Market Perspectives

March 2024

TURTLE CREEK WEALTH ADVISORS

Rising confidence in a June Fed rate cut drives markets higher in March.

Index	MTD	QTD	YTD	1 Year	2023
S&P 500	3.22	10.56	10.56	29.88	26.29
Dow Jones Industrial Average	2.21	6.14	6.14	22.18	16.18
Russell 2000	3.58	5.18	5.18	19.71	16.93
NASDAQ Composite	1.85	9.31	9.31	35.08	44.64
Europe, Australia, & Far East (EAFE)	3.40	5.93	5.93	15.90	18.85
MSCI Emerging Markets	2.52	2.44	2.44	8.59	10.27
Bloomberg Barclays U.S. Aggregate Bond	0.92	-0.78	-0.78	1.70	5.53

As of 3.31.24; Returns in percent

US equities were higher in March, with the major indices all continuing to gain ground. The S&P 500, which rose 3.8%, logged its fifth straight monthly increase, finishing higher for the 10th month of the past 13 and setting multiple fresh record highs along the way. Notably, the month was marked by an improvement in breadth, with the equal-weight S&P beating the market cap weighted index, while Value stocks outperformed Growth stocks. Small caps, as measured by the Russell 2000 Index, gained 4.3%, rising for the fourth month of the past five, while the tech heavy Nasdaq rose 2.8%. Foreign equities also had a good month, with the MSCI EAFE index up 3.4% and MSCI Emerging markets index gaining 2.5%.

For the first quarter of the year, the S&P 500 produced a total return of 10.6%, which is the 11th best start to a year since 1950. Such a start generally signals strong performance for the index for the remainder of the year.

STRONG 1Q USUALLY BODES WELL FOR REST OF YEAR PERFORMANCE

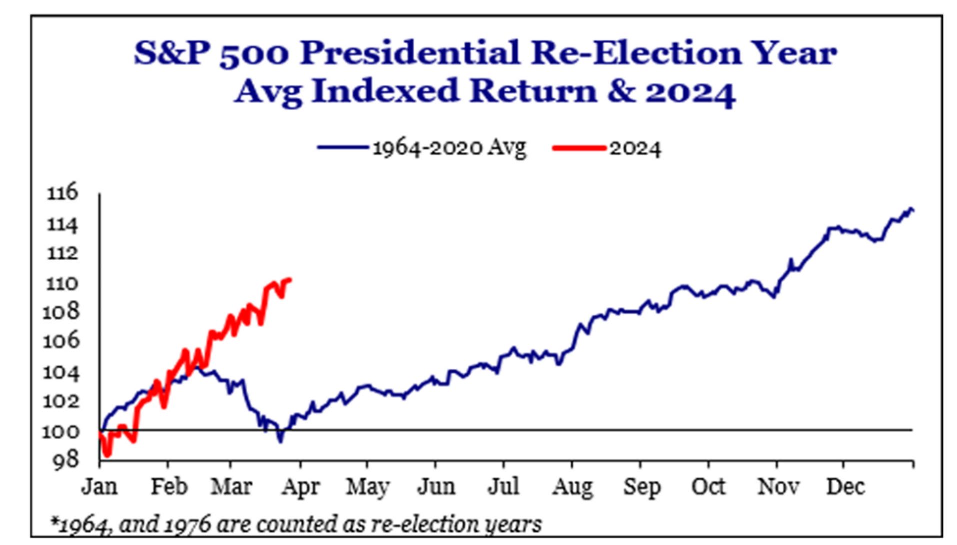
Forward S&P Performance Following Strong 1Q

Rank	Year	1Q	2Q	3/31 to 12/31
1.	1975	21.6%	14.2%	8.2%
2.	1987	20.5%	4.2%	-15.3%
3.	1976	13.9%	1.5%	4.6%
4.	1991	13.6%	-1.1%	11.2%
5.	1998	13.5%	2.9%	11.6%
6.	1986	13.1%	5.0%	1.4%
7.	2019	13.1%	3.8%	14.0%
8.	1967	12.3%	0.5%	7.0%
9.	2012	12.0%	-3.3%	1.3%
10.	1961	12.0%	-0.6%	10.0%
11.	2024	10.2%	--	--
12.	2013	10.0%	2.4%	17.8%
13.	1971	9.0%	-0.6%	1.6%
14.	1995	9.0%	8.8%	23.0%
15.	1983	8.8%	9.9%	7.8%
		Average	3.4%	7.4%

1987 is the obvious miss here, but generally a strong 1Q has been followed with additional gains over the following 9 months. Any 2Q corrections have been modest.

