

Making Sense

Each month, **Chief Investment Officer, Brent Ciliano** and **Director of Market and Economic Research, Phillip Neuhart** help you make sense of the markets and the economy. Below you'll find a summary of their most recent update. Watch the full update [here](#), and [register for the next Making Sense webinar](#).

COVERED ON THIS MONTH'S WEBINAR:
(WATCH IT [HERE](#).)

- Economic update
- Bear markets: drawdowns and recoveries
- Where do markets go from here?

WHAT'S NEXT?

Making Sense Webinar: 7.27.2022 – Register [here](#).

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Are We Going Into a Recession?

The risk of a recession has risen, **but we do not have a recession as our 1-year base case**. Since May, we have increased the probability of a recession from 40% to 45%. Our base case remains that we will have a mid-cycle slowdown, but not quite to recessionary levels. Unfortunately, neither a recession nor mid-cycle slowdown are easy periods for investors.

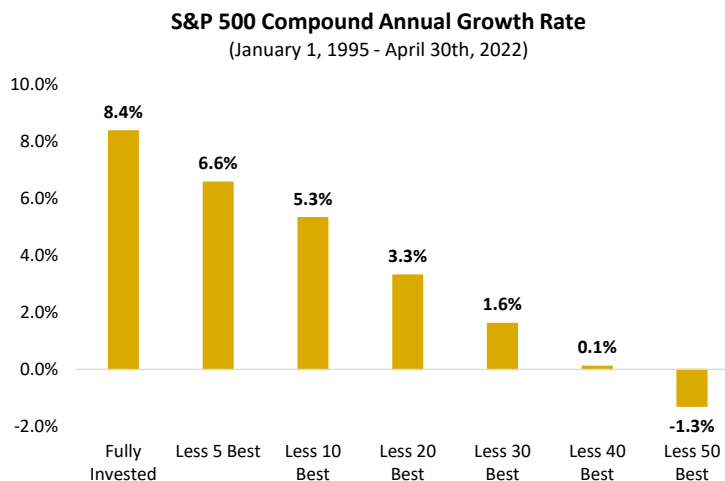
- **Bear case (45%):** Recession
- **Base case (50%):** Mid-cycle slowdown
- **Bull case (5%):** Re-acceleration

However, if we're wrong and a recession does occur, there is a silver lining: Consumers and corporations are both strong. We believe a recession would be cyclical in nature—likely a shallower and shorter duration drawdown.

Timing Markets Can Prove Costly

As we often say, being a successful investor is not about timing markets—it's about *time in* markets. In the chart below, you'll see the impact of missing just a few of the markets' best days. From 1995 to April of 2022, if investors missed the 5 best days in markets, their portfolio decreased by more than 20%. Additionally, nearly half (48%) of the S&P 500 Index's strongest days occurred during a bear market—when no one would want to be invested. Another 28% of the market's best days took place in the first two months of a bull market—before it was clear that a bull market had begun!

Figure 1:



Source: Strategas Research Partners

Bottom Line for Markets:

- Wall Street consensus S&P 500 12-month forward price target is **5,022.29** or **37% return from close on June 16th close of 3,666.77**.ⁱⁱ
- **Our revised 2022 S&P 500 price target is 4,350** equating to **~8.5% growth over 2021**.
 - 8-10% earnings growth
 - Now 15-20% multiple contraction**
- **We believe the S&P 500 can potentially reach 5,000 or higher** (2024 EPS of \$271 at ~18.5x) by YE 2023 / 1H 2024 as inflationary pressures moderate and Fed interest rate hiking cycle slows.

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ⁱ Strategas Research Partners, Ned Davis Research
ⁱⁱ Bloomberg as of 5/24/22