

Investments: What to know for 2024



Our Panelists

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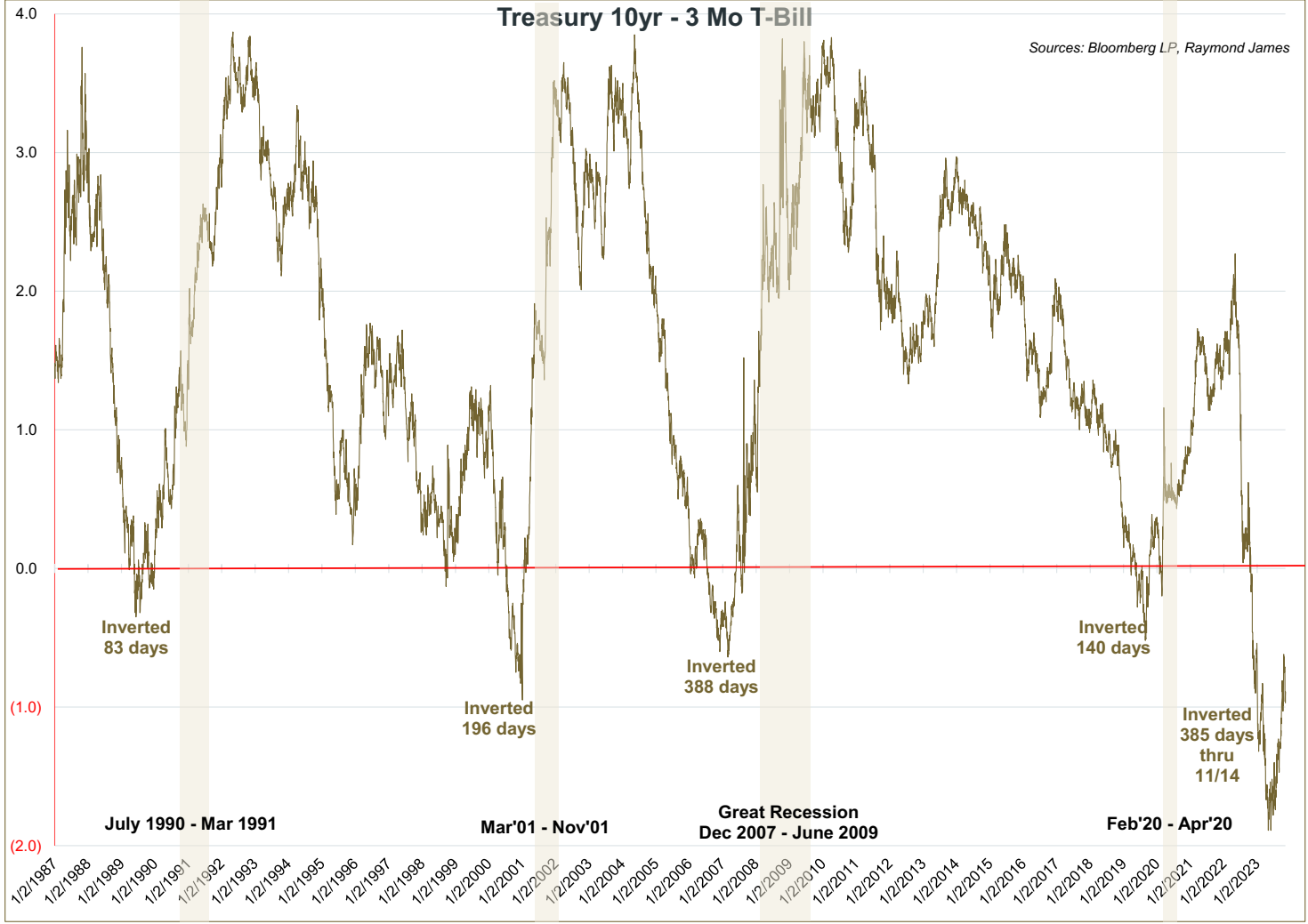


What is an inverted yield curve, and what is its correlation to a recession?



