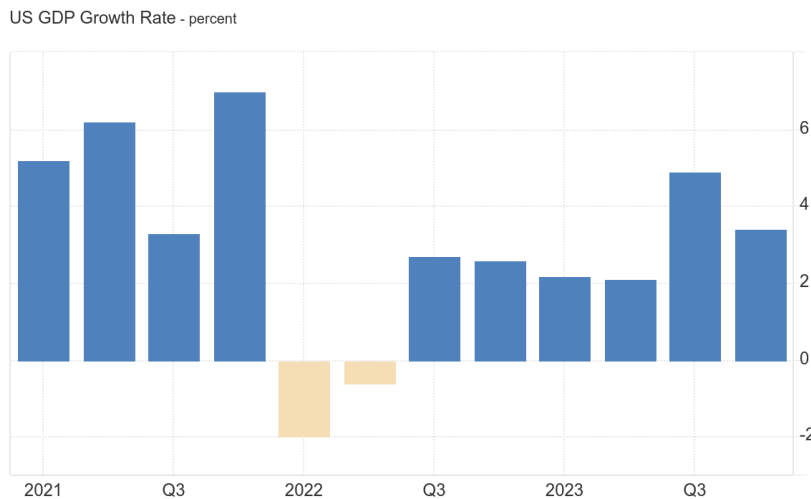


## First Quarter 2024 Market Commentary

### The Economy

The US Bureau of Economic Analysis (“BEA”) reported last Friday that the US economy grew at an annualized rate of 3.4% in Q4 2023. This is a slight improvement over the 3.2% rate the BEA previously reported.



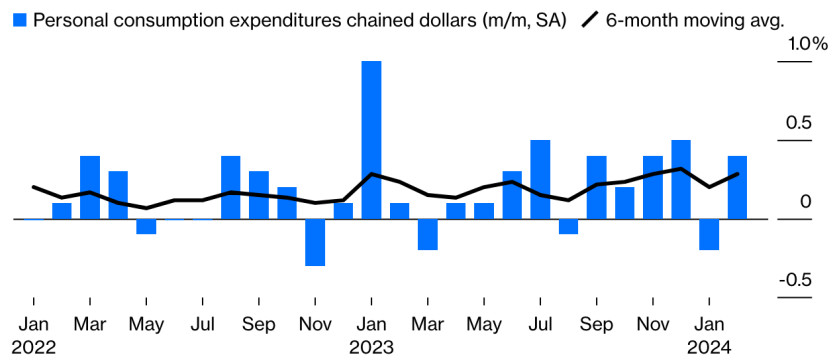
Source: tradingeconomics.com | U.S. Bureau of Economic Analysis

Source: [Trading Economics](https://tradingeconomics.com)

Consumer spending and non-residential business investment helped drive the positive result.

### Resilient Spending

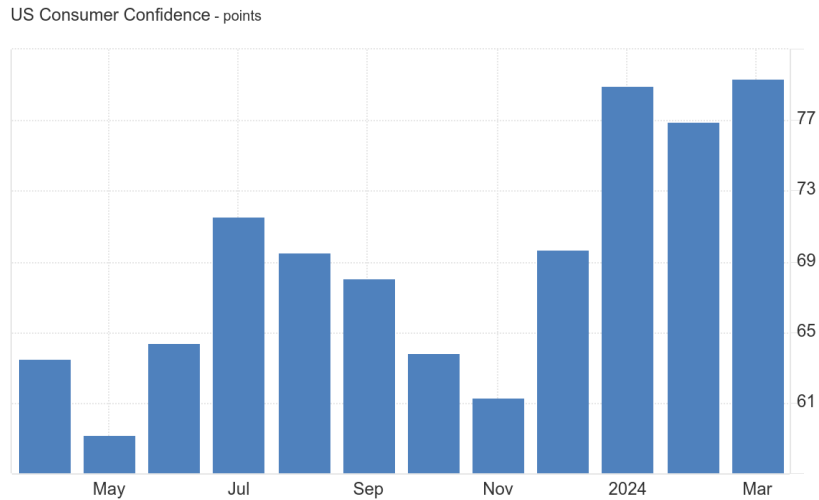
US consumers continued to power the economy in February



Source: Bureau of Economic Analysis

Source: [Bloomberg](#)

The University of Michigan consumer sentiment for the US was revised higher to 79.4 in March 2024 from a preliminary of 76.5, the highest since July 2021.



