

Economic and Market Update

August 1, 2023

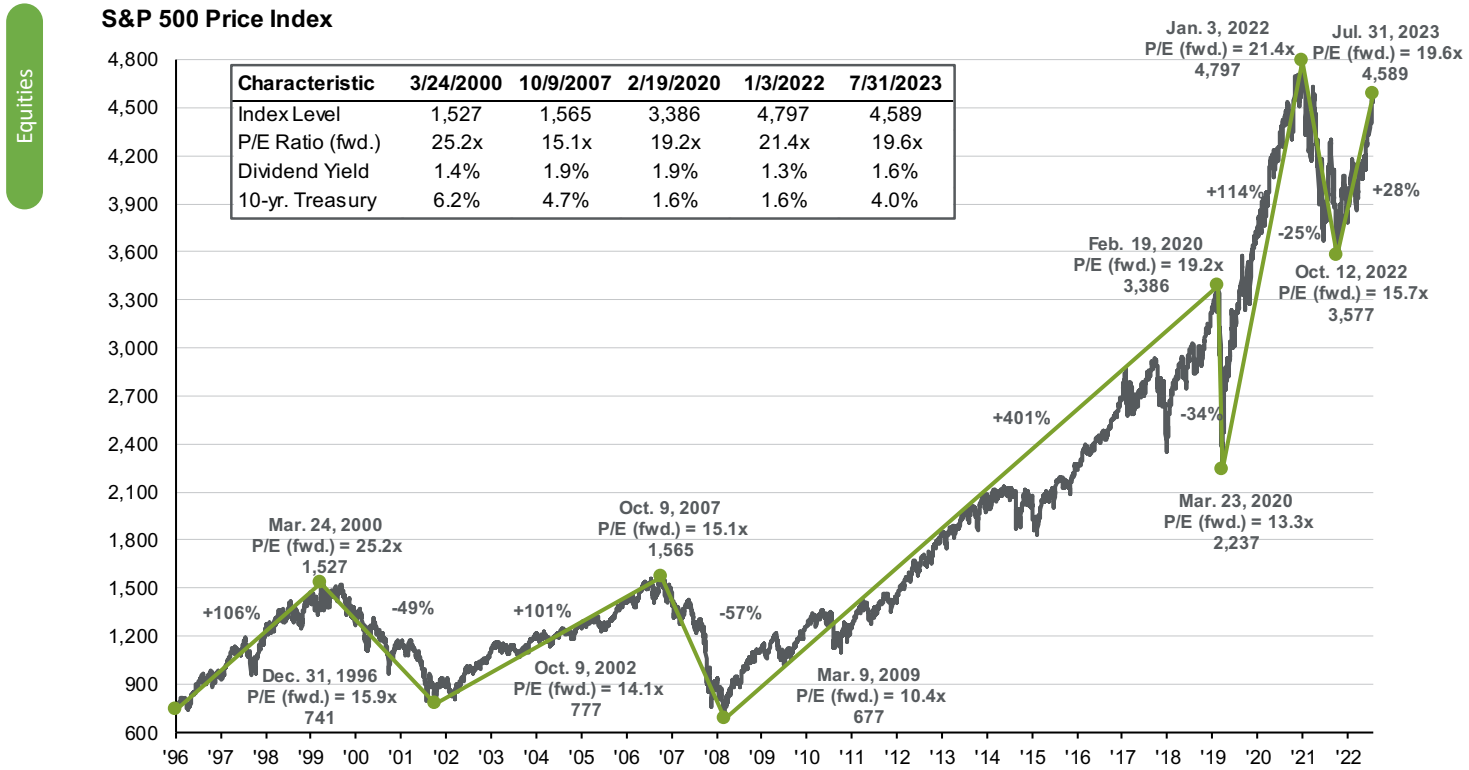


STEVENS
VISIONARY STRATEGIES

Market Issues

- Stock market +20% year-to-date 2023
 - Growth beating value style, but growth overvalued
 - Large cap beating small cap
- Cash and bond returns much higher than previous years
 - Fed raised rates again, but for how much longer?
 - Inflation coming down

S&P 500 Index at inflection points



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
 Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. 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.

