

Making Sense

Monthly Market Update

Recorded on September 20, 2024



Brent Ciliano, SVP
Chief Investment Officer



Phillip Neuhart, SVP
Director of Market and
Economic Research

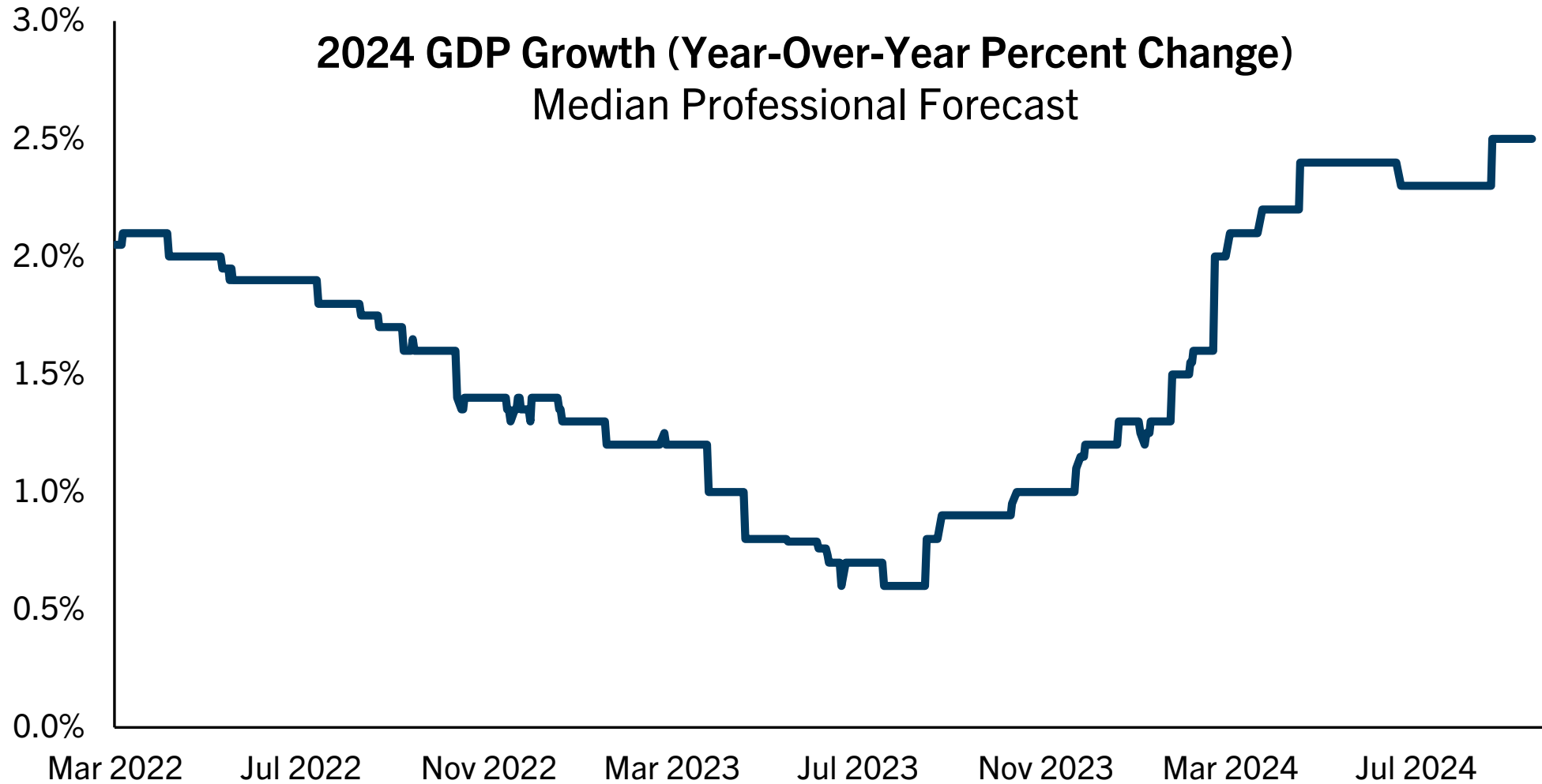
What are we going to cover?

- 1. Economic Update:**
Interest Rates | Inflation | Labor Market
- 2. Market Update:**
Equity Markets | Fixed Income | Potential Headwinds
- 3. Election Year:**
Current Environment | Historical Perspective | Market Considerations

