The markets today

March 2024

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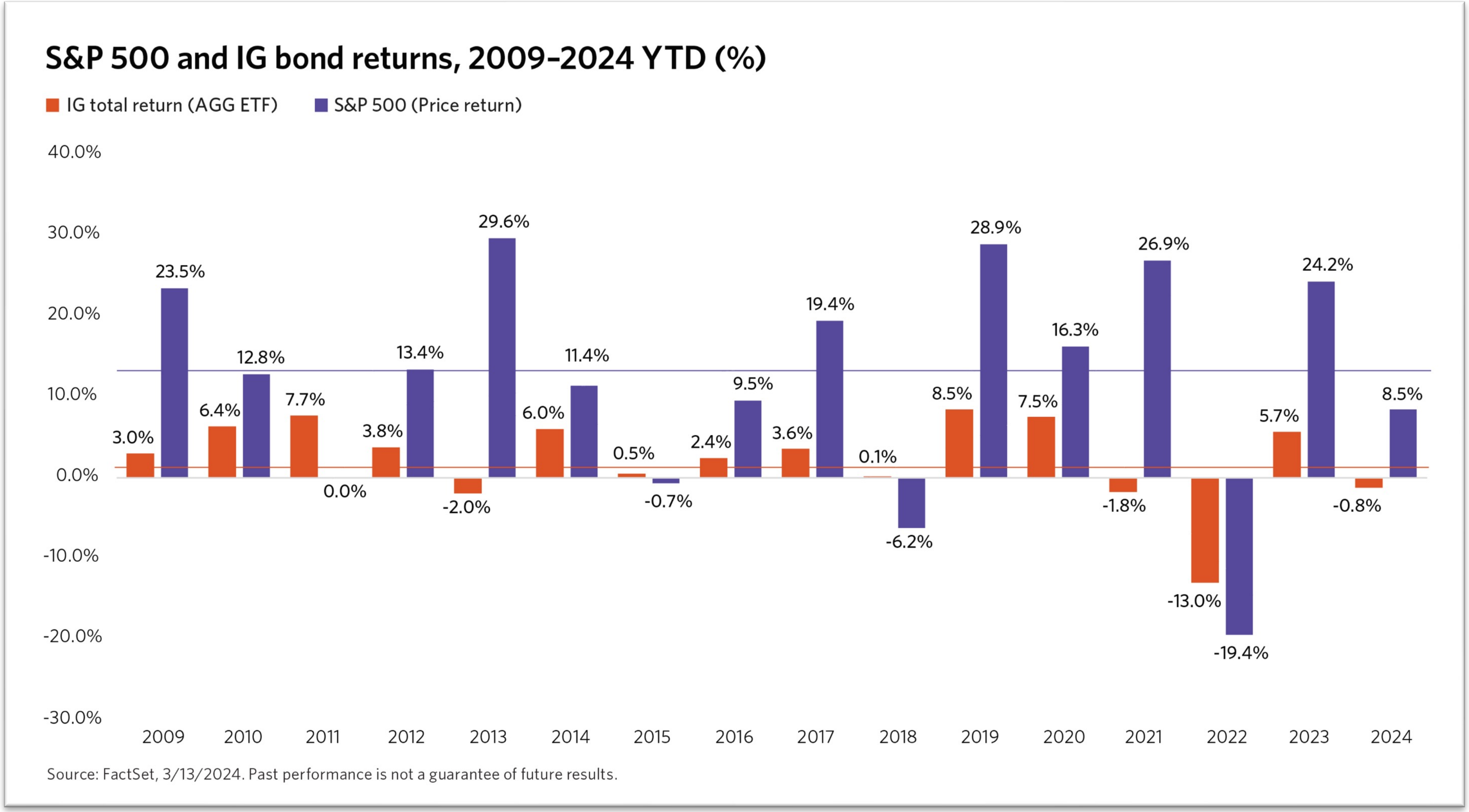
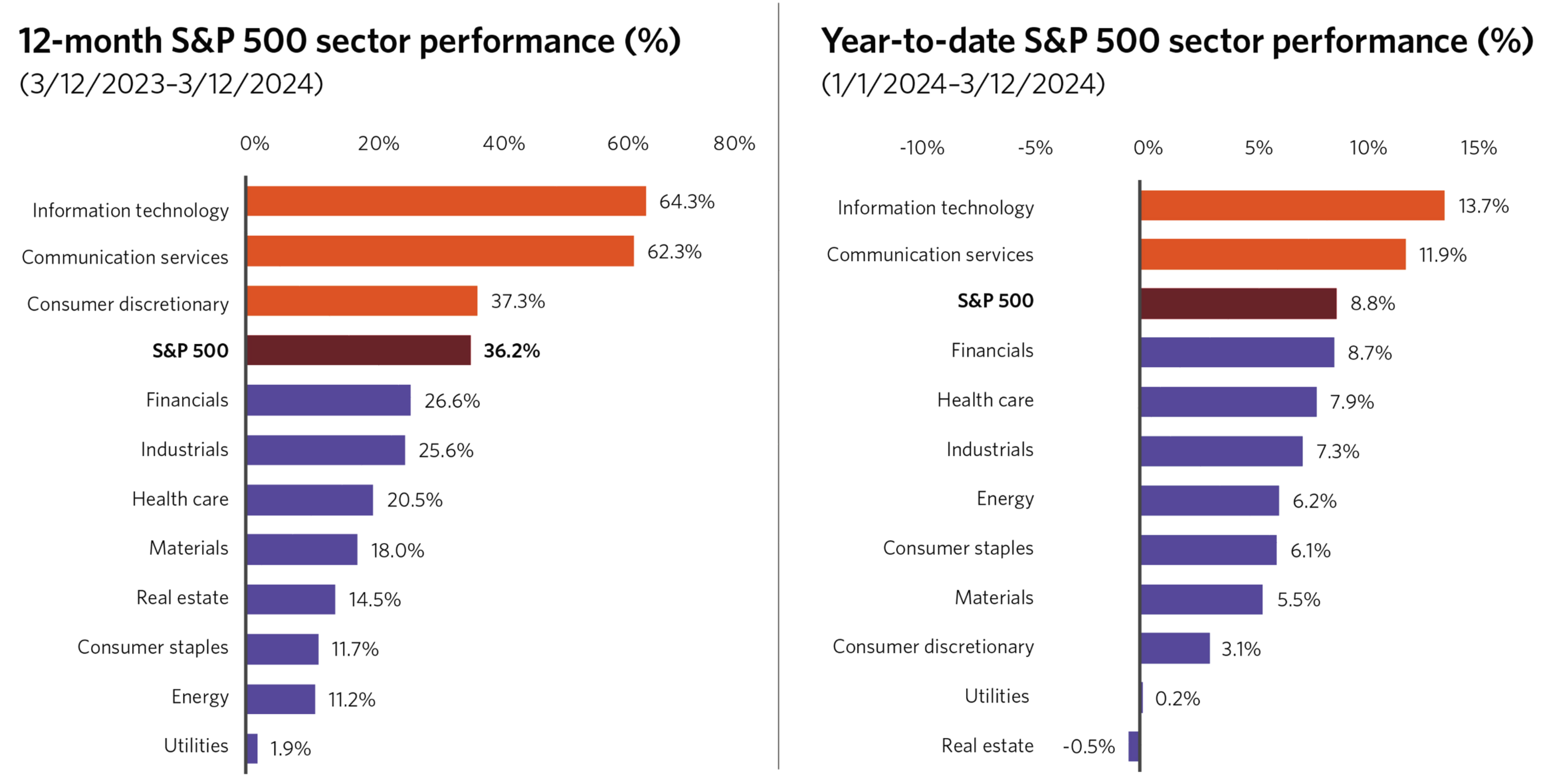
Equity and bond markets look to build on a strong 2023

The S&P 500 has averaged about 14% returns since 2009, and the investment-grade bond market over 2%. After a strong performance in 2023, stocks have risen to start the year while bond returns have been pressured by higher rates.



