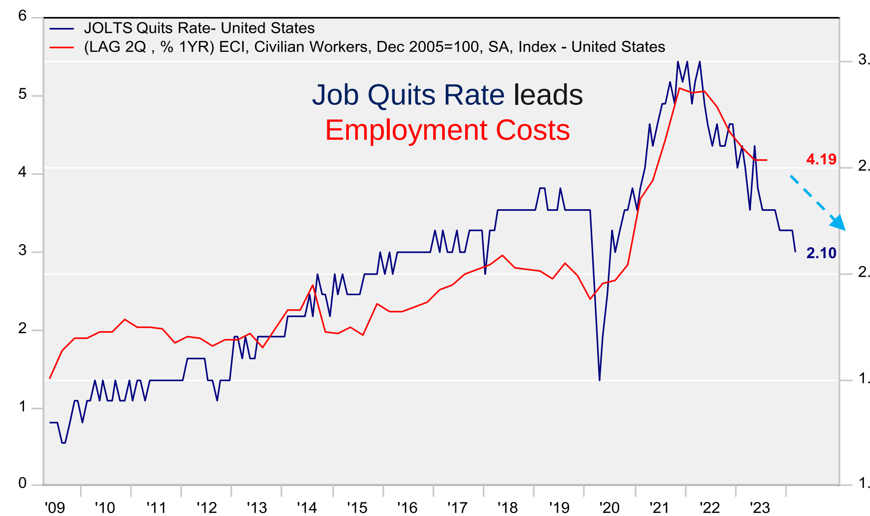
Inflation

Core PCE is the Fed's favored measure of inflation- and while the y/y measure has declined to 2.8%, the 3-month annualized rate has jumped to 4.4%. The Fed wants to ease monetary policy, but "sticky" inflation is slowing that process and justifiably pushing out the timeline of potential Fed rate cuts. We still believe inflation is on a downward path- a view supported by the lagged effects of monetary tightening and the normalizing labor market. As inflation comes down, it will relieve pressure on the Fed, and easier monetary policy will put downward pressure on bond yields and support higher stock valuations. But the recent trend of inflation and market skittishness puts high significance on the upcoming data.