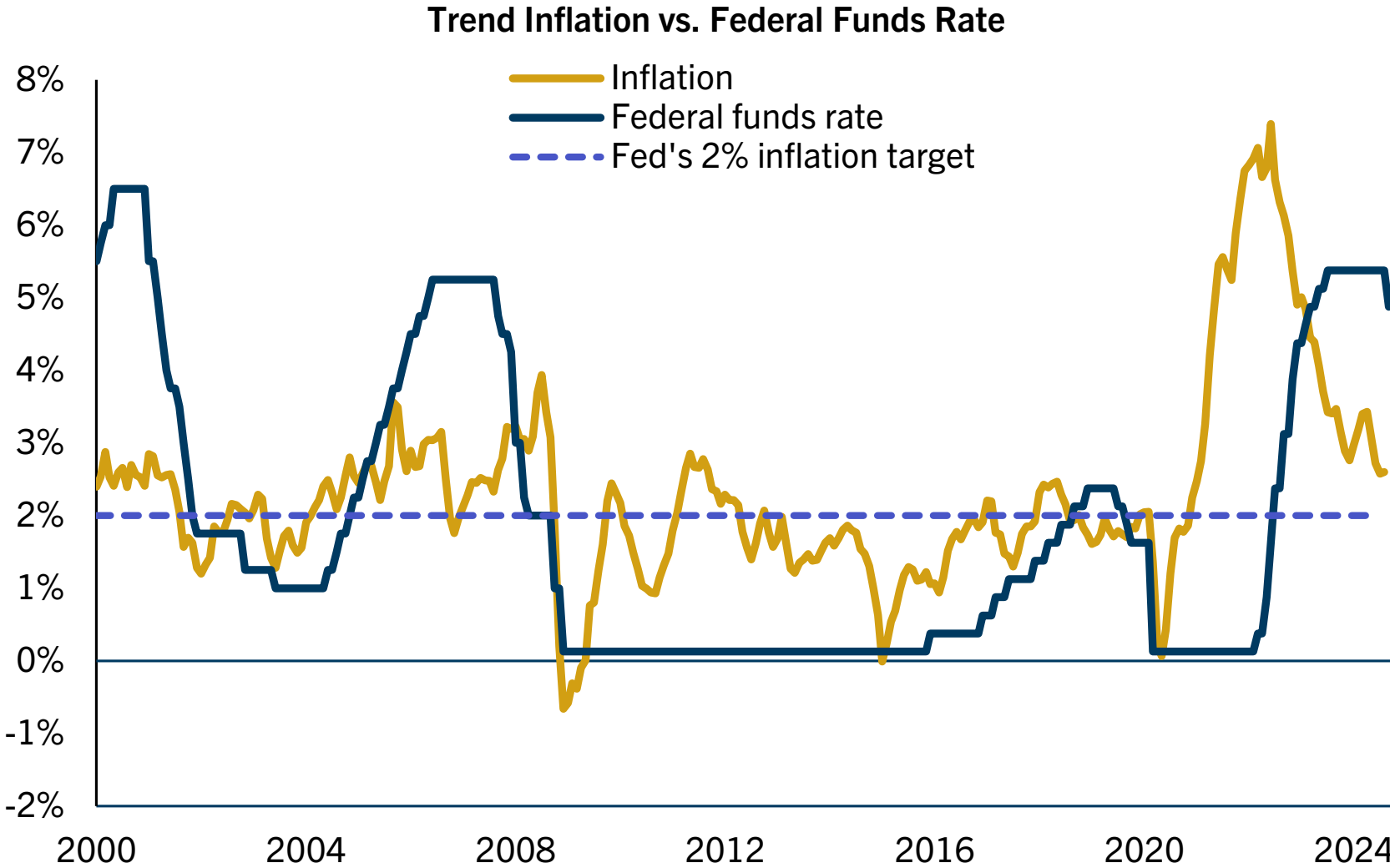
Economic Update

Interest Rates | Inflation | Labor Market

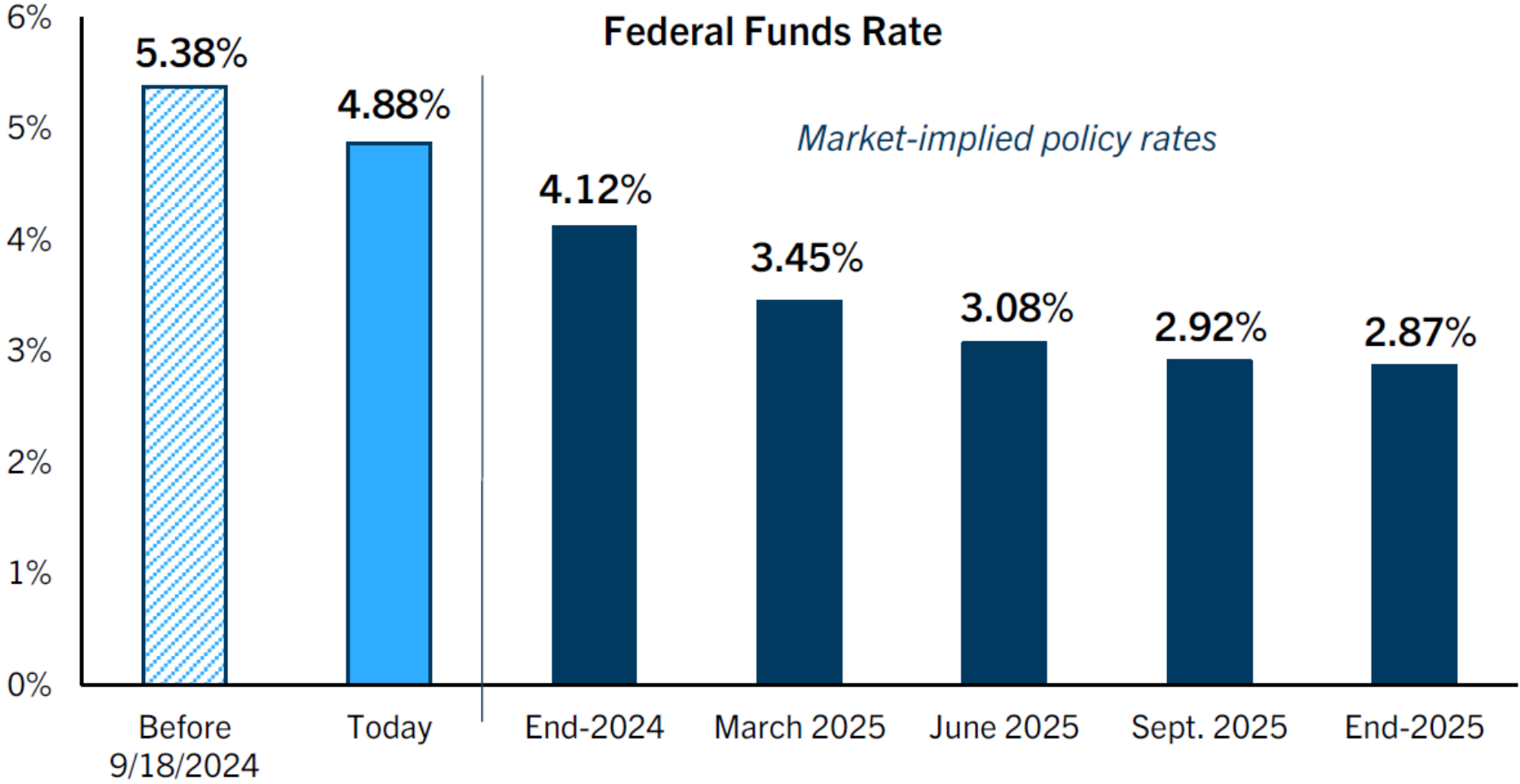
The Economic Outlook Remains Upbeat



Monetary Policy Appears Increasingly Restrictive as Inflation Falls



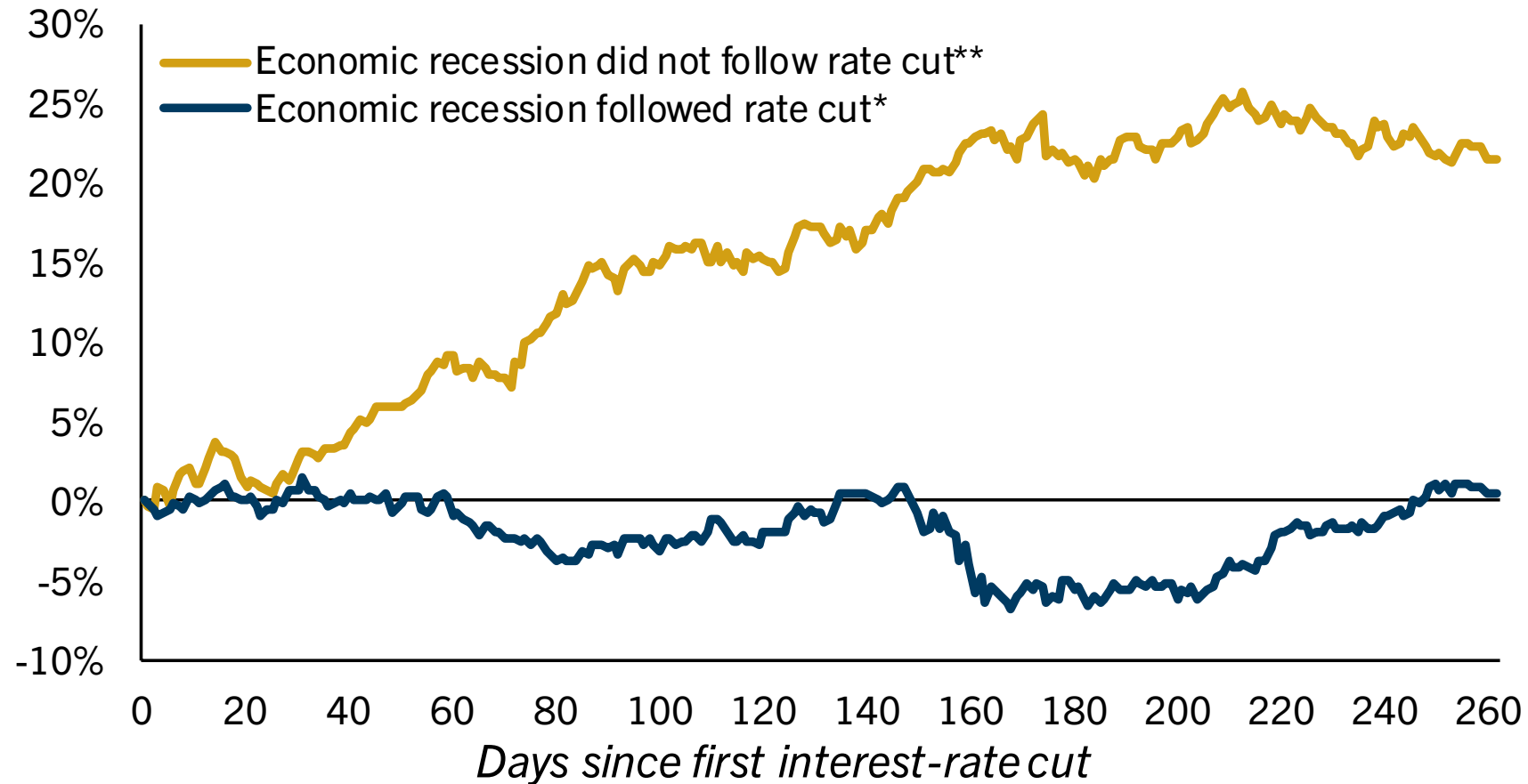
Markets Expect The Fed Will Cut Rates by 2.0% Further by Dec. 2025



Source: Bloomberg, First Citizens Wealth. Data as of 9/19/2024.

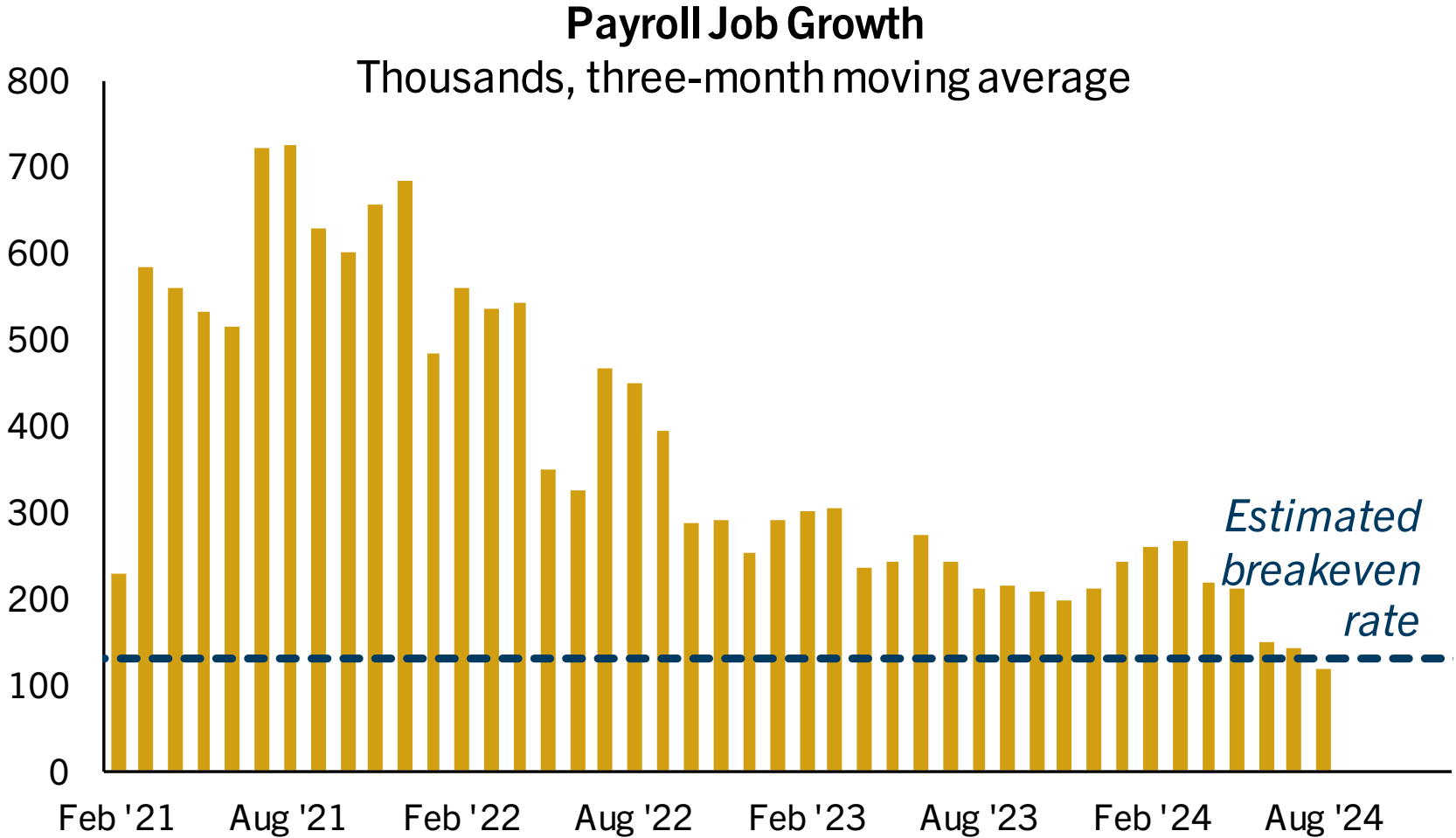
Equity Market Performance After Rate Cuts Depends on Economic Outcome

