

2024

# 10 Market Themes for 3Q 2024

As of August 1, 2024

2023

# 10 Market Themes for 2Q 2024

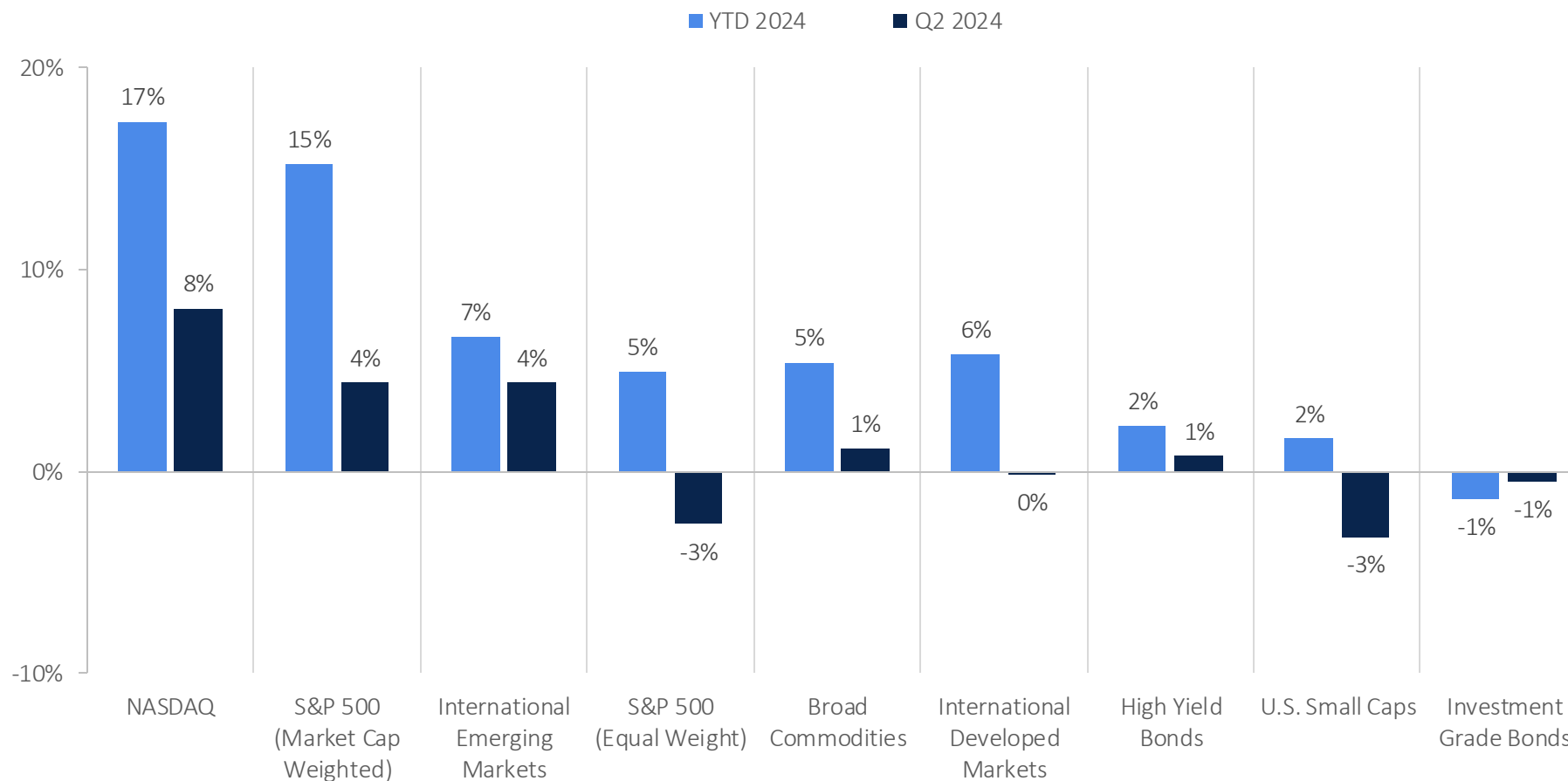
This collection of market insights highlights 10 themes we believe are most likely to shape the investment environment this quarter.

3Q 2024

1	<b>Market Returns</b>	S&P 500 Index Sets Multiple New Highs in Q1 2024
2	<b>Valuations</b>	Measuring Today's Valuations Against Last 20 Years
3	<b>Market Themes</b>	Comparing Today Versus the Dot Com Bubble
4	<b>Credit Markets</b>	Investors Now Expect Fewer Rate Cuts This Year
5	<b>Inflation</b>	Slowing Progress and the Impact of Rising Gasoline Prices
6	<b>Housing Market</b>	Construction Activity Remains Strong Despite Higher Rates
7	<b>Consumer Health</b>	The Low Savings Rate Signals a Willingness to Spend
8	<b>Labor Market</b>	The Unemployment Rate Starts to Creep Higher
9	<b>What We're Monitoring</b>	Commercial Real Estate Market
10	<b>New Opportunities</b>	High Dividend Stocks

