

Making Sense

Monthly Market Update

Recorded on July 30, 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

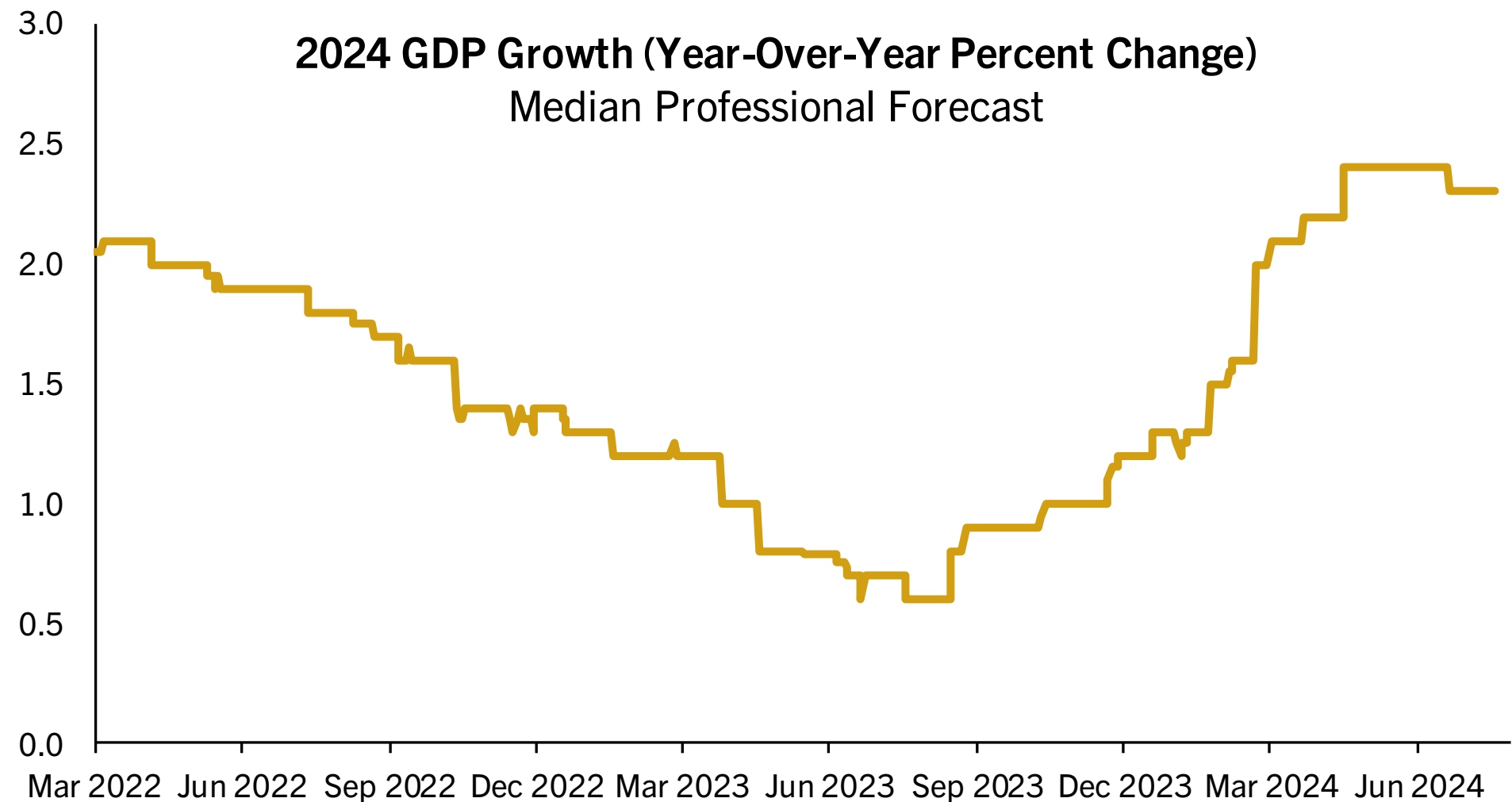
Economic Update

Interest Rates | Inflation | Labor Market

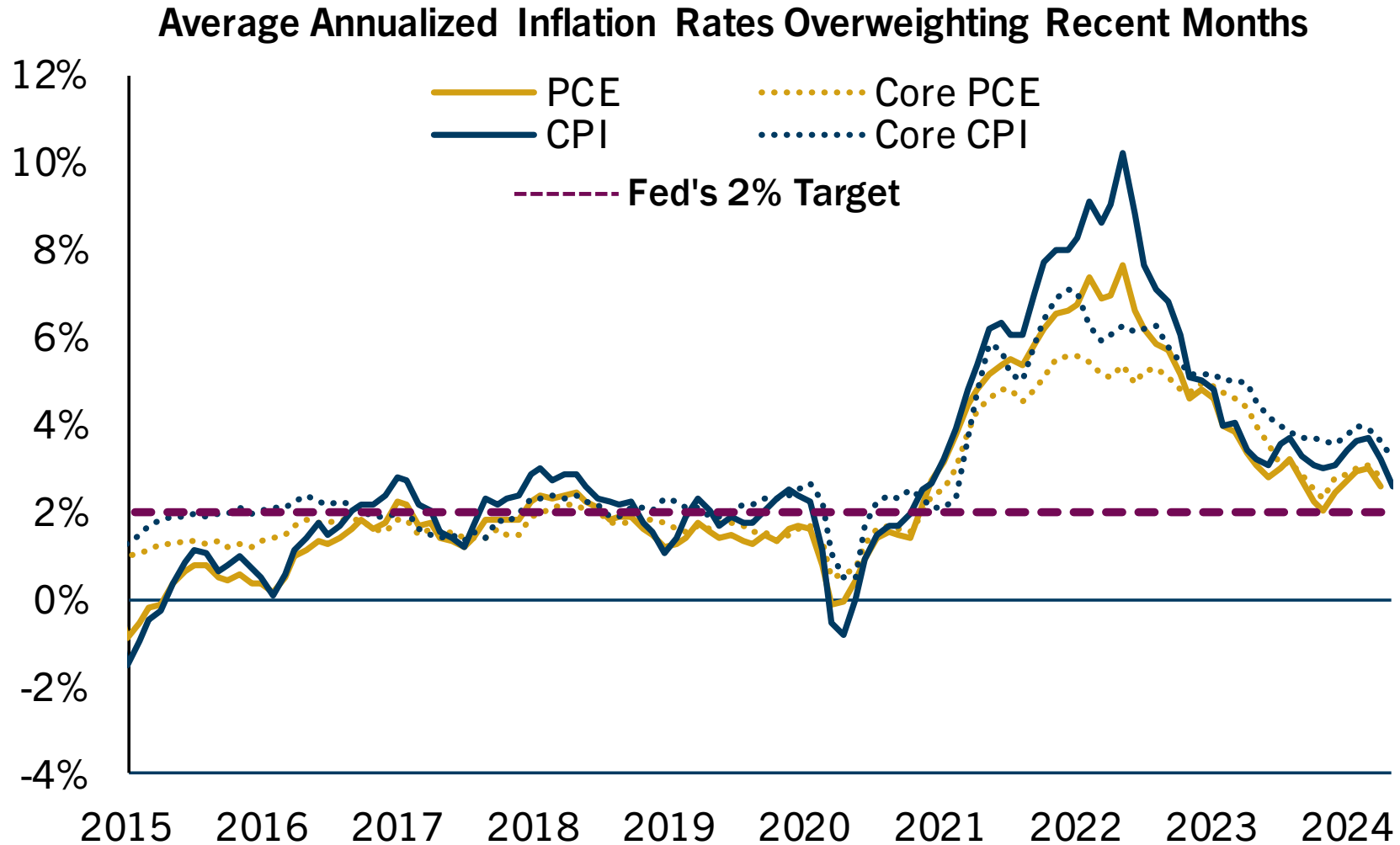
The Global Growth Outlook Has Been Revised Up

World Economic Outlook Consensus Real Economic Growth Estimates			
	2023	2024 Estimate as of:	
	Actual Growth	Dec-23	Jul-24
World	3.3%	2.6%	3.0%
United States	2.5%	1.3%	2.3%
Euro Area	0.5%	0.5%	0.7%
United Kingdom	0.1%	0.3%	0.8%
Japan	1.9%	0.8%	0.2%
China	5.2%	4.5%	5.0%

