



ASSET MANAGEMENT

MID-COUNCIL FINANCIAL CONFERENCE: MARKET & ECONOMIC OUTLOOK

November 20, 2024



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AGENDA

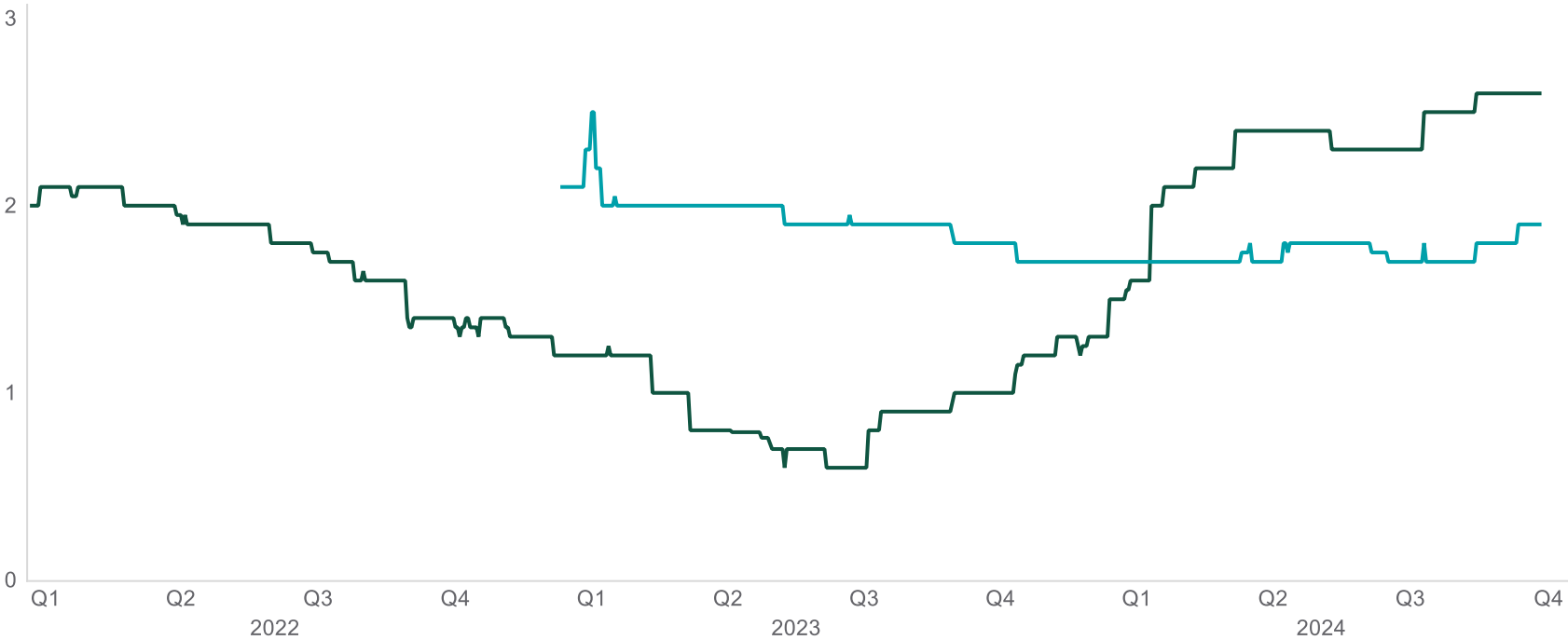


One-Year Macroeconomic Outlook

CONTINUED GROWTH EXPECTED IN 2025

CONSENSUS U.S. REAL GDP (YEAR-OVER-YEAR %)

— 2024 (2.6) — 2025 (1.9)

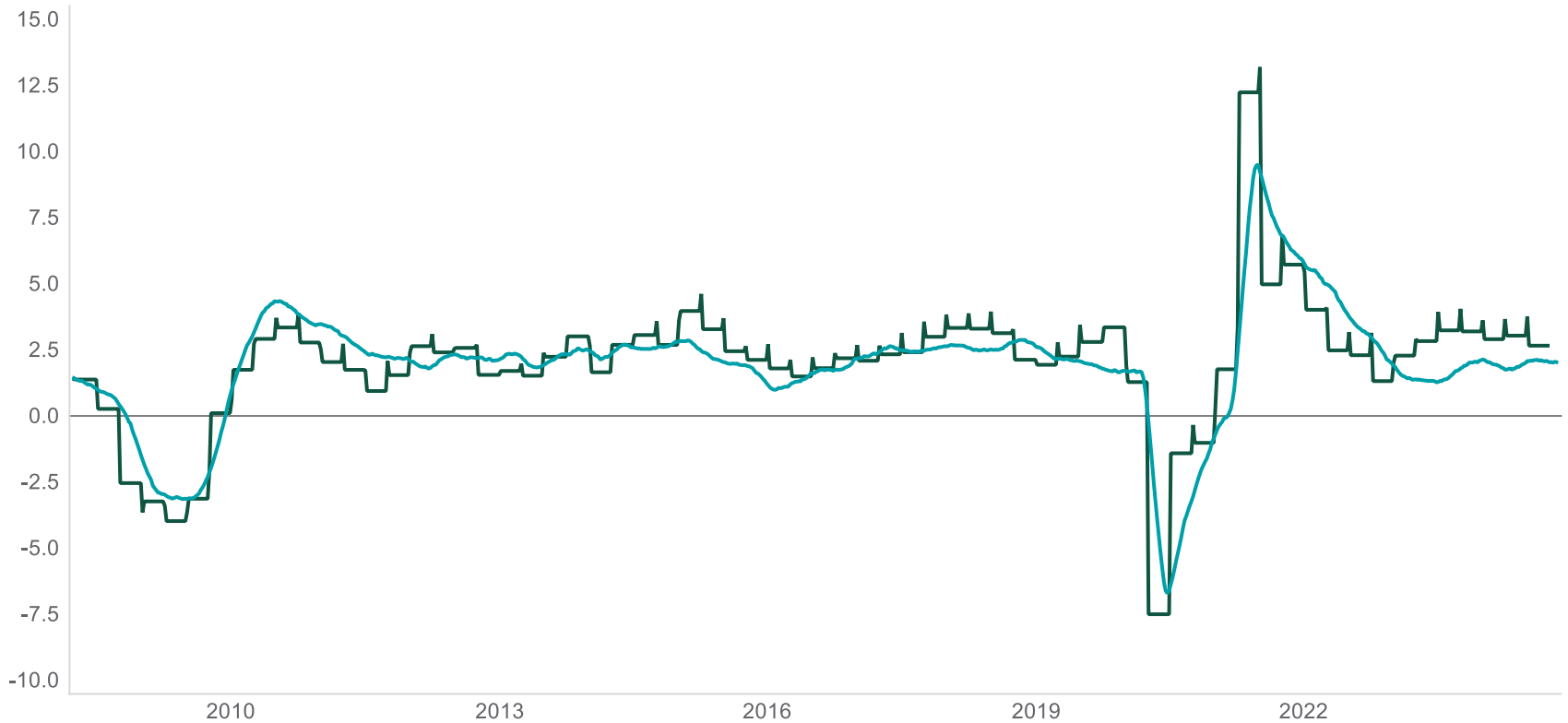


Source: Northern Trust Asset Management, Macrobond, Bloomberg. GDP is the average level of the y/y change during the year. Data as of 11/11/2024.

