

A Game of Multiples (Updated 11/8/2022)			
Market Influence	<u>Current Situation</u>	<u>Things Get Better If...</u>	<u>Things Get Worse If...</u>
Fed Tightening	Fed Chair Powell stated that terminal fed funds may rise above September estimates (> 5.15%).	The Fed hints that the terminal rate is less than 5.0%.	The Fed hints that the terminal rate will be higher than 5.15%.
Inflation	Inflation pressures likely have peaked, but key inflation stats such as CPI and Core PCE are not materially declining.	Disinflation accelerates and we see price indices drop sharply.	Price indices do not decline meaningfully in November, underscoring sticky inflation pressures.
Economic Growth	Economic growth is losing momentum and while the numbers aren't signaling a contraction yet, stagflation risks are rising.	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.
Russia/Ukraine War	Ukraine and Russia have once again partially stalemated and there has been no serious progress towards a ceasefire.	The war enters into a stalemate where some sort of ceasefire occurs (think the end of the Korean War).	Russia detonates a nuclear weapon in Ukraine, causing a massive escalation of hostilities.
Expected 2023 S&P 500 EPS	\$225	\$235	\$215
Multiple	16X-17X	17X-18X	15X-16X
S&P 500 Range	3,600-3,825	3,995-4,230	3,225-3,440
S&P 500 Target (Midpoint)	3,712.50	4,112.50	3,332.50
Change from today	-3.0%	7.4%	-13%

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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.

Basis points (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point.

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AdTrax 5101874.1 Exp 11/24