

Macro Pulse

Our economy, market, and U.S. election outlook

June 2024



INVESTMENTS

Slide 1

GLEO Note to GIF team - yall can totally use the normal divider if you want.
Goodwin, Lauren E., 2024-05-21T22:29:37.177

Global Market Strategy

At New York Life Investments

Our team of market strategists connects macroeconomics to asset allocation. Leveraging proprietary research alongside the breadth and depth of the New York Life Investments platform, we provide actionable insight into market-driving events, structural themes, and portfolio construction to empower investment decision-making.



Lauren Goodwin, CFA
Chief Market Strategist



Julia Hermann, CFA
Global Market Strategist



Michael LoGalbo, CFA
Global Market Strategist

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The U.S. economic cycle: walking the tightrope

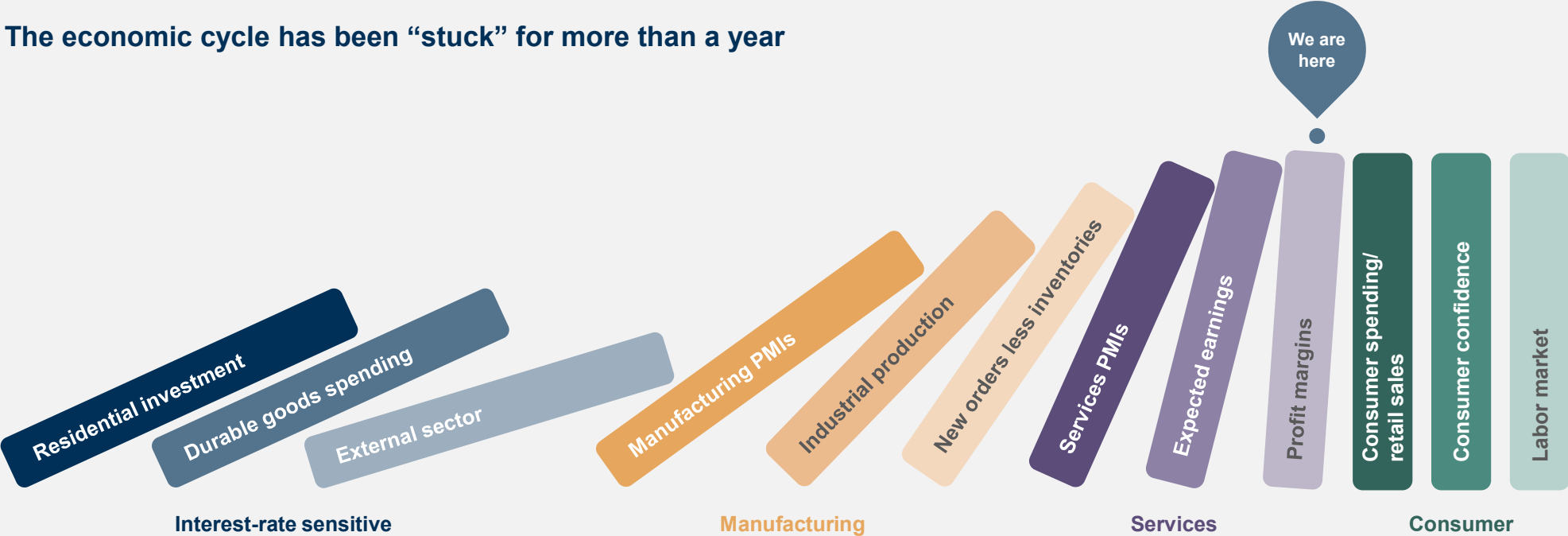
Global factors impacting the macro landscape

Our high conviction investment ideas

The 2024 U.S. presidential election: implications for investors

Our framework: the economic dominoes

The economic cycle has been “stuck” for more than a year



Sources: New York Life Investments Global Market Strategy, April 2024. For illustrative purposes only.

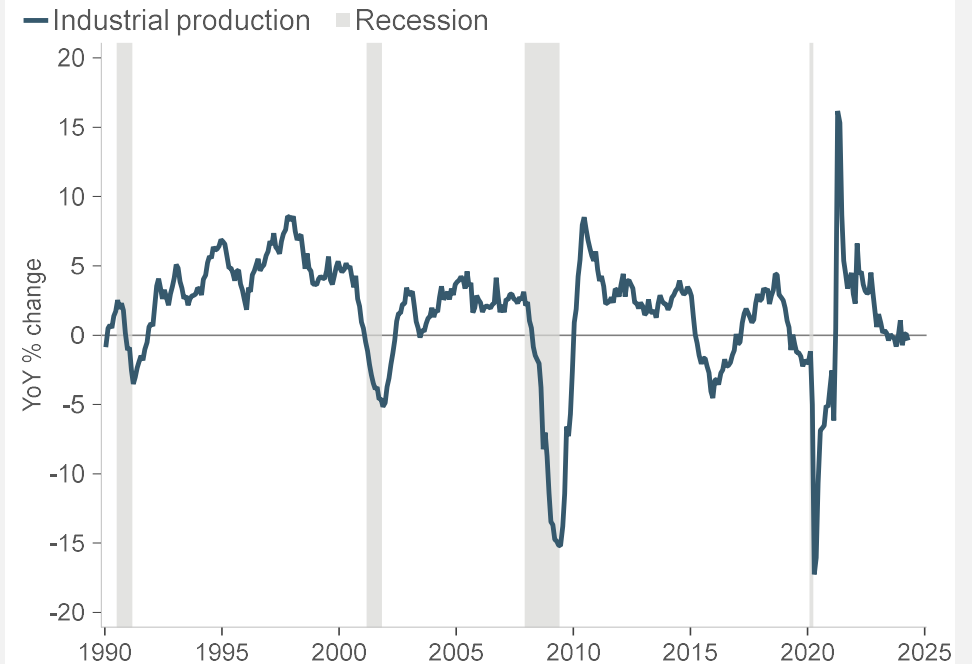
Tracking the dominoes (1/2)

The housing market nearly ground to a halt



Sources: New York Life Investments Global Market Strategy, National Association of Homebuilders, Macrobond, May 2024.

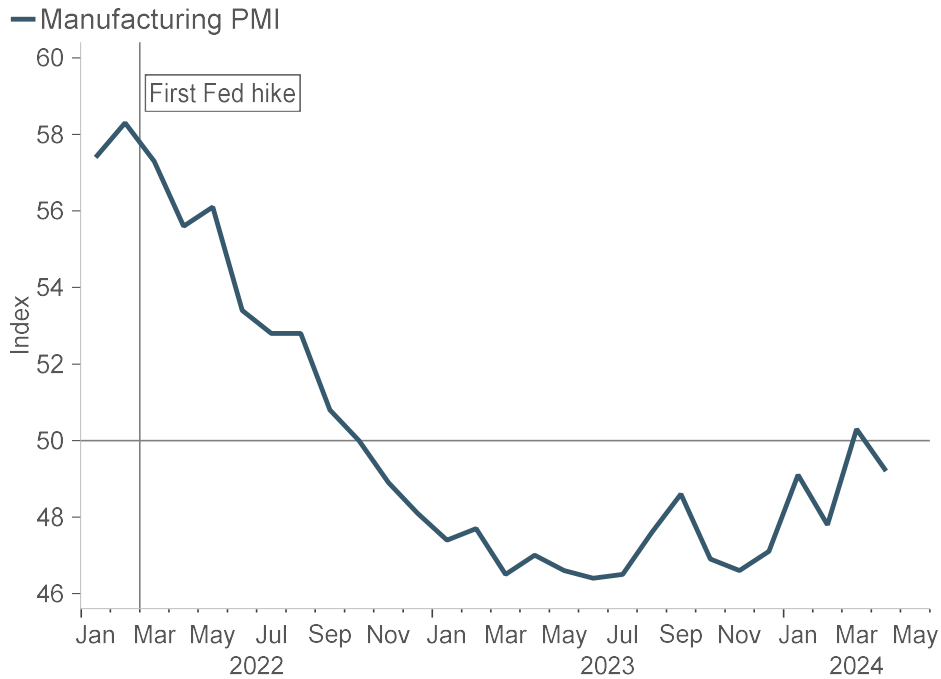
The industrial production domino has also fallen



Sources: New York Life Investments Global Market Strategy, Federal Reserve, NBER (National Bureau of Economic Research), Macrobond, May 2024.

