



Money Smart Month

April 2, 2024

2024: Economic & Financial Outlook

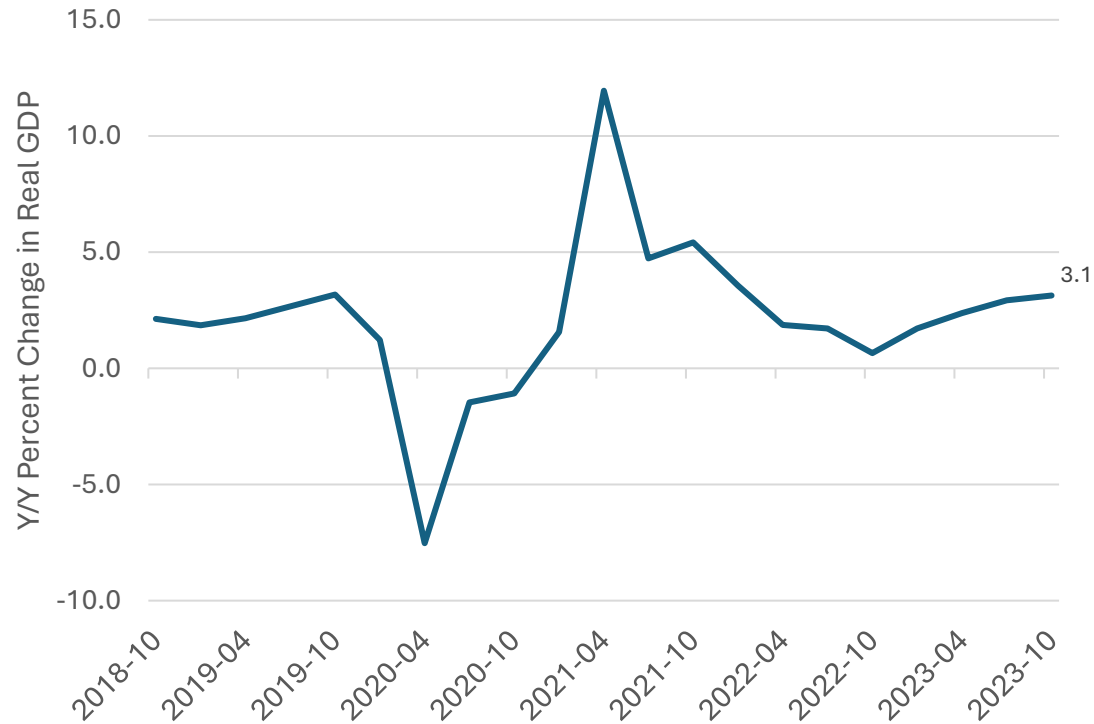
Chris Holmes & Hannah Branstetter





Economic Environment

Economic Growth



Consumer Spending



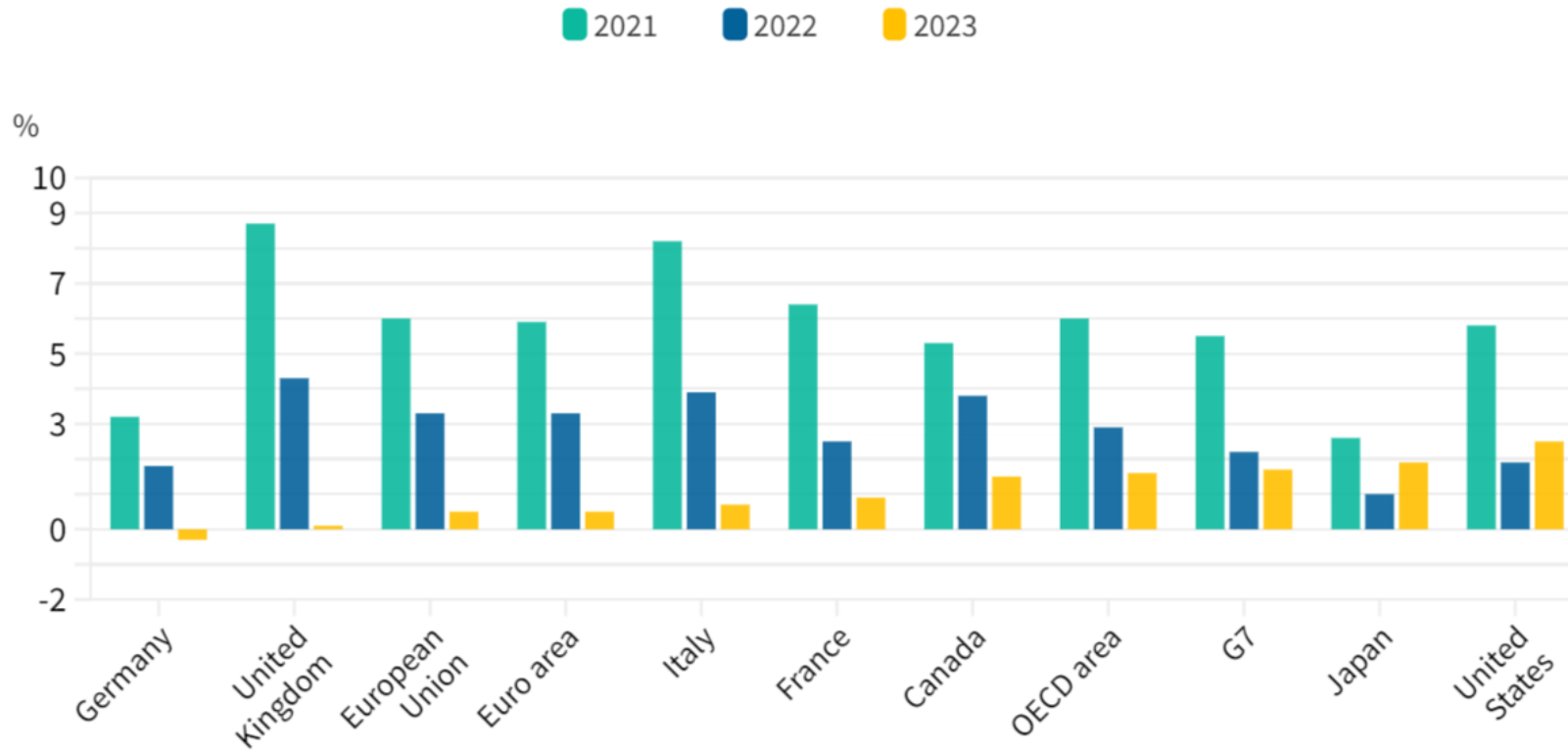
Since the Covid Pandemic, the US economy has been very resilient avoiding a recession thanks mainly to strong consumer spending.





