WITH YOU EVERY MILE

MARKET LANDSCAPE | Q1 2024

MIRACLE MILE INVESTMENT STRATEGY GROUP

MIRACLE MILE ADVISORS

THE STORY FOR Q1 2024

1. We enter 2024 with positive momentum for stocks and bonds on an improving economic landscape, and we see many opportunities across stocks, bonds, and alternative assets.

2. Fed policy has shifted toward favorable deflationary trends – short-term rate cuts are expected and should be supportive of stock and bond prices.

3. The job market continues to cool, reducing the risk of more wage inflation.

4. While market breadth continues to improve as macro risks abate, quality companies with strong cash flow are expected to remain in favor.

5. The equity market has the presidential cycle on its side in 2024 - since 1952, the S&P500 market index has not declined in a year in which an incumbent president was running for re-election.

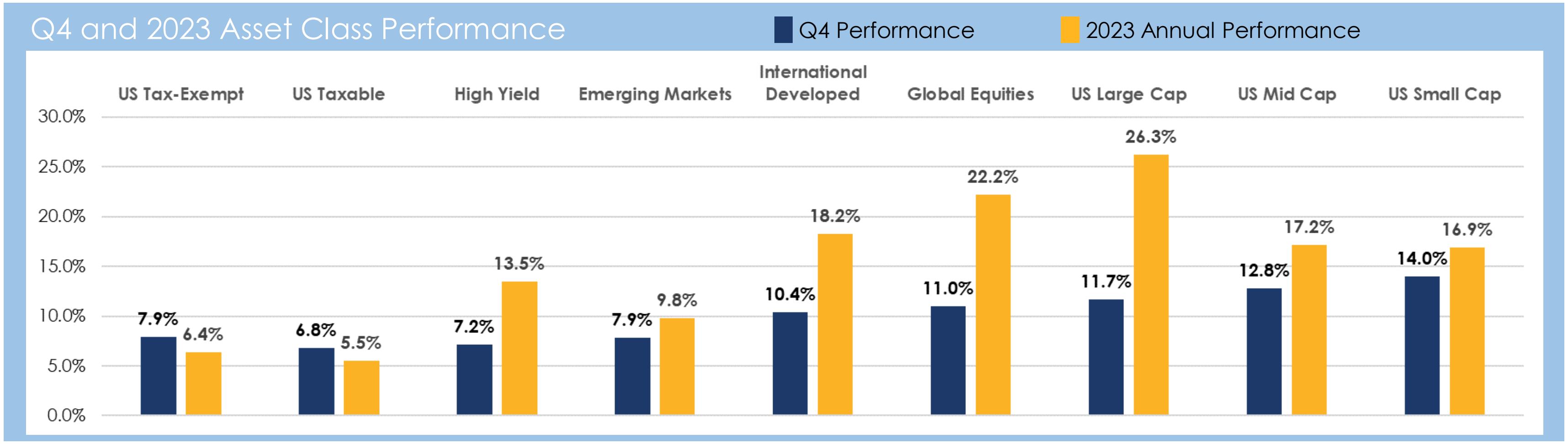
6. While earnings expectations are rising in the US, valuations once again favor foreign markets.

7. There is value in fixed-income markets – while credit spreads remain narrow, tax equivalent yields in municipal and other higher-quality bonds are attractive.

8. Gold and commodities are expected to do well on the back of fading monetary policy drag, a falling US dollar, receding recession fears, and near-shoring trends.

9. Private and real asset alternative investments remain attractive, and helpful diversifiers of risk in portfolios.

2023 BETTER THAN ANYONE EXPECTED



Source: Bloomberg data as of 12/31/2023

2023 Better than Expected

- The big surprises of 2023 were the **sharp outperformance of global growth and the rapid normalization of inflation** in the second half of the year. The upside growth surprise reflected a fading drag from monetary policy tightening, as well as a recovery in income growth that kept consumer spending growth solid.
- The progress on inflation despite firm growth underscored the unique nature of this cycle. **Labor market rebalancing progressed smoothly** as excess job openings unwound—despite unemployment rates remaining low—while labor supply beat expectations (both due to favorable hiring prospects and an immigration rebound). As inflation nears the finish line, the bar to cut rates has fallen, and central banks should begin to normalize policy in 2024.

2024 Economic & Market Forecasts

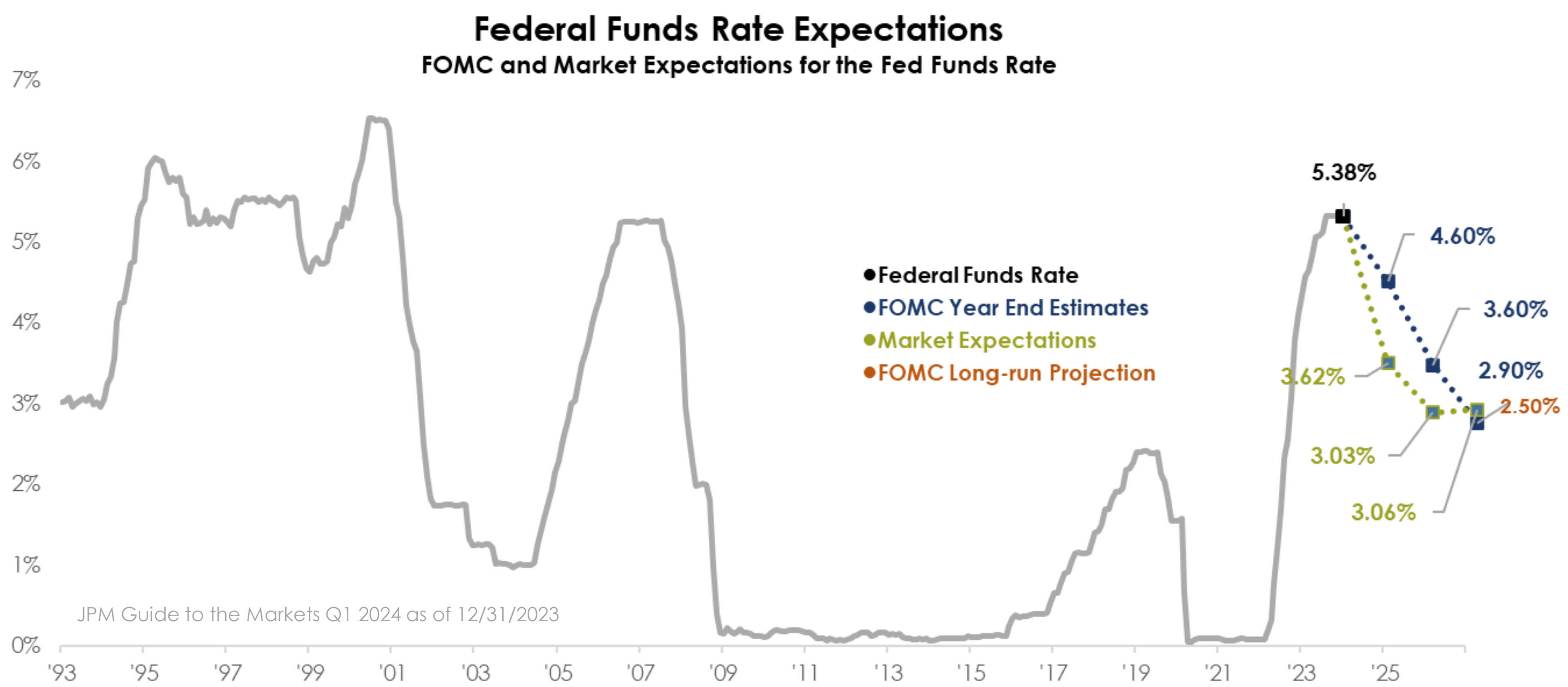
- **Domestic Equities:** The changing composition of the S&P 500 toward more asset-light industries like Technology, Health Care, and Financials probably means that the long-term trend toward higher-than-normal earnings growth will continue. At the same, it is difficult to see meaningful multiple expansion from these levels given some of the structural tailwinds for higher inflation and long-term interest rates such as deglobalization and America's ever-worsening fiscal situation.
- **International Equities:** To the extent to which we believe the great movement toward globalization is slowing rapidly, we suspect that earnings growth at truly global companies may slow as well. This may be offset to a certain degree by a weakening of the US dollar. Japan and India are two international markets we see benefitting from the trends toward globalization.
- **Bonds:** Yields are close to what one could argue are normalized levels for a 5% nominal GDP world. Corporate Spreads are likely a little too tight for the long-run outlook, and some reversion to mean should play out.
- **Real assets**: A consistent commitment to green energy alternatives, particularly EVs, is likely to boost demand for certain commodities well beyond the global economy's ability to produce them. Here again, a trend toward deglobalization and the higher transport costs that are likely to accompany it is likely to boost the price of a variety of soft and hard commodities.

