# 2024 outlook

## Navigating the last mile of the cycle

Investment Strategy Team

After more than a decade of stocks traveling a path paved by historically and persistently low interest rates, higher yields have driven a winding road for market returns in recent years. In 2024, we think markets will navigate the last mile in the inflation and Fed tightening cycles, bringing more open road but also some bumps along the way.

Equities and bonds fell into a bear market in 2022, as the Federal Reserve began hiking interest rates to fight four-decade-high inflation. 2023 brought periods of sharply rising and falling interest rates, with stocks staging a solid rebound.

We think 2024 will bring the next phase of the cycle. Inflation should continue to moderate amid a slowing economy. And we expect the Fed to slowly transition away from a restrictive interest rate policy, helping clear the road for a renewed expansion.

The market won't dodge every pothole as this takes shape. But we think 2024 will ultimately prove to be a positive year for both stock and bond returns.

### Stocks vs. interest rates


Source: FactSet, S&P 500 Index, 10-year Treasury yield.

## Here are 10 of our key views for 2024.

### 1. The economy moderates before rebounding in the second half of 2024

The U.S. economy remained remarkably resilient for much of 2023, with GDP growth above 2% annualized for the first three quarters of the year. This was driven in large part by healthy consumption growth: Households continued to spend despite rapidly rising interest rates and tightening lending conditions.

We expect U.S. economic growth to soften in the first half of 2024, with growth rates likely falling to below 1.5% annualized. We believe somewhat weaker consumption, lower government spending and a cooling labor market will translate to slower growth.

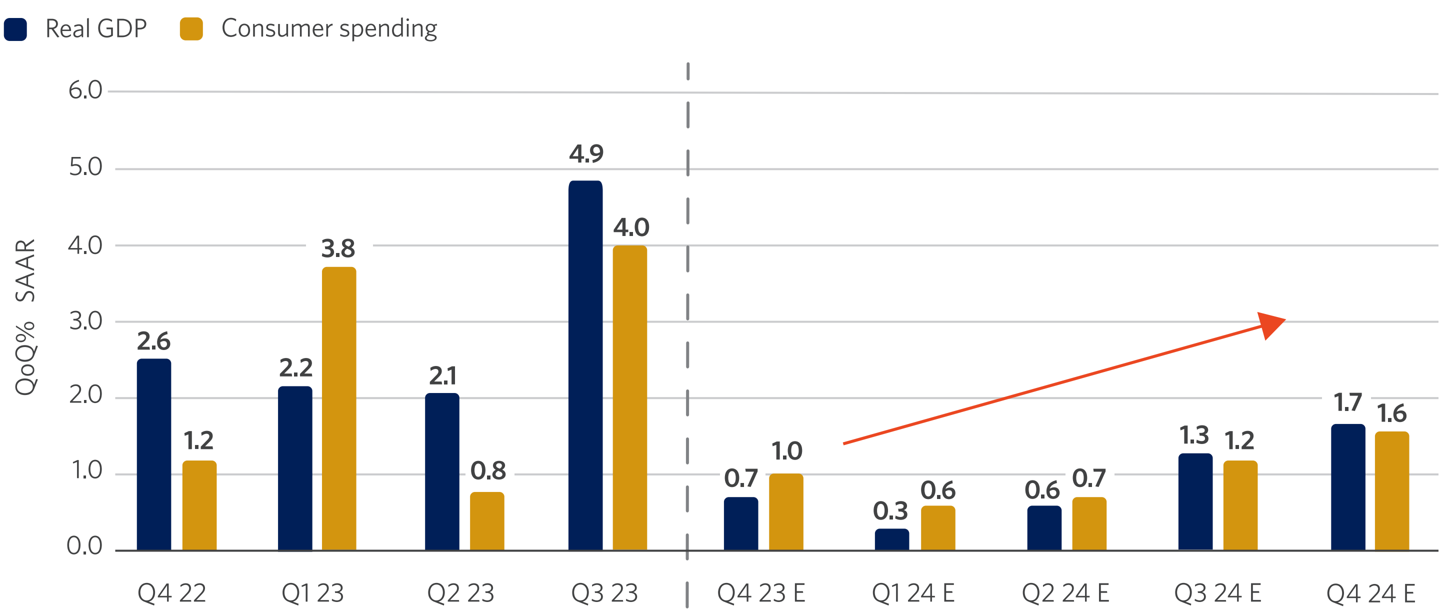
The consumer faces some challenges heading into 2024, including declining excess savings, rising credit card debt and still-elevated interest rates. In addition, we believe some loosening in the labor market may put downward pressure on wage gains and consumer confidence overall.

While the economy may avoid a textbook recession, a rolling recession may emerge. Parts of the economy, such as manufacturing and perhaps housing, could bottom and then stabilize, while other parts, such as services and consumption, could peak and move lower.

After a year and a half of Fed tightening, we believe economic growth may finally feel the lag impacts in 2024. But on the positive side, a slowdown in growth would also potentially support lower inflation and less need for further Fed tightening.

As we look toward the back half of 2024, we would expect the economy to gradually accelerate once again. We believe ongoing inflation moderation, a Fed on the sidelines (and possibly signaling rate cuts) and better corporate margins and earnings growth will lead to improving economic growth later in 2024. And markets are forward-looking and can start to move higher even before economic growth stabilizes and improves.

### U.S. real GDP growth, consumption expected to soften, then rebound later in 2024




Source: Bloomberg, Edward Jones.

## 2. Unemployment rises but stays below 5%

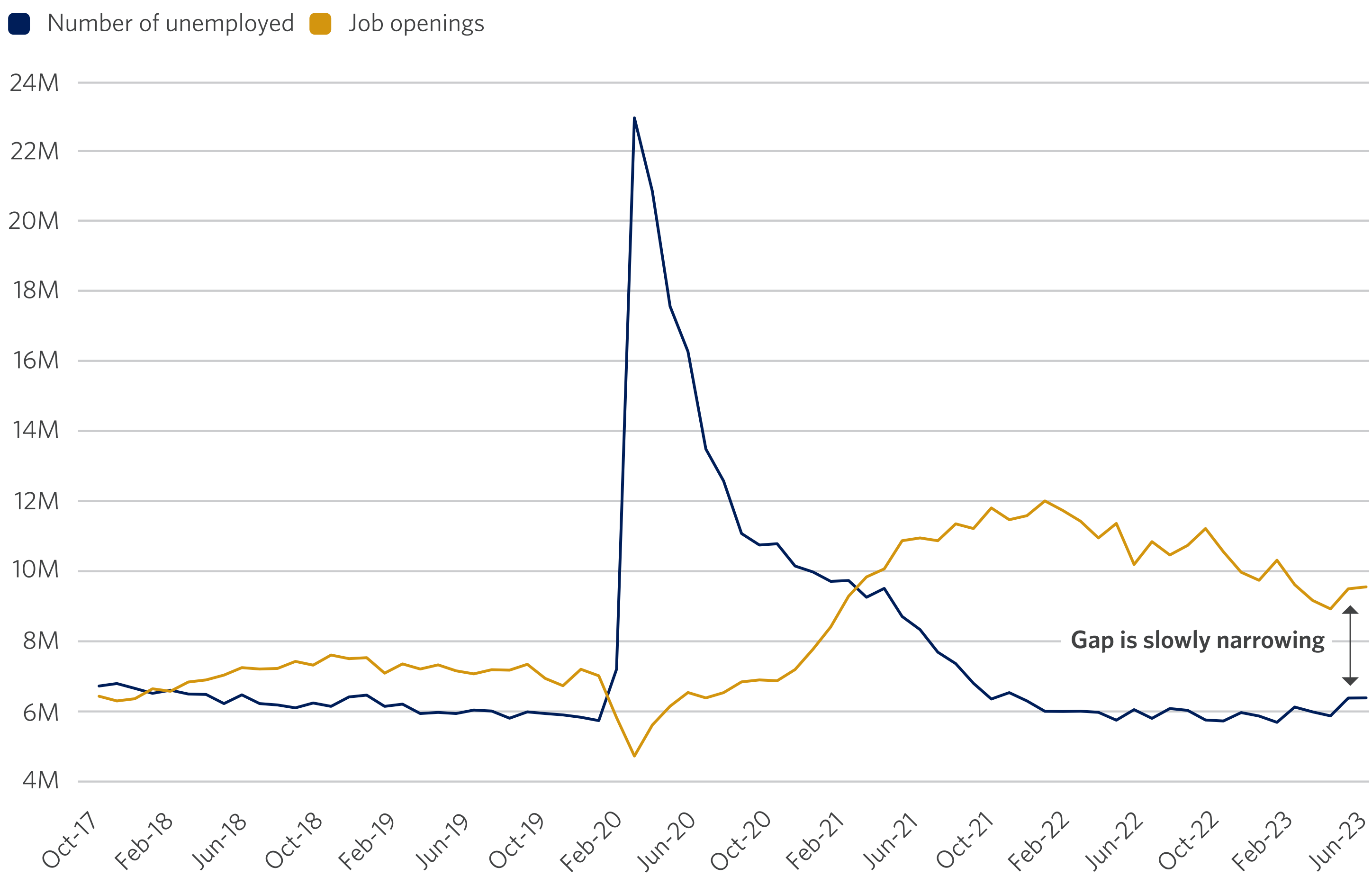
In 2023, a strong labor market gave consumers the confidence to spend in the face of high inflation and rising borrowing costs. But the tight conditions also meant the Fed might need to keep policy restrictive to ensure higher labor costs don't feed into higher inflation.

