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# 2024 Election Year Market & Economic Perspective

**April 11, 2024**

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# *Key Themes on the Minds of Investors*

- ◆ **The Election and Markets**
- ◆ **Economy**
- ◆ **Labor Market**
- ◆ **Inflation and Fed Rate Cut**
- ◆ **Portfolio Implications and Positioning**

# The Election and Markets

# Stock Market Returns Between Elections

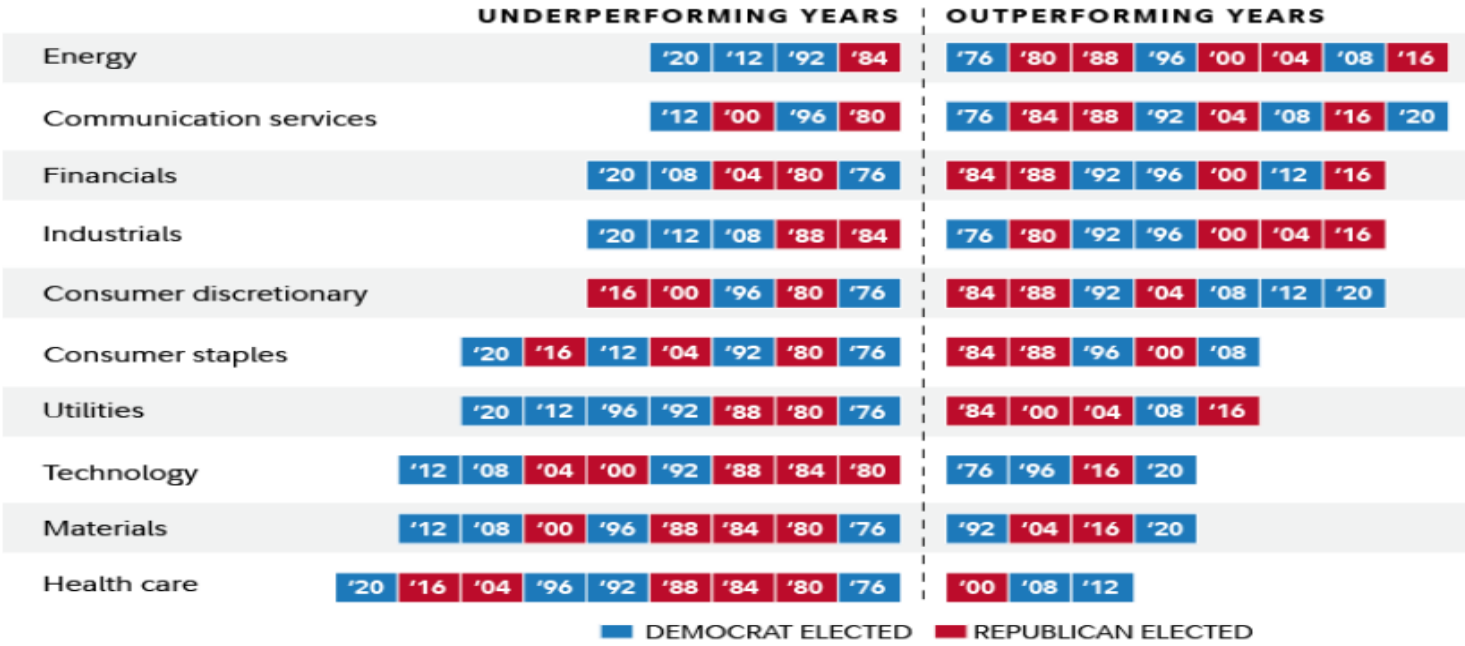
Stock market returns between elections

Minimum | Average | Maximum



# Sector Performance in Presidential Election Years

Sector performance in presidential election years since 1976  
 Number of years in which each sector underperformed or overperformed the S&P 500

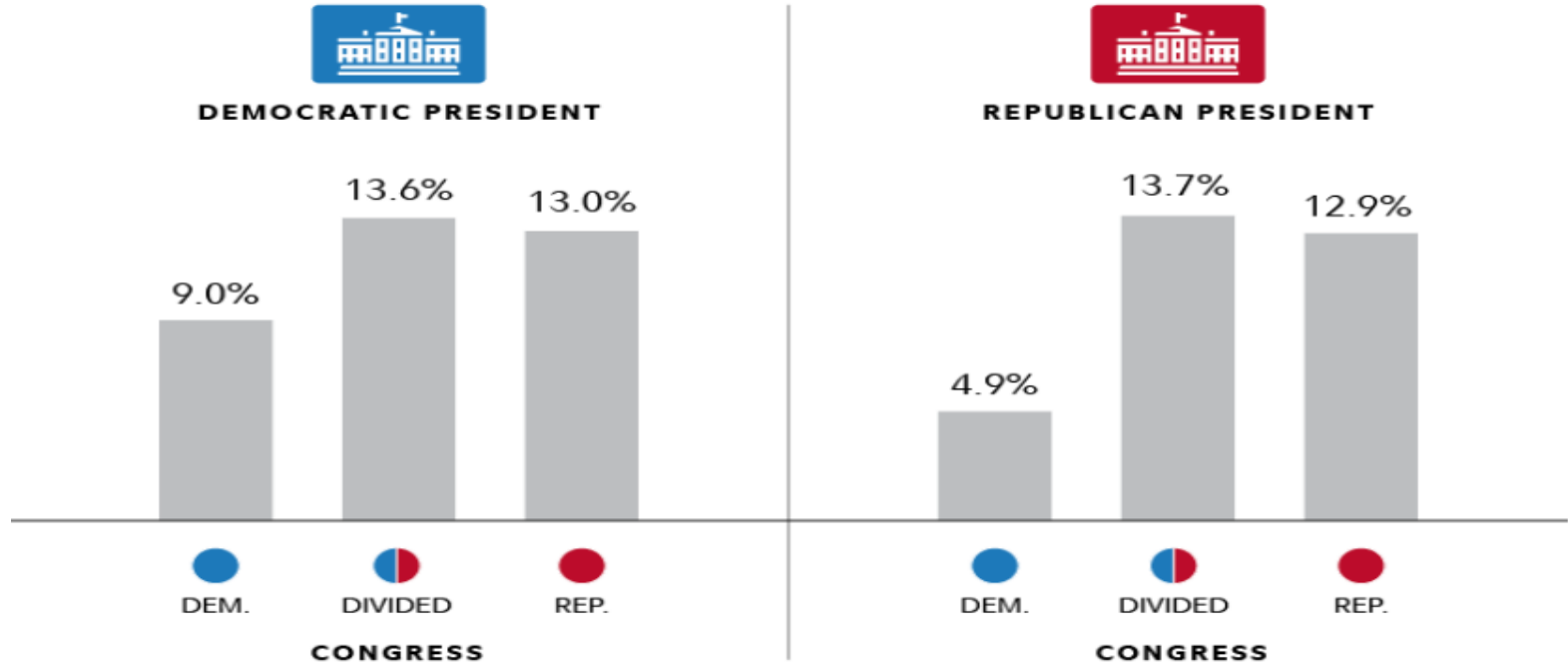


Source: Strategas Research Partners, as of November 5, 2023.