Economic Environment

Annual Economic Growth by Country



Relatively, the U.S. has the fastest growing economy in the G-7 as of 2023 boosted by a flexible labor market and energy independence.

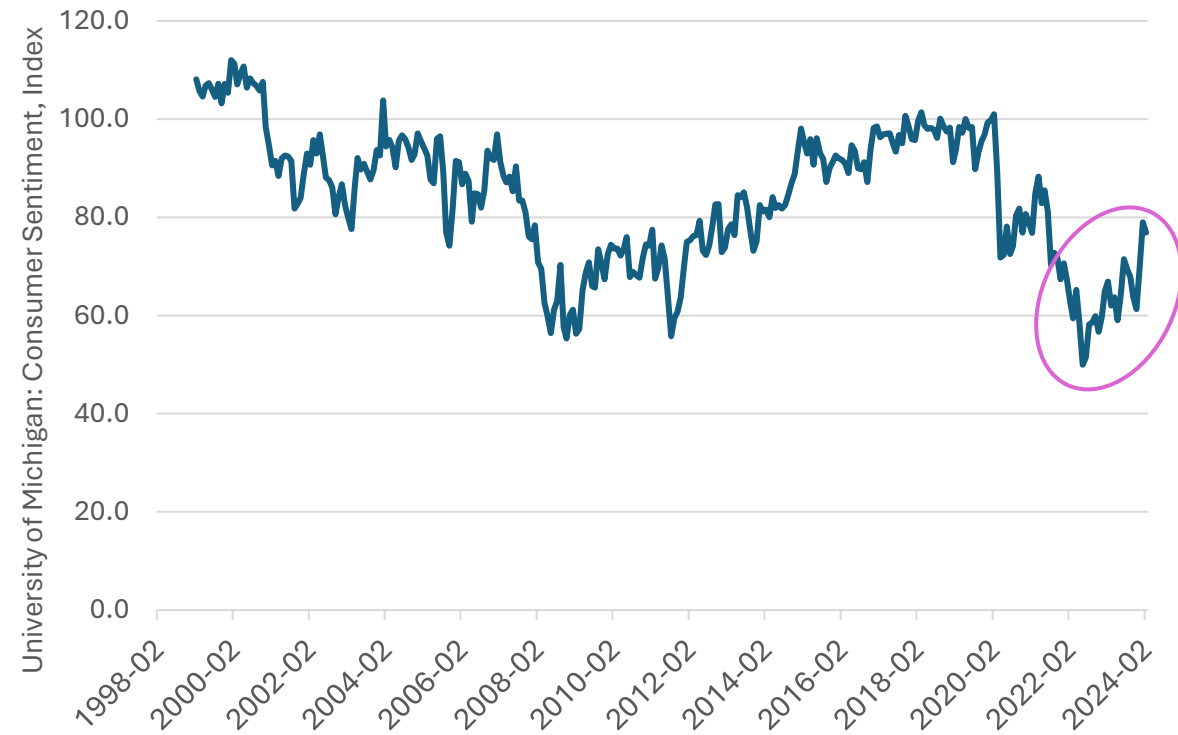
Source: OECD (2024) Quarterly National Accounts (Database).



