

Making Sense

Market Update

October 25, 2023



First Citizens
WEALTH MANAGEMENT



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What are we going to cover?

1. Economic Update

2. Market Update



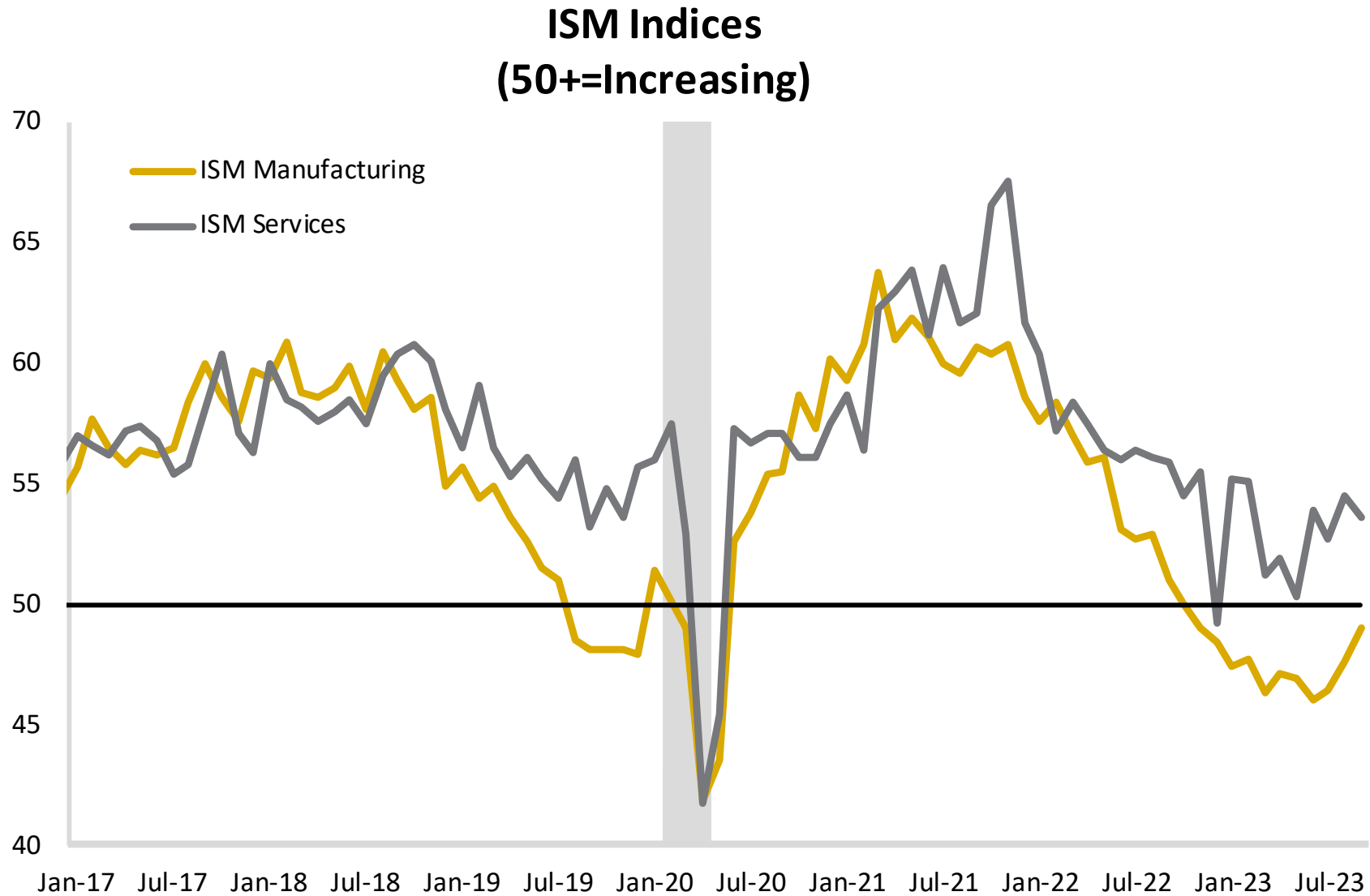
Economic Update

Global Growth Outlook

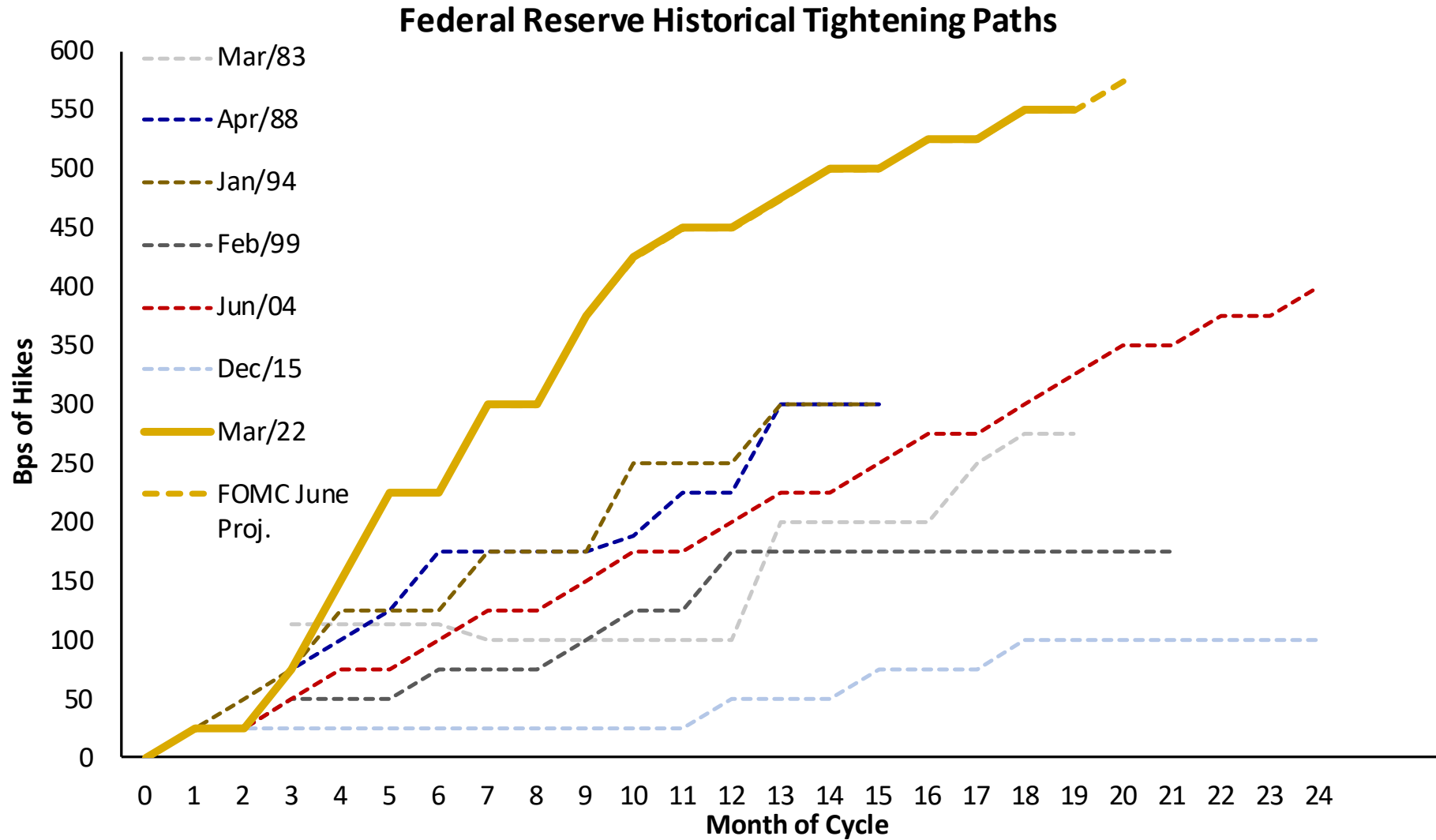
World Economic Outlook Consensus Real Economic Growth Estimates

	2022	2023 Estimate as of:		2024
	Actual Growth	Dec-22	Oct-23	Est. Growth
World	3.5%	2.1%	2.8%	2.6%
United States	1.9%	0.4%	2.1%	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%	1.8%	1.0%
China	3.0%	4.8%	5.0%	4.5%

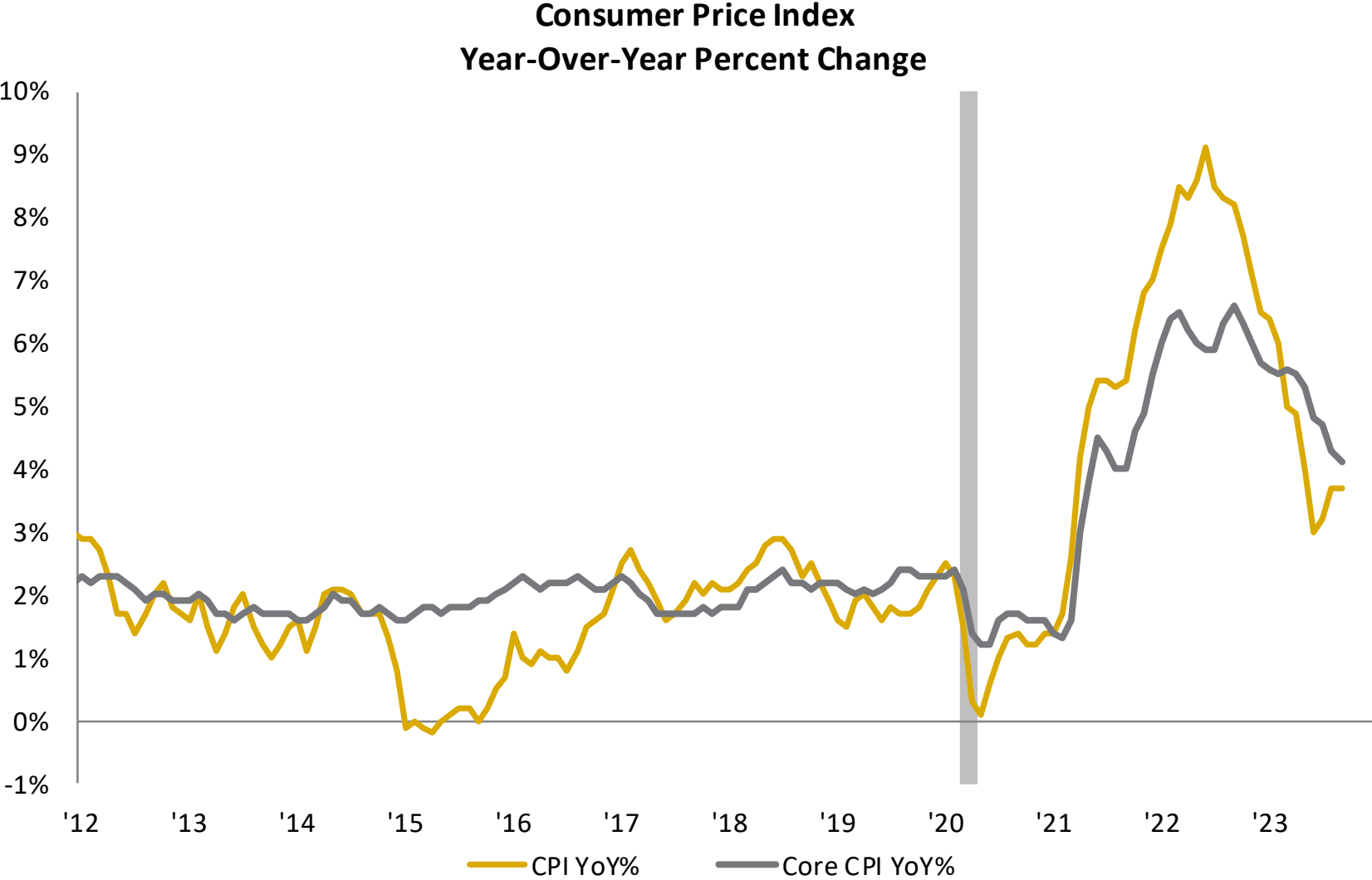
The Pace of Economic Activity Is Slowing



