

Making Sense

Monthly Market Update

Recorded on October 29, 2024



Brent Ciliano, SVP
Chief Investment Officer



Phillip Neuhart, SVP
Director of Market and
Economic Research

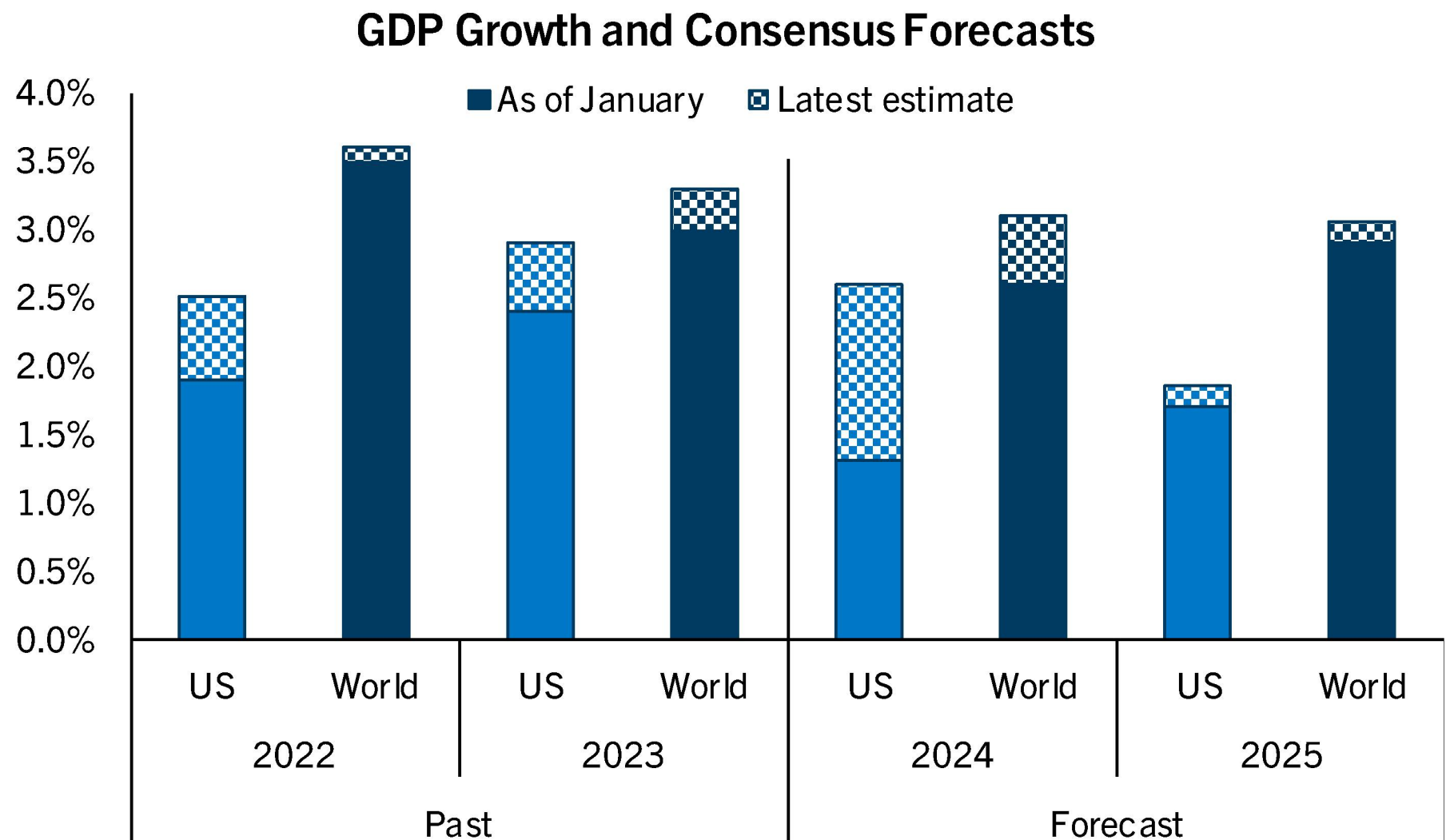
What are we going to cover?

1. **Economic Update:**
Interest Rates | Inflation | Labor Market
2. **Market Update:**
Equity Markets | Fixed Income | Potential Headwinds

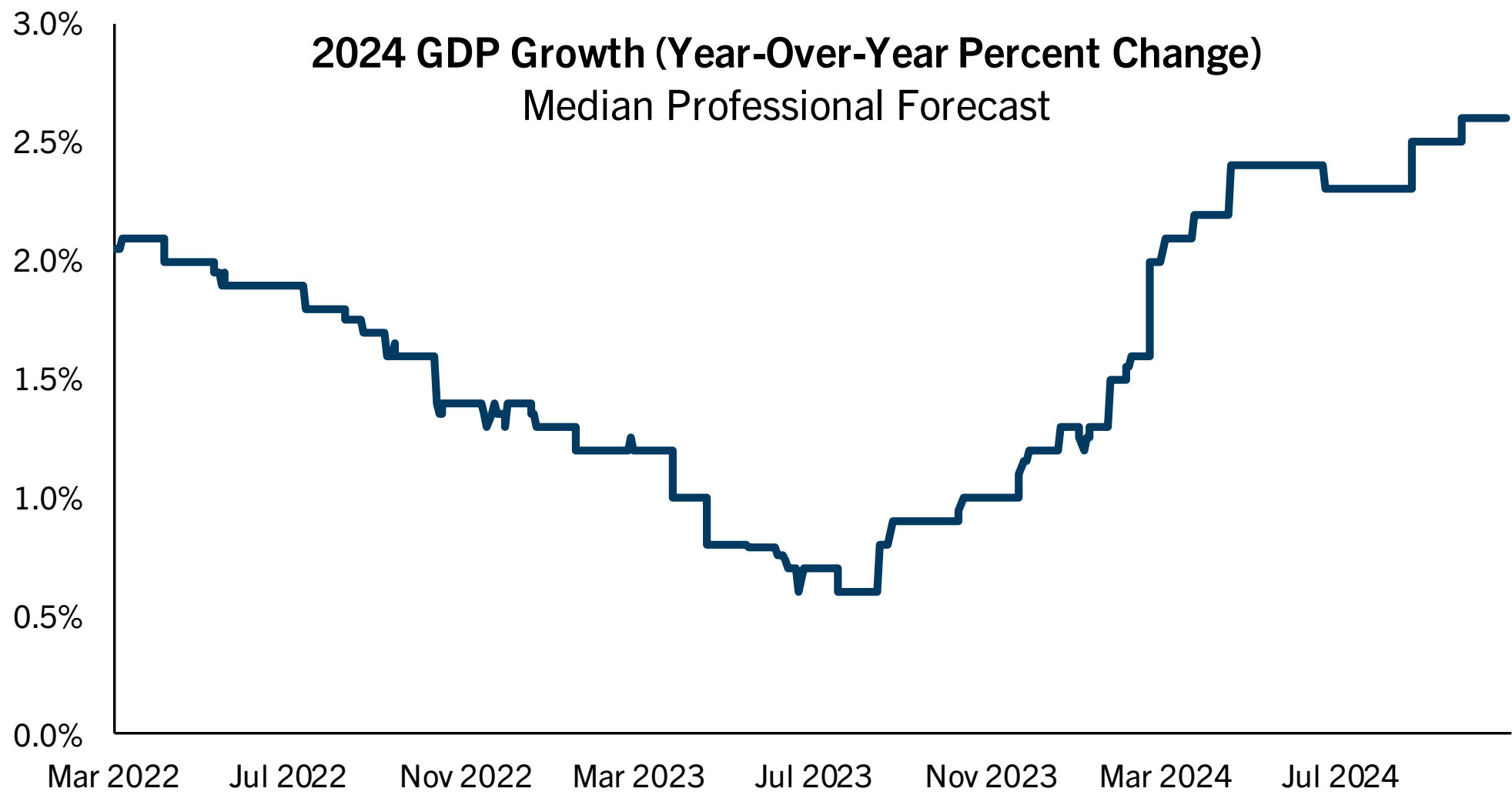
Economic Update

Interest Rates | Inflation | Labor Market

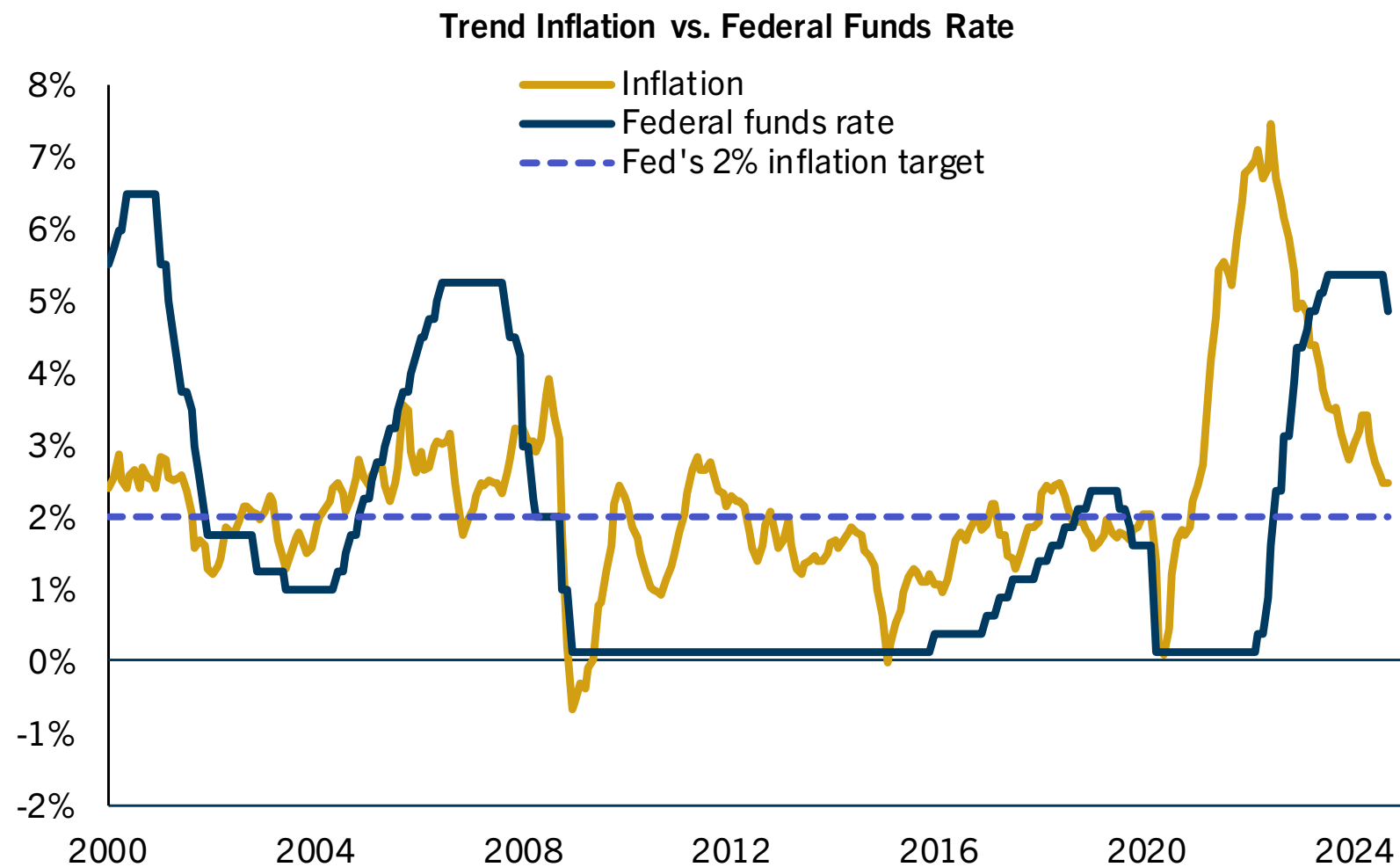
US and Global Economic Growth Have Been Revised Up Considerably



