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## Market Commentary, First Quarter 2024 April 11, 2024

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**Riley Reimschisel, Certified Financial Planner**

### Market Commentary:

We start 2024 much as we ended 2023. The stock market continues to set records. The widely followed S&P 500 Index reached record highs 22 times, including the last trading day of the quarter, registering a total return of 10.6%. This is the best start to a year since 2019.

While the large-cap-oriented S&P 500 continued to lead the market upward, smaller stocks also produced relatively strong results. Mid-caps, as represented by the S&P 400 index returned almost 10% for the quarter. While the even smaller stocks within the S&P 600 lagged their larger counterparts, the index still returned a respectable 2.5%.

We believe the United States remains the most attractive market for stock market investing. International developed stocks outside the US posted a total return of 5.8% as measured by the MSCI EAFE index. Emerging markets, while reflecting a positive total return, are still somewhat of a laggard globally with the MSCI Emerging Markets index returning 2.4% for the quarter. Our intentional overweighing of the US stock market continues to serve us well, while our dedicated exposure to international stocks as well as US and international bonds, continues to provide important diversification within investment portfolios. History does tell us at some point non-US markets may likely fare better over an extended period. It happened most recently in the decade between 2000 and 2009. We think our diversified investment strategy is well positioned to participate should that occur.

The favorable momentum experienced in the first quarter seems to be due to a myriad of positive trends and expectations. The resiliency of corporate profits, enthusiasm about artificial intelligence, and general consumer confidence, have been important factors in propelling the stock market upwards. Lower levels of inflation have also played an important role and have led to a consensus that the Federal Reserve is expected to begin lowering interest rates later this year. Interest rate reductions typically lead to economic expansion, an environment generally perceived as positive for the stock market.

One area of US stock market performance that is lagging is REITs and real estate related exposures, with the Dow Jones US Select REIT index producing a slight negative total return for the quarter. And as we look at other recent relevant periods over the last few years, we no longer see the potential for additional risk adjusted return for REITs. However, REITs do provide important diversification in our portfolios.

During the fourth quarter of 2023, we experienced a significant drop in fixed income yields. For the widely followed Bloomberg Aggregate US Bond Index, yields dropped from 5.39% at the end of September to 4.53% at year end. With yields moving in the opposite direction of bond prices, total return for the index was 6.8% for the fourth quarter. During the first quarter of 2024 yields moved back up slightly, with the Bloomberg Aggregate yielding 4.85% at the end of March. Predictably, bond prices decreased, resulting in a slight negative return of 0.8% for the first quarter.

Financial markets had started the year in anticipation of Federal Reserve rate cuts sooner rather than later. The slight increase in yields may be attributable to this delay. Obviously, market prognosticators can be wrong, both as to direction and timing. However as indicated above, the consensus remains, and supported by Federal Reserve signaling, that interest rates will drop. If and when that occurs, it is something the stock market has likely already priced into its valuations. The impact, though, on future bond returns could be positive as bond prices will increase should yields drop with the overall level of interest rates. No matter what happens with the Federal Reserve, we are now in an interest rate environment where fixed income yields are both attractive in and of themselves, but importantly also provide significant portfolio diversification benefits.

For a more detailed analysis of market returns, read the [First Quarter 2024 Market Commentary](#) from Dimensional Fund Advisors.

This quarter we also invite you to read a somewhat humorous, yet poignant article, [An Unfortunate Fable](#), comparing stock market and economic predictions to other types of predictions. Our Market Commentary includes some very general predictions about certain market trends. This article reminds us not to put too much faith in predictions.

As always, this newsletter provides a general overview of the market, but it may not fully reflect the performance of your portfolio. That's why, at a minimum, we initiate an annual meeting with you. These meetings allow us to discuss your situation to determine if any changes should be made. However, we welcome additional conversations. Please contact your advisor if you would like to discuss your portfolio in more detail.

