

Economic and Market Update

October 3, 2023



STEVENS
VISIONARY STRATEGIES

Market Issues

- Stock market +12% year-to-date 2023
 - Growth beating value style, but growth overvalued
 - Large cap beating small cap
- Cash and bond returns higher than previous years
 - Look out for higher taxes on taxable interest/dividend income for 2023
 - Check your estimated tax calculations

S&P 500 Index at inflection points



Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. *Guide to the Markets – U.S.* Data are as of October 2, 2023. GTM

Returns and valuations by style

Equities

10-year annualized				YTD			
	Value	Blend	Growth		Value	Blend	Growth
Large	8.2%	11.8%	14.5%	Large	0.6%	13.1%	26.0%
Mid	7.6%	8.7%	9.8%	Mid	-1.0%	2.6%	9.3%
Small	5.9%	6.4%	6.5%	Small	-2.4%	0.9%	3.9%
Since market peak (February 2020)				Since market low (March 2020)			
	Value	Blend	Growth		Value	Blend	Growth
Large	18.3%	34.3%	44.5%	Large	91.2%	102.8%	110.8%
Mid	15.3%	17.3%	14.4%	Mid	103.9%	96.5%	78.0%
Small	14.4%	8.9%	0.8%	Small	101.3%	83.5%	63.8%

Current P/E vs. 20-year avg. P/E			
	Value	Blend	Growth
Large	13.7 / 13.7	17.8 / 15.6	24.4 / 18.8
Mid	13.3 / 14.5	15.2 / 16.4	23.7 / 20.5
Small	14.1 / 16.8	19.2 / 21.4	31.1 / 40.3
Current P/E as % of 20-year avg. P/E			
	Value	Blend	Growth
Large	100.0%	114.6%	129.8%
Mid	91.8%	93.1%	115.8%
Small	83.9%	89.7%	77.0%

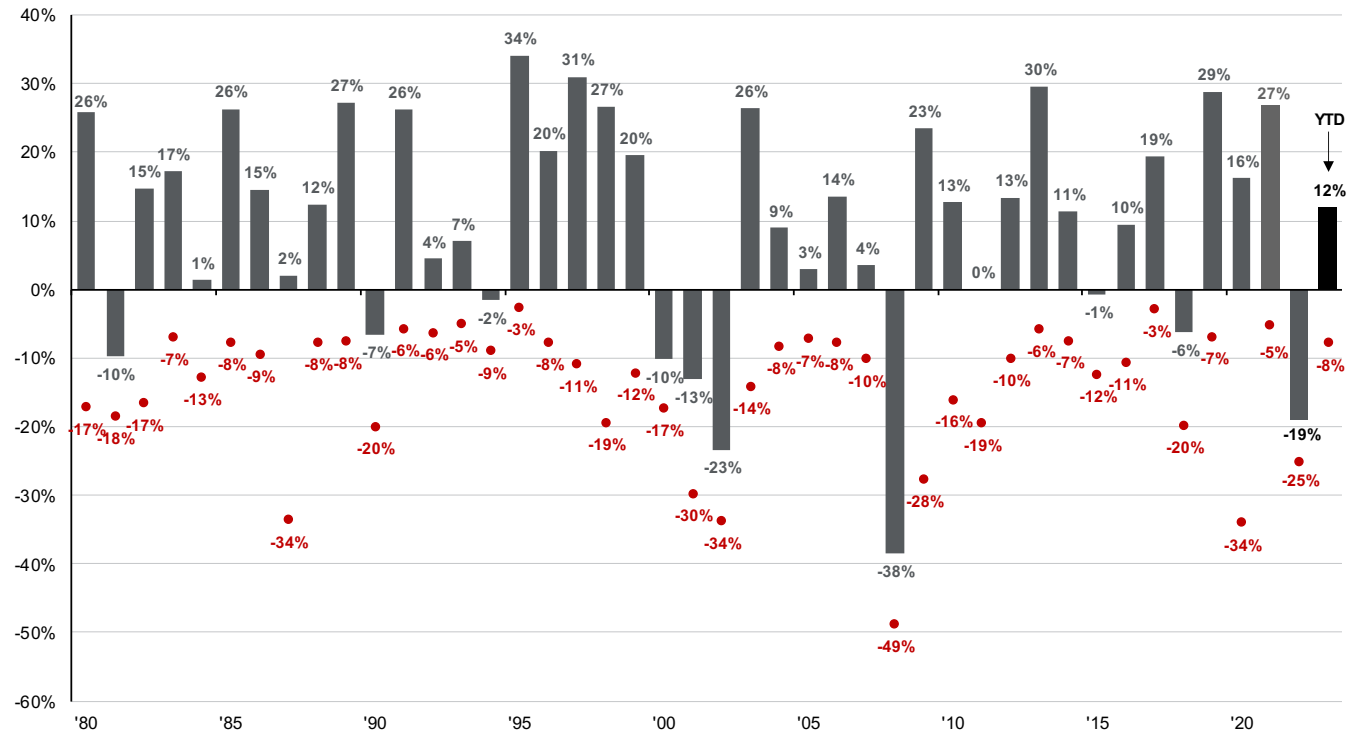
Source: FactSet, Refinitiv Datastream, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management. All calculations are cumulative total return, including dividends reinvested for the stated period. Since market peak represents period from 2/19/2020 to 9/30/2023. Since market low represents period from 3/23/2020 to 9/30/2023. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices except for the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price-to-earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM) and is provided by FactSet Market Aggregates and J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of October 2, 2023.

