

A Perspective on the Economy and Markets

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Until March 8th, the stage was set. Central banks across developed markets were poised to tighten rates significantly to combat stubbornly high inflation. Markets were predicting the Fed Funds rate would top 5.7% by October of 2023, and the European Central Bank's (ECB) deposit rate was expected to exceed 4.0%. The demise of Silicon Valley Bank (SVB) and Credit Suisse days later upended these expectations and left investors contemplating a radically different set of scenarios. As we enter the April earnings season, company management teams and investors are seeking evidence to determine a) if the US banking system is about to repeat the experience of the Global Financial Crisis (GFC), b) whether and how quickly inflation is subsiding, c) what the path of inflation means for monetary policy, and d) if recession is unavoidable after the sharpest rate hike cycle in four decades.

Current Economic Outlook in Brief:

1. This is not the GFC, but the banking issues are not resolved. Depositor confidence in the banking system has been shaken, and the SVB failure highlighted a glaring deficiency in the structure of US deposit insurance. To resolve these issues in the long-term, I believe deposit insurance limits should be increased materially with banks paying for the coverage (as they do now). Absent such a resolution, we could face additional US bank failures that detract materially from economic growth. Importantly, Credit Suisse's issues were completely unrelated to those of US banks. While we can find individual examples of poor interest rate risk management outside of the United States, the US banking system is particularly vulnerable to such issues given the asset/liability mix of US banks relative to their non-US peers. Commercial real estate (CRE) exposure is one area where banks have exposure globally. Credit losses on CRE are likely to increase significantly in the years ahead and can be exacerbated to the extent banks lose access to low-cost funding. While CRE exposure is a fraction of residential mortgage risk in the Global Financial Crisis (GFC), this is an area worthy of careful attention.
2. Inflation is decelerating, but not quickly enough. Core inflation (excluding food and energy) remains well above 5% across most key developed economies, most notably the Eurozone, United Kingdom, and the United States. I expect core inflation at the end of 2023 to approximate 3.5% across the Eurozone, United Kingdom, and United States, but I expect getting from 3.5% to 2% is likely to be much more challenging than the path from 5.5% to 3.5%.
3. The Federal Open Market Committee (FOMC) only began to aggressively raise rates in May of 2022, and the first ECB rate hike was in July. The full effects of policy tightening are not yet fully reflected in

economic activity. Central bankers know growth and inflation will decelerate but having been late to begin tightening, I believe they will be loath to stop too early. As such, I expect the Fed Funds rate to peak at 5.25 – 5.5% and the ECB deposit rate to top out at 3.75 – 4%. If I'm right, that implies 25 – 50bps of tightening beyond current market expectations. More importantly, however, I expect rates to remain at these levels well into 2024 versus the market expectation of US cuts in the third quarter of 2023 and Eurozone easing in the first quarter of 2024.

4. The global economic outlook is muted for 2023 and 2024 as recently highlighted in the International Monetary Fund's (IMF) World Economic Outlook. There are clear signs of US economic deceleration already, but with even more tightening to come and with banks curtailing credit availability, the probability of US recession is high at 45 – 55% over the next 12 – 18 months. The Eurozone economy is currently accelerating from a weaker starting point than the US, but the ECB is further behind in the inflation fight. Combining the magnitude of tightening with the ongoing risk to energy supplies in winter 2023 – 2024, I assess the probability of Eurozone recession at 35 – 45%. The reality is that even if recession is averted, the economy is likely to be sluggish across developed markets through 2024, creating a challenging operating environment across a wide range of industries.
5. The one bright spot from a macro growth perspective is China where the rebound from zero-COVID is likely to deliver 5.5 – 6% real GDP growth in 2023. However, the easy comparisons fade early in 2024, and I expect a significant downshift in Chinese growth thereafter as pent-up demand is sated and the lasting scars of the residential real estate reset and the zero-COVID policy fumbles reduce confidence in the household and corporate sectors.

Current Market Observations:

1. United States: Severe economic crosscurrents have left investors caught between a rock and a hard place with different asset classes delivering divergent messages. The US rates market implies a rapid descent into a recession sufficiently deep to trigger Fed Funds rate cuts in the third quarter of 2023. If consensus expectations for 2023 US Consumer Price Index (CPI) inflation of 4.1% are even close to correct, it would take a severe downturn to force the Fed to ease policy.

Such a bleak outlook would presumably cause credit spreads to widen materially to reflect heightened default risk, but that is not the case. US high yield spreads *tightened* in the first quarter by 23 basis points as measured by the ICE BofA US High Yield Index while US equities rallied in the first quarter on the back of lower discount rates, cost cutting in the tech sector, and excitement over generative artificial intelligence.

Interestingly, the S&P 500 Index (S&P 500) was up 7.0% in the first quarter (excluding returns from dividends), but the median stock was only up 1.5%. Over 95% of the advance in the S&P 500 was from 10 companies (11 stocks including both classes of Alphabet). With two stocks comprising 13.4% of the S&P 500, the impact of moves from Apple and Microsoft alone outweighs the bottom 250 stocks in the S&P 500.

The challenge for equity investors is that lower discount rates are only feasible with sharply lower inflation that would most likely result from a recession that would lead to substantially lower earnings estimates. On the other hand, no recession likely means higher discount rates which would imply lower earnings multiples on already optimistic expectations. Bottom line, despite the optimism that is

characteristic of many equity investors, you can't have your cake and eat it too.

2. Eurozone: The Eurozone is in a distinctly different place given the much more negative expectations for the winter of 2022 – 2023. Having averted recession due to a warmer than expected winter, substantial reductions in energy use, and lack of competition for energy supplies from China during the zero-COVID policy, Europe is now in recovery mode.

On the back of a brightening outlook, Eurozone rates markets are suggesting an additional 50 basis points of rate hikes with the first rate cut contemplated, but not considered a given, in early 2024. Eurozone credit spreads have tightened 26 basis points for the ICE BofA Global High Yield European Issuers/Currencies Index while the MSCI EMU Index up 12.3%. Eurozone financial markets are outperforming the US peers but are also coming from a lower starting point and easier comparisons.

Unlike in the United States, equity market action in Europe was completely different. The MSCI EMU Index was up 11.9% (again excluding dividends), but the median stock was +9.5%. What this indicates is that the MSCI EMU Index returns were much broader based than in the United States where two hands full of stocks drove over 90% of returns.

3. Japan: The appointment of Ueda Kazuo as the new Governor of the Bank of Japan (BoJ) has elevated expectations for a change in monetary policy. To date Ueda has indicated that he has no plans for a significant change of policy, but investors are keenly aware that the BoJ now owns over 55% of all Japanese Government Bonds (JGBs) and that market functioning is challenged. It is also clear that inflation has increased significantly and that Shunto wage negotiations appear to be resulting in larger than expected salary increases for the first time in decades.

As investors speculate about the potential end of yield curve control (YCC), 10-year JGB yields remain just below the 50bps limit imposed by the BoJ. The TOPIX Index has rallied 7.1% in the first quarter, but in my view, the key to forward returns is likely to be some combination of monetary policy decisions and the implications for FX rates.

