# WEEKLY MARKET RECAP: March 25 – March 28, 2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

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U.S. 10-year Treasury yields have increased 34 basis points year-to-date and have remained above 4% since early February. Yet over the same period, stocks have rallied 10%. At first glance, this dynamic may seem counterintuitive, because high and rising interest rates are typically associated with weaker equity market performance. However, in today's market, this relationship has deteriorated, because investors have interpreted the rise in interest rates as a reflection of resilient economic activity, accompanied by expectations for robust profit growth. The market's confidence was reinforced after last week's FOMC meeting, as the committee's updates to its Summary of Economic Projections (SEP) illustrated a rosier economic outlook. Real GDP growth projections were revised upwards from below-trend growth rates in December. The year-end unemployment rate forecast was revised downwards for 2024 and kept unchanged for 2025. Headline PCE projections were left unchanged at 2.4% for year-end 2024, but core PCE projections did increase slightly to 2.6%. Despite the increase in core PCE projections, in January headline and core PCE grew 2.4% and 2.8% y/y, respectively, highlighting that we are already close to meeting the FOMC's expectations. As such, the committee's policy rate projections continued to signal three rate cuts this year but a downward revised three cuts in 2025 as the economy and labor market are expected to remain healthy.

For equities, the key takeaway is that interest rates will likely stay higher for longer given the gradual pace of policy rate cuts laid out in the SEP. In an environment of higher rates and return-to-trend growth, quality will be key, particularly as valuations remain stretched and earnings estimates are downgraded. Investors should focus on attractively priced stocks with reliable revenue streams, prudent cost management, and low interest rate exposure.

**Thanks for reading! Have a great weekend.**





+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol