

bouchey
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**Q1 2024 Market
and Economic Update**

April 10th, 2024

Presenters



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Market & Economic Momentum

Today we will discuss:

- 1st Quarter Recap
- Economic Overview
- The Fed & Fixed Income Outlook
- Market Outlook & Expectations

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Inflation Continues to Hover



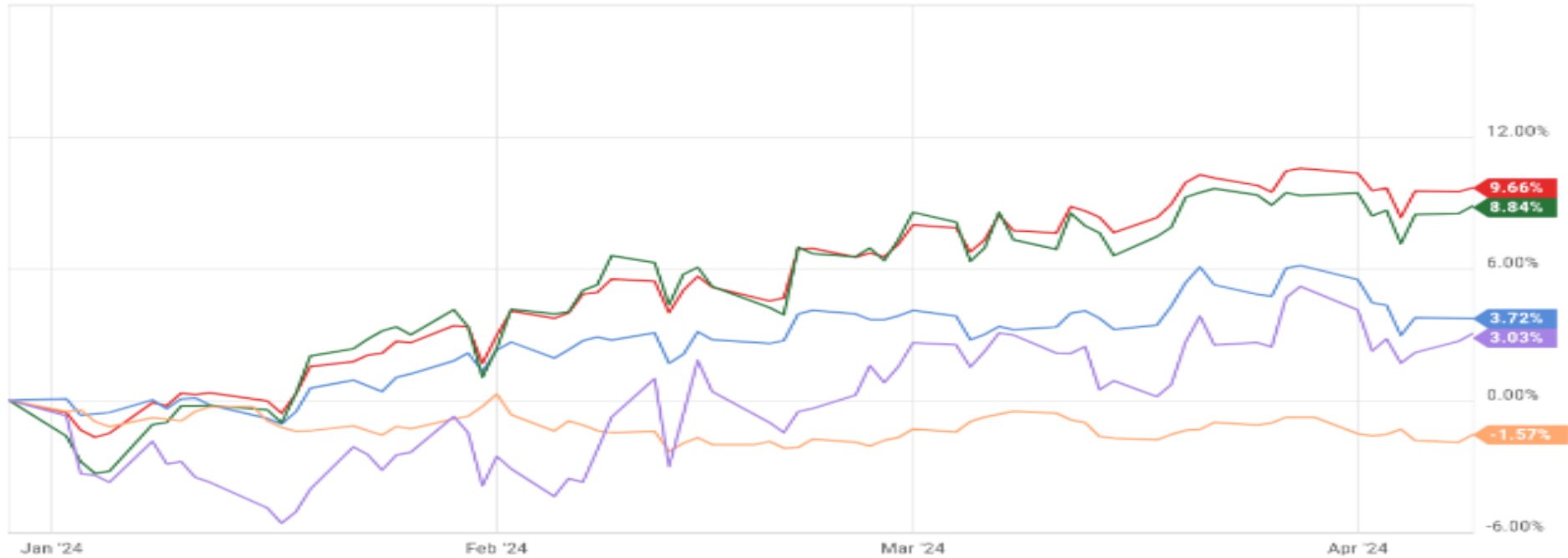
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YTD Market Performance Recap

- S&P 500 Total Return
- Dow Jones Industrial Average Total Return
- Nasdaq Composite Total Return
- Bloomberg US Aggregate
- Russell 2000 Total Return



BFG Portfolio Tactical Allocation

Overweight
U.S. Equities
Technology
Quality
Growth
Short Term Bonds

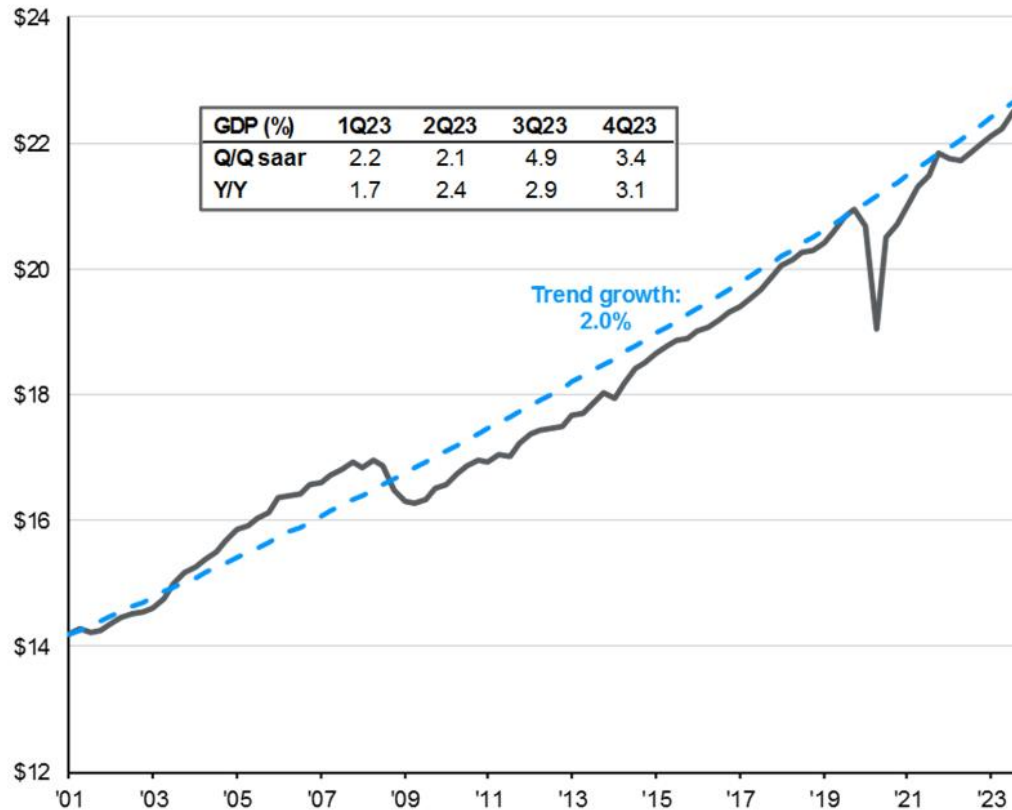
Underweight
International Equities
High Yield Debt
Small Cap's
Real Estate

Economic Overview

US Economic Growth

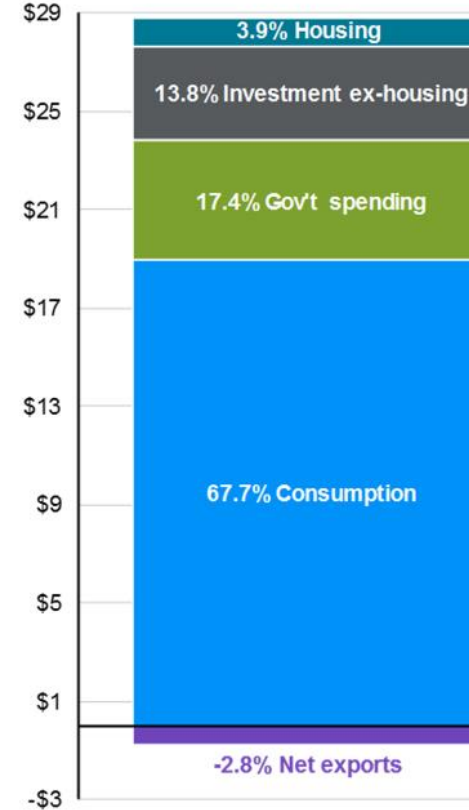
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

