## Economic & Market Commentary

Stocks rallied last week as the Federal Reserve held rates steady (as expected) and confirmed they anticipate cutting the short-term target rate 3 times this year. These means the Fed's target rate is forecasted to drop from 5.50% to 4.75%. With their Statement of Economic Projections, which is issued quarterly with calendar year projections for 2024, 2025 and 2026, U.S. economic growth was revised upward, the unemployment rate was held steady or slightly lowered, inflation was held steady or revised marginally upward, and the target rate was held steady for this year but revised higher for 2025 and 2026. Of these revisions, the target rate is the most interesting because it shows the Fed is willing to accept slightly higher inflation in order to orchestrate a soft economic landing and not have the economy fall into recession. This should be bullish for stocks, but long-term bond yields are likely to come under pressure especially the 10-year treasury. With higher fed funds rate projections for 2025 and 2026, the yield curve should begin to flatten and then steepen which means at some point long-term rates should move higher than short-term rates. Historically, a steep yield curve is indicative of a healthy economic environment with economic expansion and reasonable inflation levels. The yield curve has been inverted (short-term rates higher than long-term rates) now for almost two years and at some point reality may kick in that perhaps modestly higher inflation and interest rates are going to stick around for a while. This is essentially what the Fed is projecting. Barring a major headline event, the days of historically low interest rates are over. Bond futures currently forecast the first rate cut to take place in June. With two hotter than expected inflation prints in January and February, don't be surprised if the first rate cut gets pushed back into the second half of the year. While Chair Powell downplayed these inflation prints, future Fed actions will still be guided by incoming data.

Index Total Returns - March 22, 2024

	1-Wk	YTD	1-Yr
S&P 500	2.31	10.12	35.06
NASDAQ	2.86	9.63	41.90
S&P 400	2.32	7.89	26.91
MSCI-Developed	1.21	5.64	18.61
Dow Jones	1.97	5.25	25.86
Russell 2000	1.61	2.52	21.84
MSCI-Emerging	0.51	1.90	11.01
Barclay's U.S. Bond Index			
High Yield	0.59	1.37	12.57
5-year Muni	-0.07	-0.19	2.73
Int. Gov. Credit	0.58	-0.22	2.60
Municipal	-0.18	-0.22	4.03
Aggregate	0.73	-1.00	1.33

Yield Curve: 10Yr - 2Yr Spread
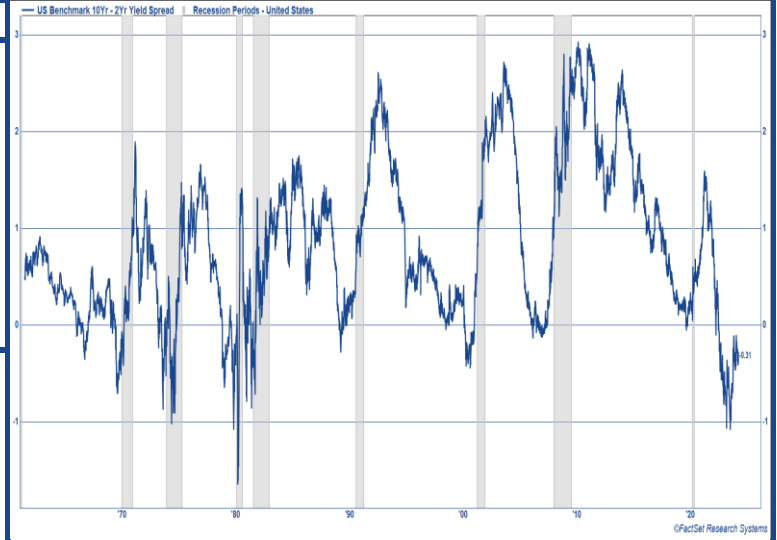
U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.96	5.06	4.54
U.S. 2-Yr	4.60	4.73	3.97
U.S. 3-Yr	4.37	4.51	3.77
U.S. 5-Yr	4.20	4.33	3.57
U.S. 10-Yr	4.21	4.31	3.49
U.S. 30-Yr	4.39	4.44	3.70

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.27	3.22	3.04
U.S. AA	3.29	3.24	3.17
U.S. A	3.71	3.67	3.73
U.S. Baa	4.28	4.26	4.45
U.S. Municipal	3.44	3.39	3.36
Michigan	3.59	3.54	3.50

S&P 500 Sector Total Returns - March 22, 2024

Sector	1-Wk	YTD	1-Yr
Communication Services	4.78	16.70	56.32
Info Tech	2.94	14.13	55.82
Energy	1.76	11.23	20.97
Financials	1.86	10.54	35.24
Industrials	2.90	10.29	31.66
Materials	1.00	7.14	22.25
Health Care	0.40	7.12	17.61
Consumer Staples	1.02	6.50	10.23
Consumer Discretionary	2.79	4.25	34.42
Utilities	1.49	1.66	2.73
Real Estate	-0.54	-3.53	14.06

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	21.01	18.03	1.31
S&P 400 - Mid Cap	15.69	15.51	1.43
S&P 600 - Small Cap	14.17	15.01	1.78

Sources: FactSet, Federal Reserve