

Making Sense

Monthly Market Update

Recorded on June 27, 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

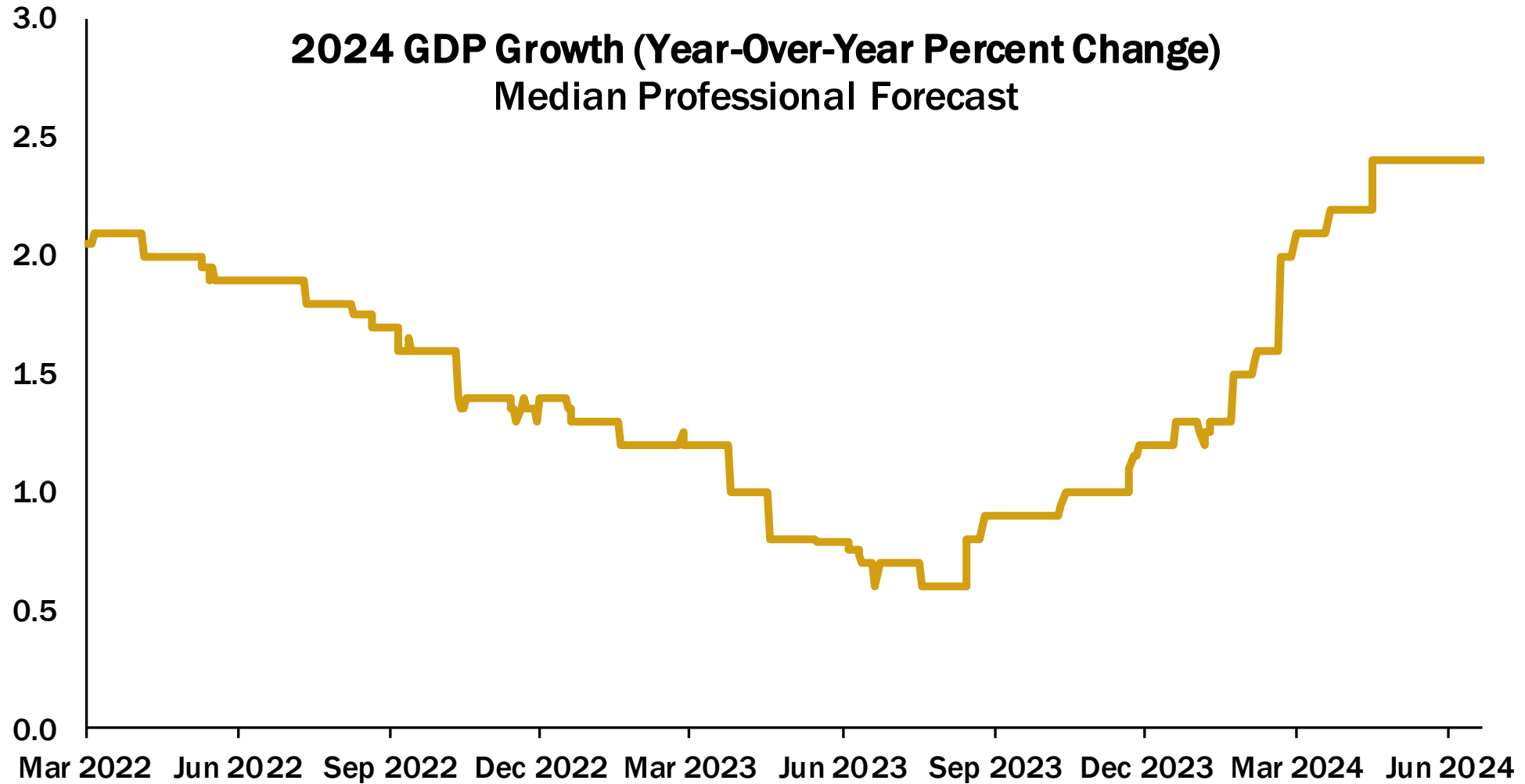
Economic Update

Interest Rates | Inflation | Labor Market

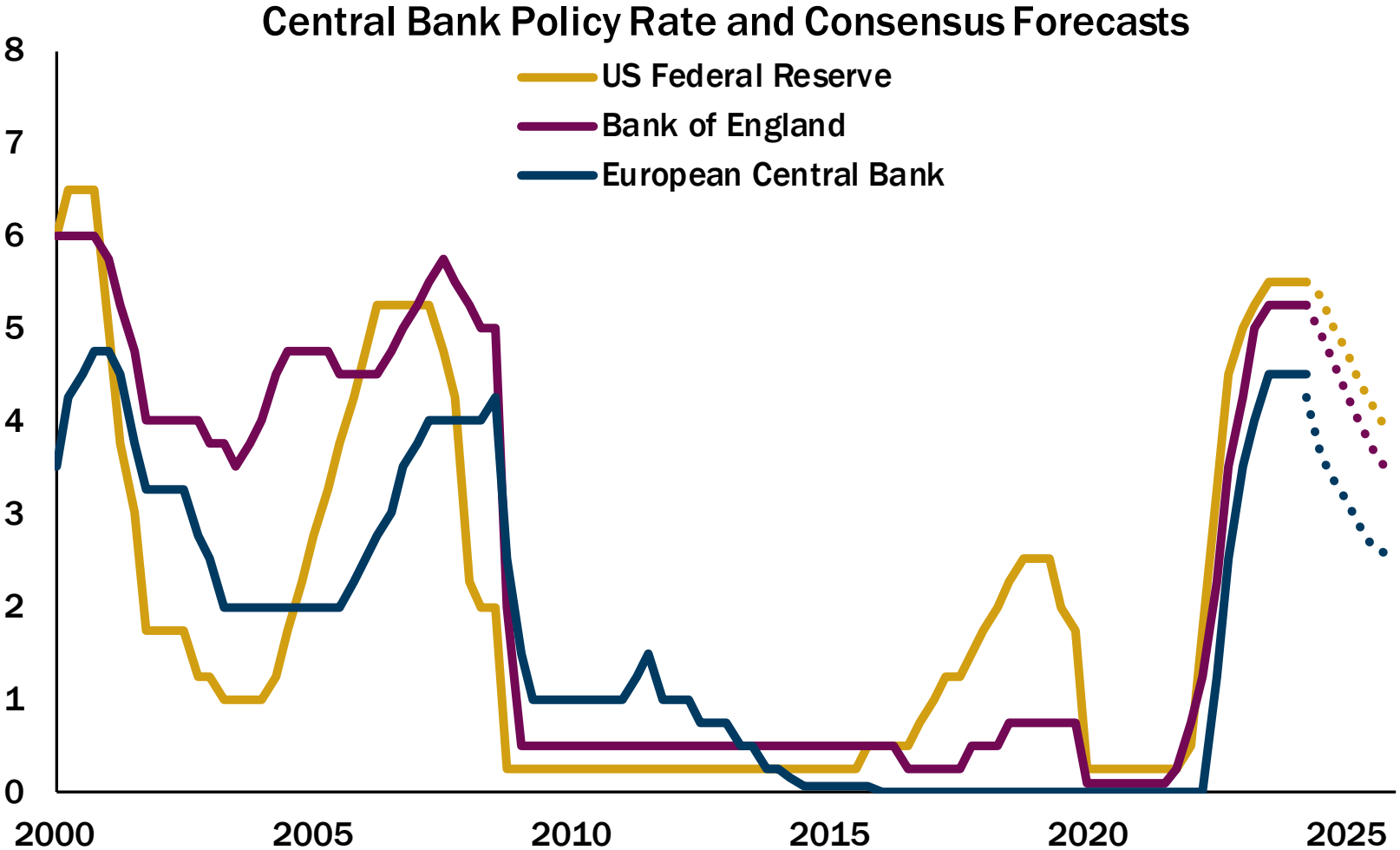
The Global Growth Outlook Has Been Revised Up

World Economic Outlook			
Consensus Real Economic Growth Estimates			
	2023	2024 Estimate as of:	
	Actual Growth	Dec-23	Jun-24
World	3.2%	2.6%	3.0%
United States	2.5%	1.3%	2.3%
Euro Area	0.5%	0.5%	0.7%
United Kingdom	0.1%	0.3%	0.7%
Japan	1.9%	0.8%	0.3%
China	5.2%	4.5%	4.9%

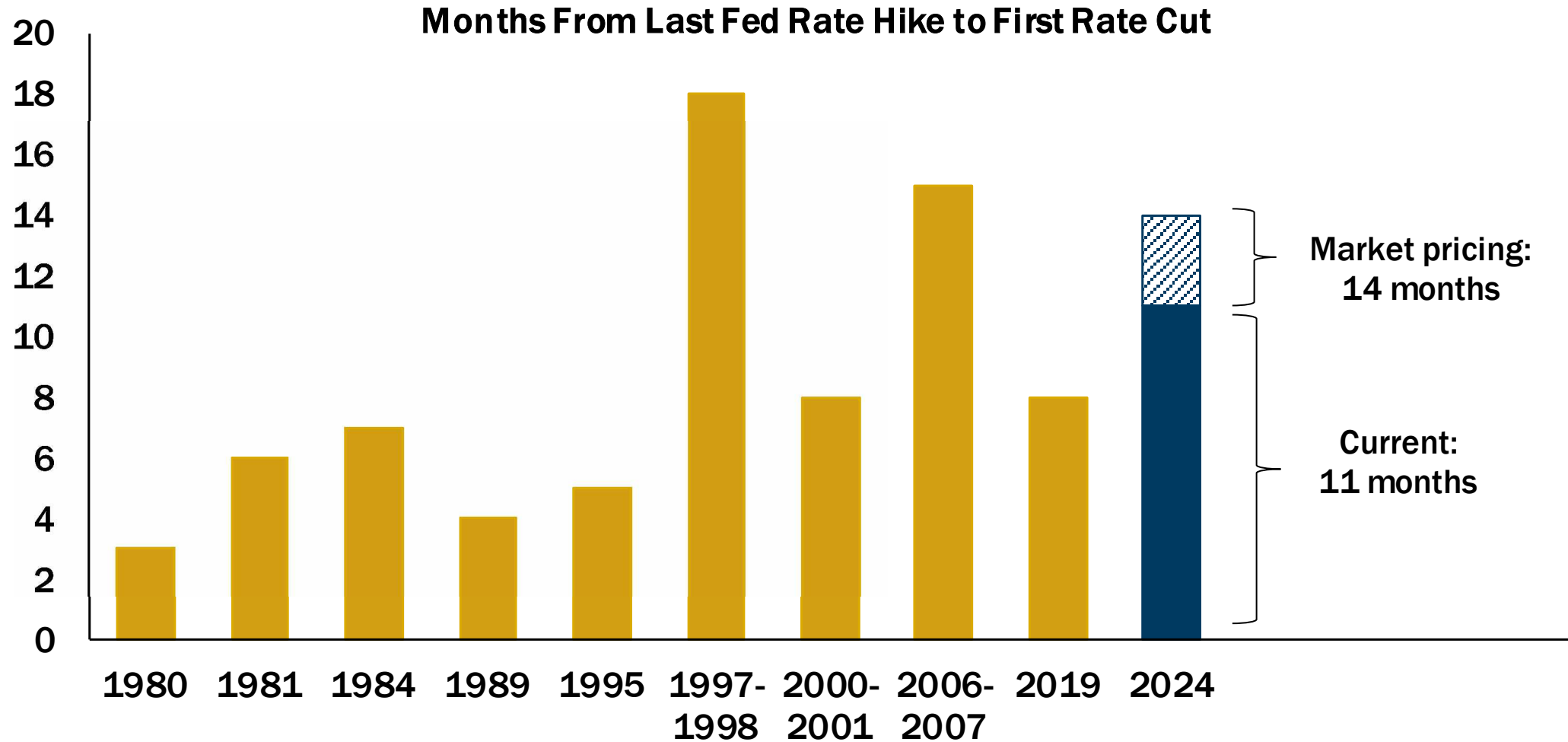
The Outlook for the US Economy Remains Upbeat



