



**First Citizens**  
WEALTH MANAGEMENT

# Making Sense



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# What are we going to cover?

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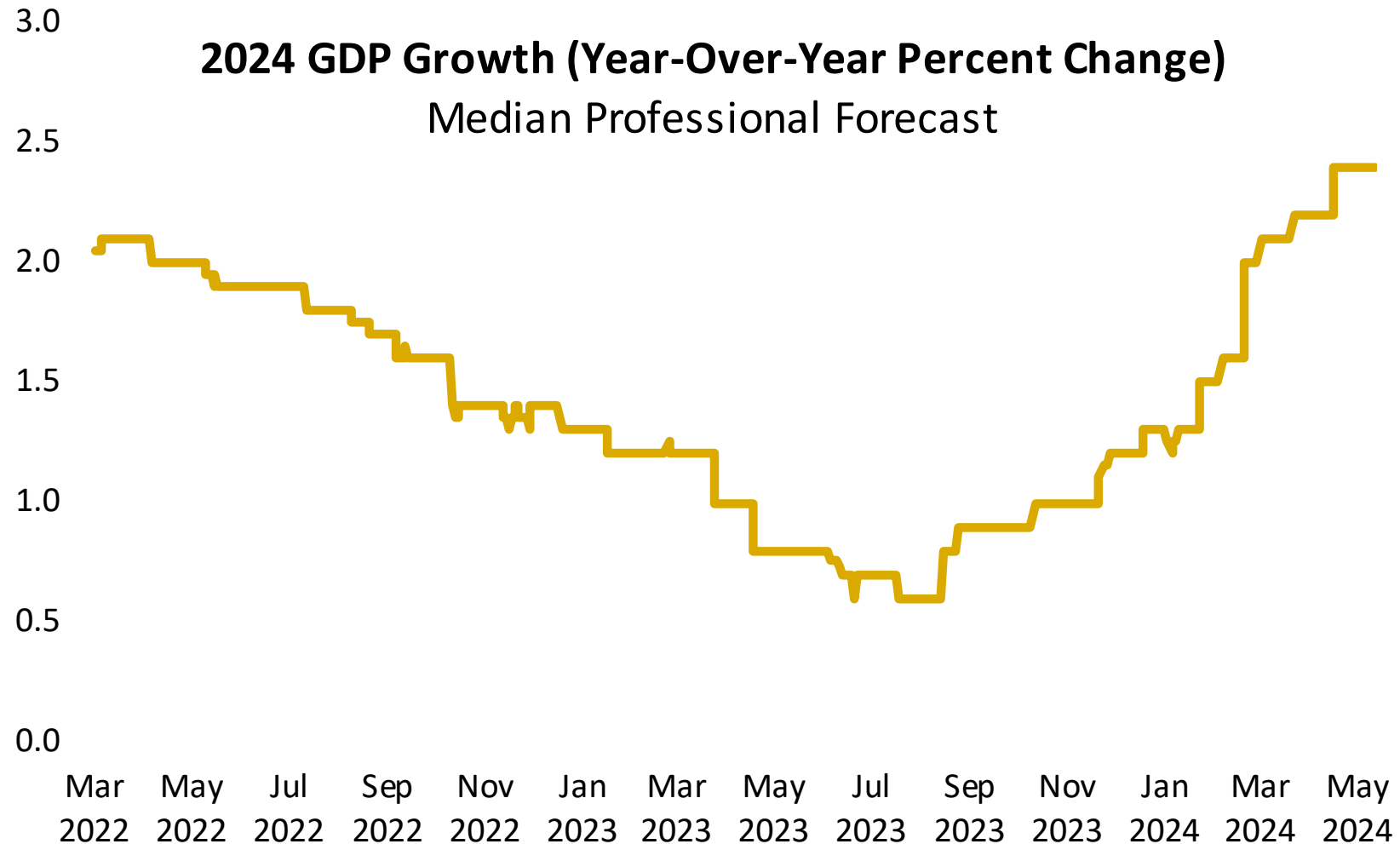
- 1 Economic Update
- 2 Market Update



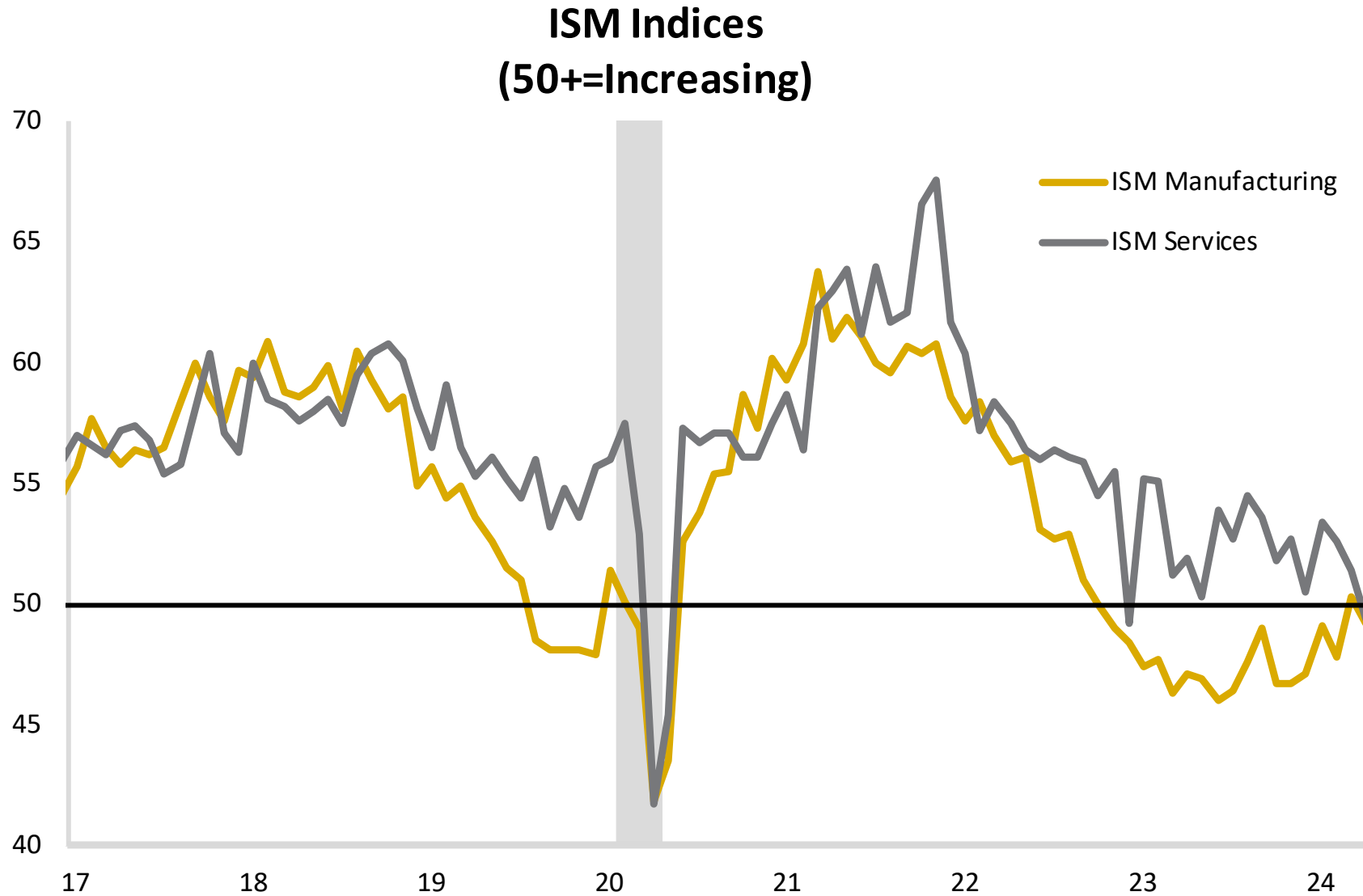


# Economic Update

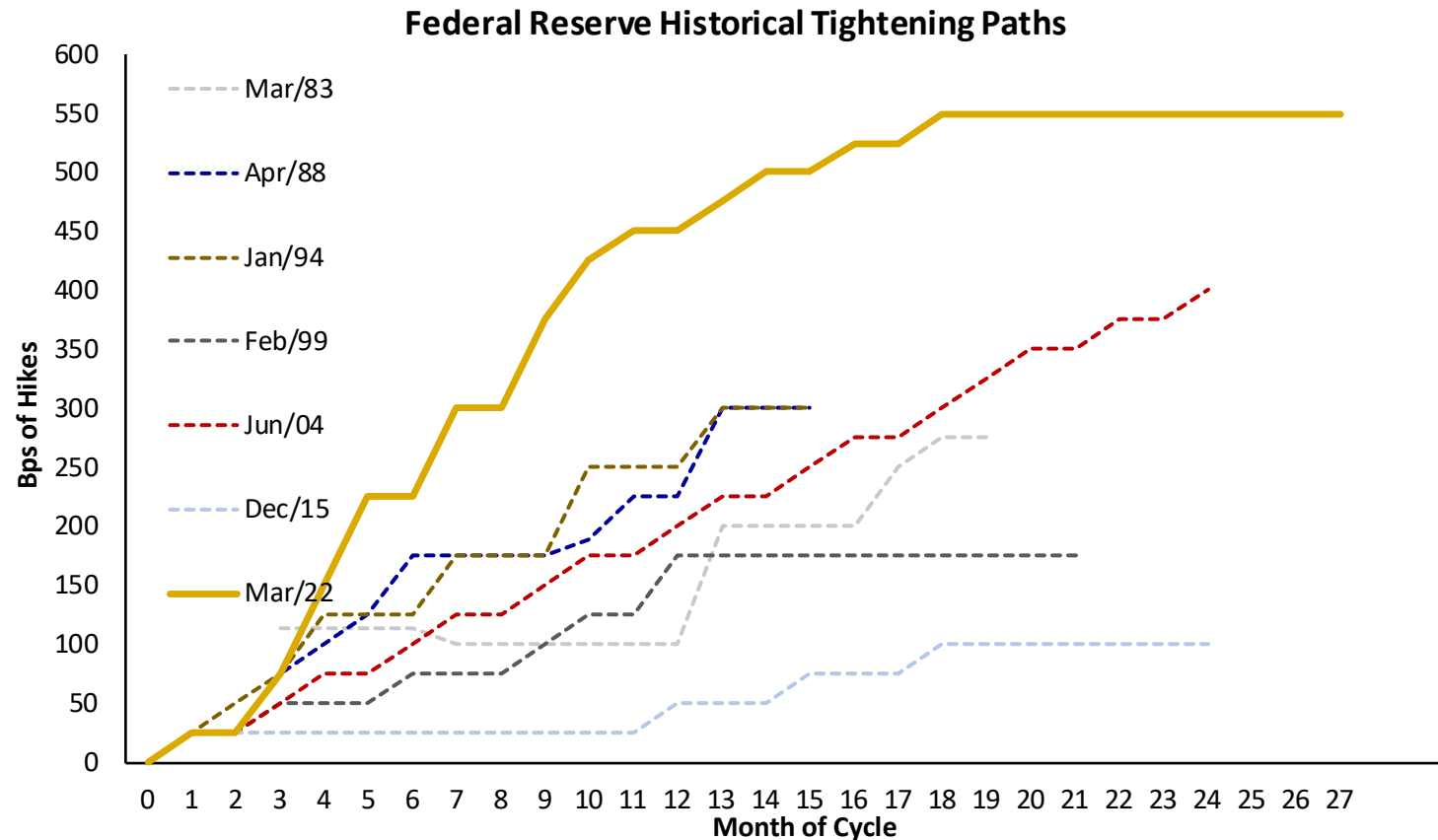
# The Outlook for the US Economy Has Improved Substantially



# Is Economic Activity Slowing?



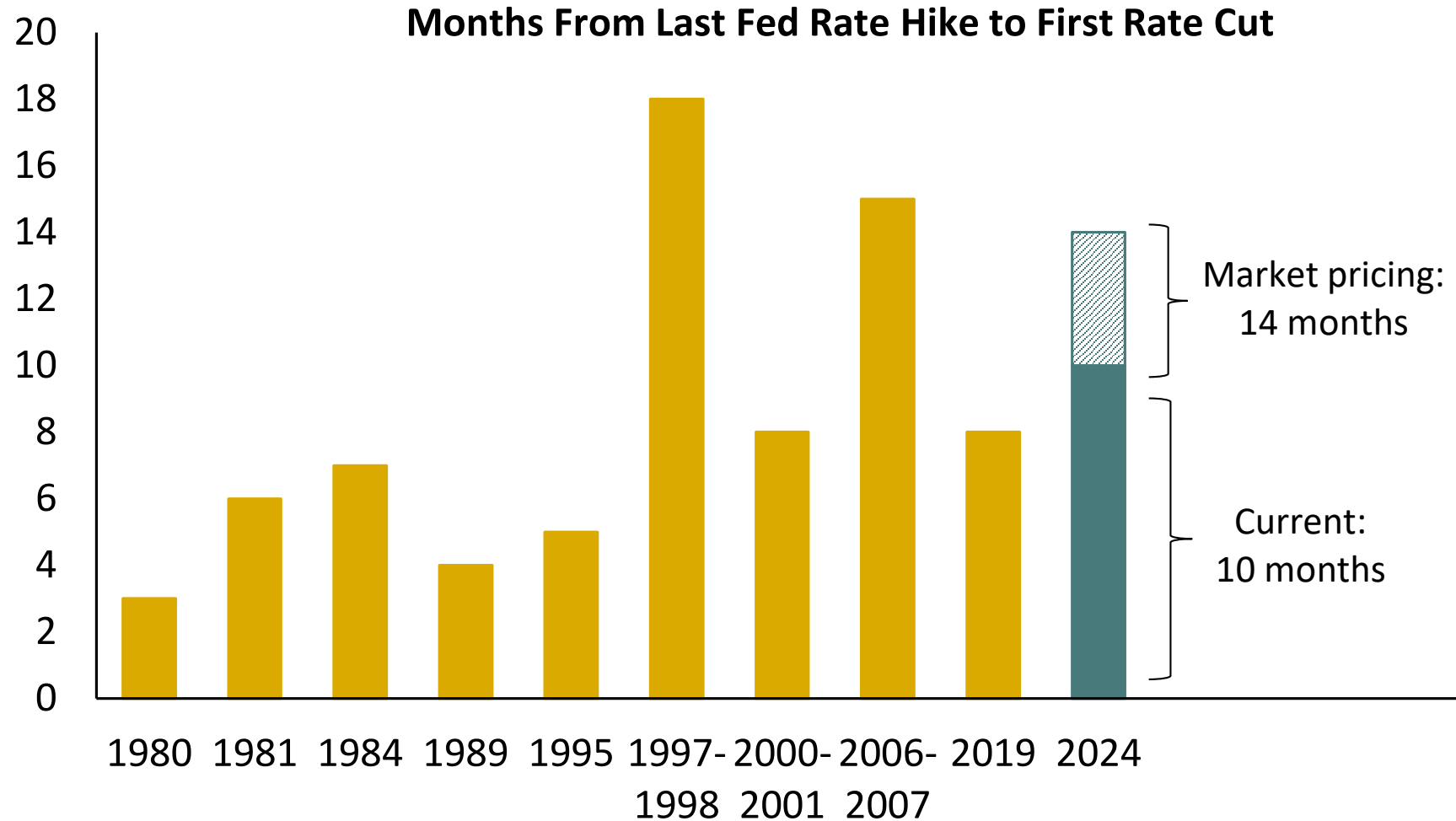
# Federal Reserve Has Hiked Aggressively



## 2024 Fed Funds Futures Pricing\*:

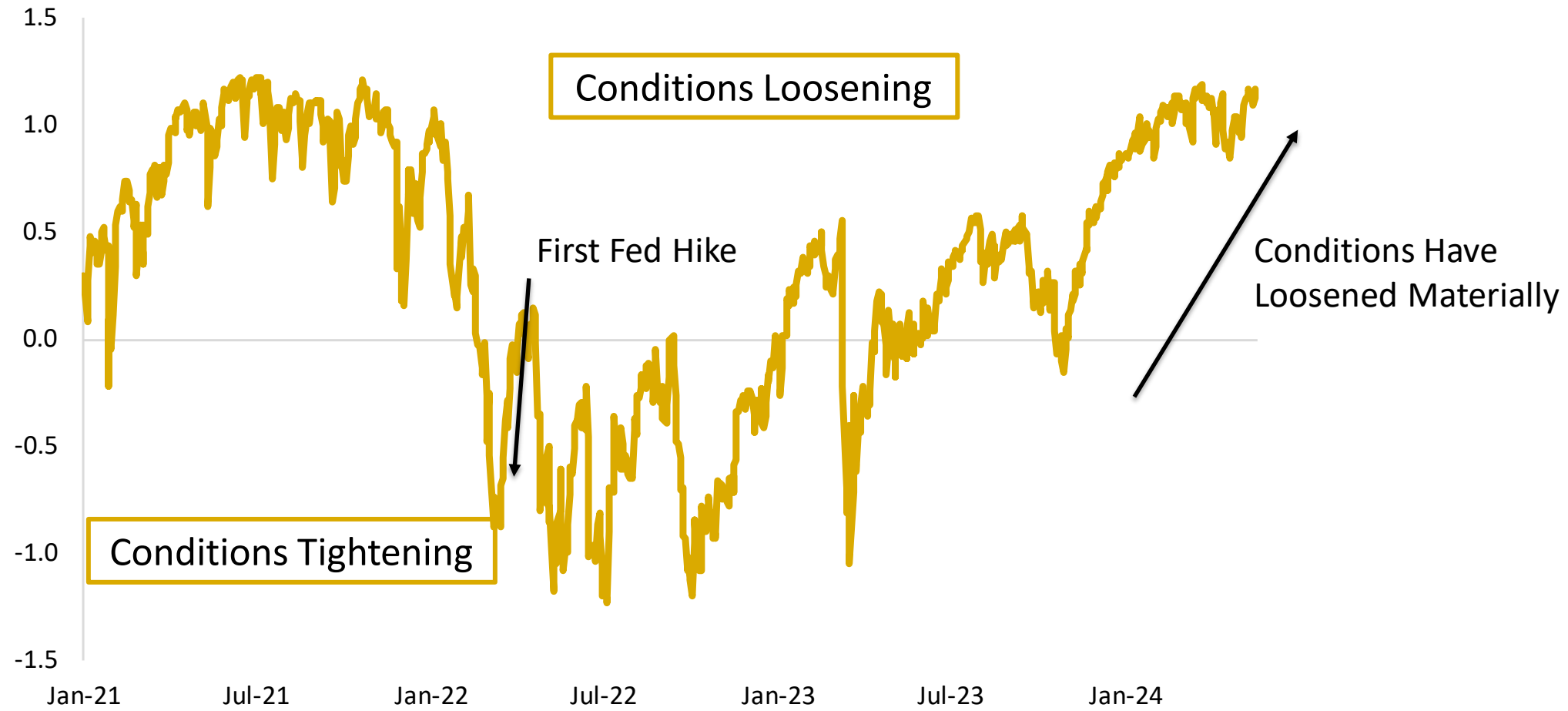
- **First Cut: September (65%)**
- **Total 2024 25 bps Cuts: 1-2**
- **2024 Year-End Rate: 4.90%**

# Higher – and Flatter – For Longer?



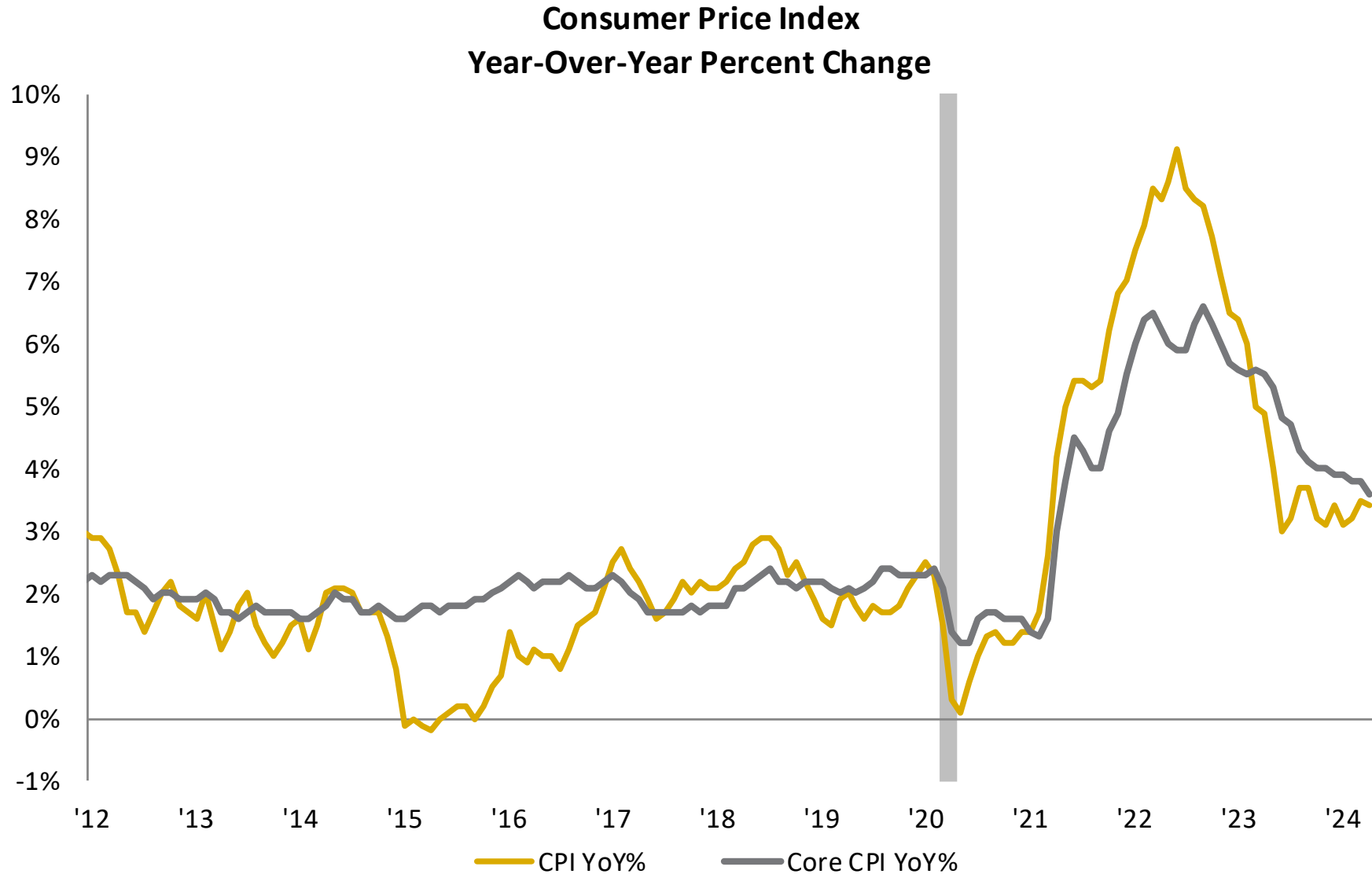
# Financial Conditions Remain Very Loose

**Bloomberg Financial Conditions Index**  
Negative Value Indicates Tighter Financial Conditions

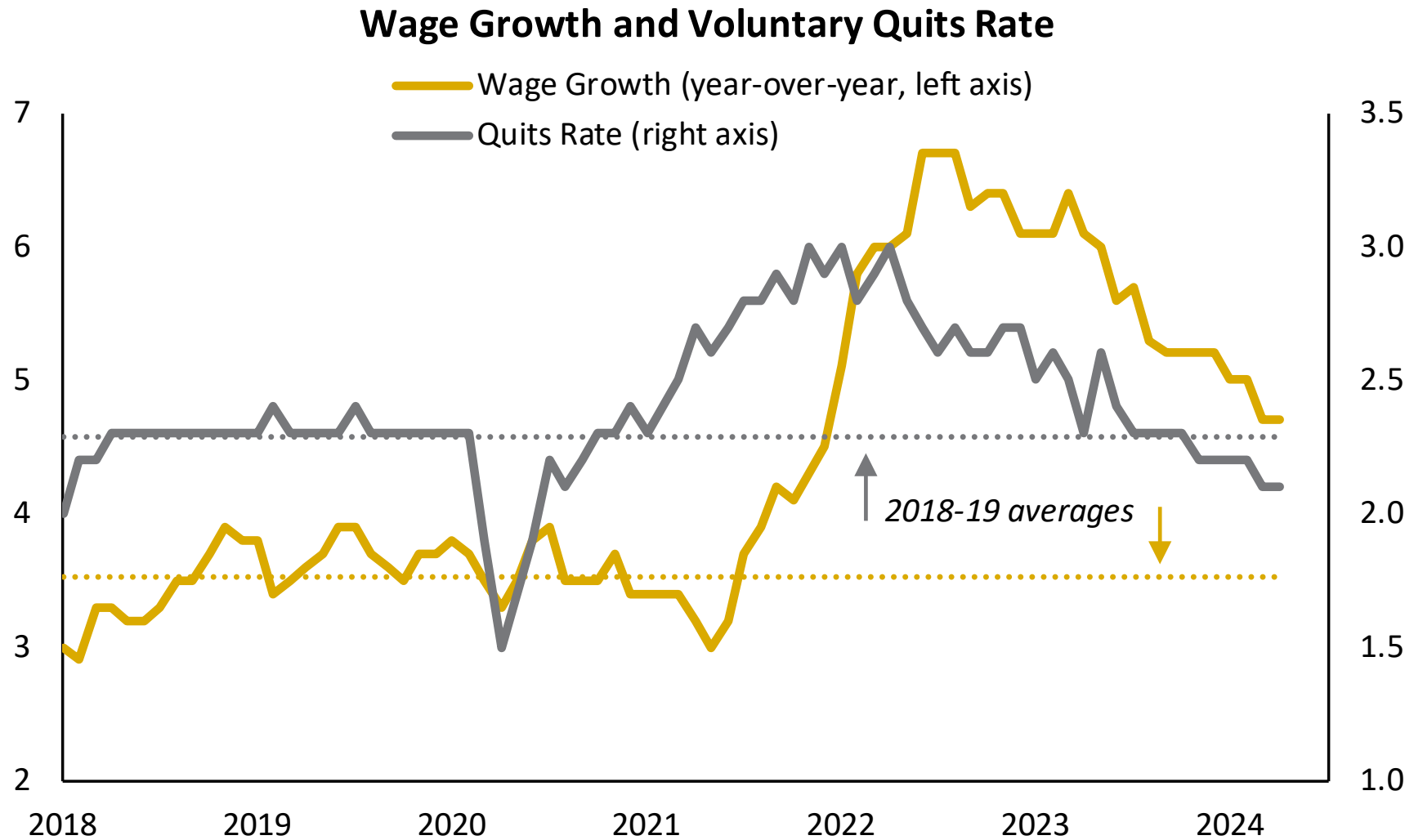




# Inflation Is Slowing...Albeit Slowly

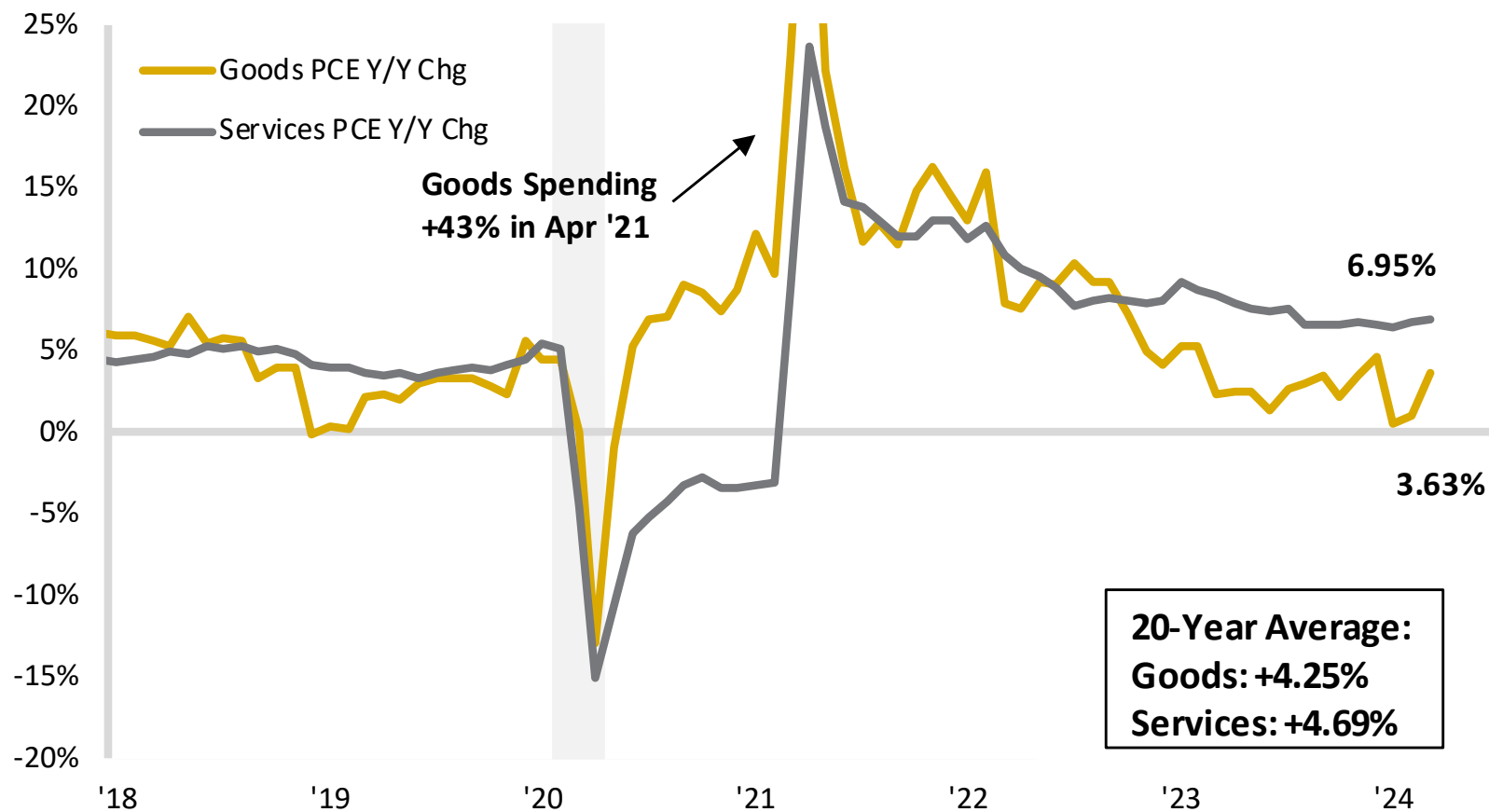


# Normalizing: Labor Market Is Coming Closer Into Balance

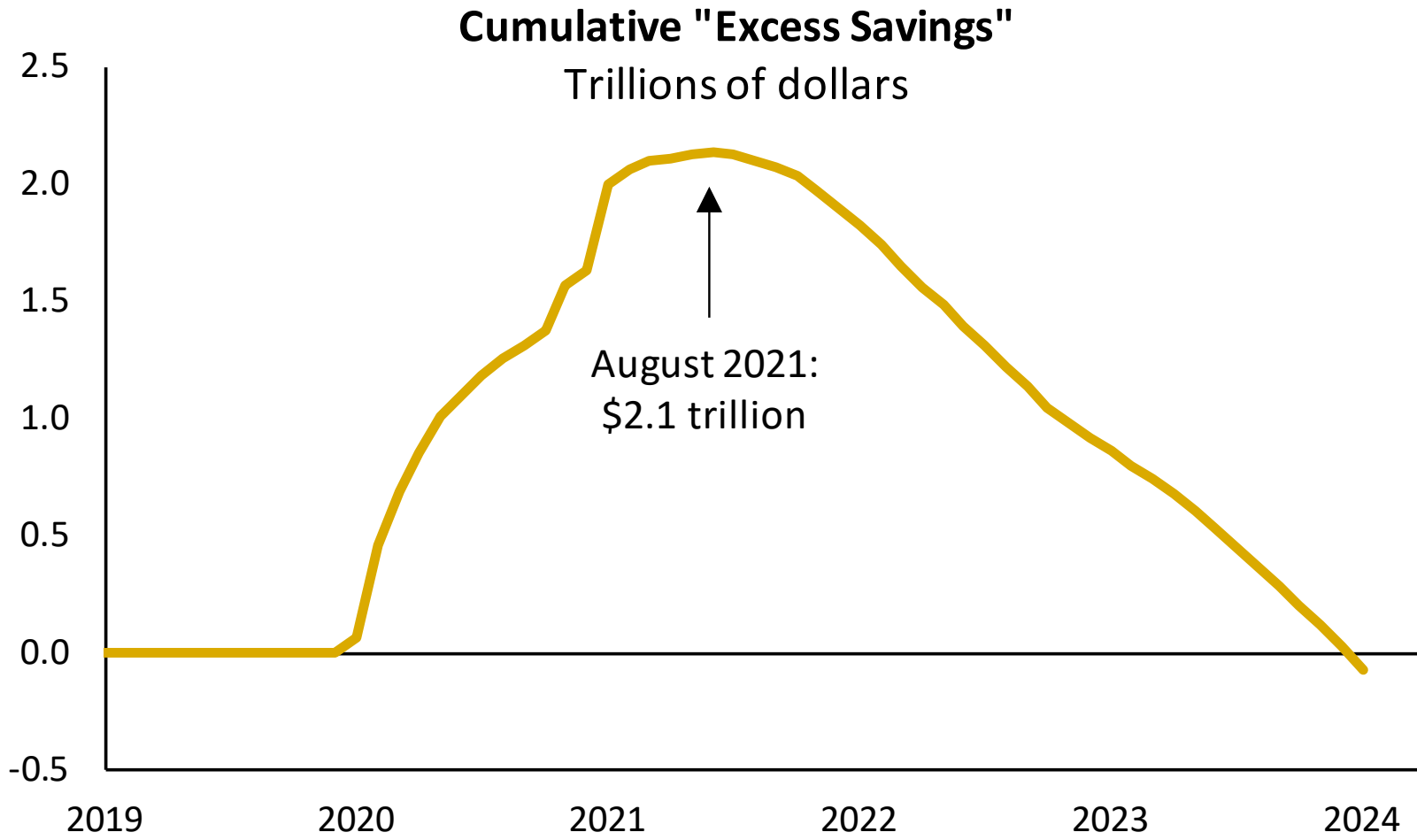


# Consumer Expenditures Remain Strong

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

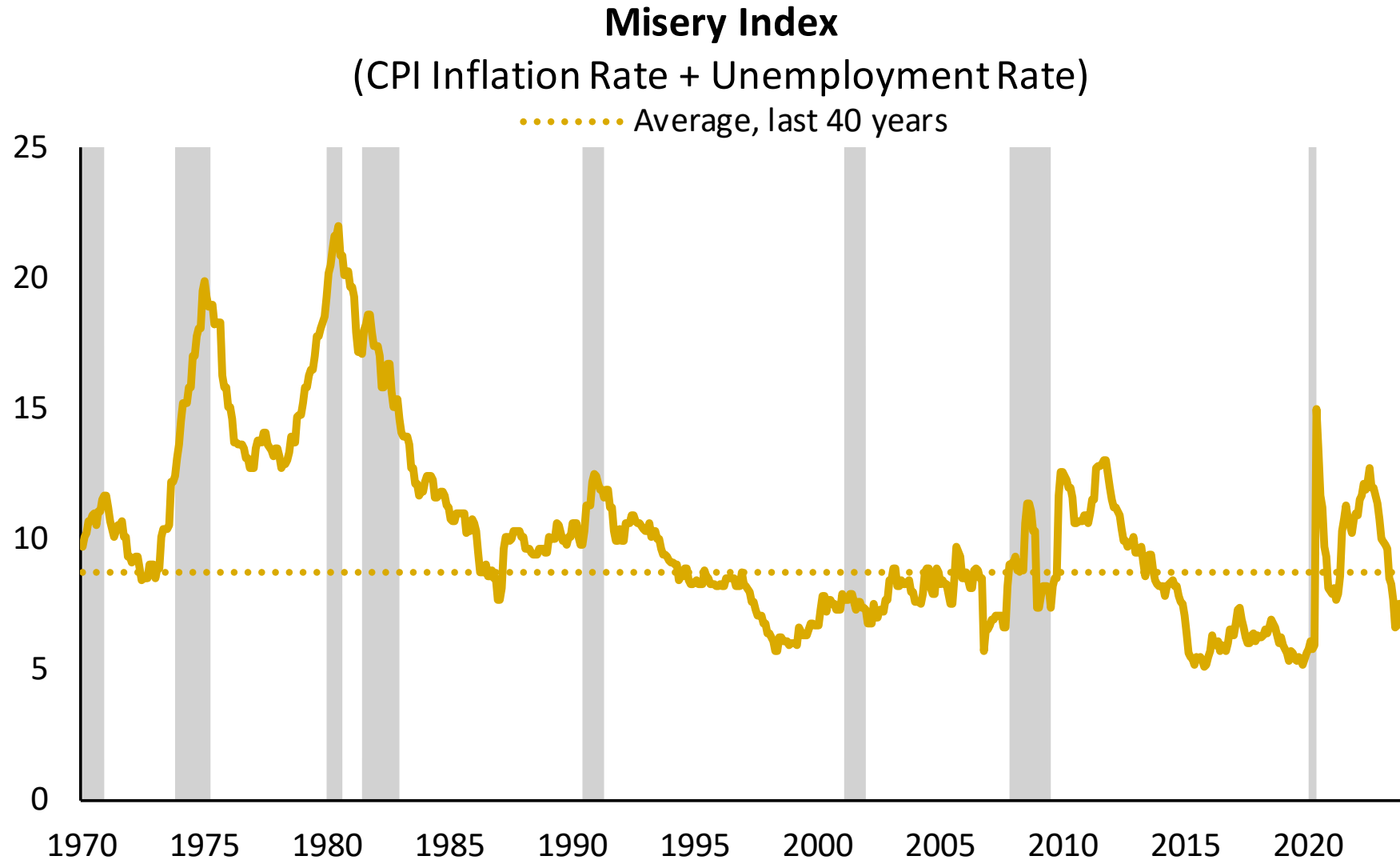


# Normalizing: Household Savings Have Come Back to Earth



Note: "Excess savings" is the difference between actual savings and the pre-pandemic trend

# The Misery Index Is Below Historical Averages

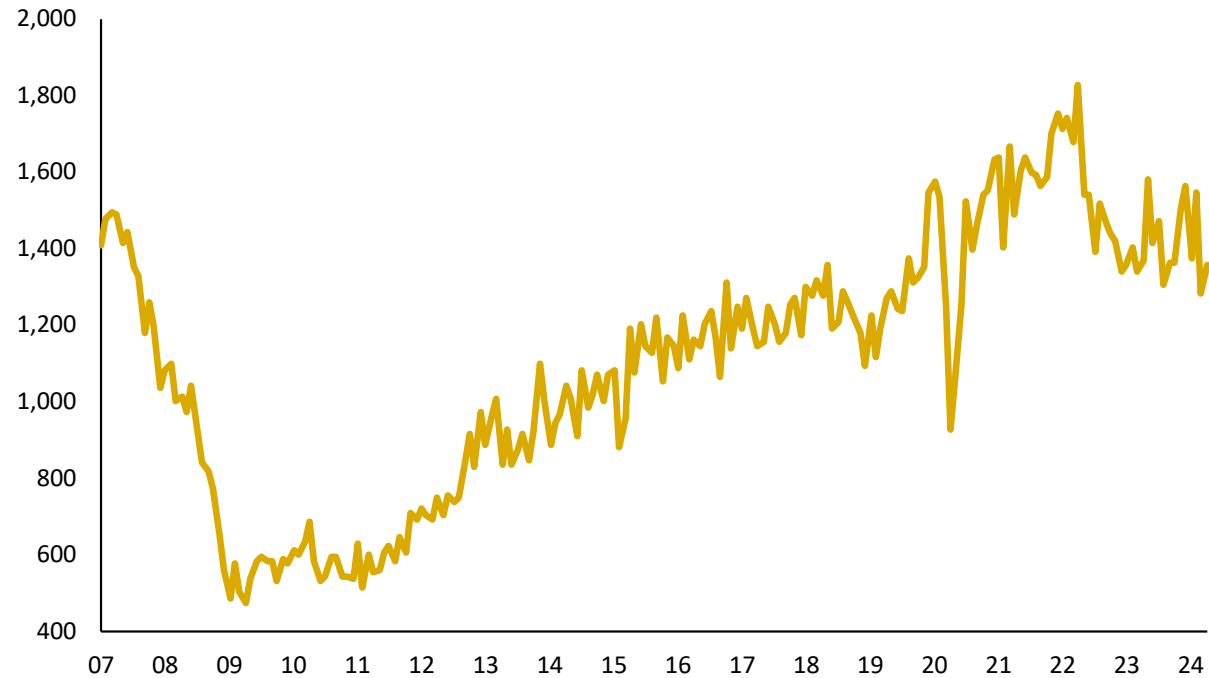




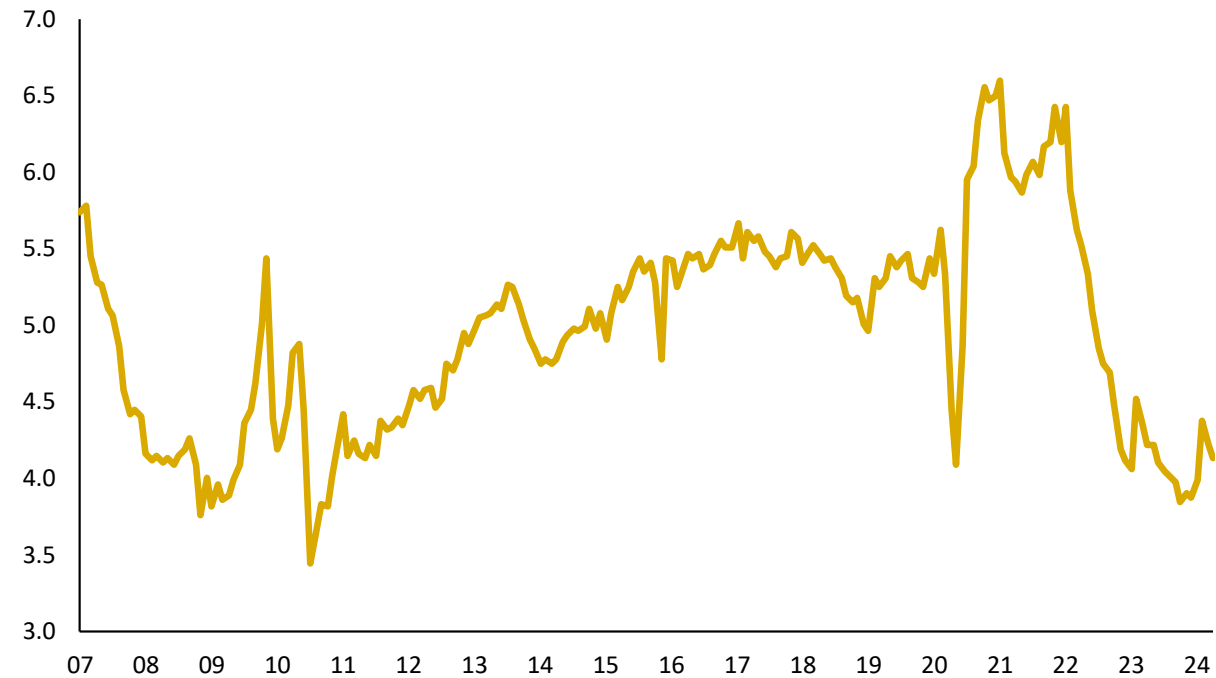
# Limited Supply Has Supported Housing Starts, Depressed Resales

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**US Housing Starts**  
Thousands, Seasonally Adjusted Annual Rate



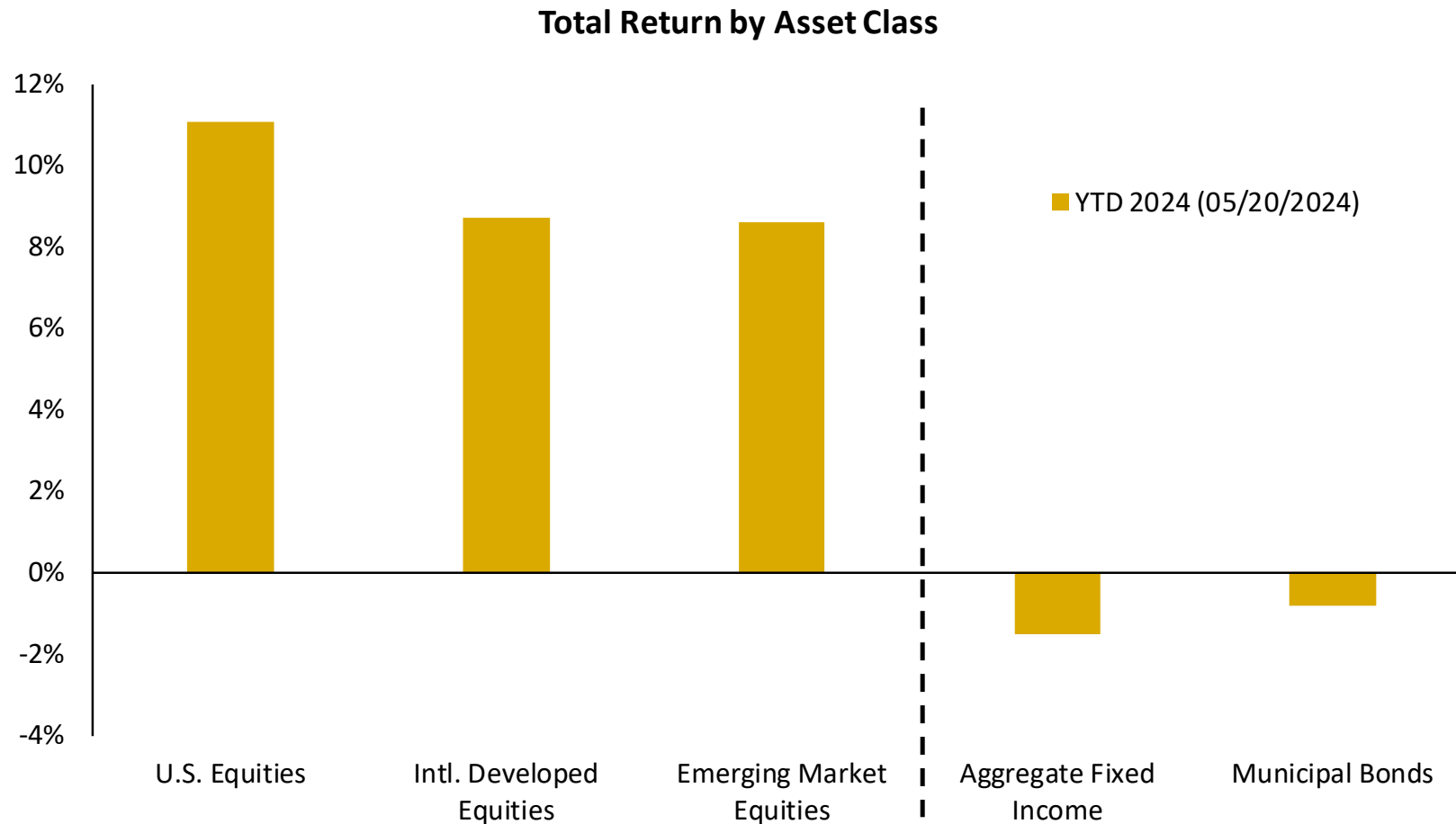
**US Existing Home Sales**  
Millions, Seasonally Adjusted Annual Rate





# Market Update

# Global Markets Year-to-Date



**YTD US Equity Returns  
As of 05/20/2024**

	Value	Blend	Growth
Large	9.2%	12.7%	14.8%
Mid	7.5%	7.6%	7.7%
Small	2.4%	4.2%	6.2%

# Stocks Have Rallied Sharply; Rally Broadening Recently



## S&P 500: Year-to-Date Through 5/20/24

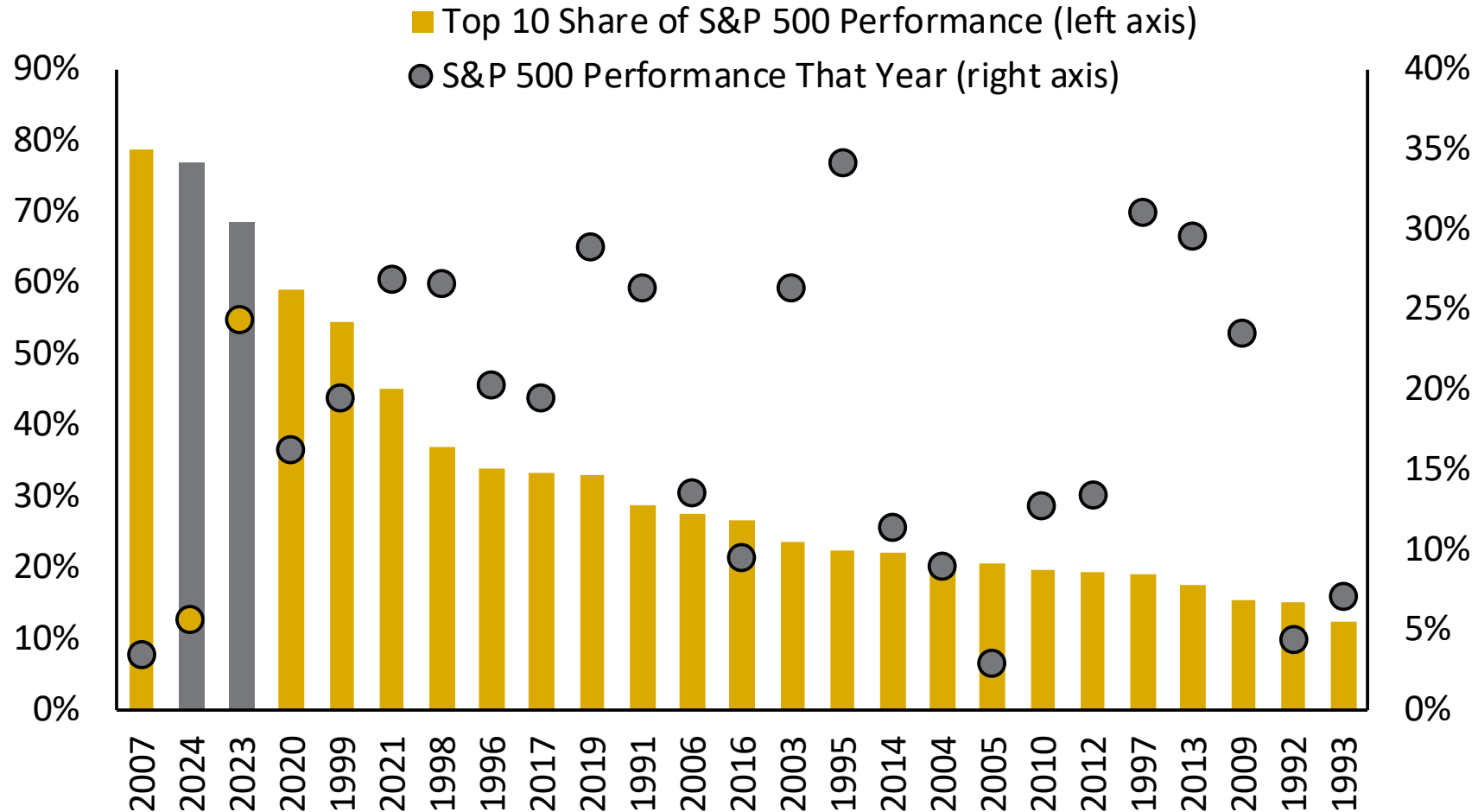
Index:	Total Return
S&P 500	11.9%
S&P 500 Equal Weighted	6.9%
<b>Difference</b>	<b>5.0%</b>

