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# 2024 Economic & Market Outlook

January 10, 2024

# Forward Looking Statements & Risk

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Some of the information in this presentation may contain forward-looking statements. Such statements include, in particular, statements about our outlook, strategies and viewpoint. You can generally identify forward-looking statements by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue” or other similar words. Although we believe that our plans, intentions and expectations reflected in the forward-looking statements are reasonable, forward-looking statements are subject to numerous risks and uncertainties, almost all of which are beyond our control, and could cause actual results to differ materially from those projected in any forward-looking statement we make. We may or may not update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

We obtained the industry, market and other data used throughout this presentation from a collection of our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that each of these research reports and publications is reliable, we have not independently verified such data and make no representations as to the accuracy of such information. Similarly, we believe our internal research is reliable but it has not been verified by any independent sources.

There are inherent risks in investing, including the potential loss of principal. Investment markets will fluctuate and there is no guarantee that an implemented strategy will produce the desired results. Past performance is not a guarantee of future results. Diversification does not guarantee against loss of principal.

The Gross Domestic Product Price Index (GDP) measures changes in the prices of goods and services produced in the United States, including those exported to other countries. Prices of imports are excluded.

The Consumer Price Index (CPI) is a measure of inflation compiled by the US Bureau of Labor Studies.

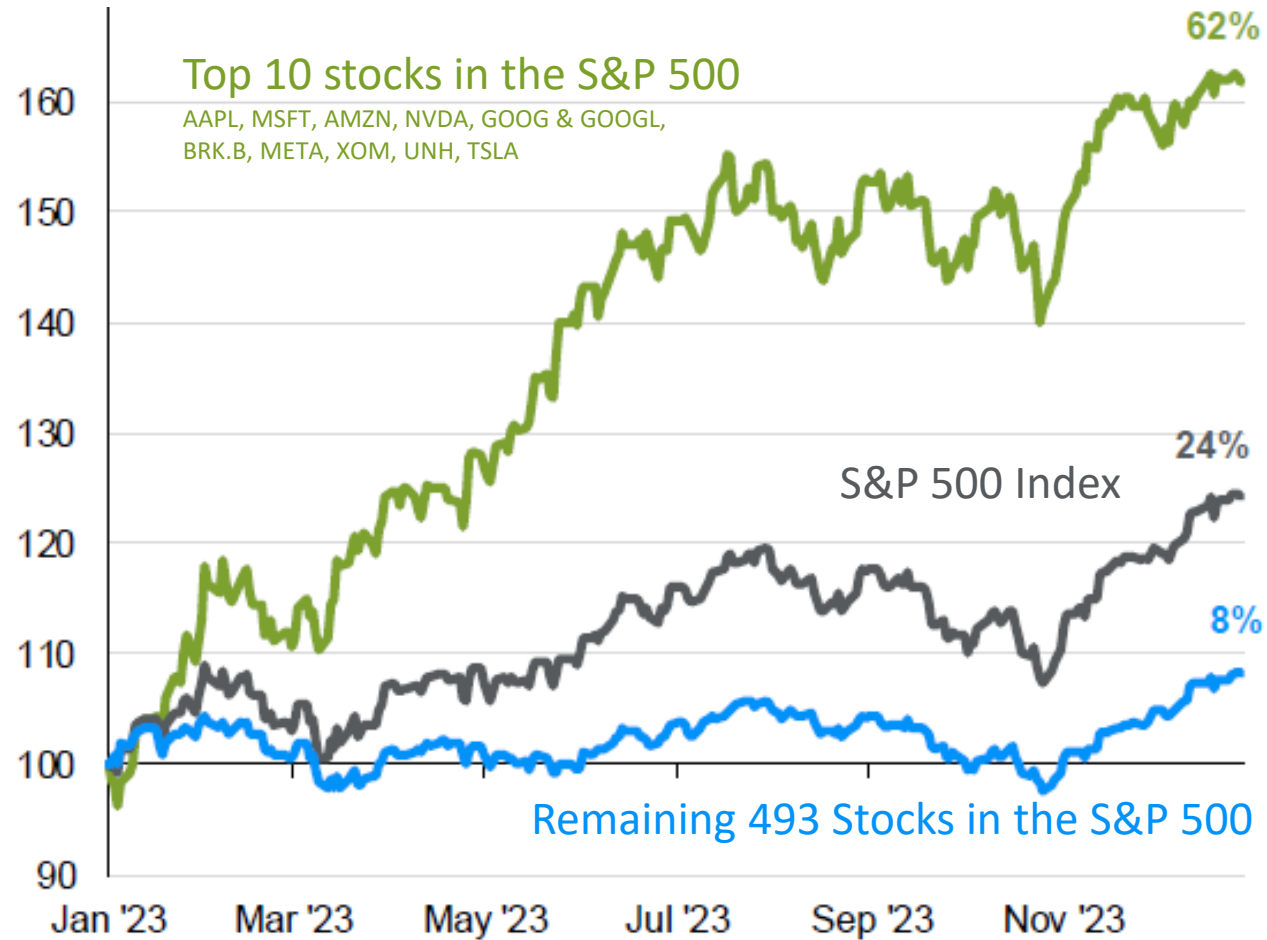
Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices does not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends.

