

*2024 Mid-Year*

# Market Outlook

Riding the Waves

K. Sean Clark, CFA®

Thursday, June 27, 2024





# 2024 Mid-Year Outlook — Executive Summary

- Annual forecast for the S&P 500 was 5300. We are increasing that target to 5800 and expect the 10-year Treasury yield to end in the 3.25%-4.5% range.
- Presidential election year trends still a positive factor for the market. History suggests a pause/correction heading into the election.
- No recession, but slower economic growth. Expect 2.25% GDP in 2024. In our Annual Outlook we said, “until meaningful weakness is revealed in the labor market, calls for recession seem premature.” We are now seeing early signs of labor market cooling.
- Fed is done hiking rates. Cuts forthcoming. Market expectations have shifted from 6 cuts at the beginning of the year to 2 cuts at present.
- Inflation continues on path towards the 2% zone. Excluding housing, inflation is already in the 2% range.
- We believe valuations remain “fair” for stocks with strong earnings growth. Small and mid-cap stocks appear cheap compared to large-caps.
- Risks remain elevated and include the U.S. presidential election, geopolitics (Russia/Ukraine, Middle East, China/Taiwan), U.S. government fiscal position.



# Perspective...

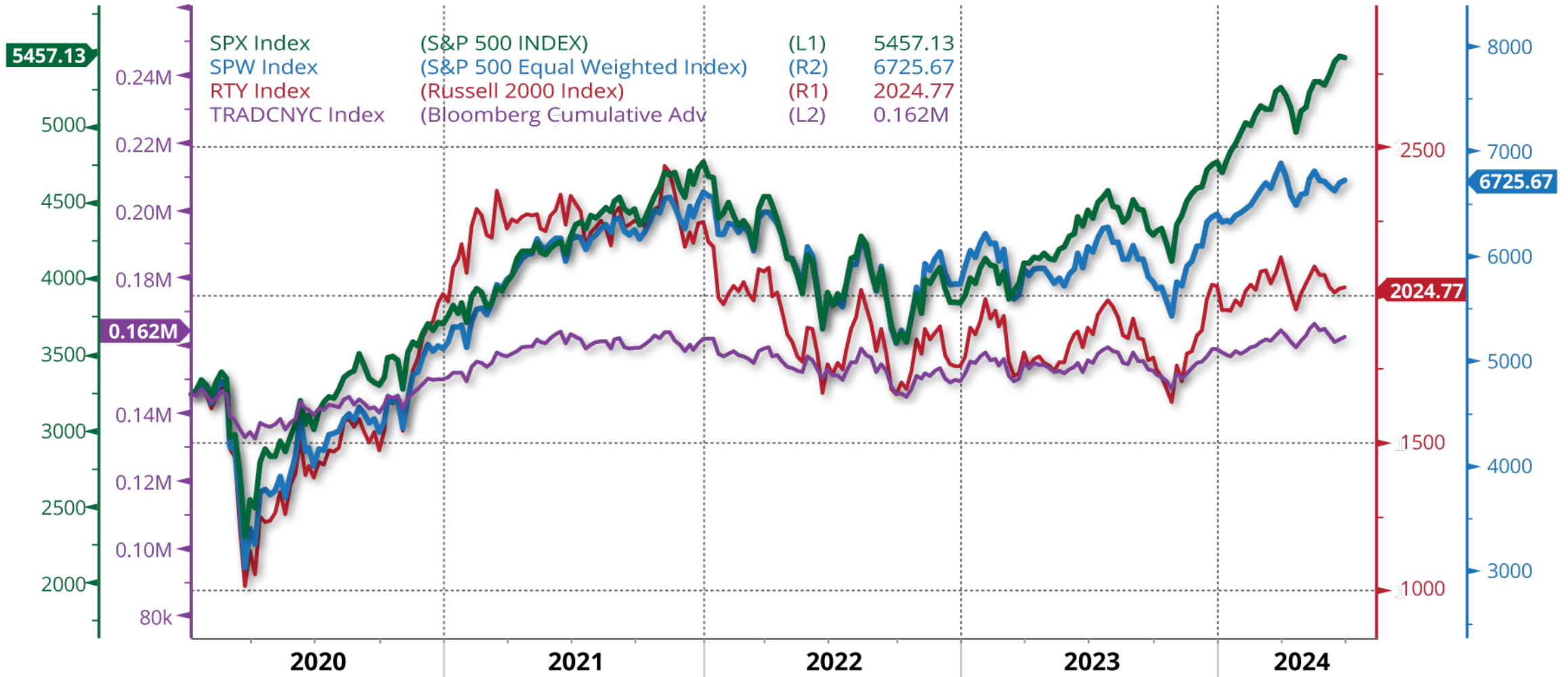
Domestic Equity		2023	YTD – 6/21/2024
	S&P 500	26.26%	15.35%
	Russell 1000	26.50%	14.22%
	Russell 2000	16.88%	0.39%
	Russell 3000	25.93%	13.47%
	Russell 1000 Value	11.41%	6.85%
	Russell 1000 Growth	42.67%	20.48%
International Equity			
	MSCI Emerging Market	9.83%	7.42%
	MSCI All Country World (ex US)	15.62%	5.30%
Fixed Income			
	BBgBarc U.S. Aggregate Bond	5.53%	-0.07%
	BBgBarc U.S. Treasury	4.05%	-0.31%
	BBgBarc U.S. Corporate	8.52%	0.17%
	BBgBarc U.S. Corporate High Yield	13.45%	2.54%
	BBgBarc Municipal	6.40%	-0.18%

Past performance is not indicative of future results. This is not a recommendation to buy or sell a particular security. Please see attached disclosures.



# Index Divergence

Chart - 6/25/2024



Source: Bloomberg

For illustrative purposes only. Past performance is not indicative of future results.



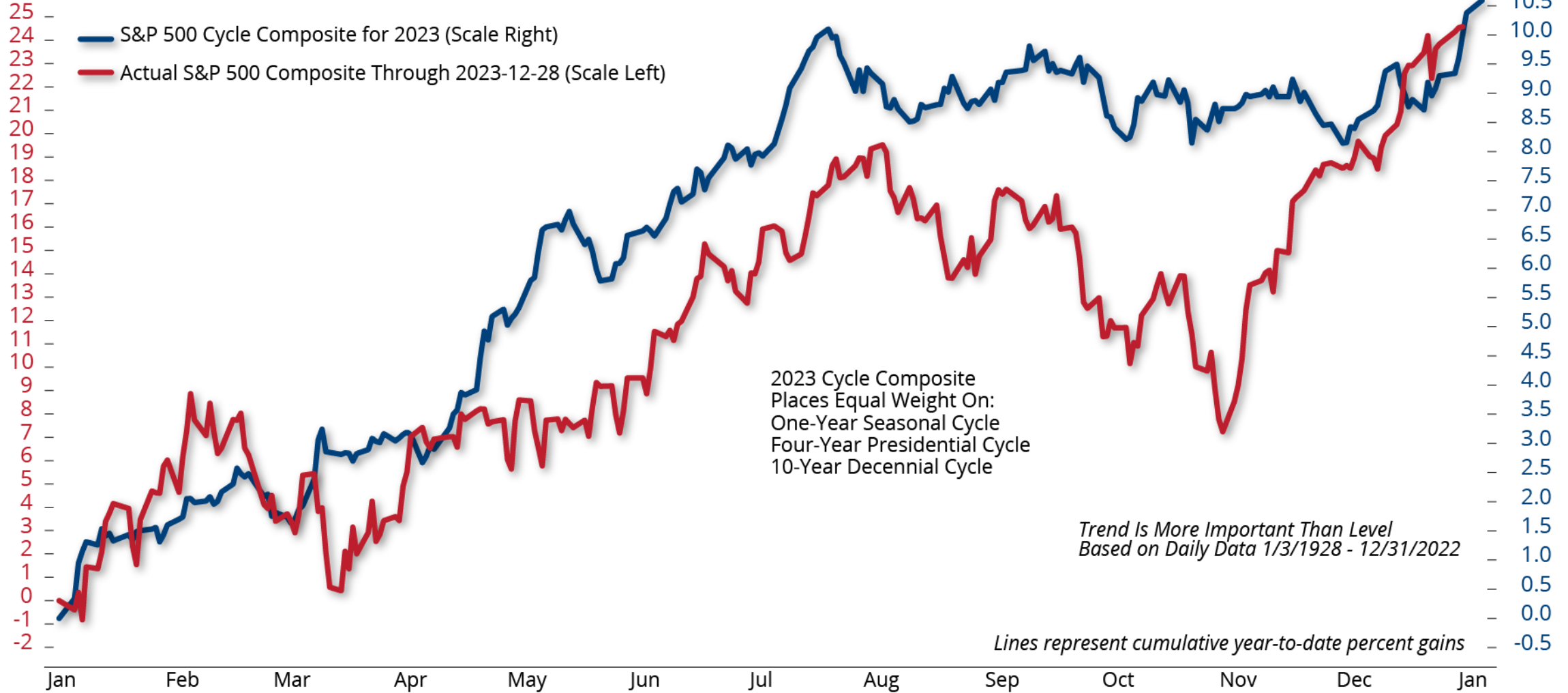
# Corrections Are Normal — Frequency of Declines

S&P 500 Declines	Occurrences Per Year	Frequency Average	Probability of Decline Moving to Next Stage	Mean Decline
-5% or more	3.4	Every 14 weeks	32%	-10.9%
-10% or more	1.1	Every Year	45%	-19.5%
-15% or more	0.5	Every 2 years	58%	-28.2%
-20% or more	0.3	Every 3 years	N/A	-35.7%



