QUARTERLY MARKET REPORT

FIRST QUARTER 2024

VOGEL CONSULTING

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First Quarter Highlights

Stocks reached new highs but bond markets were choppy on dampened rate cut forecasts

Financial Markets

- The positive momentum in global equity markets from late 2023 continued in the first quarter with major U.S. indices hitting multiple record highs. Certain foreign indices also hit new highs. Growth stocks outperformed value, despite a rally in energy stocks, due to continued strength in technology and communications stocks.
- In a reversal of the prior quarter, government bond yields moved higher as surprisingly strong economic data and sticky inflation data shifted interest rate forecasts to fewer cuts in 2024 and a later start to cuts.
- The price of West Texas Intermediate crude oil rose 17% during the quarter due to supply cuts by OPEC+ amid strong demand. The price of gold hit new highs. The U.S. dollar strengthened as better than expected economic data pointed to high for longer interest rates.

Overview of the Economy

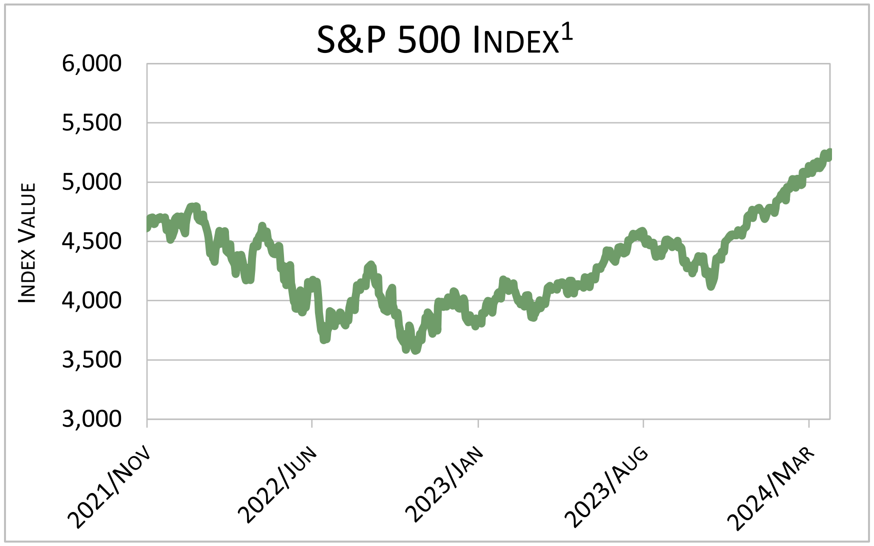
- Earnings reports for the fourth quarter were better than expected with a majority of companies beating analyst forecasts helped by solid sales growth.
- The U.S. economy continued to show resilience with a 3.4% annualized growth rate in the fourth quarter due in large part to consumer spending and non-residential investment spending. The labor market remains strong despite a slightly lower number of job openings with over 200,000 new jobs added in both January and February.
- Inflation has proven to be sticky with certain measures moving higher during the quarter and energy prices up.
- Surveys continue to show weak manufacturing activity around the world although with some improvement while services activity remains in expansion.

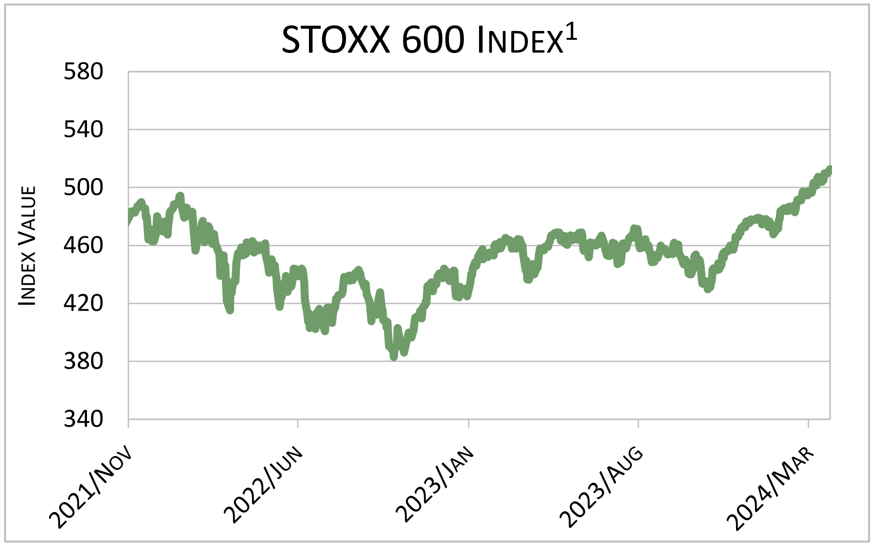
Notable Events

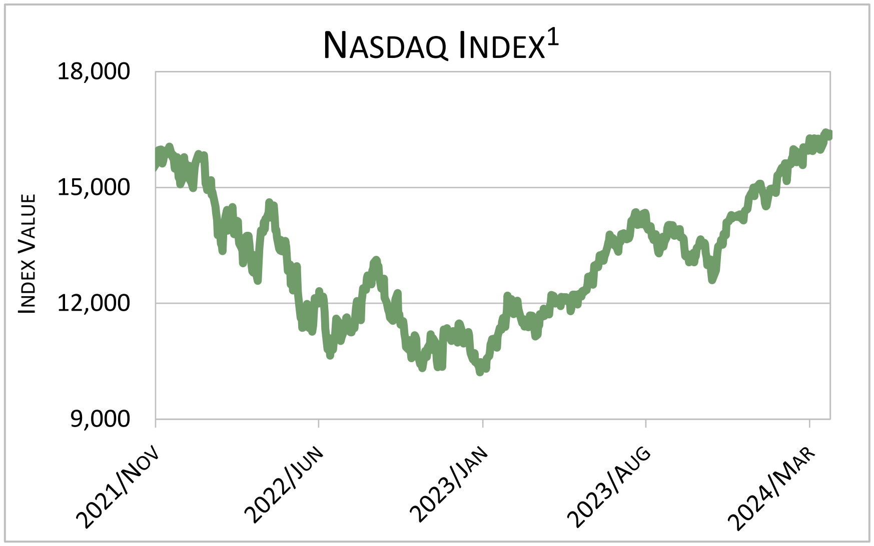
- The Federal Reserve Open Market Committee (Fed) kept the fed funds rate and its projection for the rate at year-end steady. Most central banks also held rates steady and indicated cuts could come sometime this year.