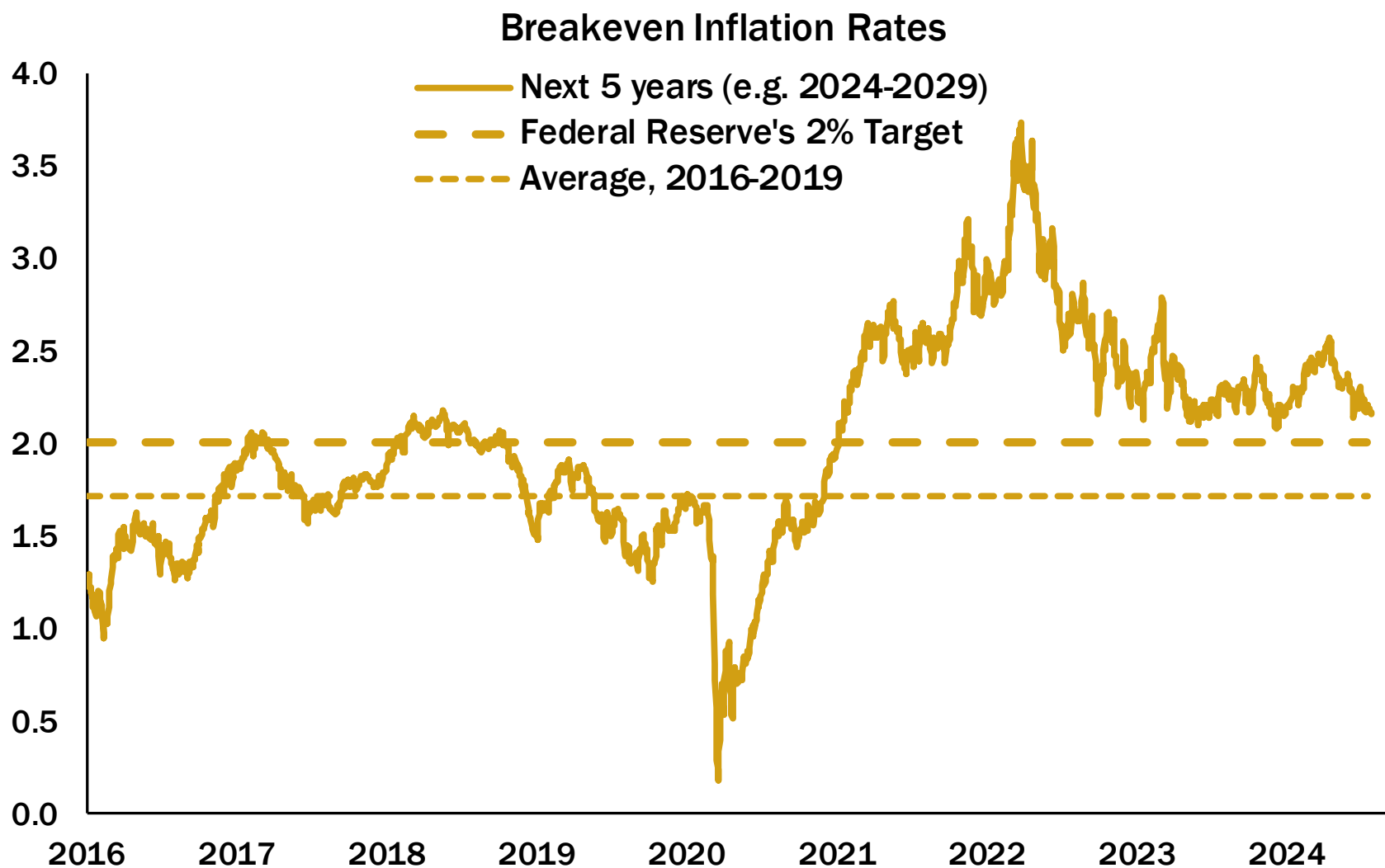
The Outlook for the US Economy Remains Upbeat



