

Making Sense

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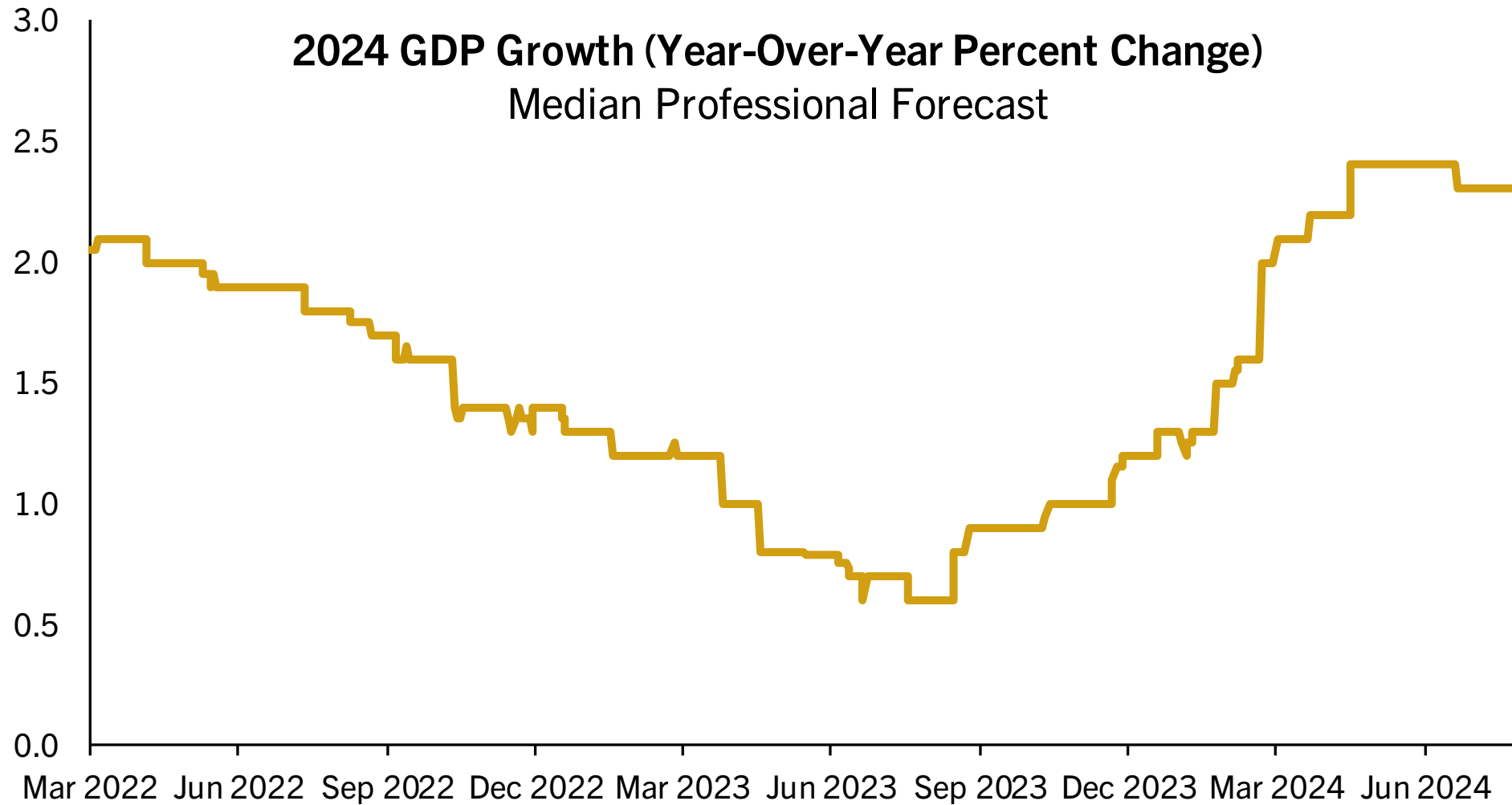
What are we going to cover?

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

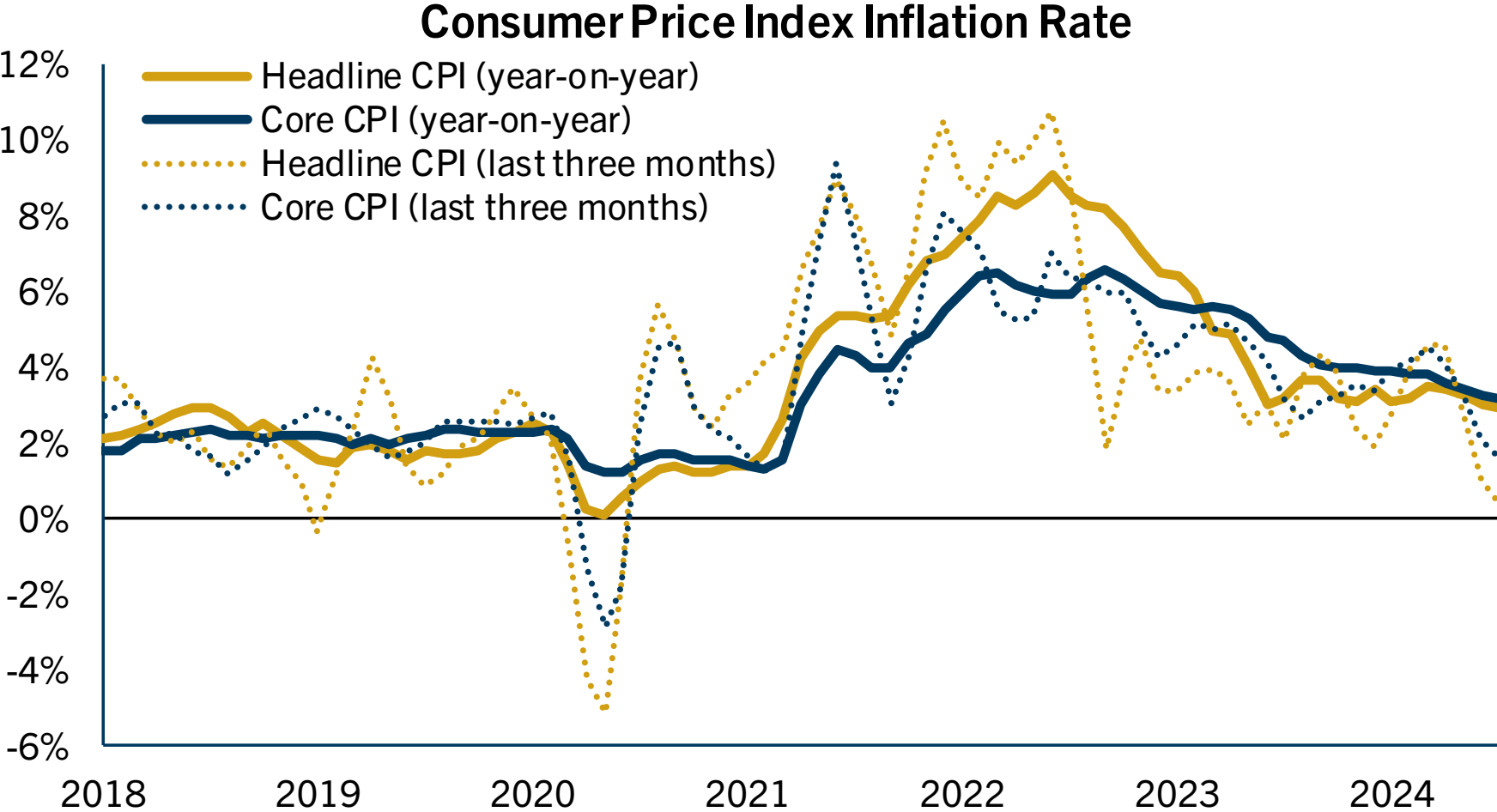
Economic Update

Interest Rates | Inflation | Labor Market

The Economic Outlook Remains Upbeat



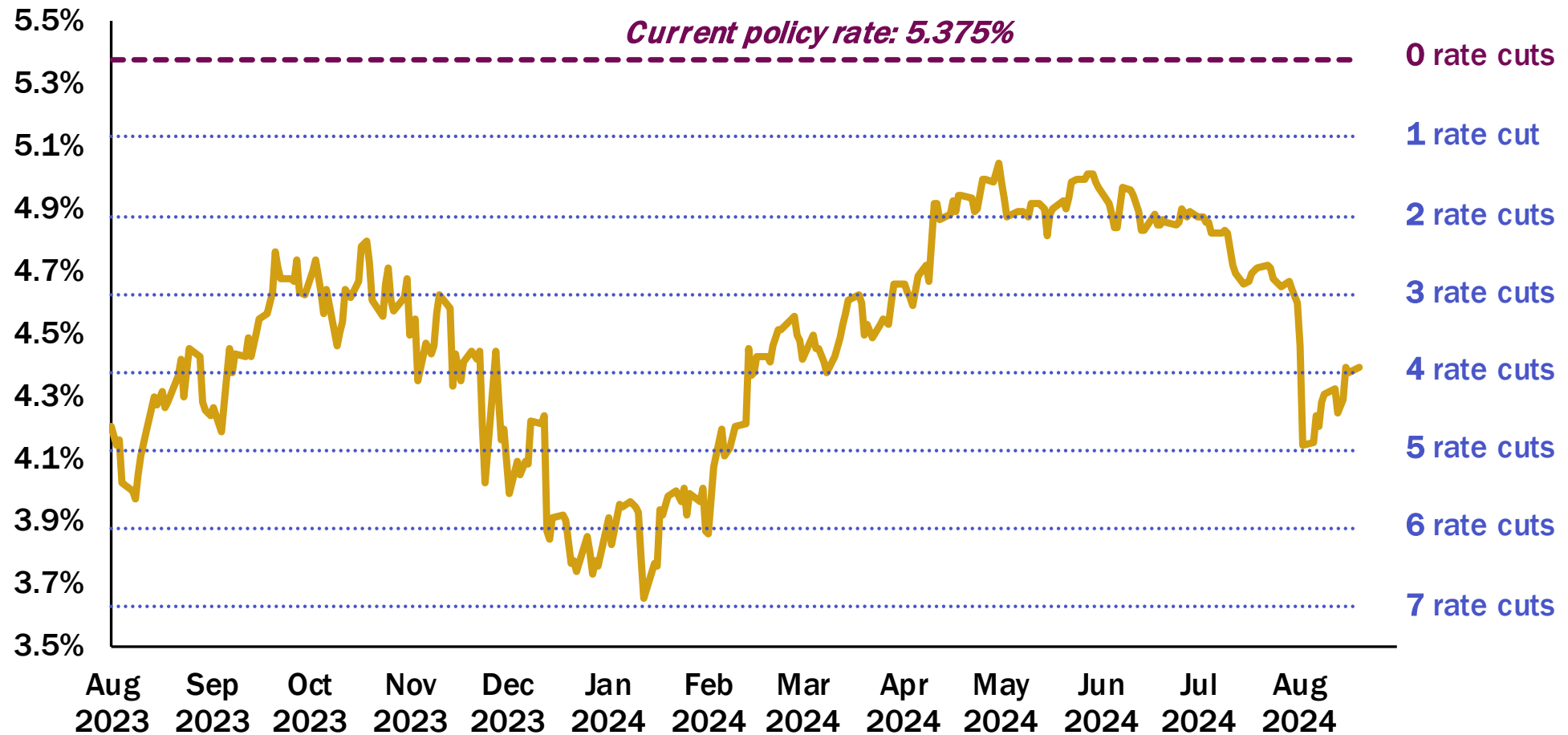
Monthly Inflation Rates, While Volatile, Have Fallen Sharply Recently