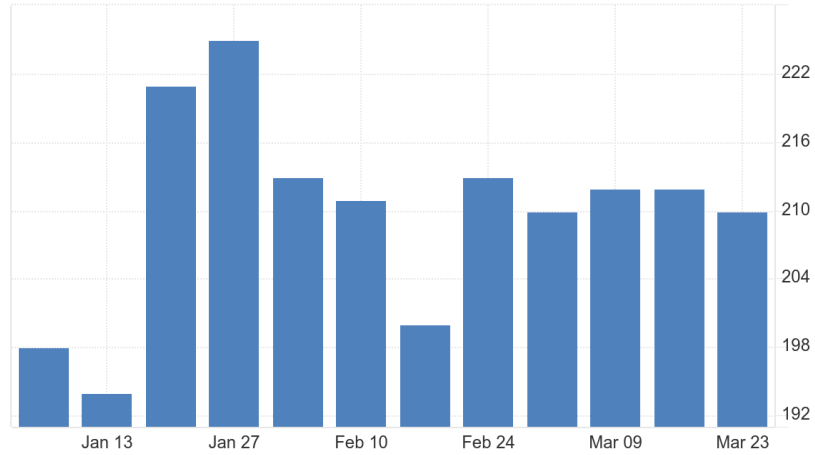
Source: [tradingeconomics.com](#) | University of Michigan

Source: [Trading Economics](#)

### The Labor Market

The number of people claiming unemployment benefits fell by 2,000 to 210,000 for the week ending March 23rd, below the market's expectation of 215,000. The US labor market remains historically tight, making it more likely that the Federal Reserve will delay the start of rate cuts. The four-week moving average, which removes week-to-week volatility, declined to 211,000.

US Initial Jobless Claims - Thousand



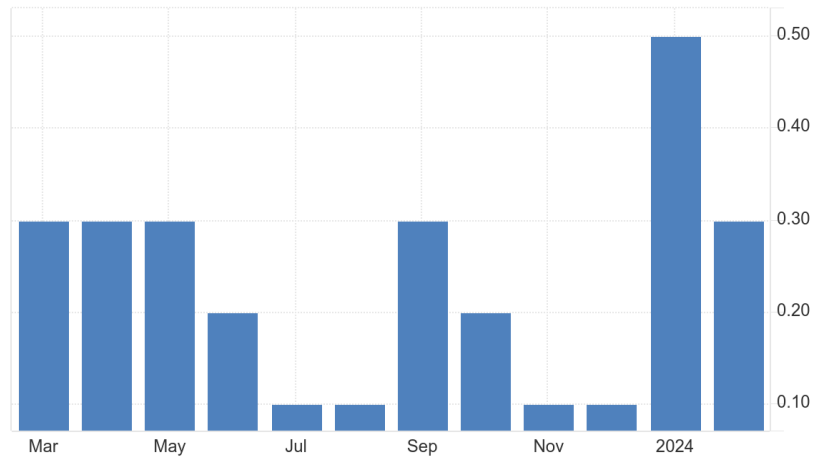
Source: [tradingeconomics.com](https://tradingeconomics.com) | U.S. Department of Labor

Source: [Trading Economics](https://tradingeconomics.com)

### Inflation & Interest Rates

Core PCE, which is the Fed's preferred measure of inflation and which excludes volatile food and energy prices, rose by 0.3% from the previous month in February 2024. The increase was in line with the market's expectations. Compared to the previous year, core PCE prices rose by 2.8%, easing slightly from the upwardly revised 2.9% increase in January.

US Core PCE Price Index MoM - percent



Source: [tradingeconomics.com](https://tradingeconomics.com) | U.S. Bureau of Economic Analysis

Source: [Trading Economics](https://tradingeconomics.com)

The markets remain confident that the Fed will succeed in getting inflation down further, with the 10-year breakeven inflation rate hovering around 2.3%, where it has been for nearly two years.



Source: [Federal Reserve](#)

The Fed left the Fed Funds rate unchanged for a fifth consecutive meeting in its conference last month, in line with the market's expectation.

