

# Making Sense



**Brent Ciliano, SVP**  
Chief Investment Officer



**Phillip Neuhart, SVP**  
Director of Market and  
Economic Research

September 27, 2023

# What are we going to cover?

---

**1. Economic Update**

**2. Market Update**



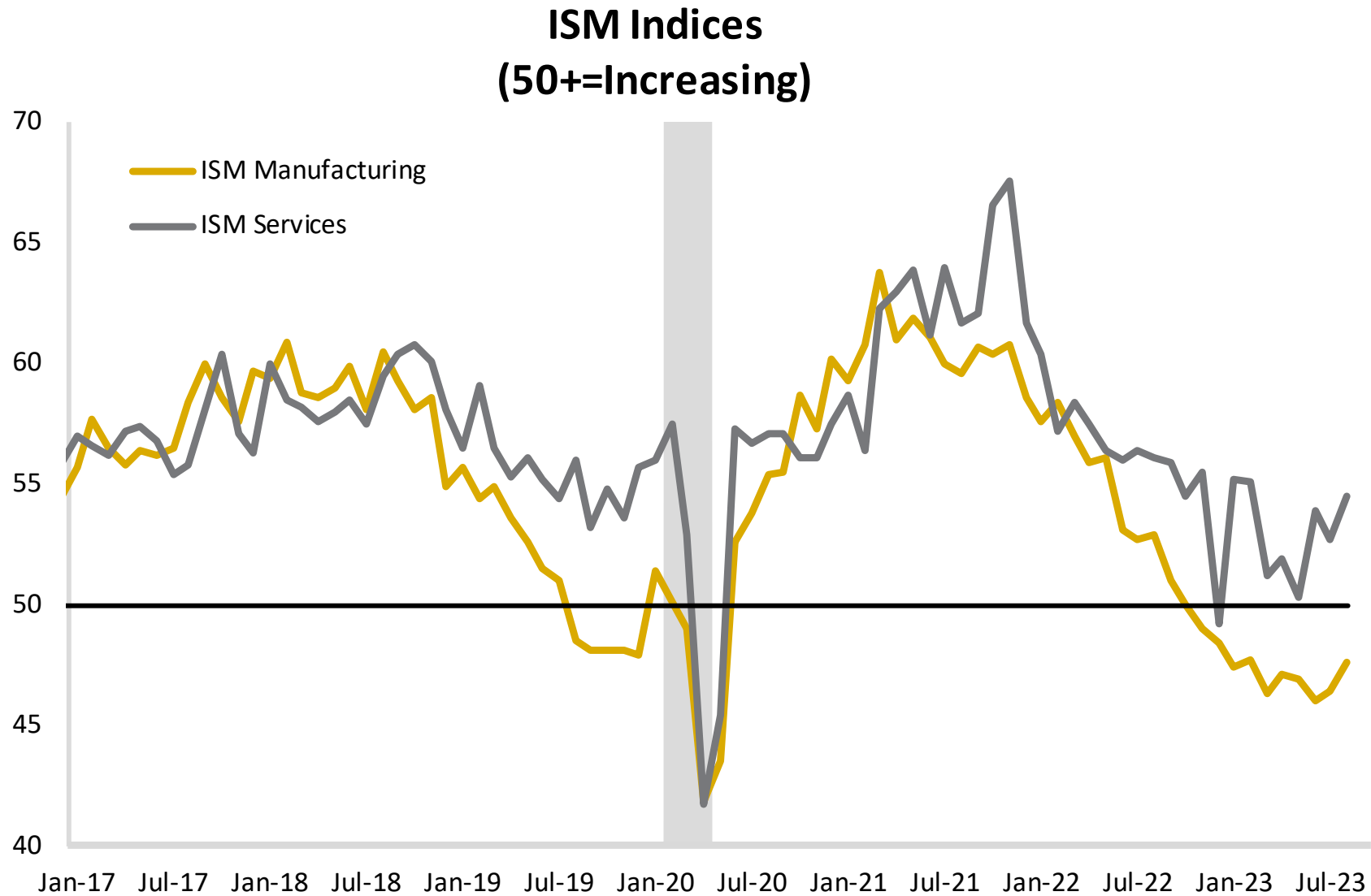
# Economic Update

# Global Growth Outlook

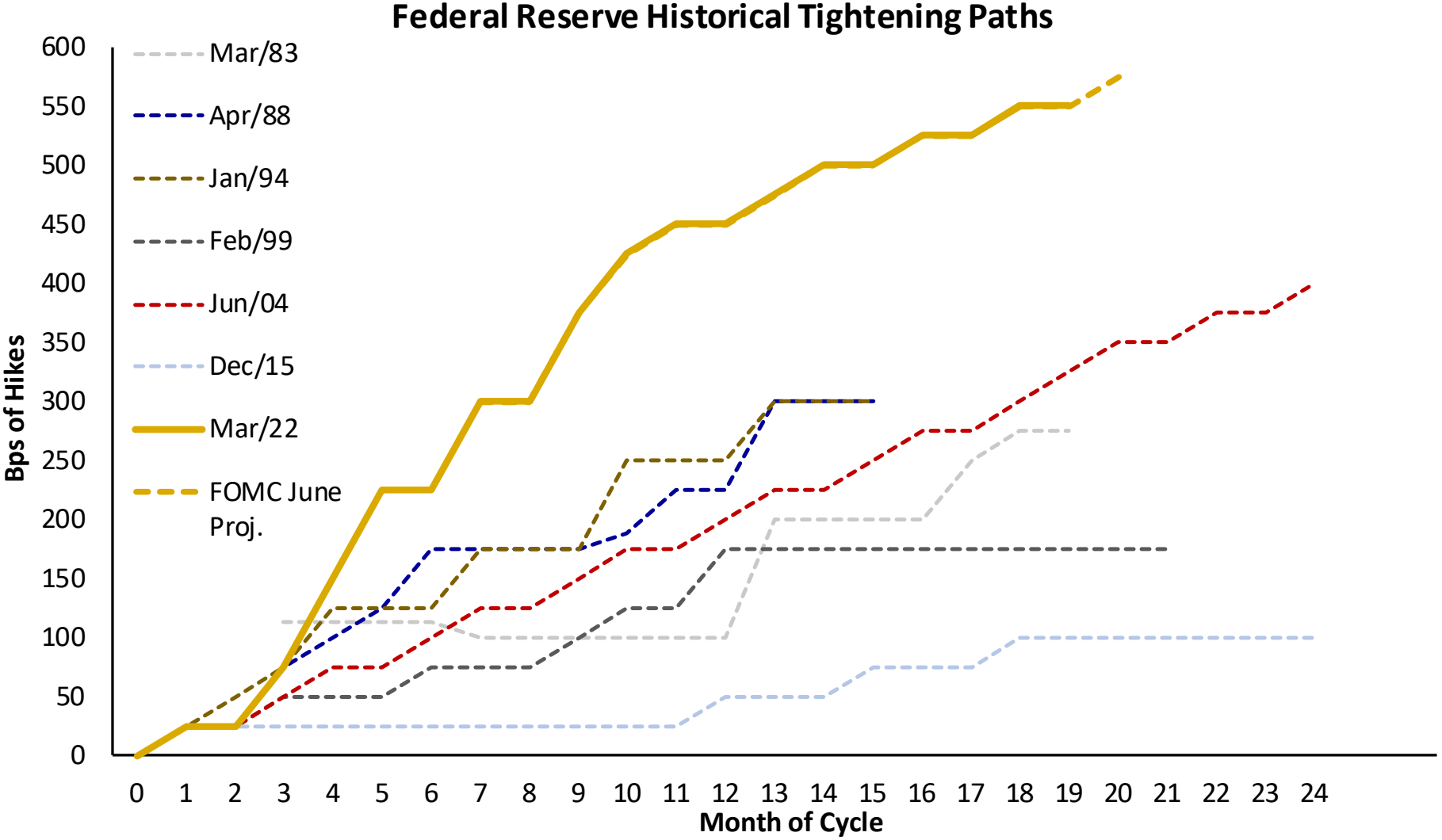
## World Economic Outlook Consensus Real Economic Growth Estimates

|                | 2022          | 2023 Estimate as of: |             | 2024        |
|----------------|---------------|----------------------|-------------|-------------|
|                | Actual Growth | Dec-22               | Sep-23      | Est. Growth |
| <b>World</b>   | <b>3.5%</b>   | <b>2.1%</b>          | <b>2.7%</b> | <b>2.6%</b> |
| United States  | 2.1%          | 0.4%                 | 2.0%        | 0.9%        |
| Euro Area      | 3.3%          | -0.1%                | 0.5%        | 0.8%        |
| United Kingdom | 4.3%          | -0.9%                | 0.4%        | 0.5%        |
| Japan          | 1.1%          | 1.3%                 | 1.8%        | 1.0%        |
| China          | 3.0%          | 4.8%                 | 5.1%        | 4.5%        |

