

# Making Sense

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Monthly Market Update

Recorded January 30, 2025



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Director of Market and  
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# What are we going to cover?

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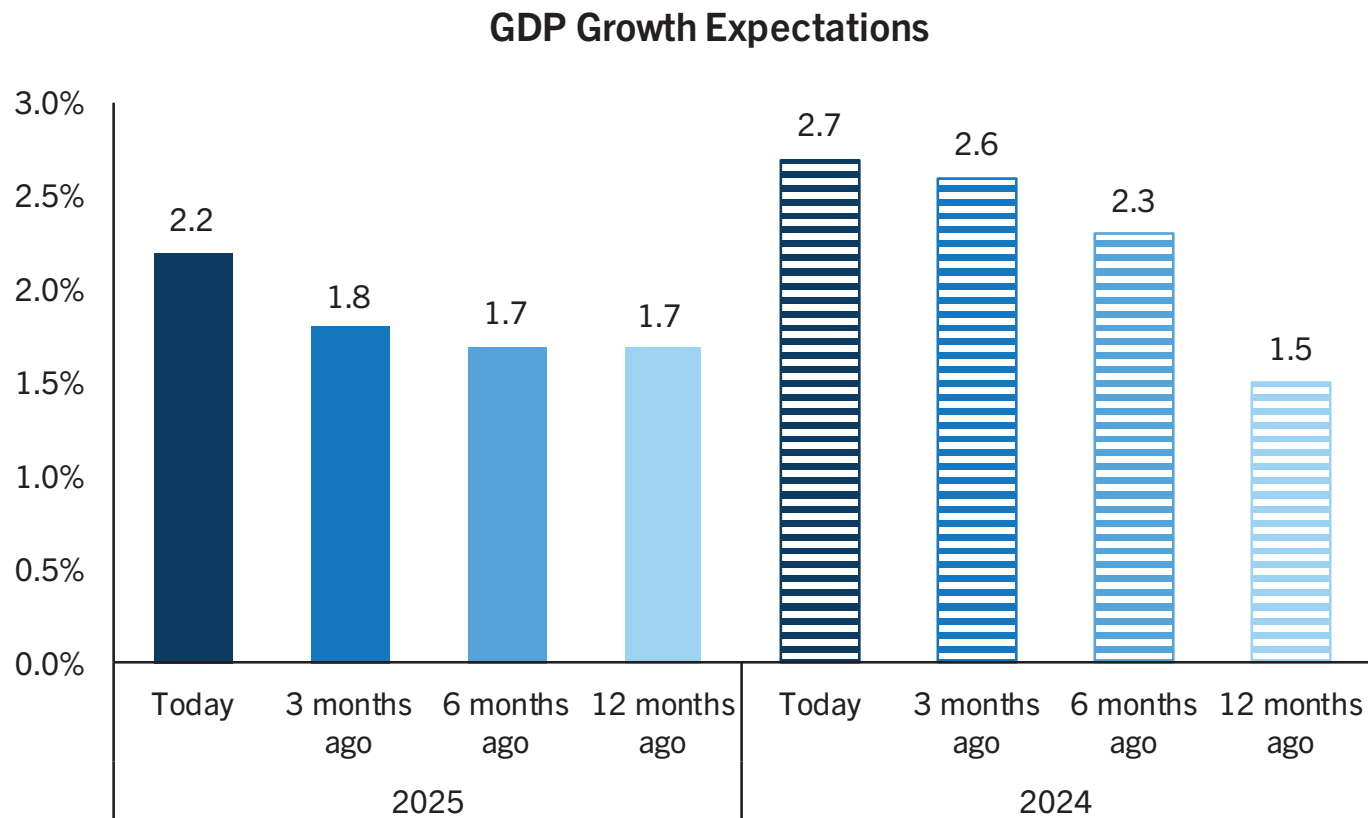
1. **Economic Update:**  
Growth Outlook | Labor Market | Inflation & Interest Rates
2. **Market Update:**  
Equity Markets | Fixed Income | Policy Uncertainty

# Economic Update

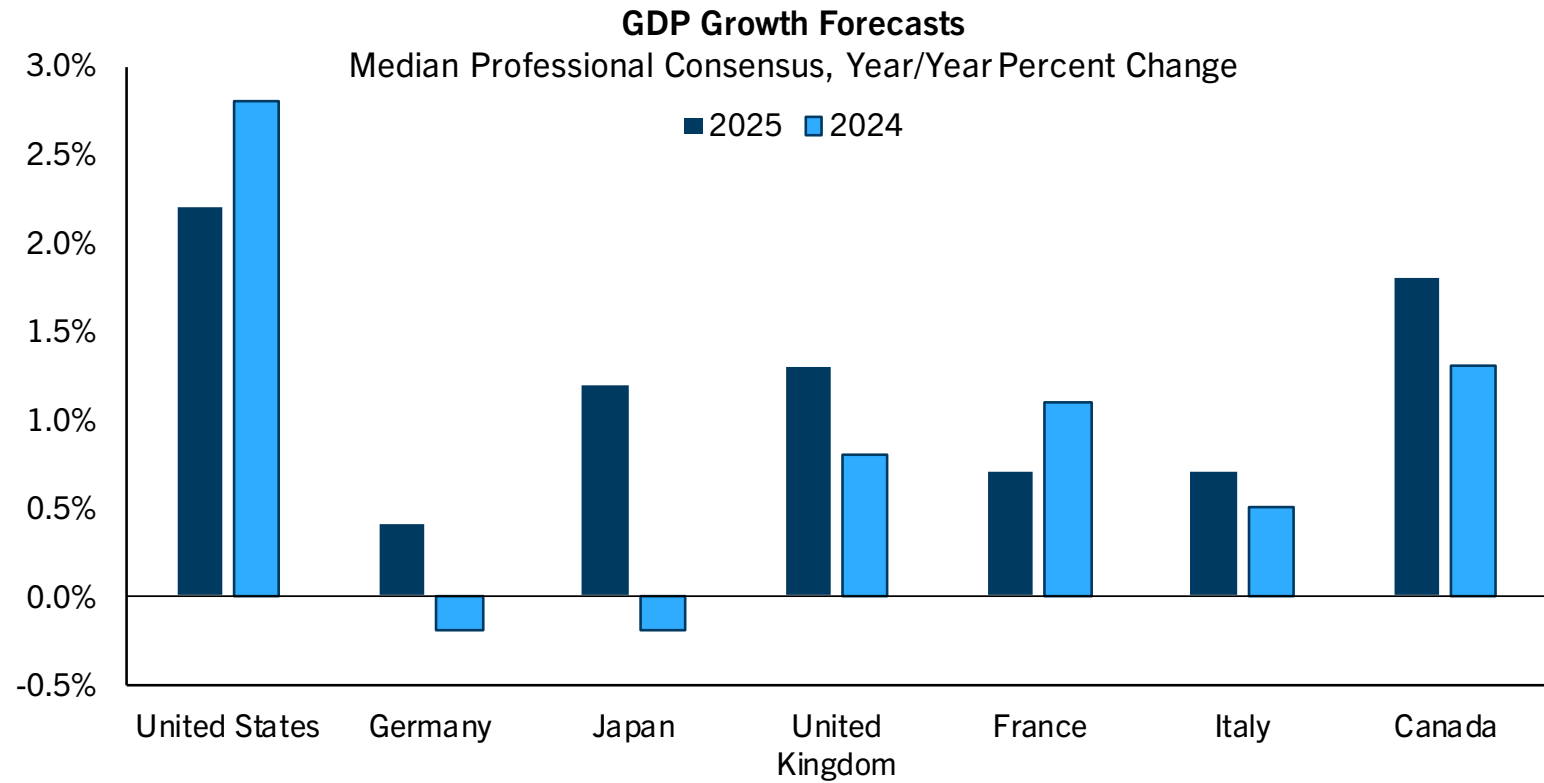
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Growth Outlook | Labor Market | Inflation & Interest Rates

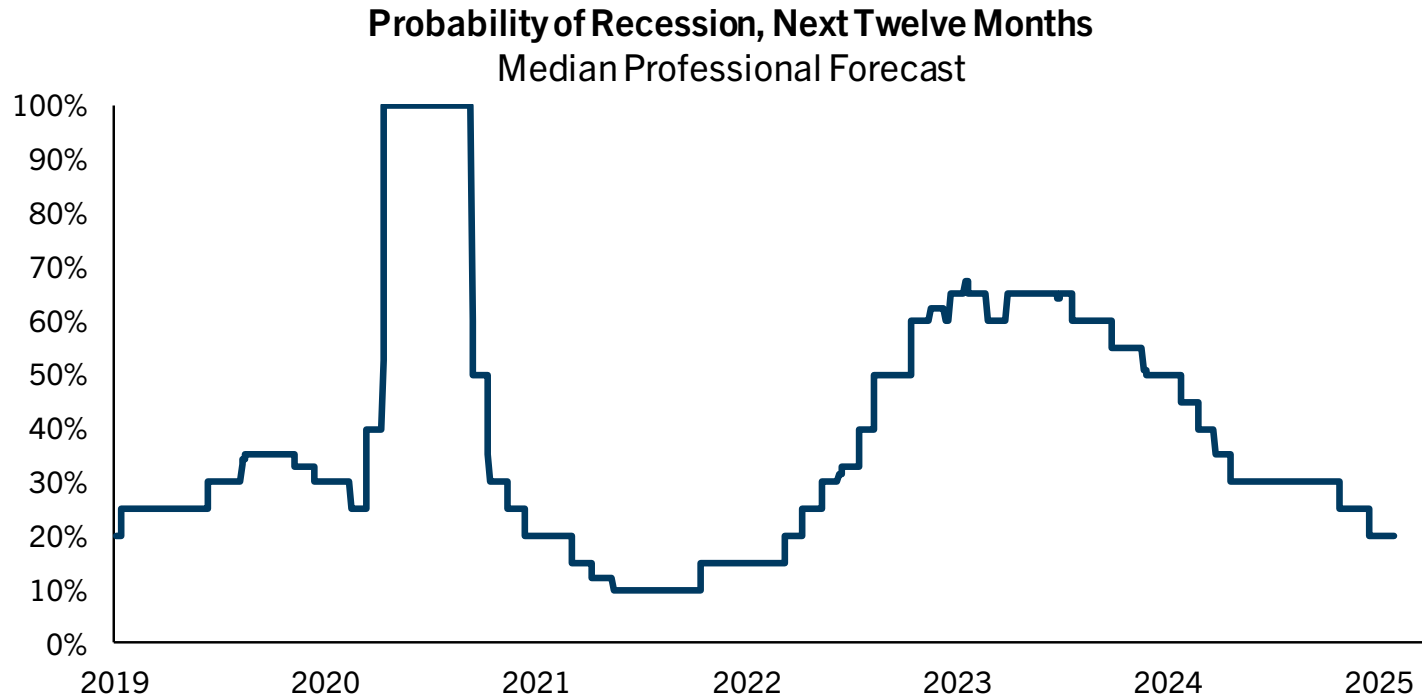
# The Growth Outlook Is Off to a Strong Start in 2025



