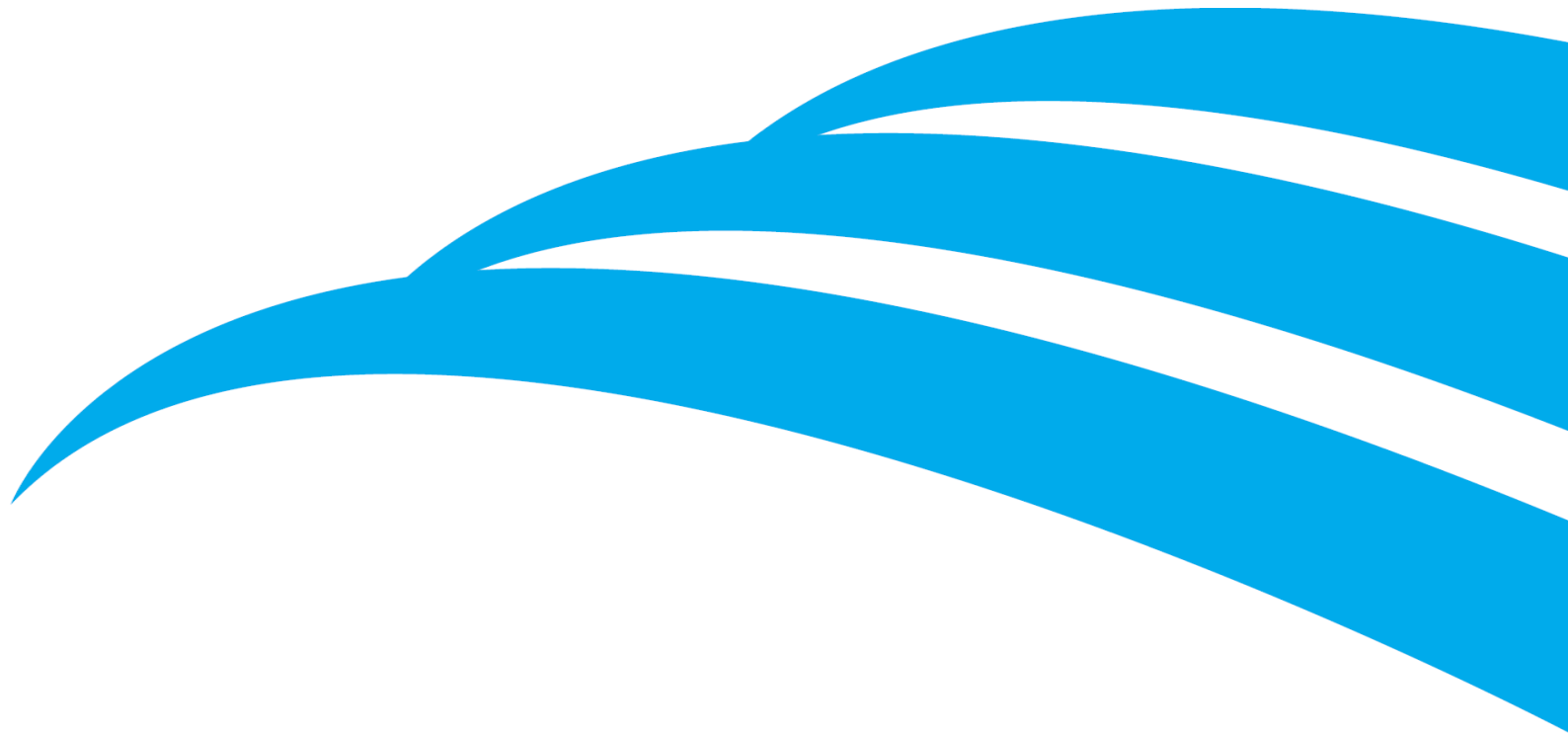


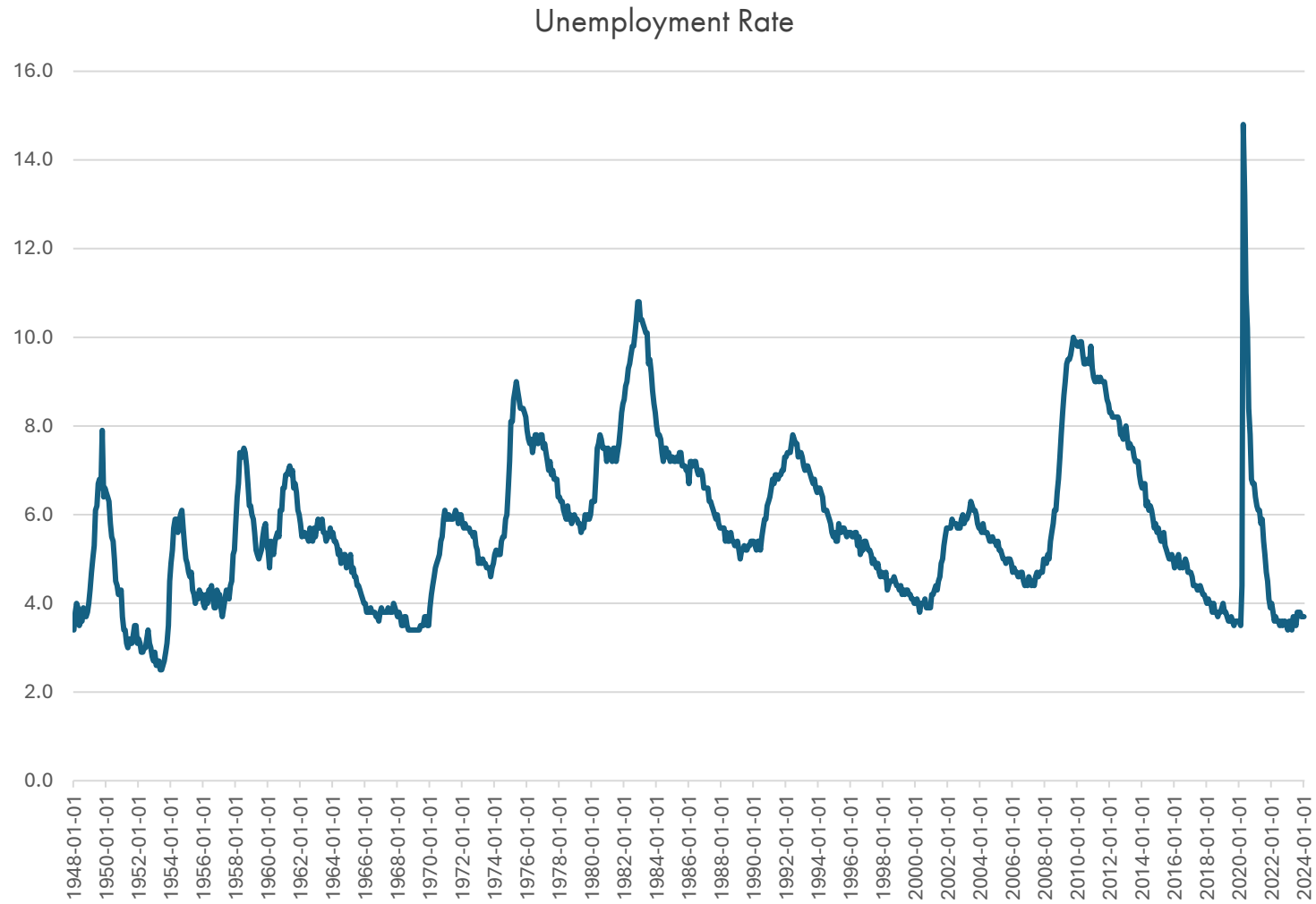
Angeles



The Economy