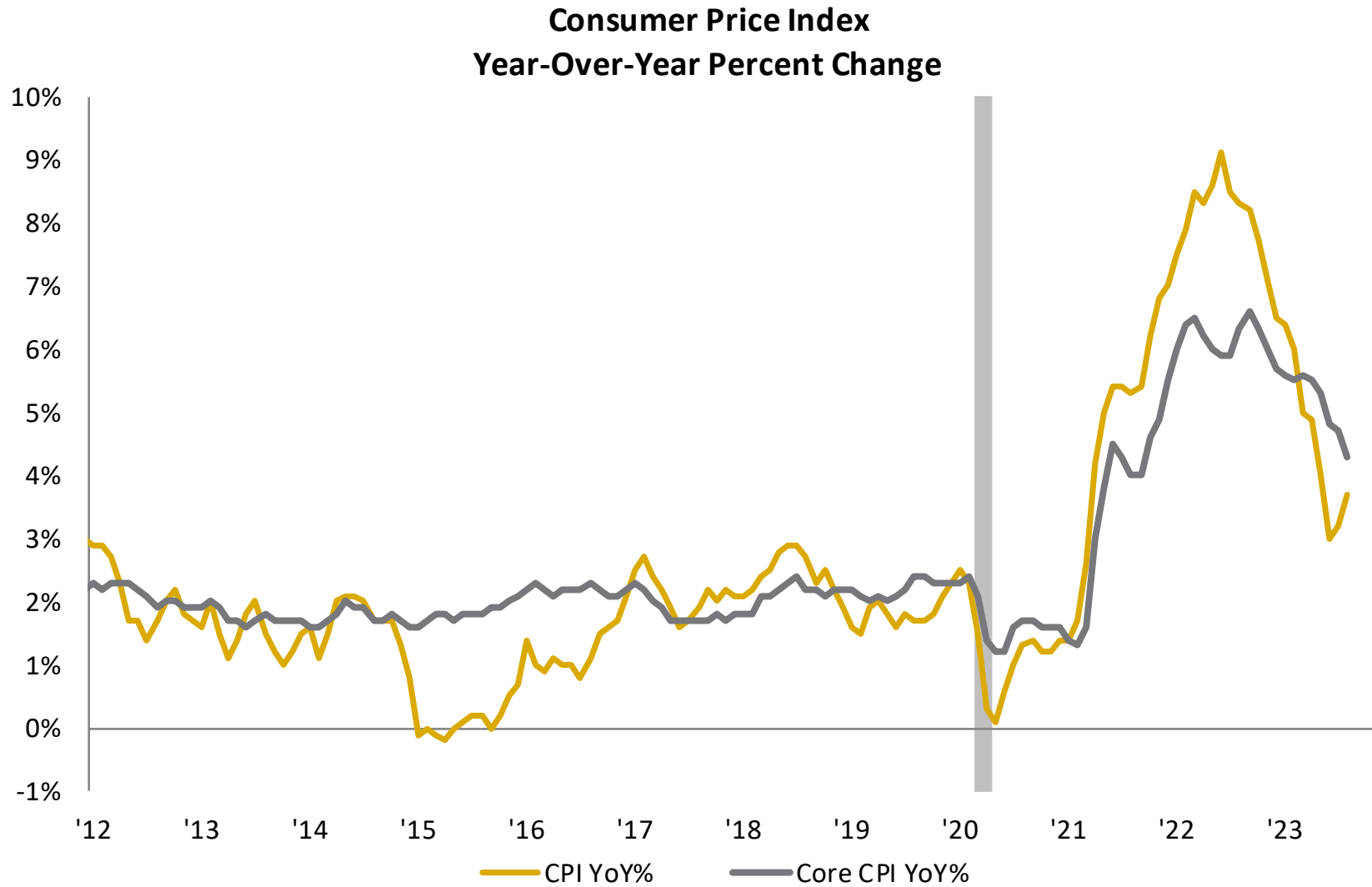
# The Pace of Economic Activity Is Slowing



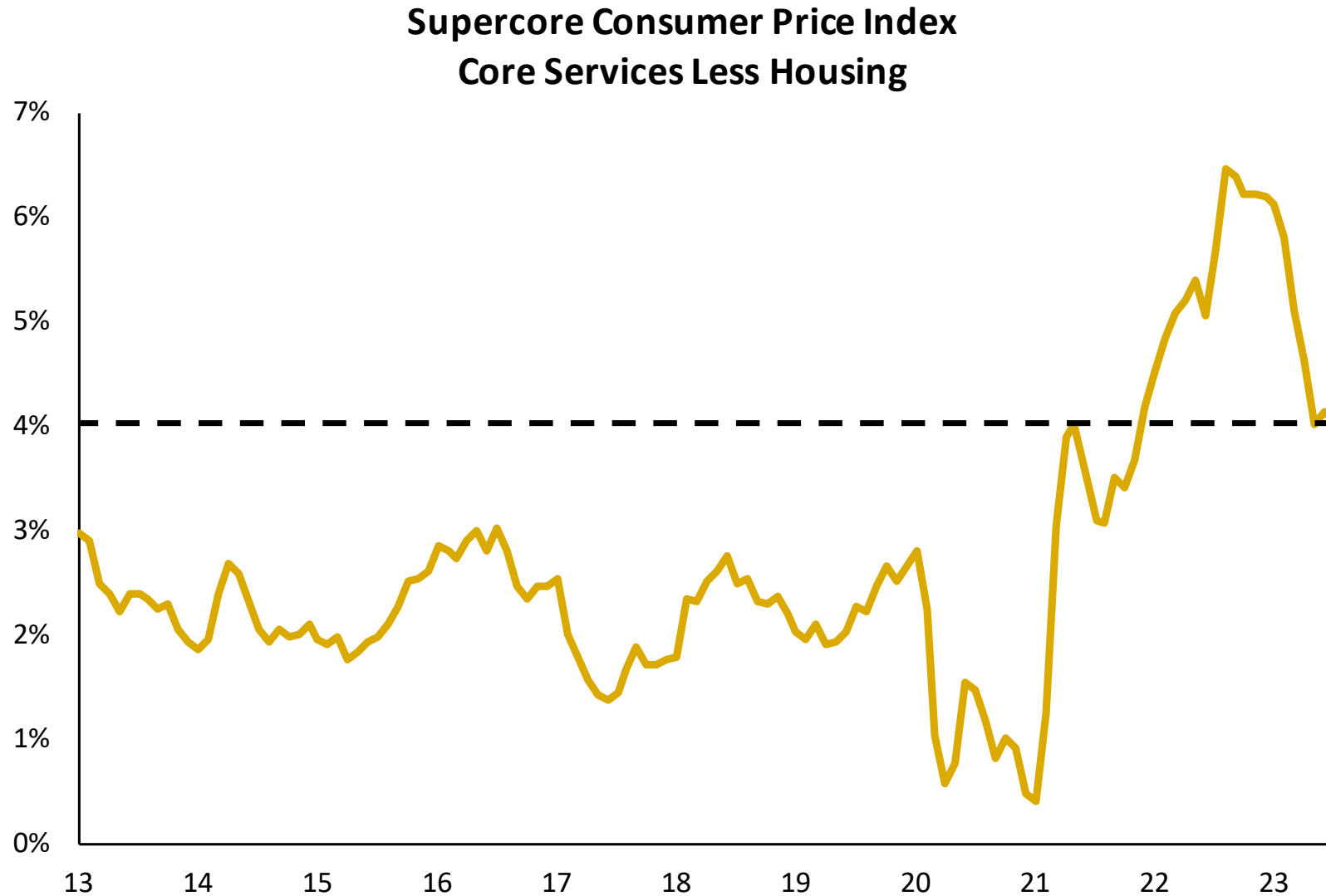
# Federal Reserve Has Hiked Aggressively