Economic Outlook in Depth:

1. Banking System Issues: After 13 years of negative real interest rates, over \$15 trillion of QE¹ and over \$10.5 trillion of fiscal stimulus during the COVID-19 pandemic², it should be no surprise that the sharpest tightening cycle in forty years led to some “broken glass”. In hindsight, it should have been evident that some banks had grown too rapidly when rates were at all-time lows and had gorged on extremely low-yielding assets that would cause indigestion, or in the case of SVB something far worse.

Focusing first on the US banking system, the glaring deficiency that has been highlighted in US bank deposit insurance is the idea that any depositor with over \$250,000 should have the financial acumen of a bank credit analyst. The notion that the treasurer of a small business or even a relatively wealthy individual should be able to understand and assess the vulnerabilities of a commercial bank is

¹ Bloomberg, ECB, Federal Reserve, and Bank of Japan

² IMF

unrealistic. At best, the notion that depositors (as opposed to institutional investors) should spend their time assessing banks' creditworthiness would represent an inefficient allocation of resources relative to focusing on managing their own risks and growing their businesses.

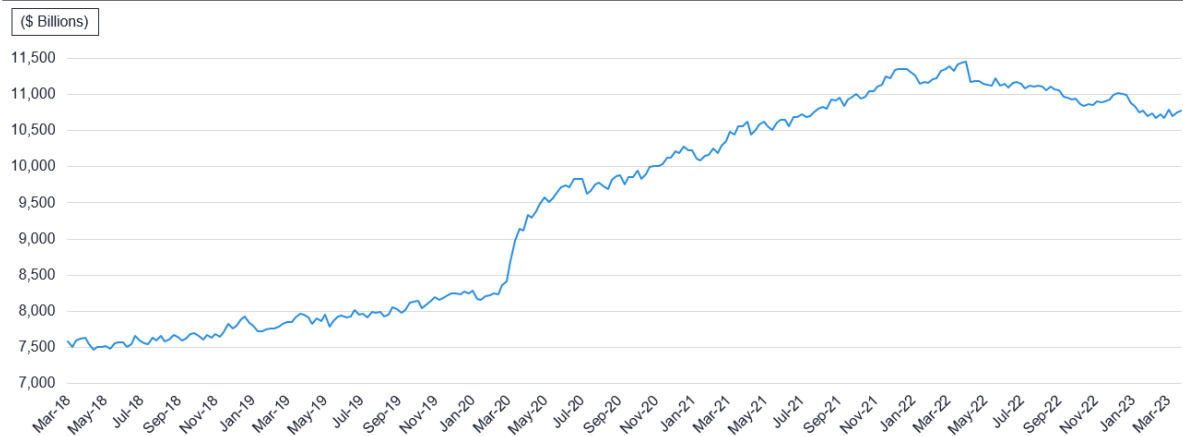
The most obvious consequences to date of the failures of SVB, Signature Bank, and Silvergate Bank have been meaningful deposit outflows from "small" US commercial banks and into money market funds. For weekly reporting purposes, the Federal Reserve (Fed) defines large commercial banks as being those with deposit balances that rank in the top 25 of the US banking industry. Every other bank is categorized as "small" despite the fact that there are \$100 billion banks below the top 25. Using these definitions, we can parse the data from the weekly Federal Reserve H.8 report that shows total deposit balances for large domestically chartered US banks and small banks on two separate schedules.

From March 8th (SVB's balance sheet restructuring announcement date) to April 5th, the 25 largest US banks have seen deposits increase by \$101 billion (Exhibit 1) while the banks ranked below the top 25 have seen \$178 billion of deposit outflows (Exhibit 2). What is not clear from the data is how much the smaller banks are having to pay up to retain their deposits. I suspect it is a meaningful increase in some cases from the pre-SVB levels.

Exhibit 1

Deposits at the Top 25 US Banks Have Increased \$101 Billion Since March 8th

Deposits of Largest 25 Domestically Chartered Banks in the United States



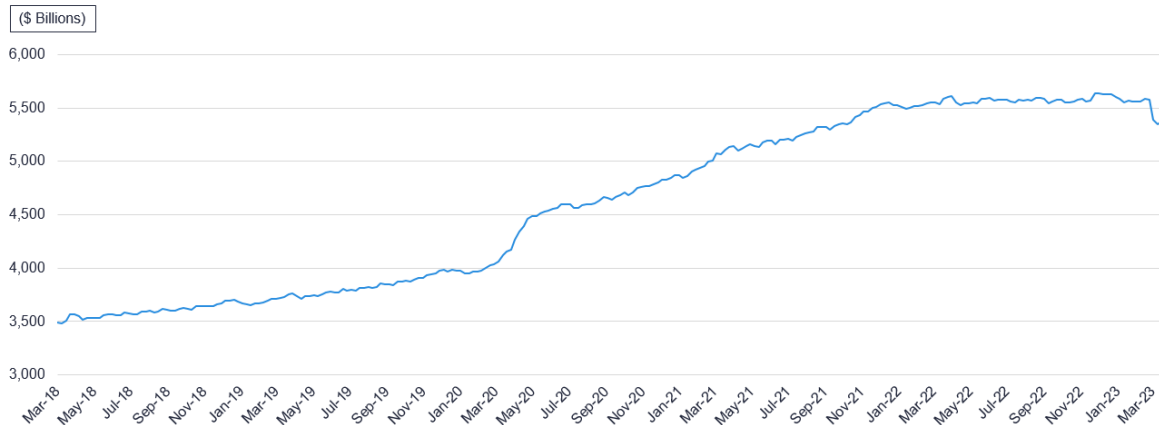
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Source: Federal Reserve, Bloomberg
Note: As of 5 April 2023

Exhibit 2

Deposits at Small US Banks Have Decreased ~\$178 Billion Since March 8th

Deposits of All Domestically Chartered Banks in the United States Ranked Below the Top 25 Based on Deposit Balances



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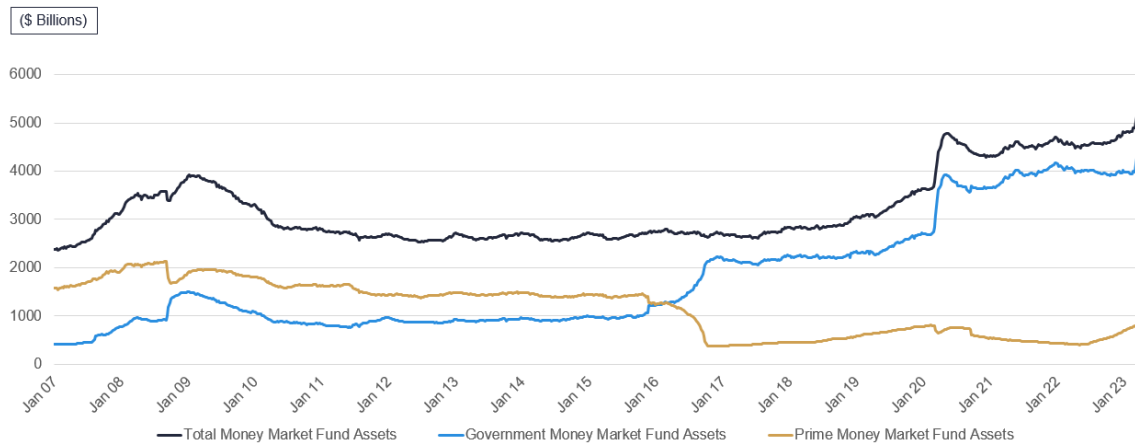
Source: Federal Reserve, Bloomberg
Note: As of 5 April 2023

