

PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, May 2024

This is a summary of our views on the economy and markets based on data through April 2024.

Economy

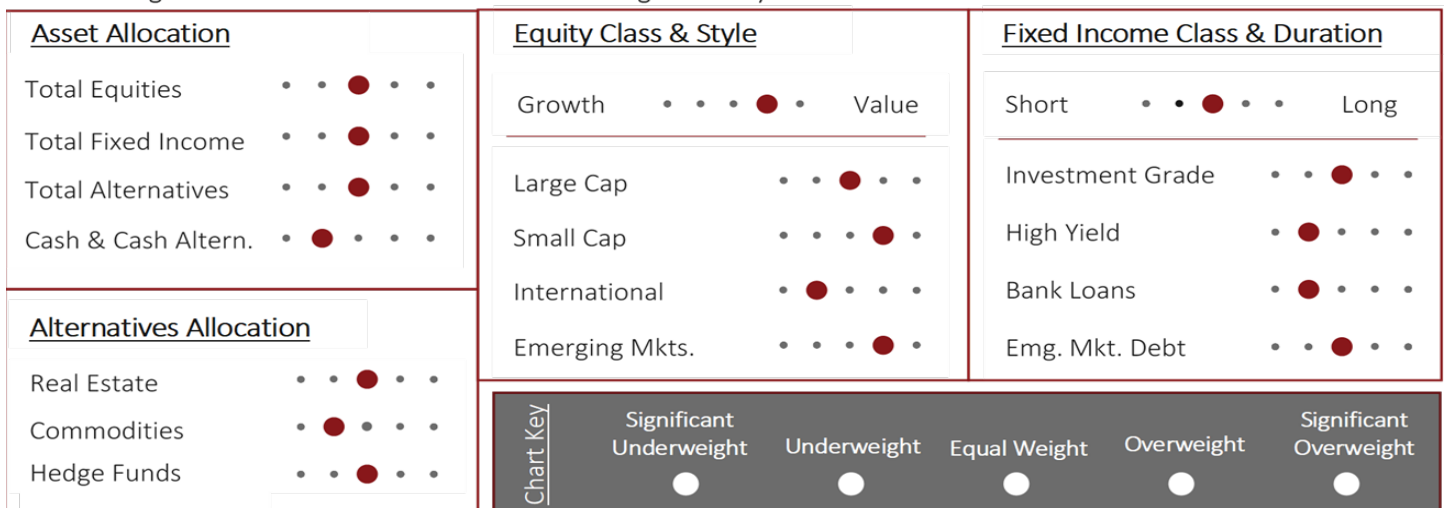
- U.S. GDP Growth – We expect to see slow economic growth in 2024 with risk of recession late in the year or early 2025. The Treasury yield curve remains inverted, which is a signal that market participants expect slowing growth and future Fed rate cuts. However, the 10 year Treasury rate closed April at 4.69%, up from quarter end yield of 4.21% signaling that rate cuts are further out in the future than previously anticipated.
- Inflation – Headline inflation (including food and energy) has proven to be stubborn. In March 2024, the rate increased to 3.5% from 3.2% in February. The cost of shelter was the main culprit.
- Employment/Wages – Job creation gained slight momentum in early 2024 from a 2023 lull. Current unemployment rate is 3.9%.
- Interest rates – The current range for Fed Funds is 5.25% to 5.50%. Market expectations have changed in 2024. Expectations are for one to two interest rate cuts by the end of 2024, down from three to four rate cuts early in the year.

Markets

- Fixed Income – The Federal Reserve began its interest rate increase regime in March 2022 and it last increased rates in July 2023. We expect to see interest rates higher for longer as inflation has proven to be stubborn. Interest rates increased in April. This signifies that the market is pricing in a vigilant Federal Reserve.
- Equities – We expect GDP growth to remain positive for most of 2024 with a risk of recession in late 2024 and/or early 2025. The S&P 500 reached an all-time high in the first quarter and fell back in April. Volatility will be a constant as inflation and interest rate increases provide headwinds to valuations.
- Alternatives – We continue to see valuations in real estate turn over as higher rates impact valuations of real estate properties.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



¹ Provided by our affiliate, Discretionary Management Services (DMS), LLC