

Making Sense



Brent Ciliano, SVP
Chief Investment Officer



Phillip Neuhart, SVP
Director of Market and
Economic Research

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What are we going to cover?

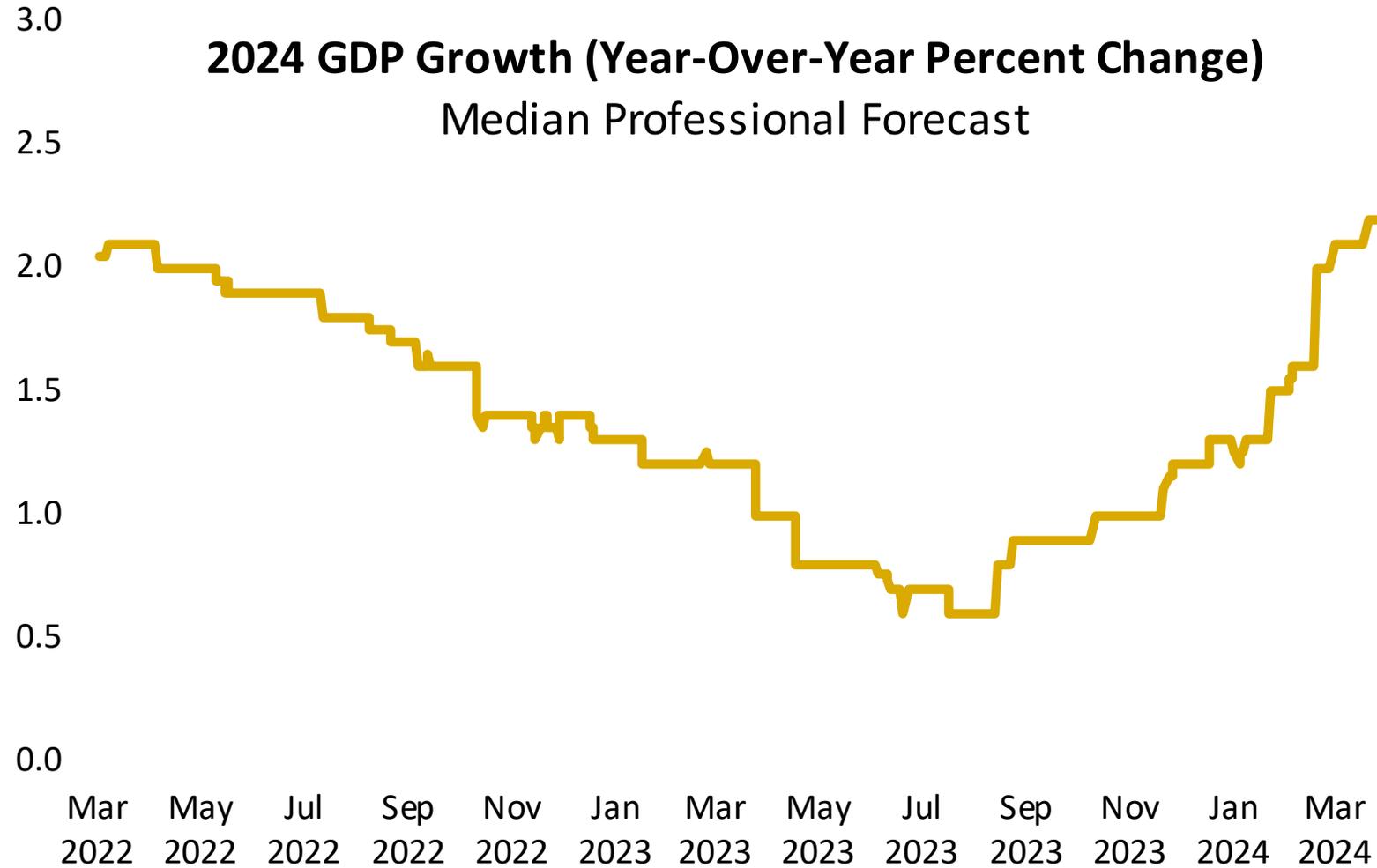
- 1 Economic Update
- 2 Market Update



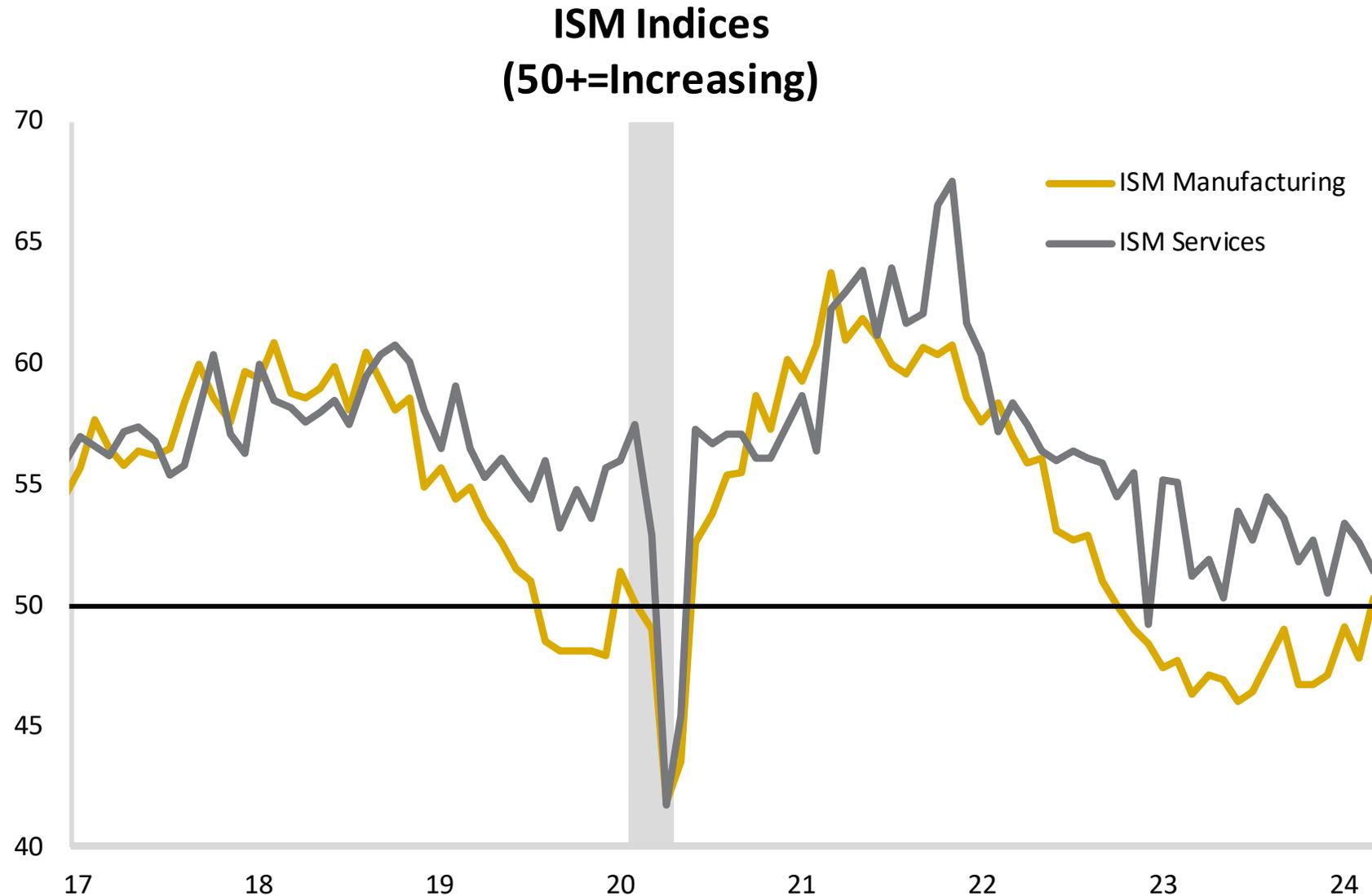
The background is a dark, monochromatic landscape. It features rolling hills in the foreground and middle ground, leading to a range of mountains in the distance. On the right side, there is a windmill on a tall metal tower, and next to it is a small, dark rectangular structure. The overall scene is dimly lit, creating a somber and quiet atmosphere.

Economic Update

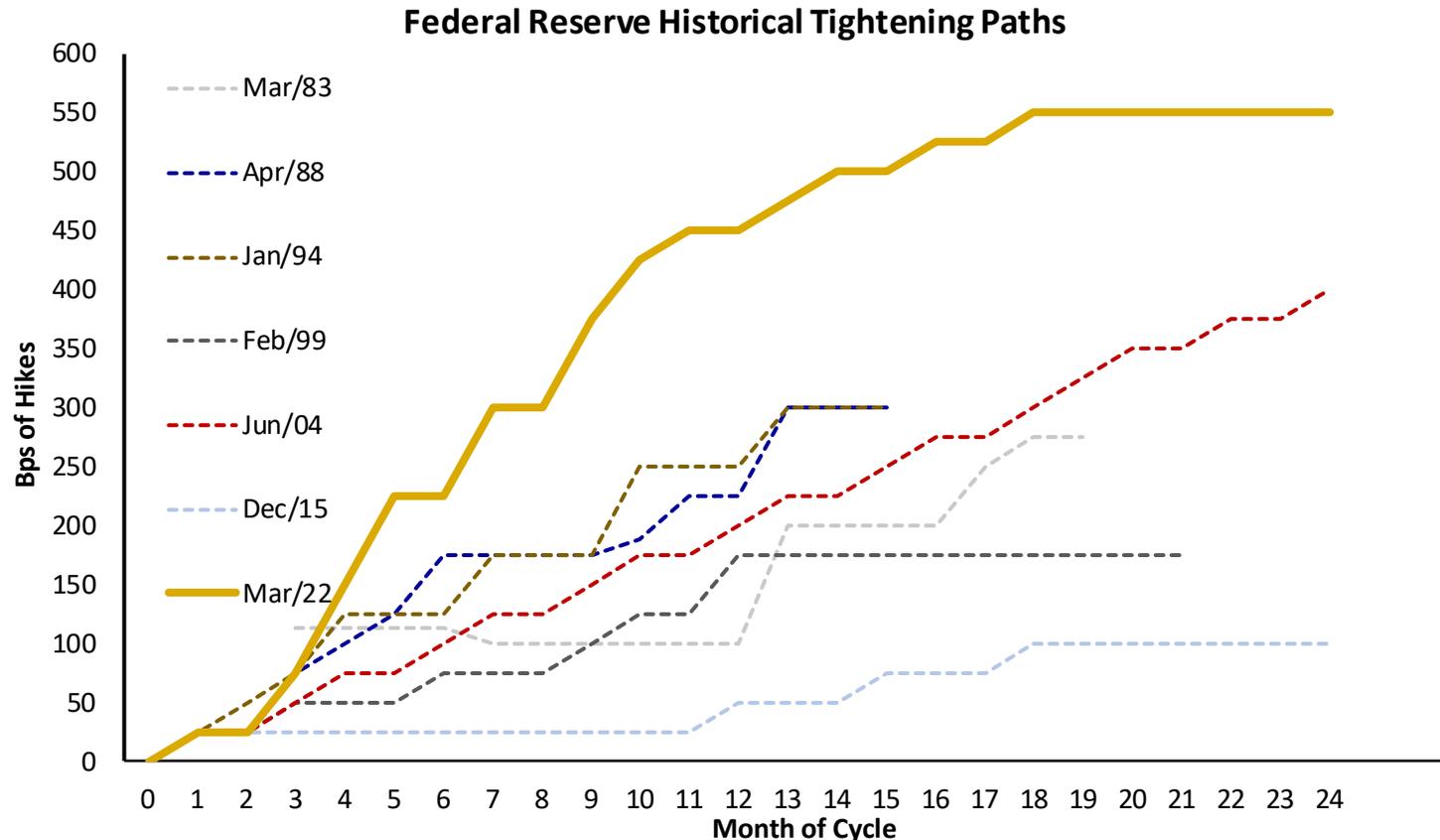
The Outlook for the US Economy Has Improved Substantially