Still believe inflation is on a downward path

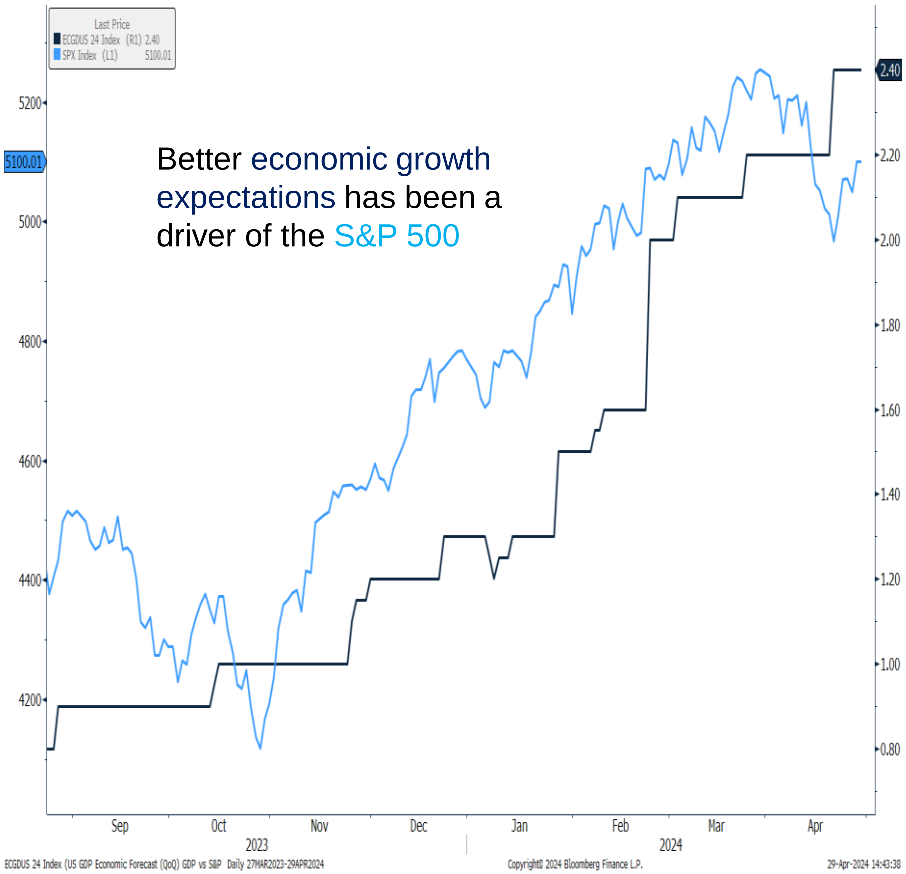


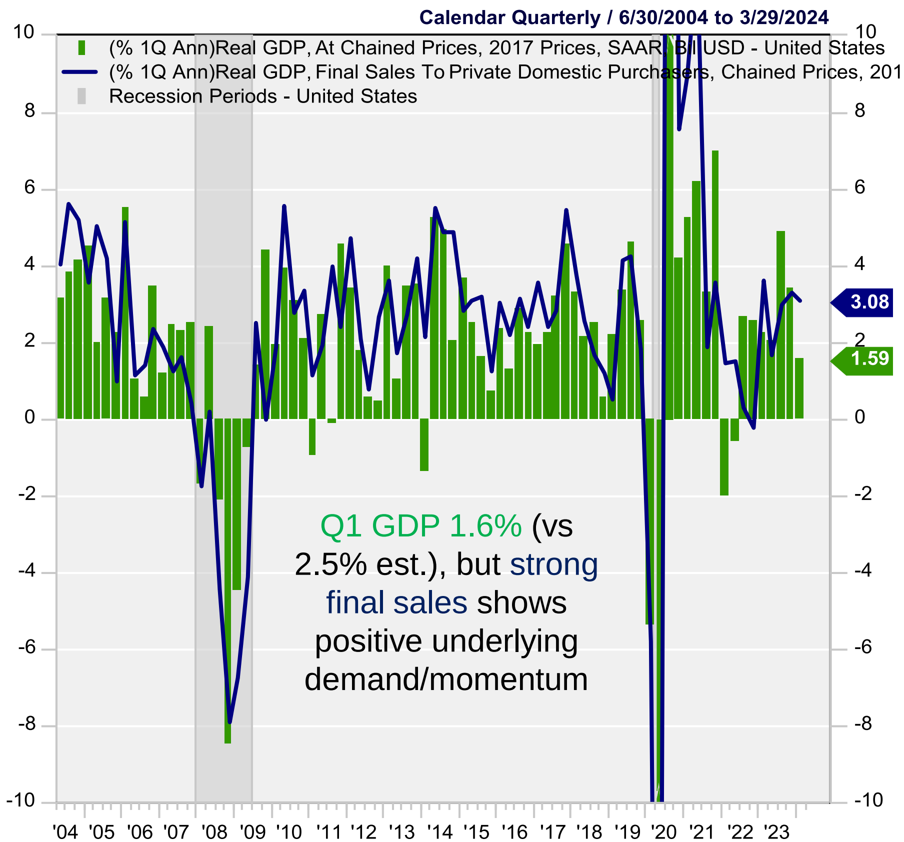


Source: FactSet

Economic Strength

Higher inflation is due (in part) by economic health. While the market has regained focus on inflation and Fed policy, we do view economic strength as supportive of overall equity market trends. Additionally, we received Q1 real GDP last week. The headline was 1.6%, missing estimates of 2.5%; however the underlying data reflects strong demand and economic momentum. For example, final sales to private domestic purchasers (a good gauge of economic demand) rose 3.1% annualized. Moreover, the GDP headline shortfall was primarily due to net exports- exports only rose 0.9% (reflects weak global), while imports rose 7.2% (reflects strong US).

