

# Fall Economic Update

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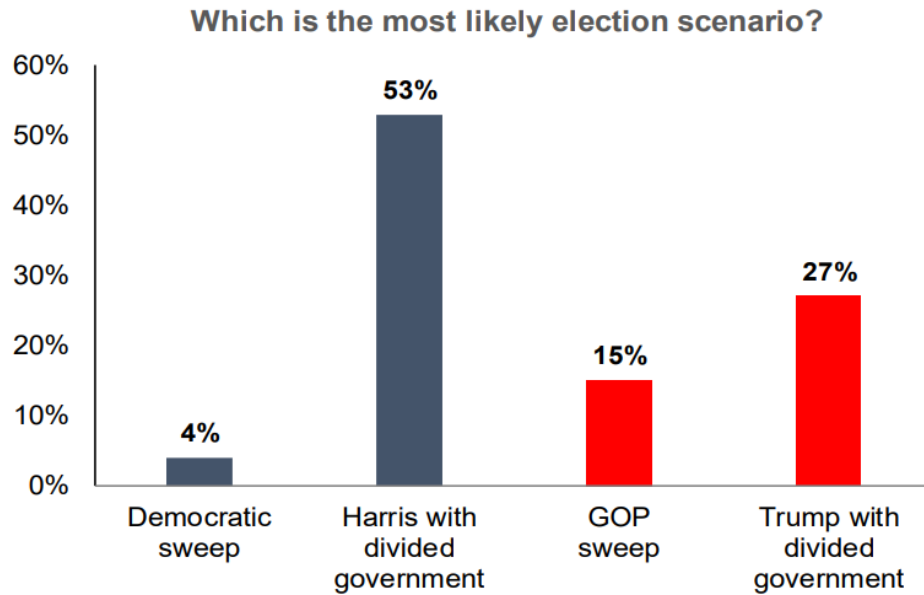
# Agenda

- U.S. Election
- Artificial Intelligence
- Economy
- Markets



# U.S. Election

## Institutional Investor Expectations



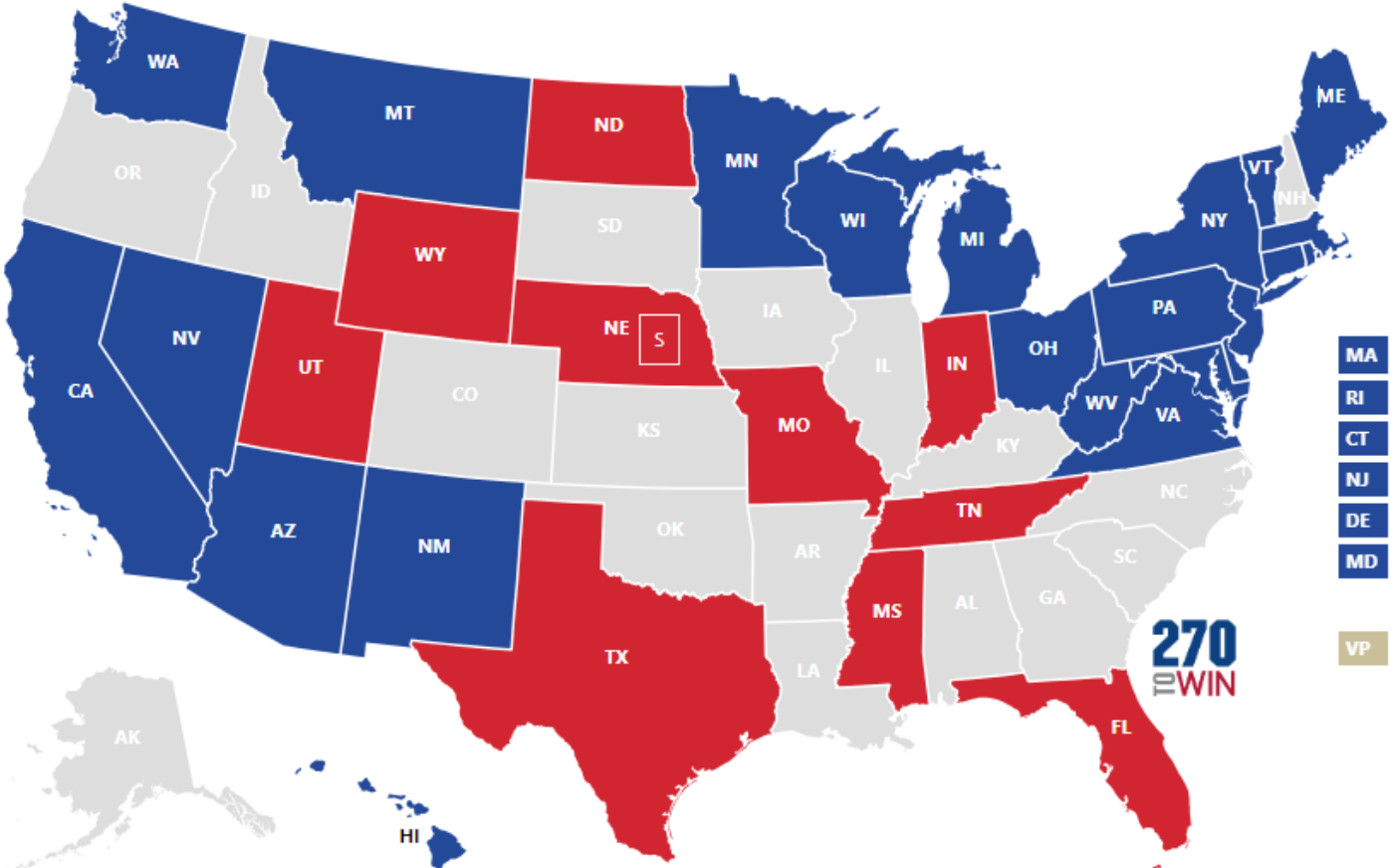
## Current Scenario Odds

White House	Senate	House	Scenario Odds
Harris 50%	Dem 15%	Dem 15%	Dem Sweep – 15%
		GOP 0%	Harris Divided Gov't – 35%
	GOP 35%	Dem 25%	
Trump 50%	Dem 0%	GOP 10%	Trump Divided Gov't – 10%
		Dem 0%	GOP Sweep – 40%
	GOP 50%	Dem 10%	
		GOP 40%	

Sources: Piper Sandler institutional survey conducted from Aug 26 – Sep 3. 1003 Respondents. Piper Sandler.