Source: Department of Labor, Bloomberg, First Citizens Wealth

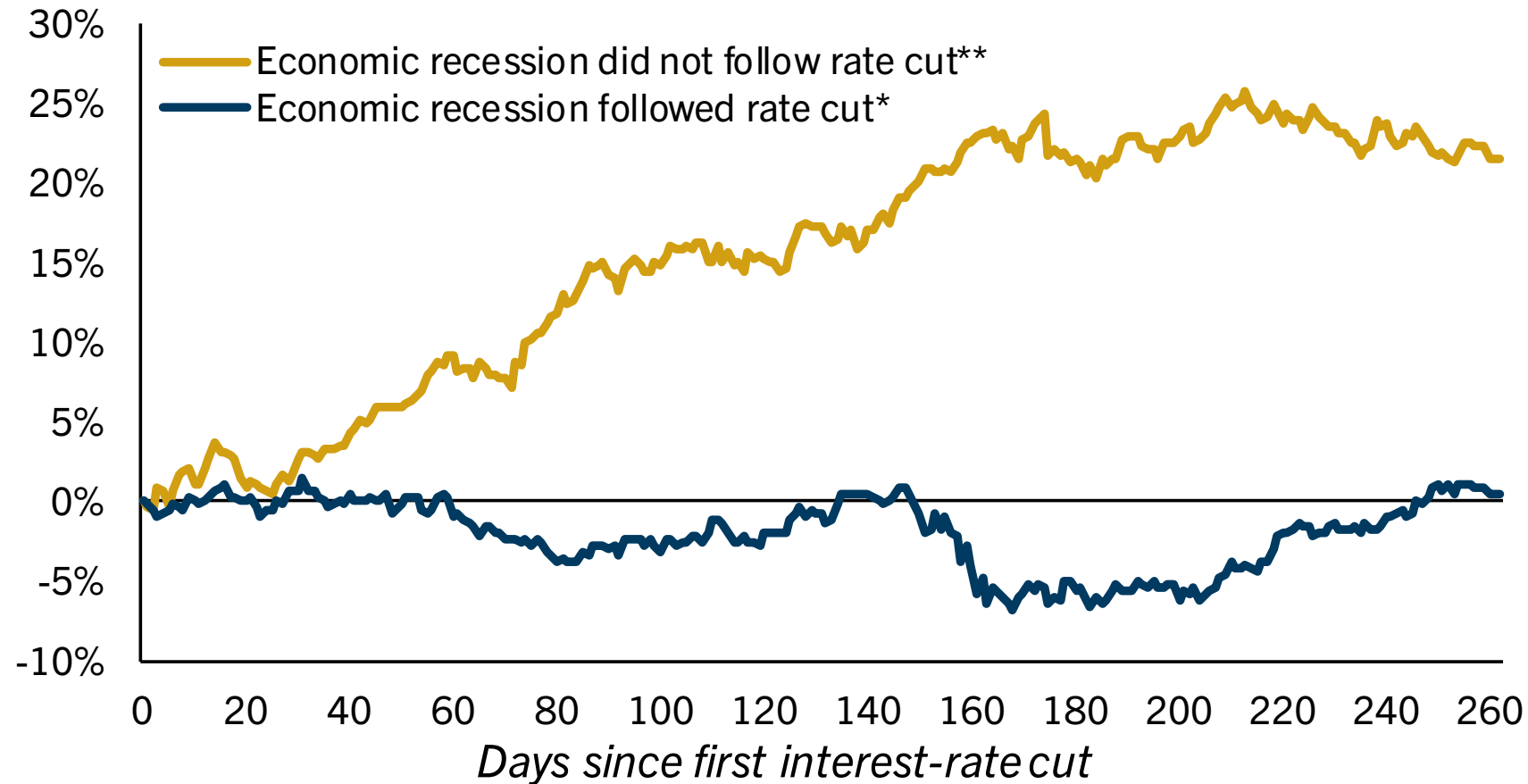
After Volatile Swings, Markets Expect ~4 Interest-Rate Cuts This Year

Market-Implied Federal Funds Rate in December 2024



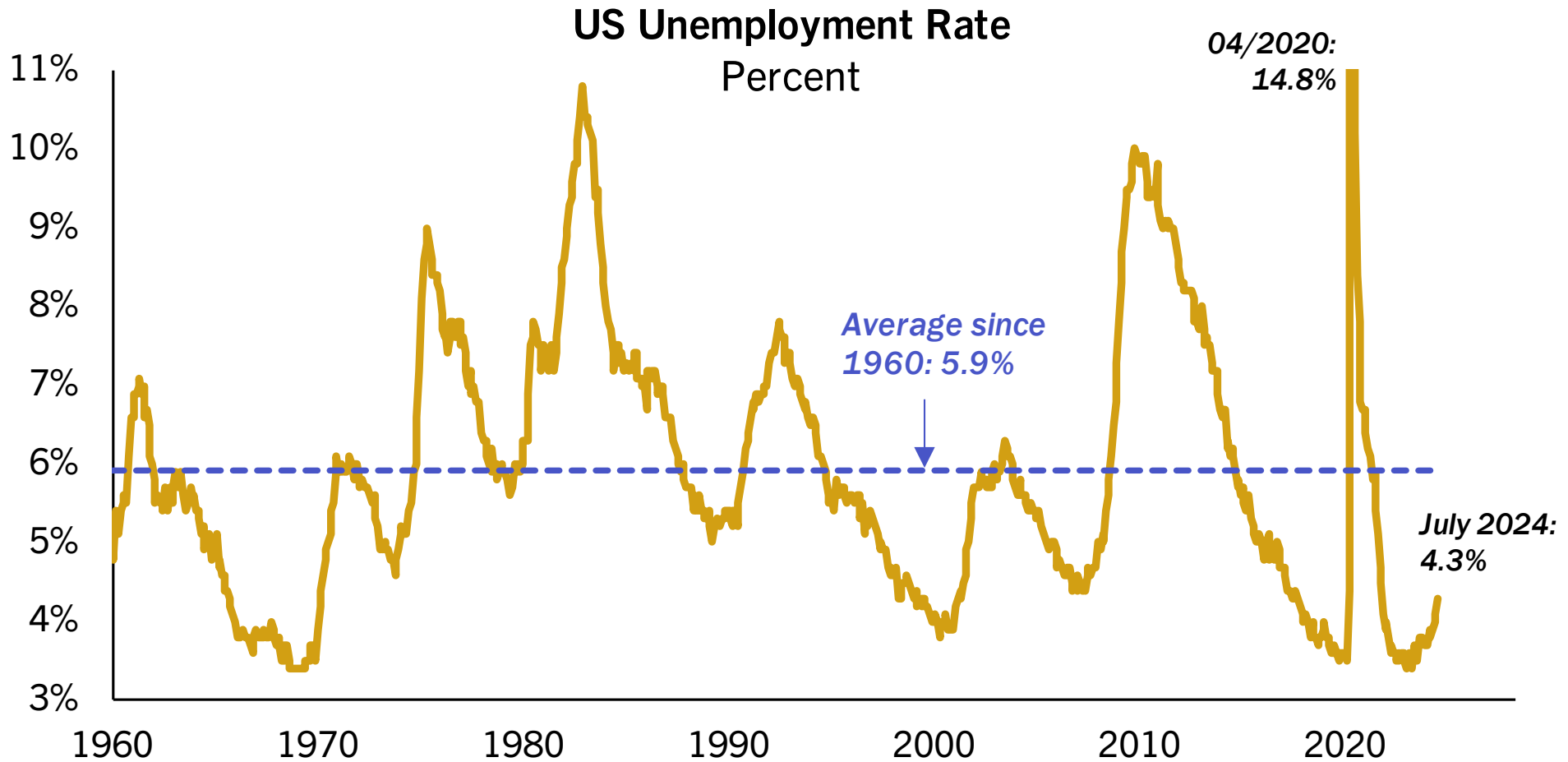
Equity Market Performance After Rate Cuts Depends on Economic Outcome