Tracking the dominoes (2/2)

Manufacturing shows early signs of life



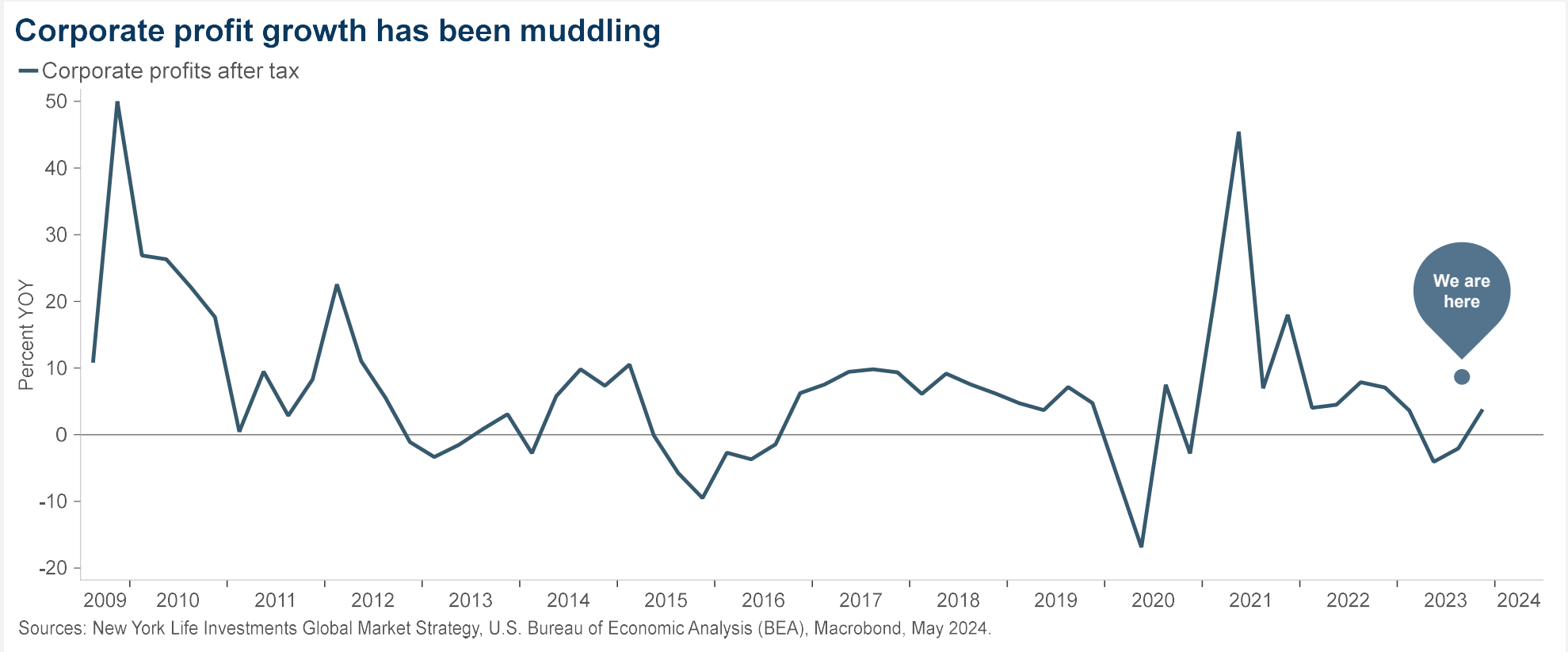
Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics, Macrobond, May 2024.

Services sentiment is still trending lower



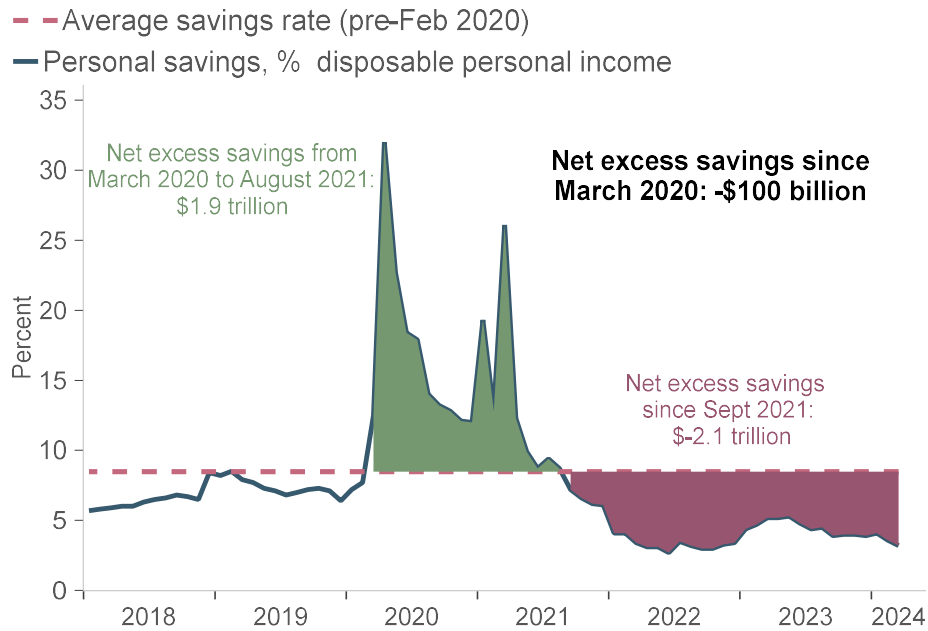
Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics, Macrobond, May 2024.

Stuck on the corporate profits “domino”



Walking the tightrope: consumers

Excess savings have been an important support; they're now exhausted



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Economic Analysis (BEA), Macrobond, May 2024.