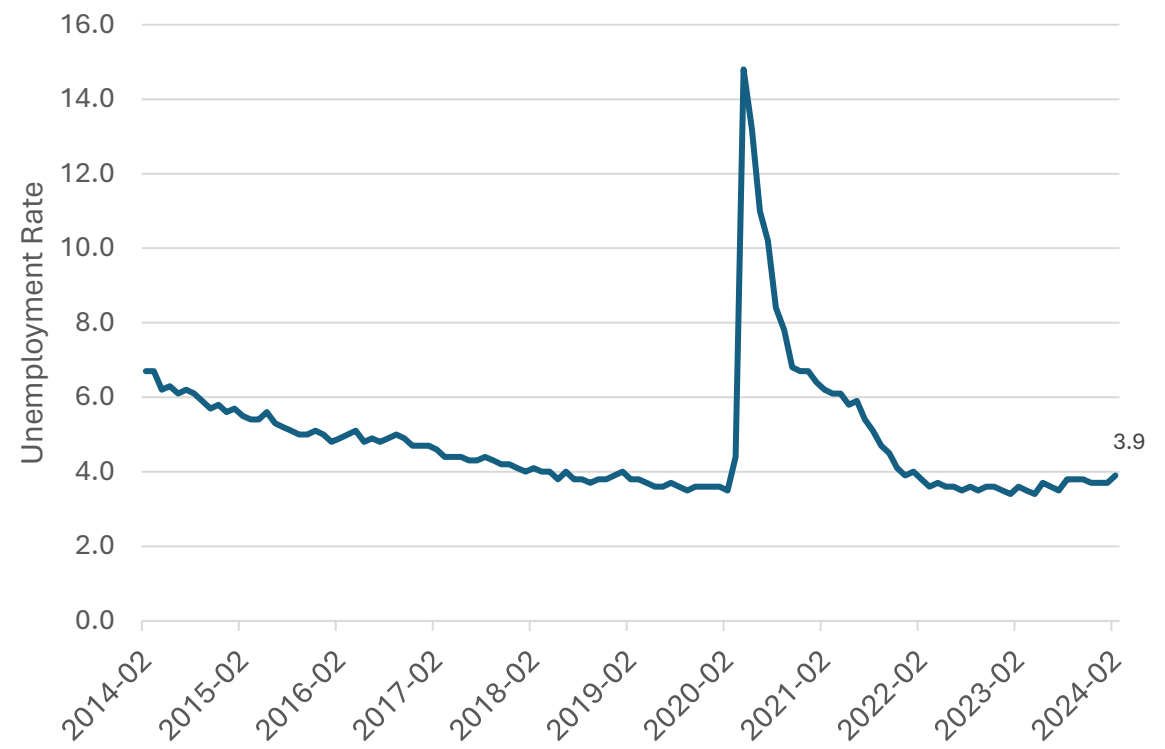


Economic Environment

Consumer Sentiment



Unemployment



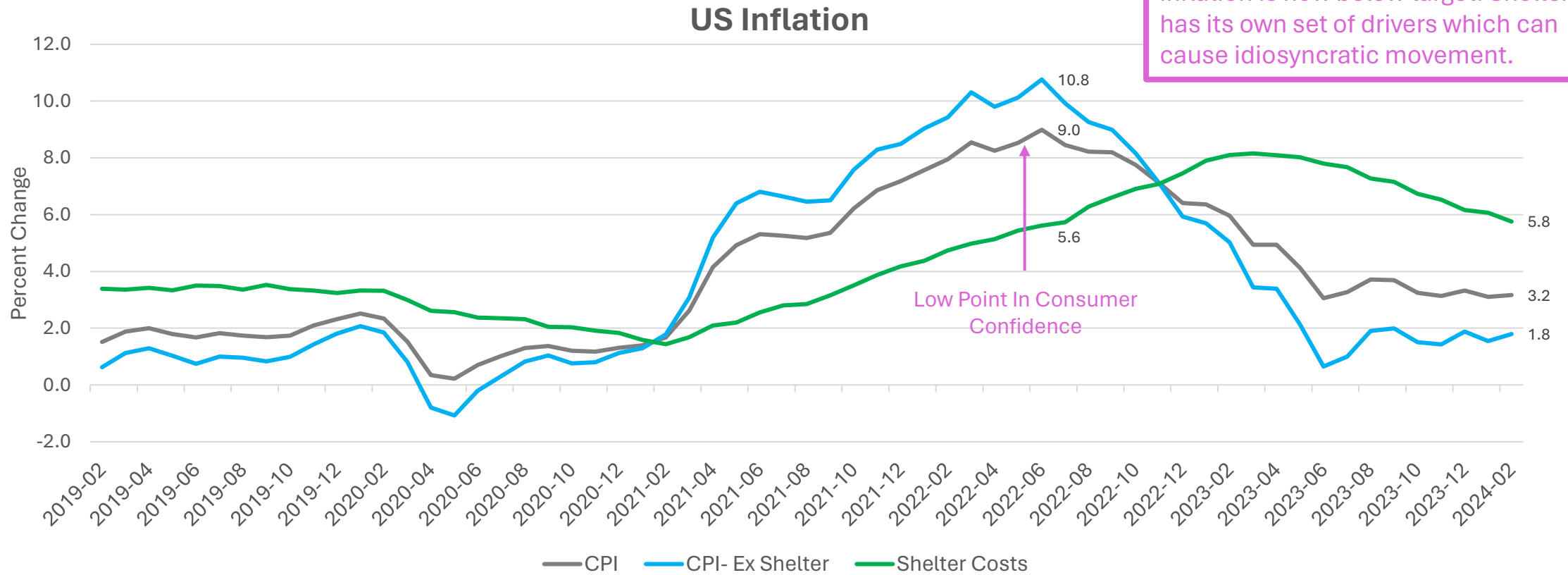
Consumer confidence has rebounded since June 2022 due to the continuance of low unemployment and inflation progressing towards the Fed's long-term target of 2%.





