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# Economic and Investment Cycles

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FPPTA FALL SCHOOL 2024

MARINER

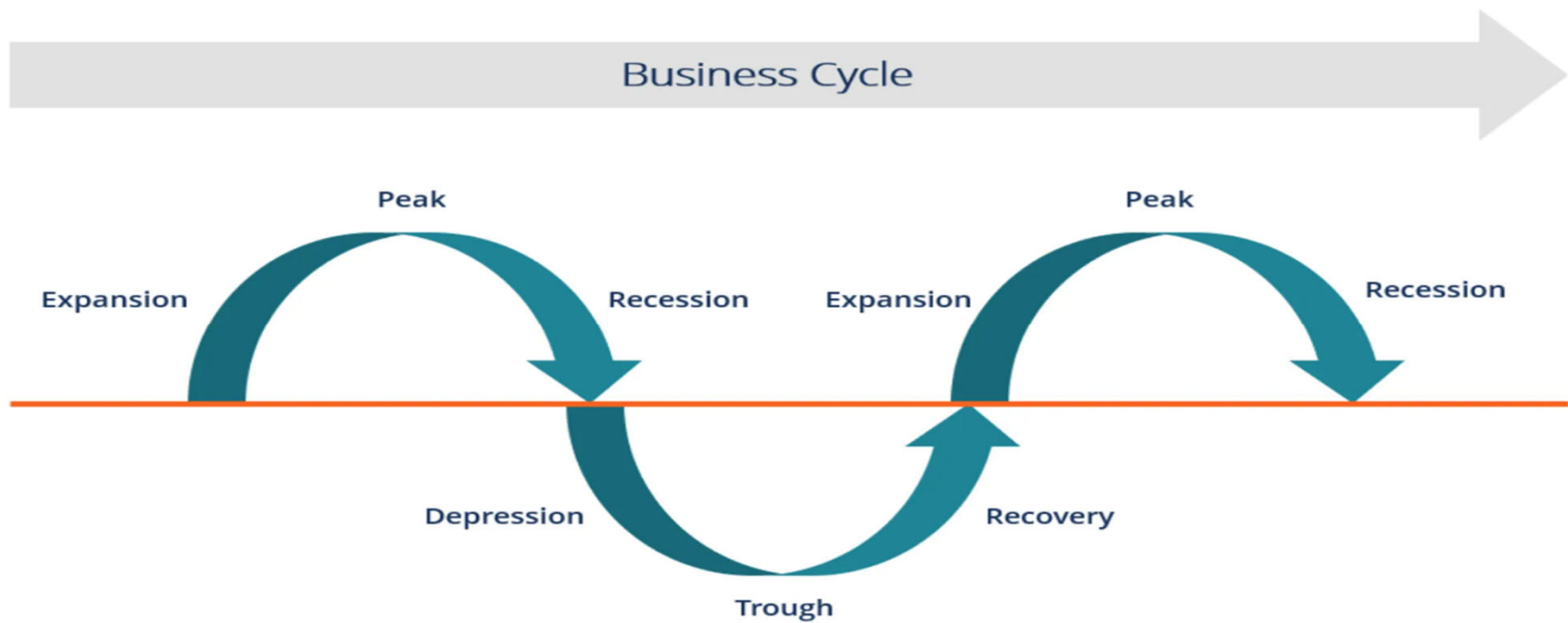
## ECONOMIC CYCLES



# What is an Economic Cycle?

- Economic cycles are recurring fluctuations of an economy's output, which is generally measured by changes in the gross domestic product (GDP) of a nation.

# Economic Cycle Phases



Source: Corporate Finance Institute.

