

MARCH 2024

Macro/Market Update

The global economic lull from the second half of 2023 is abating at the start of 2024. The global composite (services and manufacturing) S&P Global Purchasing Managers' Index (PMI) rose for a third straight month in January to an eight-month high. This suggests minimal near-term recession risk. However, the global composite is still well below its long-term average, indicating historically slower growth.

Leading indicators were constructive. The new orders index showed its strongest expansion in seven months. The future output index also jumped to its best level since June, led by both the manufacturing

and services sectors.

Manufacturing, which has been an economic laggard for some time, pulled out of contraction territory for the first time in 17 months. Meanwhile, services, the largest chunk of the economy, remains strong. Breadth in both sectors picked up, indicating that the expansion is broadening.

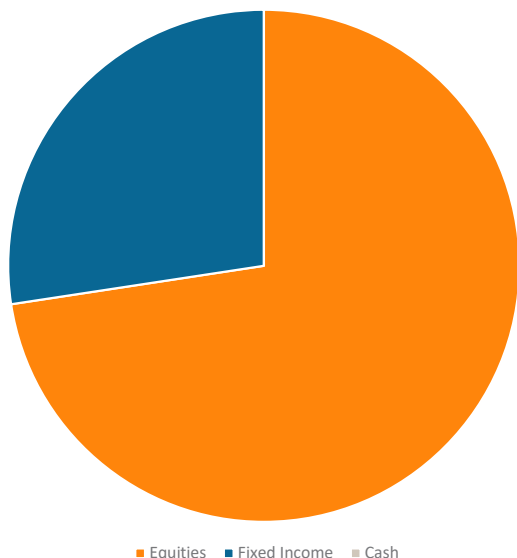
Global supply chain pressures picked up due in part to disruptions in the Suez and Panama Canals, but prices have so far been little affected. The global composite output price index fell to its lowest level since October 2020.

During February, the MSCI All Country World Index (ACWI) outperformed the Bloomberg Barclays Global Aggregate Bond Index by over 500 basis points (bps), the largest spread since June. Stocks have outpaced bonds for ten of the last 14 months.

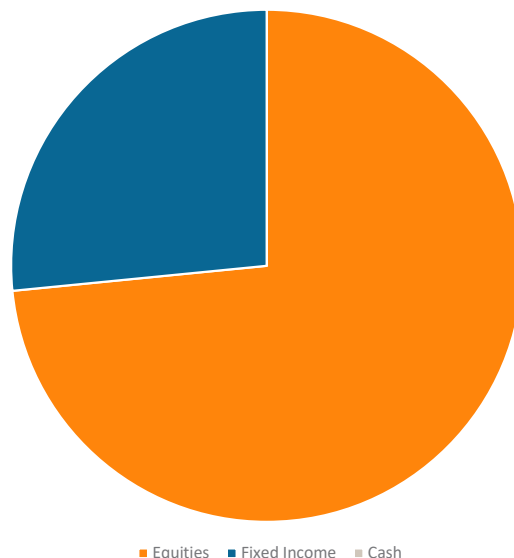
The drivers pushing the equity market to new highs continue to persist. Those include increasing recognition that global inflation has given way to disinflation, relief that a global recession has been averted, encouragement from earnings that continue to beat expectations at a rising rate, and expectations that the Federal Reserve and several other central banks will be cutting interest rates.

Asset Allocation Summary

February 2024 Allocations (%)



March 2024 Allocations (%)



