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Weekly Market Guide

Equities are experiencing a bit of a pullback to begin Q2. At Friday's lows, the S&P 500 had pulled back -5.5%, while the Nasdaq Composite was -6.7%, and Russell 2000 -8.3%. The major catalyst was "sticky" inflation, causing a reset in Fed expectations and spurring higher bond yields- begging the question: Is this a normal pullback or something more? **In our view, this is a normal pullback.** The market had gotten ahead of itself (rising 28% over 5 months), and it would be natural to digest that strength. Economic resilience is supportive of overall trends, and we still believe inflation is on a downward path (albeit "bumpier" than desired).

Oversold enough for a short-term bounce: From a contrarian standpoint, it was good to see some fear creep back into the market- as sentiment had gotten very bullish at the highs. The equity put/call ratio ("fear gauge") spiked last week to levels often consistent with tradeable lows. Additionally, the percentage of stocks above their 50-day moving average dipped to 28%, which is in the ballpark of previous relief rallies. Moreover, the percentage of stocks at new 4-week lows reached 57%. Moves into the 50-60% threshold are generally good places to start looking for a bottom in the context of an uptrend. **These short-term indicators suggested we were due for an oversold bounce, so it was good to see one develop over the past couple of days.**

Response from oversold conditions: Yesterday's 4-to-1 advancers vs. decliners (in a +1.2% S&P 500 up-move) was good follow-through from Monday's oversold bounce. **But pullbacks are often a process. There may be more to go in price or time before this consolidation phase runs its course.** The S&P 500 faces an initial test of resistance at ~5120 (50-day moving average), followed by 5264 (market highs). 4953 (Friday lows) will be the first level of support to monitor, followed by solid support at ~4800 (breakout point to new highs in January). Importantly, recent weakness comes within the construct of a healthy intermediate-term uptrend. History still suggests elevated odds for a higher market over the next 12 months.

Absent a quick reversal on inflation or Fed action, equities may become more range-bound over the coming weeks. Honestly, we do not view this as a bad thing. Pullbacks are a normal market occurrence, can offer healthy digestion (following overbought stretches), and create opportunity.

Things to watch: PCE (Fed's favored measure of inflation) is reported on 4/26 and Employee Cost Index on 4/30, ahead of the May FOMC Announcement next Wednesday 5/1. In addition, Q1 earnings season and bond yields are key influences, along with monitoring market technicals as this data comes out.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	2.2%	13.9%
S&P 500	6.3%	22.7%
S&P 500 (Equal-Weighted)	2.9%	11.9%
NASDAQ Composite	4.6%	30.0%
Russell 2000	-1.2%	11.8%
MSCI All-Cap World	4.3%	16.2%
MSCI Developed Markets	1.9%	6.2%
MSCI Emerging Markets	-0.4%	3.9%
NYSE Alerian MLP	11.4%	25.9%
MSCI U.S. REIT	-7.3%	0.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	16.6%	9.4%
Energy	14.7%	4.2%
Financials	9.3%	13.3%
Industrials	8.0%	8.9%
S&P 500	***6.3%***	-
Information Technology	6.1%	28.9%
Consumer Staples	5.3%	6.1%
Utilities	4.7%	2.3%
Health Care	3.5%	12.3%
Materials	3.0%	2.3%
Consumer Discretionary	-0.7%	10.1%
Real Estate	-9.4%	2.0%

