



FIFTH THIRD
PRIVATE BANK

U.S. Economic Outlook: The Resilient Economy

Private Bank Investment Management

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Chief Investment Strategist

Tom Jalics is the Chief Investment Strategist at Fifth Third Private Bank where he is responsible for leading the Investment Management Group's asset allocation process, both strategic and tactical, which informs the management of the \$40+ billion in assets under management (AUM) at the bank.

He provides internal and external communication on the economy and the markets, making public speaking and media appearances on behalf of the bank. Additionally, Tom is a discretionary investment portfolio manager focusing on high net-worth clients. Prior to his current role, Tom was the Chief Market Strategist and Director of Asset Allocation at the firm and has over 25 years of industry experience.

Tom earned a Bachelor of Arts in Chemistry and Economics from Miami University and an MBA from the University of Chicago. He has earned his Chartered Financial Analyst (CFA) professional designation.



U.S. economic snapshot – picture of resiliency

Current and Projected Real GDP Growth Rates:					
Component	% of Economy	2nd Quarter 2024	3rd Quarter 2024	Consensus* 2024	Consensus* 2025
Private Consumption	67.9%	2.8%	3.7%	2.5%	2.0%
Government	17.2%	3.1%	5.0%	2.9%	1.3%
Private Investment	18.2%	8.3%	0.3%	4.1%	3.0%
Exports	10.9%	1.0%	8.9%	2.5%	2.8%
Imports	-14.2%	7.6%	11.2%	4.7%	3.3%
Total	100%	3.0%	2.8%	2.6%	1.9%

Source: Bloomberg, as of 10/31/2024

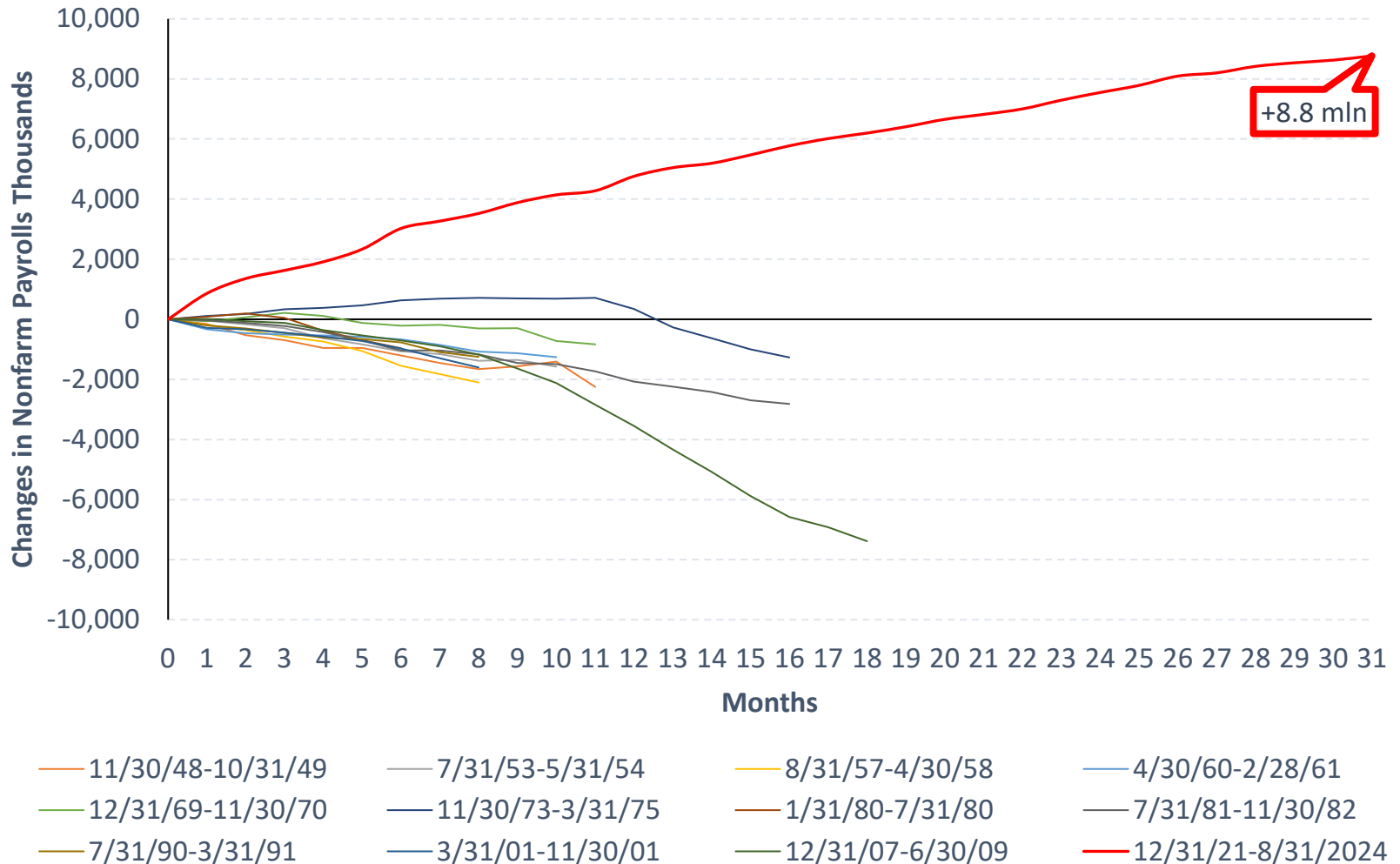
*Bloomberg monthly economist survey

Support for growth: consumer economy



Source: Macrobond, BLS, as of 11/8/2024
Data from 1929-1947: annual unemployment rate, 14 years and over
Data from 1948 to current: monthly unemployment rate, 16 years and over

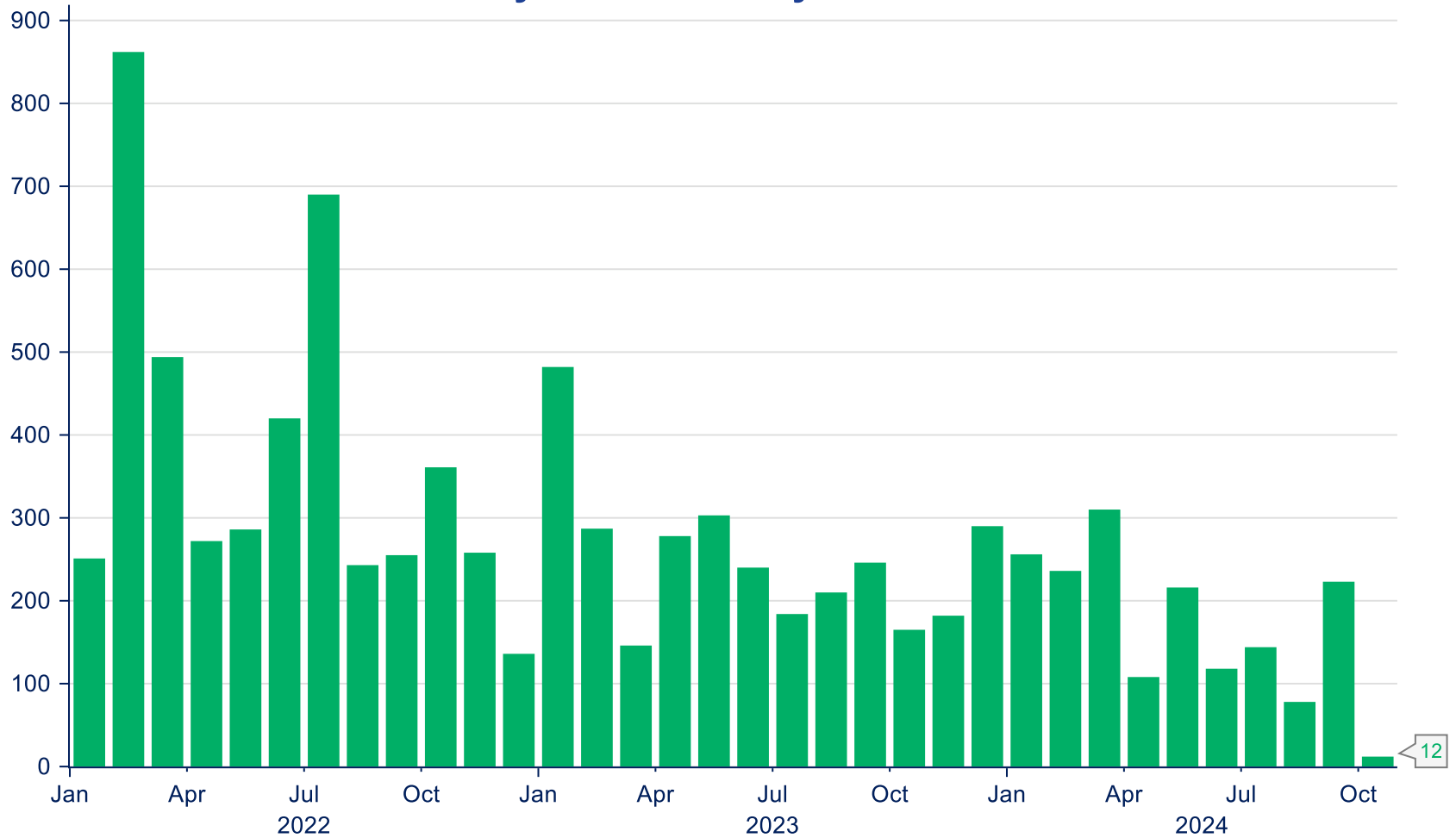
Nonfarm payroll changes during recessions vs. today



*source: Bloomberg, U.S. Bureau of Labor

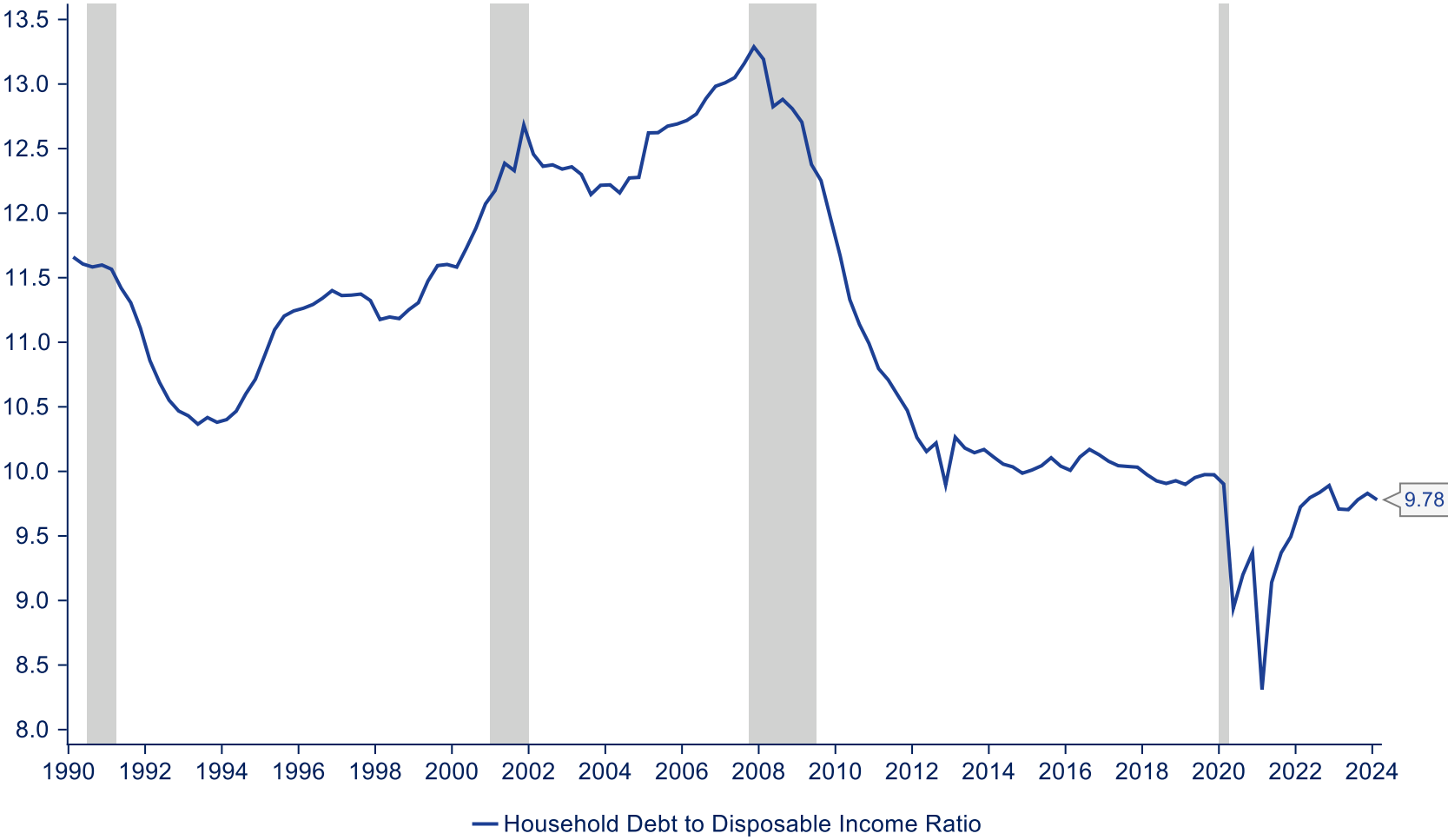
Nonfarm payroll changes

Monthly NonFarm Payroll Additions



Source: Macrobond, Bloomberg, as of 11/8/2024

Household debt burden below historic average



Source: Macrobond, Bloomberg, Federal Reserve, as of 11/8/2024

Corporate financial strength



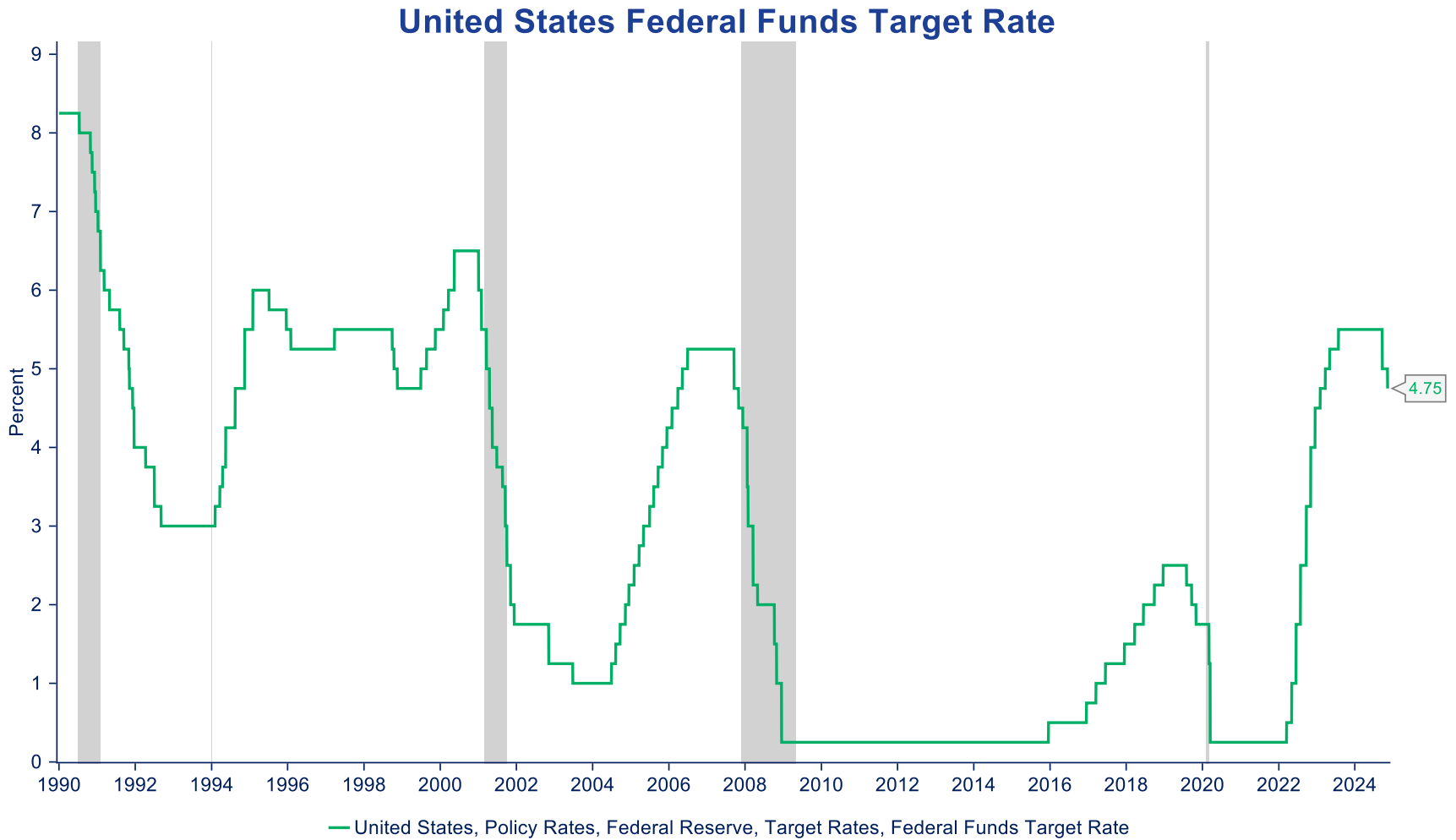
Source: Macrobond, Fed, as of 11/8/2024

Risk to growth: inflation



Source: Macrobond, Bloomberg, as of 11/8/2024

Fed is moving from higher to lower interest rates



Source: Macrobond, Fed, as of 11/8/2024

Fed hiking cycles usually end in recessions

Fed Funds Bottom	Fed Funds Peak	Duration (Years)	Change in Fed Funds (%)	From Start to End of Hikes Plus 12 months, the outcome was:
2/28/2022	8/31/2023	2.58	5.25	No Recession
11/30/2016	1/31/2019	2.25	1.99	No Recession
6/30/2004	8/31/2007	3.25	3.99	Recession
6/30/1999	1/31/2001	1.67	1.22	Recession
2/28/1994	5/31/1995	1.33	2.76	No Recession
2/28/1987	4/30/1989	2.25	3.74	No Recession
2/28/1983	8/31/1984	1.58	3.13	No Recession
7/31/1980	7/31/1981	1.08	10.01	Recession
1/31/1977	4/30/1980	3.33	13	Recession
2/29/1972	9/30/1973	1.67	7.48	Recession
11/30/1967	6/30/1969	1.67	4.77	Recession
4/30/1961	11/30/1966	5.67	4.27	No Recession
7/31/1958	11/30/1959	1.42	3.32	Recession

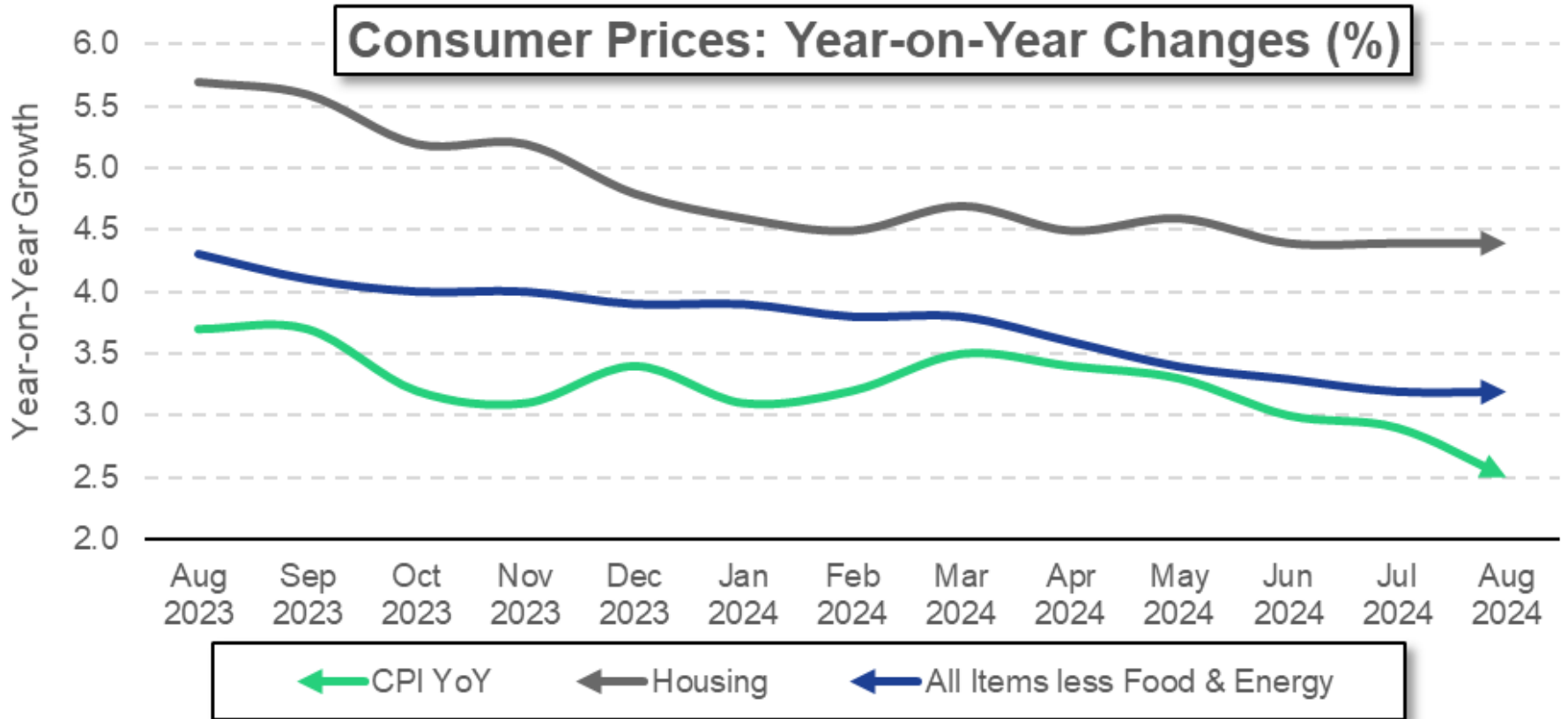
*Source: Bloomberg Monthly Data as of 8/31/24

Revisiting the risk – core inflation sticky



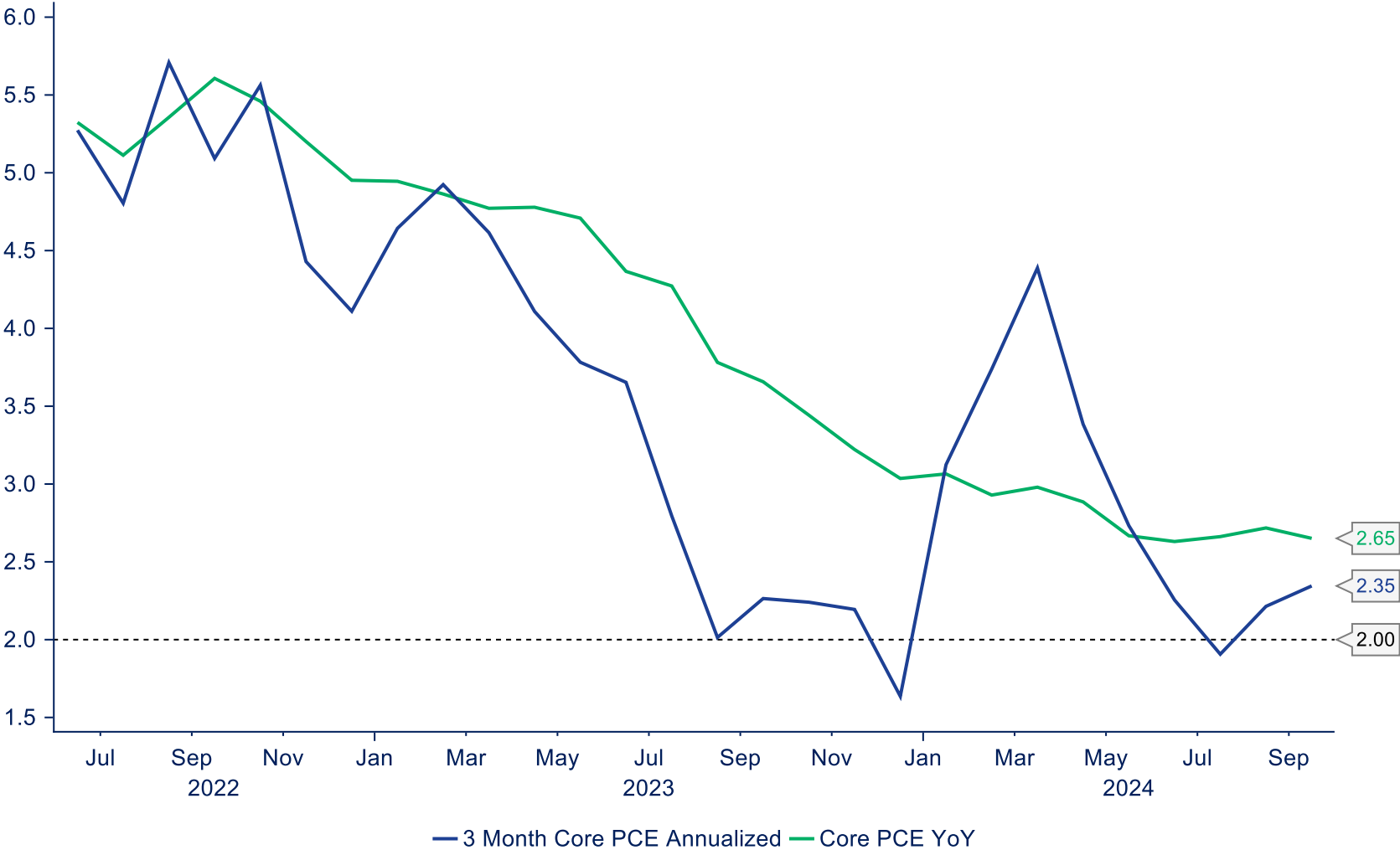
Source: Macrobond, Bloomberg, as of 11/8/2024