Where has the cash gone? Money market funds have added \$384 billion of assets in the five weeks after March 8th with government money market funds attracting \$409 billion and prime money market funds (that can invest in corporate securities) losing \$26 billion (Exhibit 3). The reason the mix of money market fund assets matters is that assets are effectively moving out of intermediaries that fund commercial borrowers into vehicles that exclusively invest in government securities. This means funding availability is tightening for the private sector.

Exhibit 3

US Money Market Fund Assets Have Increased \$384 Billion Since March 8th

Assets in Money Market Funds



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Source: Federal Reserve, Bloomberg
Note: As of 12 April 2023

What is the outlook for the banking issues? In an ideal world, Congress and the White House would collaborate to remedy the glaring deficiency in US deposit insurance by significantly increasing the amount of deposits covered by the FDIC guarantee. This insurance would be funded (as it is today) by premiums paid by the banks (which ultimately come out of the interest rate paid to depositors). Unfortunately, this outcome only seems likely if the current “walk on the banks” becomes a proper “run on the banks” like we saw in the first few days of the SVB failure. My expectation is that we will instead

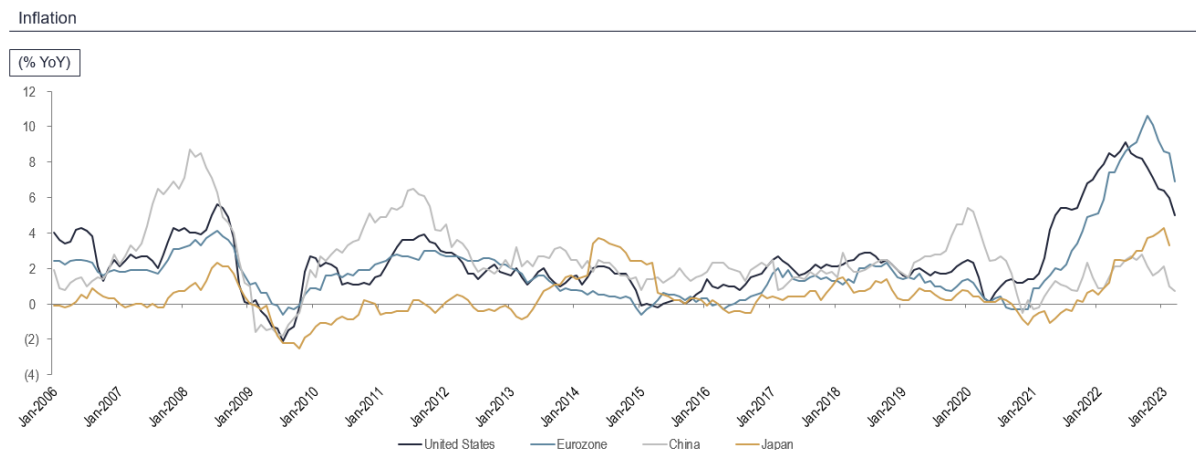
continue to see deposits drain slowly from smaller banks until we have experienced a period of extended stability with no additional bank failures in the headlines.

Unfortunately, the more funding that leaves the banking system, the more likely it is that we will see an acceleration of defaults in the commercial real estate sector where asset quality issues are likely to increase significantly over the next one to two years. Commercial real estate lending in the United States totals approximately \$4.4 trillion of which 38% is owed to US banks. Of the \$4.4 trillion, \$448 billion is due to mature in 2023 according to JPMorgan, with ~60% of that held by US banks according to Trepp. To the extent bank funding becomes constrained, some CRE borrowers might find it impossible to refinance their loans and be forced to sell at inopportune pricing levels. Falling CRE prices could then raise quality about bank capital adequacy for smaller less regulated banks, adding to pressure on their funding and creating a vicious downward spiral for the banks that are most exposed to these issues.

2. Developed Market Inflation: Headline inflation has peaked across developed markets (Exhibit 4), but core inflation (ex-food and energy) remains at peak levels on a year-on-year basis. (Exhibit 5)

Exhibit 4

Headline Inflation Has Peaked Across Developed Economies



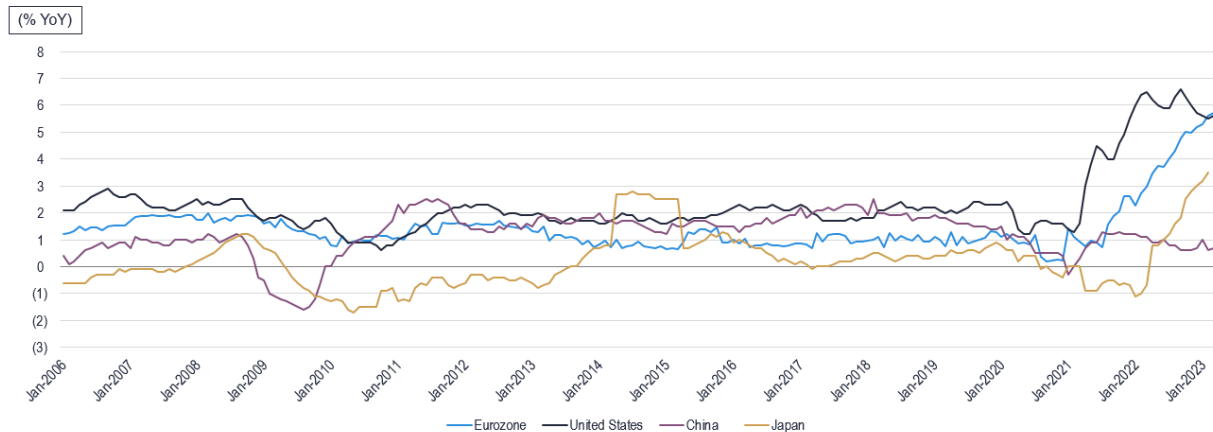
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Source: Bank of Japan, Bureau of Labor Statistics, EuroStat, China National Bureau of Statistics, Haver Analytics
Note: As of February 2023 for Japan; As of March 2023 for China, Eurozone, and United States

Exhibit 5

US and Eurozone Core Inflation Are at Their Highest Level in Decades

Core Inflation (ex-Food and Energy)



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Source: Bank of Japan, Bureau of Labor Statistics, EuroStat, China National Bureau of Statistics, Haver Analytics
Note: As of February 2023 for Japan; As of March 2023 for China, Eurozone, and United States

In the United States, the key drivers of core inflation are a) core goods (physical goods excluding food and energy which comprise 24% of core CPI), b) shelter (43.5% of core CPI), and c) all services ex-shelter (32.5% of core CPI³). Over the last year, the drivers of inflation have transitioned from core goods when supply chain disruptions were driving price increases to more insipient services inflation driven by labor costs.

