



# Market Intel Exchange

Market data and insights from Lincoln and industry asset management partners

As of 8/31/2024

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value



# Market intelligence, made easy

Saving you time.

Helping you stay informed.

Providing you valuable insights.

Market Intel Exchange.

2024 was the second-best six month start to a presidential election year for the S&P 500 since 1928 (+15.3%).



Historically, when the index finished the first half of an election year in positive territory, the remaining six months gained on average 7% (see page 16).

*Did you know?*

A special *thank you* to this quarter's featured contributors:

**BlackRock**

 **CAPITAL GROUP** | **AMERICAN FUNDS**

**ClearBridge**  
Investments

 **Dimensional**

 **FRANKLIN TEMPLETON**

**HARTFORDFUNDS**  
Our benchmark is the investor.®

 **Invesco**

**J.P.Morgan**  
Asset Management

 **MACQUARIE**

 **MFS**

**PIMCO**

 **Putnam**  
INVESTMENTS

# What has happened when the Fed cuts rates?

S&P 500 12-month average performance following first cut: Cycles since 1965



### Historical Fed rate cut cycle insights



There have been 12 U.S. rate cutting cycles since 1965...



Stocks have on average delivered a modest 5% return in the 12 months following the initial cut...



However, when a recession was avoided during those 12 months, average returns were 18% higher (15% vs. -3%) than when a recession occurred.

### What is this chart showing?

This chart shows average S&P 500 returns in the twelve months following the first rate cut by the U.S. Federal Reserve in previous cycles.

### Why is it important?

Based on recent messaging from the Fed, a pivot in policy may be on the horizon.

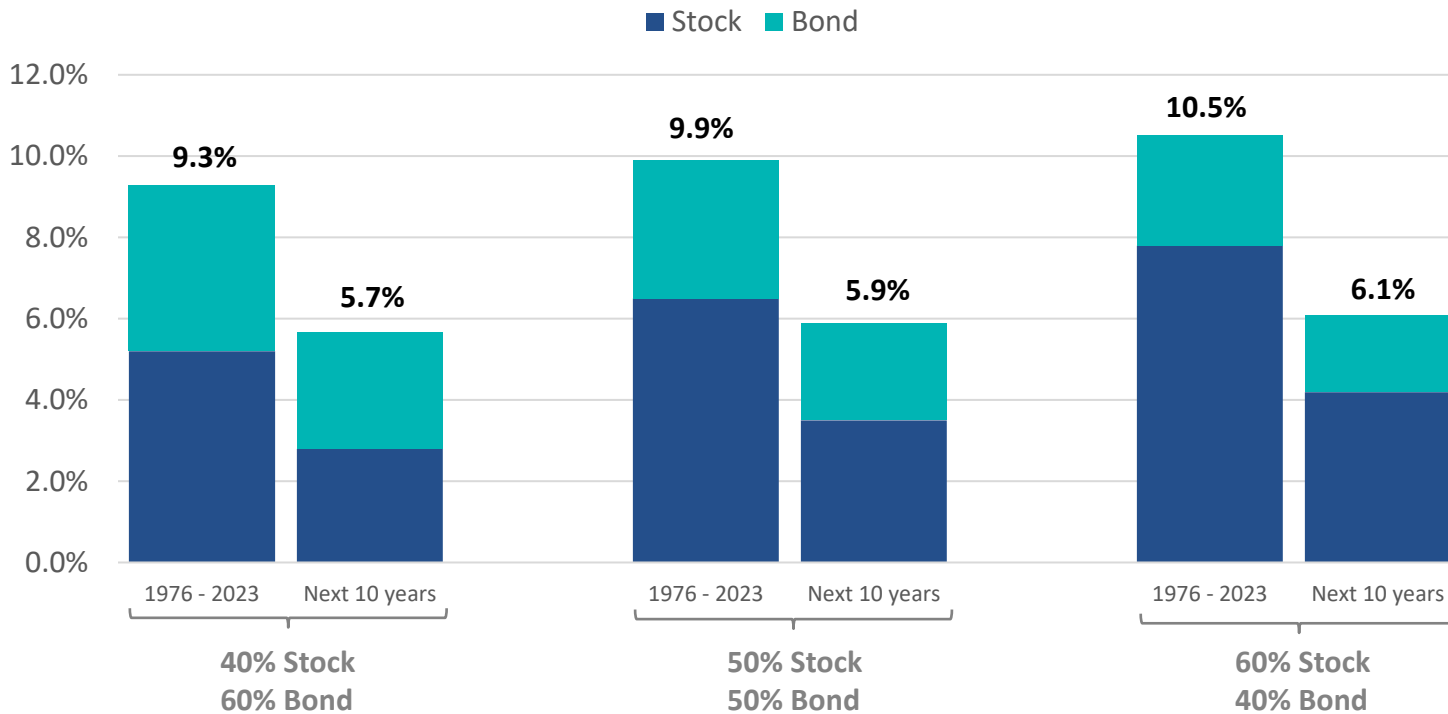
What this could mean for equity markets is likely to come down to the state of the U.S. economy.