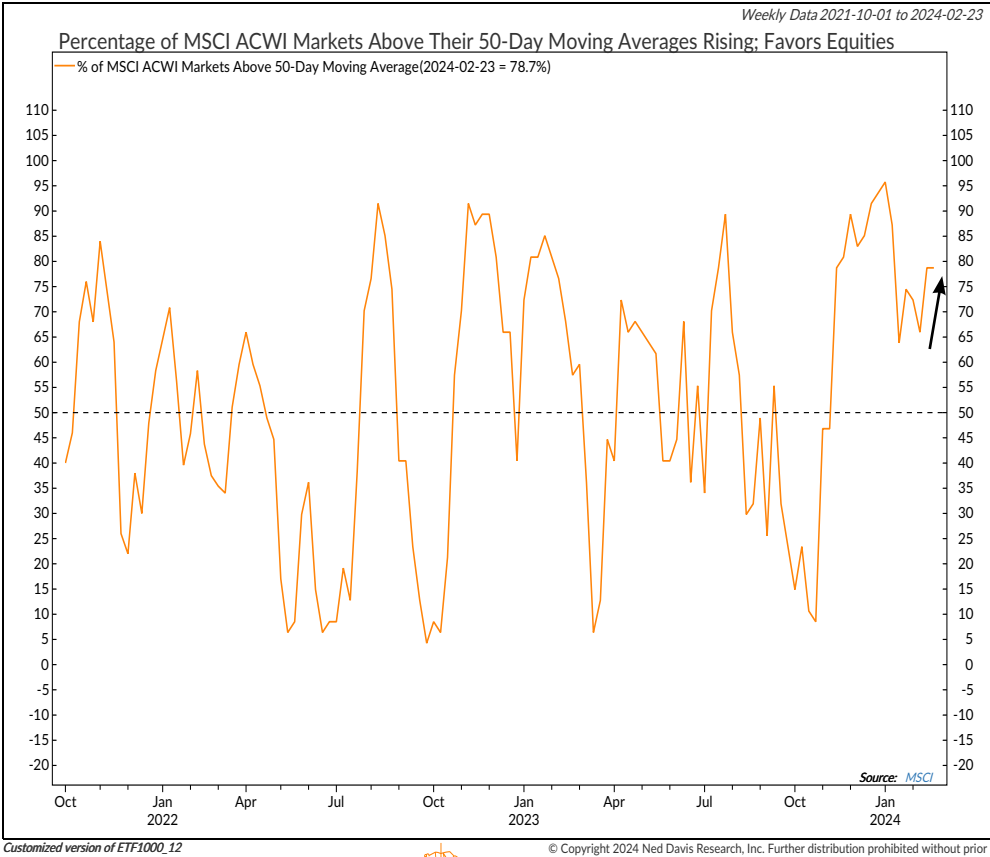
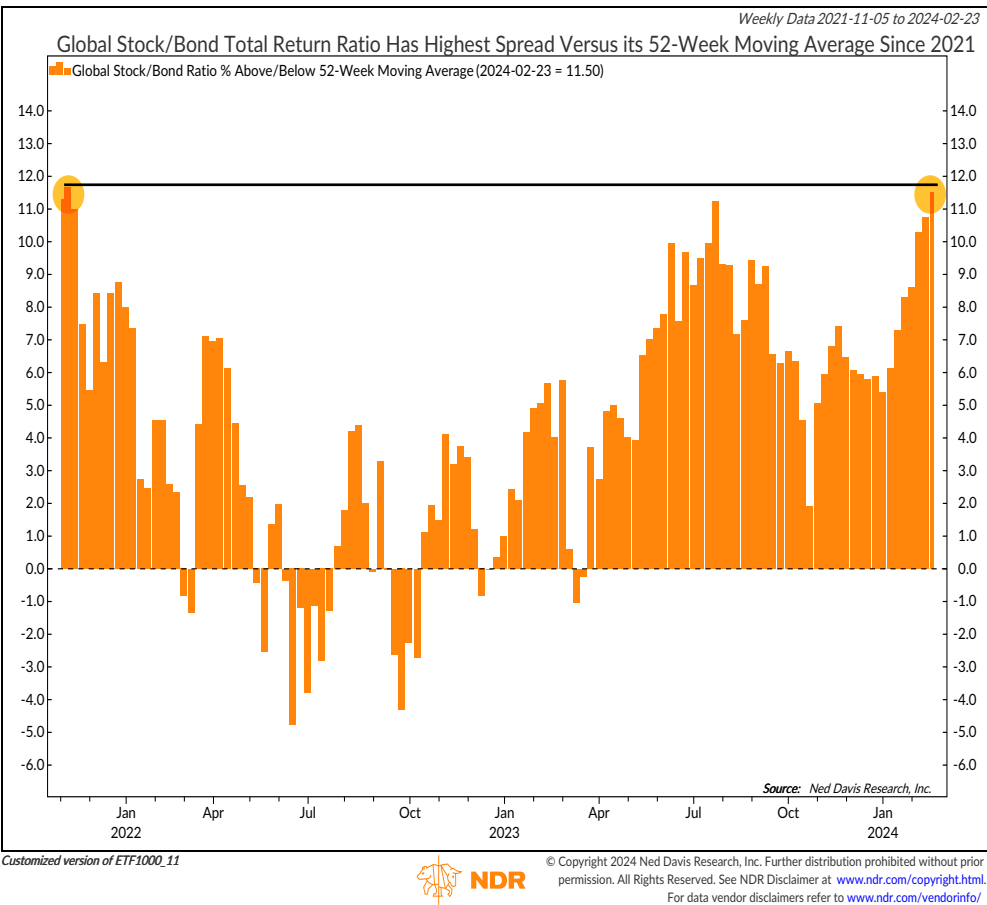
* See Equity Allocation Summary for how the equity allocation is distributed

