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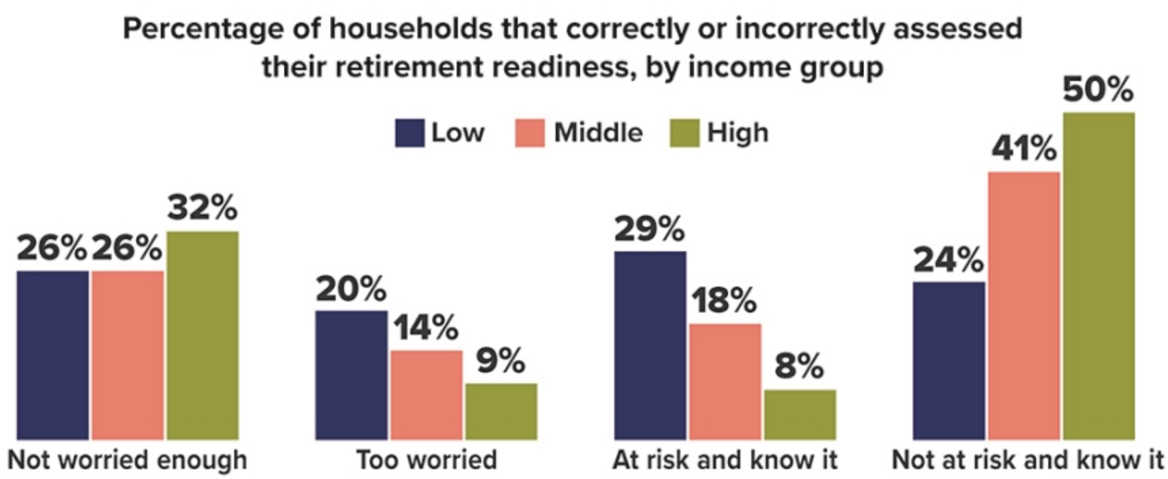
Do You Know If Your Retirement Is at Risk?

An analysis of data from the Federal Reserve *Survey of Consumer Finances* found that 47% of U.S. households were at risk of not having adequate retirement income, but only 19% were aware of their risk. On the other hand, 53% were not at risk, but only 38% knew it. This means that more than four out of 10 households were either too worried about their retirement readiness or not worried enough. It may be surprising that lower-income households were more likely to be too worried, while higher-income households were more likely to be not worried enough.



Source: Center for Retirement Research at Boston College, 2023

Q1 2024 Market Overview

Wall Street got off to a fast start to begin 2024. Investors were encouraged by strength in the economy, the likelihood of interest rate cuts, possibly beginning in June, and opportunities in artificial intelligence. Each of the benchmark indexes posted solid first-quarter gains led by the S&P 500 and the Nasdaq. Several indexes reached new highs throughout the quarter. The S&P 500 hit its first record high in two years late in January, leading to its best first-quarter performance since 2019.

Ten-year Treasury yields stayed around 4.20% for most of the quarter, up from 3.86% at the close of 2023. Roughly 76% of S&P 500 companies reported fourth-quarter corporate earnings that exceeded analysts' expectations. Some of the "Magnificent Seven" megacap stocks stumbled a bit in Q1. Nevertheless they were responsible for nearly 40% of the S&P 500's year-to-date gain, which is down from over 60% last year. Ten of the 11 market sectors posted quarterly gains, with industrials, information technology, communication services, financials, and energy climbing more than 10%.

The U.S. dollar underwent several ups and downs, ultimately closing the first quarter higher. Gold prices advanced to reach record highs. Crude oil prices, which began the year at about $71.00 per barrel, climbed nearly 16% to over $82.00 per barrel as oil exporting countries cut back on supplies. Rates jumped as high as 6.94% at the end of February, before falling to 6.79% at the end of March. The retail price for regular gasoline was $3.523 per gallon on March 25, $0.027 above the February 26 price and $0.407 higher than the price three months earlier. Regular retail gas prices increased $0.102 from a year ago.

Latest Economic Reports

Employment: Over the 12 months ended in February, employment increased by an average of 230,000 per month. The number of unemployed persons rose to 6.5 million, which was nearly 500,000 above the February 2023 figure.

Interest rates: The Federal Open Market Committee did not change the federal funds target rate following its March meeting. The decision to maintain rates was primarily because inflation, while easing in general, remained elevated. The Fed continued to forecast three rate cuts this year, although that could change based on incoming data.