# S&P 500 Cycle Composite for 2023

Daily Data 2022-12-30 to 2024-01-02



2023  
501666

2024

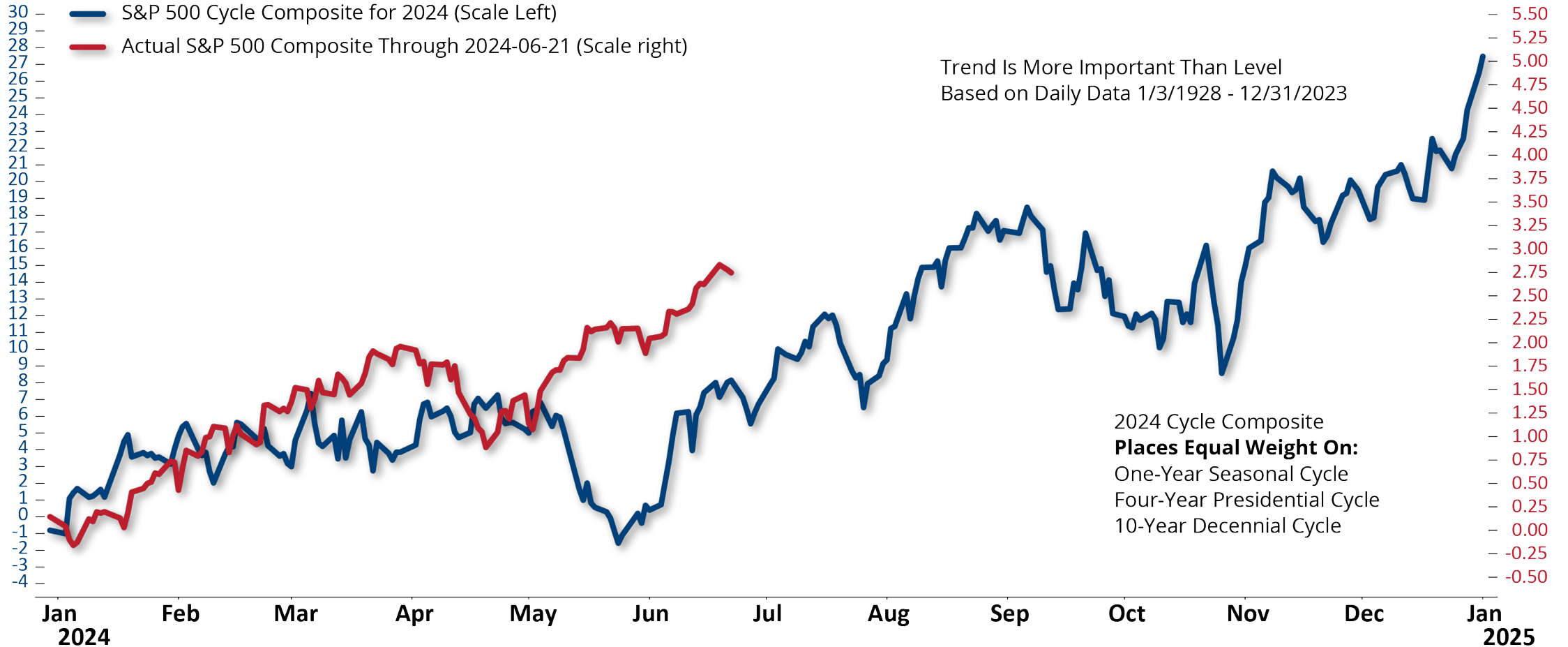
Source: Ned Davis Research

For illustrative purposes only. Past performance is not indicative of future results.



# S&P 500 Cycle Composite for 2024

Daily Data 12/29/2023 to 12/31/2024



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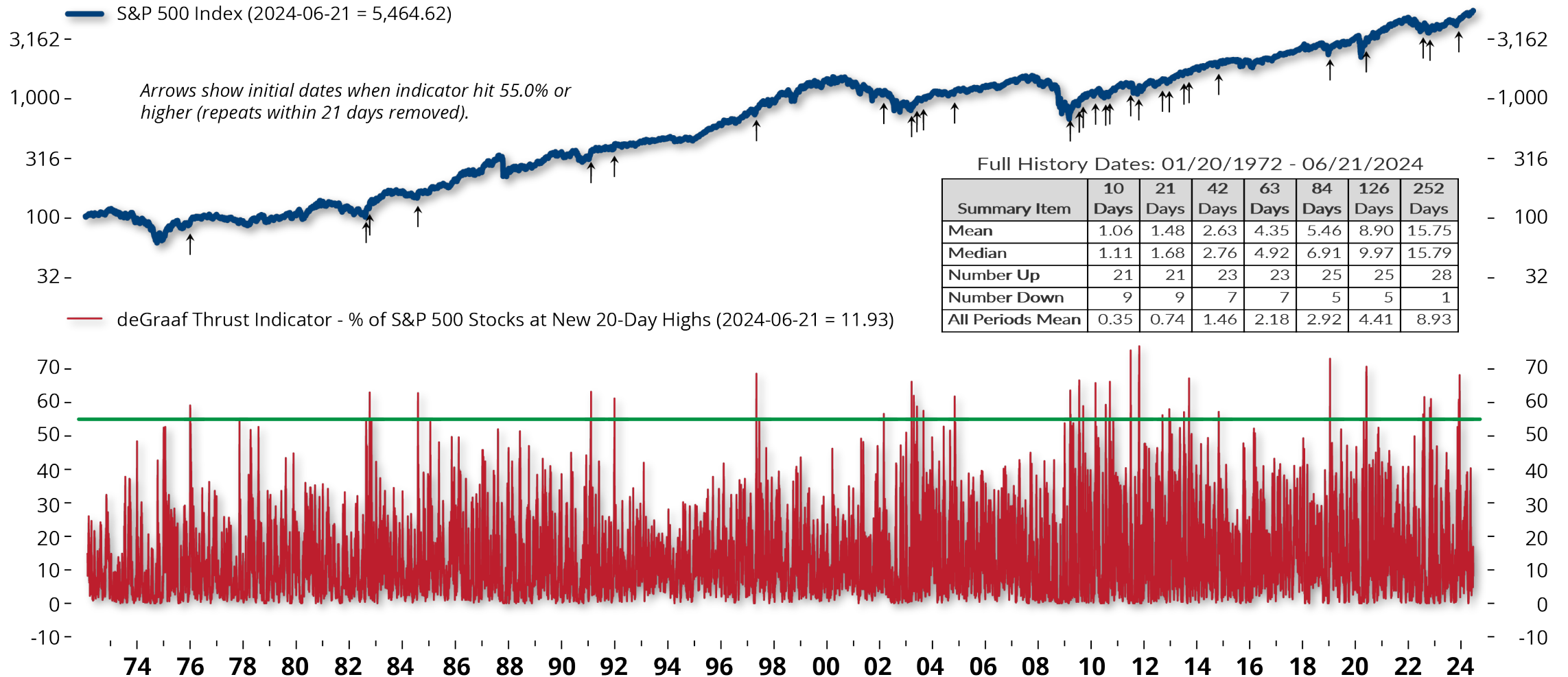
Source: Ned Davis Research, S&P Dow Jones Indices



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# S&P 500 Index vs. deGraaf Thrust Indicator

Daily Data 01-20-1972 to 06-21-2024



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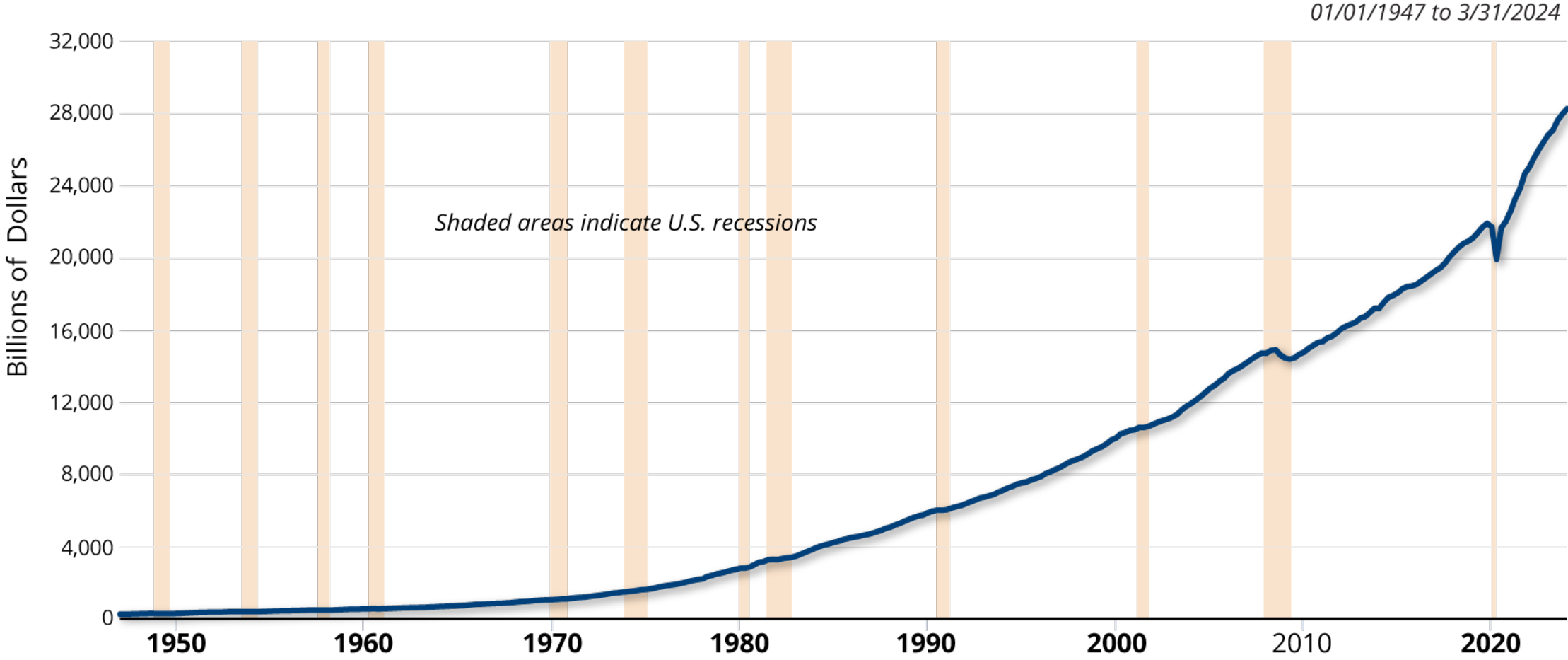
Sources: Ned Davis Research, S&P Dow Jones Indices

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# Gross Domestic Product



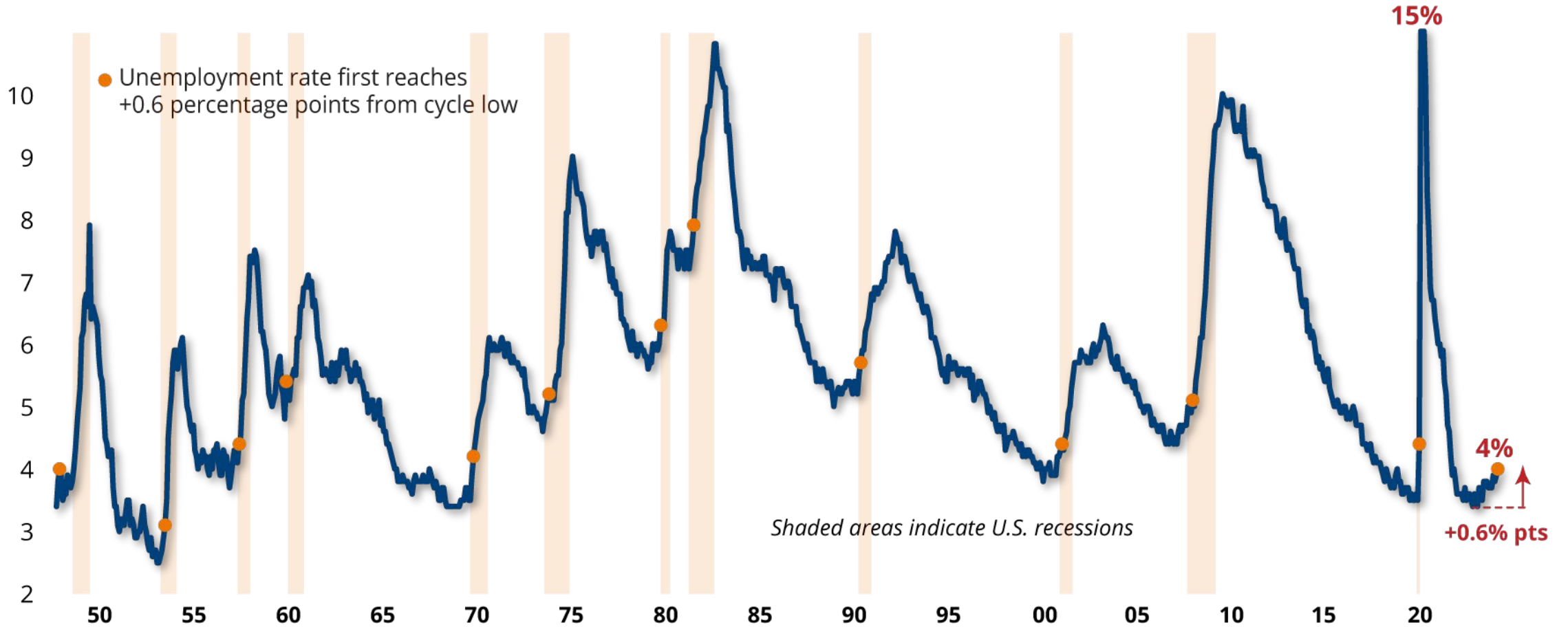
Source: U.S. Bureau of Economic Analysis, Board of Governors of the Federal Reserve System (US)