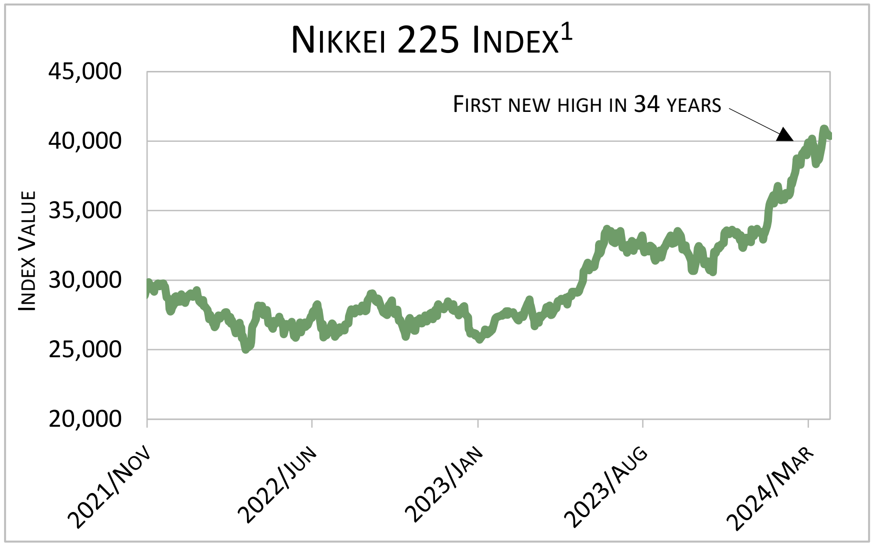
First Quarter Highlights

Equity indices in the U.S., Europe, and Japan hit new record highs









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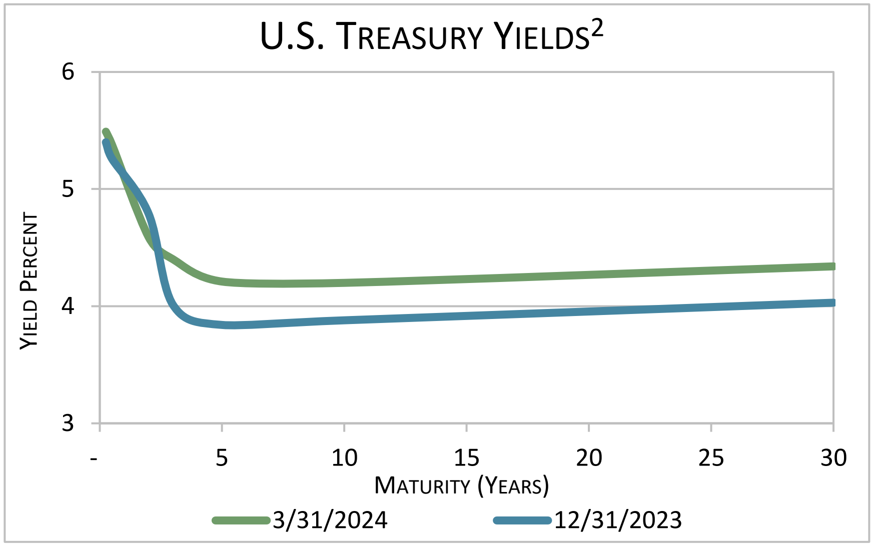
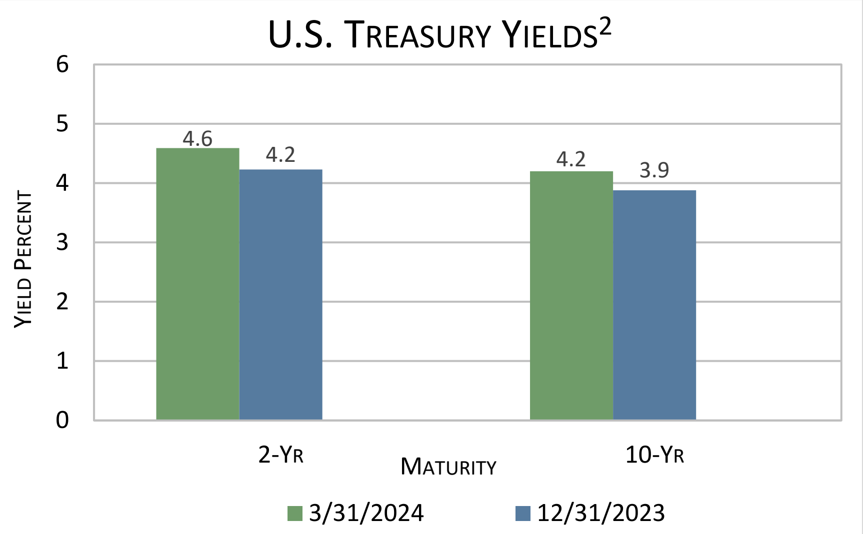
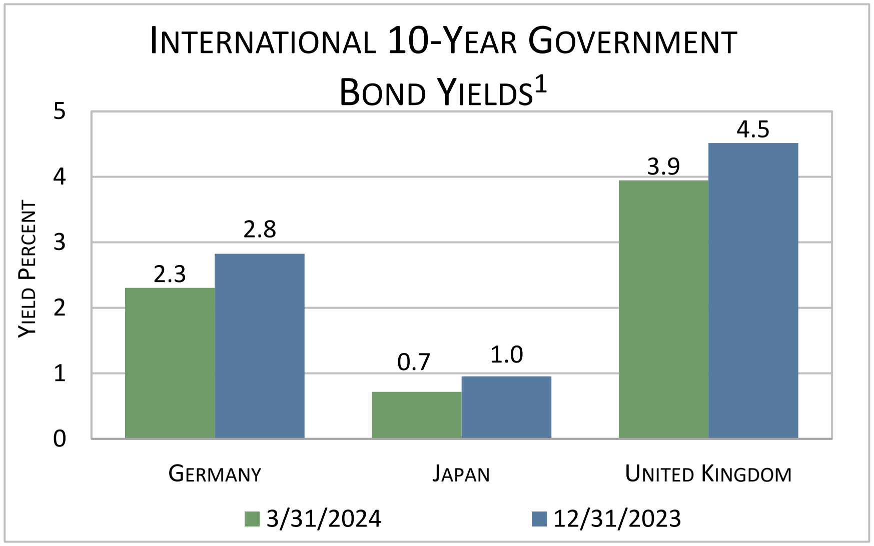
First Quarter Highlights

U.S. bond yields moved up on a shift to a "high for longer" outlook

Stronger than expected economic data and Fed comments made clear there will be fewer rate cuts in 2024 than investors expected in late 2023. U.S. bond yields moved up as markets repriced due to expecting the first cut in June rather than in March and three cuts rather than six. Yields in Germany and the United Kingdom (UK) declined on weaker economic data and bets that the first rate cut by central banks will come in June. Japanese yields fell due to a lower yen despite the end of the era of negative interest rates with the first rate hike since 2007 in March.







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First Quarter Highlights

Fed projections point to rate cuts even with higher growth and employment

The Fed's latest projections show higher gross domestic product (GDP) growth and inflation than in the prior projections with lower unemployment. Despite the stronger economic outlook, the expectation for the federal funds rate at year-end was unchanged. The market reacted positively since the projection still indicates three rate cuts this year.

Federal Reserve Median Projections[3]

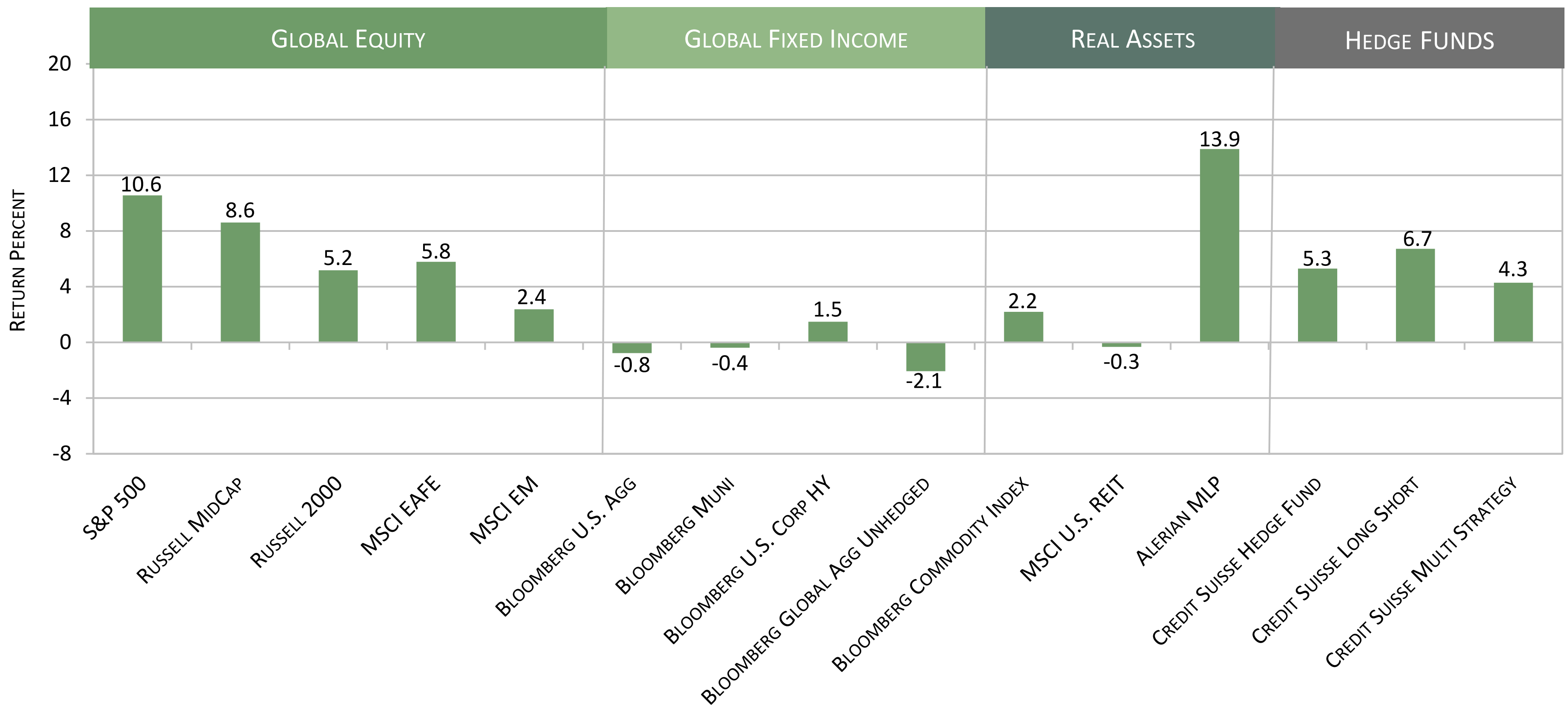
Variable	2024	2025	2026
Change In Real GDP - March	2.1	2.0	2.0
Change In Real GDP - Dec	1.4	1.8	1.9
Unemployment Rate - March	4.0	4.1	4.0
Unemployment Rate - Dec	4.1	4.1	4.1
Core Inflation Rate - March	2.6	2.2	2.0
Core Inflation Rate - Dec	2.4	2.2	2.0
Fed Funds Rate - March	4.6	3.9	3.1
Fed Funds Rate - Dec	4.6	3.6	2.9

First Quarter Highlights

Global equities rallied with the U.S. leading. Rising rates hurt bonds and REITs.

