PERFORMA

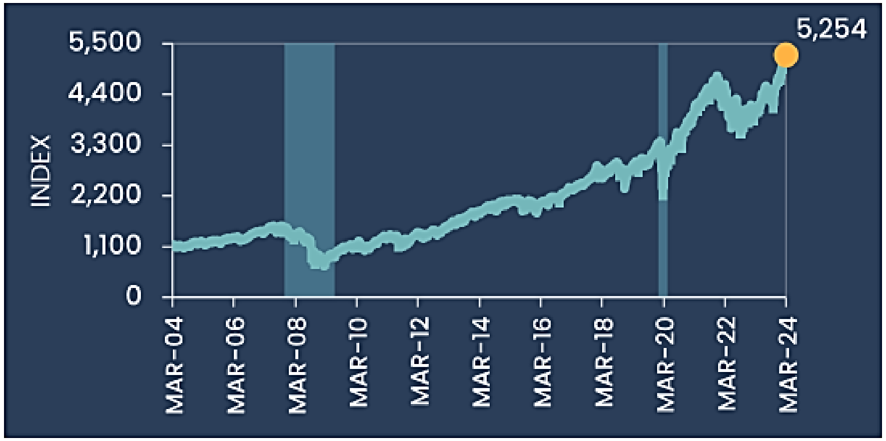
Q1 2024

QUARTERLY MARKET UPDATE

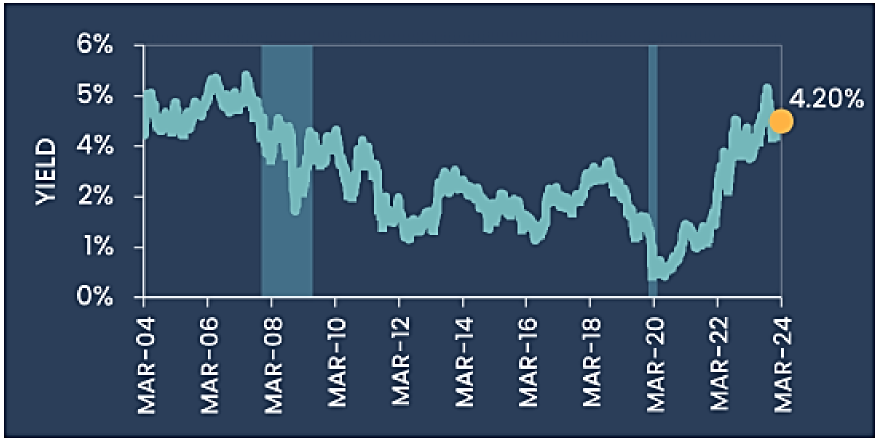
QUARTERLY MARKET UPDATE

MARKET PERFORMANCE | **20 YEARS THROUGH Q1 2024**

U.S. EQUITIES | S&P 500



RATES | 10-YR U.S. TREASURIES



GLOBAL EQUITIES | MSCI WORLD

Q1 MARKET PERFORMANCE

- THE S&P 500 RETURNED 10.56% FOR THE QUARTER AND IS UP 29.88% FOR THE TRAILING YEAR.
- THE YIELD ON 10-YR U.S. TREASURIES INCREASED 32 BPS DURING THE QUARTER AND IS UP 73 BPS FOR THE TRAILING YEAR.
- THE MSCI WORLD INDEX RETURNED 9.01% FOR THE QUARTER AND IS UP 25.73% FOR THE TRAILING YEAR.