# Asset Classes – Mid-Year Performance Update

3Q 2024

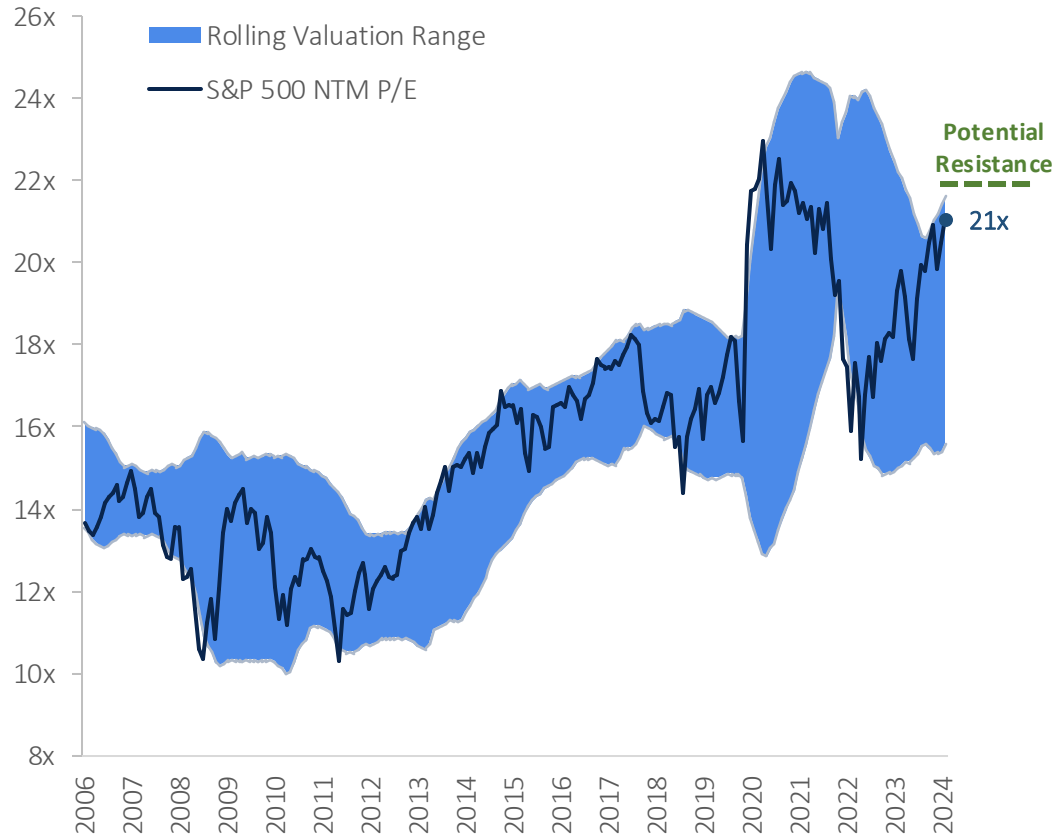


Disclosures: Past performance is no guarantee of future results. All performance data represents total returns with dividends reinvested. Performance uses the following ETFs: NASDAQ (QQQ - Invesco), S&P 500 (SPY - SPDR S&P 500 ETF), International Emerging Markets (EEM - iShares MSCI Emerging Markets ETF), Equal Weight S&P 500 (RSP - Invesco S&P 500 Equal Weight ETF), Broad Commodities (DBC - Invesco DB Commodity Index Tracking Fund), International Developed Markets (EFA - iShares MSCI EAFE ETF), High Yield Bonds (HYG - iShares High Yield Corporate Bond ETF), U.S. Small Caps (IWM - iShares Russell 2000 ETF), Investment Grade Bonds (LQD - iShares Investment Grade Corporate Bond ETF). Latest available data as of 6/30/2024.

