



American
Association of
Individual
Investors

Current Events in the Markets and Economy

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December 12, 2023

Agenda

I. Markets

- A. Recent Performance – Stocks
- B. Recent Performance -- Bonds

II. Connecting the Economy to the Markets

- A. Economy Affects Stocks
- B. Economy Affects Bonds
- C. How Inflation Affects Stocks

III. Looking to the Future

- A. Strategists – Be Careful
- B. Fed Policy
- C. Bull Case for Stocks
- D. Bear Case for Stocks

\$SPX S&P 500 Large Cap Index INDX

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12-Dec-2023

Op 4618.30 **Hi** 4643.93 **Lo** 4608.09 **Cl** 4643.70 **Vol** 2.3B **Chg** +21.26 (+0.46%) ▲

▲ RSI(12) 74.97

— \$SPX (Daily) 12.78%

■ Volume 2,300,858,112



\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

12-Dec-2023

Op 4618.30 Hi 4643.93 Lo 4608.09 Cl 4643.70 Vol 2.3B Chg +21.26 (+0.46%) ▲

▲ RSI(12) 74.97



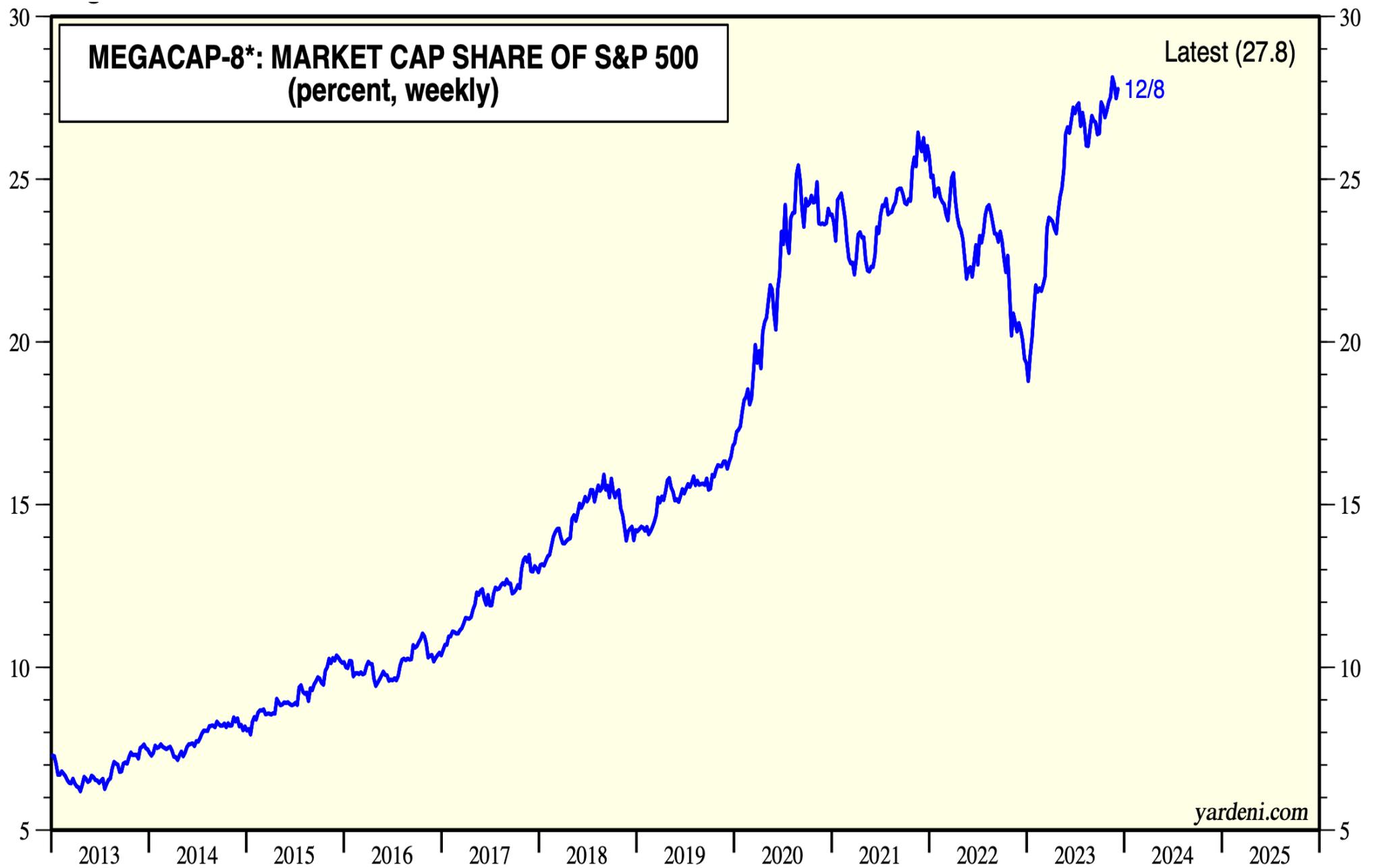
\$VIX Volatility Index - New Methodology INDX

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12-Dec-2023

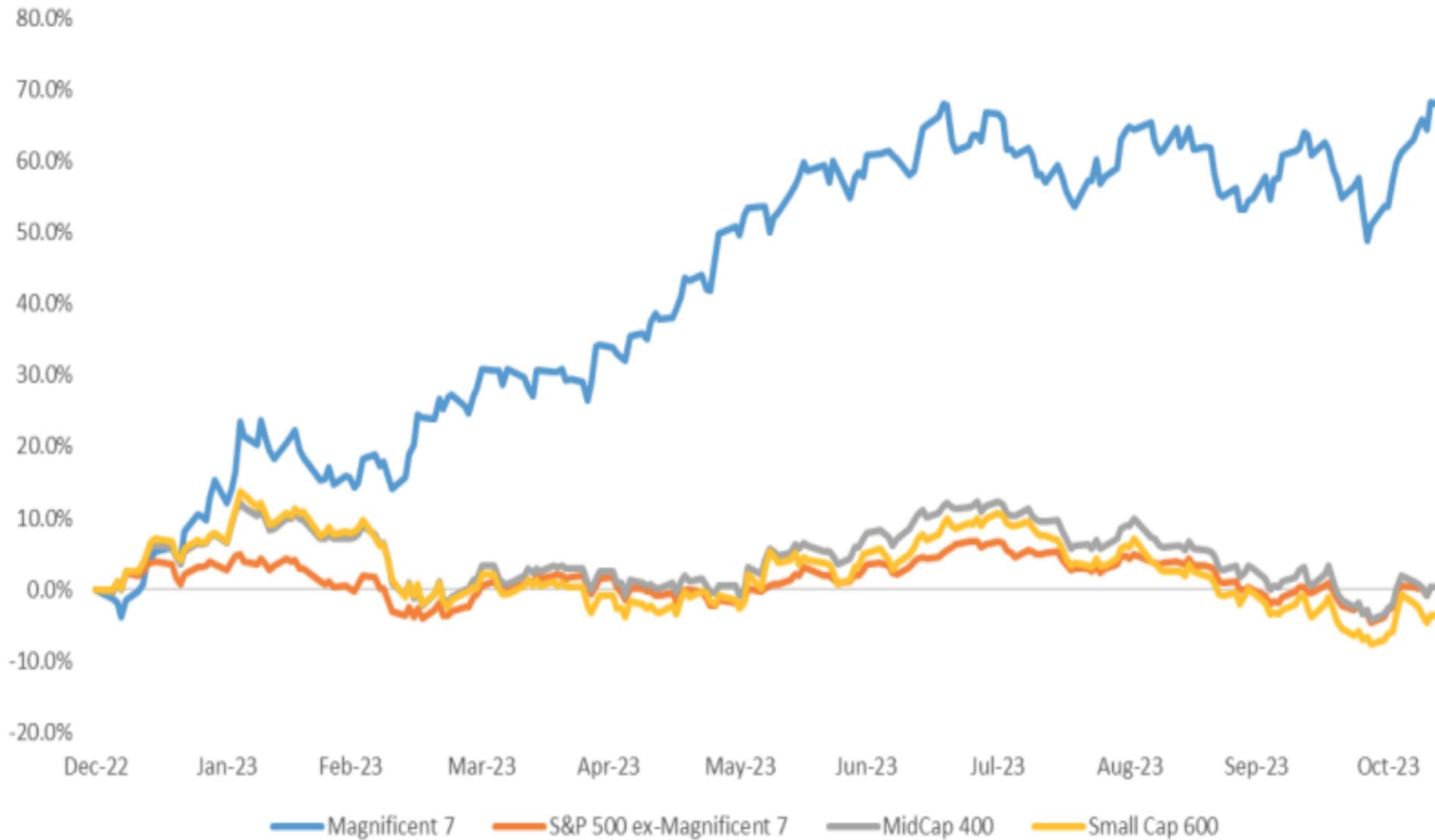
Open 12.69 High 12.74 Low 11.81 Close 12.07 Chg -0.56 (-4.43%) ▼





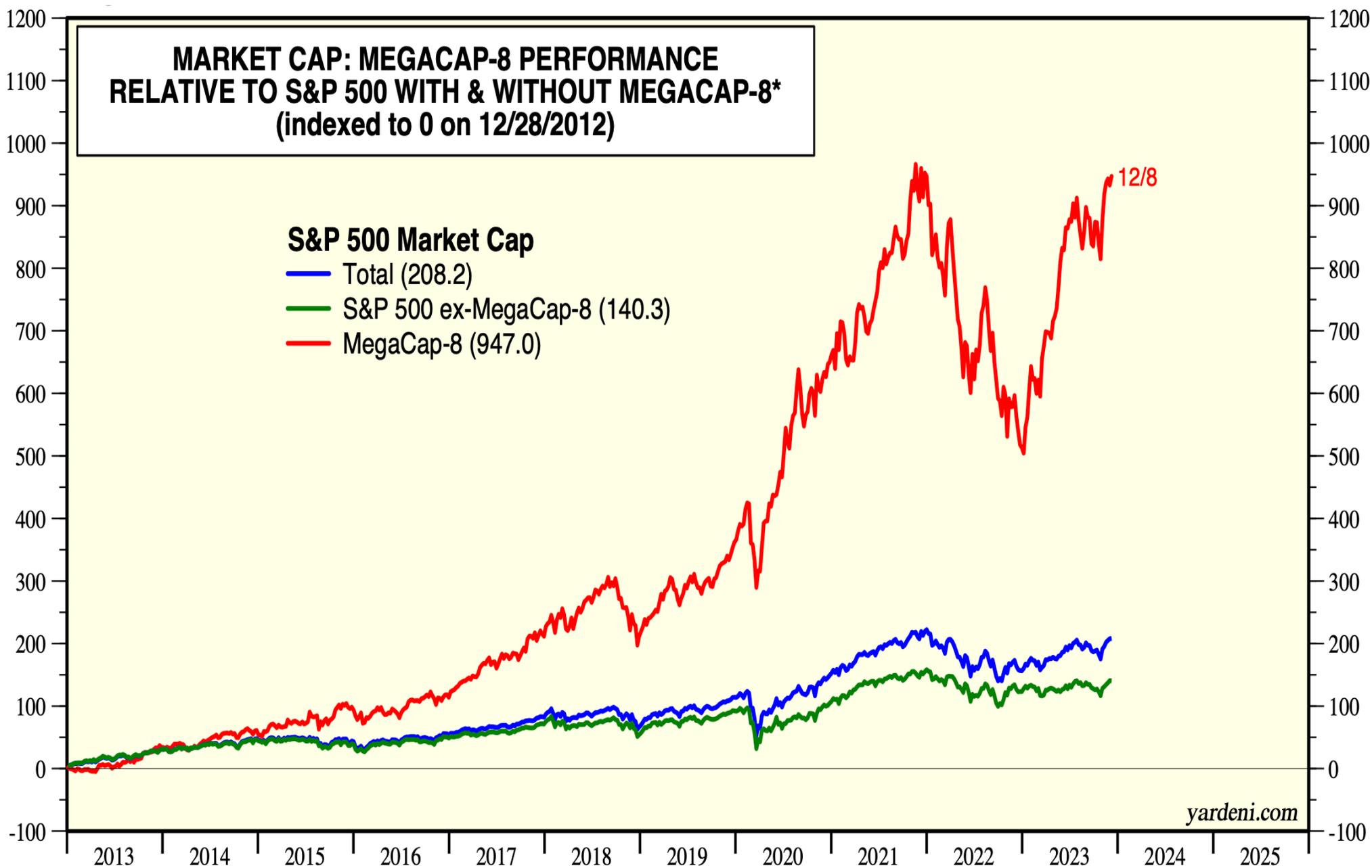
* MegaCap-8 stocks include Alphabet, Amazon, Apple, Meta, Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included
 Source: Standard & Poor's and I/B/E/S data by Refinitiv.