In the most recent inflation report on April 12th, there was good news and bad news, tempered by private sector data that leads the Bureau of Labor Statistics data. On the positive side, shelter inflation decelerated from 80bps per month in February to 60bps in March. Also positive was the decline in services inflation ex-shelter from 39bps to 30bps. However, inflation for core goods increased from 0bps to 20bps from February to March. The primary culprit for the increase was used car prices which, while continuing to decline in the BLS CPI data, were less of a drag than in the prior month (Exhibit 6).

³ Bureau of Labor Statistics

Exhibit 6

Shelter Inflation Has Likely Peaked But Other Services Inflation Remains High

Inflation for Key Categories

(% Month on Month Change)



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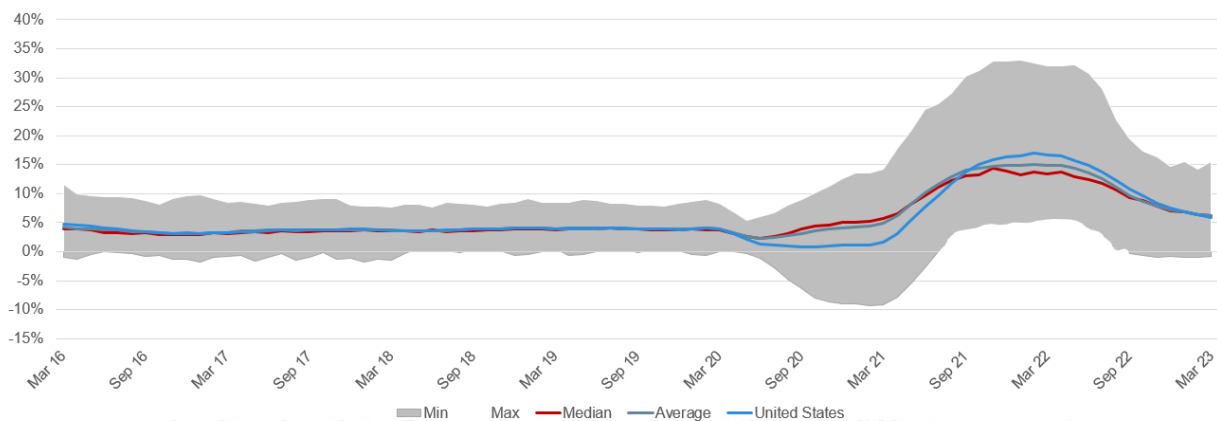
Source: Bureau of Labor Statistics, Haver Analytics
Note: As of March 2023

Looking forward, we know that shelter inflation will decelerate further based on the Zillow Observed Rent Index that leads the CPI data by about four quarters and has decelerated from 17% in February 2022 to just under 6% in March 2023 (Exhibit 7).

Exhibit 7

US Shelter Inflation Is Likely to Subside Meaningfully through 2023

US Rental Price Changes – Range, Median and US Index



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Source: Zillow.com Observed Rent Index. The index covers approximately 100 major cities in the United States beginning in 2015. Shaded gray area shows range from lowest rent inflation to highest among top 100 cities in the index.
Note: As of March 2023
This index captures asking rents (not agreed rents) for new leases only (not including renewals).

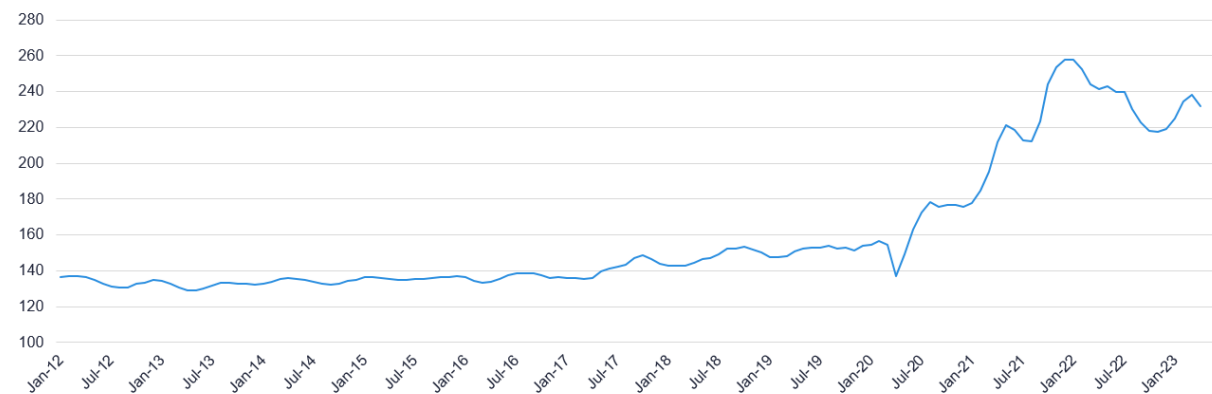
On the negative side, used car prices which comprise a mere 3.4% of core CPI have detracted anywhere from 3 – 14bps per month from core inflation over the last six months. This stands in contrast with the Manheim Used Car Index that shows used car prices increasing over the last five months by 6.5% (Exhibit 8). In March, used cars detracted 3bps from the overall core CPI, but in the next few months, we are likely to see this detraction turn into a contribution to core CPI.

Exhibit 8

Used Car Prices Could Add to US Core Inflation in the Months Ahead

Manheim Used Car Index

(January 1997 = 100)



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Source: Manheim, Haver Analytics
Note: As of April 2023

Looking beyond used cars, the other key driver of services inflation will be labor costs. The good news from a macroeconomic perspective is that labor market conditions are easing, but from extremely tight levels. The unemployment rate of 3.5% in the United States is only 10bps above the low seen in 1969 (Exhibit 9).