# Performance Drivers – Earnings Growth vs Valuation Multiples

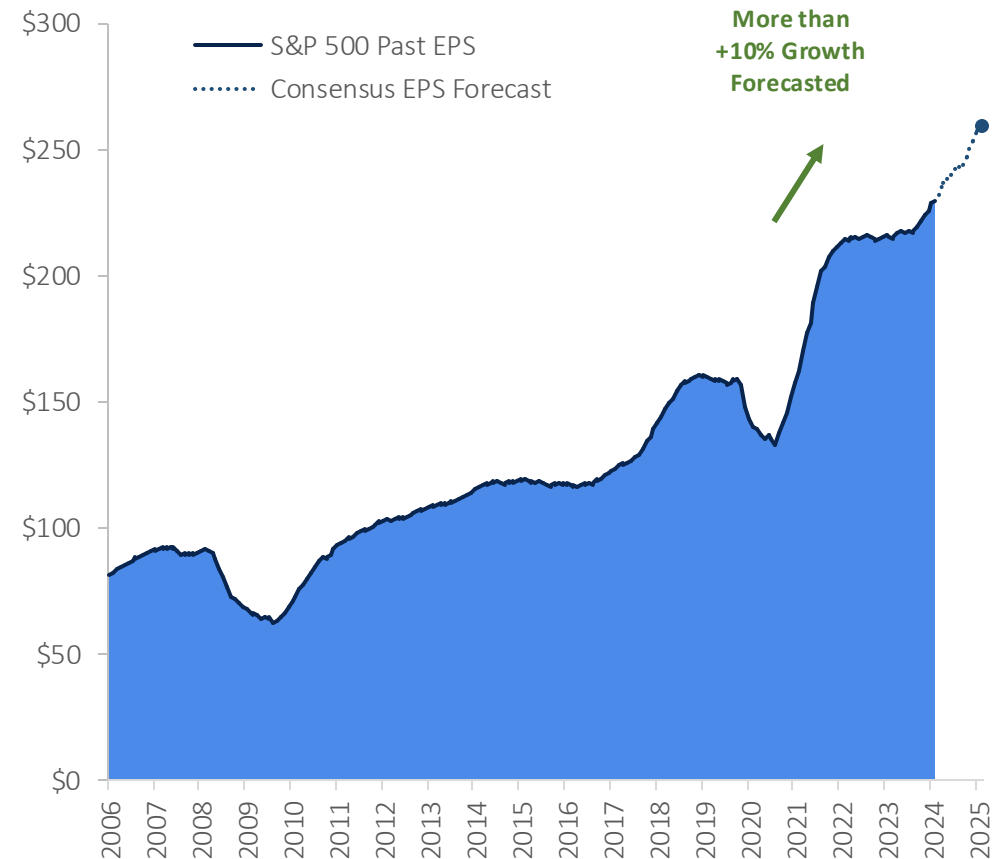
## S&P 500 Forward Valuation Multiple

Next 12-Month Price-to-Earnings



## Consensus S&P 500 Earnings Forecast

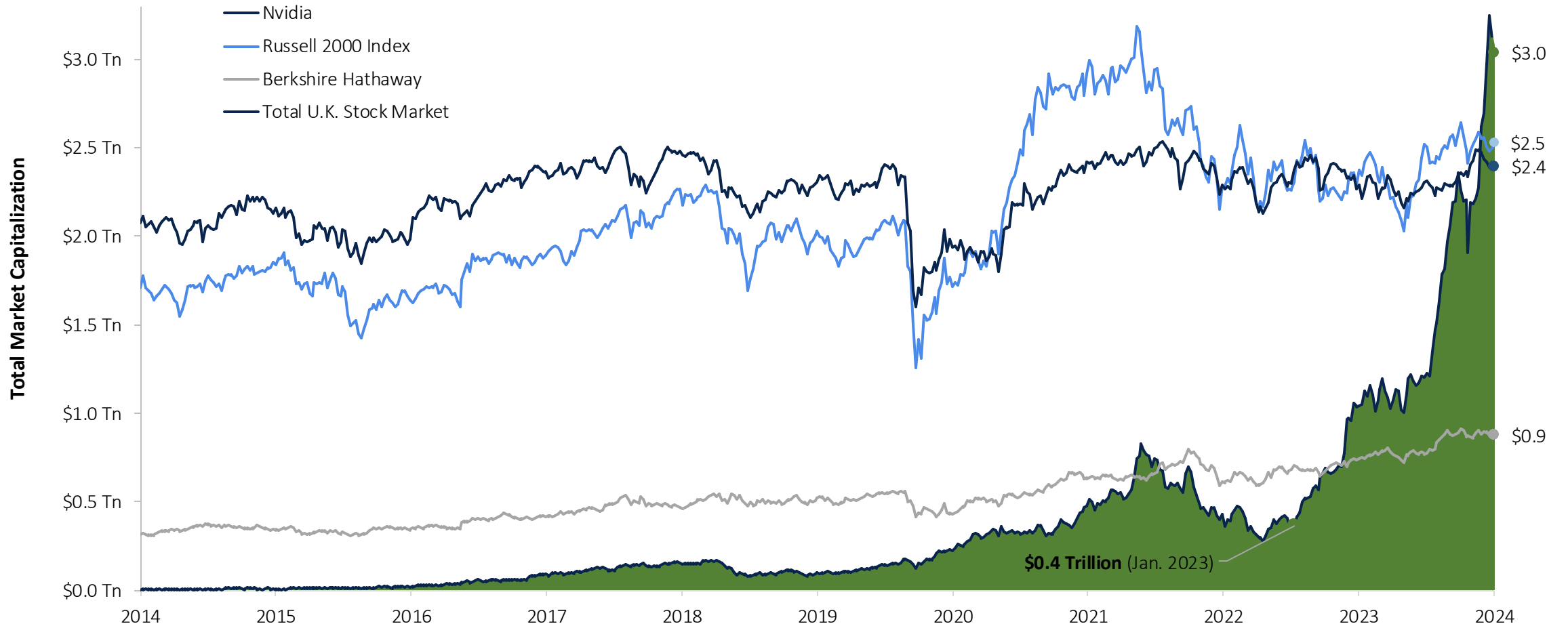
Next 12-Month Forecasted EPS



Disclosures: Data is based on the State Street SPDR S&P 500 ETF (SPY). Rolling Valuation Range is calculated as the rolling 2-year average plus and minus the rolling 2-year standard deviation multiplied by two (i.e., 2-year average +/- 2 stdev). A standard deviation is a measure of how dispersed the data is in relation to the mean. NTM = next 12-months. Latest available data as of 6/30/2024.

# Market Themes – Putting Nvidia’s Meteoric Rise Into Context

3Q 2024



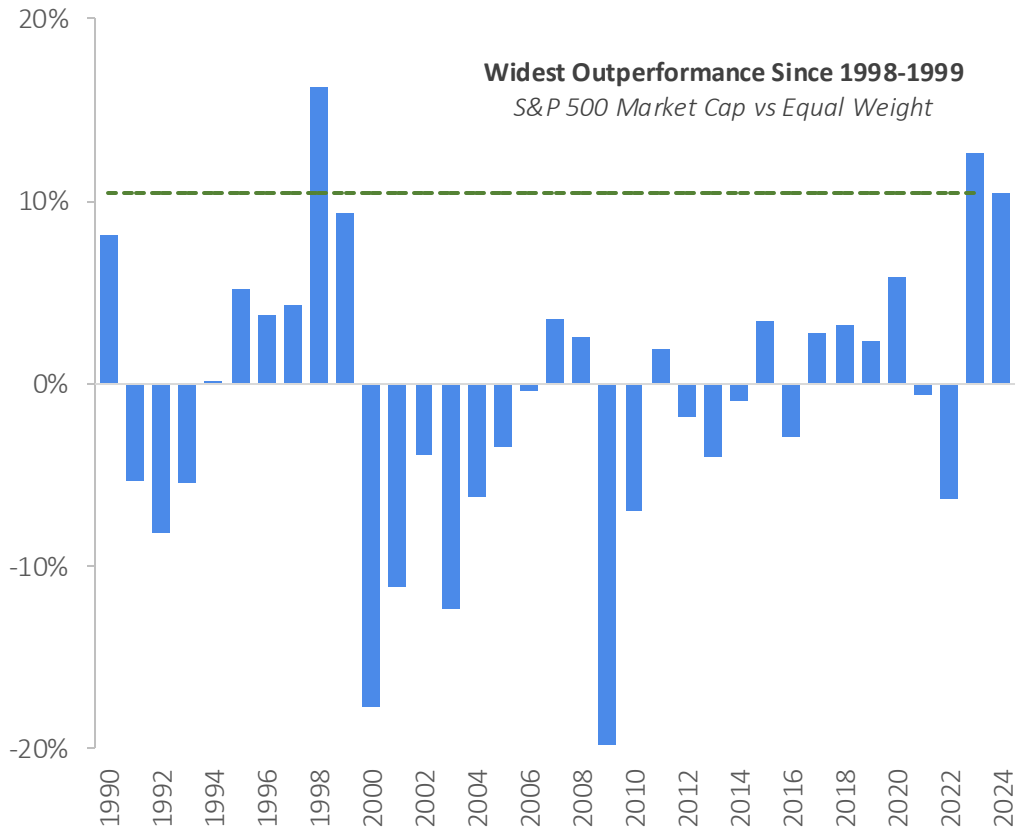
Disclosures: Past performance is no guarantee of future results. Data is based on publicly available market capitalizations of Nvidia (NVDA), Russell 2000 Index (IWM - iShares Russell 2000 ETF), Berkshire Hathaway (BRK.B), and U.K. FTSE All-Share Index (FTAL - State Street SPDR FTSE UK ETF). Latest available data as of 6/30/2024.