# Inflation Moderating at a Slower Pace

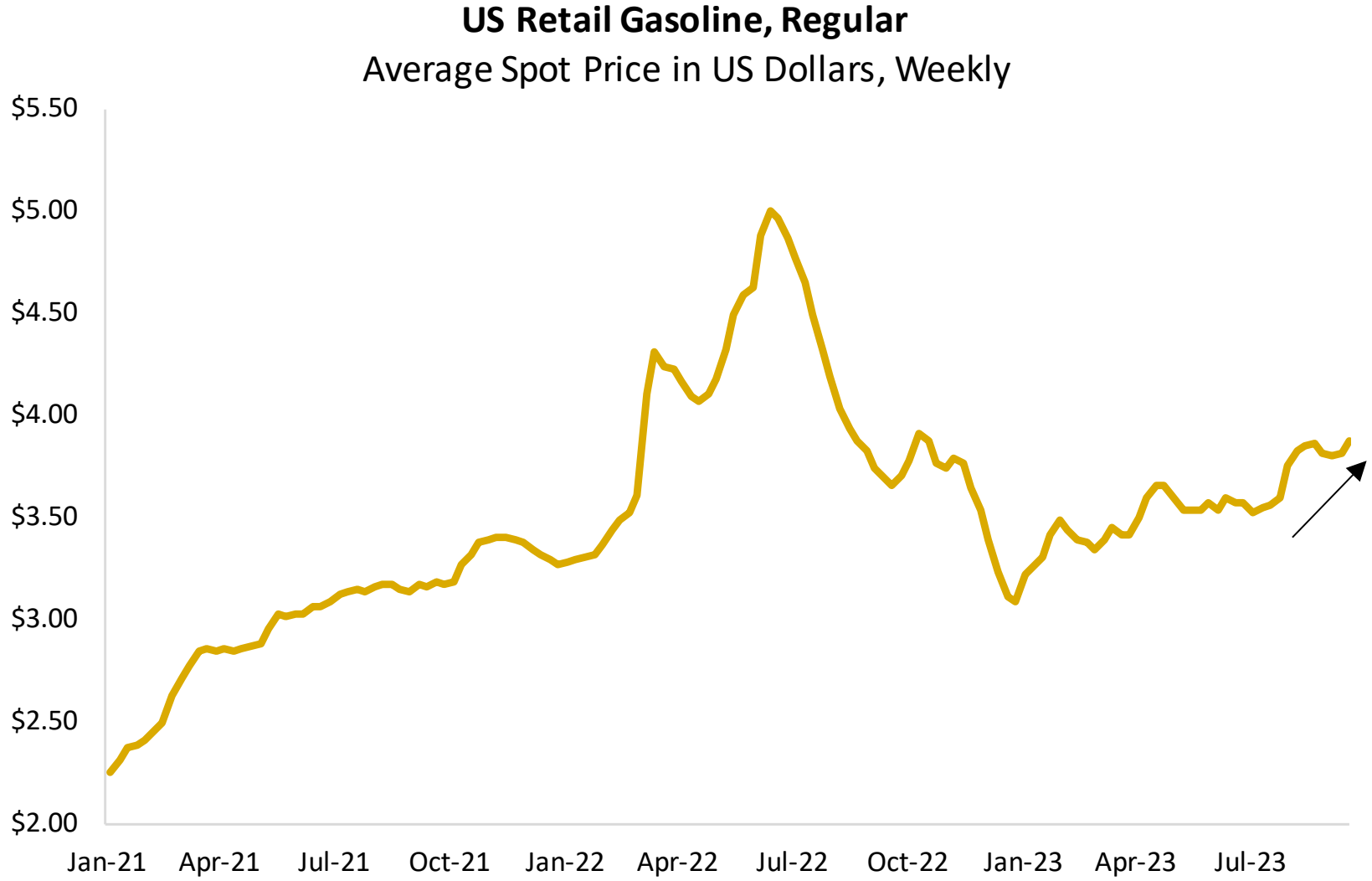


# Supercore Inflation Well Above the Fed's 2% Target

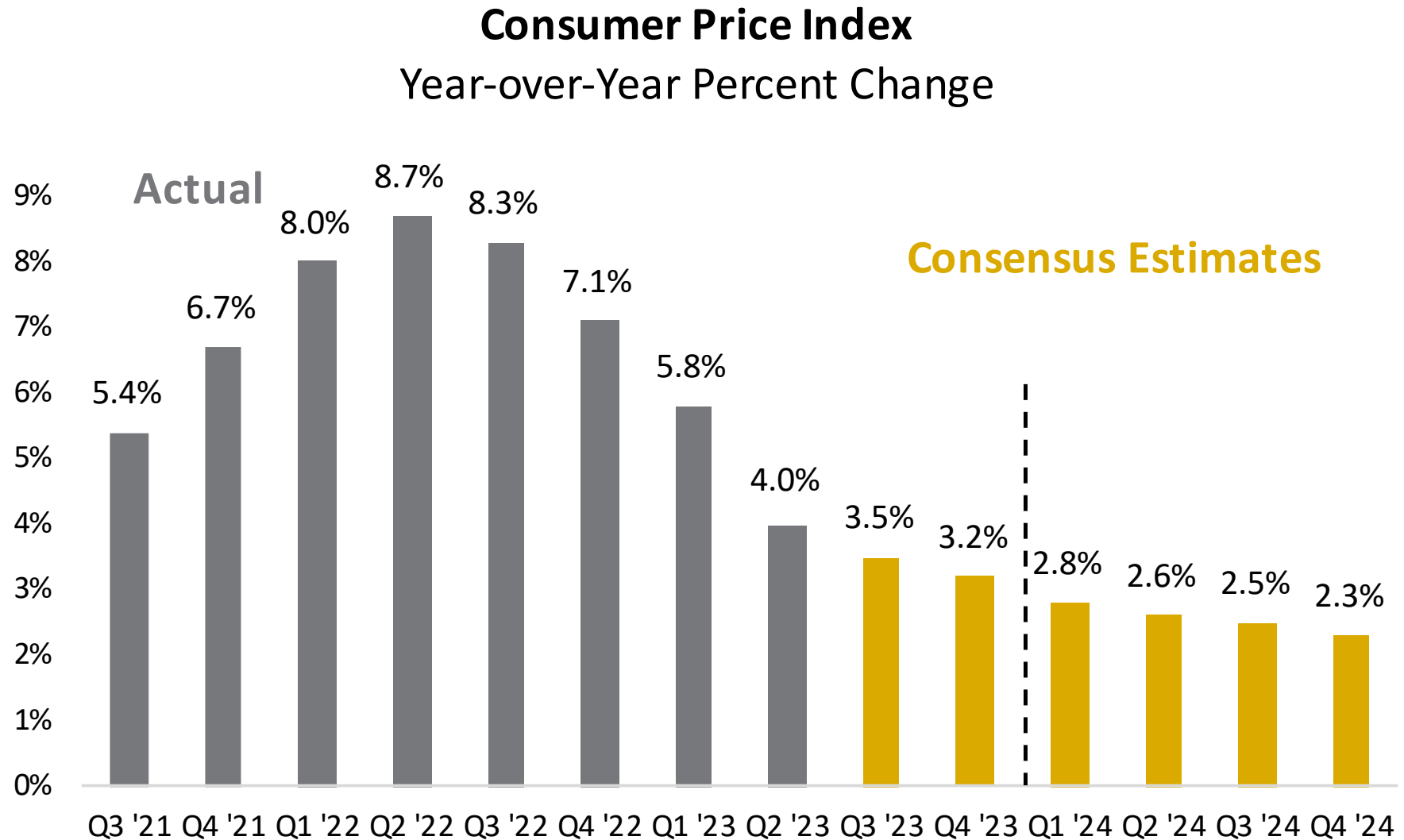




# Retail Gasoline Prices Have Picked Up Since July

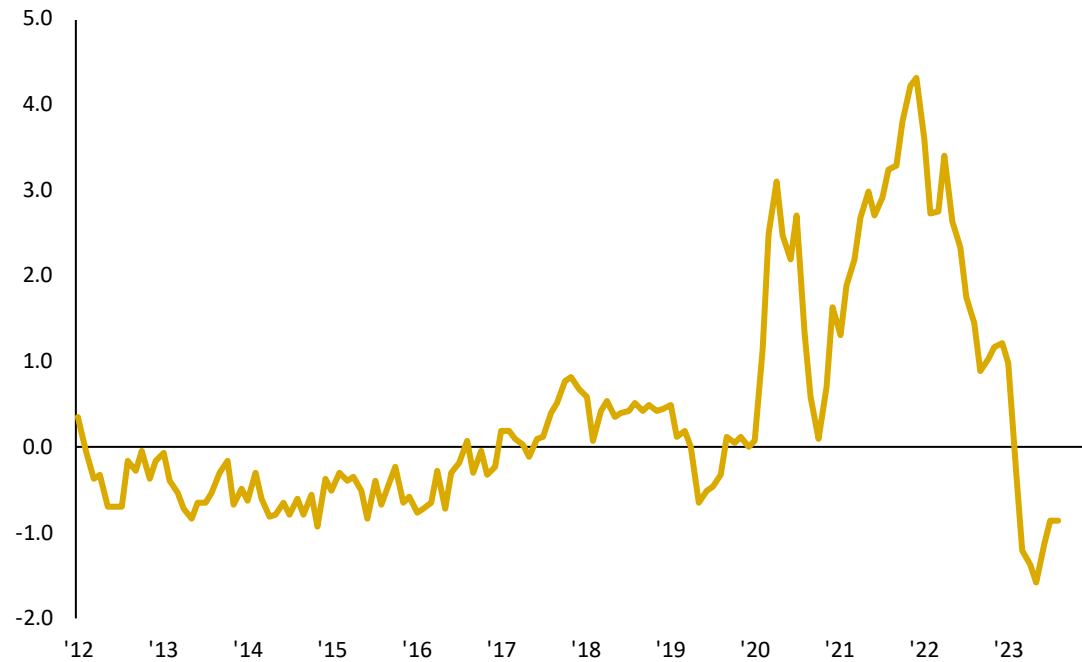


# Path of Inflation



# Supply Chains Have Eased Materially

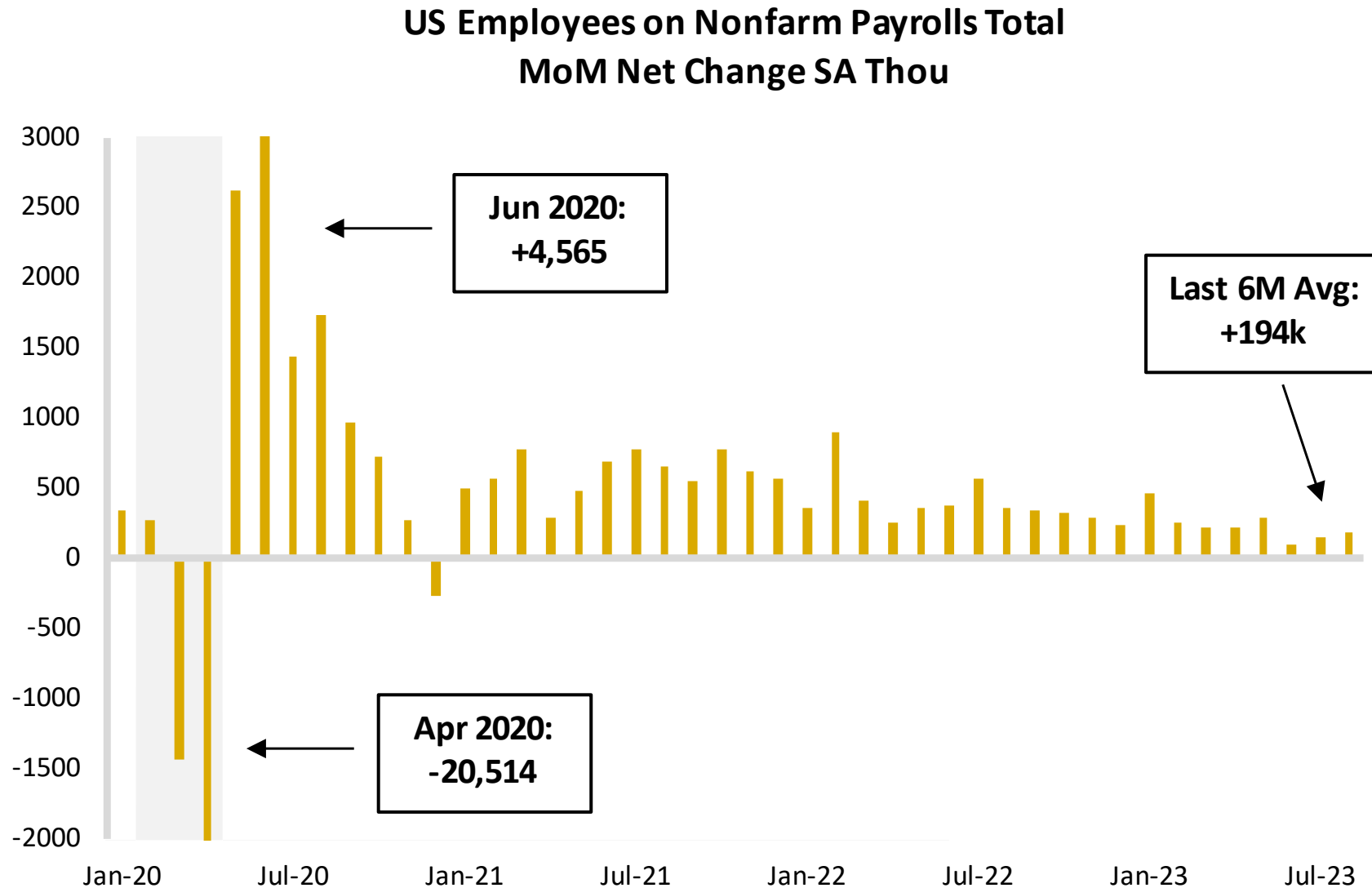
Federal Reserve Bank of New York  
Global Supply Chain Pressure Index