Economic Activity Is Increasing



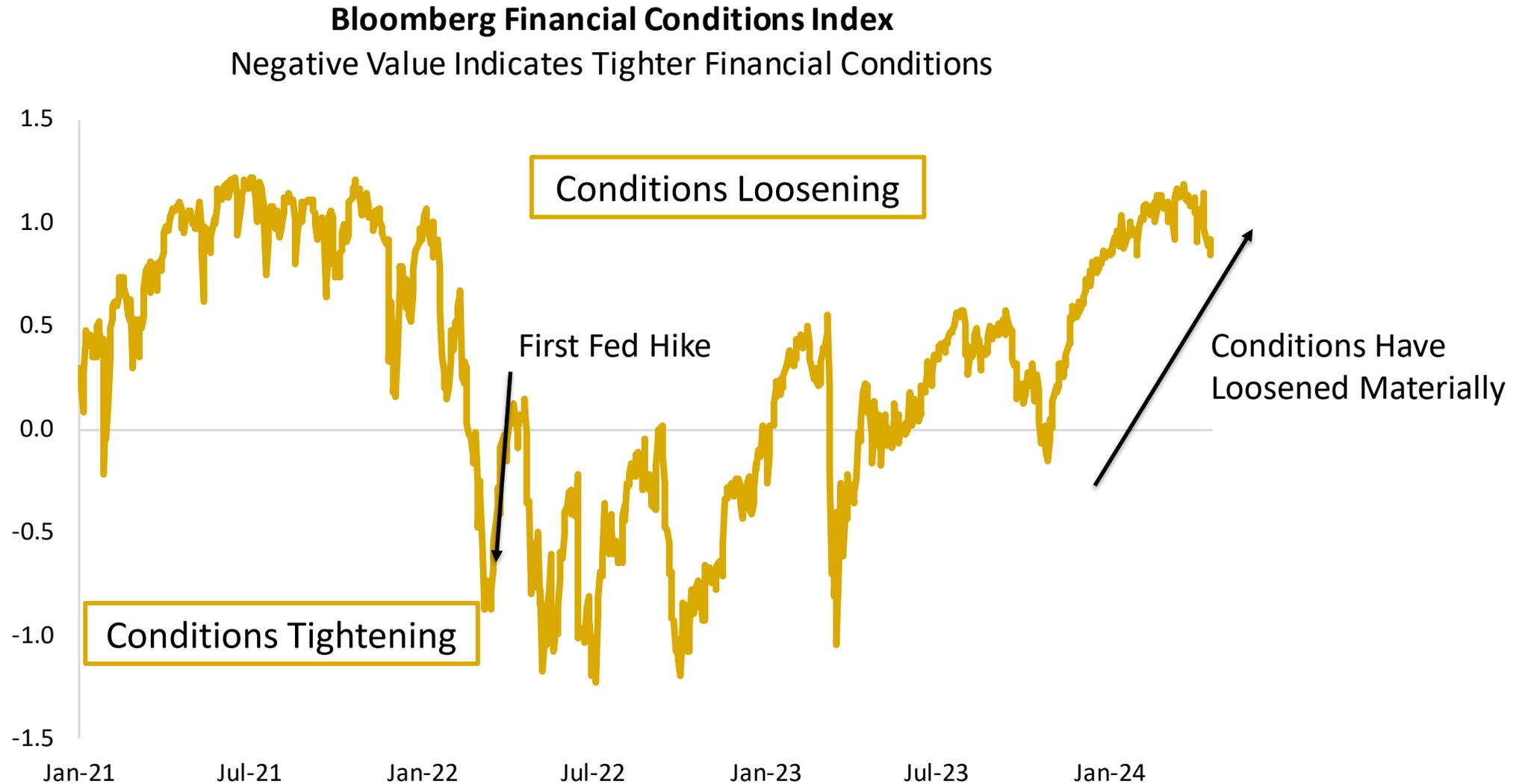
Federal Reserve Has Hiked Aggressively



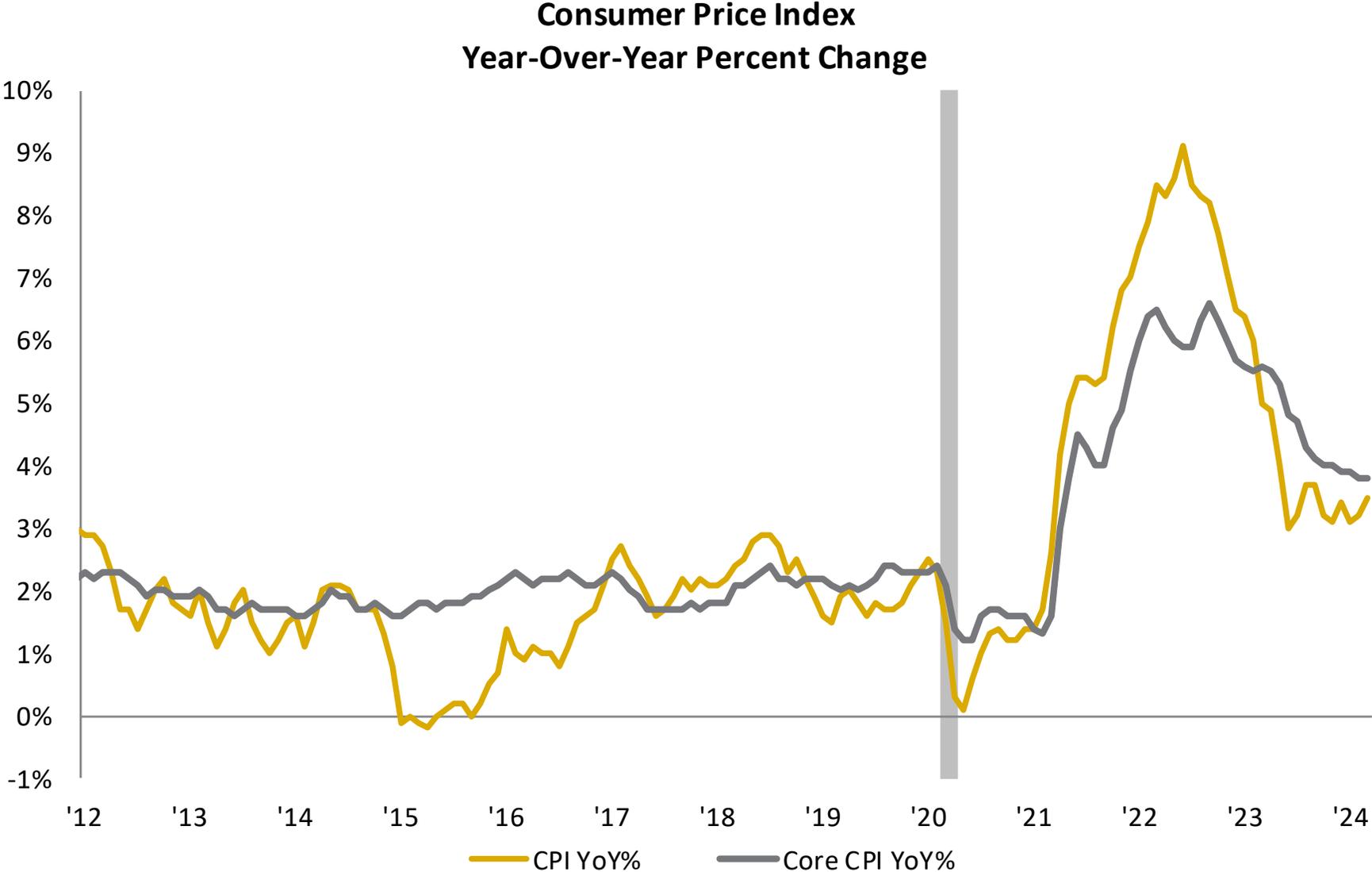
2024 Fed Funds Futures Pricing*:

- **First Cut: September (65%)**
- **Total 2024 25 bps Cuts: 1-2**
- **2024 Year-End Rate: 4.95%**

