TRUST COMPANY OF THE SOUTH

Monthly Market Dashboard

April 2024

ELEMENT	TREND	COMMENTS
VALUATION	Negative	Valuations are higher, certainly for the largest companies.
INTEREST RATES	Neutral	Markets are now pricing in just a single 25-basis-point cut this year.
INFLATION	Neutral	Though lower, inflation persists.
VOLATILITY	Positive	Though low, price volatility has climbed recently.
MONETARY POLICY	Neutral	Fed tightening to impede near-term economic growth, earnings.
DOMESTIC POLICY	Positive	Focus growing on presidential election.
GEOPOLITICAL	Negative	Middle East on edge, China's economy in peril, Ukraine war drags on.

A Cruel April

"April is the cruellest month, breeding
Lilacs out of the dead land, mixing
Memory and desire, stirring
Dull roots with spring rain."

-- The Waste Land

T. S. Eliot called April the cruelest month because the month's beautiful weather made the melancholy folk of the world feel that much worse. Same goes for investors, I suppose. While the warm weather and greening of the trees were welcome outside, the weather in the market was lousy indeed. Markets lost some of their luster in April, as fears of persistent inflation caused traders to rethink their expectations for lower interest rates.

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Markets were lower across the board, with the S&P 500 down 4.1%, the NASDAQ down 4.4% and the Dow Jones down 4.9%, its worst performance since September 2022. The Dow is now barely positive on the year, though the other two major indices are still solidly up mid-single digits.

In their policy statement released today, Fed officials now point to a "lack of further progress" in taming inflation in recent months.

To start the year, the markets were anticipating six rate cuts that would cumulatively bring short-term rates down to around 3.8%. As of today, markets are betting on one measly rate cut, with short-term rates remaining around 5% at the end of the year. At least for now, the Fed is not calling for any rate hikes, but all in, this is a fairly extraordinary change in expectations.

	2022	2023	1Q2023	April	YTD
S&P 500	-18.1	26.3	10.6	-4.1	6.0
DJIA	-6.9	16.2	6.1	-4.9	0.9
NASDAQ	-32.5	44.7	9.3	-4.4	4.5
Russell 2000	-20.5	16.9	5.2	-7.0	-2.2
Russell 2000 Value	-14.8	14.6	2.6	-6.2	-3.7
Russell 2000 Growth	10.0	18.5	7.5	-7.6	-0.6
Russell 3000	-19.2	25.9	10.0	-4.4	5.2
Russell 3000 Value	-8.0	11.6	8.6	-4.4	3.9
Russell 3000 Growth	-29.0	41.2	11.2	-4.4	6.3
International*	21.0	17.9	5.6	-2.7	2.8

Source: Bloomberg

*MSCI Daily TR Net World Ex USA USD

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Among the various equity asset classes, small-cap growth was the hardest hit, with the Russell 2000 Growth Index down 7.6% for the month, which stands to reason. Smaller firms with loftier earnings expectations are more likely to see their fortunes changed by "higher for longer" interest rates than, say, a large company with more modest earnings growth expectations (the Russell 3000 was down just 4.4% for the month, and in a quirk, the Russell 3000 Growth Index and the Russell 3000 Value Index also turned in the exact same performance).

The Magnificent Seven, the vaunted group of mega-cap tech stocks responsible for the lion's share of the S&P 500's total return since January 2023, is no longer particularly Magnificent, or even Seven for that matter. Amazon, Microsoft and Meta were all negative for the month, and Apple (-11%) and Tesla (-26%) are decidedly negative for the year. Did Michigan trademark the Fab Five? Do the Beatles own the Fab Four? Somebody might want to look into those. These AI-related stocks have each appreciated markedly since the beginning of last year, but a change in market leadership is becoming harder to ignore.

We're not really in the business of making bold market calls, and we won't be making one here, but for investors who lean into value and away from pricey growth, this seems like an interesting set of circumstances. With the market still so top-heavy, this process of performance broadening could take some time.

Here's hoping for darling buds of May.

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