Composite Container Freight Rate  
Rate per 40 Foot Box



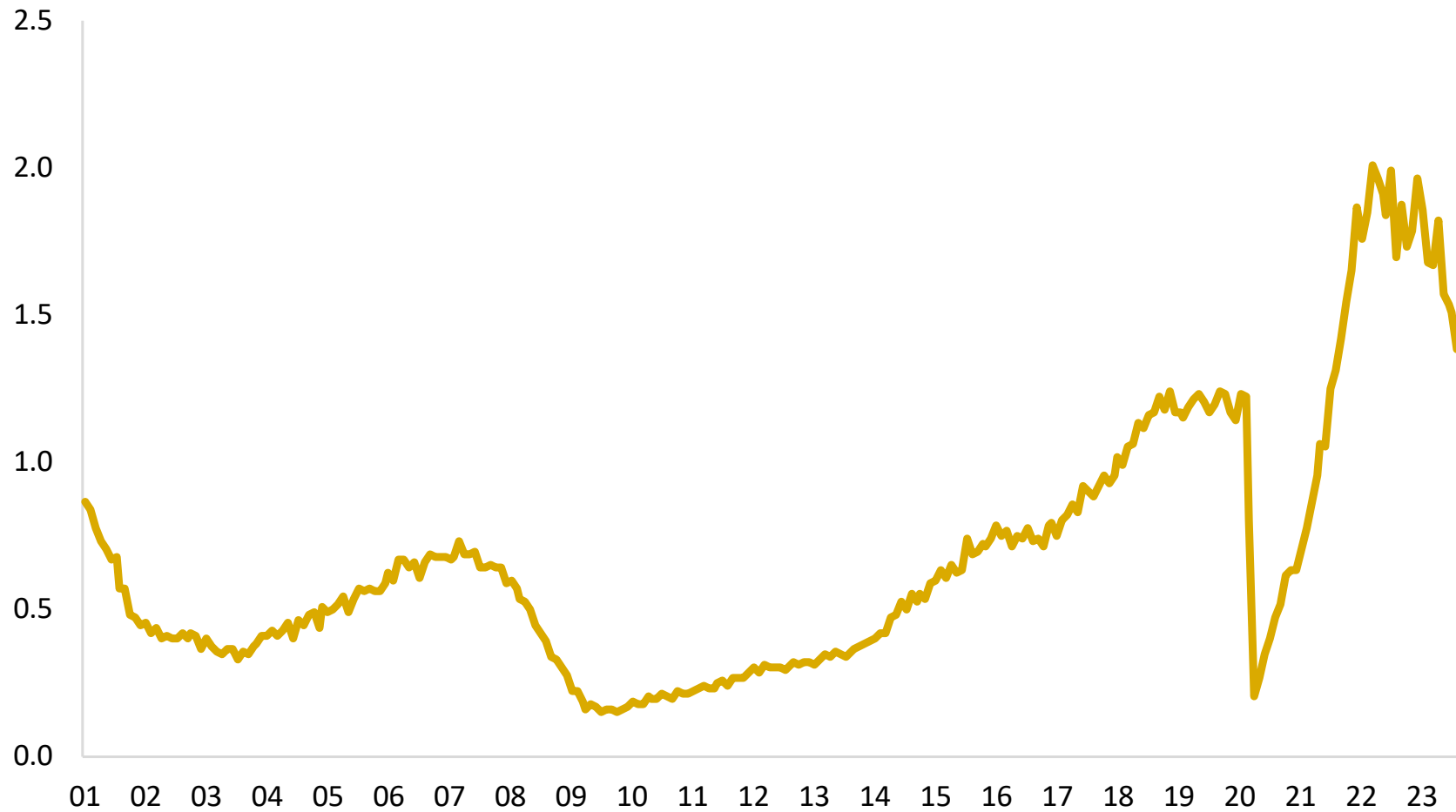
# Labor Market Resilient but Job Gains Slowing