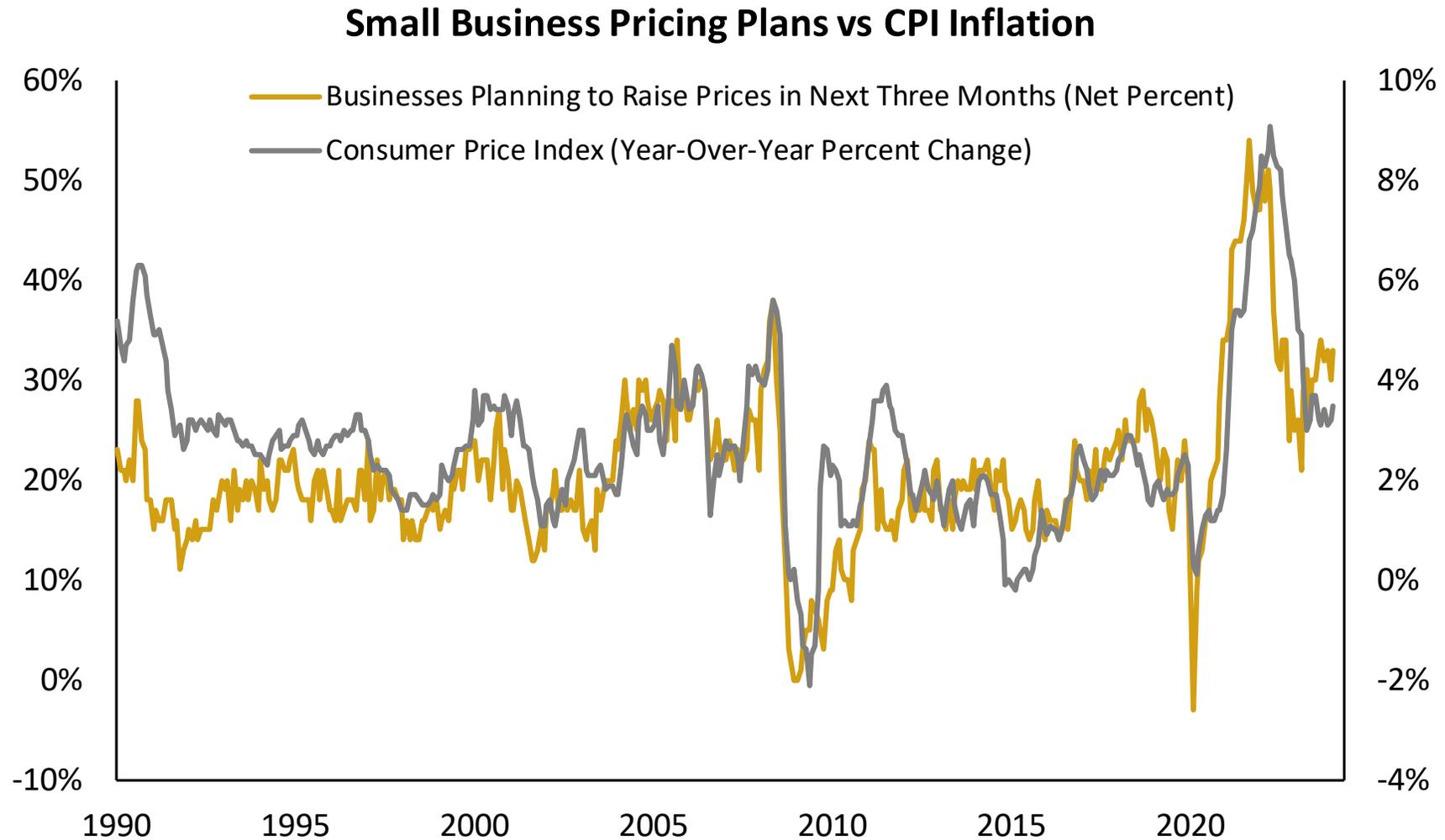
Financial Conditions Have Loosened



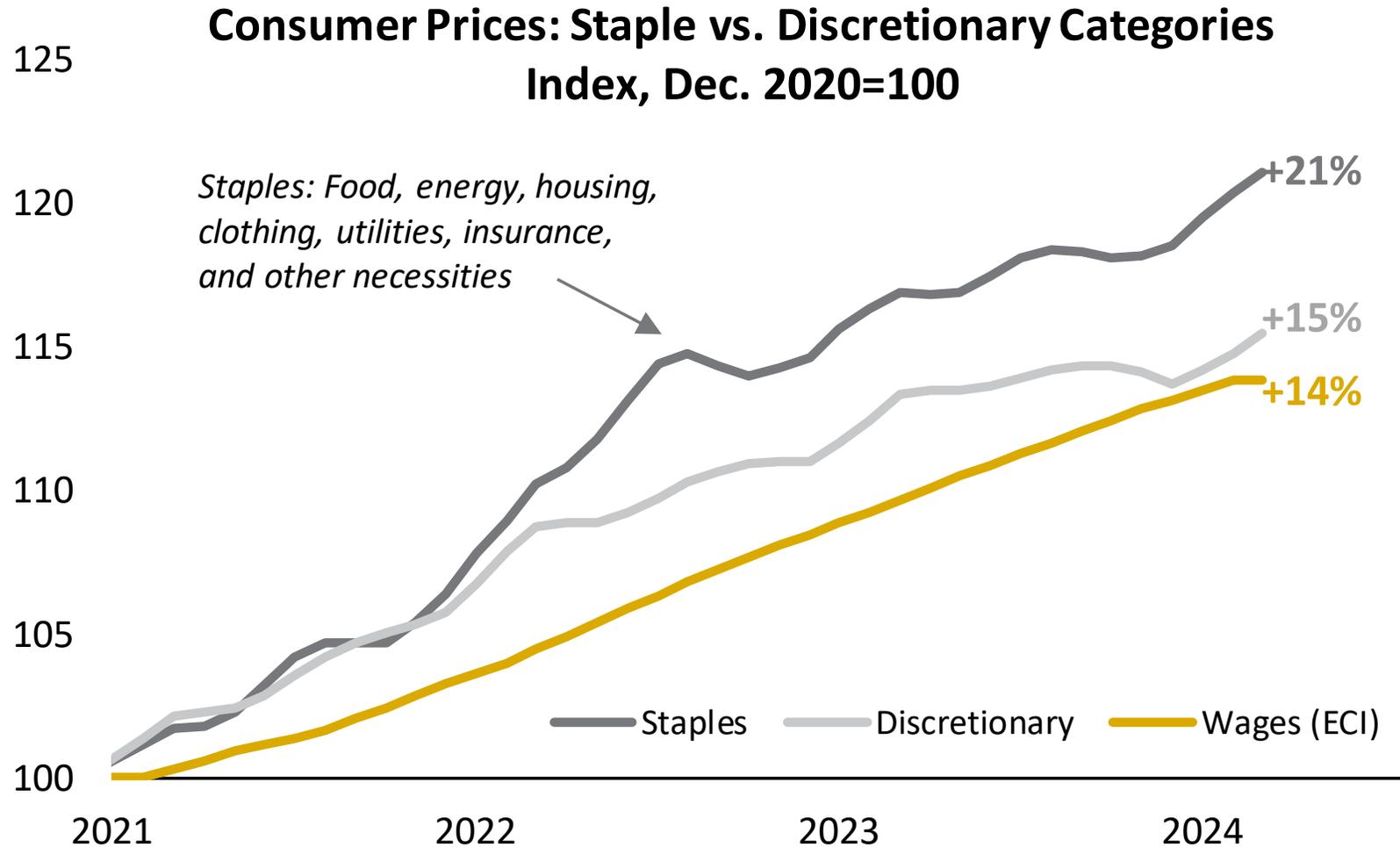
Inflation Remains Stubbornly Elevated



Small Businesses Plan to Increase Prices

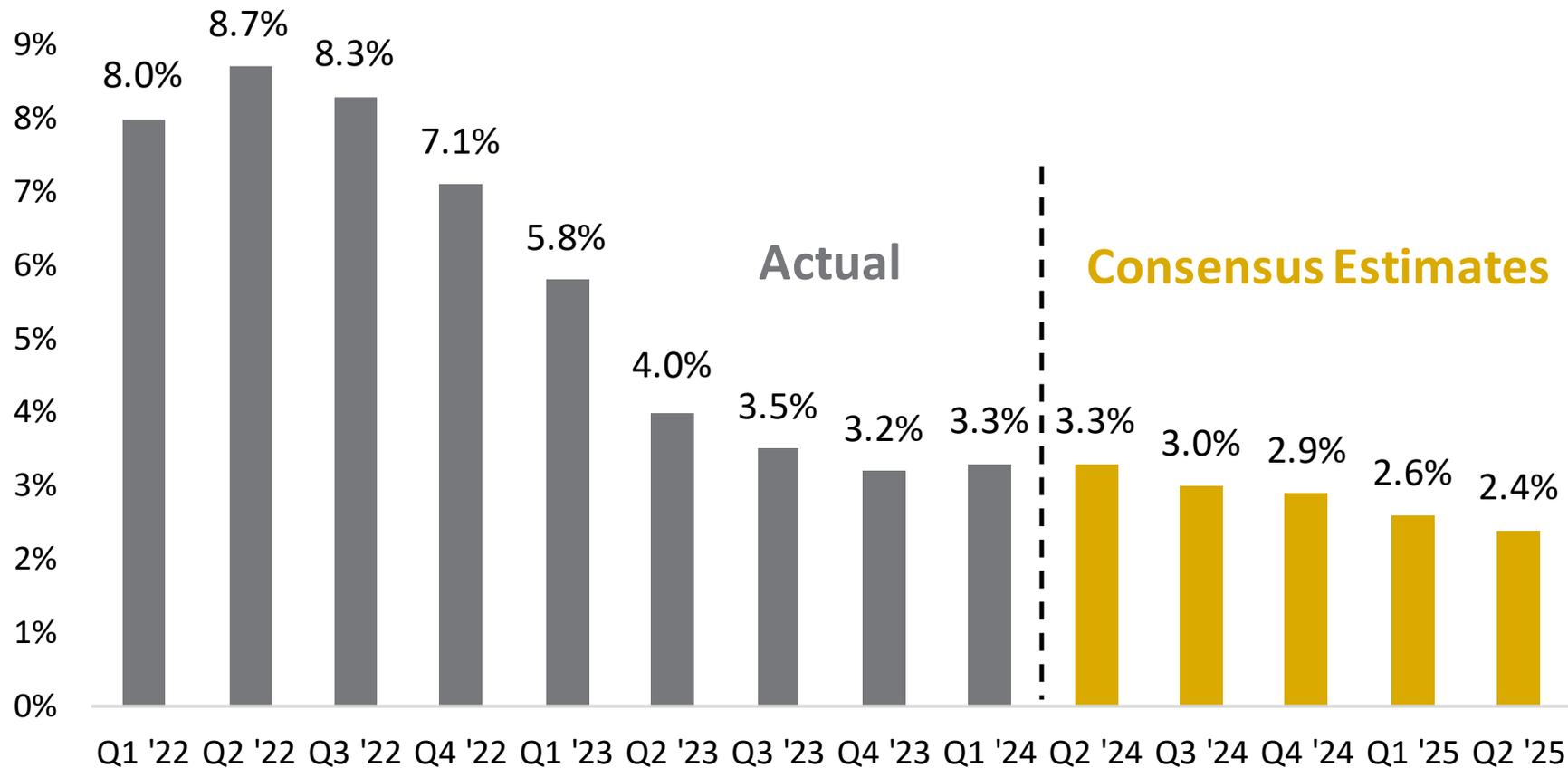


“Common Man CPI” Exceeds Wage Inflation

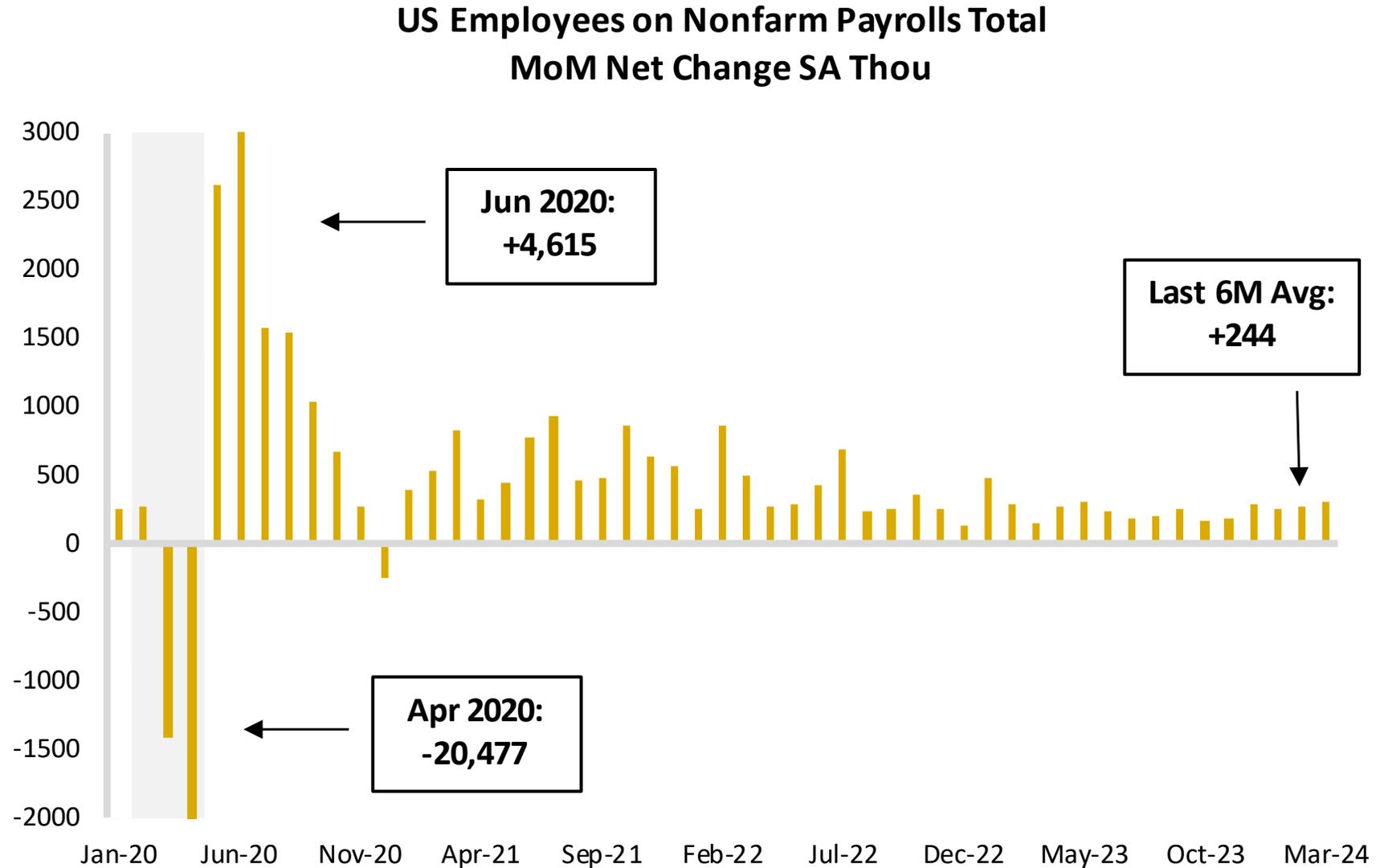


Path of Inflation

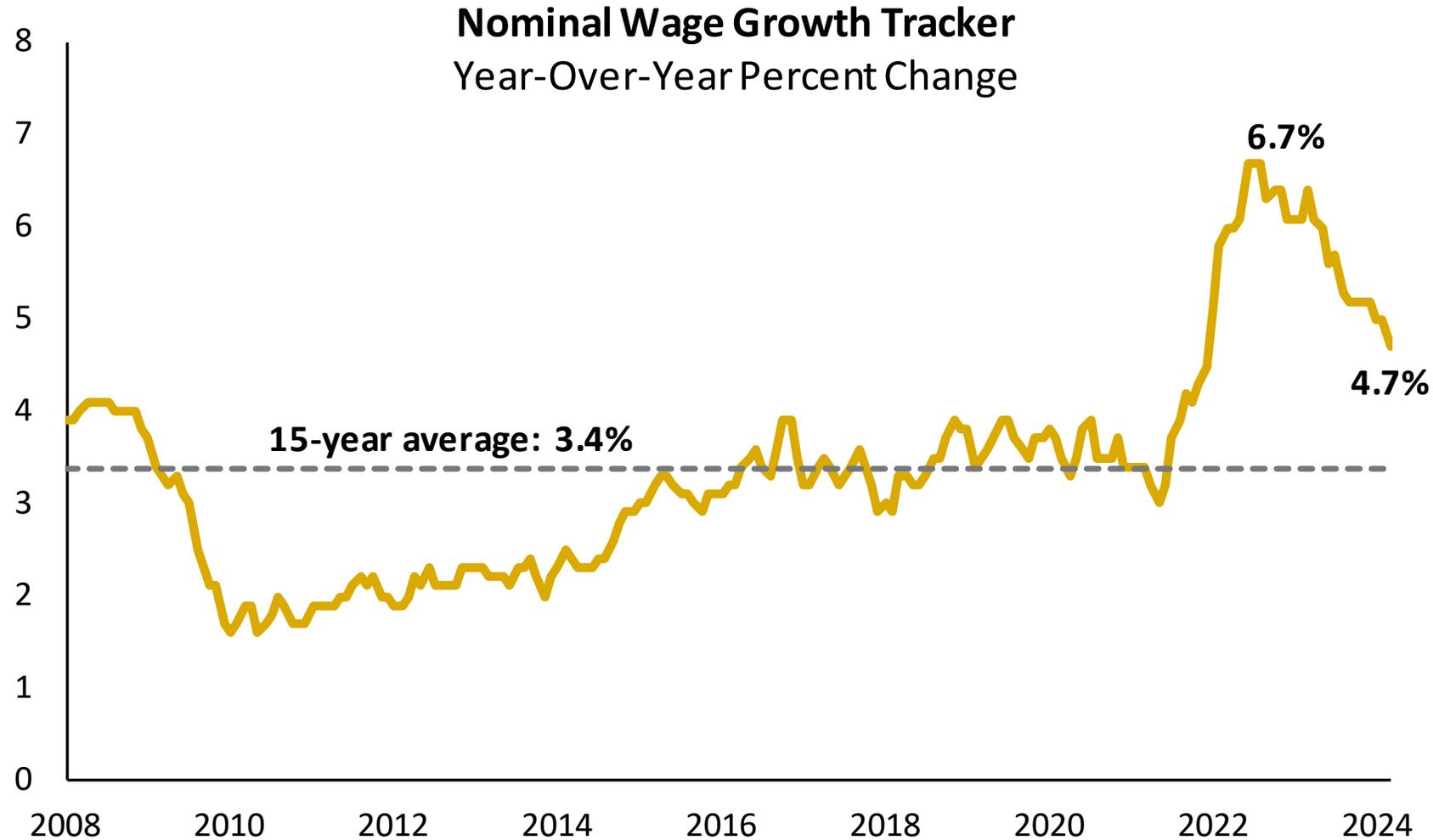
Consumer Price Index Year-over-Year Percent Change