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

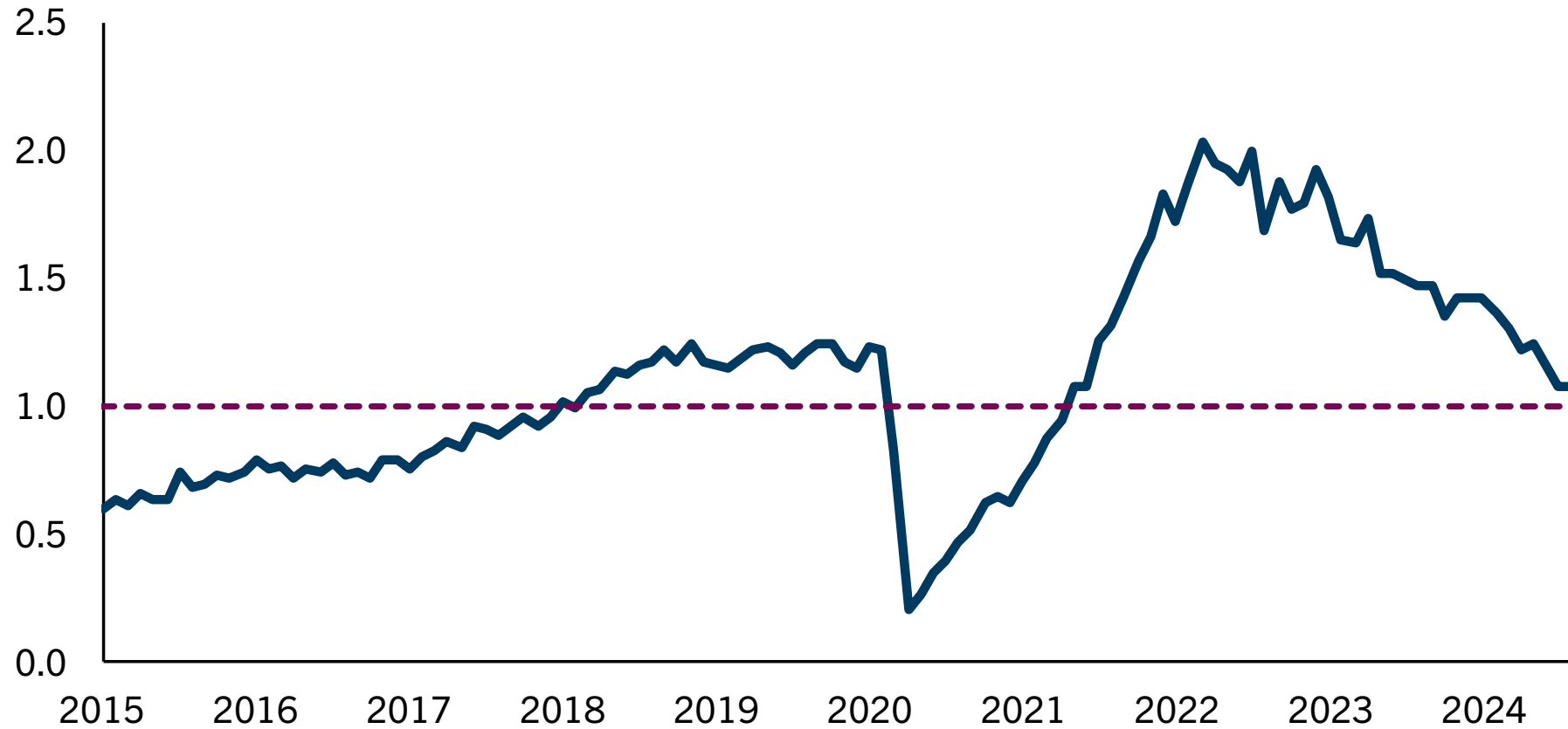
New Payroll Job Growth Is Slowing Roughly to Trend Pace



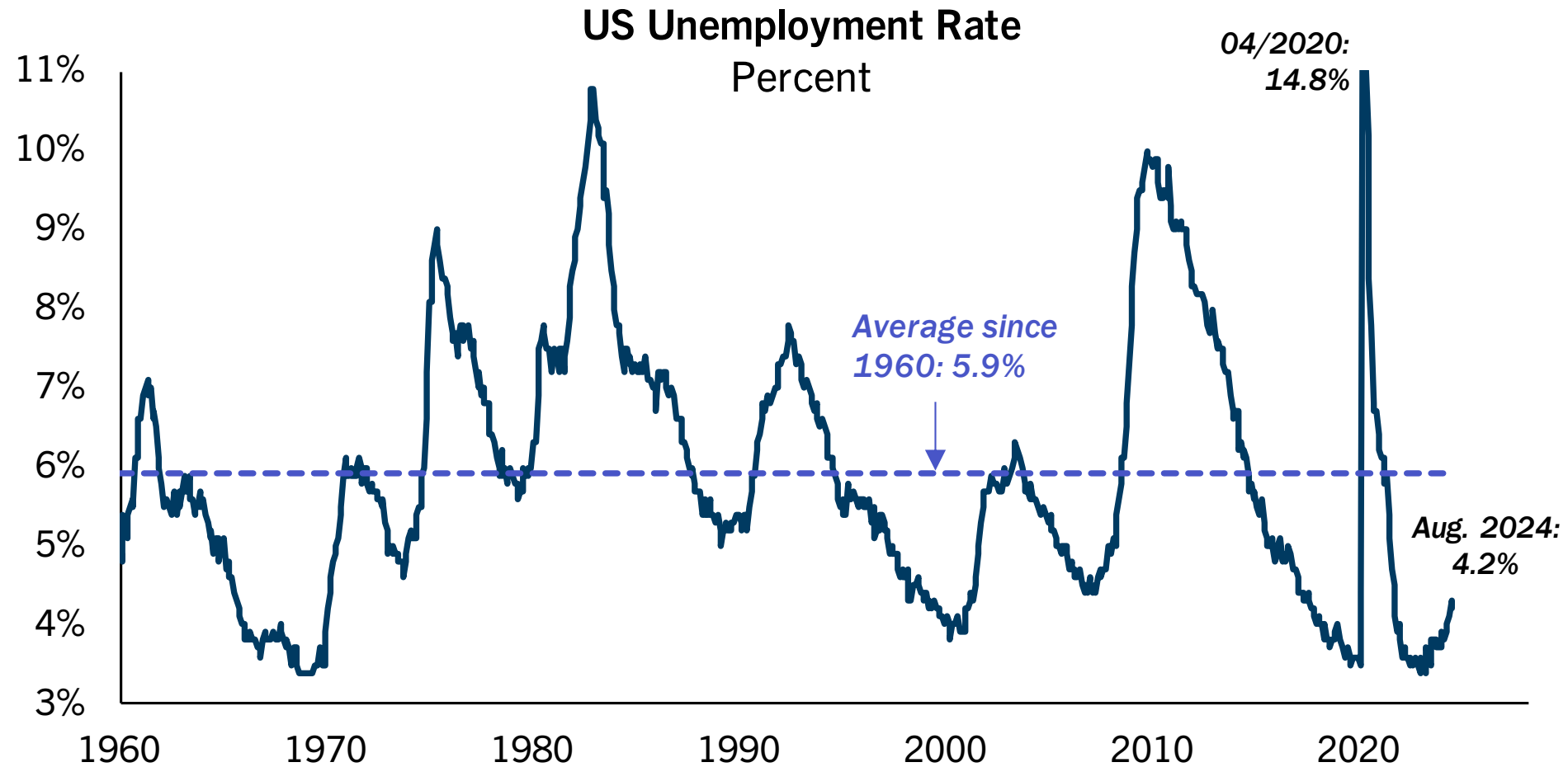
Source: Department of Labor, Bloomberg, Federal Reserve Bank of San Francisco