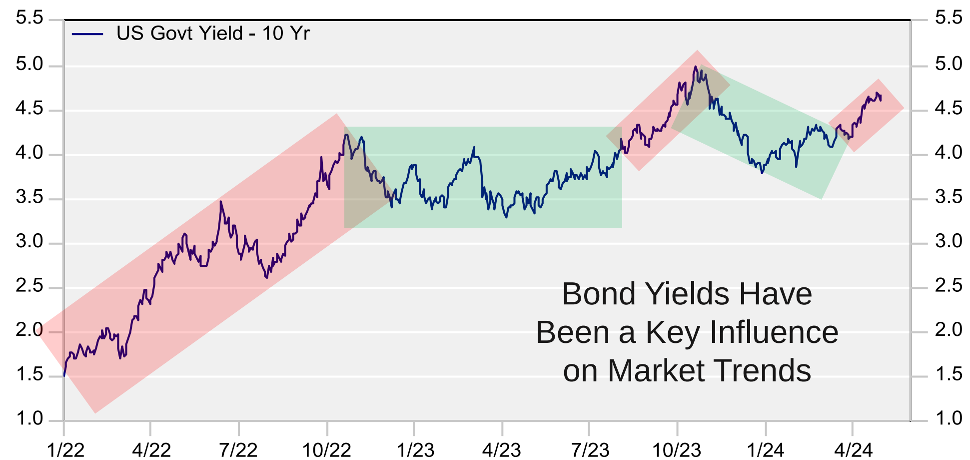




Source: FactSet

Watch Bond Yields

Sticky Q1 inflation has resulted in a reset of Fed expectations and higher bond yields (which have regained their inverse influence to equities). With the market now pricing in only 1 rate cut this year (down from 6 expected in January), it will be interesting to hear the Fed Chair's message and assess the bond market's reaction in the aftermath of today's FOMC announcement. Additionally, Friday's April jobs report will provide an update on employment and wages (would like to see a downside surprise in wage growth). For now, bond yields remain in an uptrend, which is likely to remain a headwind to stocks (as long as it persists). From a contrarian standpoint, bearish sentiment and low Fed cut expectations leave potential upside on positive surprises.