U.S. ECONOMIC MOMENTUM REMAINS SOLID

DALLAS FED WEEKLY ECONOMIC INDEX (%)

— 13wk moving avg of weekly economic index (2.02) — Real GDP y/y (2.66)

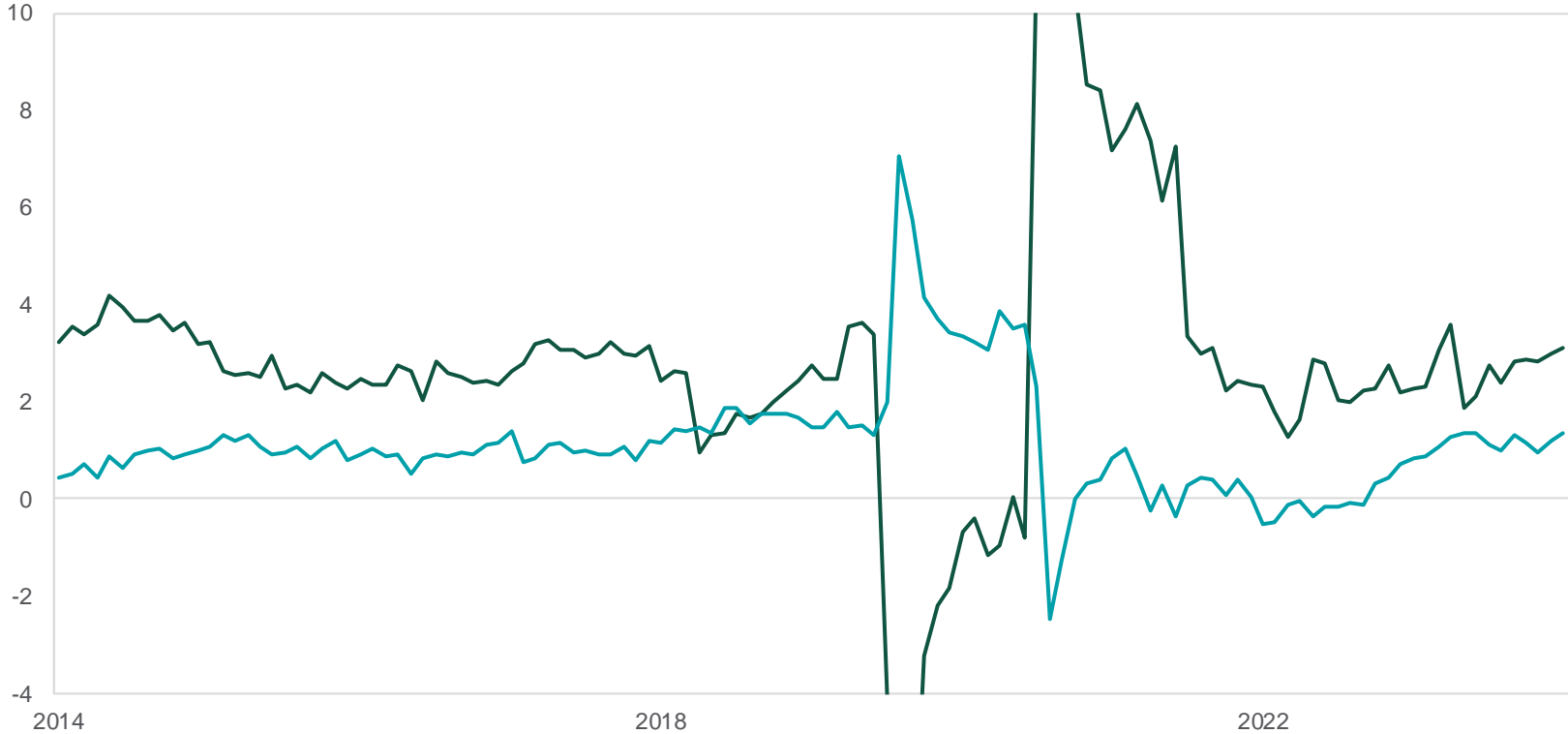


Source: Northern Trust Asset Management, Macrobond, Federal Reserve Bank of Dallas, U.S. Bureau of Economic Analysis (BEA). Data as of 11/14/2024.

CONSUMERS CONTINUE TO SPEND

YEAR-OVER-YEAR REAL SPENDING AND WAGES

— Real spending y/y (3.1) — Real wages y/y (1.3) - nominal AHE less core PCE

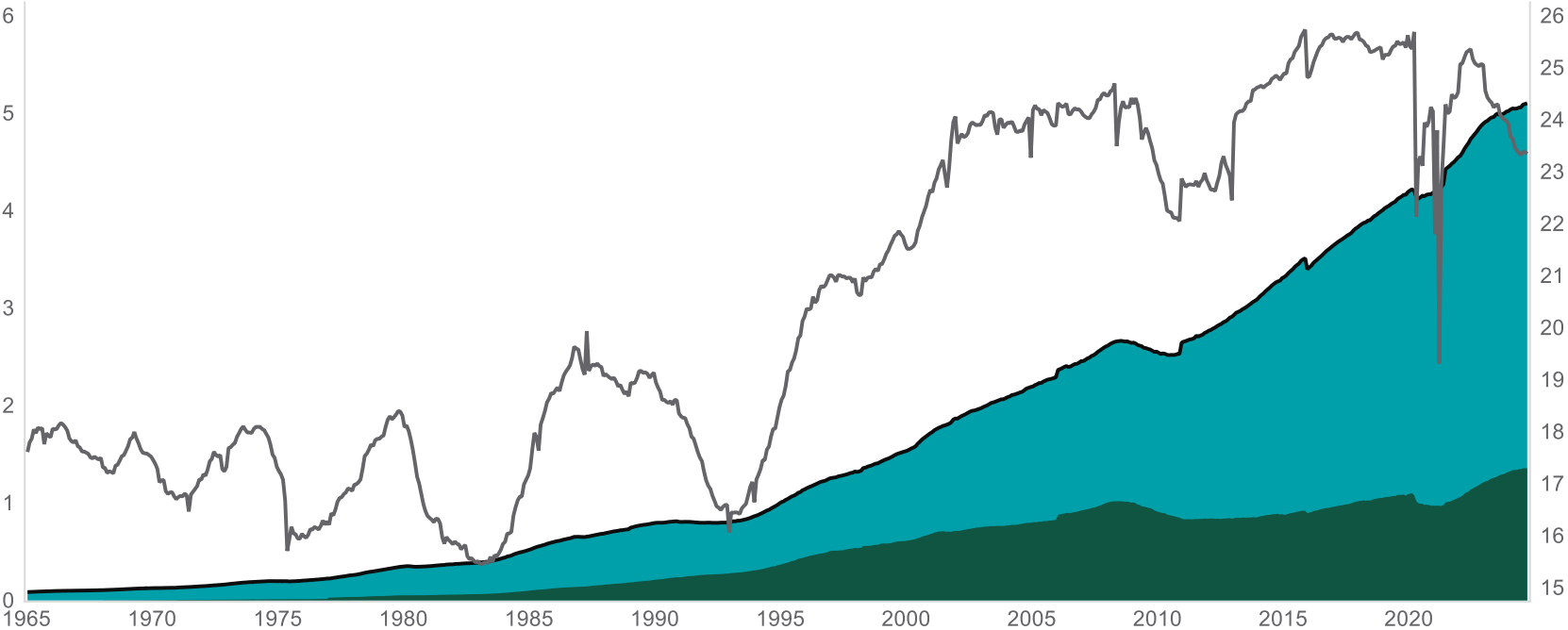


Source: Northern Trust Asset Management, Bloomberg. Data s of 9/30/2024.

