

# Making Sense

November 15, 2023



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# What are we going to cover?

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- 1 Economic Update
- 2 Market Update





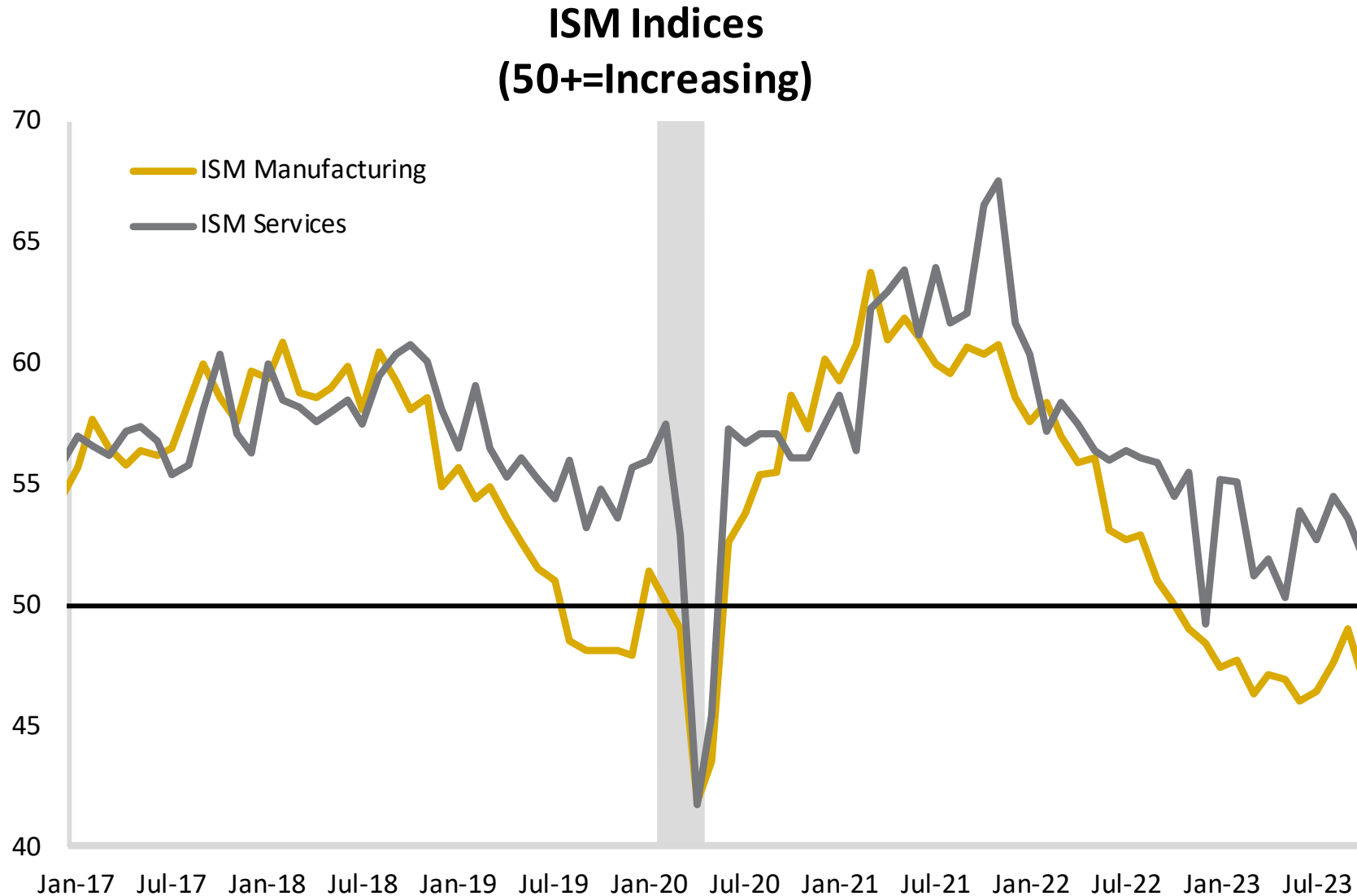
# Economic Update

# Global Growth Outlook

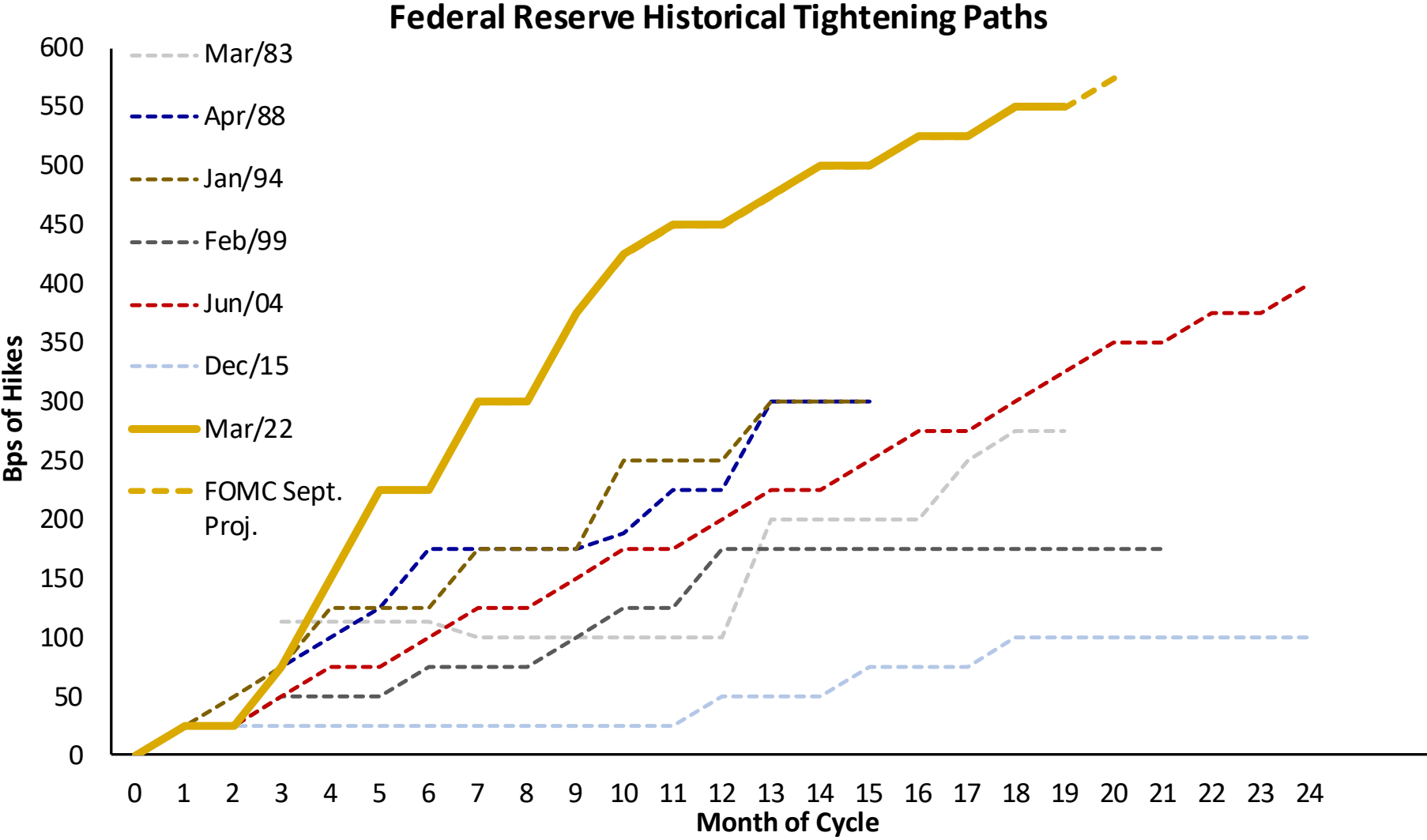
## World Economic Outlook Consensus Real Economic Growth Estimates

	2022	2023 Estimate as of:		2024
	Actual Growth	Dec-22	Nov-23	Est. Growth
<b>World</b>	<b>3.5%</b>	<b>2.1%</b>	<b>2.8%</b>	<b>2.6%</b>
United States	1.9%	0.4%	2.3%	1.0%
Euro Area	3.3%	-0.1%	0.5%	0.7%
United Kingdom	4.5%	-0.9%	0.4%	0.4%
Japan	1.1%	1.3%	1.9%	1.0%
China	3.0%	4.8%	5.2%	4.5%

