Election Year Optimism:
Market & Sector Outlook 2024

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# YTD Returns

Investors Rotated from "First" to "Worst"

Regions/Sizes/Sectors	% Chg.	Best S&P 1500 Sub-Industries	% Chg.
Info. Technology	55.1	Semiconductors	104.1
Nasdaq-100	**53.8**	Interactive Media & Services	85.8
Communication Services	52.9	Homebuilding	80.6
Consumer Discretionary	39.2	Automobile Manufacturers	80.2
S&P 500 Growth	**28.3**	Application Software	64.0
S&P 500	**24.2**	Hotels, Resorts & Cruise Lines	59.4
S&P 500 Value	**19.8**	Systems Software	55.3
Industrials	18.4	Coal & Consumable Fuels	54.7
S&P MidCap 400	**14.4**	**Worst S&P 1500 Sub-Industries**	**% Chg.**
S&P SmallCap 600	**13.9**	Fertilizers & Agricultural Chemicals	(20.7)
Materials	11.3	Personal Care Products	(23.8)
Financials	9.3	Alternative Carriers	(26.4)
Real Estate	7.2	Health Care Technology	(27.3)
Health Care	0.3	Oil & Gas Drilling	(29.7)
Consumer Staples	(1.3)	Drug Retail	(30.1)
Energy	(4.0)	Independent Power Producers	(31.5)
Utilities	(10.6)	Housewares & Specialties	(33.6)
Positive Sectors:	**73%**	**Positive Sub-Industries:**	**69%**

S&P 500 Early-Year Indicators Have Been Favorable

Higher-Than Average Annual Returns Typically Followed Down Years and Positive STA Signals
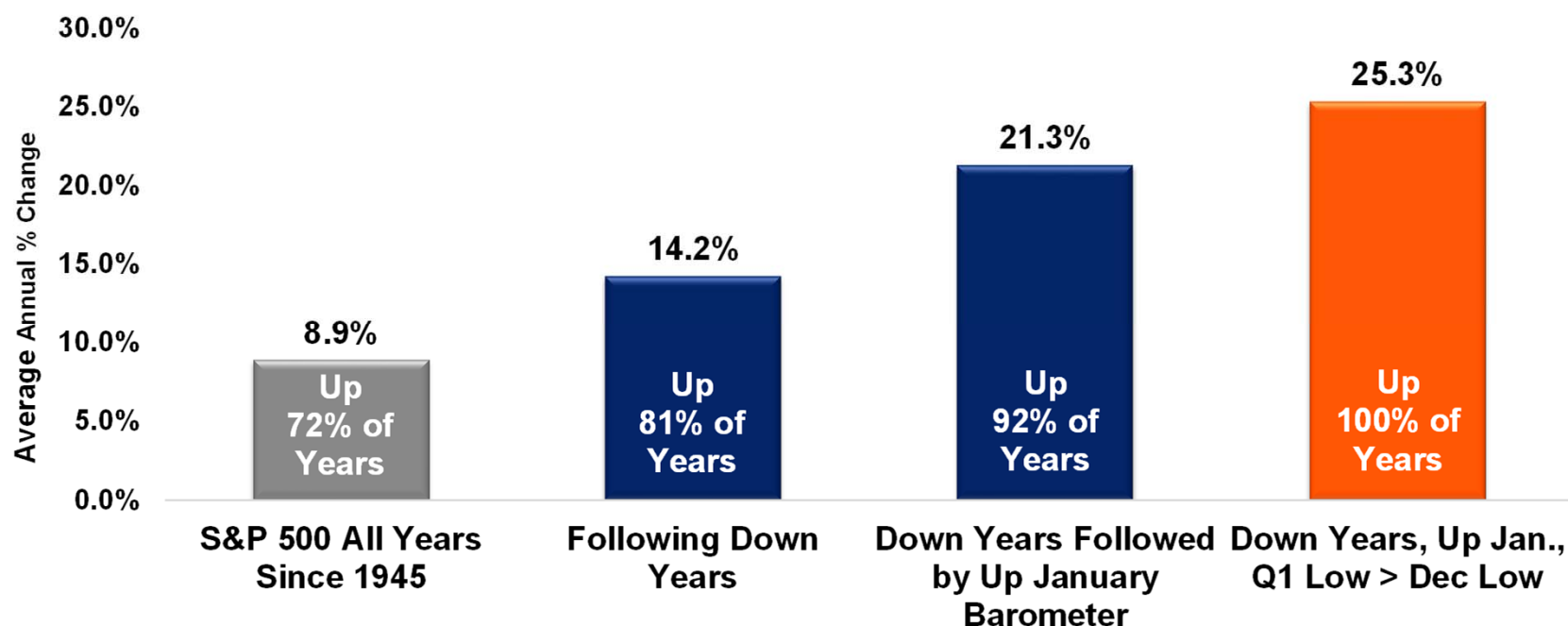
Source: CFRA, Stock Trader's Almanac (STA), S&P Global. Past performance is no guarantee of future results. Data: 12/31/44-3/31/23.