Refer to appendix for disclosures and data sources

THE FED AND INTEREST RATES

With rates now sufficiently restrictive and inflation decreasing, the Fed has reached the end of its tightening cycle. The Fed anticipates maintaining higher rates for longer, including modest rate cuts in 2024. However, the market has a more dovish outlook, anticipating a faster pace in policy easing.

Investment Outlook: It's too early to determine the rate cycle, and if a recession is imminent the Fed may need to consider easing policy to a greater extent in 2024.



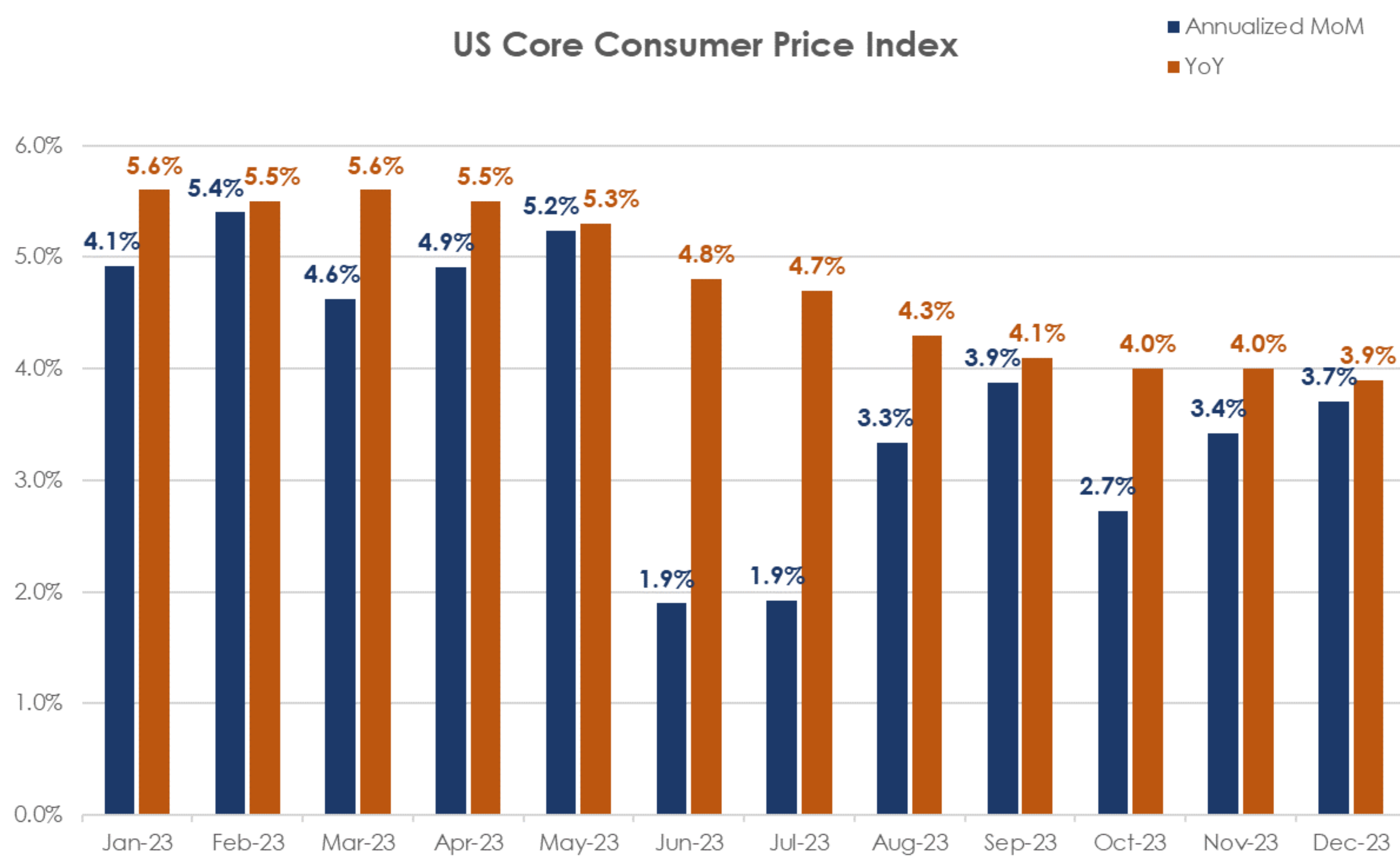
Refer to appendix for disclosures and data sources

INFLATION: MoM & YoY COMPARISONS

Core inflation has trended lower, but certain components, particularly housing has remained resilient.