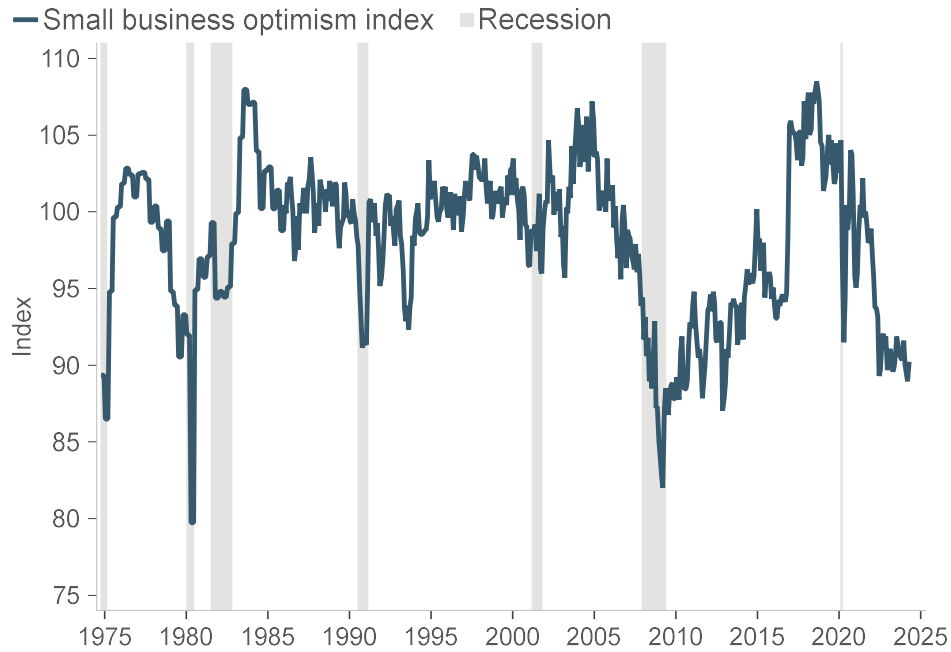
Fixed rate debt (mortgages) means household interest costs have risen less quickly



Sources: New York Life Investments Global Market Strategy, Federal Reserve, NBER (National Bureau of Economic Research), Macrobond, May 2024.

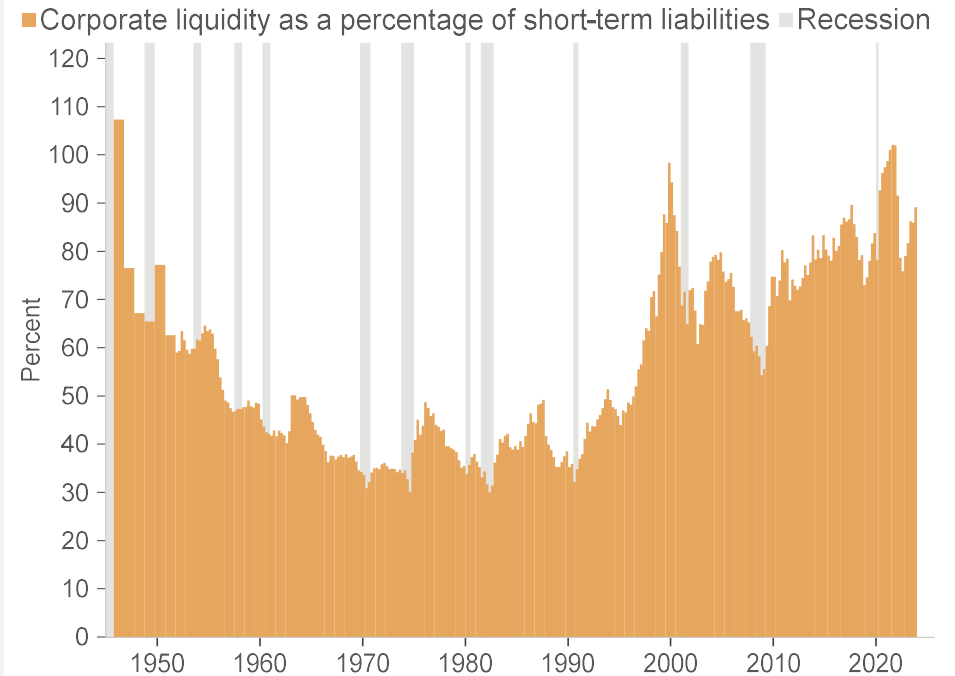
Walking the tightrope: businesses

Small business optimism has not recovered



Sources: New York Life Investments Global Market Strategy, National Federation of Independent Business, NBER (National Bureau of Economic Research), Macrobond, May 2024.

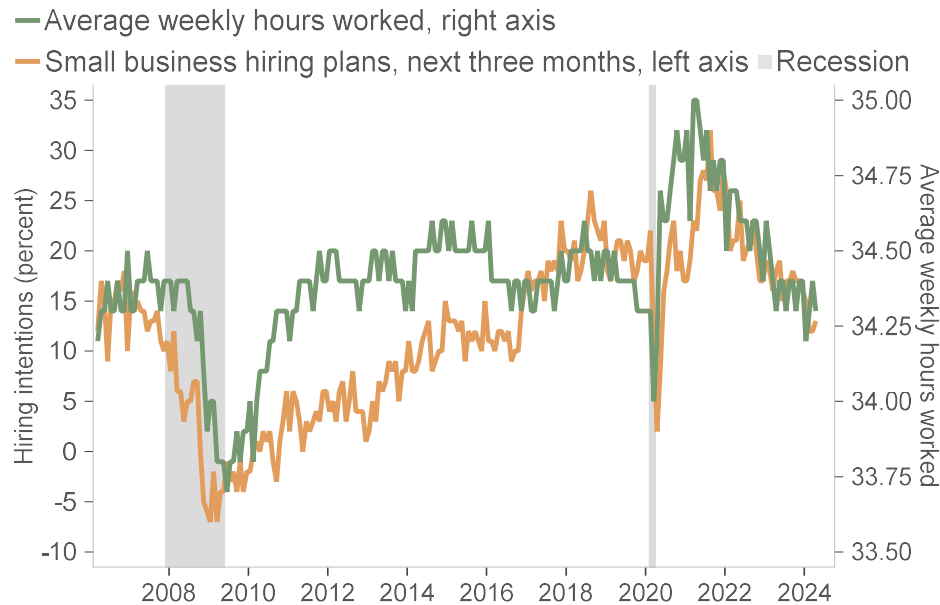
Strong liquidity supports earnings resilience



Sources: New York Life Investments Global Market Strategy, Federal Reserve, NBER (National Bureau of Economic Research), Macrobond, May 2024.

Walking the tightrope: labor market

Leading indicators of employment are deteriorating



Sources: New York Life Investments Global Market Strategy, National Federation of Independent Business, U.S. Bureau of Labor Statistics (BLS), NBER (National Bureau of Economic Research), Macrobond, May 2024.