Sector leadership has broadened in recent months

Growth sectors such as information technology and communication services have driven the S&P 500 higher over the past year. Year-to-date, the financials, health care and industrials sectors have performed well alongside technology and communication services.

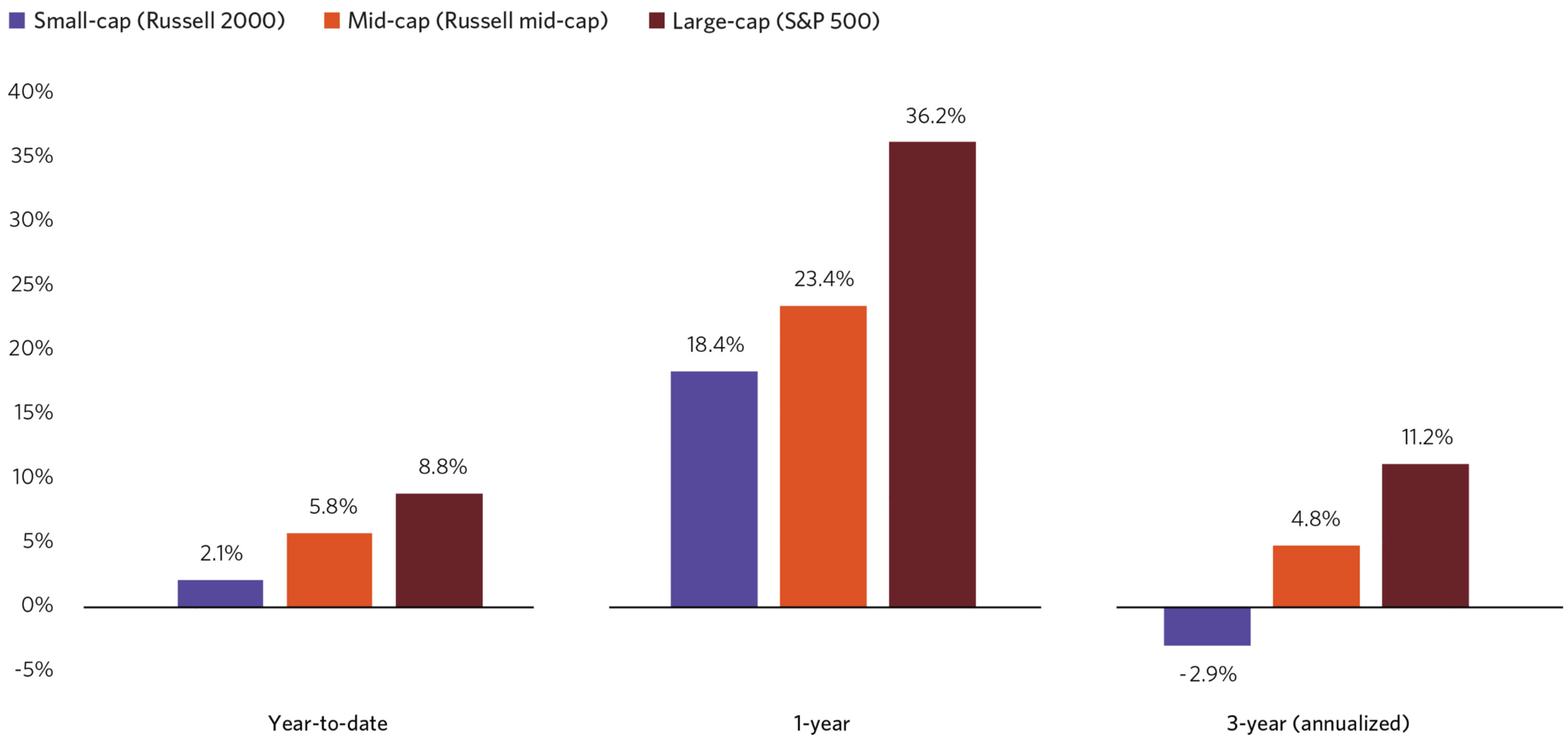


Source: FactSet, 3/13/2024. Past performance does not guarantee future results. Market indexes are unmanaged, cannot be invested into directly and are not meant to depict an actual investment.

Market performance by size: Large-cap stocks have led year to date

After a sharp rise to end 2023, small-cap stocks have lagged to start the year. We believe leadership could broaden in 2024 with small- and mid-cap stocks perhaps playing catch-up over the course of the year.

U.S. equity returns (%): Market cap size

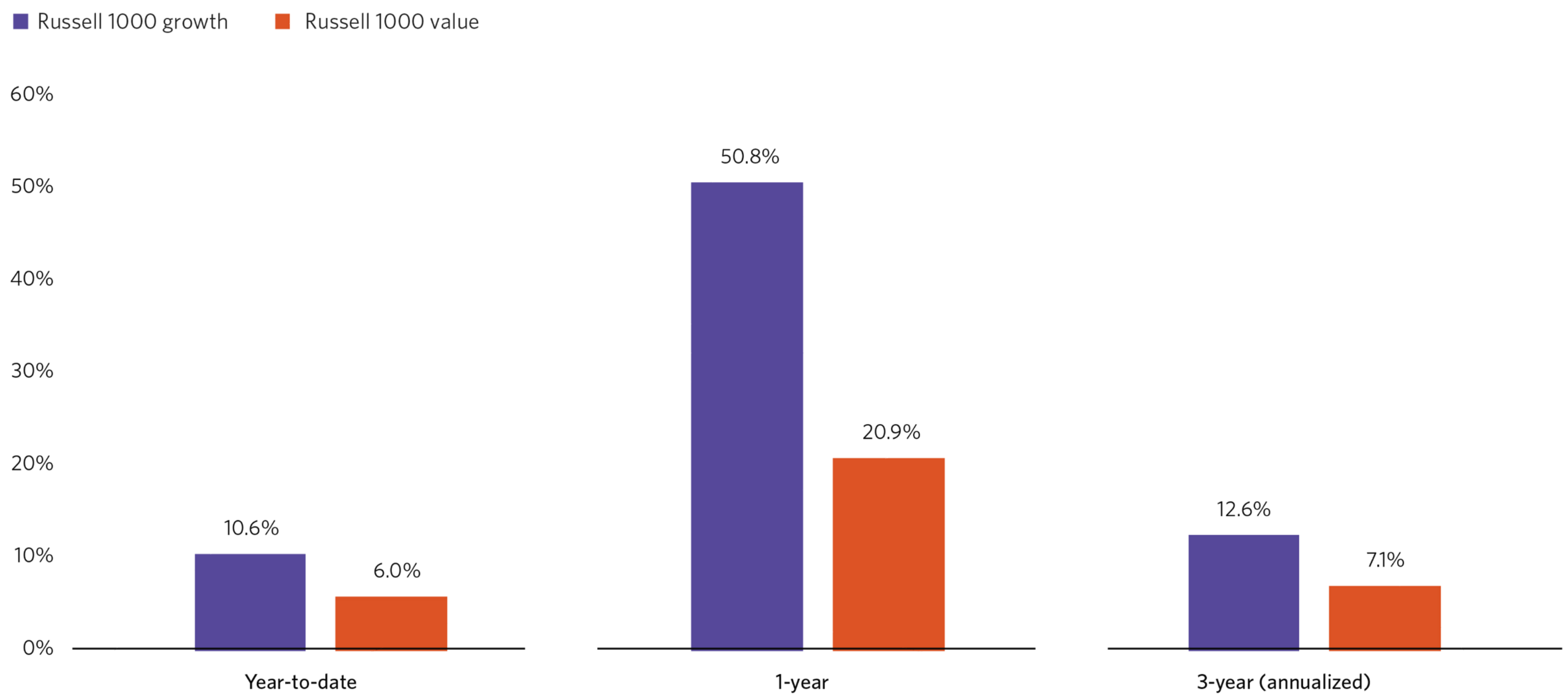


Source: FactSet, 3/13/2024. Total return. Past performance does not guarantee future results. Market indexes are unmanaged, cannot be invested into directly and are not meant to depict an actual investment.

