FORD & ASSOCIATES
WEALTH MANAGEMENT

Quarterly Commentary

Q1 2024

Market Commentary

The themes that drove markets broadly in 2023 have persisted as we started out 2024. On the economic front, inflation remained a focal point for policymakers and investors alike. Despite efforts to curb price rises through interest rate hikes, several major economies reported stubbornly high inflation rates, albeit materially lower from the highs seen just a few quarters earlier. The labor market, however, continued to show strength, with unemployment rates in key economies remaining low, suggesting a degree of economic resilience. This dichotomy has presented central bankers with numerous challenges as to future monetary policy paths. Emerging markets faced their own set of challenges, with currency volatility and capital outflows exacerbated by the strengthening of the U.S. dollar. Meanwhile, overall global economic outlook remains cautious, with many analysts closely monitoring the potential impacts of geopolitical tensions, including the ongoing conflicts and trade negotiations, on international trade and investment flows.

With many economists' recession calls removed from their forecasts, much focus has been made recently on if the U.S. economy can realize a "soft landing," in which the Fed is able to cool excess demand in the economy using its monetary policy tools and without causing a recession. It's worth noting the Fed does not have a strong track record of achieving this goal; the only soft landing in the past 60 years was in the mid-1990s. While the Fed's batting average does not lead to much confidence in the arena generally, we see similarities between today's economy and that time period. The early 1990s saw the U.S. economy recovering from a recession being largely addressed by lowering interest rates to spark economic development. Monetary policy management in the mid-1990s was focused on quick, proactive rate adjustments to address both inflationary and growth metrics, followed by a "higher for longer" interest rate stance. A significant driver of economic growth in the 1990s was the commercialization of the internet, leading to massive productivity advancements across sectors. While there are differences between the 1990s and the 2020s, there are a number of overlaps that give us conviction we could be on track to repeat the so-called "soft landing".

In the first quarter of 2024, while global markets experienced significant fluctuations, driven primarily by geopolitical tensions and the continued normalization of monetary policies across major economies, equity markets performed strongly with global equities, as measured by the MSCI ACWI benchmark, up 8.20% and the domestic only S&P 500 benchmark up even more. Fixed income was challenged with the delayed anticipation of policy shifts by central banks widely leading to rate cut expectations being pushed further into the future, causing interest rates to rise in the short term. This period also saw a pronounced divergence in sector performance, with technology and AI-related stocks showing resilience and, in some cases, remarkable gains, attributed to robust earnings reports and general excitement for these technological advancements. While we don't expect markets to consistently deliver returns like we saw in Q1 2024, we do think there is additional room for upside for diversified portfolios that are focused on fundamental strength and quality growth, versus those trying to chase the en vogue investment of the day.

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