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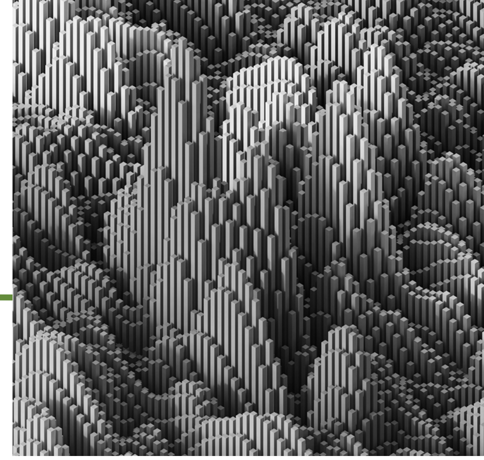
MARKET SIGHT*LINES*



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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