# Markets are Nonpartisan

Average annual S&P 500 performance  
(1933-2022, excluding 2001-2002)



# Economy



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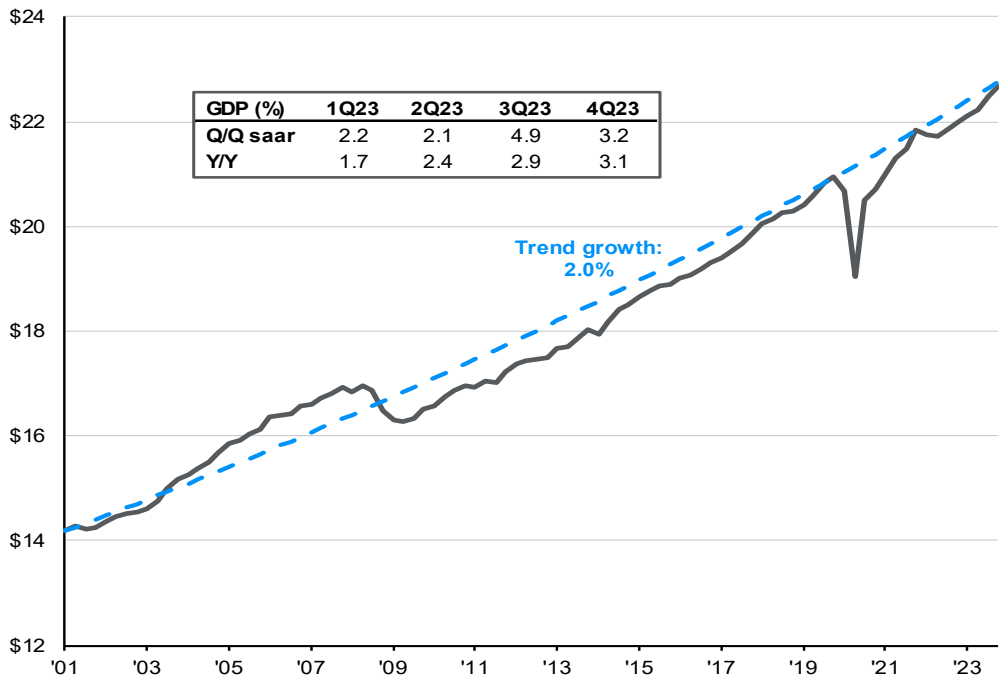
**Past performance is no guarantee of future results.** Source: Ken French Data Library. Ken French data library uses the CRSP database. Universe includes all New York Stock Exchange (NYSE), American Stock Exchange (AMEX) & NASDAQ stocks. Returns are market-cap weighted. \*2/24/2022 1-day return data is from Bloomberg and represented by the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. An investor cannot invest directly in an index.

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# Economic Growth and the Composition of GDP

