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VANTAGE POINT

QUARTERLY MARKET RECAP & OUTLOOK | FIRST QUARTER, 2024

MEET A TEAM MEMBER



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VP / Regional Manager Financial Services Delivery

Ben Howe is a Vice President and Financial Advisor for C&N Wealth Management. He has served C&N clients for 12 years across the Northern Tier of PA and Southern Tier of NY regions. Ben works with families and individuals to develop

comprehensive financial, retirement, and estate plans. He enjoys the complexity of finance, as well as the challenge of creating unique plans for his client's needs. "There is great satisfaction helping people take more control over their financial future," states Ben. "What separates C&N's Wealth Department is the collection of talented individuals with diverse skill sets. Together as a team, we bring more value than any single person could alone."

Ben is a Certified Trust and Financial Advisor. He graduated as an honors athlete with bachelor's and master's degrees in business and finance from St. Bonaventure University, in Olean, New York. He has deep ties and is a committed member of our community. He is President of the Knoxville Youth Baseball and Softball Association, Vice President of Cowanesque Valley Recreation Association, Coach of River Valley Youth Golf Program, recently served three years on the Northern Tioga School Board, and a founding board member of the Northern Tioga Education Foundation. He was raised and currently resides in Tioga County with his wife and two children.

Key Equity Indexes - As of Quarter End	%YTD Return**	NTM P/E**	P/B**	Dividend Yield**
S&P 500	10.56	20.95	4.56	1.31
Russell 2000	5.18	23.54	1.95	1.28
Russell 1000 Growth	11.41	27.82	11.95	0.63
Russell 1000 Value	8.99	16.09	2.45	2.09
MSCI EAFE	5.93	14.38	1.84	2.94
MSCI EM	2.44	12.24	1.62	2.83

Sources: JP Morgan Weekly Market Recap; Northern Trust. Past performance does not guarantee future results, which may vary.
 ** As of 3/29/2024

Key Interest Rates	2024			
	6/30/23	9/29/23	12/29/23	3/29/24
2-yr Treasury Note	4.87	5.03	4.23	4.59
10-yr Treasury Note	3.81	4.59	3.88	4.2
30-yr Treasury Note	3.85	4.73	4.03	4.34
30-yr Fixed Mortgage	6.75	7.41	6.83	6.93
Corp. Bond Index	5.48	6.04	5.06	5.3
High-Yield Bond Index	8.58	8.98	7.8	7.83

Sources: JP Morgan Weekly Market Recap & Oppenheimer Markets Review At-a-Glance
 Past performance does not guarantee future results, which may vary.

2024 YTD STYLE PERFORMANCES**

Equity Size	US Equity Style			MSCI World Style			US Fixed Income Maturity***			Quality
	Value	Core	Growth	Value	Core	Growth	Short	In-termed.	Long	
Large	8.99%	10.29%	11.41%	7.77%	9.27%	10.62%	-0.05%	-0.36%	-3.26%	Government
Medium	8.23%	8.60%	9.49%	6.27%	6.75%	7.47%	0.60%	0.26%	-1.69%	Corporate
Small	2.90%	5.17%	7.58%	3.44%	4.39%	5.32%	1.54%	1.45%	2.07%	High Yield

Source: Northern Trust, Goldman Sachs Asset Management Market Monitor & Oppenheimer Markets Review At-a-Glance | US Equity Style Returns - Russell Indices Past performance does not guarantee future results, which may vary.
 **As of 3/29/2024

