



MARKET UPDATE

# Quarterly Conversations

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September 17, 2024



MODERATOR

## Alex Hernandez

Managing Director,  
Music, Sports, Entertainment and Motorsports  
First Horizon Bank



PRESENTER



Tracy Bell, CFA®

Chief Investment Officer  
First Horizon Advisors, Inc.



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S&P 500 Index is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

S&P 400 Index provides investors with a benchmark for mid-sized U.S. companies. The index, which is distinct from the large-cap S&P 500, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

S&P 600 seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financial stable.

*Presentation prepared by First Horizon Advisors*





# The Dual Mandate & Market Transitions



# Inflation, Employment, Interest Rates

Balancing Inflation, Employment, & Economic Growth

## INFLATION

- Fed Confidence in 2%
- Shelter & Health Care Still Sticky

## EMPLOYMENT

- Labor Market More Normal
- Wage Growth Slower
- Travel of Trend?

## INTEREST RATES

- Inflation, Growth, Employment
- Market Expectations
- The Data



## Fed Speak

*“In recent months, there has been modest further progress towards the Committee’s 2 percent inflation objective.”*

*“The Committee does not expect to it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In addition, the Committee will continue to reduce its holding of Treasury securities and agency debt and agency mortgage-backed securities.”*

-FOMC Statement, June 12, 2024  
Source: Federal Reserve



## Fed Speak

*“After a pause earlier this year, progress towards our 2 percent objective has resumed. My confidence has grown that inflation is on a sustainable path back to 2 percent.”*

*“The unemployment rate began to rise over a year ago and is now at 4.3 percent – still low by historical standards, but almost a full percentage point above its level in early 2023. Most of that increase has come in the past six months.”*

*“Overall, the economy continues to grow at a solid pace. But the inflation and labor market data show an evolving situation. The upside risks to inflation have diminished. And the downside risks to employment have increased.”*

*“It seems unlikely that the labor market will be a source of elevated inflationary pressures anytime soon. We do not seek or welcome further cooling in labor market conditions.”*

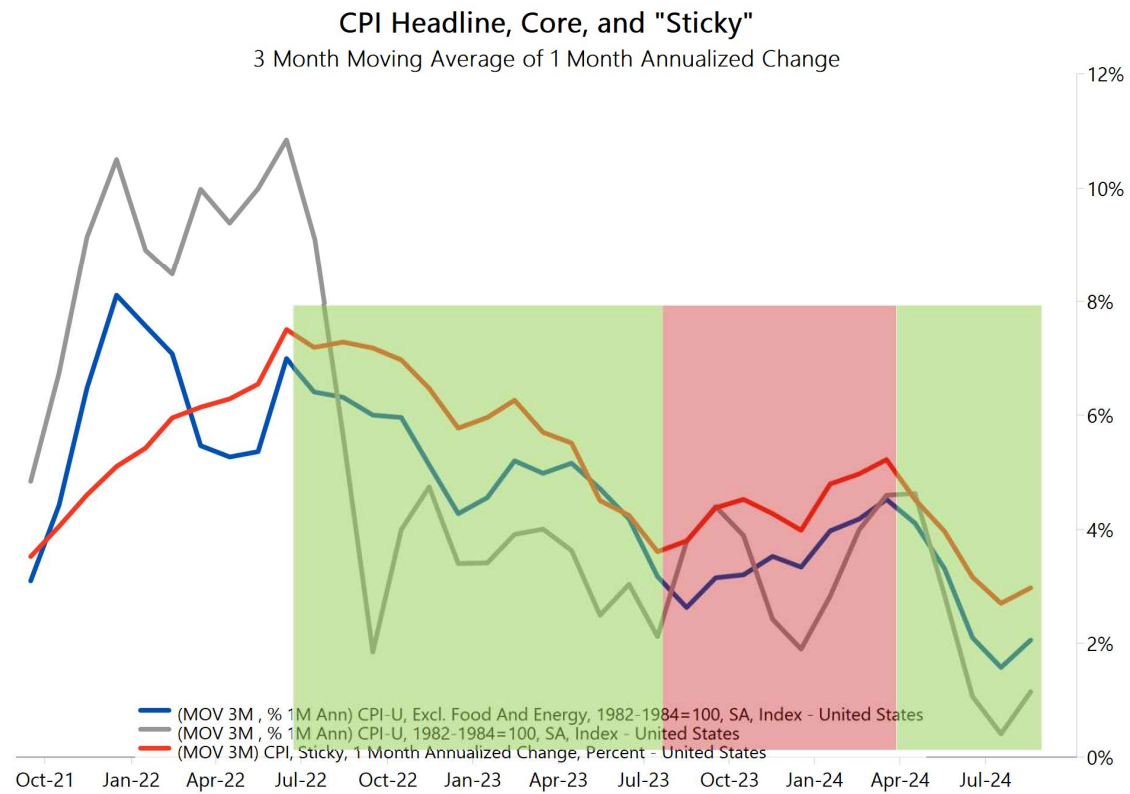
*“The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.”*

-Federal Reserve Chairman Jerome Powell at Jackson Hole Economic Symposium - August 23, 2024  
Source: Federal Reserve