Housing related inflation remains sticky



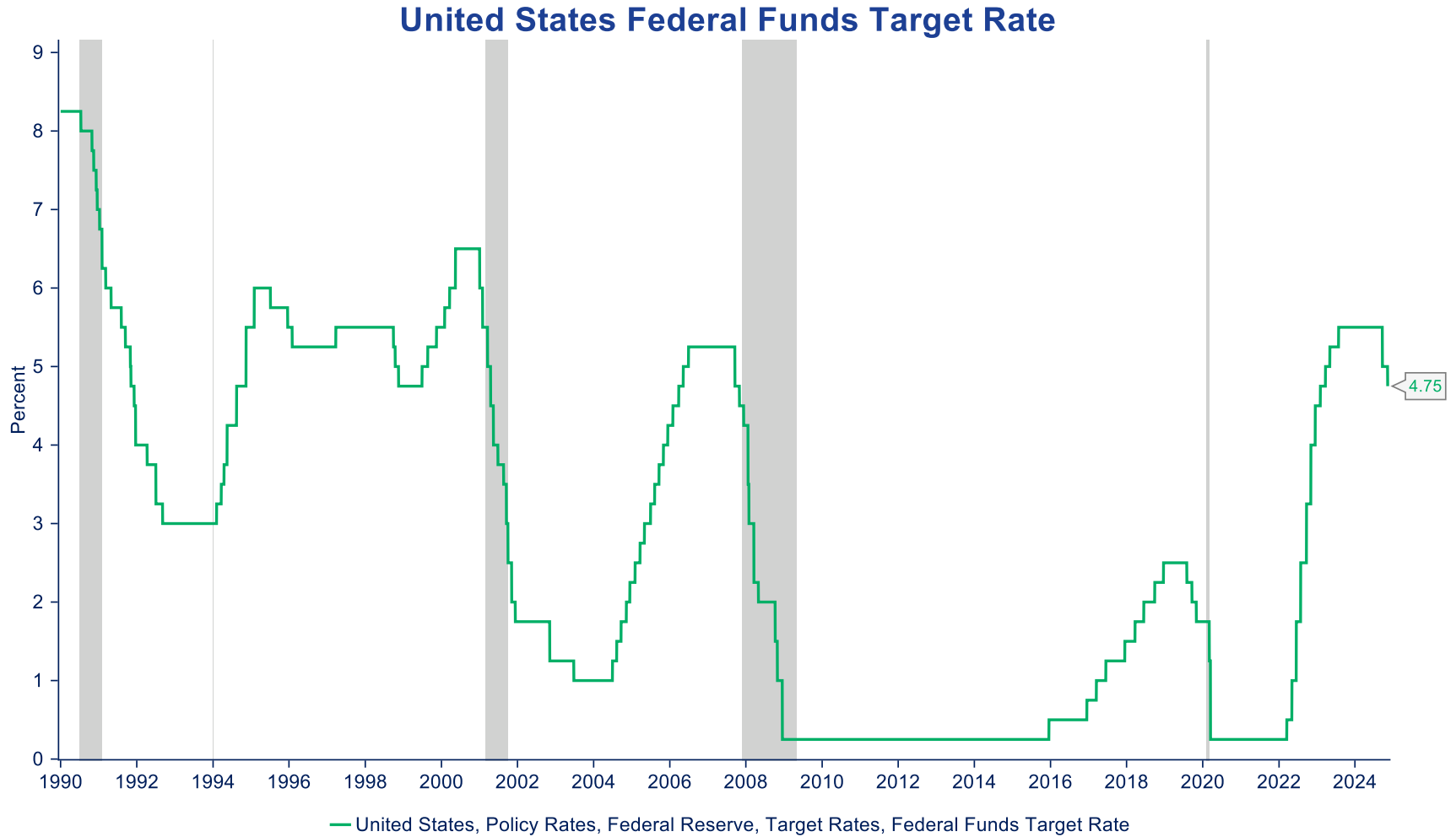
*Source: Bloomberg

Fed's inflation victory lap resumes after first quarter scare



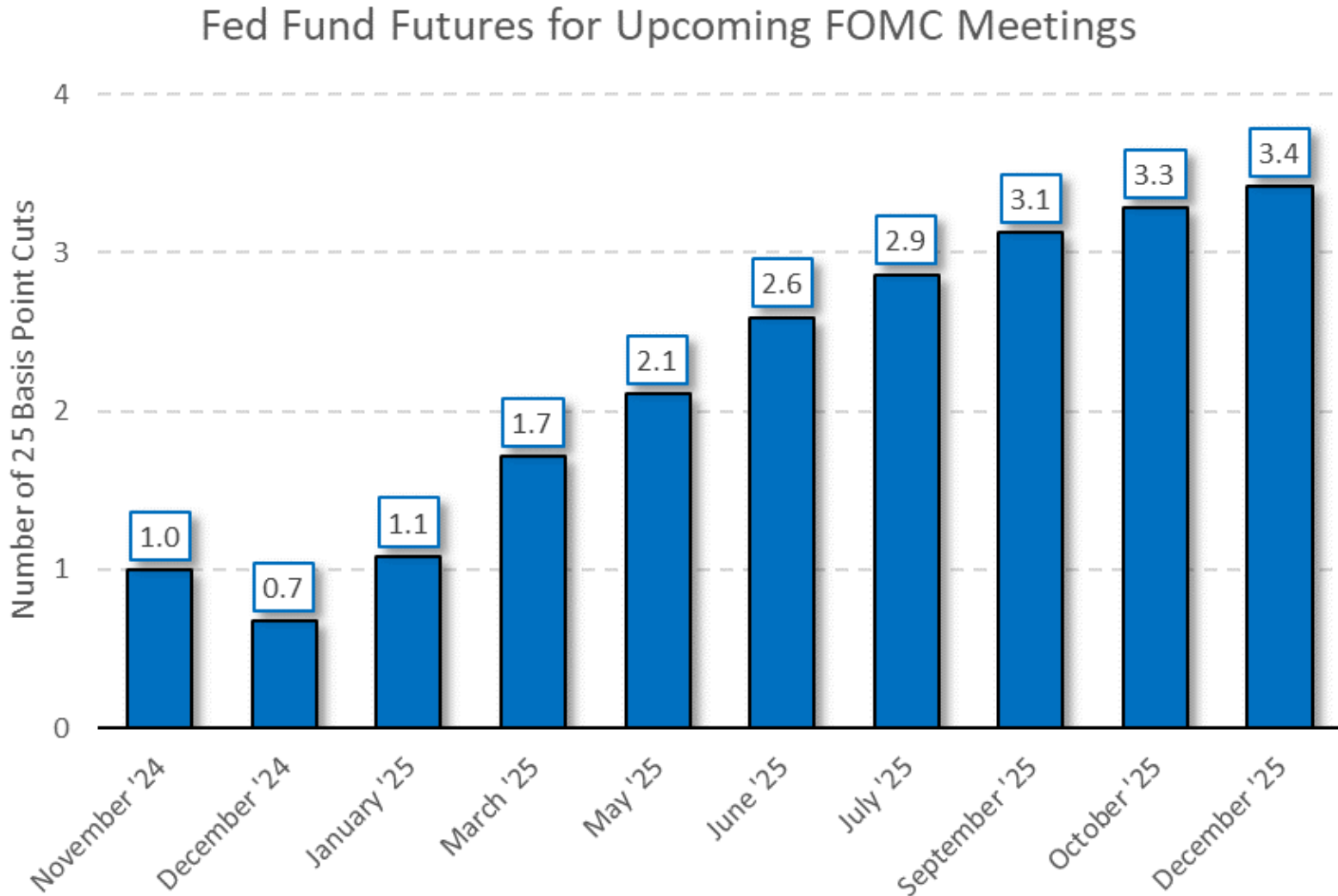
Source: Macrobond, Bloomberg, Bureau of Economic Analysis, as of 11/8/2024

Fed believes that inflation has been solved

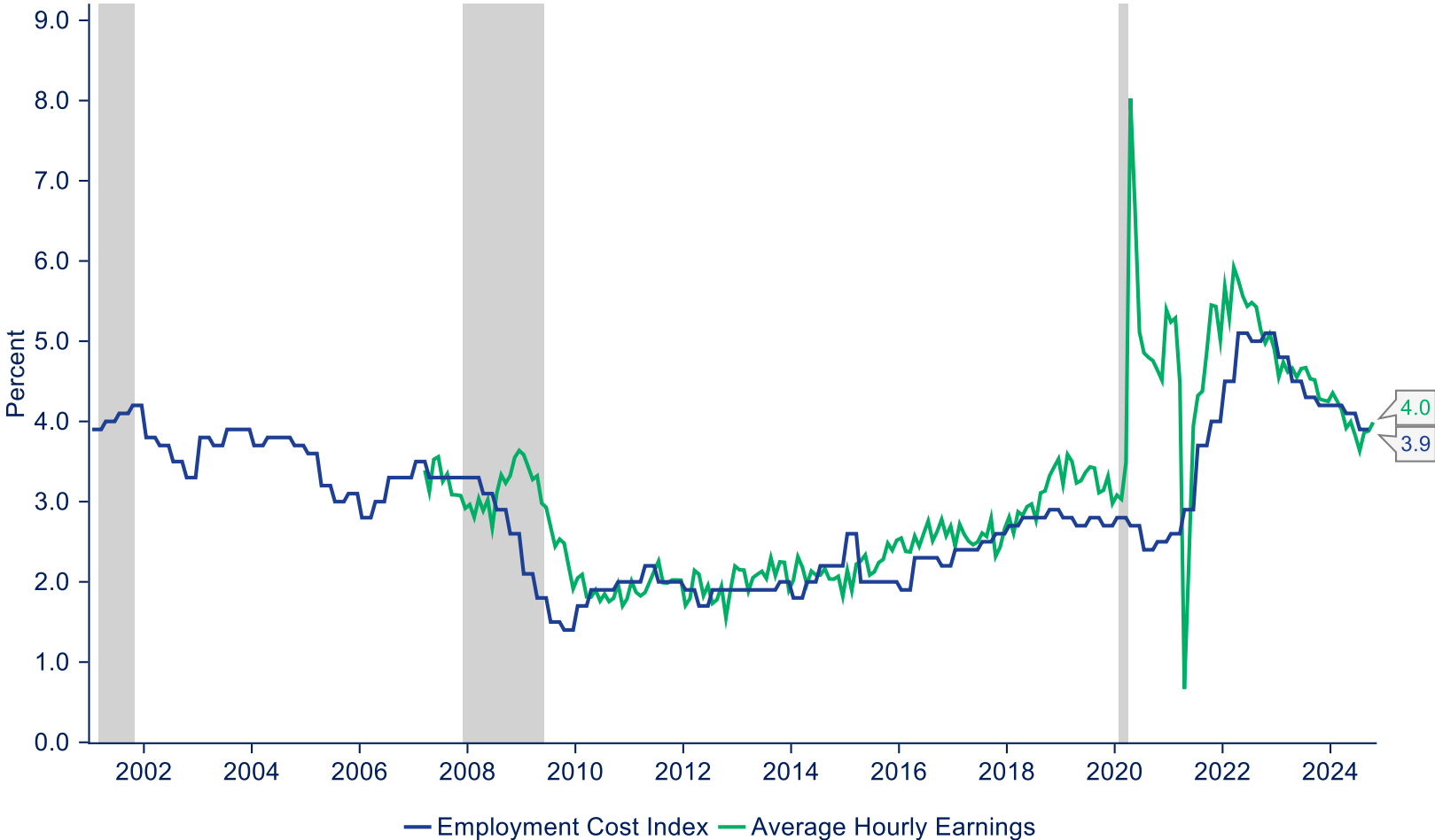


Source: Macrobond, Fed, as of 11/8/2024

Number of cumulative market-implied 25bp rate cuts

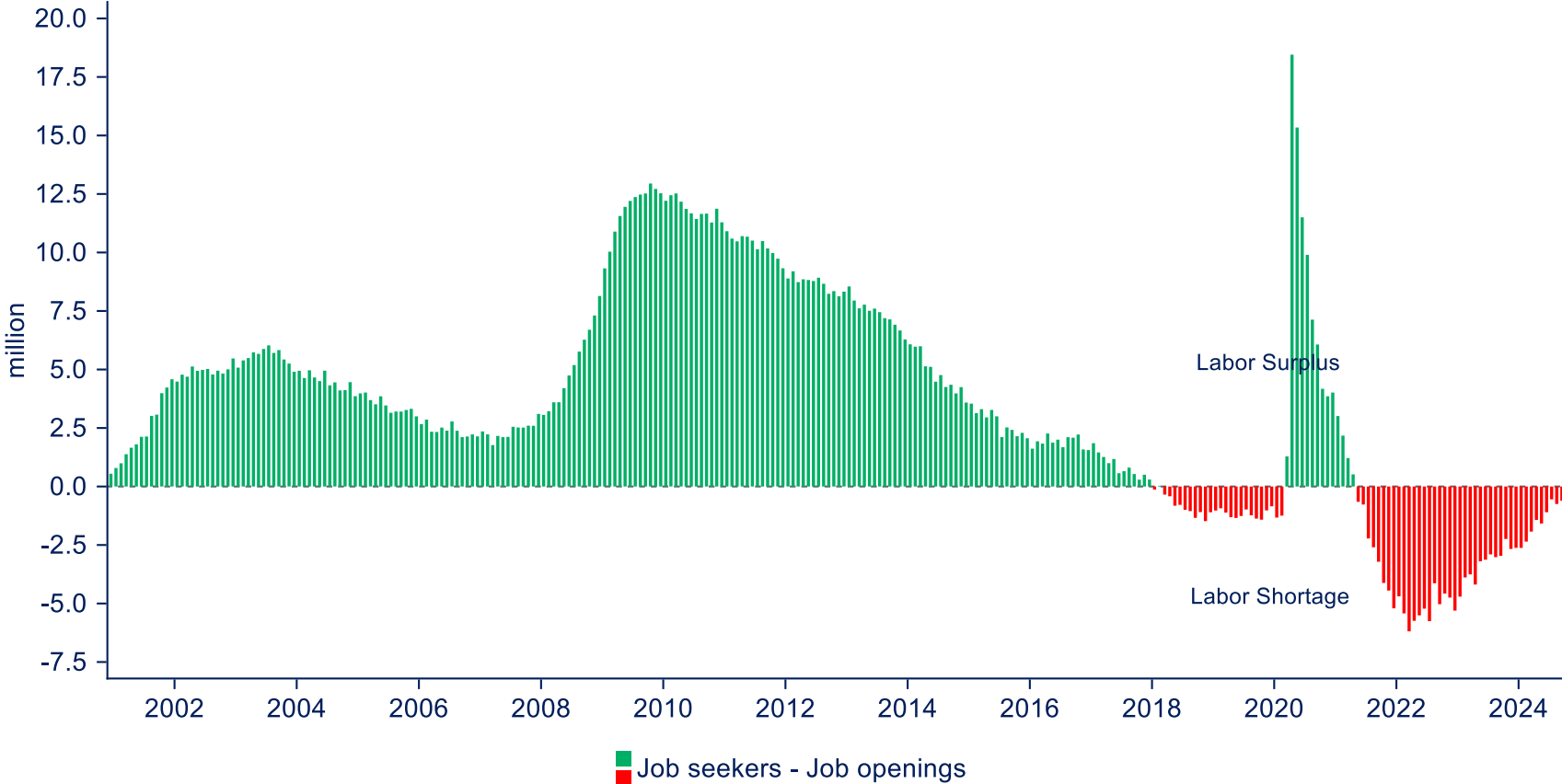


Wage and compensation costs too high



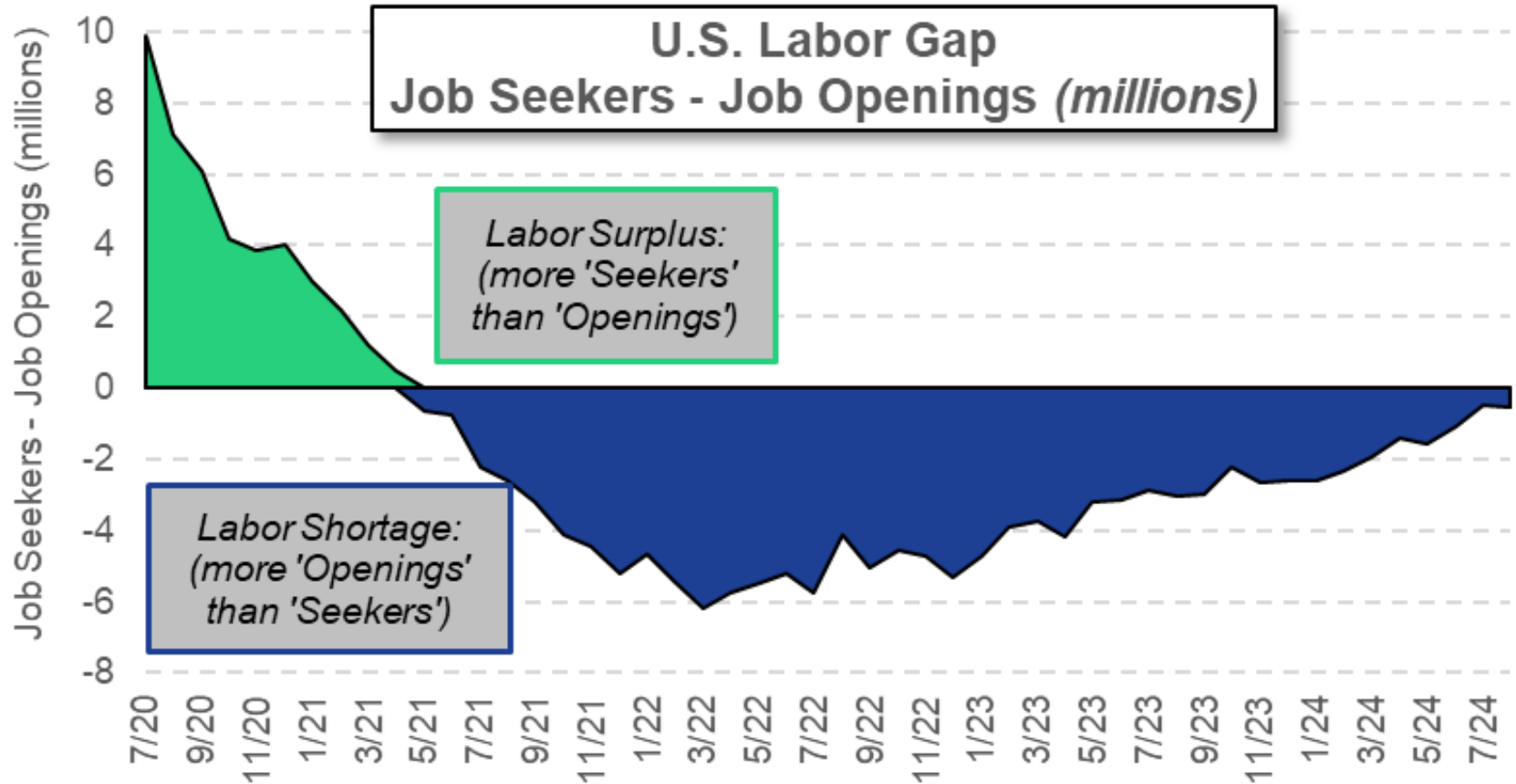
Source: Macrobond, Bloomberg BLS, as of 11/8/2024