** See Fixed Income Allocation Summary for how the fixed income allocation is distributed

The equity allocation remained above benchmark weighting, as the model did not trade this month. The model uses a turnover reduction mechanism, which reduces trading. The proposed allocations did not deviate enough from the existing weightings to warrant a model rebalance.

The stock/bond relative strength indicator, which receives the greatest weighting in the model, compares the stock/bond ratio to its 52-week moving average. The stock/bond relative strength ratio reached its largest gap versus its one-year moving average since late 2021 (chart right). This indicator has favored equities since last March.

Following the trend is important as it can help to keep you on the right side of major market moves. The trend also can reduce behavioral biases. Ned Davis has said that following the trend is important because “the degree of unprofitable anxiety in an investor’s life corresponds directly to the amount of time one spends dwelling on how an investment should be acting rather than the way it actually is acting.”

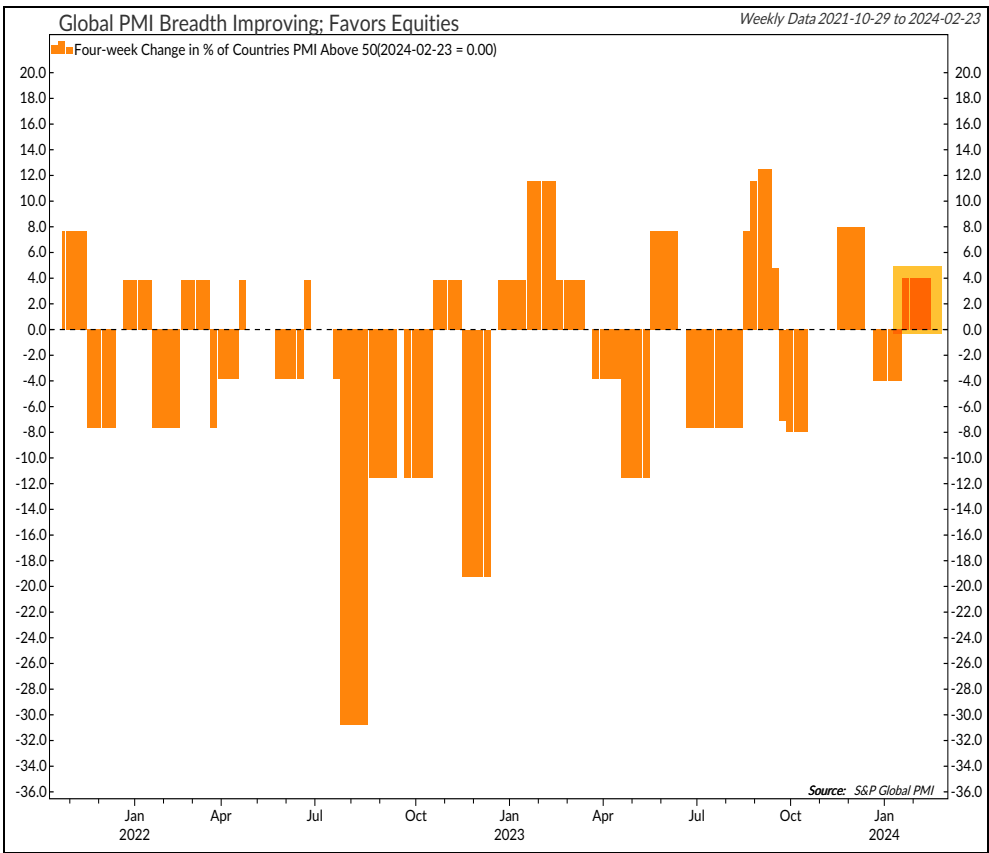


The improvement in trend was supported by widening breadth as the percentage of global equity markets trading above their 50-day moving averages rose by more than ten percentage points since late January. Over 78% of global equity markets traded above their intermediate-term moving averages. Toward the end of January, about 64% of markets met that criterion (chart left).