2023 YTD S&P 500 Separating Magnificent 7 Tech Stocks Vs. Rest Of S&P 500 YTD



Source: FactSet, Raymond James research

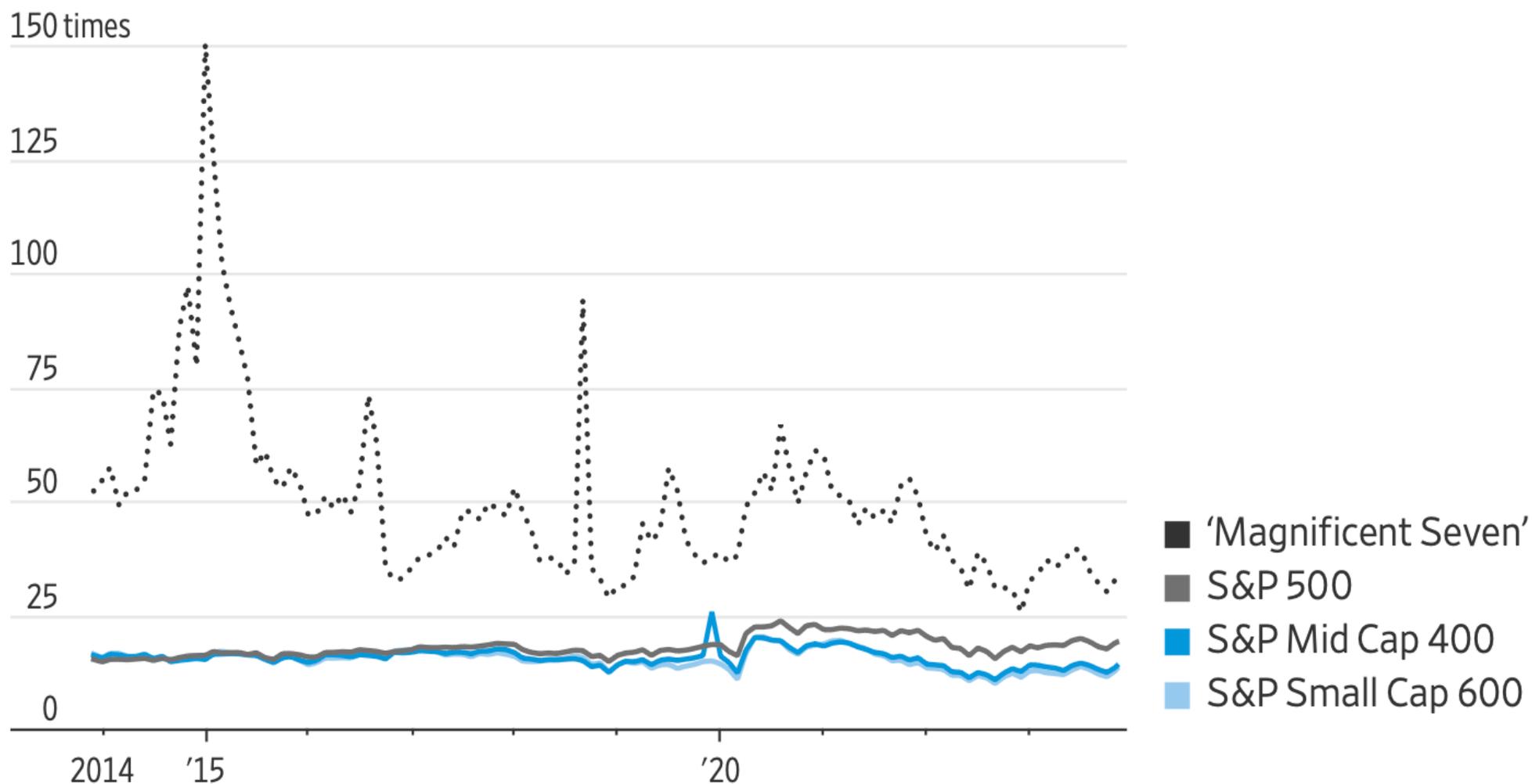
Source: Raymond James Institutional Equity Strategy 2024 Outlook, as of 11.30.2023



* MegaCap-8 stocks include Alphabet, Amazon, Apple, Meta, Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.
Source: Standard & Poor's and Yardeni Research Inc.

The 'Magnificent Seven' remain extremely pricey relative to small caps

Price-to-earnings ratio



Note: Based on 12-month forward earnings expectations

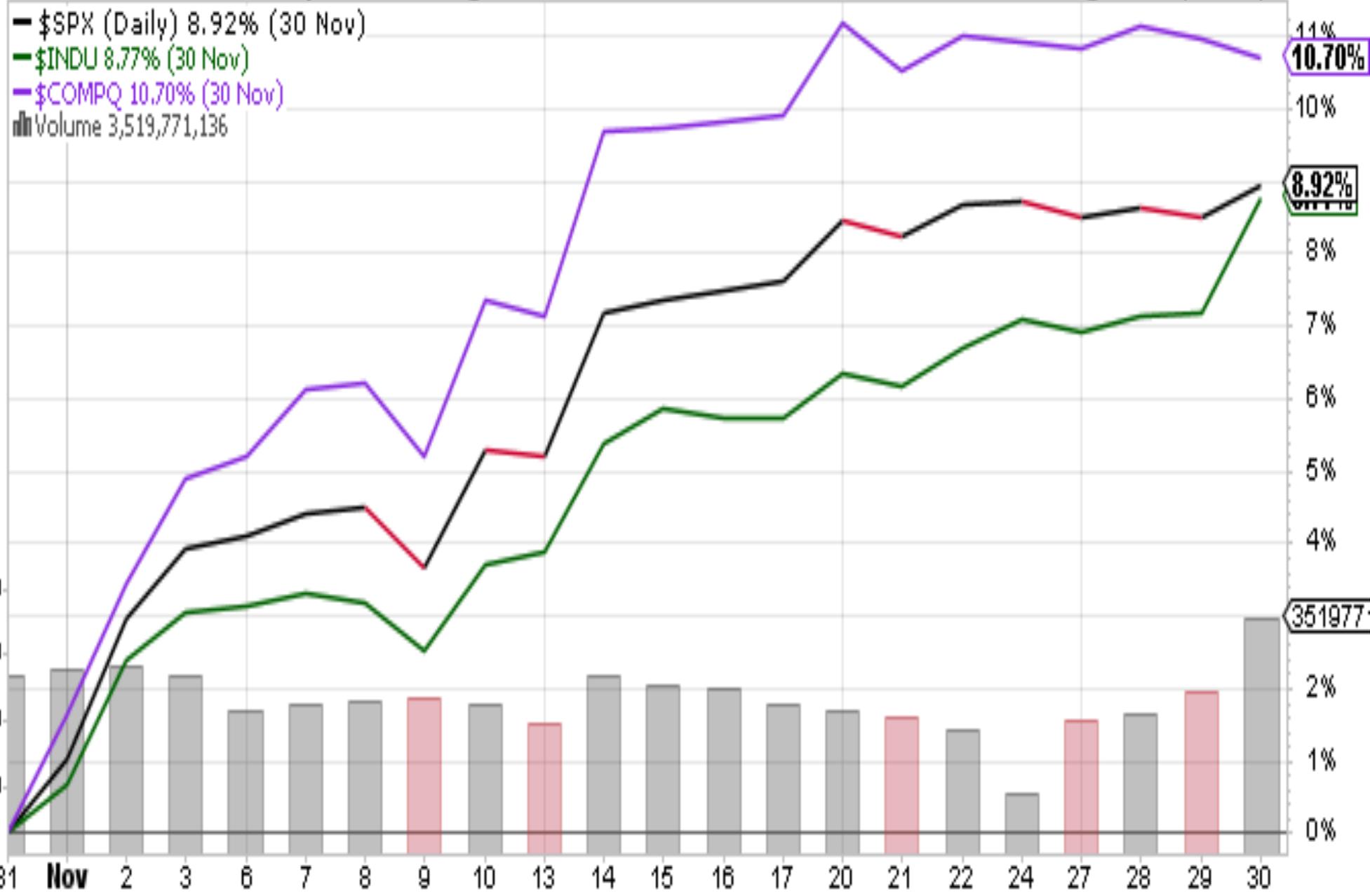
Source: FactSet

\$SPX S&P 500 Large Cap Index INDX

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30-Nov-2023

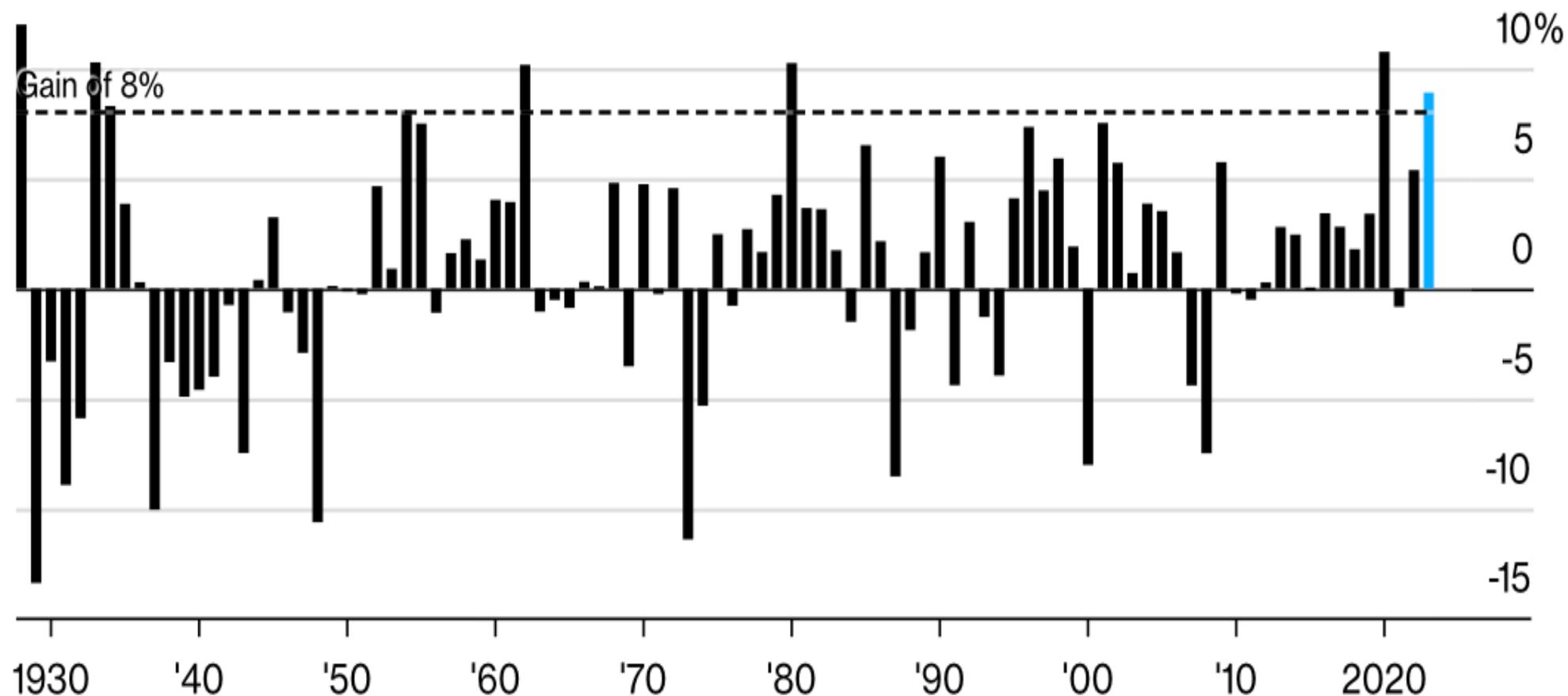
Open 4554.87 High 4569.89 Low 4537.24 Close 4567.80 Volume 3.5B Chg +17.22 (+0.38%) ▲