Exhibit 9

US Unemployment Is Near Multi-Decade Lows

US Unemployment

(%)



— US Unemployment Rate

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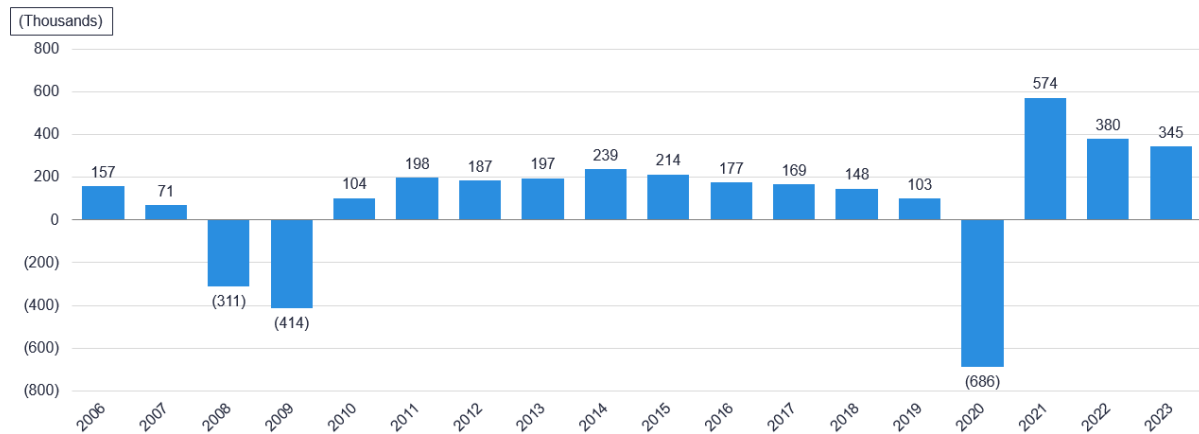
Source: Bureau of Labor Statistics, Haver Analytics
Note: As of March 2023

Even while the unemployment rate is near the levels of 1969, the US economy is creating far more jobs than the ~140k per month required to maintain a consistent unemployment rate (Exhibit 10).

Exhibit 10

The US Is Creating 2 – 3x the Jobs Required to Maintain Stable Unemployment

Average Monthly Change in Private Nonfarm Payrolls



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Source: Bureau of Labor Statistics, Haver Analytics
Note: As of March 2023

The number of unfilled jobs relative to unemployed workers stands at 1.7x versus a pre-pandemic peak of 1.25x (Exhibit 11). The bottom line is that the labor market is extremely tight. To date, wages have not responded as one would expect to the tightness, but there is no guarantee this will continue. In fact, the latest Atlanta Fed Wage Tracker report showed the median wage growth accelerating to 6.5% from 6.1% month-on-month.

Exhibit 11

Workers Theoretically Have Leverage with ~1.7 Open Jobs / Unemployed Person...

US Unfilled Jobs per Unemployed Person



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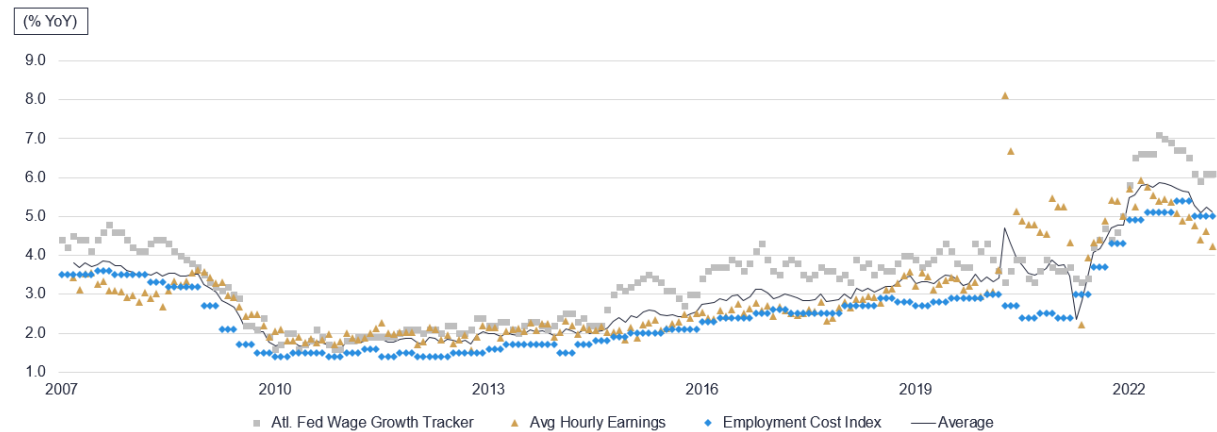
Source: Bureau of Labor Statistics, Haver Analytics
Note: As of February 2023 for Job Openings and March 2023 for Unemployment

Despite multi-decade tightness in labor markets and wages that have lagged inflation for two years, wage gains have been decelerating over the last year (Exhibit 12). It's questionable whether this trend will persist given rent increases and other cost pressures on workers. One other factor that might be limiting wage growth is a recent increase in the labor force participation rate as strong demand for workers pulls more people off the sidelines back into employment.

Exhibit 12

Despite Extremely Tight Labor Markets, Wage Growth Appears To Be Decelerating

Average of Three Common Wage Growth Series¹



Source: US Bureau of Labor Statistics, Haver Analytics

Note: As of March 2023 (using Q4 ECI value)

1 The Employment Cost Index is for Wages & Salaries of Civilian Workers (ex-Incentive Paid Occupations for average wage chart).

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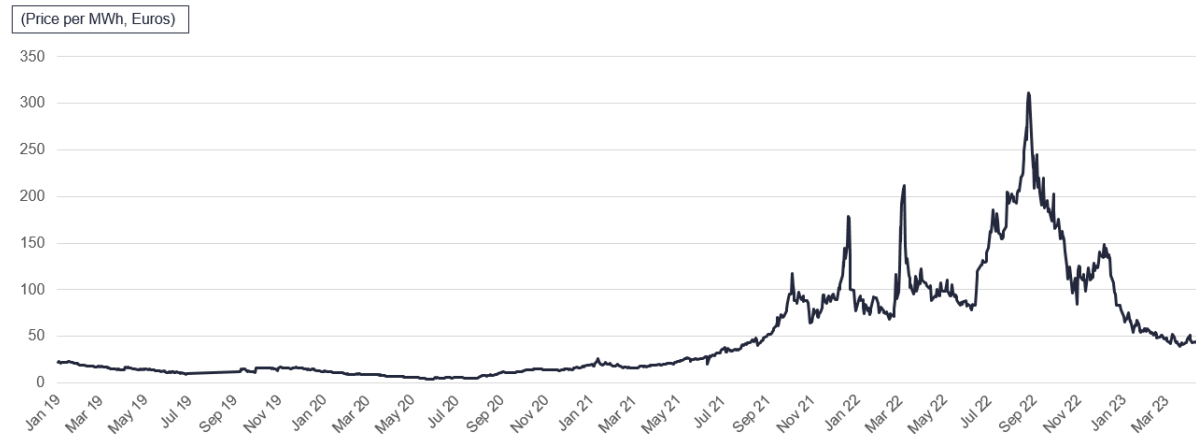
In sum, looking at the granular inflation data, I expect US core CPI to end the year at ~3.5%. The critical wild card will be wage growth.

In the Eurozone, inflation has been driven more by the price shock resulting from the Russian invasion of Ukraine. Energy prices have driven a more systemic increase in prices after natural gas prices surged by over 300% before falling below pre-invasion levels. Despite the 87% decline from the peak, natural gas prices in the Eurozone remain at 3 – 4x the pre-pandemic levels (Exhibit 13).