Expectations for US Growth This Year Became Rosier Over the Second Half

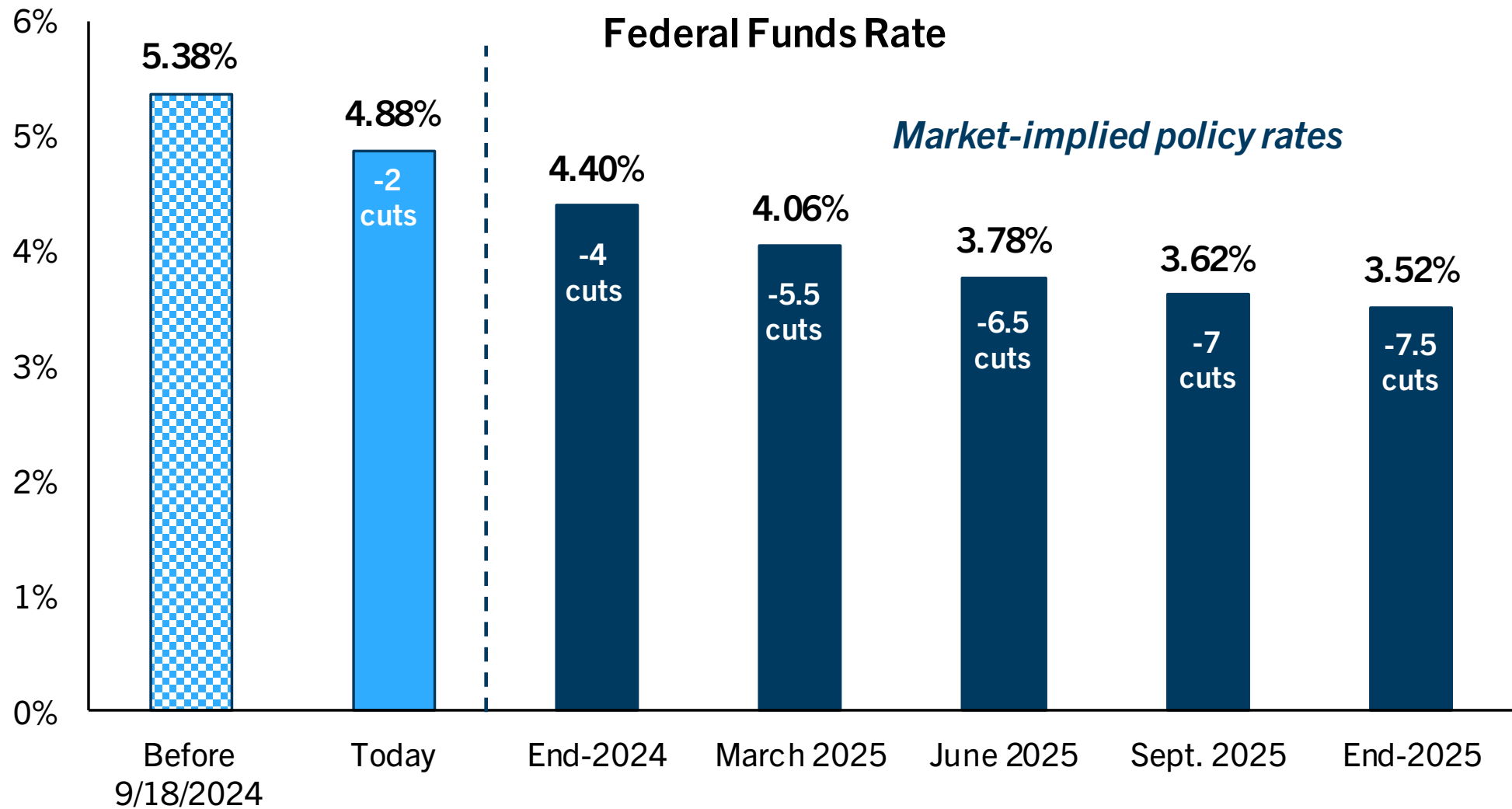


Monetary Policy Appears Increasingly Restrictive as Inflation Falls



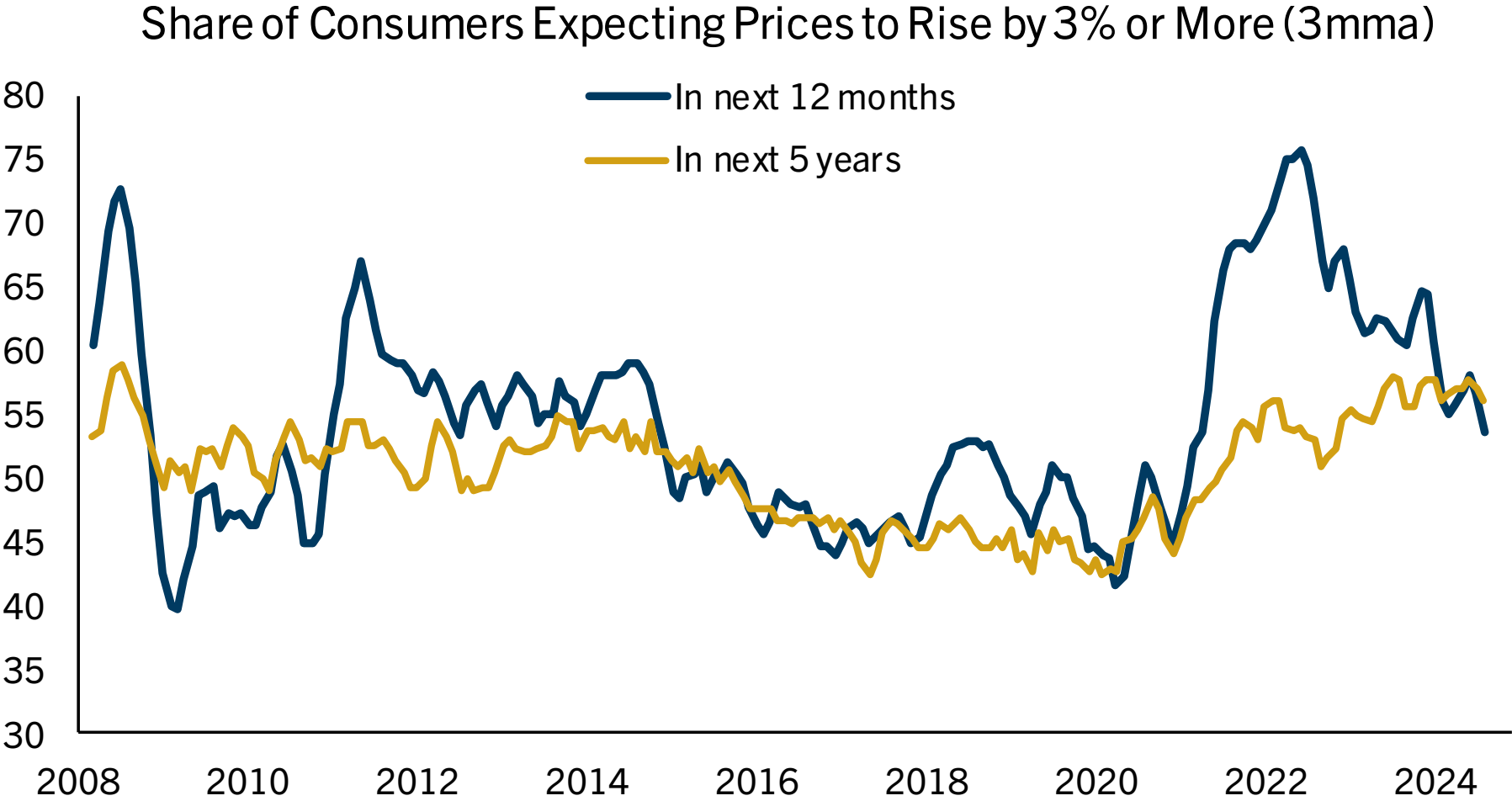
Source: Bloomberg, First Citizens Wealth. Data through Sept. 2024.

Markets Expect The Fed Will Cut Rates by About 2.0% in Total by Dec. 2025



Source: Bloomberg, First Citizens Wealth. Data as of 10/28/2024.

