



Monthly Recap

Financial markets were thrown into turmoil in April by President Trump's tariff announcements on April 2nd, including broad reciprocal levies and steep tariffs targeting China, the EU, and auto imports. The dramatic shift in trade policy ignited severe market volatility and escalated into a US-China trade war with tariffs exceeding 100% on both sides. This policy shock sent volatility soaring and significantly impacted economic sentiment. The first estimate of Q1 GDP revealed an unexpected 0.3% contraction, largely due to a pre-tariff surge in imports, while forward-looking sentiment indicators declined. Consumer sentiment hit its lowest since July 2022 and a key NY Fed manufacturing future conditions index fell sharply. While lagging March data showed resilience, with 228k new jobs added and cooler-than-expected inflation data with both the CPI and PPI better-than-expected, these figures predated the tariff impact. Strong March retail sales were potentially distorted by pull-forward demand ahead of anticipated auto tariffs. Recession fears intensified, reflected in strategists revising forecasts and markets pricing in nearly four Fed rate cuts by year-end. Major US indexes finished mostly lower after rebounding well off the mid-month levels. Market breadth was decidedly negative for much of the month but turned positive toward the end of April on optimism regarding potential trade deals with Japan and India. Defensive sectors outperformed while Energy (-13.7%) collapsed alongside WTI crude (-18.5%) amid demand fears and the potential of rising OPEC+ supply. Gold surged (+5.3%) to record highs, while the US Dollar continued to weaken (-4.4%). Treasuries saw extreme volatility before yields fell across the curve in the final two weeks of April. The curve steepened (2s10s +24bp), and credit spreads widened. The Federal Reserve faced scrutiny over its independence and the dilemma of tariffs potentially fueling inflation while slowing growth. With over half of S&P 500 companies having reported first quarter earnings, corporate earnings have exceeded expectations with blended earnings growth a robust 10%. However, investor calls have highlighted macro uncertainty and tariff mitigation strategies, with early signs of negative consumer impact emerging.

Key Thought

Although the S&P 500 logged an approximate 1% decline for the month of April, the path of marginally lower returns did not occur in a straight line. The escalating trade war triggered a period of exceptionally volatile market activity. The dramatic daily swings in the S&P 500 defied expectations based on normal statistical distributions. In the days following the April 2nd tariff announcement, these abnormal movements occurred with startling frequency. On April 3rd, the index fell by 4.8%, followed by an even steeper 6% decline on April 4th. Just days later, on April 9th, the market rebounded with a remarkable 9.5% gain in a single session. This heightened volatility reflected a significant increase in risk and uncertainty, largely driven by the growing difficulty of forecasting corporate earnings. The tariff announcement not only rattled equity markets but also raised broader concerns among market participants. Questions emerged regarding the strength of international alliances, the trajectory of inflation and interest rates, and the overall direction of the global economy. While equity markets and the broader economy are not synonymous, it is worth noting that the S&P 500 is only one component of The Conference Board's Leading Economic Indicators, serving as a measure of prevailing economic conditions. Even though consumer sentiment declined over the past month, so called "hard data" has not yet solidified expectations for economic weakness. Despite market moving headlines and short-term fluctuations in stocks, American exceptionalism continues to be supported by healthy corporate balance sheets, a strong labor market, and resilient consumers.

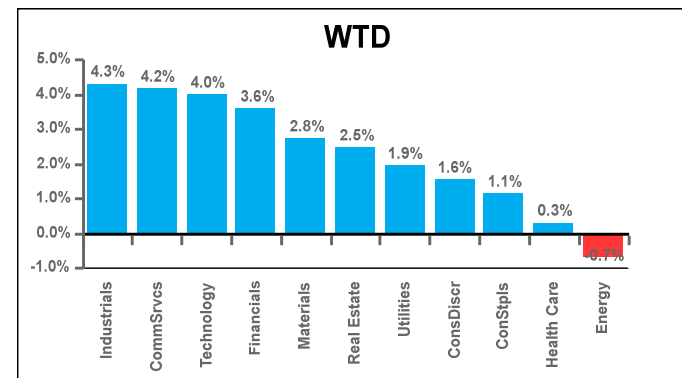
Stocks	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJII-USA	41,317.43	1203.93	3.00	1.97	-2.88	8.09
S&P 500	5,686.67	161.46	2.92	1.71	-3.31	12.29
NASDAQ	17,977.73	594.79	3.42	1.15	-6.90	13.49
S&P MidCap 400	2,932.01	100.34	3.54	2.55	-6.05	1.08
EAFE	86.10	1.98	2.35	3.41	13.87	10.19
Emerging Markets	55.71	1.95	3.63	3.28	6.68	5.17

12/31/23		FOREX	
Treasuries	Current Yield	Price	Wk % Change
1 - Year	4.00	EUR/USD	1.14 -0.59
2 - Year	3.82	USD/JPY	144.00 0.93
5 - Year	3.91	GBP/USD	1.33 -0.31
10 - Year	4.30	USD/CAD	1.38 -0.30
30 - Year	4.78		

Sector - Large Cap	Wk					
	Close	Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	900.62	10.15	1.1%	(0.2%)	0.9%	5.5%
Health Care	1,613.90	5.18	0.3%	(1.4%)	(5.2%)	0.6%
CommServices	334.21	13.45	4.2%	3.9%	4.5%	(2.2%)
Eco Sensitive						
Consumer Disc	1,604.65	24.81	1.6%	2.2%	1.9%	(12.4%)
Energy	628.28	-4.13	(0.7%)	1.8%	(12.2%)	(4.1%)
Industrials	1,139.44	47.23	4.3%	2.5%	2.7%	2.1%
Info Tech	4,222.88	162.72	4.0%	3.4%	5.0%	(8.4%)
Materials	535.98	14.44	2.8%	1.2%	(1.1%)	1.2%
Interest Rate Sensitive						
Financials	827.90	28.74	3.6%	2.1%	(0.2%)	2.9%
Utilities	405.05	7.72	1.9%	1.0%	1.1%	5.2%
REIT	258.38	6.30	2.5%	0.0%	(1.0%)	1.6%

Source: FactSet

COMING UP NEXT WEEK		Consensus	Prior
05/05 ISM Services PMI SA	(Apr)	50.2	50.8
05/07 Fed Funds Target Upper Bound	-	4.50%	4.50%
05/07 Consumer Credit SA	(Mar)	\$11.0B	-\$0.81B
05/08 Unit Labor Costs SAAR Q/Q (Preliminary)	(Q1)	3.6%	2.2%
05/08 Productivity SAAR Q/Q (Preliminary)	(Q1)	1.6%	1.5%



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	2.48%	2.91%	3.33%	Large	0.30%	-3.16%	-6.04%
Medium	2.64%	3.06%	4.13%	Medium	-3.00%	-2.51%	-1.22%
Small	2.77%	3.29%	3.63%	Small	-9.16%	-9.05%	-8.99%