AllianceBernstein®

AB Global Capital Markets Outlook | 1Q 24

What to Expect When You're Expecting Economic Normalization

Despite a volatile ride in 2023, markets punctuated a strong year with a historic two-month rally.

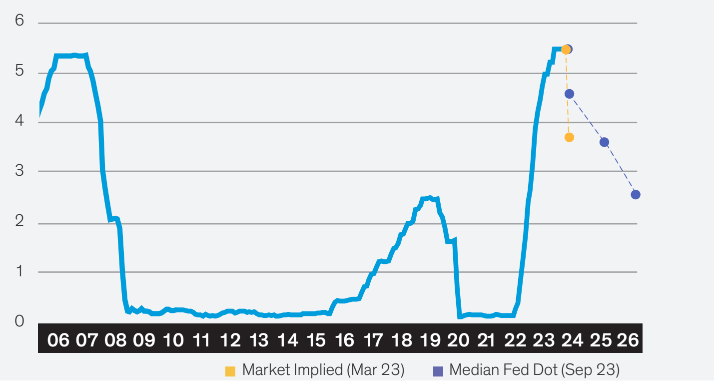
Rapidly falling interest rates—where long-term rates fell nearly 100 basis points and the 10-year US Treasury fell below 4%—ultimately pushed markets higher at year-end. In fact, a 60/40 portfolio had its best two-month run since the early 1980s, as did the US Agg. And the S&P 500 logged its 12th-best two-month return in about 75 years.

60/40 Returns	Stock Return	Bond Returns
+11.9%	+13.7%	+8.5%
60% S&P 500/40% US Aggregate Bond Index	**S&P 500**	**US Aggregate Bond Index**
Best Two-Month Return Since the 1980s	12th-Best Two-Month Return Since 1950	Best Two-Month Return Since the 1980s

Past performance does not guarantee future results. | Equities: S&P 500 price return; bonds: US Aggregate Bond Index | As of 31 December 2023 | **Source:** Bloomberg, LPL Financial, S&P and AB

Growing evidence of a US soft landing spurred expectations for the Federal Reserve to cut interest rates in 2024.

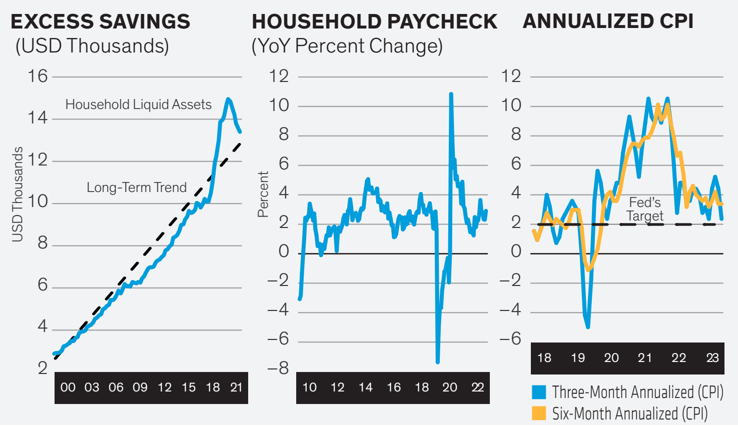
Inflation fell further, while growth and the labor market were stronger than projected one year ago. In turn, this "immaculate disinflation" helped drive late gains after the Fed surprised with projected rate cuts in 2024. Markets saw this "blink"—and raised those expectations.



Historical analysis and current forecasts do not guarantee future results. | As of 31 December 2023 | **Source:** Bloomberg, US Federal Reserve and AB

Consumer strength continued to drive growth, but we expect that trend to wane in the new year.

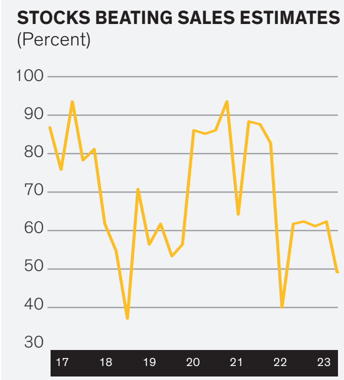
While consumer strength may slow, consumer debt to income levels is historically healthy, labor markets remain resilient and the critical household paycheck proxy—reflecting inflation-adjusted consumptive power—remain solid. Annualizing recent inflation is also encouraging, as near-term numbers continue to descend toward 2% in 2024.



Current analysis does not guarantee future results. As of 31 December 2023 | **Source:** Bloomberg, S&P/Case-Shiller Home Price Index, US Bureau of Labor Statistics, US Federal Reserve and AB

Equity valuations ended 2023 at historically high levels—raising questions going forward amid economic normalization.

Investors can expect top-line sales to slow as consumer spending wanes. As sales come down, certain parts of the market have historically reacted well—such as quality. We maintain that markets should broaden beyond the "Magnificent Seven" to the "Magnificent Others" in 2024 and beyond.