Treasury 10yr - 3 Mo T-Bill

Sources: Bloomberg LP, Raymond James



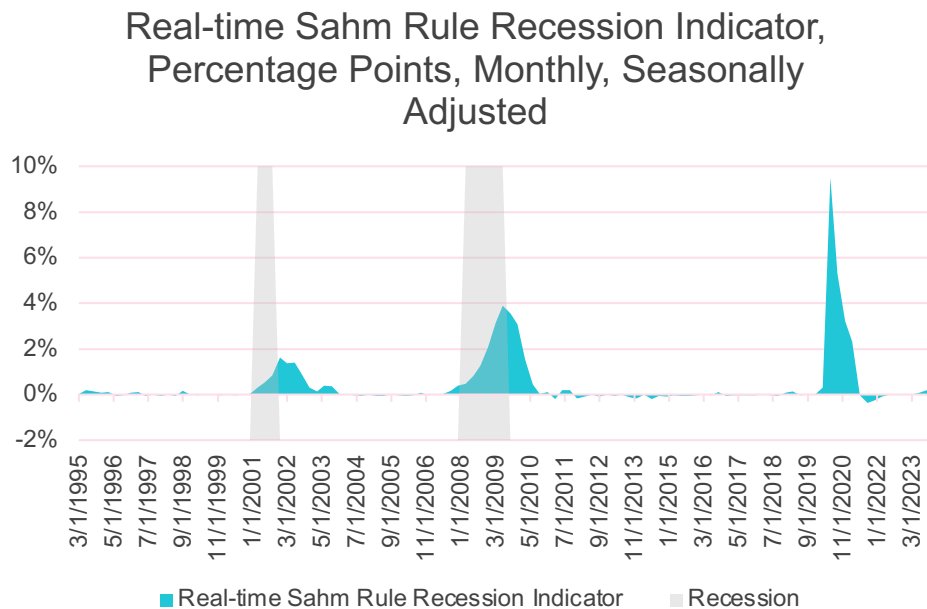
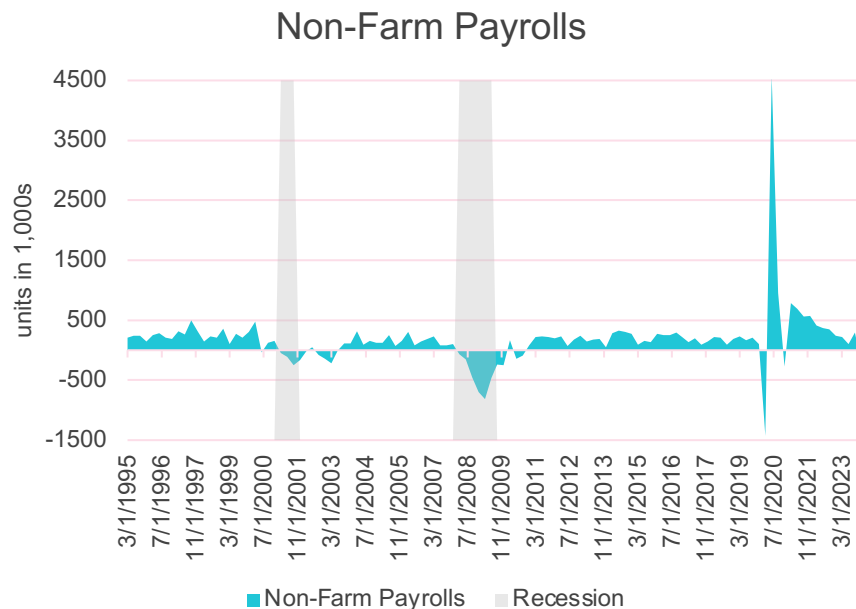
10yr Treasury - 3mo T-Bill
Depth of Inversion
vs
Length of Inversion



**What will cause the Fed to pivot
and start lowering interest rates?
What is the first sign of interest rates going down?**



What will cause the Fed to pivot and start lowering interest rates? What is the first sign of interest rates going down?