The Conference Board Leading Economic Index (LEI) is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables. These variables have historically turned downward before a recession and upward before an expansion. The percent change year over year of the LEI is a lagging indicator of the market directions.

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# 2023 Stock Performance



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management Guide to the Markets. Data as of 12/31/23. Past performance does not guarantee future results.

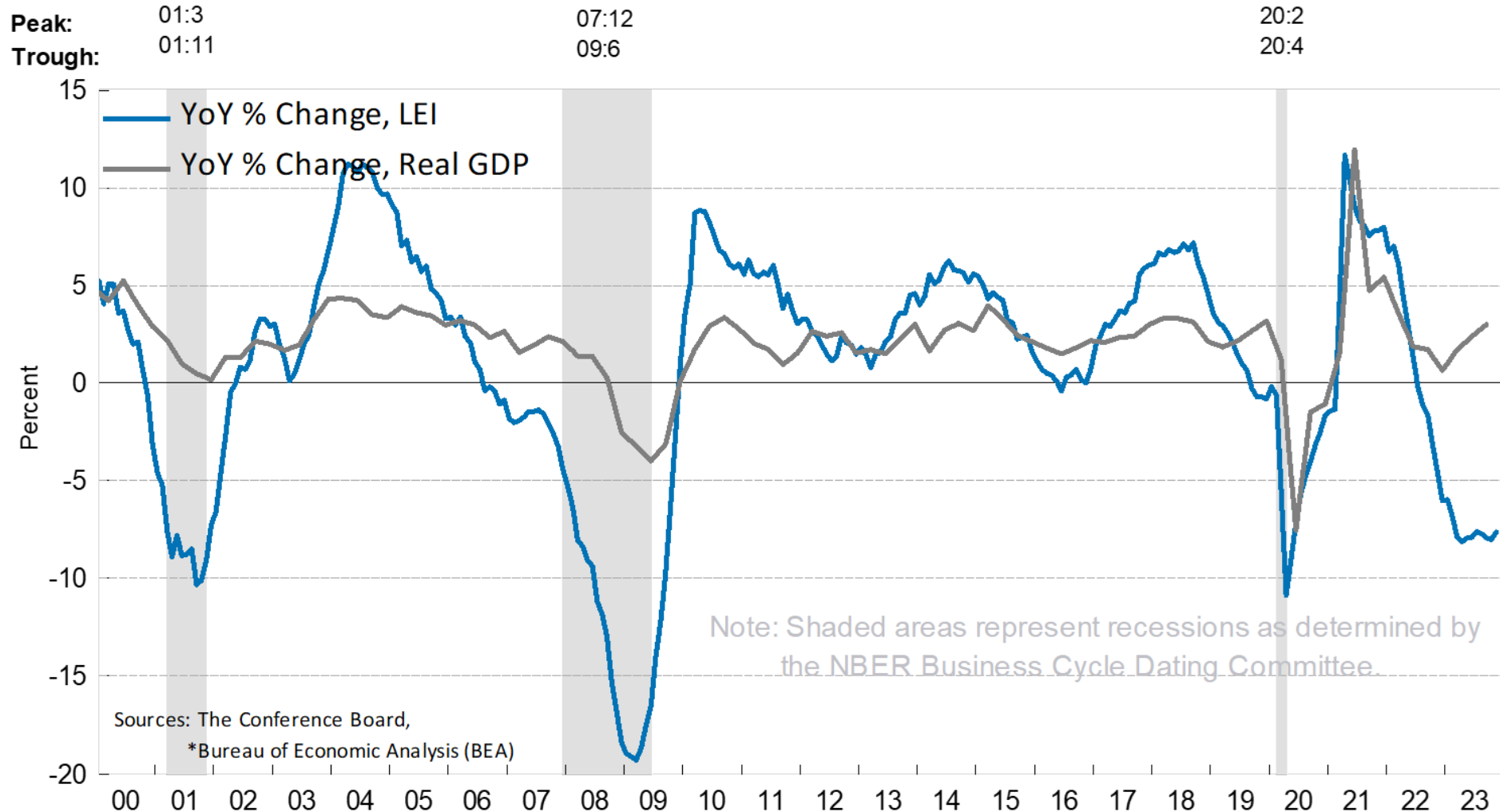




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# Leading Indicators Signal Slowdown

