

*2024 Annual*

# Market Outlook

Diving Into Market Uncertainties

K. Sean Clark, CFA®

Tuesday, January 9th, 2024



# Perspective...

Domestic Equity		2022	2023	2022-2023
	S&P 500	-18.13%	26.26%	3.37%
	Russell 1000	-19.14%	26.50%	2.29%
	Russell 2000	-20.46%	16.88%	-7.03%
	Russell 3000	-19.22%	25.93%	1.72%
	Russell 1000 Value	-7.56%	11.41%	2.99%
	Russell 1000 Growth	-29.14%	42.67%	1.10%
International Equity				
	MSCI Emerging Market	-20.09%	8.83%	-12.24%
	MSCI All Country World (ex US)	-16.00%	15.62%	-2.89%
Fixed Income				
	BBgBarc U.S. Aggregate Bond	-13.01%	5.53%	-8.20%
	BBgBarc U.S. Treasury	-12.46%	4.05%	-8.91%
	BBgBarc U.S. Corporate	-15.76%	8.52%	-8.59%
	BBgBarc U.S. Corporate High Yield	-11.19%	13.45%	0.75%
	BBgBarc Municipal	-8.53%	6.40%	-2.67%

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





# 2024 Outlook – Executive Summary

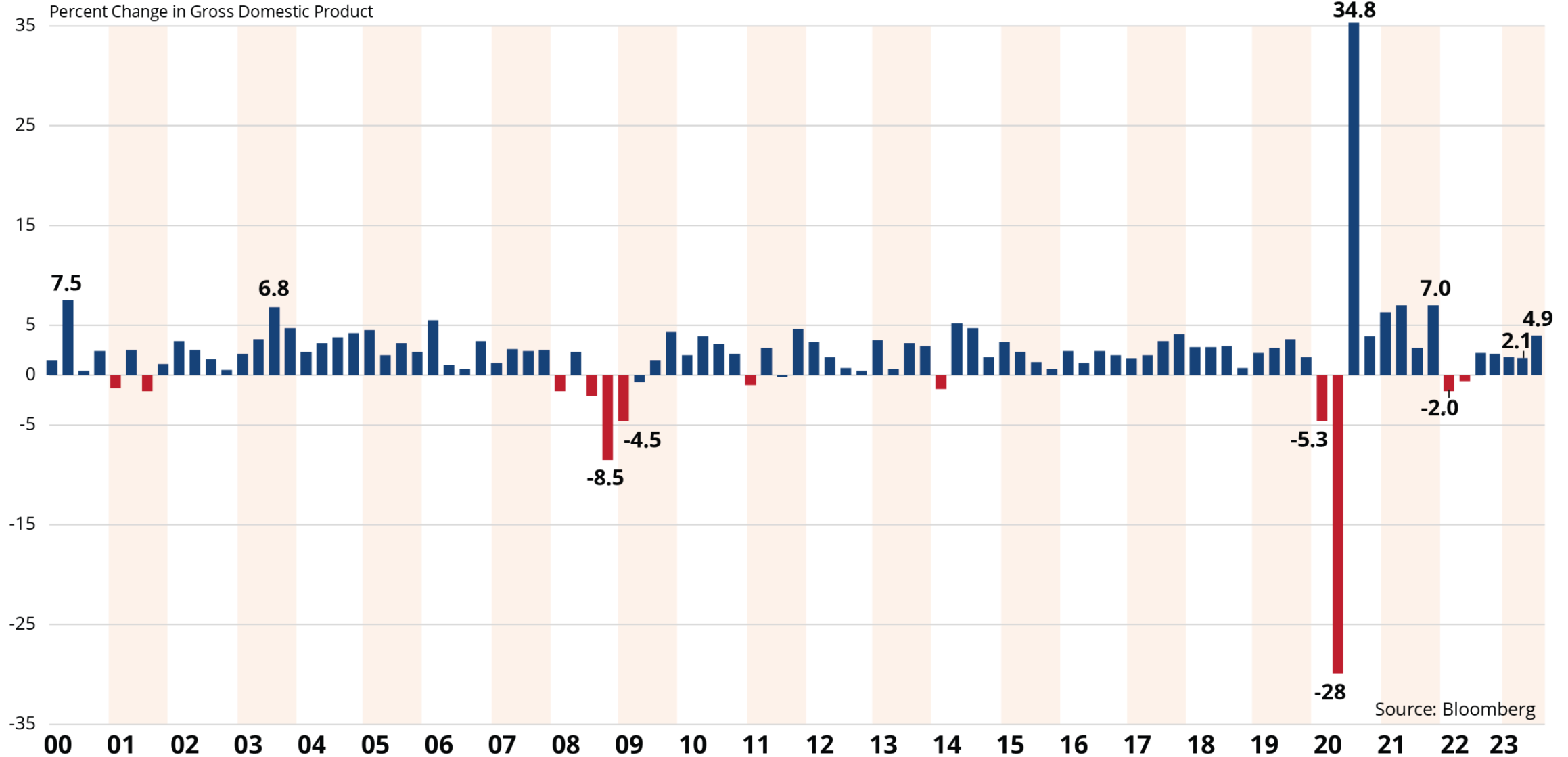
We believe:

- The economy has defied the naysayers and remained very strong in the face of recession calls. Through Q3 2023, the economy has grown at better than a 3.0% annualize rate. The recession vs. soft landing debate continues. We expect the economy to grow by 2.25% in 2024.
- Economic indicators including Leading Indicators, the yield curve, and the cumulative effect of monetary tightening remain concerns. However, solid labor market conditions counter these recession concerns. In our 2023 Outlook we said, “until meaningful weakness is revealed in the labor market, calls for recession seem premature.” That remains the case today.
- Overly bullish investor sentiment as we entered the New Year highlights the potential for a consolidation in the first half of the year. Presidential election year trends suggest a positive year for the market, with gains back end loaded. S&P 500 target of 5300. There are signs of broadening market participation, and small-cap stocks look attractive relative to large-caps.
- Inflation is set to continue moderating with supply chains healed. Used car prices and lagged effect of housing suggest disinflation set to continue. Inflation on a glide path lower toward 2%.
- The Federal Reserve is finished rate hikes with multiple rate cuts being priced into the markets. First rate cut historically 7 months after last hike. Market pricing in 6 cuts in 2024, we see 4 cuts.
- The 10-year Treasury note yield to remain rangebound between 3.25% - 4.5%. The yield curve historically steepens after last rate hike.
- Risks to the outlook include hard landing, U.S. presidential election, geopolitics (Russia/Ukraine, Middle East, China/Taiwan), U.S. government fiscal position.



# United States GDP Annualized Growth

3/31/2000 to 9/30/2023



Source: Bloomberg

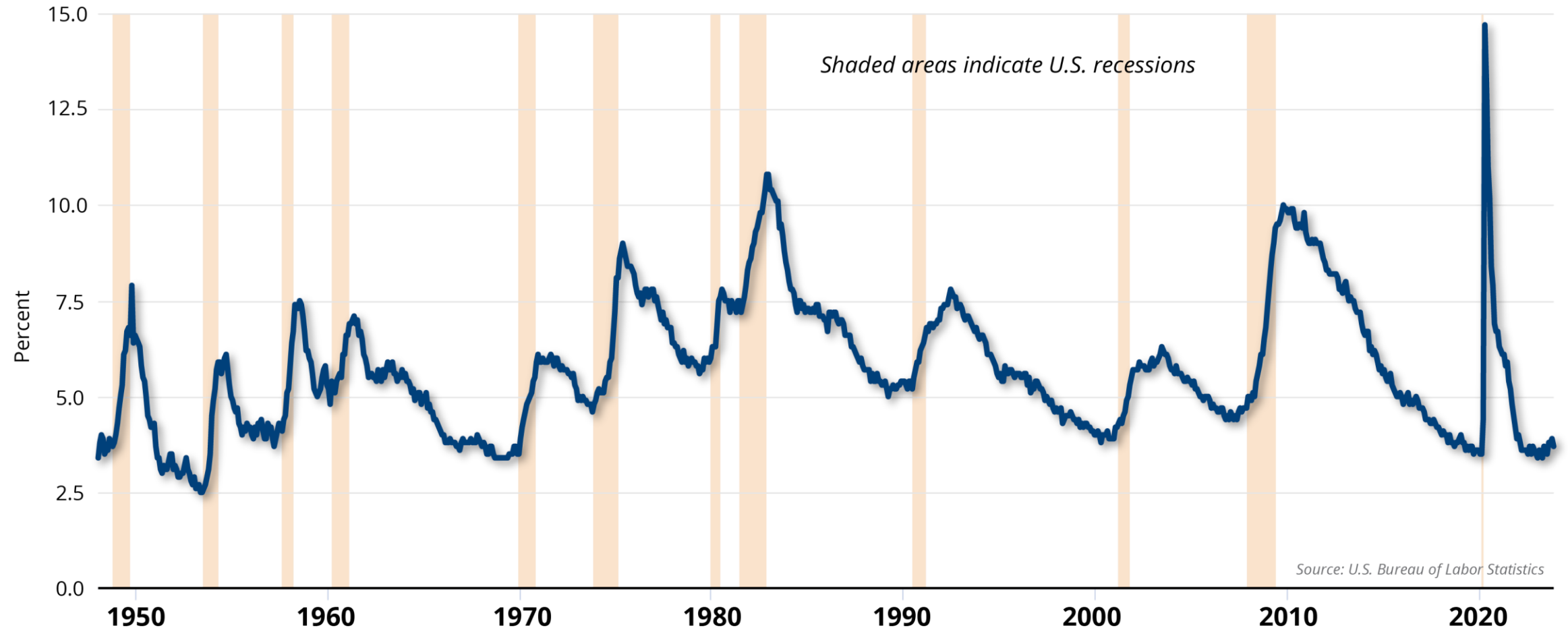
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# Unemployment Rate