Anticipatory Indicators

Some Market Indicators Give an Early Read on Potential Full-Year Results

Full-Year Returns After:	Positive Readings			Negative Readings		
Market Indicator	% of All Years	S&P 500 % Change	Freq. of Price Rise	% of All Years	S&P 500 % Change	Freq. of Price Rise
Annual Price Returns	71%	6.8	66%	29%	14.7	86%
Santa Claus Rally	77%	10.4	74%	**24%**	**4.4**	**33%**
First 5 Days	67%	13.4	79%	**33%**	**0.3**	**54%**
January Barometer	61%	16.0	85%	39%	(1.7)	48%
All Three Triggered	43%	17.2	88%	10%	(3.6)	63%
Up January & February	37%	20.2	97%	24%	(2.0)	47%
Q1 Low Above Dec. Low	49%	18.5	92%	51%	(0.2)	50%
All Years	NA	9.1	71%	NA	NA	NA

The Current Wall of Worry

Positive and Negative Issues Facing Investors Today

Concerns

- "Mag 7" → "Lag 7"?
- Large-Cap Valuations
- More-Cautious Consumer
- Rising Debt Levels
- "High for Longer"
- Risk of Recession
- Expansion of Mid-East/Ukraine Tensions

Encouragement

- **S&P 500 12-Month Target Price: 4,940**
- Great Years → Good Years
- Seasonality Nov.-Apr.
- Presidential Cycle
- 2nd Year of Bull Market
- End of Rate-Tightening/Declining 10-Year Yield
- Broadening Participation
- Mid- & Small-Cap Opportunities
- 2024 EPS Growth
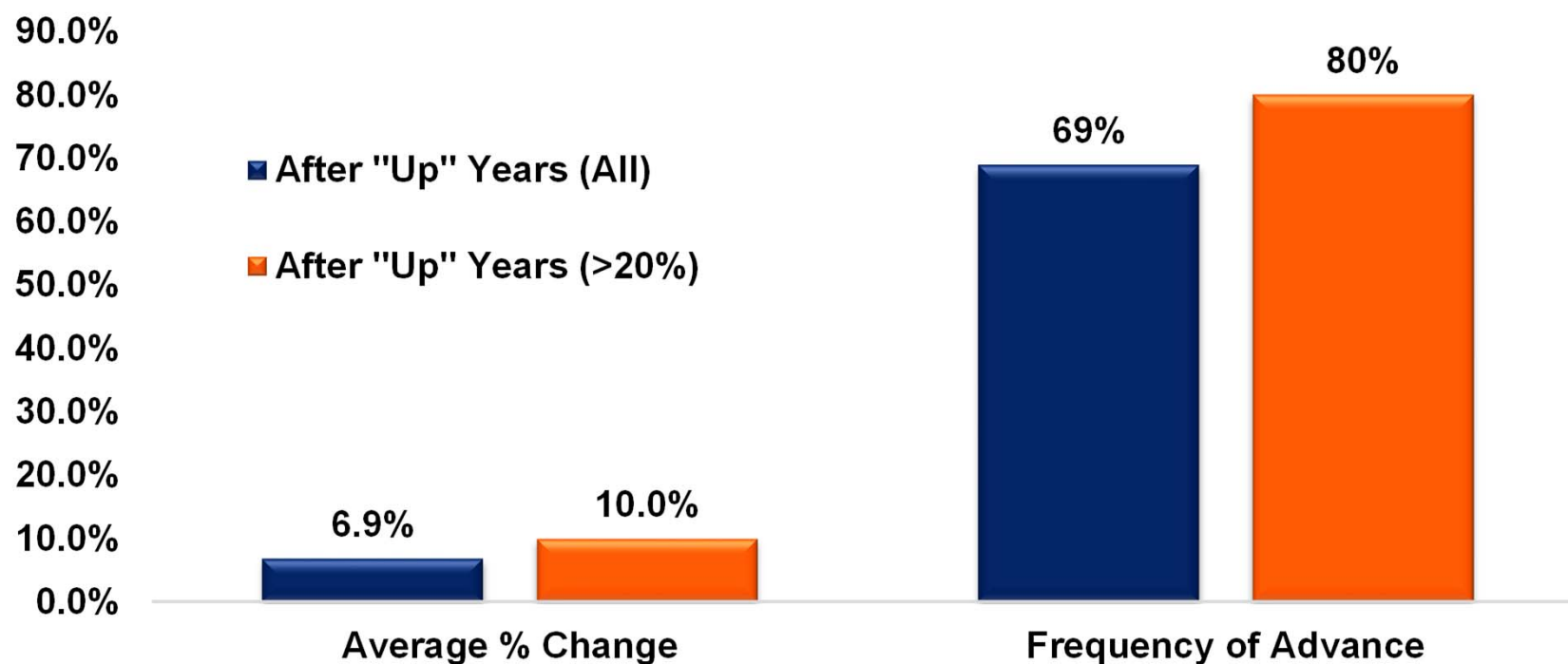- No Recession Expectation
- "Let Your Winners Ride"

Target Price Compilation

Target Prices are More Weathervane than Laser Beam

- **12-Month Guide for Equity Analysts**

- **Combines Fundamentals, Technicals, and Historical Precedent**

  - Cap-weighted target price differential for S&P 500 constituents

  - Point & Figure target price for largest stocks in the S&P 500

  - Adjusted by historical indicators

- **12-Month Target Subject to Intra-Year Revisions**

Good Years Typically Follow Great Years

Improved Average Return, Increased Frequency of Advance

Legend:
- After "Up" Years (All)
- After "Up" Years (>20%)

Average % Change:
- After "Up" Years (All): 6.9%
- After "Up" Years (>20%): 10.0%

Frequency of Advance:
- After "Up" Years (All): 69%
- After "Up" Years (>20%): 80%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/1944-12/29/2023.

