

Making Sense

Monthly Market Update

Recorded on August 29, 2024



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What are we going to cover?

- 1. Economic Update:**
Interest Rates | Inflation | Labor Market
- 2. Market Update:**
Equity Markets | Fixed Income | Potential Headwinds

Economic Update

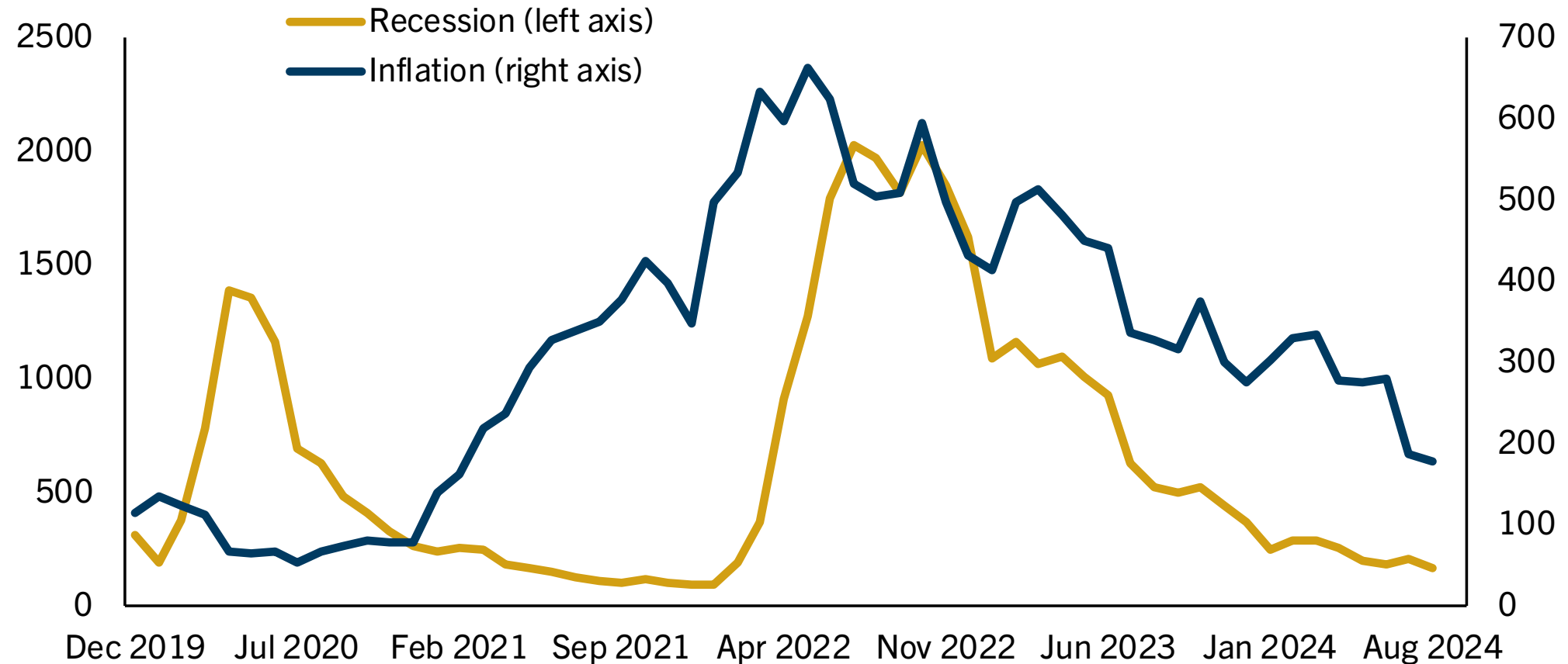
Interest Rates | Inflation | Labor Market

The Economic Outlook Remains Upbeat

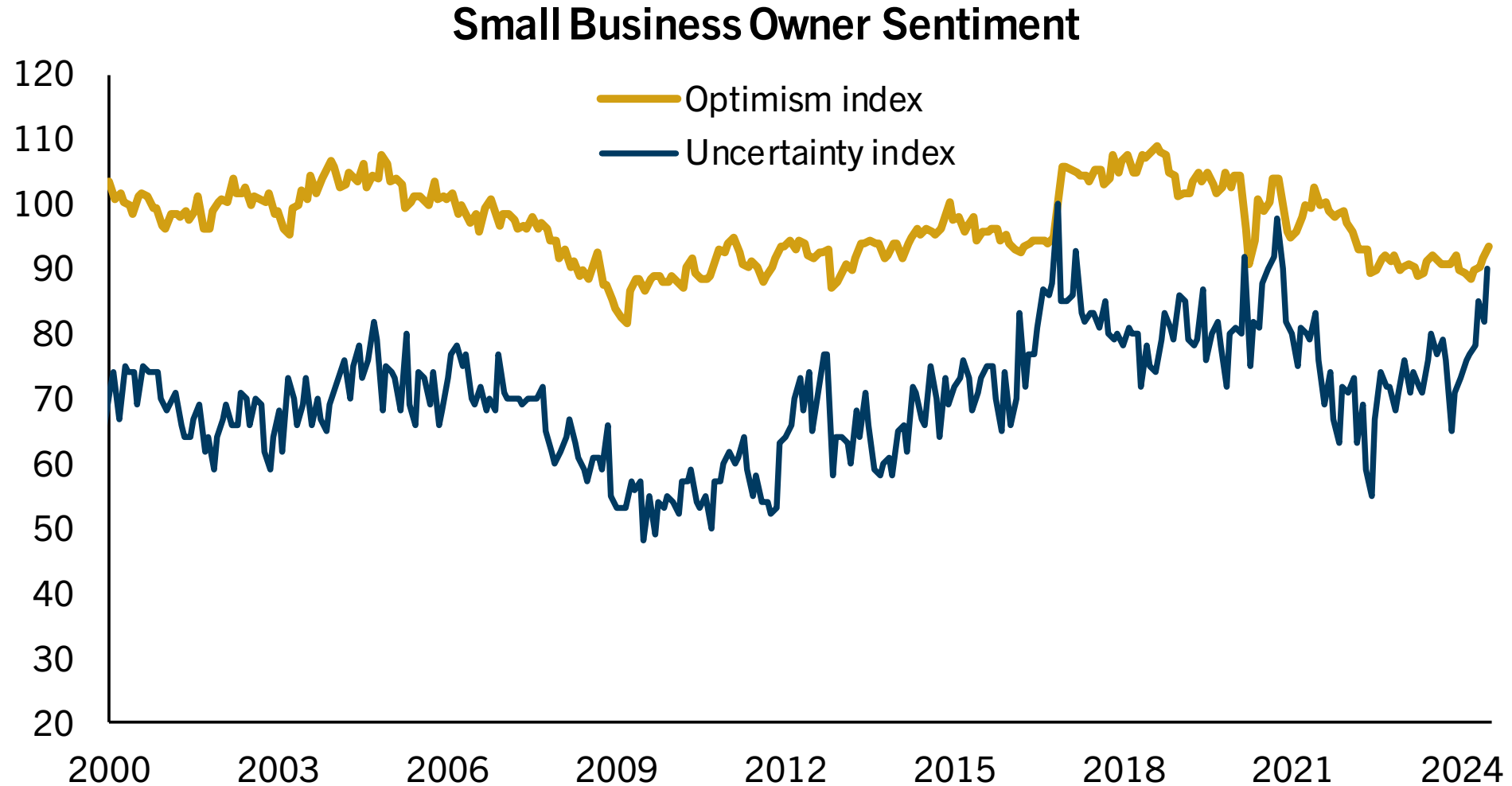


Company Worries About Inflation and Recession Have Abated

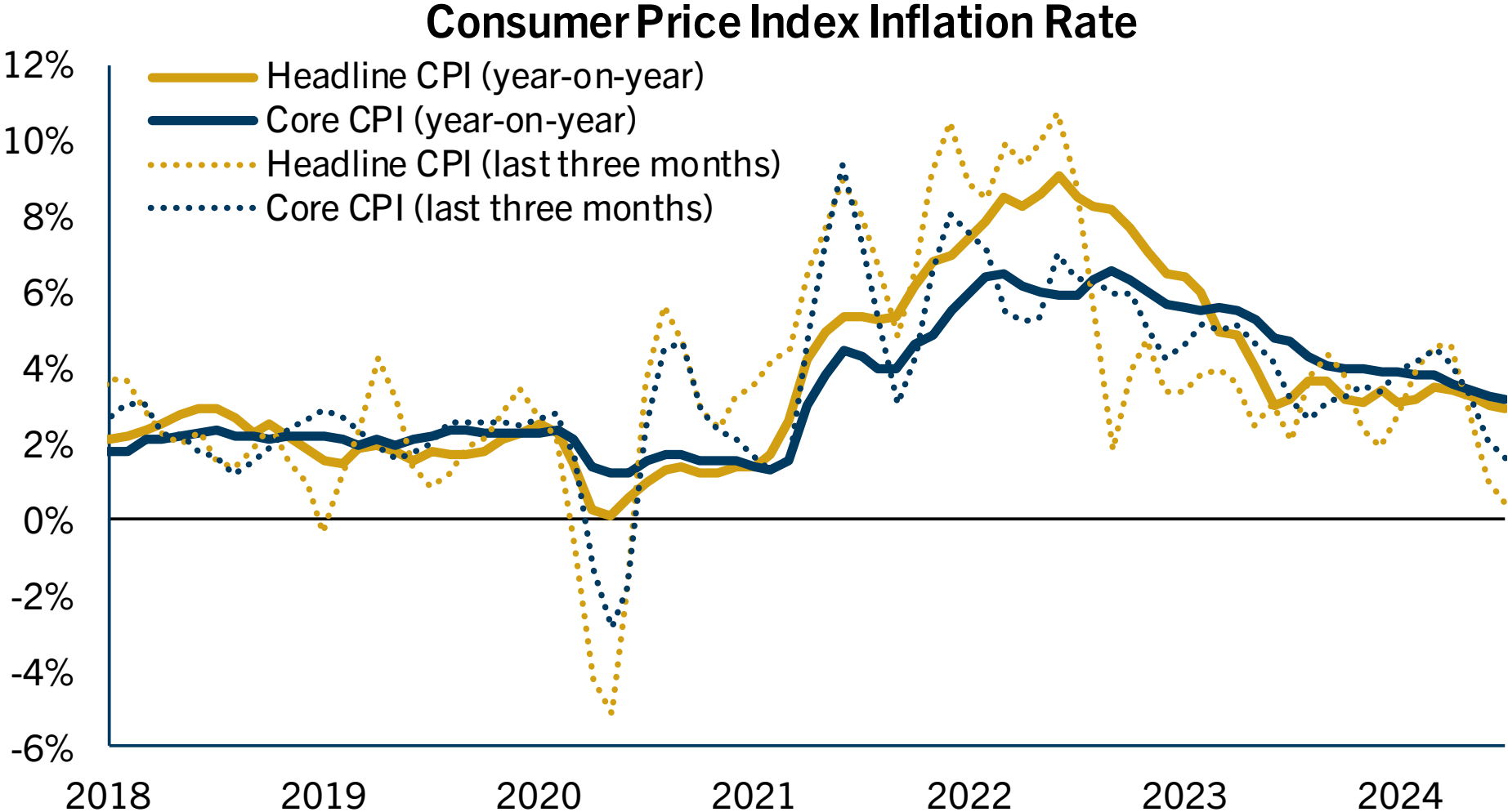
Uses of Word "Inflation" and "Recession" in Corporate Earnings Call Transcripts by Month