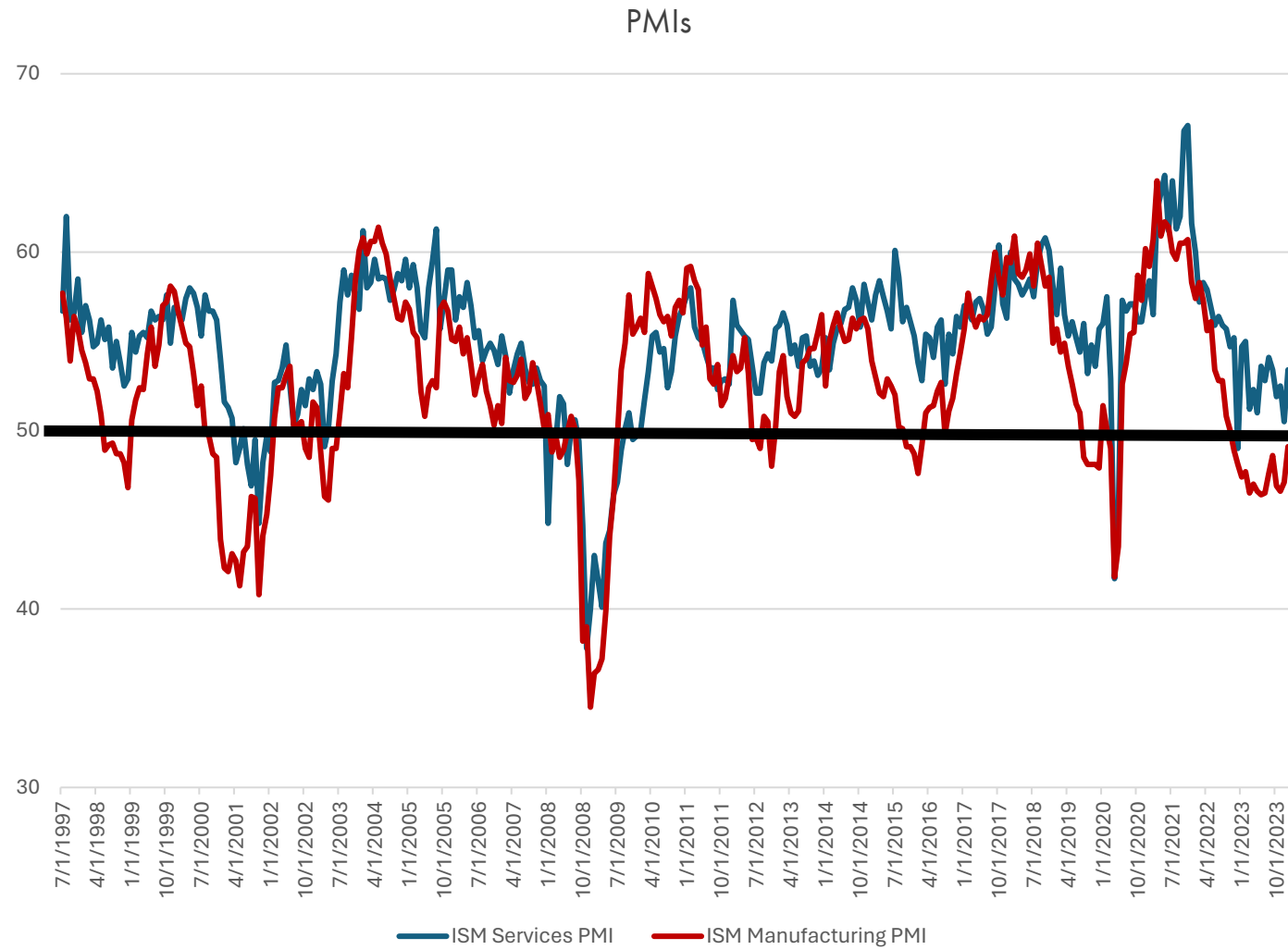
Unemployment Rate Near Historic Low



Source: Bureau of Labor Statistics



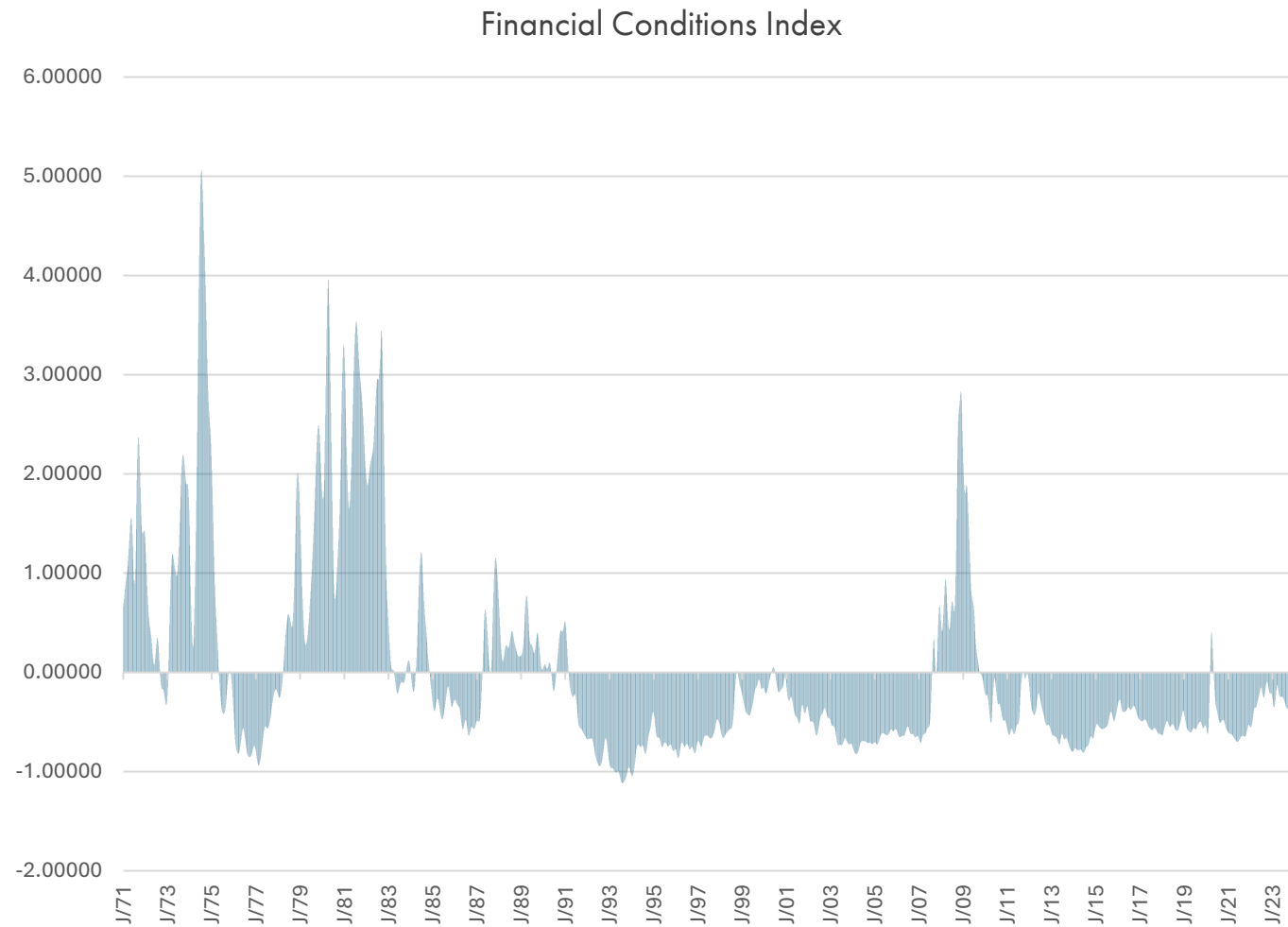