Source: FactSet

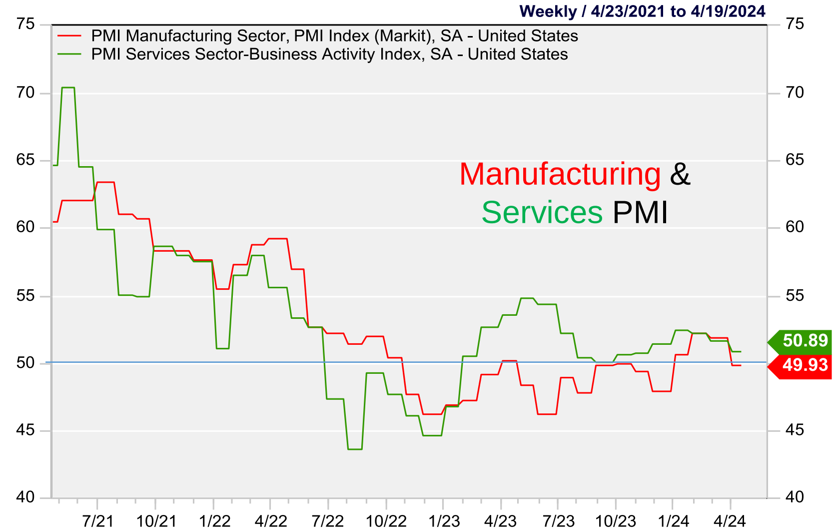
Macro: US

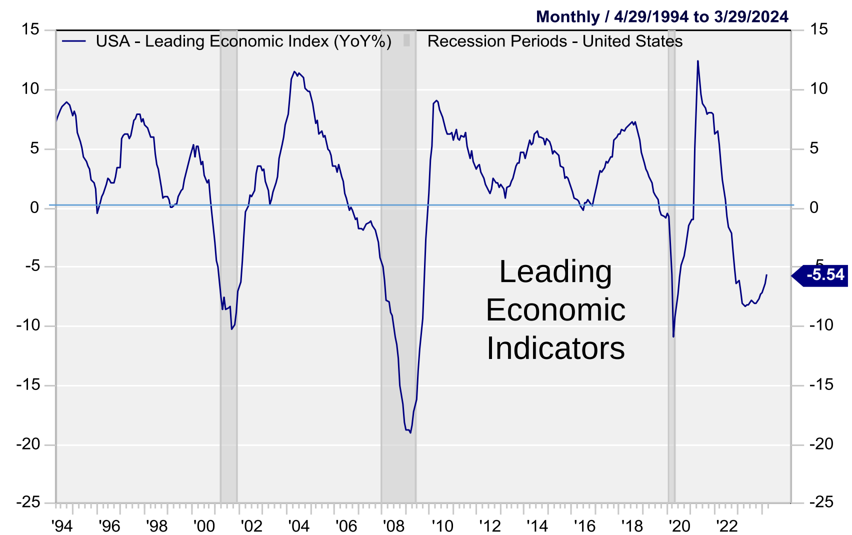
The economy has been very resilient, supported by fiscal stimulus and an undersupplied labor market. This dynamic is fueling persistent job strength, which is leading to higher consumption and economic growth. While we believe the economy is healthy, it is difficult to completely ignore traditional leading indicators. For example, the LEI (Leading Economic Index) is at levels often consistent with economic caution historically. Will this time be different? It is possible due to the unique characteristics post-Covid (i.e. massive undersupply and stimulus), and we are encouraged by leading indicators becoming "less bad" lately. But, we do not want to cast a blind eye to the potential for economic softening ahead. Manufacturing and Services PMI are near the flat-line, the yield curve is still inverted, and the Fed is in "higher for longer" mode for now.

Things to watch: PCE (Fed's favored measure of inflation) is reported on 4/26 and Employee Cost Index on 4/30, ahead of the May FOMC Announcement next Wednesday 5/1. These will be influential for bond yields and equities in the near-term.

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	04/06	1,812K	1,811K	1,810K
Initial Claims SA	04/13	212.0K	215.0K	212.0K
Philadelphia Fed Index SA	APR	15.5	-0.50	3.2
Existing Home Sales SAAR	MAR	4,190K	4,155K	4,380K
Leading Indicators SA M/M	MAR	-0.30%	-0.10%	0.20%
Chicago Fed National Activity Index	MAR	0.15	0.17	0.09
Building Permits SAAR (Final)	MAR	1,467K	1,458K	1,458K
PMI Composite SA (Preliminary)	APR	50.9	52.5	52.1
Markit PMI Manufacturing SA (Preliminary)	APR	49.9	52.0	51.9
Markit PMI Services SA (Preliminary)	APR	50.9	52.0	51.7
New Home Sales SAAR	MAR	693.0K	670.0K	637.0K
Richmond Fed Index	APR	-7.0	-7.0	-11.0
Durable Orders ex-Transportation SA M/M (Preliminary)	MAR	0.20%	0.20%	0.10%
Durable Orders SA M/M (Preliminary)	MAR	2.6%	2.0%	0.70%