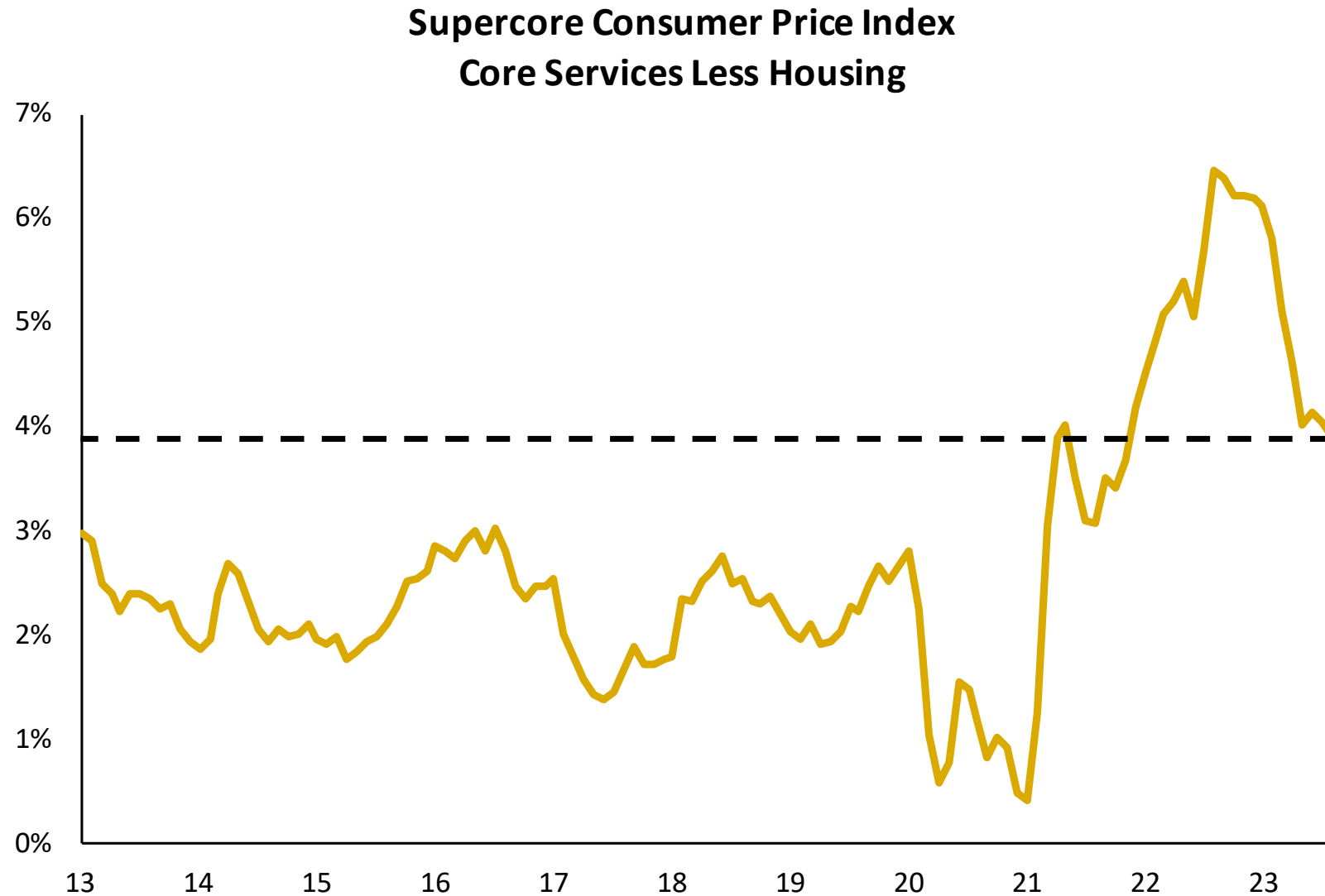
Federal Reserve Has Hiked Aggressively



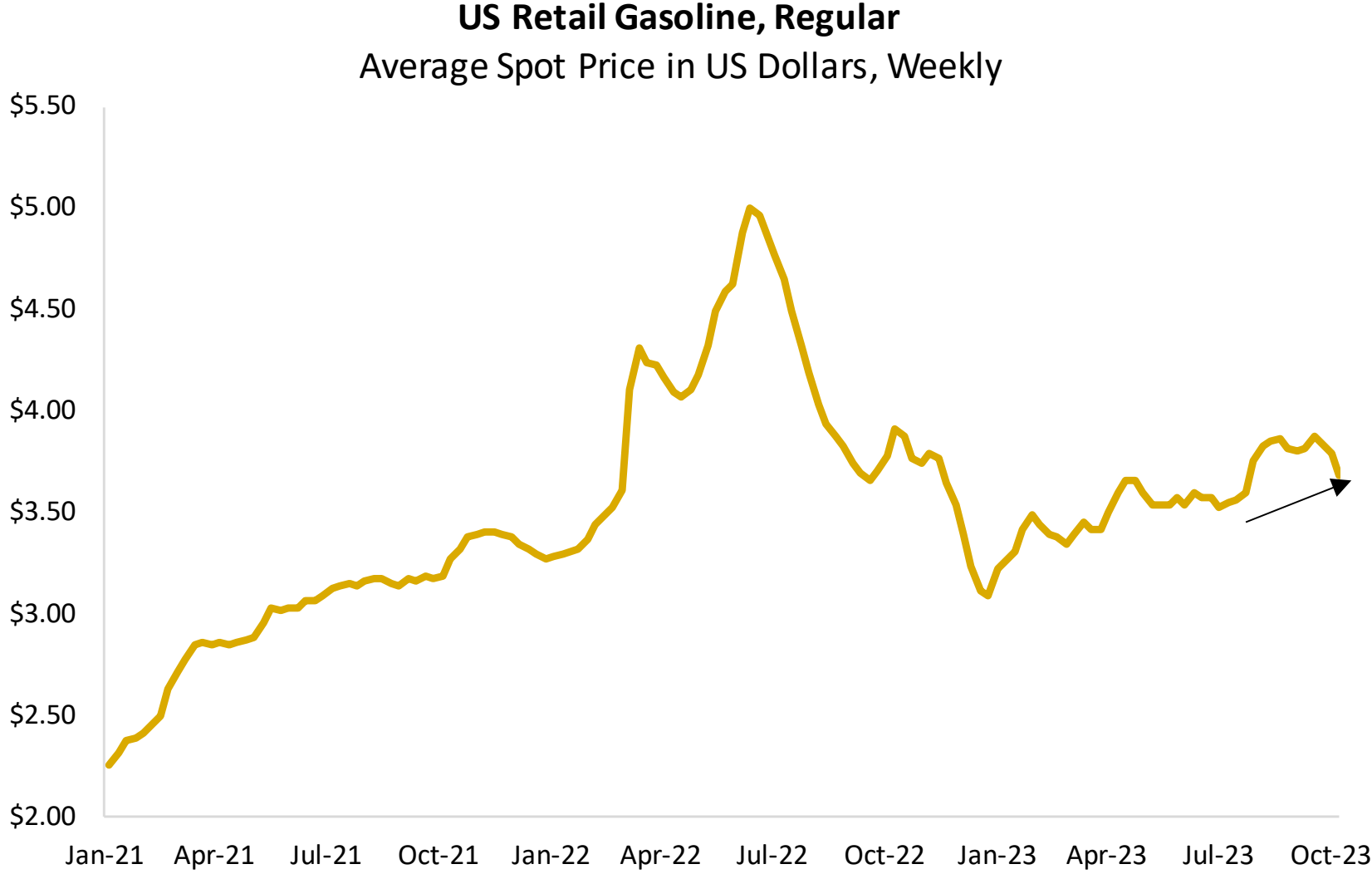
Inflation Moderating at a Slower Pace



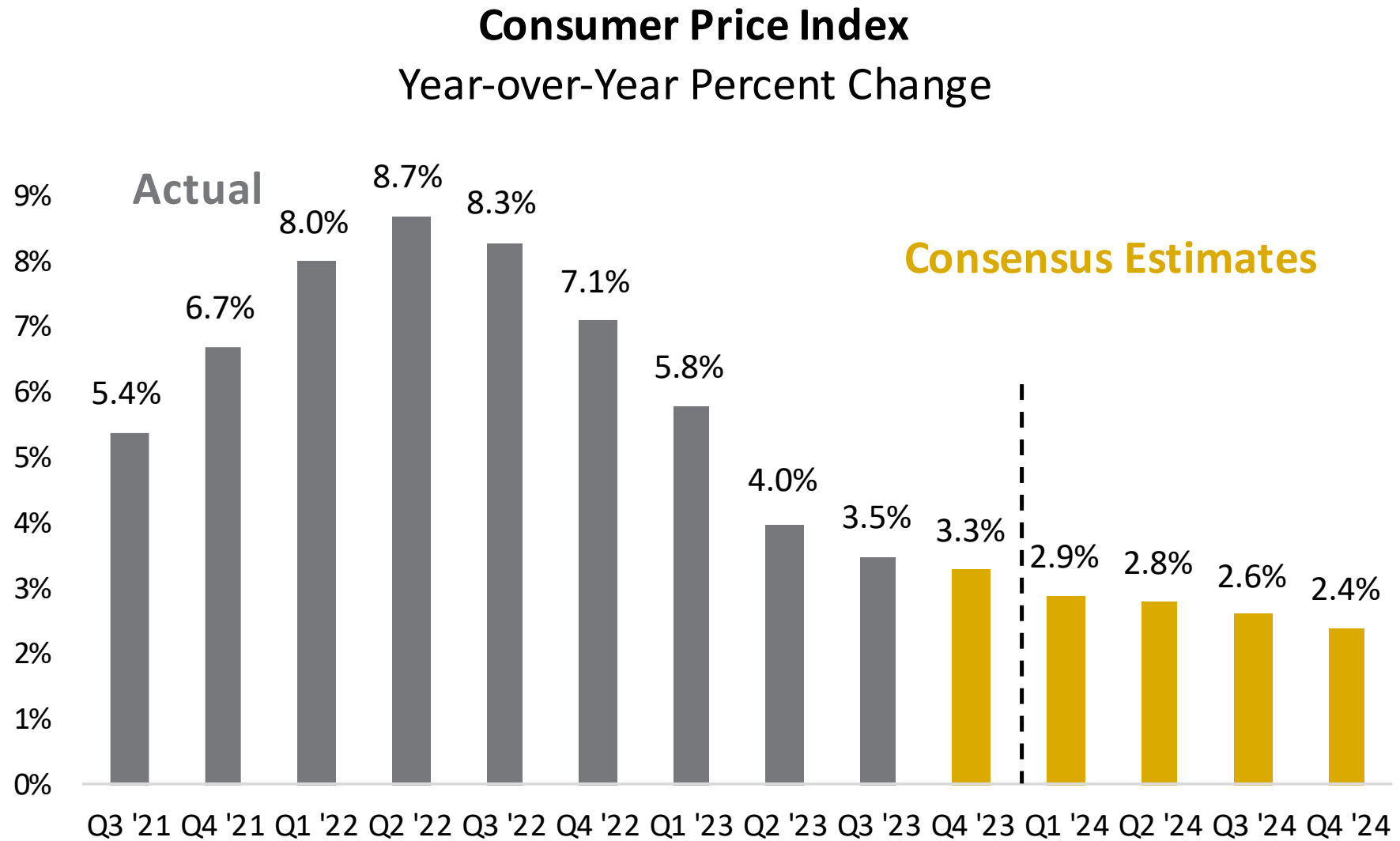
Supercore Inflation Well Above the Fed's 2% Target



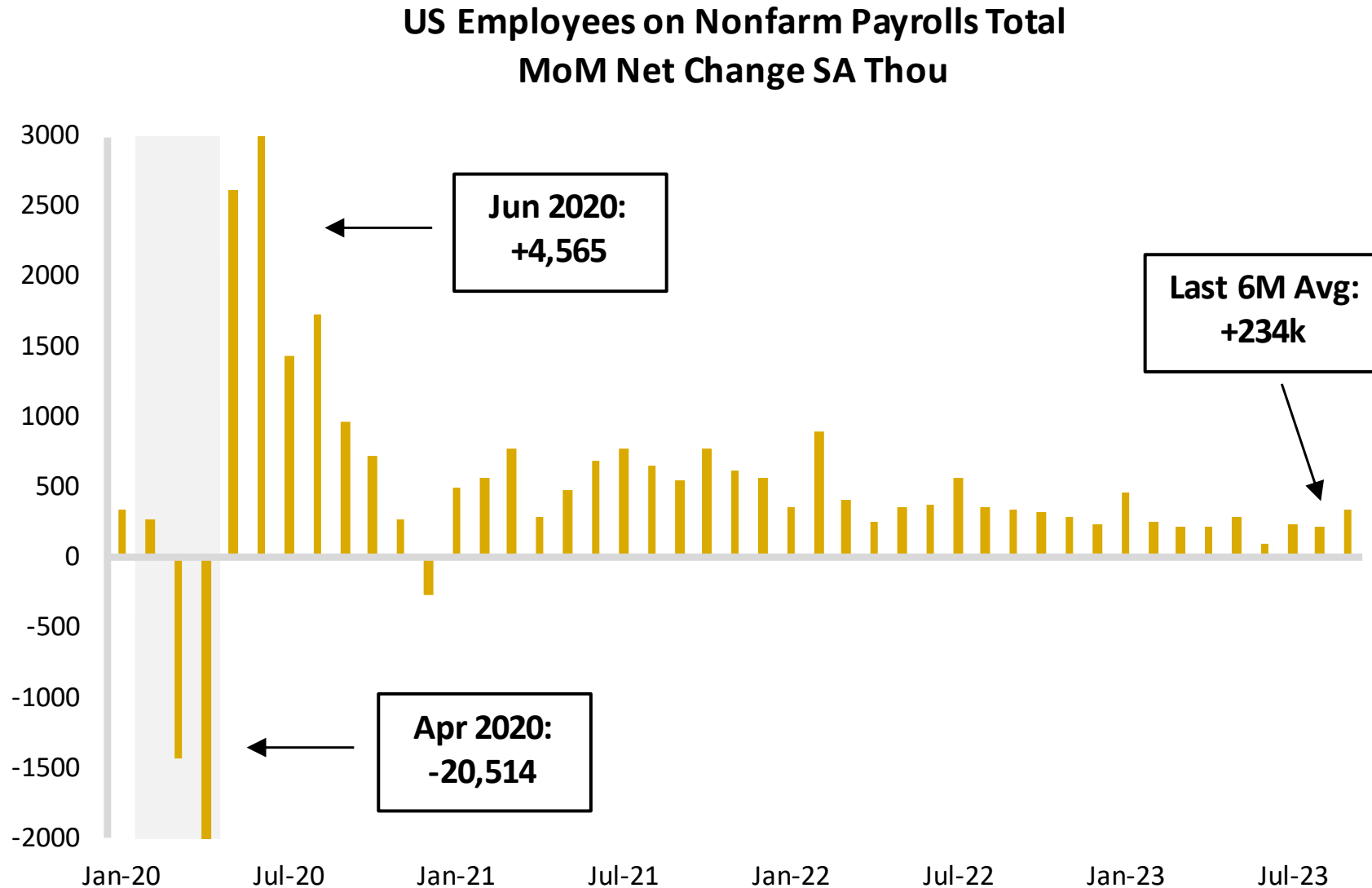
Retail Gasoline Prices Have Picked Up Since July