HEALTHY CONSUMER BALANCE SHEETS

CONSUMER CREDIT OUTSTANDING (\$ TRILLIONS)

■ Revolving (1.36 trillion), lhs ■ Nonrevolving (3.75 trillion), lhs — Total (5.1 trillion), lhs — Total as % of disposable personal income (23.3), rhs

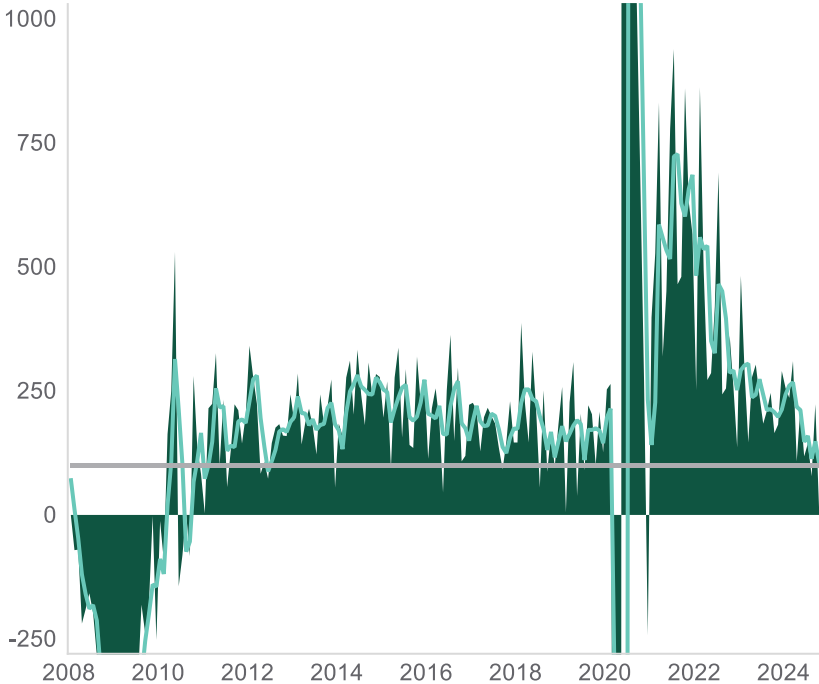


Source: Northern Trust Asset Management, Macrobond, Federal Reserve, U.S. Bureau of Economic Analysis (BEA). Data as of 11/7/2024.

WE EXPECT FAVORABLE LABOR MARKET CONDITIONS

PAYROLLS (IN THOUSANDS)

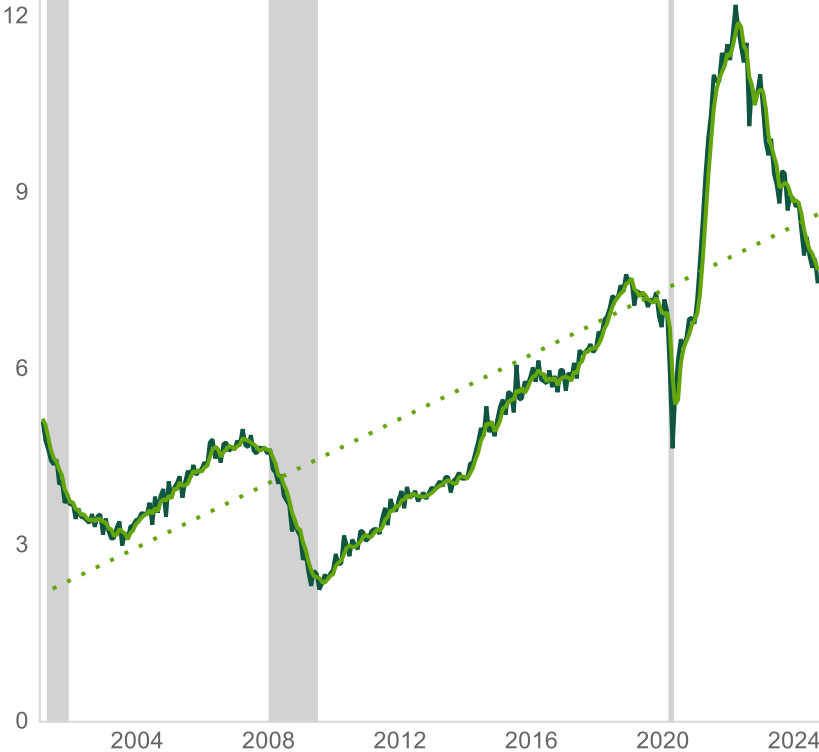
- Monthly change in nonfarm payrolls (12000)
- 3ma monthly change in nonfarm payrolls (104333)
- Estimated long-run steady state employment (100k)



Source: Northern Trust Asset Management, Macrobond, U.S. Bureau of Labor Statistics (BLS). Data as of 11/1/2024.

JOB OPENINGS

- Openings 3mma (7.67 million)
- Openings (7.44 million)
- Recession

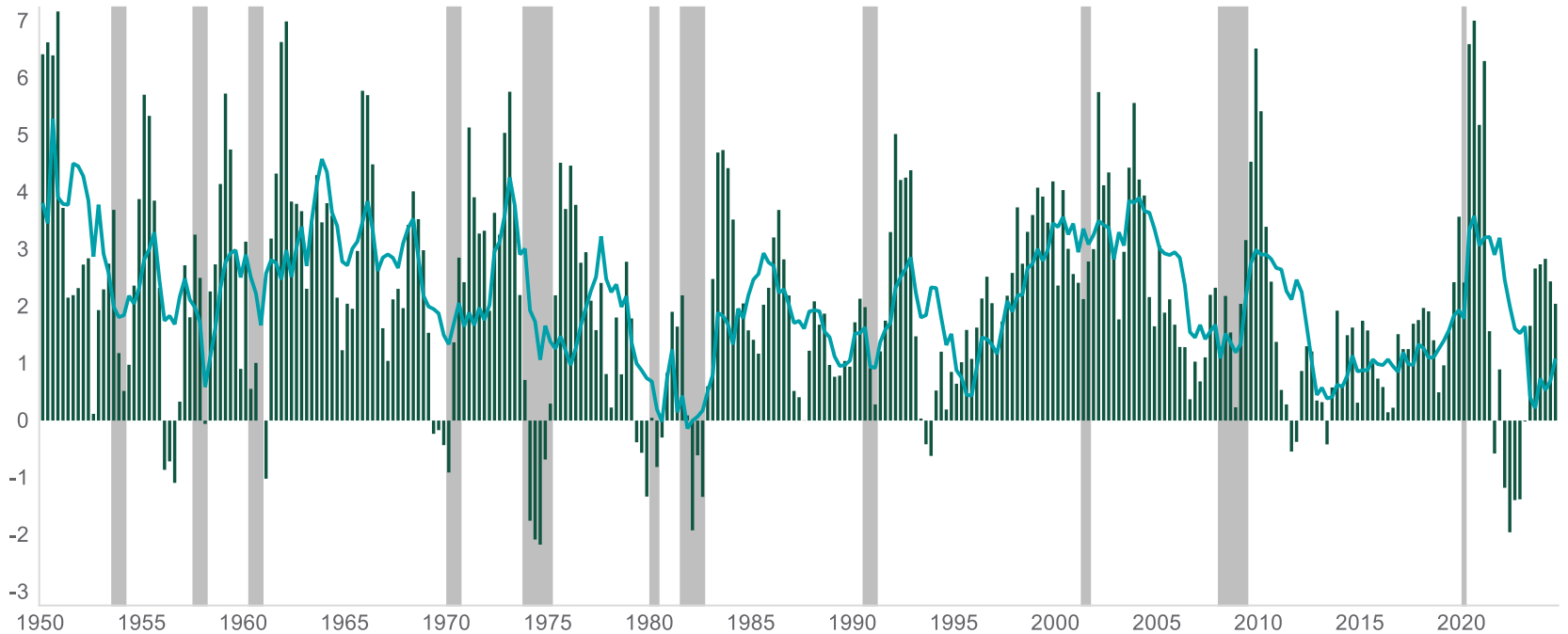


Source: Northern Trust Asset Management, Macrobond, NBER (National Bureau of Economic Research), U.S. Bureau of Labor Statistics (BLS). Data as of 10/29/2024.

