Wealth Management

Ameritas Investment Partners, Inc.

Market Commentary

Quarter Ended March 31, 2024

Records Lead to More Records

During the Civil War, the Union placed a blockade on Confederate ports. In August 1864, David Farragut was given the task of closing the port at Mobile, Alabama, which had defied the order.

When Admiral Farragut ordered his fleet to proceed, one of the ships hit a mine and sank, causing the rest of the fleet to hesitate. Farragut, however, was undeterred and famously plowed full steam ahead.

Today's market has a similar ring to it. Investors are confidently navigating a minefield of uncertainties as the Fed hopes to steer the economy toward a soft economic landing.

As the table below illustrates, U.S. stocks have had a strong start to the new year.

Key Index Returns

	MTD %	YTD %
Dow Jones Industrial Average	2.21	6.14
Nasdaq Composite	1.85	9.31
S&P 500 Index	3.22	10.56
Russell 2000 Index	3.58	5.18
MSCI World ex-USA*	3.49	5.74
MSCI Emerging Markets*	2.52	2.44
Bloomberg U.S. Agg Total Return	0.92	-0.78

*in U.S. dollars

Source: Tamarac

Indices are unmanaged, do not incur fees or expenses and cannot be invested into directly. The above returns include the impact of both price appreciation (depreciation) and dividends. Equity markets fluctuate in value and smaller companies and foreign investments often are more volatile than larger domestic companies. Past performance is not indicative of future results.

During the quarter, the broad-based S&P 500 Index notched 22 closing highs, and the Dow recorded 17, according to Dow Jones Newswires. The Nasdaq posted four new highs.

Repeated new highs on the major market indexes suggest the rally, which was concentrated in a few large stocks last year, is broadening.

The Stock Market's Magnificent Seven is now the Fab Four, read a headline in the April 1, 2024 *Wall Street Journal*.[1] "It is a bullish signal that the market is rallying without the likes of Apple and Tesla," at least according to some investors.

Dubbed the Magnificent Seven by a Bank of America analyst last year, Apple (AAPL), Microsoft (MSFT), Nvidia (NVDA), Tesla (TSLA), Amazon.com (AMZN), Meta (META, Facebook), and Alphabet (GOOG/GOOGL, Google) were responsible for a big chunk of last year's advance in the S&P 500 Index.

It seems surprising that the market could mount a rally without Apple's leadership, but that's exactly what happened in Q1. According to *The Wall Street Journal*, shares of Apple and Tesla slipped in Q1, and Alphabet registered a more modest advance.

In other words, the Magnificent Seven is now the Fab Four, at least according to the *Journal*. Nonetheless, the rally has broadened as other firms have picked up the slack.

The Magnificent Seven is still a force to be reckoned with. But its grip on key market indexes loosened in Q1.

What's driving stocks higher?

The rate of inflation is off its peak, and the Federal Reserve is considering up to three quarter-point rate cuts this year.

Moreover, the economy is expanding, and corporate profit growth has been strong, according to the London Stock Exchange Group, formerly Refinitiv.

Finally, the artificial intelligence locomotive has yet to show any signs of slowing down. But we are always mindful that pullbacks are simply an unexpected headline away.

Bull markets create wealth for long-term investors who adhere to a diversified and disciplined approach, but market corrections can't be discounted. They are inevitable.

What might create volatility? Well, unexpectedly bad economic news could jar markets, as that would cloud the outlook for corporate profits.

Fed officials believe the recent uptick in inflation is temporary. However, if the recent sticky inflation numbers prove to be, well, stickier than expected, Fed officials could delay projected rate cuts.

Additionally, international tensions could spill into sentiment.

When stocks tumble, it can be tempting to move away from equities and embrace cash. In the long term, however, that's rarely profitable, as once-shy investors find themselves chasing the market higher.

Conversely, a strong bull market can give one an aura of invincibility. "Now's the time to step on the gas and load up on stocks," some might say. A seemingly invincible market can encourage too much risk-taking, which can be compounded when your golfing buddy constantly reminds you about his/her newfound windfall and "trading skills."

Yet, we caution against a more aggressive stance simply based on market action. Financial plans aren't set in stone.

There are any number of valid reasons an adjustment can and should be made. But market action is rarely a good reason to shift one's stance.

We trust you have found this review to be informative. If you have any inquiries or wish to discuss other matters, contact your financial professional.

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[1] Source: The Wall Street Journal, *The Stock Market's Magnificent Seven Is Now the Fab Four*"
[https://www.wsj.com/finance/stocks/the-stock-markets-magnificent-seven-is-now-the-fab-four-2dff87ac?page=1]

Footnotes: *Total Return includes interest, capital gains, dividends and distributions realized over a given period.*
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5945 R Street / Lincoln, NE 68505 / p: 402-467-6970