S&P 500 MULTIPLES

Time Period	P/E	P/BFE
31 December 2023	21.9	19.6
31 December 2022	17.2	16.8
Pre-Pandemic	20.3	18.9
10-Year Average	19.3	17.8

Historical analysis and current forecasts do not guarantee future results. | P/E: price to earnings; P/BFE: price to blended forward earnings | As of 31 December 2023 | **Source:** AB

1Q 2024 AB CAPITAL MARKETS OUTLOOK

AB'S CAPITAL MARKETS COMMITTEE MEMBERS

Richard A. Brink, CFA
Chief Market Strategist

Walt Czaicki, CFA
Senior Investment Strategist

Eric Winograd
Director—Developed Market Economic Research

Daryl Clements
Tax-Exempt Portfolio Manager

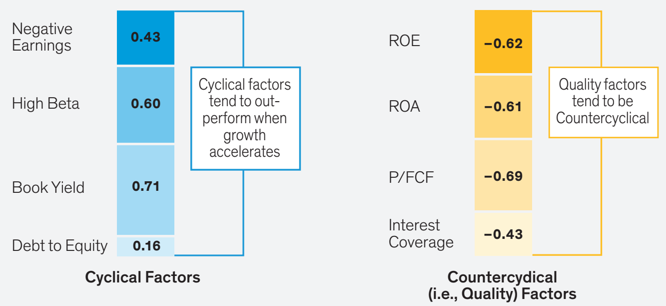
Scott DiMaggio, CFA
Head—Fixed Income

EQUITIES

In the current environment, we continue to advise staying in more fertile ground.

Amid moderating economic growth and heightened valuations, investors may want to gravitative toward stocks with higher-quality factors. While many high-quality factors remain attractive to fairly valued, they have historically tended to be countercyclical.

STICK WITH QUALITY AS THINGS MODERATE
Five-Year Factor Correlations to Retail Sales

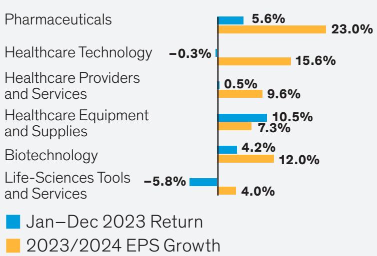


ROE: return on equity; ROA: return on assets; P/FCF: price to free cash flow | As of 31 December 2023 | **Source:** Piper Sandler and AB

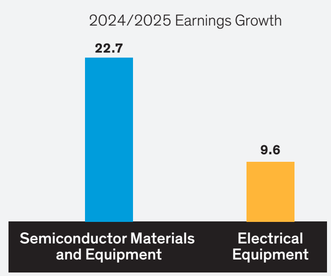
QUALITY GROWTH AND VALUE

While healthcare lagged, it continues to offer durable earnings potential, and a broad range of valuations provides fertile ground for stock selection. Among value equities, extreme underperformance may offer an attractive entry point—particularly in companies generating high free cash flow and solid earnings.

GLOBAL HEALTHCARE STOCKS
Returns vs. Earnings Forecast (Percent)*



FINDING GROWTH WITHIN VALUE
(Percent)



Left display shows six industry groups within the MSCI World Health Care Index. *Earnings growth forecasts are based on consensus estimates. | Left display as of 31 December 2023 | Right display as of 15 December 2023 | **Source:** FactSet, MSCI and AB

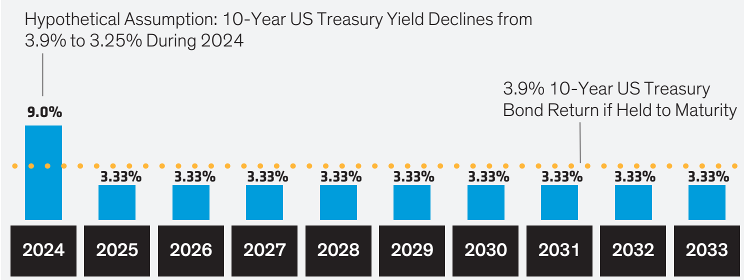
FIXED INCOME

Despite historic performance, yield levels suggest additional total return potential

TREASURIES

Treasury yields fell nearly 1% during the quarter, generating some of the best bond returns since the 1980s. However, meaningful potential capital gains still exist, should yields continue to decline as forecast.

YOU ARE HERE INVESTING AT THE START OF 2024

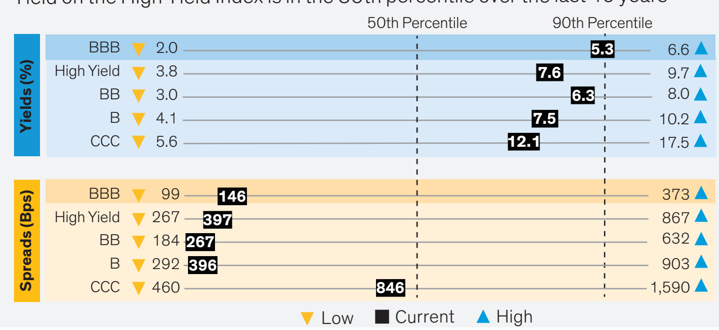


Past performance and current analysis do not guarantee future results. | Returns are simplified and thus for illustrative purposes only; they assume a 3.9% coupon, 8-year duration, and 65-basis-point yield declines in 2024. Convexity, roll, term premium and coupon reinvestment are excluded from this approximation. | As of 31 December 2023 | **Source:** AB

HIGH YIELD

As with Treasuries, high-yield yields fell meaningfully during the quarter and spreads compressed to the low end of the 10-year range. However, overall yields, historically a strong predictor of future returns, remain attractive.

YIELDS ARE STILL RELATIVELY HIGH, BUT SPREADS ARE ON THE LOWER END
Yield on the High Yield Index is in the 80th percentile over the last 10 years



Past performance and current analysis do not guarantee future results. For illustrative purposes only.
As of 31 December 2023 | **Source:** Bloomberg, J.P. Morgan and AB

LF-493071-2024-02-01
CMO–4UP–EN–AM–0124