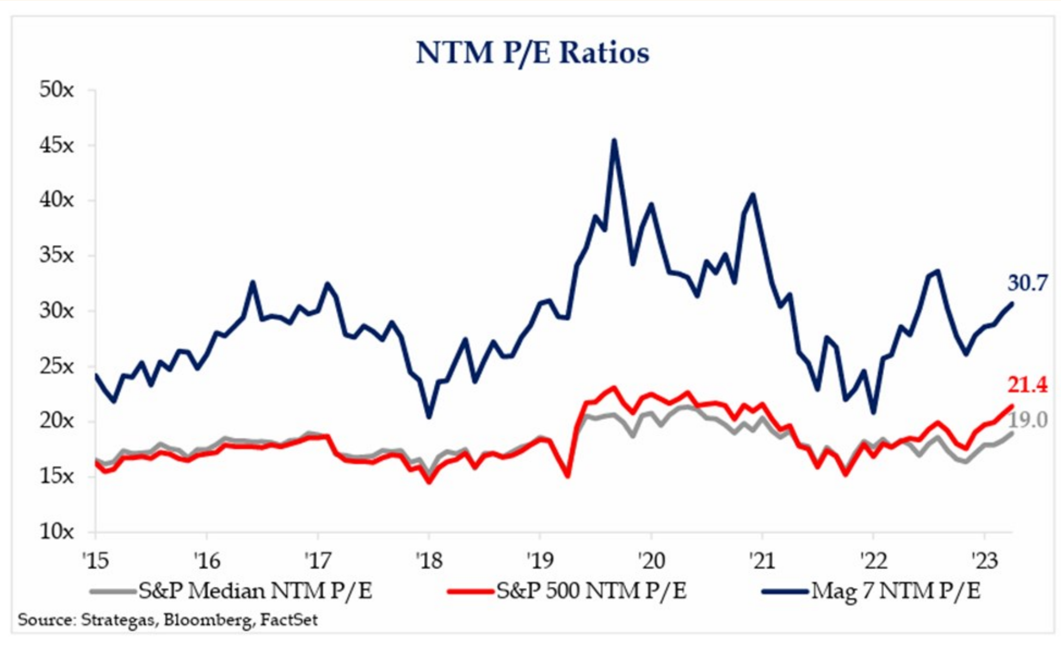
Source: Strategas; As of 3.29.24

However, equities are currently outpacing the rate of gains normally experienced in a presidential re-election year, so some near-term consolidation (i.e. decline) is very possible.