Job Openings – Once Abundant – Have Come Back to Earth

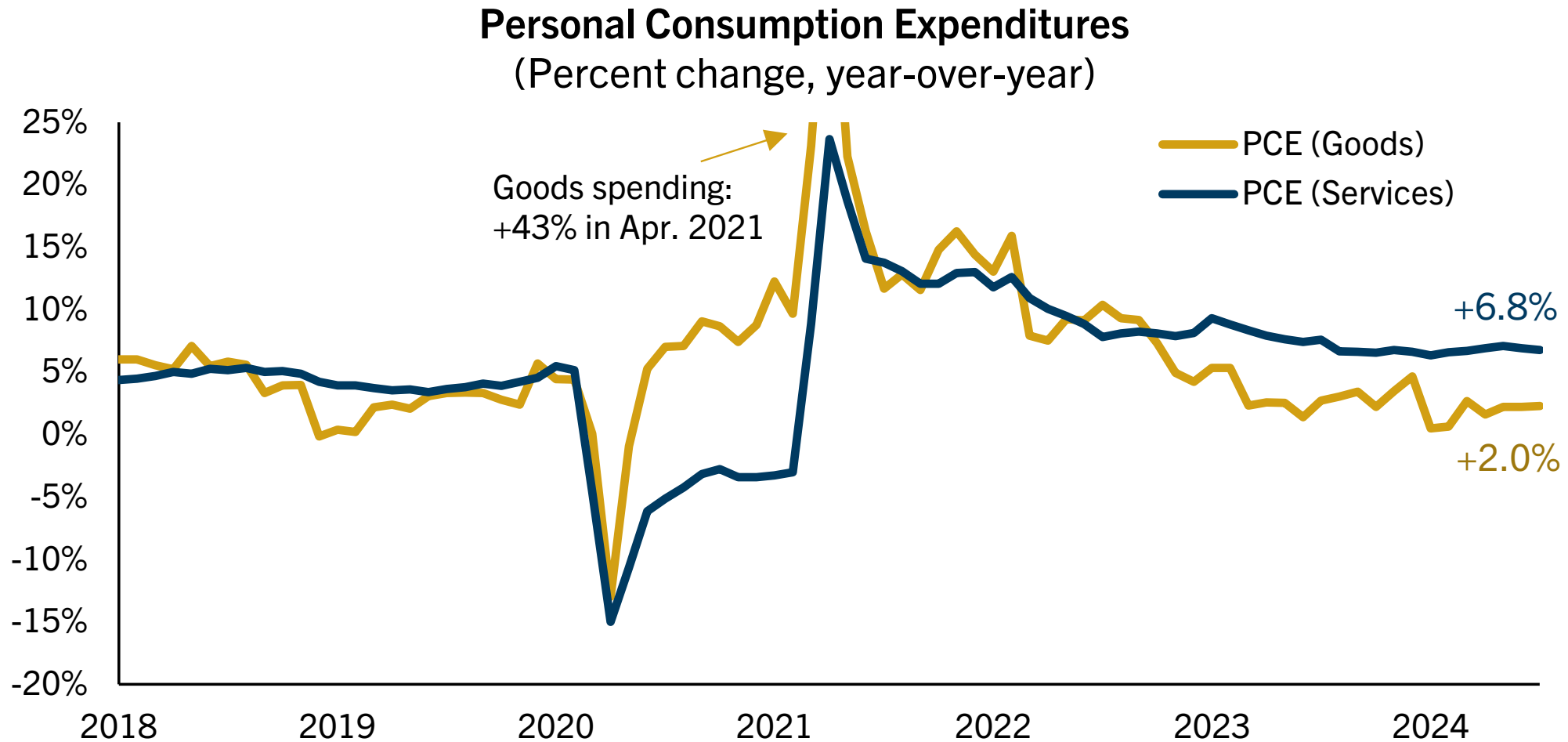
Number of Job Openings Available per Unemployed Worker



The Unemployment Rate Has Moved Up Despite Decent Job Growth



Consumer Expenditures Are Holding Up, Led by Services Spending



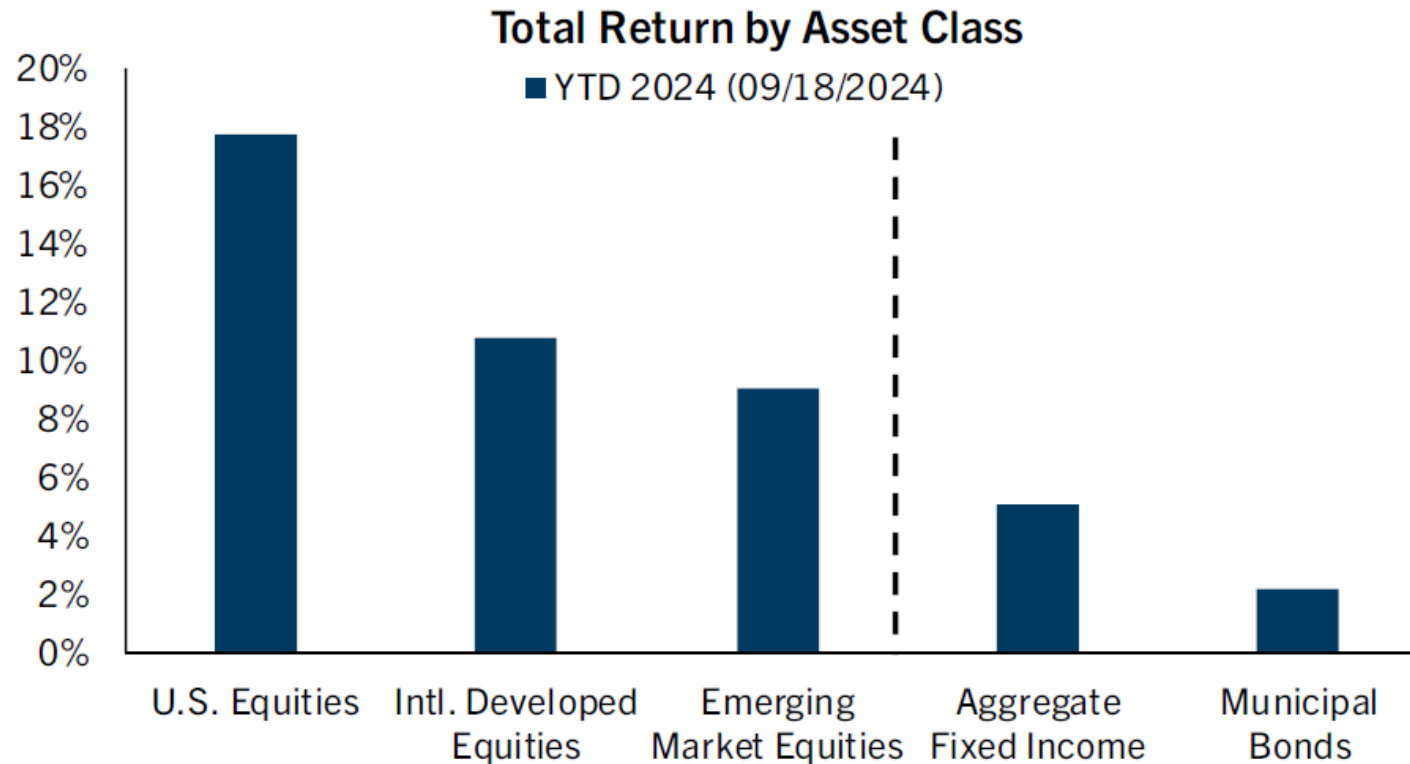
Forecasters Expect US – and Global – Growth Rates to Remain Healthy

World Economic Outlook Consensus Real Economic Growth Estimates			
	2024 Estimate as of:		2025 Estimate
	Dec-23	Sep-24	Sep-24
World	2.6%	3.1%	3.1%
United States	1.3%	2.5%	1.7%
Euro Area	0.5%	0.7%	1.3%
United Kingdom	0.3%	1.1%	1.4%
Japan	0.8%	0.0%	1.2%
China	4.5%	4.8%	4.5%

Market Update

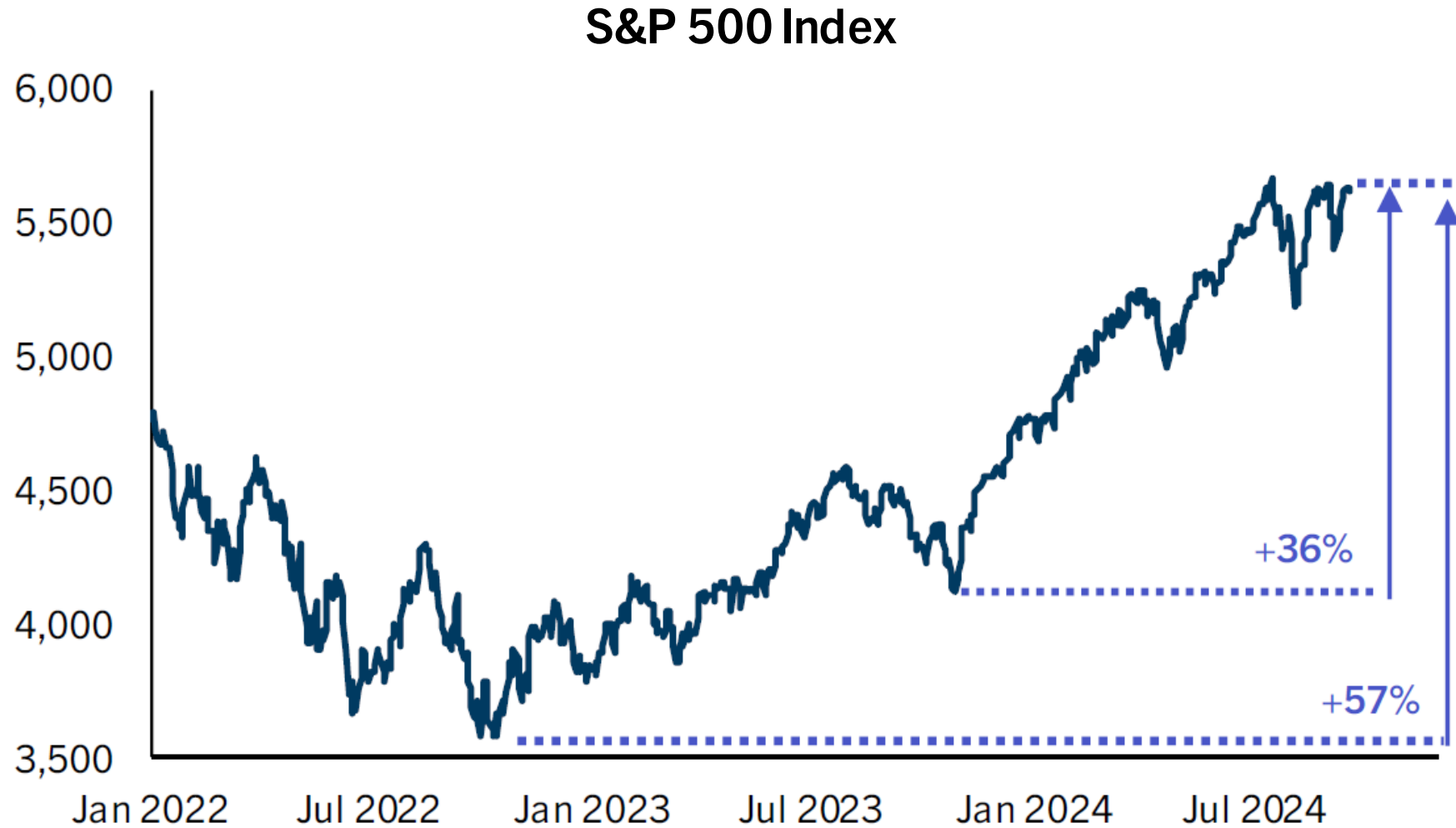
Equity Markets | Fixed Income | Potential Headwinds