# Slowing Inflation Resumed



Source: Factset, Bureau of Labor Statistics, Atlanta Federal Reserve



# Normalized Job Market

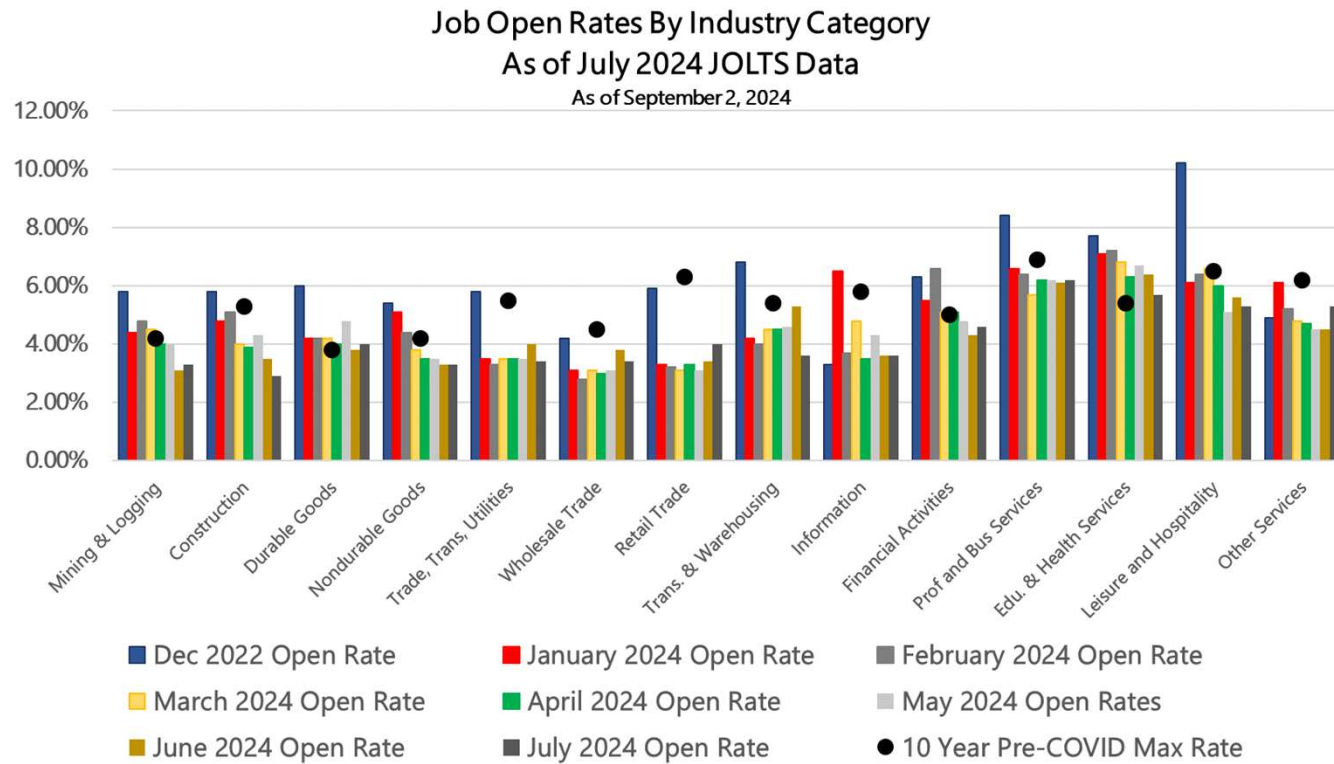
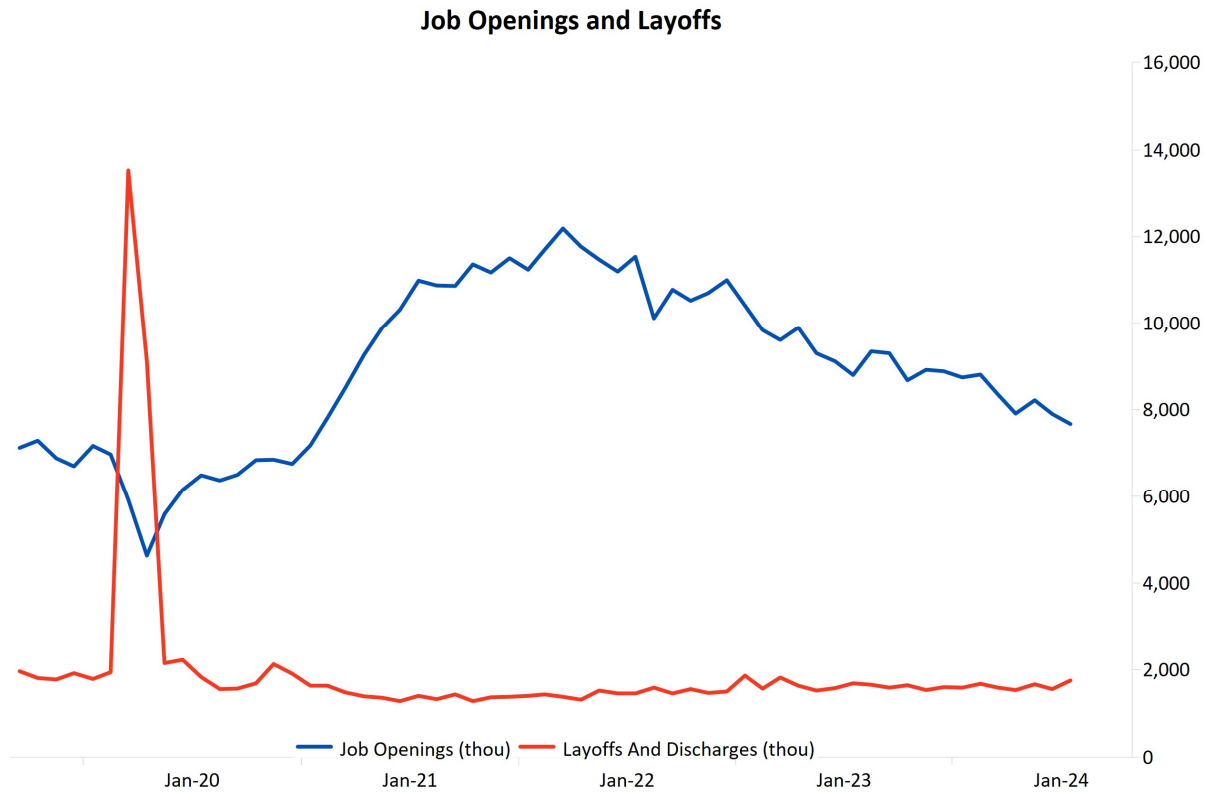


Chart Source: First Horizon Advisors  
Data Source: Bureau of Labor Statistics



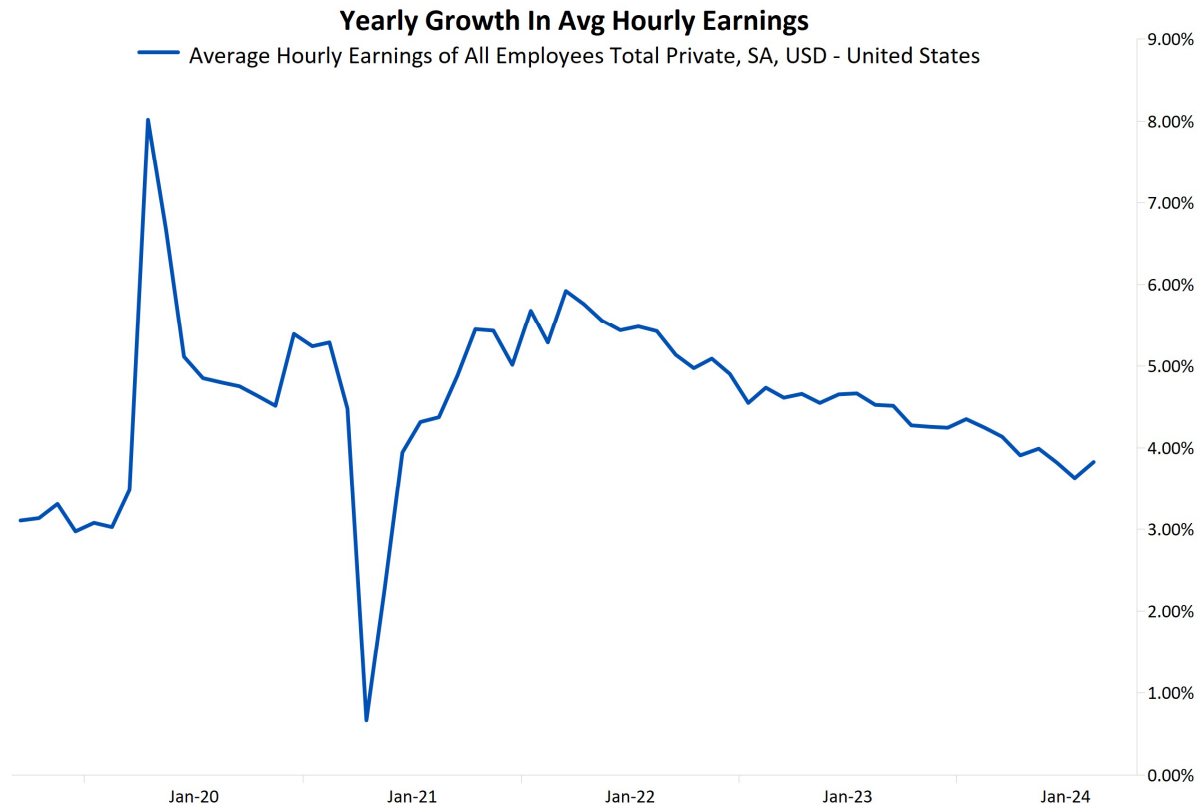
# Fewer Job Openings But Little Rise in Layoffs