THERE HAS BEEN A PRODUCTIVITY BOOST

NONFARM BUSINESS PRODUCTIVITY (%)

■ Recession ■ One-year change (2.0) — 3-year annualized (1.1)

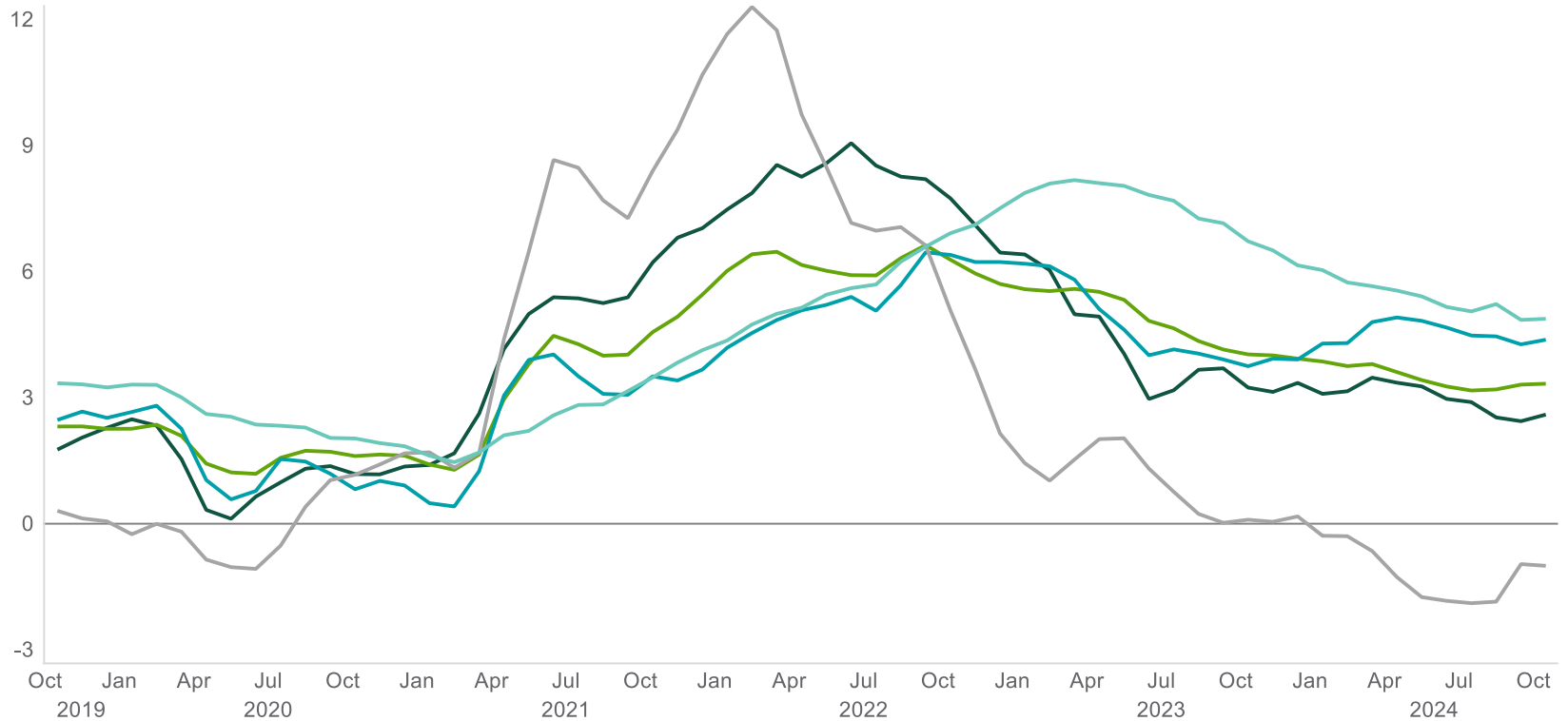


Source: Northern Trust Asset Management, Macrobond, U.S. Bureau of Labor Statistics (BLS), NBER (National Bureau of Economic Research). Data as of 11/7/2024.

DISINFLATION, BUT A BUMPY PATH

CONSUMER PRICE INDEX YEAR-OVER-YEAR %

— Headline (2.6) — Core (3.3) — Core services ex-housing (4.4) — Core goods (-1.0) — Shelter (4.9)

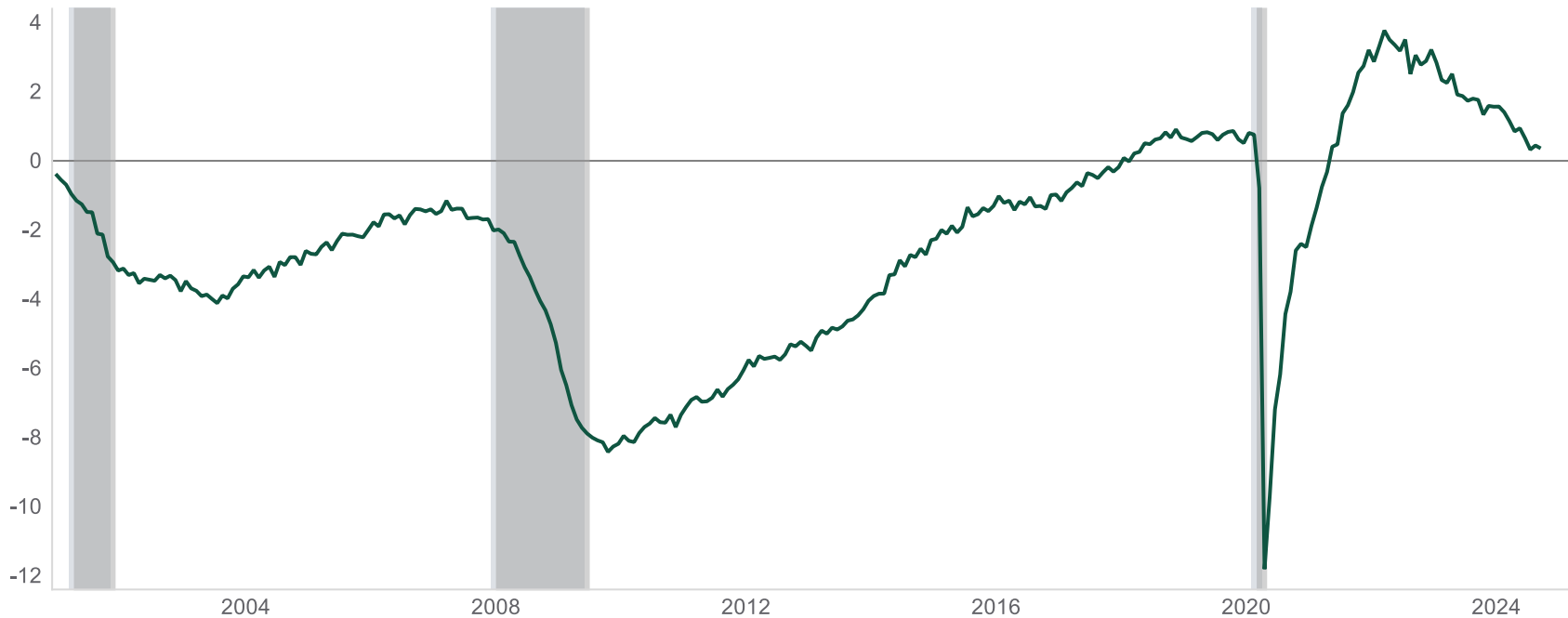


Source: Northern Trust Asset Management, Macrobond, U.S. Bureau of Labor Statistics (BLS). Data as of 11/13/2024.