The Labor Market Is Resilient

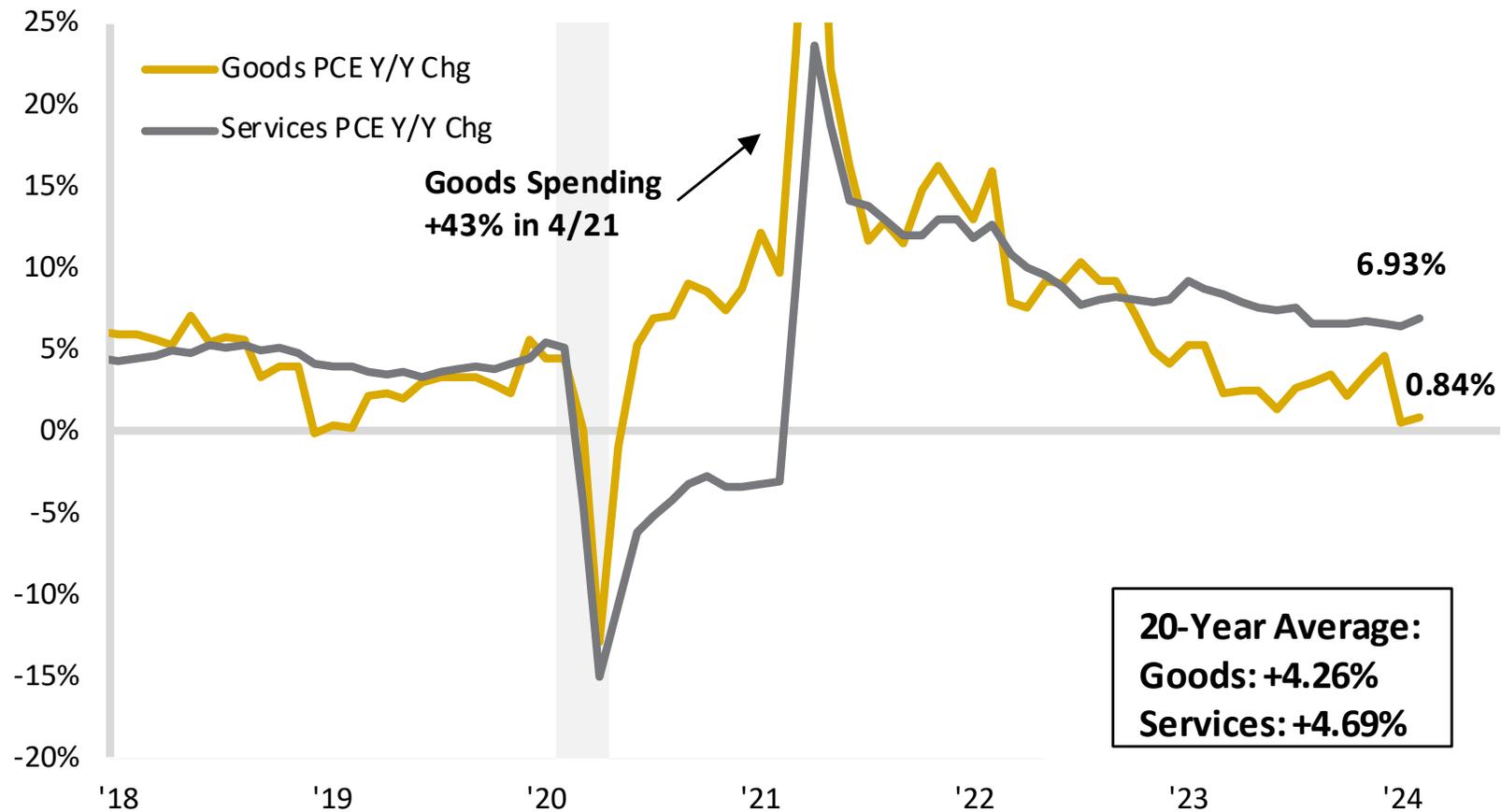


Wage Growth Has Moderated but Remains Firm

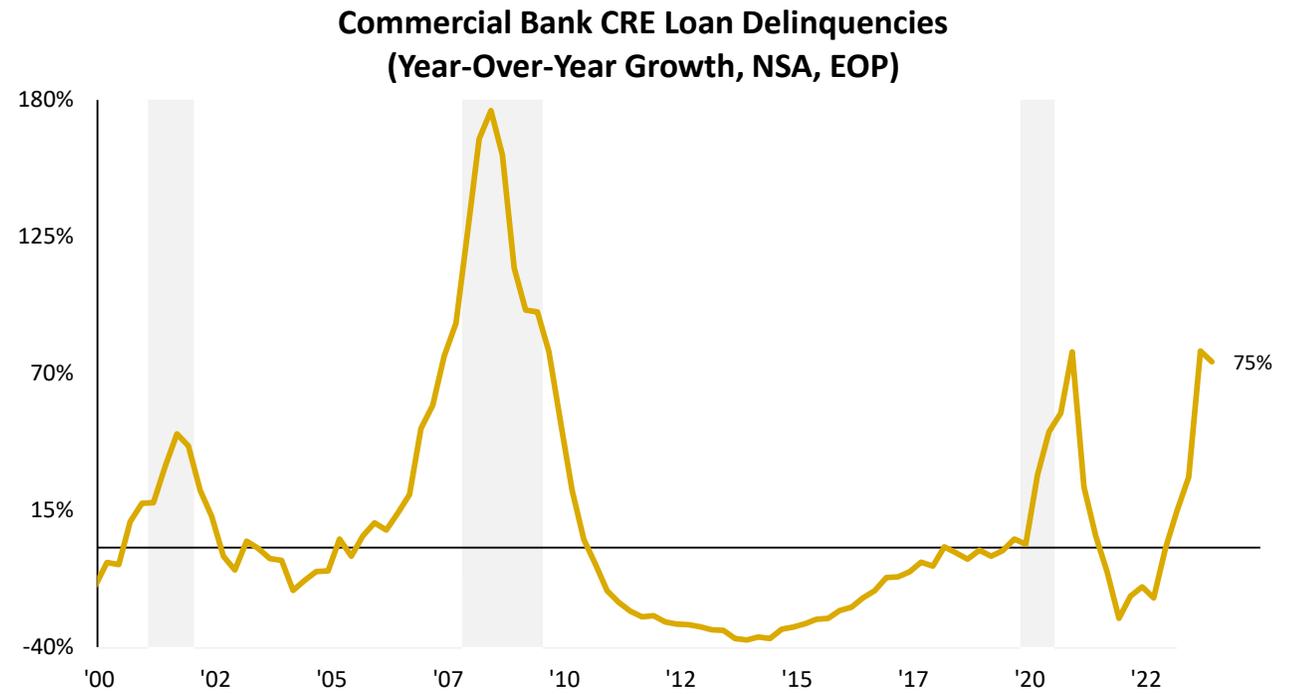
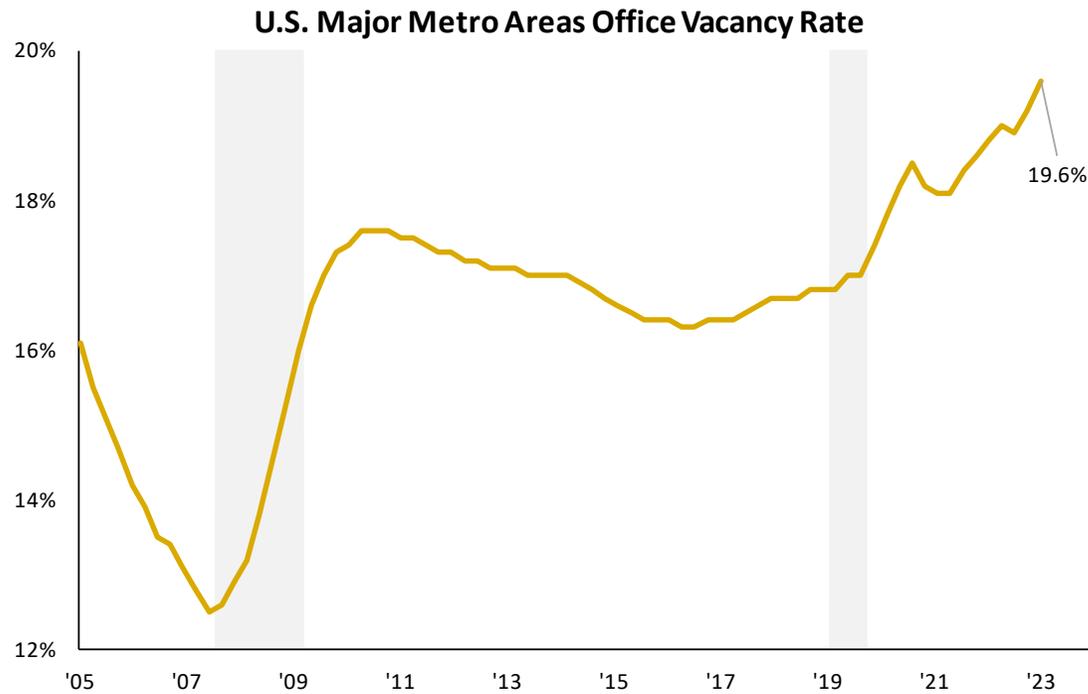