Seasonality: S&P 500 Six-Month Price Returns

The "Best Six Months of the Year" / "Sell in May"
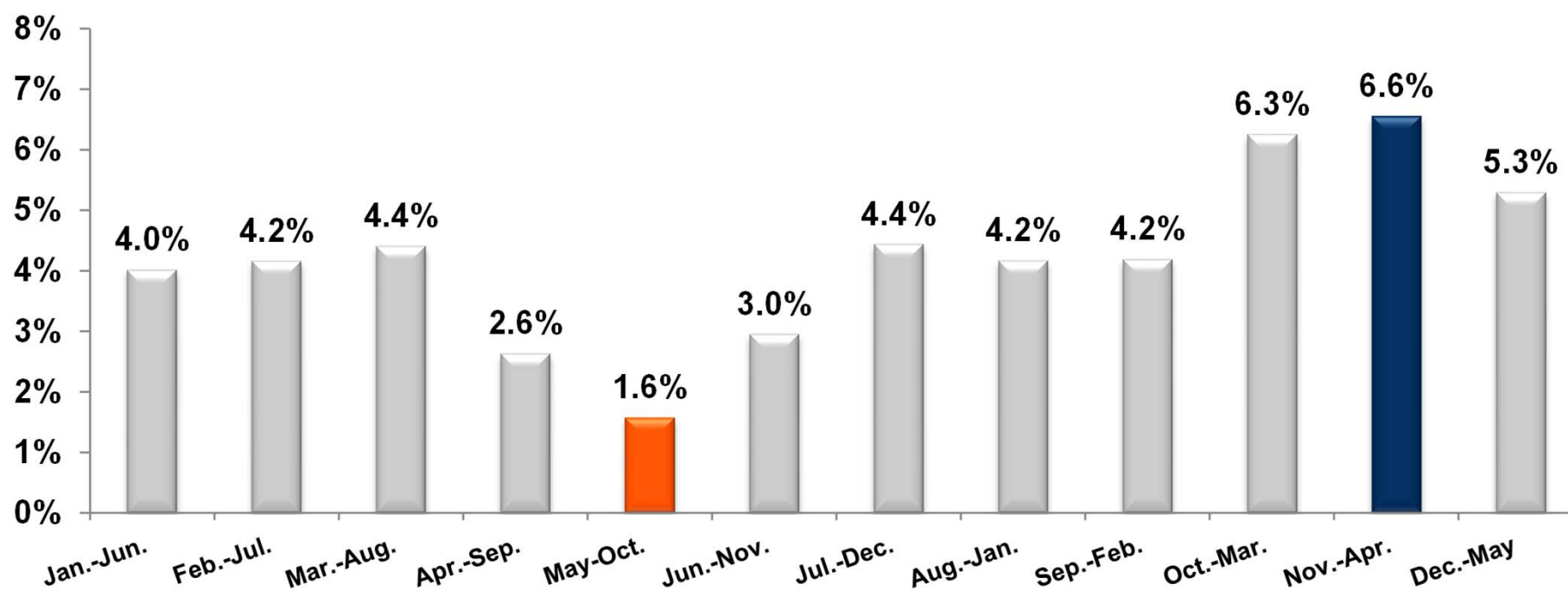
Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/1944-11/29/2023.

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S&P 500 Price Returns: The Presidential Cycle

100% Frequencies of Advance in Q4 of First-Term Pre-Election Years and Full Election Years

Pres. Cycle	Average S&P 500 % Changes (w/o dividends reinvested)					Batting Averages (Frequency of Price Gains)				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	(0.4)	1.6	1.0	4.8	7.3	54%	46%	62%	85%	62%
Year 2	(1.4)	(3.9)	3.0	5.4	2.7	25%	42%	75%	75%	50%
Year 3	7.5	4.8	1.2	5.1	19.6	87%	73%	60%	80%	87%
Year 4	(0.1)	3.7	3.3	5.0	11.8	58%	67%	75%	92%	100%
All Years	**1.3**	**1.4**	**2.5**	**5.0**	**10.3**	**57%**	**55%**	**71%**	**82%**	**76%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-12/29/2023.

S&P MC 400 Price Returns: The Presidential Cycle

100% Frequencies of Advance in Q4 of First-Term Pre-Election Years and Full Election Years

Pres. Cycle	Average S&P MC400 % Chgs. (w/o dividends reinvested)					Batting Averages (Frequency of Price Gains)				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	2.8	8.5	7.3	6.1	26.1	67%	100%	67%	100%	100%
Year 2	3.2	(4.9)	(0.0)	(0.1)	(2.2)	67%	33%	67%	67%	33%
Year 3	5.2	5.0	(3.0)	10.3	18.1	75%	75%	50%	100%	75%
Year 4	(4.3)	4.3	3.8	12.8	13.4	67%	67%	67%	100%	100%
All Years	2.1	3.2	2.0	7.2	14.1	67%	67%	67%	92%	75%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1994-12/29/2023.

Russell 2000 Price Returns: The Presidential Cycle

100% Frequencies of Advance in Q4 of First-Term Pre-Election Years and Full Election Years

Pres. Cycle	Average Russell 2000 % Chgs. (w/o dividends reinvested)					Batting Averages (Frequency of Price Gains)				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	1.5	7.3	(0.7)	5.0	11.8	71%	100%	57%	86%	86%
Year 2	(0.7)	(2.4)	(2.7)	4.8	(2.1)	33%	33%	67%	67%	33%
Year 3	11.9	7.7	0.9	6.3	28.3	86%	71%	57%	86%	83%
Year 4	(3.1)	4.9	5.0	9.8	15.0	57%	57%	71%	86%	86%
All Years	**2.2**	**3.2**	**(0.5)**	**6.6**	**10.8**	**62%**	**62%**	**58%**	**81%**	**69%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1979-12/29/2023.