Good corporate earnings, surprisingly strong economic data, and artificial intelligence optimism drove equity markets to record levels, but that strong data shifted rate cut expectations which pressured most bond sectors along with real estate. Rising oil and precious metals prices boosted the commodites index.

Market Returns: First Quarter 2024[4]



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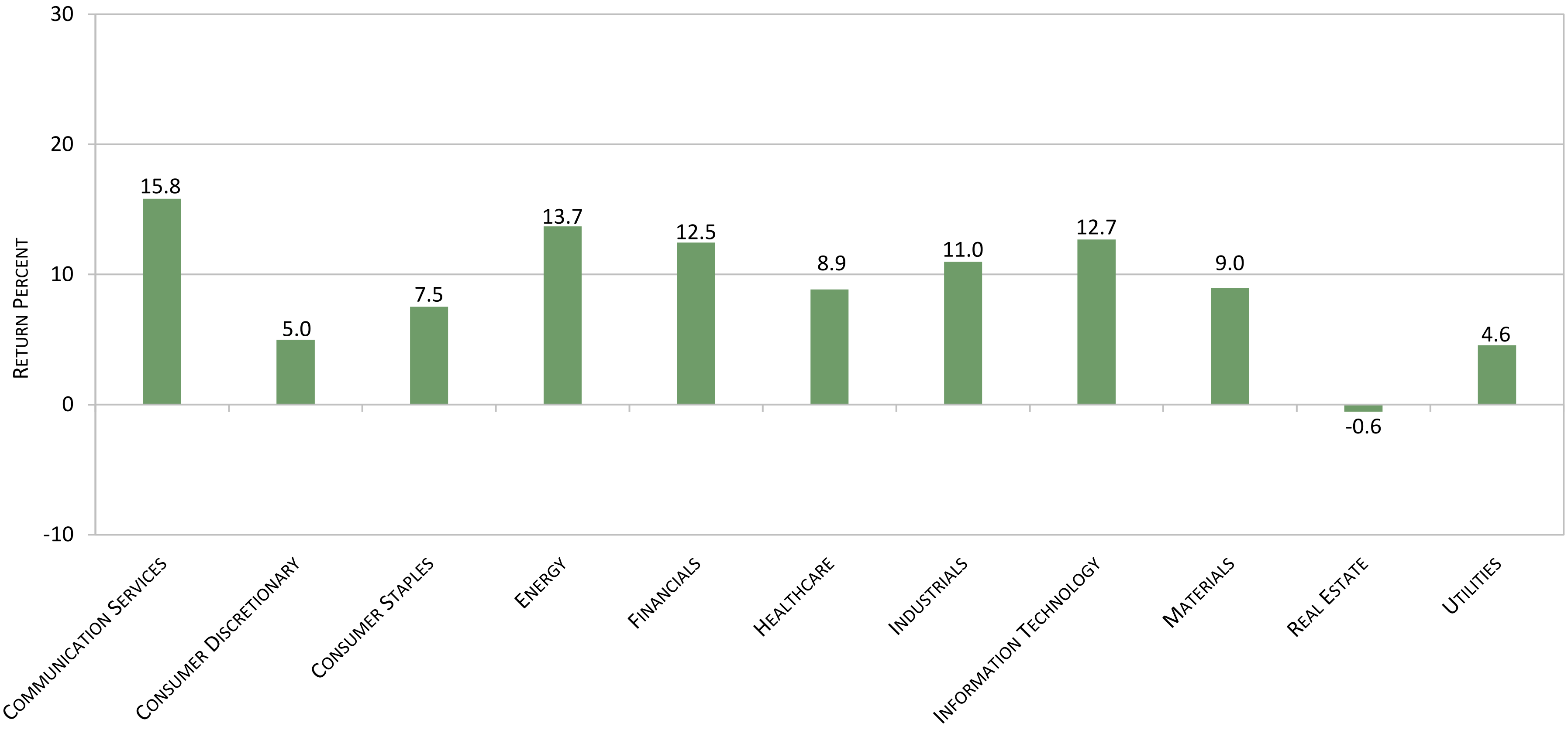
First Quarter Highlights

Cyclical sectors had the best returns while defensive and rate sensitive sectors lagged

Generally strong earnings reports and optimism about the benefits of artificial intelligence applications drove almost all sectors higher. Rising bond yields due to the change in expectations for the timing and number of rate cuts pressured interest rate sensitive sectors, particularly real estate.

S&P 500 Sector Returns: First Quarter 2024[4]



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OUTLOOK

HIGH VALUATIONS AMID MIXED ECONOMIC CONDITIONS LIKELY LED TO MORE UP AND DOWN MARKET MOVES

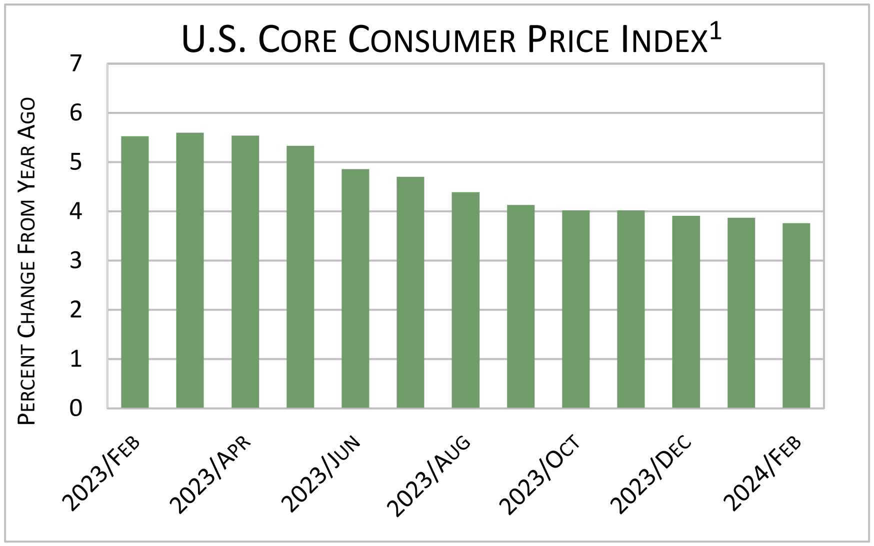
- Inflation remains the focus of market participants. In the U.S., the recent slowdown in the rate of inflation appears to have stalled since there have been small increases in some measures in early 2024. Therefore, the cost of living and doing business remain elevated and interest rates could remain higher than consumers and businesses have been accustomed to. These factors could be headwinds for consumer and business activity as well as put pressure on corporate profits. However, consumers still have ability to fuel economic activity since job creation is robust, jobless claims remain low, and wages are growing faster than inflation. In addition, productivity growth is helping offset inflationary pressures. Housing market activity is rebounding.
- The outlook in Europe and the United Kingdom is mixed with inflation coming down sharply but economic activity on the weak side particularly in manufacturing. Those conditions could lead to earlier or more interest rate cuts than in the U.S.
- China's economy continues to be constrained by the debt problems in the property sector that are also dampening consumer sentiment. China's manufacturing sector is picking up gradually but growth in the services sector is lackluster. More government stimulus could be coming.
- With the strong uptrend in equity markets during the last five months, financial market valuations may have gotten a bit ahead of actual fundamentals. Therefore, markets may experience large swings in reaction to clues to the path of interest rates in economic data reports and to comments by company executives in upcoming earnings reports. Investors will likely be focused on signs of a weakening labor market or reduced pricing power by businesses for downside risks or signs of benefits from declining rates of inflation and the likelihood of rate cuts for upside potential.