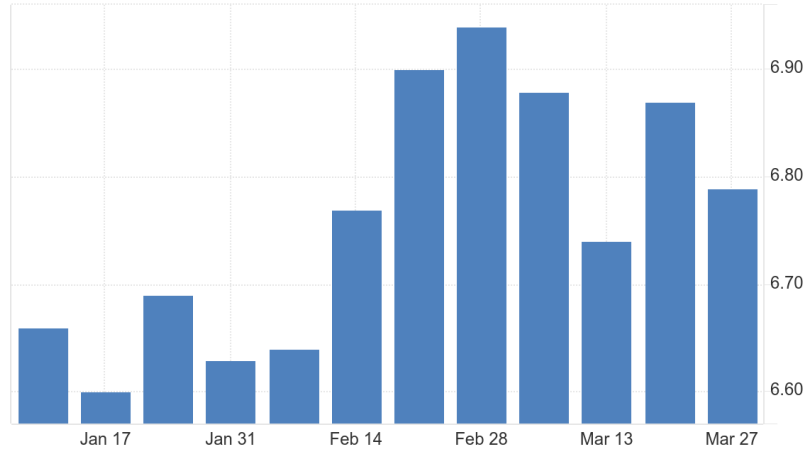
Policymakers still plan to cut interest rates three times this year, similar to the quarterly forecasts in December. The plot also indicated three rate cuts in 2025, one fewer than in December, and three more reductions in 2026.

## Mortgage Rates

The average rate on a 30-year fixed mortgage was 6.79% at the end of March, down 0.08% from the prior week and tracking the drop in long-dated US Treasury yields. A year ago, the average rate on a 30-year fixed mortgage was 6.32%.

The chart below shows the benchmark 30-year fixed mortgage rate.

US 30 Year Mortgage Rate - percent



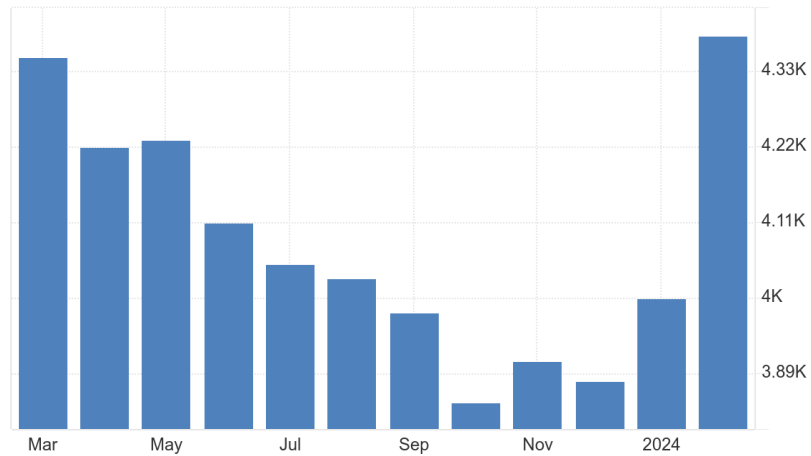
Source: tradingeconomics.com | Freddie Mac

Source: [Trading Economics](https://tradingeconomics.com)

## The Housing Market

Sales of existing homes in the US unexpectedly rose by nearly 10% in February 2024, the highest level in a year and well above the market's expectations.

US Existing Home Sales - Thousand



Source: tradingeconomics.com | National Association of Realtors

Source: [Trading Economics](https://tradingeconomics.com)

## The Markets

### US Stocks



Optimism about cooling inflation, record corporate profits, and the continuing AI boom all contributed to record highs for the US stock market for the first quarter.

The benchmark S&P 500 index - a proxy for large US companies - ended the quarter up 10%, its best start to a year since 2019. It closed the short week last Thursday up 0.1%. Over the past four weeks the index is up 2.3%, and over the past year it is up 29.7%.

The chart below shows the performance of the S&P 500 index over the past year.



source: tradingeconomics.com

Source: [Trading Economics](https://tradingeconomics.com)

The tech-heavy Nasdaq closed the week down 0.1%. Over the past month the index is down 0.3%, but over the past year it is up 40.8%.

The chart below shows the performance of the Nasdaq index over the past year.



Source: [Trading Economics](https://tradingeconomics.com)

### International Stocks

The EU Stoxx 600 - a proxy for large European companies - closed the week up 0.2%. Over the past month the index is up 3.7%, and over the past year it is up 13.9%.

The chart below shows the performance of the Stoxx 600 index over the past year.



