

# Monthly Investment Report

March 2024



In February, the markets registered a remarkable performance, reaching record highs with the S&P 500 Index rising (+5.3%) for the 4th consecutive month, rising +7.1% for 2024. Growth stocks continued their outperformance versus value stocks and the Consumer Discretionary sector saw a notable gain of +8.7%. U.S. equities showed stronger performance compared to emerging and other developed markets, except for the MSCI – China, which rose +8.4% during the month. Conversely, the Bloomberg US Aggregate Index declined -1.4% during the month and -1.7% year-to-date. Meanwhile crude oil prices rose +3.2%, and the U.S. Dollar strengthened against major global currencies. Looking ahead, the Federal Reserve's preferred measure of inflation, the core PCE inflation, is expected to reach the critical 2.5% year-over-year threshold in early 2024. Market observers are anticipating the Fed to begin reducing interest rates starting in June.

## Markets

**The S&P 500 Index rose +5.3% in February and is up +7.1% so far in 2024.** The Dow Jones Industrial Average and the Nasdaq Composite Index followed suit, rising by +2.5% and +6.2% respectively during the month. All sectors saw gains, with Consumer Discretionary leading with an +8.7% increase, followed by Industrials and Materials rising by +7.2% and +6.5%. Utilities, Consumer Staples, and Real Estate mildly experienced modest gains of +1.1%, +2.3%, and +2.4% respectively. Earnings growth was robust in the Communication Services (+48.6%) and Utilities (+42.9%) sectors, with Consumer Discretionary also surprising on the upside at +12.7%, marking a +28.2% growth. Conversely, Energy, Materials, and Healthcare sectors witnessed earnings declines of -25.2%, -20.6%, and -16.4% respectively. In terms of market cap performance, Mid-Caps outperformed Large Caps with a return of +5.9%, while Small Caps lagged with a return of +3.3%. The trend of growth stocks outpacing value stocks continued during this period.

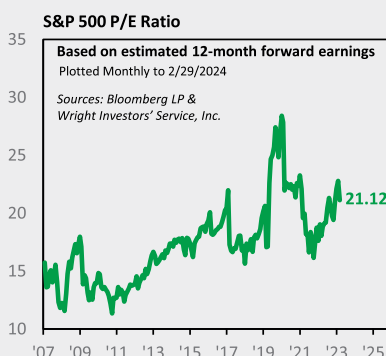
**U.S. equities outperformed emerging markets and other developed markets, except the MSCI – China, which rebounded by +8.4%, recouping some of its previous losses.** The MSCI – Developed World ex-US index yielded a return of +1.7%, while the MSCI – Emerging Markets index saw a return of +4.8%. Meanwhile, Japanese equities rose +3.0% and the MSCI – Europe ex UK index climbed by +2.0%.

**According to CME's FedWatch tool, an overwhelming 97% of market participants anticipate the Federal Reserve to maintain the**

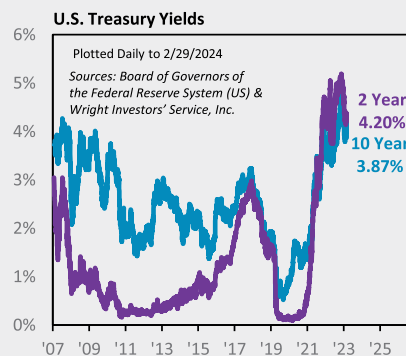
**Fed Funds rate at 5.25%-5.50% during the upcoming March FOMC meeting.** In the previous meeting, the Fed maintained its tightening stance without altering the Federal Funds rate. Fed Chair Jerome Powell emphasized the need for more positive disinflationary data in the coming months to guide decisions on when to begin easing policy. During the month, the Bloomberg US Aggregate Index, which tracks investment-grade, taxable, dollar-denominated bonds, declined by -1.4% and -1.7% year-to-date. Non-US Dollar bonds, as represented by the Bloomberg Global Aggregate ex US Index, also declined by -1.2% for the month and -3.4% year-to-date. However, the Bloomberg US High Yield Bond Index saw a modest increase of +0.3% for the month. Treasury yields rose across most yield curves (excluding 6 months), with the most notable increases observed in the 2-year to 7-year tenors. Treasury Inflation Protected Securities (TIPS) yields rose at a slower rate than Treasury yields, leading to an uptick in breakeven inflation expectations.

**Prices of crude oil, unleaded gasoline, and gold rose.** The S&P GSCI Index, a key indicator of commodity market performance, closed +0.5% higher. Conversely, corn, wheat, and natural gas prices continued their decline. Natural gas prices experienced the most significant drop, falling by -11.4% for the month and -26.0% year-to-date. Heating oil also decreased by -4.4%, largely reversing the +10.2% increase observed last month. Meanwhile, the U.S. Dollar strengthened against major global currencies.