Source: Factset, Bureau of Labor Statistics



# Labor Market: Slower Wage Growth



Source: Factset, Bureau of Labor Statistics



# Labor Market Back in Balance

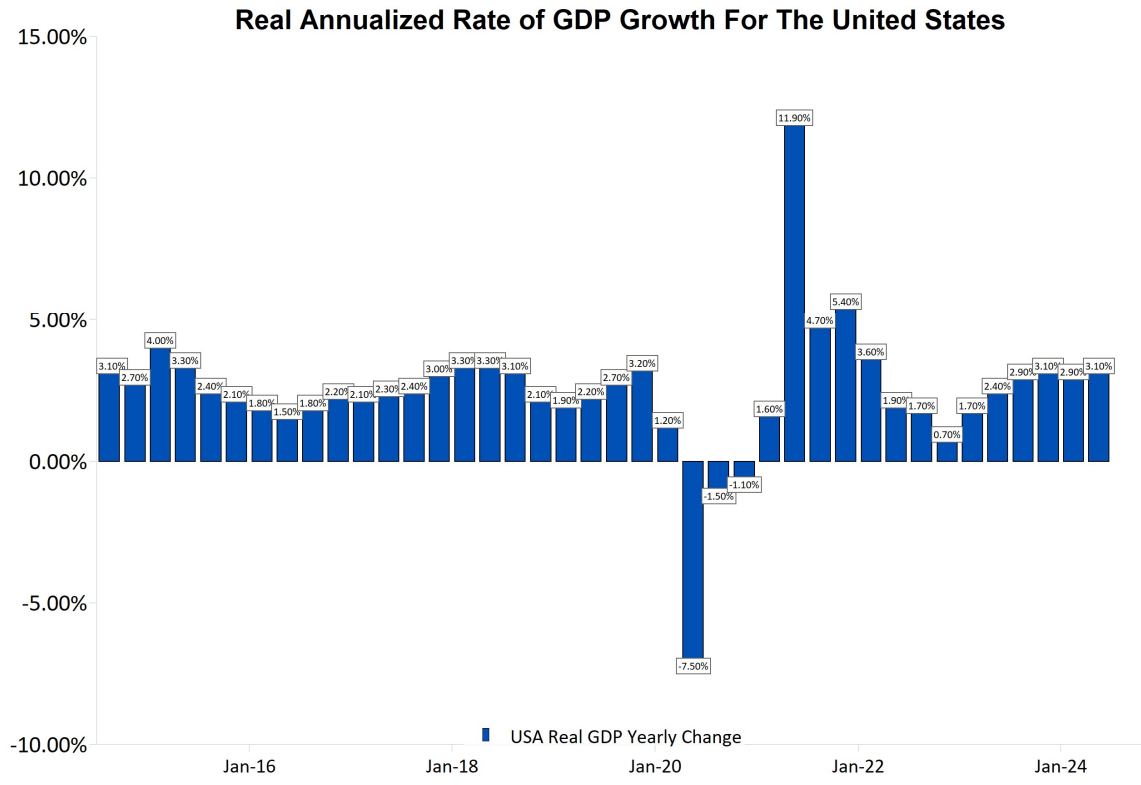
Job Openings Per Job Seeker  
Beveridge Curve



Source: FactSet, Bureau of Labor Statistics



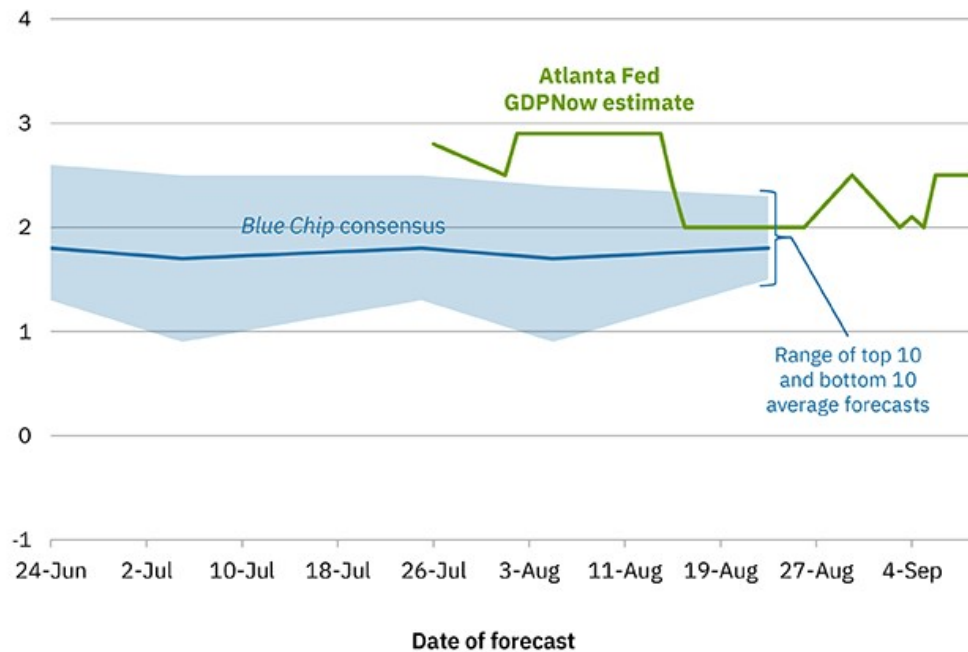
# GDP Growth Still Solid & Back on Trend



Source: FactSet, Bureau of Economic Analysis

# GDP Growth Third Quarter 2024 Expectation

**Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q3**  
 Quarterly percent change (SAAR)



**Sources:** *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*  
**Note:** The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Source: Atlanta Federal Reserve at <https://www.atlantafed.org/cqer/research/gdpnow>