Happy Birthday, Bull

S&P 500 Bull Market Annual Returns Typically Started to Struggle in Year 3 but Gained 12.6% in Year 2

Start	End	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Recovery
5/17/47	6/15/48	19%											57%
6/13/49	8/2/56	42%	12%	13%	-2%	20%	39%	17%					1031%
10/22/57	12/12/61	31%	10%	-5%	28%								313%
6/26/62	2/9/66	33%	17%	2%									205%
10/7/66	11/29/68	33%	7%										169%
5/26/70	1/11/73	44%	11%										130%
10/3/74	11/28/80	38%	21%	-7%	6%	7%	18%						135%
8/12/82	8/25/87	58%	2%	13%	30%	37%							615%
12/4/87	7/16/90	21%	29%										129%
10/11/90	3/24/00	29%	6%	14%	1%	24%	21%	38%	2%	36%			1676%
10/9/02	10/9/07	34%	8%	7%	13%	16%							105%
3/9/09	2/19/20*	69%	16%	4%	13%	21%	11%	-4%	19%	18%	-2%	66%	305%
3/23/20	1/3/22	75%											223%
10/12/22	?	22%	?										83%
Avg. Since 1947		**39.1%**	**12.6%**	**5.2%**	**12.7%**	**20.8%**	**22.1%**	**16.9%**	**10.3%**	**26.7%**	**-1.6%**	**65.8%**	**330%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 12/29/23. *Within 20 days of a complete year.

Yield Progressions

The 2- and 10-Year Month-End Yields Tended to Peak at Around the Same Time and Level

Legend: 10-Y, 2-Y
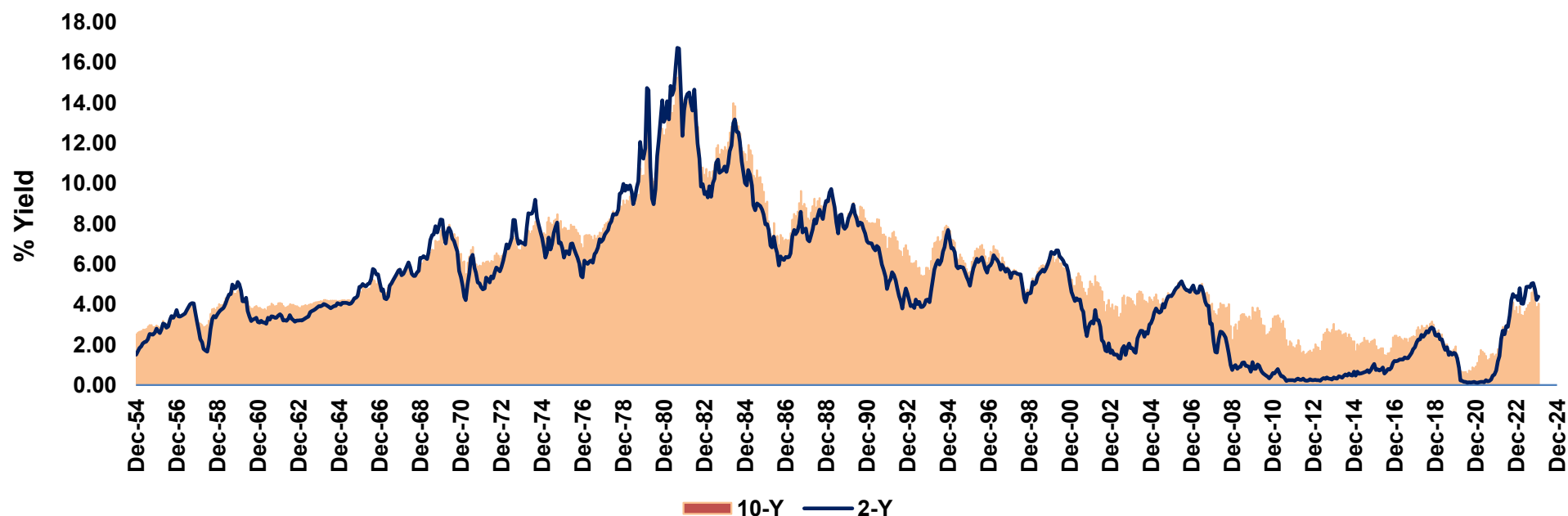
Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/54-12/29/23.

