

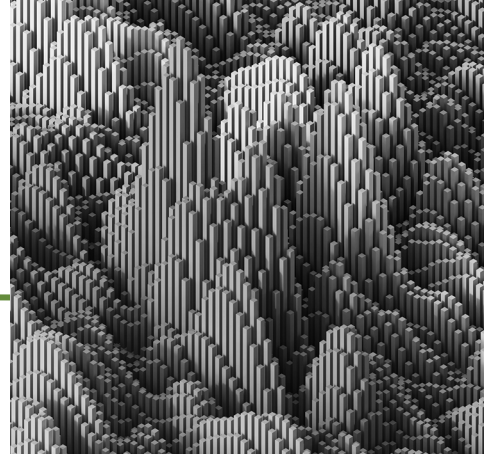
# MARKET SIGHT LINES



## Spotlight No. 2:

### Outlook 2024: *Embracing Change*

By Michael O'Keeffe, *Chief Investment Officer*



Last week, my team and I released our outlook report, **Outlook 2024: *Embracing Change***. While you can read the [full report](#) or watch the [video summary](#) or [client webinar replay](#), in this week's Sight|Lines, we share a summary of our economic and market outlook for the coming year.

## **THE TAKEAWAY: WE HAVE A MODESTLY POSITIVE VIEW FOR 2024 DESPITE CHANGES**

While our full report, **Outlook 2024: *Embracing Change***, contains several articles, we share our views for the coming year in the article also titled *Outlook 2024: Embracing Change*. In summary:

- We see changes in numerous areas in 2024, like further adoption of artificial intelligence (AI).
- We expect U.S. economic growth to slow but remain modestly positive.
- We believe core Personal Consumption Expenditure (PCE) inflation will fall close to the Federal Reserve (Fed)'s 2% target by the end of 2024.
- We expect the Fed to keep rates steady to start, then begin cutting rates up to 0.75% later in the year.
- We see consensus earnings growth forecasts for the S&P 500 as too optimistic and have set an index target of 5,000 for year end.
- We anticipate daily stock market volatility to rise to levels just above long-term averages.
- After rising to about 5% in the fourth quarter, we expect the 10-year Treasury yield to be range-bound between 3.75%-4.25% through the year, and corporate spreads remaining under control.

## **IN-DEPTH: OUR 2024 OUTLOOK IS MODESTLY POSITIVE, AND WE ANTICIPATE CHANGES IN FED POLICY, INFLATION, ECONOMIC GROWTH, AND MARKET RESULTS**

In the wake of an unexpectedly strong economy and stock market in 2023, we're expecting changes in 2024, including a slower economy and more muted market returns. Going deeper:

- We see numerous changes in 2024, like:
  - Expanded use of AI, positively impacting productivity.
  - An increased focus on new supply chain and infrastructure investments globally.

- A greater focus on *Fiscal Transition*, given increased debt and interest rates.
- Increasing geopolitical tensions, driven in part by a global election supercycle.
- Our forecasts for 2024 indicate a slower economy and more muted market returns:
  - We expect core PCE inflation to hit 2.00%-2.25% (4Q/4Q).
  - We anticipate GDP growth of 0.0%-1.0%.
  - We expect the Fed to cut rates 0.75% later in the year, bringing the fed funds target rate range to 4.50%-4.75%.
  - Our year-end S&P 500 target of 5,000 translates to a total return of 6.3%.
  - We see the 10-year Treasury yield as range-bound between 3.75%-4.25% through the year.
  - We expect to issue 25 Market Pulse publications this year, one for each day the S&P 500 moves down or up 2% or more.

## CONCLUSION

Last week, my team and I released our outlook report, **Outlook 2024: *Embracing Change***. You can read the [full report](#) or watch the [video summary](#) or [client webinar replay](#). In the wake of better-than-expected economic and market results in 2023, our economic and market outlook is more muted but modestly positive for 2024.

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