# Signs of Loosening?

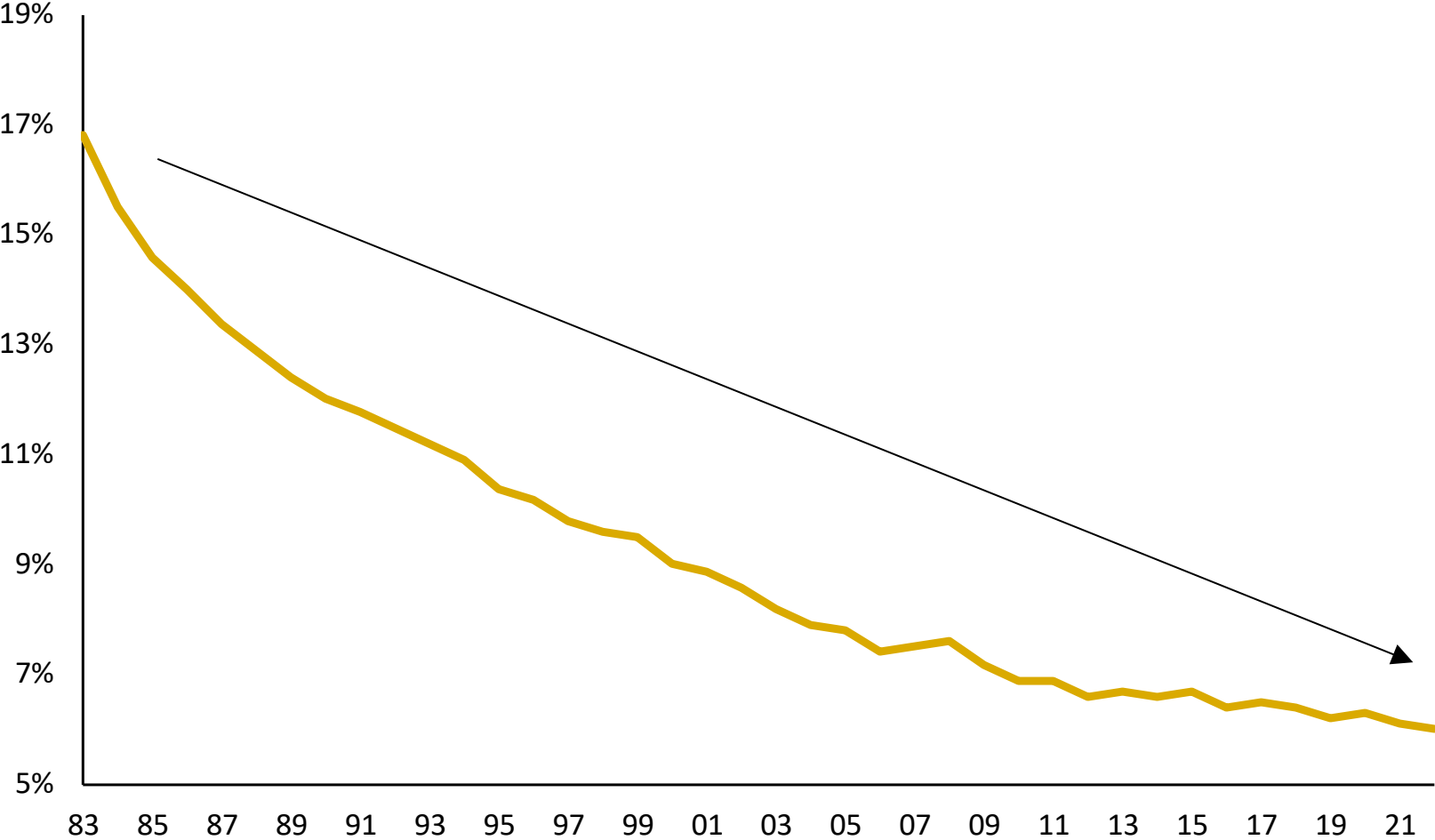
---

US Job Openings per Unemployed Person



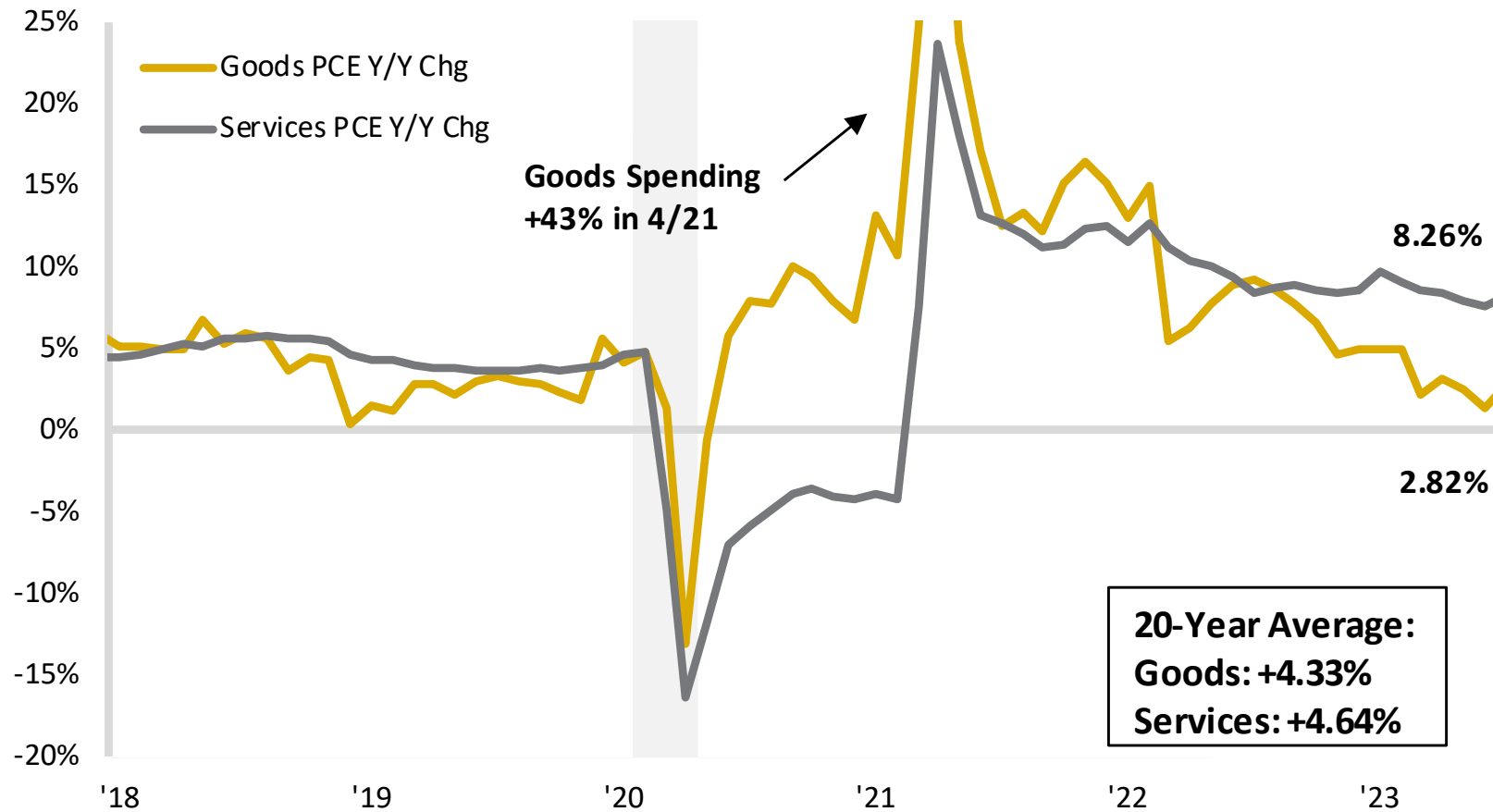
# Union Workers' Percentage of Labor Force Has Fallen

## US Union Workers Percentage of Total Private Employment



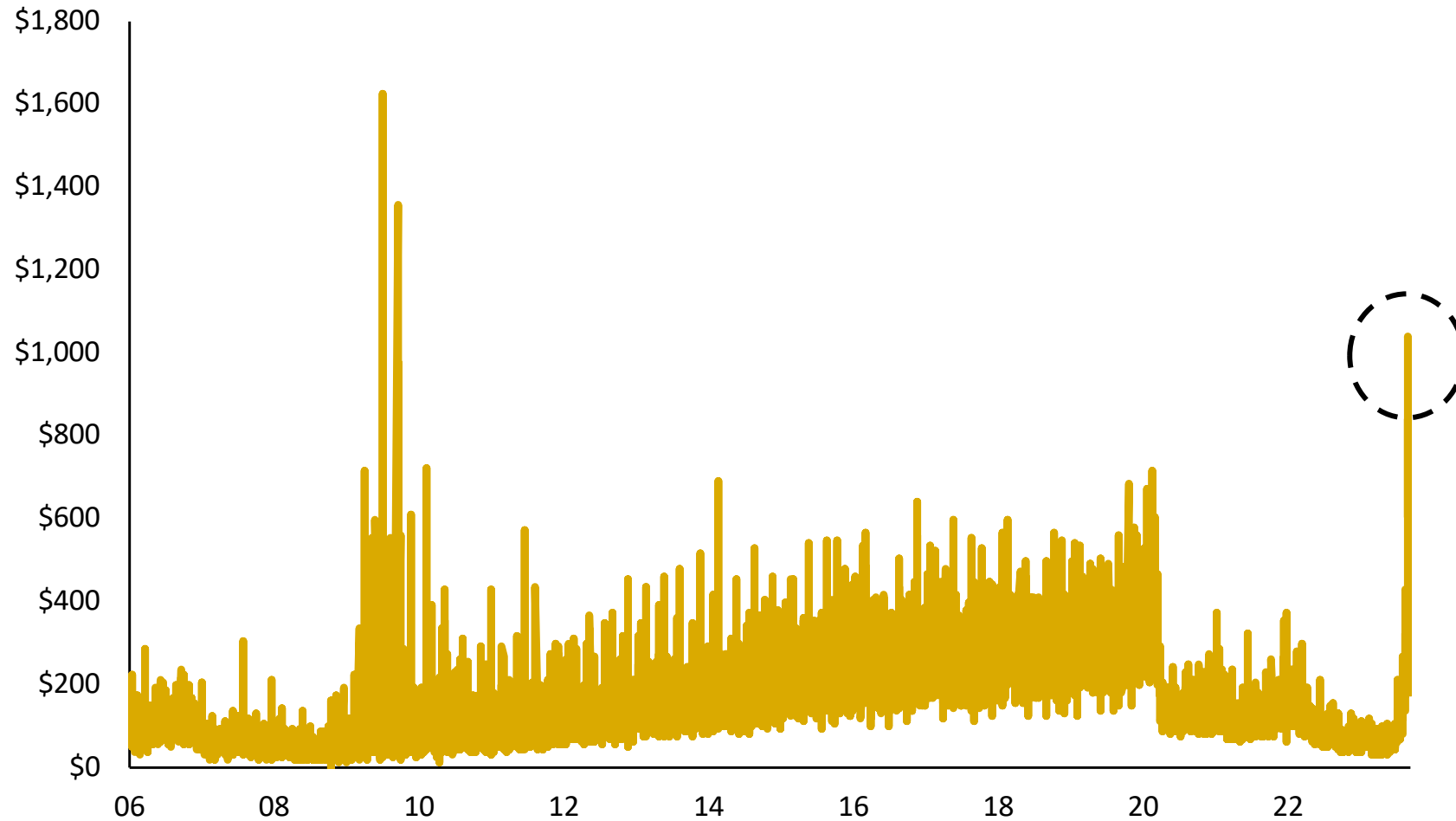
# Consumer Expenditures

Personal Consumption Expenditures  
(SAAR, \$) % Change - Year to Year



# Student Loan Repayments Return

US Treasury Deposits Education Department Programs  
USD, Millions





# Recession in the Next Twelve Months?

---

## Avoid Recession:

- **Resilient Labor Market**
- **US Consumer**
- **Service Economy**
- **Residential Construction**

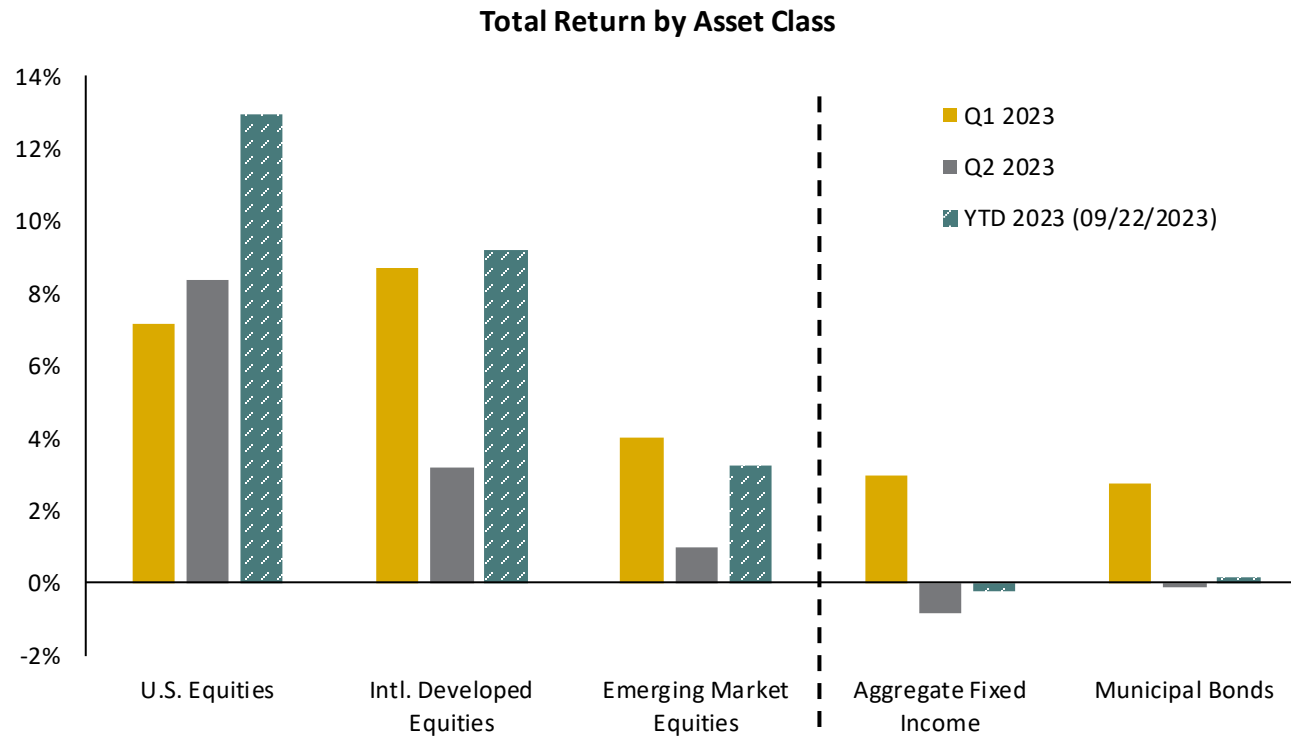
## Recession:

- **Tighter Monetary Policy**
- **Tighter Financial Conditions**
- **Manufacturing Economy**
- **Inverted Yield Curve**
- **Commercial Property Market**



# Market Update

# Global Markets Year-to-Date



**YTD US Equity Returns  
As of 09/22/2023**

|       | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 3.7%  | 17.1% | 29.0%  |
| Mid   | 0.9%  | 4.0%  | 9.1%   |
| Small | -1.1% | 1.9%  | 4.6%   |