1/1/1948 to 11/30/2023



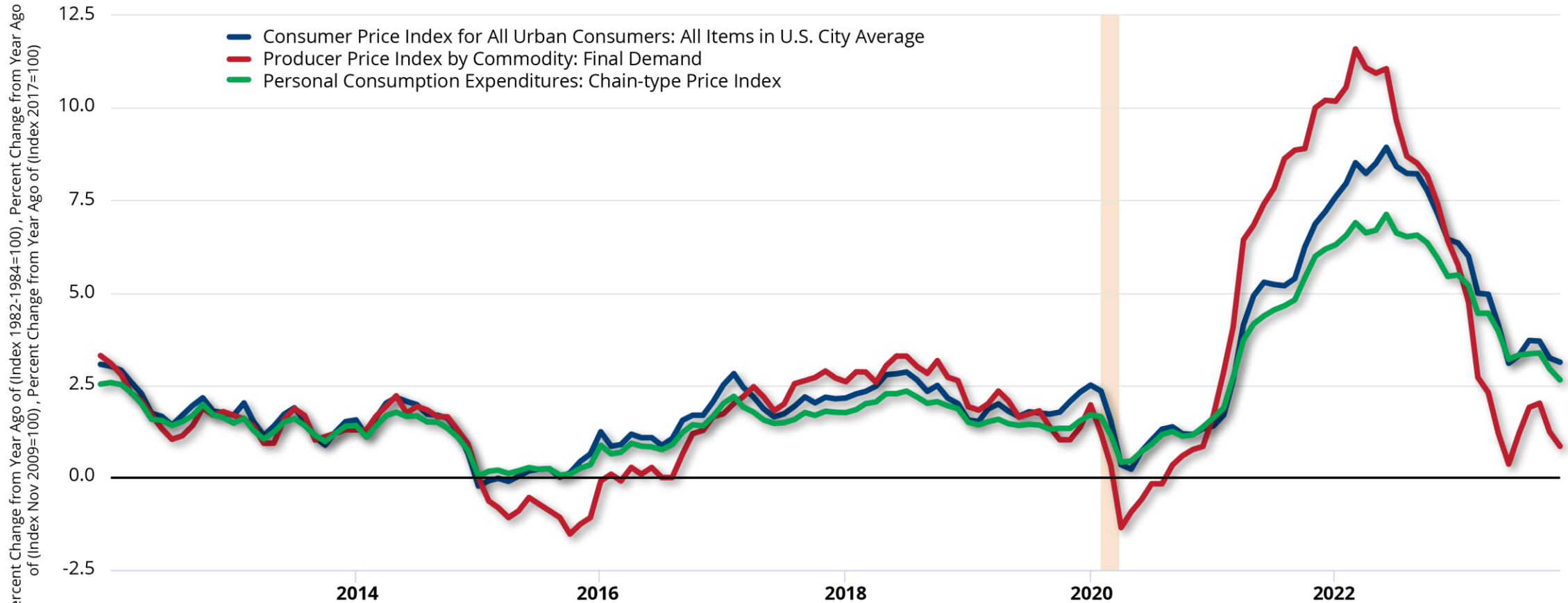
Source: U.S. Bureau of Labor Statistics

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



# 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

1/1/2013 to 11/30/2023



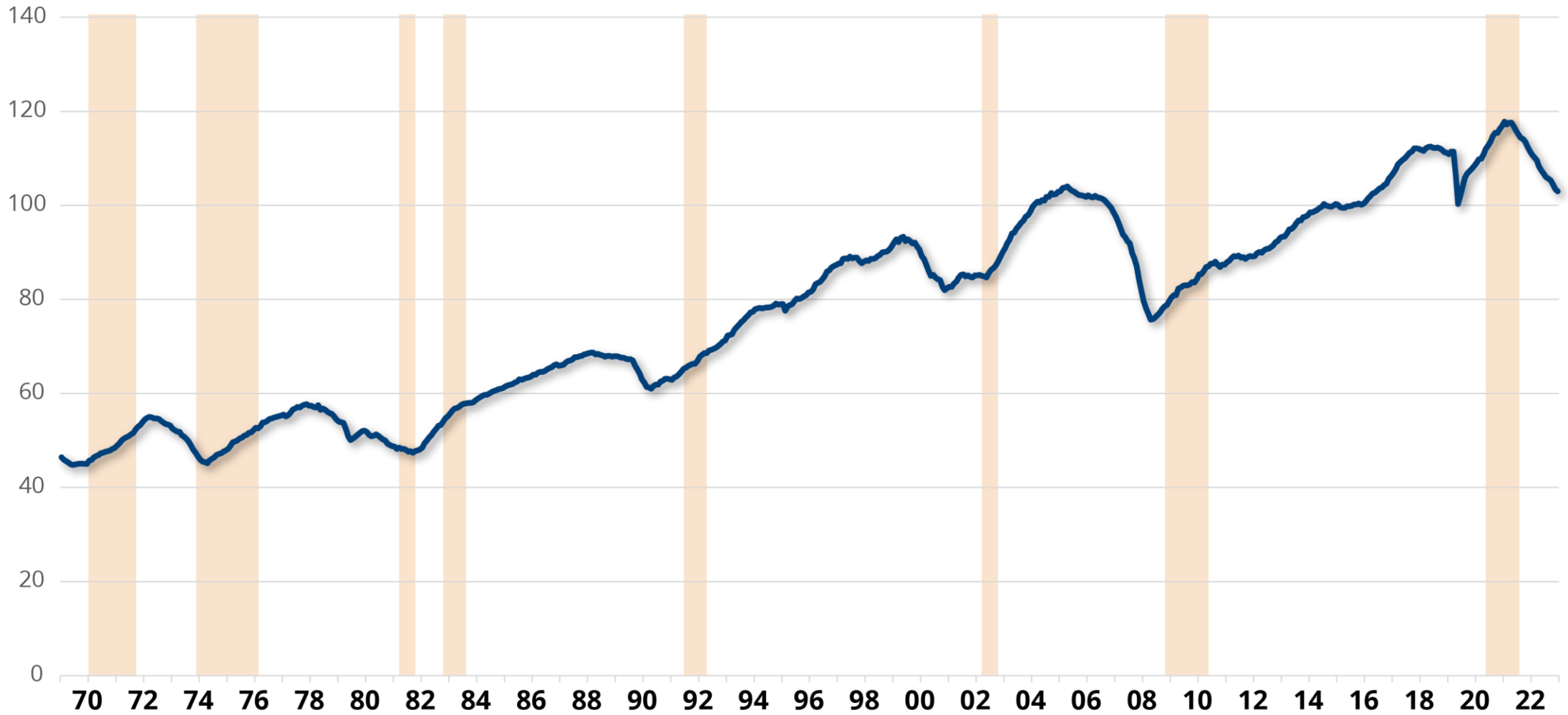
Source: Board of Governors of the Federal Reserve System (US)

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# Leading Economic Indicators

12/31/1969 to 11/30/2023



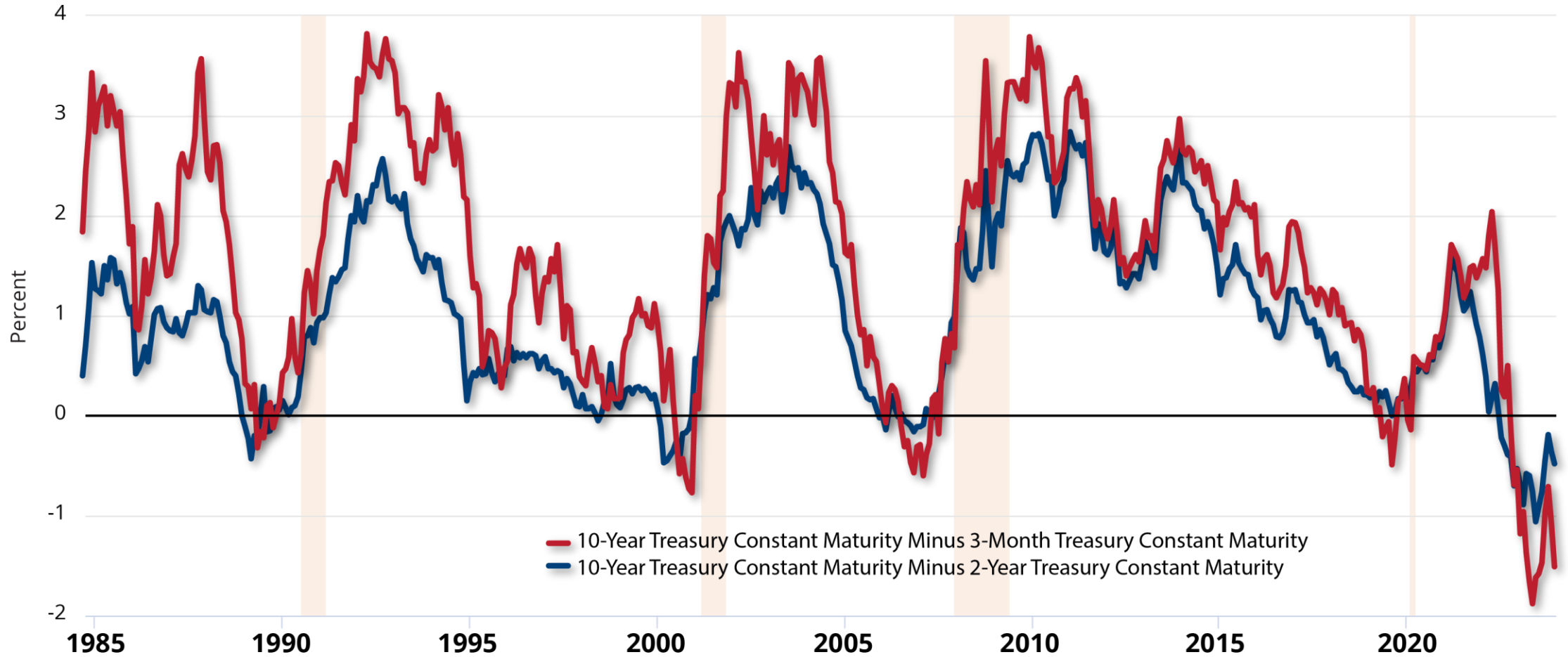
Source: Bloomberg

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# 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity

01/01/1983 to 12/18/2023



Source: fred.stlouisfed.org

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



# What Happens When the Yield Curve Normalizes?

Inversion Period	Deepest Point of Inversion			Yield Curve Normalizes (Reaches 100bps or peak spread)			Change in Yield from Depth of Inversion to Normalization		
	Date	2 yr Treasury	10 yr Treasury	Date	2 yr Treasury	10 yr Treasury	2 yr Treasury	10 yr Treasury	Number of Days
8/18/1978 to 5/2/1980	3/20/1980	15.03	12.62	5/23/1980	8.73	9.85	-630bps	-277bps	64
9/12/1980 to 10/26/1981	5/21/1981	15.75	14.05	11/24/1981	12.15	13.13	-360bps	-92bps	187
1/20/1982 to 7/19/1982	2/18/1982	14.99	14.28	1/6/1983	9.39	10.39	-560bps	-389bps	322
12/13/1988 to 3/20/1990	3/30/1989	9.79	9.34	1/8/1991	7.15	8.16	-264bps	-118bps	649
6/9/1998 to 7/28/1998	6/25/1998	5.53	5.46	10/13/1998	4.13	4.73	-140bps	-73bps	110
2/2/2000 to 12/29/2000	4/7/2000	6.38	5.86	4/20/2001	4.26	5.29	-212bps	-57bps	378
6/8/2006 to 6/7/2007	11/16/2006	4.85	4.66	11/12/2007	2.99	4.00	-186bps	-66bps	361
8/27/2019 to 9/4/2019	8/24/2019	1.53	1.49	1/29/2021	0.11	1.11	-142bps	-38bps	524
	<b>Average</b>	<b>9.23</b>	<b>8.47</b>	<b>Average</b>	<b>6.11</b>	<b>7.08</b>	<b>-312bps</b>	<b>-139bps</b>	<b>324</b>
<b>Current</b>									
<b>7/6/2022</b>	<b>7/3/2023</b>	<b>4.94</b>	<b>3.86</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

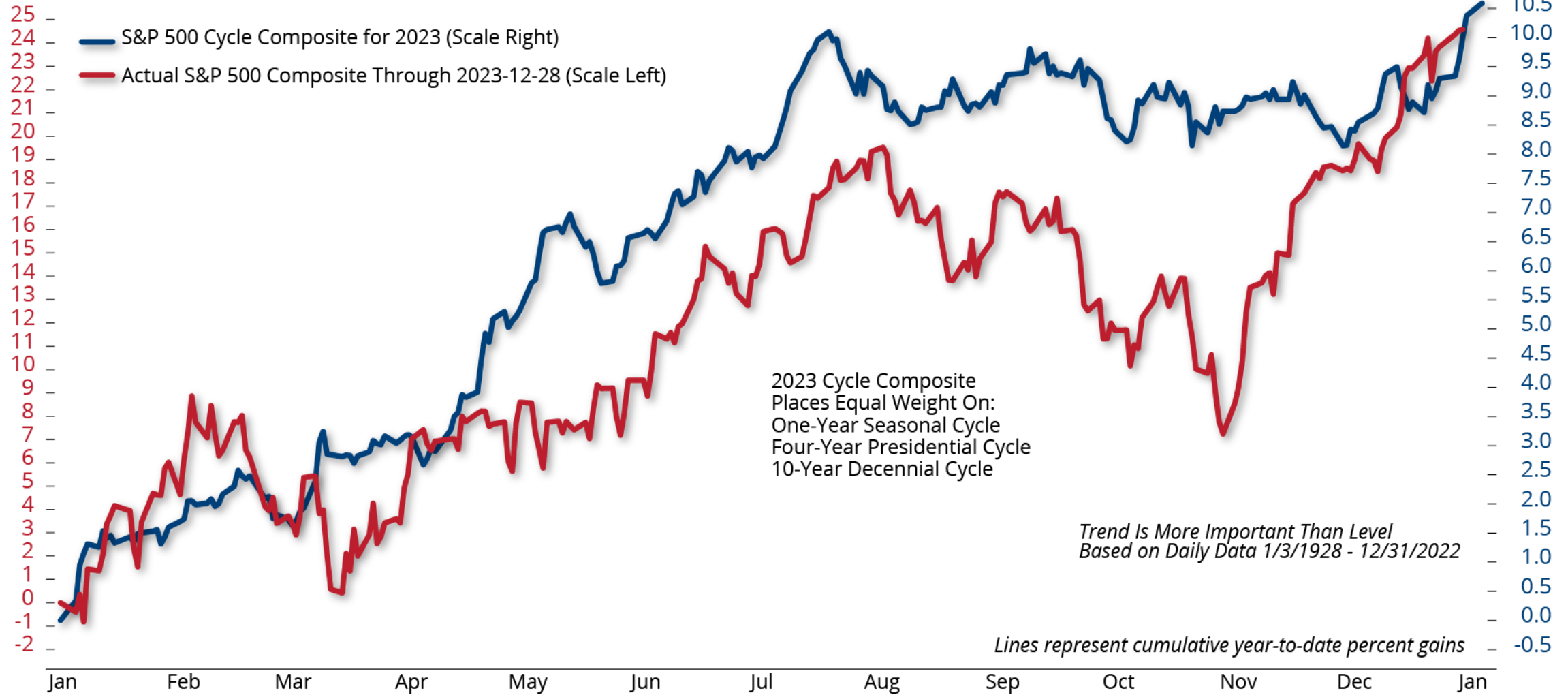
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Source: FRED Board of Governors of the Federal Reserve System. Past performance is not indicative of future results.



# S&P 500 Cycle Composite for 2023

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



2023

2024

501666

Source: Ned Davis Research

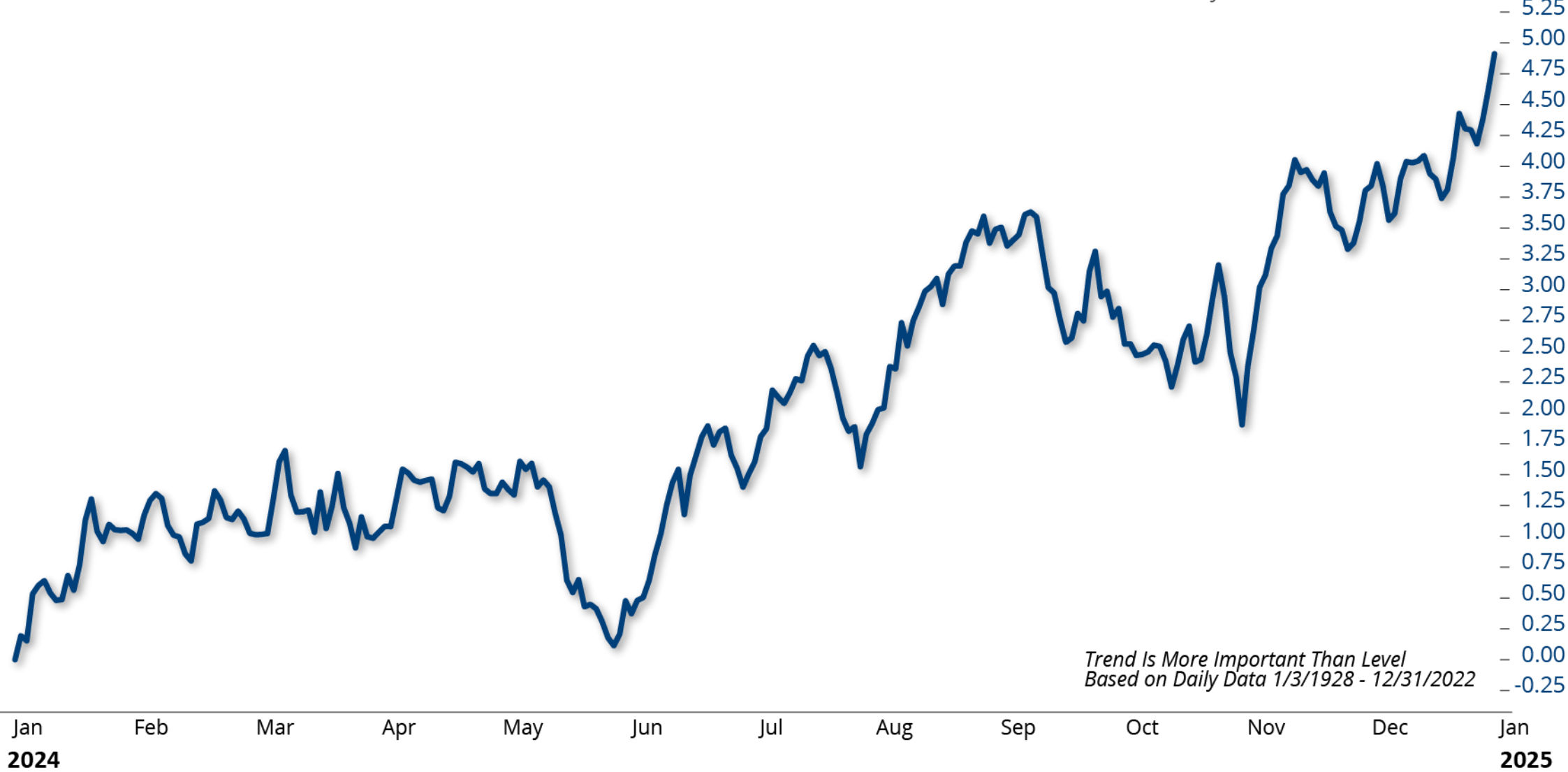
For illustrative purposes only. Past performance is not indicative of future results.