Historic labor gap continues



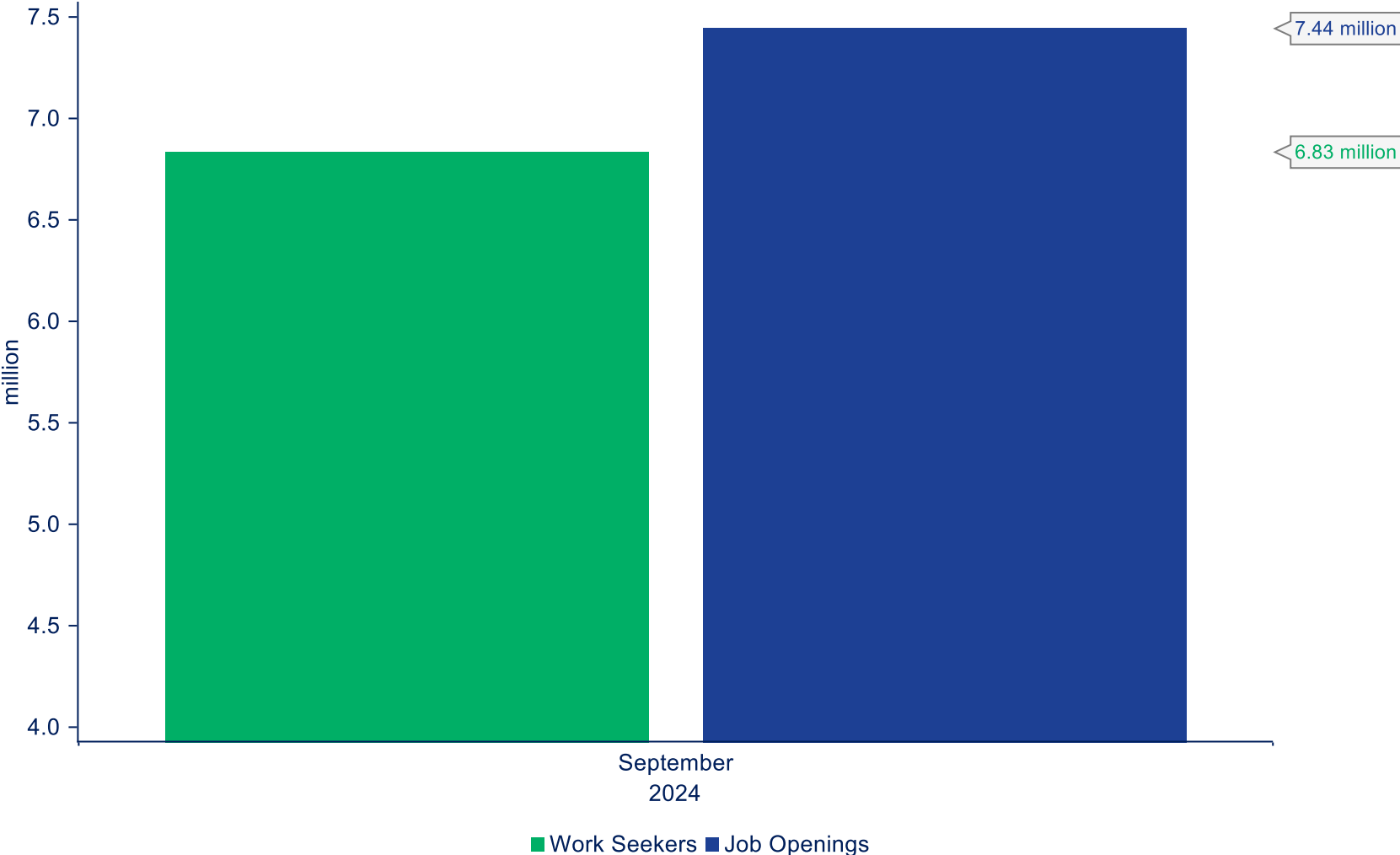
Source: Macrobond, BLS, as of 11/8/2024

Historic labor gap continues



*Source: Bloomberg & Bureau of Labor Statistics

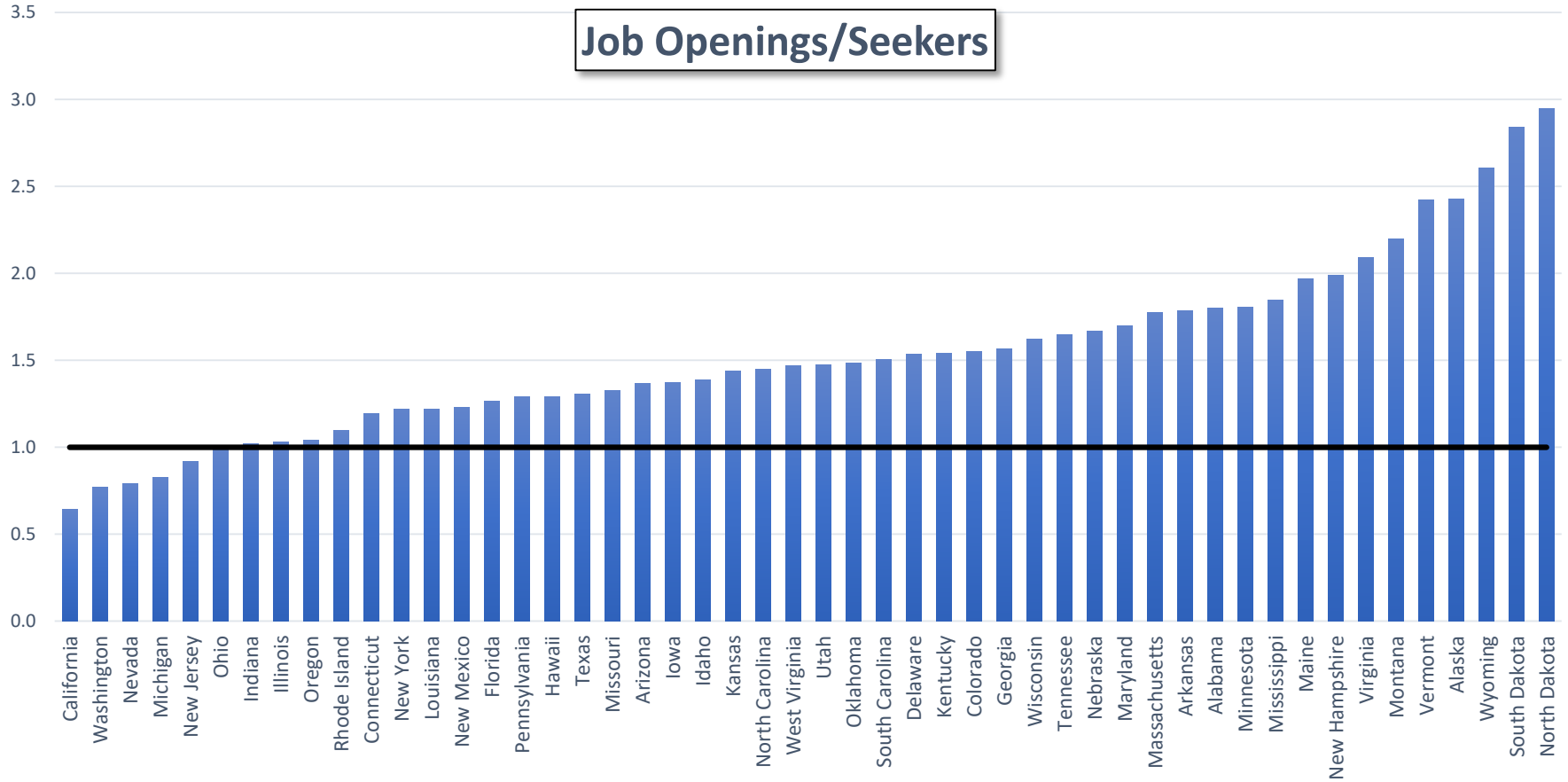
Labor imbalance



Source: Macrobond, BLS, as of 11/8/2024

Historic Labor Gap by State

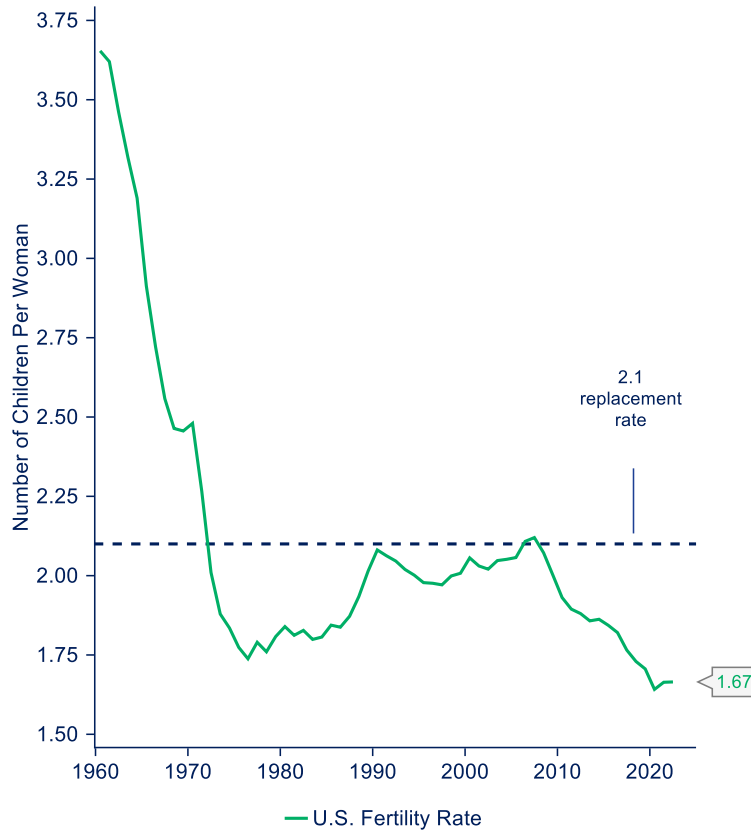
Job Openings/Seekers



*Source: BLS, data as of June 2024

Labor: the multi-decade challenge

Structural issues



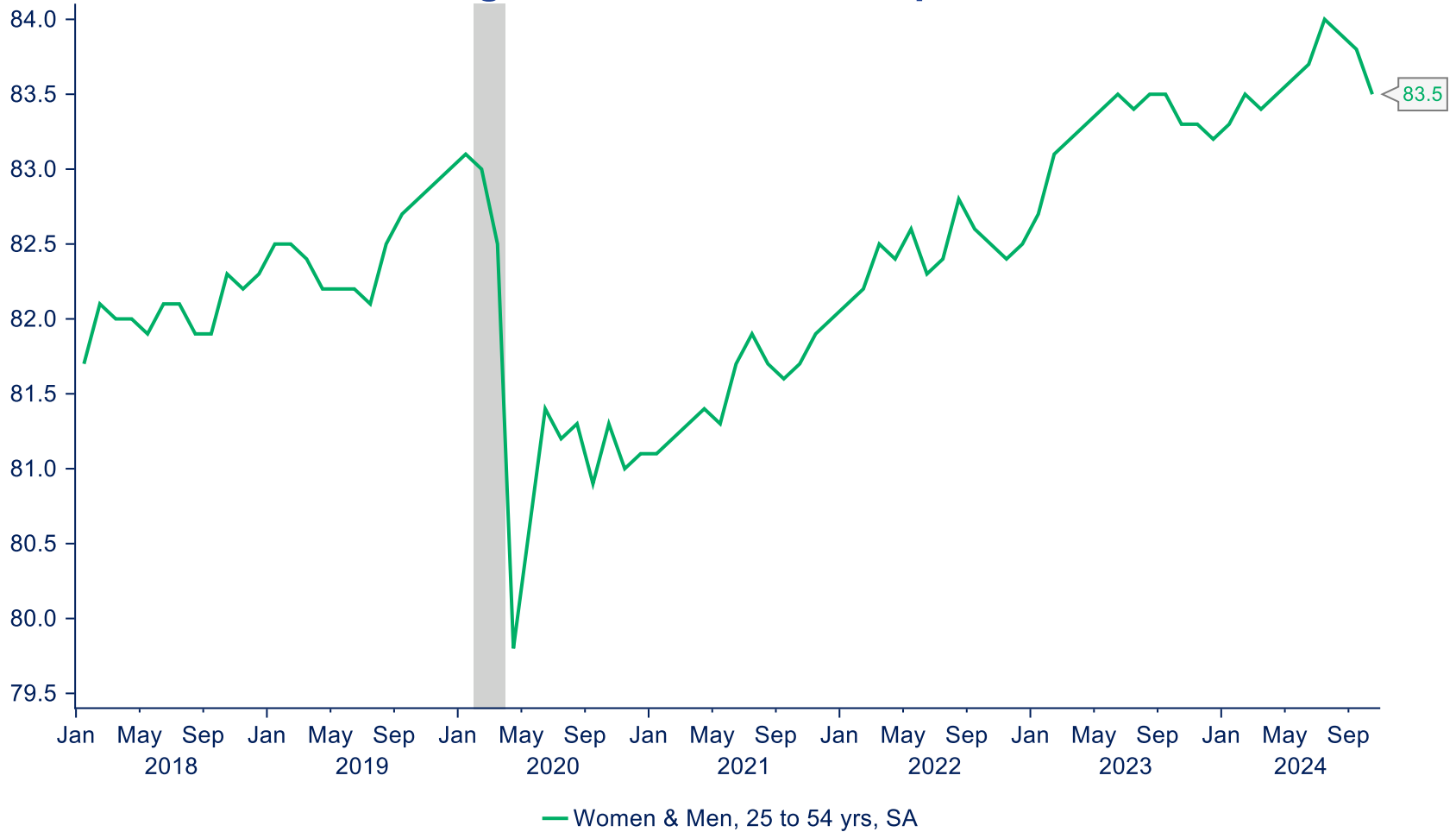
Source: Macrobond, World Bank, as of 11/8/2024

Employers can help themselves

- Eliminate unnecessary barriers
- Flexibility for working parents
- Pathways for older workers
- Establish non-traditional talent pipelines
- Avoid worker burnout

Labor force participation rate

Prime Age Labor Force Participation Rate



Source: Macrobond, BLS, as of 11/8/2024

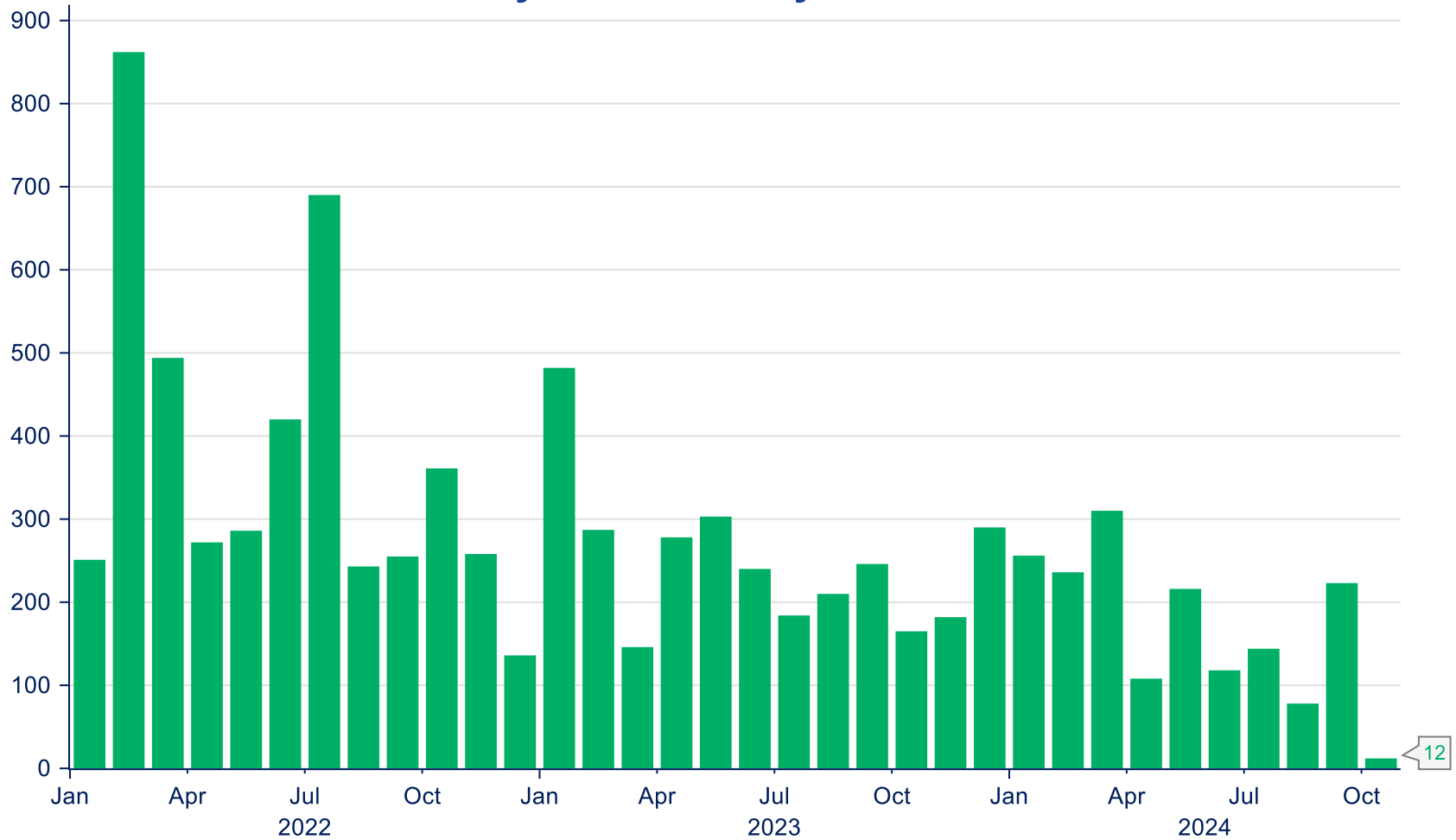
Support for growth: consumer economy



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Data from 1929-1947: annual unemployment rate, 14 years and over
Data from 1948 to current: monthly unemployment rate, 16 years and over

Nonfarm payroll changes

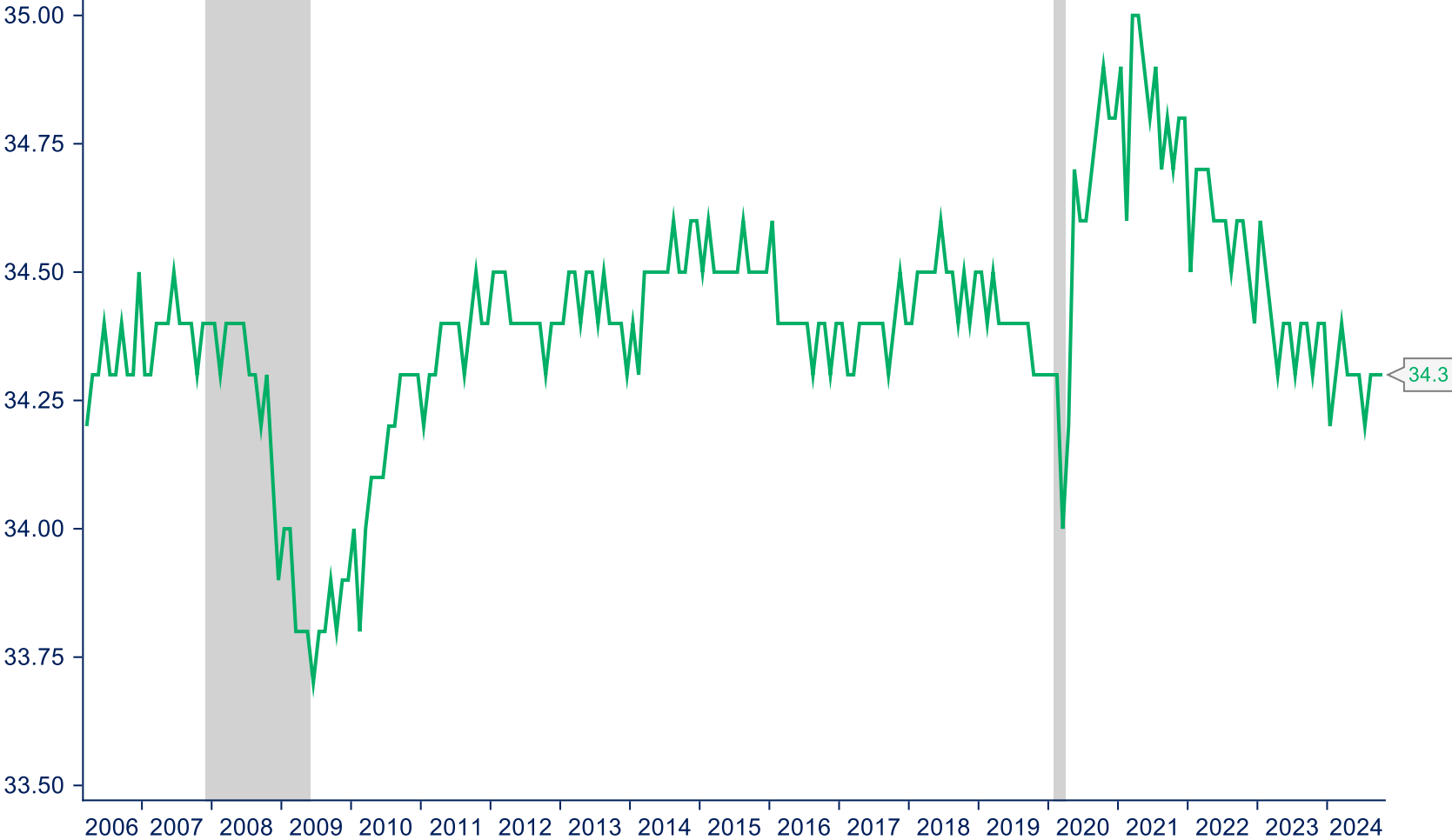
Monthly NonFarm Payroll Additions



Source: Macrobond, Bloomberg, as of 11/8/2024

Average hours worked moving down

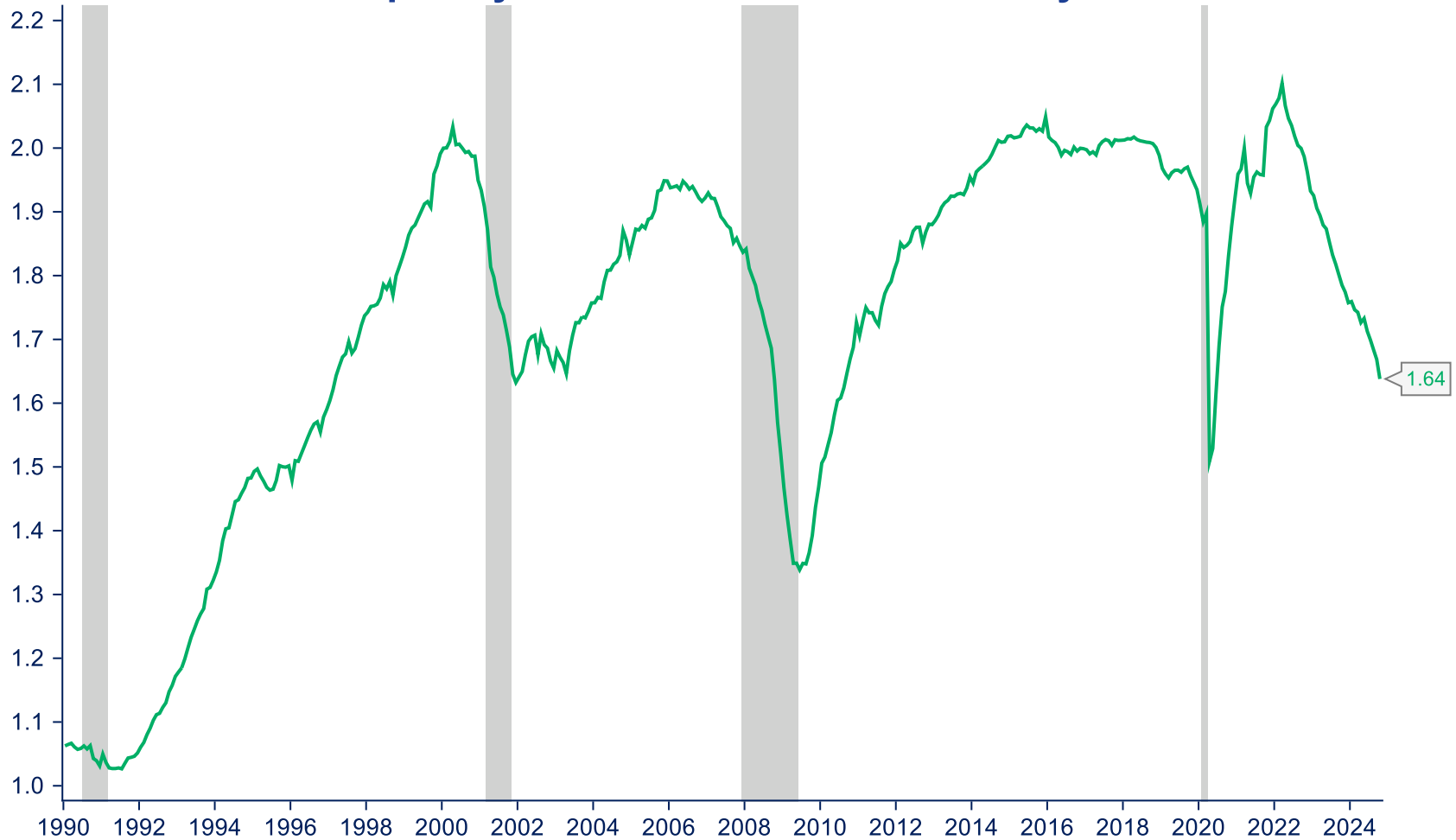
US Average Weekly Hours All Employees Total Private SA



Source: Macrobond, Bloomberg, as of 11/8/2024

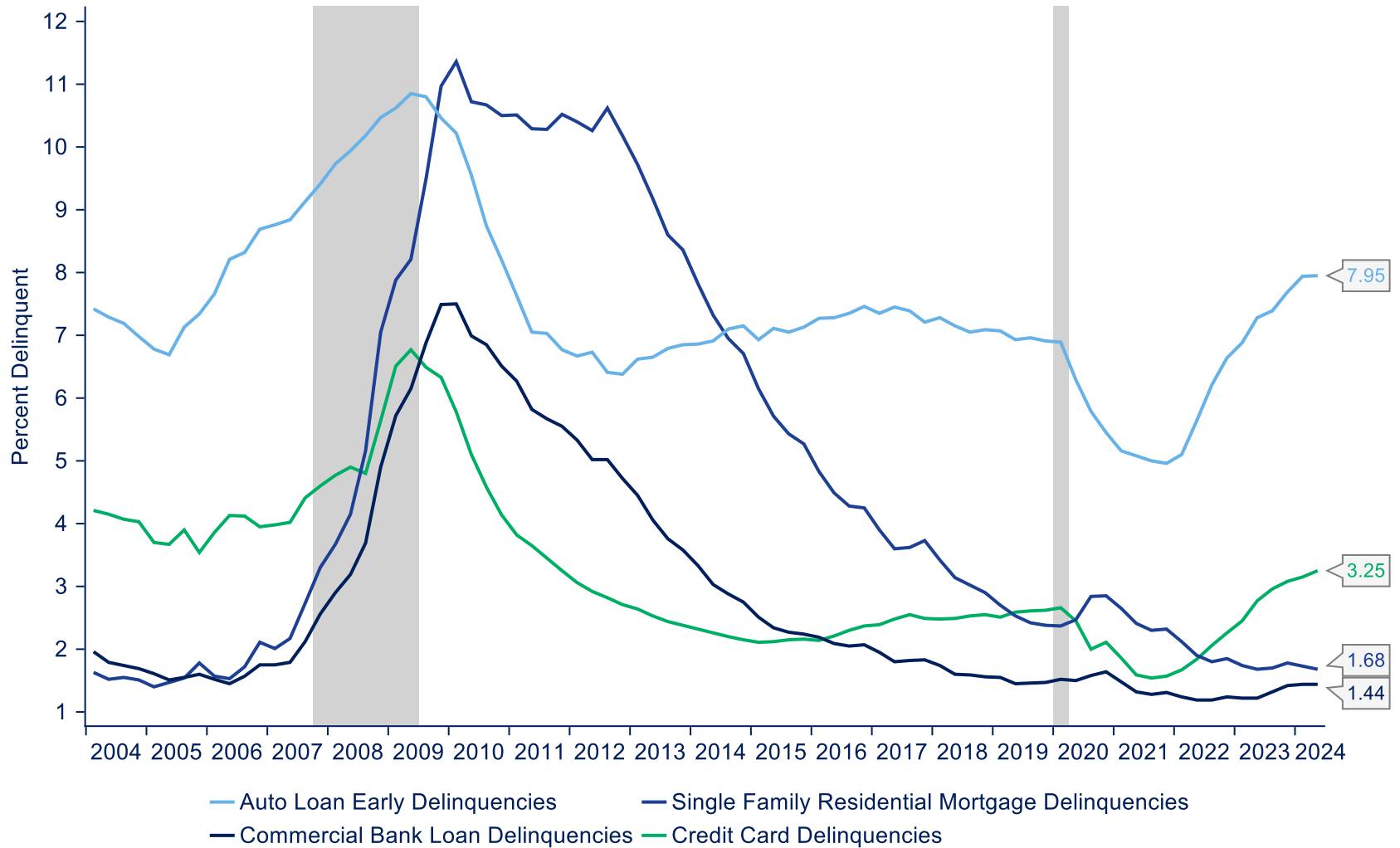
Nonfarm temporary payrolls

Temporary Workers as a % of Total Payrolls



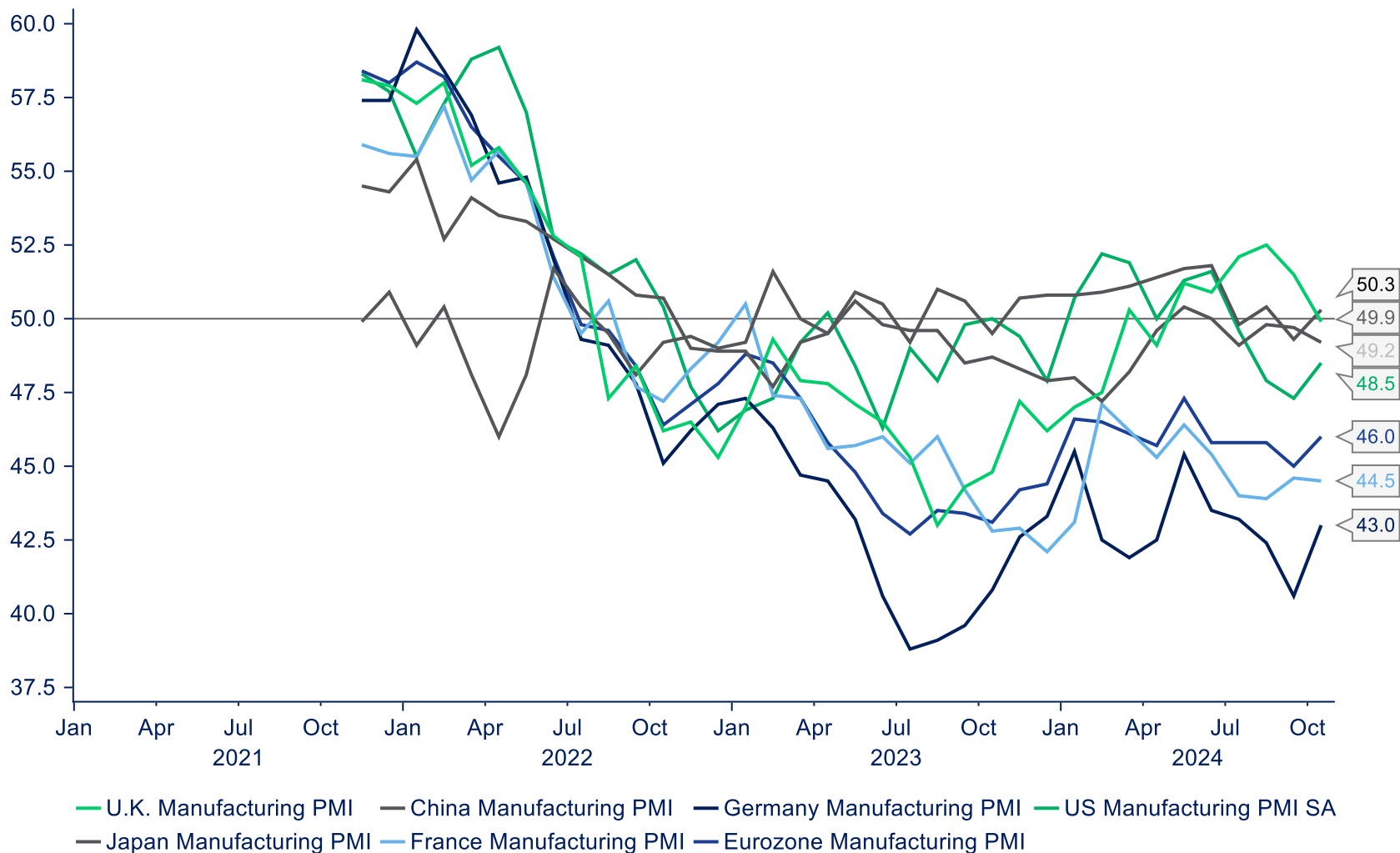
Source: Macrobond, Bloomberg, BLS, as of 11/8/2024

