

Economic Outlook:

2024 Outlook: Don't Count Your Chickens Before They Hatch

*Inflation Remains Elevated with Disappointing Pace of Improvement,
Complicating the Federal Reserve's Policy Pathway Relative to Market Expectations*

January 2024



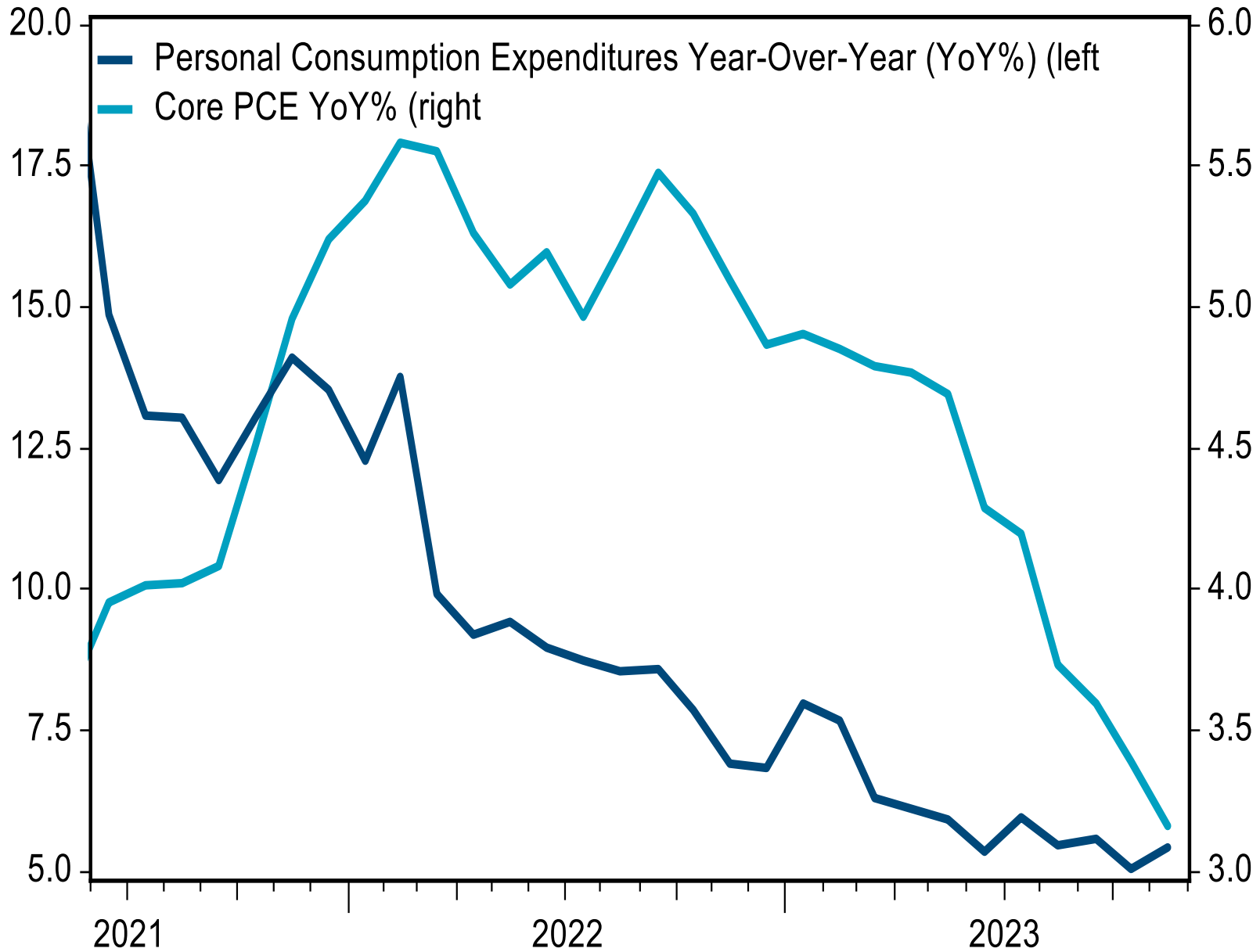
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Chief Economist

The Drivers of the 2024 Outlook

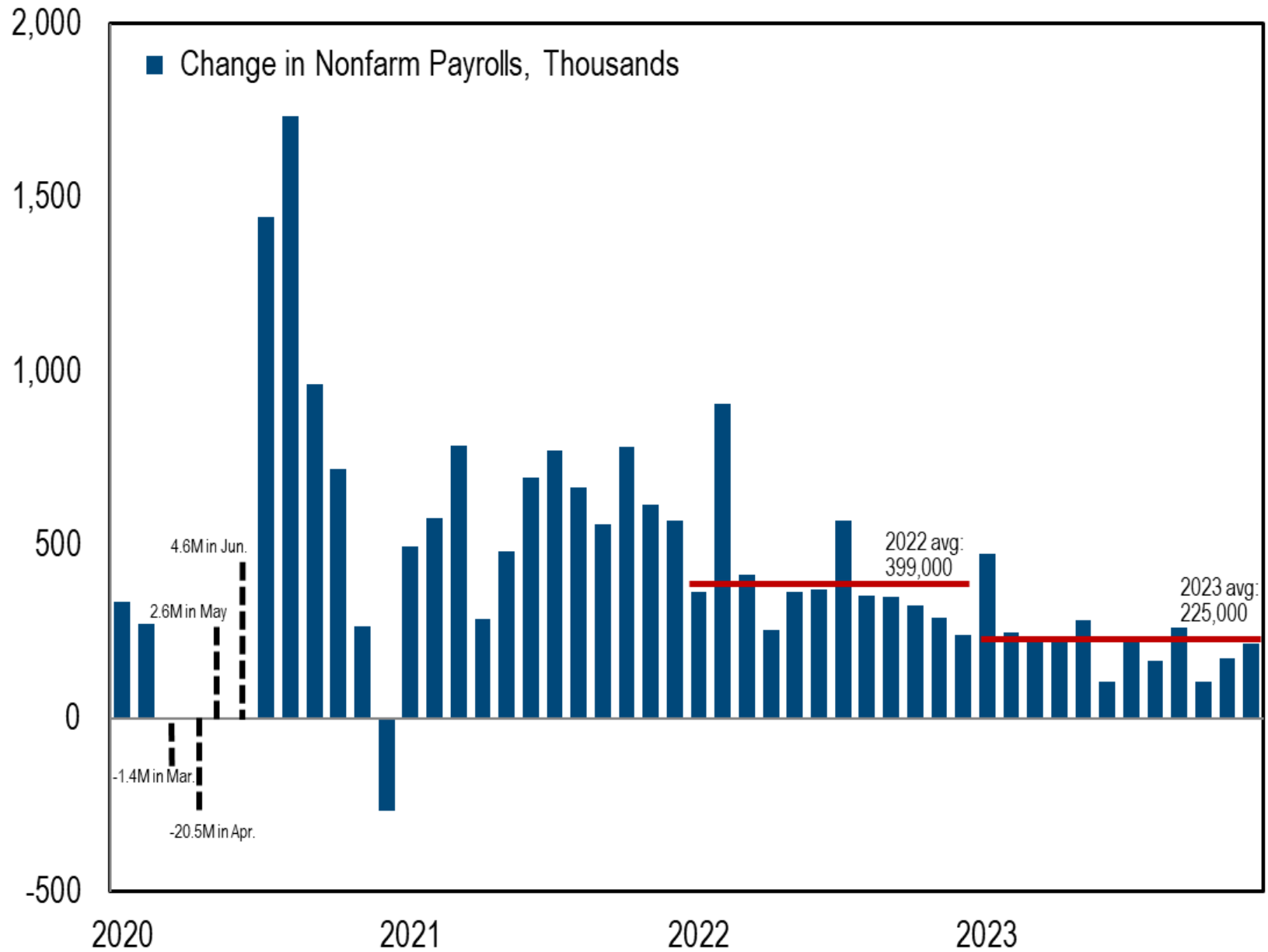
- The Consumer
- Inflation
- Policy Decisions