Investment Outlook: Despite the promising trend over the past two quarters, expect the Fed to remain data dependent and avoid rate cuts until the second quarter.

Markets



Source: Trading Economics, US Core inflation rate MoM & YoY as of 12/31/2023

Refer to appendix for disclosures and data sources

LABOR MARKET (SLOWLY) NORMALIZING

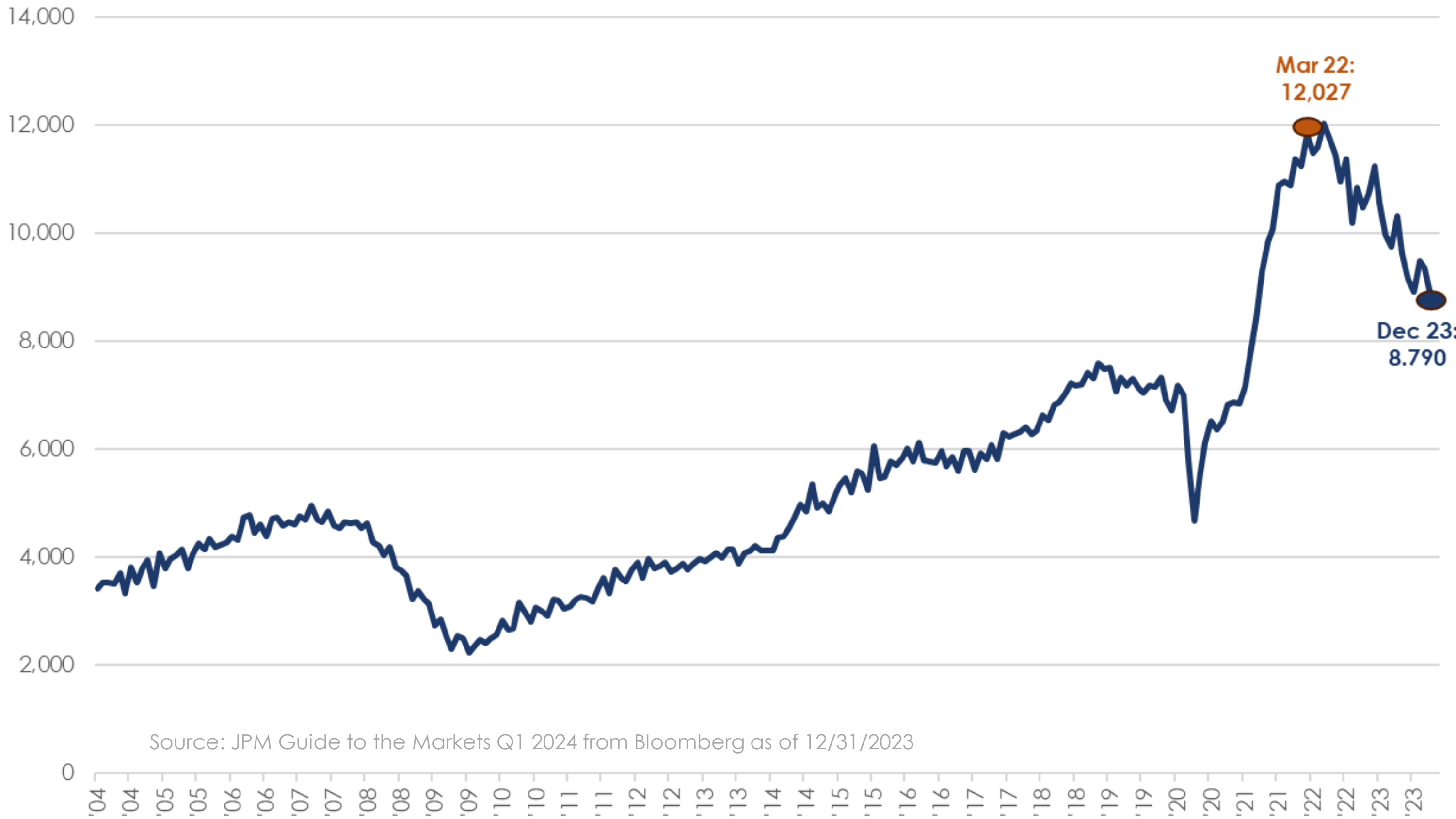
In March 2022, job openings reached a historic high of 12 million but are currently decreasing towards typical levels. Despite this decline, job openings remain significantly higher than historical norms.

Investment Outlook: While trending in the right direction, there is still a surplus of demand for labor that contributes to maintaining a low level of unemployment and higher interest rates for longer.

Markets

JOLTS Job Openings

Total job openings, thousands



Source: JPM Guide to the Markets Q1 2024 from Bloomberg as of 12/31/2023

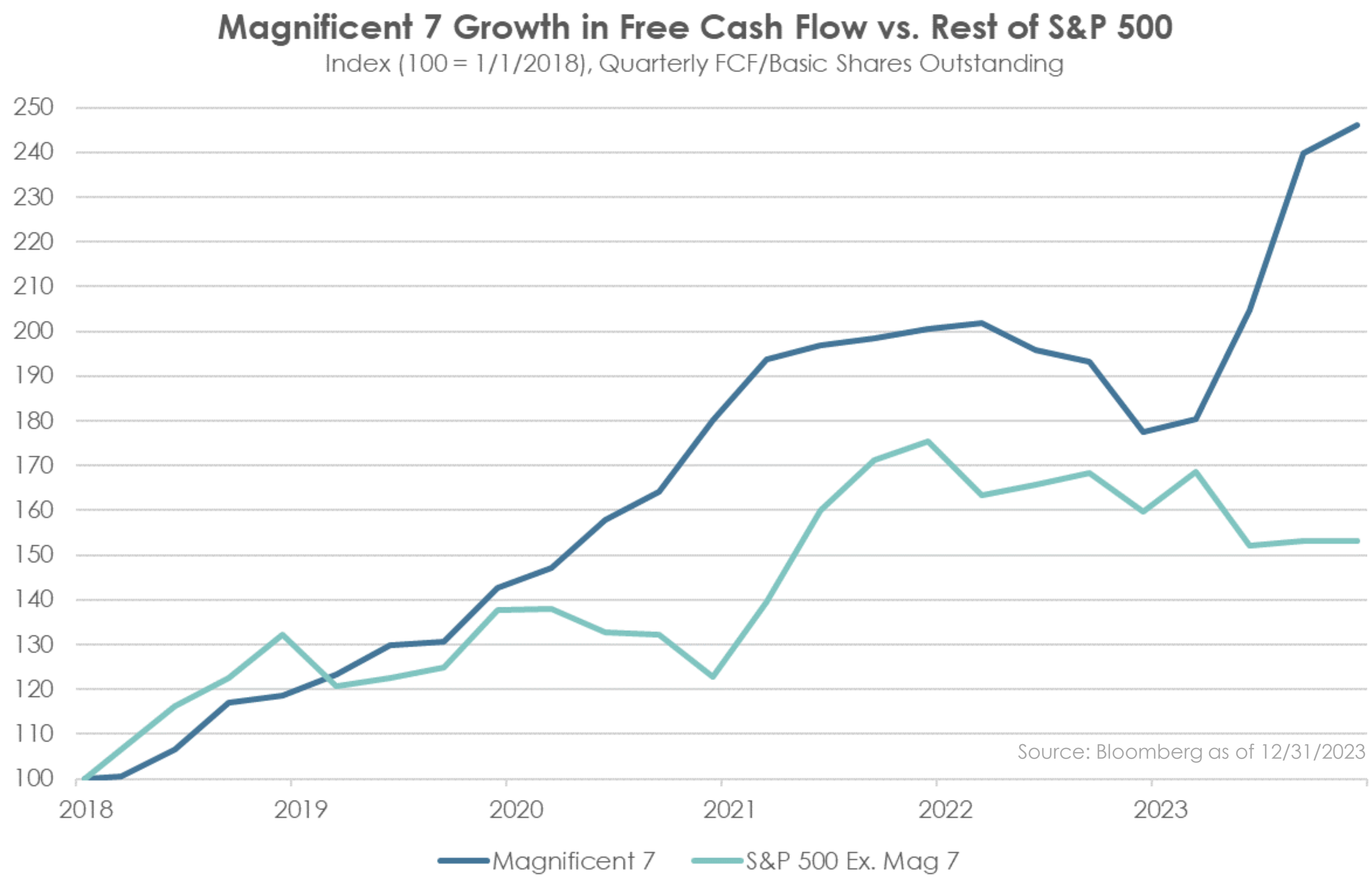
Refer to appendix for disclosures and data sources