We anticipate some cooling in 2024, as business spending and hiring moderate in response to slower economic growth. This easing could drive wage growth and inflation lower, providing the Fed the opportunity to begin cutting interest rates.

As 2023 ends, unemployment has risen 0.5% from its 3.4% trough, mainly due to more workers reentering the labor force. Despite this, unemployment remains low, supporting income gains. However, the pace of job gains is likely to slow as companies reduce hiring to protect profitability.

The declines in job openings, the quits rate and temporary help payrolls are early signs of softening that will likely lead to better balance between labor supply and demand in 2024. While less of a tailwind, labor market conditions could remain supportive. The solid starting point of corporate finances indicates that any rise in unemployment might be moderate.

### Better labor balance between demand and supply in 2024




Source: Bloomberg, Edward Jones.

## 3. Inflation falls faster than the Fed forecasts, reaching 2.5%

Significant progress has been made on the consumer price front, with core inflation (excluding food and energy) falling from a peak of 6.6% in 2022 to 4% recently. We think this downward momentum can continue through 2024, with inflation reaching 2.5%.

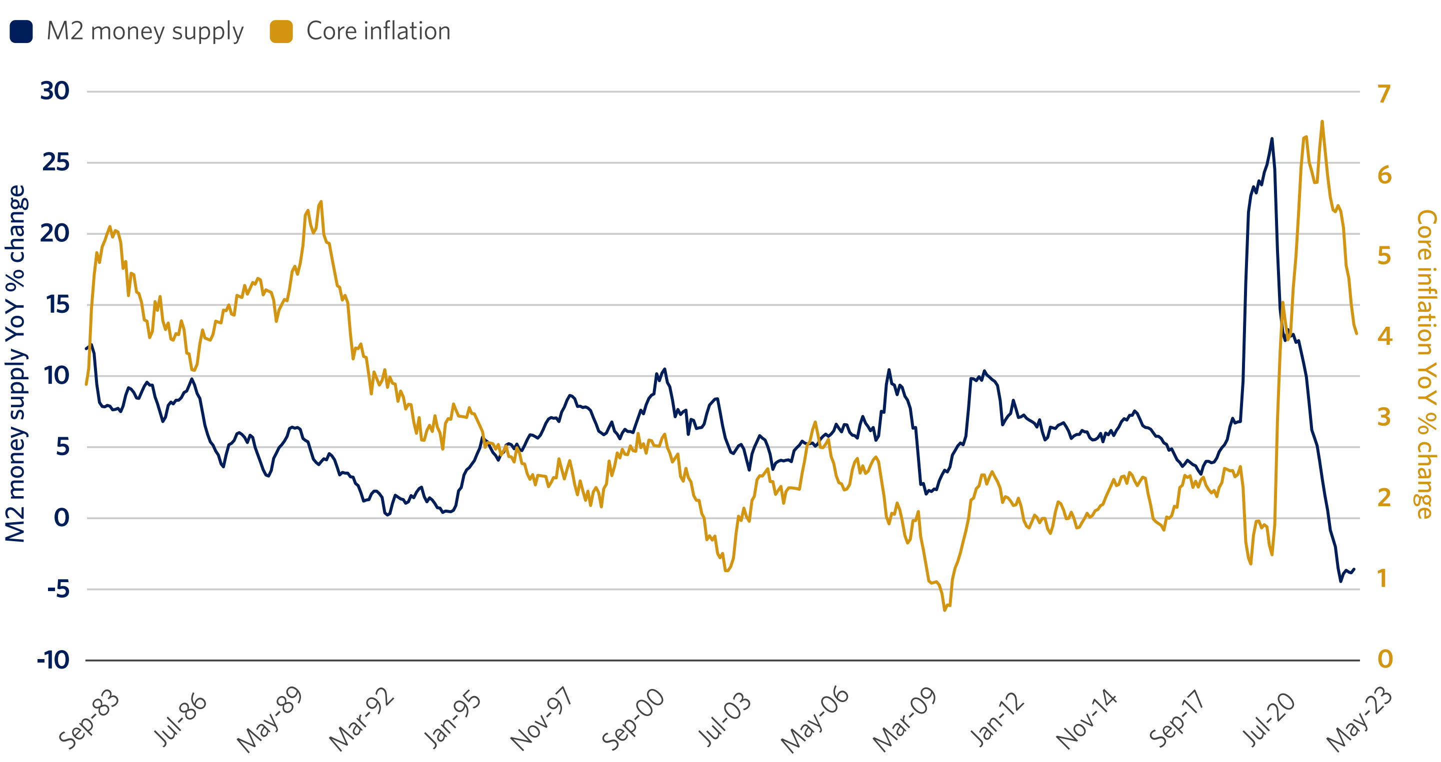
The silver lining of a deceleration in economic growth is that softer demand will exert further downward pressure on inflation. This, in turn, should enable the Fed to eventually cut interest rates to a more neutral level, acting as a sort of shock absorber that can help stave off a more severe recession.

What's more, if labor supply continues to increase alongside rising labor productivity, this can foster an environment where economic growth holds up while wage pressures and inflation continue to fall.

Goods prices have been declining in late 2023, including needed evidence of moderation in car prices. The fly in the ointment has been stubbornly sticky shelter (rents, homes) prices. We think relief is on the way: Recent data signal to us that housing prices may allow overall inflation to fall faster in 2024.

Much has been made recently of the drop in the money supply (known as M2), comparing this to conditions during the Great Depression of the 1930s. We think this assumption ignores that some contraction is prudent, given the explosion of the money supply following the COVID-19 pandemic. Tight monetary policy and a moderation in M2 are also working to help rein in inflation.