# Equity Factors – The Biggest Companies Are Outperforming in 2024

**S&P 500 Market Cap vs Equal Weight Performance**

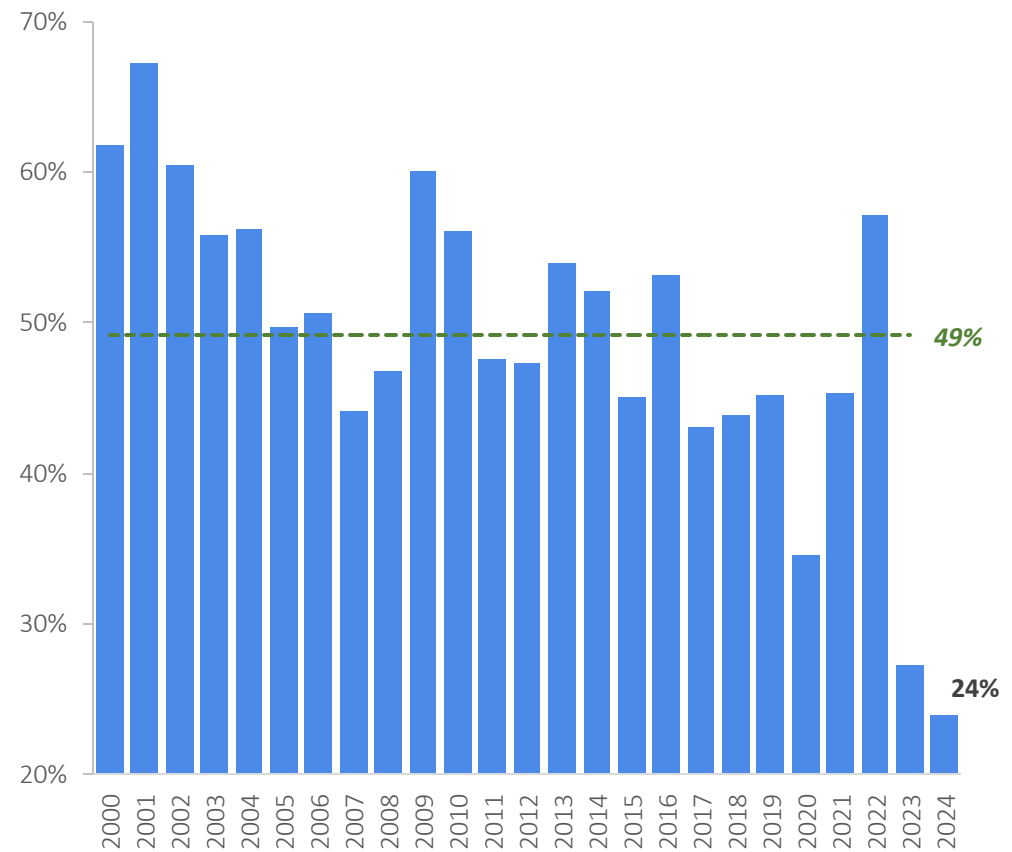
Relative Calendar Year Returns Since 1990

3Q 2024



**Fewer Companies Are Outperforming the S&P 500**

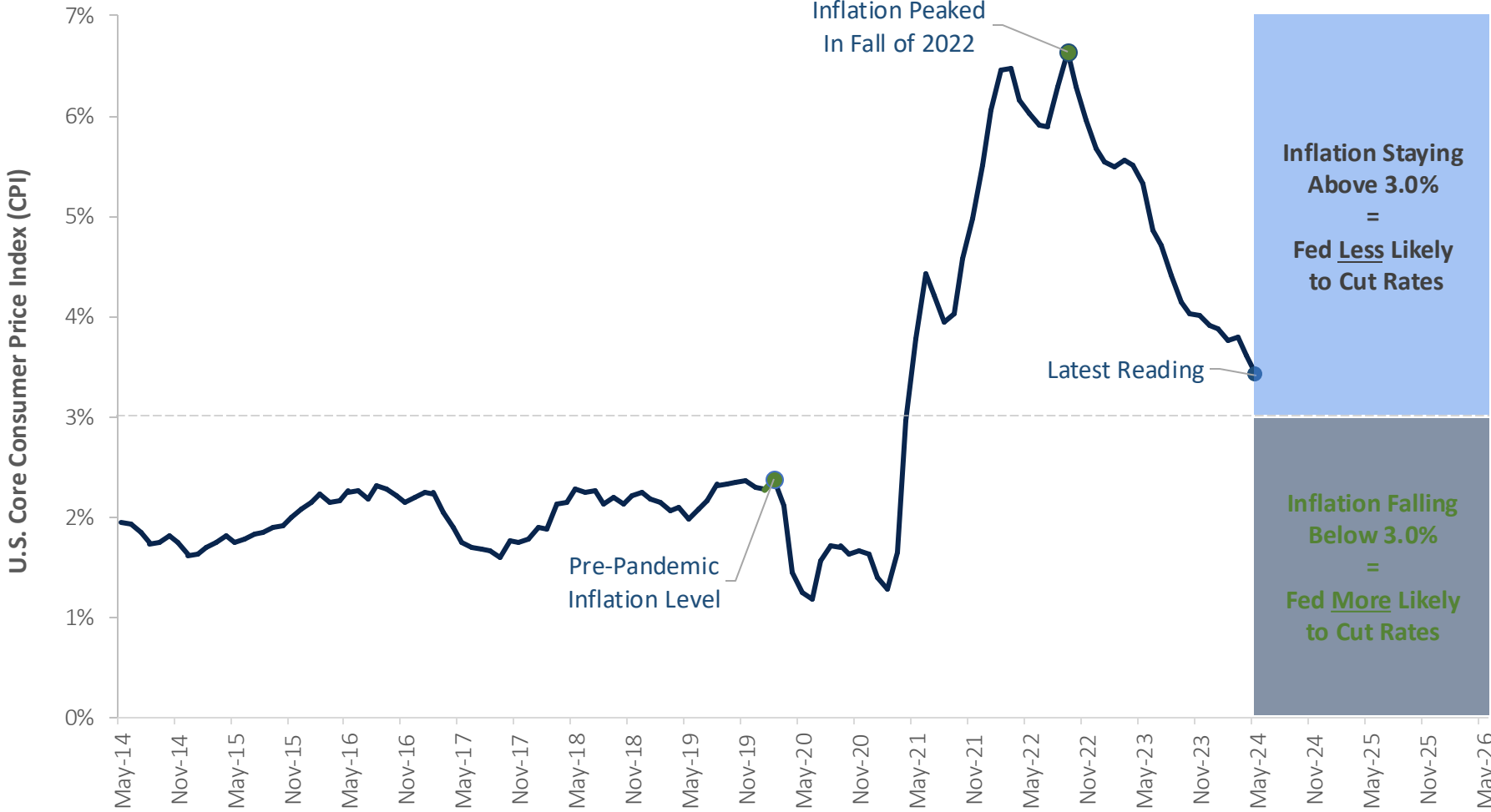
% of S&P 500 Companies Outperforming the Index