Small Business Outlook Has Improved Modestly, but Uncertainty Is Up



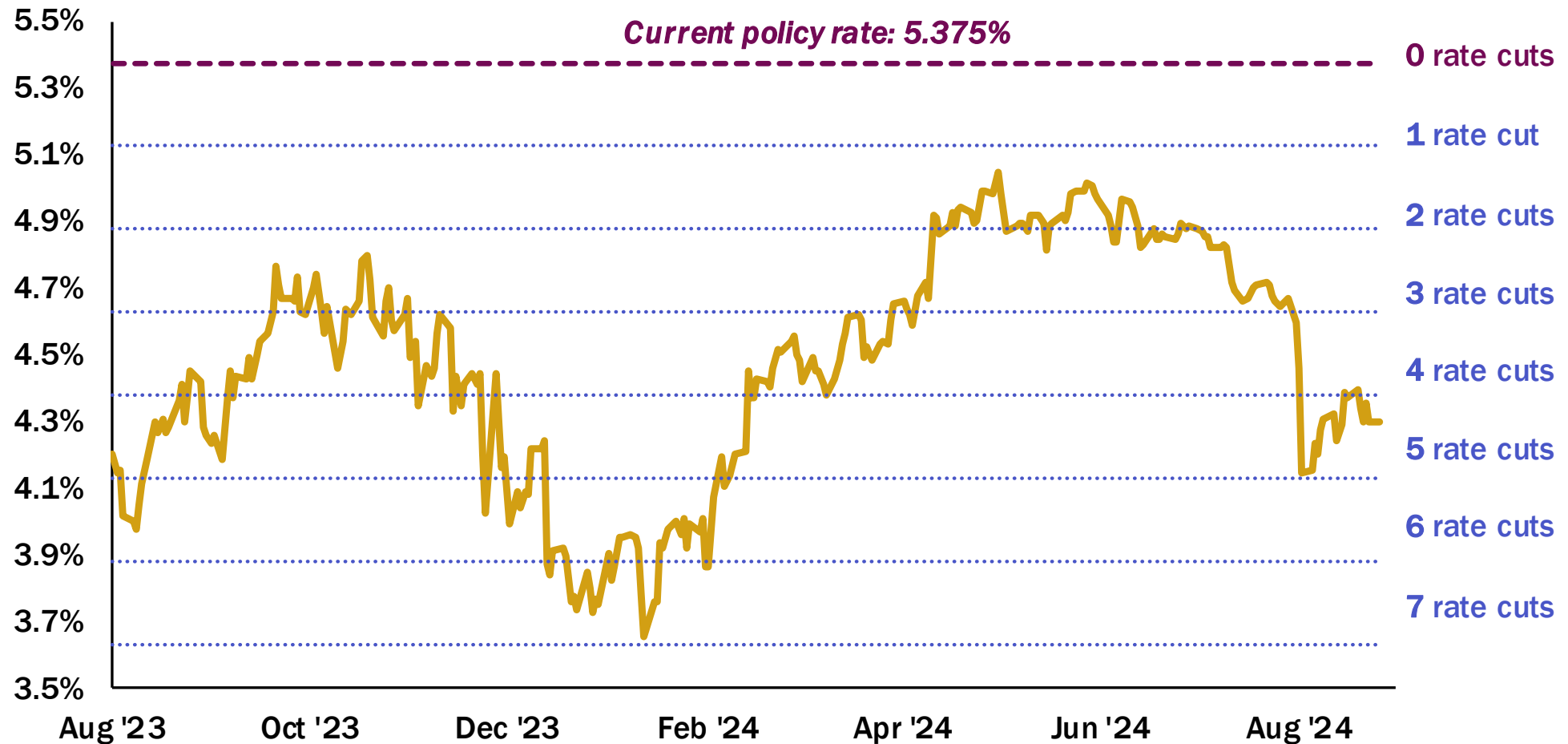
Monthly Inflation Rates, While Volatile, Have Fallen Sharply Recently



Source: Department of Labor, Bloomberg, First Citizens Wealth

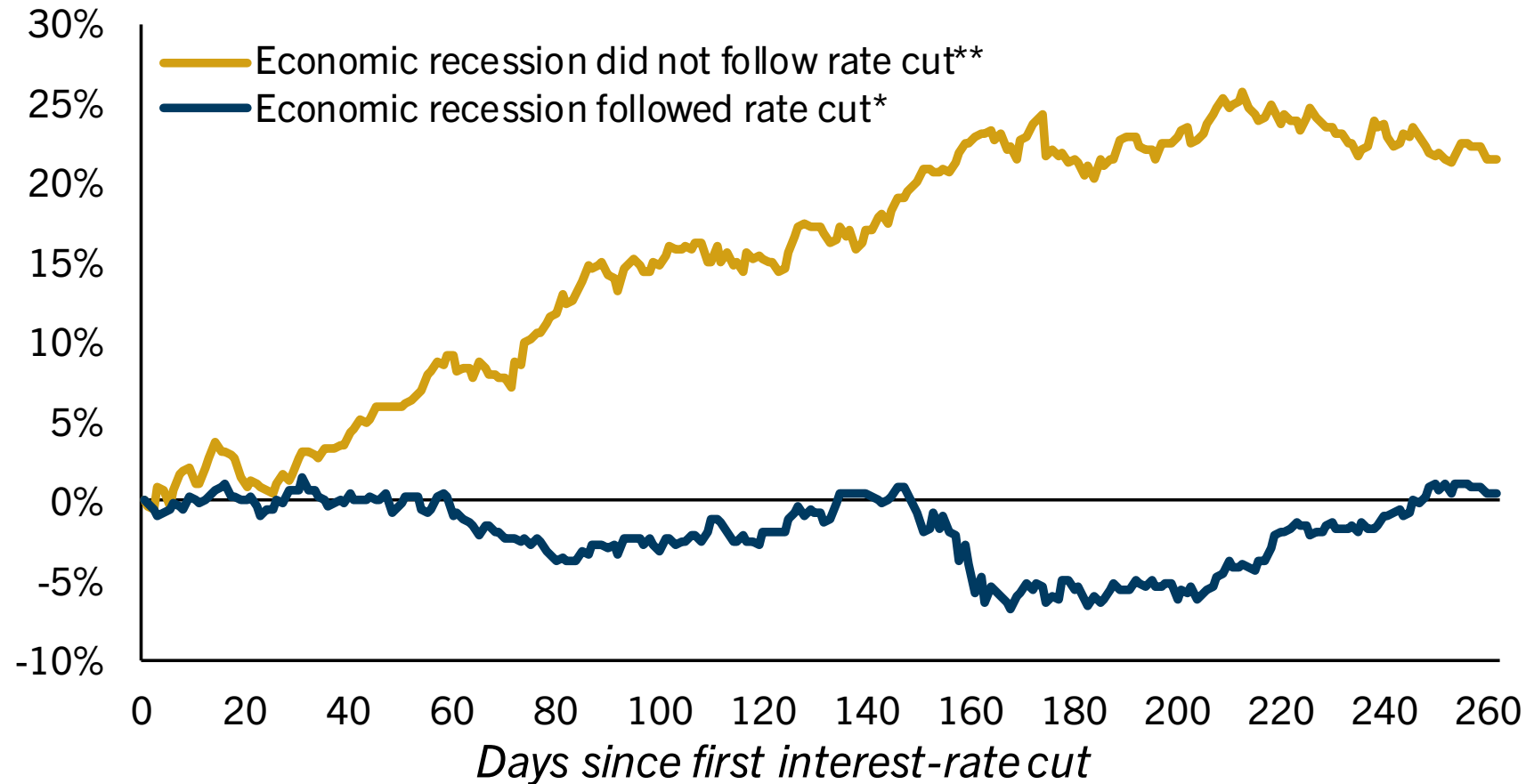
After Volatile Swings, Markets Expect ~4 Interest-Rate Cuts This Year

