



STONEBRIDGE
Capital Advisors

Monthly Market Commentary

March 2024 Review

INTRODUCTION

With the end of the first quarter of 2024, our Director of Equity and Director of Fixed Income reflect on March's month of trading, including market conditions and how this impacts Stonebridge's investment strategies.

Key Market Moves

Equity Market Moves

02/29/2024 - 03/31/2024

S&P 500:

5096.27 to 5254.35 (up 158.08)

Dow:

38996.39 to 39807.307 (up 810.98)

NASDAQ:

16091.92 to 16379.46 (up 287.54)

Fixed Income Market Moves

02/29/2024 - 03/31/2024

2-Year Treasury:

4.64% to 4.62% (down 2 bps)

10-Year Treasury:

4.25% to 4.20% (down 5 bps)

10-Year A-rated Corporate:

5.13% to 5.09% (down 4 bps)

10-Year AAA-rated Municipal:

2.46% to 2.51% (up 5 bps)

Equities

Stonebridge's equity investment style provides a method for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals.

Principally, we focus on large-cap equities because they are more mature companies who offer attractive growth potential and generally experience lower volatility. Our equity strategies are designed to achieve varying client investment goals and risk tolerances.

We focus on top-down, bottom-up fundamental analysis to uncover optimal equity securities that align with an individual client's investment policy. Portfolios are primarily built through individual stocks with a focus on domestic, large-cap companies.

LARGE CAP GROWTH

est. January 2001

GROWTH & INCOME

est. March 2015

DIVIDEND INCOME

est. March 2011

Fixed Income

We maintain a conservative risk profile via a bottom-up security selection process. Fixed income portfolios are constructed through individual bonds with investment-grade ratings that are well-diversified across issuers and sectors.

Our fixed income investment style provides a method for principal protection, alongside liquidity and income needs through two strategies: Tax-Exempt and Taxable.

TAXABLE

est. December 1998

TAX-EXEMPT

est. June 1997

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MARKET COMMENTARY

Equity Review

As the first quarter of the year came to an end, equity markets showed no sign of fatigue, extending their 2023 rally well into 2024. Large cap growth stocks continued leading performance, dominating headlines, and even the average stock participated in the rising tide. The S&P 500 Market Weighted index was up an impressive 10.55% on the quarter with the S&P 500 Equal Weight index up 7.91%. Obviously, the mega caps, such as NVDA and AMZN, are still skewing the index performance.

Despite the interest rate environment continuing to pose a challenge for dividend strategies, they still managed to have positive performance in the first quarter. As we transition through this interest rate regime, we expect dividend strategies to improve in performance, particularly in the event of rate cuts or economic softness. For now, the economy appears to remain strong, as indicated by the latest GDP numbers coming in above expectations.

Looking under the hood, a recent rally in the price of oil helped energy stocks rally, making the sector the second-best performing space in the market year to date. As the economy continues to run smoothly and the geopolitical climate remains touchy, elevated oil prices are likely warranted. Even so, this dramatic move in the oil sector reminds us of the importance of buying best-in-class companies across all major sectors.

Fixed Income Review

March appeared to be a calmer month for fixed-income, performance-wise. However, aside from similar beginning and ending values, bonds did see some wider swings intra-month, as the market came to grips with changing expectations for Fed rate cuts and their timing before year-end. Over a longer timeframe, rates are significantly higher when compared with year-end levels reached after an incredible 4th quarter rally last year. The 10-year Treasury yield rose over 30 bps to close this quarter at 4.20%.

Of course, that is still well below the peak reached early in the 4th quarter, pre-rally (5%). The 2-year Treasury added about 30 bps as well, remaining higher than the 10-year by about 40 bps. The curve inversion continues to keep money market and other ultra-short rates competitive with longer-term investments. If expectations for rate cuts become reality in the months ahead, that advantage could quickly disappear.

With rates remaining at near decades-high levels, it may be a good time to review appropriate levels of cash and other short-term securities to meet near-term needs and begin to move excess liquidity further out to lock in current rates longer into the future.



If you wait for the robins, spring will be over.

- Warren Buffett



Disclosure: Advisory services offered through Stonebridge, an investment adviser registered with the U.S. Securities & Exchange Commission. The views expressed here reflect those of Stonebridge Capital Advisors as of 04/01/2024. They may change as economic fundamentals and market conditions change. This commentary is provided as a general source of information only and is not intended to provide investment advice for individual investor circumstances. Past performance does not guarantee future results.



ABOUT THE AUTHORS



Michael Dashner, CFA

Director of Equity, Portfolio Manager

As the firm's Director of Equity, Michael Dashner is responsible for trading, analysis, allocation, and management of the firm's equity strategies. As one of the portfolio managers on the investment management team, he works directly with clients and advisors to establish customized investment portfolios for high net worth clients.

Having earned his BA in Economics from the University of South Dakota in 2007 and his MBA from the University of South Dakota in 2009, Michael joined Stonebridge in 2009 as a portfolio manager. In 2014, Michael completed and received his CFA from the Chartered Financial Institute. He is also a member of the CFA Society of Minnesota, along with the Minnesota Society of Municipal Analysts.



Jon Lynn

Director of Fixed Income, Portfolio Manager

As the firm's Director of Fixed Income, one of the portfolio managers, and an owner of Stonebridge, Jon is responsible for leading the taxable and tax-exempt fixed-income team. As a member of the Stonebridge Investment Review Committee and Research Committee, he oversees credit analysis, trading, and portfolio management.

Having earned his BA from the University of North Dakota in 1999, Jon joined Stonebridge in 2006 as a senior analyst and portfolio manager. With almost 25 years of business and financial experience, Jon is also an active member of the National Federation of Municipal Analysts and previously served on the board of the Minnesota Society of Municipal Analysts.