Economic Environment

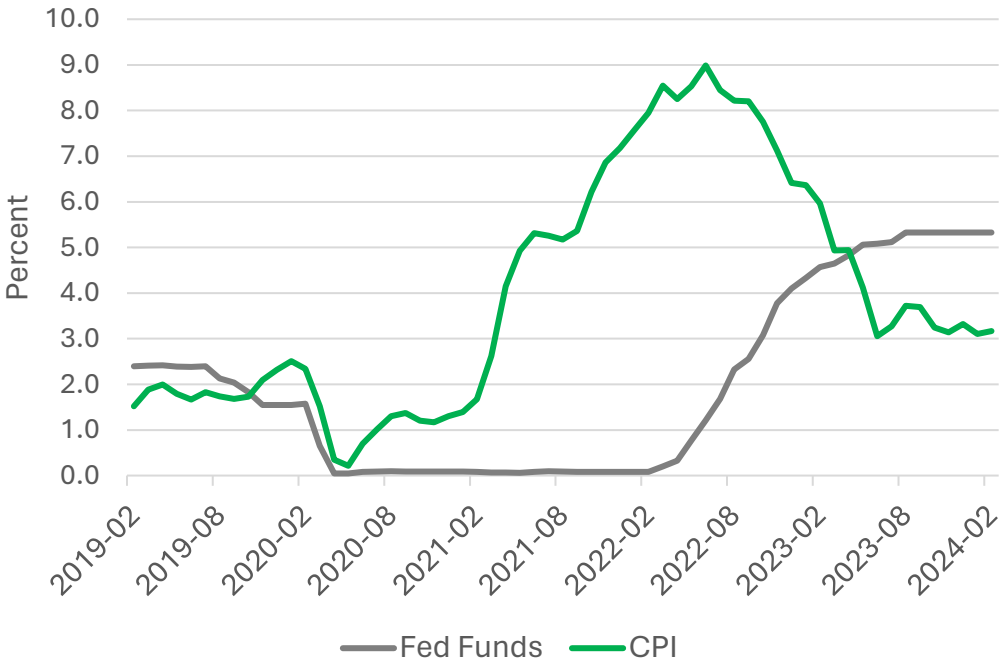
While inflation has not returned to the Fed's long-term target, non-shelter inflation is now below target. Shelter has its own set of drivers which can cause idiosyncratic movement.





Economic Environment

Fed Funds Rate vs. Inflation



10-Year Treasury Rate



The Federal Reserve began instituting contractionary monetary policy in 2022 by raising the federal funds rate to combat inflation.