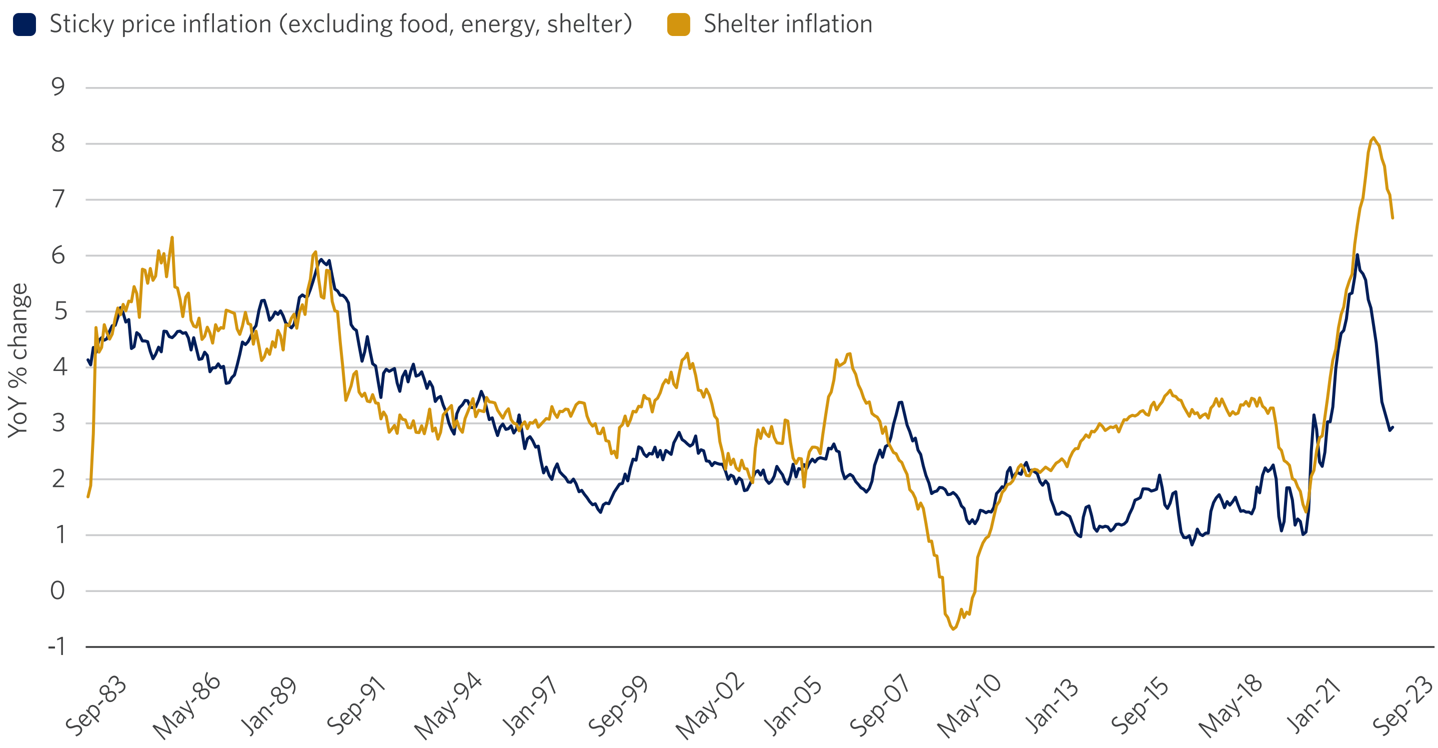
### M2 money supply and inflation




Source: Federal Reserve Economic Data. M2 money supply includes money in circulation and checkable deposits in banks (M1) plus savings deposits of less than $100,000 and money market mutual funds.

## Shelter, stickier consumer prices are moderating




Source: St. Louis Federal Reserve.

## 4. The Fed cuts rates later in 2024 to 4.5%–5%

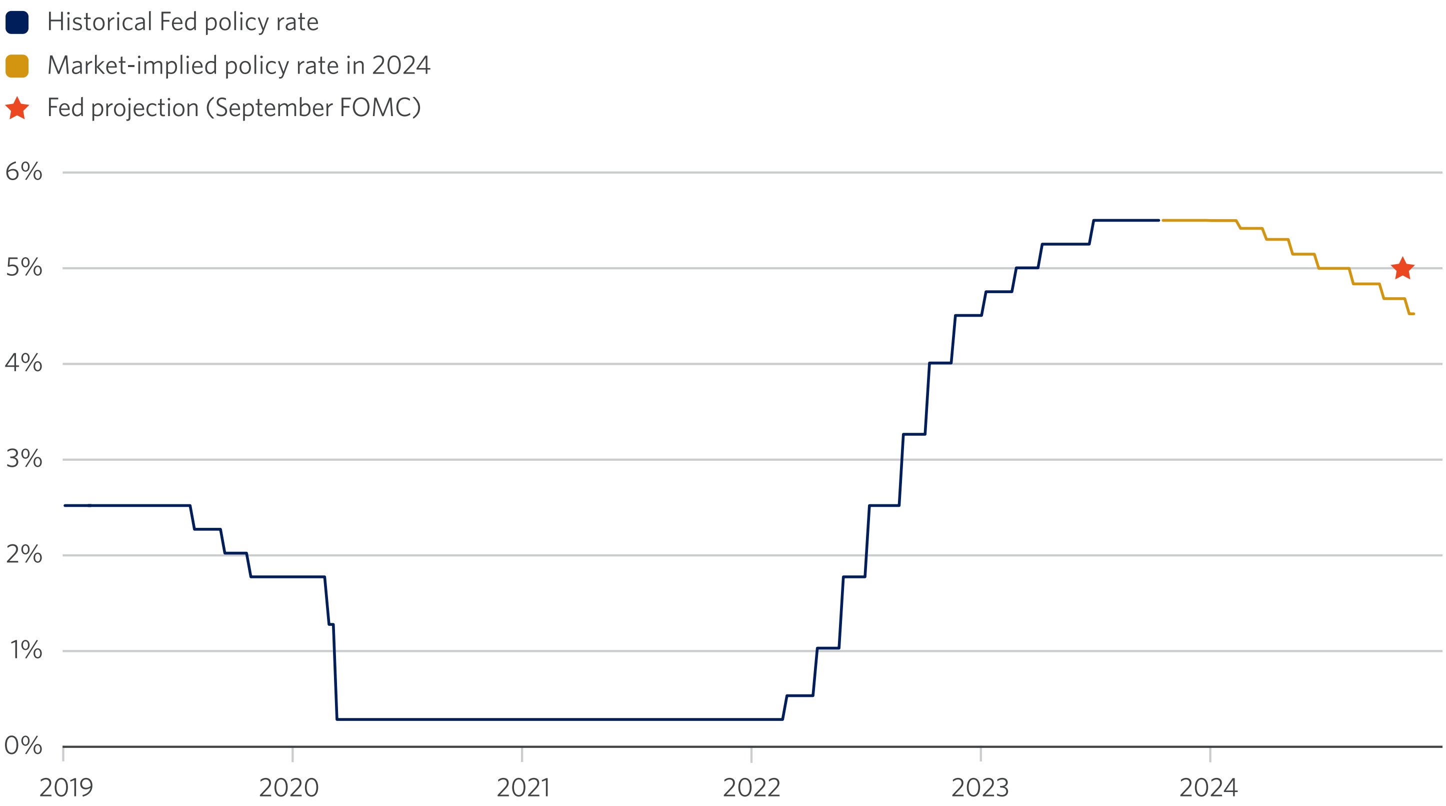
At the core of our outlook for equity and bond markets is the trajectory of Fed policy, which is set to undergo a notable shift in 2024. We believe that, after the most aggressive tightening campaign in 40 years, the hiking cycle is now complete.

The Fed will likely err on the side of caution, signaling an extended pause and keeping the Fed funds rate at 5.25%–5.5% in the first half of the year. But easing inflation pressures, a cooling labor market and a slowdown in growth will likely pave the way for interest rate cuts in the back half of 2024.

Policymakers will likely push back against expectations for aggressive cuts to ensure inflation returns to the Fed's 2% target. This push and pull between markets and the Fed could drive volatility. Yet if price pressures continue to ease as we expect, the real policy rate (after adjusting for inflation) will become more restrictive.

The Fed will likely try to offset this by cutting rates potentially more than the two times projected at the September 2023 Federal Open Market Committee (FOMC) meeting. We expect a modest easing in policy, with the extent depending on core inflation approaching the Fed's 2% target.

### The Fed will likely stay on pause before cutting rates later in 2024




Source: Bloomberg, September FOMC meeting projections.