Market performance by style: Growth stocks lead year to date

Growth-style stocks have outperformed year-to-date as well as over the past one and three years, driven by strong performance in technology, communication services and consumer discretionary sectors.

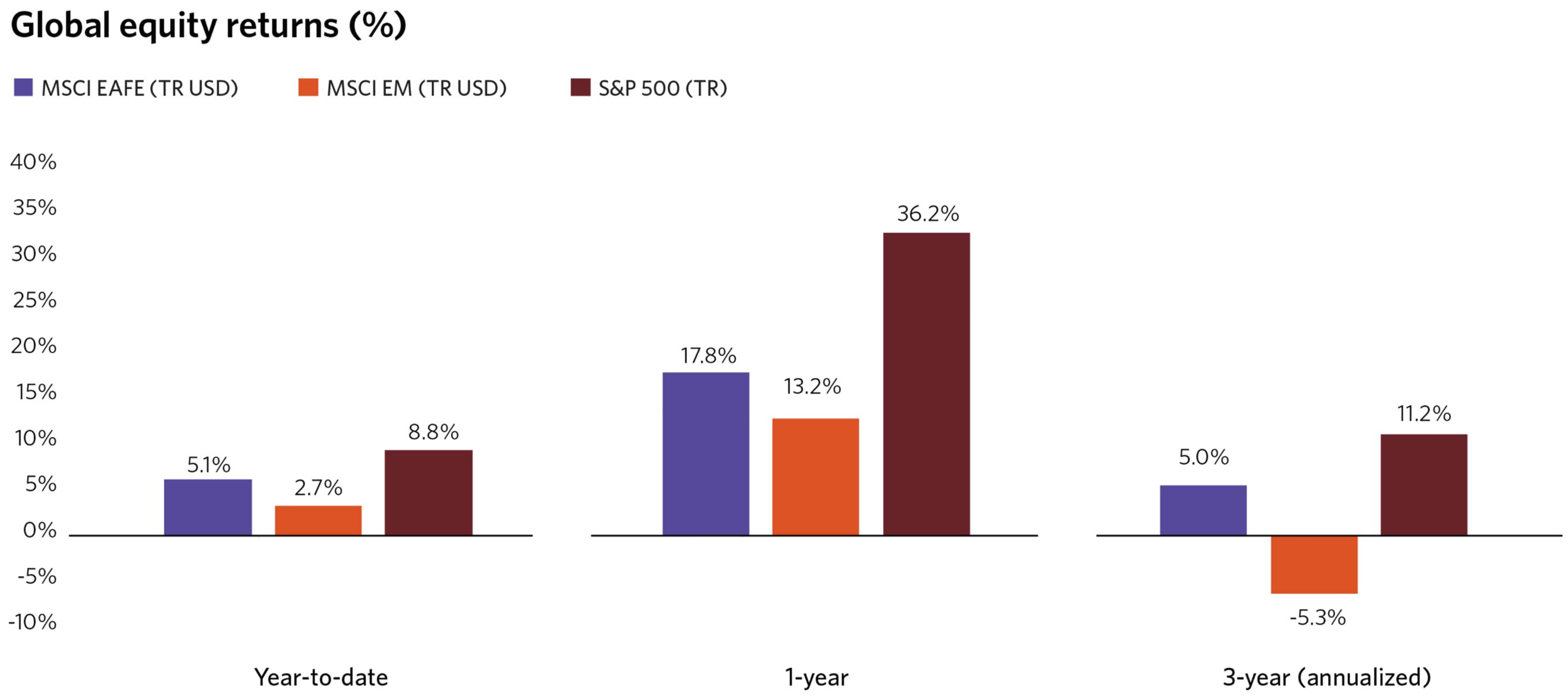
U.S. equity returns (%): Growth vs. value



Source: FactSet, 3/13/2024. Total return. Past performance does not guarantee future results. Market indexes are unmanaged, cannot be invested into directly and are not meant to depict an actual investment.

Market performance by region: International vs. U.S.

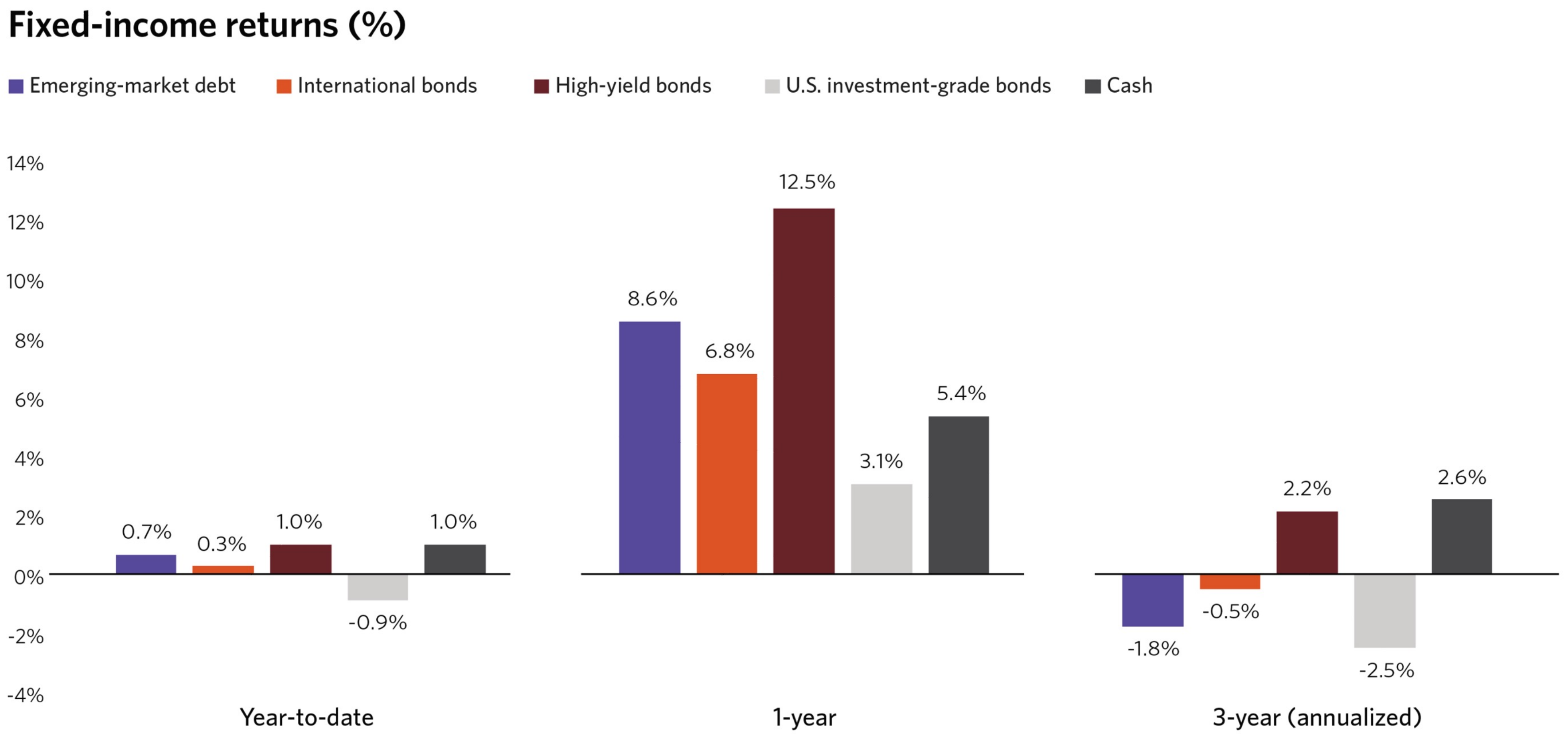
U.S. stocks have outperformed international stocks year to date. The past 12 months have seen double-digit returns across all three regions, highlighting the importance of global diversification.