Returns and valuations by style

Equities

10-year annualized				YTD			
	Value	Blend	Growth		Value	Blend	Growth
Large	9.0%	12.7%	15.5%	Large	8.8%	20.6%	33.4%
Mid	8.9%	10.1%	11.2%	Mid	9.8%	13.3%	19.4%
Small	7.4%	8.2%	8.5%	Small	10.2%	14.7%	18.9%
Since market peak (February 2020)				Since market low (March 2020)			
	Value	Blend	Growth		Value	Blend	Growth
Large	27.9%	43.3%	52.9%	Large	106.8%	116.4%	123.0%
Mid	27.9%	29.6%	25.1%	Mid	126.1%	116.9%	94.5%
Small	29.2%	23.8%	15.3%	Small	127.2%	108.6%	87.4%

Current P/E vs. 20-year avg. P/E			
	Value	Blend	Growth
Large	15.0 / 13.7	19.6 / 15.5	27.3 / 18.8
Mid	14.8 / 14.5	17.0 / 16.4	26.6 / 20.4
Small	16.0 / 16.8	22.1 / 21.4	36.6 / 32.9
Current P/E as % of 20-year avg. P/E			
	Value	Blend	Growth
Large	109.3%	125.9%	145.6%
Mid	102.3%	103.8%	130.2%
Small	95.5%	103.3%	111.1%

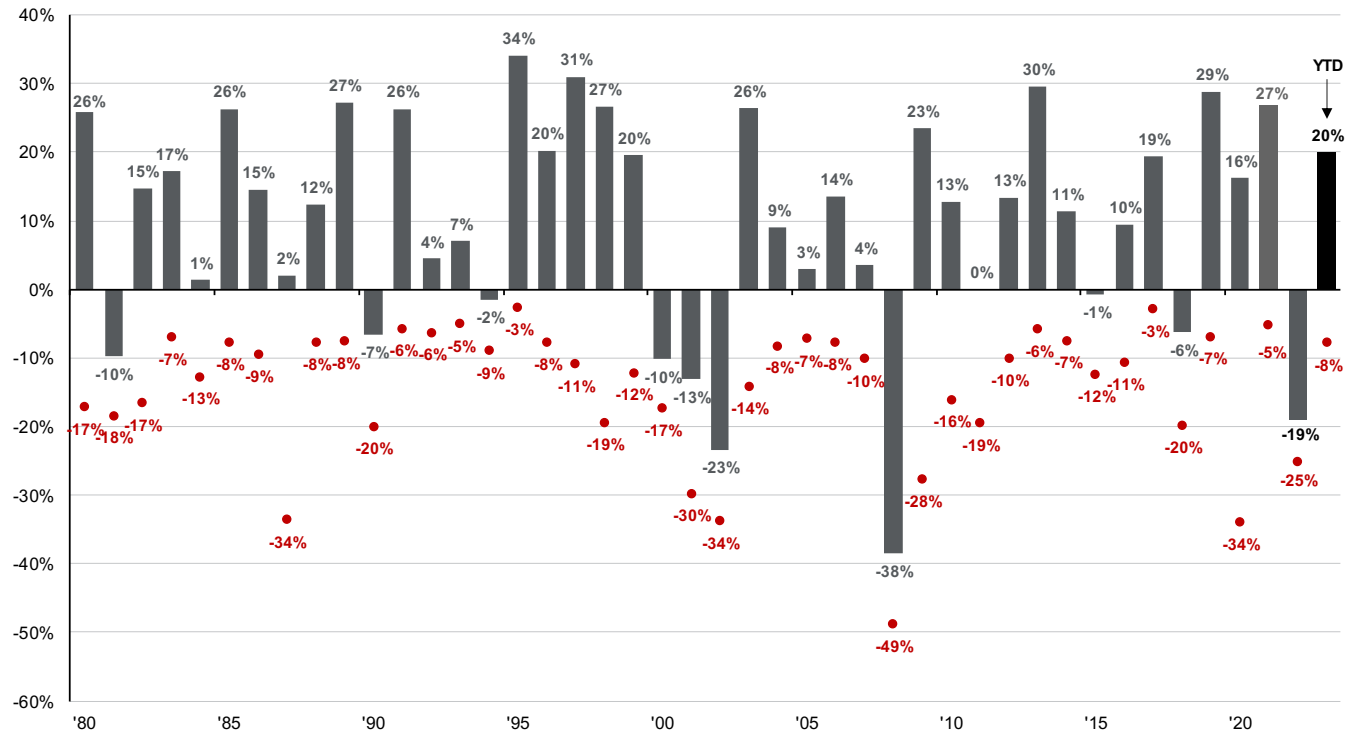
All calculations are cumulative total return, including dividends reinvested for the stated period. Since market peak represents period from February 19, 2020 to July 31, 2023. Since market low represents period from March 23, 2020 to July 31, 2023. Returns are cumulative returns, not annualized. For 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.

