

Monthly Market Update | May 2024

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# Rising Treasury Yields Cause Stocks & Bonds to Trade Lower

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**Maridea**  
WEALTH MANAGEMENT

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## Monthly Market Summary

- The S&P 500 Index returned -4.0%, outperforming the Russell 2000 Index's -6.8% return. Ten of the eleven S&P 500 sectors traded lower in April, led by Real Estate.
- Corporate investment-grade bonds produced a -3.2% total return as Treasury yields rose, while corporate high-yield bonds produced a -1.3% total return
- International stocks outperformed U.S. stocks. The MSCI EAFE developed market stock index returned -3.2%, while the MSCI Emerging Market Index returned -0.2%.

## Stocks & Bonds Trade Lower as Treasury Yields Rise

Stocks traded higher in February, with the rally broadening after large cap stocks accounted for most of January's gains. The S&P 500 traded above 5,000 for the first time, setting a new all-time high, and has now returned +21.5% since the start of November. The Dow Jones Industrial Average set a new closing high in February, and the Russell 2000 Index of small cap stocks outperformed the S&P 500 after trailing by -5.5% last month. The Consumer Discretionary, Industrial, and Material sectors outperformed the S&P 500, while the Utility, Consumer Staple, and Real Estate sectors underperformed.

## An Update on This Year's Biggest Market & Economic Trends

The S&P 500, despite trading lower in April, has gained +5.9% this year. Companies like Nvidia, Amazon, and Google-parent Alphabet account for a significant portion of the S&P 500's gains. The three companies benefit from increasing investment in artificial intelligence, which drives demand for their data centers, cloud computing software, and semiconductors. In contrast, small cap stocks are trading lower this year due to their sensitivity to higher rates. This is because smaller companies rely more on short-term financing and floating-rate debt, which causes their interest rates to reset faster.

The sharp rise in Treasury yields is one of the biggest stories this year. At the start of 2024, investors expected the Federal Reserve to start cutting interest rates in March. It's now mid-May, and March passed without an interest rate cut. What is preventing the Fed from lowering rates? Inflation and employment data. Inflation progress is slowing, and unemployment is still below 4%. The low unemployment rate allows the Fed to focus more on reducing inflation. As a result, investors expect only one rate cut in 2024, down from six at the start of the year. Furthermore, the first cut is not expected until Q4.

Rising commodity prices are one reason that inflation remains sticky. Oil prices have risen +14.3% this year, leading to a +22.5% increase in gasoline prices. Copper, which is a barometer of economic activity due to its wide array of end uses, has gained +17.6%. Higher commodity prices hint at solid underlying demand, and economic data suggests the U.S. economy is adjusting to higher rates. New home sales reached a 6-month high in Q1, and consumers continued to spend despite higher rates. The U.S. economy's resilience to higher rates is another reason the Fed is not rushing to cut rates.

## THIS MONTH IN NUMBERS

FIGURE 1

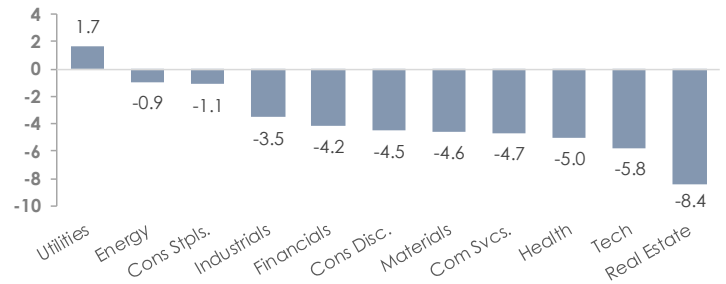
### U.S. Style Returns (April in %)

