



# 2024 First Quarter Investment Report

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We should probably get this out of the way at the beginning: nobody should expect that 10% quarterly gains in the stock market will continue forever, or even for the rest of the year unless you believe that stocks will become 40% more valuable into the foreseeable future. But we can celebrate a generous quarter of returns, nonetheless.

Double-digit and near-double-digit gains were everywhere to be found in this unusual quarter. The Wilshire 5000 Total Market Index—the broadest measure of U.S. stocks—gained 9.95% as of March 28 (March 29 data is unavailable for the index). The Russell 3000 index gained 10.02% in the first quarter.

Looking at large cap stocks, the Wilshire U.S. 2500 Large Cap index was up 10.02% as of March 28. The Russell 1000 large-cap index is up 10.38% so far this year, while the widely quoted S&P 500 index of large company stocks gained 10.16% during the year's first quarter.

Meanwhile, the Russell Midcap Index gained 4.68% in the first three months of the year.

As measured by the Russell 2000 Small-Cap Index, smaller companies posted a 5.18% gain in the year's first three months. The technology-heavy Nasdaq Composite Index has gained 10.78% so far this year.

Foreign markets have provided more modest gains. The broad-based EAFE index of companies in developed foreign economies gained 4.15% in the first quarter of 2024. Emerging market stocks of less developed countries, as represented by the EAFE EM index, gained 1.69% in dollar terms so far this year.

Real estate securities posted an essentially flat quarter, with the Wilshire U.S. REIT index unchanged over the first three months of the year. The S&P GSCI index, which measures commodities returns, posted an 8.74% gain in the 1st quarter. Gold prices are booming, up 9.08% for the quarter to a record \$2,257 an ounce. The S&P 500 utilities index, a broad measure of the performance of utility stocks, is up 3.59% as of the end of March.

The bond markets, in contrast to what was happening with stocks, were relatively calm. Yields on 10-year Treasury bonds rose have dropped modestly, from 4.76% at the start of the year to 4.32% currently. 30-year government bond yields have risen incrementally from 4.03% to

4.46% in the first quarter. But the yield curve remains sharply inverted; 12-month Treasuries offer a higher 5.07% rate, and 6-month government bonds are yielding 5.34%. Five-year municipal bonds have risen from a 2.22% aggregate yield to 2.55%, while 30-year Munis moved from roughly 3.40% in January to 3.75%.

It's always wise to be a bit wary when stock markets are achieving new highs seemingly on a weekly basis, but there aren't a lot of dark clouds on the current economic horizon. Interest rates in the U.S. are currently at a 25-year high, with the Fed Funds rates at 5.25-5.55%, but the recent Federal Reserve Board announcement reassured investors that the rates would go down, not up in the current year. Inflation remains at 3.2%, which is a full percentage point higher than the Fed is targeting but hasn't been rising lately. Unemployment is up slightly, to 3.9%, but anything under 4% is considered full employment by economists, and the U.S. economy added a robust 275,000 new jobs last month. America's GDP grew at a 3.4% rate last quarter, which is above both expectations and recent historical averages.

But there is a bit of a creepy feel to the enthusiasm of quick-twitch investors whose buys and sells drive markets up or down, seemingly at random, on a daily and even hourly basis. The insiders are calling the bull market we are experiencing an 'AI' boom, meaning that there is perhaps more enthusiasm for how artificial intelligence will impact the world economy than can be realized by the facts on the ground. One wonders if consumer spending can continue to grow at a 3% rate when there is evidence that consumers, in aggregate, are taking on increasing amounts of debt.

All of this is to say that, after a robust first quarter, it might be time for the smarter buy-and-hold, long-time-horizon investors to fasten their seat belts. Nobody gets a smooth ride on the investing roller coaster, and we all know what happens on the amusement park rides after your car climbs up a long summit. The only difference is that roller coasters end where they began, while the markets, through all the ups and downs, have generally ended higher at the end.

**Sources:**

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