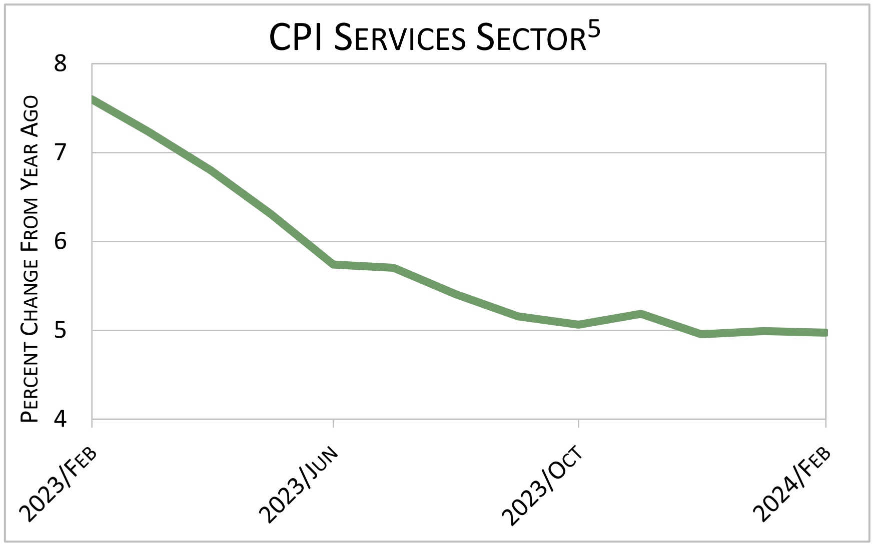
OUTLOOK

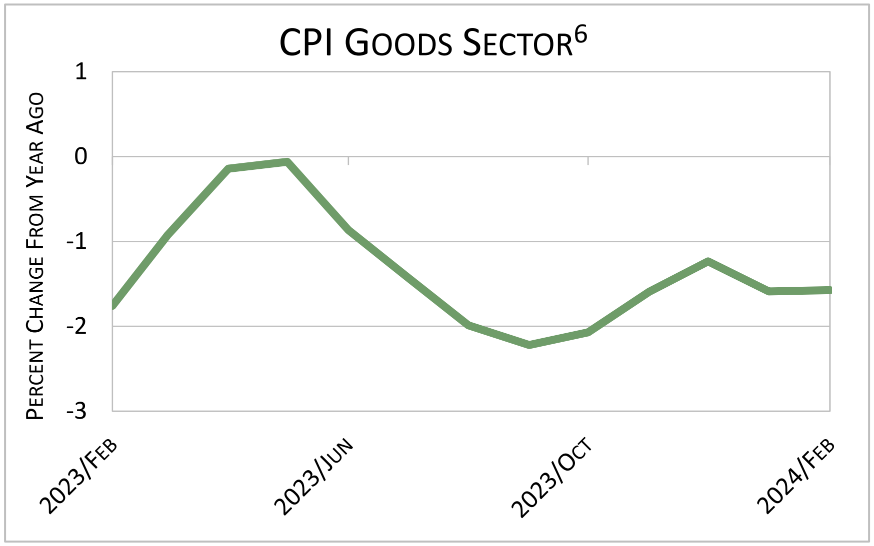
INFLATION SEEMS TO BE STICKIER THAN MANY EXPECTED DUE TO SERVICES COSTS

The decline in the growth rate of the core consumer price index (CPI) has slowed and appears to have plateaued near 4%, which is well above the Fed's 2% target. The CPI for goods has been declining, but the CPI for services has been sticky near 5% for several months. Service inflation is a key focus since services account for the majority of economic activity.

The compounding impact of higher prices on consumer and business budgets and ability to spend is a potential risk to future corporate earnings.







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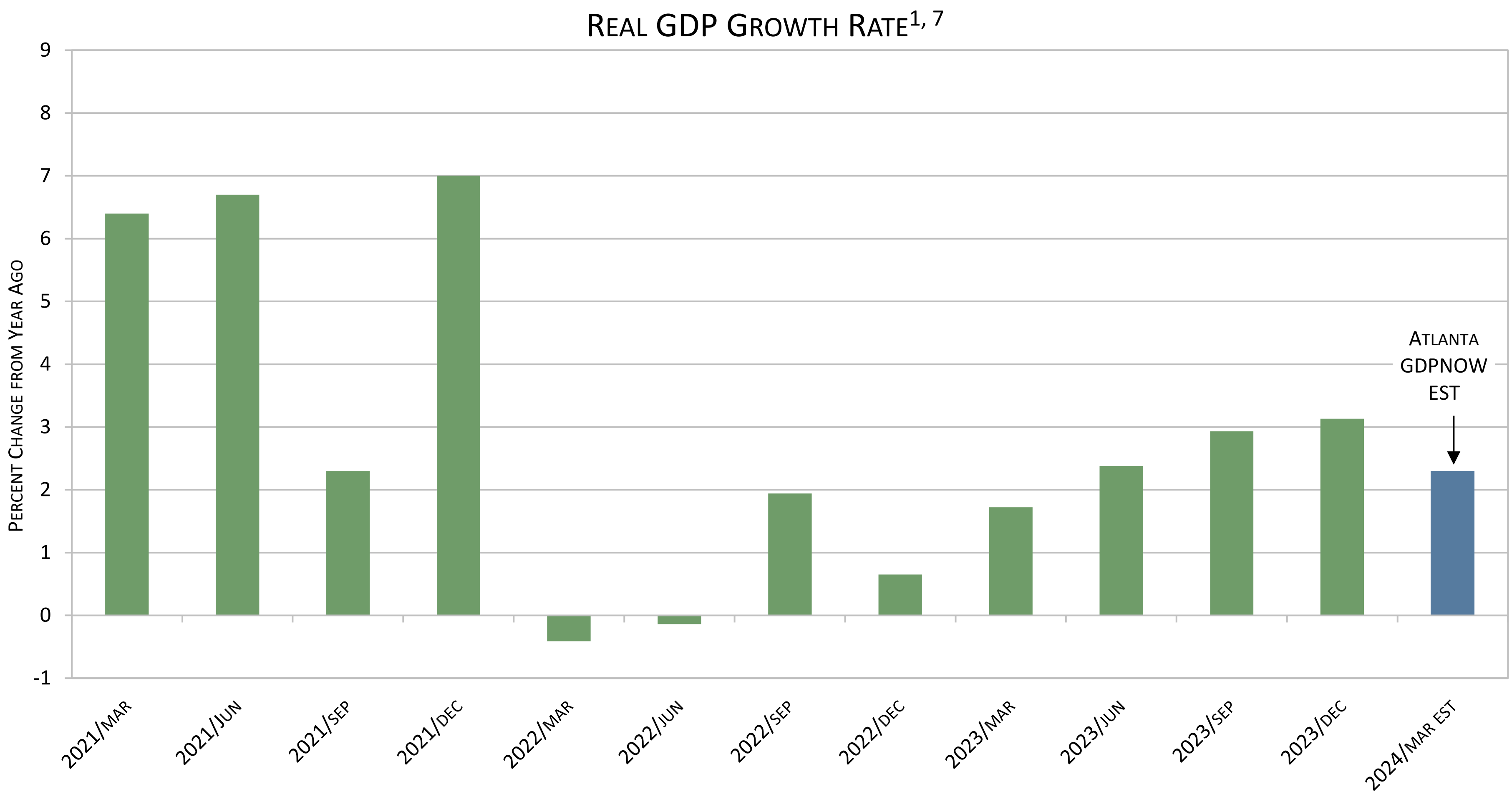
Outlook

Economic growth looks to remain solid due to consumer, business, and government spending

The rate of economic growth may slow but is expected to be solid. For example, strong wage growth, low unemployment, and wealth creation from an upward trending stock market will likely continue to drive consumer spending. The artificial intelligence boom will boost business investment spending. Spending on infrastructure is set to increase related to previously passed government stimulus programs.



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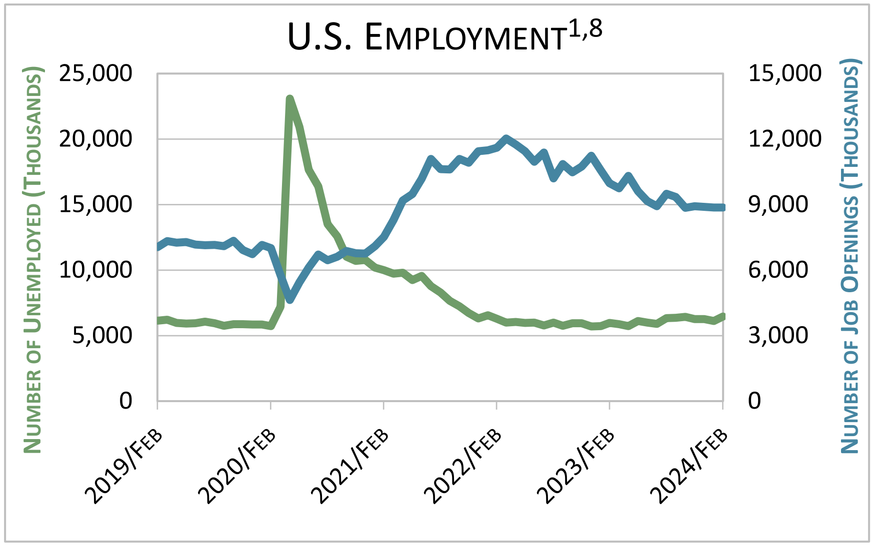
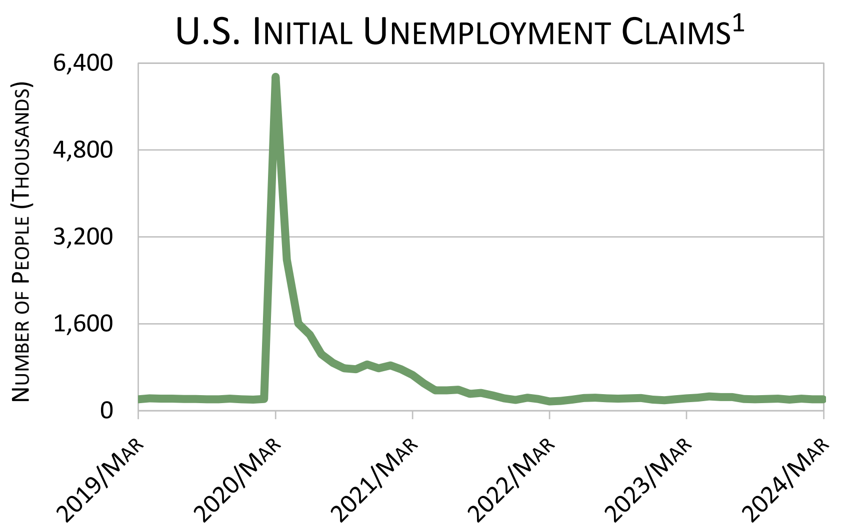
OUTLOOK

THE STRONG LABOR MARKET CONTINUES AS AN INFLATION RISK BUT SUPPORTS ECONOMIC GROWTH

The labor market continues to be strong. Even though it is off its high, the number of job openings remains well above the number of unemployed people. Despite news headlines of layoffs, there has been no uptick in the trend of weekly new unemployment claims. Importantly, wages are growing faster than inflation.

The tight labor market with rising wages provides consumers with the ability to maintain or increase spending. This adds to the risk that inflation could persist driven by robust demand and may delay interest rate cuts.





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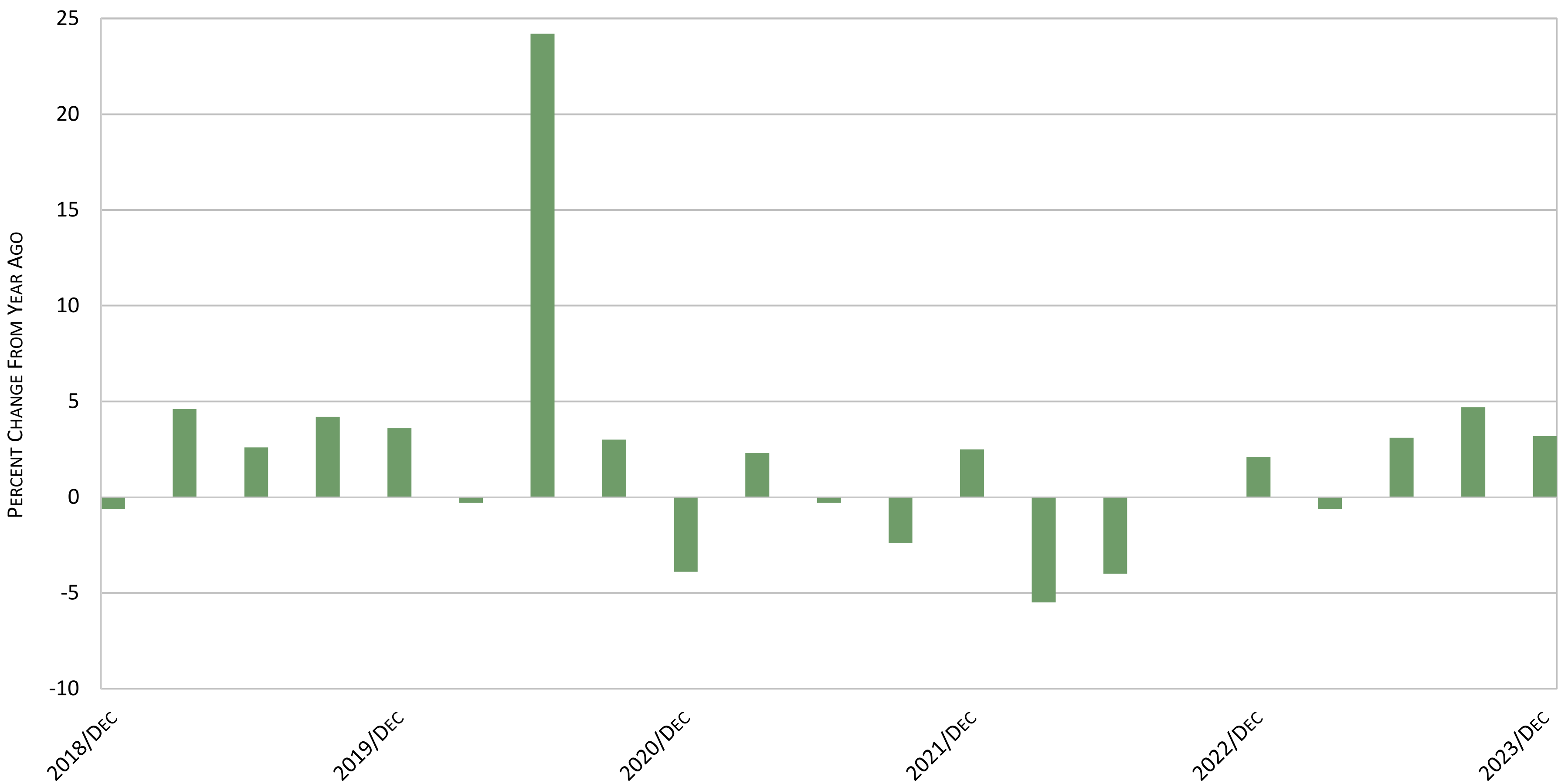
OUTLOOK

IMPROVING PRODUCTIVITY LESSENS INFLATIONARY PRESSURES AND SUPPORTS EARNINGS GROWTH

In recent quarters, productivity has been trending higher after a rocky period due to Covid impacts. Less employee turnover along with spending on new technology are contributing to the improvement. Strong productivity dampens the impact of wage growth on inflation.

LABOR PRODUCTIVITY[1]