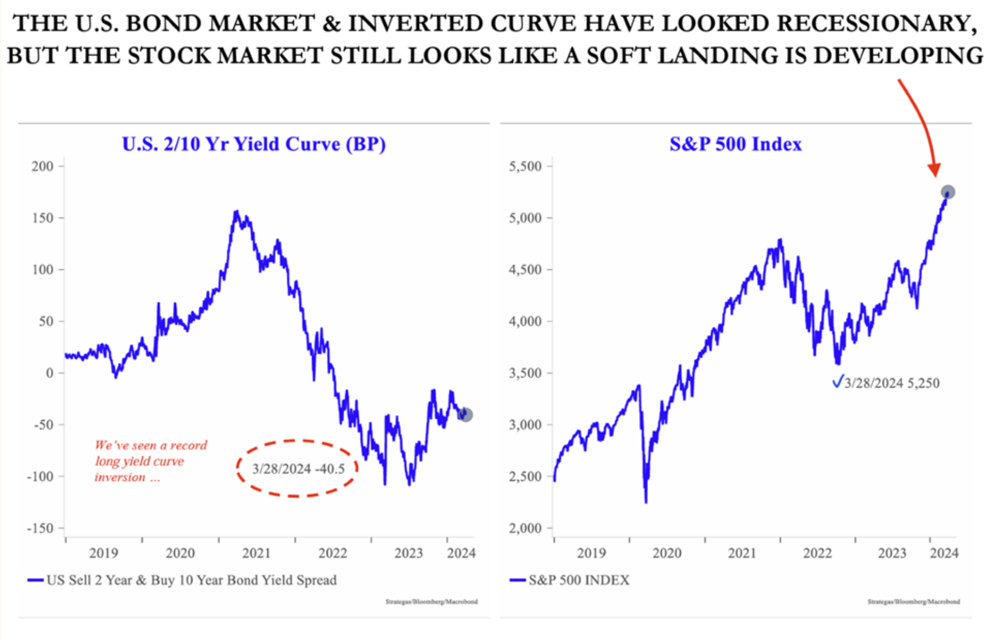
Source: Strategas; As of 3.29.24

Stretched equity valuations continue to be a concern for investors, with the S&P 500 trading at a lofty 21.4x forward earnings. However, this valuation is skewed by that of the Magnificent 7, while the median stock in the index trades at a more reasonable 19x.



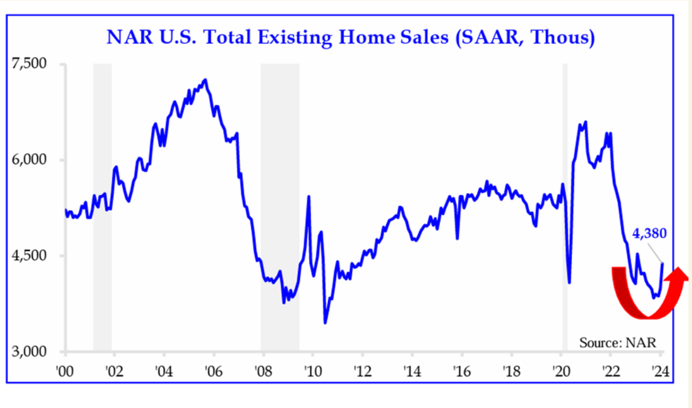
Source: Strategas; As of 3.29.24

There remain mixed signals coming from stocks and bonds. Specifically, the Treasury bond market saw the yield curve set a new record for the longest period of time to remain inverted (historically a signal of a pending recession). In opposition, the stock market continues to hit new all-time highs.

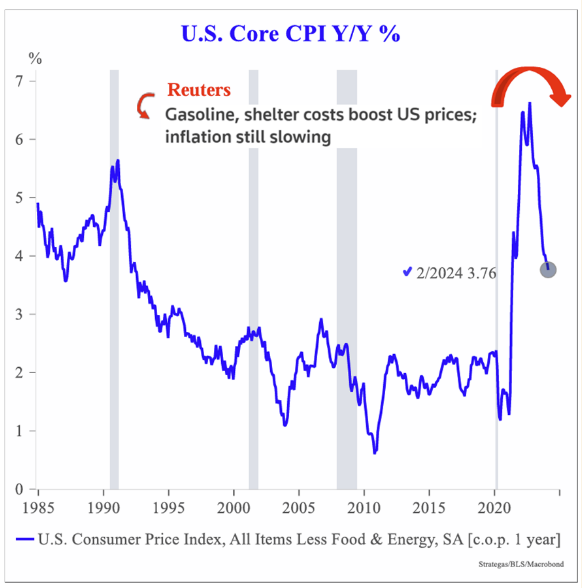


Source: Strategas; As of 3.29.24

Other positives for stocks include rising 2024 earnings estimates, continued strong labor markets and economic data (including housing) and a continuation of the disinflationary trend seen over the past 18 months.