= RECESSION

SOURCE: BLOOMBERG, NBER, PERFORMA

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QUARTERLY MARKET UPDATE

MARKET PERFORMANCE | Q1 2024

	MACRO			FIXED INCOME			EQUITY			
TIME PERIOD	US$ [1]	10-YR U.S. TREASURY (BPS)	OIL [2]	CASH [3]	INTERMEDIATE GOV/CREDIT [4]	HIGH YIELD [5]	S&P 500	MSCI WORLD	RUSSELL 2000	RUSSELL 3000
QTD	3.11%	32	16.08%	1.32%	-0.15%	1.46%	10.56%	9.01%	5.18%	10.02%
TRAILING 1-YEAR	1.93%	73	9.91%	5.33%	2.69%	10.98%	29.88%	25.73%	19.71%	29.29%

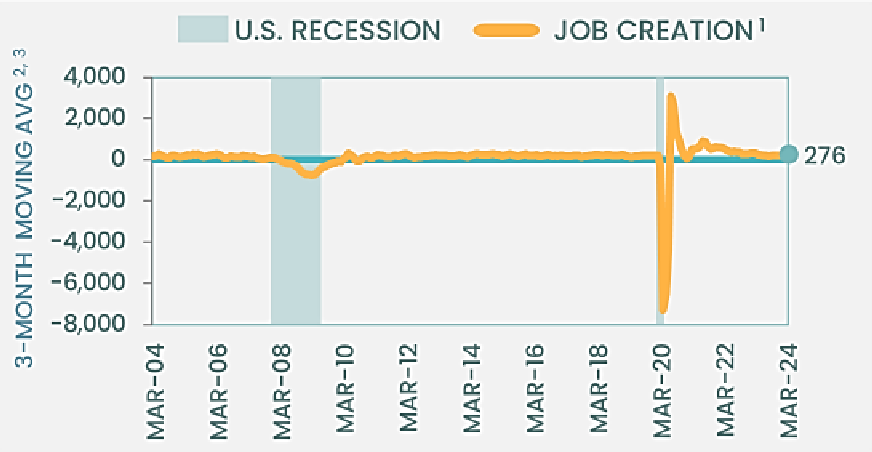
- AFTER AN AGGRESSIVE RALLY IN U.S. TREASURIES DURING Q4 2023, ROBUST JOB CREATION AND HOTTER-THAN-EXPECTED INFLATION DATA SENT INTEREST RATES HIGHER DURING Q1 2024.
- OIL QUIETLY PUT IN A STRONG QUARTER AS PRICES INCREASED 16.08%, WHILE THE NATIONAL AVERAGE FOR A GALLON OF GAS INCREASED 13.70% TO $3.54 BY QUARTER END.
- DURING THE FIRST QUARTER, RISING YIELDS (FALLING BOND PRICES) WEIGHED ON FIXED INCOME RETURNS. INVESTORS BENEFITED FROM SOLID INCOME GENERATION AND TIGHTER CREDIT SPREADS.
- THE RISK-ON SENTIMENT THAT DOMINATED MARKETS DURING Q4 2023 WAS IN FULL FORCE DURING Q1 2024 AS THE S&P 500 FINISHED THE QUARTER AT AN ALL-TIME HIGH, RETURNING 10.56%.

SOURCE: BLOOMBERG, PERFORMA | [1] THE U.S. DOLLAR INDEX [2] WTI CRUDE FUTURES PRICE [3] ICE BOFA 0-3 MONTH U.S. TREASURY BILL INDEX
[4] BLOOMBERG INTERMEDIATE U.S. GOVERNMENT/CREDIT INDEX [5] ICE BOFA U.S. HIGH YIELD CASH PAY INDEX

QUARTERLY MARKET UPDATE

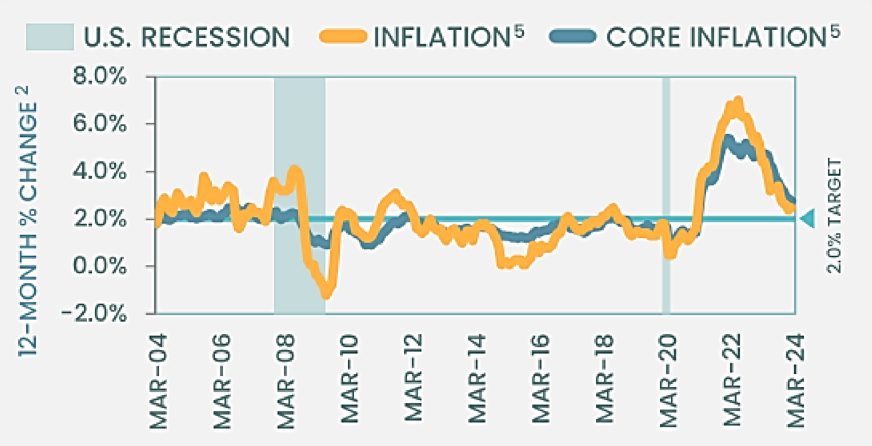
ECONOMIC INDICATORS | 20 YEARS THROUGH Q1 2024

