



**Market Outlook:  
Rate Cuts and Deficits and Elections, Oh My!**

*Q4, 2024*



**While inflation is slowing and the U.S. economy remains resilient, several critical issues remain, including large fiscal deficits, infrastructure needs, restructuring of trade and remilitarization of the world. While we hope for the best, these events and the prevailing uncertainty demonstrate why we must be prepared for any environment.**

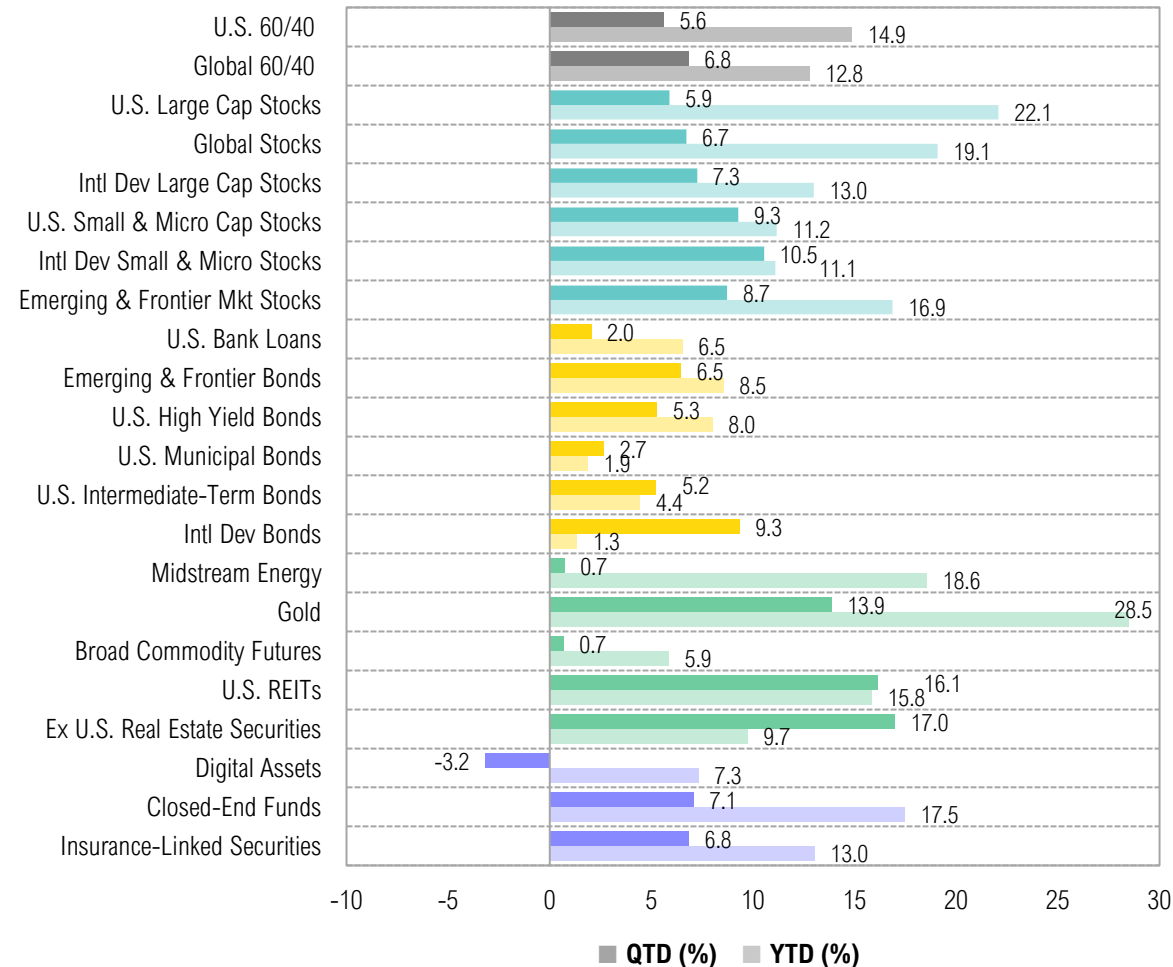
**Jamie Dimon, JPMorgan CEO**



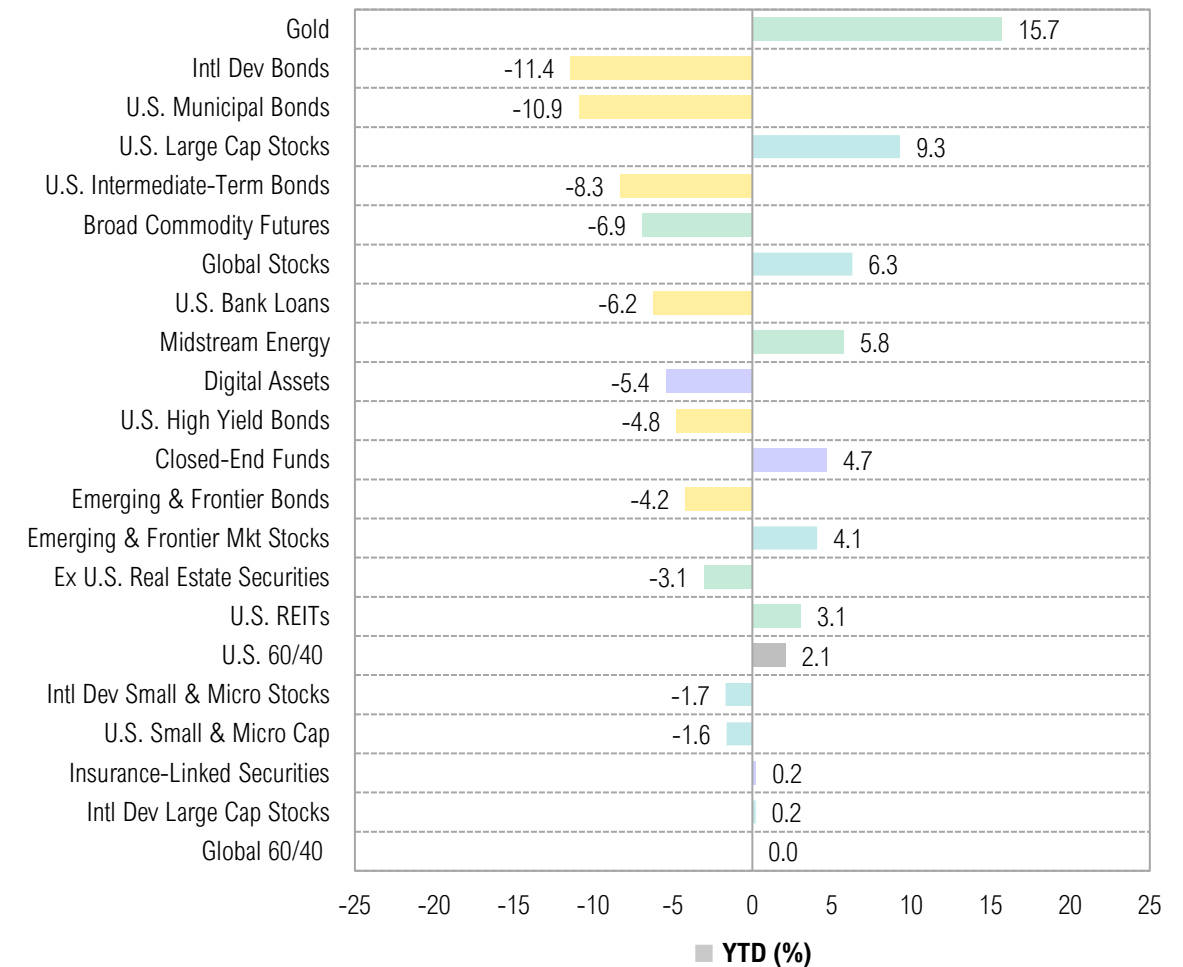
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# Major winners over the third quarter include ex-U.S. real estate (+17.0%) and U.S. REITs (+16.1%) while digital assets (-3.2%) and broad commodities (+0.7%) lagged

Total Returns, %

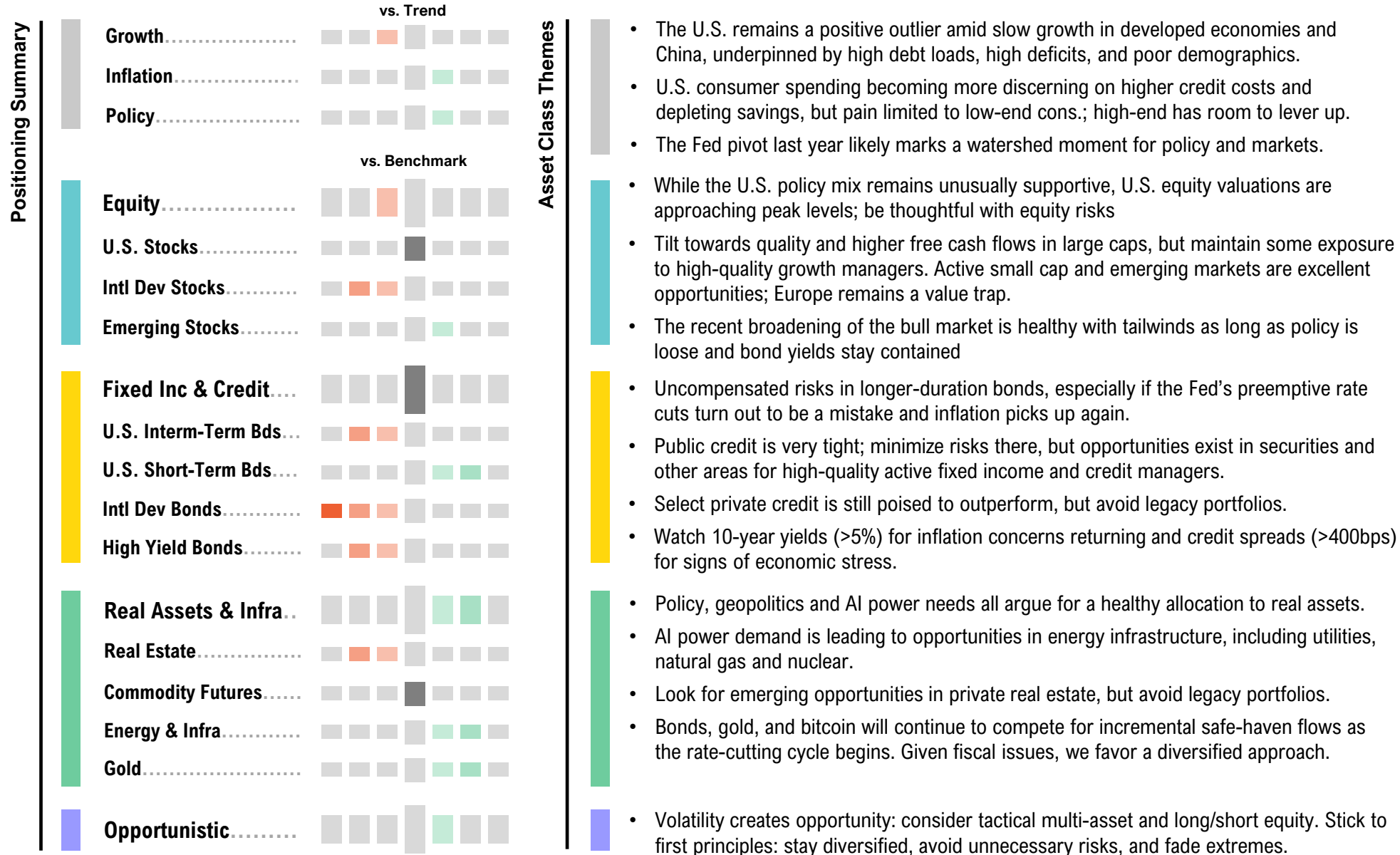


Relative Total Returns vs. Global 60/40, %



Source: Bloomberg. Returns for periods greater than 1 year are annualized.

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**Portfolio Themes****1**

**U.S. growth continues to be driven by past stimulus & deficit spending, with both presidential candidates likely to continue this trend.**

**2**

**Higher rates and AI have created historic divergences, with room for repricing in profitable small caps, among other areas.**

**3**

**Policy, geopolitics and AI power needs all argue for a healthy allocation to real assets.**

**4**

**Stick to first principles: Stay diversified, avoid unnecessary risks, and fade extremes.**



**There is thinking that the time to support the labor market is when it's strong and not when you begin to see the layoffs... We don't think we need to see further loosening in labor market conditions to get inflation down to 2 percent."**

**Jerome Powell**, *Federal Reserve Chairman*

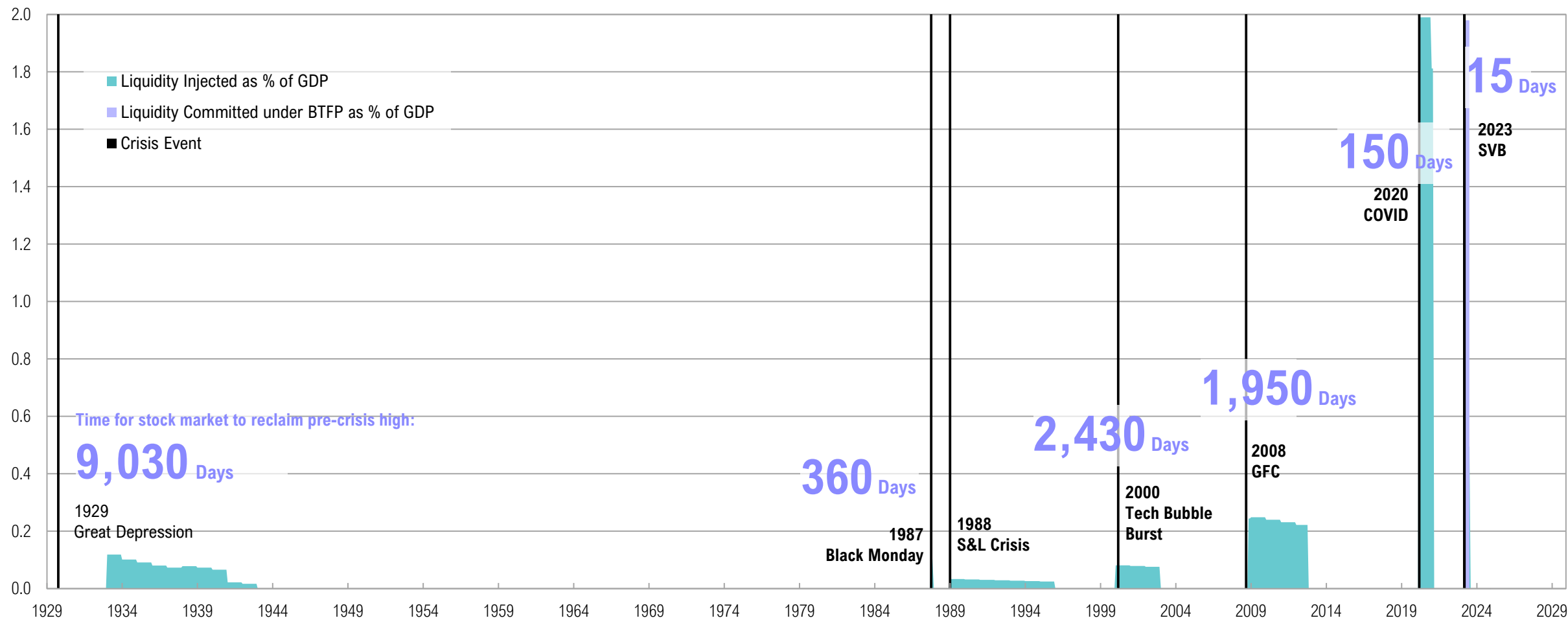


**So, I think what there is to say about consumer spend is a little bit boring in a sense, because what's happened is that it's become normal. Overall, we see the spending patterns as being sort of solid and consistent with the narrative that the consumer is on solid footing and consistent with the strong labor market."**

**Jeremy Barnum**, *JPMorgan Chase CFO*

# Liquidity injections are becoming larger and faster, with faster transmission to markets

Estimated Monthly Liquidity Injected as a % of GDP\*

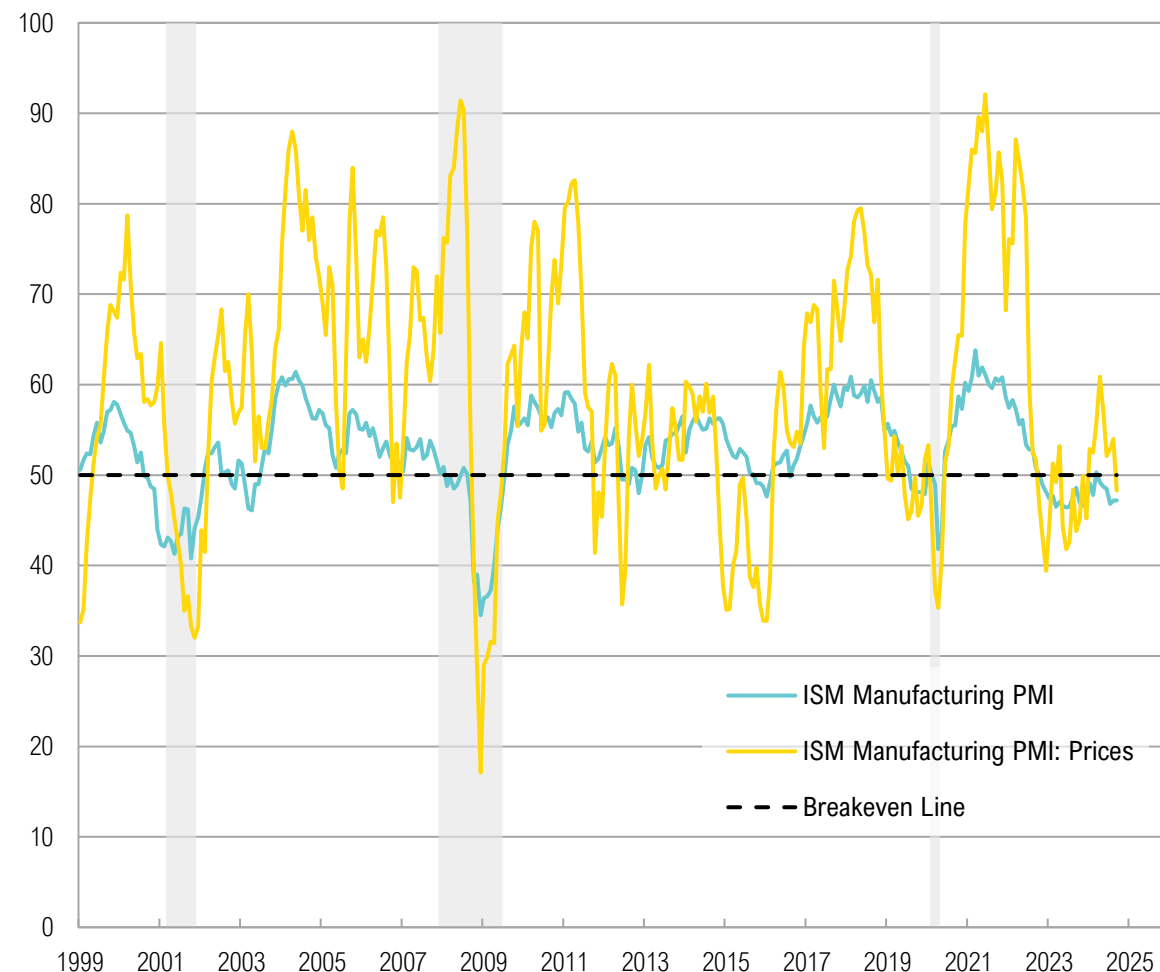


Source: Bloomberg, SpringTide, various. Bloomberg. \*Liquidity injection.

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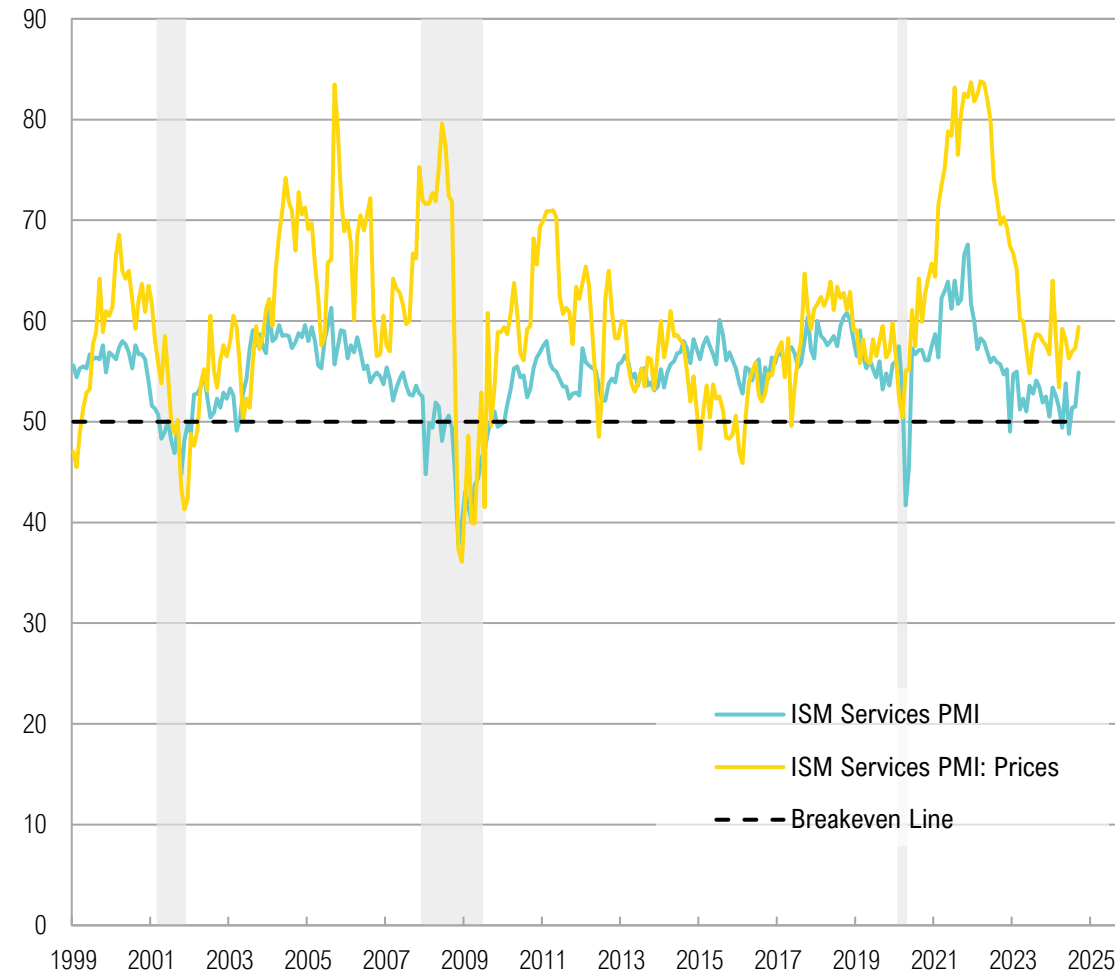
## While the manufacturing sector remains in contractionary territory, the services sector remains strong; services prices paid in September rose to the highest level since January

ISM Manufacturing PMI



Source: Bloomberg. As of 9/30/2024.

ISM Services PMI

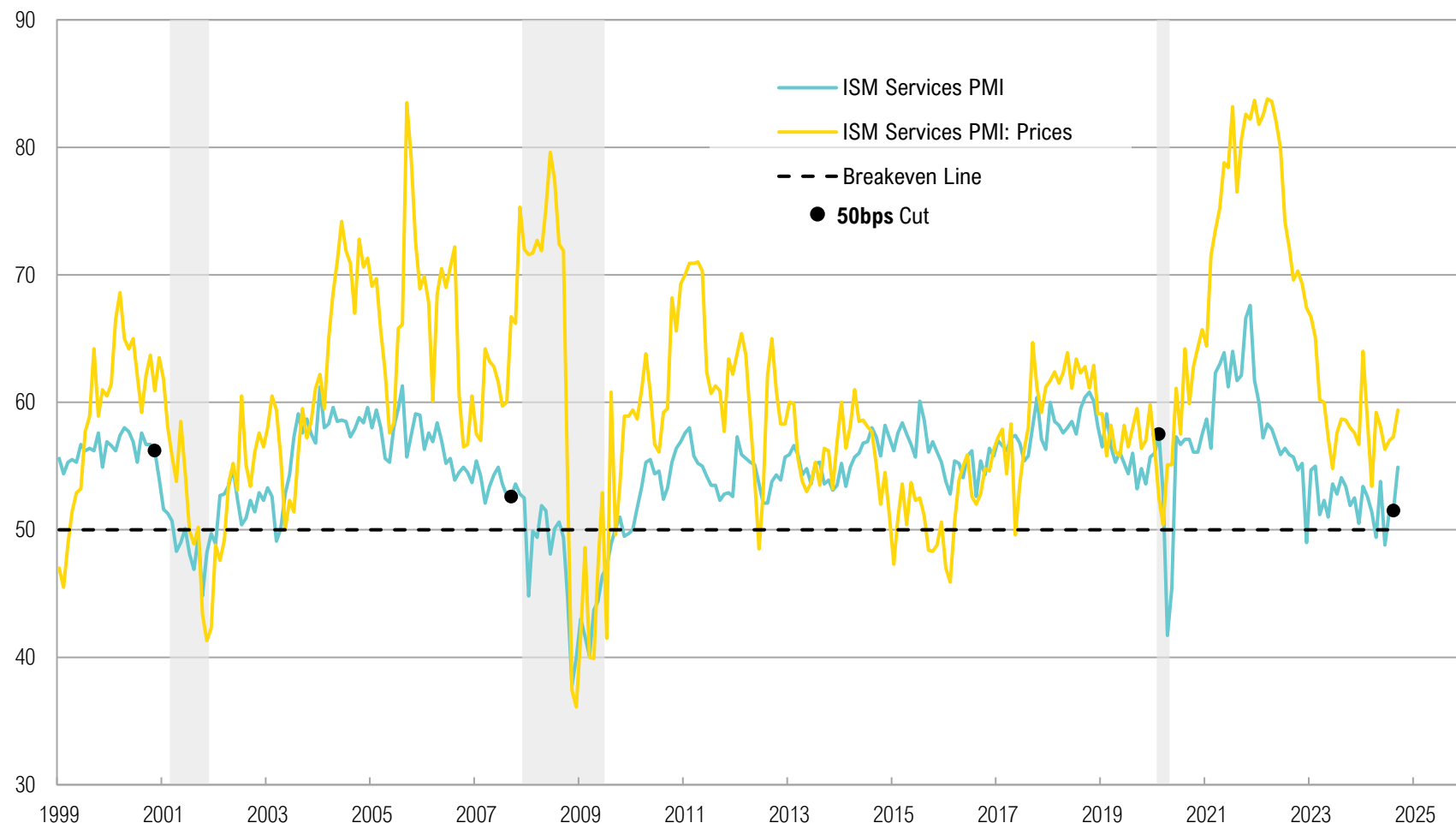


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# The Fed risks fueling a growing economy; this is the first time ISM Services PMI has increased in the month following a 50bps rate cut

ISM Services PMI

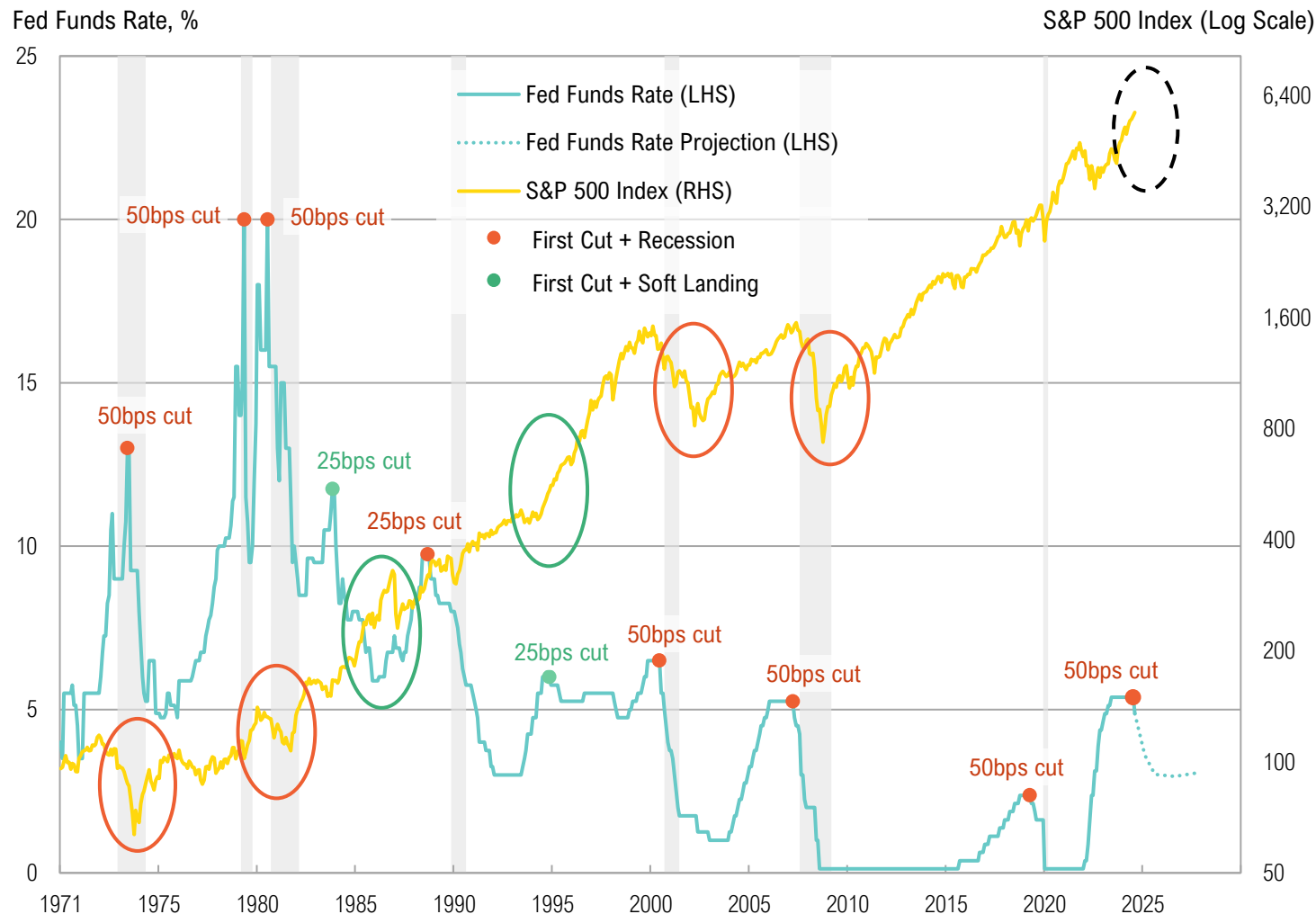


ISM Services PMI			
Date of First Cut*	Month Prior	Month After	Change
1/3/2001	54.0	51.6	-2.4
9/18/2007	52.7	52.6	-0.1
3/3/2020	57.5	52.9	-4.6
9/18/2024	51.5	54.9	3.4

Source: Bloomberg. As of 9/30/2024. \*First 50 basis point cut of the rate cutting cycle.

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# ➤ A 50bps cut usually only happens during times of crisis; history shows us if the first cut is 50bps, it's usually been justified



Key Economic Data at Time of First 50 Bps Rate Cut (Except 1999\*)

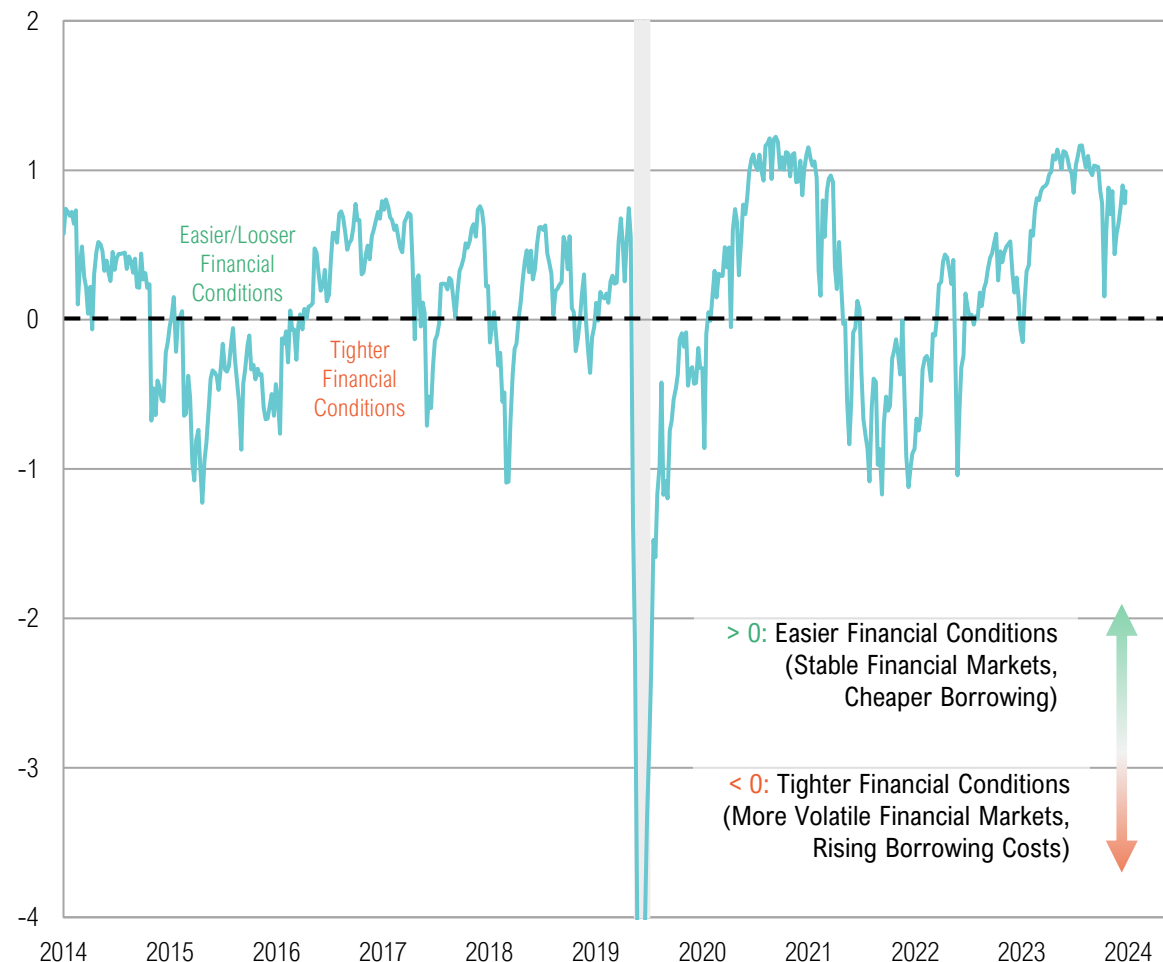
Metric	12/21/1999	1/3/2001	9/18/2007	9/18/2024
Real Fed Funds Rate	2.6%	2.3%	2.1%	2.7%
Unemployment Rate	4.0%	4.2%	4.7%	4.2%
Initial Jobless Claims	287,000	318,000	302,000	219,000
Cont. Jobless Claims	2.12mn	2.37mn	2.53mn	1.83mn
Credit Spreads	4.8%	7.9%	4.2%	3.2%
Headline CPI (Y/Y)	2.7%	3.7%	2.8%	2.6%
Core CPI (Y/Y)	1.9%	2.6%	2.1%	3.2%
S&P 500 PE Ratio	30.5x	30.1x	19.4x	27.5x
10-Year Treasury Yield	6.3%	4.9%	4.5%	3.6%

Source: Bloomberg. \*At the December 1999 FOMC meeting, the Fed kept interest rates unchanged, citing uncertainties around the century date change.

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# Financial conditions remain loose; initial jobless claims continue to indicate a stable labor market

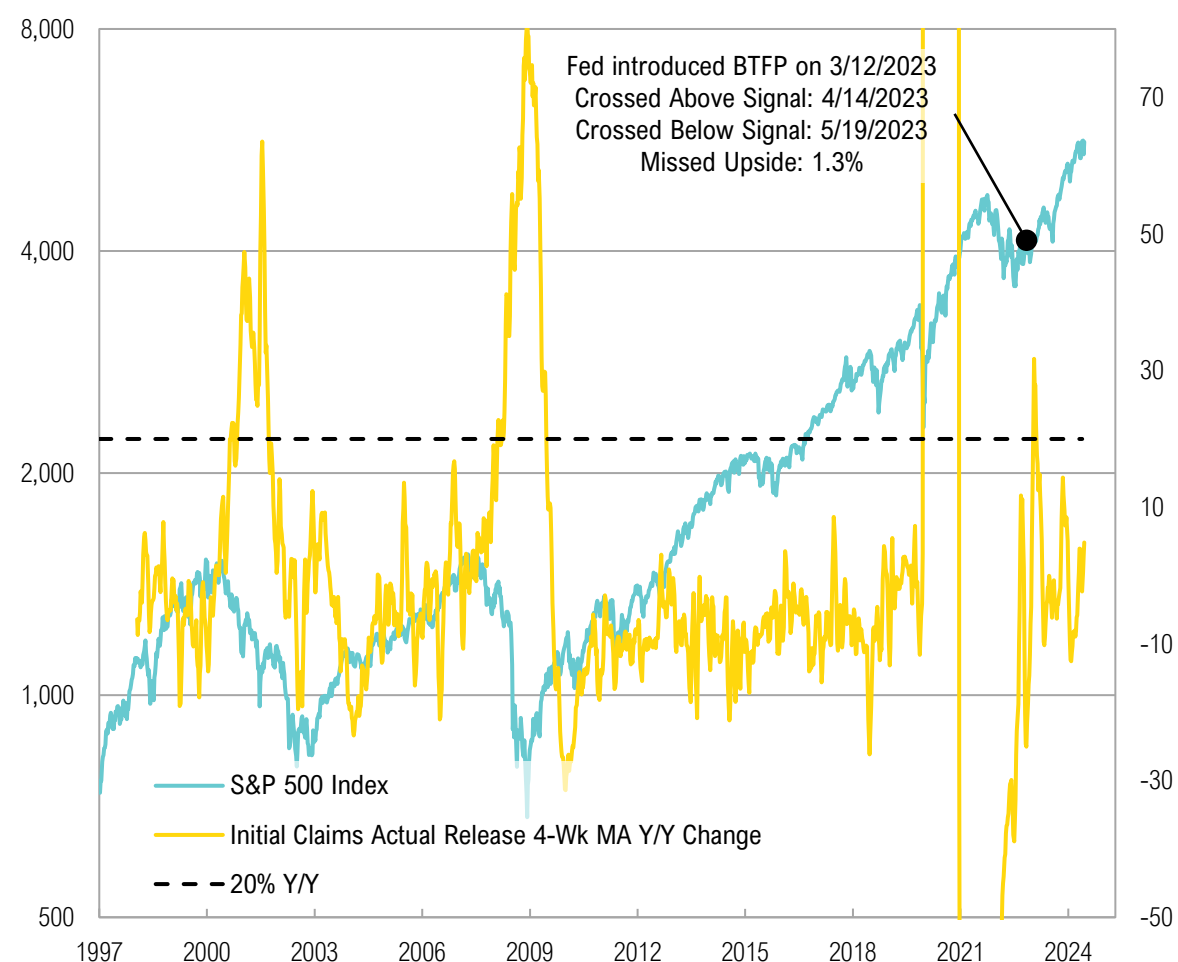
Bloomberg U.S. Financial Conditions Index



Source: Bloomberg

S&amp;P 500 Index (Log Scale)

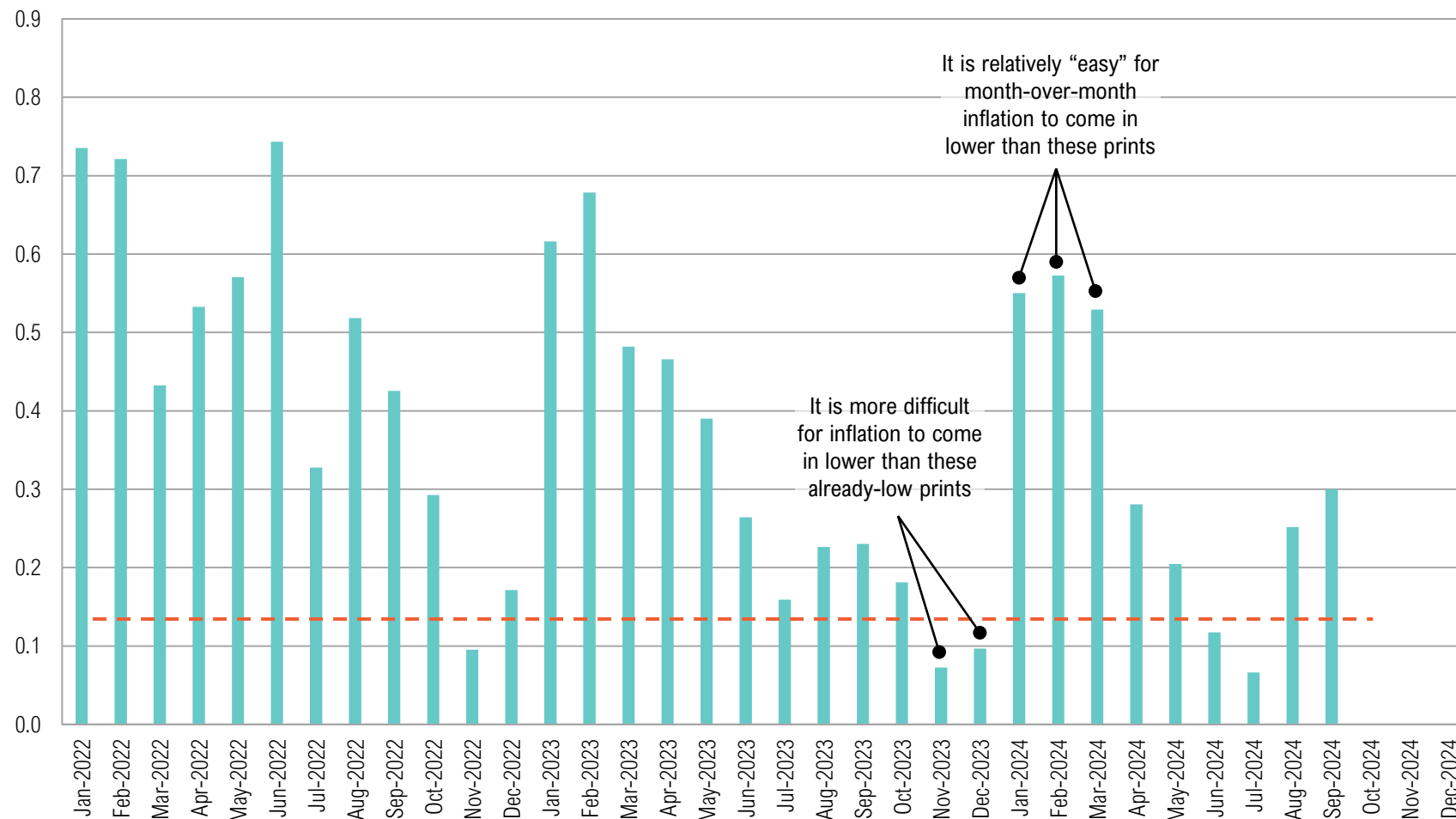
Initial Claims 4-Week MA Y/Y Change, %



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# ➤ Further, core inflation may remain sticky: base effects show the challenge to beat “easy” larger month-over-month prints becomes more challenging through year-end

U.S. Core CPI Base Effects M/M %



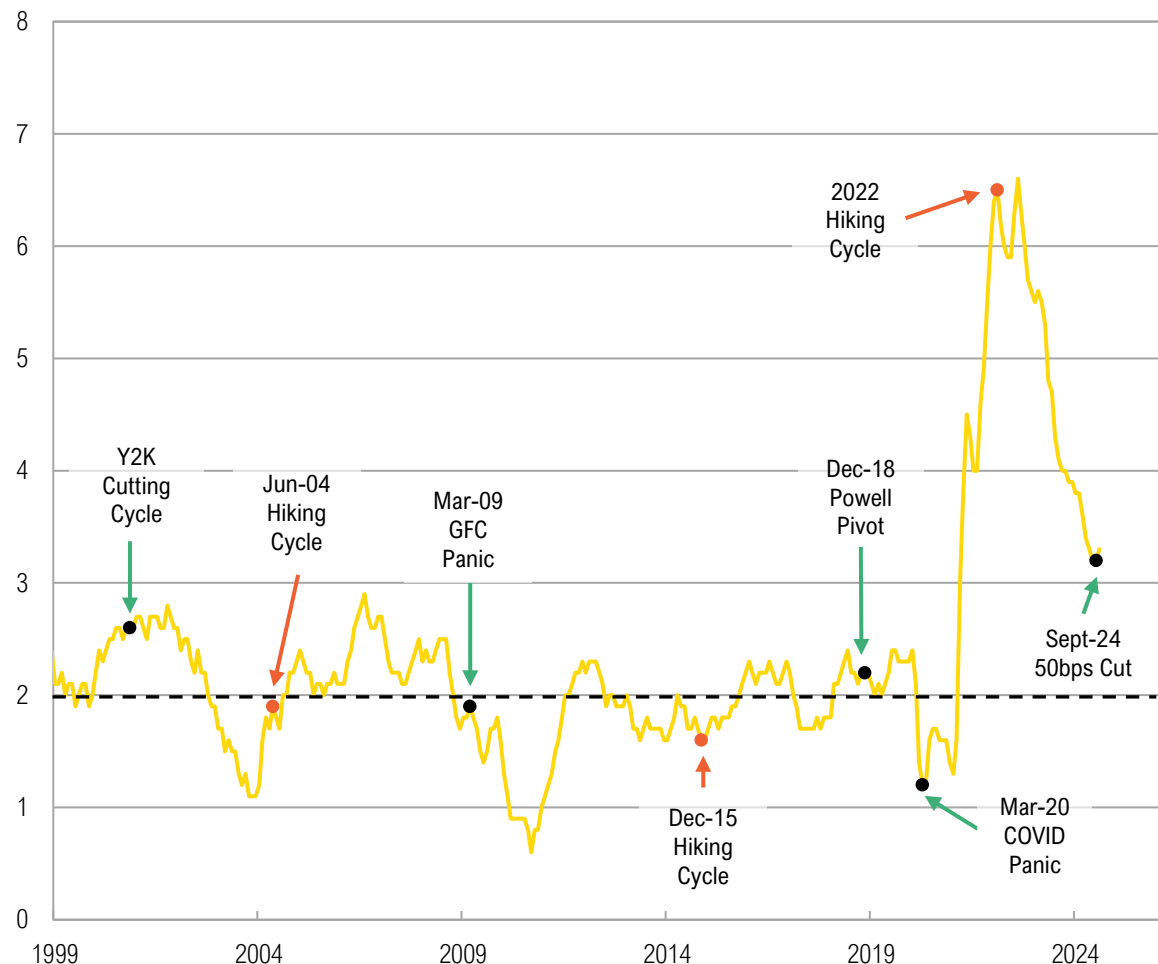
- **Base effects impact how an inflation print appears**
- **For example, if the 12-months-ago print had unusually high inflation, this year’s inflation rate might seem lower, even if prices are still rising. This is because prices are being compared to already elevated levels from the previous year**
- **It will be tougher to beat the particularly low November and December 2023 prints**
- **The red line is what each monthly print needs to be over a 12-month period (0.15) to get core inflation back to 2%, something that has occurred only a handful of times over the past two years**

Source: Bloomberg

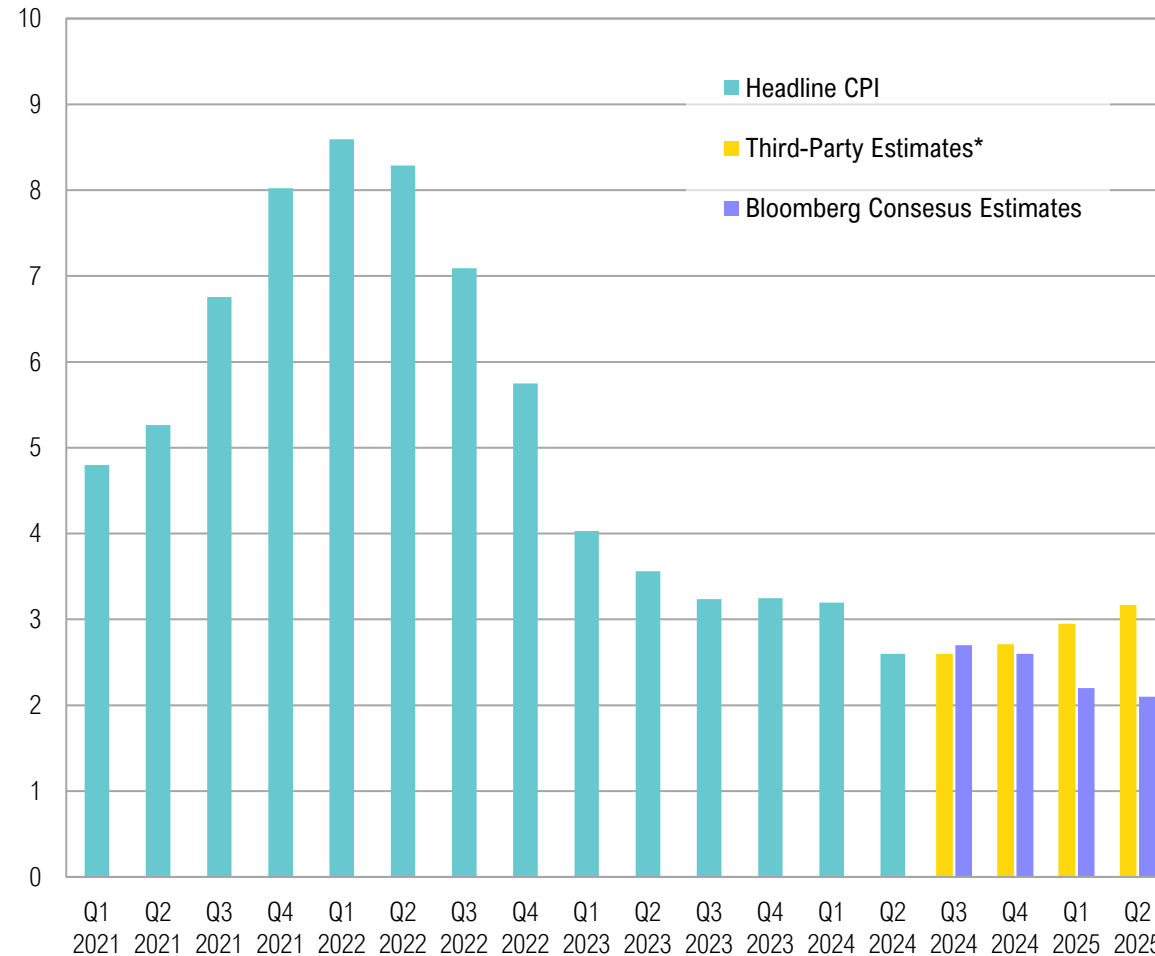
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# ➤ Inflation's last mile: At 3.3%, core inflation remains well above target; estimates show that headline inflation is likely to remain above 2% through the first half of 2025

U.S. Core Inflation, Y/Y %



U.S. Headline CPI &amp; Future Estimates, Y/Y %



Source: Bloomberg. \*Third party estimates: Hedgeye.