Annual returns and intra-year declines

Equities

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year.

For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.

Guide to the Markets – U.S. Data are as of October 2, 2023 .

Economic Issues

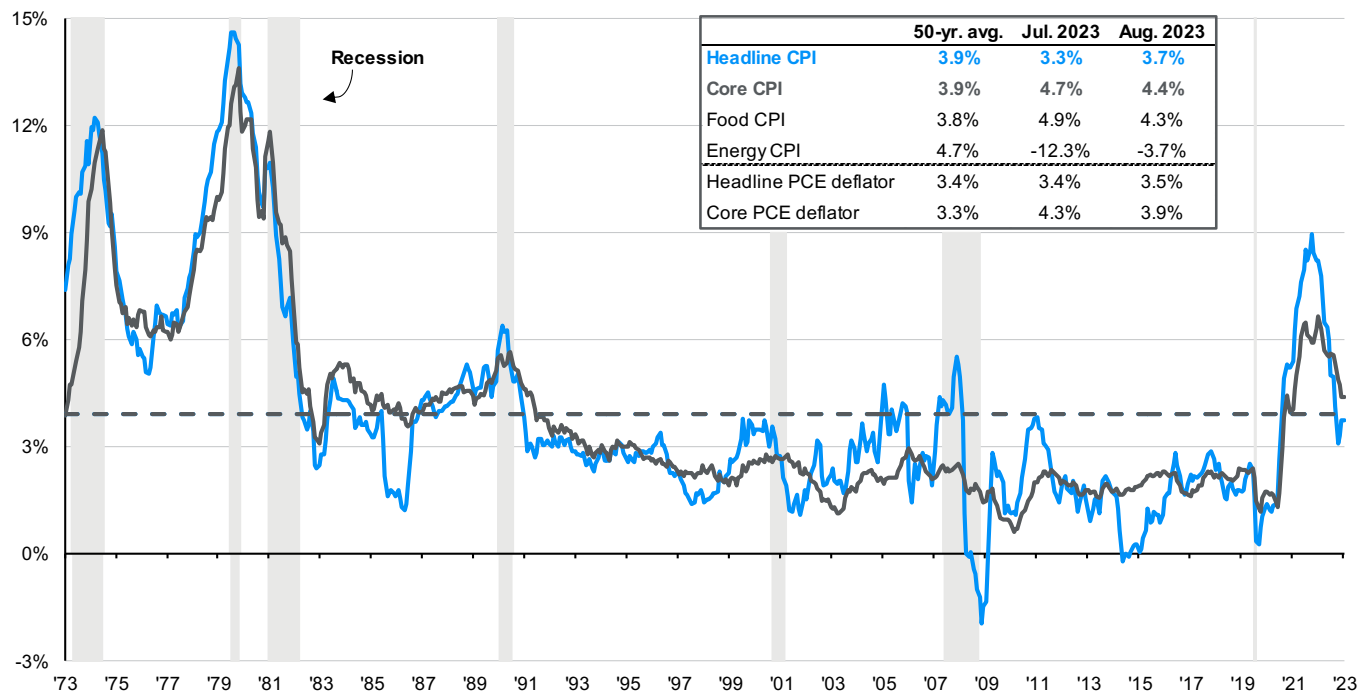
- Inflation
 - Inflation has dwindled from a four-decade high of 9.1% in June 2022 to 3.7% in August.
 - The Fed signaled that it expects to keep its benchmark rate higher for longer, potentially raising it once more this year and keeping it above 5% well into 2024.
- Recession
 - Inverted yield curve continues
 - Soft landing still possible
 - Hard to achieve, but growth is still reasonable