History shows that on average, returns in the twelve months following the first rate cut are positive, but roughly half the long-term average of stocks.

However, there is a stark difference in results during times where the economy avoided a recession throughout these twelve months, versus those when a recession occurred.

Source: Federal Reserve, NBER, Bloomberg Finance L.P. Analysis provided by J.P. Morgan as of December 11, 2023. Analysis incorporates cutting cycles that began in: Nov '66, Aug '69, June '74, May '81, Oct '84, Jun '89, Jul '95, Sep '98, Jan '01, Sep '07, Jul '19, and Mar '20. Recession is determined by an NBER-defined contraction that occurred within 12 months of the first cut, excluding the 2019 cycle preceding the COVID-19 pandemic. Past performance does not guarantee future results.

# Balanced portfolio return expectations



Capital market expectations	U.S. stocks	U.S. bonds
J.P. Morgan Asset Management	8.19%	5.19%
Goldman Sachs Asset Management	7.30%	4.70%
BlackRock	6.56%	4.54%
State Street	5.90%	4.70%
<b>Average</b>	<b>6.99%</b>	<b>4.78%</b>

## What is this chart showing?

This chart shows the average historical return of balanced portfolios compared to the projected 10-year future return of similarly weighted portfolios. Future returns are based on the average of capital market expectations from several of our asset management partners.

## Why is it important?

Understanding what future returns may look like relative to the past can help inform investment decisions and provide a valuable input for planning purposes.

Stocks are represented by the S&P 500 Index. Bonds are represented by the Bloomberg U.S. Aggregate Bond Index.

You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures. **Past performance is not indicative of future returns. This market forecast is based on the latest forward-looking expectations from select fund partners and is not intended as a recommendation to invest in any particular asset class or strategy or as a promise — or even estimate — of future performance.**

Source: Morningstar, S&P, Bloomberg. Data as of August 31, 2024. Portfolios 1976-2023 represent average calendar year weighted return of various mixes from 40%-60% S&P 500 TR to 60%-40% Barclays US Aggregate Index; Next 10 years = Average Equity and bond returns based on capital market expectations shown in the table. Core equity = US Equity, Core bonds = US aggregate bonds. **See Additional Information for more information.**

# Additional information

## Index descriptions

**S&P 500 Index** is a market-cap weighted index that measures the performance of 500 widely held large capitalization stocks in the U.S. equity market. It is regarded as the best gauge of the U.S. equity market.

**Russell 2000 Index** measures the performance of the small cap segment of the U.S. equity universe. It is a subset of the Russell 3000.

**MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that measures equity market performance in large and mid cap representation across 27 emerging market countries.

**MSCI EAFE Index** is a free float-adjusted equity index that captures large and mid cap representation across 21 developed market countries, excluding the U.S. and Canada.

**MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization index that captures large and mid cap representation across 23 developed markets and 27 emerging market countries.

**Bloomberg Commodity Total Return Index** is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

**Bloomberg Barclays Global High Yield Index** is a multicurrency flagship measure of the global high yield debt market. The index represents the union of the U.S. High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

**The Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

**The FTSE Nareit All Equity REITs Index** is a free float-adjusted market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

**The Bloomberg Barclays U.S. Treasury Bills 1–3 Month Index** includes all publicly issued zero coupon U.S. Treasury bills that have a remaining maturity of less than three months and at least one month, are rated investment-grade, are U.S.-dollar denominated, nonconvertible, and have \$300 million or more of outstanding face value.

**University of Michigan (UoM) Inflation Expectations** measures the percentage that consumers expect the price of goods and services to change during the next 12 months.

## Capital market expectations

- BlackRock: <https://www.blackrock.com/institutions/en-us/insights/charts/capital-market-assumptions>, as of August 2024. 10-year return time period.
- J.P. Morgan Asset Management, 2024 Long Term Capital Market Assumptions: <https://am.jpmorgan.com/us/en/asset-management/adv/insights/portfolio-insights/lcma/>.
- StateStreet: <https://www.ssga.com/us/en/institutional/ic/insights/long-term-asset-class-forecasts-q3-2024>, as of Q3 2024. 10+ year return time period.
- Goldman Sachs: Goldman Sachs: US Q2 2024 Multi-Asset Solutions (MAS) Team Strategic Long-Term Assumptions. 10-year return time period, as of June 30, 2024. <https://visit.lfg.com/GSMAS>