Market-Implied Federal Funds Rate in December 2024



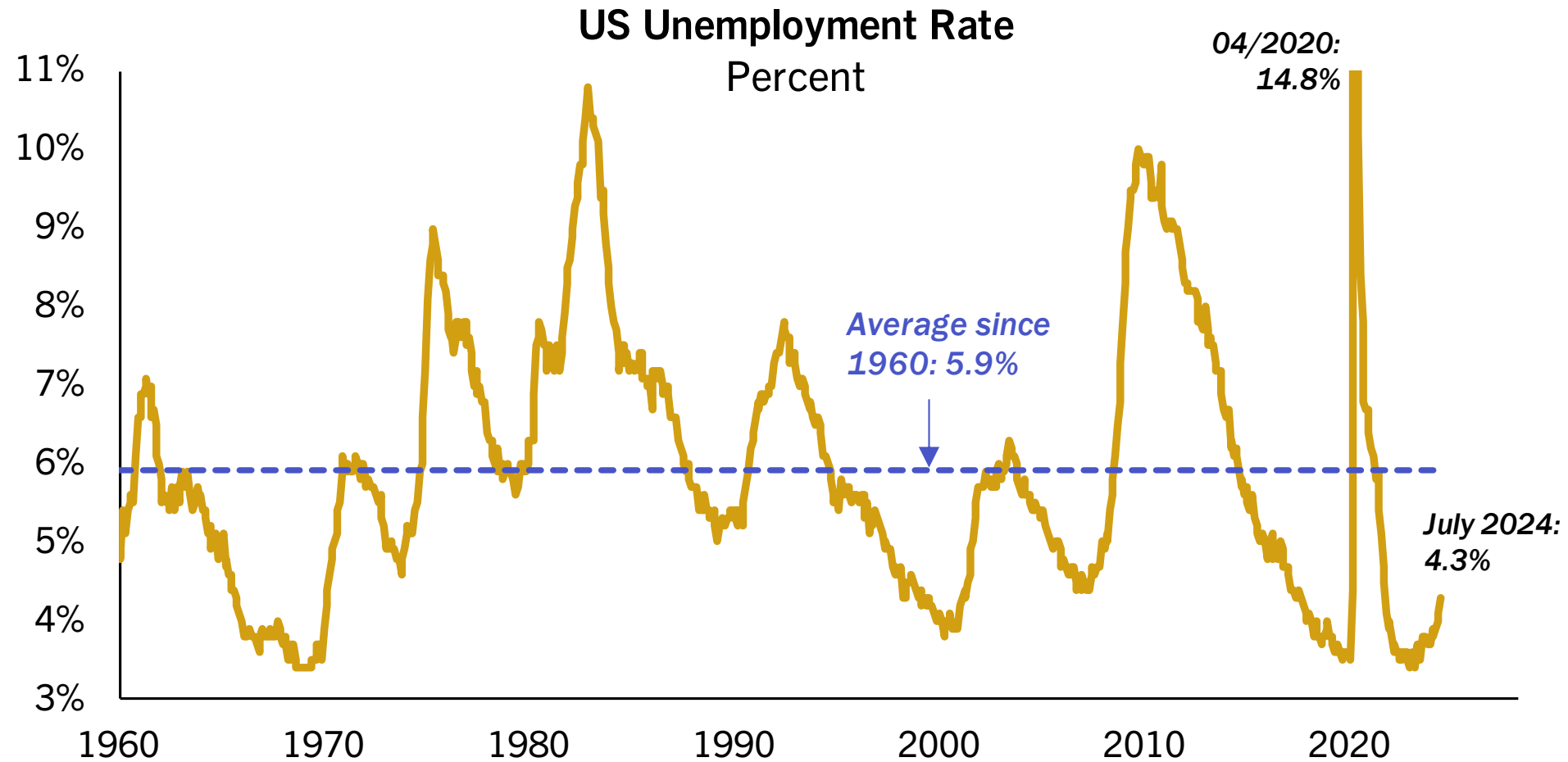
Equity Market Performance After Rate Cuts Depends on Economic Outcome

Average S&P 500 Return From Date of First Rate Cut, Since 1979

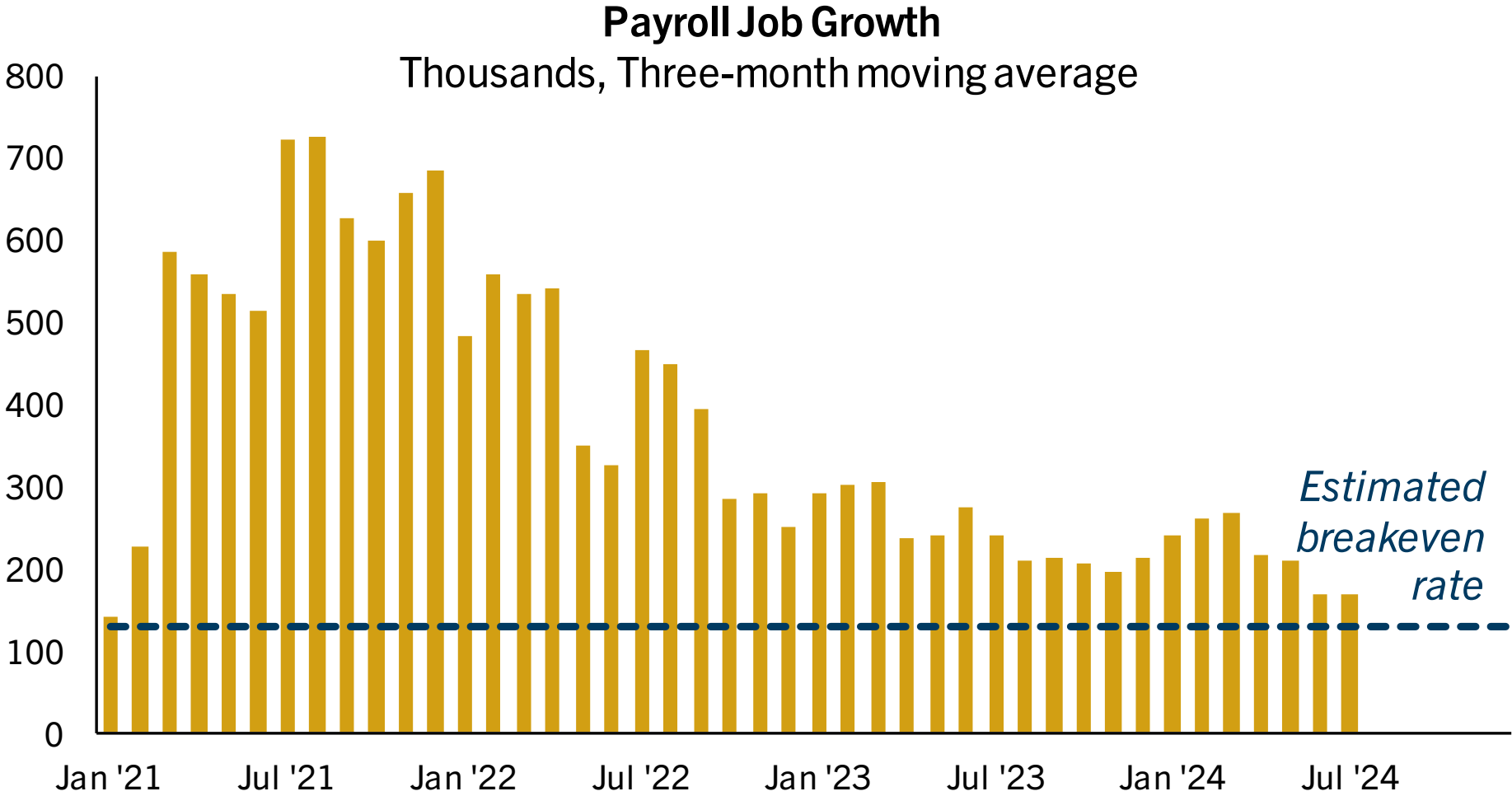


* Dec-1979, Jun-1981, Jun-1989, Jan-2001, Sep-2007, Jul-2019 ** Oct-1984, Jul-1995, Sep-1998
Source: Bloomberg, First Citizens Wealth