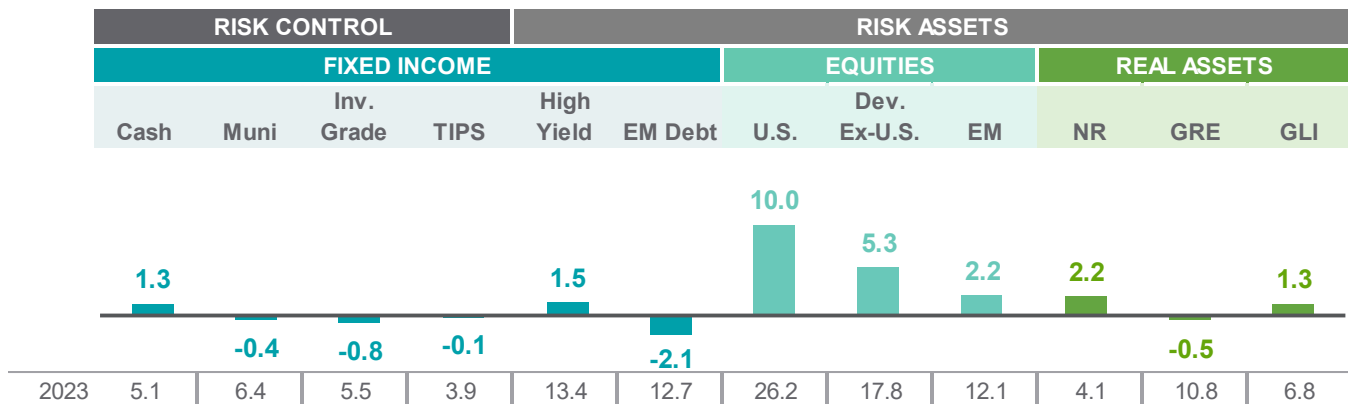
CONTINUED U.S. EXCEPTIONALISM

2024 saw the strongest start for U.S. large cap stocks since the pandemic. Stocks were up 10.6% as measured by the S&P 500. This was on the heels of strong risk asset returns in the fourth quarter of last year. Returns were positive for equities in most major regions but U.S. stocks continued to outperform international markets. The only major stock market to outperform the U.S. was Japan, which gained 10.6% in U.S. dollar terms and 18.8% in local currency terms. Emerging market stocks saw positive but lackluster returns of 2.2% primarily driven by weakness in China equities which fell 2.2% (in U.S. dollar terms). Strength in the U.S. dollar (up roughly 3%) did not help international equity returns for U.S.-based investors. Within the U.S., large cap stocks continued to outperform more interest-rate-sensitive small cap stocks and growth stocks outperformed value. Nominal Treasury yields rose in the first quarter led primarily by an increase in real yields as economic growth continued to surprise on the upside. Inflation expectations also rose. Except for modestly positive returns for cash and high yield bonds, fixed income sector returns were slightly negative. High yield was the best-performing sector within fixed income, as all-in yields made up for the backup in interest rates. Within real assets, returns were strongest for natural resources while global real estate gave back some of its gains from last year.

Strength in domestic equities was driven by continued resilience of the U.S. economy and the improving earnings outlook. While the prior quarter saw fears of recession recede, this quarter markets were encouraged by the resiliency of the U.S. economy in the face of restrictive monetary policy. The current Fed funds rate is nearly 300 basis points higher than the Fed's estimate of the longer-run neutral policy rate. Markets were also likely encouraged by the dovish narrative from the Fed – which has essentially signaled an end to the hiking cycle and potentially the start of easing this summer. Progress on inflation towards the end of last year was substantial and this led to market expectations of as much as six rate cuts at the beginning of this year. However, progress towards the Fed's stated goal of 2% inflation stalled in the first two months of the year with both January and February experiencing higher than expected inflation. These strong inflation readings forced the forward rates markets to rein in expectations of several cuts and they are now closer to our expectations of three cuts this year. Risk assets have taken the reduction in expected rate cuts in stride but it remains to be seen whether lofty valuations, worries of lingering inflation and therefore higher for longer rates, test the resiliency of stock markets.

FIRST QUARTER 2024 TOTAL RETURNS (%)

The 60/40 portfolio got off to a strong start to the year with equities continuing to rise and fixed income only slightly lower.



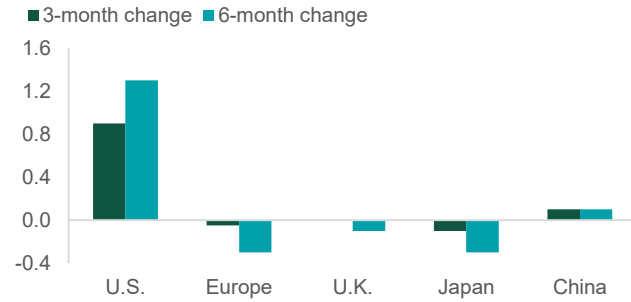
Source: Northern Trust Asset Management, Bloomberg. NR: Natural Resources; GRE: Global Real Estate; GLI: Global Listed Infrastructure. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