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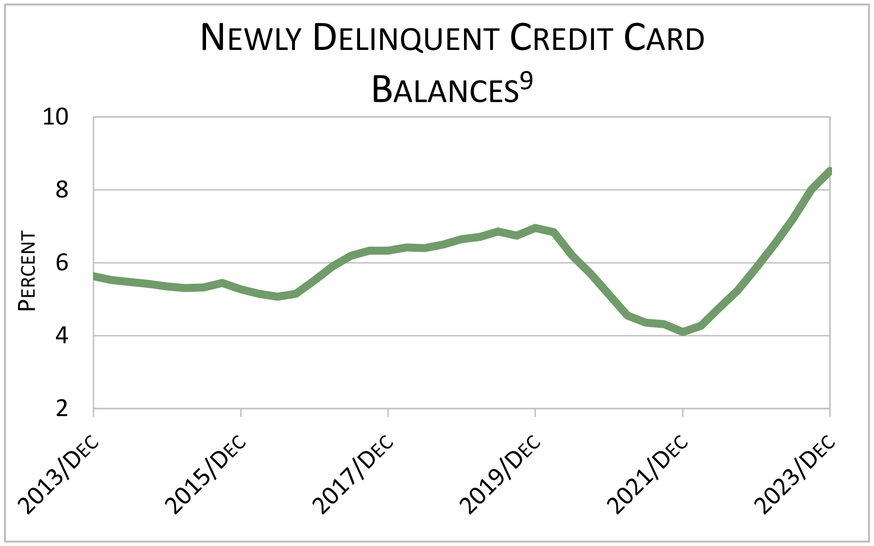
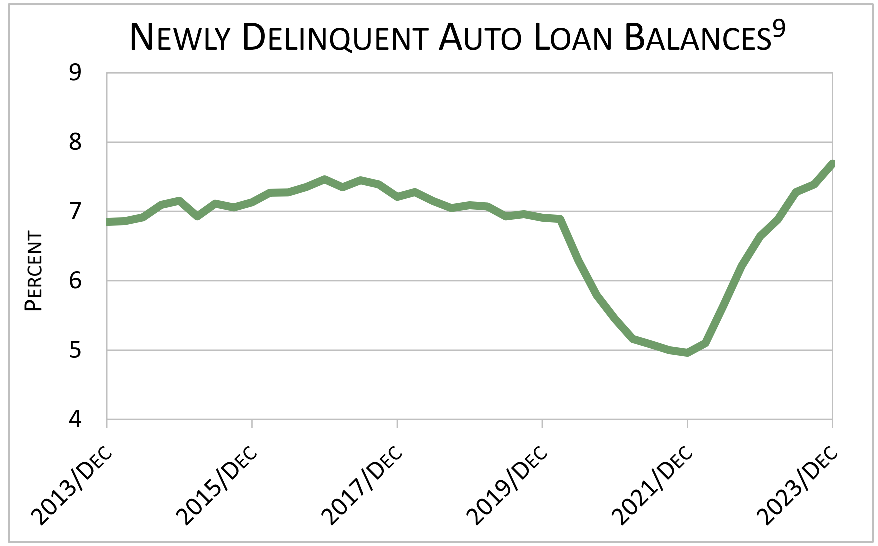
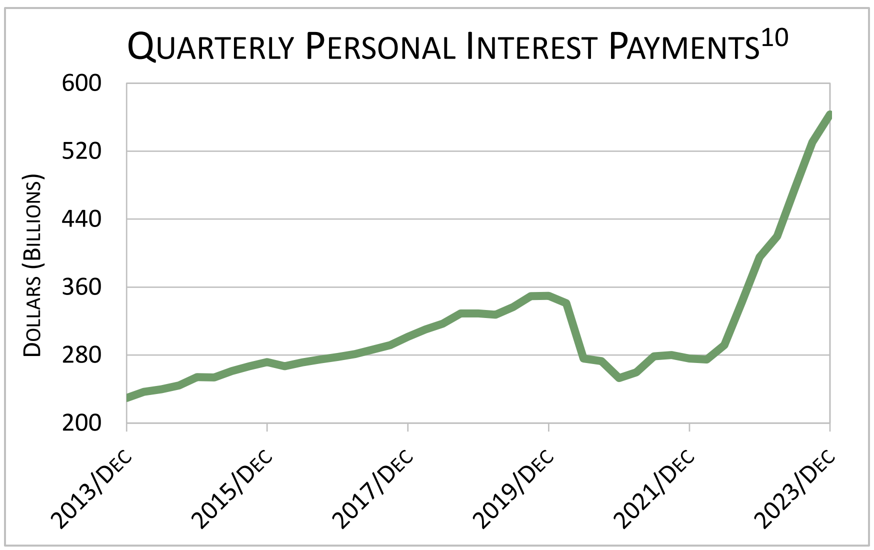
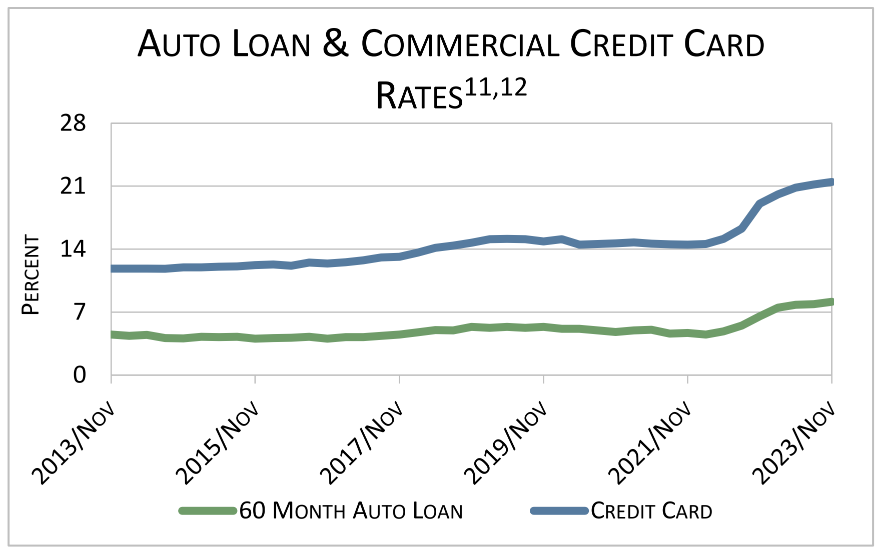
OUTLOOK

CONCERNS LINGER THAT SPENDING MAY SLOW AS SIGNS OF STRESS IN CONSUMER FINANCES RISE









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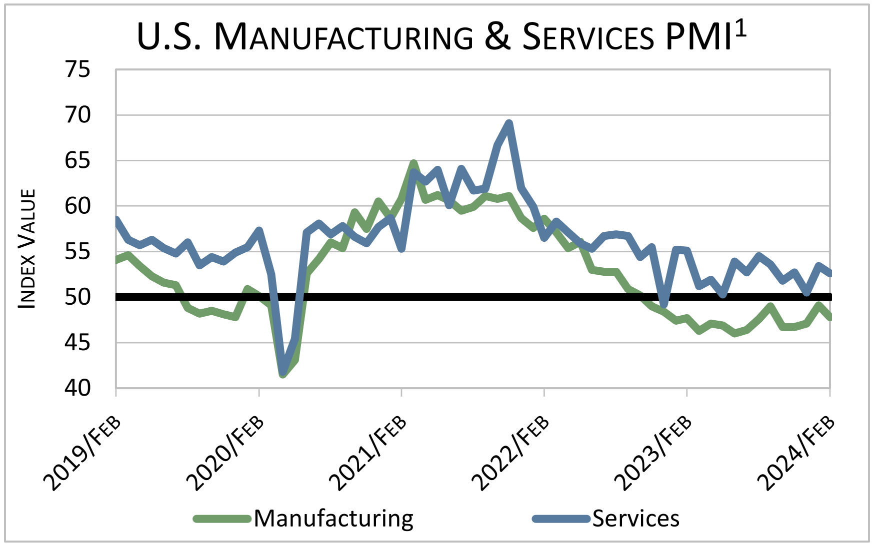
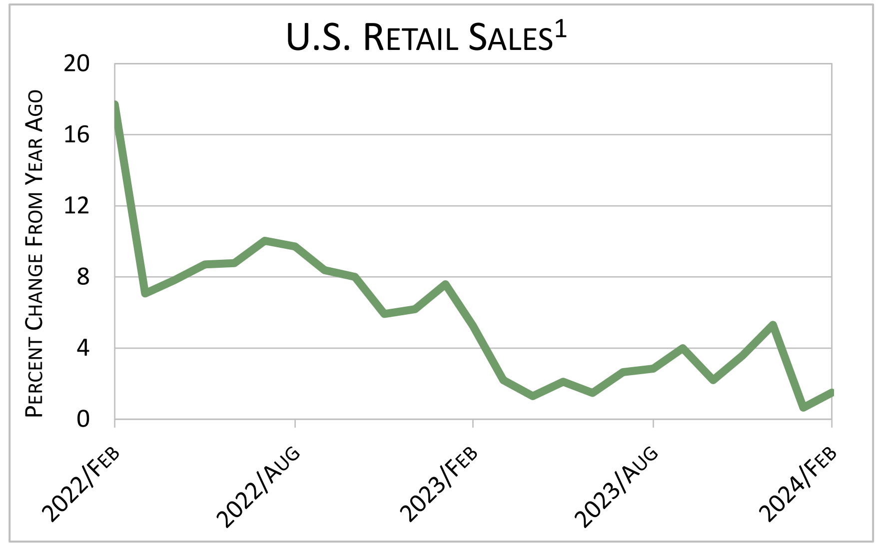
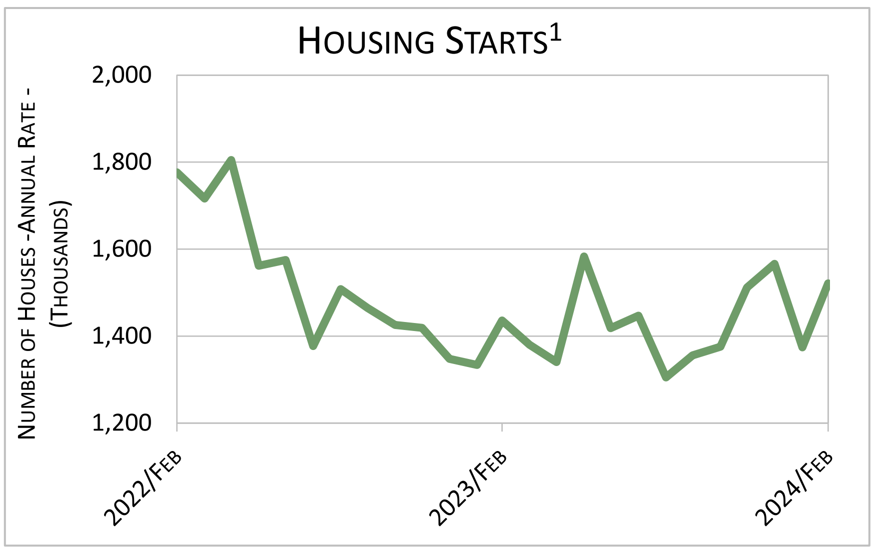
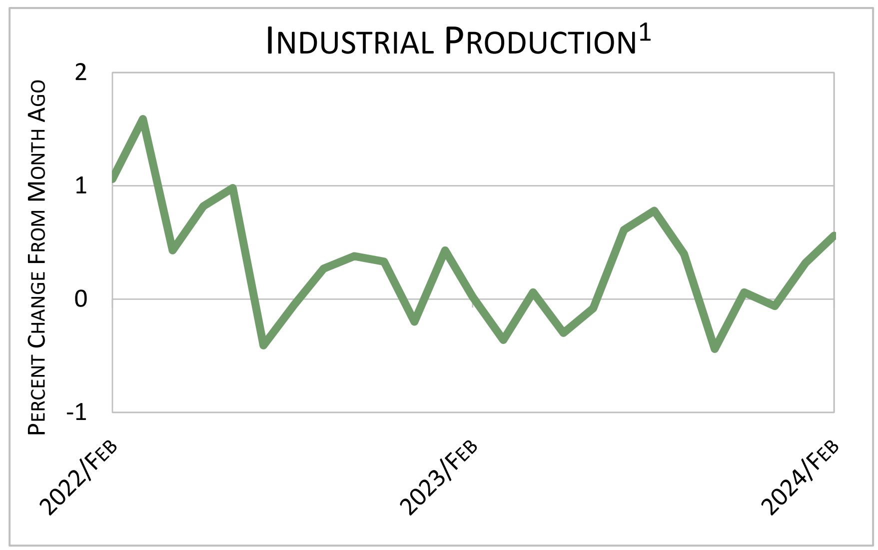
Outlook