LABOR MARKET | JOB CREATION



ECONOMIC ACTIVITY | ISM SURVEYS

INFLATION



COMMENTS

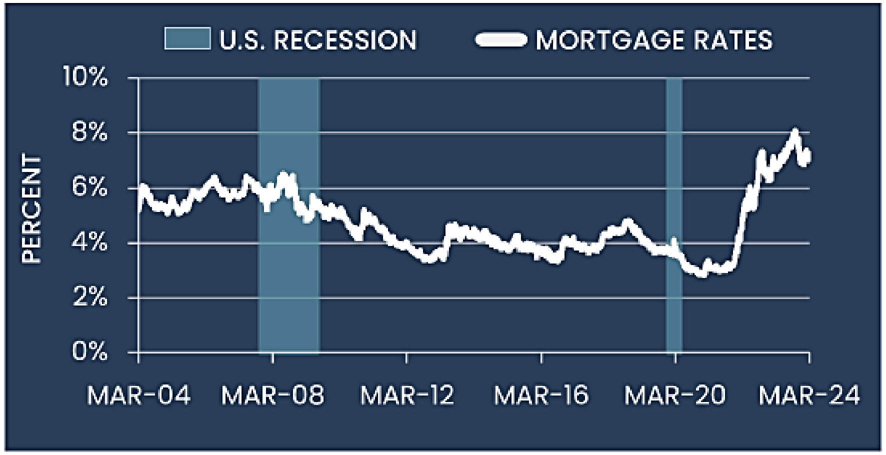
- BY ANY HISTORICAL COMPARISON, JOB CREATION REMAINS QUITE ROBUST AND REACCELERATED DURING Q1. THE 3-MONTH MOVING AVERAGE INCREASED TO 276K.
- AFTER 16 CONSECUTIVE MONTHS IN CONTRACTIONARY TERRITORY (BELOW 50), MANUFACTURING SECTOR DATA EKED OUT A SLIGHTLY EXPANSIONARY READING OF 50.3 IN MARCH. MEANWHILE, SERVICE SECTOR DATA REMAINED IN EXPANSIONARY TERRITORY THROUGHOUT Q1—DESPITE MARCH BEING THE SOFTEST OF THE THREE AT 51.4.
- CHAIR POWELL CHARACTERIZED HOTTER-THAN-EXPECTED Q1 INFLATION DATA AS BUMPS IN THE ROAD TO 2% RATHER THAN A CONCERNING REVERSAL IN INFLATIONARY TRENDS.

SOURCE: BLOOMBERG, NBER, PERFORMA | [1] 3-MONTH MOVING AVERAGE OF NON-FARM PAYROLLS [2] SEASONALLY ADJUSTED [3] THOUSANDS
[4] ISM MANUFACTURING INDEX [5] AS MEASURED BY THE PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX

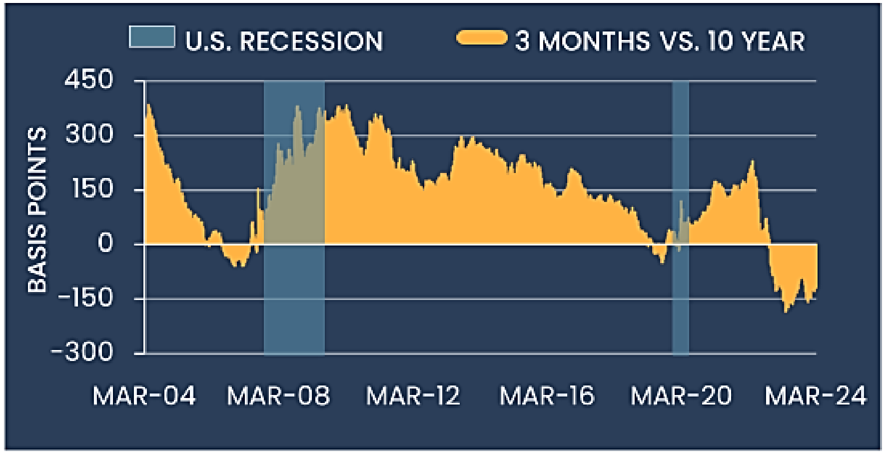
QUARTERLY MARKET UPDATE

AFFORDABILITY AND SUPPLY ISSUES HAVE CRUSHED EXISTING HOME SALES

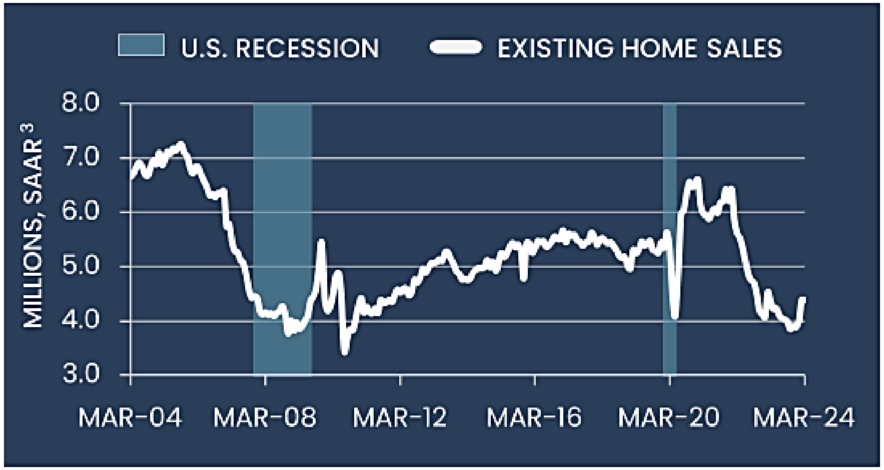
MORTGAGE RATES[1]



3 MONTH BILLS & 10'S



EXISTING HOME SALES[2]



COMMENTS

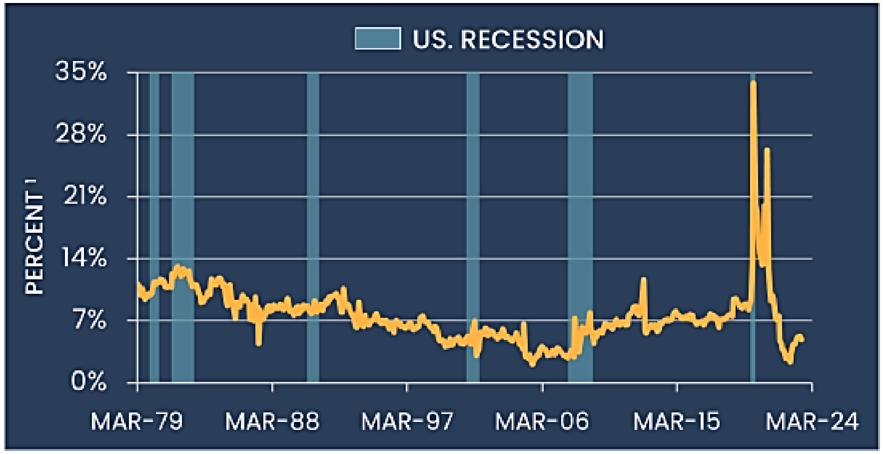
- THE NATIONAL AVERAGE FOR 30-YR FIXED RATE MORTGAGES INCREASED MARGINALLY DURING Q1, FINISHING AT 7.25%.
- ELEVATED PRICES, RESTRICTIVE MORTGAGE RATES AND LIMITED SUPPLY HAVE ABSOLUTELY DEMOLISHED EXISTING HOMES SALES WHICH ARE AT LEVELS LAST SEEN WHEN THE HOUSING BUBBLE BURST DURING THE GFC.
- THE SPREAD BETWEEN 10-YR UST YIELDS AND 3-MONTH BILLS (A HISTORICALLY RELIABLE RECESSION INDICATOR) HAS BEEN INVERTED SINCE NOVEMBER 2022, WHICH EQUATES TO A HISTORIC 364 CONSECUTIVE TRADING SESSIONS—FAR LONGER THAN ANYTHING WE SAW DURING THE 1970'S AND EARLY 80'S.

