

Three Things to Close 2023, and Three Things to Look Forward to in 2024 by Adrian Helfert

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Adrian Helfert

CIO
Alternative & Multi-Asset
Investments

Multi-Asset Team



Adrian Helfert

Chief Investment Officer, Alternative & Multi-Asset Investments



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Three Things That Drove the Market in 2023

Three Things to Look for in 2024

1 The Path of Inflation Continues to Fall, but Not Too Fast

Inflation has continued to decelerate since the peaks of mid-2022, when we saw 40-year highs of more than 9% annualized. Recent readings have shown rates in a more manageable 3% range, trending toward the Fed's target rate of 2%. The worst-case scenario would be to spark the fear of deflation.

1 What Will Happen to Housing Prices as Interest Rates Decline?

We expect to see more turnover in the housing market in 2024 as pent-up demand starts to release. However, the key is to watch the price impact of greater activity combined with higher mortgage rates. The "wealth effect" of housing prices will have an impact on consumption.

2 Consumer Sentiment Remained Relatively High, Spurring GDP Growth

While consumers may not have been happy about higher-than-expected inflation, they continued to spend. Since consumer spending is a big part of GDP, we've remained in positive territory for GDP growth in 2023.

2 Corporate Level Financing Amid Higher Risk-Free Rates

Corporations will need to roll and extend the maturity profiles of their debt in order to avoid a credit crunch in 2025/2026. We will monitor bond issuance in 2024 to see how corporations manage their finances.

3 Low Unemployment Rate Helped Keep Consumers' Sentiment Higher

Despite successive interest rate increases and tighter credit standards, the unemployment rate has held relatively steady all year. In fact, unemployment could increase to 4% or 4.25% from here without having a material impact on wages – much higher than that, though, and it could impact sentiment and consumption.

3 Impact of Technological Innovation Beyond the “Magnificent Seven”

It's a great environment for stock selection as the stock market seems to have broadened in late 2023, beyond the “Magnificent Seven” that dominated headlines for much of the year. We anticipate revenue increases and margin expansion across the technology sector, and our analysts have identified several opportunities for 2024.

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