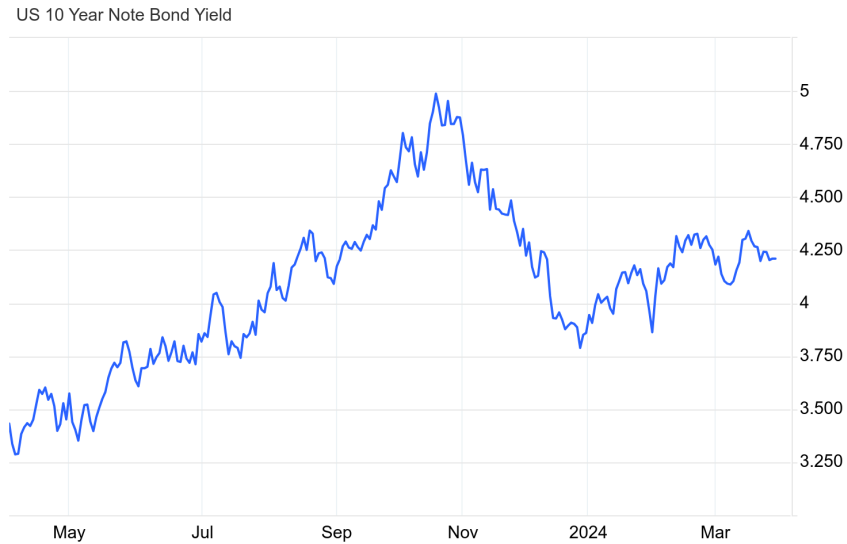
source: tradingeconomics.com

Source: [Trading Economics](https://tradingeconomics.com)

### The Bond Market

The yield on the benchmark 10-year US Treasury note closed last week at just over 4.2%. Yields are down from nearly 5% in mid October 2023.

The chart below shows the yield on the benchmark 10-year US Treasury note over the past year.



source: tradingeconomics.com

Source: [Trading Economics](https://tradingeconomics.com)

### Oil

Futures contracts for the benchmark West Texas Intermediate product rose above \$82 per barrel to close the short week, marking a third consecutive monthly increase that has been fueled by optimism around continued production cuts by the OPEC+ alliance.

The chart below shows the performance of the benchmark WTI contract over the past year.





source: tradingeconomics.com

Source: [Trading Economics](#)

### Gasoline

Gasoline futures dropped below \$2.70 per gallon last week, extending their drop from the 11-month high of \$2.76 of mid-March, evidence of muted demand and eased concerns of low supply.



source: tradingeconomics.com

Source: [Trading Economics](#)

### **Benchmark Returns**

For comparative purposes, the S&P 500 index (a proxy for large US stocks) rose 27.9% for the twelve months to March 31, and 10.2% in just the first quarter.



The Russell 2000 (a proxy for small US stocks) rose 19.7% for the twelve months to March 31, and 5.2% in the first quarter.

The Wilshire 5000 index (a proxy for the broad US stock market) rose 29.3% for the twelve months to March 31, and 10.0% in the first quarter.

The MCSI EAFE index (a proxy for large international stocks) rose 12.3% for the twelve months to March 31, and 5.1% in the first quarter, as measured in USD. Because the USD weakened during the quarter versus the EUR, the picture was different when measured in the local currency, with the index gaining 12.9% for the 12 months to March 31, and 7.5% for the first quarter.

Finally, the MSCI Emerging Markets index rose 1.9% for the twelve months to March 31, and 1.9% in the first quarter.

In the fixed income segment, the Bloomberg Barclays US Aggregate Bond Index returned 3.5% for the twelve months to March 31.

### Looking Forward

With the continuing strong performance of the US economy, some investors may believe that the "surest bet" in investing right now is US stocks, and particularly large cap tech stocks.

But, as fiduciary advisors to our clients, we remind you that Springwater's investment philosophy is based on decades of robust, peer-reviewed academic research. One of the principles of that philosophy is that, over time, investors can expect to generate higher returns if they tilt their portfolio's equity allocation toward small stocks (the "size" factor) and value stocks (the "value" factor). The important caveat is that these tilts don't consistently deliver higher returns, day in and day out, just as stocks don't always out-perform bonds and cash.

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For those of you that are not already doing so, we encourage you to follow us on Twitter (at @SpringwaterWM), Facebook (at <https://facebook.com/SpringwaterWealth/>), and/or Instagram (at springwaterwealth). We're conscious of the "information overload" that everyone faces these days, and by using social media we can share with you our thoughts, observations and ideas in the least intrusive manner possible.

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### [Important Disclosure Information](#)



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