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

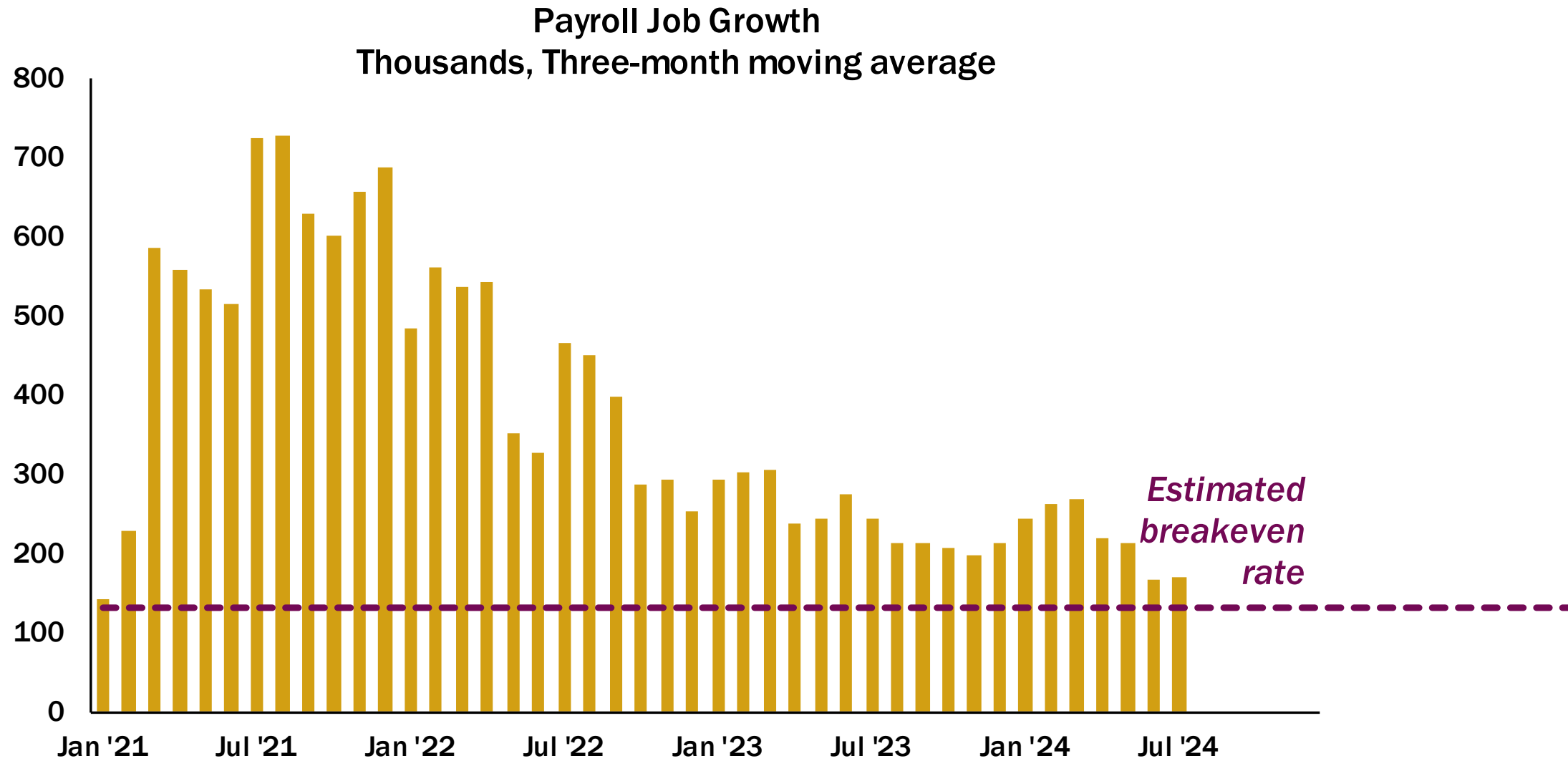


* Dec-1979, Jun-1981, Jun-1989, Jan-2001, Sep-2007, Jul-2019 ** Oct-1984, Jul-1995, Sep-1998
Source: Bloomberg, First Citizens Wealth

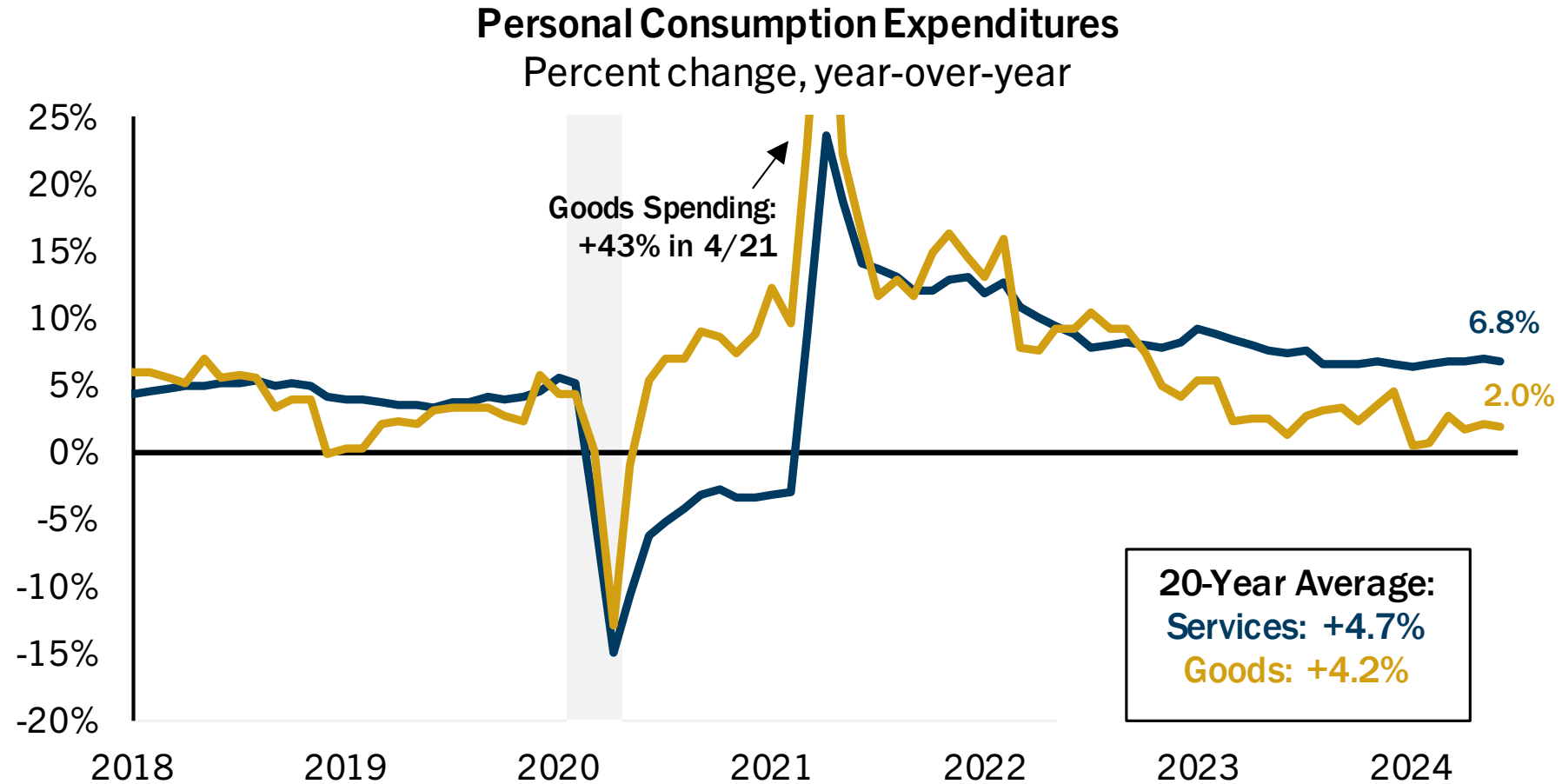
The Unemployment Rate Has Moved Up Despite Strong Job Growth



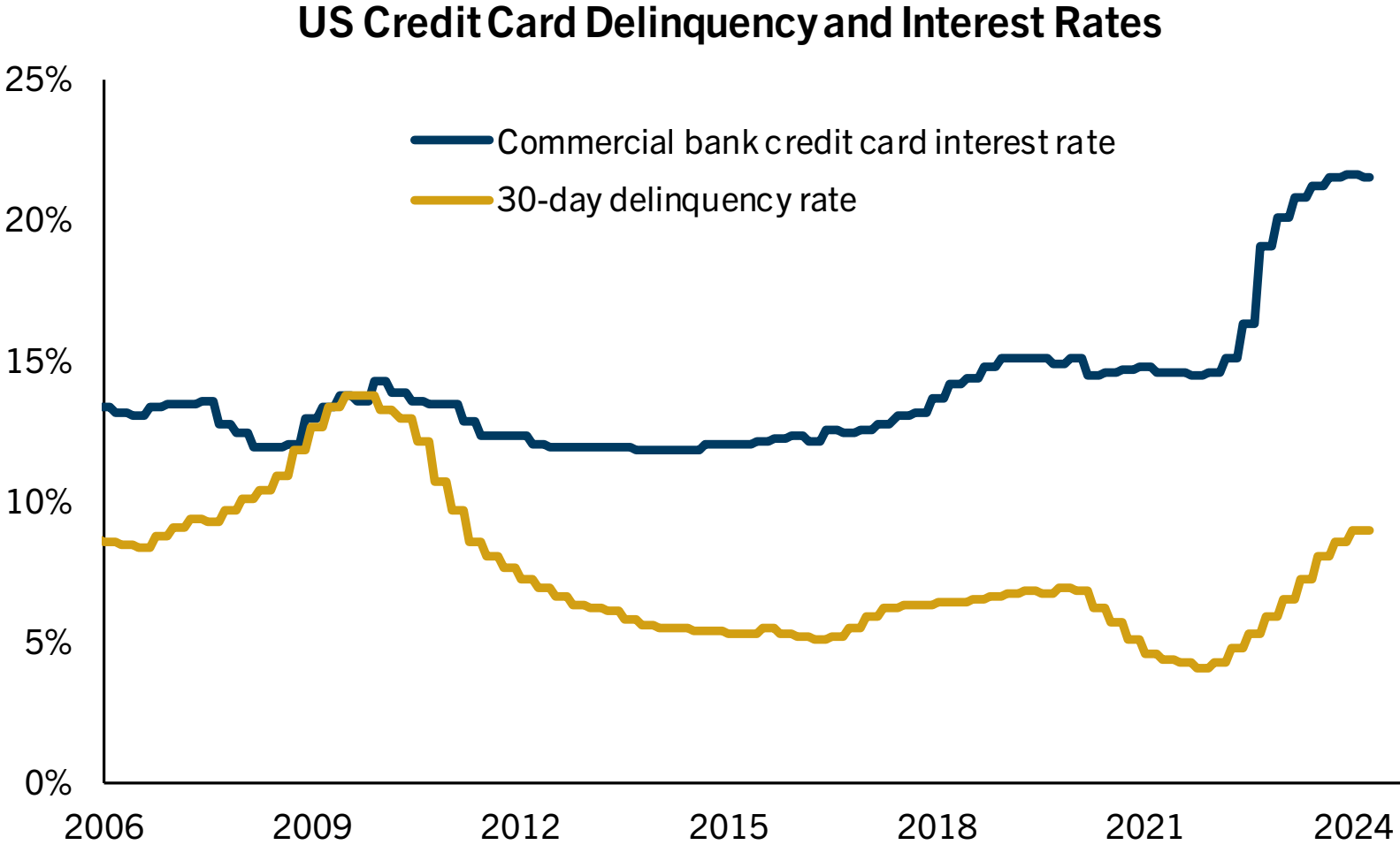
New Payroll Job Growth Is Slowing Roughly to Trend Pace