Inflation Has Improved in Recent Months

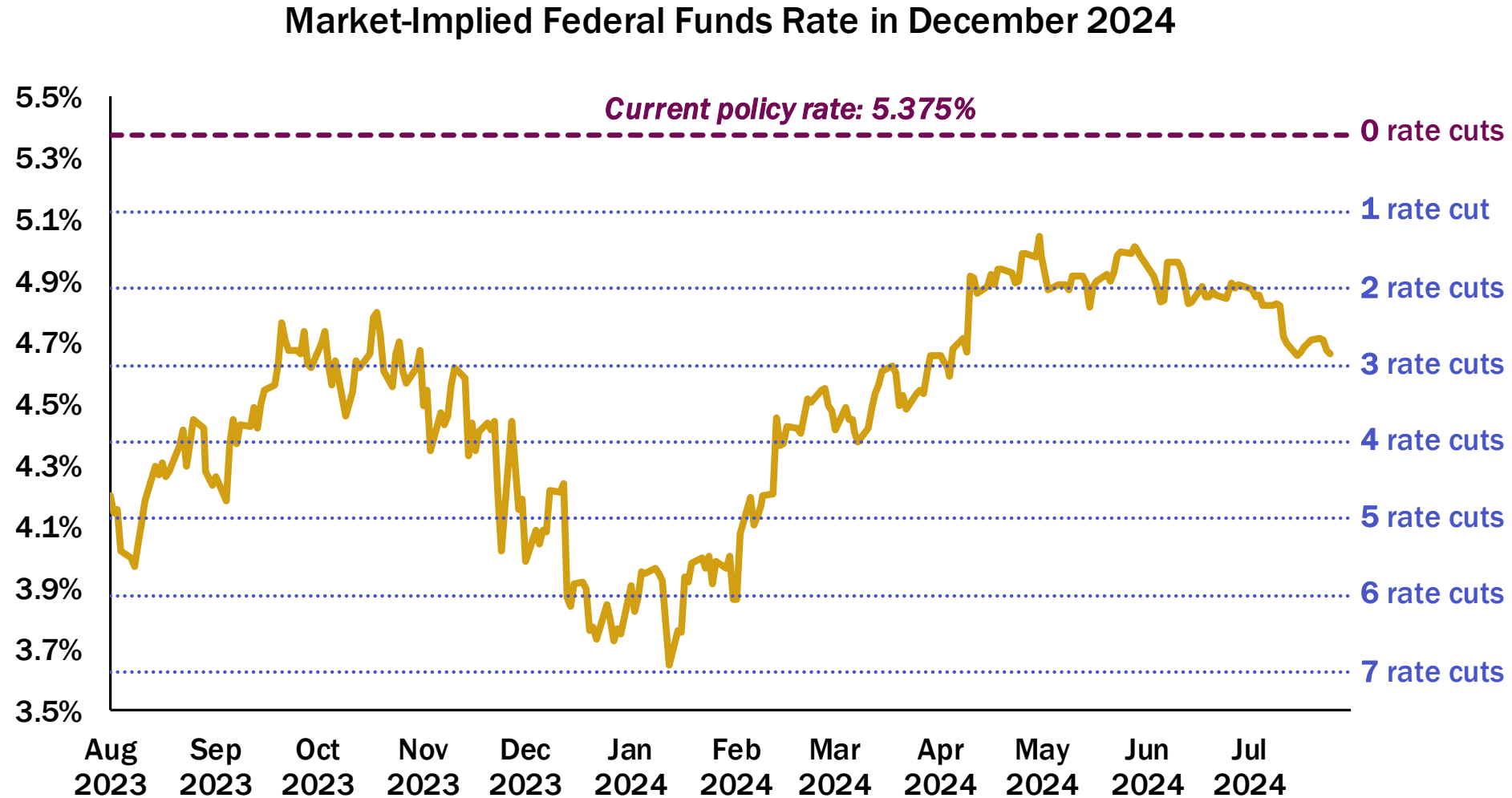


Market Inflation Expectations Are Settling Modestly Above 2%

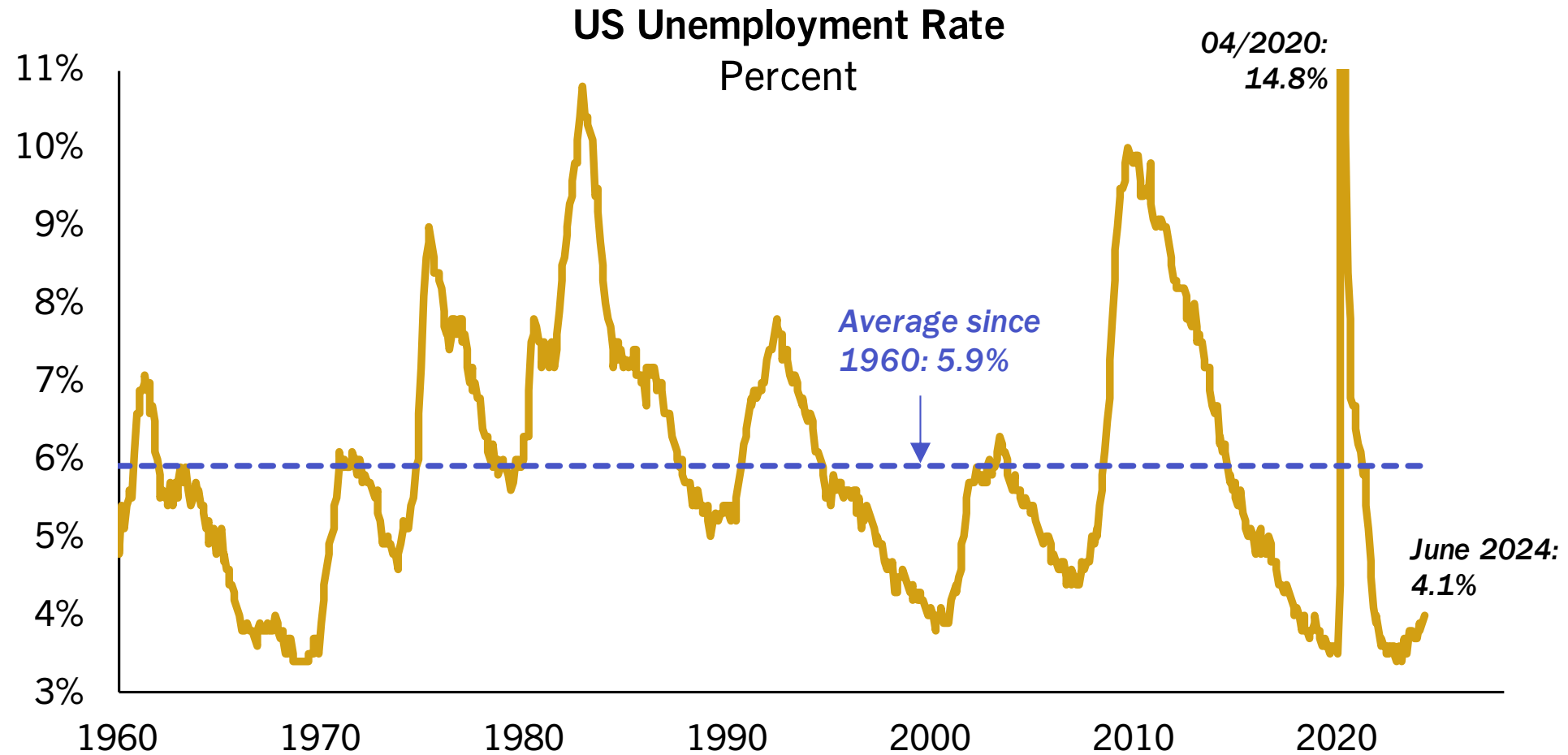


Note: Breakeven inflation rate is calculated by subtracting the real yield of the inflation linked maturity curve from the yield of the closest nominal Treasury maturity.
Source: Bloomberg.

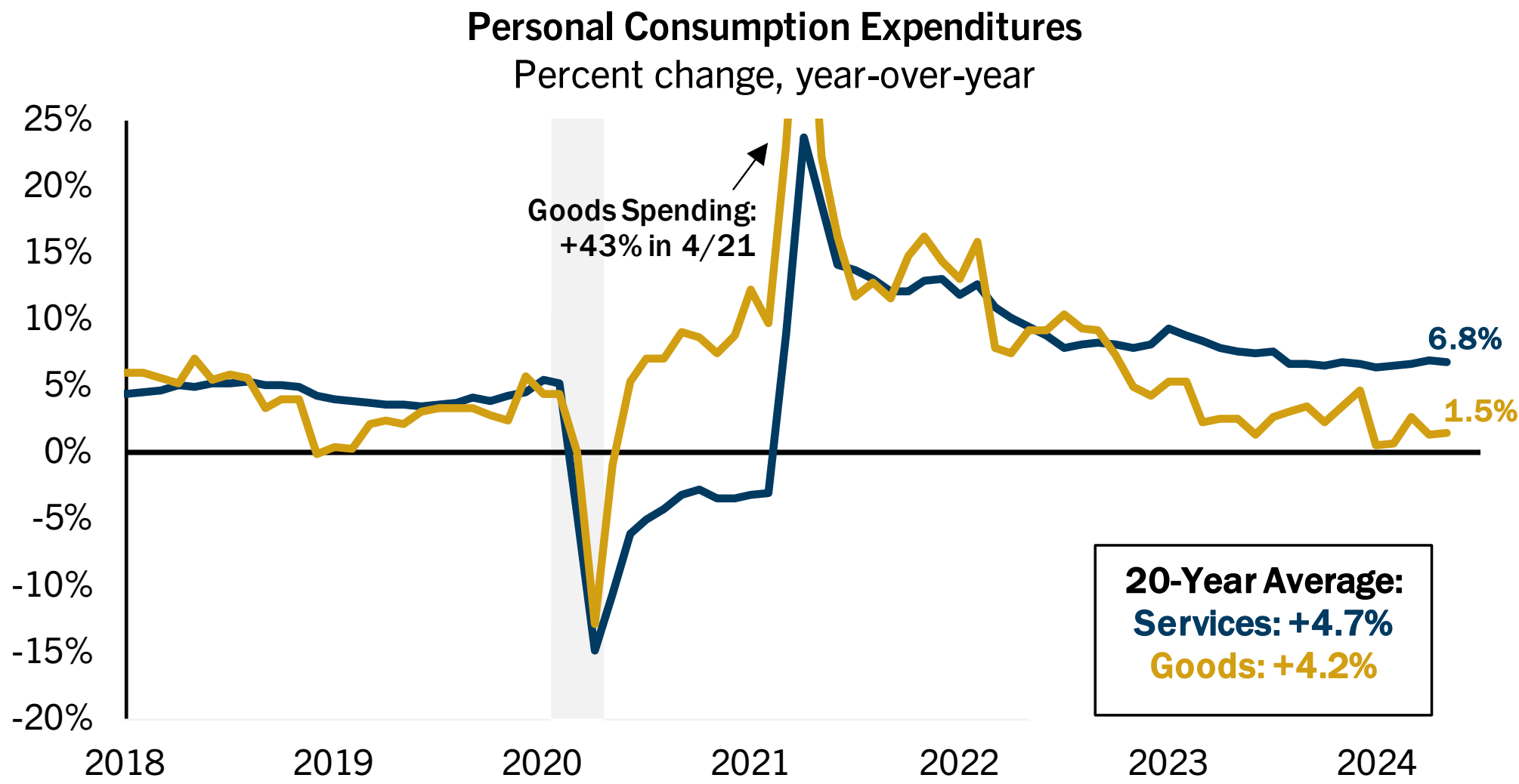
After Volatile Swings, Markets Expect 2-3 Interest-Rate Cuts This Year



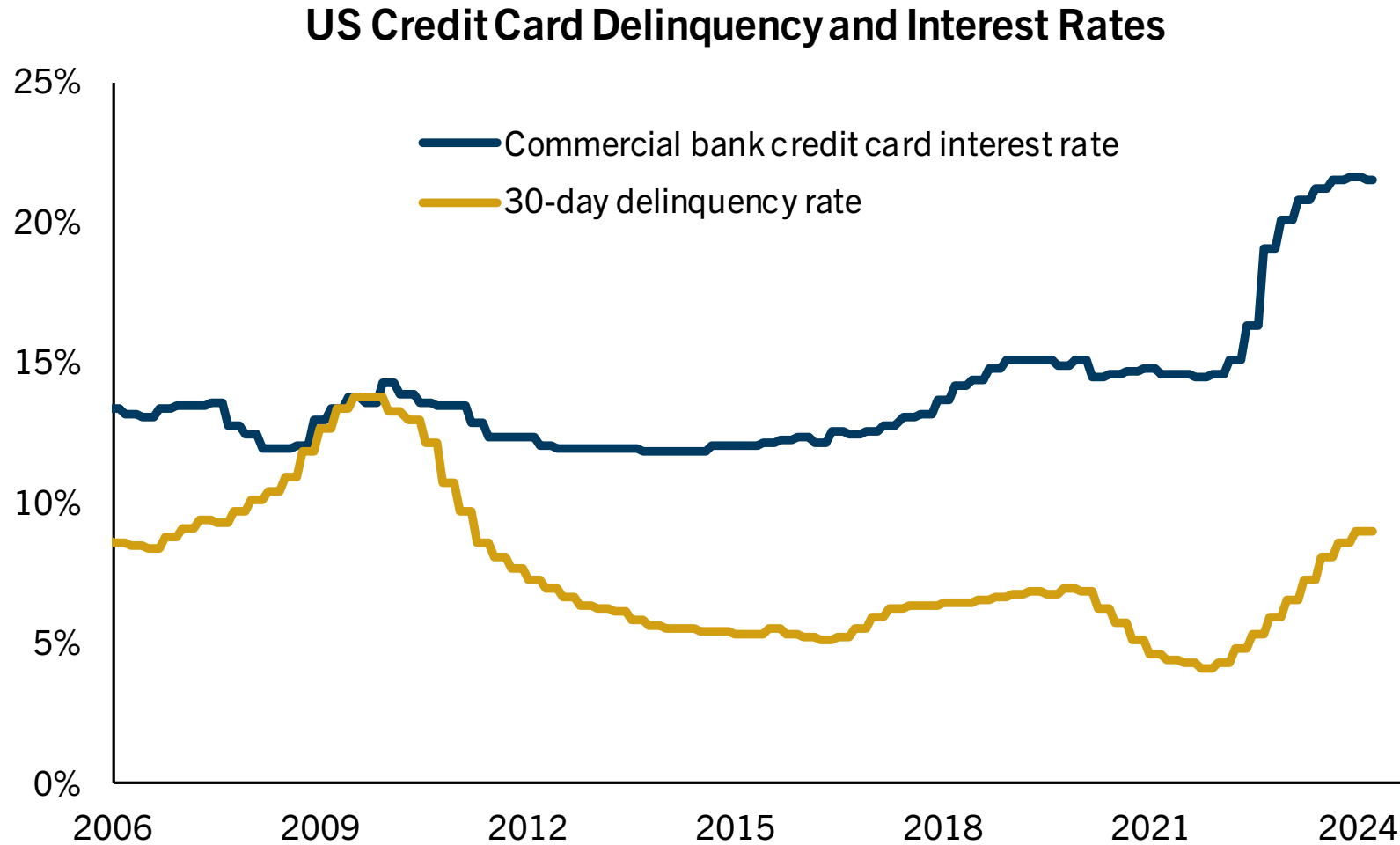
The Unemployment Rate Has Moved Up Despite Strong Job Growth