# Consumers Feel Lukewarm

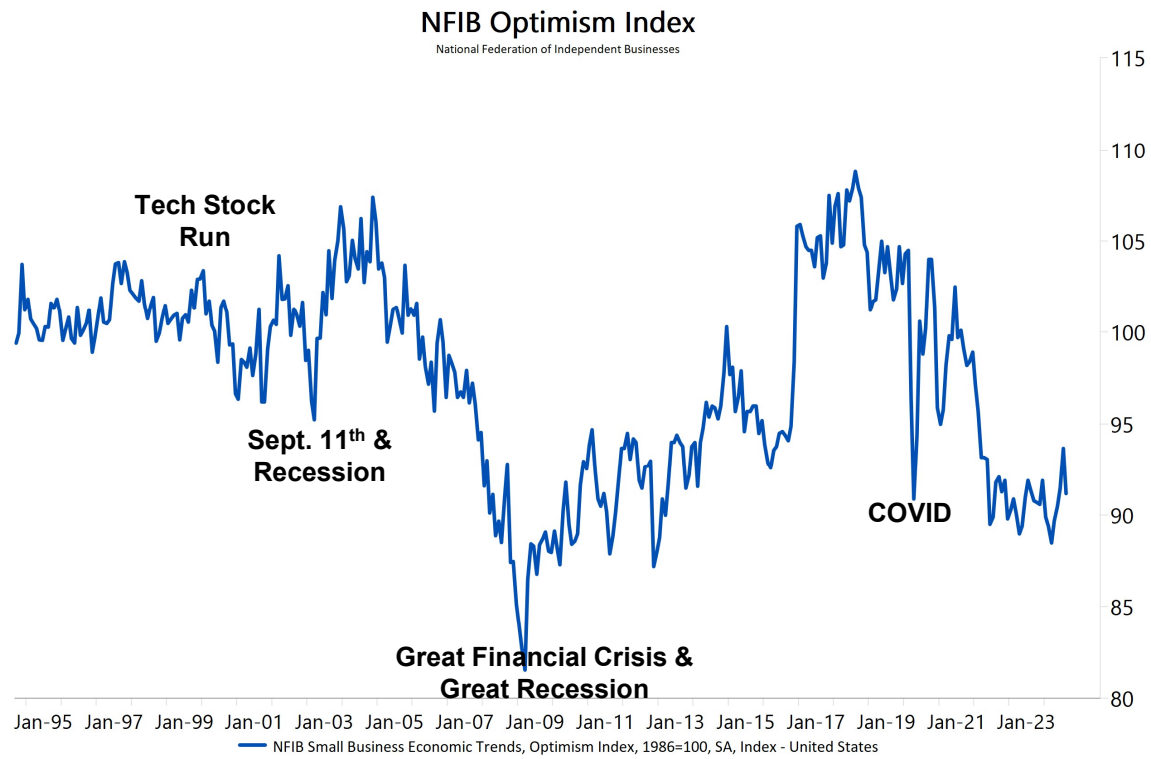


Source: FactSet, Conference Board





# Small Business Optimism Low

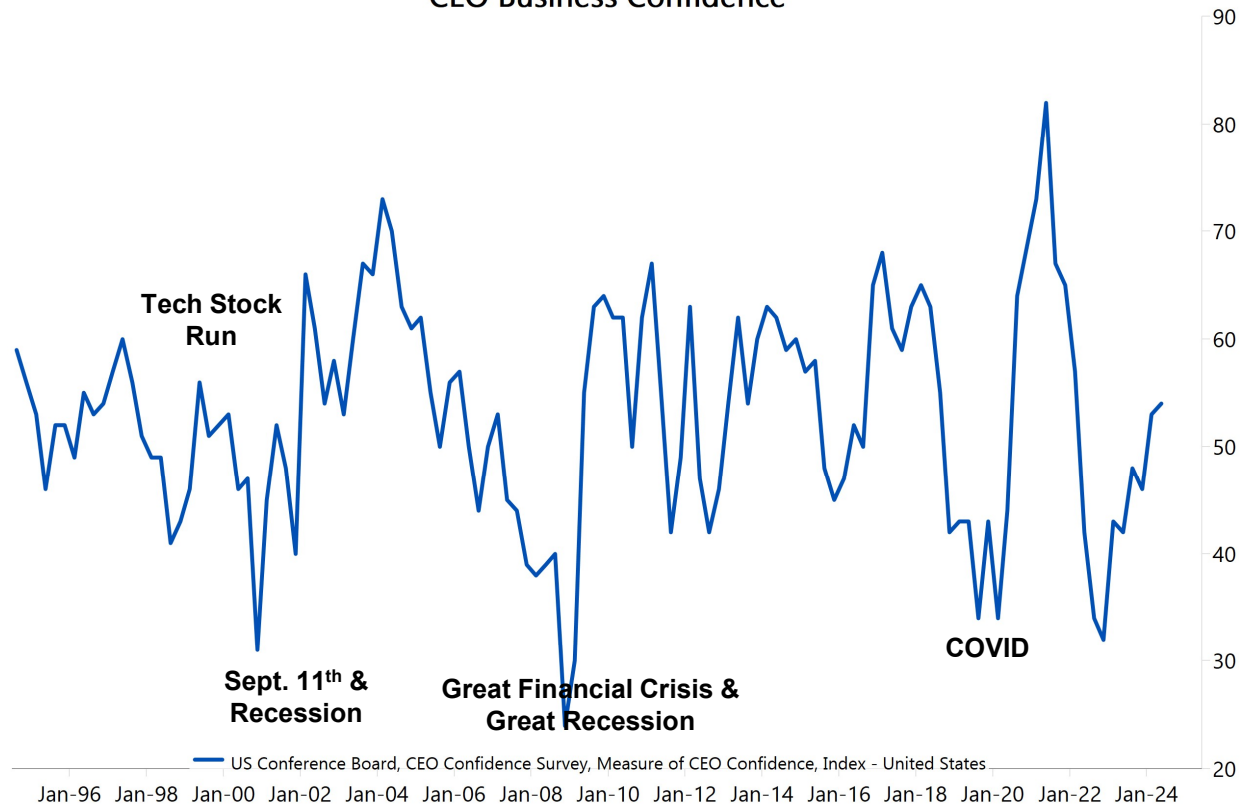


Source: FactSet, National Federation of Independent Businesses



# Larger Company Confidence Okay

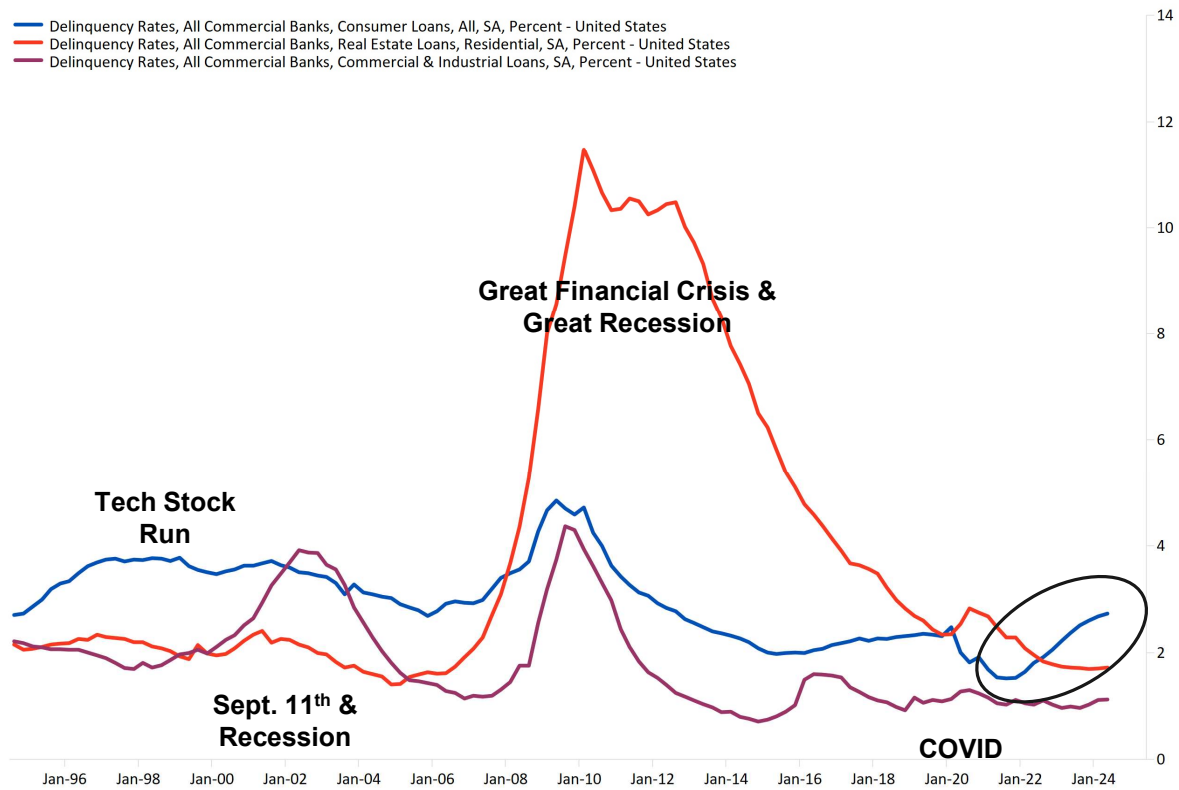
## CEO Business Confidence



Source: FactSet, Conference Board



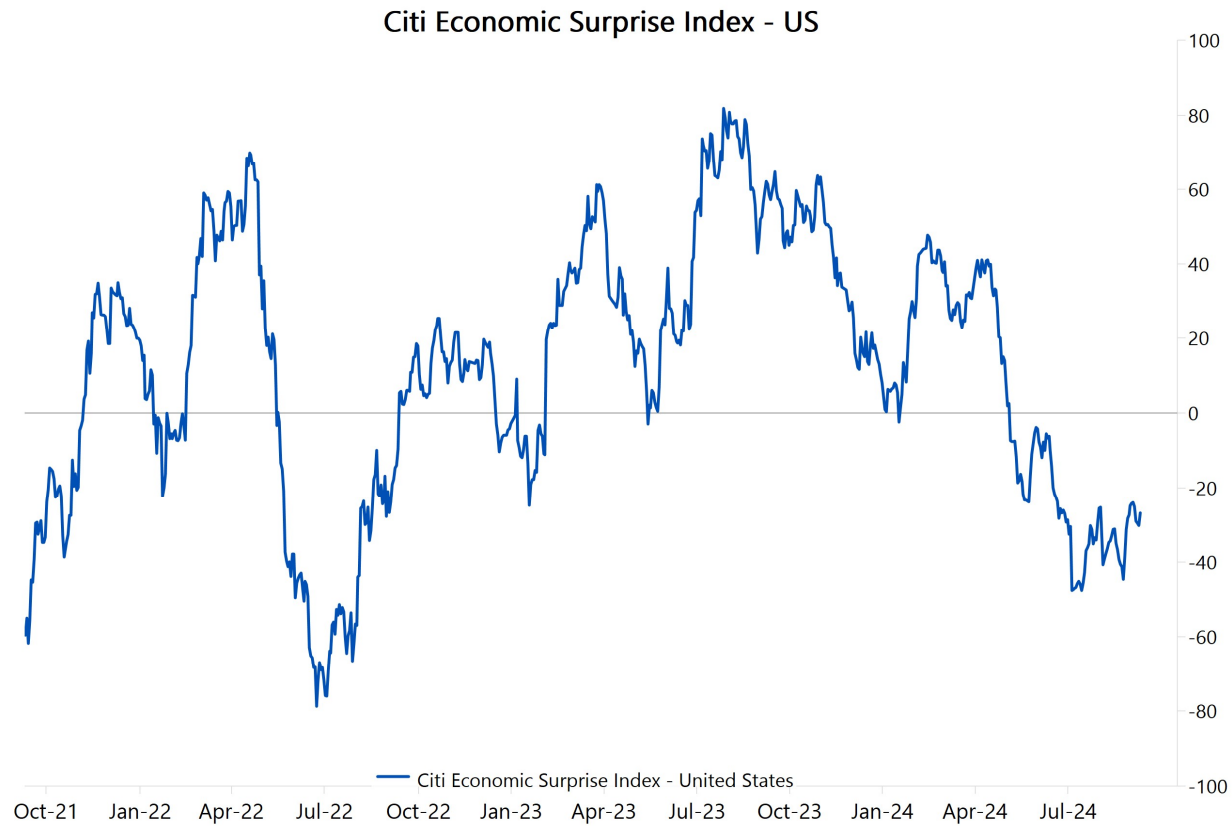
# Loan Delinquencies



Source: FactSet, Federal Reserve



# Economic Data vs Expectations?

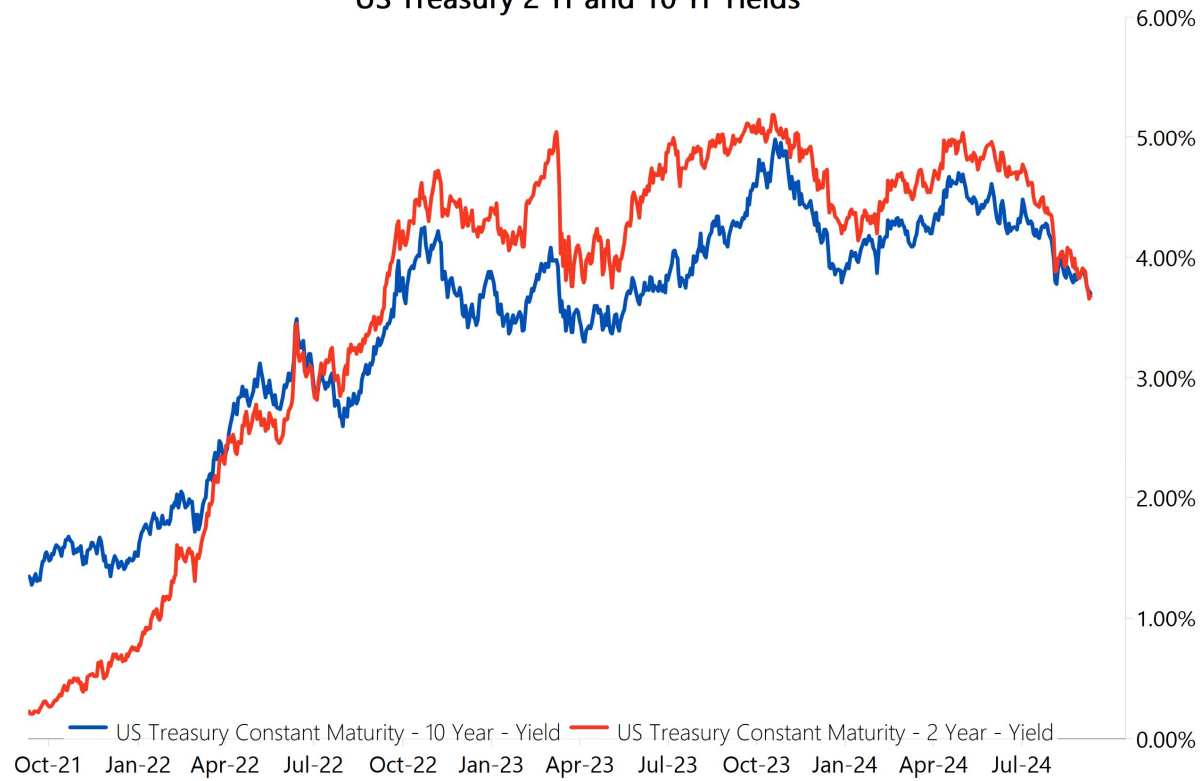


Source: FactSet, Citigroup



