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**Market Update: April 2024**

Domestic stock markets took a step back in April, with all three major U.S. indexes snapping five-month winning streaks. Overall, U.S. stocks were down about 4% for the month, but they remain up by just over 5% year-to-date. Foreign equities, which declined by 1.8% in April, have returned 2.8% during the first four months of 2024.

> **Throughout the month, stocks were hit hard by stronger-than-expected inflation readings, robust employment and wage gains, as well as weaker initial economic growth estimates. All of that pushed back expectations for an interest rate cut from the Federal Reserve.**
>
> **Megan Leonhardt – Barron's 4/30/24**

To start the year, investors were expecting the Fed to cut rates at least six times. Now they are pricing in just one rate cut. Not surprisingly, interest rates across the globe have been on the rise, and global bond markets are now down 4.55% year-to-date.

> **Repeat after me: No one – not even the Fed – can reliably forecast interest rates or the Fed's actions.**
>
> **Jason Zweig – WSJ 4/19/24**

Both domestic and foreign bonds recorded losses of approximately 2.5% during April. The benchmark 10-year U.S. Treasury yield ended April at 4.7%, increasing 50 basis points for the month. For those of us keeping score, the yield on the 10-year Treasury was 3.86% at the start the year.

> **Markets were overzealous to say the least about the Fed cutting in March and cutting six times this year. Now there's been a complete reworking of that thought process, and when you go**

> **through that you get markets that are very jumpy looking for the next piece of information.**

**Rick Reider, BlackRock – WSJ 4/28/24**

The Labor Department reported that the consumer price index rose 3.5% in March from a year earlier. The increase was slightly higher than expected and an uptick from the 3.2% increase recorded in February. More importantly, it was the third straight month of readings that were above expectations.

> **Inflation pressures remain firm across the board. Inflation overall is firmer than the Fed needs it to be to initiate a series of interest rate cuts anytime soon.**

**Blerina Uruci, T. Rowe Price – WSJ 4/10/24**

Reported inflation on a monthly or annual basis may seem somewhat benign to many economists. But to everyday consumers, it's the cumulative figures that really matter. Households are struggling because the consumer price index (for all items) rose 17.96% over the three years ended January 2024.

> **In short, prices are up, wages aren't keeping pace, and the tuna sandwich that used to cost $10 now costs $13 including a small tip. No wonder consumers feel they are still battling price inflation.**

**Pozen/Kothari – WSJ 4/12/24**

According to the Commerce Department, gross domestic product expanded at a 1.6% seasonally and inflation-adjusted annual rate in the first quarter. That was decidedly below the 2.4% expected by economists. Trade and inventory, two volatile components that can change dramatically in consecutive quarters, significantly influenced the data. In fact, excluding these measures, GDP growth would have come in at a relatively healthy 3.1% rate.

**Concerns over economic stagnation may be exaggerated, as the headline figure masked the underlying strength.**

**J.P. Morgan, Market Insights – 4/29/24**

The current U.S. office vacancy rate is 13.8% … compared to 9.4% at the end of 2019. According to data firm MSCI, more than $38 billion of domestic office buildings are under stress of default or foreclosure due to rising interest rates and declining demand for workspace.

**Seemingly every week brings fresh headlines about office towers selling at deeply discounted prices.**

**Telis Demos – WSJ 4/19/24**

Only a few years ago, more than 90% of office loans that were converted into mortgage-backed securities were paid off when they became due. According to Moody's, that figure has fallen to 35% … the worst payoff rate recorded in data going back to 2007.

**It's a pretty stark change.**

**Matt Reidy, Moody's – WSJ 4/30/24**

According to Keyan, a private think tank focused on Chinese property, more than 50 Chinese developers have defaulted on their international debts. They estimate that $440 billion is needed to finish some 20 million housing units across China. To offset the weakness in consumption and real estate, Beijing is increasing industrial production and investing in manufacturing and exports.

