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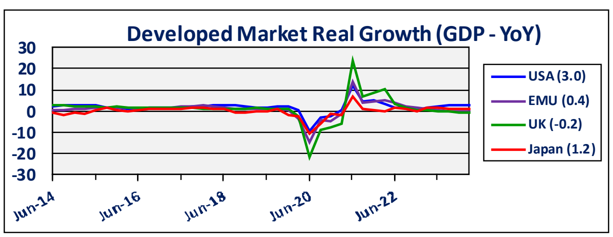
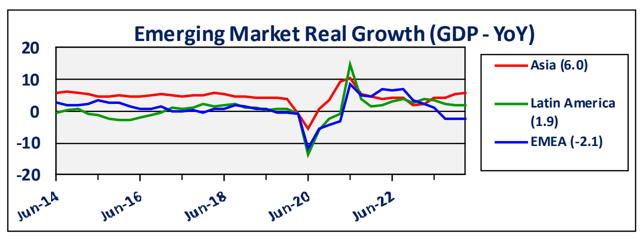
First Quarter 2024

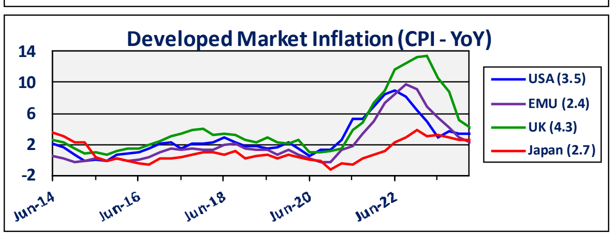
Global Market and Economic Perspective

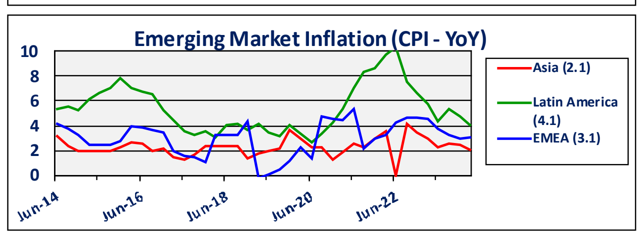
Global Economic Commentary

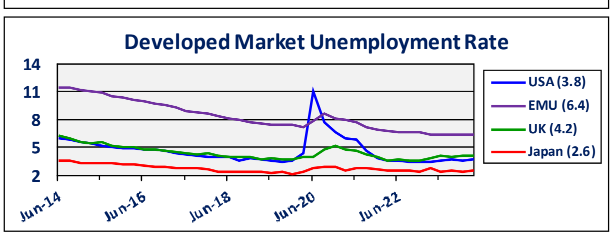
- **In many ways, first-quarter economic performance in the US diverged from conditions in many other countries. Real GDP growth came in well below expectations, as consumer spending on goods was weak. Spending in services remained quite strong, as did investment spending on both housing and business plant and equipment. In the Eurozone by contrast, growth during the quarter was better than expected, after five quarters of essentially zero growth. Southern Europe, which had long been the "weak man of Europe," benefited from the sharp post-Covid rebound in tourism. In China, growth was positive at just above 5% at an annual rate.**
- **The inflation picture was also similarly divergent. Inflation in the US, whether measured by the consumer price index or the Fed's preferred measure (personal consumption expenditures) has plateaued, and even risen for some indexes. In contrast, inflation has continued to trend lower in Europe, the UK, and much of Asia. Another indication of potential future inflation trouble in the US came from the Employment Cost Index, which has also failed to move lower. If firms cannot control labor costs, they will continue to pass these costs through to their customers.**
- **Given positive economic growth in most regions, the headline unemployment rate in most countries remains at relatively low levels. In only a few labor market subsectors, such as the youngest people in several southern European countries and tech workers in China, does unemployment pose a problem.**

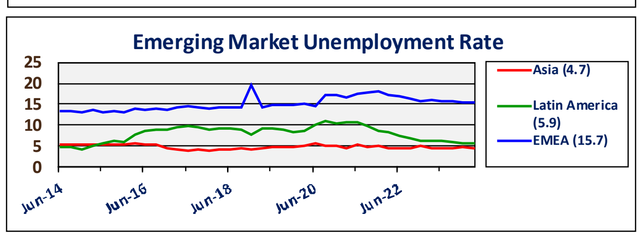












Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index.
Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Global Market and Economic Perspective – Q1 2024

