February 2024

Seacoast
WEALTH MANAGEMENT

Market Update

Out of The Blocks…a familiar story

That's a wrap on the first month of the year and Growth is, once again, head of the pack. If this story sounds familiar, well, that's because it is. January of 2023 saw domestic markets rally with the S&P up 6.2%, and the Russell 1000 Growth up 8.3%. Albeit more modest than last January, this year saw the S&P and Russell 1000 Growth close the month up 1.6% and 2.5%, respectively.

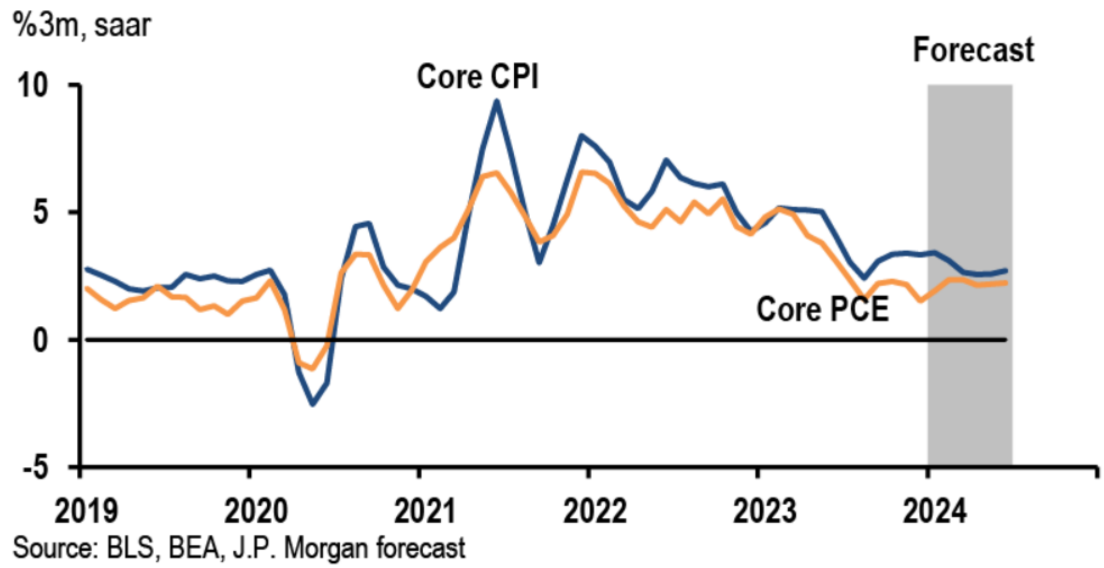
S&P 500 Index: Forward P/E ratio

Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	19.51x	16.59x	0.90
CAPE	Shiller's P/E	32.43x	27.55x	0.79
Div. Yield	Dividend yield	1.54%	2.00%	1.33
P/B	Price to book	3.97x	3.11x	1.10
P/CF	Price to cash flow	14.82x	11.13x	1.64
EY Spread	EY minus Baa yield	-0.33%	0.04%	0.20

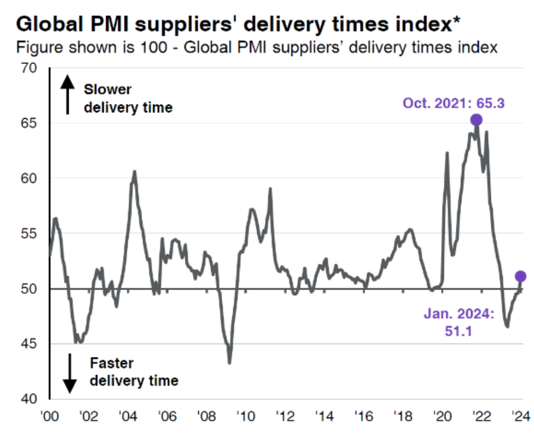
Source: J.P. Morgan Asset Management

So what's different about this January?

The start of '23 came off the back of an extremely challenging year for nearly every investable asset class. Moreover, this January's equity rally – really the rally of the past couple of months – seems to have been propelled by a goldilocks disinflation scenario which, ostensibly, would allow the Fed to cut rates earlier (and sharper) than expected. It's also an election year with Powell and Co seemingly chucking their independence with December's major pivot on this rate hiking cycle. If rates drop, cost of capital decreases, profit margins expand, and longer-duration assets outperform - making shareholders and the Street happy. That's the theory anyway. Simultaneously, January also saw the announcement of several strong economic indicators with GDP up 3.3%, employment numbers beating expectations (keeping unemployment steady at 3.7%), wages continuing to climb, and core prices (ex. food and shelter) down for the twelve (12) months ending this past December.



As prudent stewards of your capital, our job is to find flaws in the goldilocks scenarios. We prefer to champion a more balanced approach to managing portfolios than simply chasing headlines and fads. To bring your attention back to the economic data, if these trends continue, specifically employment and wage growth which has been fueling domestic GDP through consumer spending, we could see a once overzealous market reverse course upon the realization that the anticipatory rate cuts may be fewer and farther between. Sprinkle in the seemingly ever-present geopolitical risks – Russia/Ukraine, China/Taiwan, and troubles in the Middle East which now include global supply chain worries out of the Red Sea – and you've got yourself the recipe for some volatility.



Source: Standard & Poor's, J.P. Morgan Asset Management. *Conducted in 44 countries. Manufacturing and construction sectors. A reading of 50 = no change, <50 = faster delivery time, >50 = slower delivery time

At Seacoast, we inoculate your portfolios against some of the volatility through thoughtful diversification at the asset class level and individual security level, and we will take the opportunity presented by the volatility to deploy capital at more attractive entry points. One example with taxable fixed income is our continued emphasis on shorter-duration investment grade corporate bonds. While spreads are still not signaling recession, we are able to lock in yields to maturity (YTM) more than one percentage point above treasuries without extending beyond four-year maturities. These bonds generate attractive total returns with much less volatility than the overall bond market. On the equity side, we are steadfast in maintaining the disciplined approach to selecting quality companies, whose businesses we understand, with the ability to generate positive cash flows that reward shareholders, helmed by management teams capable of navigating the shifting tides of full market cycles.

If you have any questions, please do not hesitate to reach out to your trusted investment advisor.

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Sources: JP Morgan Asset Management; NASDAQ; FactSet; Bloomberg; Broadridge: Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified, when necessary, with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks.