

Making Sense

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Market & Economic Update Highlights: Raising Our 12-Month Price Target

In this month's market update, we discussed the Fed's monetary policy, potential for a recession in the next twelve months, and the nature of the US equity rally thus far this year.

Markets have outperformed. We're updating our price target.

In [our 2023 market outlook](#) recorded December of last year, we set our 12-month forward looking price target at 4,100 for the S&P 500, indicating a 7% gain from the 12/31/2022 price. Thus far this year, the market has outperformed our and consensus expectations by a relatively material amount.

As we look ahead to the next 12-months, we are raising our price target for the S&P 500 to 4,500, a single-digit rise from S&P's current level (Figure 1). Given the rapid rise in US equities, we continue to expect volatility in coming months, but the market fundamentals point to a modestly higher US stock market looking a full year into the future. Risks to the economic and earnings outlook persist, and thus, we continue to have more downside in our bear case than upside to our bull case.

Details of our bear, base, and bull cases below (please watch the [full market update](#) for further details):

- Bear case: downward next twelve-month (NTM) EPS revision, followed by below average EPS growth in 13-24M. Price-to-earnings contraction.
- Base case: modest NTM EPS downward revision, followed by average EPS growth (7.5%) with slight multiple contraction.
- Bull case: positive NTM EPS revision, followed by slightly above average EPS growth with slight multiple expansion.

Figure 1ⁱ

Next Twelve-Month S&P 500 Price Target		
	NTM Price Level	Percent Change from 6/26
Bear	3,400	-21.5%
Base	4,500	4.0%
Bull	5,150	19.0%

Our Bottom Line for Markets

Although markets have outperformed the first part of this year, we believe the road to 2024 will see increased volatility in equity markets. We continue to believe finding the balance between stocks and bonds will matter in 2023 and beyond. Further, we believe diversification within a balanced portfolio will matter in 2023 and beyond. For more information, watch our [latest update](#).

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¹ Bloomberg, FactSet