



US Economy

The U.S. economy may be slowing from its red-hot growth in the second half of the year, but it appears to be merely decelerating to its trend rate of 2.0%, as any signs of an imminent recession have yet to appear in the actual or the survey data. Jobs and wage growth are slowing but remain largely supportive of consumer spending. Appreciating financial assets and real estate values are further boosting consumer confidence, particularly among high income earners.

Monetary Policy

The slight stall in the progress toward bringing inflation down to the 2% target is reminiscent of last summer and provides confirmation that the last mile of this inflation-fighting journey will be difficult. The longer-term inflationary implications of the COVID-19 pandemic and trade wars may have imposed some structural challenges in hitting a target level that central bankers may ultimately need to reconsider.

Bond Markets

A slowdown in economic growth to long-term trend levels and continued progress on inflation should prevent much further weakness in intermediate-term bond prices. The inverted shape of the yield curve continues to imply an upcoming recession, but investors are becoming more dismissive of this leading indicator as the curve has been inverted for close to two years and the economy has strengthened during that time. Confidence appears to be growing that the Fed is about to embark on a rate easing campaign, which should bring down short term rates.

Equity Markets

The prospect of double-digit earnings growth and eventual monetary policy ease in a still growing economy drove US large cap equity markets through year end price targets by the end of the first quarter. Particularly encouraging was the broadening of the advance seen late in the quarter as the more cyclical sectors of the market as well as stocks in the small and mid-cap space outperformed the technology and communication services sectors that had been so clearly dominant.

LBO Market Commentary

While deal volumes are down Year-on-Year, the LBO market is beginning to show increases in valuation and leverage largely as a continued result of the continued supply-demand imbalance between capital available for transactions and the notional amount of deal flow. A / A+ investment opportunities are still trading at lofty premiums to the market with access to higher total leverage.

While it has been a slower than expected start to fiscal 2024 vis-à-vis M&A activity, investment bankers are signaling higher than expected pitch activity, signaling a potentially busier than expected 2H to 2024.

LBO Market Data was provided by Refintiv LPC

Forecast Provided by Cerity Partners

	Current	12-Mo Forecast	2023 est.	2024 est.
Fed Funds Rate	5.50%	4.75%		
US 10-Year Treasury Yield	4.20%	4.50%		
S&P 500 Index	5,254	5,100		
HY Fixed Income Spread**	363	500		
World GDP Growth Rate			2.00%	2.50%
US GDP Growth Rate			2.00%	1.50%

*Source: Factset

**High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.

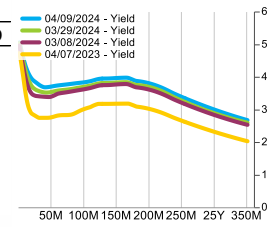
Rate Environment

Treasury Statistics/Rates

	Current	YTD %	Historical	
			52- Wk HI	52-Wk LO
US Treasury 2yr	4.62%	0.37%	5.21%	3.74%
US Treasury 5yr	4.22%	0.37%	4.96%	3.28%
US Treasury 10yr	4.20%	0.32%	4.99%	3.29%
US Treasury 30yr	4.34%	0.31%	5.11%	3.54%
SOFR - 3 Month	5.30%	-0.03%	5.43%	4.59%
SOFR - 6 Month	5.22%	0.06%	5.50%	4.48%
SOFR - 12 Month	5.00%	0.23%	5.86%	4.17%

Treasury Statistics and Libor Curve provided by Factset

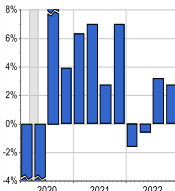
SOFR Curve



Key Economic Data

REAL GDP

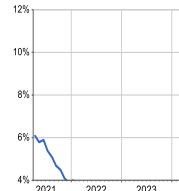
Change from previous quarter



Source: Department of Commerce

UNEMPLOYMENT RATE

Monthly seasonally adjusted rate



Source: Bureau of Labor Statistics

INDUSTRIAL PRODUCTION

Change from previous month



Source: Federal Reserve

PMI

Reading above 50 indicates expansion in mfg. activity



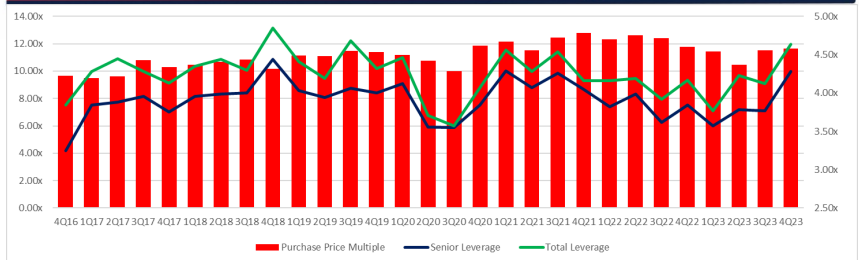
Source: Institute for Supply Mgmt.

Equity Market Performance

Index	Current	% Change			52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week					
DOW	39,807.37	0.84%	6.14%	23.31%	39,807.37	31,819.14	21.48	18.65	0.00%
S&P 500	5,254.35	0.40%	10.56%	39.62%	5,254.35	3,808.10	22.96	21.05	1.39%
NASDAQ	16,379.46	-0.30%	9.11%	56.49%	16,428.82	10,305.24	33.52	27.64	0.00%
R2000	2,124.55	2.60%	5.18%	22.99%	2,124.55	1,636.94	27.78	23.72	0.00%
VIX (S&P)	13.01	-0.38%	4.50%	-39.96%	26.52	12.07	N/A	N/A	N/A

*Source: Factset

LBO Market Performance



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