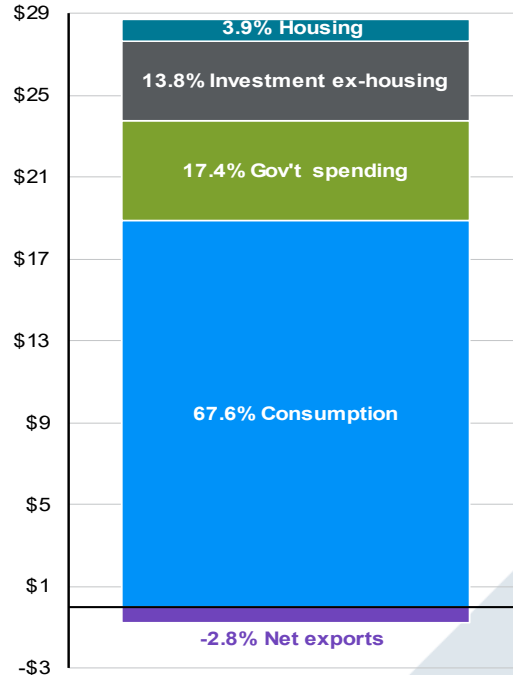
## Real GDP

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



## Components of GDP

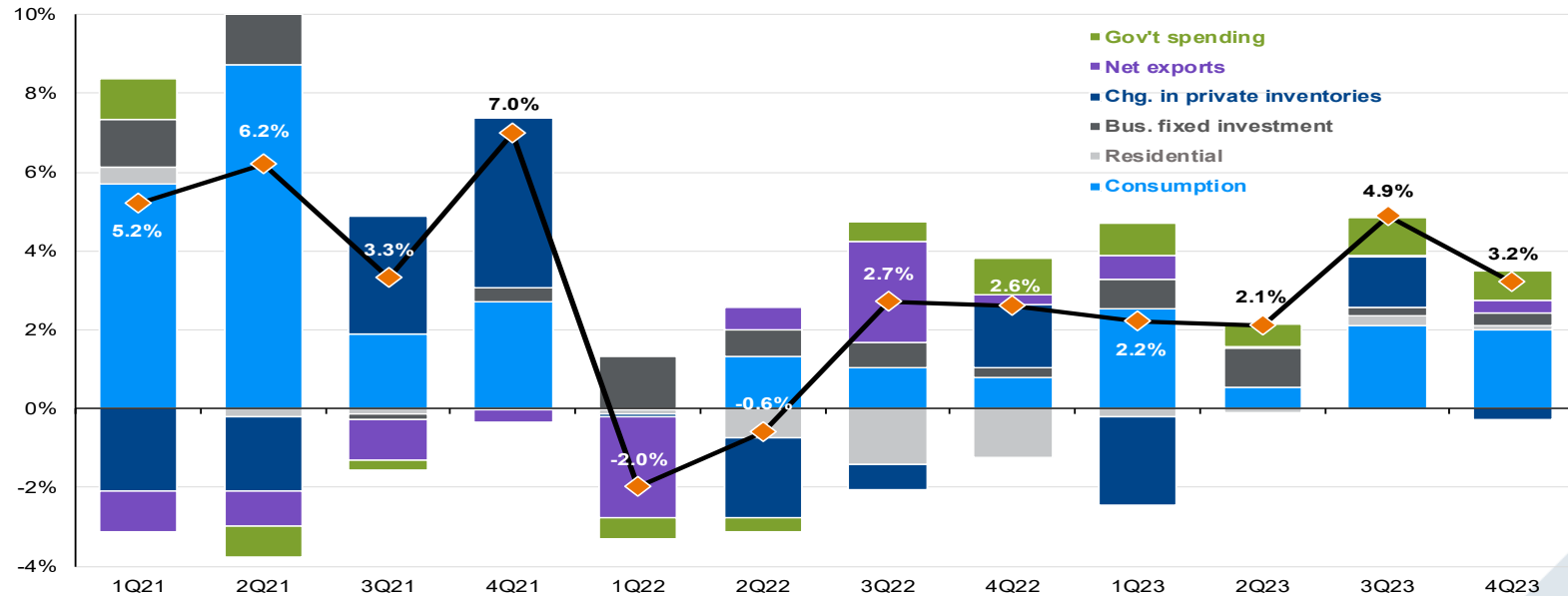
4Q23 nominal GDP, USD trillions



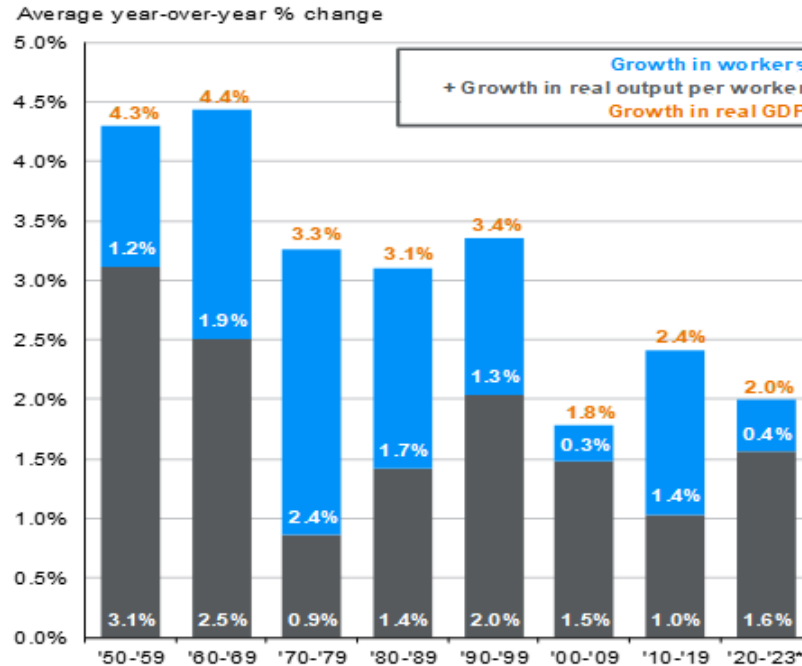
# Components of GDP Growth

## Contributors to real GDP growth

q/q % change, annualized rate



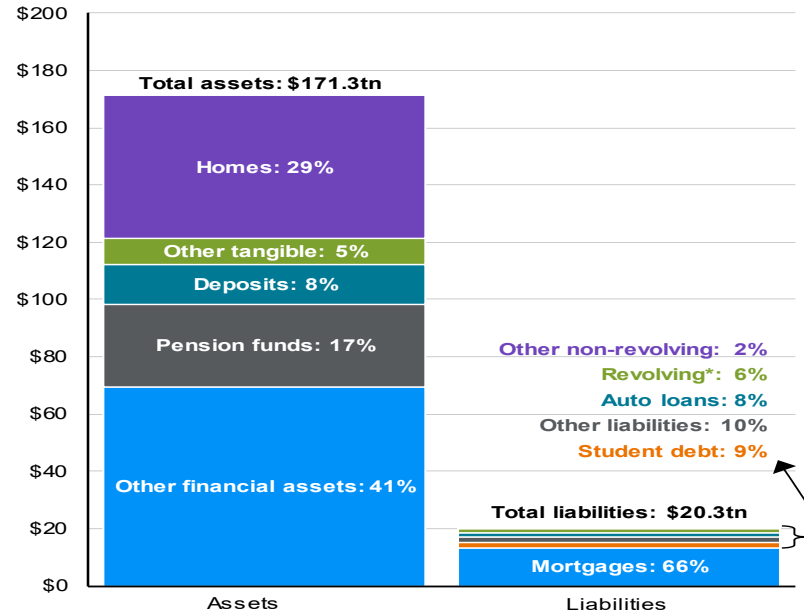
# Long-Term Drivers of Economic Growth



# Consumer Finances

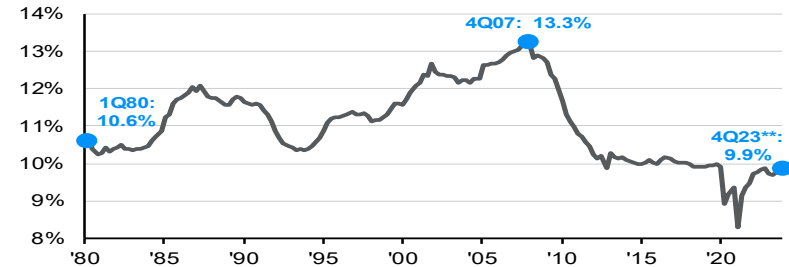
## Consumer balance sheet

3Q23, USD trillions, not seasonally adjusted



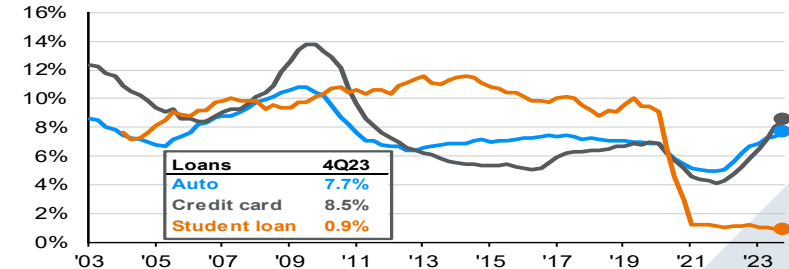
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Flows into early delinquencies