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# Globally, inflation has eased, but manufacturing activity has slowed; country divergences continue with Japan, Canada and select emerging markets faring better than the Euro area

Manufacturing PMIs by Country\* &amp; Region

	2022				2023												2024											
	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S			
Global	49.8	49.4	48.8	48.7	49.1	49.9	49.6	49.6	49.5	48.7	48.6	49.0	49.2	48.8	49.3	49.0	50.0	50.3	50.6	50.3	51.0	50.8	49.7	49.6	48.8			
Developed	50.1	48.8	47.8	47.3	48.0	48.1	48.4	48.5	47.6	46.3	47.1	46.8	47.4	47.5	47.7	47.0	48.9	49.3	49.3	48.6	50.0	49.7	48.8	48.3	47.5			
Emerging	49.4	49.8	49.7	49.8	49.9	51.6	50.7	50.5	51.4	51.1	50.2	51.3	50.9	50.1	50.9	50.9	51.1	51.5	52.0	52.0	51.9	52.1	50.7	50.8	49.8			
<b>Developed</b>																												
U.S.	52.0	50.4	47.7	46.2	46.9	47.3	49.2	50.2	48.4	46.3	49.0	47.9	49.8	50.0	49.4	47.9	50.7	52.2	51.9	50.0	51.3	51.6	49.6	47.9	47.3			
Canada	49.8	48.8	49.6	49.2	51.0	52.4	48.6	50.2	49.0	48.8	49.6	48.0	47.5	48.6	47.7	45.4	48.3	49.7	49.8	49.4	49.3	49.3	47.8	49.5	50.4			
Japan	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6	50.4	50.0	49.1	49.8	49.7			
UK	48.4	46.2	46.5	45.3	47.0	49.3	47.9	47.8	47.1	46.5	45.3	43.0	44.3	44.8	47.2	46.2	47.0	47.5	50.3	49.1	51.2	50.9	52.1	52.5	51.5			
Eurozone	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8	45.0			
Germany	47.8	45.1	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6	38.8	39.1	39.6	40.8	42.6	43.3	45.5	42.5	41.9	42.5	45.4	43.5	43.2	42.4	40.6			
France	47.7	47.2	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46.0	45.1	46.0	44.2	42.8	42.9	42.1	43.1	47.1	46.2	45.3	46.4	45.4	44.0	43.9	44.6			
Italy	48.3	46.5	48.4	48.5	50.4	52.0	51.1	46.8	45.9	43.8	44.5	45.4	46.8	44.9	44.4	45.3	48.5	48.7	50.4	47.3	45.6	45.7	47.4	49.4	48.3			
Spain	49.0	44.7	45.7	46.4	48.4	50.7	51.3	49.0	48.4	48.0	47.8	46.5	47.7	45.1	46.3	46.2	49.2	51.5	51.4	52.2	54.0	52.3	51.0	50.5	53.0			
Netherlands	49.0	47.9	46.0	48.6	49.6	48.7	46.4	44.9	44.2	43.8	45.3	45.9	43.6	43.8	44.9	44.8	48.9	49.3	49.7	51.3	52.5	50.7	49.2	47.7	48.2			
Australia	53.5	52.7	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	47.3	49.6	49.7	47.2	47.5	48.5	46.7			
Greece	49.7	48.1	48.4	47.2	49.2	51.7	52.8	52.4	51.5	51.8	53.5	52.9	50.3	50.8	50.9	51.3	54.7	55.7	56.9	55.2	54.9	54.0	53.2	52.9	50.3			
<b>Emerging</b>																												
China	48.1	49.2	49.4	49.0	49.2	51.6	50.0	49.5	50.9	50.5	49.2	51.0	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4	49.3			
Indonesia	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1	50.7	49.3	48.9	49.2			
Korea	47.3	48.2	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	49.8	49.4	51.6	52.0	51.4	51.9	48.3			
Taiwan	42.2	41.5	41.6	44.6	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3	50.2	50.9	53.2	52.9	51.5	50.8			
Brazil	51.1	50.8	44.3	44.2	47.5	49.2	47.0	44.3	47.1	46.6	47.8	50.1	49.0	48.6	49.4	48.4	52.8	54.1	53.6	55.9	52.1	52.5	54.0	50.4	53.2			
Mexico	50.3	50.3	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0	52.3	52.2	51.0	51.2	51.1	49.6	48.5	47.3				
Russia	52.0	50.7	53.2	53.0	52.6	53.6	53.2	52.6	53.5	52.6	52.1	52.7	54.5	53.8	53.8	54.6	52.4	54.7	55.7	54.3	54.4	54.9	53.6	52.1	49.5			
South Africa	49.2	49.5	50.6	50.2	48.7	50.5	49.7	49.6	47.9	48.7	48.2	51.0	49.9	48.9	50.0	49.0	49.2	50.8	48.4	50.3	50.4	49.2	49.3	50.5	51.0			
India	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5			

LOWER ← → HIGHER

Source: Bloomberg, Markit. \*Some countries might have delayed reporting.

Country &amp; GDP-Weighted Regional Inflation

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Global	5.9	6.8	6.7	5.8	4.3	3.1	3.2	2.7	2.6	2.5	2.1
Developed	7.1	8.0	7.9	7.0	5.5	4.0	4.0	3.3	3.1	2.8	2.2
Emerging	4.1	4.9	4.8	3.7	2.4	1.5	1.8	1.8	1.9	2.0	2.0

U.S.	8.5	9.1	8.2	6.5	5.0	3.0	3.7	3.4	3.5	3.0	2.5
Canada	6.7	8.1	6.9	6.3	4.3	2.8	3.8	3.4	2.9	2.7	2.0
Japan	1.2	2.4	3.0	4.0	3.2	3.3	3.0	2.6	2.7	2.8	3.0
UK	6.2	9.2	10.0	10.7	10.2	8.4	6.7	4.2	3.5	2.1	2.2
Eurozone	7.4	8.6	9.9	9.2	6.9	5.5	4.3	2.9	2.4	2.5	1.8
Germany	5.9	6.7	8.6	8.1	7.4	6.4	4.5	3.7	2.2	2.2	1.6
France	4.5	5.8	5.6	5.9	5.7	4.5	4.9	3.7	2.3	2.2	1.2
Italy	6.8	8.5	9.4	12.3	8.1	6.7	5.6	0.5	1.2	0.9	0.8
Spain	9.8	10.2	8.9	5.7	3.3	1.9	3.5	3.1	3.2	3.4	1.5
Netherlands	9.7	8.6	14.5	9.6	4.4	5.7	0.2	1.2	3.1	3.2	3.5
Australia	5.1	6.1	7.3	7.8	7.0	6.0	5.4	4.1	3.6	3.8	n/a
Greece	8.0	11.6	12.1	7.6	5.4	2.8	2.4	3.7	3.4	2.5	3.2

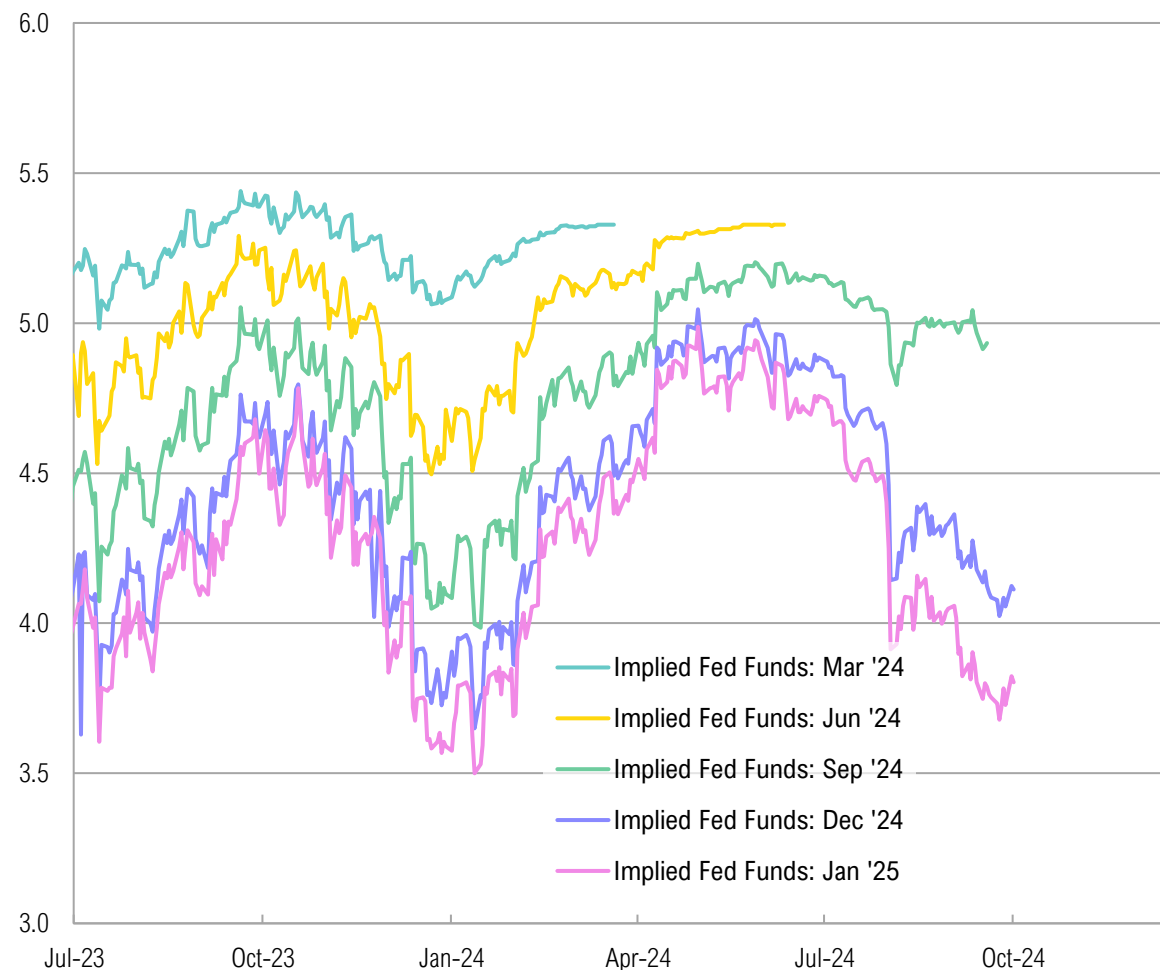
China	1.5	2.5	2.8	1.8	0.7	0.0	0.0	-0.3	0.1	0.2	0.6
Indonesia	2.6	4.4	6.0	5.5	5.0	3.5	2.3	2.8	3.1	2.5	1.8
Korea	4.2	6.0	5.5	5.0	4.2	2.7	3.7	3.2	3.1	2.4	1.6
Taiwan	3.3	3.6	2.8	2.7	2.4	1.8	2.9	2.7	2.2	2.4	2.4
Brazil	11.3	11.9	7.2	5.8	4.7	3.2	5.2	4.6	3.9	4.2	4.2
Mexico	7.5	8.0	8.7	7.8	6.9	5.1	4.5	4.7	4.4	5.0	5.0
Russia	16.7	15.9	13.7	11.9	3.5	3.3	6.0	7.4	7.7	8.6	9.1
South Africa	5.9	7.4	7.5	7.2	7.1	5.4	5.4	5.1	5.3	5.1	4.4
India	7.0	7.0	7.4	5.7	5.7	4.9	5.0	5.7	4.9	5.1	3.7

LOWER ← → HIGHER

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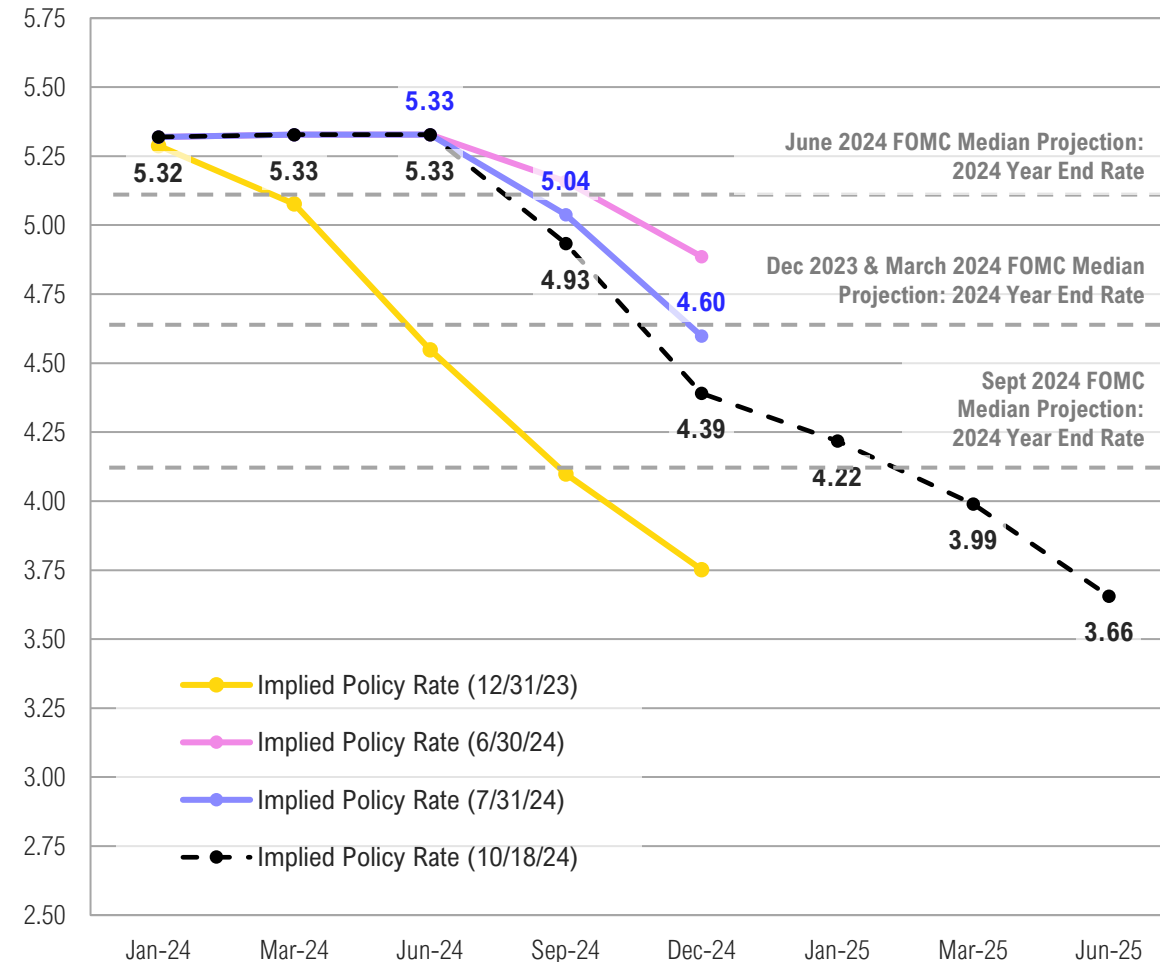
## ➤ After last month's 50bps rate cut, both markets and the Fed expect the equivalent of another 50bps in rate cuts before year end (a 25bps cut at each remaining FOMC meeting)

Implied Fed Funds Rate, %



Source: Bloomberg

Implied Fed Funds Rate, %

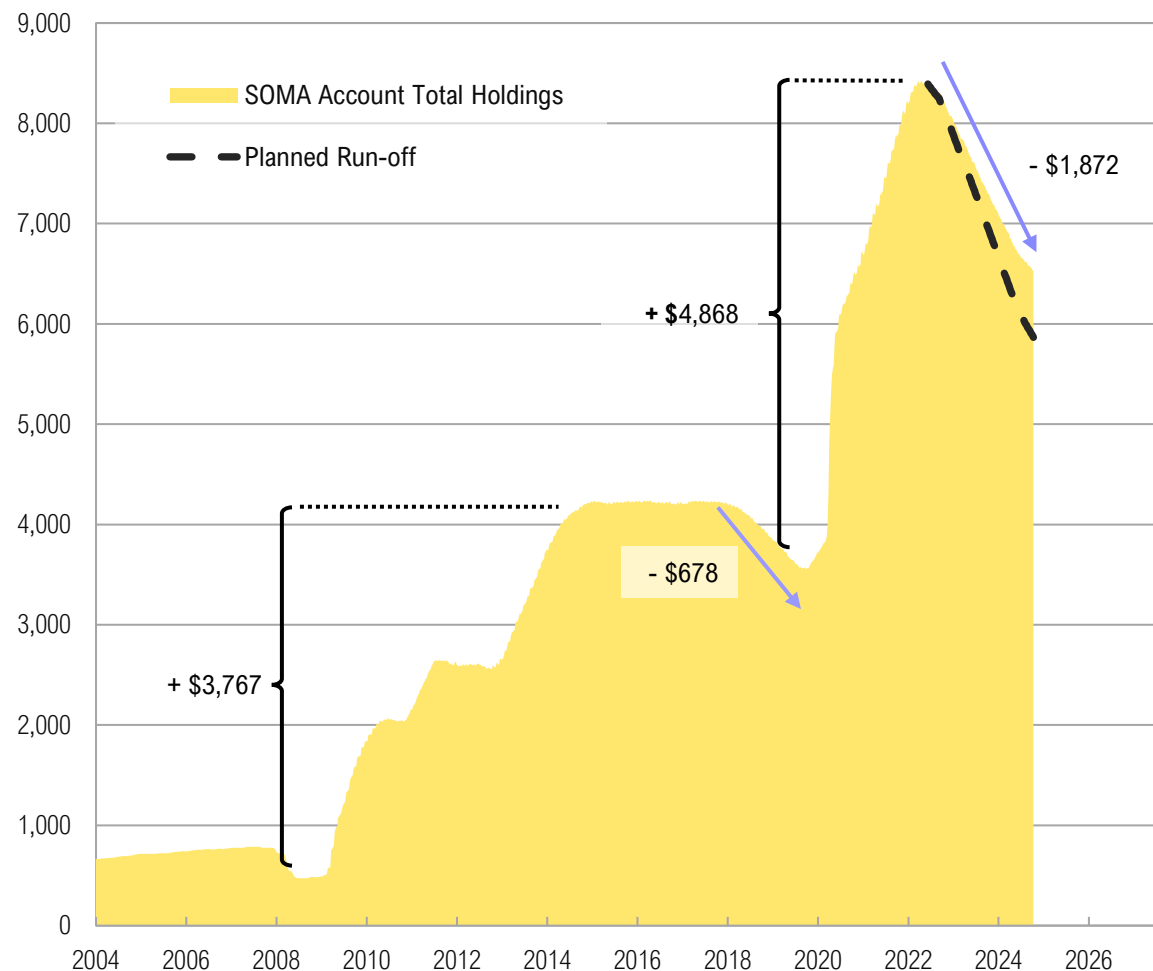


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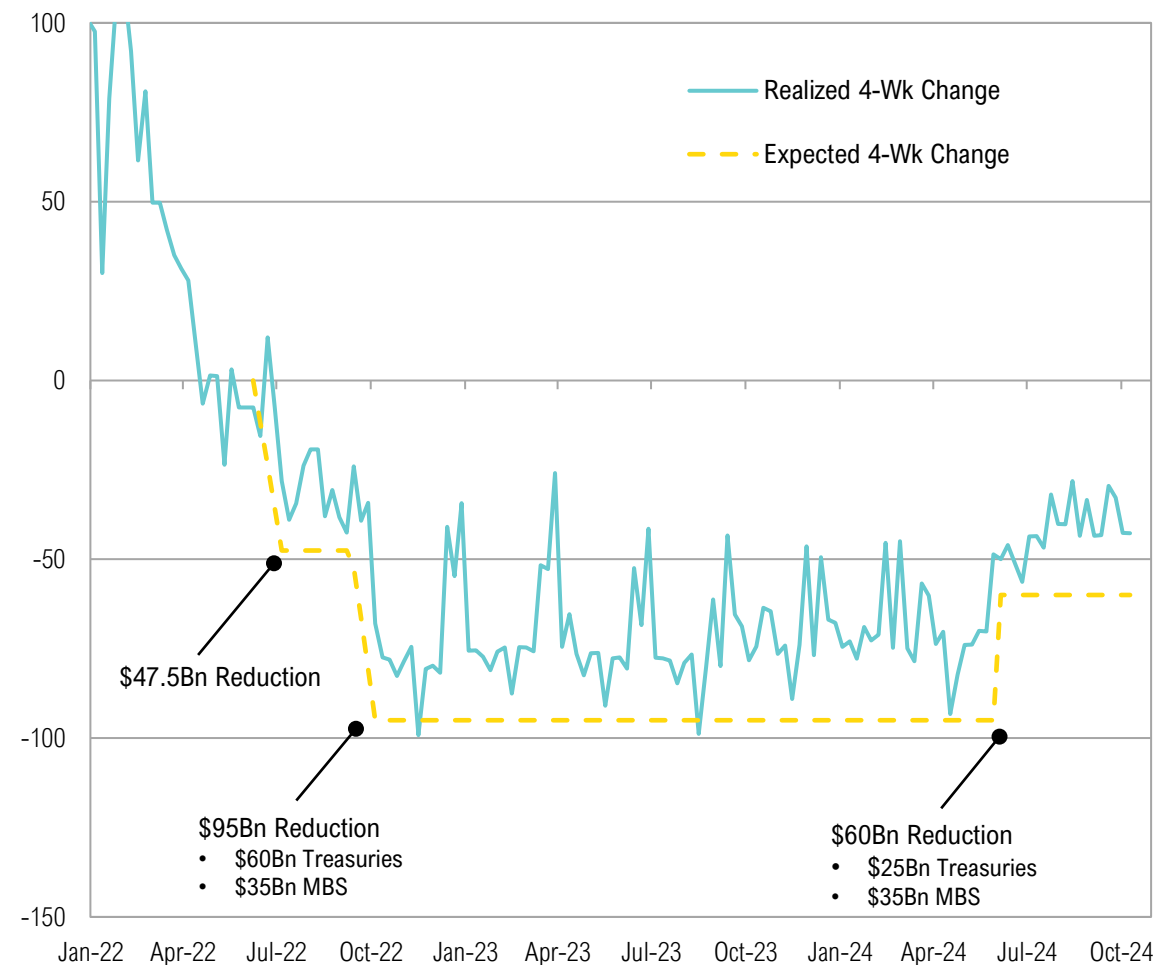
**The Fed slowed the pace of QT on June 1, despite inflation remaining above target for >3 years, having reduced the balance sheet by only <40% of what was added during COVID and lagging its planned runoff by >\$500bn**

Total SOMA Holdings, \$Bn



Source: Bloomberg

SOMA Account 4-Week Change, \$Bn

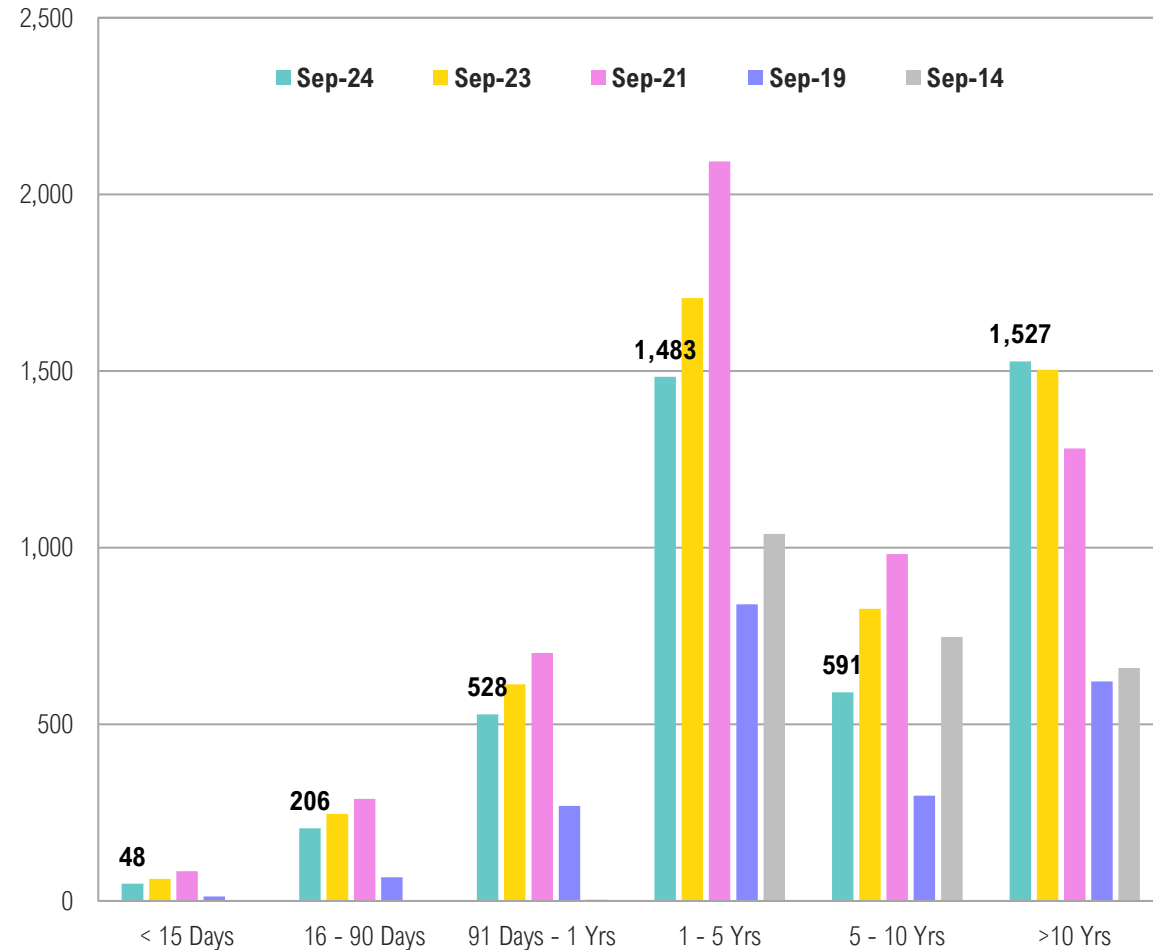


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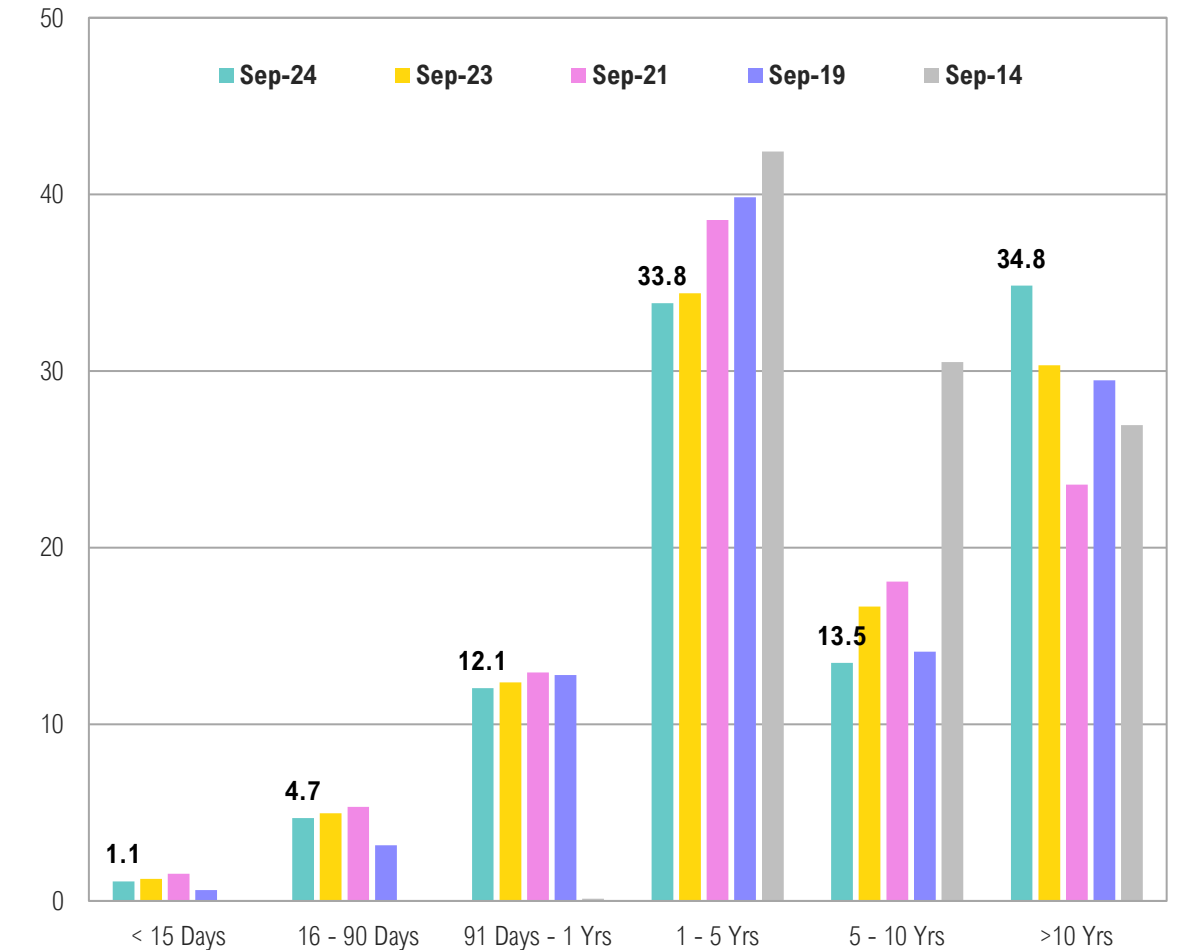


# ➤ **~18% (\$780bn) of the Fed's balance sheet assets are maturing within the next year—enough to hit the \$25bn monthly roll-off target; this implies the Fed will purchase ~\$500bn in Treasuries**

Value of Fed Treasury Assets vs Maturity, \$Bn



% of Total Fed Treasury Assets vs Maturity

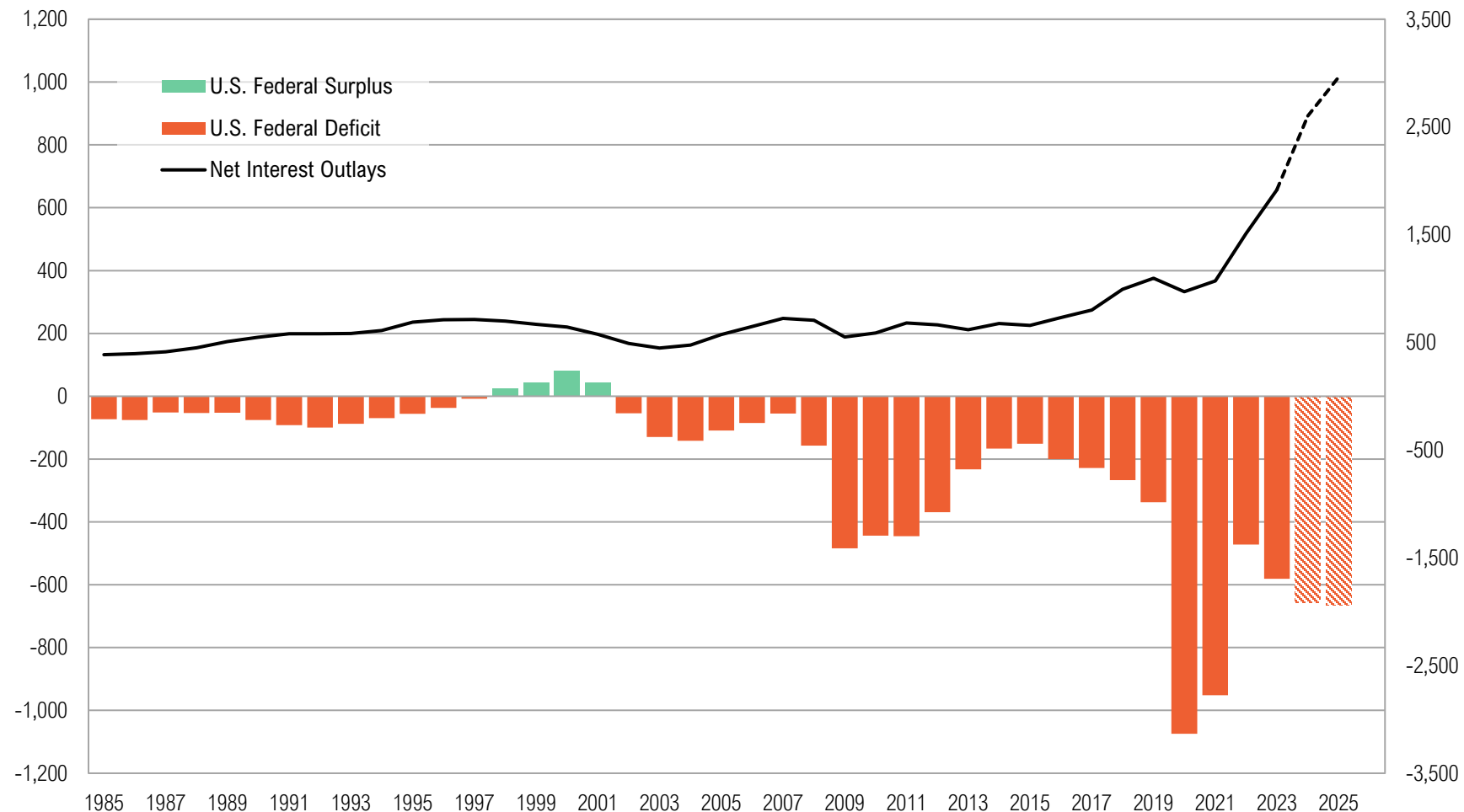


Source: Bloomberg. As of 9/30/2024.

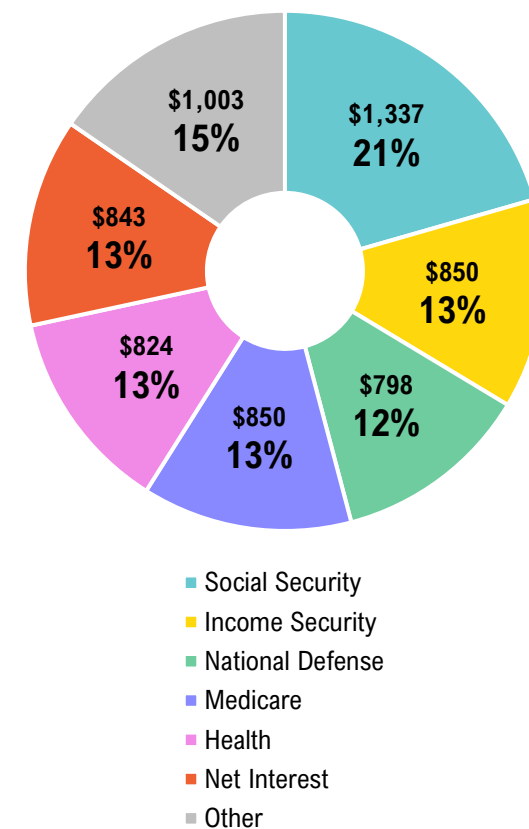
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# ➤ **Government spending continues unchecked: through August, the fiscal budget deficit for 2024 was already at \$1.9Tn; net interest outlays now exceed defense and health spending**

Net Interest Outlays, \$Bn



Outlays of the U.S. Government by Source for 2024 Fiscal YTD, \$Bn

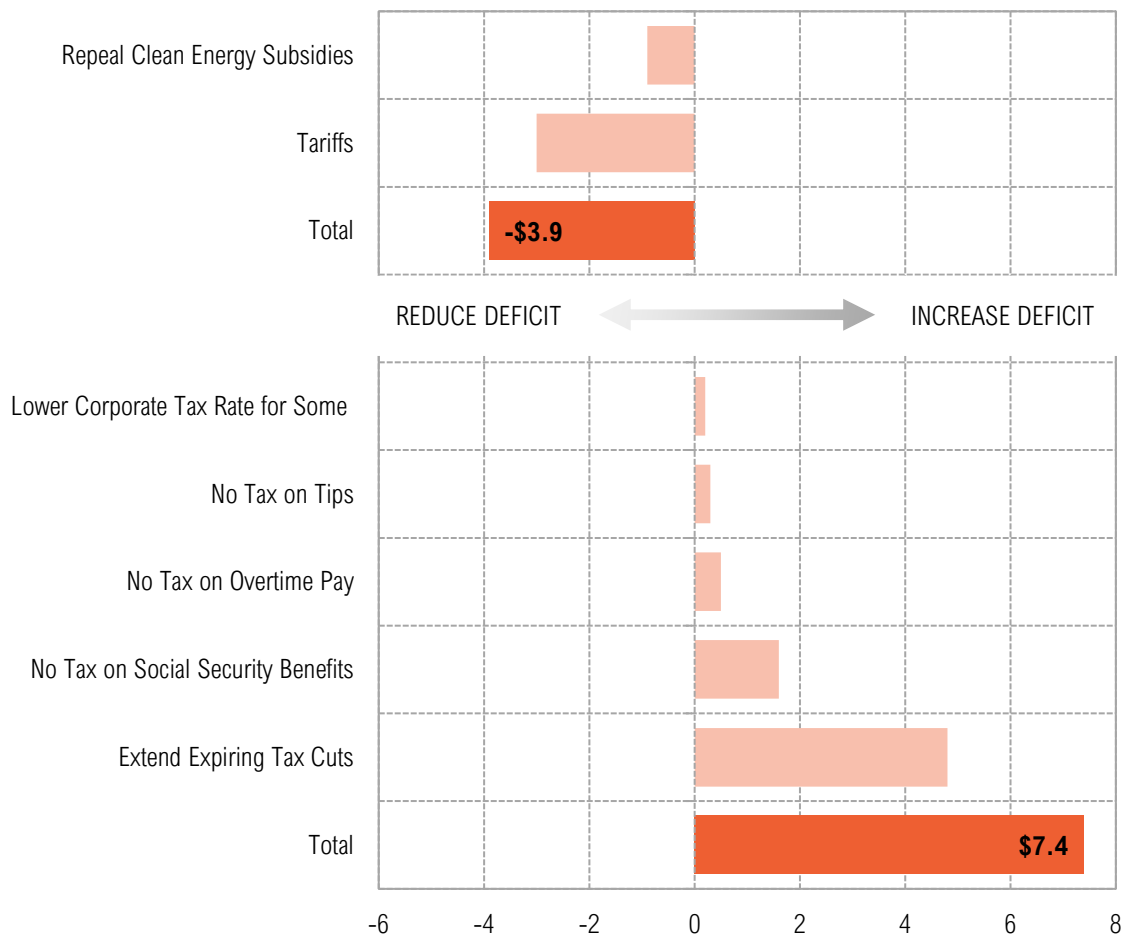


Source: Bloomberg, Congressional Budget Office, U.S. Department of Treasury. \*Fiscal year 2024 started on 10/1/2023. As of 8/31/2024.

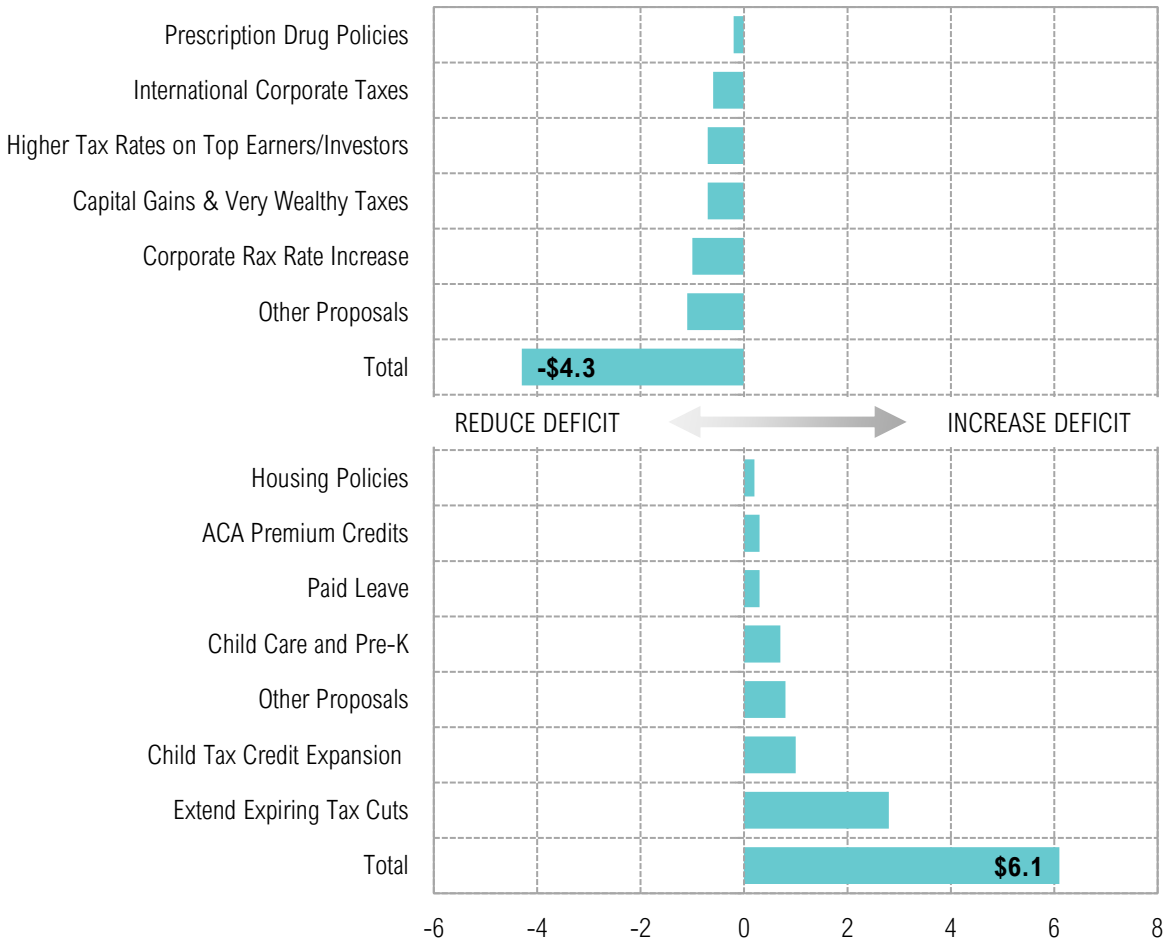
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# ➤ Both Trump's and Harris's fiscal policies would, on balance, increase the deficit over the next 10 years

How Proposals By **Trump** Could Impact the U.S. Deficit Over 10 Years, \$Tn



How Proposals By **Harris** Could Impact the U.S. Deficit Over 10 Years, \$Tn

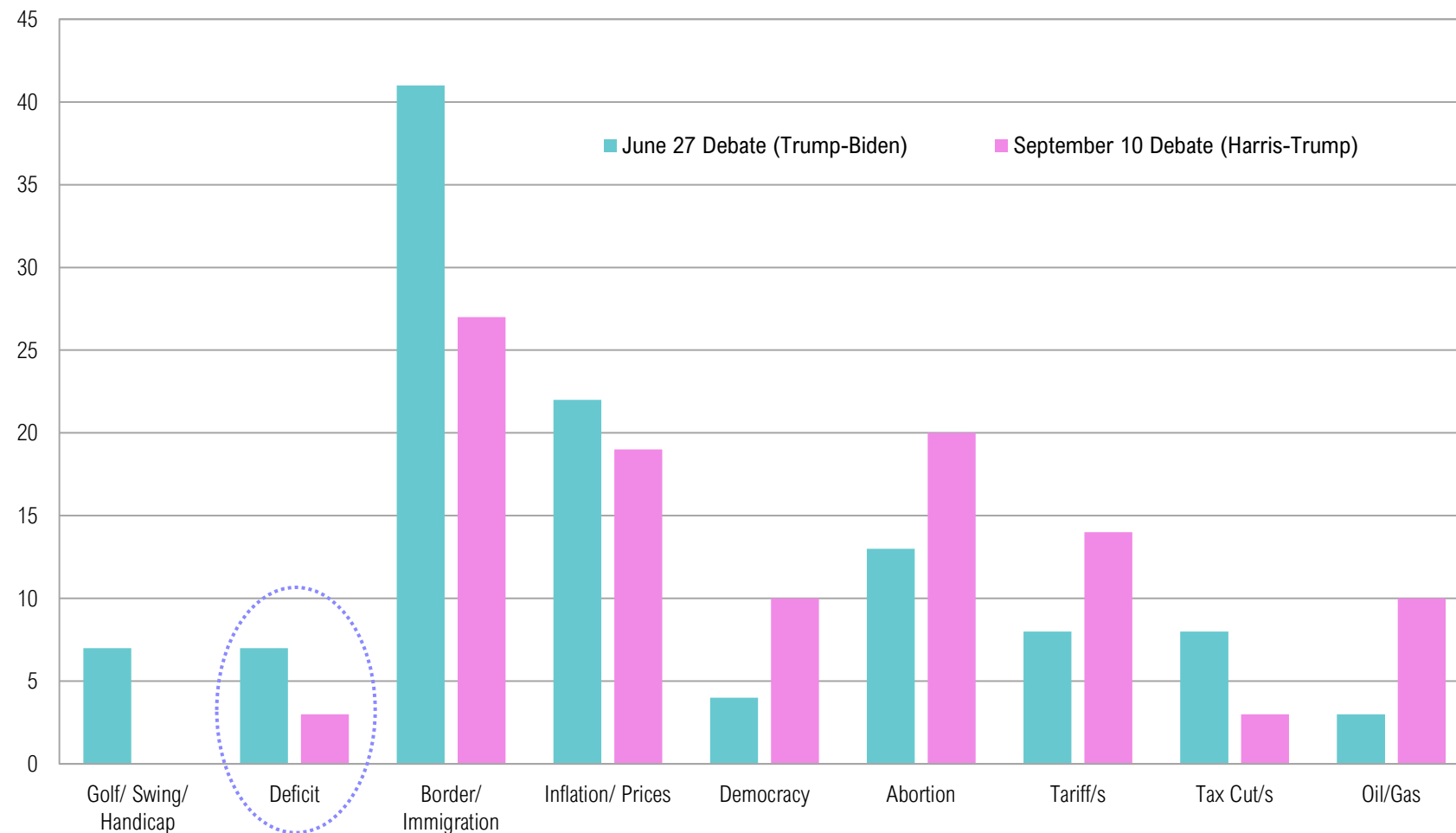


Source: Piper Sandler, Wall Street Journal. Selected proposals shown. Trump analysis does not include missile defense and mass deportation programs, and lower end of range shown for overtime proposal. Harris analysis uses some Biden budget numbers for policies where Harris hasn't provided details.



