



Weekly Market Commentary April 22, 2024

The Markets

Investors have been recalibrating their expectations.

There is a lot going on in the world that could affect the value of financial markets – wars, tensions between major powers, a strong dollar, and rising oil prices – just to name a few. Last week, it was Federal Reserve policy. The possibility that the Fed might keep rates higher for longer shook investors, reported Naomi Rovnick of *Reuters*.

At a policy forum early in the week, Fed Chair Jerome Powell told the audience:

“The performance of the U.S. economy over the past year has really been quite strong. We had growth of more than three percent last year as rebounding supply supported both robust growth and spending, and also employment alongside a considerable decline in inflation. More recent data show solid growth and continued strength in the labor market but also a lack of further progress so far this year on returning to our two percent inflation goal...we’ll need greater confidence that inflation is moving sustainably toward two percent before it would be appropriate to ease policy.”

With the federal funds rate likely to remain at its current level for longer than expected, markets reconsidered how that might affect economic growth and corporate earnings, reported Jacob Sonenshine of *Barron’s*.

“Big investors are not rushing to change long-term holdings, but in a sign of things to come, stock market volatility is around a six-month peak as traders debate how high the U.S. rate...against which financial assets are valued will stay,” reported Rovnick.

The Standard & Poor’s 500 Index moved lower over the week as investors sold technology stocks on fears that first-quarter earnings reports might disappoint, reported Rita Nazareth of *Bloomberg*. The Nasdaq Composite and Dow Jones Industrial Average moved lower, too, while yields on many maturities of U.S. Treasuries moved higher.

Data as of 4/19/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-3.1%	4.1%	19.6%	6.1%	11.3%	10.3%
Dow Jones Global ex-U.S. Index	-2.6	-0.5	4.0	-3.5	2.1	1.5
10-year Treasury Note (yield only)	4.6	N/A	3.6	1.6	2.6	2.7
Gold (per ounce)	-1.0	14.5	19.6	10.3	13.4	6.3
Bloomberg Commodity Index	0.1	4.5	-4.0	5.9	3.5	-2.9

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

CHIEF EXECUTIVE OFFICER (CEO) PAY INCREASED. It's not an economic indicator, but the compensation companies pay CEOs affects employee, customer, and public perceptions.

“Pay is critical for attracting, retaining, and motivating a CEO, and affects the wider company beyond the CEO – high pay may demotivate employees or damage a company's customer reputation. Even more broadly, CEO pay across the economy influences the public's perception of capitalism,” explained researchers Alex Edmans, Tom Gosling, and Dirk Jenter in the *Journal of Financial Economics*.

Last year, median annual pay for America's CEOs hit a new record: \$23.7 million, an 11.4 percent increase from the prior year, reported Andy Serwer and Angela Palumbo of *Barron's*. “Median pay for CEOs in this group is now a record 300 times that of their median employee's, compared with a ratio of 255 in 2018,” reported Serwer and Palumbo.

Serwer and Palumbo cited data from an analysis of the largest pay packages for CEOs at U.S. public companies with revenues of \$1 billion or more. (Median is the number in the middle, not the average.) CEO pay at the companies measured ranged from about \$162 million to about \$19 million in 2023.

So, how does the increase in CEO pay stack up? It was:

- Higher than inflation, which was up 3.4 percent in 2023.
- Higher than wage and salary increases for union workers, which averaged 5.4 percent.
- Higher than wage and salary gains for non-union workers, which averaged 4.2 percent.
- Higher than benefits cost increases, which averaged 3.6 percent.

Median annual pay for U.S. workers was about \$58,000 in 2023, according to Eric Van Nostrand, Laura Feiveson, and Tara Sinclair of the U.S. Treasury Department.

“Before anyone feels compelled to storm the barricades, it's worth noting that the 11.4% gain in CEO pay is less than the 13.8% total return to shareholders produced by these companies last year. In fact, CEO pay for top companies climbed 8.77% on average annually over the past six years, while the total annual average return for these companies was 12.02%.” reported Serwer and Palumbo.

Weekly Focus – Think About It

“I have been struck again and again by how important measurement is to improving the human condition.”

—*Bill Gates, businessman and philanthropist*

Best Regards,

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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- * You cannot invest directly in an index.
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