

The Sevens Report Market Multiples  
 Provided by Davis Wealth Management at Steward Partners

A Game of Multiples (Updated 3/14/2023)			
Market Influence	<u>Current Situation</u>	<u>Things Get Better If...</u>	<u>Things Get Worse If...</u>
Regional Bank Stress	Three large banks failed in the last week and that resulted in major pressure on bank stocks. For now, contagion seems contained but banks still face structural headwinds.	Regional banks take steps to instill confidence in their finances and contagion concerns decline.	Additional regional and specialized banks fail and fears of wider contagion spread throughout the financial system.
Rate Hike Expectations	Rate hike expectations have swung wildly from 50 bps/5.625% prior to the bank failures to 25 bps and 4.875% as of this writing.	The Fed hikes 25 bps and signals a pause.	The Fed hikes 50 bps in March or hikes 25 bps and signals no pause.
Inflation	Disinflation stalled in February and that increased rate hike expectations prior to the banking crisis.	Disinflation restarts and major inflation gauges start to substantially decline again.	Price indices rise, implying that not only has disinflation stalled, but it's reversing.
Labor Market	The February labor market report was solid on job adds but light on wages and the unemployment rate, offering some hope there's deterioration occurring.	Wage increases moderate further and we see the unemployment rise towards 4%.	Labor market metrics remain very tight and wage gains start to reaccelerate.
Economic Growth	Data is pointing to "No Landing" where the economy remains resilient and potentially invites more rate hikes to cool demand.	Growth, especially service sector activity, moderates towards a soft landing.	Economic data rolls over hard and worries about a hard landing rise.
Expected 2023 S&P 500 EPS	\$225	\$235	\$215
Multiple	16.5X-17.5X	17.5X-18.5X	15X-16X
S&P 500 Range	3,713-3,937	4,112-4,348	3,225-3,440
S&P 500 Target (Midpoint)	3,825	4,230	3,333
Change from today	-2.4%	7.9%	-15%

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

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One basis point is equal to 1/100th of 1%, or 0.01%. In decimal form, one basis point appears as 0.0001 (0.01/100). Basis points (BPS) are used to show the change in the value or rate of a financial instrument, such as 1% change equals a change of 100 basis points and 0.01% change equals one basis point.

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