# S&P 500 Cycle Composite for 2024

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



*Trend Is More Important Than Level  
Based on Daily Data 1/3/1928 - 12/31/2022*

SMF\_29.RPT

Source: Ned Davis Research

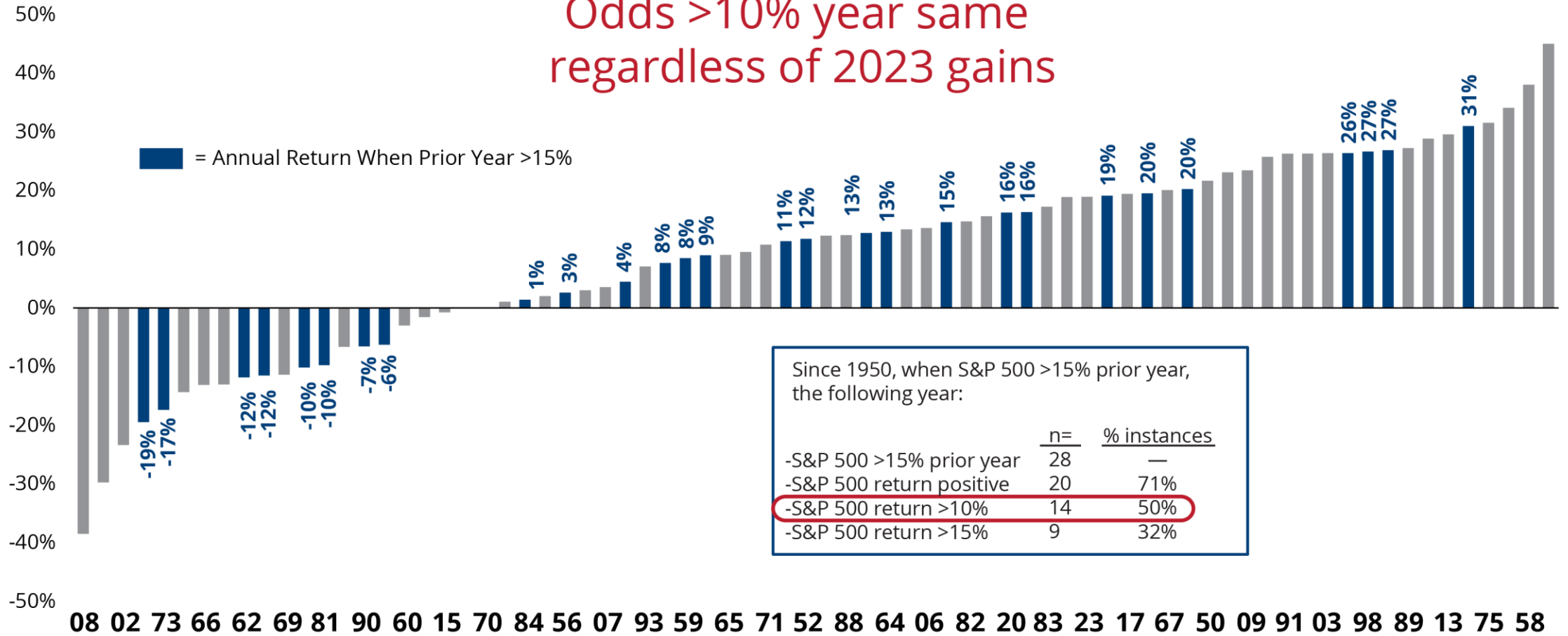
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# Annual Market Return Sorted Lowest to Highest

Since 1950

Odds >10% year same regardless of 2023 gains



Since 1950, when S&P 500 >15% prior year, the following year:

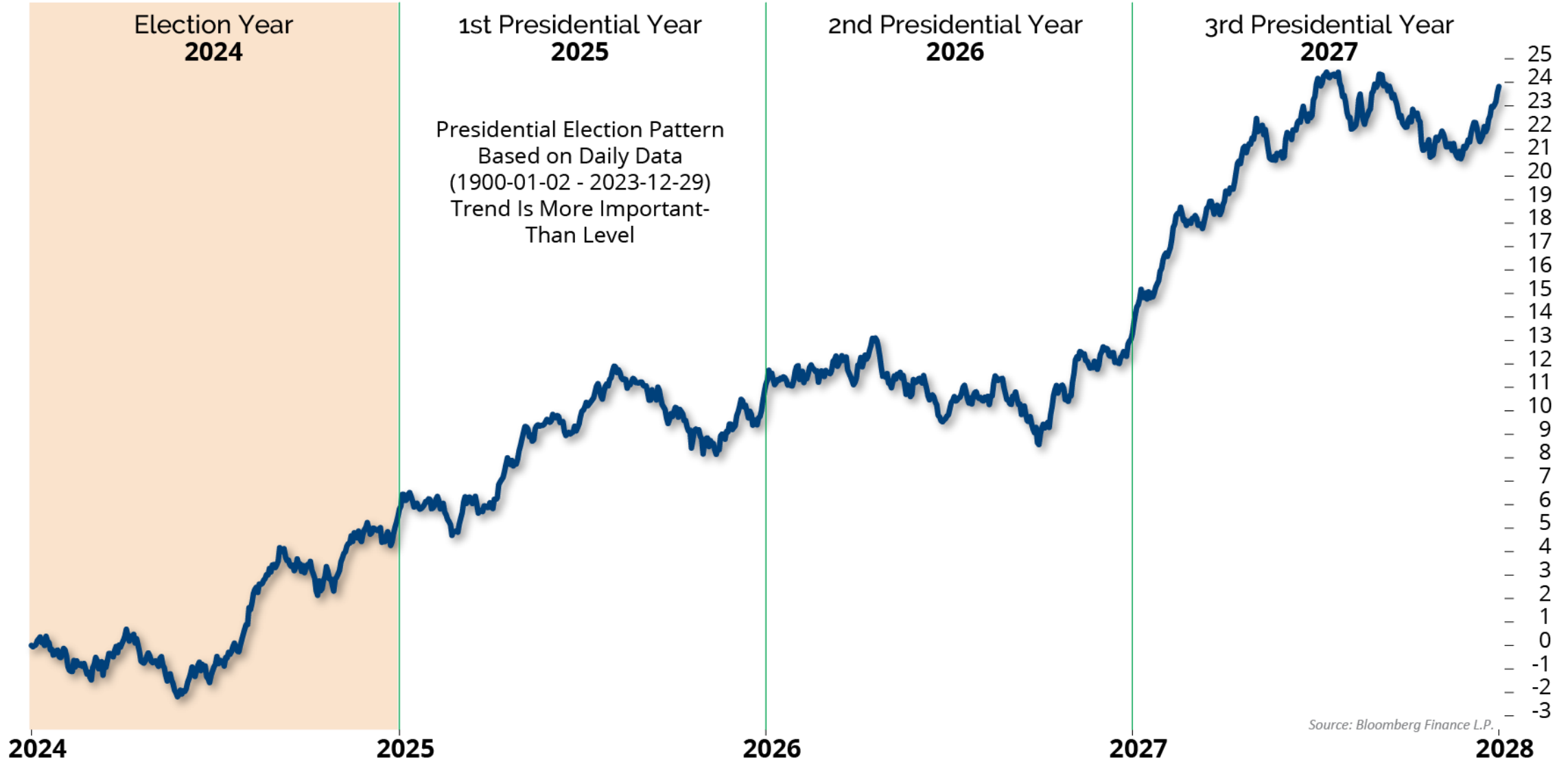
	n=	% instances
-S&P 500 >15% prior year	28	—
-S&P 500 return positive	20	71%
-S&P 500 return >10%	14	50%
-S&P 500 return >15%	9	32%

Source: Fundstrat, Bloomberg

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



# Dow Industrials Four-Year Presidential Cycle



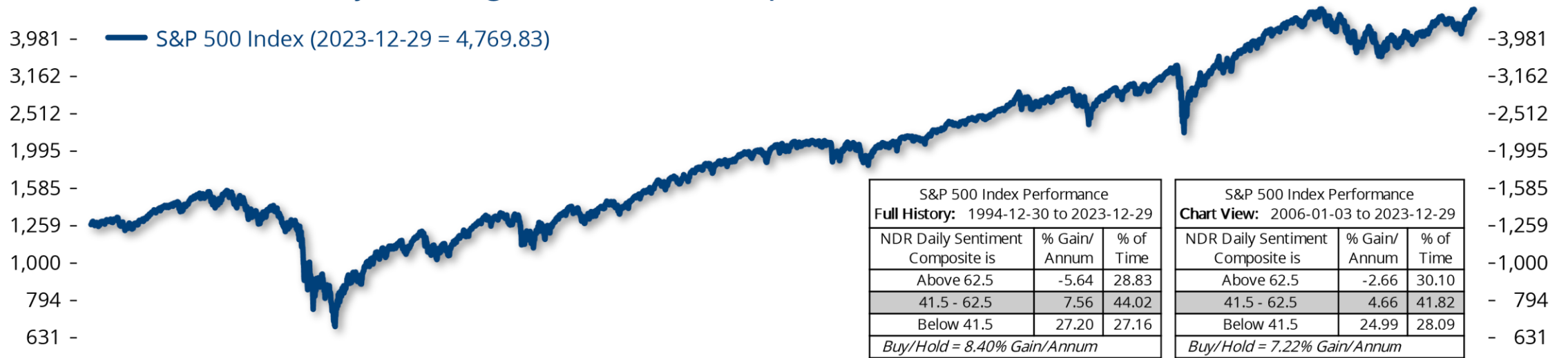
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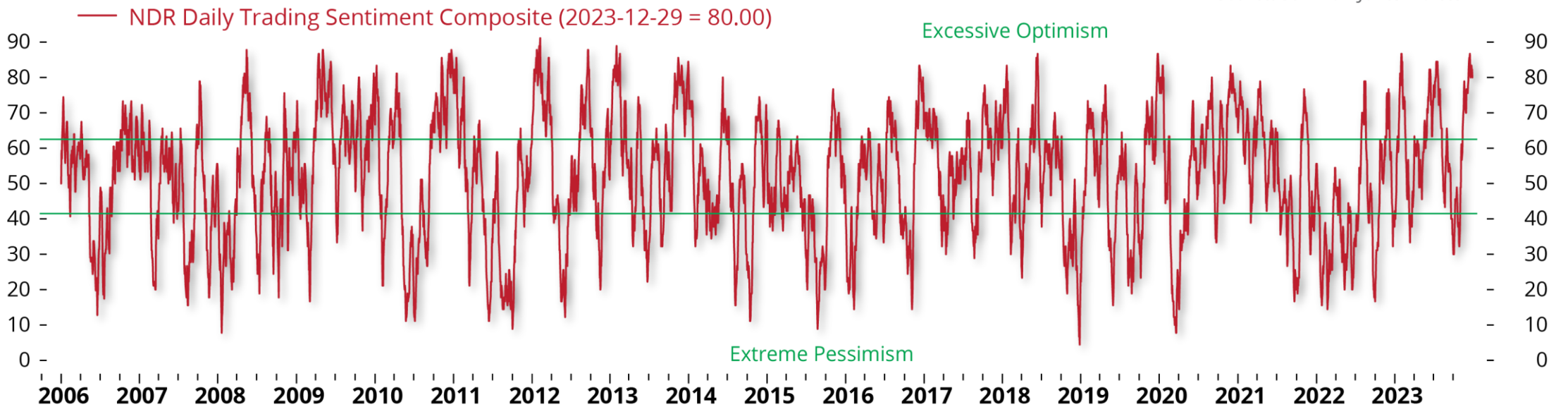