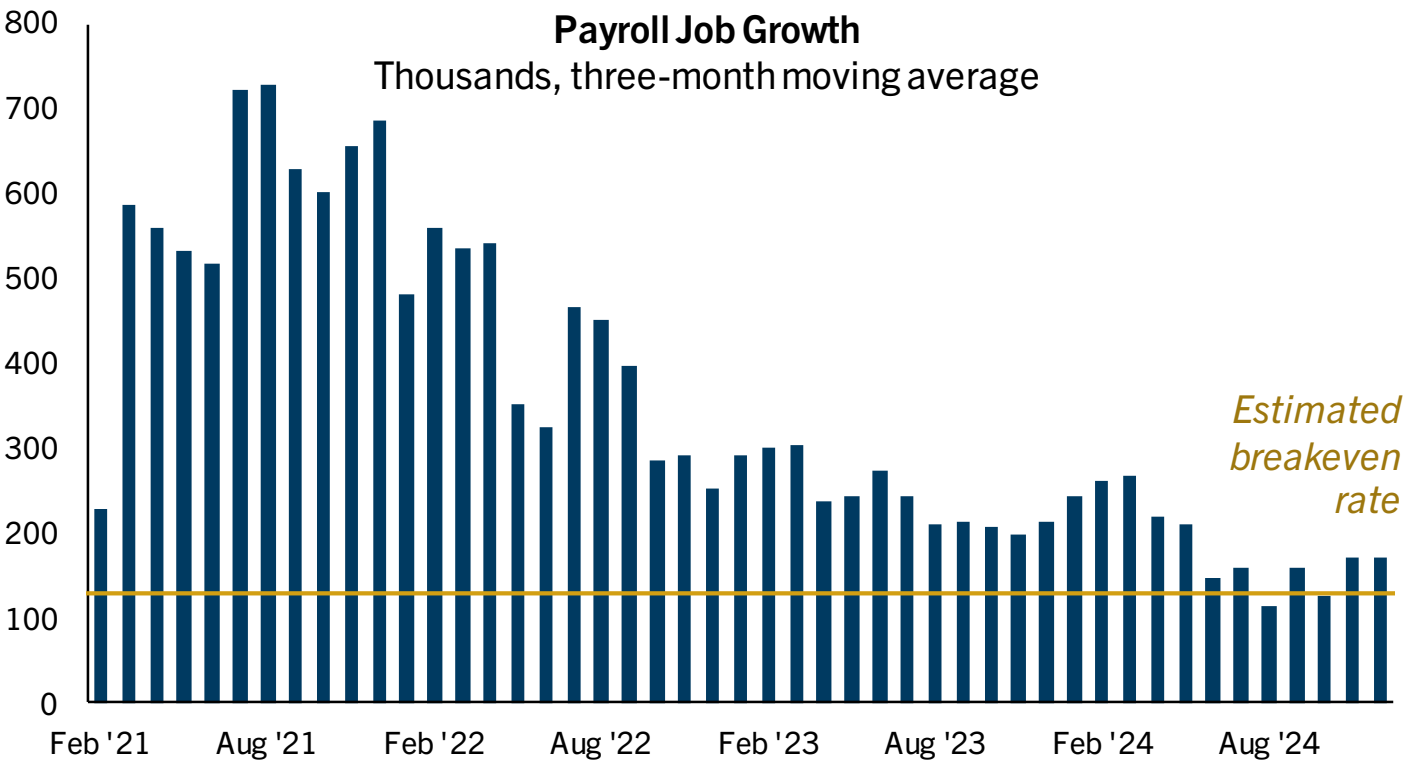
# US Economic Growth Towers Over the Other Large Advanced Economies