# Interest Rates

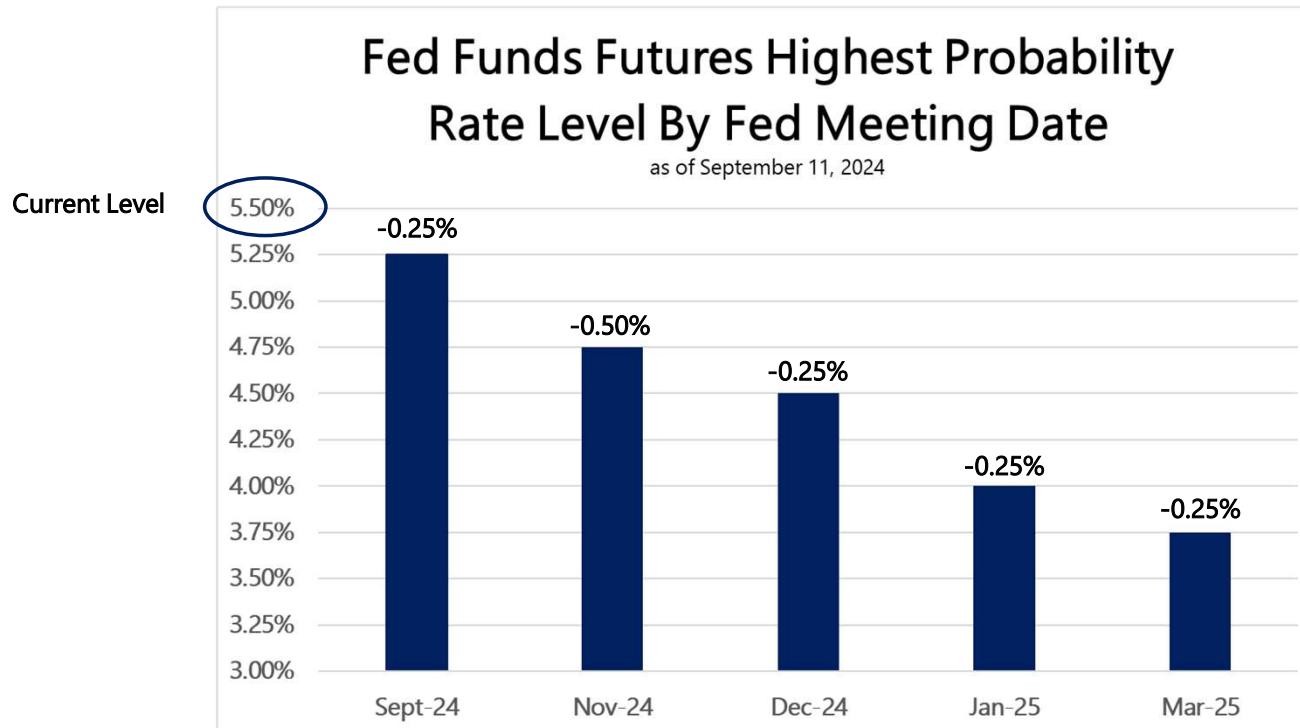
### US Treasury 2 Yr and 10 Yr Yields



Source: FactSet, Federal Reserve



# Fed Funds Interest Rates



Data Source: CME FedWatch Tool at <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>  
Chart Source: First Horizon Advisors



# 2024 and 2025 Outlook

What is Expected for 2024?				
FactSet Consensus Expectations as of September 10, 2024				
	Real GDP	Inflation CPI	Unemployment Rate	
Consensus Estimate	2.40%	2.90%	4.10%	
Source: FactSet				
Federal Reserve Summary of Economic Projections - June 2024				