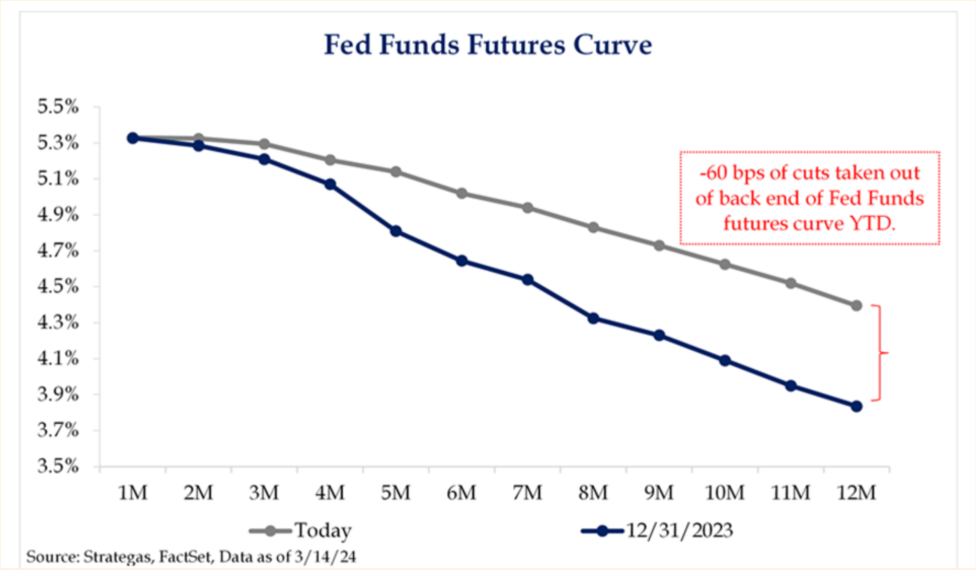
Source: Strategas; As of 3.29.24



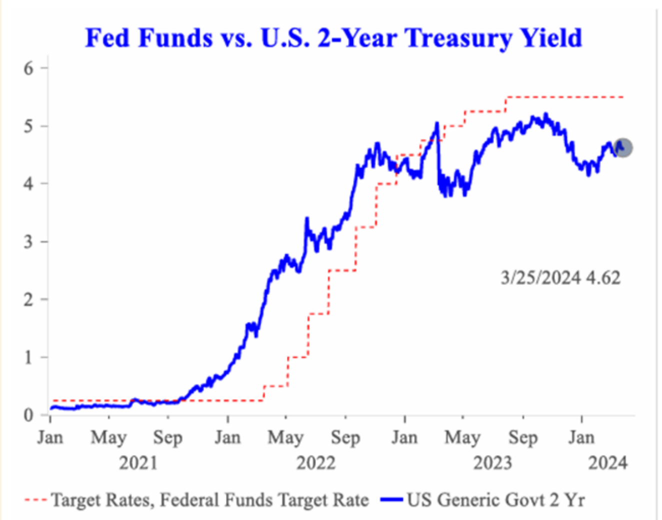
Source: Strategas; As of 3.29.24

Investment grade bonds, as measured by the Bloomberg Aggregate Bond index, rose 0.9% in March as interest rates fell slightly and credit spreads remained narrow. In addition, continued investor demand for risk was demonstrated by a 1.2% gain in the Corporate High Yield Bond index.

The month's big economic event was the March FOMC meeting, which saw the Fed hold rates steady (as expected). In addition, the median policymaker forecast for 2024 continued to see three rate cuts, despite some hotter inflation readings to start the year. In the end, Chair Powell's commentary leaned toward the dovish side, arguing that recent data didn't fundamentally change the disinflation narrative. Importantly, investor expectations have now come in line with the Fed's forecast of 3 rate cuts this year, a big change from the beginning of 2024. This has improved the visibility around the pace and timing of rate cuts and has allowed interest rate volatility to recede. Also, note that when the Fed Funds rate exceeds the Two-year Treasury Yield (as it does today) the Fed has historically begun the rate cutting process.

