



MEEDER

MEEDER EDGE AND PRIVATE WEALTH

# Market Viewpoints

## April 2024



# Market Highlights

## TOTAL RETURNS (AS OF 4/30/24)

EQUITY INDICES	1 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR
S&P 500	-4.1%	6.0%	22.7%	8.1%	13.2%
US Large Cap Growth	-4.2%	6.7%	31.8%	8.5%	16.5%
US Large Cap Value	-4.3%	4.3%	13.4%	5.2%	8.6%
US Small Cap	-7.0%	-2.2%	13.3%	-3.2%	5.8%
Developed International	-2.6%	3.1%	9.3%	2.9%	6.2%
Emerging Markets	0.4%	2.8%	9.9%	-5.7%	1.9%
FIXED INCOME INDICES	1 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR
US Investment Grade	-2.5%	-3.3%	-1.5%	-3.5%	-0.2%
US High Yield	-1.0%	0.5%	8.9%	1.5%	3.5%

SOURCE: MORNINGSTAR DIRECT, MEEDER INVESTMENT RESEARCH. INDICES: S&P 500 INDEX, RUSSELL 1000 GROWTH, RUSSELL 1000 VALUE, RUSSELL 2000, MSCI EAFE, MSCI EM, BLOOMBERG US AGG BOND, ICE BOFA US HIGH YIELD

## EQUITIES

U.S. Equity markets tumbled in April as higher than expected inflation data fueled market fears that monetary policy easing would remain on hold. The decline of 4.1% in the S&P 500 put an end to the five-month winning streak the index had been on. During that five-month stretch, it gained 25% marking the sharpest rally since the Covid recovery in 2020. U.S. Small-Caps were hit particularly hard in the month as the asset class's greater sensitivity to higher interest rates continues to be a headwind. International markets fared better for the month with Emerging Markets posting a positive return despite heightened geopolitical risks. China and India led the way in the Emerging Markets region.

## FIXED INCOME

The pain in Fixed Income persisted in April as the change in rate cut expectations put upward pressure on yields. Yields rose across the curve with the 5-year treasury seeing the largest increase at 51 basis points. The growing sense that cuts will continue to get pushed out further into the year has led to a challenging environment for U.S. Investment Grade. The asset class had its worst monthly return of 2024 and is now down 3.3% YTD. The increase in yields weighed on the U.S. High Yield space as well as the asset class lost 1.0%, reducing the 2024 total return to 0.5%. The negative performance for the month was driven by the lower quality pockets as CCC's underperformed.

# Portfolio Positioning

- » The dispersion between Growth and Value performance has significantly narrowed YTD and was relatively even during April. With the wild swings we've seen over the last five years between Growth and Value it remains our preference to stay neutral.
- » Small-Caps are offering attractive relative valuations but continue to struggle in the "higher for longer" interest rate environment. If evidence of a lasting shift downward in rates presents itself, an increase in Small-Cap allocations could be warranted.
- » Longer term bonds, which are more sensitive to interest rate movements, remain vulnerable to a reacceleration of inflation. With Fed cuts likely pushed to later in the year, we remain cautious to extend duration until the path becomes clearer.

	FAVOR	NEUTRAL	FAVOR	
US Equity				International Equity
Growth				Value
Large Cap				Small Cap
Short Duration				Long Duration
Investment Grade				High Yield

# Market Insights

## U.S. REAL GDP COOLS IN Q1, CONTINUES TO GAIN GLOBAL SHARE

U.S. economic growth came in weaker than expected to start the year with real GDP increasing at a 1.6% annualized pace against consensus expectations of a 2.4% increase. With real GDP coming in at 4.9% in Q3 2023 and 3.4% in Q4 2023, a downward trend over the last three quarters has taken hold. This has justifiably caused some concern, but as we take a deeper look underneath the surface, the reading doesn't look quite as bleak. (see Figure 1)

As a reminder, GDP is calculated as  $GDP = Consumption + Capital Investment + Government Expenditures + Net Exports (Imports - Exports)$ . Consumption growth remains the primary driver of growth as it has over the last three years with consumer spending up 2.5% for the quarter. A reflection of increased consumer spending can also be seen in the trade imbalance that shaved 0.9% off this quarter's reading. Import growth surged 7.2% while export growth slowed causing the imbalance. As other countries have lowered their imports from the U.S. due to economic struggles and the U.S. continues to consume imported goods, the GDP calculation can produce some misleading figures.