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%.

GTM Guide to the Markets – U.S. Data as of July 31, 2023.

U.S.

Economic Issues

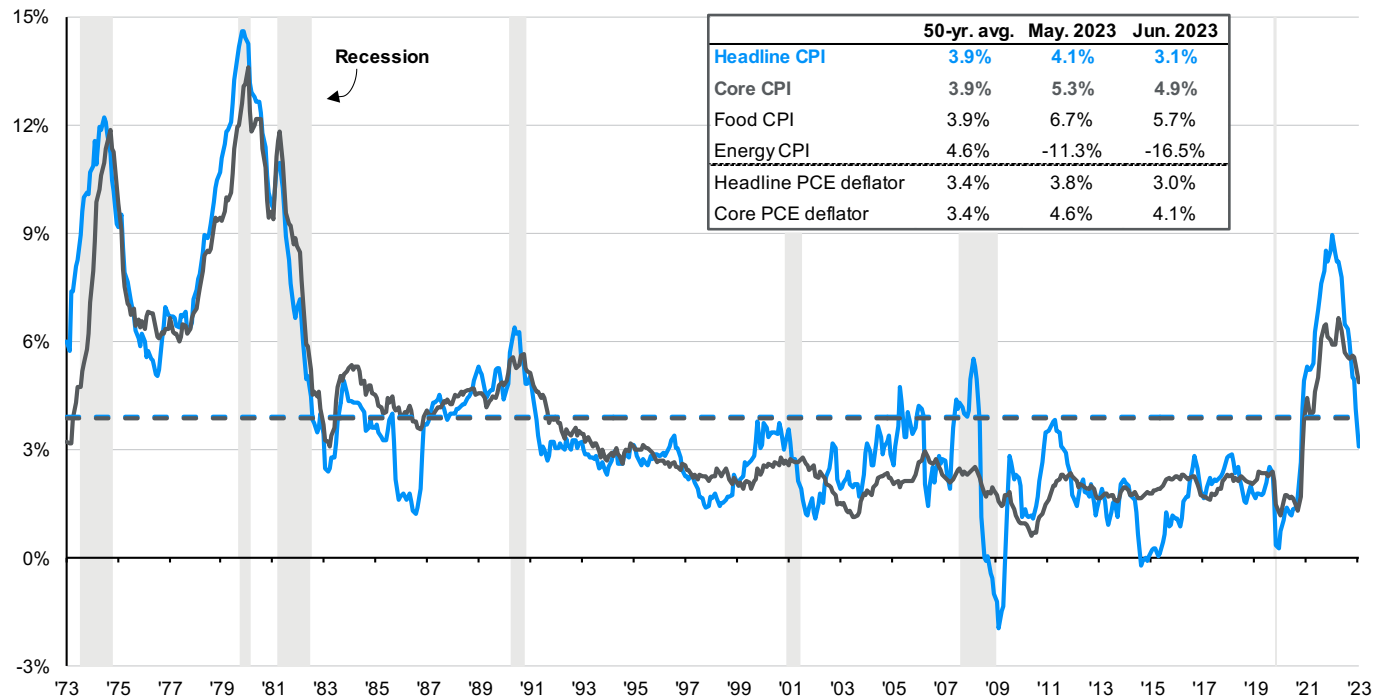
- Inflation
 - Coming down
 - Fed says more interest rate increases to come
- Recession
 - Inverted yield curve
 - Soft landing?
 - Hard to achieve, but growth is still reasonable