Path of Inflation

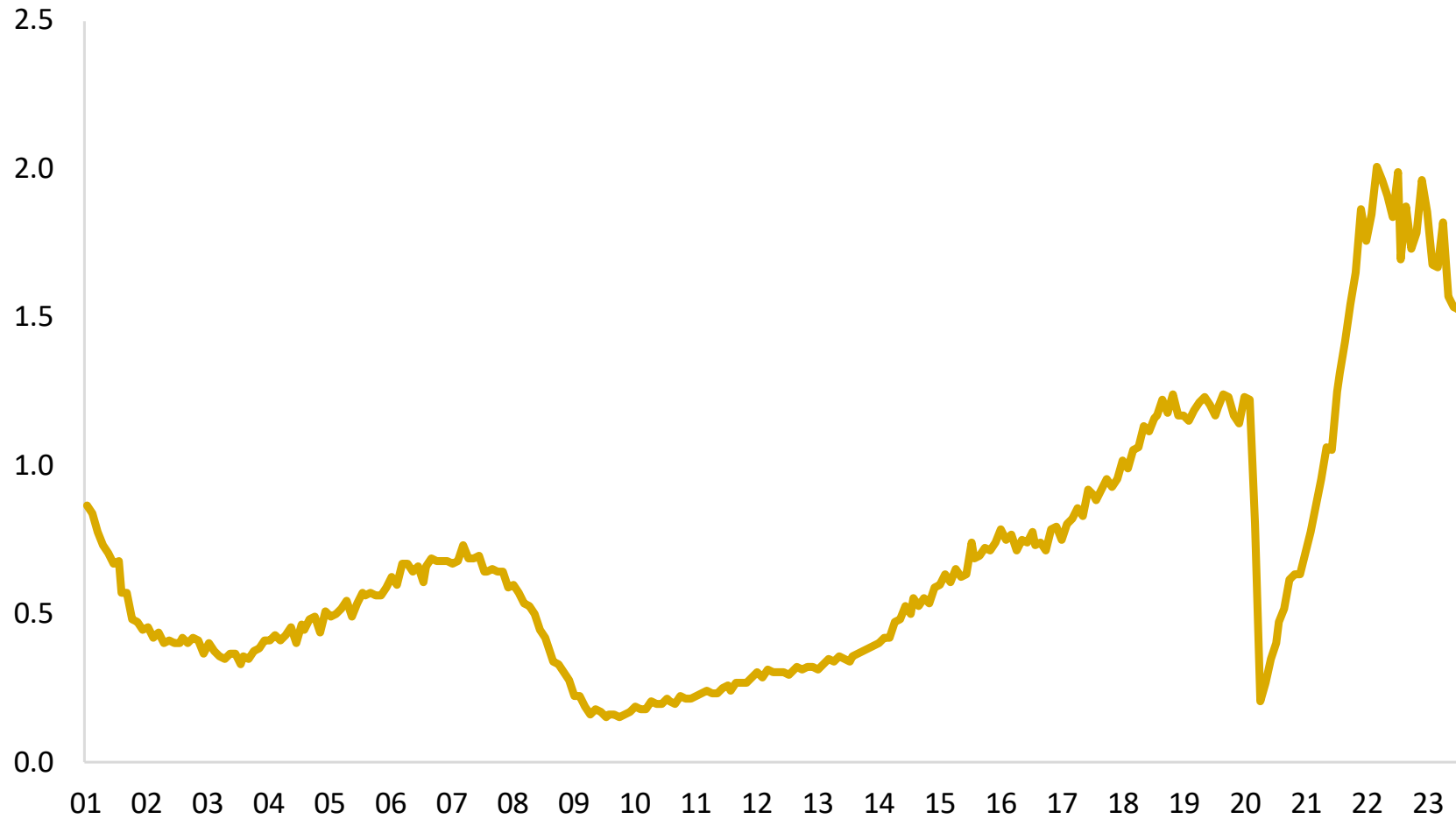


Labor Market Resilient but Job Gains Slowing



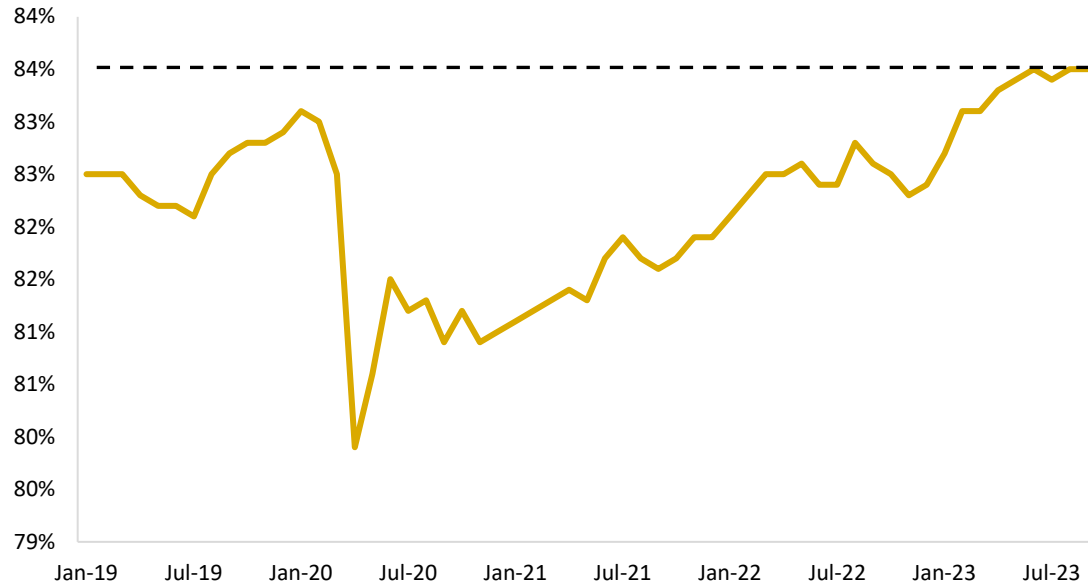
Signs of Loosening?