GDP: The economy accelerated at an annualized rate of 3.4% in Q4. Compared to Q3 2023, personal consumption expenditures rose from 3.1% to 3.3%.

Inflation: Since February 2023, the Consumer Price Index rose 3.2%, prices for food rose 2.2%, shelter increased 5.7%, gasoline increased 3.8%, while energy fell 1.9%.

Housing: Sales of existing homes rose 9.5% in February, but were down 3.3% from February 2023. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.74%, down from 6.60% last year.

Manufacturing: Since February 2023, total industrial production was down 2%, manufacturing decreased 0.7%, mining rose 1.4%, while utilities increased 0.8%.

Consumer: Consumer confidence was little changed in March from February. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, slipped to 73.8 in March, down from 76.3 in February.

International markets: Falling inflation and rising purchasing power have increased hopes of a further economic rebound in the U.K. China's industrial profits expanded to start the year, offering further evidence that its economy may be stronger than some suggested. For March, the STOXX Europe 600 Index rose 3.8%; U.K.'s FTSE gained 4.5%; Japan's Nikkei gained 2.6%; and China's Shanghai Index dipped 0.2%.

Eye on the Quarter Ahead

The second quarter of 2024 will likely focus on election rhetoric, Q1 corporate earnings, and the ongoing turmoil in Ukraine and the Middle East. Investors will be watching for any signs of an interest rate cut by the Fed.

Market Measures: Beyond the Dow

When you hear or read that the market is up or down, what does that really mean? More often than not, it reflects movement in the two best-known stock market indexes, the Dow Jones Industrial Average and the S&P 500.

In fact, there are hundreds of indexes that track various categories of investments. While you cannot invest directly in an index, you can buy funds that track specific indexes, and you can look at indexes as a benchmark for certain portions of your portfolio. For example, the Dow or the S&P 500 might be a reasonable benchmark for your domestic stocks and stock funds, but you should not expect your entire portfolio to match the performance of those indexes.

Here are some commonly cited indexes.

The **Dow Jones Industrial Average** tracks stocks of 30 large well-known U.S. companies across a variety of business sectors. Originally a true average of stock prices, it now uses a divisor to adjust for stock splits, distributions, and substitutions — making it a *price-weighted index* rather than a true average.[1]

Unlike the Dow, the following indexes are weighted based on *market capitalization,* the value of a stock's outstanding shares. Market-cap-weighted indexes are skewed toward the performance of the larger companies in the index.

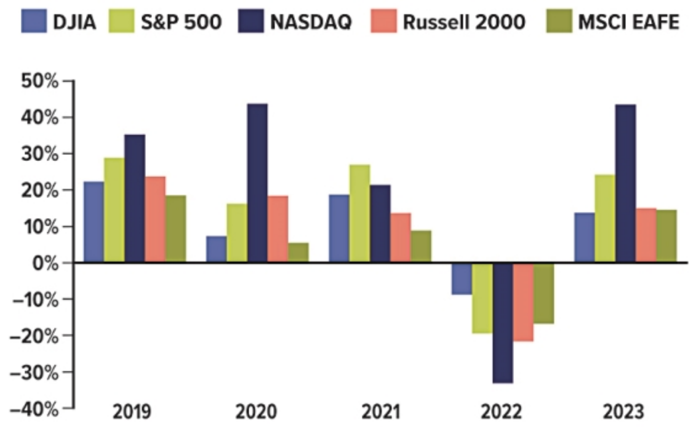
The **S&P 500** tracks a much broader range of large U.S. companies (large caps) than the Dow and is often considered representative of the U.S. stock market in general. However, it does not capture mid-size companies (mid caps) or small companies (small caps), which generally carry higher risk and higher growth potential than large companies and are tracked by the **S&P MidCap 400** and **S&P SmallCap 600,** respectively. Together these three indexes comprise the **S&P Composite 1500.** The number of stocks in S&P indexes may vary slightly from the number indicated in the name.[2]

The **NASDAQ Composite Index** tracks all domestic and foreign stocks traded on the Nasdaq Stock Market (about 3,400 in early 2024). It includes companies of all sizes across a range of industries but is heavily weighted toward technology companies. Many Nasdaq stocks carry higher growth potential but greater risk than the large domestic stocks tracked by the Dow and the S&P 500. The **Nasdaq-100** tracks the largest non-financial companies traded on the Nasdaq.[3]