Economic Activity Rising



Source: ISM



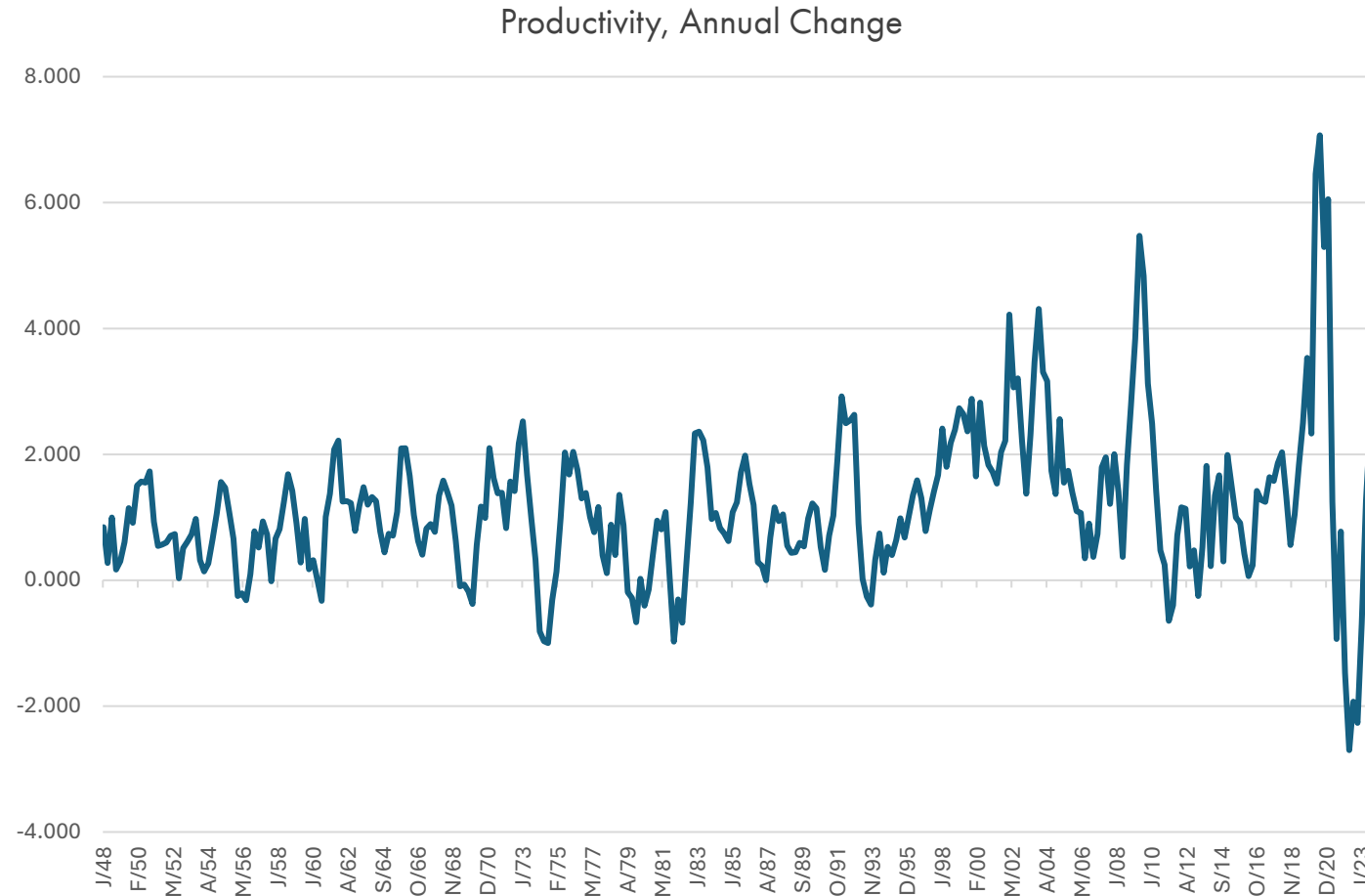
Financial Conditions Easing



