

In the Markets Now

2,024 things for 2024

We believe in the old saying: a picture is worth a thousand words – but this time we're going with a gimmicky list of notable numbers to provide some perspective to investors.

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8 (THEMES HEADING INTO THE NEW YEAR)

1,372 (Thousand, Housing starts) – One of the final straws in the war on inflation is housing prices, where structural demand (work-from-anywhere, millennials aging up, etc.) is meeting a shortage of homes after a decade of underbuilding – and with a swath of existing homeowners [unwilling to give up their 3% mortgages](#). The level of new building, [illustrated by housing starts](#), will be critical in rightsizing the supply / demand imbalance and assisting both the Fed and the consumer with high housing prices.

493 (Non-Magnificent 7 stocks in the S&P 500) – Though the market's rally has broadened out into year-end, [2023 will still go down as one of the most concentrated years in recent memory](#). Per Strategas, the 10 largest stocks are responsible for over 80% of the entire S&P 500's return through November (highest in an "up year" since 1991). High concentration doesn't mean much for forward returns, but the recent signs of life from some more beleaguered sectors are a positive for the durability of the move. If this rally wants to be sustainable into 2024, the other 493 will have to pitch in.

62.8% (Labor force participation rate) – A post-Covid high for [the percentage of the population that is working or looking for work](#). A deeper labor supply means more people working and earning, which is good for economic output, consumer spending, and overall national health. Further, an economy with too few workers is likely to see upward pressure on wages – a big negative for the Fed – because competition for labor is higher and job-switchers can garnish bigger raises.

\$59 (Billion, Average annual spending in Bipartisan Infrastructure Bill, 2024-28) – With the budget deficit widening and interest costs on the rise, it seems likely that we are headed for a period of subdued fiscal spending / austerity. This would mean that any fiscal tailwinds ahead will accrue to beneficiaries of bills that have already been passed. And as Strategas has noted, that allocation of stimulus is shifting from subsidizing consumers (e.g., Covid aid, like student loan payment delay) to investment, with funding for infrastructure, CHIPS, clean energy, etc. set to be unlocked in coming years.

13.2 (Million bbl/d, U.S. oil production) – Oil prices are down 25%+ from their September peak as softer global demand is meeting a market flush with supply. The selloff has largely occurred even after tensions in the Middle East flared up and despite the OPEC+ cartel's efforts to deepen their own production cuts. In fact, this is mainly due to U.S. production, which recently hit an all-time high and accounts for roughly 80% of the growth in global supply this year. The implications are vast, from the impact of U.S. oil independence on geopolitics to consumer relief at the pump in an election year.

11% (Average S&P 500 return in presidential election years) – Same as the market's long-term average return. In fact, [as our partners at Strategas note](#), there has not been a negative return in a presidential *reelection* year since at least 1948. As they write, "Presidents like to get reelected. They understand the economy has an outsized impact on their chances, so they try to prime the economic pump ahead of the election. Every president that avoided recession 2 years before the election has gone on to win reelection, and every president who had a recession in those 2 years lost."

11% (Consensus 2024 S&P 500 earnings estimate) – Earnings – the bedrock of stock prices – are expected to increase 11% next year after growing less than 1% in 2023. Perhaps most worth watching are profit margins (earnings / sales). Despite high interest rates and wage inflation pushing costs up, margins are actually expected to widen in 2024. One way to accomplish this would be for [recent productivity gains to hold](#) – if workers can do more with less (A.I.?), sales can go up while costs stay flat, reducing any need for layoffs.

2% (Federal Reserve's inflation target) – Inflation has plunged from 2022 highs, but is proving sticky in some places. While it's likely that the Fed has finished raising interest rates for this cycle, the question for 2024 is when they start cutting rates – and whether they're doing so because of a confidence in the inflation picture (likely bullish) or because the economy has weakened more than expected (likely bearish). Lower rates are great in theory, but the "why" behind them matters.

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