# S&P 500 vs. NDR Daily Trading Sentiment Composite

Daily Data 2006-01-03 to 2023-12-29



Source: S&P Dow Jones Indices



DAVIS265

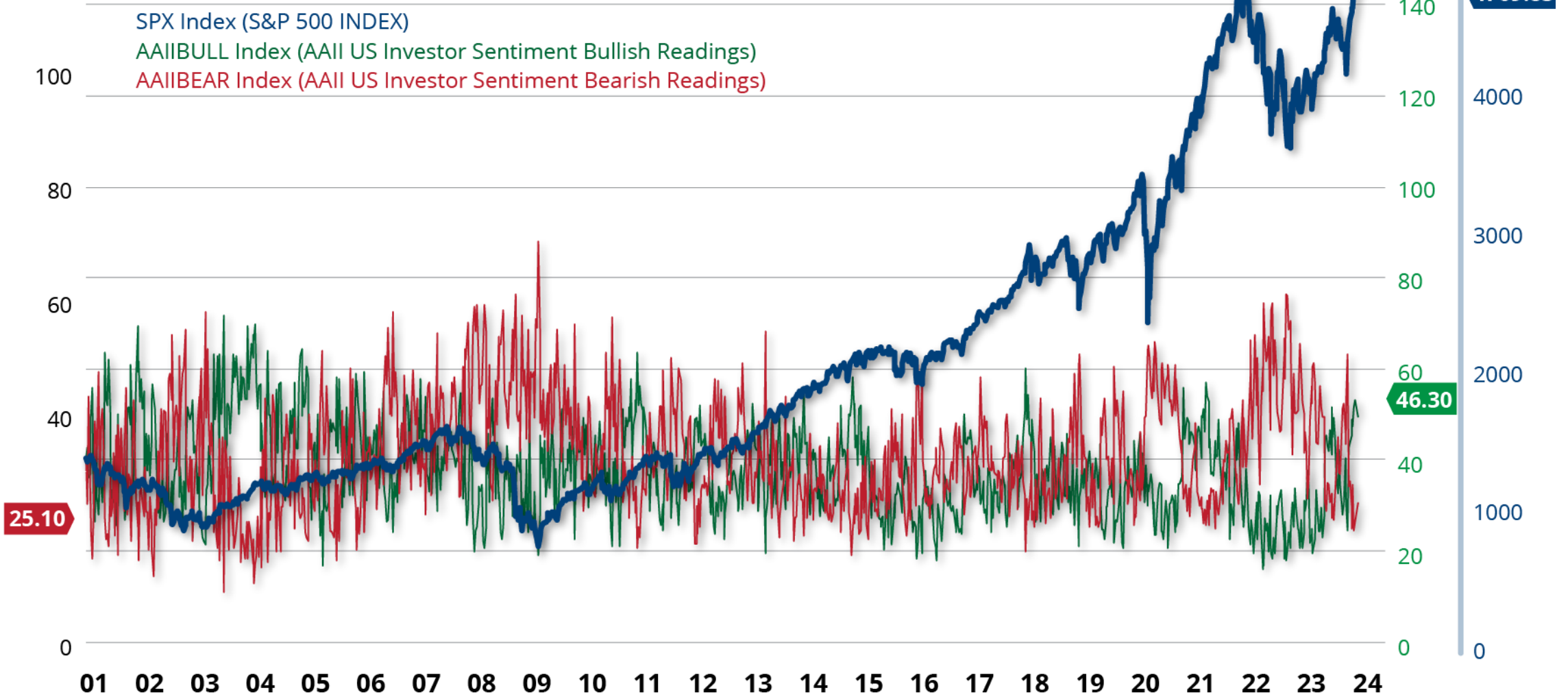
For illustrative purposes only. Past performance is not indicative of future results.

Source: Ned Davis Research



# S&P 500 vs AAI Bull and Bear

1/2/2021 to 12/31/2023



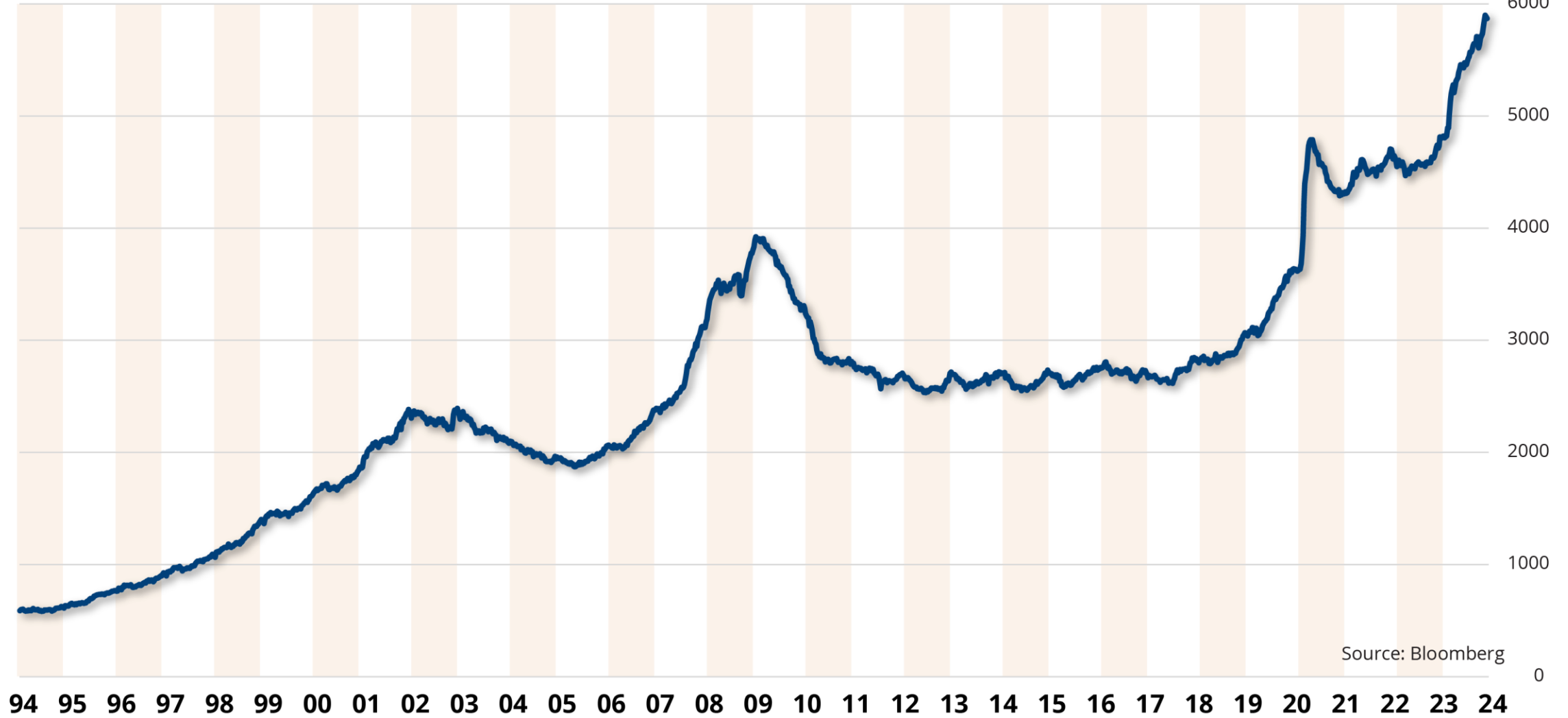
Source: Bloomberg

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



# ICI Money Market Fund Assets

1/5/1994 to 12/20/2023



Source: Bloomberg

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





# Standard & Poor's 500 Stock Index

Daily Data 1972-01-20 to 2023-12-29

3,981 –  
3,162 –  
2,512 –  
1,995 –  
1,585 –  
1,259 –  
1,000 –  
794 –  
631 –  
501 –  
398 –  
316 –  
251 –  
200 –  
158 –  
126 –  
100 –  
79 –  
63 –  
50 –  
40 –  
32 –  
25 –  
20 –  
16 –

70 –  
60 –  
50 –  
40 –  
30 –  
20 –  
10 –  
0 –

Combined statistics for all dates

Summary Item	10 Days	21 Days	63 Days	126 Days	189 Days	252 Days
Mean	1.06	1.44	4.14	8.69	13.09	15.75
Median	1.11	1.63	4.71	9.77	12.52	15.79
Number Up	21	20	22	24	28	28
Number Down	9	9	7	5	1	1
All Periods Mean	0.34	0.72	2.12	4.32	6.54	8.78

Arrows show initial dates when indicator hit 55.0% or higher (repeats within 21 days removed)  
New Highs Based On CLOSING Price

Source: S&P Dow Jones Indices

1975 1980 1985 1990 1995 2000 2005 2010 2015 2020

2023-12-29 = 7.4%

## deGraaf Thrust Indicator - % Of S&P 500 Stocks At New 20-Day Highs >= 55%

Source: Ned Davis Research

<sup>S45</sup>  
For illustrative purposes only. Past performance is not indicative of future results.

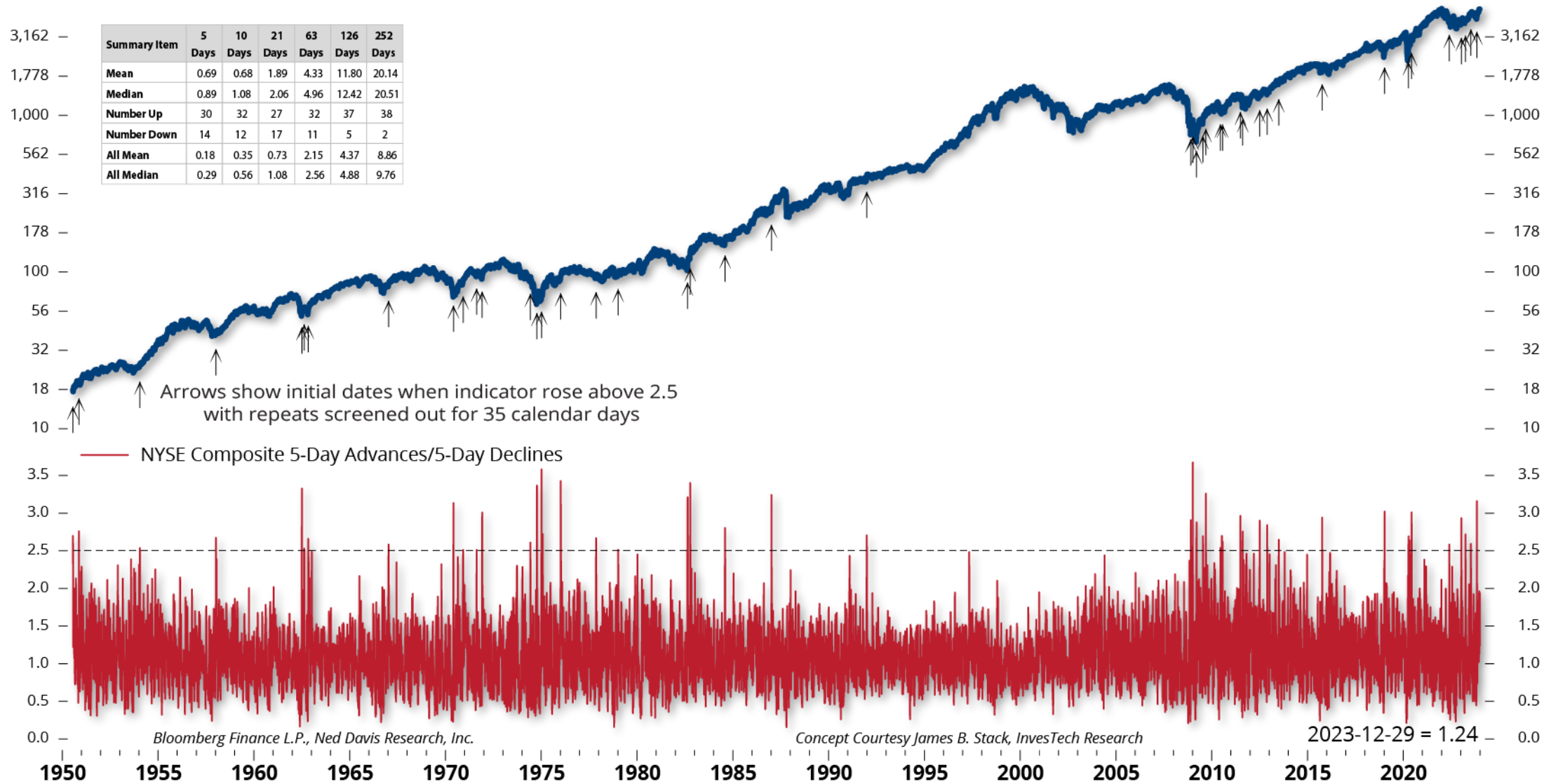


# Standard & Poor's 500 Stock Index

Source: S&P Dow Jones Indices

Daily Data 1950-07-20 to 2023-12-29

Summary Item	5 Days	10 Days	21 Days	63 Days	126 Days	252 Days
Mean	0.69	0.68	1.89	4.33	11.80	20.14
Median	0.89	1.08	2.06	4.96	12.42	20.51
Number Up	30	32	27	32	37	38
Number Down	14	12	17	11	5	2
All Mean	0.18	0.35	0.73	2.15	4.37	8.86
All Median	0.29	0.56	1.08	2.56	4.88	9.76



Bloomberg Finance L.P., Ned Davis Research, Inc.