LABOR MARKETS ARE IN BETTER BALANCE

JOBS-WORKERS GAP % (> 0 = LABOR DEFICIT)

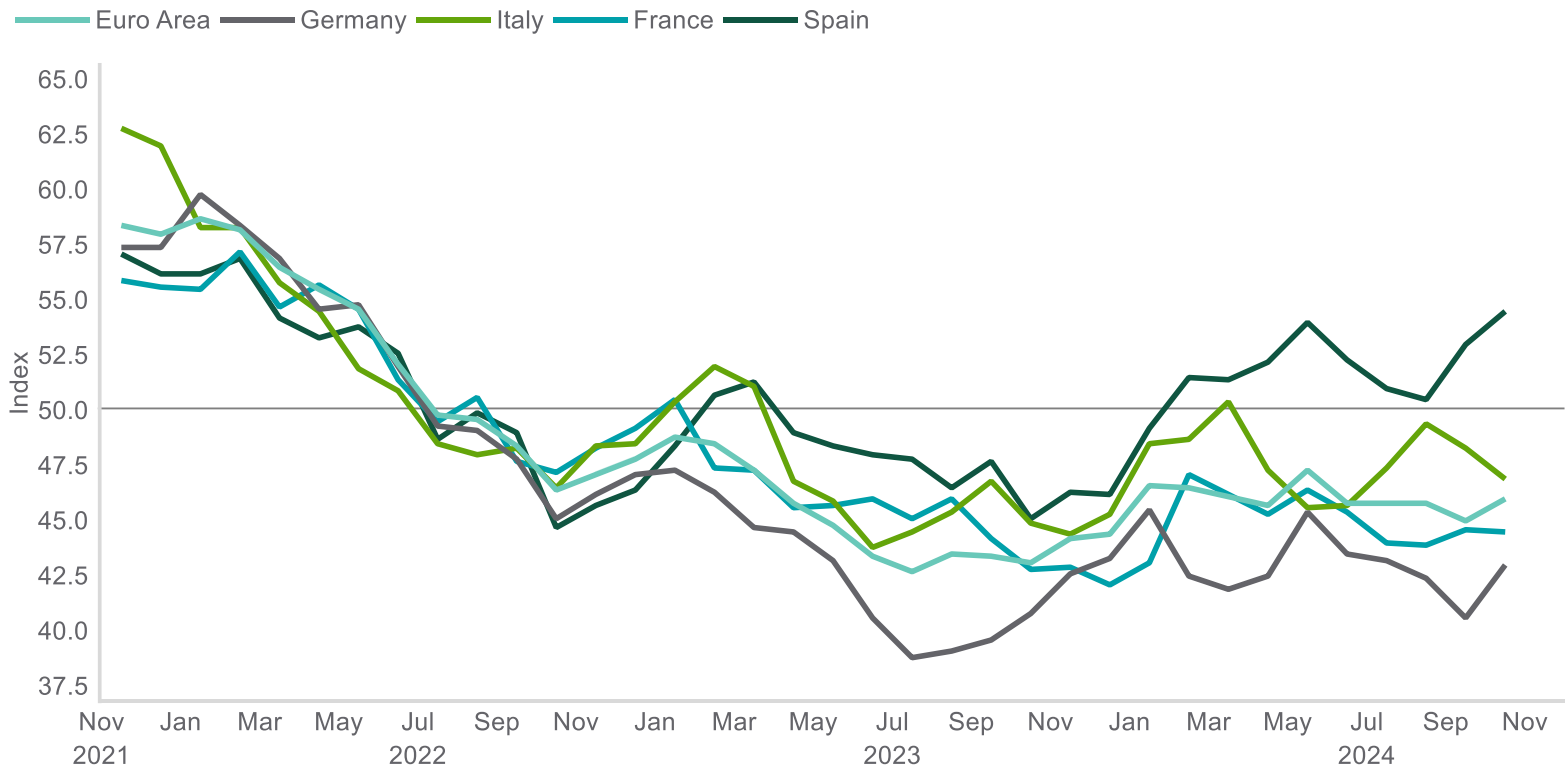
— Demand less supply as a percentage of supply (0.36) ■ Recession



Source: Northern Trust Asset Management, Macrobond, U.S. Bureau of Labor Statistics (BLS), NBER (National Bureau of Economic Research). Demand is openings plus civilian employment; supply is civilian labor force. Data as of 11/1/2024.

EUROPEAN MANUFACTURING IS STRUGGLING

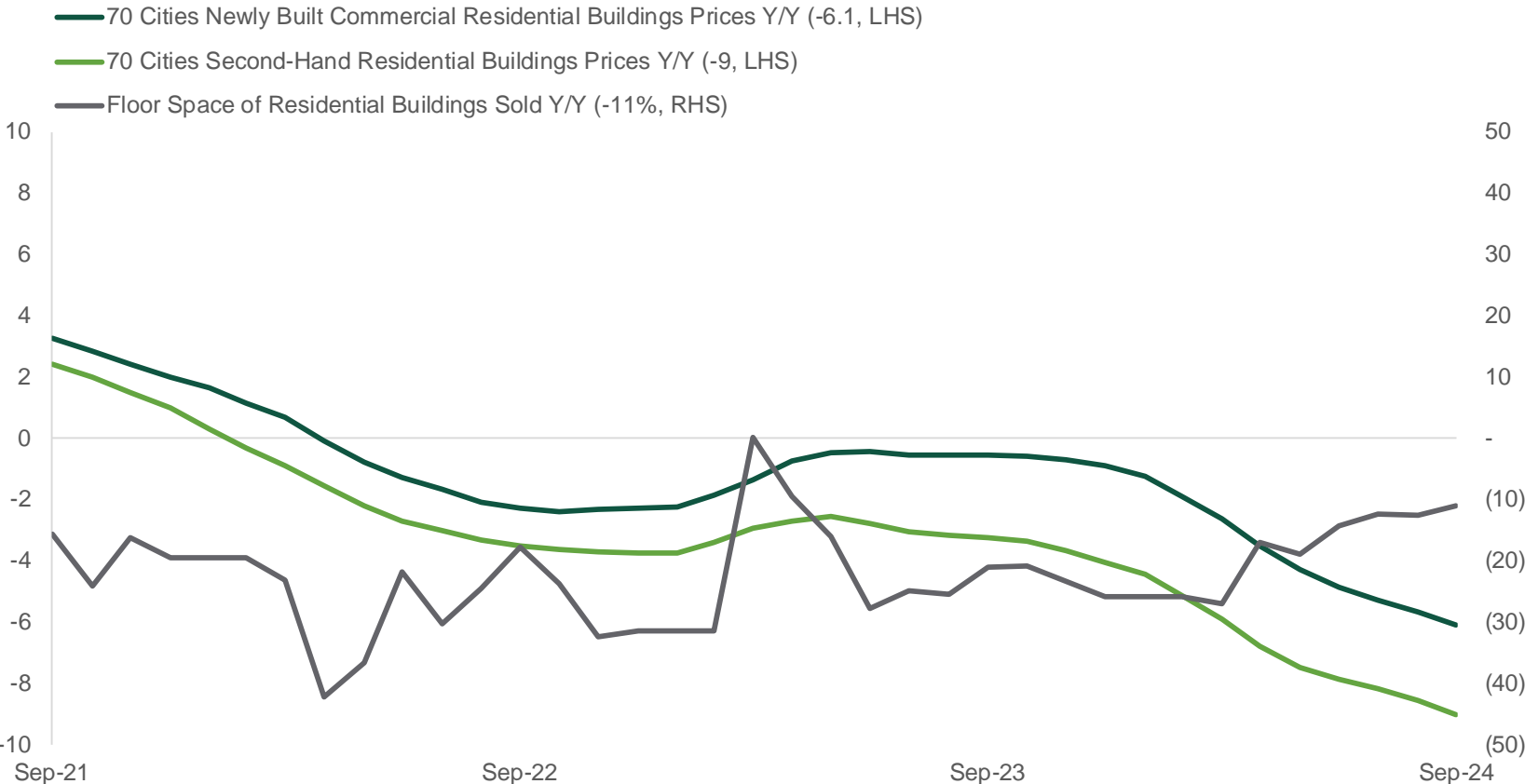
Manufacturing PMIs, SA



Northern Trust Asset Management, Macrobond, S&P Global. Data as of 11/4/2024.