Consumer and Inflation Uncertainty



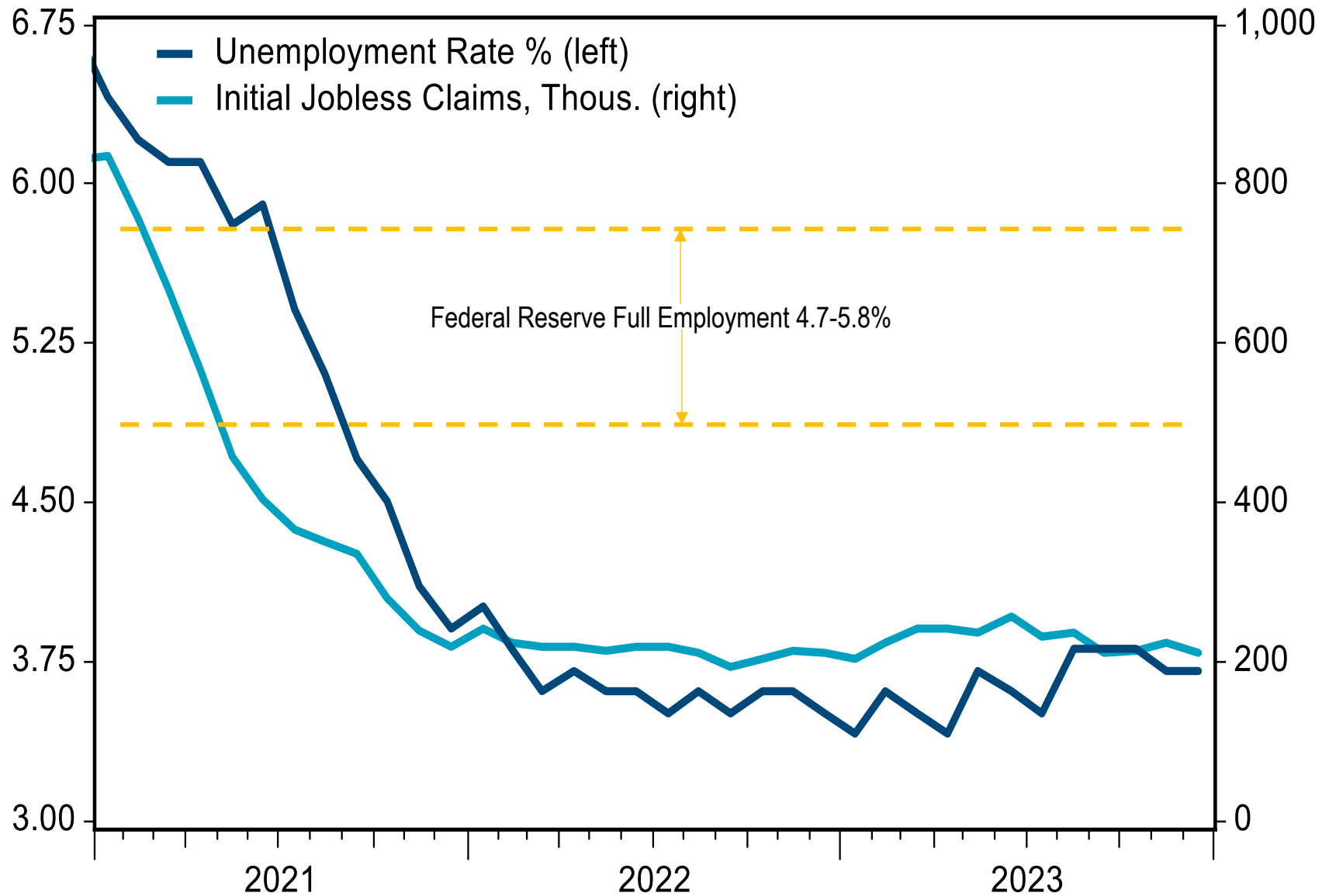
Source: Bureau of Economic Analysis/Haver Analytic

Labor Market Conditions Remains Solid



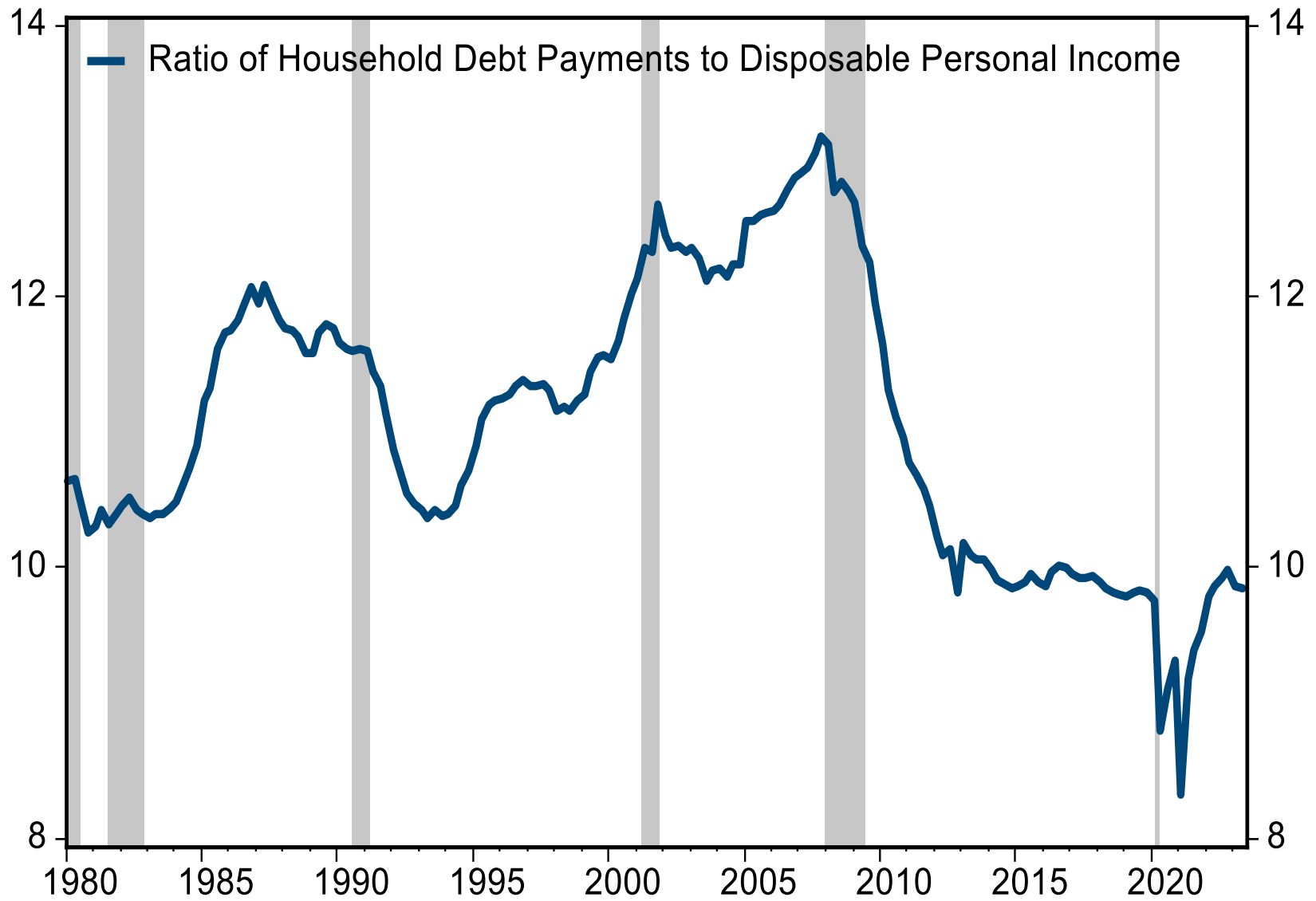
Source: Bureau of Labor Statistics/Haver Analytics

3.7% U.S. Unemployment Rate, Well Below Full-Employment Range



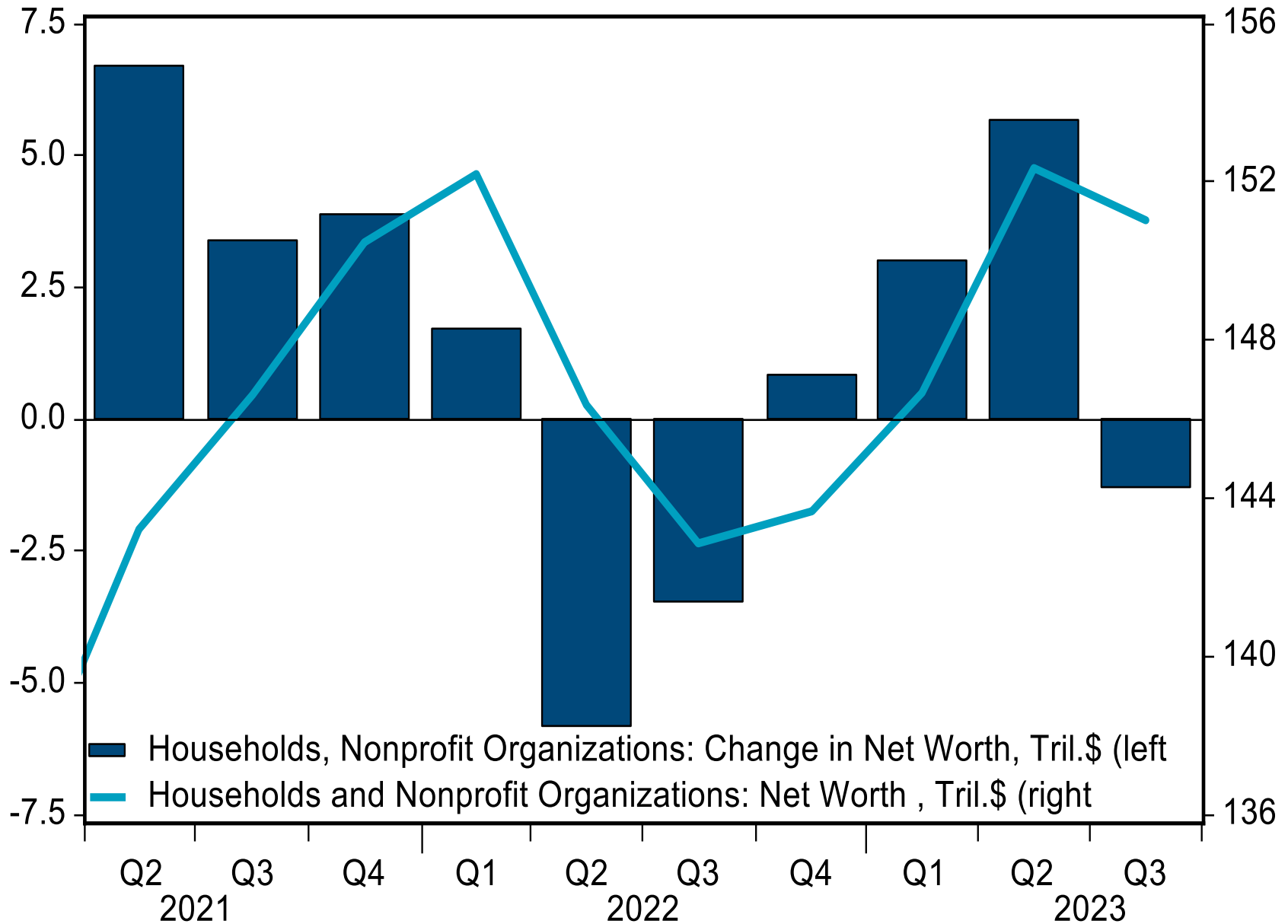
Sources: Bureau of Labor Statistics, Department of Labor/Haver Analytic