MARKET BREADTH UNVEILED

In 2023, the top 7 largest companies in the S&P 500 experienced notably faster growth in free cash flow compared to the rest of the index, contributing to the observed market narrowness. Free cash flow, representing the cash available for distribution, debt repayment, or reinvestment, serves as a key indicator of financial health.

Investment Outlook: As free cash flow growth in the leading holdings decelerates, the market is anticipated to expand.

Equities



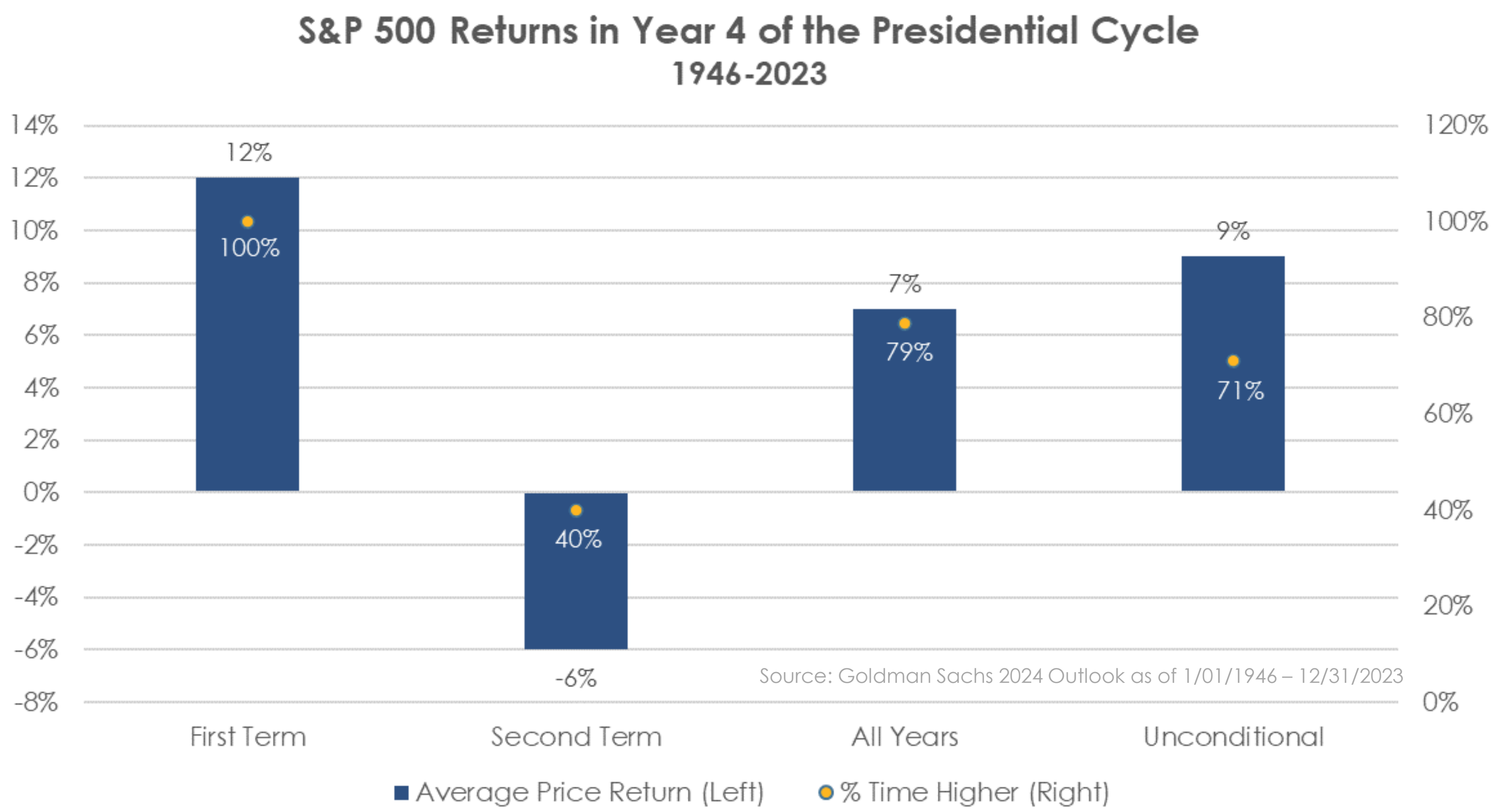
Refer to appendix for disclosures and data sources

PRESIDENTIAL CYCLE IS A TAILWIND FOR 2024

Strong returns have ensued in the years following bear markets and during the election years of first-term presidents, both of which apply to 2024.

Investment Outlook: The relationship between the S&P 500 and an incumbent president's odds of winning has long been established and is now continuing with Biden. If the US economy is doing well, stocks should perform well.