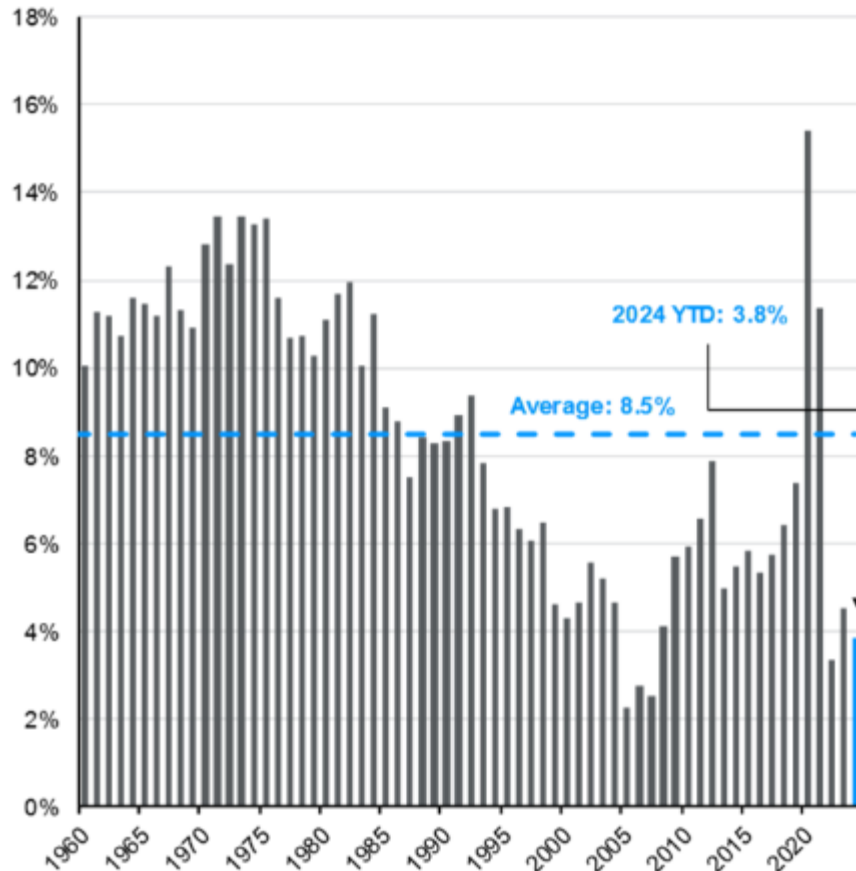
4Q23 nominal GDP, USD trillions



Consumer Finances

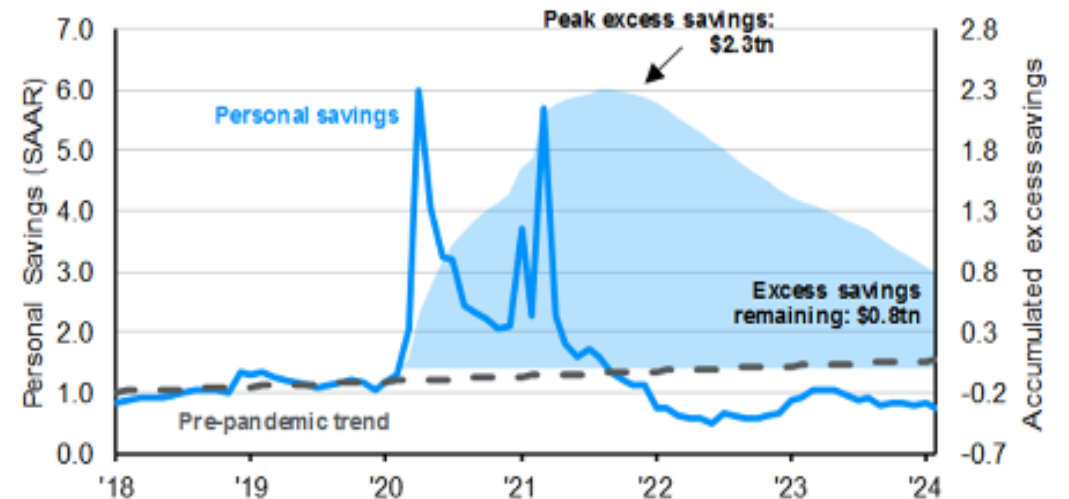
Personal saving rate

Personal savings as a % of disposable personal income, annual



Household excess savings

Trillions of USD



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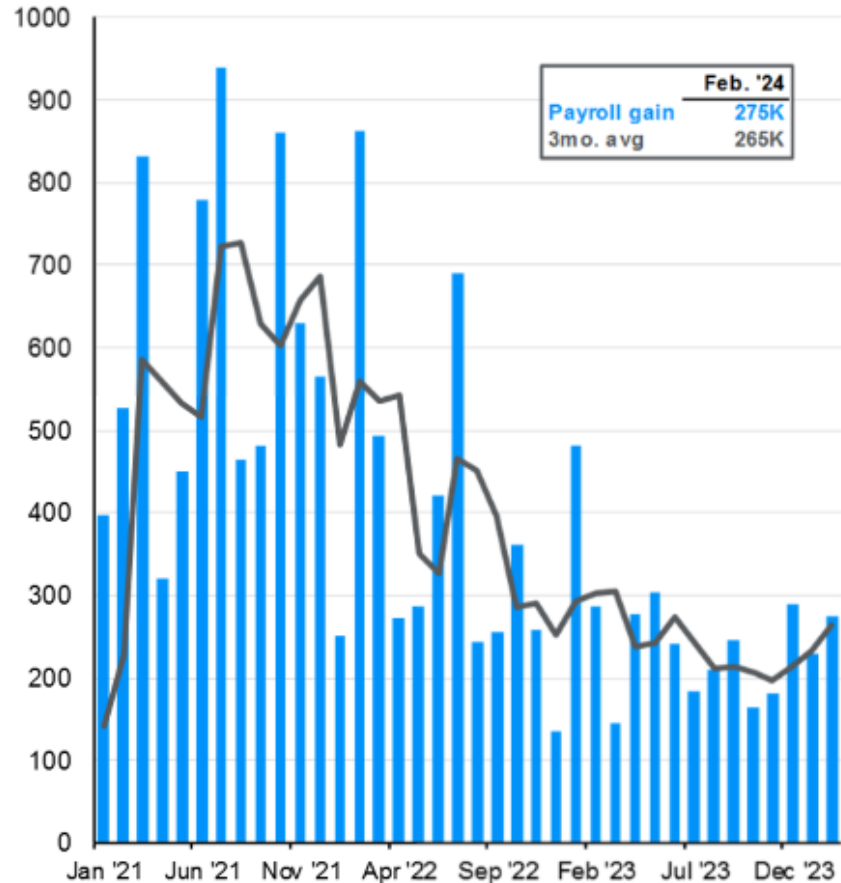
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Labor Market

Nonfarm payroll gains

Month-over-month change and 3mo. moving average, SA



Labor force participation

% of civilian noninstitutional population, SA



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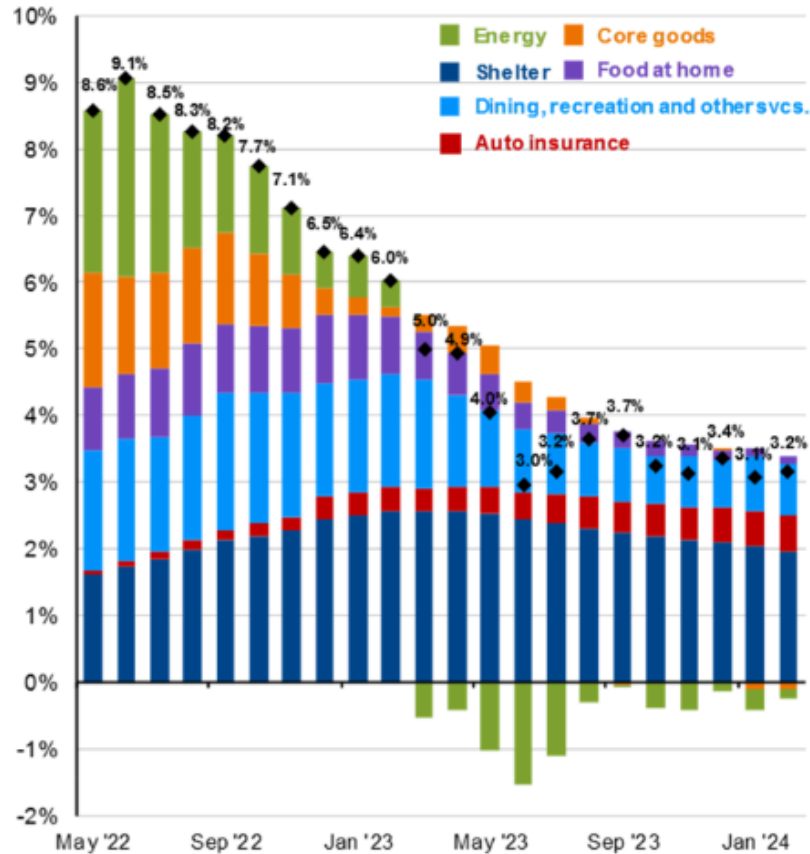
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Inflation Progress

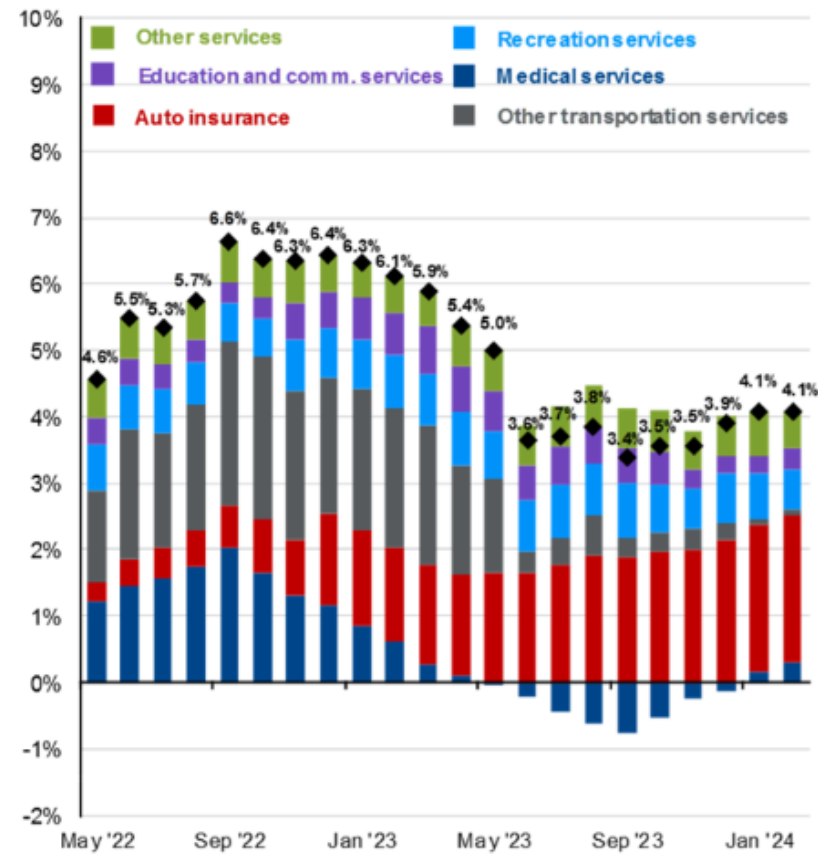
Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Contributors to core services ex-shelter CPI inflation*

Contribution to y/y % change in custom CPI index, non-seasonally adj.



