Performance Update

as of 03/31/2024

Fixed Income	March	YTD
US Treasury Index	▲ 0.64%	▼ -0.96%
Core Bonds	▲ 0.92%	▼ -0.78%
Aa Corporate Bonds	▲ 1.23%	▼ -0.98%
High Yield Corporate	▲ 1.19%	▲ 1.51%
US Equities		
S&P 500	▲ 3.22%	▲ 10.56%
US Mid Caps	▲ 4.34%	▲ 8.60%
US Small Caps	▲ 3.58%	▲ 5.18%
Non-US Equities		
International Developed	▲ 3.29%	▲ 5.78%
ACWI ex-US	▲ 3.13%	▲ 4.69%
Emerging Market Equities	▲ 2.48%	▲ 2.37%

Equity Sectors	March	YTD
Energy	▲ 10.57%	▲ 13.55%
Utilities	▲ 6.62%	▲ 4.57%
Materials	▲ 6.47%	▲ 9.05%
Financials	▲ 4.78%	▲ 12.46%
Industrials	▲ 4.41%	▲ 10.97%
Consumer Staples	▲ 3.30%	▲ 6.89%
Communication Services	▲ 3.08%	▲ 12.76%
Health Care	▲ 2.38%	▲ 8.85%
Real Estate	▲ 1.77%	▼ -0.55%
Technology	▲ 0.80%	▲ 8.51%
Consumer Discretionary	▼ -0.08%	▲ 3.14%

Equity Style: Month | Year-to-Date

	Value	Core	Growth
Large Cap	5.00% 8.99%	3.22% 10.56%	1.76% 11.41%
Mid Cap	5.18% 8.23%	4.34% 8.60%	2.39% 9.50%
Small Cap	4.38% 2.90%	3.58% 5.18%	2.80% 7.58%

Commentary & Outlook

Pivotal Progress

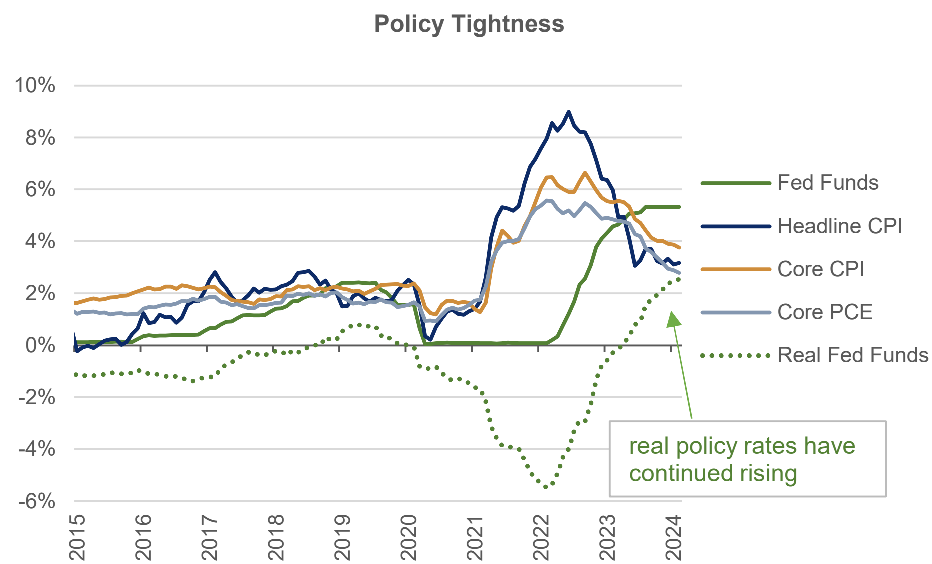
This past week, Fidelity® wrote about the likelihood of Fed rate cuts in 2024, despite higher than expected inflation reports in January and February. We made a similar case to clients in last quarter's market update and felt the idea was worth repeating.

The Federal Reserve closely monitors a wide range of economic conditions when determining its monetary policy. While inflation, labor conditions, and wage growth receive significant attention, there's an often overlooked factor: *real* interest rates (or *real* yields). Fed Chair Jerome Powell has emphasized the importance of maintaining "meaningfully positive" real rates.

But what exactly does this mean? Let's break it down. A nominal interest rate consists of two components: the real rate of return for holding an investment and an adjustment for inflation. By dissecting the Fed's policy rate, we can separate it into these two parts: real rates and expected inflation. The chart illustrates this concept, with the solid green line representing the actual Fed Funds (nominal) rate. Additionally, we consider three commonly cited inflation measures: CPI, CPI excluding food and energy ("Core"), and PCE excluding food and energy (often regarded as the Fed's preferred gauge). Using the latter, we estimate the real rate (shown as the green dotted line).

Despite the Fed halting rate hikes in late July 2023, real rates have continued to rise. From 0.9% at the end of July, they now stand at 2.55% as of the latest report—marking the highest level since the onset of the Global Financial Crisis in 2008. Consequently, the Fed may need to take action to prevent further increases in real rates.

Data source: Federal Reserve Economic Data, St. Louis Fed



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