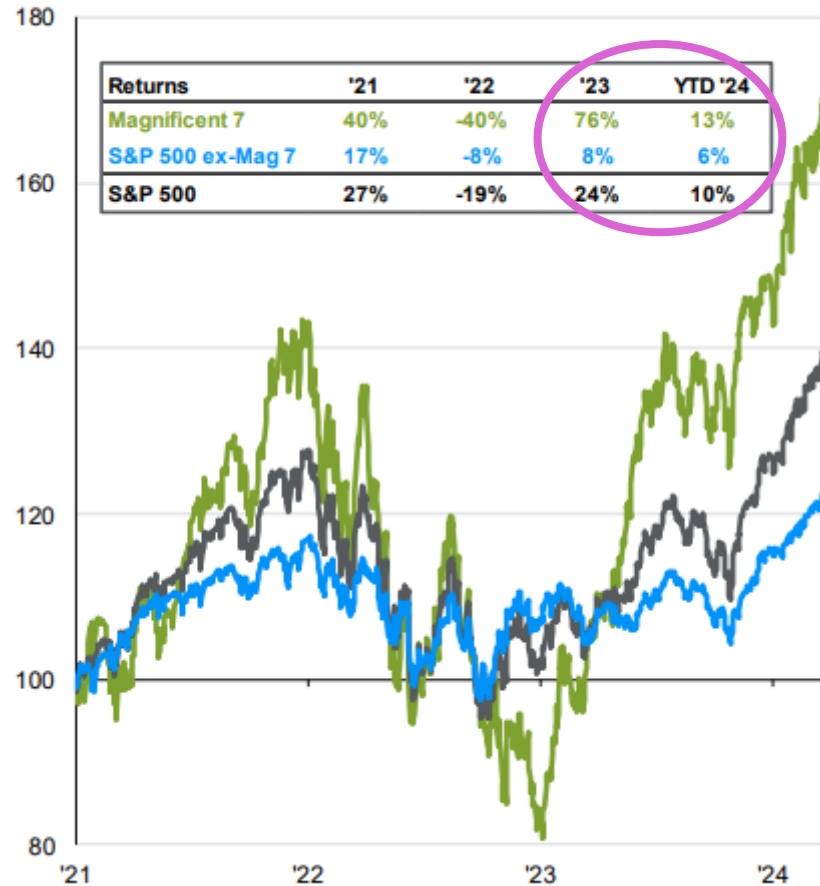




Financial Environment

Performance of "Magnificent 7" stocks in S&P 500*

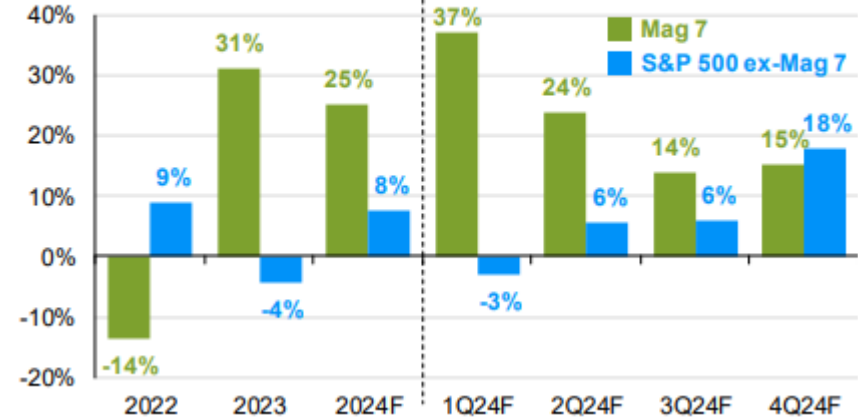
Indexed to 100 on 1/1/2021, price return



During the past 15 months, the market has performed well driven largely by "the Magnificent Seven."

Earnings growth

Pro-forma EPS, y/y



Weight of the top 10 stocks in the S&P 500

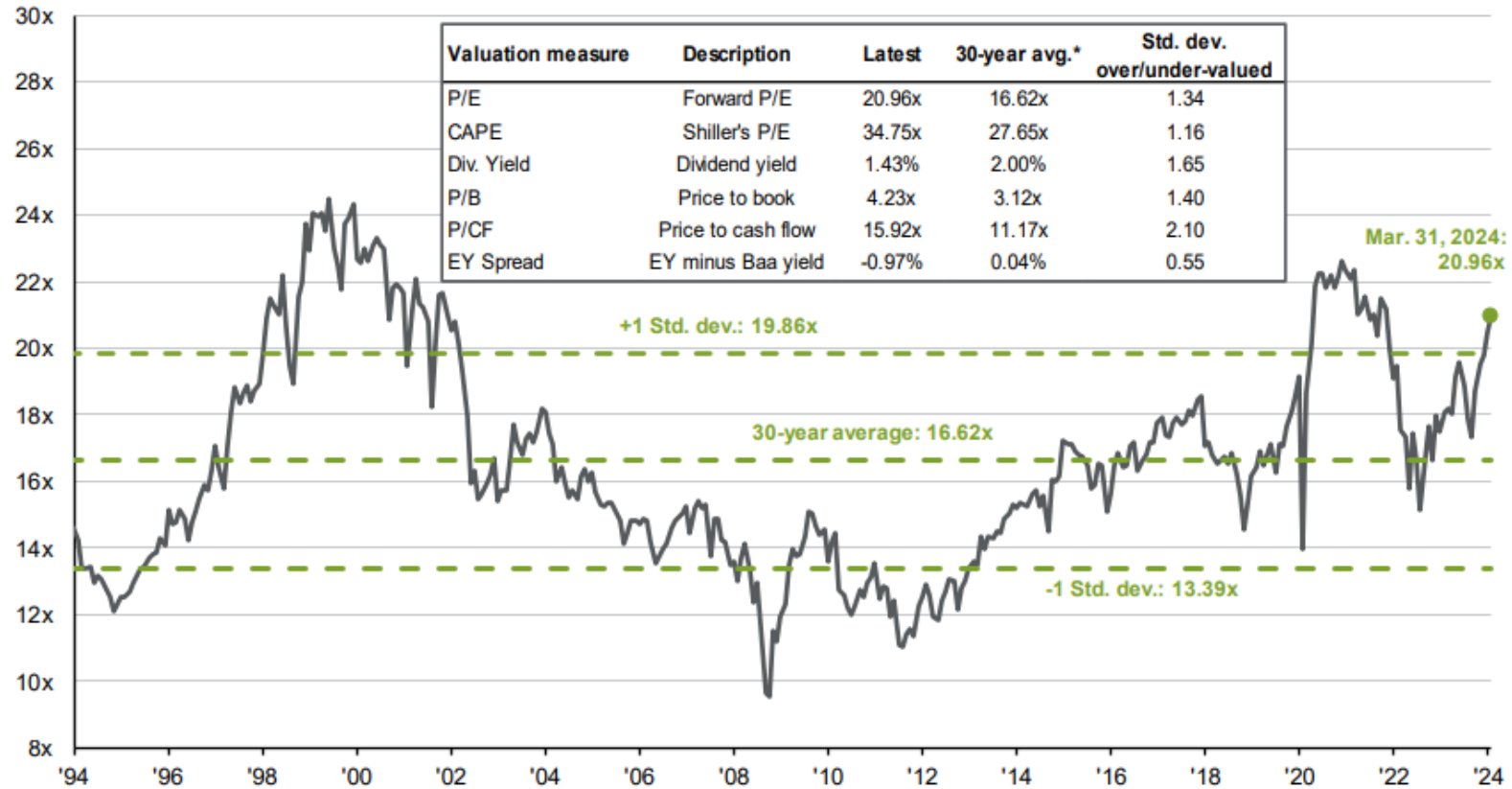
% of market capitalization of the S&P 500





