ECONOMIC COMMENTARY | Q1 | 2024

It was a strong quarter for stocks and a relatively flat one for bonds. According to Bloomberg, stocks (defined by the S&P 500) had their best first quarter in 5 years. Profits rose 3.1% from a year earlier, as reported by FactSet. Of even greater importance, we saw the market rally broaden within the S&P 500. That said, technology stocks still made the largest contributions to returns, accounting for 3.7% of the total 10.6% YTD. Natural resources stocks (defined by the S&P North American Natural Resources Sector Index) led all asset classes, up 11.2% for the quarter. This sector's outperformance was in large part the result of higher oil and energy prices stemming from the wars in Ukraine and Israel.

We believe there is a path to strong returns from stocks and bonds this year, but other paths lurk as well. Any path to success in 2024 requires trust the Fed will artfully execute its monetary policies. Stubborn inflation pressures persisted in March, derailing the case for the Fed to begin reducing interest rates in June and raising questions over whether it can deliver cuts this year without signs of an economic slowdown. The consumer-price index rose 3.5% in March from a year earlier, a touch higher than economists had forecast, according to the Labor Department. Despite these inflationary headwinds, stocks have proven resilient so far this year.

Investors' growing doubts about the prospect for rate cuts also helped drive up Treasury yields during the quarter, causing bond prices to drop. The 10-year yield, which helps set borrowing costs on everything from mortgages to corporate debt, increased from 3.88% to 4.20% in the first quarter. Overall, fixed income saw mostly negative returns. In contrast, some high yield and international bonds indexes were positive.

As noted above, corporate profits continue to grow, and analysts expect companies in the S&P 500 to report a third consecutive quarter of earnings growth. This positive trend suggests the economy is on solid ground and that the Fed's "soft landing scenario" – a scenario that has the Fed bringing inflation down without crashing the economy – is playing out. The other paths that can upset markets include an escalation of the wars in Ukraine and Israel, soaring energy prices and other factors that keep inflation high.

So what do we do to prepare for all of these scenarios? We develop investment portfolios that balance risk and return, always taking into consideration the underlying needs of the client. Our strategy centers on providing clients with appropriate results over time, factoring in the many different scenarios that may play out. Thank you for your continued trust in us and the opportunity to invest your assets.

Miller Wealth Advisors
Planning for life. Preparing for a lifetime.

Sources:

1. Wall Street Journal: Rising Bond Yields Surprise Market 03.27.2024
2. Barron's: Stocks Off to Great Start. What's Next?, 04.01.2024
3. Valmark: TOPS Quarterly Update Q1 2024, 04.16.24