Recap

- 2024 looks set to be another year of expansion
- Consumer spending continues to be a strength although savings are dwindling
- All signs point to a strong labor market
- Inflation remains sticky above 3%

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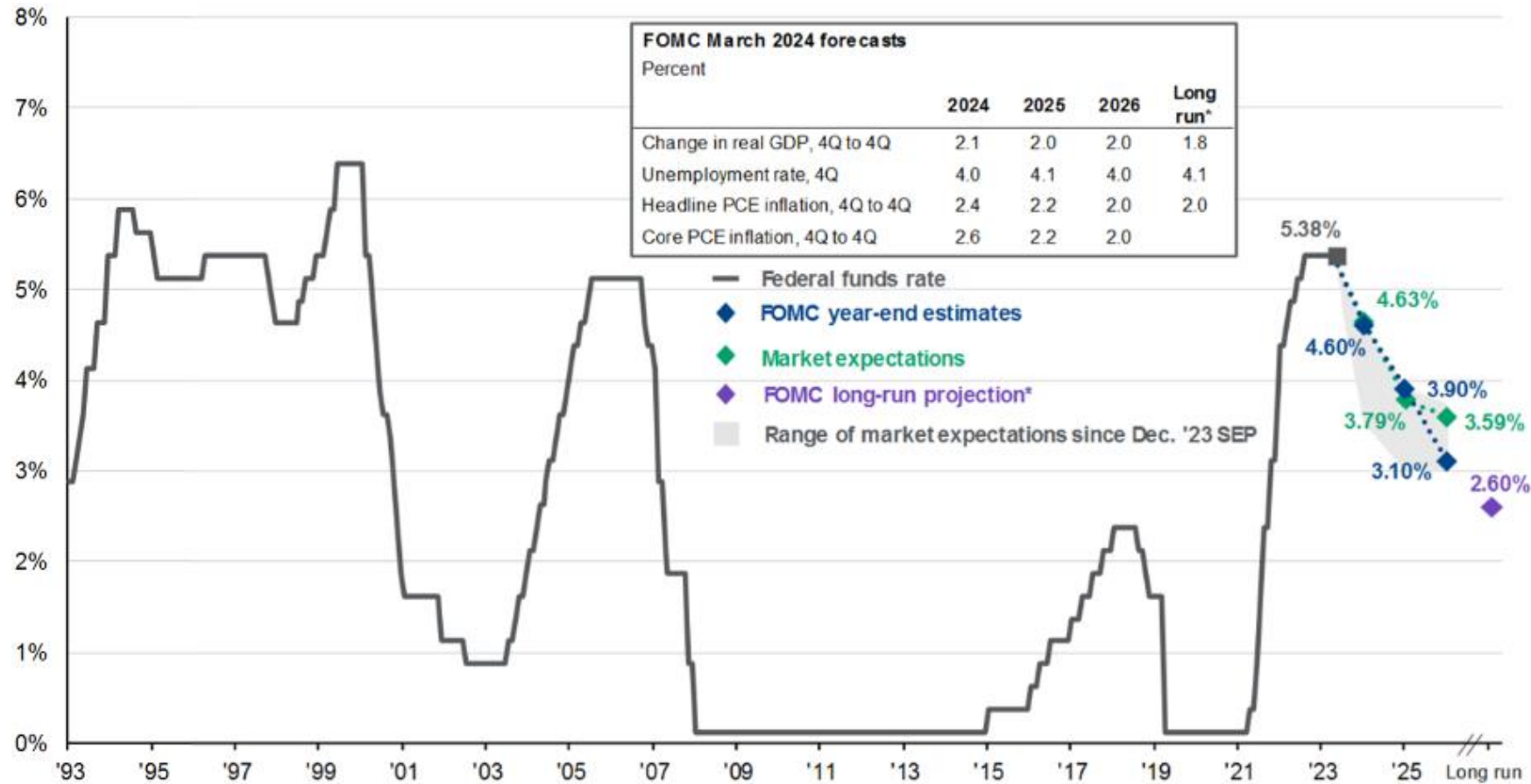
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The Fed & Fixed Income Outlook

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The Fed & Interest Rates

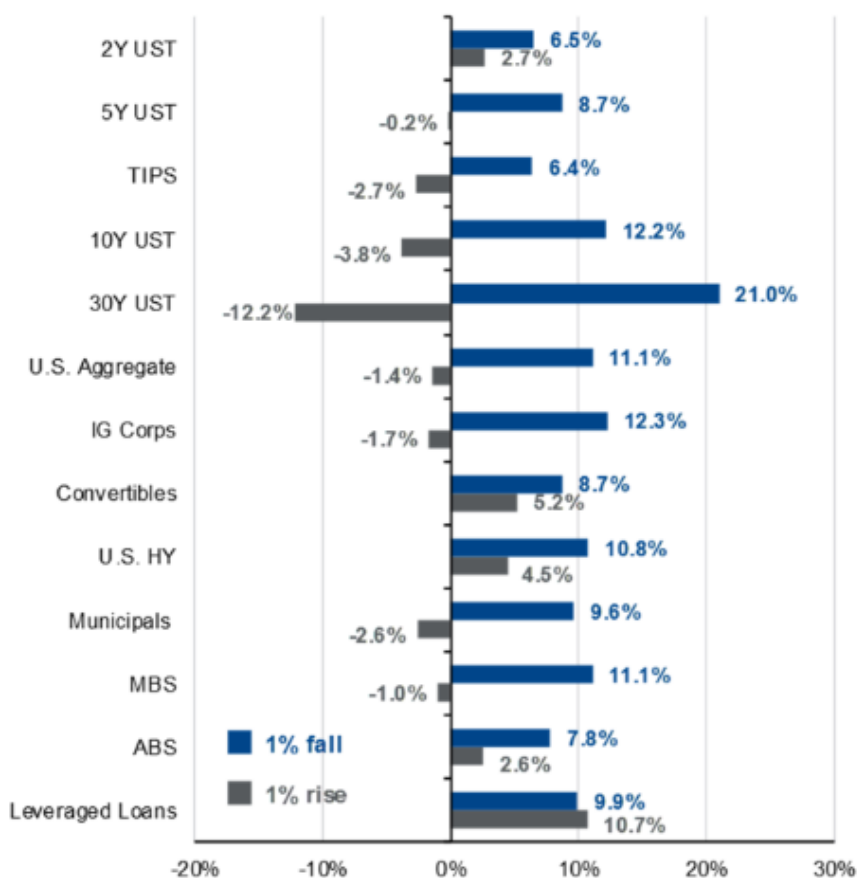


Fixed Income: Risk vs Reward

U.S. Treasuries	Yield		Return			
	3/31/2024	12/31/2023	2024 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.59%	4.23%	0.24%	2 years	0.75	-0.02
5-Year	4.21%	3.84%	-0.78%	5	0.94	-0.07
TIPS	1.85%	1.72%	-0.08%	7.3	0.71	0.30
10-Year	4.20%	3.88%	-1.67%	10	1.00	-0.13
30-Year	4.34%	4.03%	-4.06%	30	0.93	-0.16
Sector						
U.S. Aggregate	4.85%	4.53%	-0.78%	8.4	0.87	0.24
IG Corps	5.30%	5.06%	-0.40%	10.8	0.60	0.48
Convertibles	6.64%	7.26%	2.09%	-	-0.10	0.87
U.S. HY	7.66%	7.59%	1.47%	4.9	-0.02	0.76
Municipals	3.49%	3.22%	-0.39%	13.3	0.68	0.27
MBS	5.04%	4.68%	-1.04%	7.5	0.79	0.24
ABS	5.79%	5.65%	1.27%	3.6	0.05	-0.03
Leveraged Loans	10.32%	10.59%	0.63%	4.4	-0.14	-0.05