## S&P 500: 2/2/24 Through 5/20/24

Index:	Total Return
S&P 500	7.5%
S&P 500 Equal Weighted	6.6%
<b>Difference</b>	<b>0.90%</b>

# Largest Stocks Are Driving the Stock Market

## Contribution of Top 10 Largest Stocks to Total S&P 500 Performance\*

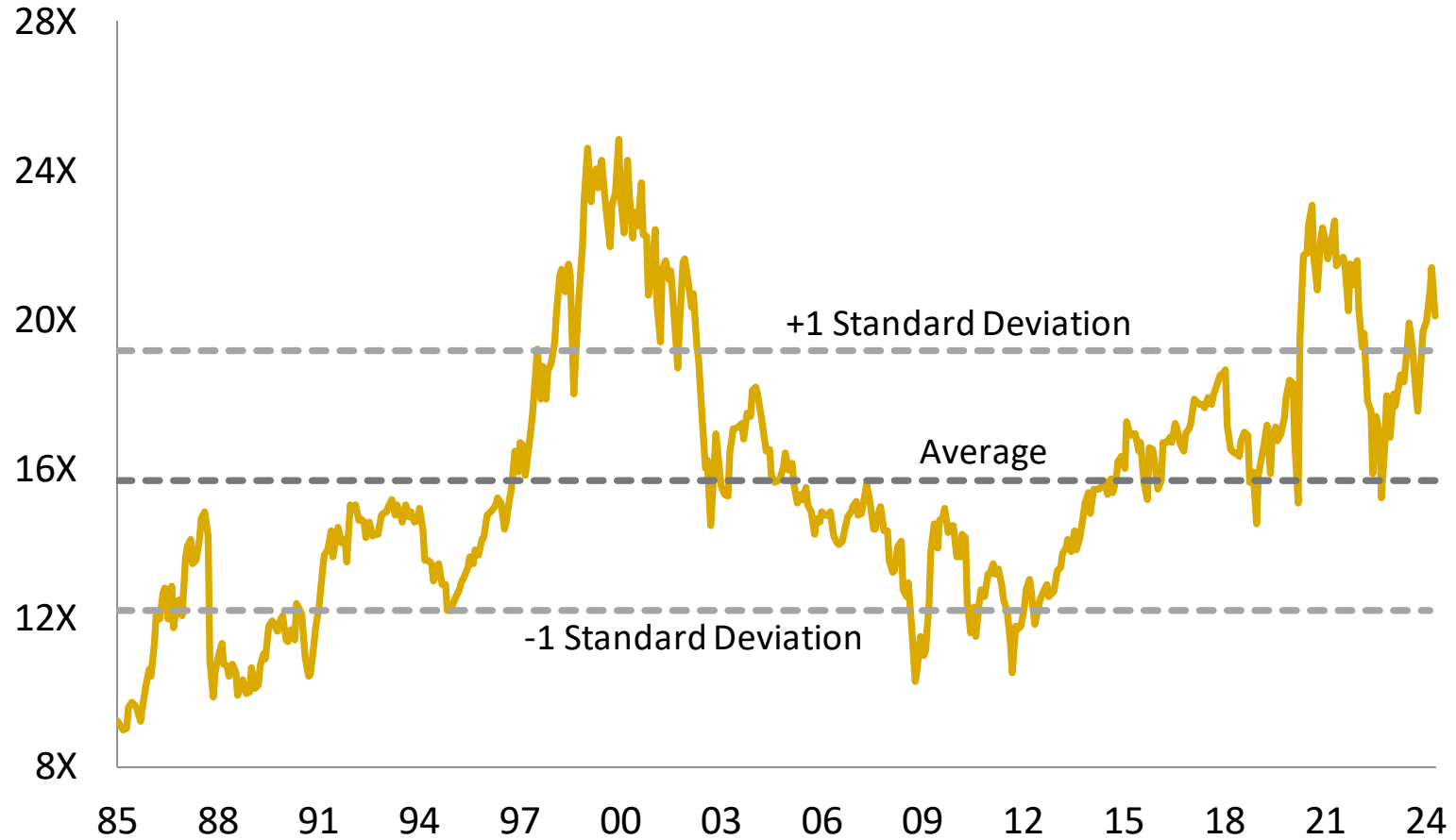


\* During positive performance years. 2024 data through 4/30.

