

Making Sense



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What are we going to cover?

- 1 Economic Update
- 2 Market Update





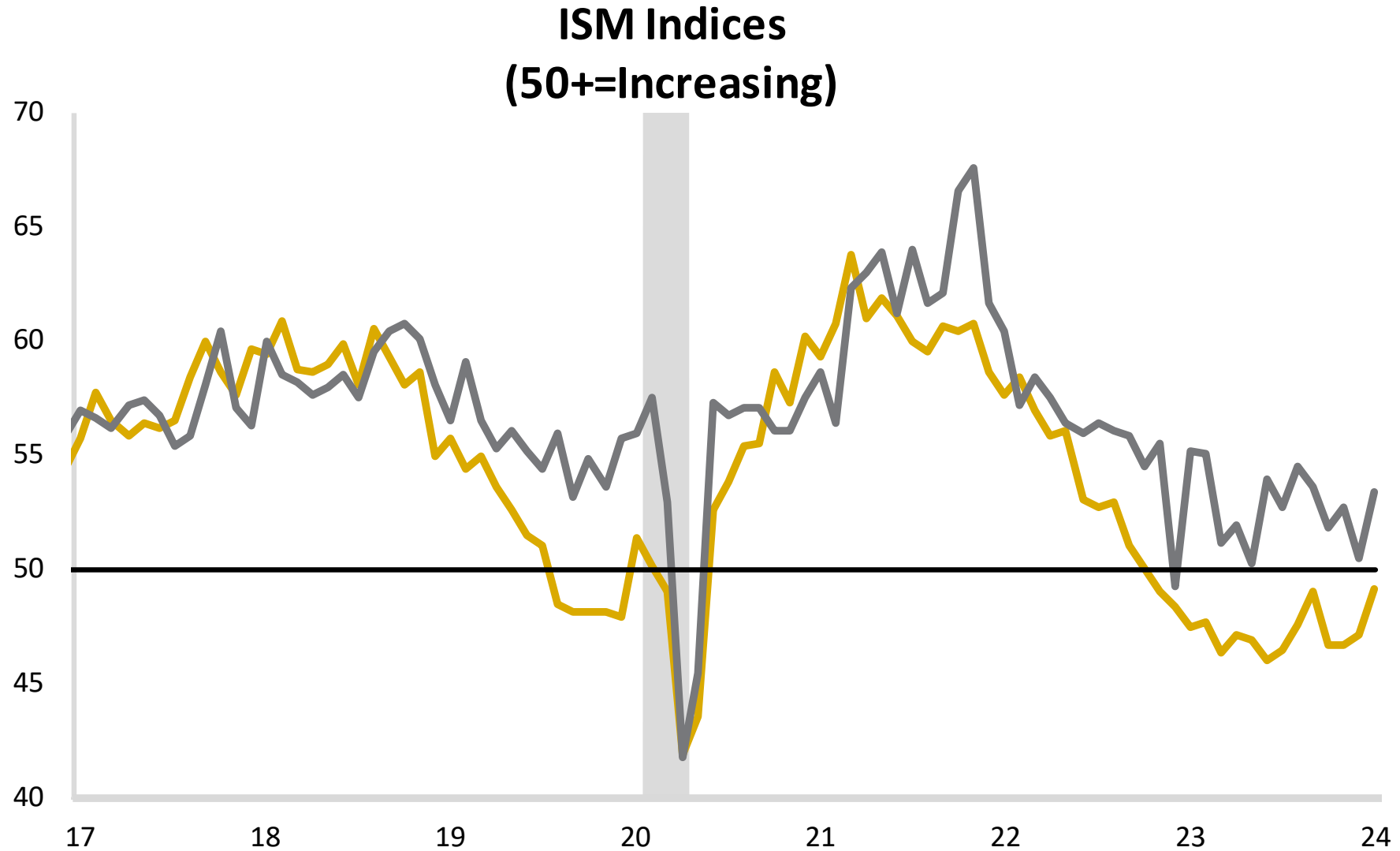
Economic Update

Global Growth Outlook

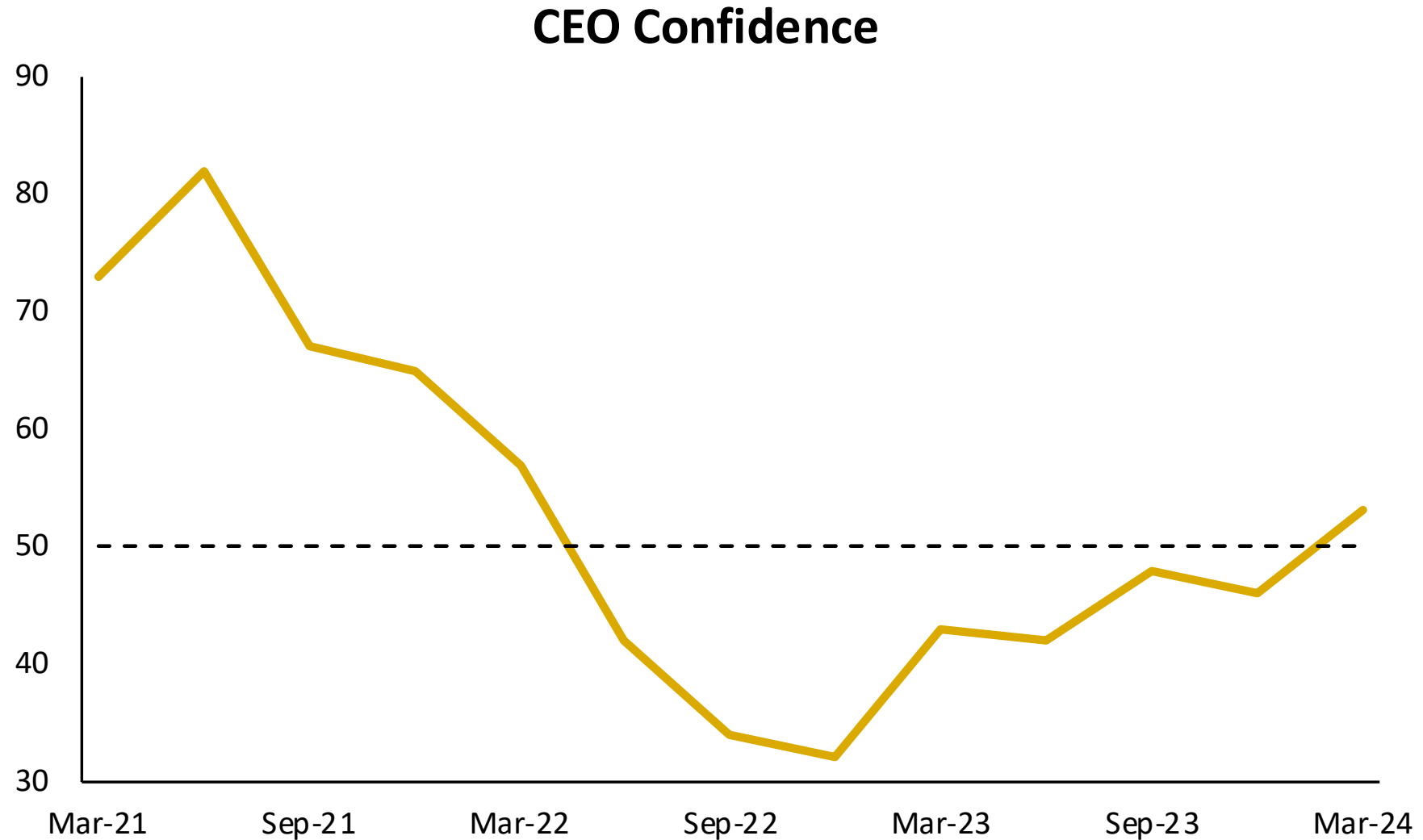
World Economic Outlook Consensus Real Economic Growth Estimates

	2022	2023 Estimate as of:		2024
	Actual Growth	Dec-22	Feb-24	Est. Growth
World	3.5%	2.1%	3.1%	2.8%
United States	1.9%	0.4%	2.5%	2.0%
Euro Area	3.4%	-0.1%	0.5%	0.5%
United Kingdom	4.5%	-0.9%	0.3%	0.4%
Japan	1.0%	1.3%	1.9%	0.7%
China	3.0%	4.8%	5.2%	4.6%

Is the Pace of Economic Activity Improving?