S&P 500 Has One of its Best November Gains on Record

The index has gained more than 8% fewer than 10 times since 1928

■ S&P 500 November performance



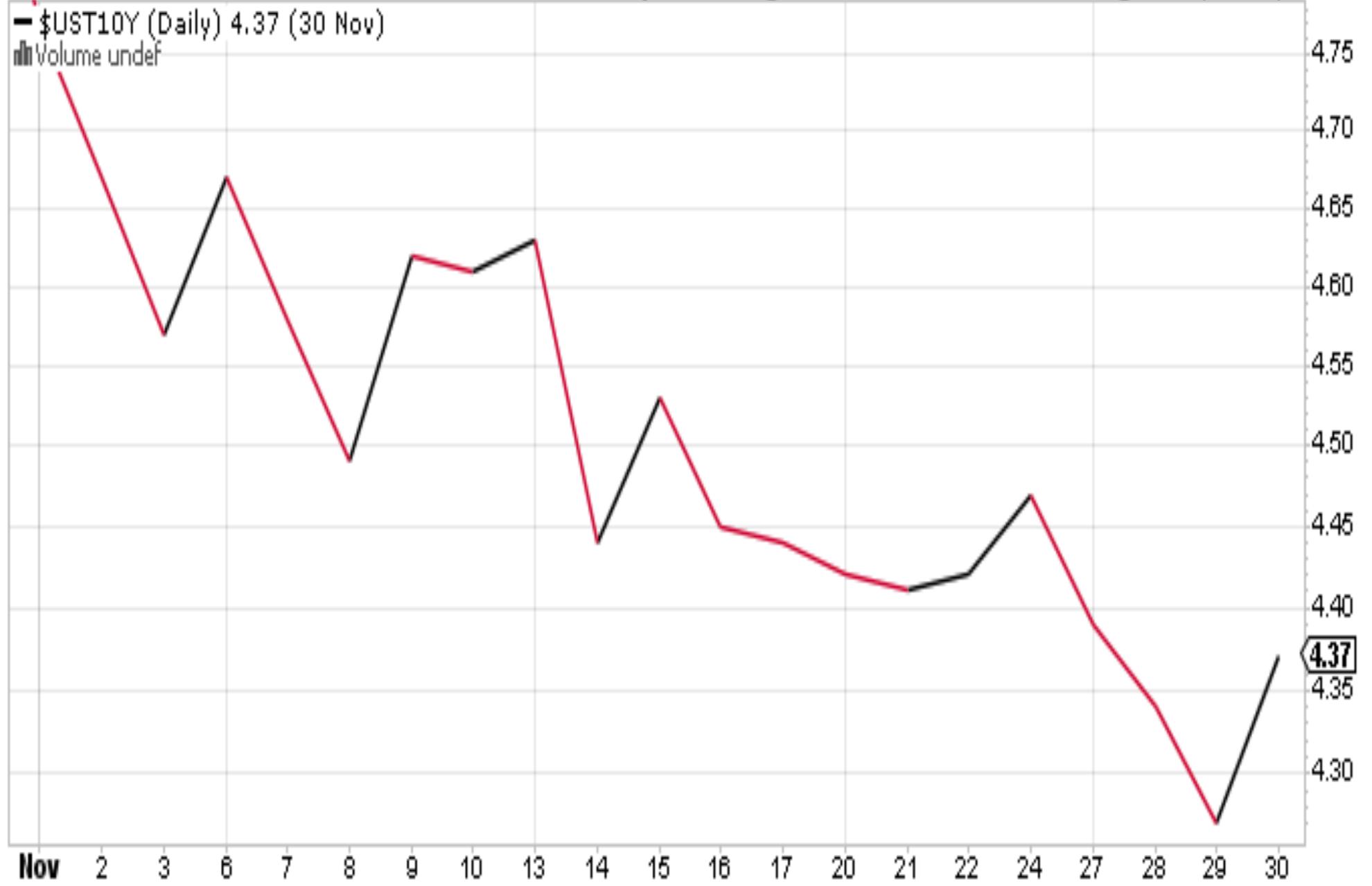
Source: Bloomberg

\$UST10Y 10-Year US Treasury Yield (EOD) INDX

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30-Nov-2023

Open 4.37 High 4.37 Low 4.37 Close 4.37 Chg +0.10 (+2.34%) ▲



Period

One Month ▾

Columns

Search Table

	SYMBOL	NAME	SCTR	U	CLOSE	CHG	% CHG		
	XLRE	Real Estate Sector Fund	79.5	etf	38.01	4.74	14.25	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLY	Consumer Discretionary Sector Fund	82.3	etf	171.09	17.11	11.11	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLF	Financial Sector Fund	91.7	etf	36.17	3.60	11.05	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLK	Technology Sector Fund	95.6	etf	185.58	18.40	11.01	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLI	Industrial Sector Fund	85.3	etf	108.74	10.06	10.19	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLB	Materials Sector Fund	73.9	etf	83.35	7.25	9.53	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLC	Communication Services Sector Fund	79.5	etf	69.91	4.24	6.46	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLV	Health Care Sector Fund	20.8	etf	131.83	7.03	5.63	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLU	Utilities Sector Fund	12.4	etf	63.53	3.16	5.23	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLP	Consumer Staples Sector Fund	11.0	etf	70.95	3.16	4.66	<div style="width: 100%; height: 10px; background-color: green;"></div>	
	XLE	Energy Sector Fund	18.6	etf	85.02	0.03	0.04	<div style="width: 100%; height: 10px; background-color: green;"></div>	

\$SVX S&P LargeCap 500/Citigroup Value Index INDX

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12-Dec-2023

Open 1657.14 High 1665.28 Low 1657.14 Close 1664.69 Chg +7.40 (+0.45%) ▲

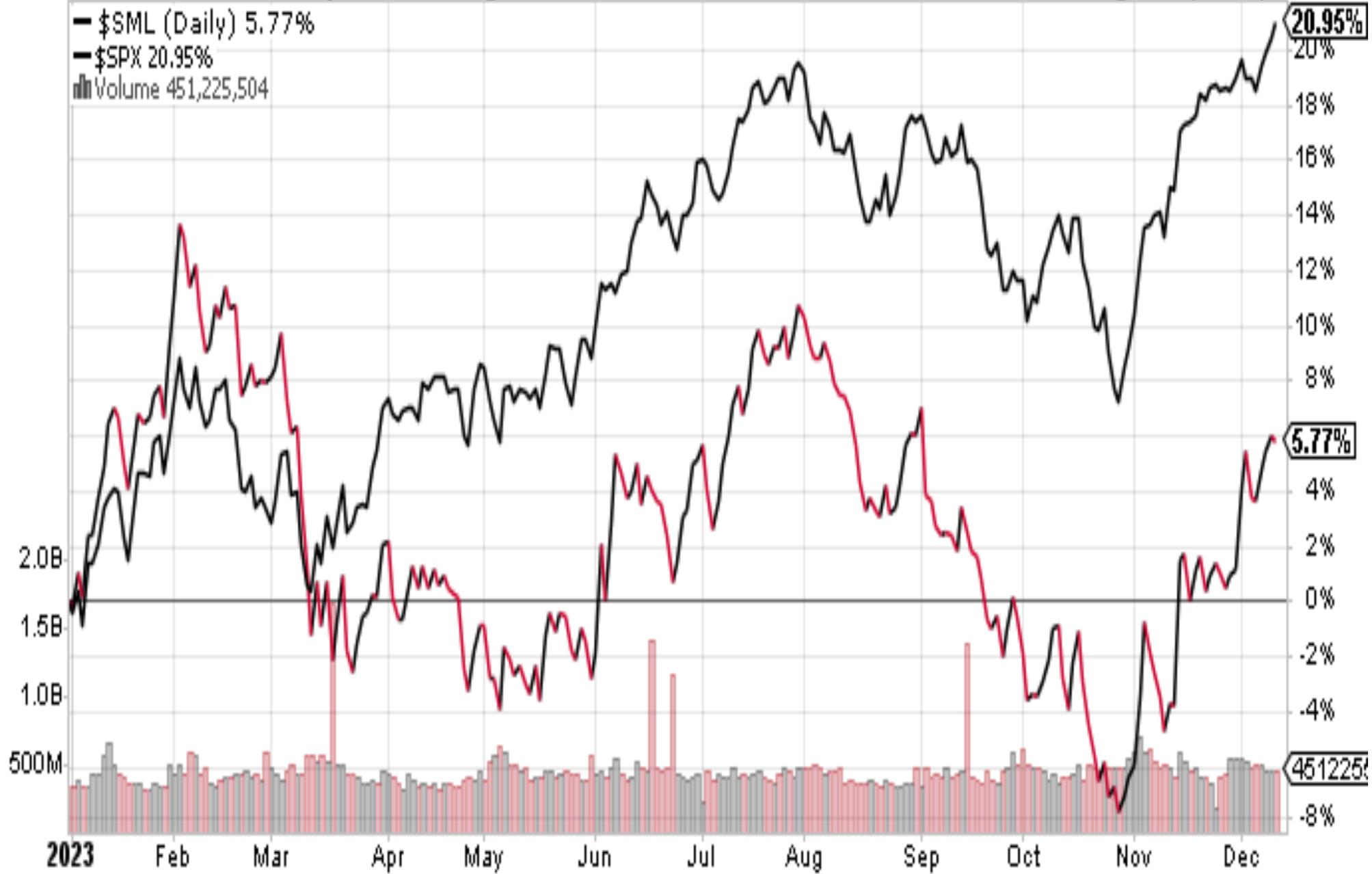


\$SML S&P 600 Small Cap Index INDX

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12-Dec-2023

Open 1225.97 High 1229.14 Low 1218.35 Close 1224.37 Volume 451.2M Chg -2.32 (-0.19%) ▼



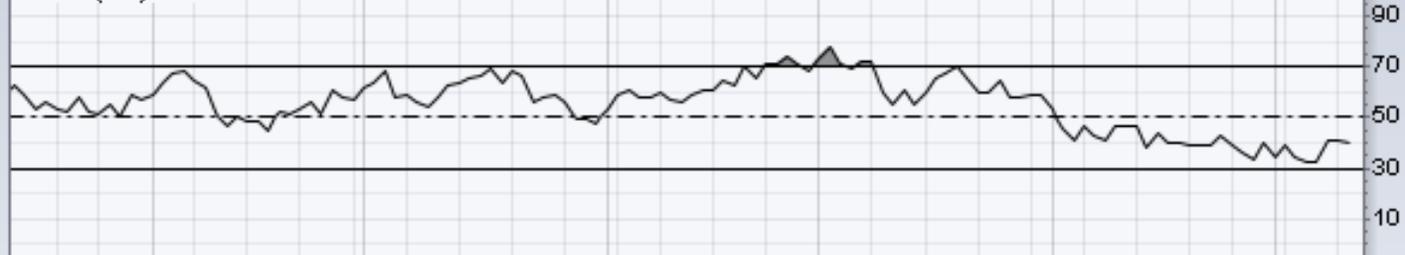
\$TNX CBOE 10-Year US Treasury Yield INDX

© StockCharts.com

12-Dec-2023 10:37 am

Open 41.80 High 42.51 Low 41.53 Last 42.31 Chg -0.08 (-0.19%)