## 5. The yield curve steepens, with the 10-year yield falling slightly below 4%

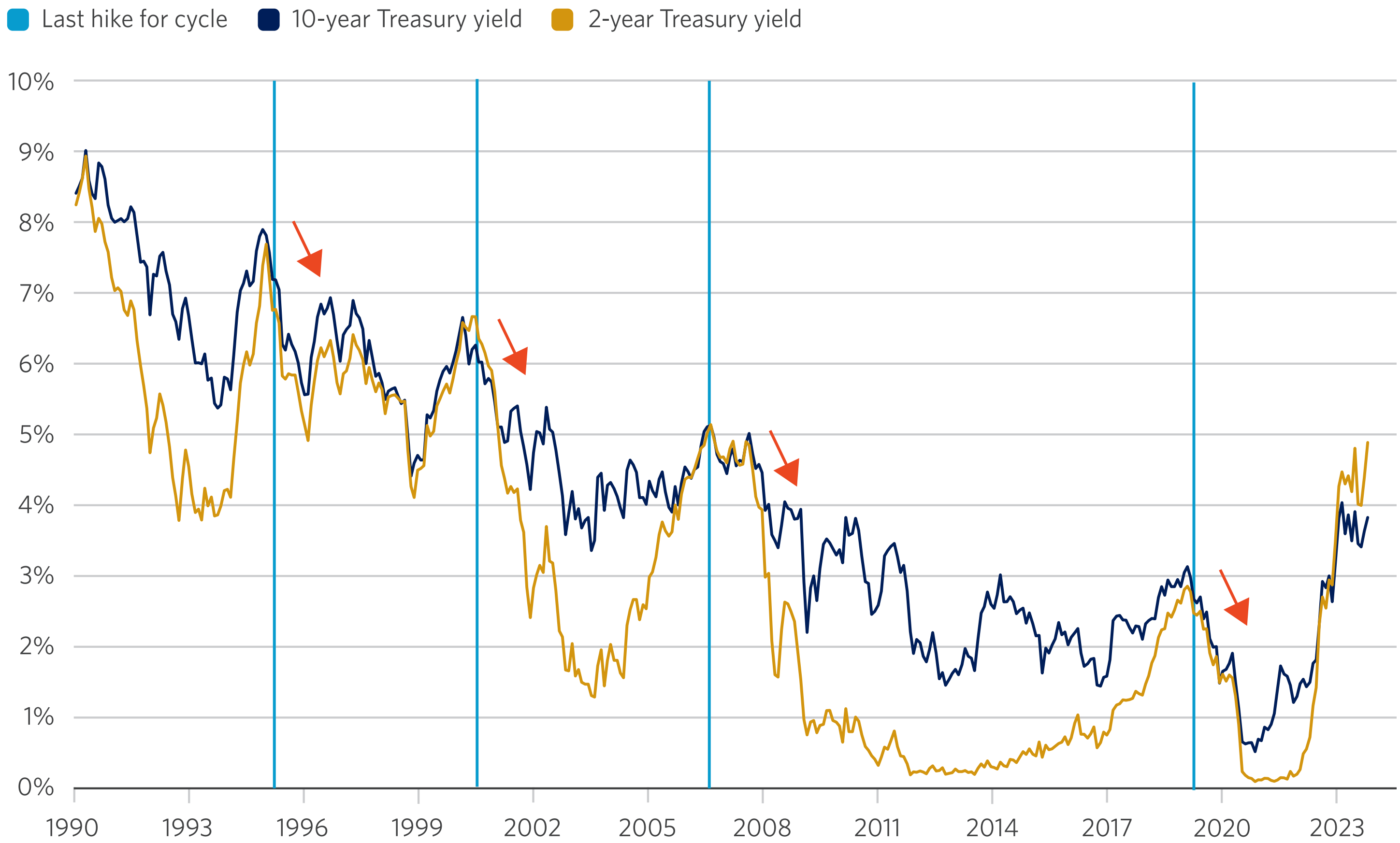
In 2023, an unexpectedly strong economy, the Fed's higher-for-longer messaging on interest rates and increased Treasury issuance for the expanding fiscal deficit pushed the 10-year Treasury yield to 5%, its highest point in 16 years. Subsequently, Fed-friendly data has supported a gradual bond recovery.

We think conditions are in place for the Fed to stop hiking rates, removing a major headwind to bond performance. We've seen seven major Fed tightening cycles over the past 40 years. In each, short- and long-term yields were lower six months after the last hike, declining about 1% on average.

While it's hard to pinpoint, we anticipate a similar trend this time, suggesting that last year's surge in interest rates might have marked the peak for this cycle. The Fed's policy-sensitive 2-year Treasury yield could fall more sharply, reflecting expectations for rate cuts, while the growth-sensitive 10-year yield could decline more modestly if a recession is averted.

The yield curve represents the difference between short- and long-term yields. We see the 10-year yield falling slightly below 4%, accompanied by a steepening yield curve. We think that after being inverted for the longest stretch since the early 1980s, the yield curve could turn positive.

### Short- and long-term yields tend to peak around the last Fed hike




Source: Bloomberg, Edward Jones.

## 6. Slower growth drives some volatility, but equities build on 2023's gains

After declining nearly 20% in 2022, the S&P 500 experienced a solid double-digit rebound in 2023, albeit driven by a narrow set of sectors and large-cap tech stocks. We believe the stock market has room to continue to build on 2023's gains and move higher.

These gains may come from corporate earnings growth, which we believe will accelerate to 5%–10% next year, and some valuation expansion, especially as interest rates continue to moderate. Keep in mind that the large-cap technology space, especially among the Magnificent 7 stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), likely has less scope for substantially higher valuations. The remaining stocks of the S&P 500, however, may offer better prospects for valuation expansion.

We would expect stock markets to end higher in 2024, but likely not without their fair share of volatility. Markets may not be able to ignore a potential economic slowdown, which we expect will emerge in the first half of the year. Absent a deep downturn, we believe markets can look past a slowdown to a period of growth ahead.

2024 is a presidential election year, which also can spark some headline volatility and near-term uncertainty. But historically, election years have been positive for the markets. Once the election is over, an overhang is lifted as well.

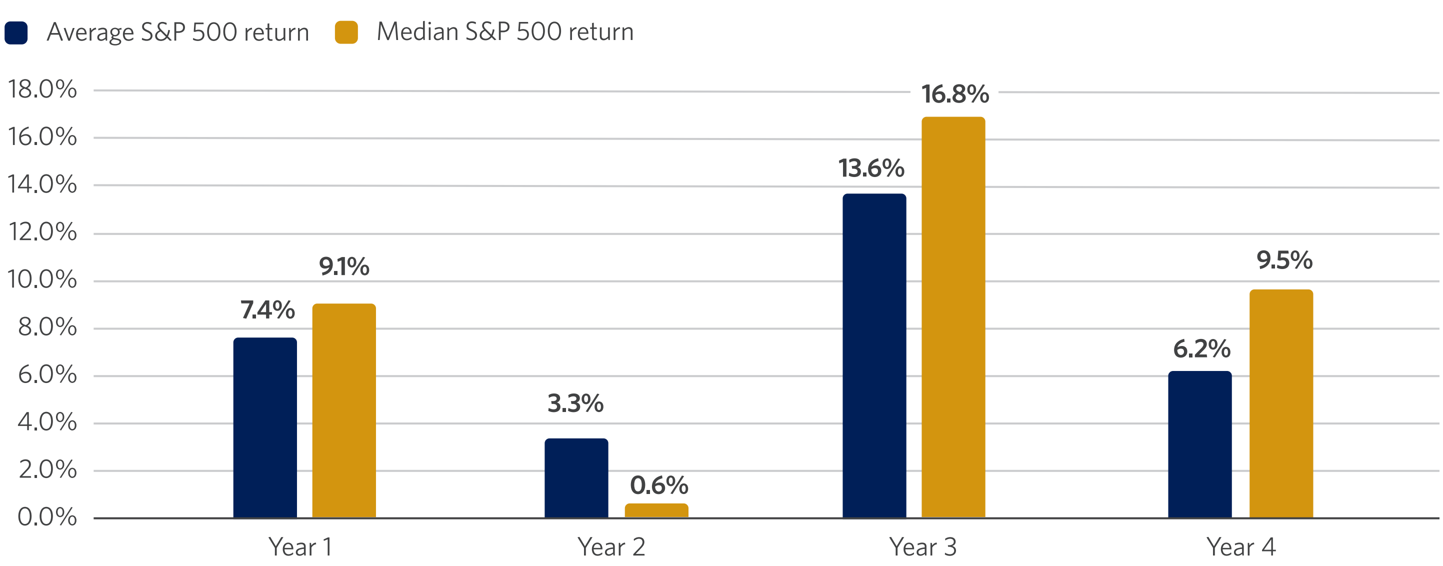
With Congress still divided, we would expect gridlock to remain in place in 2024, regardless of the election outcome. This typically means no new legislation or regulations are likely to get passed, which markets tend to favor as it makes the operating environment more favorable for companies.

Overall, we see a trifecta of fundamental factors that may favor market performance in 2024:

- Ongoing moderation in inflation
- The potential for Fed interest rate cuts
- A growth re-acceleration in the back half of the year

In our view, investors could use potential market volatility in 2024 to rebalance, diversify or add quality investments in the growth and value sectors, since we believe positive returns are likely in the year ahead.

### Presidential cycle returns by year, 1930–2023




Source: Bloomberg, Edward Jones. Four-year cycle assumes Year 1 is the first calendar year after the presidential election. Past performance does not guarantee future results.

## 7. Laggards play catch-up as we enter an early cycle of economic growth

If a key theme in the stock market for 2023 was narrow leadership — with the Magnificent 7 driving many of the gains — then perhaps we would view 2024 as the year when some laggards play catch-up.

We see this playing out in two phases of the economic cycle. Early in 2024, we would expect the economy to remain in the "late cycle and economic slowdown" phase. During this time, we would expect investors to gravitate toward parts of the market that have been working already, such as large-cap technology, and perhaps tilt a bit more defensively in sectors such as health care and staples.