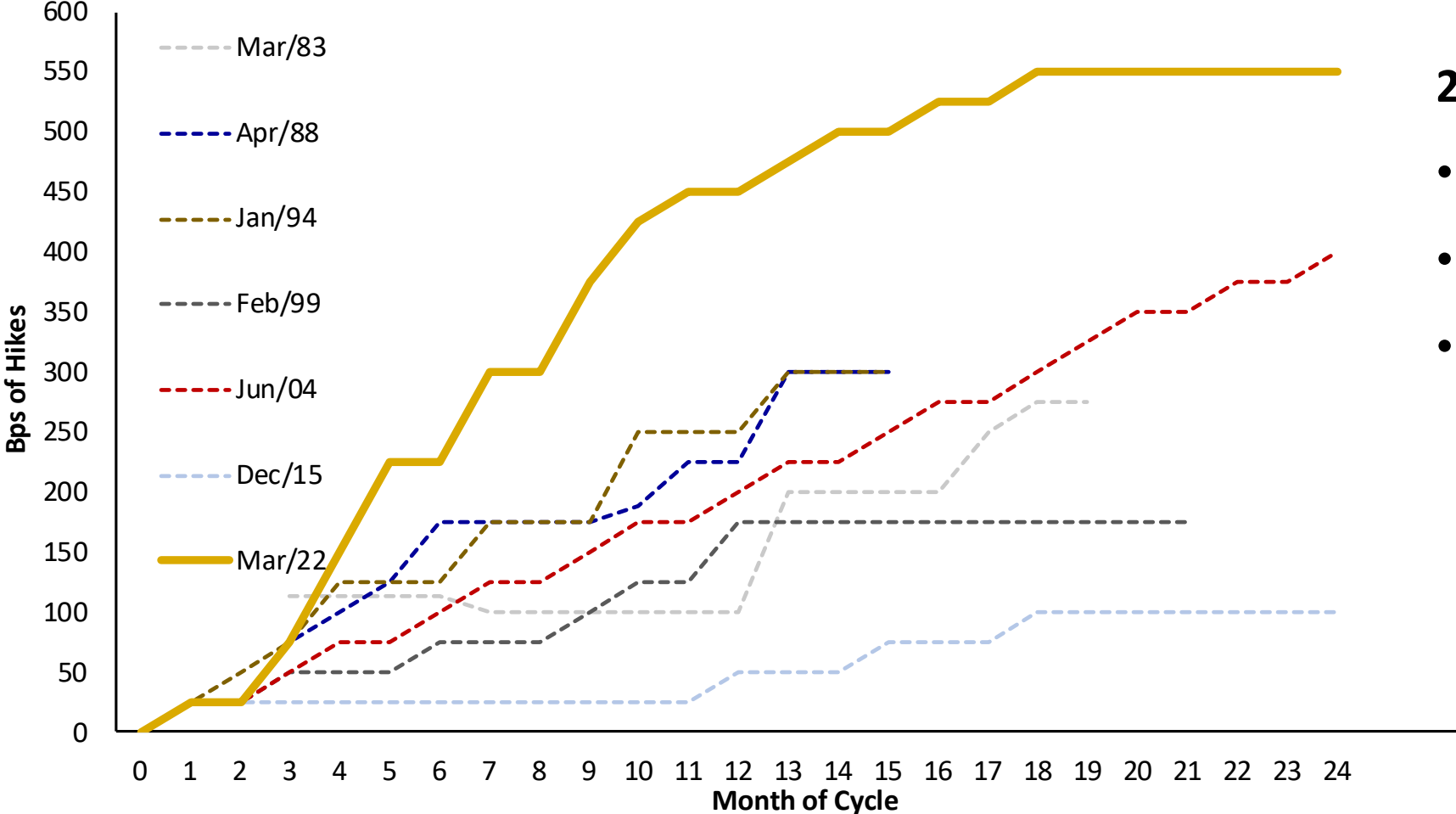


CEO Confidence Positive for First Time in Two Years



Federal Reserve Has Hiked Aggressively

Federal Reserve Historical Tightening Paths

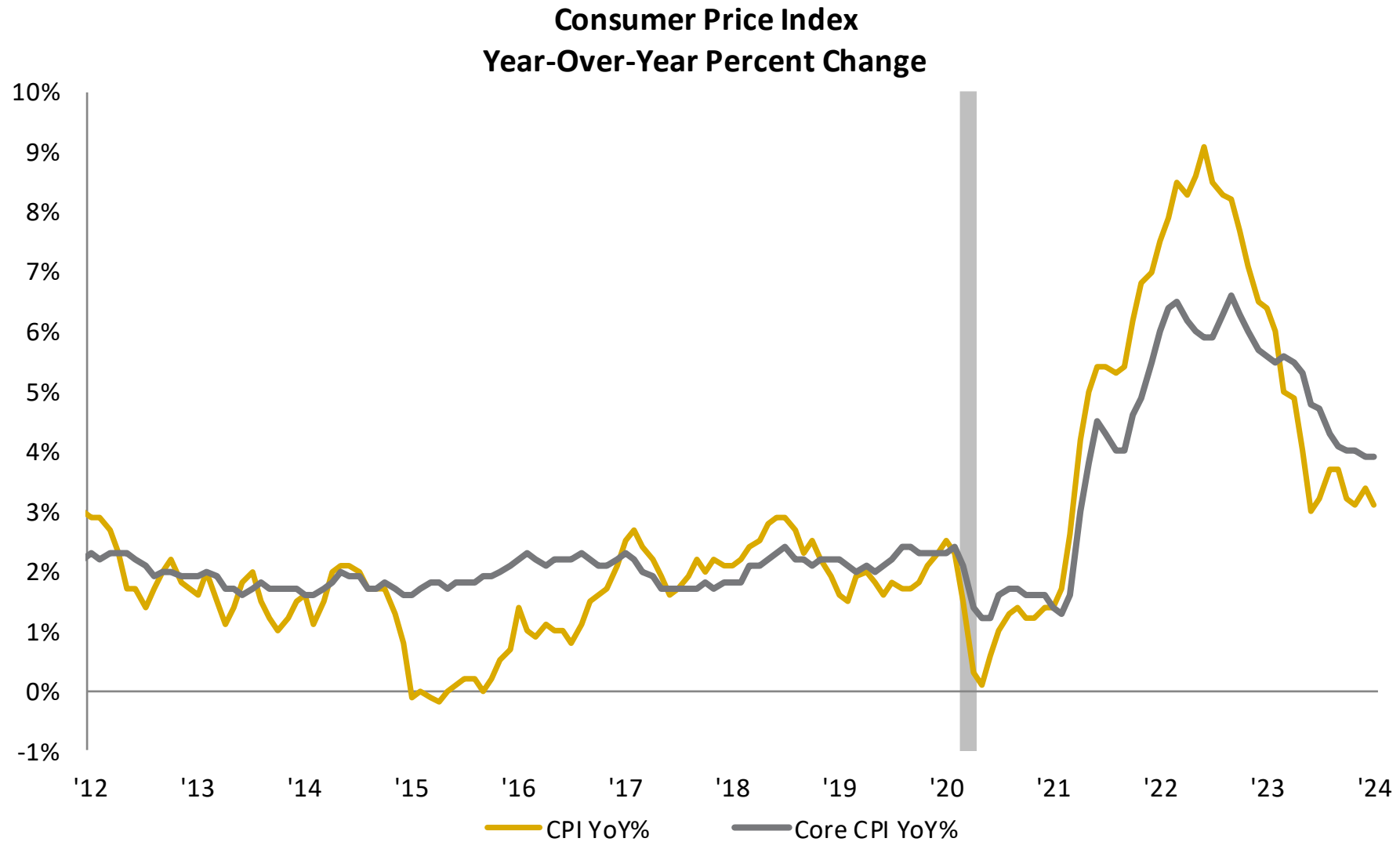


2024 Fed Funds Futures Pricing*:

- First Cut: June (60%)
- Total 2024 25 bps Cuts: 3-4
- 2024 Year-End Rate: 4.53%

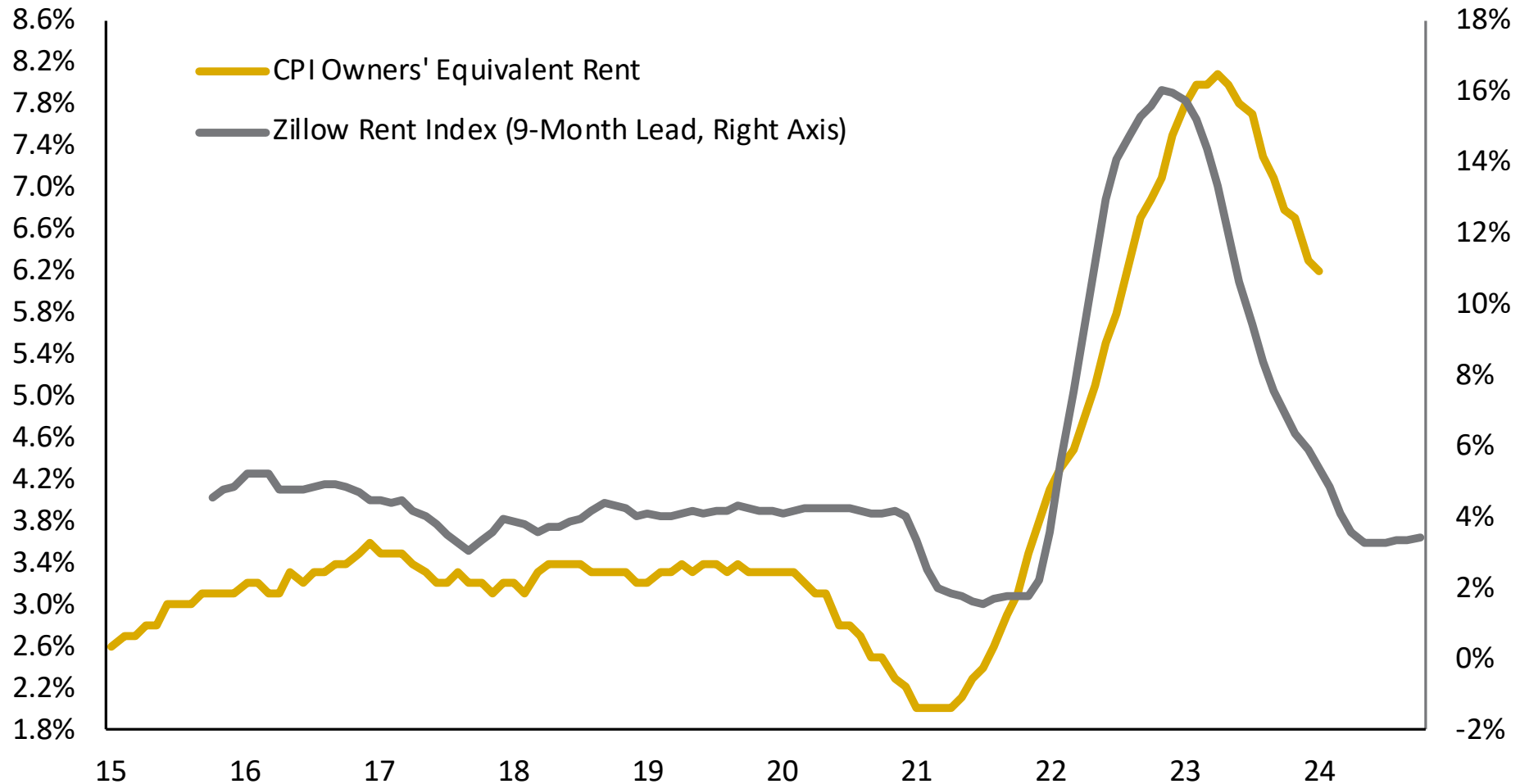
Source: Strategas Research, Bloomberg, CRE: *As of 2/26/24