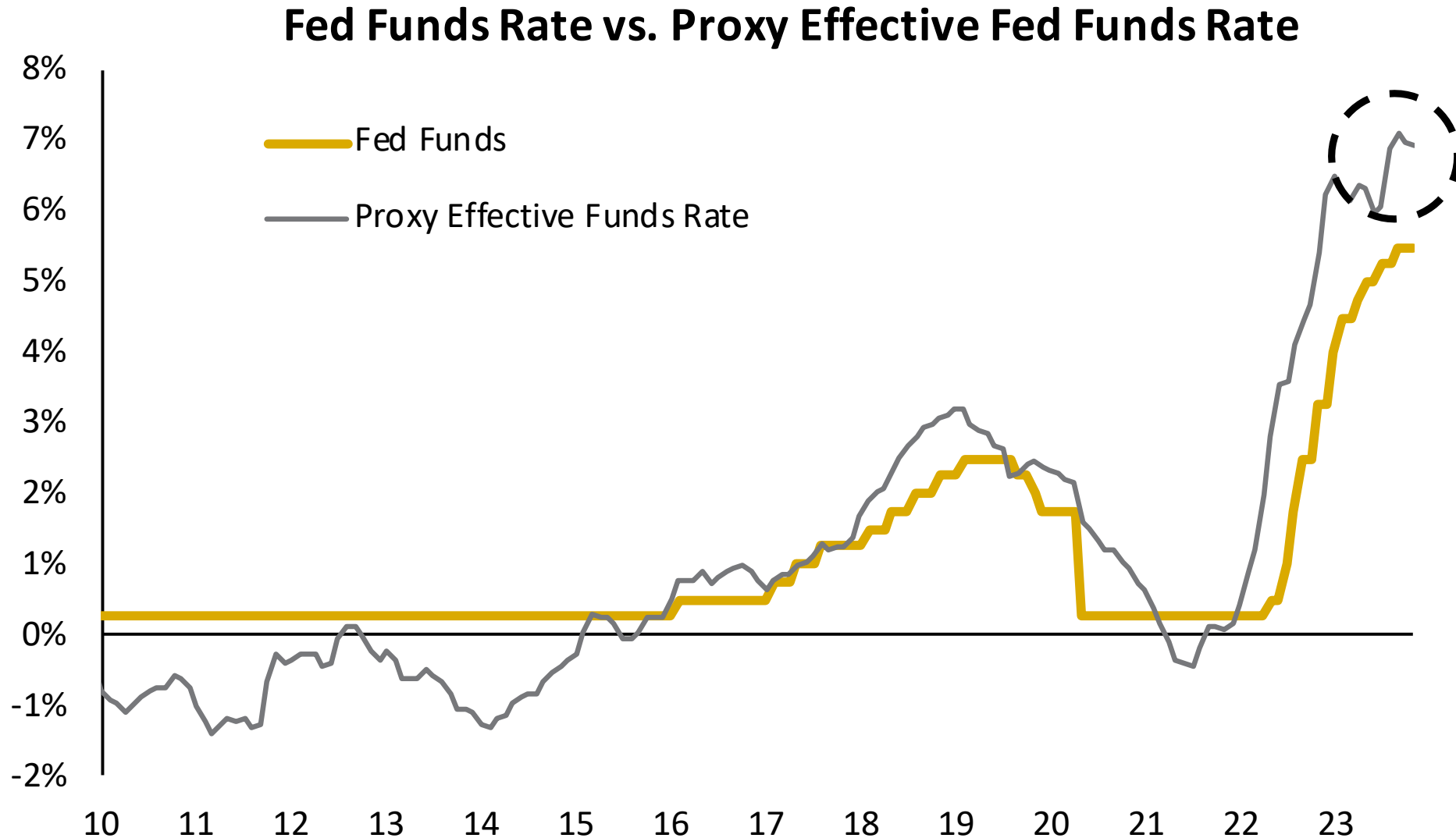
# The Pace of Economic Activity Is Slowing



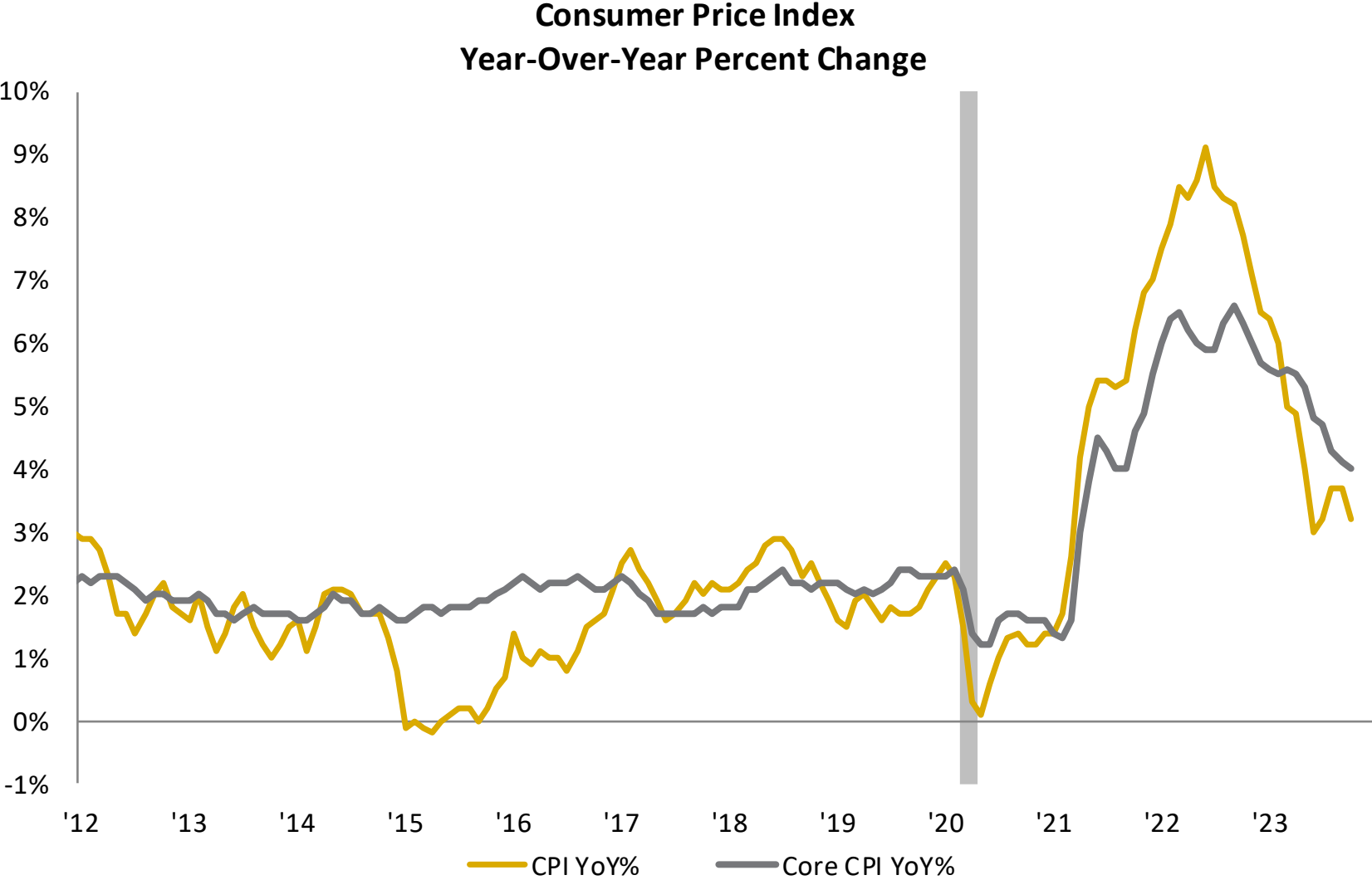
# Federal Reserve Has Hiked Aggressively