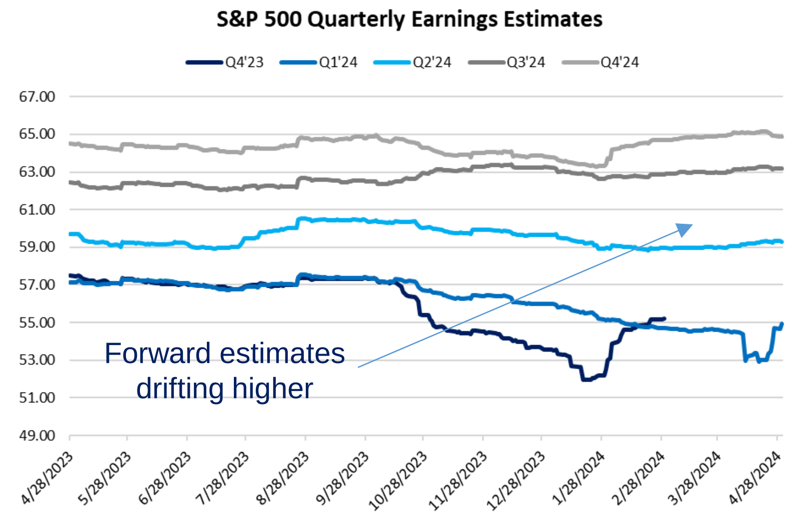


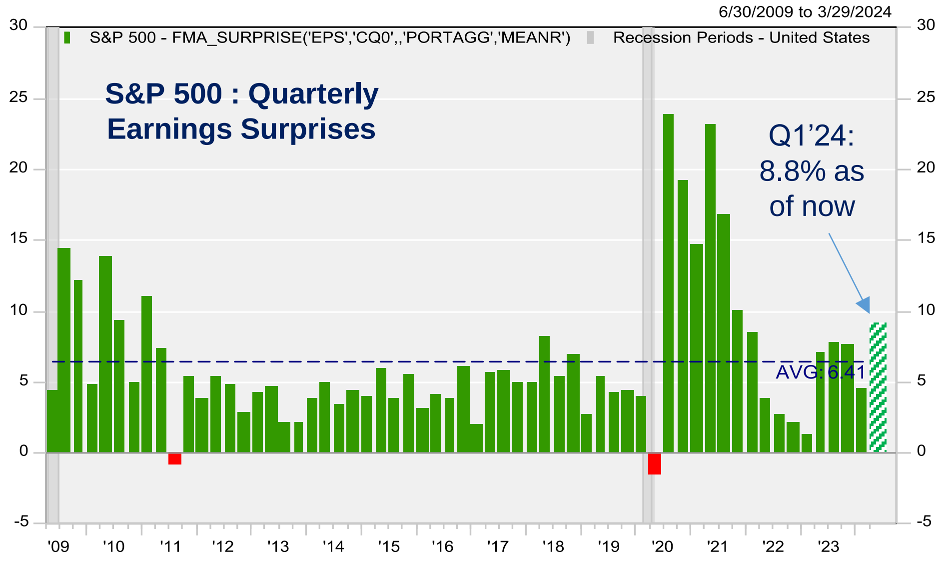
Source: FactSet

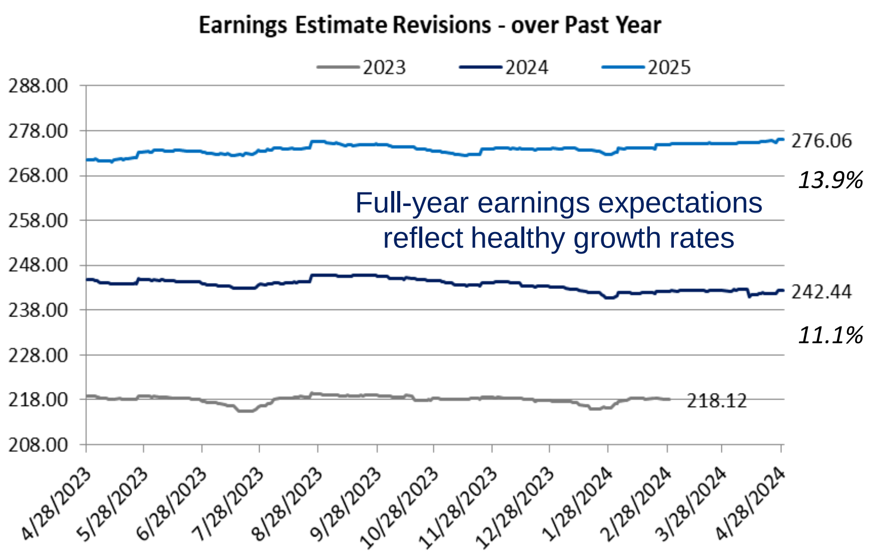
Q1 Earnings Season

60% of Q1 earnings season is in the books. 79% of reporters have beaten estimates by an aggregate 8.8% (above historical averages). It is worth noting that these beat rates came on downward revisions into results, but nonetheless this is a positive surprise. Additionally, forward estimate revisions have drifted slightly higher over recent weeks, which is supporting healthy full-year earnings growth in the outlook (supportive of equity markets). Price reactions have skewed negative with only 42% of stocks trading higher on the day of their results for an average 1-day price reaction of -0.9%.

Beneath the surface, the Tech-oriented companies are putting up an impressive quarter for earnings. The bar was high, but mega-cap Tech continues to deliver fundamental strength (which supports performance trends). The Financials have also been a standout with broadly higher estimate revisions and better performance.







