



Plan better.
Invest smarter.
Your partner in
parallel for life.

The First Quarter: Strong Fundamentals Propel Stocks to New Highs



Chris Broderick
Research & Trading
Director
Parallel Advisors

The momentum from the 2023 rally carried into the first quarter of 2024, fueled by an investor-friendly blend of steady economic growth, falling inflation, and expectations of Federal Reserve (Fed) rate cuts.

The year kicked off on a less positive note when the December Consumer Price Index (CPI), an important inflation indicator, declined less than expected, indicating that inflation might not be falling towards the Fed's 2.0% target as rapidly as hoped.



This led investors to delay their expectations for the first Fed rate cut from March to June, sending stocks into a brief dip early in January¹. However, the downturn was short-lived as better-than-expected corporate earnings and the Fed signaling an end to rate hikes revived investor optimism, propelling the S&P 500 to a new all-time high.²

February and March saw further gains as fears of a resurgence in inflation eased, reinforcing investor confidence in a June rate cut. Economic and inflation data remained stable through the end of the quarter, with updated interest rate projections suggesting three rate cuts this year.³

We thus begin the second quarter amid a positive macroeconomic environment marked by stable growth, declining inflation, and the prospect of Fed rate cuts. While this is undoubtedly a favorable setup, there are a few lingering concerns. Investor sentiment is becoming extremely bullish – a contrary indicator suggesting a trend reversal may be on the horizon. At the same time, weaker than expected retail sales and a slight uptick in unemployment indicate that the economic momentum may be slowing.⁴ And core CPI remains stubbornly above the target 2.0% level, posing a risk to the anticipated rate cuts.⁵ These factors underscore the importance of closely monitoring economic developments, as the market's high valuations and bullish sentiment leave it susceptible to a negative surprise.

So, while year-to-date market performance has been exceptional and the ongoing rally is supported by positive fundamentals, we can't allow optimism to blind us to risk. We continue to focus on managing that risk in portfolio allocations in light of the potential of a setback due to overly bullish sentiment and high valuations.

Thank you for your trust and partnership. Please do not hesitate to contact your advisor with any questions, comments, or to schedule a plan or portfolio review.

¹ <https://www.cnbc.com/2024/01/11/cpi-inflation-report-december-2023-consumer-prices-rose-0point3percent-in-december-higher-than-expected-pushing-the-annual-rate-to-3point4percent.html>

² <https://www.bloomberg.com/news/articles/2024-03-01/us-stocks-amped-up-by-big-tech-better-than-expected-earnings>
<https://www.wsj.com/economy/central-banking/fed-leaves-rates-steady-and-opens-door-wider-to-cuts-d10a107d>

³ <https://www.bloomberg.com/news/articles/2024-03-20/bonds-rally-after-fed-keeps-2024-median-rate-forecast-at-3-cuts>

⁴ <https://www.bloomberg.com/news/articles/2024-03-14/us-retail-sales-miss-forecasts-after-steep-drop-in-prior-month>

⁵ <https://paralleladvisors.app.box.com/v/Q12024EconIndicators>

Important Disclosure Information

Parallel Advisors, LLC (“Parallel Advisors” “we,” “us” or “our”) hereby provide these disclosures and disclaimers. You acknowledge your understanding of these disclosures and disclaimers with respect to the Parallel Advisors activities and you, including with respect to the document, information or website (“Communication”) that linked to these disclosures and disclaimers.

Information Purposes Only. Any material provided in our Communication either directly or through cross-reference to another site is for informational purposes only. Any information provided in our Communication does not purport to be, and is not intended to be, financial, legal, accounting, tax or investment advice. Parallel Advisors does not represent that the securities, products, or services discussed in our Communication are suitable or appropriate for any or all investors. The information provided, therefore, should not be viewed as financial, legal, accounting, tax or investment advice.

Past Performance. Past performance is not necessarily indicative of future results. Any investment involves significant risks, including loss of the entire investment. Future market conditions are unpredictable, and may vary significantly from current and past conditions, particularly given current worldwide market uncertainty. Some of the investment strategies presented in our Communication may involve transactions in foreign currencies. A foreign currency is a currency other than that issued by the government of the country in which you are domiciled or, in some cases, in which you reside. Transactions in foreign currencies may introduce additional risk to the investment transaction.

Risks. Persons engaging in investment activities should be aware that investing is an inherently risky activity. Depending on the nature of the investment, these risks include, but are not limited to, interest rate, foreign currency, liquidity, credit, legal, and political risk. The information contained in our Communication is based on factual assumptions that may not be applicable to the particular circumstances of any user accessing our Communication scientific assumptions that are liable to require revision due to changing circumstances, and statistical assumptions that are based on confidence levels which may require revision. For these reasons, no representations or warranties, expressed or implied, are made to the accuracy or applicability of any information contained in our Communication or any linked site to any particular viewer specifically, or to all viewers generally. Also, no representations or warranties, express or implied, are made as to the result any viewer might experience from using any of the information contained in our Communication or to any linked site.

Third-Party Sources. Links to other websites from our Communication are for convenience only. Information, including that obtained from outside sources, is believed to be correct, but the firm cannot guarantee its accuracy. Information on this website is subject to change at any time without notice. Research on the site is provided only as a sample of research and analysis. Some or all of the information contained in this report may be dated and, therefore, this information should not be the basis to purchase or sell any securities. We make no representation about whether any research led to any particular transaction or any profitable investment decision. No endorsement of any third-party products, services or information is expressed or implied by any information, material or content referred to or included on, or linked from or to our Communication.

No Investment Advice. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision. All information contained herein is subject to in its entirety to a separate agreement. An investor should consider the relevant investment objectives, risks, charges and expenses carefully before investing. It remains your responsibility to advise Parallel, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement discussing our advisory services and fees is available upon request. The scope of the services to be provided depends upon the needs of the client and the terms of the engagement.