Monthly Market Review

Multi-Asset Class | March 2024

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned 5.34% and 5.41% respectively in February.

► Within the S&P, all of the 11 sectors posted positive returns. The Consumer Discretionary sector was the best performer for the month, returning 8.71%. Utilities was the worst performing sector, posting a return of 1.12%.

► Positive returns were seen across all capitalizations, with small-caps (Russell 2000) returning 5.65%, mid-caps (Russell Mid Cap Index) returning 5.58%, and large-caps (Russell 1000 Index) returning 5.40%. Growth stocks outperformed value stocks across all capitalizations.

► Q4 2023 (year-over-year) earnings for the S&P 500 rose 4.1%. That compares favorably to the 1.5% growth that was expected as of December 31, 2023. This has led to increased optimism around large caps.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 2.29%. Developed markets, represented by the MSCI EAFE Index, saw returns of 1.64%, and were buoyed in part by Japan, as represented by MSCI Japan Index, which saw a return of 3.00%. Emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of 4.52% in February, as China, as represented by the MSCI China Index, bounced back from January's losses, returning 8.39% for the month.

► Within the ACWI ex-U.S. Index, six of the 11 sectors posted positive returns. Consumer Discretionary was the best performing sector, with a return of 6.58%. Real Estate was the worst performing sector, posting a return of -4.56%.

Fixed Income

► U.S. Treasury yields on maturities greater than one year rose in February as markets adjusted their rate cut assumptions. On the long end, the yield on the 10-year increased by 35 basis points (bps) and the yield on the 30-year increased by 21 bps. On the shorter end, the yield on the 2-year and 5-year increased 42 bps and 41 bps respectively, causing the Broad Treasury Index to return -1.54% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) returned -1.56% in February. Investment-grade (IG) credit as a whole returned -1.56%, AAA-rated bonds returned -1.23%, AA-rated bonds returned -1.60%, A-rated bonds returned -1.61%, and BBB-rated bonds returned -1.55%. On the other hand, high-yield corporates, as represented by Barclays High Yield Index, saw a positive return of 0.21% during the month as credit spreads compressed.

Diversifying Assets

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 1.32% in February. Five of the nine real estate sectors had positive returns for the month. The Lodging and Resorts sector did the best, returning 6.27%, while Diversified performed the worst, returning -8.42%.

► Listed infrastructure, represented by the MSCI World Infrastructure Index, returned 0.36% for the month. Energy and Utilities returned 3.18% and 1.12% respectively during the month.

► The active contract for West Texas Intermediate (WTI) crude rose to $78.27/barrel in February, up $2.42 from $75.85/barrel at the end of January.

Items to Watch

► Inflation, as measured by the Personal Consumption Expenditures Price Index deflator rose 2.4% year-over-year while the Federal Reserve's preferred gauge of inflation, the Core PCE index (which excludes food and energy) rose 2.8%. Both were driven lower by falling durable goods costs and a slower increase in nondurable goods costs. These indices remain above the Fed's inflation goal of 2%, but year-over-year inflation has slowed to a nearly three-year low, suggesting continued progress toward price stability and underscoring the expectation for a Fed rate cut in the foreseeable future.

► Job openings fell modestly to 8.86 million in January, from a downwardly revised 9.03 million in December (previously 8.925 million), marking the lowest number in three months. The number of open positions has been on a steady downtrend since the highs of early 2022 — falling by about 3.3 million over that time. The Job Openings to Unemployed Ratio was also mostly flat at 1.45x, meaning that despite the cooling number of openings, there remains more positions open than people looking for work. This points to continued tightness in the labor market as employers compete for a limited number of workers.

► Domestic manufacturing conditions worsened in February, with the Institute of Supply Management Manufacturing Index declining to 47.8 from January's 49.1, and falling further into contractionary territory despite last month's improvement. Weakening new orders and employment drove the decline, reflecting the uneven recovery in the goods-producing sector. Globally, manufacturing purchasing managers surveys remain in contractionary mode. The ISM Services PMI also worsened to 52.6 in February from a four-month high of 53.4 in January. While still expansionary, the reading pointed to slightly slower growth with employment slipping into contraction.

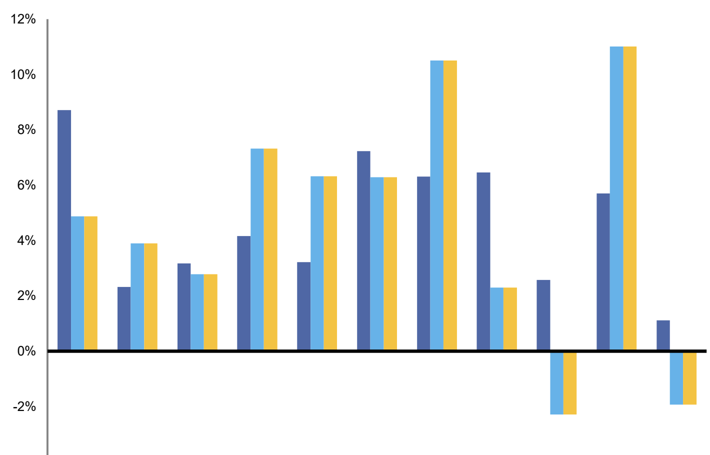
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	5.34%	7.11%	7.11%	30.43%
Russell 3000	5.41%	6.58%	6.58%	28.58%
Russell 2000	5.65%	1.54%	1.54%	10.00%
Russell 1000	5.40%	6.87%	6.87%	29.80%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	2.29%	1.28%	1.28%	12.25%
MSCI EAFE	1.64%	2.22%	2.22%	14.20%
MSCI Emerging Markets	4.52%	-0.33%	-0.33%	8.49%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-1.56%	-1.83%	-1.83%	3.18%
Bloomberg Barclays Global Agg	-1.48%	-2.84%	-2.84%	2.87%
Bloomberg Barclays U.S. HY	0.21%	0.21%	0.21%	10.94%
Alternatives and Diversifying	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE Global Core Infrastructure	0.36%	-2.07%	-2.07%	3.27%
FTSE NAREIT Equity	1.32%	-2.89%	-2.89%	4.83%
Bloomberg Commodity	-1.89%	-1.97%	-1.97%	-8.91%