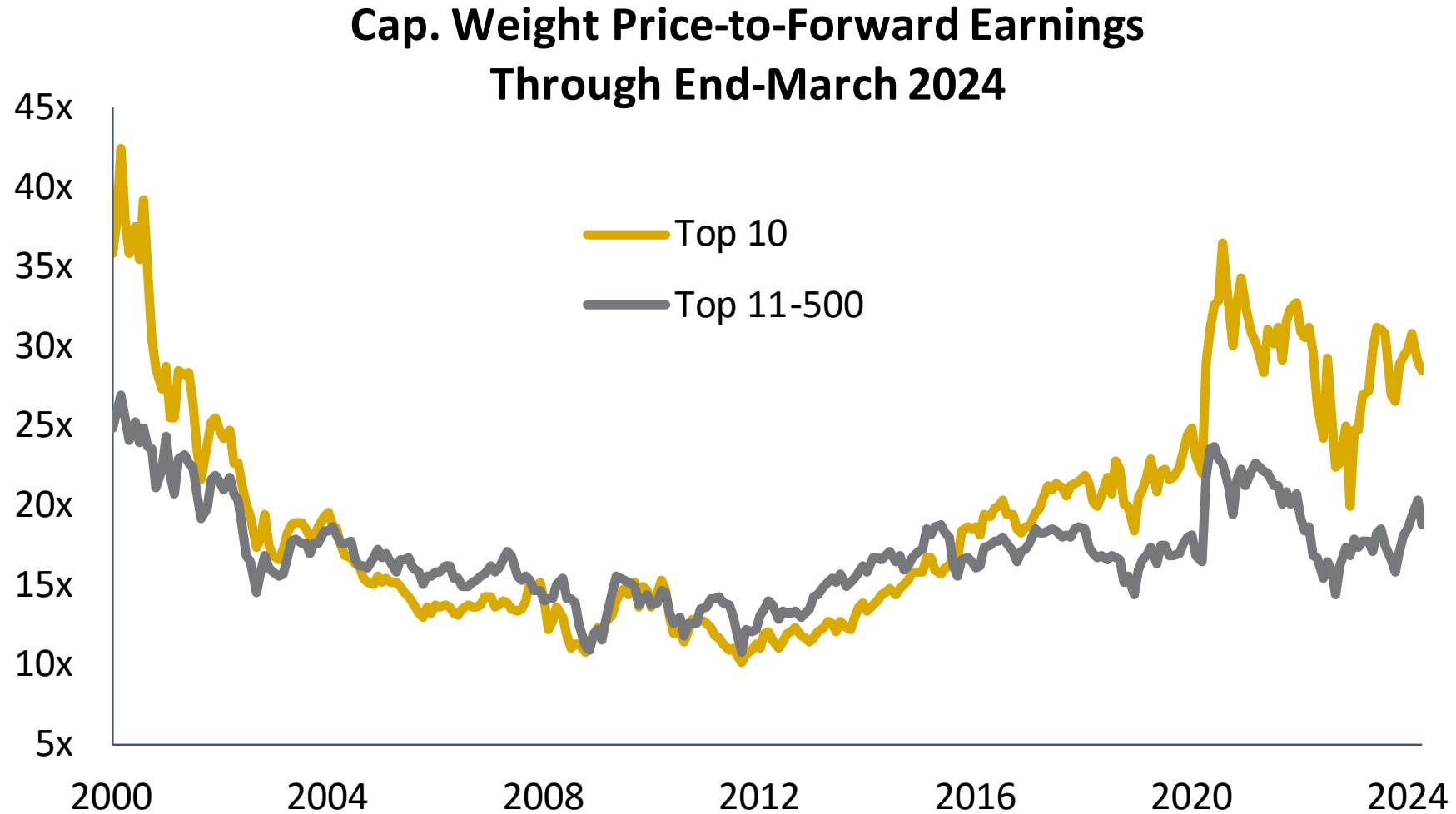


# Market Valuation Below Extremes but Above Average

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

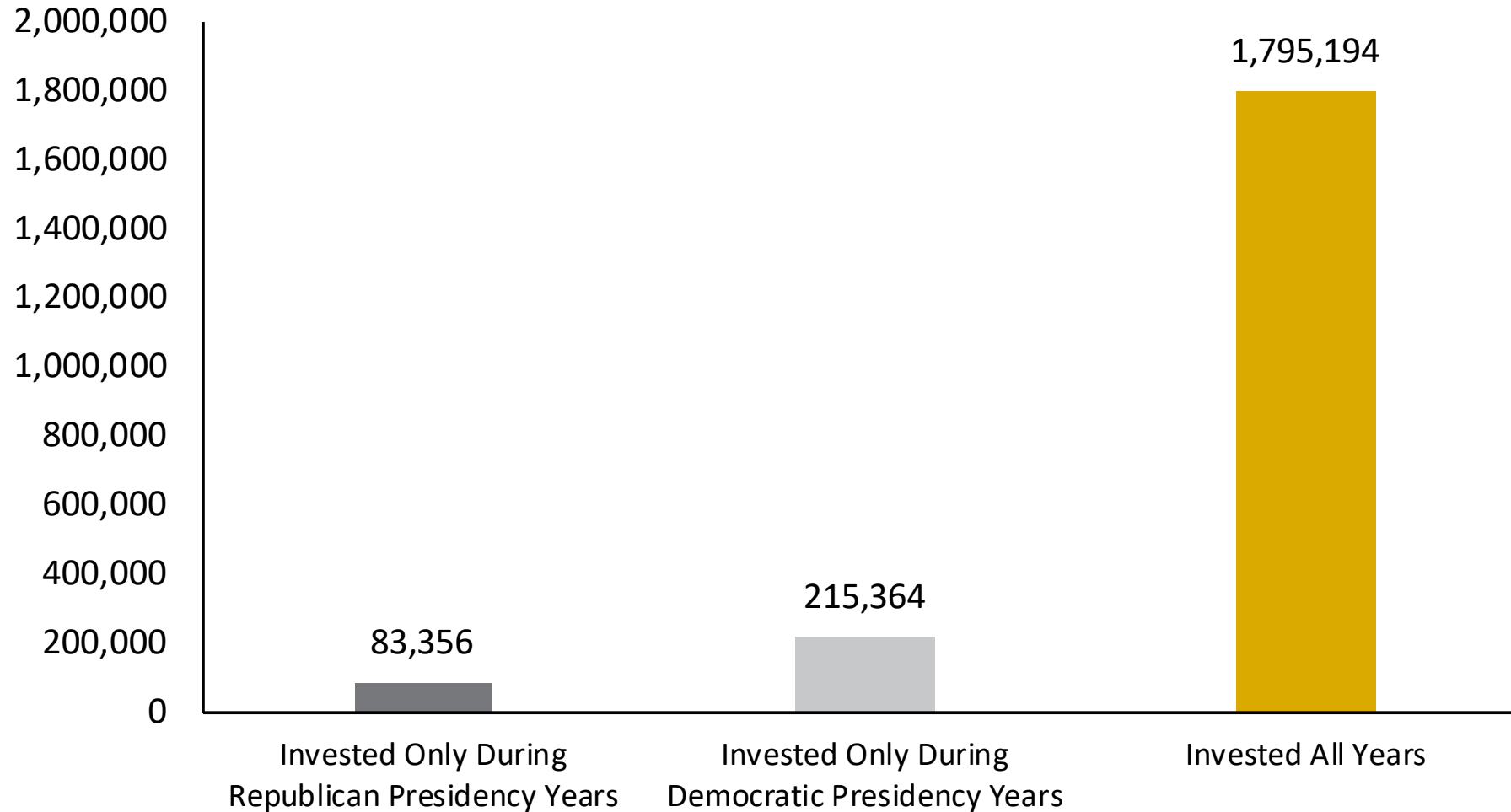


# P/E Ratios Suggest There is Room For Broadening



# Partisan Strategies Require Staying Uninvested For Long Periods

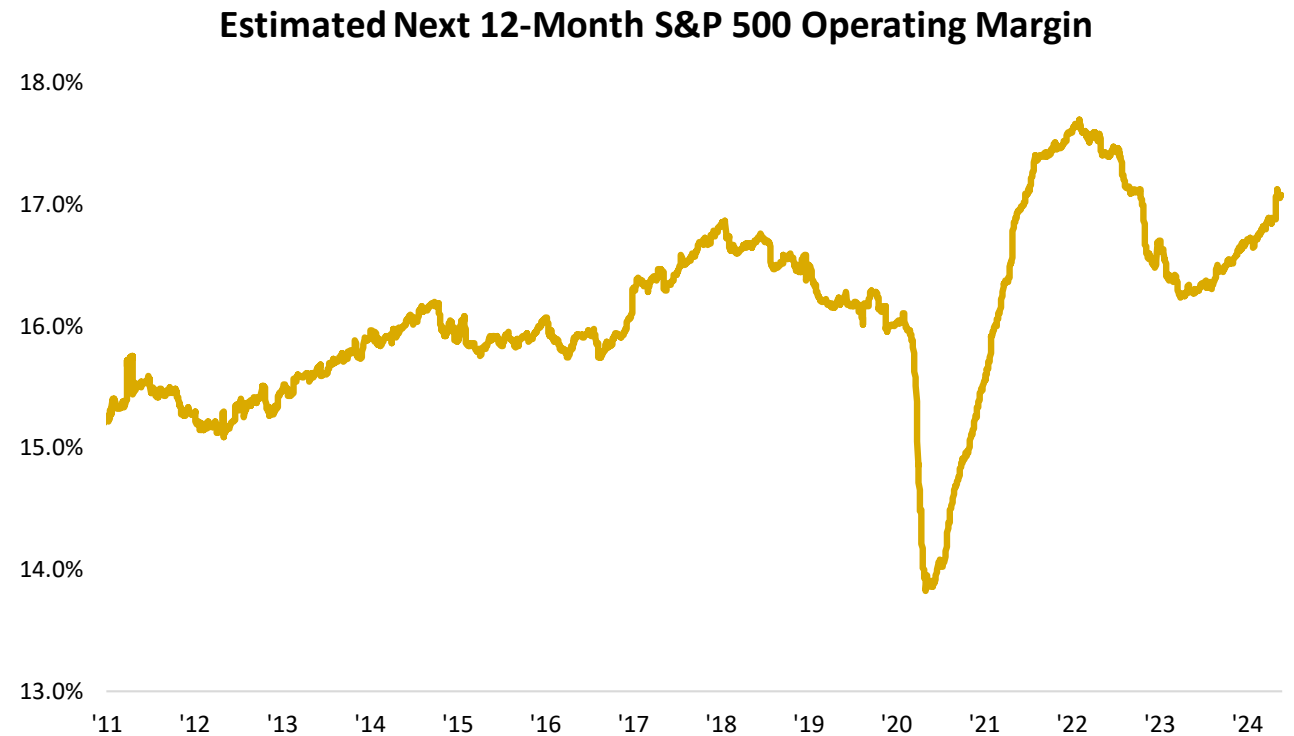
Growth of \$10,000 Invested in the S&P 500 Since 1953



# Corporate Earnings

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- 2024 estimated growth is **11.1%** or \$244 per share
- 2025 estimated growth is **14.1%** or \$278 per share
- Average growth since 1950 is **7.6%**



# S&P 500 Price Target

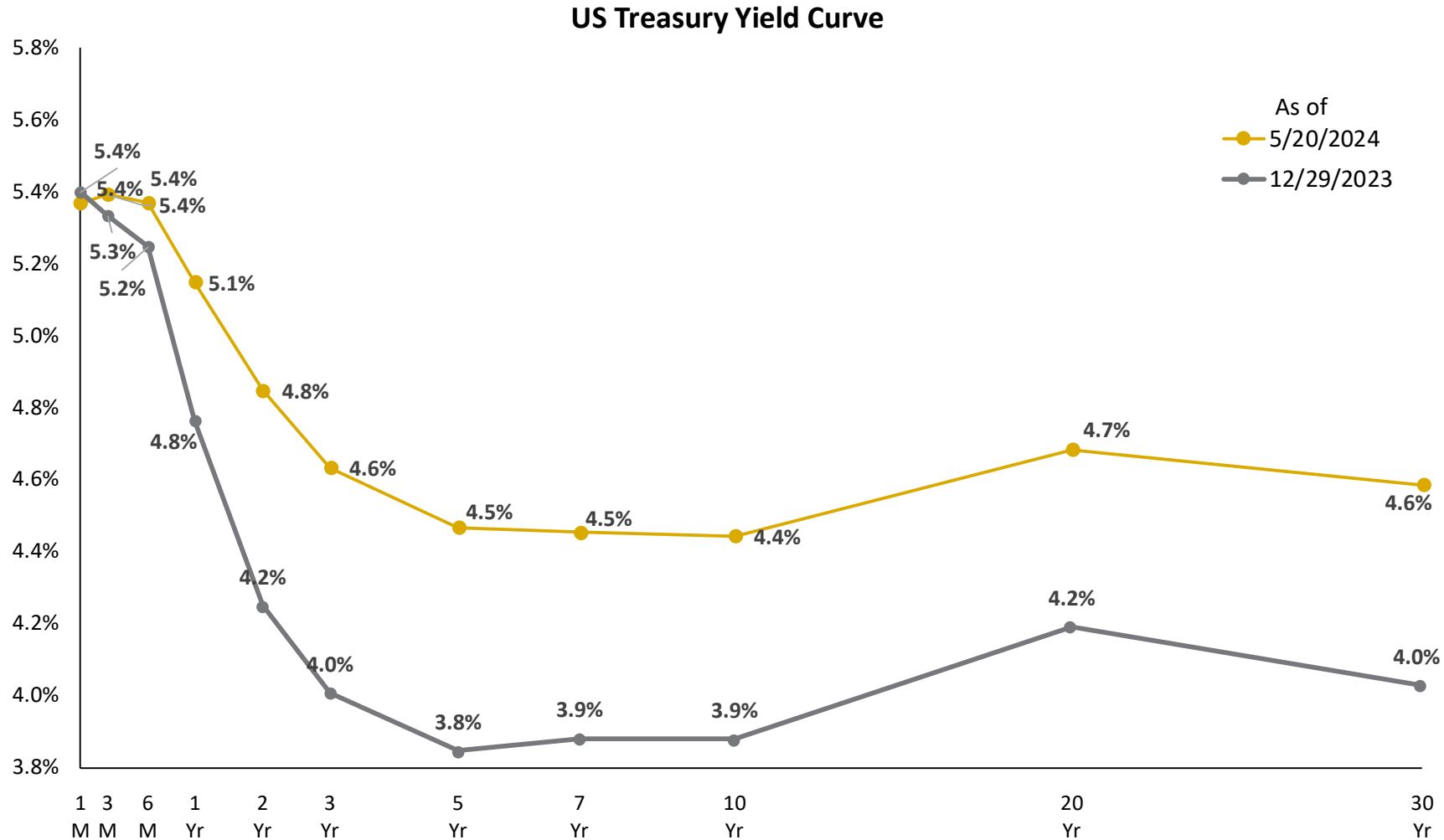
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## Next Twelve-Month S&P 500 Price Target

	<b>NTM Price Level</b>	<b>Percent Change from 5/20/24</b>
Bear	4,000	-24.6%
Base	5,500	3.6%
Bull	6,000	13.0%