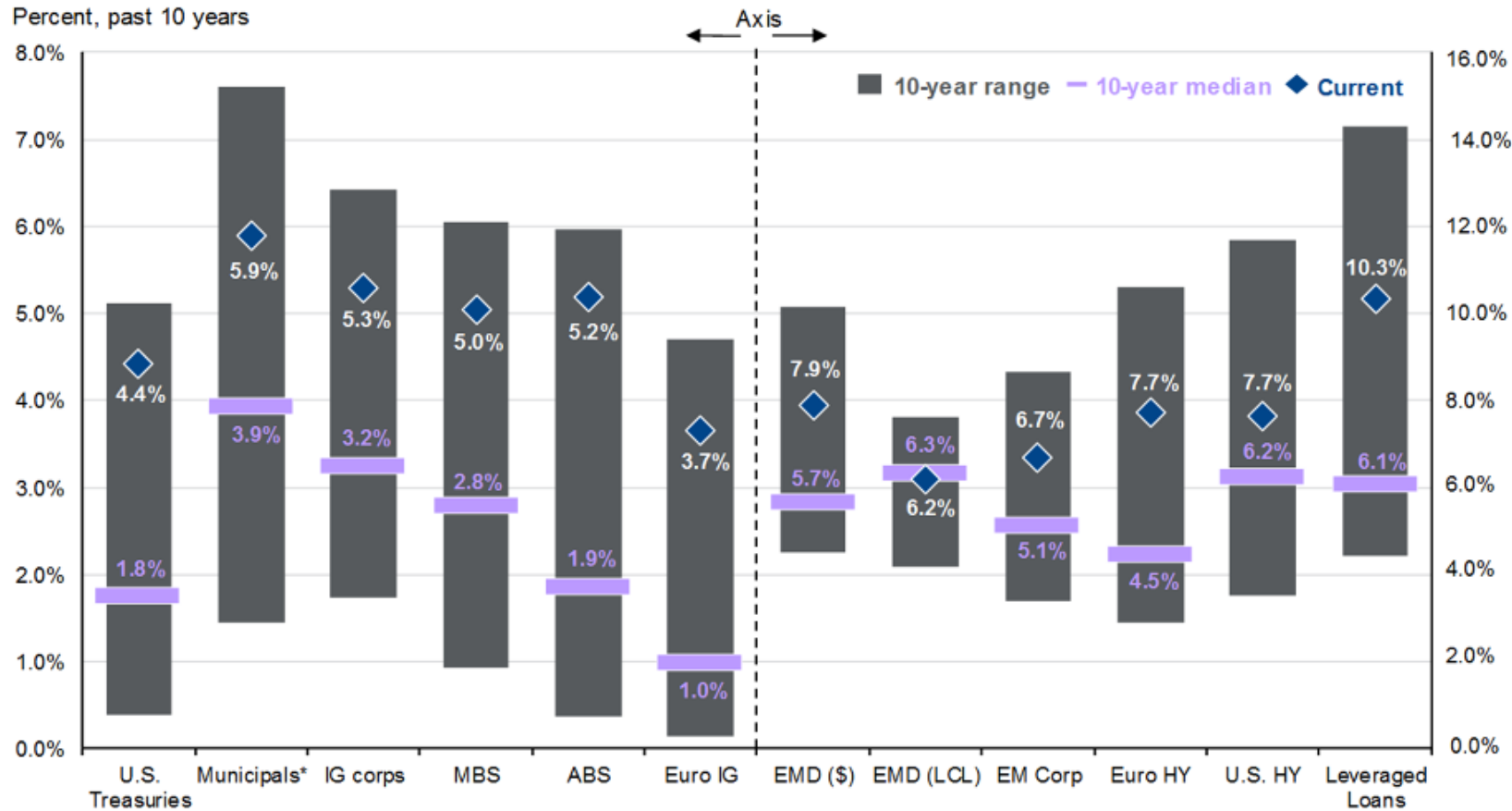
Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



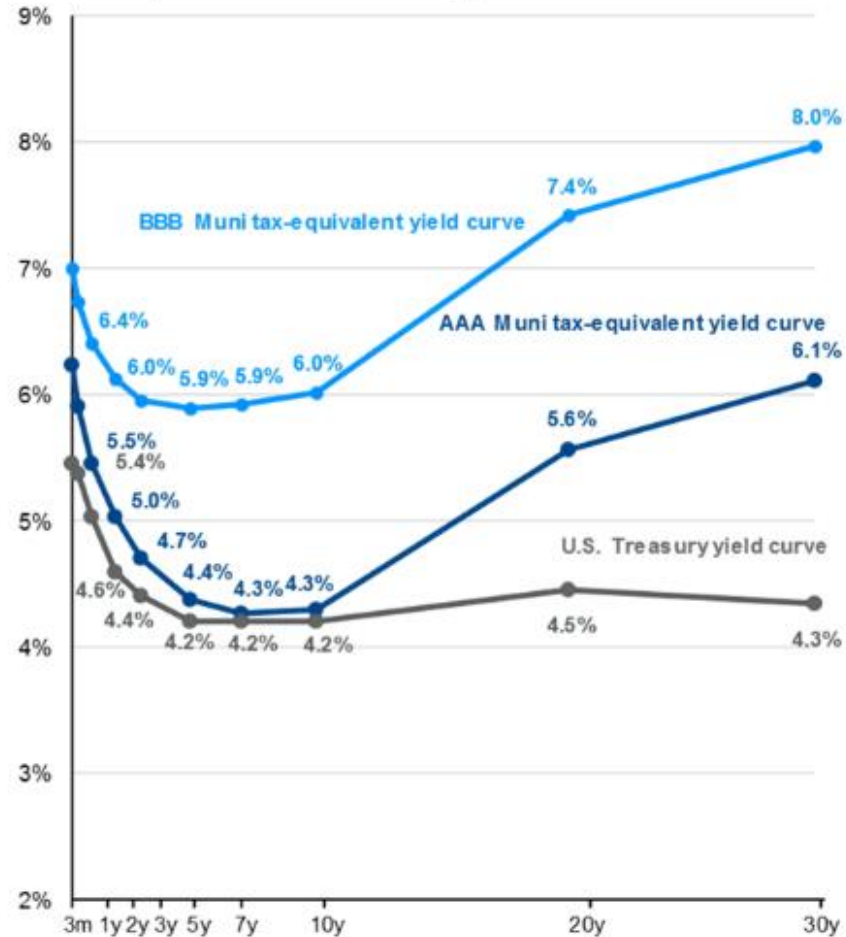
Fixed Income Valuations

Yield-to-worst across fixed income sectors
Percent, past 10 years



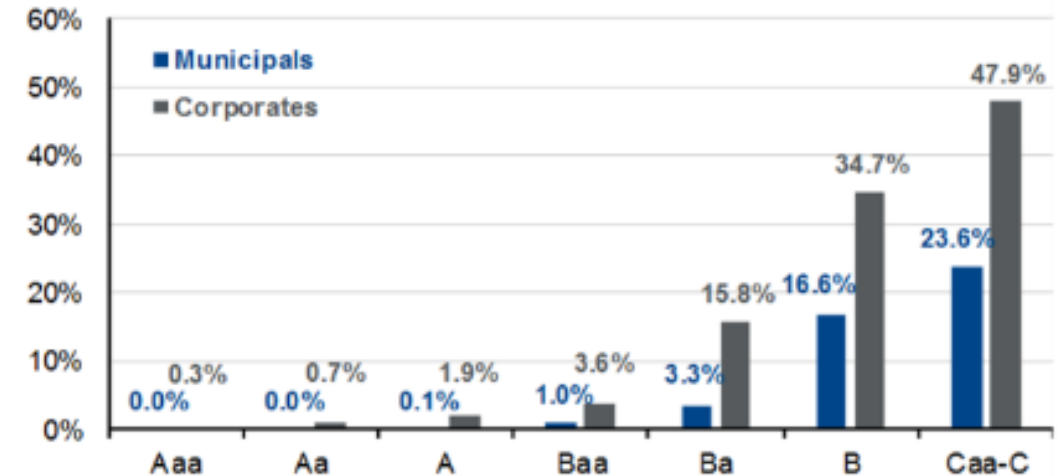
Municipal Bonds

Muni tax-equivalent and Treasury yield curves



Muni and corporate default rates

% of issuers defaulting within 10 years, 1970-2022



Recap

- The Fed's target of 3 rate cuts being put under pressure
- Bonds are providing diversification and a positive outlook
- Municipal bonds offering strong tax-equivalent yield for high income investors

Market Outlook & Closing Thoughts

What Are We Focused On?