Financial Environment

S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management

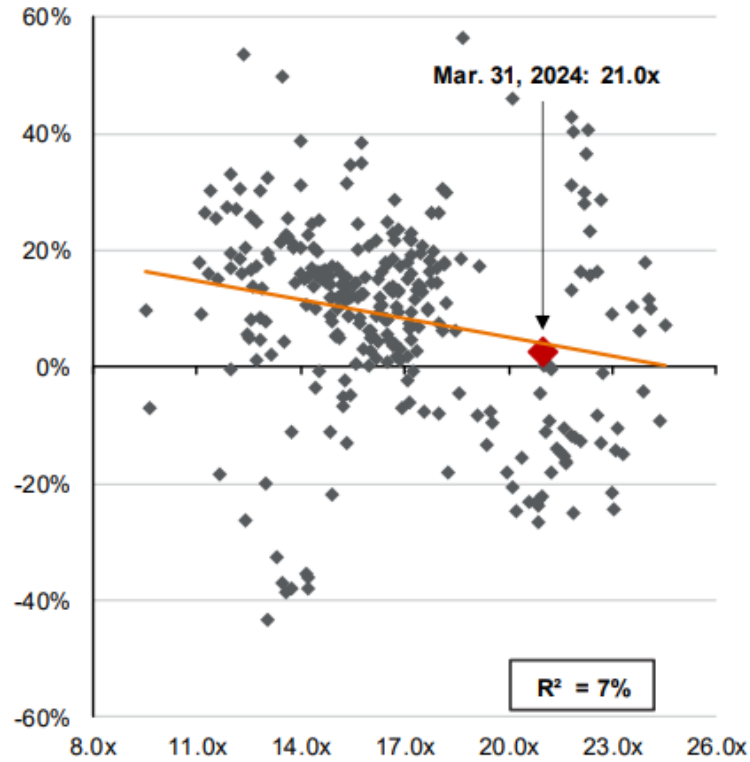




Financial Environment

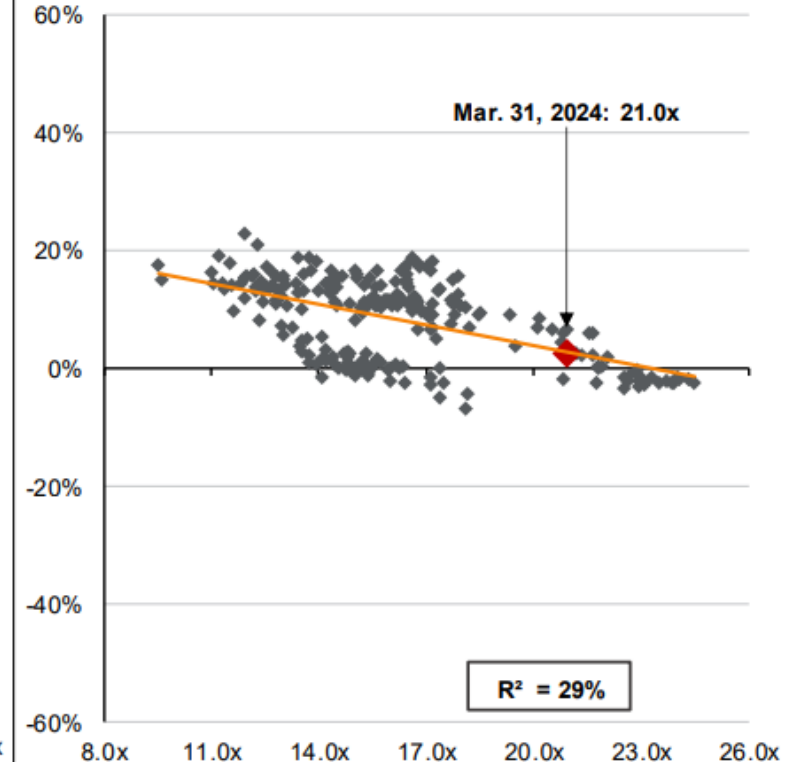
Forward P/E and subsequent 1-yr. returns

S&P 500 Total Return Index



Forward P/E and subsequent 5-yr. annualized returns

S&P 500 Total Return Index



The ability to predict one-year returns is not strong. However, five-year outlooks are generally more accurate. Currently, the forward-looking five-year return appears muted.

Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

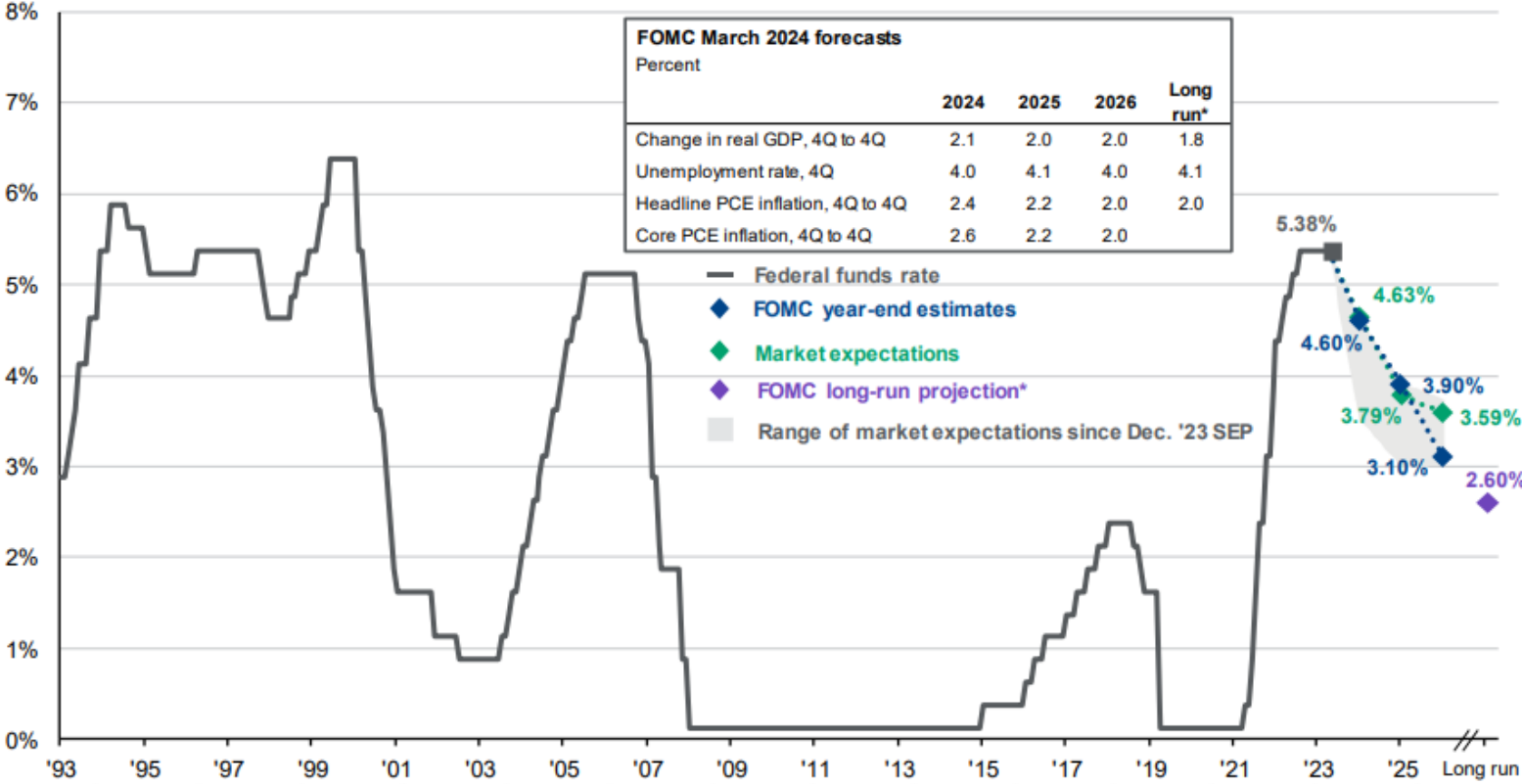




Financial Environment

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management

While the market is confident that the Fed is going to be cutting interest rates, the magnitude & timing of these cuts remains uncertain.