Concept Courtesy James B. Stack, InvesTech Research

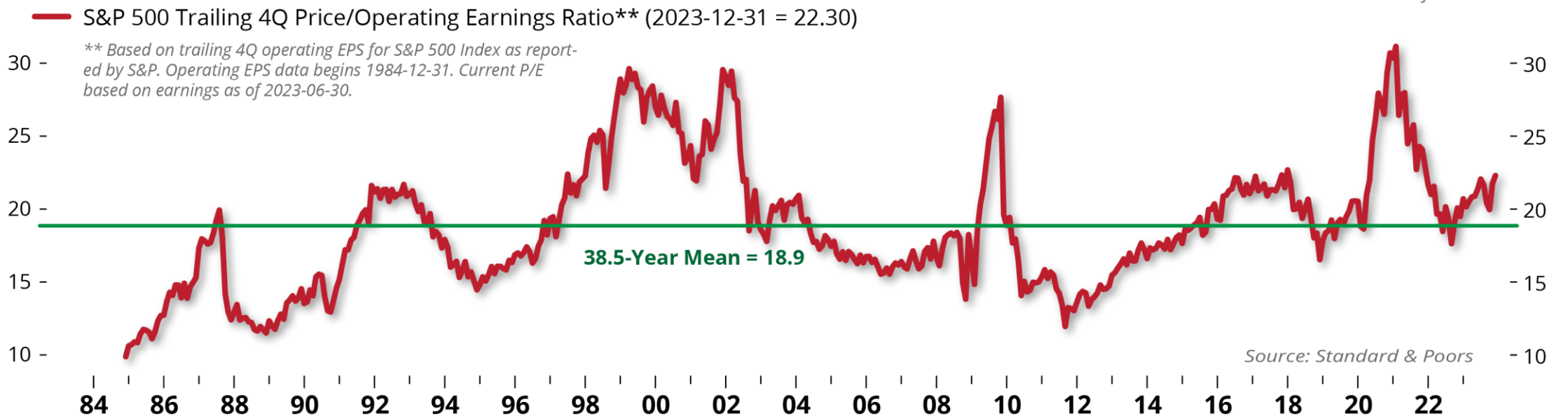
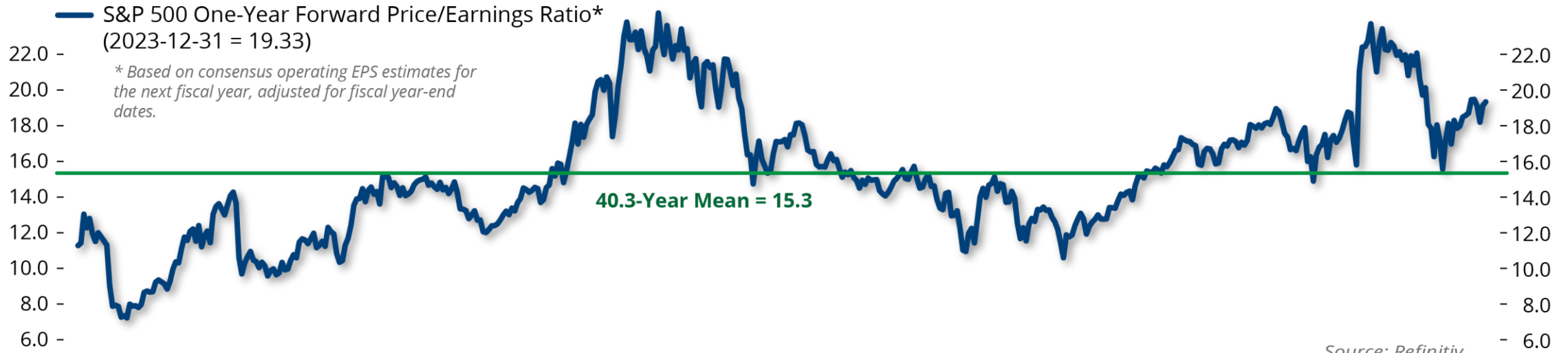
Source: Ned Davis Research

S48B For illustrative purposes only. Past performance is not indicative of future results.



# S&P 500 Forward vs. Trailing Price/Earnings Ratios

Monthly Data 1983-02-28 to 2023-12-31



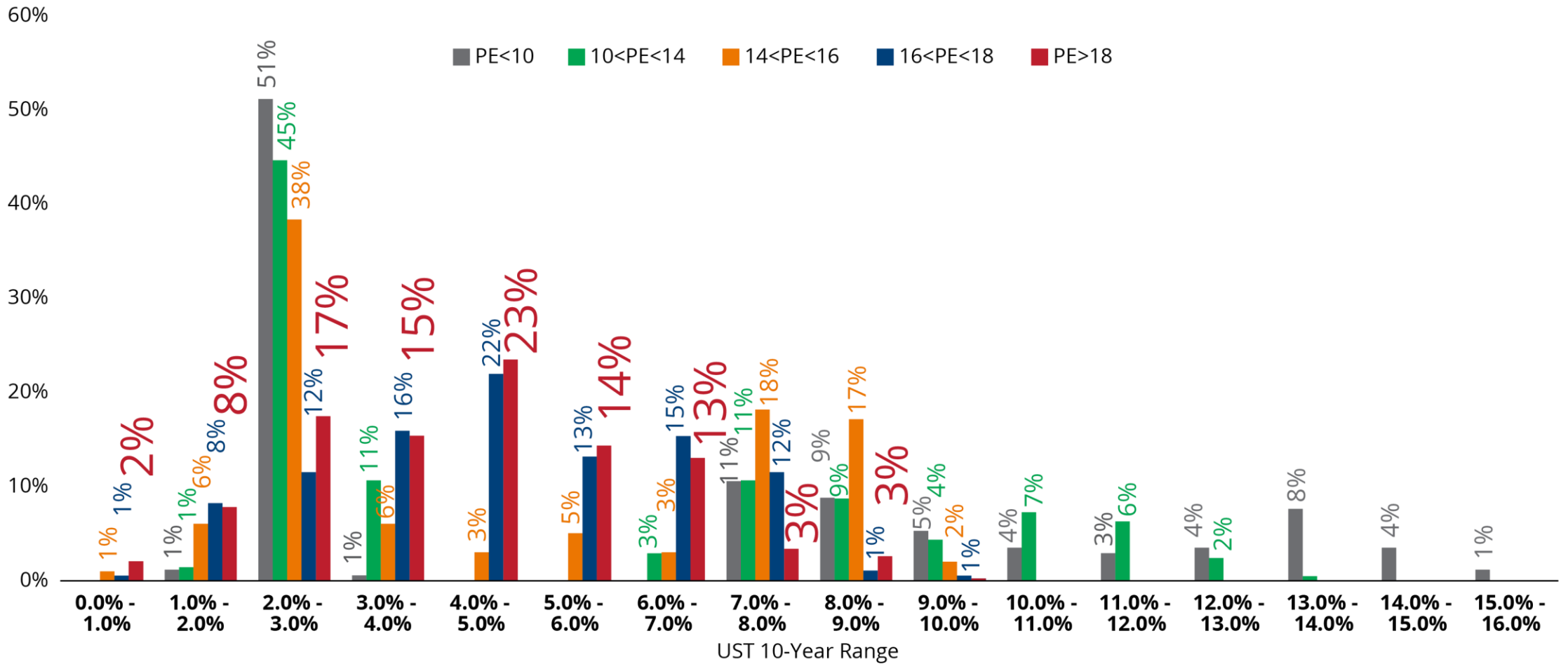
S662  
 For illustrative purposes only. Past performance is not indicative of future results.

Source: Ned Davis Research



# Distribution of Market PE by % US 10Y Yield

Monthly Since 1987

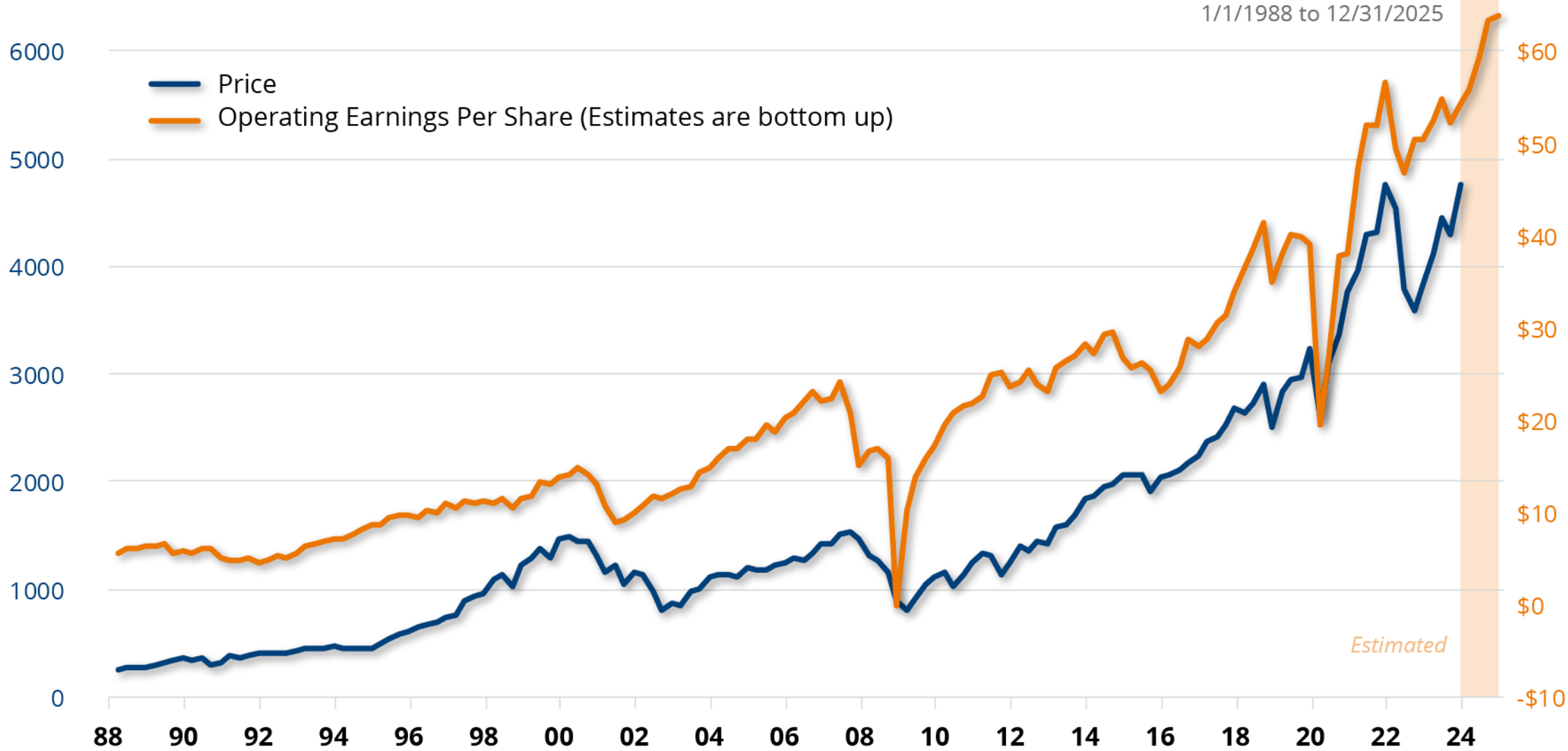


Source: Fundstrat, Bloomberg, Robert Shiller Online Data, Data Stream

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# S&P 500 vs. Operating Earnings



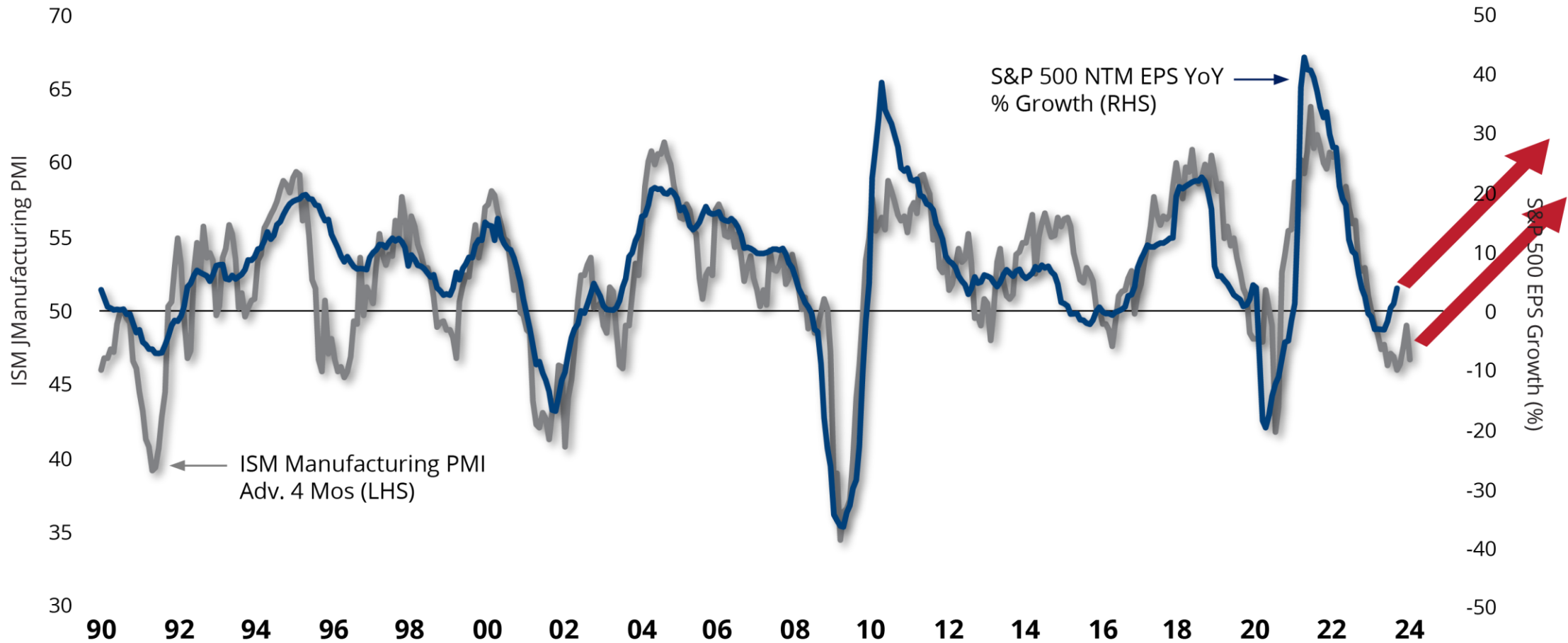
Source: Clark Capital, S&P Global, Bloomberg

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# ISM Manufacturing PMI (Adv 4M) and S&P 500 NTM EPS YoY % Growth