	Real GDP	Inflation PCE	Unemployment Rate	Federal Funds Rate
Median	2.1%	2.8%	4.0%	5.10%
Source: Federal Reserve				
What Is Expected for 2025?				
FactSet Consensus Expectations as of September 10, 2024				
	Real GDP	Inflation CPI	Unemployment Rate	
Consensus Estimate	1.80%	2.30%	4.20%	
Source: FactSet				
Federal Reserve Summary of Economic Projections - June 2024				
	Real GDP	Inflation PCE	Unemployment Rate	Federal Funds Rate
Median	2.00%	2.30%	4.20%	4.10%
Source: Federal Reserve				

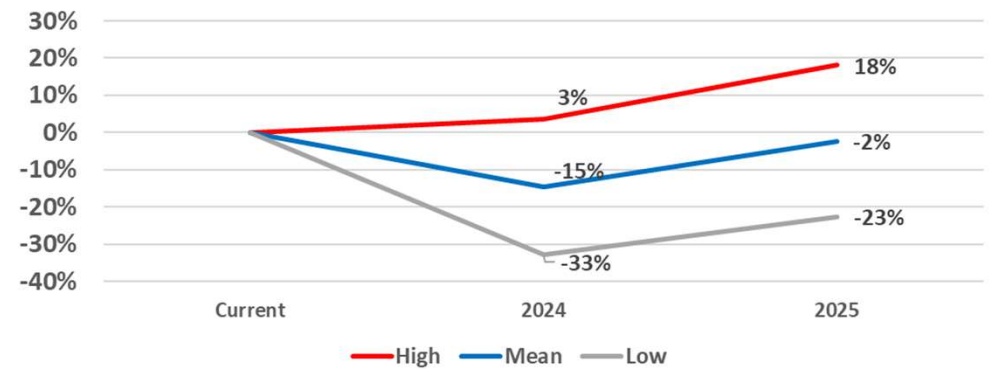
Source: FactSet, Federal Reserve  
 Chart Source: First Horizon Advisors