Debt-Servicing Ratio Remains Near Historic Low



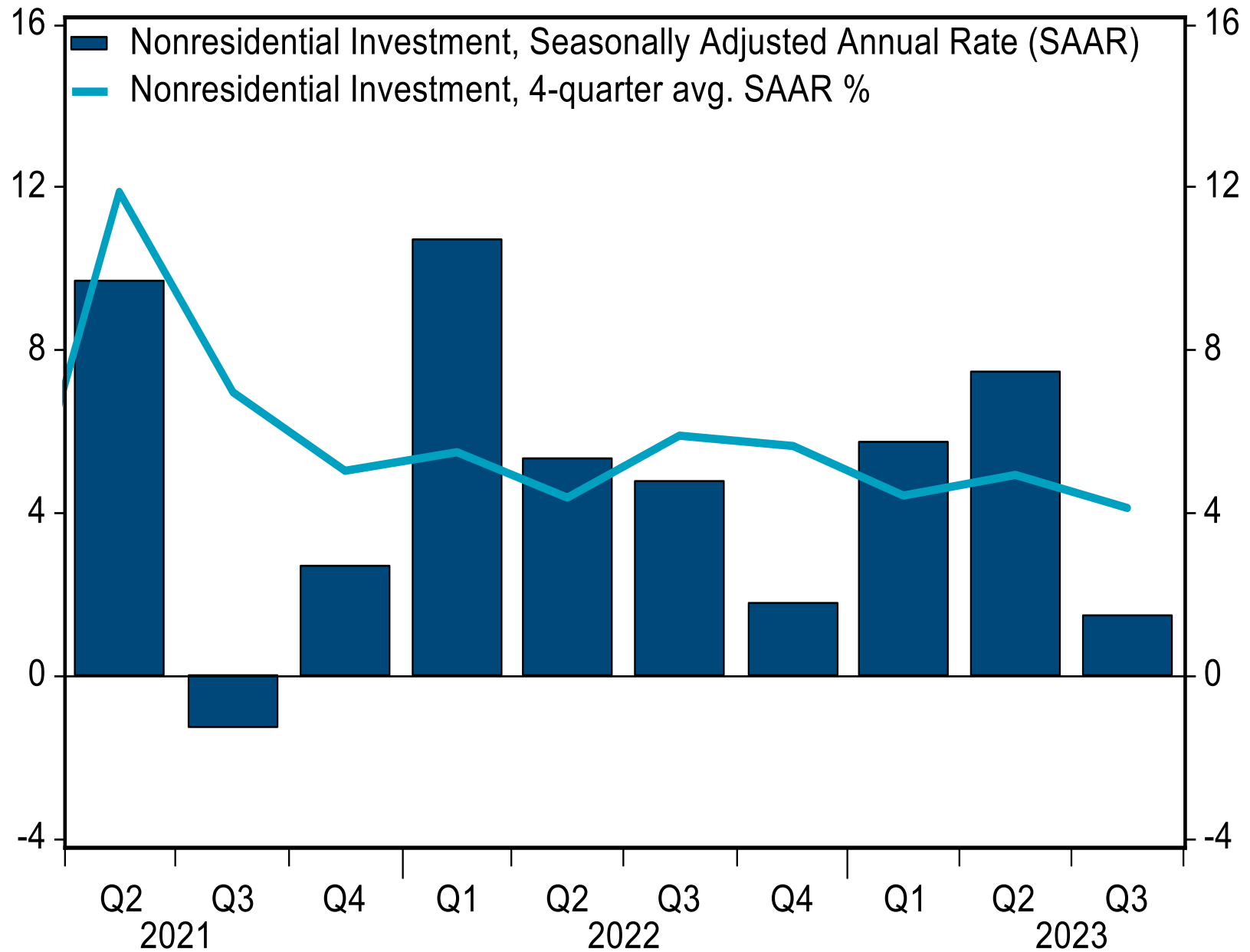
Source: Federal Reserve Board/Haver Analytic

Rise in Household Net Worth (For Some)



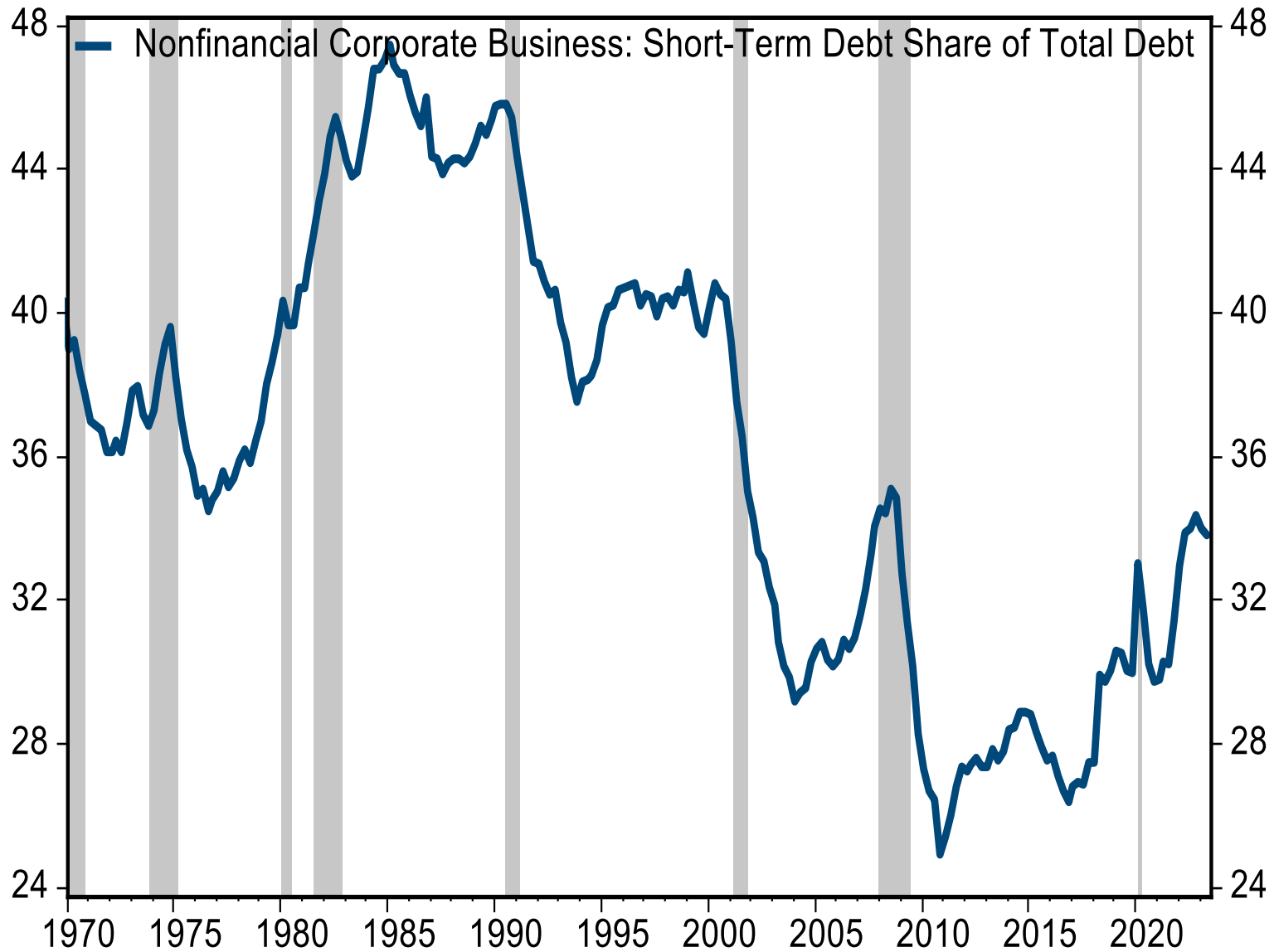
Source: Federal Reserve Board/Haver Analytic

