

The Sevens Report Market Multiples

Provided by Davis Executive Wealth Management at Steward Partners

<u>A Game of Multiples (Updated 1/9/2023)</u>			
Market Influence	<u>Current Situation</u>	<u>Things Get Better If...</u>	<u>Things Get Worse If...</u>
Inflation	Data from late 2022 clearly shows inflation has peaked, but it must decline much further from current levels for the Fed to pivot.	Disinflation accelerates and we see price indices continue to drop sharply over the next month.	Price indices do not continue to decline sharply in January, reflecting sticky inflation pressures.
Labor Market	The labor market remains stubbornly tight, and it must return to better balance for the Fed to get closer to a pivot.	Labor metrics show a deterioration in the labor market.	Labor metrics remain resilient, keeping the Fed hawkish.
Economic Growth	There are numerous signs that the U.S. economy is losing momentum in both the manufacturing and service sectors of the economy.	Economic growth continues to gradually moderate, implying an economic soft landing is possible	Economic data collapses, increasing expectations for a deep and painful growth contraction.
Fed Tightening	The FOMC projected the terminal fed funds rate at 5.125%, higher than previously expected.	Soft growth, inflation, and employment data causes the Fed to hike 25 bps in February.	The Fed hikes 50 bps in February and reiterates its commitment to terminal fed funds above 5%.
Expected 2023 S&P 500 EPS	\$225	\$235	\$215
Multiple	16.5X-17.5X	17.5X-18.5X	15X-16X
S&P 500 Range	3,712-3,937	4,113-4,347	3,225-3,440
S&P 500 Target (Midpoint)	3,825	4,230	3,332.50
Change from today	-1.7%	8.6%	-14%

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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