Source: Federal Reserve Bank of Chicago



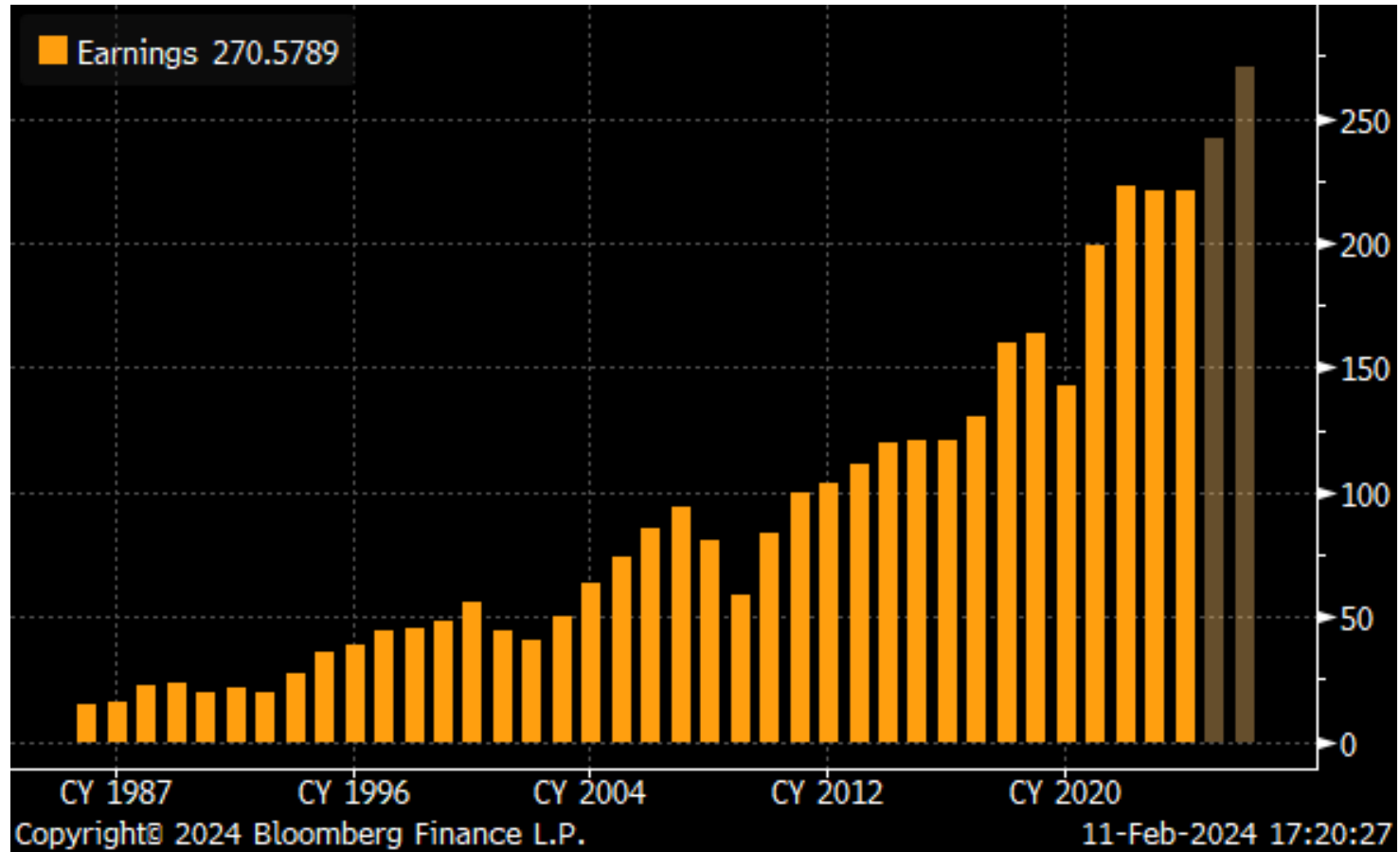
Productivity Rising — Before AI!



