

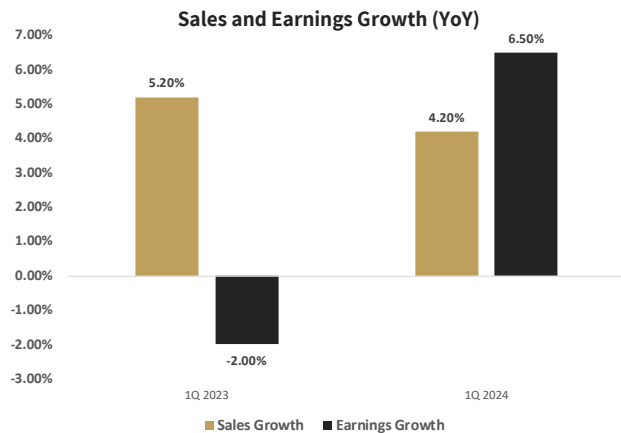
# A Strong Start to the Year in Corporate Earnings

High interest rates, global conflict, problems in commercial real estate—despite these ongoing concerns, the U.S. corporate juggernaut carries forward. Through Monday, over 85% of companies in the S&P 500 Index have reported their first-quarter earnings, with most of them (80%) posting higher-than-expected growth. Incorporating estimates for the remaining 15% of companies, aggregate earnings are on track to grow 6.5% over the same period one year ago, ahead of the pre-earnings-season expectation of 4% and reversing a 2.5% decline from the same quarter last year.

Has the first quarter's positive news cleared the fog covering the outlook for the remainder of 2024? Not so fast. A closer look at first-quarter results reveals that the Technology and Communication Services sectors have provided the heavy lifting for the S&P 500. Excluding these sectors, earnings growth drops to 3%, indicating that investors may require more convincing before a broader stock-rally takes hold. In addition, above-average stock valuations imply that the market will demand more than earnings beats for meaningful post-earnings appreciation; investors require positive forward guidance to justify above-average stock prices.

Worries over the economy will persist. However, this better-than-expected earnings season should add credibility to the optimism that corporate executives and market watchers have expressed for 2024.

## CHART OF THE WEEK



Source: Bloomberg Intelligence, as of May 3, 2024. 1Q '24 includes estimates.

Equities	Index Returns (%)					
	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.
S&P 500	5181	1.28	-1.31	9.10	27.18	8.61
Russell 1000 Growth	3379	2.16	-0.40	10.97	36.92	10.27
Russell 1000 Value	1718	0.33	-2.60	6.15	17.38	4.78
FTSE High Dividend Yield*	409	-0.11	-2.64	6.22	16.35	6.41
S&P Small and Mid Cap	16475	1.93	-2.32	5.11	21.11	2.76
MSCI EAFE	2317	1.55	-0.81	5.10	11.56	3.17
MSCI EM	1067	1.55	2.51	5.02	11.94	-4.74

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income	Levels (%)					
	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.
U.S. Aggregate	5.09	0.98	-1.19	-1.96	-0.06	-3.19
U.S. Int. Gov/Credit	4.91	0.71	-0.43	-0.58	1.44	-1.46
U.S. Corporates	5.50	1.16	-1.04	-1.43	3.16	-2.73
High Yield	7.81	0.96	0.17	1.64	10.66	1.78
Municipals (1-10)	3.29	0.47	-0.39	-0.76	1.89	-0.33

Key Rates	Levels (%)					
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago
2-yr Treasury	4.83	5.04	4.62	4.25	3.92	0.15
10-yr Treasury	4.49	4.68	4.20	3.88	3.44	1.58
30-yr Treasury	4.64	4.79	4.34	4.03	3.75	2.28
3-mo. LIBOR	5.66	5.59	5.56	5.59	5.34	0.16
6-mo. CD rate	5.77	5.39	5.35	5.28	5.30	0.12
Prime Rate	8.50	8.50	8.50	8.50	8.25	3.25
30-yr fixed mortgage	7.38	7.55	7.25	6.99	6.83	3.06

Index Characteristics	Levels				
	NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld
S&P 500	21.4	16.7	2.8	1.6	1.4
Russell 1000 Growth	28.0	19.8	4.4	2.0	0.7
Russell 1000 Value	16.7	14.8	1.8	1.4	2.2
FTSE High Dividend Yield*	12.3	14.4	1.5	1.6	4.2
S&P Small and Mid Cap	16.6	19.1	1.2	1.2	1.7
MSCI EAFE	14.8	14.6	1.5	1.1	2.9
MSCI EM	12.8	12.6	1.4	1.3	2.7

Currencies	Levels			
	Last	1 Wk Ago	Prev YE	3 Yrs Ago
DXY	105.28	106.22	101.33	90.23
\$ per €	1.08	1.07	1.10	1.22
\$ per £	1.25	1.25	1.27	1.40
¥ per \$	154.60	157.80	141.04	108.60

Commodities	Levels			
	Last	1 Wk Ago	Prev YE	3 Yrs Ago
Oil (WTI)	78.29	81.93	72.12	55.29
Gasoline	3.65	3.66	3.12	2.96
Natural Gas	2.64	1.99	2.51	2.96
Gold	1924	2286	2063	1831
Copper	8350	9892	8464	10420
Wheat	604	585	628	774
BBG Index	239.18	237.63	226.43	200.14

## LAST WEEK IN REVIEW

- **JOLTS (Apr.)** 8.5 mln openings, fewer than expected, lower than March. Quit rate fell to 2.1%
- **ISM Manufacturing (Apr.):** 49.2 vs. 50.3 in March. Prices paid rose to 60.9.
- **FOMC Rate Decision:** Unchanged (5.50 - 5.25%)
- **ISM Services (Apr.):** 49.4 vs. 51.4 in March. Prices paid rose to 59.2.
- **Payrolls (Apr.):** 175K jobs added in April. Avg. hourly earnings fell to 3.9% YoY.

## THIS WEEK

- **Senior Loan Officer Opinion Survey (SLOOS):** 5/6
- **Initial & Continuing Jobless Claims:** 5/9
- **U. of Mich. Sentiment & Current Conditions (May - Preliminary):** 5/10

## S & P SECTOR RETURNS

