CORRIGAN FINANCIAL, INC.

Market Update: March 2024

Global stock markets delivered solid returns in March, closing out a very strong first quarter for investors. The S&P 500 index of domestic “blue chip” stocks gained 10% for the quarter and recorded 22 all-time *closing highs* along the way. U.S. stock returns were broad-based, as 10 out of 11 S&P sectors registered gains.

> **Recession worries have mostly disappeared. Resilient corporate profits, enthusiasm around artificial-intelligence developments and hopes that the Federal Reserve is on track to begin cutting interest rates have given investors plenty of reasons to continue buying.**
>
> **Hannah Miao – WSJ 3/28/24**

While the so-called Magnificent Seven technology stocks propelled last year’s gains, recent pullbacks by Tesla and Apple have slightly diminished the cohort. Over the past three months, more than half of the S&P 500 stocks reached new 52-week highs. AI-related stocks continue to drive market returns, with Nvidia shares up over 80% and other semiconductor companies generating high double-digit gains.

Global bonds, which saw modest returns in March, are still down by about 2% for the quarter. The yield on the benchmark 10-year U.S. Treasury note ended the quarter at 4.192% … up from 3.860% at the end of last year. Coming into 2024, investors were anticipating up to six rate cuts by the Fed. That optimism has clearly been cut in half.

> **The central bank itself is still signaling cuts. Treasury yields, however, have climbed as investor expectations have come more in line with the Fed’s projections.**
>
> **Sam Goldfarb – WSJ 3/26/24**

The Labor Department reported that the U.S. economy added 275,000 jobs in February, decidedly more than the 198,000 jobs expected by economists. The three-month moving average of payroll gains has now moved up to 265,000. Wage pressures actually softened in February, while the unemployment rate rose to 3.9%.

> **The report offers a fresh snapshot of the U.S. economy, which has muscled through the highest interest rates in 20-plus years with consistent job growth and some of the lowest unemployment rates in a half-century.**
>
> **David Uberti – WSJ 3/8/24**

Consumer prices in February rose 3.2% from a year earlier, slightly higher than the 3.1% expected by economists. The report raised concerns that January's inflation bump may not have been a one-off occurrence.

> **Federal Reserve officials are balancing two sometimes-competing goals: trying to ensure that inflation continues to fall, while also trying to keep the job market from buckling under the weight of high interest rates. The goldilocks jobs market – employers continue to hire, but wage growth is slowing – also gives Fed officials some leeway for patience.**
>
> **Justin Lahart – WSJ 3/12/24**

The Federal Open Market Committee voted unanimously to keep its federal funds rate at the current 5.25% to 5.50% target range. Fed officials reaffirmed their intent to cut interest rates three times this year, while acknowledging continued economic strength … particularly in the U.S. labor markets.

> **The latest data haven't changed the overall story, which is that of inflation moving down gradually on a sometimes-bumpy road toward two percent. We're not going to overreact to these two months of data, nor are we going to ignore them.**
>
> **Fed Chairman Jerome Powell – Barron's 3/20/24**

Sales of existing U.S. homes surged 9.5% in February, according to the National Association of Realtors (NAR). Economists had actually expected a decline of 1.3% in sales for the month. Still, sales were down 3.3% on a year-over-year basis. Due to high mortgage rates, limited inventory, and high prices, home sales in 2023 were at the lowest levels in nearly three decades.

Thirty-year fixed mortgage rates are currently down from peak levels reached last October, while February housing inventories are up more than 10% compared to the same month last year. Home prices, however, are still on the rise. The national median existing-home price is now at $384,500 … up 5.7% in February from a year earlier.

> **Additional housing supply is helping to satisfy market demand. Housing demand has been on a steady rise due to population and job growth, though the actual timing of purchases will be determined by prevailing mortgage rates and wider inventory choices.**
>
> **Lawrence Yun, NAR's chief economist – CNBC 3/21/24**

First-time home buyers accounted for only 26% of February sales, the lowest level ever measured in NAR surveys. The most expensive homes saw the greatest jump in sales. Sales were weakest in the Northeast, while prices there rose more than any other region.