Waning Business Investment



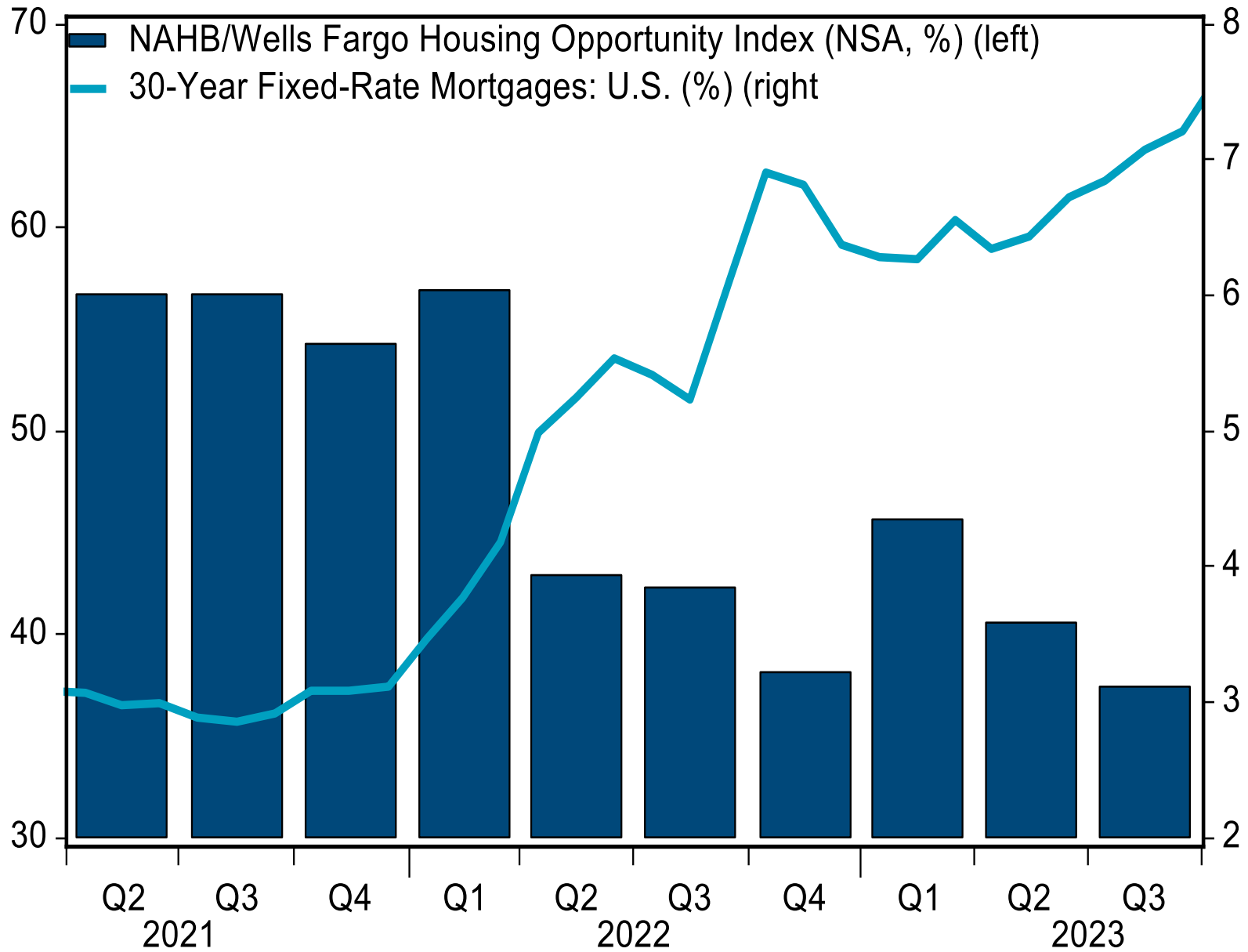
Source: Bureau of Economic Analysis/Haver Analytic

Relative Decline in Short-Term Debt Helps Mitigate Impact of Higher Rates



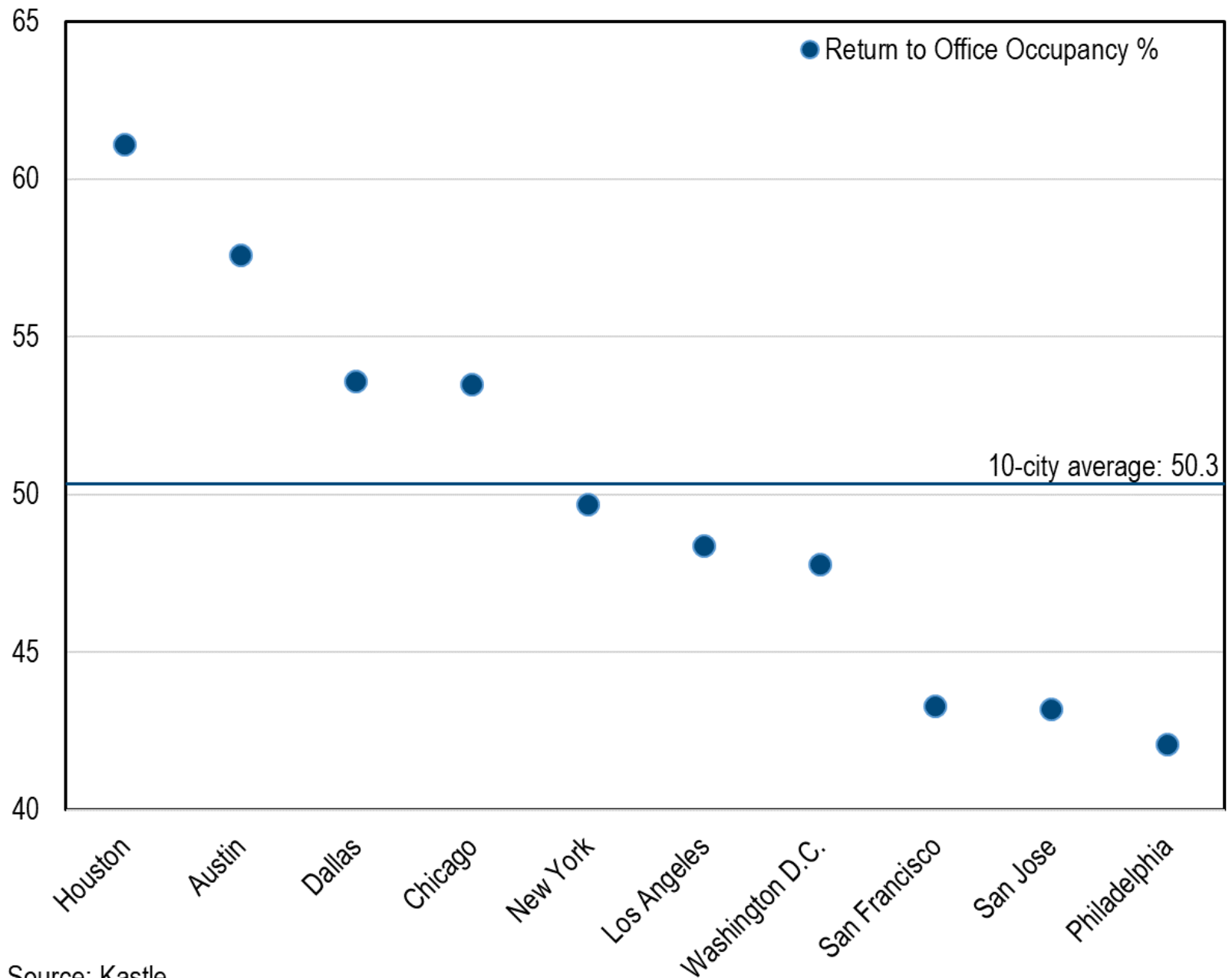
Source: Federal Reserve Board/Haver Analytic