**Sources For This Commentary & Chart:** YCharts, Wall Street Journal, Bloomberg, Dimensional Fund Advisors, MSCI, S&P Dow Jones Indexes

**Green** = best performing asset class

**Red** = worst performing asset class

*Index returns are for illustrative purposes only, and do not reflect any management fees, transaction costs or expenses. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results.*

### **Definitions and Disclosures:**

**Bloomberg US Aggregate Bond Index.** An index managed by Bloomberg to track the general performance of the domestic taxable investment grade bond market.

**S&P 500 Index.** An index that measures the large-capitalization sector including roughly 500 leading companies representing over 80% of the largest market capitalization in the U.S. equity markets. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.

**S&P 500 Value Index.** Contains those securities from the S&P 500 Index with lower-than-average sales and growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.

**S&P MidCap 400 Index.** An index that measures the mid-capitalization sector including roughly 400 leading companies representing about 7% of the U.S. equity market. It is a capitalization weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.

**S&P SmallCap 600 Index.** An index that measures the small-capitalization sector including roughly 600 leading companies representing about 3% of the U.S. equity market. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.

**S&P SmallCap 600 Value Index.** Contains those securities from the S&P SmallCap 600 Index with lower-than-average sales and earnings growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.

**MSCI EAFE Index.** An index developed by Morgan Stanley Capital International Inc. as an equity benchmark for performance of publicly traded securities in developed international markets.

**MSCI Emerging Markets Index.** An index developed by Morgan Stanley Capital international Inc. as an equity benchmark for performance of publicly traded securities in emerging markets.

**Dow Jones U.S. Select REIT Index.** This index tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

**Bloomberg Commodity Index.** An index managed by Bloomberg to provide a diversified, economically rational and liquid benchmark for commodities as an asset class. The index is currently composed of the prices of 22 exchange traded futures contracts on physical commodities.

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## Focus on Phillips: Riley Reimschisel, CFP®



Meet Riley Reimschisel, one of our newer advisers, and the only one located outside Fort Wayne. Riley lives in Carmel, Indiana (near Indianapolis), otherwise known as the Roundabout Capital of the country.

Riley has been with Phillips Financial for just over two years. Riley has a finance degree from Taylor University and thought about becoming a financial advisor while he was in high school. What attracted him to the profession? Riley says: “The idea of building relationships, traveling for work occasionally, and counting playing golf as working, appealed to me when I saw family friends in sales and finance doing this.”

While Riley is highly detailed and organized, he is also very personable and a great communicator. He enjoys building meaningful relationships with his clients and helping them bring clarity to their financial situation. The most interesting part of his job is hearing how differently clients view money, and then developing ideas and plans that mesh with their values and priorities. He strives to be a trustworthy person that clients know will listen and give advice that is truly best for their circumstances.

When he’s not working, Riley volunteers with Carmel High School Young Life. He said it is challenging and yet rewarding to carve out the time to be involved in the kids’ lives consistently. He and his wife, Tara, also volunteer at their local church.

Riley and Tara also enjoy entertaining at their home. In summer they host the “Reimy Open”, where 16 friends gather for 3 days of non-stop golf. In fall there’s a chili cookoff. Travel is also important. Hiking and visiting national parks are the preferred activities. Hawaii and Switzerland are his favorite places so far.

Riley and Tara are looking forward to welcoming a baby boy into their home in May or June. That will undoubtedly create some changes in the Reimschisel household. Riley is accustomed to “planning everything out down to the hour and minute of my day. Having a child will definitely throw off my schedule, but having a kid, and having the privilege of being a father will bring me so much more joy than a day that goes according to plan.”

Who has shaped Riley’s life? His father died when he was quite young, but Riley remembers one bit of wisdom his father shared: “There’s always someone that will be better.” That message gave Riley perspective. He may not be the best at something, but he can continue to strive to improve. But also, Riley sees this as a message not to take too much pride in the areas of life that you excel...because after all...someone will always be better.

Today the bible is his guide to life. A favorite verse is Matthew 22:33-40: “Love the Lord with all that you have and love your neighbor as yourself.”

A final word of advice from Riley, concerning Roundabouts: “Don’t hesitate. You must be decisive!”

#### Disclosures

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