# Stocks Are Still Well Above the October Level

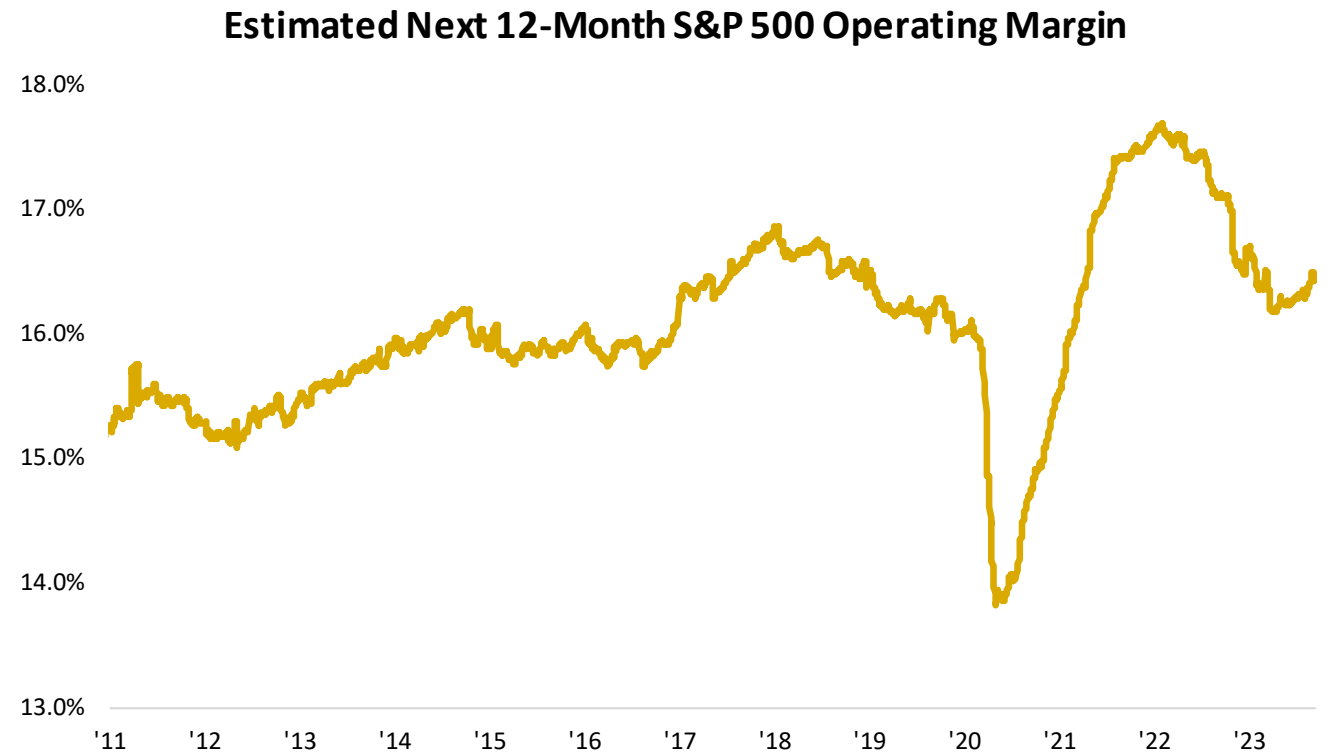
| Global Asset Class Returns |                |                       |
|----------------------------|----------------|-----------------------|
| Index                      | Total Return   |                       |
|                            | Full-Year 2022 | YTD 2023 (09/22/2023) |
| US Stocks                  | -19.2%         | 13.0%                 |
| International Stocks       | -15.5%         | 7.3%                  |
| Aggregate Bonds            | -13.0%         | -0.2%                 |
| Municipal Bonds            | -8.5%          | 0.2%                  |



# Corporate Earnings

---

- 2023 estimated growth is **1.1%** or \$221 per share
- 2024 estimated growth is **12.2%** or \$248 per share
- Average growth since 1950 is **7.6%**



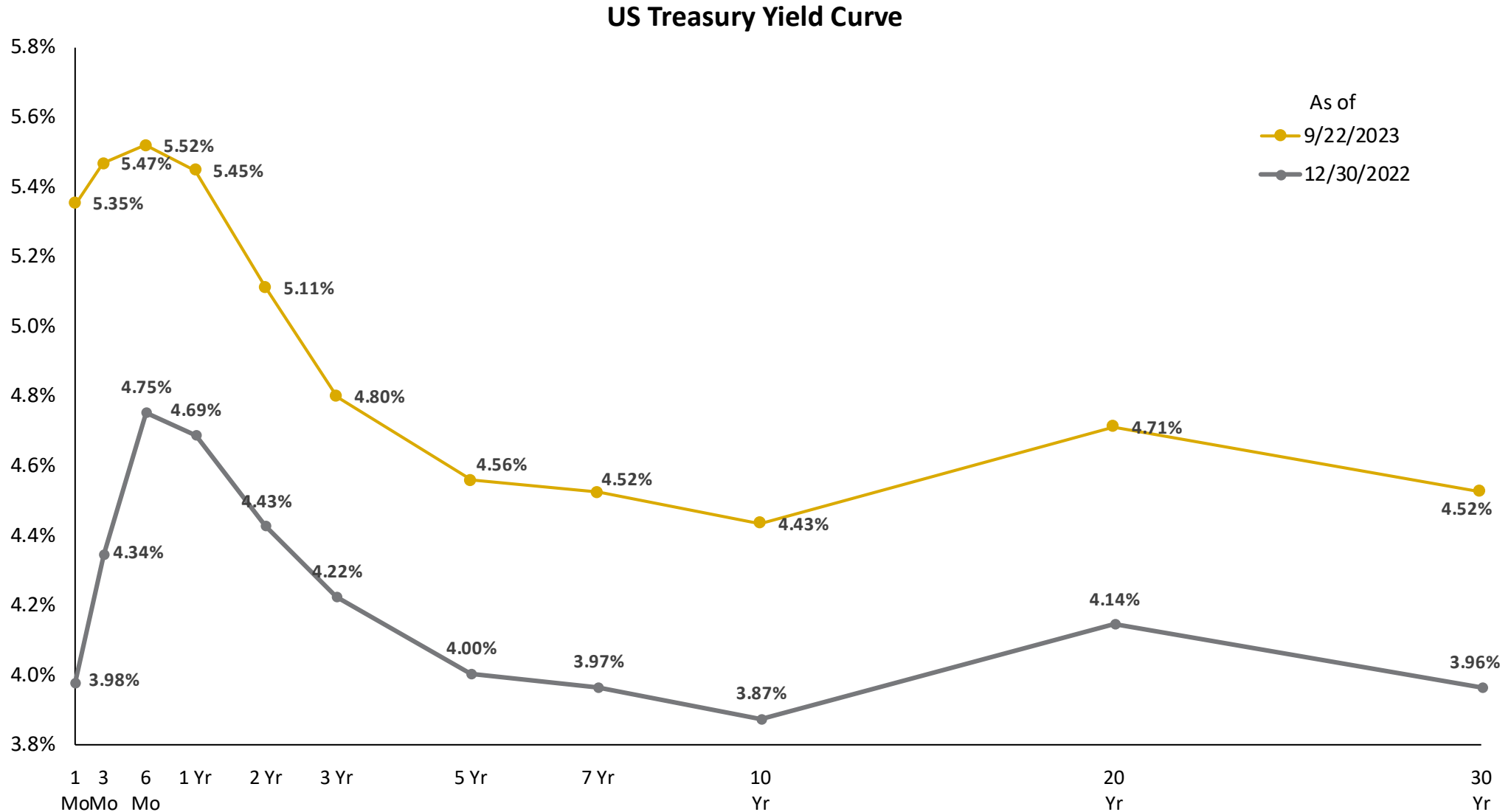
# S&P 500 Price Target

---

## Next Twelve-Month S&P 500 Price Target

|      | <b>NTM Price Level</b> | <b>Percent Change from 9/22/23</b> |
|------|------------------------|------------------------------------|
| Bear | 3,600                  | -16.7%                             |
| Base | 4,650                  | 7.6%                               |
| Bull | 5,330                  | 23.4%                              |

# US Treasury Yield Curve Remains Inverted



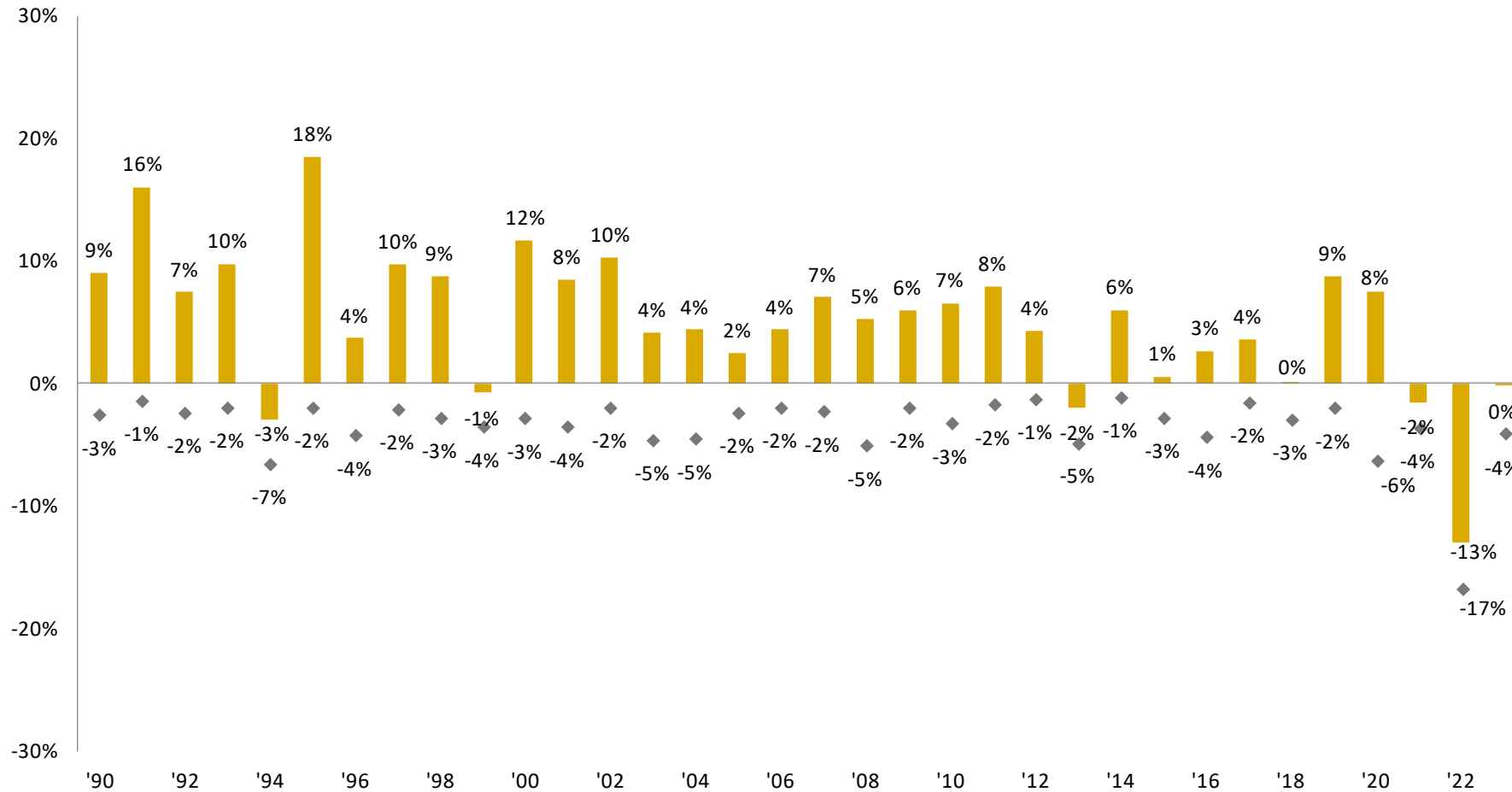
# Bond Yields Remain Elevated versus Recent History