The Unemployment Rate Has Moved Up Despite Decent Job Growth

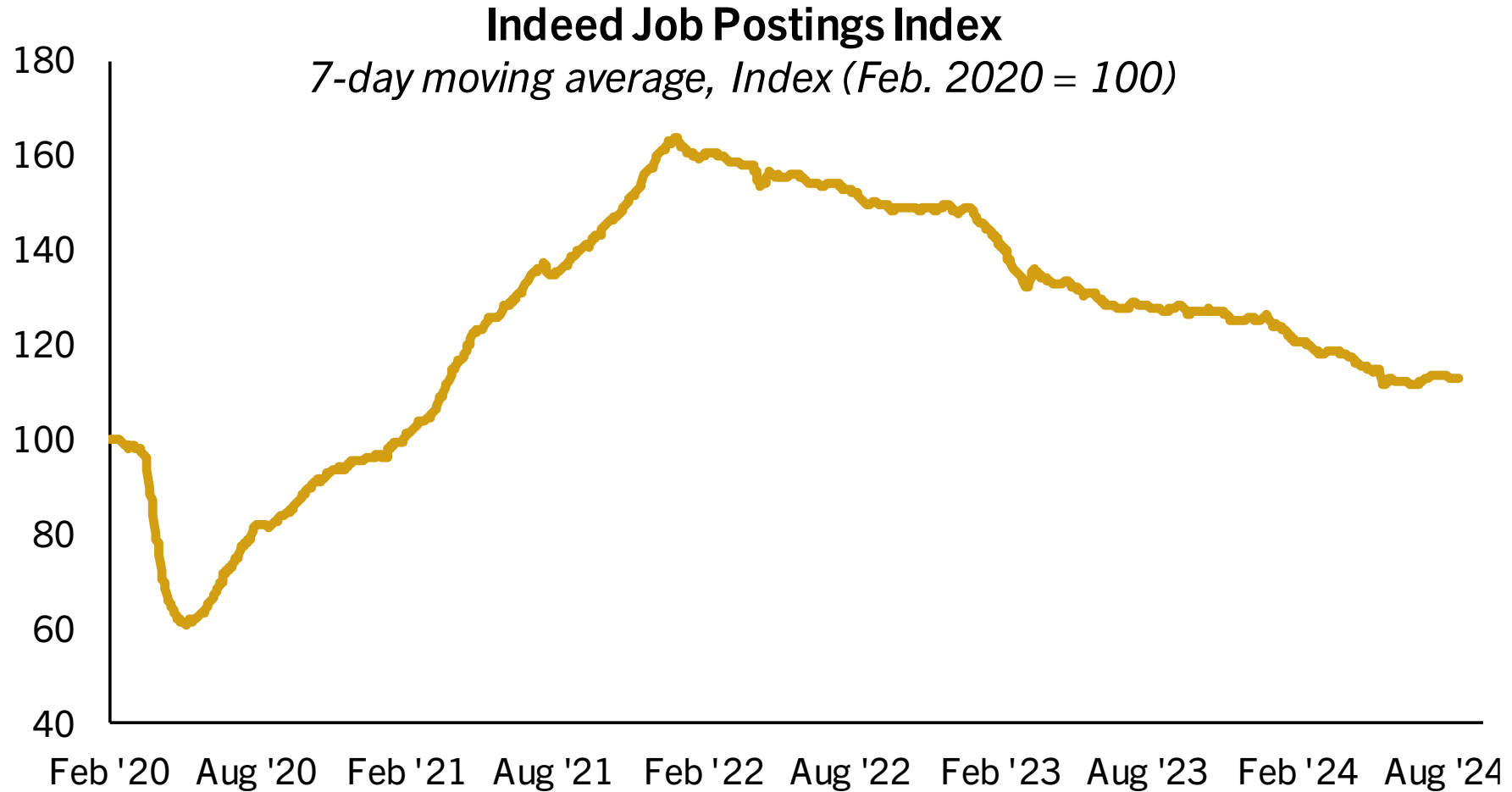


New Payroll Job Growth Is Slowing Roughly to Trend Pace

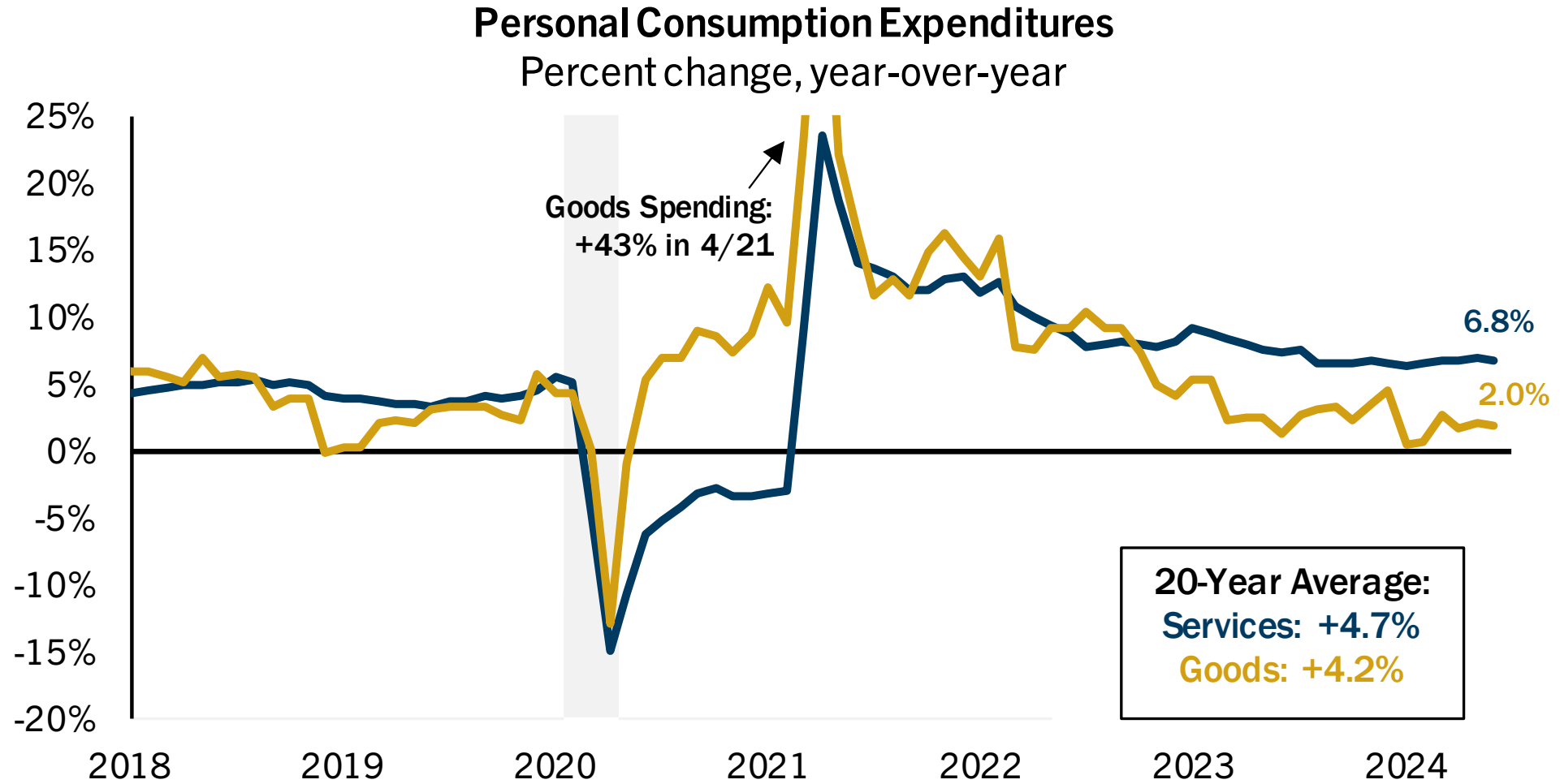


Source: Department of Labor, Bloomberg, Federal Reserve Bank of San Francisco

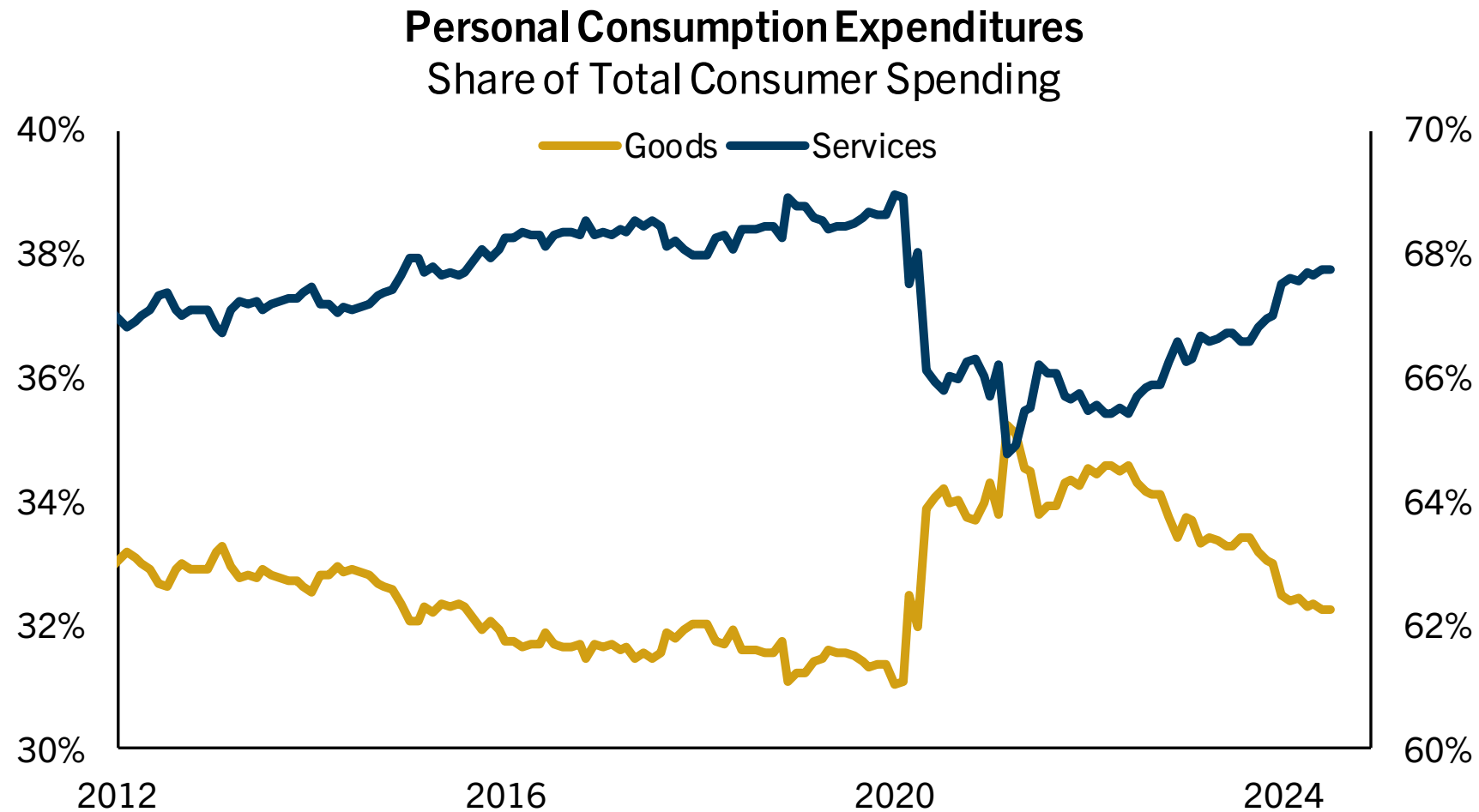
Alternative Measure of Job Openings Shows Normalizing Labor Market



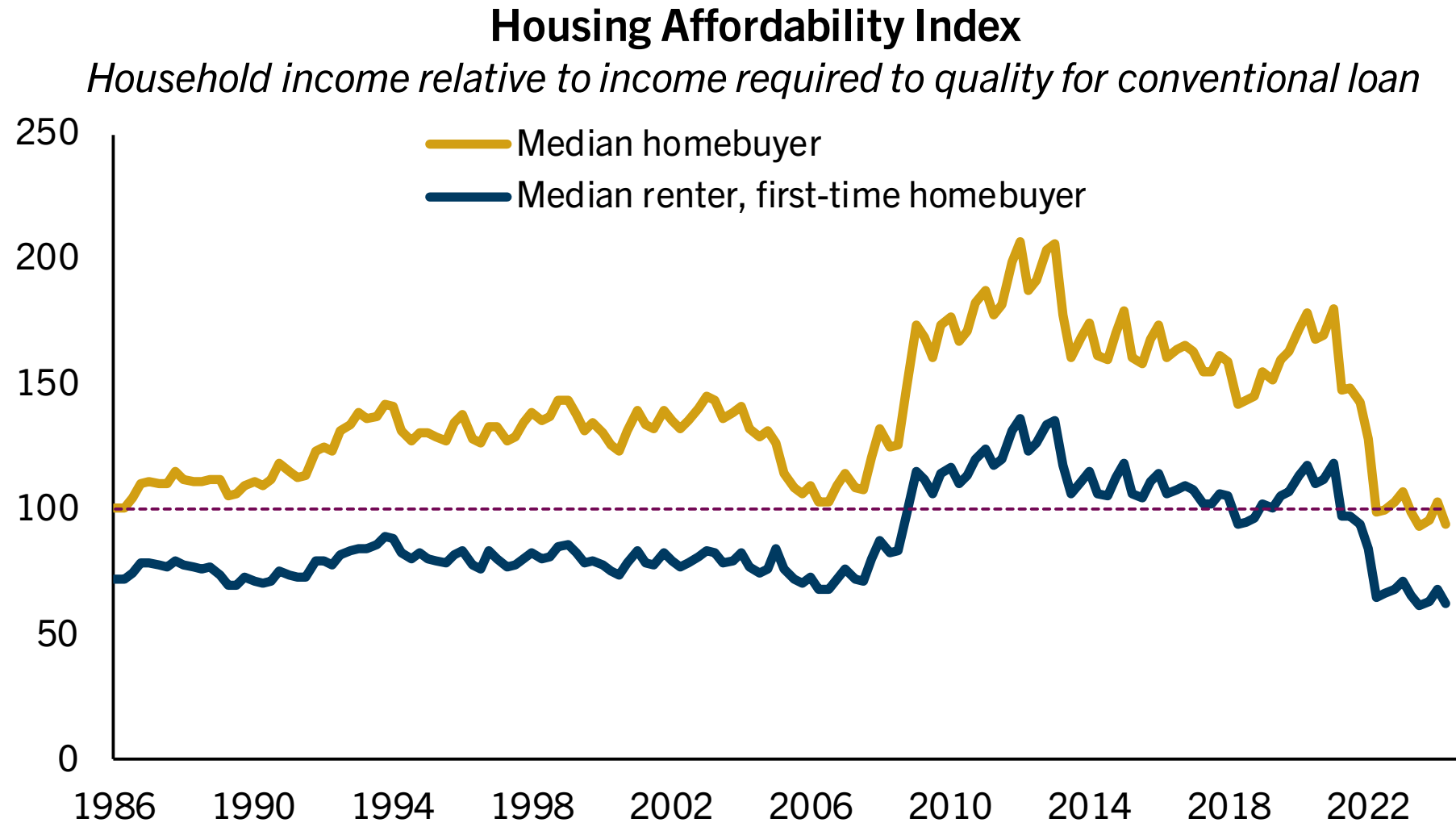
Consumer Expenditures Are Holding Up, Led by Services Spending