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# Unemployment Rate

01/01/1948 to 5/31/2024



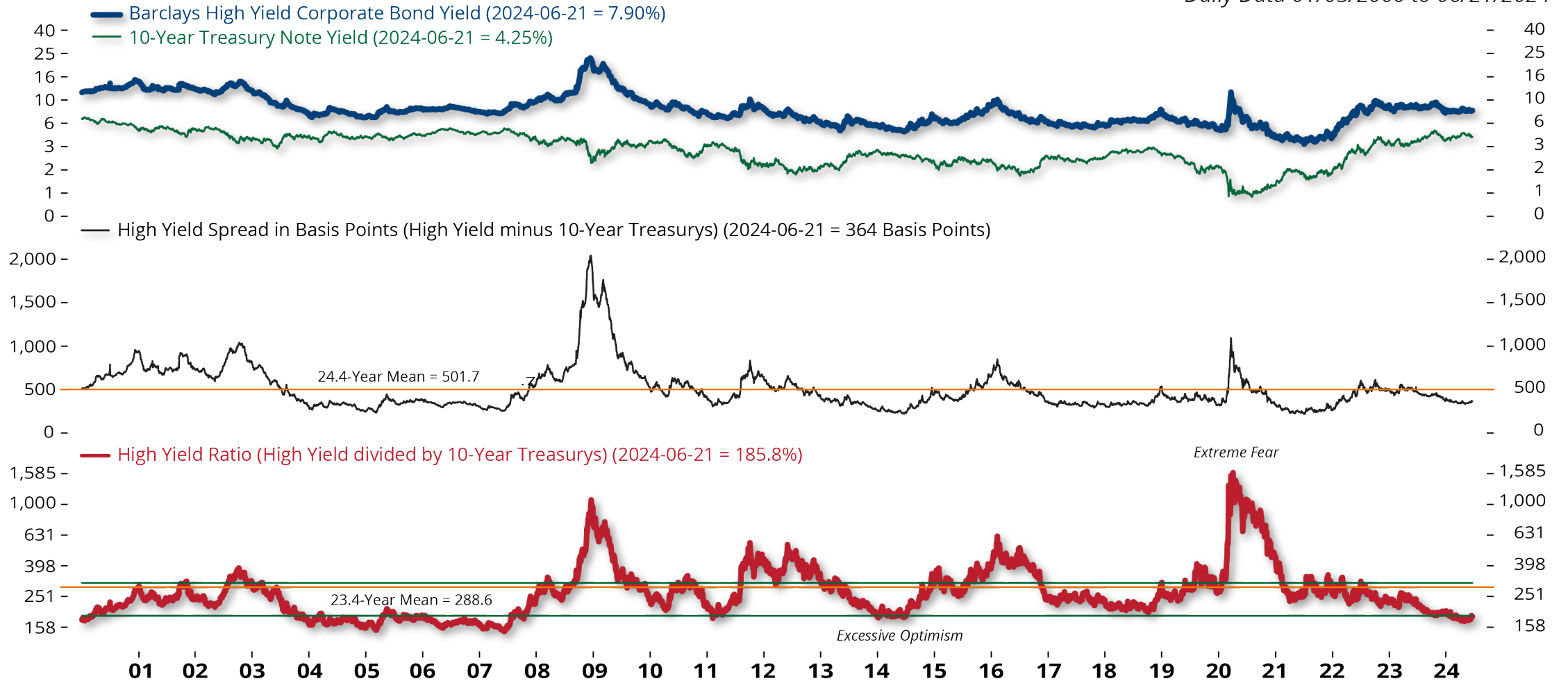
Source: InvestTech Research, Bureau of Labor Statistics



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# High Yield Corporate Spreads

Daily Data 01/03/2000 to 06/21/2024



Source: Ned Davis Research, Bloomberg Barclays Indices, Federal Reserve Board

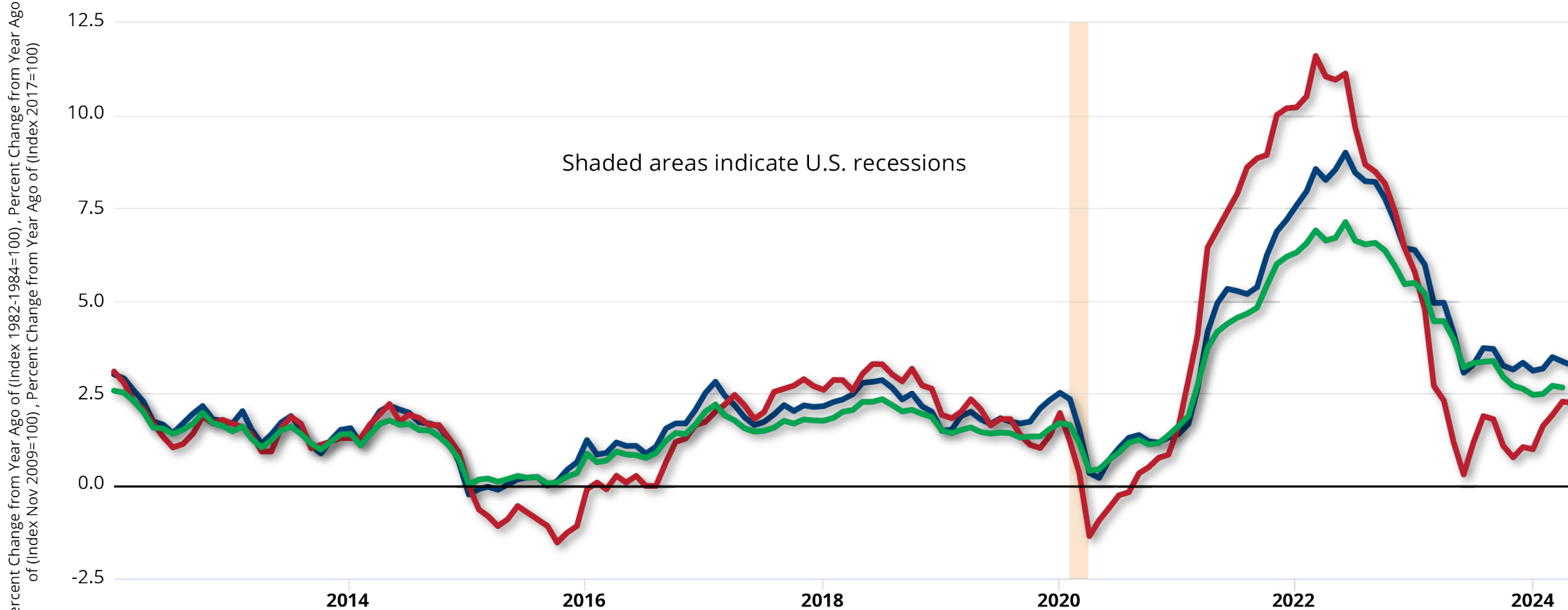
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# Consumer Price Index for All Urban Consumers: All Items in U.S. City Average Personal Consumption Expenditures: Chain-type Price Index Producer Price Index by Commodity: Final Demand

01/01/2012 to 05/01/2024



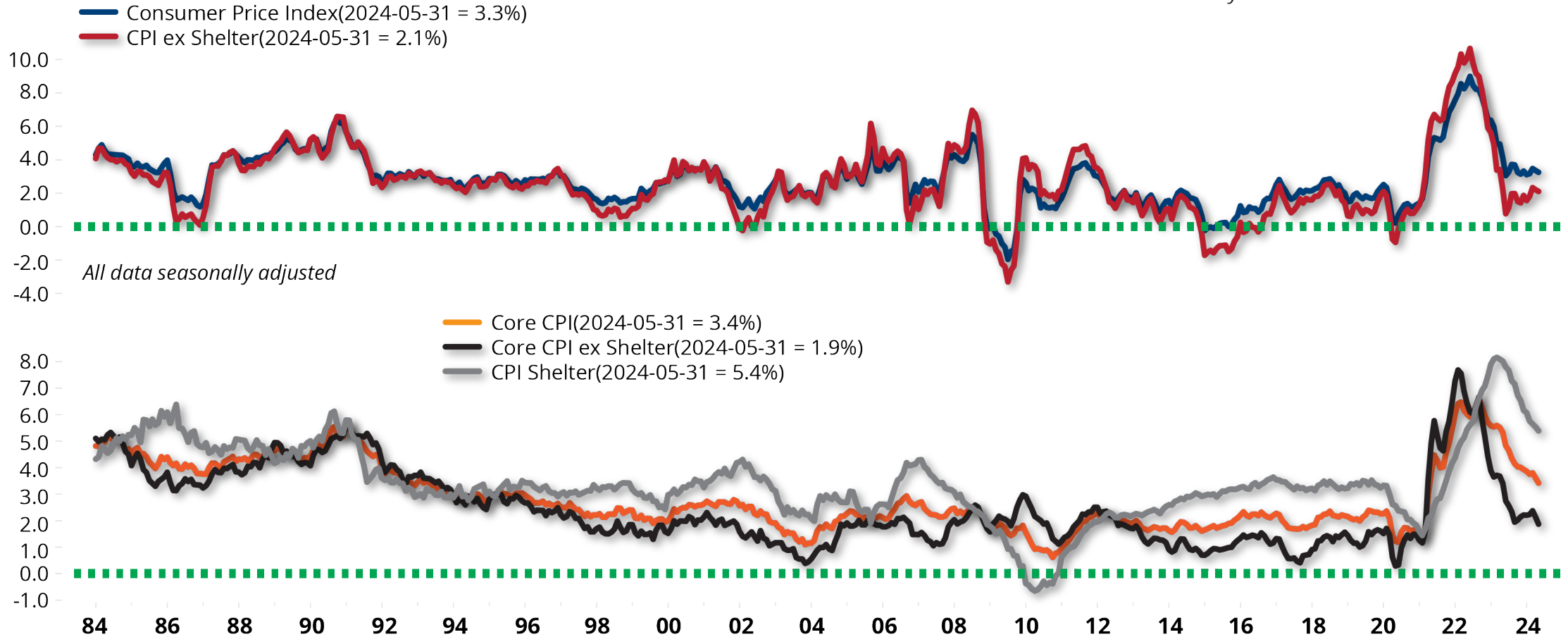
Source: Board of Governors of the Federal Reserve System (US)



For illustrative purposes only. Past performance is not indicative of future results.