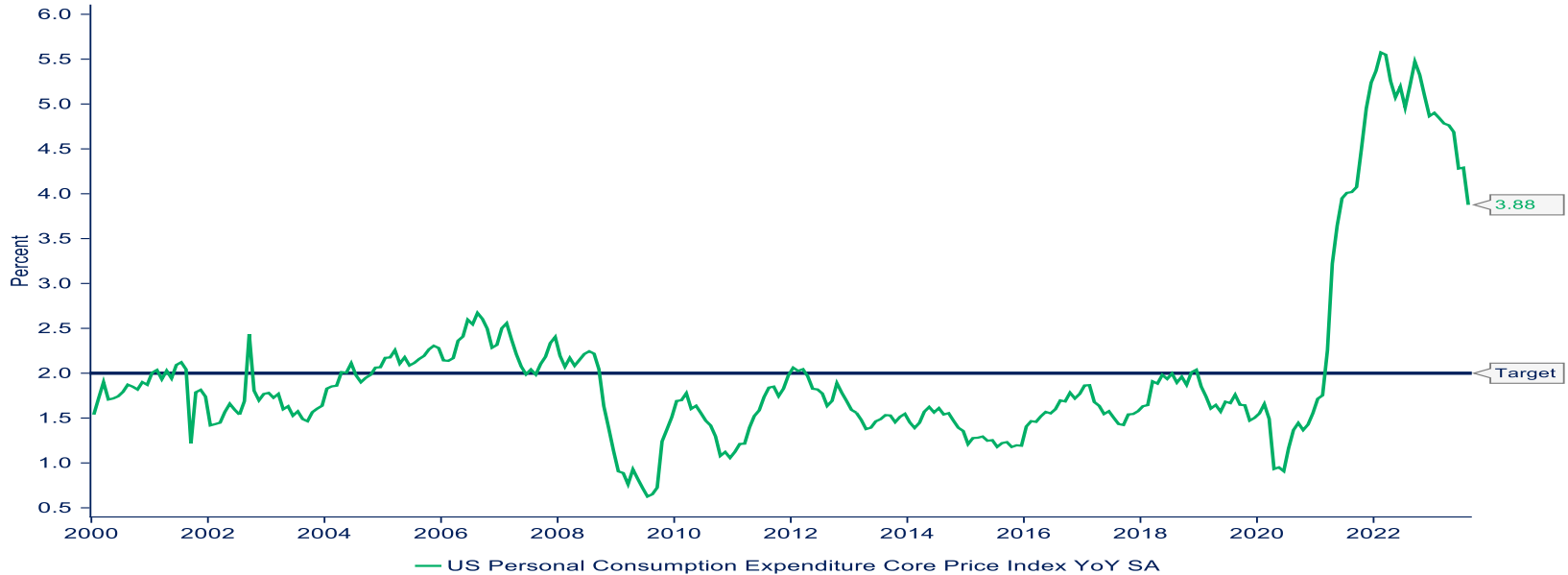
SOURCE: BLOOMBERG / FEDERAL RESERVE ECONOMIC DATA

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How sticky is inflation? Or is inflation an ongoing issue?



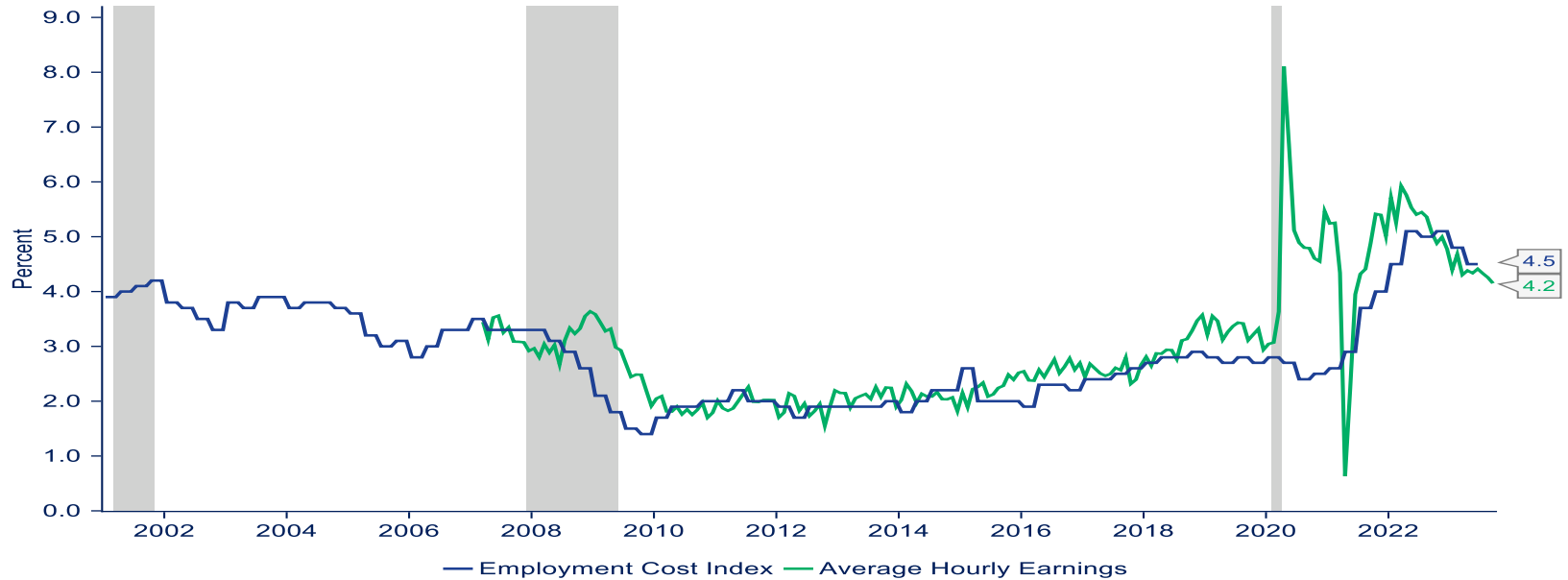
Revisiting the risk – core inflation sticky