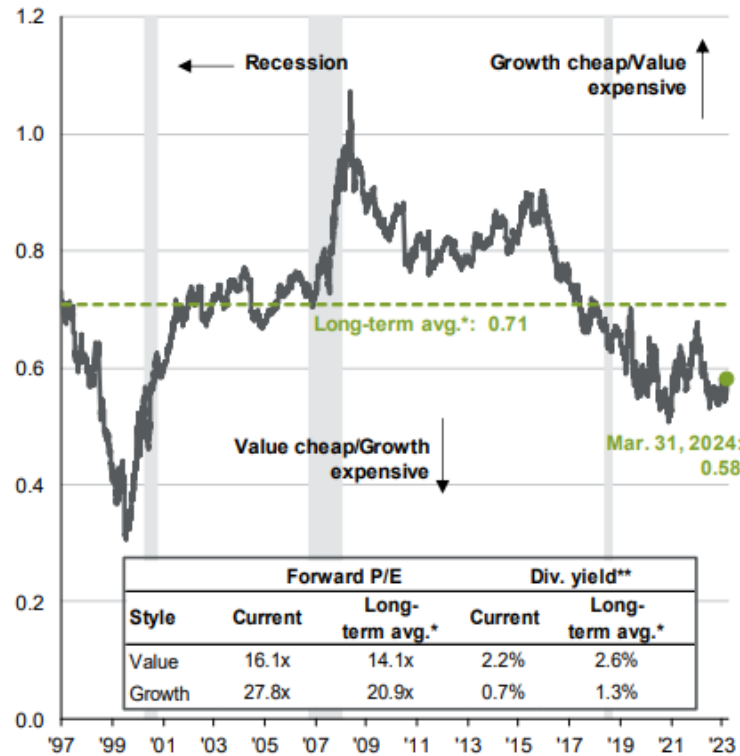




Financial Environment

Value vs. Growth relative valuations

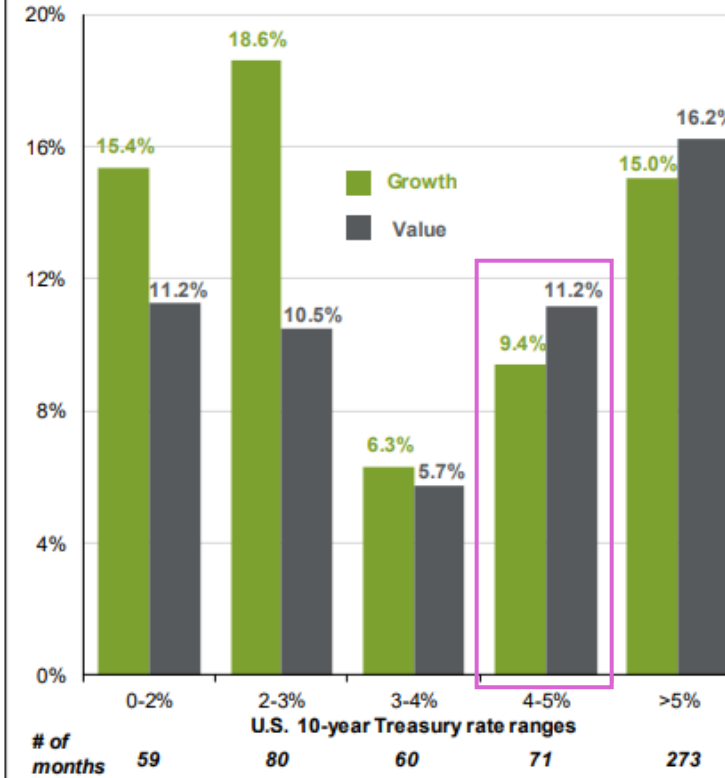
Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

Value vs. Growth in different interest rate environments

Annualized total return by 10-year Treasury rate ranges, 1979 - present



As interest rates go up, the market generally experiences a higher level of return for value stocks compared to their growth peers.





Election Year



Source: New York Times





US Presidential Election

President Joe Biden



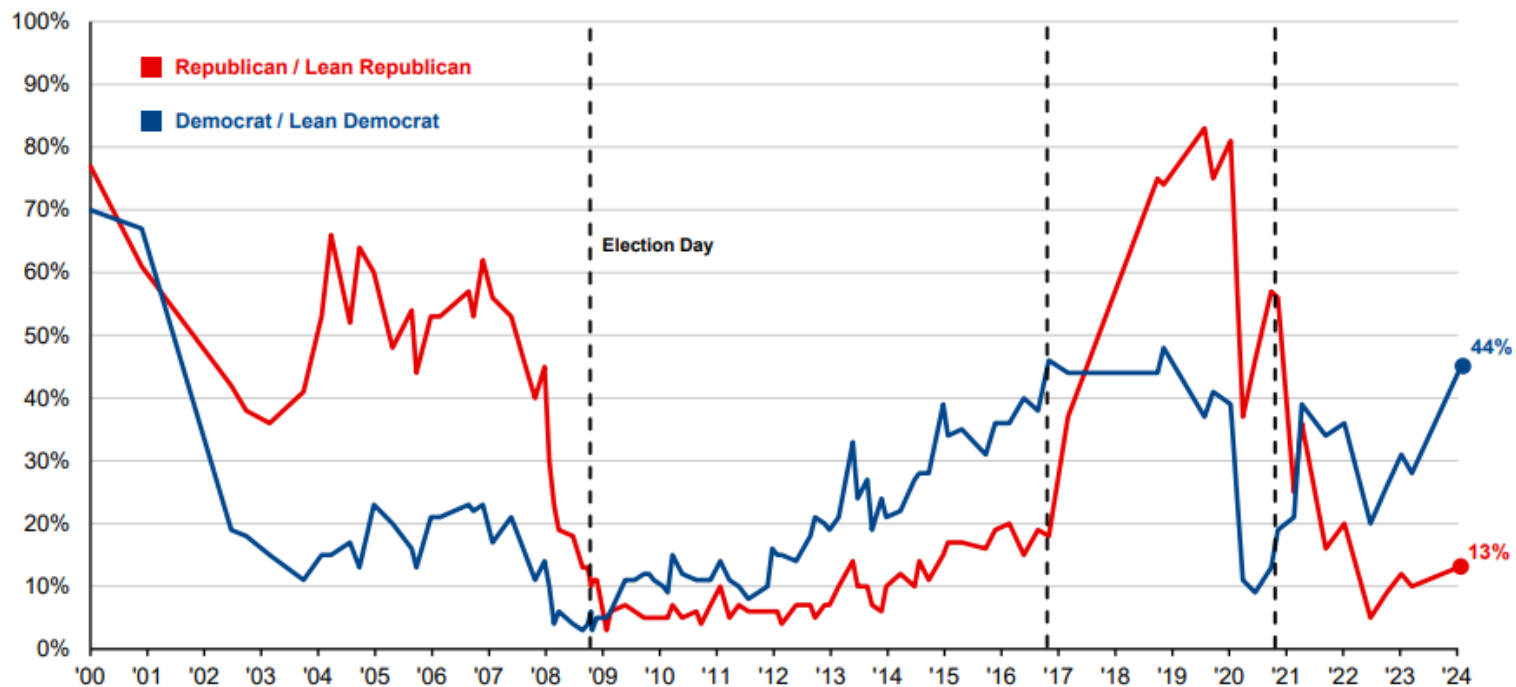
Former President Donald Trump





Election Year

Percentage of Republicans and Democrats who rate current economic conditions as excellent or good



Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.0%
Real GDP growth	1.9%	2.2%	1.8%	2.9%