# CPI and CPI ex-Shelter (Year-to-Year Changes)

Monthly Data 01/31/1984 to 05/31/2024

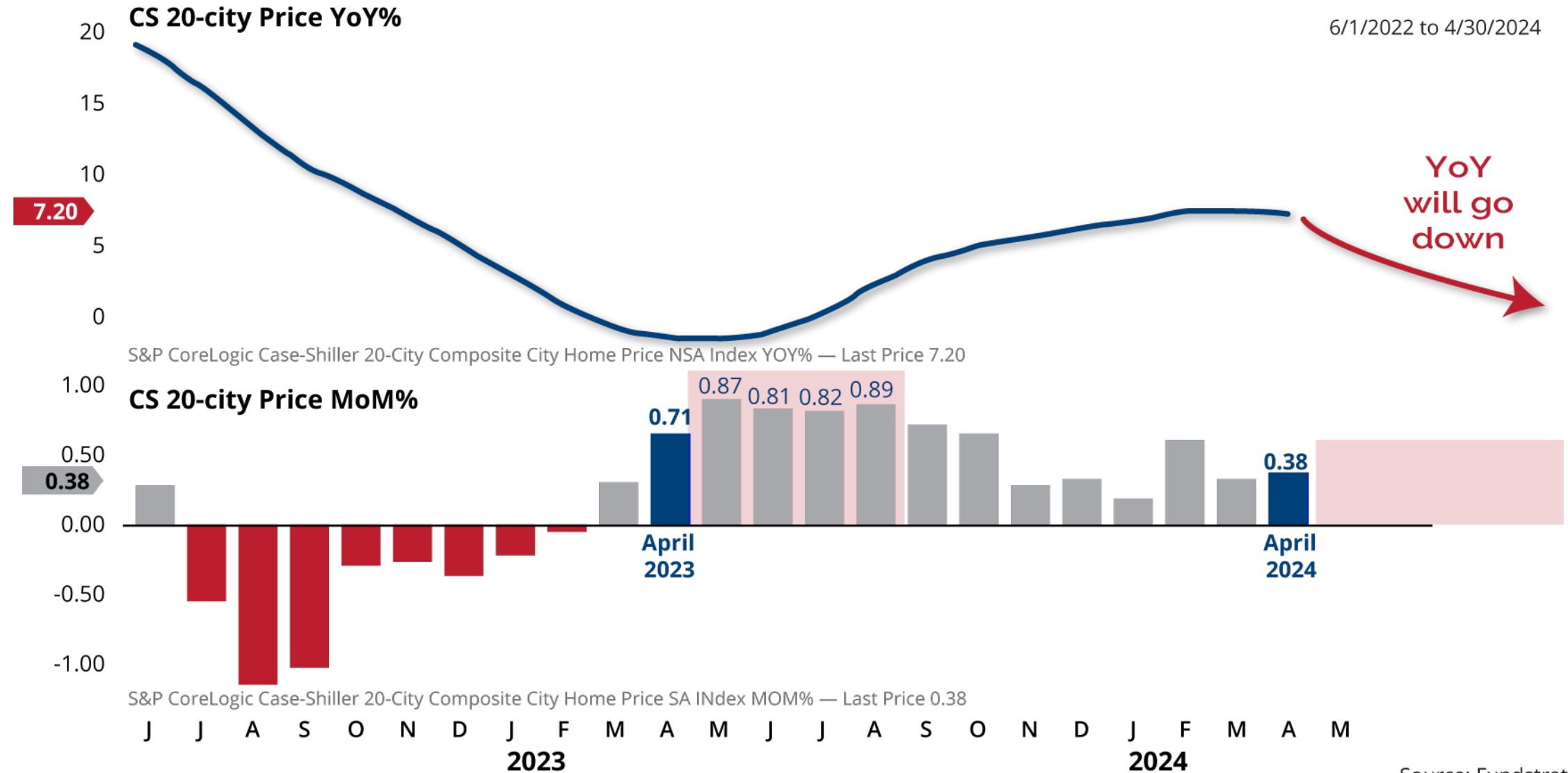


Source: Ned Davis Research, Bureau of Labor Statistics

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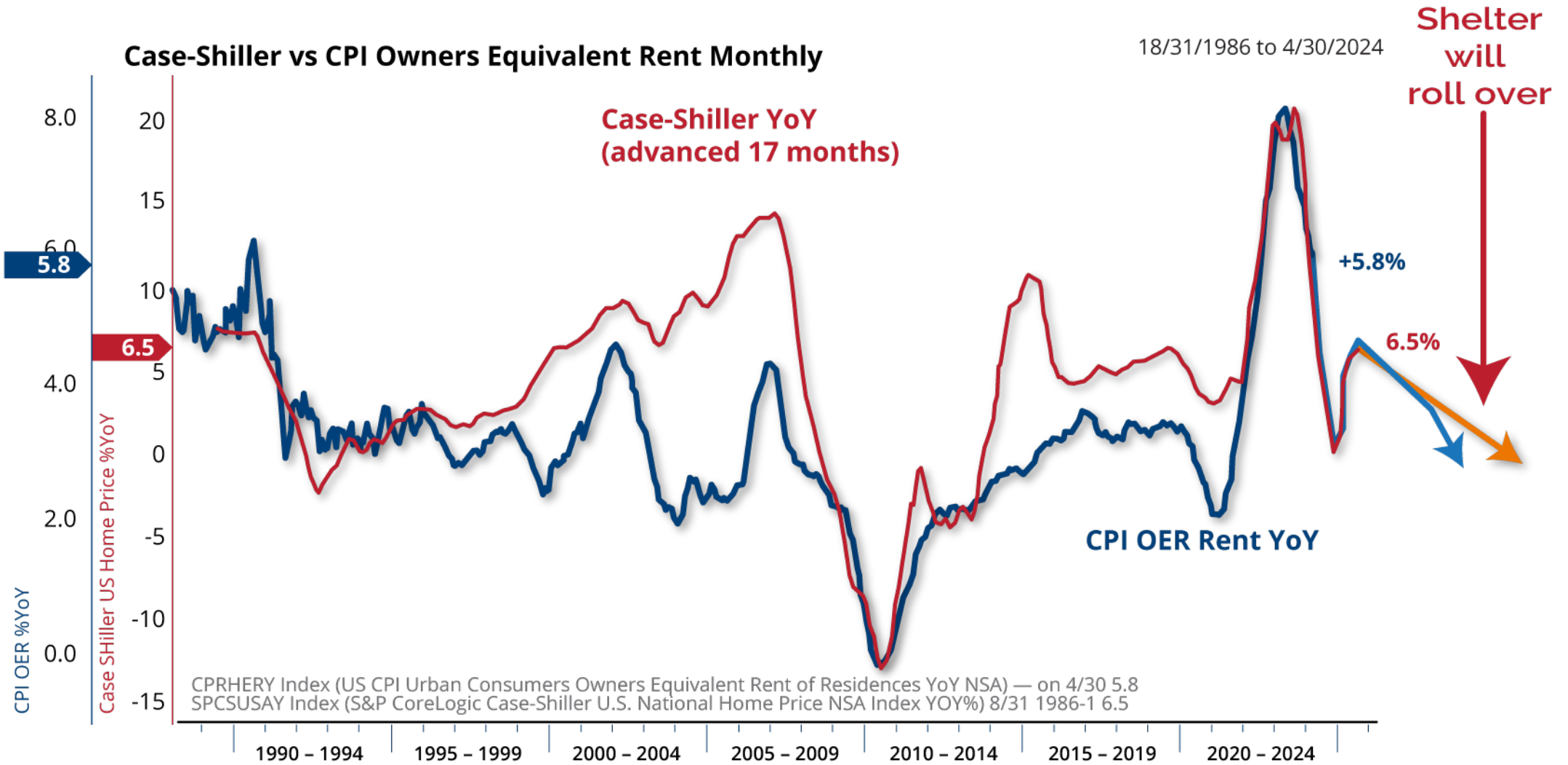
# Case-Shiller Home Prices: YoY Growth Rate Likely Slows



Source: Fundstrat



# HOUSING: 4% housing inflation *consistent* with 2% inflation



Source: Fundstrat, Bloomberg, BLS

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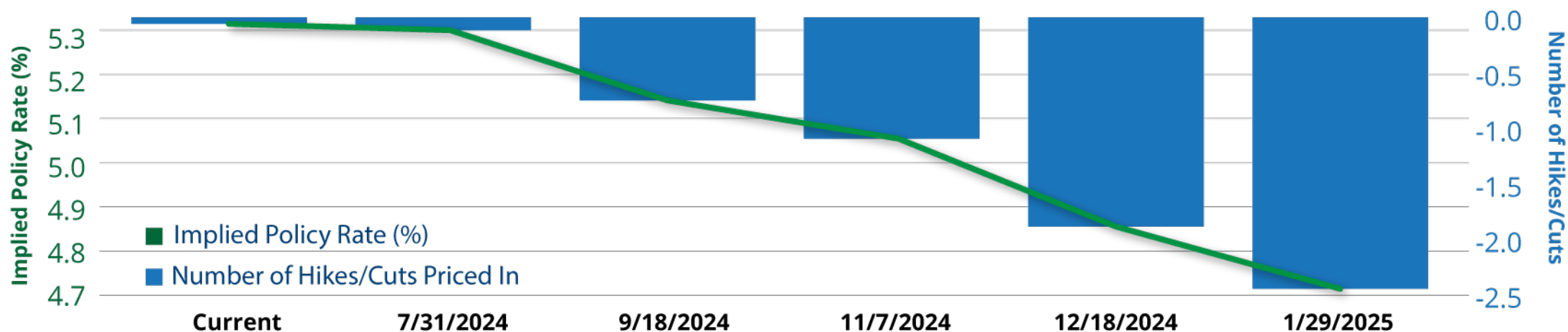
## Fed Rate Cut Expectations