# Economic Cycle Definitions

- **Expansion**-positive economic data: personal income high, low unemployment, healthy corporate profits etc.
  - **Peak**- maximum economic growth is attained; prices of goods and services are at their peak, unemployment at a low point in the cycle.
  - **Recession**- demand for goods and services decrease, GDP growth is negative, unemployment begins to rise.
  - **Depression**- continued rise in unemployment, continued decline in GDP.
  - **Trough/Bottom**- GDP growth continues to be negative; prices of goods and services hit a low point, unemployment at a high point.
  - **Recovery**-demand starts to pick up, supply picks up, prices begin to increase. Employment numbers improve, GDP is improving.
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# Factors Impacting the Economic Cycle

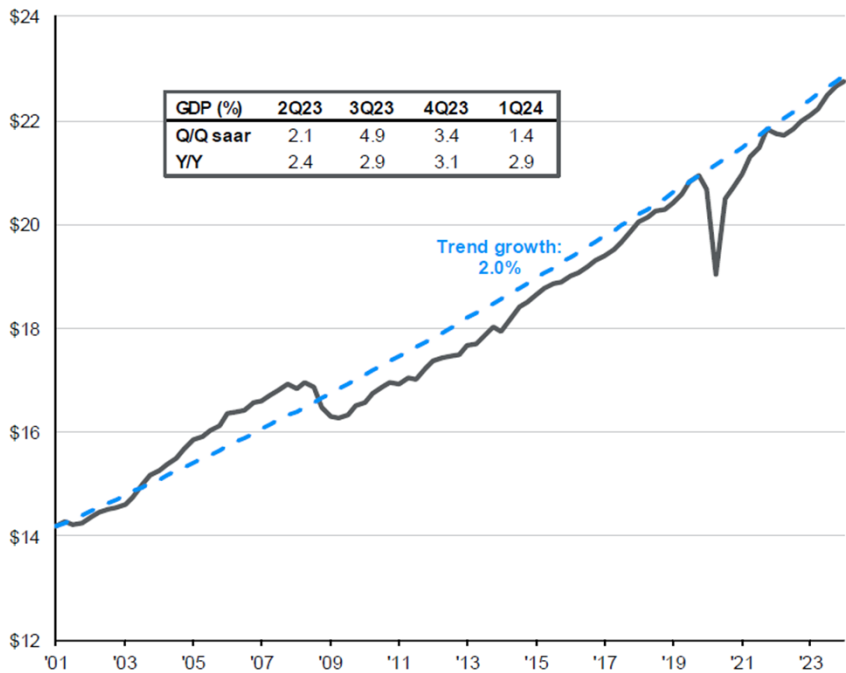
- Level of interest rates
  - Monetary policy
  - Consumer sentiment
  - Household wealth
  - Credit cycle
  - Inventory cycles
  - Business investment
  - Productivity
  - And more
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# GDP Growth and Composition

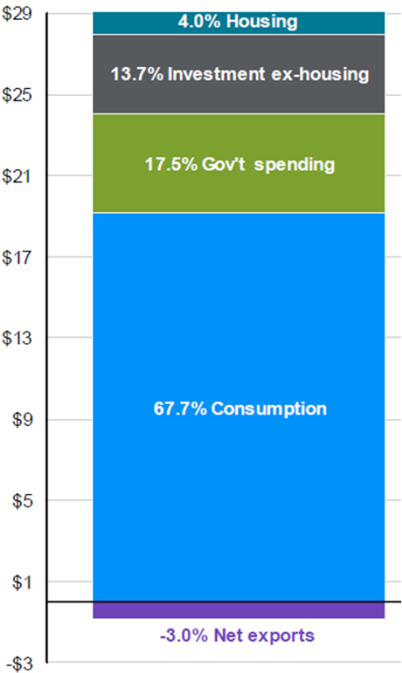
## Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