Exhibit 13

European Gas Prices Are Down ~87%, But Remain 3 – 4x Pre-Pandemic Levels

Netherlands TTF Natural Gas One Month Futures



Source: Bloomberg

Note: As of 12 April 2023

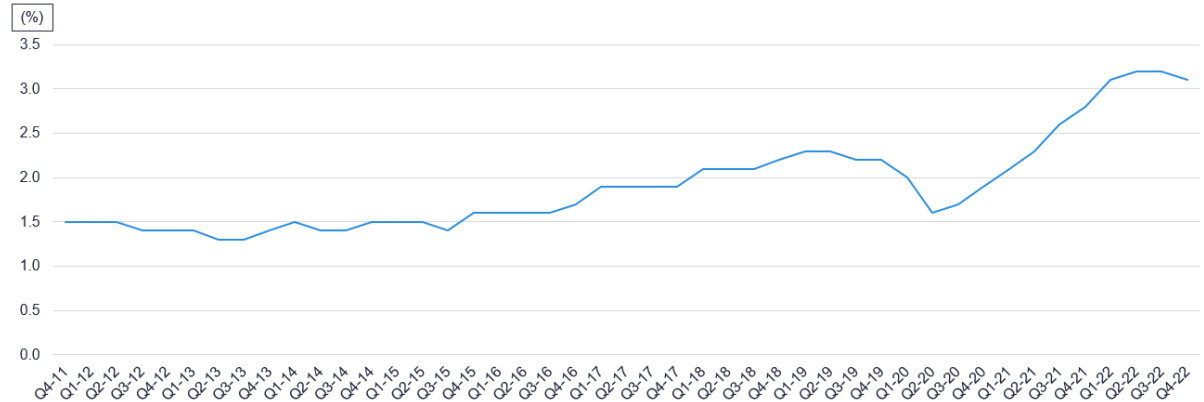
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Much as in the United States, labor markets in Europe are also tight with the job openings rate above 3% versus the ~2.25% opening rate before the pandemic began (Exhibit 14).

Exhibit 14

The Eurozone Labor Market is Tight...

Job Vacancy Rate



Source: Eurostat, Haver

Note: As of Q4 2022

The job vacancy rate is defined as a paid post for which an employer is taking active steps to find an employee and is seeking to fill it within a specified period. The rate is the number of job vacancies divided by the number of occupied posts plus the number of job vacancies

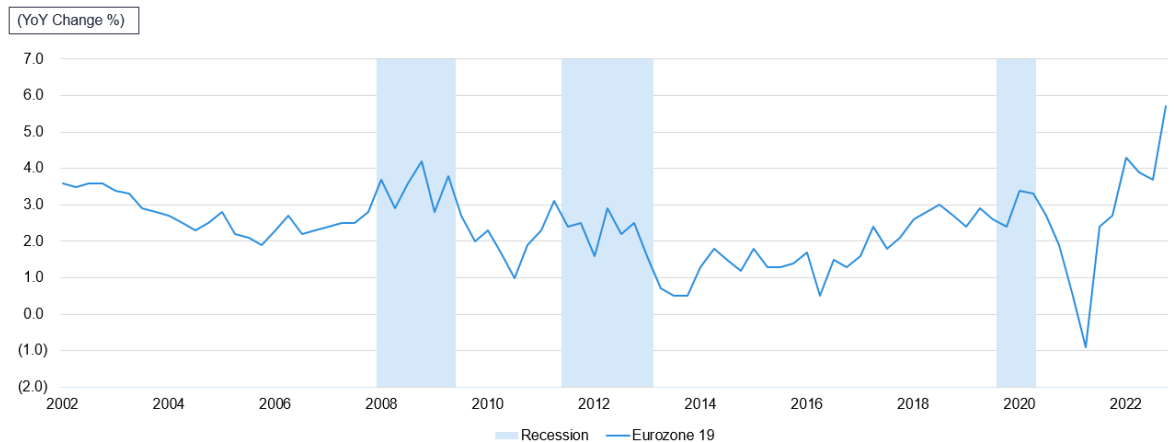
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In the Eurozone, wages are increasing more rapidly than in the United States with public sector unions in Germany demanding increases of over 10% in current negotiations (Exhibit 15). While unionization rates are not very high in Europe, union agreements have historically formed the basis for compensation for non-union workers, adding importance to the outcome of these negotiations.

Exhibit 15

... And Labor Costs Are Beginning to Reflect the Tightness

Hourly Labor Cost Index for Business Economy, Eurozone



Source: ECB, Macrobond

Note: As of Q4 2022

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Over the next few months, we will be watching carefully to see the magnitude of union compensation increase for signals of future price pressures.

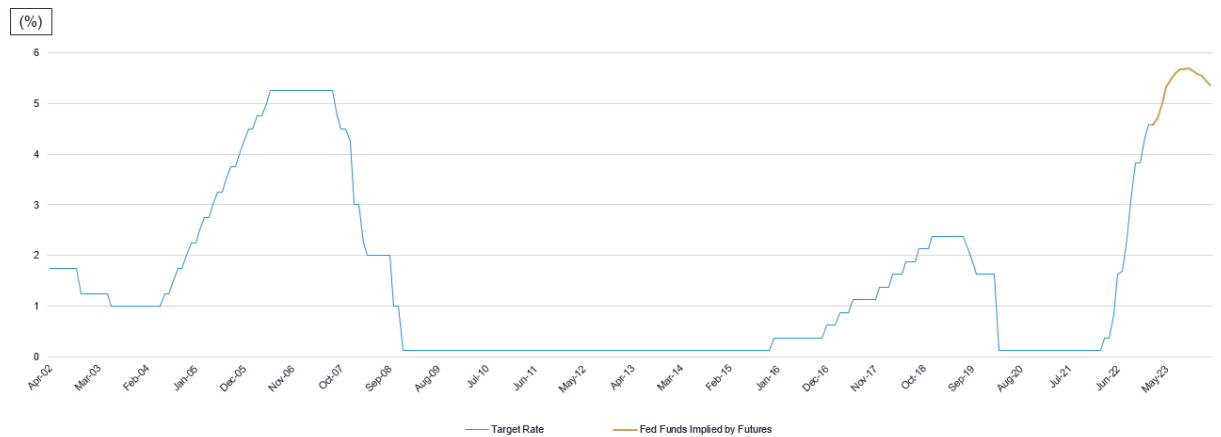
- Monetary Policy Outlook: Globally, central banks have sharply increased interest rates over the last two years with the bulk of the tightening in the last twelve months. Despite the sharpest hiking cycle in four decades, however, inflation remains far from official targets necessitating further rate increases.

Until March 8th, the market expectation was for the FOMC to raise the Fed Funds rate to ~5.7% (Exhibit 16). After SVB's failure, the market repriced expectations sharply lower and now expects a peak rate of 5.1% from May to July of 2023 with rates being reduced roughly 80bps by March 2024 (Exhibit 17). Eurozone deposit rate expectations peaked at ~4.1% in early March but have since subsided to ~3.7% in the fourth quarter of 2023 with the first potential rate cut expected early in 2024 (Exhibit 18).