	Value	Blend	Growth
Large	-4.2	-4.0	-4.2
Mid	-5.2	-5.3	-5.9
Small	-6.2	-6.8	-7.6

Data Reflects Most Recently Available As of 4/30/2024

FIGURE 2

### U.S. Sector Returns (April in %)



Data Reflects Most Recently Available As of 4/30/2024

FIGURE 3

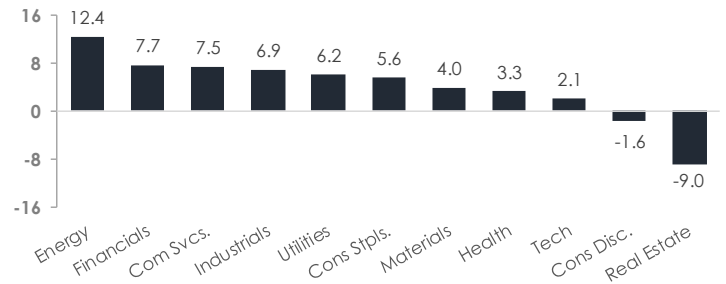
### U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	4.2	5.9	6.6
Mid	2.5	2.7	3.0
Small	-3.7	-2.1	-0.6

Data Reflects Most Recently Available As of 4/30/2024

FIGURE 4

### U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 4/30/2024

FIGURE 5

### Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B	
S&P 500	-4.0%	4.3%	20.9%	5.9%	22.3%	24.8%	1.34%	20.1x	4.5x	
Dow Jones	-4.9%	-0.4%	15.5%	0.9%	12.9%	17.3%	1.82%	17.7x	4.8x	
Russell 2000	-6.8%	1.8%	19.8%	-2.1%	13.3%	-9.6%	1.32%	21.8x	1.9x	
Russell 1000 Growth	-4.2%	4.1%	23.6%	6.6%	31.6%	26.4%	0.55%	26.0x	11.7x	
Russell 1000 Value	-4.2%	4.2%	18.3%	4.2%	13.1%	14.9%	1.95%	15.3x	2.4x	
MSCI EAFE	-3.2%	3.0%	16.9%	2.5%	8.0%	7.4%	2.90%	13.9x	1.8x	
MSCI EM	-0.2%	6.8%	13.7%	1.9%	7.5%	-18.5%	2.58%	12.2x	1.6x	
NASDAQ 100	-4.4%	2.0%	21.5%	3.8%	32.4%	27.6%	0.57%	24.7x	7.2x	
Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years	Commodities	Level	1 month	YTD
U.S. Aggregate	5.31%	-2.5%	-3.0%	-3.2%	-1.5%	-10.0%	Oil (WTI)	81.93	-1.5%	14.3%
U.S. Corporates	5.81%	-3.2%	-3.6%	-4.0%	-0.3%	-11.3%	Gasoline	2.52	-2.0%	22.5%
Municipal Bonds	4.14%	-0.9%	-1.2%	-1.2%	1.9%	-2.6%	Natural Gas	1.99	12.9%	-14.4%
High Yield Bonds	8.32%	-1.3%	0.0%	0.2%	7.2%	1.1%	Propane	0.81	-3.4%	19.9%
							Ethanol	1.54	4.4%	-4.7%
							Gold	2,303	2.9%	11.2%
							Silver	26.65	7.0%	10.7%
							Copper	4.56	14.0%	17.6%
							Steel	813	-12.7%	-28.4%
							Corn	4.47	1.1%	-5.2%
							Soybeans	11.59	-2.7%	-10.0%
Key Rates	4/30/2024	3/31/2024	1/31/2024	10/31/2023	4/30/2023	4/30/2021				
2 yr Treasury	5.03%	4.62%	4.22%	5.06%	4.06%	0.16%				
10 yr Treasury	4.68%	4.20%	3.95%	4.90%	3.45%	1.63%				
30 yr Treasury	4.79%	4.34%	4.19%	5.06%	3.67%	2.30%				
30 yr Mortgage	7.49%	7.25%	6.96%	8.06%	6.85%	3.11%				
Prime Rate	8.50%	8.50%	8.50%	8.50%	8.00%	3.25%				

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We would be pleased to discuss any of these topics and opportunities with you.

**Please contact us at [info@marideawealth.com](mailto:info@marideawealth.com)**

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