Target Rate 5.50  
Effective Rate 5.33

Pricing Date 6/24/2024  
Cur. Imp. O/N Rate 5.328

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate ^	Implied Rate	A.R.M.
7/31/2024	-0.100	-10.0%	-0.025	5.302	0.250
9/18/2024	-0.735	-63.5%	-0.184	5.144	0.250
11/7/2024	-1.085	-35.0%	-0.271	5.056	0.250
12/18/2024	-1.873	-78.8%	-0.468	4.859	0.250
1/29/2025	-2.450	-57.7%	-0.613	4.715	0.250

## Implied Overnight Rate & Number of Hikes/Cuts



Source: Bloomberg

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# S&P 500 Index Around First Fed Rate Cuts vs. Speed of Cuts

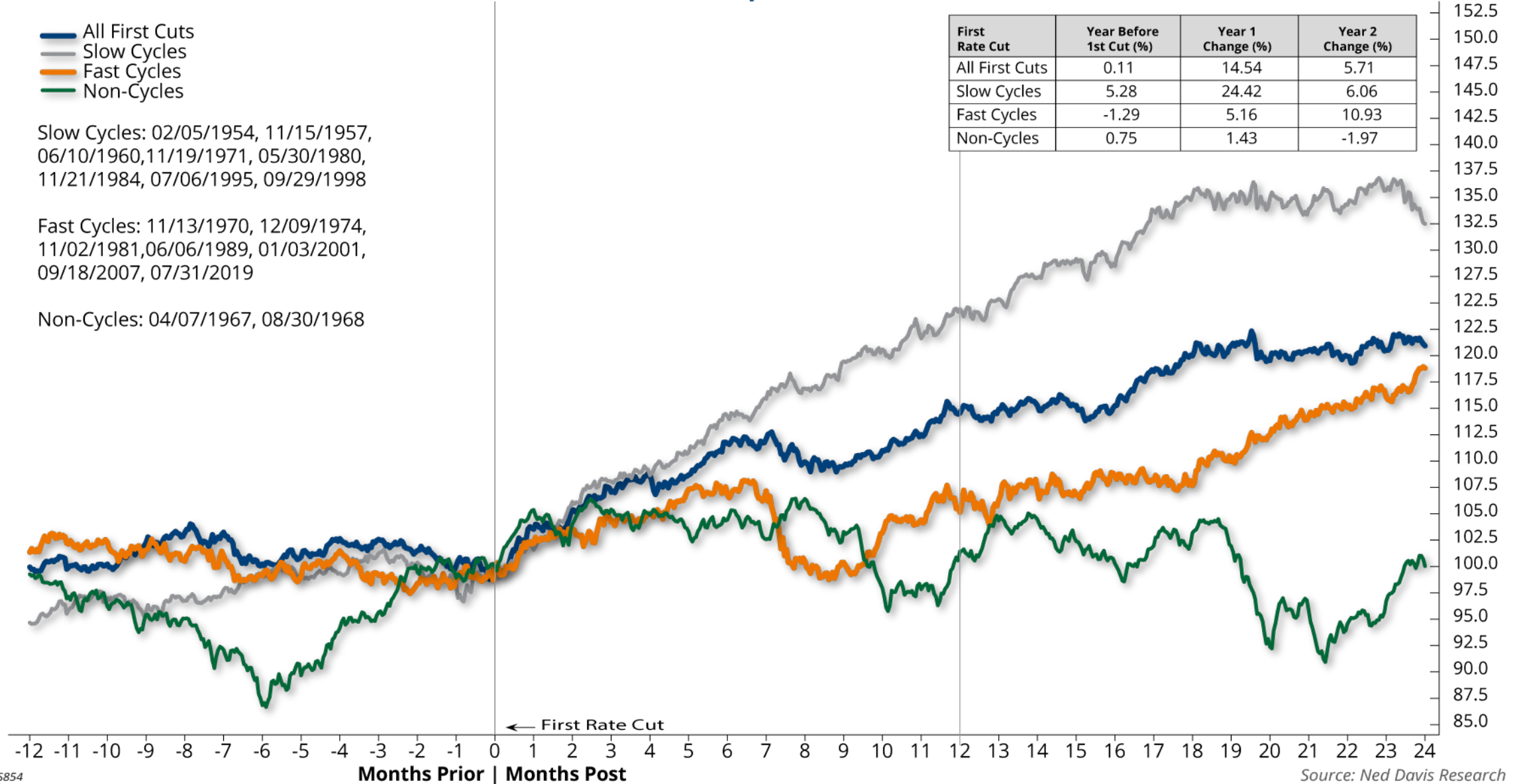
- All First Cuts
- Slow Cycles
- Fast Cycles
- Non-Cycles

Slow Cycles: 02/05/1954, 11/15/1957, 06/10/1960, 11/19/1971, 05/30/1980, 11/21/1984, 07/06/1995, 09/29/1998

Fast Cycles: 11/13/1970, 12/09/1974, 11/02/1981, 06/06/1989, 01/03/2001, 09/18/2007, 07/31/2019

Non-Cycles: 04/07/1967, 08/30/1968

First Rate Cut	Year Before 1st Cut (%)	Year 1 Change (%)	Year 2 Change (%)
All First Cuts	0.11	14.54	5.71
Slow Cycles	5.28	24.42	6.06
Fast Cycles	-1.29	5.16	10.93
Non-Cycles	0.75	1.43	-1.97



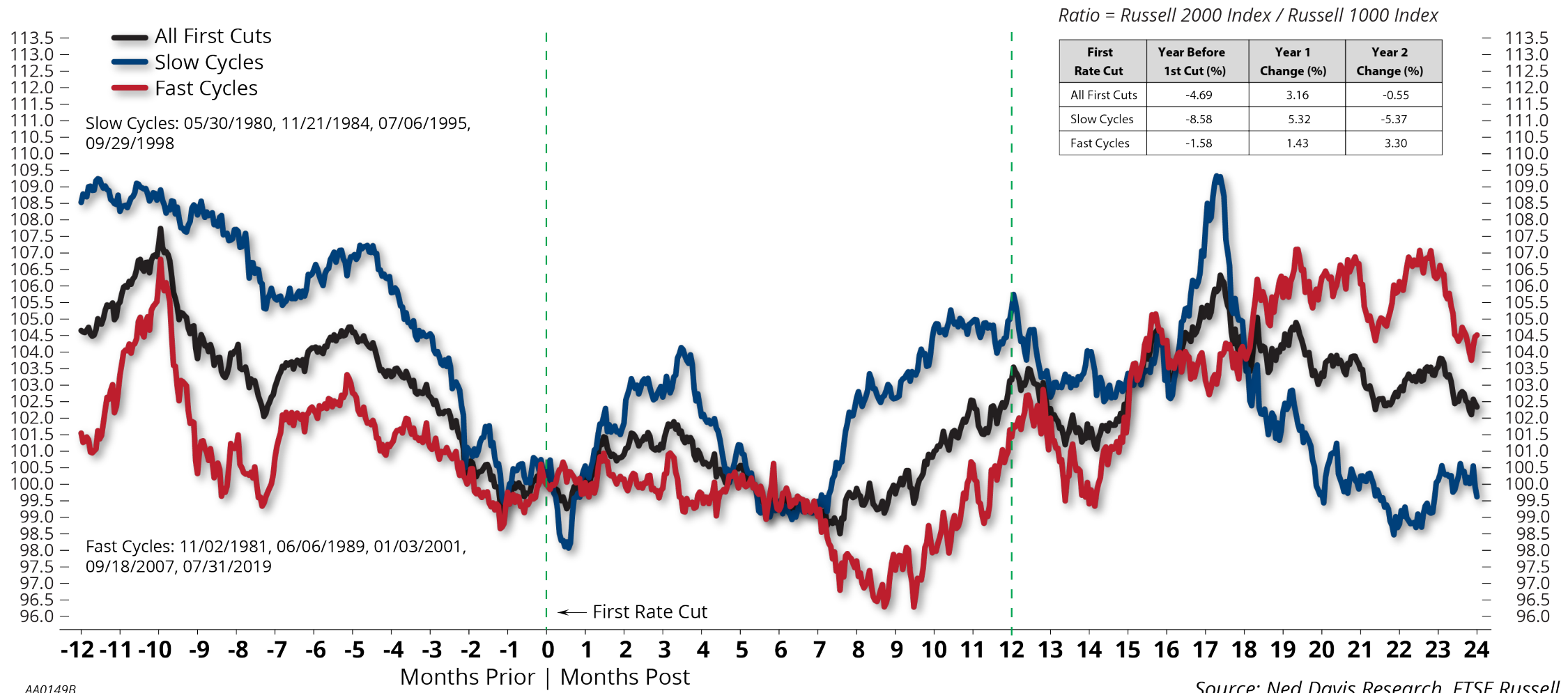
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Source: Ned Davis Research

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# Russell 2000/1000 Ratio Around First Fed Rate Cuts vs. Speed of Cuts



# Forward P/E Ratios of S&P With & Without Megacap-8\*\* (weekly)

1/1/2013 to 6/25/2024



\*Price divided by consensus forward earnings forecast

\*\* MegaCap-8 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.