> **At the end of the day, you're still looking at home prices that have risen 45% since January 2020 and incomes that haven't risen as much. The sales rebound is unlikely to be all that energetic.**
>
> **Charlie Dougherty, Wells Fargo Sr. Economist – WSJ 3/21/24**

In related news, the rules for home buying have changed. After a legal settlement by the National Association of Realtors, sellers will not be required to pay 6% of the sales price to be split between buyer and seller agents. For sellers, commissions will soon be more negotiable. Buyers, on the other hand, will be responsible for paying their agents out of pocket … which could potentially be a problem for first-time home buyers with limited cash reserves.

> **It is more upheaval to the math of buying. Home-insurance costs have soared, and because interest rates haven't fallen as many buyers had hoped, your money buys less house than it did a few years ago.**
>
> **Veronica Dagher – WSJ 3/16/24**

The Bank of Japan (BOJ) officially ended its negative interest rate policy when it increased short-term rates to a target range of 0% to 0.1%. The BOJ will no longer target the yield on 10-year Japanese government bonds and will pause most other yield control policies.

It's still difficult to grasp the concept of being paid to borrow money and getting charged to save money. But at the peak of this *12-year monetary experiment*, $18 trillion of global bonds had negative yields.

> **The decision marks the end of a global era of negative interest rates that began in the 2010s. For a generation, the Japanese central bank served as a laboratory for monetary-policy experimentation as it addressed the country's chronic stagnation, which was marked by flat or falling prices.**
>
> **Megumi Fujikawa – WSJ 3/19/24**

Japan's economy has grown by a modest 0.75% annually over the past decade. It has some of the worst demographics in the developed world, while sporting a 260% debt-to-GDP ratio. More recently, Germany surpassed Japan as the world's third largest economy.

For those of us keeping score, U.S. debt held by the public stands at $27 trillion. Back in 2007 it was barely $5 trillion. Japan's debt is currently at about 2.5 times its GDP. Before the bubble burst in 1990, Japan's total debt was *only* about two-thirds the size of its economy.

> **To be sure, we in the U.S. still have good reason to be concerned about the course of our public finances. If we don't attend to them in time, we will have our day of reckoning … But a fair reading of the situation will find that our situation is less desperate than that of Japan.**

Desmond Lachman, American Enterprise Institute – Barron's 3/20/24

China's economy continues to struggle with its bursting property bubble, high debt, deflationary pressures, and a stock market on the decline. We can now add rising unemployment to the list, as joblessness in China rose for the third straight month. The official rate now stands at 5.3% for the month of February. There are also longstanding concerns over youth unemployment … previously reported to be in excess of 20%, but more recently *revised* to around 15% by Beijing.

> **The pickup in unemployment comes alongside evidence of a decline in average working hours in China, which economists often interpret as a sign that people are underemployed, or working well below their potential.**

Jason Douglas – WSJ 3/18/24

Trying to predict the future? Let's take a look at some of the previous predictions by some of our economic icons:

- In 2022, JPMorgan CEO Jamie Dimon warned that a "hurricane" was about to hit the U.S. economy.
- Ray Dalio, Bridgewater Associates founder, predicted a "debt crisis" last year after predicting a "perfect storm" of economic pain.
- Last March, DoubleLine's Jeffrey Gundlach predicted a recession would come "in a few months".
- Early last year, economists predicted a 61% chance of recession in 2023.

The experts were way off. They underestimated the impact of government stimulus and the resilience of consumers and businesses.

Gregory Zuckerman – WSJ 3/9/24

What about stocks? Surely there must be someone who can consistently select the future winners and stay clear of the losers.

Barron's featured 77 companies in "bullish" articles last year. From the date of publication to the end of the year these stocks returned 9.9% on average. The market benchmark was 12.7% for the exact same period. They also featured two companies in "bearish" articles. Those stocks actually went up by an average of 30.2%.

Barron's is an excellent publication when reporting on *what has happened*, but like most of us, stumbles when it comes to predicting *what will happen*. Be assured, we will remain extremely humble when it comes to forecasting the economic backdrop.

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