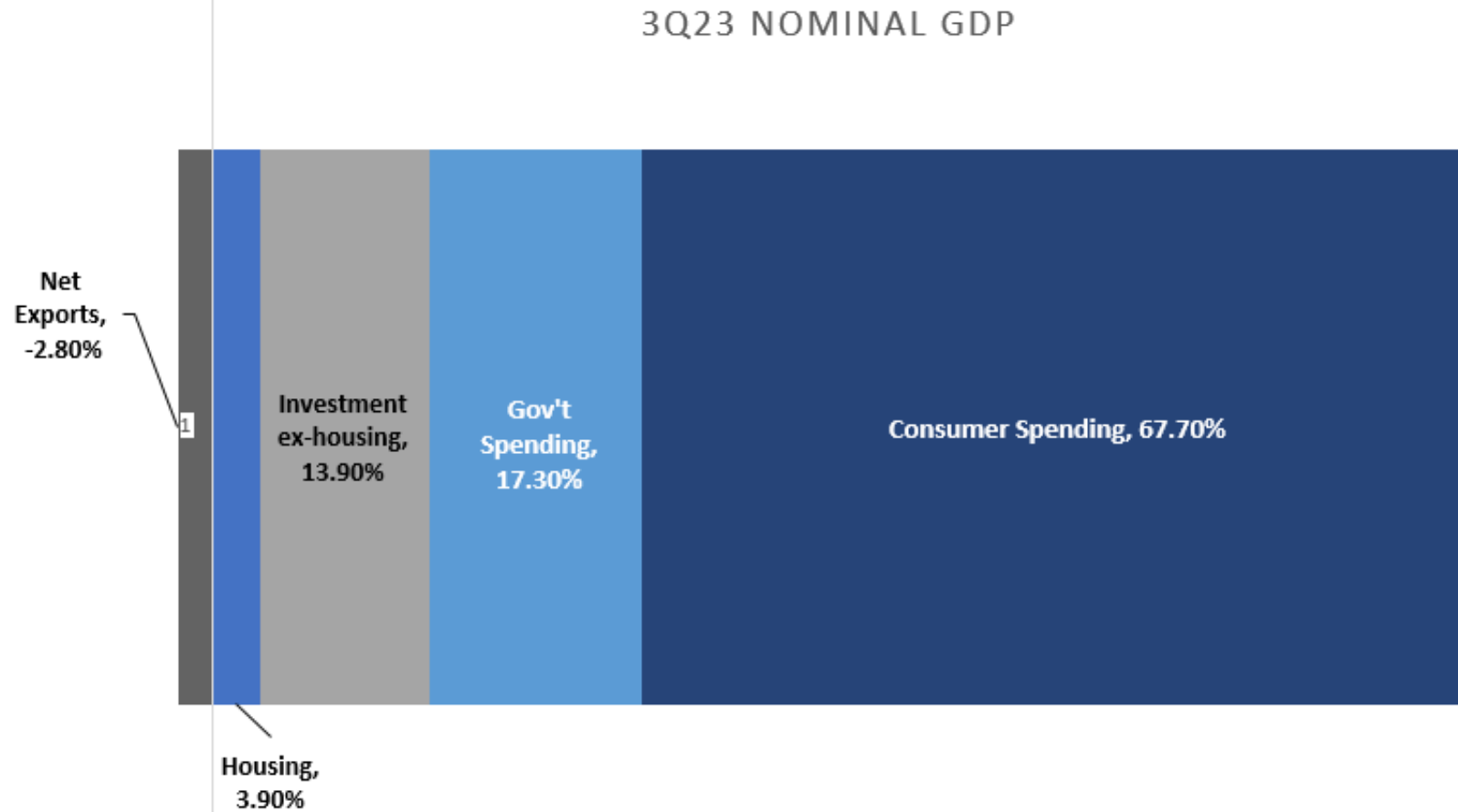




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# Components of GDP



Source: BEA, Capital Insight Partners. Data as of 9/30/23.





