

## What lies ahead for the markets and our economy in 2024?

Our investment team sees an upside in 2024 – strong employment and household finances backing growth. With risks lingering but stocks rallying early in the year, we remain upbeat about opportunities ahead. Here is our latest analysis on the encouraging Fed rate and inflation forecasts, pricing power shown in earnings results, and areas like infrastructure benefiting amid broadening rallies.

### **In case you missed it, here are some of the highlights from our discussion:**

#### **Why the Stock Market Can Continue to Rally**

The foundation of the markets remains strong, with no signs of a "hard landing." Employment levels are high and households are in good financial shape. There is also a historical precedent for markets rallying after high returns the previous year

#### **Investing in an Election Year**

Some volatility is expected this election year, but a divided government means sweeping policy changes are unlikely. It will be "policy not politics" that truly moves markets.

#### **Stock Market Participation Will Broaden**

After the huge returns of mega-cap tech stocks in 2023, the market is expected to broaden out in 2024. This includes an increased focus on infrastructure, industrial, and energy companies as spending picks up in these areas.

#### **U.S. Economic Strength Will Boost Global Growth**

Key advantages like technology innovation and energy independence will continue to boost US growth ahead of other major economies. This along with technology adoption lifting productivity and continued manufacturing reshoring will support economic expansion.

#### **Risks**

Key risks include higher budget deficits and interest rates if inflation rises again. Geopolitical unrest could also spark market volatility. There are also some signs of stress in areas like commercial real estate lending that bear-watching.

#### **Concluding Thoughts**

Despite risks, the economic and market internals look resilient. Stocks remain well-positioned to see further gains in 2024. Targeting high-quality companies with pricing power will help portfolios navigate any choppy periods.

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