Global Markets Year-to-Date



YTD US Equity Returns As of 09/18/2024			
	Value	Blend	Growth
Large	15.4%	20.1%	22.5%
Mid	12.9%	12.4%	10.3%
Small	8.8%	9.9%	11.1%

Stocks Have Hovered Near All-Time Highs

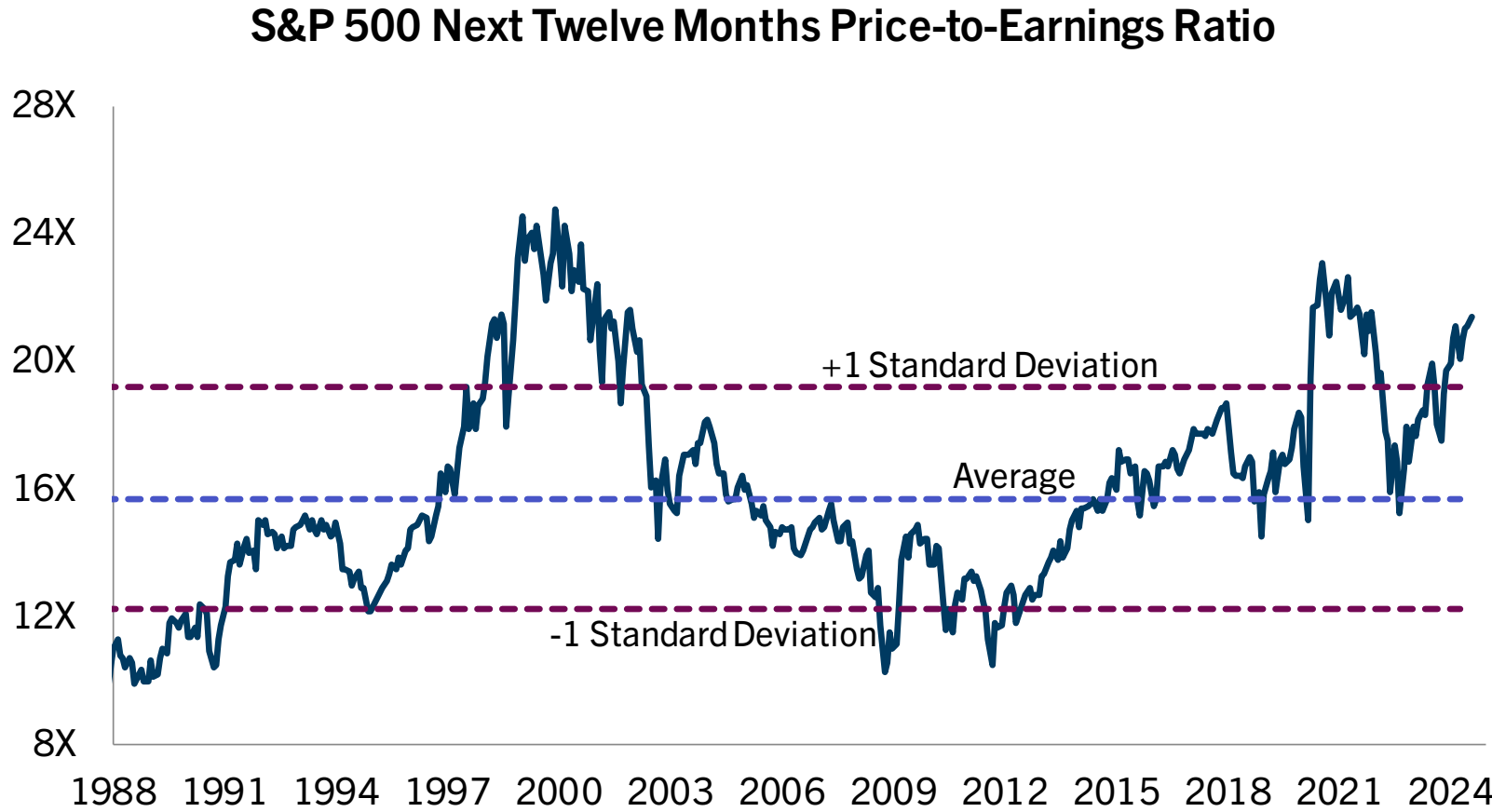


Large-Cap Outperformance Has Faded Since July



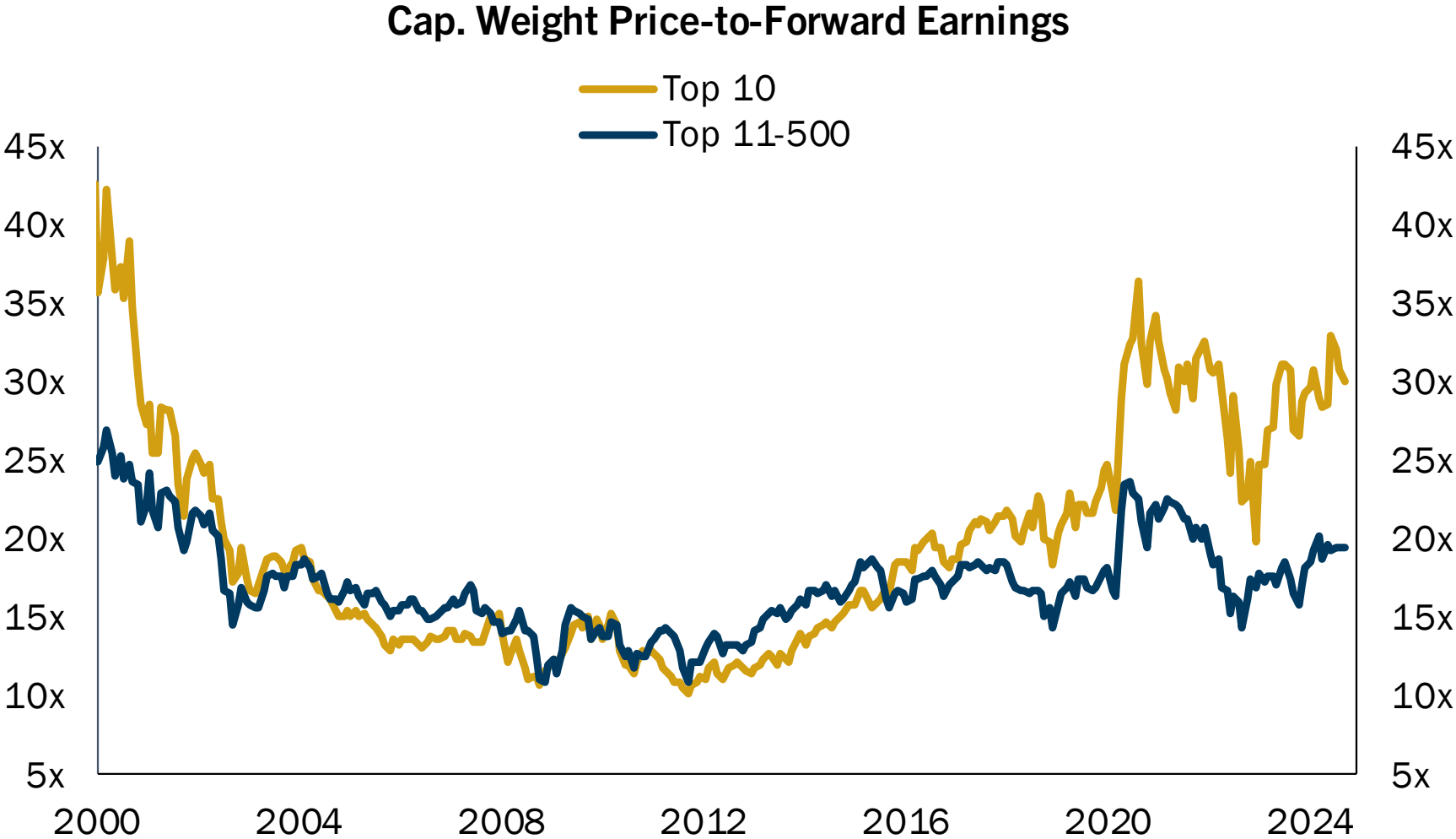
Total Return Since July 1	
Magnificent Seven	-0.61%
S&P 500 Market-Cap Weighted	+3.2%
S&P 500 Equal Weighted	+7.3%
S&P 500 Midcap 400	+5.2%
S&P 500 Small Cap 600	+8.4%
MSCI EAFE	+4.4%
Bloomberg US Aggregate Bond	+5.5%

Market Valuation Below Extremes but Above Average



Source: Bloomberg, Strategas. Data as of 8/31/2024.