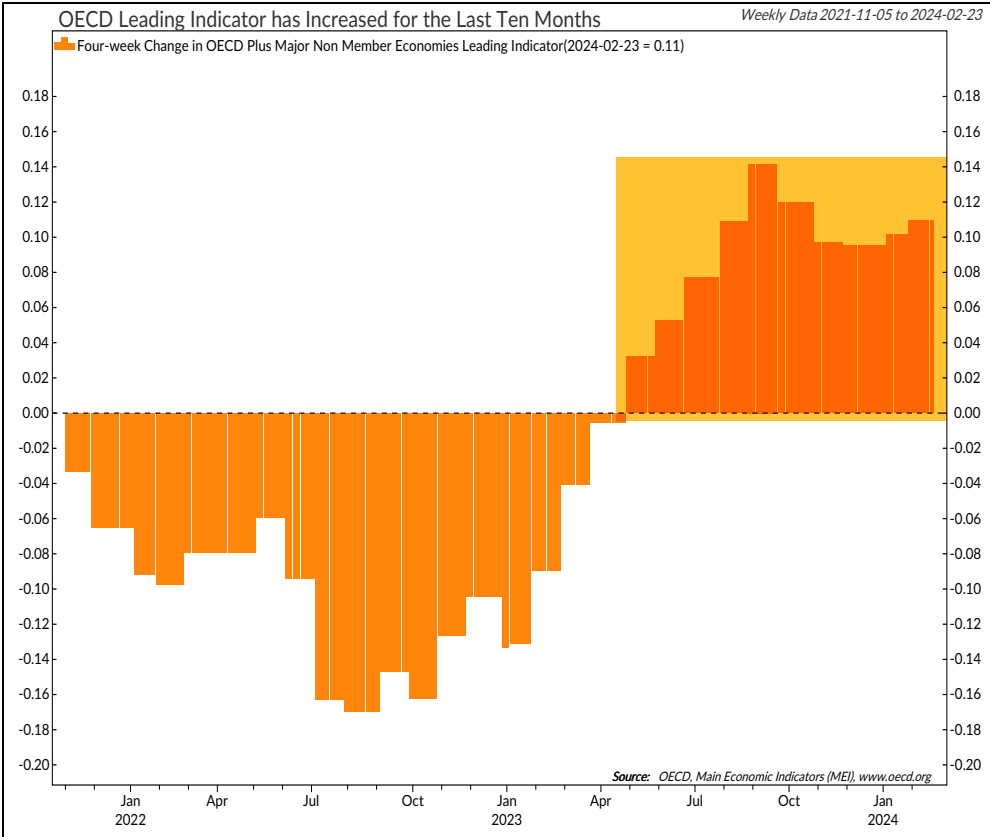
This indicator describes the underlying health of global equities, since it tracks the number of markets participating on the upside. Elevated breadth is important because if many stocks rally, even if a few run into trouble, enough stocks remain in uptrends that they can support the popular averages.

The Purchasing Managers' Index (PMI) breadth indicator measures the four-week point change of the percentage of economies with a PMI greater than 50 (expanding activity). The PMI is based on a survey sent to executives regarding their outlook on areas such as inventories, production, and employment.

A change greater than zero favors stocks, while a change less than zero supports bonds. Equities typically outperform fixed income when there is improvement in the economic outlook. This economic momentum breadth indicator improved as the PMIs for Brazil and South Korea rose above 50. (chart right).



