May 2024

Monthly Market Commentary

The month of May is a very special month. It is the month that we celebrate all the mothers out there that are working hard day in and day out for their families. We would like to take the time to say Happy Mother's Day! Hopefully it is a day filled with happiness, some fun, and some well-deserved relaxation! Cheers!

Markets took a breather in April with a renewed fear of a reacceleration of inflation as the economy continues to be resilient despite the aggressive FED rate hiking cycle. US Yields spiked another 50bps in the month causing some renewed concerns about the sustainability of high equity valuations. On the contrary, we continue to see positive inflections in economic data in various parts of the world that have experienced deeper slowdowns over the last few years. Global PMI's (Purchasing Managers' Index) are now in expansion territory, however, the latest PMI's in the US for both manufacturing and services dipped back into contraction coming in at 49.2 and 49.4, respectively. First quarter GDP came in slightly lower than expectations at 1.6% on a Quarter-on-Quarter basis but was in line with expectations of 3% on a Year-on-Year basis. Inflation remained steady at 3.2% in Q1 2024 vs 3.2% in Q4 2023. Growth remains slightly higher than trend while inflation is showing signs of inflection higher.

The FED in its latest meeting provided some comfort to the markets with their forward guidance for the path of policy. Currently the FED is not in favor of any further hikes and is reducing the pace of quantitative tightening starting at the end of May, which has provided some relief to both equity and fixed income markets. Deficits continue to be elevated and the government is not on a sustainable path in the long term to borrow at current rates to satisfy its obligations. Interest costs on national debt are starting to become a considerable headwind as government spending accelerates and there are no signs of it slowing down while the FED battles inflation and keeps rates higher for longer. The progress made to curtail inflation over the last year has likely run its course and the trend seems to be reversing yet again with financial conditions easing quite a bit over the last six months. It remains to be seen whether the FED will stick with their goal to tame inflation or choose growth over it and continue to provide liquidity with it being an election year. We continue to maintain a balanced approach with a risk on positioning while hedging off some interest rate and inflation risks.