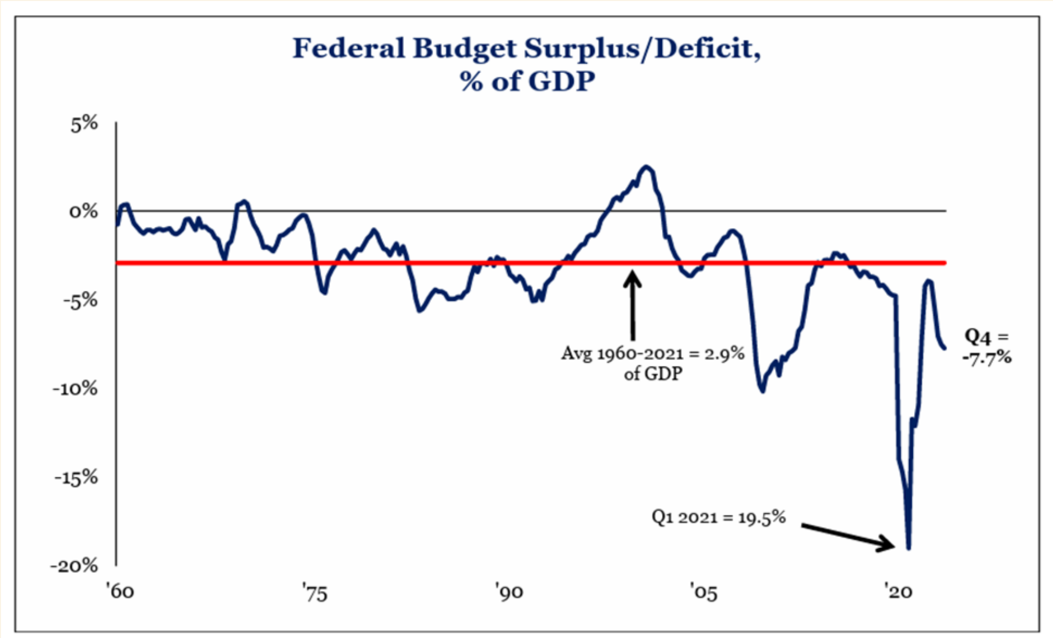


Source: Strategas; As of 3.29.24



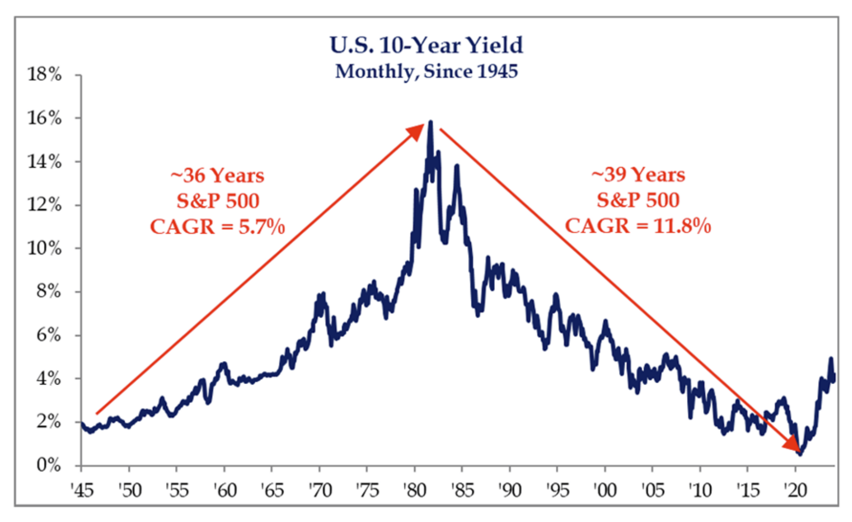
Source: Strategas; As of 3.29.24

On the bearish front, Gold continued to rally in March, which could signal potential headwinds to the soft-landing narrative as Gold has historically rallied when fiscal and economic uncertainty is increasing. Additionally, inflation has tended to come in waves, which would limit the Fed's ability to cut rates. Finally, a large US budget deficit will require the issuance of more US Treasury debt this year, putting upward pressure on interest rates and providing a possible headwind for financial market performance.