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# Valuations by Style Boxes

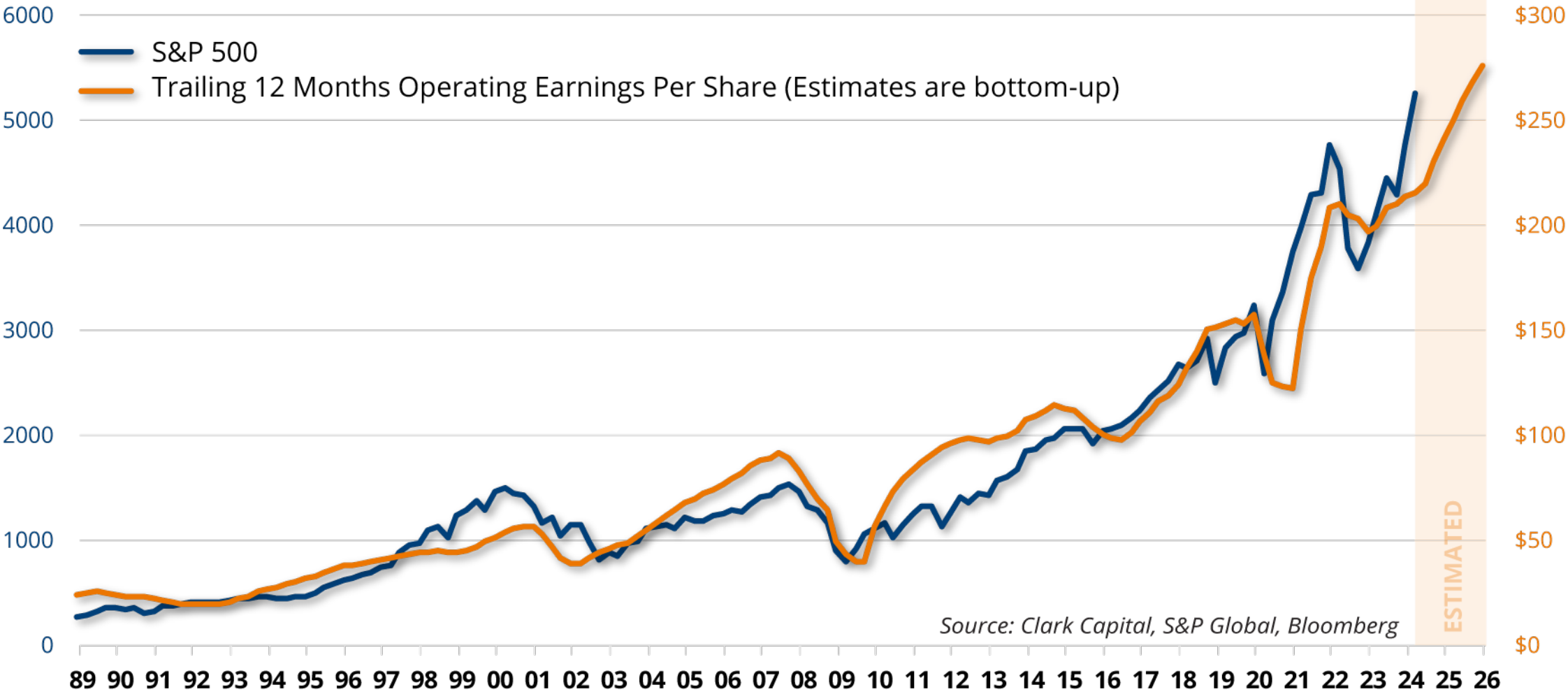
As of 5/31/2024

	<b>VALUE</b>	<b>CORE</b>	<b>GROWTH</b>
LARGE	16.34	21.10	27.48
MID	13.85	16.10	19.00
SMALL	14.50	15.62	16.81



# S&P 500 vs. Operating Earnings

12/31/1988 to 12/31/2025 (est.)



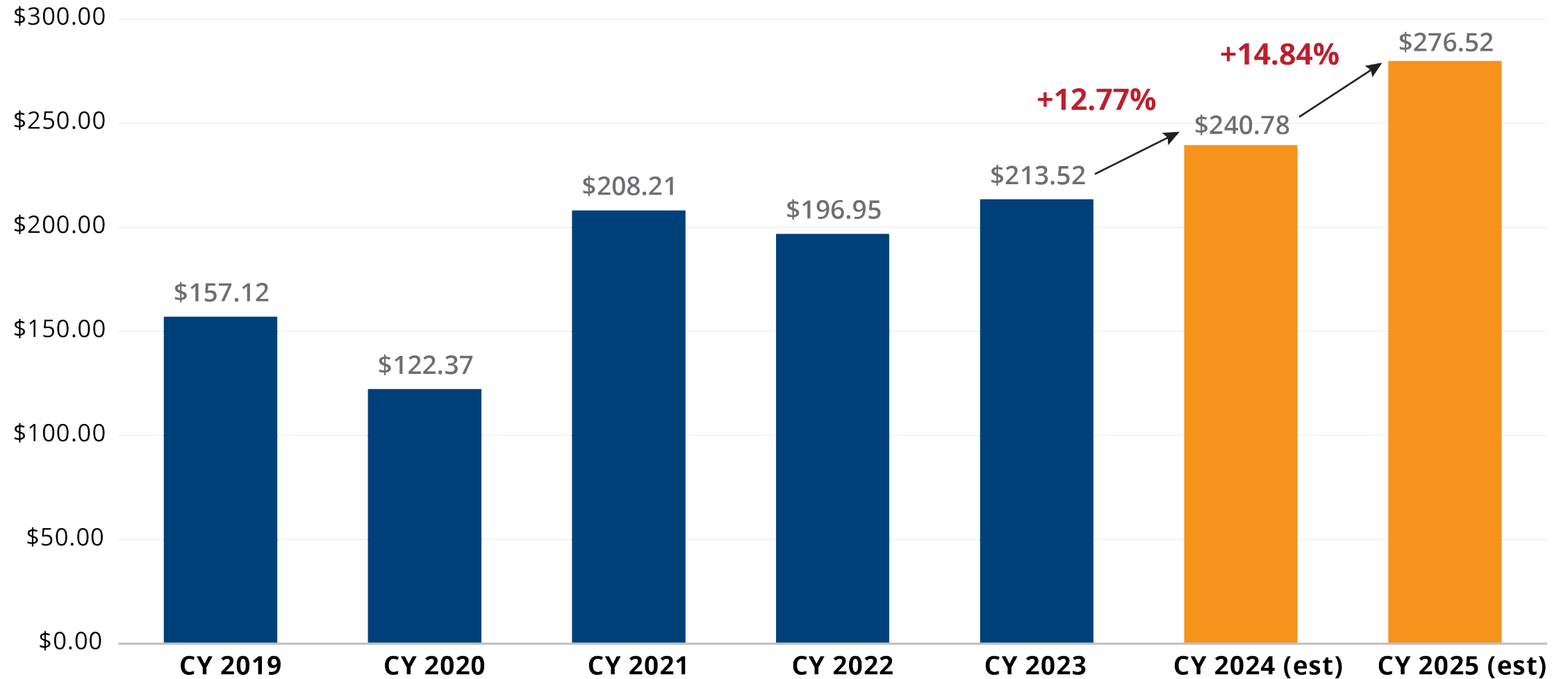
Source: Clark Capital, S&P Global, Bloomberg

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# S&P 500 Calendar Year Operating EPS Actuals & Estimates

01/01/2019 to 06/24/2024

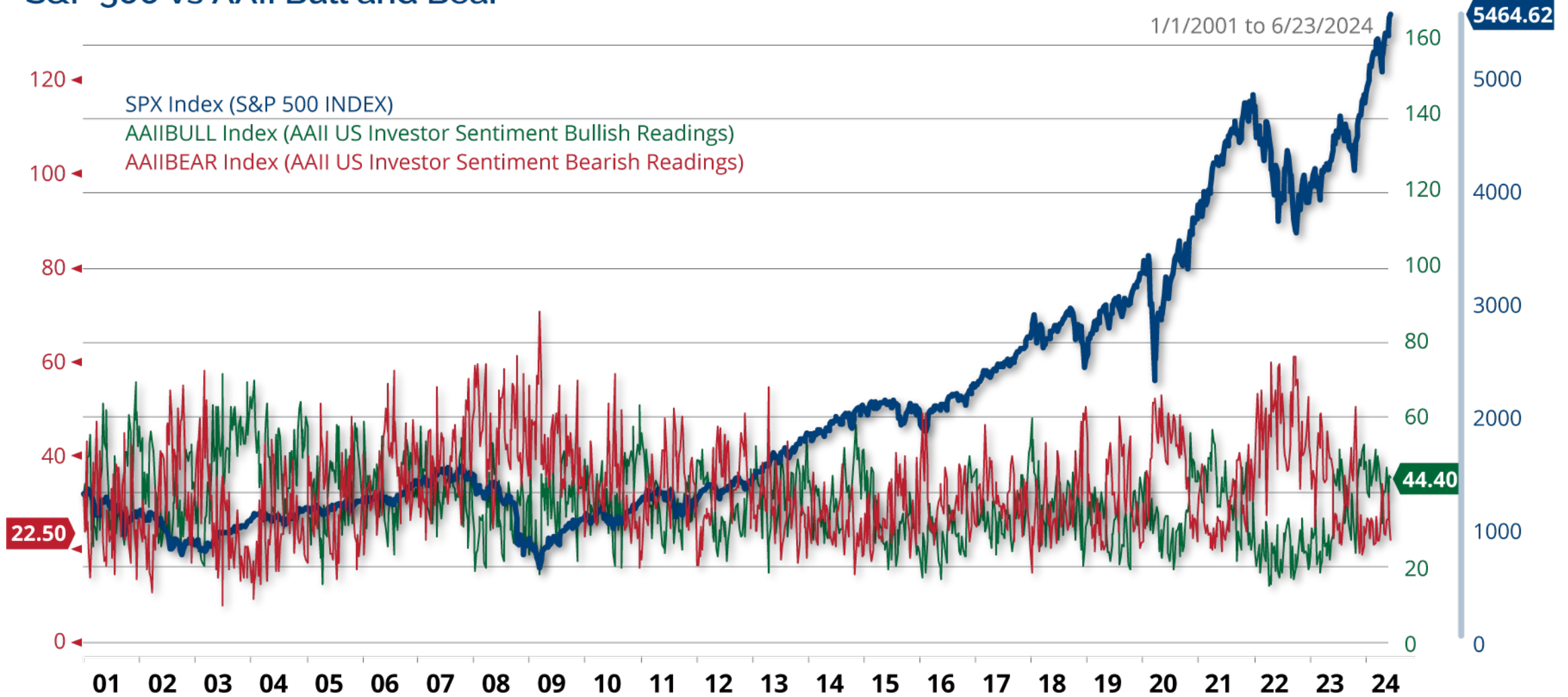


Source: S&P Global

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# S&P 500 vs AII Bull and Bear