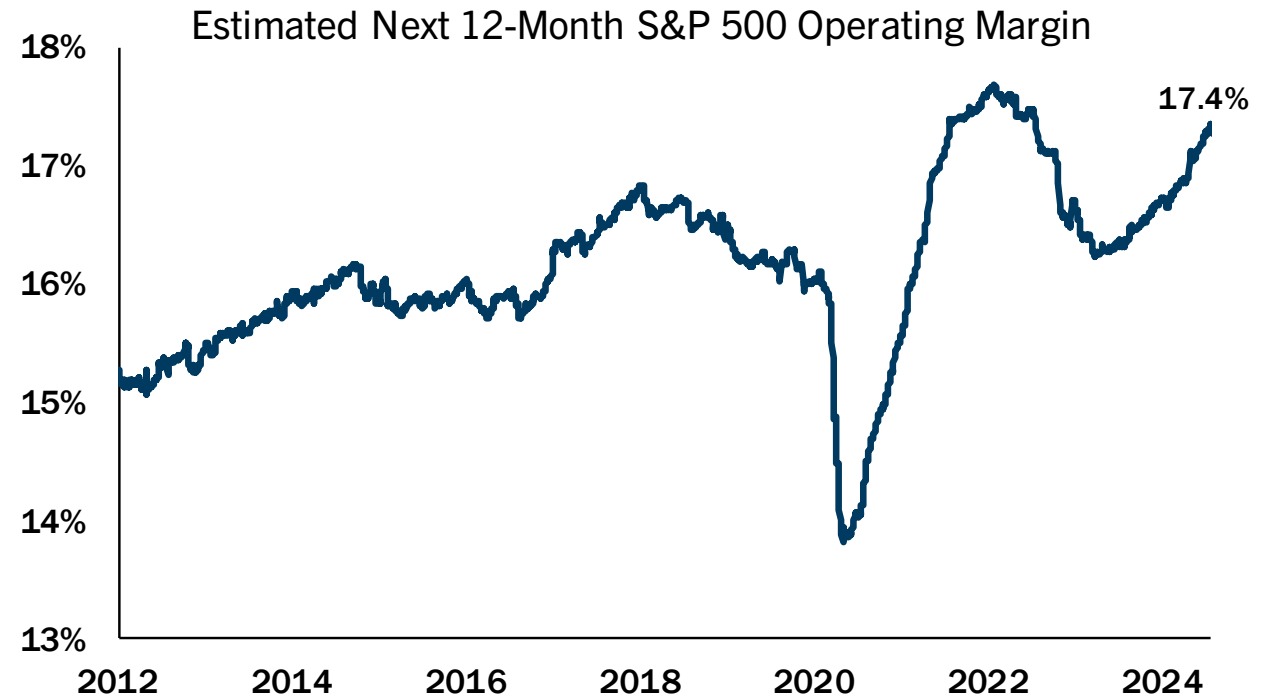
P/E Ratios Suggest There Is Room For Broadening



Source: Trivariate Research, As of 9/17/2024.

Corporate Earnings

- 2024 estimated growth is **10.2%**
- 2025 estimated growth is **15.4%**
- Average growth since 1950 is **7.6%**

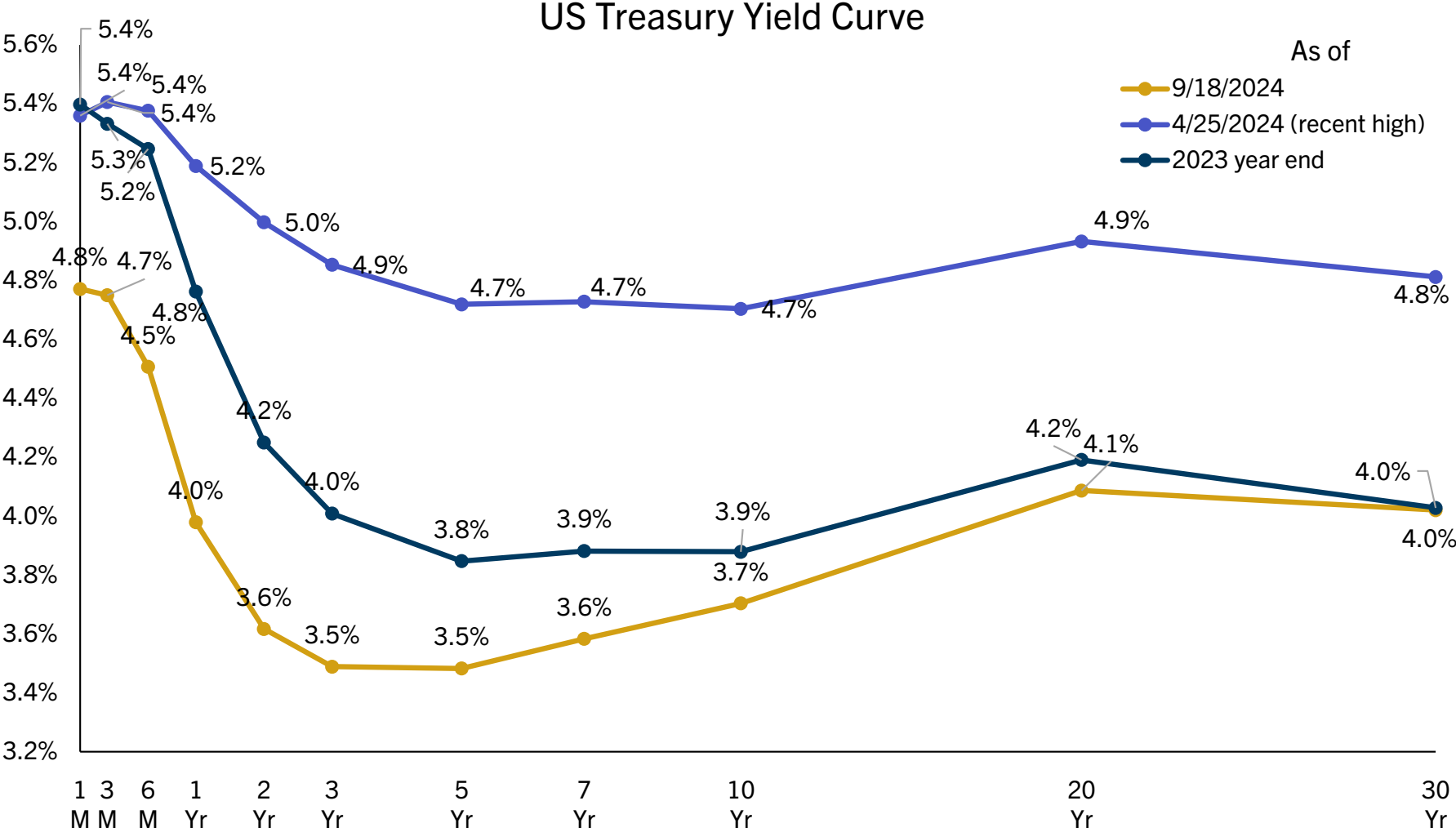


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 9/18/24
Bear	4,400	-21.7%
Base	5,900	5.0%
Bull	6,500	15.7%

US Treasury Curve Remains Inverted but Has Shifted Lower Since April



Source: Bloomberg.

Bond Yields Have Moved Meaningfully Lower Since April

US Fixed Income Indices			
Yield-to-Worst			
Index	4/30/2024*	9/18/2024	Difference
2-Year Treasury	5.0%	3.6%	-1.4%
10-Year Treasury	4.7%	3.7%	-1.0%
Aggregate Bond	5.3%	4.2%	-1.1%
Intermediate Government/Credit	5.1%	3.9%	-1.2%
Municipal Bond	3.8%	3.3%	-0.5%
Investment Grade Corporate Bond	5.7%	4.7%	-1.0%
High Yield Corporate Bond	8.1%	7.1%	-1.0%