Consumer Expenditures

Personal Consumption Expenditures
(SAAR, \$) % Change - Year to Year

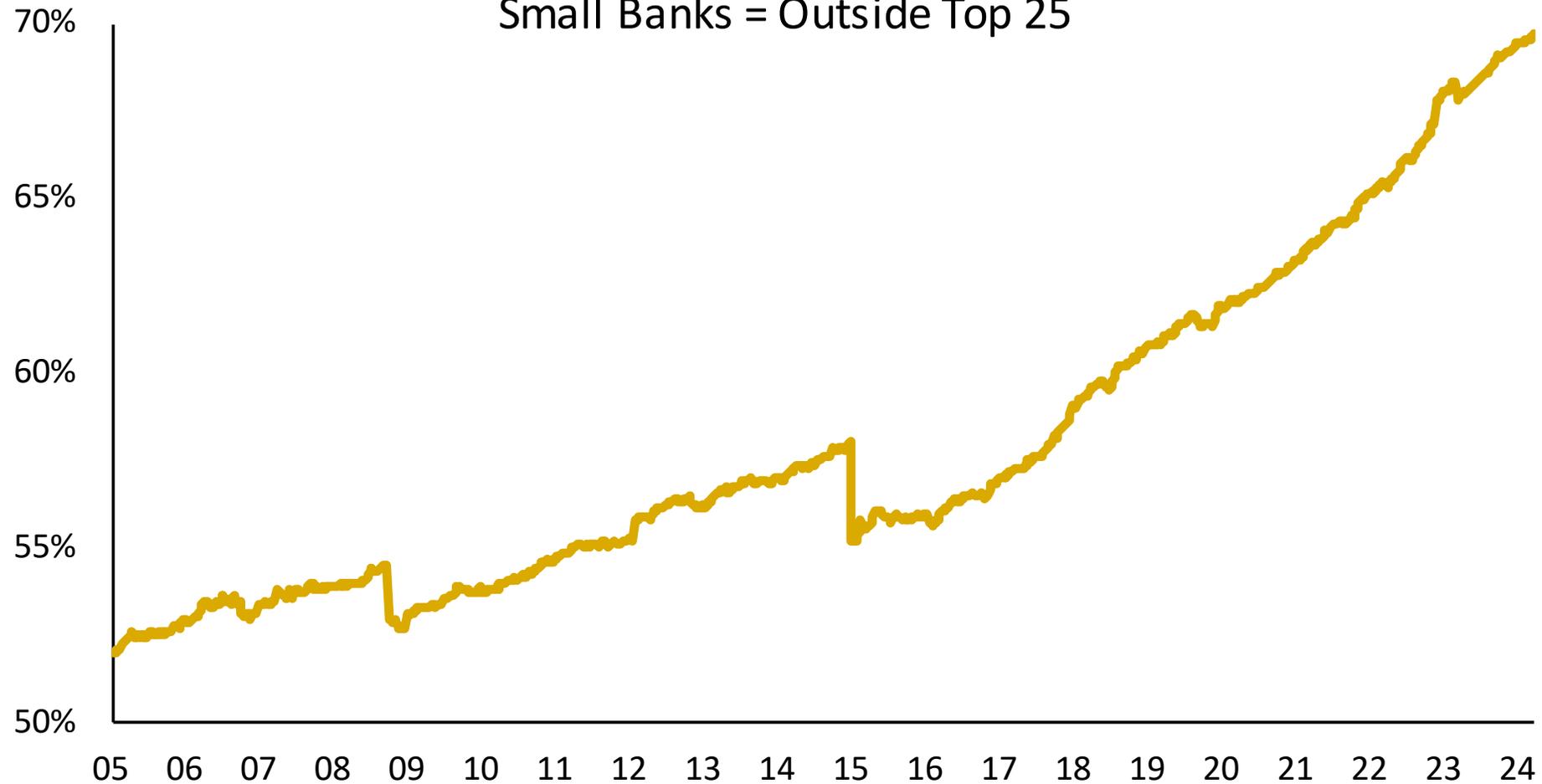


Commercial Real Estate



Commercial Real Estate

**Small Bank Percentage of Total
Commercial Real Estate Loans**
Small Banks = Outside Top 25

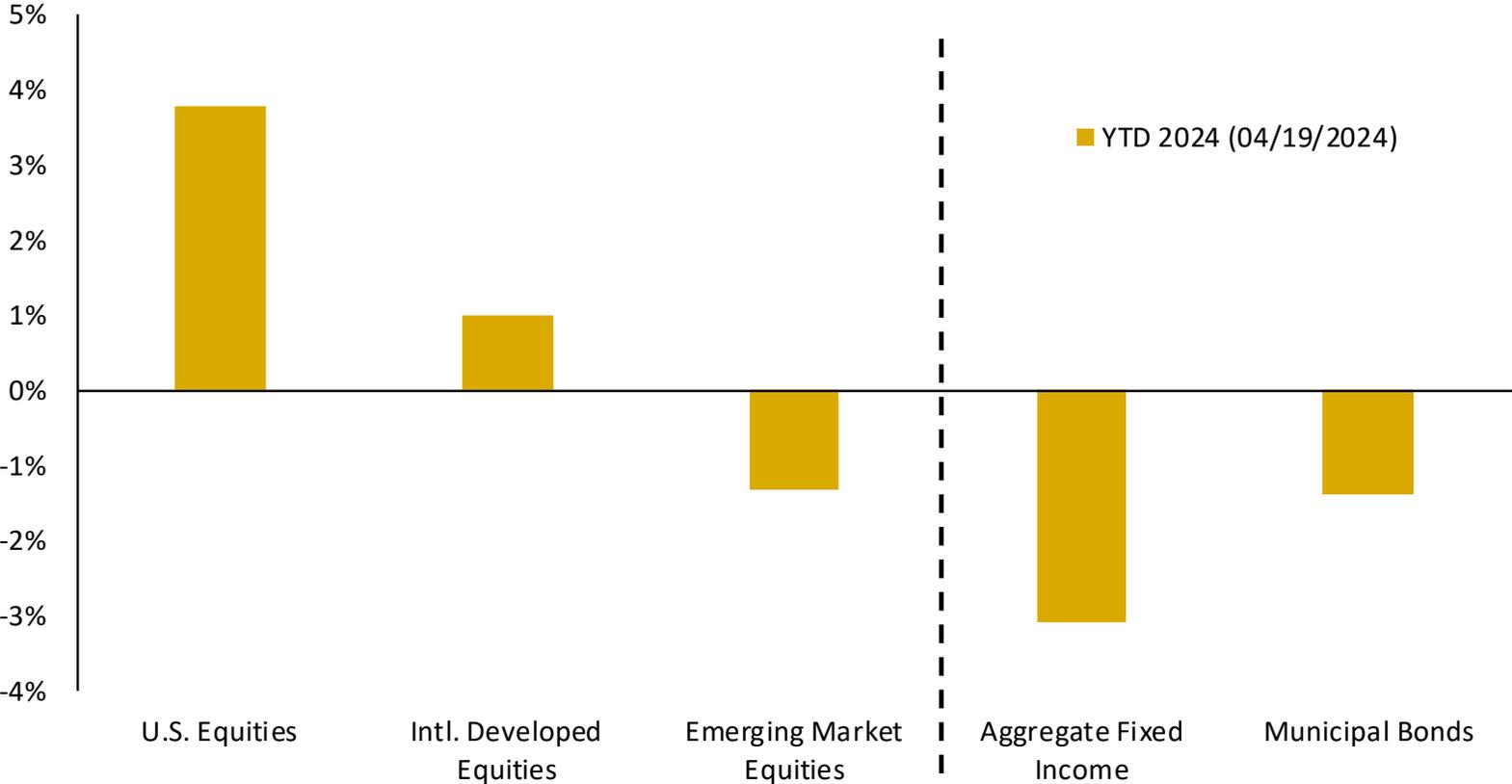




Market Update

Global Markets Year-to-Date

Total Return by Asset Class



YTD US Equity Returns
As of 04/19/2024

	Value	Blend	Growth
Large	5.1%	5.1%	5.0%
Mid	1.6%	1.5%	1.4%
Small	-4.3%	-3.5%	-2.7%

Source: Bloomberg. Note: Left chart data represents Russell 3000, MSCI EAFE, MSCI EM, Bloomberg Aggregate Bond, Bloomberg Municipal Bond. Right chart data represents Russell Top 200, Russell Midcap, and Russell 2000.

Stocks Have Rallied Sharply; Rally Broadening Recently

S&P 500 Index



S&P 500: Year-to-Date Through 4/19/24

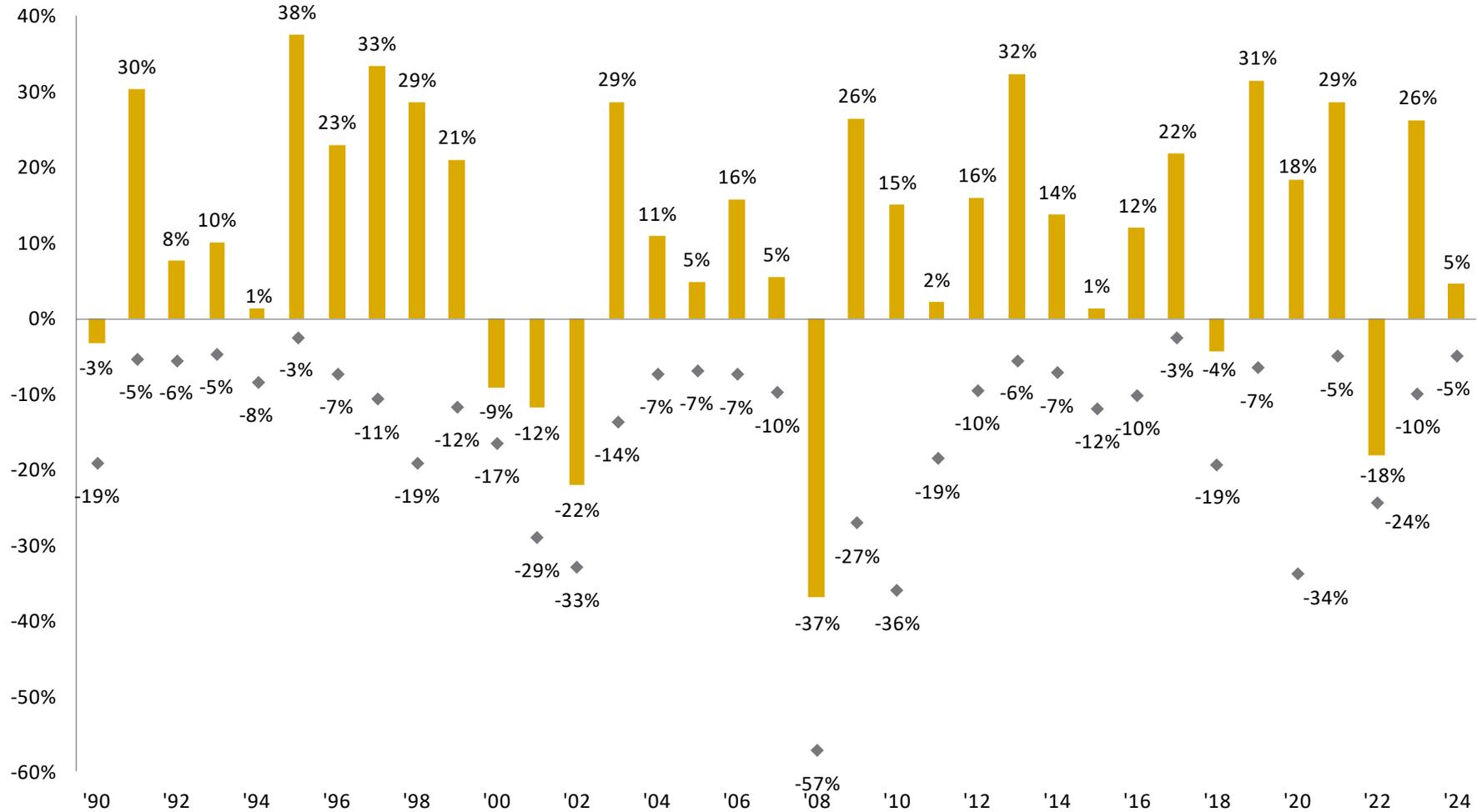
Index:	Total Return
S&P 500	4.6%
S&P 500 Equal Weighted	1.2%
Difference	3.4%