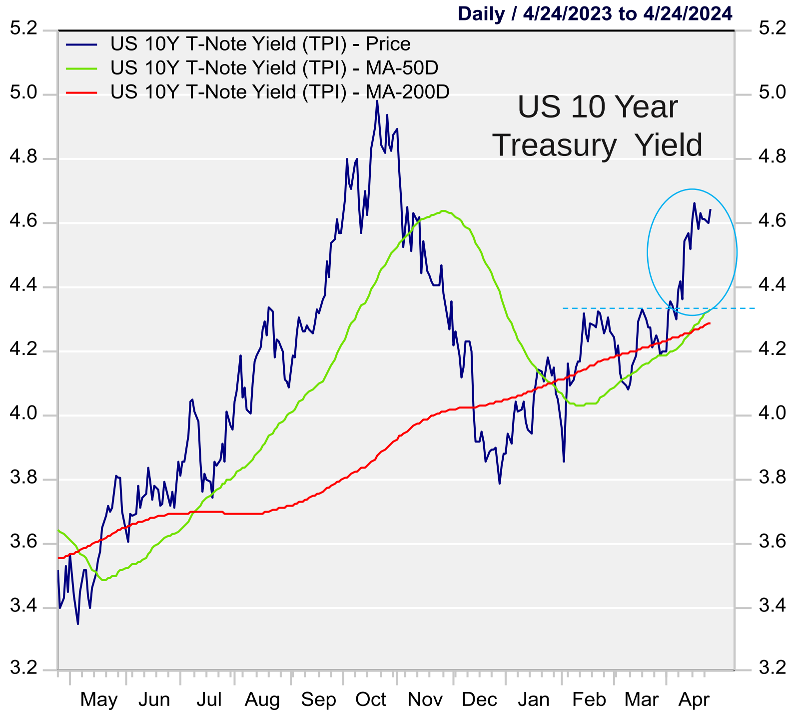
Source: FactSet

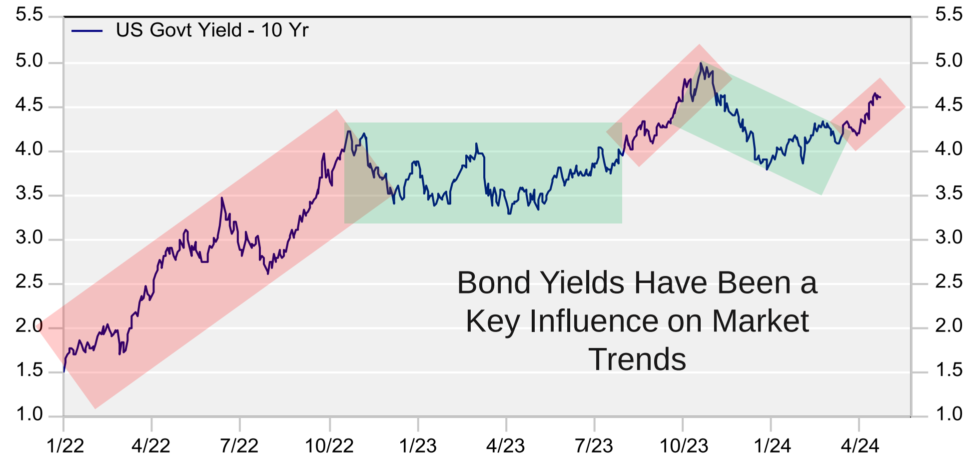




Watch Bond Yields

Bond yields continue to be a key influence on market trends. The major catalyst for the market pullback was “sticky” inflation, causing a reset in Fed expectations and spurring higher bond yields. Big picture, we still believe inflation is on a downward path (albeit “bumpier” than desired), which will ease Fed policy down the road, put downward pressure on bond yields, and support higher equity prices. But in the near-term, bond yields are drifting higher and, as long as they do so, will likely remain a headwind to equities.





Source: FactSet

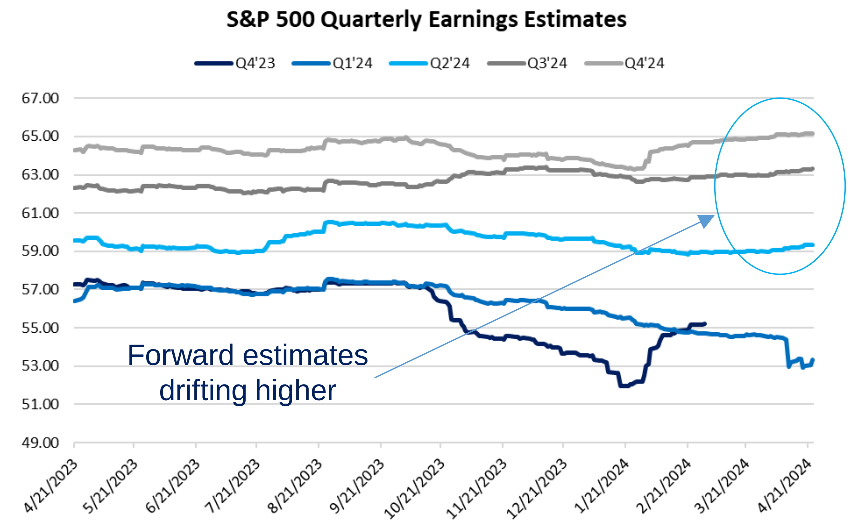
Q1 Earnings Season

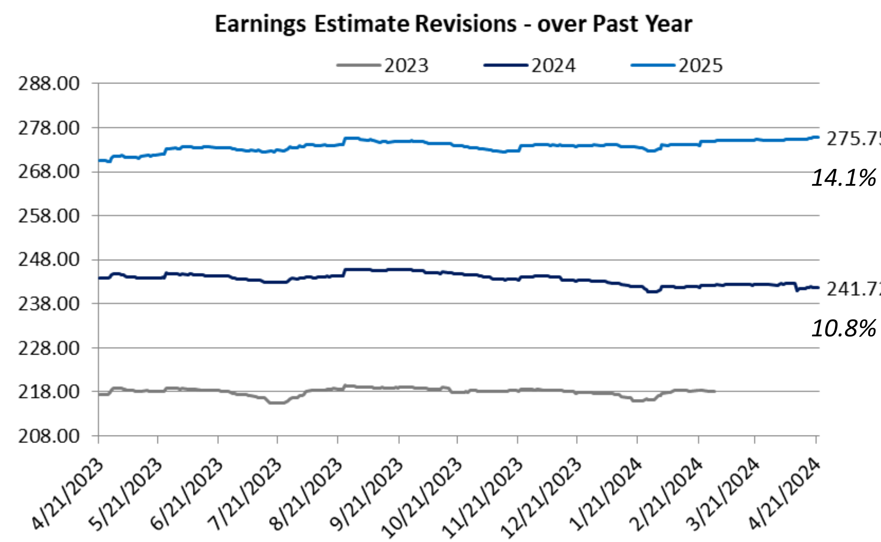
Q1 earnings season is ramping up- 22% of the S&P has reported thus far with another 248 companies reporting by the end of next week. 75% of reporters have beaten on the bottom-line by an 8% aggregate surprise. Q1 estimated growth is still at -3.4% q/q and 1.6% y/y. While we have noted a cautious overall tone to guidance across various industries, forward estimates continue to drift higher which is supporting full-year earnings at healthy growth rates (i.e. 10.8% 2024, 14.1% 2025). Earnings are the long-term driver of equities, so positive trends are supportive of market trends.