Equities

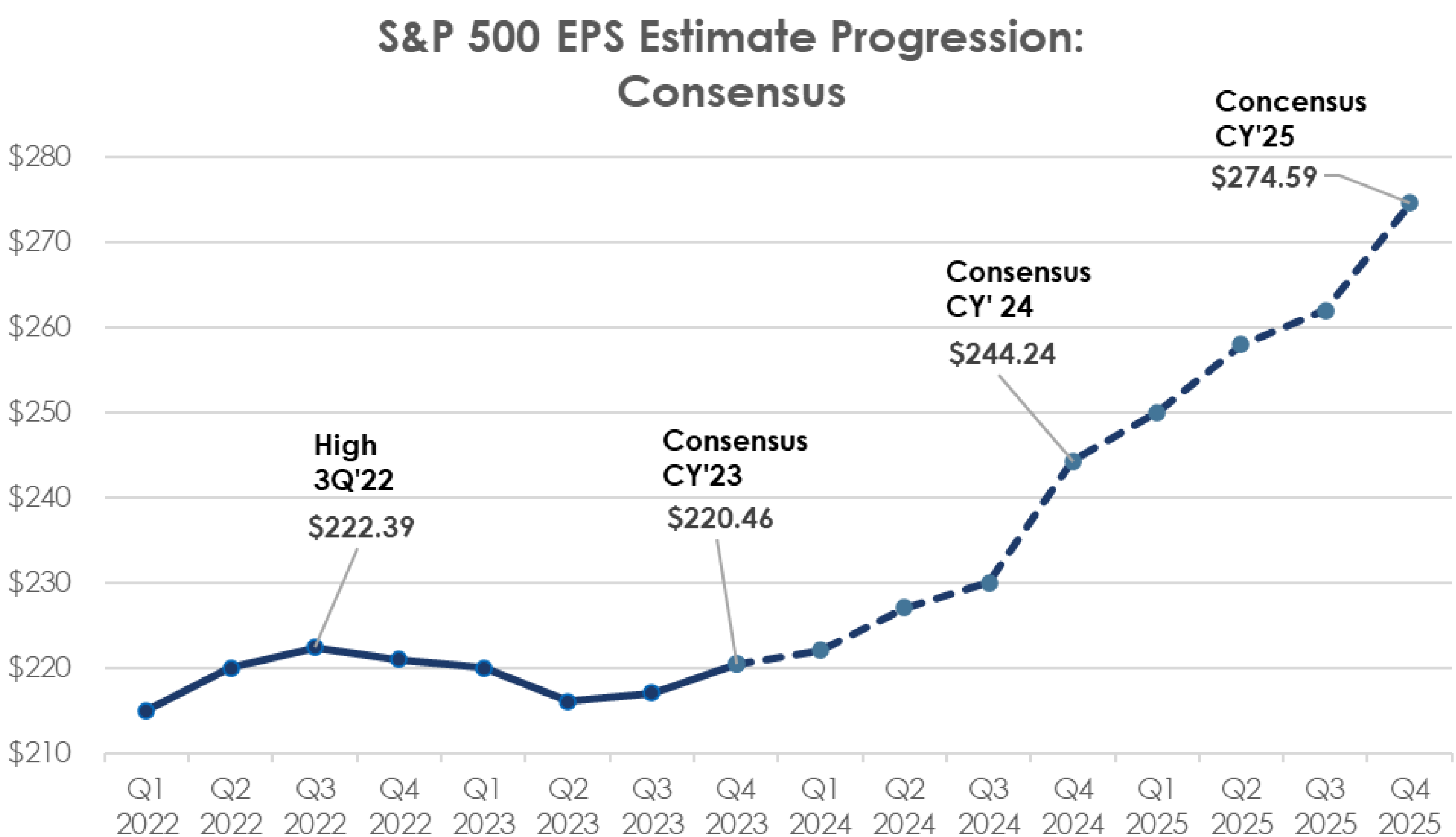


Refer to appendix for disclosures and data sources

US EARNINGS OUTLOOK IS POSITIVE

The financial market holds a positive outlook for CY'24 and CY'25 earnings, estimating values of approximately $244 and $275, respectively, for the S&P500 Index.

Investment Outlook: The EPS consensus trend is supportive of stocks as wage and consumer savings trends continue to be navigated.



