

WHERE WE STAND

MARKET OUTLOOK
SEPTEMBER 2022

SEPTEMBER 7, 2022

TOM WALD, CFA®

Chief Investment Officer,
Transamerica Asset
Management, Inc.

As markets enter the final months of 2022 amid continuing volatility and uncertainties, we want to provide the following update regarding what we believe to be key areas of focus for investors:

U.S. ECONOMY: We see the U.S. economy challenged to achieve positive gross domestic product (GDP) growth for CY 2022 following net economic contraction during the first half of the year. Between now and the end of 2023, we see the odds of a more widespread but still moderate recession (lasting less than a year with a peak-to-trough GDP decline of about 1%) as better than 60%, and within that probability a more prolonged and severe downturn (more than a year with a peak-to-trough GDP decline of 2% or more) to be approximately 20%.

INFLATION: We believe core (ex food and energy) rates of inflation are likely to mitigate into the sub-4% range by year-end as Federal Reserve rate hikes slow demand, supply chain bottlenecks loosen to some degree, and the labor markets begin to soften.

U.S. EQUITIES: Following the sharp rebound off recent bear market lows, we are maintaining our year-end price target of 4,050 on the S&P 500®. However, within this relatively narrow upside for stocks, we believe daily market volatility is likely to remain high as key factors such as inflation, Fed policy, and economic and corporate earnings growth play out in the months ahead. As these market concerns come to fruition in magnitudes perhaps not as harsh as most currently fear, we believe stocks could be setting up quite well for 2023.

INTEREST RATES: We see the Fed continuing to be aggressive in its efforts to curb inflation and believe the federal funds rate is likely to conclude the year at 3.75%. We now see the 10-year Treasury rate likely finishing the year at approximately 3.50%, reflecting a fully inverted yield.

CREDIT MARKETS: While default rates are likely to pick up to some degree, we still believe they will remain below long-term averages and that income-oriented investors may want to take advantage of current high-yield and investment-grade bond yields, now at levels approximately double their rates of a year ago.

INTERNATIONAL STOCKS: Developed and emerging market equities currently face several challenges, including the war in Ukraine, global inflation, potential recession in Europe, and slowing growth in China. While it's clear patience and tolerance for volatility will be required, we believe investors should still consider international developed and emerging equities as strong long-term diversifiers to U.S. stocks as their risk-return profiles could now be somewhat favorable based on the premise that most feared bad news is now close to fully priced in.

WILD CARDS: Additional factors potentially impacting markets between now and year-end could include the war in Ukraine, volatility of energy prices, COVID-19 case trends, and the upcoming November congressional elections.



TRANSAMERICA®

Insurance / Investments / Retirement



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'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/market-outlook

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

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

S&P 500[®]: A market-capitalization weighted index of 500 large U.S. companies with common stock listed on the New York Stock Exchange or NASDAQ Stock Market.

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

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time.

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.

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.

The COVID-19 pandemic has caused substantial market disruption and dislocation around the world including the U.S. Economies and financial markets throughout the world are increasingly interconnected. Economic, financial, or political events, trading and tariff arrangements, terrorism, technology and data interruptions, natural disasters, and other circumstances in one or more countries or regions could be highly disruptive to, and have profound impacts on, global economies or markets.

The information included in this document should not be construed as investment advice or a recommendation for the purchase or sale of any security. This material contains general information only on investment matters; it should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information does not take into account any investor's investment objectives, particular needs, or financial situation. The value of any investment may fluctuate. This information has been developed by Transamerica Asset Management, Inc. and may incorporate third-party data, text, images, and other content to be deemed reliable.

Comments and general market-related projections are based on information available at the time of writing and believed to be accurate; are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm, and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.

Transamerica Asset Management, Inc. is an SEC-registered investment adviser. The funds advised and sponsored by Transamerica Asset Management, Inc. include Transamerica Funds and Transamerica Series Trust. Transamerica Asset Management, Inc., is an indirect wholly owned subsidiary of Aegon N.V., an international life insurance, pension, and asset management company.

1801 California Street, Suite 5200, Denver, CO 80202, USA

2410913

© 2022 Transamerica Corporation. All Rights Reserved.



TRANSAMERICA[®]

Insurance / Investments / Retirement