Exhibit 16

On March 8th, Fed Funds Futures Implied a Peak of ~5.7% in October

Federal Reserve Target Rate and Implied Rate through March 2024



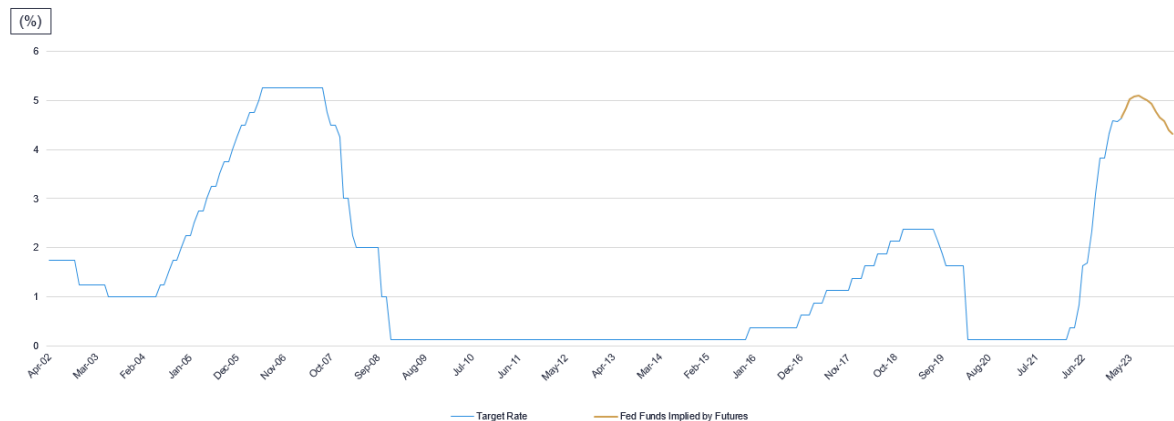
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Source: Bloomberg, Haver, Federal Reserve, Chicago Mercantile Exchange
Note: As of 8 March 2023

Exhibit 17

On April 18th, Futures Implied a Peak of ~5.1% in May with Cuts to ~4.3% by March

Federal Reserve Target Rate and Implied Rate through March 2024



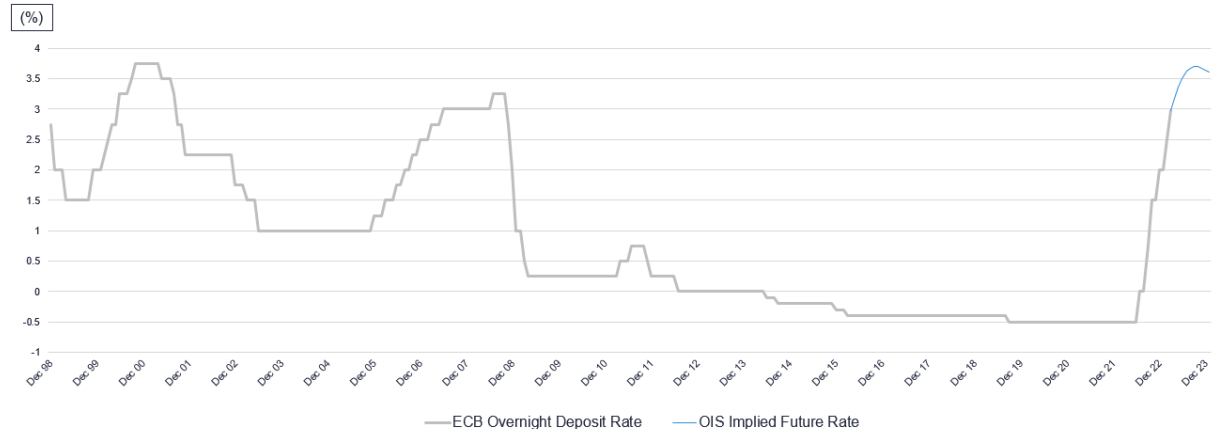
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Source: Bloomberg, Haver, Federal Reserve, Chicago Mercantile Exchange
Note: As of 18 April 2023

Exhibit 18

The ECB Deposit Rate Is Expected to Peak at ~3.7%

Implied Eurozone Deposit Rate through February 2024



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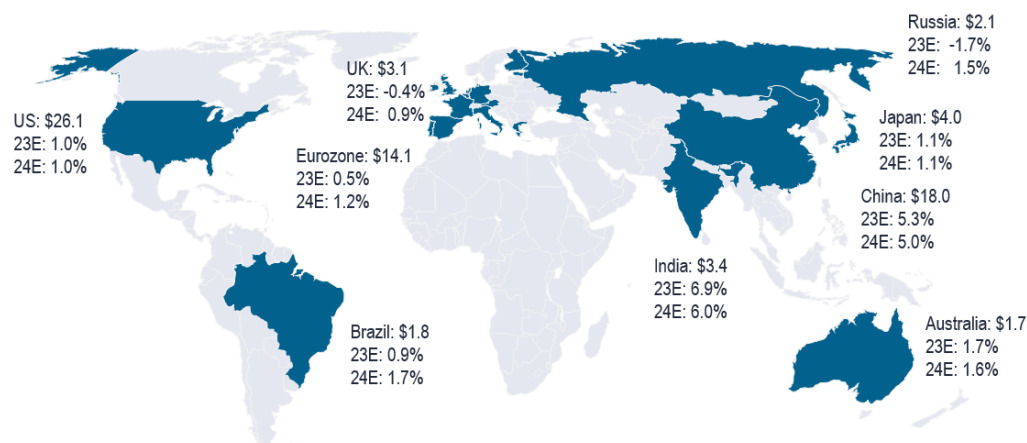
Source: Bloomberg
Note: As of 18 April 2023

- Global Economic Outlook: In mid-April, the IMF released its updated World Economic Outlook which forecast global real GDP growth would decelerate from 3.4% in 2022 to 2.8% in 2023 and 3.0% in 2024. The IMF expects advanced economies to grow only 1.3% in 2023, half of the 2.7% rate in 2022 while developing economies grow by 3.9% in 2023 versus 4.0% in 2022. The IMF forecast approximates the consensus of private sector economists (Exhibit 19).

