

# Quarterly Recap

## First Quarter 2024 Recap

### At-A-Glance

The S&P 500 finished March at 5,254, its 22<sup>nd</sup> all-time high of the year, the sixth greatest first-quarter tally since WWII. The S&P 500 is up 27% from its October 2023 low.

The Dow Industrials gained 2.21% in March a quarterly return of 6.14%. The Dow-30 Index posted 17 record highs so far this year, adding over 2,117 points for the quarter and is within 0.5% of reaching 40,000.

The Nasdaq Composite gained the least last month, up 1.85% to end the March- end quarter up 9.31%.

Internationally, for the quarter, the MSCI EAFE Index surged 3.29% in March to cap a 5.78% first quarter gain. Emerging Markets underperformed with a smaller 2.48% March gain and a 2.37% YTD gain.

The Bloomberg Commodity Index gained 3.31% last month to cap the first quarter with a 2.19% gain.

Gold futures closed the quarter at \$2,248.40/oz (up 8.04%) U.S. WTI crude oil finished at \$83.17/barrel, surging 16.08% in the first quarter.

Market Indices <sup>1</sup>	March	1Q 2024	YTD
S&P 500	3.22%	10.56%	10.56%
Russell 3000	3.23%	10.02%	10.02%
Russell 2000	3.58%	5.18%	5.18%
MSCI EAFE	3.29%	5.78%	5.78%
MSCI Emerging Markets	2.48%	2.37%	2.37%
Bloomberg US Aggregate Bond	0.92%	-0.78%	-0.78%
Bloomberg US Municipal Bond	-0.00%	-0.39%	-0.39%
Bloomberg US Corporate High Yield	1.18%	1.47%	1.47%

<sup>1</sup>FactSet (all equity performance is total return based, which include reinvested dividends).

The S&P 500 had another stellar quarterly performance, surging nearly 10.6% in the first quarter, its best start to a year since 2019 and follows an 11.7% gain in the final quarter of 2023. Quite notably, the large cap index has only experienced back-to-back double-digit quarterly gains on five occasions since 1950. Catalysts behind the sustained rally include a stronger-than-expected rise in fourth quarter earnings, broadening interest in artificial intelligence beyond semiconductor chipmakers, continued easing in inflation, and an upward revision to economic (GDP) growth. Moreover, fears for a recession have nearly vanished, helping Wall Street begin a countdown toward the Federal Reserve beginning to ease interest rates later this year.

Despite the momentum, there are still challenges ahead that worry investors and could stir volatility. Core services-based inflation remains sticky while the ISM manufacturing activity PMI had signaled contraction for 16 consecutive months. Depressed valuations in commercial real estate are also problematic, especially for many regional banks. Stretched P/E ratios for Mega-cap Big Tech growth stocks are an additional overhang.

The Fed's preferred measure of inflation, the core Personal Consumption Price (PCE) Index, for February was recently released on the Good Friday market holiday. The core PCE that excludes food and energy increased 2.8% year-over-year, matching forecasts and slightly lower from 2.9% recorded in January.

Accompanying the PCE report, February consumer spending climbed 0.8%, the largest increase since January 2023 and widely topped the 0.5% consensus estimate. Personal incomes increased 0.3% (0.4% expected). Following the core inflation report, Fed Chairman Powell commented that the PCE data was "in line with what policymakers want to see. He further added that it was good there were no surprises in the data and that there is "no reason to think that the risks of a recession are elevated".

Wall Street will now turn its attention to monthly nonfarm payrolls and the onset of the corporate earnings season. Consensus forecasts currently project S&P 500 companies' first quarter 2024 earnings-per-share (EPS)

to expand by 3.1% from a year ago after EPS growth of 5.9% during the fourth quarter 2023. Analysts' initial 4Q estimate had projected a smaller 2.1% EPS increase.

As shown in the style box performance boxes below, all returns ended positive for all styles and sizes in March and the first quarter. Most notably, value-oriented companies outpaced their blend and growth counterparts in March while for the quarter the opposite prevailed, led primarily by Mega-cap Big Tech growth stocks.

March Returns				Quarterly Returns				YTD Returns			
	Value	Blend	Growth		Value	Blend	Growth		Value	Blend	Growth
Large Cap	5.00%	3.21%	1.76%	Large Cap	8.99%	10.30%	11.41%	Large Cap	8.99%	10.30%	11.41%
Mid Cap	5.18%	4.34%	2.39%	Mid Cap	8.23%	8.60%	9.50%	Mid Cap	8.23%	8.60%	9.50%
Small Cap	4.38%	3.58%	2.80%	Small Cap	2.90%	5.18%	7.58%	Small Cap	2.90%	5.18%	7.58%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which include dividends. Investors cannot invest directly in indexes. Data as of 3/31/2024.

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In sector performance, Energy (+10.60%) was the top performer in March, followed by Utilities and Materials. Technology's near 2% March gain widely trailed. In year-to-date performance, Energy (+13.69%) has displaced Technology (+12.69%) as the second-largest 2024 gainer.

Top Sector Performers – March <sup>1</sup>	Bottom Sector Performers – March <sup>1</sup>
Energy (+10.60%)	Technology (+1.97%)
Utilities (+6.62%)	Real Estate (+1.77%)
Materials (+6.50%)	Consumer Discretionary (+0.10%)
Top Performers – First Quarter <sup>1</sup>	Bottom Performers – First Quarter <sup>1</sup>
Communication Services (+15.82%)	Consumer Discretionary (+4.98%)
Energy (+13.69%)	Utilities (+4.57%)
Technology (+12.69%)	Real Estate (-0.55%)
Top Performers – YTD 2024 <sup>1</sup>	Bottom Performers – YTD 2024 <sup>1</sup>
Communication Services (+15.82%)	Consumer Discretionary (+4.98%)
Energy (+13.69%)	Utilities (+4.57%)
Technology (+12.69%)	Real Estate (-0.55%)

<sup>1</sup>FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends).

The yield on benchmark 10-year Treasury notes notably rebounded, ending the first quarter at 4.201%, up over 0.32% since the end of 2023. This as expectations for the first 2024 Fed rate cut pushed out from March to June.

In fixed-income performance, U.S. Treasuries (as measured by the Bloomberg U.S. Government Bond Index) fell 0.93% in the first quarter after a strong 5.62% rally during the fourth quarter. Likewise, longer-term U.S. Government bonds slumped 3.24% in the first quarter, following a 12.69% fourth quarter gain.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) fell 0.78% for the quarter. Non-investment-grade High-Yield corporate bonds outperformed, returning 1.47% for the quarter. Municipal Bonds were essentially flat in March, capping a first quarter loss of 0.39%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on X.

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A diversified portfolio does not assure a profit or protect against loss in a declining market.

### ***Glossary***

**The Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The **Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The **Bloomberg U.S. Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index<sup>®</sup> (VIX<sup>®</sup>)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.