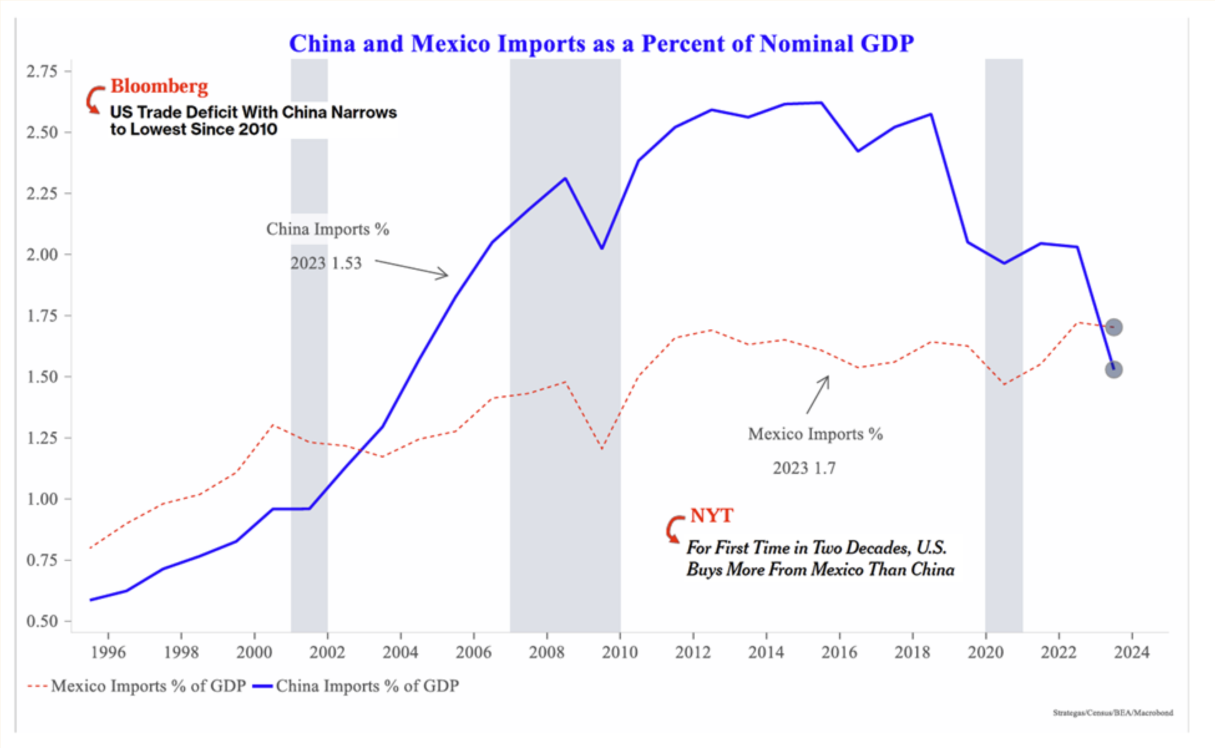
Source: Strategas; As of 3.29.24

Regardless of how the economy performs this year, and whether the Fed is successful in lowering the Fed Funds rate as many as 3 times, investors should not expect a return to the low rates seen since the 2008 recession, as rates tend to move in long term cycles.



Source: Strategas; As of 3.29.24

A couple of historic events also occurred in March, as the Bank of Japan raised its short-term policy rate for the first time since 2007, and Mexico surpassed China as the largest trading partner to the U.S.



Source: Strategas; As of 3.29.24

Despite the robust gains year-to-date and the consensus belief in a soft landing accompanied by Fed Fund rate cuts in June, there is still a degree of uncertainty that permeates the markets. As a result, we continue to recommend a well-diversified portfolio of stocks & bonds, US and foreign assets, and both public and private investments.

Turtle Creek Wealth Advisors, LLC ("Turtle Creek") offers investment advisory services and is registered with the U.S. Securities and Exchange Commission ("SEC"). SEC registration does not constitute an endorsement of the advisory firm by any regulatory authority, nor does it indicate that the advisory firm has attained a particular level of skill or ability. All content available in this commentary is general in nature, not directed or tailored to any particular person, and is for informational purposes only. Neither this commentary nor any of its content is offered as investment advice and should not be deemed as investment advice or a recommendation to purchase or sell any specific security. The information contained herein reflects the opinions and projections of Turtle Creek as of the date hereof, which are subject to change without notice at any time. Turtle Creek does not represent that any opinion or projection will be realized. The information contained herein has been obtained from sources considered reliable, but neither Turtle Creek nor any of its advisers, officers, managers, or affiliates represents that the information presented in this commentary is accurate, current, or complete, and such information is subject to change without notice. The information contained [in this commentary does not purport to be a complete description of the securities, markets, or developments referred to in this material. Any performance information must be considered in conjunction with applicable disclosures. Past performance is not a guarantee of future results. Neither this commentary nor its contents should be construed as legal, tax, or other advice. Individuals are urged to consult with their own tax or legal advisors before entering into any advisory contract. Any investment is subject to risks, including the possible loss of principal. Individual investor's results will vary. Investing involves risk, and you may incur a profit or loss, including the entire loss of investment, regardless of the strategy selected.