# Earnings Estimates & Valuation Ranges

S&P 500 Earnings and Valuations			
S&P 500 Index Earnings per Share Consensus Estimates as of September 10, 2024			
	2023	2024	2025
High		\$ 245.00	\$ 279.46
Mean	\$ 226.30	\$ 243.87	\$ 279.46
Low		\$ 242.73	\$ 279.46
Source: FactSet			
Five Year Range of NTM PE Ratios Applied to EPS Estimates			
	5 Year Range	PE Ratio on 2024 Estimates	PE Ratio on 2025 Estimates
High	23.20	5,684.00	6,483.47
Median	19.20	4,682.30	5,365.63
Low	15.20	3,689.50	4,247.79
Source: FactSet			
EPS = Earnings Per Share, PE = Price to Earnings Ratio, NTM = Next Twelve Months			

S&P 500 Index Estimate and Valuation Ranges as of Sept. 10, 2024



Data Source: FactSet  
 Chart Sources: First Horizon Advisors



## Earnings Estimates

S&P 500 Expected EPS Growth By Sector as of September 11, 2024		
	2024	2025
<b>S&amp;P 500 Index</b>	<b>10.0%</b>	<b>15.3%</b>
Communication Services	17.7%	17.0%
Consumer Discretionary	12.4%	14.3%
Consumer Staples	3.1%	6.9%
Energy	-10.2%	14.0%
Financials	15.1%	9.5%
Health Care	5.7%	21.1%
Industrials	4.2%	16.0%
Info Technology	18.5%	20.5%
Materials	-4.1%	17.9%
Real Estate Inv Trusts	4.1%	5.0%
Utilities	10.0%	9.2%

Source: Factset

EPS Growth Expected By Market Cap as of September 11, 2024		
	2024	2025
S&P 500 Index (Large Cap)	10.0%	15.3%
S&P 400 Index (Mid Cap)	-2.8%	15.9%
S&P 600 Index (Small Cap)	-0.3%	18.8%