Disclosures: Past performance is no guarantee of future results. Data is sourced from Standard & Poor's. Latest available data as of 6/30/2024.

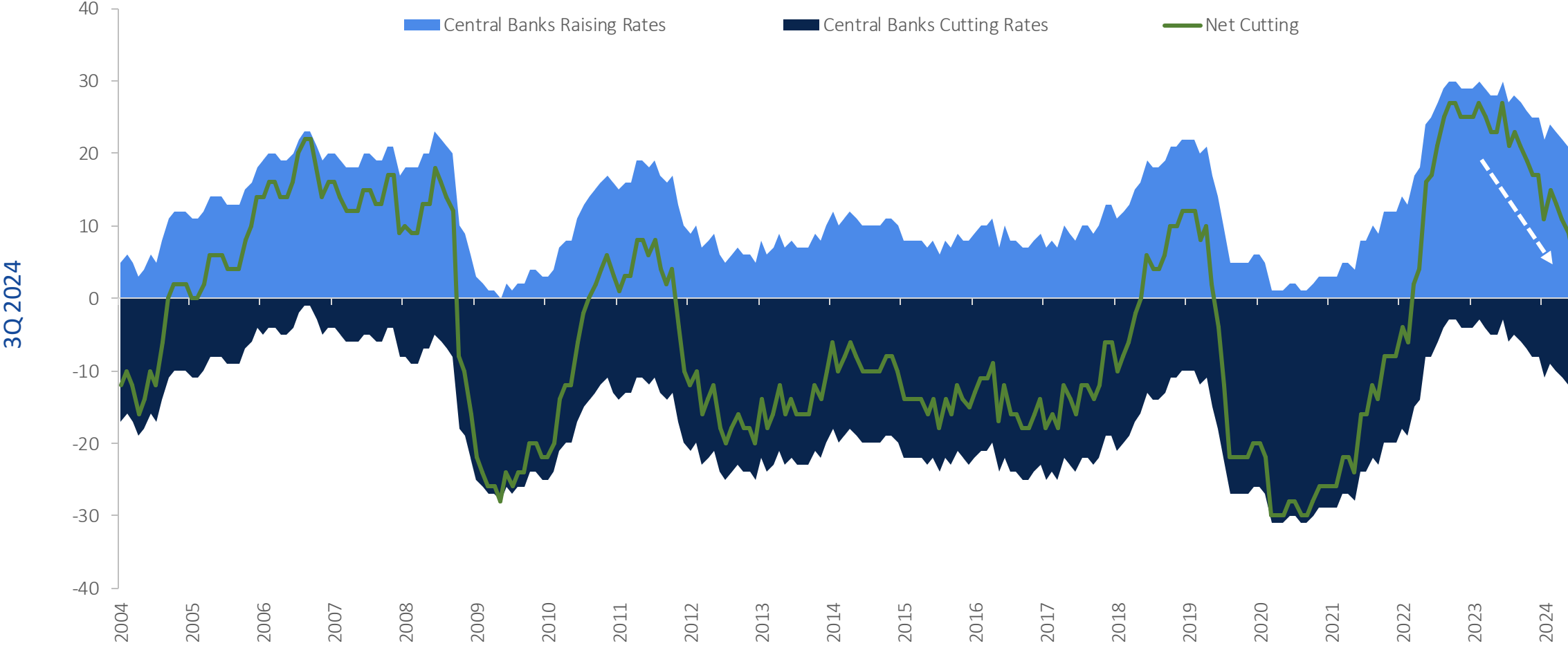
# Inflation Update – What is the Federal Reserve Looking For?

3Q 2024



Disclosures: Data is sourced from U.S. Bureau of Labor Statistics. Core Consumer Price Index (CPI) excludes food and energy. Latest available data as of 6/30/2024.