US Job Openings per Unemployed Person

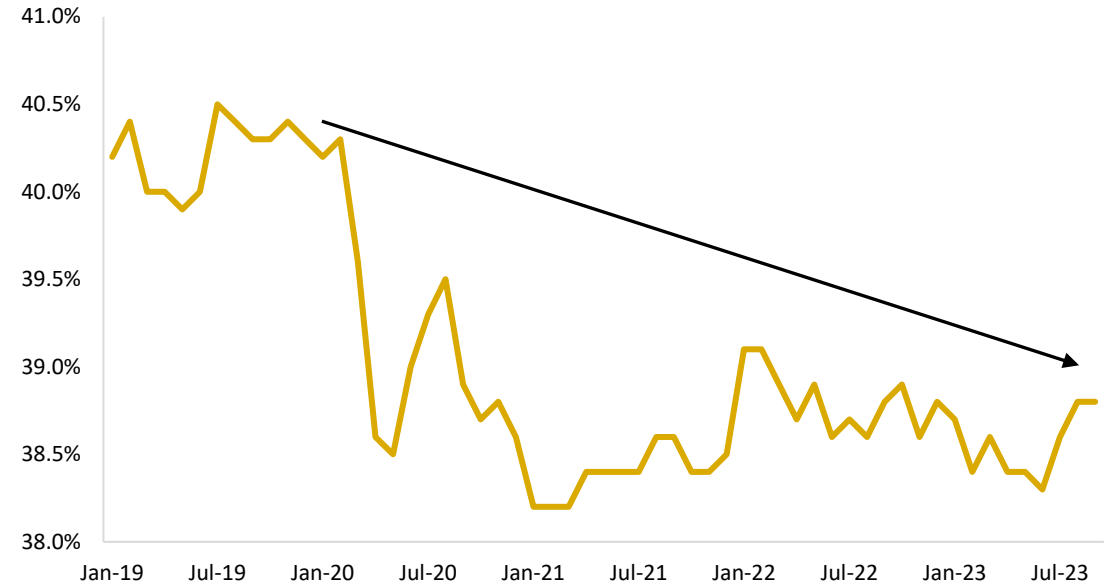


Labor Participation: Prime Age versus 55+

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

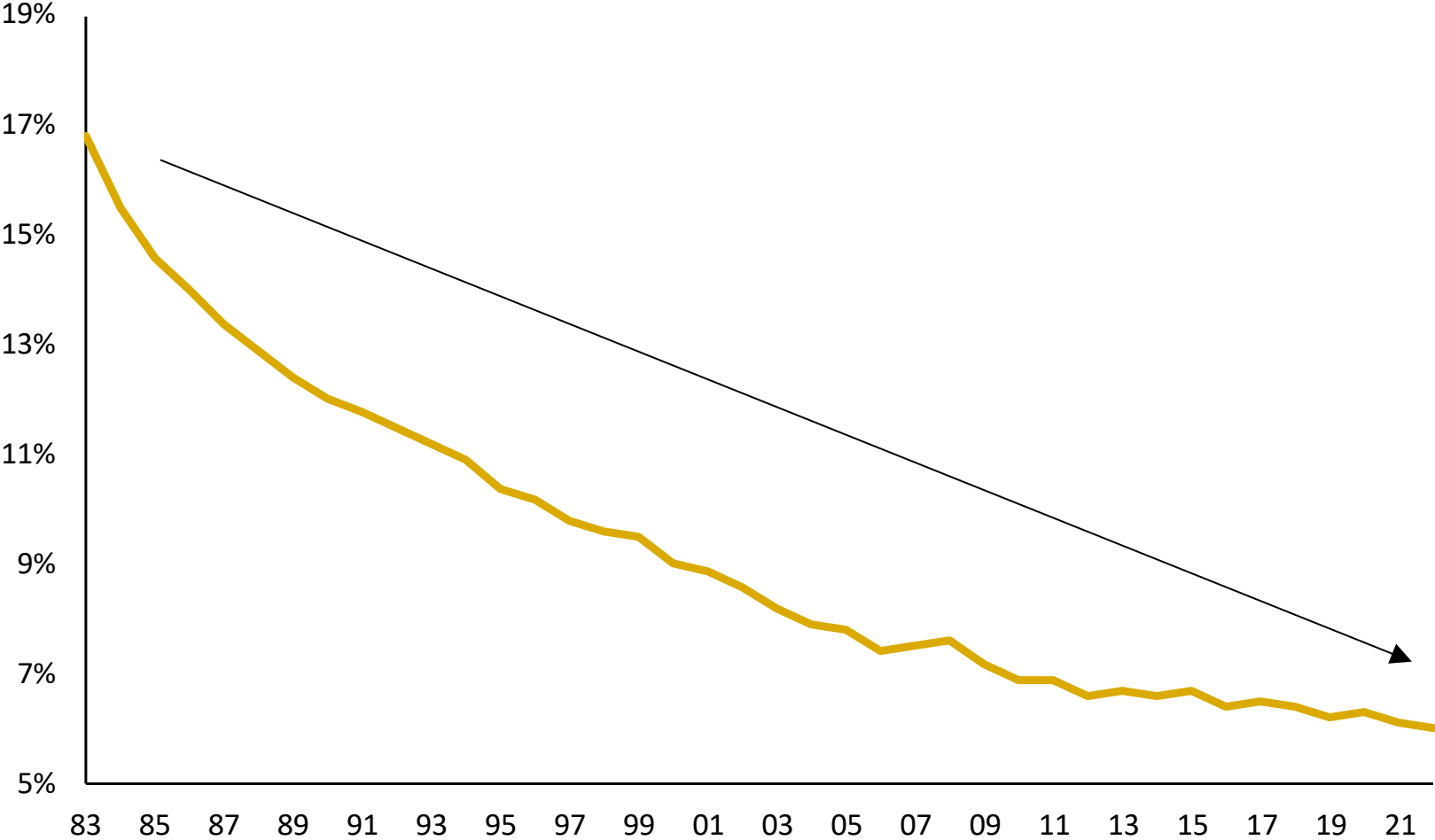


US Labor Force Prime Age Participation Rate
55+ Years, Seasonally Adjusted

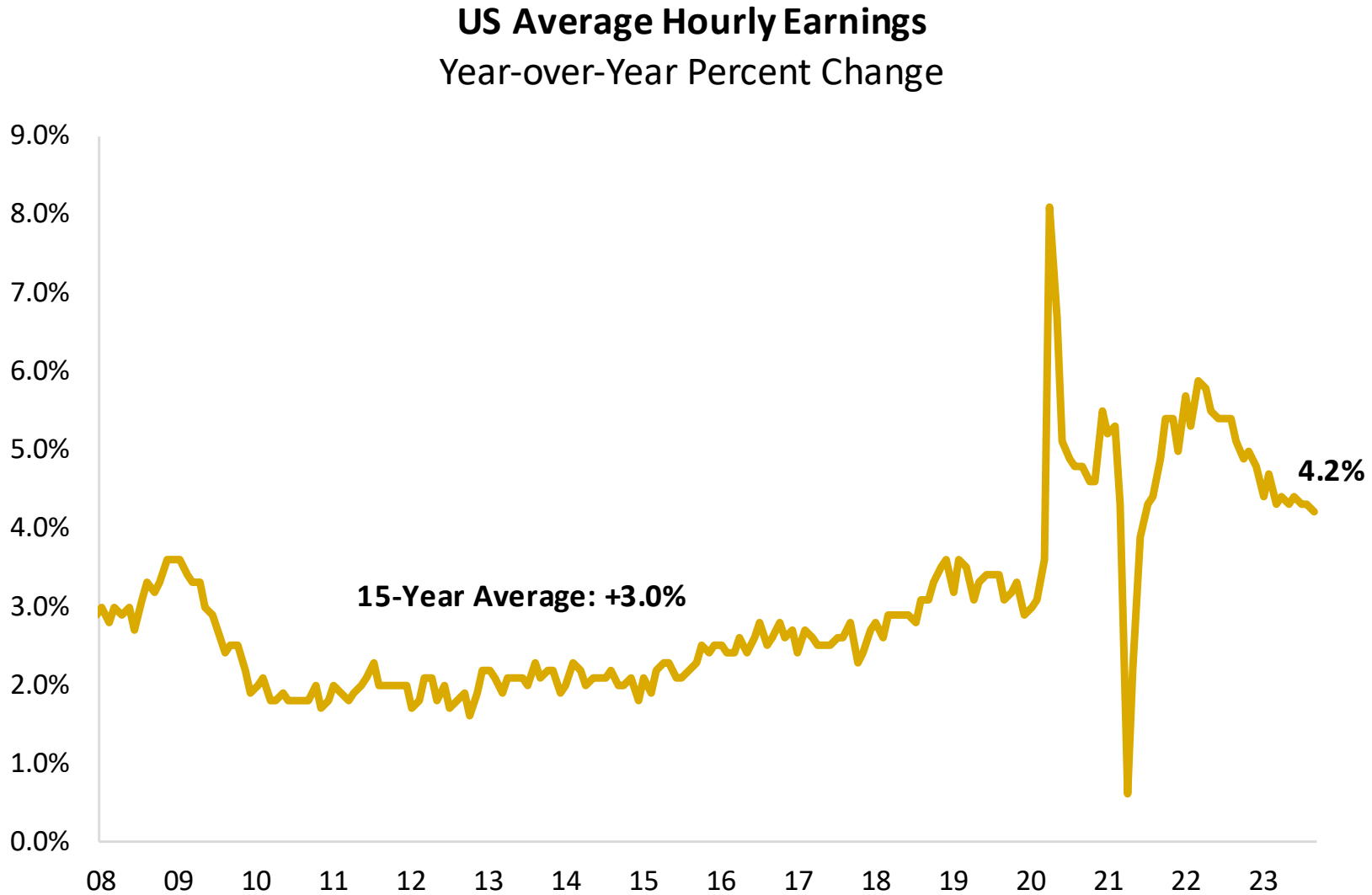


Union Workers' Percentage of Labor Force Has Fallen

US Union Workers Percentage of Total Private Employment

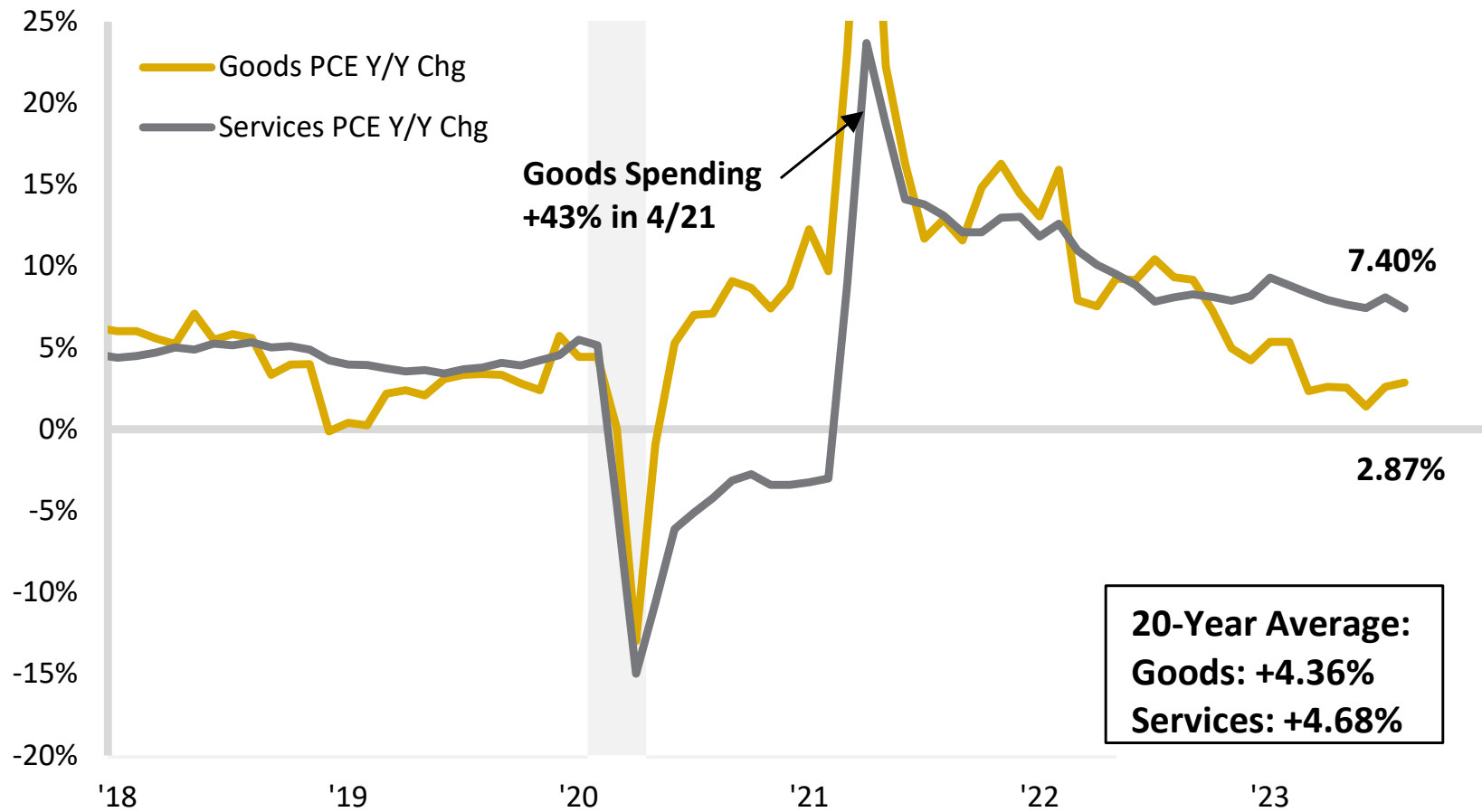


Wage Growth Has Moderated but Remains Robust