▲ RSI(14) 40.48



— \$TNX (Daily) 42.31

■ Volume undef

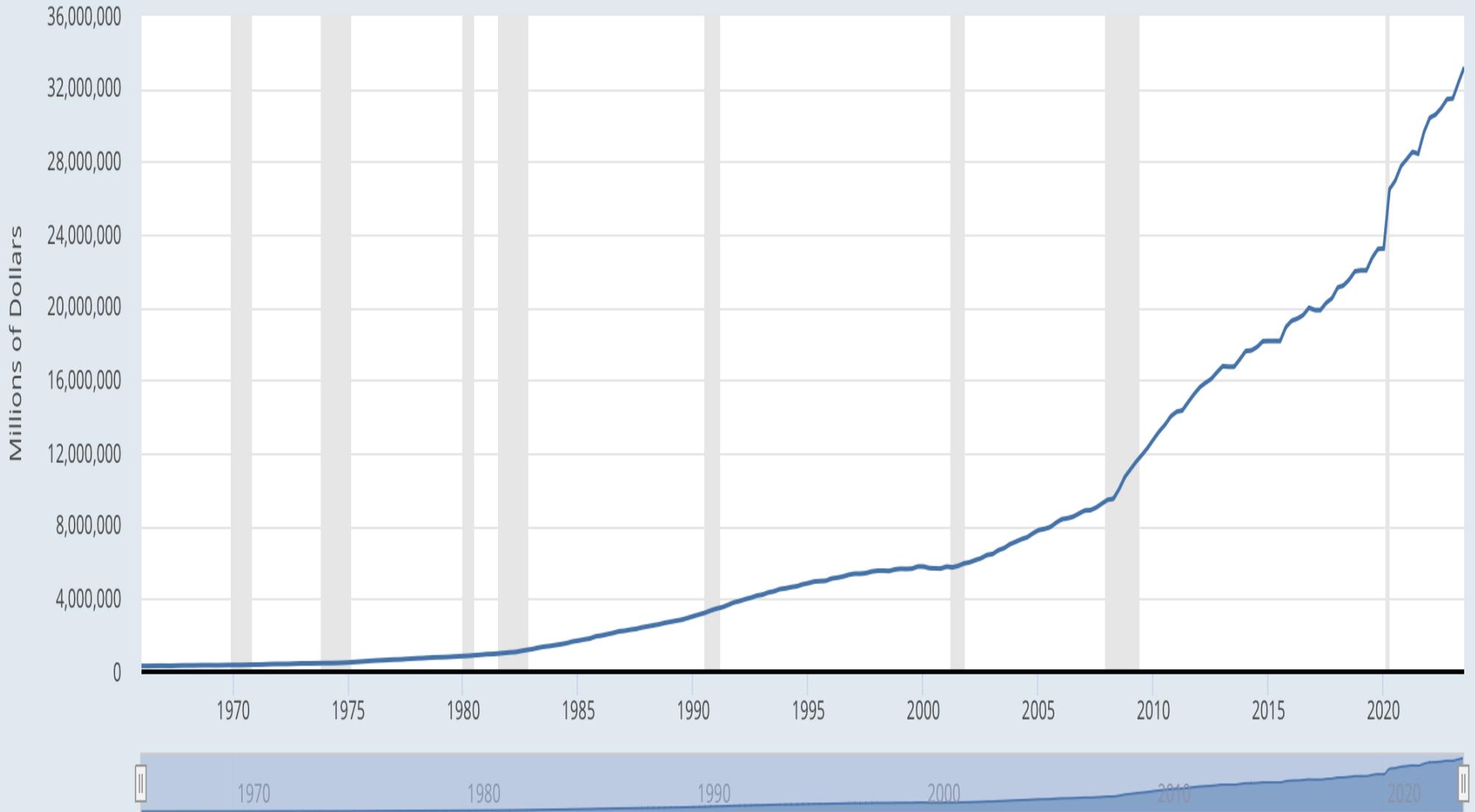


20 26 Jul 10 17 24 Aug 7 14 21 28 Sep 11 18 25 Oct 9 16 23 Nov 6 13 20 27 Dec 11

— MACD(12,26,9) -1.070, -1.053, -0.017



20 26 Jul 10 17 24 Aug 7 14 21 28 Sep 11 18 25 Oct 9 16 23 Nov 6 13 20 27 Dec 11

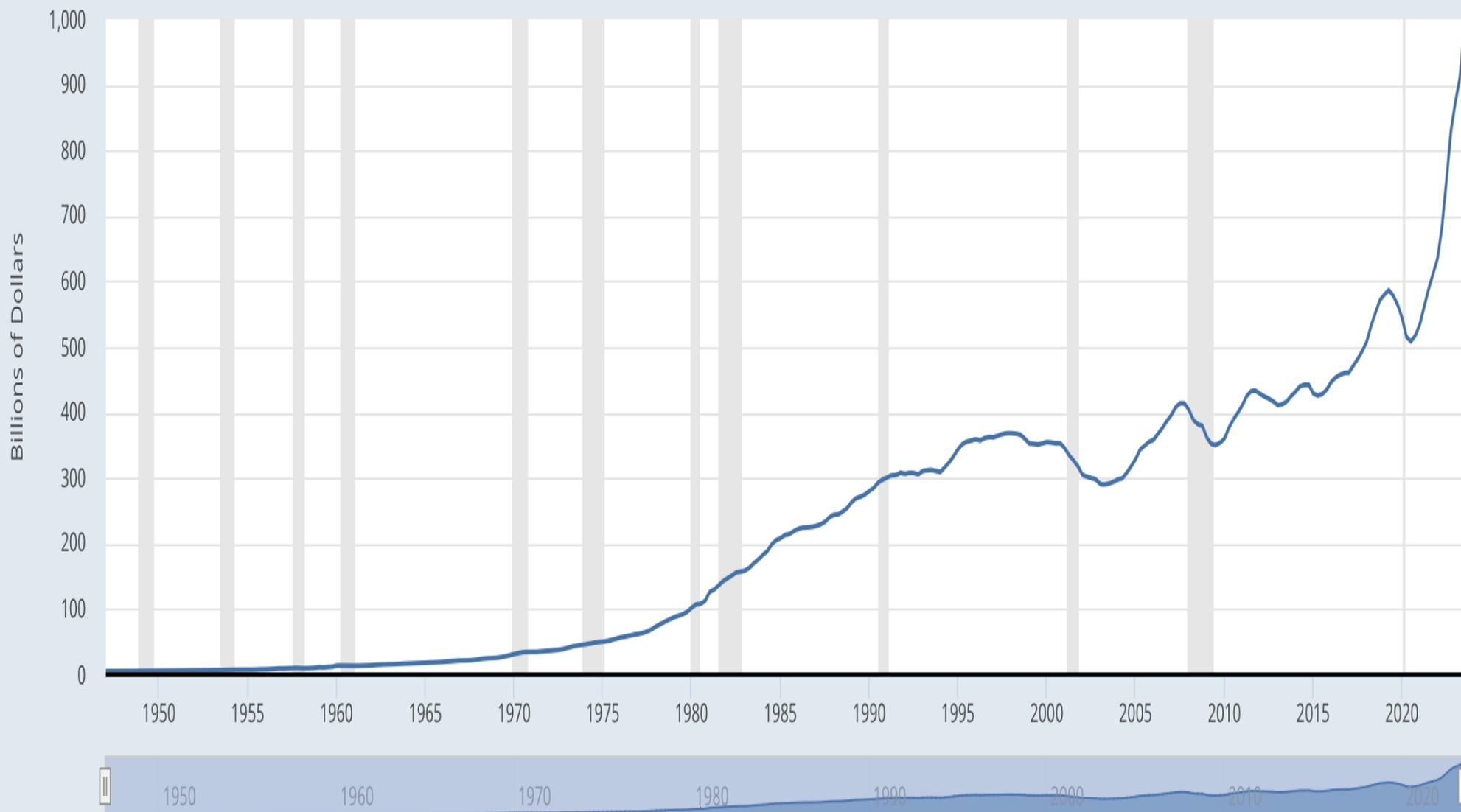


Shaded areas indicate U.S. recessions.

Source: U.S. Department of the Treasury. Fiscal Service

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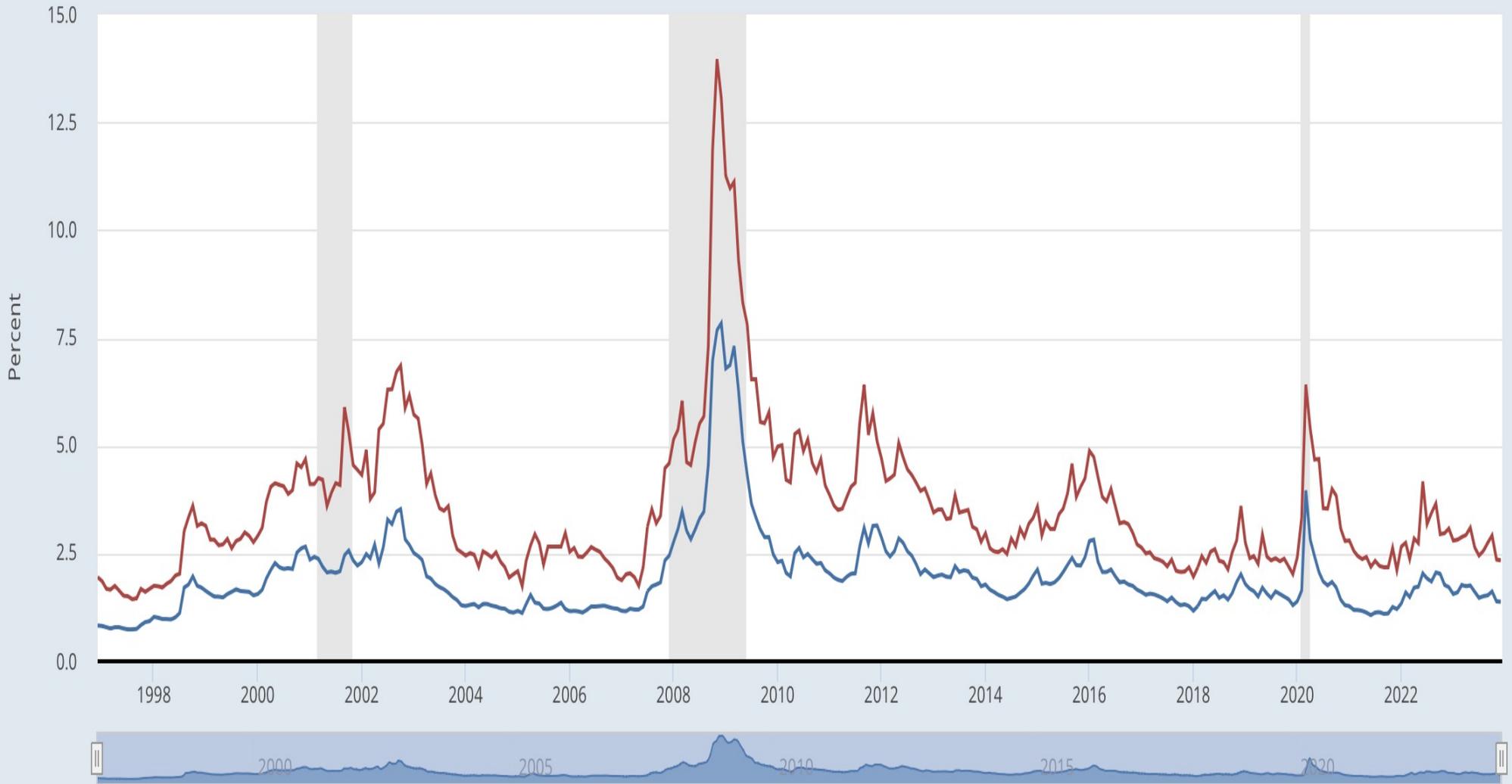
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

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— ICE BofA BBB US Corporate Index Option-Adjusted Spread
 — ICE BofA BB US High Yield Index Option-Adjusted Spread



Shaded areas indicate U.S. recessions.

Source: Ice Data Indices, LLC

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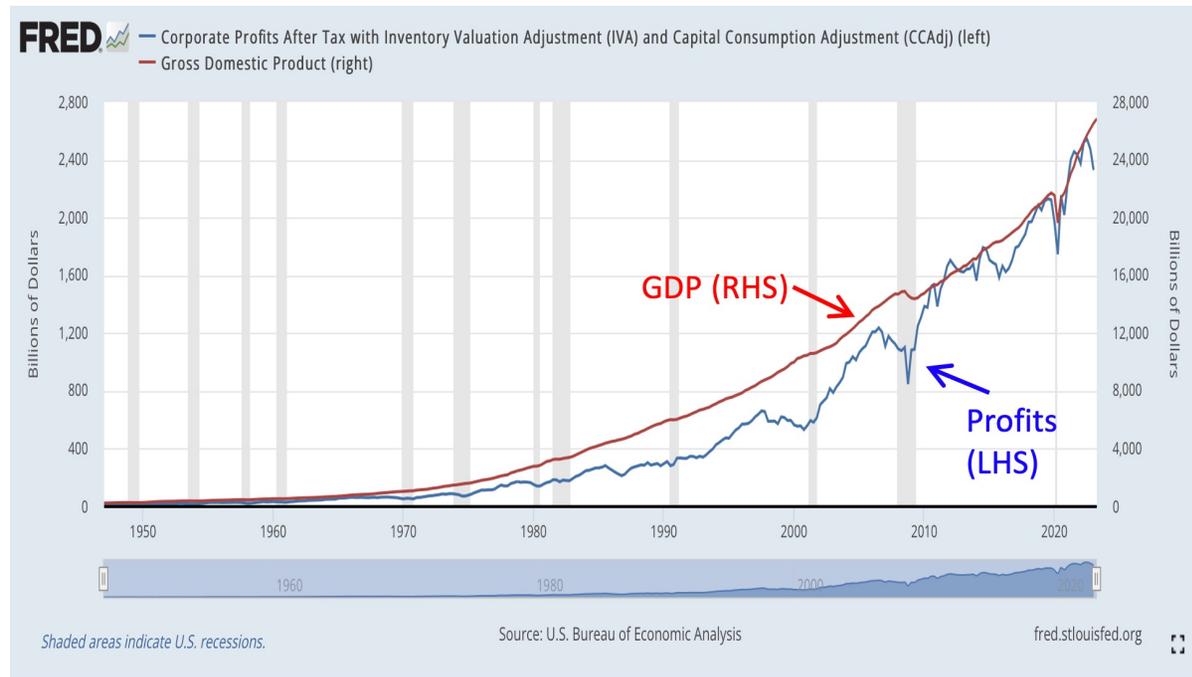
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Suggested Citation:

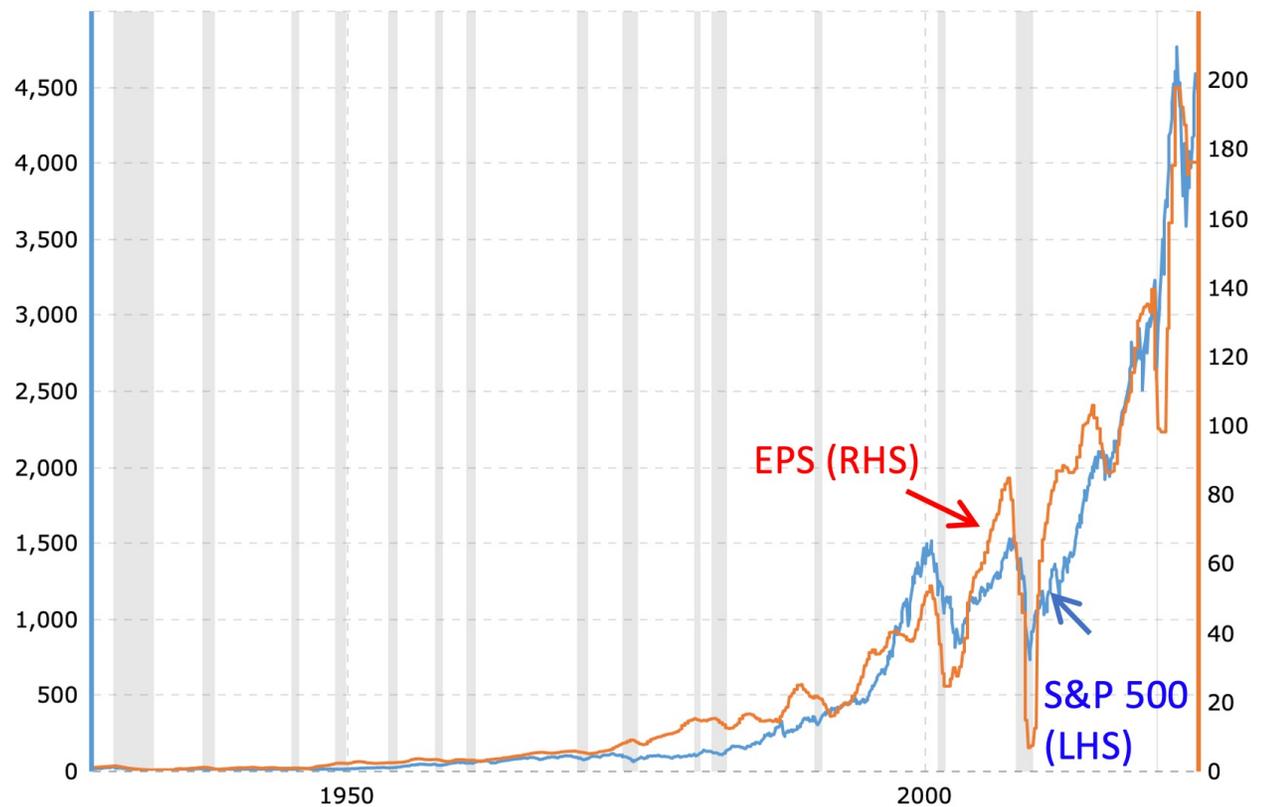
Ice Data Indices, LLC, ICE BofA BBB US Corporate Index Option-Adjusted Spread [BAMLC0A4CBBB], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLC0A4CBBB>, December 12, 2023.