Price reactions have been mixed with 46% of stocks trading higher on their announcement and an average 1-day price reaction of -0.3%. Some of that is a function of the market pullback, but we will get many companies (including Tech megacaps) reporting that will influence underlying market movements.

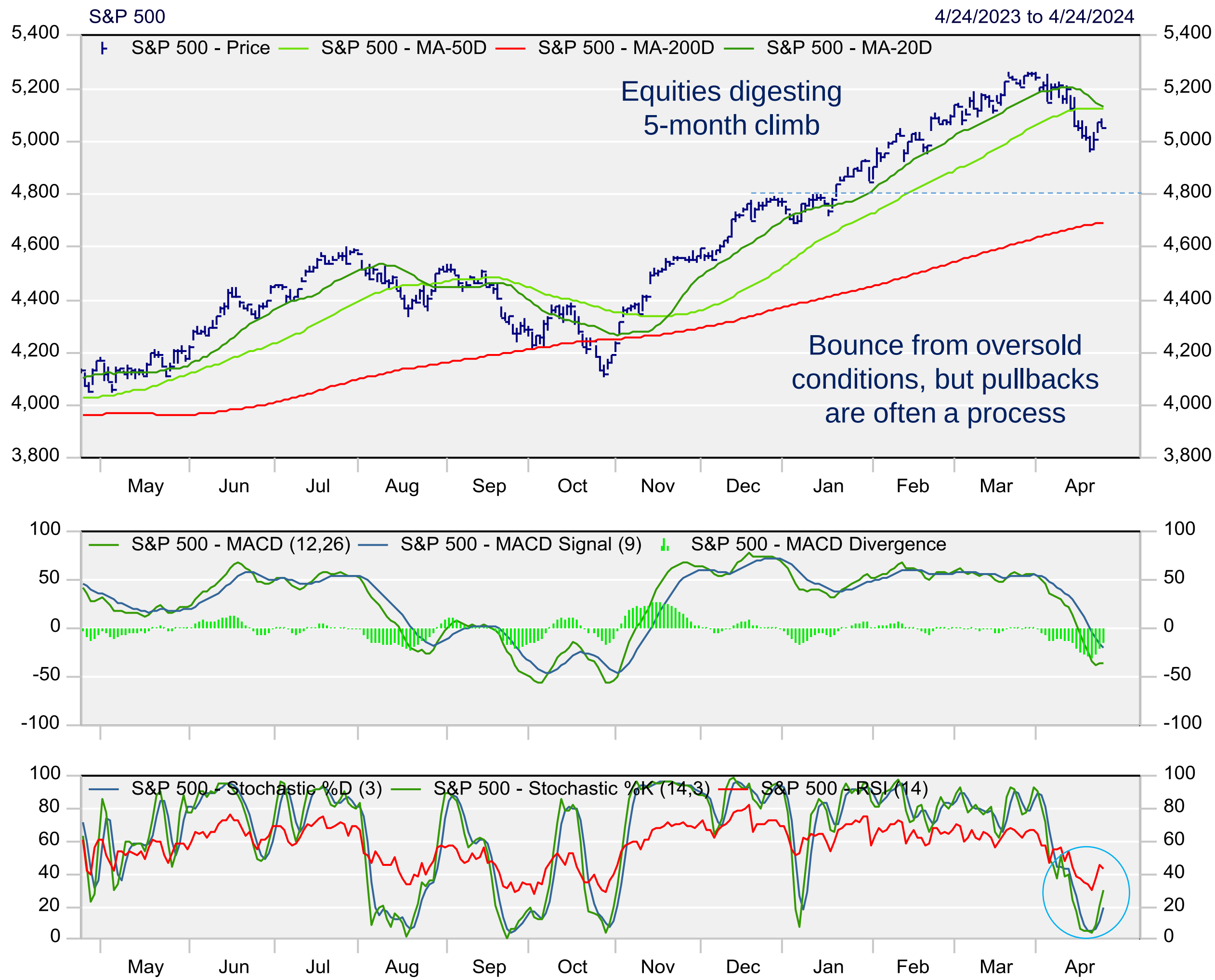
S&P 500 Sector	% Q1 Est. EPS Growth Y/Y	% Q1 Est. EPS Growth Q/Q	% EPS Surprise	Avg 1D Price Reaction
S&P 500	**1.6**	**-3.4**	**8.0**	**-0.3%**
Communication Services	27.1	-3.9	7.0	-1.8%
Information Technology	20.0	-12.7	11.6	-1.5%
Financials	6.4	39.3	7.4	-0.2%
Consumer Discretionary	17.8	-7.9	19.8	1.4%
Health Care	-30.5	-18.3	3.3	1.7%
Utilities	21.9	12.8	9.1	0.4%
Industrials	0.4	-15.1	9.9	-1.7%
Consumer Staples	2.7	-3.0	11.9	0.8%
Real Estate	1.3	-1.6	0.1	1.1%
Materials	-26.1	-0.5	1.9	-3.4%
Energy	-23.8	-13.1	0.0	0.6%

Source: FactSet





Technical: S&P 500



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In our view, this is a normal pullback. The market had gotten ahead of itself (rising 28% over 5 months), and it would be natural to digest that strength.