# Interest Rates – More Central Banks are Starting to Cut Interest Rates

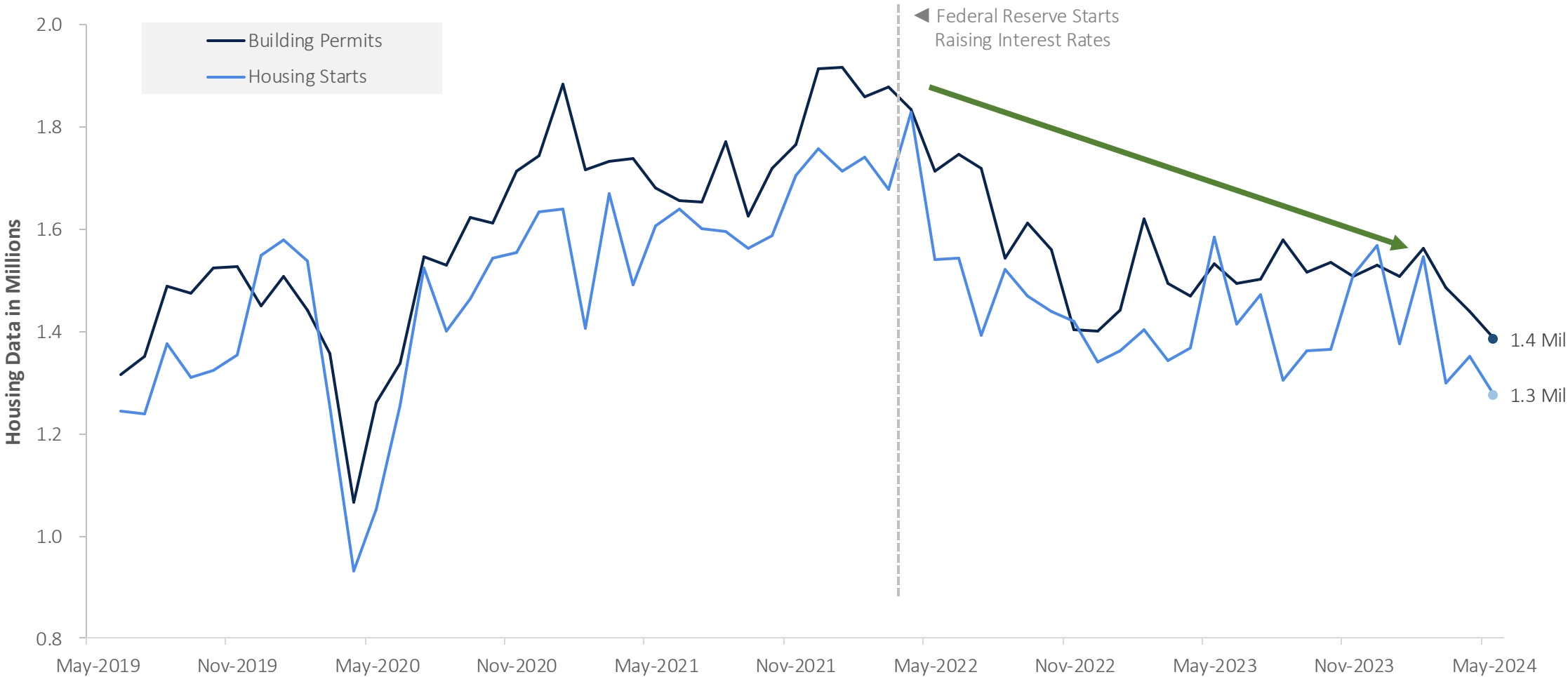


Disclosures: Data is sourced from Federal Reserve and individual central banks. Latest available data as of 6/30/2024.



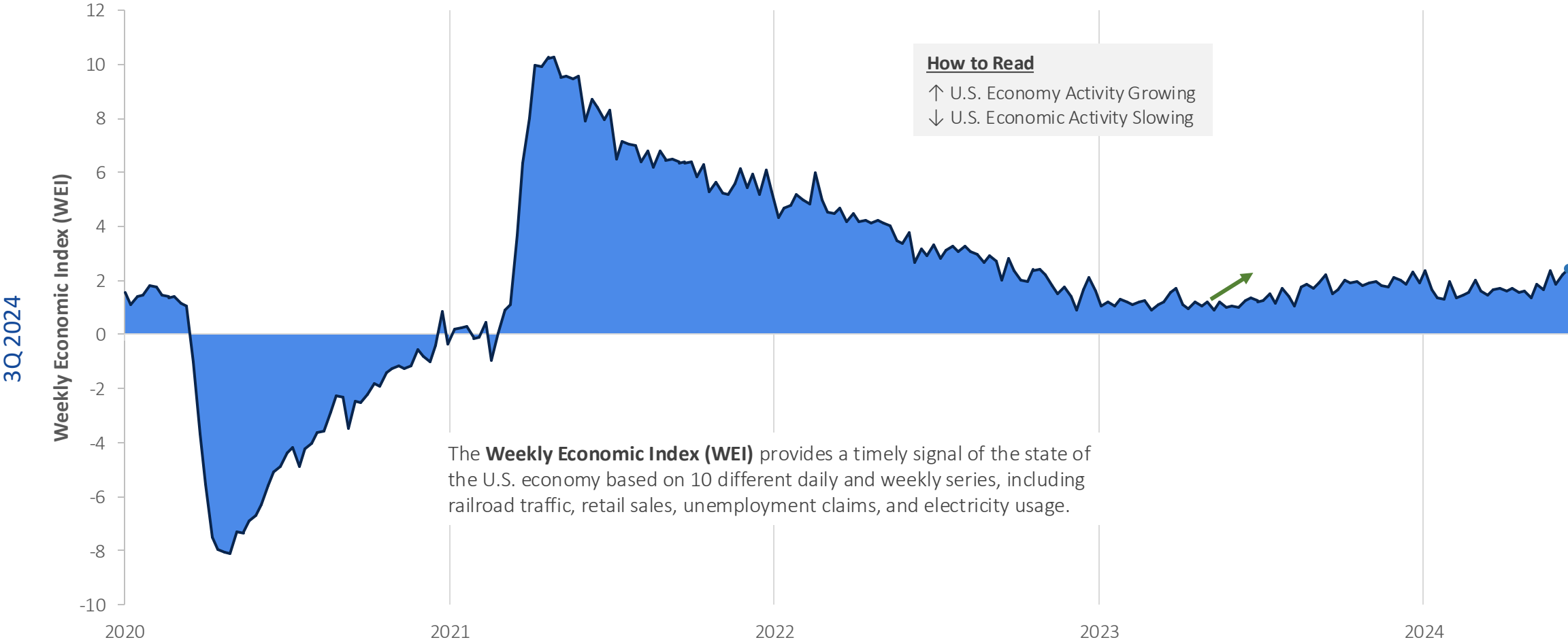
# Housing Market – Building Permits and Housing Starts Fall to 4-Year Lows

3Q 2024



Disclosures: Data is sourced from U.S. Census Bureau. Latest available data as of 6/30/2024.

