April 2024 Recap

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PRELUDE

"April showers bring May flowers" is a proverb we often hear during the early part of spring. As temperatures rise and snowfall turns to rainfall, the combination leads various flora to bloom throughout the season. April provided investors with an experience akin to an unpleasantly rainy spring month as global markets moved broadly lower. The momentum factor, a powerful force that helped drive markets higher in the previous five months, reversed course during April. The Magnificent Seven, poster children of the formerly positive market momentum, generated mixed results during the month and were unable to buoy the S&P 500's returns, while the Russell 2000 also moved sharply lower, pushing small cap stocks into negative territory on a year-to-date basis. Interestingly though, certain parts of the U.S. economy continued to demonstrate underlying strength over the course of the month. However, such strength fueled ongoing concerns about higher interest rates and the dimming prospects for the number of Fed rate cuts this year. As we have discussed in prior editions of *On The Margin*, Wall Street does not always mirror Main Street, and financial markets showed weakness in April despite signs of underlying economic strength.

GLOBAL EQUITY

April marked the first month of broadly negative global equity returns in 2024. In the U.S., the S&P 500 returned -4.1% during the month as previous leadership by the Magnificent Seven faltered, highlighted by Meta's disappointing earnings release. All but one of the 11 sectors registered negative returns for April as the broad market selloff weighed similarly on both value- and growth-oriented sectors. The lone positive sector in U.S. large caps was Utilities, which remained resilient despite the selloff given its more defensive nature. Within small caps, the Russell 2000 fell -7.0% during the month amid ongoing concerns about the impact of higher rates on domestically focused companies.

TABLE 1: **Global Equity**	APR	QTD	YTD	1 YR
Dow Jones Industrial Average	-4.92	-4.92	0.92	16.17
S&P 500 Index	-4.08	-4.08	6.04	24.58
Russell 2000	-7.04	-7.04	-2.22	11.28
Russell 1000 Growth	-4.24	-4.24	6.69	33.10
Russell 1000 Value	-4.27	-4.27	4.33	15.13
MSCI ACWI USD	-3.30	-3.30	4.63	19.15
MSCI EAFE USD	-2.56	-2.56	3.08	12.36
MSCI EM USD	0.45	0.45	2.83	8.63
MSCI ACWI ex US USD	-1.80	-1.80	2.81	11.22

Source: Bloomberg, as of 4/30/2024. Past performance does not guarantee future returns.

International markets also posted negative returns in April as a stronger U.S. Dollar presented a persistent currency headwind. The U.S. dollar continued to strengthen against major currencies due to upside economic and inflationary surprises, suppressing investors' hopes for a more dovish Federal Reserve in the near term. Developed international markets, as represented by the MSCI EAFE Index, returned -2.6% for the month. Emerging markets were a bright spot for international equities during April amid China's positive performance. The country's State Council unveiled a new roadmap for boosting Chinese capital markets, which investors reacted to positively. Tencent Holdings, the biggest company in the MSCI China Index by market capitalization, also returned +11.0% during the month amid optimism around the upcoming release of one of its mobile video games, boosting emerging market returns further.

FIXED INCOME

For the month of April, the U.S. Treasury yield curve shifted upward, leaving fixed income returns in negative territory as the Bloomberg US Aggregate Index returned -2.5%. The lift in U.S. Treasuries was roughly uniform across the curve as stronger-than-expected economic data, sticky inflation, and investors' anticipation of more hawkish Fed monetary policy pushed yields higher. We started the month with PMI data surprising to the upside[1], followed by an exceptionally strong March jobs report from the Bureau of Labor Statistics[2]. Adding to those datapoints, March saw upside surprises in two closely followed inflation figures: the Consumer Price Index and the Personal Consumption Expenditure Index.

After assessing all these datapoints and hearing a more hawkish tone from several Fed officials, the market decreased its expectations for the number of Fed rates cuts in 2024 from three at the beginning of April down to just one by the end of the month.

TABLE 2: **Fixed Income**	APR	QTD	YTD	1 YR
Bloomberg US Aggregate	-2.53	-2.53	-3.28	-0.87
Bloomberg 1-3 Yr Gov/Credit	-0.33	-0.33	0.09	3.15
Bloomberg Treasury 5-7 Yr	-2.34	-2.34	-3.19	-1.73
Bloomberg Investment Grade Corp	-3.03	-3.03	-4.04	-1.68
Bloomberg High Yield Corp	-2.49	-2.49	-2.89	1.55
JPMorgan EMBI Global Diversified	-0.94	-0.94	0.52	10.11

Source: Bloomberg, as of 4/30/2024. Past performance does not guarantee future returns.

As we look at the remainder of 2024, we see several headwinds for the Fed and the possibility of more than two rate cuts. First, multiple rate cuts in the face of relatively strong incoming economic data would contradict the Fed's stated mandate of being data dependent. Second, we have a Presidential election coming up this November and if the Fed were to cut rates multiple times beforehand, investors could question the Fed's independence and objectivity. We do not envy the position the Fed is in but will continue to monitor its progress and tone as 2024 progresses.

POSTLUDE

While global markets started the second quarter on a sour note, we think it is important to put April's performance into greater context. In the five months prior to April, the S&P 500 returned +26.1%, its best five-month cumulative return since 2020. The Bloomberg US Aggregate Index returned +7.7% over the same period, its best five-month stretch since 1995. In periods that follow such exceptional market returns, investors' expectations are often high and difficult to exceed. When incoming data falls short of those lofty expectations, market pullbacks tend to follow. While such pullbacks are unpleasant experiences for investors, they are normal over the course of a full market cycle and help moderate investor expectations, which we believe is healthy market behavior. Will April showers bring May flowers this year? Unfortunately, we do not know. However, one bad month does not constitute a full market cycle. We continue to advocate disciplined, long-term investment approaches for our clients and coach them to not get too caught up in small bumps in the road like April provided.

On a separate note, I am honored to have the opportunity to continue sharing our market perspectives with you. Like Anna, I truly enjoy working with and being part of our exceptional team here at CBIZ, which Anna continues to lead as our Chief Investment Officer. Adventure awaits and I look forward to experiencing it with you while sharing our insights along the way.

1 Purchasing Manager Index: Figures above 50 indicate expansion; figures below 50 indicate contraction.
2 Bureau of Labor Statistics reported March nonfarm payroll gains of 303,000 and an unemployment rate of 3.8%.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.