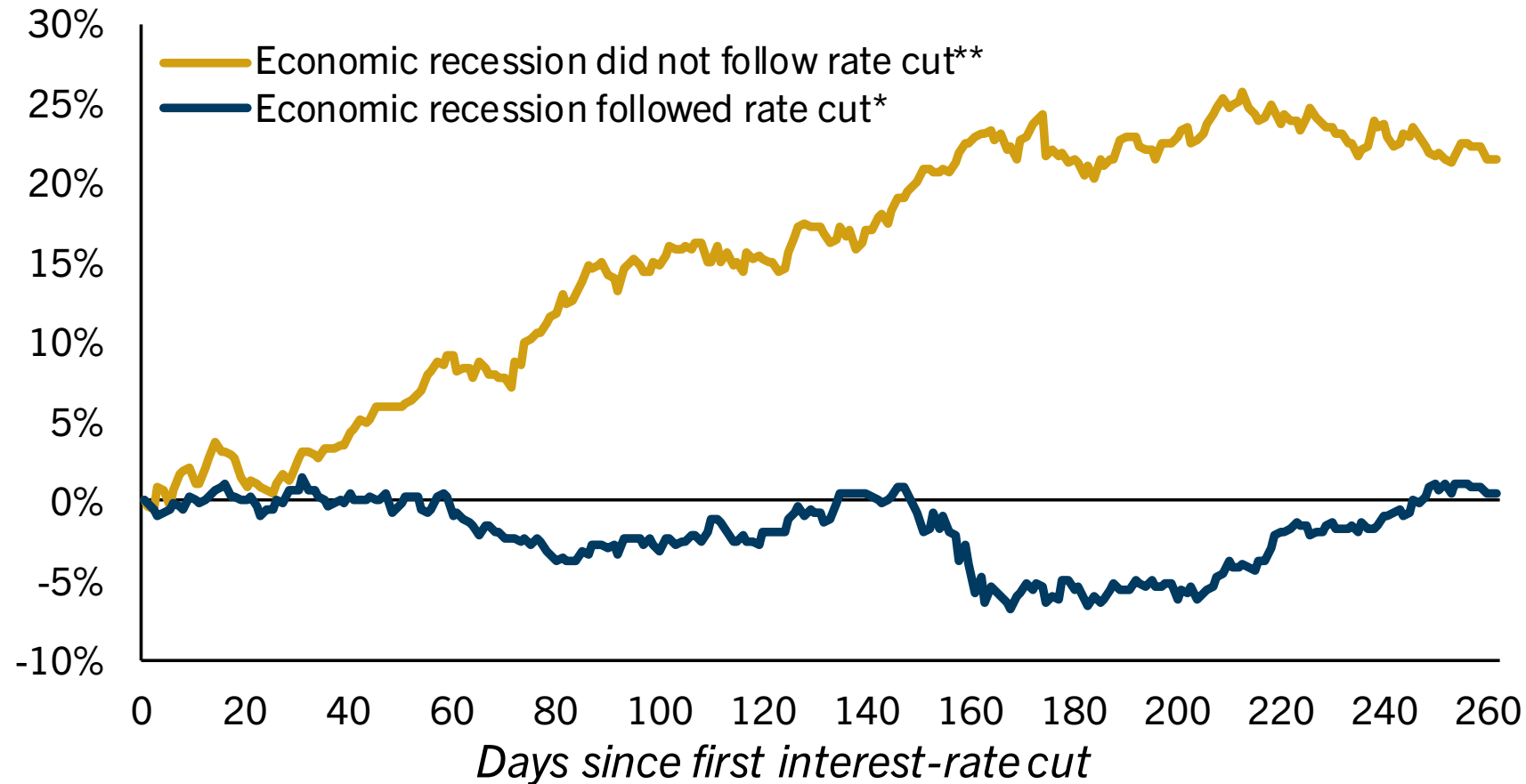
Many Consumers Expect Inflation Will Settle at 3% or Higher



Source: University of Michigan, First Citizens Wealth. Data through Sept. 2024.

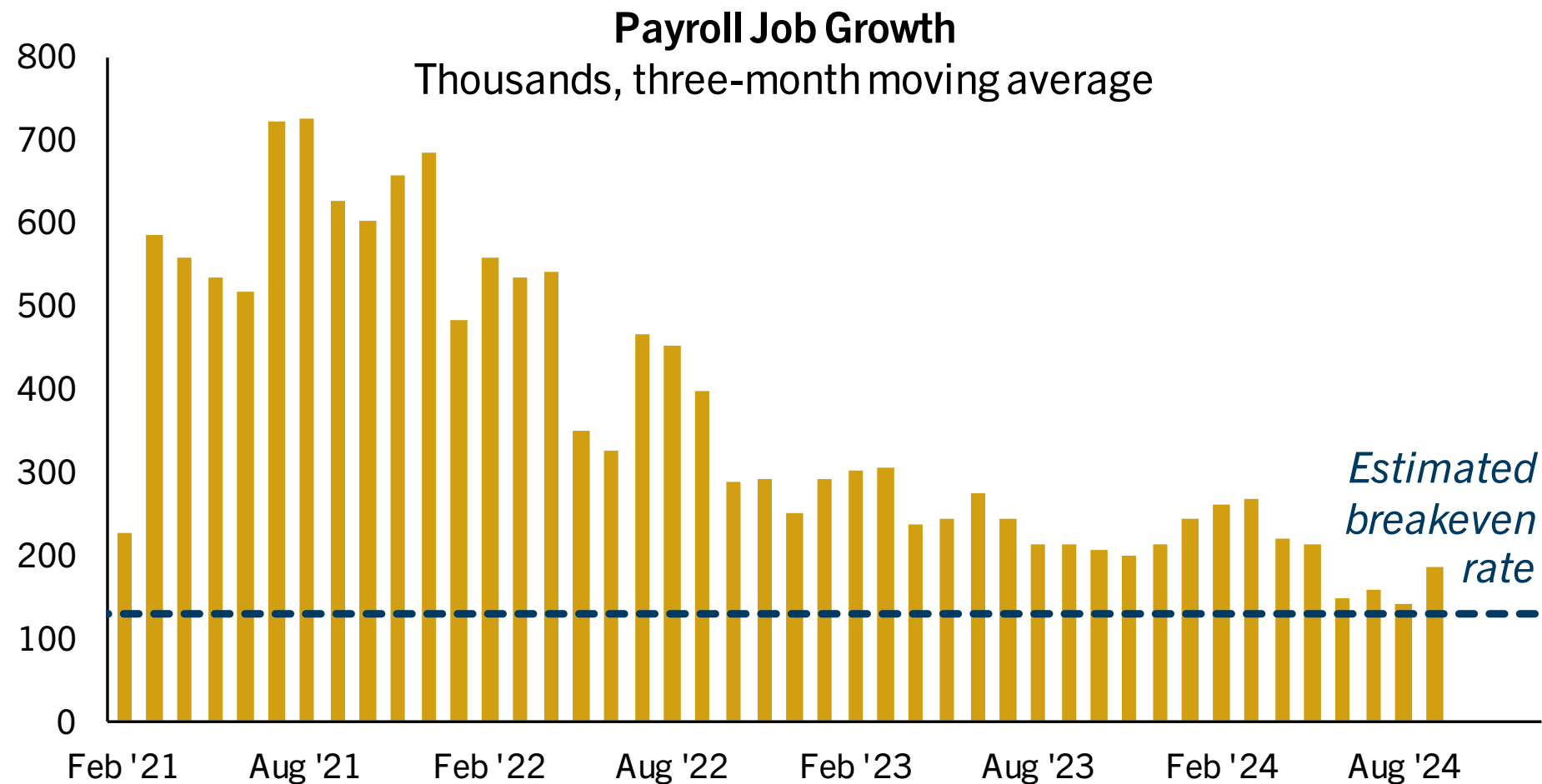
Equity Market Performance After Rate Cuts Depends on Economic Outcome

Average S&P 500 Return From Date of First Rate Cut, Since 1979



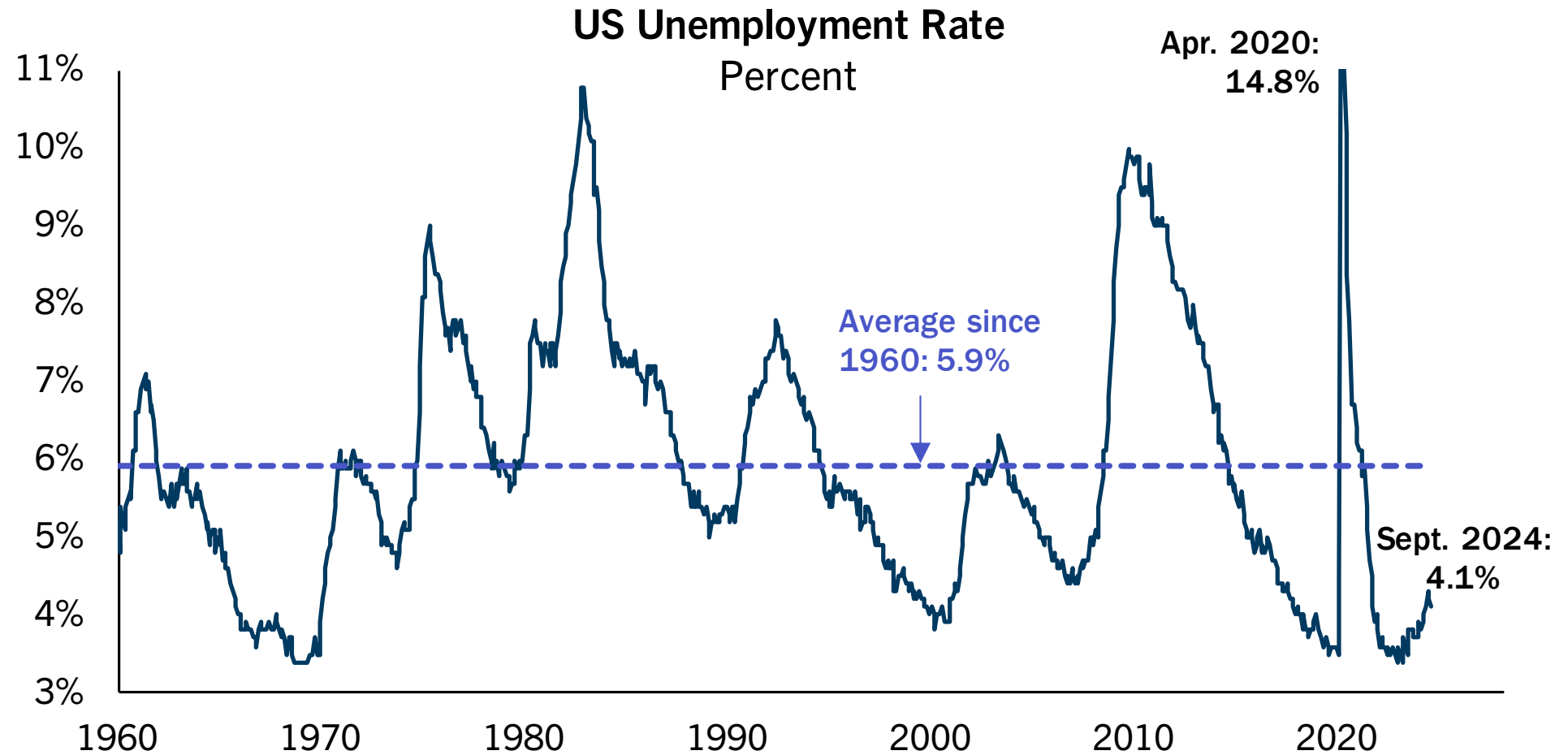
* Dec-1979, Jun-1981, Jun-1989, Jan-2001, Sep-2007, Jul-2019 ** Oct-1984, Jul-1995, Sep-1998
Source: Bloomberg, First Citizens Wealth

New Payroll Job Growth Is Slowing Roughly to Trend Pace



Source: Department of Labor, Bloomberg, Federal Reserve Bank of San Francisco. Data through Sept. 2024.