Economic Indicators

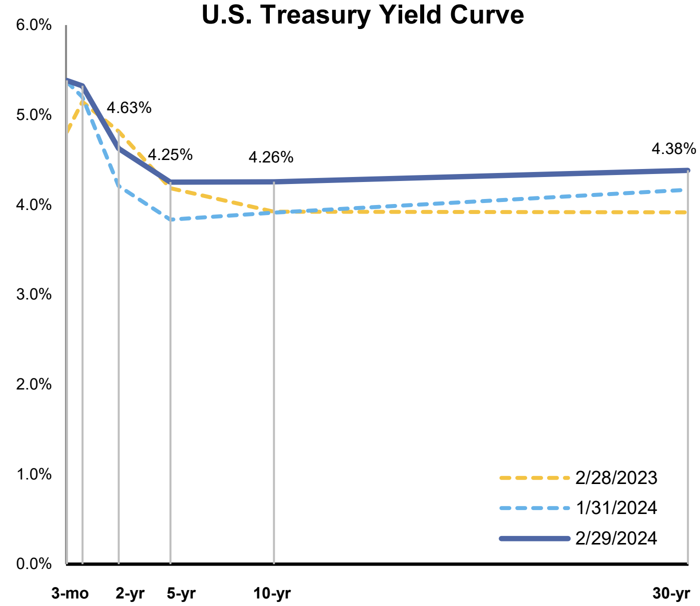
Domestic	Current	Previous Month
Unemployment Rate (%)	3.9%	3.7%
Initial Jobless Claims (4 week average)	212.5 K	215.5 K
CB Leading Economic Indicators	-0.4	-0.2
Capacity Utilization	78.5%	78.7%
GDP (annual growth rate)	3.2%	4.9%
University of Michigan Consumer Confidence	79.6	79.0
New Home Starts	661 K	651 K
Existing Home Sales	4 MM	3.9 MM
Retail Sales (YoY)	1.2%	4.4%
U.S. Durable Goods (MoM)	-6.1%	-0.3%
Consumer Price Index (YoY)	3.1%	3.4%
Producer Price Index (MoM)	-0.1%	0.0%
Developed International*	**12/31/2023**	**9/30/2023**
Market GDP (annual rate)	1.5%	1.6%
Market Unemployment	4.3%	4.4%

Stock Market Sector Performance (S&P 500)

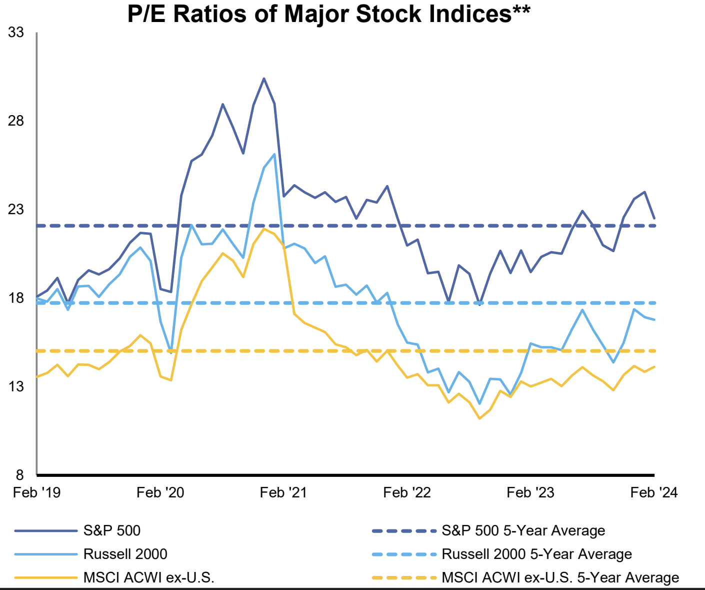


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	8.71%	2.32%	3.18%	4.16%	3.22%	7.23%	6.31%	6.46%	2.58%	5.70%	1.12%
QTD	4.87%	3.89%	2.79%	7.32%	6.32%	6.29%	10.51%	2.30%	-2.28%	11.01%	-1.93%
YTD	4.87%	3.89%	2.79%	7.32%	6.32%	6.29%	10.51%	2.30%	-2.28%	11.01%	-1.93%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of February 29, 2024, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2023 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*