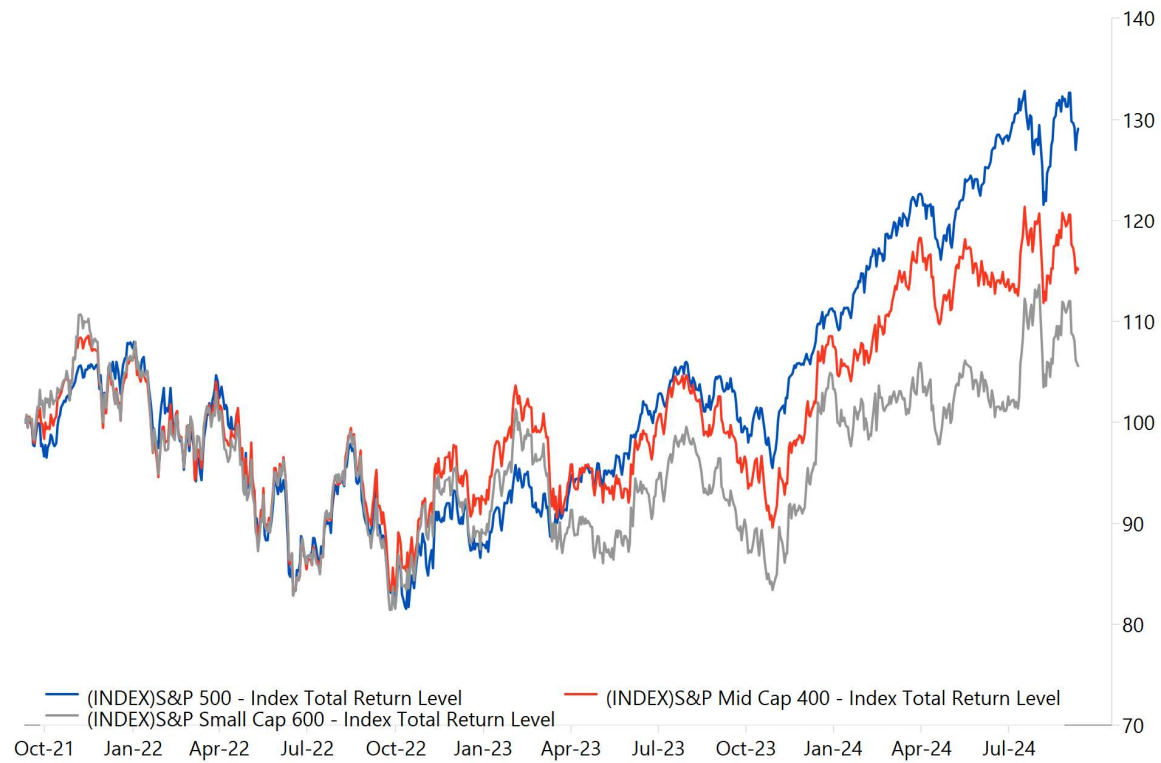
Source: Factset

Data Source: FactSet, S&P  
Chart Sources: First Horizon Advisors



# Index 3 Year Total Return

S&P 500, 400, and 600 Indexes Total Return Past 3 Years

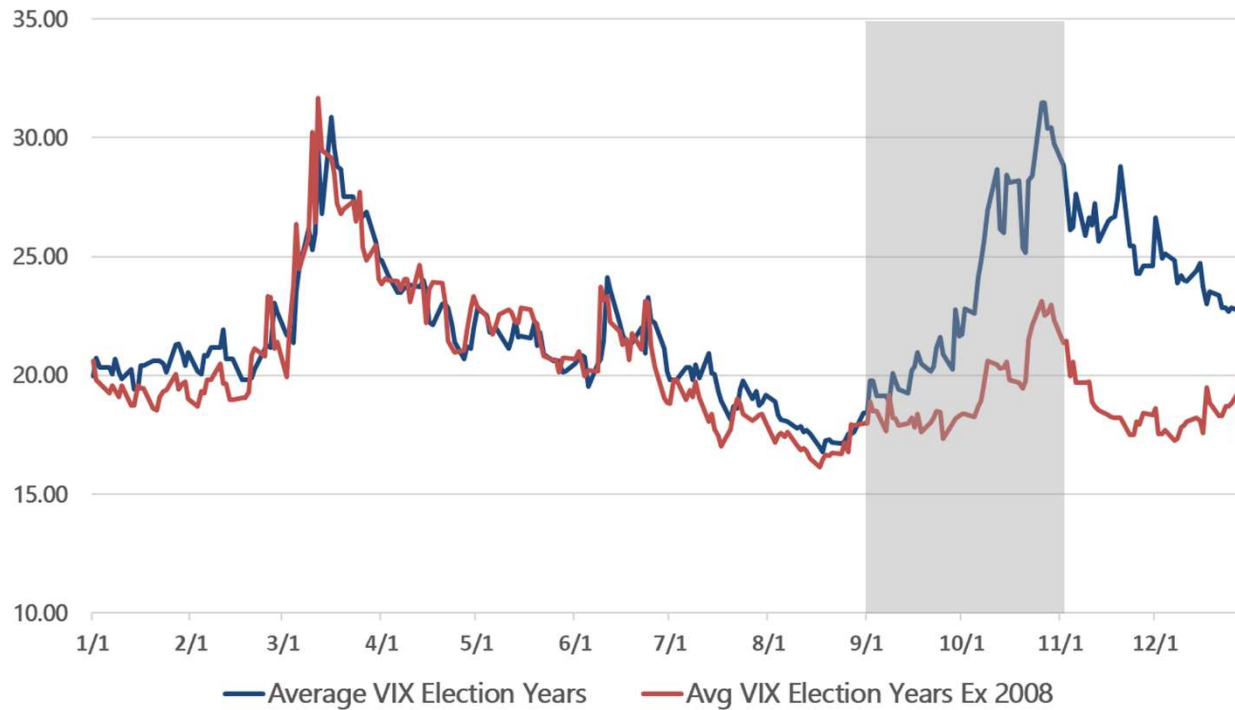


Source: FactSet



# S&P 500 Volatility Around Presidential Elections

VIX Levels In Election Years Averaged Over 2000, 2004, 2008, 2012, 2016, 2020



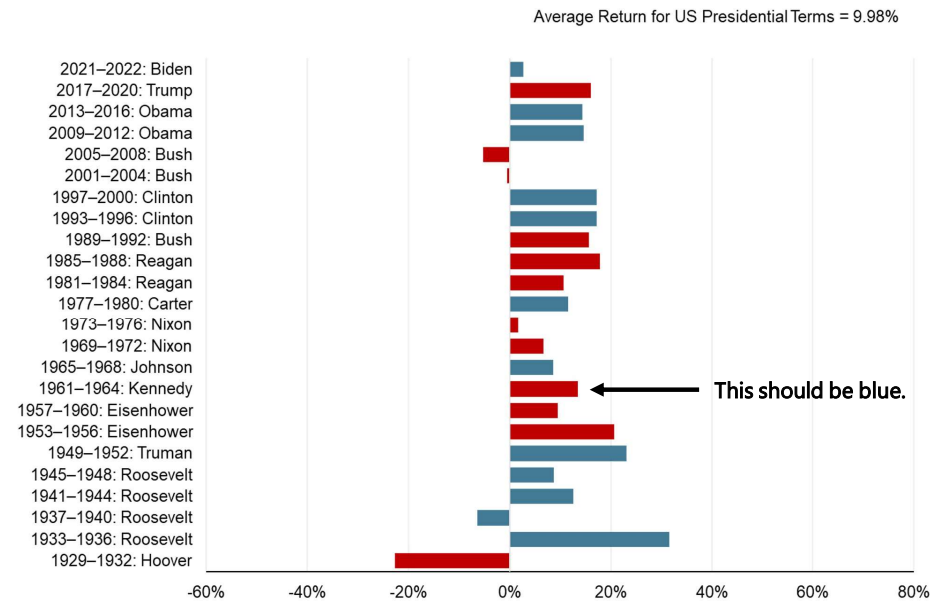
Source: FactSet



# S&P 500 Performance By Administration

## Annualized Returns During US Presidential Terms

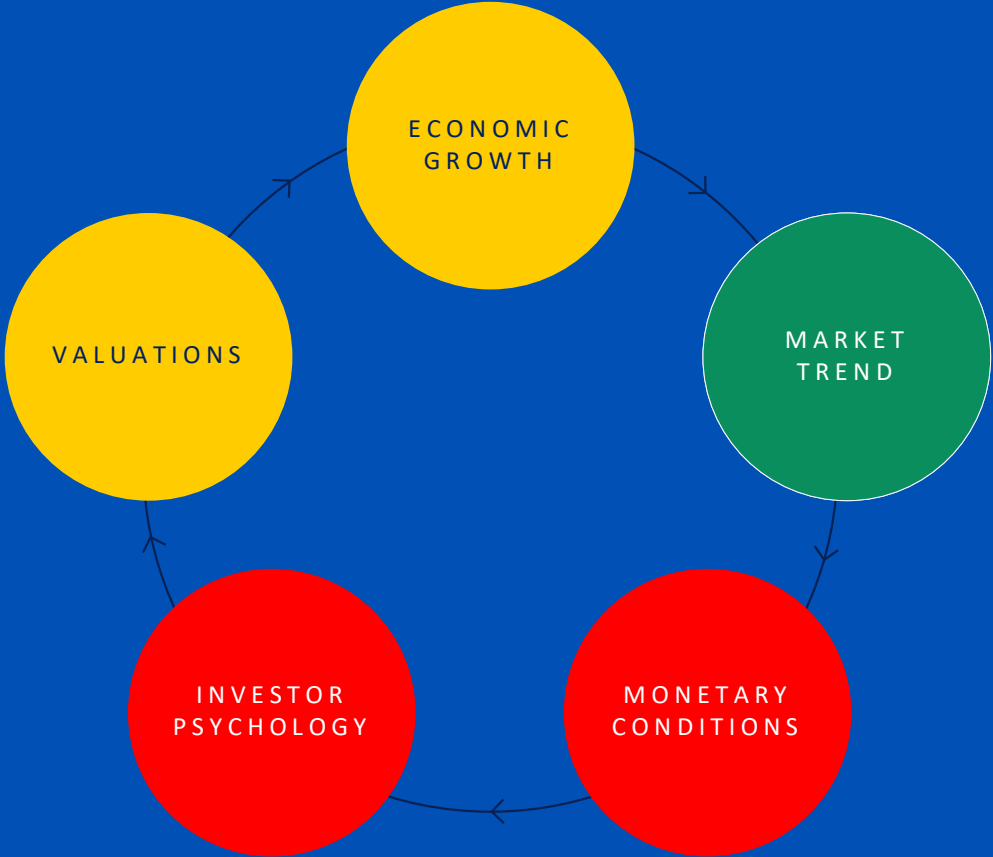
S&P 500 Index: 1929–2022



Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower. Source: S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Source: Dimensional Fund Advisors used with permission



# Five Factor Framework



Source: First Horizon Advisors



# Q&A



## Alex Hernandez

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## Tracy Bell, CFA<sup>®</sup>

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# Closing



## Alex Hernandez

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Please reach out to your banker or advisor with any questions or to set up a meeting with our economists.

A recording of this event will be forwarded next week.







Thank you.