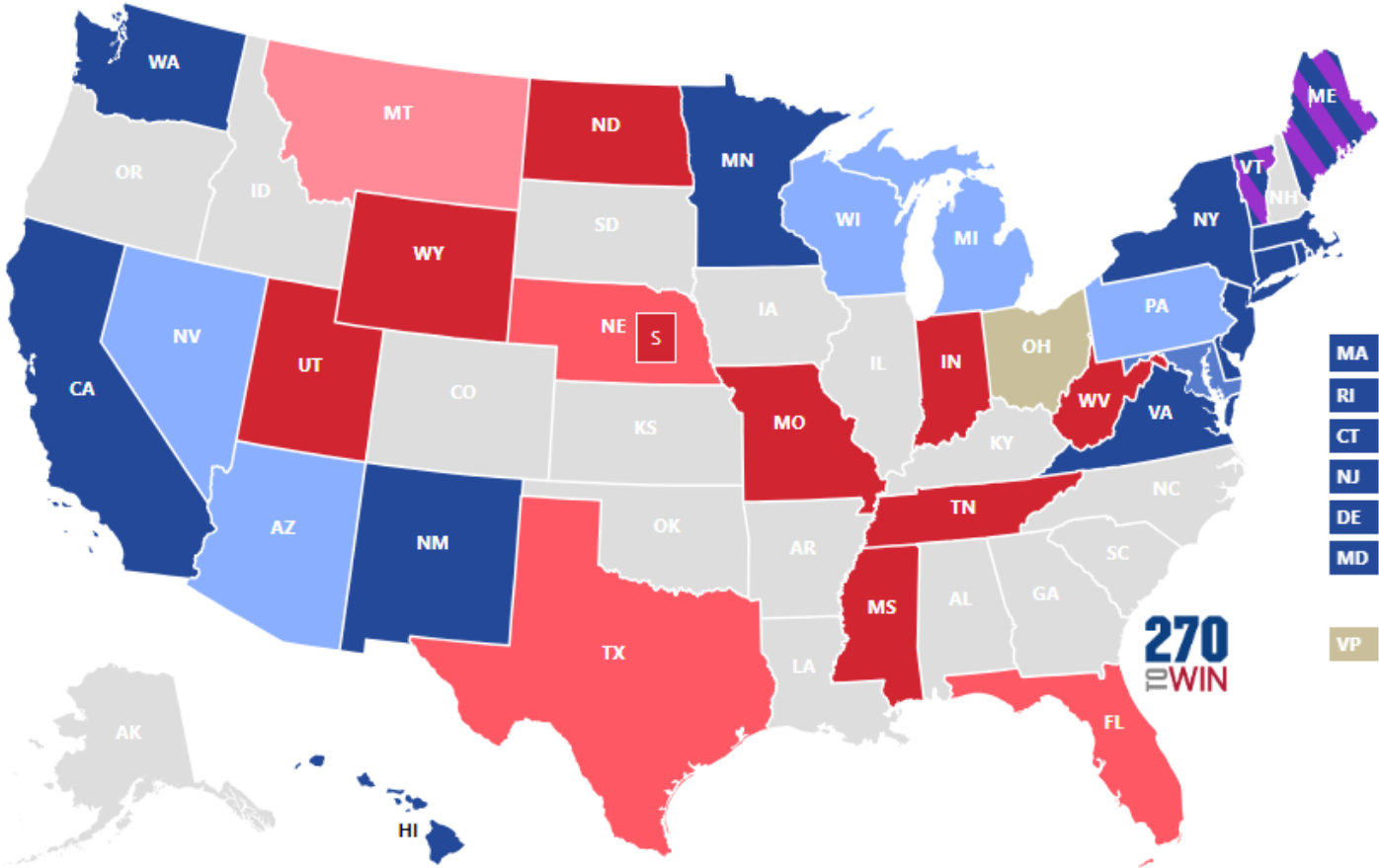


# U.S. Election



Source: <https://www.270towin.com/2024-senate-election>

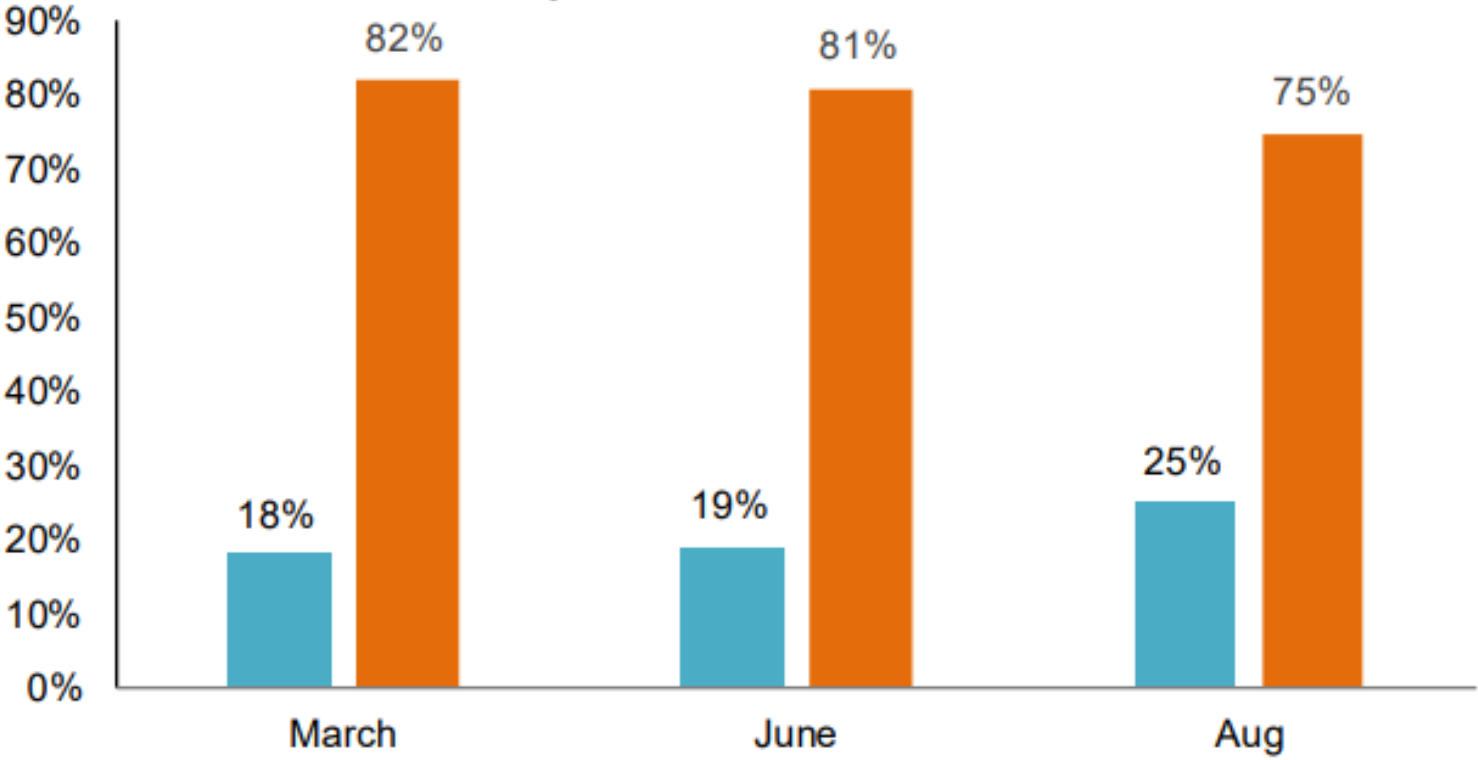
# U.S. Election



Source: <https://www.270towin.com/2024-senate-election>

# U.S. Election

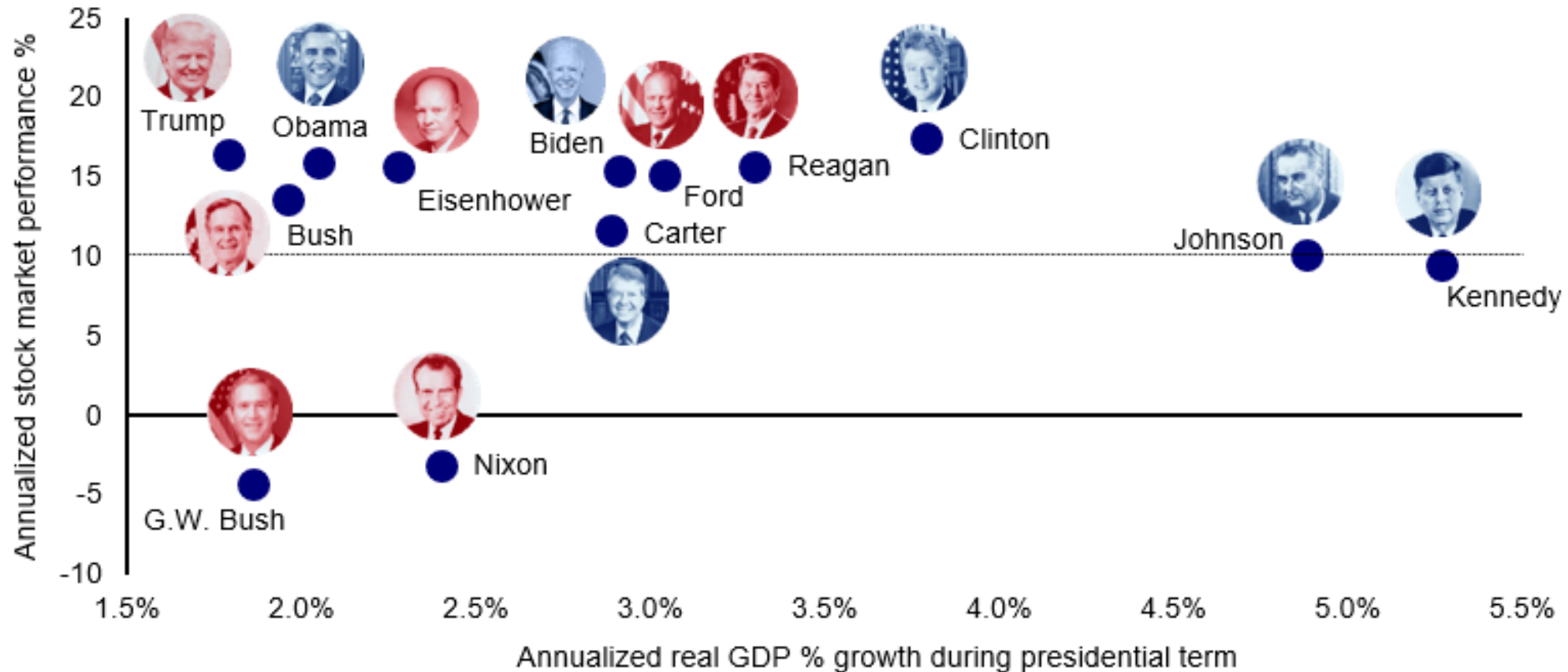
Has the potential outcome of the 2024 election influenced an investment decision you have made in the past several months?



Source: Piper Sandler institutional survey conducted from Aug 26 – Sep 3. Over 850 Respondents.

# Elections: Markets Have Performed Well Under Both Parties

Stock Market Returns vs Economic Growth by Presidential Term  
(1957-Present)