KEY DEVELOPMENTS

U.S. Economic Resilience on Repeat

U.S. economic resilience is still in the spotlight with solid labor markets and a relatively healthy consumer backdrop. Recession talk has diminished with more bearish economic prognosticators either removing recession predictions or extending to 2025 or later. The U.S. growth trajectory has stood out versus its global peers with noticeable upward revisions to consensus 2024 forecasts and the Fed's economic projections. Outside the U.S., the economic outlook has stabilized, including a rebound in manufacturing PMI data.

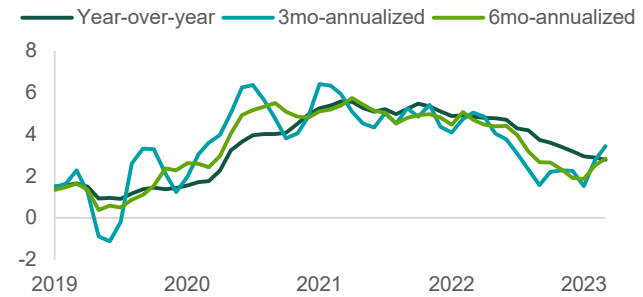
CHANGE IN 2024 CONSENSUS GDP GROWTH (%)



A Bumpy Path to 2% Inflation

U.S. inflation appears to be on a trajectory towards 2% with some fits and starts along the way. Firmer inflation readings in January and February were relatively well-digested by both central bankers and financial markets. Disinflation in core goods has stalled somewhat while services remains stickier including the long-anticipated (and still waiting) downturn in housing-related inflation. Nonetheless, core inflation has continued to move lower on a year-over-year basis – albeit at a slower pace – from a peak of over 5% to the current level of 2.8%.

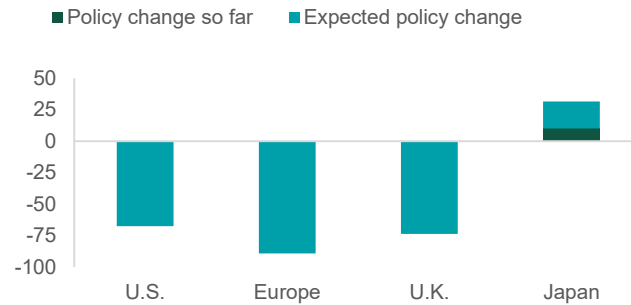
CORE PCE INFLATION (%)



Monetary Policy Patience

Most major developed market central banks were on-hold in 1Q. Improving economic growth and elevated-but-moderating inflation have allowed central bankers to be patient as they navigate the transition from rate hikes to rate cuts. That being said, Japan is on a different path and the Bank of Japan (BOJ) raised rates by 10 basis points in March to end the era of negative-rate policy. Investors expect about 20 basis points (bps) more of BOJ tightening in 2024 – in contrast to ~70-90 bps of easing from its primary developed market peers.

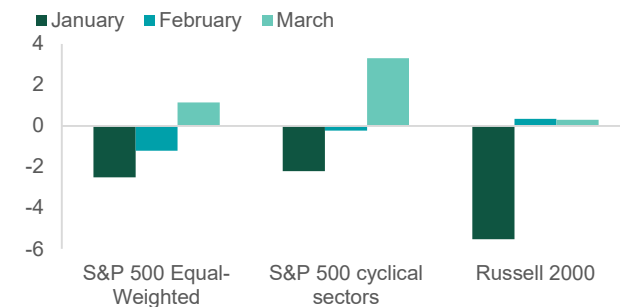
EXPECTED 2024 CENTRAL BANK ACTIVITY (BPS)



Another Double-Digit Quarter for the S&P 500

Market concentration remains top of mind but a singular focus on the “Magnificent 7” does not capture the full story. On one hand, the “Magnificent 7” gained 17% in 1Q (~36% of the S&P 500's return) and tech-related earnings growth was a key source of strength in 4Q2023 earnings season. However, equity market breadth improved throughout the quarter with cyclical sectors among the top performers (energy, financials, etc.) – supported by the improving macroeconomic backdrop and declining interest rate volatility.

