



Old Second
WEALTH MANAGEMENT



RIVERSTREET
ADVISORS, LLC

Monthly Mosaic | April 1, 2024



Perspective

April 1st is a great reminder to not believe everything you see! Despite many economists and market pundits declaring the U.S. economy is headed for a recession; markets indicate otherwise. The S&P closed out the quarter up 10.6% with all major stock market indices up year-to-date. Though “Magnificent 7” stocks, those stocks with largest capitalization of the S&P 500, were responsible for most of the S&P 500 performance over the last year; the equal weighted S&P 500 index has taken leadership in March posting 116 new 52-week highs and only one new low. Robust earnings for the S&P 500 stocks and a favorable economic outlook has resulted in a shift in leadership away from the tech heavy giants with value stocks outperforming growth stocks and Small-cap stocks taking over the reins as we head into the second quarter.

While strength of the U.S. markets has stretched valuations of stocks, we have begun to see improving earnings support those valuations. Also important to consider is that valuations tend to reflect expectations of economic activity and the resulting earnings growth for companies. Contrary to the recessionary soothsayers’ forecasts and undeterred by the doomsday preppers touting precious metals as the only viable investment option, markets continue to march ahead steadily. While concern remains over ongoing conflicts in eastern Europe and the Middle East, China’s continued disregard for international law and property rights, and a pending election in our own backyard which will likely leave 60% of the population unhappy – regardless of the outcome; there are too many opportunities on the economic landscape to ignore.

First, the U.S. labor market remains strong. Even though unemployment numbers have crept up slightly, labor force participation remains healthy and wage rates continue to exhibit good growth. As it relates to wage growth, we understand how that may impact inflation. Yet inflation numbers remain in check and while not yet reaching the Fed’s 2% target, they continue to trend toward a lower controlled level than we saw during the COVID recovery. Next, we are beginning to see breadth strengthen both domestically and abroad. Within the U.S., earnings growth was up almost 8% with all sectors except Utilities beating expectations. Globally, developed markets are solidly in the green and continue to exhibit growth. Emerging markets have been lagging, but tend to be the beneficiary of global growth and we would anticipate this as an opportunity moving forward. Finally, the rate environment remains particularly attractive, providing good income with concern over rising rates subsiding as we move into the second quarter.



Monthly Recap

- Improved economic conditions globally have increased the demand for oil at the same time OPEC+ discuss cutting production through the remainder of the year, pushing oil futures over \$80 per barrel.
- The presumptive nominee's for each party were determined in March, setting the stage for a rematch of the 2020 elections.
- The House passed legislation to ban TikTok if its China-base owner ByteDance doesn't divest its stake in the social media platform. If the Senate passes the bill, President Biden has said he will sign the bill into law requiring ByteDance to sell TikTok in 180 days.
- In their March meeting, the Federal Reserve left the Federal Funds Rate unchanged at 5.25% - 5.50% citing a strong job market and strong Gross Domestic Product (GDP) expectations.
- Coincidentally, Bitcoin marked new highs in March while Sam Bankman-Fried, the disgraced founder of defunct cryptocurrency exchange FTX, was sentenced to 25 years in prison.



Markets

Market Indices	Total Return as of: 3/29/2024		
	MTD %	YTD %	1-Year %
S&P 500 Index	3.22%	10.55%	29.86%
NASDAQ Composite	2.21%	6.14%	22.18%
Russell 2000 Index	3.58%	5.17%	19.66%
MSCI EAFE Index	3.40%	5.94%	15.94%
MSCI Emerging Markets	2.50%	2.41%	8.50%
BBG US Aggregate Bond	0.92%	-0.78%	1.70%
WTI Crude Oil	6.27%	16.08%	9.91%
Gold	0.32%	3.11%	1.93%



Interest Rates

	Close 3/29	Prior Month	Year Ago
Fed Funds Target	5.50%	5.50%	5.00%
6-Month US Treasury	5.32%	5.32%	4.86%
2-Year US Treasury	4.62%	4.62%	4.03%
10-Year US Treasury	4.20%	4.25%	3.47%

The Month Ahead

APRIL 5TH

Unemployment Rate & Average Hourly Earnings

APRIL 10TH

Consumer Price Index Report & Treasury Budget

APRIL 11TH

Producer Price Index Report & Retail Sales

APRIL 16TH

Residential Construction

APRIL 26TH

Personal Spending & Personal Consumption Expenditures Index Report

Questions?

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