Consumer Expenditures

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

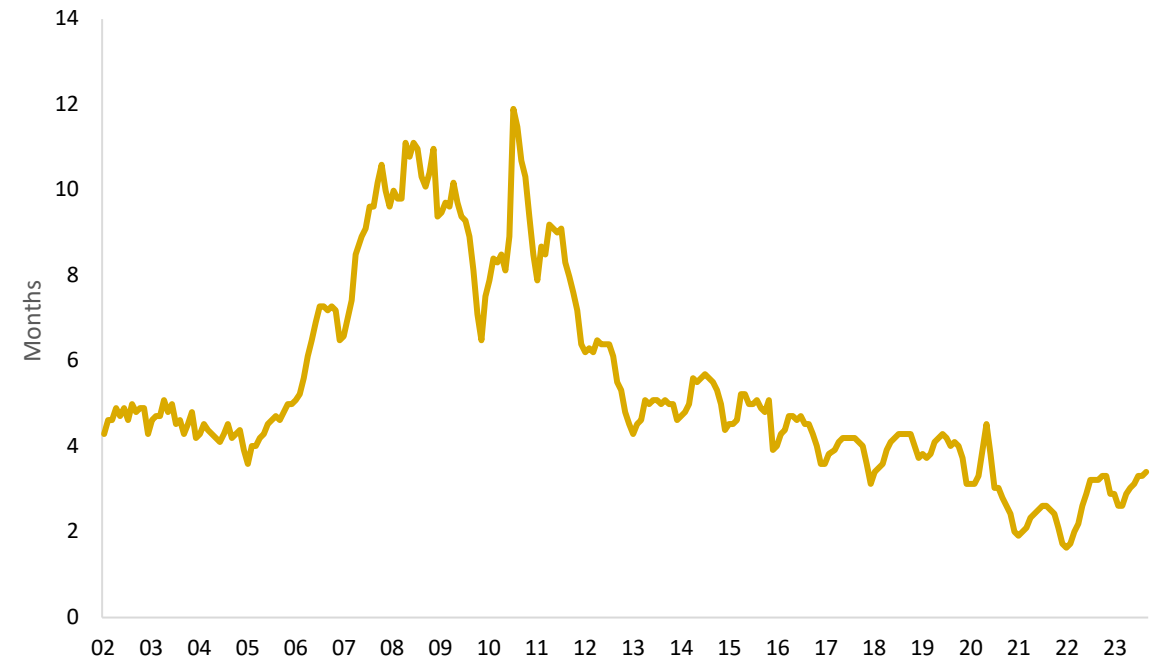


Mortgage Rates Have Skyrocketed, Keeping Supply Tight

US Home Mortgage National Average
30-Year Fixed



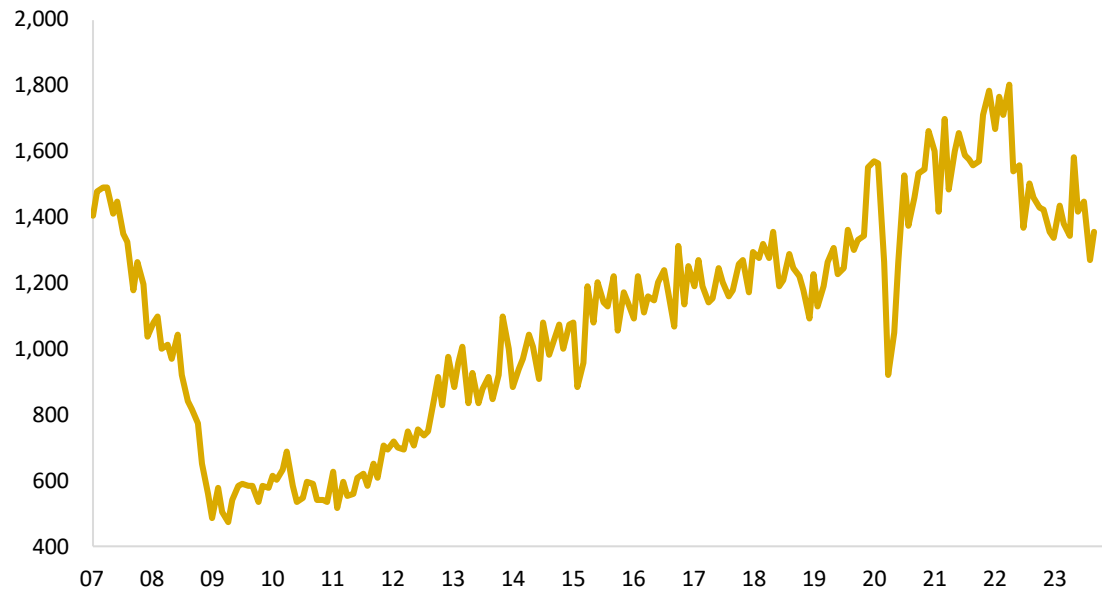
Months' Supply of Existing Homes



Limited Supply Has Supported Housing Starts, Depressed Resales

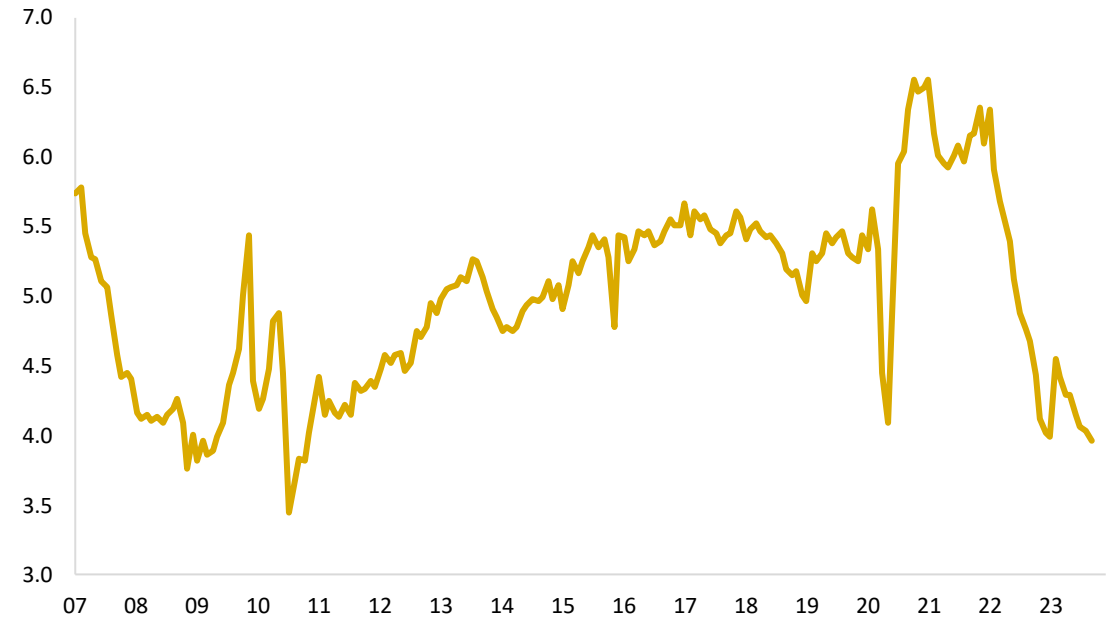
US Housing Starts

Thousands, Seasonally Adjusted Annual Rate



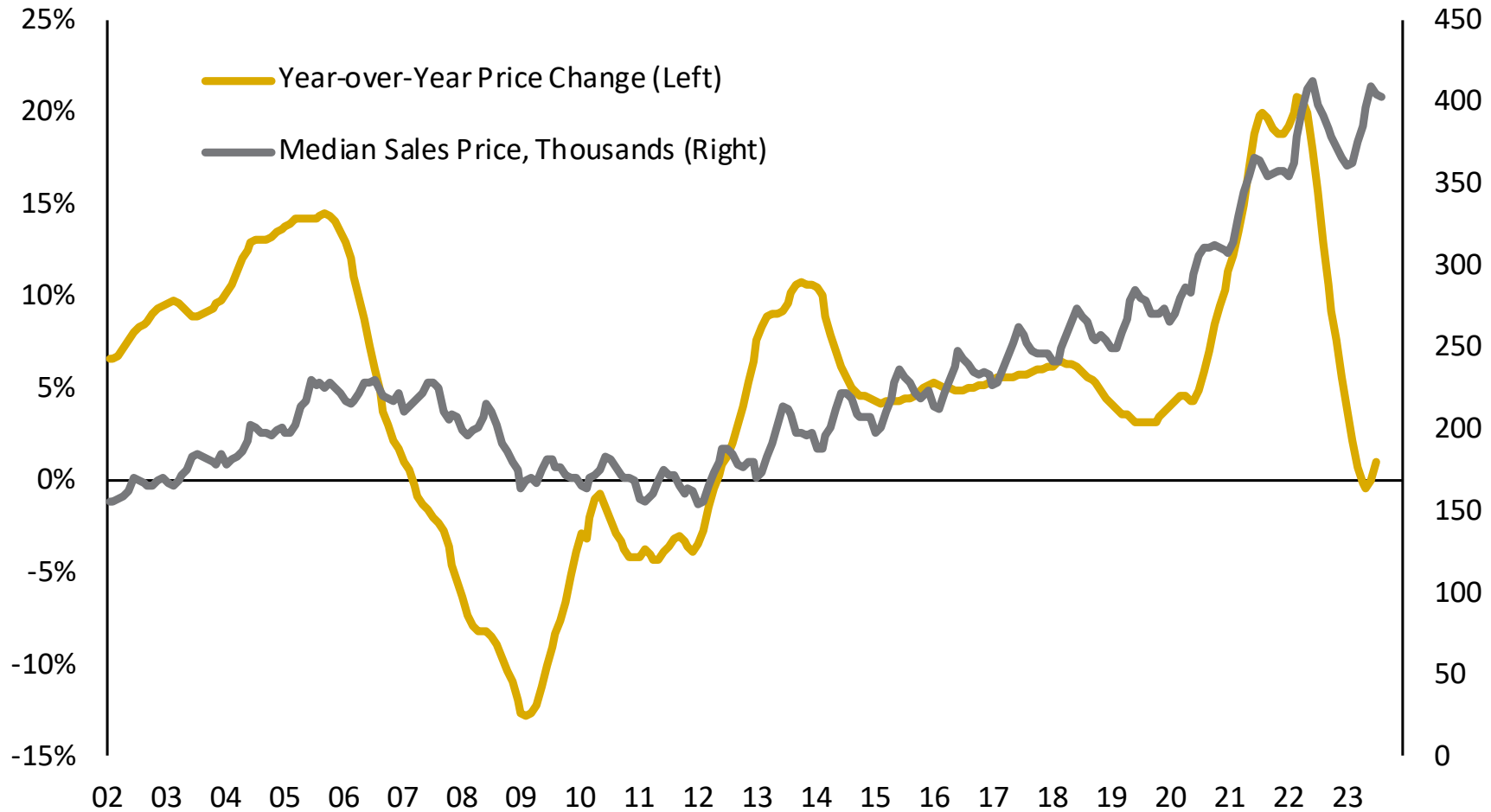
US Existing Home Sales