Yesterday's 4-to-1 advancers vs. decliners (in a +1.2% S&P 500 up-move) was good follow-through from Monday's oversold bounce. But pullbacks are often a process. There may be more to go in price or time before this consolidation phase runs its course.

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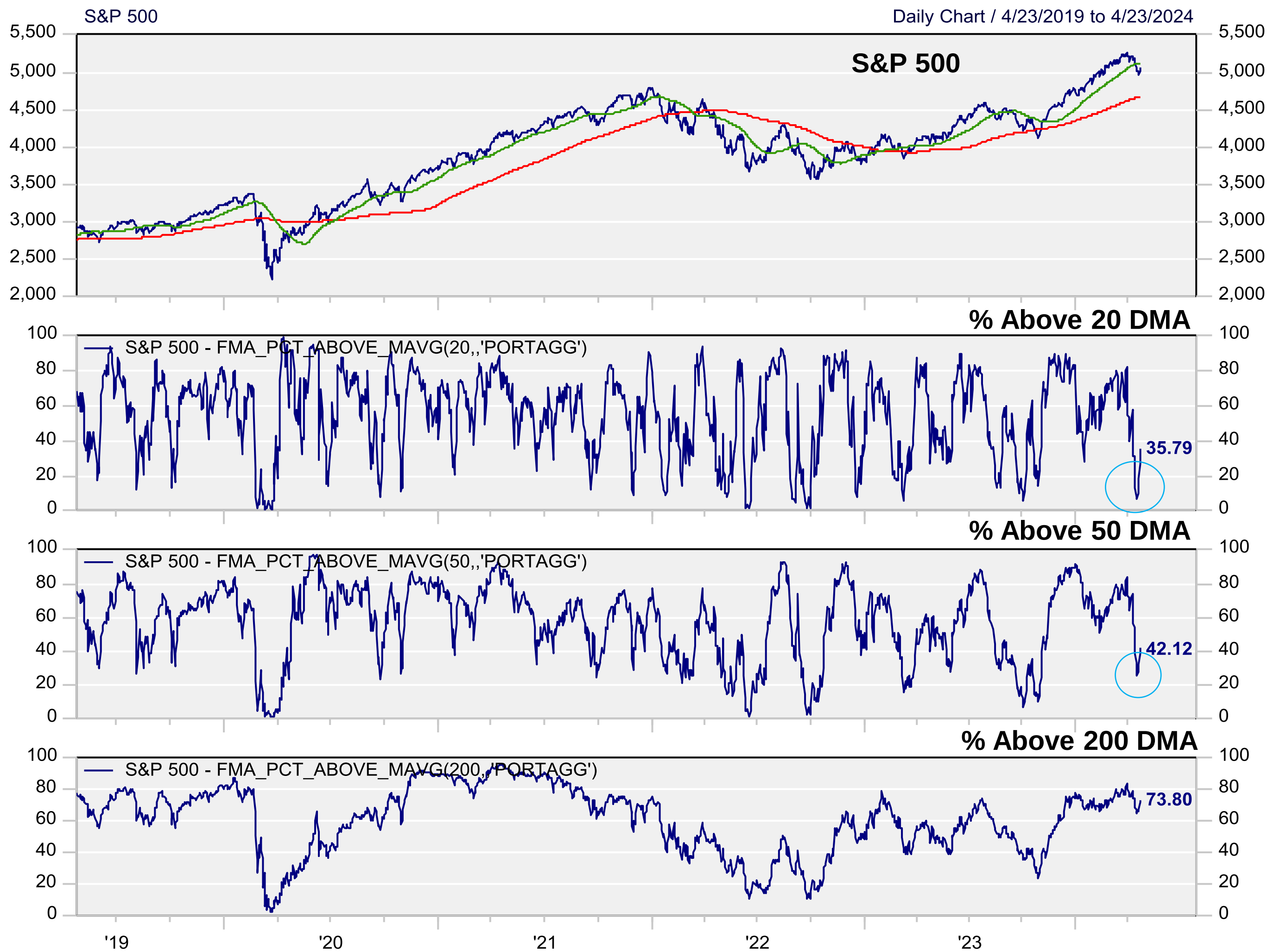
Short-Term Oversold Indicators



Source: FactSet

From a contrarian standpoint, it was good to see some fear creep back into the market- as sentiment had gotten very bullish at the highs.