Source: Bureau of Labor Statistics



Translates to Rising Profits

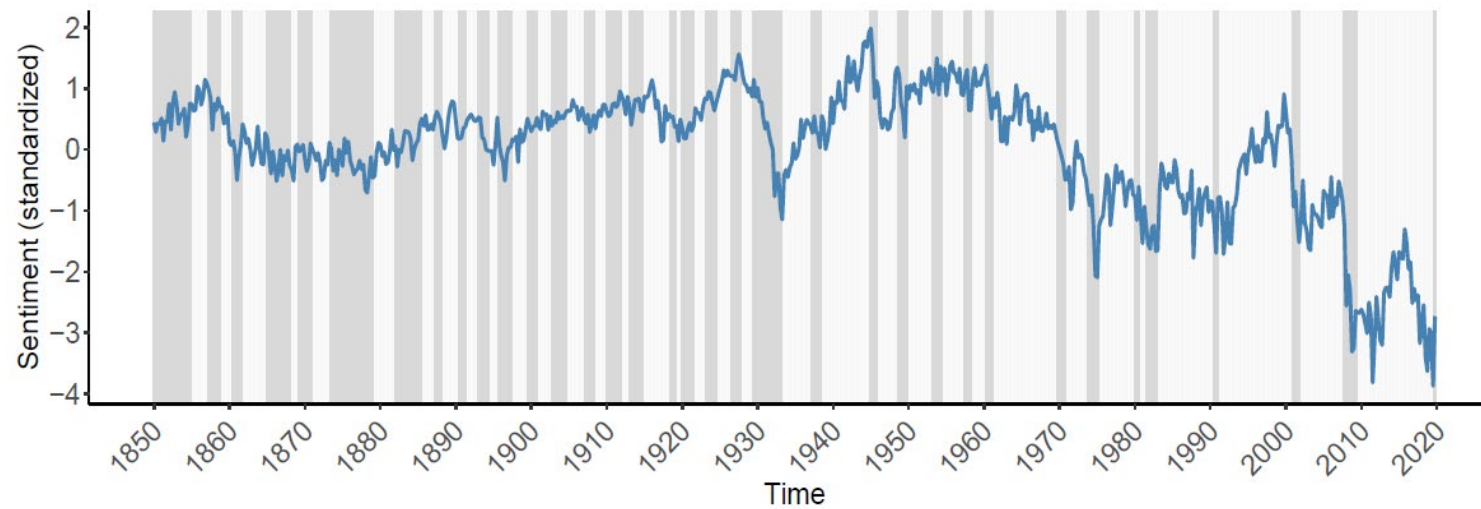


Source: Bloomberg



But Bad News Sells Copy

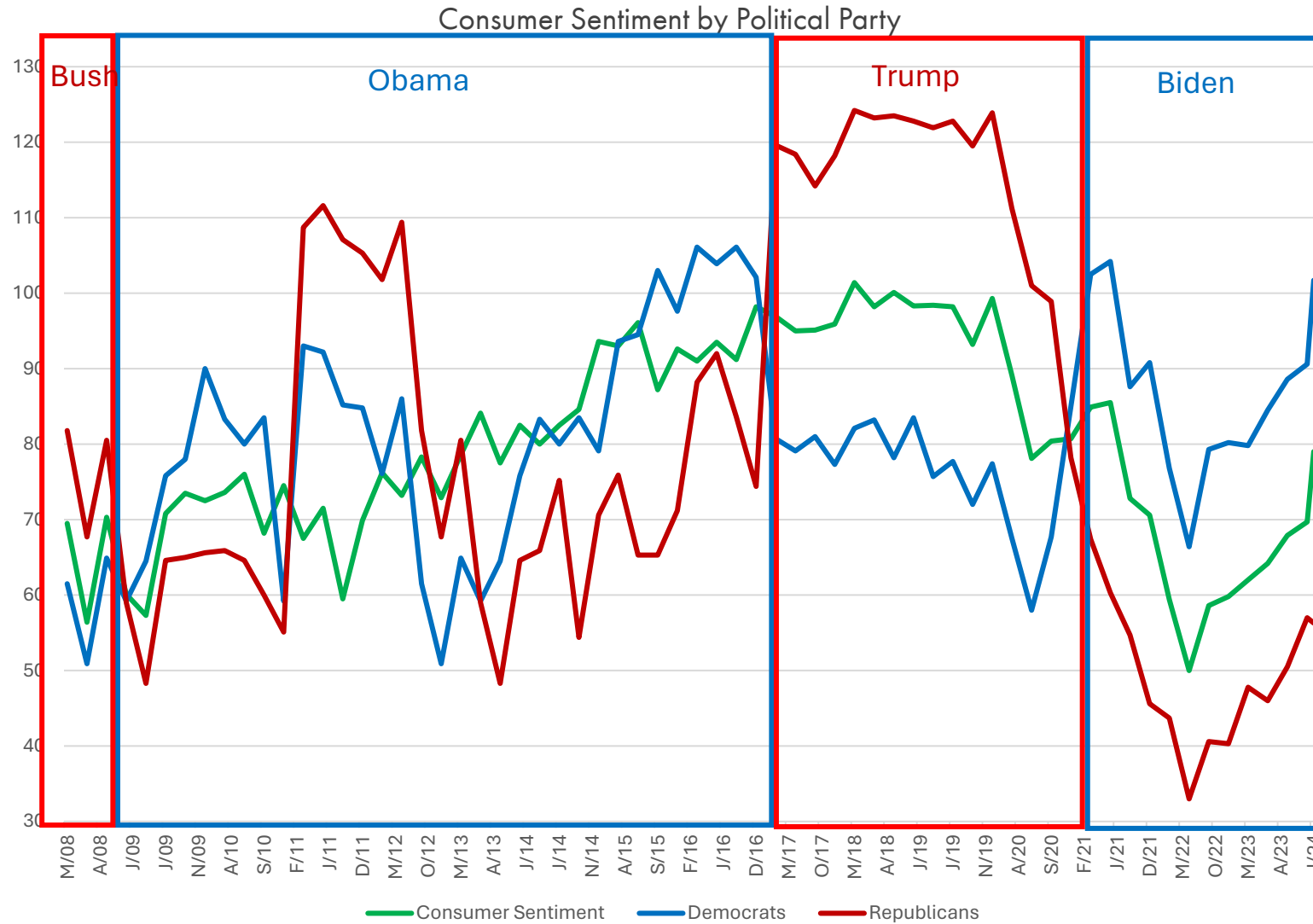
National Economic and Non-economic Sentiment, 1850-2020



Source: Van Binsbergen, J.H, S. Bryzgalova, M. Mukhopadhyay, V. Sharma, *(Almost) 200 Years of News-Based Economic Sentiment*, December 2023.