Household Affordability Near Record Low as Mortgage Rates Remain Elevated



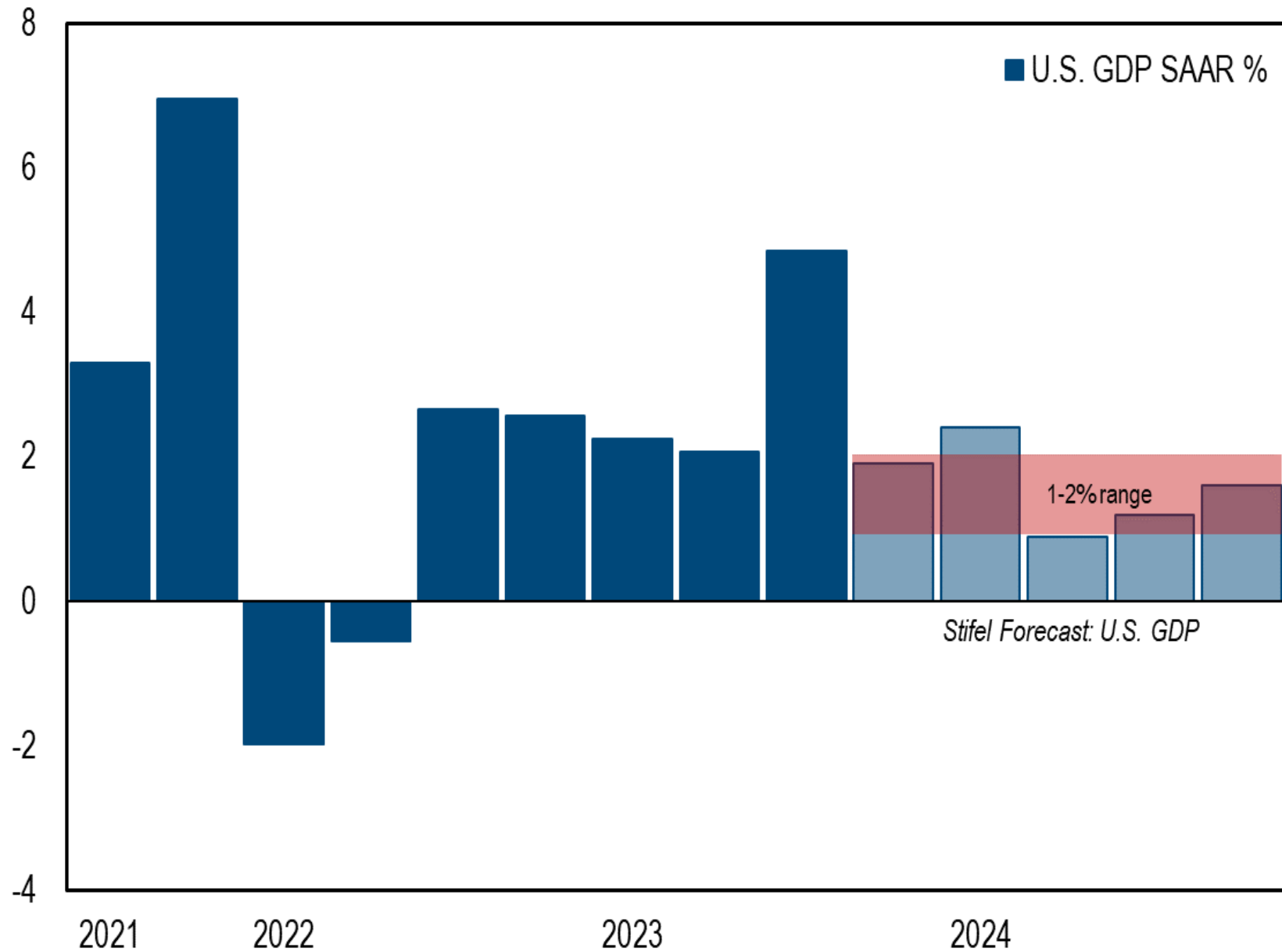
Sources: NAHB, FHLMC/Haver

Return to Office Rates Complicate Commercial Real Estate Market Outlook



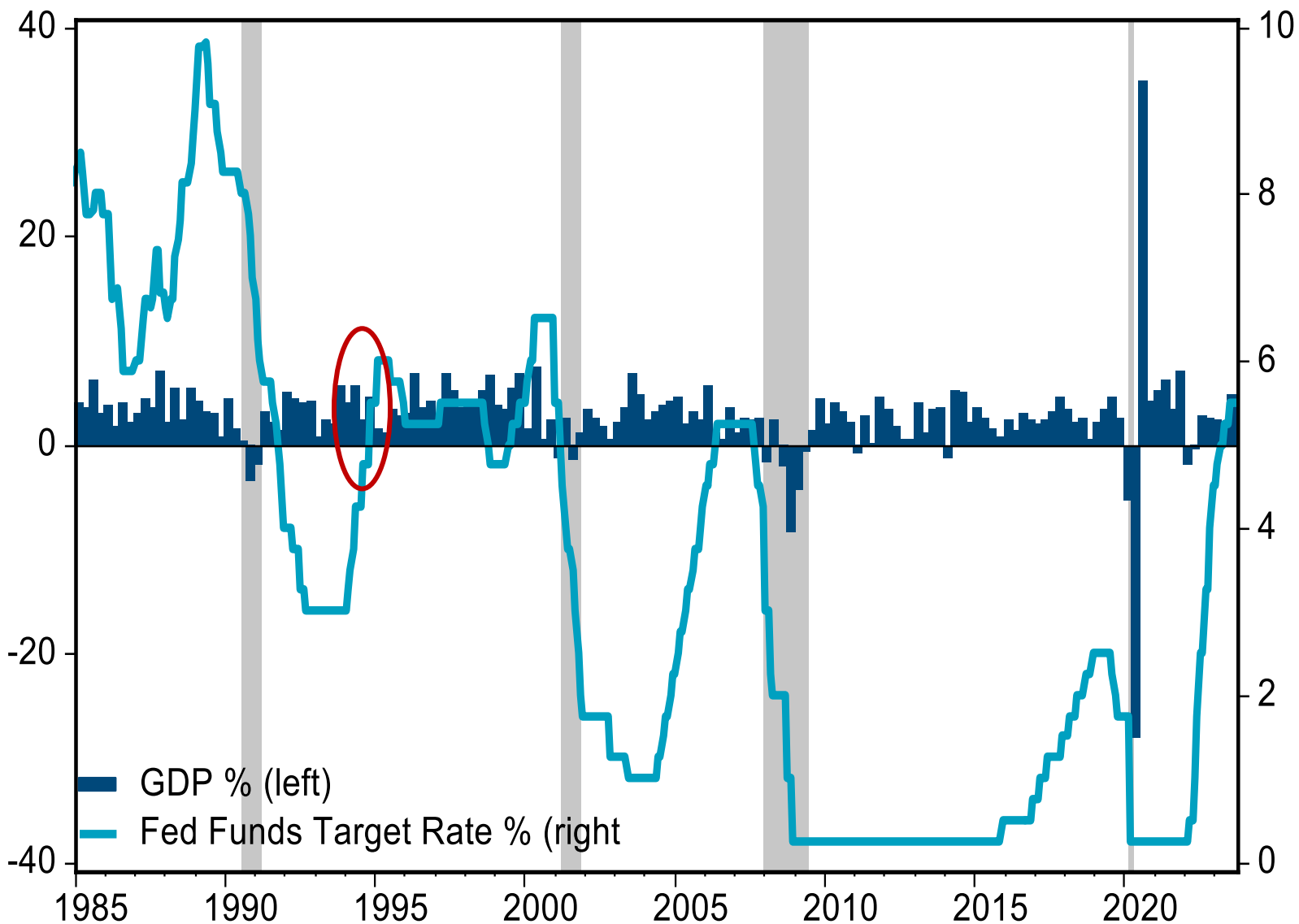
Source: Kastle

Higher Rates Likely to Weigh on Nominal Growth (While Avoiding Recession?)