## Word counts from the two presidential debates show a shift in focus—but the deficit remained one of the least-mentioned issues

Word Count



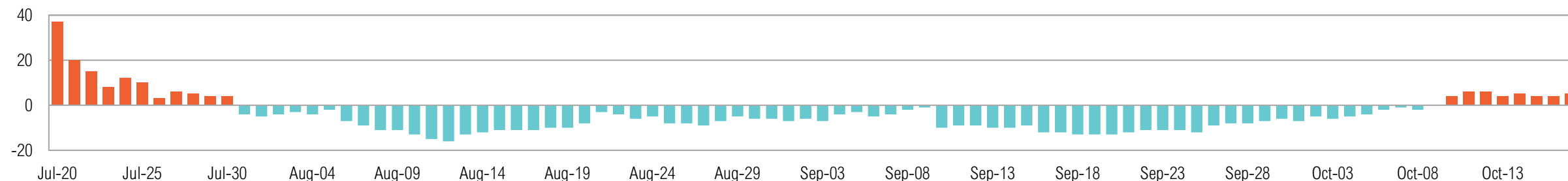
- The shifting focal points of the two presidential debates reflect the changing tone of discourse and the perceived importance of certain issues
- While earlier debates emphasized topics like border security, immigration, inflation, and tax cuts, recent discussions have moved towards issues such as abortion, tariffs, and democracy
- Notably, the growing U.S. fiscal deficit remained one of the least-discussed topics in both debates, with the term 'deficit' mentioned as often as golf-related phrases in the first debate

Source: The American Presidency Project

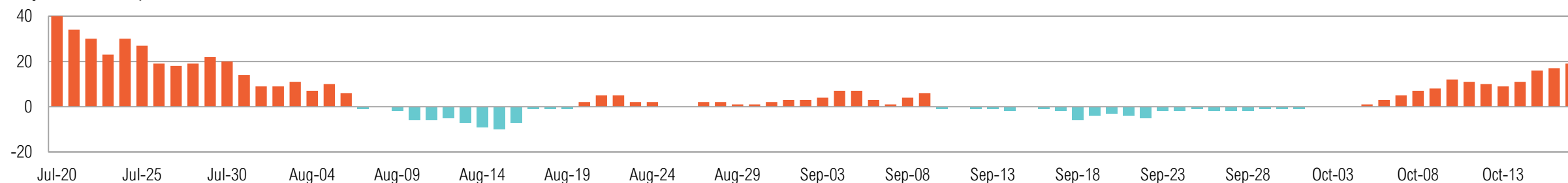
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# Betting markets have shifted to a Republican Presidential win next month

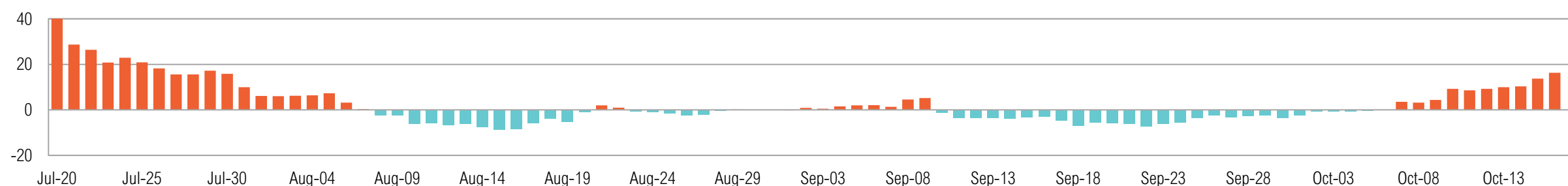
PredictIt: Trump - Harris



Polymarket: Trump - Harris



Real Clear Politics: Trump - Harris

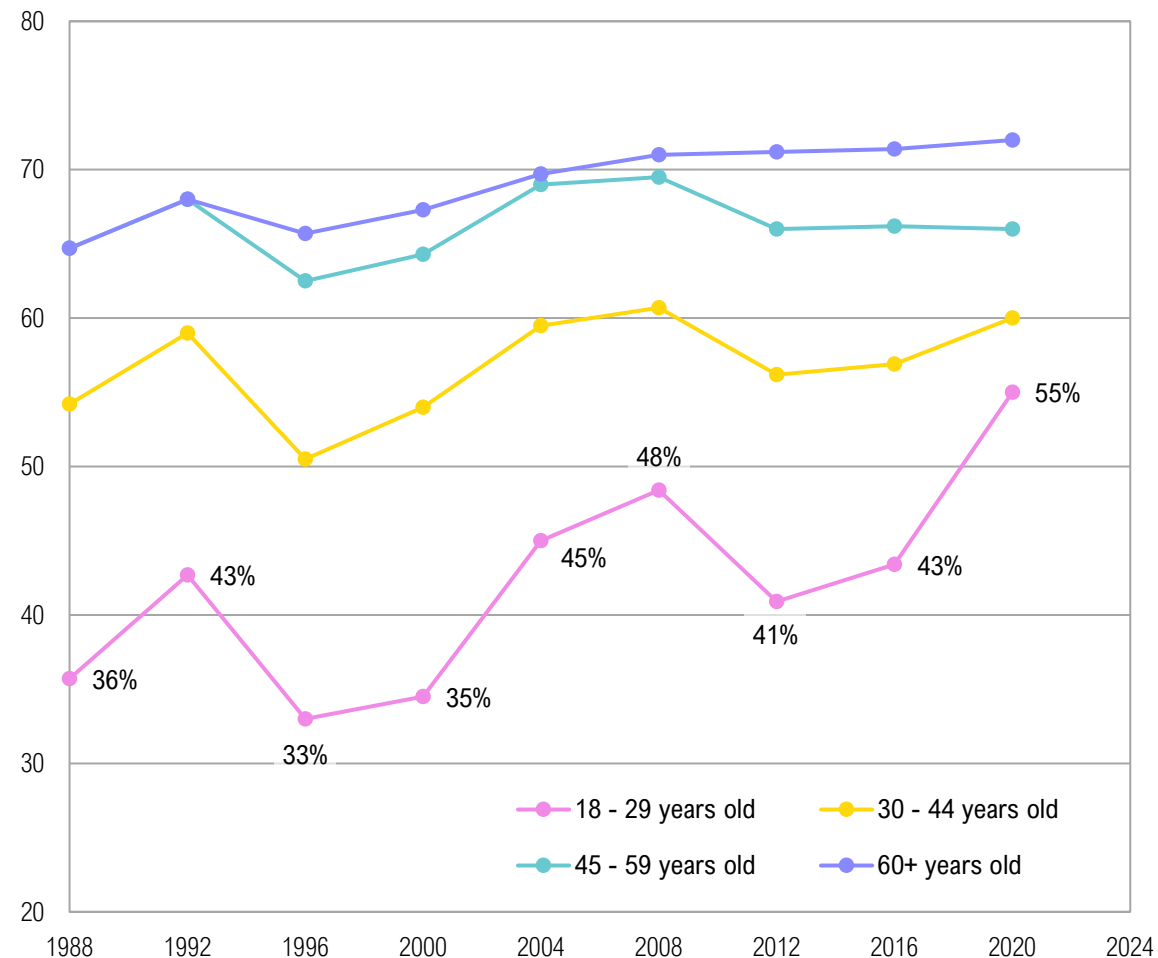


Source: PredictIt, Polymarket, Real Clear Politics. As of 10/17/2024.

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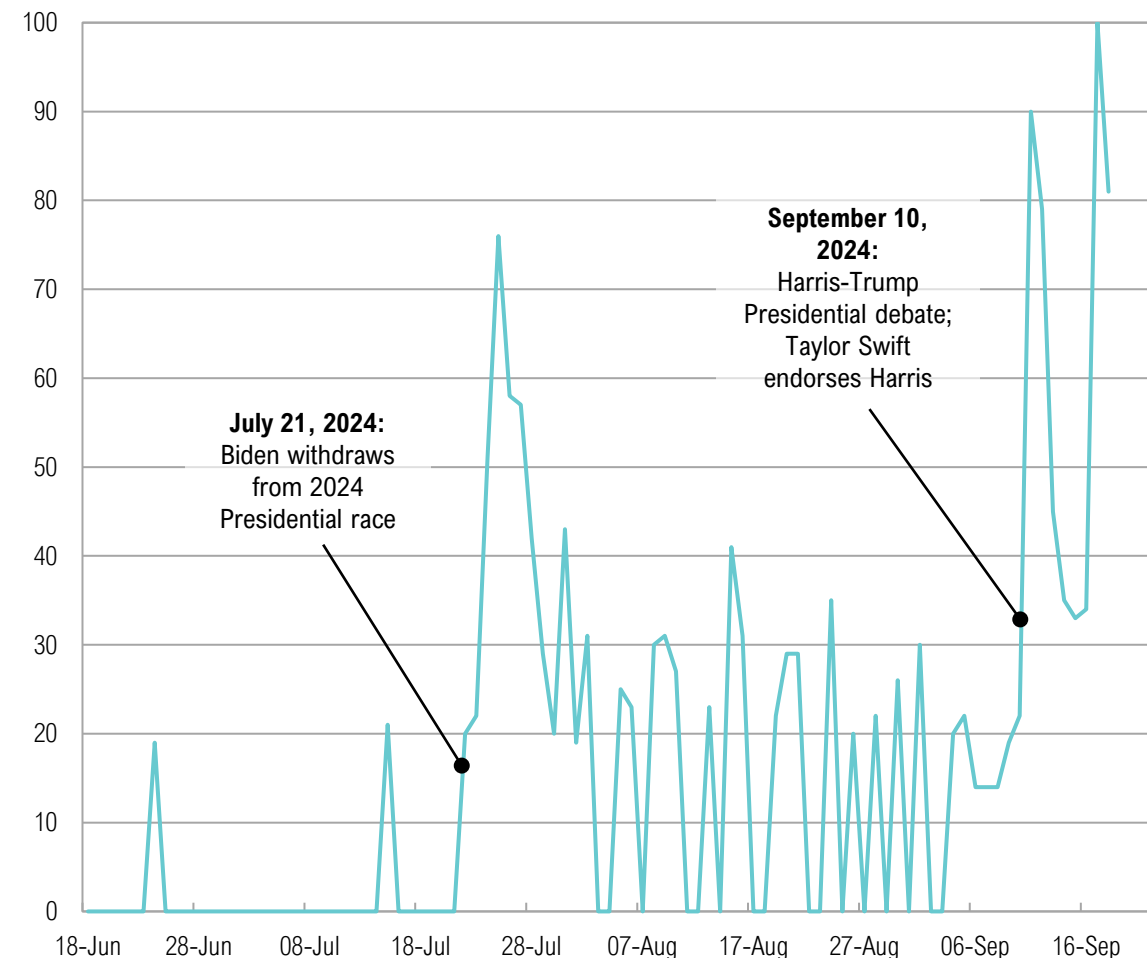
# Young voters historically have had the lowest turnout, but increased participation may impact the election outcome; Taylor Swift's Harris endorsement spiked Vote.org searches

U.S. Voter Rate Turnout by Age, %



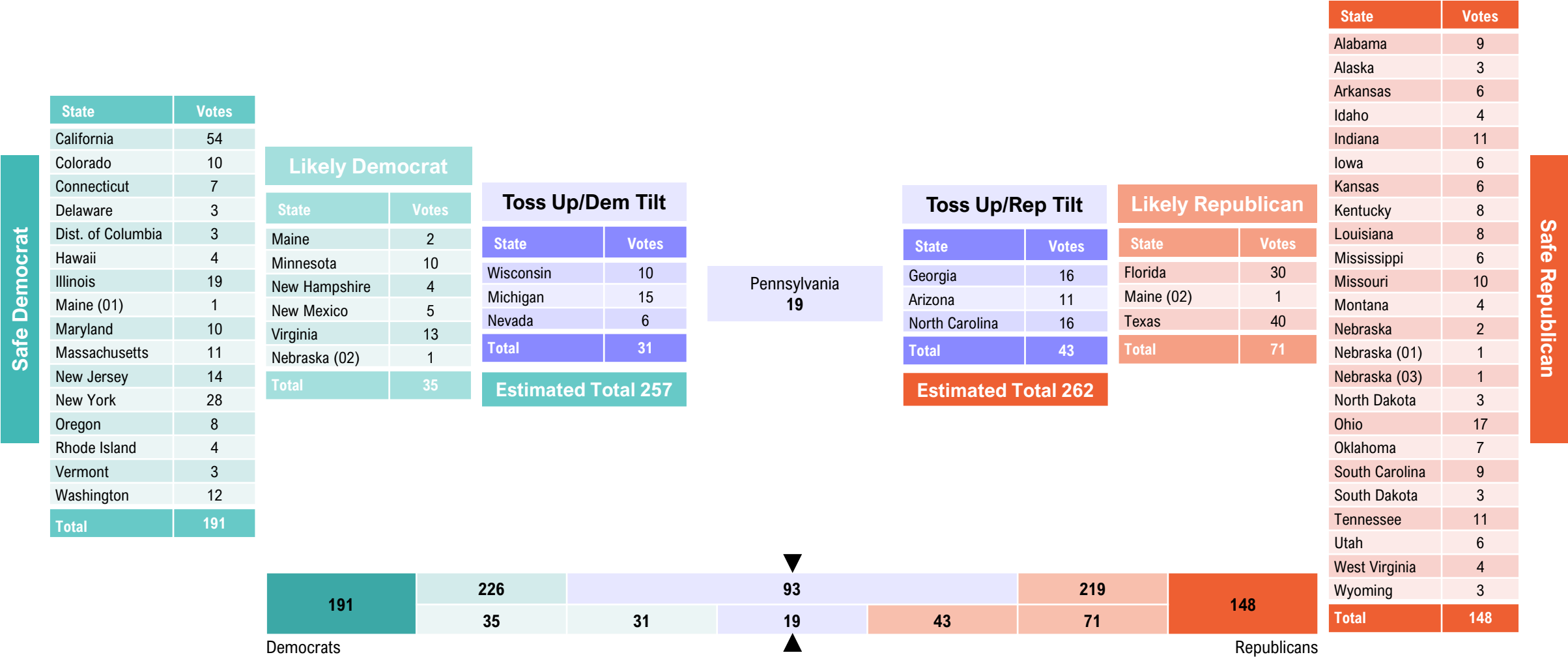
Source: Statista, Our World in Data, U.S. Census Bureau, Google Search Trends.

Google Search Trend Nationwide: Vote.org (6/18/2024 – 9/18/2024)



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# The road to 270 electoral votes is looking unlikely for either candidate without Pennsylvania



# ➤ Scenario analysis of possible policy outcomes with betting market odds<sup>1</sup>

## Trump & Republican Congress – 44%<sup>1</sup>



- Reversal of many Biden administration regulatory actions and rollback of certain Inflation Reduction Act (IRA) provisions
- Expansive tax package reauthorizing most of the Tax Cuts and Jobs Act (TCJA) provisions (lower corporate tax rates)
- Renewed effort to repeal/replace Affordable Care Act with same hurdles present
- Immigration and border security focus administratively and legislatively
- Tariffs and hardline trade negotiations
- Funding for Israel/Taiwan continues, but Ukraine aid would face headwinds

## Trump & Divided Congress – 15%<sup>1</sup>



- Reversal of many Biden administration regulatory actions
- Key provisions of the Tax Cuts and Jobs Act are extended, but ultimately a narrower package
- Political risk around funding deadlines and debt ceiling extension date
- Expansive use of executive orders
- Focus on investigations/oversight if House flips to Democratic control
- Funding for Israel/Taiwan continues, but Ukraine would face headwinds

## Harris & Democrat Congress – 14%<sup>1</sup>



- Expansive tax package reauthorizing most of the TCJA provisions for those earning less than \$400k and materially increasing the tax burden for higher earners
- Childcare, housing, health and climate proposals excluded from the Inflation Reduction Act via reconciliation
- Expand Medicare drug price negotiation
- Infrastructure/CHIPS 2.0 Act
- Student loan cancellation
- Funding for Israel, Taiwan and Ukraine continues

## Harris & Divided Congress – 23%<sup>1</sup>



- White House defense against efforts to reverse Biden-era regulatory actions
- Limited extension of certain Tax Cuts and Jobs Act provisions with pronounced focus on middle- and lower-income families
- Political risk around funding deadlines and debt ceiling extension date
- Expansive use of executive orders
- Focus on investigations/oversight if House flips to Republican control
- Funding for Israel/Taiwan continues, but Ukraine funding would be more difficult to secure

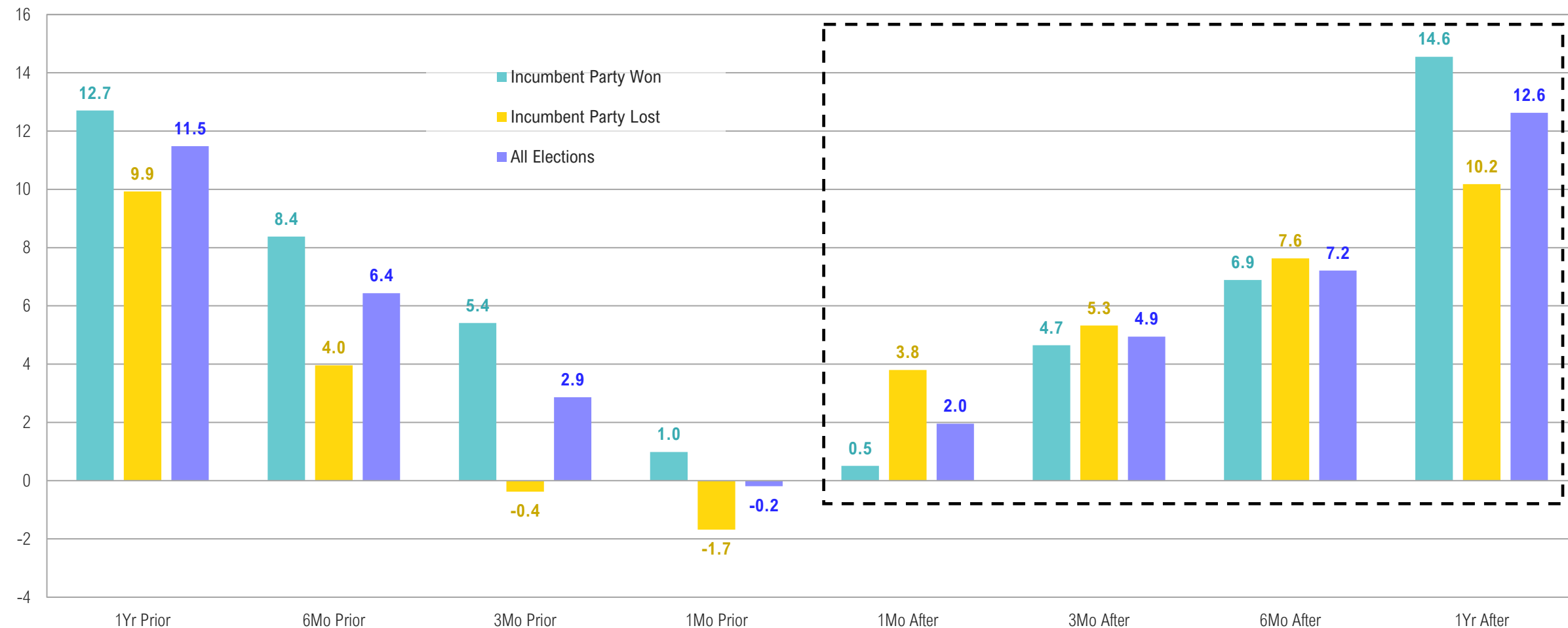
Sources: RealClearPolitics, BTIG, American Century, SpringTide. <sup>1</sup>Outcome odds via Polymarket. As of 10/18/2024.

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# Short-term volatility aside, markets generally perform relatively well once election uncertainty clears

Average S&P 500 Total Returns vs. Presidential Election Results, 1924 – 2020



Source: Bloomberg, SpringTide.

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**...there is nothing new in Wall Street. There can't be because speculation is as old as the hills. Whatever happens in the stock market today has happened before and will happen again.”**

**Edwin LeFevre**, *American writer & journalist*



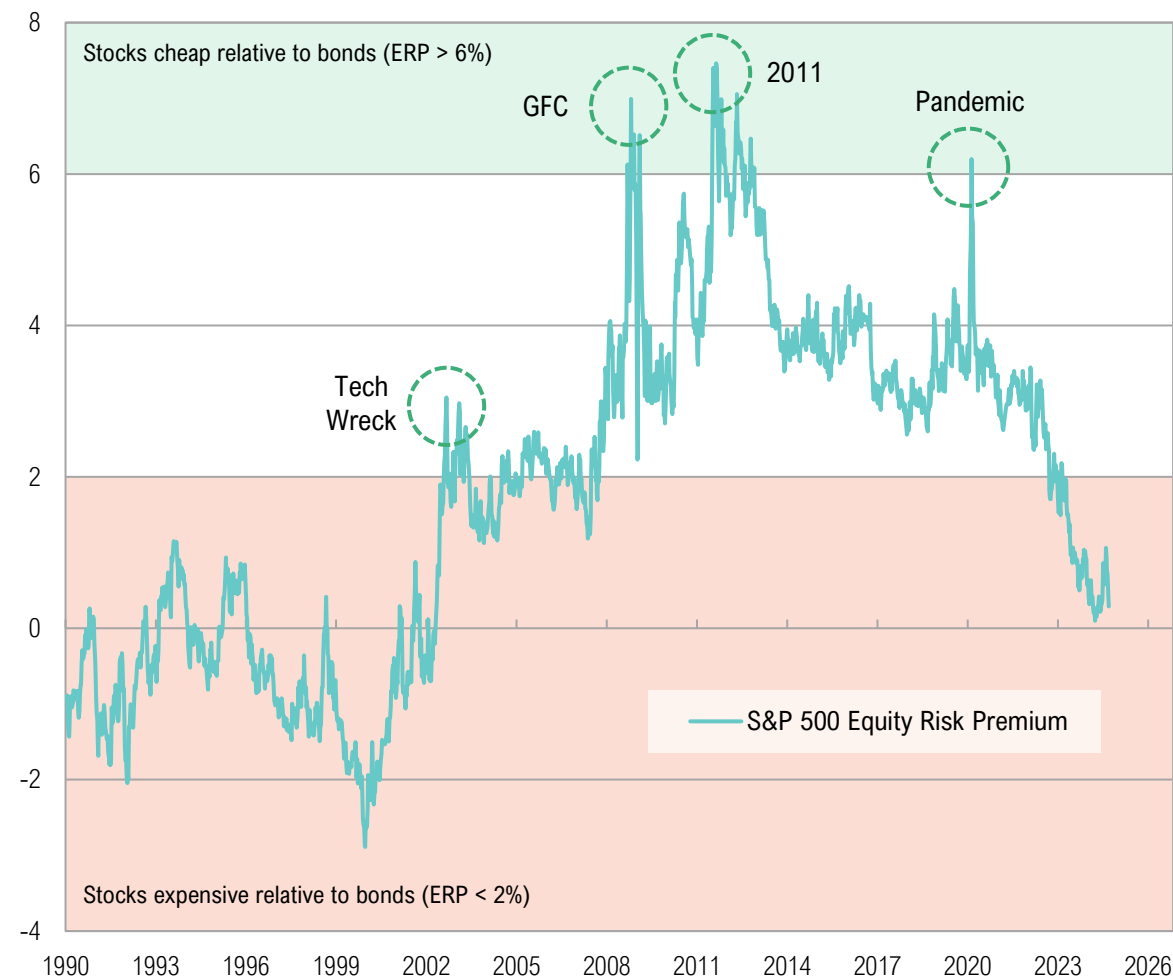
**I've been quite clear that I think the future could be quite turbulent and asset prices in my view... are inflated. I don't know if they're extremely inflated or a little bit, but I prefer to wait.”**

**Jamie Dimon**, *JPMorgan Chase Chairman & CEO*



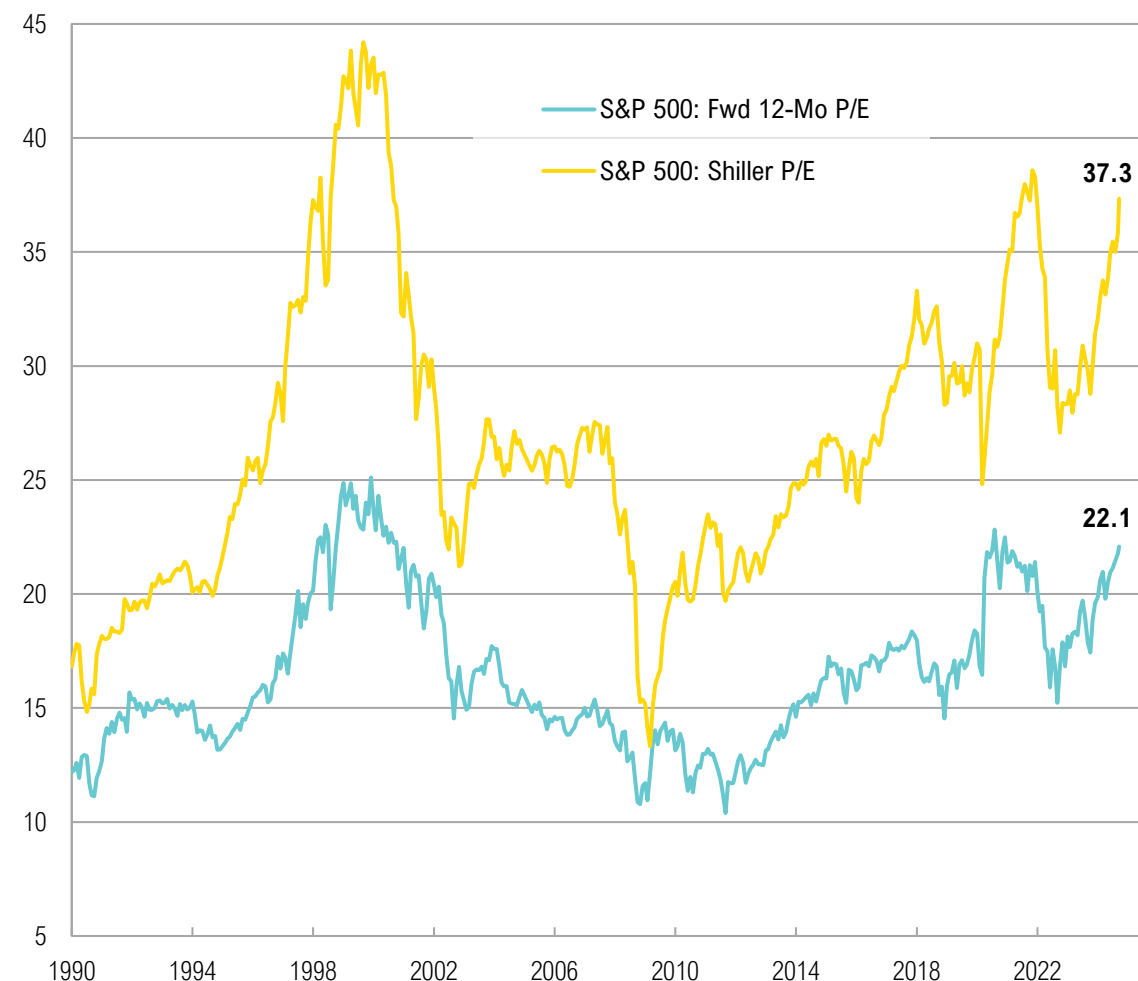
## Using a yield-to-earnings yield comparison (ERP), U.S. stocks are less attractively priced vis-à-vis bonds than at any point since the 1990s; valuations appear rich from both a Shiller and forward P/E perspective

S&P 500 Forward Earnings Yield minus 10-Year US Treasury, %



Source: Bloomberg. Equity risk premium calculated as S&P 500 earnings yield minus 10-year Treasury yield.

S&P 500 Price to Earnings, 12-Mo Fwd vs. Shiller

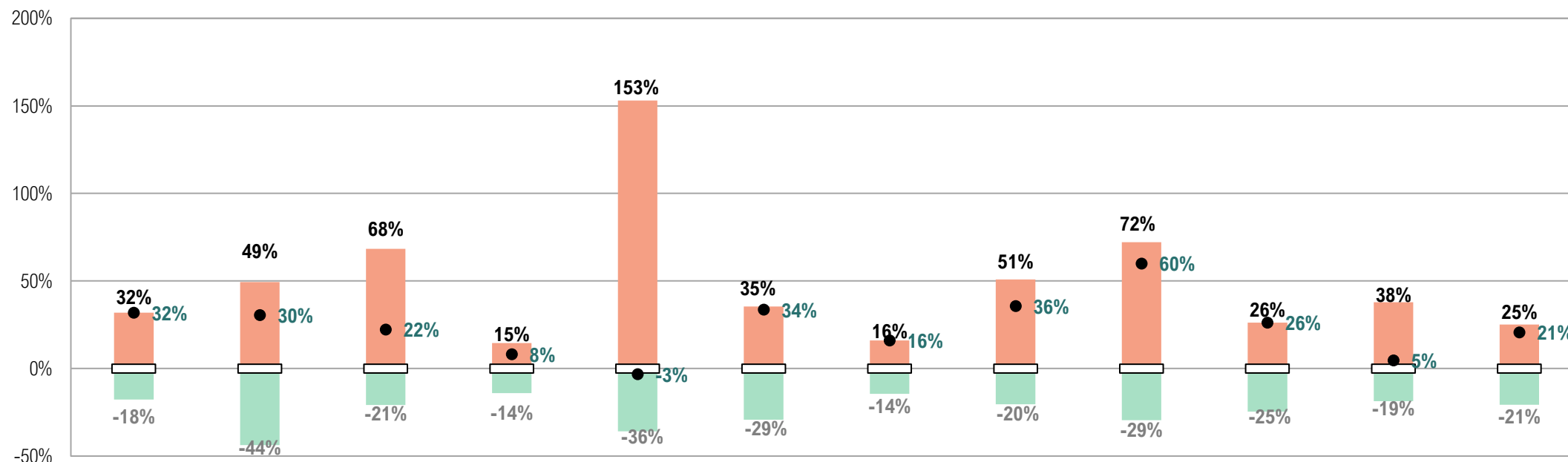


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## S&P 500 composite valuations are at 10-year highs; most sectors are trading at premiums relative to their internal median valuations, with Tech, Financials, Materials, and Health Care at or near 10-year highs

Current Composite Valuation Premium/Discount vs. 10-Year Median\*



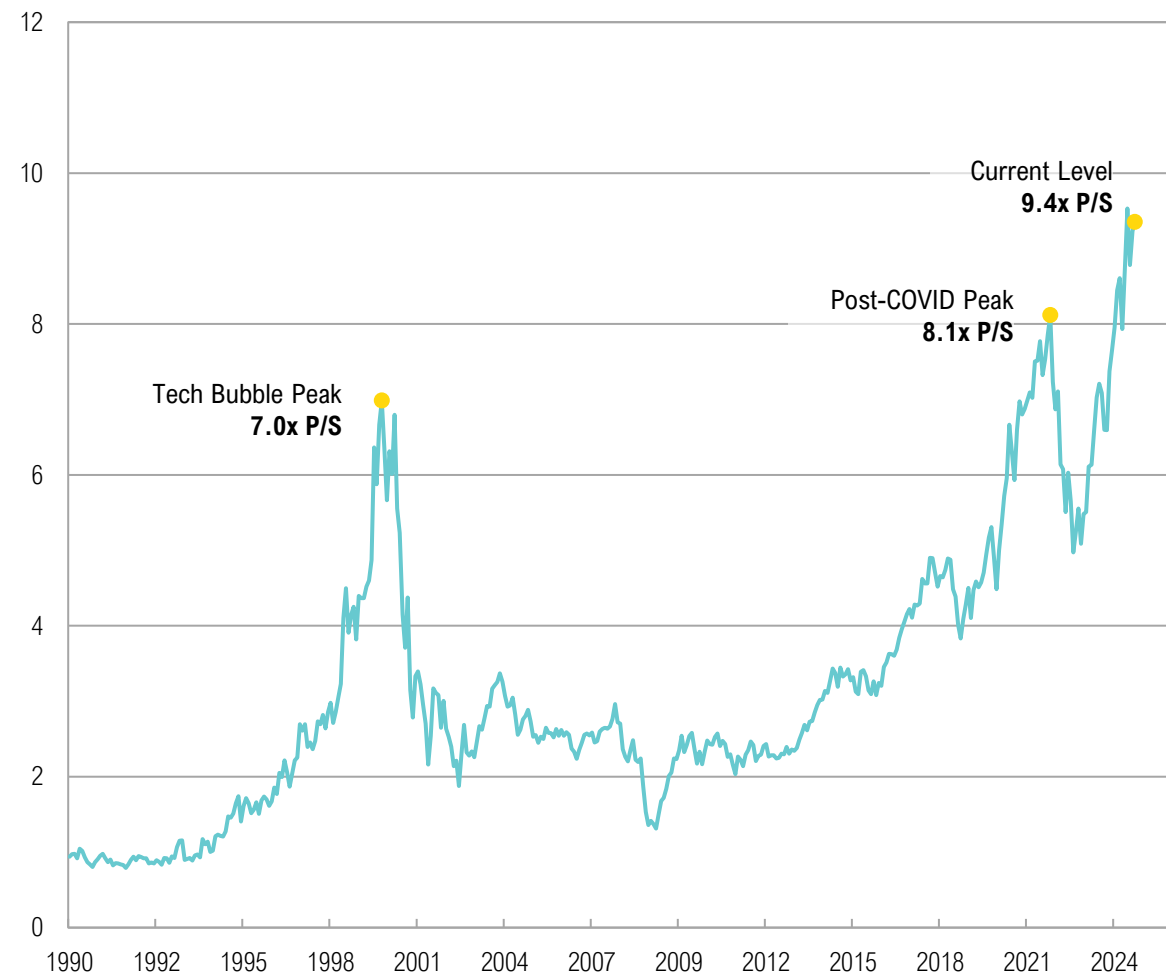
	S&P 500	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities
High Valuation Date	4/30/2021	8/31/2021	4/30/2021	4/29/2022	4/29/2016	1/31/2024	7/30/2021	4/30/2021	1/31/2024	4/30/2021	12/31/2021	8/31/2022
Low Valuation Date	1/31/2014	5/31/2018	9/30/2014	1/31/2014	9/30/2022	3/31/2020	3/31/2020	9/30/2015	1/31/2014	9/30/2015	10/31/2023	1/31/2014
Valuation Premium on 12/31/2023	19%	22%	19%	-4%	-16%	26%	6%	17%	59%	18%	-2%	-1%
Valuation Premium on 12/31/2022	0%	-4%	-7%	7%	-23%	1%	3%	6%	14%	-2%	-12%	16%
Valuation Premium on 12/31/2021	33%	54%	61%	15%	-23%	16%	8%	30%	66%	13%	35%	26%
Valuation Premium on 12/31/2020	32%	54%	64%	10%	44%	4%	3%	41%	56%	28%	15%	17%
Valuation Premium on 12/31/2019	8%	28%	8%	6%	0%	5%	5%	2%	19%	8%	10%	20%

Source: Bloomberg. \*The composite valuation equal weights four valuation metrics (Fwd P/E, Fwd P/CF, TTM P/S and TTM EV/EBITDA) relative to each respective sector's 10-year medium valuation. The Financials composite replaces EV/EBITDA with TTM P/B.

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## The tech sector P/S ratio is currently over 30% higher than peak Tech Bubble levels: NVDA (30.1x), and MSFT (13.3x) account for ~40% of the sector; the median tech stock trades at 6.5x P/S

S&amp;P 500 Information Technology Sector, Price to Sales Ratio



Source: Bloomberg. As of 9/30/2024.

S&amp;P 500 Information Technology Sector: Top 20 Holdings

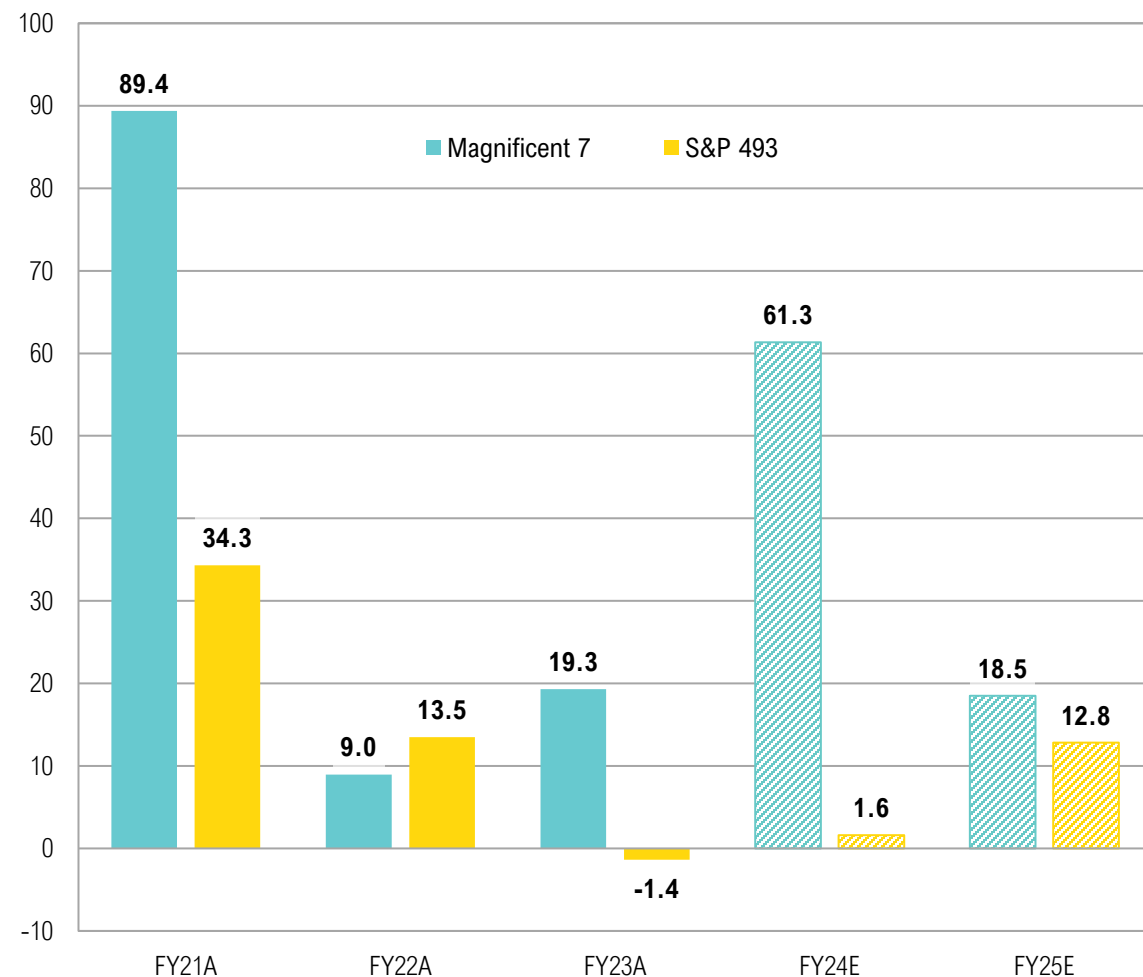
Name	Weight	P/S	P/E	Fwd P/S	Fwd P/E
Apple Inc	21.9%	9.2	34.8	8.3	30.8
NVIDIA Corp	19.5%	30.1	55.2	18.0	32.7
Microsoft Corp	19.1%	13.3	37.1	11.2	32.1
Broadcom Inc	5.2%	16.1	65.9	13.1	27.6
Oracle Corp	1.9%	8.6	41.4	7.7	25.9
Salesforce Inc	1.8%	7.1	43.8	6.4	24.7
Advanced Micro Devices	1.8%	10.9	176.8	8.2	32.3
Adobe Inc	1.7%	11.3	38.1	10.0	26.2
Accenture PLC	1.6%	3.3	28.3	3.1	25.9
Cisco Systems Inc	1.5%	3.9	18.3	3.7	14.3
International Business Machines	1.5%	3.1	22.9	3.0	20.4
QUALCOMM Inc	1.4%	5.2	21.6	4.6	15.7
Texas Instruments Inc	1.4%	11.7	37.9	10.9	34.0
ServiceNow Inc	1.4%	19.0	158.6	15.1	58.4
Intuit Inc	1.3%	11.3	59.4	9.9	33.2
Applied Materials Inc	1.1%	6.1	23.1	5.4	20.4
Analog Devices Inc	0.8%	12.0	34.7	11.3	31.3
Palo Alto Networks Inc	0.8%	13.3	128.8	11.6	52.0
Lam Research Corp	0.7%	7.0	26.2	5.7	20.9
KLA Corp	0.7%	10.7	32.4	8.8	25.1
Other	12.9%	n/a	n/a	n/a	n/a
<b>Total S&amp;P 500 Tech Index</b>	<b>100%</b>	<b>9.4</b>	<b>40.7</b>	<b>7.8</b>	<b>28.4</b>
<b>Median S&amp;P 500 Tech Constituent</b>		<b>6.5</b>	<b>37.1</b>	<b>5.4</b>	<b>24.8</b>

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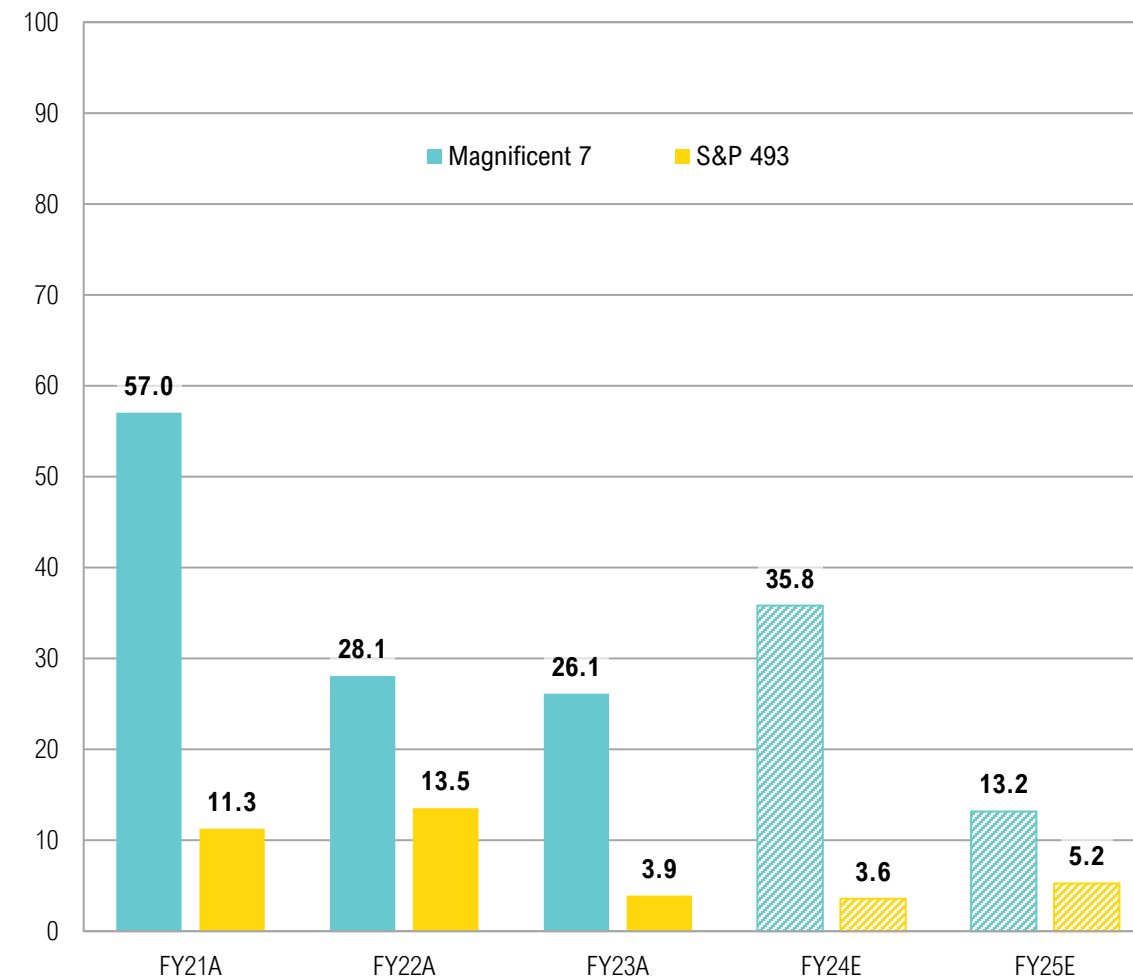
## Are high valuations at least partially being driven by strong earnings growth? FY 2024 Mag 7 earnings are expected to grow by 61.3%, while S&P 493 earnings are expected to grow by 1.6%