Inflation Is Moderating at a Slower Pace



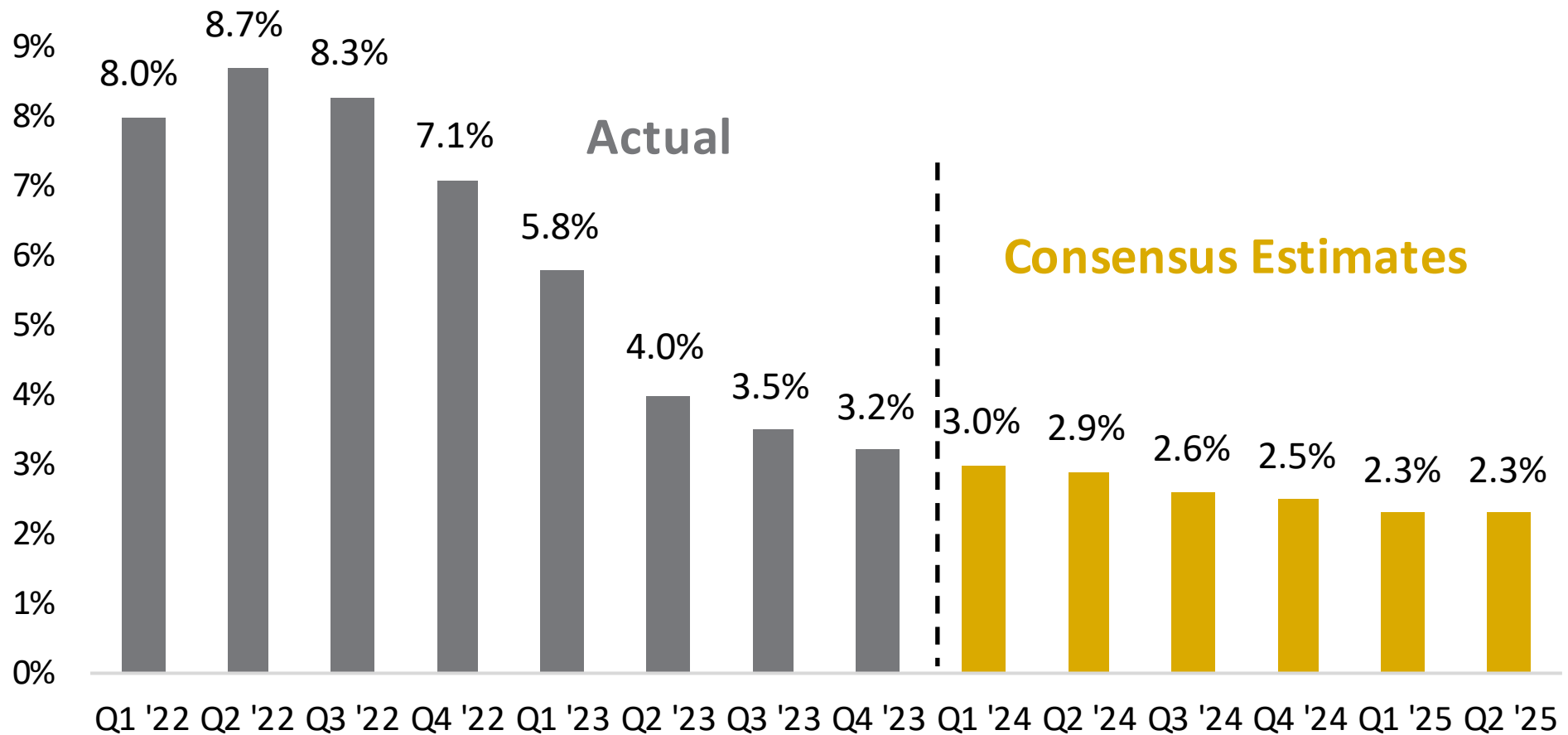
Path of Inflation

CPI: Owners' Equivalent Rent & Zillow Rent Index Year-Over-Year Percent Change

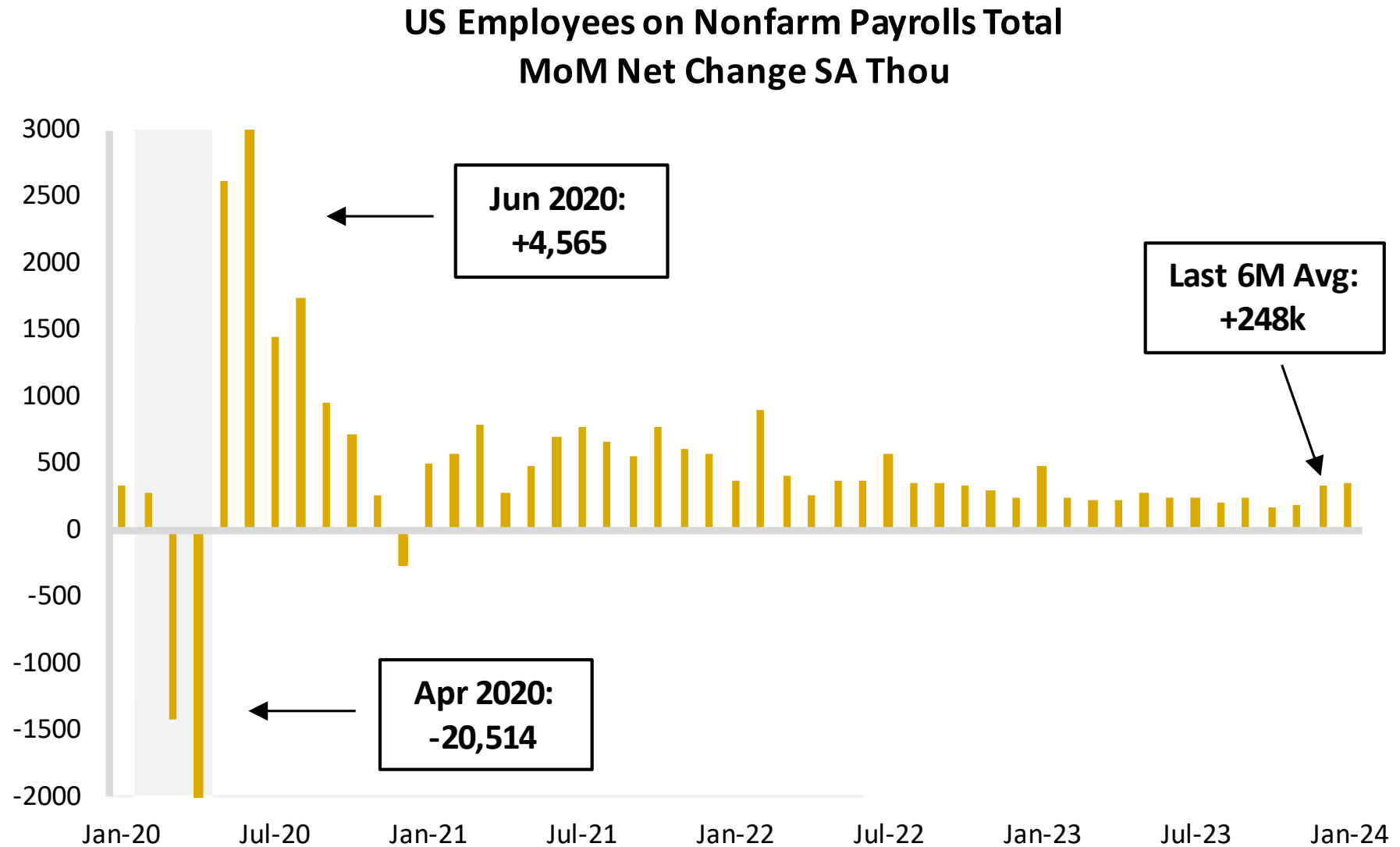


Path of Inflation

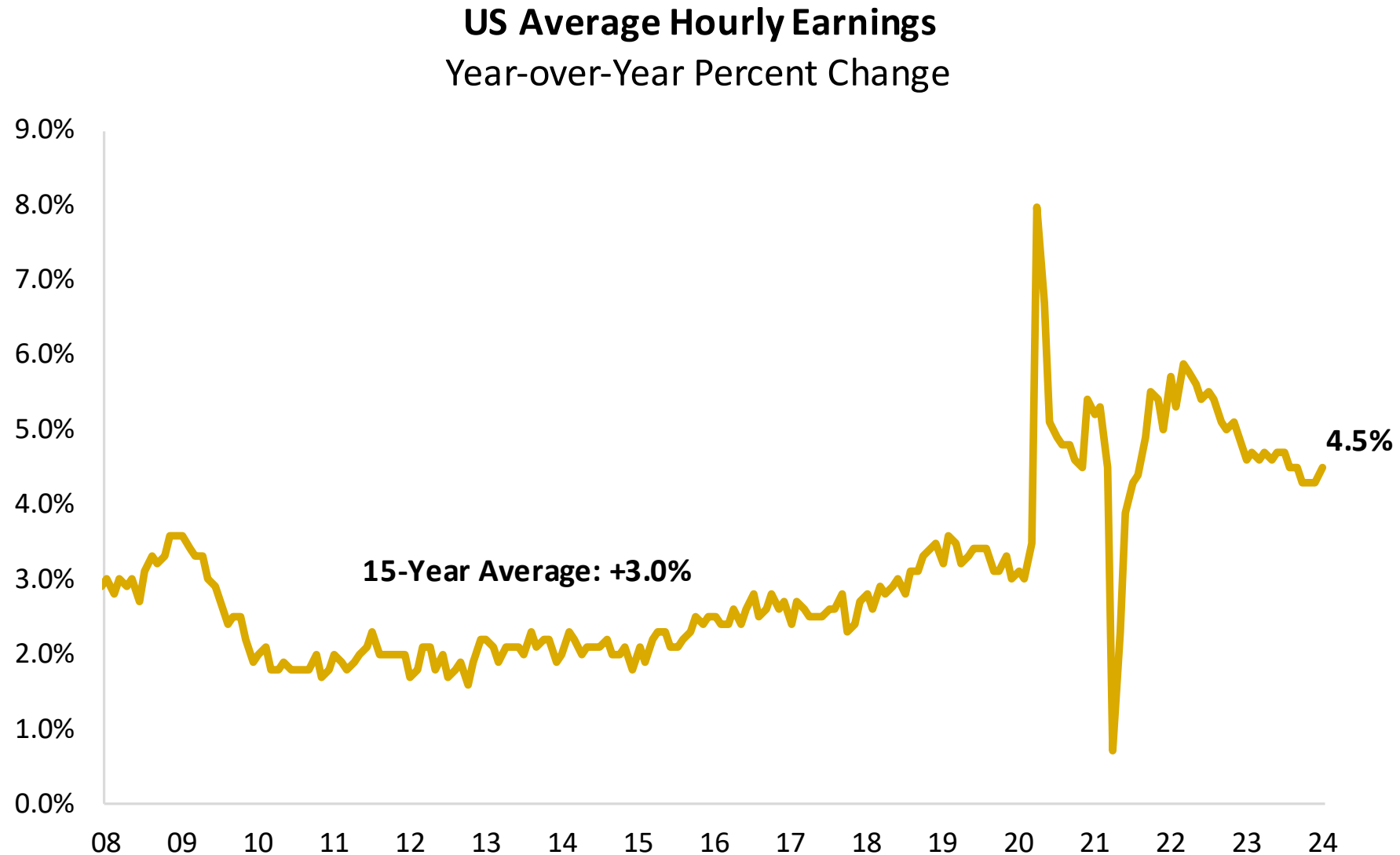
Consumer Price Index Year-over-Year Percent Change