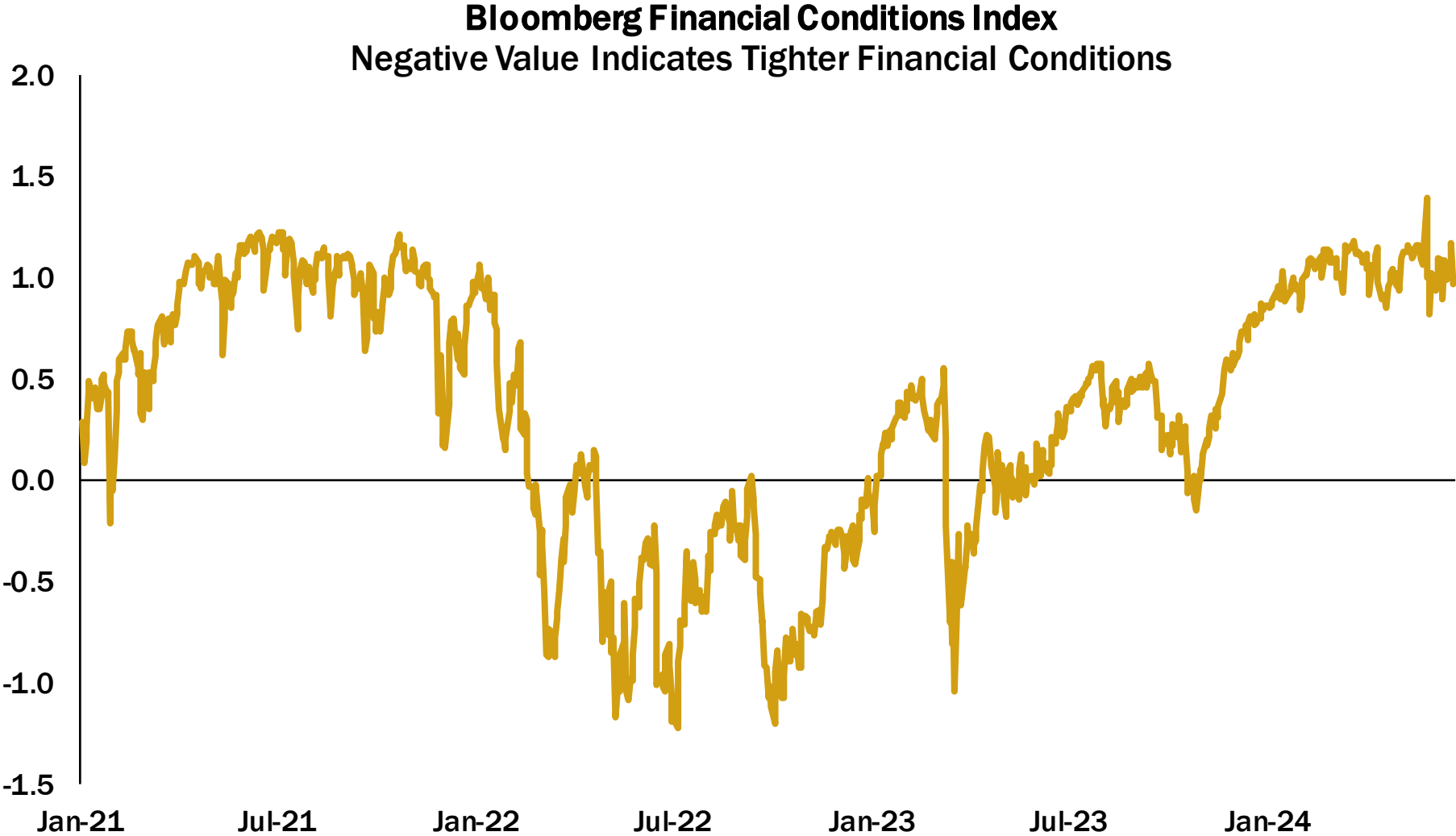
Forecasters Expect Policy Rates to Stay Elevated vs. Recent History



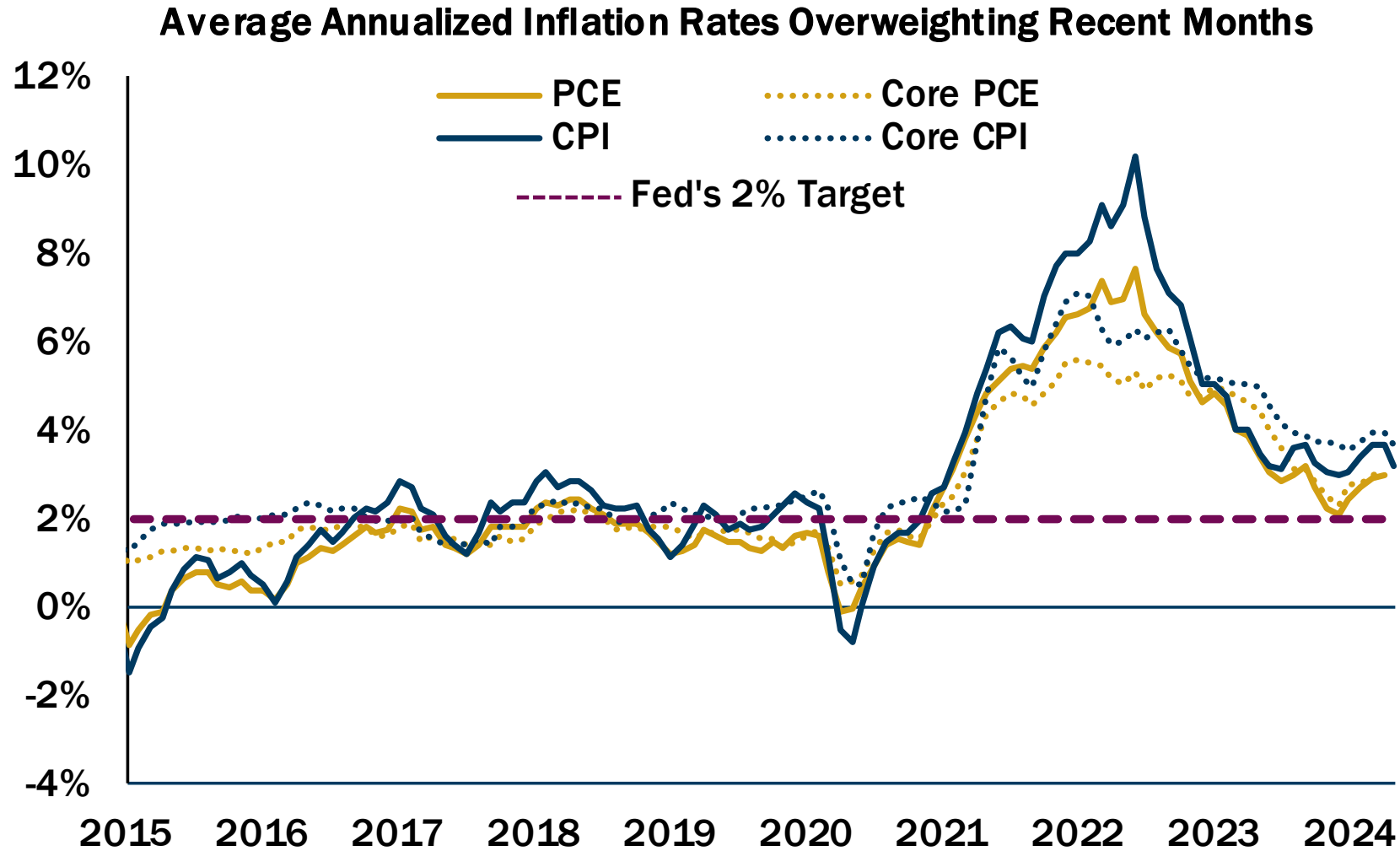
The Fed Has Kept Monetary Policy on Hold for a Substantial Period



Financial Conditions Are Still Very Loose



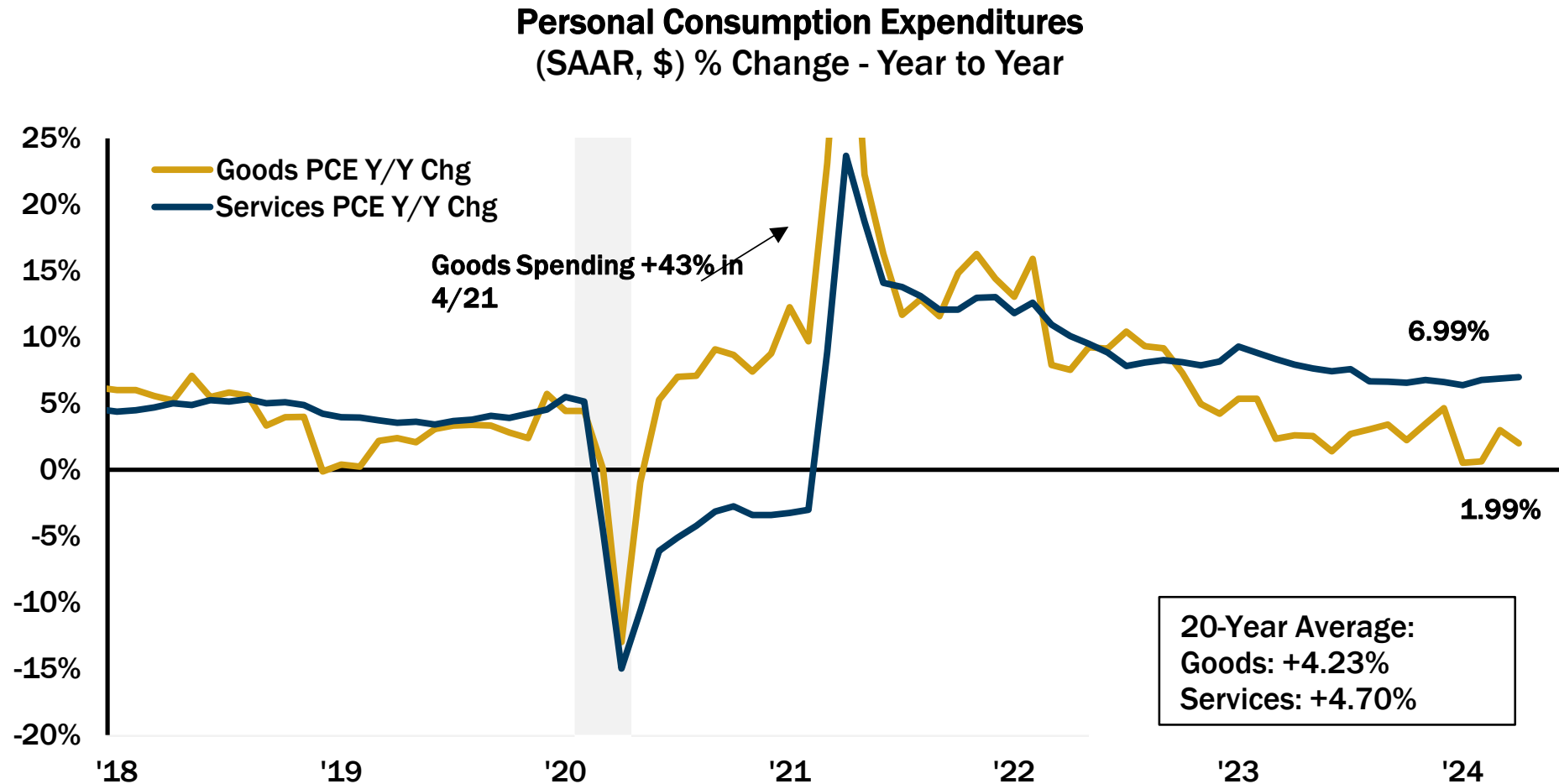
Inflation Has Budged in the Wrong Direction This Year



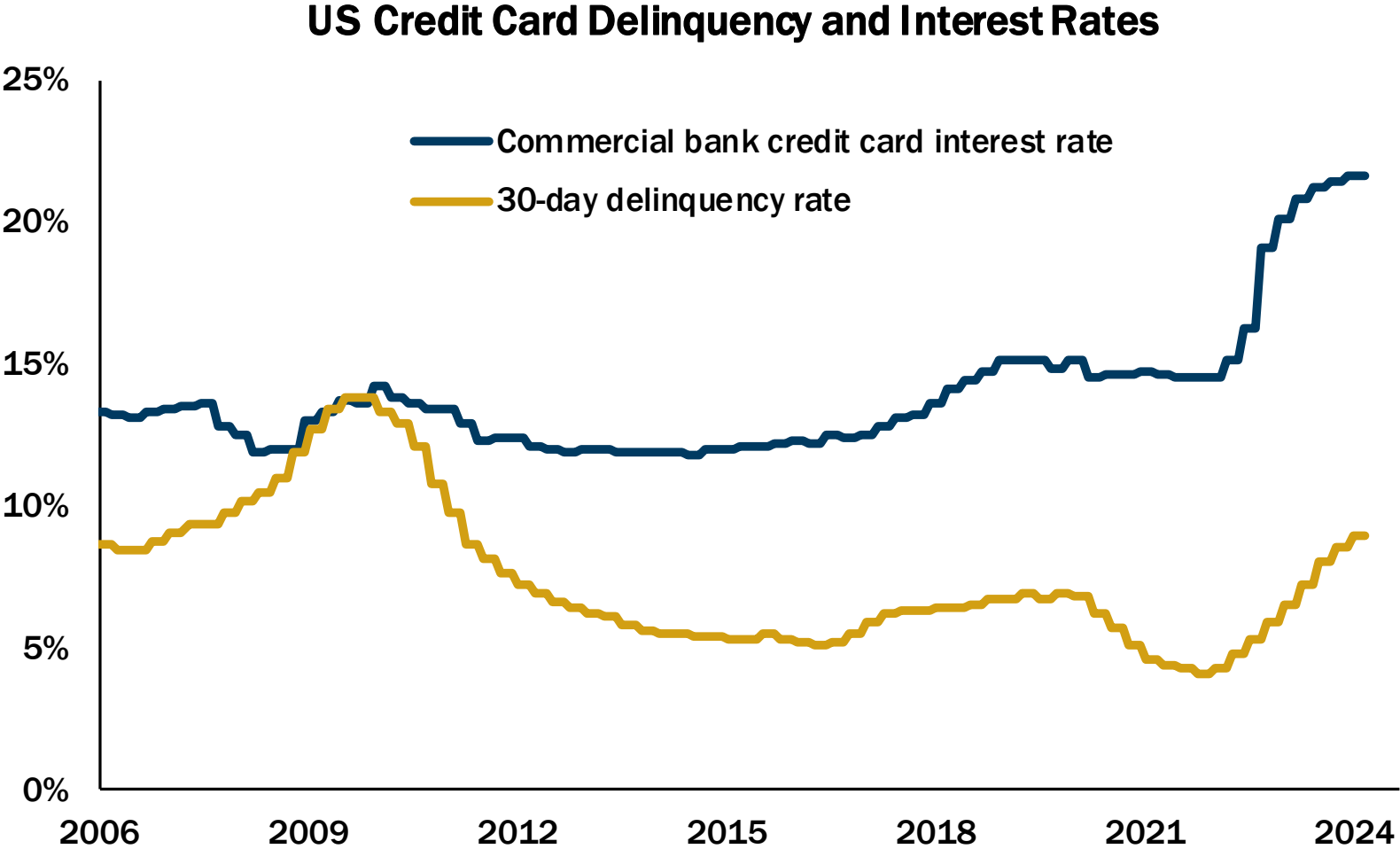
Job Growth Has Been Strong, But Unemployment Has Moved Up



Consumer Expenditures Are Still Holding Up

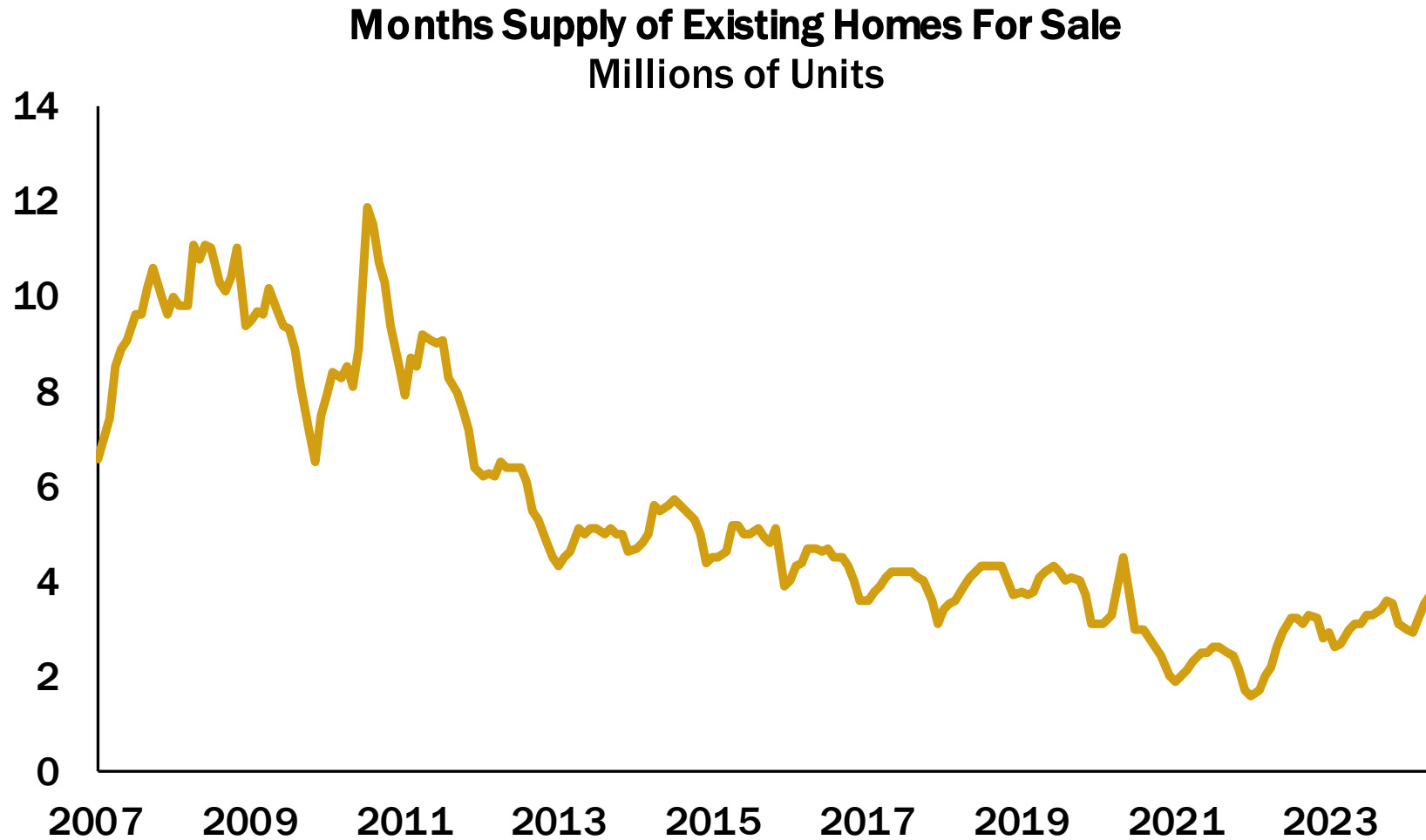


Revolving Credit Rates Have Surged, and Delinquencies Are Up



Source: Federal Reserve, Bloomberg

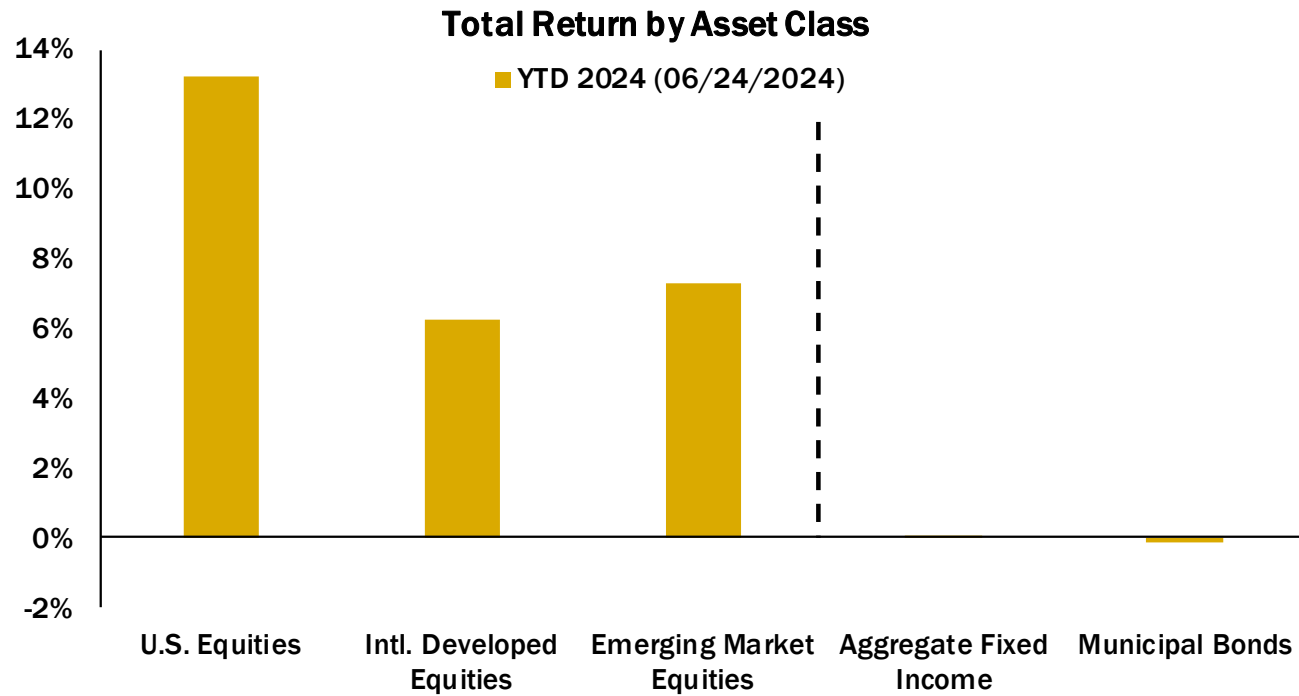
The Supply of Existing Homes Has Rebounded From Its Lows



Market Update

Equity Markets | Fixed Income | Potential Headwinds

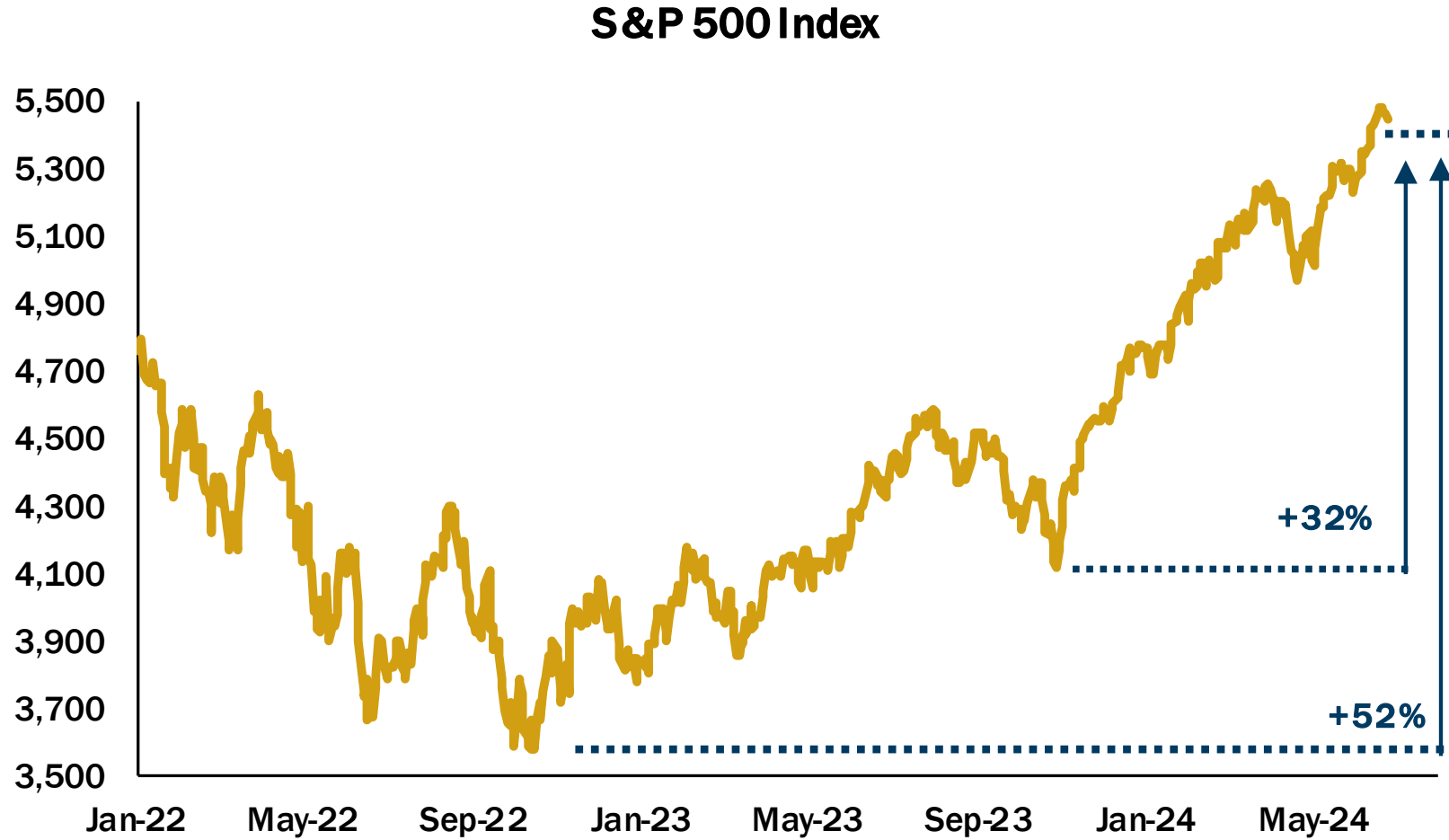
Global Markets Year-to-Date



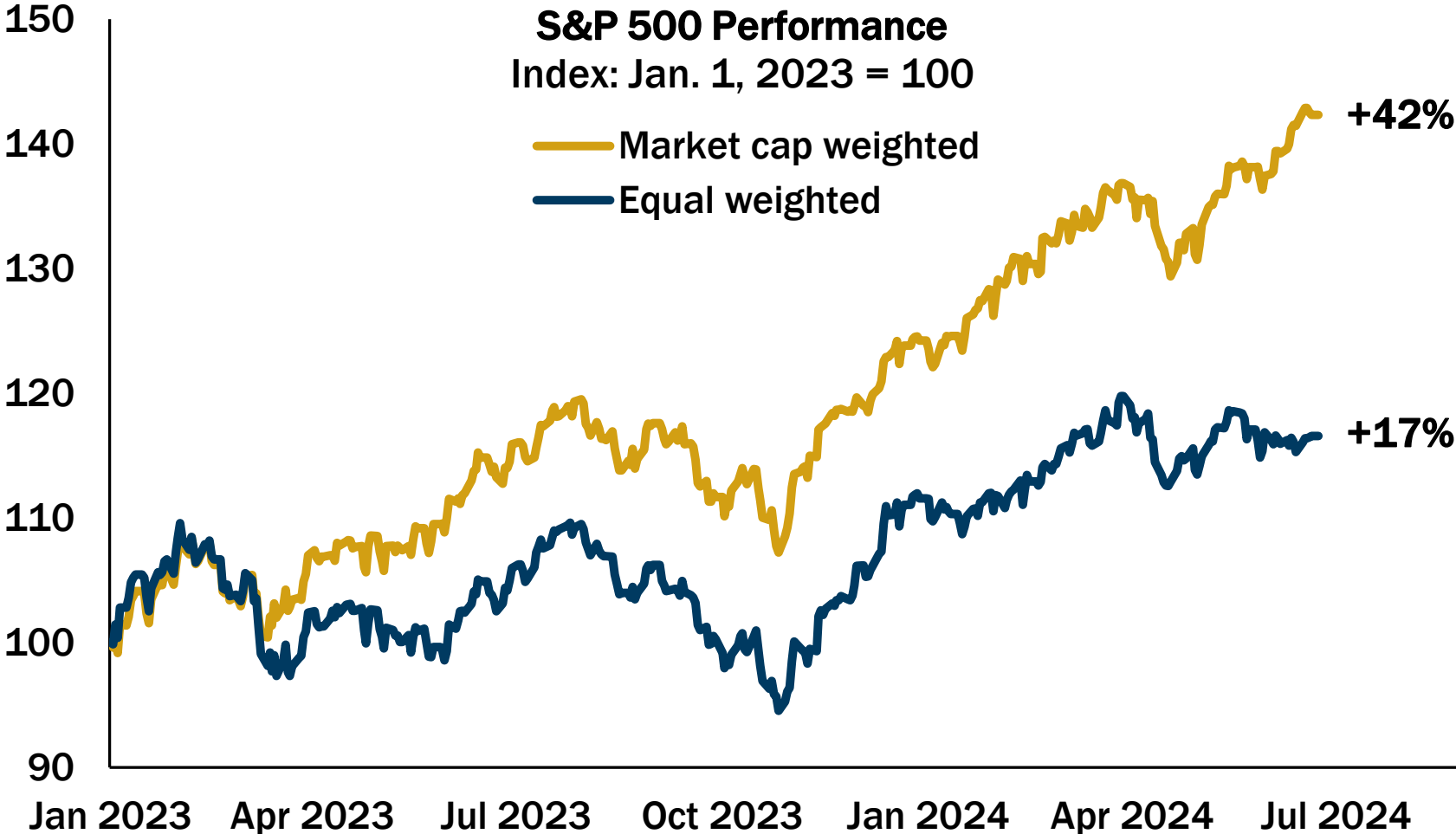
YTD US Equity Returns
As of 06/24/2024

	Value	Blend	Growth
Large	9.0%	16.6%	21.3%
Mid	5.4%	5.6%	6.2%
Small	-1.7%	0.8%	3.5%