RELATIVE RETURNS VS S&P 500 IN 1Q2024 (%)



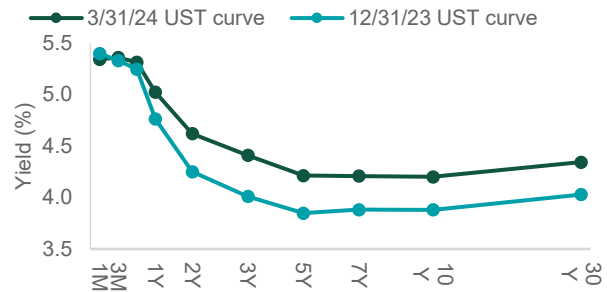
Source: Northern Trust Asset Management, Bloomberg. Data as of 3/31/2024. Note: GDP: gross domestic product; PCE: personal consumption expenditures; Cyclical sectors: energy, materials, industrials, financials. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

MARKET REVIEW

Interest Rates

Treasury yields two years and out rose ~30-40 basis points (bps) and market expectations for 2024 Fed rate cuts repriced from over six to under three. Investors are split on if the first cut will occur in June versus later in the year. In response to upside surprises on both growth and inflation data during the quarter, monetary policymakers communicated an unhurried transition to rate cuts. Nonetheless, the Fed's base case remains for lower inflation and multiple rate cuts before year end as risks to achieving its goals come into better balance.

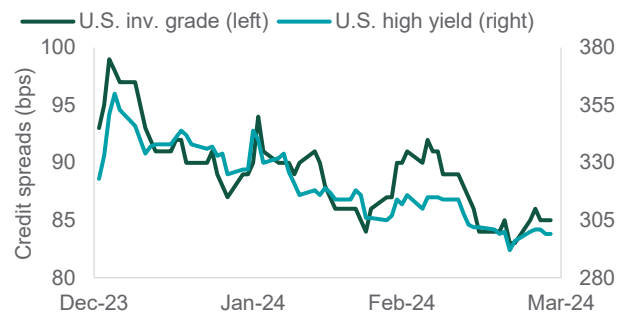
U.S. TREASURY YIELD CURVE



Credit Markets

Spreads incrementally tightened across the quarter reflecting a durable macroeconomic backdrop and supportive technicals. Investment grade (IG) spreads tightened 8 bps to 85 bps and high yield (HY) spreads tightened 24 bps to 299 bps. For both asset classes, spreads now sit ~40% below their monthly average since 1999. From a return standpoint, tighter spreads within IG fixed income failed to overcome duration headwinds from higher interest rates and the asset class lost 0.8%. HY still managed to gain 1.5%.

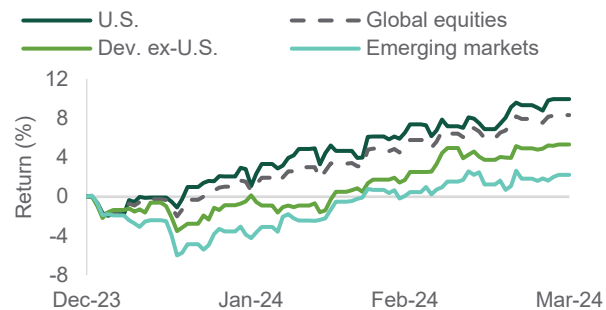
CREDIT SPREADS



Equities

Global equities had another robust quarter at +8.3%. U.S. equities led the major regions with a 10.0% gain as equity investors embraced higher odds of a soft landing. Developed ex-U.S. equities were also solid at +5.3% on the quarter. Emerging market equities gained 2.2%, but China equities suffered a roughly 2% loss. For the most part, the global equity gains were driven by valuation expansion. Despite higher interest rates, investor expectations for a global earnings growth acceleration and several central bank easing cycles remain in place.