Labor Market Resilient

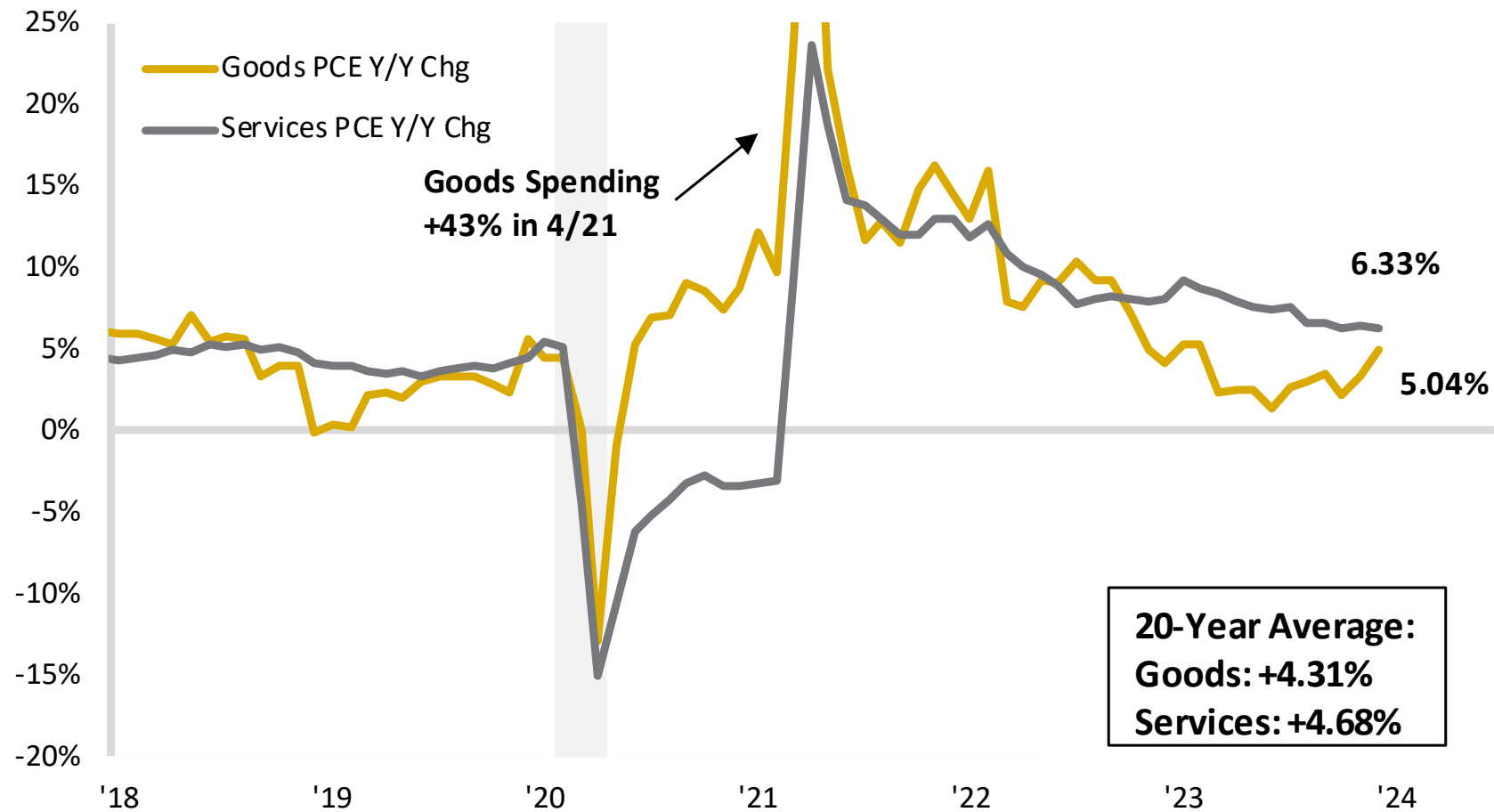


Wage Growth Has Moderated but Remains Robust



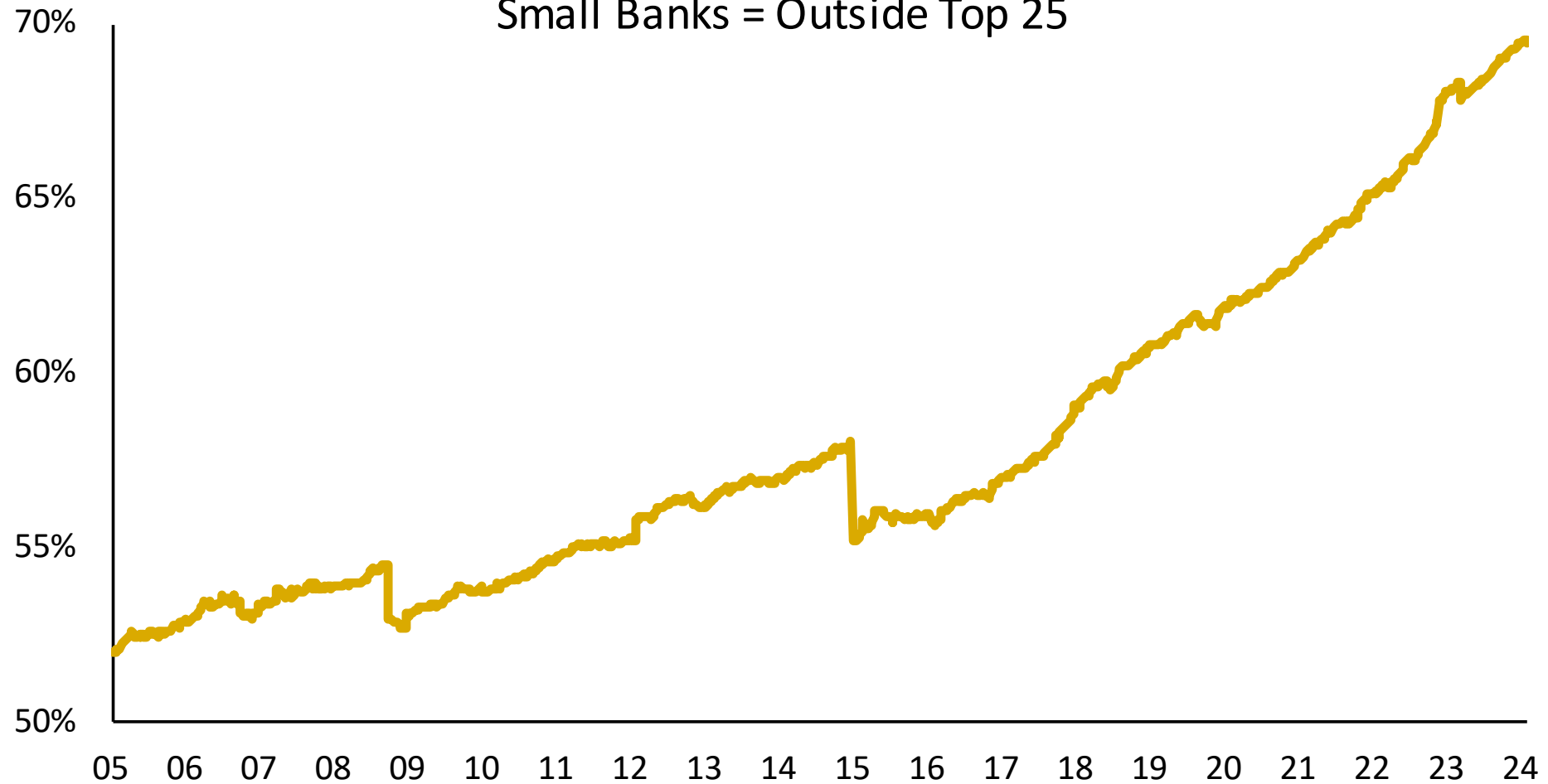
Consumer Expenditures

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



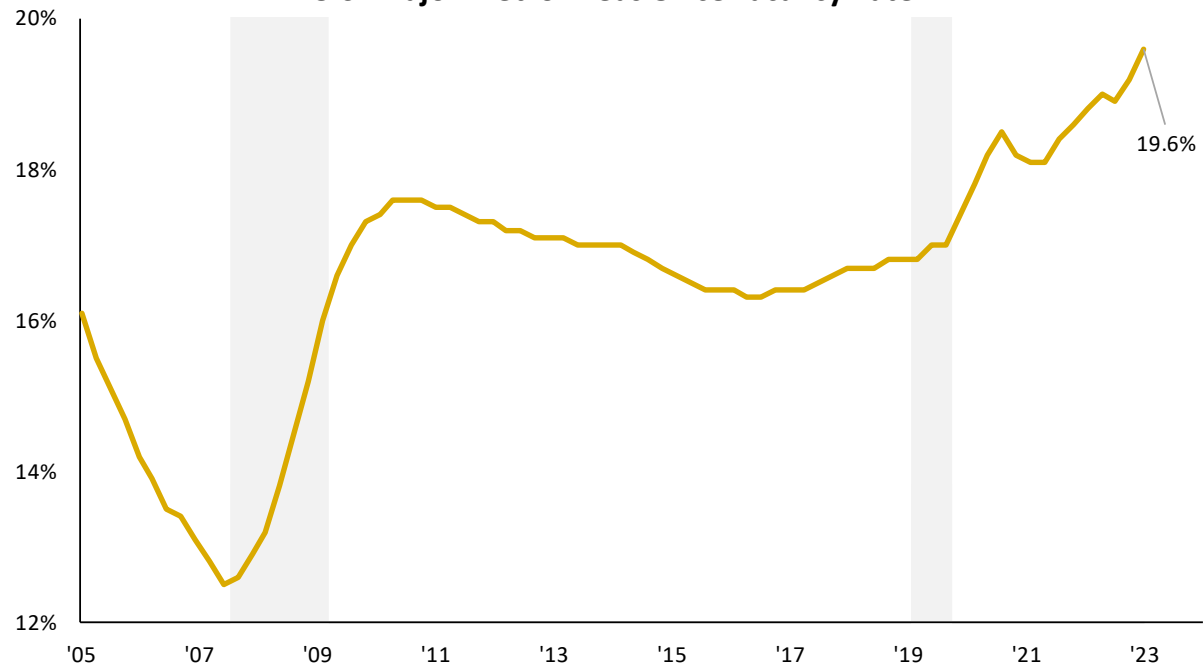
Commercial Real Estate

**Small Bank Percentage of Total
Commercial Real Estate Loans**
Small Banks = Outside Top 25

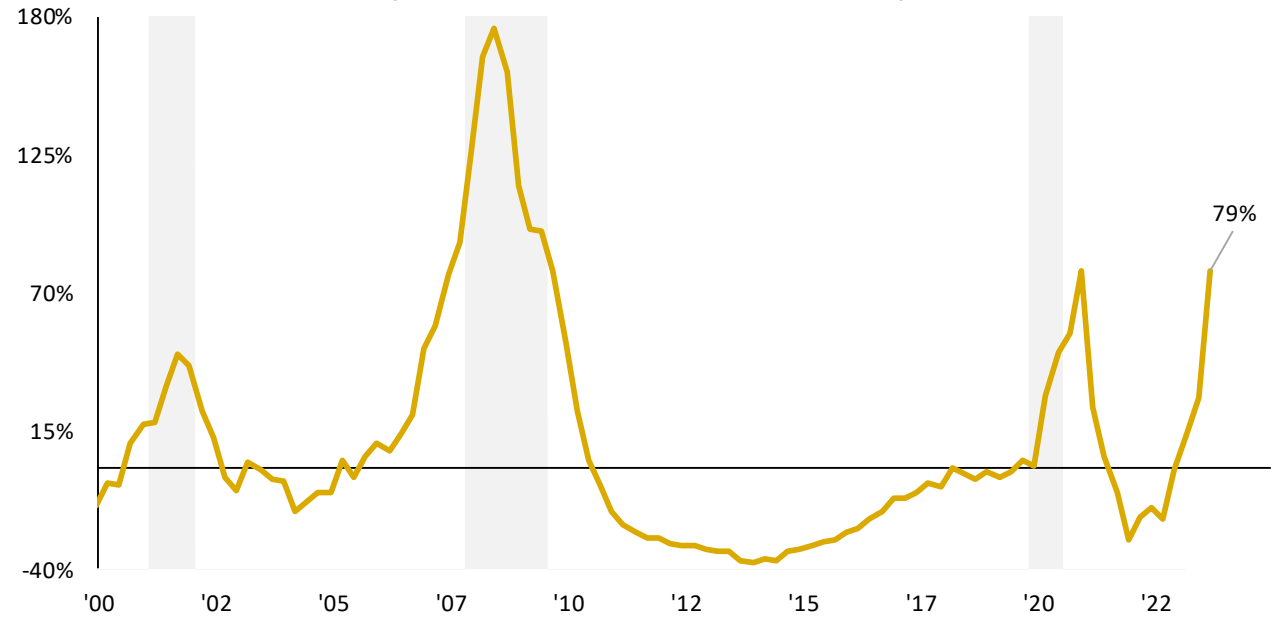


Commercial Real Estate

U.S. Major Metro Areas Office Vacancy Rate



Commercial Bank CRE Loan Delinquencies (Year-Over-Year Growth, NSA, EOP)