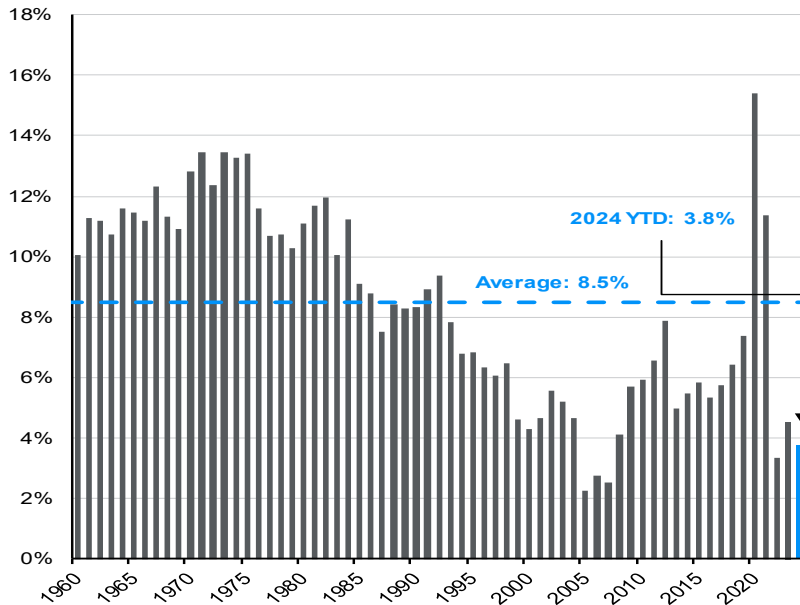
% of balance delinquent 30+ days



# Consumer Saving and Borrowing

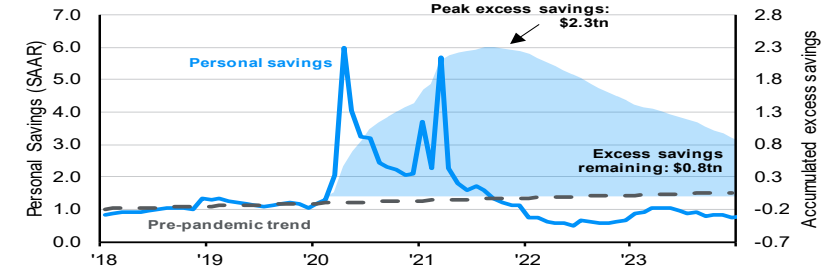
## Personal saving rate

Personal savings as a % of disposable personal income, annual



## Household excess savings

Trillions of USD



## Revolving consumer credit outstanding

% of disposable income, SAAR



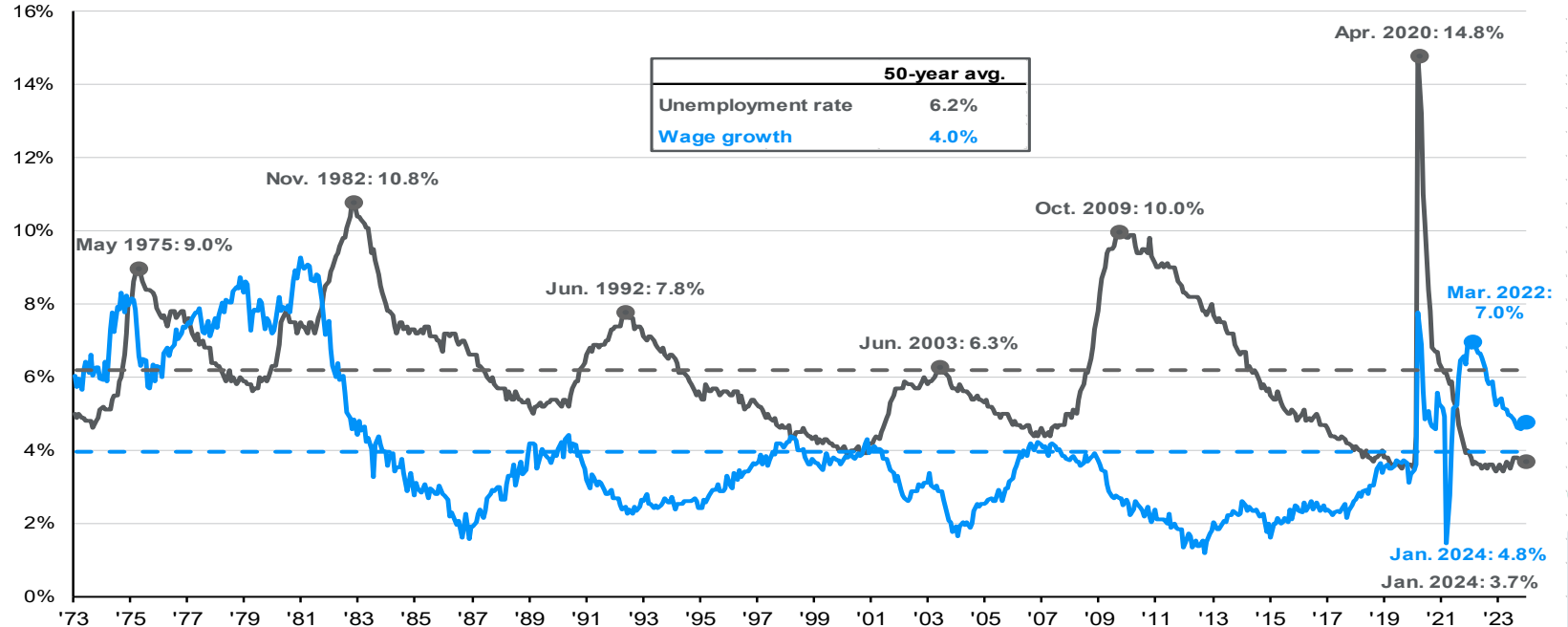
# Labor Market



# Unemployment and Wages

## Civilian unemployment rate and year-over-year wage growth

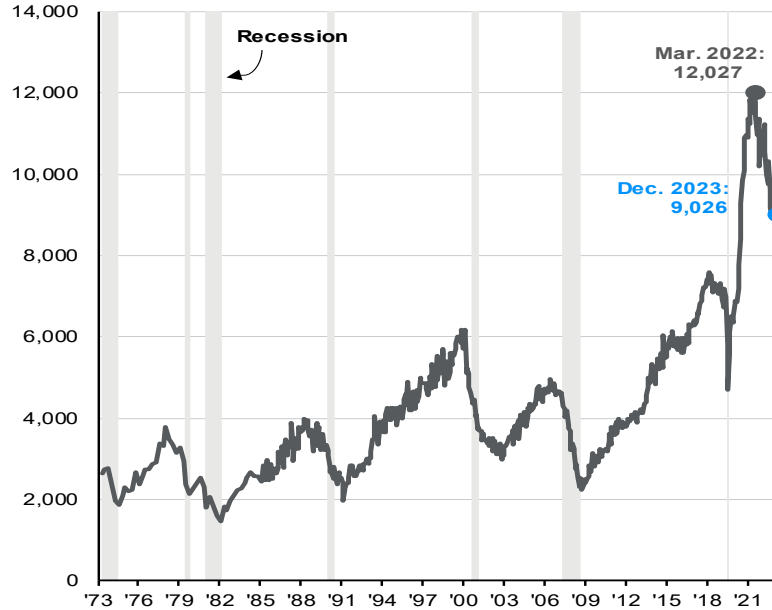
Private production and non-supervisory workers, seasonally adjusted, percent