Delinquency rates rising for Credit Cards & Auto Loans



Source: Macrobond, NY Fed, Federal Reserve, Bloomberg, as of 11/8/2024

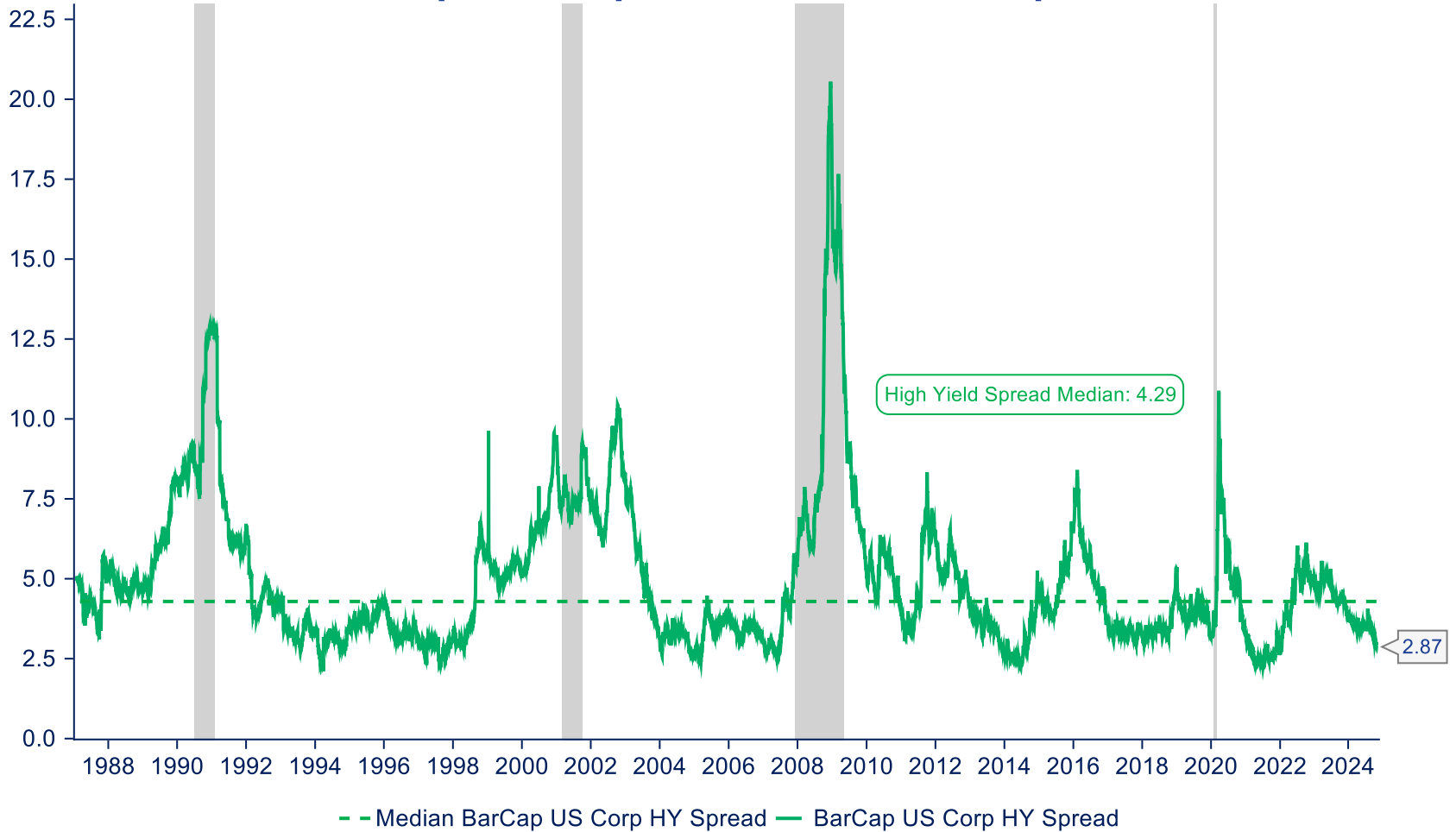
Global Manufacturing PMI data weak



Source: Macrobond, S&P Global, Bloomberg, as of 11/8/2024

Fixed income spreads BELOW historic averages

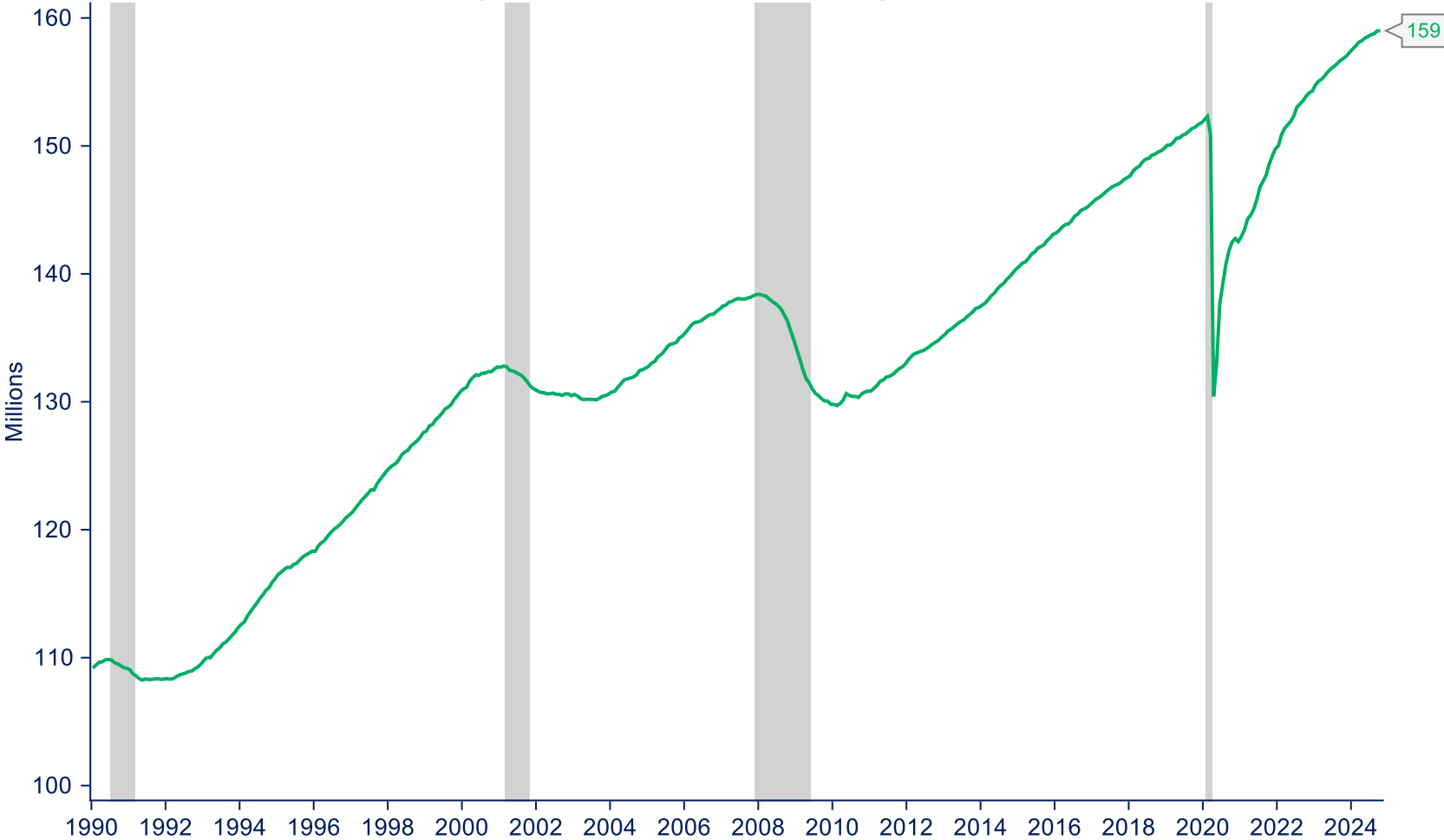
BarCap US Corp HY YTW - 10 Year Spread



Source: Macrobond, Bloomberg, as of 11/8/2024

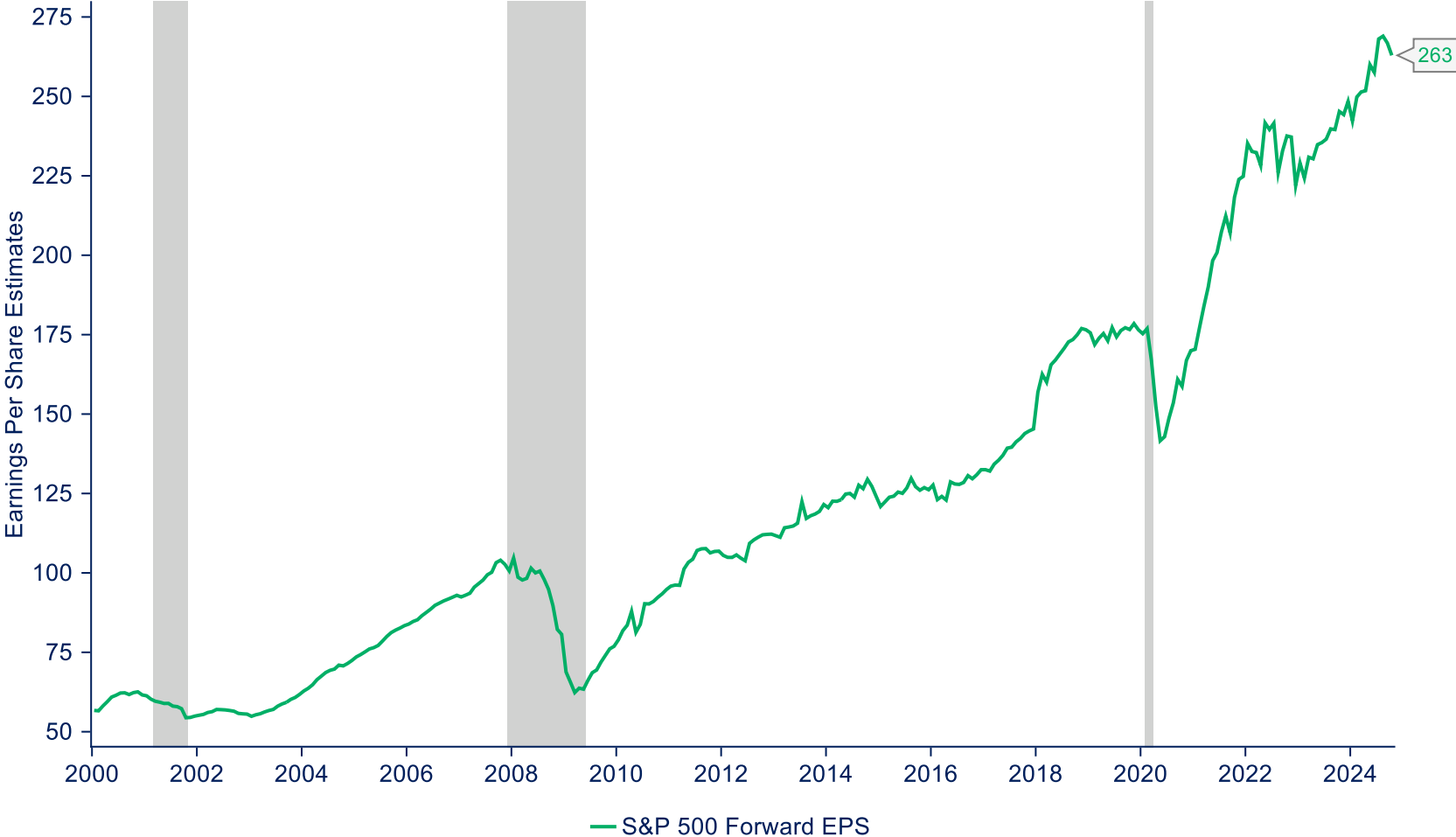
Total nonfarm payroll – no issues here

US Employees on Nonfarm Payrolls Total SA



Source: Macrobond, Bloomberg, Bureau of Labor Statistics, as of 11/8/2024

S&P 500 earnings expectations improving



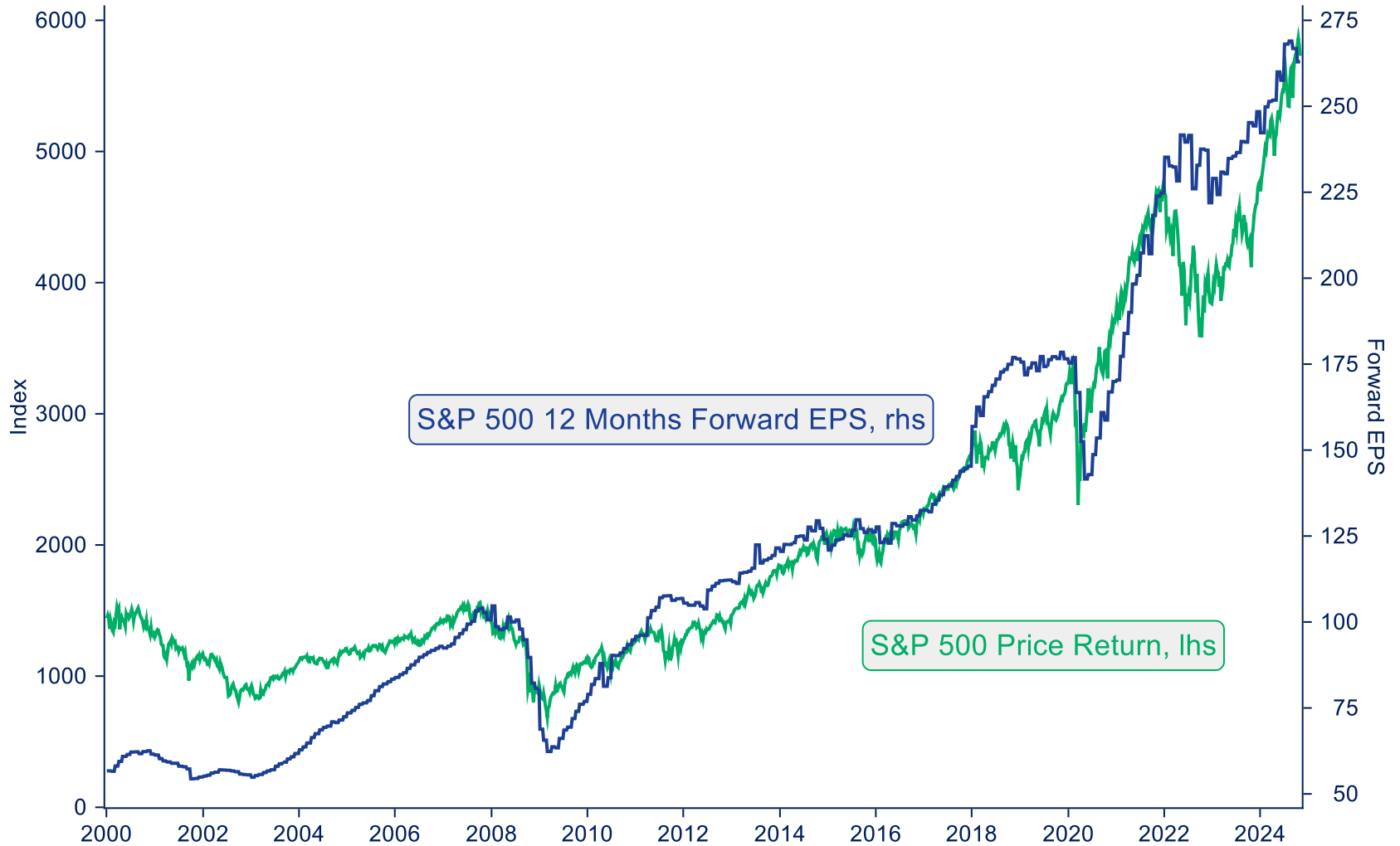
Source: Macrobond, S&P Global, as of 11/8/2024

Domestic earnings (EPS) estimates are strong

	Earnings Expectations Snap Shot	Consensus Headline EPS Targets			Current Implied EPS Growth from Estimates		
	YTD Performance	FY '24	FY '25	FY '26	FY '24	FY '25	FY '26
S&P 500	22.6%	\$ 242.11	\$ 273.36	\$ 302.94	8.51%	12.91%	10.82%
S&P 400	14.8%	\$ 174.75	\$ 200.10	\$ 232.86	-2.65%	14.51%	16.37%
S&P 600	9.6%	\$ 81.90	\$ 95.63	\$ 111.77	-4.58%	16.77%	16.88%

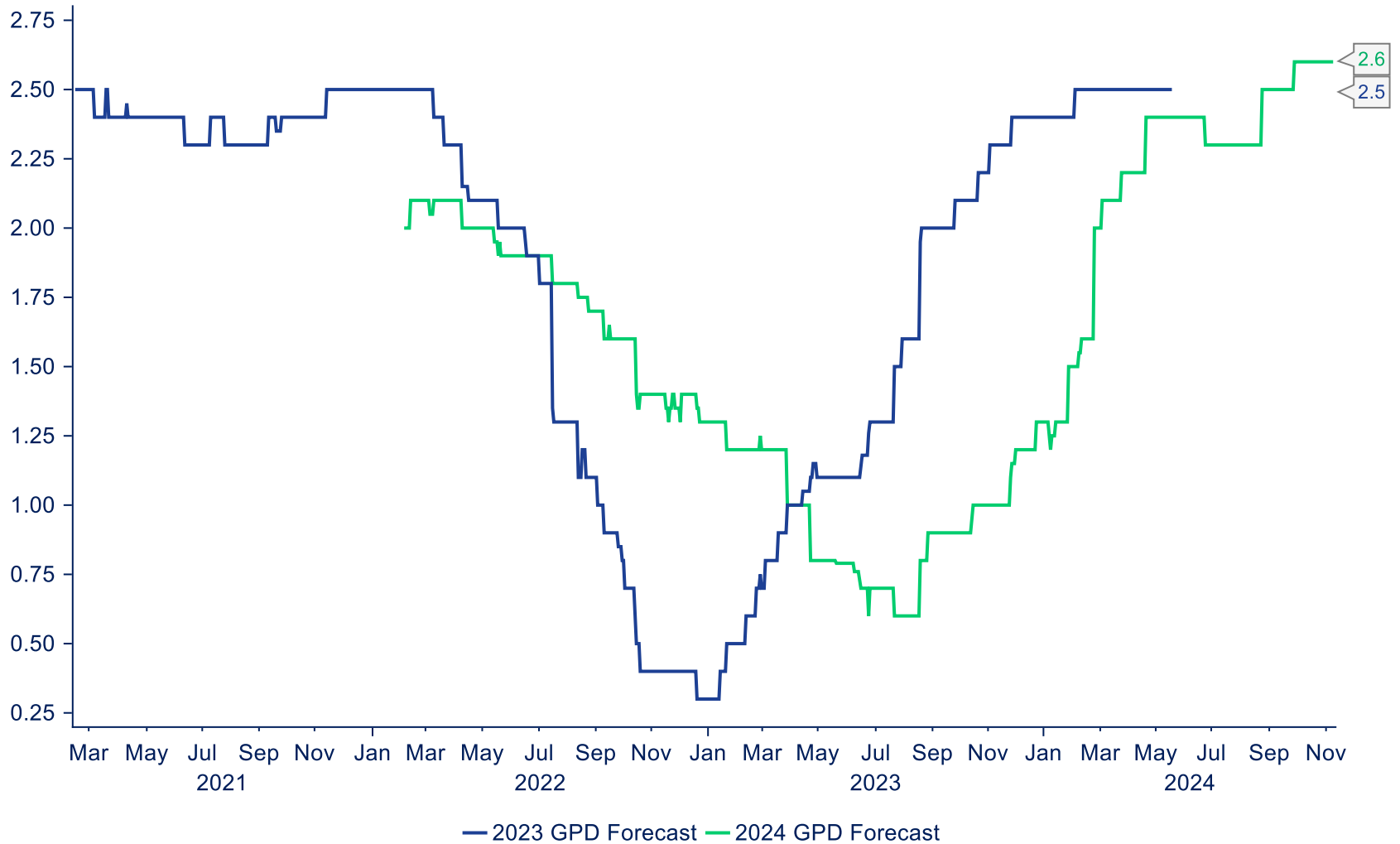
Source: Bloomberg as of 11/6/24

S&P 500 vs. Consensus EPS Forecasts



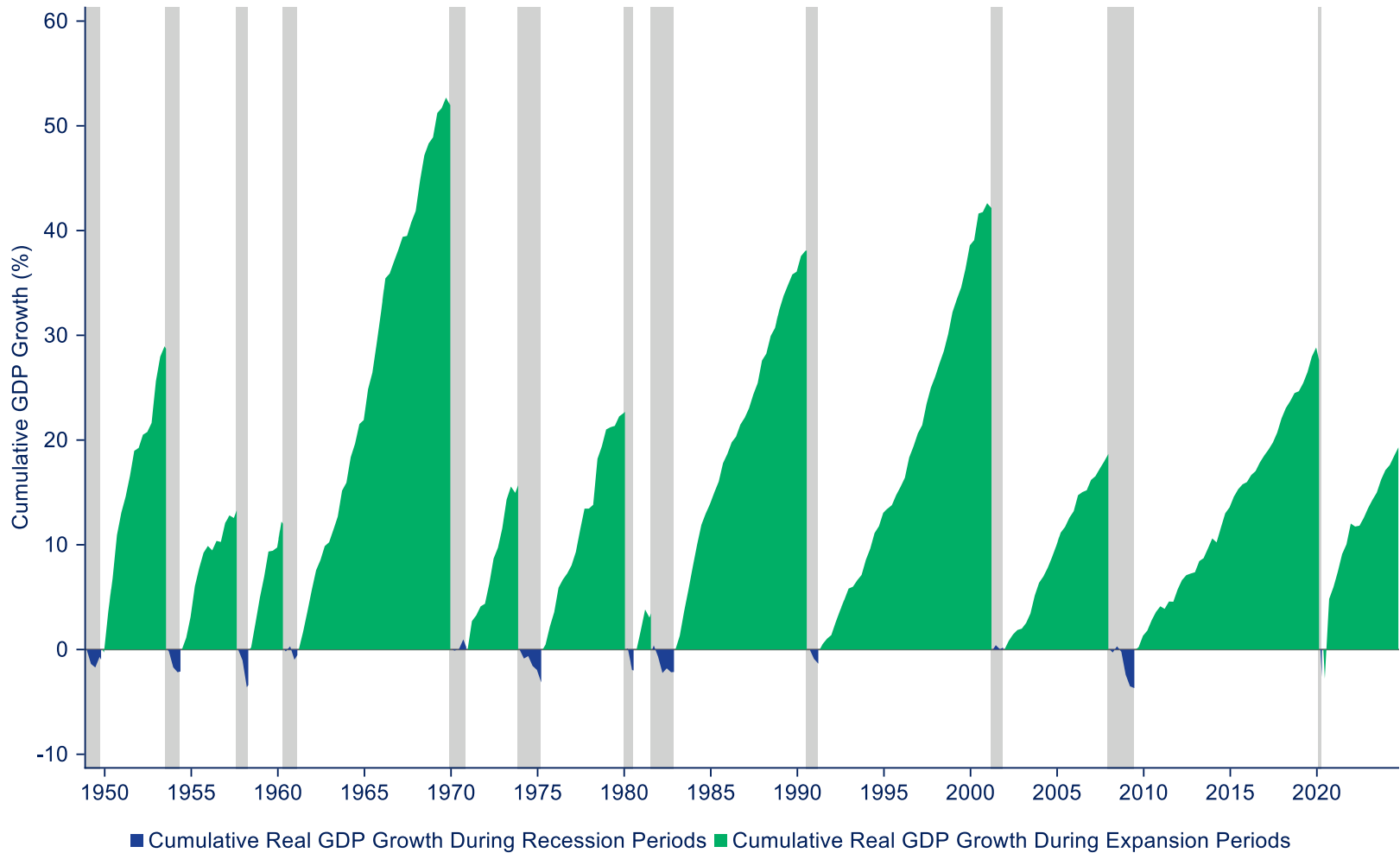
Source: Macrobond, S&P Global, as of 11/8/2024