Inflation

Economy

CPI and core CPI

% change vs. prior year, seasonally adjusted

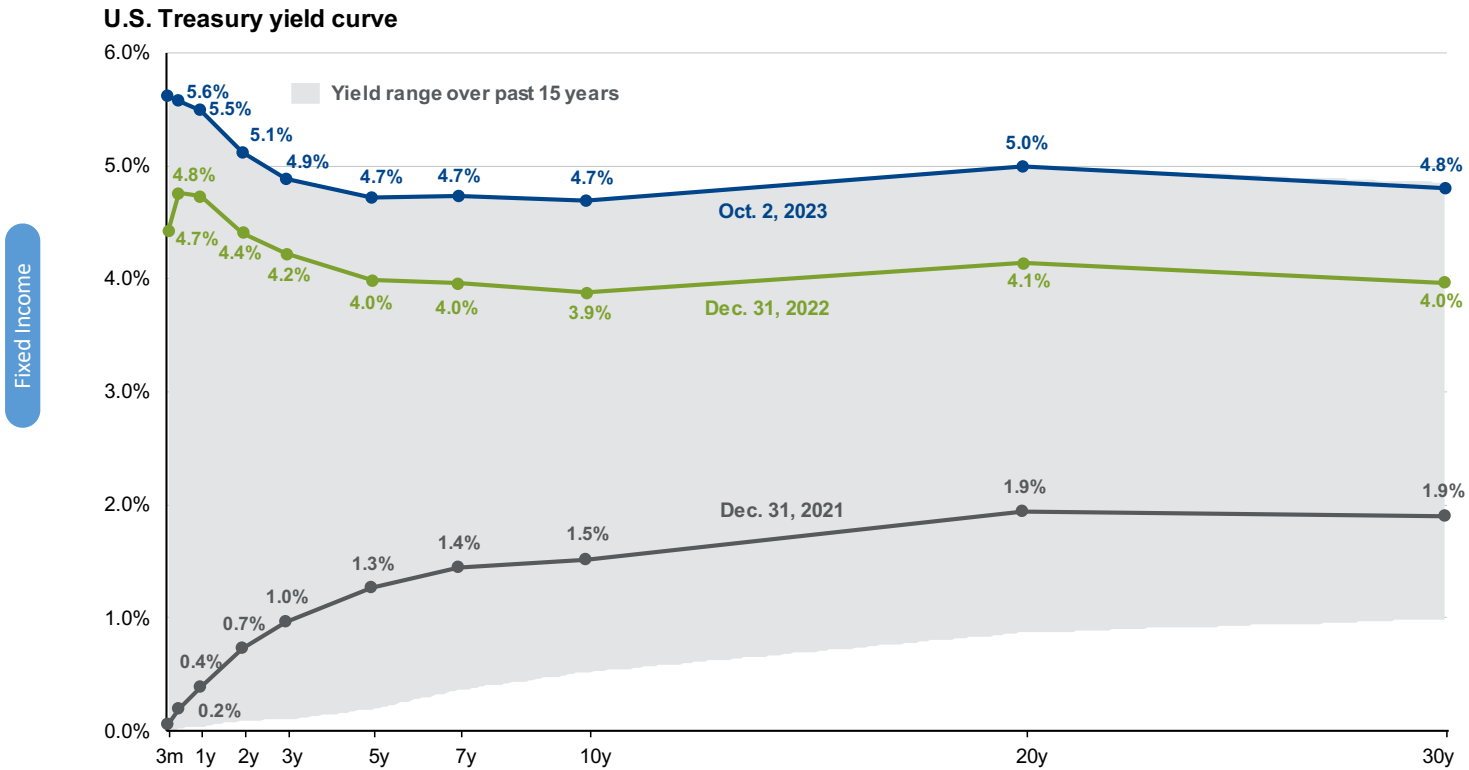


Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

Guide to the Markets – U.S. Data are as of October 2, 2023 .

Yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
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Fixed Income

GTM

U.S.

Considerations

- Review cash holdings
 - Your bank will probably not alert you that interest rates on savings or money market accounts may have as much difference as .01% vs 5%+. So pay attention.
 - Reallocate cash as appropriate
 - Check bank credit quality and FDIC coverage
- Review fixed income holdings
 - Consider shifting to individual holdings, like CDs or Treasuries, to “lock in” higher interest rates.
 - Pay attention to how much tax you’ll owe on those taxable returns.

Disclosures

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