CHINA PROPERTY HEADWINDS CONTINUE

CHINA RESIDENTIAL PRICES & SALES (%)



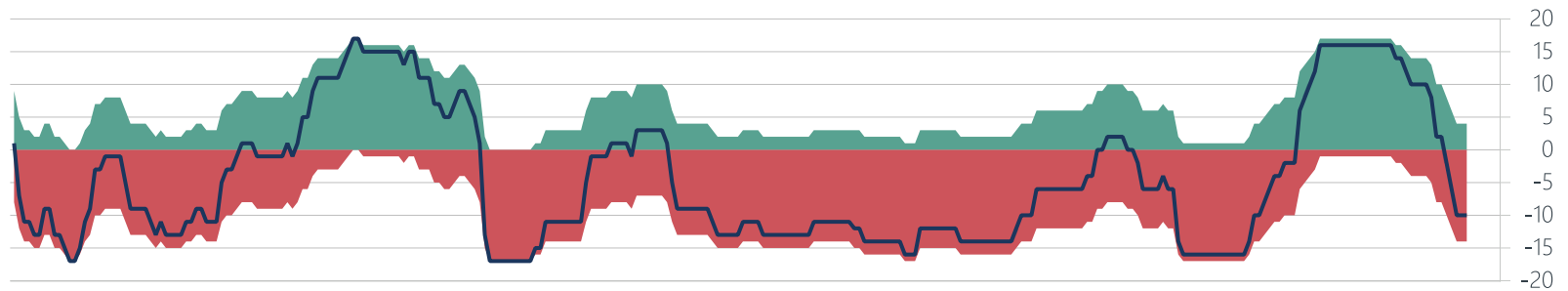
Source: Northern Trust Asset Management, NBS, Bloomberg Data from 9/30/2021 to 9/30/2024

GLOBAL MONETARY POLICY EASING

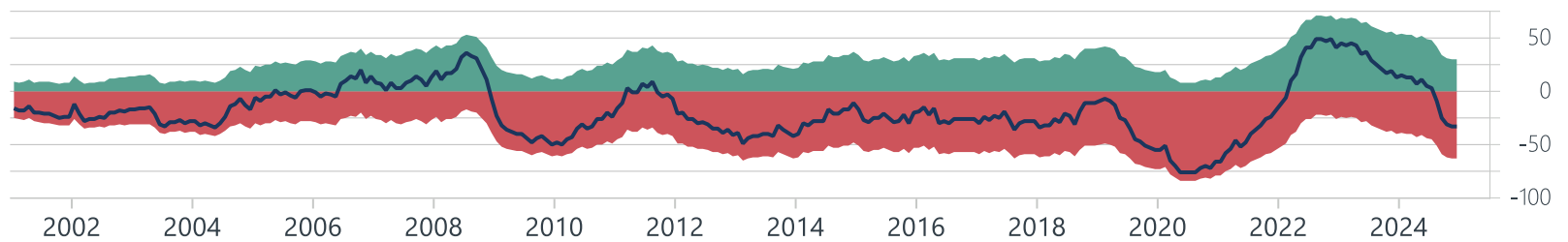
Central banks ease monetary policy

Hikes vs cuts as most recent move

Developed Markets: 18 countries



Emerging Markets: 93 countries



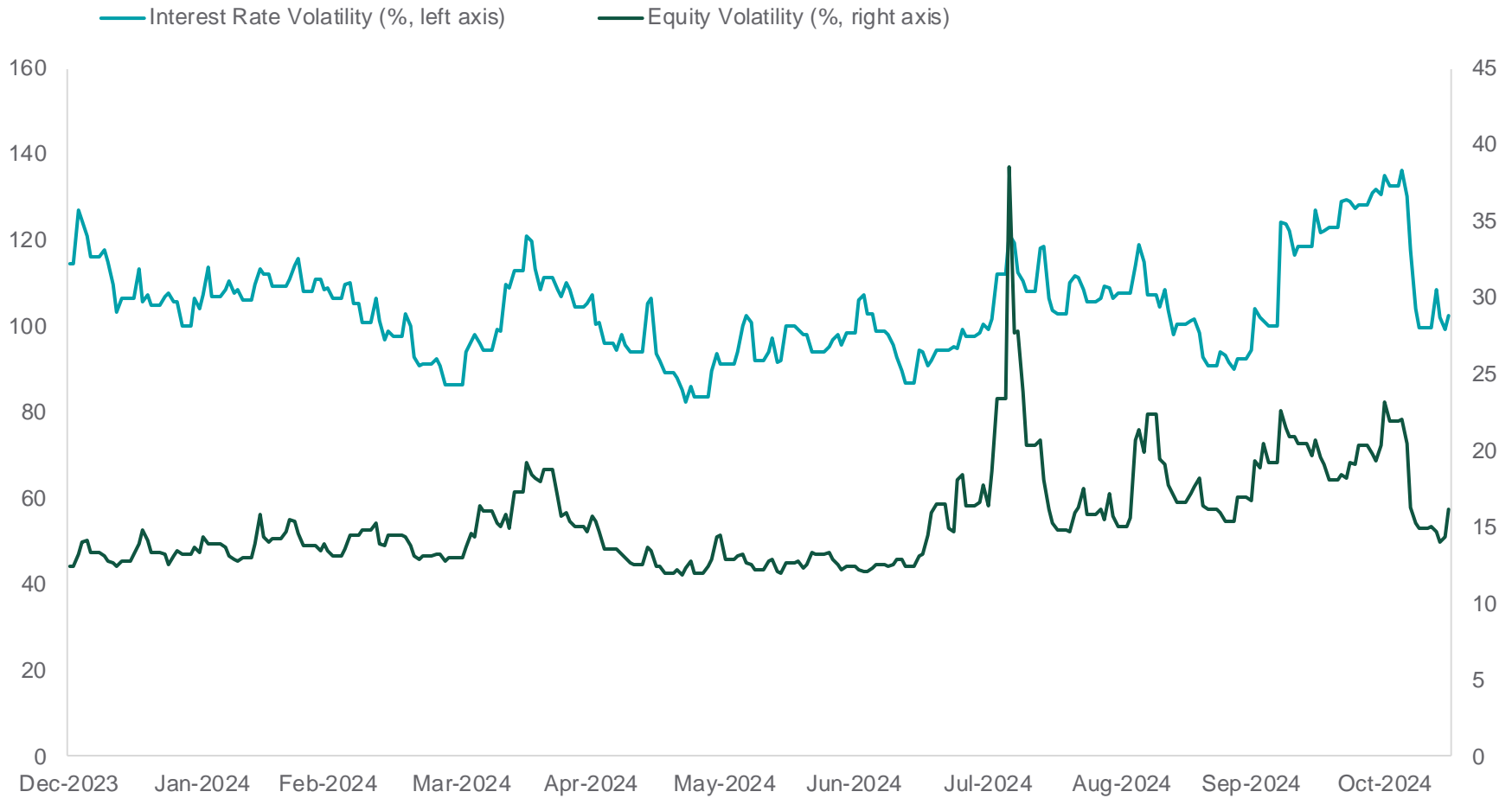
— Net ■ Cuts ■ Hikes

AGENDA



Implications of the U.S. Election

LOWER VOLATILITY AS ELECTION UNCERTAINTY ABATED



Source: Northern Trust Asset Management, Bloomberg. Interest Rate Volatility proxied by the MOVE Index; Equity Volatility proxied by the VIX Index. Data from 12/31/2023 through 11/15/2024.