SOURCE: BLOOMBERG, PERFORMA, NBER | [1] BANKRATE.COM, U.S. HOME MORTGAGE 30-YEAR FIXED NATIONAL AVERAGE [2] NATIONAL ASSOCIATION OF REALTORS, [3] SAAR: SEASONALLY ADJUSTED ANNUALIZED RATE.

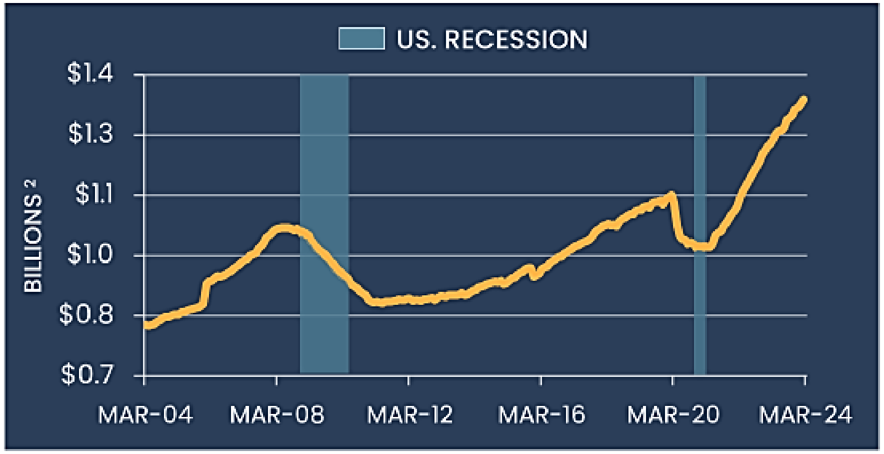
QUARTERLY MARKET UPDATE

U.S. CONSUMER | STILL SPENDING DESPITE CHALLENGES

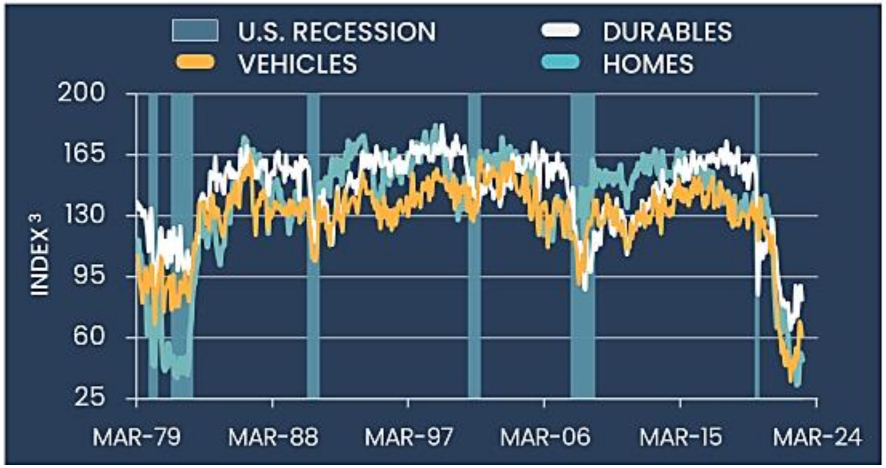
U.S. SAVING RATE



REVOLVING CONSUMER CREDIT



U. MICHIGAN BUYING CONDITIONS



COMMENTS

- THE U.S. SAVING RATE DIPPED TO 3.6% DURING Q1, THE LOWEST LEVEL SINCE 2022, WHILE CREDIT CARD SPENDING CONTINUED ITS ASCENT (AS EVIDENCED BY THE INCREASE IN REVOLVING CONSUMER CREDIT).
- DECLINING PANDEMIC SAVINGS, WEAK SENTIMENT, RECORD HIGH REVOLVING CREDIT AND A RELATIVELY LOW SAVING RATE MAKES US QUESTION HOW LONG CURRENT RATES OF CONSUMPTION CAN CONTINUE.
- NONETHELESS, HIGH FREQUENCY INDICATORS (SUCH AS TSA THROUGHPUT, HOTEL OCCUPANCY AND RESTAURANT BOOKINGS) CONTINUE TO SHOW AN ACTIVE CONSUMER.

SOURCE: BLOOMBERG, NBER, PERFORMA | [1] U.S SAVING RATE: BEA [2] REVOLVING CONSUMER CREDIT BALANCE: FEDERAL RESERVE [3] UNIVERSITY OF MICHIGAN SURVEY OF CONSUMER SENTIMENT

QUARTERLY MARKET UPDATE

KEY THEME SUMMARY | Q1 2024

1. THE MARKETS

- DURING THE FIRST QUARTER OF 2024 INTEREST RATES DRIFTED UPWARDS, CREDIT SPREADS NARROWED, AND STOCKS CONTINUED THEIR MARCH HIGHER.
