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ECONOMIC REVIEW¹

- Real GDP growth proved surprisingly slow in the first quarter, growing at a tepid 1.6% annualized rate vs. the consensus expected 2.5% pace.
 - The 1.6% reading marked the slowest growth rate in almost two years and underperformed the forecast from every economics group on Bloomberg, sparking a significant market pullback.
- Positively, “Core” GDP, which excludes government purchases, inventories, and international trade – volatile categories from quarter to quarter, increased a healthy 3.1% in Q1.
- The Personal Consumption Expenditures (PCE) Price Index rose 0.3% in March, as forecasters expected, but pushed the year-over-year (YoY) comparison to 2.7%, up from 2.5% in February.
 - Similarly, Core PCE prices, which exclude the volatile food and energy categories, increased by 0.3% as expected last month, but held steady at 2.8% on an annual basis.
 - A further subset dubbed “Super Core” PCE prices (services ex. food, energy, and housing) rose 0.4% in March and are up 3.5% YoY, accelerating from 3.4% last month.
- Regardless of the measure, prices are rising too fast for the Federal Reserve (Fed) to ease monetary policy.

Inflation Reading	Headline MoM	Headline YoY	Core MoM	Core YoY
CPI Mar. Data	0.40%	3.50%	0.40%	3.80%
PPI Mar. Data	0.20%	2.10%	0.20%	2.40%
PCE Mar. Data	0.30%	2.70%	0.30%	2.80%

How do GDP and Inflation data impact you?

- With headline GDP slowing substantially more than expected and the Fed’s preferred inflation gauge remaining stubbornly above target, investors developed concerns that the economy may enter a period of stagflation.
 - Stagflation is a particularly worrisome economic situation marked by slow growth, high inflation, and high unemployment, which limits the effects of most monetary policy solutions.
- However, given the strength of Core GDP, the mini-boom in the economy remains intact; stock prices will likely mirror earnings growth – the primary driver of stock market returns – for the remainder of the year.



A LOOK FORWARD¹

- This week is a significant one for economic data: the Federal Reserve will convene for its May meeting to discuss the path of monetary policy, and the April jobs report should give an indication of how the labor market is responding to slower growth and higher inflation.

How does economic data impact you?

- These are all critical reports that should shed further light on the current growth/inflation picture but ultimately confirm our current understanding that interest rates will remain higher for longer than previously anticipated.
- Although this situation gives the Fed little reason to cut rates, inflation isn’t roaring back and its downtrend appears intact, so there is little reason to raise rates from here either.



MARKET UPDATE²

Market Index Returns as of 4/26/2024	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	2.68%	-2.87%	7.38%	25.25%	8.47%	13.52%
NASDAQ	4.23%	-2.73%	6.32%	32.22%	4.99%	15.34%
Dow Jones Industrial Average	0.67%	-3.85%	2.05%	15.44%	6.15%	9.90%
Russell Mid-Cap	2.29%	-4.36%	3.87%	18.78%	2.44%	9.36%
Russell 2000 (Small Cap)	2.80%	-5.72%	-0.84%	16.09%	-3.21%	6.12%
MSCI EAFE (International)	1.92%	-2.85%	2.77%	9.54%	2.46%	6.19%
MSCI Emerging Markets	3.77%	-0.01%	2.36%	10.03%	-6.15%	1.82%
Bloomberg US Agg Bond	-0.08%	-2.43%	-3.19%	-0.82%	-3.47%	-0.14%
Bloomberg High Yield Corp	0.60%	-1.05%	0.41%	9.23%	1.50%	3.72%
Bloomberg Global Agg	-0.31%	-2.52%	-4.56%	-2.02%	-6.02%	-1.58%



OBSERVATIONS

- Despite a concerning mid-week pullback across most major indices, stocks recovered nicely into the weekend.
 - The NASDAQ roared back to finish the week up 4.23%, beating all other benchmarks.
 - The S&P 500 added 2.68% while the Dow managed to eke out a positive 0.67%.
 - Small and Mid-cap stocks both improved more than 2% on the week, as well.
- Emerging market equities posted a strong 3.77% return and outperformed developed international markets, which finished the week up 1.92%.
- Domestic and global aggregate bond indices both declined for the week as yields across the treasury curve rose.
 - High yield corporates, which are less sensitive to interest rates, outperformed with a 0.60% return.



BY THE NUMBERS

Wall Street Bosses Cheer Investment Banking Gains but Stay Cautious: Wall Street's bosses are finally seeing signs of a broader pickup in investment banking, but they are not cheering too loudly just yet. Investment banking divisions showed robust growth in the first quarter for the largest U.S. banks, which reported surging revenues and fees. Capital markets led the comeback, executives said. "We have strong backlogs and momentum in every part of the firm," Morgan Stanley's new CEO Ted Pick told analysts on a conference call after his first quarter at the helm. "While the pipelines are healthy, there remains a backdrop of economic and geopolitical uncertainty." Morgan Stanley's investment banking revenues jumped 16% to \$7 billion in its first quarter, it reported on Tuesday, sending shares up more than 3%. At Bank of America, fees from investment banking surged 35% to \$1.6 billion, but its stock fell more than 4% as it set aside more money to cover souring loans. "We're just happy to see the investment banking activity improve," BofA's finance chief Alastair Borthwick told journalists.³

NFL Draft Highlights: Caleb Williams goes No. 1 to Bears; Offensive Picks Dominate First Round: The Chicago Bears selected Southern California quarterback Caleb Williams with the No. 1 pick in the NFL draft Thursday in Detroit. He was followed by the Washington Commanders' selection of LSU quarterback Jayden Daniels and the New England Patriots' choice of North Carolina quarterback Drake Maye. Six quarterbacks — Williams, Daniels, Maye, J.J. McCarthy, Michael Penix Jr. and Bo Nix — were taken in the first 12 picks. In total, 23 offensive players heard their names called, the most in NFL draft history. Williams, the consensus top prospect, threw for 3,633 yards, 30 touchdowns and five interceptions last season. He won the Heisman Trophy as the best player in college football the previous season after he took the Trojans from a four-win team to an 11-win team. Williams threw for 4,075 yards, 37 touchdowns and only four interceptions over 13 games in 2022.⁴

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal 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 prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 4/26/2024.

² Data obtained from Morningstar as of 4/26/2024.

³ [Wall Street bosses cheer investment banking gains but stay cautious | Reuters](#)

⁴ [NFL draft 2024 first round picks selected as Caleb Williams gets No. 1 spot: Highlights \(nbcnews.com\)](#)

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