U.S. economic growth expectations



Source: Macrobond, Bloomberg, as of 11/8/2024

Different this time? Hint: no



Source: Macrobond, NBER, BEA, as of 11/8/2024



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Questions



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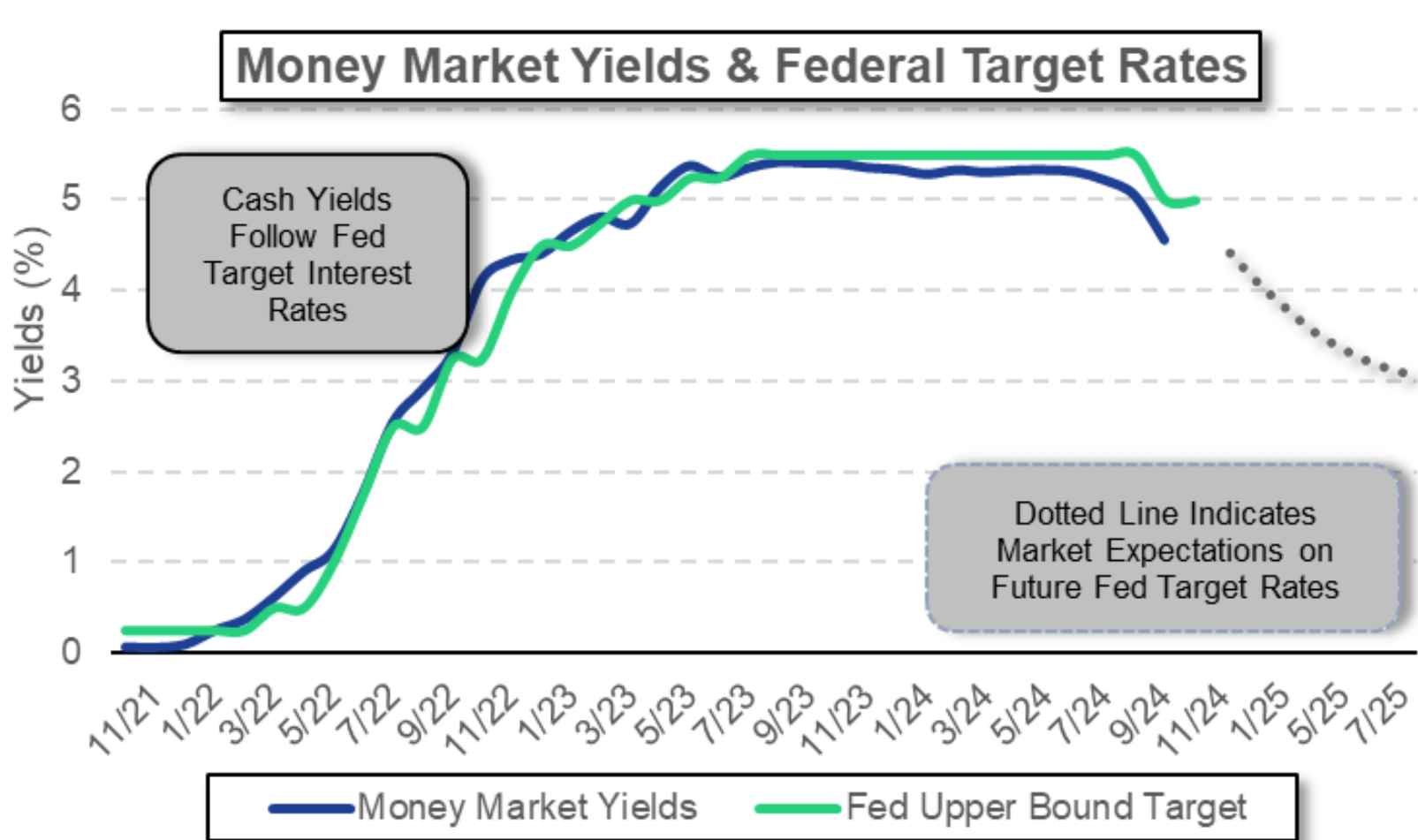
Investment Implications

Investment returns in 2024

Asset Class	Benchmark Index	Quarter-to-Date	Year-to-Date	1Yr Return	3Yr Return (annualized)	5Yr Return (annualized)	10Yr Return (annualized)
Money Market	BofAML 91 Day Treasury	 1.4%	4.0%	5.5%	3.5%	2.3%	1.6%
Fixed Income	BB Interm Gov/Cred	 4.2%	4.7%	9.4%	0.2%	1.3%	2.0%
Fixed Income	BB Global Aggregate	 7.0%	3.6%	12.0%	-3.1%	-0.8%	0.6%
Fixed Income Domestic	BB Interm Gov/Cred	 4.2%	4.7%	9.4%	0.2%	1.3%	2.0%
Fixed Income Domestic	BB U.S. Aggregate	 5.2%	4.4%	11.6%	-1.4%	0.3%	1.8%
Developed Int'l Fixed	BB Global Agg Ex US	 8.5%	2.8%	12.3%	-4.4%	-1.9%	-0.5%
Emerging Market Fixed	JPM EMBI	 6.1%	8.0%	18.0%	-0.1%	1.2%	3.1%
High Yield	BB U.S. Corp High Yield	 5.3%	8.0%	15.7%	3.1%	4.7%	5.0%
TIPS	BB U.S. Treasury Infl Notes	 4.1%	4.9%	9.8%	-0.6%	2.6%	2.5%
Equities	MSCI AC World	 6.7%	19.1%	32.4%	8.6%	12.7%	10.0%
Large Cap Domestic	S&P 500	 5.9%	22.1%	36.3%	11.9%	16.0%	13.4%
SMID Domestic	Russell 2500	 8.7%	11.3%	26.1%	3.4%	10.4%	9.5%
International Developed	MSCI EAFE Net	 7.3%	13.0%	24.8%	5.5%	8.2%	5.7%
International Emerging	MSCI EM Net	 8.7%	16.9%	26.1%	0.4%	5.7%	4.0%
Real Assets							
REITs	S&P U.S. REIT	 16.1%	15.7%	34.2%	5.0%	5.5%	7.7%
Global Infrastructure	S&P Global Infrastructure	 13.4%	17.9%	30.8%	9.6%	6.8%	6.3%
Commodities	Bloomberg Commodity Index	 -0.6%	1.7%	-4.3%	-0.1%	5.2%	-1.7%
Precious Metals	Gold Spot Price	 13.2%	27.7%	42.5%	14.5%	12.3%	8.1%
Alternatives	HFRX Global Hedge Fund	 2.1%	5.1%	6.9%	1.2%	3.3%	1.8%

*Source: Bloomberg as of 9/30/2024

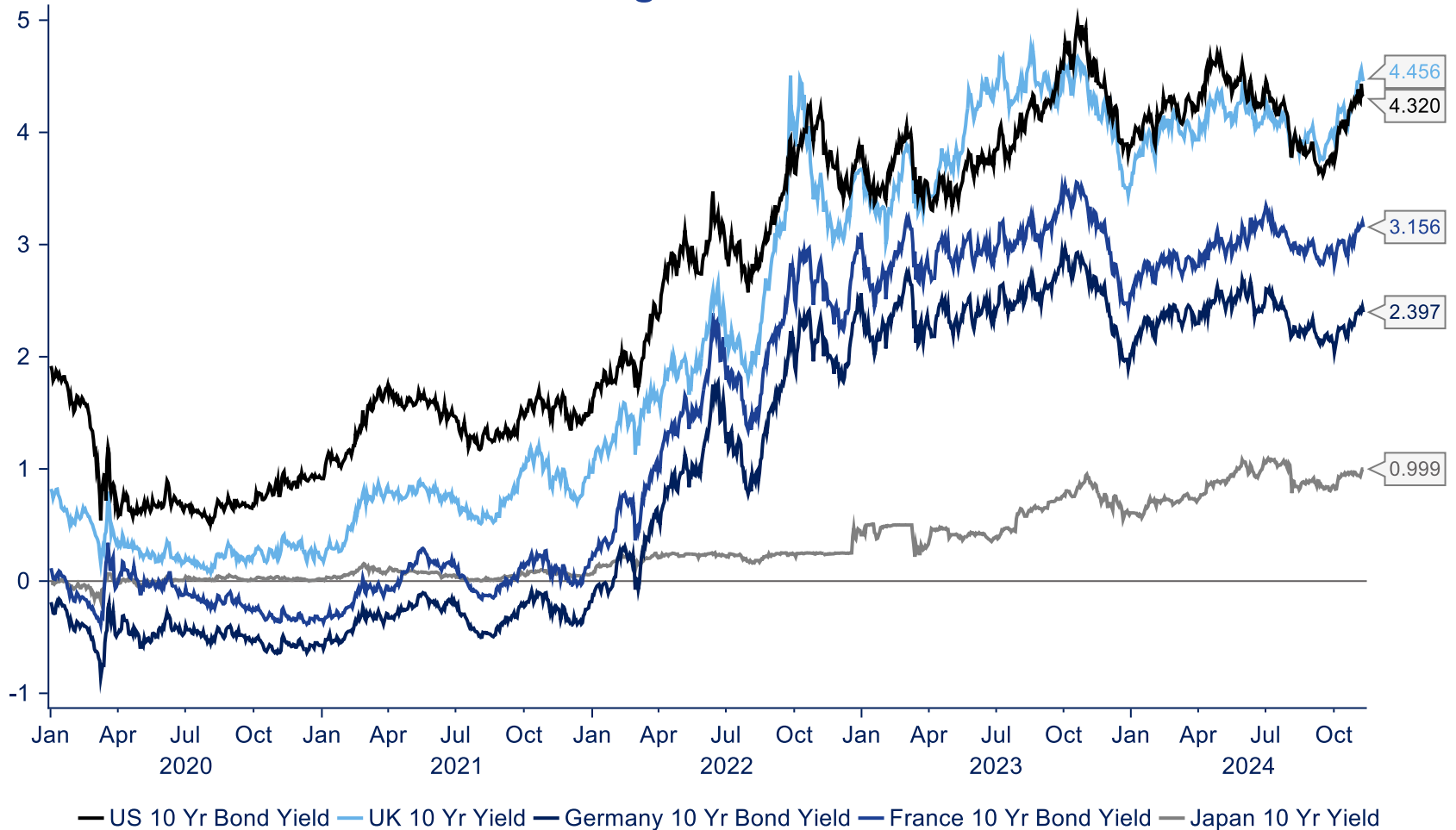
Cash yields and the Fed



*Source: Bloomberg

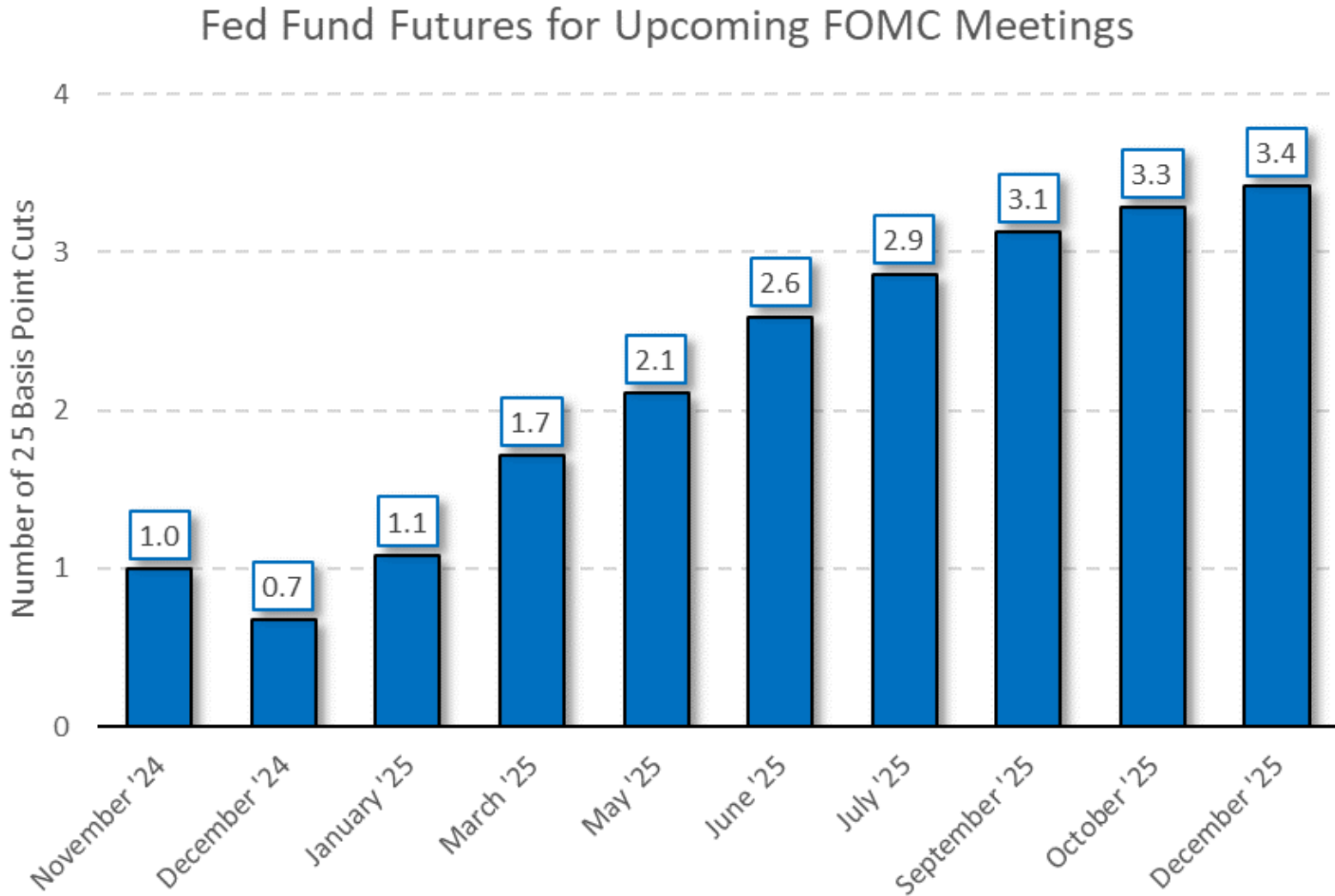
Entrance Yield a Good Proxy for Expected Bond Returns

