

### US Economy

Midway through the first quarter, the U.S. economy is slowing only slightly, as jobs and wage growth both remain robust despite the numerous company layoff announcements delivered in the first two months of the year. There are early indications that consumers may be dialing back somewhat on big-ticket purchases. Business spending has been flat over the past few months, as the manufacturing recession has been short, shallow and generally offset by continued spending on productivity-enhancing technology.

### Monetary Policy

The recent stall in the progress on fighting inflation along with continued above-trend economic growth have pushed out the timing and magnitude of federal funds rate cuts with investors now expecting the first 25bps reduction in rates to occur at the end of the second quarter. The number of cuts is still likely to be only three for the full year. Discussions around adjusting the balance sheet reduction program should begin at this month's Federal Open Market Committee meeting, although no change is expected until midyear.

### Bond Markets

Stronger-than-anticipated economic growth is expected to keep some upward pressure on intermediate- to longer-term Treasury bond yields as well as the government's need to issue incrementally more debt to finance ever-growing budget deficits. Continued improvement in the inflation outlook should eventually lead to Fed ease and a decline in short-term yields, which will help move the Treasury yield curve back to its normal upward slope after nearly two years of inversion.

### Equity Markets

Fourth quarter earnings growth exceeded expectations due primarily to the strength of the large technology, communication services and consumer discretionary industry champions. Equity prices rose in February to record levels in the U.S. large-cap sector, as greater confidence in the earnings outlook offset the backup in bond yields amid concern around a delay in Fed ease. Small- and mid-sized companies have also advanced early in the year but not at the same magnitude and remain cheap on a valuation basis.

### 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.

### Forecast Provided by Cerity Partners

	Current	12-Mo Forecast	2023 est.	2024 est.
<b>Fed Funds Rate</b>	5.50%	4.25%		
<b>US 10-Year Treasury Yield</b>	4.24%	4.50%		
<b>S&amp;P 500 Index</b>	5,096	5,100		
<b>HY Fixed Income Spread**</b>	378bps	500bps		
<b>World GDP Growth Rate</b>			2.00%	2.50%
<b>US GDP Growth Rate</b>			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.

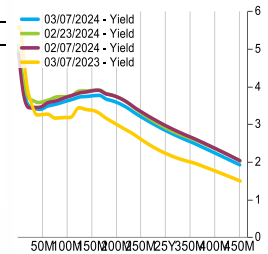
### Rate Environment

#### Treasury Statistics/Rates

	Current	YTD %	Historical	
			52- Wk HI	52-Wk LO
US Treasury 2yr	4.63%	0.38%	5.21%	3.74%
US Treasury 5yr	4.24%	0.40%	4.96%	3.28%
US Treasury 10yr	4.24%	0.36%	4.99%	3.29%
US Treasury 30yr	4.36%	0.33%	5.11%	3.54%
SOFR - 3 Month	5.33%	0.00%	5.43%	4.59%
SOFR - 6 Month	5.27%	0.12%	5.50%	4.48%
SOFR - 12 Month	5.07%	0.30%	5.86%	4.17%

Treasury Statistics and Labor Curve provided by Factset

#### SOFR Curve



### Key Economic Data

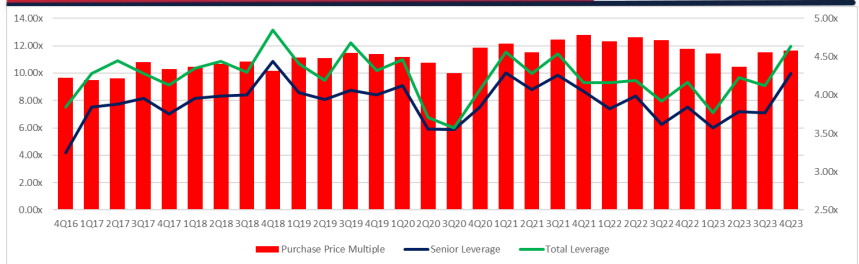
REAL GDP	UNEMPLOYMENT RATE	INDUSTRIAL PRODUCTION	PMI
Change from previous quarter	Monthly seasonally adjusted rate	Change from previous month	Reading above 50 indicates expansion in mfg. activity
Source: Department of Commerce	Source: Bureau of Labor Statistics	Source: Federal Reserve	Source: Institute 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	38,996.39	1.06%	3.84%	20.65%	39,131.53	31,819.14	21.52	18.31	0.00%
S&P 500	5,096.27	1.86%	7.11%	35.27%	5,096.27	3,808.10	22.95	20.61	1.40%
NASDAQ	16,091.92	2.00%	7.20%	53.75%	16,091.92	10,305.24	33.95	27.62	0.00%
R2000	2,054.84	1.14%	1.54%	18.74%	2,066.21	1,636.94	27.36	22.58	0.00%
VIX (S&P)	13.40	-5.90%	7.63%	-38.16%	26.52	12.07	N/A	N/A	N/A

\*Source: Factset

### LBO Market Performance



LBO Market Data was provided by Refintiv LPC

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