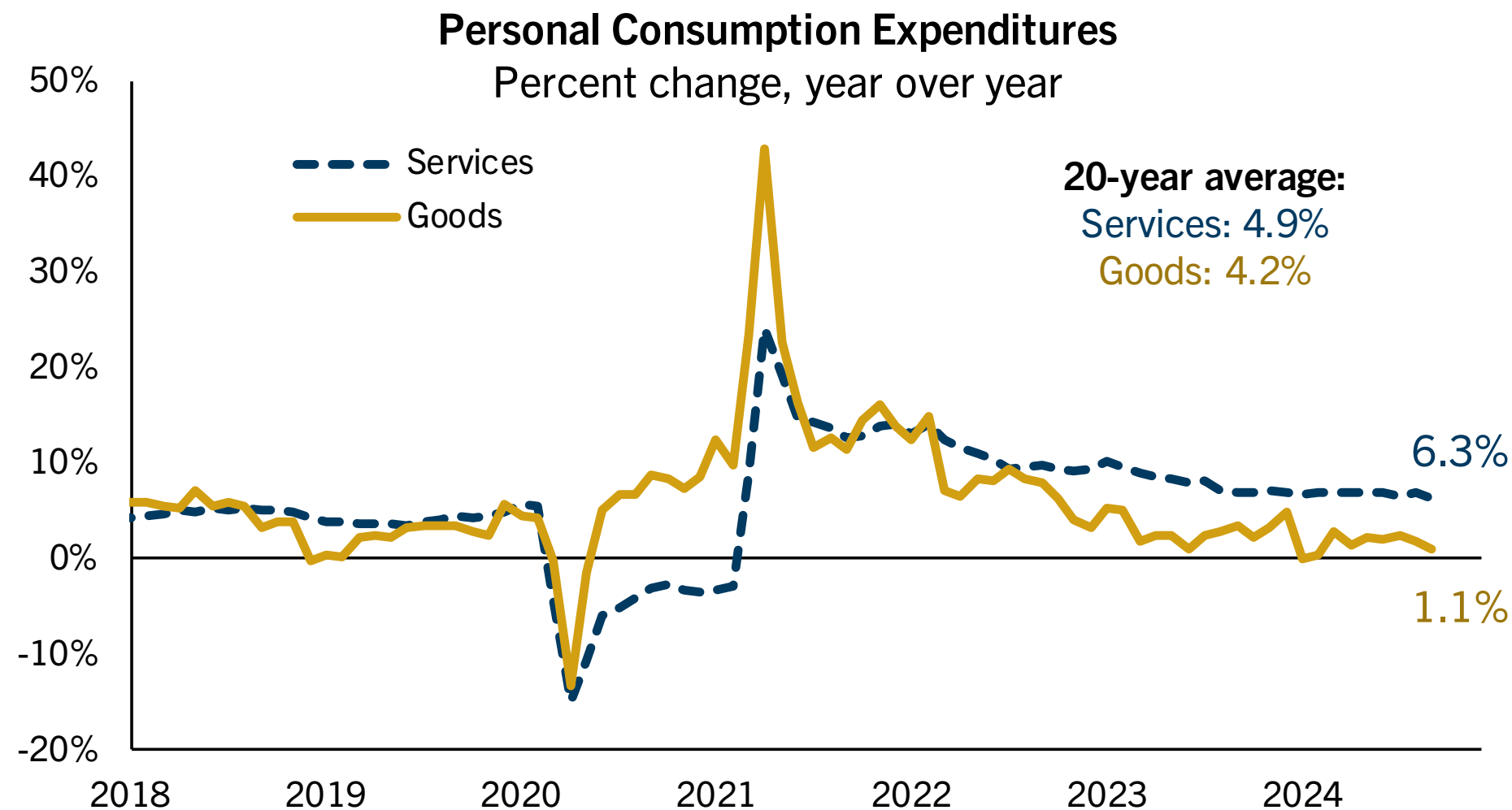
The Unemployment Rate Has Moved Up Despite Decent Job Growth



Consumers See Jobs as Harder to Get Despite Low Unemployment

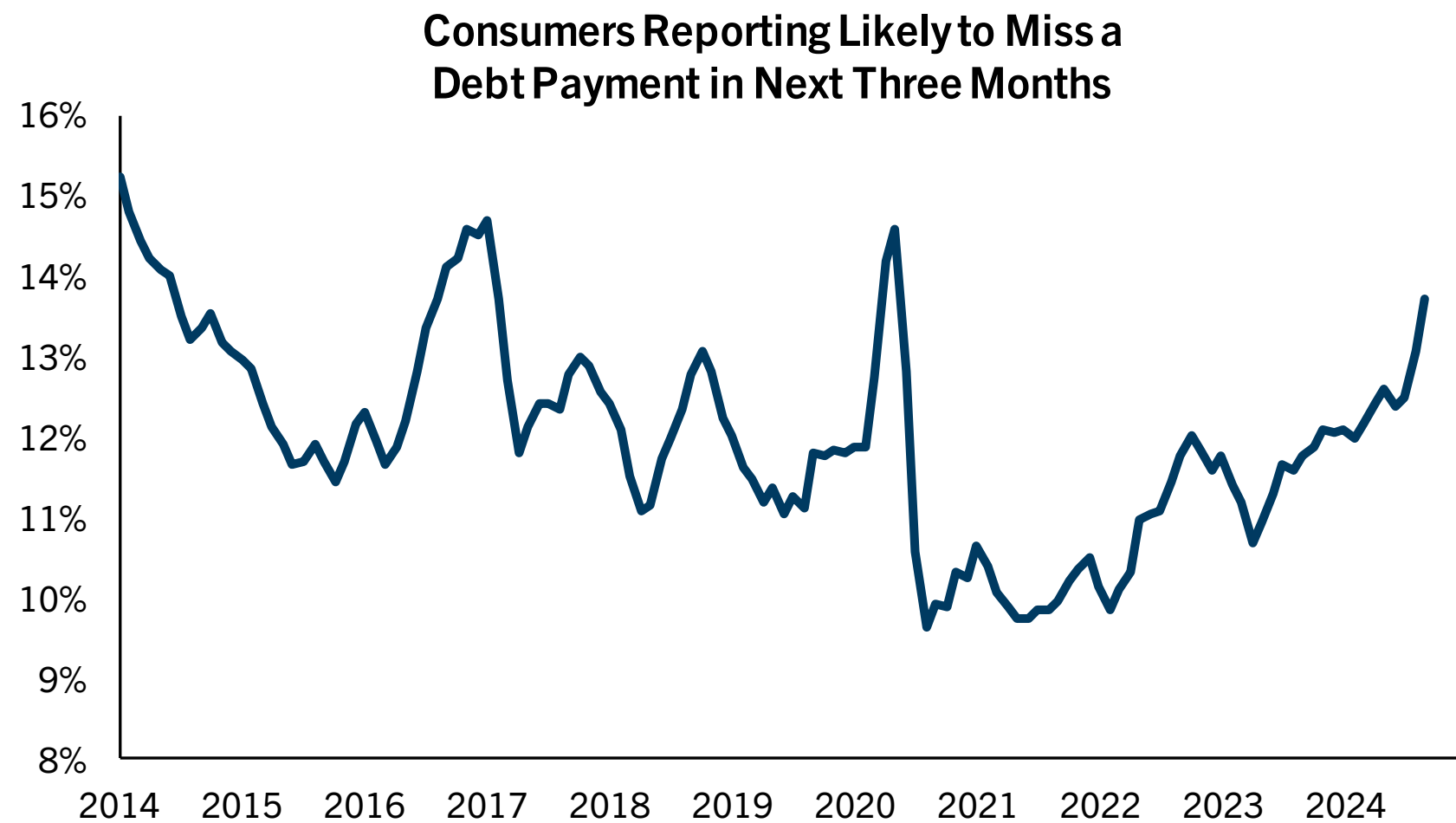


Consumer Expenditures Are Holding Up, Led by Services Spending

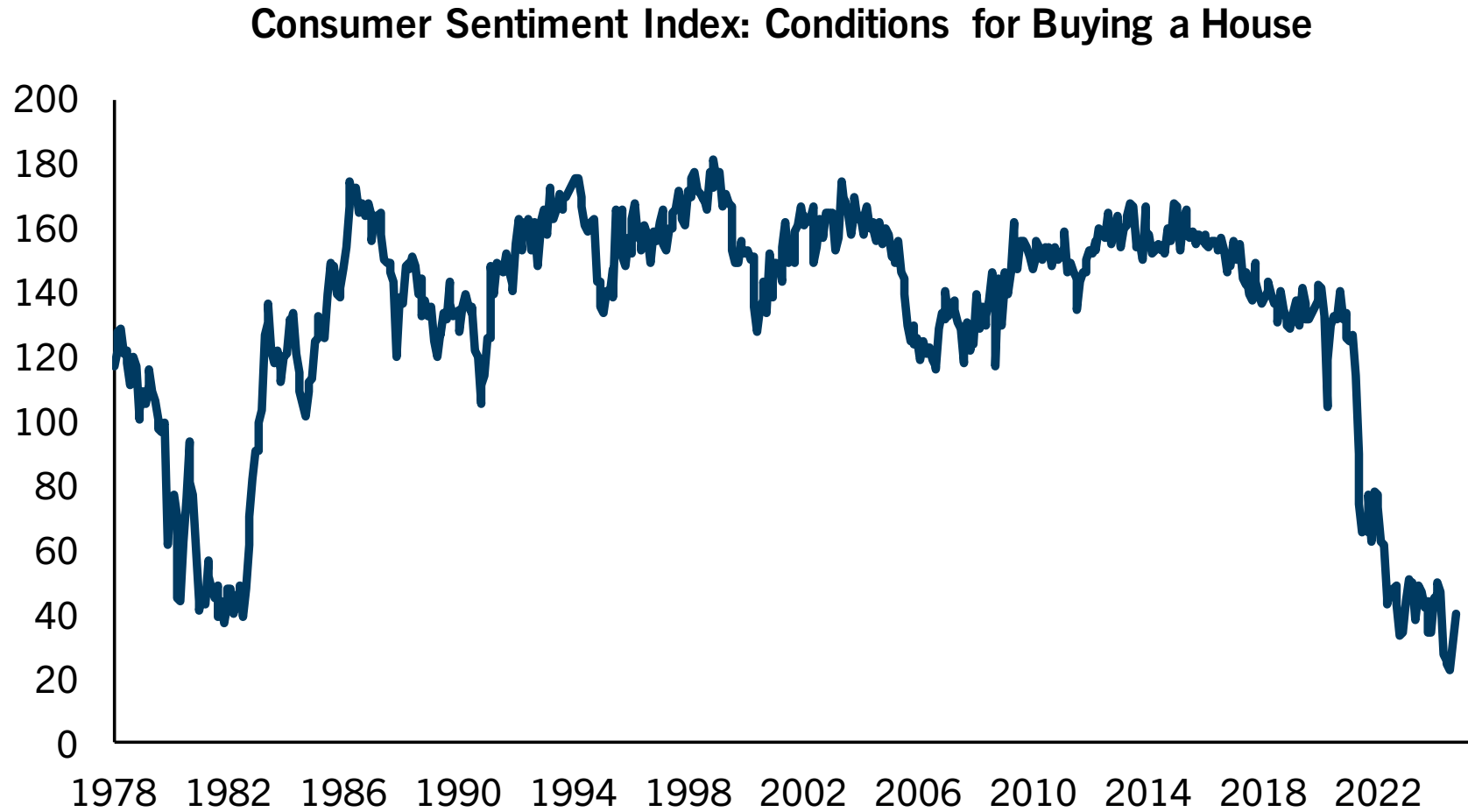


Source: Department of Commerce, Bloomberg. Data through Sept. 2024.

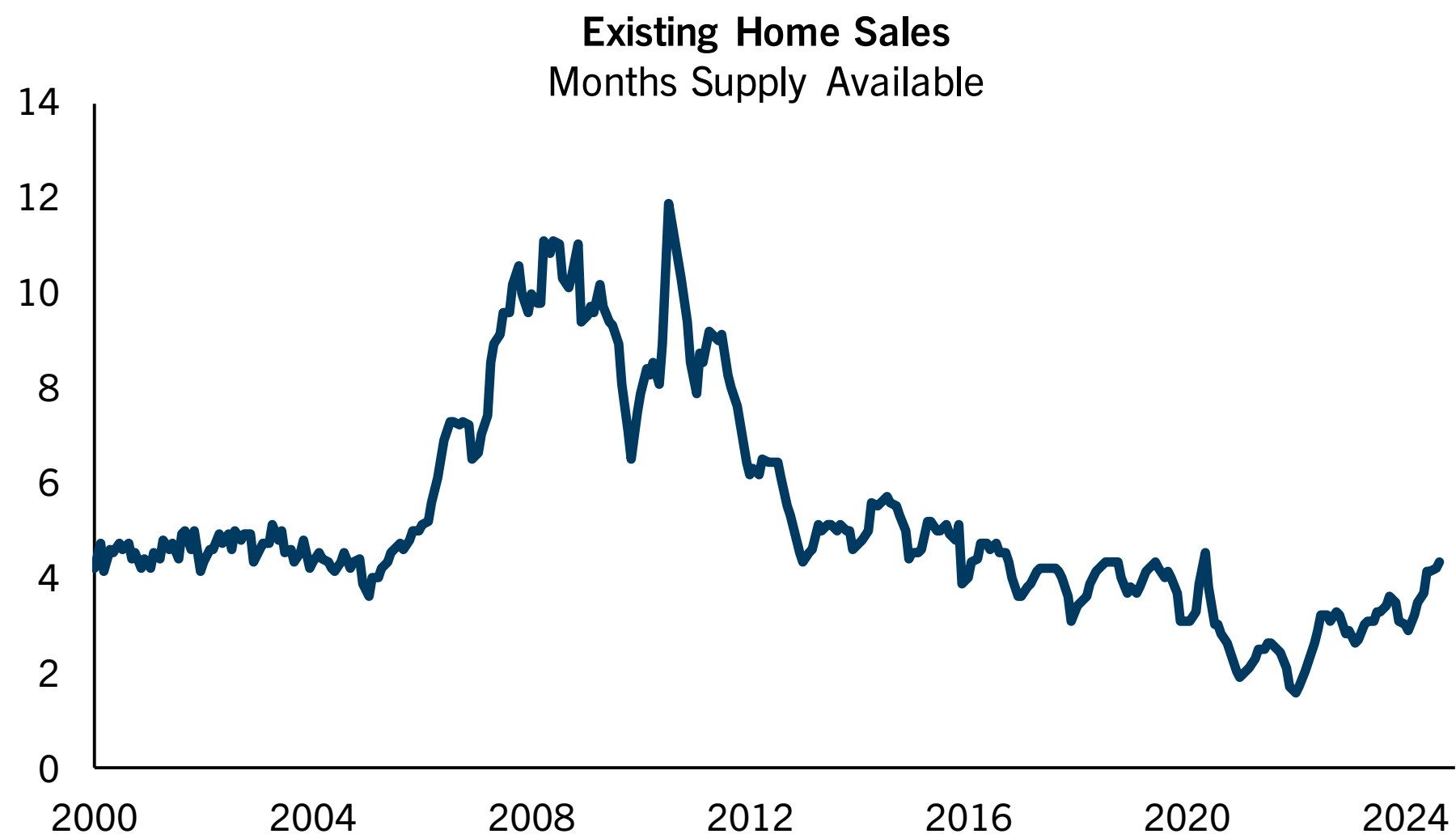
Consumer Delinquencies Are on the Rise



Consumers Have Not Been This Pessimistic on Housing Since the 1980s



Housing Supply Has Increased From Its Abnormal Lows

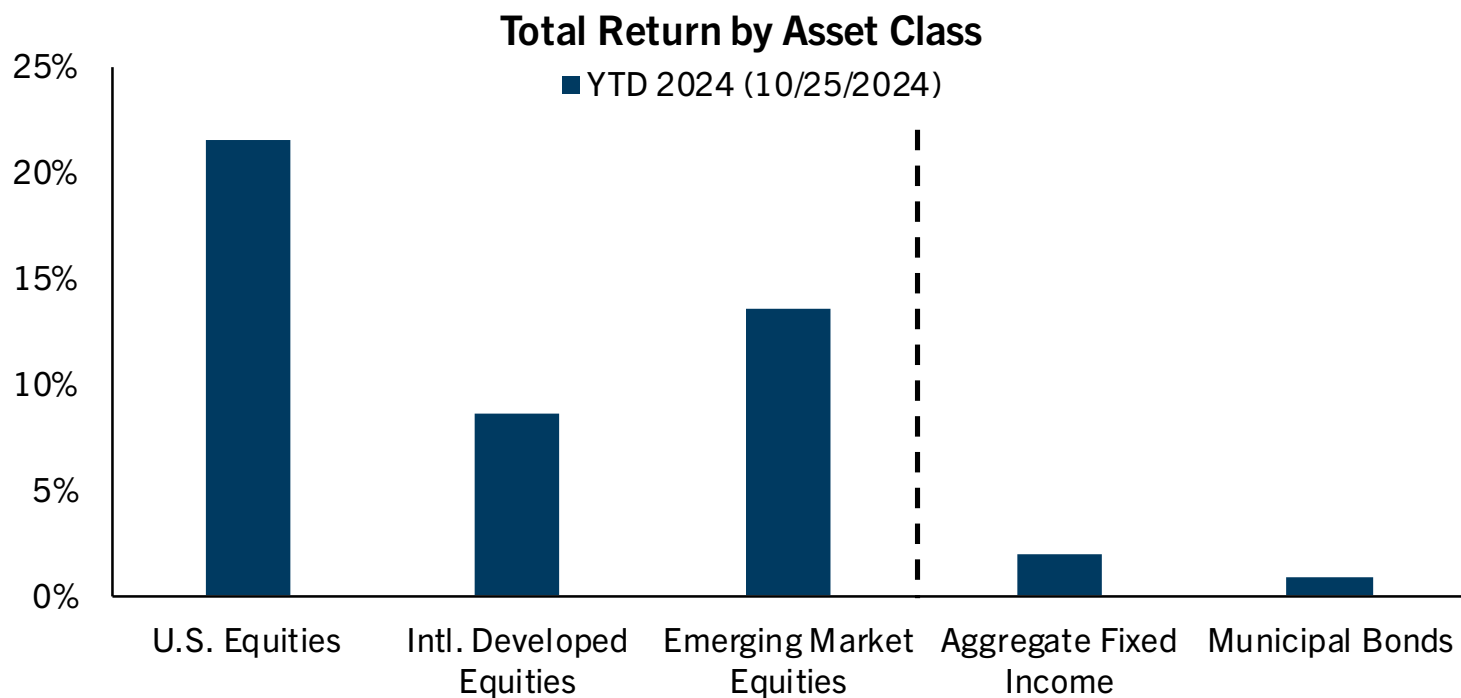


Source: NAR, Bloomberg. Data through Sept. 2024.

Market Update

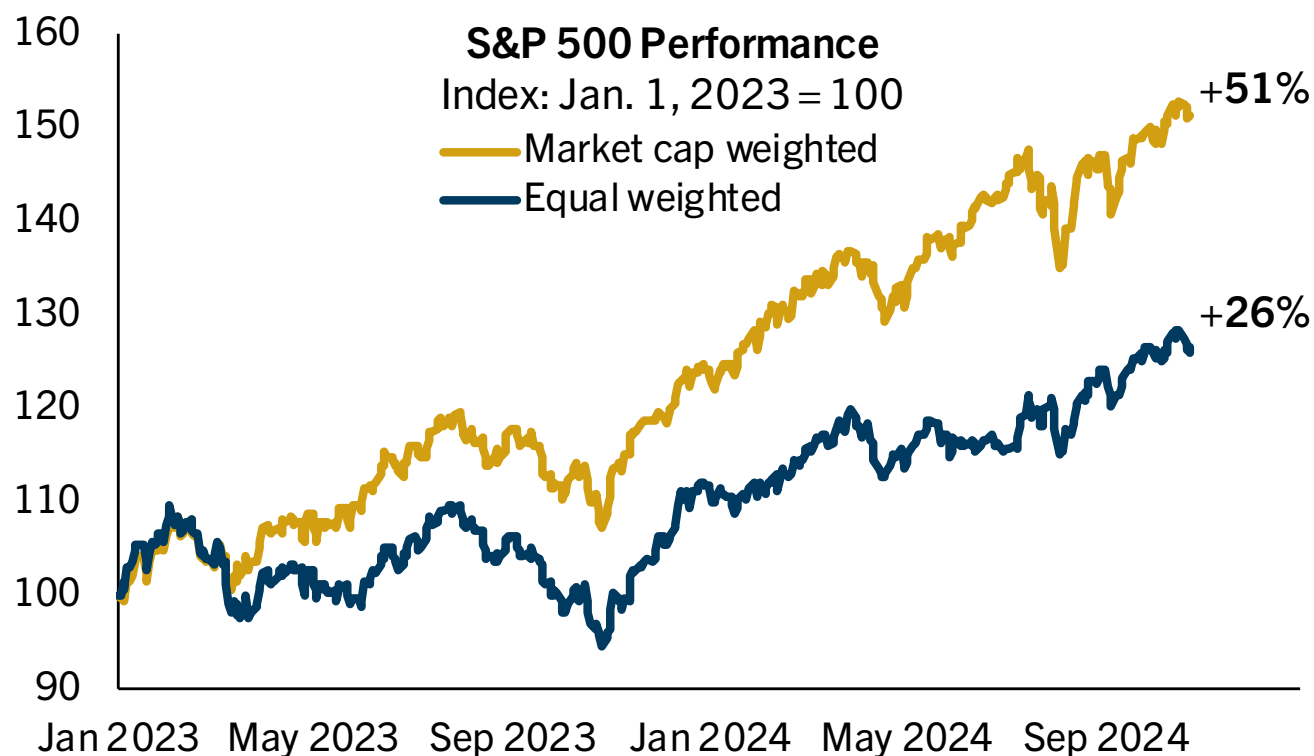
Equity Markets | Fixed Income | Potential Headwinds

Global Markets Year-to-Date



YTD US Equity Returns As of 10/25/2024			
	Value	Blend	Growth
Large	17.6%	24.7%	28.8%
	14.3%	14.8%	16.2%
	7.7%	10.1%	12.6%

Large-Cap Outperformance Has Faded Since July

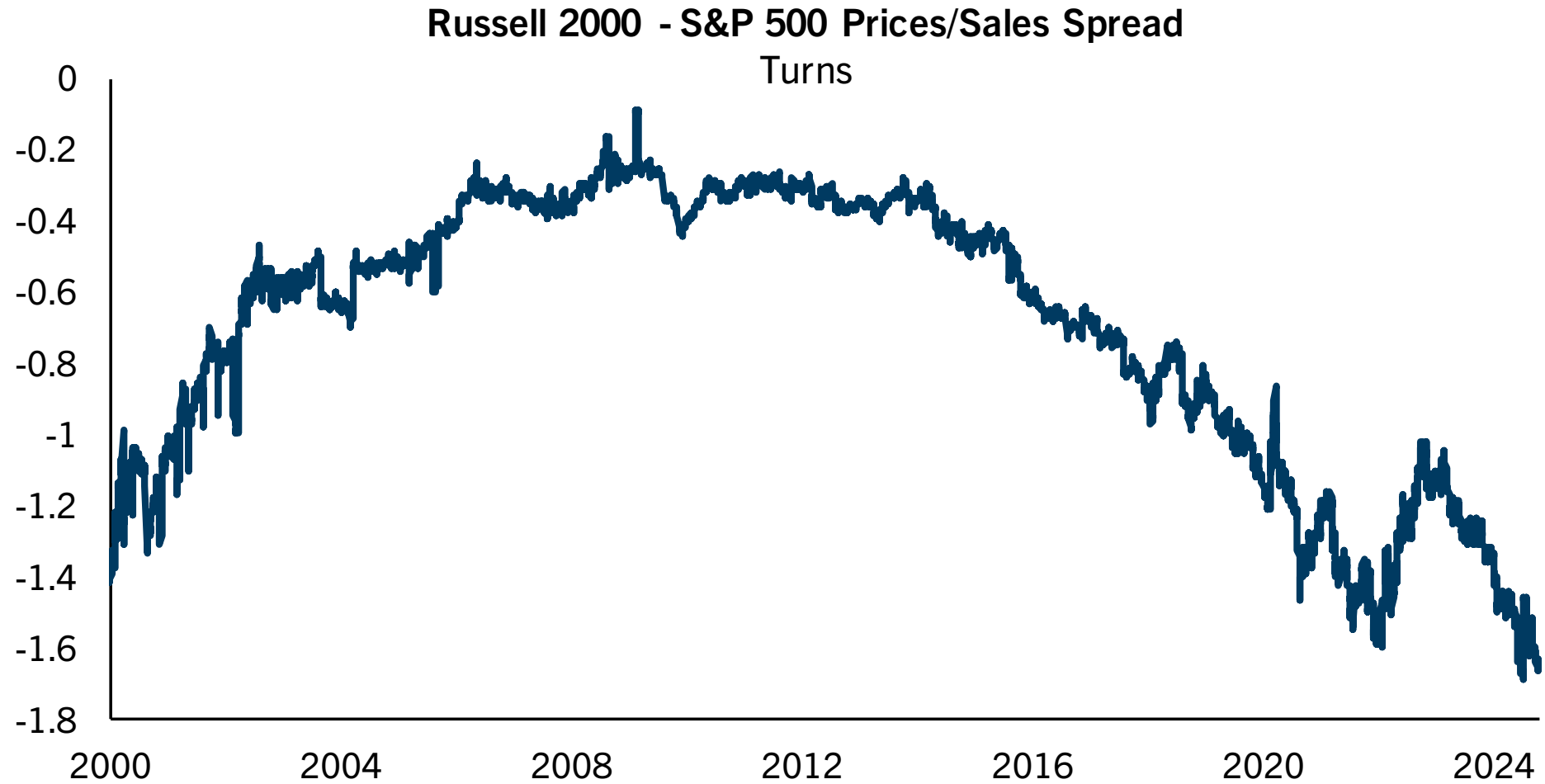


Total Return Since July 1	
Magnificent Seven	5.0%
S&P 500 Market-Cap Weighted	6.8%
S&P 500 Equal Weighted	8.9%
S&P 500 Midcap 400	6.5%
S&P 500 Small Cap 600	7.7%
MSCI EAFE	2.8%
Bloomberg US Aggregate Bond	2.8%

Source: Bloomberg. Data as of 10/25/2024.

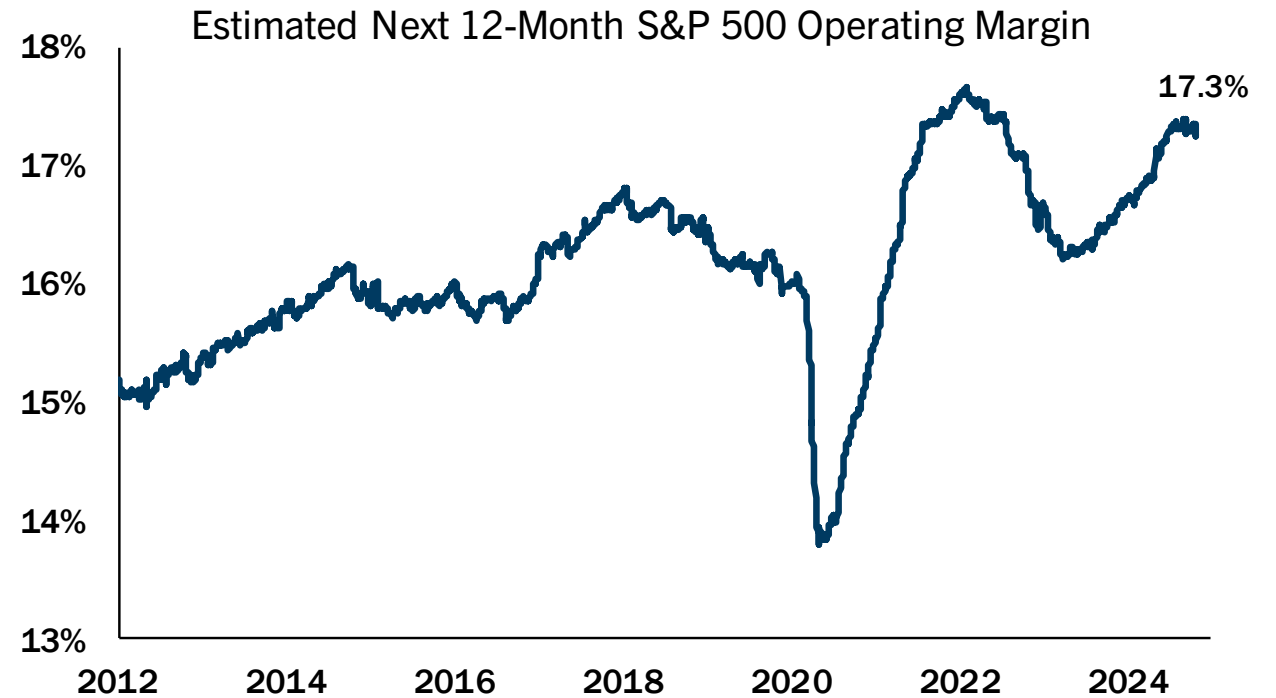
Note: “Magnificent Seven” is the UBS Magnificent 7 Index, which tracks a group of 7 of the largest mega cap tech stocks listed in the US. The stocks mirror their respective S&P 500 weight reweighted pro-rata. Created Oct 2023 - rebalanced and reconstituted semi-annually.

Small Cap Relative Valuation



Corporate Earnings

- 2024 estimated growth is **9.3%**
- 2025 estimated growth is **15.2%**
- Average growth since 1950 is **7.6%**

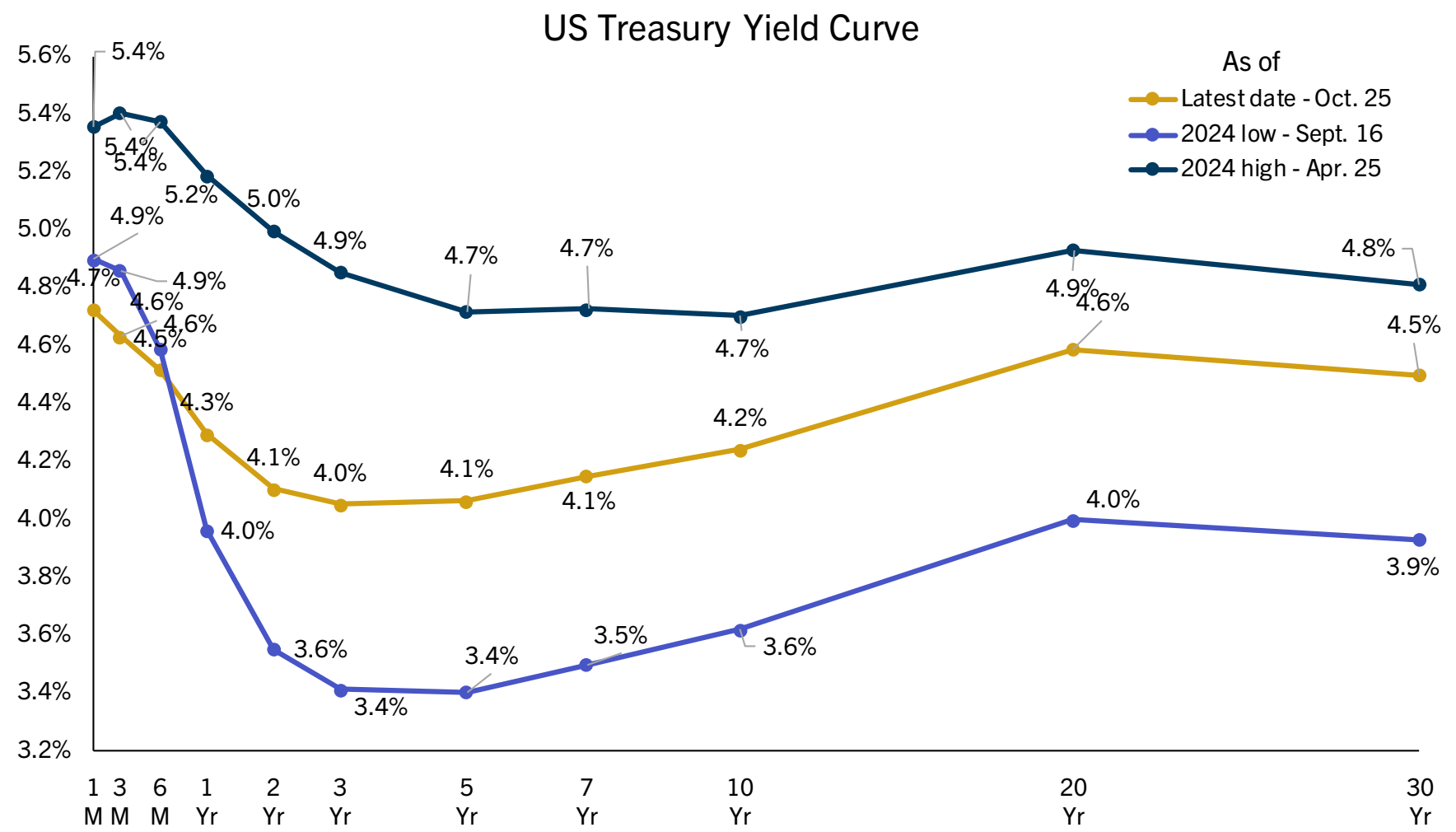


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

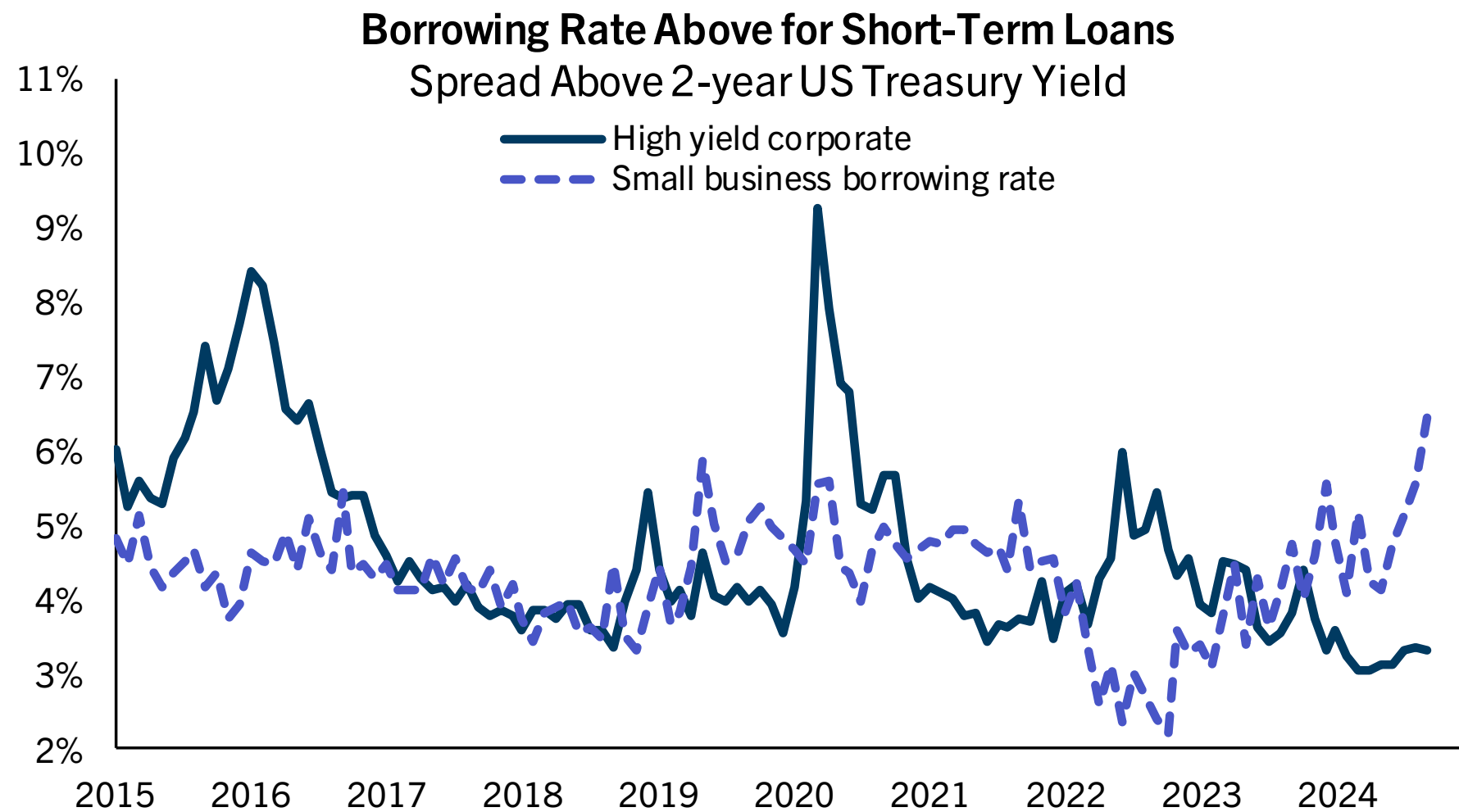
	NTM Price Level	Percent Change from 10/25/24
Bear	4,500	-22.5%
Base	6,200	6.7%
Bull	6,700	15.4%

US Treasury Curve Remains Inverted but Has Shifted Lower Since April



Source: Bloomberg. Data as of 10/25/2024.

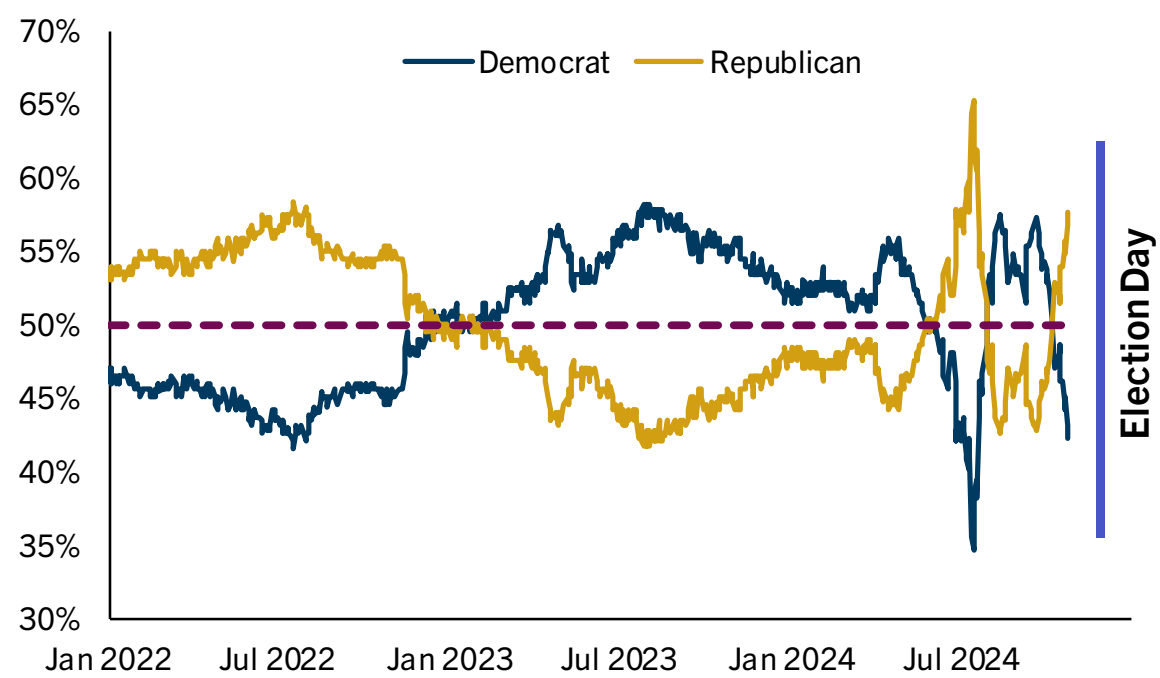
Small Businesses Are Paying a Hefty Premium for Credit



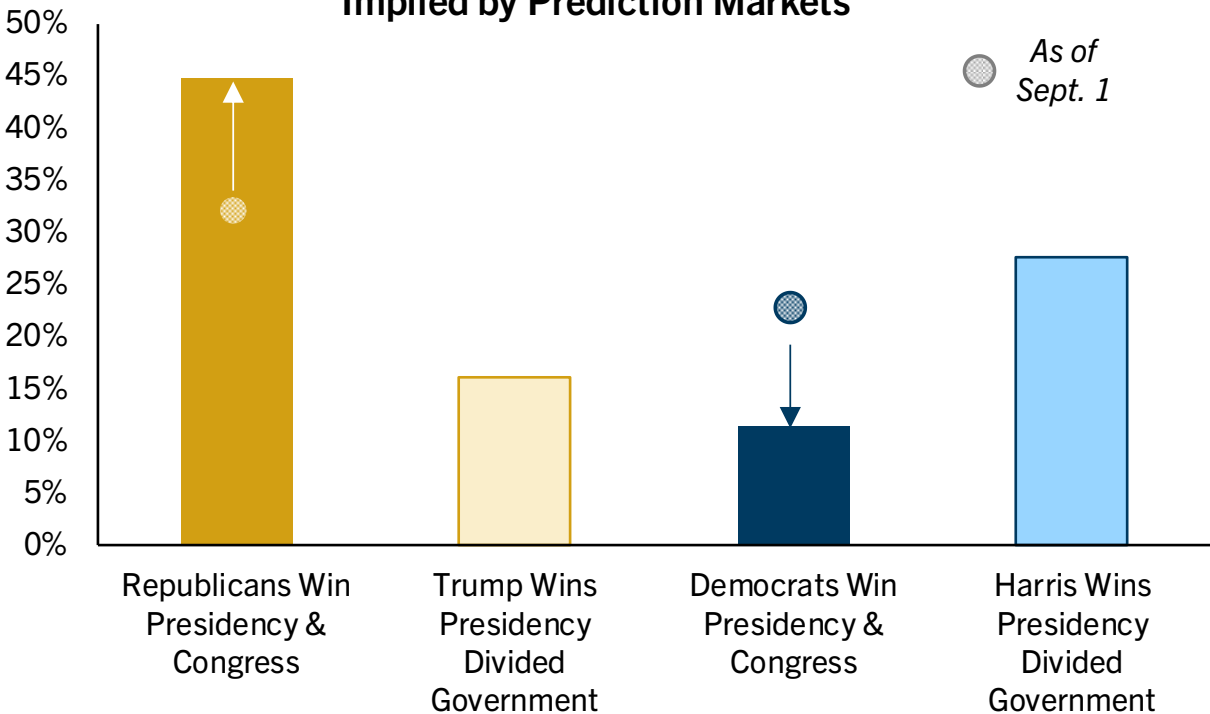
Source: Bloomberg, NFIB, First Citizens Wealth. Data through Sept. 2024.

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

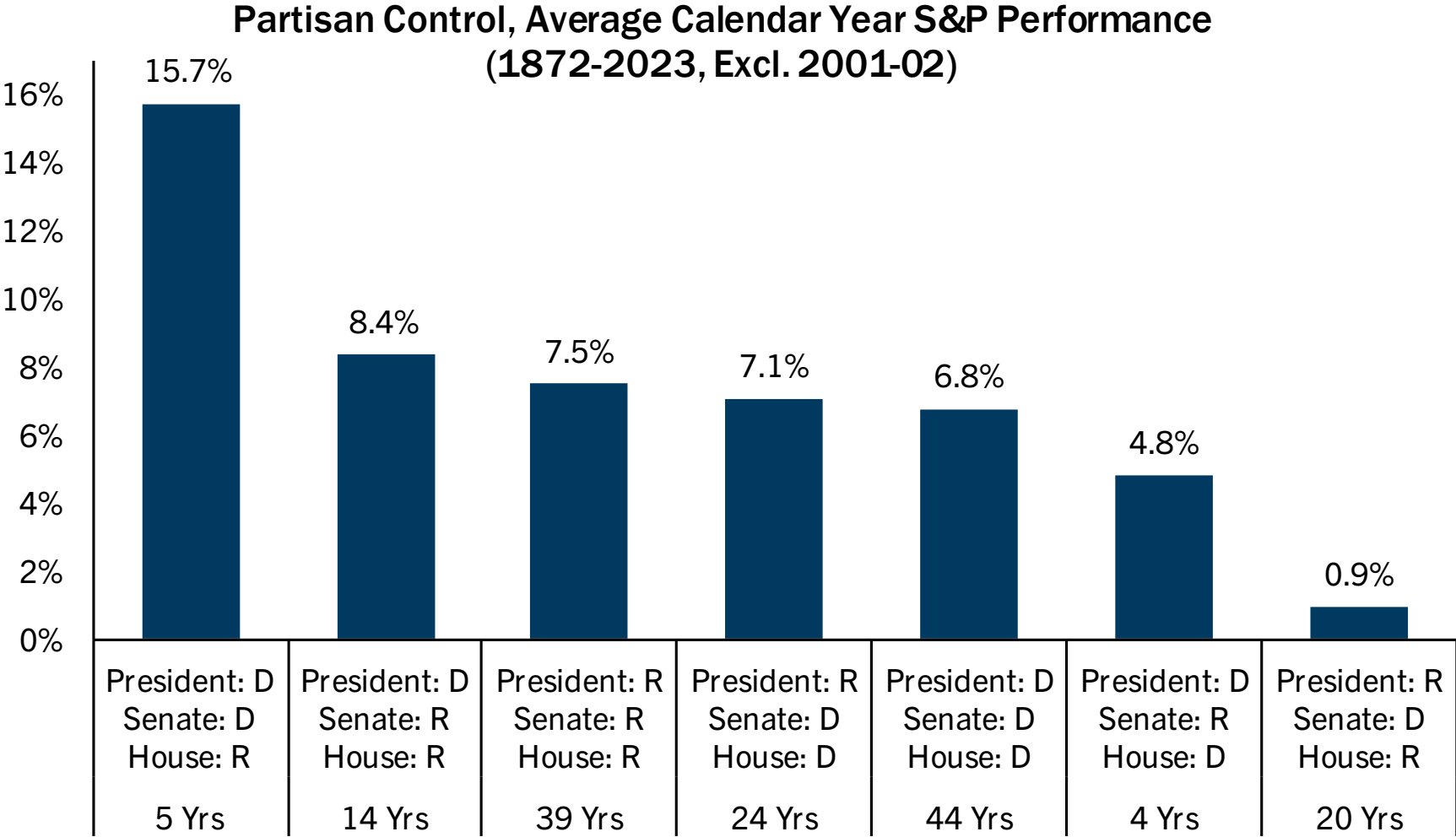
Probability of Winning Presidential Election as Implied by Prediction Markets



Probability of Election Outcomes as Implied by Prediction Markets



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



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

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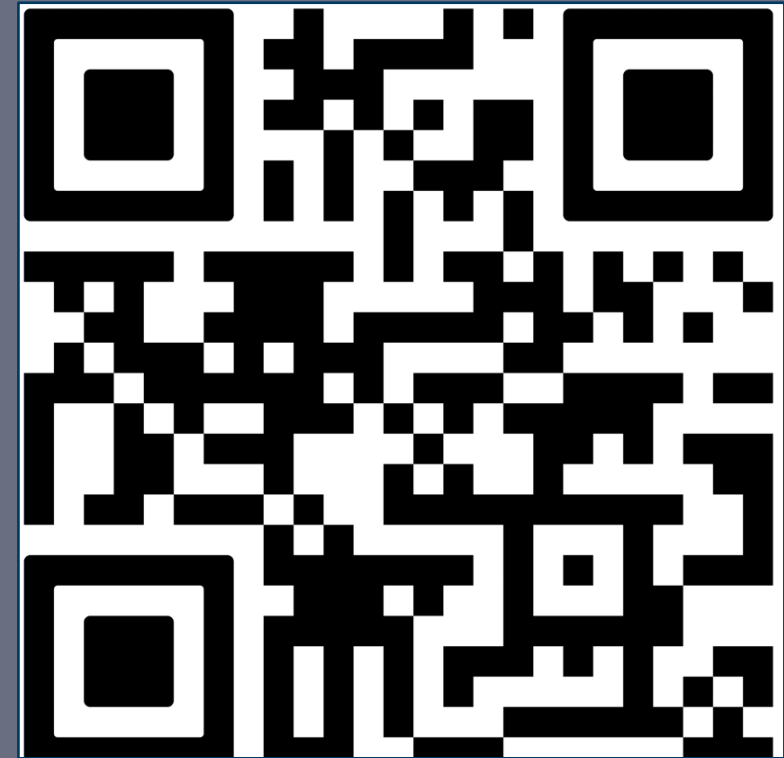
Making Sense

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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

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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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