Source: Macrobond, Bloomberg, as of 10/18/2023



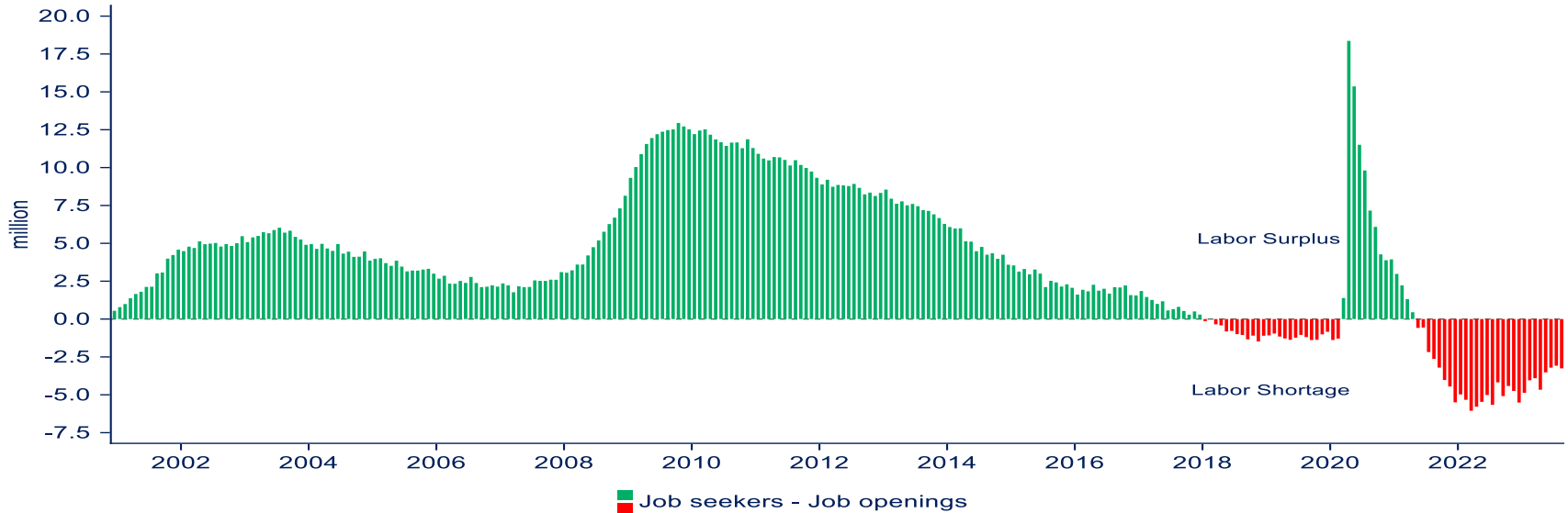
Wage and compensation costs too high



Source: Macrobond, Bloomberg BLS, as of 10/18/2023



Historic labor gap continues



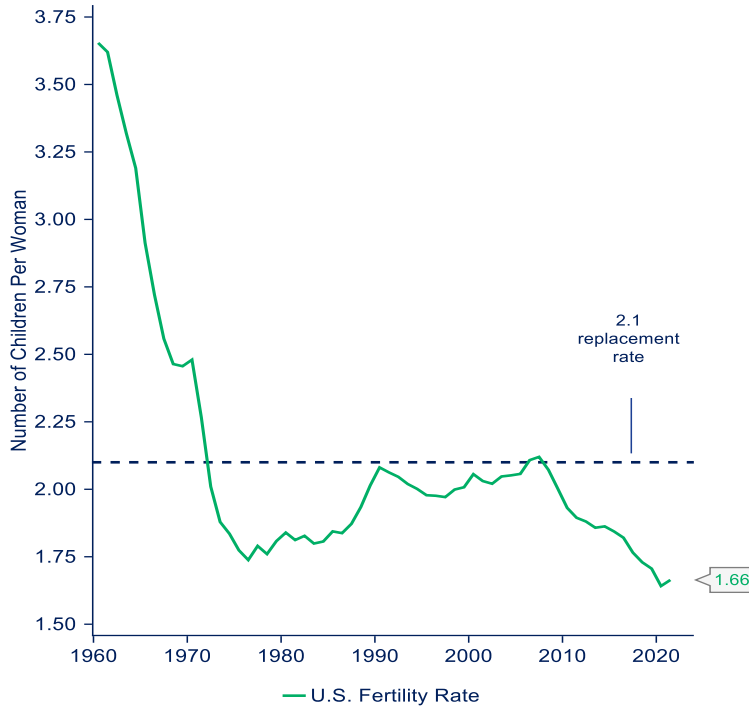
Source: Macrobond, BLS, as of 10/18/2023



Labor: the multi-decade challenge

Structural issues

Employers can help themselves



- Eliminate unnecessary barriers
- Flexibility for working parents
- Pathways for older workers
- Establish non-traditional talent pipelines

Source: Macrobond, World Bank, as of 10/18/2023



What are the effects of geopolitics on currencies, commodities and interest rates?

Geopolitical Risks

Israel attacked in a surprise and coordinated effort by Hamas

- *Likely that Israeli government will escalate the conflict with a counteroffensive into Gaza.*
- *Press suggests that the attack is driven by an effort by Iran, which has ties to Hamas, to undermine diplomatic relations between Israel and Saudi Arabia.*

Initial Economic and Market implications include:

- *Near-term risk-off environment is likely = Higher oil prices, lower stock prices, lower bond yields, and a stronger U.S. dollar is the typical playbook during past conflicts.*
- *Higher prices in commodity complex may lead to stickier inflation, and higher for longer interest rates. Both are a negative for risk assets. This is a longer-term risk.*
- *Escalation into a full-blown conflict between Israel and Iran will lead to longer-term issues.*
- *Geopolitical shocks have historically been buying opportunities (see chart on next page).*

Absent escalation, near-term market volatility will likely lead to a buying opportunity for risk assets in the not-too-distant future.



No commodity price spike post October 7...yet



Source: Macrobond, Bloomberg, as of 10/18/2023



Geopolitical Risks are typically short-term negatives

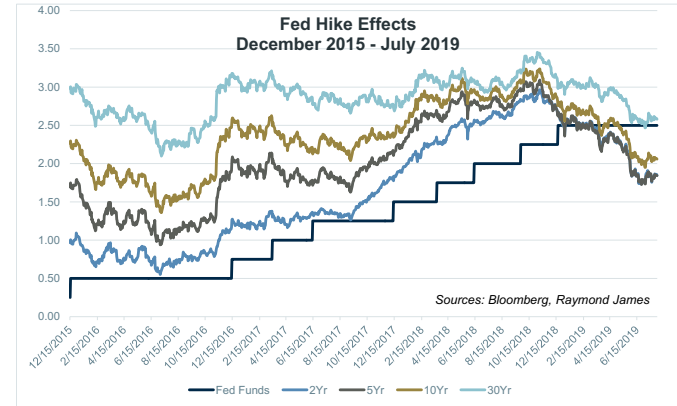
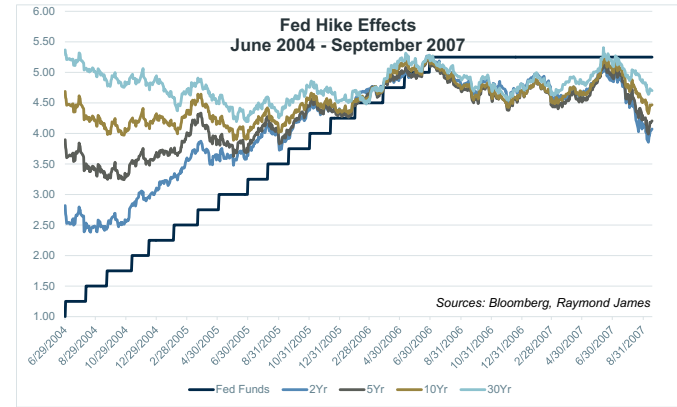
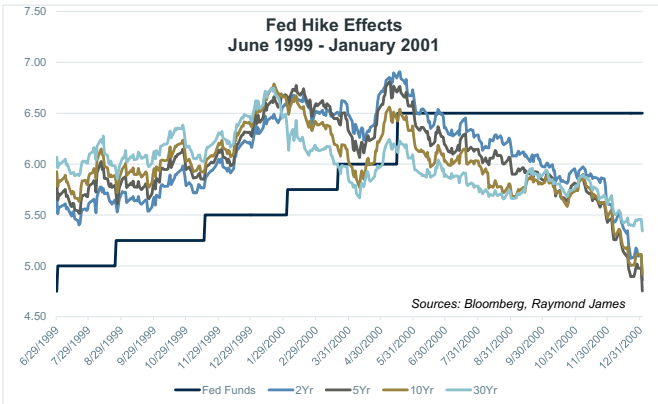
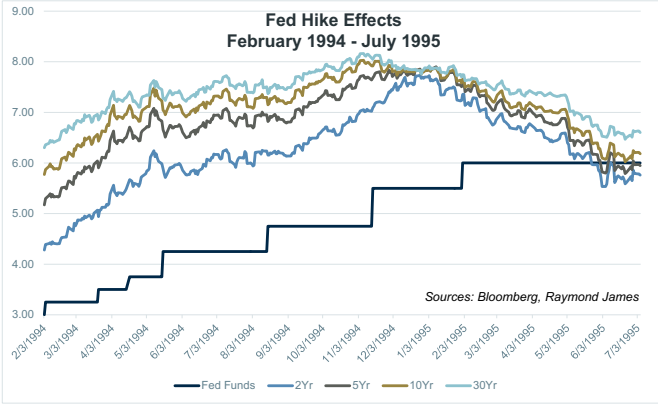
Event & Date	6-Mo. S&P	1-Yr. S&P	2-Yr. S&P
	500 Return	500 Return	500 Return
WWII Germany annexes Czechoslovakia: 3/39	3.6%	-4.3%	-20.5%
WWII Germany attacks France: 5/40	-6.3%	-22.0%	-34.0%
WWII Pearl Harbor: 12/41	-5.6%	4.3%	28.2%
North Korea invades South Korea: 6/50	10.0%	17.6%	35.8%
Suez Crisis: 10/56	-1.4%	-12.3%	10.3%
Berlin Wall Construction: 8/61	4.0%	-14.9%	4.5%
Cuban Missile Crisis: 10/62	20.6%	26.2%	48.1%
Kennedy Assassinated: 11/63	16.0%	23.5%	31.6%
Authorization of Military Ops in Vietnam: 8/64	6.2%	4.9%	2.3%
Six Day Israel Arab War: 6/67	7.7%	13.0%	16.2%
Israel Arab War/Oil Embargo: 10/73	-15.0%	-36.2%	-18.9%
Nixon Impeachment Proceedings: 2/74	-13.7%	-15.8%	6.6%
Shah of Iran exiled: 1/79	3.3%	11.7%	35.5%
Iranian Hostage Crisis: 11/79	4.5%	29.0%	22.5%
Soviet Invasion of Afghanistan: 12/79	6.9%	26.2%	13.8%
Invasion of Grenada: 10/83	-4.7%	-0.1%	12.6%
Libya Bombing: 4/86	0.5%	19.6%	9.3%
First Gulf War: 1/91	20.7%	32.3%	38.2%
Clinton Impeachment Proceedings: 12/98	12.2%	17.9%	8.5%
Kosovo Bombing: 3/99	0.7%	20.4%	-9.1%
9/11 Attack: 9/01	12.5%	-12.4%	-2.2%
Iraq War: 3/03	16.8%	25.1%	35.2%
Arab Spring (Egypt): 1/11	3.6%	2.7%	16.4%
Libya Intervention: 3/11	-7.3%	8.6%	19.3%
Ukraine Conflict: 3/14	7.8%	13.0%	9.7%
Syria Intervention: 9/14	5.5%	-2.6%	9.2%
Brexit Vote: 6/16	7.1%	15.4%	28.6%
Airstrike on Syrian Airbase: 4/17	8.0%	10.9%	22.9%
Russian Invasion of Ukraine: 2/22	-3.4%	-7.4%	?
% Positive	72.4%	65.5%	82.1%
Average	4.2%	6.7%	13.6%
Low	-15.0%	-36.2%	-34.0%
High	20.7%	32.3%	48.1%

*Source: Bloomberg

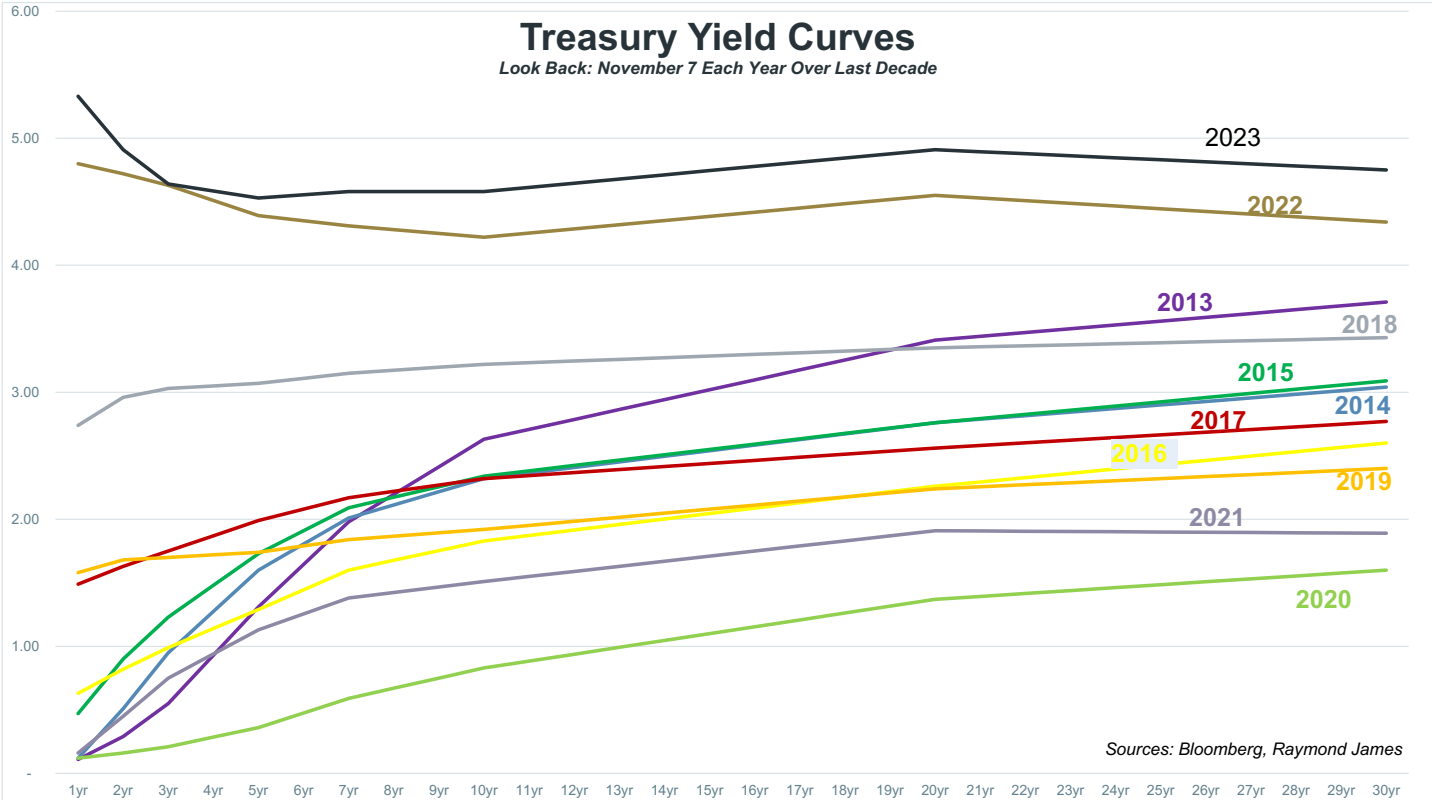
**What proactive strategies work in this environment
and/or position investors well going forward?**



