

The Sevens Report Market Multiples

Provided by Davis Executive Wealth Management at Steward Partners

A Game of Multiples (Updated 9/7/2022)

Market Influence	<u>Current Situation</u>	<u>Things Get Better If...</u>	<u>Things Get Worse If...</u>
Fed Tightening	Powell destroyed the idea of the less-hawkish "Fed pivot" and markets expect the Terminal Rate to be around 4%.	The Fed hints that the Terminal Rate is less than 4%.	The Fed hints that the Terminal Rate will be substantially above 4%.
Inflation	Numerous inflation indicators are signaling that inflation pressures have peaked.	Disinflation accelerates and we see price indices drop sharply.	Prices stabilize in September and hope shrinks for a quick decline in prices.
Economic Growth	Economic growth is slightly losing momentum but overall, the U.S. economy remains resilient, keeping hope alive for a "soft landing."	Economic growth continues to slowly moderate, but inflation falls faster than growth allowing the Fed to stop hiking before growth stalls.	Economic growth falls much faster than inflation, increasing stagflation concerns.
China Lockdowns	The Chinese economy is open, but the threat of lockdowns remains in place, as evidenced by the lockdown in Chengdu in early September.	Chinese officials distance themselves from future lockdowns and abandon the Zero-COVID policy.	COVID cases rise, and new lockdowns are implemented in industrial cities (Beijing, Shanghai).
Expected 2023 S&P 500 EPS	\$230	\$240	\$220
Multiple	16X-17X	17X-18X	15X-16X
S&P 500 Range	3,680-3,910	4,080-4,320	3,300-3,520
S&P 500 Target (Midpoint)	3,795	4,200	3,410
Change from today	-3.5%	7.0%	-13.3%

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The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large capitalization US stocks. An investment cannot be made directly in a market index.

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