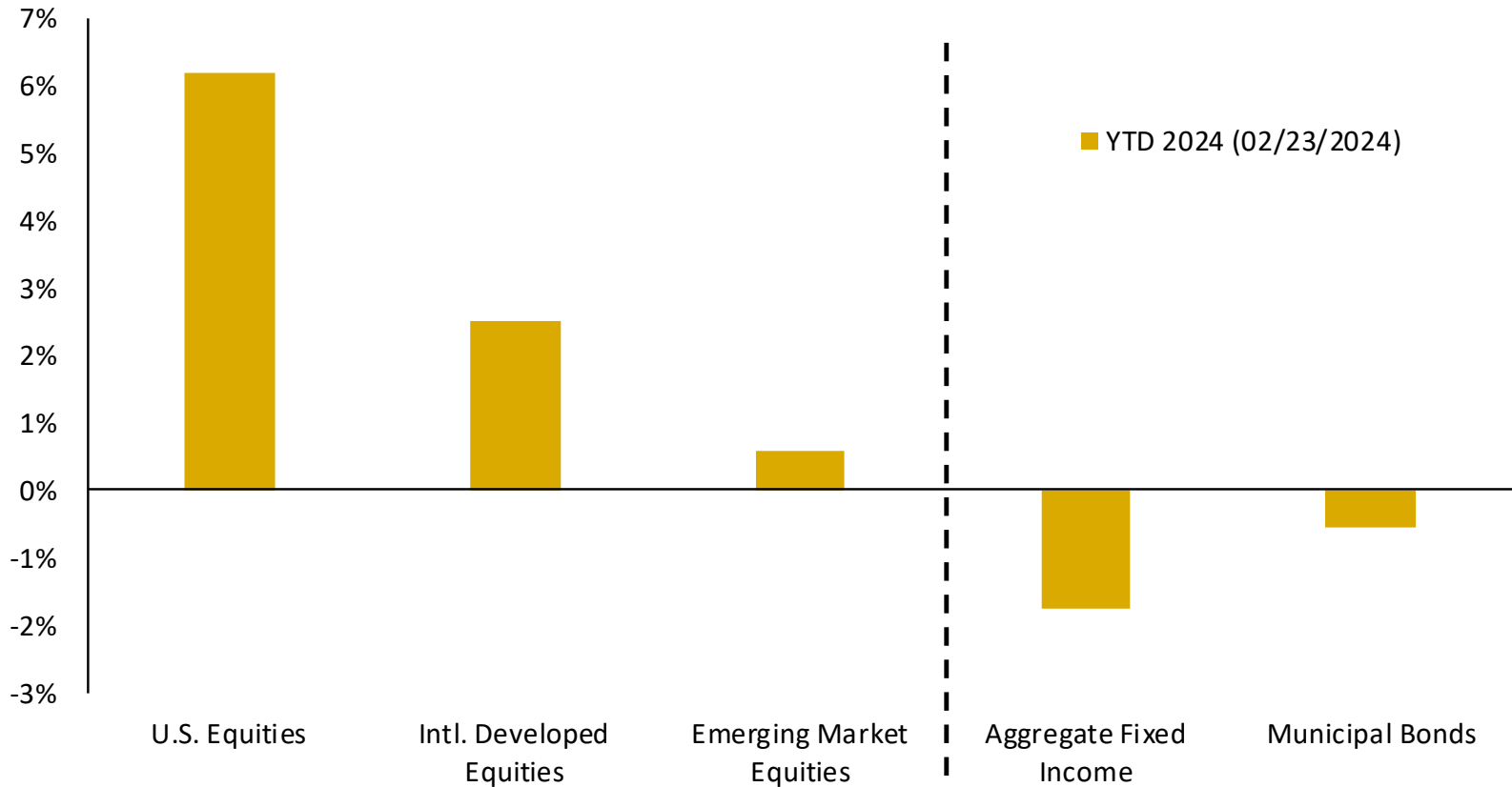




Market Update

Global Markets Year-to-Date

Total Return by Asset Class



YTD US Equity Returns
As of 02/23/2024

	Value	Blend	Growth
Large	4.5%	7.7%	9.8%
Mid	1.9%	3.0%	5.7%
Small	-2.8%	-0.4%	2.2%