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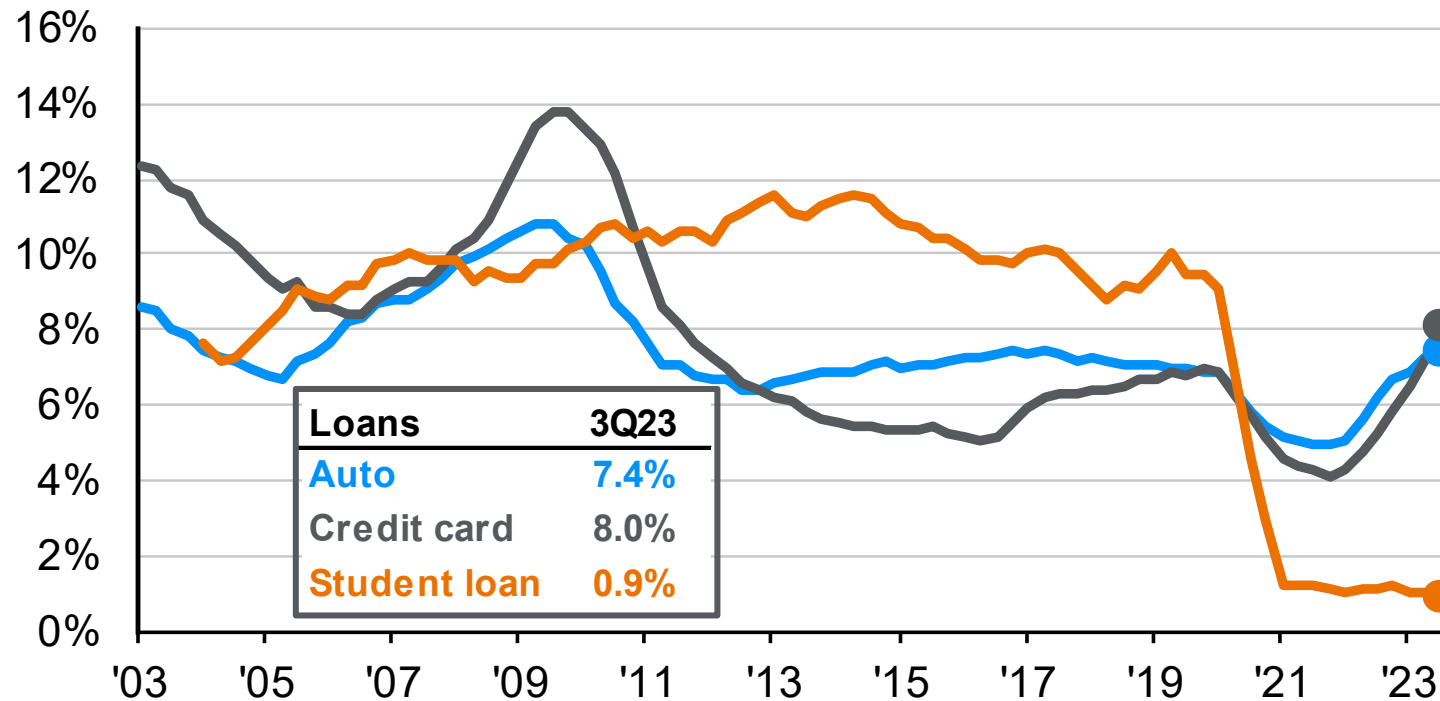
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# Signs of Consumer Weakness

## Flows into early delinquencies

% of balance delinquent 30+ days



Source: Guide to the Markets. December 13, 2023. BEA.