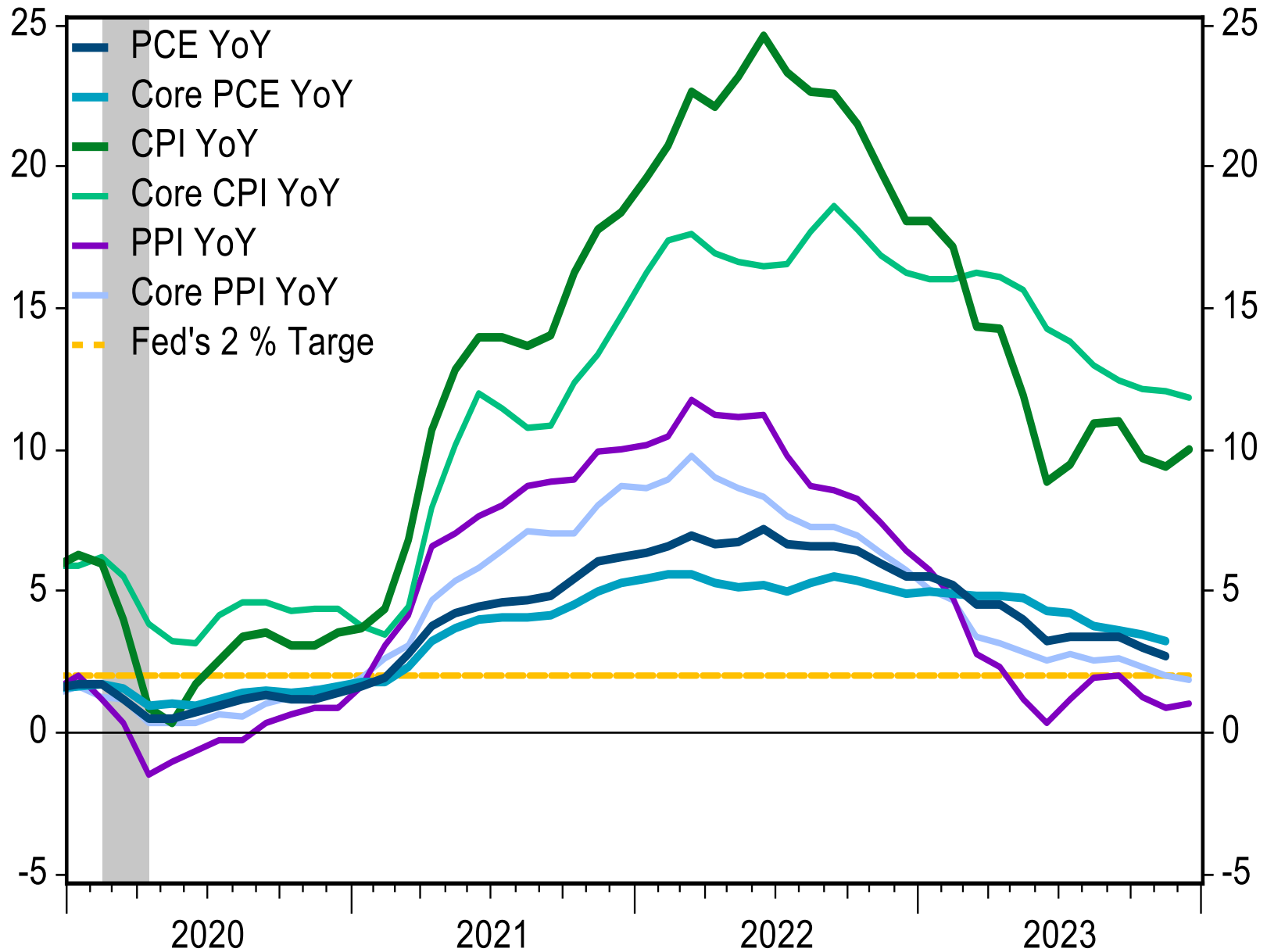
Source: Census Bureau/Bloomberg/Stifel

Soft Landing Only Achieved By the Fed Once in Last 60 Years



Sources: BEA, FRB/Haver

Risk of Price Pressures Becoming Embedded in Economy



Sources: BEA, BLS/Haver

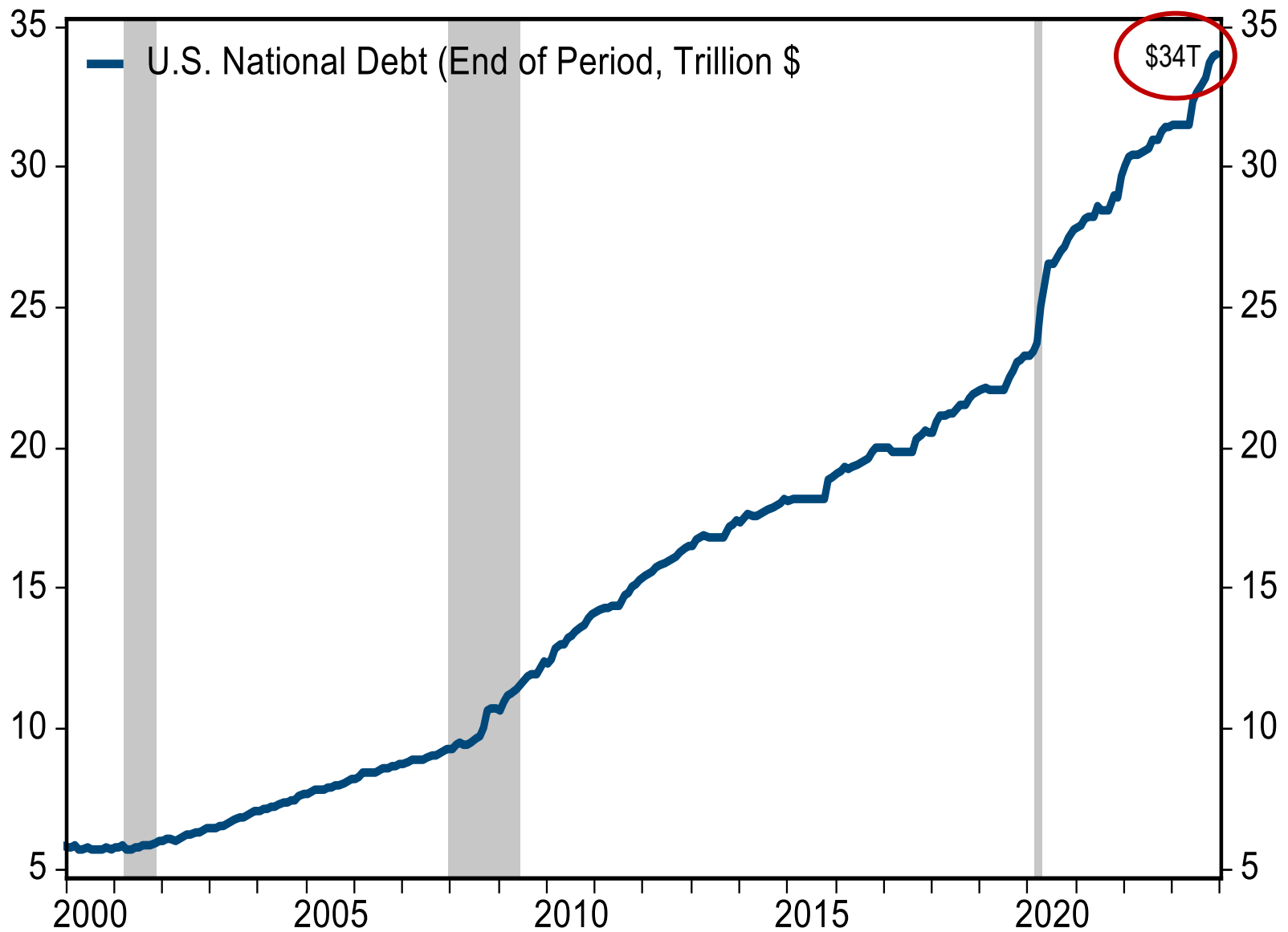
10-Year Treasury Action Complicates Fed Policy Pathway