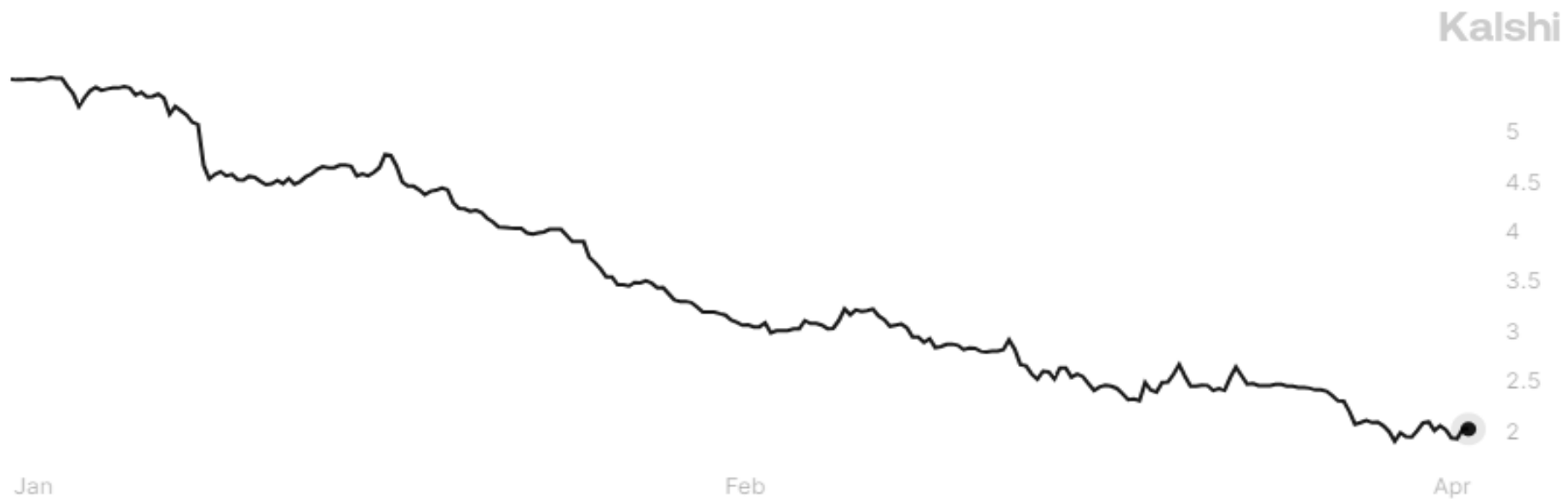
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How Many Cuts Should We Expect?

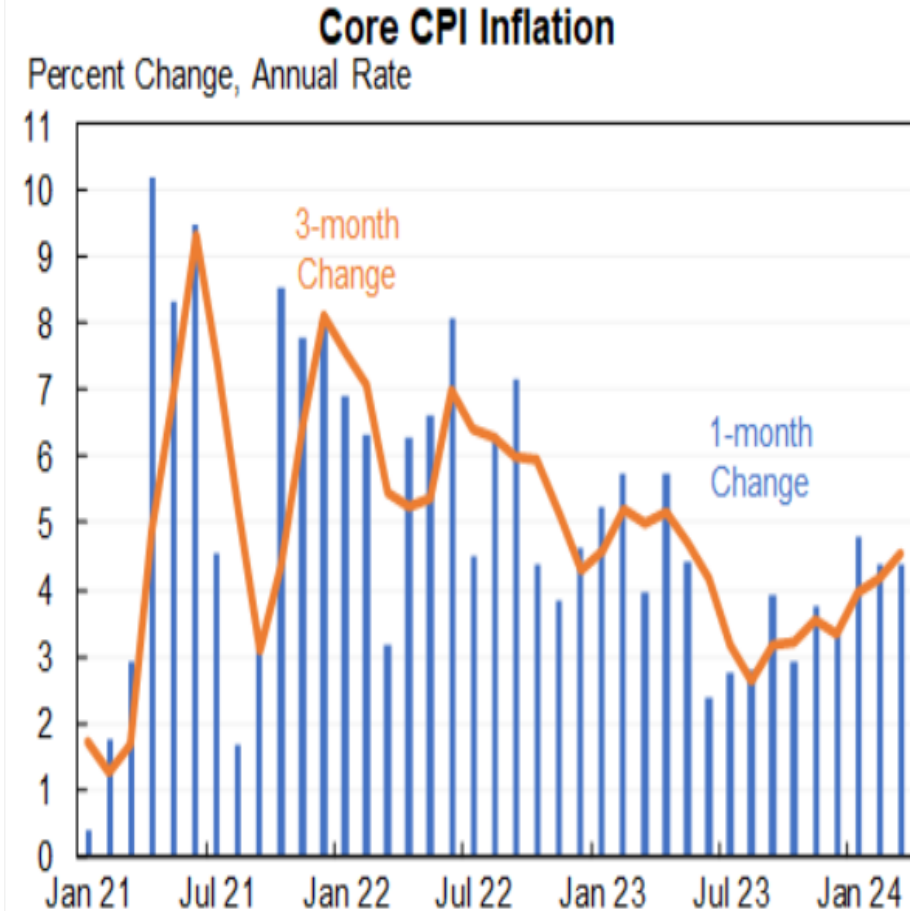
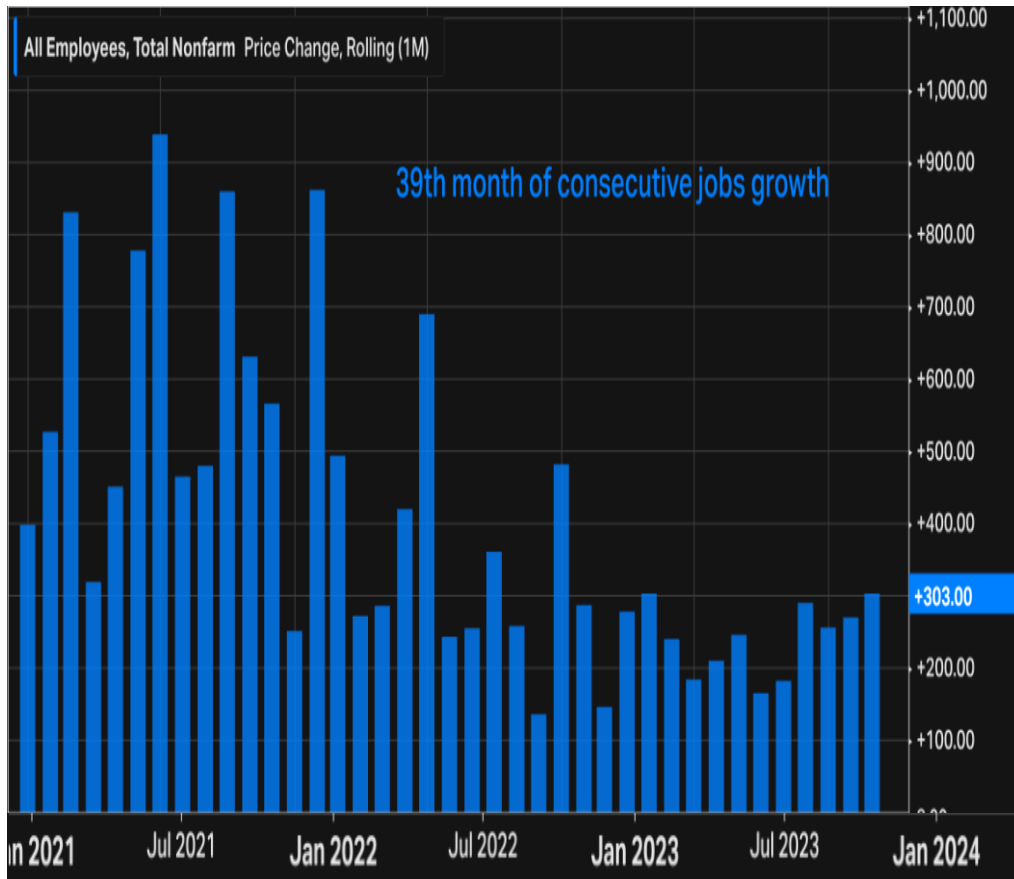
2 forecast ↓ 3.4