Why GDP Matters (Stocks)

(1) As GDP Grows...
Corporate Profits Grow



(2) As Corporate Profits
Grow... Stock Prices
Increase



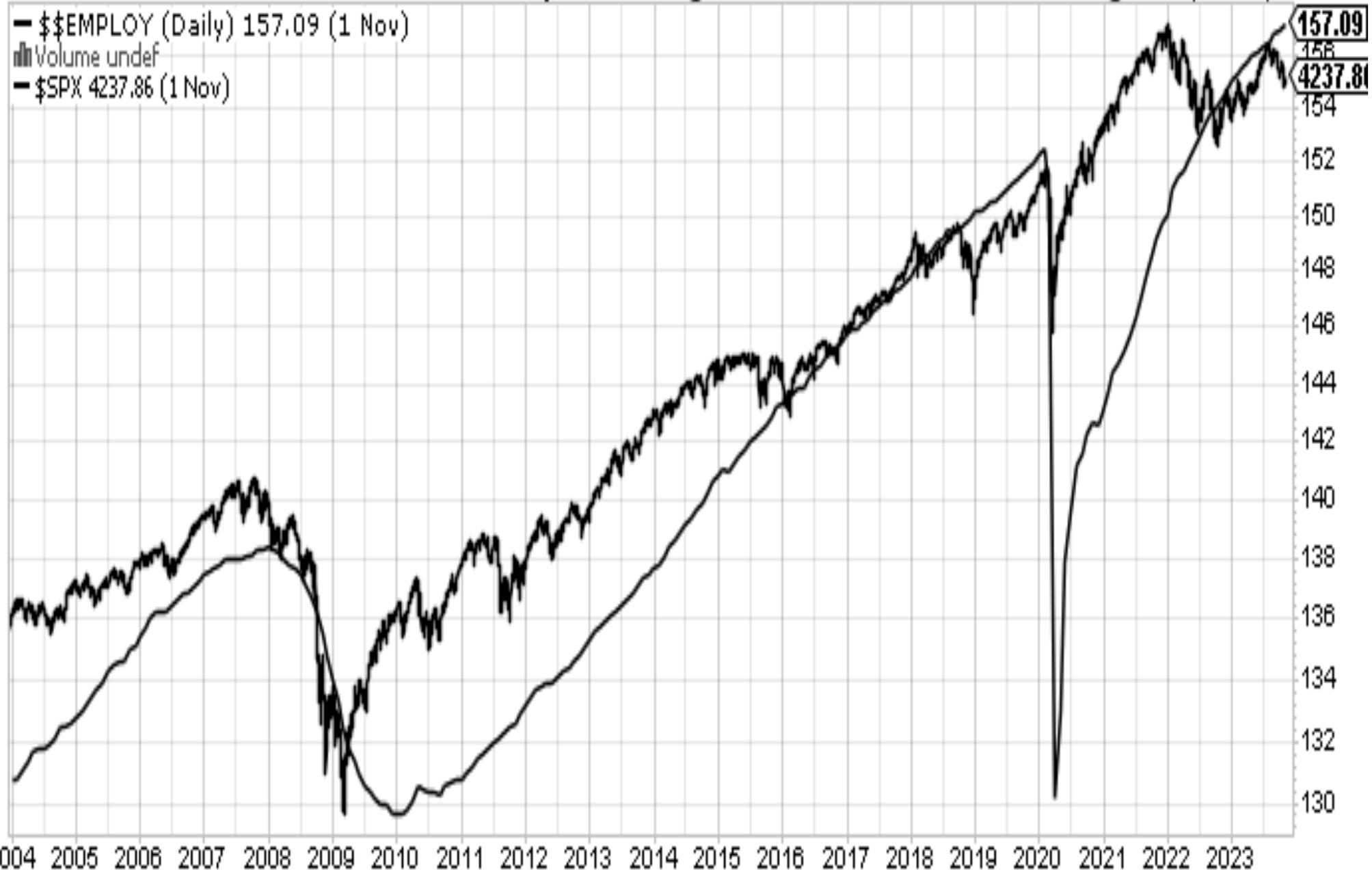
\$\$EMPLOY Nonfarm Payroll Employment INDX

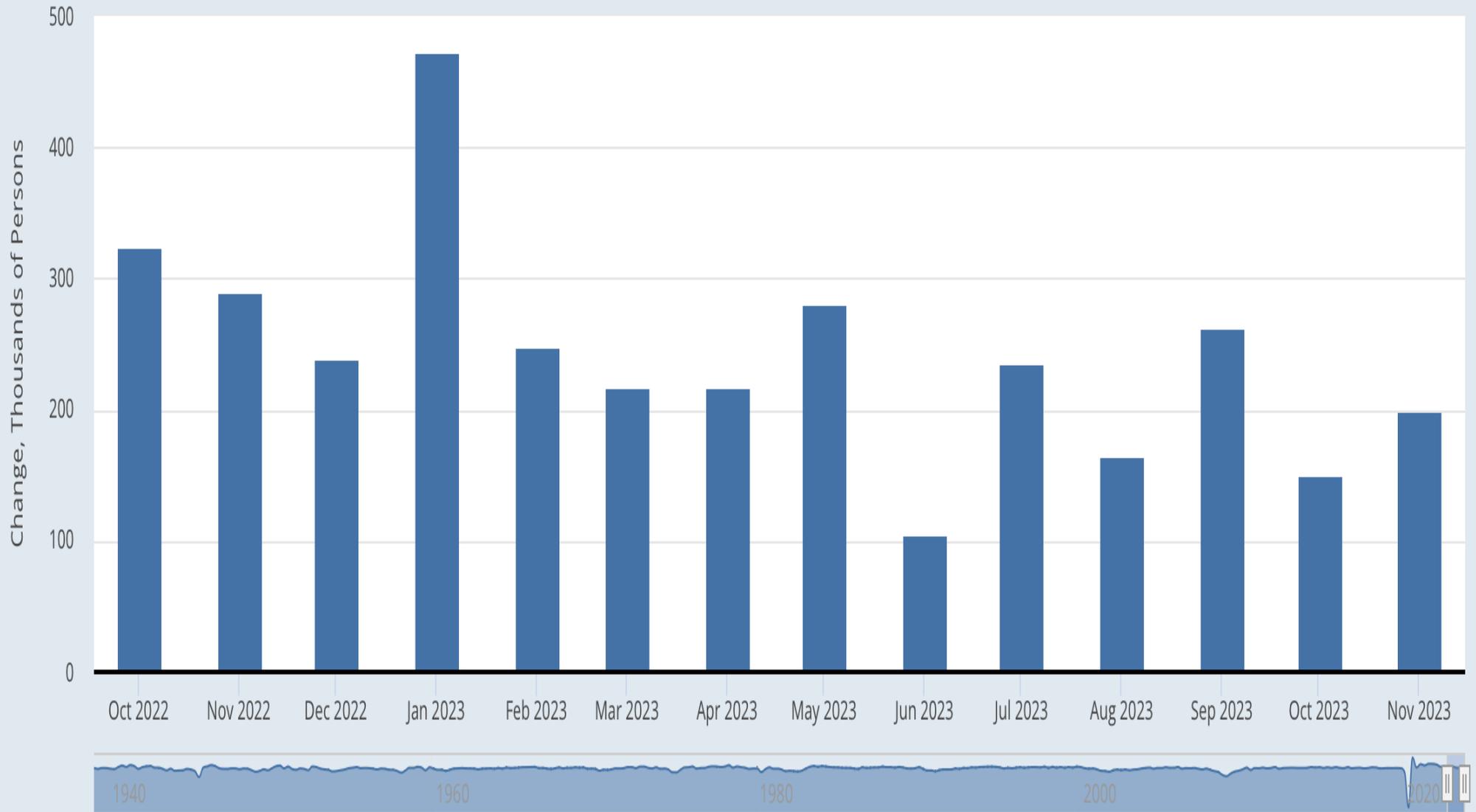
© StockCharts.com

1-Nov-2023

Open 157.09 High 157.09 Low 157.09 Close 157.09 Chg +0.00 (+0.00%) -

- \$\$EMPLOY (Daily) 157.09 (1 Nov)
- ▒ Volume undef
- \$SPX 4237.86 (1 Nov)



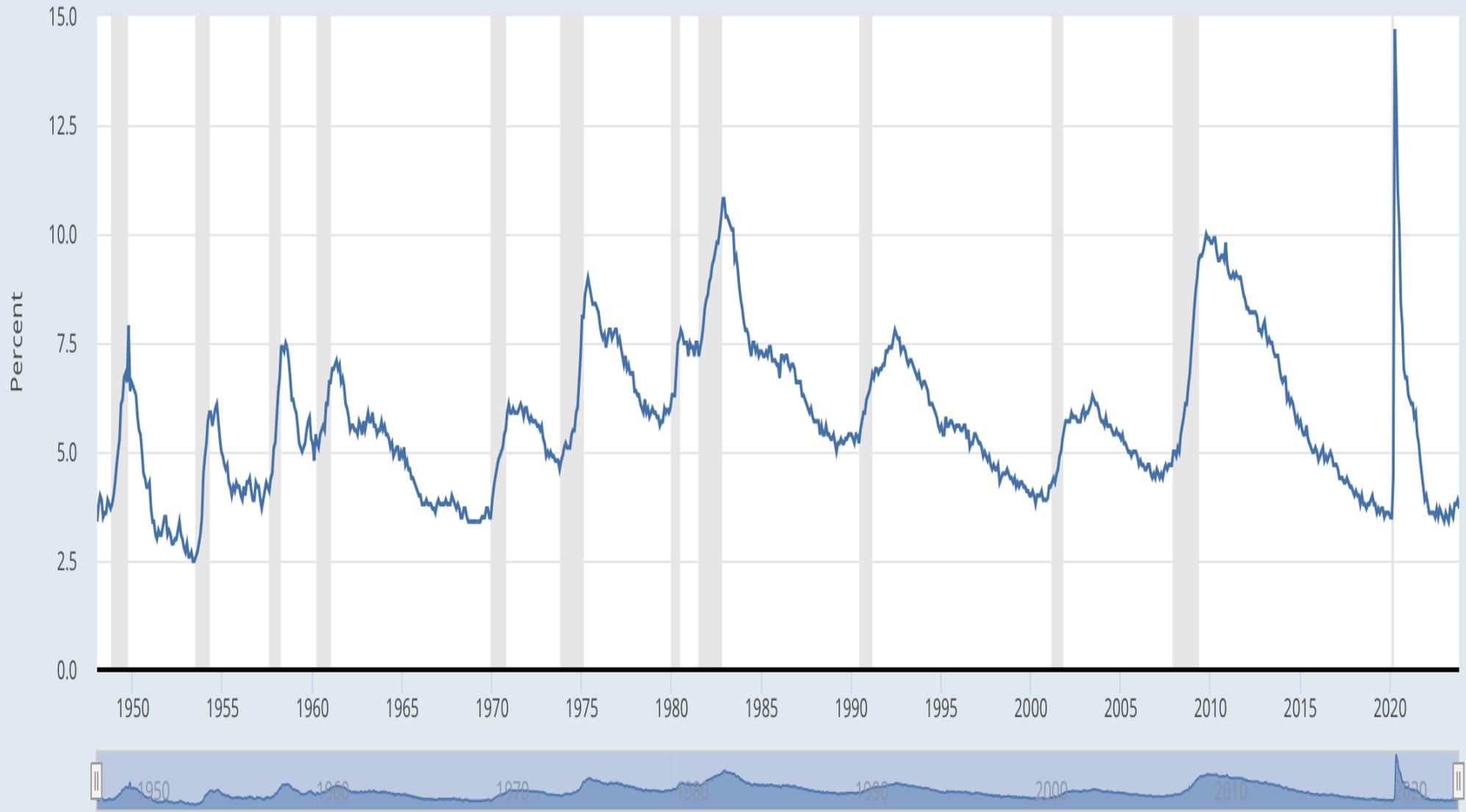


Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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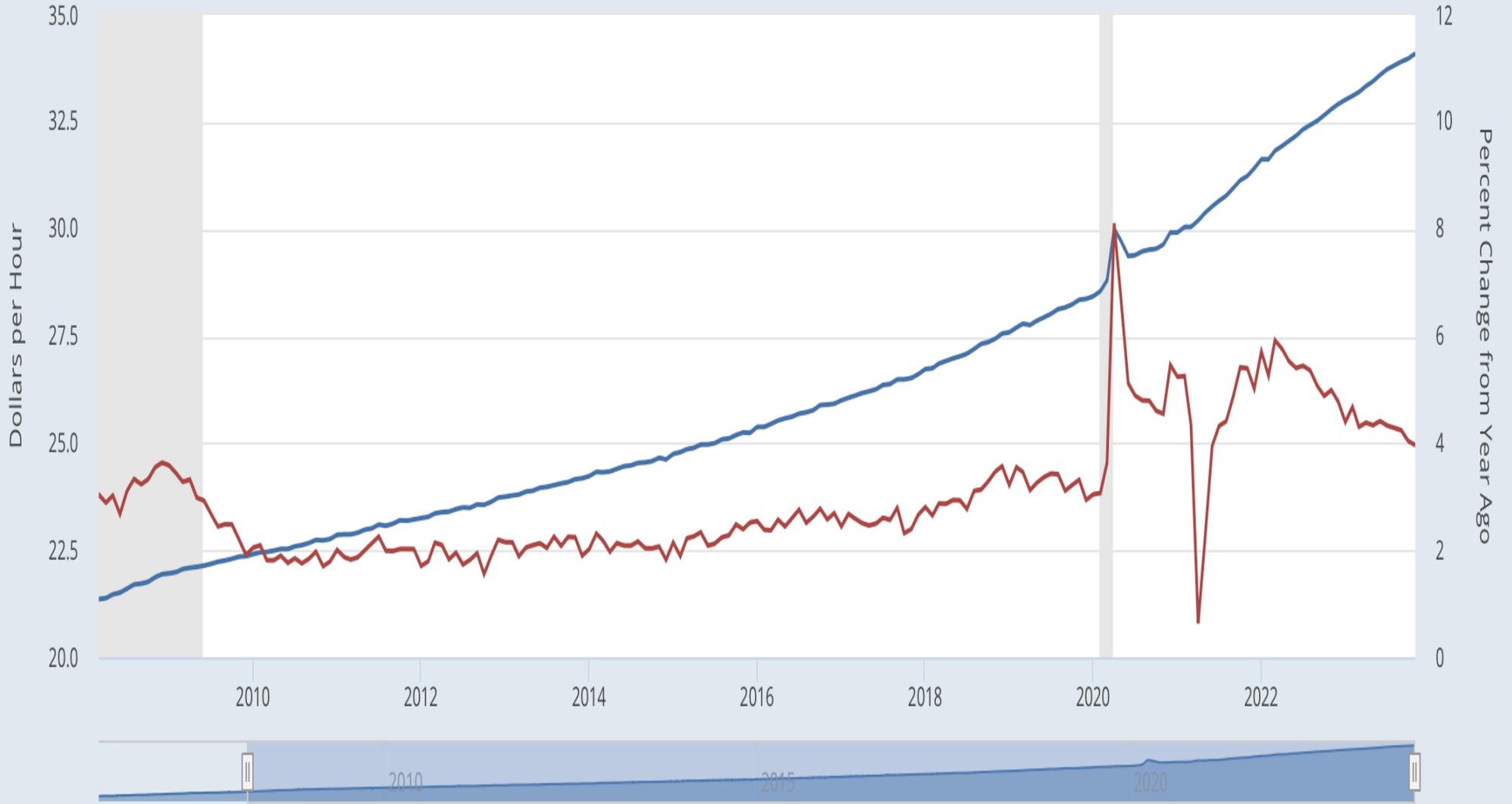
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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— Average Hourly Earnings of All Employees, Total Private (left)
 — Average Hourly Earnings of All Employees, Total Private (right)