Sovereign 10-Year Yields

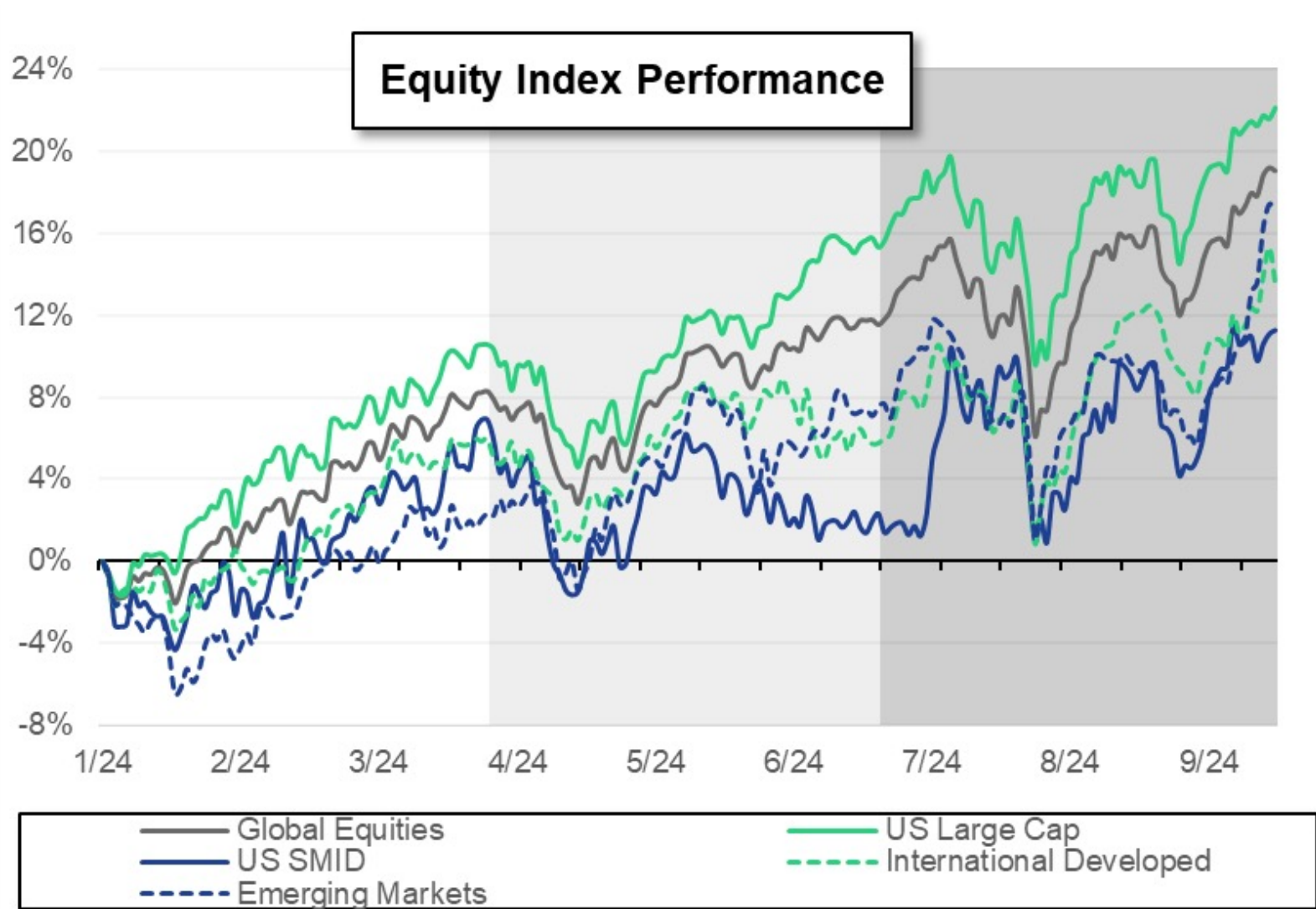


Source: Macrobond, Bloomberg, as of 11/8/2024

Number of cumulative market-based 25pb rate cuts

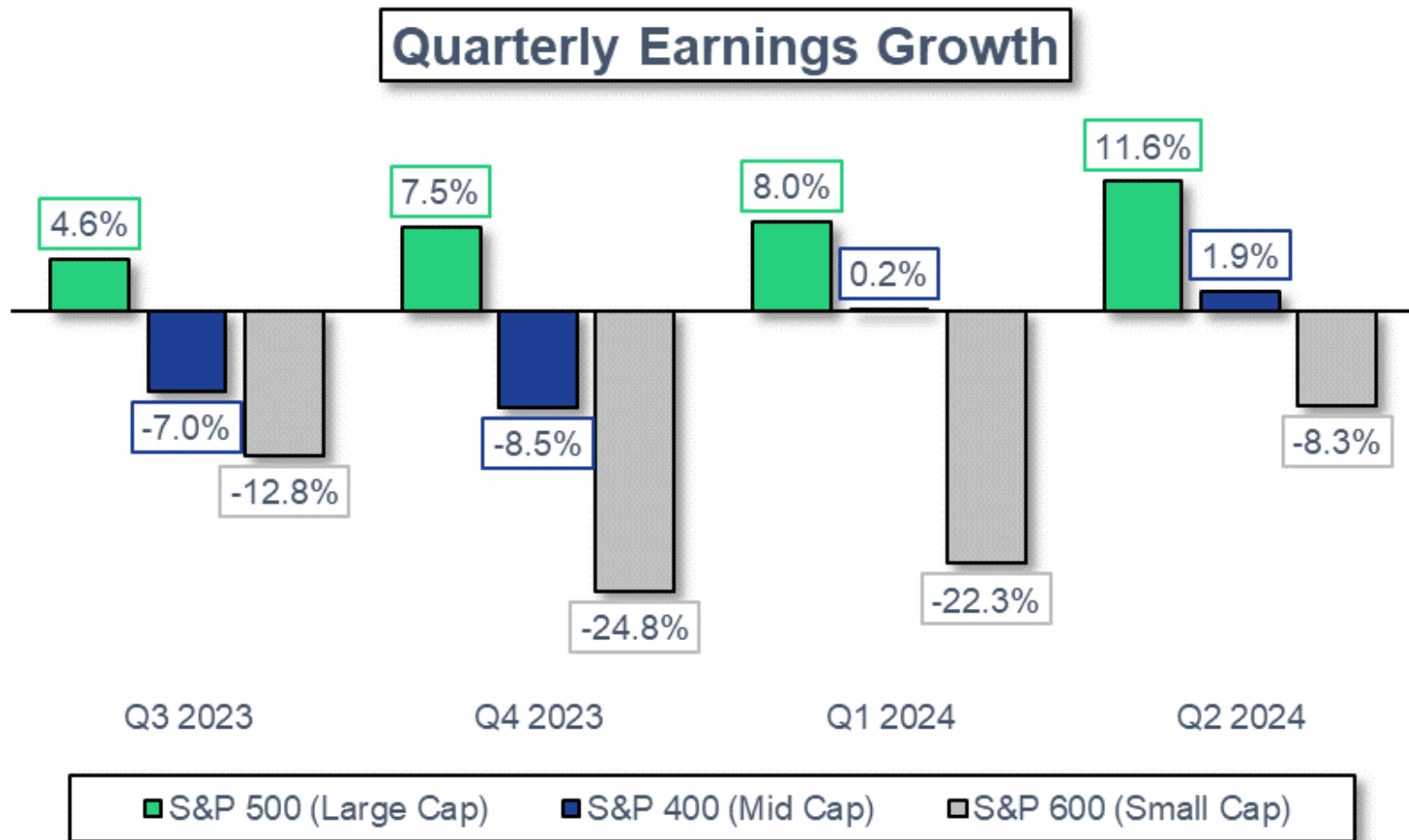


Equity returns in 2024



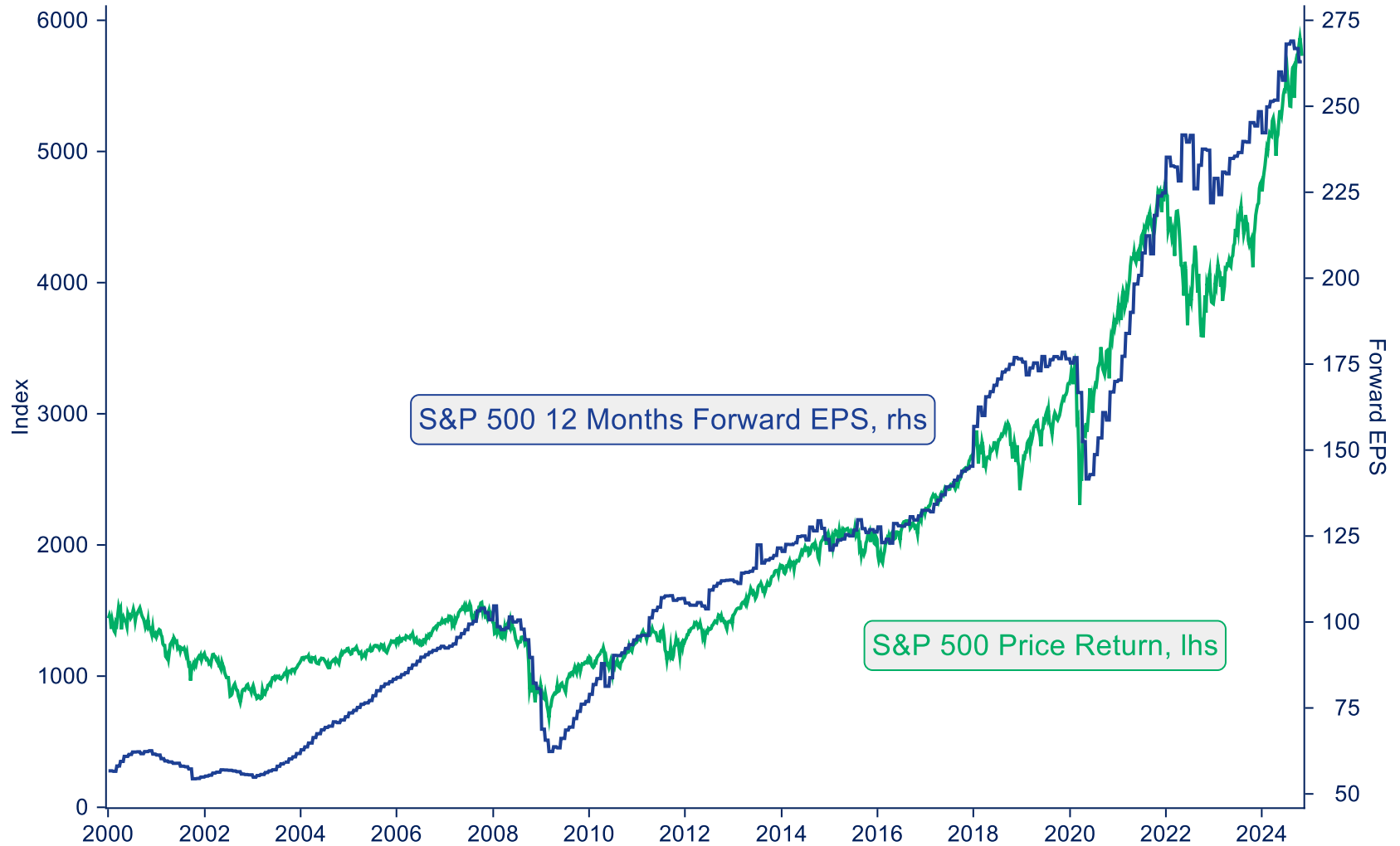
*Source: Bloomberg as of 9/30/2024

Earnings growth and stock returns are correlated



*Source: Bloomberg Earnings Analysis

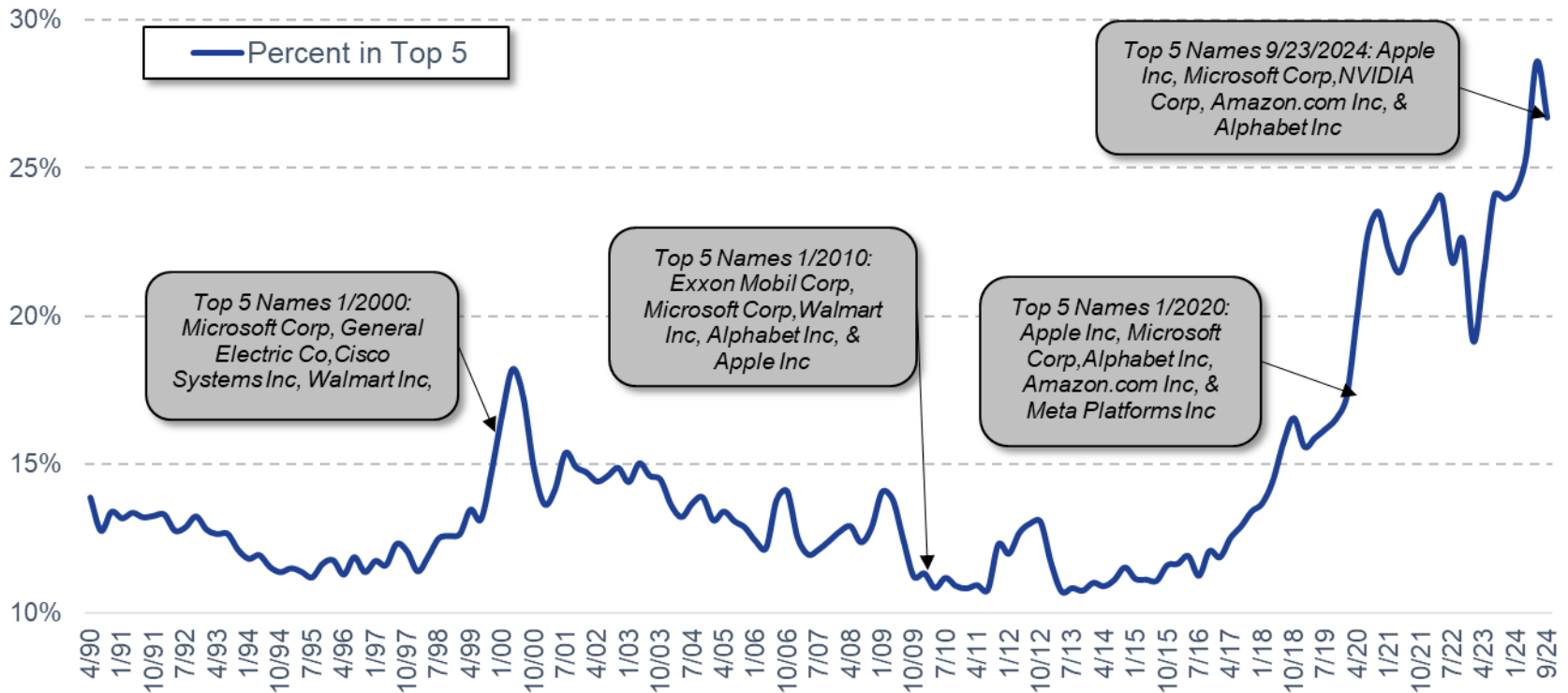
S&P 500 vs. Consensus EPS Forecasts



Source: Macrobond, S&P Global, as of 11/8/2024

S&P 500 concentration at record highs

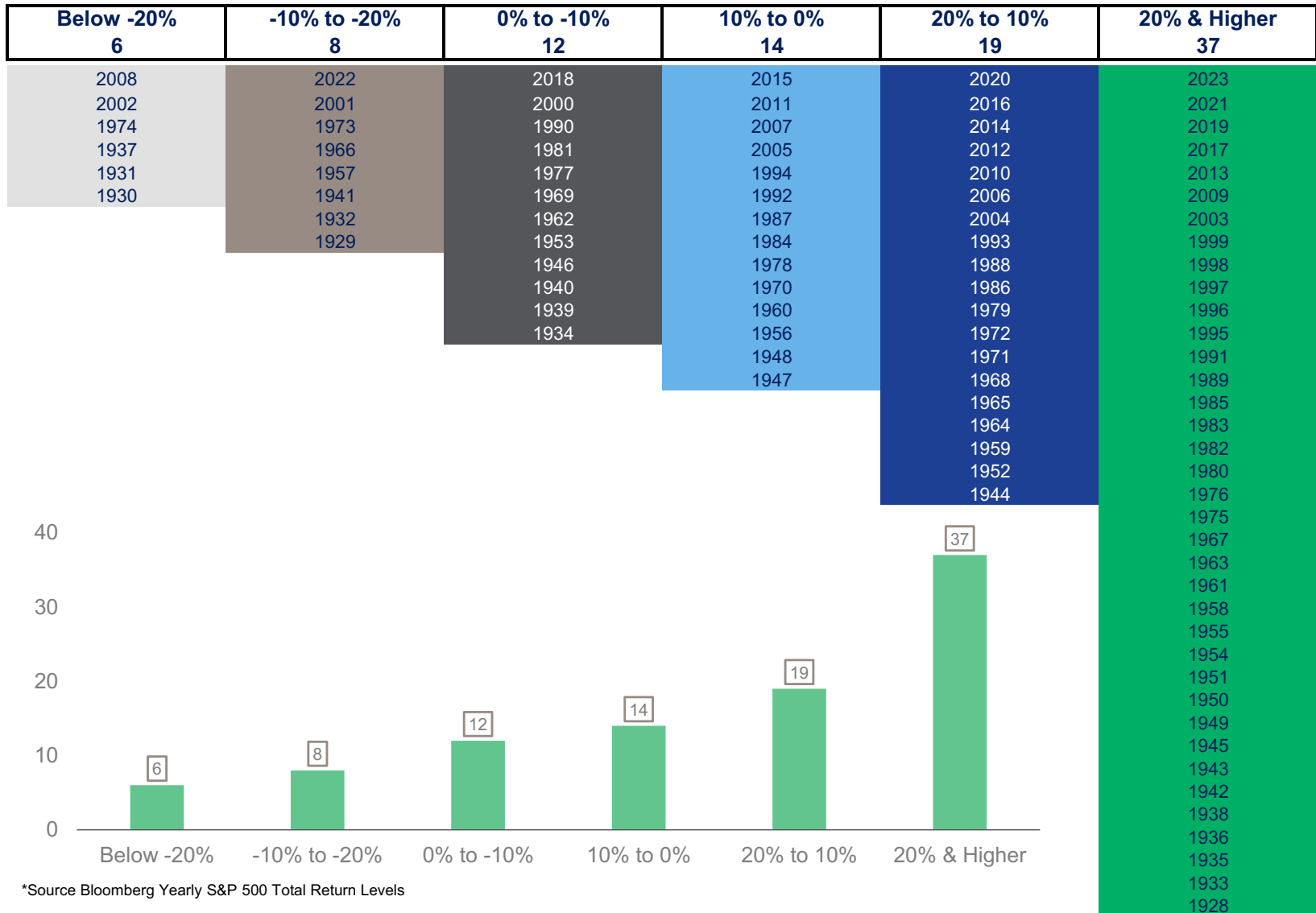
Concentration of S&P 500 by Company Size



*Source: Bloomberg Quarterly Data

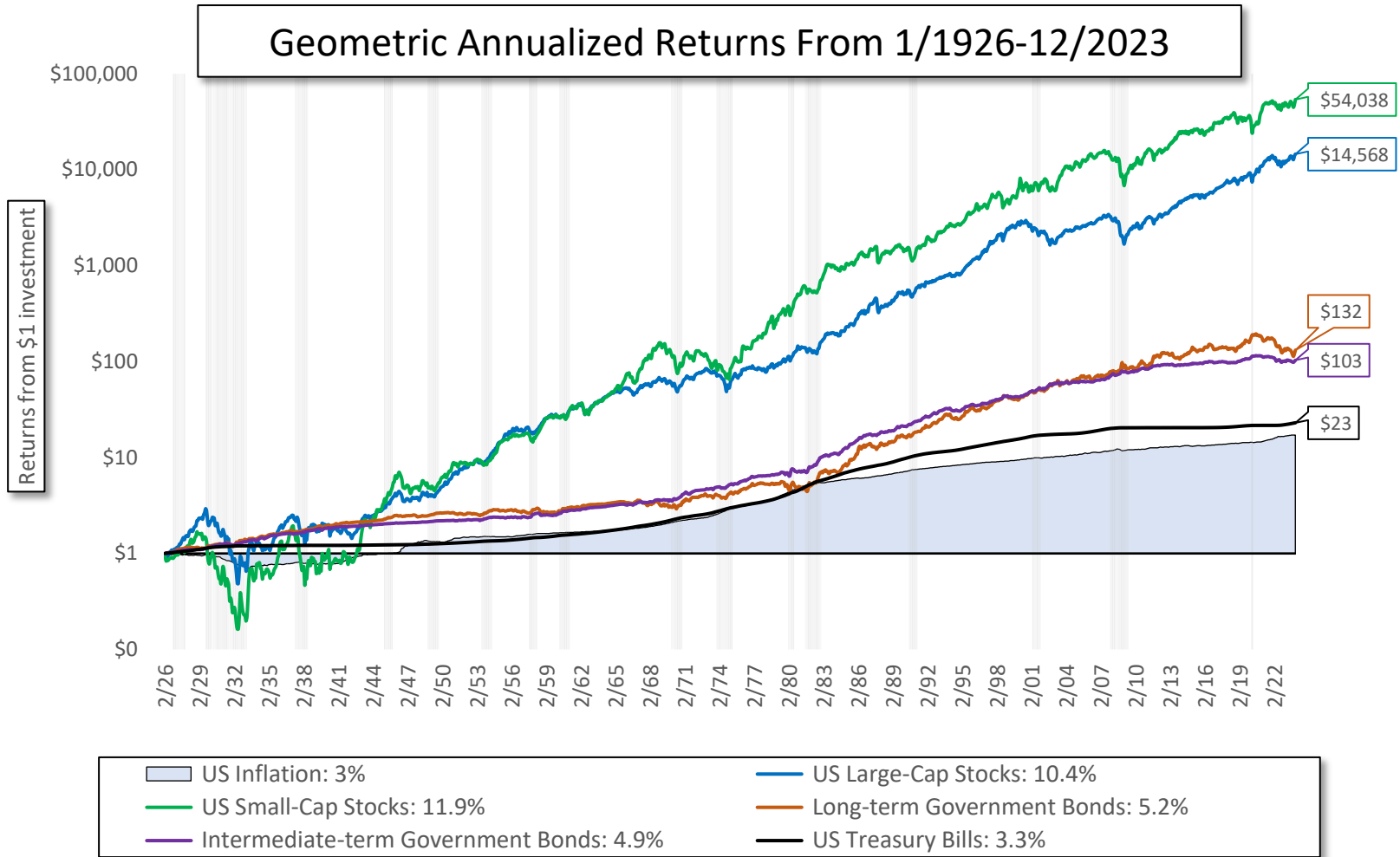
S&P 500 Calendar Returns by Ranges

Annual Total Return Summary of S&P 500 by Ranges from 1928-2023



*Source Bloomberg Yearly S&P 500 Total Return Levels

Investing in Context



*Source: Bloomberg, CFA Institute, MorningStar Inc., Stocks, Bonds, Bills, and Inflation

**Monthly Data from 2/1926-12/2023

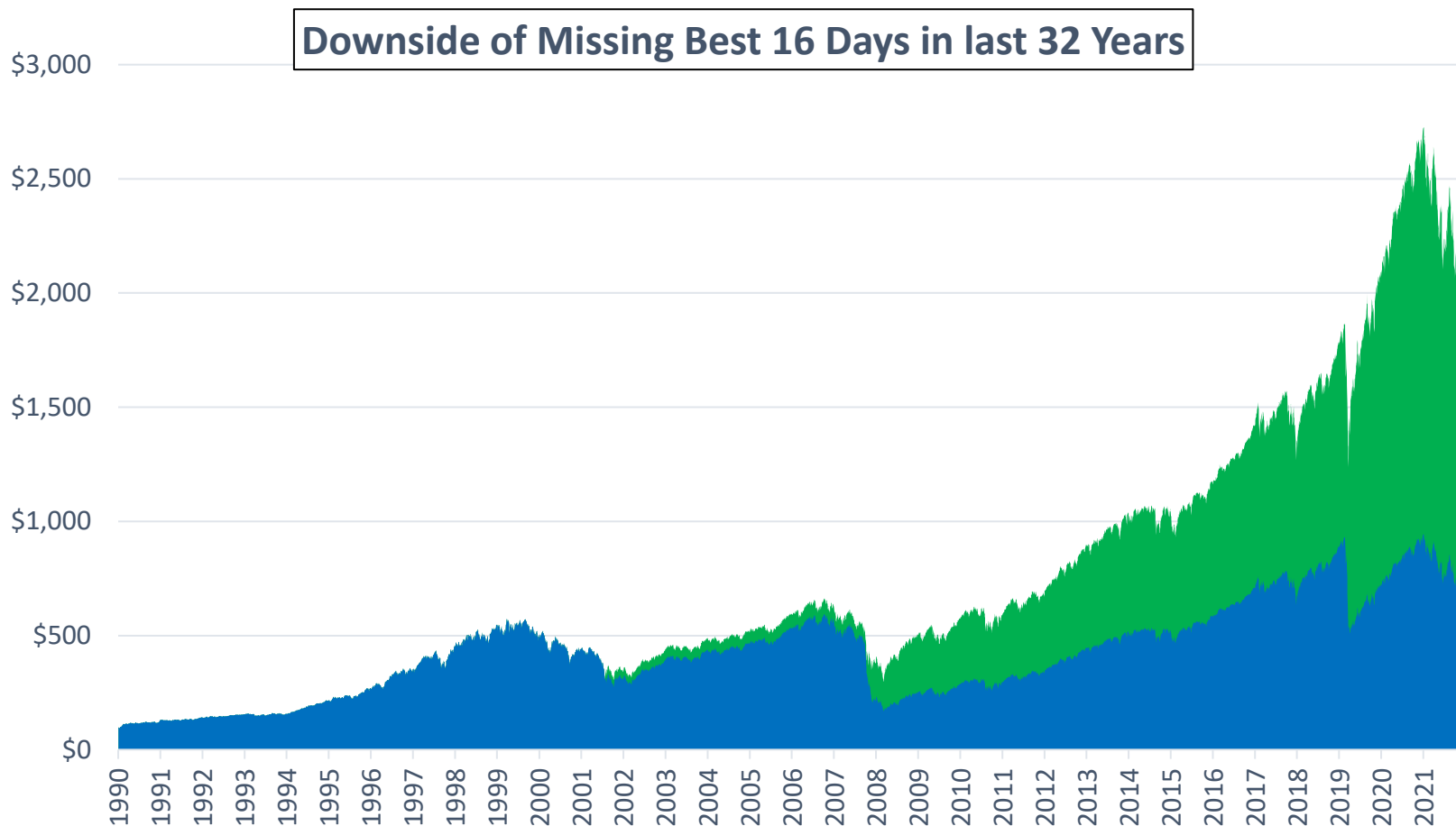
Putting Investing Environment into Context

Average Inflation, Valuation, Treasury Yields, Equity Returns, and GDP by Decade

	Average YoY CPI	Average Quarterly GDP Report	Average 10 Year Treasury Yield	Average S&P 500 Trailing P/E	S&P 500 Compound Annual Growth Rate
1960's	2.3%	4.6%	4.9%	17.7	7.8%
1970's	7.1%	3.3%	7.5%	12.7	5.9%
1980's	5.6%	3.2%	10.6%	12.2	17.5%
1990's	3.0%	3.3%	6.6%	20.8	18.2%
2000's	2.6%	1.9%	4.4%	19.3	-0.9%
2010's	1.8%	2.5%	2.4%	16.6	13.5%
2020's	4.5%	2.7%	2.3%	21.4	13.8%
Average	3.8%	3.1%	5.5%	17.2	10.8%
Current	2.4%	3.0%	4.3%	26.5	YTD 23.1%

**Source: Bloomberg as of 10/28/2024*

Risks of Missing Select Days Through Time

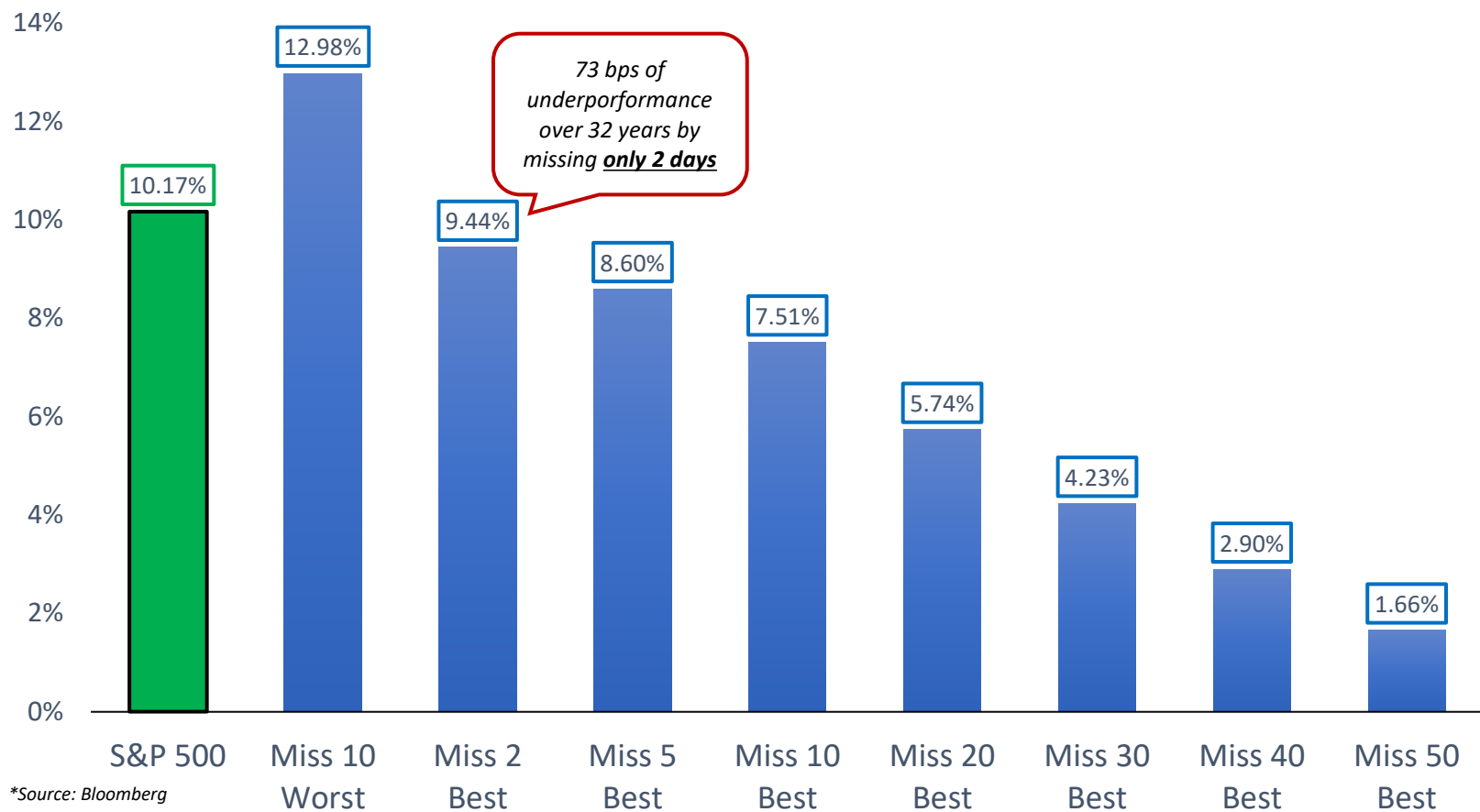


■ S&P 500 Cumulative Returns on \$100
■ S&P 500 Cumulative Returns on \$100 Missing Best 16 Trading Days

*Source: Bloomberg

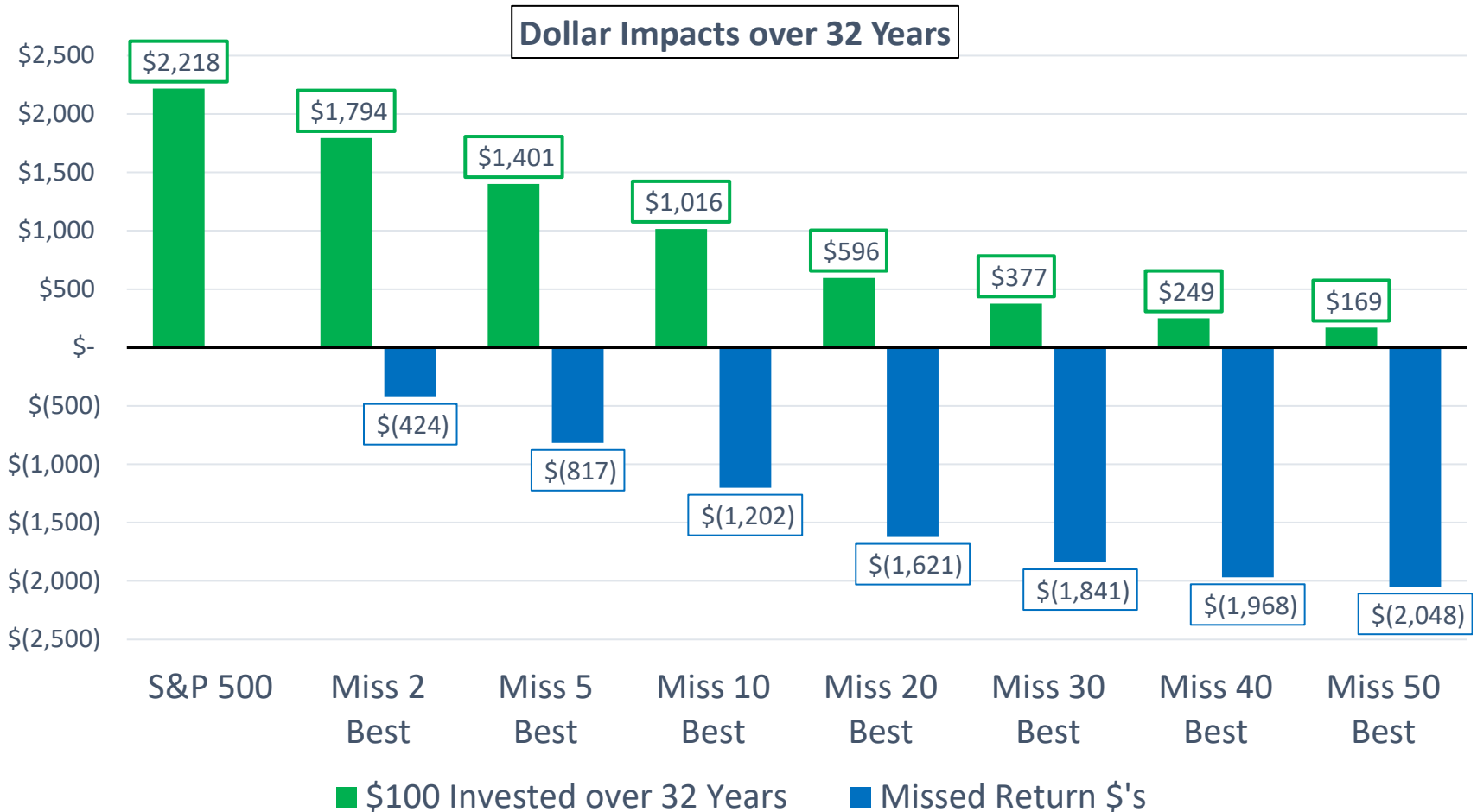
Risks of Missing Select Days Through Time

S&P 500 Geometric Returns From 12/31/1990 to 12/31/2022



*Source: Bloomberg

Risks of Missing Select Days Through Time



*Source: Bloomberg

















Bear Market Details

Bear Markets & Market Corrections

S&P 500 High		S&P 500 Low		% Change	Montly Price Changes	Months	NBER Recession?
Jun 07 1946	18.8	Jun 21 1949	14.1	-25%		37	Yes
Aug 10 1956	49.1	Oct 30 1957	41.0	-16%		15	Yes
Dec 20 1961	71.1	Jul 05 1962	56.8	-20%		8	No
Feb 17 1966	92.7	Oct 17 1966	77.5	-16%		9	No
Dec 10 1968	107.4	Jun 02 1970	77.8	-28%		19	Yes
Jan 19 1973	118.8	Oct 11 1974	71.1	-40%		22	Yes
Dec 01 1980	137.2	Aug 20 1982	113.0	-18%		21	Yes
Aug 28 1987	327.0	Oct 27 1987	233.2	-29%		3	No
Jul 24 1990	355.8	Oct 19 1990	312.5	-12%		4	Yes
Feb 08 1994	471.1	Dec 16 1994	458.8	-3%		11	No
Jul 27 1998	1147.3	Oct 16 1998	1056.4	-8%		4	No
Apr 03 2000	1506.0	Oct 17 2002	879.2	-42%		31	Yes
Aug 19 2008	1266.7	Jul 16 2009	940.7	-26%		12	Yes
May 09 2011	1346.3	Oct 11 2011	1195.5	-11%		6	No
Sep 28 2018	2914.0	Jan 03 2019	2447.9	-16%		5	No
Feb 27 2020	2978.8	Mar 31 2020	2584.6	-13%		2	Yes
Jan 04 2022	4793.5	Mar 10 2023	3901.9	-19%		14	?
Median (all)				-18%		11	
Average (all)				-20%		13	
Median (Non-Recessions)				-16%		6	
Median (Recessions)				-25%		19	