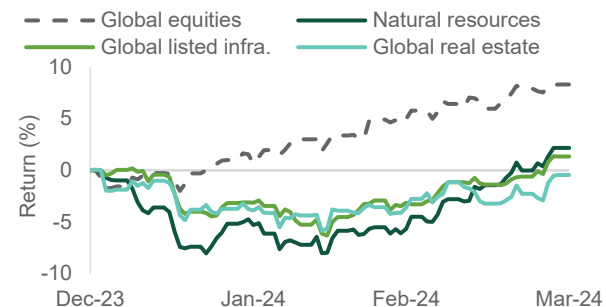
REGIONAL EQUITY INDICES



Real Assets

The real assets we track lagged global equities by 6-to-9%. Global real estate (-0.5%) was the only one to end in the red. Listed infrastructure (+1.3%) and natural resources (+2.2%) earned small positive gains. Macro forces were likely at play, including higher rates and risk-on sentiment weighing on relative infrastructure returns. Metals bogged down natural resources, which eventually found its footing on a firmer growth outlook. Idiosyncratic impacts also likely played a role with decent sector-level dispersion within each asset class.

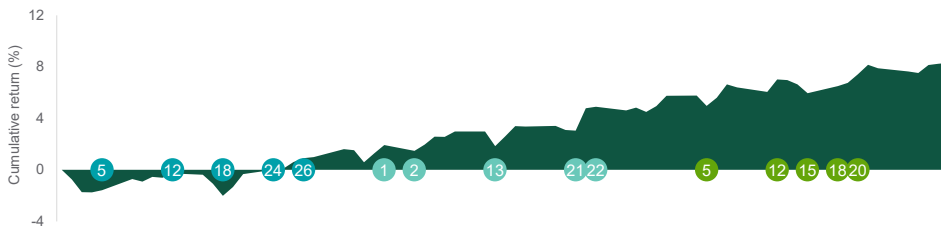
REAL ASSET INDICES



Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

MARKET EVENTS

■ 1Q 2024 global equity total return: 8.3%



JANUARY	FEBRUARY	MARCH
<p>5 The U.S. December jobs report is solid. More jobs are added than expected (216k versus 175k), the unemployment rate is unchanged (3.7%) and wages grow 4.1% year-over-year.</p>	<p>1 Concerns of systemic risk in the commercial real estate (CRE) sector resurface after New York Community Bancorp (NYCB; down 42%) reports losses from its CRE portfolio.</p>	<p>5 At the annual National People's Congress, China reveals 2024 targets mostly consistent with the prior year: ~5% growth, 3% inflation and a 3% fiscal deficit.</p>
<p>12 Tensions escalate in the Middle East after the U.S. and U.K. carry out joint airstrikes against Houthi targets. Oil prices rise following the operation.</p>	<p>2 The U.S. releases a strong jobs report with 353k jobs added and upward prior-month revisions. Wages accelerate and the unemployment rate holds.</p>	<p>12 U.S. CPI comes in warmer than expected for the second month in a row. Energy prices help push up headline CPI to 3.2% y/y from 3.1% y/y.</p>
<p>18 The European Central Bank and Fed official messaging leans towards being in no rush to cut rates in the very near term while also highlighting the risk of easing policy too soon.</p>	<p>13 U.S. CPI prints hotter than expected at 3.1% y/y versus 2.9% expected. Core CPI also comes in hotter than expected at 3.9% y/y and is unchanged from the prior reading.</p>	<p>15 The initial results of the Shunto negotiations show an average wage hike of 5.3%. The initial results point to the biggest Japan wage hikes in over 30 years.</p>
<p>24 The People's Bank of China delivers a surprise 50-basis point (bp) cut to its reserve requirement ratio as part of a broader effort to stabilize its economy and financial markets.</p>	<p>21 NVIDIA (NVDA) posts a "beat earnings and raise guidance" quarter that supports broader market enthusiasm surrounding artificial intelligence.</p>	<p>18 The Bank of Japan raises its target policy rate by 10 bps to 0.0-0.1%. It marks the first hike in 17 years and the end to its negative interest rate regime that had been in place since 2016.</p>
<p>26 The Fed's preferred price measure, Personal Consumption Expenditures (PCE), contains no major surprises and shows continued progress on disinflation.</p>	<p>22 The U.S. manufacturing Purchasing Managers' Index (PMI) rebounds to 51.5 while the services PMI eases but remains strong at 51.3.</p>	<p>20 The Fed maintains a three-cut projected baseline for this year. The median growth forecast is upgraded to 2.1% from 1.4%, while core inflation was slightly raised to 2.6% from 2.4%.</p>

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Indexes used: Bloomberg (BBG) 1-3 Month UST (Cash); BBG Municipal (Muni); BBG Aggregate (Inv. Grade); BBG TIPS (TIPS); BBG High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities IMI (Em. Markets Equities); S&P Global Natural Resources (Natural Resources); MSCI ACWI IMI Core Real Estate (Global Real Estate); S&P Global Infrastructure (Global Listed Infrastructure).