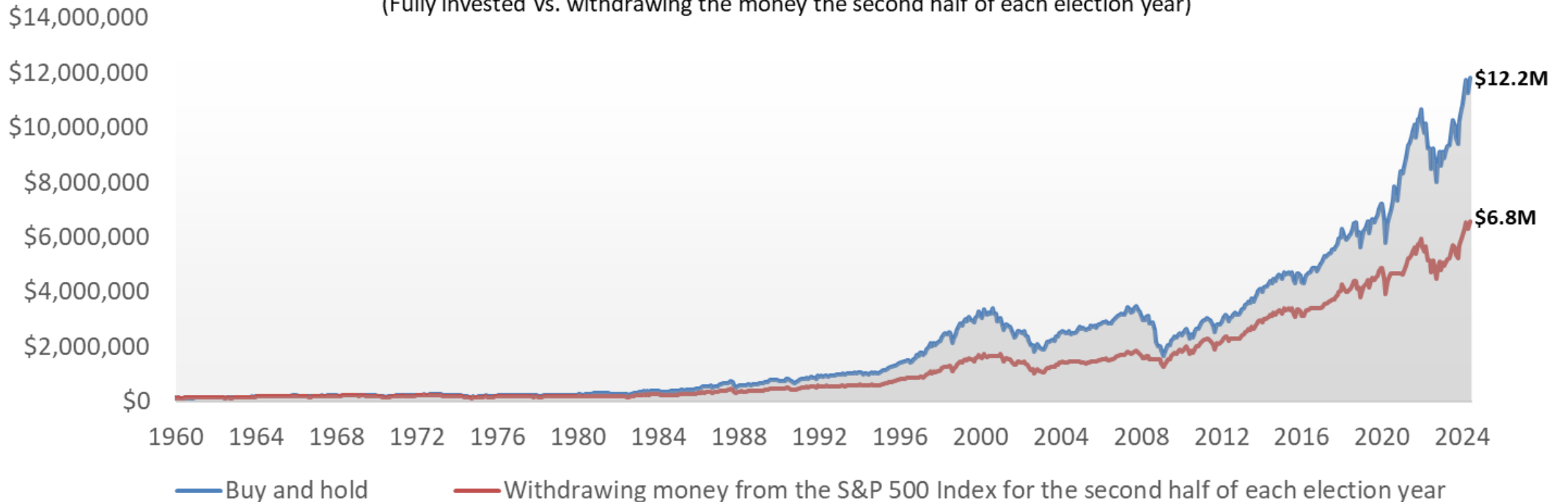
Source: Haver, Invesco as of 6.30.24. Note: Stock market performance is defined by the S&P 500 Index; President Biden's market returns is from 1.20.21-6.30.24 and GDP from 12.31.20-3.31.24; President Eisenhower's second term only is shown



# U.S. Election

## S&P 500 Index: Growth of \$100,000

(Fully invested vs. withdrawing the money the second half of each election year)



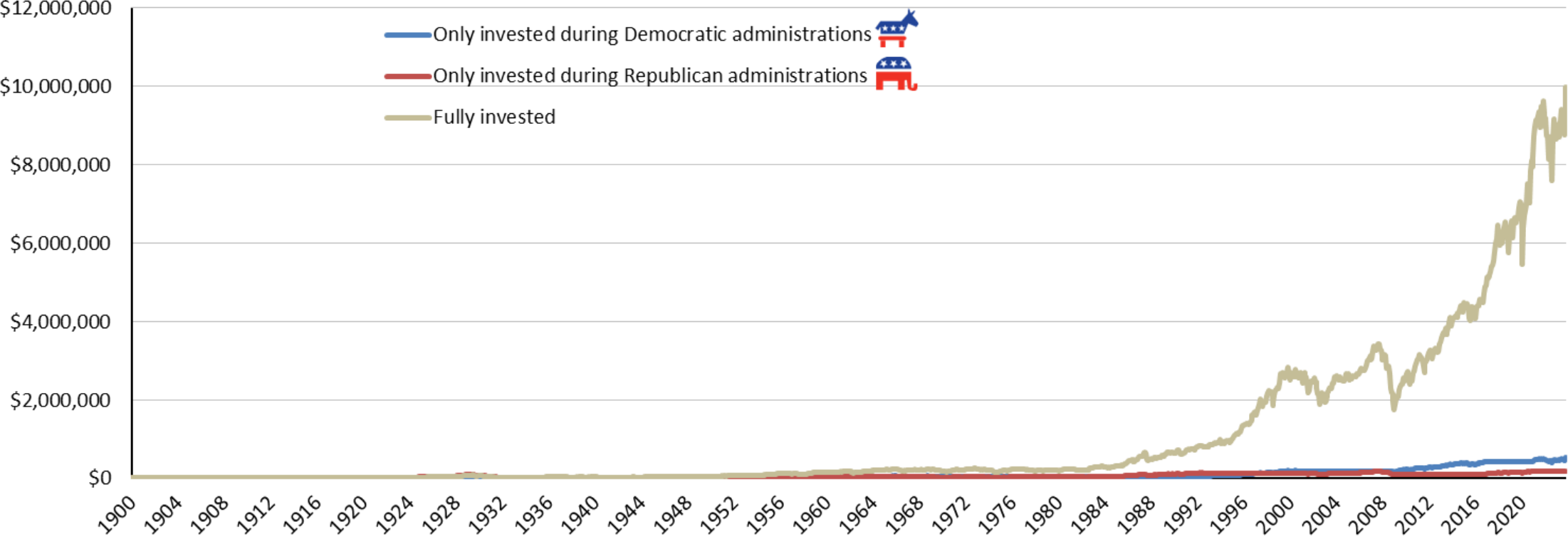
Sources: Bloomberg L.P., Invesco, 1/1/1957 to 6/30/24. This is a hypothetical illustration and doesn't represent the performance of an actual account. It assumes the entire portfolio amount is withdrawn at the end of June during a presidential election year and then reinvested in the S&P 500 Index at the beginning of January the following year. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**





# U.S. Election

### Growth of \$10,000 in the Dow Jones Industrial Average since 1896



Sources: Haver, Invesco, 12/31/23. The Dow Jones Industrial Average is a price-weighted index of the 30 largest, most widely held stocks traded on the New York Stock Exchange. An investment cannot be made in an index. **Past performance does not guarantee future results.**



## Tune In!

Dive into expert, unbiased analysis and gain valuable insights on the 2024 election and its influence on market dynamics.