Millions, Seasonally Adjusted Annual Rate



Home Price Appreciation Has Moderated

US Home Prices



Recession in the Next Twelve Months?

Avoid Recession:

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

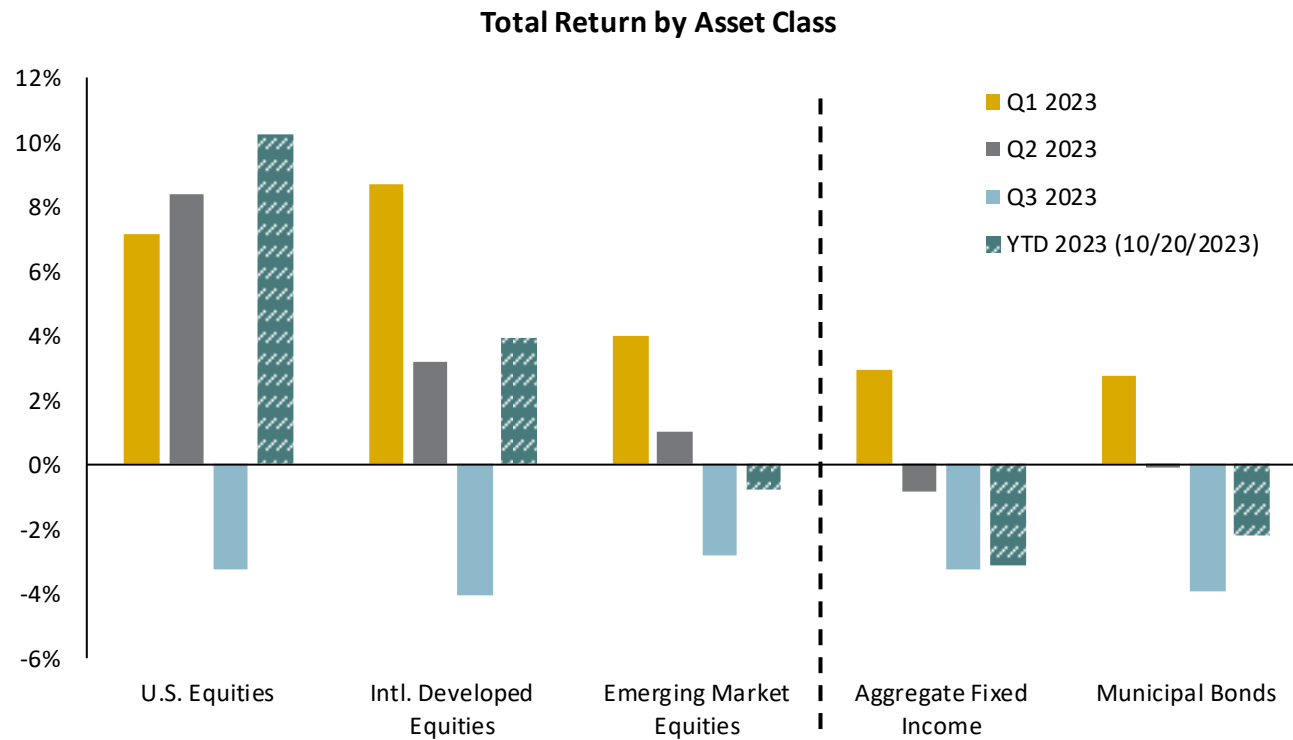
Recession:

- **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 10/20/2023			
	Value	Blend	Growth
Large	0.2%	15.1%	28.2%
Mid	-3.6%	0.0%	6.6%
Small	-5.9%	-3.4%	-1.4%

Stocks Are Still Well Above the October Level



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%
2023	19.5%	-6.3%	?