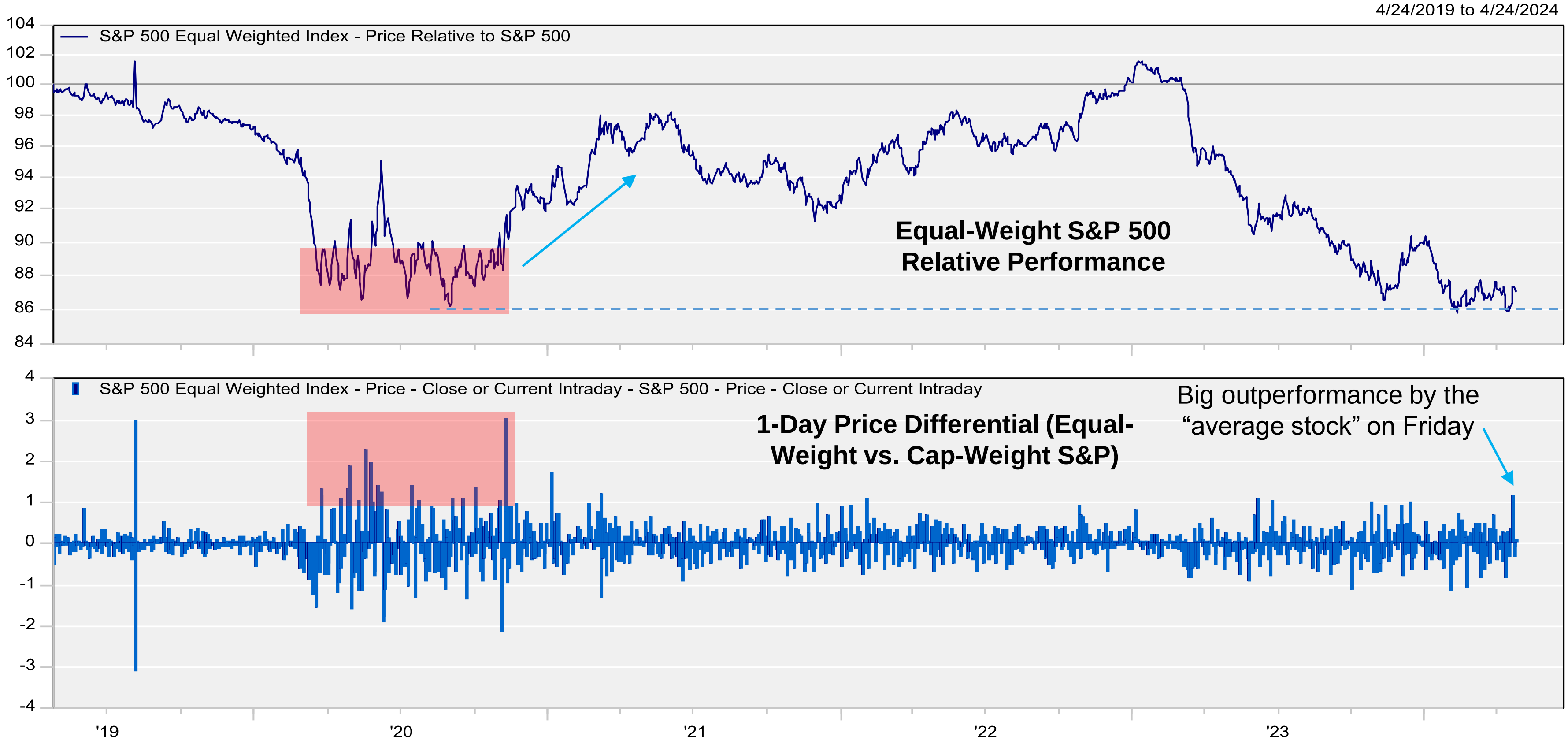
Several short-term indicators suggested we were due for an oversold bounce, so it was good to see one develop over the past couple of days.

The percentage of stocks above their 50-day moving average dipped to 28%, which is in the ballpark of previous relief rallies. Readings below 30% are generally good places to start looking for a bottom in the context of an uptrend.

Absent a quick reversal on inflation or Fed action, equities may become more range-bound over the coming weeks. Honestly, we do not view this as a bad thing. Pullbacks are a normal market occurrence, can offer healthy digestion (following overbought stretches), and create opportunity.

Equal-Weight vs. Cap-Weight S&P 500

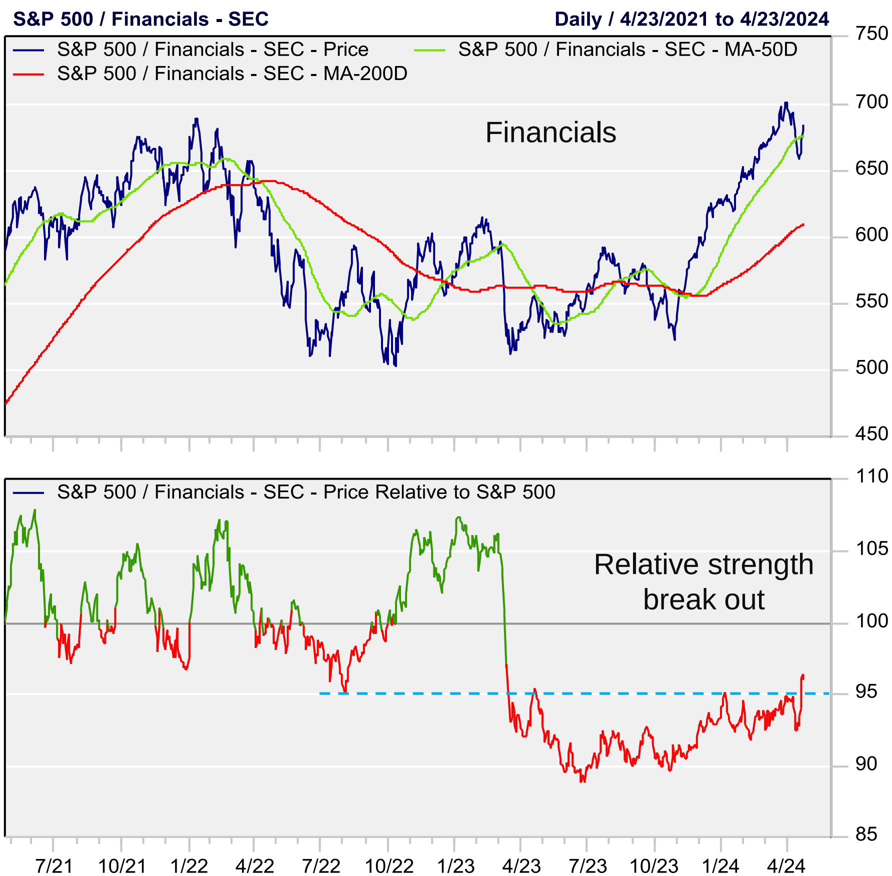
On Friday, we saw the largest 1-day outperformance (+1.18%) for the equal-weighted S&P 500 vs. the index in more than 3 years. This demonstrates smaller companies carrying the load, which could be a good sign as healthy bull markets need rotation to have longevity. The move comes with equal-weighted S&P 500 relative performance on its Covid lows. If we can get a similar cluster of outperformance days, it would increase the odds that a period of outperformance for the "average stock" may be underway. Technology earnings, which ramp up over the coming days, will have a lot to say about this.