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REDUCED HEADWINDS TO RISK ASSETS

The U.S. economy remains resilient. We expect growth to be close to trend and inflation to come down slowly. In this environment, we expect the Federal Reserve to cut rates around the second half of the year. A similar picture is emerging in some of the key developed markets outside of the U.S. The probability of a prolonged downturn in Europe has declined with credit conditions improving, strength in labor markets and the European Central Bank expected to cut rates later this year. We are not expecting strong Eurozone growth in 2024, but an environment of sluggish growth. The U.K. experienced a technical recession late last year, but strength in employment and expectations of a pick-up in housing activity suggest that risks of a further leg down in activity have fallen. Similarly, Japan is benefiting from continued resiliency of the global economy. Slowdown in Chinese growth remains a source of risk. However, this may be already reflected in the underperformance of their stocks.

Fourth quarter earnings season in the U.S. has reflected this economic resiliency. Except for pockets of U.S. equities, valuations are not a source of concern in major developed regions. Global policy easing, with the exception of Japan, will be a tailwind to global growth.

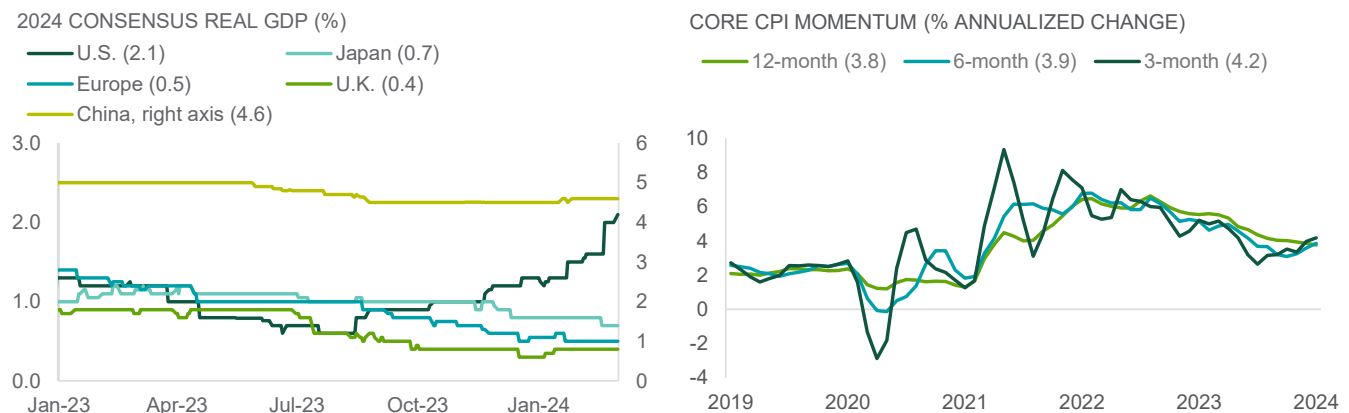
Inflation remaining above central banks' targets is a key risk but we continue to see scope for inflation to come

down as rental costs abate and wage increases moderate. We also see lingering concern surrounding commercial real estate and more opaque areas of consumer lending, as well as another leg down in the Chinese economy as potential sources of broader financial market risk.

Against this backdrop, of easier financial conditions and broadening growth momentum, we are upgrading equities to neutral. We have no regional preferences. We are modestly underweight core fixed income, reducing allocations of cash and investment grade (IG) bonds. Yields in investment grade corporate bonds have not been high enough to offset negative return drag from duration impacts. Note, the duration of IG is fairly high at 6.7 years. In the context of a diversified fixed income portfolio, we are underweight inflation protection bonds in favor of higher yielding bonds. High yield spreads are low by historical standards, but the combination of lower duration and higher yields provides some protection against a backup in rates. We are neutral all assets within the real assets category. These assets serve a more strategic allocation purpose and we do not currently see any compelling reasons to deviate tactically.