Much of the economic data is mixed









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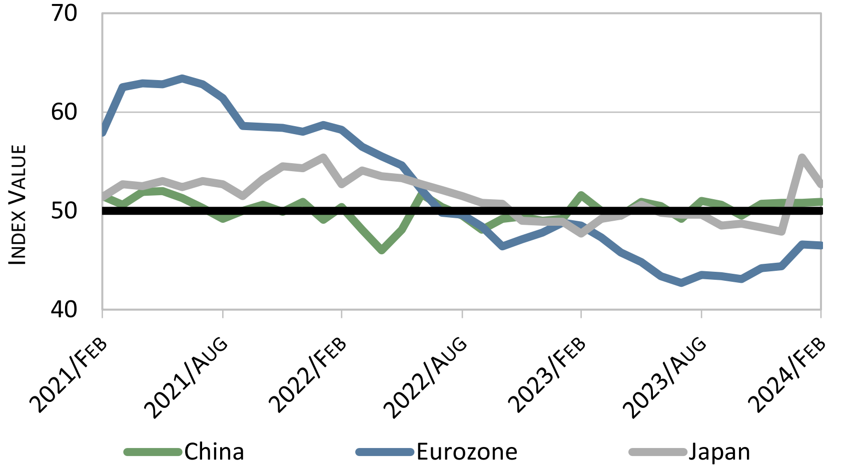
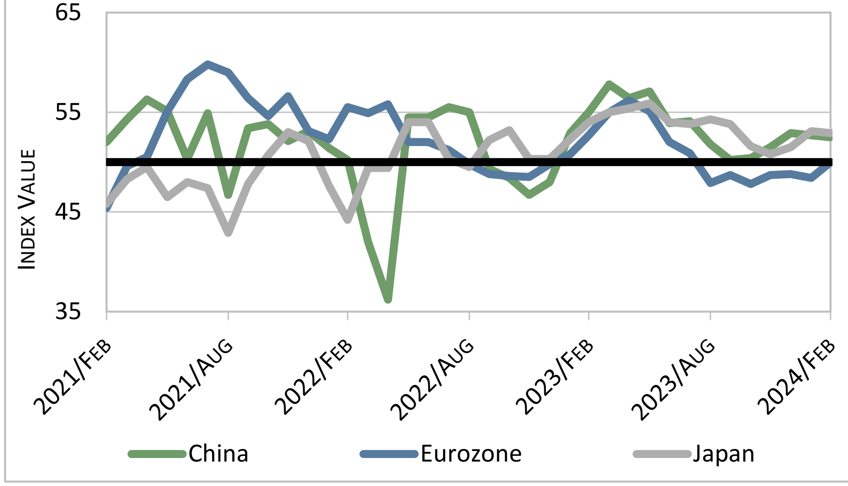
OUTLOOK

ECONOMIC DATA OUTSIDE THE U.S. IS MIXED

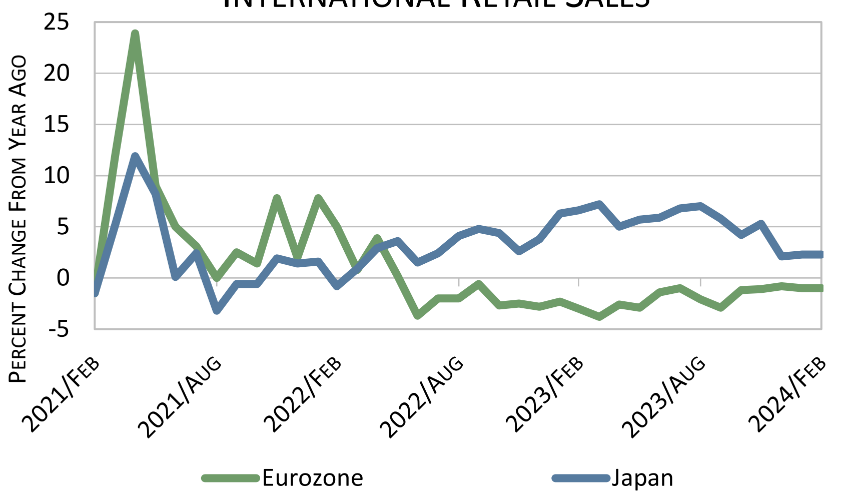
GLOBAL MANUFACUTRING PMI[1]



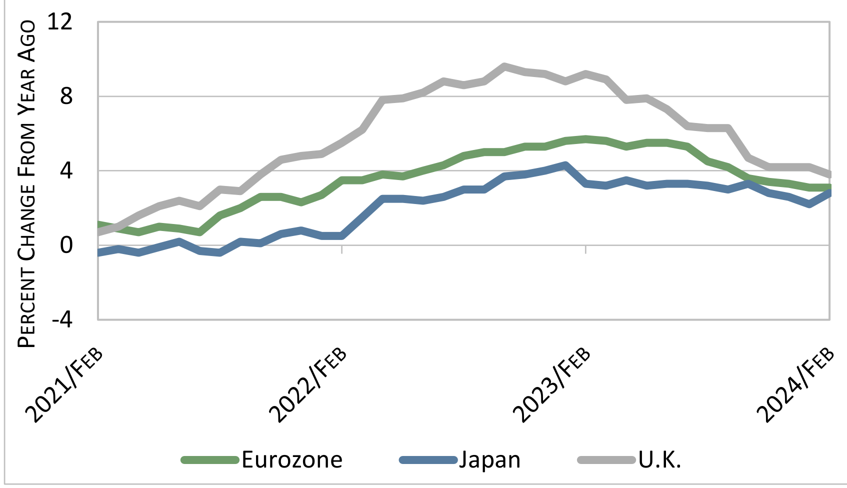
GLOBAL SERVICES PMI[1]



INTERNATIONAL RETAIL SALES[1]



INTERNATIONAL CONSUMER PRICE INDICES[1,13]