Source: FactSet

Technical: S&P 500

Source: FactSet

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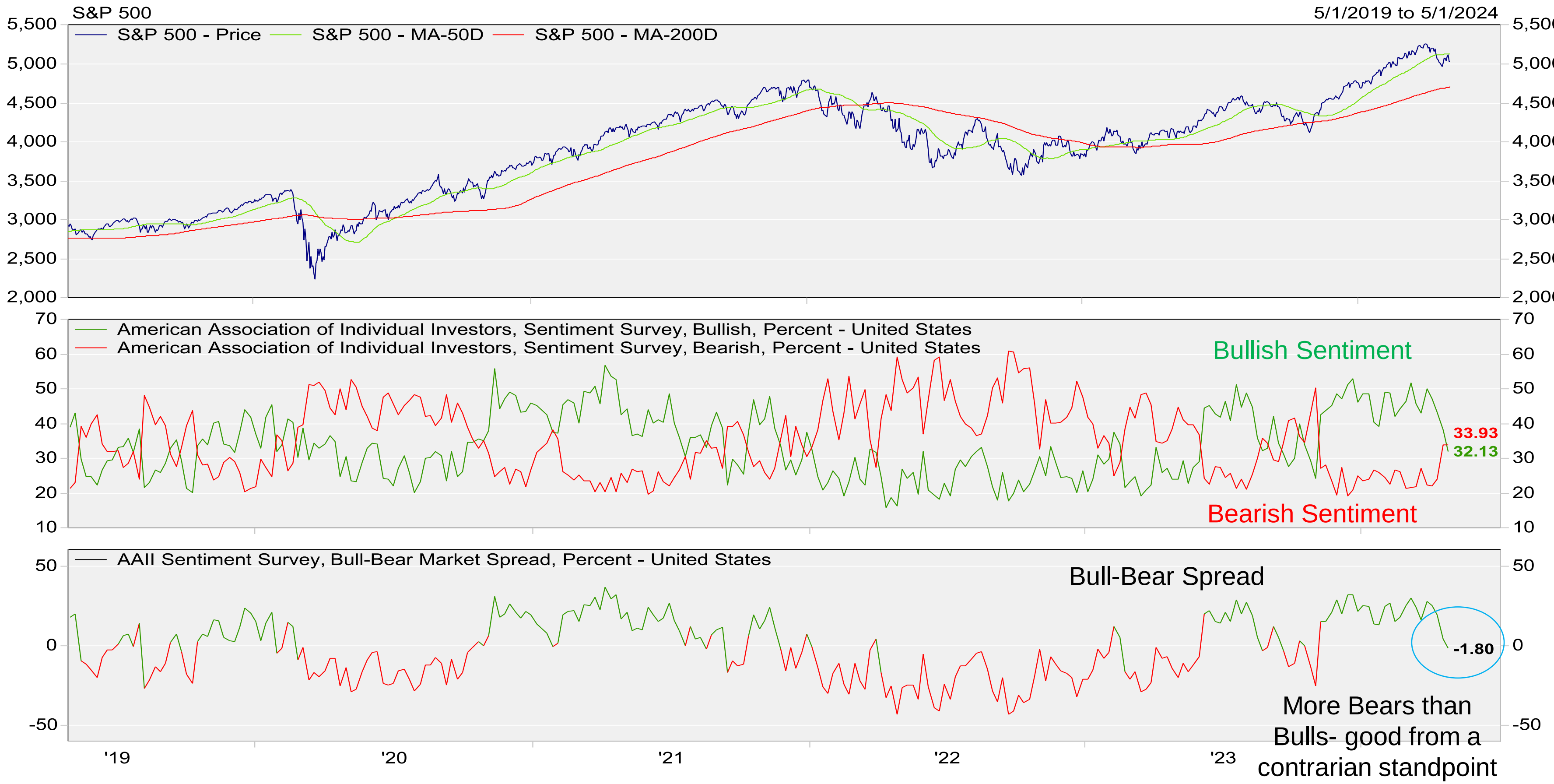
All in all, we view the current pullback as normal, believe it is healthy to digest overbought stretches (i.e. 28% S&P 500 climb from October-March), and would use the consolidation phase as opportunity.

Investor Sentiment

Investor sentiment has become bearish, i.e. more bears than bulls in the AAII Survey. This is good from a contrarian standpoint, as markets like to climb a wall of worry. When sentiment swings bearish, it is usually a headwind in the short-term (i.e. weeks) but often leads to above-average returns over the longer-term (i.e. 12 months). With interest rates elevated and sentiment bearish, the risk/reward is improving in the event of positive surprises on inflation and/or Fed policy.