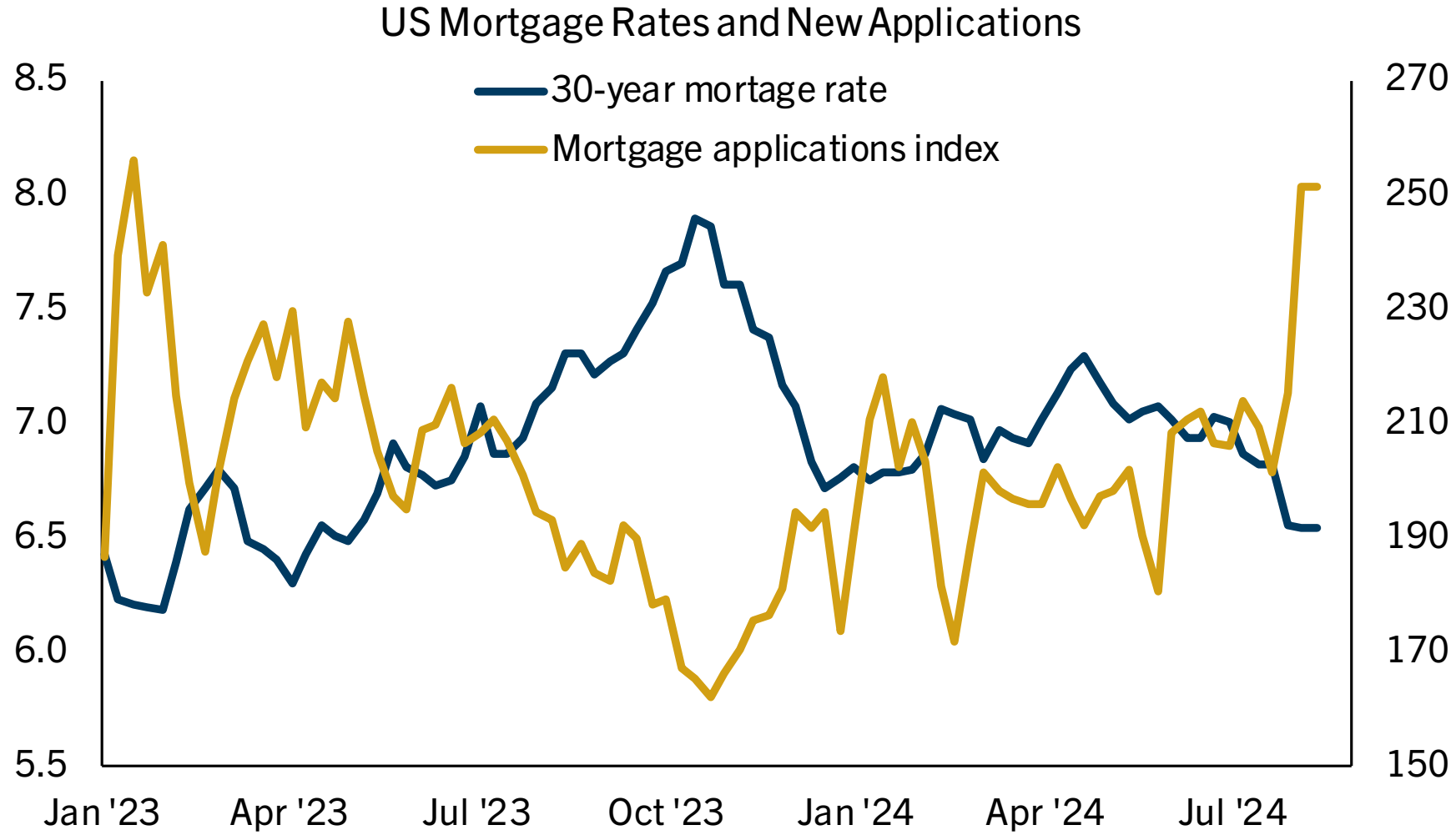
Consumer Expenditures Are Still Biased Toward Services Spending



Housing Affordability Is At Record Lows Since the 1980s



The Recent Slide in Mortgage Rates Likely Boosted New Applications



Economic Tailwinds and Headwinds

Tailwinds

- Service sector spending
- Corporate earnings
- Disinflationary trend
- Interest-rate cuts from the Fed
- Job gains and limited layoffs
- Financial conditions

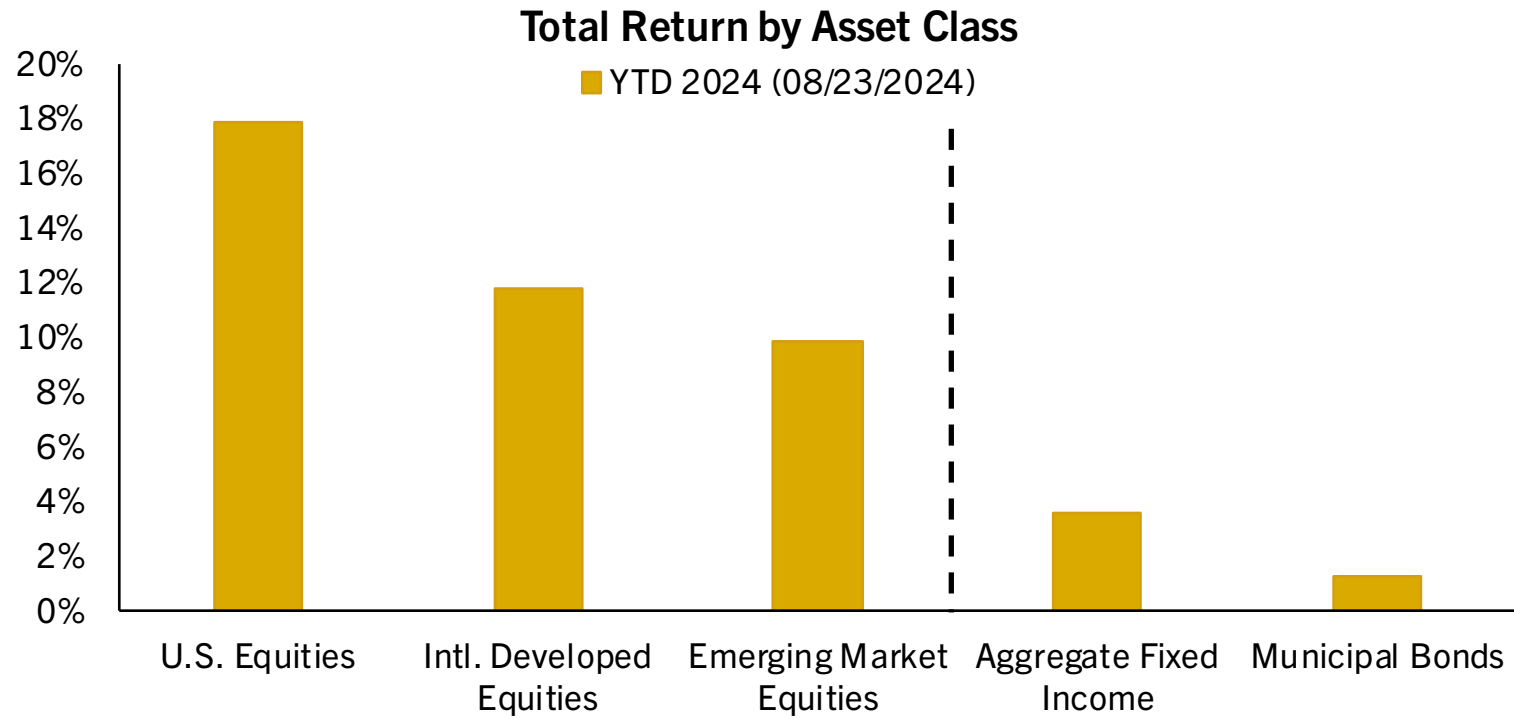
Headwinds

- Softening labor demand
- Waning fiscal stimulus effect
- Residential and Commercial Real Estate
- Government debt and deficits
- Geopolitical tension/risks