1W 1M 3M All

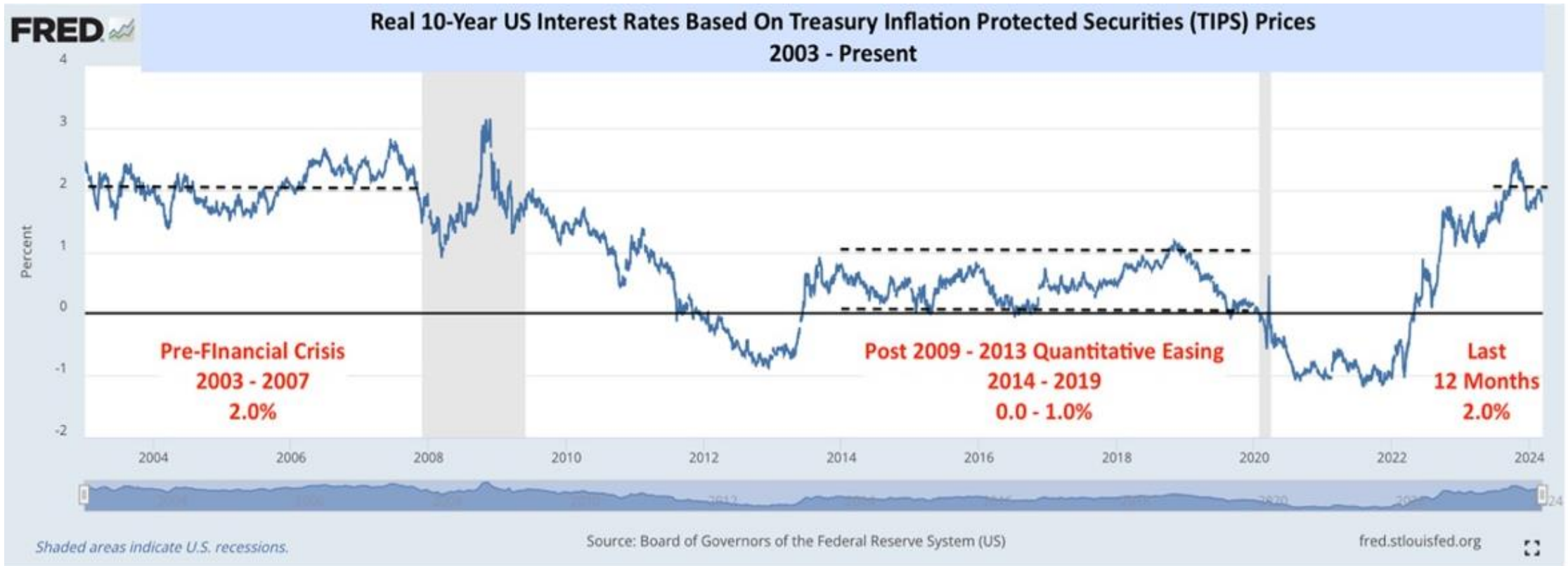
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The Reason Why - Jobs & Inflation



Source: Bureau of Labor Statistics via Macrobond; author's calculations.