Source: FactSet

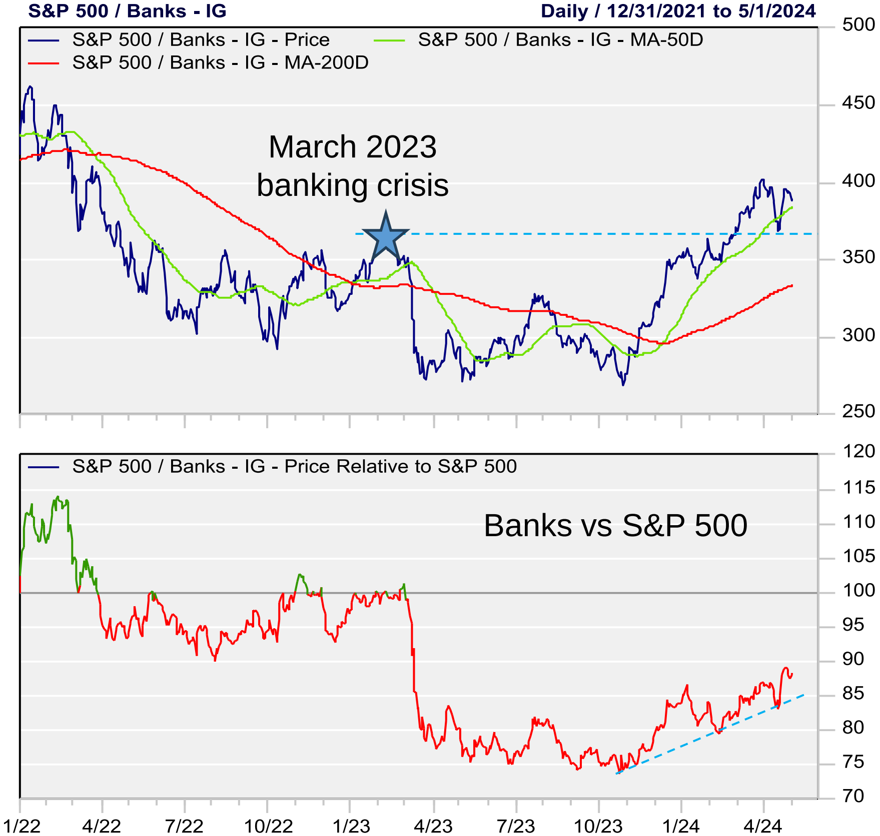
Credit Conditions Have Not Deteriorated

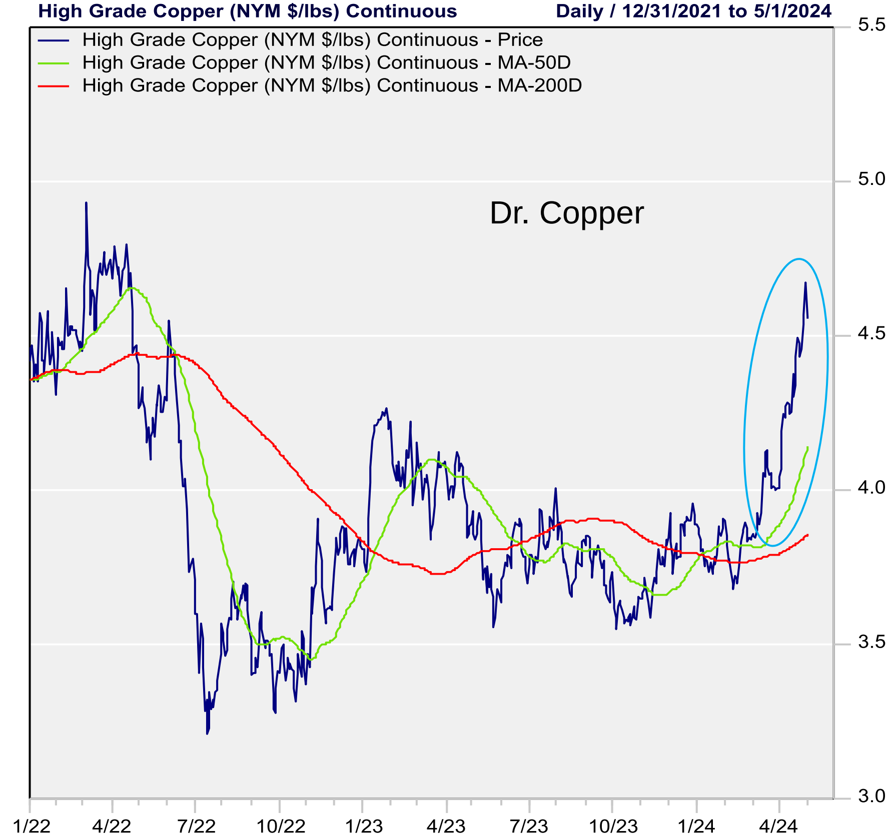
On the positive side of the market ledger, credit conditions have not deteriorated. Credit spreads remain narrow, reflecting a lack of widespread fears from the bond market. We view this as a positive for overall equity market trends.