Source: Bloomberg

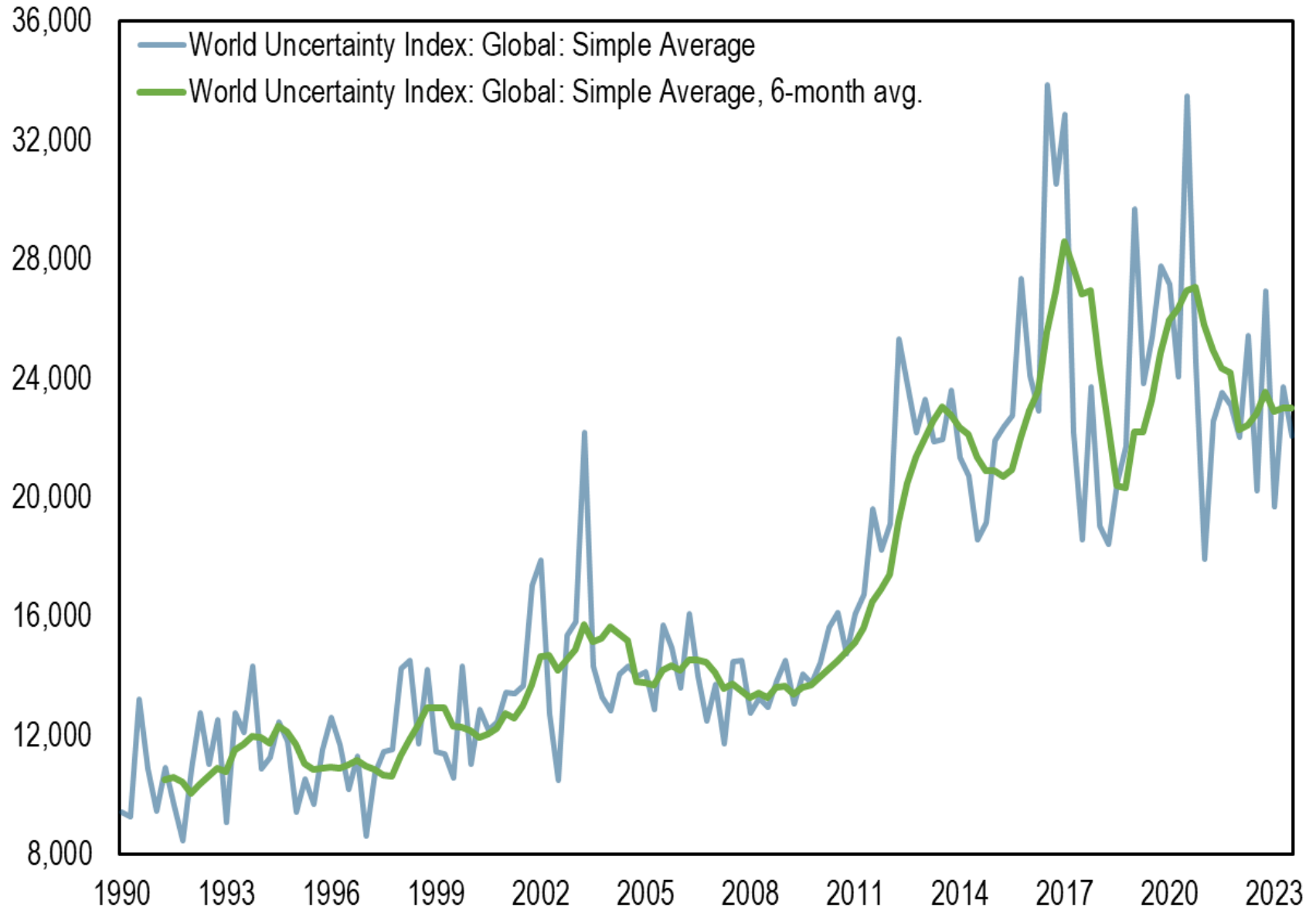
UST = U.S. Treasury

U.S. Debt Continues to Increase Risking Pressure On Inflation, Longer-Term Rates



Source: U.S. Treasury/Haver Analytic

International Wild Cards Complicate Outlook

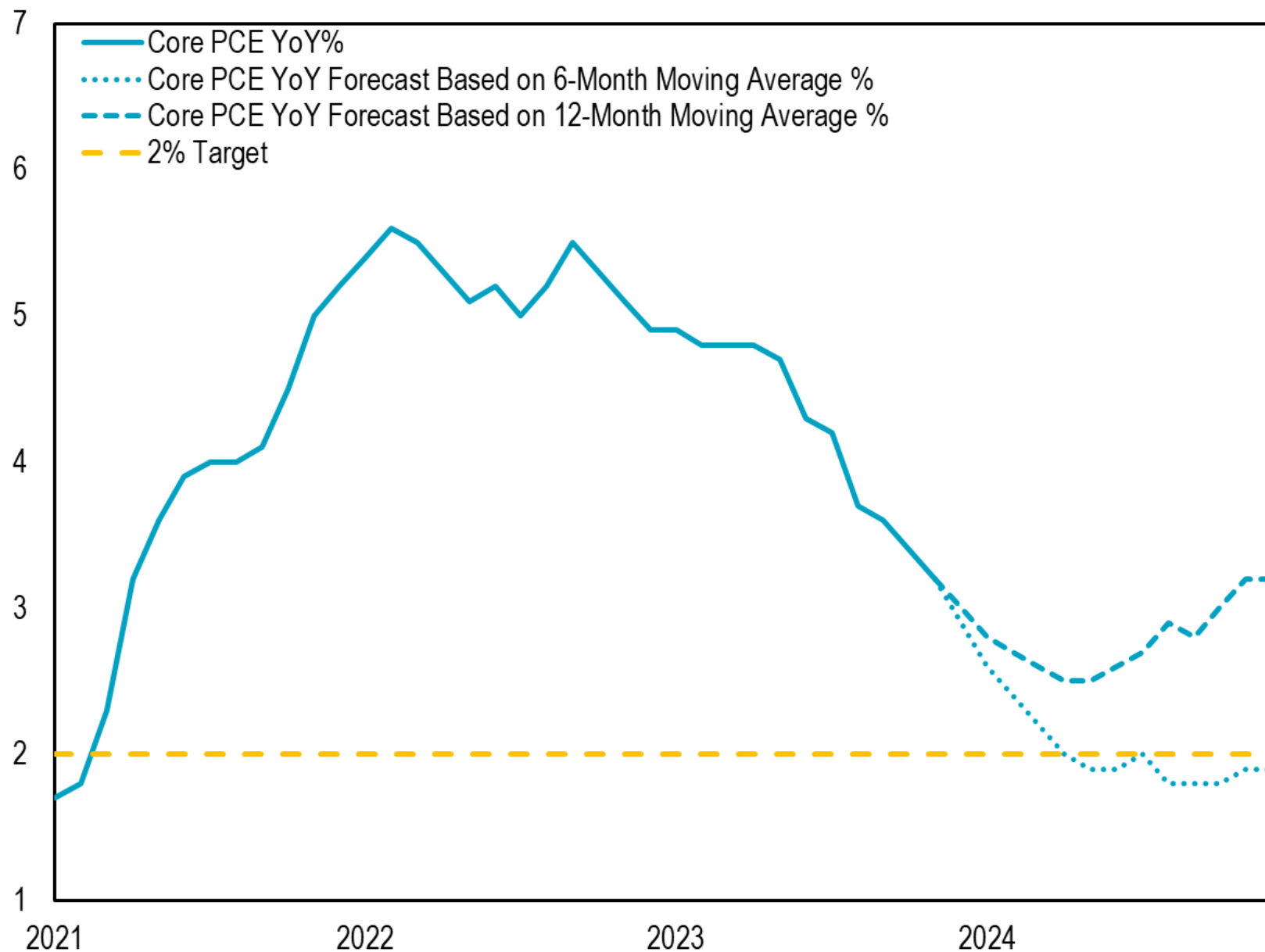


Source: FRED

Far From Ideal Market Conditions with the Fed's Price Stability Mission Not Yet Complete

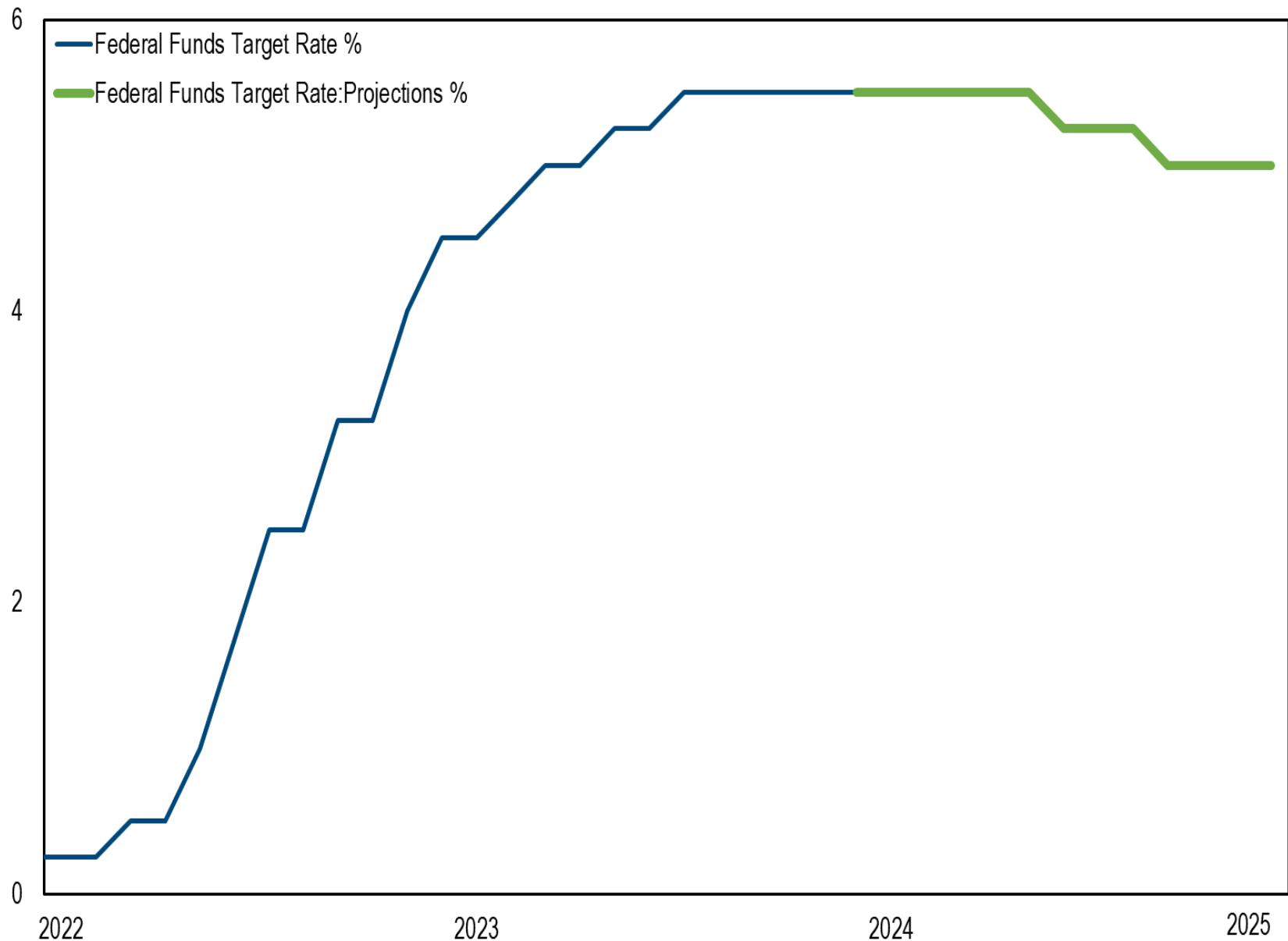
- Bloated and growing government balance sheet
- A reduction in longer-dated yields
- Rising equity market valuations
- A more confident and “*spendy*” consumer
- High investor confidence for a first-quarter rate cut
- International and geopolitics risks