Stocks Have Rallied Sharply

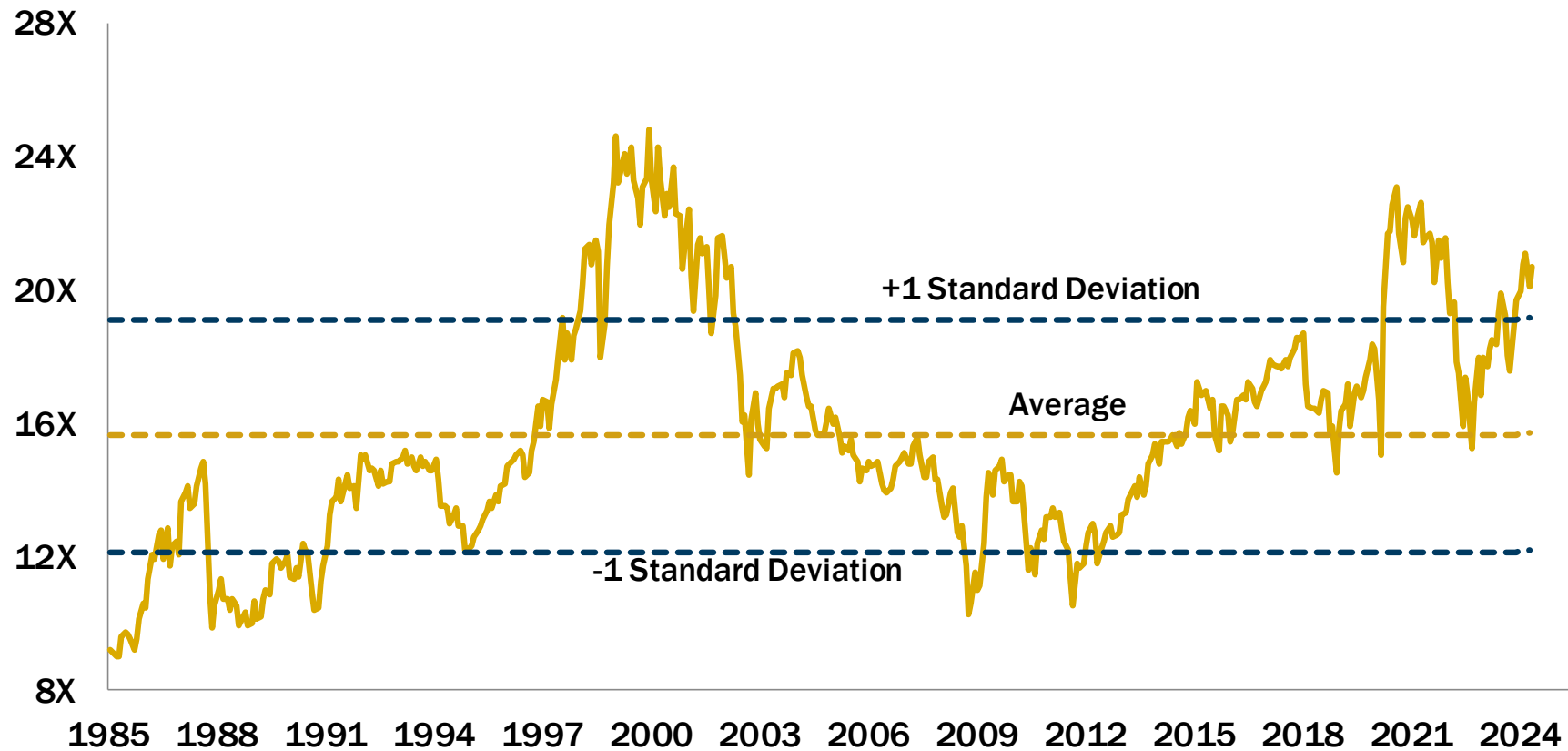


Large-cap Stocks Have Outperformed by a Significant Margin



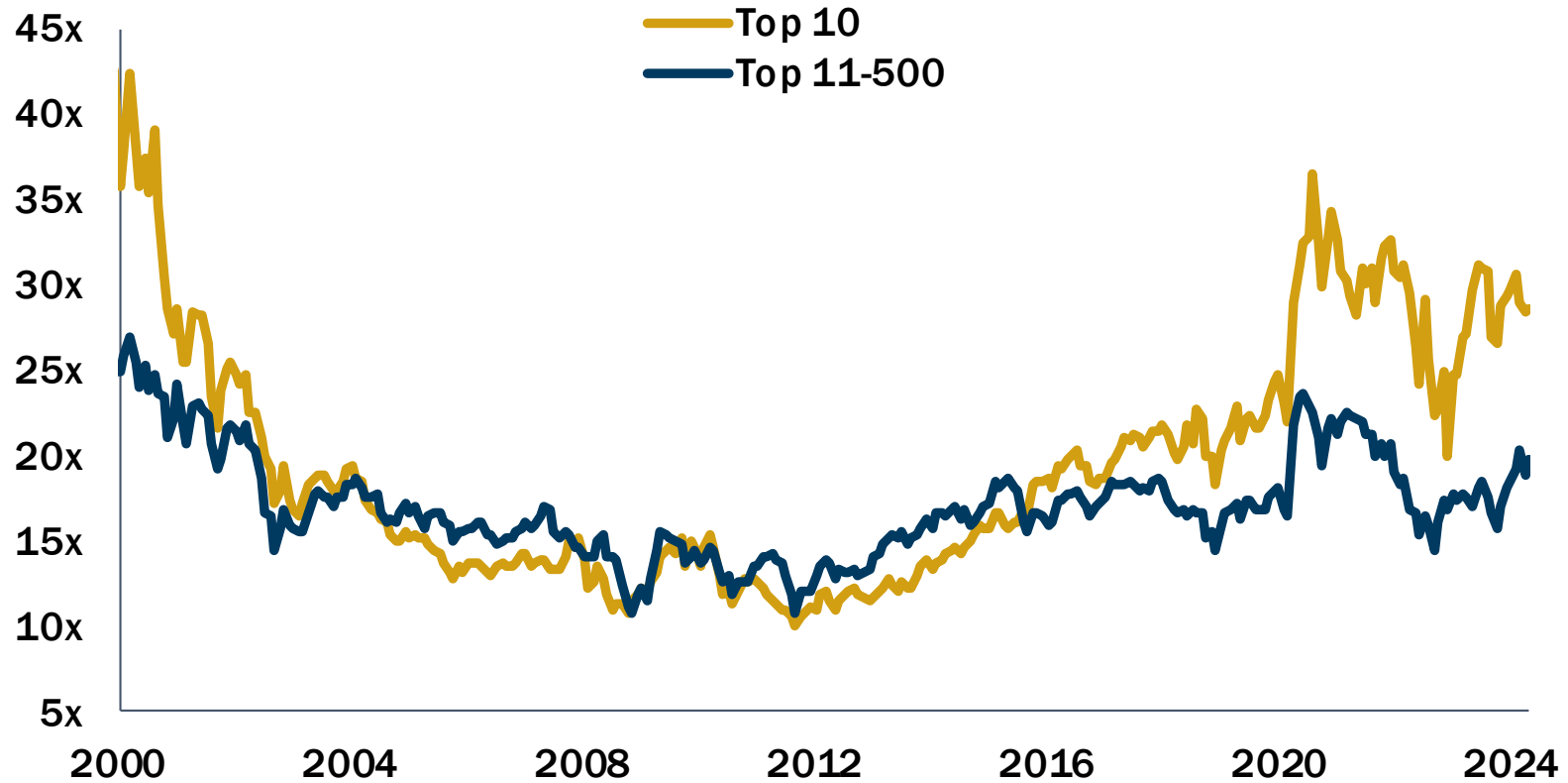
Market Valuation Below Extremes but Above Average