The **Russell 3000 Index** tracks stocks of the 3,000 largest U.S. companies, ranked by market capitalization. The **Russell 1000 Index** tracks about 1,000 of the largest, essentially a combination of large caps and mid caps. The **Russell 2000 Index** tracks the rest and is the most widely used benchmark for U.S. small-cap stocks.[4]

Five Indexes, Five Years

Annual index performance (price only), 2019 to 2023



Source: London Stock Exchange Group, 2024, for the period 12/31/2018 to 12/31/2023. Dow Jones Industrial Average (DJIA) Price Index, S&P 500 Composite Price Index, NASDAQ Composite Index (price), Russell 2000 Price Index, and MSCI EAFE Price Index. The performance of an unmanaged index is not indicative of the performance of any specific security. Past performance is no guarantee of future results. Actual results will vary.

The **FT Wilshire 5000 Index** tracks the performance of all U.S. stocks with readily available price data, making it the broadest measure of the U.S. stock market. When established in 1974, the index contained around 4,700 stocks, and grew to more than 7,500 in 1998. The number has dropped since then, largely due to corporate consolidation, and the index included about 3,400 stocks in early 2024.[5]

The **MSCI EAFE Index** tracks about 800 large- and mid-cap stocks in 21 developed countries outside the United States and Canada and is a widely accepted benchmark for foreign stocks. The **MSCI World Index** includes the same 21 countries plus the U.S. and Canada and is heavily weighted toward U.S. stocks.[6]

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Investing internationally carries additional risks such as differences in financial reporting and currency exchange risk, as well as economic and political risk unique to the specific country. This may result in greater share price volatility.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1–2) S&P Dow Jones Indices, 2024; 3) Nasdaq, 2024; 4) FTSE Russell, 2024; 5) Wilshire, 2024; 6) MSCI, 2024

Get Ready to Visit the Metaverse

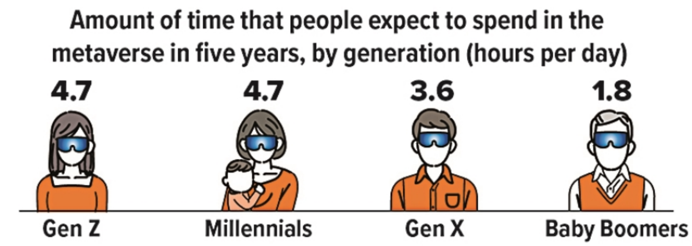
If you can't help but notice a growing fascination with "the metaverse," both in pop culture and the financial news, you may be wondering what all the buzz is about. Contrary to how it sounds, there is no single, definitive metaverse — at least not yet. The term refers broadly to the various 3-D digital spaces that are being created with emerging technologies such as virtual reality (VR), augmented reality (AR), and artificial intelligence (AI), so that people can have more lifelike online experiences.

Giant tech companies and innovative start-ups have already spent billions of dollars to build virtual worlds and develop related software, devices, and accessories (such as headsets, bodysuits, and gloves with sensors). And some of them have little to show for it but steep losses.[1]

Even so, continuing expansion of the metaverse is expected to have a major impact on the real business world, potentially to the tune of $100 billion by the end of the decade.[2]

Is It the Future or Just a Game?

With virtual reality, users can interact with the digital images and video that they see inside their goggles. Augmented reality means that digital content is overlaid on top of real-world views. Mixed-reality applications combine elements of VR and AR. Each user is depicted by an avatar that represents that person's online identity.



Source: McKinsey, 2022

As it stands now, social gaming platforms are the most popular and familiar example of the metaverse. However, early adopters have donned their headsets to participate in immersive workout sessions and attend virtual live events such as concerts and music festivals. One survey found that many people can see themselves using the metaverse to shop (48%), seek health care (47%), travel virtually to other places (46%), catch up with friends and family (45%), learn something new (43%), collaborate with others (35%), or even go on a date (28%), in the next five years.[3]

Tech moguls seem confident that the metaverse is the inevitable evolution of the internet. Still, it's yet to be seen how compelling these virtual worlds will turn out to be. And with cutting-edge devices selling for $1,500 to $3,000 and up, it could be a while until access to the metaverse is affordable for the typical consumer.[4]

1–2, 4) Bloomberg.com, January 23, 2023

3) McKinsey, 2022