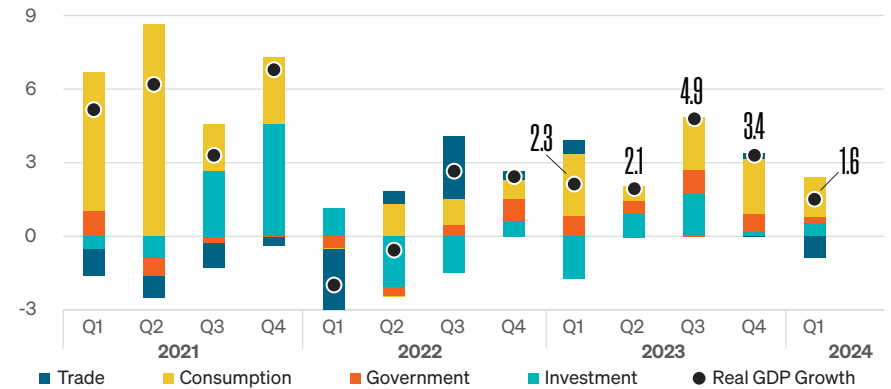
And the picture looks even brighter when you look at global trends and the U.S. share of global GDP (see Figure 2). Since overtaking the E.U. in 2011 as the global leader, the U.S. has been on a steady incline amassing roughly 26% of the global share. A stronger recovery from the Covid-19 pandemic has accelerated the gain since 2020 as China, the E.U., and Japan have struggled. Meanwhile, the growth story in India will be one to watch over the next two decades as its rapid growth has led it to the brink of surpassing Japan.

## JOB GROWTH SLOWS IN APRIL

Job growth missed expectations in April as the non-farm payrolls report showed U.S. employers added 175,000 jobs against the street estimate of 242,000. This was only the 4th time in the last two years that jobs have come in below expectations and was the smallest gain we've seen in six months. But the reading isn't all bad when you give it some context.

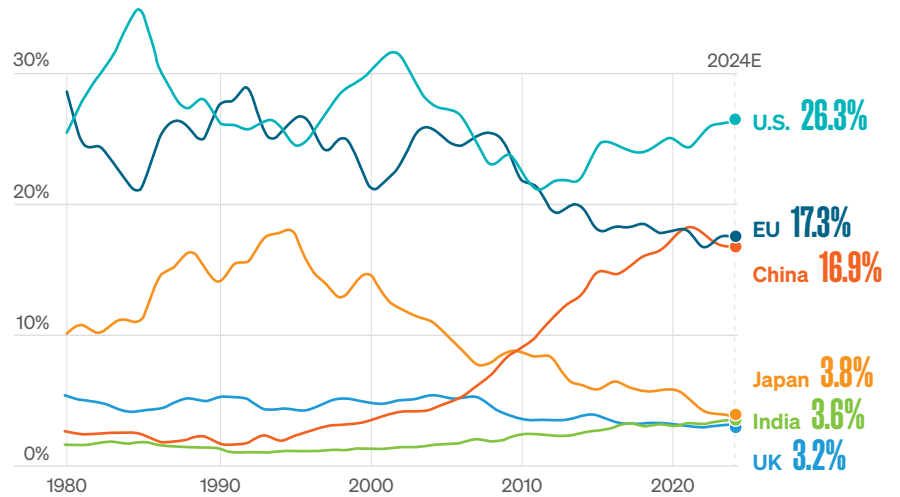
April marked the 40th consecutive month of job gains which is the 5th longest period of expansion on record. And looking at the three-month trend of 242,000 additions (see Figure 3) along with the fact that the U.S. is adding jobs above the pre-pandemic average, you get a clear picture that the labor market remains strong. In fact, the recent easing will likely keep the Fed on track for rate cuts toward the end of 2024.