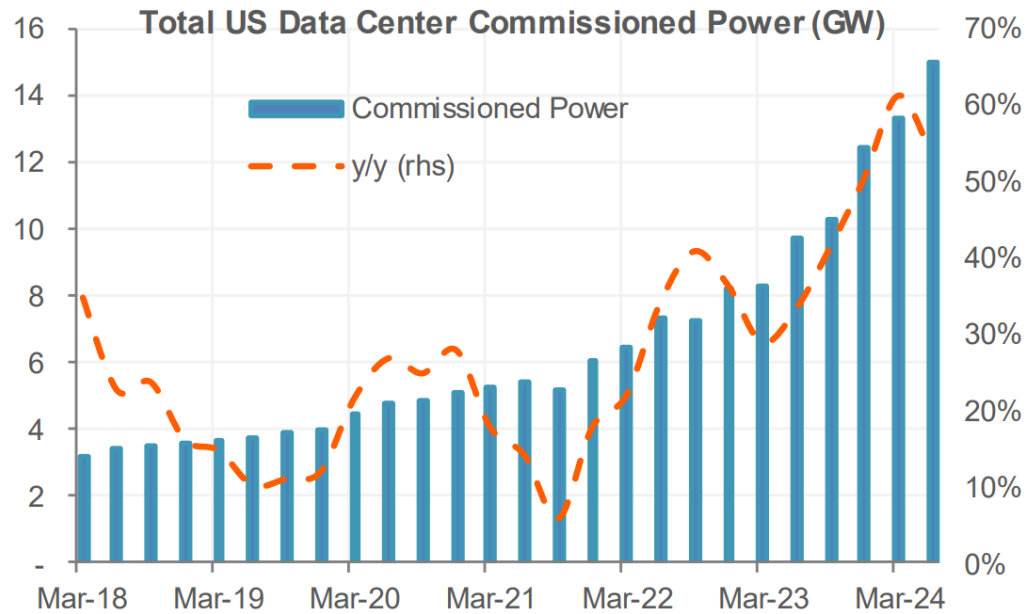
# Decision 2024

WITH DOMINIC CECI



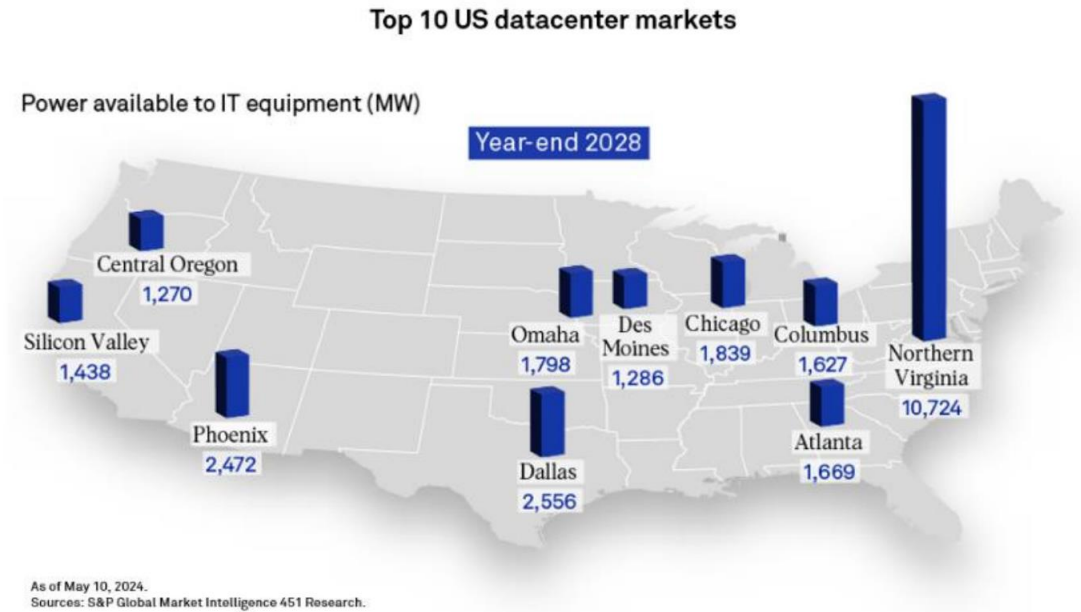
# Artificial Intelligence

## AI Needs Power

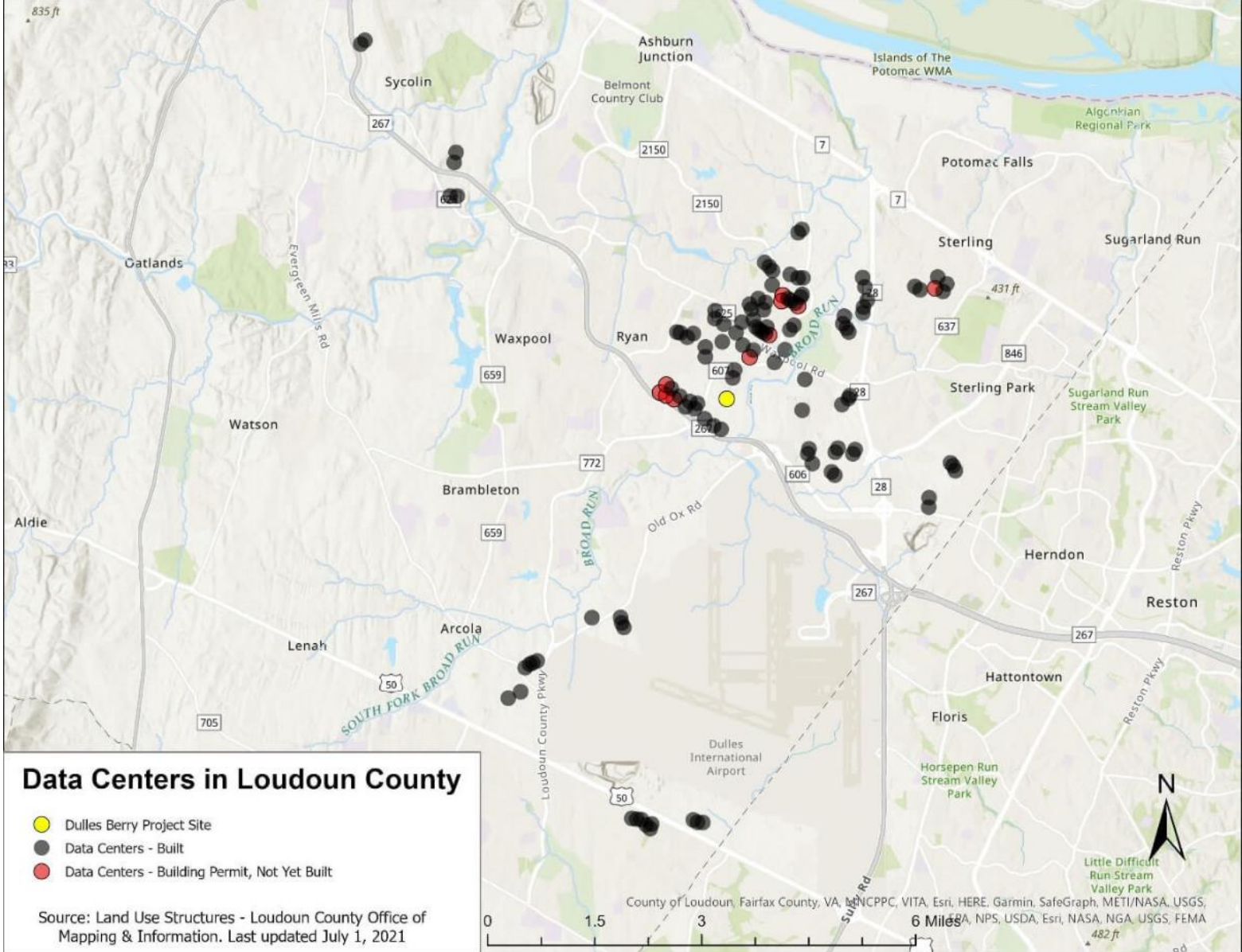


1 GW = 1,000 MW

## Datacenter Markets

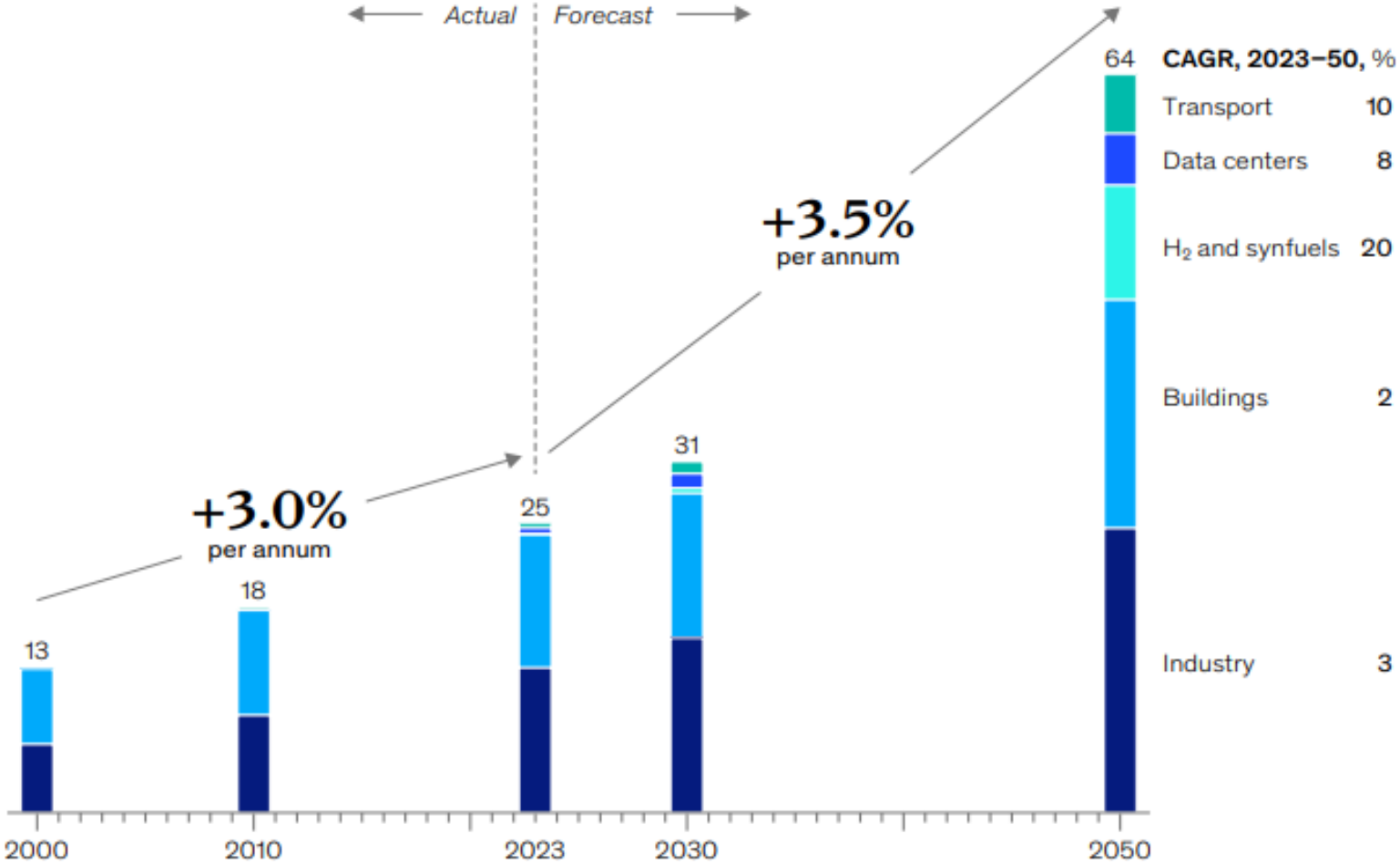


# Artificial Intelligence



# Artificial Intelligence

Global power consumption by sector, Continued Momentum, thousand TWh

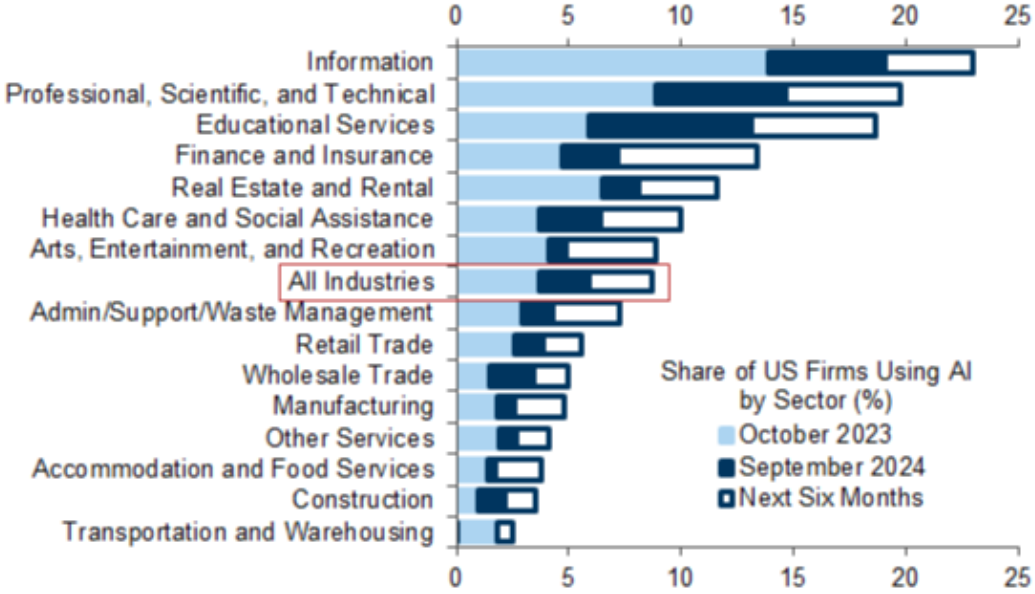


Source: IEA; IRENA

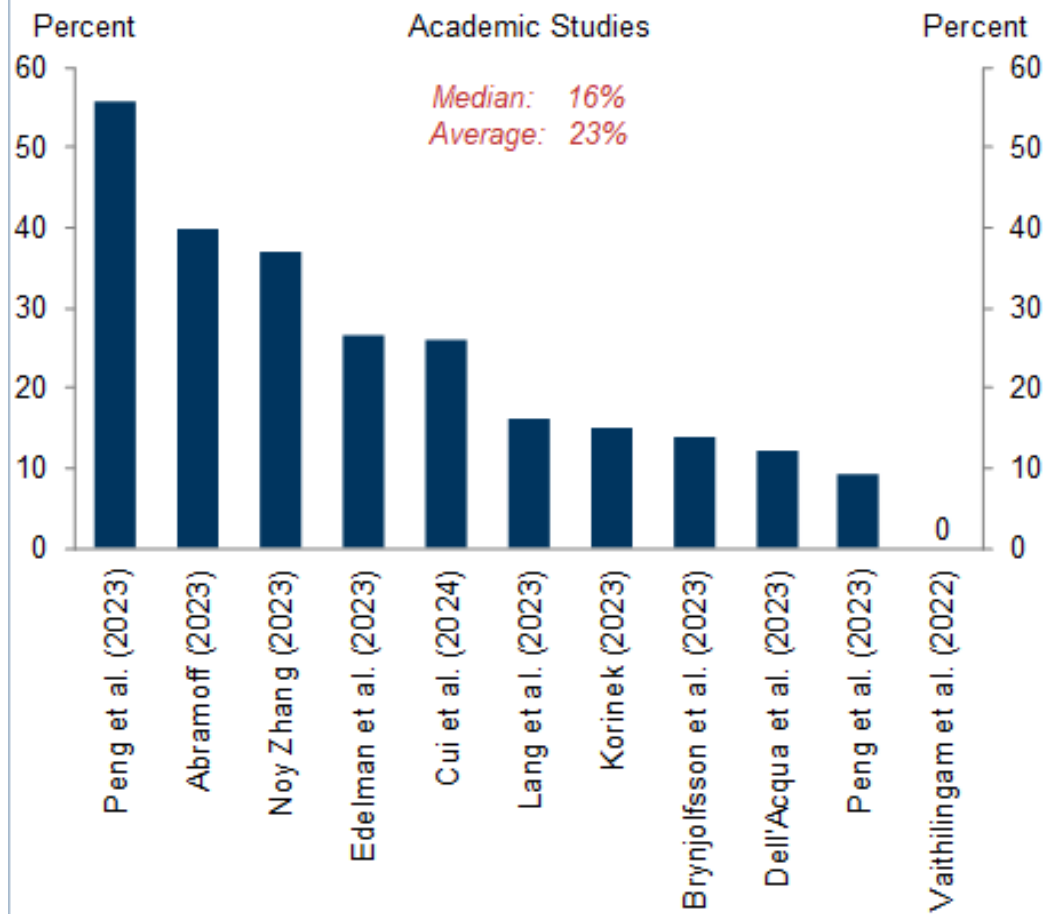