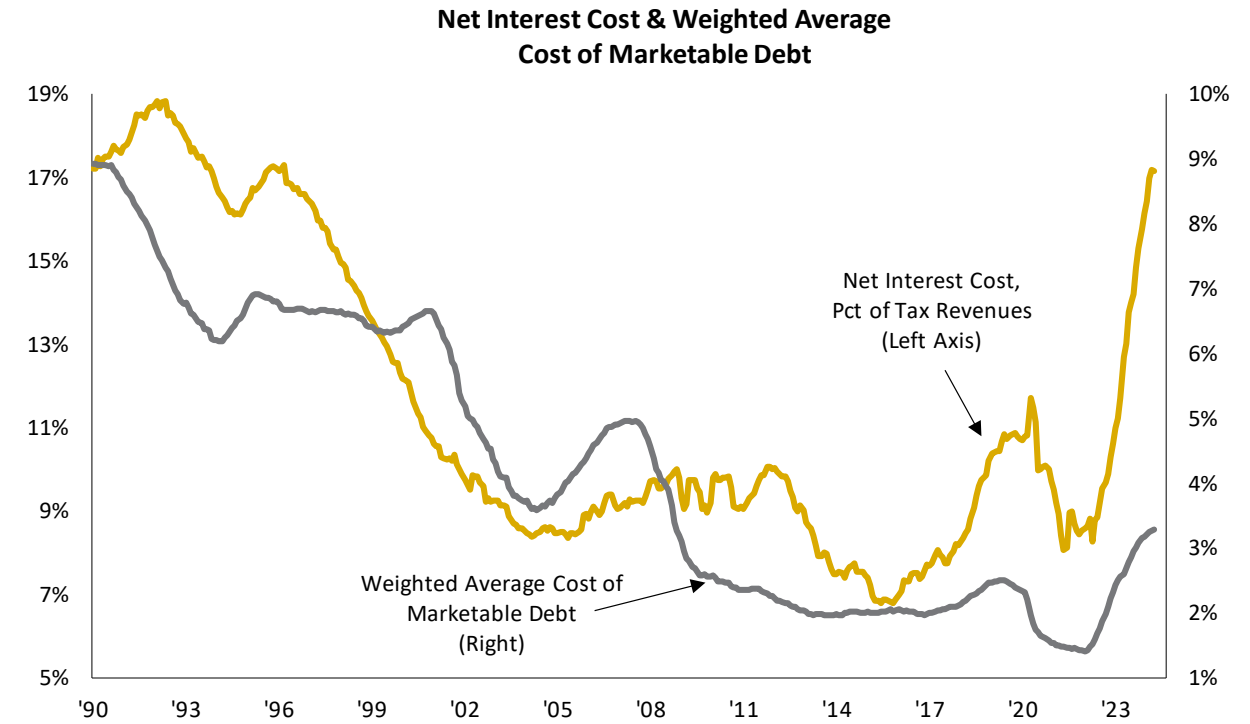
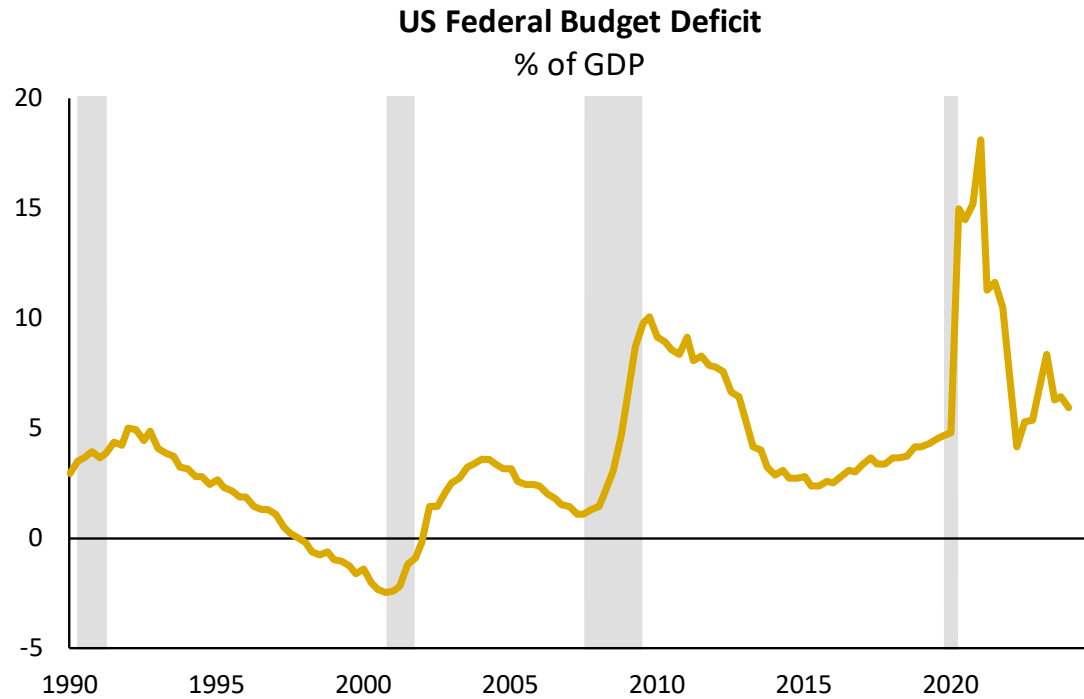
# US Treasury Yield Curve Remains Inverted



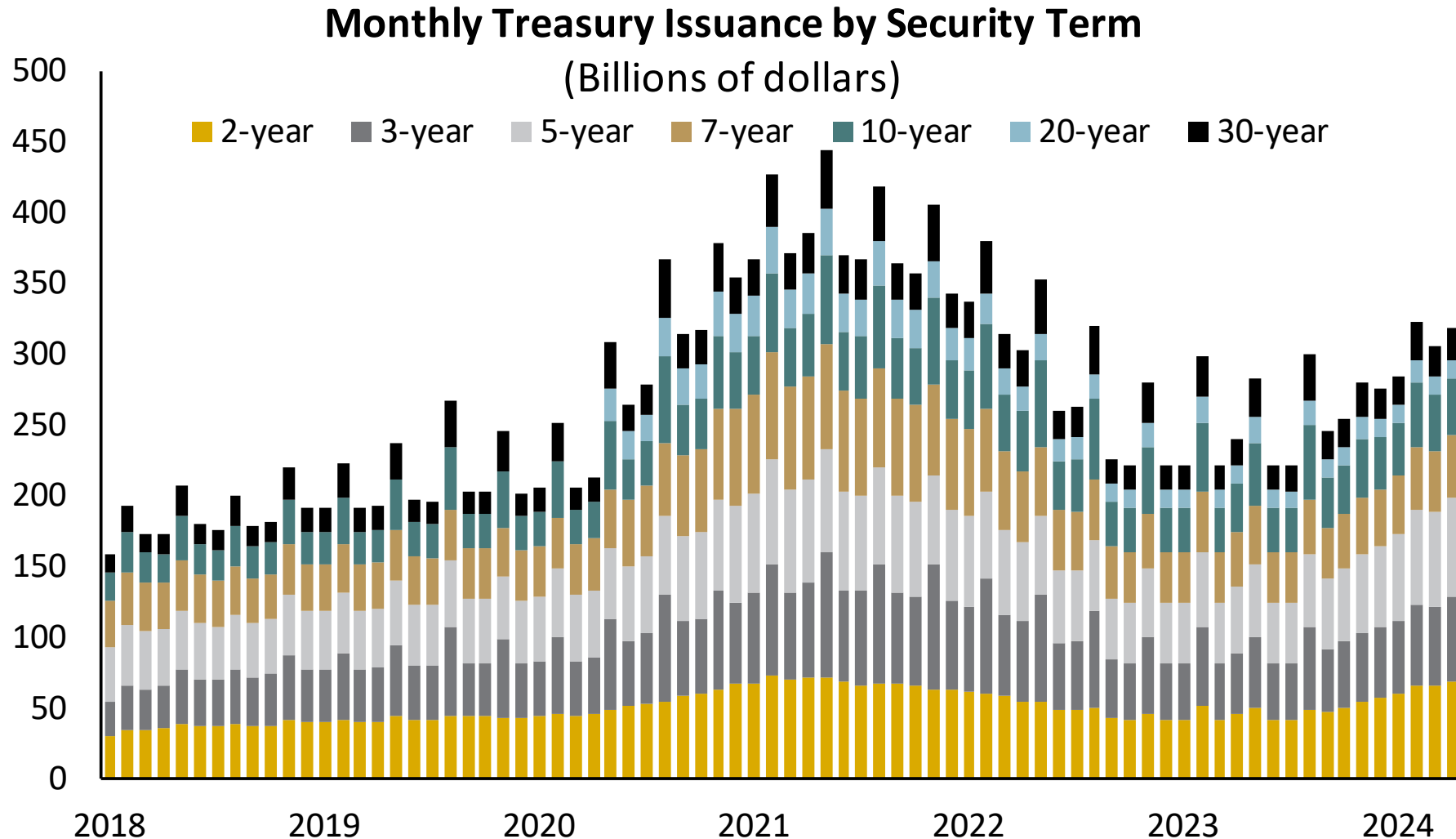
# Bond Yields Remain Elevated Versus Recent History

US Fixed Income Indices		
	Yield-to-Worst	
Index	12/31/2021	5/20/2024
2-Year Treasury	0.73%	4.85%
10-Year Treasury	1.51%	4.44%
Aggregate Bond	1.75%	5.06%
Intermediate Government/Credit	1.30%	4.90%
Municipal Bond	1.11%	3.69%
Investment Grade Corporate Bond	2.33%	5.49%
High Yield Corporate Bond	4.21%	7.85%

# The US Fiscal Situation Has Deteriorated Materially



# Treasury Auction Sizes Have Been Growing



# 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	20.3	-	
<b>Median</b>		<b>16.0</b>	<b>16.0</b>	<b>-6.0</b>	<b>3.5</b>	<b>6.5</b>	<b>6.6</b>	<b>8.7</b>	<b>13.6</b>	
<b>Average</b>		<b>15.5</b>	<b>115.2</b>	<b>-7.4</b>	<b>3.8</b>	<b>6.4</b>	<b>7.4</b>	<b>10.1</b>	<b>12.2</b>	

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**Q&A Videos** – Monthly conversations covering 2-3 of the top questions we're hearing from clients

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