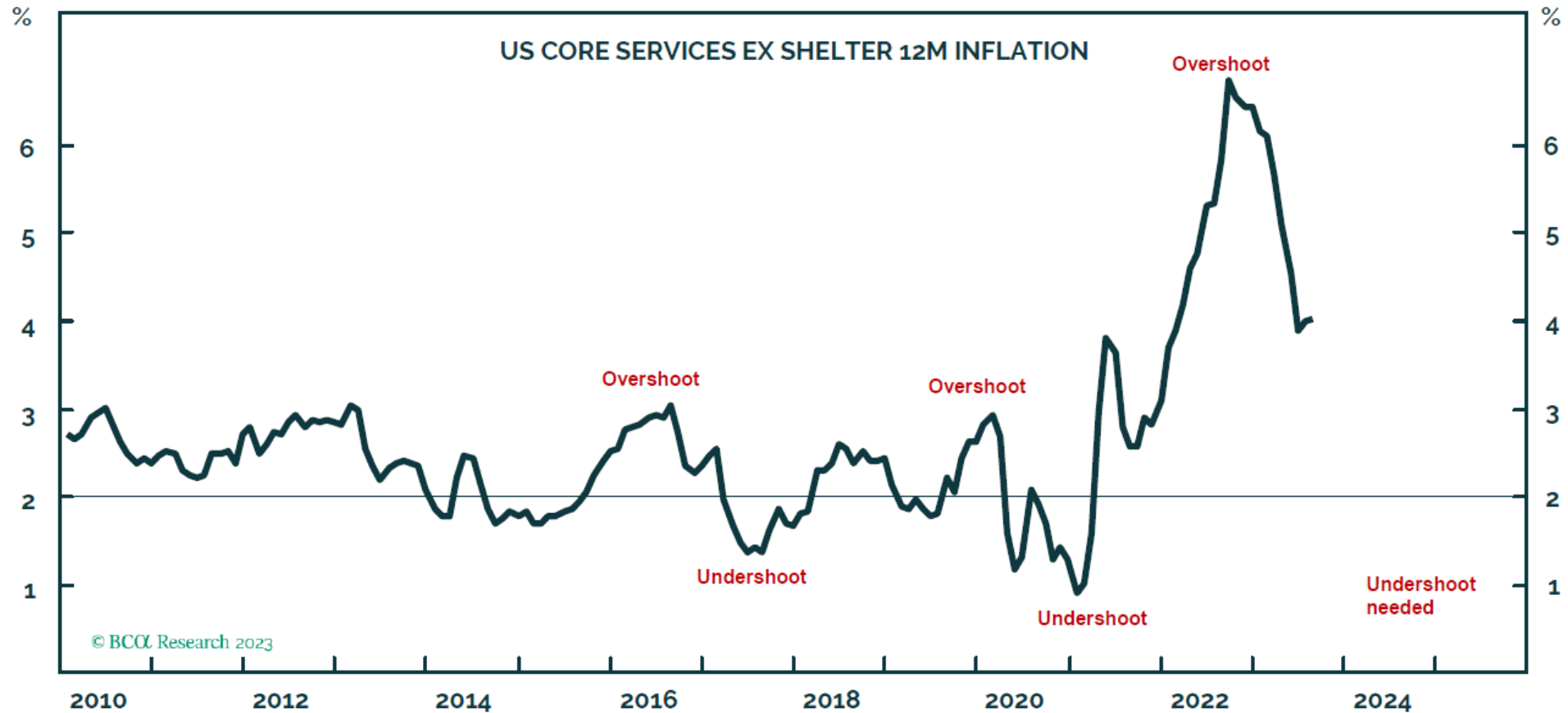




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# Average Core Inflation

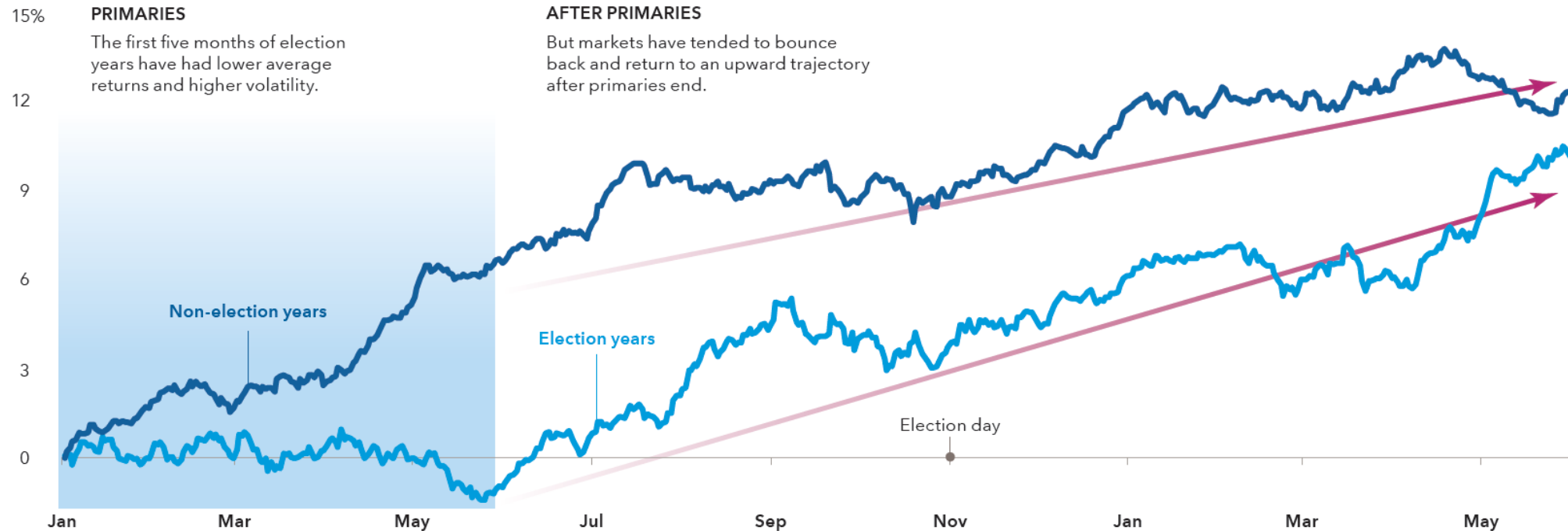




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# Average Election Year Returns Since 1932



SOURCES: Capital Group, RIMES, Standard & Poor's. Includes all daily price