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

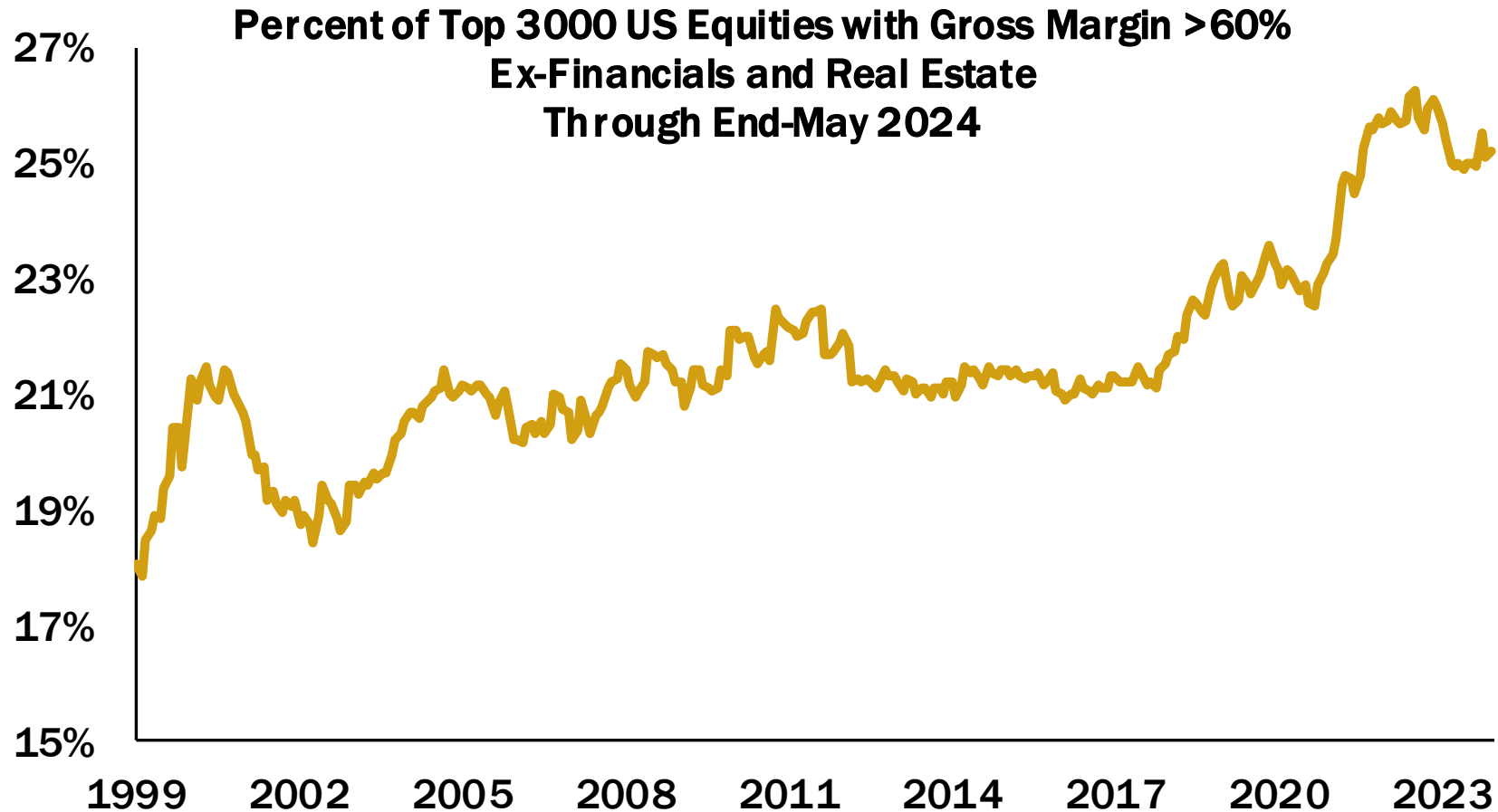


P/E Ratios Suggest There is Room For Broadening

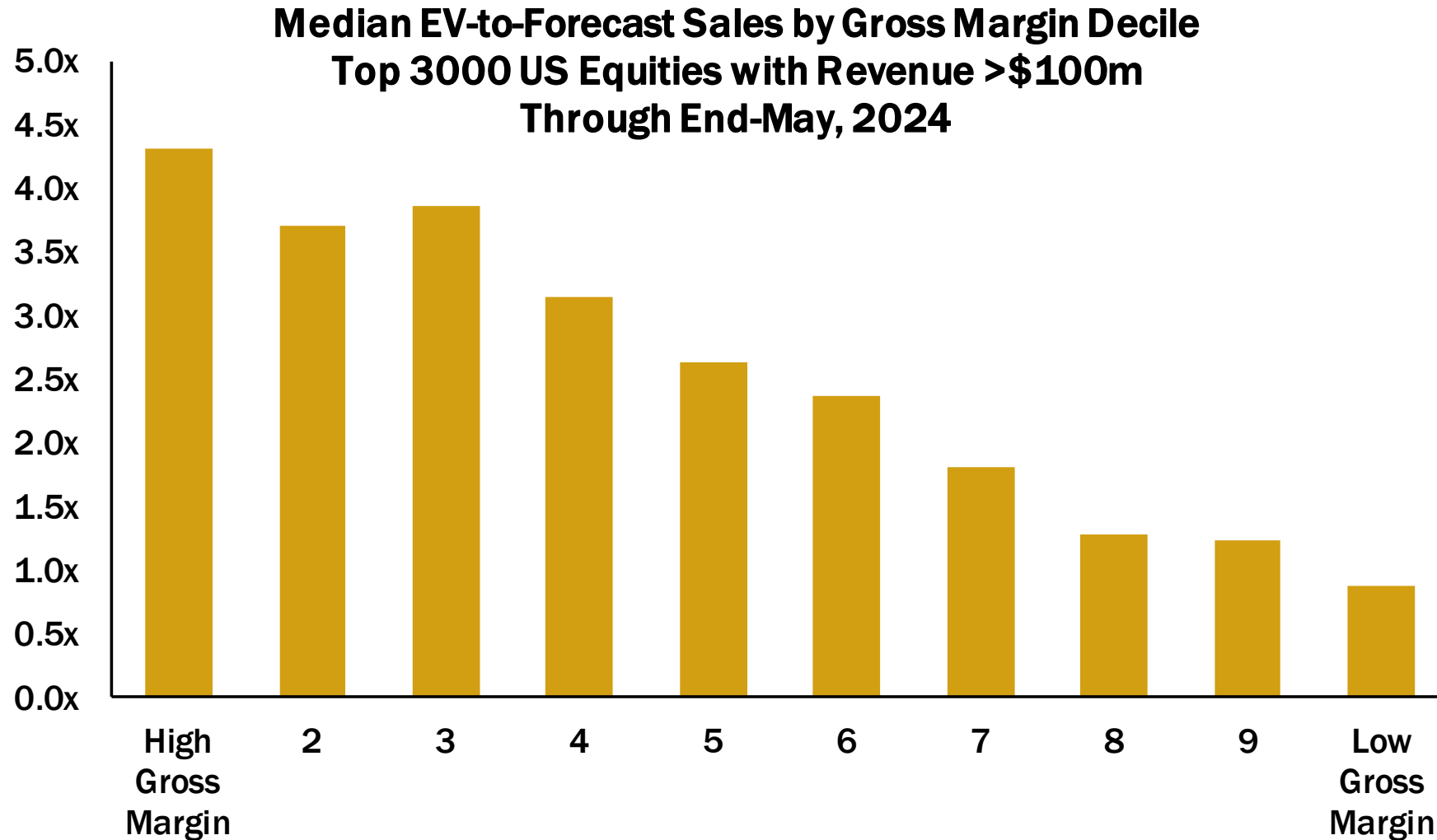
Cap. Weight Price-to-Forward Earnings
Through End-May 2024



25% of Companies Have Greater Than 60% Gross Margin

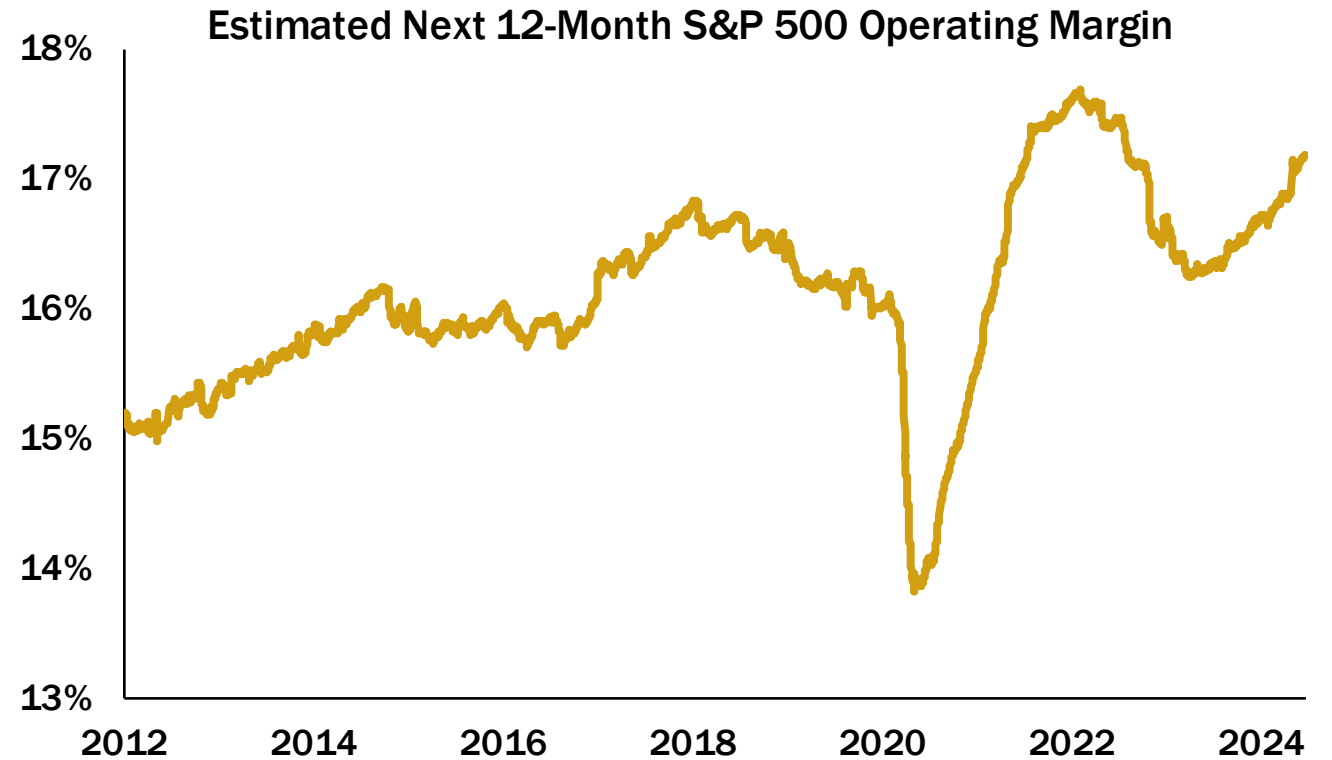


Valuation Closely Related to Gross Margin



Corporate Earnings

- 2024 estimated growth is **11.3%**
- 2025 estimated growth is **14.4%**
- Average growth since 1950 is **7.6%**

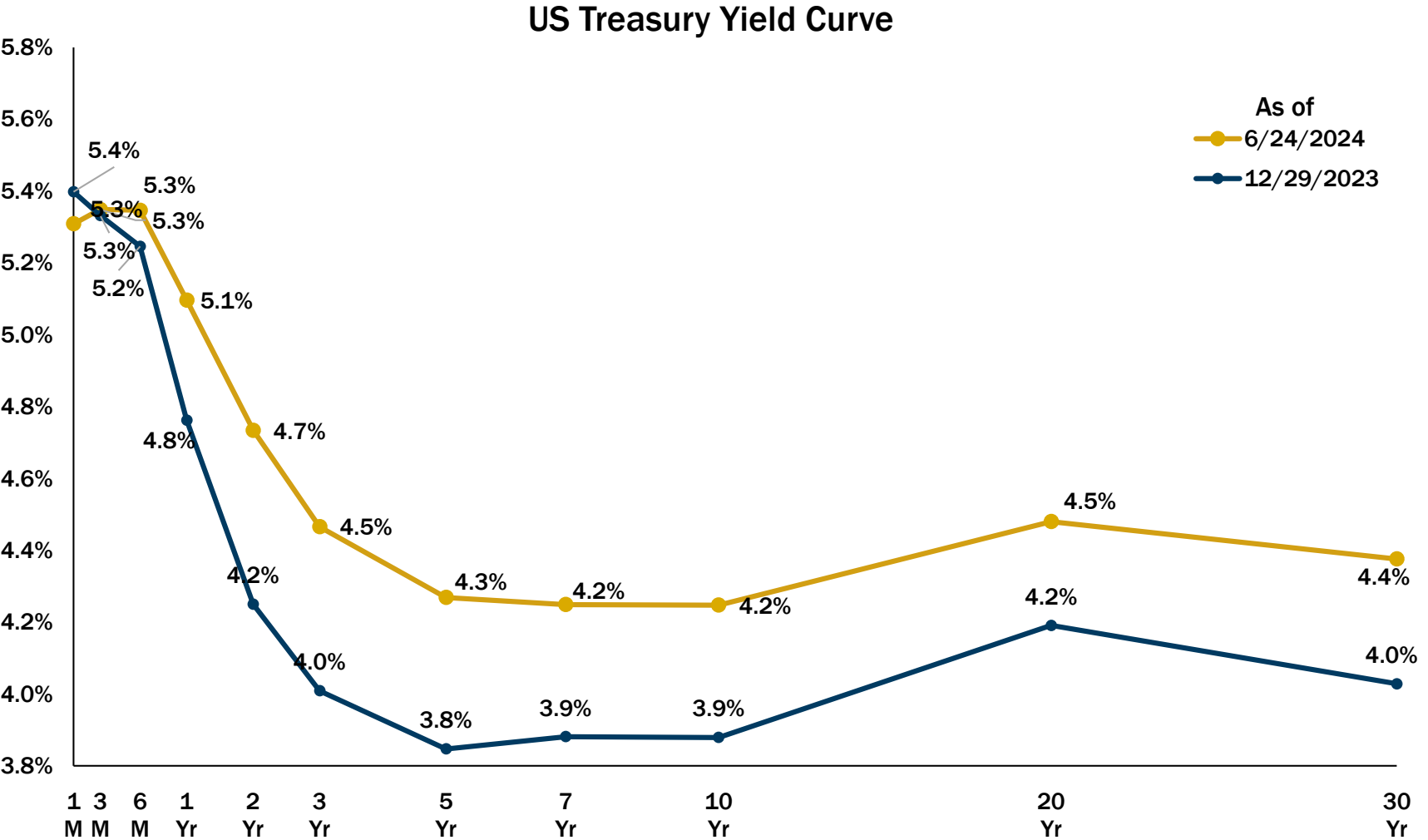


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 6/24/24
Bear	4,000	-26.8%
Base	5,500	0.7%
Bull	6,000	9.9%