Stocks Have Rallied Sharply; Narrow Rally

S&P 500 Index

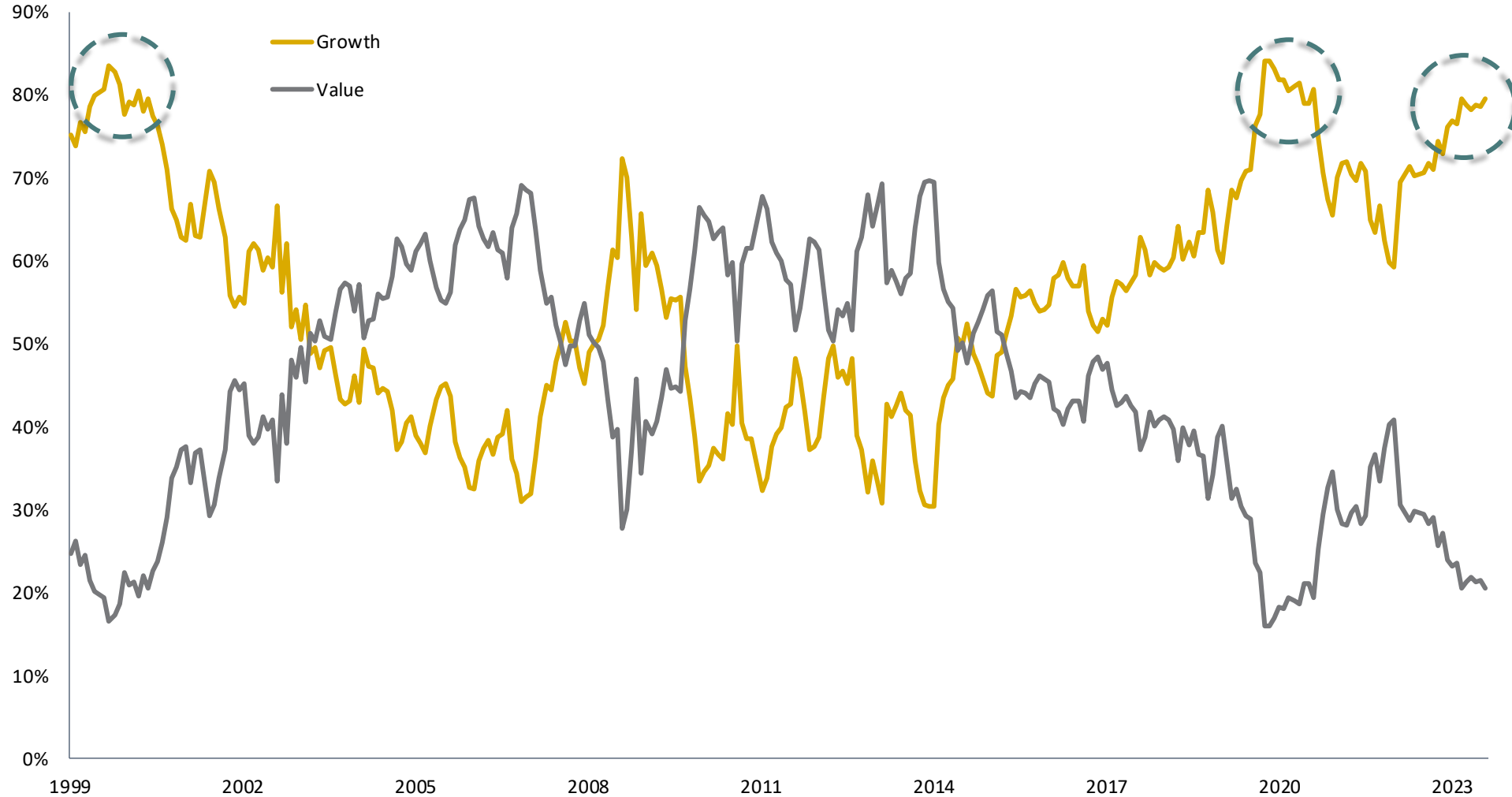


S&P 500: Year-to-Date Through 2/23/24

Index:	Total Return
S&P 500	6.9%
S&P 500 Equal Weighted	2.7%
Difference	4.2%

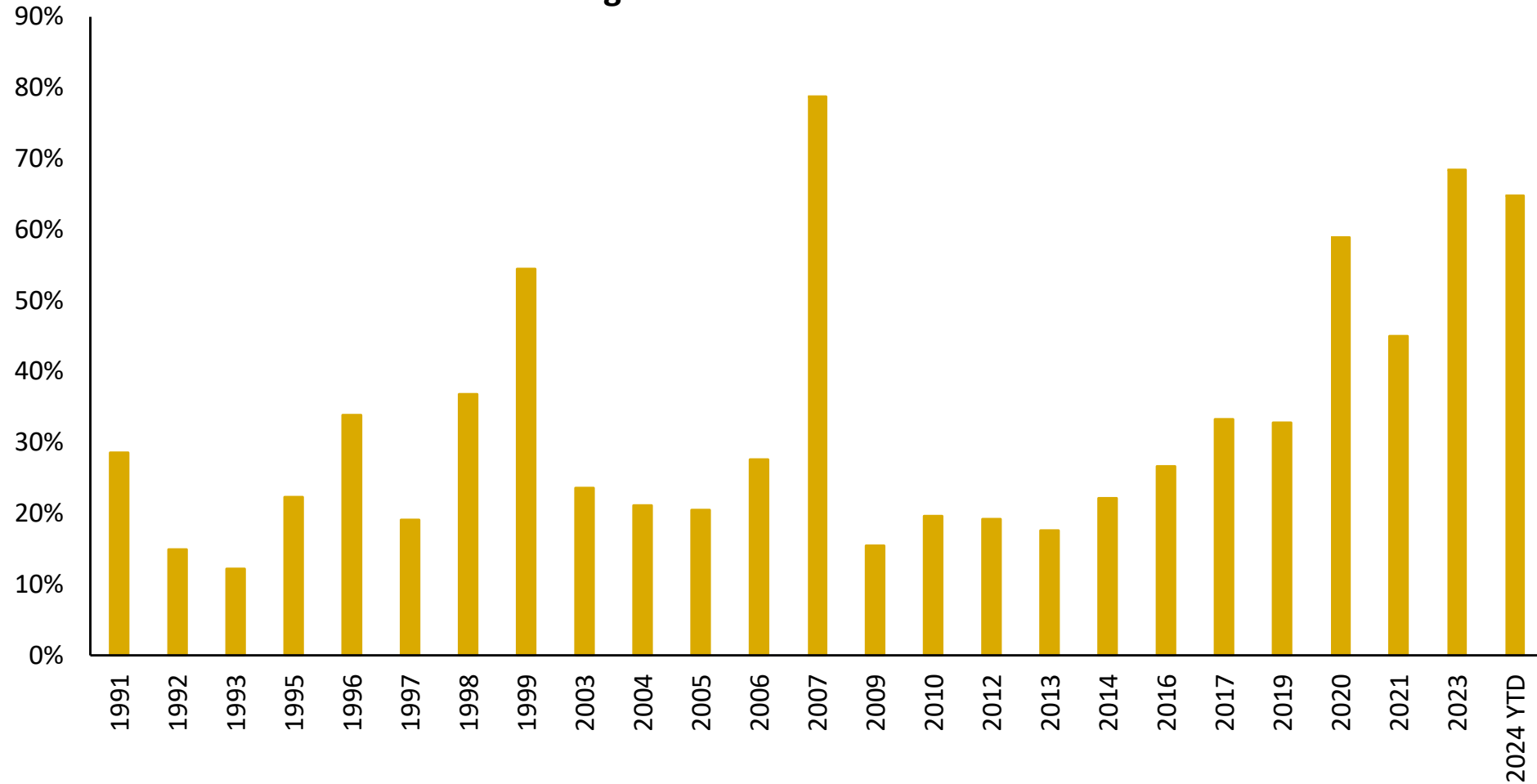
Growth Increasing Portion of the US Stock Market

Distribution of Market Cap. of Top 500 by Style



The S&P 500's Narrow Rally

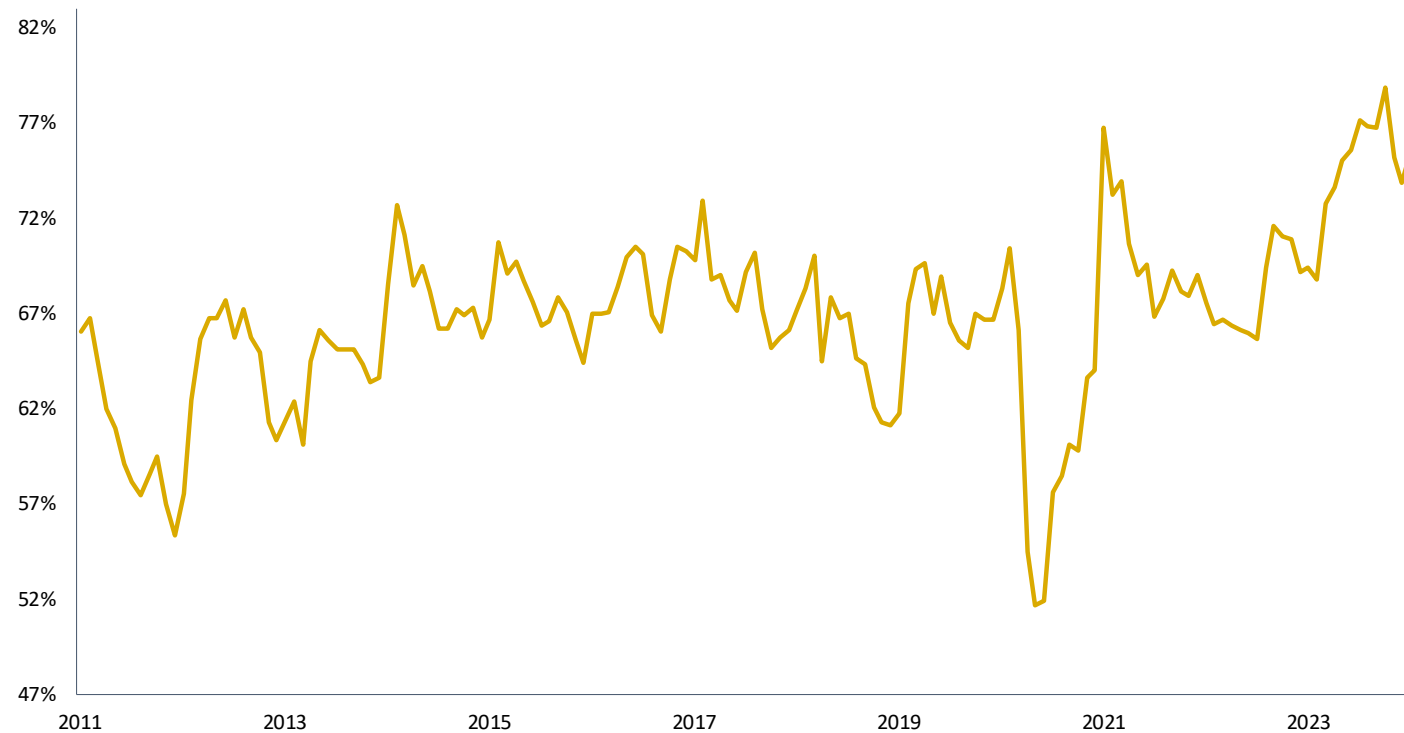
S&P 500 Contribution of 10 Largest Weights
During Positive Performance Years



Corporate Earnings

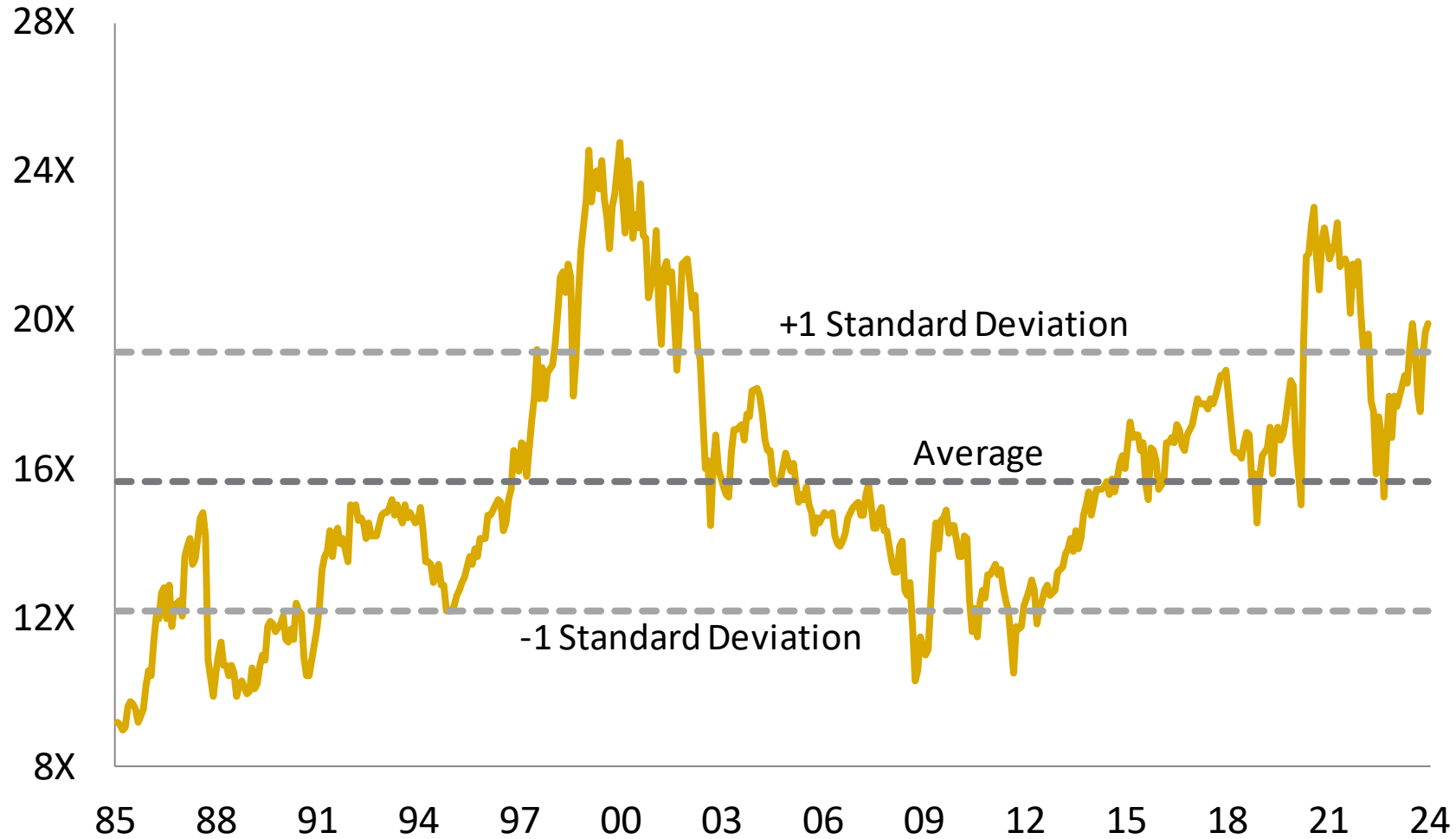
- 2023 estimated growth is **0.9%** or \$220 per share
- 2024 estimated growth is **10.9%** or \$243 per share
- Average growth since 1950 is **7.6%**

Percent of Stocks with Forecasted Gross Margin Expansion
Top 500 (Ex-Financials & Real Estate)