Consumer Expenditures Are Holding Up, Led by Services Spending



Revolving Credit Rates Have Surged, and Delinquencies Are Up



Economic Tailwinds and Headwinds

Tailwinds

- Service sector employment and spending
- Corporate earnings
- Disinflationary trend
- Interest-rate cuts from the Fed
- Job gains and limited layoffs
- Financial conditions

Headwinds

- Elevated interest rates with incoming maturity wall
- Softer consumer spending and increased CC delinquencies
- Waning fiscal stimulus effect
- Housing sector
- Government debt and deficits
- Geopolitical tension/risks
- Softening labor demand

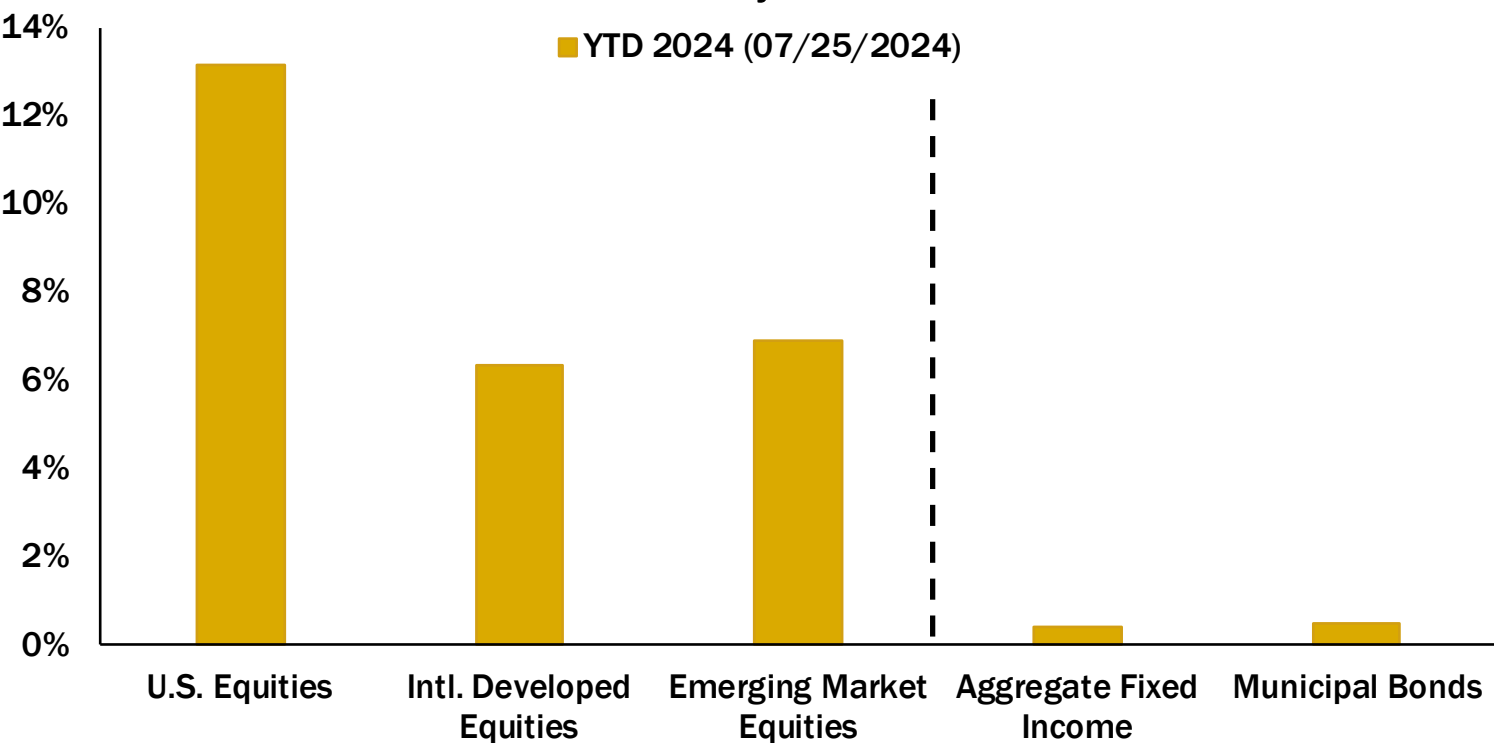
Market Update

Equity Markets | Fixed Income | Potential Headwinds

Global Markets Year-to-Date

Total Return by Asset Class

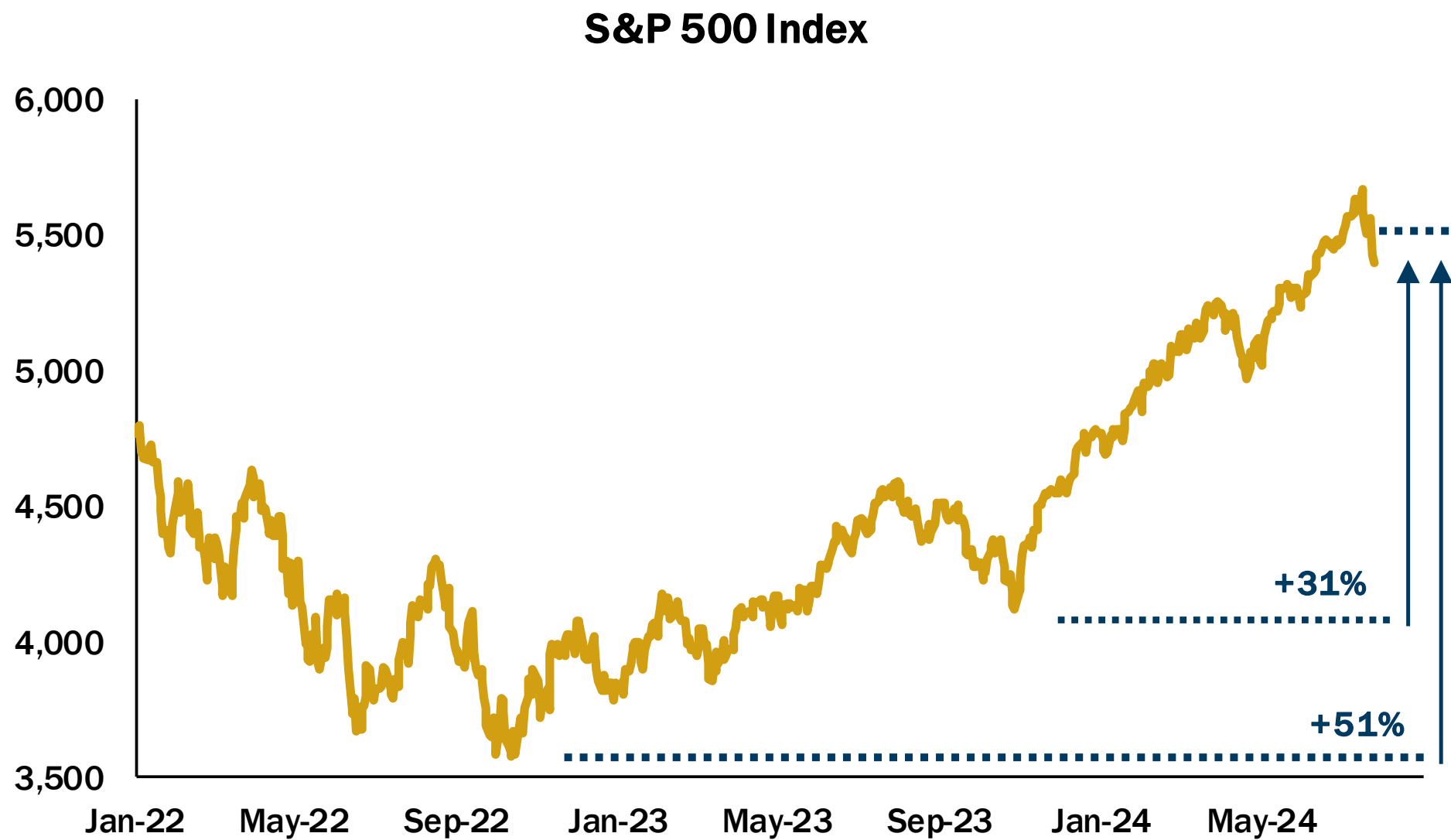
■ YTD 2024 (07/25/2024)



