# Synovus Market Update

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## Currency Wrap-up

David J. Grimaldi, Foreign Exchange Sales Consultant

The dollar has climbed more than 4% since August as traders factored in a President Donald Trump election win, which also came with a sweep of the House and Senate on November 5. The reasoning was that Trump's proposed tariffs on imports would drive up the cost of goods, keeping inflation high and resulting in a slower path of rate cuts by the Federal Reserve. "The markets are moving to price in a greater probability of a Trump victory," Lee Hardman, senior currency analyst at MUFG, told the Financial Times prior to the November 5 election.

Treasuries have also followed this path as the U.S. 10-year yield surged to 4.25% last week, the highest since mid-July. Trump and his vice presidential running mate, JD Vance, are on record to weaken the dollar to combat his tariff policy and increase exports. Scott Bessent, a top economic advisor to Trump, and a hedge fund manager who once worked for George Soros, the most famous currency trader in history, believes Trump would support a strong dollar. Bessent said Trump "stands by the U.S. as a reserve currency. "The reserve currency can go up and down based on the market. I believe that if you have good economic policies, you're naturally going to have a strong dollar."

He also stated that tariff policy is more of a position that Trump tends to "escalate to de-escalate" to achieve trade goals. Additionally, oil has played a large factor in inflation in the U.S. as prices rose in November 2020 from $34 per barrel to a high of $129 per barrel over the last four years, to its current $76. Trump has promised to increase oil production and depart from President Joe Biden's green energy stance, which would drive down inflation and weaken the dollar.

*★ Read the full article.*

## November Market Update: I Was Way Off!

Christopher Brown, Vice President — Investments, Synovus Securities, Inc.

The broad markets, specifically the S&P 500, have provided surprising returns over the past 10 months. The S&P 500's "Magnificent 7" technology stocks have continued to lead the charge from 2023, as the artificial intelligence (AI) craze maintained its upward trajectory. It seemed like January was just a few months ago, and in my January Market Update I stated, "If the U.S. economy maintains a continuation of stable labor markets, a resilient consumer coupled with lower inflation and a softer future interest rate environment, then the S&P could receive a boost, trading in the range of 20 to 21 in forward P/E. A bullish outlook estimate of $247 EPS multiplied by a 21 P/E provides a 2024 S&P 500 outlook of 5,187. This would be a 9.43% gain for the calendar year in 2024 from current S&P levels."

The JP Morgan Guide to the Markets charts below illustrates the earnings growth of each S&P 500 sector over the past three years.

**S&P 500 sector pro-forma EPS growth**
Year-over-year

| | | 2022 | | | | 2023 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Weight* | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QF | 4QF |
| Tech. | 32% | 14% | 1% | -1% | -5% | -8% | 4% | 14% | 23% | 28% | 20% | 15% | 16% |
| Financials | 13% | -18% | -27% | -18% | -12% | -8% | -2% | 12% | -21% | 9% | 17% | -1% | 29% |
| Health Care | 12% | 15% | 8% | 0% | -4% | -15% | -27% | -19% | -15% | -25% | 19% | 10% | 22% |
| Cons. Disc. | 10% | -29% | -16% | 7% | -19% | 38% | 48% | 38% | 27% | 21% | 10% | -1% | 13% |
| Comm. Services | 9% | -1% | -21% | -23% | -26% | -14% | 20% | 44% | 44% | 42% | 8% | 12% | 18% |
| Industrials | 9% | 38% | 33% | 20% | 40% | 24% | 12% | 9% | 4% | 2% | -3% | -1% | 4% |
| Cons. Staples | 6% | 8% | 2% | 1% | 1% | 3% | 8% | 7% | 6% | 6% | 4% | 2% | 4% |
| Energy | 3% | 282% | 301% | 140% | 68% | 19% | -49% | -34% | -23% | -24% | 0% | -22% | -18% |
| Utilities | 3% | 27% | -4% | -8% | 10% | -23% | -3% | 10% | 31% | 28% | 21% | 4% | 0% |
| Materials | 2% | 47% | 17% | -12% | -18% | -20% | -24% | -18% | -21% | -21% | -8% | -2% | 16% |
| Real Estate | 2% | 19% | 6% | 11% | 8% | -1% | 6% | -1% | 3% | 6% | 0% | 2% | 3% |
| S&P 500 | | 10% | 7% | 3% | -3% | -1% | -4% | 6% | 4% | 6% | 11% | 3% | 18% |

*★ Read the full article.*

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## The Personal Trust Corner: A J.D.'s Perspective A Deep Dive into ILIT

Amy Piedmont, J.D., LLM, Vice President, Sr. Trust Relationship Manager and Katherine "Kate" Gambill, J.D., Vice President, Sr. Trust Relationship Manager

In our series, "The Personal Trust Corner: A J.D.'s Perspective," we aim to spotlight one planning strategy each month in response to the ever-changing Estate Tax Laws. This month, we turn the spotlight on the Irrevocable Life Insurance Trust (ILIT), a remarkable tool that offers numerous benefits for those with substantial life insurance policies. For high-net-worth couples and individuals, estate planning often involves intricate strategies designed to safeguard wealth and ensure a solid financial legacy. These strategies can be employed individually or in combination.

**Navigating the Maze of Estate and Gift Tax Exemption**

Navigating the complex universe of the unified lifetime gift and estate tax exemption can feel like journeying through a labyrinth.

*★ Read the full article.*

### We're here if you have questions.

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***Past Economic Insights newsletters are available at: https://www.synovus.com/personal/plan-and-invest/economic-insights/**

## Technology Update: 'Is the Tech AI Trade Fading?'

Daniel Morgan, Senior Trust Portfolio Manager, Synovus Trust Company, N.A.

Does a current rally in the Tech Sector (S&P Information Technology Sector Index plus-34.6 versus S&P 500 Index up 22.5% YTD) have legs? Or will the recent Tech share increases fade once macro factors — like slower economic growth and a possible AI letdown — impacting the market come to shore? There are a couple of driving forces that are propelling the Tech sector beyond just AI enthusiasm.

Consensus EPS estimates for Fiscal Year (FY) 2024 call for profit growth in the Technology sector to rebound  to being up 16.4% Year-over-Year (YoY). With the biggest recovery in FY2024 growth expected to come from the Semiconductor and Software and Services segments, estimates are expected to increase to 41.8% YoY and 10.4% YoY growth, respectively. Working into the upcoming 1Q25 Technology reporting season, expect profits to grow 20.1% YoY, with semiconductors leading the pack and expected to post growth of 71.5% YoY.

In the past, the Tech sector has been trading in unison with the Federal Reserve as fears that the current tightening policy will eventually lead to slower economic growth, squeezing IT budgets and resulting in lower profits for the Technology sector!

*★ Read the full article.*