# Labor Demand

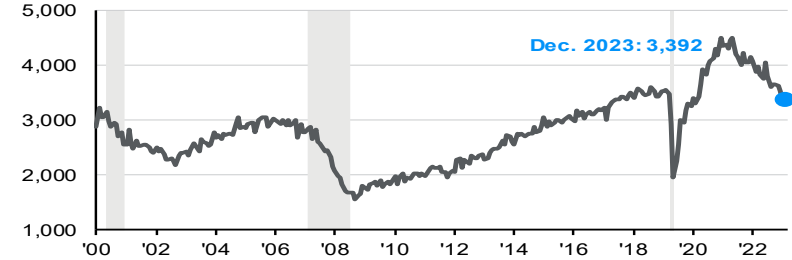
## JOLTS job openings\*

Total job openings, thousands, seasonally adjusted



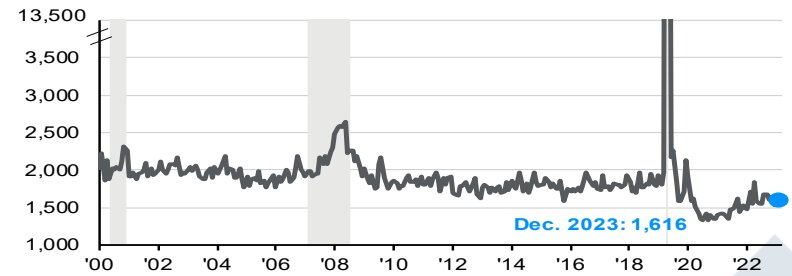
## JOLTS quits

Total nonfarm quits, thousands, seasonally adjusted



## JOLTS layoffs

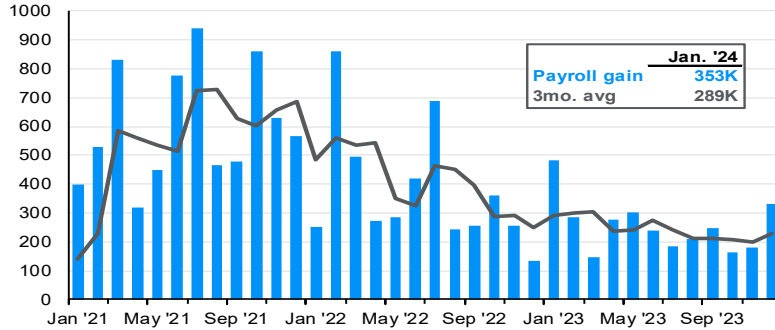
Total nonfarm layoffs, thousands, seasonally adjusted