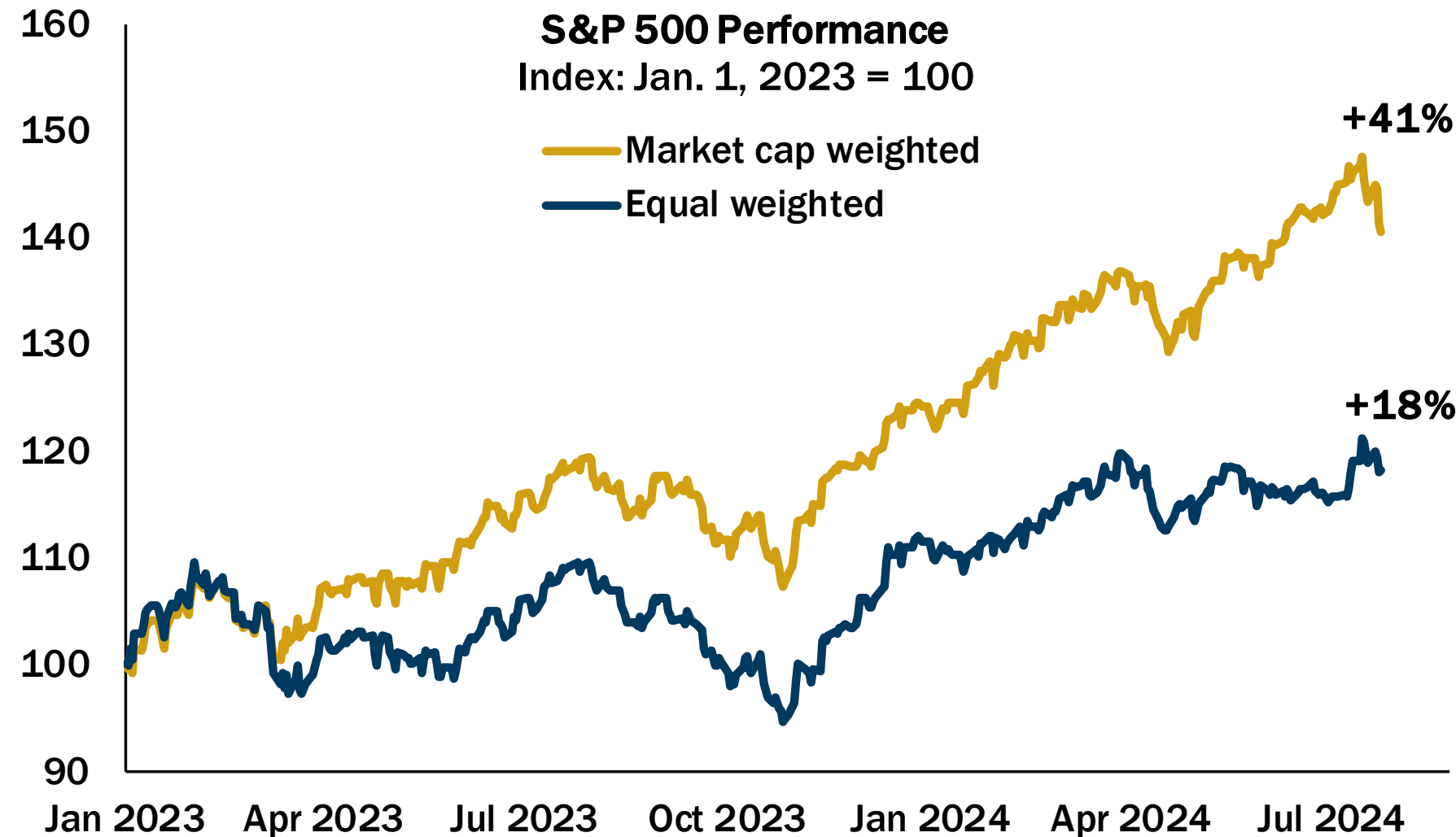
YTD US Equity Returns
As of 07/25/2024

	Value	Blend	Growth
Large	10.6%	15.2%	17.6%
Mid	8.1%	7.5%	5.4%
Small	9.7%	10.5%	11.4%