Source: FactSet

Economic Indicators

Beneath the surface, the banks are exhibiting improved performance trends with prices back above pre-banking crisis levels and relative strength in an uptrend since October. Additionally, this improved performance is coming on improved fundamentals- i.e. the big banks are seeing positive earnings estimate revisions following Q1 results. We view this as a positive signal for the economy and underlying market trends, as well as the recent strength from copper. Copper is often viewed as a gauge of economic health due to its widespread uses, and the commodity's recent upside has been notable.

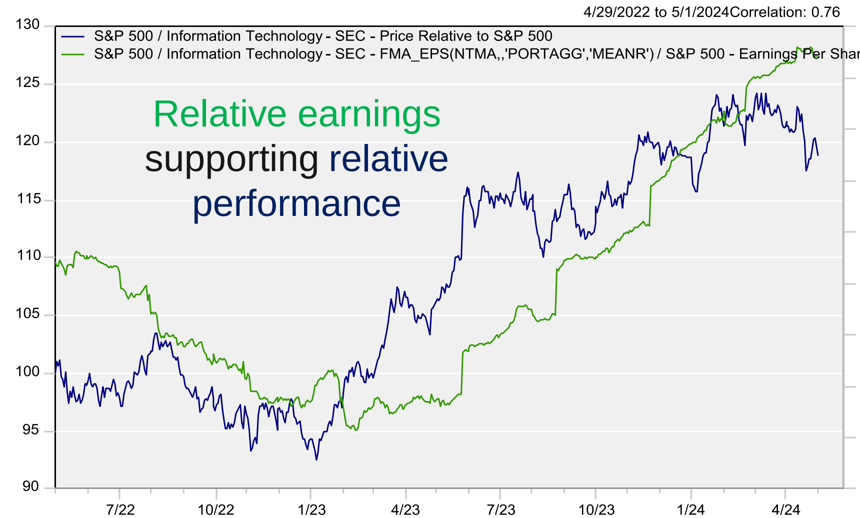


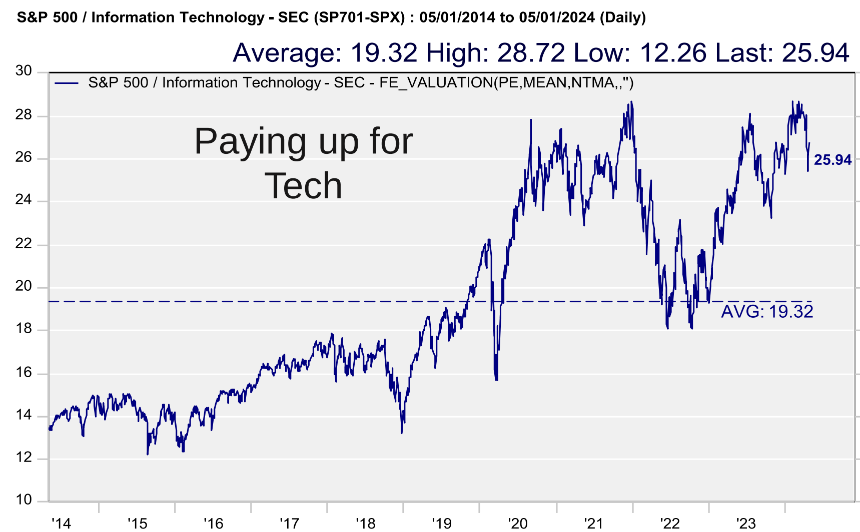


Source: FactSet

Technology

Technology has been the market leader since 2023 began, but the sector has seen a slowdown in momentum recently. For now, we view this as a normal, healthy digestion following its strong up-move from October-March. The intermediate-term trend remains positive, and Q1 results are reaffirming the sector's fundamental strength. Despite a high bar (i.e. elevated valuations), Tech continues to deliver above-market earnings growth and estimate revisions, which is likely to support performance trends.





Source: FactSet (M24-485638)

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.