# Federal Reserve's Proxy Rate Measure Is Elevated

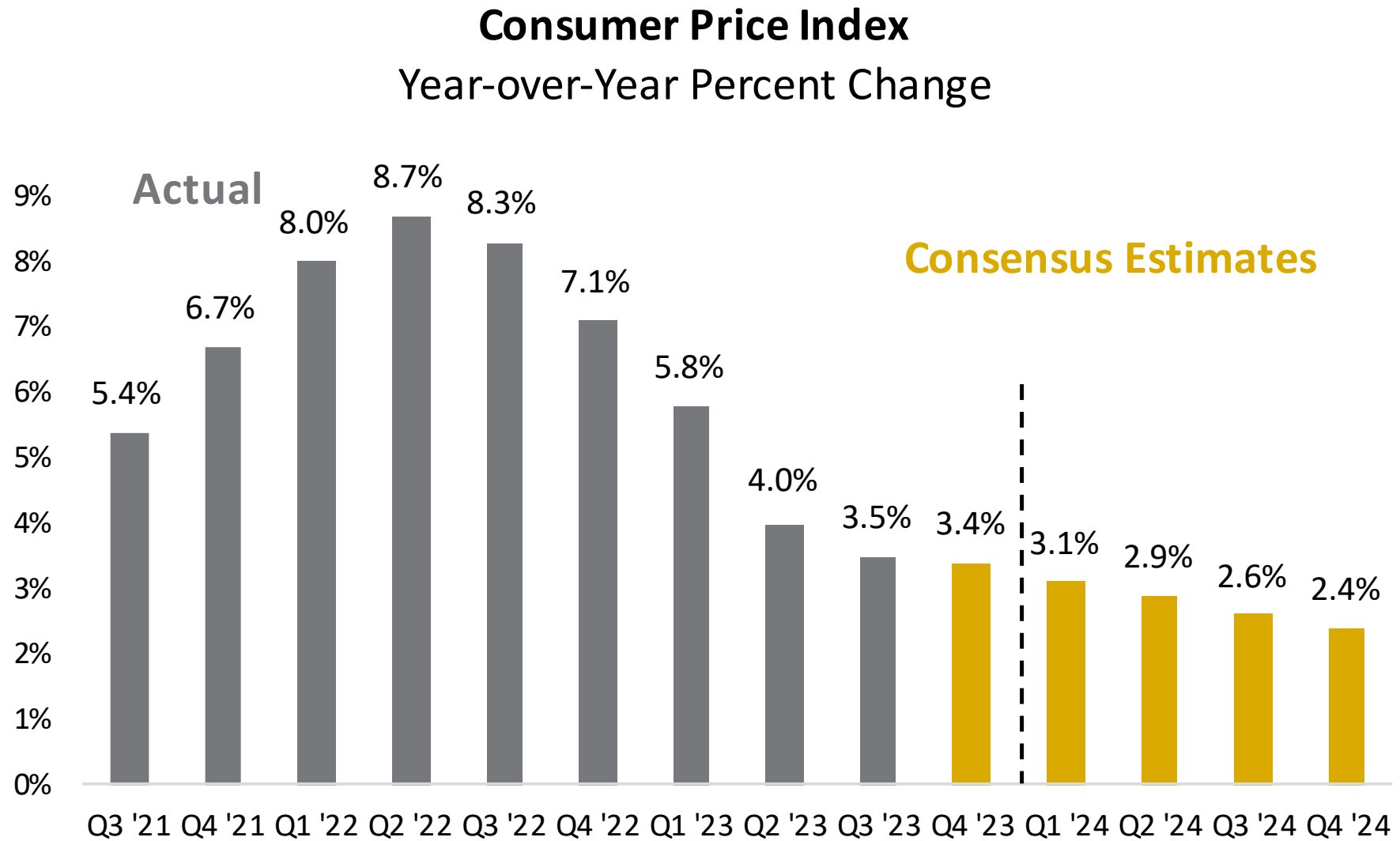


# Inflation Moderating at a Slower Pace

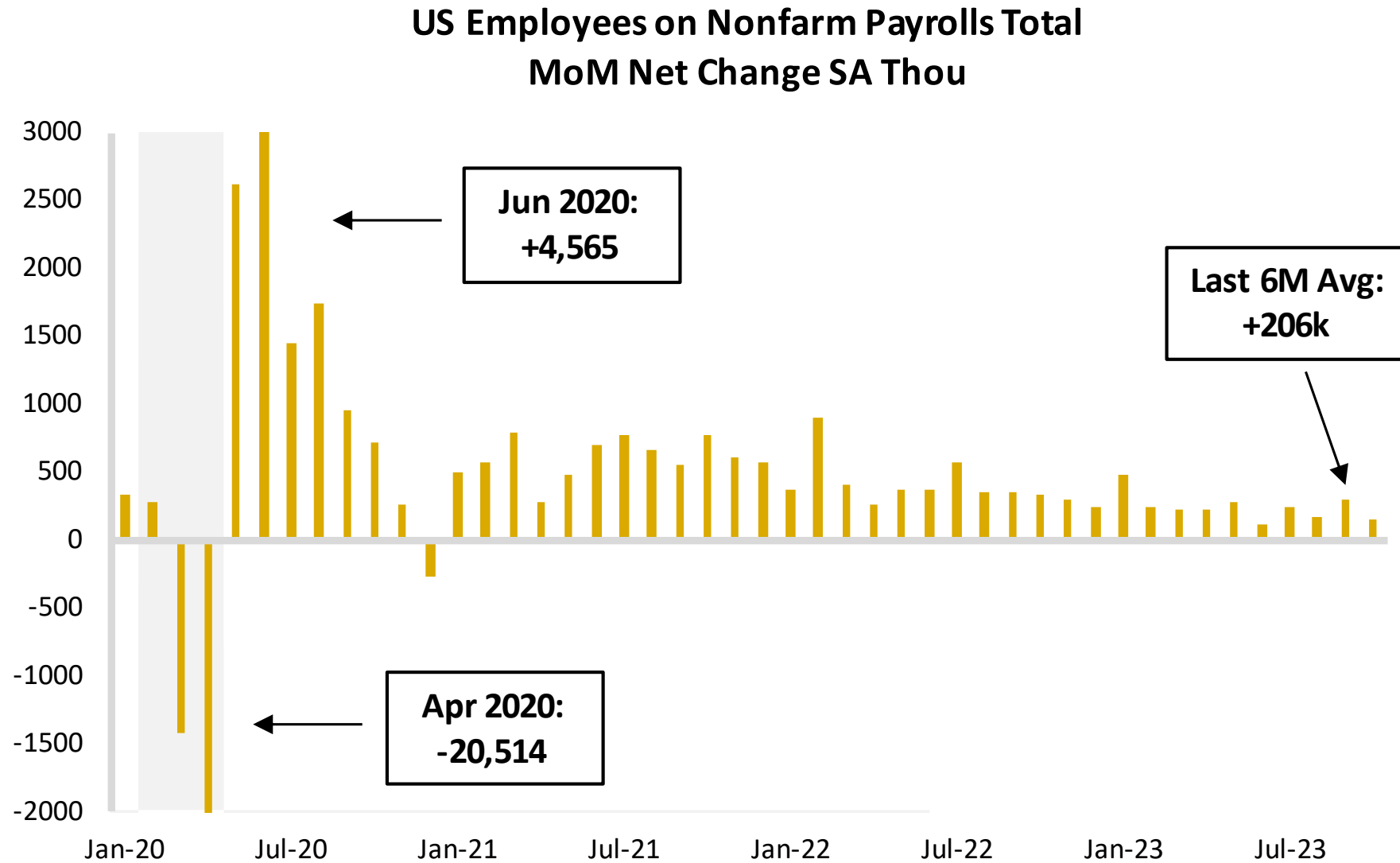




# Path of Inflation

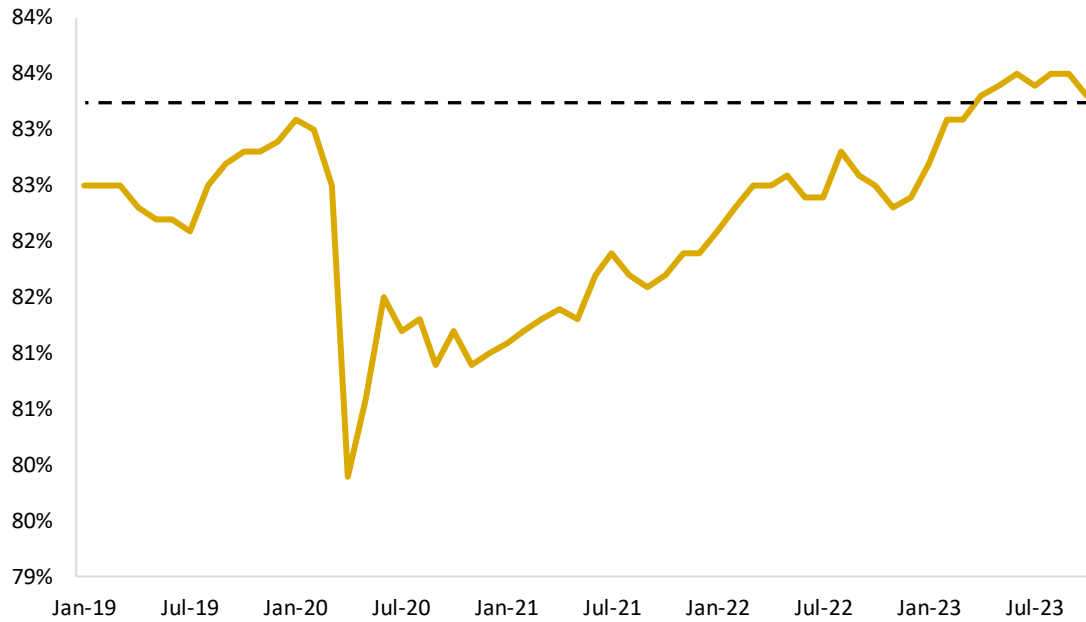