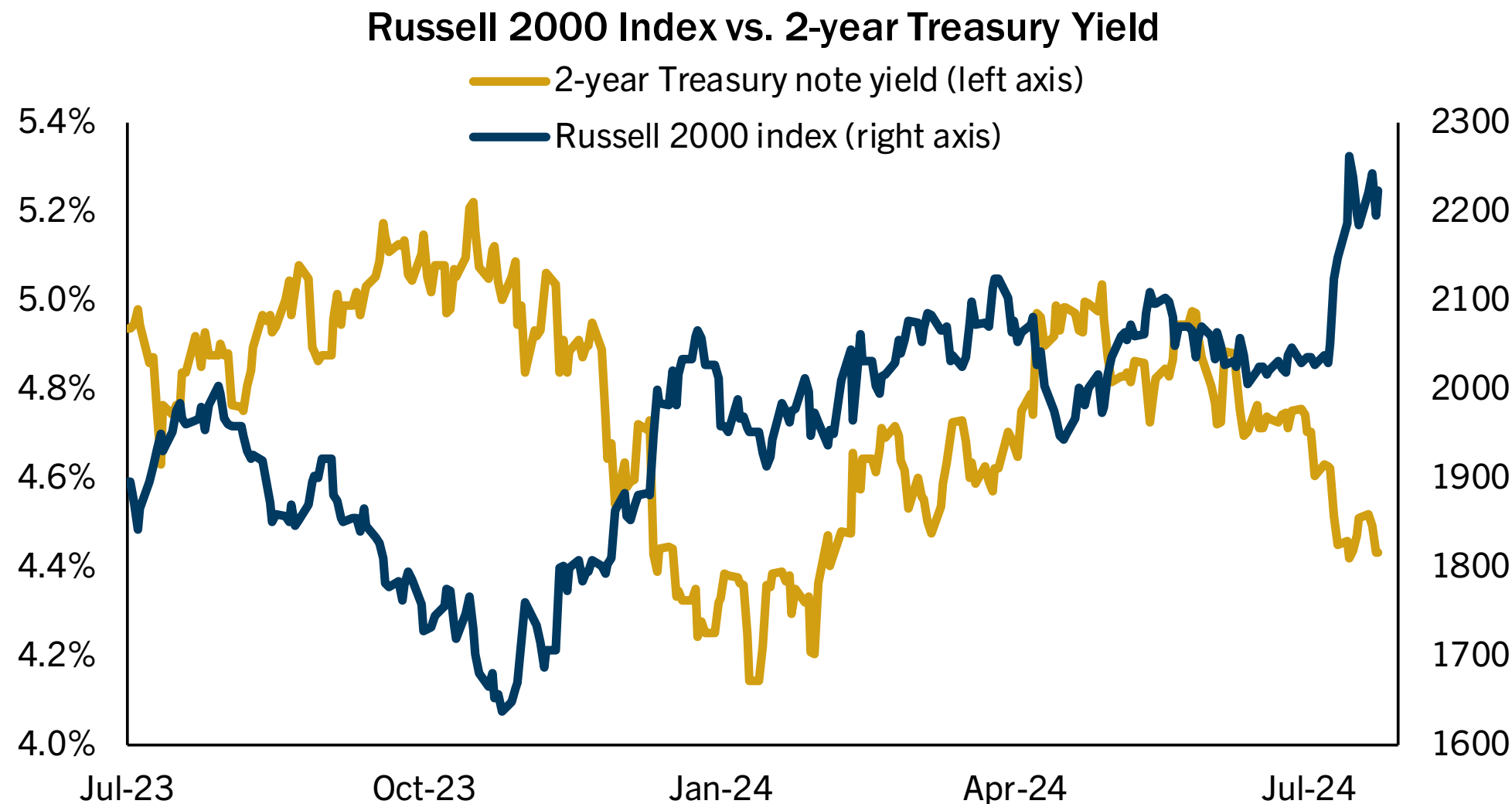
Stocks Have Rallied Sharply



Large-cap Stocks Have Outperformed by a Significant Margin

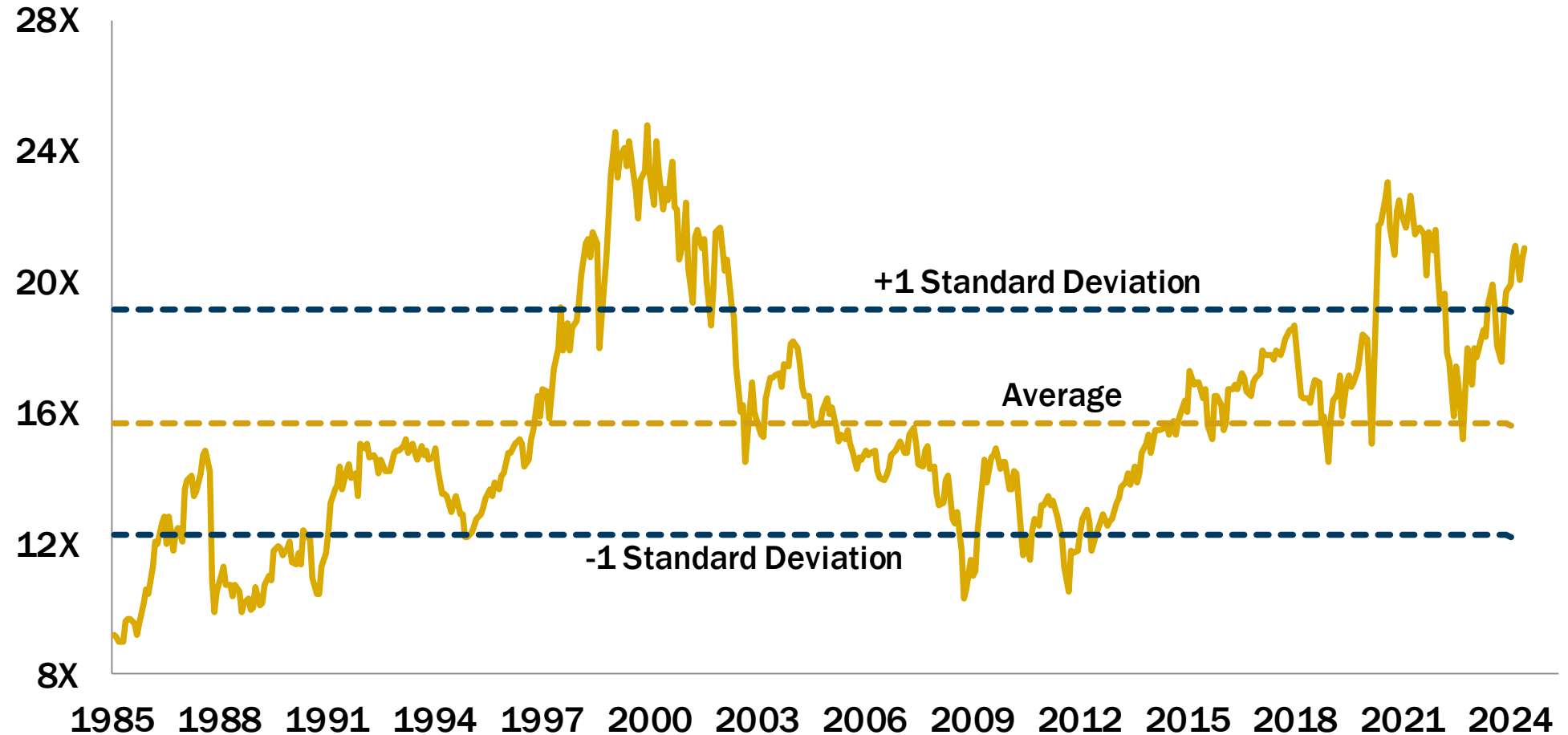


Rate-Sensitive Small-Cap Stocks Have Surged Recently

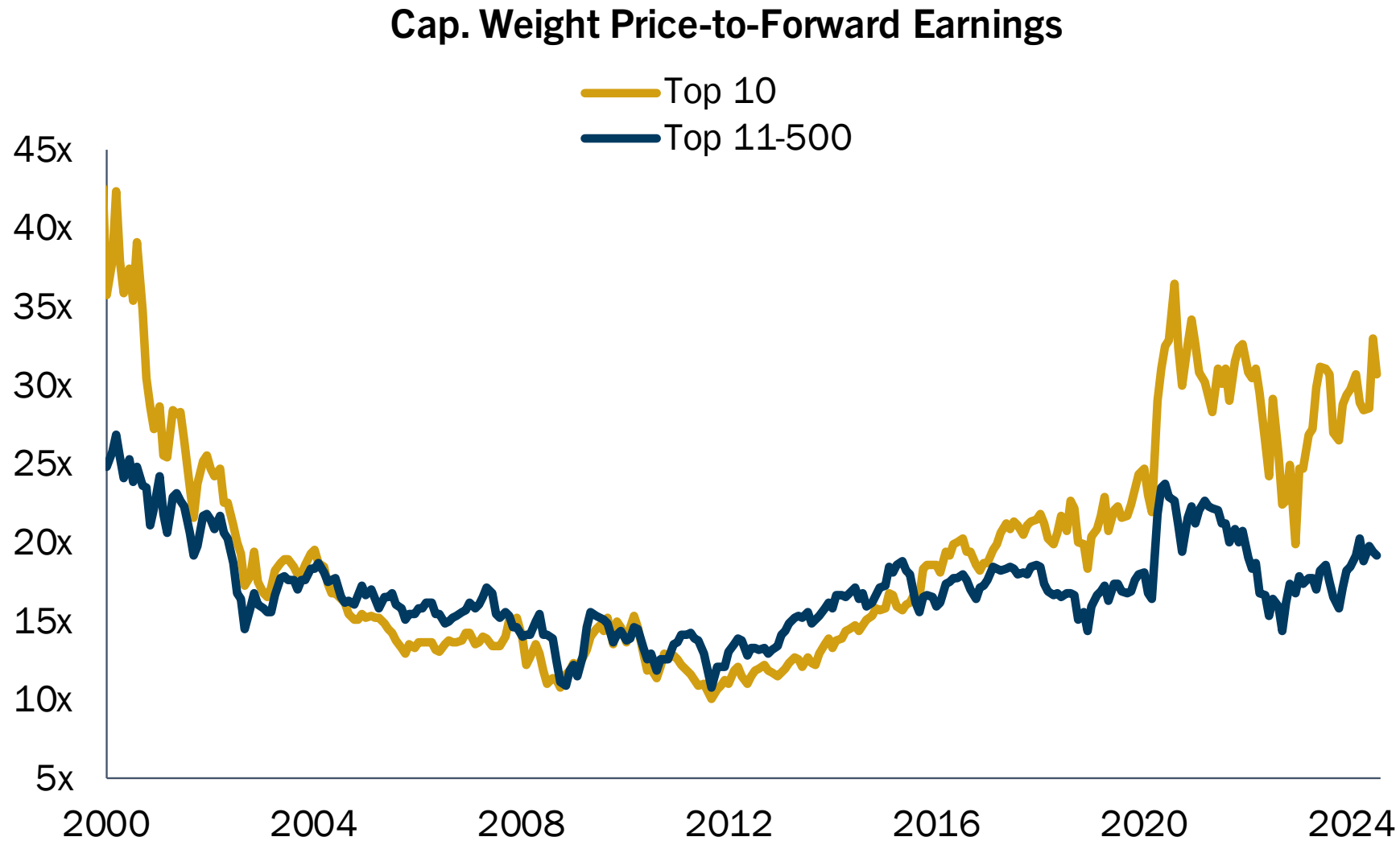


Market Valuation Below Extremes but Above Average

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

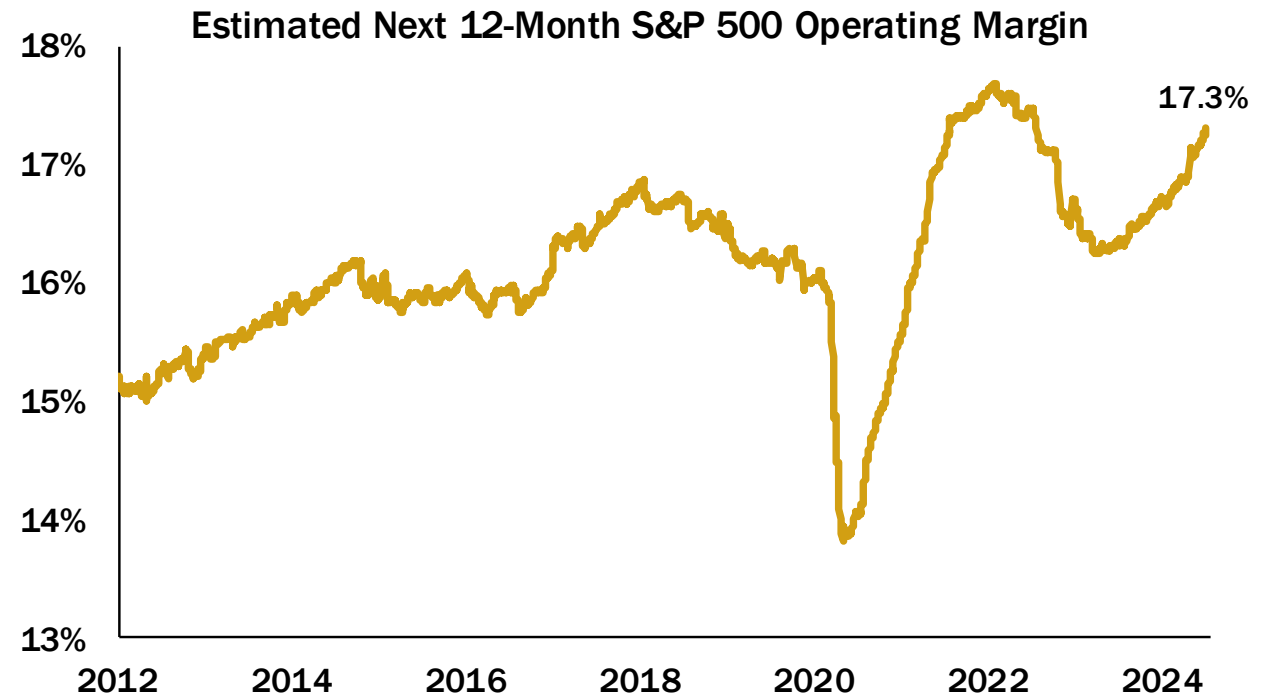


P/E Ratios Suggest There is Room For Broadening

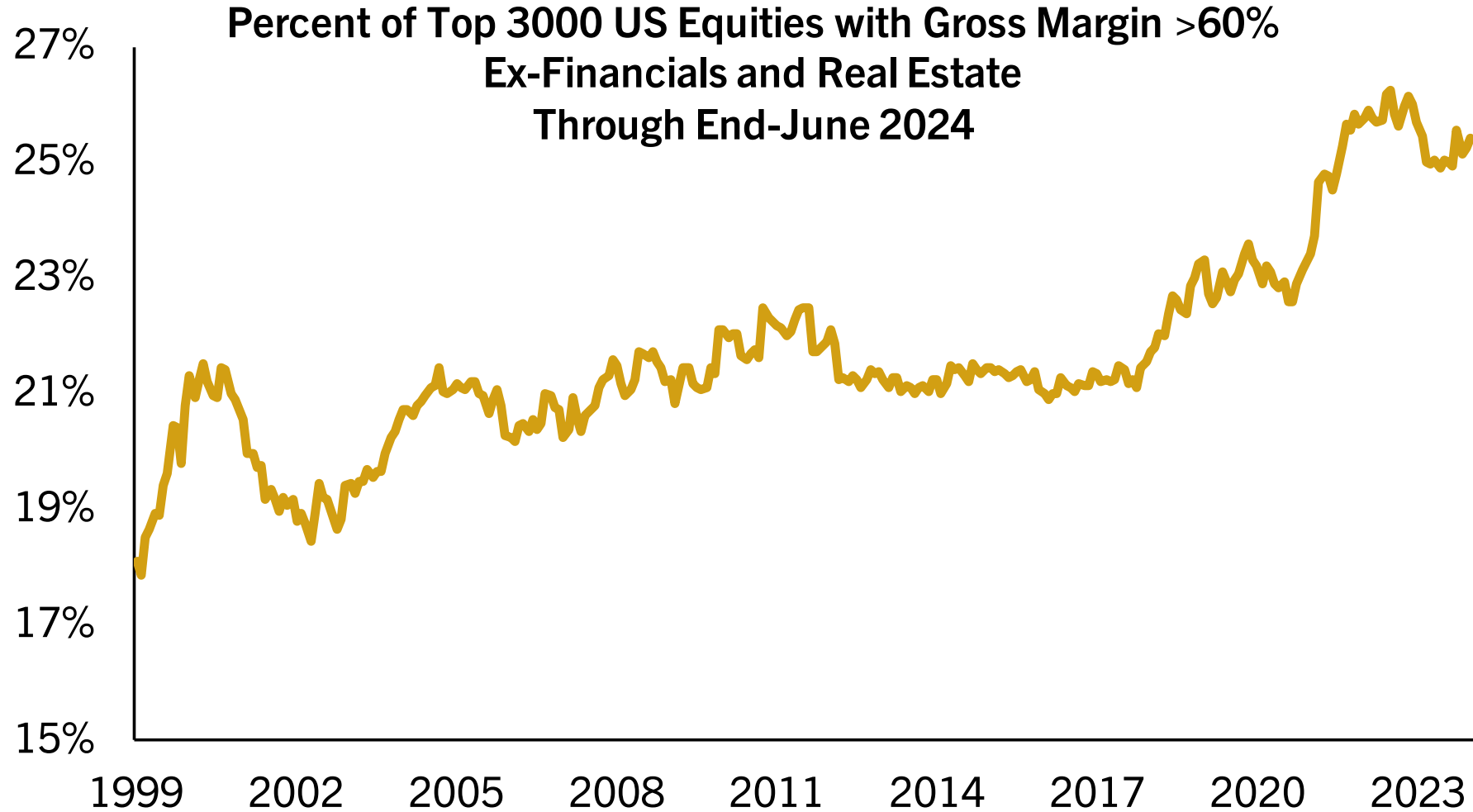


Corporate Earnings

- 2024 estimated growth is **10.9%**
- 2025 estimated growth is **14.8%**
- Average growth since 1950 is **7.6%**