BETTER GROWTH EXPECTATIONS

U.S. economic growth expectations have continued to improve, but stubborn inflation remains a risk.



Source: Northern Trust Asset Management, Bloomberg (BBG). Left chart: BBG consensus data. Consensus Gross Domestic Product (GDP) is the average level of the y/y change during the year (i.e., it uses 8 quarters of data). *Inflation measures vary by region: core Personal Consumption Expenditures (U.S.), core Consumer Price Index (Europe and Japan) and headline Consumer Price Index (U.K., China). Data as of 3/4/2024. Right chart: CPI = Consumer Price Index. Data as of 2/29/2024.



C&N PORTFOLIO POSITIONING: STILL NEUTRAL WITH SLIGHTLY DEFENSIVE TILT

C&N Vantage Point
April 2024



Market Views:

U.S. Equities Are Fairly Priced. Markets Are Due For Consolidation. Fed Will Begin Rate Cuts In The Second Quarter. Remain Diversified. Rotation In Equity Leadership Likely.

Market Risks:

Earnings Decline And Price Multiples Contract Accordingly. Rate Cuts Do Not Materialize. Inflation Remains Persistent. Geopolitical Risks Escalate And Pressure Financial Markets.

Risk Type	Asset Class	Sector Category	Under Weight	Neutral	Over Weight	Viewpoints
Risk Control	Cash/Cash Alternatives	Ultrashort Bonds				We retain our overweight as short-term rates remain attractive, but Fed rate cuts may be nearing. This remains a source of funds for a targeted trade with an eye on adding to equities preferred.
		Absolute Return				This is a bond alternative category. Given current yields, we believe core fixed income provides better risk/reward. We retain our underweight.
		Inflation-Linked Bonds				Inflation expectations impact TIPS pricing more than actual inflation. Expectations are leveling. We remain slightly underweight preferring US Large Value and Natural Resources as inflationary hedges.
Risk Control	Fixed Income	US Investment Grade Bonds				Yields provide respectable entry points. Subsiding inflation and expected Fed rate cuts argue for lower yields but increased U.S. government debt issuance will likely provide a floor for yield declines.
		International Bonds				U.S. yields are higher than yields of most foreign developed markets. The U.S. economy is also stronger than most foreign developed economies. We stay underweight international bonds.
		Emerging Markets Bonds				Many EM economies are more susceptible to inflation, slowing growth, and geopolitical concerns. Spreads have tightened. We retain our slight underweight favoring the risk/reward of domestic bonds.
		High Yield Bonds				Yields remain attractive relative to other fixed income asset classes, but the spread to Treasuries remains below average. We maintain our neutral position believing a near term recession is unlikely.
		US Large Cap				We remain overweight value relative to growth to help provide a slightly defensive tilt to the portfolio and it keeps the portfolio positioned for a possible leadership rotation.
Risk Assets	Equities	Developed Ex-US				We maintain neutral to foreign large cap and underweight to foreign small/mid keeping our slight underweight to the category. We see more resiliency in the U.S. economy.
		US Mid & Small Cap				We maintain our allocation to neutral with a preference for mid cap. U.S. economic strength, expected Fed rate cuts, and underperformance relative to U.S. large companies support our positioning.
		Emerging Markets				We maintain an underweight but valuations are reasonable. China remains an area of concern but other emerging market countries, such as India and Mexico, present opportunities.
		Real Estate				REITs have been hurt by the volatile rate environment; however, Fed rate cuts may provide opportunity and current income is attractive. We remain neutral but will consider adding depending on rates.
Risk Assets	Alternatives (Equity Based) & Real Assets	Commodities/Natural Resources				We maintain our slight overweight position as valuations are reasonable and commodities often provide a hedge against geopolitical risks. This category may be part of a rotation trade.

Note: Views are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector. Client portfolios may or may not be at the recommended weightings above due to, but not limited to: distributions, tax management limitations, systematic purchases, etc. NOT FDIC INSURED / MAY LOSE VALUE / NO BANK GUARANTEE



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