A PRO-GROWTH U.S. EQUITY RESPONSE

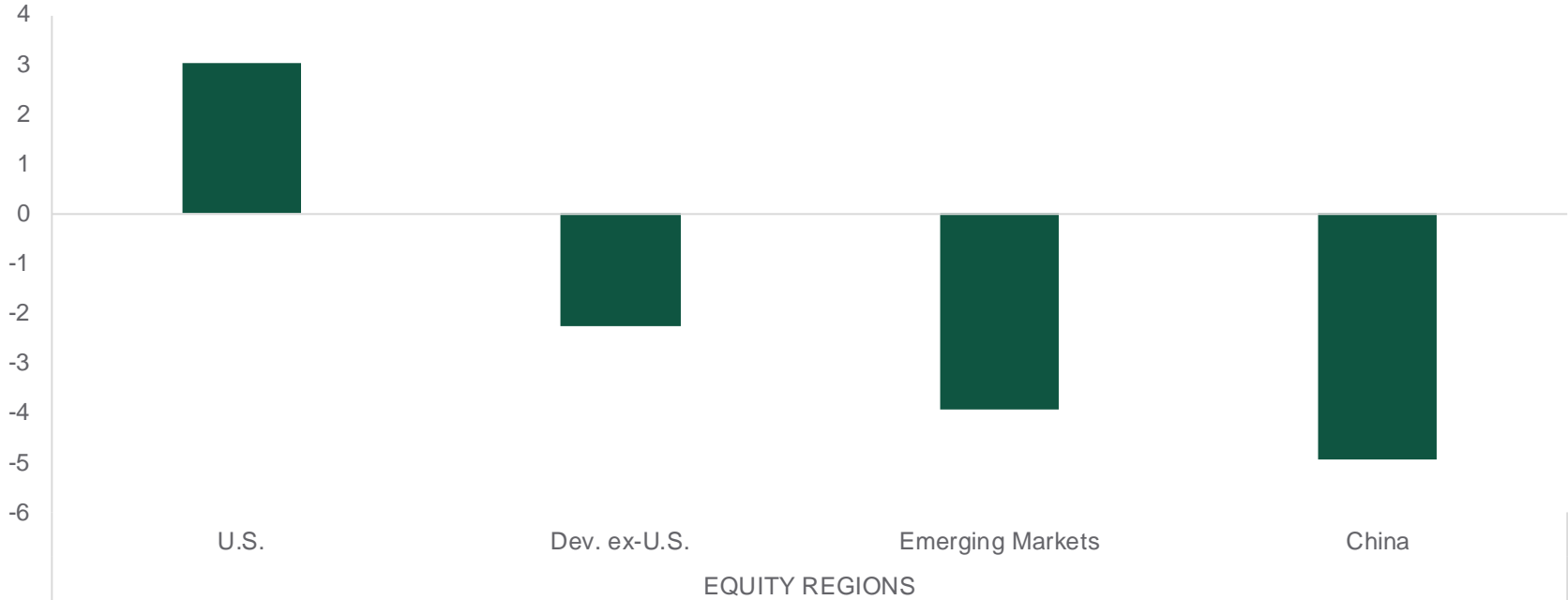
Year-To-Date Return (%)



Source: Northern Trust Asset Management, Bloomberg. Return uses the average daily return of the S&P 500 Index sectors within each group. Cyclical include financials, energy, materials and industrials. Defensives include healthcare, consumer staples, real estate and utilities. Data as of November 7, 2024.

EQUITIES MAY BE PRICING IN SOME TARIFF RISK

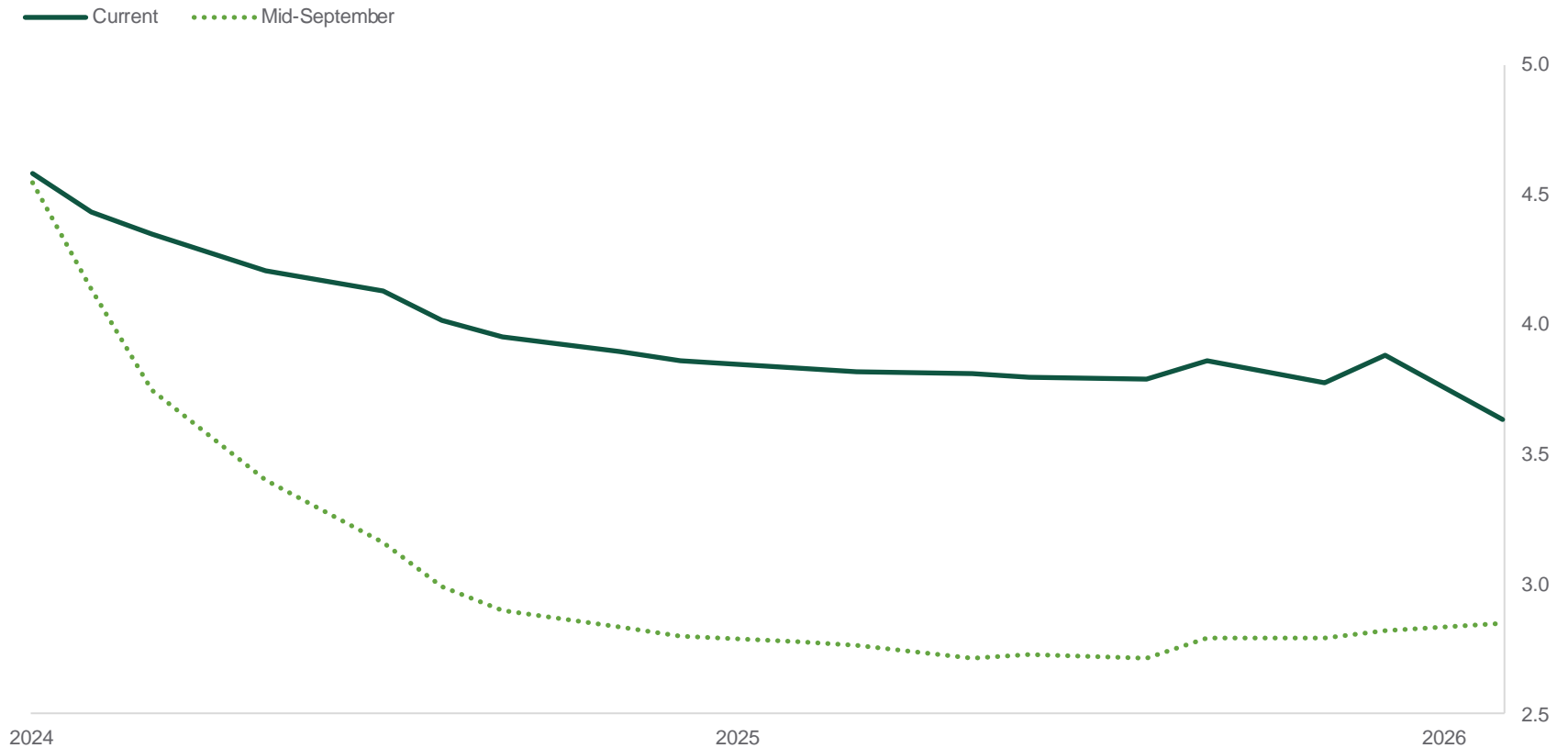
PERCENT CHANGE SINCE U.S. ELECTION (%)



Source: Northern Trust Asset Management, Bloomberg. Data from 11/4/2024 through 11/15/2024 for MSCI Indexes.