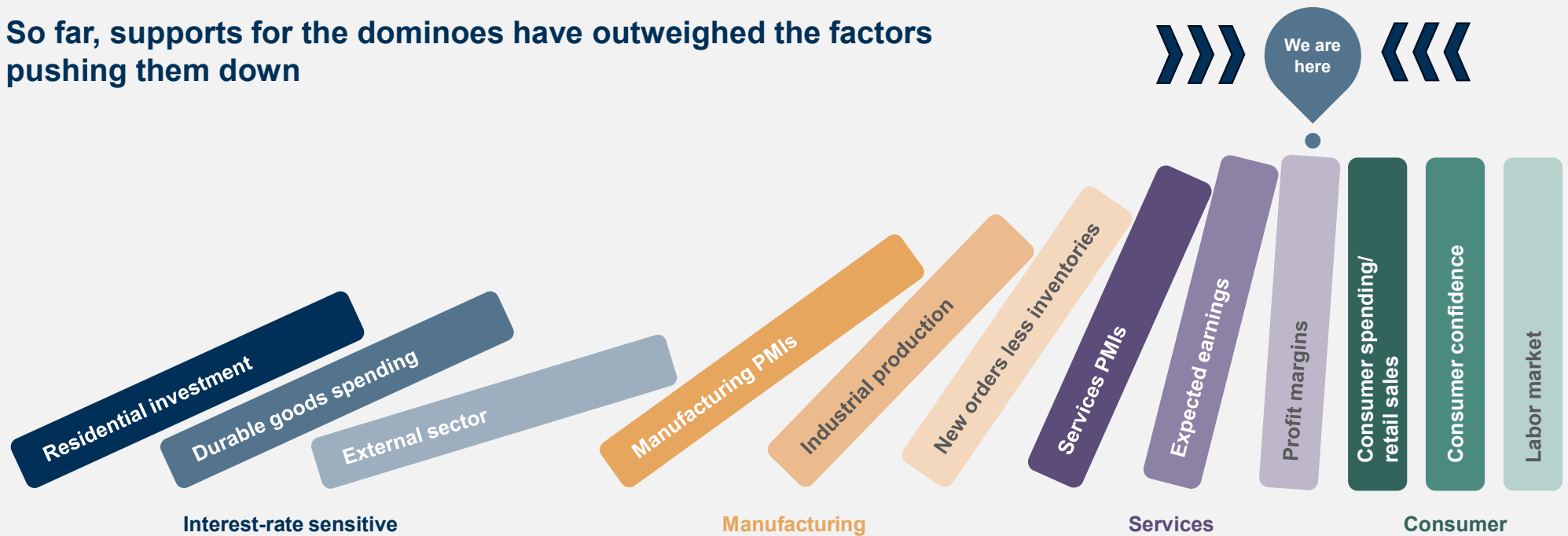
Wage growth remains above trend and consistently beating expectations



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics (BLS), Bloomberg, Macrobond, May 2024.

Why are we still here?

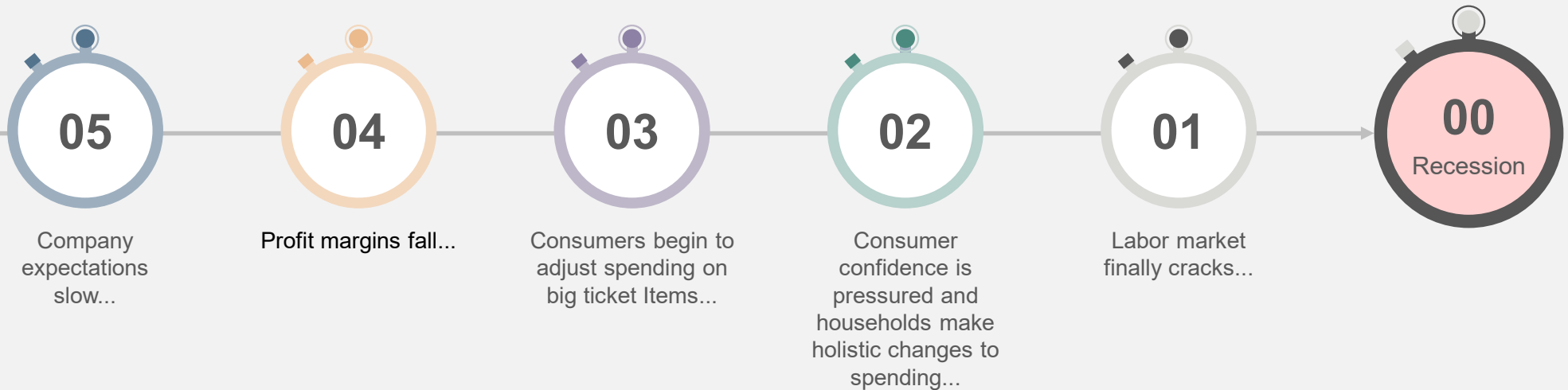
So far, supports for the dominoes have outweighed the factors pushing them down



Sources: New York Life Investments Multi-Asset Solutions, April 2024. For illustrative purposes only.

What's next?

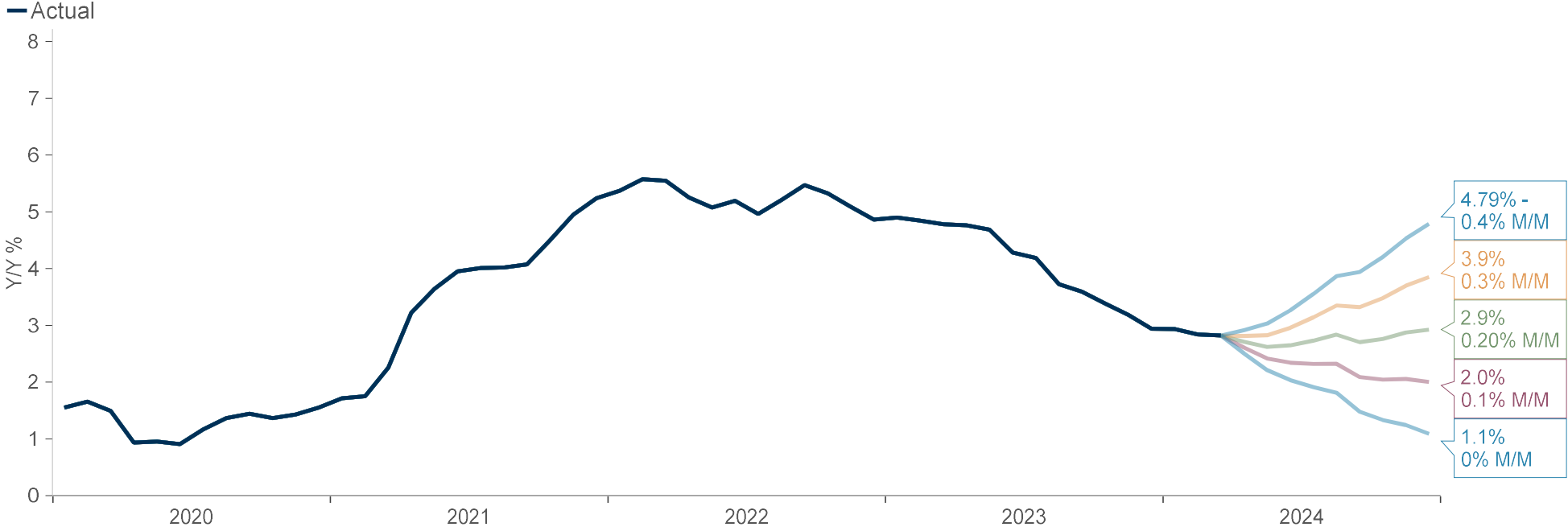
How would we know we're in the final countdown to recession?



Key risk: overheating

Core PCE scenarios

Year-end core PCE evolution based on M/M scenarios



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), Macrobond, May 2024.

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Global economic growth is de-synchronized



Sources: New York Life Investments Global Market Strategy, April 2024. For illustrative purposes only. "EM" is short for emerging markets. *The trough of an economic cycle is the lowest point in economic growth for a country during an economic cycle- A trough does not necessarily mean that there is a recession, but rather depends on the economic cycle.