But Bad News Sells Copy

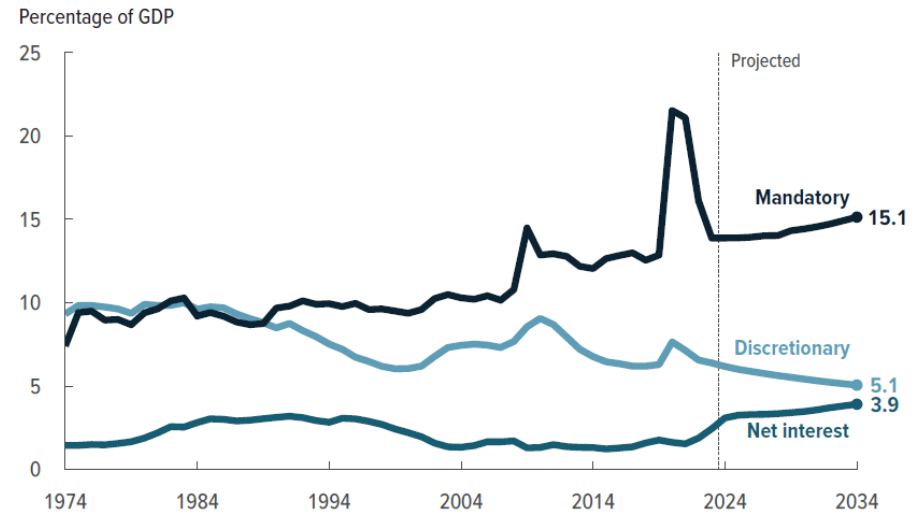
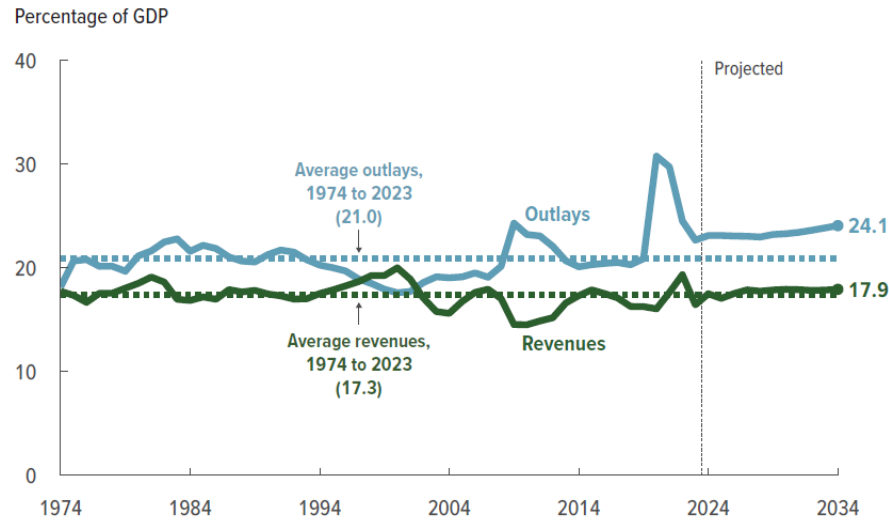


Source: University of Michigan



If You Want Something to Worry About...

Federal Budget

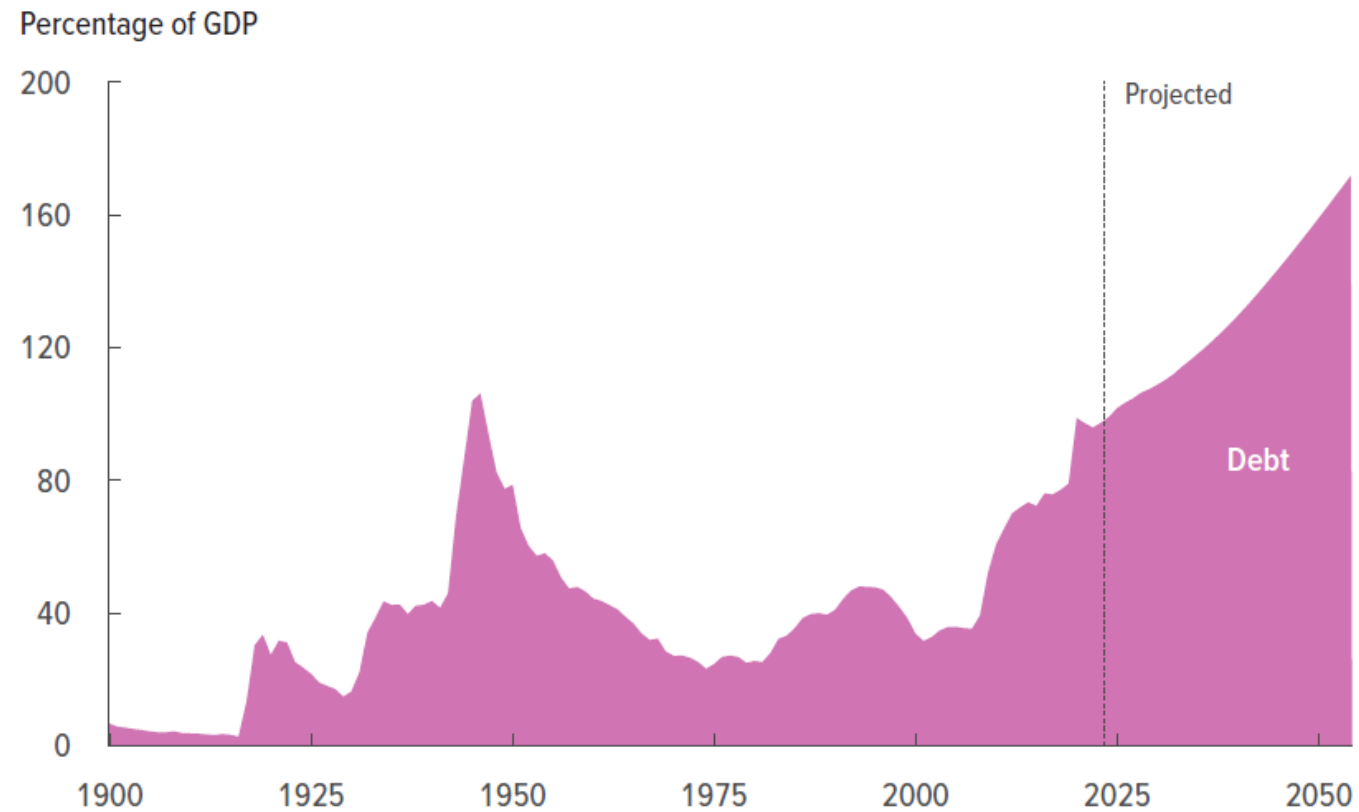


Source: CBO



If You Want Something to Worry About...

Federal Debt as Pct. of GDP, 1900-2050 (proj.)