## Forecasters See US Recession Risk at Its Lowest in Years

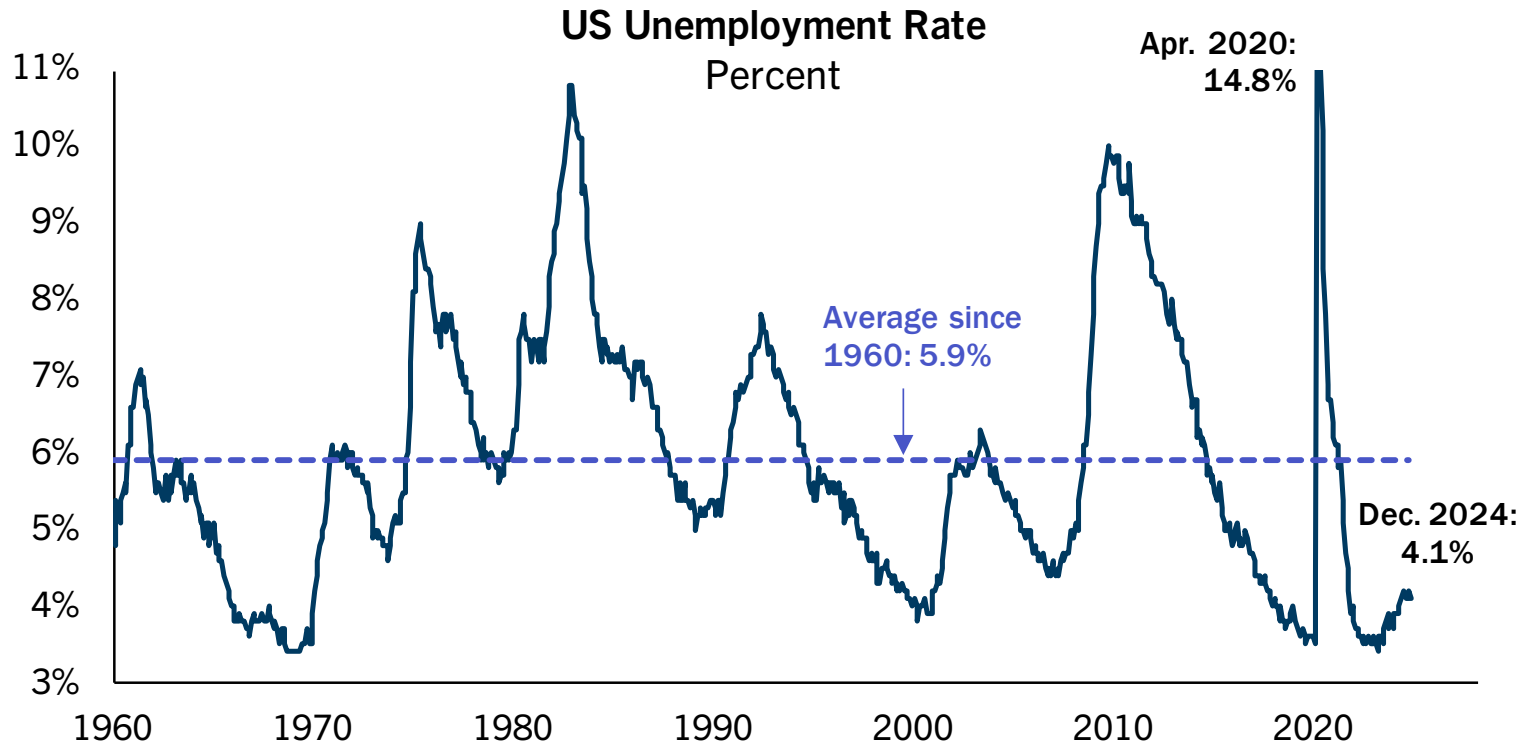


# New Payroll Job Growth Is Running at Close to Trend Pace



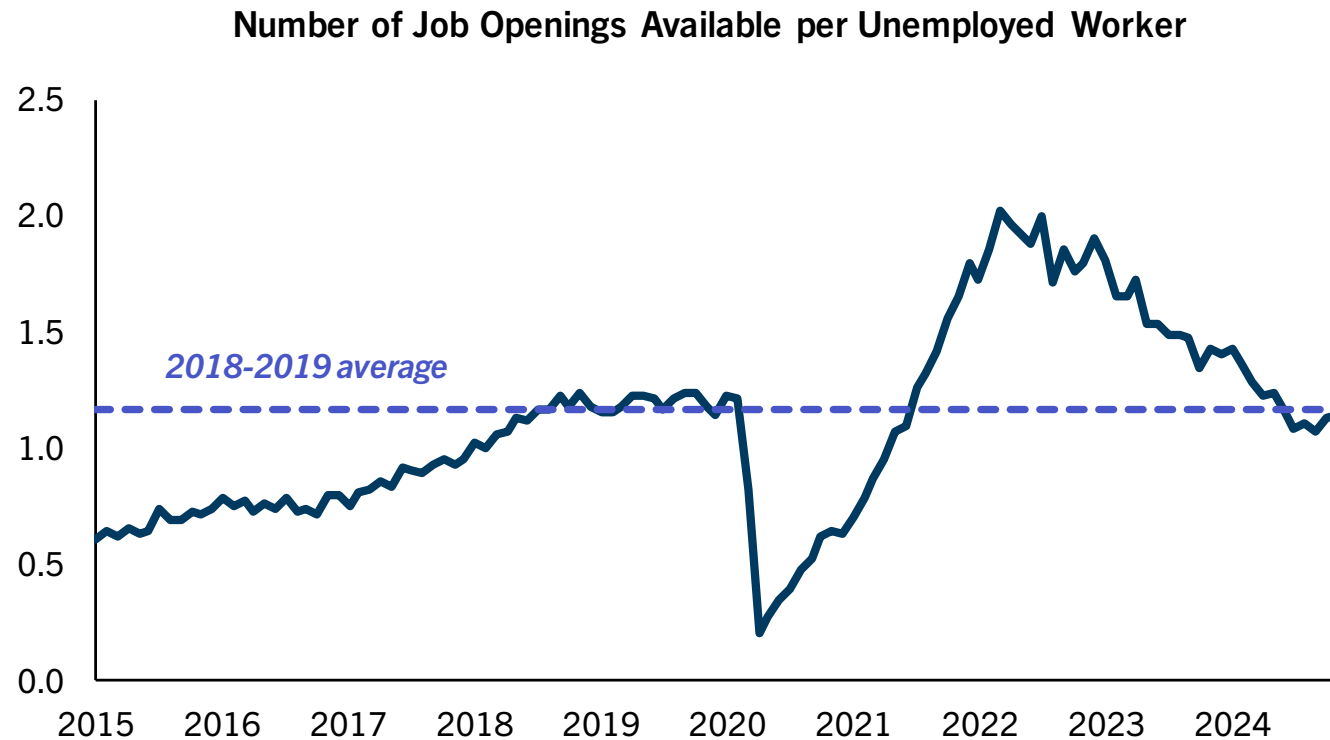
Source: Department of Labor, Bloomberg, Federal Reserve Bank of San Francisco. Data through December 2024.

# The Unemployment Rate Has Moved Up...Can It Hold Steady Near 4%?

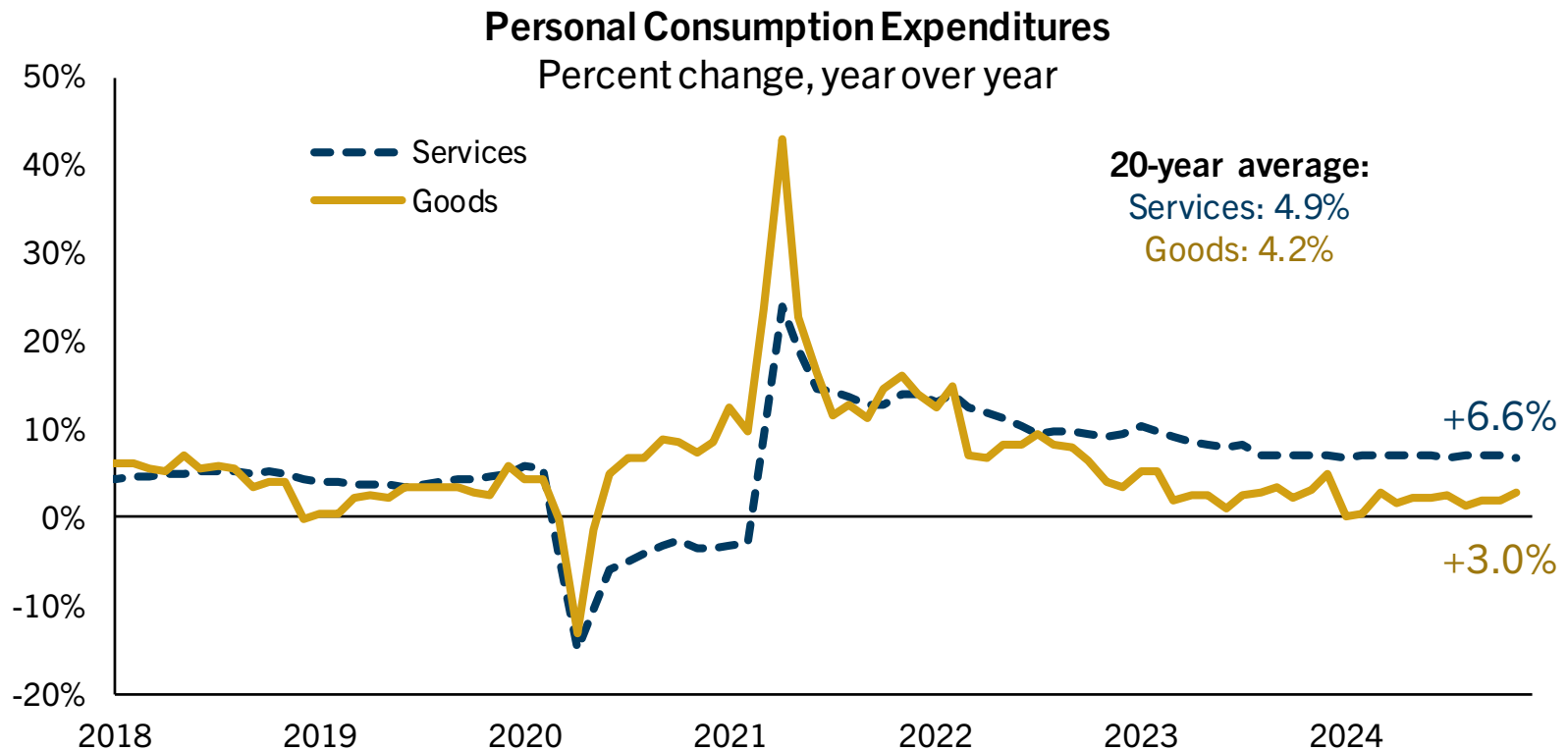




# Labor Demand Has Improved on the Margin

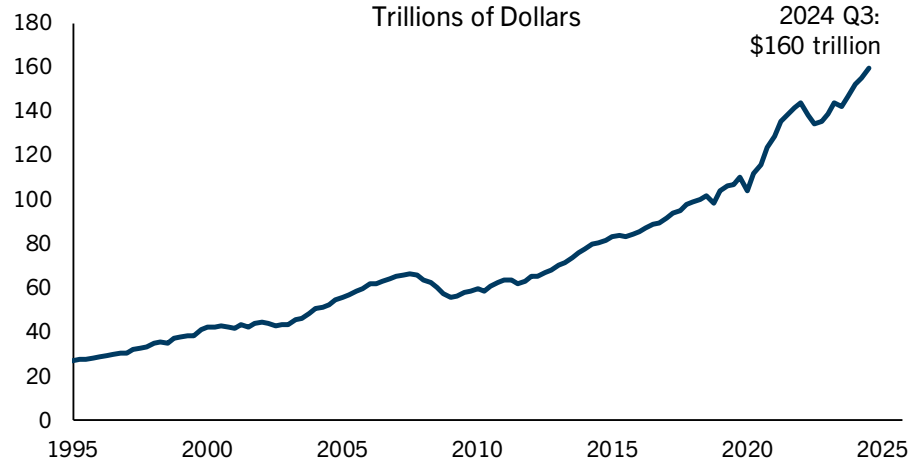


# Consumer Expenditures Are Holding Up, Still Led by Services Spending

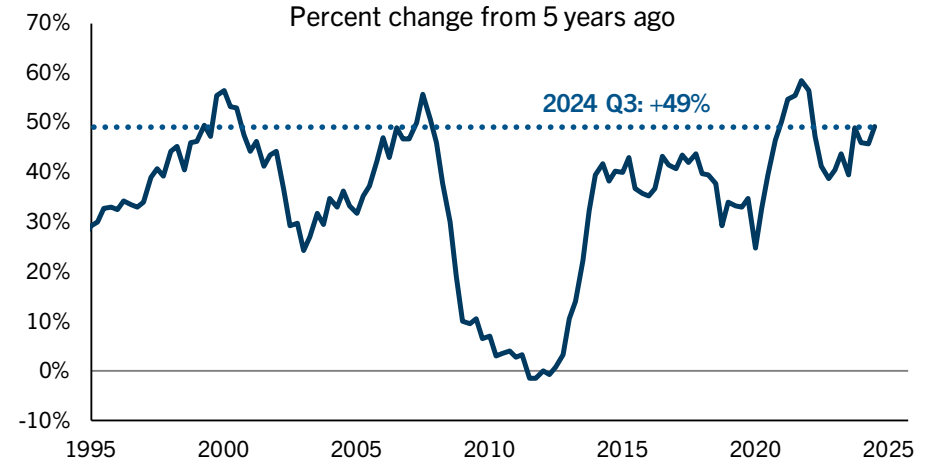


# Household Net Worth Is Up by Nearly Half – Over \$50 Trillion – Since 2020

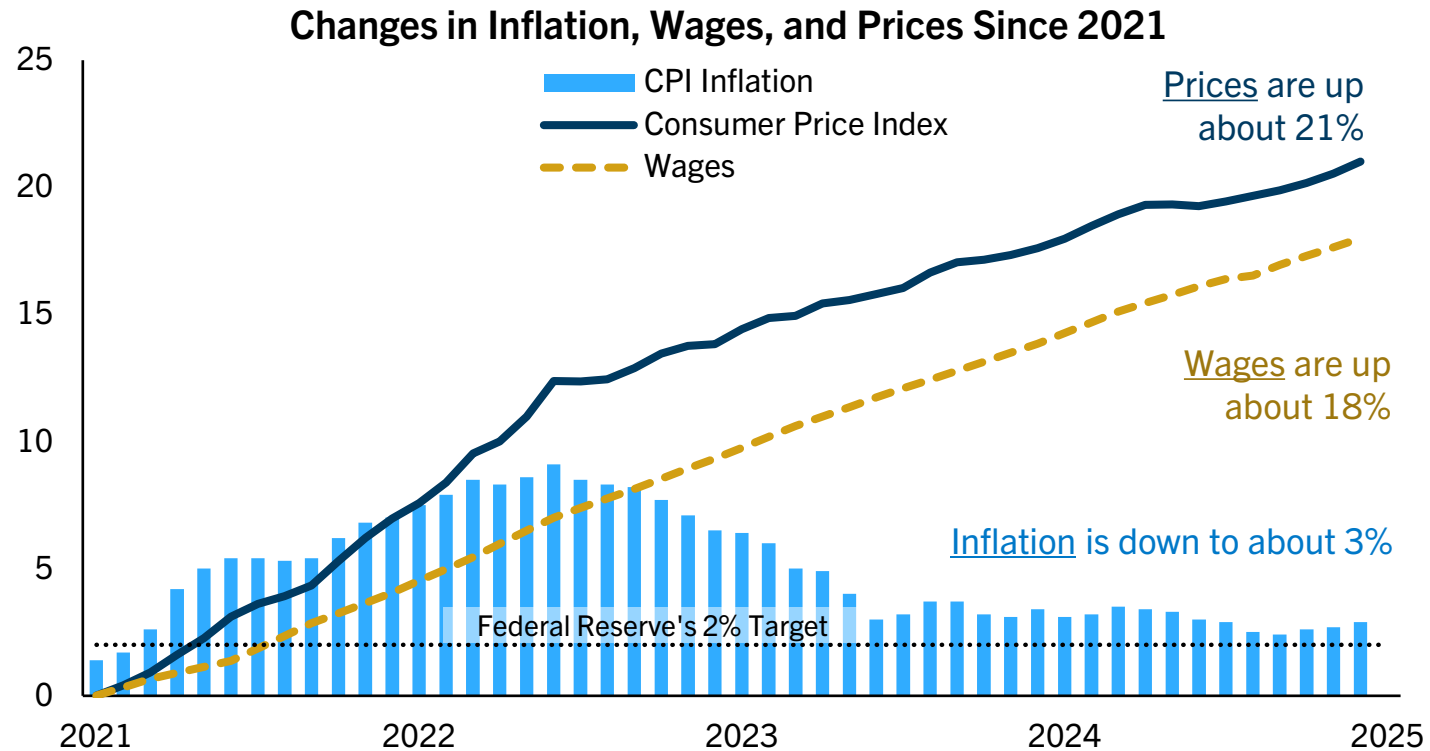
**Household Net Worth**  
Trillions of Dollars



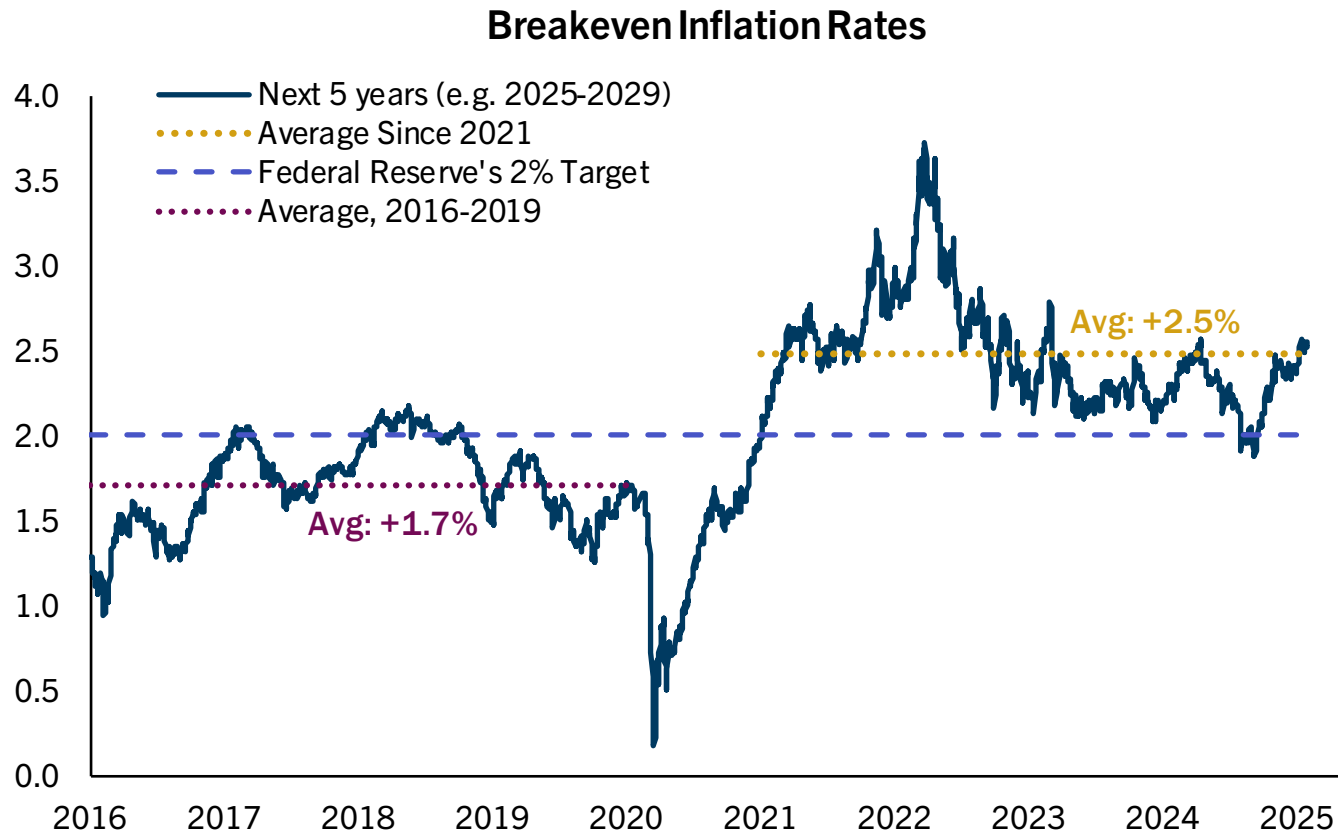
**Household Net Worth**  
Percent change from 5 years ago



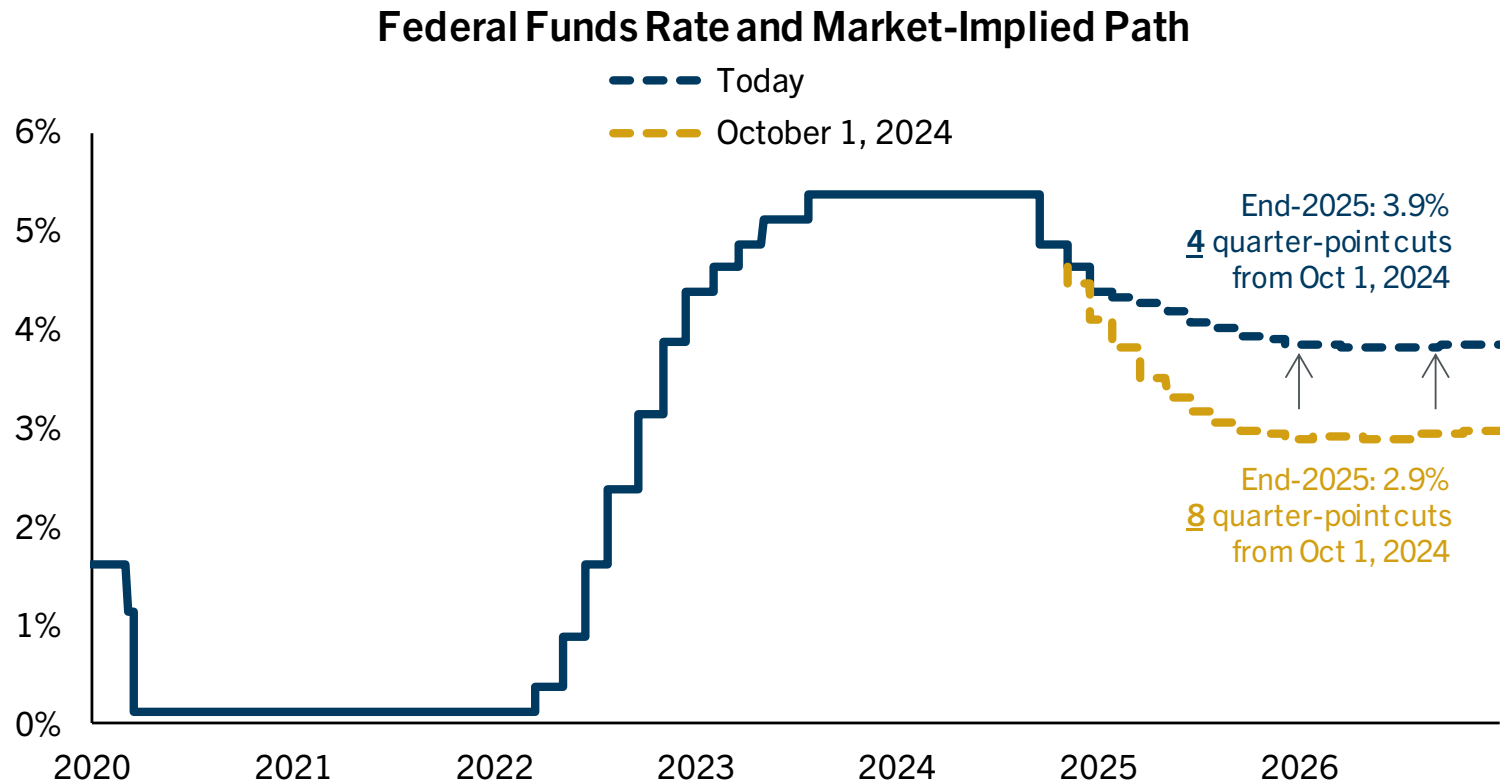
# Inflation Is Still Too High, and Price Growth Has Exceeded Wage Growth



# Markets See Future Inflation Running Moderately Above the 2% Target



# Markets See the Fed as on Hold and the Funds Rate Declining to Just 3.9%



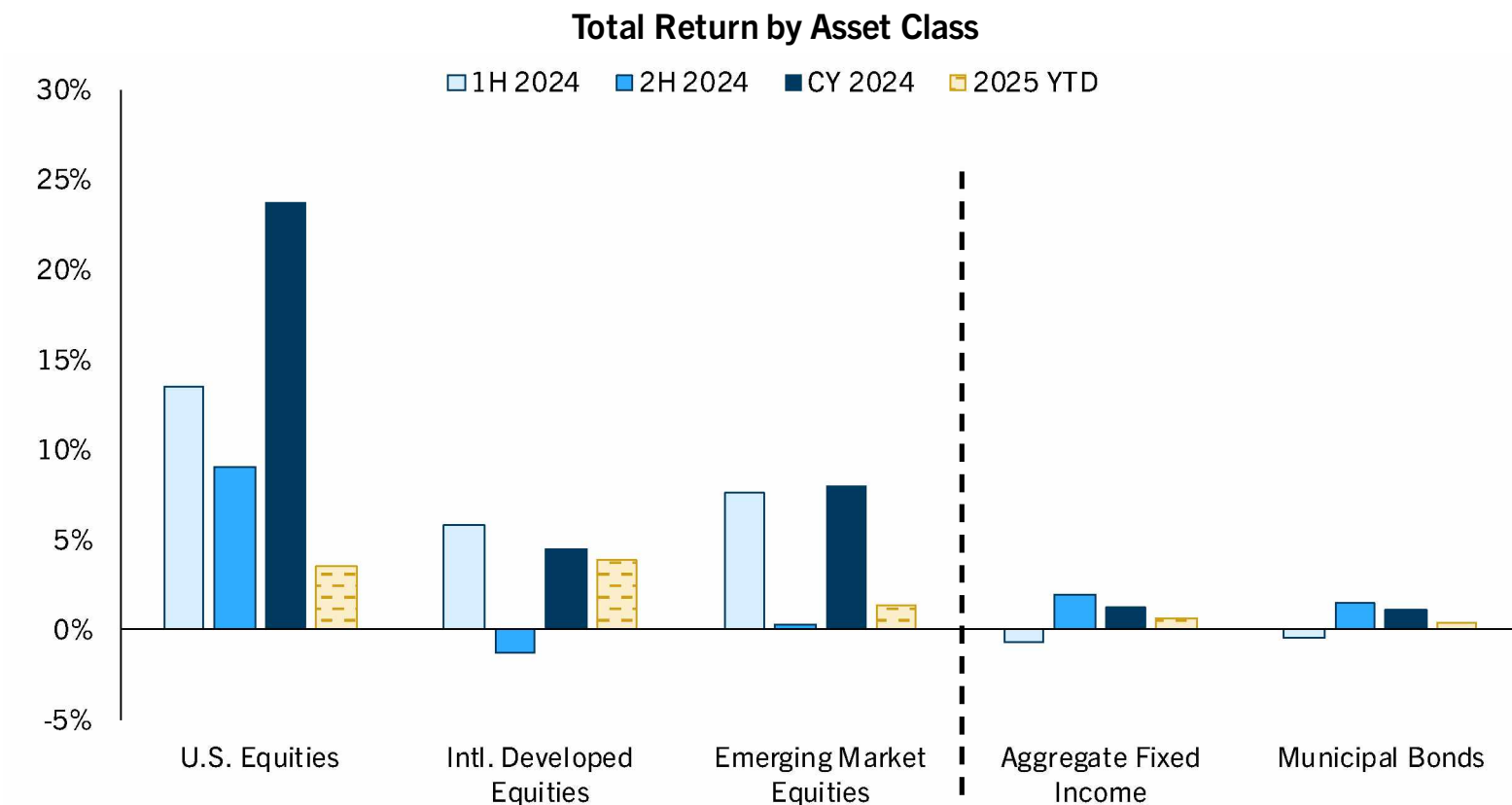


# Market Update

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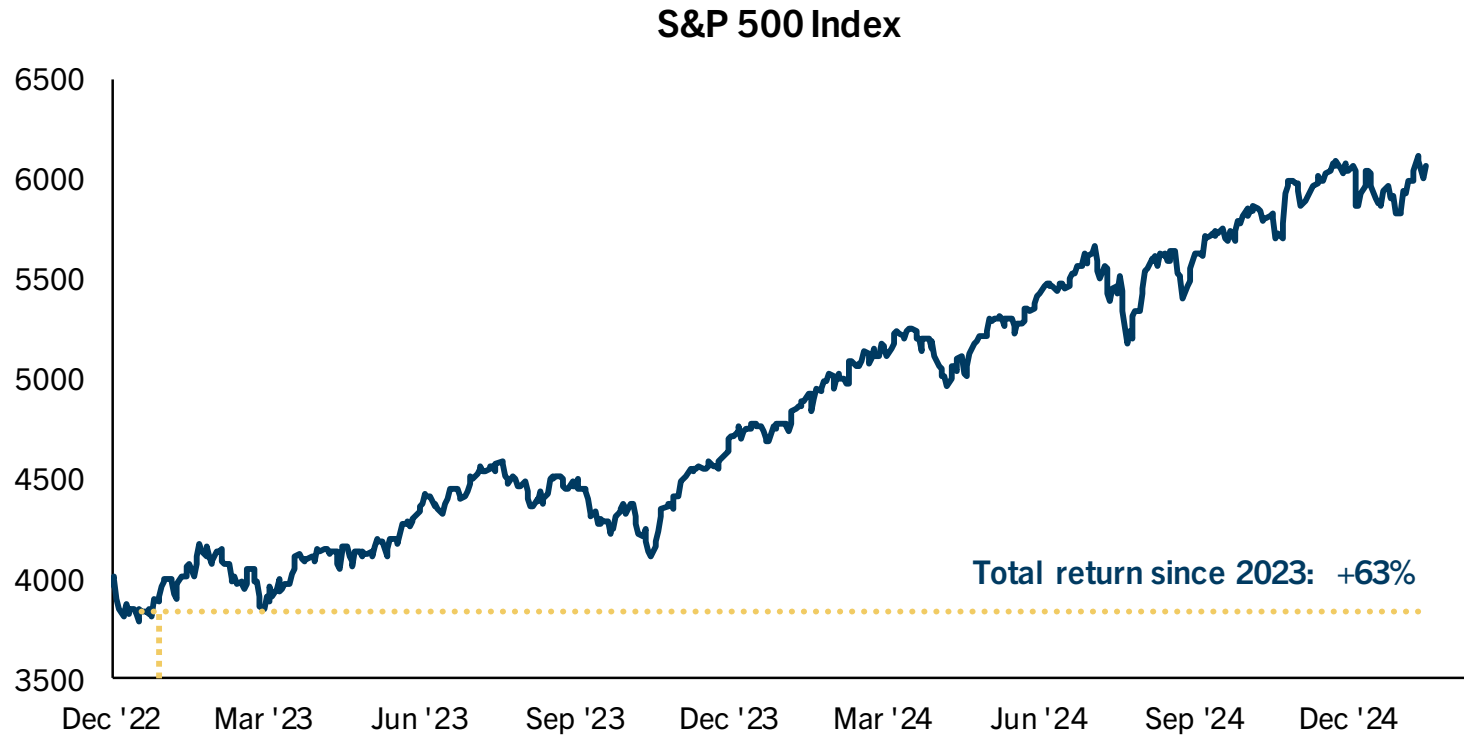
Equity Markets | Fixed Income | Policy Uncertainty

# Global Markets Last Year





# The S&P 500 Is Crossing New All-Time Highs



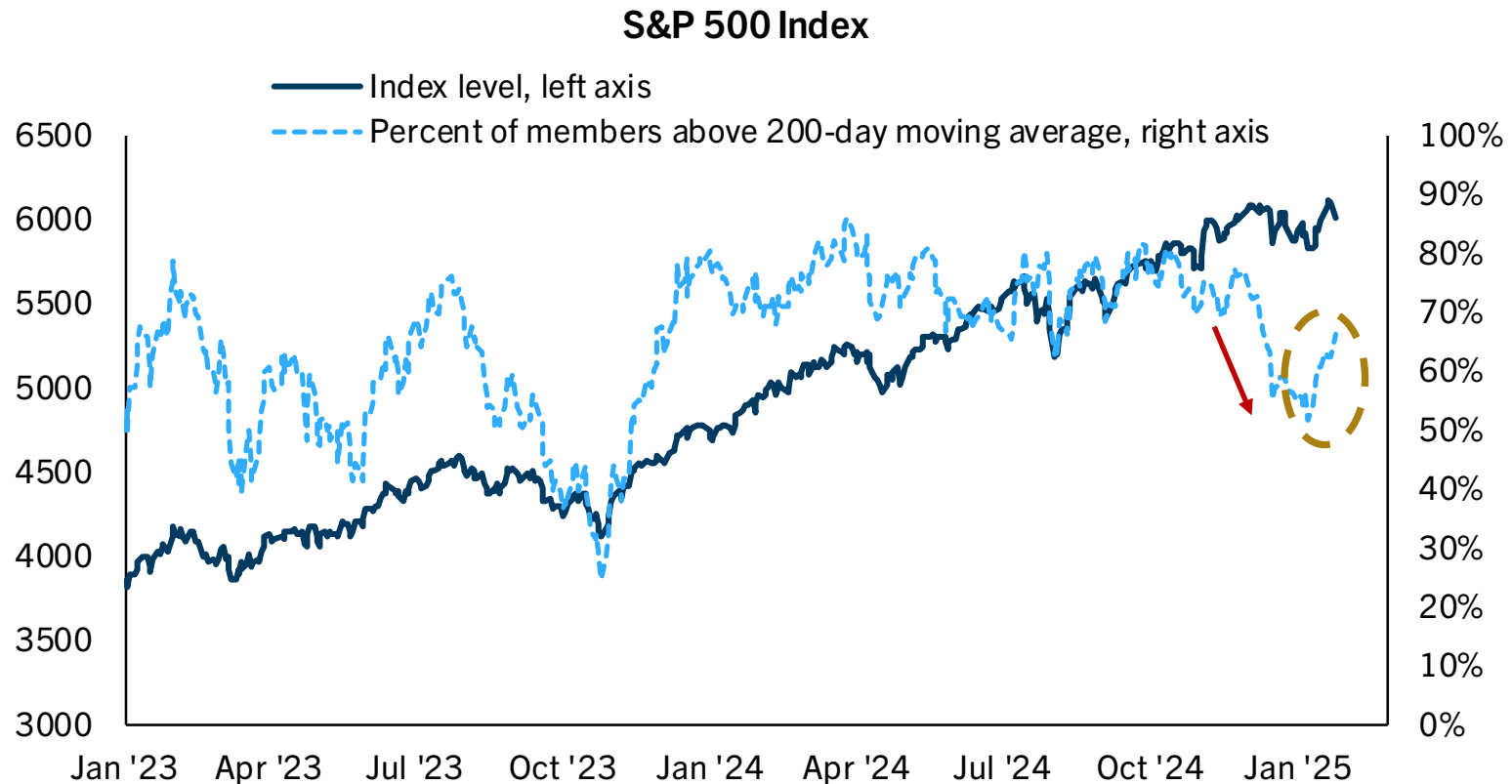
# Global Markets Year-to-Date

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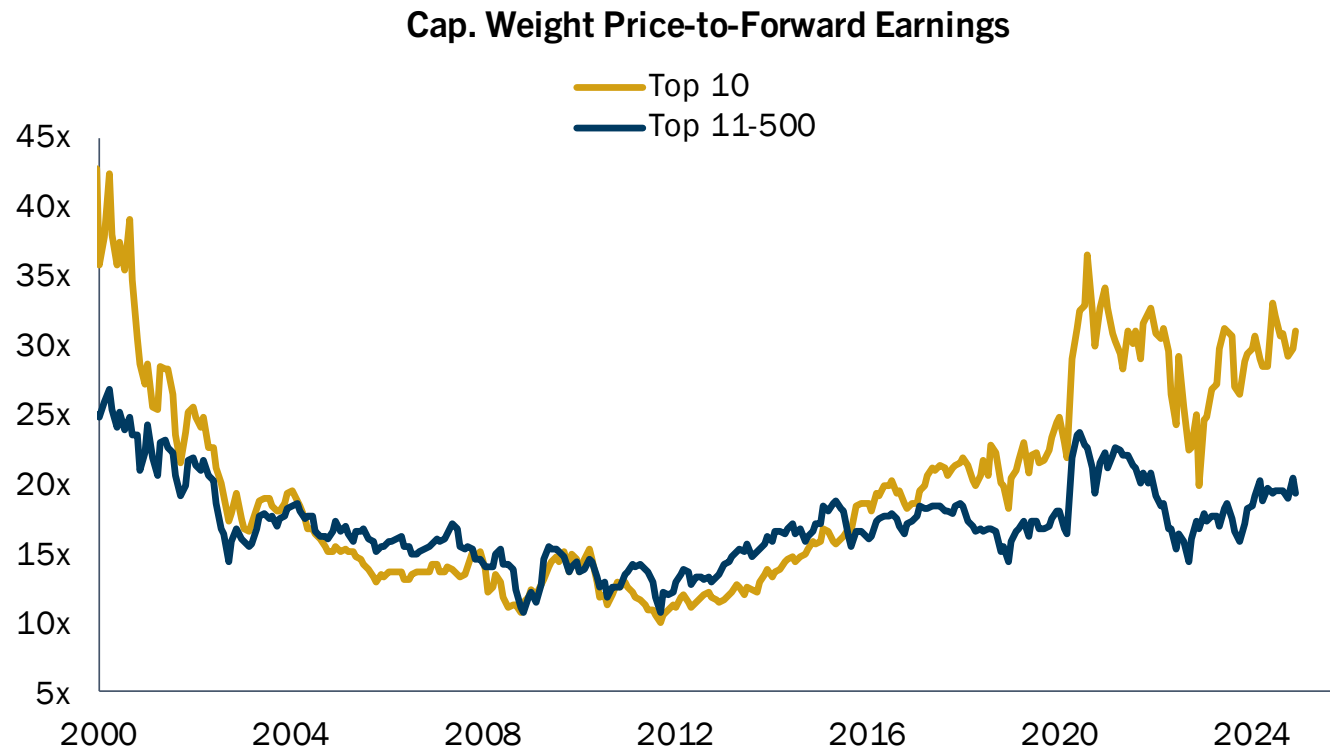
2024 US Equity Returns As of 12/31/2024			
	Value	Blend	Growth
Large	15.1%	27.4%	35.2%
Mid	13.1%	15.3%	22.1%
Small	8.0%	11.5%	15.1%

2025 YTD US Equity Returns As of 01/28/2025			
	Value	Blend	Growth
Large	5.0%	3.3%	2.3%
Mid	3.5%	4.3%	6.5%
Small	2.2%	2.7%	3.1%

# S&P 500 Breadth Worsened in Q4 but Has Improved Modestly This Year

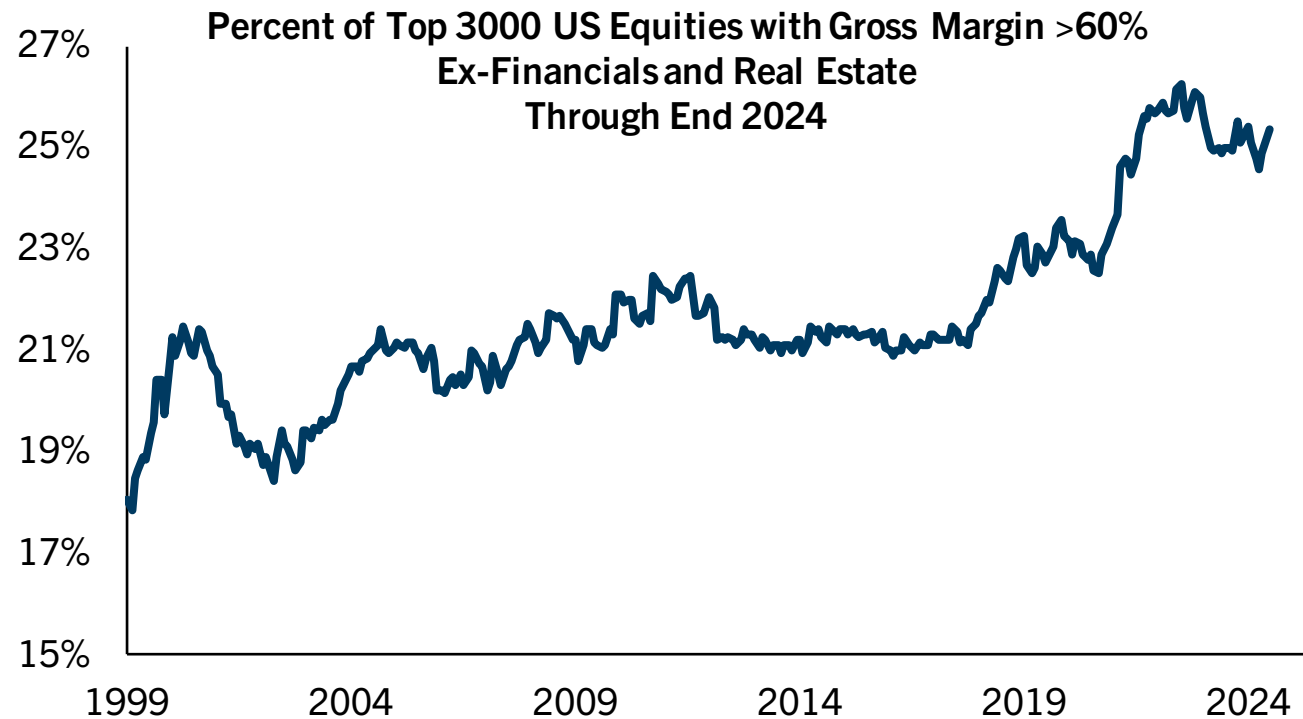


# Stocks Outside the Top 10 Are Less Expensive



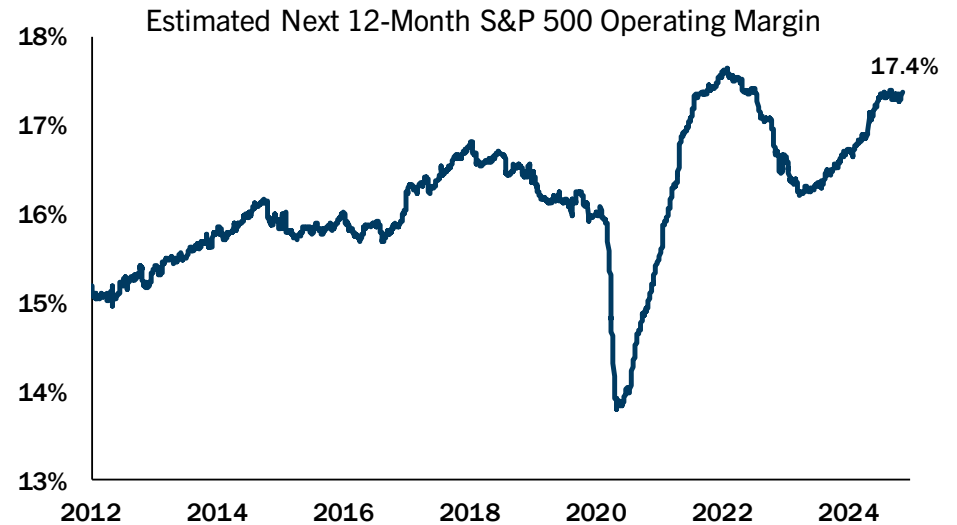
# Gross Margin Has Expanded For Many US Companies Since 2020

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# Corporate Earnings

- 2024 estimated growth is **9.5%**
  - Q4 2024: **12.7%**
- 2025 estimated growth is **14.8%**
- Average growth since 1950 is **7.6%**



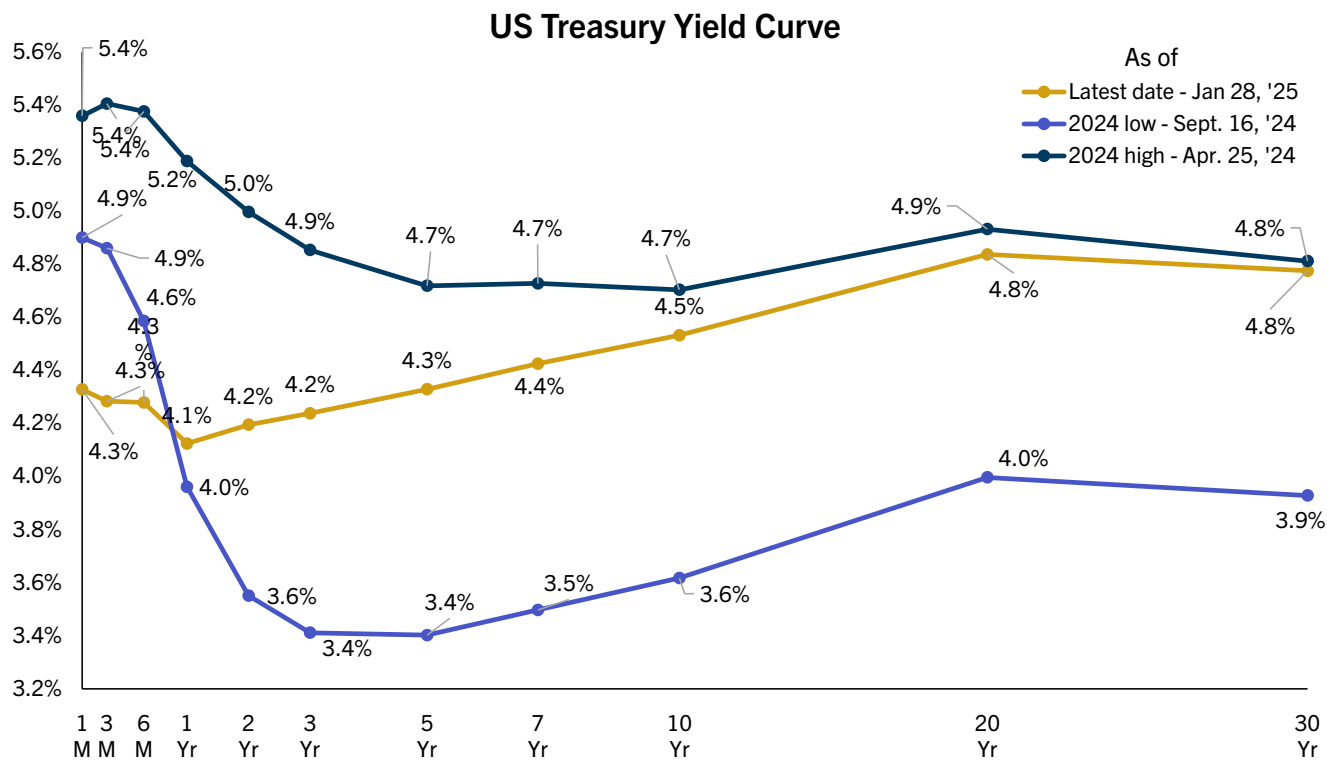
# S&P 500 Price Target

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## Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 1/28/25
Bear	4,600	-24.2%
Base	6,400	5.5%
Bull	6,900	13.7%

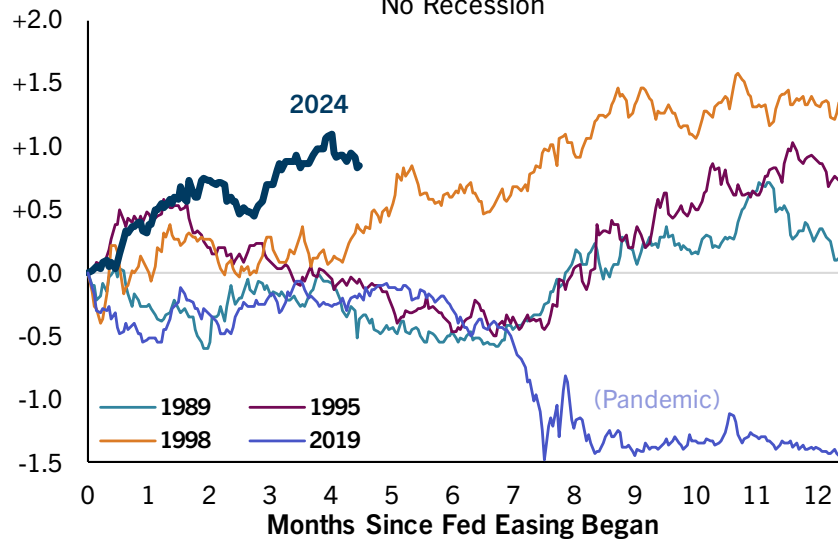
# The US Treasury Curve Un-Inverted and Steepened