*Source: Bloomberg

Bull Market Details

<u>Bull Markets</u>						
S&P 500 Low		S&P 500 High		% Change	Montly Price Changes	Months
Jun 21 1949	14.1	Aug 10 1956	49.1	249%		87
Oct 30 1957	41.0	Dec 20 1961	71.1	73%		51
Jul 05 1962	56.8	Feb 17 1966	92.7	63%		45
Oct 17 1966	77.5	Dec 10 1968	107.4	39%		26
Jun 02 1970	77.8	Jan 19 1973	118.8	53%		33
Oct 11 1974	71.1	Dec 01 1980	137.2	93%		74
Aug 20 1982	113.0	Aug 28 1987	327.0	189%		59
Oct 27 1987	233.2	Jul 24 1990	355.8	53%		34
Oct 19 1990	312.5	Feb 08 1994	471.1	51%		41
Dec 16 1994	458.8	Jul 27 1998	1147.3	150%		45
Oct 16 1998	1056.4	Apr 03 2000	1506.0	43%		18
Oct 17 2002	879.2	Aug 19 2008	1266.7	44%		61
Jul 16 2009	940.7	May 09 2011	1346.3	43%		24
Oct 11 2011	1195.5	Sep 28 2018	2914.0	144%		84
Jan 03 2019	2447.9	Feb 27 2020	2978.8	22%		15
Mar 31 2020	2584.6	Jan 04 2022	4793.5	85%		23
				Median	58%	43
				Average	87%	45

*Source: Bloomberg

Geopolitical Events in History

Event & Date	6-Mo. S&P	1-Yr. S&P	2-Yr. S&P
	500 Return	500 Return	500 Return
WWII Germany annexes Czechoslovakia: 3/39	3.6%	-4.3%	-20.5%
WWII Germany attacks France: 5/40	-6.3%	-22.0%	-34.0%
WWII Pearl Harbor: 12/41	-5.6%	4.3%	28.2%
North Korea invades South Korea: 6/50	10.0%	17.6%	35.8%
Suez Crisis: 10/56	-1.4%	-12.3%	10.3%
Berlin Wall Construction: 8/61	4.0%	-14.9%	4.5%
Cuban Missile Crisis: 10/62	20.6%	26.2%	48.1%
Kennedy Assassinated: 11/63	16.0%	23.5%	31.6%
Authorization of Military Ops in Vietnam: 8/64	6.2%	4.9%	2.3%
Six Day Israel Arab War: 6/67	7.7%	13.0%	16.2%
Israel Arab War/Oil Embargo: 10/73	-15.0%	-36.2%	-18.9%
Nixon Impeachment Proceedings: 2/74	-13.7%	-15.8%	6.6%
Shah of Iran exiled: 1/79	3.3%	11.7%	35.5%
Iranian Hostage Crisis: 11/79	4.5%	29.0%	22.5%
Soviet Invasion of Afghanistan: 12/79	6.9%	26.2%	13.8%
Invasion of Grenada: 10/83	-4.7%	-0.1%	12.6%
Libya Bombing: 4/86	0.5%	19.6%	9.3%
First Gulf War: 1/91	20.7%	32.3%	38.2%
Clinton Impeachment Proceedings: 12/98	12.2%	17.9%	8.5%
Kosovo Bombing: 3/99	0.7%	20.4%	-9.1%
9/11 Attack: 9/01	12.5%	-12.4%	-2.2%
Iraq War: 3/03	16.8%	25.1%	35.2%
Arab Spring (Egypt): 1/11	3.6%	2.7%	16.4%
Libya Intervention: 3/11	-7.3%	8.6%	19.3%
Ukraine Conflict: 3/14	7.8%	13.0%	9.7%
Syria Intervention: 9/14	5.5%	-2.6%	9.2%
Brexit Vote: 6/16	7.1%	15.4%	28.6%
Airstrike on Syrian Airbase: 4/17	8.0%	10.9%	22.9%
Russian Invasion of Ukraine: 2/22	-3.4%	-7.4%	18.2%
% Positive	72.4%	65.5%	82.8%
Average	4.2%	6.7%	13.8%
Low	-15.0%	-36.2%	-34.0%
High	20.7%	32.3%	48.1%

*Source: Bloomberg



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Politics and Stock Returns

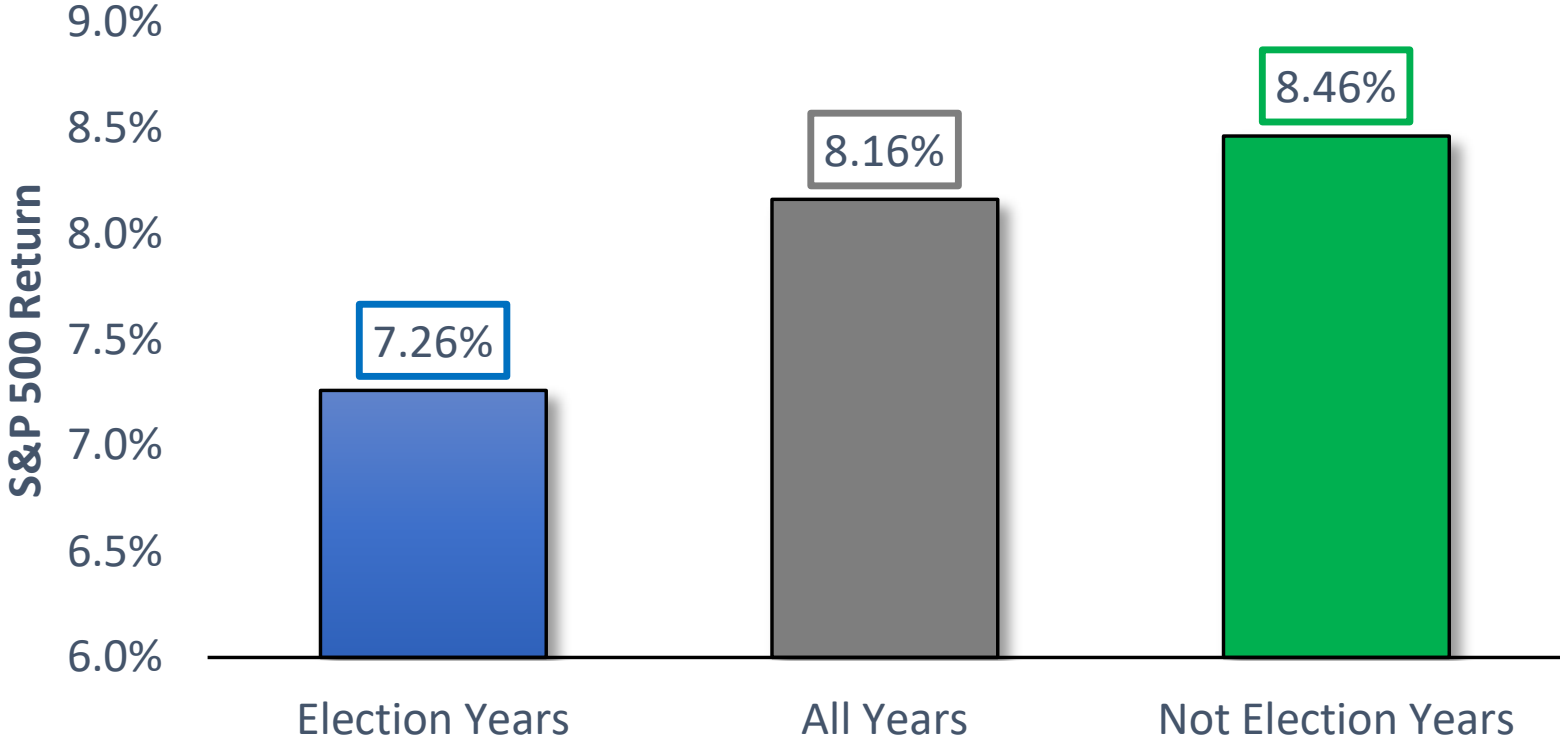
Issues per candidate rhetoric thru election day

<u>Issue</u>	<u>Trump</u>	<u>Harris</u>
Taxes	Status quo for individuals. Wants lower taxes on corporations.	Higher taxes on wealthy and corporations. Status quo elsewhere.
Trade	60% tariff on China imports. 10%-20% tariffs on all imports.	Tough on China through tariffs. Targeted taxes to promote green energy
Border	Proposed to implement the "... largest domestic deportation operation in American history".	Reform the immigration system. Open Borders.
Regulation	Deregulation of energy, financial services, technology (A.I.). Allow more M&A.	Increased antitrust & A.I. regulation. Regulation to spur green energy.
Foreign Policy	China hawks. Antagonize allies. Push back on Globalism. Pursue nationalistic agenda.	China hawks. Failure to deter enemies. Deepen relations with Europe, Japan, South Korea, Philippines.
Deficit/Debt	Grows over next decade	Grows over next decade
U.S. Dollar	Wants Weaker; Policy stance suggests Stronger	No change

Sources: Kamalaharris.com, Donaldjtrump.com, Taxfoundation.org, CFR.org, Climate.Law.Columbia.edu, CRFB.org, CATO.org, NY Times, Conflicttime.com, PBS.org

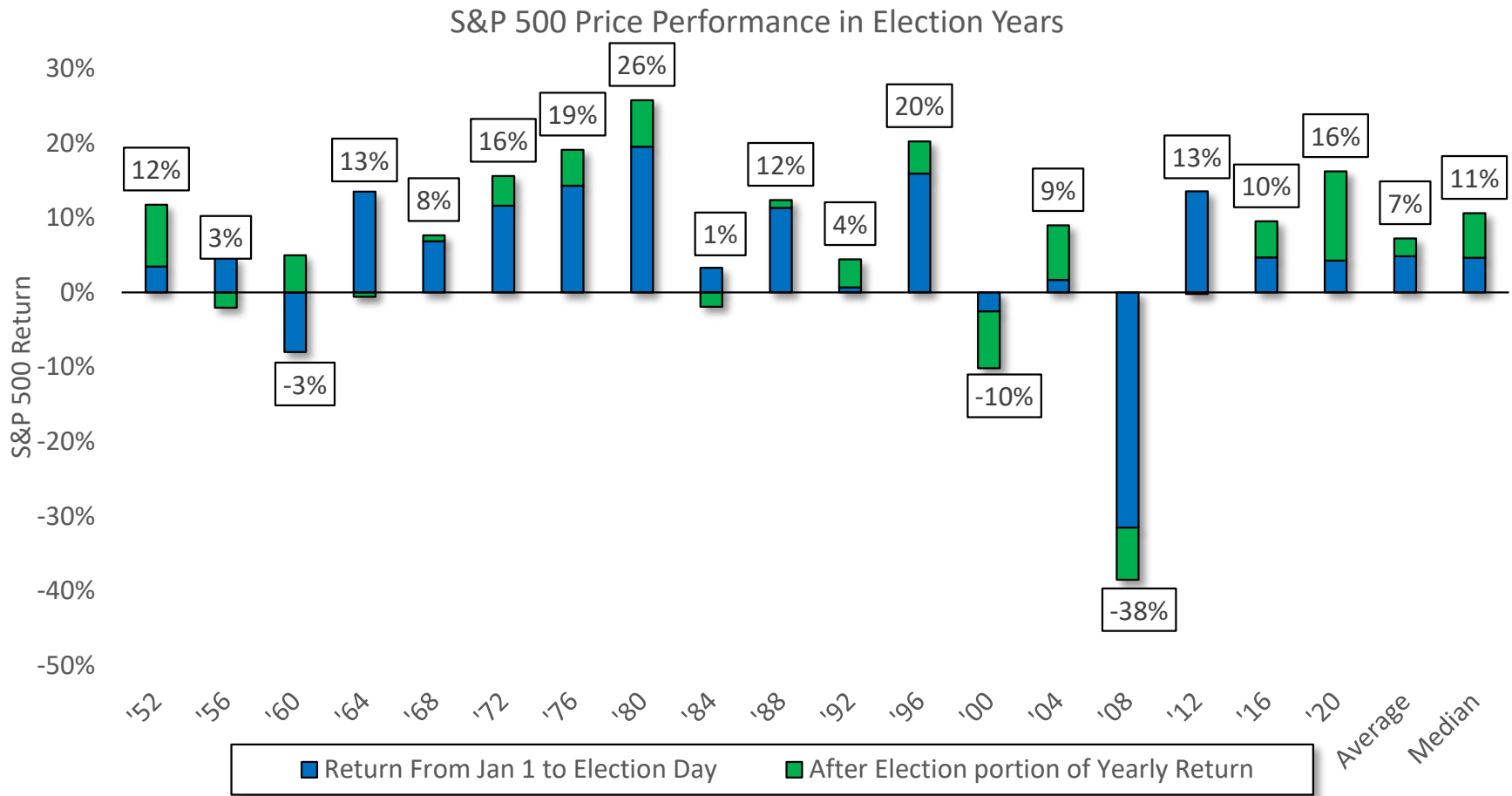
Contextualizing presidential election years

Annualized Geometric Returns of S&P 500 From 1952-2023



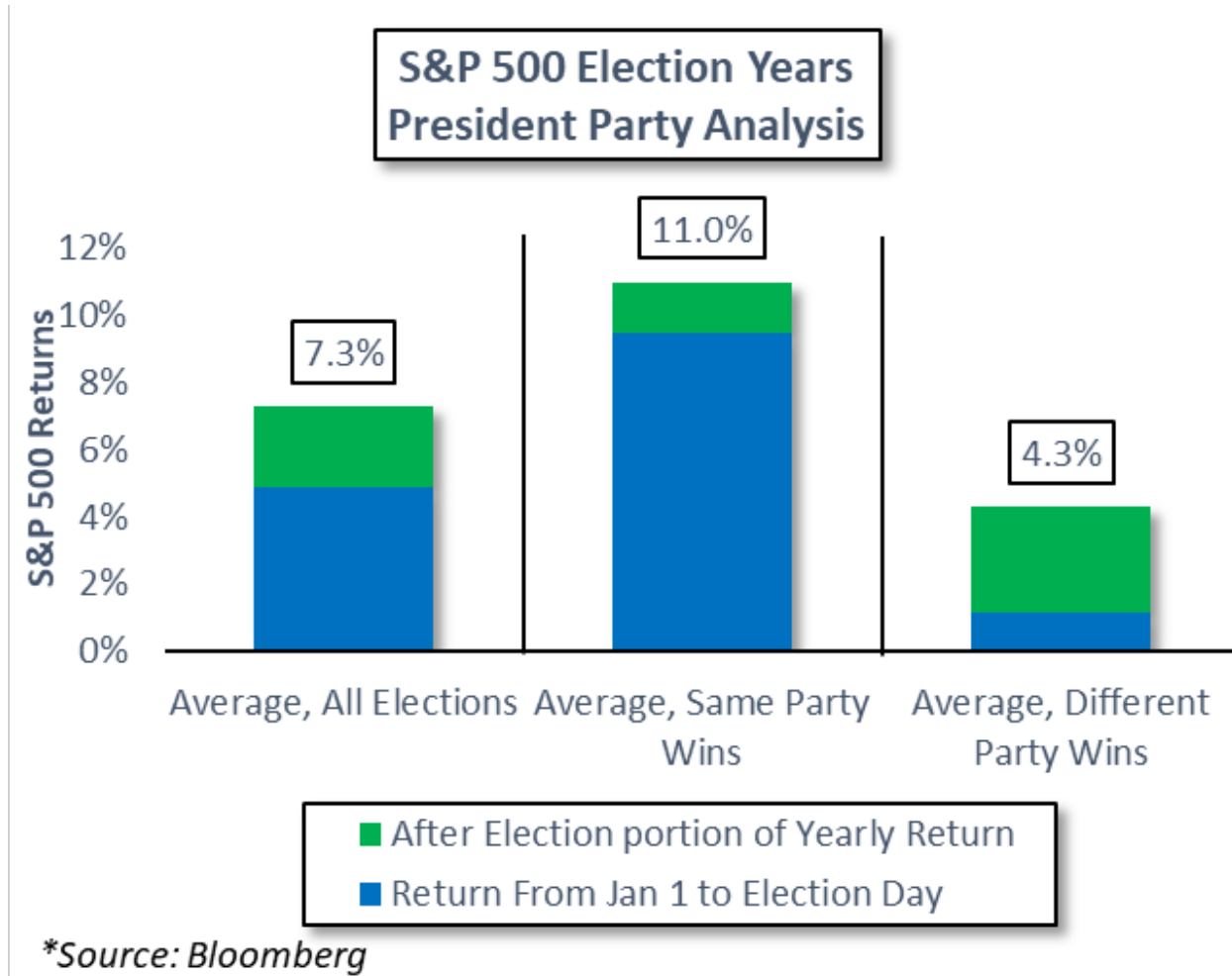
*Source: Bloomberg

Presidential year history detail



*Source: Bloomberg

Contextualizing presidential election years

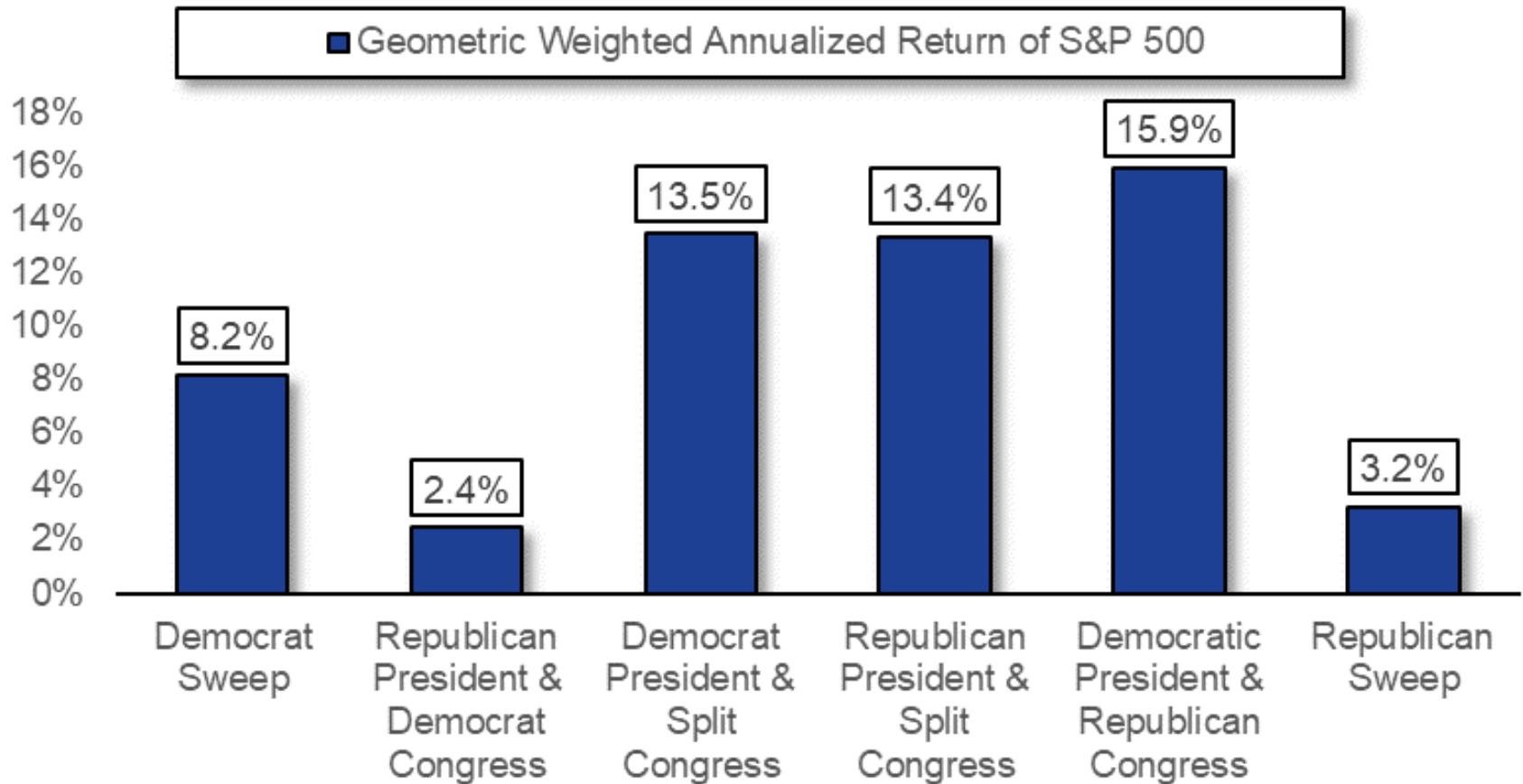


Washington power summary: 1961-2024

<u>Start Date</u>	<u>Annualized Return of S&P 500</u>	<u>President Party</u>	<u>Senate Party</u>	<u>House Party</u>	<u>Congress</u>	<u>Washington Summary</u>
Jan '61	4.21%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '63	15.89%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '65	-2.64%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '67	13.71%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '69	-5.81%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '71	13.18%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '73	-23.79%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '75	25.20%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '77	-5.43%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '79	18.85%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '81	1.78%	Republican	Republican	Democrat	<i>Split</i>	Republican President & Split Congress
Jan '83	9.05%	Republican	Republican	Democrat	<i>Split</i>	Republican President & Split Congress
Jan '85	20.33%	Republican	Republican	Democrat	<i>Split</i>	Republican President & Split Congress
Jan '87	7.09%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '89	9.04%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '91	14.87%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '93	2.67%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '95	27.00%	Democrat	Republican	Republican	Republican	Democratic President & Republican Congress
Jan '97	28.82%	Democrat	Republican	Republican	Republican	Democratic President & Republican Congress
Jan '99	3.64%	Democrat	Republican	Republican	Republican	Democratic President & Republican Congress
Jan '01	-18.37%	Republican	Republican	Republican	Republican	Republican Sweep
Jan '03	17.37%	Republican	Republican	Republican	Republican	Republican Sweep
Jan '05	8.18%	Republican	Republican	Republican	Republican	Republican Sweep
Jan '07	-20.20%	Republican	Democrat	Democrat	Democrat	Republican President & Democrat Congress
Jan '09	18.00%	Democrat	Democrat	Democrat	Democrat	Democrat Sweep
Jan '11	6.49%	Democrat	Democrat	Republican	<i>Split</i>	Democrat President & Split Congress
Jan '13	20.15%	Democrat	Democrat	Republican	<i>Split</i>	Democrat President & Split Congress
Jan '15	4.28%	Democrat	Republican	Republican	Republican	Democratic President & Republican Congress
Jan '17	5.82%	Republican	Republican	Republican	Republican	Republican Sweep
Jan '19	22.41%	Republican	Republican	Democrat	<i>Split</i>	Republican President & Split Congress
Jan '21	1.10%	Democrat	Democrat	Republican	<i>Split</i>	Democrat President & Split Congress
Jan '23	<u>24.85%</u>	Democrat	Democrat	Republican	<i>Split</i>	Democrat President & Split Congress