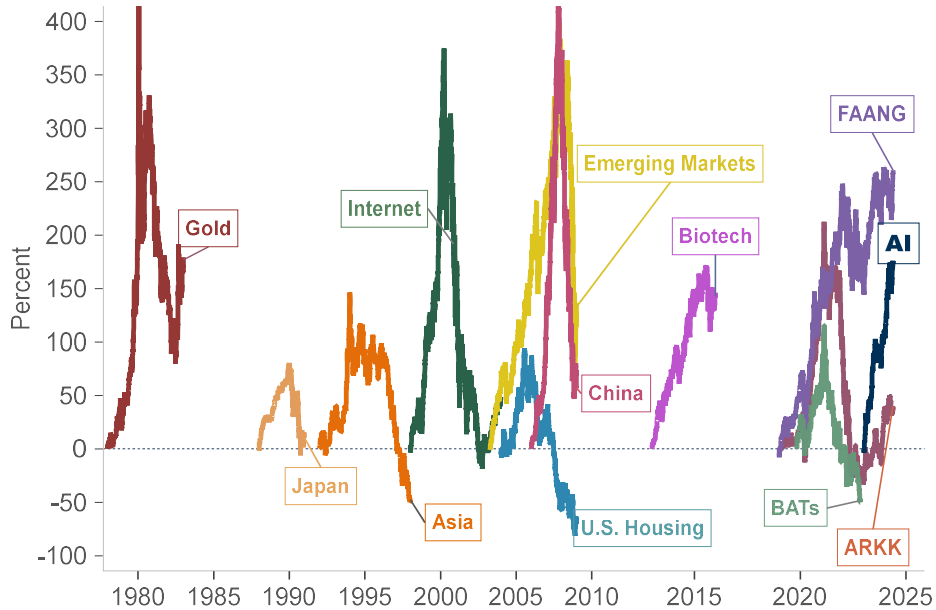
Cycle Trough
(not necessarily a recession, depending on economic cycle)

Re-globalization points to higher investment

Theme	National investment goal	Additional results
 Technology	Self-sufficiency	<ul style="list-style-type: none"> • Massive capex and infra spend • Redundant capacity • Inflation
 Energy	Energy independence	<ul style="list-style-type: none"> • Green and brown energy uptick • Shifting energy supply chains • Inflation for some countries
 Finance	Diversification from the U.S. dollar	<ul style="list-style-type: none"> • Shifts in select trade relationships • Greater pricing uncertainty

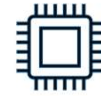
Technological advancement also points to investment

AI may be a bubble, but we don't expect an imminent burst



Sources: New York Life Investments Global Market Strategy, LBMA (London Bullion Market Association), Nikkei Inc., Thai Stock Exchange, Nasdaq, S&P Global, Shanghai Stock Exchange, Macrobond Financial AB, Macrobond, May 2024.

Layers of AI investment



Physical

- Data centers
- Power capacity
- Digital infra
- Semiconductors
- Materials
- Construction



Foundational





- Model training
- Model testing
- Cloud infra
- Software
- Licensing
- Monetization



Application

- Labor re-skilling
- Labor up-skilling
- Training
- Capex, R&D
- Data wrangling

The U.S. dollar remains chief of all reserve currencies

REQUIREMENTS FOR A GLOBAL RESERVE CURRENCY				
REQUIREMENT	 U.S. DOLLAR	 EUROPEAN EURO	 JAPANESE YEN	 CHINESE RENMINBI
Trust in the central bank <i>Foreign holding of government debt</i>	59%	20%	6%	2%
Liquidity <i>Foreign holding of government debt</i>	35%	38%	30%	9%
Broad acceptance <i>Share of foreign currency debt issuance</i>	64%	24%	3%	1%
Convertibility <i>FX transaction volume</i>	45%	16%	9%	4%
Open capital account <i>Capital controls</i>	None (Open)	None (Open)	Some (Restrictions)	Tight (Closed)
Floating exchange rate regime <i>Exchange rate regime</i>	Floating	Floating	Managed (Yield curve control)	Managed (against a basket of currencies... including the U.S. dollar!)

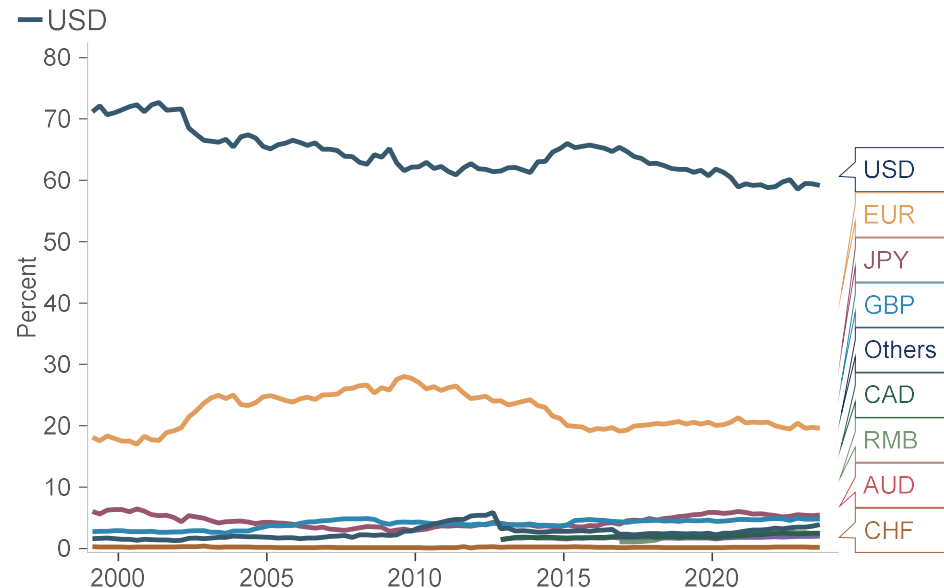
Sources: New York Life Investments Global Market Strategy, Federal Reserve, Bank for International Settlements, Bloomberg Finance LP. FX refers to foreign exchange. The Chinese currency can be referred to interchangeably as the renminbi or the yuan.