## Components of GDP

1Q24 nominal GDP, USD trillions

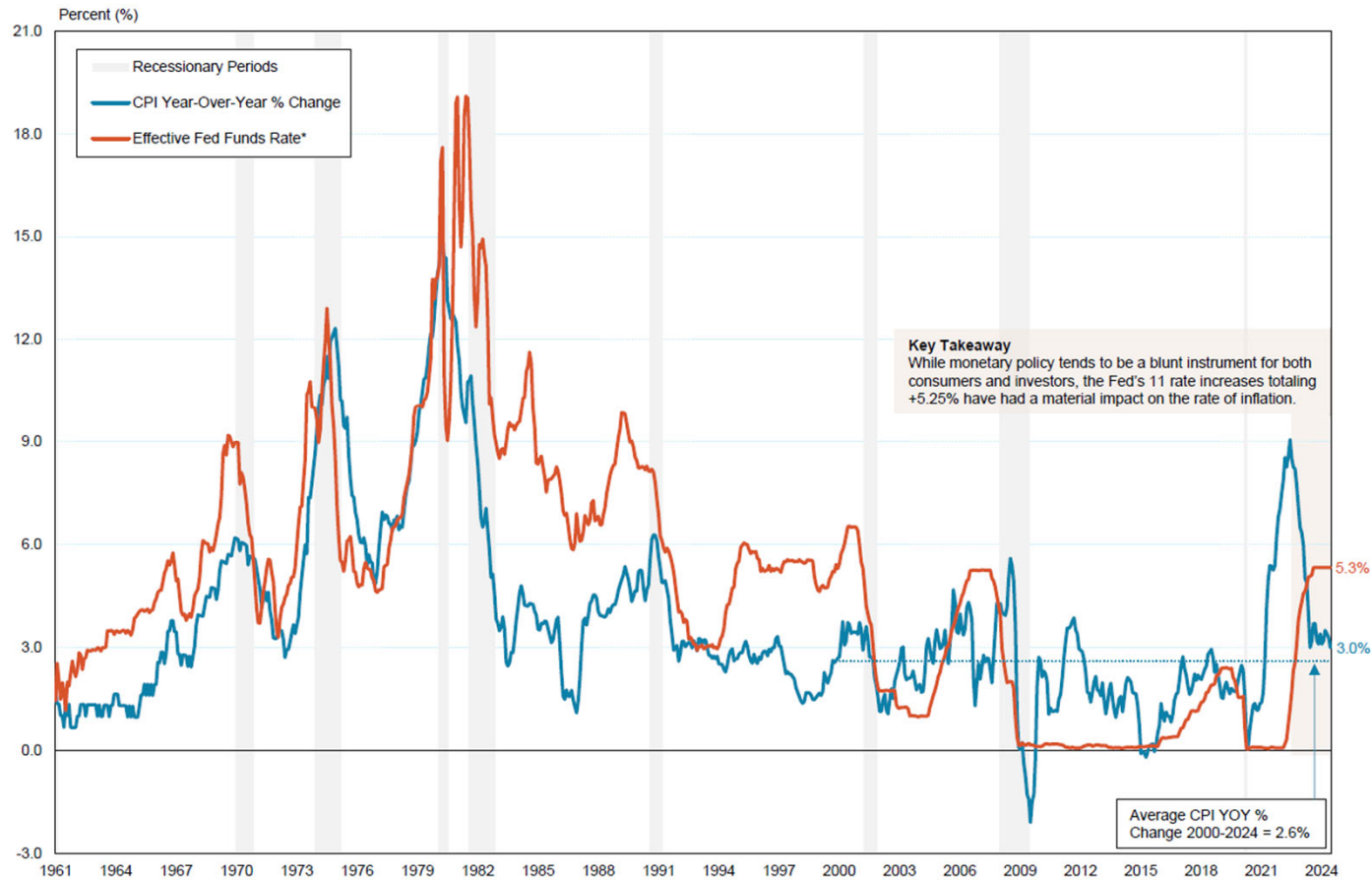


Source: JP Morgan Guide to the Markets, June 30, 2024.

## A Visual History of Battling Inflation with Monetary Policy

CPI Year-over-Year Percentage Change by Month versus Average Monthly Effective Fed Funds Rate