returns from January 1, 1932 through December 31, 2022. Non-election years exclude all years with either a presidential or midterm elections. Past results are not predictive of results in future periods.

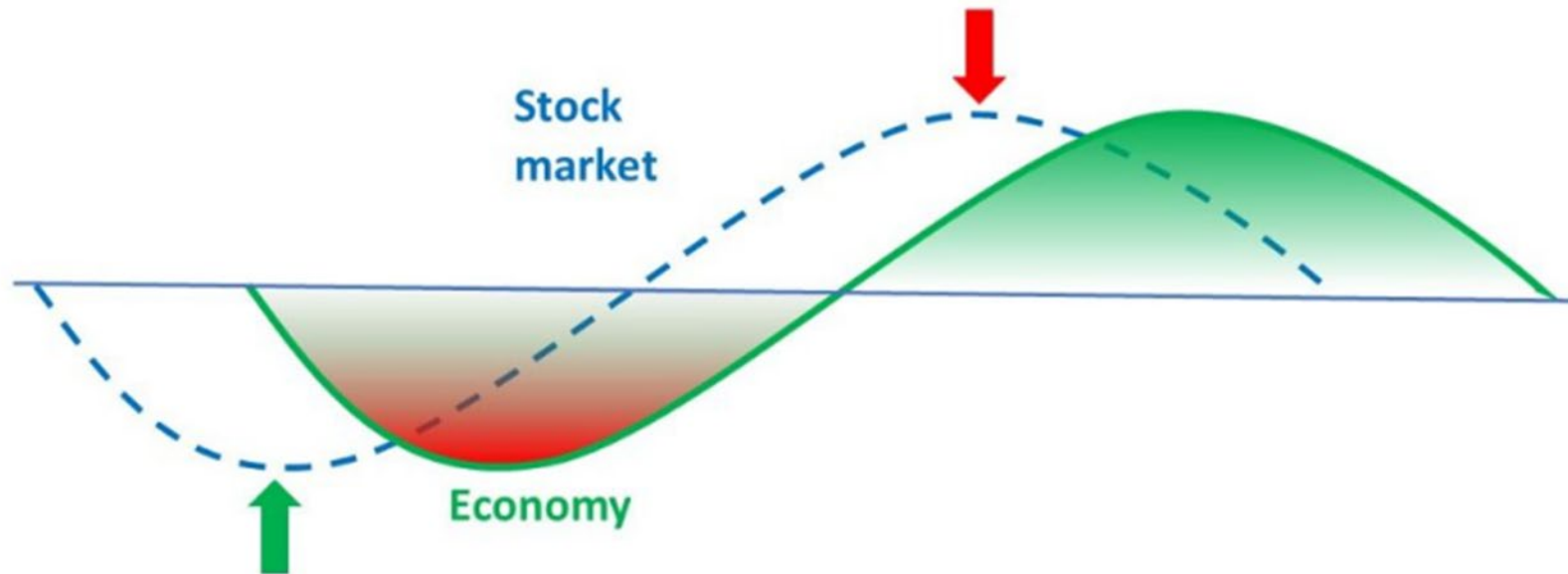




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# Historically Stocks Lead the Economy