FIGURE 1  
**U.S. REAL GDP GROWTH CONTRIBUTION TO REAL GDP PERCENT CHANGE (SAAR, PERCENTAGE POINTS)**



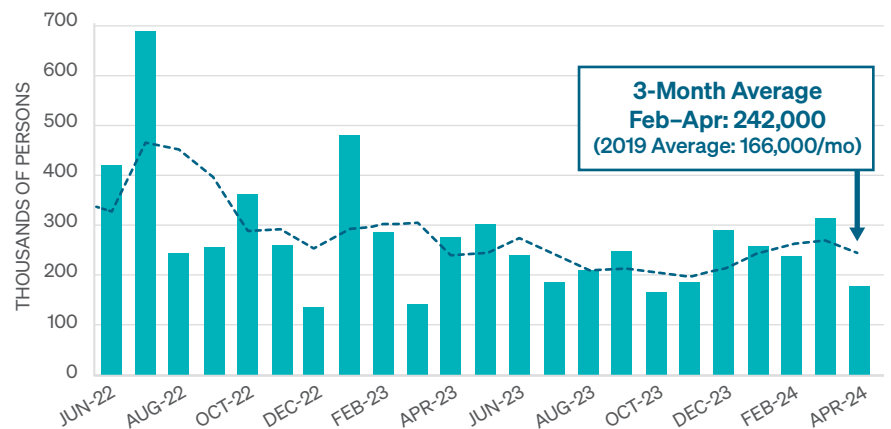
SOURCE: THE CONFERENCE BOARD, BEA

FIGURE 2  
**SHARE OF GLOBAL GDP FOR THE WORLD'S 6 LARGEST ECONOMIES**



SOURCE: IMF WORLD ECONOMIC OUTLOOK (APRIL 2024)

FIGURE 3  
**MONTHLY NONFARM PAYROLL GAINS**



SOURCE: CARSON INVESTMENT RESEARCH, FRED  
Dashed line shows 3-month moving average



## Outside the Markets

This past month saw Rock and Roll Hall of Fame legends Pearl Jam release their 12th studio album, *Dark Matter*. Headed by charismatic frontman Eddie Vedder, the legendary quintet consisting of Mike McCready, Stone Gossard, Jeff Ament, and Matt Cameron looked to reclaim the energy of their early classics from the 90's after some experimentation with their last few efforts. The band largely succeeds as *Dark Matter* quickly reminds listeners why the band has stayed relevant over the past three decades. As with all great Pearl Jam records, the songs burrow their way into your subconscious with catchy hooks and infectious melodies.

Many of the latest tunes will be welcome additions to the live shows which have really set the band apart from their contemporaries. As Pearl Jam has outlasted most of the 90's era bands that have faded away, often tragically so, their marathon concerts endure. Congratulations to the guys for a long career that continues to impress after all these years.

## IMPORTANT DISCLOSURES

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## INDEX DESCRIPTIONS

**S&P 500 Index:** The Index tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices and includes approximately 80% of the total market capitalization of U.S. public companies. **Russell 1000 Growth Index:** The Index measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium-term (2-year) growth, and higher sales per share historical growth. The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. **Russell 1000 Value Index:** The Index measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium-term (2 years) growth, and lower sales per share historical growth (5 years). The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. **Russell 2000 Index:** The Index is constructed to provide a comprehensive, unbiased barometer of the small-cap segment of the US equity market. A subset of the Russell 3000 Index, it includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. **MSCI EAFE Index:** The Index is an equity index that captures large and mid-cap representation across 21 Developed Markets countries\* around the world, excluding the US and Canada. With 783 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **MSCI EM Index:** The Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries\*. With 1,440 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **Bloomberg US Aggregate Bond Index:** The Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS, and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index. The US Aggregate Index was created in 1986, with history backfilled to January 1, 1976. **ICE BofA US High Yield Bond Index:** The Index tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of \$100 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the Eurobond and US domestic bond markets), 144a securities, and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify, provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify, provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index.



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