# Labor Market Resilient but Job Gains Slowing

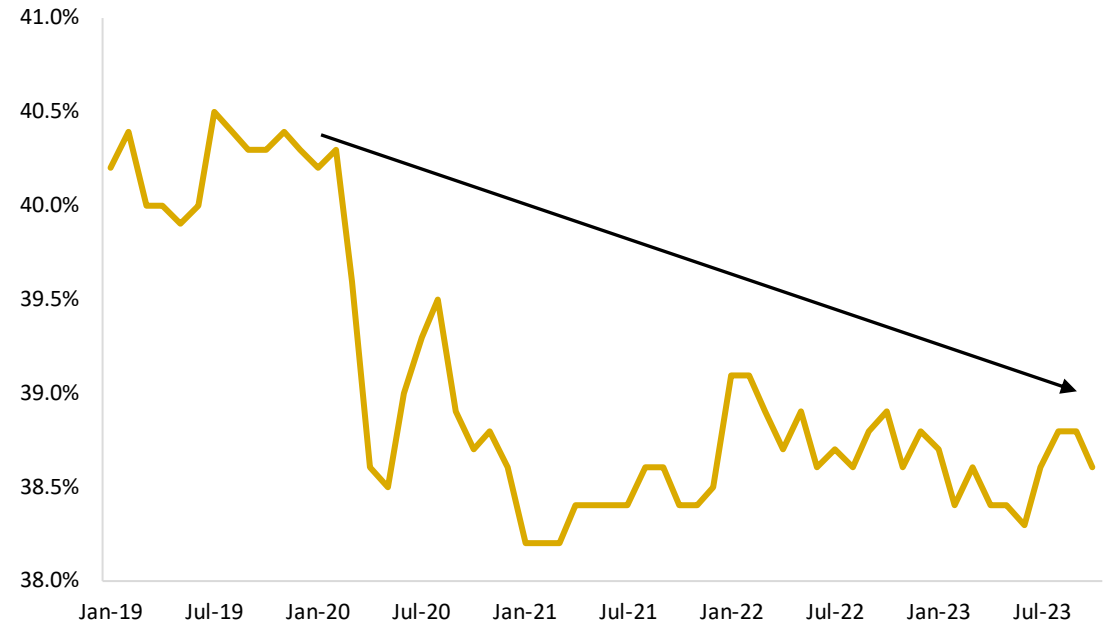


# Labor Participation: Prime Age versus 55+

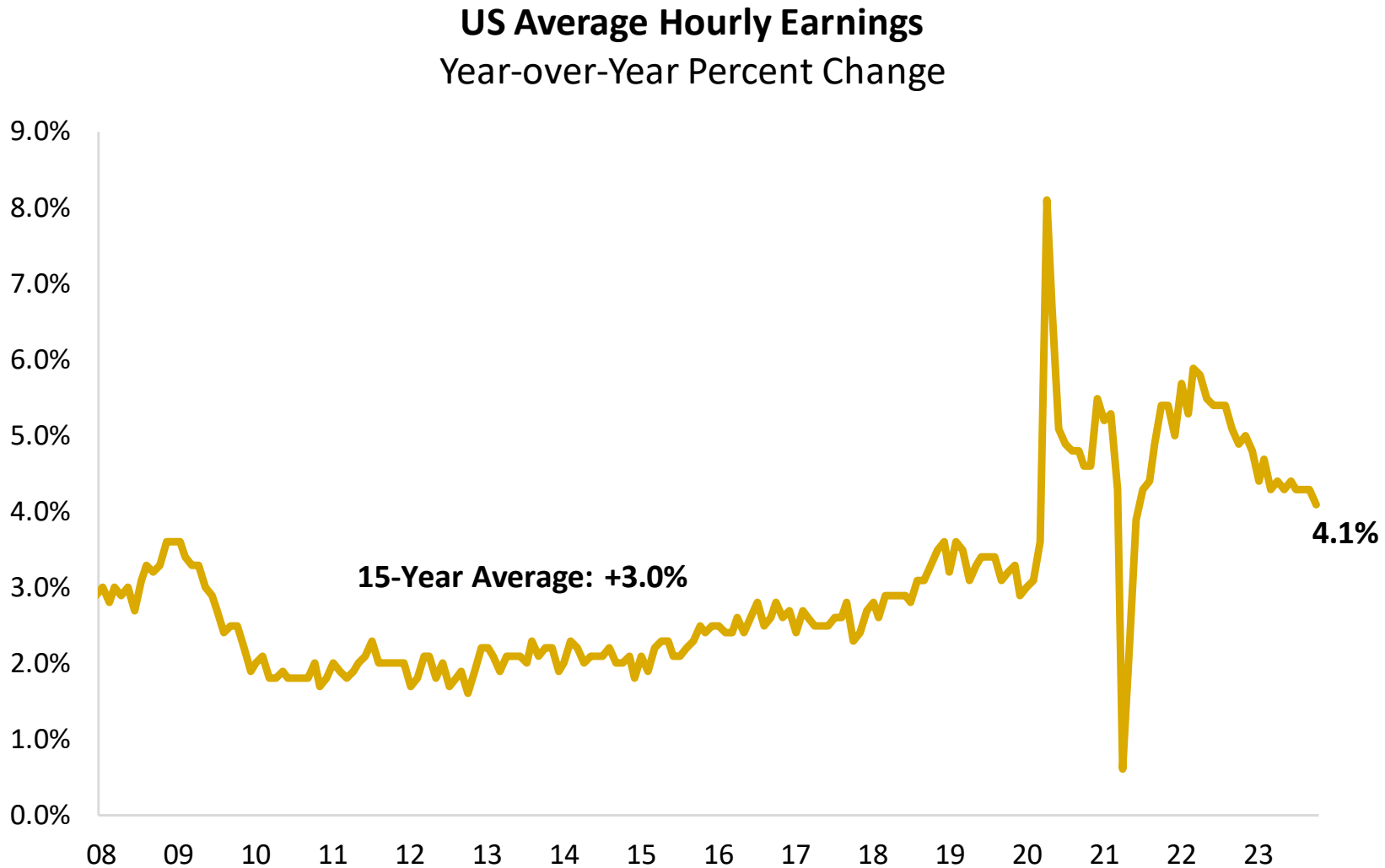
**US Labor Force Prime Age Participation Rate**  
Prime Age (25-54 Years), Seasonally Adjusted