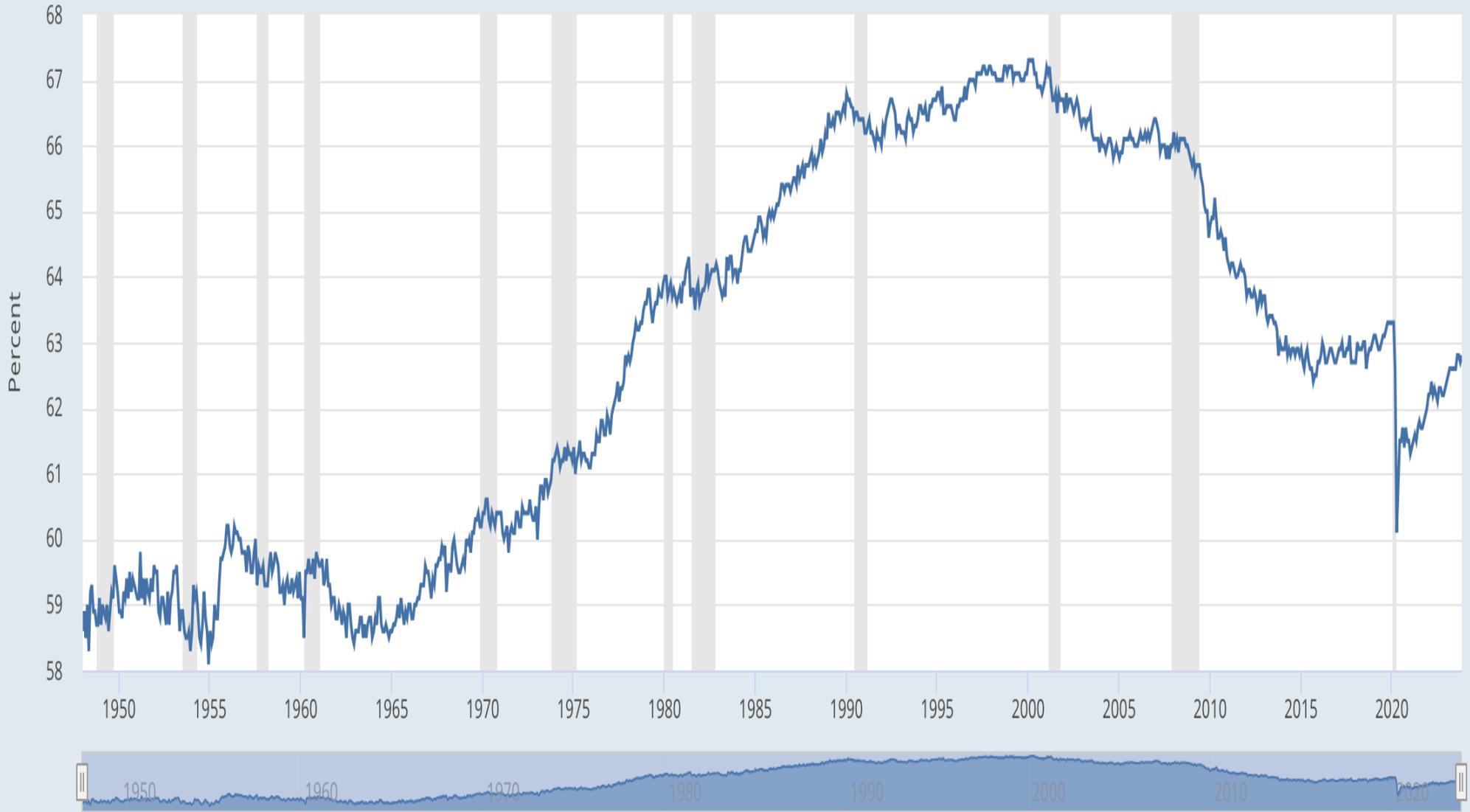


Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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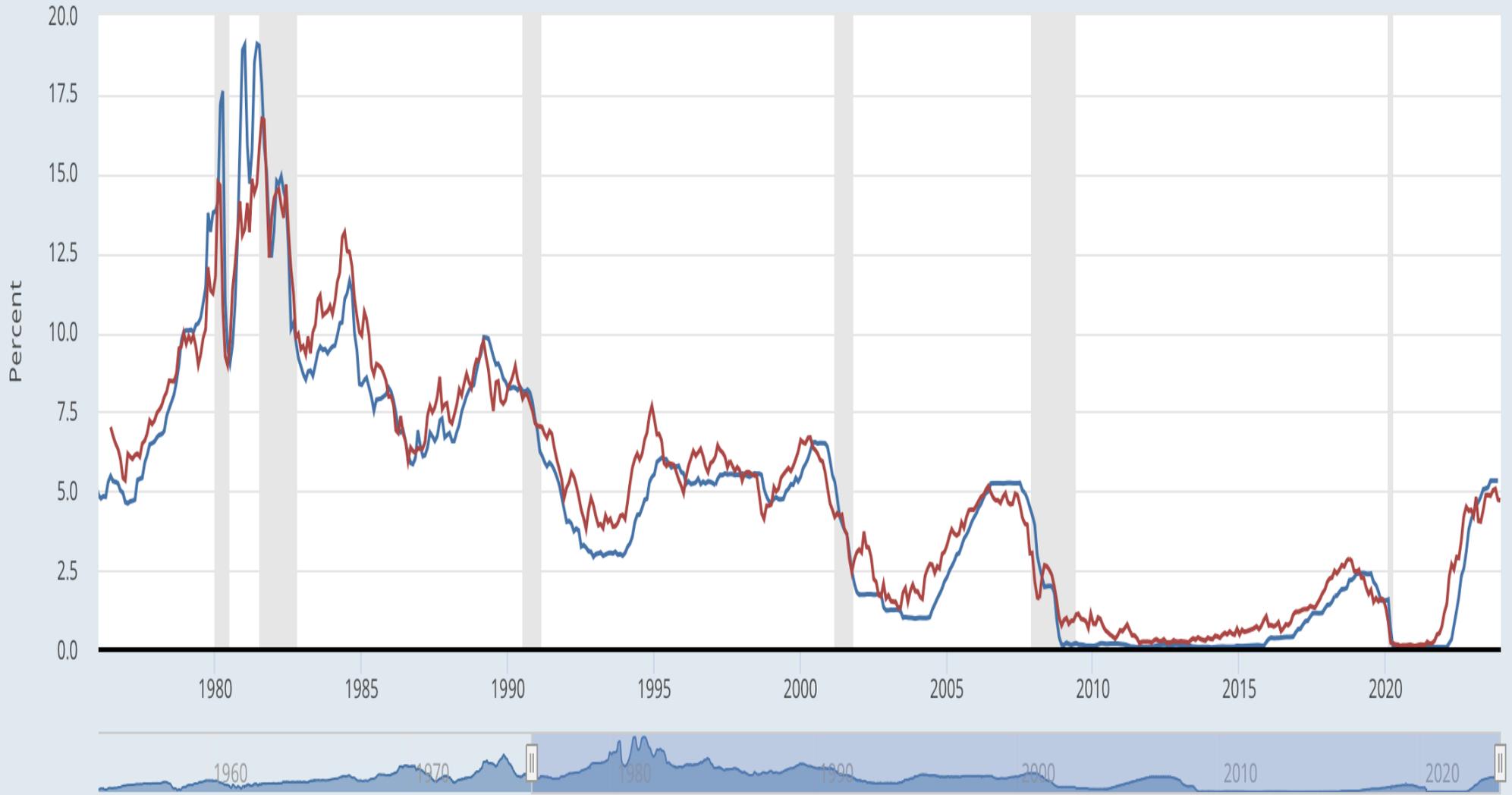
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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Federal Funds Effective Rate
Market Yield on U.S. Treasury Securities at 2-Year Constant Maturity, Quoted on an Investment Basis



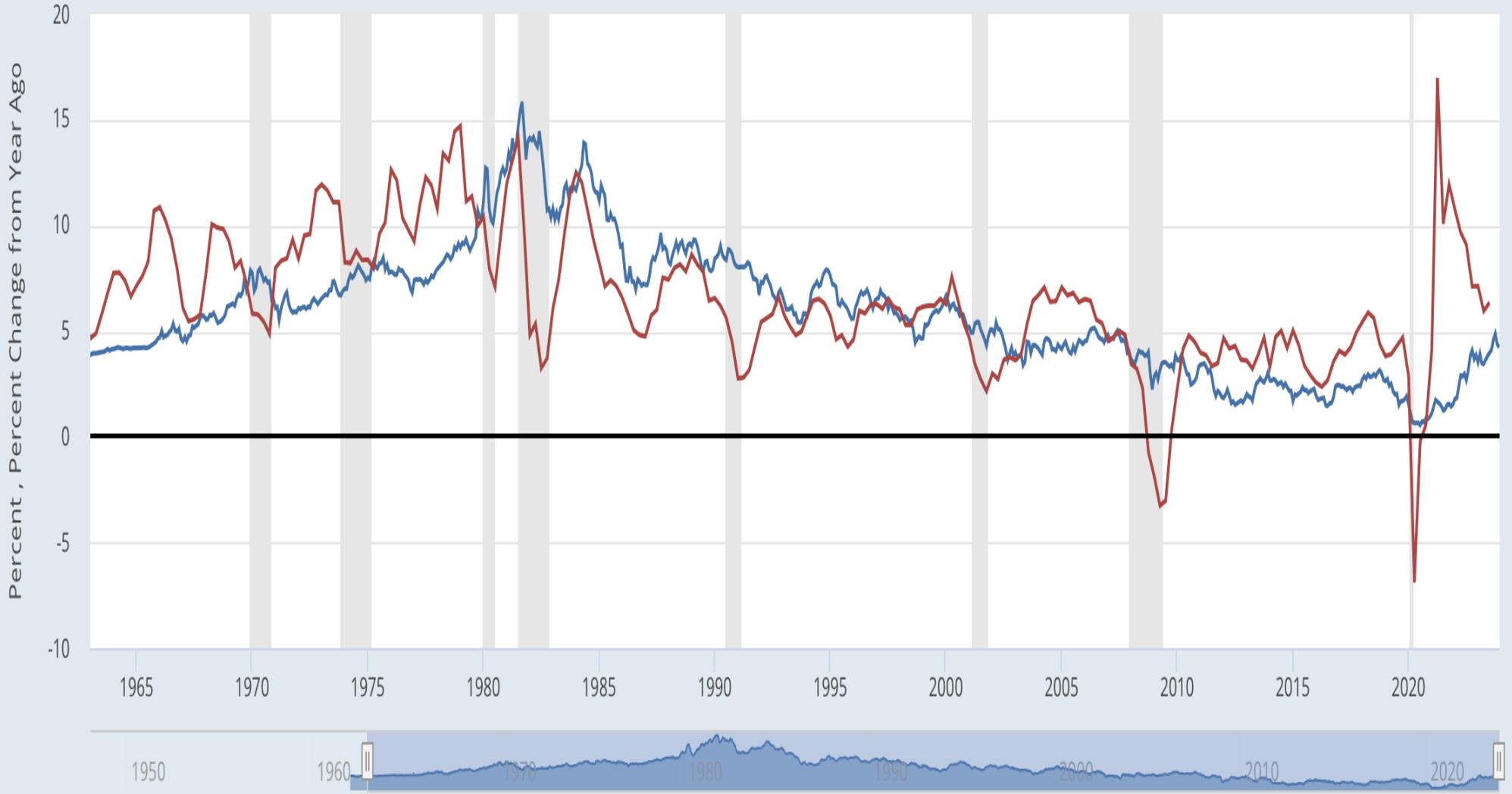
Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

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— Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis
 — Gross Domestic Product



Shaded areas indicate U.S. recessions.

Sources: Board of Governors; BEA

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Are Rising Rates or Falling Rates Good for Stocks?