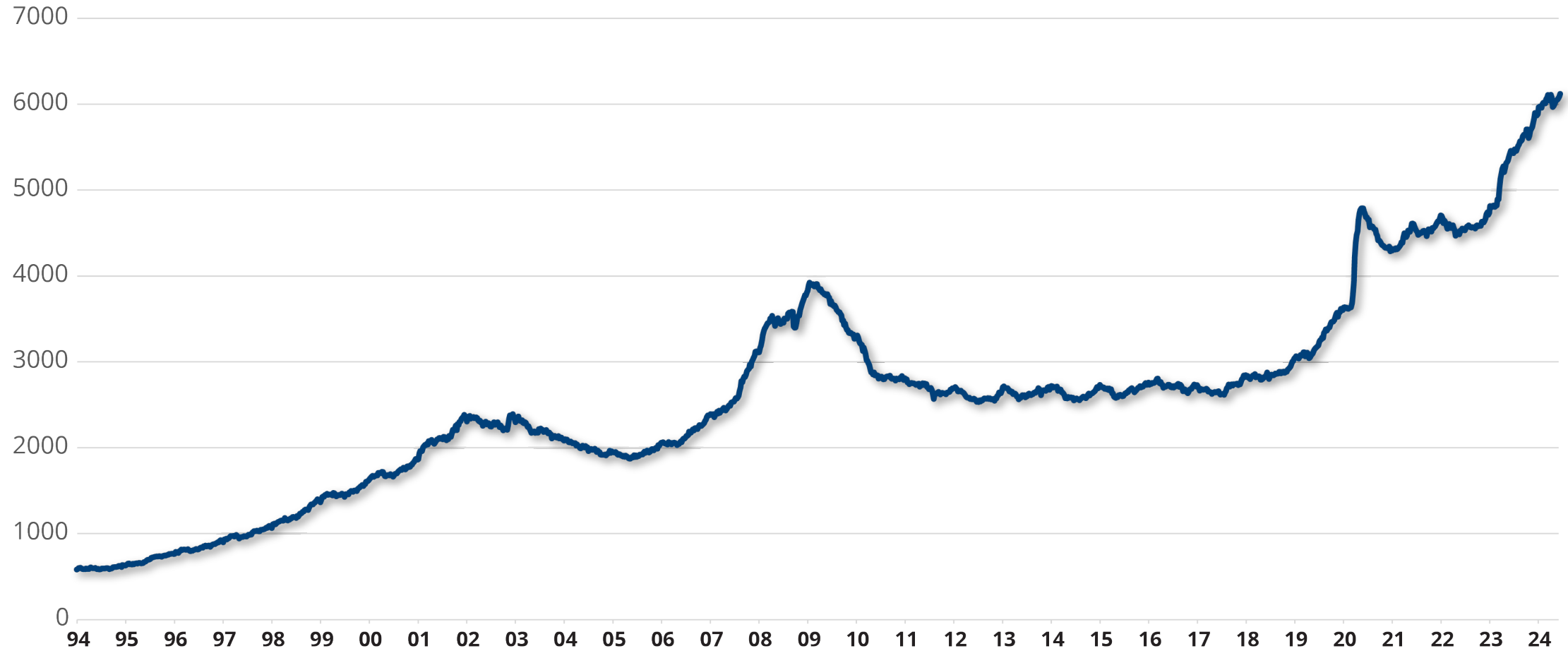
Source: Bloomberg

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# Money Market Fund Assets

12/29/1993 to 06/12/2024



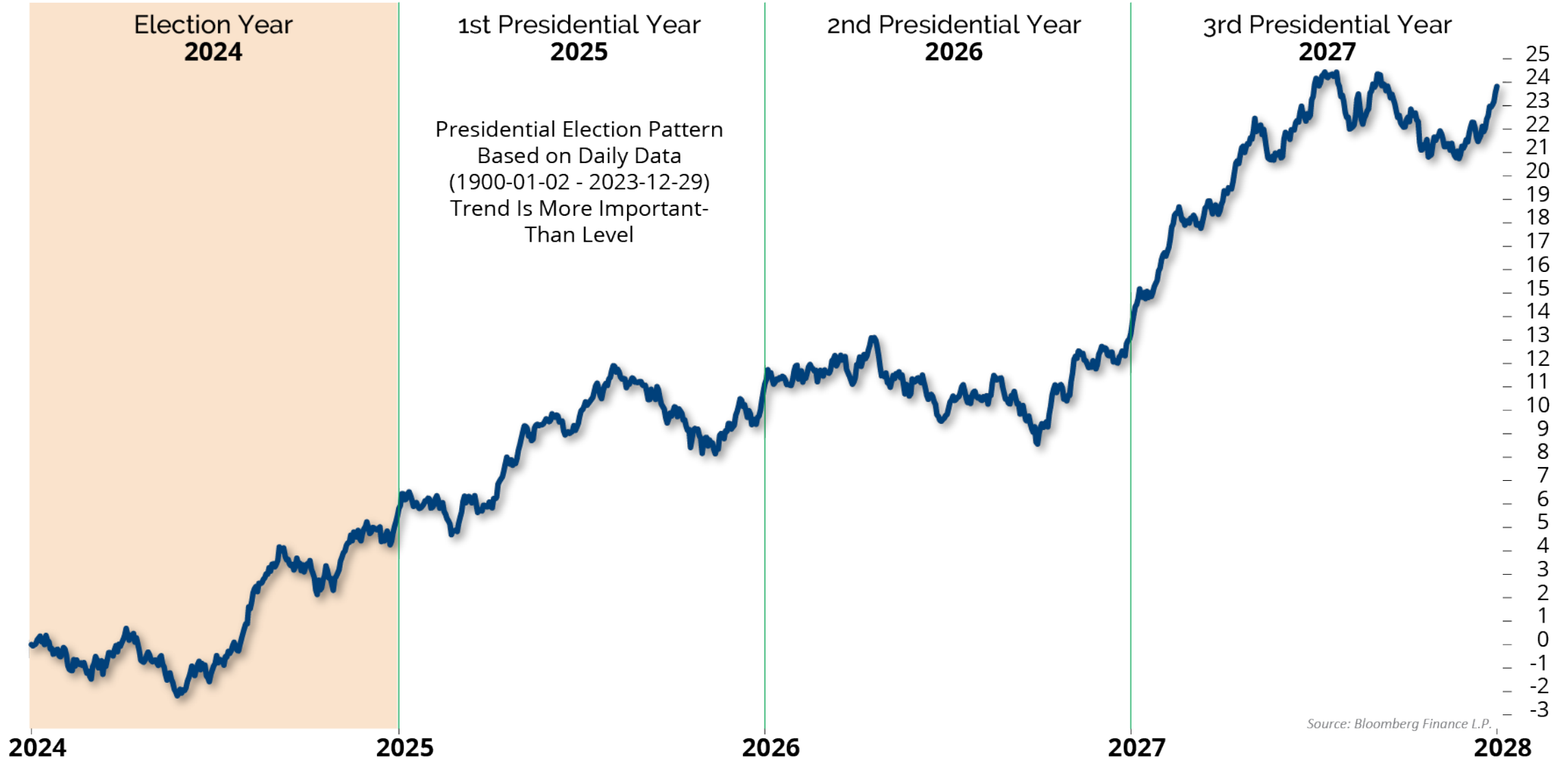
Source: Bloomberg



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# Dow Industrials Four-Year Presidential Cycle



Source: Bloomberg Finance L.P.

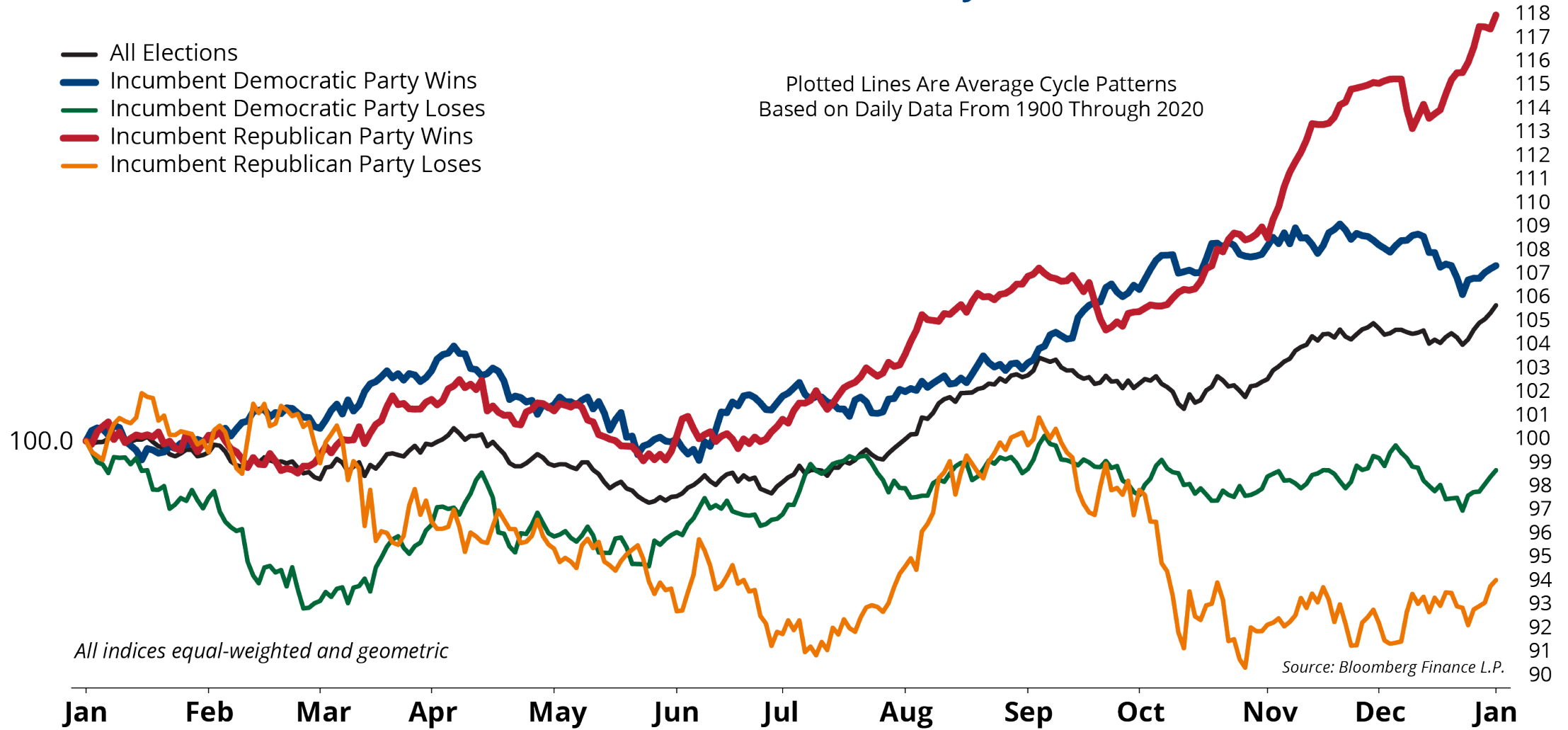
Source: Ned Davis Research

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Source: Ned Davis Research

# Dow Industrials — Presidential Election Year Cycle II



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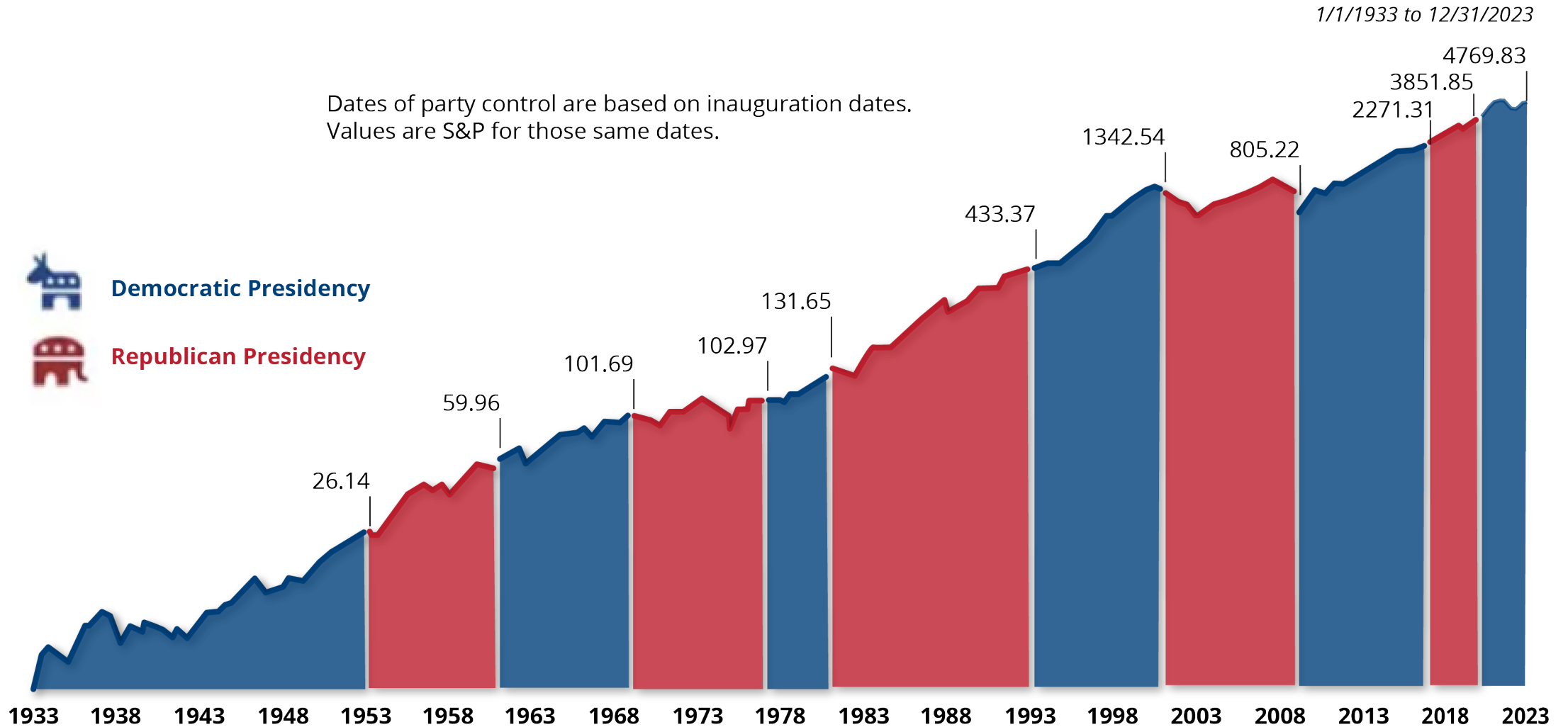
Source: Ned Davis Research