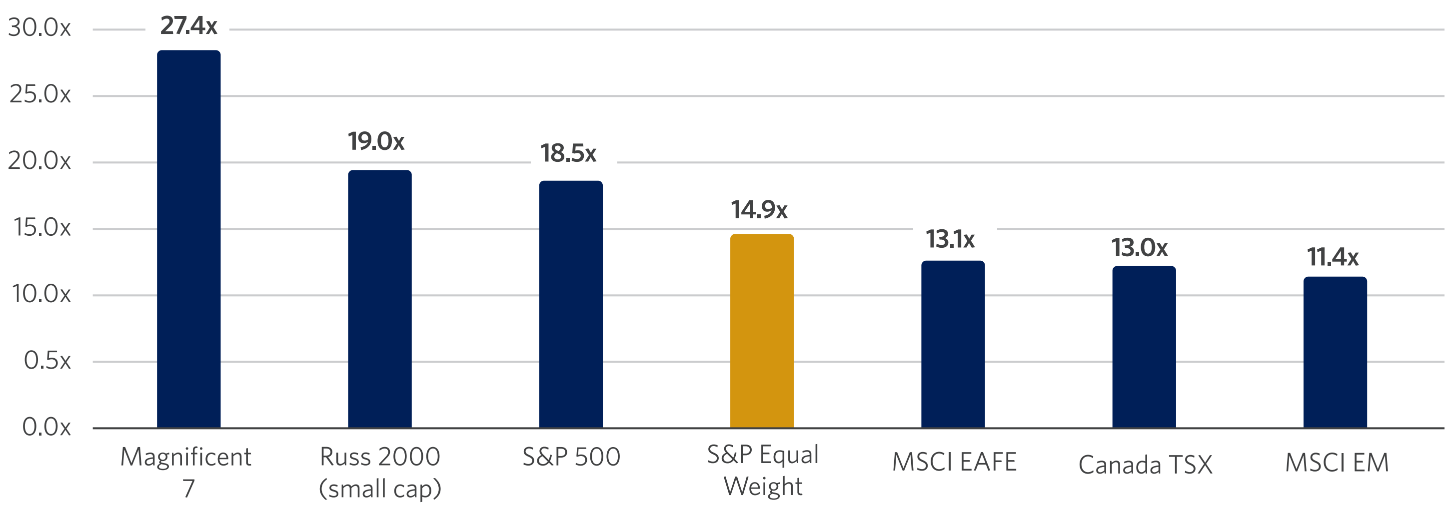
Once the late cycle or downturn is confirmed, markets may look quickly toward an early cycle economic recovery. This phase of economic growth is when we see the typical recovery playbook emerge: Leadership tends to be in areas such as small-cap stocks and cyclical parts of the market that are leveraged to economic growth, including industrials and consumer discretionary. International and emerging-market stocks may also lead, especially if global growth is rebounding.

We recommend complementing growth investments with some of these lagging assets, including cyclical sectors and small-cap stocks, which could play some catch-up this year. With generative artificial intelligence (AI) in the early innings of multiyear growth, we still view the large-cap technology space favorably. But we see diversification beyond technology more critical to portfolio returns in 2024.

The Magnificent 7 have enjoyed full valuations, perhaps somewhat justified given their consistent earnings growth overall. However, stocks outside large-cap technology may have a better chance for valuation expansion in the year ahead. As the economic cycle turns in 2024, so could stock market leadership.

### Valuations more reasonable outside large-cap tech

Fwd P/E




Source: Bloomberg, Edward Jones. Magnificent 7 stocks are Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Data as of 11/20/2023.

## 8. Bonds make a comeback, with cash giving up its lead

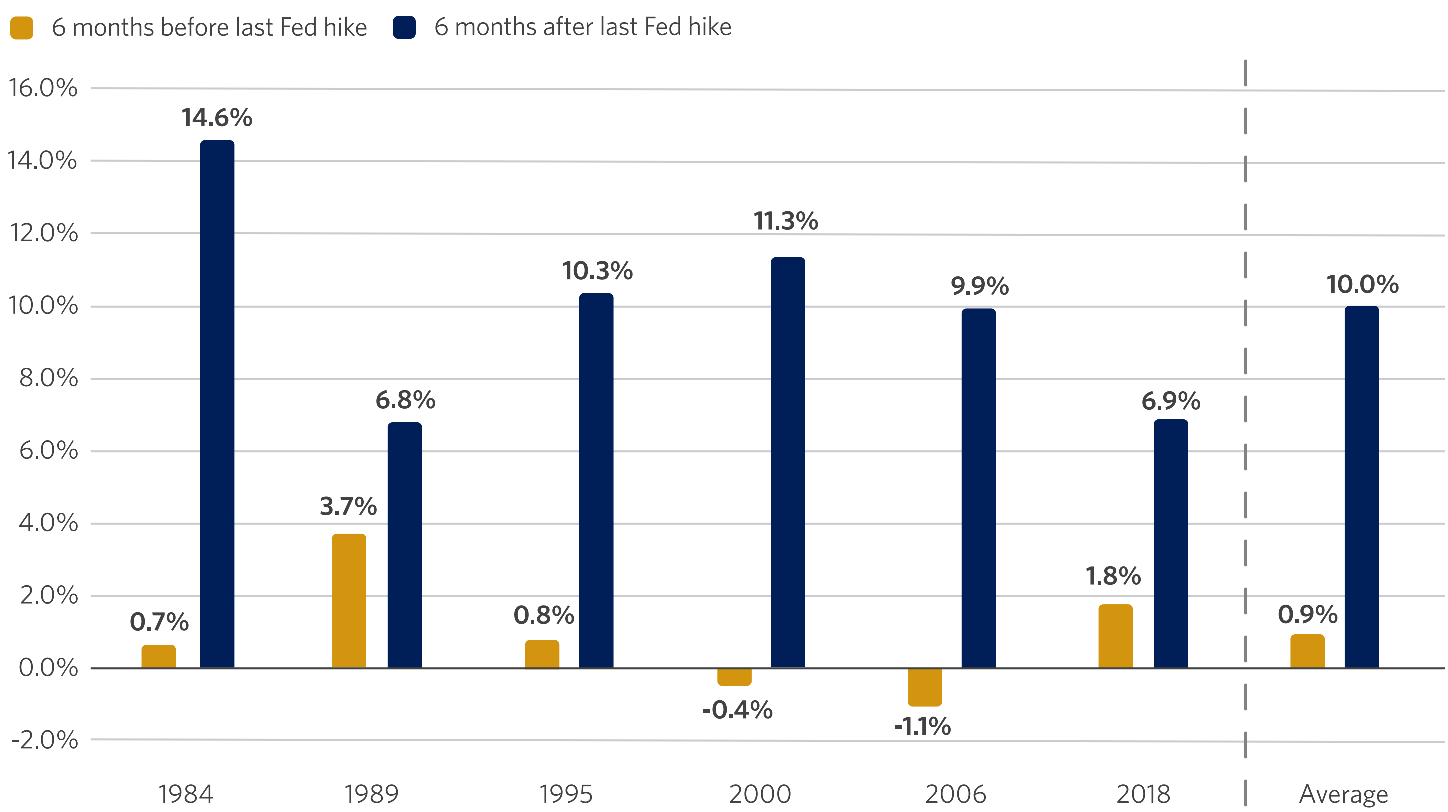
In 2023, cash outperformed investment-grade bonds for the third consecutive year, something that hasn't happened since the early 1980s. Despite the attractive yields in certificates of deposit (CDs) and short-term bonds, which carry little or no price risk, we see compelling opportunities in intermediate and long-term term bonds, which have higher sensitivity to interest rate changes.

The end of Fed tightening has historically meant above-average bond returns. An upcoming inflection point in the interest rate cycle, combined with historically attractive valuations, could mean cash will give up its lead in 2024. If the Fed pivots to lower rates later in 2024, we see an opportunity for investors to slightly extend the duration of their bonds.

If CDs represent an oversized part of a fixed-income portfolio, we recommend reducing the cash allocation or reinvesting the maturing principal into longer-maturity bonds. These bonds can help investors lock in the historically high yields for a longer period. They also may appreciate as the Fed makes further progress toward its 2% inflation target.

On the credit side, spreads have remained contained thus far but could widen if growth cools as we expect. We recommend moving credit exposure to shorter maturities, therefore reducing credit risk.

### Bond performance around the end of major Fed tightening cycles




Source: Morningstar Direct, Edward Jones. Past performance is not a guarantee of future results.

## 9. International economies diverge, with a softer dollar likely the common thread

We believe European and Canadian economic growth could stall in 2024, with the potential for a brief, mild recession. In Europe, higher interest rates have weighed on economic activity across the region, particularly within the manufacturing sector. Despite the impact of central bank rate hikes and slowing growth, inflation remains above central bank targets.

In the United Kingdom, CPI inflation excluding food and energy rose by more than 6% year over year in October 2023. Additionally, measures of U.K. wage growth have been slow to moderate, rising more than 7% year over year in late 2023. If this situation remains, it could lead to stubbornly high inflation and force central banks to keep rates higher for longer.

