Chris Hyzy: This is Chris Hyzy, chief investment officer for the Viewpoint update for April, titled "No Madness Here."

Stock markets gathered further momentum reaching new record highs in the first quarter of this year, with the S&P 500 posting its second straight quarter of double-digit gains. During this latest advance, equities have been undergoing visible rotation. Cyclicals, more value-oriented segments, and small capitalization shares have been outperforming. Inflation gauges bottomed in the fourth quarter of 2023 and have been range-bound since.

Economic growth in the U.S. has been supported by easier financial conditions to start this year, which is also underpinned better than expected corporate profits, all of which has increased liquidity and also increased the support mechanisms for the overall risk asset spectrum, namely equities.

Federal Reserve monetary policy is still suggesting a soft landing. However, the Fed funds rate futures markets are now at a 50% probability of rate cuts starting in June, given the stronger than expected data. This is much different than the closeout last year, which was virtually 100% probability that there would be cuts starting in June.

When we talk about madness, madness may be across the college basketball landscape in the month of March, but not the capital markets globally. As we already discussed, equities around the world have continued their mini melt-up phase hitting new highs and key indexes, with leadership shifting from very narrow to wider participation across sectors. The sectors that outperformed for the first quarter were namely, industrials, communications services, financials, and energy overall. The one lone sector that underperformed and was in the negative was real estate.

Momentum in the largest market cap companies is also peaking out and coming down, while devalued and lower valued areas have begun to show some life. We expect this rotation to continue, but that doesn't mean the mega-cap technology segment is done propelling indices higher overall, in our opinion. We maintain a benchmark position in this area due to their powerful profit growth and higher quality balance sheets.

We continue to advocate buying on a weakness into the spring. We expect some consolidation and choppiness as we head further into April overall. We favor industrials, energy, consumer discretionary, and healthcare from a sector standpoint, and continue to maintain our preference for higher quality, large and small caps in the U.S.

This melt-up period has been extended for well over 20 weeks, the longest period of gains since April and October of 2023. We are now in the 98th percentile as it relates to overall momentum where a number of equities in the United States continue to propel the index higher. But again, as the rotation has taken further into the rest of the S&P 500, this 98th percentile reading suggests to us on a technical basis, weakness is around the corner. Again, we would be buyers on weakness, in our opinion.

We expect yields to come down before backing up one more time again as inflation gauges show that they are stubborn, and we still keep three cuts by the Federal Reserve, starting in June, although that continues to be at risk of less than expected cuts overall.

That'll do it for today. Thanks for listening.

Operator: Please see important information provided in this report.

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