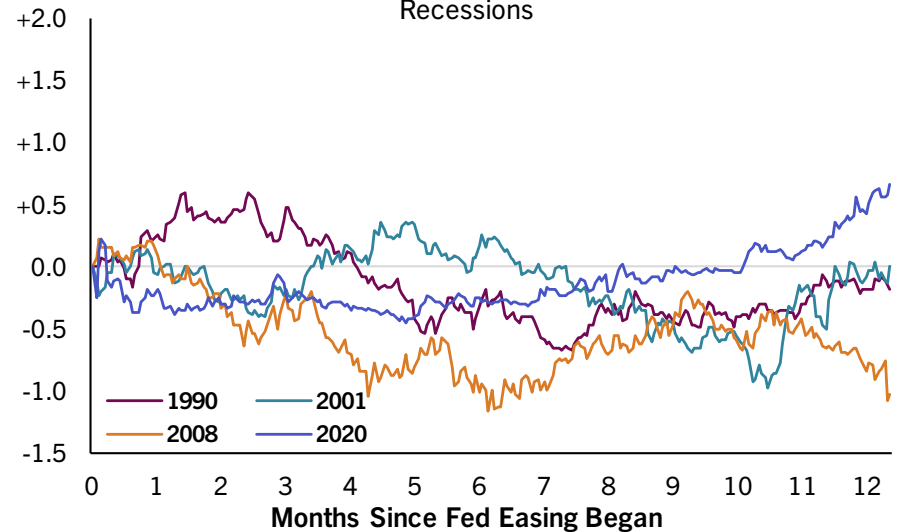


# Yields Have Risen After Previous Mid-Cycle Policy Adjustments

Change in US 10-Year Treasury Yield  
No Recession

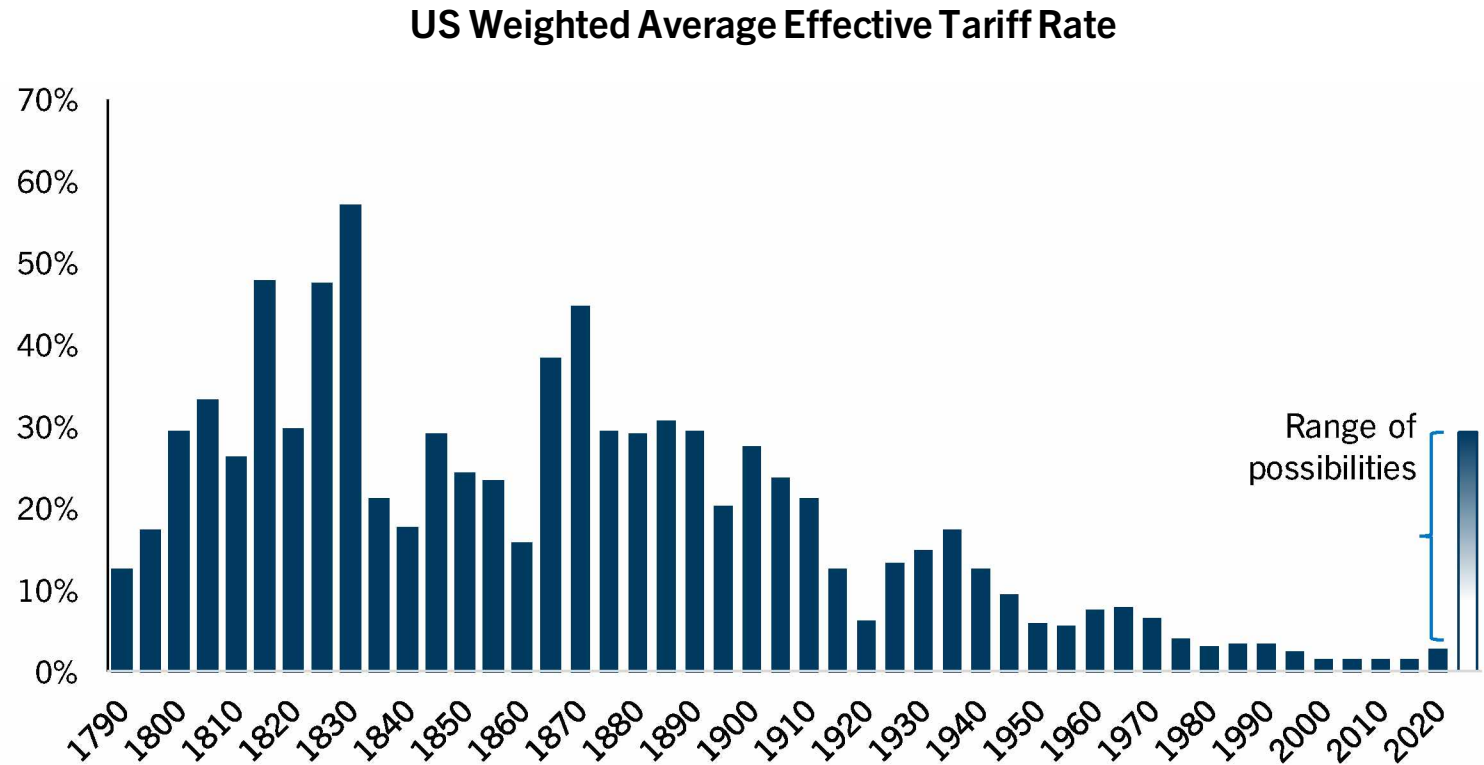


Change in US 10-Year Treasury Yield  
Recessions



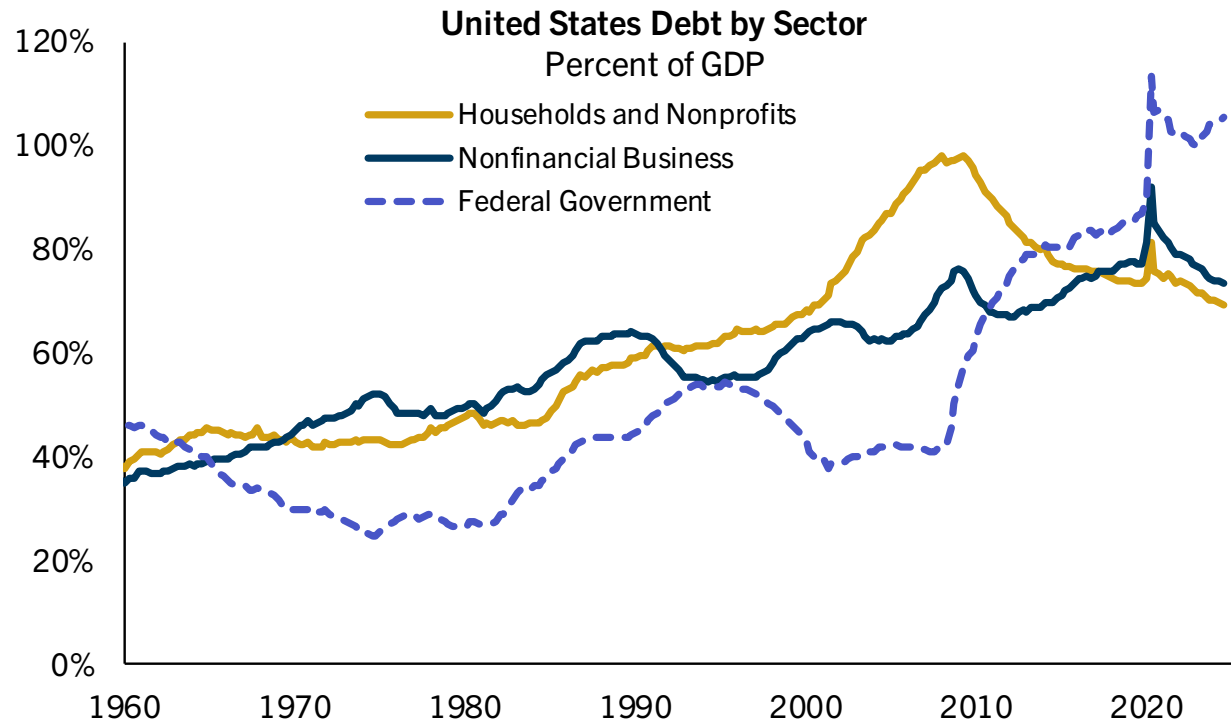
Source: First Citizens Wealth, Bloomberg.

# The New Administration Has Floated the Steepest Tariffs in 100 Years

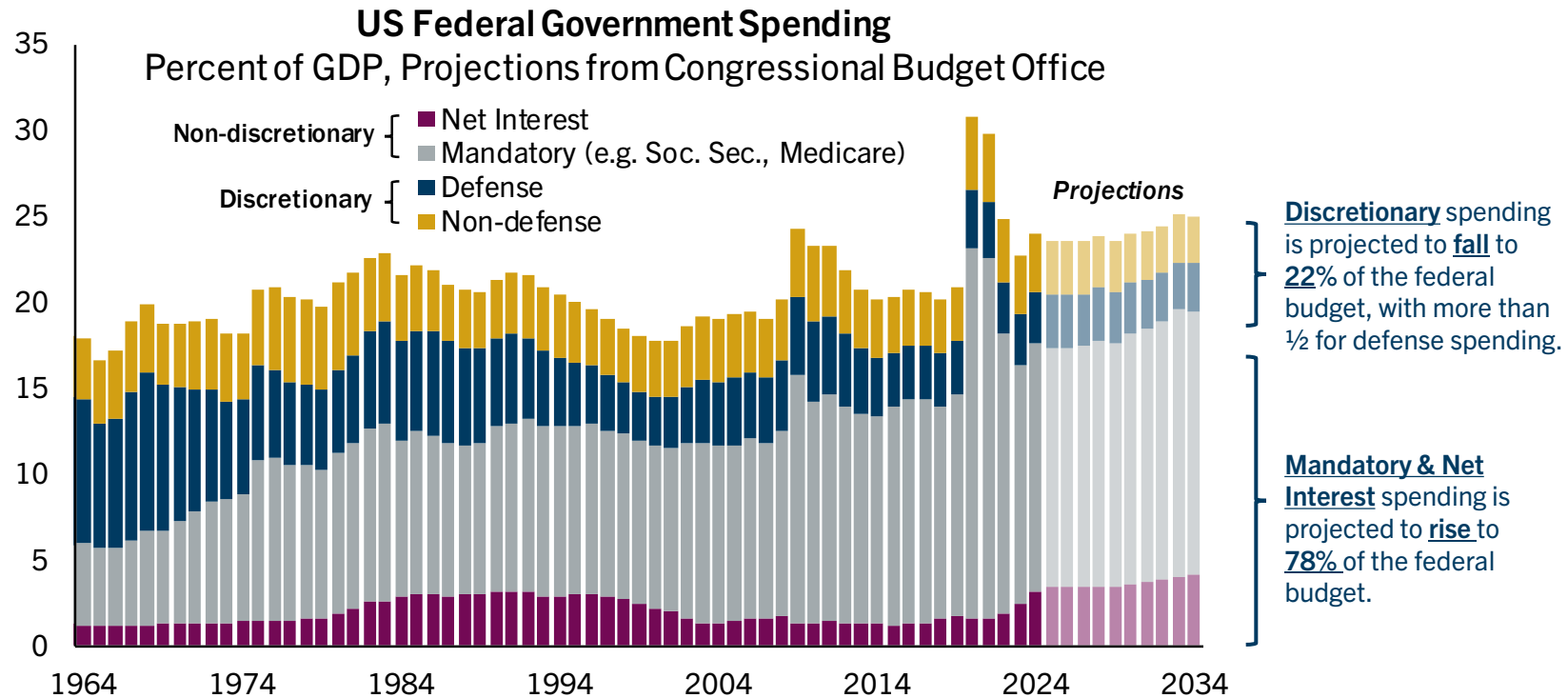


Source: Yale Budget Lab, Historical Statistics of the United States, Bureau of Economic Analysis.

# Household Debt Has Improved, But Government Debt Is at Historic Highs



# Greater Interest Expense Is Projected to Crowd Out Government Spending



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## Making **Sense**

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## Important Disclosures

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