Cetera® Investment Mangement

Market Outlook

Second Quarter 2024

At-A-Glance

Economists and the Fed have both increased U.S. economic growth expectations for 2024 as economic data has exceeded expectations. The Federal Reserve Bank of Atlanta now estimates first quarter economic growth to be over 2%.

The Fed had been reluctant to cut rates because of the potential for inflation reaccelerating, which we witnessed in January and February. The three- and six-month annualized inflation rates moved back above the Fed's 2% target. The longer-term 12-month inflation rate edged lower but is also above the target.

Consumer spending remains strong as the unemployment rate has been below 4% for 25 consecutive months. A feat not accomplished since the 1960s when the unemployment rate remained below 4% for 27 straight months.

Stock markets have rallied on economic resiliency while discounting recent inflation data. Future earnings projections have been raised but have yet to be realized. This could be setting the stage for some stock market volatility to come. However, it could be short-lived, and could provide opportunities.

Stocks Spring Forward

Overview

As we approach the end of the first quarter of 2024, our thesis for the year is still intact. We believe the Fed will eventually go from a headwind to a tailwind and cut interest rates, however, this may happen later than anticipated. Additionally, the economy remains resilient and the prospects for a near-term recession are low. Finally, with stocks moving higher with little resistance since the end of October, we expect volatility to eventually emerge.

For the Fed to cut rates they will need to see more data confirming inflation is on a path toward their 2% target. January and February data were bumps in the road as inflation ran hotter than expected. The good news is that the Fed is not overreacting to these data points and still believes inflation is trending lower. In the Fed's March Federal Open Market Committee (FOMC) meeting where they discuss interest rates and inflation, the committee kept their year-end interest rate expectations unchanged. The median projection for the Fed Fund's rate remains 0.75% lower by year end. Conceivably, this could mean the Fed cuts rates by 0.25% in June, September, and December.

The recent FOMC meeting also gave credence to our second theme for 2024, that the U.S. could avoid a recession this year. The committee's median GDP growth projection for the year went from 1.4% to 2.1%. This is also consistent with other economists' predictions as growth has surprised to the upside in the first quarter.

With financial markets and the Fed both discounting hotter-than-expected inflation data, coupled with better-than-expected economic data, stock markets have sprung higher. Optimism around artificial intelligence remains strong, and unemployment remains low. While this is good news, markets generally don't go straight up, and corrections are common. We would not be surprised to see a pullback at some point, but predicting the timing is difficult and not advised. A pullback could provide opportunities as well. There is a lot of money in money market funds and bank savings accounts, and some of these assets could be deployed if markets dip, providing some investors an opportunity to get back into the market.

For a more detailed look into what we are thinking and what is happening in the economy and markets, check out the rest of our Second Quarter 2024 Market Outlook.

About Cetera® Investment Management

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group

"Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), and Cetera Financial Specialists LLC. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Disclosures

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.