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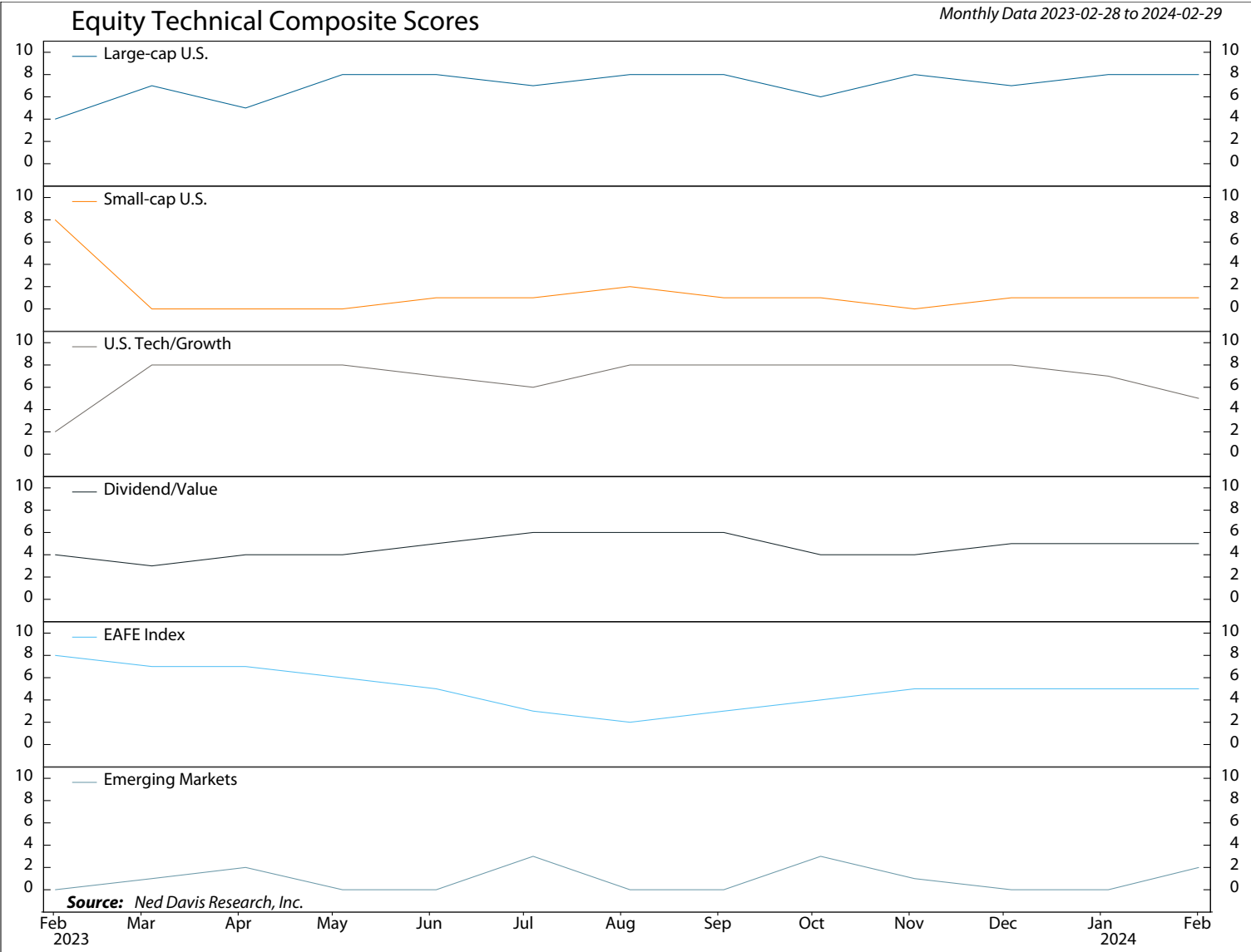
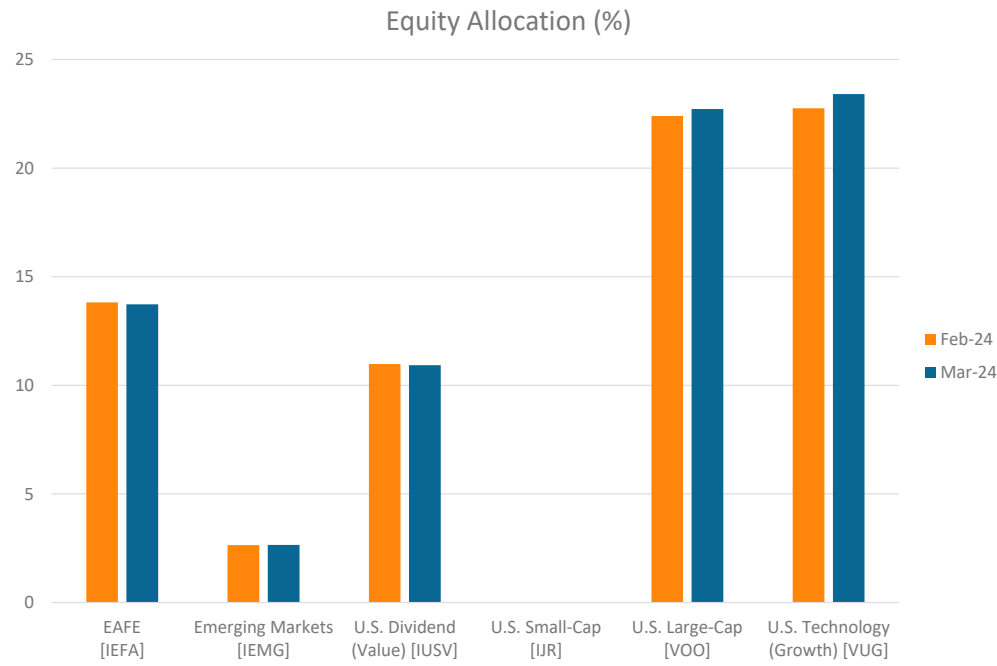
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After declining for 18 consecutive months, the four-week change in the Organization for Economic Cooperation and Development (OECD) Composite Leading Indicator (CLI) has increased for the past ten months (chart left).