# Labor Market Dashboard

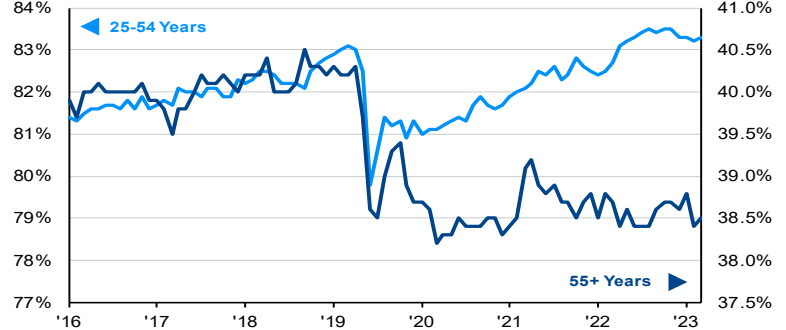
## Nonfarm payroll gains

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

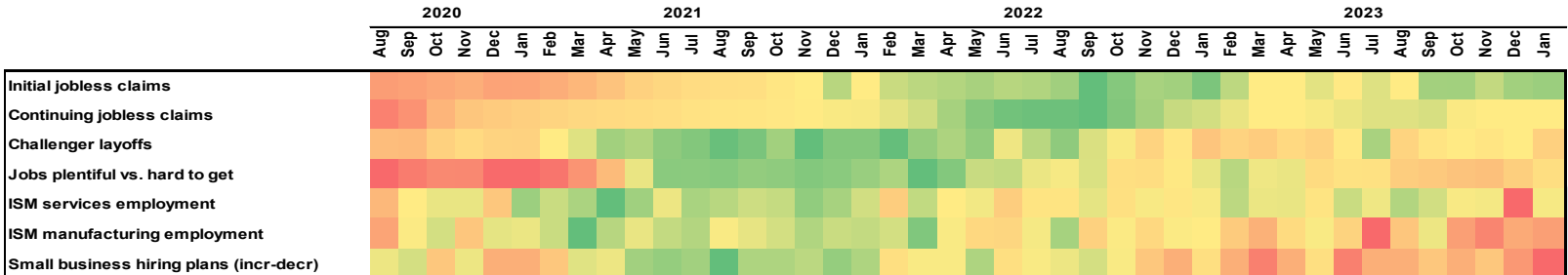


## Labor force participation

% of civilian noninstitutional population, SA



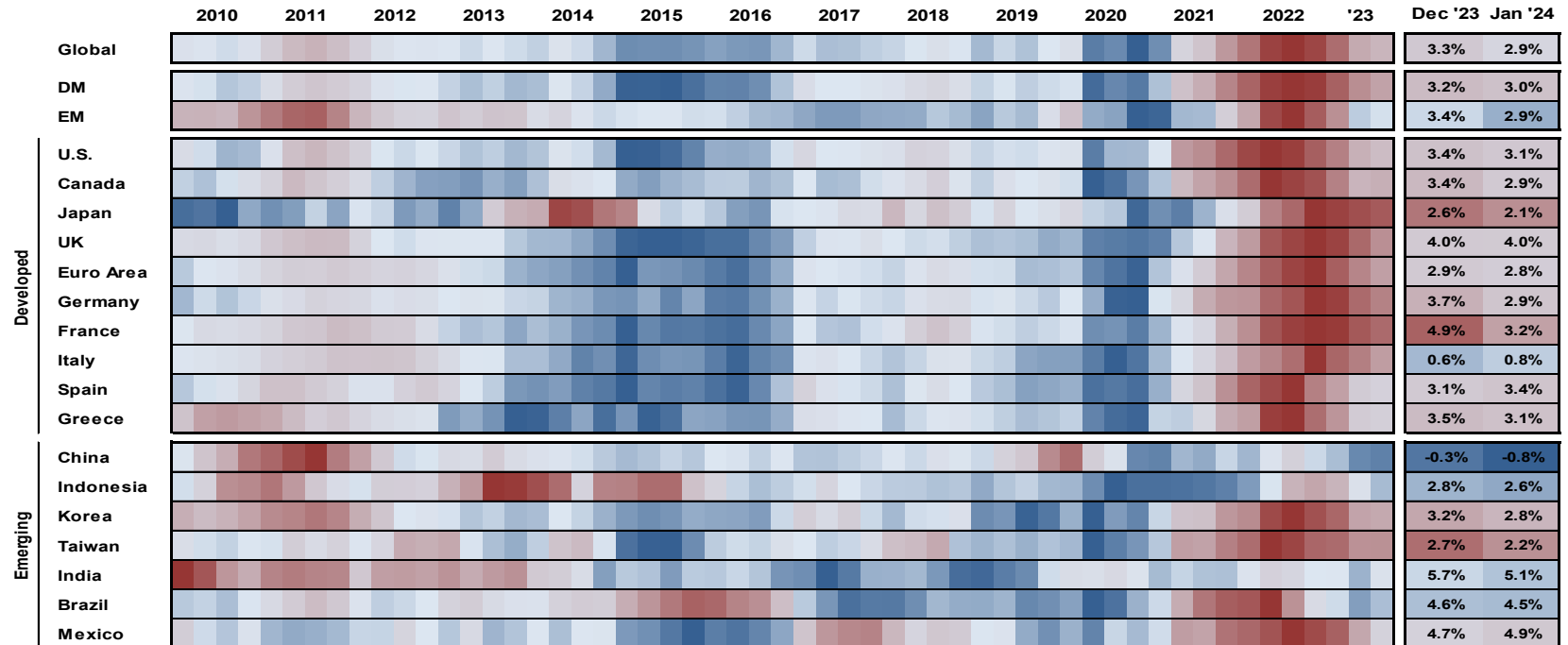
## Key labor market indicators



# Inflation and Fed Rate Cut

# Global Inflation

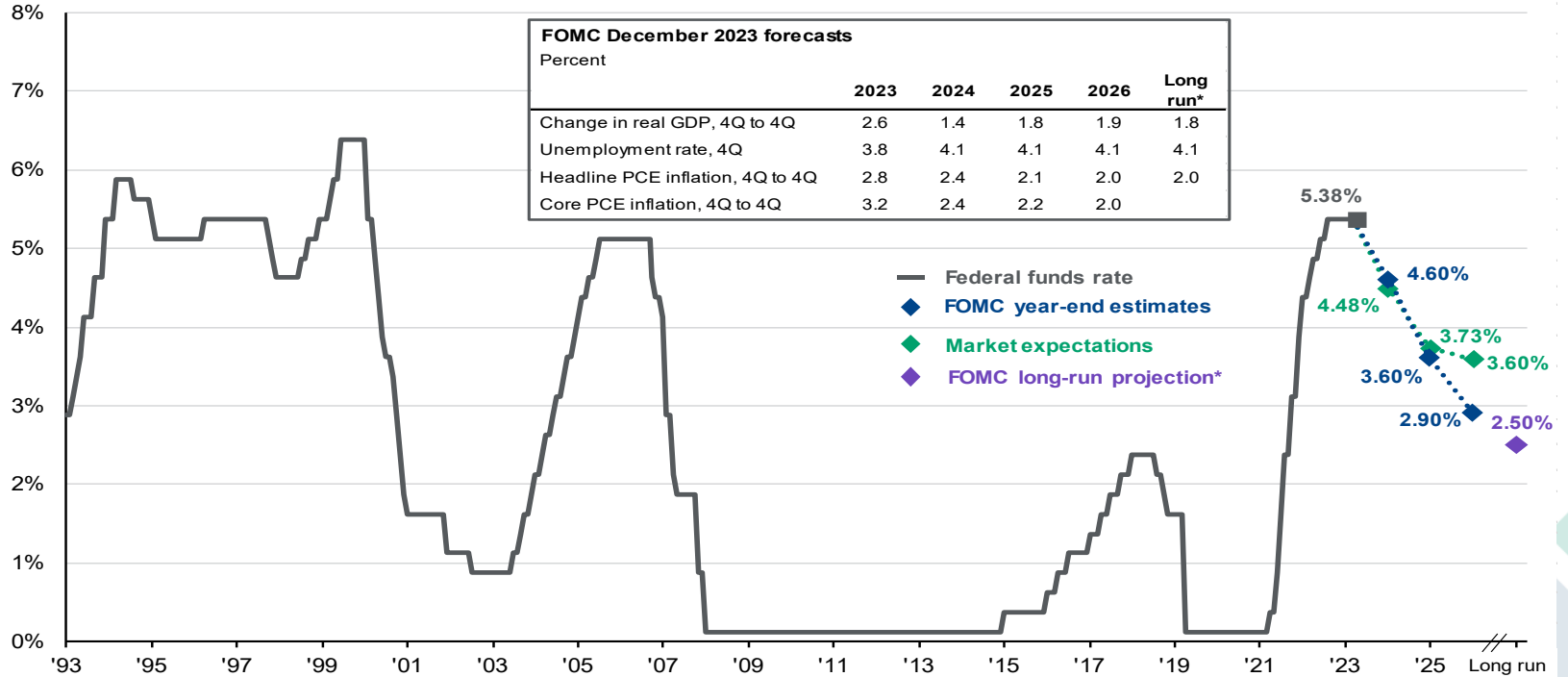
Year-over-year headline inflation by country and region, quarterly



# The Fed and Interest Rate

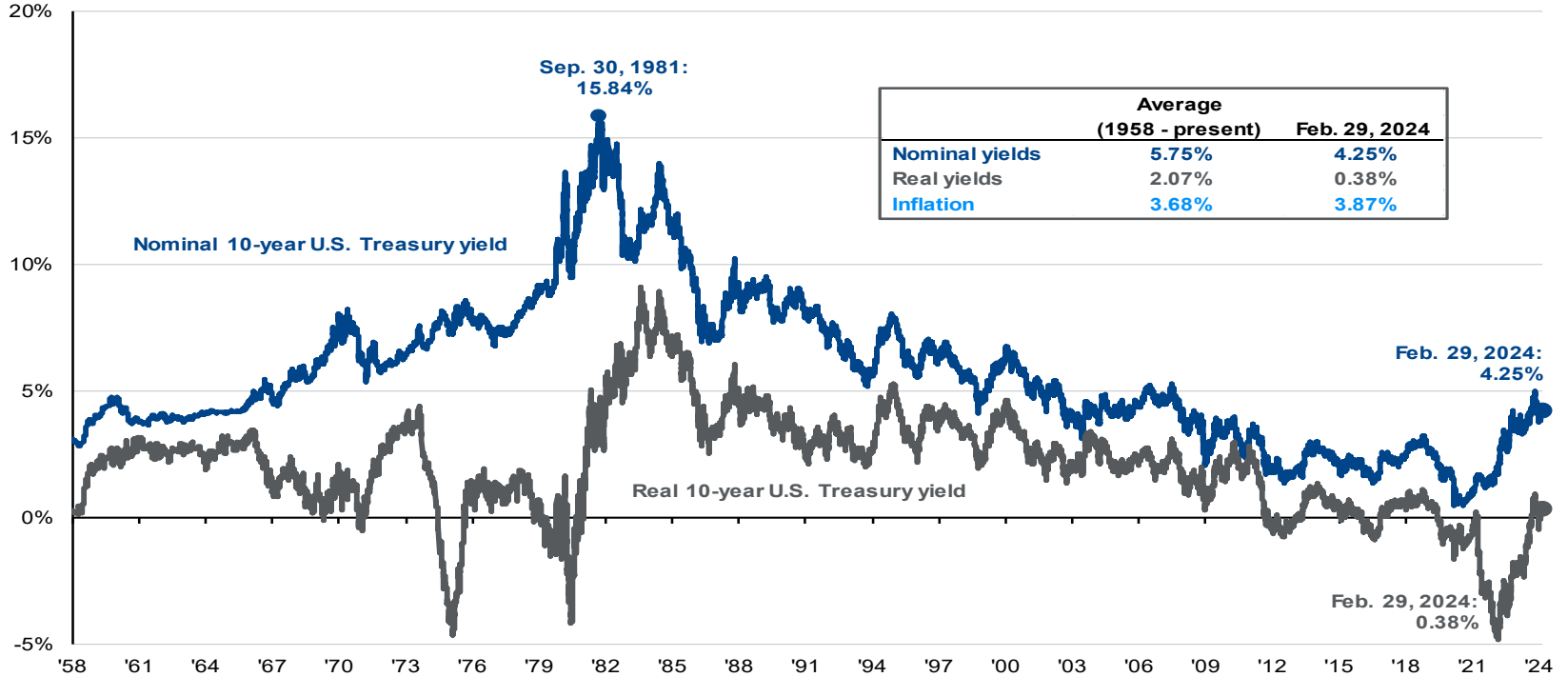
## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