Source: CBO



The Markets



Equities Just Surpassed T-Bills Past 25 Months



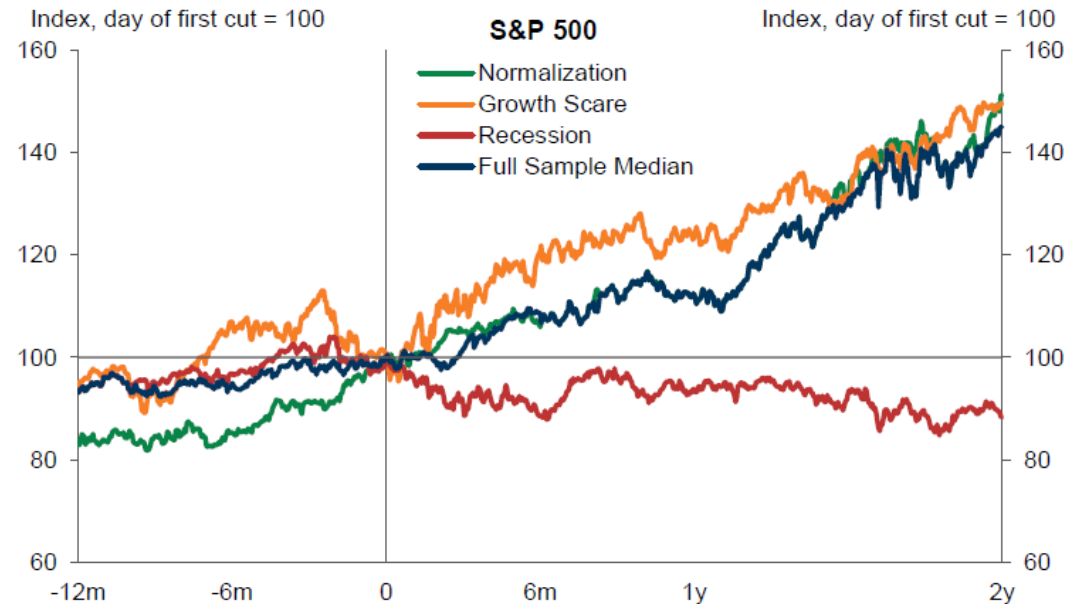
- S&P 500 TR
- S&P 500
- S&P 500 Equal Wgt
- Aggregate Bond Index
- Russell 2000
- T-bills 1-3 mo.

Source: Bloomberg



Equities Rise After Rate Cuts (if no recession)

Median across each sample



	Change 1-year after first cut in:									
	1984	1987	1989	1990	1995	1998	2001	2007	2019 [^]	2020
S&P 500	9%	23%	13%	4%	18%	21%	-14%	-21%	10%	27%
GS USD TWI	7%	3%	8%	6%	11%	-3%	5%	-1%	2%	-3%
Gold	-7%	-15%	-6%	1%	-1%	2%	3%	25%	38%	4%
JPYUSD*	3%	11%	-6%	8%	-23%	26%	-14%	10%	3%	0%
10y - 2y slope	1.01	-0.78	0.21	1.06	0.13	0.17	1.75	1.26	0.31	1.02
UST 2y	-2.93	-0.55	-0.11	-1.25	0.87	1.21	-1.73	-2.22	-1.78	-0.57
UST 10y	-1.92	-1.33	0.1	-0.19	1.00	1.38	0.02	-0.96	-1.47	0.45

*A positive number is JPY strength vs USD, while a negative number is JPY weakness vs USD

[^]Includes 2020 COVID shock

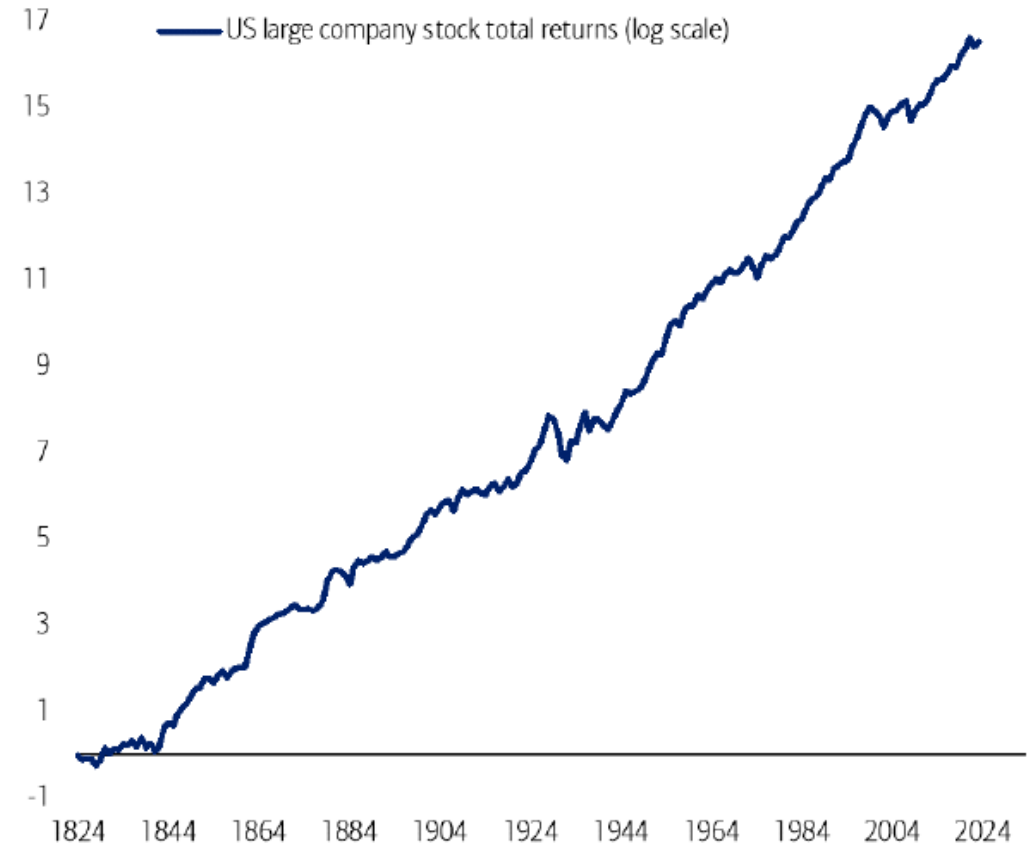
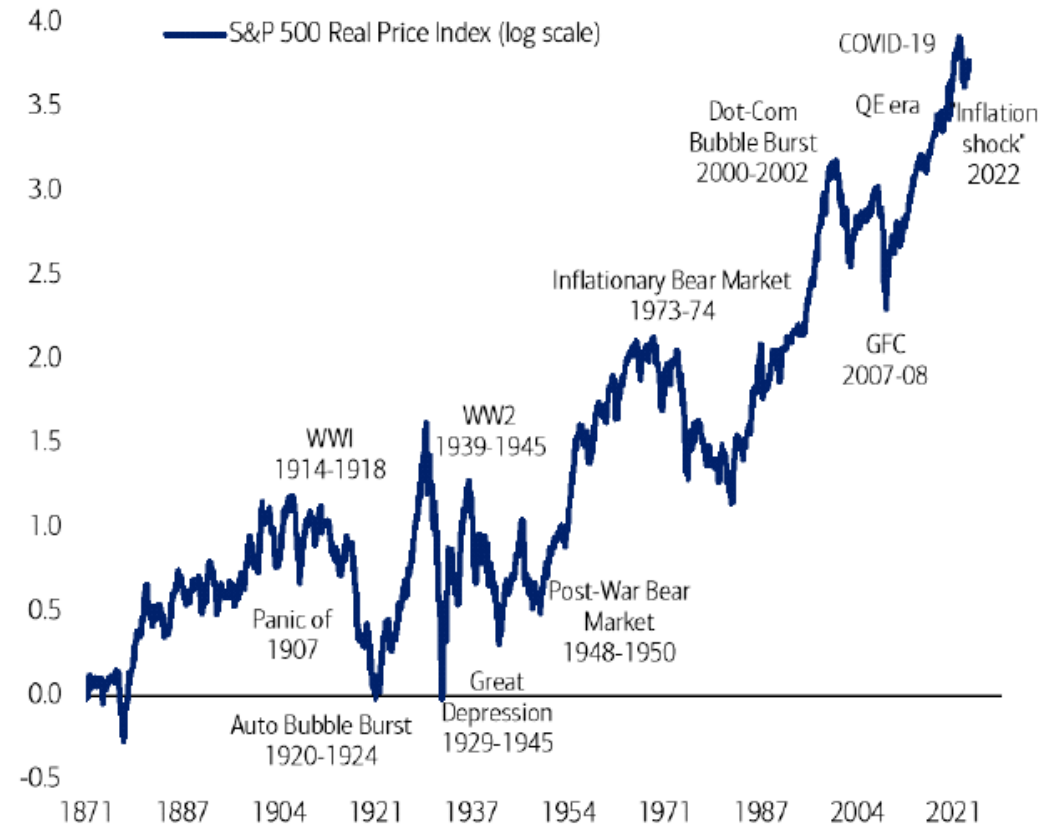
Green = "normalization", blue = "growth score", red = "recession"