# Artificial Intelligence

## AI Adoption



## AI Impact on Productivity



Sources: Census Bureau, Goldman Sachs Global Investment Research and Goldman Sachs Global Investment Research.

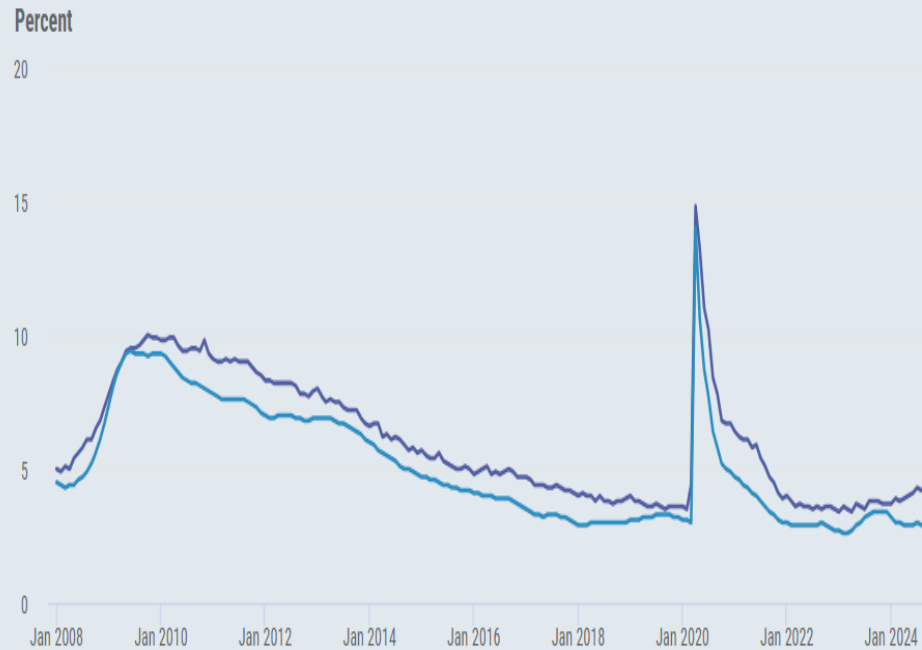


# Economy

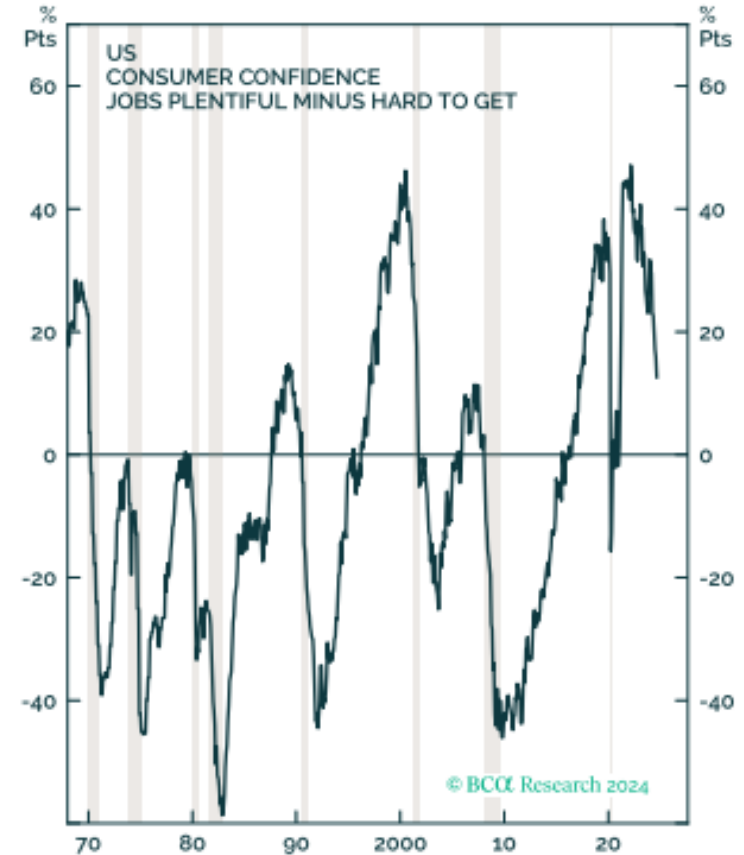
## Unemployment

### Unemployment Rate

- United States 4.2 (08/2024)
- Wisconsin 2.9 (08/2024)



## Employment Expectations



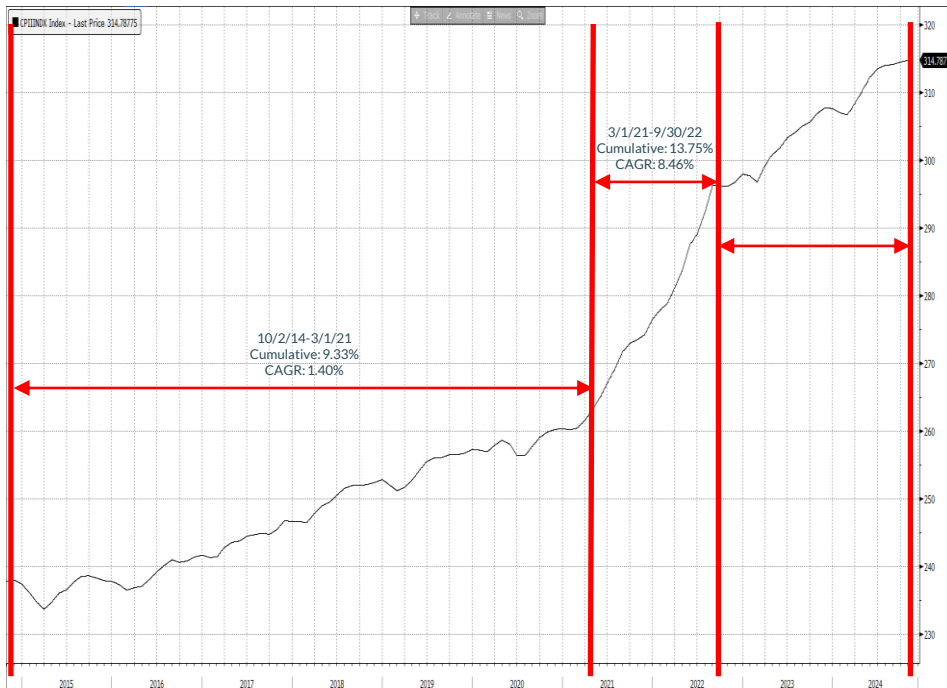
SOURCE: THE CONFERENCE BOARD.  
NOTE: SHADED AREAS DENOTE NBER-DESIGNATED RECESSIONS.