Earnings per Share Growth, Y/Y %



Source: Bloomberg

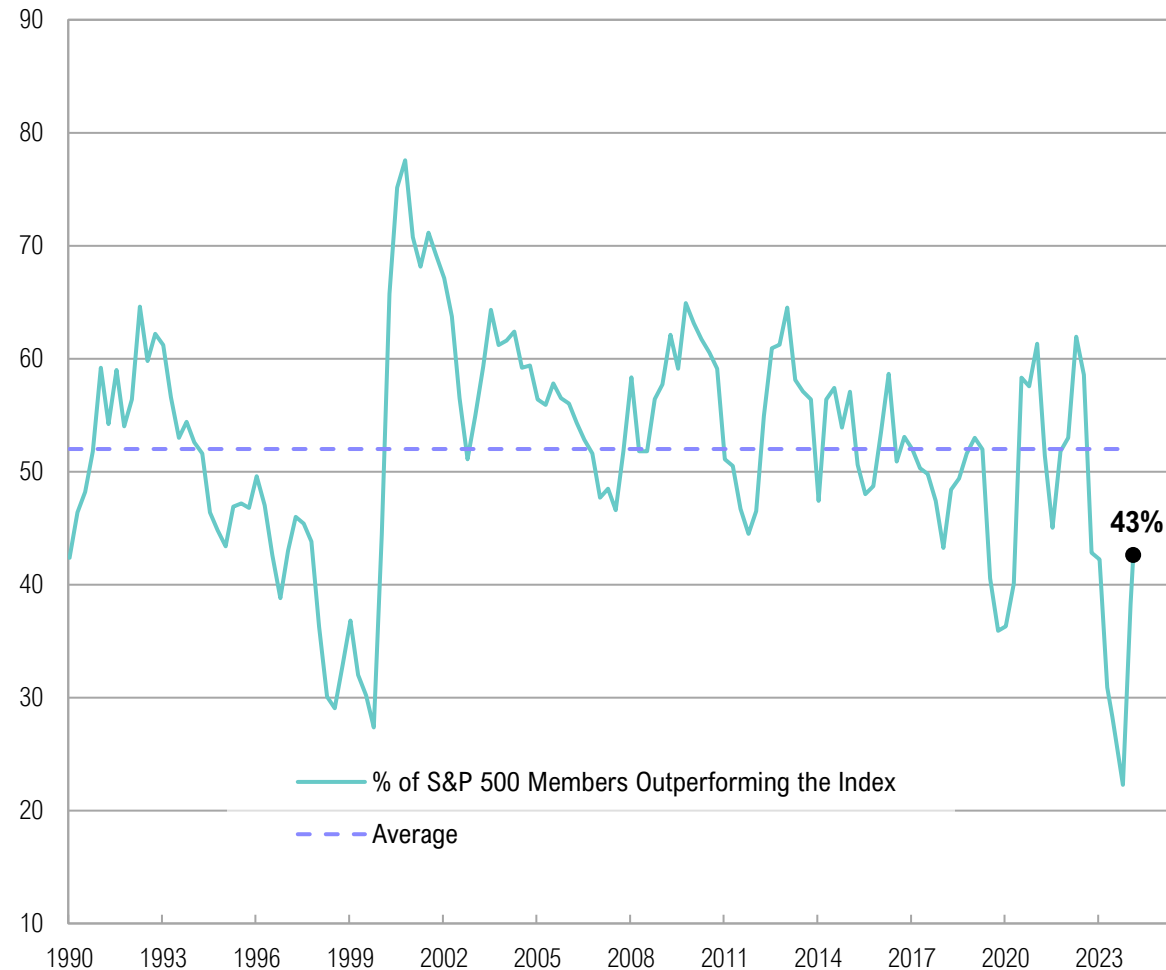
Sales Growth, Y/Y %



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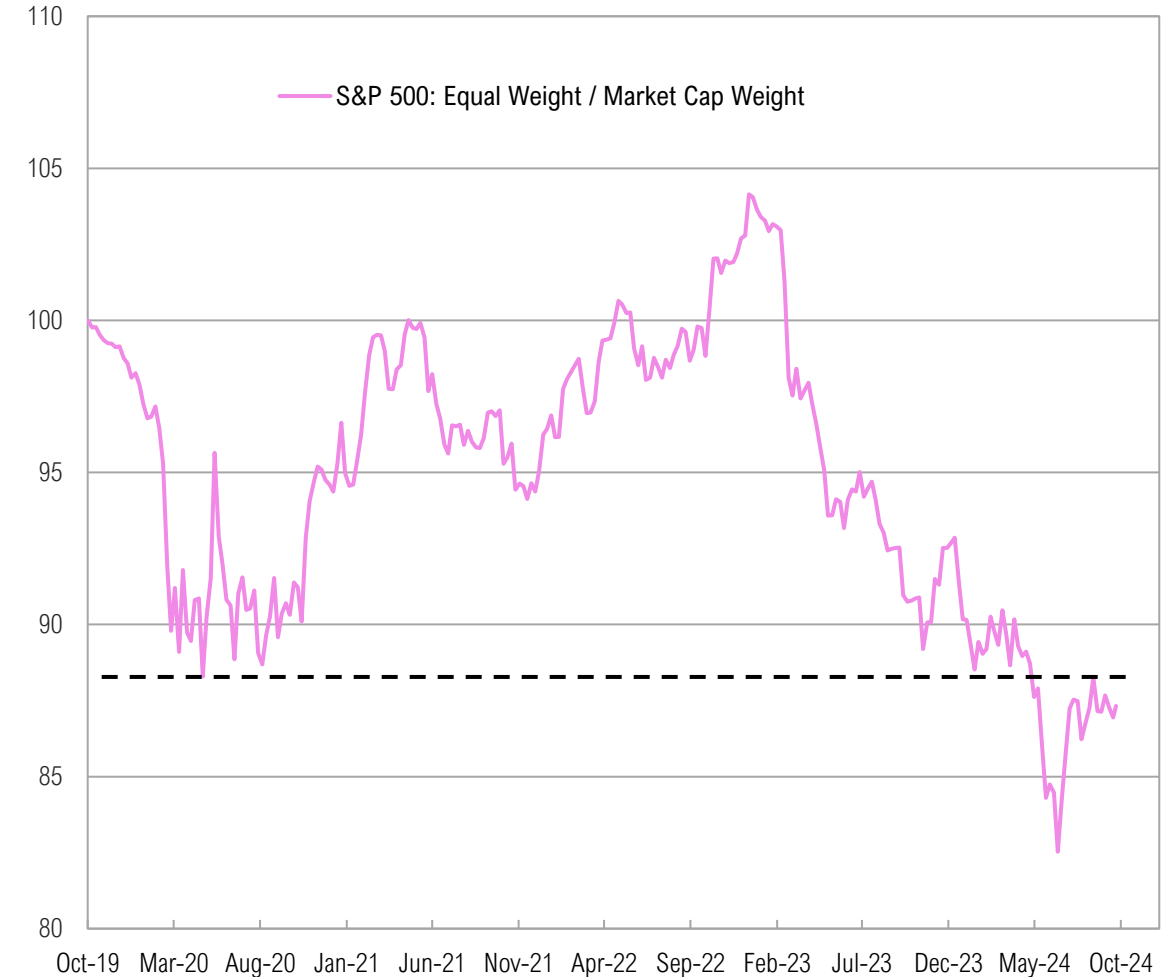
## Market breadth continues to improve, with 43% of S&P 500 members outperforming the broader index and the equal weighted index outperforming since early July

S&amp;P 500 Members Outperforming the Index, Rolling 12 Month %



Source: Bloomberg

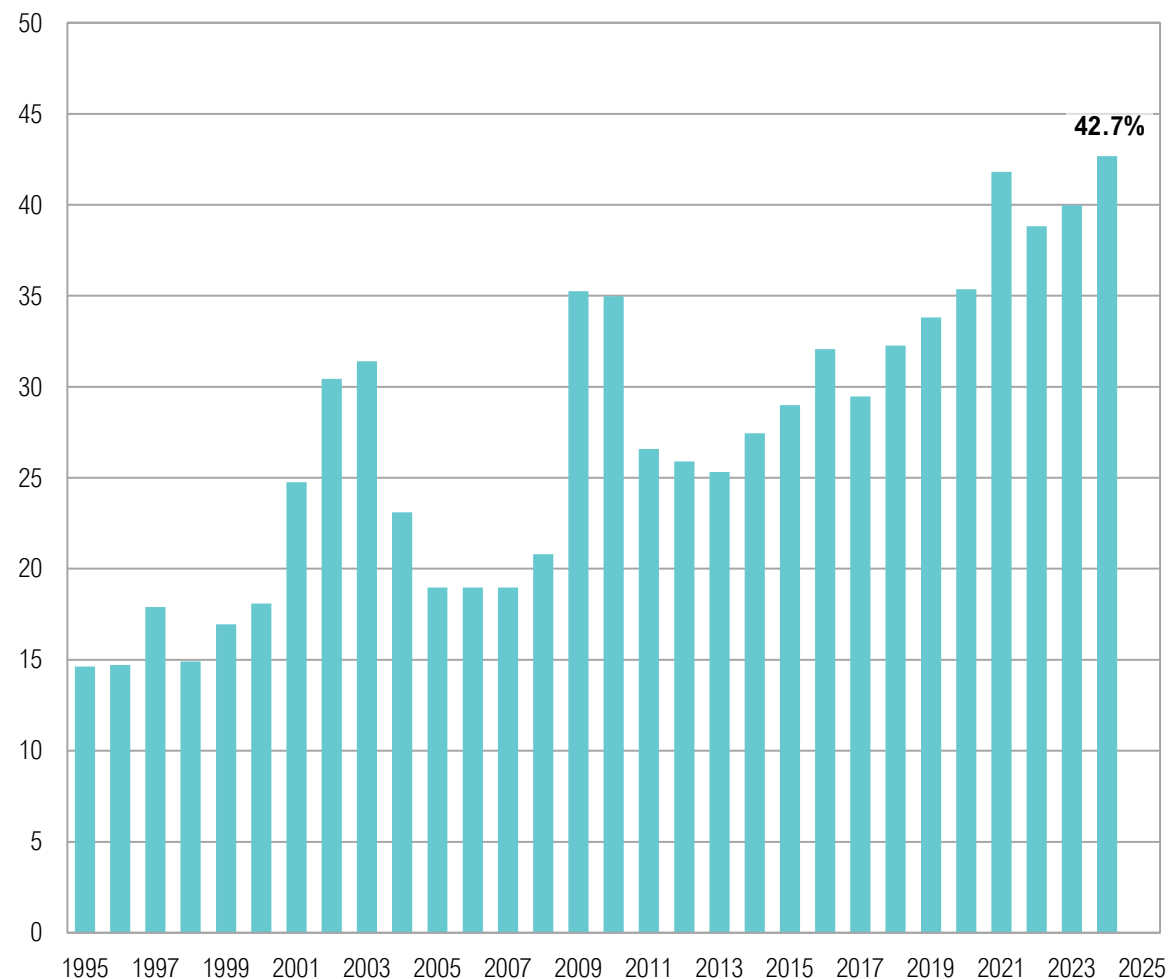
Growth of 100



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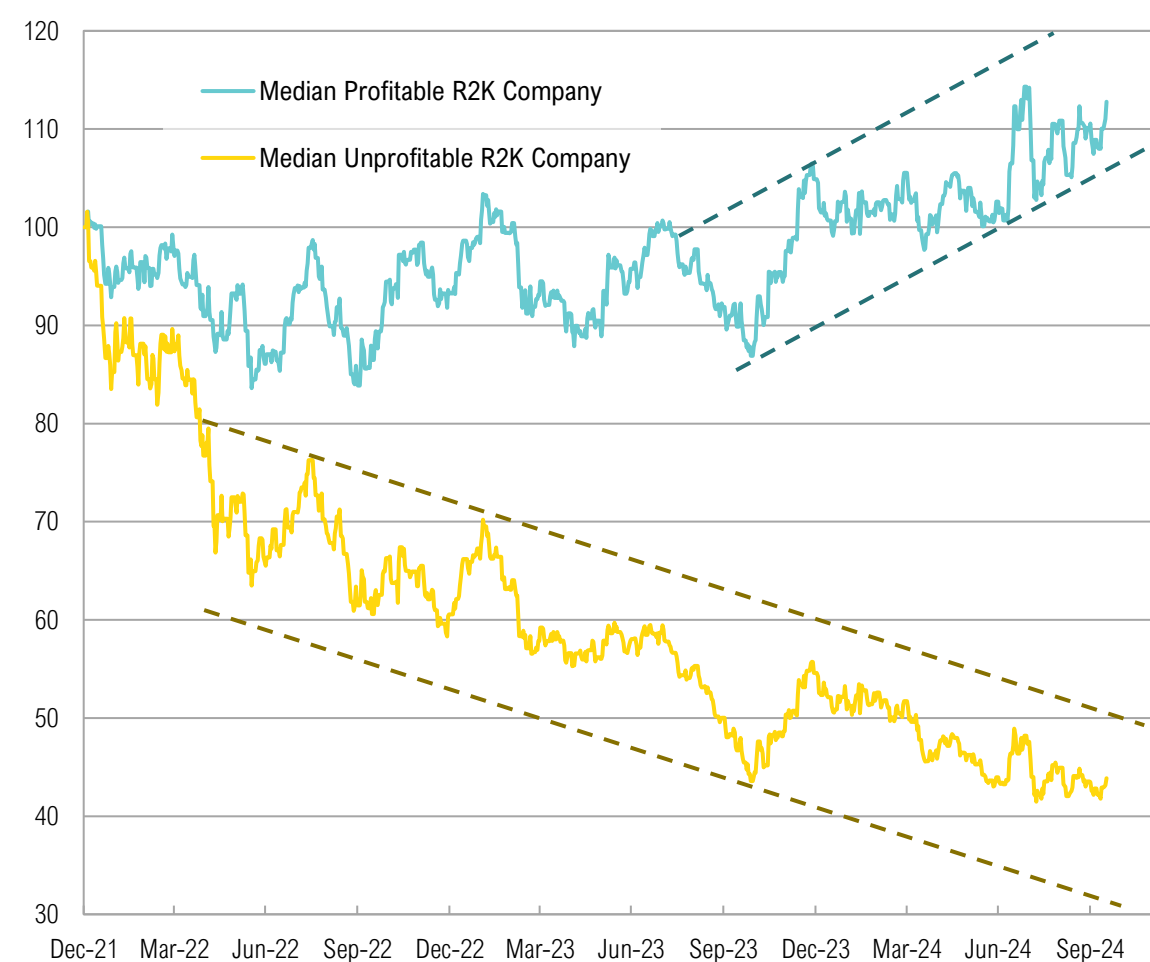
## ➤ The market remains selective with U.S. small cap stocks: profitable companies are faring well, while unprofitable companies (~43% of the Russell 2000) continue to trend lower

% of Russell 2000 Constituents with Negative Earnings (TTM EPS)



Source: Bloomberg, Apollo. Unprofitable constituent data as of 3/31/2024. Profitability is based on most recent earnings. Relative performance as of 10/16/2024.

Profitable vs Unprofitable Russell 2000 Companies, Growth of 100

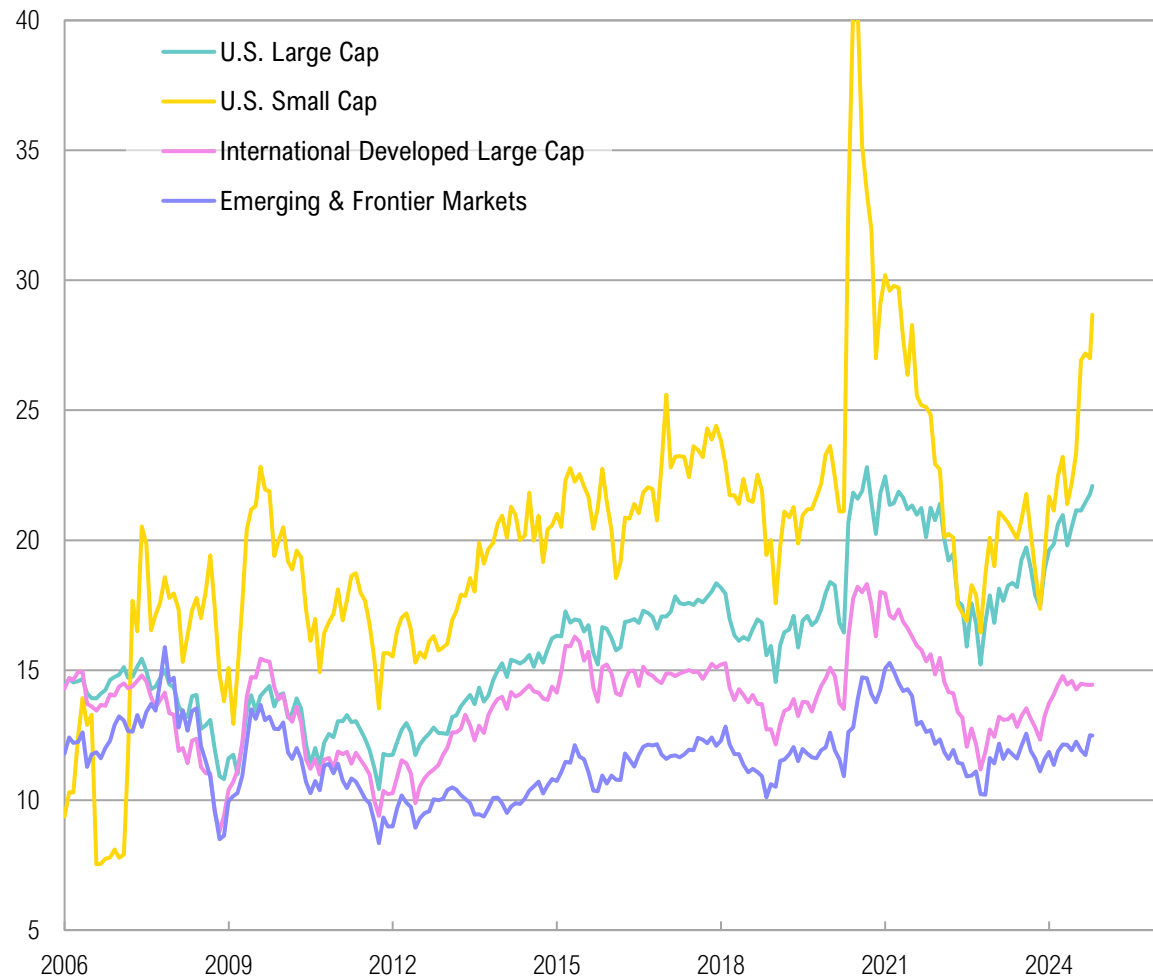


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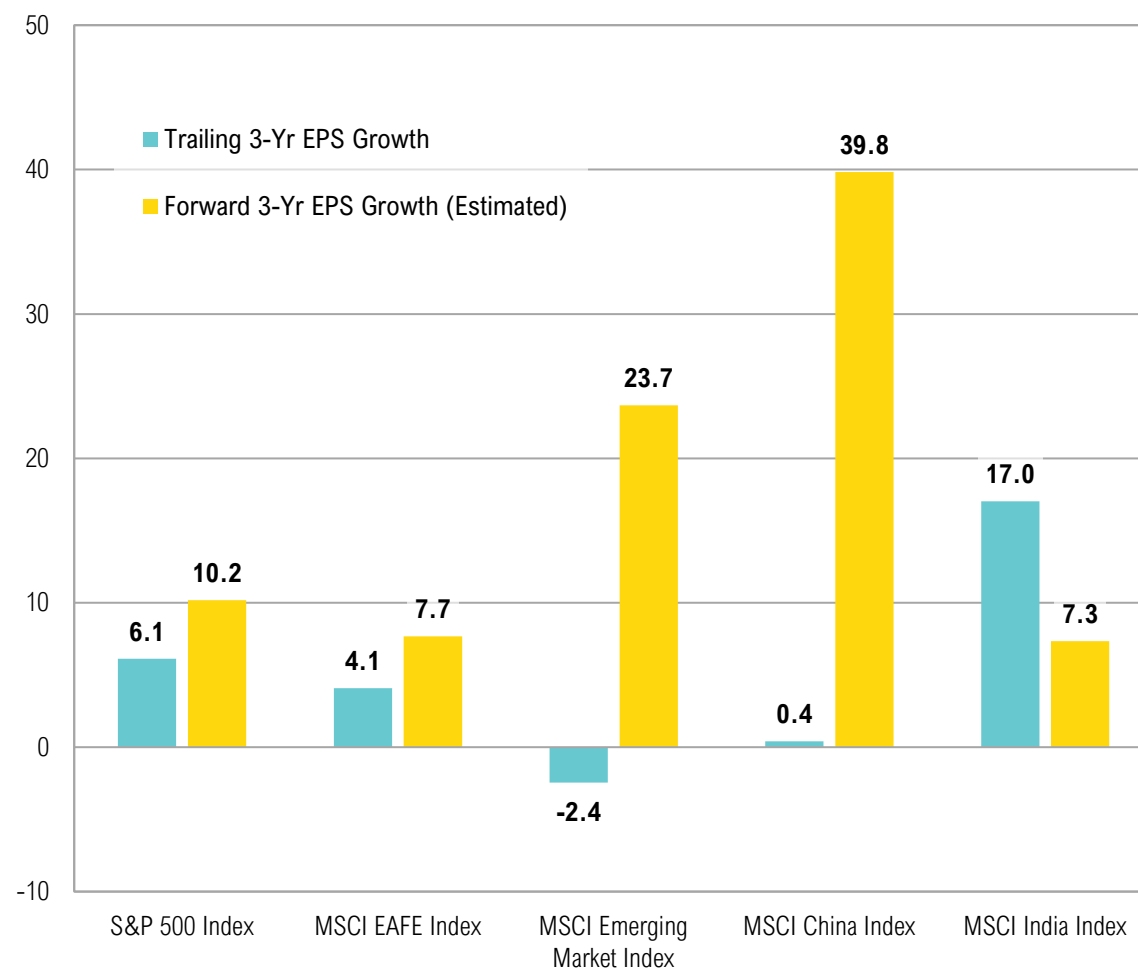
# Emerging market stocks remain relatively cheap vs. developed markets; looking ahead, earnings growth for broader emerging markets and China look promising

Price-to-Earnings Ratio, Forward 12-Months



Source: Bloomberg. As of 10/16/2024.

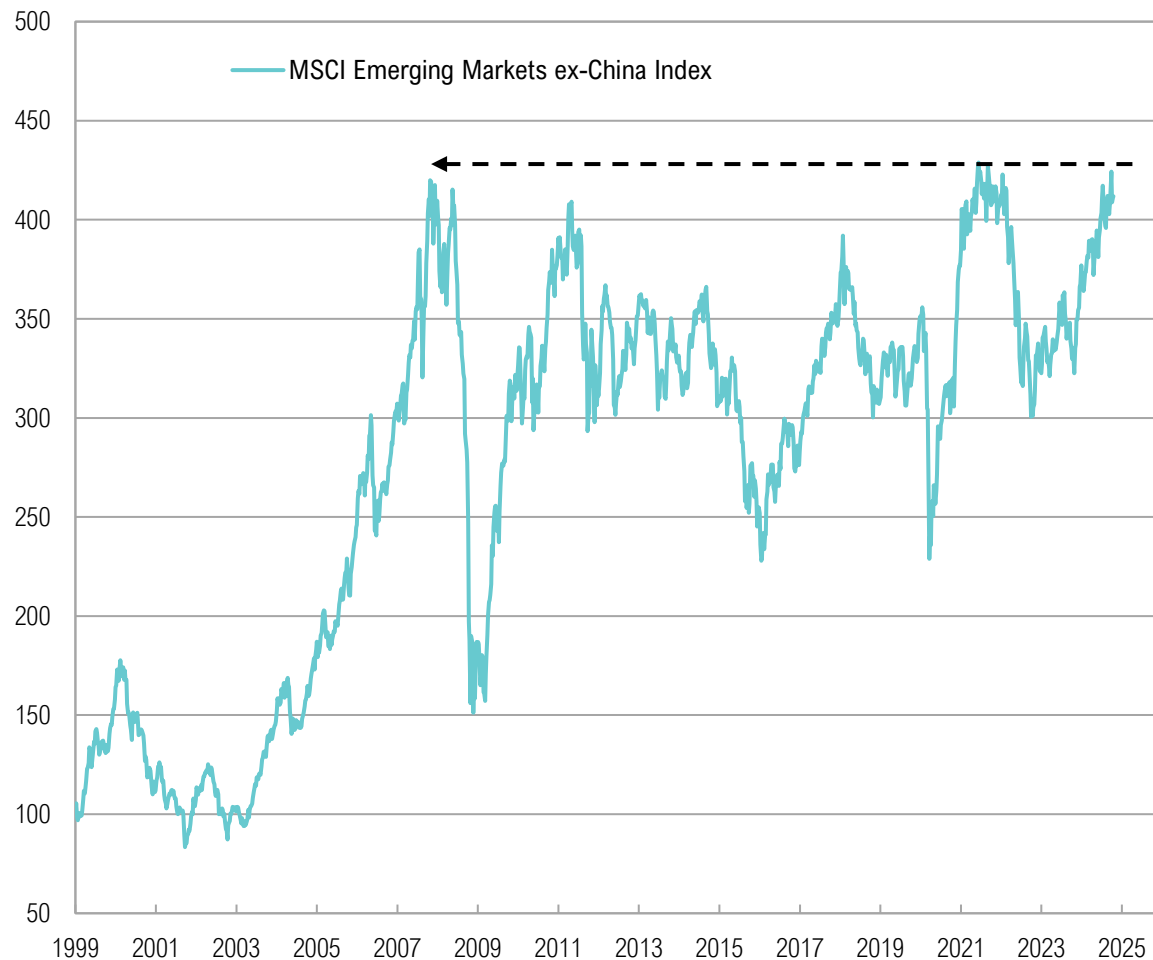
Trailing vs Forward 3-Year Earnings Per Share Growth, %



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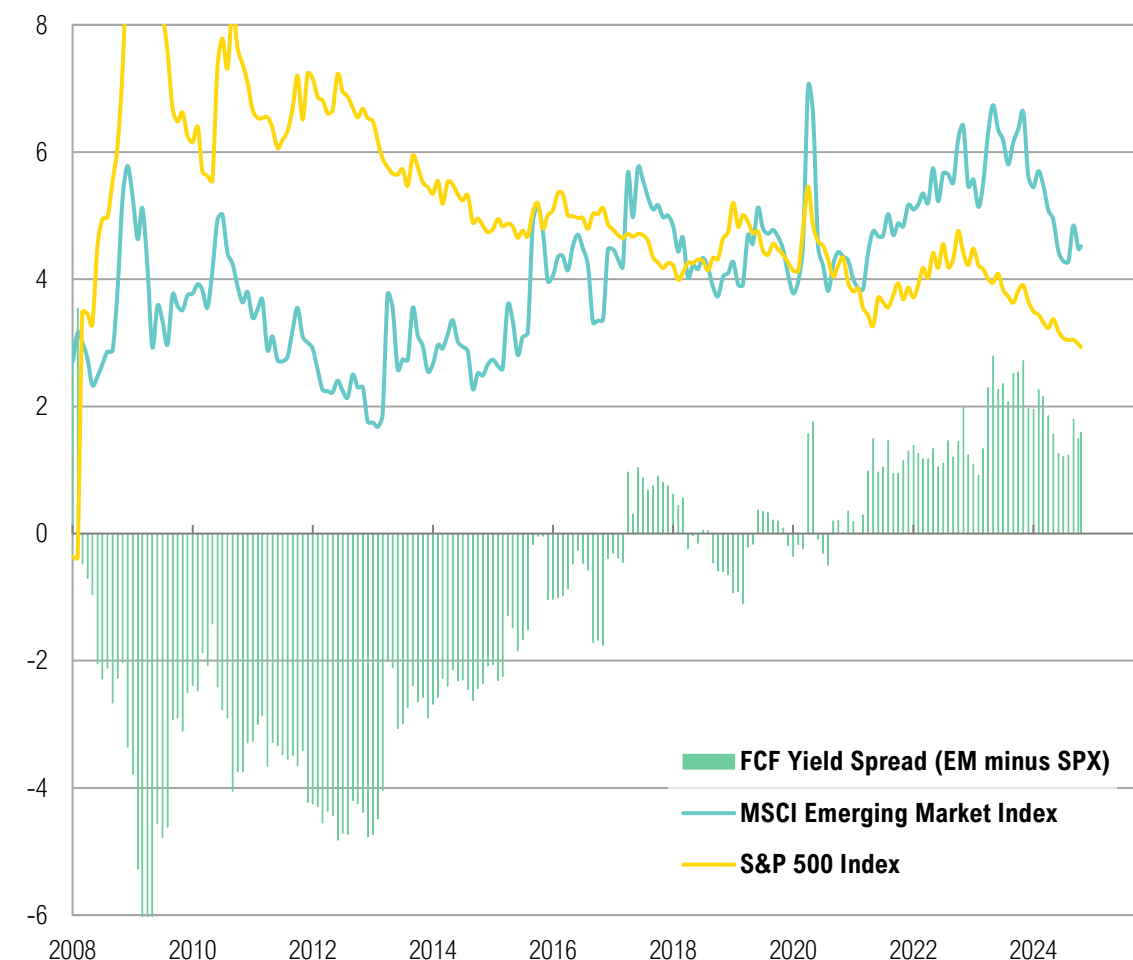
## EM ex-China stocks are nearing a 16-year breakout; EM stocks look cheap compared to U.S. large-cap stocks, with free cash flow yields 1.6% higher than those of the S&P 500

MSCI Emerging Markets ex-China Price Return Index, Growth of 100



Source: Bloomberg. MSCI Emerging Markets ex-China Price Return Index in U.S. dollar. As of 10/17/2024.

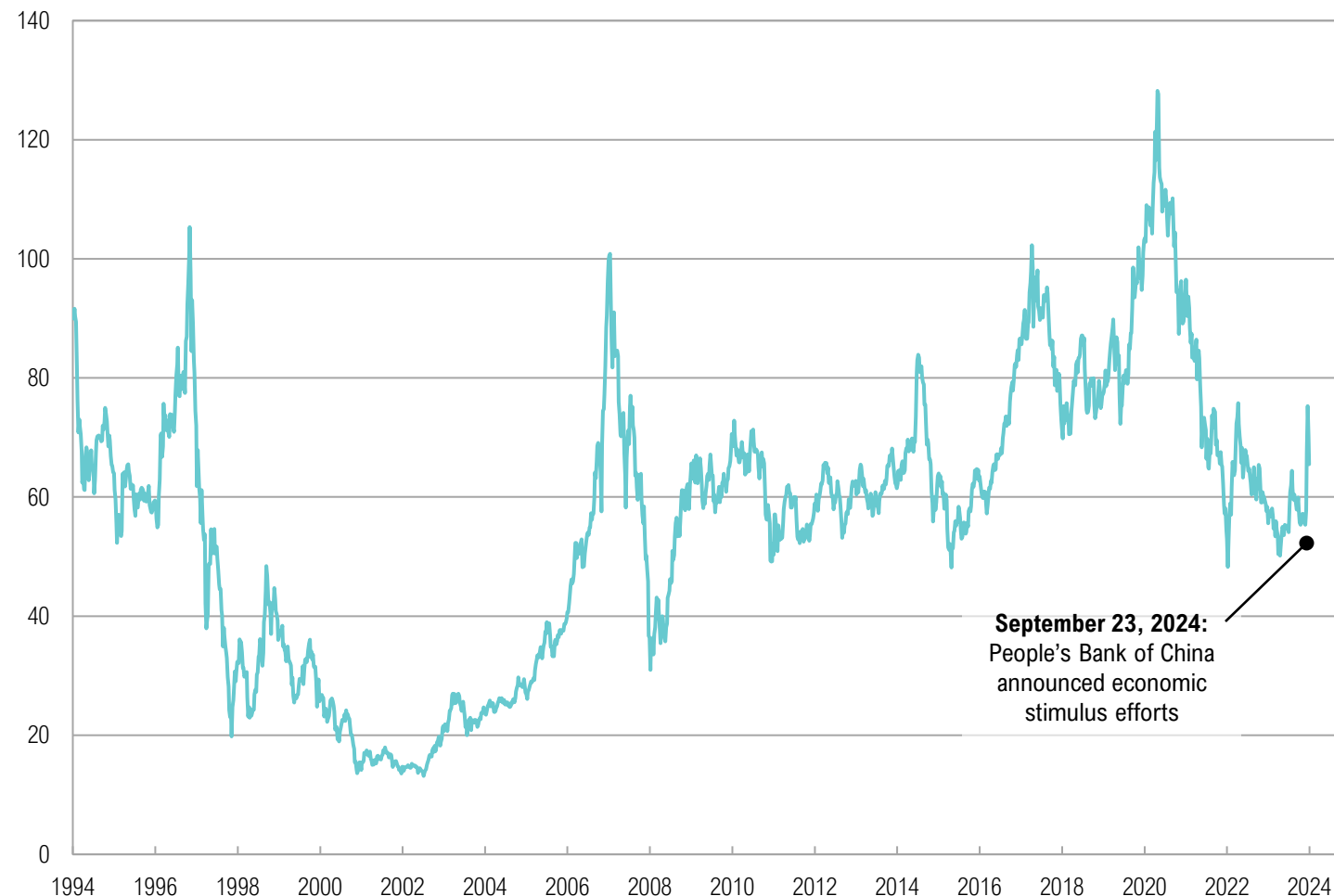
Free Cash Flow Yield, %



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## ➤ On September 23, the Chinese central bank announced a series of economic stimulus efforts; despite the recent rally, Chinese stocks remain nearly 50% below 2021 peak

MSCI China Index



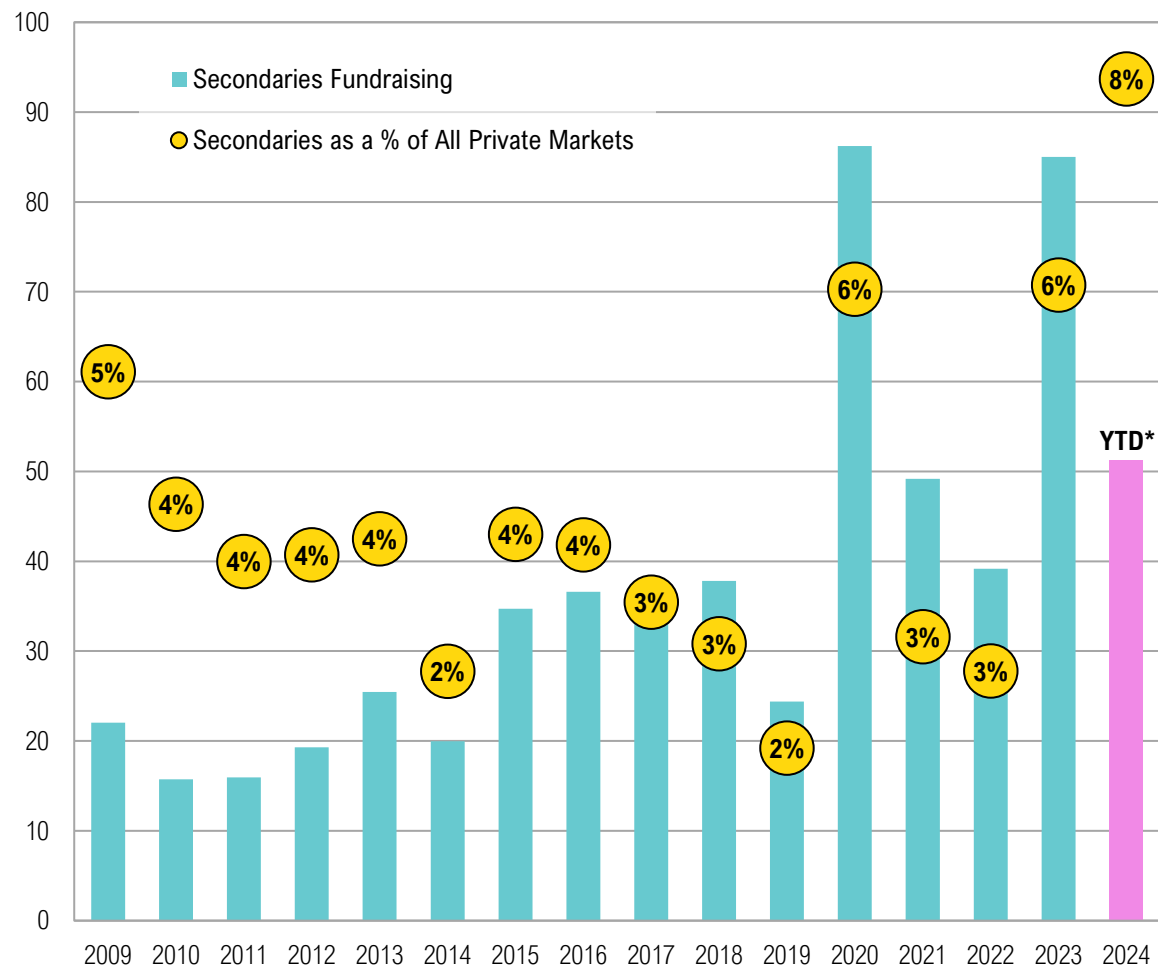
Source: Bloomberg, Bloomberg Intelligence. As of 10/17/2024.

China's Stimulus Measures	
Policy Areas	Key Stimulus Measures
Monetary	<ul style="list-style-type: none"> <li>7-day repo rate cuts</li> <li>Loan prime rate cuts</li> <li>Medium-term lending rate cuts</li> <li>Reserve requirement ratio cuts</li> </ul>
Banking & Property	<ul style="list-style-type: none"> <li>Existing home loan rate cuts &amp; lower min mortgage downpayment</li> <li>Expanding PBOC relending programs on housing, inventory, home delivery</li> <li>Potential capital injection into 6 state banks</li> </ul>
Real Estate	<ul style="list-style-type: none"> <li>Tier-1 cities scrapping curbs for non-local buyers</li> <li>Leveling rules for first time and multiple home purchases</li> <li>Special government bonds for buying unsold homes</li> </ul>
Equity Markets	<ul style="list-style-type: none"> <li>PBOC swap facility for equity purchase &amp; relending facility for equity purchase</li> <li>Stock stabilization fund</li> <li>Measures promoting M&amp;As</li> </ul>
Fiscal	<ul style="list-style-type: none"> <li>Issuance of special government bonds</li> <li>Possibility of raising debt &amp; fiscal deficit</li> <li>Central government helping local authorities finance 'hidden debt' off-balance-sheet borrowing</li> </ul>

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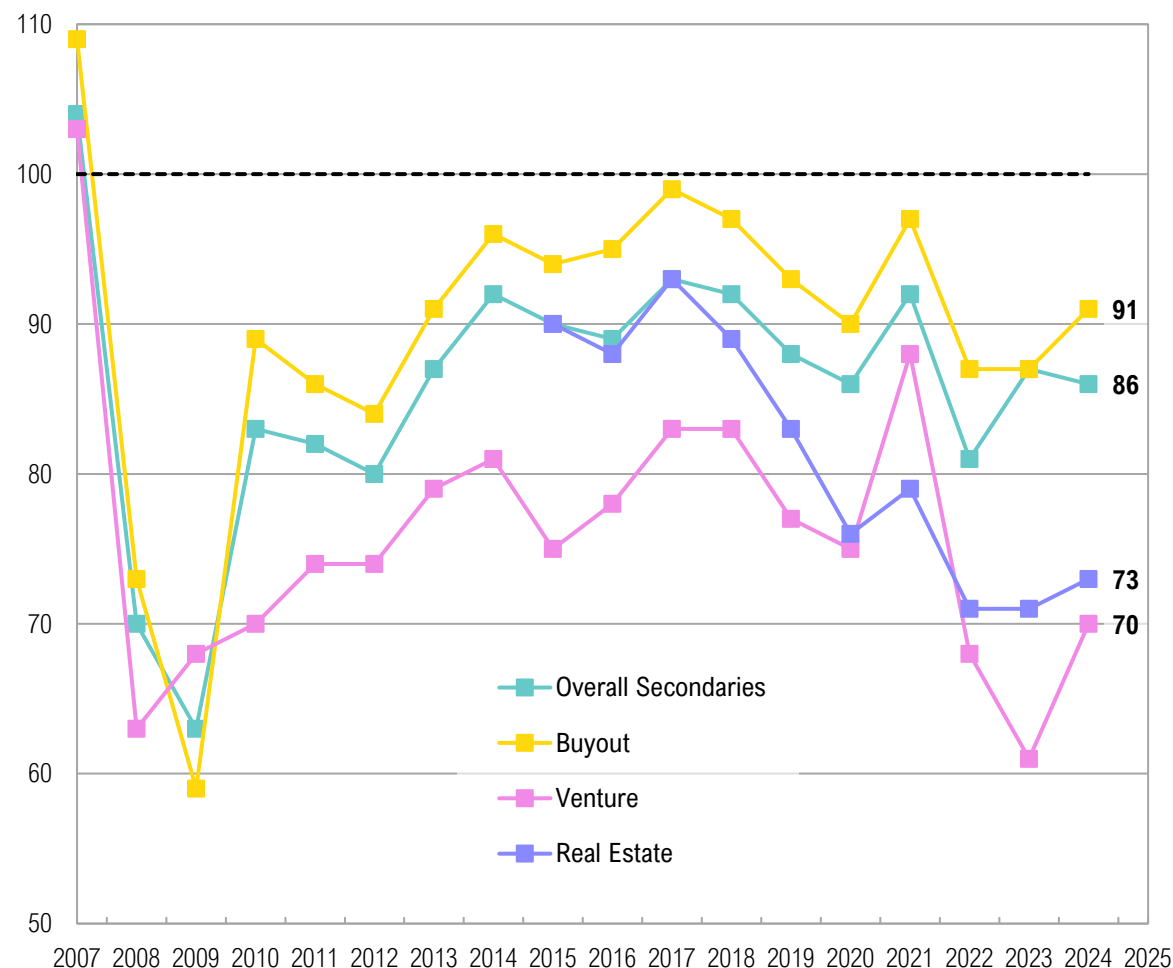
# Secondary fundraising is on pace for its largest year ever, both in terms of \$ amount and as a % of total private markets, but remains only a fraction of overall private markets

Fundraising Activity, \$Bn



Source: Pitchbook, StepStone, Tap, Greenhill, Lazard, Evercore, Various. \*YTD as of 6/30/2024.

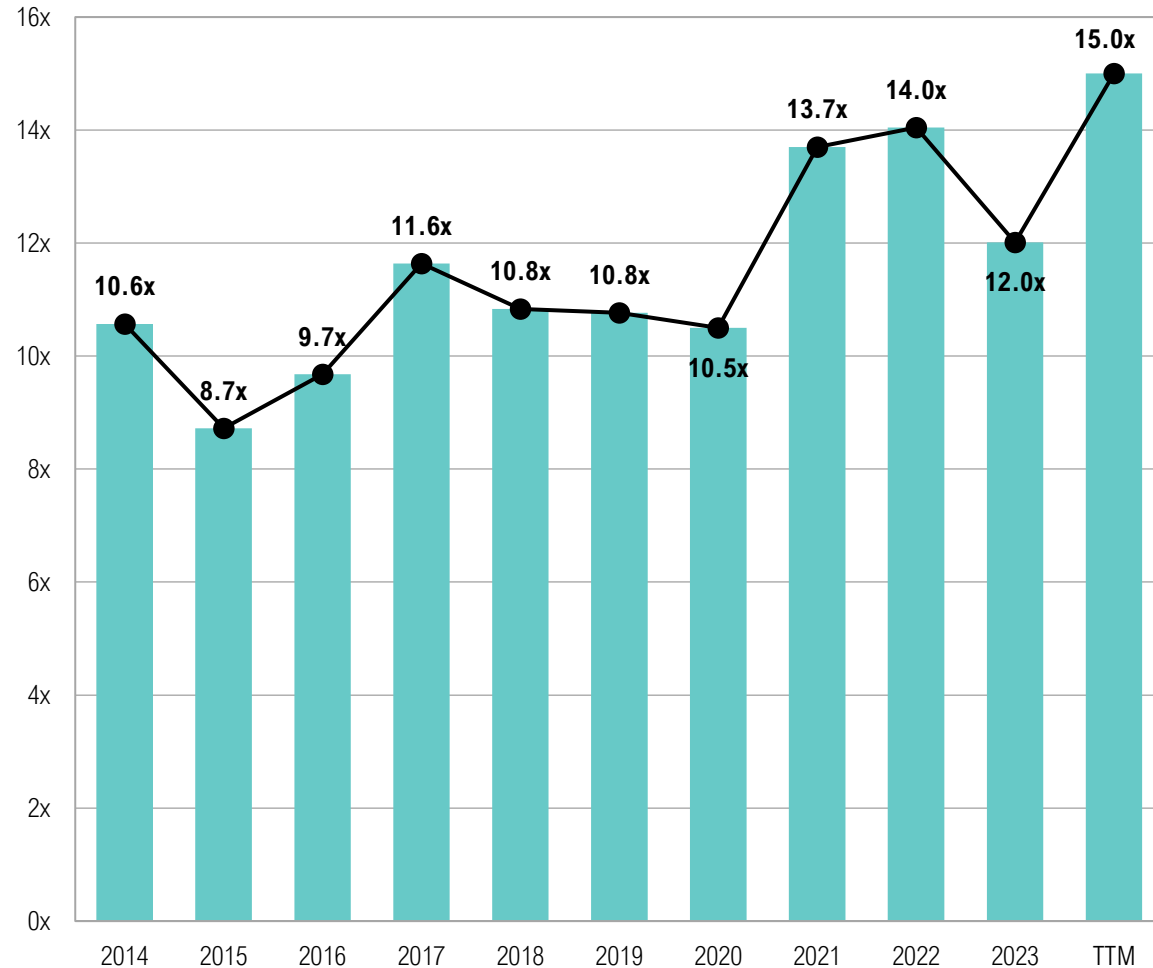
Secondary Pricing as a % of NAV



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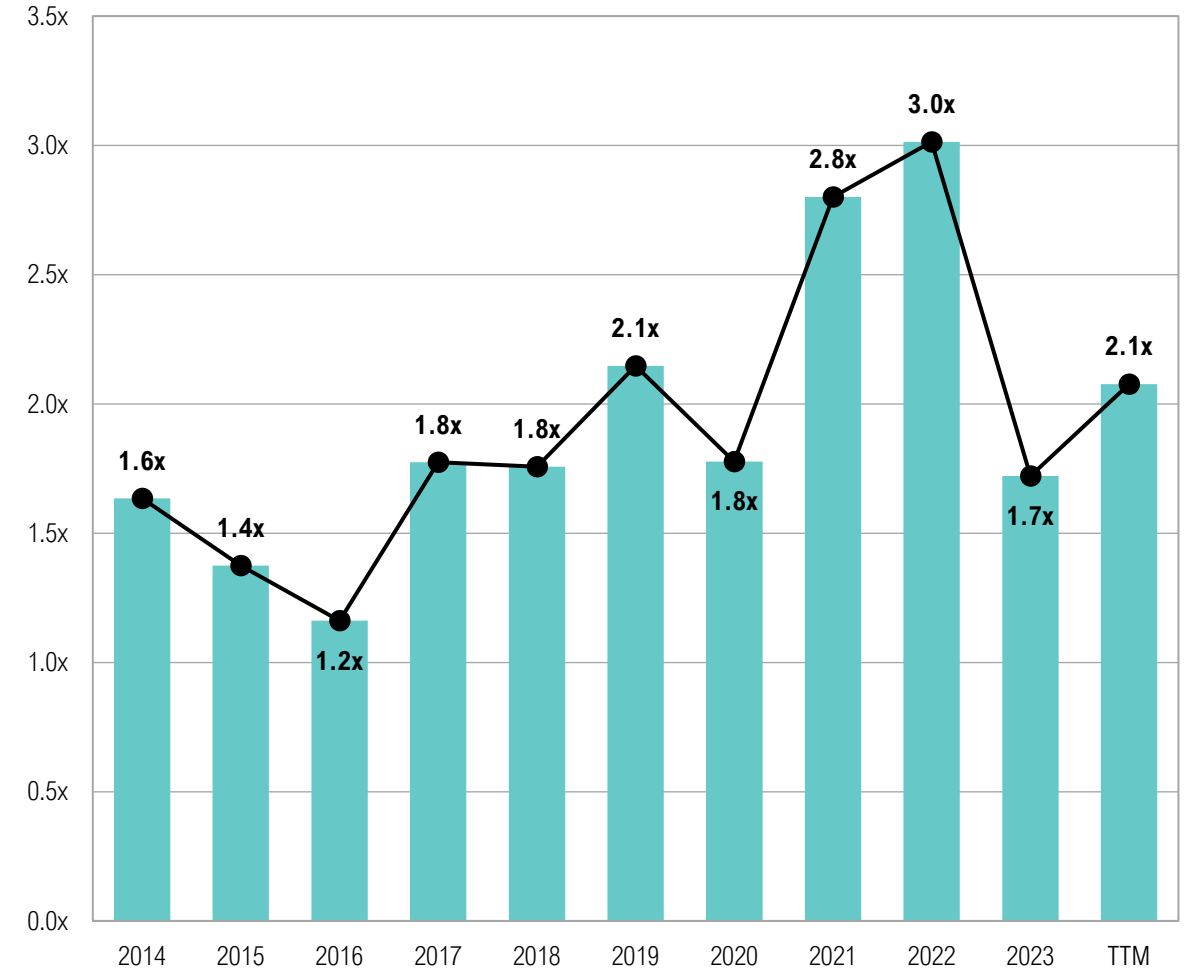
# Buyout EV/EBITDA multiples are elevated, while EV/Revenue multiples suggest these companies are struggling with profitability

Median U.S. PE Buyout EV/EBITDA Multiple



Source: Pitchbook. As of 9/30/2024.