**Beijing has shown a reluctance to decisively shift China's economy away from investment as an engine of growth and toward consumption, which officials view as potentially wasteful and at odds with their goal of remaking China as a technological and manufacturing powerhouse.**

**Wong/Douglas – WSJ 4/30/24**

A growing wave of cheap Chinese imports is stoking trade tensions. In volume terms, China's exports reached a 10-year high in March. In value terms, they were comparable to amounts reached last quarter.

> **China is now simply too large for the rest of the world to absorb this enormous capacity. When the global market is flooded by artificially cheap Chinese products, the viability of American and other foreign firms is put into question.**
>
> **Janet Yellen, Treasury Secretary – WSJ 4/10/24**

The eurozone economy grew at an annualized rate of 1.3% in the first quarter, a sign that the currency area is beginning to recover from Russia's invasion of Ukraine, which sent food and energy prices soaring. Growth in southern Europe has offset manufacturing struggles in the northern regions. According to UniCredit data, Germany's economy has grown by only 0.3% since the end of 2019 … compared with 8.7% in the U.S., 4.6% in Italy, and 2.2% in France.

> **Europe's economy has a north-south divide – and now it's the poorer south that is powering the region's return to growth.**
>
> **Fairless/Hannon/Frankl – WSJ 4/30/24**

Home prices are at or near record highs, driven by a persistently low supply of homes for sale. Other costs – insurance premiums, property taxes, and maintenance – have also spiked. The median monthly payment for a home purchase is now estimated to be $2,775 … up 10.6% from a year earlier, according to real-estate brokerage Redfin.

With mortgage rates rising above 7%, existing home sales in March fell 4.3% from February. Buyers are also confused about changes to compensation arrangements for real-estate agents.

> **The combination of higher rates and uncertainty about the new commission structure now threaten to halt momentum during the**

**crucial spring home-buying season, which is typically the housing market's busiest time of year.**

**Friedman/Heeb – WSJ 4/18/24**

Before the pandemic, economists were preoccupied with three major *deflationary* pressures – globalization, aging demographics, and rising world-wide debt levels. That thought process seems to be reversing. Consider the following five *inflationary* pressures emphasized in JPMorgan Chase CEO Jamie Dimon's "annual letter":

- Ongoing fiscal deficit spending
- Remilitarization of the world
- Restructuring of global trade
- Capital needs of the green economy
- Lack of investment in energy infrastructure

Gold prices are up about 40% since October 2022. Central banks in China, India, and Turkey have made considerable additions to their gold holdings. According to World Gold Council data, China's gold holdings have increased by $28 billion in just the past two years.

**There is clearly an objective to increase gold exposure, with the rational being diversification. Russia and the sanctions sent shock waves around the world.**

**Michael Bolliger, UBS Global Wealth Mgt – Barron's 4/24/24**

The spike in gold prices by individual investors could be in response to global conflicts, as it is considered to be a safe-haven asset. China's economic woes could also push domestic investors to purchase gold.

How has gold performed as an investment? Over the past forty years, gold has registered the same volatility as global stock markets … but delivered less than half of the returns.

> **Unlike equities that are anchored by earnings or bonds that pay coupons, gold and other precious metals are largely determined by speculation on where prices are headed. Therefore, precious metals are inherently a more tactical asset class, with limited utility in long-term portfolios.**
>
> **J.P. Morgan, Market Insights – 4/8/24**

Keep in mind, that most of us tend to be overly optimistic when planning for the future. Consider the following findings from the Employee Benefit Research Institute's latest survey:

- Overall, a significant majority of workers and retirees reported being optimistic about their ability to live comfortably in retirement.
- About 28% of workers expect to retire at age 65, up from 23% a year ago, however, the median actual age of retirement has actually been 62 for several years.
- While 75% of retirees expect to work in some capacity in retirement, only about 30% actually have done so.

For many of our clients, retirement projections are their primary focus. With the April 15 tax deadline in the rearview mirror, this is a great time to consider updating your personal financial planning framework.

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