01/01/1990 to 12/31/2023



Source: Fundstrat, BLS

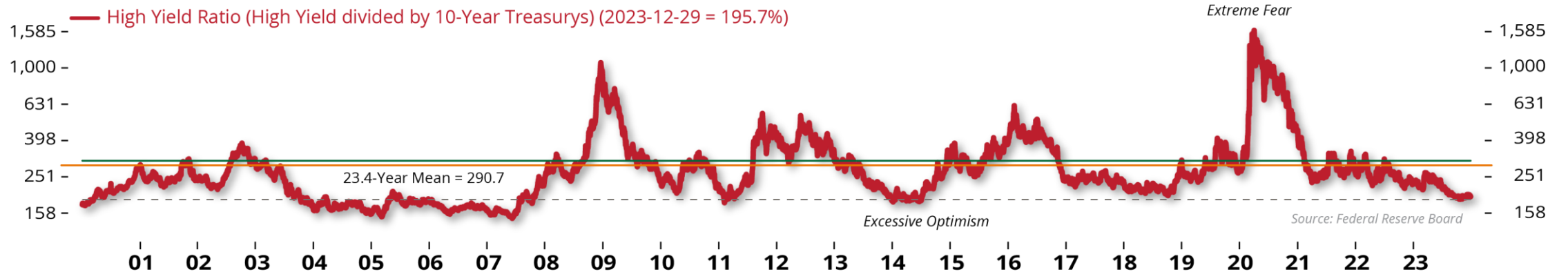
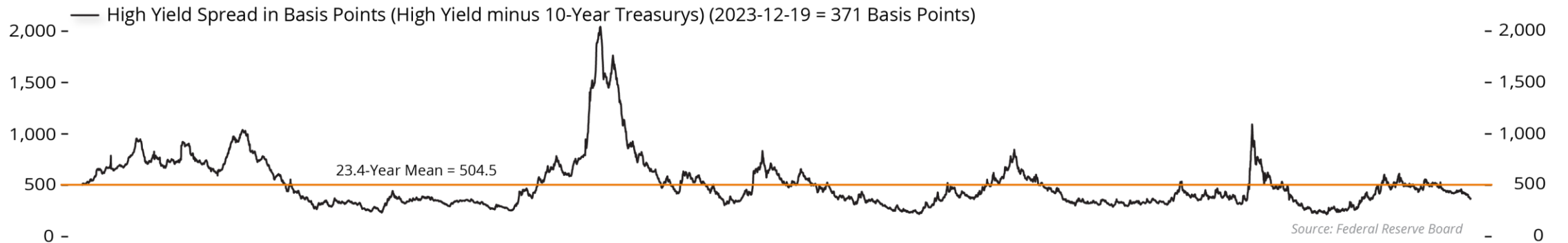
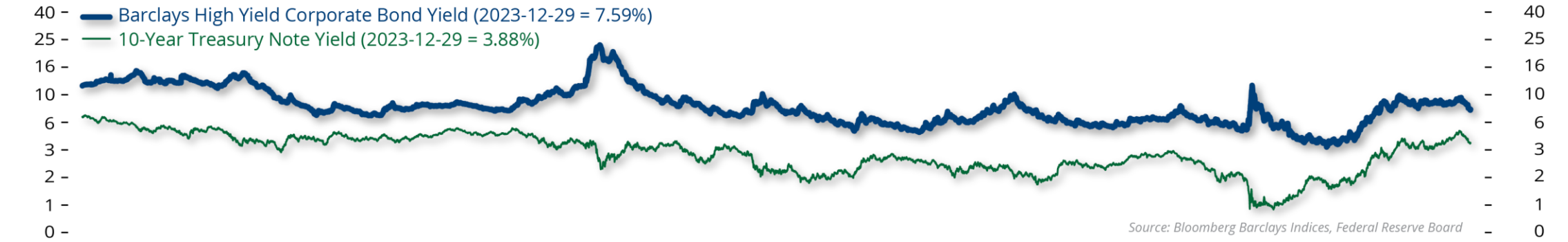
For illustrative purposes only. Past performance is not indicative of future results.





# High Yield Corporate Spreads

Daily Data 2000-01-03 to 2023-12-29



B334A

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

Source: Ned Davis Research



# Where Are Things at Time of First Cut?

Events	UR at time of first cut	12m Low UR	Change in UP (ppt) at time of first cut (from 12m low)	Core PCE (3m % change SAAR)
September-84	7.3	7.2	0.1	3.71
June-89	5.3	5	0.3	3.66
July-95	5.7	5.4	0.3	1.67
September-98	4.6	4.3	0.3	1.86
January-01	4.2	3.8	0.4	2.62
September-07	4.7	4.4	0.3	2.31
August-19	3.7	3.6	0.1	1.67
<b>Average</b>	<b>5.1</b>	<b>4.8</b>	<b>0.3</b>	<b>2.5</b>
<b>Present</b>	<b>3.7</b>	<b>3.4</b>	<b>0.3</b>	<b>2.16</b>

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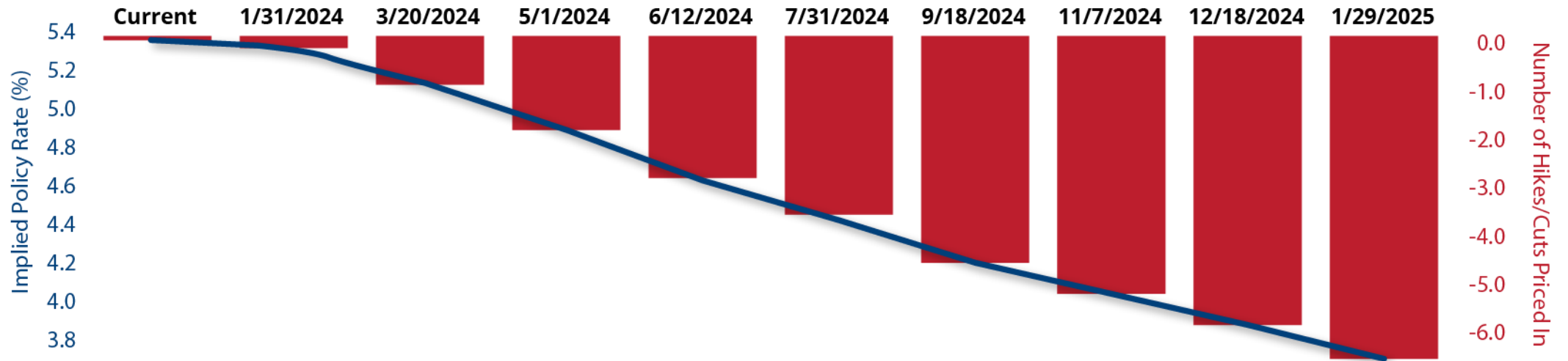


## Fed Funds Pricing

Region: United States    Target Rate: 5.50    Effective Rate: 5.33    Instrument: Fed Fund Futures    Pricing Date: 1/2/2024    Cur. Imp. O/N Rate: 5.329

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate A	Implied Rate	A.R.M.
1/31/2024	-0.105	-10.5%	-0.026	5.302	0.250
3/20/2024	-0.880	-77.5%	-0.220	5.109	0.250
5/01/2024	-1.867	-98.8%	-0.467	4.862	0.250
6/12/2024	-2.864	-99.7%	-0.716	4.613	0.250
7/31/2024	-3.695	-83.1%	-0.924	4.405	0.250
9/18/2024	-4.630	-93.5%	-1.158	4.171	0.250
11/07/2024	-5.319	-68.9%	-1.330	3.999	0.250
12/18/2024	-5.976	-65.6%	-1.494	3.835	0.250
1/29/2025	-6.595	-61.9%	-1.649	3.680	0.250

### Implied Overnight Rate & Number of Hikes/Cuts



Source: Bloomberg

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# What Has Historically Happened When the Fed is Done?

Date of Last Hike During a Cycle	3 Months After Last Hike			6 Months After Last Hike			12 Months After Last Hike			Last Hike to First Cut		
	3 Month T-Bill	U.S. Agg. Bond*	S&P 500	3 Month T-Bill	U.S. Agg. Bond*	S&P 500	3 Month T-Bill	U.S. Agg. Bond*	S&P 500	3 Month T-Bill	U.S. Agg. Bond*	S&P 500
12/19/1989	1.9	-0.9	-0.3	3.9	1.4	4.9	7.8	8.3	-3.6	4.4	2.7	7.3
2/1/1995	1.4	4.8	9.5	2.8	9.3	18.8	5.6	16.9	35.2	2.4	10.5	17.8
5/16/2000	1.5	5.0	2.0	3.1	7.5	-6.7	5.6	13.8	-12.1	3.8	11.0	-8.1
6/29/2006	1.2	4.1	4.9	2.5	5.4	11.4	5.0	6.5	18.1	6.0	9.6	19.4
12/20/2018	0.6	2.6	15.7	1.2	6.1	19.6	2.1	9.0	30.6	1.4	7.5	19.9
<b>Average</b>	<b>1.3</b>	<b>3.1</b>	<b>6.4</b>	<b>2.7</b>	<b>6.0</b>	<b>9.6</b>	<b>5.2</b>	<b>10.9</b>	<b>13.6</b>	<b>3.6</b>	<b>8.3</b>	<b>11.2</b>

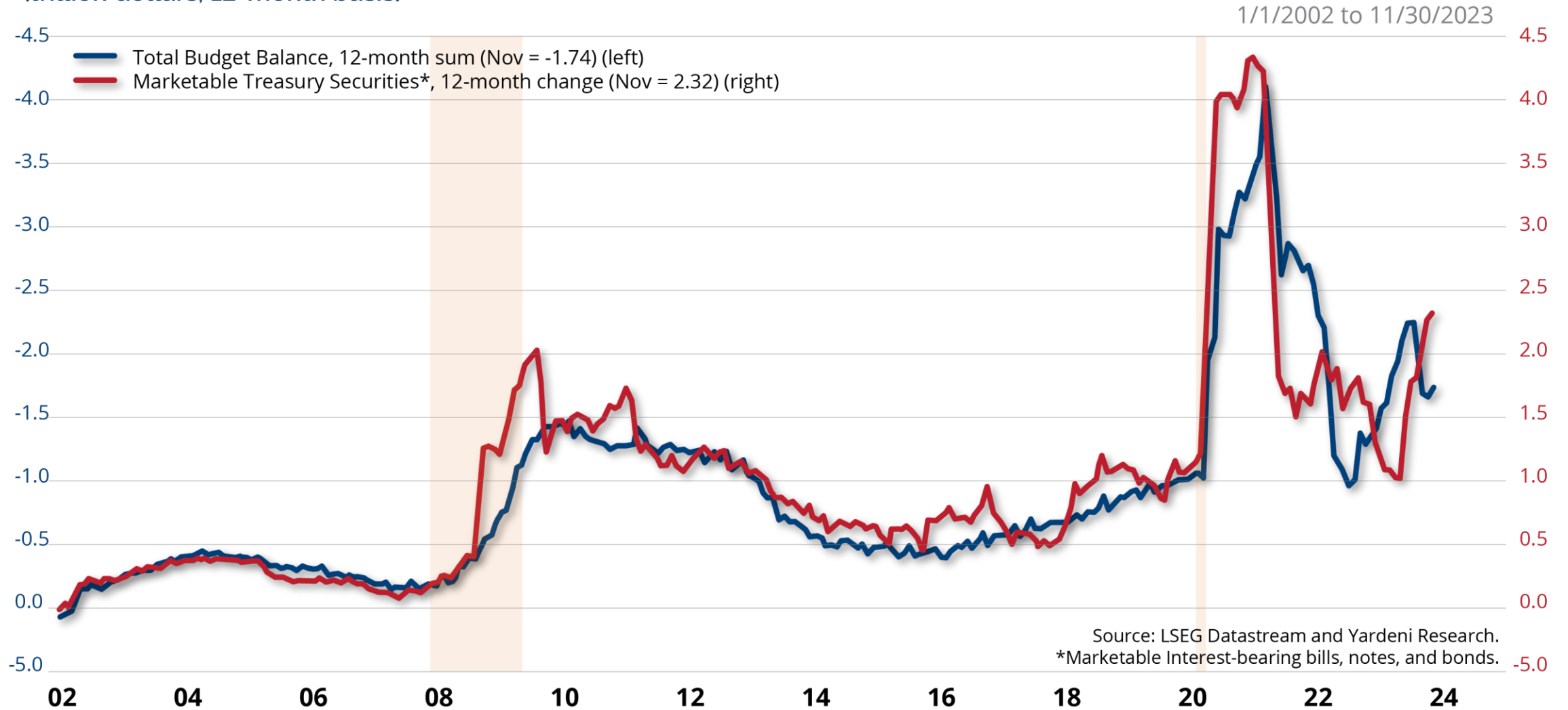
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Source: FactSet, Clark Capital



# US Federal Government Budget Balance & Marketable Treasury Securities

(trillion dollars, 12-month basis)



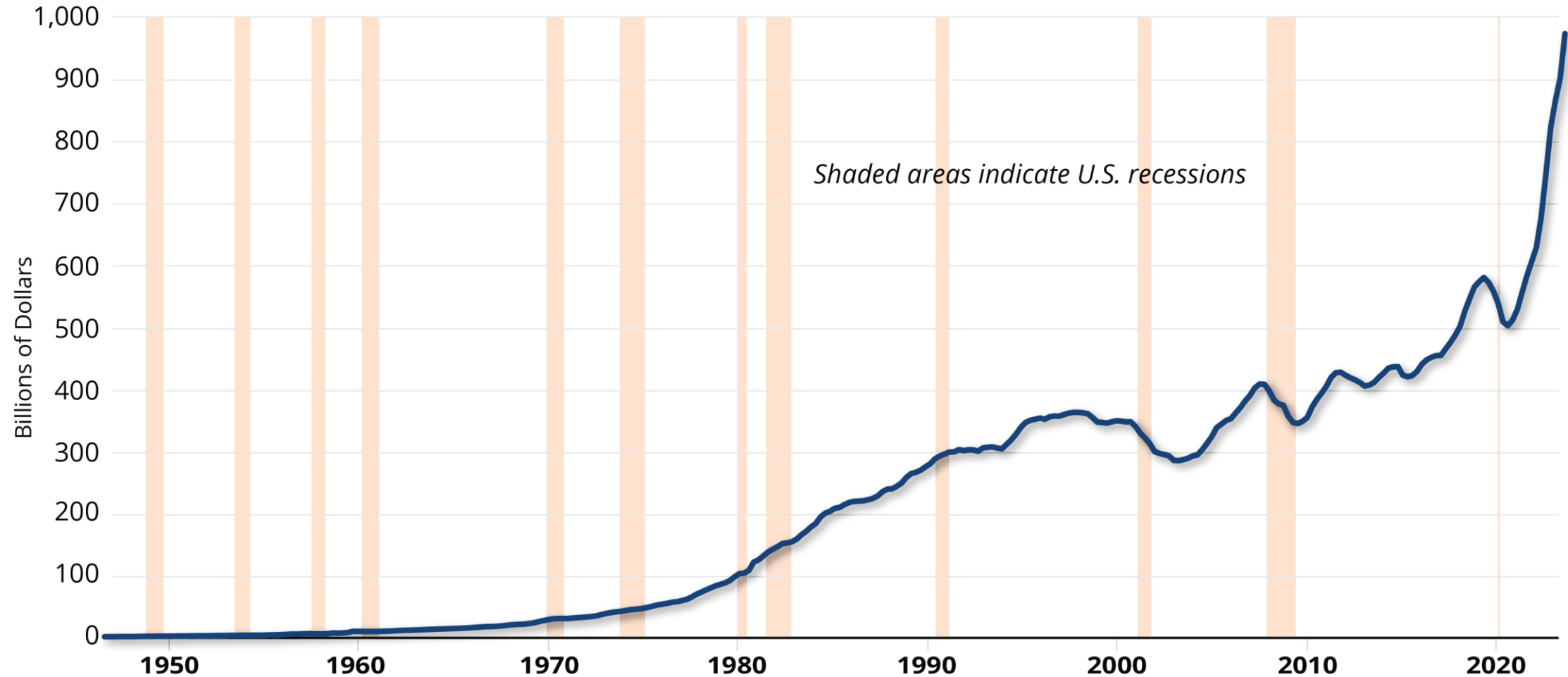
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# Can't Go On Forever