Median U.S. PE Buyout EV/Revenue Multiple



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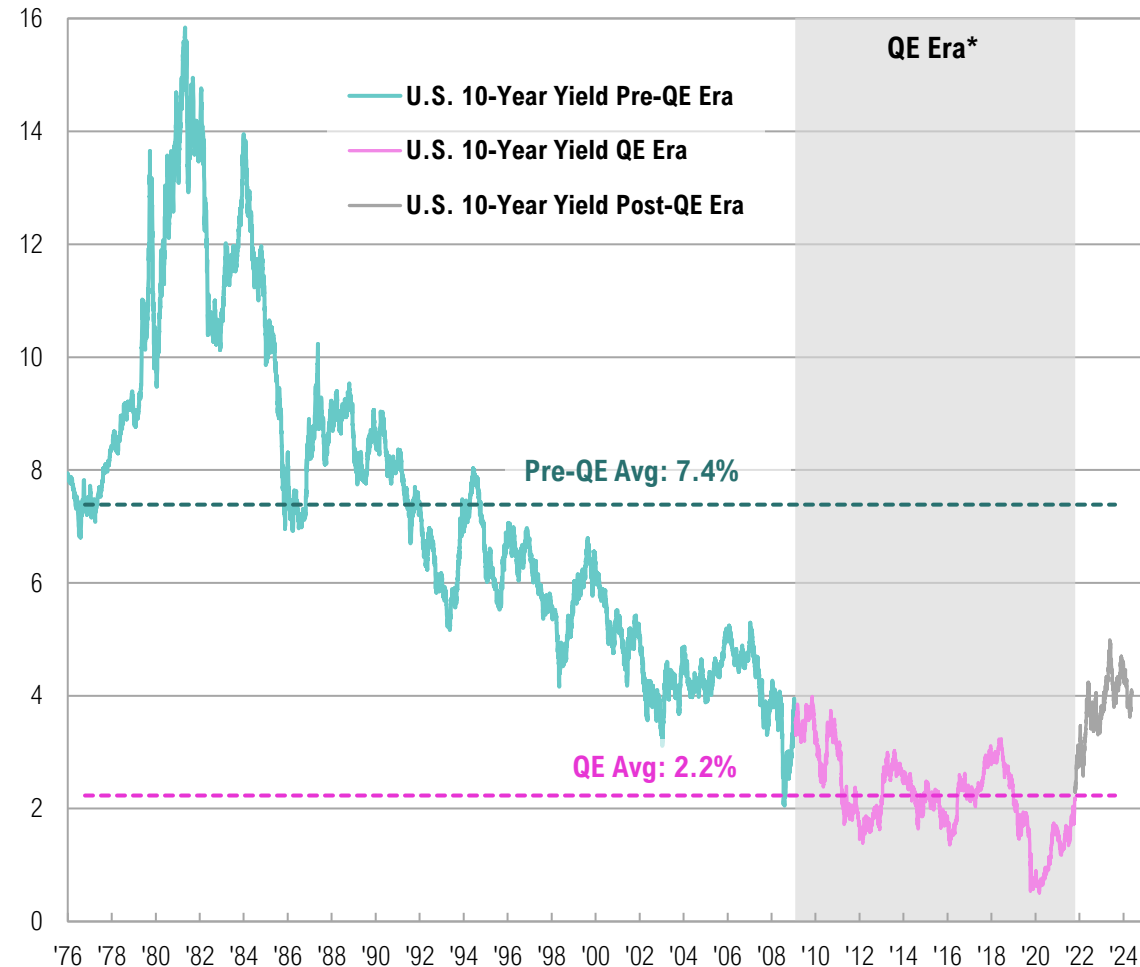


**The U.S. acts as if it has a credit card with no limit on the balance and no requirement to pay it down. It does so because it's been able to get away with it thus far, and our governing officials lack the will to spend less than they can."**

**Howard Marks**, *Oaktree Capital Co-founder & Co-chairman*

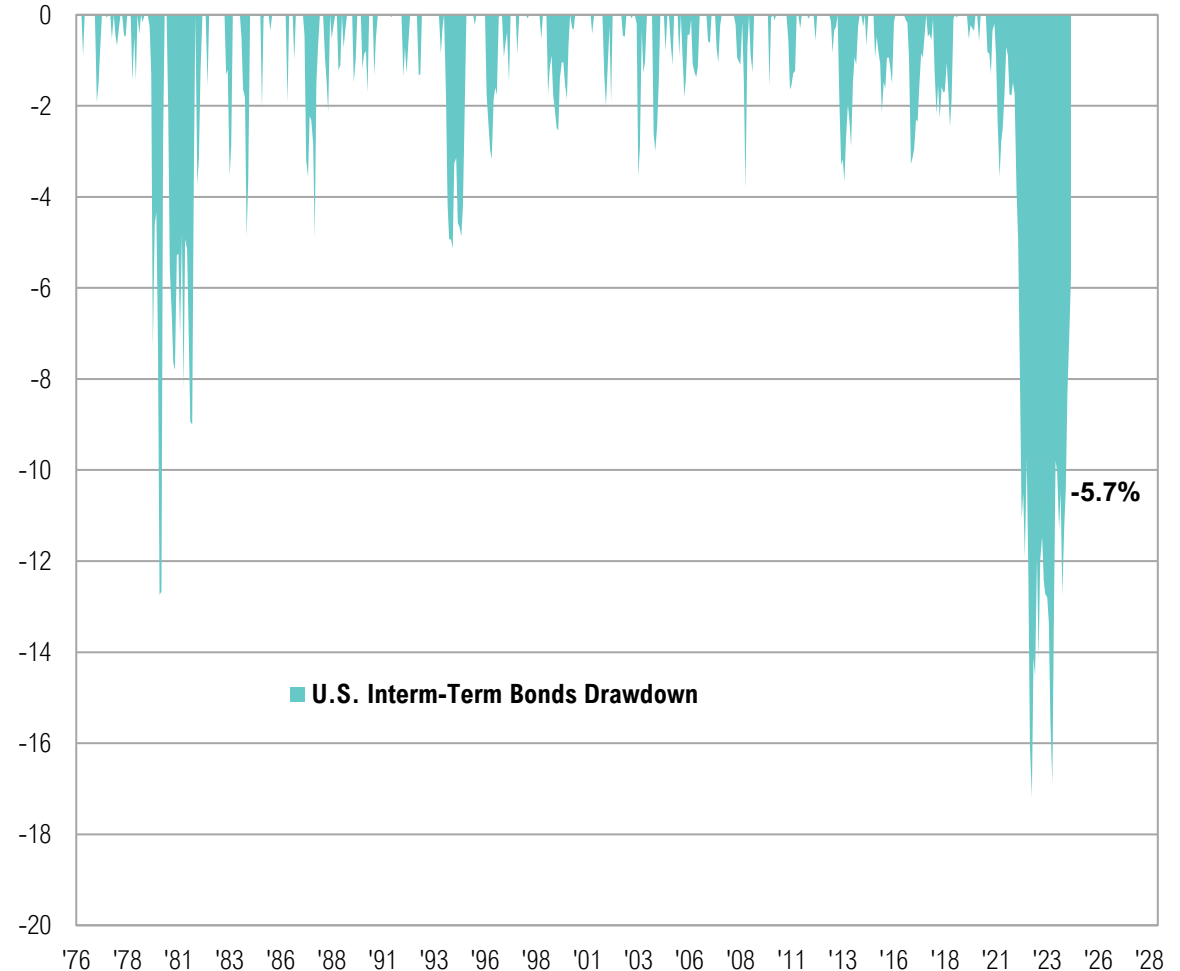
# We are in the biggest bond bear market of all time; bonds peaked in August 2020 and have yet to recover

10-Year Treasury Yield, %



Source: Bloomberg. \*QE Era defined as per Bianco Research from 6/30/2009 – 3/16/2022.

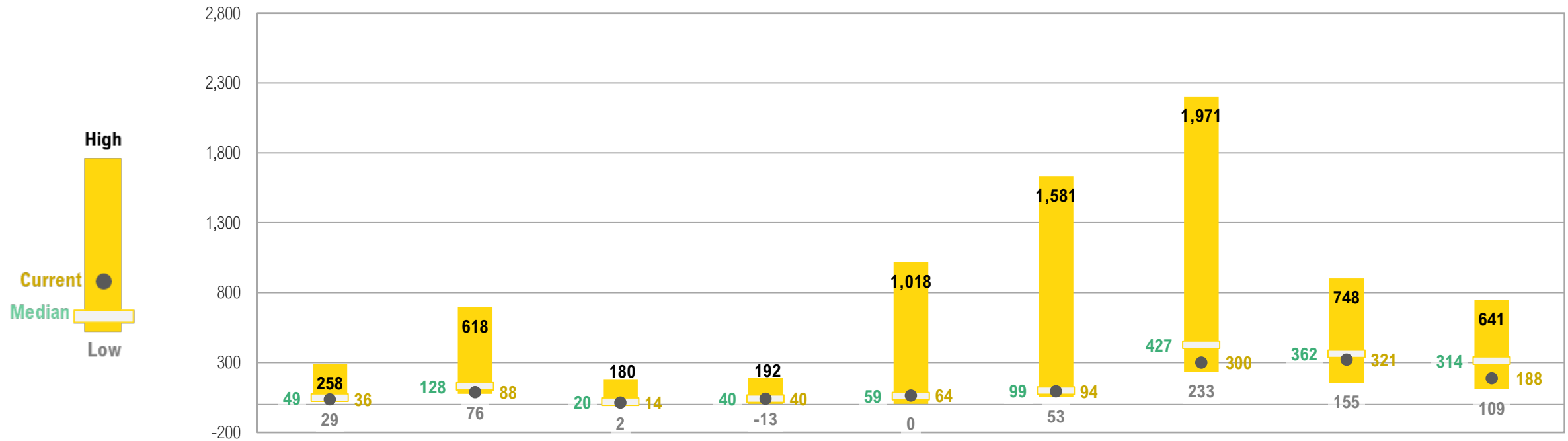
Drawdown, Total Return %



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# Credit spreads are near or below median across most sectors; high-yield bond spreads at current levels suggest that the economy may achieve a 'soft landing'

Current Credit Spread vs. Long-Term High/Low Range



	Aggregate	Corporate	Agency	MBS	ABS	CMBS	High Yield	Emerging Markets	High Yield Muni Spread*
Max Spread Date	12/3/2008	12/3/2008	11/20/2008	12/3/2008	1/6/2009	11/21/2008	12/16/2008	11/28/2008	1/12/2009
Min Spread Date	4/14/2021	3/8/2005	4/19/2021	7/27/2010	10/1/2009	12/8/2004	5/22/2007	5/31/2007	6/11/2007
Spread on 12/31/23	42	99	17	47	68	126	323	319	235
Spread on 12/31/22	51	130	26	51	76	120	469	374	228
Spread on 12/31/21	36	92	8	31	38	68	283	330	200
Spread on 12/31/20	42	96	10	39	33	81	360	323	275

Source: Bloomberg. High Yield Muni Spread data is relative to Bloomberg Municipal Bond Index. Yield spread data is from 2004 – current.

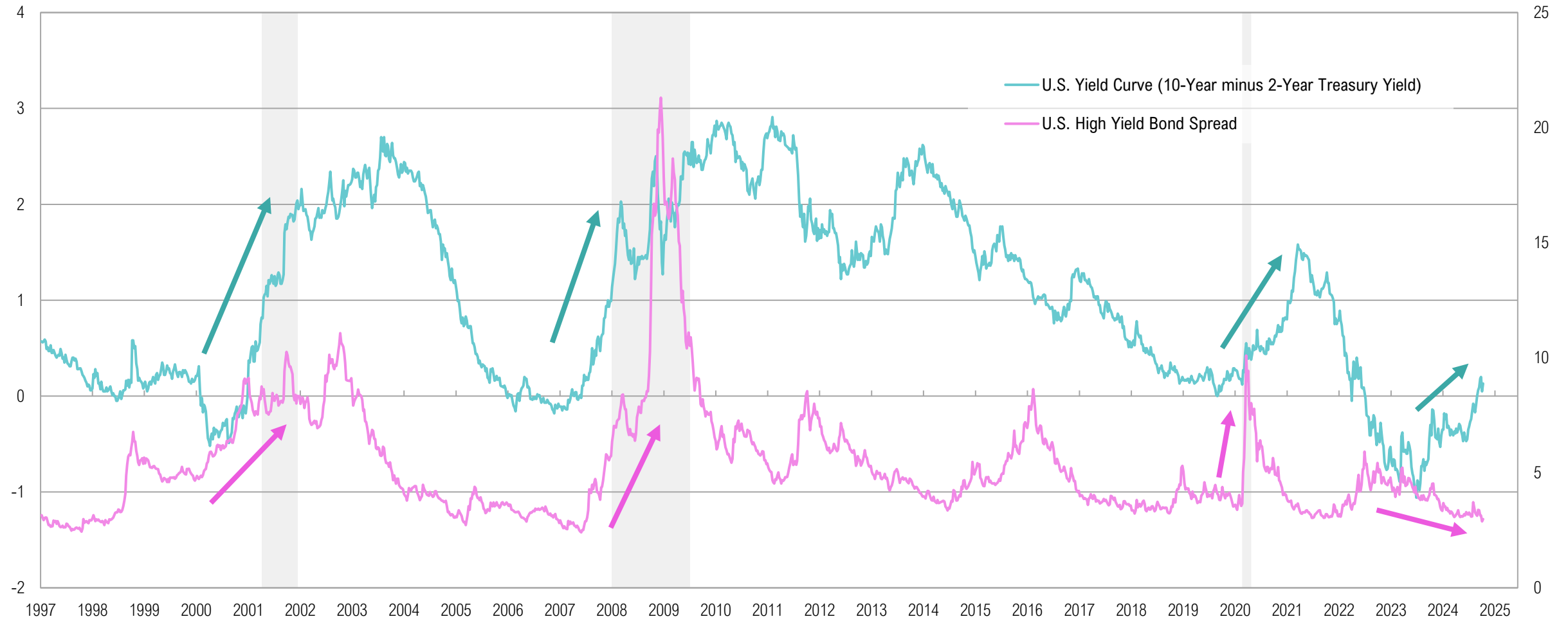
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## ➤ One of these cycles does not look like the others: credit spreads are at new cycle lows, while the yield curve is steepening

U.S. Yield Curve (10-Year minus 2-Year Treasury Yield), %

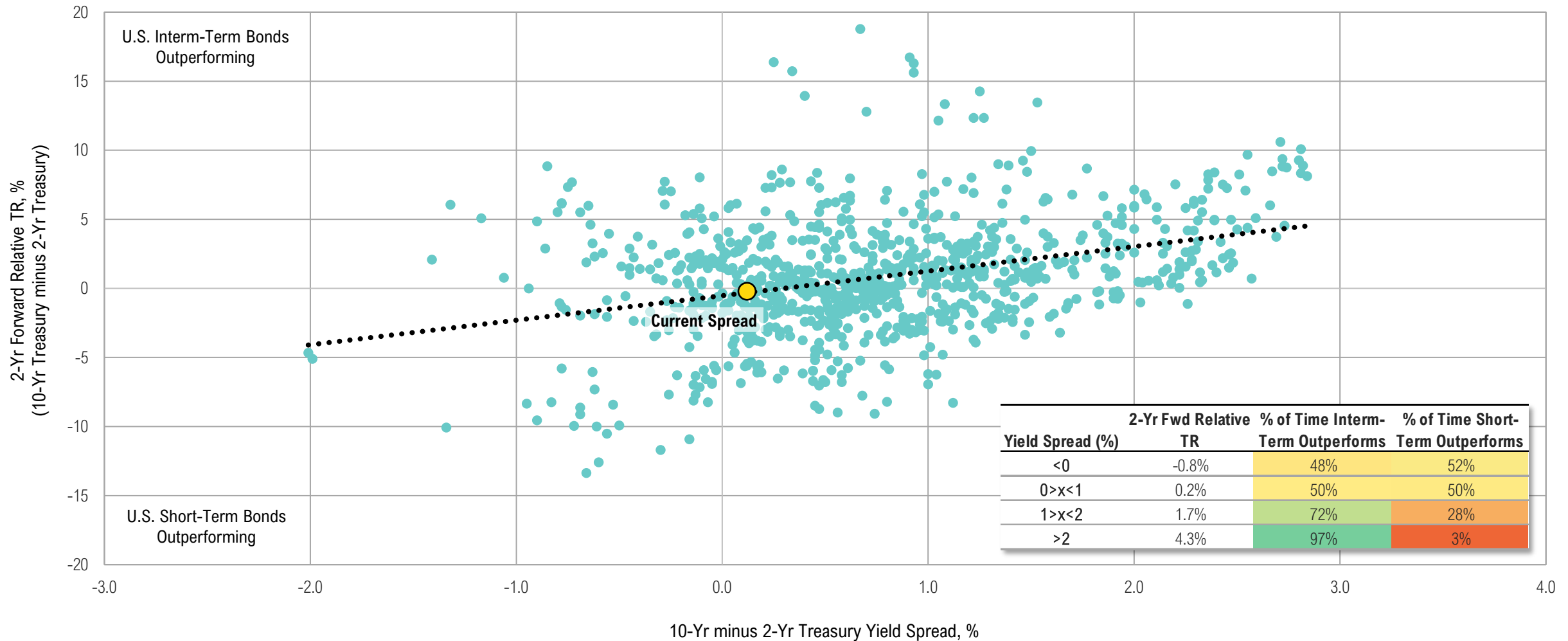
U.S. High Yield Bond Spread, %



Source: Bloomberg

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➤ **When the 2s10s spread is above 2%, investors should generally hold longer duration bonds; when it is between 1% and 2%, it is not a home run; and below 1% is a coin toss**

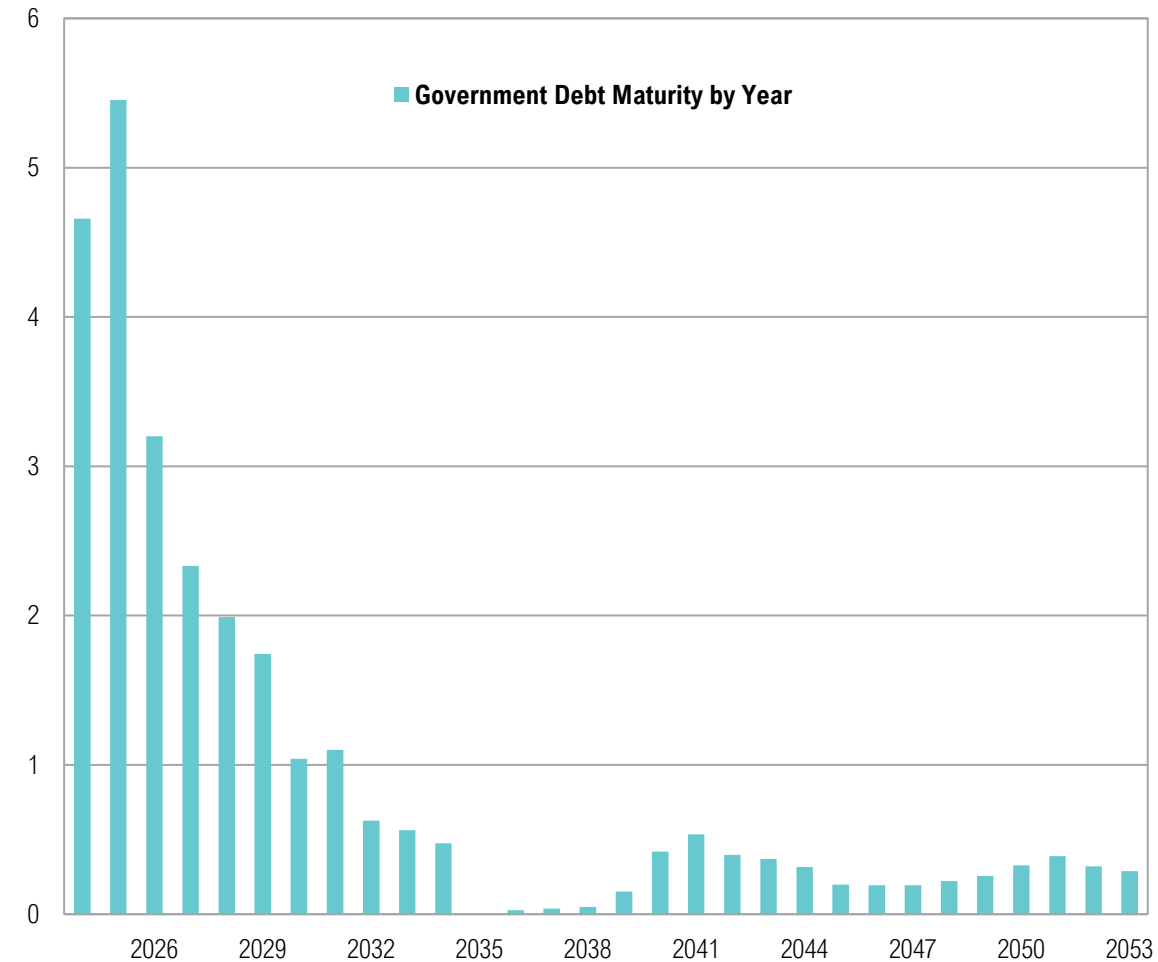


Source: Bloomberg, GFD, SpringTide calculations. Period of analysis from 12/31/1940 through 1/31/2023.

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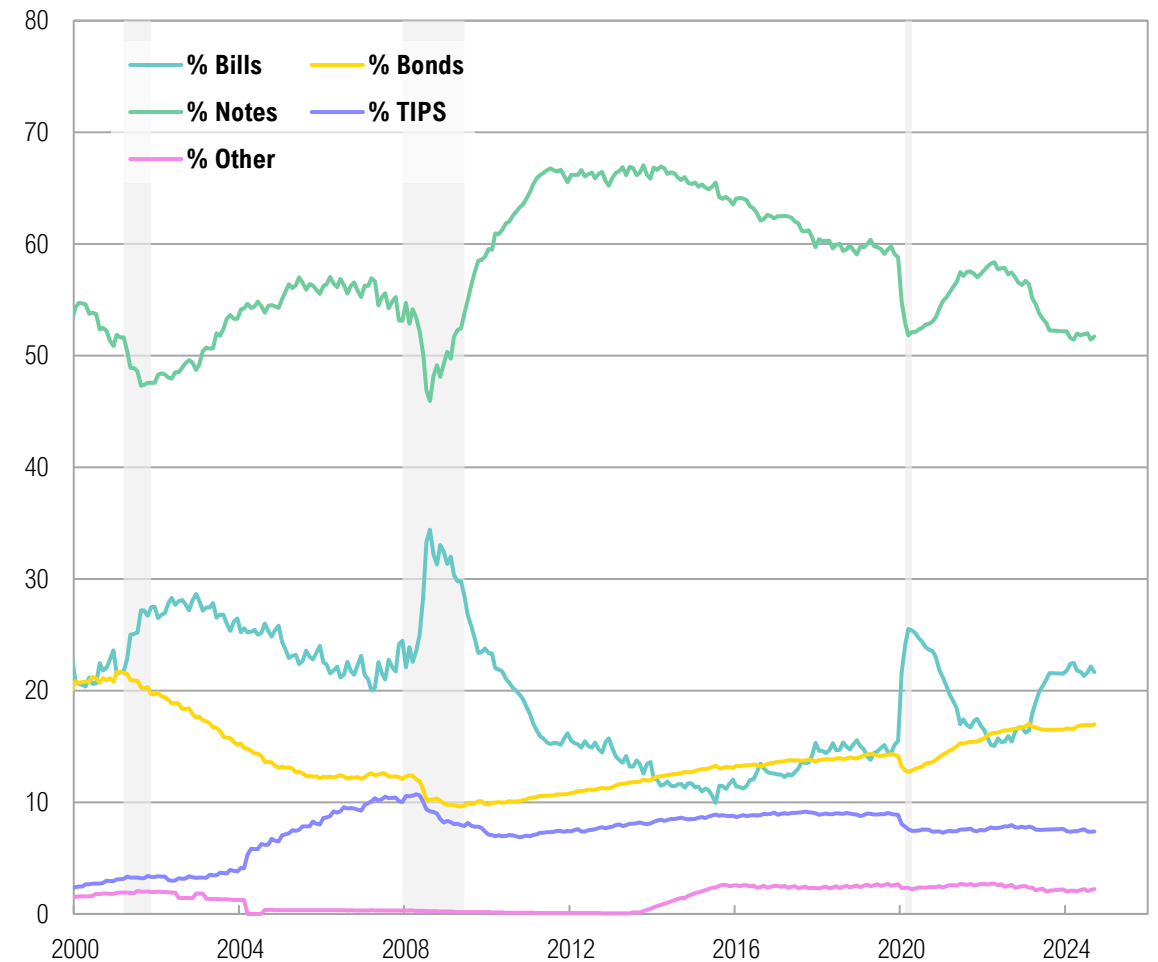
# Over \$10Tn in government debt will mature by the end of 2025 and be rolled at higher rates; bill issuance has plateaued with Treasury starting to increase bond issuance again

Government Debt Maturity by Year, \$Tn



Source: Bloomberg

Debt Distribution, % of Total U.S. Marketable Debt Outstanding



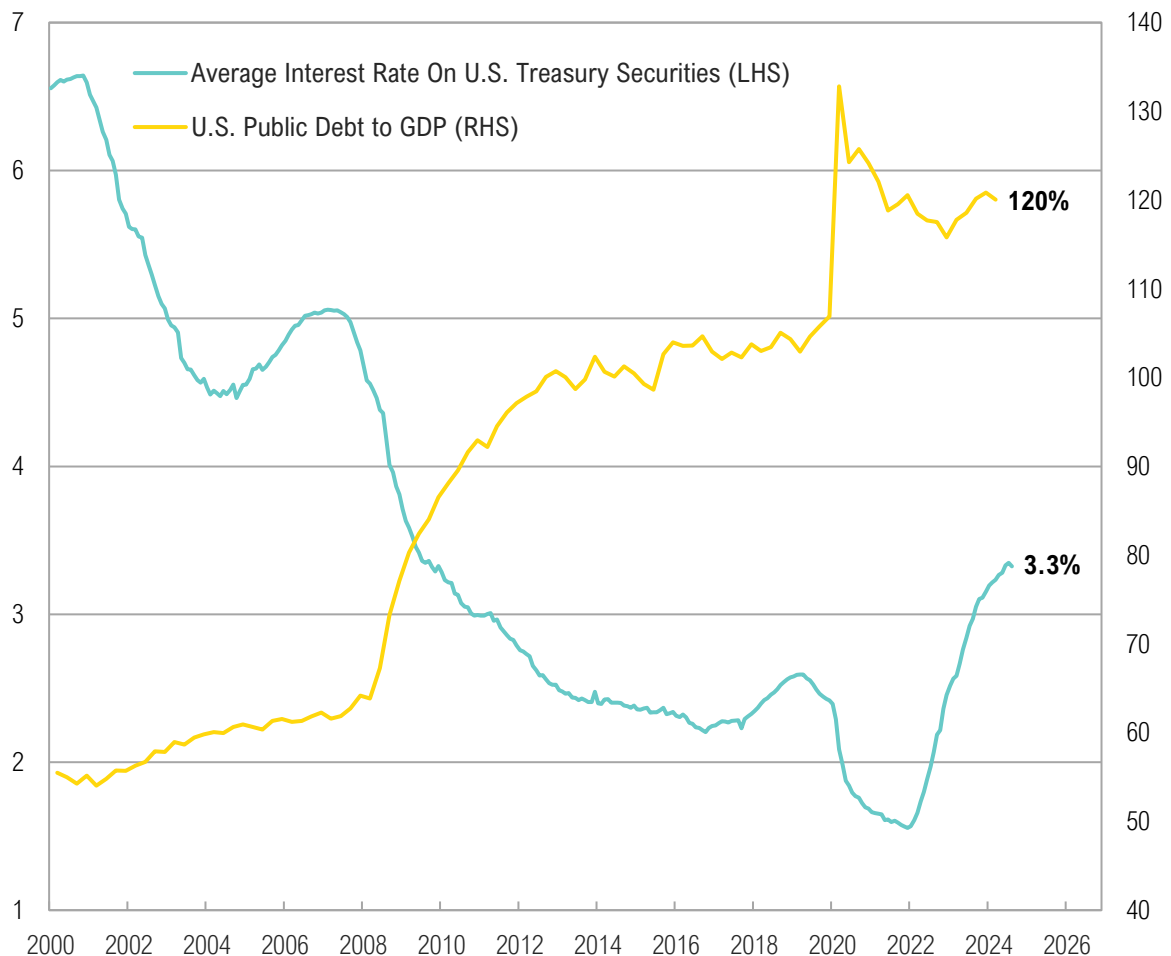
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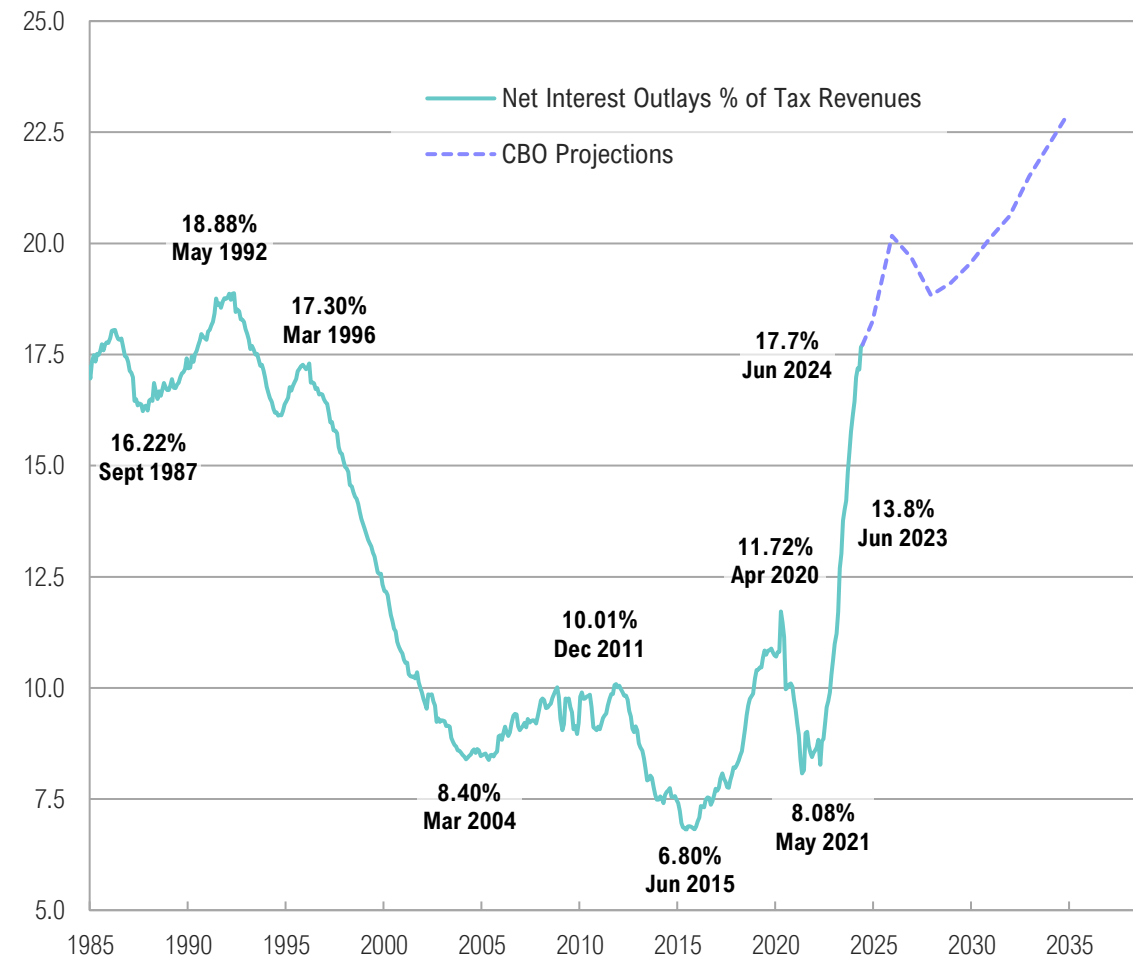
**The average cost of Treasury debt outstanding has climbed to 3.32%, a level last seen when debt to GDP was 'just' 80%; tax receipts aren't keeping pace, with nearly 18% of taxes going only to net interest payments**

Average U.S. Treasury Interest Rate, %

U.S. Public Debt to GDP, %



Net Interest Outlays as a % of Total Tax Receipts

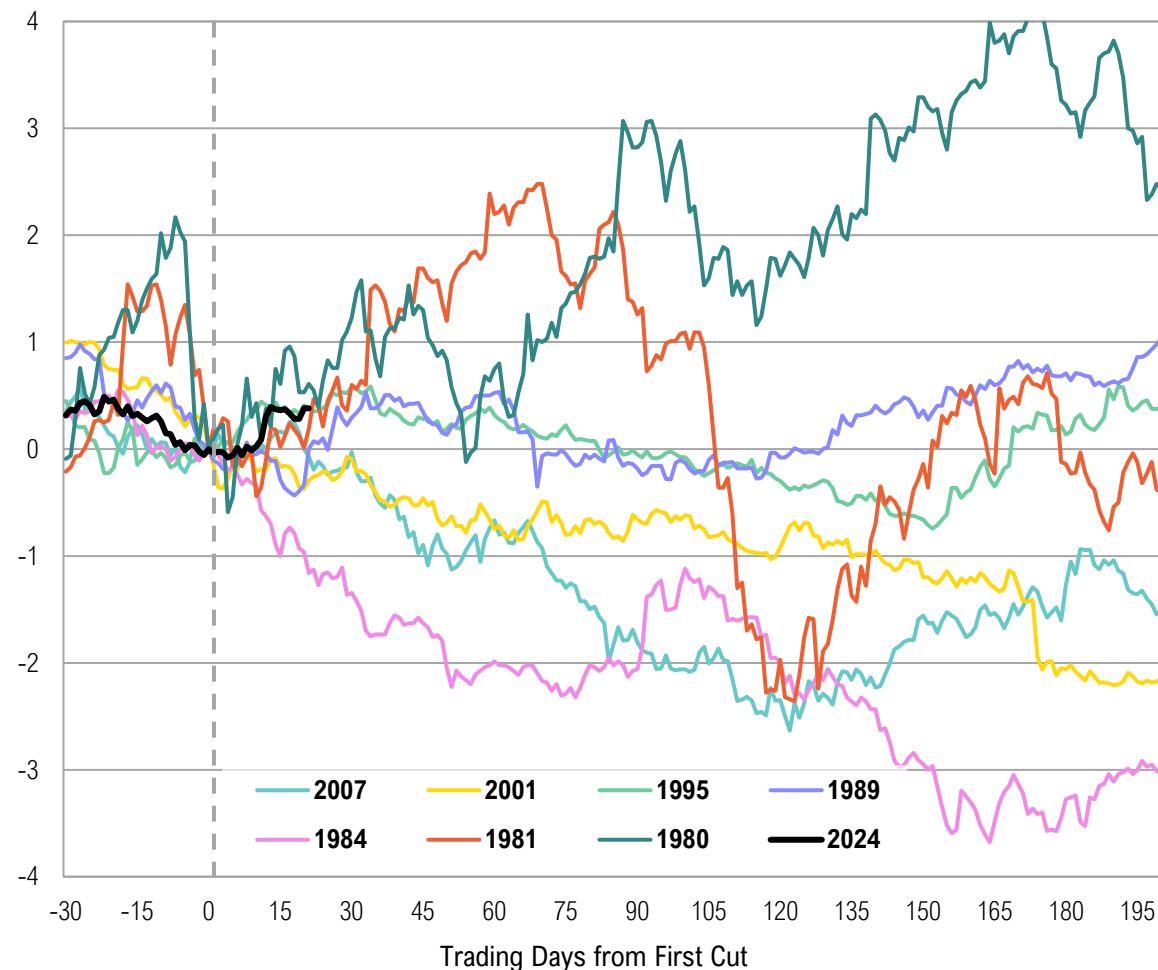


Source: U.S. Treasury, CBO. LHS as of 9/30/2024. RHS as of 6/30/2024.

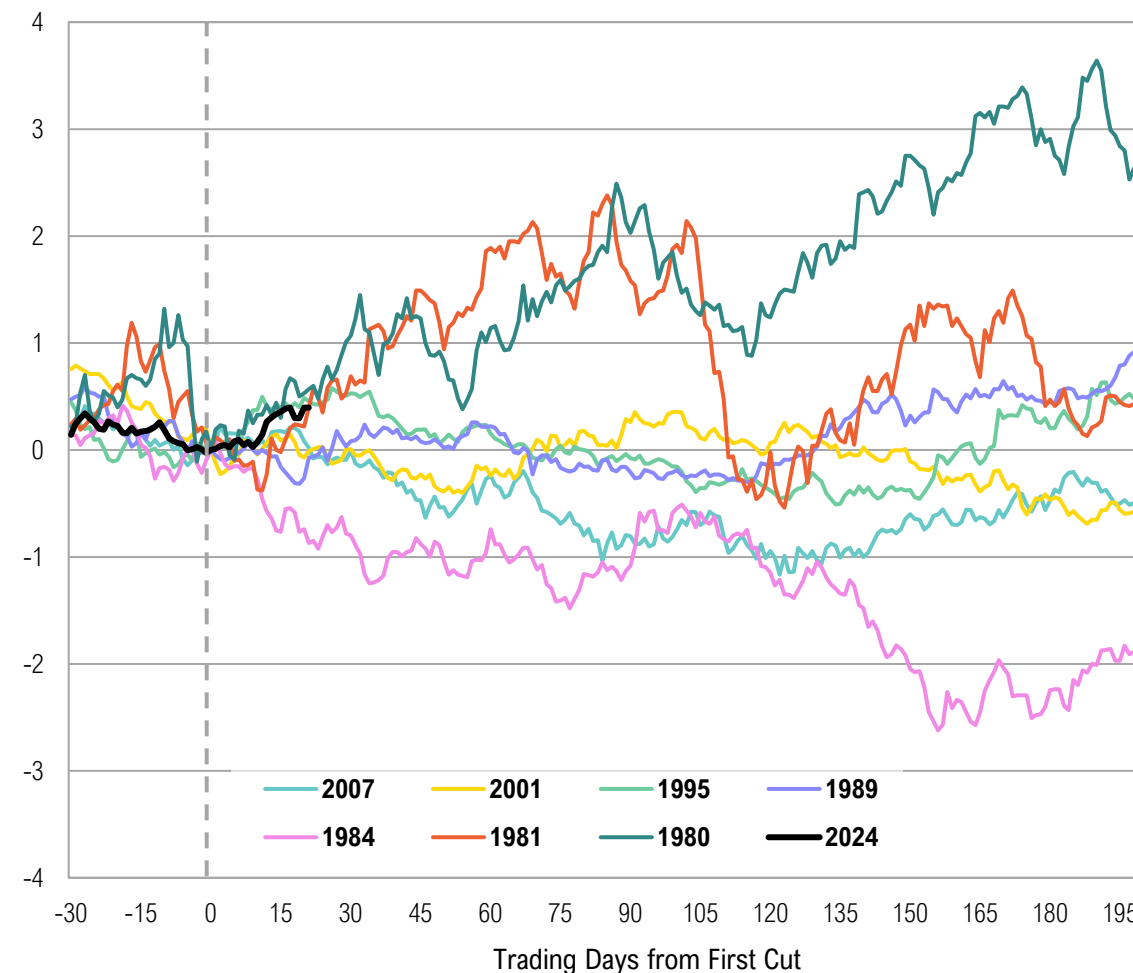
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# ➤ Yields rising following the first rate cut (as they are now) is reminiscent of what happened during the early 1980s (albeit when inflation was much higher at >10%)

Absolute Change in 2-Year Yield During Major Cutting Cycles, %



Absolute Change in 10-Year Yield During Major Cutting Cycles, %

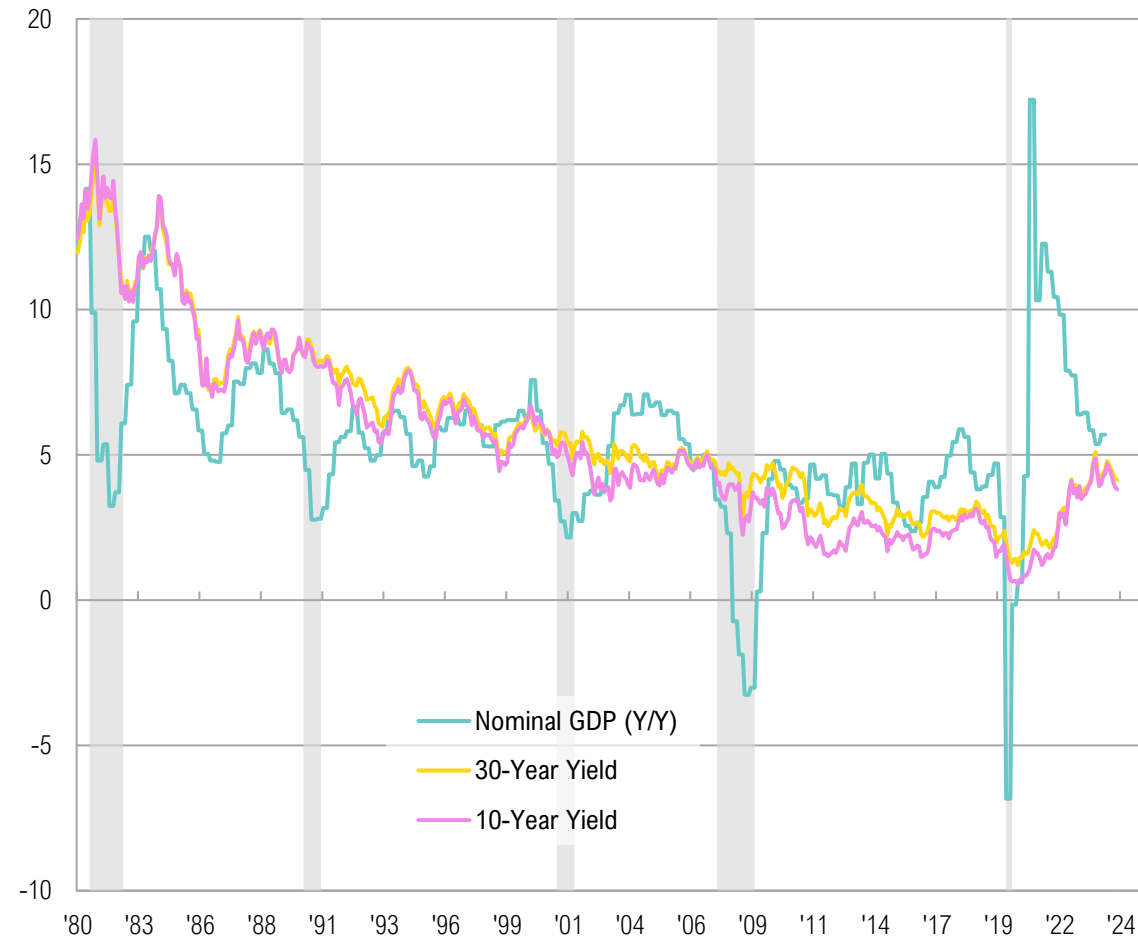


Source: Bloomberg. As of 10/18/2024.

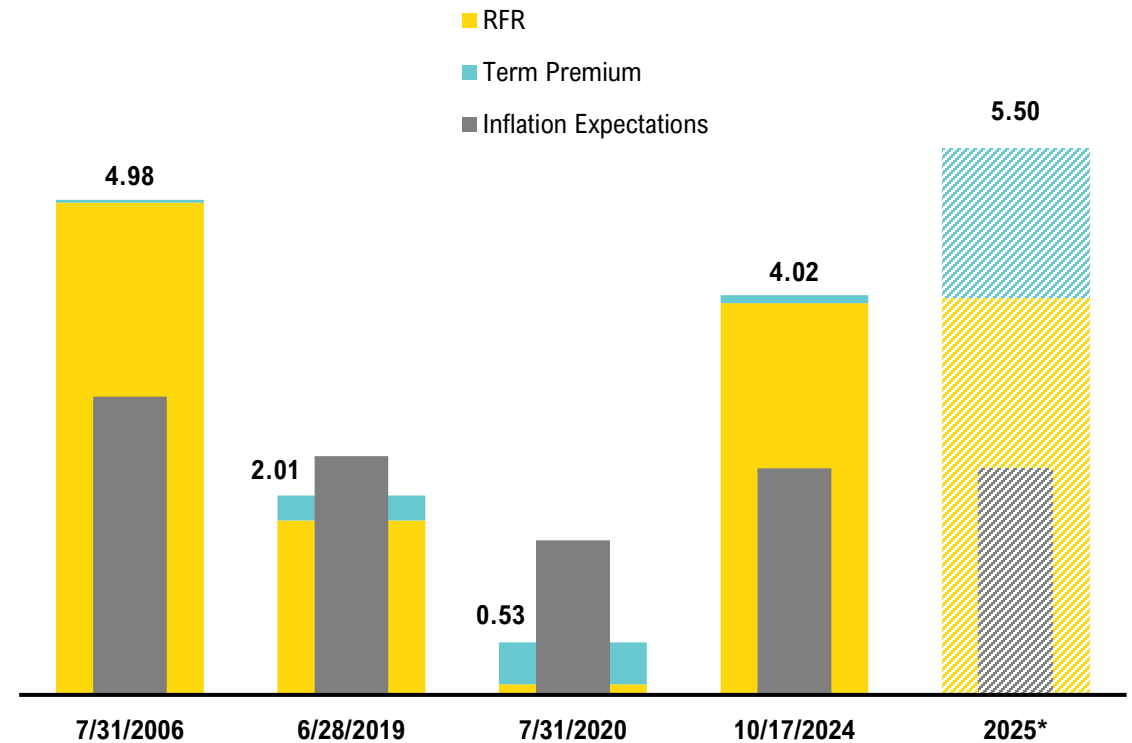
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# ➤ Historically, long-term yields tend to follow nominal GDP; pro-growth policy that drives up nominal GDP may have implications for bond yields

Nominal GDP (Y/Y) &amp; Yields, %



10-Year Yield Building Blocks, %



Source: Bloomberg, SpringTide calculations. RFR = risk free rate, proxied by 2-year Treasury yield; Term Premium = 2s10s Treasury spread; Credit Risk = hypothetical; Inflation Expectations = 10-year TIPS breakeven.

\*2025 10-year yield breakdown is hypothetical. Assumptions are: RFR = 4%; Term Premium = 1.5% (historic full market cycle average is 86bps).