Source: FactSet, 3/13/2024. Total return. Past performance does not guarantee future results. Market indexes are unmanaged, cannot be invested into directly and are not meant to depict an actual investment. Diversification does not ensure a profit or protect against loss in a declining market.

Market performance: Fixed income

Bond returns have been challenged over the past three years due to rising interest rates, with U.S. high-yield bonds and cash the only asset classes with positive returns over the period. The past 12 months have seen strong performance across each of our recommended fixed-income asset classes.



Source: Morningstar Direct, 3/13/2024. Total returns in USD. Past performance does not guarantee future results. Emerging-market debt represented by Bloomberg EM Aggregate USD Index. International bonds represented by Bloomberg Global Aggregate ex-USD Hedged Index. High-yield bonds represented by Bloomberg U.S. High Yield 2% Issuer Cap Index. U.S. investment-grade bonds represented by Bloomberg U.S. Aggregate Index. Cash represented by Bloomberg U.S. Treasury Bellwethers 3-month Index. Indexes are unmanaged, not available for direct investment and not meant to depict a specific investment.

Market performance: Summary

Equity markets have shown strong performance to start 2024, with stocks across market cap sizes all higher year-to-date.

Growth-style stocks have outperformed value year to date, driven by strong performance from the communication services and information technology sectors. At a sector level, we've seen broader participation over the past three months, a trend we believe could continue in 2024.

Bond returns have been positive over the past year and each fixed-income asset class is higher to start 2024, aside from U.S. investment-grade bonds. We believe higher starting yields create compelling opportunities for investment-grade bonds in the months ahead.

Past performance does not guarantee future results. Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

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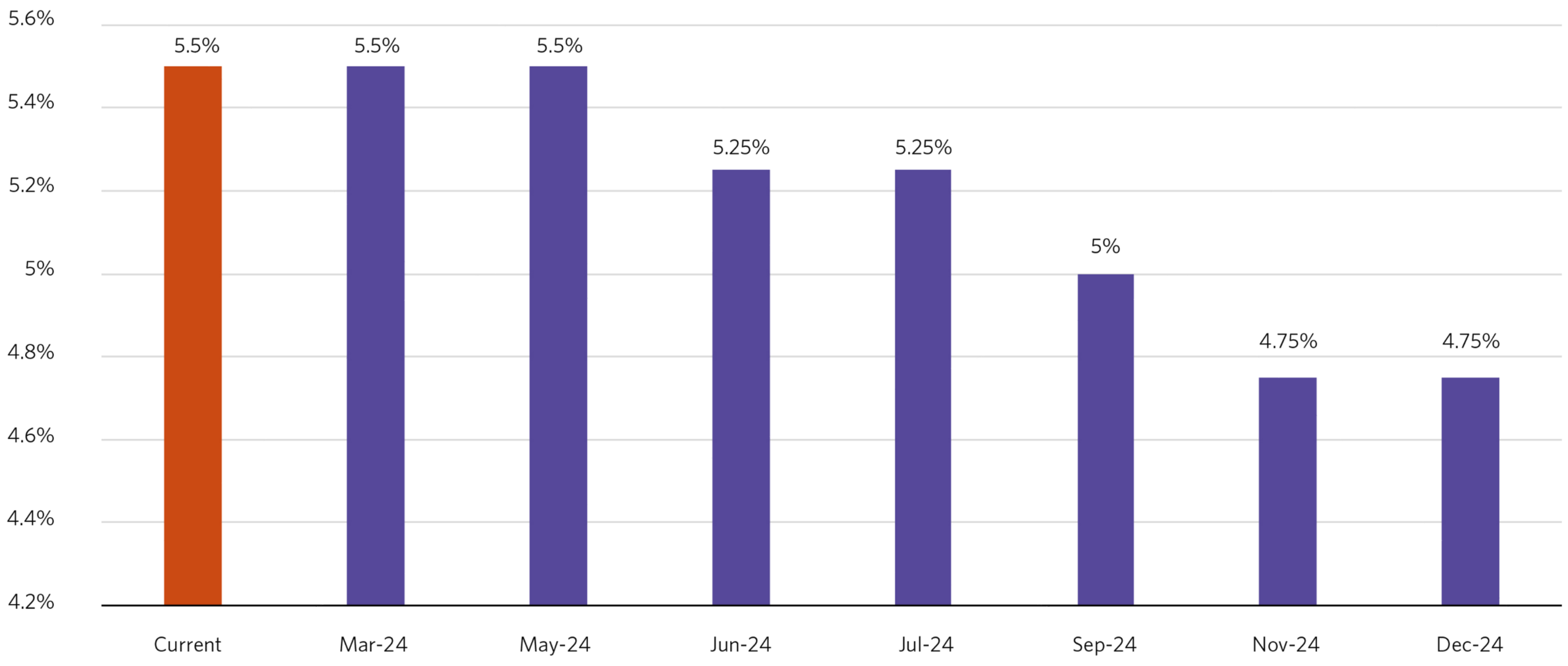
The Fed is likely to cut rates around midyear

Two consecutive months of higher-than-expected CPI inflation readings has tempered market expectations for Fed rate cuts. Markets are now expecting three interest rate cuts in 2024, with the first rate cut likely occurring at the June meeting.

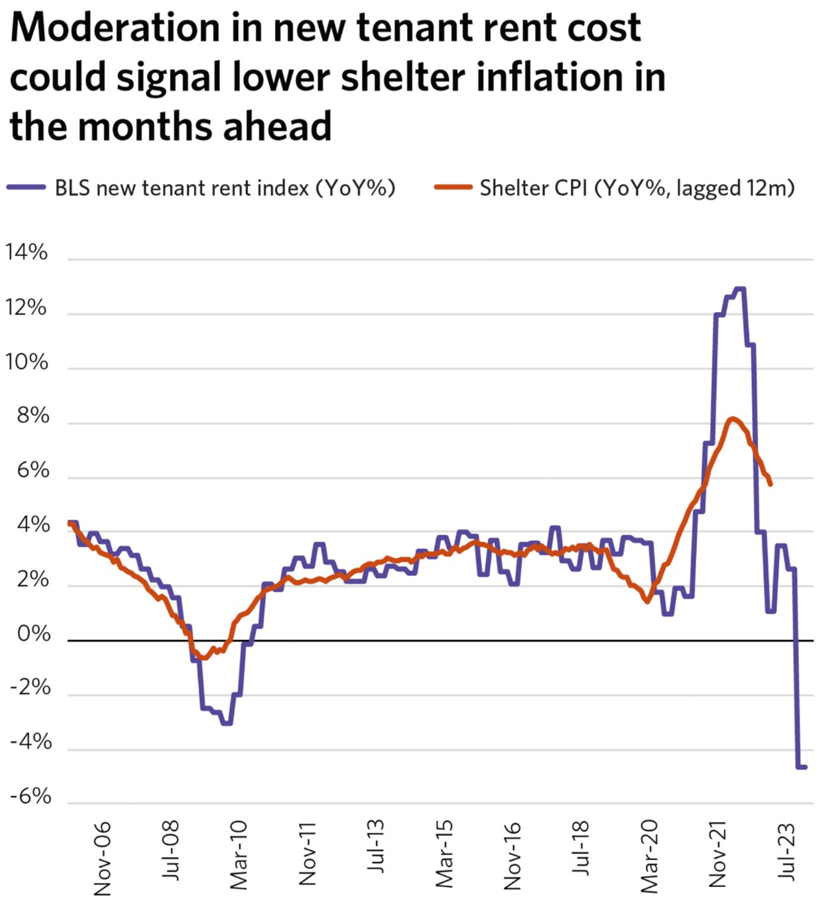
Markets expect Federal Reserve rate cuts starting in June
(Fed funds rate %)