In Canada, household debt levels have risen to over 100% of GDP. Additionally, more variable and short-term mortgages make households susceptible to higher interest rates. As Canadians spend a greater portion of their household income on debt payments, we believe consumer spending and loan growth in Canada could slow in 2024, weighing on economic growth.

Economic growth in China and Japan could fare better. In China, deflationary and property sector concerns have led policymakers to enact stimulus measures to help bolster economic and financial market activity. While risks remain, we believe the enacted stimulus could offer support to the Chinese economy in 2024.

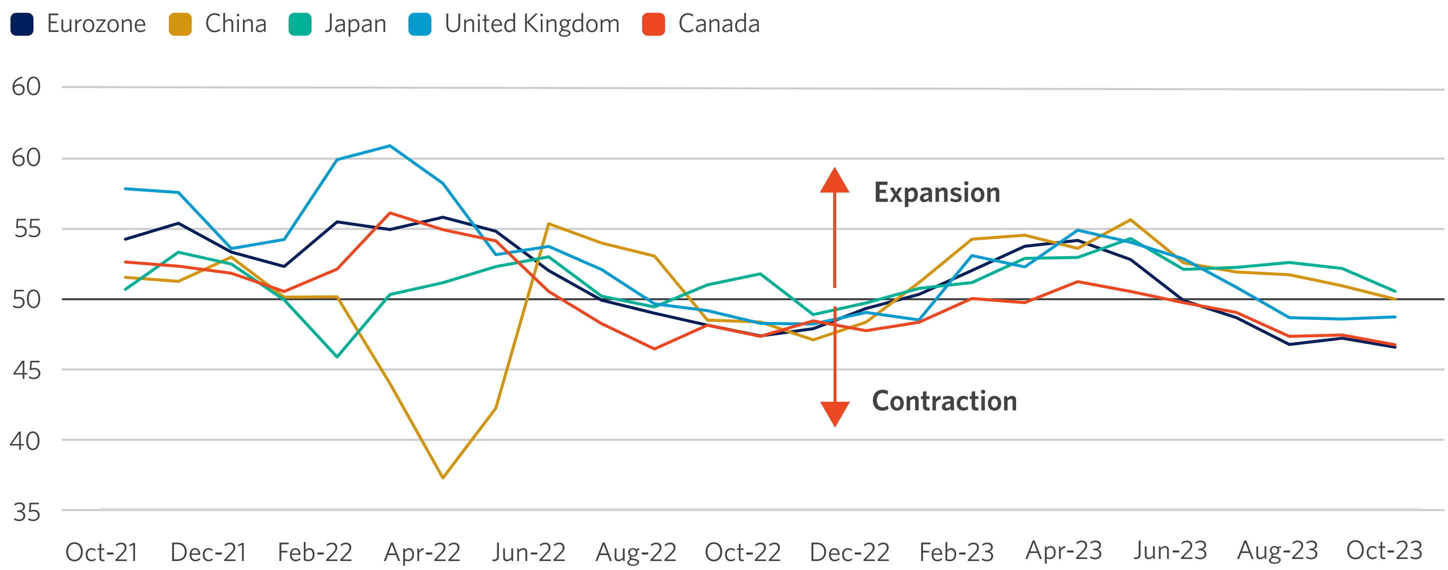
In Japan, inflation is higher by historical standards but has been contained, with headline CPI peaking at 4.4% in January 2023. Some inflation is likely welcome for Japan after it struggled to fight off deflationary pressures for much of the past three decades. While higher inflation could weigh on consumer confidence and spending, still-accommodative policy, steady wage growth and a tight labor market could help offset these headwinds in 2024.

In a diverging world, one common thread might be a gradually softening U.S. dollar. The Fed hiked interest rates further and more aggressively than other central banks. This tilted interest rate differentials between the U.S. and other countries in favor of the dollar.

As the Fed pivots to rate cuts in late 2024 and with more room to ease, the case for a stronger dollar weakens. A softer dollar — together with discounted valuations and higher dividend yields — supports the case to maintain an appropriate allocation in international equities.

## S&P Global Composite PMIs




Source: FactSet, S&P Capital IQ.

## 10. Real estate, the election and geopolitics spur bouts of market weakness

A view that gained popularity amid 2023's banking turmoil was that a coming crash in commercial real estate would trigger a larger financial and market crisis. We don't subscribe to this view, but we do think a slowdown in economic activity will bring some credit stress, with commercial real estate becoming more of a sore spot in the credit cycle. We expect overall loan delinquencies and losses to rise in 2024, with the shifting post-pandemic real estate landscape possibly exerting the most pressure on commercial property prices and loan performance.

All that said, we don't think this will spill over into a larger credit crunch that inflicts wider economic damage. Commercial real estate investment and prices haven't experienced the same mania as residential housing did in the late 2000s. Instead, we think some evidence of deteriorating credit conditions could resurface worries about loan losses for the banking sector and resulting capital constraints. This could spark an episode of volatility in the broader markets, although we doubt it will be a repeat of the bank failure turmoil experienced in March 2023.

We believe any such episode would be short-lived and likely centered more on small and regional banks, which account for nearly three-quarters of commercial real estate lending. We think this will also show up in a moderate widening of credit spreads this year. This supports our recommendation for an underweight exposure to credit risk within investment-grade bond allocations.

2024 is an election year, of course, but history shows that the partisan outcomes of U.S. presidential elections don't play a material or lasting role in dictating market performance. This won't, however, prevent stocks from going through a spate of indigestion leading up to the 2024 election.

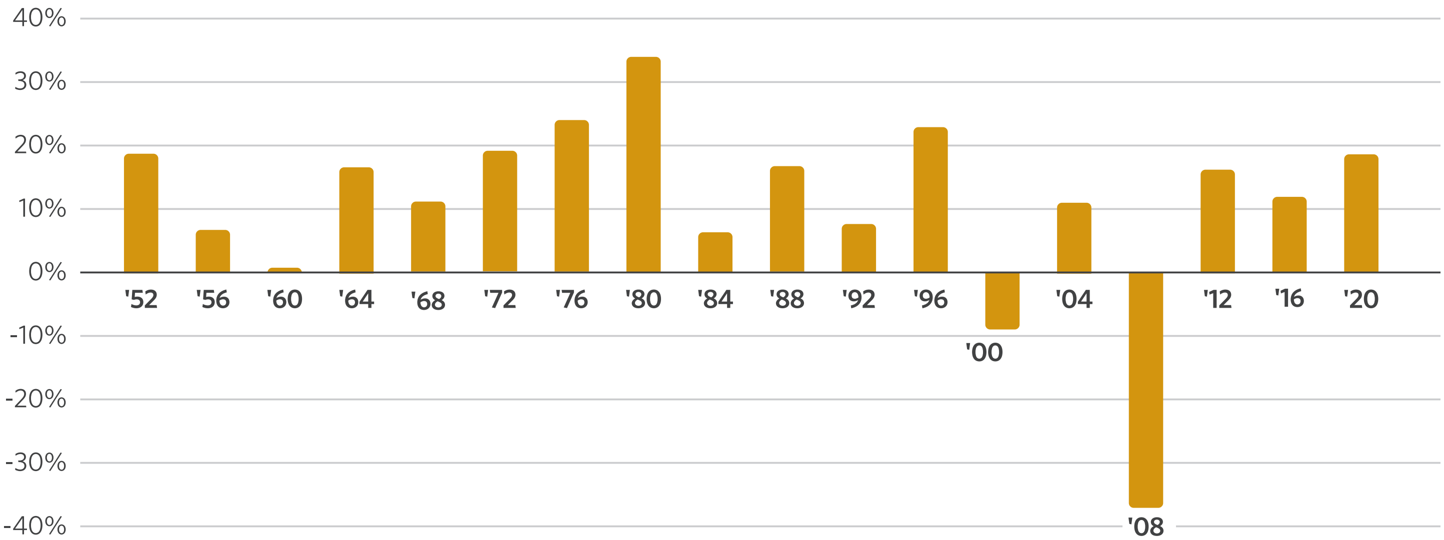
This is not to downplay the importance of our democratic process or the office. Instead, it recognizes the lesson we believe history teaches every four years: Markets will be guided by the path of the broader economy, earnings and interest rates, rather than the outcome on election day.

That said, we doubt the election will clear the gridlock in Washington, which offers a potential silver lining for markets by reducing the likelihood of new, sweeping regulation. At the same time, the longer-term geopolitical backdrop still hangs in the balance, as the president will likely further shape the tone with China and global alliances. Given the ongoing wars occurring overseas, we believe geopolitical tensions will be the source of temporary but noticeable weakness in 2024.