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# The 2–4-year part of yield curve has an attractive risk-reward profile—yields could rise 1.0% in the next year and total returns would still be positive

		Estimated 1-Year Total Return for Given Change in Yields											
		Tenor											
		3-Mnth	6-Mnth	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr	7-Yr	10-Yr	15-Yr	20-Yr	30-Yr
Change in Yields (%)	3.0%	3.9%	2.9%	1.1%	-2.0%	-4.7%	-7.2%	-9.9%	-14.6%	-20.4%	-28.4%	-35.6%	-46.0%
	2.5%	4.0%	3.2%	1.6%	-1.0%	-3.3%	-5.4%	-7.7%	-11.5%	-16.3%	-23.0%	-29.0%	-37.7%
	2.0%	4.1%	3.4%	2.1%	-0.1%	-1.9%	-3.6%	-5.4%	-8.5%	-12.3%	-17.6%	-22.4%	-29.3%
	1.5%	4.2%	3.7%	2.6%	0.9%	-0.5%	-1.8%	-3.2%	-5.4%	-8.3%	-12.2%	-15.7%	-21.0%
	1.0%	4.4%	3.9%	3.0%	1.8%	0.9%	0.0%	-0.9%	-2.4%	-4.2%	-6.8%	-9.1%	-12.6%
	0.5%	4.5%	4.1%	3.5%	2.8%	2.2%	1.8%	1.4%	0.7%	-0.2%	-1.4%	-2.4%	-4.2%
	0.0%	4.6%	4.4%	4.0%	3.7%	3.6%	3.6%	3.6%	3.7%	3.9%	4.0%	4.2%	4.2%
	-0.5%	4.7%	4.6%	4.5%	4.7%	5.0%	5.5%	5.9%	6.8%	7.9%	9.4%	10.9%	12.6%
	-1.0%	4.8%	4.8%	5.0%	5.6%	6.4%	7.3%	8.2%	9.8%	11.9%	14.8%	17.6%	21.0%
	-1.5%	4.9%	5.1%	5.5%	6.6%	7.8%	9.1%	10.4%	12.9%	16.0%	20.3%	24.3%	29.4%
	-2.0%	5.1%	5.3%	5.9%	7.5%	9.2%	10.9%	12.7%	15.9%	20.0%	25.7%	30.9%	37.9%
-2.5%	5.2%	5.6%	6.4%	8.5%	10.5%	12.7%	15.0%	19.0%	24.1%	31.1%	37.6%	46.3%	
-3.0%	5.3%	5.8%	6.9%	9.4%	11.9%	14.5%	17.2%	22.1%	28.1%	36.6%	44.3%	54.8%	
Duration (Yrs)		0.2	0.5	1.0	1.9	2.8	3.6	4.5	6.1	8.1	10.8	13.3	16.8
Yield YTM		4.6	4.4	4.0	3.7	3.6	3.6	3.6	3.7	3.9	4.0	4.2	4.2
Convexity		0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.4	0.8	1.5	2.3	4.0

## Yield Increase Insulation by Tenor:

- **2-Year: +1.5%** (rise in yields)
- **3-Year: +1.0%**
- **4-Year: +1.0%**
- **5-Year: +0.5%**

## Total Returns by Tenor (for a 1% decline in yields):

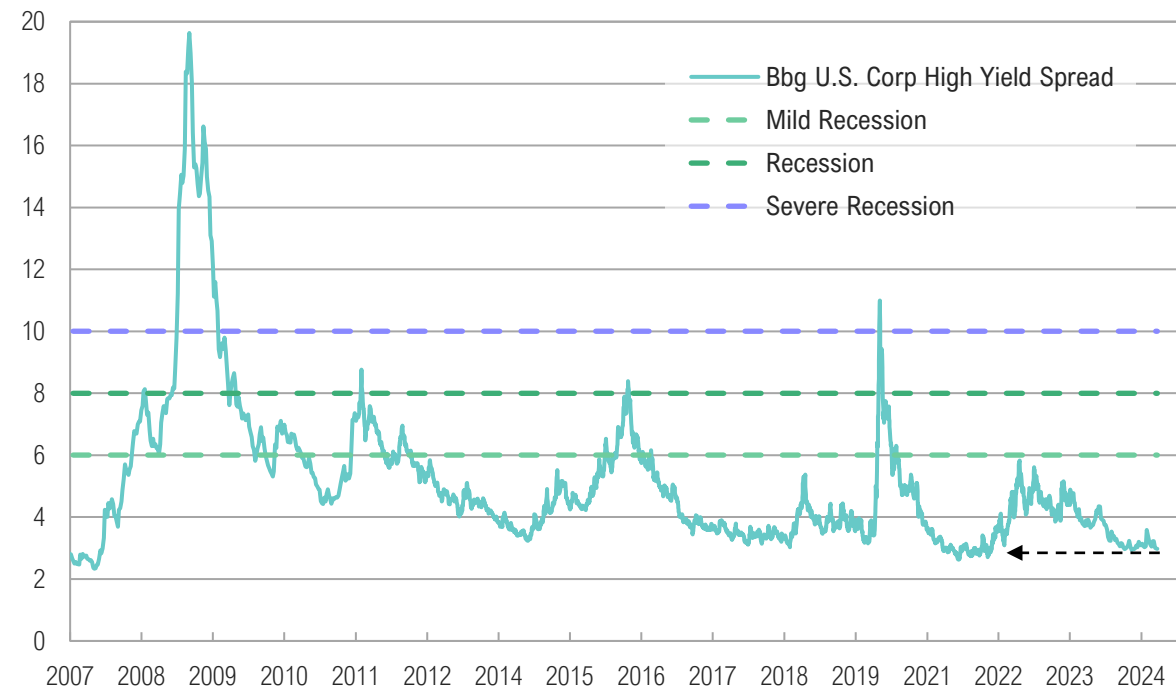
- **15-Year: +14.8%**
- **20-Year: +17.6%**
- **30-Year: +21.0%**

## Total Returns by Tenor (for a 1% increase in yields):

- **15-Year: -6.8%**
- **20-Year: -9.1%**
- **30-Year: -12.6%**

# ➤ **Not attractive: at ~298bps, credit spreads are in line with pre-COVID lows; low credit spreads continue to suggest runway for the economy (i.e., a ‘soft landing’)**

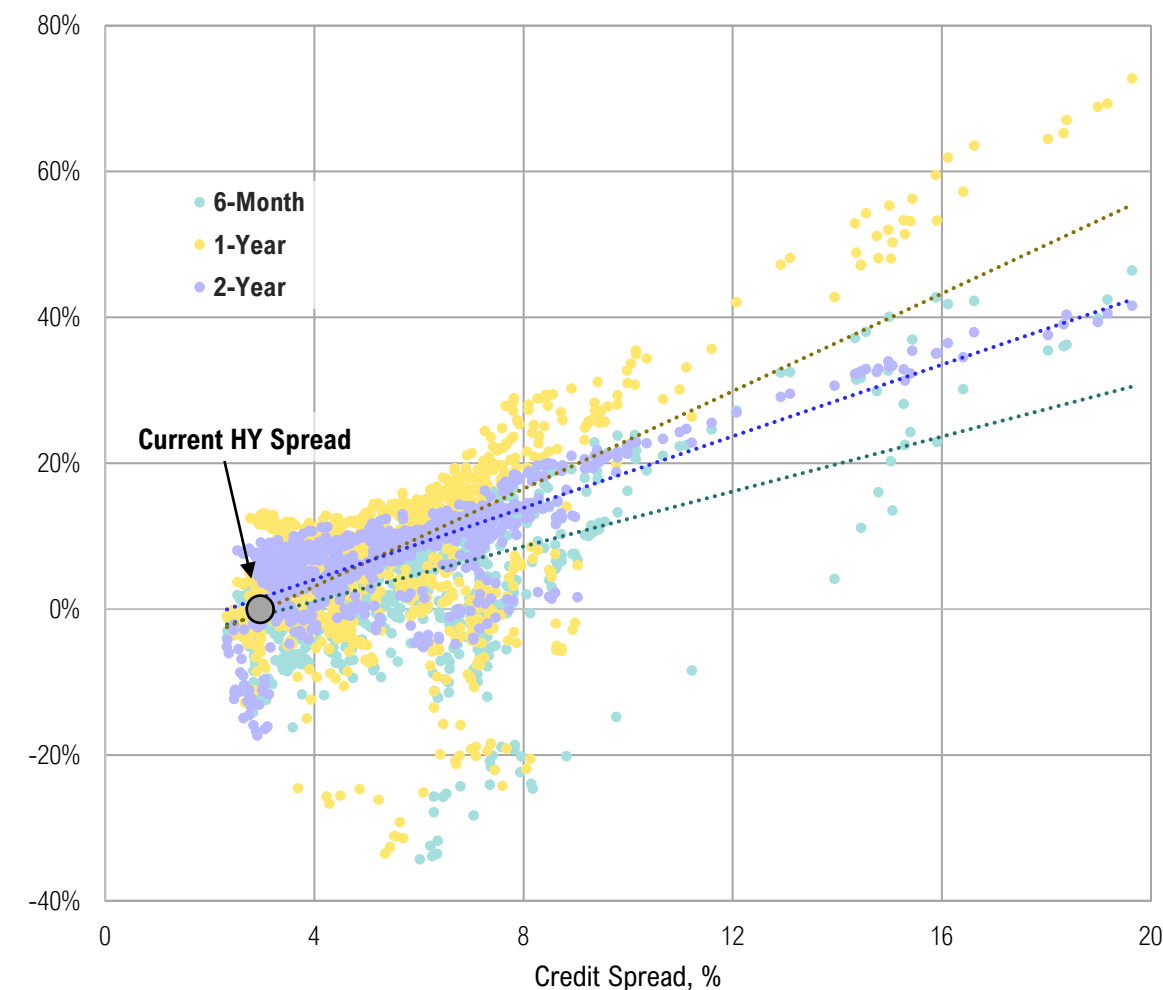
Credit Spreads, %



Spread Buckets	Average Forward Return				
	3M	6M	1Y	2Y	3Y
≤4	0.7%	1.9%	4.8%	3.0%	3.9%
4 < Spread ≤ 6	1.6%	3.2%	5.6%	6.5%	6.3%
6 < Spread ≤ 8	1.4%	2.2%	7.7%	9.8%	10.2%
>8	7.4%	16.4%	30.2%	22.1%	17.1%
<b>All Spreads</b>	<b>1.7%</b>	<b>3.7%</b>	<b>8.1%</b>	<b>7.7%</b>	<b>7.9%</b>

Source: SpringTide, Bloomberg. Forward return analysis from 2/4/1994 through 12/31/2023.

Annualized Forward Return, %

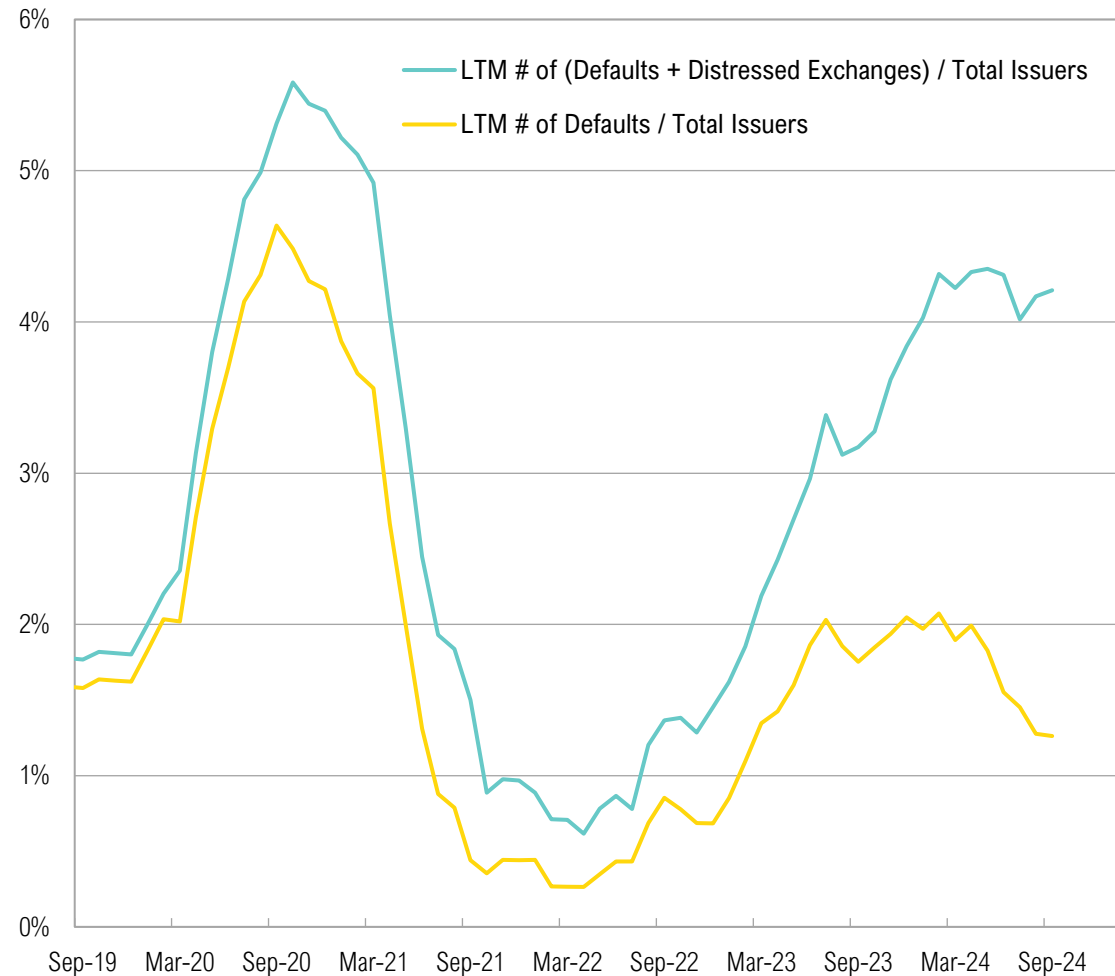


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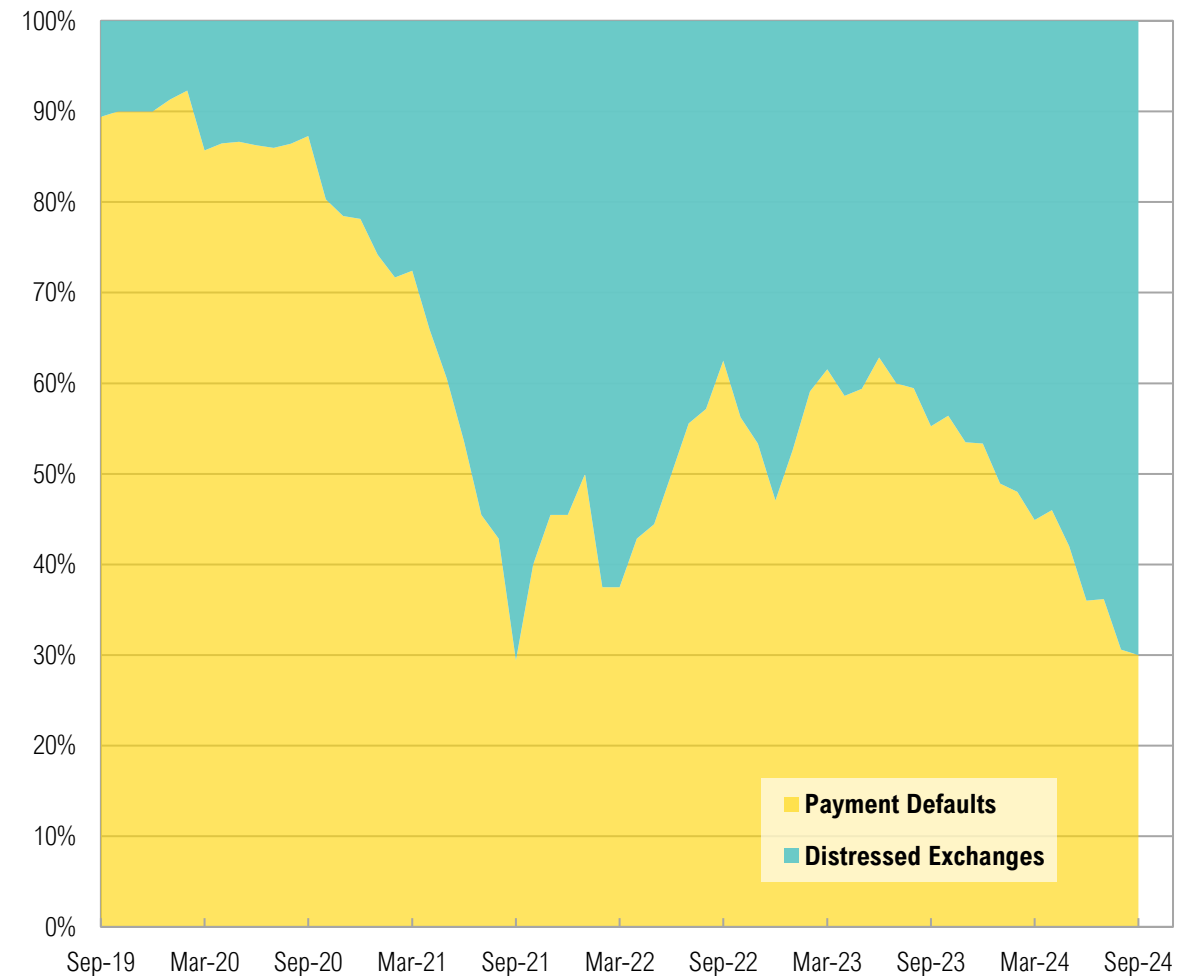
# Distressed exchanges are replacing traditional defaults, masking issues

Leveraged Loan Default Rate, %



Source: Pitchbook. As of 9/30/2024.

Proportion of Defaults, %



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**We believe that nuclear energy has a critical role to play in supporting our clean growth and helping to deliver on the progress of AI... We feel like nuclear can play an important role in helping to meet our demand, and helping meet our demand cleanly, in a way that's more around the clock.”**

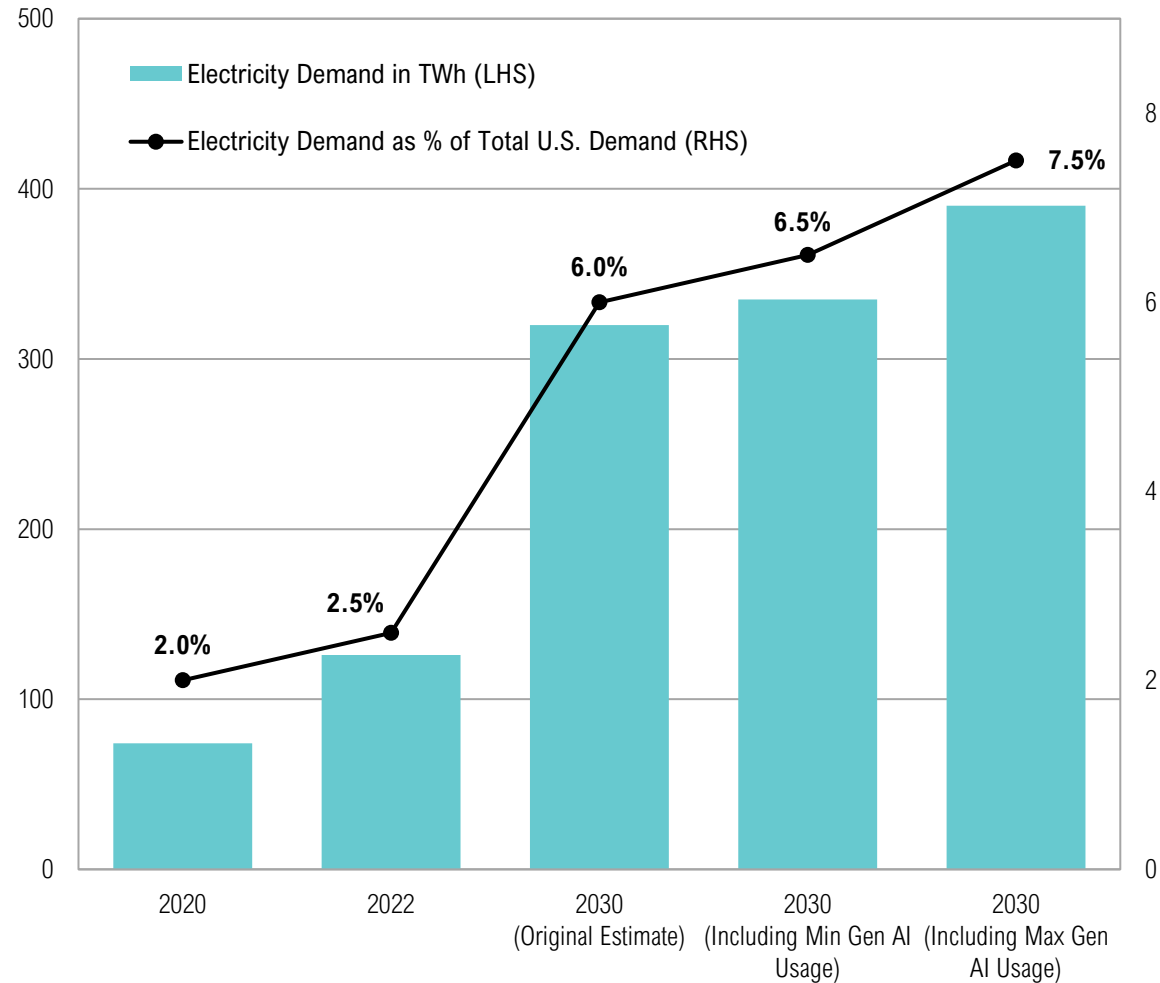
**Michael Terrell**, *Google Senior Director for Energy & Climate*



## AI and data centers are expected to be key drivers of future U.S. power demand; given consistent output requirements for data centers, natural gas and nuclear are the best energy sources to meet demand

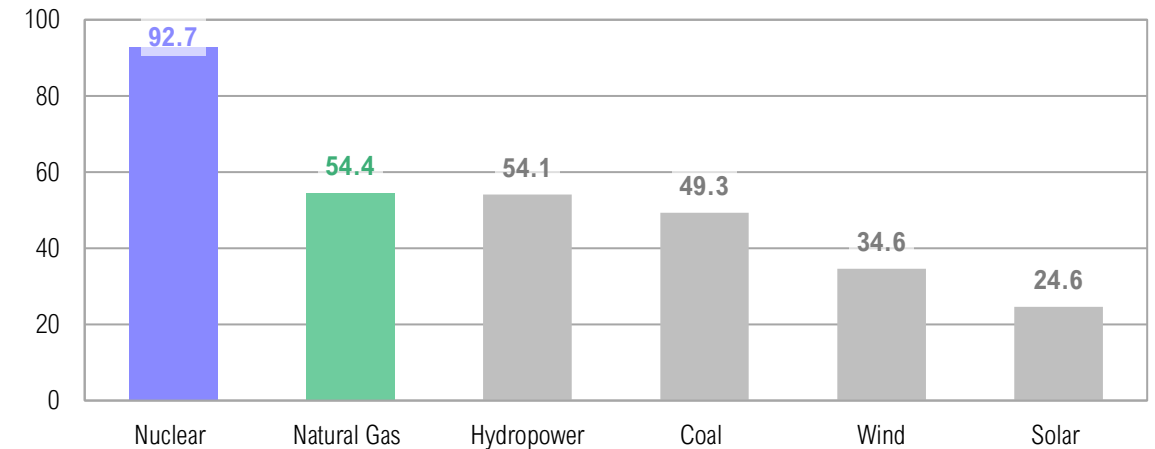
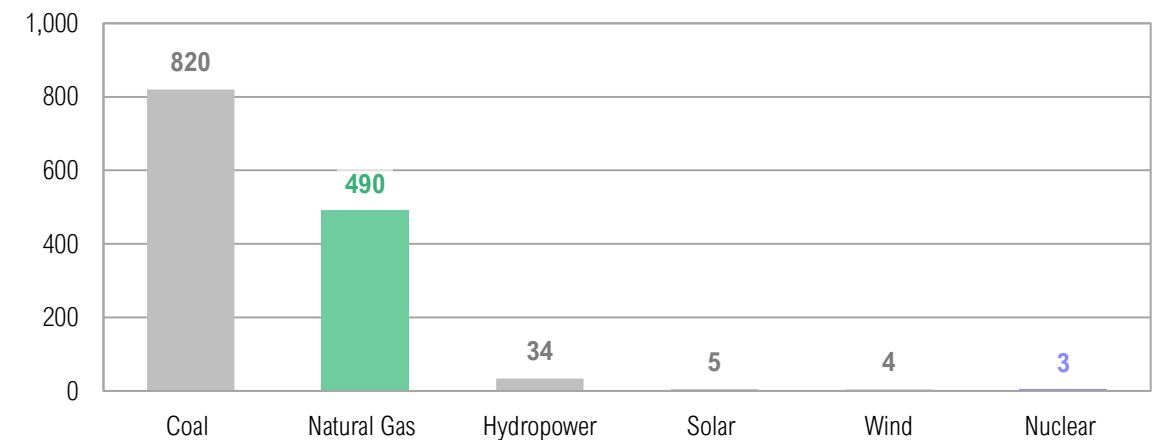
U.S. Data Center Elec. Demand, TWh

Data Center Elec. Demand, % of Total Elec. Demand



Source: Bloomberg, BCG, EIA.

Actual Output as a % of Maximum Possible Output (Capacity Factor)

CO<sub>2</sub> Emissions, CO<sub>2</sub>/GWh

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## ➤ Big tech is going big on nuclear:

October 16, 2024 | Updated: October 16, 2024

### Google and Kairos Power Unveil Groundbreaking 550 MW Nuclear Energy Initiative

### Amazon goes nuclear, to invest more than \$500 million to develop small modular reactors

PUBLISHED WED, OCT 16 2024•8:45 AM EDT | UPDATED WED, OCT 16 2024•10:49 AM EDT

#### *Hungry for Energy, Amazon, Google and Microsoft Turn to Nuclear Power*

Large technology companies are investing billions of dollars in nuclear energy as an emissions-free source of electricity for artificial intelligence and other businesses.

### Constellation to restart Three Mile Island unit, powering Microsoft

Friday, 20 September 2024

### Amazon invests \$500M in X-energy's 4th gen nuclear tech

The company is developing advanced small modular nuclear reactors for carbon-free power



Davide Sher · October 17, 2024

4 minutes read

NATIONAL

### Three Mile Island nuclear plant will reopen to power Microsoft data centers

SEPTEMBER 20, 2024 · 1:40 PM ET

### US / Amazon Buys Stake In Nuclear Reactor Developer In Bid To Power Data Centres

By David Dalton  
17 October 2024

*\$500m investment in X-energy will help finance new generation of SMRs*

October 16, 2024

### Amazon Invests in X-energy to Support Advanced Small Modular Nuclear Reactors and Expand Carbon-Free Power

Energy | Grid & Infrastructure | Nuclear

### Constellation orders \$100 million transformer for Three Mile Island restart

By Lalla Kearney

October 16, 2024 11:10 PM GMT+2 · Updated 16 hours ago

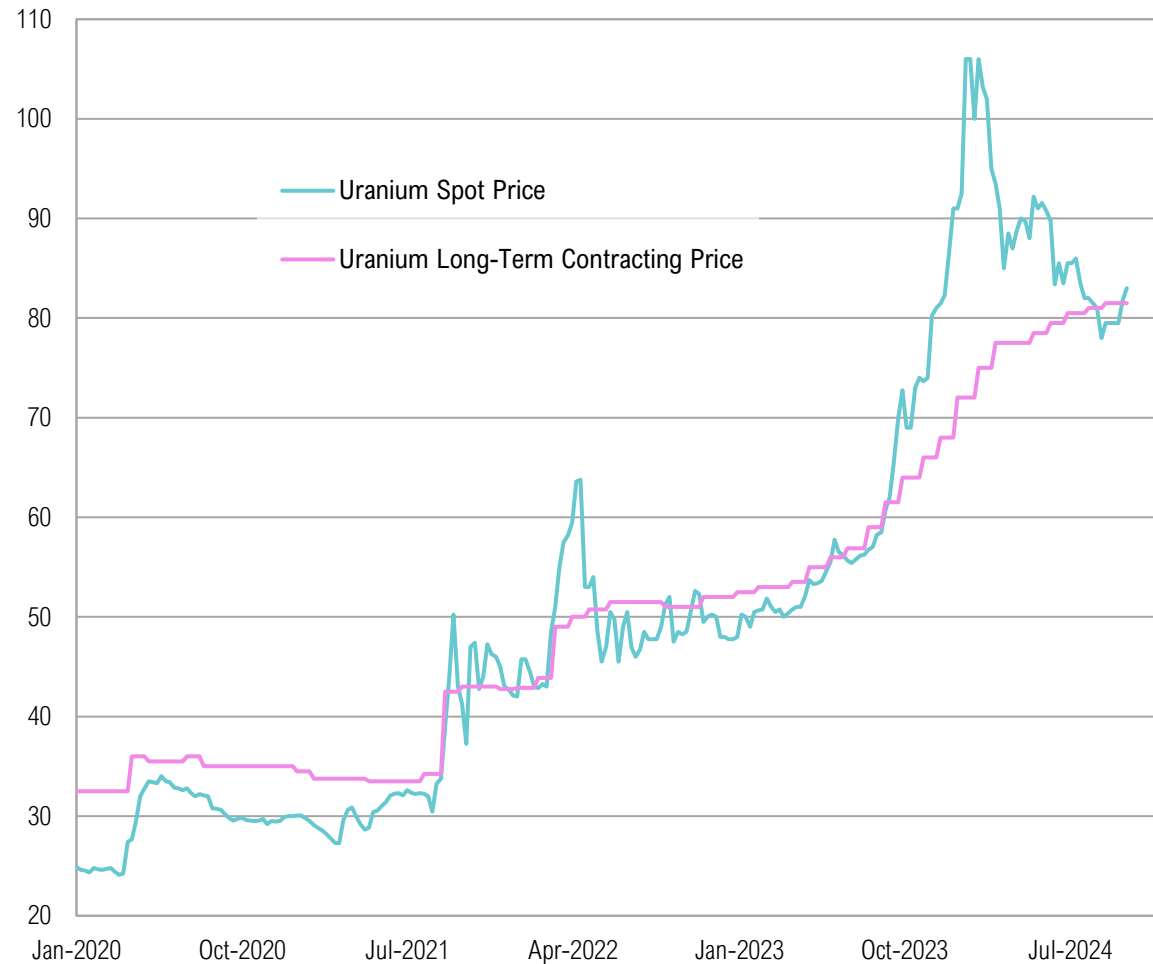


Source: Various



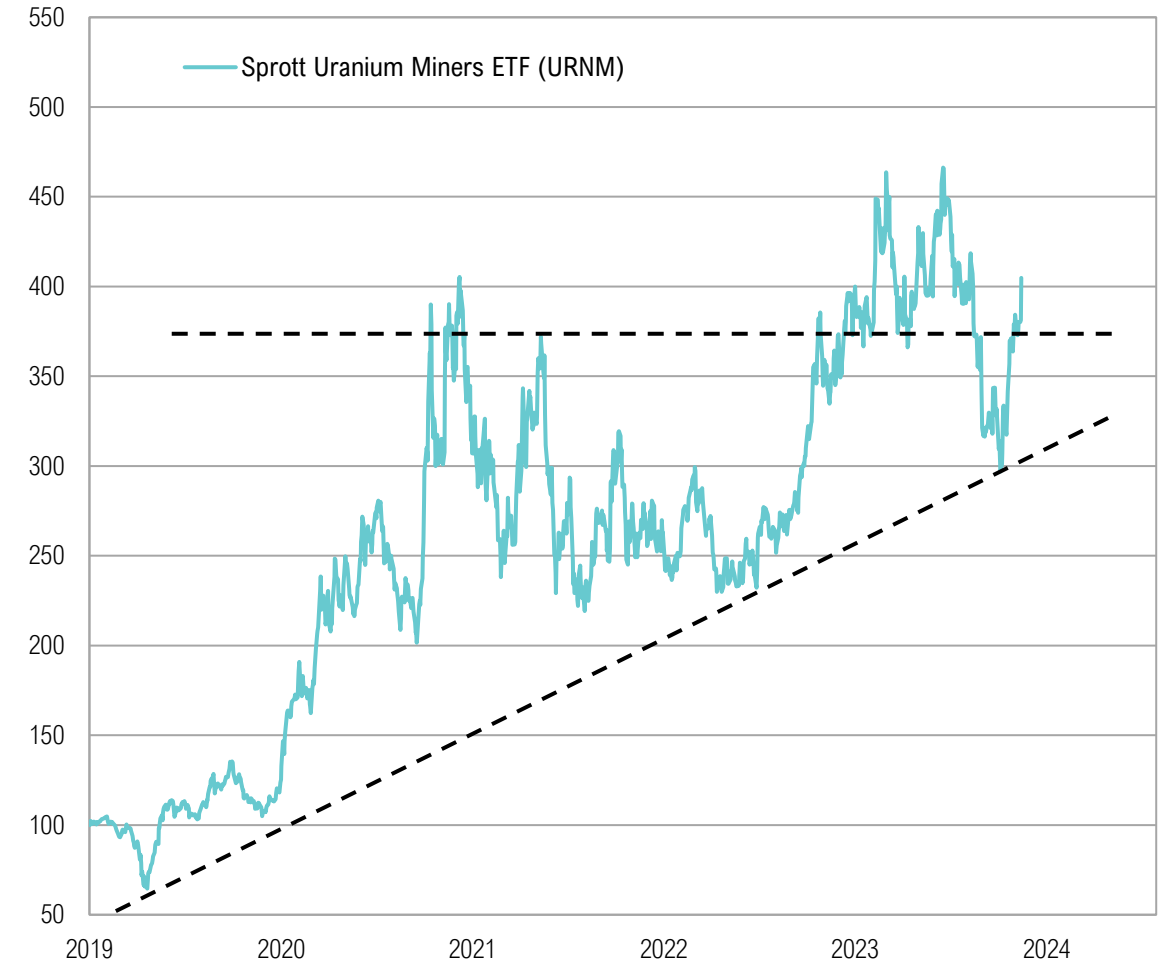
**Uranium prices have been recovering, while long-term contracting prices (the prices negotiated between utilities and miners) continue to move higher; uranium miners recently broke through key technical resistance levels**

Uranium Spot Price, \$/lbs



Source: Bloomberg

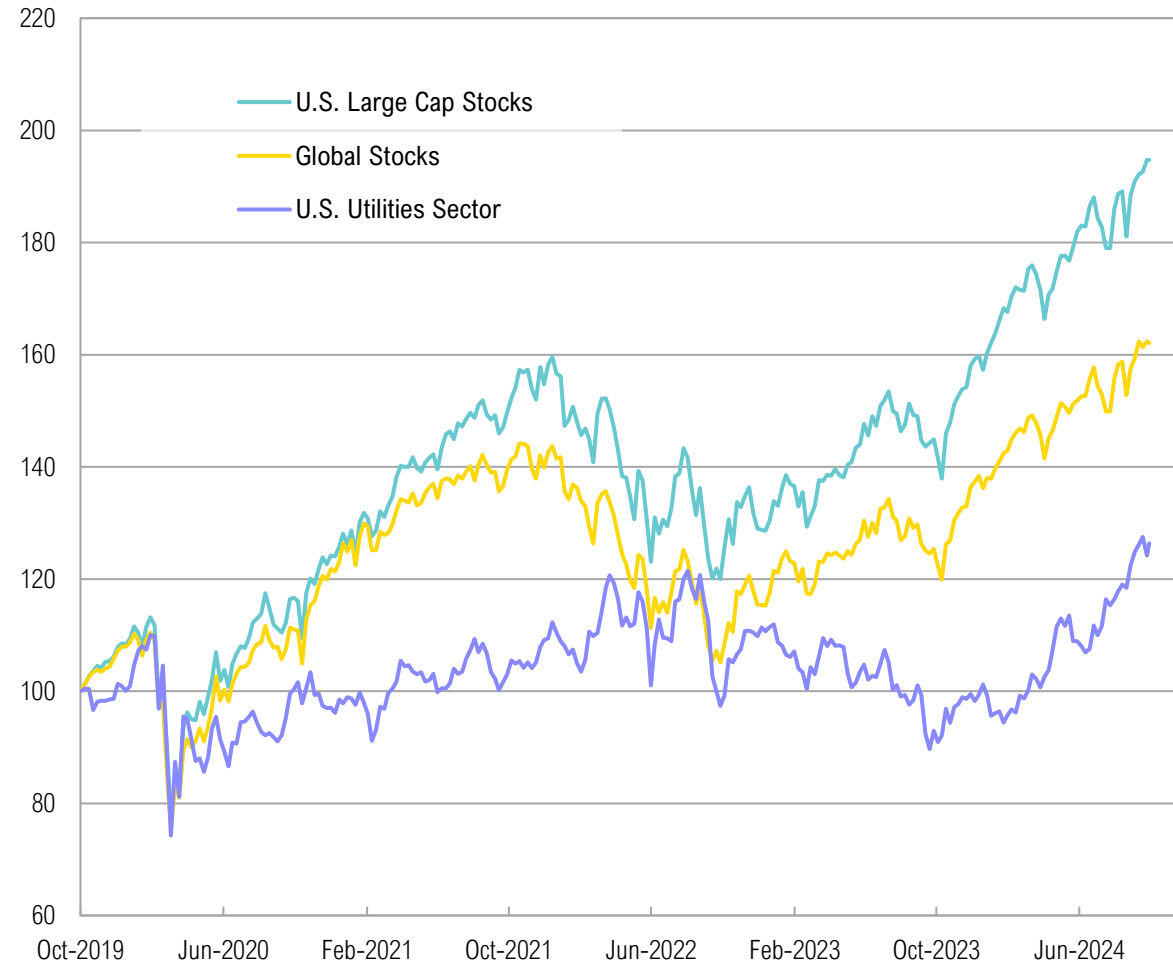
Growth of 100



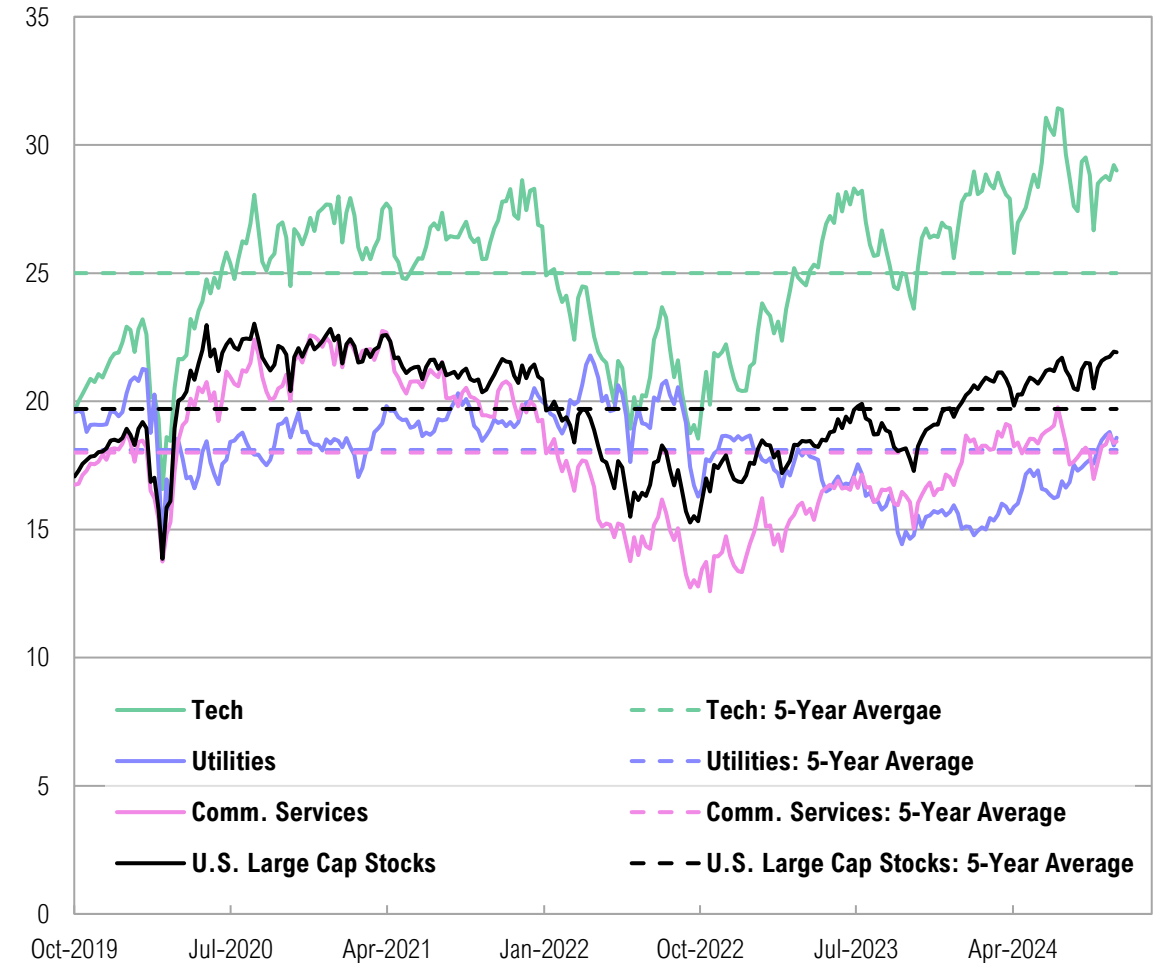
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## Despite the recent rally, U.S. utilities have notably lagged U.S. large-cap stocks and global stocks over the past five years; utility valuations are on par with their 5-year averages

Growth of 100



Price-to-Earnings Ratio, 12-Month Forward



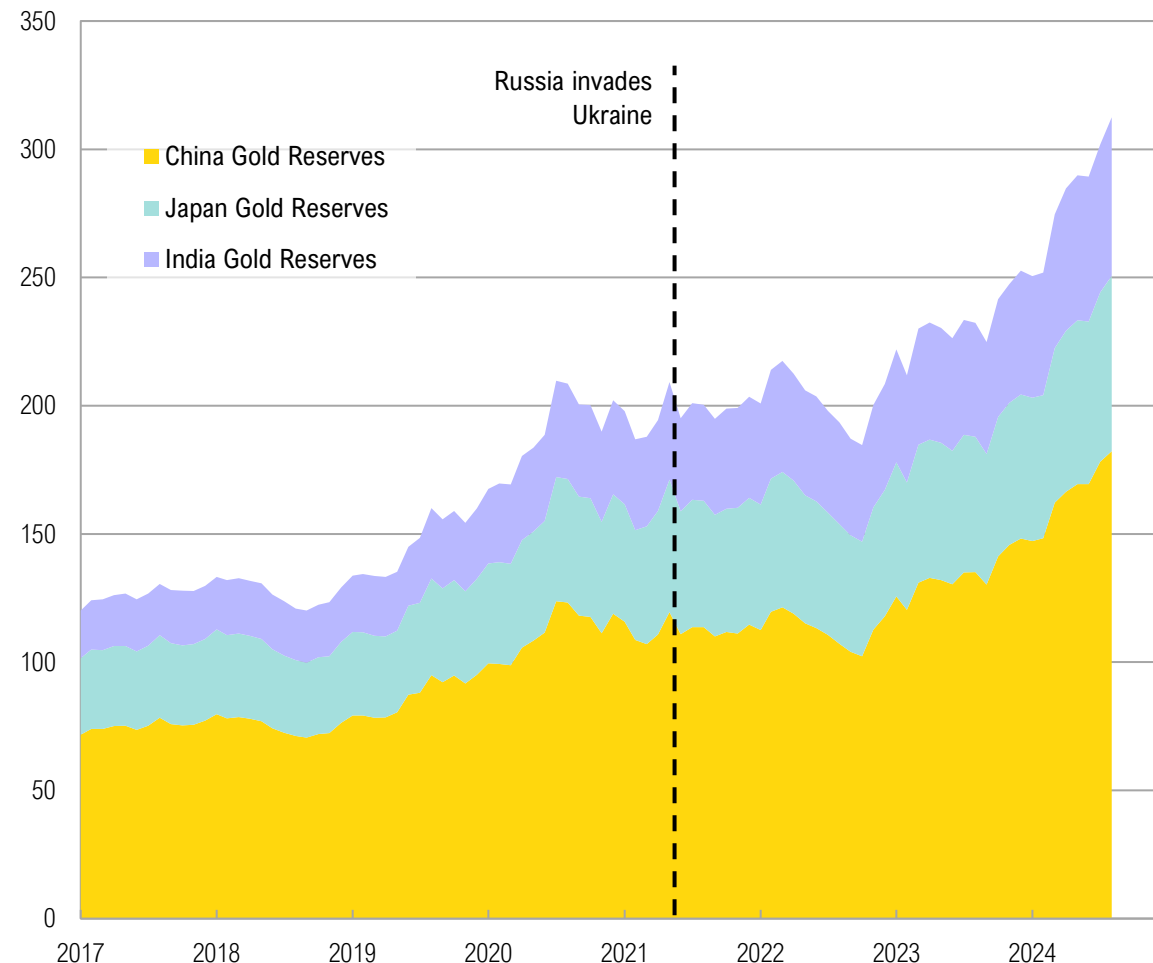
Source: Bloomberg. As of 10/15/2024.

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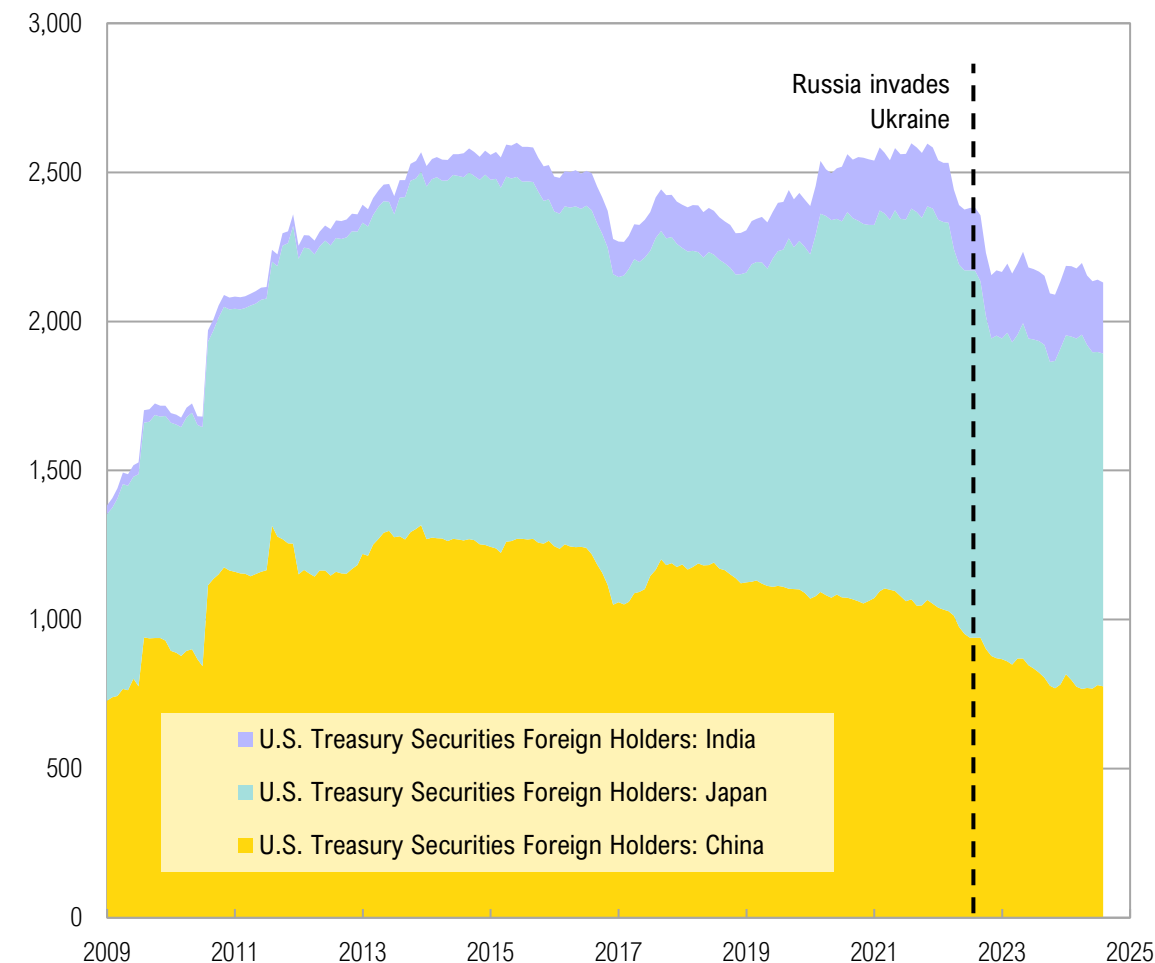


**Accompanied by ‘flight to safety’ (geopolitics, U.S. fiscal situation), gold’s resilience despite higher real rates is likely due to sovereigns favoring gold; whatever the reason, higher real rates remain a risk**

Central Bank Gold Reserves, \$Bn



Foreign Holders of U.S. Treasury Securities, \$Bn

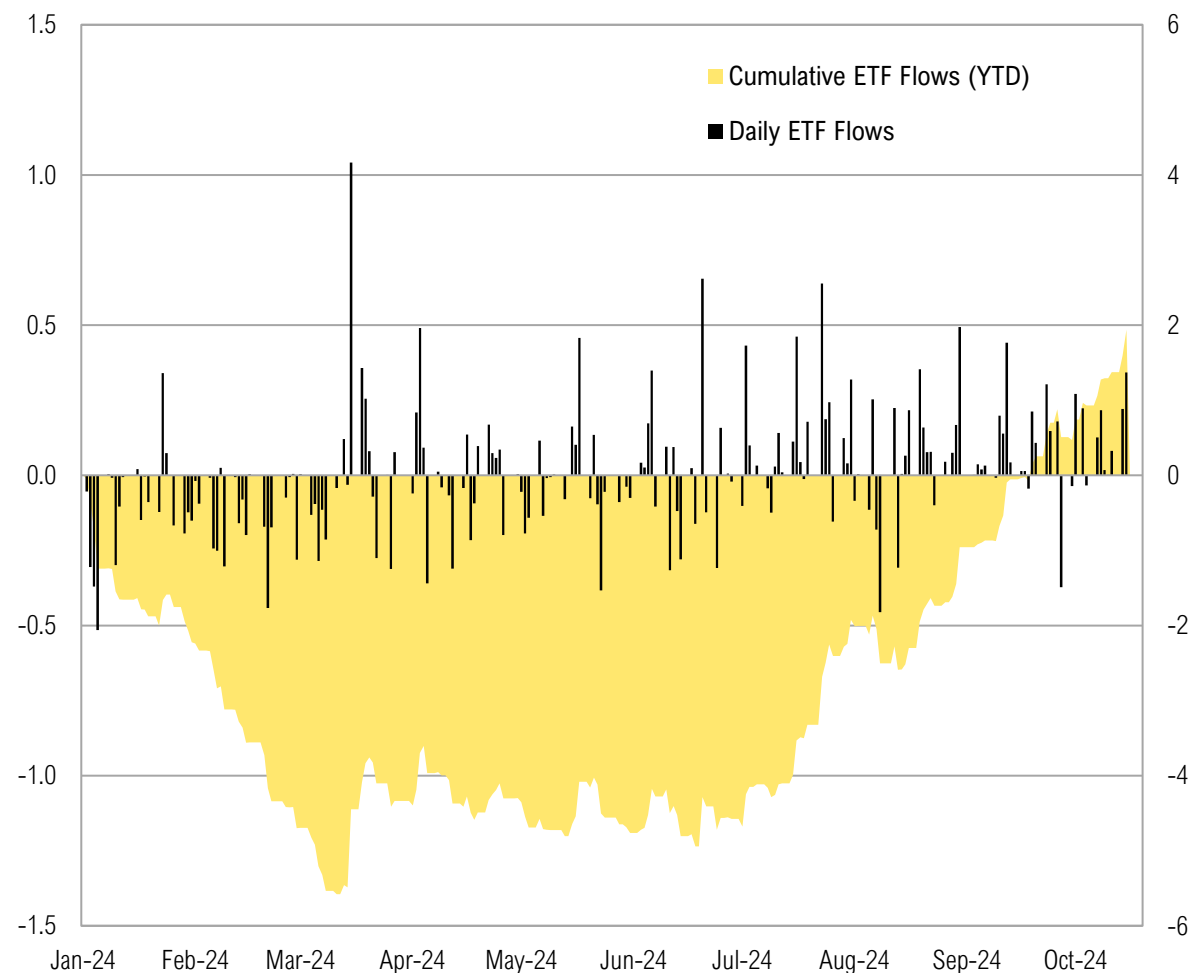


Source: Bloomberg. Gold reserve data as of 8/31/2024. Foreign Treasury holdings as of 7/31/2024.