Exhibit 19

Global Growth Expectations Are Muted through 2024

2022 GDP in \$ Trillion and Expected Real Growth



Data is in current price USD trillion

Source: Bloomberg, IMF

Note: 2022 GDP data as of 30 September 2022, for Australia, Eurozone, India, Japan, and Russia and as of 31 December 2022 for Brazil, China, US, and UK. GDP forecasts as of 2 April 2023

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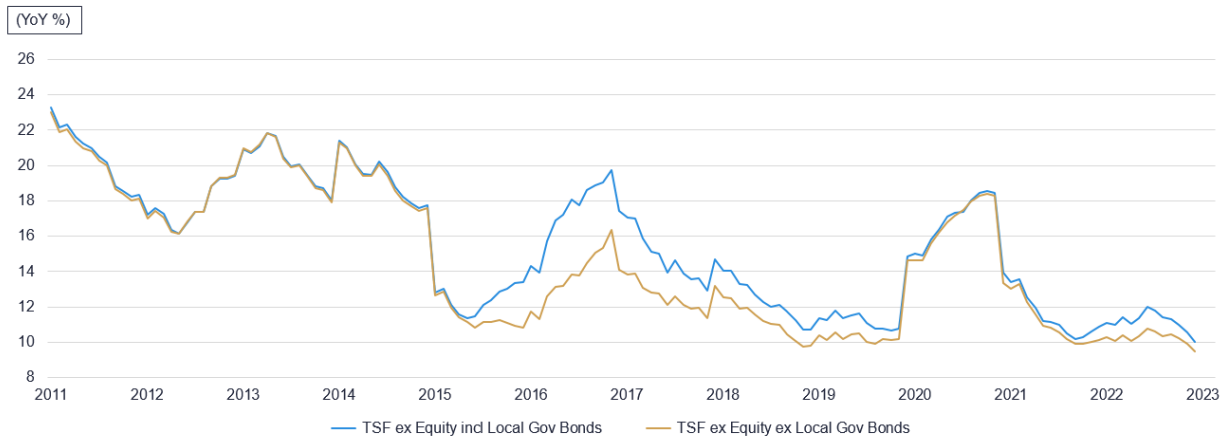
- China Reopening: One key bright spot globally is China. With annual GDP of \$18 trillion (versus the United States at \$26 trillion and the Eurozone at \$14 trillion), China's growth has powered over 25% of global growth for years and will likely continue to do so in 2023. While the reopening primarily benefits domestic service sector activity that had been severely curtailed during the zero-COVID phase, it also has lifted manufacturing with peripheral benefits to European and to a lesser degree US exporters.

In my view, the growth outlook in China is unlikely to resemble the rebounds of the past, however, as the authorities seek to limit the amount of credit used to stimulate growth. To be clear, total social financing (TSF) growth is likely to be strong, clocking in at a low double-digit pace, but credit growth will remain far below the near 20% level seen in 2016 – 2017 (Exhibit 20).

Exhibit 20

Credit Growth Is Unlikely to Accelerate as Much as in Prior Recoveries

Total Social Financing Outstanding



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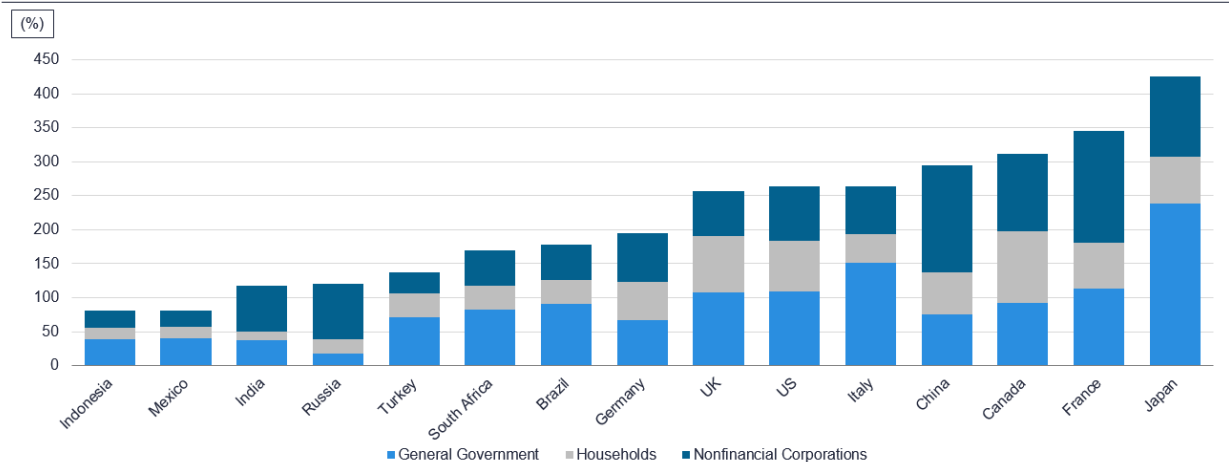
Source: People's Bank of China, Haver Analytics
Note: As of December 2022

A key reason to limit credit growth is that China's nonfinancial corporate sector is already one of the most leveraged globally with nonfinancial debt at almost 300% of GDP (Exhibit 21).

Exhibit 21

Corporate Debt Levels in China Remain Worrisome

Nonfinancial Debt as % of GDP



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Source: BIS, Haver Analytics
Note: As of Q2 2022

Another notable difference between the current and past recoveries is the more muted role played by real estate. Over the last two to three years, China has squeezed out some of the excesses in the real estate economy that comprised anywhere from ~15% of GDP on a conservatively measured basis to almost 30% including the ancillary services and financing related to property development and maintenance. With a shrinking, more urbanized population, the need for new housing stock is

decreasing. China will still need to refurbish and replace homes and to develop more units for people relocating to cities, but the magnitude of this construction will be materially lower than in prior decades.

Encouragingly, the latest data show home prices across the top 70 cities in China firming after two years of weakness. The goal for Chinese authorities is to stabilize home prices and perhaps allow some appreciation, but to avoid double-digit gains in prices that make housing unaffordable. No one should forget the recurring commentary from Xi Jinping himself that housing is for living in, not for speculation. Hence, while I think the central government must be pleased to see prices rising marginally, I do not think we should expect to see a substantial acceleration in home prices to historical appreciation rates.

One notable reopening benefit to Western economies is likely to be outbound tourism as Chinese travelers return to Europe. The resumption of normal travel patterns will be welcomed in countries such as Spain, Italy, and France where tourism comprised approximately 14%, 13%, and 8% of GDP, respectively pre-pandemic⁴. While the contribution of tourism includes all domestic and foreign tourists, the return of Chinese tourists will almost certainly add materially to economic activity.

Conclusion:

Undoubtedly, the rest of the year will bring economic surprises and market volatility. I continue to believe we are in the midst of a paradigm shift as it relates to inflation with a bias toward structurally higher price pressures driven by changing global supply chains and the costs of climate change. It's not clear how quickly these pressures will be apparent or when they might begin to outweigh more cyclical economic factors. What is clear to me is that idiosyncratic fundamental factors are likely to play a bigger part in driving securities prices than they have over recent years when macroeconomic factors such as discount rates far outweighed company specific developments.

This does not mean that macro factors will recede into the backdrop. I would argue that the first quarter is proof to the contrary as discount rates were a critical driver of equity market returns in the United States driven by the top ten companies in the S&P 500 Index. However, one quarter does not necessarily mean the new paradigm has ended. It is likely to be a mere interruption to a new trend that looks a lot more like the market of decades past when discount rates were the footnote rather than the headline of any company's earnings release. In the new paradigm, it is my view that pricing power, margin stability, balance sheet strength, and funding resiliency are likely to be more important than the next FOMC meeting.

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⁴ OECD