# Inflation: Rate of Change Slowing, but Level Remains High

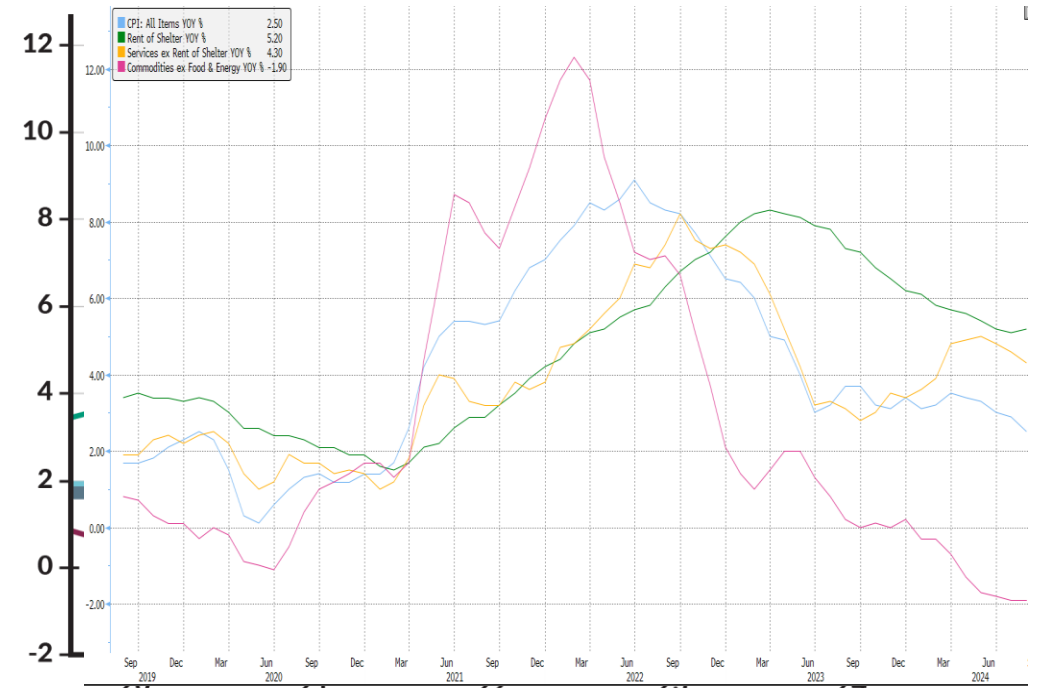
Inflation Up A Cumulative 20% Since Pandemic

Cumulative Inflation Level



Inflation Rate Slowing Toward 2% Fed Target

Core Consumer Price Inflation and Select Components



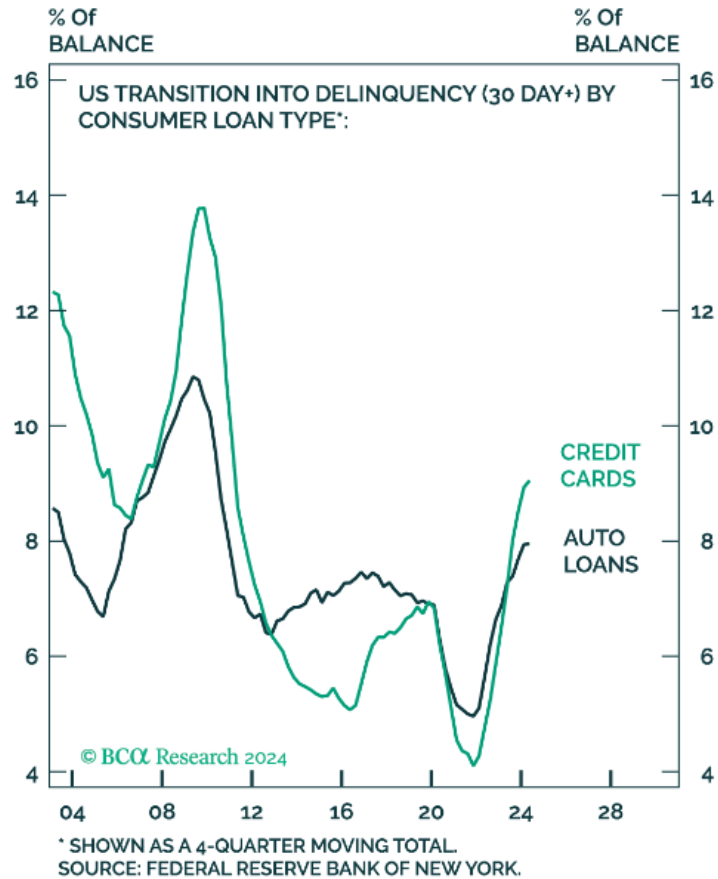
Sources: Bloomberg, Inflation-indexed 10 year note reference CPI and Bloomberg, U.S. Bureau of Labor Statistics.



