MARCH 31, 2024
ECONOMIC UPDATE

LANDMARK WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

The first quarter of 2024 witnessed a broad-based rally across various asset classes, starting the year on a positive note. Equities, particularly in the US, led the charge with US Large Cap and US Mid Cap outperforming other asset classes, posting returns of 10.6% and 10.0%, respectively. Conversely, Real Assets and Core Bonds saw slight declines, with yields moving higher.

The economic landscape presented a mixed bag of signals during the quarter. Resiliency remained a prevailing theme, with labor market indicators and economic growth demonstrating strength. This was balanced with the inflation picture improving but slower than expected, while the impact of the Federal Reserve's interest rate policies in the commercial real estate sector became more apparent.

As we navigate through the next quarter, clarity is likely on whether the economy will continue its momentum. Despite yields rising from their year-end lows, Fixed Income should provide an anchor to the portfolio on a full-year basis, given the strong level of interest generated. Opportunities for growth continue to exist in the diversified equity markets.

Asset Class	Q1 2024 Returns
US Large Cap	10.6%
US Mid Cap	10.0%
Developed International	5.8%
US Small Cap	2.5%
Emerging Markets	2.4%
Multisector Bonds	1.3%
Strategic Equity	1.2%
Real Assets	-0.4%
Core Bonds	-0.8%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

THE FED, INTEREST RATES, INFLATION

The Federal Reserve remained patient during the quarter, keeping rates unchanged while indicating it still expects to cut interest rates in 2024. Current market projections have interest rate cuts beginning at either the June or July meeting and totaling 50 - 75 basis points of cuts before year-end. The Fed will continue to assess economic data and modify its projected policy as necessary.

Headline inflationary readings remain above the Federal Reserve's desired range of 2 – 3%. Concerns linger over 'stickier' inflation components such as rents and more volatile components such as gasoline due to geopolitical tensions. That being said, the Fed's preferred inflationary gauge, the Personal Consumption Expenditures Index (PCE), came in below 3.0% on an annual basis in its most recent reading.

EMPLOYMENT

March job gains were above expectations at 303,000, representing the 39th straight month of job gains. Wage growth has moderated to 4.1% on an annual basis, and labor force participation has increased. This reflects a goldilocks scenario of a strong job market without spiraling wage growth costs. If wages begin to increase, the Fed may be forced to decrease the number of expected rate cuts this year, which could be a headwind for the markets.

US ECONOMY

US GDP growth for 2023 came in at 2.5%, reflecting a healthy economy. Twelve months earlier, many economists had forecasted a recession. Although the pace of growth is forecasted to slow in 2024, the Federal Reserve raised its growth target to 2.1% from 1.4%, demonstrating the committee's growing confidence in a stable economic picture.

2024 IN FOCUS

Markets will continue to weigh economic data and geopolitical conditions:

- Strong GDP and employment data will be watched to see whether they cause a resurgence in the pace of inflation or support a healthy economy and stable prices.
- Fed policy in response to economic data. If the Fed cuts interest rates less than forecasted, this could be a headwind to markets.

We continue to closely monitor the economic picture and markets and the impact on client portfolios.