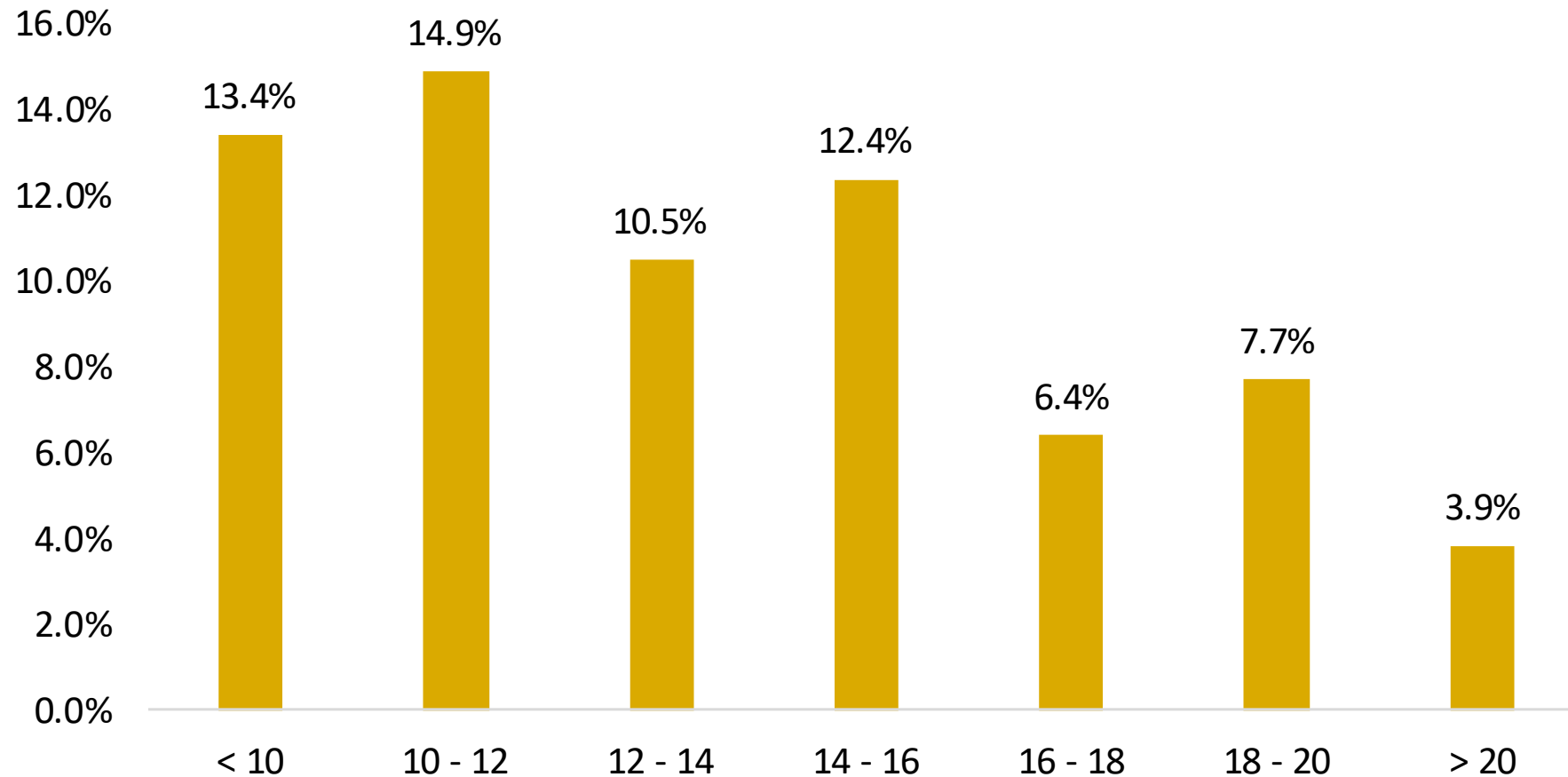
Market Valuation Below Extremes but Above Average

S&P 500 Next Twelve Months Price-to-Earnings Ratio



Market Valuation and Forward Market Return

**Average Forward 12 Month Return by ERP Tranche
(1950 - Current, Quarterly)**

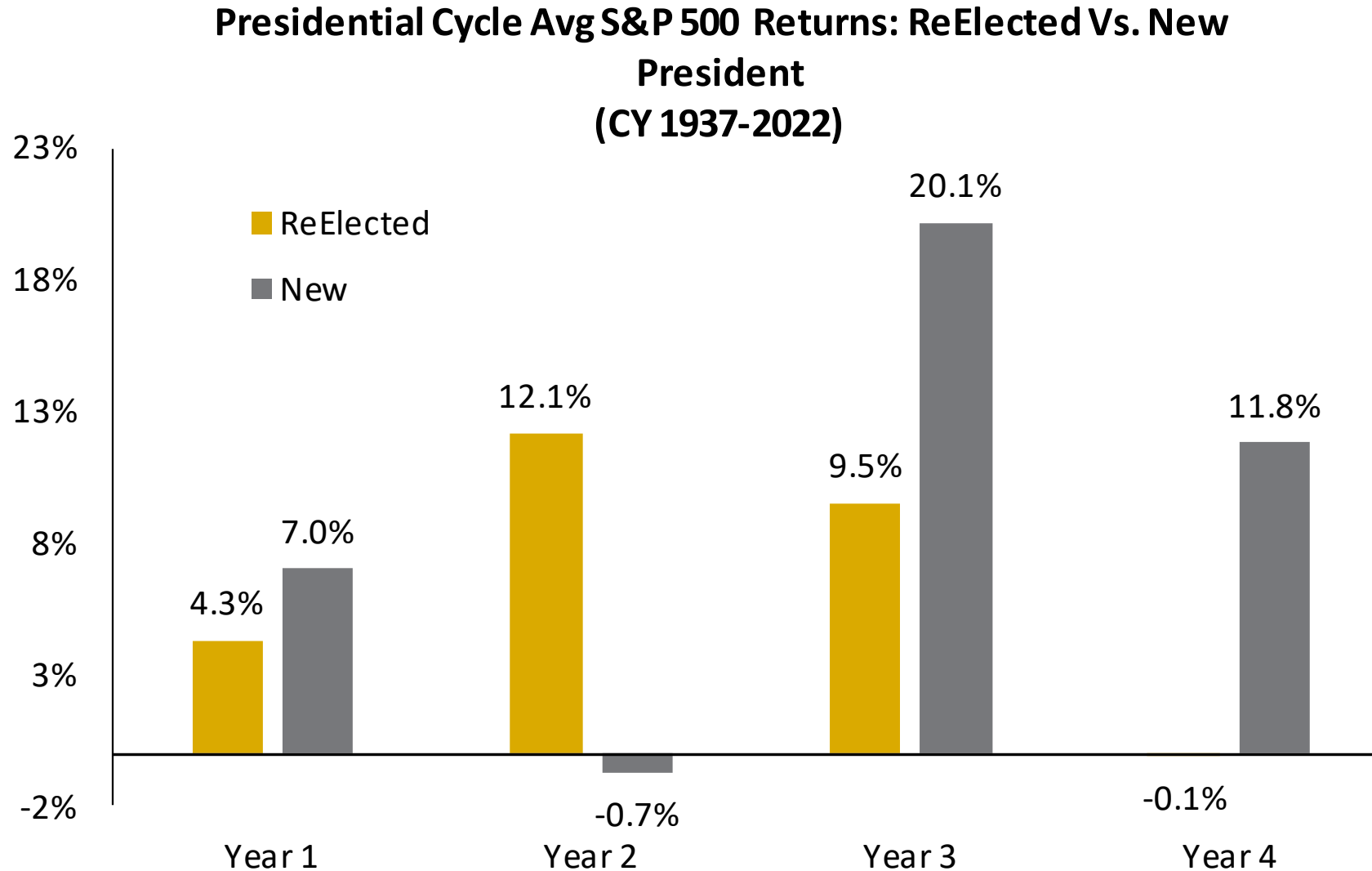


S&P 500 Price Target

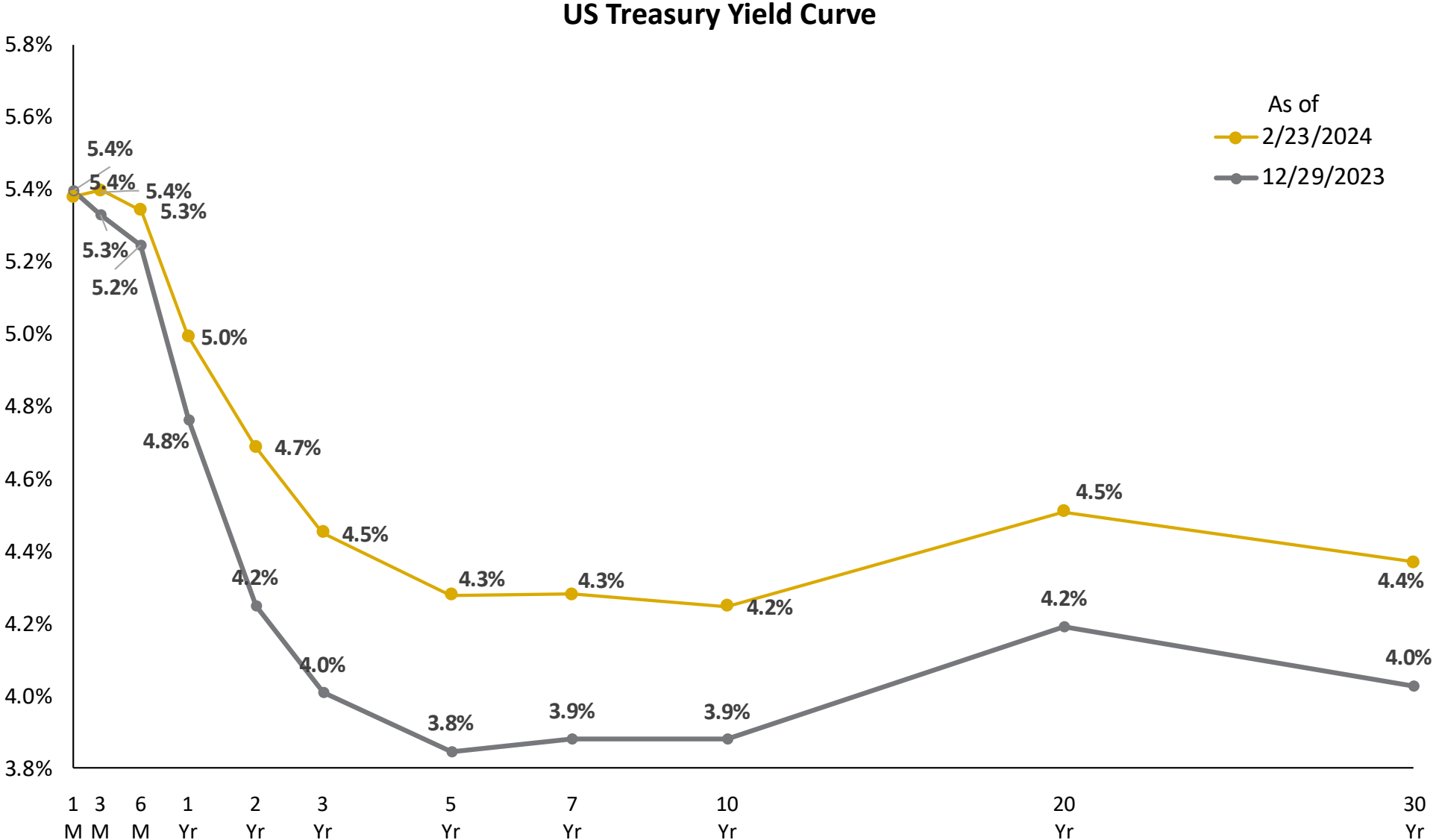
Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 2/27/24
Bear	3,700	-27.1%
Base	4,850	-4.5%
Bull	5,500	8.3%