# Interest Rates and Inflation

Nominal and real U.S. 10-year Treasury yields



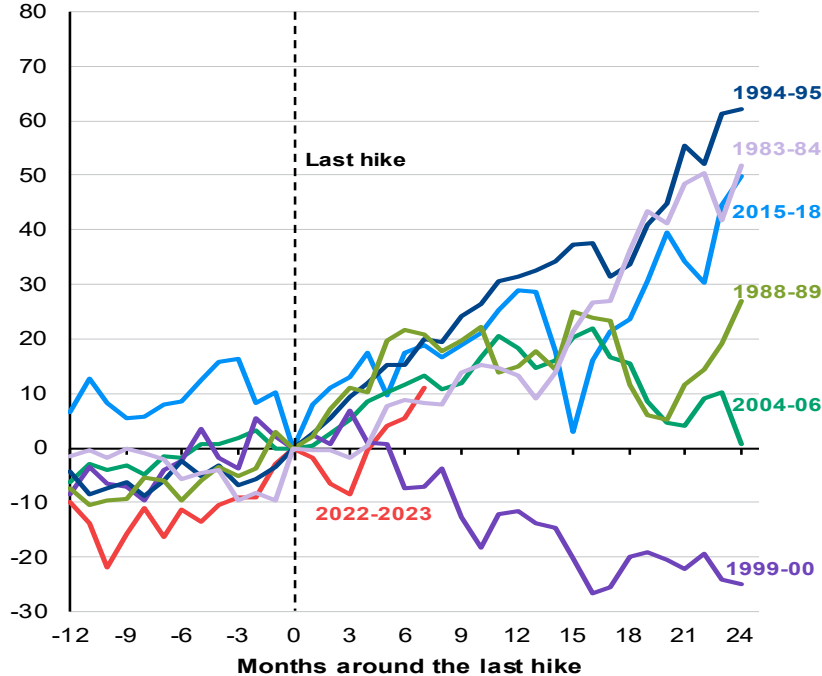
# Portfolio Implications and Positioning



# Market Returns Around the End of a Fed Hiking Cycle

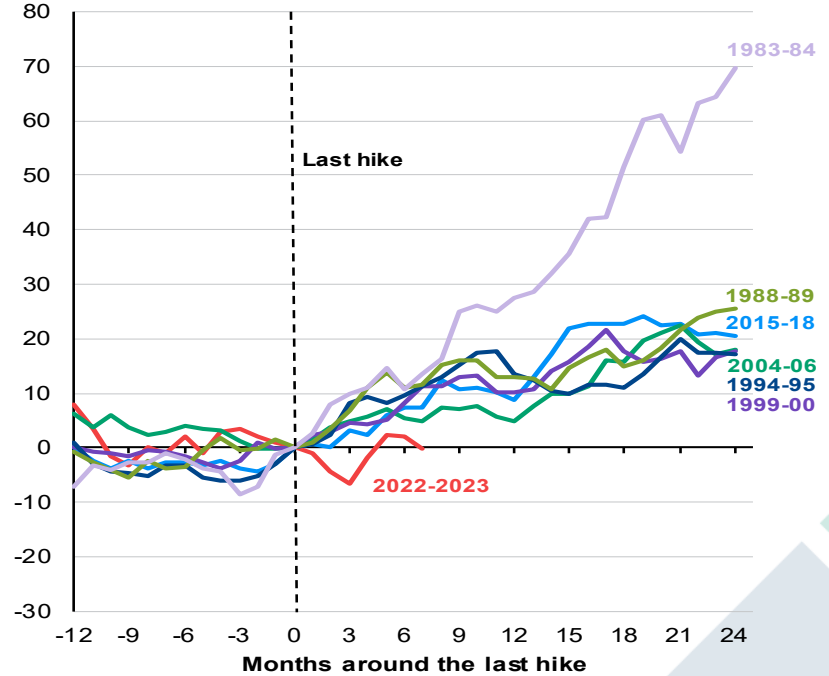
**S&P 500 returns around the end of a Fed hiking cycle**

%, price return, indexed to zero at the last hike



**U.S. 10-yr returns around the end of a Fed hiking cycle**

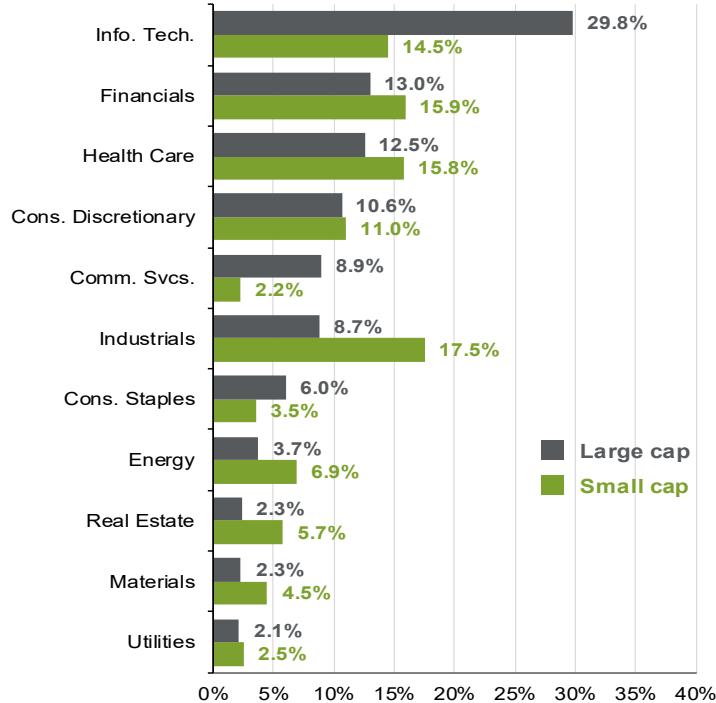
%, total return, indexed to zero at the last hike