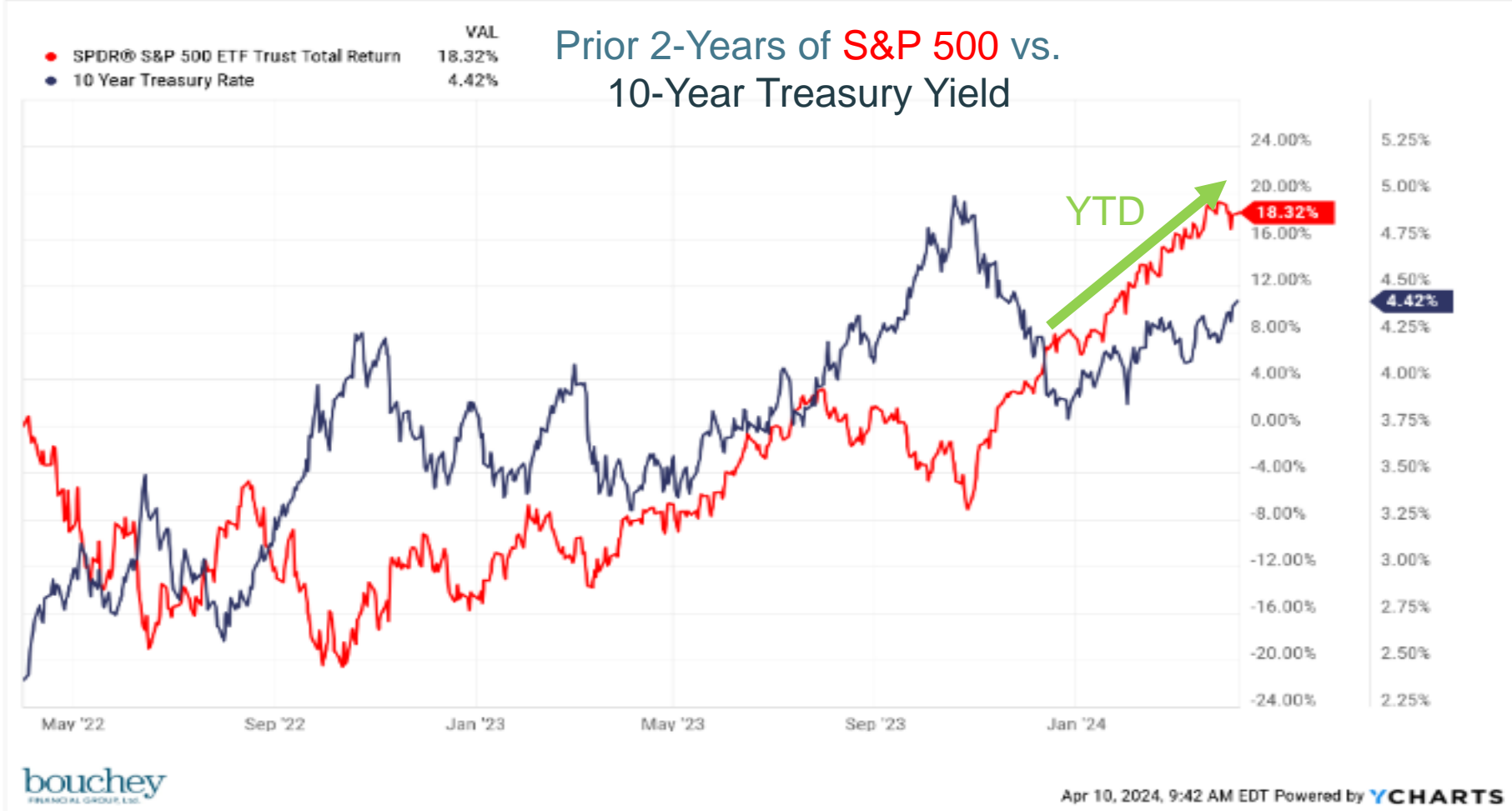
Higher for Longer Environment



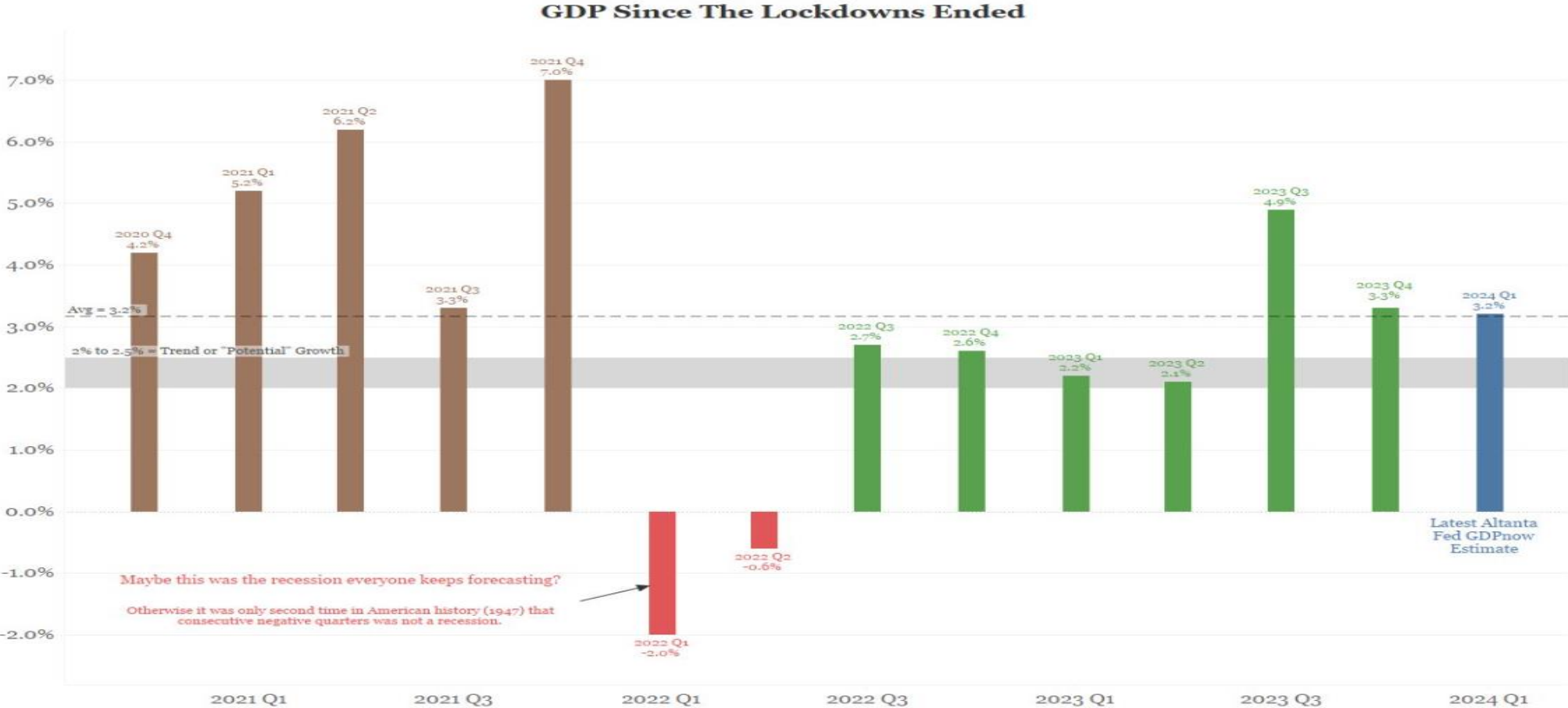
*DataTrek

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Stocks Are Shrugging It Off



Economy Continues Its Growth



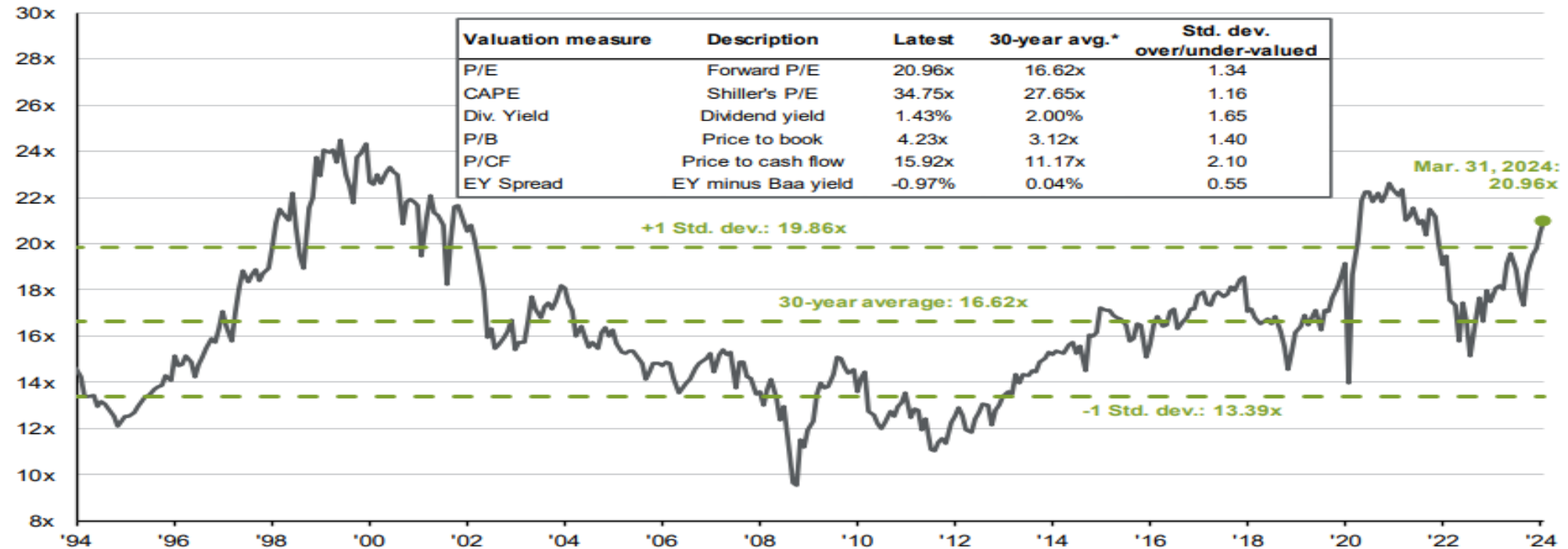
Data Source: Bloomberg

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Stock Risks – Valuations

S&P 500 Index: Forward P/E ratio

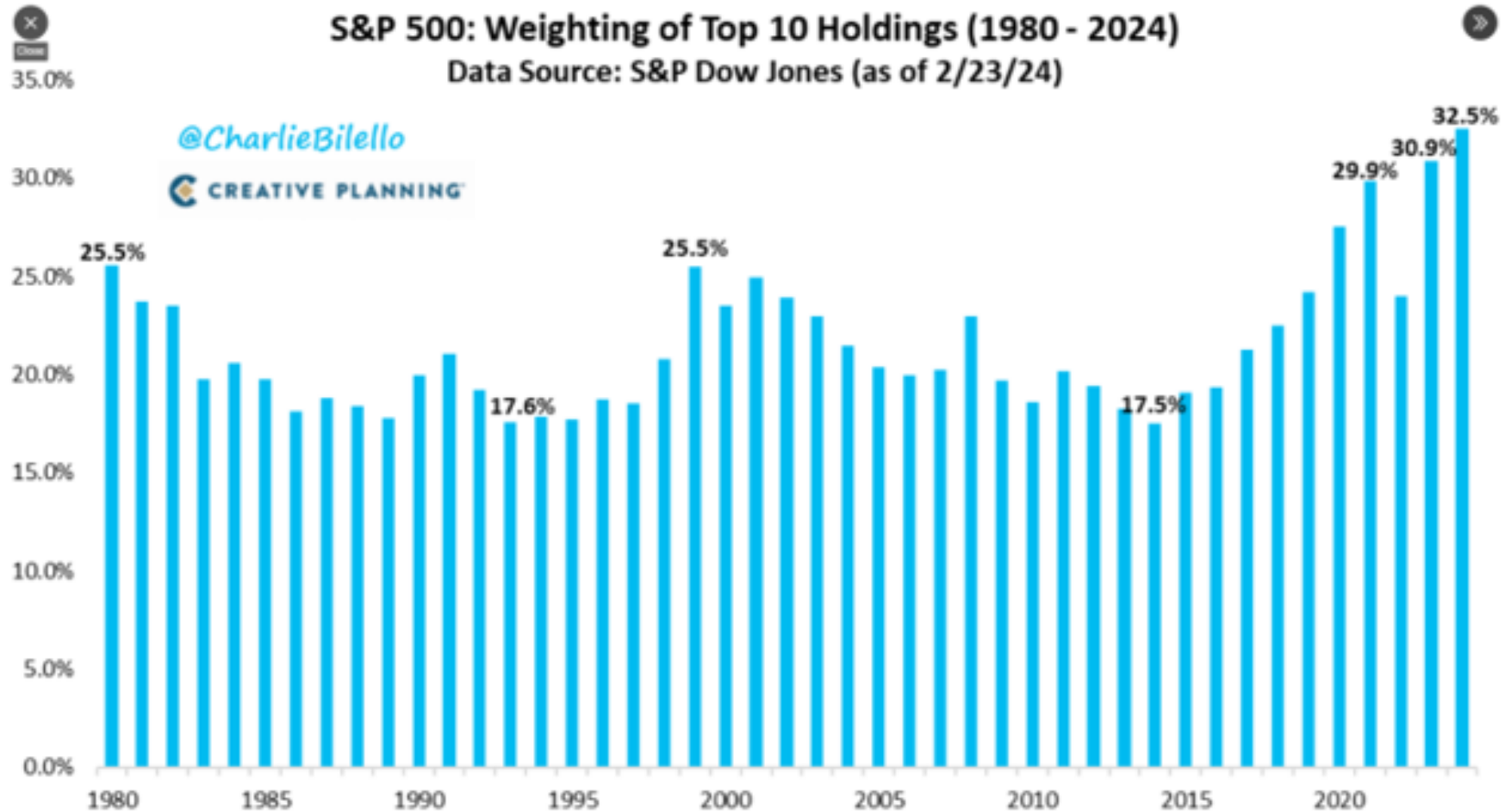


Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since February 1994 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$245. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability. *Guide to the Markets – U.S.* Data are as of March 31, 2024.

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Stock Risks – Top Heavy



Stock Risks – Top Heavy



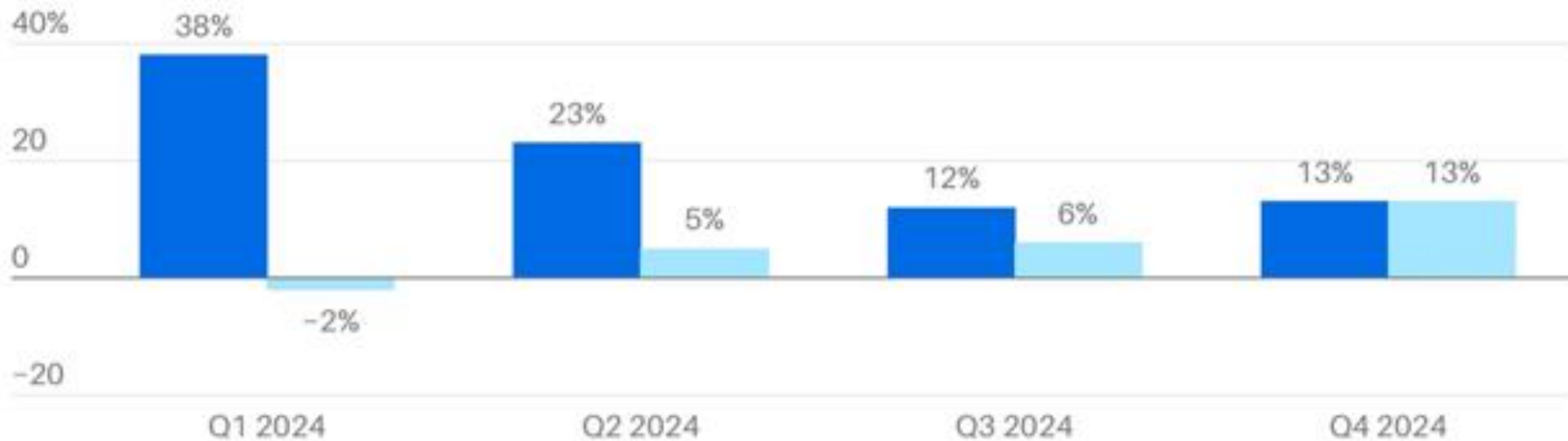
*Apollo

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The Case for Diversification