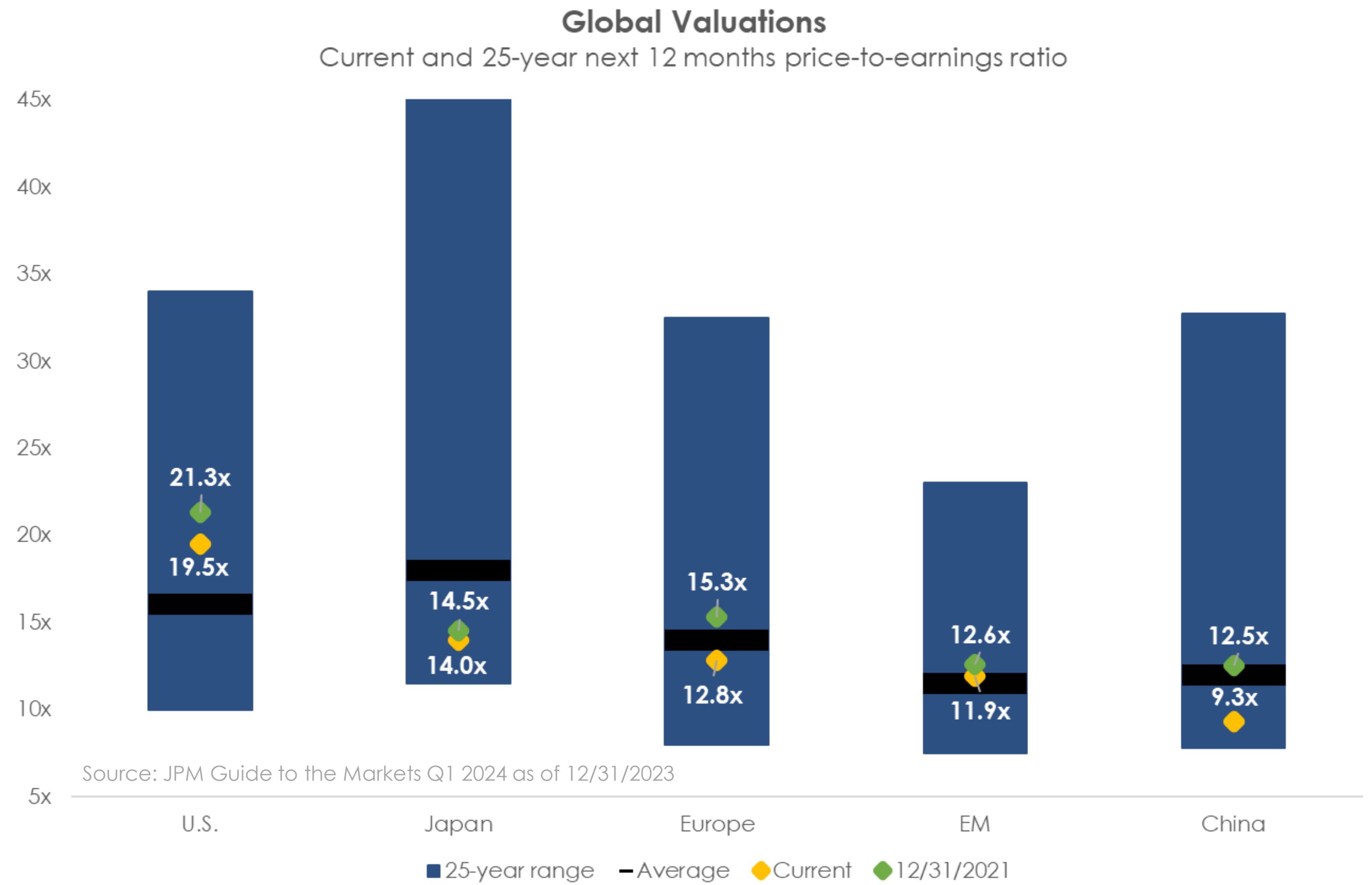
Source: Strategas as of 1/05/23

Refer to appendix for disclosures and data sources

NAVIGATING GLOBAL EQUITY VALUATIONS

There is a turning point in earnings growth for international regions versus the US, as shown by comparing current equity valuations across different regions with their 25-year histories and their valuations at the end of 2021.

Investment Outlook: Discounted valuations help make the case for investing in international equities.

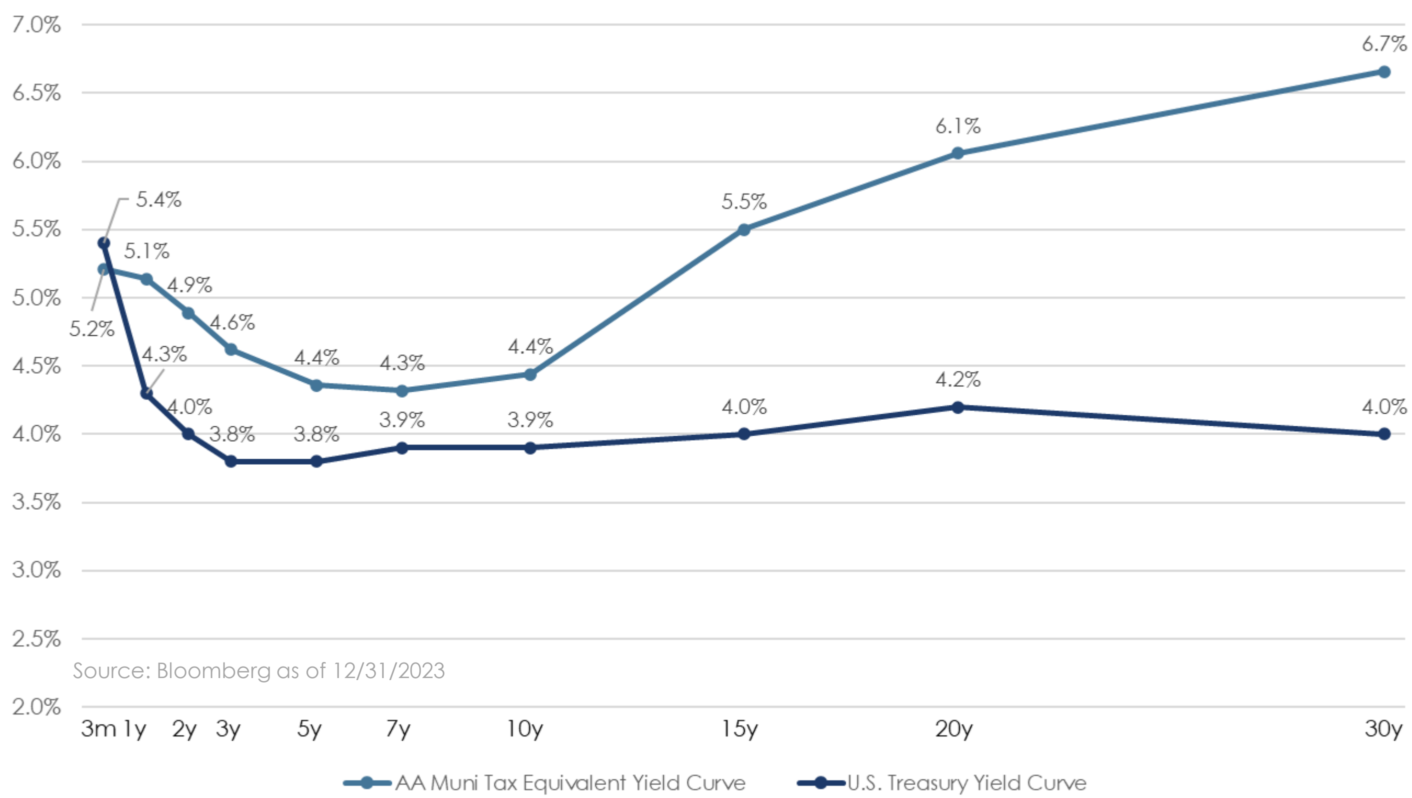


Refer to appendix for disclosures and data sources

Municipalities have adeptly managed debt levels compared to both federal governments and corporations amidst a rising interest rate environment.

Investment Outlook: Municipal bonds remain a recommended choice for conservative investors, given higher tax equivalent yields. With a yield curve that is inverted on the short end and steep between 10 and 15 years, we prefer a barbell structure for municipal bond exposure.

Muni Tax-Equivalent and Treasury Yield Curves



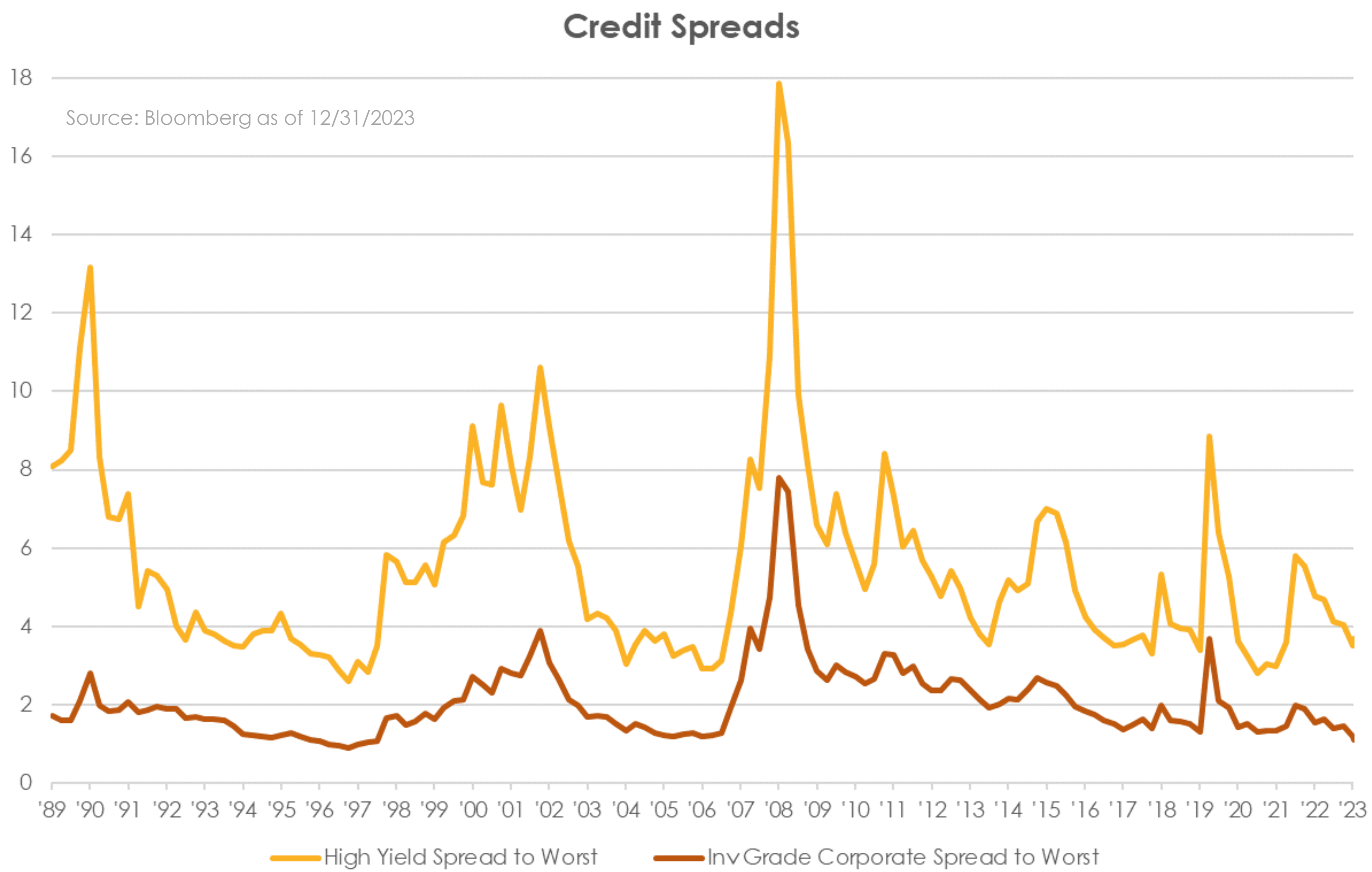
Fixed Income

Refer to appendix for disclosures and data sources

OPPORTUNITIES IN CREDIT

Credit spreads have been tightening since 3Q 2022, indicating corporate resiliency and recession expectations not materializing.

Investment Outlook: Compensation for taking on corporate credit risk remains decent but is less attractive than in 2023, as credit spreads tightened and default rates increased.



Fixed Income

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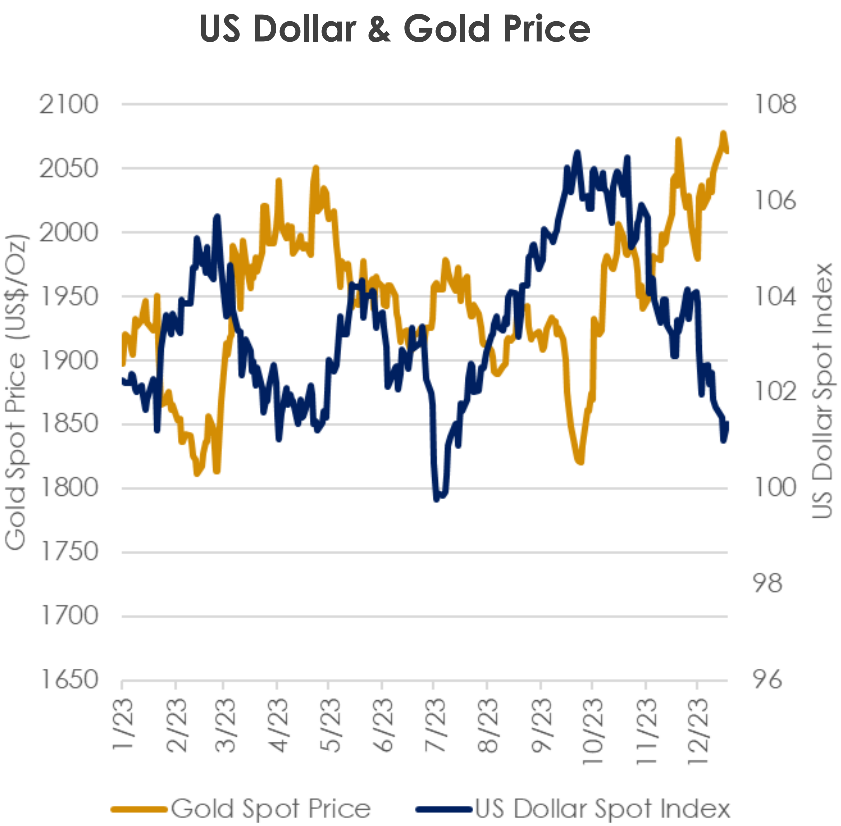
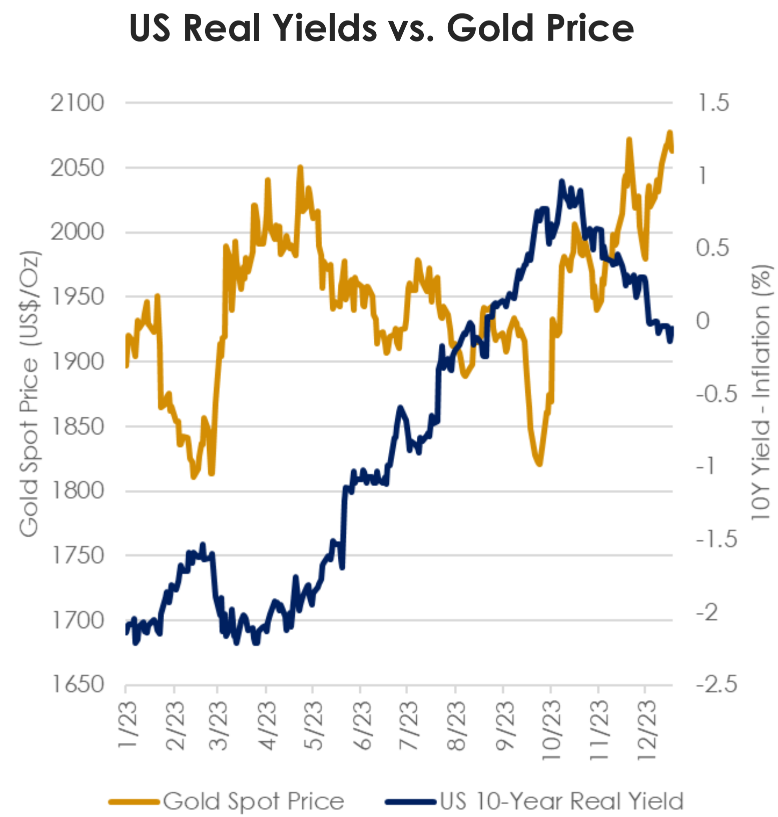
GOLD OUTLOOK