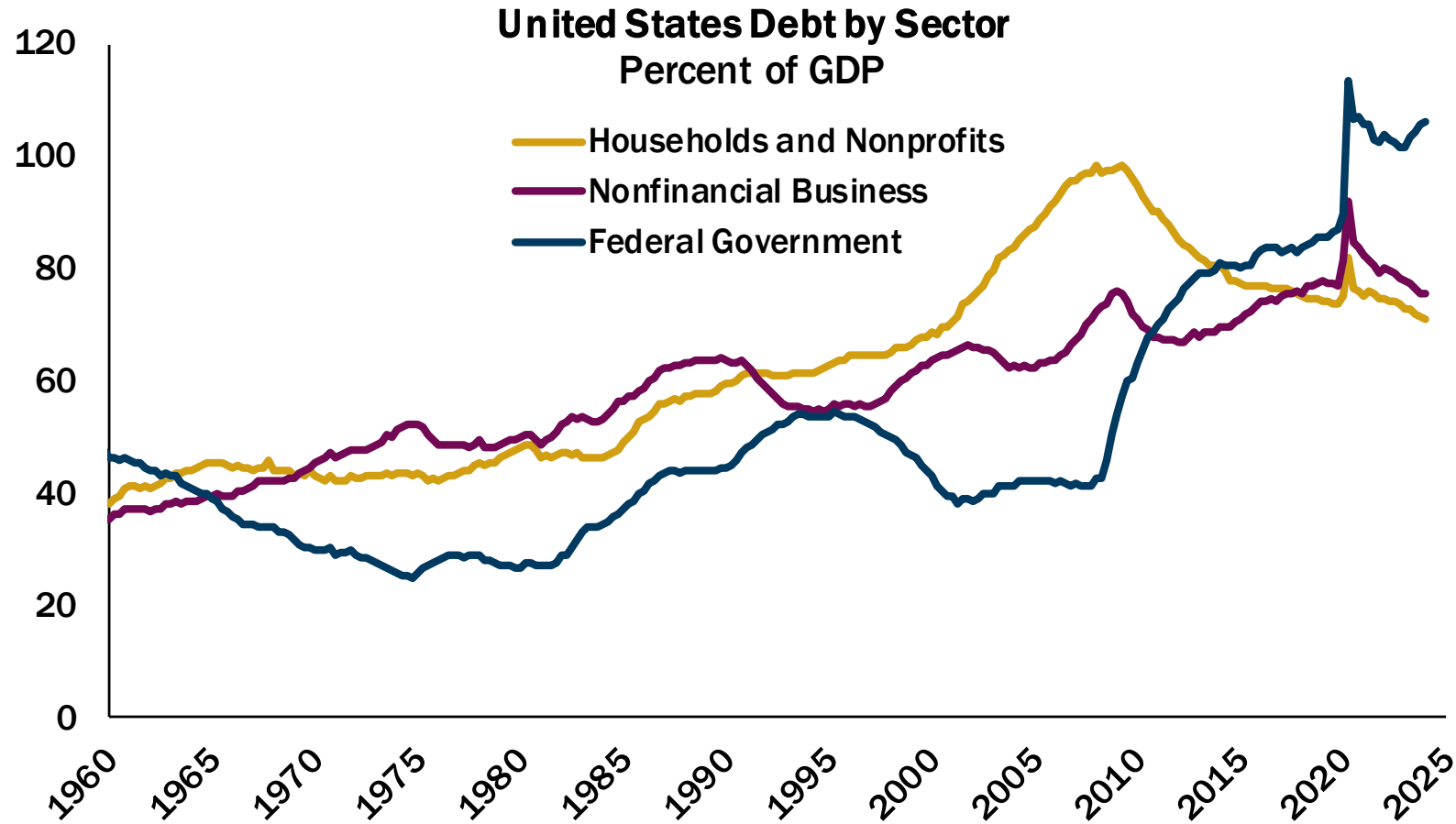
US Treasury Yield Curve Remains Inverted



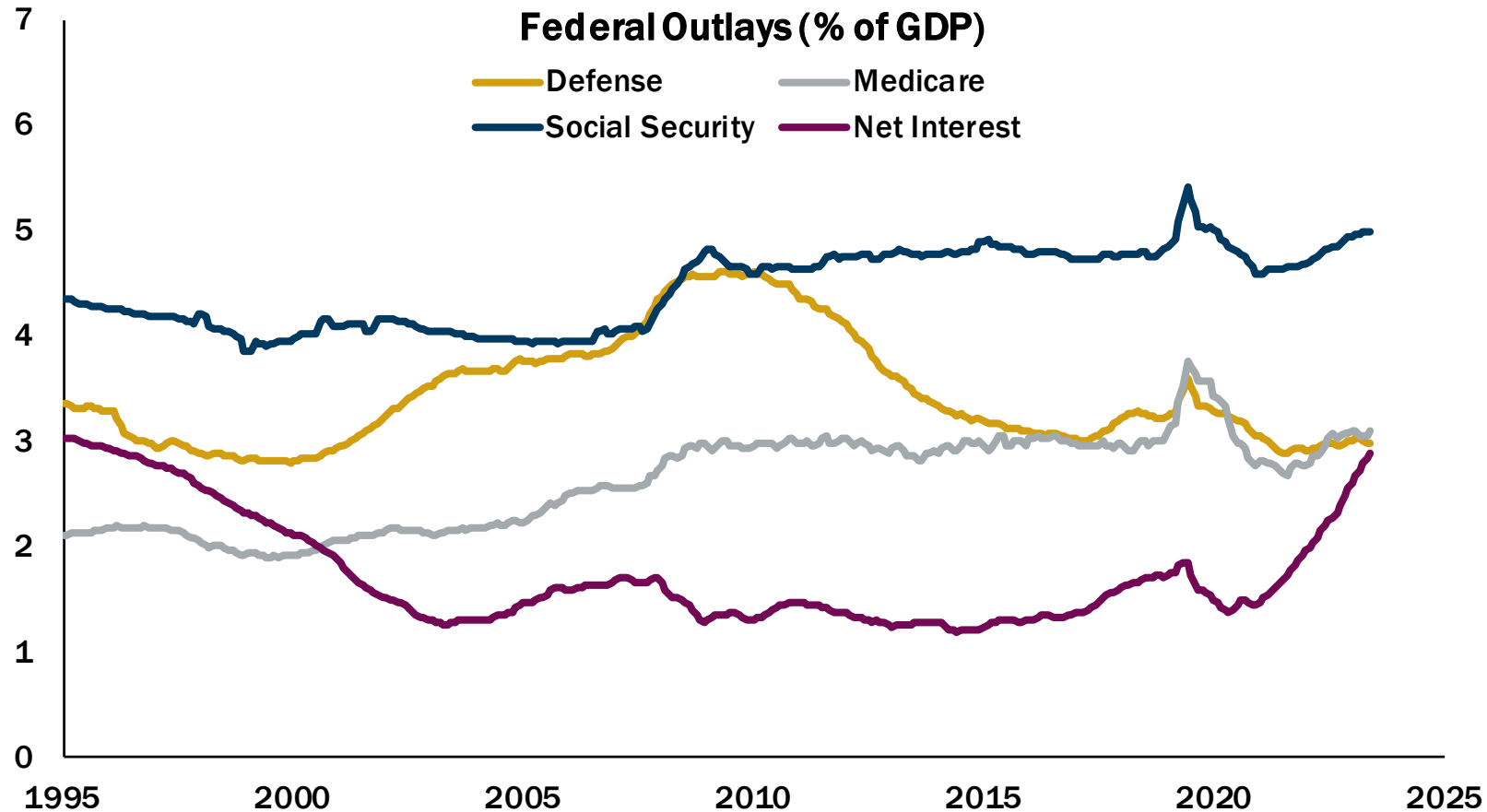
Bond Yields Remain Elevated Versus Recent History

US Fixed Income Indices		
Yield-to-Worst		
Index	12/31/2021	6/24/2024
2-Year Treasury	0.73%	4.72%
10-Year Treasury	1.51%	4.23%
Aggregate Bond	1.75%	4.90%
Intermediate Government/Credit	1.30%	4.75%
Municipal Bond	1.11%	3.66%
Investment Grade Corporate Bond	2.33%	5.38%
High Yield Corporate Bond	4.21%	7.85%

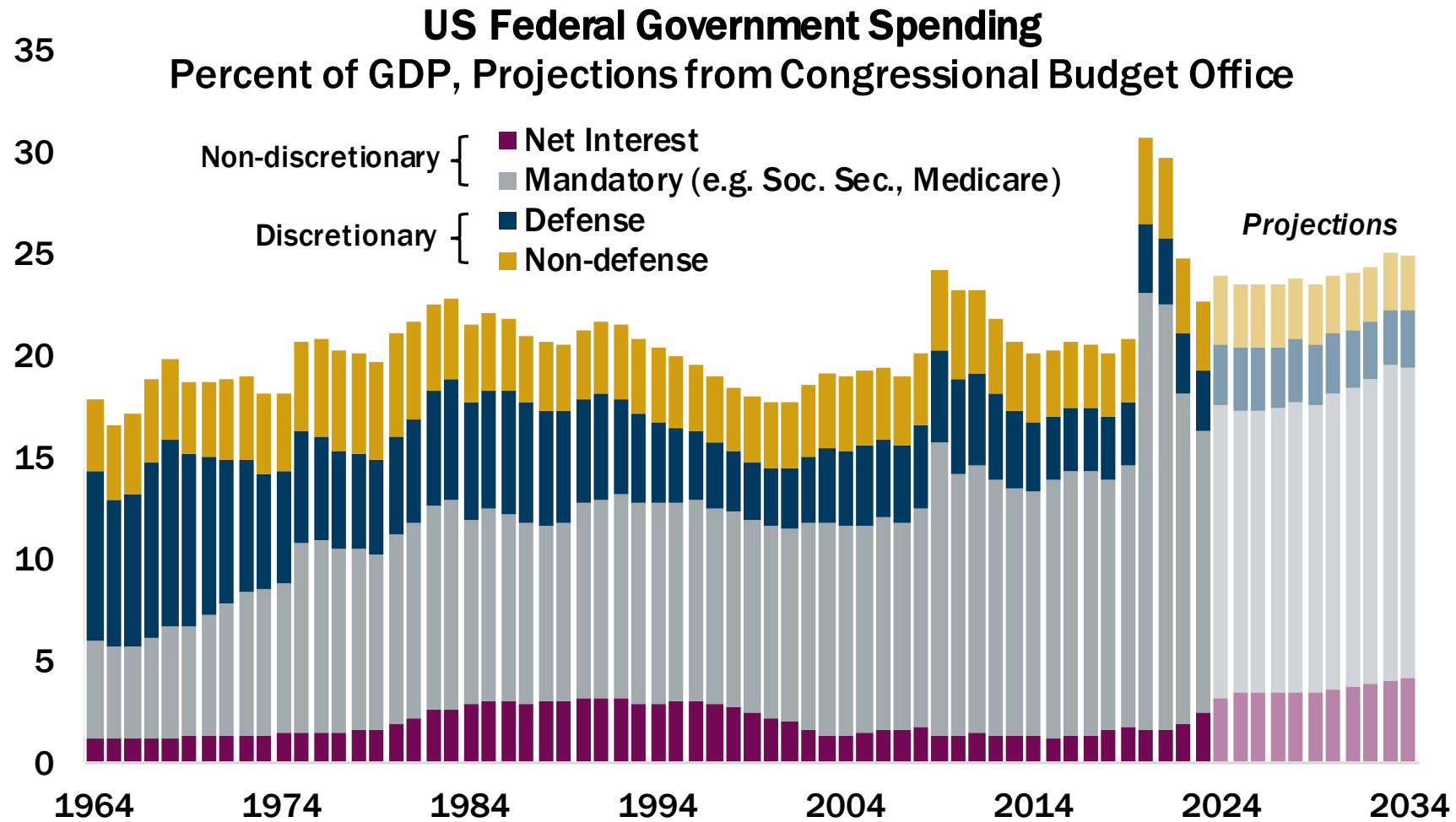
Household Debt Has Improved, But Government Debt Is at Historic Highs