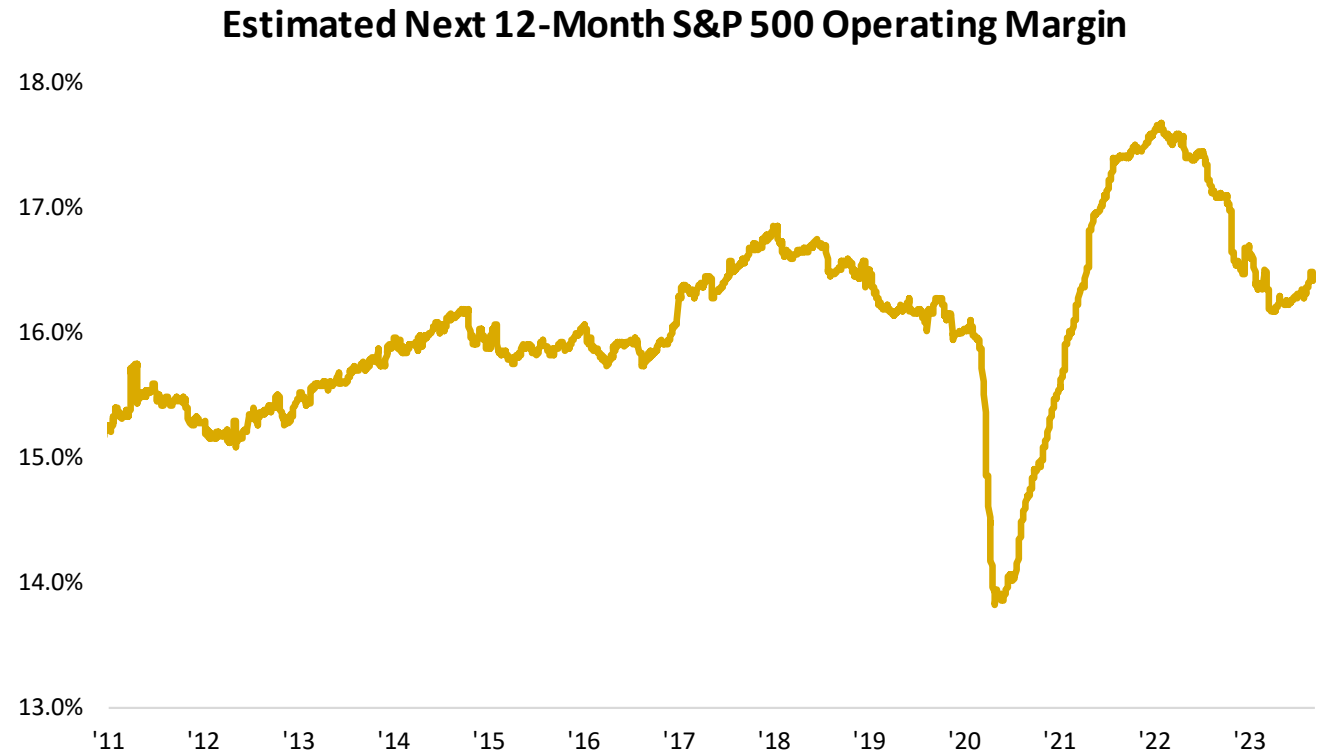
Geopolitical Events: S&P 500 Returns

Stock Market Performance around Geopolitical Events

Event	Event date	Time to bottom (trading days)	Time to recover prior level (trading Days)	Size of selloff (%)	1-week from bottom	1-month from bottom	3-months from bottom	6-months from bottom	12-months from bottom
WW-II Germany annexes Czechoslovakia	3/15/1939	22	108	-20.5	2.3	8.3	8.5	23.2	18.9
WW-II Germany attacks France	5/9/1940	22	745	-25.8	11	10.9	17.1	18	9.2
WW-II Pearl Harbor	12/7/1941	17	201	-10.8	11	6.5	-3.8	-1.1	15.3
N. Korea invades S. Korea	6/24/1950	17	43	-12.9	4.8	11.2	19.2	29.2	31.4
Suez Crisis	10/29/1956	17	131	-6.8	5.5	4.9	-1.4	6.2	-6
Berlin Wall Built	8/13/1961	25	18	-3.9	1.4	4.1	8	6.2	-14.6
Cuban missile crisis	10/14/1962	7	9	-6.6	5.7	15	22.7	30	36.5
Assassination of President Kennedy	11/22/1963	2	1	-2.8	5.2	6.7	11.5	16	23.9
Authorization of military in Vietnam	8/7/1964	15	36	-3.2	1.3	1.7	4.8	7.3	5.8
Six Day Israel Arab war	6/5/1967	20	40	-6.5	4.1	3.3	6.5	7.7	13
Assassination of Martin Luther King Jr	4/4/1968	2	2	-0.6	3.5	5.8	8.2	11.2	7.9
Israel Arab war/oil embargo	10/16/1973	27	1475	-17.1	1.5	7.3	5.6	-2	-28.2
President Nixon impeachment proceedings	2/6/1974	9	16	-6.6	1.8	9.1	0.9	-10.8	-13.3
Shah of Iran exiled	1/16/1979	9	34	-4.6	1.8	1.3	1.9	8.7	19.7
Iranian hostage crisis	11/4/1979	24	51	-10.2	3.5	7.7	16.4	7.3	29.3
Soviet invasion of Afghanistan	12/24/1979	12	6	-3.8	4.4	9.4	-2.9	11.6	29.6
Invasion of Grenada	10/25/1983	22	304	-6.3	2.2	2.1	-3.7	-0.8	4.3
Bombing of Libya	4/15/1986	20	7	-4.9	3.7	5.7	6.2	5	23.5
First Gulf War	10/2/1990	50	87	-15.9	3.5	6.2	6.7	27.8	29.1
President Clinton impeachment proceedings	12/19/1998	6	5	-3.9	5.4	6.2	13.4	13.4	23
Kosovo bombing	3/24/1999	4	9	-4.1	3.1	7.5	5.6	1.4	21
9/11 Attacks	9/11/2001	6	15	-11.6	7.8	11.1	18.5	19.4	-12.5
Iraq war	3/20/2003	7	16	-5.3	3.7	8	15.8	20	32.8
Arab spring (Egypt)	1/25/2011	2	3	-1.8	2.7	4	6.6	1.9	3.1
Intervention in Libya	3/19/2011	18	29	-6.4	3.2	5	0.9	-3.3	11.7
Ukraine conflict	3/1/2014	6	13	-2	1.4	-0.6	5.2	7.8	11.5
Intervention in Syria	9/22/2014	21	12	-7.4	4.7	9.5	8.4	13	9.1
Brexit Vote	6/23/2016	14	9	-5.6	5.1	8.3	8	13.4	20.9
Airstrike on Syrian Airbase	4/7/2017	32	16	-2.8	1.2	2.7	5.1	9.6	14.1
Median		17	16	-6.3	3.5	6.5	6.6	8.7	14.1
Average		16	119	-7.6	3.9	6.5	7.6	10.3	12.8

Corporate Earnings

- 2023 estimated growth is **0.7%** or \$220 per share
- 2024 estimated growth is **12.2%** or \$247 per share
- Average growth since 1950 is **7.6%**