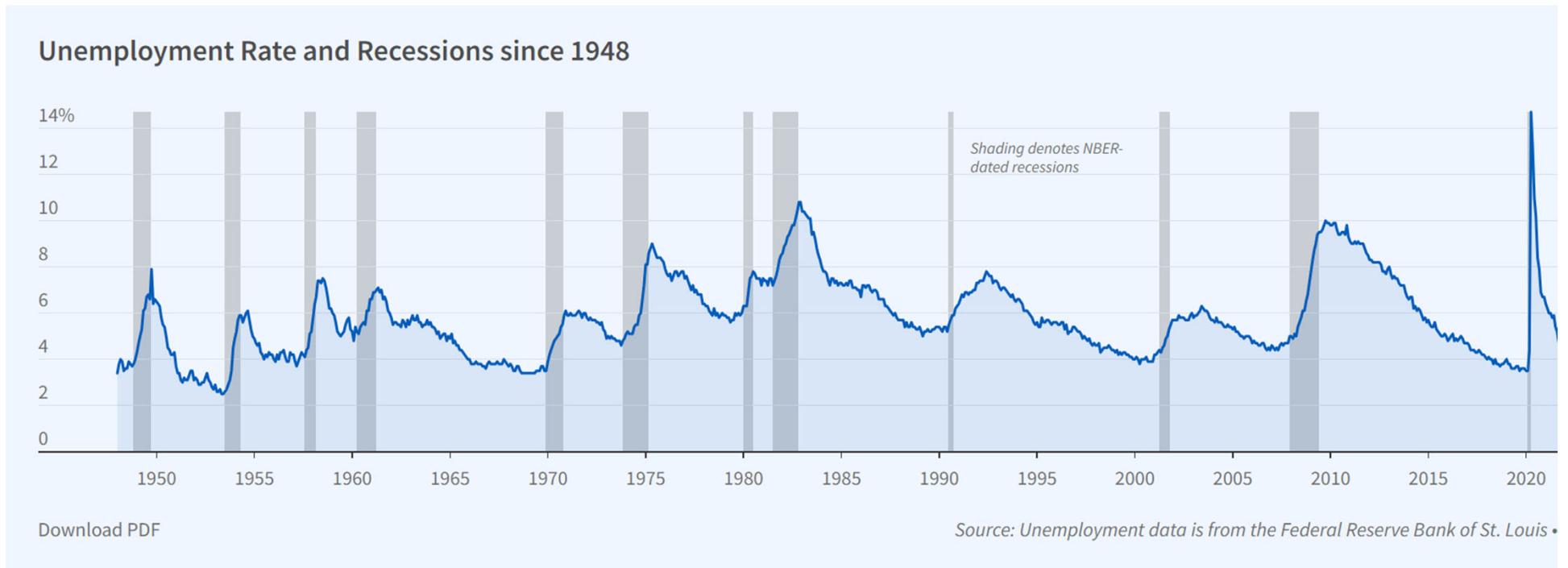
January 1961 – June 2024



Source: Mariner Institutional and the St. Louis Fed.



# Unemployment and Recessions



## MARKET CYCLES



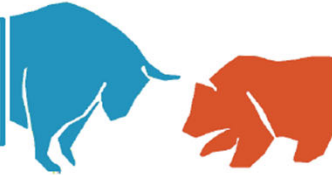
# What is a Market Cycle?

- Investment market cycles are varied economic conditions over time resulting in certain types of asset classes performing better or worse than others at a given time.