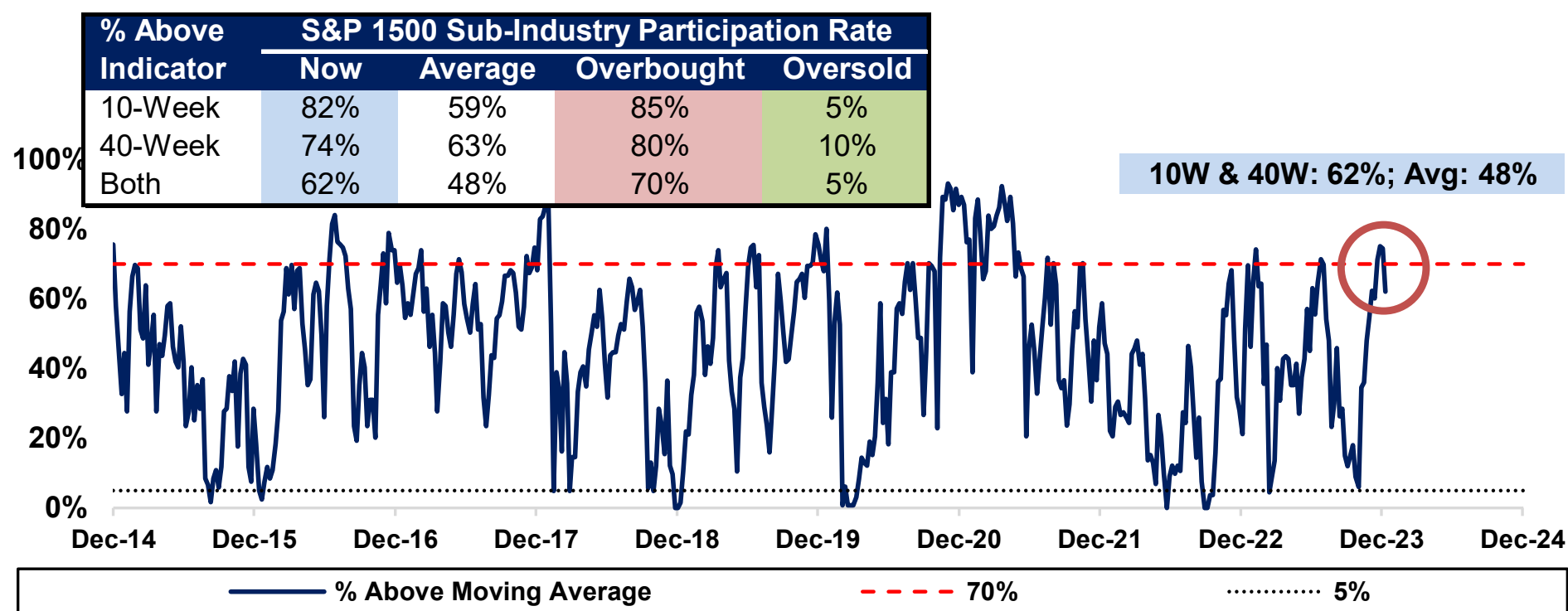# Market Returns Between Last Rate Hike/First Rate Cut

Markets Typically Rise After the End of Rate Cuts with Large-Caps Gaining Faster Than Small-Caps

Fed Funds Rate		Price % Change	
Last Hike	First Cut	S&P 500	SmallCaps
02/24/89	06/01/89	11.6	11.8
02/01/95	07/06/95	16.3	15.7
03/25/97	09/02/98	32.9	4.3
05/16/00	01/03/01	(12.5)	(4.3)
06/29/06	09/18/07	16.0	12.9
12/19/18	07/31/19	20.2	16.7
05/03/23	?	?	?
Average		14.1	9.5

Broadening Participation

An Increasing percentage of S&P 1500 Sub-Industries Above Both Their 10- & 40-Week Averages

% Above Indicator	S&P 1500 Sub-Industry Participation Rate			
	Now	Average	Overbought	Oversold
10-Week	82%	59%	85%	5%
40-Week	74%	63%	80%	10%
Both	62%	48%	70%	5%

10W & 40W: 62%; Avg: 48%

Legend: —— % Above Moving Average   – – – 70%   ·········· 5%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 1/5/24.

Earnings Expectations

Wall Street Consensus Estimates Still Point to an EPS Growth Recovery in 2024

S&P Sector	Estimated EPS % Growth 2024		
	S&P 500	S&P 400	S&P 600
Communication Services	13.1	44.3	(44.9)
Consumer Discretionary	11.2	9.5	11.2
>Retail Composite	12.4	--	--
Consumer Staples	6.5	8.9	0.5
Energy	2.6	17.2	3.9
Financials	6.2	7.0	8.9
Health Care	17.7	14.9	720.1
Industrials	9.8	5.8	13.0
Information Technology	15.8	8.0	28.1
Materials	4.0	13.0	7.8
Real Estate	(1.5)	8.7	NM
Utilities	3.5	(6.7)	(0.1)
EPS % Growth 2024	**10.6**	**10.3**	**18.3**
NTM P/E Ratio	**20.1**	**15.3**	**15.6**
Average Since 2005	**16.3**	**17.3**	**18.3**
Prem/Disc to Average	**23**	**(12)**	**(15)**
Prem/Disc to S&P 500	**NM**	**(29)**	**(32)**

Source: S&P Global. Data as of 1/5/24.

Economic Expectations

No Recession Projected for 2023 or 2024

Indicator	Year	Forecast	Year	Forecast
S&P 500 EPS	2023E:	218.10	2024E	241.16
S&P 500 Revenues	2023E:	0.8%	2024E	5.1%
Real GDP (Q4/Q4)	2023E:	2.4%	2024E	1.9%
Unemployment (Q4/Q4)	2023E:	3.7%	2024E	4.2%
Retail Sales	2023E:	3.7%	2024E	2.7%
Core PCE (Dec/Dec)	2023E:	3.0%	2024E	2.3%
Fed Funds Rate (Q4)	2023E:	5.38%	2024E	4.63%
10-Year T-Note (Q4)	2023E:	3.88%	2024E	4.00%
FRB Major $ Index Chg	2023E:	0.2%	2024E	-0.4%
WTI $ Average (Q4)	2023E:	78.35	2024E	85.08

Source: S&P Global, Action Economics. Data as of 1/5/24.

Buy Last Year's Winners or Losers?