Historically, it's innovation with unseats a global currency

The USD still dominates global finance

Share of global currency reserves

—Others —CHF —CAD —AUD —GBP —JPY —RMB —EUR

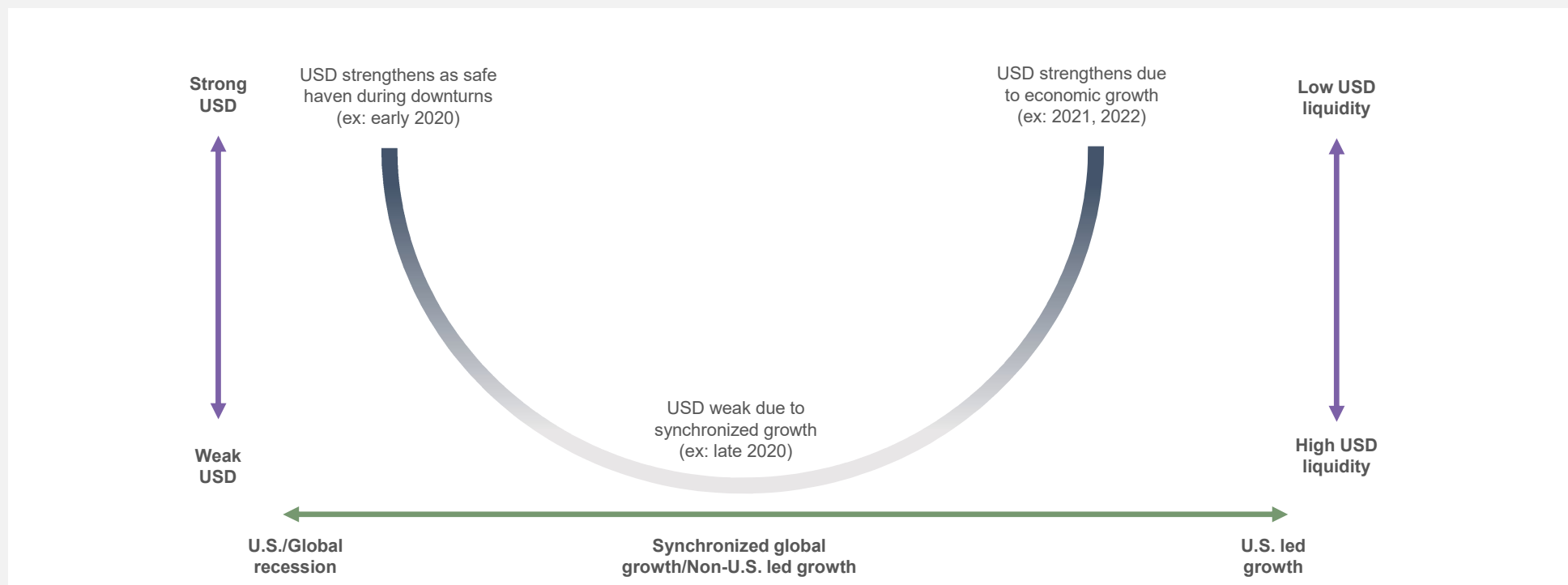


Sources: New York Life Investments Global Market Strategy, , Macrobond, May 2024.

DOMINANT CURRENCY	MAINSTREAM VIEW FOR DOMINANCE	INNOVATION CATALYST
Venetian ducat (12th century–16th century)	The Fourth Crusade and other medieval military conflicts	Gold standard, minting and navigation technology
Spanish dollar (16th century–1800)	Spanish Armada's defeat of the English navy in 1588	Mining and transportation technology
British pound (1815–1920)	The Seven Years' War and the Napoleonic Wars	Steamship industry expansion
U.S. dollar (1920–?)	WWI, WWII	Fiat currency; early adoption of telegraph, federal reserve system, development of aviation industry

U.S. dollar is likely to remain strong, in our view

The “dollar smile” framework



Opinions of New York Life Investments Global Market Strategy, April 2024. For illustrative purposes only

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What we see...

The Fed and other central banks have signaled cuts ahead

Take advantage of higher rates

U.S. credit markets have maintained strong underlying fundamentals

Consider a multi-pronged approach to credit

Higher rates have pushed private markets fundraising upstream

There may be a middle market opportunity

Economic activity remains uncertain; global growth is de-synchronized

Diversification across geographies and asset types is key

Global themes point to higher inflation and rates volatility ahead

Real assets, infrastructure, neutral duration

The AI boom is here to stay, but its future state is not yet determined

Broaden exposure with the physical and application layers

... and there's an election coming!

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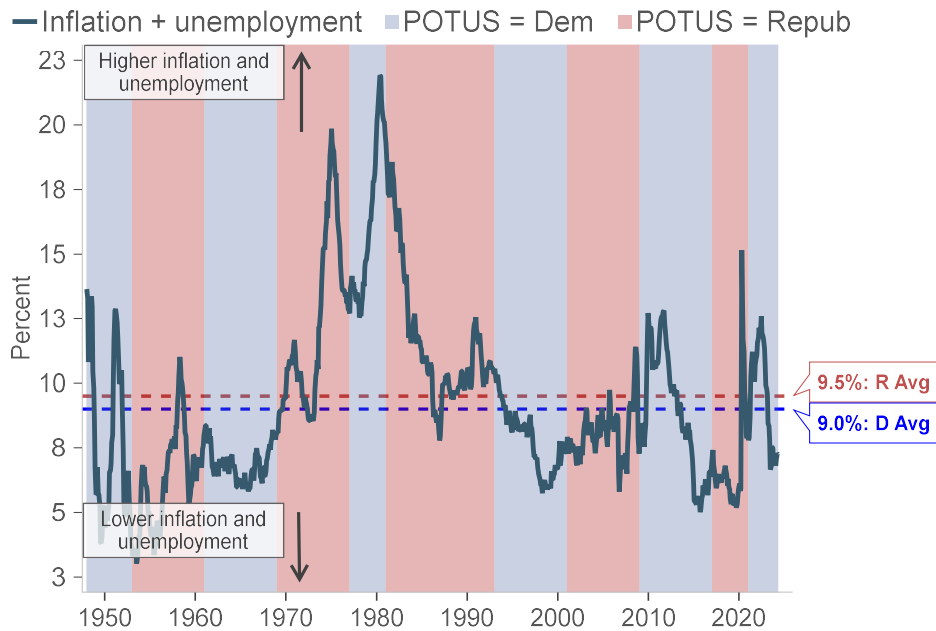
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Elections do not drive the U.S. consumer or corporations

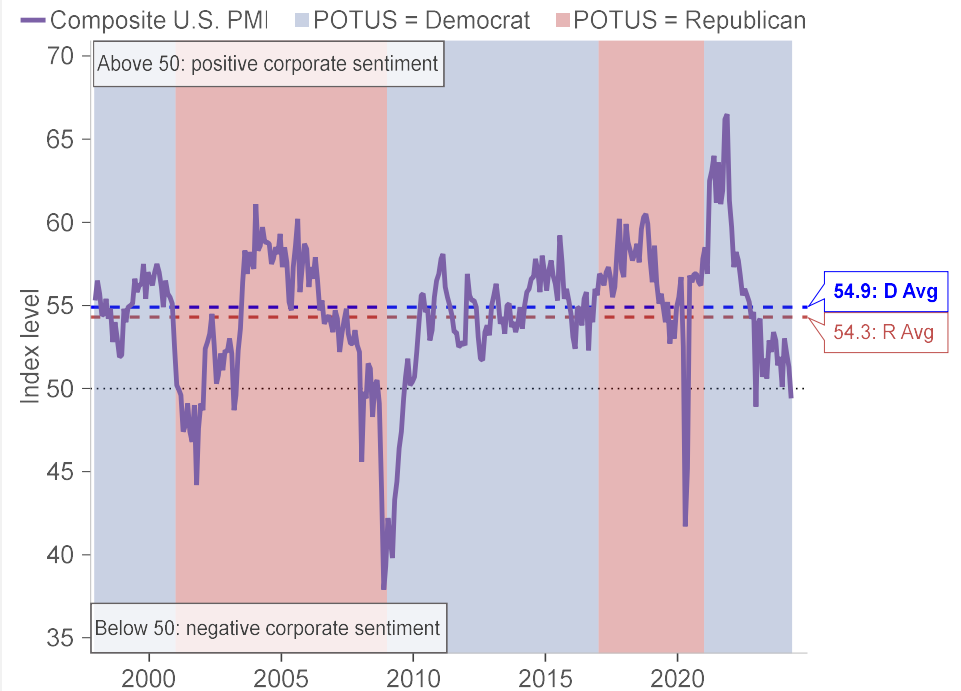
Political leadership does not drive consumer outcomes...