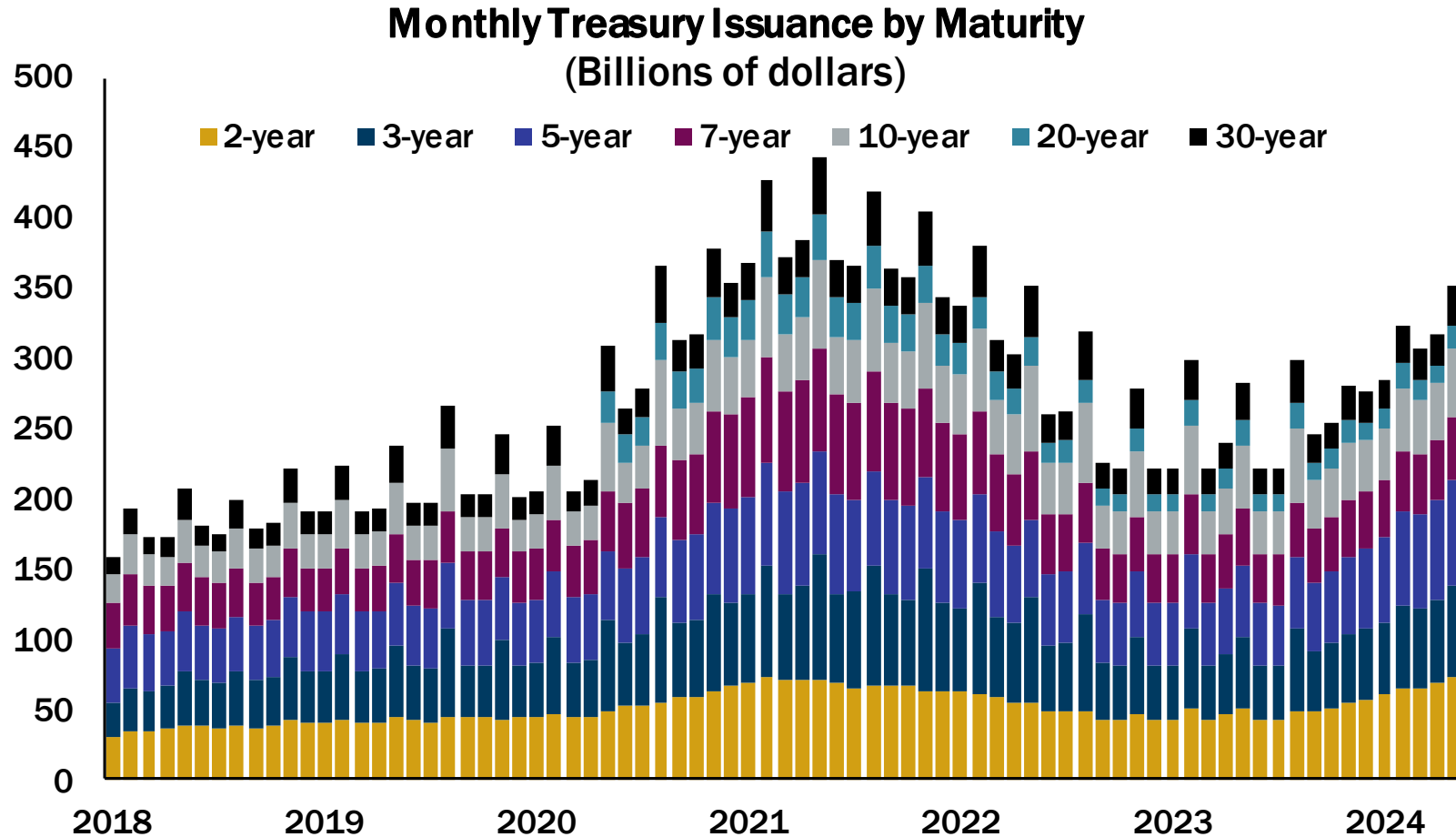
Interest Costs Are Becoming Increasingly Burdensome and Will Rise Higher



The Bulk of Federal Outlays Is Mandatory Spending and Net Interest

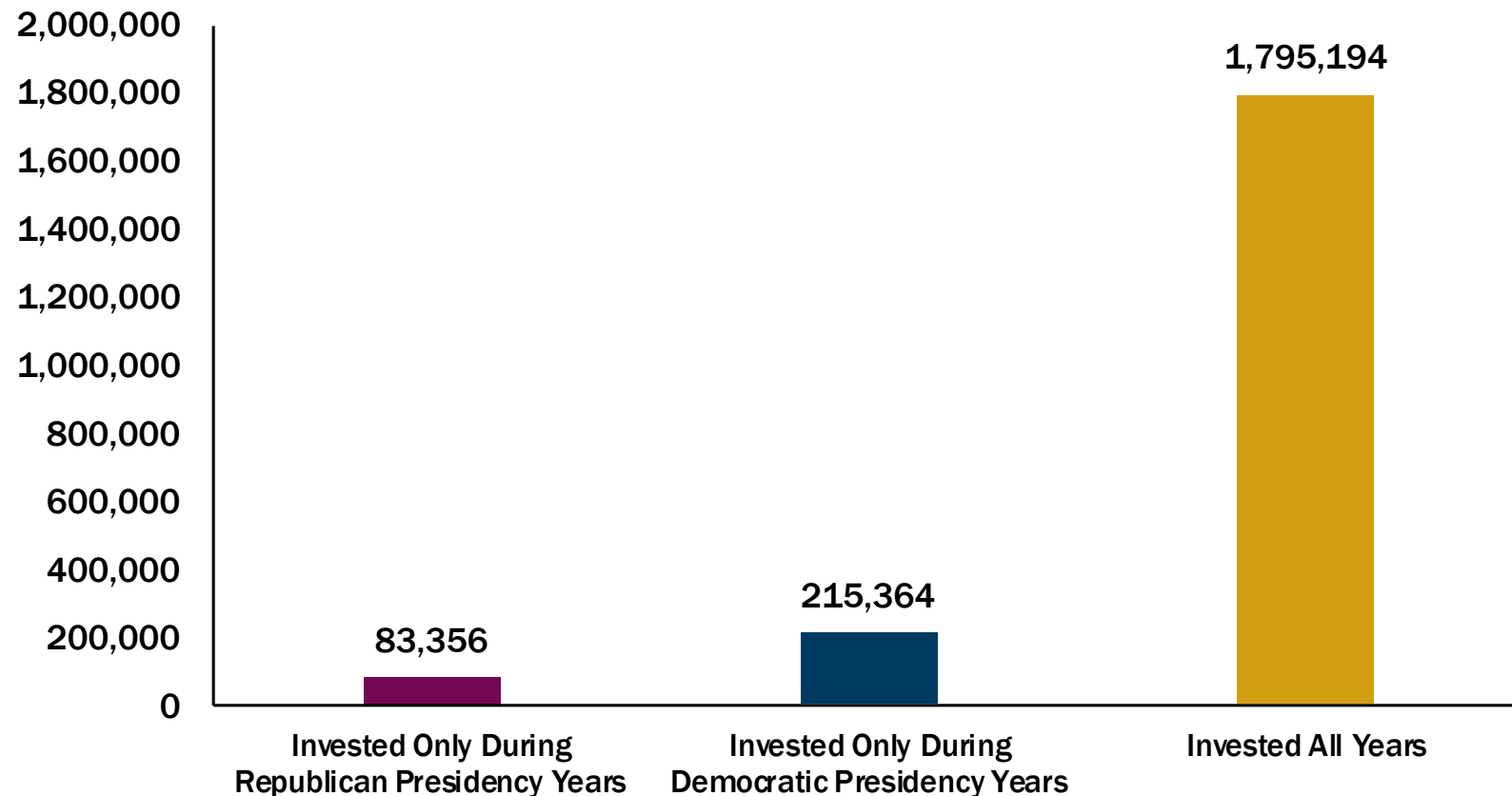


Treasury Auction Sizes Have Been Growing



Partisan Strategies Require Staying Uninvested For Long Periods

Growth of \$10,000 Invested in the S&P 500 Since 1953



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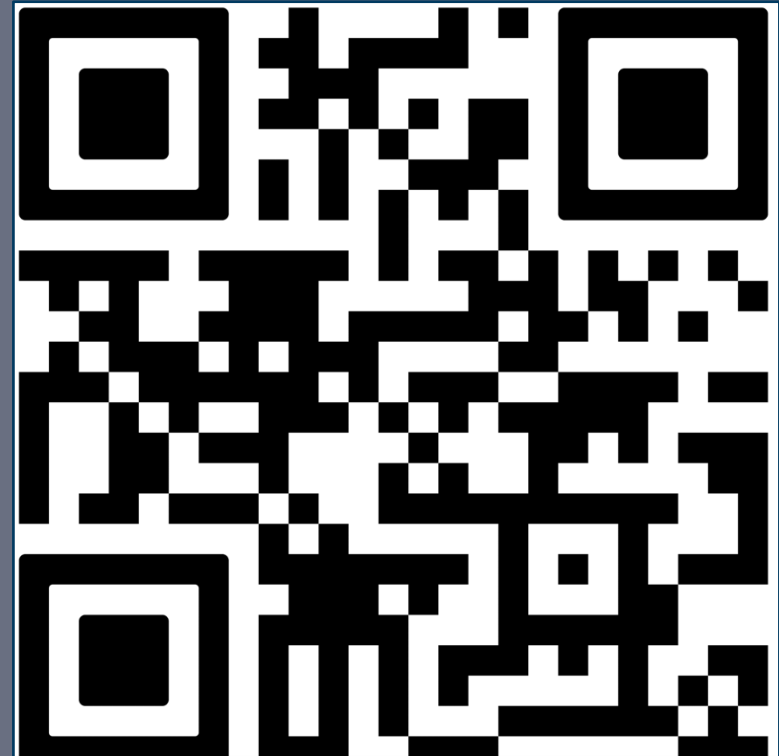
Making Sense

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