

Making Sense

Each month, **Chief Investment Officer, Brent Ciliano** and **Manager of Institutional Portfolio Strategy, 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](#). Register for the next Making Sense webinar [here](#).

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

- Economic update
- Inflation & interest rates
- Where do markets go from here?

WHAT'S NEXT?

The next Making Sense Webinar: 4.27.2022 – Register [here](#).

REVIEW OUR 2022 [MARKET OUTLOOK](#)

The US Economy is slowing, and inflationary pressures remain high. Is a recession on the horizon?

- We are entering a new, lower growth phase of economic expansion—the economy is facing Federal Reserve rate increases, inflation at a 40-year high, and supply chain disruptions.
- **Does that mean we're heading towards a recession?** While the risk of inflation has risen, **we do not have a recession in our base case for the next twelve months.**
- However, we do think we are entering a strong mid-cycle slowdown. Should we slip into a recession down the road, remember where we are now:
 1. The labor market is strong
 2. Corporate earnings are at record highs

Both, along with elevated nominal GDP growth, would provide some cushion in the event of a recession.

Bottom line for the Fed, interest rates and inflation:

- The Fed has acknowledged that it is going to materially hike rates, so we now have markets and a federal reserve that are more in-line.
- Bond yields have come to terms with future hikes.
- Inflation is sky-high and the Russian invasion is exacerbating the issue.

What do we believe?

- The Fed will hike numerous times this year but will not reach the higher end of the market expectations.
- Inflation will moderate later this year but will remain elevated.
- Bond yields have adjusted significantly in advance of fed actions, so it is not a forgone conclusion that Treasury yields will continue to move up in a straight line.

Bottom line for markets:

- Wall Street consensus S&P 500 12-month forward price target is **5,278.60** or **16.8% return from close on March 24th**.ⁱ
- **Our 2022 S&P 500 price target is 4,900** equating to **~+3% growth over 2021**, but we expect a much more volatile year.
- **We believe the full market cycle can last through year-end 2023 and potentially reach 5,500 greater (2024 EPS of \$271 at ~20.5x), but much can and will likely change along the way.**



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ⁱ Bloomberg as of 3/25/22