**US Labor Force Prime Age Participation Rate**  
55+ Years, Seasonally Adjusted

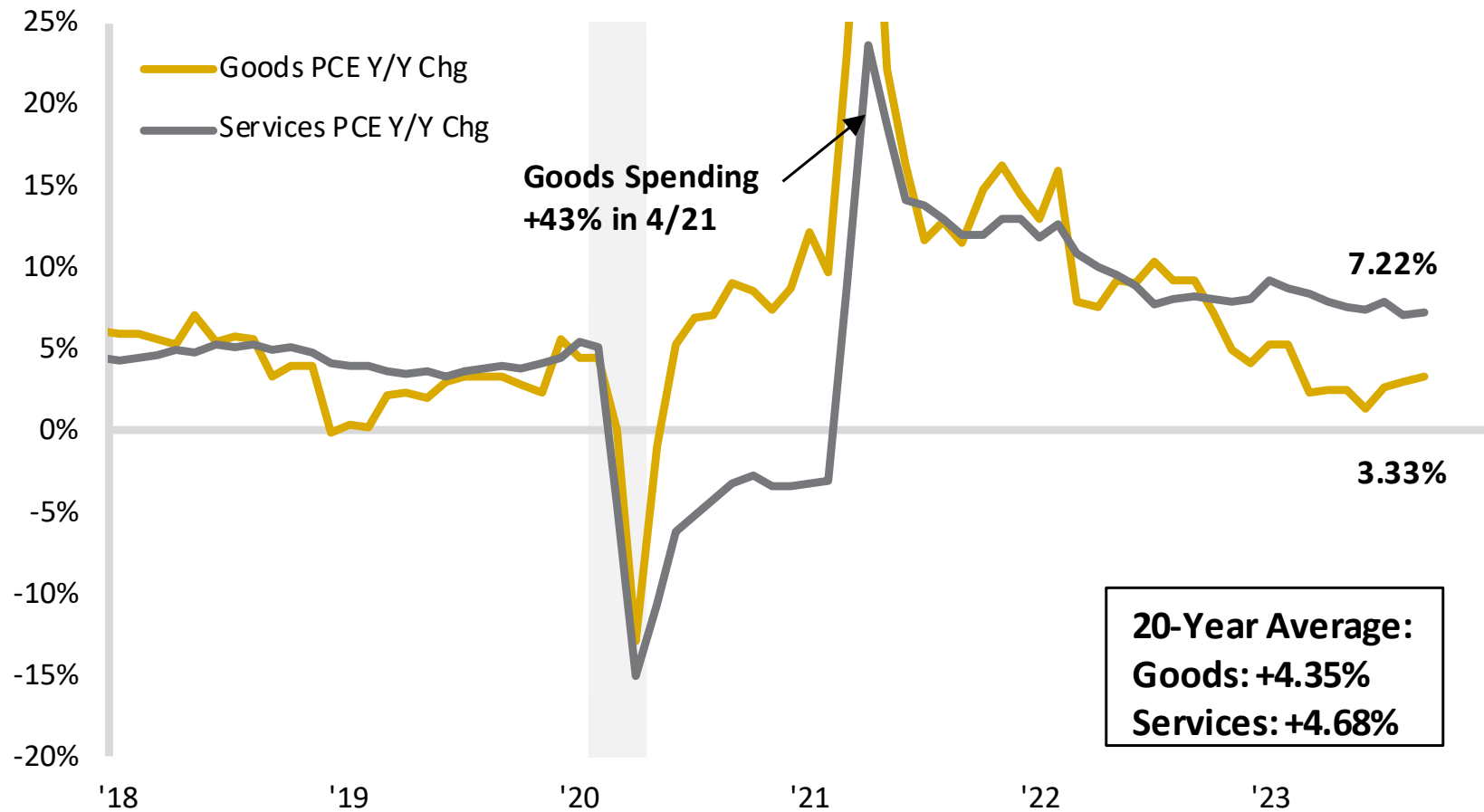


# Wage Growth Has Moderated but Remains Robust

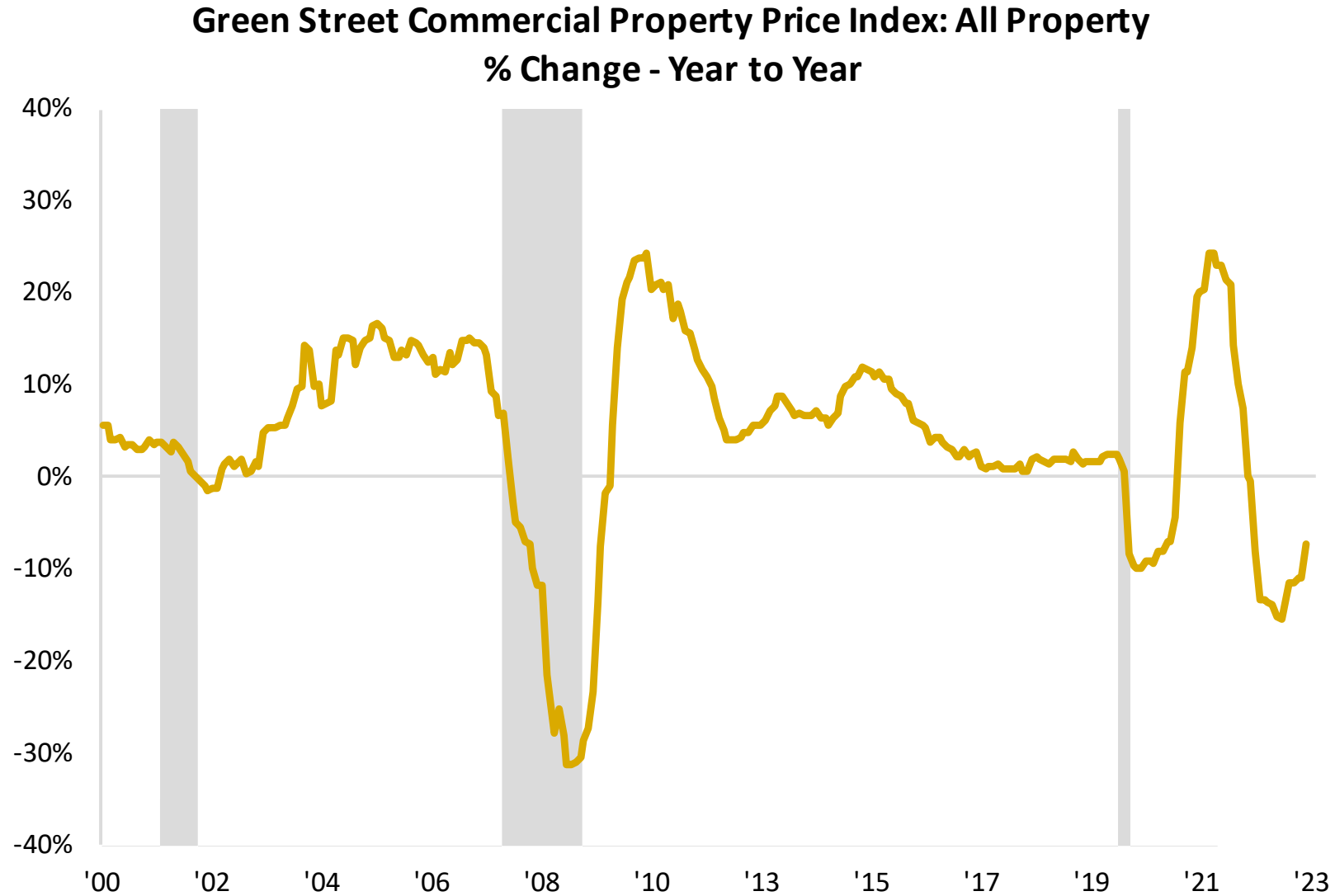


# Consumer Expenditures

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



# Commercial Real Estate Values Are Under Pressure



# Recession in the Next Twelve Months?

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## Avoid Recession:

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

## Recession:

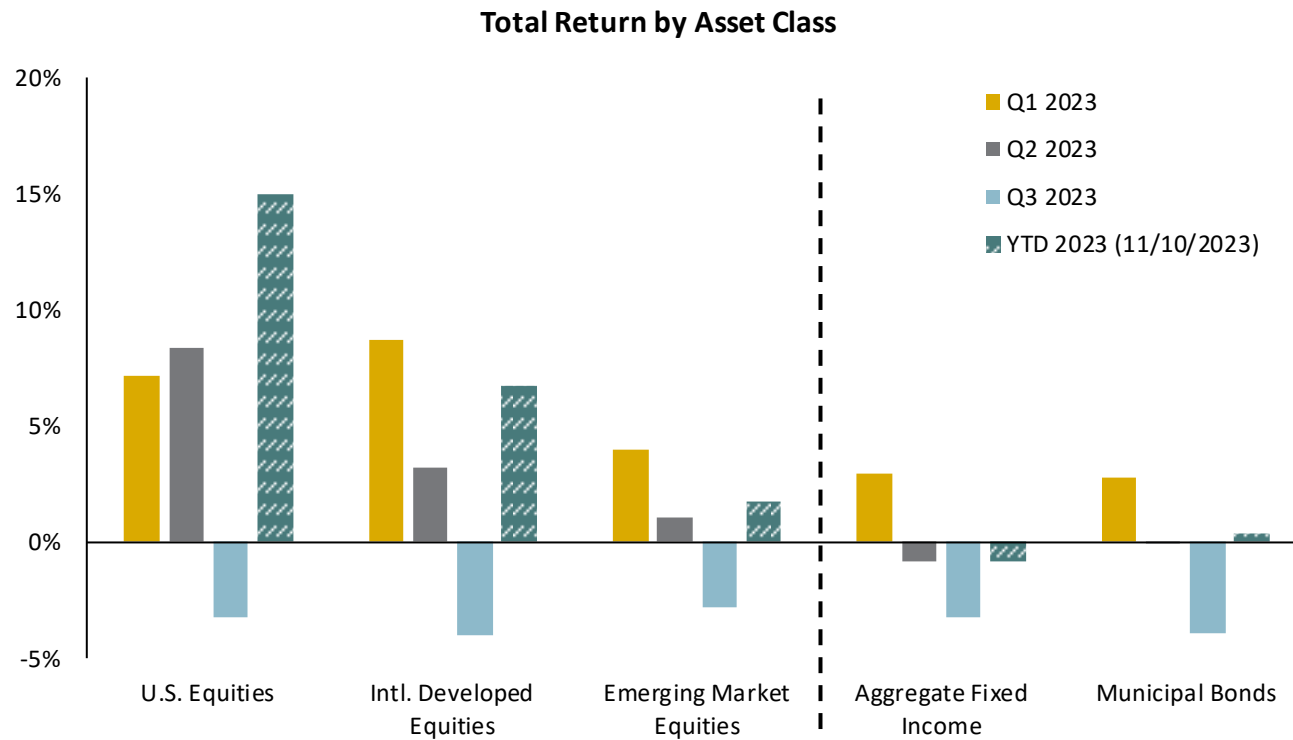
- **Tighter Monetary Policy**
- **Tighter Financial Conditions**
- **Manufacturing Economy**
- **Inverted Yield Curve**
- **Commercial Property Market**