# Domestic Equity: Bull and Bear Markets

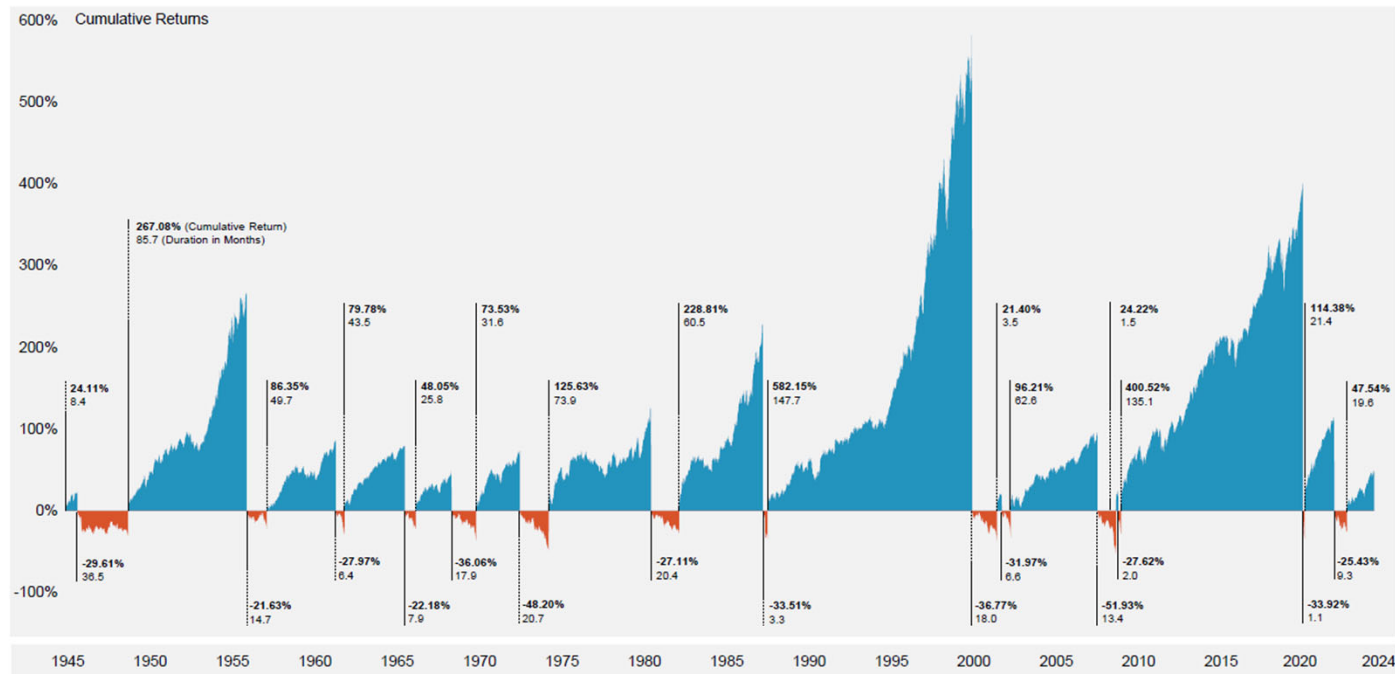
**Bull Market:** Consecutive **increase** in the index of more than 20% from its previous **low**.

Number of **bull** markets periods: 15  
Average gain in **bull** markets: 147.98%  
Average length of **bull** markets: 51.1 Months



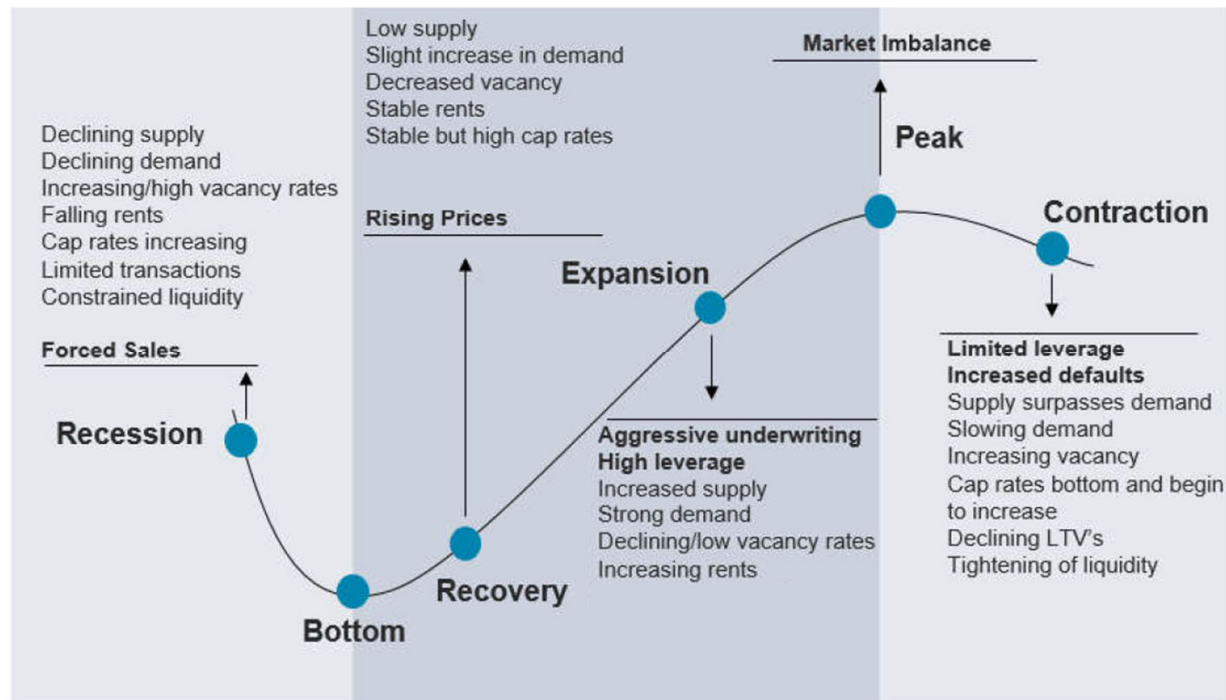
**Bear Market:** Consecutive **decline** in the index of more than -20% from its previous **high**.