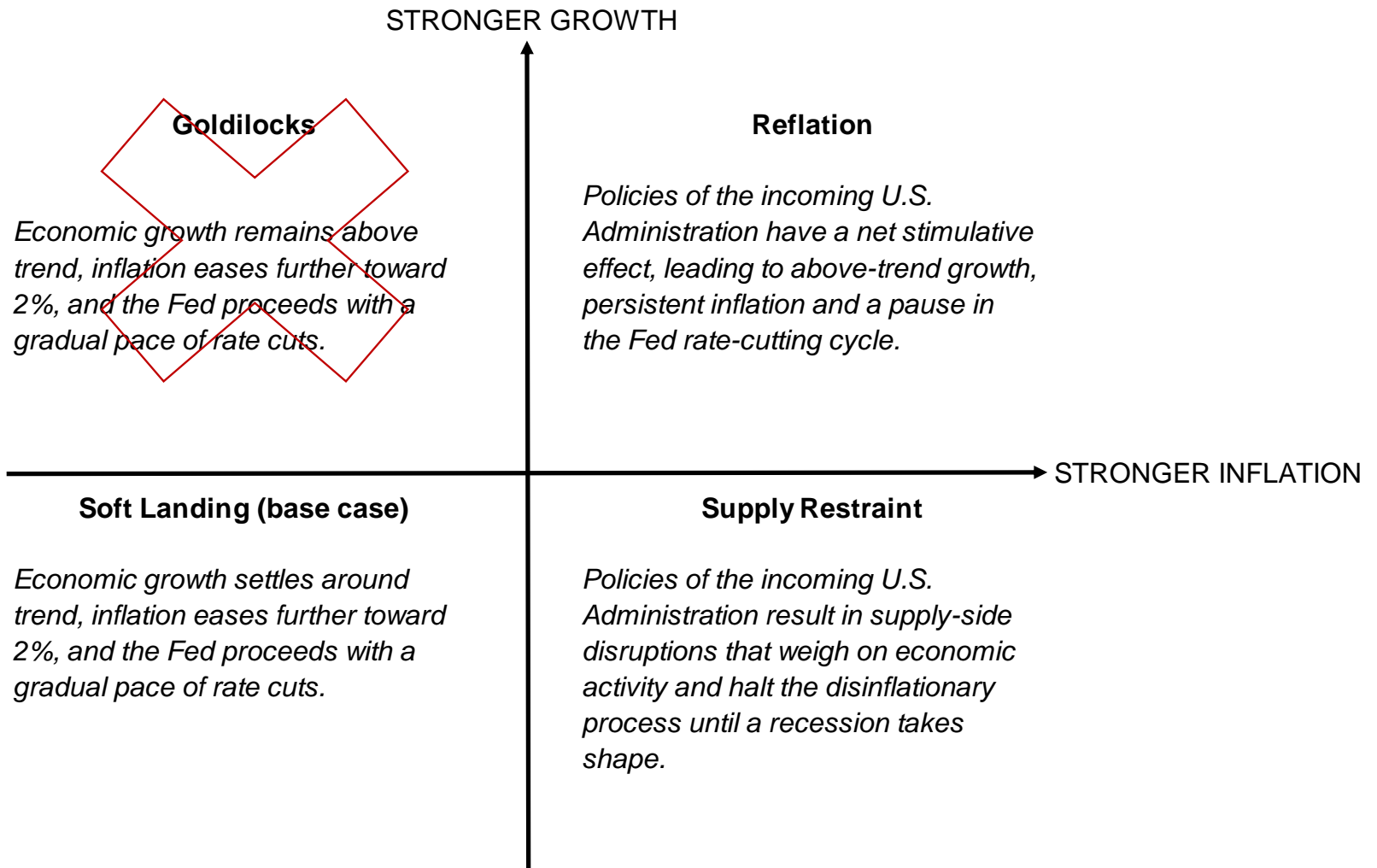
EXPECTED TERMINAL FED POLICY RATE HAS INCREASED

EXPECTED FED FUNDS RATE THROUGH 2026 (%)



Source: Northern Trust Asset Management, Bloomberg. Market expectations implied by futures. Data as of 11/15/2024.

U.S. MACROECONOMIC SCENARIOS



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Current Portfolio Positioning

PORTFOLIO POSITIONING: BASE AND RISK CASES

Base Case Expectations

Soft Landing

Global growth will settle around trend, supported by ongoing U.S. economic strength and labor market/consumer resilience. Inflation will continue to ease toward 2%.

Central Bank Easing

Lower inflation has allowed major central banks to start cutting policy rates. We expect central bank easing to continue, though the timing and trajectory may vary depending on regional economic conditions.

Risk Case Scenarios

Reflation

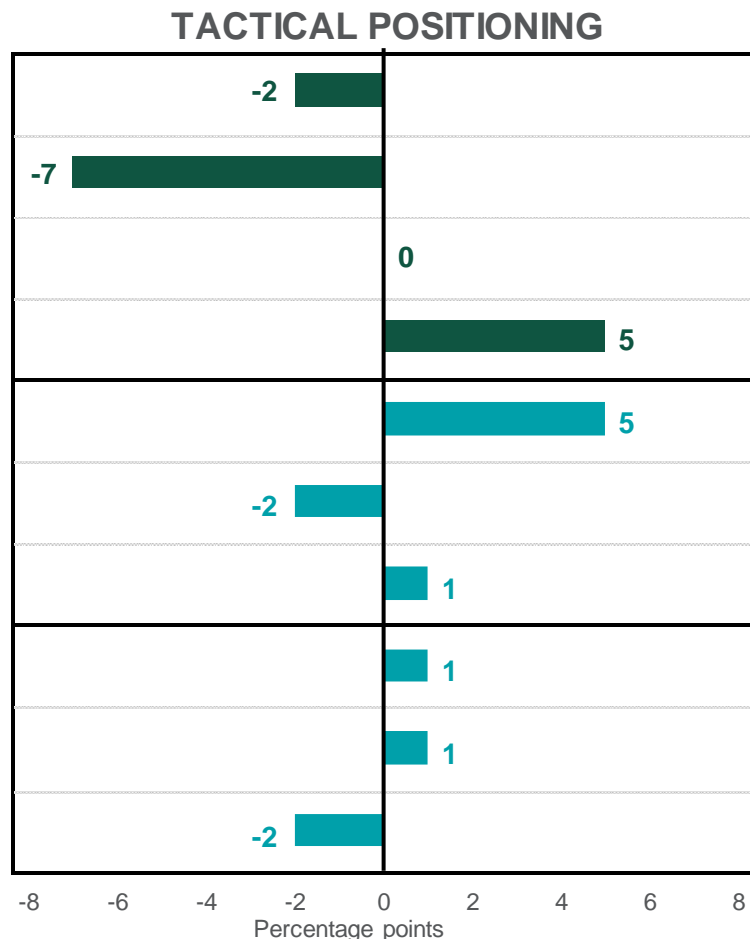
Policies of the incoming U.S. Administration have a net stimulative effect, leading to above-trend growth, persistent inflation and a pause in the Fed rate-cutting cycle.

Supply Restraint

Supply-side disruptions from immigration restrictions and higher tariffs weigh on economic activity and halt the disinflationary process until a recession takes shape.

CURRENT TACTICAL POSITIONING

	ASSET CLASS	SAA	TAA
Fixed Income	Cash	2	0
	Investment Grade	30	23
	Inflation-linked	9	9
	High Yield	5	10
Equities	U.S. Equity	28	33
	Dev ex-U.S. Equity	13	11
	EM Equity	5	6
Real Assets	Global Listed Infrastructure	2	3
	Global Real Estate	2	3
	Global Natural Resources	4	2



Source: Northern Trust Asset Management. Allocations above reflect Northern Trust's Global Policy Model; the proxy for the Investment Policy Committee. Tactical recommendations (in the form of over/under/equal weights) are displayed in the bar chart. Allocations as of 11/13/2024. SAA=Strategic Asset Allocation. TAA = Tactical Asset Allocation.

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