# Market Update



# Global Markets Year-to-Date



**YTD US Equity Returns  
As of 11/10/2023**

	Value	Blend	Growth
Large	1.7%	20.8%	37.4%
Mid	-1.0%	2.8%	9.9%
Small	-4.0%	-2.0%	-0.3%

# Stocks Are Still Well Above the October Level; Narrow Rally

S&P 500 Index

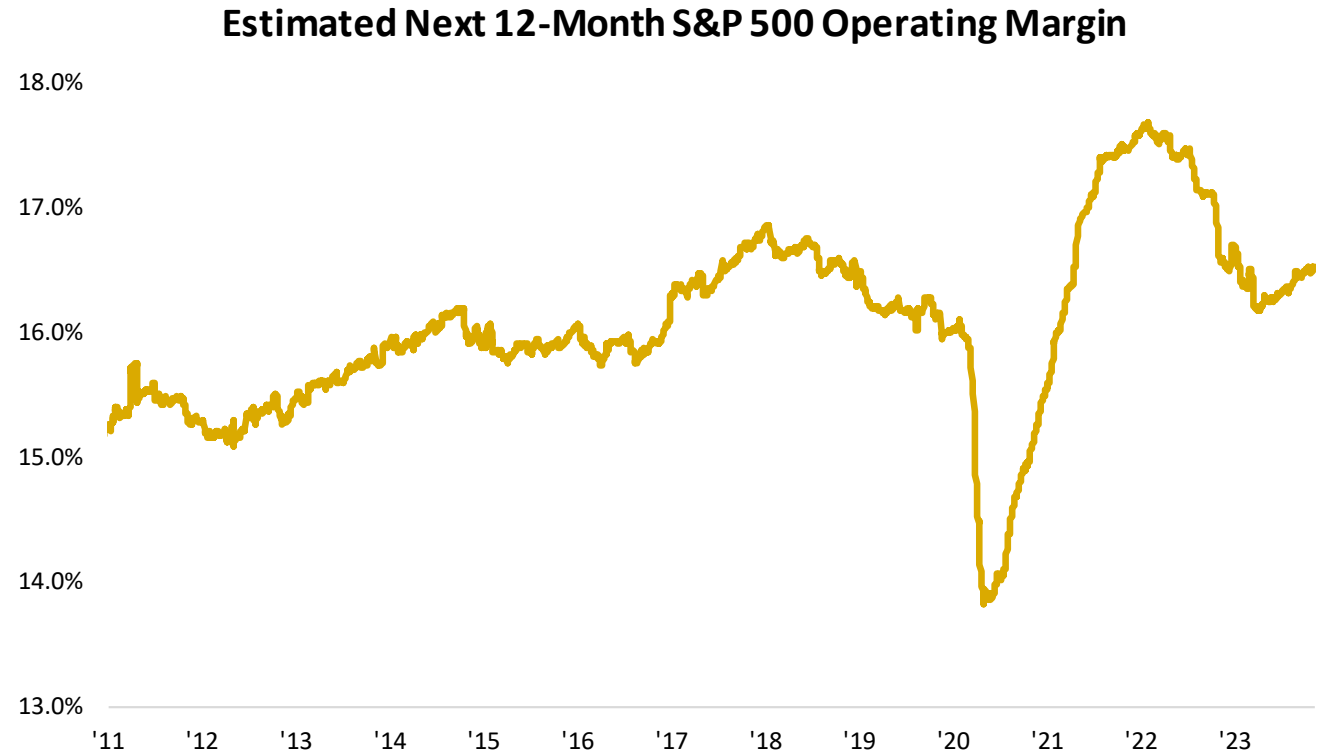


## S&P 500: Year-to-Date Through 11/10/2023

Index:	Total Return
S&P 500	16.59%
S&P 500 Equal Weighted	1.16%
<b>Difference</b>	<b>15.43%</b>

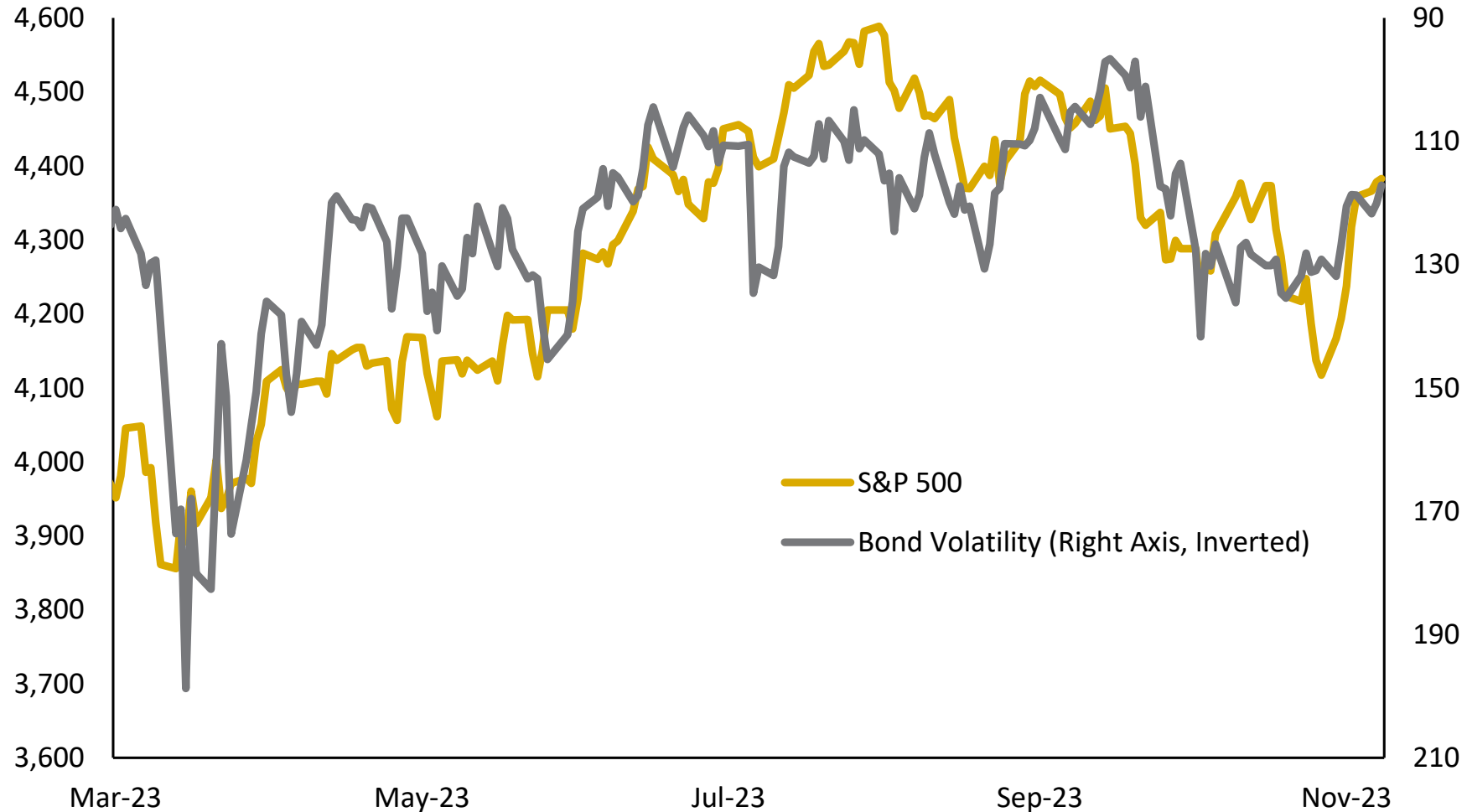
# Corporate Earnings

- 2023 estimated growth is **0.6%** or \$221 per share
- 2024 estimated growth is **11.6%** or \$246 per share
- Average growth since 1950 is **7.6%**



# The Stock Market Has Tracked Bond Market Volatility

Bond Volatility versus the S&P 500



# Fourth Quarter Rebound?

S&P 500 Performance Trends			
Year	January-July	August-September	October-December
1961	14.9%	-1.0%	7.2%
1975	29.5%	-4.7%	8.8%
1985	14.2%	-5.2%	14.2%
1986	11.8%	-1.5%	3.7%
1988	10.1%	-0.1%	2.3%
1998	15.5%	-8.6%	1.6%
<b>2023</b>	<b>19.5%</b>	<b>-6.3%</b>	<b>?</b>