Number of **bear** markets periods: 14  
Average loss in **bear** markets: -32.42%  
Average length of **bear** markets: 12.7 Months



Source: Mariner Institutional and Morningstar Direct.

# Real Estate Performance through Economic Cycles



# Calendar Year Asset Class Performance

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Best ↑	Russell 2000 Growth Index 29.1 %	NCREIF Fund Index-ODCE (EW) (Net) 15.0 %	MSCI Emerging Markets (Net) 18.2 %	Russell 2000 Growth Index 43.3 %	S&P 500 Index 13.7 %	NCREIF Fund Index-ODCE (EW) (Net) 14.2 %	Russell 2000 Value Index 31.7 %	MSCI Emerging Markets (Net) 37.3 %	NCREIF Fund Index-ODCE (EW) (Net) 7.3 %	Russell 1000 Growth Index 36.4 %	Russell 1000 Growth Index 38.5 %	S&P 500 Index 28.7 %	NCREIF Fund Index-ODCE (EW) (Net) 7.9 %	Russell 1000 Growth Index 42.7 %	Russell 1000 Growth Index 20.7 %
	Russell 2000 Index 25.9 %	Bloomberg U.S. Aggregate Index 7.8 %	Russell 2000 Value Index 16.1 %	Russell 2000 Index 38.8 %	Russell 1000 Value Index 13.5 %	Russell 1000 Growth Index 5.7 %	Russell 2000 Index 21.3 %	Russell 1000 Growth Index 30.2 %	Bloomberg U.S. Aggregate Index 0.0 %	S&P 500 Index 31.5 %	Russell 2000 Growth Index 34.6 %	Russell 2000 Value Index 26.3 %	Russell 1000 Value Index -7.5 %	S&P 500 Index 26.3 %	S&P 500 Index 15.3 %
	Russell 2000 Value Index 24.5 %	Bloomberg U.S. Corp High Yield 5.0 %	Russell 1000 Value Index 17.5 %	Russell 2000 Value Index 34.5 %	Russell 1000 Growth Index 13.1 %	S&P 500 Index 1.4 %	Russell 1000 Value Index 17.3 %	MSCI EAFE (Net) Index 25.0 %	Russell 1000 Growth Index -1.5 %	Russell 2000 Index 28.5 %	Russell 2000 Index 20.0 %	Russell 1000 Growth Index 27.6 %	Bloomberg U.S. Corp High Yield -11.2 %	Russell 2000 Growth Index 18.7 %	MSCI Emerging Markets (Net) Index 7.5 %
	MSCI Emerging Markets (Net) Index 18.9 %	Bloomberg Global Aggregate Ex USD 4.4 %	MSCI EAFE (Net) Index 17.3 %	Russell 1000 Growth Index 33.5 %	NCREIF Fund Index-ODCE (EW) (Net) 11.4 %	Bloomberg U.S. Aggregate Index 0.5 %	Bloomberg U.S. Corp High Yield 17.1 %	Russell 2000 Growth Index 22.2 %	Bloomberg U.S. Corp High Yield -2.1 %	Russell 1000 Value Index 26.5 %	S&P 500 Index 18.4 %	Russell 1000 Value Index 25.2 %	Bloomberg U.S. Aggregate Index -13.0 %	MSCI EAFE (Net) Index 18.2 %	Russell 1000 Value Index 6.6 %
	Russell 1000 Growth Index 16.7 %	Russell 1000 Growth Index 2.6 %	Russell 2000 Index 16.3 %	Russell 1000 Value Index 32.5 %	Bloomberg U.S. Aggregate Index 0.0 %	MSCI EAFE (Net) Index -0.8 %	S&P 500 Index 12.0 %	S&P 500 Index 21.8 %	Bloomberg Global Aggregate Ex USD -2.1 %	Russell 2000 Index 25.5 %	MSCI Emerging Markets (Net) Index 18.3 %	NCREIF Fund Index-ODCE (EW) (Net) 21.0 %	MSCI EAFE (Net) Index -14.5 %	Russell 2000 Index 16.0 %	MSCI EAFE (Net) Index 5.3 %