## Sources for economic trends

- Economic Growth:** U.S. Bureau of Economic Analysis, Gross Domestic Product (GDP), retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of August 30<sup>th</sup>, 2024.
- Inflation:** Consumer Price Index (CPI) retrieved from Bureau of Labor Statistics; Data as of August 30<sup>th</sup>, 2024.
- Consumer Sentiment Index:** University of Michigan, University of Michigan: Consumer Sentiment (UMCSENT), retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of August 30<sup>th</sup>, 2024.
- Retail Sales:** Advance Monthly Sales for Retail and Food Services, Year-over-Year (YoY) percent change retrieved from U.S. Census Bureau; Data as of August 30<sup>th</sup>, 2024.
- Unemployment Rate:** U.S. Bureau of Labor Statistics, Unemployment Rate (UNRATE), retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of August 30<sup>th</sup>, 2024.
- Monthly Nonfarm Payrolls:** U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm (PAYEMS), retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of August 30<sup>th</sup>, 2024.
- Corporate Earnings:** Earnings Growth retrieved from FactSet; Data as of August 30<sup>th</sup>, 2024.

## Economic and market indicators

- Consumer sentiment based on month-end data, starting in Jan. 1978 to August 2024. +/- 1 std. deviation of historical value range from 98.05% to 71.55%.
- Economic expansion (CQOQ Index) based on QOQ % change data of quarterly data, starting in June 1947 to June 2024. +/- 1 std. deviation of historical value range from 7.74% to -1.36%.
- Inflation (CPI) based on YOY % change of monthly CPI seasonally adjusted data, starting in Jan. 1947 to July 2024. +/- 1 std. deviation of historical value range from 7.01% to 0.47%.
- Market volatility (VIX) based on average daily closing values for the month of the CBOE VIX index from Jan. 1990 to August 2024. +/- 1 std. deviation of historical value range from 24.61% to 10.99%.
- Unemployment based on month-end data, starting in Jan. 1948 to July 2024. +/- 1 std. deviation of historical value range from 7.40% to 3.98%.
- 10Y U.S. Treasury yield based on daily data, starting in Jan. 1962 to August 2024. +/- 1 std. deviation of historical value range from 8.82% to 2.89%.

# Disclosures

The S&P 500® Price Return Index tracks the stock performance of 500 large U.S. companies. This is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates (“SPDJ”), and has been licensed for use by The Lincoln National Life Insurance Company. Standard & Poor’s®, S&P® and S&P 500® are registered trademarks of Standard & Poor’s Financial Services LLC, a division of S&P Global (“S&P”); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by The Lincoln National Life Insurance Company.

The Russell 2000® Price Return Index measures the stock performance of 2,000 small U.S. companies. The Russell 2000® Price Return Index (the “Index”) is a trademark of Frank Russell Company (“Russell”) and has been licensed for use by The Lincoln National Life Insurance Company.

The MSCI EAFE Price Return Index follows the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

The views expressed are those of the select asset managers only and not necessarily of any Lincoln Financial Group affiliate or the broker-dealer, or any affiliates. These views are not based on any particularized financial situation, or need, and are not intended to be, and should not be construed as, a forecast, research, investment advice or a recommendation for any specific strategy, product or service from any of the participating investment managers.

Primerica representatives are not financial or estate planners, or tax advisors. For related advice, individuals should consult an appropriately licensed professional.

Lincoln Financial Investments Corporation/LFI (formerly Lincoln Investment Advisors Corporation/LIAC) is the subsidiary of The Lincoln National Life Insurance Company responsible for analyzing and reviewing the investment options within Lincoln variable products, providing recommendations regarding these options to Lincoln senior management. LFI also serves as a Registered Investment Adviser, selecting asset managers and constructing model portfolios for use by financial professionals.

### Important information:

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives and/or insurance agents do not provide tax, accounting, or legal advice. Please consult an independent professional as to any tax, accounting or legal statements made herein.

Affiliates include broker-dealer/distributor Lincoln Financial Distributors, Inc., Radnor, PA, and insurance company affiliates The Lincoln National Life Insurance Company, Fort Wayne, IN, and Lincoln Life & Annuity Company of New York, Syracuse, NY.



Ready to reduce stress on your portfolio? Ask your financial professional how protected growth and income may help you feel more confident, no matter what the market does.

Visit [LFG.com/marketinsights](https://www.lfg.com/marketinsights) for more insights from Lincoln and our asset management partners.

Not a deposit
Not FDIC Insured
May go down in value
Not insured by any federal government agency
Not guaranteed by any bank or savings association

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

Order code: FMM-CHART-BRC003  
8/24 Z58

[LincolnFinancial.com](https://www.lincolnfinancial.com)