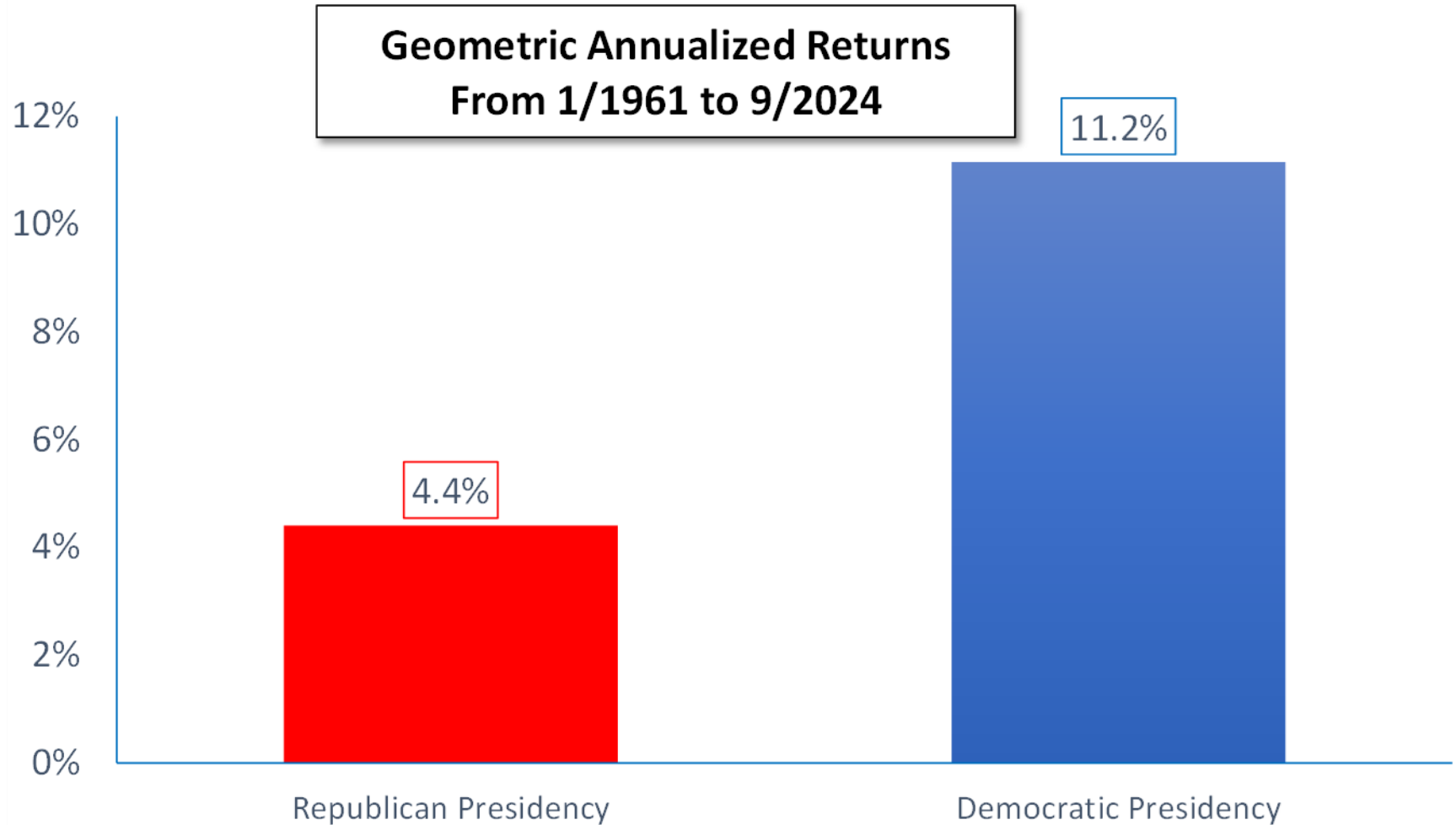
*Source Bloomberg as of 1/22/2024

Washington power summary: 1961-2024



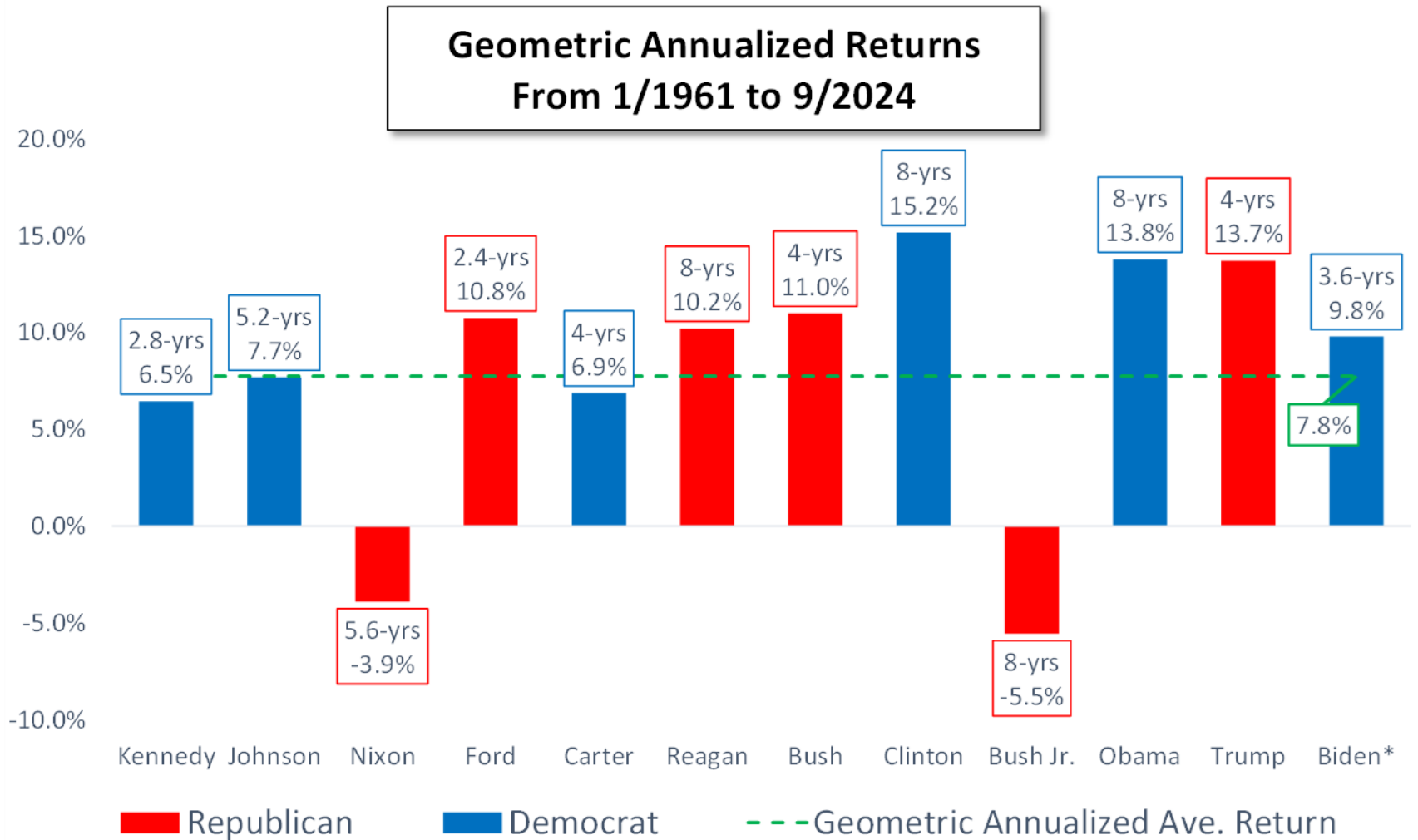
*Source Bloomberg as of 9/30/2024

Party returns



Source: Bloomberg as of 9/6/24

Presidential annualized returns on S&P 500



Source: Bloomberg as of 9/6/24

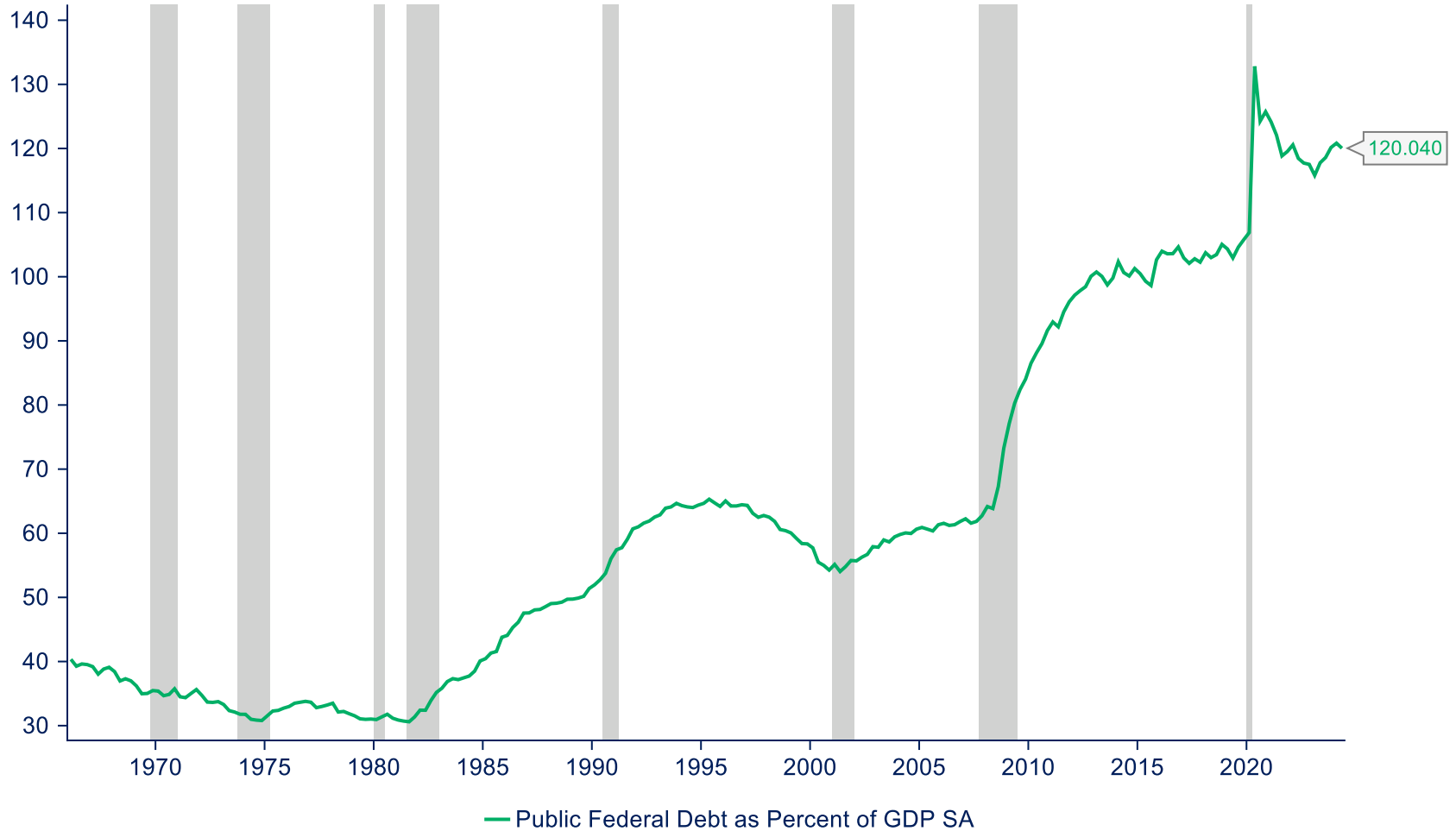


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Appendix

U.S. debt to GDP

Public Federal Debt as a Percent of GDP



Source: Macrobond, Bloomberg, as of 11/8/2024

Fiscal debt interest burden moving higher

Last 12 months of Interest Expenses/Last 12 months of Federal Budget Outlays



Source: Macrobond, US Treasury, Bloomberg, as of 11/8/2024

Federal debt metrics: some context

<u>U.S. Fiscal Health Metrics at times of Stress</u>	'11 US Downgrade	Fitch '23 Downgrade	Today
<u>Debt Metrics</u>			
US Treasury Total Public Debt Outstanding (Billions)	\$14,584.50	\$32,587.57	\$33,827.29
Marketable US Debt (Billions)	\$9,377.63	\$25,138.00	\$26,003.47
% of Debt Marketable (Public)	64%	77%	77%
Average Interest Rates on Marketable US Debt	2.39%	2.87%	3.10%
<u>Debt Maturity Timeline</u>			
US Debt Maturing in 12 Months	29%	30%	33%
<i>Estimated US Debt Maturing in next 12 Months (Billions)</i>	<i>\$4,229.51</i>	<i>\$9,776.27</i>	<i>\$11,163.01</i>
US Debt Maturing in 24 Months	43%	42%	44%
<i>Estimated US Debt Maturing in next 24 Months</i>	<i>\$6,271.34</i>	<i>\$13,686.78</i>	<i>\$14,884.01</i>
<u>Debt Ratio's</u>			
Total Federal Debt as a % of Nominal GDP SAAR	94%	120%	122%
Monthly Interest Expense as a % of Nominal GDP SAAR, Annualized	2.1%	3.3%	3.9%
US Deficit/Surplus (Billions)	-\$129.38	-\$220.78	-\$66.56
US Deficit/Surplus as a % of GDP	-7.83%	-8.36%	-6.06%
<u>Rates Snapshot</u>			
Fed Funds Upper Bound	0.25%	5.50%	5.50%
US 2 Year Yield	0.29%	4.90%	4.77%
US 10 year Yield	2.56%	4.02%	4.36%

*Source: Bloomberg as of 11/28/23

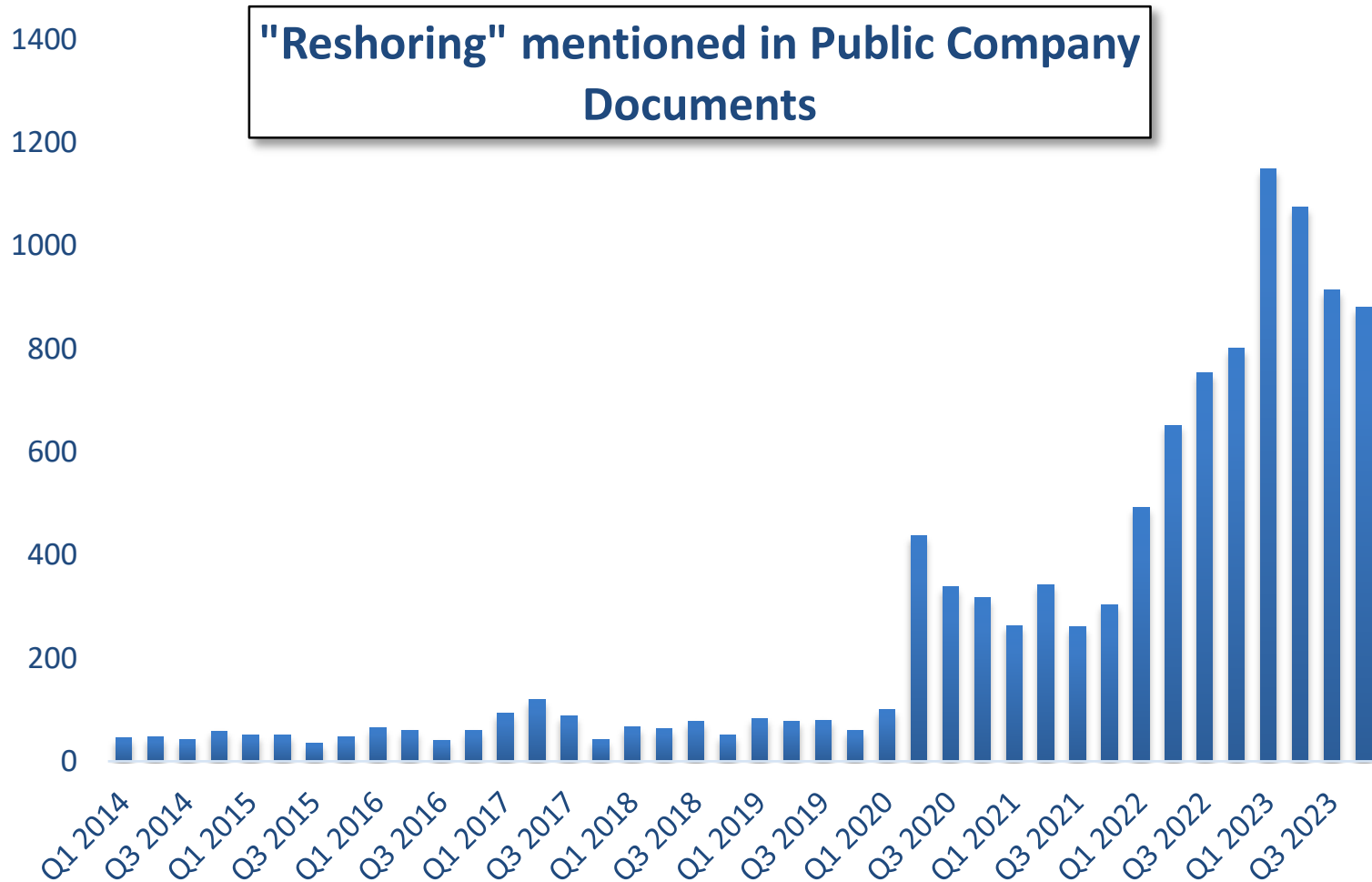
Federal interest expense over net outlays

Interest Expense Costs



*Source: Bloomberg, Assumes Public Debt Maturing over next 3 years is refinanced at current treasury yields for like maturities

Passing of “Globalization” and Emergence of “Reshoring”



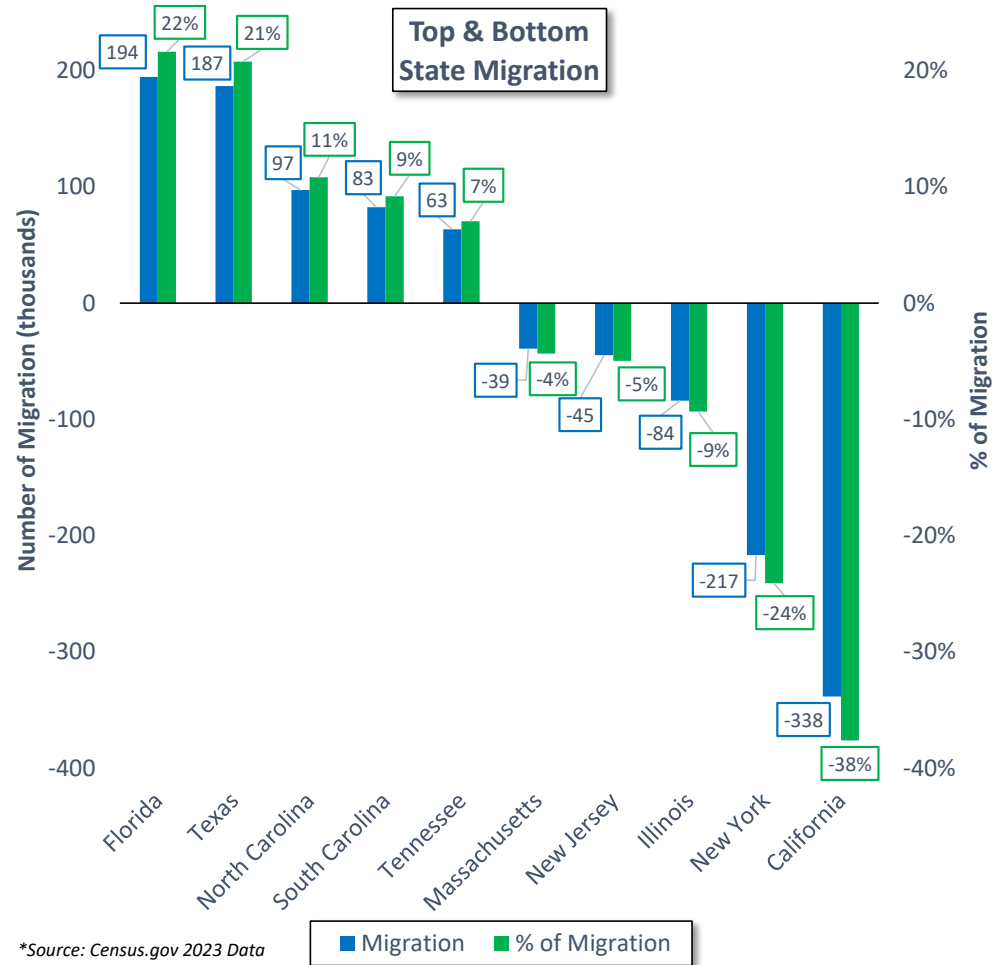
*Source: Bloomberg

Interstate domestic migration

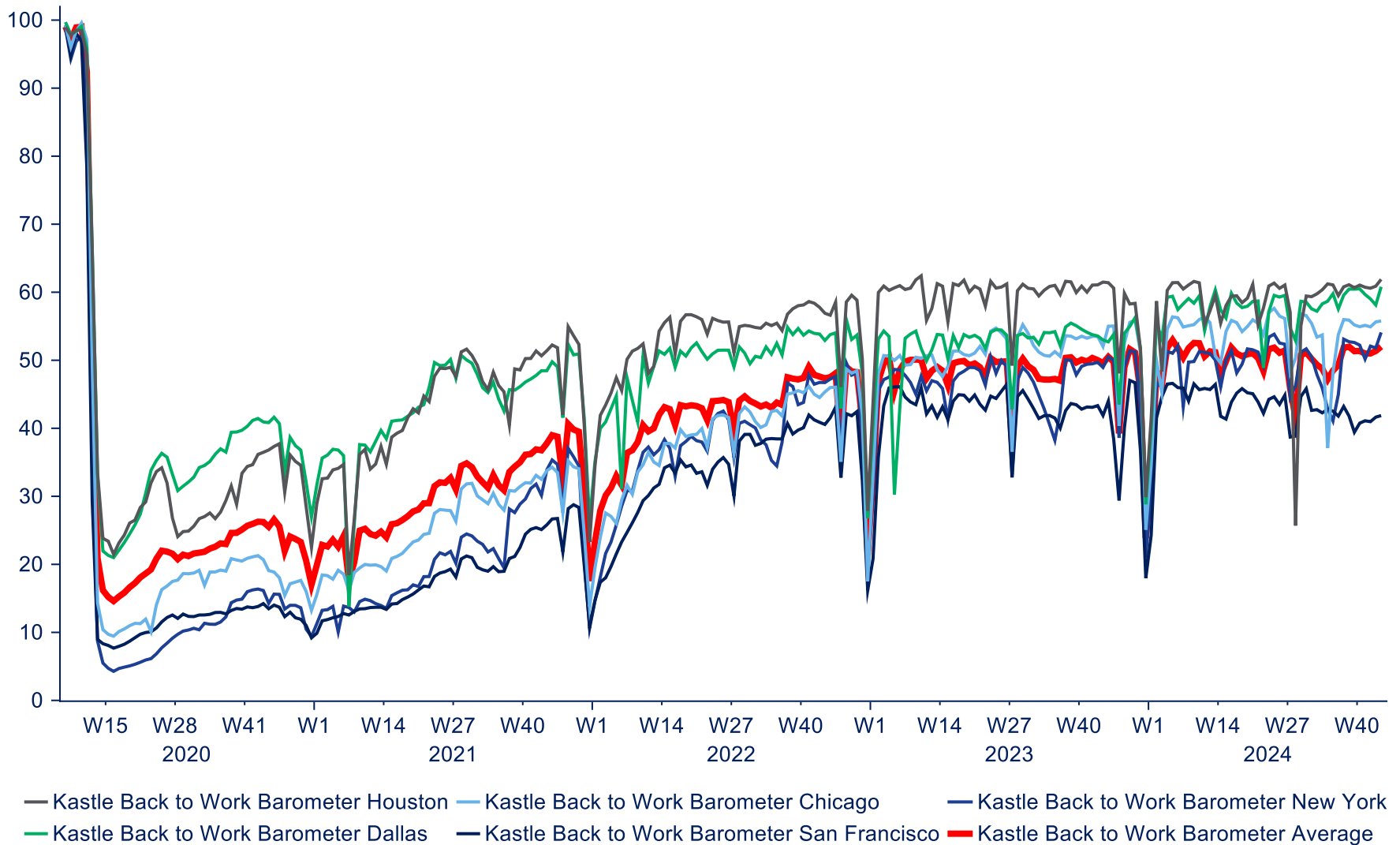
Net Migration Rank	State	Net Migration	Inflow/Total Moves
1	Florida	194,438	21.6%
2	Texas	186,767	20.8%
3	North Carolina	97,264	10.8%
4	South Carolina	82,562	9.2%
5	Tennessee	63,417	7.1%
6	Georgia	58,206	6.5%
7	Arizona	36,179	4.0%
8	Alabama	30,744	3.4%
9	Oklahoma	23,587	2.6%
10	Arkansas	18,106	2.0%
42	Michigan	(15,051)	-1.7%
43	Washington	(15,276)	-1.7%
44	Pennsylvania	(24,825)	-2.8%
45	Louisiana	(29,692)	-3.3%
46	Maryland	(30,905)	-3.4%
47	Massachusetts	(39,149)	-4.4%
48	New Jersey	(44,666)	-5.0%
49	Illinois	(83,839)	-9.3%
50	New York	(216,778)	-24.1%
51	California	(338,371)	-37.6%

*Source: Census.Gov

**Including Washington DC



The Workplace Has Changed



Source: Macrobond, Bloomberg BLS, as of 11/8/2024



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Definitions and Disclosures

Definitions

U-3 Unemployment Rate is the total unemployed as a percentage of the civilian labor force. U-6 Unemployment Rate is the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

The U.S. Treasury Federal Budget Deficit or Surplus is reported in the monthly Treasury statement of Receipts and Outlays of the U.S. Government. This statement summarizes the financial activities of the Federal Government and off-budget federal entities conducted in accordance with the budget of the U.S. Government.

GDP (Gross Domestic Product) is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

The Federal Funds Rate (Fed funds) is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy.

The Federal Reserve balance sheet tracks the aggregate assets and liabilities of the Federal Reserve.

Money market funds are mutual funds that invest in highly liquid, near-term instruments including cash and cash equivalents.

Capacity utilization tracks the extent to which the installed productive capacity of a country is being used in the production of goods and services.

The labor force participation rate is a measure of the economy's active workforce. It is the sum of all workers who are employed or actively seeking employment divided by the total noninstitutionalized, civilian working-age population.

Personal consumption, or consumer spending, tracks goods and services purchased by consumers. Core personal consumption expenditures measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

The Consumer Price Index is a measure of prices paid by consumers for a basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

The U.S. Existing Home Sales Median Price Index tracks the median price in all existing home sales. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales based on closings from Multiple Listing Services.

5-Year, 5-Year Forward Inflation Expectation Rate measures expected inflation (on average) over the five-year period that begins five years from today.

The fertility rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.

The Employment Cost Index (ECI) measures changes in employee compensation costs (or labor costs). These include both direct costs, such as wages, bonuses or in-kind benefits, as well as indirect costs, such as social security contributions, training costs, medical benefits, taxes, etc.

Total Public Debt as a Percent of Gross Domestic Product (GDP) is calculated using Federal Government Debt: Total Public Debt and Gross Domestic Product.

CEO Confidence Index measures CEO confidence in the economy, one year from now. This concept tracks the general state of the economy as it relates to businesses.

Capital Goods New Orders Nondefense Ex Aircraft & Parts tracks the value of new orders received during the reference period. It is often used as a proxy for capital expenditures, or CapEx. Capital expenditure are funds used by a company to acquire, upgrade, and maintain physical assets.

The Personal Saving Rate is household disposable income less household consumption as a percent of household disposable income.

Definitions

The BarCap U.S. Corporate HY YTW – 10-yr Treasury Spread is calculated by taking the Barclays Capital U.S. Corporate High Yield Yield-to-Worst minus the U.S. Generic Government 10-year Yield.

The Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements.

Nonfarm Payrolls measures the number of employees on business payrolls.

Retail sales, also referred to as retail trade, tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

The Job Openings and Labor Turnover Survey (JOLTS) job openings tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

The Boston Consulting Group (BCG) Global Manufacturing Cost-Competitiveness Index estimates shifts in direct costs for the world's 25 leading manufacturing exporting economies in four dimension: manufacturing wages, productivity, energy costs and currency exchange rates.

Purchasing Managers' Indexes (PMIs) are indicators of the economic health of the manufacturing and services sectors. PMIs are based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Disclosures

About Fifth Third

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio, and the indirect parent company of Fifth Third Bank, National Association, a federally chartered institution. Fifth Third offers financial products and solutions in Commercial Banking, Consumer and Small Business Banking, and Wealth & Asset Management. Wealth & Asset Management is comprised of Fifth Third Private Bank and Fifth Third Institutional Services. Fifth Third is among the largest money managers in the Midwest and, as of December 31, 2022, had \$510 billion in assets under care, of which it managed \$55 billion for individuals, corporations and not-for-profit organizations through its Trust and Registered Investment Advisory businesses. Investor information and press releases can be viewed at [53.com](https://www.fifththird.com). Fifth Third's common stock is traded on the NASDAQ® Global Select Market under the symbol "FITB." Fifth Third Bank was established in 1858.

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