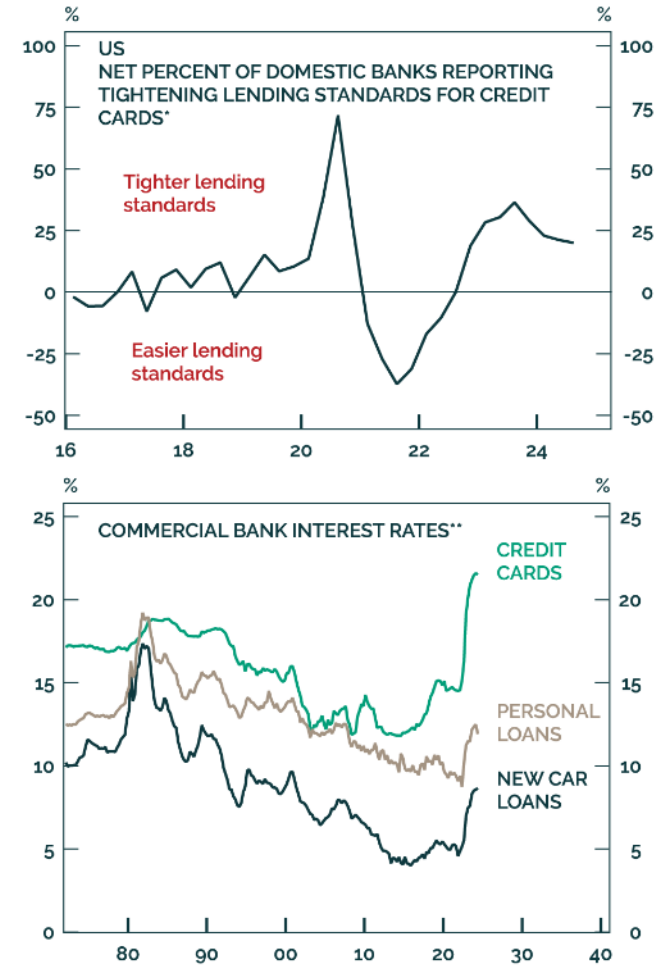


# Economy

## Delinquencies Are Rising

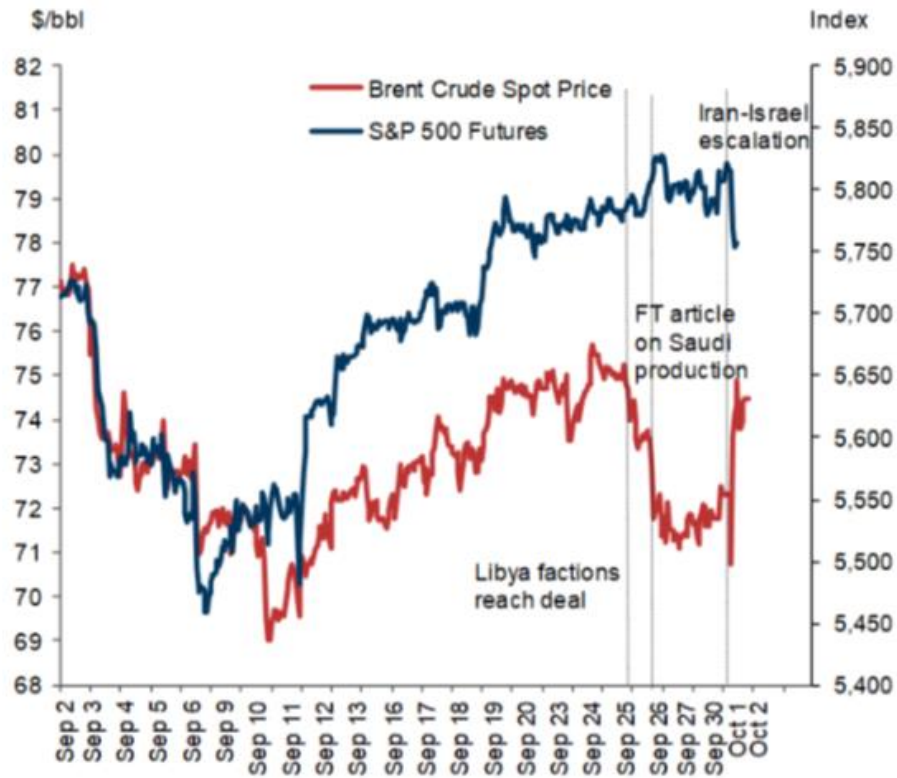


## Banks Tightening Standards



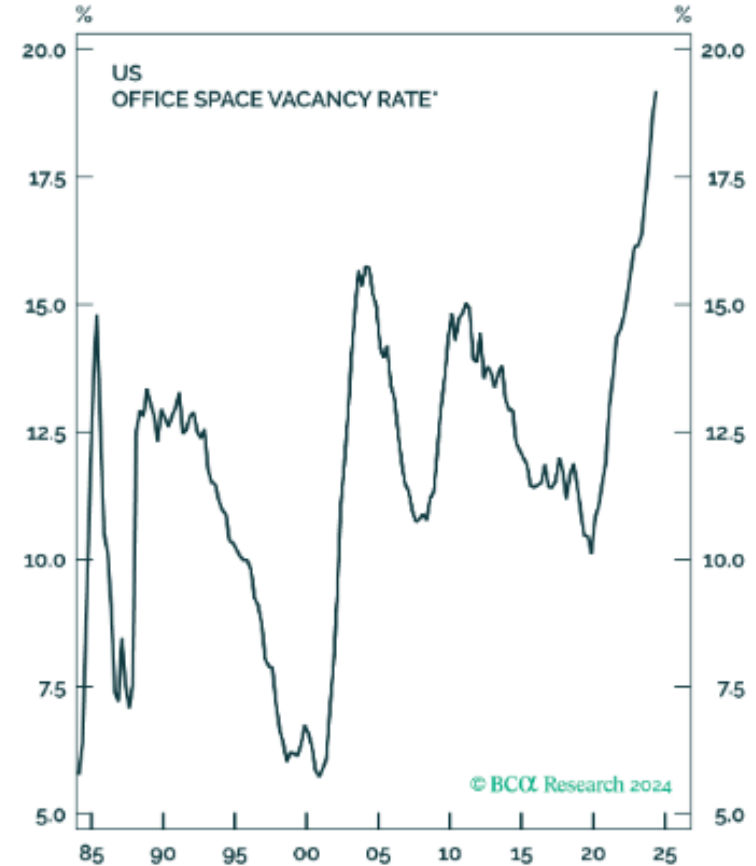
# Economy

## Oil Prices



Source: Shutterstock, Bloomberg Finance L.P., J.P. Morgan Commodities Research

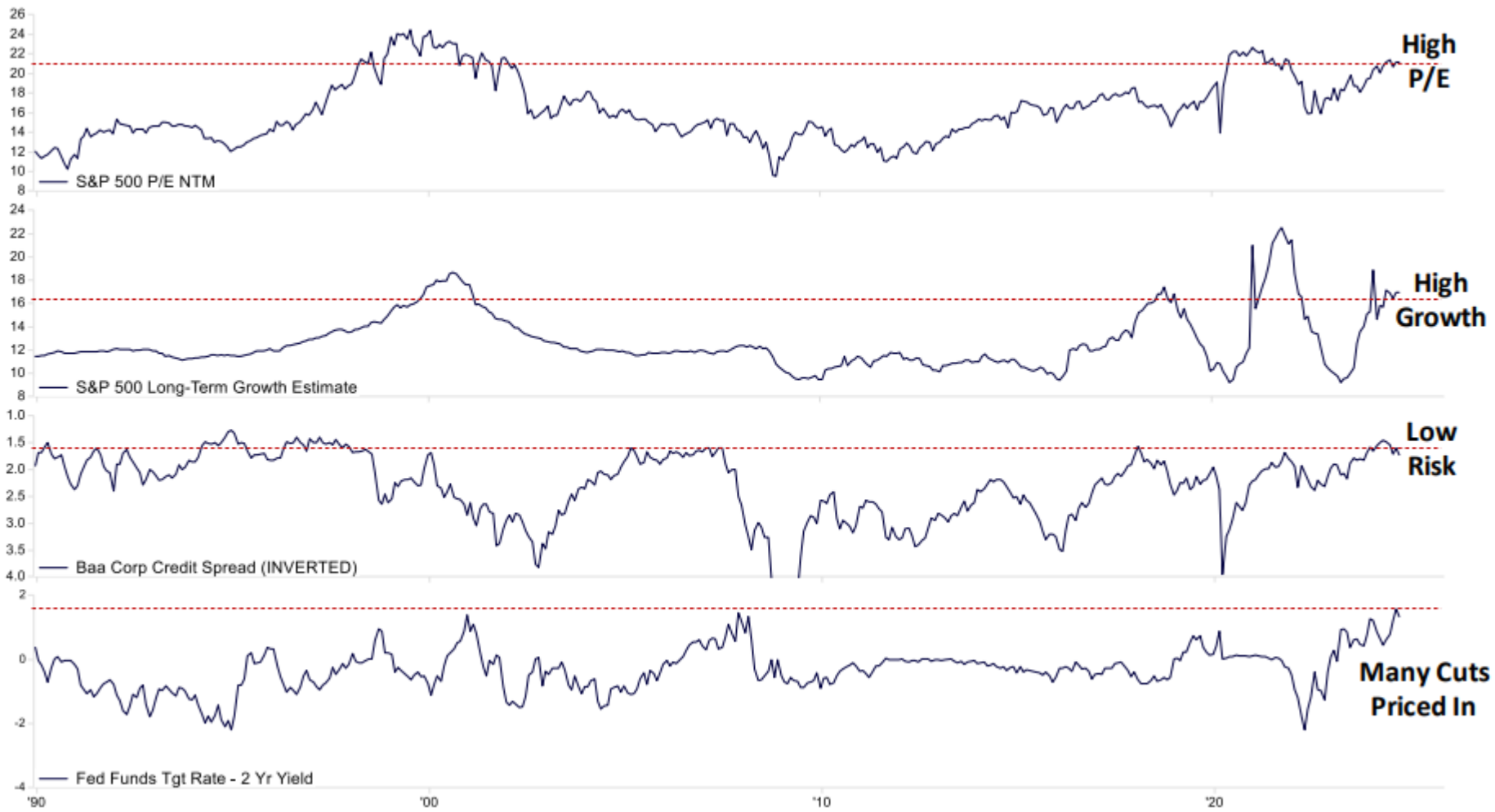
## Commercial Real Estate



Sources: BCA Research, NCREIF and International Monetary Fund (IMF).