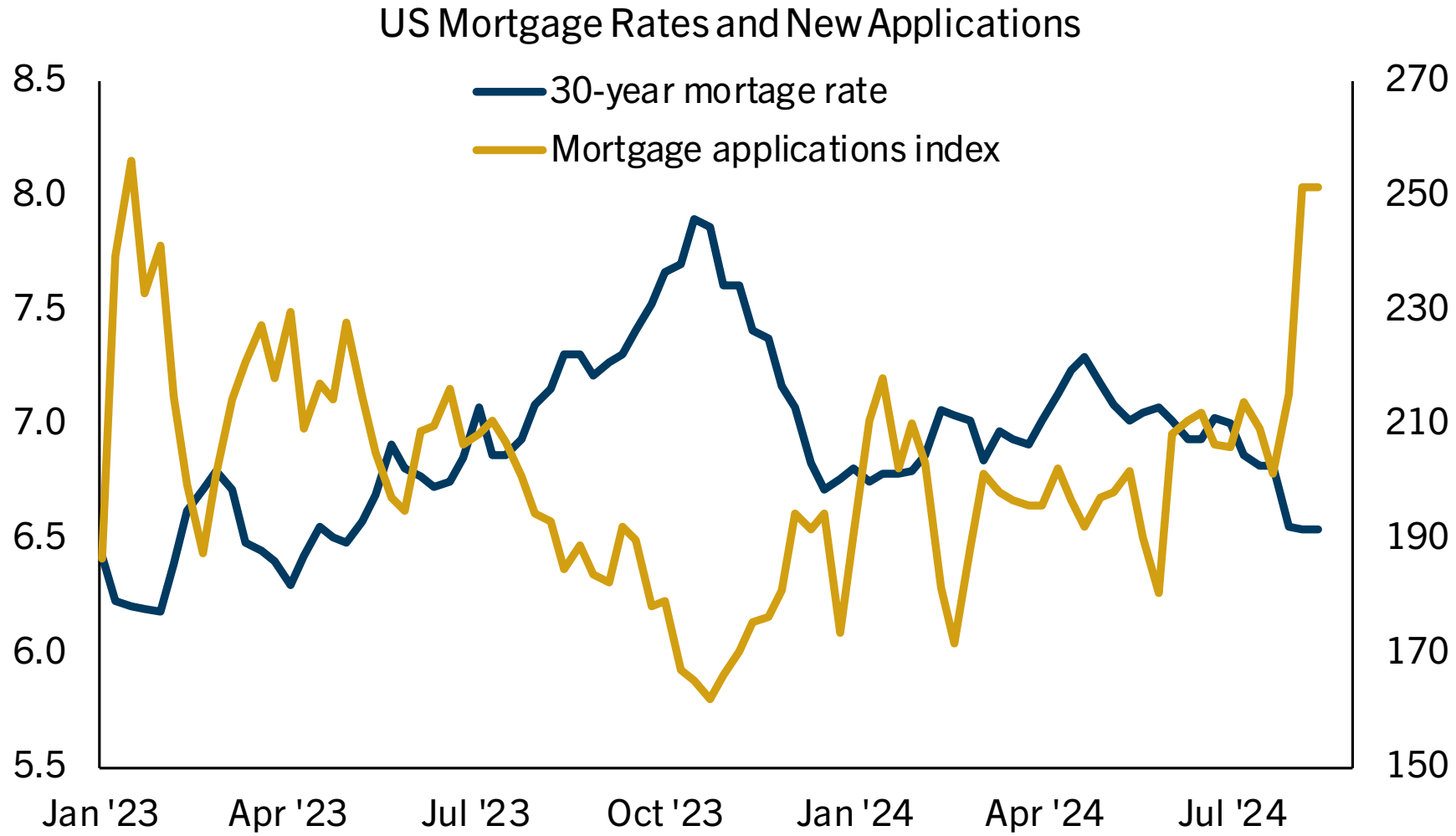
Consumer Expenditures Are Holding Up, Led by Services Spending



Revolving Credit Rates Have Surged, and Delinquencies Are Up



The Recent Slide in Mortgage Rates Likely Boosted New Applications



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

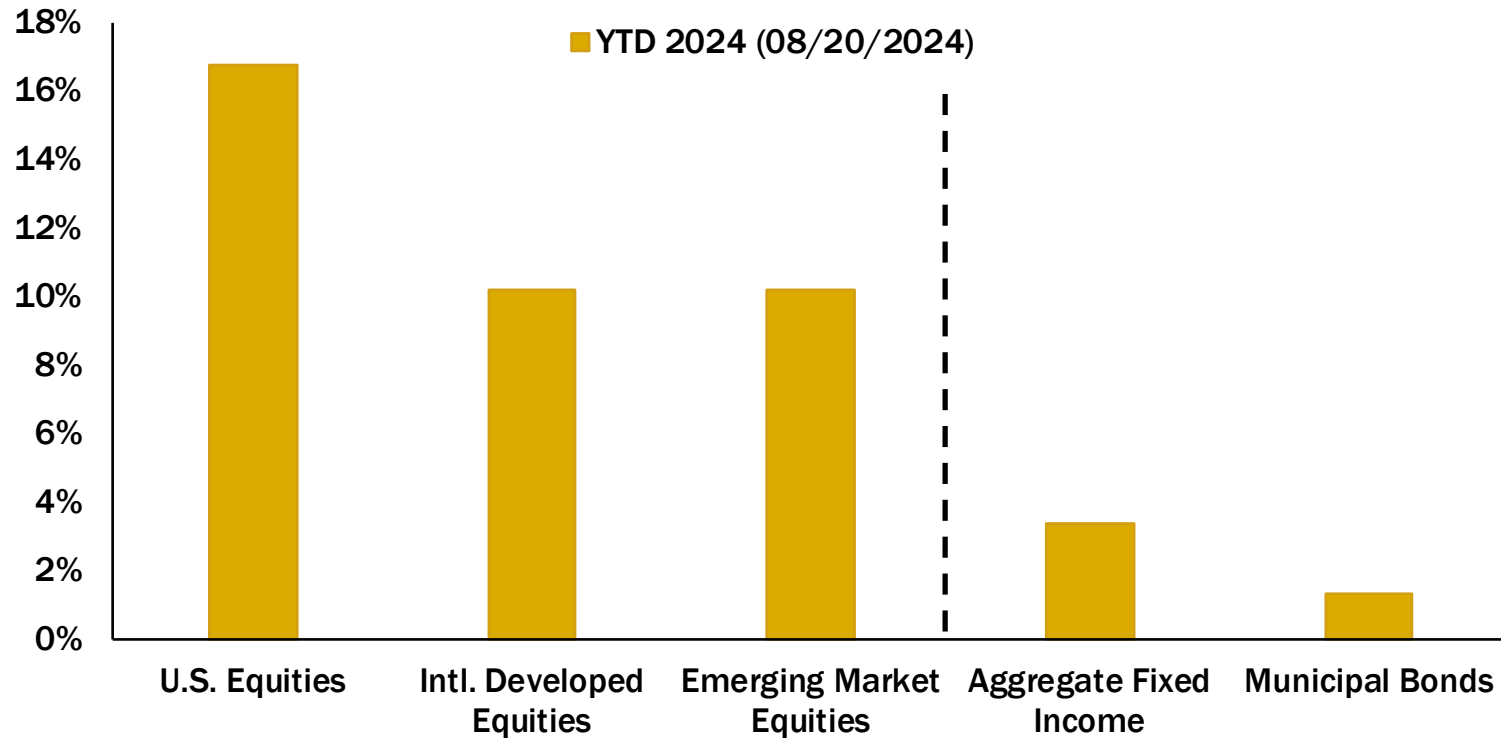
- Elevated interest rates with incoming maturity wall
- Softer consumer spending and increased CC delinquencies
- Waning fiscal stimulus effect
- Housing sector / CRE
- Government debt and deficits
- Geopolitical tension/risks
- Softening labor demand