Let Your Winners Ride After Up Years, Rotate From "First to Worst" After Down Years

S&P 500 Sector Rotation Strategy 1991-2023	Avg. Price Return %	Freq. of Rise	Beat the S&P 500?
S&P 500 After Up Years	7.7	70%	NA
S&P 500 After Down Years	15.0	80%	NA
S&P 500 After All Years	**9.9**	**73%**	**NA**
Buy Last Year's Top 3 Sectors	9.9	79%	61%
Buy Last Year's Bottom 3 Sectors	10.4	79%	42%
Alternate 3 Sectors*	**12.3**	**82%**	**70%**
Buy Last Year's Top 10 Sub-Industries	13.6	76%	64%
Buy Last Year's Bottom 10 Sub-Indus.	12.8	67%	58%
Alternate 10 Sub-Industries*	**18.0**	**76%**	**73%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results. *Buy top after up years, buy bottom after down years.

Top Sectors / Sub-Industries

Following an "Up" Year, Let Your Winners Ride

Top 3 Sectors

- Communication Services
- Consumer Discretionary
- Info. Technology

Honorable Mention

- Financials
- Industrials

Top 10 Sub-Industries / Favored Stock

- Application Software (CRM 251 *****)
- Automobile Manufacturers (TSLA 237 ****)
- Construction & Engineering (ACM 89 ****)
- Homebuilding (PHM 101 *****)
- Hotels, Resorts & Cruise Lines (CCL 17 ****)
- Interactive Media & Services (GOOGL 136 ****)
- Semiconductors (NVDA 491 ****)
- Systems Software (MSFT 368 *****)
- Tech. Hardware/Storage/Peripherals (AAPL 181 ****)
- Trading Companies & Distributors (URI 541 ***)

Source: CFRA. Sector and sub-industry selection as of 12/29/23; stock prices as of 1/5/24.

Presidential Parties and S&P 500 Average Returns

The S&P 500 Posted Higher Annual Returns Under Democratic Administrations
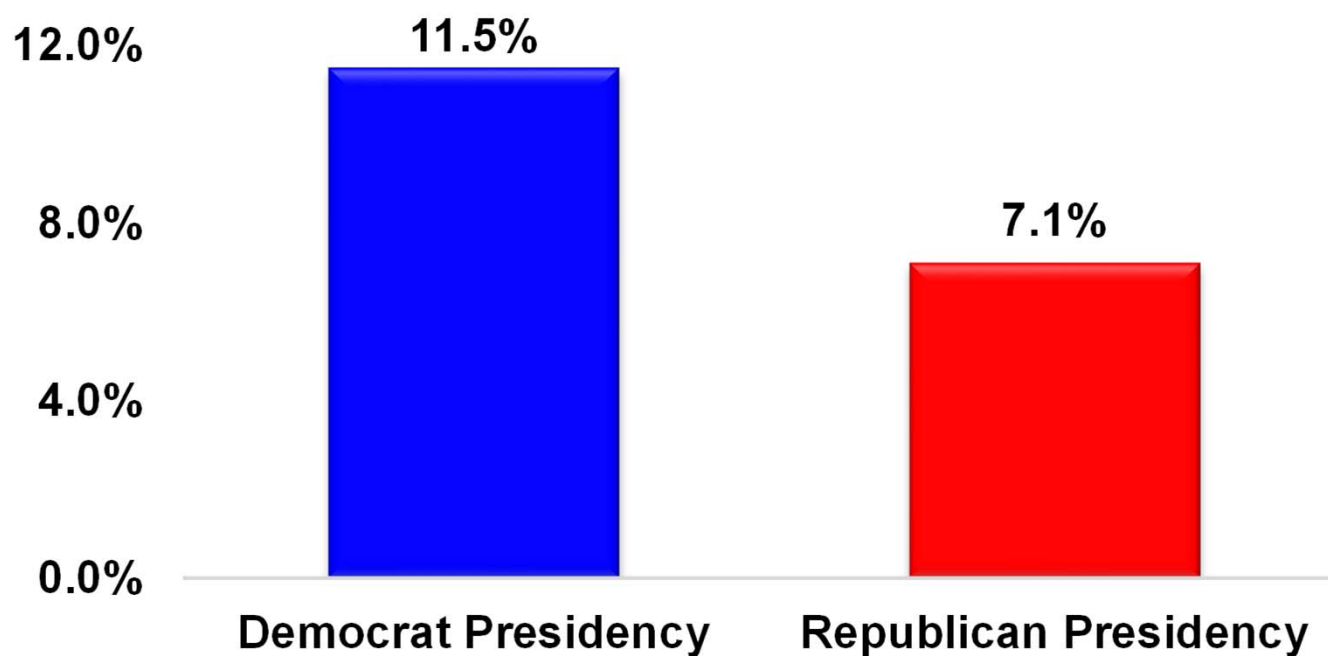
Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-12/29/2023.