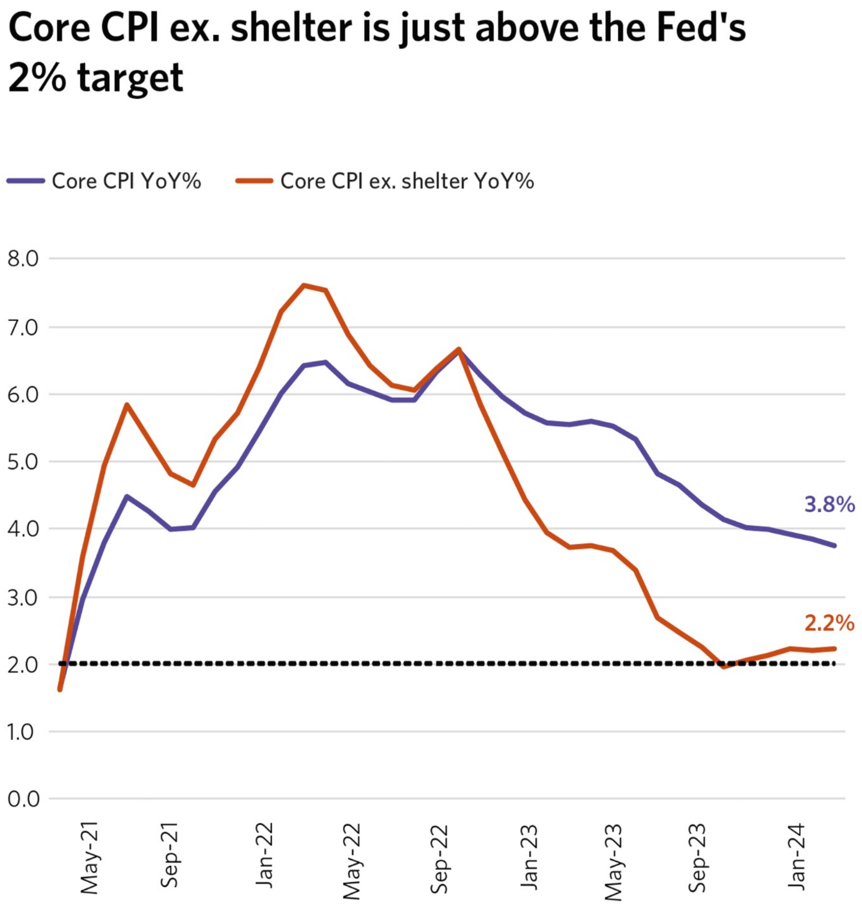


Source: CME FedWatch Tool 3/12/2024.

Inflation should trend lower

CPI inflation was hotter than expected for the second month in a row in February, with core CPI rising by 3.8% year over year and headline CPI rising by 3.2%. Despite the choppy data over the past two months, we believe inflation will trend lower over the course of the year.