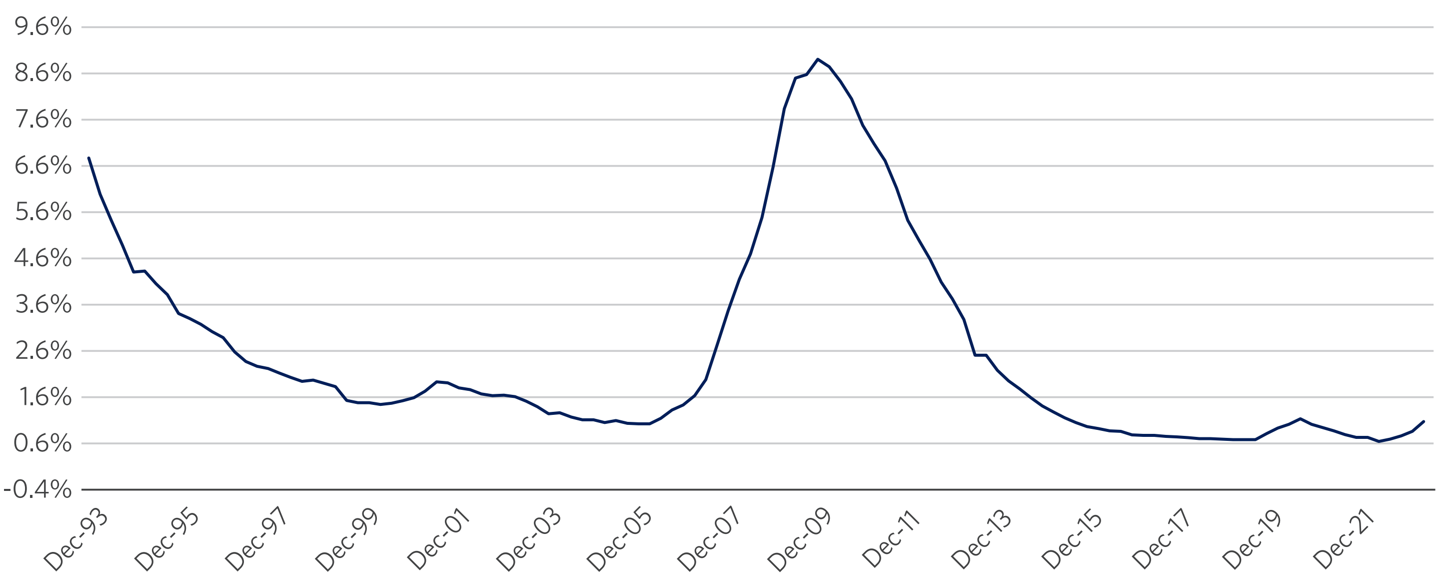
Equity markets are likely to react to political headlines, but any election-driven weakness will, in our view, prove fleeting. To us, this would present a compelling buying opportunity ahead of markets reconnecting to what we expect will be a time at which the economy and corporate earnings cycles are looking up.

## Stock market performance in election years




Source: FactSet, S&P 500 Index. Past performance is not a guarantee of future results.

## Delinquency rates on commercial real estate loans




Source: FactSet.

## Planning strategies and considerations for 2024

While the markets, the economy and life in general can be unpredictable, having a plan can help you navigate this uncertainty and achieve your goals. Below are a few items to consider when reviewing and updating your plan for 2024.

### Moderating inflation but elevated expenses

Although we anticipate inflation will slow in 2024 and are starting to see some early indications, some prices are still higher than a year ago. Consequently, some of your expenses may have increased, and you may have had to dip into your emergency cash or take on debt to cover your expenses.

- **Review your budget.** Make sure you're still living within your means. Look for opportunities to adjust your spending if needed.
- **Replenish your retirement spending account.** We recommend retirees maintain 12 months' worth of withdrawals from their investment portfolio in cash and an additional three to five years' worth of withdrawals in CDs and short-term fixed income. Ensure you've set enough aside to meet your upcoming spending needs.
- **Replenish your emergency cash.** If you spent from your emergency cash fund or simply want to build it up, we recommend having three to six months' worth of total expenses in cash or cash equivalents for emergency needs.

### Stabilizing rates but higher costs of borrowing

Interest rates have risen over the past year, which could present some challenges.

- **Review your debt.** Higher interest rates mean a higher cost of borrowing for those with new loans or variable interest rates (as with most credit cards). Make sure you're building minimum payments for your debt into your budget. Where possible, consider making extra payments to pay down high-interest debt.
- **Review your student loans.** Those with federal student loans saw payments resume in late 2023. Visit studentaid.gov/loan-simulator if you're having trouble with your student loan payment.

### Investment opportunities and retirement savings

Higher interest rates may have affected your debt, but they also bring investment opportunities to consider.

- **Review your cash and cash equivalents.** The increased interest rates on savings accounts, CDs and annuities could provide near-term opportunities. That said, while rates may look attractive today, we recommend ensuring you have the appropriate amount in cash relative to your emergency savings and spending needs.

  Aside from emergency savings and retirement spending, we don't recommend holding more than 5% in cash for longer-term goals such as retirement. You may be looking only for the highest yield. But remember to review an instrument's liquidity and duration to avoid a potential cash crunch should you need to access your funds early.
- **Don't forget about annuities.** Payout rates for annuities have increased. This could be an attractive solution if you're looking for a consistent lifetime income stream to help cover your necessary expenses. When evaluating an annuity, it's important to consider how inflation may impact your fixed payments over the long term.
- **401(k) access for part-time employees —** Beginning in 2024, employees who are at least 21 years old and have at least 500 hours of service for three consecutive years must be eligible to contribute to a 401(k) if one is offered by their employer. Review your situation to see if this could provide you or a family member with an opportunity to participate in a 401(k).

| | 2023 | 2024 |
|---|---|---|
| **401(k) and 403(b) contribution limits** | | |
| Elective deferrals | $22,500 | $23,000 |
| Catch-up contributions (age 50+) | $7,500 | $7,500 |
| **Roth and traditional IRA contribution limits** | | |
| IRA contribution limit | $6,500 | $7,000 |
| IRA catch-up contributions (age 50+) | $1,000 | $1,000 |
| **Roth IRA eligibility complete phase-out (no contribution) — modified adjusted gross income (MAGI)** | | |
| Single or head of household | $153,000 or above | $161,000 or above |
| Married filing jointly | $228,000 or above | $240,000 or above |
| Married filing separately (living with spouse) | $10,000 or above | $10,000 or above |
| **SIMPLE IRA contributions*** | | |
| SIMPLE IRA contribution limits | $15,500 | $16,000 |
| Catch-up contributions (age 50+) | $3,500 | $3,500 |
| **Health savings account (HSA)** | | |
| Single coverage | $3,850 | $4,150 |
| Family coverage | $7,750 | $8,300 |
| Catch-up contributions (age 55+) | $1,000 | $1,000 |

*Participants of eligible SIMPLE plans can contribute 110% of normal contribution limits, including catch-up contributions.

- **Take advantage of higher retirement contribution limits —** As you review your financial situation and potential investment and saving opportunities, check your budget to determine whether you can take advantage of these increased limits.
- **Employer matching contributions on qualified student loan payments —** Beginning in 2024, employers are allowed to make matching employer plan contributions for qualified student loan payments. Availability depends on the terms of your company plan. Check with your plan administrator regarding eligibility.
- **RMDs eliminated for Roth employer plans —** Beginning in 2024, required minimum distributions (RMDs) are no longer required from Roth employer plan accounts for the original account owner. Individuals who turned 73 in 2023 and waited until April 1, 2024, to take their 2023 RMD must still take the 2023 amount by April 1.

## Historically low tax rate environment

While the current individual income tax environment is historically low, talk with your tax advisor and financial advisor about whether any of the following apply.

- **Increase in taxable income —** Due to the strong economy, some may have benefited from an increase in income. If you had a meaningful increase to your income, review your situation to plan for any potential federal or state income tax liability.
- **Large income event —** If you plan to sell a business, exercise stock options or potentially gain excess income at retirement, review the timing of the transaction given that the current rates resulting from the Tax Cuts and Jobs Act (TCJA) of 2017 are set to sunset at the end of 2025, barring additional legislation.
- **Monitor RMDs for inherited IRAs subject to the 10-year rule —** In 2023, the IRS proposed regulations that would require RMDs to be taken during the 10-year period when the original account owner passed away after their RMD beginning date. If final regulations are issued in 2024, impacted inherited IRAs may need to begin RMDs this year.