## Federal government current expenditures: Interest payments

01/01/1947 to 7/1/2023



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

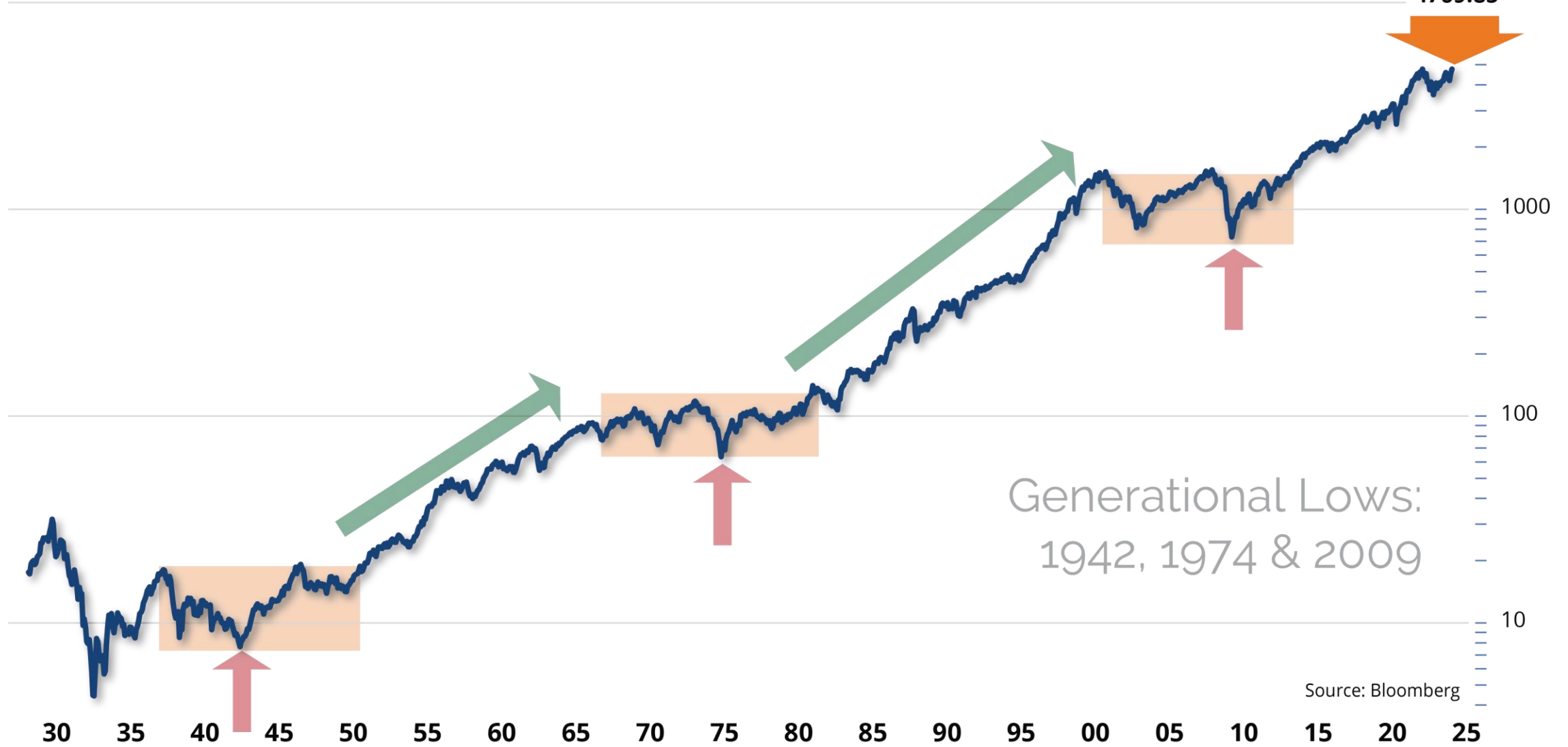




# S&P 500 Monthly Closing Price

1/1/1928 to 12/31/2023

4769.83



Generational Lows:  
1942, 1974 & 2009

Source: Bloomberg

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





Q&A

# Disclosure

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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.

Fixed income 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), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities



# Benchmark Descriptions

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

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 companies with lower price-to-book ratios and lower expected growth values.

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 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

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 Russell 3000 Index measures the performance of the 3000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

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.

The MSCI World ex US Index is a market capitalization-weighted index designed to measure equity performance in 22 global developed markets, excluding the United States. The benchmark for this composite is used because the MSCI World Ex US Net Index is generally representative of international equities.

BBgBarc U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The BBgBarc US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The US Treasury Index is a component of the US Aggregate, US Universal, Global Aggregate and Global Treasury Indices.

The BBgBarc US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market.

It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The US Corporate Index is a component of the US Credit and US Aggregate Indices, and provided the necessary inclusion rules are met, US Corporate Index securities also contribute to the multi-currency Global Aggregate Index.

The BBgBarc U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The BBgBarc U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Derived from the price inputs of the S&P 500 index options, it provides a measure of market risk and investors' sentiments.

The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

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.

GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time (say a quarter or a year). It counts all of the output generated within the borders of a country.

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.

A leading indicator is economic data that may correspond with a future movement or change in the economy. Leading economic indicators can help to predict an occurrence or forecast the timing of events and trends in business, markets, and the economy. the U.S. stock market.



# Benchmark Descriptions

A Treasury yield is the effective annual interest rate paid by the U.S. government to a bondholder.

The Daily Moving Average is a technical indicator used to analyze price trends over a security's average closing price over a period of time.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 638 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

Earnings per share (EPS) is a measure of a company's profitability, calculated by dividing quarterly or annual income (minus dividends) by the number of outstanding stock shares. The higher a company's EPS, the greater the profit and value perceived by investors.

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 PCED price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States. Quarterly and annual data are included in the GDP release.

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

The ISM Services PMI (formerly the Non-Manufacturing NMI) is an index based on surveys of more than 400 non-manufacturing firms purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

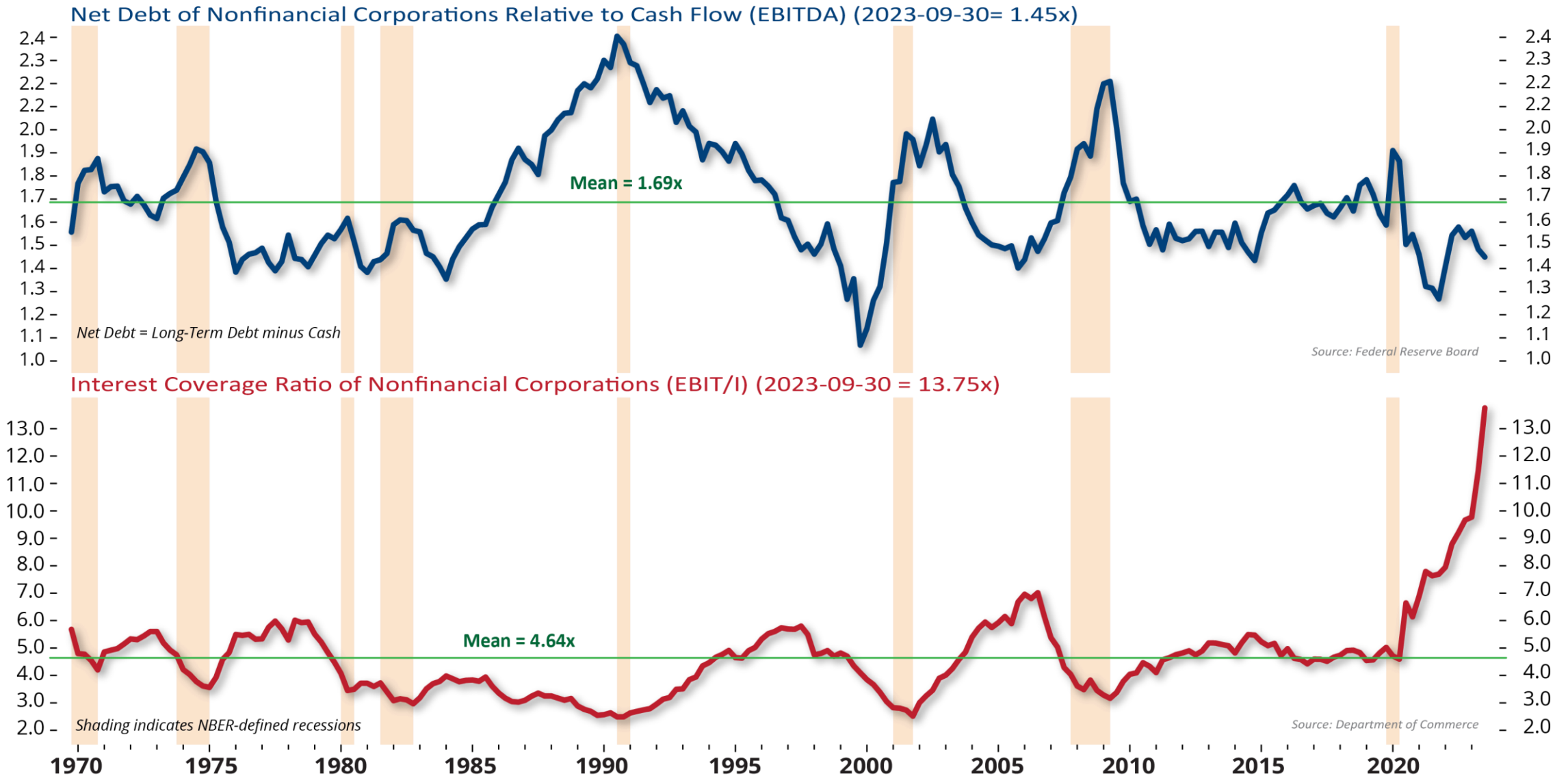
TIPS pay a fixed rate of interest every six months until they mature. Because we pay interest on the adjusted principal, the amount of interest payment also varies. You can hold a TIPS until it matures or sell it before it matures.

E-mini S&P 500 futures are traded on the Chicago Mercantile Exchange (CME) and allow traders to gain exposure to the S&P 500 index, a widely recognized barometer of the U.S. stock market.



# Corporate Leverage and Interest Coverage Ratio

Quarterly Data 1969-12-31 to 2023-09-30

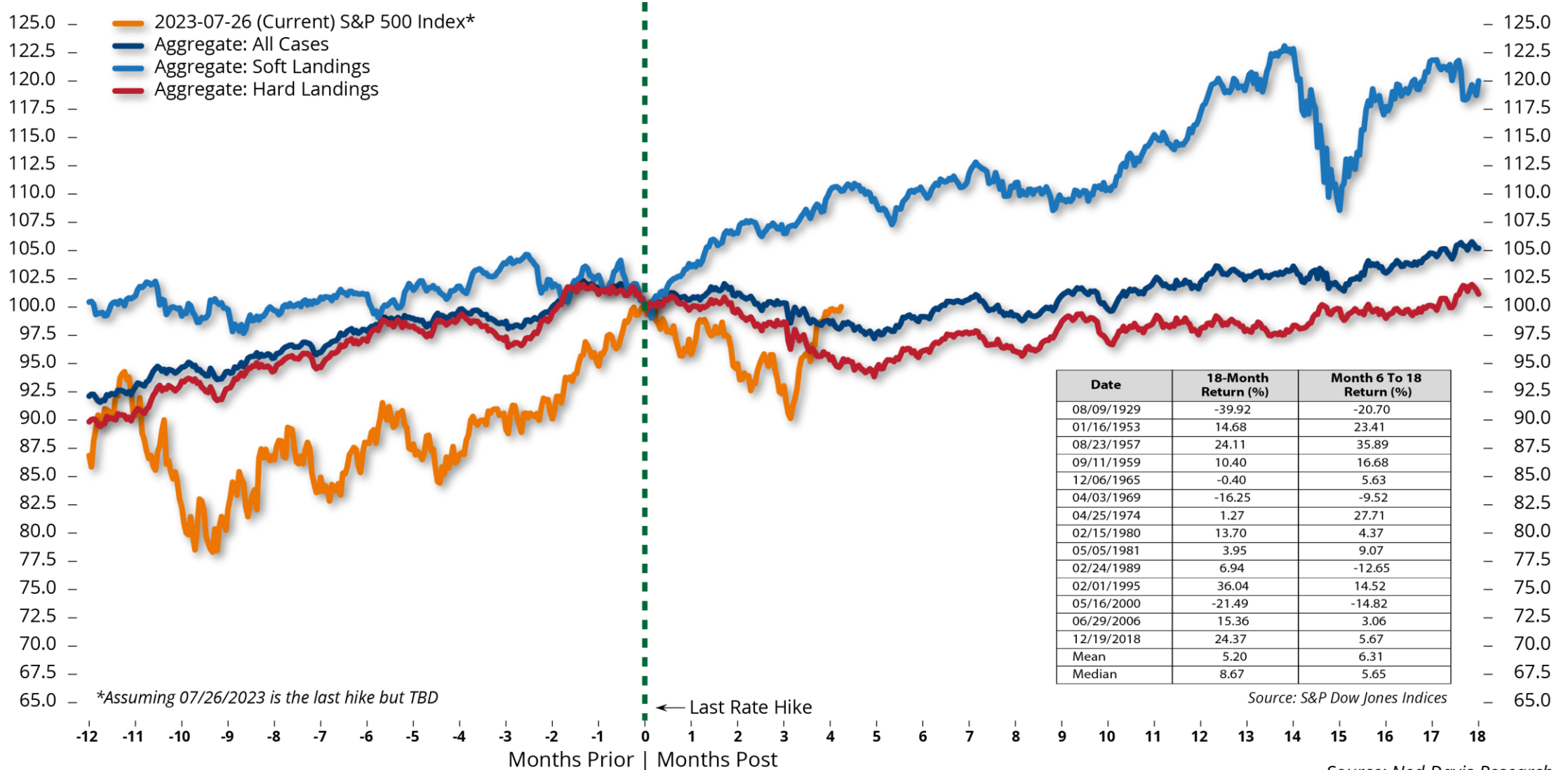


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For illustrative purposes only. Past performance is not indicative of future results.