Inflation to Remain Uneven, Uncertain, Elevated



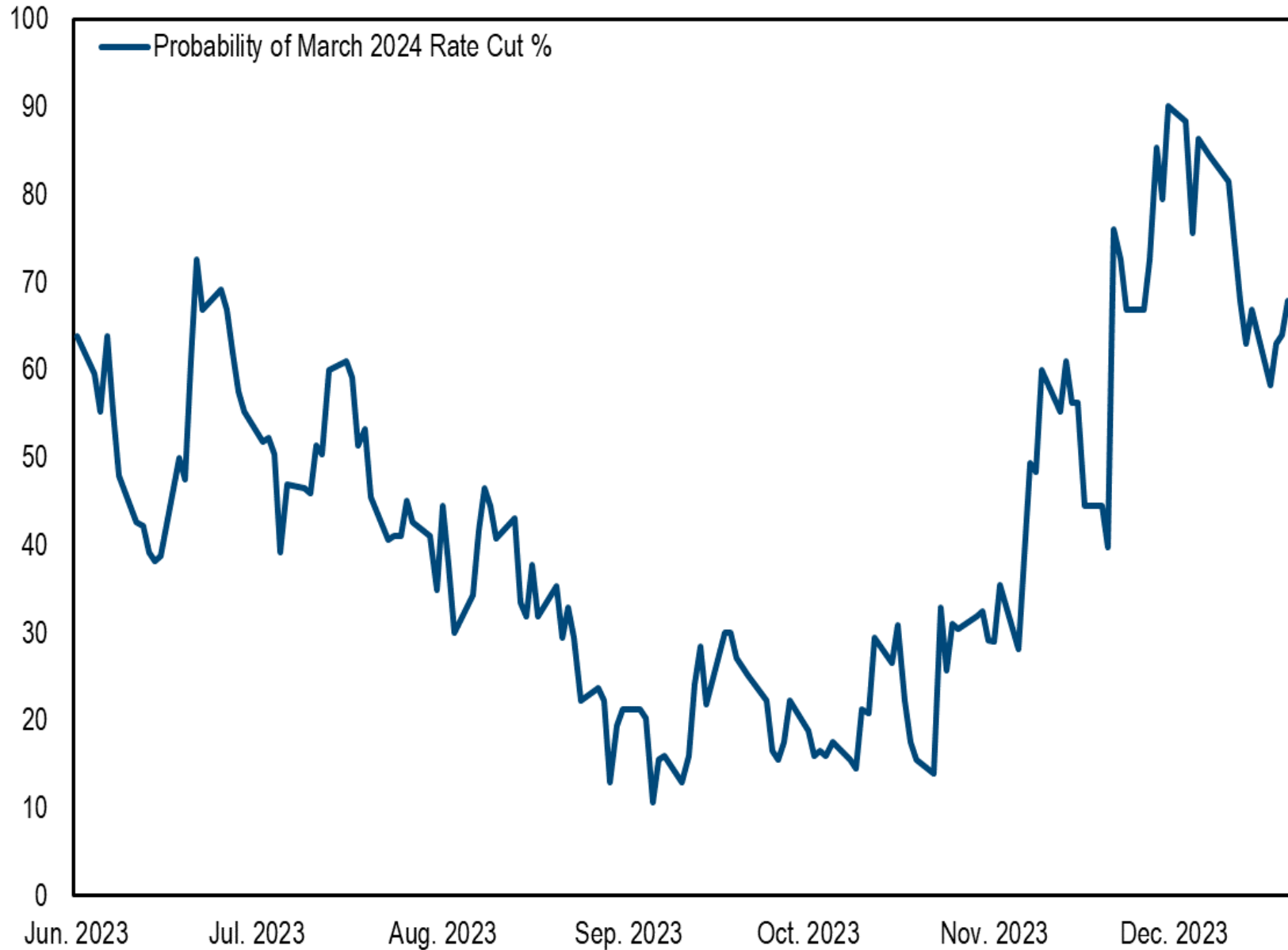
Source: Bureau of Economic Analysis/Haver Analytics/Stifel

Fed Likely to Cut Rates – Eventually, Likely Delayed Until the Second Half of 2024



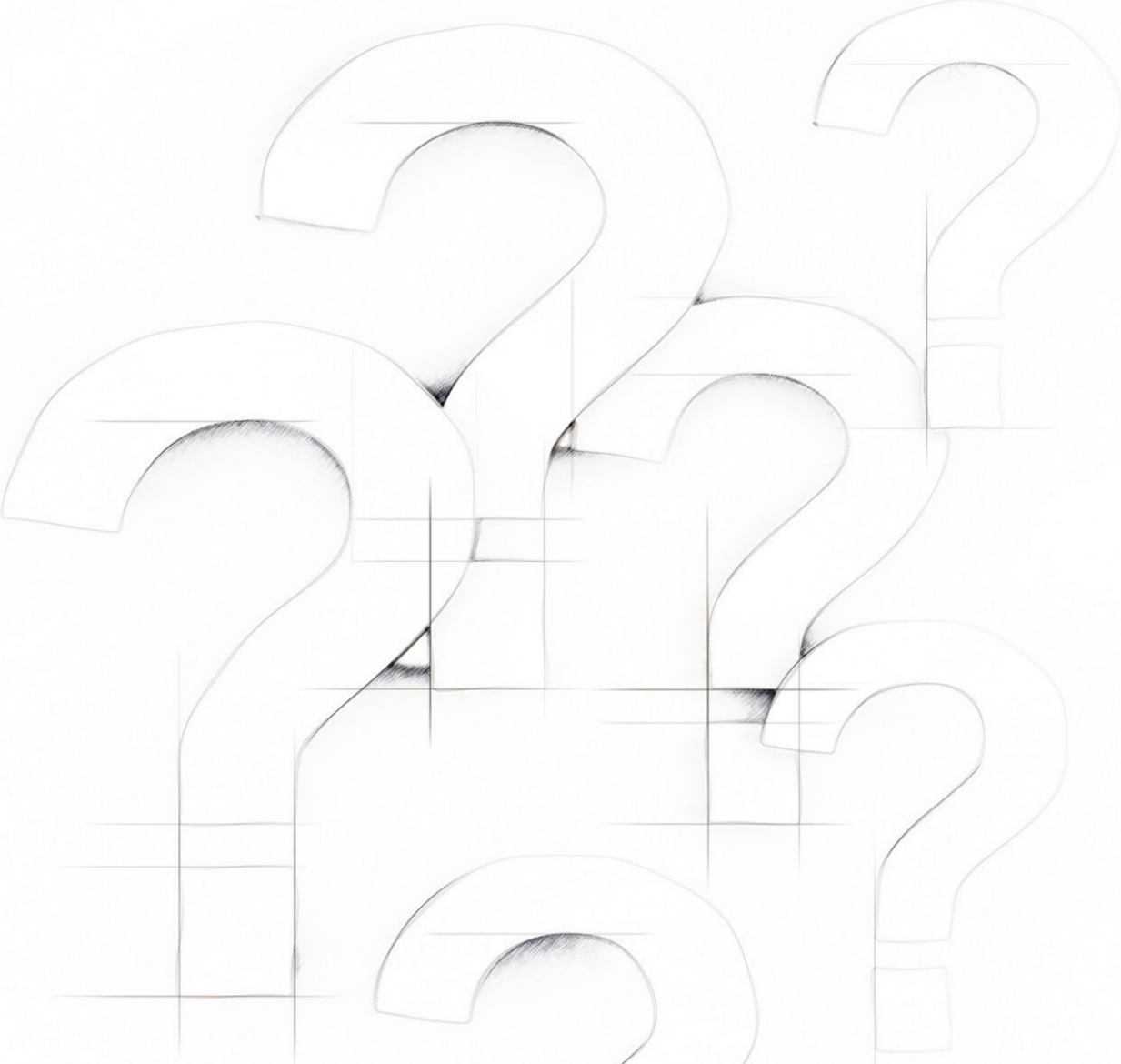
Source: Bureau of Economic Analysis/Federal Reserve Board/Stifel

Market Expectations for March Rate Cut Remain Robust Despite Still Too-High Inflation



Source: Bloomberg

Q&A



Thank you

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