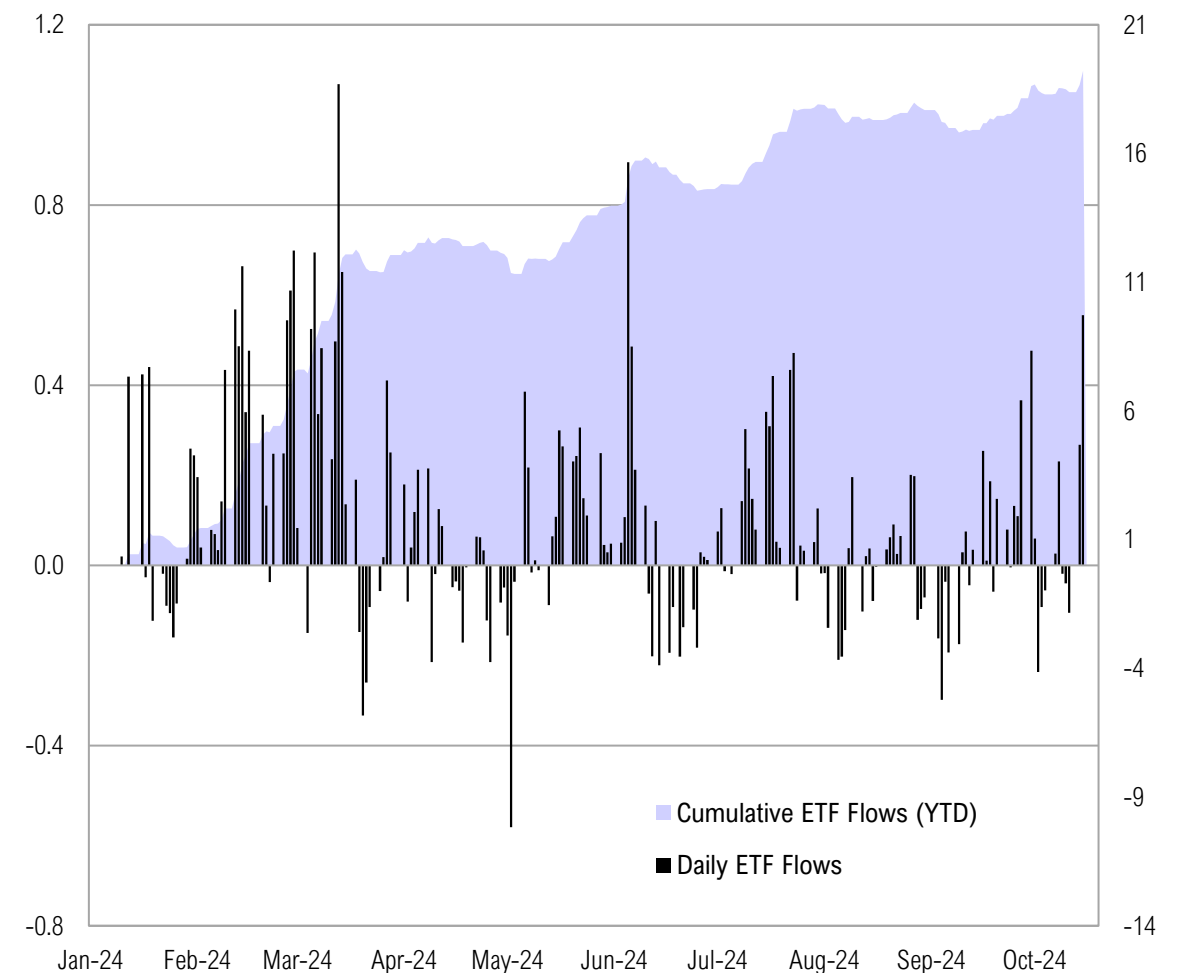
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# Gold fund flows have only recently begun to pick up; bitcoin flows have been more consistent and have recently accelerated

Gold Funds Aggregated Daily Flows, \$Bn



Bitcoin Spot ETFs Aggregated Daily Flows, \$Bn



Source: Bloomberg. Gold and Bitcoin funds are the 10 largest funds. As of 10/16/2024.

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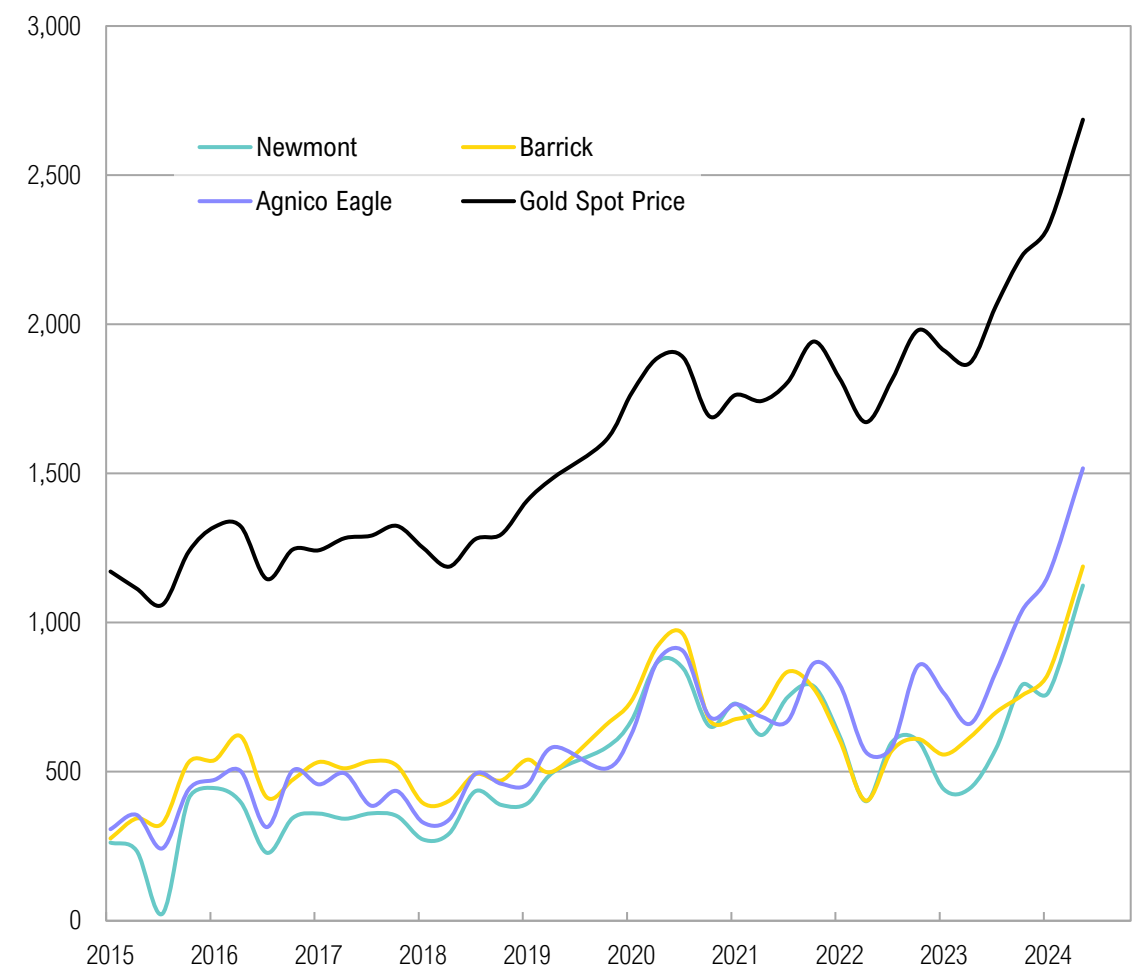
## Gold miners continue to look attractive vs. physical, but miners have been plagued by rising costs, country-specific issues, and labor challenges, among other things

Gold Miners Index/ Gold Spot Price, Growth of 100



Source: Bloomberg, RHS assumes stable 24Q3 costs vs gold spot price. As of 10/16/2024.

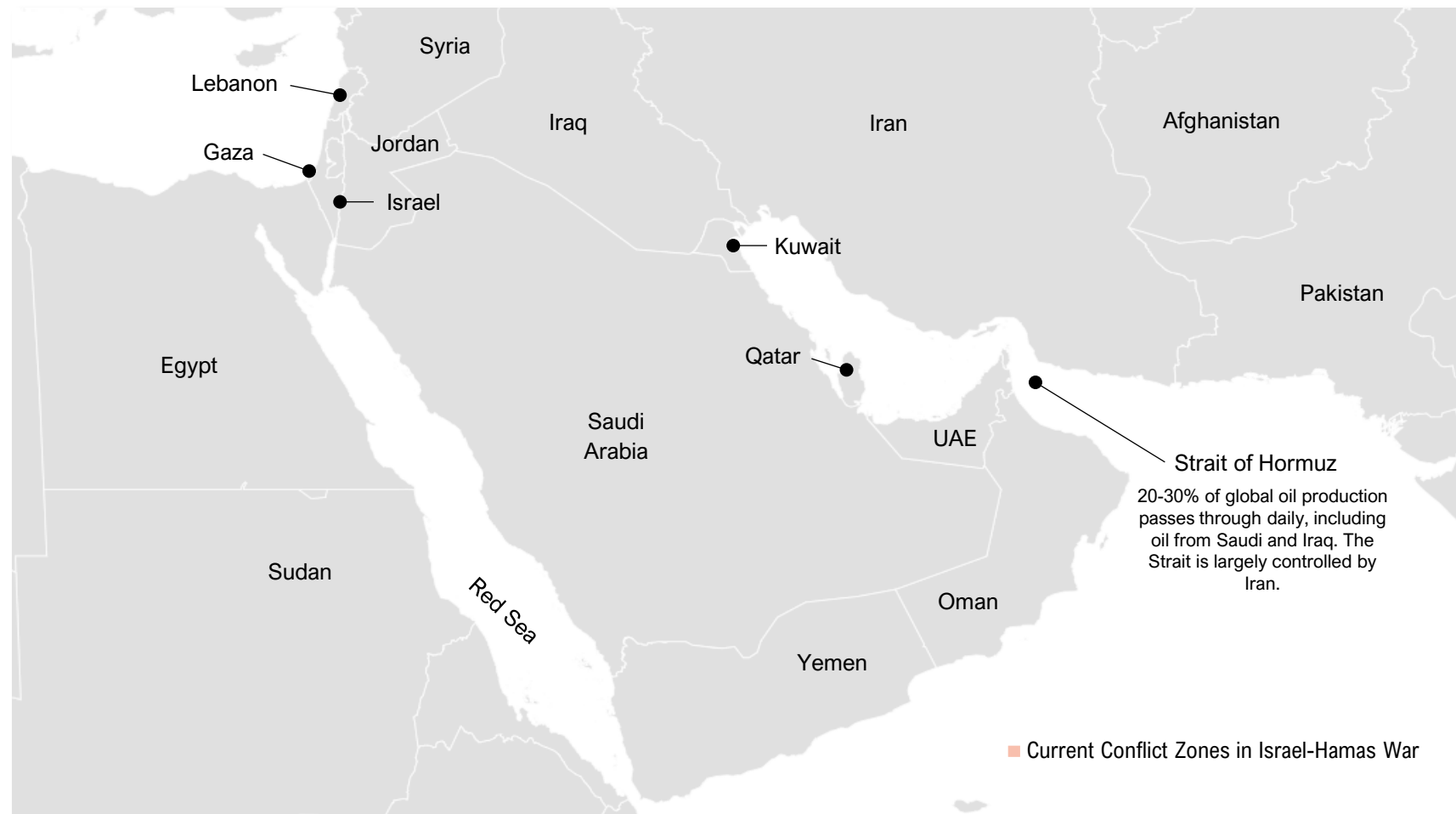
Profit Margin: Gold Spot Price minus All In Sustaining Costs, \$/Oz



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## ➤ Geopolitical tensions in the Middle East continue

Middle East Map



- The oil market remains well-supplied, despite OPEC+ production cuts over the past two years, as weak demand from China limits their return to the market.
- The Gulf's geopolitical climate shifted with a 2023 China-brokered Iran-Saudi deal aimed at easing tensions. Arab Gulf states are advocating de-escalation, reducing the likelihood of Iranian retaliation or a Strait of Hormuz closure.
- The Gaza and Lebanon conflicts do not directly threaten global oil supplies, as neither are major producers.
- Despite Iran-linked groups like Hezbollah being involved, Iran has focused on self-preservation and avoidance of direct confrontation with Israel.
- However, trust in the region remains fragile, and Iran could still cause disruption through proxies and acts of sabotage.

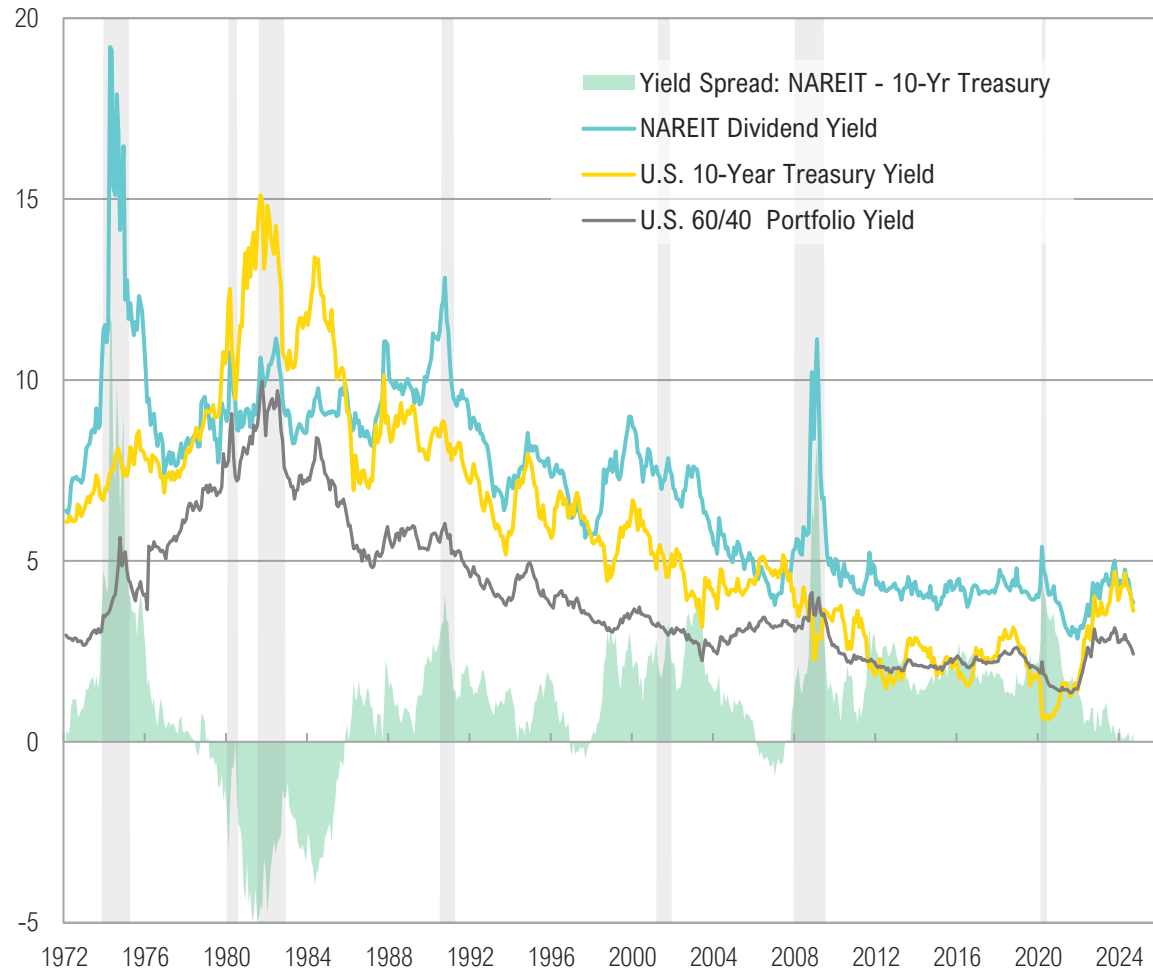
Source: Center for Strategic & International Studies, Hedgeye, Academy Securities.

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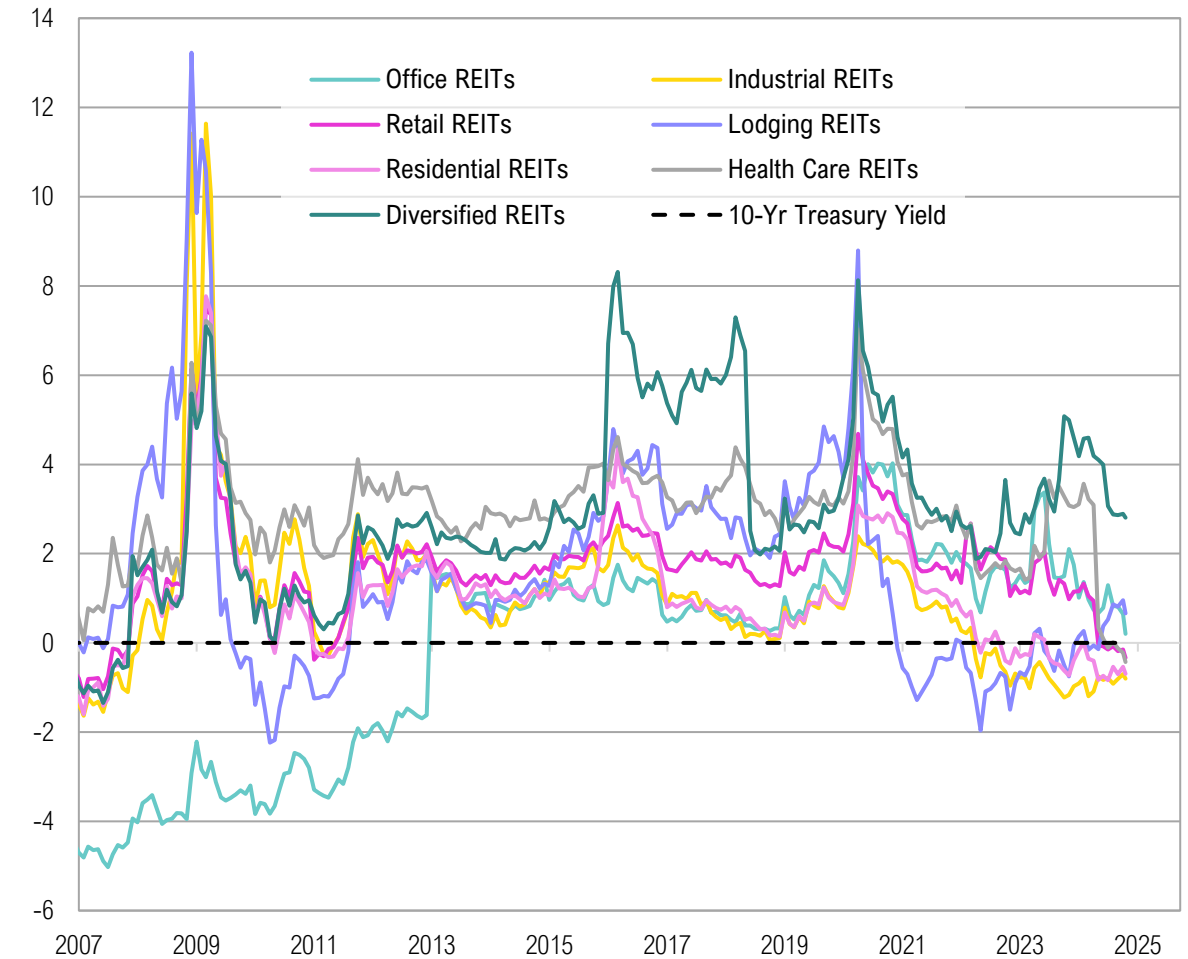
**U.S. REITs have rebounded 26% from their April lows, as lower yields provided a reprieve for the asset class; despite the rebound, most REIT sectors still look wholly unattractive on a relative yield basis**

Yield, %



Source: Bloomberg, NAREIT.

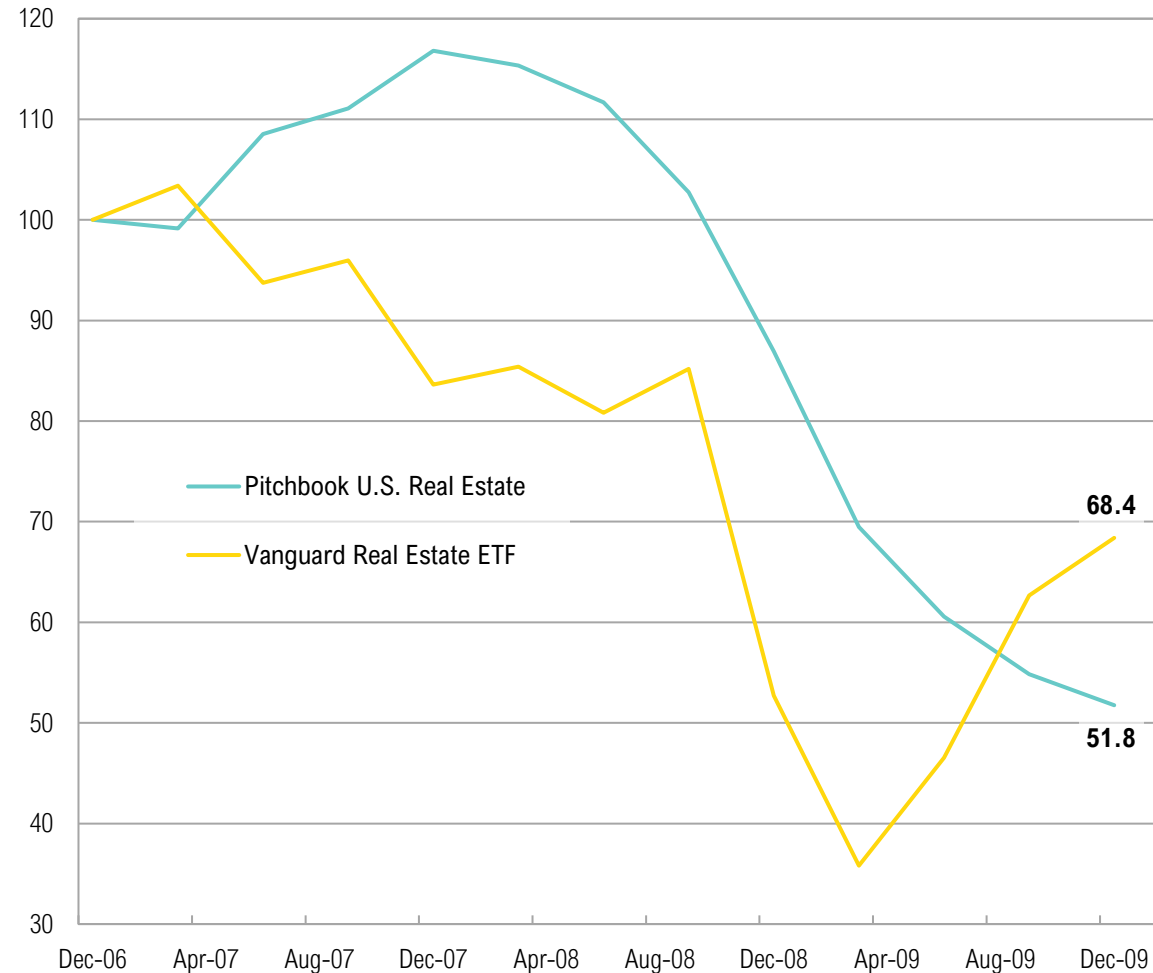
Spreads: 12-Month Forward Dividend Yields vs. 10-Year Treasury, %



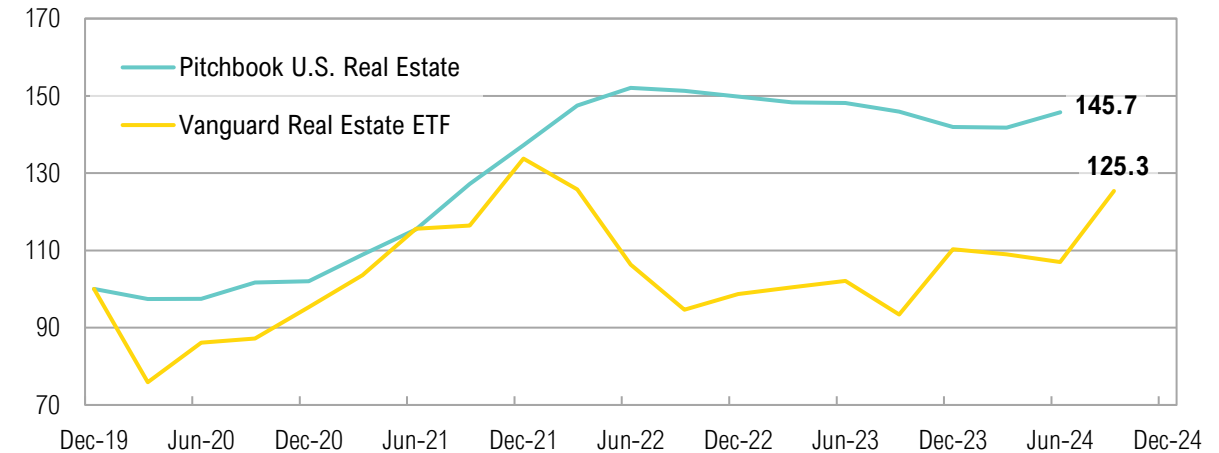
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# Private real estate funds have not marked down properties - while gap has closed with public markets, secondary transactions remain at deep discounts

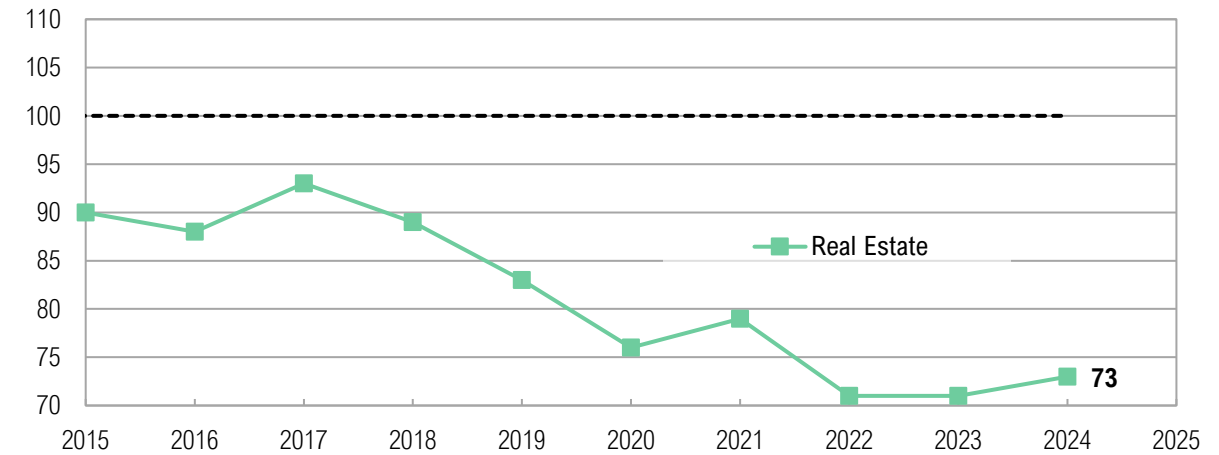
Growth of 100, GFC



Growth of 100, Current



Secondary Pricing as a % of NAV



Source: Bloomberg, Pitchbook, StepStone, Tap, Greenhill, Lazard, Evercore, Various. Secondary pricing as of 6/30/2024. Pitchbook U.S. Real Estate returns as of 6/30/2024. Vanguard Real Estate ETF returns as of 9/30/2024.

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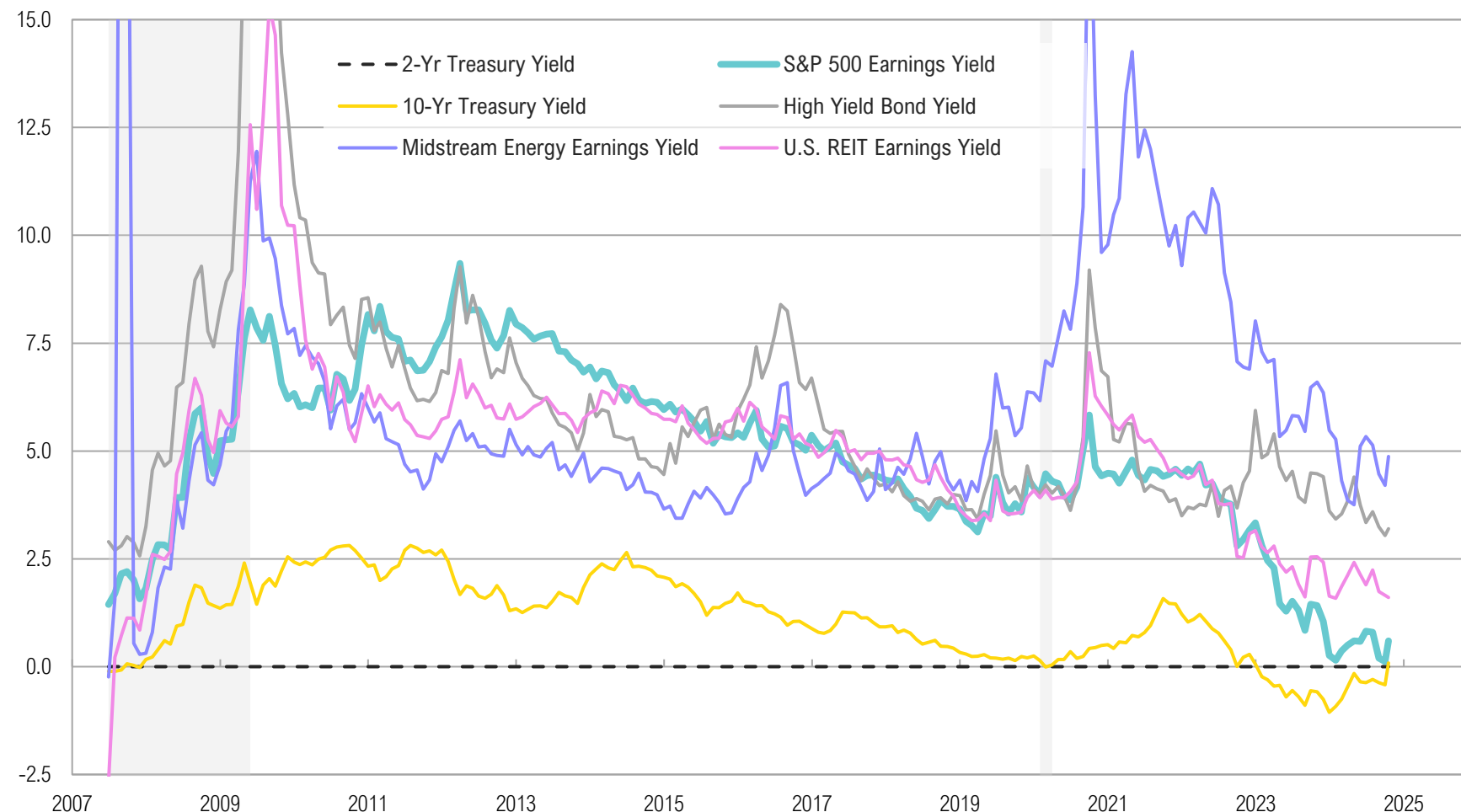


**My judgement is [AI demand] is real. We talk to our customers all the time, including our hyperscaler customers, and almost every AI innovator is working with TSMC, so we probably get the deepest and widest look of anyone in this industry.**

**C.C. Wei**, *TSMC CEO*

# ➤ The relative yield case for high-yield bonds and REITs has been eroded by recent spread tightening/ price strength

Current Yield vs. 2-Year Treasury, %



## Current Yield:

- **2-Year Treasury: 3.95%**
- **10-Year Treasury: 4.02%**
- **U.S. High Yield Bonds: 7.14%**
- **S&P 500: 4.54%**
- **Midstream Energy: 8.82%**
- **U.S. REITs: 5.55% earnings yield (3.86% dividend yield)**

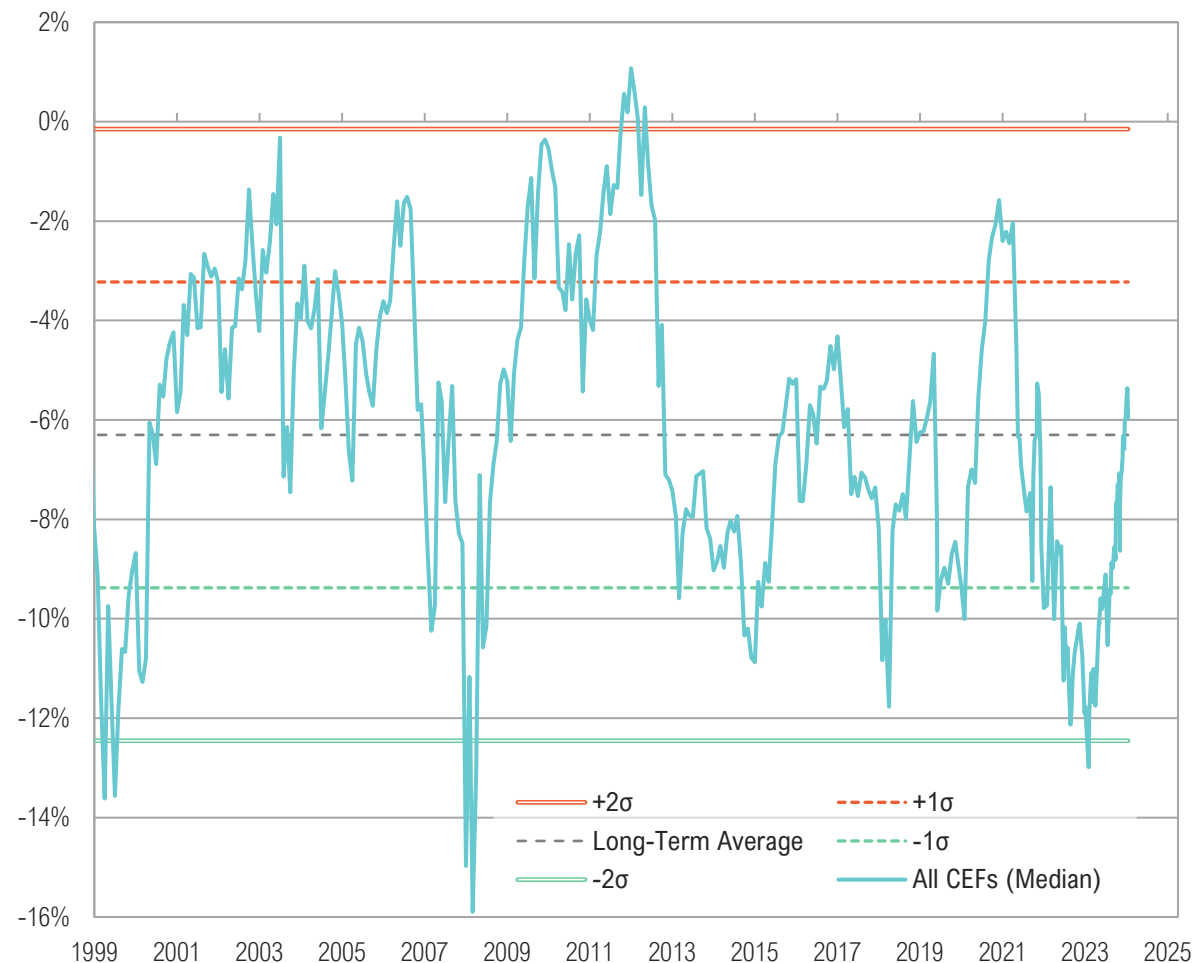
Source: Bloomberg. S&P 500, Midstream Energy and U.S. REIT yields proxied by forward 12-month estimated earnings yields. As of 10/17/2024.

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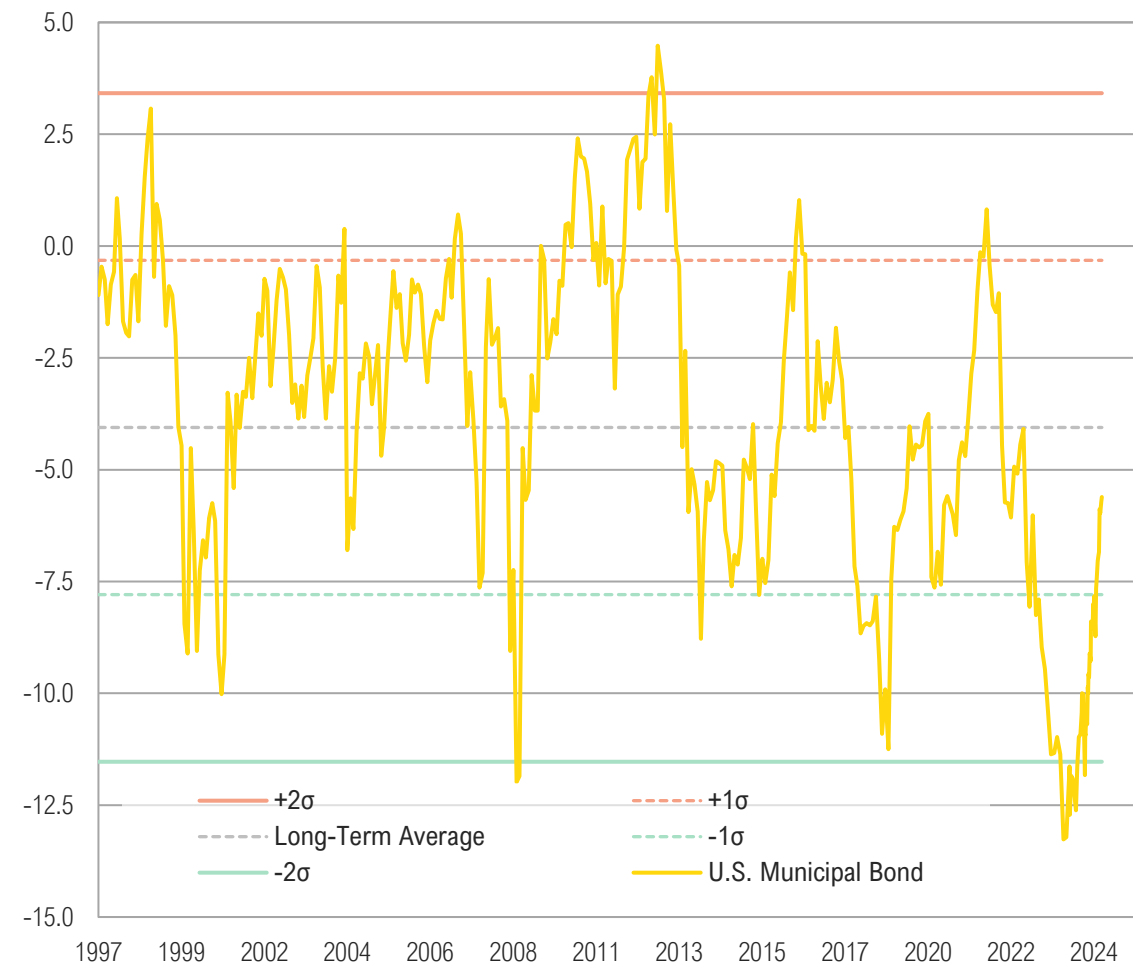


## Median CEF discounts have been narrowing since last October and are at the tightest discount since 2022; U.S. Muni CEF discounts are also less enticing, having narrowed from -13.7% to -5.6%

Median Premium/Discount to Net Asset Value, %



Average Premium/Discount to Net Asset Value

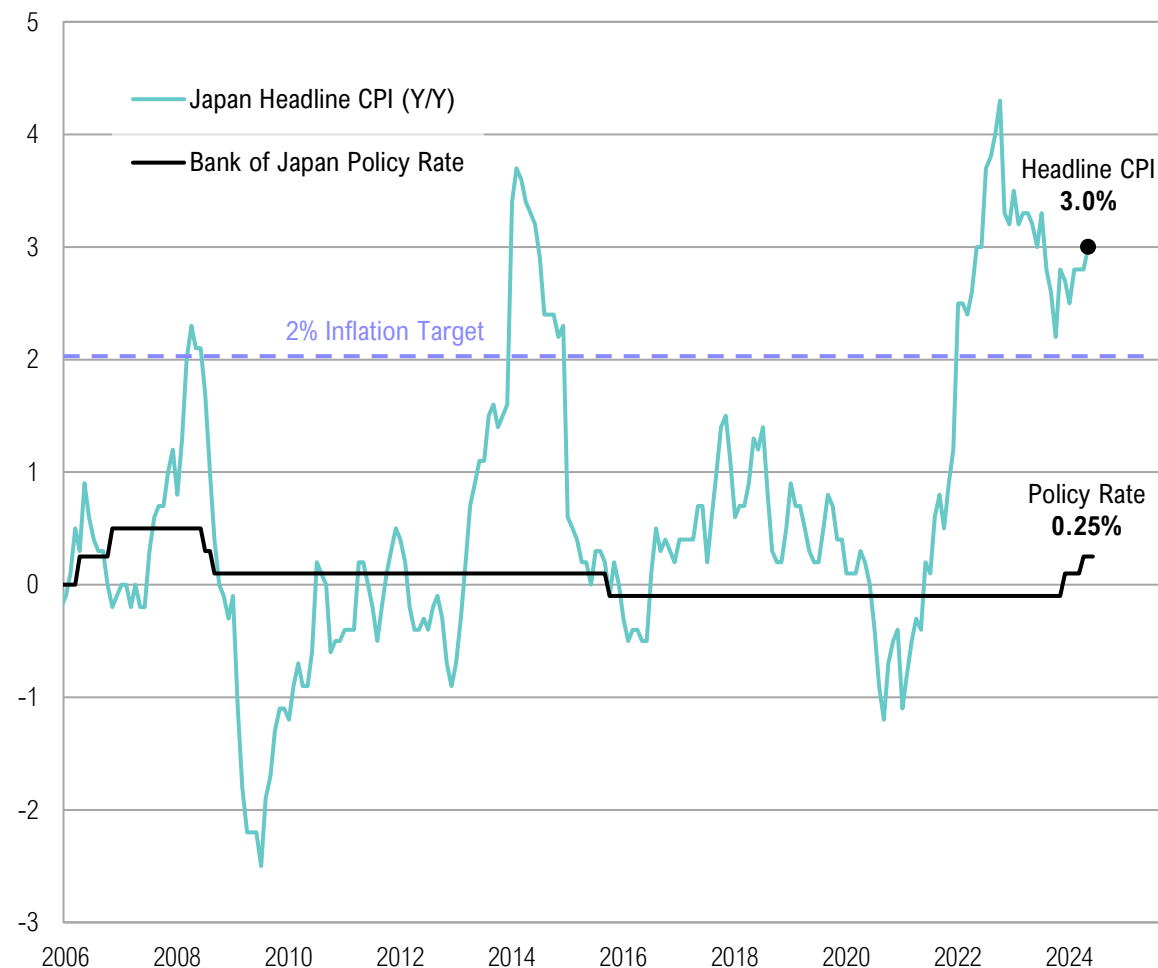


Source: Bloomberg. As of 10/15/2024.

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# Japanese stocks have recovered from the early August yen carry trade unwind meltdown; the Bank of Japan has signaled a willingness to hike rates further if economic data allows

Bank of Japan Policy Rate vs Japan Headline CPI (Y/Y), %

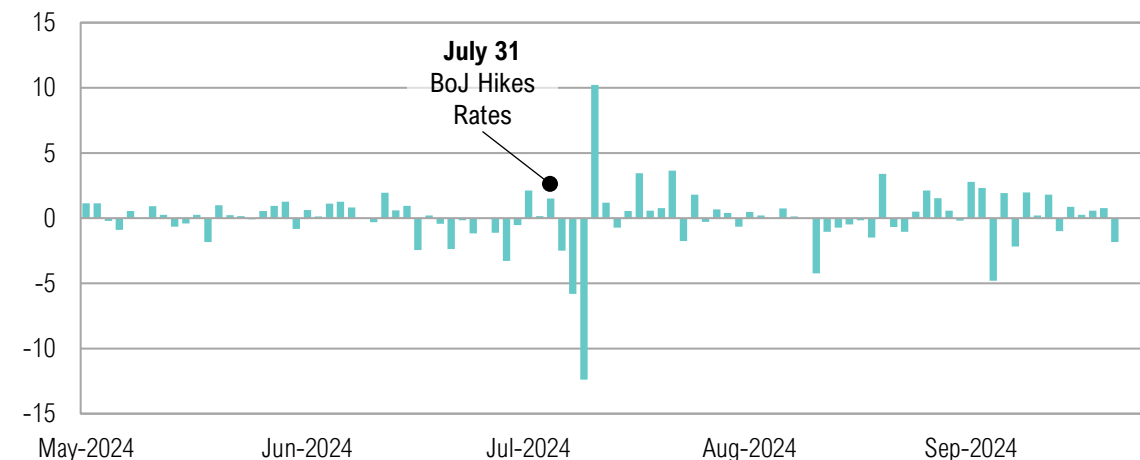


Source: Bloomberg. CPI as of 8/31/2024.