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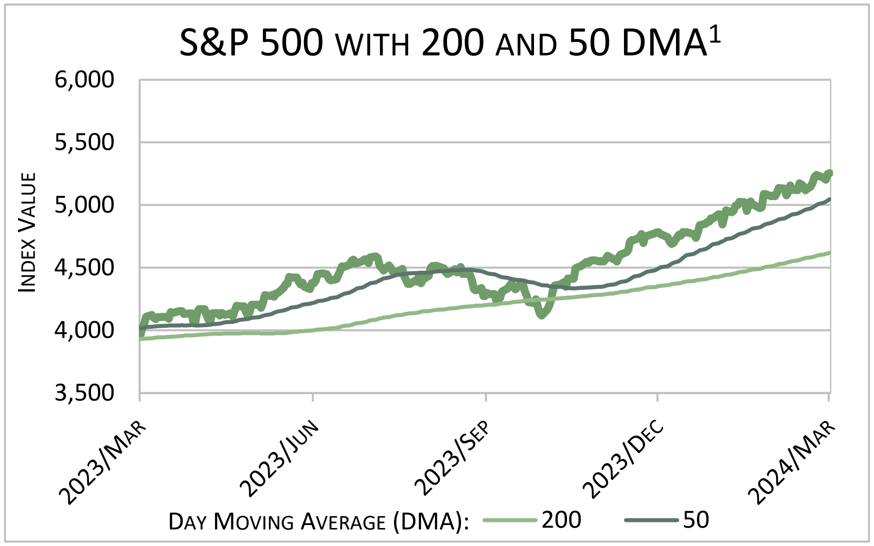
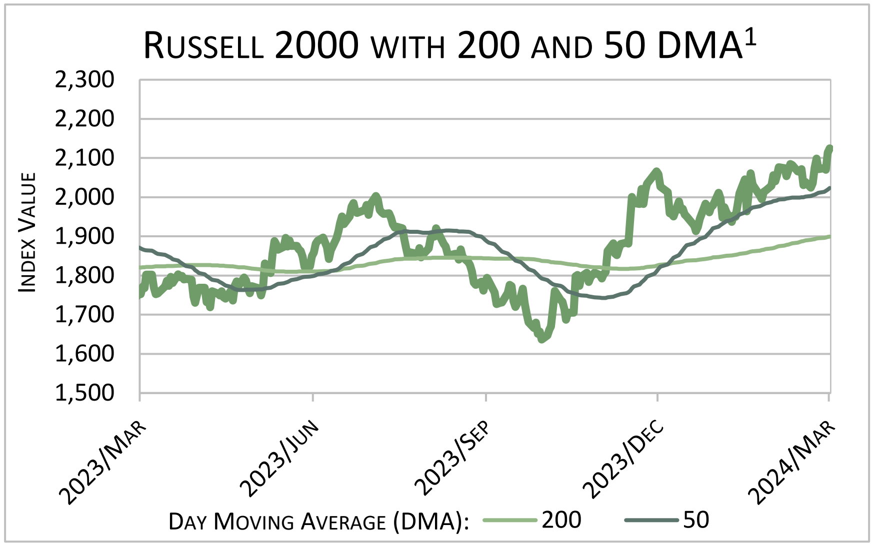
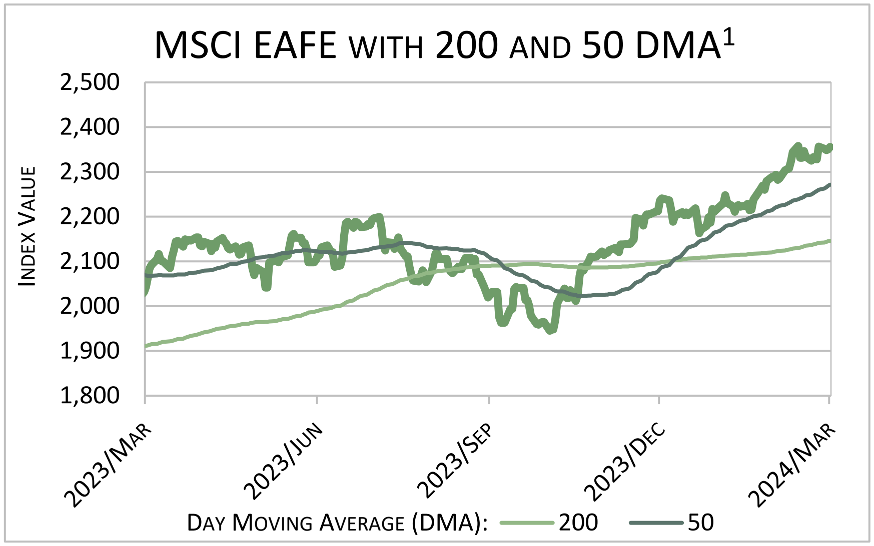
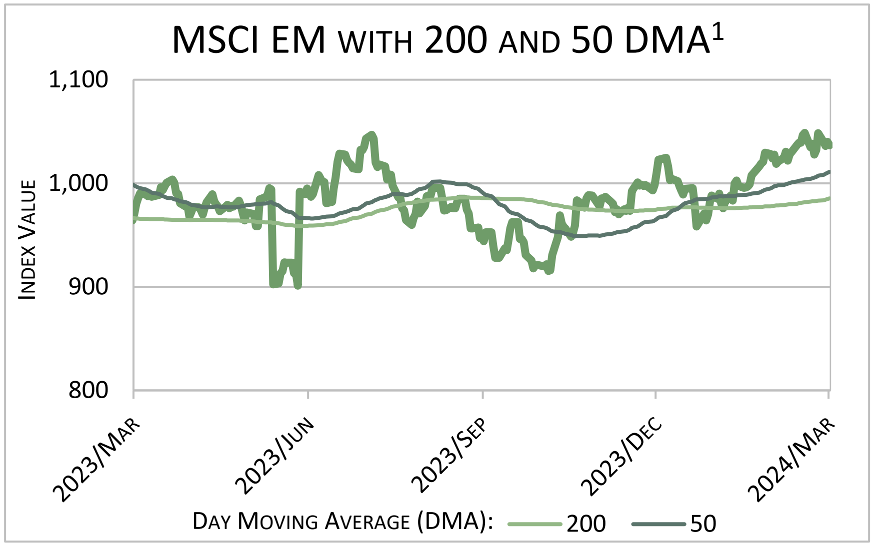
OUTLOOK

MOMENTUM INDICATORS ARE POSITIVE, BUT SENTIMENT INDICATORS POINT TO OVERBOUGHT LEVELS









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VOGEL TACTICAL RECOMMENDATIONS

FAVOR U.S. OVER FOREIGN EQUITIES. BOND YIELDS ARE ATTRACTIVE. OVERWEIGHT CASH.

ASSET CLASS	ACTION	COMMENTARY
Domestic Large-Cap Equity	EQUAL WEIGHT	Solid earnings growth and resilient economic activity support the uptrend in equity prices but a risk remains that tight monetary conditions from high for longer interest rates and stretched consumers fuel a slowdown. Valuations high.
Domestic Mid-Cap Equity	EQUAL WEIGHT	Solid earnings growth and resilient economic activity support the uptrend in equity prices but a risk remains that tight monetary conditions from high for longer interest rates and stretched consumers fuel a slowdown. Valuations high.
Domestic Small-Cap Equity	EQUAL WEIGHT	Wider than average valuation gap with large-cap stock. Signs of slowing growth or delayed rate cuts could mean wider price swings for small-cap than large-caps.
International Developed Equity	UNDERWEIGHT	Inflation is slowing so rate cuts likely coming. Concerns remain about weakness in exports and manufacturing. Valuation discount to U.S. stocks. A stronger U.S. dollar could be a headwind to returns to U.S. investors.
International Emerging Market Equity	UNDERWEIGHT	Positives are lower valuations than U.S. markets, catalysts for growth in various regions from moves to diversify supply chains, and rate cycles have peaked. Weak Chinese economy continues to be a risk. A firmer dollar could lower returns for U.S. investors.
Fixed Income	EQUAL WEIGHT	Yields are the highest in several years so are a source of income and diversification. Could be some price appreciation if the Fed cuts rates.
Hedge Strategies	UNDERWEIGHT	The flexibility to position for various risk scenarios can provide return opportunities, but rapid and sharp market swings can be challenging for some strategies.
Real Assets	EQUAL WEIGHT	Certain sectors seeing high demand driving prices up. High dividend yields offer inflation protection. Declining interest rates and low valuations make certain real estate assets attractive.
Cash	OVERWEIGHT	Keep reserves for liquidity needs since periods of volatility are a risk if consensus expectations are not met. Yields are attractive.

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DISCLOSURES

Important Disclosures:
This report is being provided to you for your review and consideration and does not constitute a recommendation to purchase, sell or hold any security, and should not be construed as investment advice. Past financial performance is no guarantee of future results.

The statistical information contained in this report was derived from sources that Vogel Consulting LLC (Vogel) believes are reliable, and such information has not been independently verified by Vogel. The information contained in this report represents the opinion of the author(s) as of its date and is subject to change at any time due to market or economic conditions.

Sources: *Number below corresponds to the superscript notation in chart titles and text blocks*

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