Inflation

Economy

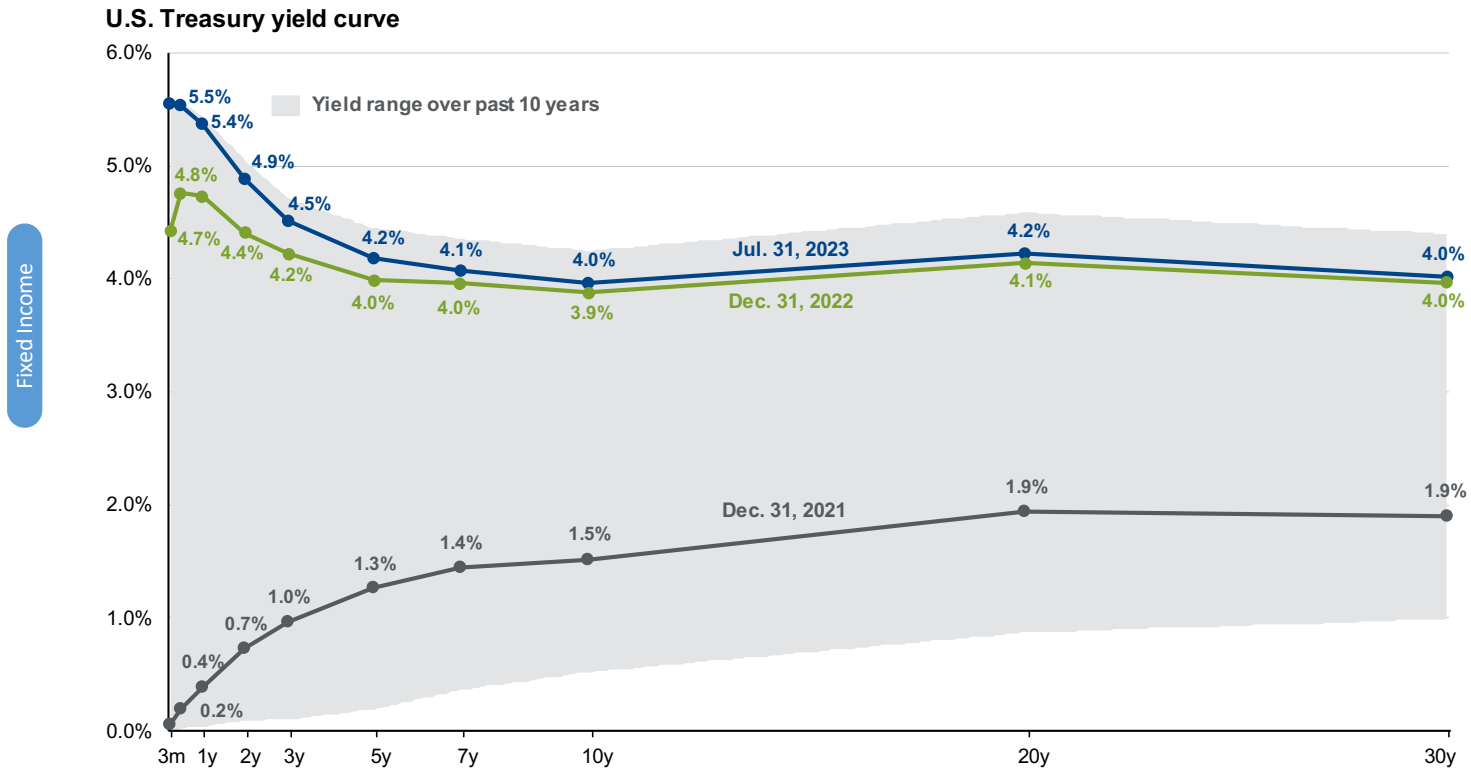
CPI and core CPI

% 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 July 31, 2023.

Yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Guide to the Markets – U.S. Data are as of July 31, 2023.

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Considerations

- Review cash holdings
 - Compare interest rates. Could be as much difference as .01% vs 5%+.
 - 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
- Review asset allocation. Find a mix of stocks and bonds that you can stick with in varying markets. Stay diversified.

Disclosures

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