Interest Rate Lookback



Interest Rate Lookback



Sources: Bloomberg, Raymond James



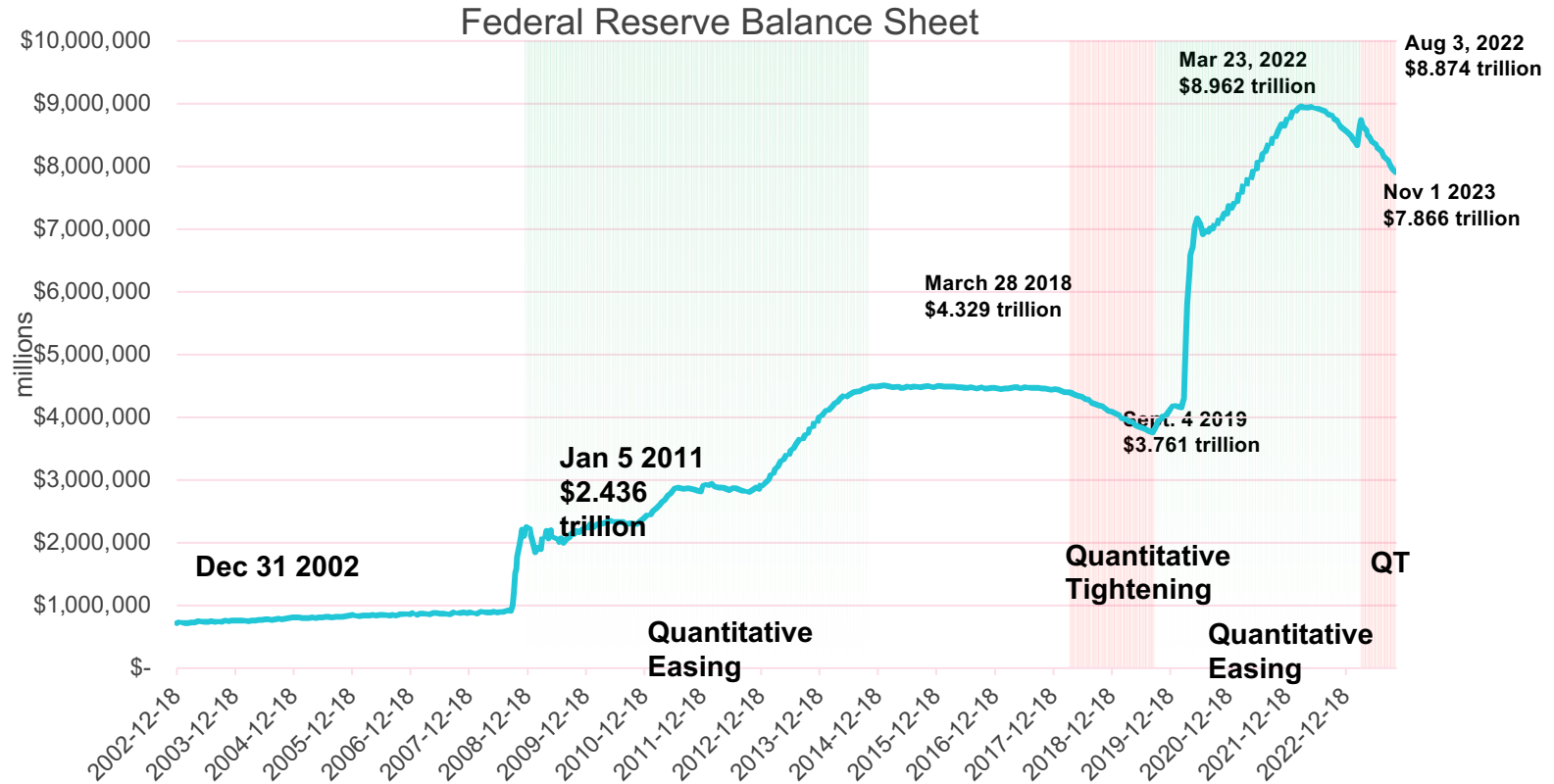
Interest Rate Lookback



How does monetary policy affect longer-term interest rates?



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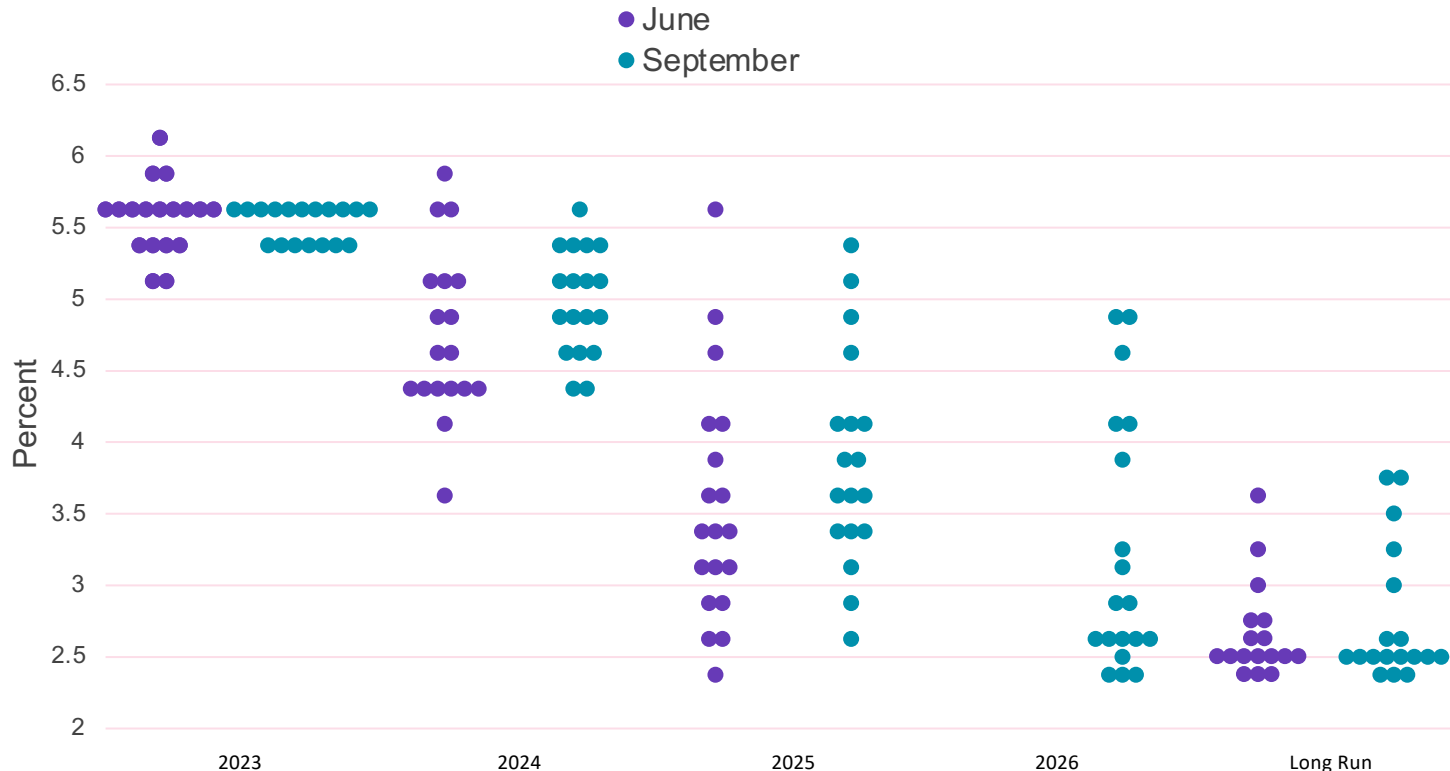


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Where are long-term interest rates likely to be in the next 3-5 years?



Federal Reserve Dot Plot Comparison



- Each Dot Represents Projected Year End Rate By Each Member Of The FOMC
- FOMC Expecting to Raise Rates Only 1 More Time In This Cycle.
- Median Dot Indicates From June to September FOMC See's Interest Rates Falling by 0.50% in 2024 instead of 1.00%.

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Questions?

