MARKET PULSE

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TRANSAMERICA ASSET MANAGEMENT, INC.

TRANSAMERICA

2024 MID-YEAR MARKET OUTLOOK SUMMARY

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U.S. ECONOMY

The U.S. economy is likely to conclude the year with cumulative gross domestic product growth of about 2%, which we would view as an environment favorable for stocks and bonds. We see this growth as more weighted toward the second half of the year and potentially accelerating into CY 2025 based on lower rates of inflation, Federal Reserve rate cuts, and rising corporate earnings growth. We believe inflation will continue to decline, with consumer price index and personal consumption expenditures core measures combining to average below 3% by year-end and further declining into 2025.

FIXED INCOME

We believe the door remains open at the Federal Reserve for a pair of 0.25% rate cuts in the fourth quarter, concluding the year with a federal funds target range of 4.75%–5.00%. We also see the Fed further reducing rates thereafter and potentially finishing CY 2025 with a fed funds rate target range of 4.00%–4.25%. We expect the yield curve to incrementally flatten to a less inverted slope by year-end 2024 before normalizing back to an upward slope in 2025. This expectation is based in large part on the 10-year Treasury bond yield concluding the year at 4.25% and maintaining that level in 2025. Against this backdrop, we view intermediate-term, investment-grade bonds as providing a strong risk-reward profile for bond investors.

U.S. STOCKS

In our judgment, the equity markets can achieve annualized, double-digit total returns over the next two years. Our year-end 2024 price target on the S&P 500® is 5,800 with prospects to reach 6,300 by the conclusion of 2025. Key catalysts for stocks over this time include Fed rate cuts, declining inflation, and, most importantly, rising corporate earnings growth. We continue to prefer growth stocks over value for the upcoming one-year time frame but thereafter a case can begin to be made for value over the longer term.

INTERNATIONAL STOCKS

International stocks could be positioned for some degree of catch up versus their U.S. counterparts, as valuation measures have hit historically wide differentials. Against this backdrop, we see potential catalysts for international developed stocks as including a sharper decline of inflation in the eurozone combined with corresponding European Central Bank rate cuts and an improving market environment in Japan.

WILD CARDS

While the upcoming November elections promise to comprise a good bit of drama mostly driven by what appears will be closely fought contests for party control of the White House, Senate, and House of Representatives, we believe markets will likely respond most favorably to split leadership across the executive and legislative branches. Post election, focus will likely quickly center on future tax legislation, as various components within the Tax Cuts and Jobs Act of 2017 are set to expire by year-end 2025.

THOMAS R. WALD, CFA®

CHIEF INVESTMENT OFFICER
TRANSAMERICA ASSET MANAGEMENT, INC.

Tom oversees investment and mutual fund development and the sub-adviser selection process. He heads Transamerica Asset Management's investment thought leadership with advisors, clients, and media. Tom has more than 30 years of investment experience and has managed large mutual funds and sub-advised separate account portfolios. Tom holds a bachelor's degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.

Visit: transamerica.com/2024-midyear-market-outlook

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be suitable for all investors.

Past performance does not guarantee future results. Indexes are unmanaged and an investor cannot invest directly in an index.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time. Indexes are unmanaged and an investor cannot invest directly in an index.

Fixed income investing is subject to credit rate risk, interest rate risk, and inflation risk. Credit risk is the risk that the issuer of a bond won't meet their payments. Inflation risk is the risk that inflation could outpace a bond's interest income. Interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond. Investing in floating rate loans may be subject to greater volatility and increased risks.

Growth stocks typically are particularly sensitive to market movements and may involve larger price swings because their market prices tend to reflect future expectations. Growth stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market favors "value" stocks. Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that an undervalued stock is actually appropriately priced.

Investments in global/international markets involve risks not associated with U.S. markets, such as currency fluctuations, adverse social and political developments, and the relatively small size and lesser liquidity of some markets. These risks may be greater in emerging markets.

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The 10-Year U.S. Treasury bond is a U.S. Treasury debt obligation that has a maturity of 10 years.

S&P 500® Index: An unmanaged index of 500 common stocks primarily traded on the New York Stock Exchange, weighted by market capitalization.

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