Sources: New York Life Investments Global Market Strategy, U.S. Bureau of Labor Statistics (BLS), Macrobond Financial AB, Macrobond, May 2024.

...nor do politics drive corporate activity

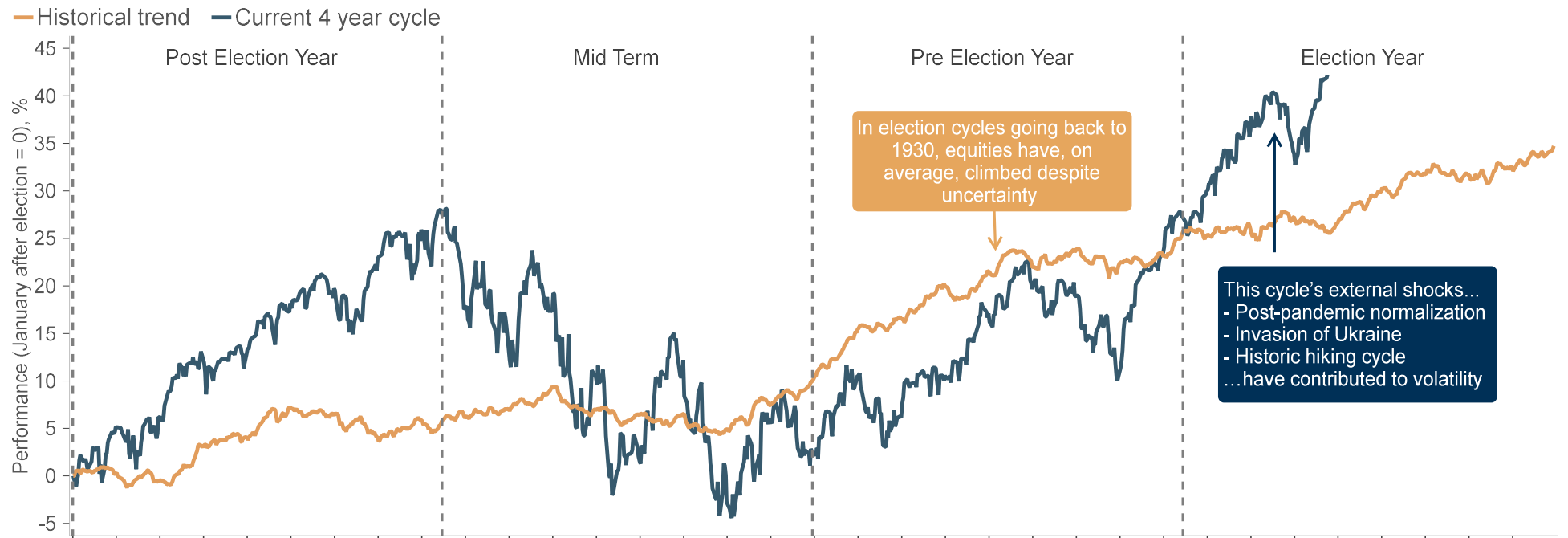
Composite U.S. Purchasing managers' index (PMI)



Sources: New York Life Investments Global Market Strategy, Macrobond Financial AB, Macrobond, May 2024.

U.S. equities have been unfazed by election cycles

Volatility of the current election cycle reflects historic shocks



Sources: New York Life Investments Global Market Strategy, S&P Global, Macrobond, May 2024. The S&P 500 Index measures the performance of large-cap U.S.-listed stocks. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

The political-economic relationship is looser than many investors realize – *Why?*

Elected officials only have so much under their control.

ELECTED OFFICIALS CONTROL THE FISCAL...



Elected officials only control fiscal policy – where a nation spends and saves – which is often a result of bipartisan compromise and usually comes with a multi-year lag, smoothing its effects.

...NOT THE MONETARY...



Monetary policy is intentionally apolitical; all Fed chairs since 1979 have served under presidents of both parties. The Fed's funding also comes from its own investments rather than the federal budget.

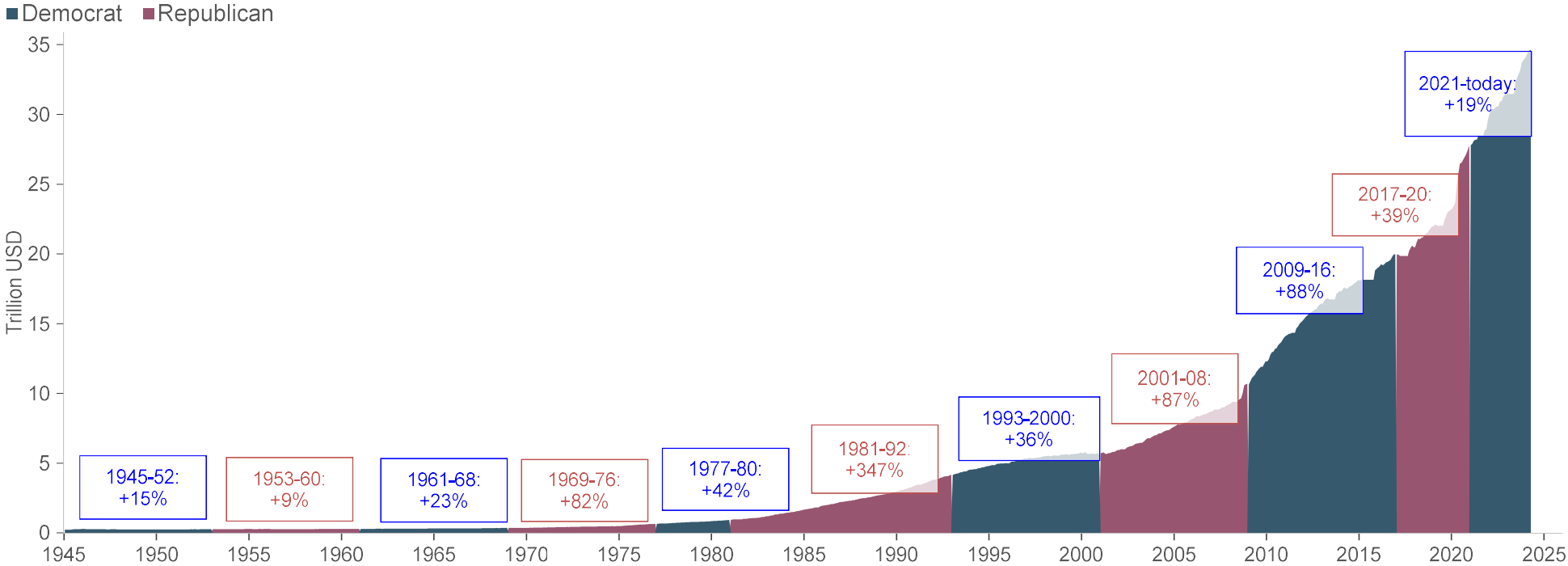
...OR THE ECONOMIC CYCLE.



The economic cycle is independent by nature. Fiscal and monetary policies can create a system of incentives, but these can only encourage, not enforce, certain behaviors for consumers and corporations.