	Rising inflation	Falling inflation
Low rates	Rising rates GOOD for stocks	Falling rates BAD for stocks
High rates	Rising rates BAD for stocks	Falling rates GOOD for stocks

Wall Street's S&P 500 2024 Year-End Targets

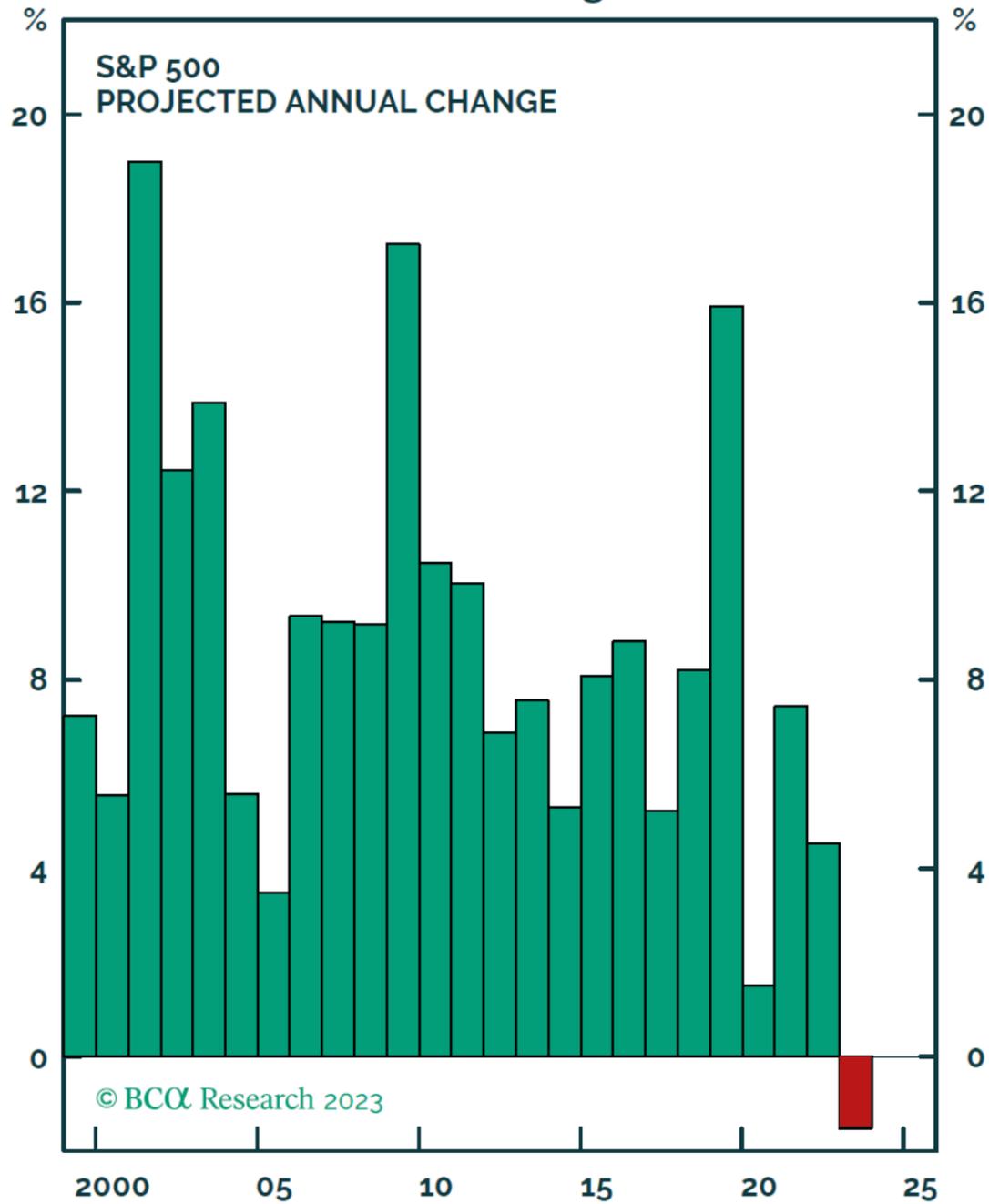
Strategist expectations by bank for where index will close next year



Source: Bloomberg

Bloomberg

Strategists Were Gloomy About The Prospects For The Stock Market Going Into 2023



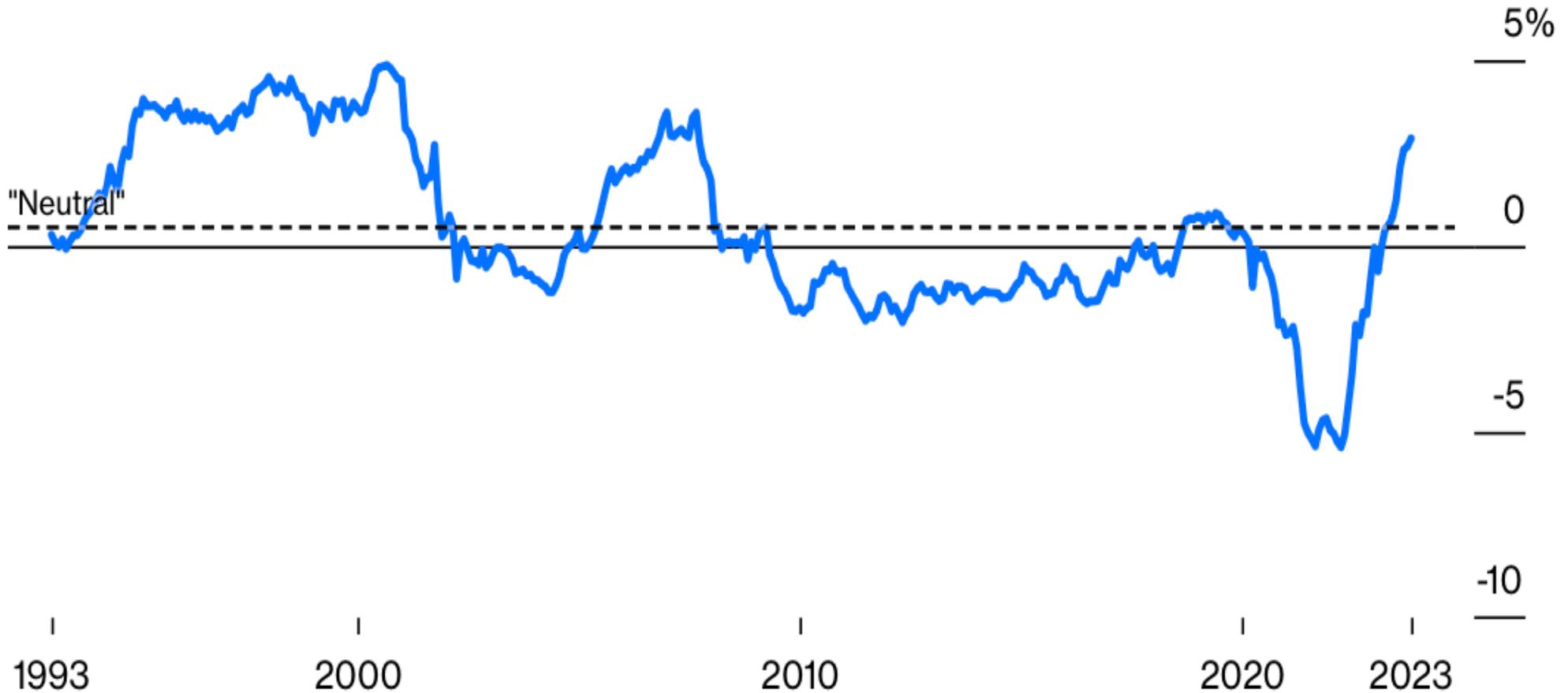
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SOURCE: BLOOMBERG FINANCE L.P.

Passive Tightening

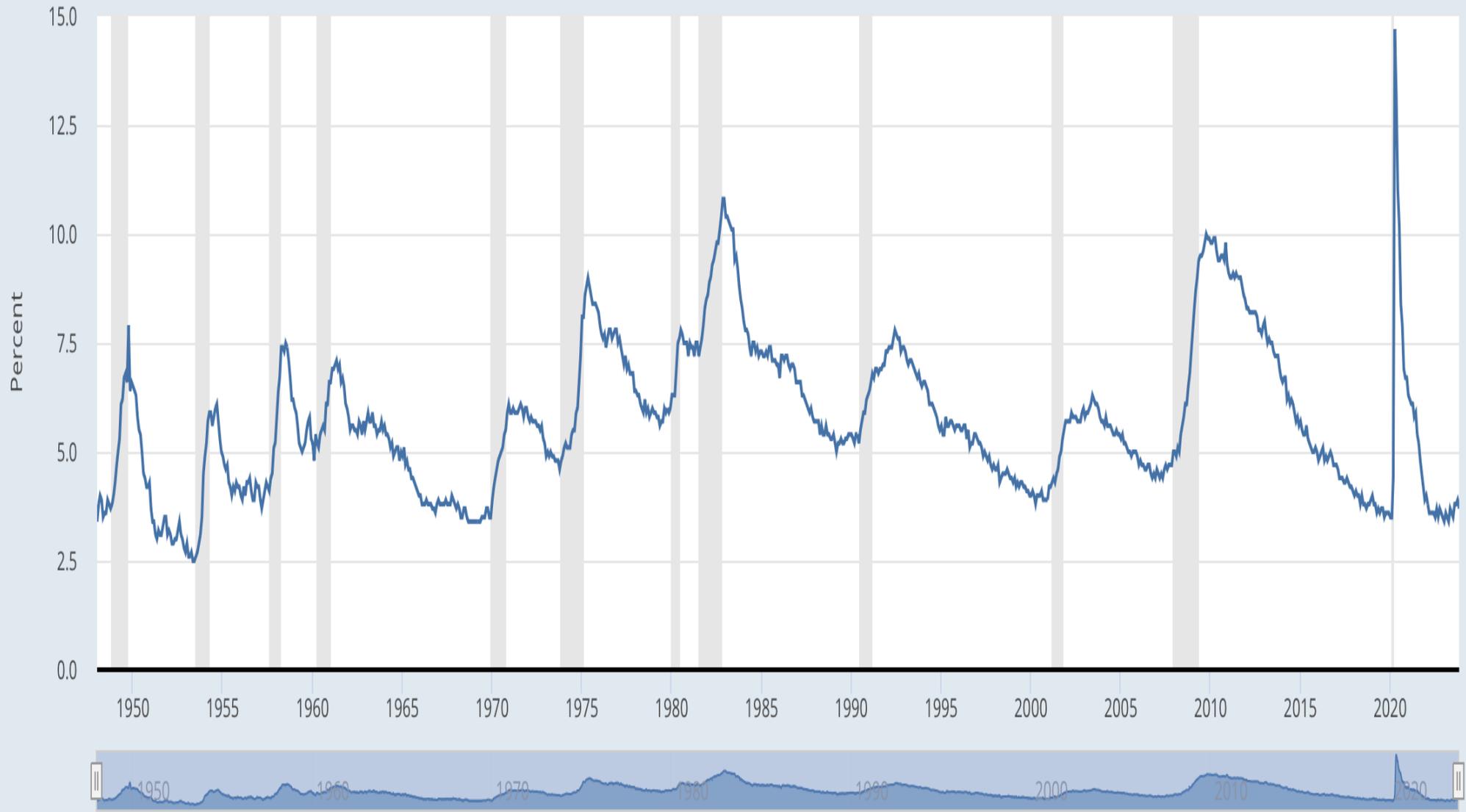
Falling inflation is translating into quickly rising "real" Fed policy rates

— Fed funds minus Core PCE (6m annualized)



Source: Bureau of Economic Analysis, Federal Reserve, Bloomberg

*Note: Line represents upper bound of Fed funds target minus core PCE (6-month SAAR). October core PCE is based on Bloomberg consensus forecasts.



Shaded areas indicate U.S. recessions.

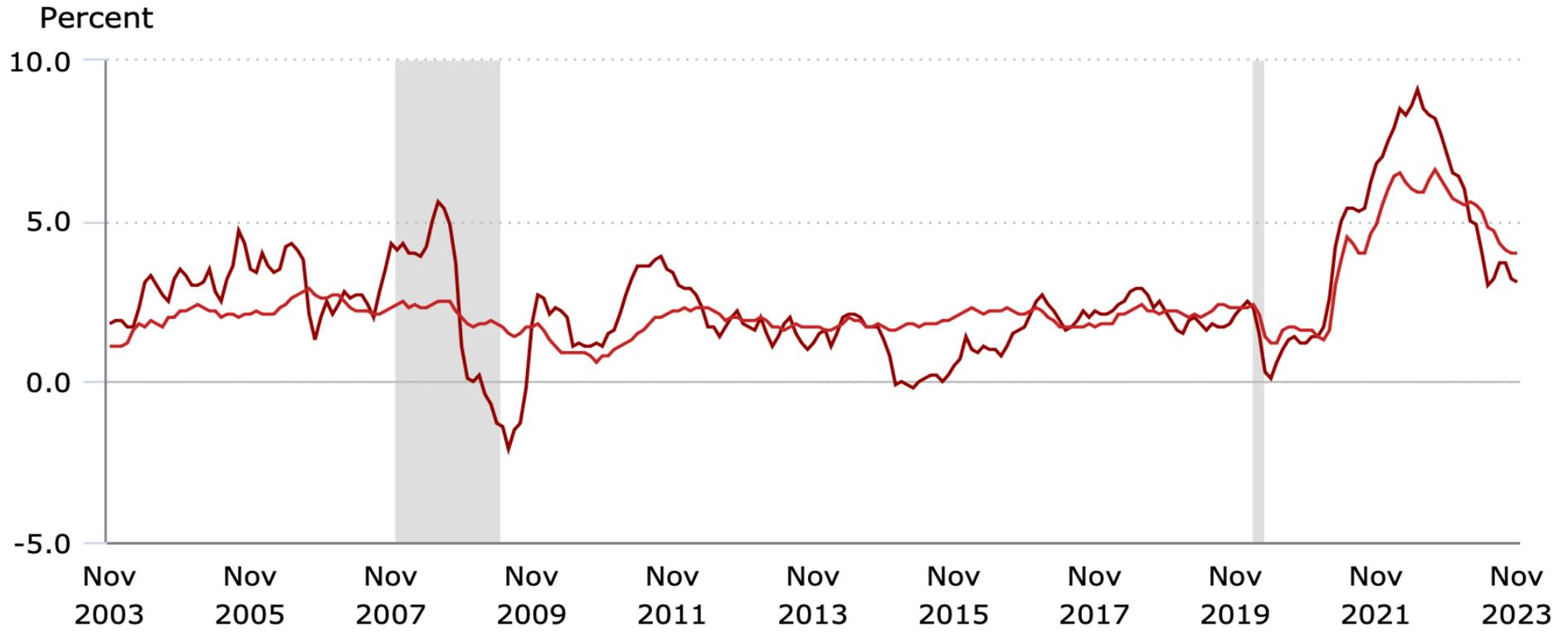
Source: U.S. Bureau of Labor Statistics

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12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
- Energy
- Electricity
- All items less food and energy
- Apparel
- Medical care commodities
- Shelter
- Education and communication
- Food
- Food away from home
- Gasoline (all types)
- Natural gas (piped)
- Commodities less food and ener...
- New vehicles
- Services less energy services
- Medical care services



Hover over chart to view data.