Source: investMe





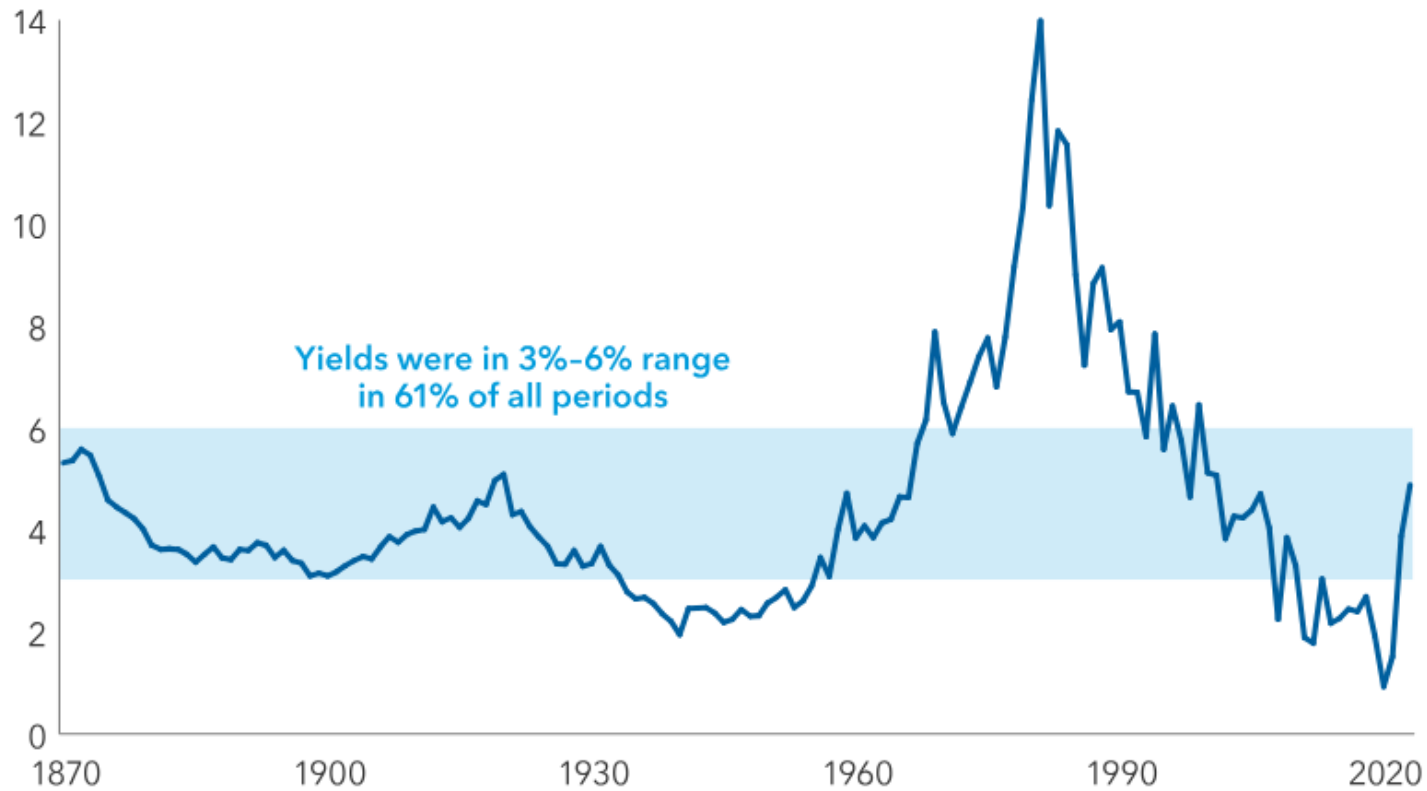
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# Yields Are Normalizing

U.S. long-term government bond yield (%)



Sources: Federal Reserve, Robert Shiller. Data for 1871-1961 represents average monthly U.S. long-term government bond yields compiled by Robert Shiller. Data for 1962-2022 represents 10-year Treasury yields, as of December 31 each year within the period.