# S&P 500 Price Target

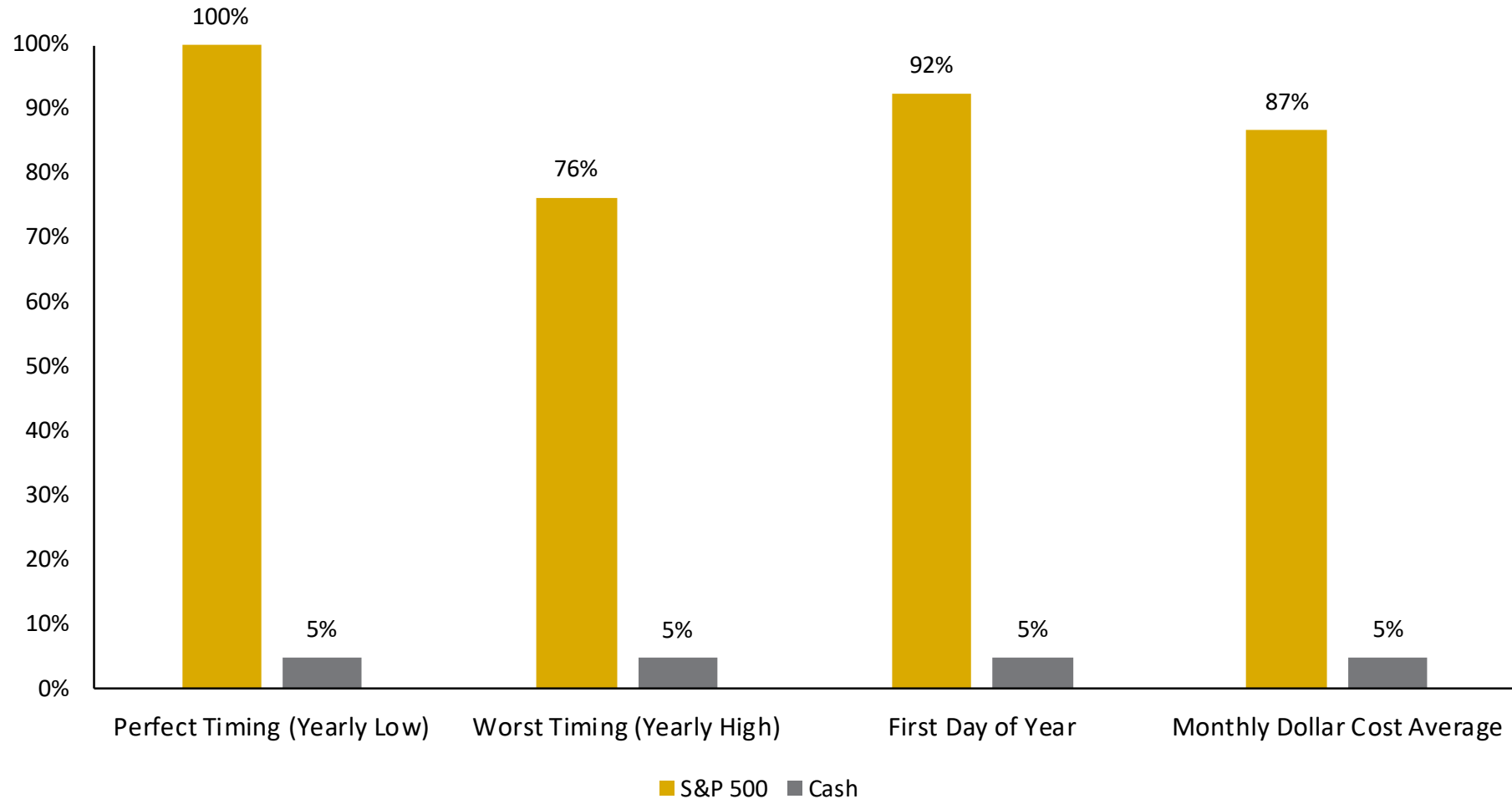
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## Next Twelve-Month S&P 500 Price Target

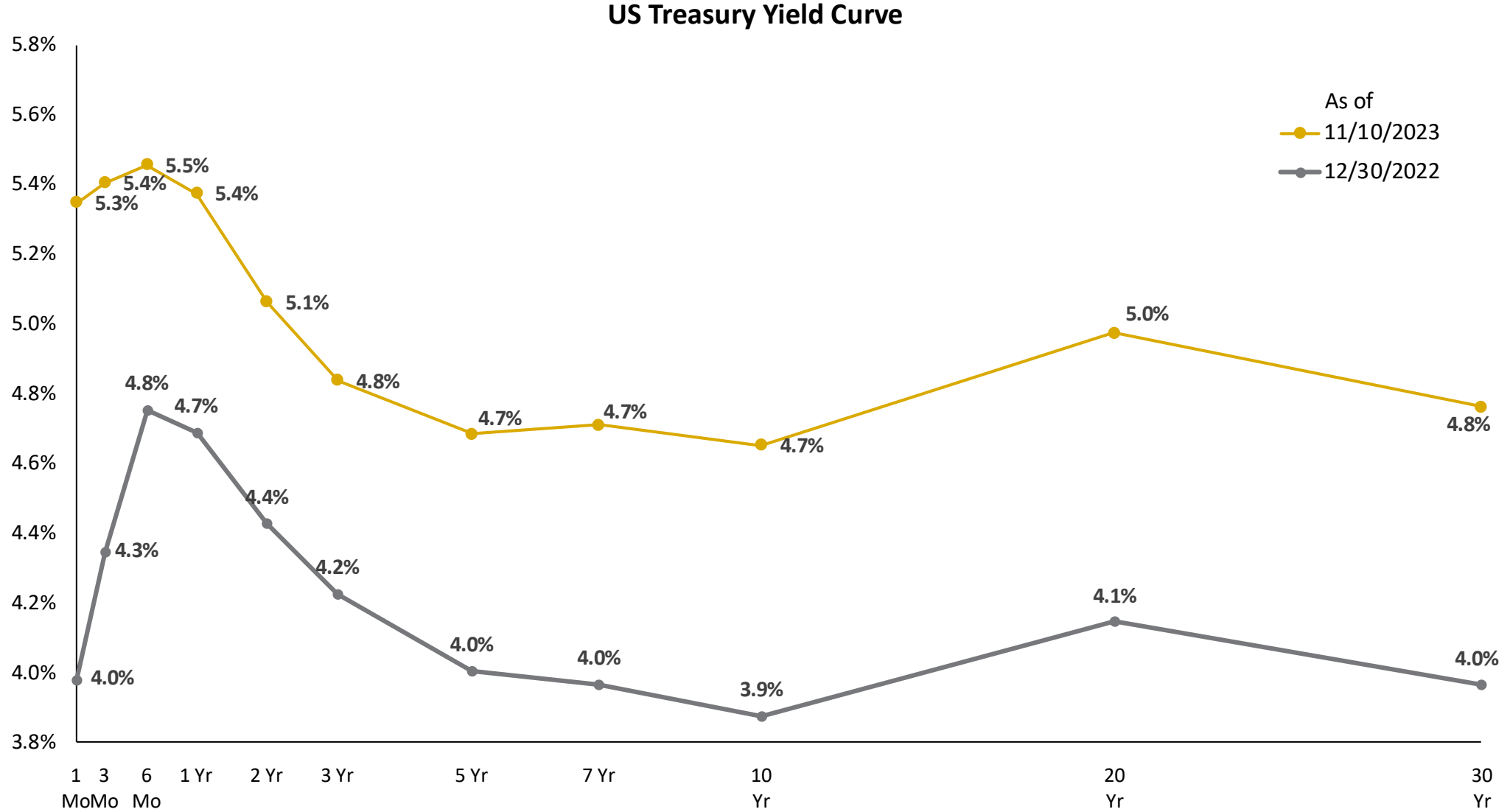
	<b>NTM Price Level</b>	<b>Percent Change from 11/10/23</b>
Bear	3,600	-18.5%
Base	4,650	5.3%
Bull	5,330	20.7%

# Market Timing, Anyone?

Percent Capture of Perfect Timing with \$12,000 Annual Contribution  
1980-2023 YTD  
Perfect Timing Portfolio Value: \$10,516,789