The House of Reps. Controls the Purse Strings

The S&P 500 Posted Higher Annual Returns Under a Republican-Controlled House
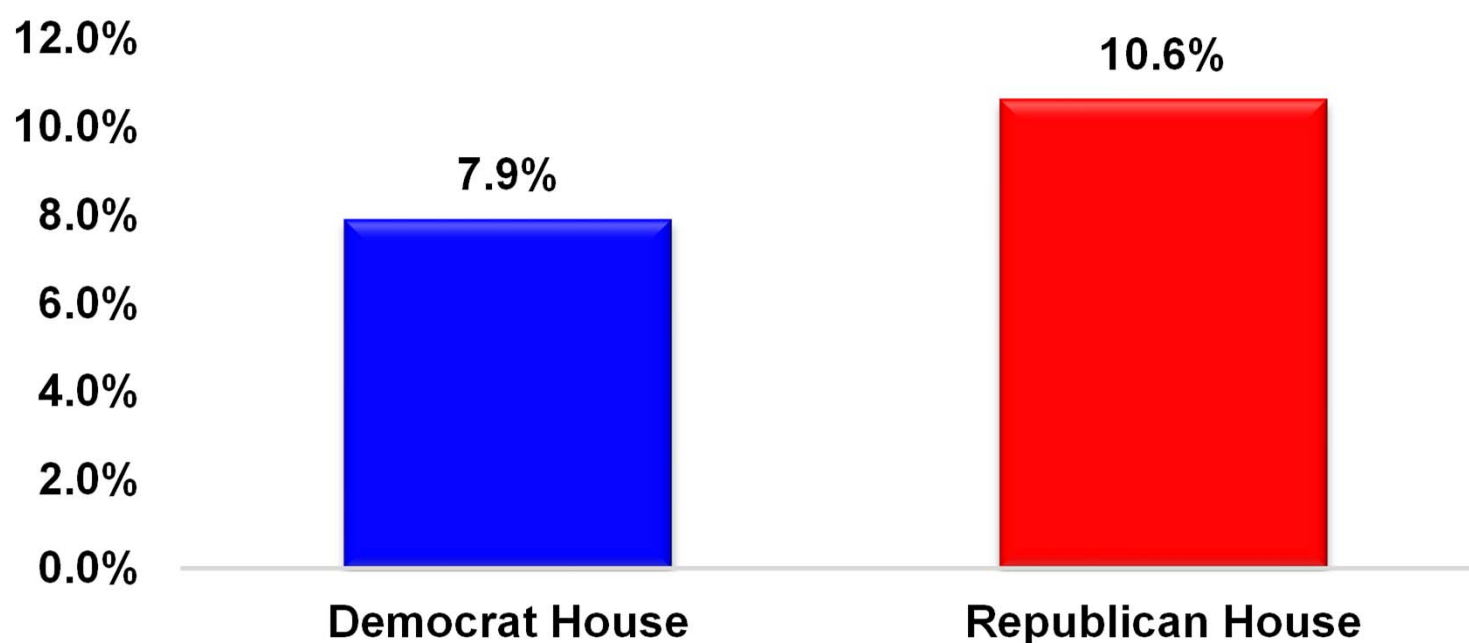
Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-12/29/2023.

S&P 500 CAGRs During Presidential Administrations

Clinton's 16.5% was the Highest; Bush-43's was the Lowest
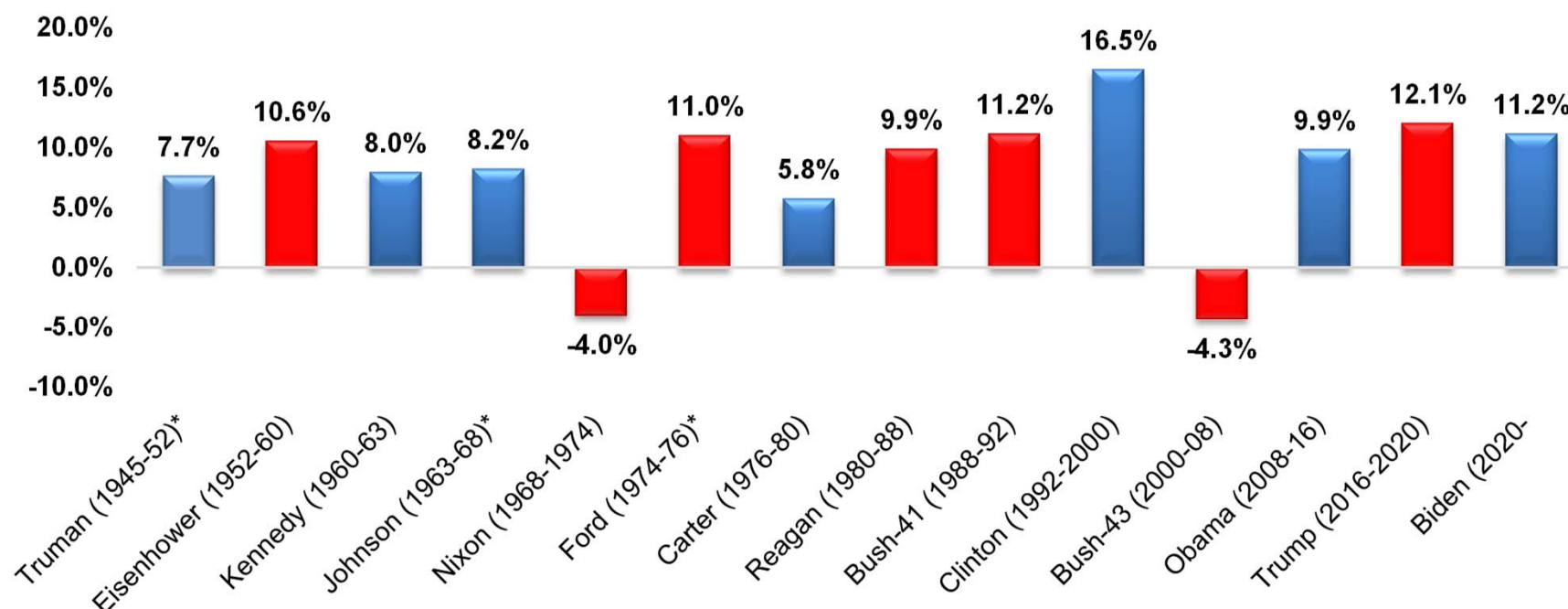
Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-12/29/2023.