Market Update

Equity Markets | Fixed Income | Potential Headwinds

Global Markets Year-to-Date

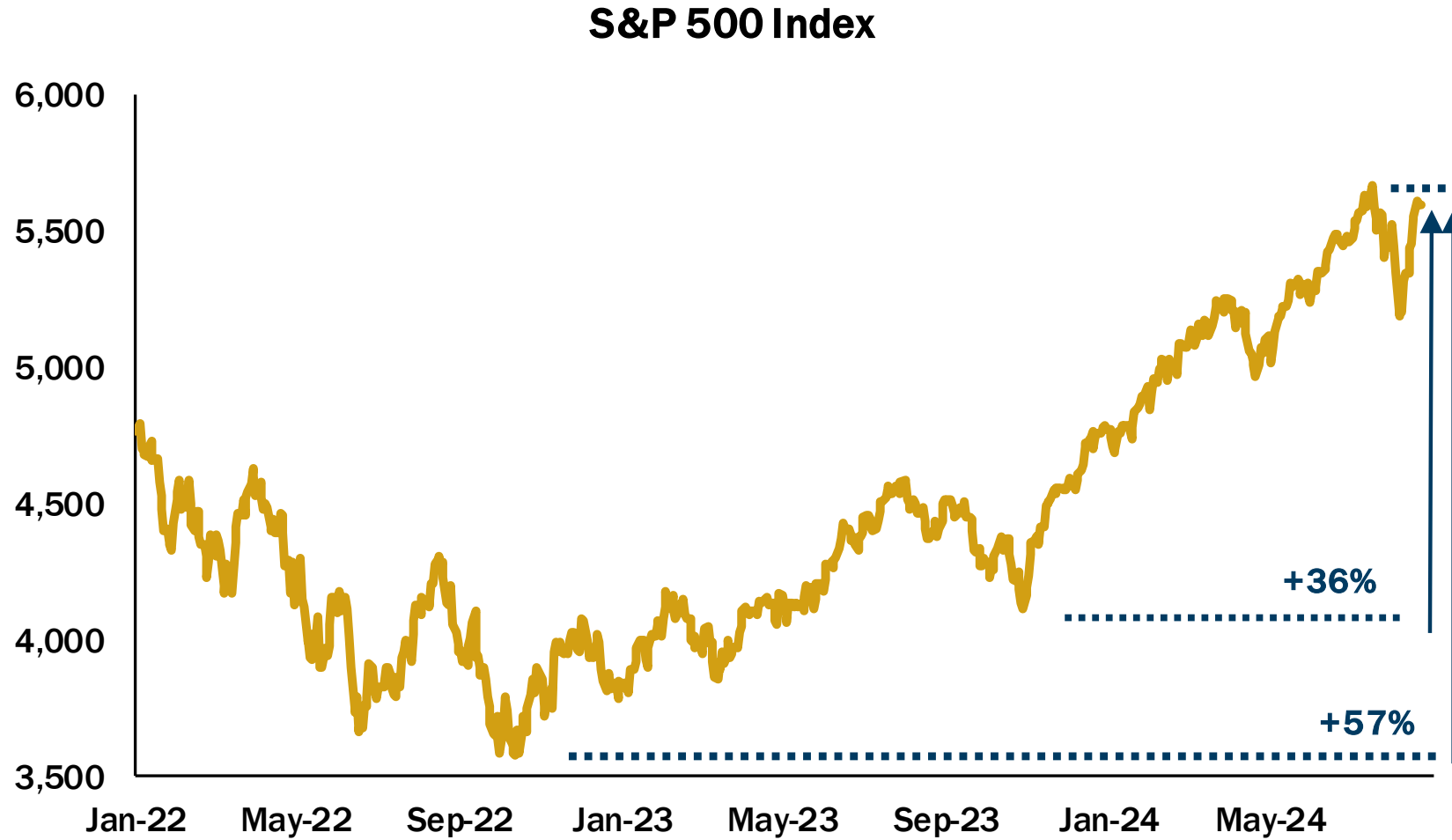
Total Return by Asset Class



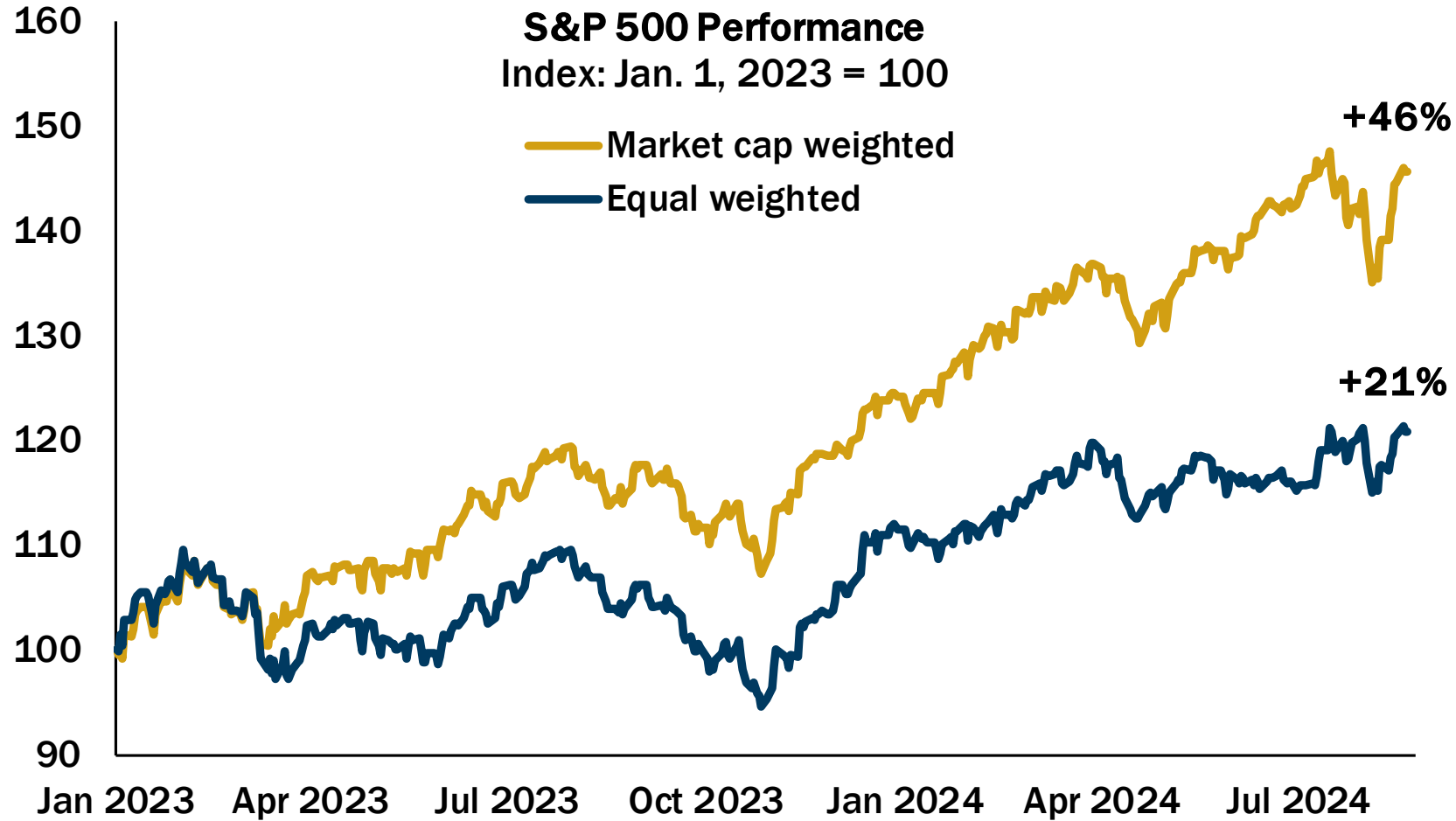
**YTD US Equity Returns
As of 08/20/2024**

	Value	Blend	Growth
Large	13.1%	19.9%	23.9%
Mid	9.6%	9.3%	7.9%
Small	4.9%	6.6%	8.4%

