

# MARKET SIGHT LINES



## Outlook 2024 Spotlight No. 1: A Brief Summary

By Michael O'Keeffe, *Chief Investment Officer*



Well, we're excited to start 2024, and as is my team's practice, this week we released our outlook report, **Outlook 2024: *Embracing Change***. You can read the [full report](#), watch a [video summary](#), or watch the replay of yesterday's [client webinar](#), but in this week's Sight|Lines, we again start the year by sharing a brief overview of the report.

### **THE TAKEAWAY: OUR REPORT AGAIN CONTAINS NUMEROUS ARTICLES, LOOKING BACK AND FORWARD**

Outlook 2024: *Embracing Change* shares several articles designed to help you look back at 2023, then look forward to 2024 and beyond. In summary:

- Our *2023 Year in Review* discusses how inflation cooled slowly, the Federal Reserve (Fed) remained hawkish, and market rates remained elevated, even as economic growth and equity returns were better than expected.
- In *Outlook 2024: Embracing Change*, we present our outlook for still lower inflation, an eventual shift in Fed policy, muted but positive economic growth, and modestly positive stock market returns.
- Our colleague, Stifel Washington Policy Strategist Brian Gardner, once again shares his *Washington Policy and Political Outlook*, highlighting for a busy start to the year, the administration's regulatory agenda focus, the setup for the 2024 election, and even a look into 2025.
- *An Investor's Handbook for Election Years* offers insights on what to expect of markets during an election.
- *Geopolitical Risk Dashboard: A New World* reviews risks like Middle East Conflict and Financial Instability.
- *AI Revolution: Transforming Industries and Investments* shares perspective on the rapid development and deployment of artificial intelligence in today's world.
- We share other articles designed to help you learn about our asset allocation approach and insights, our investment management process, and where to find our guidance going forward.

### **IN-DEPTH: OUR OUTLOOK REPORT ARTICLES ON TOPICS LIKE 2023 RESULTS, D.C. POLICY, GEOPOLITICS, AND ARTIFICIAL INTELLIGENCE HELP SET UP OUR 2024 OUTLOOK**

My team and I have been keenly focused recently on what seems like an ever-changing world, so we've aptly titled our report **Outlook 2024: *Embracing Change***. Changes in focus include lower inflation, a potential shift in Fed policy, a slowing economy, increasing geopolitical tensions, a possible D.C. power shift, and meaningful transformations being driven by artificial intelligence. Going a little deeper:

- Our *2023 Year in Review* shares that results were generally better than most expected:
  - Headline Consumer Price Index hit 3.1% in November, well along its path to the Fed's 2% target.
  - GDP is estimated to have grown 2.4% for the year, well above the 0.3% consensus estimate.
  - The S&P 500 returned 26.3%, while the Bloomberg Aggregate Bond Index posted a 5.5% return.
  - The Fed signaled a potential dovish policy shift at its December meeting.
- In *Outlook 2024: Embracing Change*, we present our outlook for the year:
  - Inflation cools close to the Fed's 2% target.
  - The Fed cuts rates 0.50%-0.75% later in the year, and market interest rates remain range bound.
  - Economic growth slows but stays positive, with GDP up 0%-1% for the year.
  - And the S&P 500 earns a modestly positive return of 6.3%, ending the year at 5,000.
- Stifel Washington Policy Strategist Brian Gardner shares his *Washington Policy and Political Outlook*:
  - D.C. will see a busy start to the new year, with focus on the budget and debt ceiling.
  - We expect more regulation in areas like banking and climate disclosure.
  - Of course, the 2024 election is in focus, with a likely rematch of 2020.
  - We take a look into 2025, when 2017 tax breaks are scheduled to expire.
- An *Investor's Handbook for Election Years* offers insights on what to expect of markets during an election:
  - Markets typically rise after an election as uncertainty fades.
  - Markets rise, on average, regardless of which party holds the presidency.
  - Sector performance is sometimes related to the goals of the incoming administration.
  - Time in the market is better than timing the market, even during election years.
- *Geopolitical Risk Dashboard: A New World* reviews new and increased risks like Middle East Conflict and Financial Instability.
  - We evolve our Middle East risk to *Middle East Conflict* to acknowledge the Hamas-Israel war.
  - Our new risk, *Financial Instability*, assesses higher levels of debt and market rates.
- *AI Revolution: Transforming Industries and Investments* highlights how AI will be changing the world:
  - Changes include a transformed labor market and increased productivity.
  - Investment opportunities are seen with *Enablers*, *Innovators*, and *Disruptors*.
- We share other articles designed to help you learn and invest:
  - *Allocation Insights* shares our continued focus on quality looking forward.
  - *Stifel's Approach to Asset Allocation* and *Our Investment Management Process* describe some important foundations of our investment approach for clients.
  - And we provide an explanation of where to find our guidance, [stifelinsights.com](https://www.stifelinsights.com).

## CONCLUSION

This week we released **Outlook 2024: Embracing Change**. We have a modestly positive outlook for 2024, with the economy and markets slowing, compared to 2023. We offer the [full report](#), [video summary](#), and a replay of the [client webinar](#) we held yesterday.

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Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

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