



STONEBRIDGE  
Capital Advisors

# Monthly Market Commentary

April 2024 Review

# INTRODUCTION

As we approach the halfway mark of the year's first quarter earnings season, our Director of Equity and Director of Fixed Income reflect on April's month of trading, including market conditions and how this impacts Stonebridge's investment strategies.

## Key Market Moves

### Equity Market Moves

03/31/2024 - 04/30/2024

#### S&P 500:

5254.35 to 5035.69 (down 218.66)

#### Dow:

39807.37 to 37815.92 (down 1991.45)

#### NASDAQ:

16379.46 to 15657.82 (down 721.64)

### Fixed Income Market Moves

03/31/2024 - 04/30/2024

#### 2-Year Treasury:

4.62% to 5.04% (up 42 bps)

#### 10-Year Treasury:

4.20% to 4.69% (up 49 bps)

#### 10-Year A-rated Corporate:

5.09% to 5.55% (up 46 bps)

#### 10-Year AAA-rated Municipal:

2.51% to 2.81% (up 30 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

The month of April proved difficult for the stock market, giving back nearly half of the first quarter's return. The market certainly did not discriminate between growth and value stocks, illustrated by the Russell Growth Index and Value index, down nearly the same amount -4.24% and -4.27% respectively. Two main factors appeared to be at play, the first being that the probability of substantial Fed rate cuts was taken off the table. At the beginning of the year, the market anticipated as many as six rate cuts for 2024, now the market expects fewer than two.

The second factor is simply that corporate earnings have not been enticing enough for investors to drive stocks to new highs. We are about halfway through the first quarter's earnings season, and while many companies in the S&P 500 have met expectations, forward guidance has not been as aggressive as we've seen in previous quarters. As always, the quarterly earnings season provides us with the opportunity to evaluate both our current holdings as well as potential investments.

Knowing that the market can overreact to the upside as well as the downside, as long-term investors we apply a disciplined approach with the goal of building portfolios that meet our clients' investment objectives beyond the market cycle.

## Fixed Income Review

With inflation ticking back up during the month, rates moved higher as a now diminished collective expectation for rate cuts anytime before late in the year at the earliest has set in. 2-year yields broke above 5%, flirting with highs reached back in October. The 10-year added about 50 bps to end the month at 4.69% - approaching, but still under previous highs. Typically, April is a weaker month for tax-exempt performance, which is normally attributed to tax related liquidations. This month was no different. In fact, municipal yields have risen for the past 7 weeks.

Despite the higher levels, rates have largely just moved in tandem with taxables. Relative value ratios are still in the "rich" range for tax-exempts. Meaning, that tax-free municipal yields still may not offer much if any advantage over taxables for investors other than those in the highest brackets. High-grade corporate bonds likely still offer some of the best yields on an after-tax basis in the investment grade realm.

We are again locking in rates well into the 5%'s anywhere in the short to intermediate area of the curve. As I do occasionally before writing our thoughts on the market for the current month's commentary, I pulled up several previous April remarks this morning to get a feel for what we were seeing in past years compared with now. Just three years ago, we reported corporate bond yields in the 2 to 10-year range as 0.35% to 2.37% and municipal rates as 0.10% to 0.99% in the same span. It goes without saying, today's market is certainly much more exciting!



All intelligent investing is value investing - acquiring more than you are paying for. You must value the business in order to value the stock.

-Charlie Munger



**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 05/01/2024. 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.