Market Update

Equity Markets | Fixed Income | Potential Headwinds

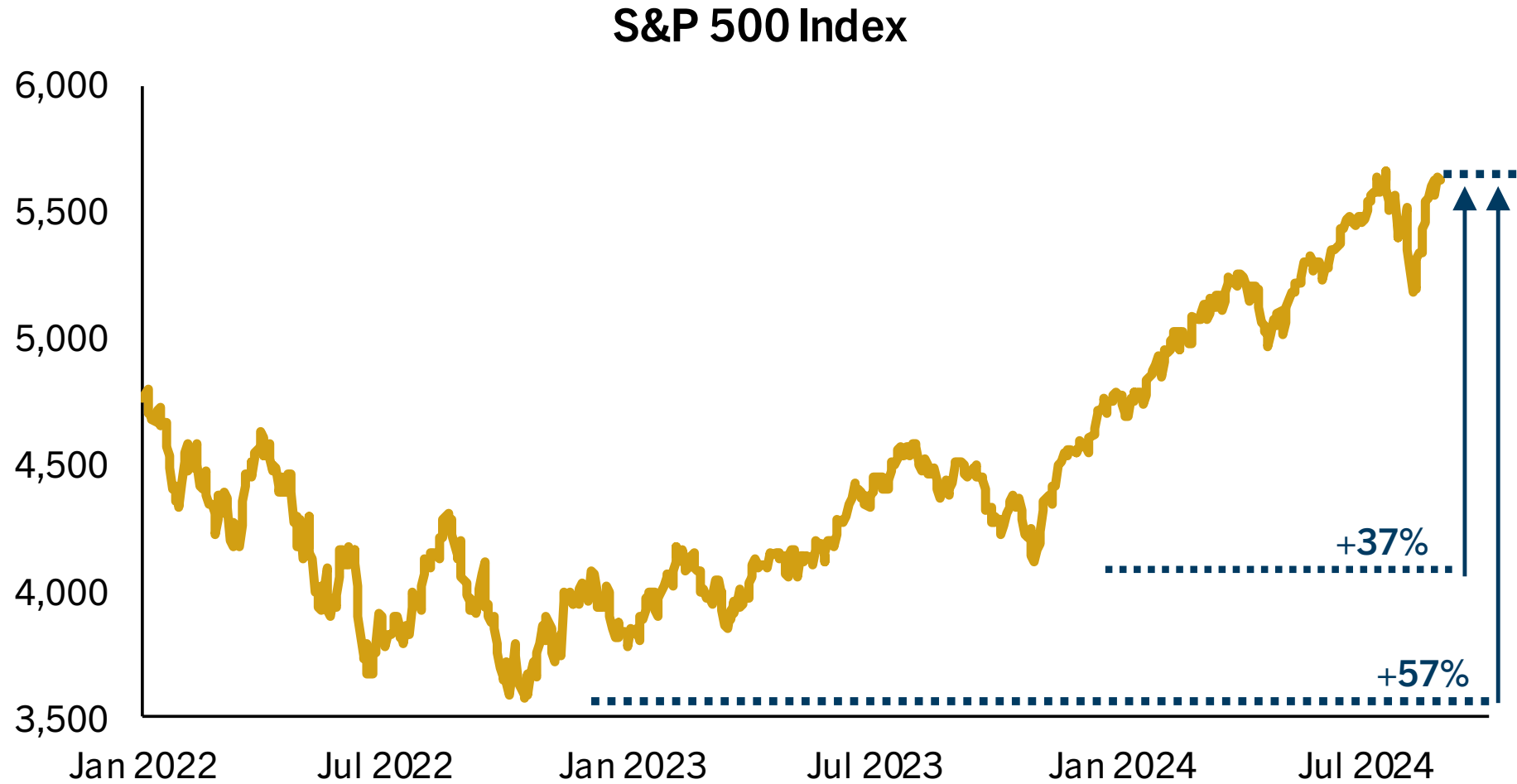
Global Markets Year-to-Date



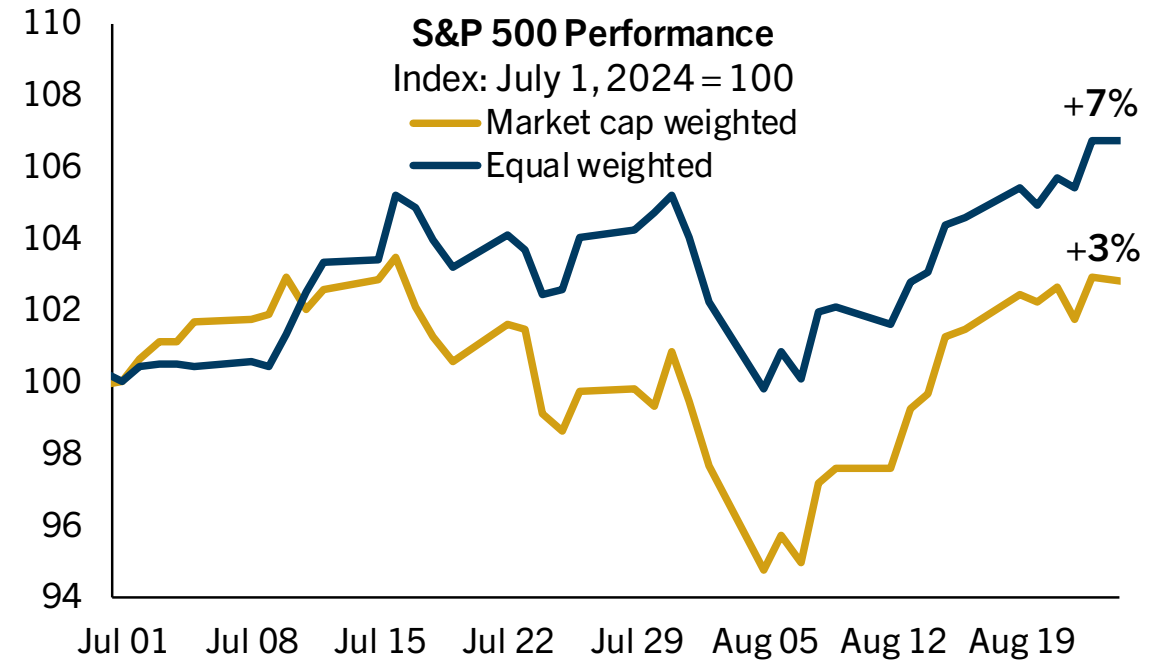
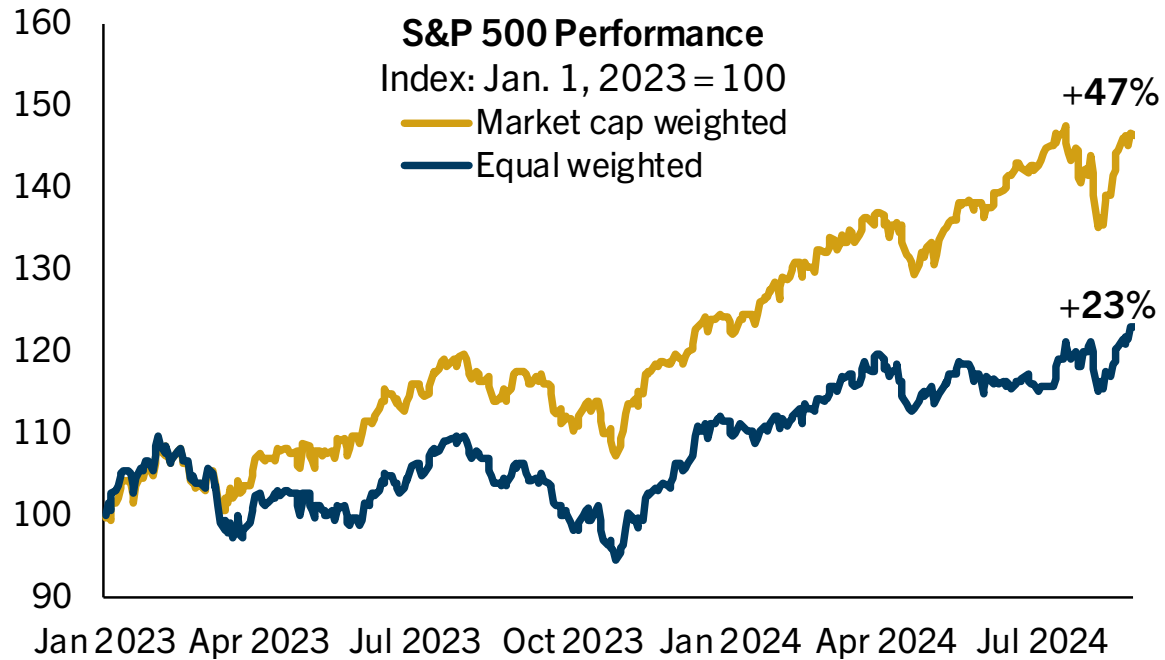
**YTD US Equity Returns
As of 08/23/2024**

	Value	Blend	Growth
Large	14.4%	20.4%	23.8%
Mid	12.2%	11.8%	10.0%
Small	9.0%	10.4%	11.9%