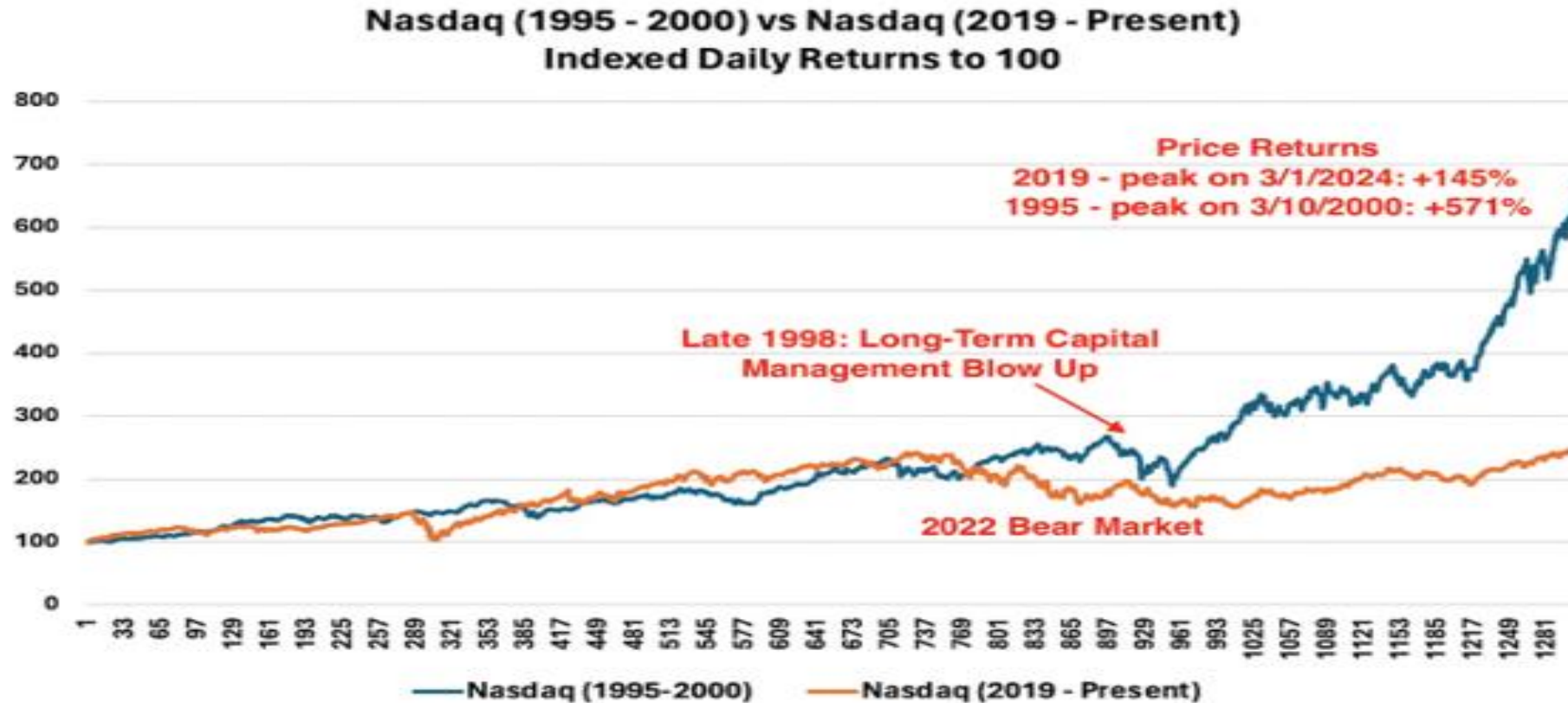
Y/Y EPS Growth Consensus Estimate

■ Magnificent Seven ■ S&P 493



Sources: FactSet, BofA Securities

Doesn't Feel Like a "Bubble"

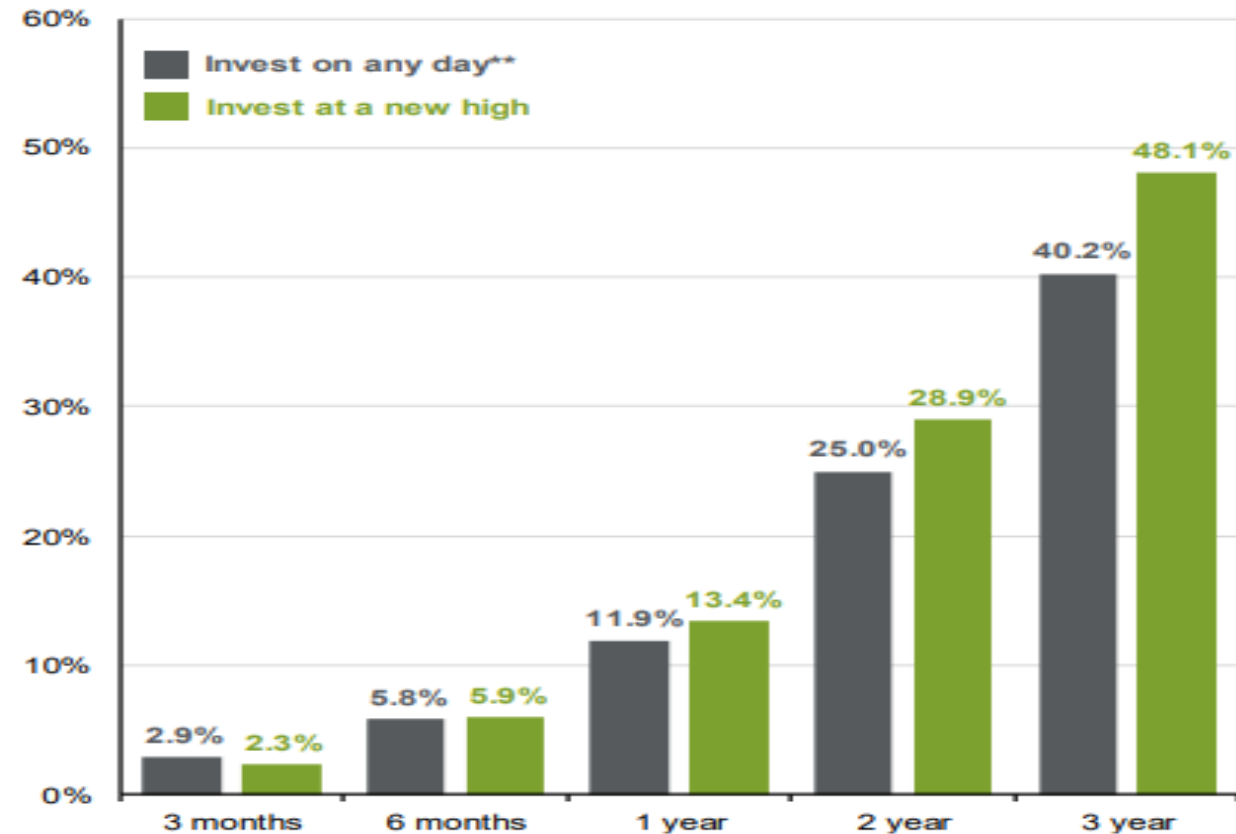


*DataTrek

All-Time Highs Are Positive

Average cumulative S&P 500 total returns

Jan. 1, 1988 - Dec. 31, 2023



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
(Left) *Market floor is defined as an all-time high from which the market never fell more than 5%. (Right) **"Invest on any day" represents average of forward returns for the entire time period whereas "Invest at a new high" represents average of rolling forward returns calculated from each new S&P500 high for the subsequent 3-months, 6-months, 1-year, 2-year and 3-year intervals, with data starting 1/1/1988 through 12/31/2023.
GuidetotheMarkets - U.S. Data are as of March 31, 2024.

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Closing Thoughts

- Higher for longer thesis still in place
 - Market is less dependent on rate cuts as we've seen YTD
 - Market will be driven by earnings
- Economy is strong
 - Should drive future earnings growth
 - The most predicted recession may be behind us
- Some risks in the market – hard to fully quantify
 - Momentum can be a good thing – take advantage where we can
 - Need to balance it with appropriate risk management & diversification

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Thank you for joining us!

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