S&P 500: 2/2/24 Through 4/19/24

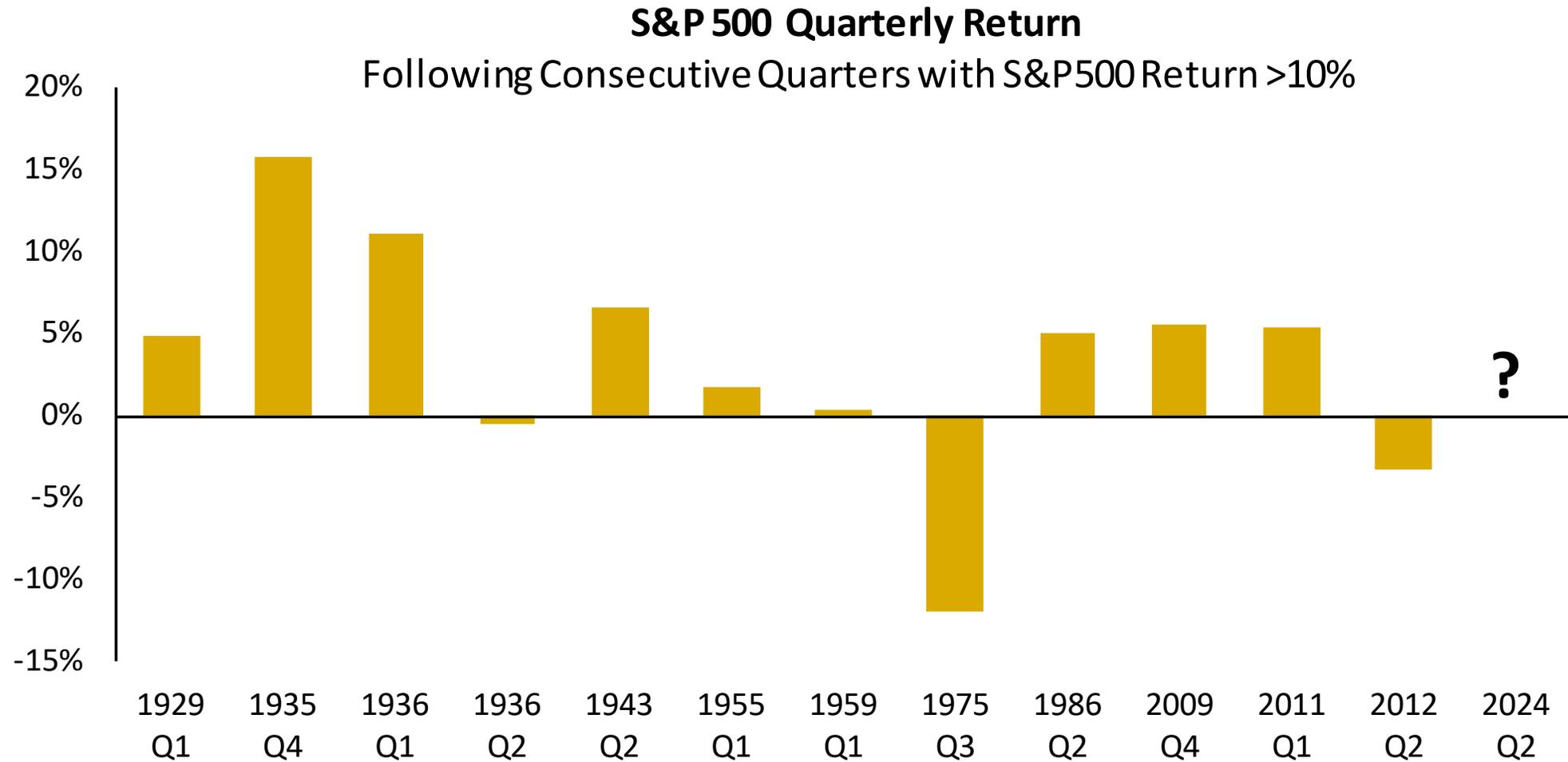
Index:	Total Return
S&P 500	0.5%
S&P 500 Equal Weighted	1.5%
Difference	-1.0%

Intra-Year Selloffs Average 15%

S&P 500 Calendar Year Return vs. Largest Intra-Year Decline

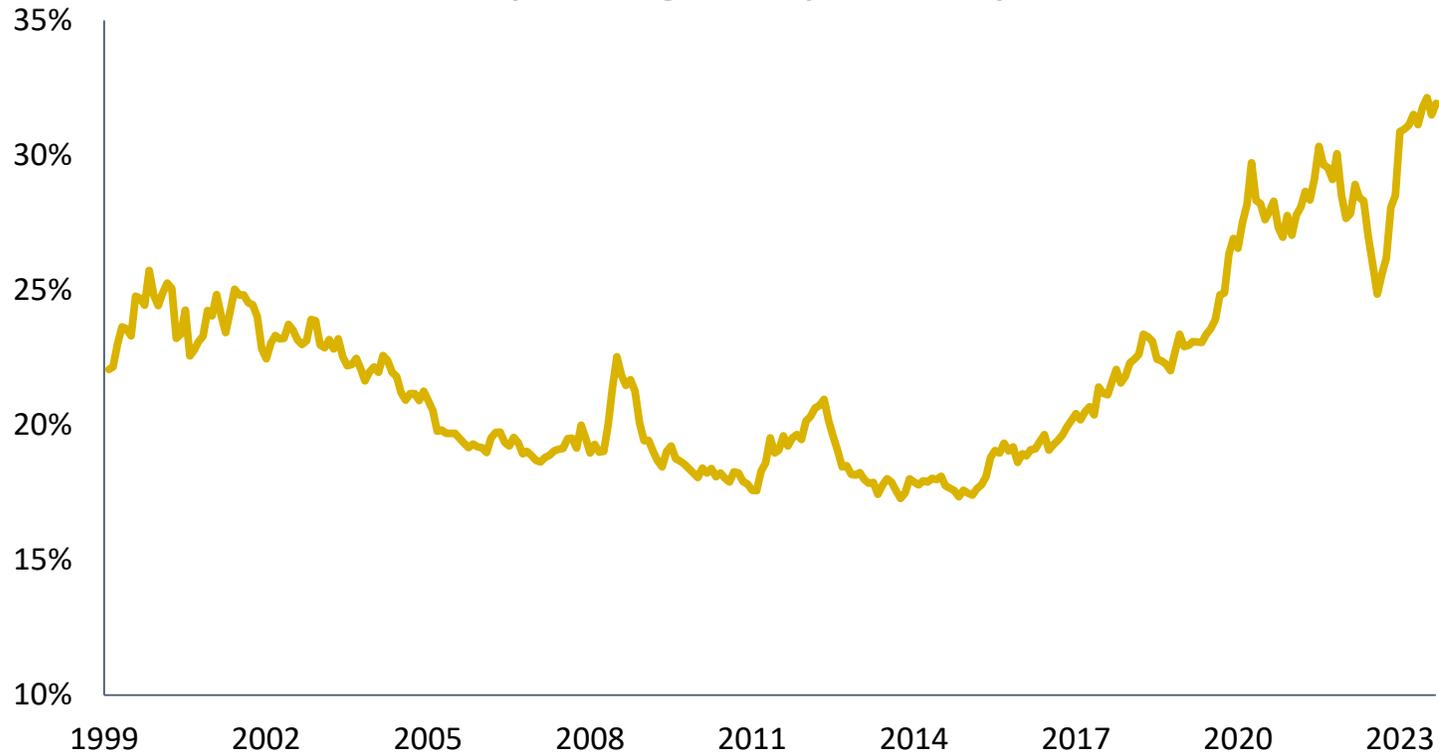


Rare Consecutive 10%+ Quarters Can Precede Further Gains



Top-Heavy Market? ... Not Necessarily

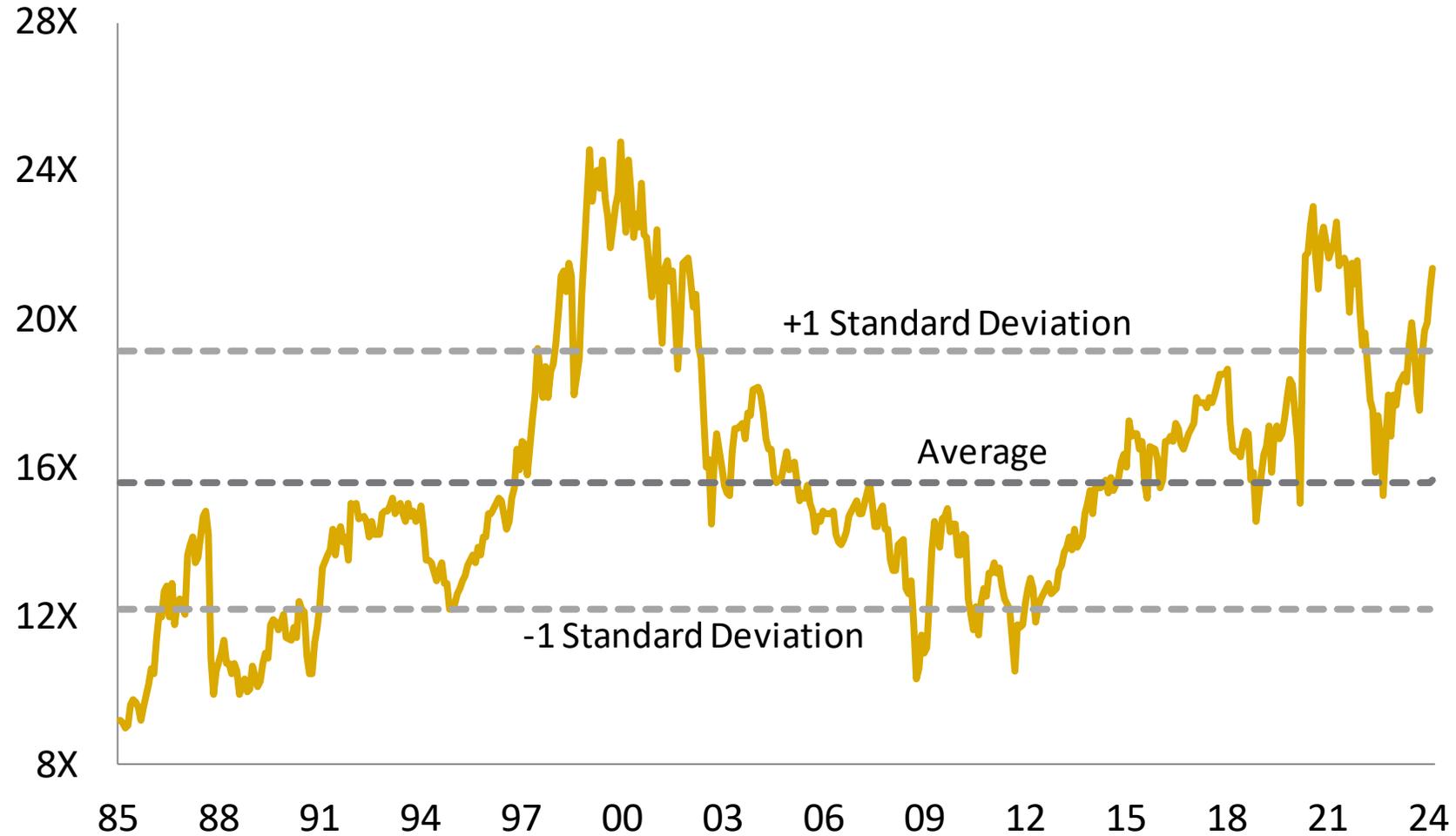
Top 10 Weight in Top 500 US Equities



- The largest-company share of S&P 500 market cap is at an all-time high.
- However, gains over the last 6 months have been broad based across size and sector.
- 22 out of 25 industry groups had a positive total return in 2023 Q4 and 2024 Q1.

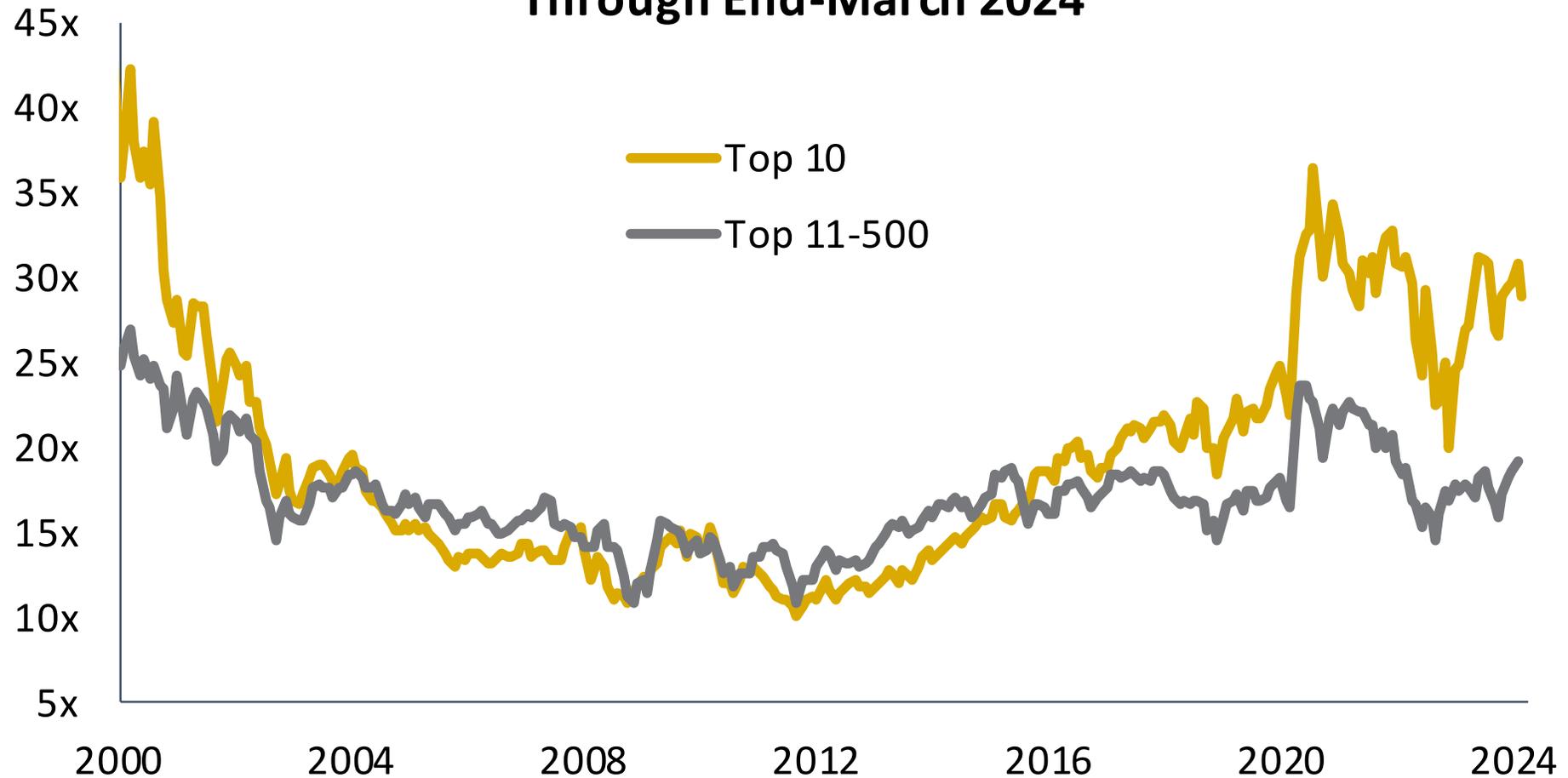
Market Valuation Below Extremes but Above Average