# Small Cap vs. Large Cap Stocks

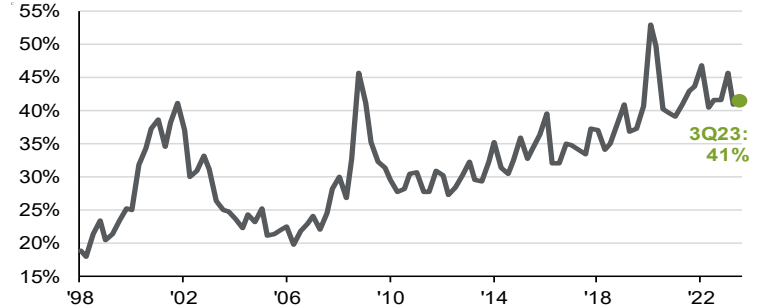
## Sector composition

% of index market capitalization



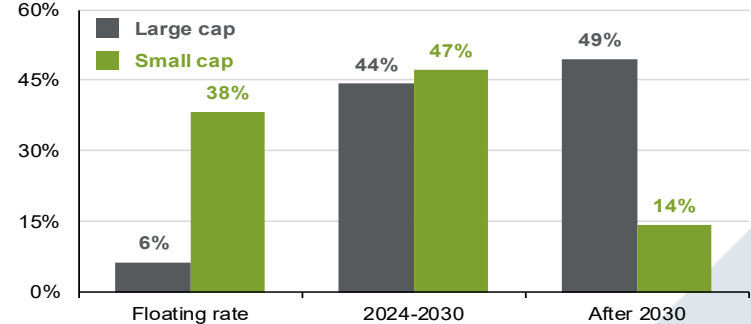
## Percent of unprofitable companies in the Russell 2000

1Q98 – 3Q23, pro-forma EPS



## Outstanding debt by maturity year

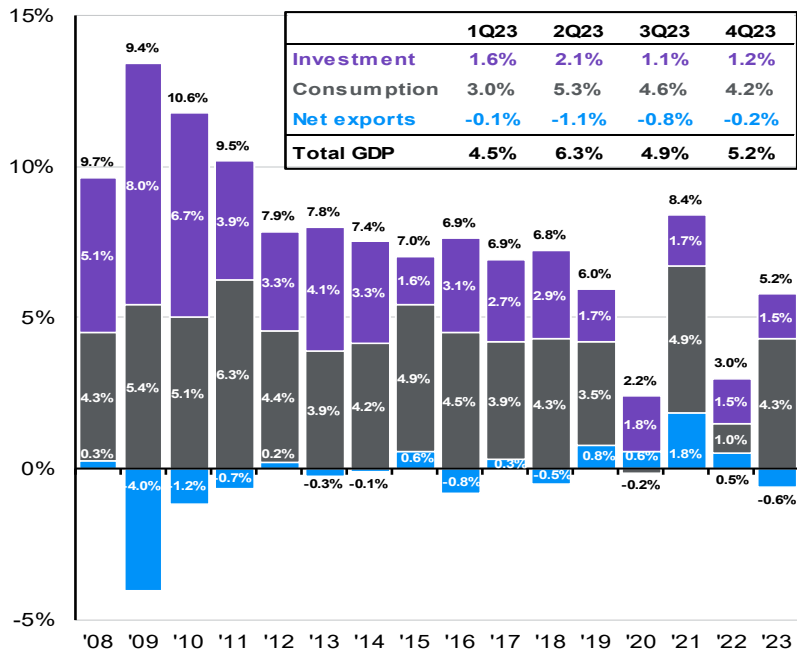
Excl. financials, % of total debt outstanding, USD denominated debt



# China: Economy

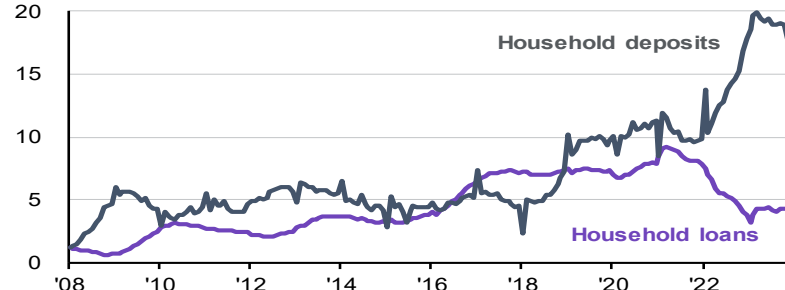
## China real GDP contribution

Year-over-year % change, contribution by component



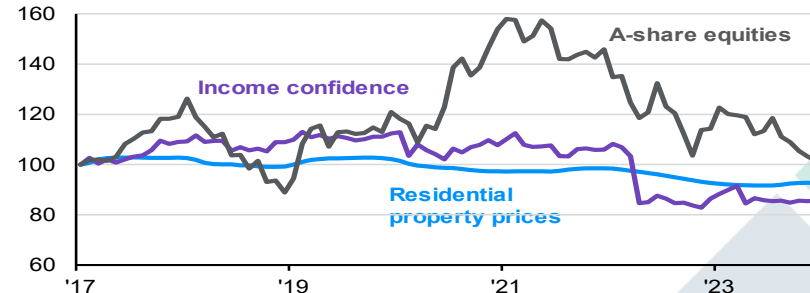
## Household deposits and loans

CNY trillion, rolling 12 months



## Consumer income and wealth effect

Jan. 2017 = 100



Source: J.P. Morgan Asset Management; (Left) CEIC; (Top right) People's Bank of China, Wind; (Bottom right) CEIC, National Bureau Statistics of China, People's Bank of China. "A-share equities" are represented by the CSI 300 Index. "Residential property prices" are represented by an index that tracks secondary market residential property prices. "Income confidence" is represented by a diffusion index reflecting respondents' confidence in future income. The two right graphs come from our [Guide to China](#).

# Key Takeaways

- ◆ **Markets are nonpartisan. Manage your investment portfolio based on economic fundamentals.**
- ◆ **Long-term economic growth is expected to moderate. Artificial intelligence might be the catalyst to boost productivity.**
- ◆ **Labor market has been softening, which has put less pressure on inflation.**
- ◆ **Favor active, high-quality focused managers and bond markets across most asset classes.**

# Questions?

# Second Opinion Service

Call us at 440.740.0130 to schedule time to talk,  
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