25% of Companies Have Greater Than 60% Gross Margin

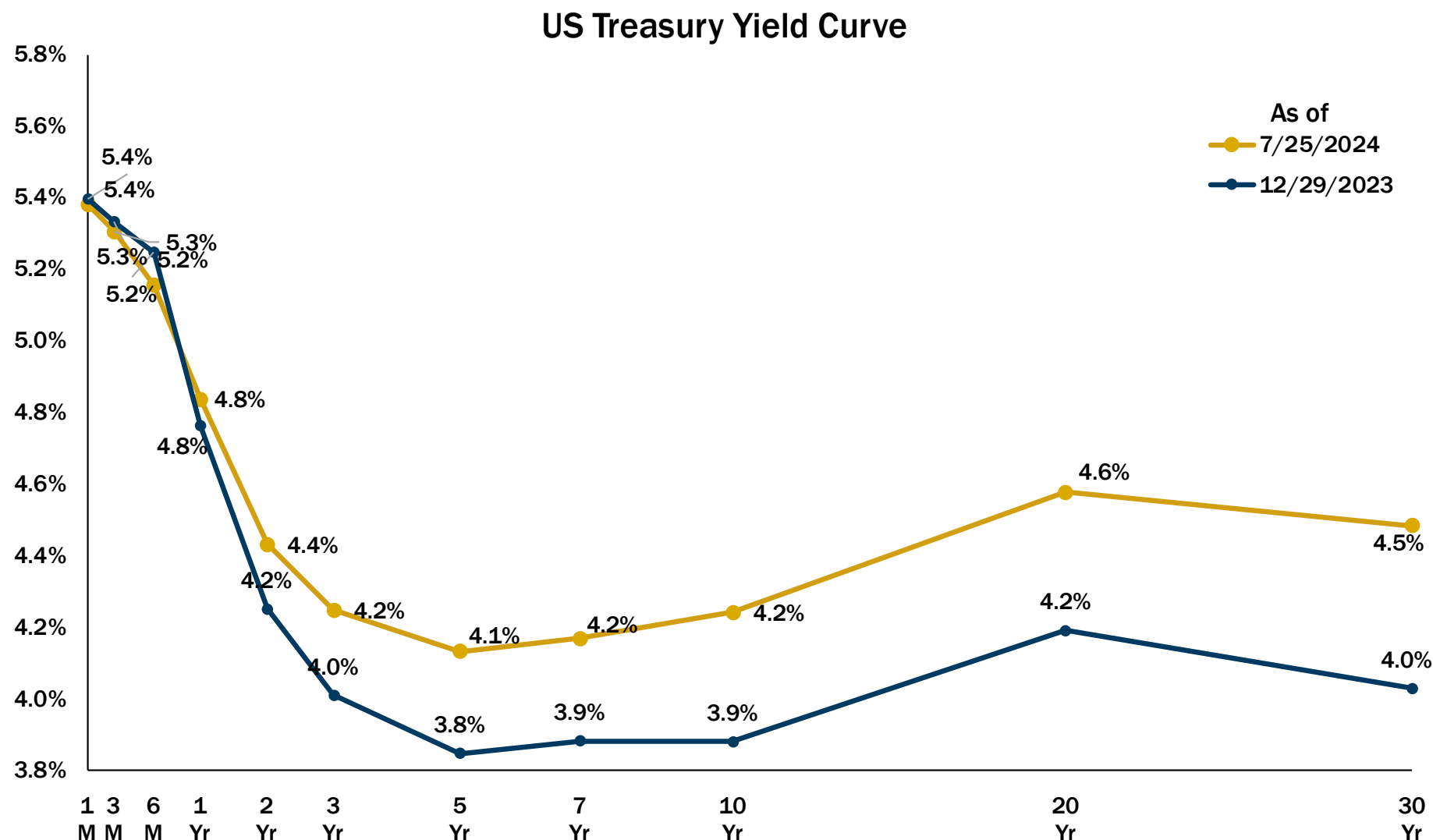


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 7/29/24
Bear	4,400	-19.5%
Base	5,900	7.9%
Bull	6,500	18.9%

US Treasury Yield Curve Remains Inverted



Bond Yields Remain Elevated Versus Recent History

US Fixed Income Indices		
Index	Yield-to-Worst	
	12/31/2021	7/25/2024
2-Year Treasury	0.73%	4.43%
10-Year Treasury	1.51%	4.24%
Aggregate Bond	1.75%	4.82%
Intermediate Government/Credit	1.30%	4.60%
Municipal Bond	1.11%	3.58%
Investment Grade Corporate Bond	2.33%	5.32%
High Yield Corporate Bond	4.21%	7.66%

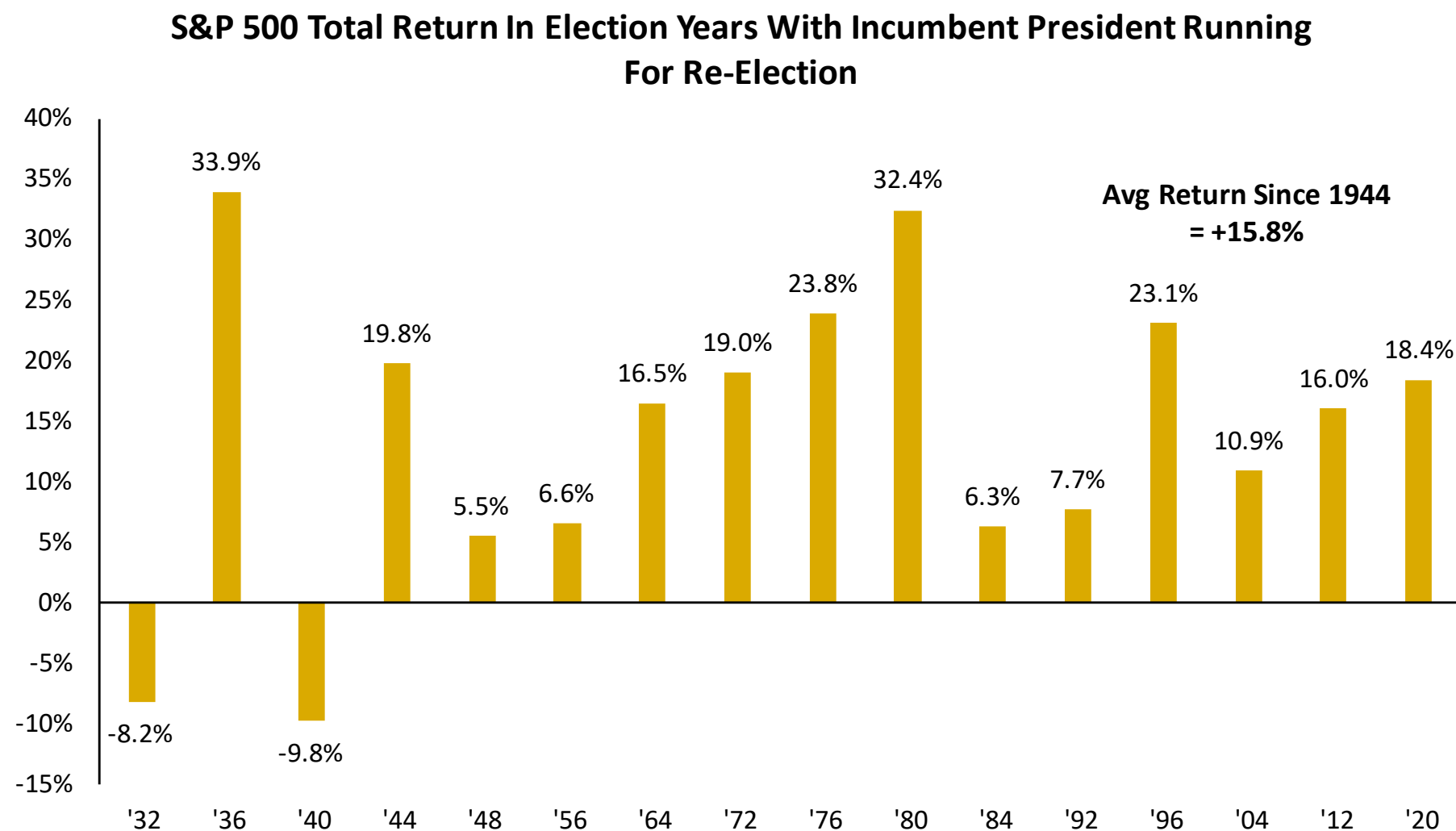
Election Year

Current Environment | Historical Perspective

The Political Environment Has Changed Substantially in Recent Weeks

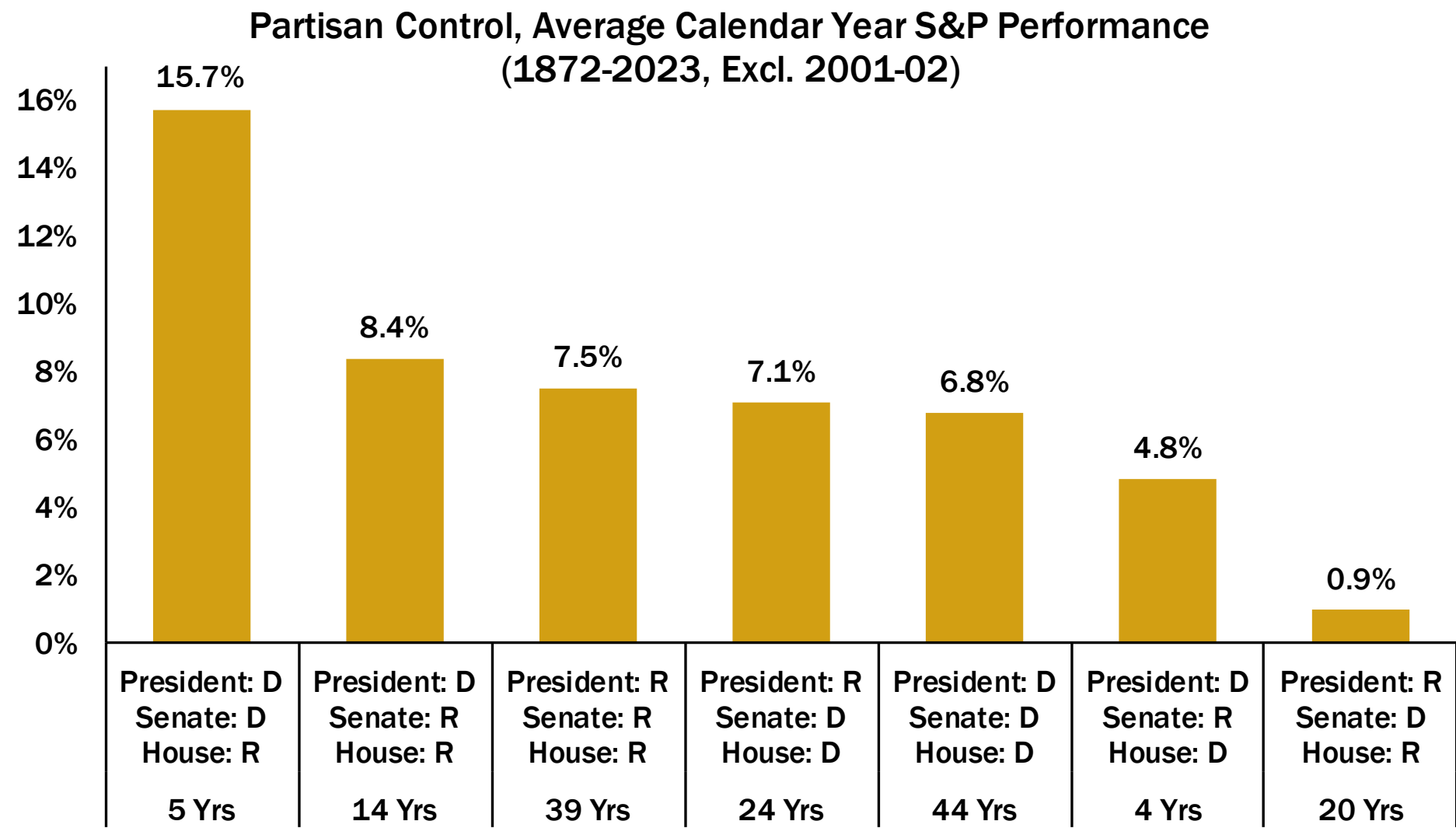
Prediction Market-Implied Probability of Winning Presidential Election					
		<i>Presidential debate</i>	<i>Pres. Trump assassination attempt</i>	<i>Pres. Biden withdraws from 2024 election</i>	<i>Latest</i>
	June 1, 2024	June 27, 2024	July 13, 2024	July 21, 2024	July 25, 2024
Democratic Party Candidate	50%	43%	36%	42%	46%
Republican Party Candidate	50%	57%	64%	58%	54%

Presidential Cycle: S&P 500 Returns



Source: Strategas, *1948 Truman assumed office after FDR's death; 1964 Johnson assumed office after JFK's death ; 1976 Ford assumed office after Nixon's resigned - all sought additional terms

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



Source: Strategas. Note: Data excludes 2001-2002 due to a Senator changing political parties midyear.

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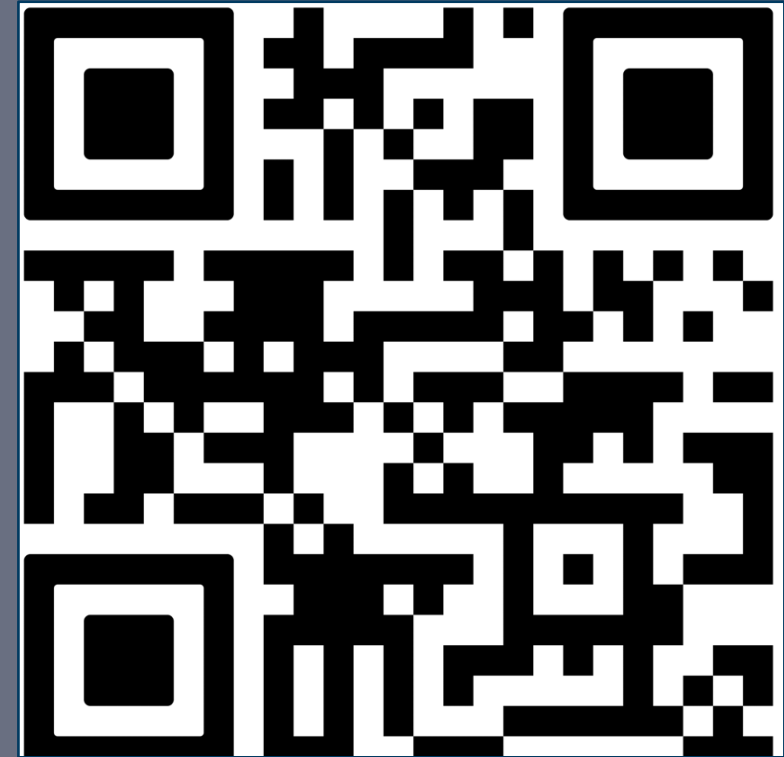
Making Sense

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

Market updates | Monthly interactive discussions with in-depth analysis of markets and the economy

Articles | Often coinciding with market or economic events



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Authors

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

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

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