Stocks Have Rallied Sharply

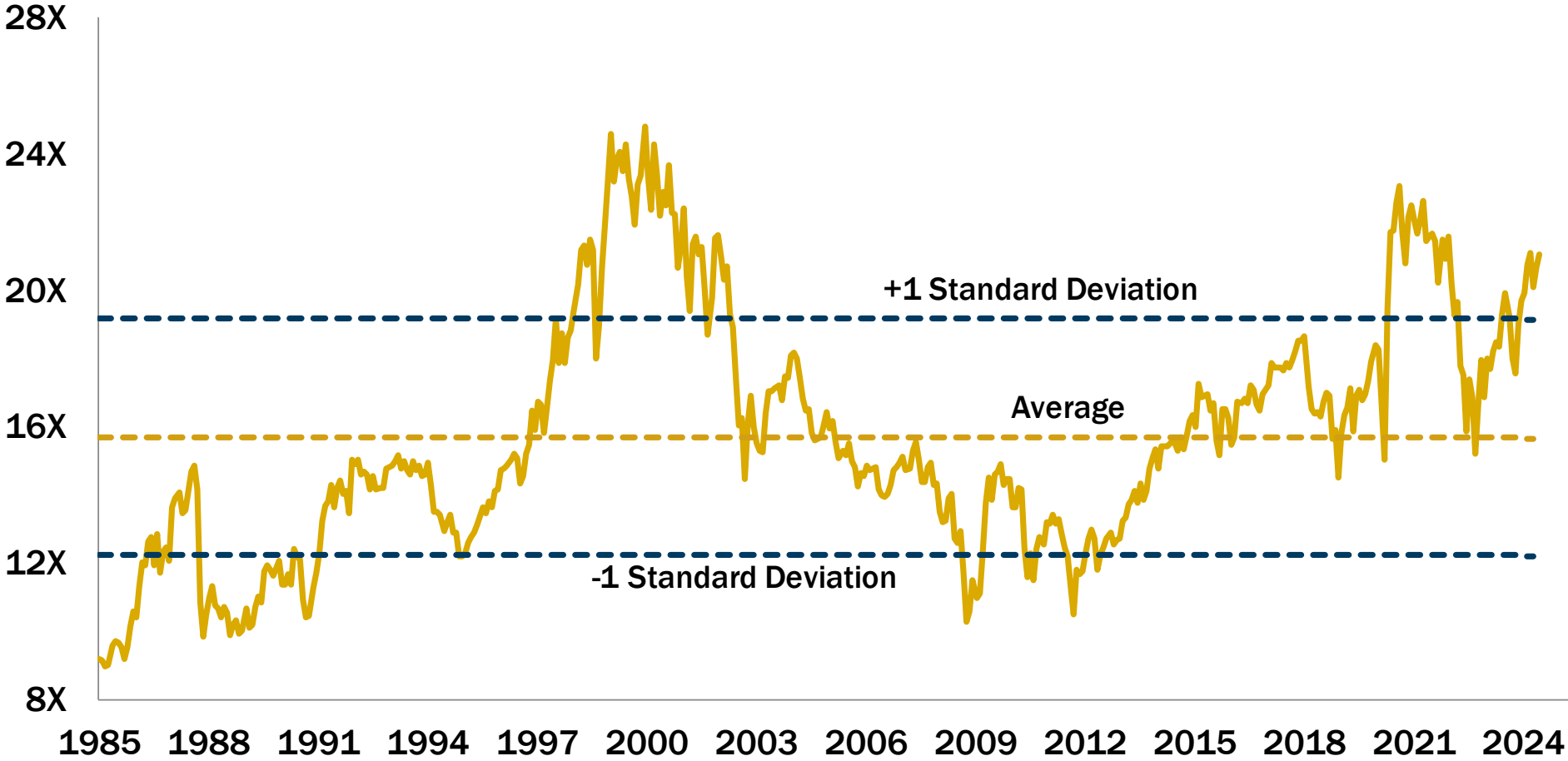


Large-cap Stocks Have Outperformed by a Significant Margin

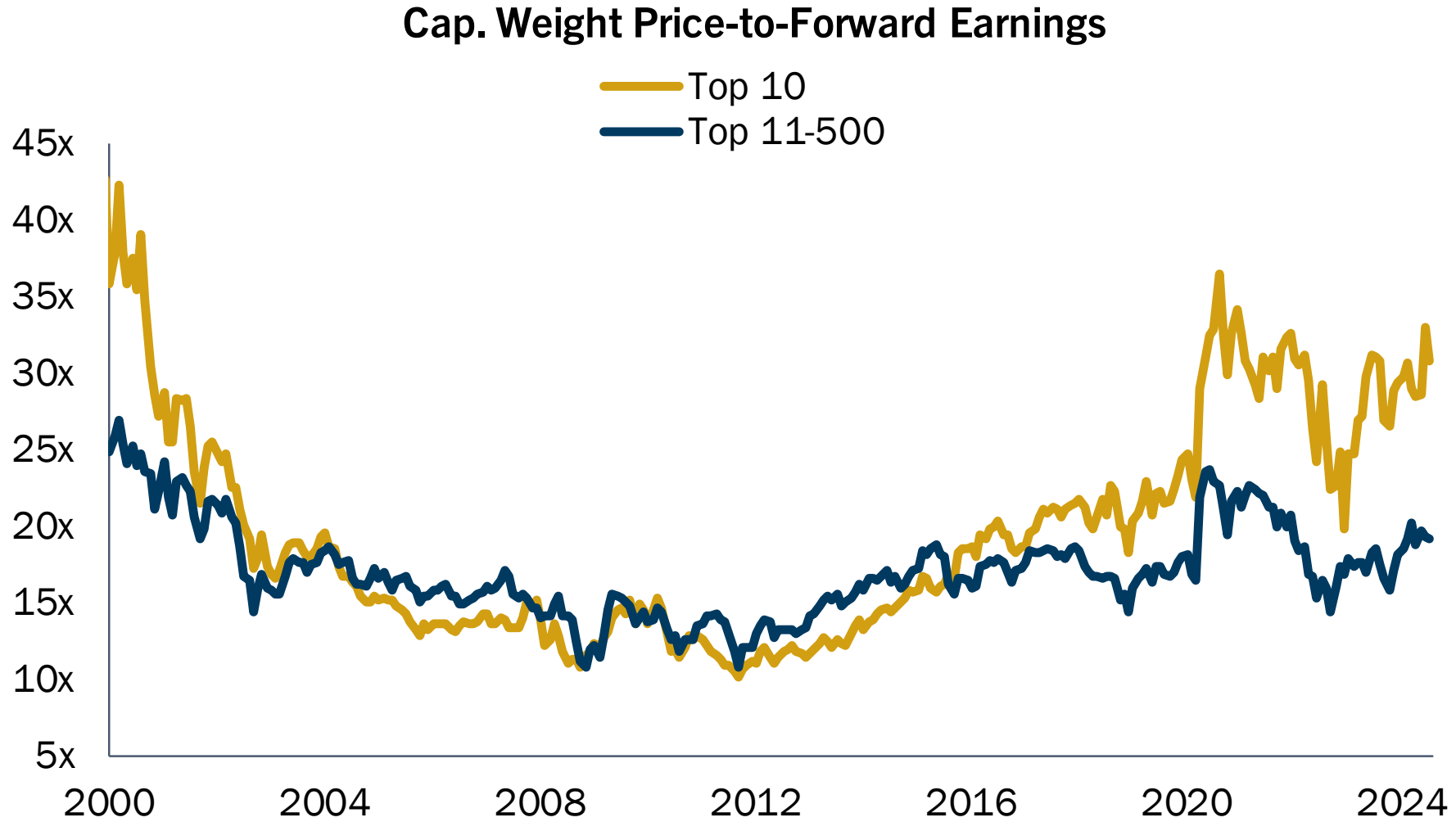


Market Valuation Below Extremes but Above Average

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

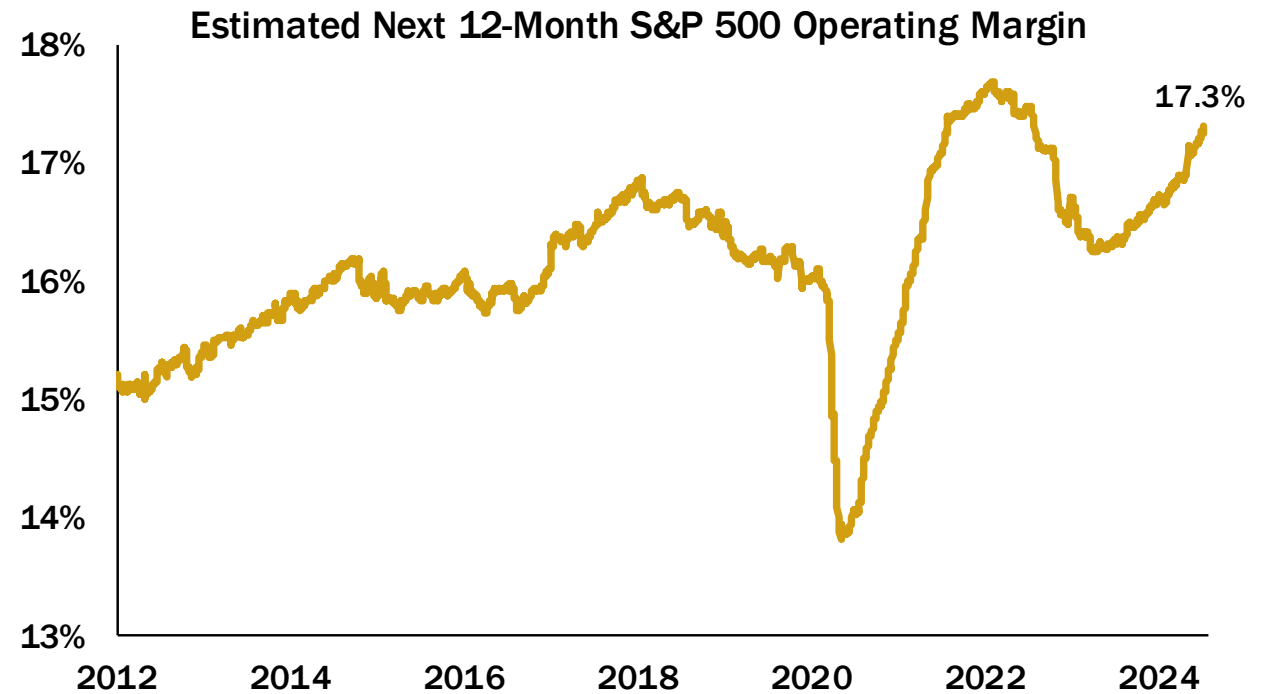


P/E Ratios Suggest There is Room for Broadening

