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Highland ReCAP

A Review of Capital Markets

April 2024

Summary

After a robust start to the year, stocks pulled back for the first time in April. The broad selloff was fueled by diminishing hopes for Fed interest rate cuts, geopolitical worries, and a lower than forecast level of GDP growth in the first quarter. Interest rates moved higher for the month as bonds continue to underperform from the start in 2024. Non-U.S. markets fared slightly better in the face of different policy challenges, as the ECB signaled a willingness to cut rates to spur a broadly sluggish economy, and while the Japanese Yen continued to depreciate against its developed counterparts.

Equities

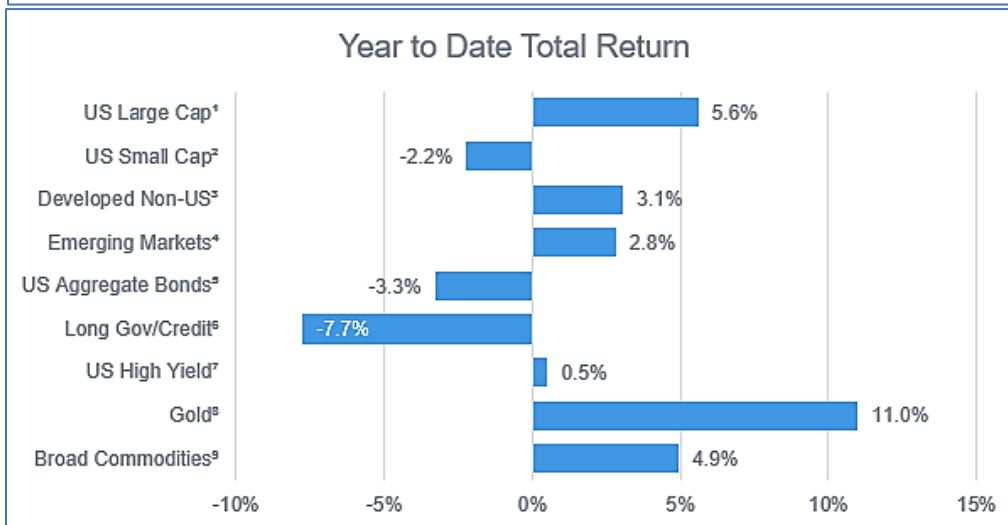
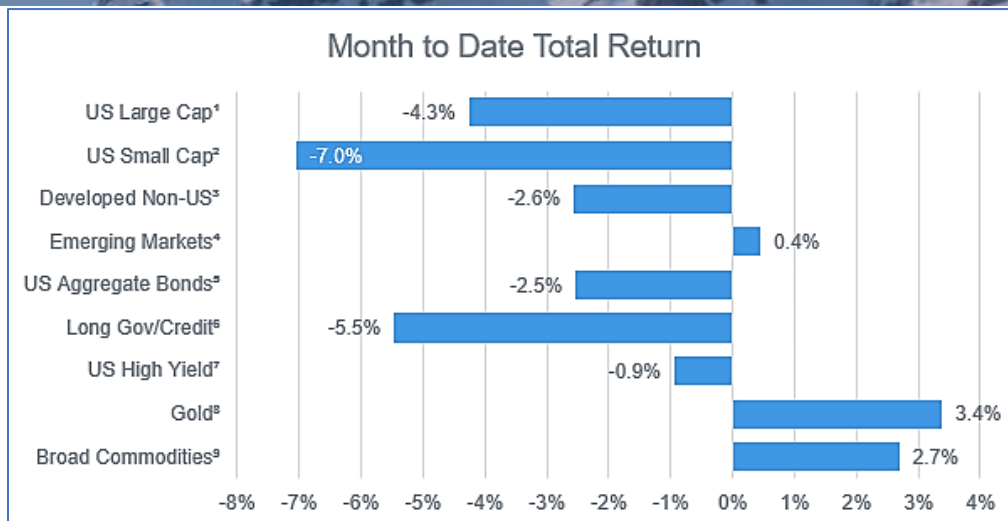
U.S. stocks faltered in April. Small caps experienced the steepest decline, erasing all gains for the year and turning negative for 2024. Equities were already off to a shaky start when Iran launched an attack against Israel, roiling markets wary of further escalation of the war in the Middle East. In Europe, policy officials held rates at 4% while signaling that rate cuts are under consideration and bucking the narrative that the U.S. must move first in the global cutting cycle. The pain for the Japanese Yen continued with the exchange rate touching ¥160 to the dollar before finishing the month at ¥157. Emerging markets were a surprise safe haven for the month with a modest 0.5% return, trimming the performance gap to developed peers year to date.

Fixed Income

Bonds continued to decline in April, as interest rates marched higher throughout the month. The month was bookended by Fed fears. Minneapolis Federal Reserve Bank President Neel Kashkari floated the possibility of no rate cuts in 2024 during the first week, and the month concluded with a general angst over the pending policy rate decision into the final market close of April. While markets anticipate no change in the Fed Funds Rate at the May meeting, the messaging on guidance will be closely monitored to inform expectations for the second half of the year. The 10-year Treasury finished at 4.69%, a 35-basis point increase from the end of March.

Market Trends

As of April 30, 2024



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	-4.3%	4.2%	5.6%	22.8%	7.0%	12.9%	12.1%
US Small Cap ²	-7.0%	1.7%	-2.2%	13.3%	-3.2%	5.8%	7.2%
Developed Non-US ³	-2.6%	2.5%	3.1%	9.3%	2.9%	6.2%	4.4%
Emerging Markets ⁴	0.4%	7.8%	2.8%	9.9%	-5.7%	1.9%	3.0%
US Aggregate Bonds ⁵	-2.5%	-3.0%	-3.3%	-1.5%	-3.5%	-0.2%	1.2%
Long Gov/Credit ⁶	-5.5%	-6.3%	-7.7%	-7.2%	-8.4%	-1.7%	1.5%
US High Yield ⁷	-0.9%	0.5%	0.5%	9.0%	1.5%	3.7%	4.3%
Gold ⁸	3.4%	11.8%	11.0%	14.6%	8.6%	11.1%	5.0%
Broad Commodities ⁹	2.7%	4.5%	4.9%	2.9%	7.2%	7.0%	-1.5%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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