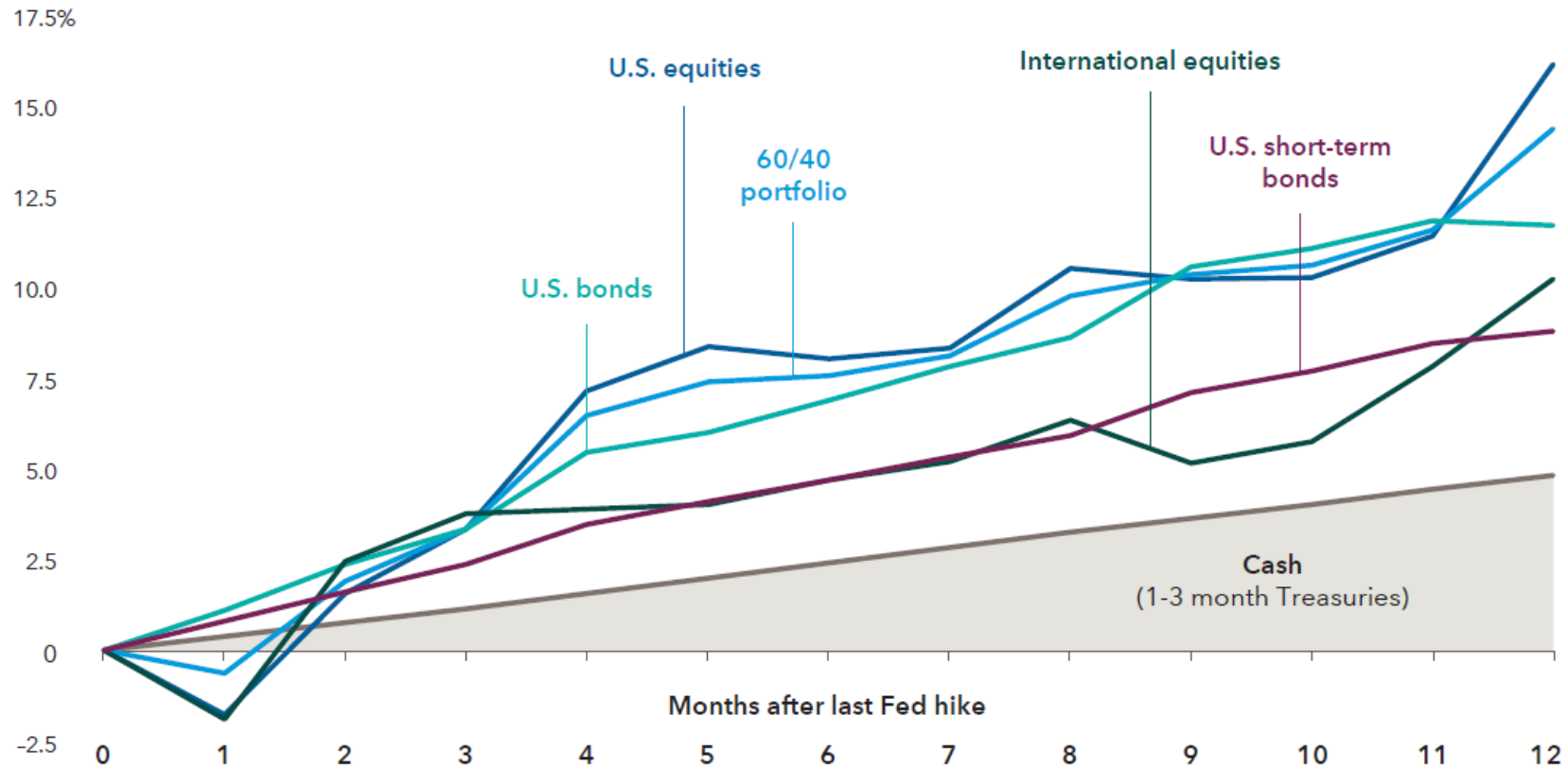


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# Thoughts on Cash

Average returns following the last Fed hike – Prior four hiking cycles



Sources: Capital Group, Bloomberg Index Services Ltd., MSCI, Refinitiv Datastream, Standard & Poor's. Past performance does not guarantee future results. Returns reflect the average cumulative return over each of the first 12 months immediately following the last increase in the target U.S. federal funds rate ("last Fed hike") over the prior four hiking cycles. The specific start months for the periods included in the average calculations are: February 1995, May 2000, June 2006, and December 2018. U.S. bonds are represented by the total return of the Bloomberg U.S. Aggregate Index; U.S. equities are represented by the total return for the S&P 500 Index; the 60/40 portfolio is represented as the weighted average return using 60% of the total return for the S&P 500 Index and 40% of the total return in U.S. dollars for the Bloomberg U.S. Aggregate Index, with no rebalancing for the first 12 months. International equities are represented by the total return in U.S. dollars for the MSCI EAFE Index; U.S. short-term bonds are represented by the total return for the Bloomberg 1–3 Year U.S. Government/Credit Index; cash is represented by change in the Bloomberg U.S. Treasury Bill 1–3 Months Index. As of May 31, 2023





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# Key Takeaways

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- 🌱 U.S. consumer demand has been resilient, although cracks are beginning to emerge
- 🌱 Inflation has come down, and is likely to settle above the Fed's target
- 🌱 The Fed is at the end of their hiking cycle
- 🌱 Markets are forward looking and tend to lead the economy
- 🌱 The next several months provide a great opportunity to deploy cash



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