Presidential Cycle: S&P 500 Returns



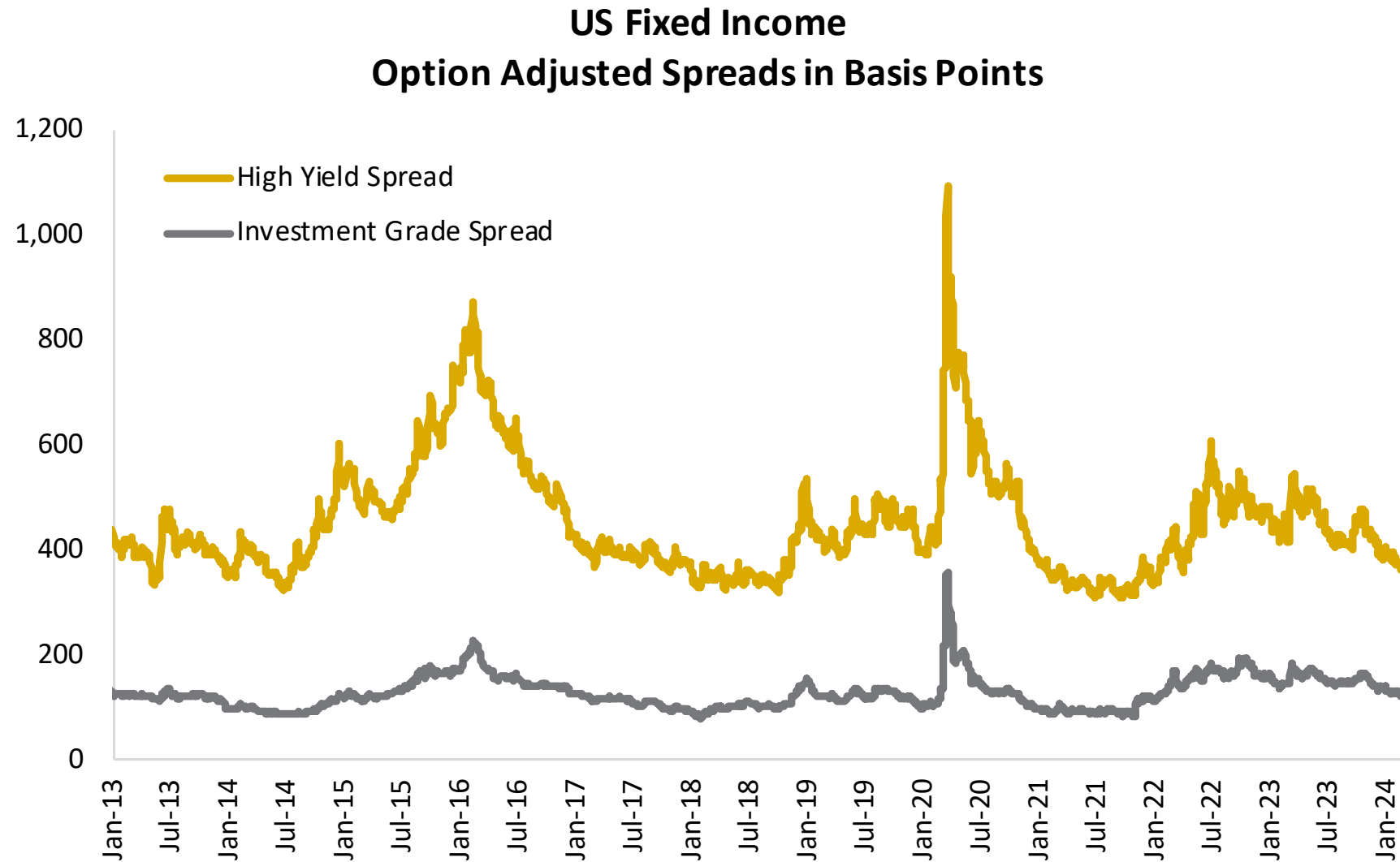
US Treasury Yield Curve Remains Inverted



Bond Yields Remain Elevated versus Recent History

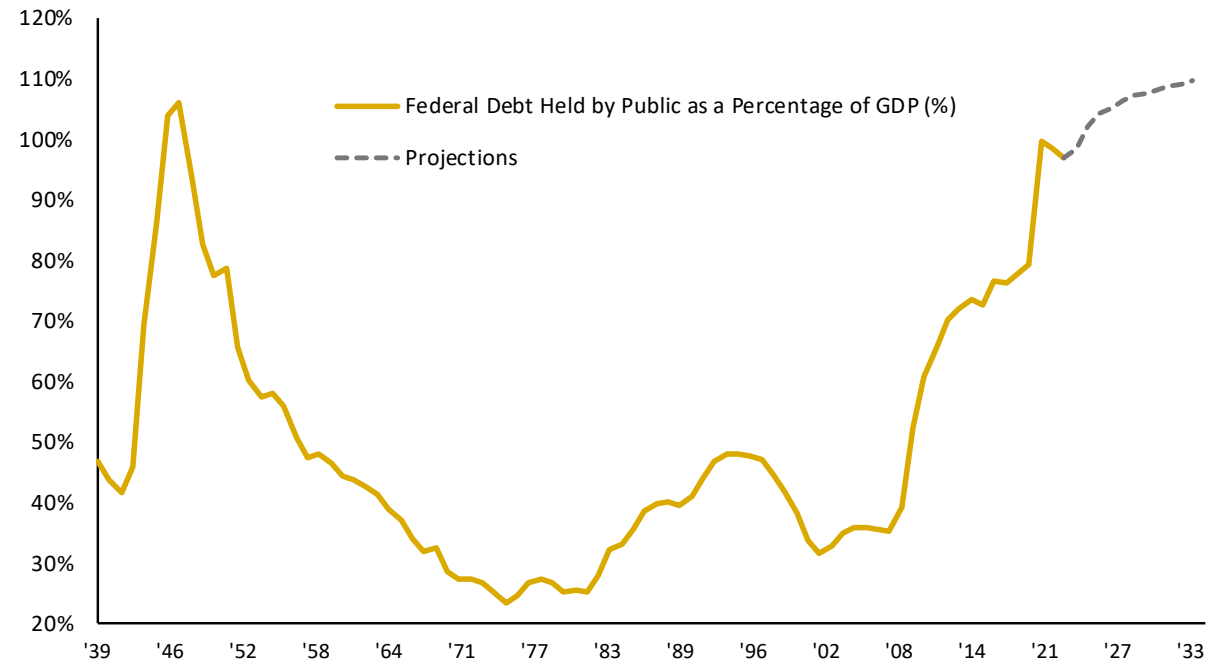
US Fixed Income Indices		
	Yield-to-Worst	
Index	12/31/2021	2/23/2024
2-Year Treasury	0.73%	4.69%
10-Year Treasury	1.51%	4.25%
Aggregate Bond	1.75%	4.92%
Intermediate Government/Credit	1.30%	4.75%
Municipal Bond	1.11%	3.42%
Investment Grade Corporate Bond	2.33%	5.37%
High Yield Corporate Bond	4.21%	7.80%

Corporate Bond Spreads Remain Tight

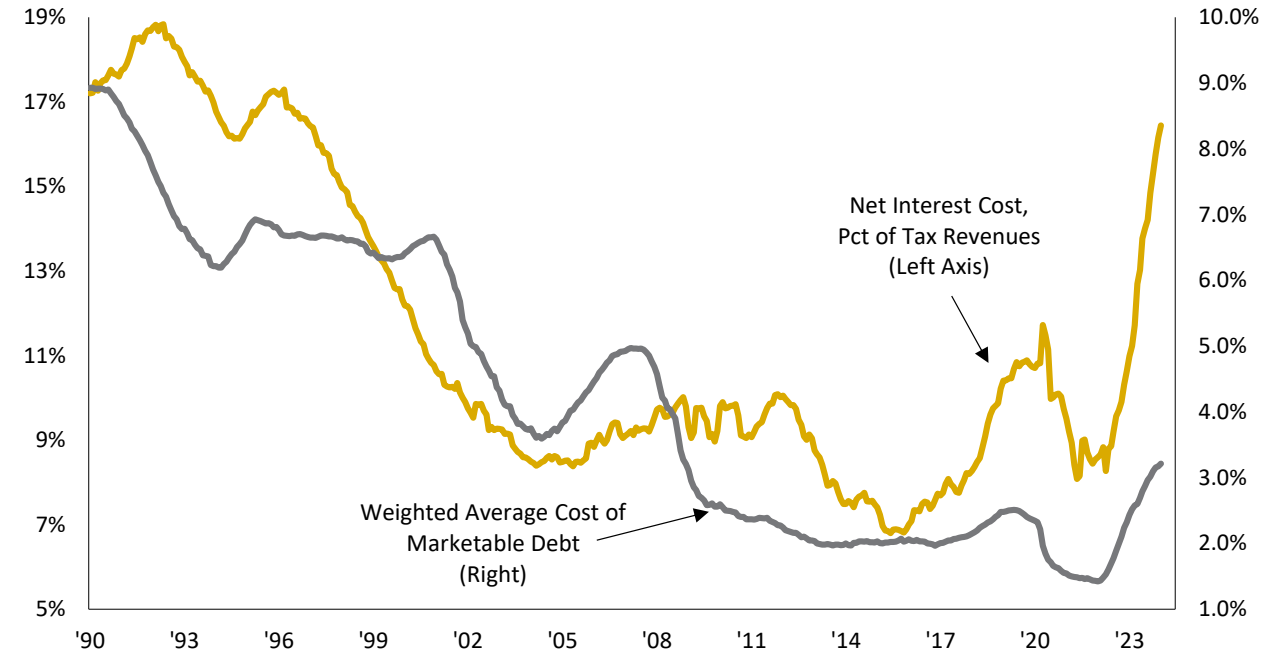


US Government Finances

US Federal Debt % of GDP



Net Interest Cost & Weighted Average Cost of Marketable Debt



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
Russia-Ukraine War	2/24/2022	9	14	-1.3	2.3	7.8	-0.9	-3.2	-2.7
Israel-Hamas War	10/7/2023	-	-	-	0.5	1.4	9.4	-	-
Median		16.0	16.0	-6.0	3.5	6.5	6.6	8.3	13.6
Average		15.5	115.2	-7.4	3.8	6.4	7.3	9.8	12.2

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