# U.S. Economy – Monitoring the Economy on Weekly Basis

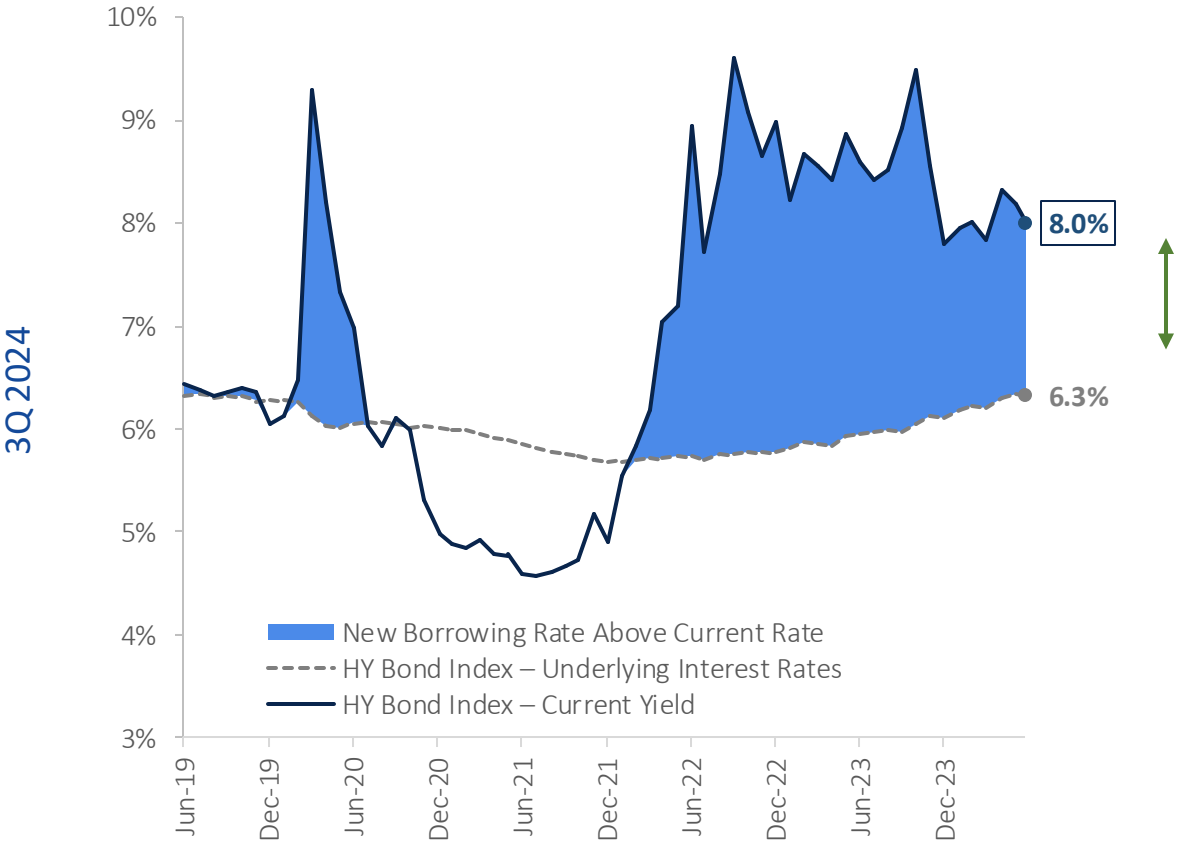


Disclosures: Data is sourced from Federal Reserve. Latest available data as of 6/21/2024.

# What We're Monitoring – High Yield Corporate Bond Market

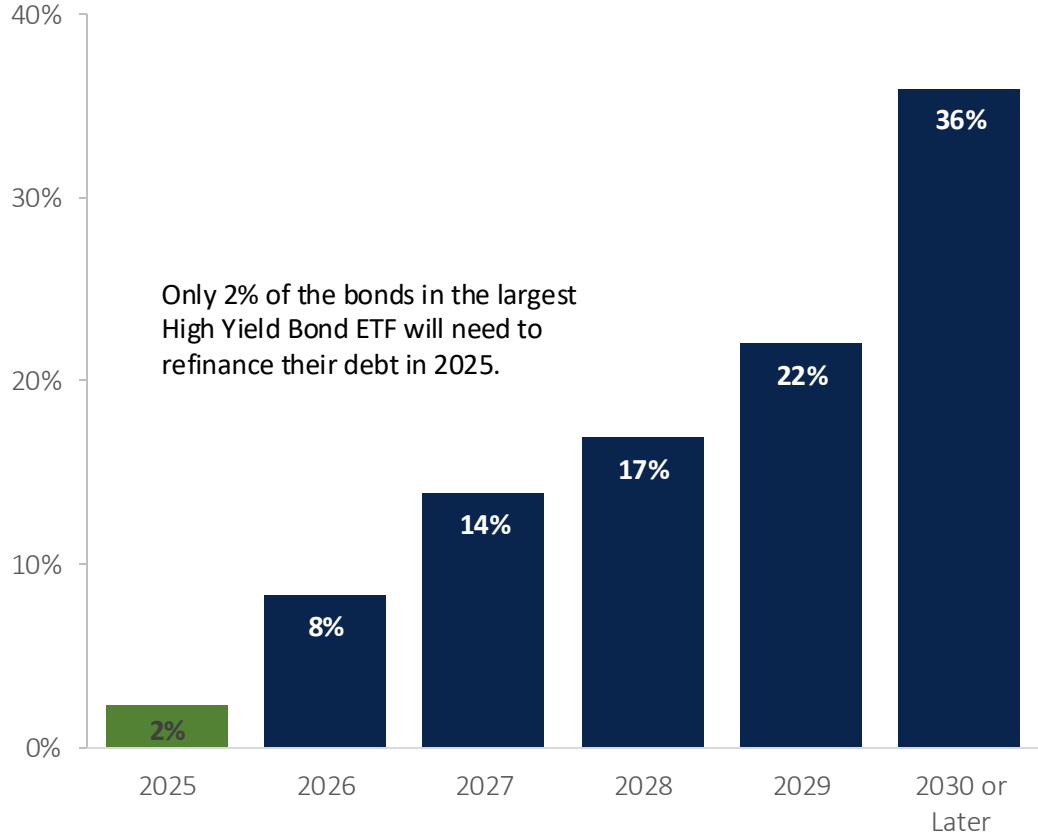
## Current Yield vs Underlying HY Bond Coupon Rates