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# Over Time Stocks Have Gone Up...Despite Washington!

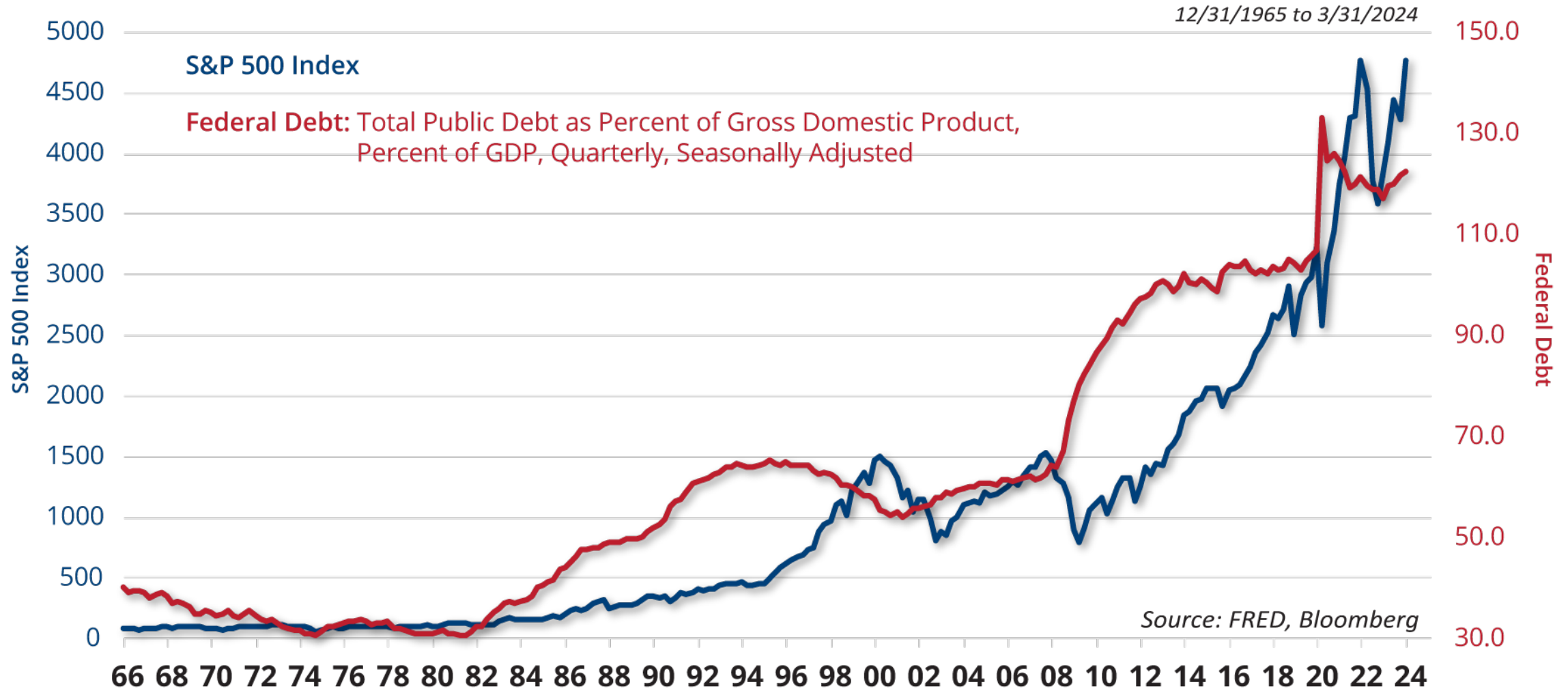
## S&P 500 Index Performance



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Source: Morningstar, Standard & Poor's, Financialsamurai.com

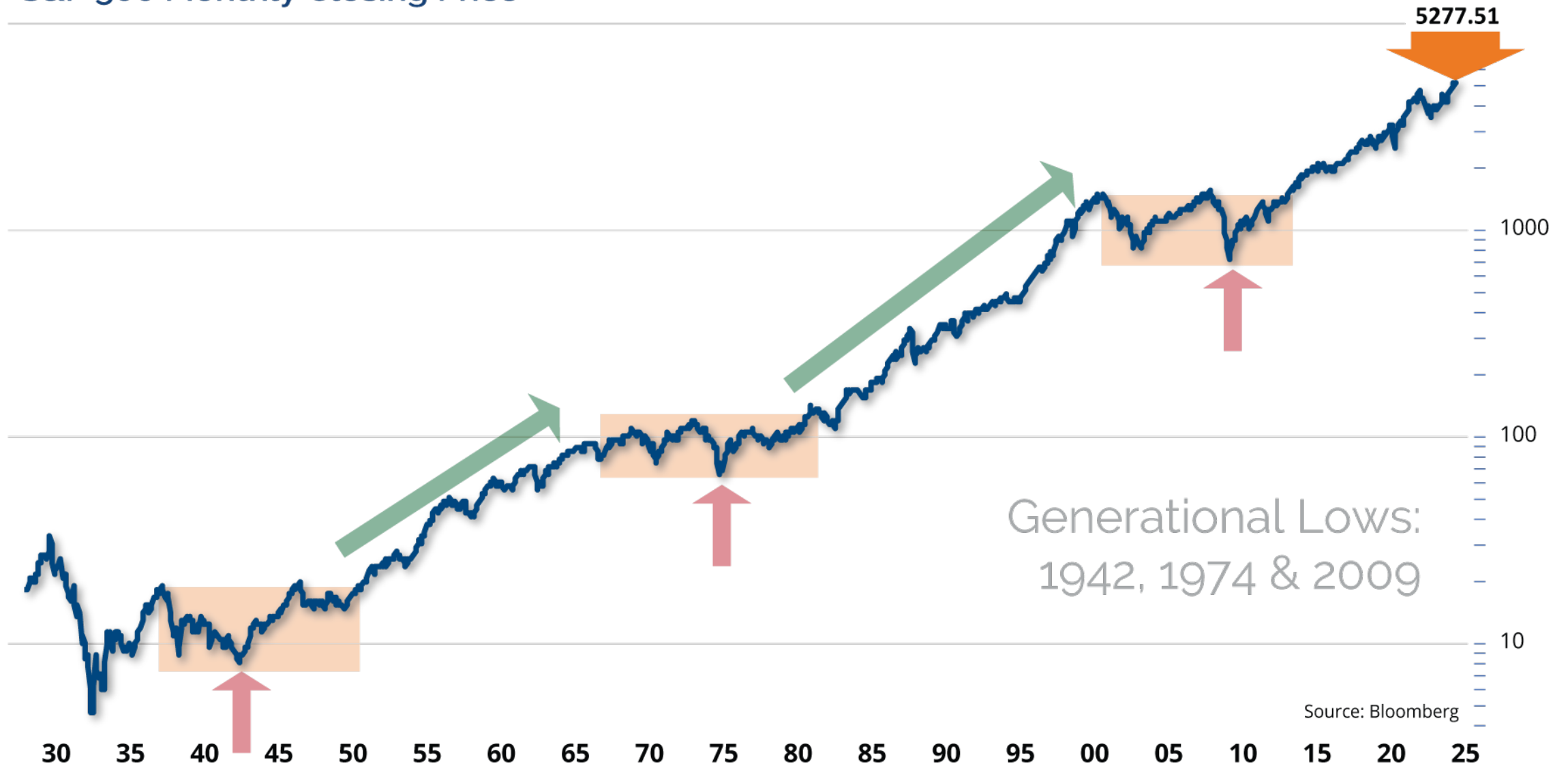
## S&P 500 vs. Federal Debt



For illustrative purposes only. Past performance is not indicative of future results.

# S&P 500 Monthly Closing Price

1/1/1928 to 5/31/2024



For illustrative purposes only. Past performance is not indicative of future results.



Q&A



# Disclosure

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Investing involves risk, including loss of principal.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to

adverse market, economic, regulatory, political, or other developments affecting those sectors.

Fixed incomes securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase), and inflation risk (rising prices will lower the purchasing power of the investment at maturity).

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# Benchmark Descriptions

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an “index”) are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries, excluding the US, and 26 Emerging Markets countries covering approximately 85% of the global equity opportunity set outside the US.

The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

The volatility (beta) of an account may be greater or less than its respective benchmark.

The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the “risk free” rate when valuing the markets or an individual security. GDPNow is a forecasting model that provides a “nowcast” of the official GDP estimate prior to its release by estimating GDP growth using a methodology similar to the one used by the U.S. Bureau of Economic Analysis.

VIX of VIX (or VVIX) is a measure of the volatility of the Chicago Board Options Exchange (CBOE) Volatility Index (VIX). The CBOE’s VIX measures the short-term volatility of the S&P 500 indexes, and the VVIX measures the volatility of the price of the VIX. In other words, VVIX is a measure of the volatility of the S&P

500 index and alludes to how quickly market sentiment changes.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The nonfarm payroll measures the number of workers in the U.S. except those in farming, private households, proprietors, non-profit employees, and active military.

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

The benchmark is the S&P MidCap 400 Index. The S&P MidCap 400 provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The Core Consumer Price Index (CPI) measures the changes in the price of goods and services, excluding food and energy.

The 3-month Treasury yield is the effective annual interest rate paid by the U.S. government to a bondholder with a maturity of 3 months.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 10% of Russell 3000 total market capitalization.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