| US Fixed Income Indices         |                |           |
|---------------------------------|----------------|-----------|
|                                 | Yield-to-Worst |           |
| Index                           | 12/31/2021     | 9/22/2023 |
| 2-Year Treasury                 | 0.73%          | 5.11%     |
| 10-Year Treasury                | 1.51%          | 4.43%     |
| Aggregate Bond                  | 1.75%          | 5.26%     |
| Intermediate Government/Credit  | 1.30%          | 5.16%     |
| Municipal Bond                  | 1.11%          | 4.06%     |
| Investment Grade Corporate Bond | 2.33%          | 5.88%     |
| High Yield Corporate Bond       | 4.21%          | 8.73%     |

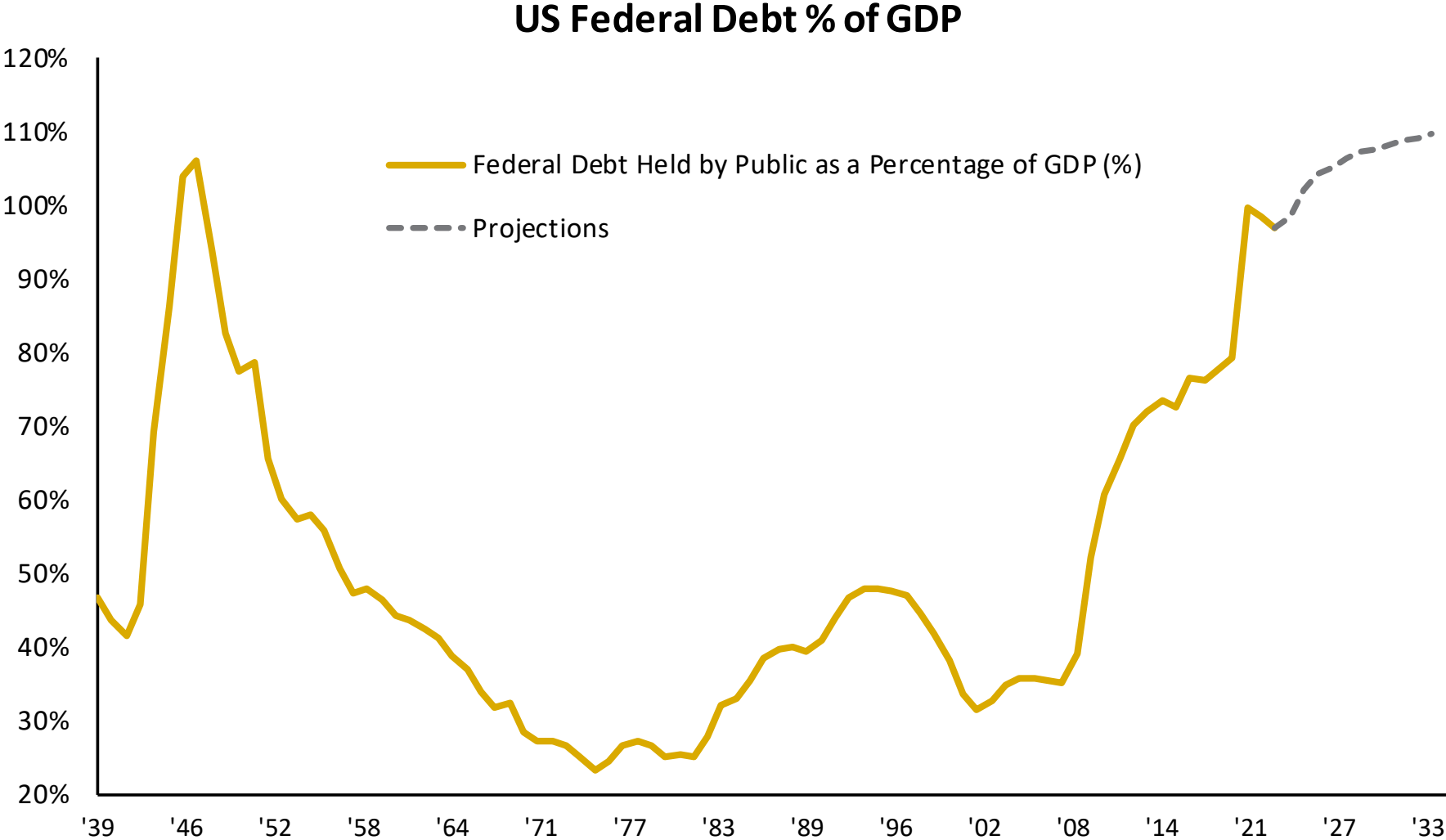


# Fixed Income Intra-Year Performance

**Bloomberg US Aggregate**  
**Calendar Year Return vs. Largest Intra-Year Decline**

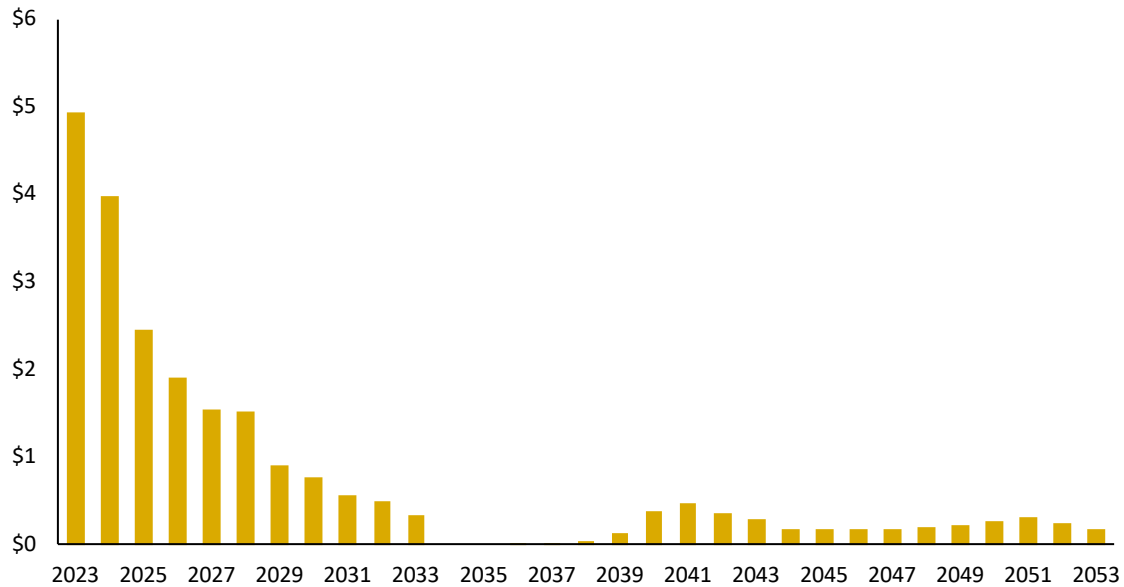


# US Government Finances

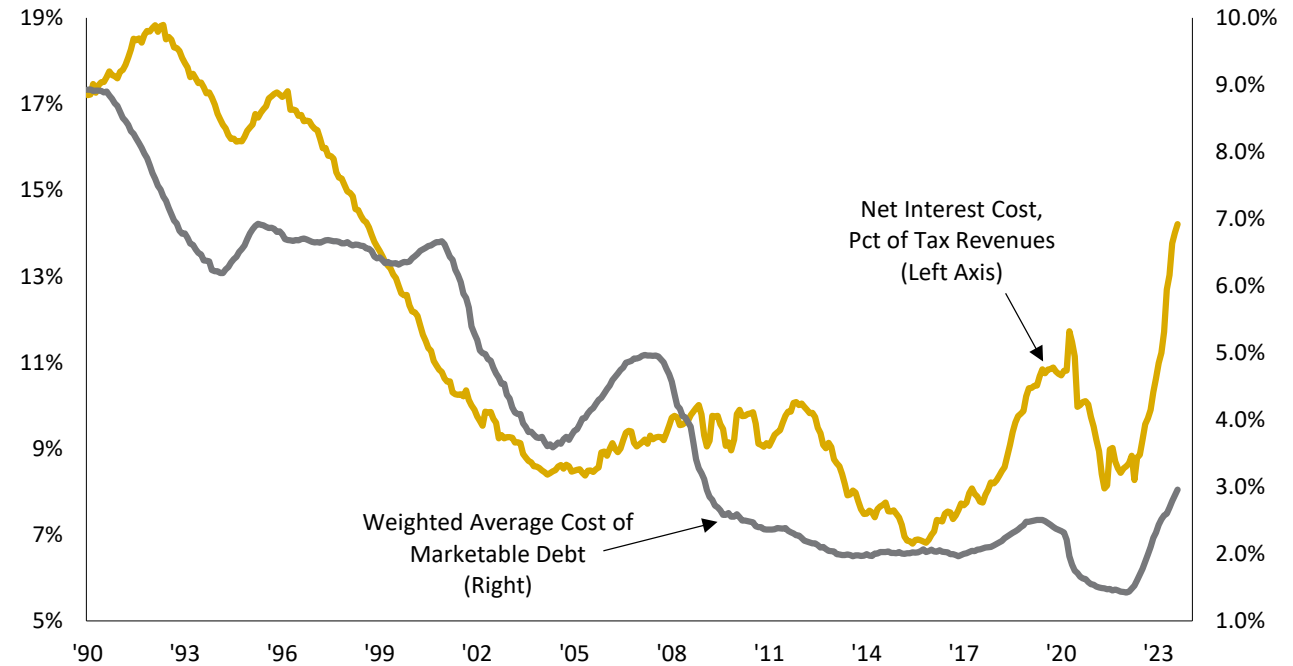


# US Government Finances

US Federal Debt Maturity Distribution By Year (\$TN)