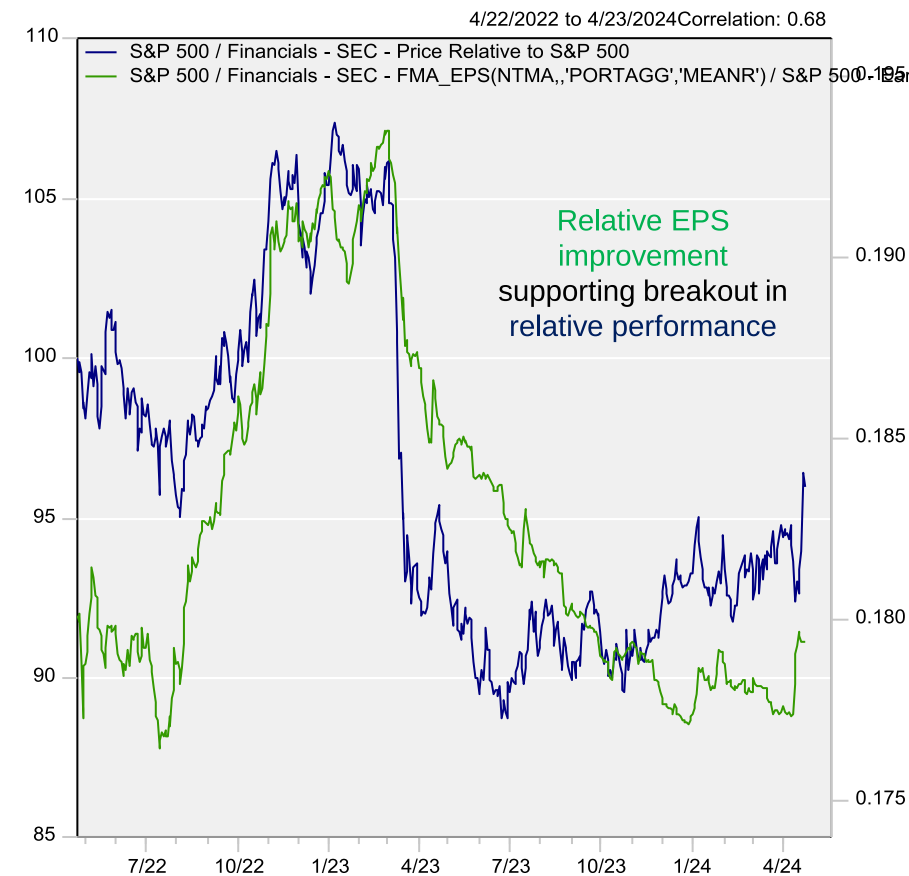


Source: FactSet

Financials

The Financials (and banks) stand out within the recent market movements, as relative strength was finally able to break out. Importantly, the recent technical improvement is supported by the fundamentals. We note many positive estimate revisions within the banks on Q1 earnings, which supported an up-move in sector relative earnings. We would look to increase allocations to the Financials (as needed) on the improved fundamental and technical trends.