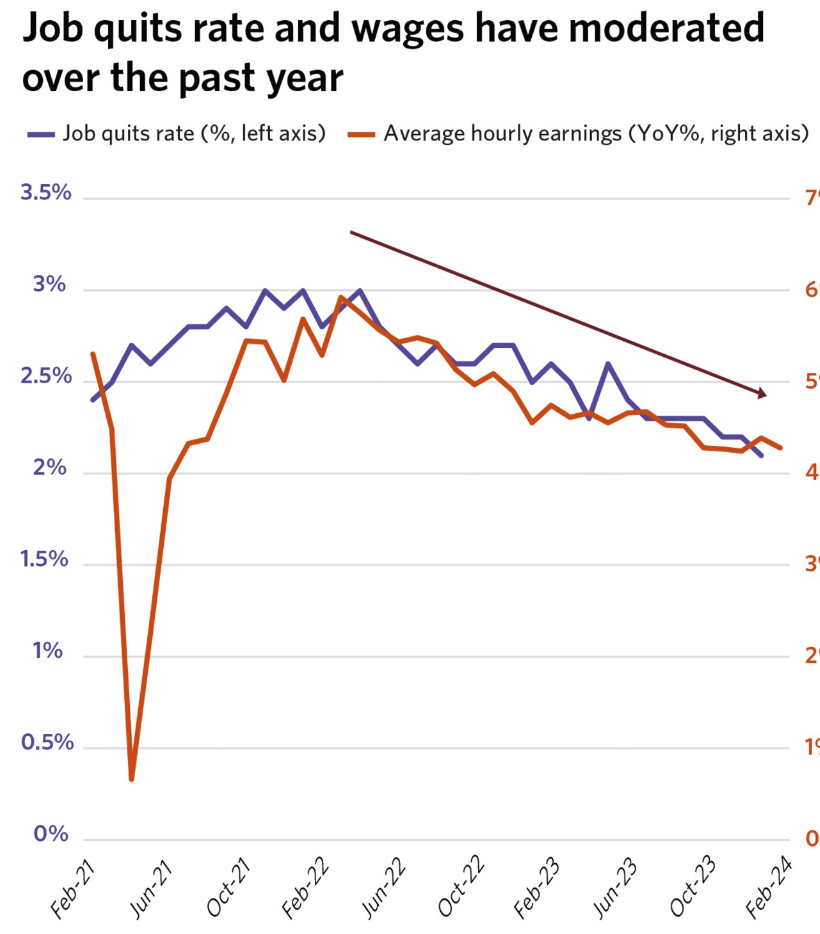


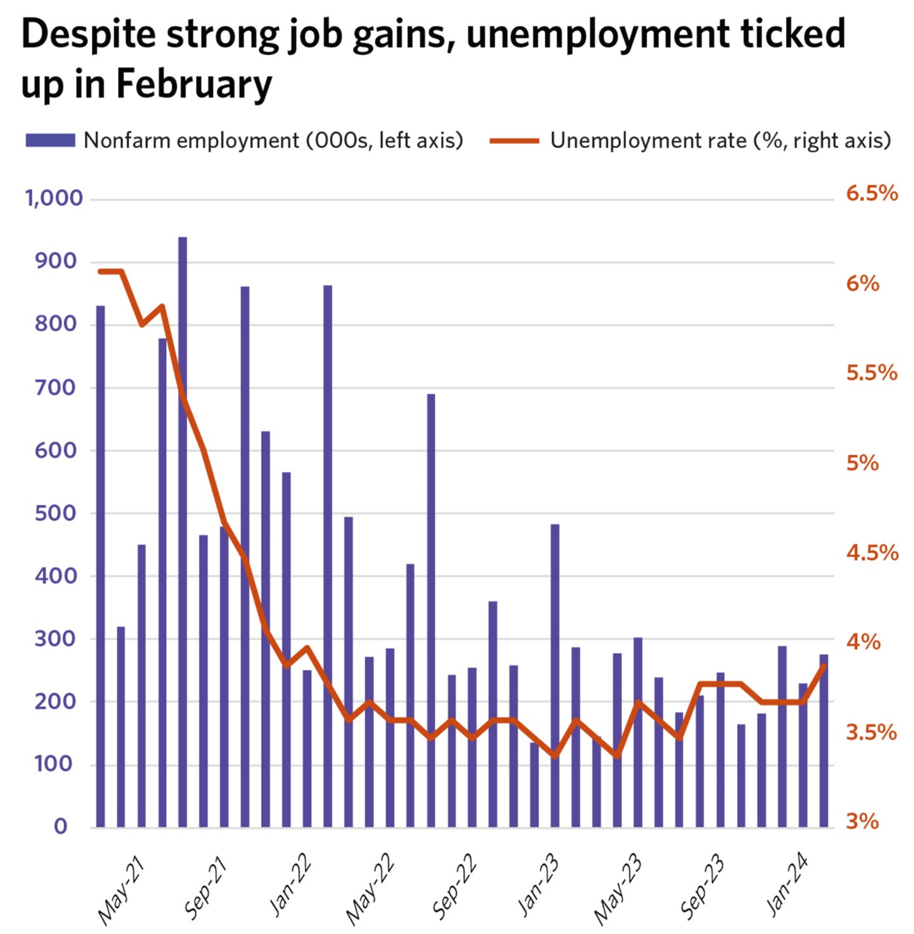


Source: FactSet.

Labor market remains strong but has shown signs of easing

Nonfarm payrolls rose by a healthy 275,000 in February, well above consensus expectations. However, there are signs of easing in labor market conditions as the unemployment rate rose to a two-year high in February and job quits have trended lower.



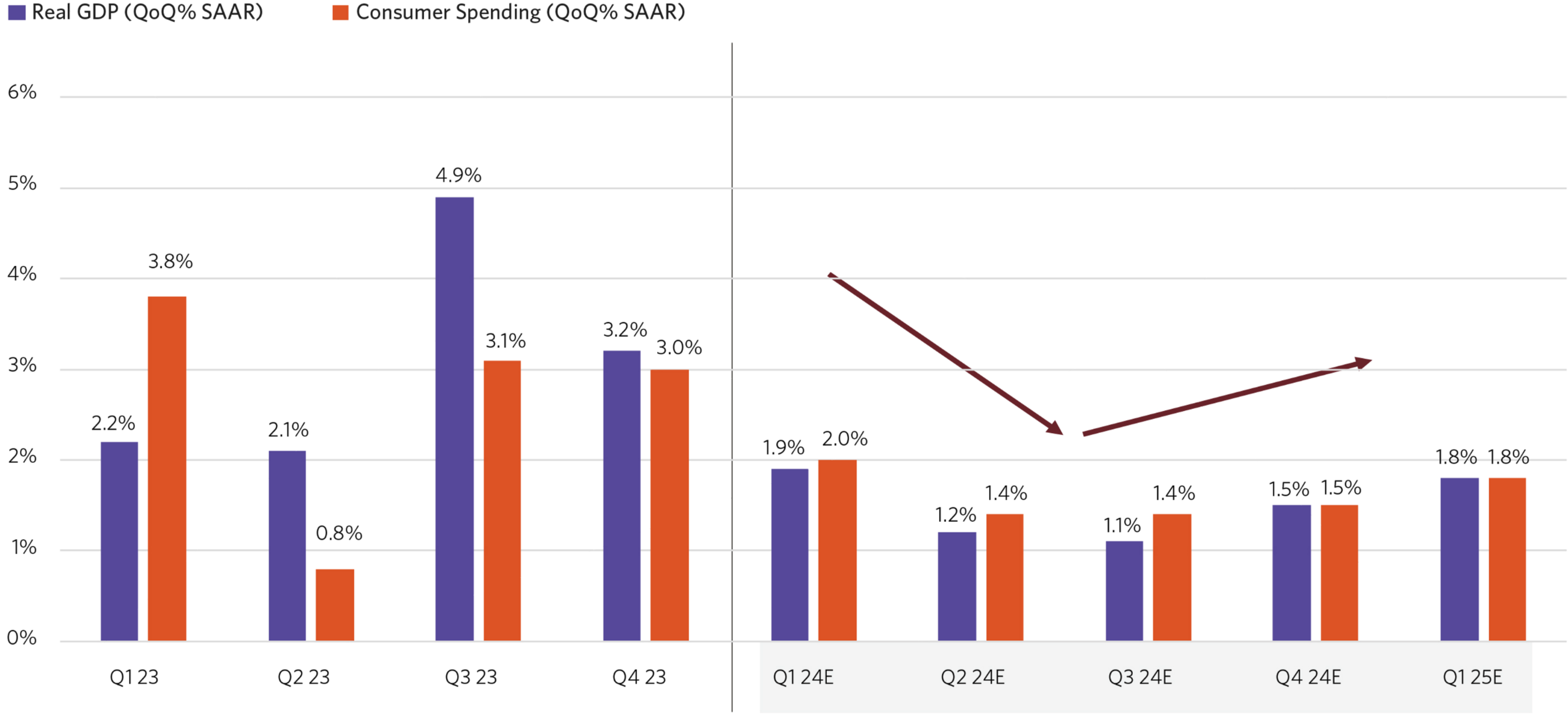


Source: FactSet.

U.S. economy expected to moderate in 2024

The U.S. economy proved to be resilient in 2023, with real GDP growing by over 2% in each quarter. The strong economic growth was supported by resilient consumer spending. Looking ahead, expectations are for U.S. GDP growth to moderate in the coming quarters.

Resilient consumer spending has driven economic growth

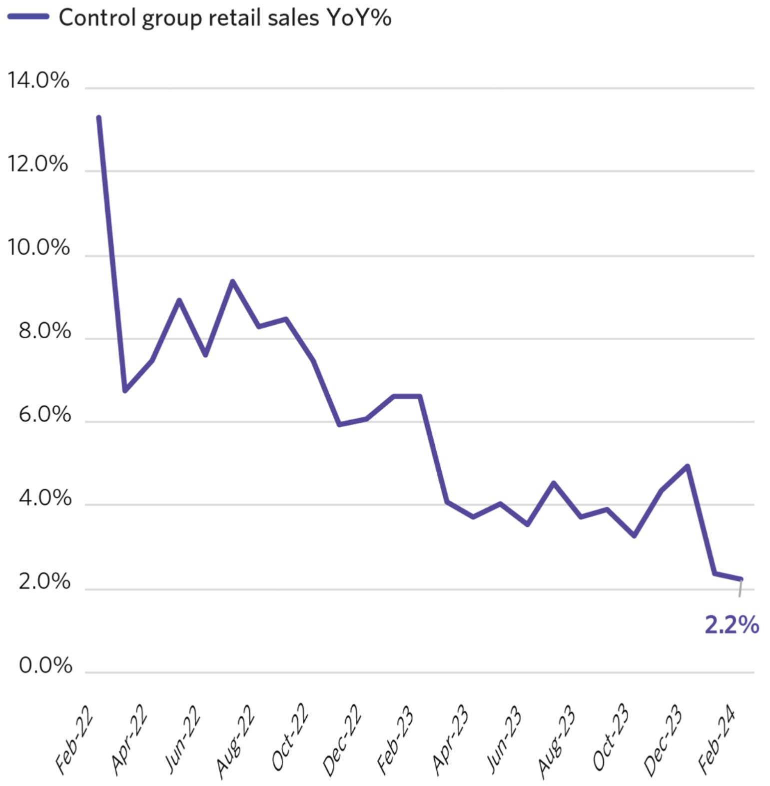


Source: Bloomberg 3/12/2024.