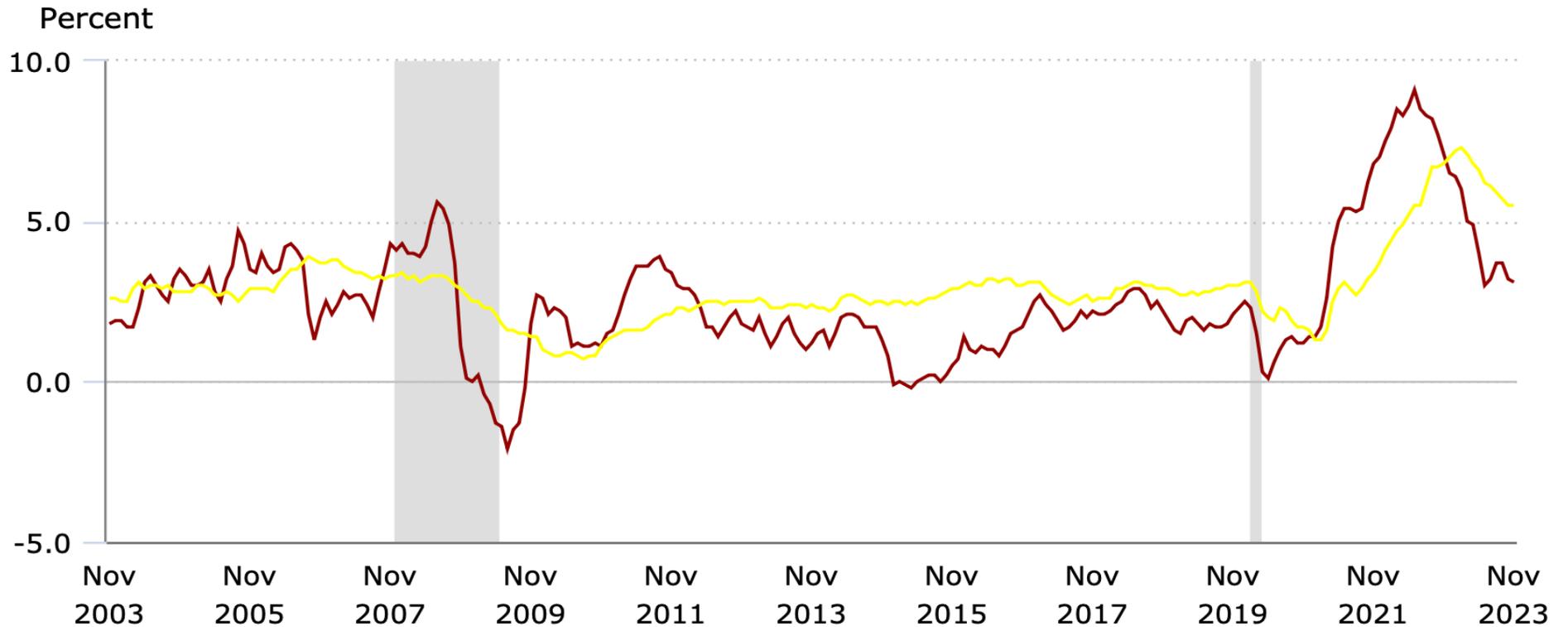
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.



12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
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Hover over chart to view data.

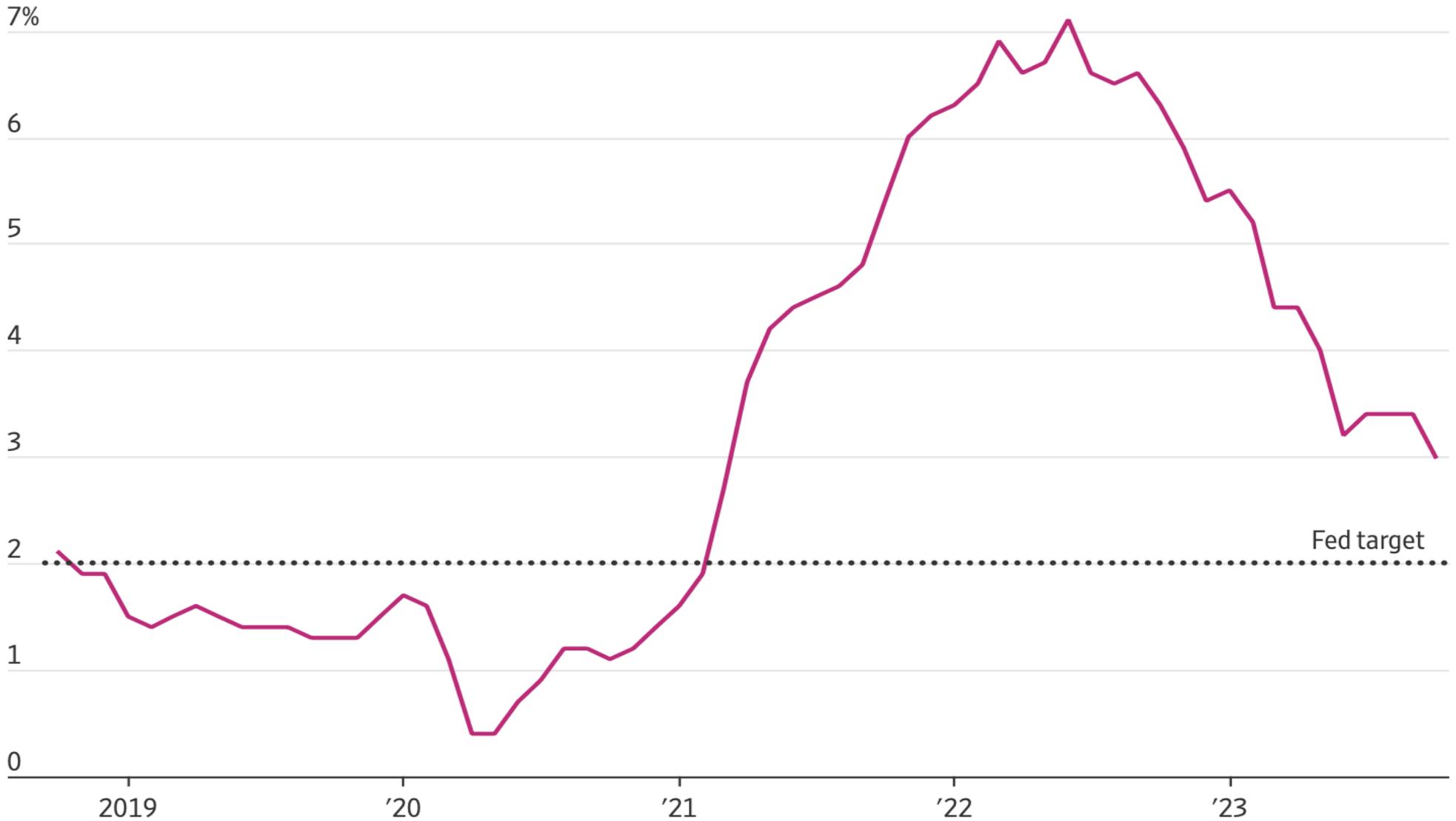
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.



MONTH	OPTIONS	CHART	LAST	CHANGE	PRIOR SETTLE	OPEN	HIGH	LOW	VOLUME	UPDATED
 JAN 2024 ZQF4	OPT		94.67	UNCH (UNCH)	94.67	94.67	94.67	94.665	20,661	13:39:45 CT 12 Dec 2023
 FEB 2024 ZQG4	OPT		94.675	UNCH (UNCH)	94.675	94.675	94.69	94.67	71,871	13:38:22 CT 12 Dec 2023
 MAR 2024 ZQH4	OPT		94.715	UNCH (UNCH)	94.715	94.72	94.735	94.71	8,362	13:39:45 CT 12 Dec 2023
 APR 2024 ZQJ4	OPT		94.78	UNCH (UNCH)	94.78	94.79	94.82	94.775	58,504	13:39:45 CT 12 Dec 2023
 MAY 2024 ZQK4	OPT		94.925	-0.005 (-0.01%)	94.93	94.94	94.995	94.92	33,190	13:38:22 CT 12 Dec 2023
 JUN 2024 ZQM4	OPT		95.035	-0.005 (-0.01%)	95.04	95.05	95.11	95.025	5,630	13:40:26 CT 12 Dec 2023
 JUL 2024 ZQN4	OPT		95.105	-0.01 (-0.01%)	95.115	95.125	95.19	95.09	29,437	13:38:19 CT 12 Dec 2023
 AUG 2024 ZQQ4	OPT		95.27	-0.01 (-0.01%)	95.28	95.30	95.365	95.25	24,251	13:40:58 CT 12 Dec 2023
 SEP 2024 ZQU4	OPT		95.34	-0.01 (-0.01%)	95.35	95.38	95.43	95.32	1,782	13:26:46 CT 12 Dec 2023
 OCT 2024 ZQV4	OPT		95.45	-0.01 (-0.01%)	95.46	95.47	95.56	95.425	10,339	13:38:19 CT 12 Dec 2023
 NOV 2024 ZQX4	OPT		95.575	-0.01 (-0.01%)	95.585	95.595	95.69	95.55	3,460	13:37:45 CT 12 Dec 2023
 DEC 2024 ZQZ4	OPT		95.68	-0.01 (-0.01%)	95.69	95.705	95.795	95.665	684	13:28:21 CT 12 Dec 2023
 JAN 2025 ZQF5	OPT		95.78	-0.01 (-0.01%)	95.79	95.80	95.85	95.76	456	13:40:30 CT 12 Dec 2023

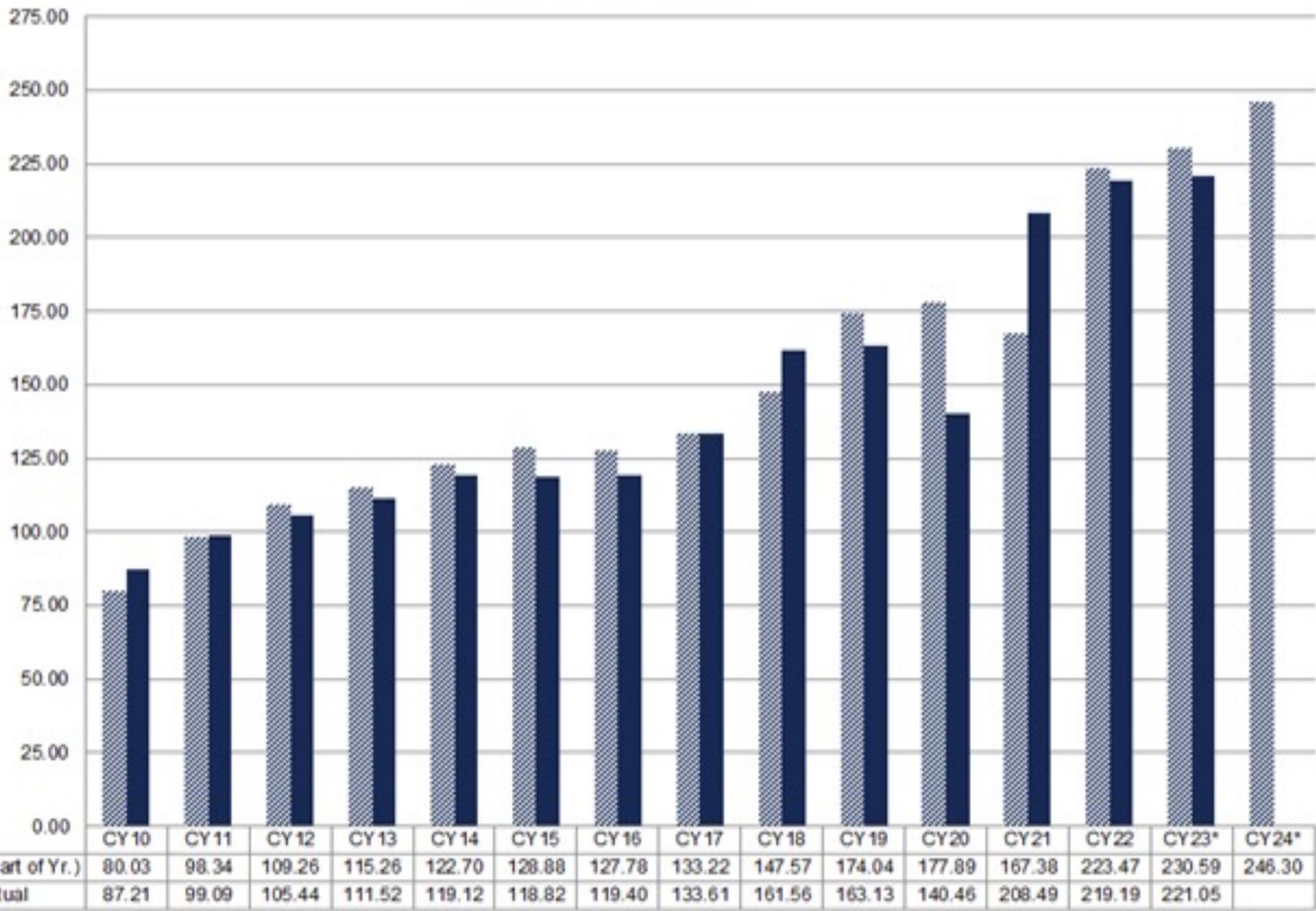
Federal Reserve's preferred inflation measure



Note: Shows personal-consumption expenditures price index, 12-month change

Source: Commerce Department via Federal Reserve Bank of St. Louis

S&P 500 Bottom-Up EPS: EPS at Start of Year vs. Final (Actual) EPS (Source: FactSet)



Thank you...and Happy Holidays!

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