

Making Sense

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- Economic update
- Where do markets go from here?

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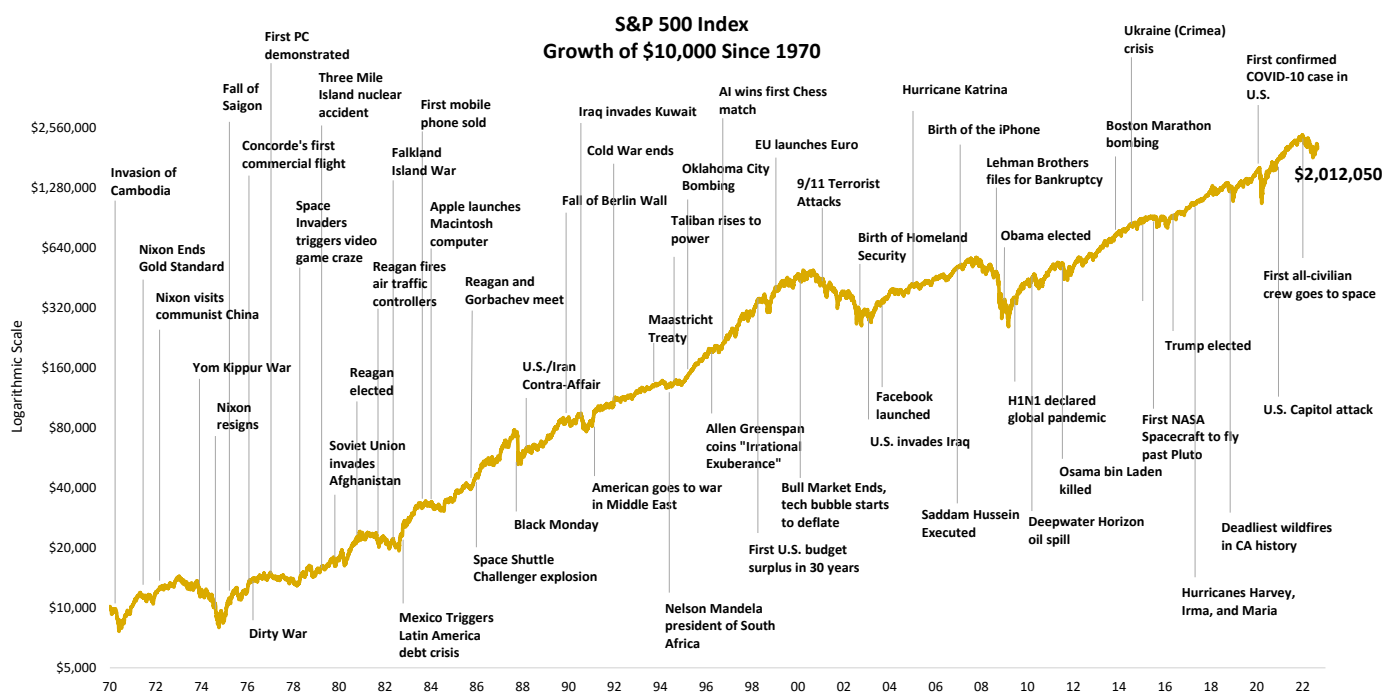
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Wars, Pandemics, Geopolitical Turmoil... What's an Investor to Do?

Over the last decade, investment returns have been significantly above average. The annualized rate for the S&P 500 was 51% higher than the long-term average during the decade ending on December 31, 2021. Also, during the last decade, inflation and market volatility ran significantly below average. 10-year average inflation (based on the consumer price index) was 1.9% versus the long-term average of 3.3%, and volatility also remained below average in the last decade.ⁱ Today's consumer is ok for now, but inflation is running at multi-decade highs, market volatility is increasing, and consumers' financial assets are at multi-year valuation highs.

As we often say, there's always a wall of worry. Such has been the case for decades, yet stocks have moved significantly higher over that period. Figure 1 below shows the growth of \$10,000 invested in the S&P 500ⁱⁱ since the beginning of 1970—alongside significant news headlines. Don't forget, the 1970s and 1980s saw two consecutive decades of significantly high average inflation (7.1% and 5.6% respectively). Additionally, 3 years into this hypothetical investment, the S&P 500 experienced the sixth largest market drawdown since the Great Depression. Yet, \$10,000 invested in 1970 would be \$2,012,050 today.ⁱⁱⁱ **Focus on the long-term and look through the noise of the day.**

Figure 1:



Source: First Trust, Bloomberg

Bottom Line for Markets:

- Wall Street consensus S&P 500 12-month forward price target is 4,742.65 or 17% return from close on August 26th close of 4,058.ⁱⁱⁱ
- Our year-end 2022 S&P 500 price target is 4,350 equating to ~-8.5% growth over 2021.

Capital Management Group | First Citizens Bank | 8510 Colonnade Center Drive | Raleigh, NC 27615

Brent Ciliano, CFA | SVP, Chief Investment Officer
brent.ciliano@firstcitizens.com | 919.716.2650

First Citizens Bank | 8510 Colonnade Center Drive | Raleigh, NC 27615

Phillip Neuhart | SVP, Director of Market and Economic Research
phillip.neuhart@firstcitizens.com | 919.716.2403

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ⁱ Bloomberg as of 12/31/202. Long-term average for 1/1/1913-7/21/2022.

ⁱⁱ Hypothetical investment. Investors cannot invest in an index.

ⁱⁱ Bloomberg as of 8/26/22