

FIRST QUARTER COMMENTARY: CONTINUED STRENGTH

The principles of prudent investing involve broad diversification and the patience to stay the course, regardless of short-term volatility. However, diversification across geographies, market capitalization (size of companies), and value versus growth companies (think Johnson & Johnson versus Netflix), did not help investors keep pace with the most widely followed and quoted stock index, the S&P 500, in 2023. That momentum has continued into the first part of 2024. It makes the other principle – patience – a challenge to an investor’s psyche.

Market Index	1st Qtr	1 year	
S&P 500	10.6%	31.8%	STOCKS
Dow Jones Industrial	6.0%	23.4%	
Nasdaq Composite	9.3%	37.4%	
Int'l Developed	8.3%	16.2%	
US Large Cap Growth	11.4%	41.4%	
US Large Cap Value	9.0%	21.9%	
US Small Cap	5.2%	22.0%	
Int'l Emerging Markets	2.2%	8.8%	
Global Bond Markets	-2.1%	0.6%	BONDS
US Bond Markets	-0.8%	2.2%	
Gold	16.8%	4.4%	COMMODITIES
Oil (WTI)	8.1%	11.9%	

Positive returns were generated for stocks in every major market in the first quarter of 2024, but with wide disparity from best to worst performing index, as seen above. And the biggest companies, mostly in the tech sector, have had the best returns, fueling a dynamic in stocks that has created an historic extreme, a top-heavy market.

The German proverb, “trees don’t grow to the sky”, has been used in finance to illustrate that a company’s growth tends to slow as it the company matures. There are always limits, and long periods of growth in stocks don’t necessarily mean a bubble is inflating or a period of weakness will ensue. But it could have implications for investors as these massive companies, such as Microsoft, Nvidia, Meta, and Amazon have an increasing weight in the S&P 500 and have been a major contributor to overall performance of that index.

Our Chief Investment Officer, Jeff Liguori, wrote an article recently in Business West, discussing this trend and the possible implications, which can be found [here](#) and below. We believe this is a development worthy of attention and fitting commentary as we enter the second quarter of 2024.

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