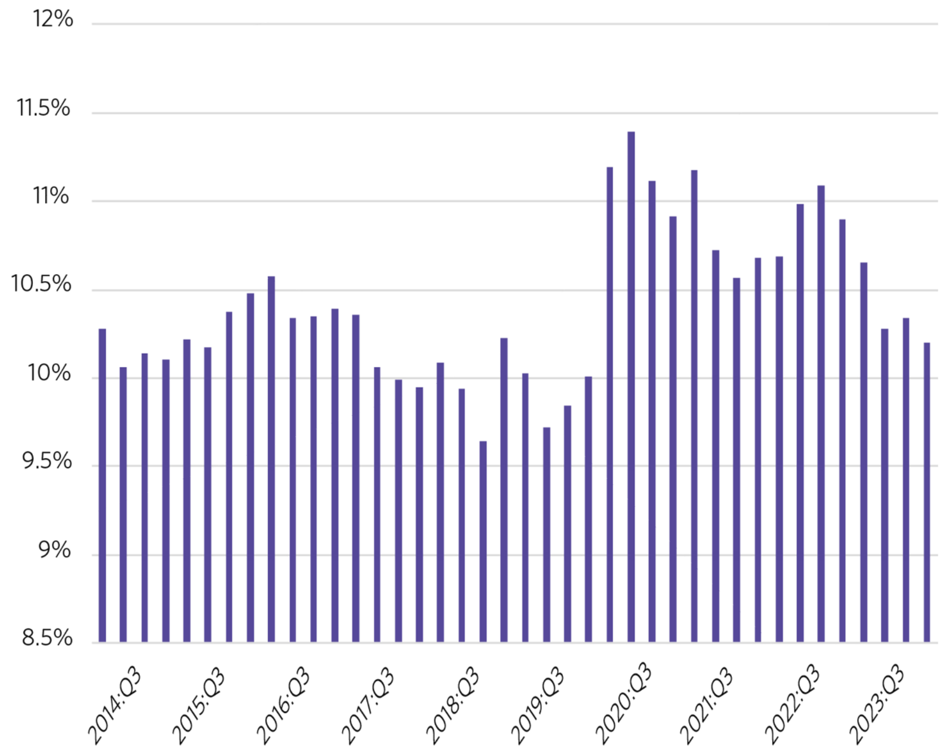
Keep an eye on the consumer

Consumer activity has proven to be resilient over the past year and played a key role in the strong economic growth in the U.S. over the past several quarters. Looking ahead, we believe consumer activity could moderate from current levels.

Retail sales have slowed in recent months



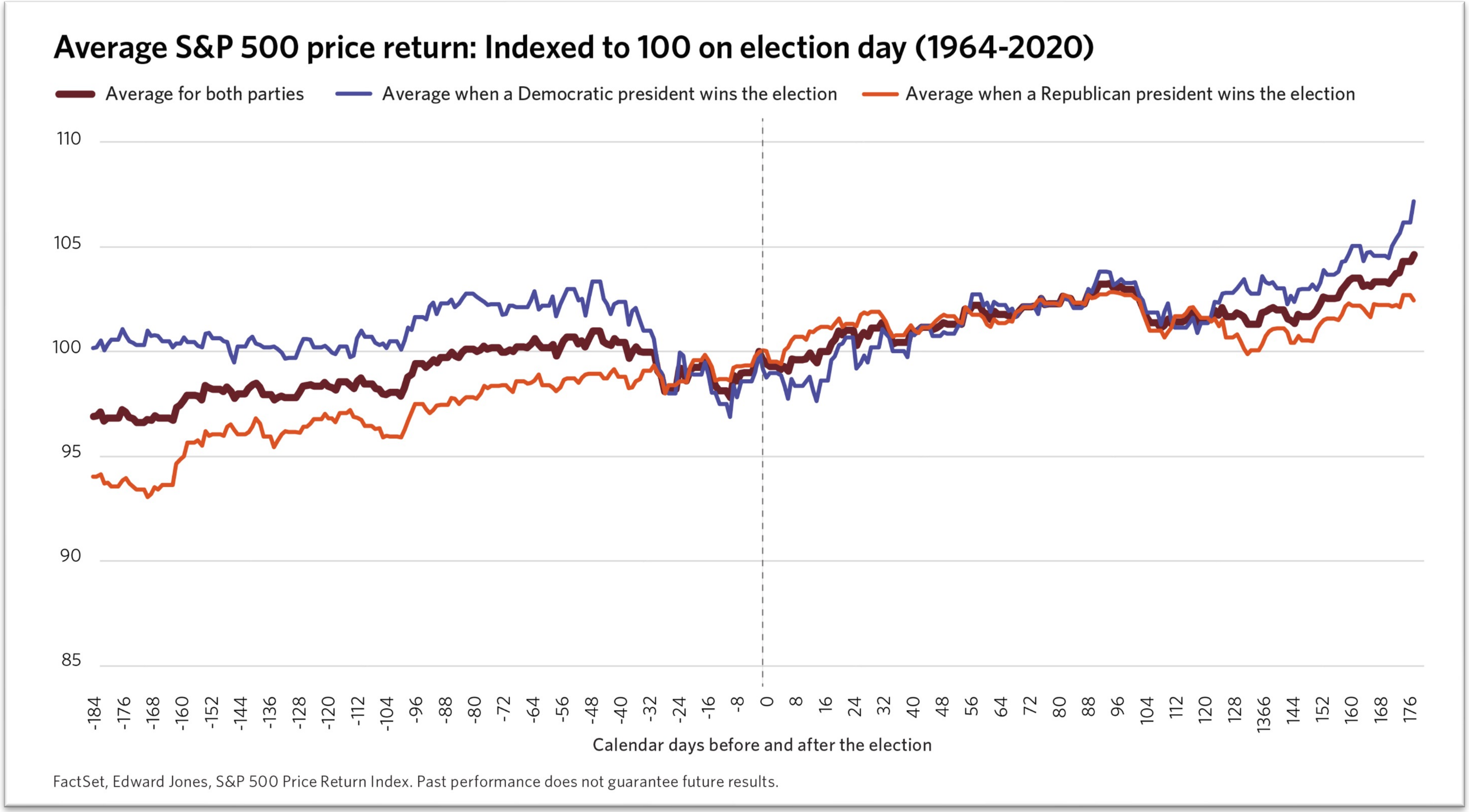
Household cash and equivalents as % of total assets



Source: FactSet, Edward Jones, Federal Reserve Board of Governors Household Balance Sheet. March 2024.

Presidential elections and markets

While uncertainty surrounding the election can trigger periods of volatility, historically, stocks have tended to rise in the six months before and after election day.



Our key views: Summary

- We believe the Fed is likely to cut rates around midyear.
- We believe inflation will continue to moderate, heading toward 2.5% in 2024. Decelerating wage growth, along with easing shelter costs, could contribute to this downward trend.
- The U.S. labor market and consumer spending have proven resilient over the past year. We've seen signs of moderation in consumer spending and labor market conditions in recent months, which we believe could continue throughout 2024.
- We see GDP growth easing from above-trend growth over the coming quarters.
- While this year's election could spur bouts of short-term volatility, we recommend investors maintain a long-term focus and use pockets of volatility to add to quality investments in line with their goals.

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Opportunities forming in equities and bonds

U.S. economy: We believe U.S. economic growth could slow from above- to below-trend growth over the coming quarters, in part driven by easing labor market conditions and consumption.

Our view is that lower inflation and a pivot by the Fed to cut interest rates could support economic activity in the back half of the year.

Equities: For stocks, we believe that leadership could broaden in 2024. Year to date, cyclical sectors such as financials and industrials have performed well alongside technology and communication services.

Consider using periods of market weakness as an opportunity to add to quality investments and diversify across asset classes and sectors.