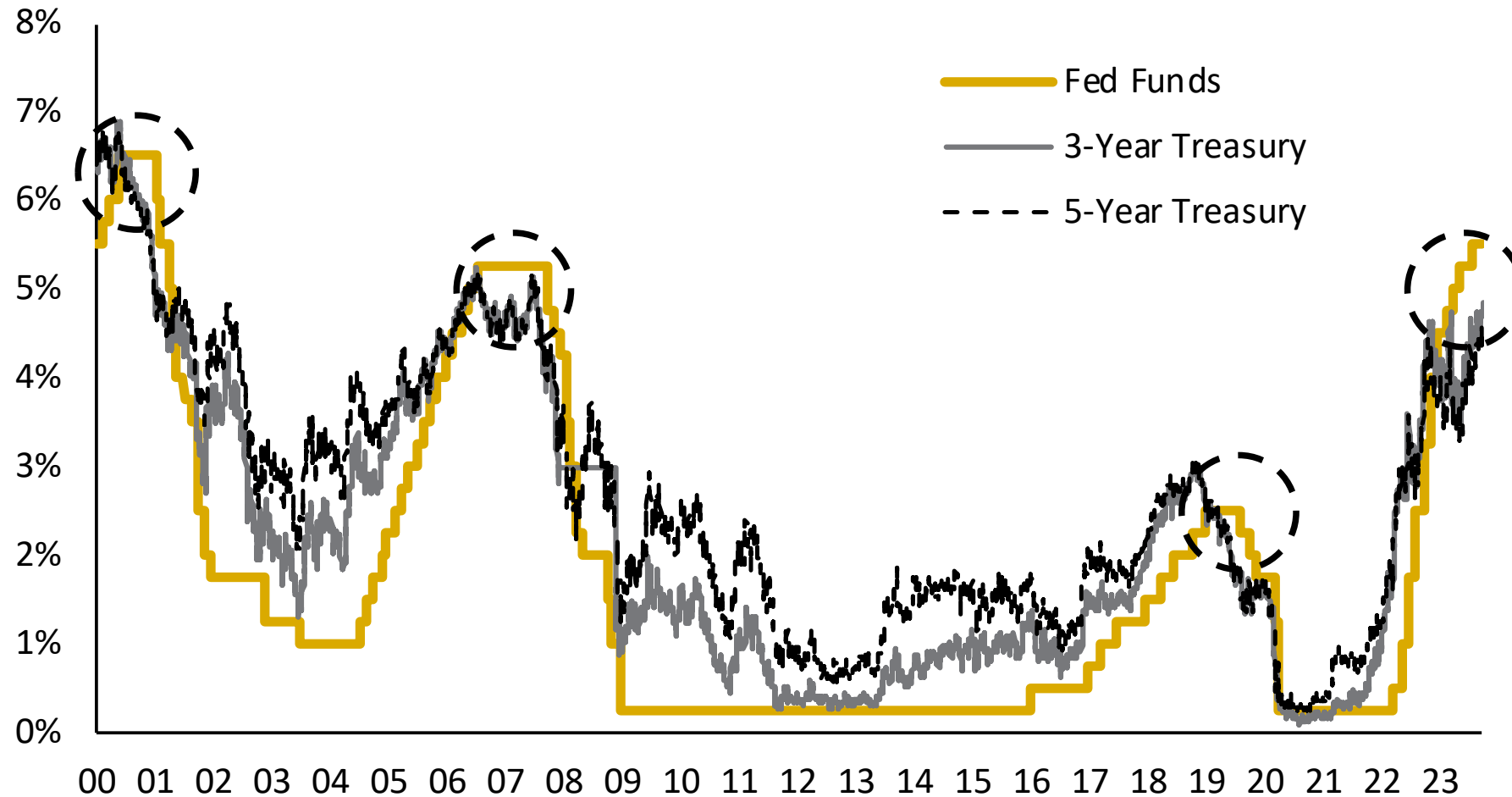


Net Interest Cost & Weighted Average Cost of Marketable Debt

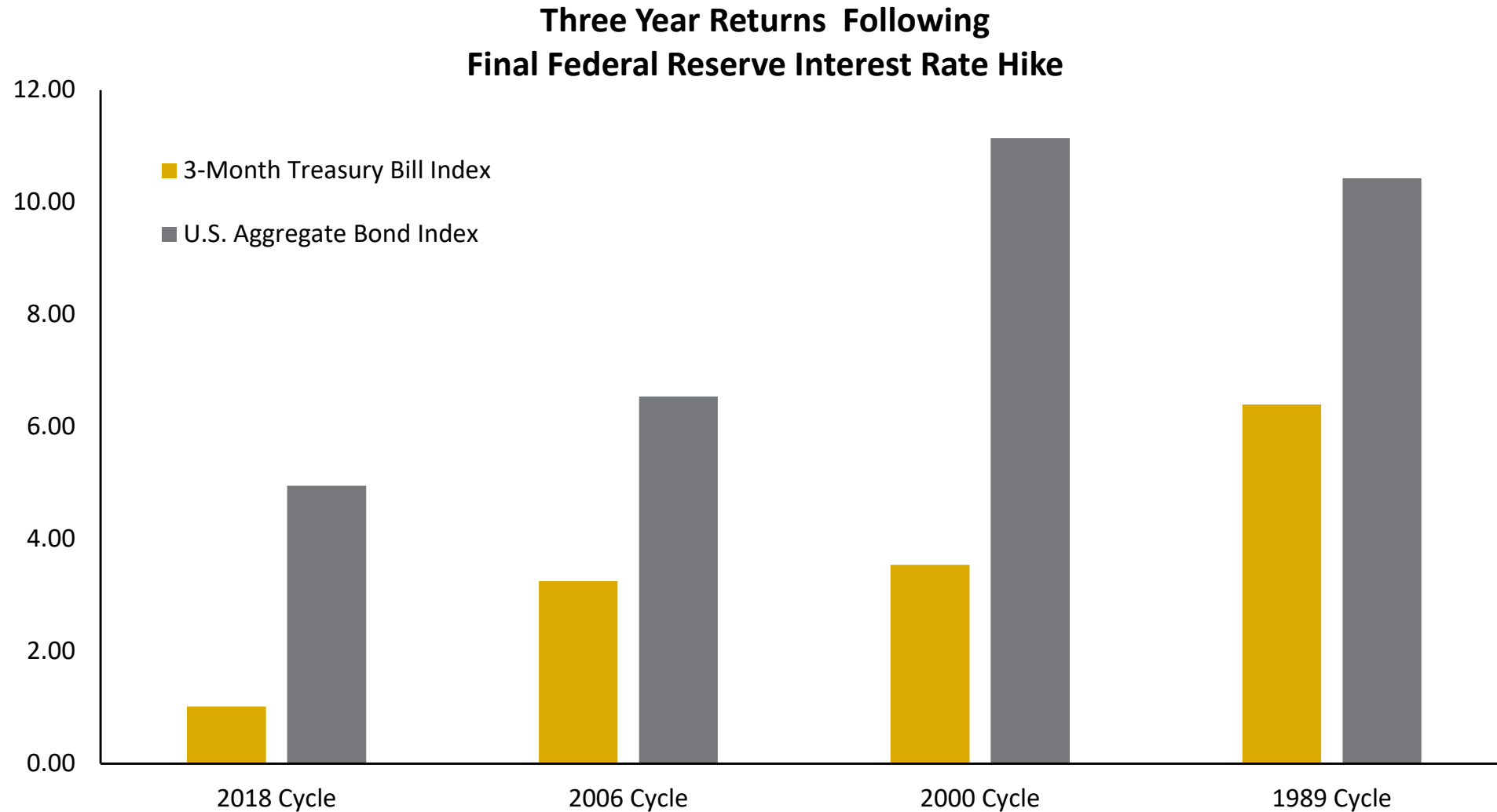


# Over Full Market Cycle, Longer-Term Bonds Generate Yield

## Yield-to-Maturity Through Time



# Longer Duration Outperforms After Final Fed Hike



# Stay Informed with Our Latest Releases

---

## Making **Sense**

**In Brief** – A look at the week ahead in under two minutes every Monday morning

**Q&A Videos** – Monthly conversations covering 2-3 of the top questions we're hearing from clients

**Webinars** – Live, monthly interactive discussions with in-depth analysis of markets and the economy

**Written commentaries** – Often coinciding with market or economic events



Or visit [FirstCitizens.com/Wealth](https://www.firstcitizens.com/Wealth)



**Brent Ciliano, CFA | SVP, Chief Investment Officer**

Capital Management Group | First Citizens Bank  
8510 Colonnade Center Drive | Raleigh, NC 27615  
Brent.Ciliano@firstcitizens.com | 919.716.2650

**Phillip Neuhart | SVP, Director of Market & Economic Research**

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