Source: Goldman Sachs



Oh, the Magic of Compounding

US equities since 1871 in real terms



*US large company stock market returns, logarithmic values of real monthly average price return



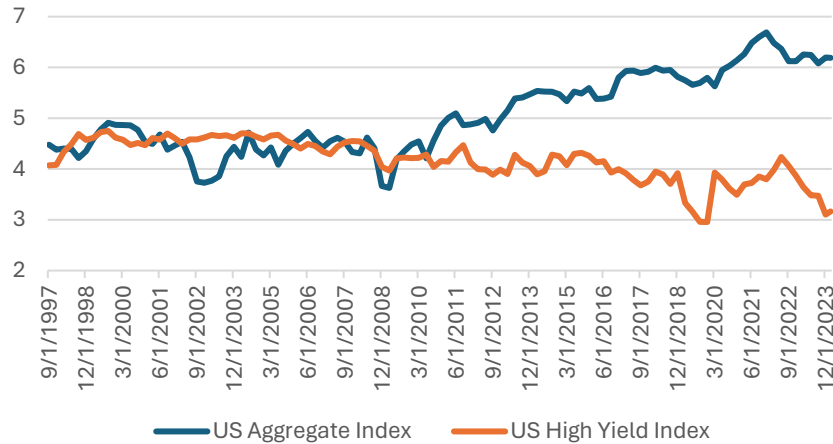
Are Bonds Safe?

Price of UST 1.75 5/15/50



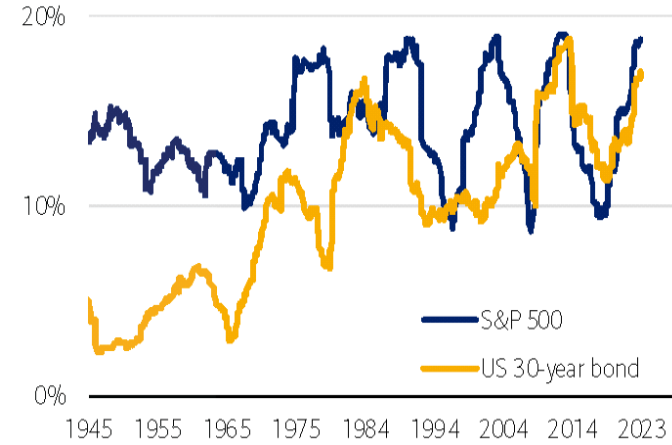
Source: Bloomberg

Duration of Bond Indices, 1997-2024

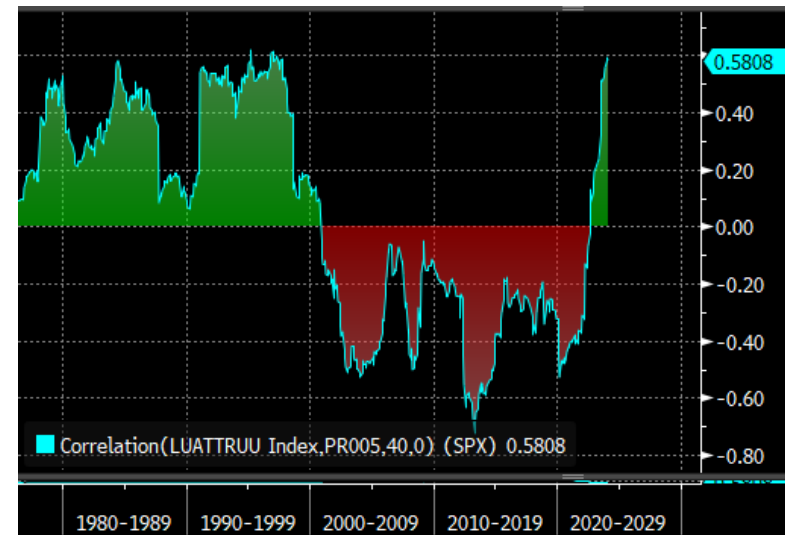


Source: Bloomberg

5-year realized volatility, annualized



Source: BofA



Source: Bloomberg



Summary

- The economy is strong.
 - Jobs are plentiful, activity is up, financial conditions are favorable, productivity is rising, as are profits.
- Sentiment is poor.
 - Pessimism sells, and politics skews.
- No end in sight to fiscal profligacy.
 - More supply of debt raises the cost.
- Bonds are not as safe as they once were.
- Equities are volatile, but the source of long-term wealth accretion.



Michael A. Rosen

Chief Investment Officer
February 2024

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