# S&P 500 Index Around Last Fed Rate Hikes

Soft Landings: 12/06/1965, 02/01/1995, 12/19/2018



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

Source: Ned Davis Research



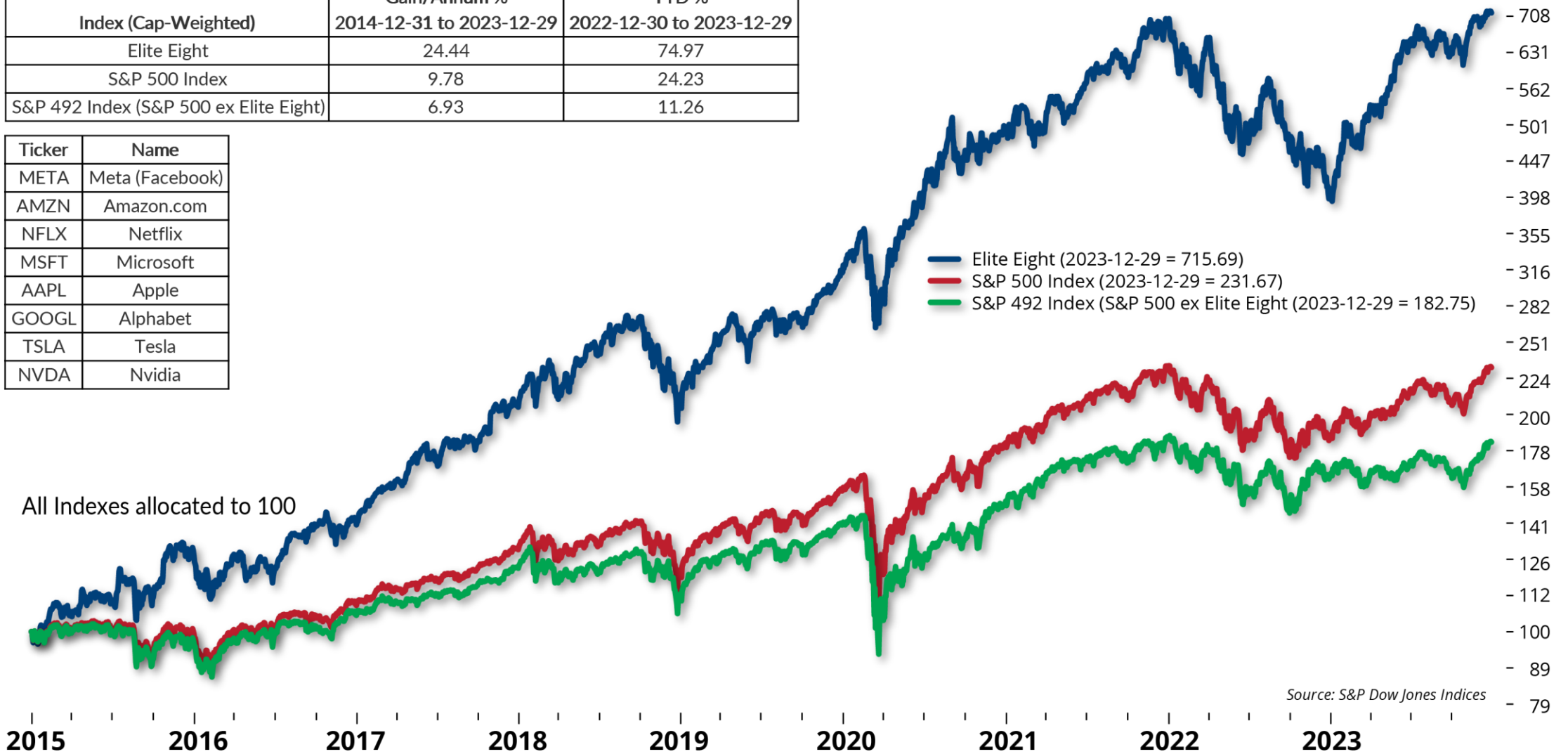


# S&P 500 Index vs Elite Eight (Cap-Weighted)

Daily Data 2014-12-31 to 2023-12-29

Index (Cap-Weighted)	Gain/Annum %	YTD %
	2014-12-31 to 2023-12-29	2022-12-30 to 2023-12-29
Elite Eight	24.44	74.97
S&P 500 Index	9.78	24.23
S&P 492 Index (S&P 500 ex Elite Eight)	6.93	11.26

Ticker	Name
META	Meta (Facebook)
AMZN	Amazon.com
NFLX	Netflix
MSFT	Microsoft
AAPL	Apple
GOOGL	Alphabet
TSLA	Tesla
NVDA	Nvidia



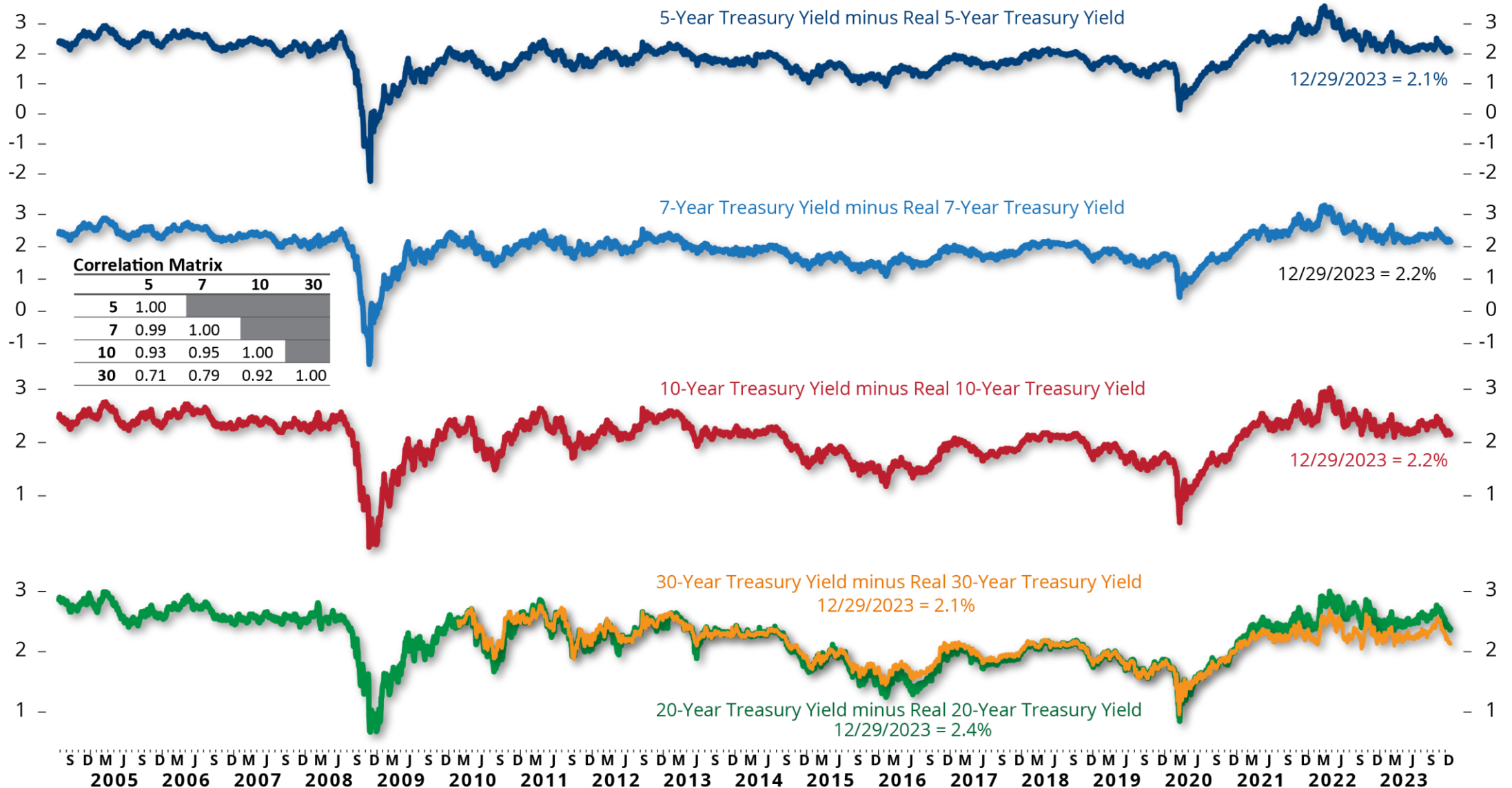
Source: Ned Davis Research

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



# TIPS Breakeven Curve (Implied Inflation)

Daily 7/27/2004 - 12/29/2023



**Correlation Matrix**

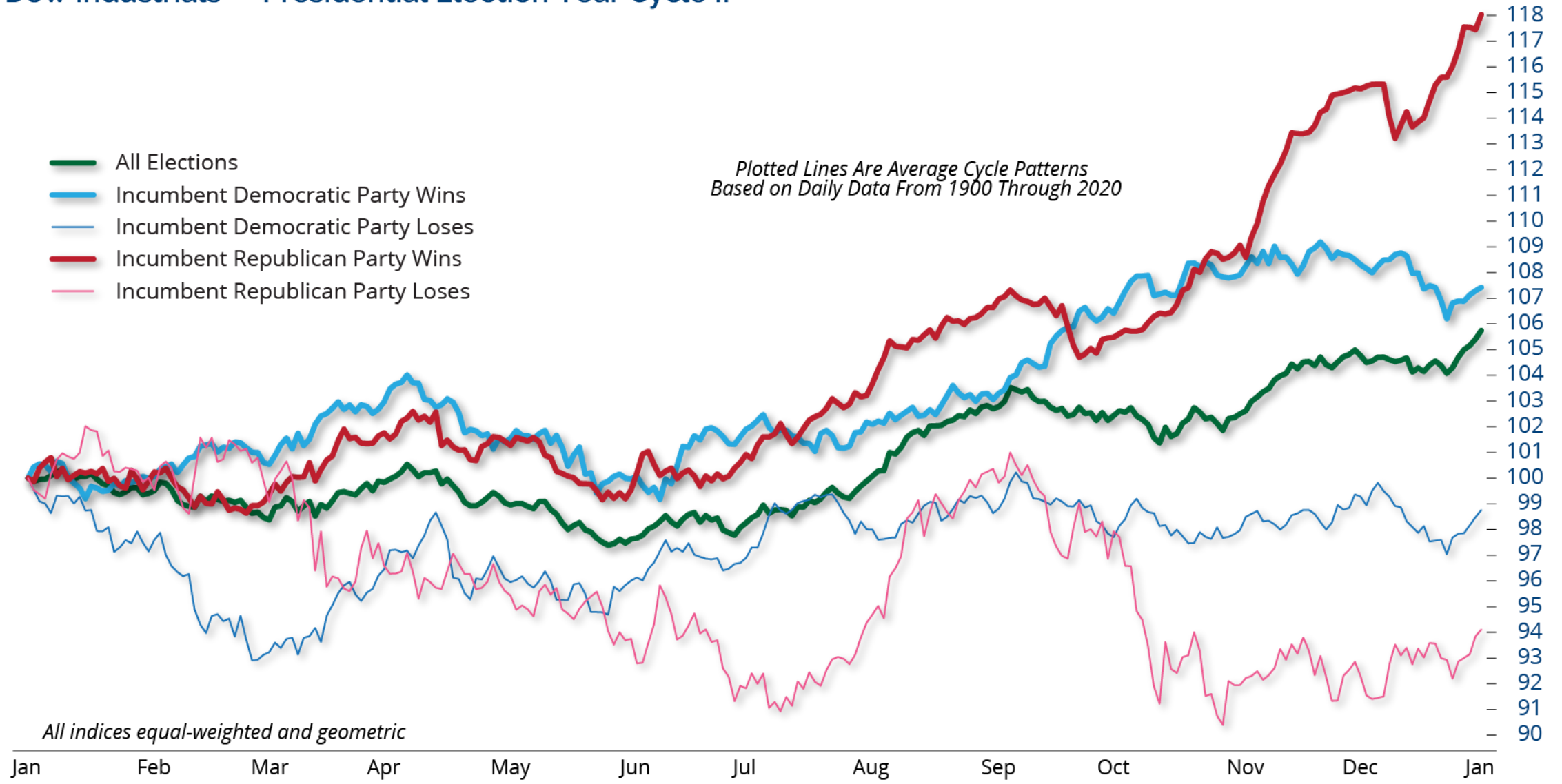
	5	7	10	30
5	1.00			
7	0.99	1.00		
10	0.93	0.95	1.00	
30	0.71	0.79	0.92	1.00

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

Source: Ned Davis Research



# Dow Industrials — Presidential Election Year Cycle II



*All indices equal-weighted and geometric*

*Source: Ned Davis Research*

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