Spot gold recently reached new highs driven by increased geopolitical and financial risks, Federal Reserve policies, and net gold purchases by central banks.

Investment Outlook: Gold's outlook remains favorable, supported by a weakening US dollar and declining real 10-year rates, reaffirming its role as an inflation hedge and safe-haven asset.



Source: Bloomberg as of 12/31/2023



Source: Bloomberg as of 12/31/2023

Alternatives

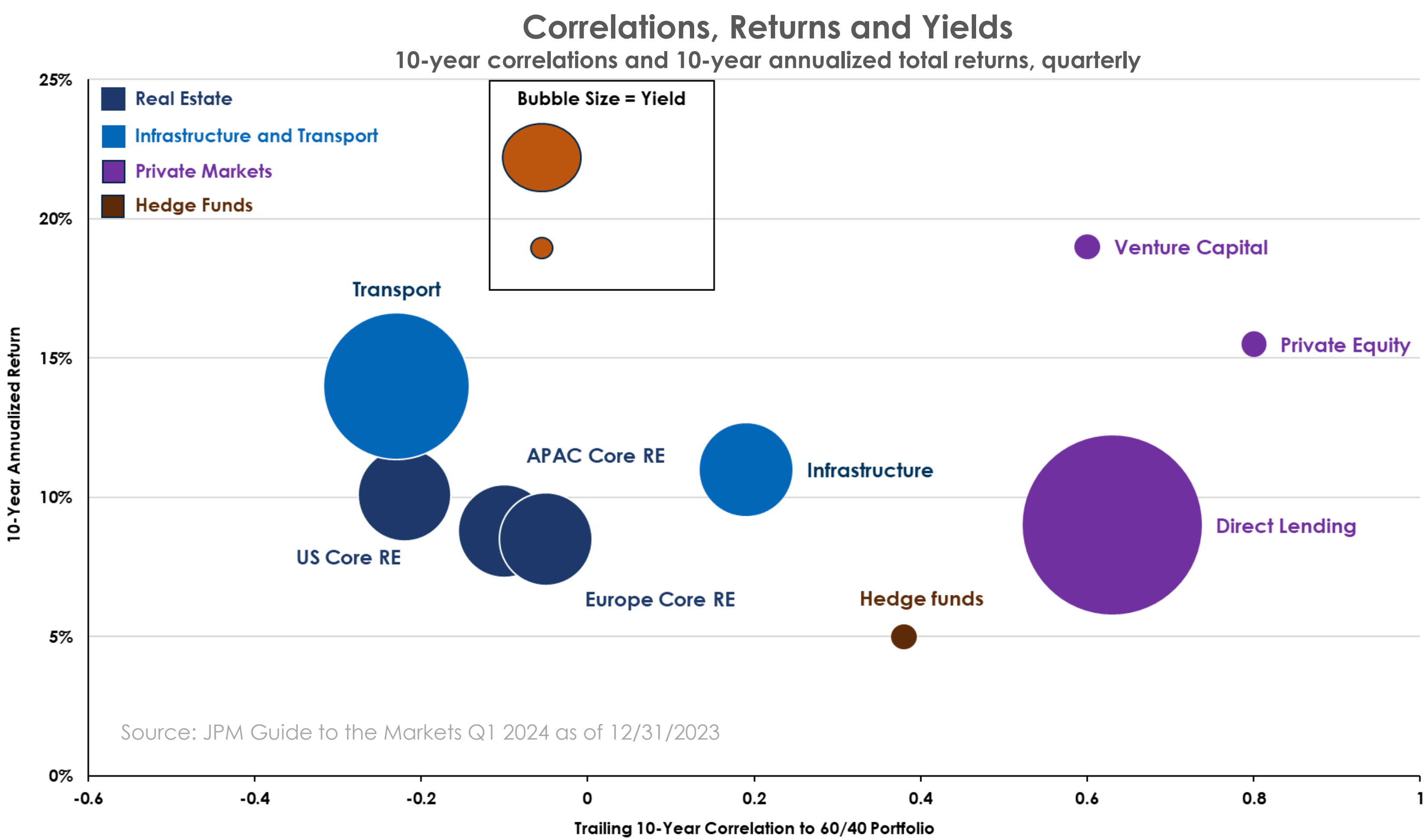
Refer to appendix for disclosures and data sources

DIVERSIFICATION OPPORTUNITIES WITH ALTERNATIVE INVESTMENTS

Alternative investments have historically exhibited attractive returns and lower correlation with a conventional 60/40 portfolio.

Investment Outlook: We see many opportunities in alternative investments in this dynamic market environment.

Alternatives



Source: JPM Guide to the Markets Q1 2024 as of 12/31/2023

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Disclosures:
Slide 3: Performance numbers from Bloomberg, Black Diamond corresponding indices as of 12/31/2023.
Slide 4: Chart sourced from JPM Guide to the Markets Q1 2024 - U.S. Data are as of 12/31/2023.
Slide 5: Chart sourced from Trading Economics, US Core inflation rate MoM & YoY as of 12/31/2023
Slide 6: : Chart sourced from JPM Guide to the Markets Q1 2024 - JOLTs job openings data from Bloomberg 12/31/2023.
Slide 7: Data from Bloomberg FCF/basic shares Outstanding, 90 day smoothing of the Mag7 & S&P 500 ex. Mag7 12/31/2023.
Slide 8: Chart and data sourced from Goldman Sachs 2024 Outlook 1/01/1946 – 12/31/2023
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