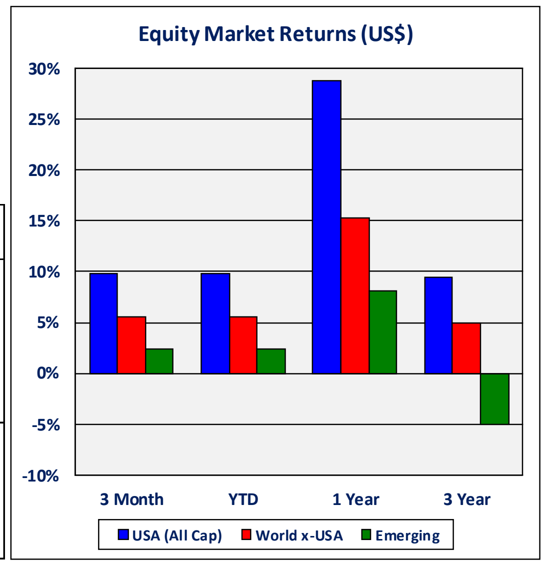
Global Equity and Currency Commentary

- **With a few exceptions, equity markets produced strong returns in the first quarter of the year. Returns in both US and non-US developed markets were around 10%, although gains in emerging markets were roughly half as large. Equity prices in many developed markets were buoyed by continued earnings growth, along with a slight expansion in the P/E multiple. This contrasts with emerging markets, where earnings remained on a modest downtrend.**
- **Once again, large capitalization growth companies in the US were among the strongest performers. However, the first quarter saw some differentiation in the so-called Magnificent Seven, as a few names such as Tesla were driven lower on weakening sales and profit prospects.**
- **Dollar strength detracted from the returns in non-US equities. During the first quarter, investor expectations were revised from significant Fed easing toward US interest rates remaining higher for longer. At the same time, investors continued to expect foreign central banks to ease as anticipated. The scenario of US rates remaining elevated while non-US rates fall meant that the dollar would offer more attractive cash yields than foreign currencies.**

Global Equity Market Returns (MSCI)

	Returns (US$)				Returns (Local)			
3/31/2024	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	**9.8%**	**9.8%**	**28.7%**	**9.5%**				
USA Growth	11.7%	11.7%	39.4%	11.7%				
USA Value	8.9%	8.9%	19.4%	7.9%				
USA SC Growth	7.3%	7.3%	21.9%	0.4%				
USA SC Value	3.8%	3.8%	17.7%	4.6%				
Foreign Developed								
World x-USA	**5.6%**	**5.6%**	**15.3%**	**4.9%**	**9.6%**	**9.6%**	**18.4%**	**9.4%**
Europe	5.2%	5.2%	14.1%	6.2%	8.3%	8.3%	13.9%	8.9%
Far East	8.5%	8.5%	19.1%	1.7%	15.6%	15.6%	33.0%	11.1%
Australia	0.8%	0.8%	12.6%	5.1%	5.4%	5.4%	15.6%	10.6%
Canada	4.0%	4.0%	15.1%	6.3%	6.7%	6.7%	15.1%	9.0%
Emerging Markets								
Emerging	**2.4%**	**2.4%**	**8.2%**	**-5.1%**	**4.5%**	**4.5%**	**10.6%**	**-2.4%**
Asia	3.4%	3.4%	6.3%	-6.5%	5.5%	5.5%	8.9%	-3.7%
Latin America	-4.0%	-4.0%	22.6%	10.5%	-2.2%	-2.2%	19.8%	6.2%
EMEA	1.0%	1.0%	10.5%	-5.1%	3.0%	3.0%	15.2%	0.8%

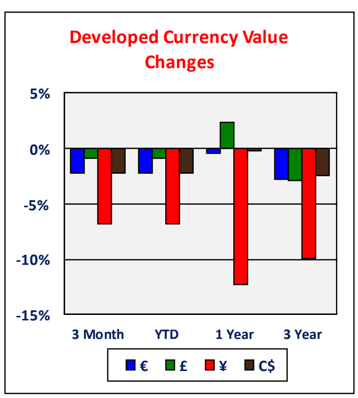
Annualized if greater than one year

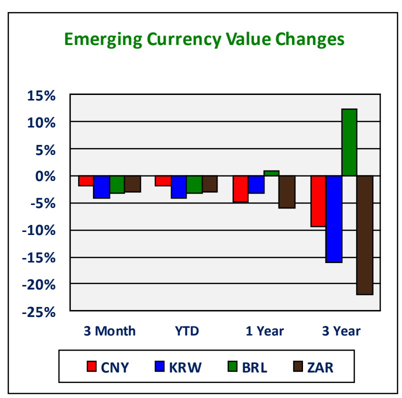


Foreign Exchange Rate History (Bloomberg)

