



Equities

The S&P 500 declined every day last week for the first time in two and a half years as escalating rates and geopolitical tensions terminated the stock euphoria. The index is now 5.5% below its all-time high, the sharpest drawdown since October. The week featured a classic trend reversal, with growth and momentum stocks – leaders YTD – lagging while value and stable stocks outperformed. Earnings thus far have mostly been focused on financials, where results have been mixed. Activity ramps this week as bellwethers like Visa, Meta, Caterpillar, and Microsoft will report.

Fixed income

Yields pushed higher again last week as Fed Chair Powell acknowledged that confidence in progress on inflation was eroding given hot inflation data at the start of the year. Markets reacted by pricing out another rate cut – markets now expect one to two rate cuts, or 39 bps of cuts. A deeper look at the Fed funds futures market now shows 14% expect one or more rate hikes, while 18% are now betting on no rate cuts. The majority probability in markets is still 1-3 rate cuts, however. The 10-year rose 10 bps to 4.62%, despite a Thursday night drop to 4.50% after Israel retaliated by firing rockets into Iran, sparking a brief flight to quality rally.

Commodities

Crude prices were volatile last week as traders tried to price risks related to Middle East tensions. Prices drifted lower for the first part of the week, spiked higher Thursday evening on reports of an Israeli retaliatory strike on Iran, then finished the week –2.94% lower. Gold extended its epic rise to a new all-time high and continues to divorce itself from real rates, a sign of the influence of geopolitics in investors’ minds.

Economic overview

Data last week reinforced two key trends: consumer spending is strong, and housing is struggling amidst higher interest rates. Retail sales surprised with a 0.7% m/m gain in March (Cons 0.4%) and the “control” group which aligns with GDP surged 1.1% m/m. Real GDP will be released next week, and while the consensus is 2.0% growth in Q1, the Atlanta Fed’s GDPNow model is predicting a 2.9% reading. Existing home sales fell –4.3% in March to 4.19 million units. Housing starts plunged –14.7% m/m to 1.31 million units as multifamily starts collapsed to 299,000 in March, the lowest since the GFC.

Equities (price index)		MTD	QTD	YTD	2023
S&P 500	4,967.23	-5.46%	-5.46%	4.14%	24.23%
DJIA	37,986.40	-4.57%	-4.57%	0.79%	13.70%
NASDAQ	15,282.01	-6.70%	-6.70%	1.80%	43.42%
Russell 2000	1,947.66	-8.33%	-8.33%	-3.92%	15.09%
MSCI World	3,255.62	-5.30%	-5.30%	2.73%	21.77%
MSCI Europe	2,034.32	-3.74%	-3.74%	0.69%	16.68%
MSCI EAFE	2,236.31	-4.81%	-4.81%	0.01%	15.03%
MSCI Asia	167.41	-5.35%	-5.35%	-1.17%	8.76%
MSCI EM	1,004.17	-3.74%	-3.74%	-1.91%	7.04%
VIX	18.71	5.70	5.70	6.26	-9.22

Fixed income (total return index)		MTD	QTD	YTD	2023
Barclays U.S. Agg	2,094.67	-2.36%	-2.36%	-3.11%	5.53%
Inv. grade bonds	3,126.23	-2.55%	-2.55%	-2.94%	8.52%
High yield bonds	2,475.23	-1.64%	-1.64%	-0.19%	13.45%
Leveraged Loans	3,829.05	0.29%	0.29%	2.70%	13.32%

Alternatives (total return index)		MTD	QTD	YTD	2023
FTSE NAREIT					
REIT Index	21,649.21	-8.31%	-8.31%	-9.51%	11.36%
GS Commodity Index	590.27	1.34%	1.34%	10.20%	-12.20%
Alerian MLP Index	2,120.40	-1.30%	-1.30%	12.40%	26.56%

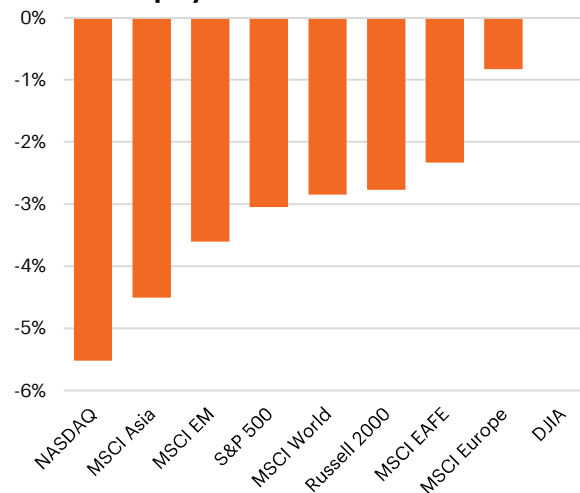
Commodities		MTD	QTD	YTD	2023
WTI Crude	\$83.14	-0.04%	-0.04%	16.04%	-10.73%
Brent Crude	\$87.29	-0.22%	-0.22%	13.30%	-10.32%
Natural Gas	\$1.75	-0.62%	-0.62%	-30.31%	-43.82%
Gold	\$2,398	8.16%	8.16%	15.76%	13.45%

Currency		MTD	QTD	YTD	2023
Dollar Index (DXY)	106.15	1.60%	1.60%	4.76%	-2.11%
USDCNY	7.24	0.23%	0.23%	1.96%	2.92%
Bitcoin	64,071	-8.02%	-8.02%	50.73%	157.01%

Spreads		MTD	QTD	YTD	2023
Inv. grade bonds	92 bps	2 bps	2 bps	-7 bps	-31 bps
High yield bonds	323 bps	24 bps	24 bps	0 bps	-146 bps
Leveraged loans	441 bps	2 bps	2 bps	-18 bps	149 bps
Emerging markets	262 bps	-2 bps	-2 bps	-35 bps	-42 bps

Interest rates		MTD	QTD	YTD	2023
Fed Funds Target	5.375%	5.375%	5.375%	5.375%	4.38%
SOFR	5.30%	-4 bps	-4 bps	-8 bps	108 bps
3-month LIBOR*	5.59%	3 bps	3 bps	-1 bps	83 bps
2-year Treasury	4.99%	37 bps	37 bps	74 bps	-18 bps
10-year Treasury	4.62%	42 bps	42 bps	74 bps	0 bps
30-year Treasury	4.71%	37 bps	37 bps	68 bps	7 bps
Barclays U.S. Agg	5.25%	41 bps	41 bps	72 bps	-15 bps
Inv. grade bonds	5.71%	41 bps	41 bps	65 bps	-36 bps
High yield bonds	8.27%	61 bps	61 bps	68 bps	-137 bps

Last week's equity returns



Gold surges despite real yields



Source: Bloomberg Finance, L.P., as of 1:00pm on 4/19/24.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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