S&P 500 Returns During Congressional Makeups

A Split Congress Under a Democrat President was the Highest

Political Scenarios	Avg. Chg.	Years	FoA
Unified Government	**10.2%**	**33**	**82%**
>Democratic Pres. & Congress	9.4%	24	75%
>Republican Pres. & Congress	12.8%	8	100%
Unified Congress	**7.8%**	**32**	**75%**
>Dem. Pres./Rep. Congress	14.0%	10	100%
>Rep. Pres./Dem. Congress	5.0%	22	64%
Split Congress	**7.7%**	**14**	**79%**
>Democratic President	13.2%	5	100%
>Republican President	4.9%	10	70%
All Years	**8.8%**	**79**	**78%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-12/29/2023.

Presidential Cycle: Rates & Recessions

- Every election year since 1992 (except 2012) saw the Fed either raise or lower rates.

- Every Republican president since (at least) McKinley had a recession start in their first term in office.

- Presidents with most recessions: Wilson (3), Eisenhower (3), Roosevelts (2), and Bush-43 (2)

- Presidents with no recessions: Kennedy, Johnson, Clinton, Obama, and Biden (so far).

S&P 500 3-Month Returns Hint at Presidential Victor

July 31 – October 31 of Election Year: Advance = Reelection; Decline = Replacement

Election Year	Candidates		S&P 500 % Chg.	Correct Prediction?	
	Democrat	Republican		Reelection	Replacement
1944	FDR	Dewey	0.6	▲	
1948	Truman	Dewey	4.4	▲	
1952	Stevenson	Eisenhower	(3.5)		▲
1956	Stevenson	Eisenhower	(7.7)		▼
1960	Kennedy	Nixon	(3.8)		▲
1964	Johnson	Goldwater	2.0	▲	
1968	Humphrey	Nixon	5.8	▼	
1972	McGovern	Nixon	3.9	▲	
1976	Carter	Ford	(0.5)		▲
1980	Carter	Reagan	4.8	▼	
1984	Mondale	Reagan	10.2	▲	
1988	Dukakis	Bush	2.6	▲	
1992	Clinton	Bush	(1.3)		▲
1996	Clinton	Dole	10.2	▲	
2000	Gore	Bush	(0.1)		▲
2004	Kerry	Bush	2.6	▲	
2008	Obama	McCain	(23.6)		▲
2012	Obama	Romney	2.4	▲	
2016	Clinton	Trump	(2.2)		▲
2020	Biden	Trump	(0.04)		▲
20			Averages	82%	89%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-10/13/2023.

S&P 500 Sector Calendar Year % Price Changes

Campaign Issues Typically Influence Sector Returns

Calendar Year % Price Changes in S&P 500 Sectors								
1992	**1996**	**2000**	**2004**	**2008**	**2012**	**2016**	**2020**	**Beat Mkt?**
RE: NA	RE: NA	RE: NA	RE: NA	RE: NA	RE: NA	RE: NA	IT: 42.2	Cons. Disc.: 5
F: 19.8	IT: 43.1	U: 51.7	E: 28.8	CS: (17.7)	F: 26.3	E: 23.7	CD: 32.1	Com. Svcs.: 5
CD: 17.5	F: 31.9	HC: 35.5	U: 19.6	HC: (24.5)	CD: 21.9	F: 20.1	Com: 22.2	Energy: 5
Com: 11	CS: 23.2	F: 23.4	Com: 16.0	U: (31.5)	HC: 15.2	Com: 17.8	M: 18.1	Financials: 5
M: 7.2	I: 22.9	CS: 14.5	I: 16.0	Com: (33.6)	**S&P 500: 13.4**	I: 16.1	**S&P 500: 16.3**	Industrials: 5
I: 6.8	E: 21.7	E: 13.2	CD: 12.1	CD: (34.7)	IT: 13.1	M: 14.1	HC: 11.4	Materials: 4
S&P 500: 4.5	**S&P 500: 20.3**	I: 4.5	M: 10.8	E: (35.9)	Com: 12.5	U: 12.2	I: 9.0	Utilities: 4
CS: 3	HC: 18.8	**S&P 500: (10.1)**	**S&P 500: 9.0**	**S&P 500: (38.5)**	I: 12.5	IT: 12.0	CS: 7.6	Cons. Staples: 3
IT: 0.6	M: 13.4	M: (17.7)	F: 8.2	I: (41.5)	M: 12.2	**S&P 500: 9.5**	U: (2.8)	Health Care: 3
U: 0.3	CD: 10.5	CD: (20.7)	CS: 6	IT: (43.7)	CS: 7.5	CD: 4.3	F: (4.1)	Info. Tech.: 3
E: (2.3)	U: 0.2	Com: (39.7)	IT: 2.1	M: (47.0)	E: 2.3	CS: 2.6	RE: (5.2)	Real Estate: 0
HC: (18.1)	Com: (2.2)	IT: (41.0)	HC: 0.2	F: (56.9)	U: (2.9)	HC: (4.4)	E: (37.3)	**S&P 500: NA**

Source: CFRA, S&P Global. Past performance is no guarantee of future results. CD: Cons. Discretionary; Com: Comm. Services.; CS: Cons. Staples, E: Energy; F: Financials; H: Health Care; I: Industrials; IT: Info. Technology; M: Materials; RE: Real Estate; U: Utilities. Data: 12/31/1991 through 12/31/2020.

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