

Making Sense

Each month, **Chief Investment Officer, Brent Ciliano** and **Director of Market and Economic Research, Phillip Neuhart** help you make sense of the markets and the economy. Below you'll find a summary of their most recent update. Watch the full update [here](#), and [register for the next Making Sense webinar](#).

COVERED ON THIS MONTH'S WEBINAR:
(WATCH IT [HERE](#).)

- Economic update
- Bear markets: drawdowns and recoveries
- Where do markets go from here?

WHAT'S NEXT?

Making Sense Webinar: 8.31.2022 – Register [here](#).

Want Weekly Updates? Follow [Making Sense: In Brief](#) for updates every Monday.

Recession risk has risen. Here's what to expect in the next 12 months.

The risk of a recession has risen, and it's now a coin flip as to whether we see a recession in the next 12 months. Since May, we have increased the probability of a recession from 45% to 50%. Unfortunately, neither a recession nor mid-cycle slowdown are easy periods for investors.

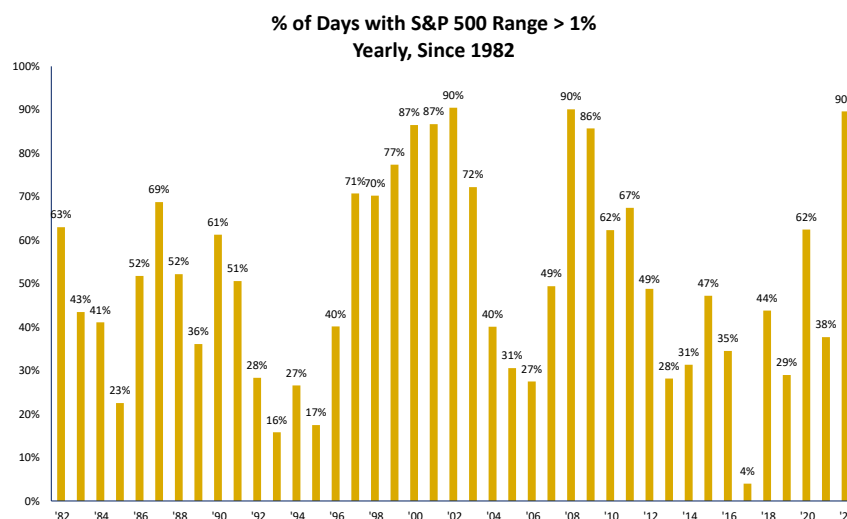
- **Bear case (50%):** Recession
- **Base case (45%):** Mid-cycle slowdown
- **Bull case (5%):** Re-acceleration

If a recession does occur, there is a silver lining: Consumers and corporations are both strong. We believe a recession would be cyclical in nature—likely a shallower and shorter duration drawdown.

Highest Percentage of 1% (or More) Moves Since 1982!

So far this year, 90% of S&P 500 trading days have exceeded a 1% gain or loss, and we think such volatility could continue. That said, we still believe a lot of economic uncertainty has already been priced into both fixed income and equity markets.

Figure 1:



Source: Bloomberg

Bottom Line for Markets:

- Wall Street consensus S&P 500 12-month forward price target is 4,785.65 or 21% return from close on July 22nd close of 3,961.63.¹
- Our 2022 S&P 500 price target is 4,350 equating to ~-8.5% growth over 2021.
 - 8-10% earnings growth
 - 15-20% multiple contraction

Capital Management Group | First Citizens Bank | 8510 Colonnade Center Drive | Raleigh, NC 27615

Brent Ciliano, CFA | SVP, Chief Investment Officer

brent.ciliano@firstcitizens.com | 919.716.2650

First Citizens Bank | 8510 Colonnade Center Drive | Raleigh, NC 27615

Phillip Neuhart | SVP, Director of Market and Economic Research

phillip.neuhart@firstcitizens.com | 919.716.2403

The views expressed are those of the author(s) at the time of writing and are subject to change without notice. First Citizens does not assume any liability for losses that may result from the information in this piece. This is intended for general educational and informational purposes only and should not be viewed as investment advice or recommendation for a security, investment product or personal investment advice.

Your investments in securities, annuities and insurance are not insured by the FDIC or any other federal government agency and may lose value. They are not a deposit or other obligation of, or guaranteed by any bank or bank affiliate and are subject to investment risks, including possible loss of the principal amount invested. Past performance does not guarantee future results.

First Citizens Wealth Management is a registered trademark of First Citizens BancShares, Inc. First Citizens Wealth Management products and services are offered by First-Citizens Bank & Trust Company, Member FDIC; First Citizens Investor Services, Inc., Member [FINRA/SIPC](#), an SEC-registered broker-dealer and investment advisor; and First Citizens Asset Management, Inc., an SEC-registered investment advisor.

Brokerage and investment advisory services are offered through First Citizens Investor Services, Inc., Member [FINRA/SIPC](#). First Citizens Asset Management, Inc. provides investment advisory services.

i Bloomberg as of 7/22/22