Bonds: In bonds, we see an opportunity to complement cash-like investments, including CDs and money market funds, with longer-maturity investment-grade bonds. Higher starting yields could improve return potential for investment-grade bonds over the coming years.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.

Diversification does not ensure a profit or protect against loss in a declining market.

Before investing in bonds, understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

Opportunistic portfolio guidance: Asset allocation

In this backdrop, we recommend clients overweight equity investments, favoring U.S. stocks over fixed-income investments, particularly U.S. bonds. Within equities, we favor U.S. stocks over emerging-markets. Within fixed-income, we believe opportunities are attractive in emerging-market debt relative to U.S. high-yield bonds.

Opportunistic asset allocation guidance

		Underweight	Neutral	Overweight
	Equity	·	·	●
Equity asset classes	U.S. large-cap stocks	·	·	●
	International large-cap stocks	·	●	·
	U.S. mid-cap stocks	·	·	●
	U.S. small-cap stocks	·	●	·
	International small- and mid-cap stocks	·	●	·
	Emerging-market equity	●	·	·
	Fixed income	●	·	·
Fixed income asset classes	U.S. investment-grade bonds	●	·	·
	U.S. high-yield bonds	●	·	·
	International bonds	·	●	·
	Emerging-market debt	·	·	●
	Cash	·	●	·

Source: Edward Jones, March 2024. Past performance does not guarantee future results. Market indexes are unmanaged, cannot be invested into directly and are not meant to depict an actual investment.

Opportunistic portfolio guidance: Equity sector and style

At an equity sector level we recommend overweighting the consumer discretionary, industrials, and utilities sectors. We recommend offsetting these overweight positions with underweights in communication services, financials, and materials. We currently recommend a neutral allocation between value- and growth-style stocks.

Opportunistic equity sector guidance

	Underweight	Neutral	Overweight
Communication services	●	•	•
Consumer discretionary	•	•	●
Consumer staples	•	●	•
Energy	•	●	•
Financial services	●	•	•
Health care	•	●	•
Industrials	•	•	●
Materials	●	•	•
Real estate	•	●	•
Technology	•	●	•
Utilities	•	•	●

Opportunistic equity style guidance

	Underweight	Neutral	Overweight
Value-style equity	•	●	•
Growth-style equity	•	●	•

Source: FactSet, Edward Jones, March 2024. Past performance does not guarantee future results. Market indexes are unmanaged, cannot be invested into directly and are not meant to depict an actual investment.

Opportunistic portfolio guidance: U.S. investment-grade fixed-income

Within U.S. investment-grade bonds, we see an opportunity to slightly extend duration relative to the Bloomberg U.S. Aggregate Bond Index (U.S. AGG) ahead of the Fed potentially lowering rates later in 2024. We see limited scope for credit spreads to compress from current levels and therefore, recommend a slight underweight to credit exposure.

Opportunistic U.S. investment-grade bond guidance

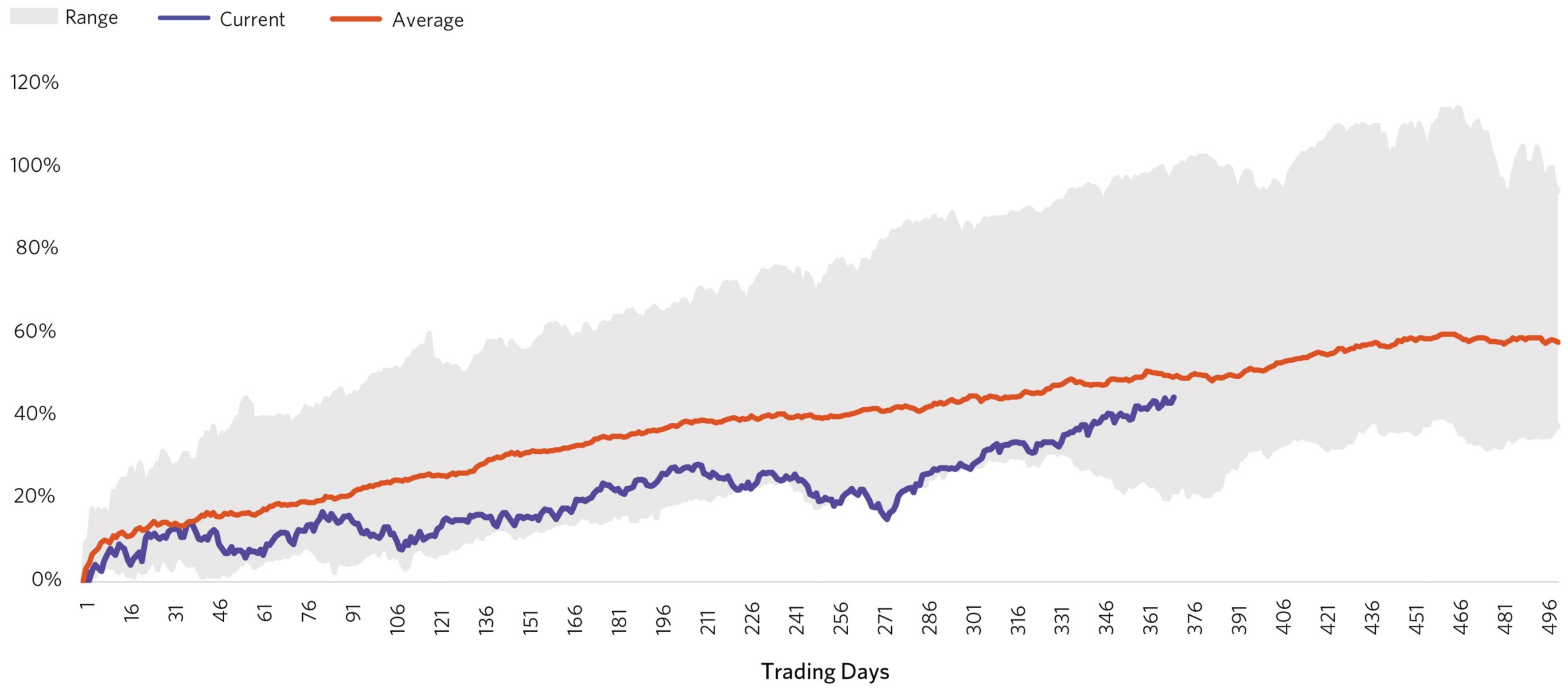
	Underweight	Neutral	Overweight
Interest rate risk (duration)	·	·	●
Credit risk	●	·	·

Equity bull market gains are not exhausted

With the S&P 500 rising by over 20% in 2023 and up over 8% to start the year, many investors have grown concerned that equity markets have run too far, too fast. However, examining the past 12 bull markets back to 1949, current bull market gains don't appear outsized relative to history.

The current bull market gains are not outsized relative to history

S&P 500 returns in the first two years of a new bull market



Source: FactSet, Edward Jones, S&P Price Return Index. Past performance does not guarantee future results.

Wisdom of great investors

Remember: Successful investing requires patience, discipline and the ability to control one's emotions.

"The idea that a bell rings to signal when to get into or out of the stock market is simply not credible. After nearly 50 years in this business, I don't know anybody who has done it successfully and consistently. I don't even know anybody who knows anybody who has."

— *Jack Bogle*

"Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves."

— *Peter Lynch*

Portfolio opportunities: Summary

In equities, we would favor balancing technology and AI investments with cyclical and value sectors. Over time, small- and mid-cap stocks could play catch-up as well.

In bonds, we would look to complement short-duration CDs and cash-like instruments with longer-duration investment-grade bonds.

While equity market gains over the past year have been strong, the current bull market gains are not outsized relative to history.

Questions & Answers

Thank you!