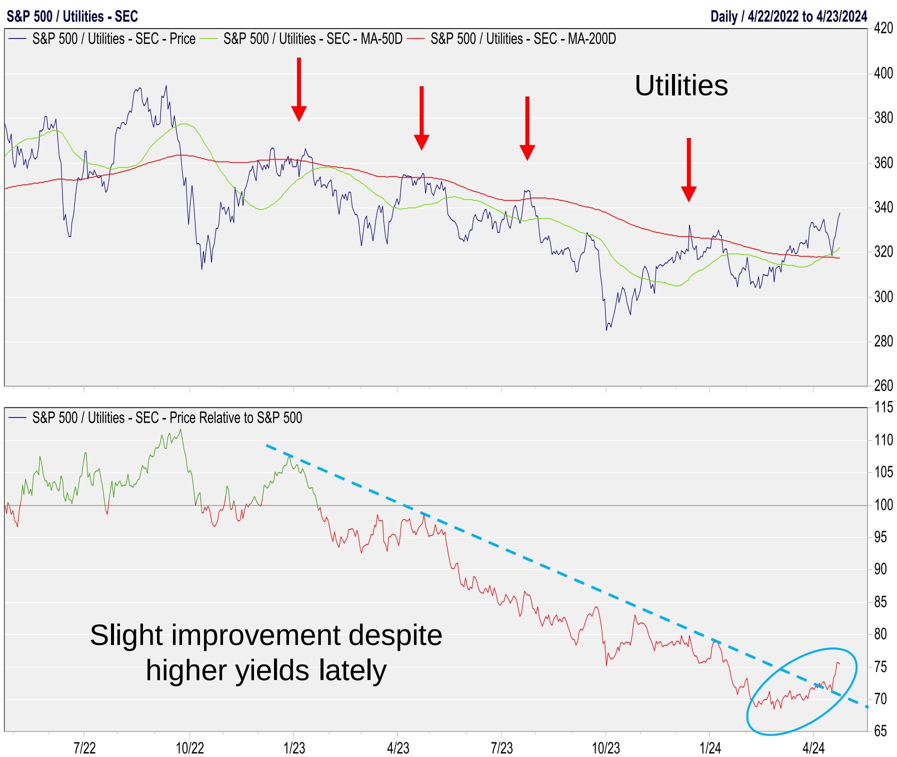


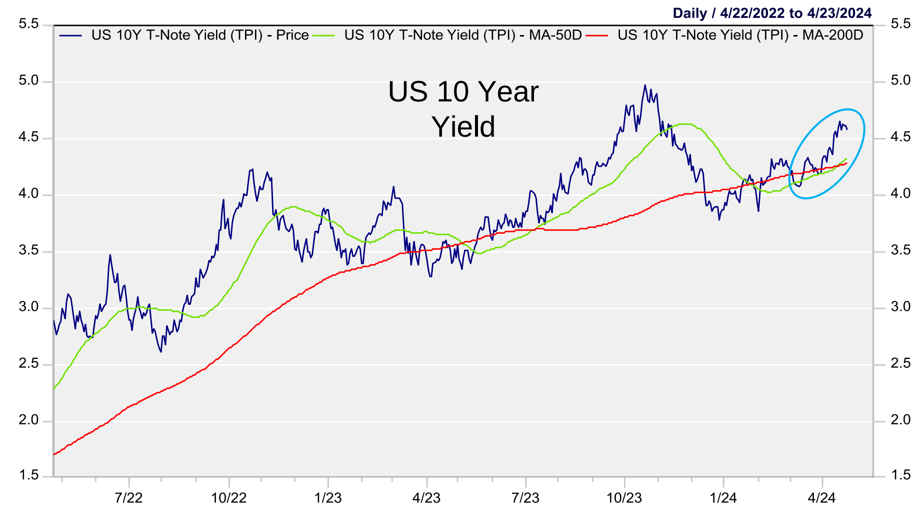


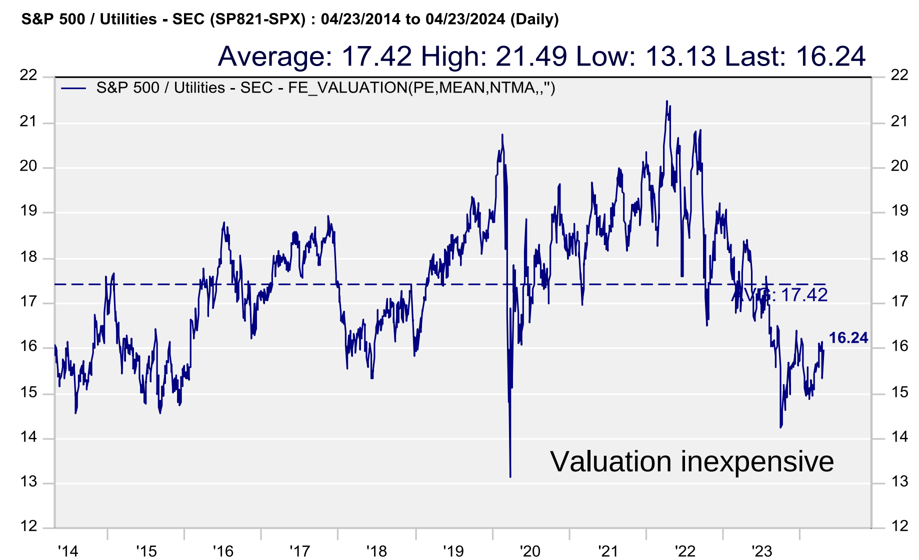
Source: FactSet

Utilities

The Utilities have also been a notable performer. Higher interest rates have been a headwind for the sector over the past year, but that inverse influence may be decoupling. Despite higher rates recently, Utilities relative strength has improved. Additionally, the sector is finally breaking above its 200 DMA, which capped upside since 2022. The tone change in performance is encouraging, valuation is inexpensive, and the sector will likely benefit from booming power demand over the coming years (buoyed by AI-driven data center growth).







Source: FactSet (M24-480167)

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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.