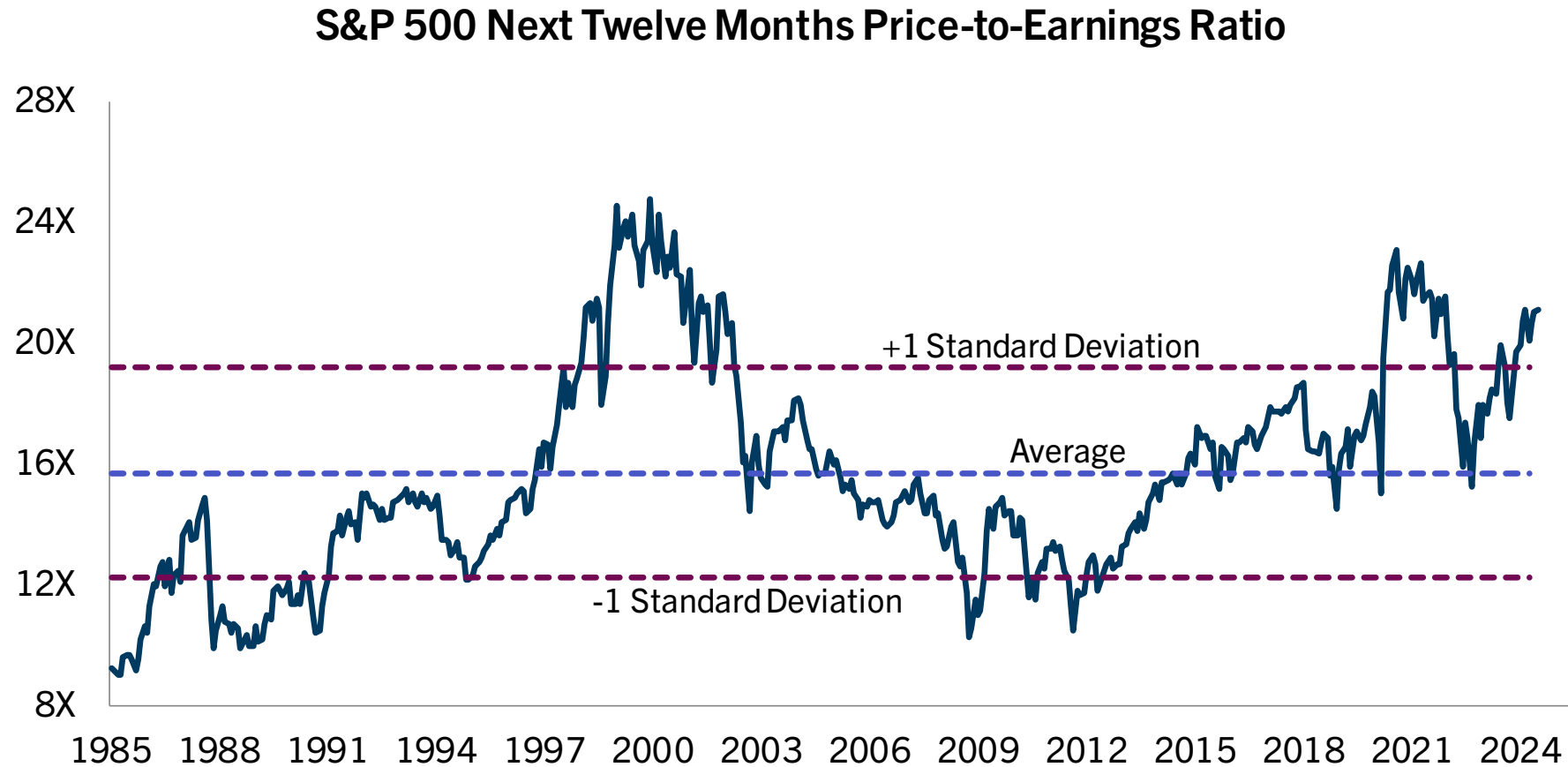
Stocks Have Rallied Sharply



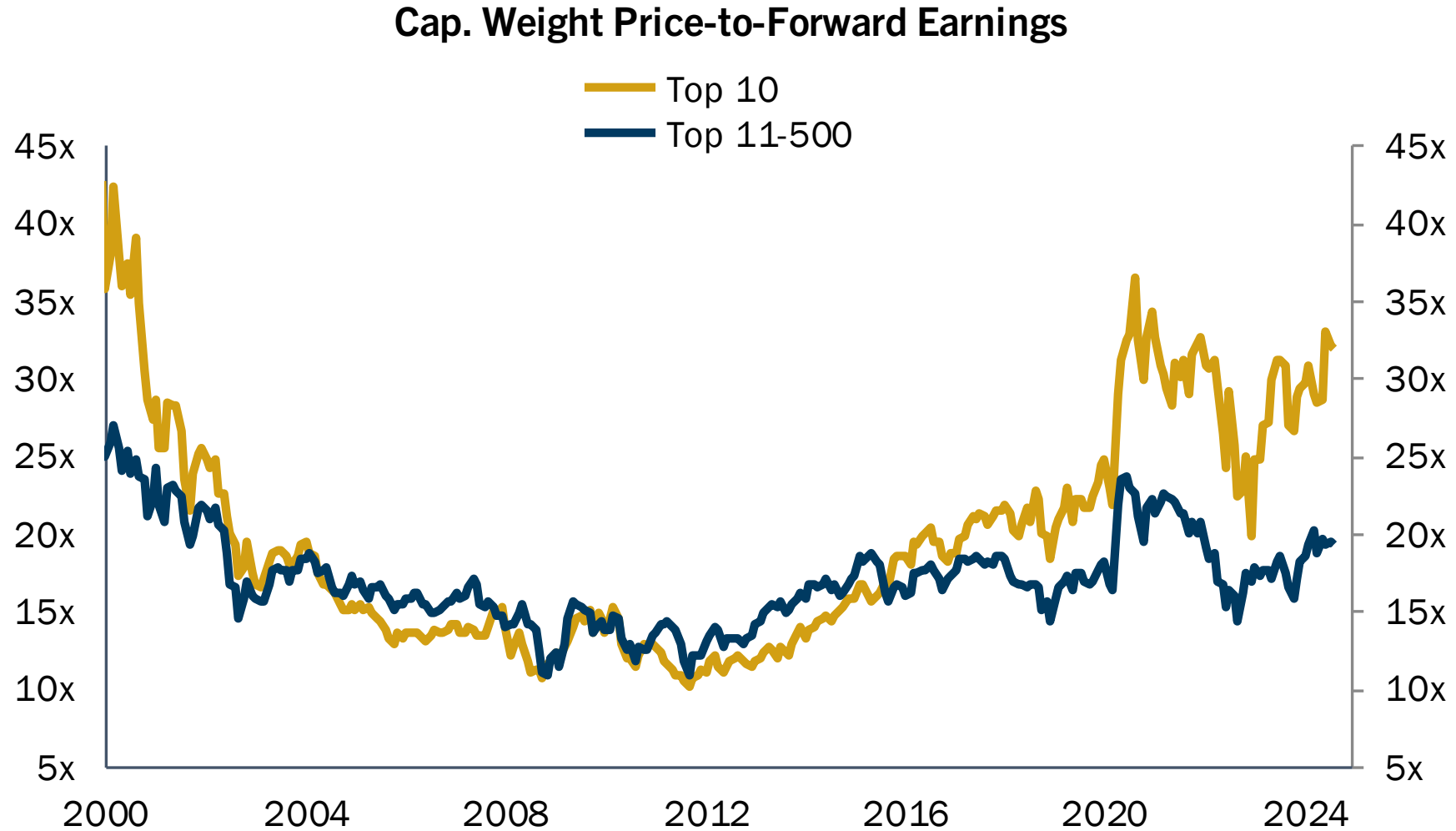
Large-Cap Outperformance Has Faded Since July



Market Valuation Below Extremes but Above Average

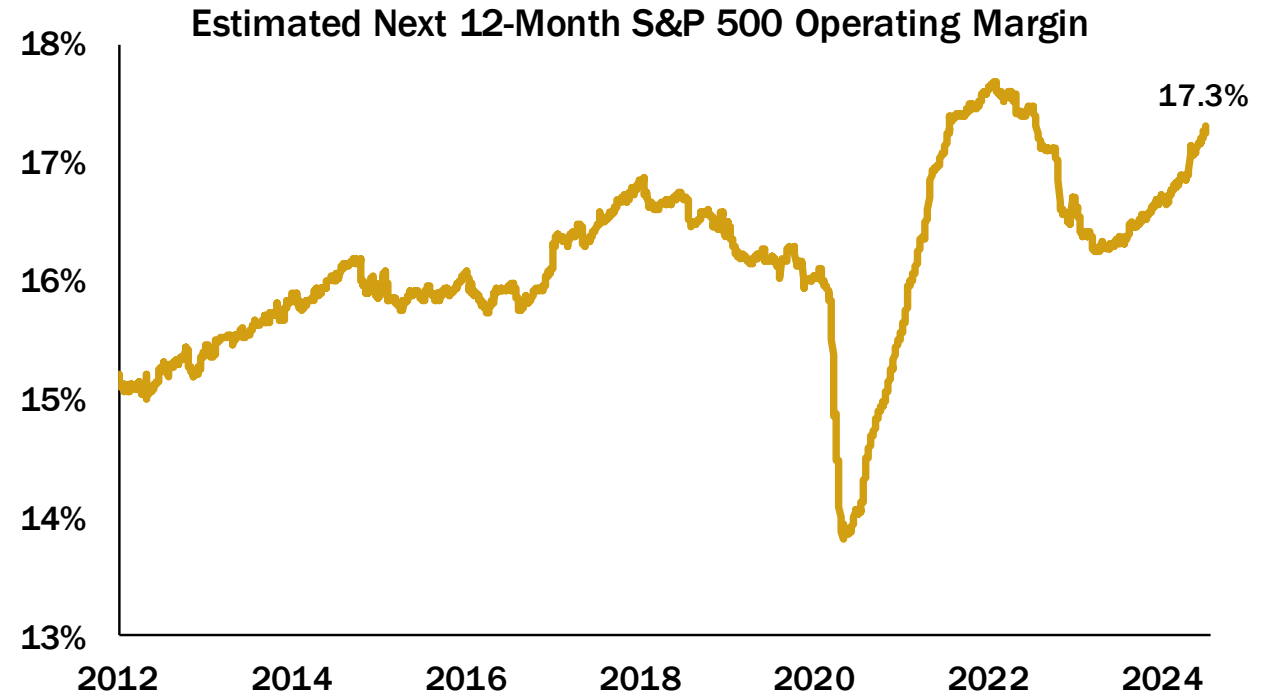


P/E Ratios Suggest There is Room For Broadening



Corporate Earnings

- 2024 estimated growth is **10.1%**
- 2025 estimated growth is **15.3%**
- Average growth since 1950 is **7.6%**

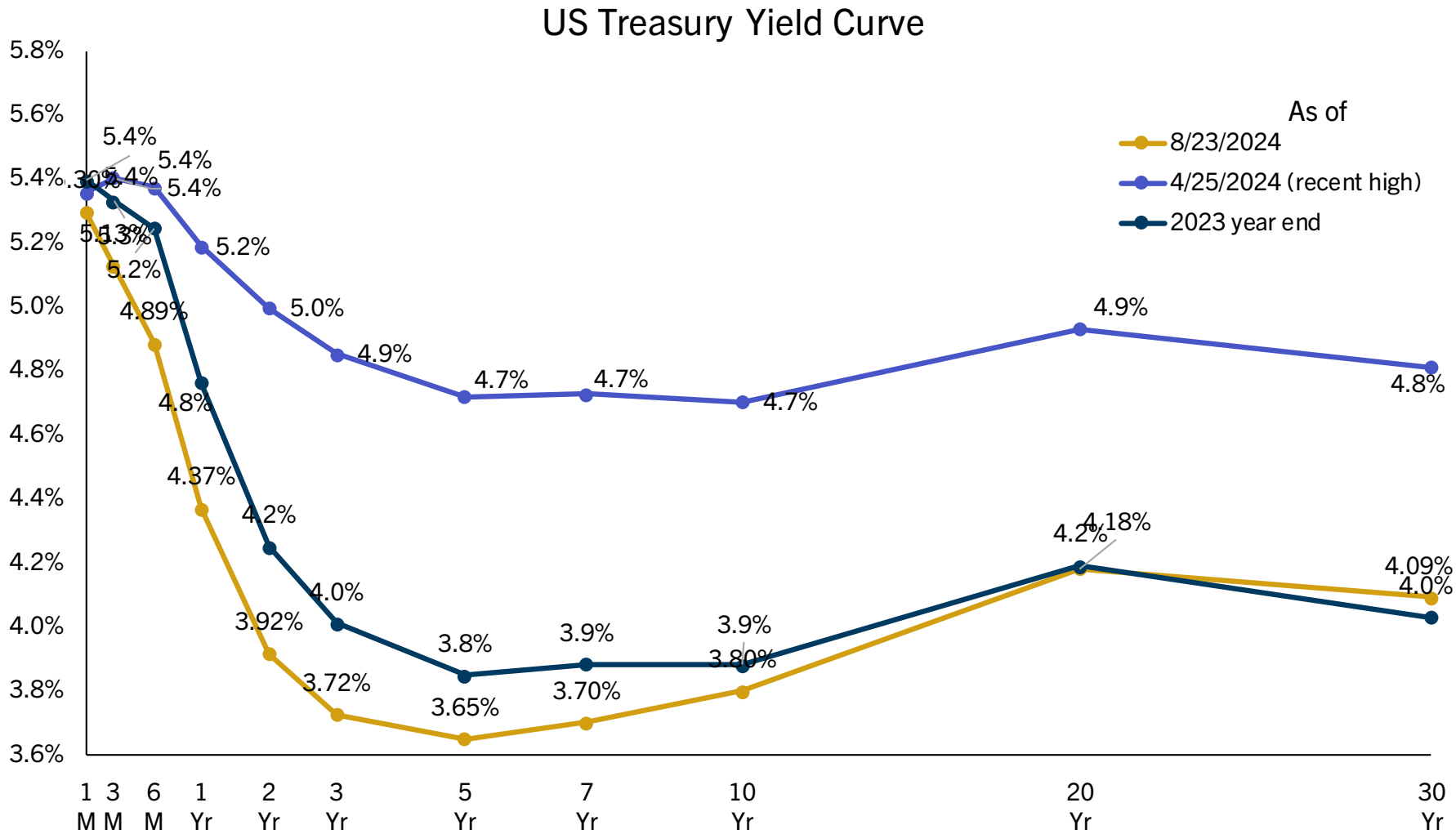


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 8/23/24
Bear	4,400	-21.8%
Base	5,900	4.9%
Bull	6,500	15.5%

