March 2024

Monthly Market Commentary

Spring is right around the corner! In fact, with the higher-than-normal temperatures as of late, it feels like Spring already! It has been fun spending time outside enjoying the weather during a time in which it is typically much colder. We will take it! On top of this, baseball games, concerts, and grill outs are right around the corner! As always, we wish you continued health and happiness in 2024!

Momentum in global equities continued in February with early signs of a much broader participation vs what we have seen last year, when only a handful of names drove most of the performance of indices. Overall market breadth has also improved considerably this year as earnings have finally shown some growth in the latest quarter after a long spell of anemic to no growth for almost a year and half. With the fourth quarter 2023 earnings season coming to an end for the S&P 500 index, cumulative year-over-year revenue and earnings growth have come in at 3.7% and 9.8%, respectively. Market concentration remains a concern however, with the 10 largest companies now representing almost a third of the S&P 500 index while valuations for these mega caps remain quite elevated. In the near term, earnings must continue to keep up with expectations if not get better to sustain the move higher in valuations we have seen over the last four months as the index trades quite rich at a forward multiple of 21x earnings. On the fixed income side, duration continues to remain under pressure with yields on the rise once again as the economy remains resilient along with inflation that is stickier than current expectations, with the risk of reacceleration as financial conditions have eased meaningfully. After being aggressive in pricing in too many rate cuts to start the year, post the latest FED meeting, participants have dialed back from almost 6 rate cuts and now expect only 3 rate cuts this year, which still may not necessarily be coherent with the current economic backdrop. As earnings start to inflect higher, ample opportunities exist in credit and other sectors of fixed income despite tight spreads. There may be some margin of safety to take on higher credit risks as higher yields compensate for it much better at current levels.

With the current backdrop, we continue to remain diversified and will continue to allocate exposures to areas if and when there is opportunity, and the risk/reward is more favorable.

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