We do not expect a fiscal fix from the 2024 election

Both parties have contributed in similar amounts to the federal debt



Sources: New York Life Investments Global Market Strategy, Macrobond Financial AB, Federal Reserve Bank of Dallas, Macrobond, May 2024.

Emerging policy debates likely to impact the market

Spending priorities

- Deficits likely under both candidates
- Sector impacts

Emerging policy debates likely to impact the market

Spending priorities

Global competition

- Inflationary policies
- Approach to national security

Emerging policy debates likely to impact the market

Spending priorities

Global competition

Immigration

- Labor market in an inflationary period
- Foreign student visas and education

The background is a solid teal color. A white, wavy, ribbon-like graphic starts from the left edge, curves downwards and then upwards, creating a sense of depth and movement. The word "Questions?" is written in a white, serif font, positioned to the right of the start of the wavy line.

Questions?

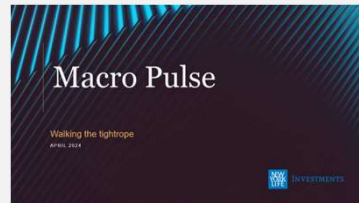
Global Market Strategy insights

Macro Pulse: Economic & market commentary

Weekly market update



Economic and market outlooks (& quarterly webinars)

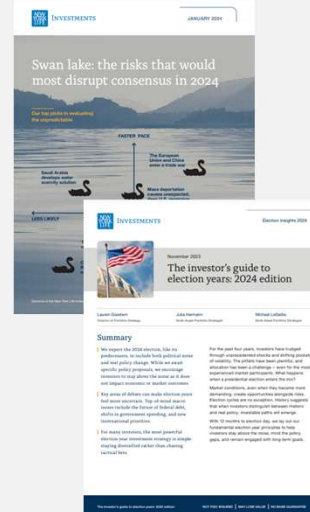


Weekly podcast & bi-weekly video series

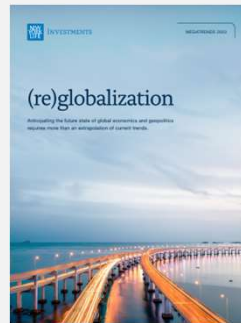


Thought leadership

Politics and geopolitics

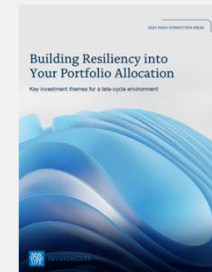


Megatrends

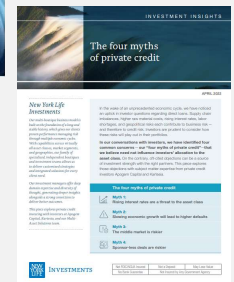


Asset allocation

High-conviction ideas



Asset class insights



newyorklifeinvestments.com/global-markets

GLEO FOR SMRU:

Podcast:

Weekly Update: 6510591

MP: 6501924

Cycle Showdown: 5761582

Reglobalization:5665041

Swan Lake: 6173918

Election: 6058430

High Conviction: 6417226

Private Markets:1935490

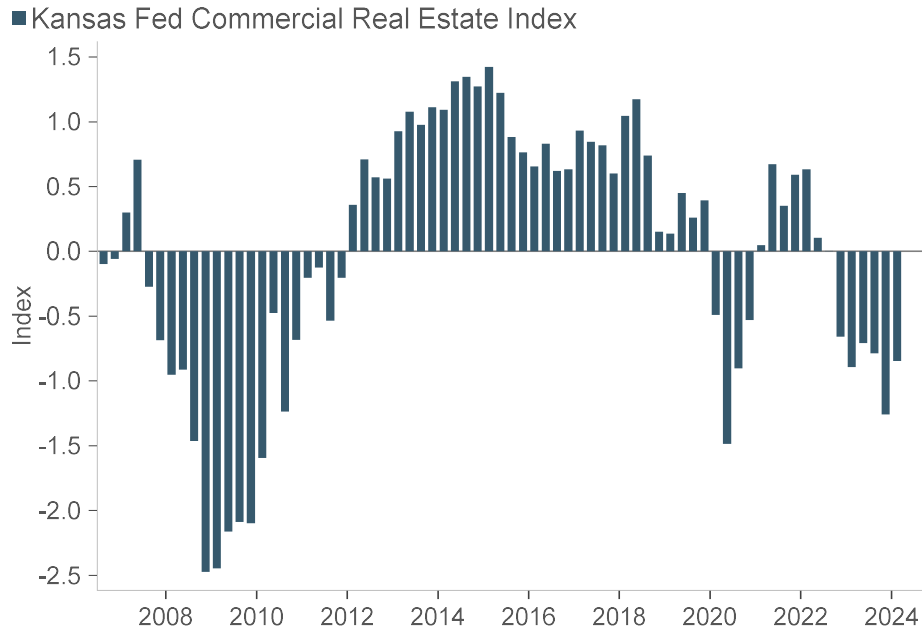
Goodwin, Lauren E., 2024-05-16T15:30:47.317

Appendix

Macro Pulse: economic & market outlook

CRE and banking

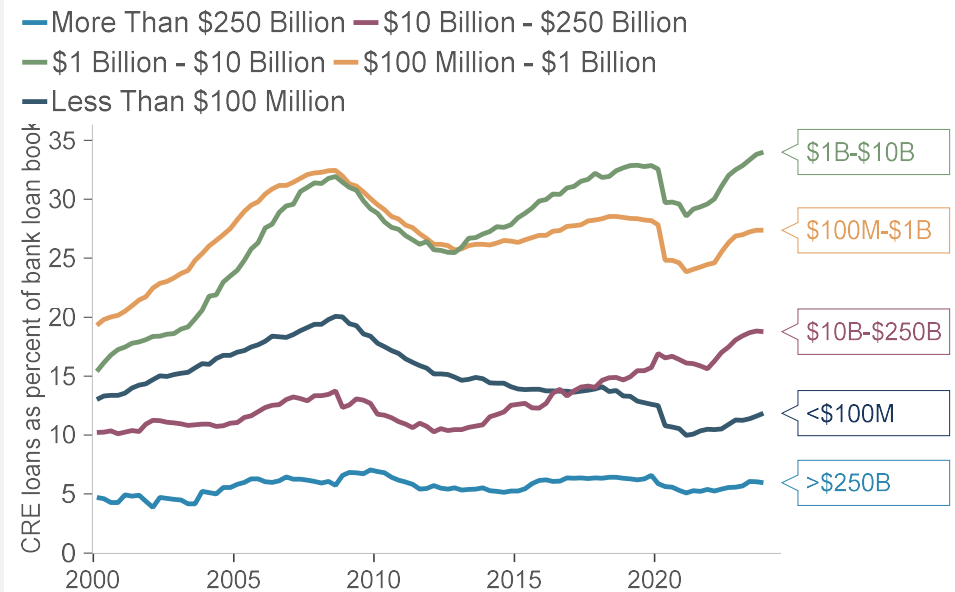
Commercial real estate activity is depressed across segments



Sources: New York Life Investments Global Market Strategy, Federal Reserve Bank of Kansas City, Macrobond, May 2024.

Smaller banks' CRE exposure exacerbates property and banking concerns

Commercial real estate exposure, by bank size



Sources: New York Life Investments Global Market Strategy, Federal Deposit Insurance Corporation, Macrobond, May 2024.

Thank you!