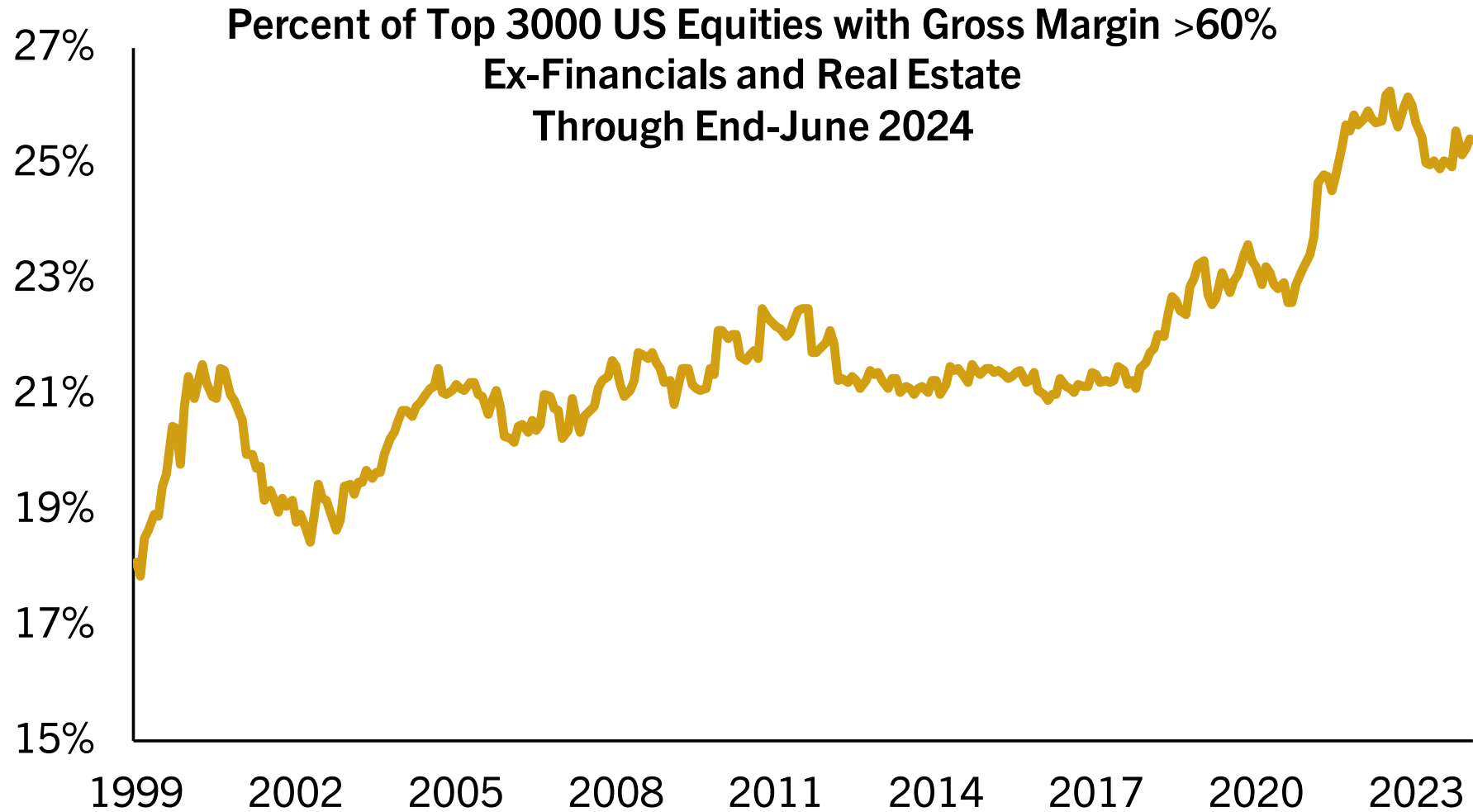


Corporate Earnings

- 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

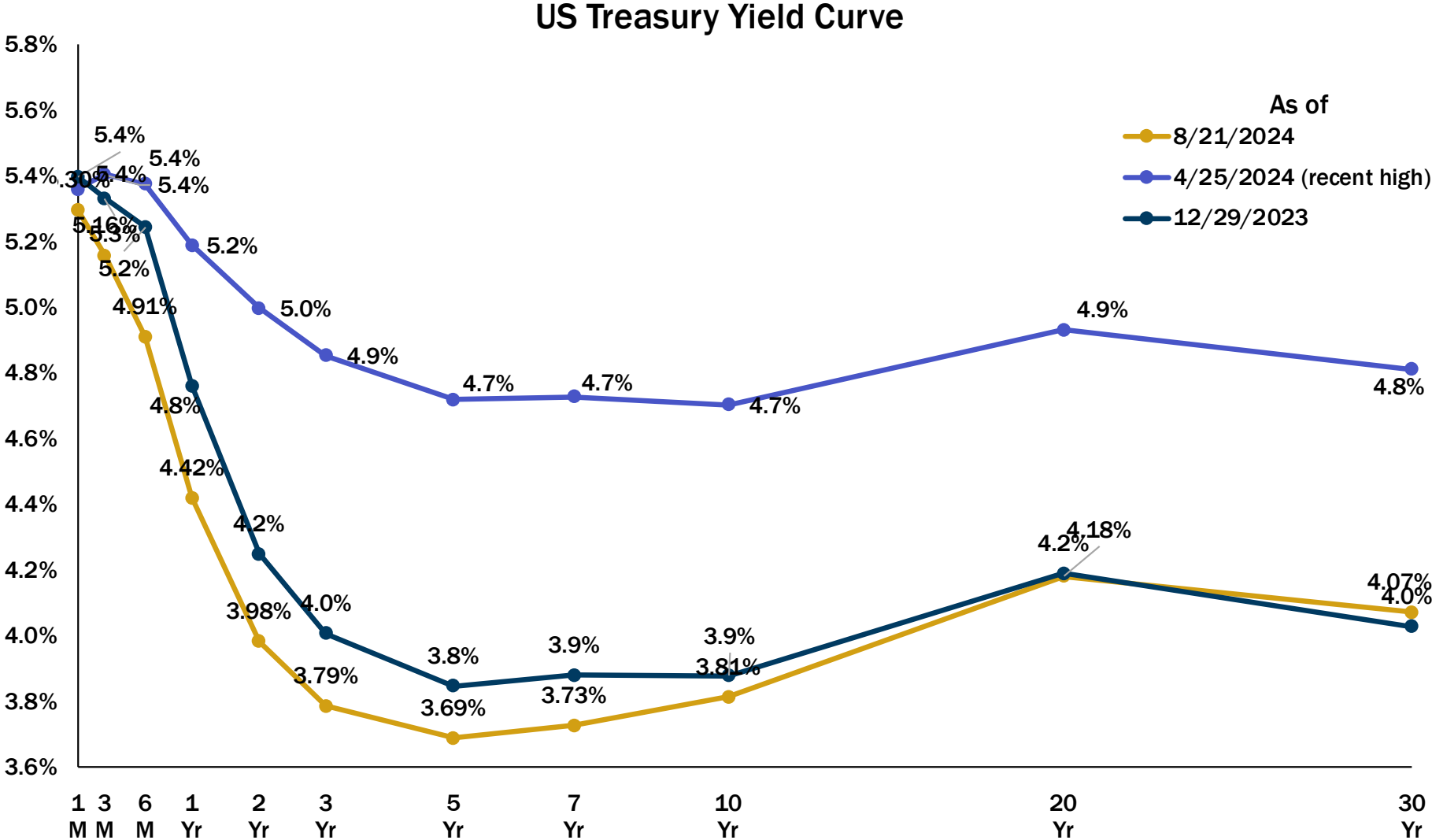


S&P 500 Price Target

Next Twelve-Month S&P 500 Price Target

	NTM Price Level	Percent Change from 8/20/24
Bear	4,400	-21.4%
Base	5,900	5.4%
Bull	6,500	16.1%

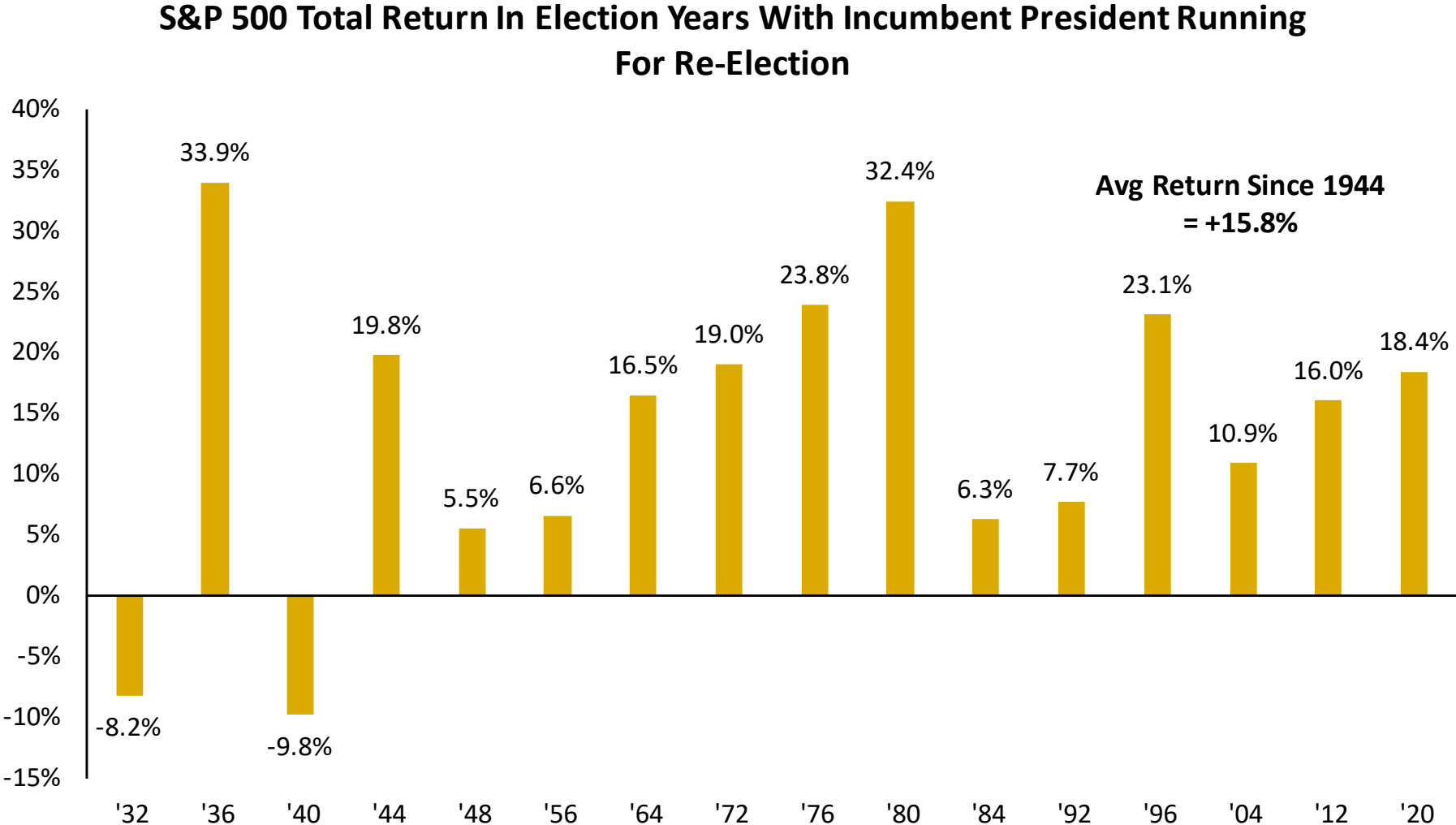
US Treasury Yield Curve Remains Inverted