The OECD creates monthly CLIs for 35 economies to capture turning points in the growth cycle. Each CLI contains a wide range of indicators such as money supply, yield curve, building permits, consumer and business sentiment, share prices, and manufacturing production. Improvement in global economic momentum supports the trend.

Equity Allocation Summary

During February, all equity areas increased by more than 250 basis points (bps). U.S. Large Caps and U.S. Growth jumped more than 500 basis points (bps). U.S. Growth, U.S. Value, and U.S. Large-Caps have risen for four consecutive months. U.S. Large-Caps, U.S. Growth, U.S. Value, and International Developed received more than 10% allocation for March (chart right).



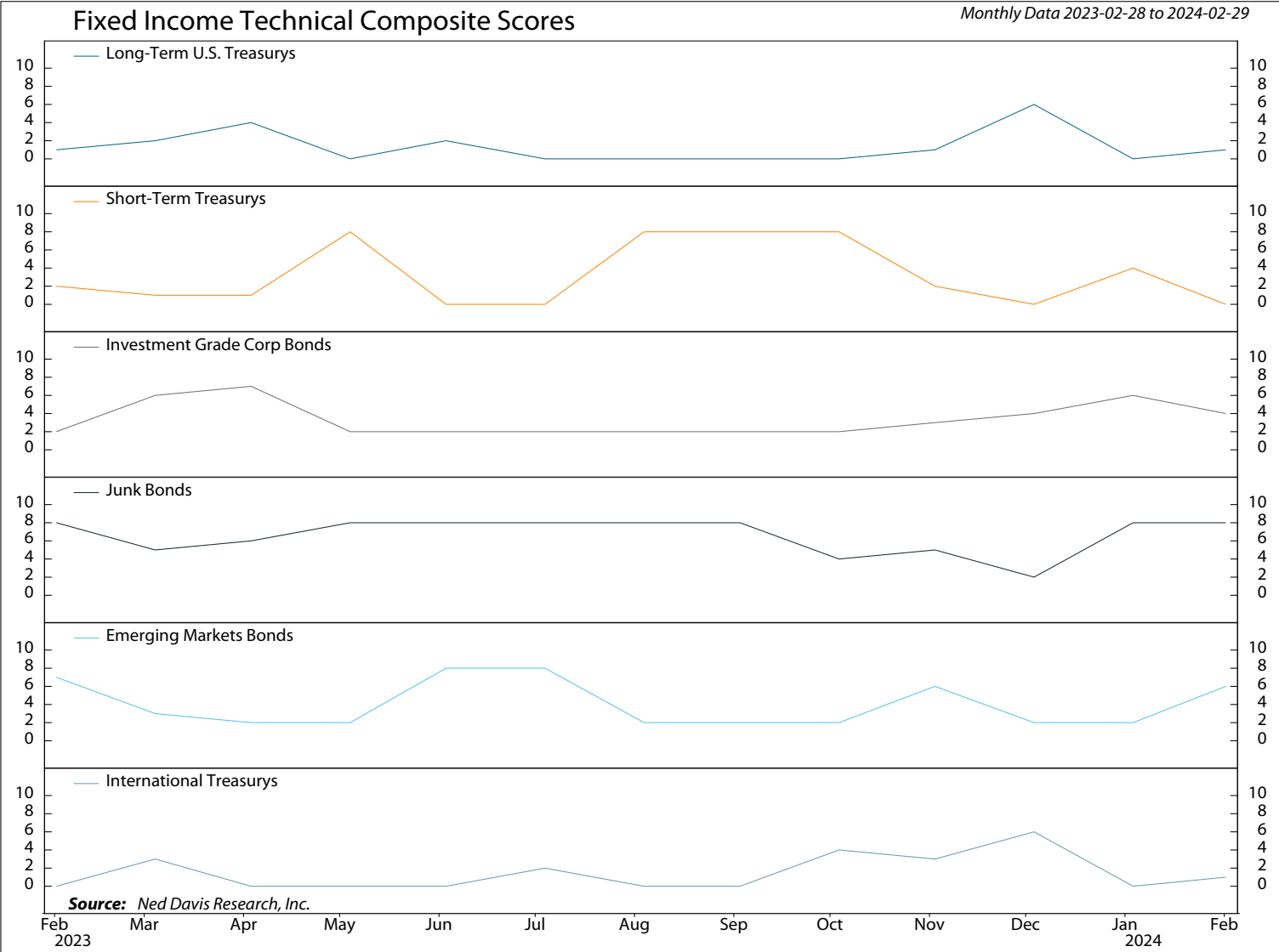
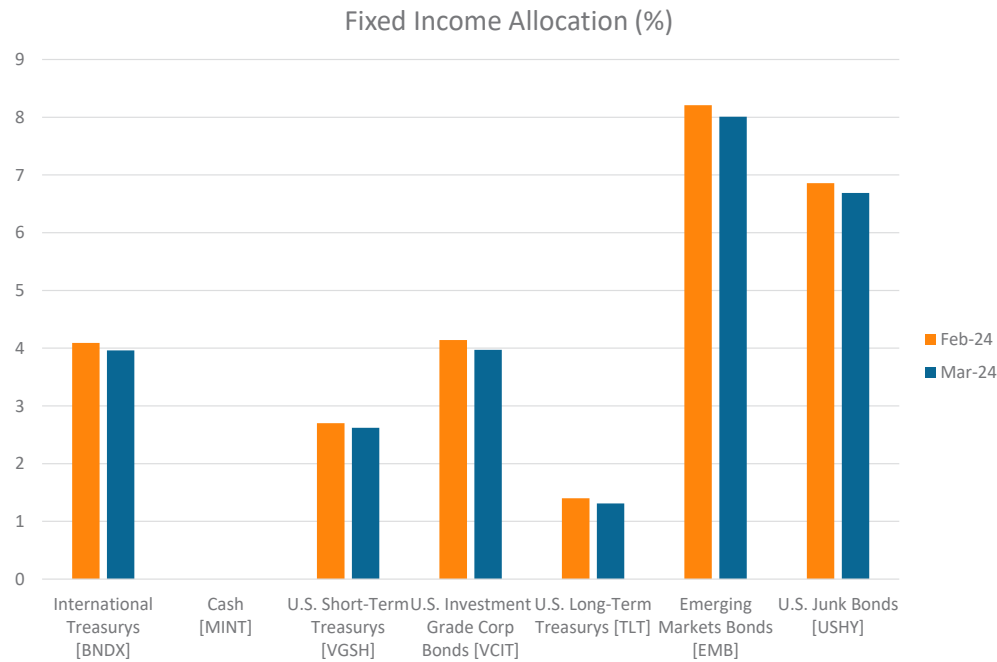
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Fixed Income Allocation Summary

Only Emerging Market bonds and U.S. High Yield produced positive returns during February. U.S. High Yield has risen for four straight months. Emerging Market bonds and U.S. High Yield were the only areas to receive more than 5% allocation for March (chart right).



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