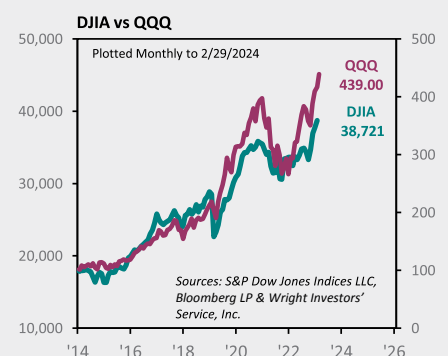
### P/Es Remain High



### 2 Year & 10 Year Yields Edged Up



### US Equities Traded Stronger



## Total Investment Returns—02.29.2024

	February	Last 12 Mos.
Dow Jones Industrial Average	2.5%	22.0%
Nasdaq Composite	6.2%	41.6%
S&P 500 Composite	5.3%	30.5%
S&P MidCap 400	5.9%	13.0%
S&P SmallCap 600	3.3%	6.5%
MSCI World (\$)	4.2%	25.0%
MSCI World ex U.S. (\$)	1.7%	14.0%
Bloomberg U.S. Aggregate	-1.4%	3.3%
90-Day Treasury Bills (Yield)	5.4%	4.8%
CPI ex-Food & Energy SA* (Jan 2024)	0.4%	3.9%

\*SA: Seasonally Adjusted  
Sources: Bloomberg LP & Wright Investors' Service, Inc.

## U.S. Economy

In February, the S&P Global US Composite PMI slipped to 51.4 from January's 52. This dip was primarily due to a slight decrease in the Services PMI from 52.5 to 51.3. However, there was an encouraging rise in the Manufacturing PMI from 50.7 to 51.5, signaling the strongest improvement in the goods-producing industry since September 2022. Although overall expansion was hindered by a slower uptick in services sector activity, there was notable improvement in output. Following unfavorable weather conditions in January, the manufacturing sector witnessed a boost in production alongside improvements in supply chains. Despite its modest scale, this growth was underpinned by a resurgence in output, accompanied by quicker gains in employment and new orders. Factory output expanded for the first time in three months, at the swiftest pace since April 2023. Manufacturers attributed this growth to successful advertising campaigns, heightened customer demand, and a more substantial increase in new orders. Simultaneously, the increased demand for manufacturing goods resulted in a surge in new export orders, ending a two-month downward trend with the most recent increase.

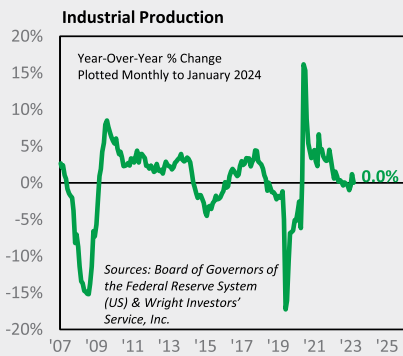
**Businesses expanded their hiring at a slightly slower pace due to the slower growth in new sales, leading to a less optimistic outlook for output in the coming year.** Cost pressures increased in terms of price, albeit at the slowest rate seen since October 2020. Both service providers and manufacturers experienced a moderation in the pace of cost inflation, attributed to decreasing raw material costs and competitive pricing from suppliers. In response to improving demand conditions, producers reduced their input procurement slightly, marking the slowest rate of decrease since November.

**The labor market had a robust start to the year, adding 353,000 jobs in January, maintaining the unemployment rate at 3.7%.** The headline PCE inflation dipped to 2.4% from 2.6%, while the PCE core inflation, which excludes food and energy, stood at 2.8%. Given the proximity of inflation to the Fed's target, a rate cut is a likely outcome based on market observers. Additionally, new home sales saw an increase to 661,000 from a revised 651,000 in the prior month.

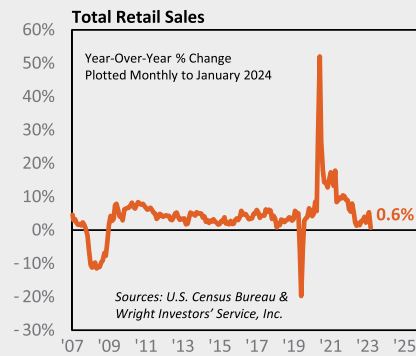
## Investment Outlook

**With inflation trending favorably, coupled with robust labor markets and business activity expansion, the possibility of a soft landing for the US economy has grown stronger.** However, risks persist, such as potential spikes in inflation and a downturn in economic activity stemming from supply shortages, market fragmentation, and geopolitical tensions. Market observers are now anticipating a rate cut in June. We continue to believe that a well-diversified portfolio of high-quality assets remains an effective approach to managing market uncertainty and volatility, providing a cushion against potential fluctuations.

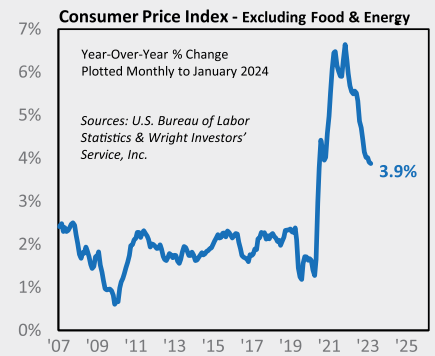
### Manufacturing: Declined



### Consumer Spending: Weaker Growth



### Core Inflation: Moderating



Source: Bloomberg Index Services Limited. "Bloomberg®", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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