# US Treasury Yield Curve Remains Inverted





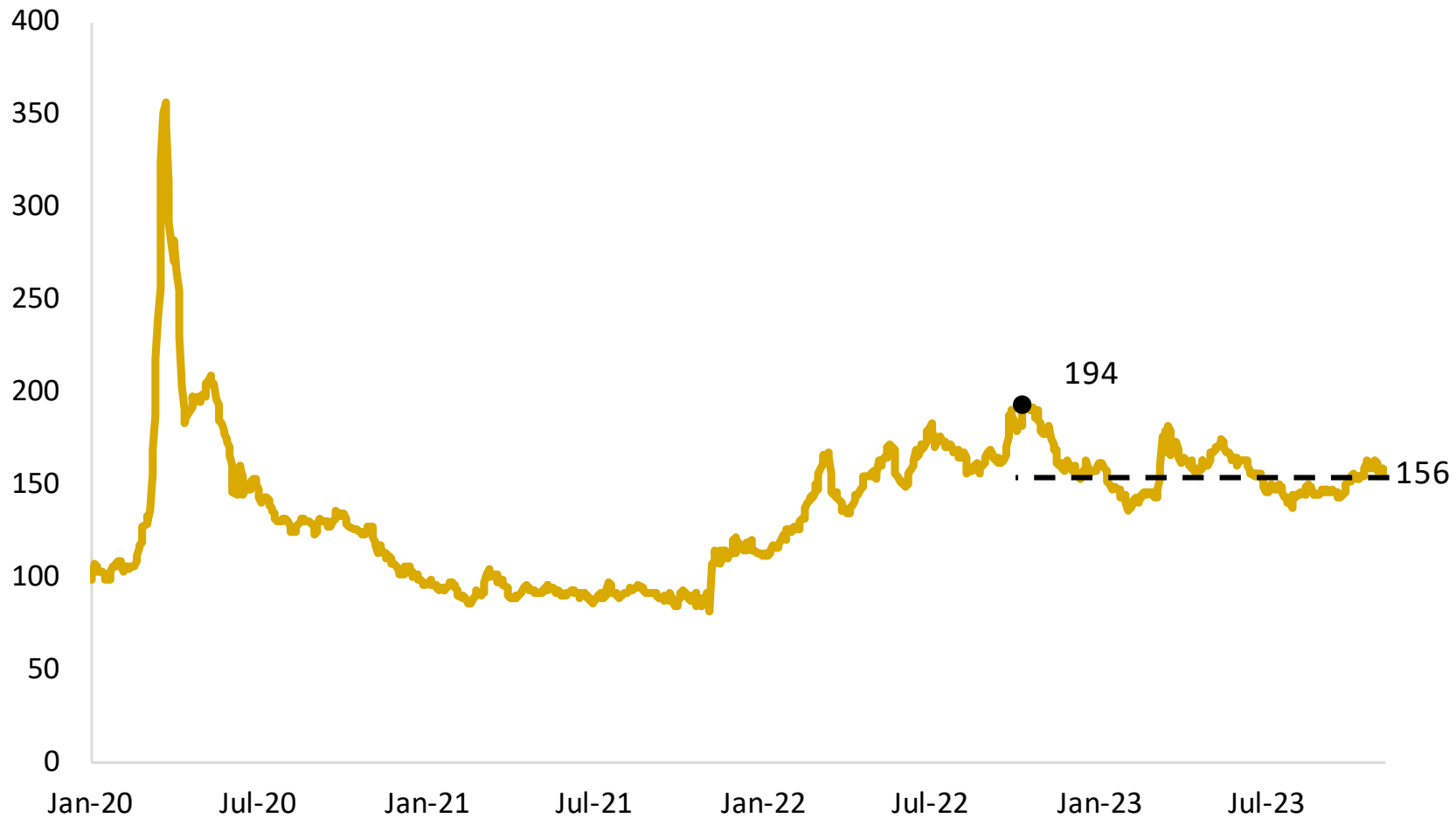
# US Treasury Yield Curve Remains Inverted but Less So

## U.S. 2-Year/10-Year Treasury Yield Spread



# Credit Spreads Remain Below 2022 Highs

US Investment-Grade Fixed Income  
Option Adjusted Spread in Basis Points

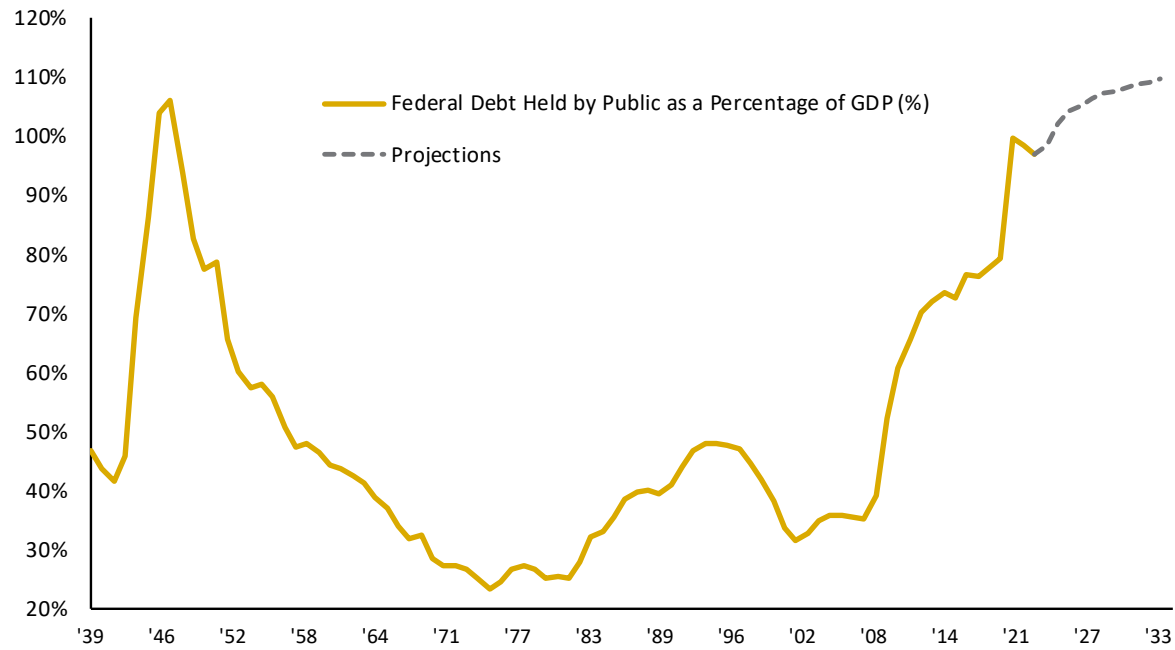


# Bond Yields Remain Elevated versus Recent History

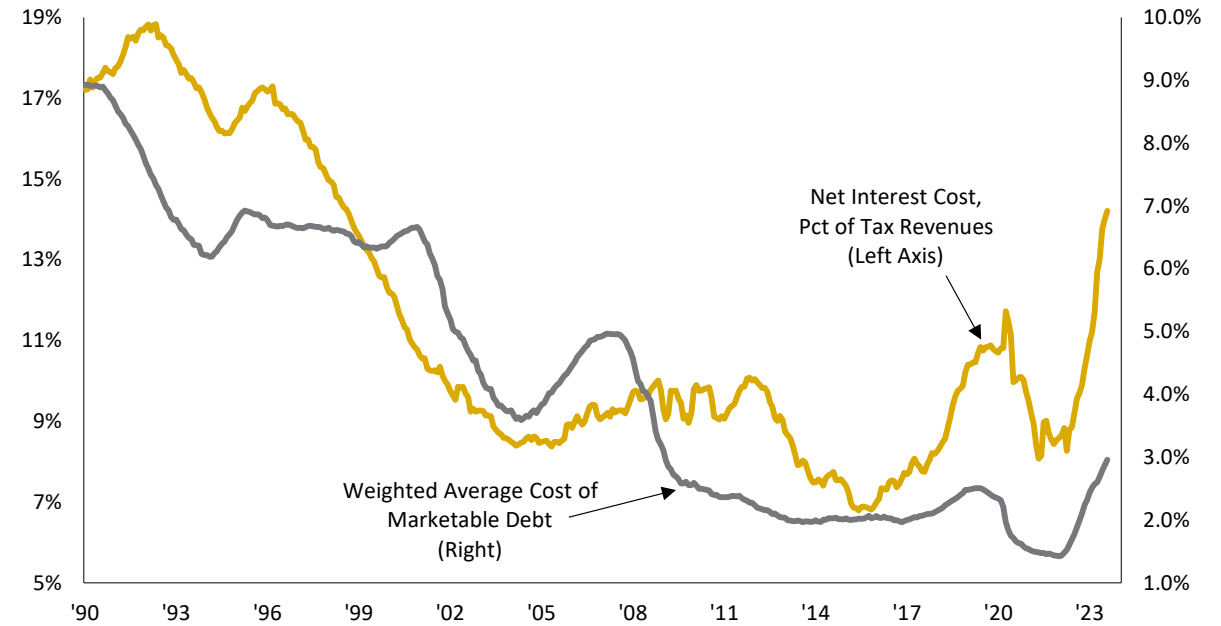
US Fixed Income Indices		
Index	Yield-to-Worst	
	12/31/2021	11/10/2023
2-Year Treasury	0.73%	5.06%
10-Year Treasury	1.51%	4.65%
Aggregate Bond	1.75%	5.41%
Intermediate Government/Credit	1.30%	5.24%
Municipal Bond	1.11%	4.12%
Investment Grade Corporate Bond	2.33%	6.07%
High Yield Corporate Bond	4.21%	8.93%

# US Government Finances

### US Federal Debt % of GDP



### Net Interest Cost & Weighted Average Cost of Marketable Debt



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



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