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	Bloomberg U.S. Corp High Yield 15.1 %	Russell 1000 Value Index 0.4 %	Bloomberg U.S. Corp High Yield 15.8 %	MSCI EAFE (Net) Index 22.8 %	Russell 2000 Index 4.9 %	Russell 1000 Value Index -3.8 %	MSCI Emerging Markets (Net) Index 11.2 %	Russell 1000 Value Index 13.7 %	Russell 1000 Value Index -8.3 %	MSCI EAFE (Net) Index 22.0 %	MSCI EAFE (Net) Index 7.8 %	MSCI EAFE (Net) Index 11.3 %	S&P 500 Index -16.1 %	Bloomberg U.S. Corp High Yield 13.4 %	Bloomberg U.S. Corp High Yield 2.6 %
	NCREIF Fund Index-ODCE (EW) (Net) 15.1 %	Russell 2000 Growth Index -2.9 %	Russell 1000 Growth Index 15.3 %	NCREIF Fund Index-ODCE (EW) (Net) 12.4 %	Russell 2000 Value Index 4.2 %	Russell 2000 Index -4.4 %	NCREIF Fund Index-ODCE (EW) (Net) 8.4 %	Bloomberg Global Aggregate Ex USD 10.5 %	Russell 2000 Growth Index -9.3 %	MSCI Emerging Markets (Net) Index 18.4 %	Bloomberg U.S. Aggregate Index 7.5 %	Bloomberg U.S. Corp High Yield 6.3 %	Bloomberg Global Aggregate Ex USD -18.7 %	Russell 1000 Value Index 11.5 %	Russell 2000 Index 1.7 %
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	MSCI EAFE (Net) Index 7.8 %	Russell 2000 Value Index -5.5 %	NCREIF Fund Index-ODCE (EW) (Net) 9.9 %	Bloomberg U.S. Aggregate Index -2.0 %	MSCI Emerging Markets (Net) Index -2.2 %	Bloomberg Global Aggregate Ex USD -6.0 %	Bloomberg U.S. Aggregate Index 2.6 %	Bloomberg U.S. Corp High Yield 7.5 %	Russell 2000 Value Index -12.9 %	Bloomberg U.S. Aggregate Index 8.7 %	Russell 2000 Value Index 4.6 %	Bloomberg U.S. Aggregate Index -1.5 %	Russell 2000 Index -20.4 %	Bloomberg Global Aggregate Ex USD 5.7 %	Russell 2000 Value Index -0.8 %
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Worst ↓	Bloomberg Global Aggregate Ex USD 4.9 %	MSCI Emerging Markets (Net) Index -18.4 %	Bloomberg Global Aggregate Ex USD 4.1 %	Bloomberg Global Aggregate Ex USD -3.1 %	MSCI EAFE (Net) Index -4.9 %	MSCI Emerging Markets (Net) Index -14.9 %	MSCI EAFE (Net) Index 1.0 %	Bloomberg U.S. Aggregate Index 3.5 %	MSCI Emerging Markets (Net) Index -14.6 %	Bloomberg Global Aggregate Ex USD 5.1 %	NCREIF Fund Index-ODCE (EW) (Net) 0.8 %	Bloomberg Global Aggregate Ex USD -7.1 %	Russell 1000 Growth Index -29.1 %	NCREIF Fund Index-ODCE (EW) (Net) -13.3 %	Bloomberg Global Aggregate Ex USD -5.3 %

Source: Investment Metrics.



THANK YOU!

Any  
questions?