	Current	Change (Foreign Currency versus $)			
3/31/2024	Level	3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	**1.08**	-2.3%	-2.3%	-0.5%	-2.7%
British Pound (£)	**1.26**	-0.8%	-0.8%	2.3%	-2.9%
Japanese Yen (¥)	**151**	-6.8%	-6.8%	-12.2%	-9.9%
Canadian Dollar (C$)	**1.35**	-2.2%	-2.2%	-0.2%	-2.5%
Emerging					
Chinese Renminbi (CNY)	**7.23**	-1.8%	-1.8%	-4.9%	-9.3%
Korean Won (KRW)	**1346**	-4.1%	-4.1%	-3.3%	-15.9%
Brazilian Real (BRL)	**5.01**	-3.2%	-3.2%	1.0%	12.4%
South African Rand (ZAR)	**18.94**	-3.1%	-3.1%	-6.0%	-22.0%

Annualized if greater than one year





Global Market and Economic Perspective – Q1 2024

US Fixed Income and Fed Commentary

- **During the first quarter, interest rate expectations changed substantially. At the end of 2023, the consensus was that the Federal Reserve would cut the Fed Funds policy rate six or seven times, starting as early as March of 2024. However, as economic data were released during the quarter, it became increasingly likely that the Fed would neither start easing that soon nor cut rates that substantially. The inflation numbers in particular were not behaving as expected, with consumer price inflation actually turning higher rather than heading down toward the Fed's 2% target.**
- **After the January and March FOMC meetings, Fed chairman Powell dampened investors' hopes for near-term rate cuts. As he has said all along, the Fed's actions will be data dependent – and the inflation data were not cooperating. In addition, the economic growth and labor market data continued to be strong, which indicated that the Fed tightening was not yet having much of an effect on the real economy to ease price pressures. A number of pundits also pointed out that the US federal government's fiscal stance – large deficits and elevated spending forecasted for the foreseeable future – continues to push inflation higher.**
- **As investors' hopes for imminent Fed Funds cuts were extinguished, they sent yields on longer-term fixed income higher, resulting in poor bond returns, especially in higher-duration longer-term bonds.**

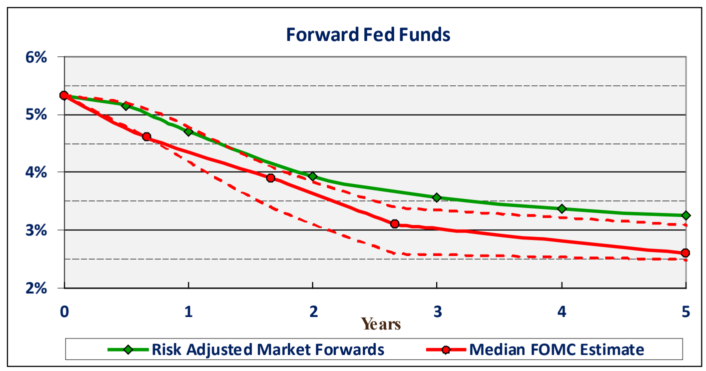
FOMC Fed Funds Rate Projections as of March 2024 Meeting

	Current	Dec-24	Dec-25	Dec-26	Dec-26	Long Run
Lower	5.33%	4.60%	3.40%	2.60%	2.60%	2.50%
Median	**5.33%**	**4.60%**	**3.90%**	**3.10%**	**3.10%**	**2.60%**
Upper	5.33%	5.10%	4.10%	3.40%	3.40%	3.10%

Market Implied Fed Funds Rate as of Apr 01, 2024

Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
5.33%	5.16%	4.71%	3.92%	3.57%	3.36%	3.25%

Notes
Upper and lower bands show central tendency for FOMC projections.
Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through March 2024: 3 Month	YTD	1 Year	3 Year
US Treasury					
Short	**4.52%**	0.37%	0.37%	0.55%	4.13%
Intermediate	**4.21%**	0.34%	0.34%	0.65%	2.83%
Long	**4.42%**	0.28%	0.28%	0.65%	2.08%
US High Yield					
Yield	**7.66%**	0.07%	0.07%	-0.85%	3.43%
Spread	***3.03%***	*-0.20%*	*-0.20%*	*-1.49%*	*-0.06%*
Tax-Exempt Muni.					
Short	**2.94%**	0.45%	0.45%	0.54%	2.59%
Intermediate	**2.93%**	0.31%	0.31%	0.28%	2.01%
Long	**3.59%**	0.24%	0.24%	0.08%	2.03%