ICE BofA US High Yield Index (June 2019 to June 2024)



## Low Percentage of Companies Refinancing Until 2027

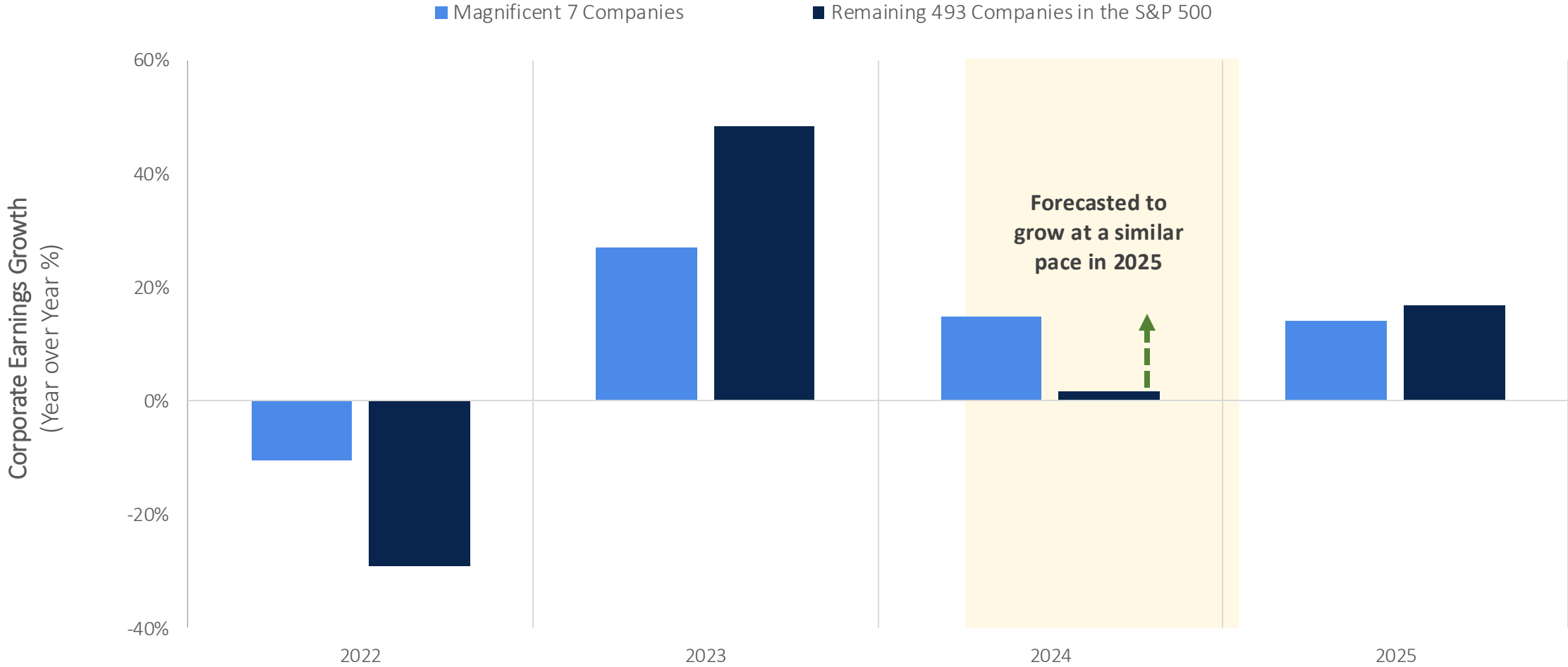
Bond maturities by year for one of the largest HY bond ETFs (HYG)



Disclosures: Data is sourced from Federal Reserve and iShares High Yield Corporate Bond ETF (HYG). Latest available data as of 6/30/2024.

# New Opportunities – Corporate Earnings are Forecasted to Rebound

3Q 2024



Disclosures: Data is based on the holdings of the State Street SPDR S&P 500 ETF (SPY). Earnings growth is based on the rolling next 12-month estimate since 12/31/2021. Latest available data as of 6/30/2024.

# Questions?

# Definitions

<b>2Y / 10Y / 30-Year Treasury Bonds</b>	Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.
<b>Consumer Price Index (CPI)</b>	Measures the changes in the price level of a basket of consumer goods and services purchased by households.
<b>Federal Fund's Rate</b>	The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.
<b>Federal Reserve</b>	The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system
<b>Forward Price to Earnings Ratio</b>	The forward P/E ratio (or forward price-to-earnings ratio) divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.
<b>Growth Stocks</b>	Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.
<b>Inflation</b>	A general rise in price level relative to available goods and services.
<b>ISM Purchasing Managers Index (PMI)</b>	The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.
<b>Price Return</b>	The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.
<b>Real Yield</b>	The interest rate earned on a fixed income investment after factoring in the impact of inflation as measured by the Consumer Price Index (CPI).
<b>Total Return</b>	Return on a portfolio of investments including capital appreciation and income received on the portfolio.
<b>Unemployment Rate</b>	A lagging economic indicator which is calculated as the percent of the labor force that is jobless.
<b>Value Stocks</b>	Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

3Q 2024

# Disclosures and Legal Notice

Investing involves risk, including the possible loss of principal. Stock markets can be volatile. Investments in securities of small and medium capitalization companies may involve greater risk of loss and more abrupt fluctuations in market price than investments in larger companies. Investments in fixed-income instruments are subject to the possibility that interest rates could rise, causing their values to decline. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations (“CLOs”), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate.

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A man in a dark suit is seen from behind, looking out a large window at a city skyline. The scene is bathed in a blue, hazy light, suggesting dusk or dawn. The city buildings are silhouetted against the sky. The overall mood is contemplative and professional.

# Thank You

The logo for Arrowroot Family Office, consisting of three white, slanted parallel lines of varying lengths that form a stylized arrow or root shape.

**ARROWROOT**  
Family Office