Bond Yields Remain Elevated Versus Recent History

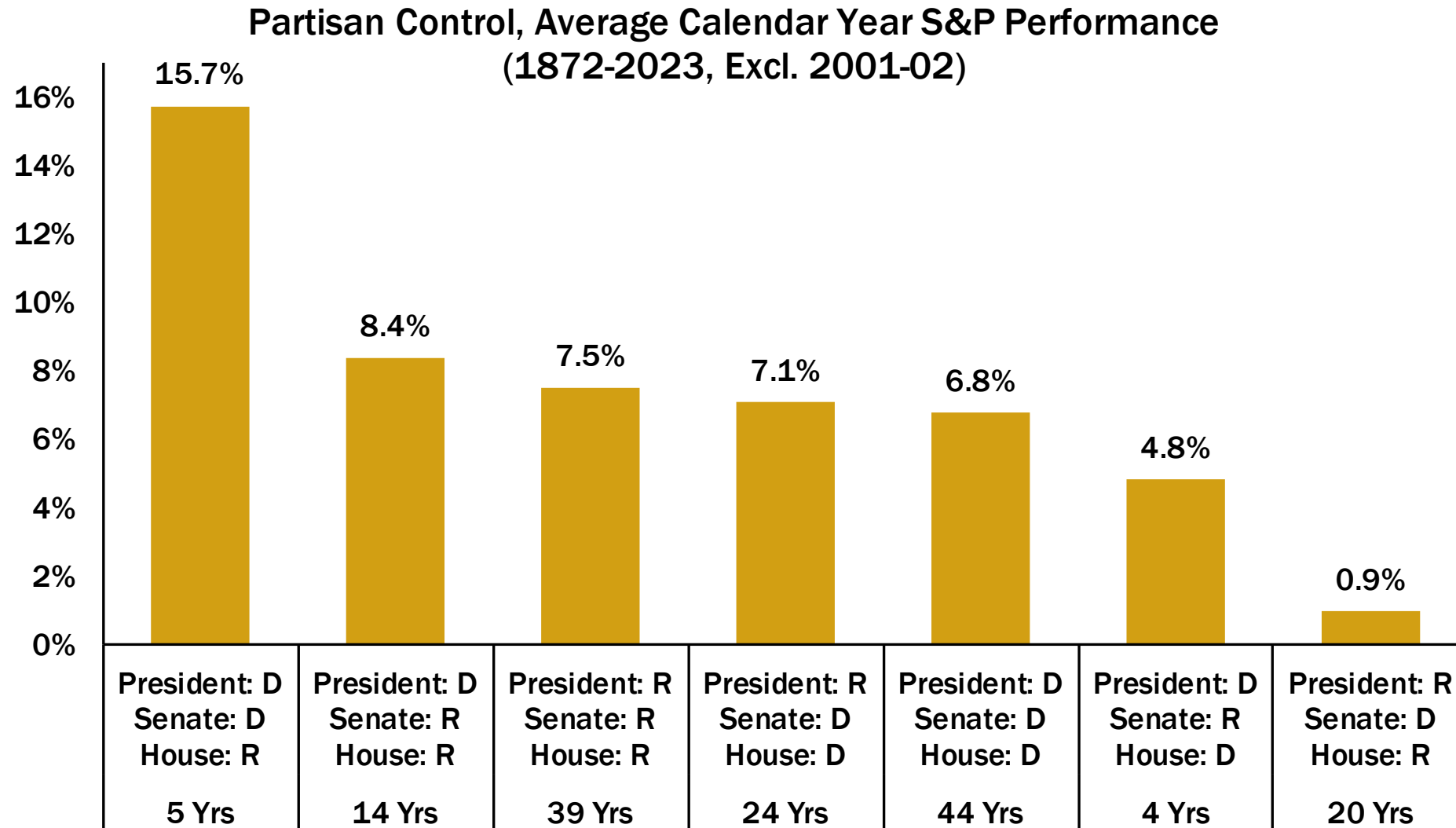
US Fixed Income Indices		
	Yield-to-Worst	
Index	12/31/2021	8/20/2024
2-Year Treasury	0.73%	3.97%
10-Year Treasury	1.51%	3.80%
Aggregate Bond	1.75%	4.40%
Intermediate Government/Credit	1.30%	4.16%
Municipal Bond	1.11%	3.44%
Investment Grade Corporate Bond	2.33%	4.92%
High Yield Corporate Bond	4.21%	7.42%

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

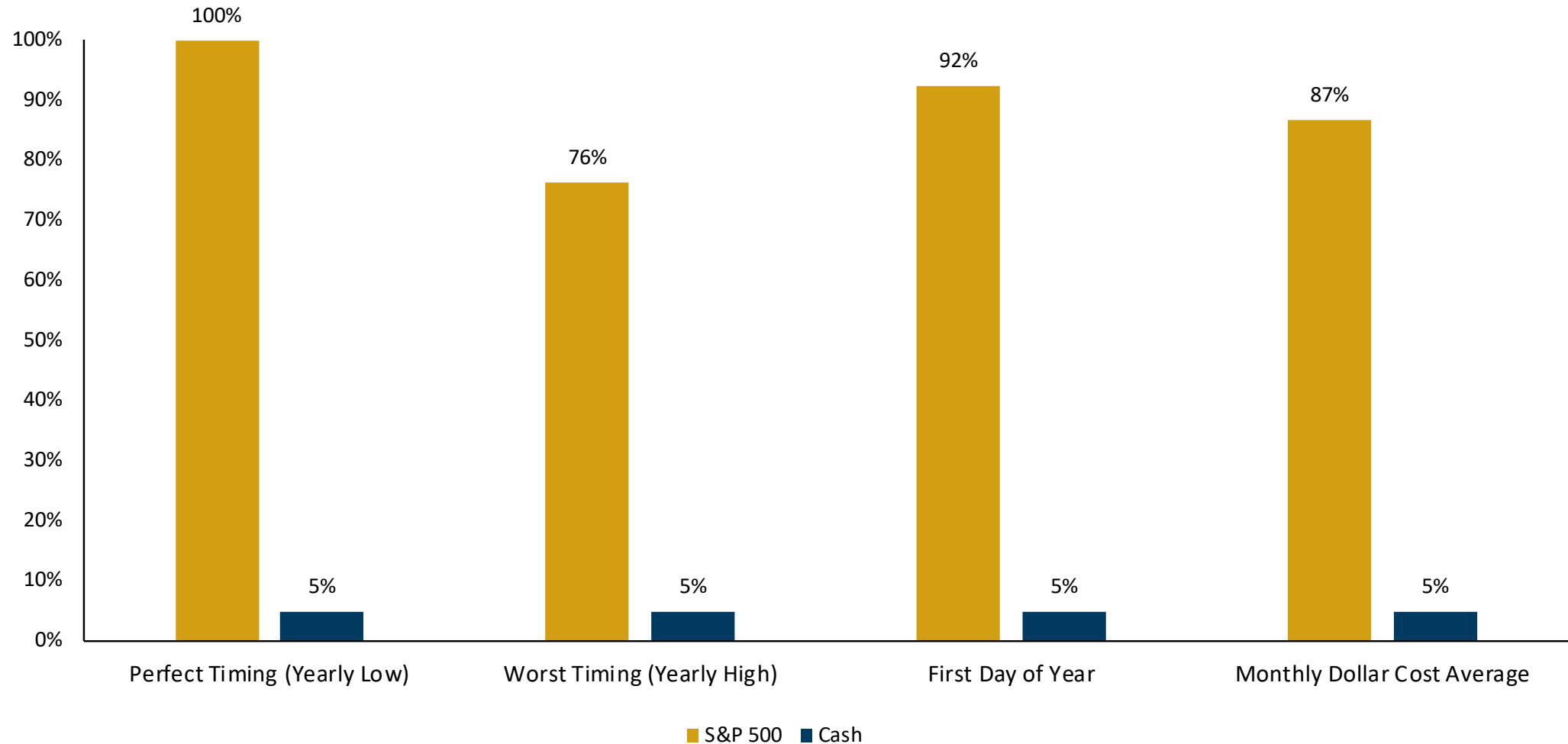


Buy the Dip?

S&P 500 Returns Since 1950			
After a drawdown of...	Timeframe	Median Return	Positive Occurrences
-5%	6-Month	+5.3%	67%
	12-Month	+12.1%	76%
-10%	6-Month	+5.6%	68%
	12-Month	+12.8%	79%
-20%	6-Month	+7.0%	76%
	12-Month	+12.7%	87%

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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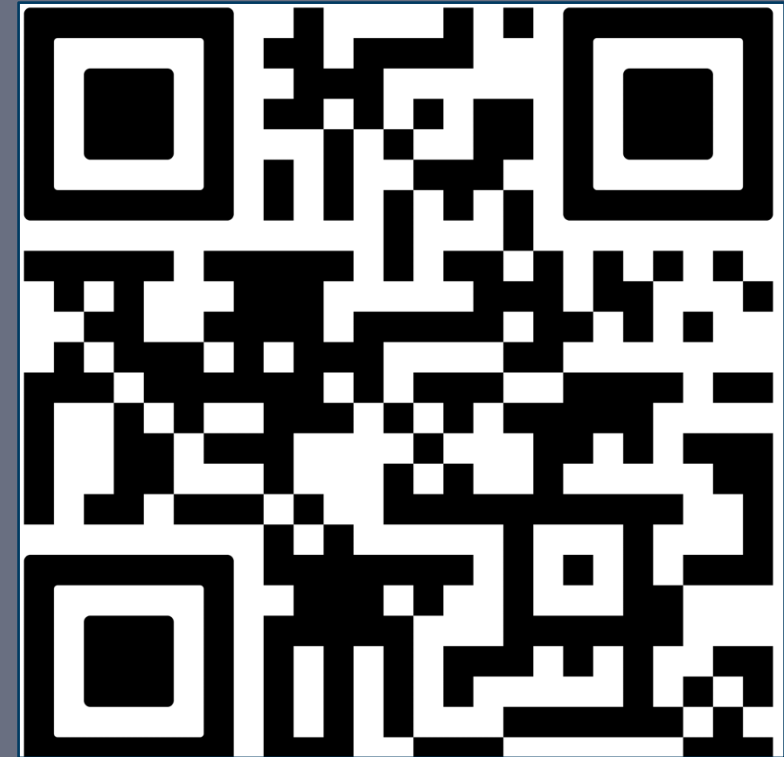
Making Sense

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