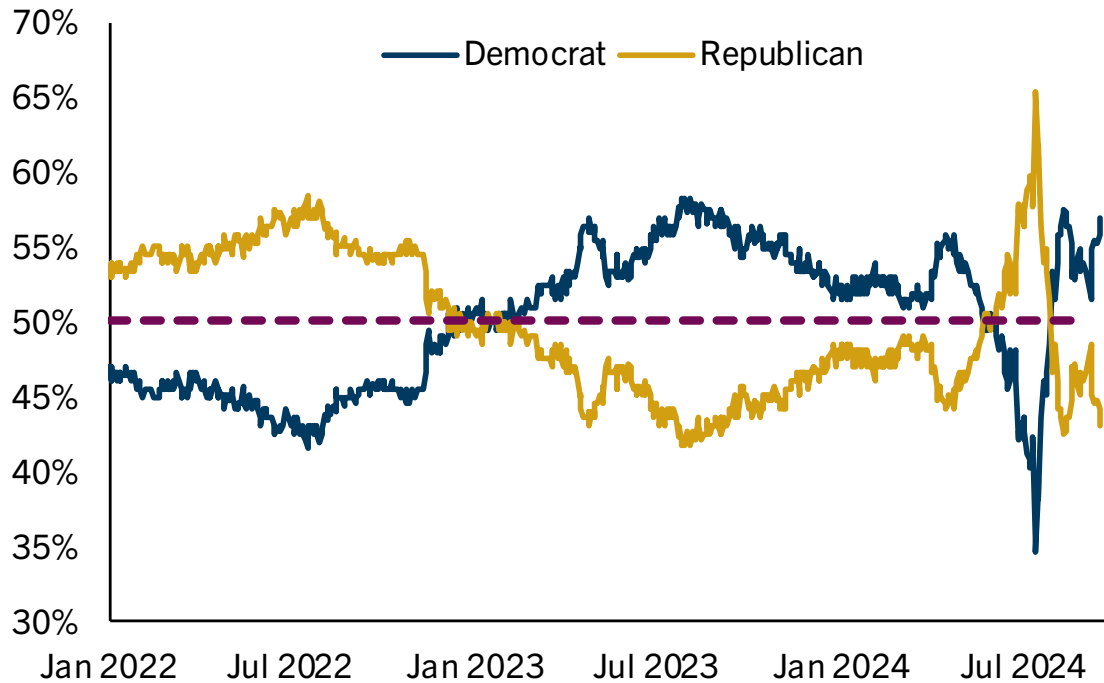
* 4/30/2024 is the local high for 2024

Election Year

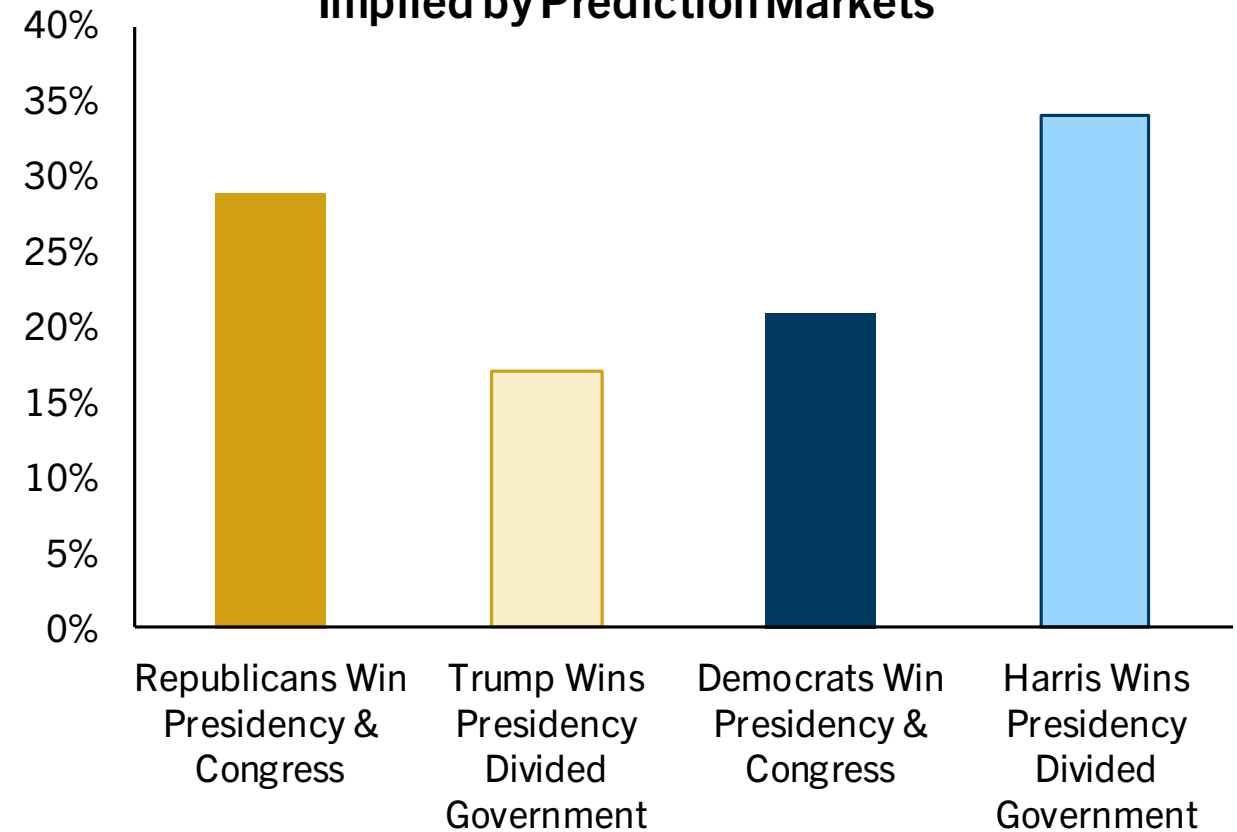
Current Environment | Historical Perspective | Market Considerations

The Election Looks Like a Close Call, and Divided Government Is Possible

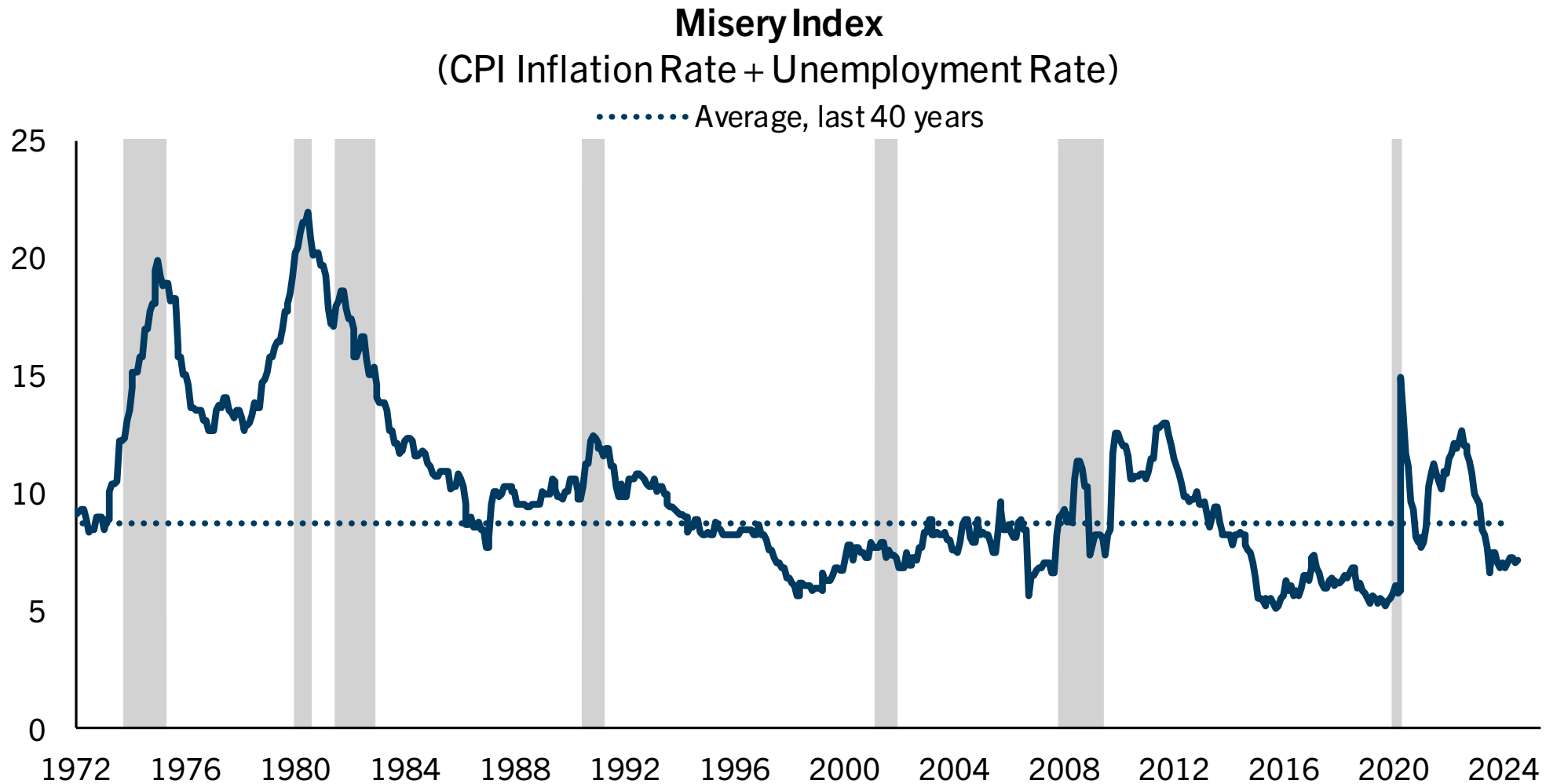
Probability of Winning Presidential Election as Implied by Prediction Markets