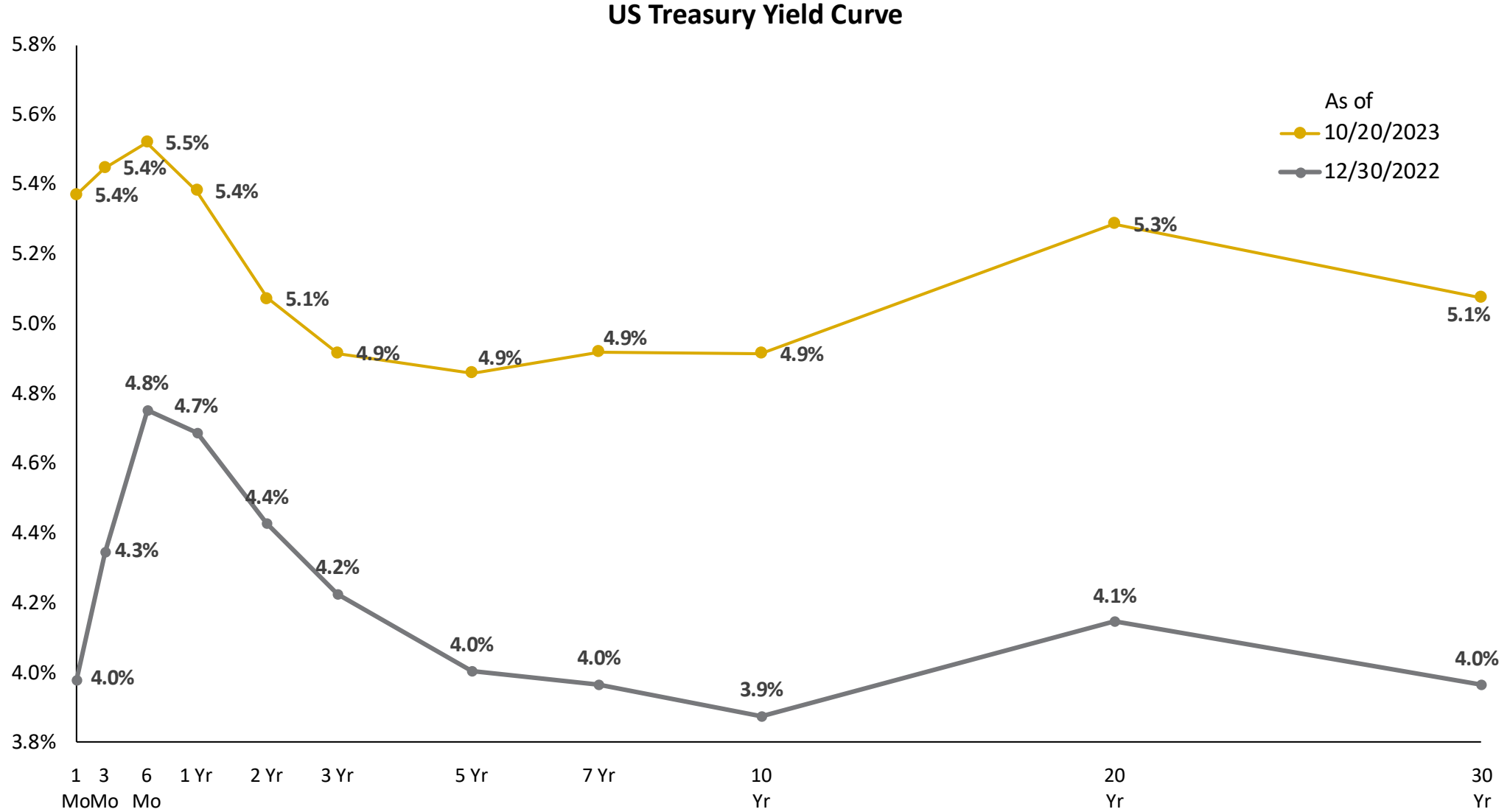


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 10/20/23
Bear	3,600	-14.8%
Base	4,650	10.1%
Bull	5,330	26.2%

US Treasury Yield Curve Remains Inverted

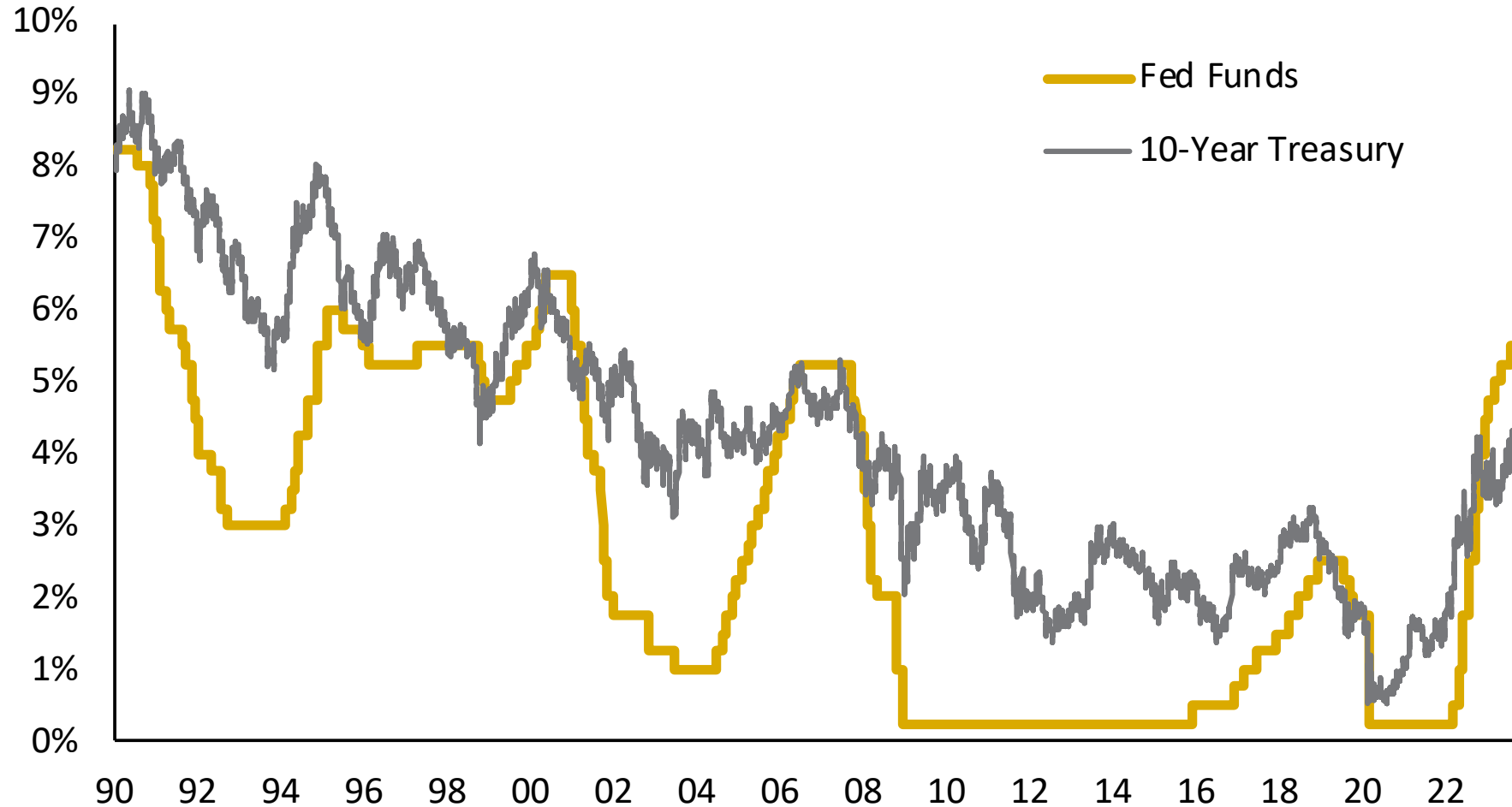


Bond Yields Remain Elevated versus Recent History

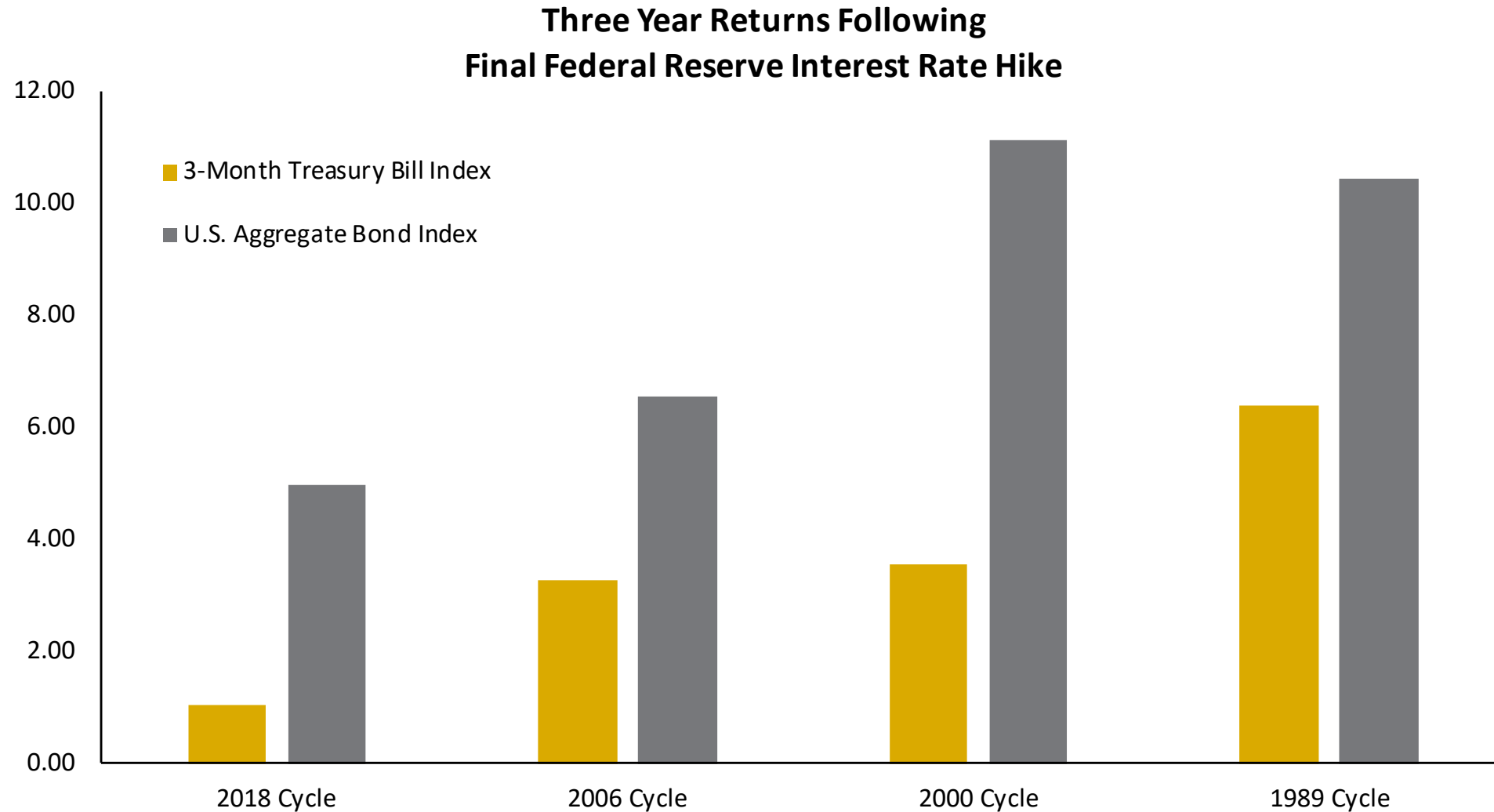
US Fixed Income Indices		
	Yield-to-Worst	
Index	12/31/2021	10/20/2023
2-Year Treasury	0.73%	5.07%
10-Year Treasury	1.51%	4.91%
Aggregate Bond	1.75%	5.67%
Intermediate Government/Credit	1.30%	5.40%
Municipal Bond	1.11%	4.48%
Investment Grade Corporate Bond	2.33%	6.37%
High Yield Corporate Bond	4.21%	9.44%

Over Full Market Cycle, Longer-Term Bonds Generate Yield

Yields Through Time



Longer Duration Outperforms After Final Fed Hike



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