



CIO believes quality stocks, including the US IT sector, should be well positioned to grow earnings in an environment of slower growth in 2024. (UBS)

# What's next for equity markets?

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**The S&P 500 briefly entered correction territory in late October, having fallen 10% from its July peak amid fears of higher-for-longer Federal Reserve policy rates. But the fall in yields in early November has helped equities regain ground.**

In the near term, we expect equity markets to remain choppy and rangebound, though we see moderate upside over our forecast horizon. We like quality stocks, including the US IT sector, and expect them to be well positioned in an environment of slowing economic growth in 2024.

## **The S&P 500 fell into correction territory in October.**

- The S&P 500 fell 10% between the end of July and 27 October.
- Rising yields weighed on equities as investors priced in expectations of “higher-for-longer” central bank policy rates.
- The 10-year US Treasury yield reached 5% for the first time since 2007.

## **But falling yields have brought some relief, and corporate fundamentals remain solid.**

- The 10-year Treasury yield has moderated to around 4.65% (as of 10 November).
- The Fed kept policy rates on hold at its November meeting, and its balanced statement raised hopes that the hiking cycle could be at an end.
- We forecast S&P 500 earnings per share growth of 9% in 2024.

## **We are neutral on global equities overall but see opportunities, for example, in quality stocks.**

- Uncertainty about the monetary policy outlook may keep global equities choppy and rangebound in the near term.

- We favor quality stocks, including the US IT sector, and think they should perform well in an environment of slowing economic growth in 2024.
- Regionally, we like emerging market equities, and forecast 16% earnings growth for the MSCI Emerging Markets index in 2024.

### **Did you know?**

- Companies with “quality” attributes typically have strong returns on invested capital, resilient operating margins, and relatively low debt on their balance sheets.
- The MSCI ACWI Quality Index has outperformed the MSCI All Country World Index by 1 percentage point over six-month periods since 2012 in which growth has been slowing but staying positive (as measured by the Atlanta Fed GDPNow survey)—the environment we expect in 2024.
- Quality stocks also tend to be relatively resilient in periods of economic contraction, which should offer portfolio protection in case the economy slows more than we expect next year.

### **Investment view**

We are neutral on global equities overall, but see moderate upside over our forecast horizon. Our December 2024 target for the S&P 500 is 4,700. We believe quality stocks, including the US IT sector, should be well positioned to grow earnings in an environment of slower growth in 2024. We also like emerging market stocks.

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Original report - [What's next for equity markets?, 13 November 2023.](#)

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