- INVESTORS' RISK APPETITE WAS VORACIOUS THROUGHOUT THE QUARTER, WHILE THE RISE IN INTEREST RATES SEEMED SOMEWHAT MUTED AND OUT OF SYNC WITH THE MAGNITUDE OF THE MOVES IN EQUITY MARKETS.
- INTERESTINGLY, THE IMPACT OF MARKET EXPECTATIONS REALIGNING WITH THE FED ON THE PATH FORWARD FOR INTEREST RATES WAS LARGELY LIMITED TO HIGHER FRONT-END YIELDS AND WAS COMPLETELY SHRUGGED OFF BY RISK ASSETS.

2. THE FED

- THE FED CONTINUED WITH ITS PATIENT, WAIT-AND-SEE APPROACH TO MONETARY POLICY.
- CHAIR POWELL REITERATED THE FOMC'S COMMITMENT TO RETURNING INFLATION TO 2% OVER TIME AND THAT THE COMMITTEE WANTS MORE CONFIDENCE THAT INFLATION IS MOVING SUSTAINABLY TOWARD 2% BEFORE LOWERING RATES.
- BARRING ANY ECONOMIC SHOCKS, THE FED WILL CONTINUE TO PREP MARKETS FOR A GRADUAL END TO ITS BALANCE SHEET REDUCTION PROGRAM AND LOWER RATES LATER IN THE YEAR.

3. ECONOMIC DATA

- LABOR MARKETS APPEAR TO BE IN GOOD SHAPE, AS EVIDENCED BY ROBUST JOB CREATION AND HISTORICALLY LOW INITIAL JOBLESS CLAIMS; HOWEVER, WE SHOULD NOTE THAT SOME OF THE UNDERLYING DETAILS ARE LOOKING LESS ROBUST.
- INFLATION DATA CAME IN HOTTER THAN EXPECTED, WHICH DASHED MARKET HOPES FOR AN EARLY START TO THE RATE CUTTING CYCLE AND PUT UPWARD PRESSURE ON INTEREST RATES.
- AFFORDABILITY AND LIMITED SUPPLY CONTINUE TO BE HEADWINDS FOR THE HOUSING SECTOR.

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