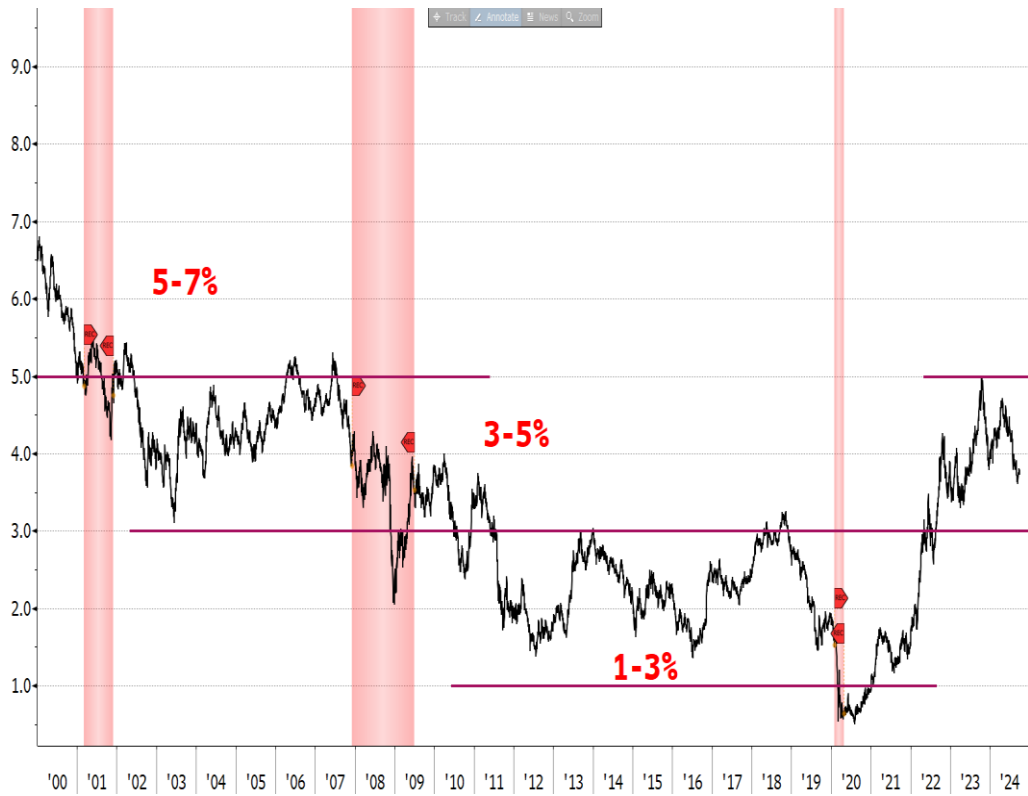
# Equity Markets



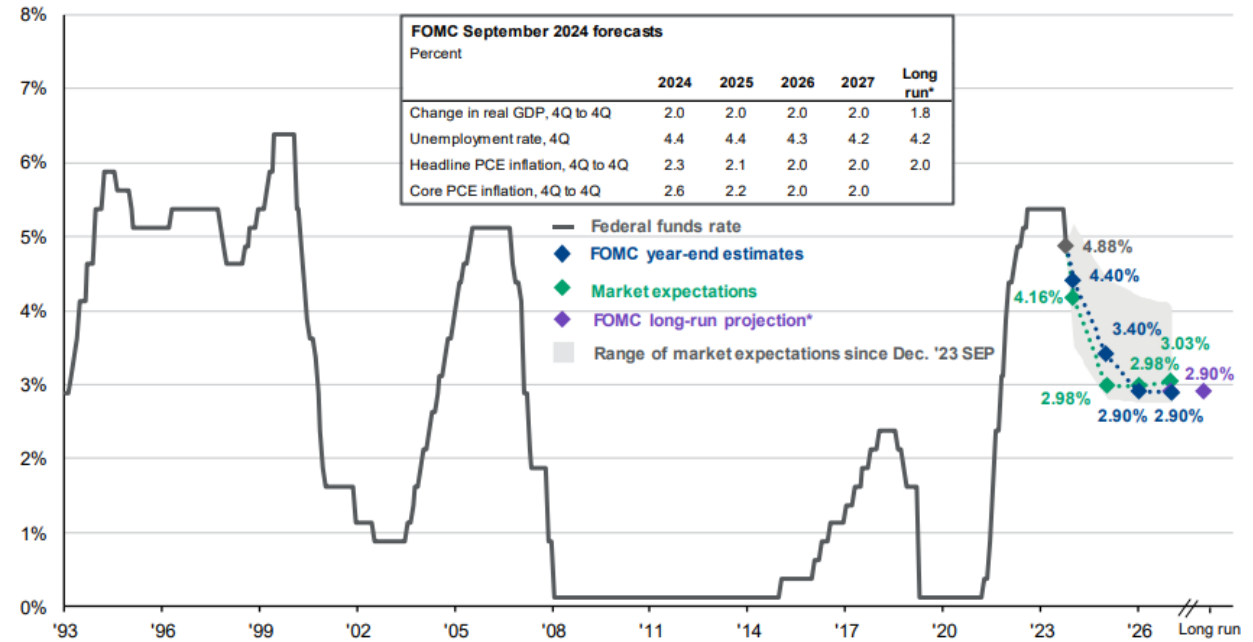
Source: Piper Sandler

# Bonds: The Cutting Cycle Has Begun





## 10-Year U.S. Treasury Yield Back to “Old Normal” Range



## Federal Funds Rate Expectations



# Macro Scenarios, Outlook and Positioning

	<b>Inflation Resurgence</b>	<b>Recession/ Hard Landing</b>	<b>Soft Landing</b>	<b>Increased Productivity</b>
 <b>Economic Growth</b>	0% - 1%	Negative	Near 2%	Above 2%
 <b>Inflation</b>	Increases	Faster pace of decline	Sticky above 2% Fed target	Disinflation continues
 <b>Monetary Policy</b>	Higher for longer	Fed eases too late	Modest pace of easing	Pause or modest easing
 <b>Market Return*</b>	Worst environment for stocks and bonds	Difficult environment for stocks, but good for high quality bonds	Good environment for stocks and bonds	Best environment for equities

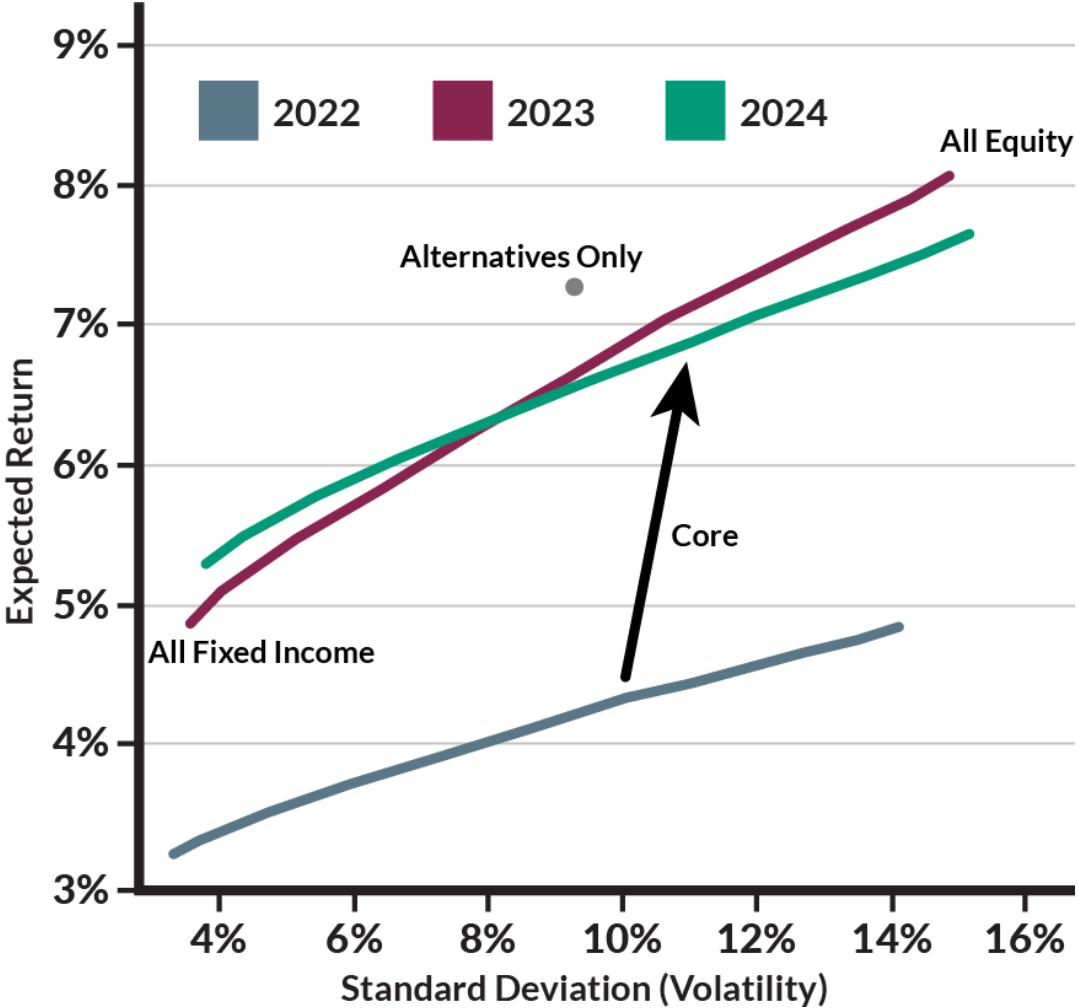
**We view either a soft landing or shallow recession as the most probable scenarios. As a result, we are positioning portfolios with a less economically sensitive stance.**

\*Market return comments are based on expectations for absolute returns over a 12-month horizon in the given scenario.

Source: Scenarios are constructed using input from MSCI Barra with probabilities based on the judgement of the JFG Investment Committee. The scenarios and stress tests presented above were developed by MSCI and are for illustrative purposes only and are not to be taken as advice or a recommendation to buy or sell any investment.



# Long-Term Portfolio Return and Risk Expectations



Source: J.P. Morgan Asset Management 10-15 Year Long-Term Capital Market Assumptions established 9.30.2023; probability of earnings statistics for a 12-month period



# Asset Class Returns

Fixed Income	QTD	YTD	2023	Last 5 Yrs
Bloomberg US Aggregate Intermediate	4.4%	3.5%	5.2%	0.6%
Bank of America Merrill Lynch Municipals 1-12 Yr	3.1%	1.5%	4.5%	1.1%
US Equity				
S&P 500	7.4%	19.5%	26.3%	15.9%
Russell 1000 Growth	7.1%	21.1%	42.7%	19.1%
Russell 1000 Value	6.9%	15.1%	11.5%	11.2%
Russell 2000 ( <i>small-cap</i> )	7.5%	10.4%	16.9%	9.7%
International Equity				
MSCI ACWI Ex USA ( <i>international</i> )	5.1%	11.2%	15.6%	7.6%
MSCI EAFE ( <i>developed</i> )	4.6%	12.0%	18.2%	8.6%
MSCI EM ( <i>emerging markets</i> )	5.9%	9.5%	9.8%	4.8%
Alternative Investments				
Morningstar LSTA US Leveraged Loan Index	1.6%	5.4%	13.2%	5.4%
FTSE Nareit All Equity REITs	15.7%	10.7%	11.4%	4.8%

Source: Morningstar Direct as of 9.30.2024



# Key Takeaways

- U.S. Election
  - *Important for people, not investments*
- Artificial Intelligence
  - *A real trend but challenges exist*
- Economy
  - *Strong but bifurcated*
- Markets
  - *A long-term outlook is the best approach for success*







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# Navigating Potential Estate Tax Changes

# Current Law: Tax Cuts and Jobs Act (TCJA)

- The TCJA increased the **Lifetime Exemption** from \$5.45 million to **\$10.9 million**, currently \$13.61 million due to inflation.
- Allows individuals to make **tax-free lifetime gifts or bequests at death**.
- For married couples, the exemption allows **leaving \$27.22 million without estate tax**.
- **Provisions expire on December 31, 2025**, reverting the exemption to \$6.81 million for individuals.



# Impact of the 2024 Election

- A Republican majority might extend the TCJA, maintaining current exemption levels.
- A Democratic majority might reduce the exemption, possibly to \$3.5 million.
- Mixed political outcomes could result in the exemption reverting to \$6.81 million.



# Tax Strategies to Consider

- Wait for the election outcome
- Prepare or update your financial plan with your advisor
- Consider making lifetime gifts before TCJA sunsets
- Collaborate with advisors to determine best gifting approach



# Thank You

The information displayed is obtained from sources we believe to be reliable, but we cannot guarantee its accuracy or completeness. Past performance is no guarantee of future results. Charts and graphs, in and of themselves, should not be used as a basis for making investment decisions.

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