## Gift and estate considerations

- **Annual gifts —** The annual gift exclusion increased to $18,000. This could provide additional opportunities for lifetime gifts.
- **Qualified charitable deduction (QCD) —** As a result of SECURE 2.0, individuals 70½ or older can exclude up to $105,000 of QCDs from taxable income in 2024.
- **Estate plan —** Review your estate plan to ensure it aligns with your wishes and beneficiary designations are up to date. Also, ensure it is drafted with flexibility to take advantage of the current estate tax environment.
- **Use of gift and estate lifetime exemption —** If you plan to make a large lifetime gift, speak with your tax and legal advisors to determine whether you should use a portion of your lifetime exemption. The 2024 exemption of $13.61 million per individual is scheduled to be reduced by roughly half at the end of 2025.
- **State estate taxes —** Although the federal estate and gift tax exemption is large, many states have put transfer taxes in place. Ensure your estate plan accounts for state tax obligations.

## 4 actions you can consider based on our outlook

1. **Review the starting point of your portfolio's design.** Your investment strategy should balance your comfort with risk, time horizon and financial goals. Therefore, we consider the long-term target allocations of your investment strategy a neutral starting point for the design of your portfolio.

   Because we expect markets to remain sensitive to economic trends as growth softens, consider aligning your portfolio with your strategic asset class targets. Doing so can help you navigate potential volatility while staying positioned to take advantage of timely market opportunities as they appear.

2. **Double down on diversification.** As we've discussed, in 2023 markets were led by a narrow set of growth-oriented mega-cap stocks. Given our view that performance is likely to be more balanced as we progress, we recommend a deeper focus on diversification.

   Talk with your financial advisor about our strategic asset allocation guidance, which highlights our recommendation to allocate across 11 asset classes. This guidance can help ensure you're positioned to benefit from diversification and a more broad-based, sustained move higher in the months ahead.

3. **Consider timely portfolio positioning across equity sectors.** While we expect economic and consumer strength to moderate in 2024, recent trends have shown some resiliency.

   We expect consumer spending and moderating inflation to support sectors such as communication services and consumer discretionary, which we recommend overweighting in your portfolio. Consider underweighting financial services, given our concerns within commercial real estate, tighter credit standards and our belief that interest rates are likely headed lower.

4. **Target slightly higher allocations to long-term bonds and lower credit risk.** If economic growth and inflation cool in the coming months, as we expect, interest rates are likely to drift lower, and credit spreads may widen. In this environment, we recommend reducing overweight allocations to cash and short-term bond investments, which can help lower reinvestment risk.

   Consider re-allocating toward high-quality long-term bonds to help lock in the benefits of today's higher yields. Also, favoring shorter maturities within corporate bond allocations can help limit credit risk.

**Talk with your financial advisor about our outlook, which drives our timely portfolio guidance. Consider how incorporating this guidance into your portfolio can help you prepare for the year ahead.**

Investing in equities involves risks. The value of your shares will fluctuate, and you may lose principal.

Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

Systematic investing does not guarantee a profit or protect against loss. Investors should consider their willingness to keep investing when share prices are declining.

Diversification does not ensure a profit or protect against loss in a declining market.

## Opportunistic portfolio guidance

Our opportunistic asset allocation guidance represents how we recommend positioning your portfolio across asset classes, based on current market conditions and our global outlook, while helping you stay appropriately diversified and within your comfort with risk. A neutral position indicates we recommend aligning your portfolio with your long-term strategic target allocations.

### Opportunistic asset allocation guidance

| | Underweight | Neutral | Overweight |
|---|---|---|---|
| **Equity** | • | ● | • |
| U.S. large-cap stocks | • | ● | • |
| International large-cap stocks | • | ● | • |
| U.S. mid-cap stocks | • | ● | • |
| U.S. small-cap stocks | • | ● | • |
| International small- and mid-cap stocks | • | ● | • |
| Emerging-market equity | • | ● | • |
| **Fixed income** | • | ● | • |
| U.S. investment-grade bonds | • | ● | • |
| U.S. high-yield bonds | • | ● | • |
| International bonds | • | ● | • |
| Emerging-market debt | • | ● | • |
| Cash | • | ● | • |

Source: Edward Jones.

Our opportunistic equity sector guidance represents how we recommend positioning across sectors within the U.S. equity allocations of your portfolio, based on current market conditions and our global outlook over the next six to 12 months. The guidance is relative to the sector weights of the S&P 500.

## Opportunistic equity sector guidance

| | Underweight | Neutral | Overweight |
|---|---|---|---|
| Communication services | · | · | ● |
| Consumer discretionary | · | · | ● |
| Consumer staples | · | ● | · |
| Energy | · | ● | · |
| Financial services | ● | · | · |
| Health care | · | ● | · |
| Industrials | · | ● | · |
| Materials | · | ● | · |
| Real estate | · | ● | · |
| Technology | · | ● | · |
| Utilities | · | ● | · |

Source: Edward Jones.

Our opportunistic U.S. investment-grade bond guidance represents how we recommend positioning across maturities and sectors within your higher-quality bond allocations, relative to the Bloomberg U.S. Aggregate Bond Index. Longer-term bonds generally carry more interest rate risk than shorter-term bonds. Corporate bonds have more credit risk than U.S. government bonds.

## Opportunistic U.S. investment-grade bond guidance

| | Underweight | Neutral | Overweight |
|---|---|---|---|
| Interest rate risk | · | · | ● |
| Credit risk | ● | · | · |

Source: Edward Jones.

## Investment performance benchmarks

It's natural to compare your portfolio's performance to market performance benchmarks, but it's important to put this information in the right context and understand the mix of investments you own. Talk with your financial advisor about any next steps for your portfolio to help you stay on track toward your long-term goals.

*As of Dec. 11, 2023*

**Asset class performance**

| Total returns | 2023 | 3-year | 5-year |
|---|---|---|---|
| Cash | 4.8% | 2.1% | 1.9% |
| U.S. investment-grade bonds | 2.7% | -4.1% | 0.8% |
| U.S. high-yield bonds | 10.1% | 1.3% | 4.3% |
| International bonds | 6.2% | -1.9% | 1.2% |
| Emerging-market debt | 5.8% | -3.8% | 1.4% |
| U.S. large-cap stocks | 22.3% | 9.8% | 13.8% |
| International large-cap stocks | 13.0% | 3.4% | 7.0% |
| U.S. mid-cap stocks | 11.8% | 5.1% | 10.4% |
| U.S. small-cap stocks | 8.5% | 0.8% | 7.0% |
| International small- & mid-cap stocks | 8.7% | -0.8% | 5.1% |
| Emerging-market equity | 4.2% | -5.8% | 2.7% |

**U.S. equity sector performance**

| Total returns | 2023 | 3-year | 5-year |
|---|---|---|---|
| Consumer discretionary | 37.7% | 3.7% | 11.9% |
| Consumer staples | -2.0% | 5.3% | 8.7% |
| Energy | -3.9% | 32.0% | 10.8% |
| Financials | 7.8% | 10.7% | 10.6% |
| Health care | -0.9% | 7.7% | 9.8% |
| Industrials | 13.4% | 9.2% | 12.3% |
| Information technology | 54.0% | 16.1% | 25.0% |
| Materials | 7.8% | 7.3% | 12.2% |
| Communication services | 48.8% | 3.0% | 11.3% |
| Utilities | -7.3% | 4.1% | 5.7% |
| Real estate | 5.5% | 5.2% | 5.9% |
| **S&P 500** | **22.3**% | **9.8**% | **13.8**% |

Source: Morningstar Direct, 12/11/2023. Cash represented by the Bloomberg US Treasury Bellwethers 3-Month index. U.S. investment-grade bonds represented by the Bloomberg US Aggregate index. U.S. high-yield bonds represented by the Bloomberg US HY 2% Issuer cap index. International bonds represented by the Bloomberg Global Aggregate Ex USD hedged index. Emerging-market debt bonds represented by the Bloomberg Emerging Market USD Aggregate Index. U.S. large-cap stocks represented by the S&P 500 Index. Developed international large-cap stocks represented by the MSCI EAFE index. U.S. mid-cap stocks represented by the Russell Mid-cap index. U.S. small-cap stocks represented by the Russell 2000 Index. International small- and mid-cap stocks represented by the MSCI EAFE SMID index. Emerging-market equity represented by the MSCI EM index. All performance data reported as total return. An index is unmanaged and is not available for direct investment. Performance does not include payment of any expenses, fees or sales charges, which would lower the performance results. The value of investments fluctuates, and investors can lose some or all of their principal. Past performance does not guarantee future results.