U.S. Dollar-Yen Cross Rate



Nikkei Index Daily Change, %

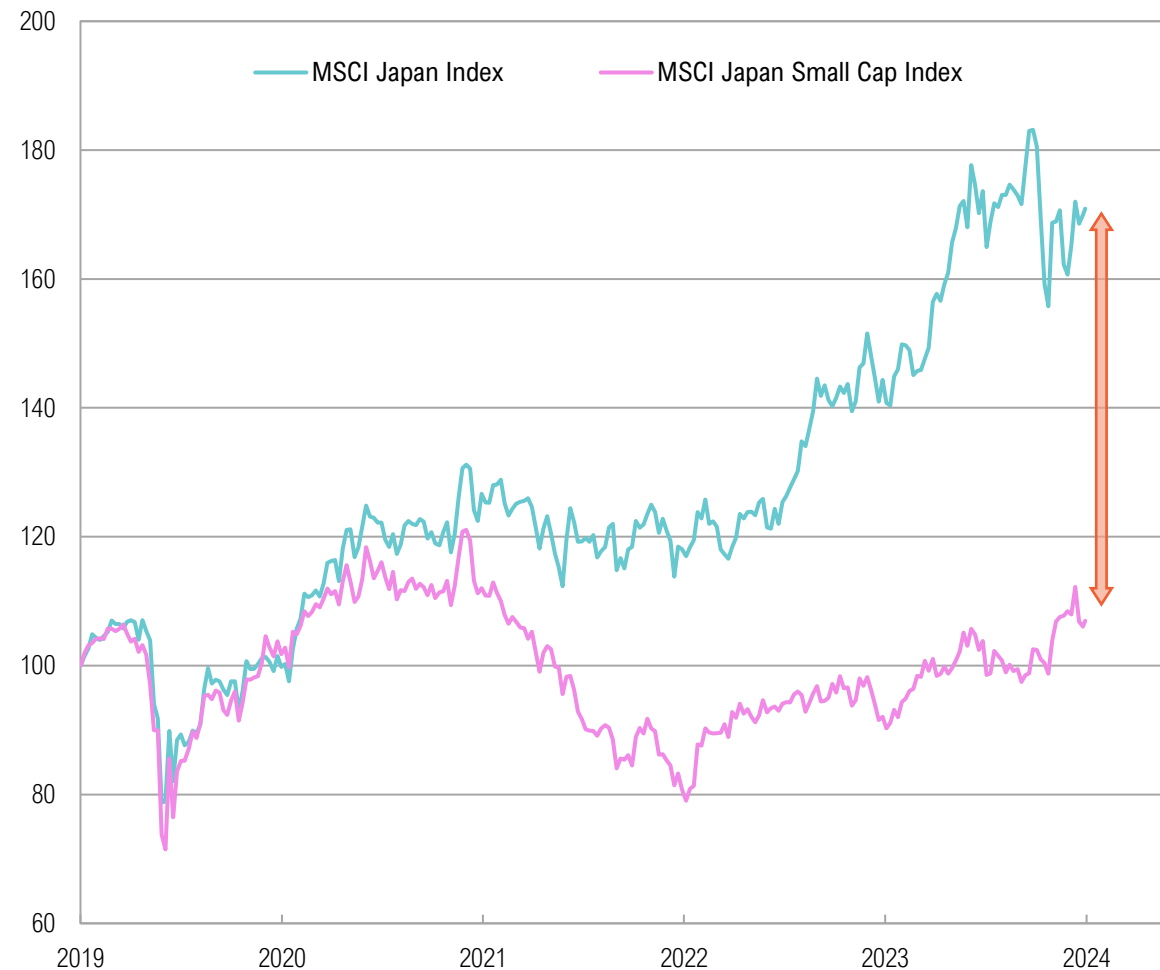


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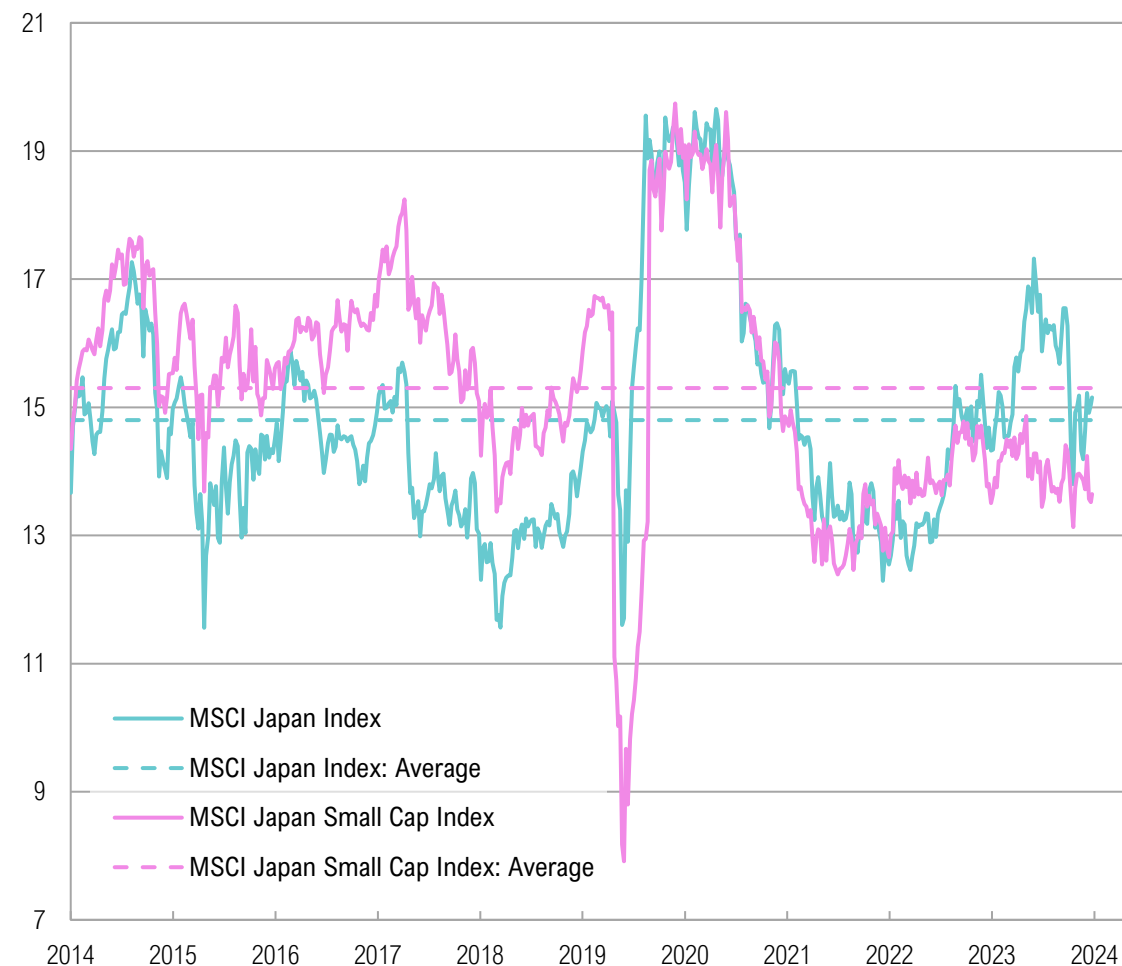


# ➤ **Japanese small cap stocks have lagged the broader index over the past 5 years; small cap P/Es have recently been trending lower, despite incentives from the TSE**

Growth of 100



12-Month Forward Price-to-Earnings Ratio



Source: Bloomberg. As of 10/15/2024.

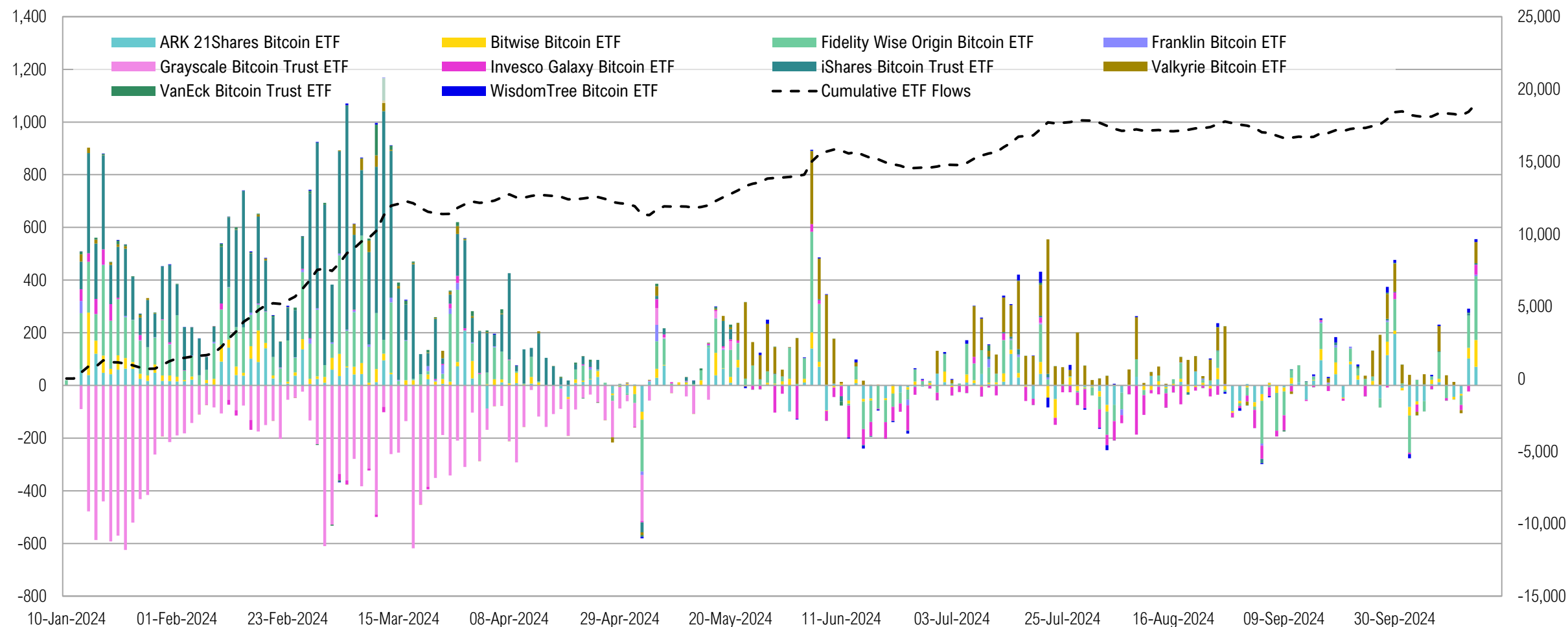
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## After accumulating nearly \$19bn, flows into (and out of) bitcoin spot ETFs have stabilized somewhat

Daily ETF Flows, \$Mn

Cumulative Flows, \$Mn

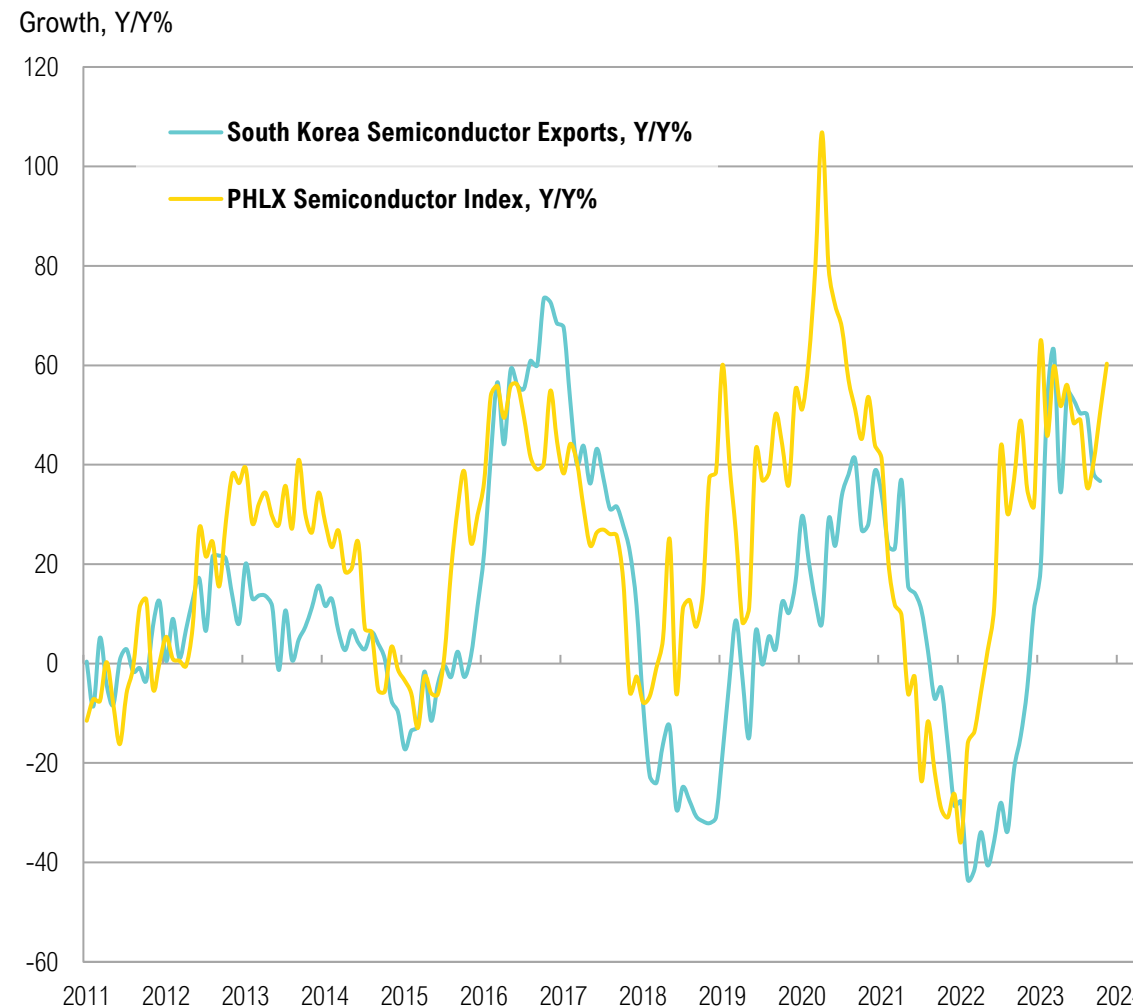
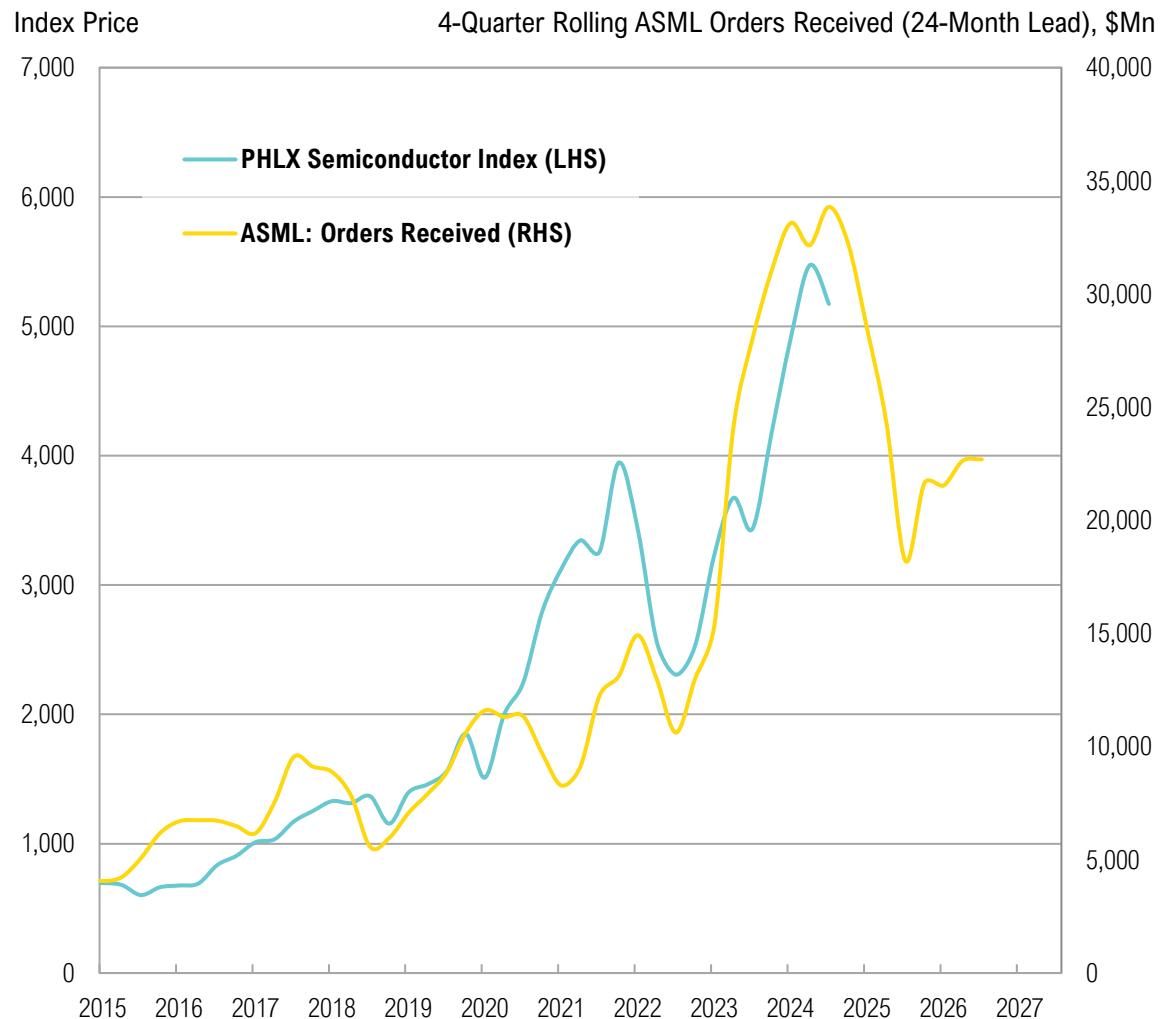


Source: Morningstar. As of 10/16/2024.

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## ASML's new orders have been a leading indicator of semiconductor demand and are signaling a potential industry slowdown; South Korean semiconductor exports also appear to be rolling over



Source: Bloomberg. The PHLX Semiconductor Index is a cap-weighted index of the 30 largest U.S.-traded companies primarily involved in the design, distribution, manufacture and sale of semiconductors. As of 10/16/2024.

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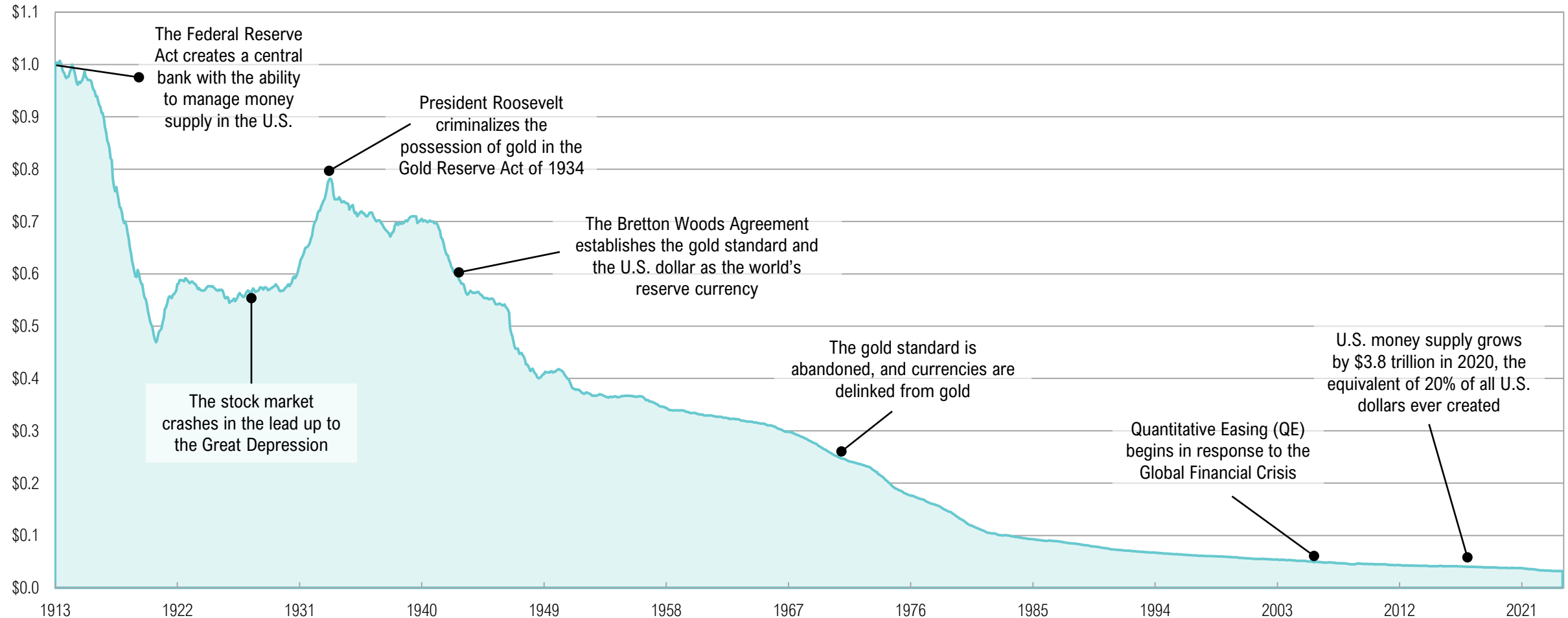


**Diversification is a safety factor that is essential because we should be humble enough to admit we can be wrong.**

**John Templeton**, *Investor & Banker*

# Over the last century, the purchasing power of the U.S. dollar has steadily eroded as a result of ongoing inflation

Purchasing Power of \$1

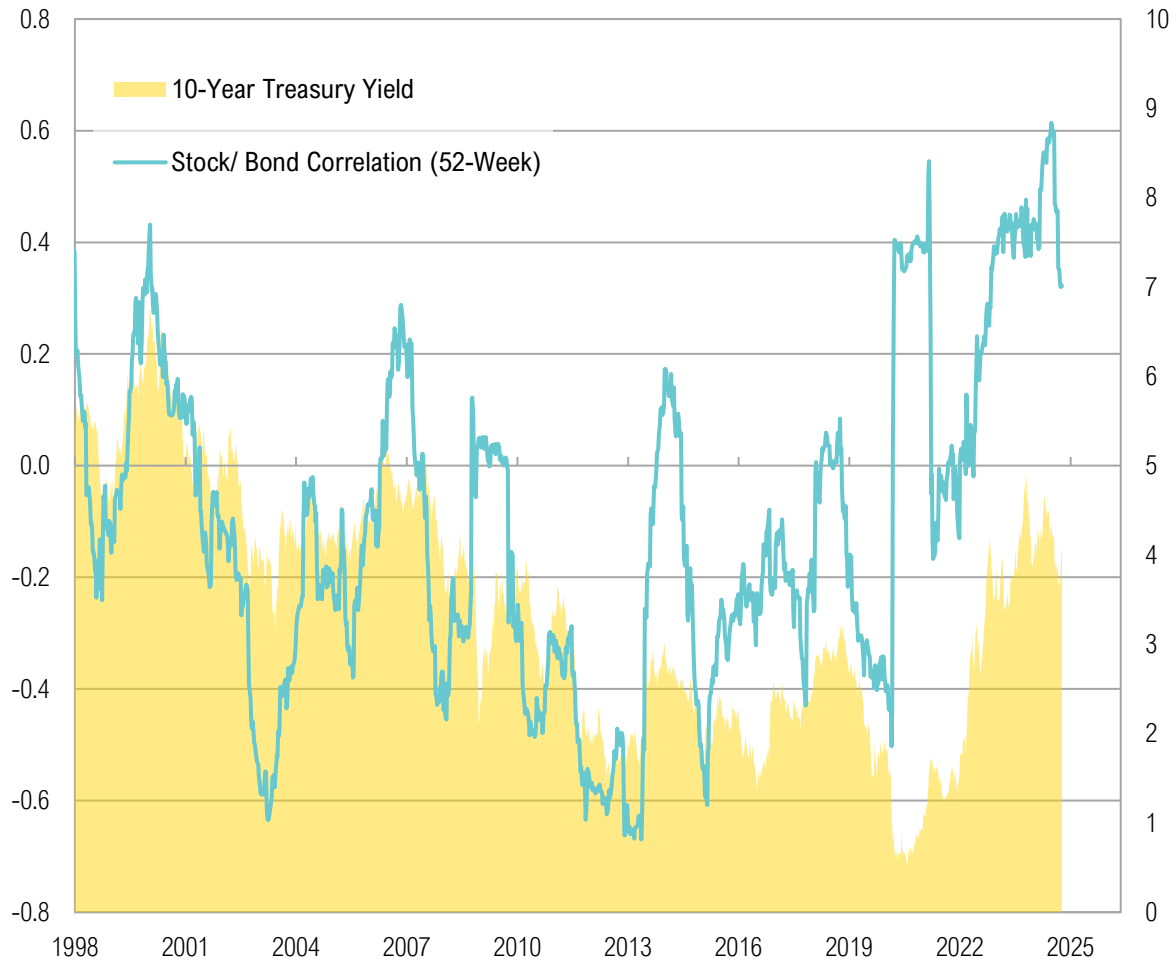


Source: Bloomberg, Visual Capitalist.

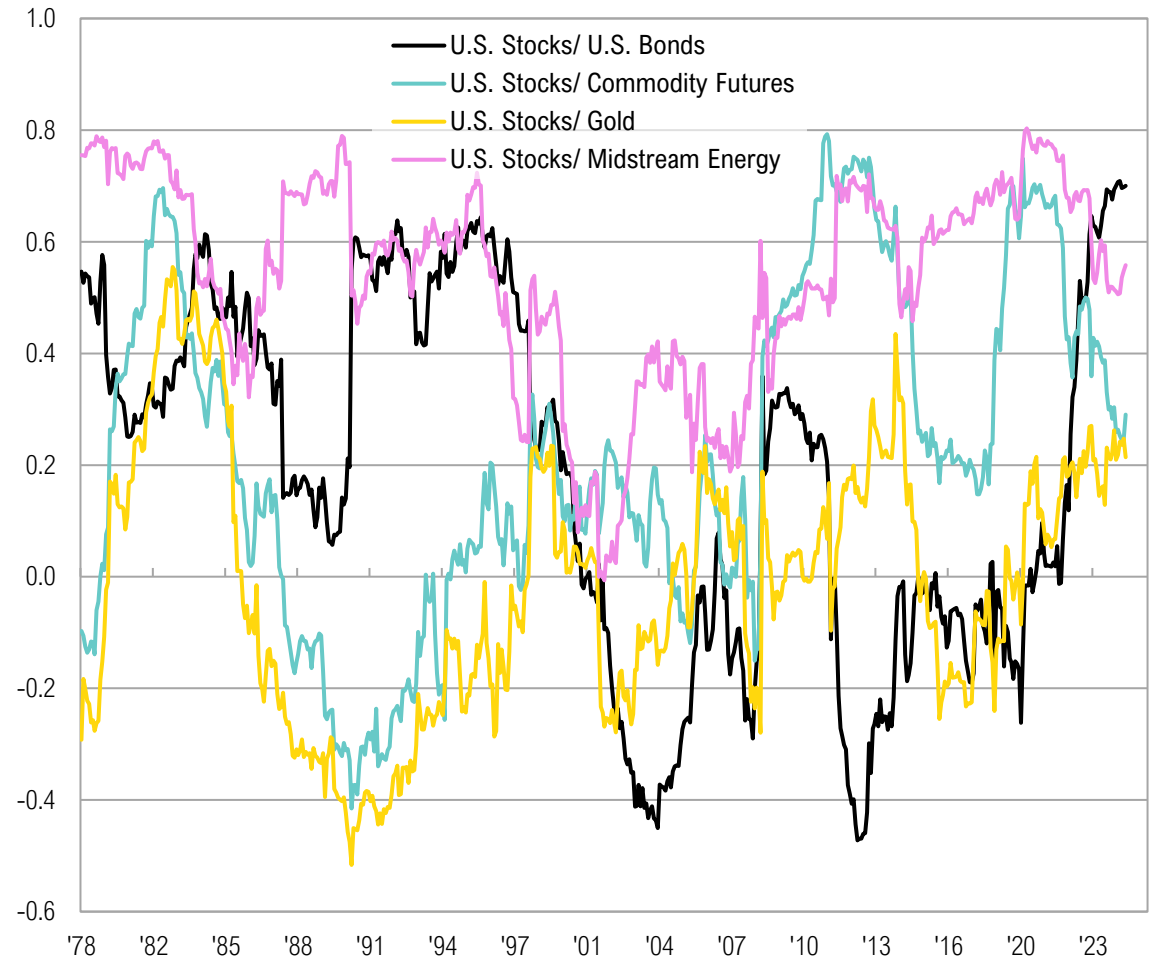
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# ➤ Bonds have recently provided less diversification benefits to stocks than other asset classes

Correlation, Rolling 52-Week



Correlation, Rolling 3-Year



Source: Bloomberg. See appendix for asset class & index definitions. LHS as of 10/11/2024; RHS as of 9/30/2024.

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**Even if not base case, returns during periods of stress (stagflation, bubble unwinds, banking crisis) *contrast so starkly* with the last 15 years that they should be considered**

1970s Stagflation				Tech Bubble					GFC				**	50bps Cut
1972	1973	1974	1975	1999	2000	2001	2002	2003	2007	2008	2009	2010	Average	9/18/24
Gold 48.3%	Gold 73.5%	Gold 67.0%	U.S. Small Cap 52.8%	EM Stocks 57.6%	Midstrm Energy 45.7%	Midstrm Energy 43.7%	Commodities 25.9%	EM Stocks 55.8%	EM Stocks 39.4%	U.S. Interm Bds 5.2%	EM Stocks 78.5%	Midstrm Energy 35.9%	Gold 19.7%	EM Stocks 5.0%
Commodities 37.0%	Commodities 58.4%	Commodities 9.8%	U.S. Large Cap 37.2%	Intl Dev Stocks 27.0%	Commodities 31.8%	U.S. REITs 12.8%	Gold 24.0%	U.S. Small Cap 47.3%	Gold 31.6%	Intl Dev Bonds 4.4%	Midstrm Energy 76.4%	U.S. REITs 28.5%	Midstrm Energy 14.6%	Gold 4.0%
Intl Dev Stocks 30.1%	U.S. REITs 20.2%	Cash 8.0%	Intl Dev Stocks 32.3%	Commodities 24.3%	U.S. REITs 26.8%	U.S. Interm Bds 8.4%	Intl Dev Bonds 22.4%	Midstrm Energy 44.5%	Commodities 16.2%	U.S. Muni Bds 4.2%	U.S. HY Bonds 58.2%	Gold 27.7%	Commodities 13.3%	U.S. Large Cap 3.8%
Midstrm Energy 20.3%	Cash 7.3%	EM Stocks 6.0%	Midstrm Energy 27.1%	U.S. Small Cap 21.3%	U.S. Interm Bds 11.6%	U.S. Muni Bds 5.5%	U.S. Interm Bds 10.3%	Intl Dev Stocks 38.6%	Midstrm Energy 12.7%	Gold 3.4%	Intl Dev Stocks 31.8%	U.S. Small Cap 26.9%	U.S. REITs 8.2%	U.S. Small Cap 3.8%
U.S. Large Cap 19.0%	Intl Dev Bonds 6.9%	U.S. REITs 4.8%	U.S. 60/40 24.7%	U.S. Large Cap 21.0%	U.S. Muni Bds 8.2%	U.S. HY Bonds 5.3%	U.S. Muni Bds 8.7%	U.S. REITs 36.7%	Intl Dev Stocks 11.2%	Cash 1.8%	U.S. REITs 28.6%	EM Stocks 18.9%	EM Stocks 5.9%	Commodities 1.7%
U.S. REITs 17.4%	U.S. HY Bonds 6.8%	U.S. Interm Bds 4.1%	U.S. HY Bonds 16.4%	U.S. 60/40 12.2%	Cash 6.1%	Cash 4.1%	U.S. REITs 3.6%	U.S. HY Bonds 29.0%	Intl Dev Bonds 11.0%	U.S. 60/40 -21.6%	Gold 27.6%	Commodities 16.8%	Intl Dev Bonds 5.9%	U.S. 60/40 1.6%
U.S. 60/40 12.2%	Midstrm Energy 5.8%	Intl Dev Bonds 2.9%	U.S. REITs 14.1%	Cash 4.8%	U.S. 60/40 -1.1%	U.S. Small Cap 2.5%	Cash 1.7%	U.S. Large Cap 28.7%	U.S. Interm Bds 7.0%	U.S. HY Bonds -26.2%	U.S. Small Cap 27.2%	U.S. HY Bonds 15.1%	U.S. Interm Bds 5.6%	U.S. HY Bonds 0.4%
Intl Dev Bonds 9.4%	U.S. Muni Bds 4.8%	U.S. Muni Bds -5.6%	Intl Dev Bonds 8.7%	U.S. HY Bonds 2.4%	EM Stocks -1.6%	Gold 1.4%	U.S. HY Bonds -1.4%	Commodities 24.0%	U.S. 60/40 6.2%	U.S. Small Cap -33.8%	U.S. Large Cap 26.5%	U.S. Large Cap 15.1%	U.S. HY Bonds 5.0%	Cash 0.4%
U.S. Small Cap 4.4%	U.S. Interm Bds 3.3%	U.S. 60/40 -14.6%	Cash 5.9%	Gold 1.2%	U.S. Small Cap -3.0%	EM Stocks -2.6%	Midstrm Energy -3.4%	Gold 21.7%	U.S. Large Cap 5.5%	Commodities -35.6%	Commodities 18.9%	U.S. 60/40 12.2%	U.S. Muni Bds 4.1%	U.S. REITs 0.4%
Cash 4.2%	EM Stocks 3.3%	U.S. HY Bonds -17.2%	U.S. Interm Bds 5.6%	U.S. Muni Bds 0.6%	Intl Dev Bonds -3.9%	U.S. 60/40 -3.3%	EM Stocks -6.2%	Intl Dev Bonds 19.4%	U.S. Muni Bds 4.8%	Midstrm Energy -36.9%	U.S. 60/40 18.5%	Intl Dev Stocks 7.8%	Cash 3.8%	U.S. Muni Bds -0.1%
U.S. HY Bonds 3.5%	U.S. 60/40 -7.7%	U.S. Small Cap -19.9%	U.S. Muni Bds 4.6%	U.S. Interm Bds -0.8%	U.S. HY Bonds -5.9%	Intl Dev Bonds -3.7%	U.S. 60/40 -9.5%	U.S. 60/40 18.6%	Cash 4.8%	U.S. Large Cap -37.0%	Intl Dev Bonds 7.5%	U.S. Interm Bds 6.6%	U.S. 60/40 2.7%	Midstrm Energy -0.4%
U.S. Muni Bds 3.2%	Intl Dev Stocks -10.7%	Midstrm Energy -20.8%	Commodities -0.8%	U.S. REITs -4.6%	Gold -6.3%	U.S. Large Cap -11.9%	Intl Dev Stocks -15.9%	U.S. Muni Bds 4.4%	U.S. HY Bonds 1.9%	U.S. REITs -38.0%	U.S. Muni Bds 7.2%	Intl Dev Bonds 4.9%	U.S. Small Cap 2.1%	Intl Dev Stocks -0.5%
U.S. Interm Bds 2.4%	U.S. Large Cap -14.7%	Intl Dev Stocks -25.4%	EM Stocks -12.9%	Midstrm Energy -7.8%	U.S. Large Cap -9.1%	Commodities -19.5%	U.S. Small Cap -20.5%	U.S. Interm Bds 4.1%	U.S. Small Cap -1.6%	Intl Dev Stocks -43.4%	U.S. Interm Bds 5.9%	U.S. Muni Bds 3.1%	Intl Dev Stocks 0.2%	U.S. Interm Bds -1.6%
EM Stocks -27.2%	U.S. Small Cap -30.9%	U.S. Large Cap -26.5%	Gold -25.2%	Intl Dev Bonds -8.8%	Intl Dev Stocks -14.2%	Intl Dev Stocks -21.4%	U.S. Large Cap -22.1%	Cash 1.0%	U.S. REITs -16.8%	EM Stocks -53.3%	Cash 0.1%	Cash 0.1%	U.S. Large Cap -0.3%	Intl Dev Bonds -2.5%

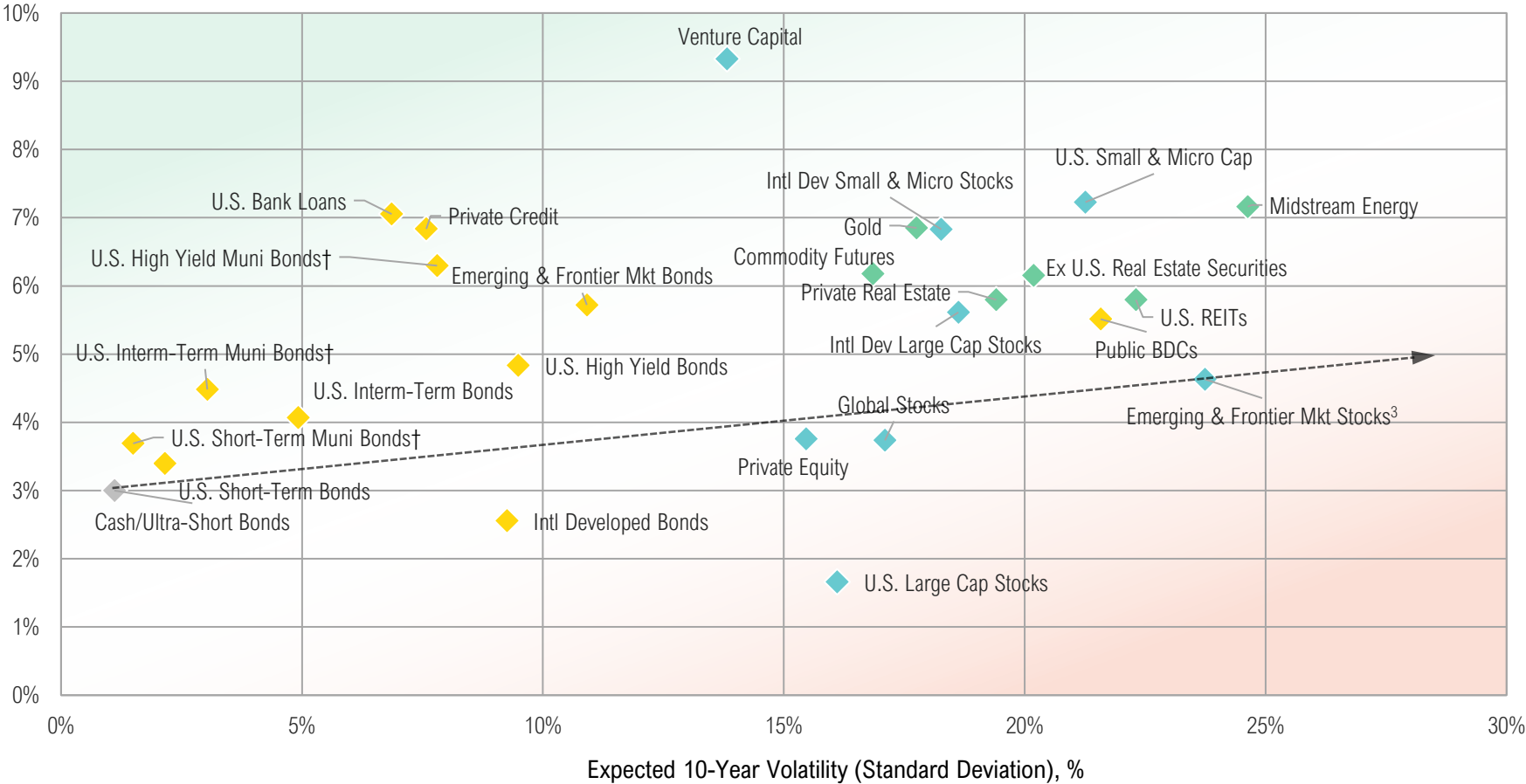
■ U.S. 60/40  
 ■ U.S. Large Cap  
 ■ U.S. Small Cap  
 ■ Intl Dev Stocks  
 ■ Emerging Stocks  
 ■ U.S. Municipal Bonds  
 ■ U.S. Int-Term Bonds  
 ■ U.S. High Yield Bds  
 ■ Intl Dev Bonds  
 ■ U.S. REITs  
 ■ Commodities  
 ■ Gold  
 ■ Midstream Energy  
 ■ Cash

Source: Bloomberg, SpringTide. See disclosures for asset class, index and portfolio definitions. Returns are gross of fees. It is not possible to invest directly in an index. \*\*Geometric average calculated on the years included to the left. Returns for periods longer than 1 year are annualized. 50bps cut returns as of 10/16/2024.

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# Expected returns for large cap stocks continue to decline, while small cap stocks look more attractive due to better fundamentals

Expected 10-Year Gross Total Return, %



<sup>3</sup> Estimated returns include impact of currency adjustment  
† Reported on a taxable-equivalent basis assuming 35% marginal tax rate.

Source: Bloomberg, CA, Pitchbook, Morningstar, NAREIT, SpringTide calculations. Returns are gross of fees unless stated otherwise.

Asset Class	Expected Returns (%)	Expected Volatility (%)
Venture Capital	9.3	13.8
U.S. Small & Micro Cap	7.2	21.3
Closed-End Funds	7.2	13.0
Midstream Energy	7.2	24.6
U.S. Bank Loans	7.1	6.9
Insurance-Linked Securities	6.9	4.3
Gold	6.9	17.8
Private Credit	6.8	7.6
Intl Dev Small & Micro Stocks	6.8	18.3
Relative Value	6.6	4.7
Digital Assets	6.5	20.5
U.S. High Yield Muni Bonds	6.3	7.8
Commodity Futures	6.2	16.8
Ex U.S. Real Estate Securities	6.2	20.2
Private Real Estate	5.8	19.4
U.S. REITs	5.8	22.3
Emerging & Frontier Mkt Bonds	5.7	10.9
Intl Dev Large Cap Stocks	5.6	18.6
Public BDCs	5.5	21.6
Global Macro	5.5	6.4
Long-Short Equity	5.0	7.9
U.S. High Yield Bonds	4.8	9.5
Emerging & Frontier Mkt Stocks	4.6	23.7
U.S. Inter-Term Muni Bonds	4.5	3.0
U.S. Inter-Term Bonds	4.1	4.9
Private Equity	3.8	15.5
Global Stocks	3.7	17.1
U.S. Short-Term Muni Bonds	3.7	1.5
U.S. Short-Term Bonds	3.4	2.2
Cash/Ultra-Short Bonds	3.0	1.1
Intl Developed Bonds	2.6	9.3
U.S. Large Cap Stocks	1.7	16.1

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## Appendix: Asset Class Definitions

Asset Class	Benchmark	Index	Start Date	End Date	Data Source
U.S. Large Cap Stocks	S&P 500 Index	S&P 500 TR Index	01/31/1970	n/a	Bloomberg, Ibbotson Associates, NYU/Stern
		IA SBBI US Large Stock TR Index	01/31/1926	12/31/1969	
		NYU/Stern S&P 500 TR	01/31/1920	12/31/1925	
U.S. Small & Micro Cap	Russell 2000 TR Index	Russell 2000 TR Index	01/31/1979	n/a	Bloomberg, Ibbotson Associates, SpringTide
		IA SBBI US Small Stock TR Index	01/31/1926	12/31/1978	
		SpringTide U.S. Small & Micro Cap Premium-Based Extension	01/31/1920	12/31/1925	
Intl Dev Stocks	MSCI EAFE NR Index	MSCI EAFE NR Index	01/31/1970	n/a	MSCI, NYU/Stern
		NYU/Stern Developed World Indices	01/31/1920	12/31/1969	
EM & Frontier Stocks	MSCI Emerging Markets NR Index	MSCI Emerging Markets NR Index	01/31/2001	n/a	MSCI, NYU/Stern
		NYU/Stern Emerging World Index (Price)	01/31/1920	12/31/2000	
Global Stocks	MSCI ACWI NR Index	MSCI ACWI NR Index	01/31/2001	n/a	MSCI, NYU/Stern
		NYU/Stern All World Index (Price)	01/31/1920	12/31/2000	
Venture Capital	Cambridge Venture Capital	Cambridge Venture Capital	01/01/1981	n/a	Cambridge, SpringTide
		SpringTide Venture Capital Premium-Based Extension	01/31/1920	12/31/1980	
U.S. Muni Bonds	Bloomberg Municipal 1-10Y Blend 1-12Y TR Index	Bloomberg Municipal 1-10Y Blend 1-12Y TR Index	07/31/1993	n/a	Bloomberg
		USA Municipal AAA Bonds Total Return Index (TRUSAMUM)	01/31/1920	06/30/1993	
U.S. Long-Term Bonds	Bloomberg US Long Gov/Corp TR Index	Bloomberg US Long Gov/Corp TR Index	02/28/1999	n/a	Bloomberg, NYU/Stern
		NYU/Stern US 30Yr Government Bond TR Index	01/31/1920	01/31/1999	
U.S. Interm-Term Bonds	Bloomberg US Aggregate Bond TR Index	Bloomberg US Aggregate Bond TR Index	01/31/1976	n/a	Bloomberg, NYU/Stern
		NYU/Stern US Total Return AAA Corporate Bond Index	01/31/1920	12/31/1975	
U.S. High Yield Bonds	Bloomberg US Corporate High Yield TR Index	Bloomberg US Corporate High Yield TR Index	07/31/1983	n/a	Bloomberg, Ibbotson Associates, SpringTide
		IA Bloomberg US HY Corporate Bonds	02/28/1926	06/30/1983	
		SpringTide U.S. High Yield Bonds Premium-Based Extension	01/31/1920	01/31/1926	
Intl Dev Bonds	Bloomberg Global Aggregate ex-USD TR Index	Bloomberg Global Aggregate ex-USD TR Index	01/31/1990	n/a	Bloomberg, NYU/Stern
		NYU/Stern All World ex-USA Government Bond Index	01/31/1920	12/31/1989	
U.S. REITs	MSCI US REIT GR Index	MSCI US REIT GR Index	01/01/1995	n/a	Bloomberg, Winans
		Winans US Real Estate Index (WIREI)	01/01/1920	12/31/1994	
Commodity Futures	Bloomberg Commodity TR Index	Bloomberg Commodity TR Index	01/31/1991	n/a	Bloomberg
		Thompson Jefferies CRB Core Commodity Total Return Index	01/31/1920	12/31/1990	
Midstream Energy	Alerian MLP TR Index	Alerian MLP TR Index	01/31/1996	n/a	Alerian, Bloomberg
		S&P 500 Energy Index	01/31/1946	12/31/1995	
		ExxonMobil Corp (XOM)	01/31/1920	12/31/1945	
Gold	LBMA Gold Price	LBMA Gold Price	02/29/1968	n/a	LBMA, Bloomberg
		New York Spot Bullion	01/31/1920	01/31/1968	
Cash/Ultra-Short Bonds	Bloomberg US T-Bill 1-3 Month TR Index	Bloomberg US T-Bill 1-3 Month TR Index	12/31/1991	n/a	Bloomberg, NYU/Stern
		NYU/Stern USA Total Return T-Bill Index	01/31/1920	11/30/1991	

### Asset Class Benchmarks

Asset class performance was measured using the following benchmarks:

**U.S. Large Cap Stocks:** S&P 500 TR Index

**U.S. Small & Micro Cap Stocks:** Russell 2000 TR Index

**Intl Dev Large Cap Stocks:** MSCI EAFE GR Index

**Intl Dev Small & Micro Stocks:** MSCI EAFE GR Index

**Emerging & Frontier Market Stocks:** MSCI Emerging Markets GR Index

**Global Stocks:** MSCI ACWI GR Index

**Private Equity:** Cambridge Associates U.S. Private Equity

**Venture Capital:** Cambridge Associates U.S. Venture Capital

**U.S. Interm-Term Muni Bonds:** Bloomberg Barclays 1-10 (1-12 Yr) Muni Bond TR Index

**U.S. High Yield Muni Bonds:** Bloomberg Barclays High Yield Muni TR Index

**U.S. Interm-Term Bonds:** Bloomberg Barclays U.S. Aggregate Bond TR Index

**U.S. High Yield Bonds:** Bloomberg Barclays U.S. Corporate High Yield TR Index

**U.S. Bank Loans:** S&P/LSTA U.S. Leveraged Loan Index

**Intl Developed Bonds:** Bloomberg Barclays Global Aggregate ex-U.S. Index

**Emerging & Frontier Market Bonds:** JPMorgan EMBI Global Diversified TR Index

**Public BDCs:** S&P BDC Index

**U.S. REITs:** MSCI U.S. REIT GR Index

**Ex U.S. Real Estate Securities:** S&P Global Ex-U.S. Property TR Index

**Private Real Estate:** Cambridge Associates Real Estate

**Commodity Futures:** Bloomberg Commodity TR Index

**Midstream Energy:** Alerian MLP TR Index

**Gold:** LBMA Gold Price

**Long-Short Equity:** HFRI Equity Hedge Index

**Global Macro:** HFRI Macro-CTA Index

**Relative Value:** HFRI Relative Value Index

**Closed-End Funds:** S-Network Composite Closed-End TR Index

**Insurance-Linked Securities:** SwissRe Global Cat Bond TR Index

**Digital Assets:** MVIS CryptoCompare Digital Assets 25 Index

**Cash & Cash Equivalents:** Bloomberg Barclays U.S. T-Bill 1-3 Month TR Index

**U.S. Short-Term Muni Bonds:** Bloomberg Barclays Municipal 1-3 Yr TR Index

**U.S. Short-Term Bonds:** Bloomberg Barclays U.S. Agg 1-3 Yr TR Index

**U.S. 60/40:** 60% S&P 500 TR Index 40% Bloomberg Barclays U.S. Aggregate Bond TR Index

**Global 60/40:** 60% MSCI ACWI GR Index 40% Bloomberg Barclays Global Aggregate Bond TR Index

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