US Treasury Curve Remains Inverted but Has Shifted Lower Since April

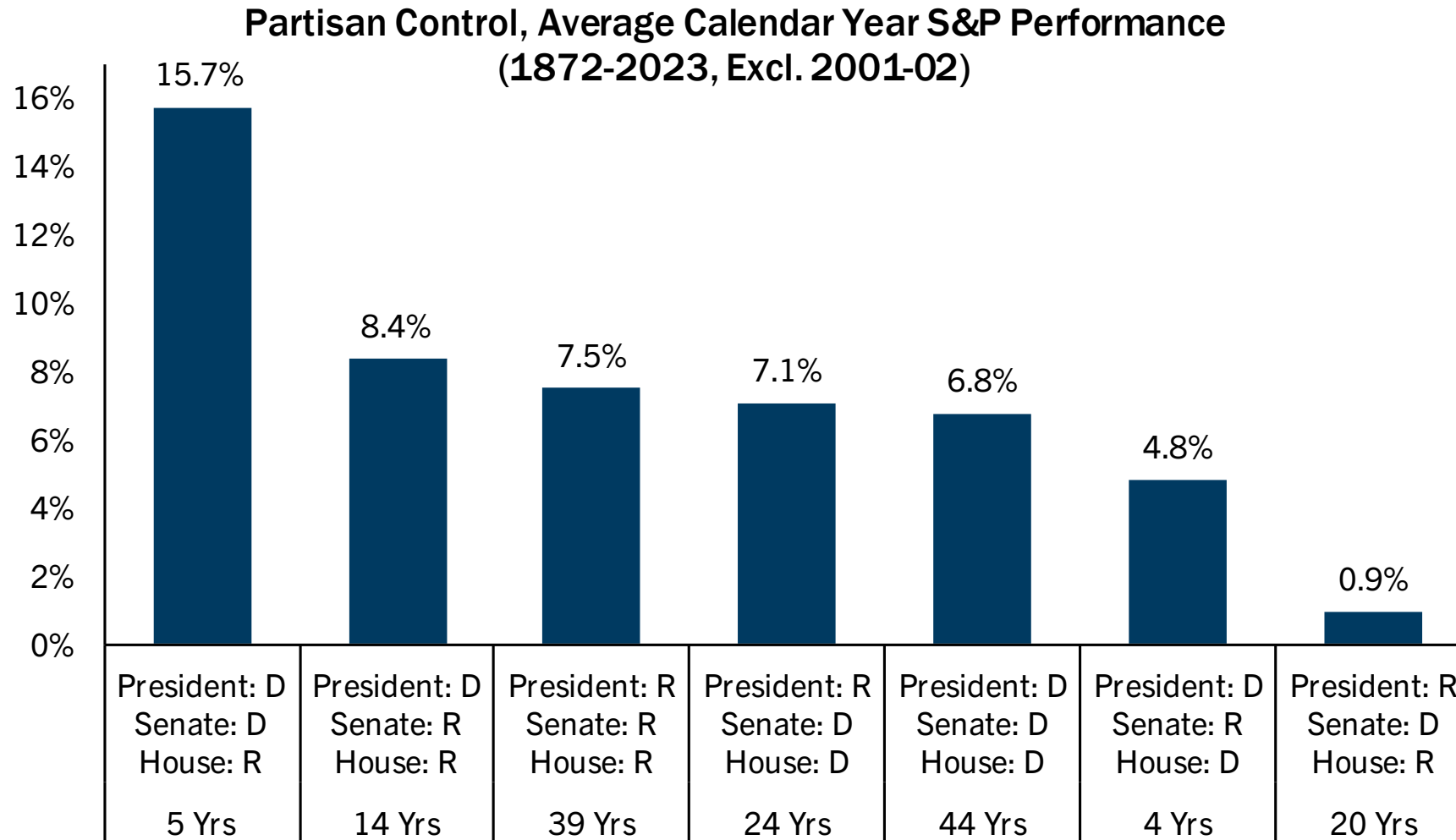


Bond Yields Have Moved Meaningfully Lower Since April

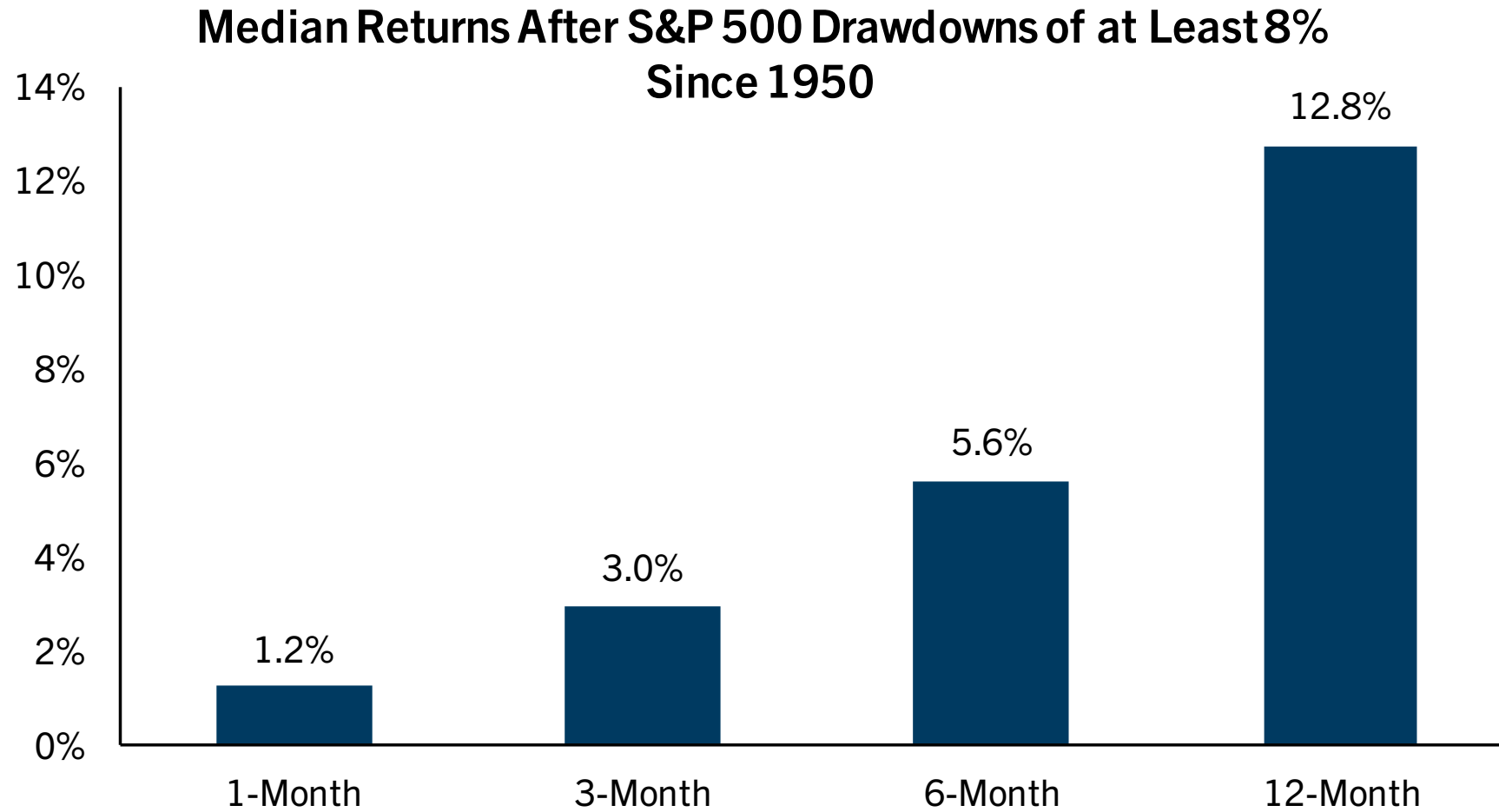
US Fixed Income Indices Yield-to-Worst			
Index	4/30/2024*	8/20/2024	Difference
2-Year Treasury	4.9%	3.9%	-1.0%
10-Year Treasury	4.5%	3.8%	-0.7%
Aggregate Bond	5.3%	4.4%	-0.9%
Intermediate Government/Credit	5.1%	4.2%	-1.0%
Municipal Bond	3.8%	3.5%	-0.3%
Investment Grade Corporate Bond	2.3%	4.9%	2.6%
High Yield Corporate Bond	4.2%	7.4%	3.2%

* 4/30/2024 is the local high for 2024

S&P Performance Does Not Appear to Depend on Partisan Control



S&P 500 Returns Typically Rebound Following 8% Drawdowns



Buy the Dip?

S&P 500 Returns Since 1950			
After a drawdown of...	Timeframe	Median Return	Positive Occurrences
-5%	6-Month	+5.3%	67%
	12-Month	+12.1%	76%
-10%	6-Month	+5.6%	68%
	12-Month	+12.8%	79%
-20%	6-Month	+7.0%	76%
	12-Month	+12.7%	87%

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