Probability of Election Outcomes as Implied by Prediction Markets



The “Misery Index” Has Moved Down as Voters Head to the Polls



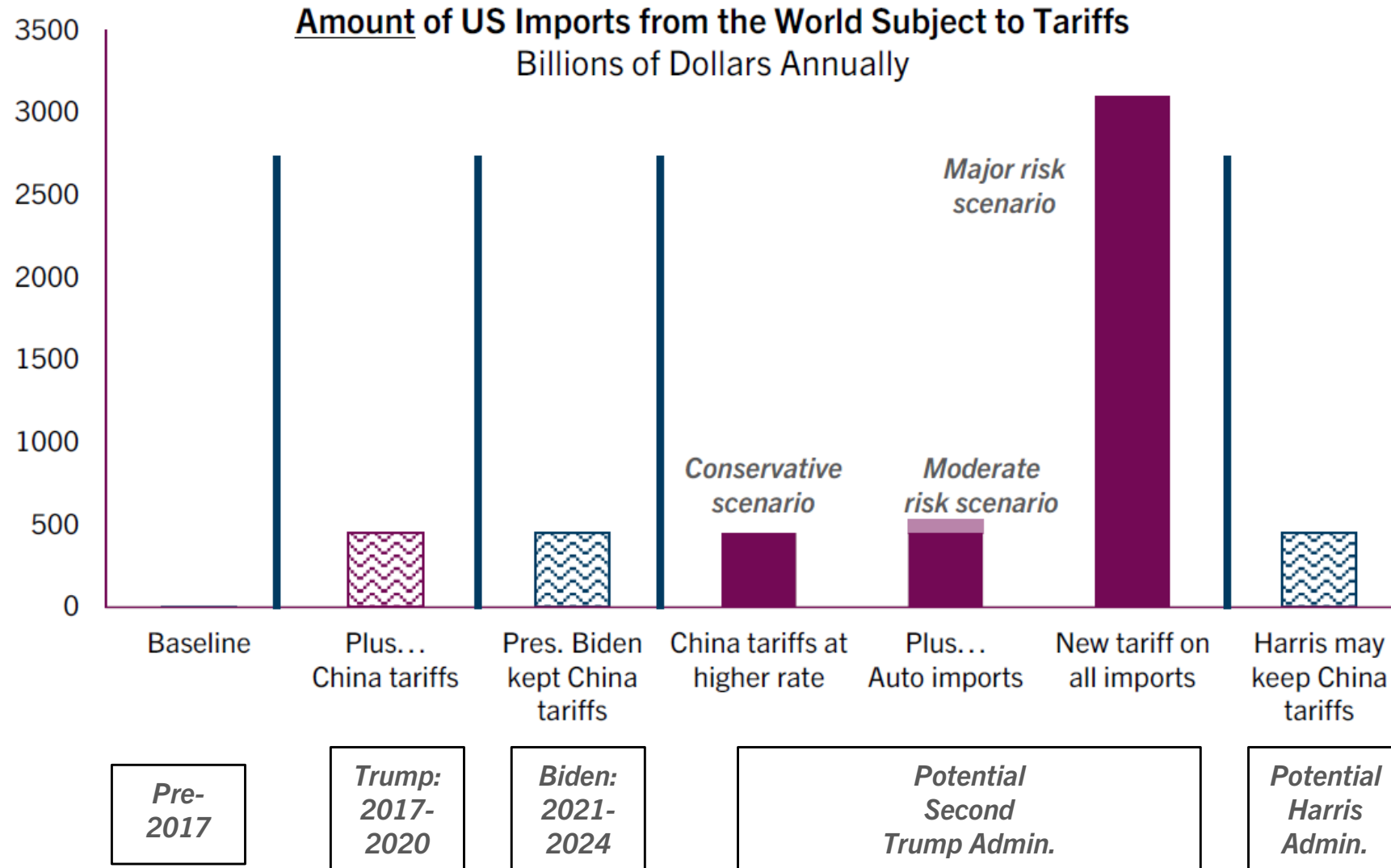
Initial Economic Policy Proposals

Economic Policy Proposals from Candidates and Associated Campaigns	
Vice President Harris	Former President Trump
- No tax hikes on incomes <\$400k - Higher cap. gains tax on higher-income taxpayers	Extend personal income tax cuts
Raise corporate tax rate to 28%	Lower corporate tax rate to 15-20%
Increase child tax credits to \$3,600 (and \$6,000 in the child's first year)	10% across-the-board tariff on all imports and up to 60% tariff imports from China
\$25,000 credit for first-time homebuyers	Eliminate taxes on Social Security income
Tax incentives for affordable rental housing and homebuilders selling to first-time buyers	Extend 100% bonus depreciation
Increase in the state and local tax (SALT) deduction limit	Repeal green-energy tax incentives from 2022 Inflation Reduction Act
Eliminate taxes on tip income	Keep \$10,000 SALT deduction limit in place
Higher excise tax on stock repurchases	Eliminate taxes on tip income
Tighter estate tax rules	New tax on large private university endowments.
\$50,000 small business tax deduction for the first year for new businesses.	

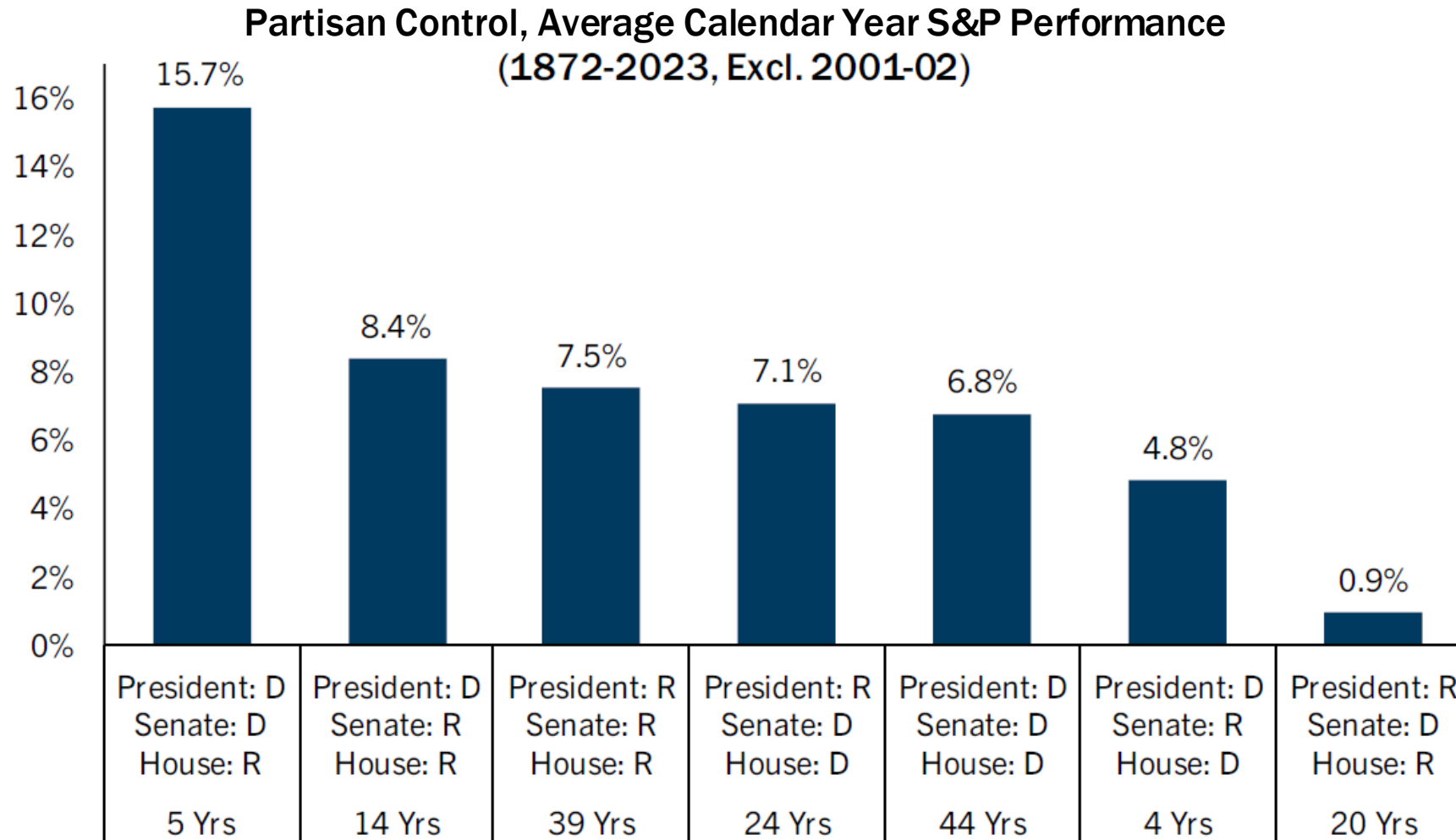
Initial Tax Policy Proposals

Income Tax		Trump	Harris
Individual	-Top tax bracket rate was cut to 37% in 2017.	Full party control scenario	- Extend 2017 tax cuts
	-Rate snaps back to 39.6% if not extended past 2025.		- Return top marginal rate to 39.6% - Potential surcharge on higher incomes
		<i>Divided government scenario</i>	<i>Without bipartisan agreement, the tax top marginal tax rate would automatically return to 39.6%.</i>
Corporate	- Tax rate was lowered to 21% in 2017.	Full party control scenario	- Lower the corporate rate to 15-20%.
	- Does not automatically expire; changing the rate requires a new law.		- Increase the corporate rate to 28%.
		<i>Divided government scenario</i>	- 21% tax rate was made "permanent" in the 2017 tax law - This lower rate remains in place without new bipartisan agreement

Tariff Policy: Hikes Look More Likely Than Cuts



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



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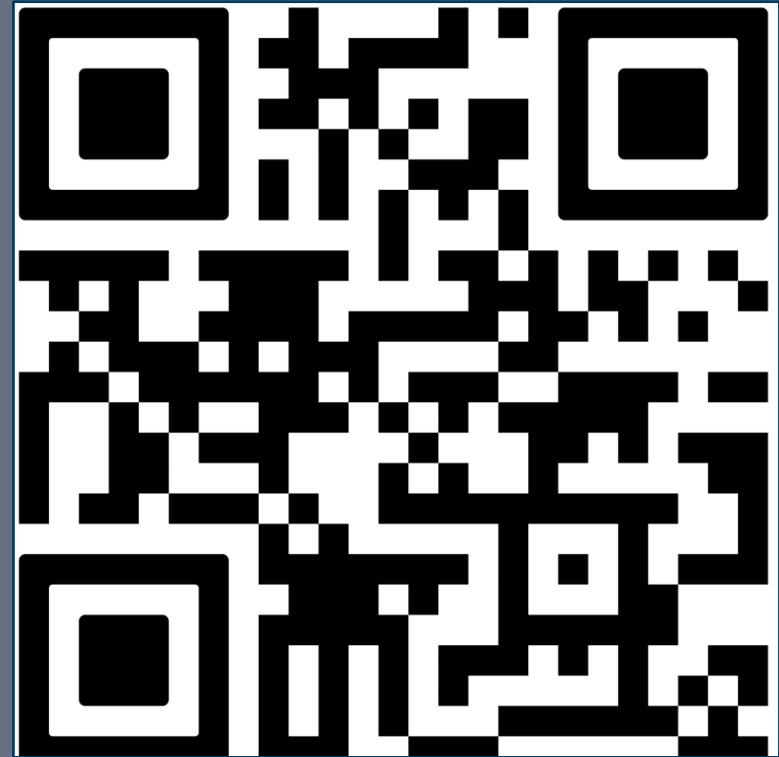
Making Sense

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Authors

Brent Ciliano, CFA | SVP, Chief Investment Officer
Capital Management Group | First Citizens Bank
8510 Colonnade Center Drive | Raleigh, NC 27615
Brent.Ciliano@firstcitizens.com | 919.716.2650

Phillip Neuhart | SVP, Director of Market & Economic Research

Capital Management Group | First Citizens Bank
8510 Colonnade Center Drive | Raleigh, NC 27615
Phillip.Neuhart@firstcitizens.com | 919.716.2403

Blake Taylor | VP, Market & Economic Research Analyst

Capital Management Group | First Citizens Bank
8510 Colonnade Center Drive | Raleigh, NC 27615
Blake.Taylor@firstcitizens.com | 919.716.7964

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