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



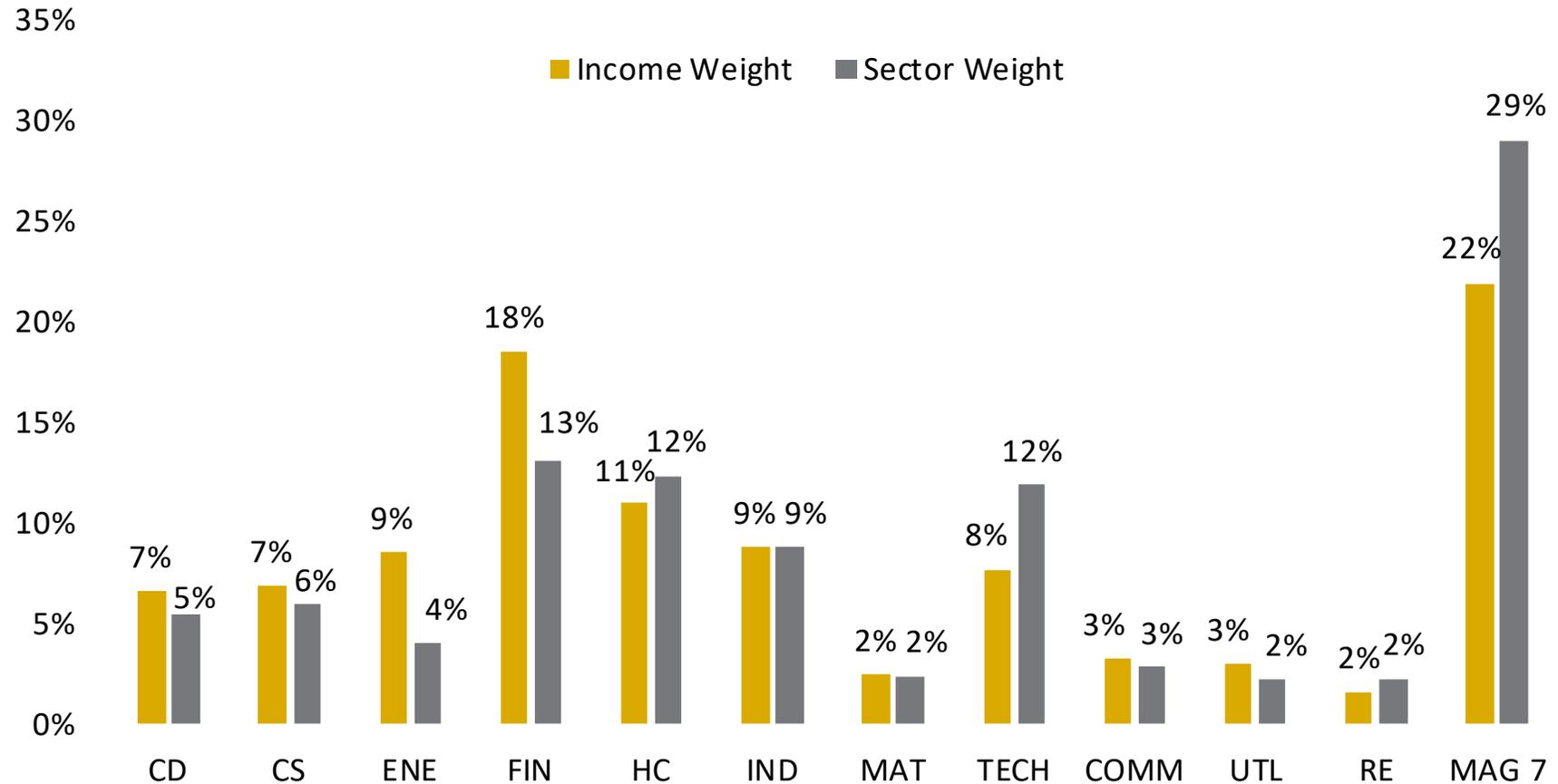
Room for Broadening

Cap. Weight Price-to-Forward Earnings Through End-March 2024

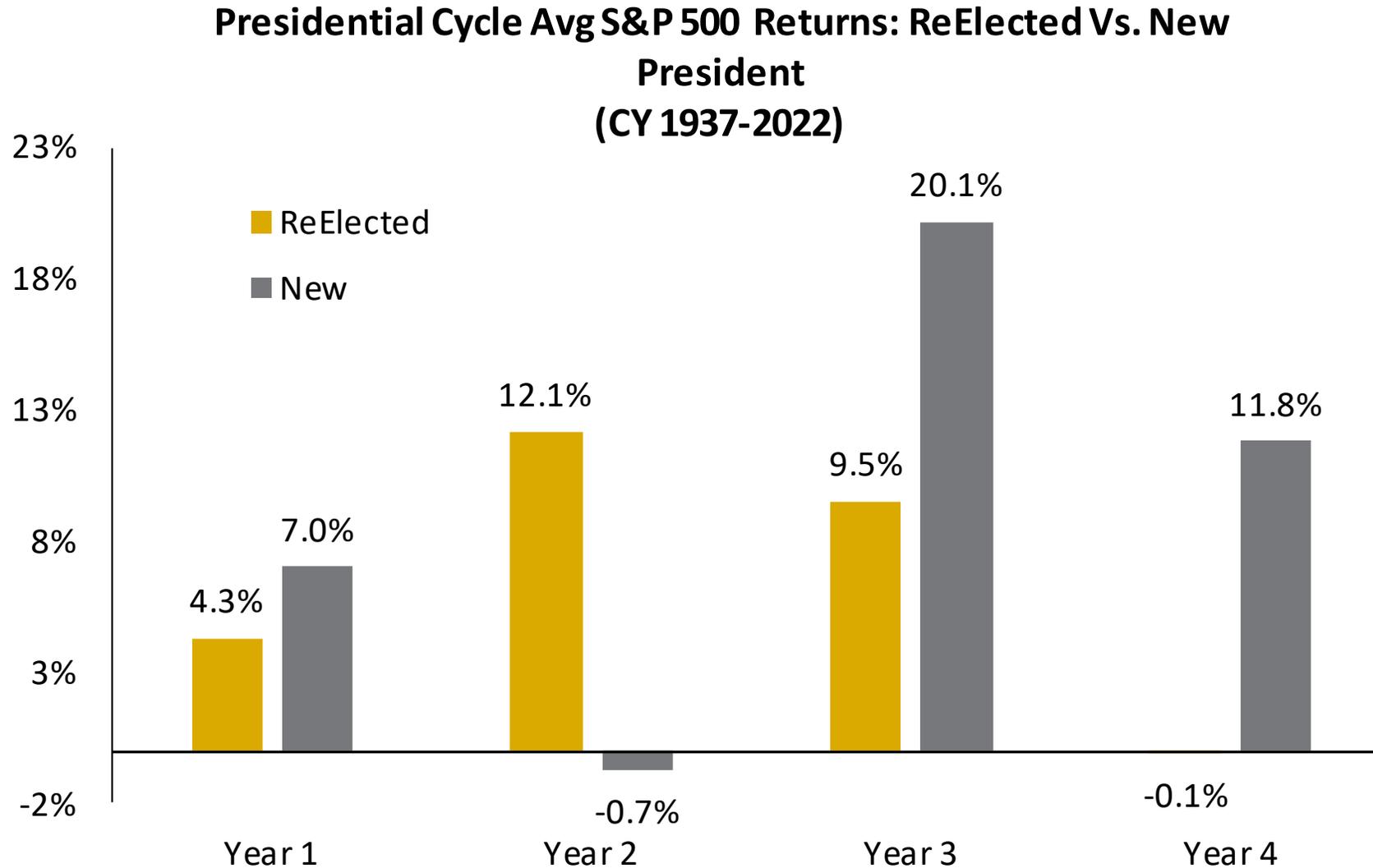


Magnificent 7 Sector Weight Exceeds Its Income Contribution

S&P 500 Net Income Weight vs. Sector Weight
(Mag 7 is its own sector and is excluded from the others)



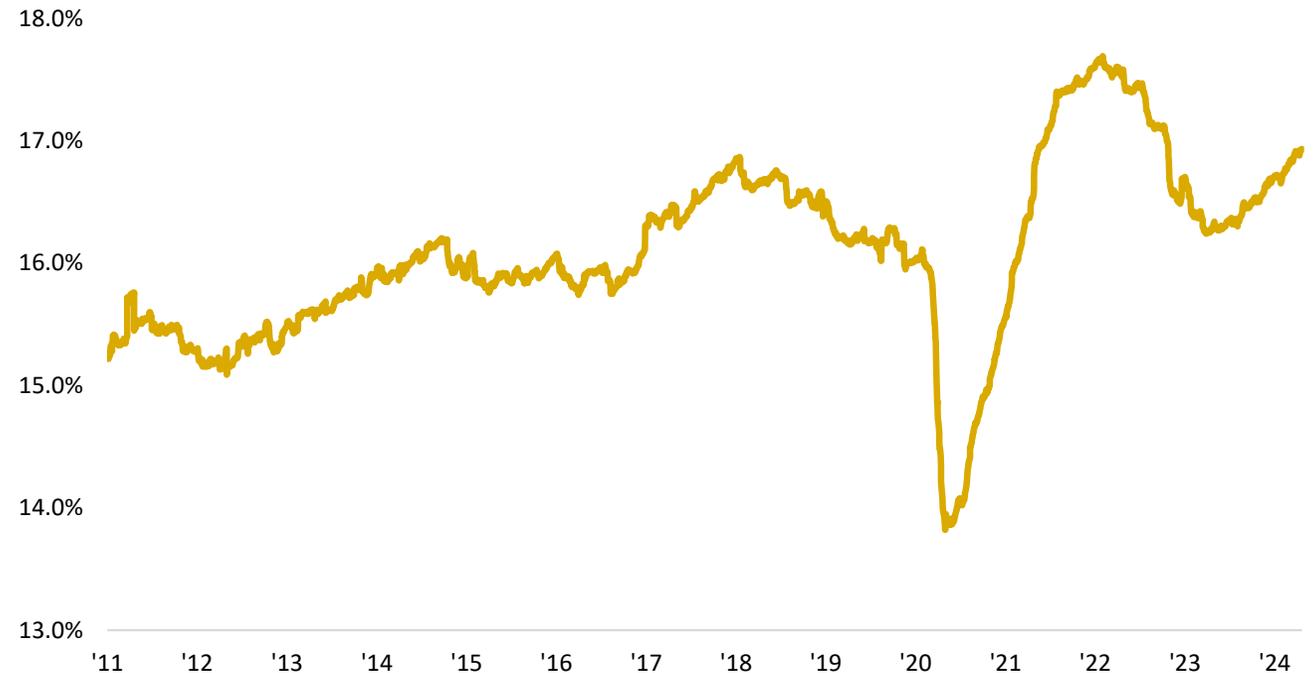
Presidential Cycle: S&P 500 Returns



Corporate Earnings

- 2024 estimated growth is **10.7%** or \$243 per share
- 2025 estimated growth is **13.8%** or \$277 per share
- Average growth since 1950 is **7.6%**

Estimated Next 12-Month S&P 500 Operating Margin

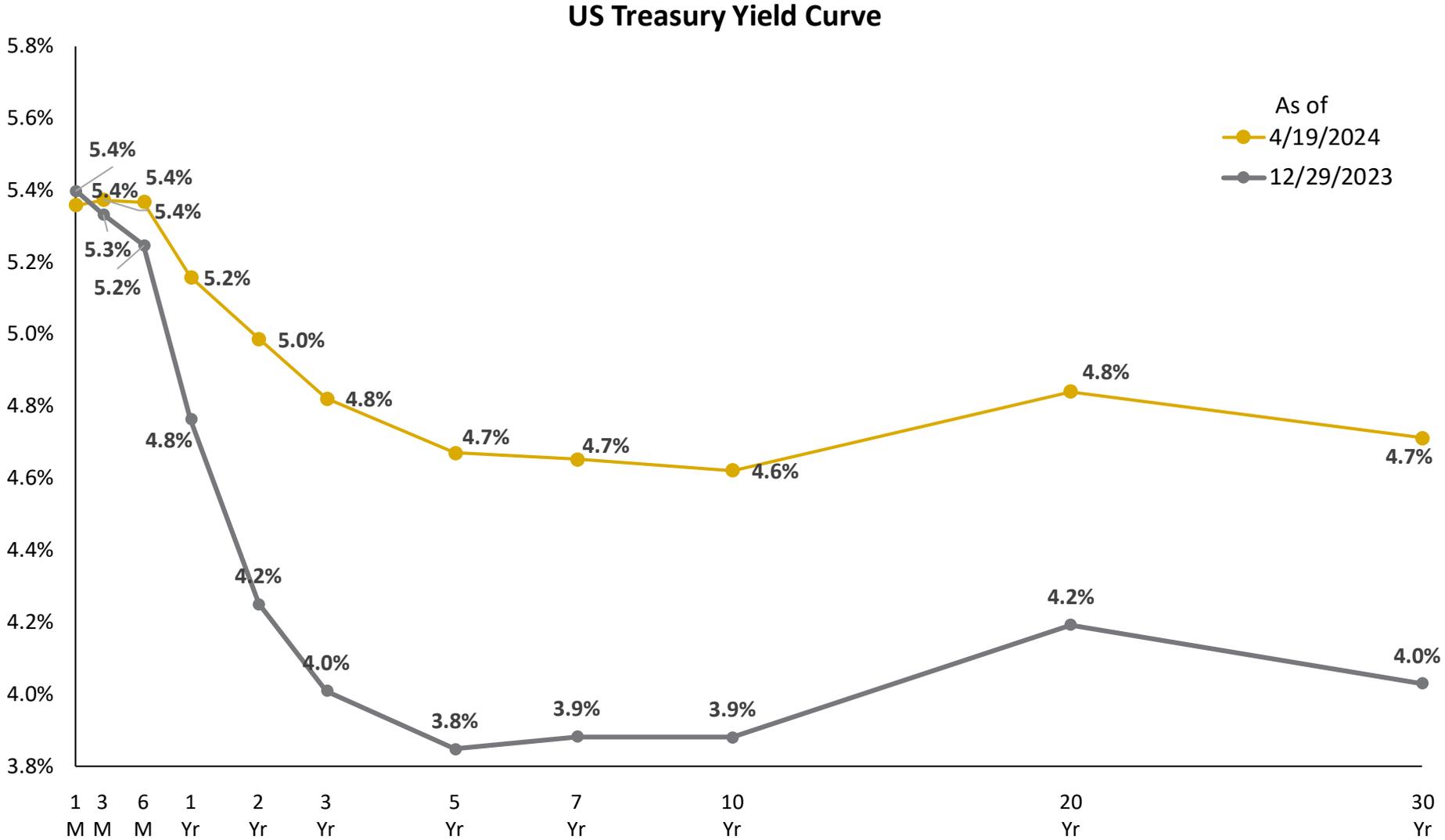


S&P 500 Price Target

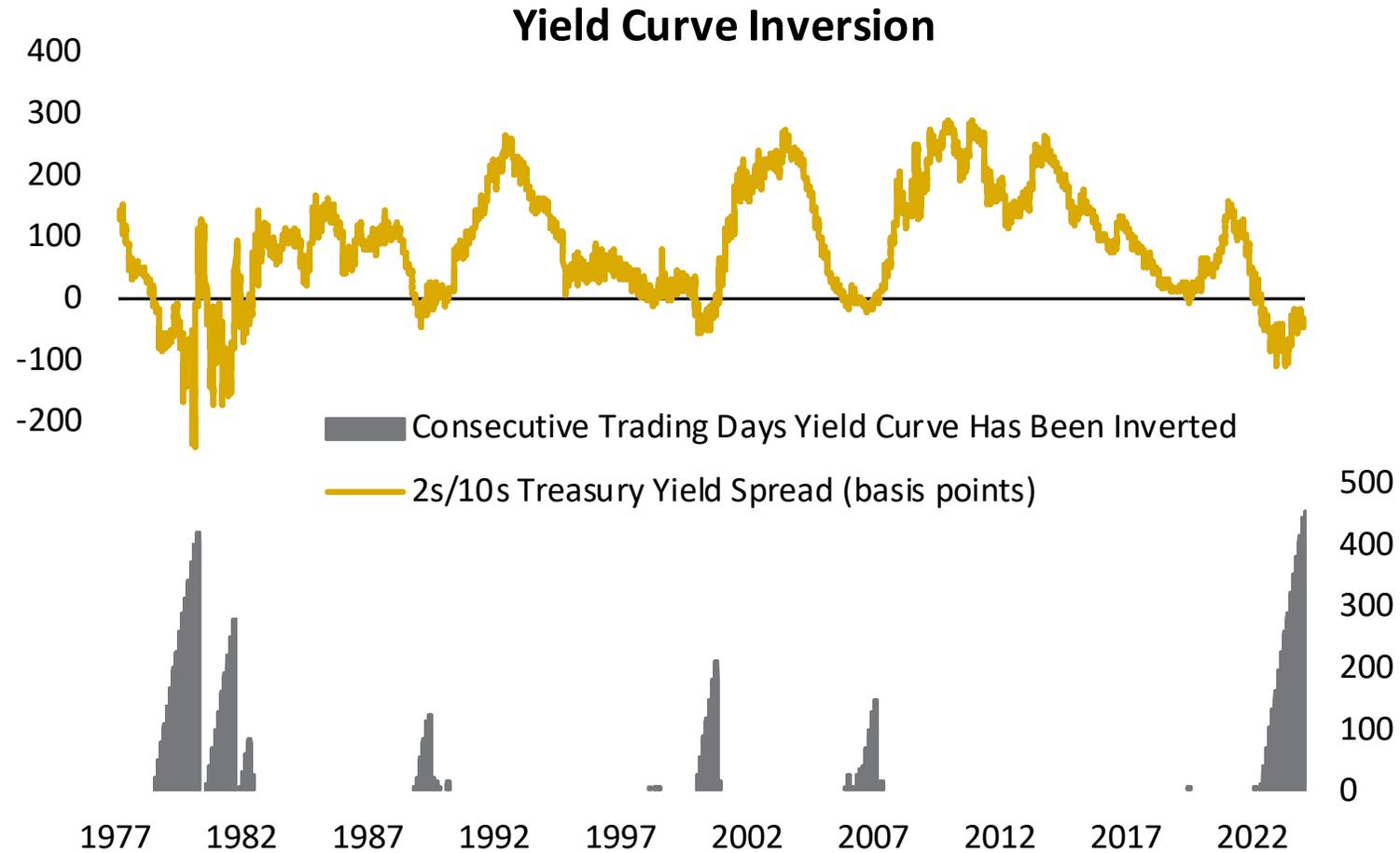
Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 4/23/24
Bear	4,000	-21.1%
Base	5,500	8.5%
Bull	6,000	18.3%

US Treasury Yield Curve Remains Inverted



The Treasury Yield Curve Has Been Inverted for 21 Months

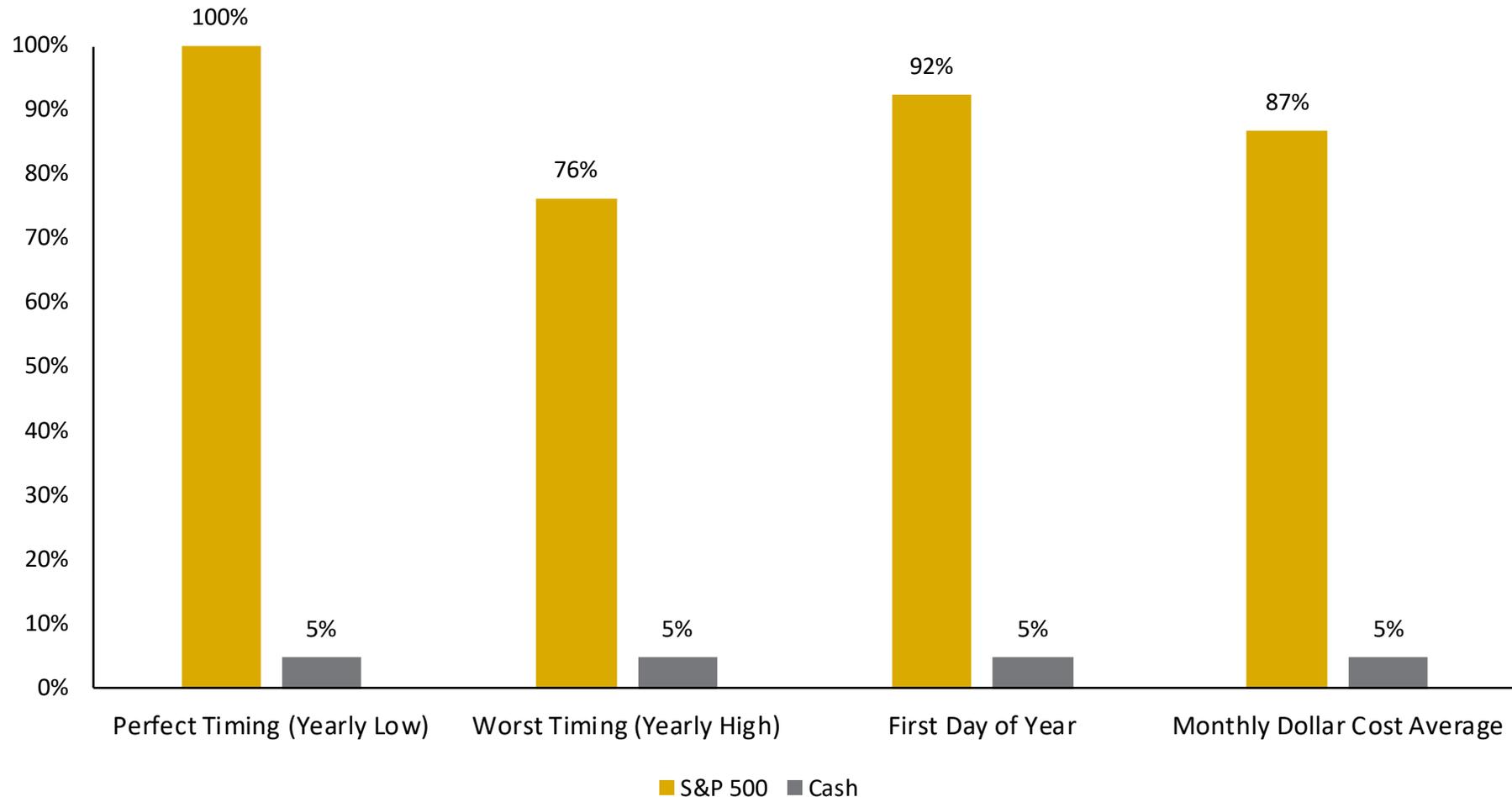


Bond Yields Remain Elevated Versus Recent History

US Fixed Income Indices		
	Yield-to-Worst	
Index	12/31/2021	4/19/2024
2-Year Treasury	0.73%	4.99%
10-Year Treasury	1.51%	4.62%
Aggregate Bond	1.75%	5.27%
Intermediate Government/Credit	1.30%	5.11%
Municipal Bond	1.11%	3.71%
Investment Grade Corporate Bond	2.33%	5.73%
High Yield Corporate Bond	4.21%	8.30%

Market Timing, Anyone?

Percent Capture of Perfect Timing with \$12,000 Annual Contribution
1980-2023 YTD
Perfect Timing Portfolio Value: \$10,516,789



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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 | Market & Economic Research Analyst

Capital Management Group | First Citizens Bank
8510 Colonnade Center Drive | Raleigh, NC 27615
Blake.Taylor@firstcitizens.com

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