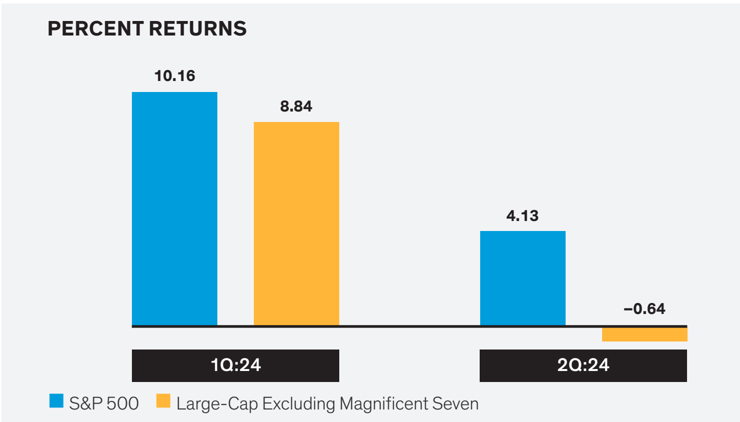
After the AI trade lifted all boats in the first quarter, the Magnificent Seven masked an otherwise negative second quarter.

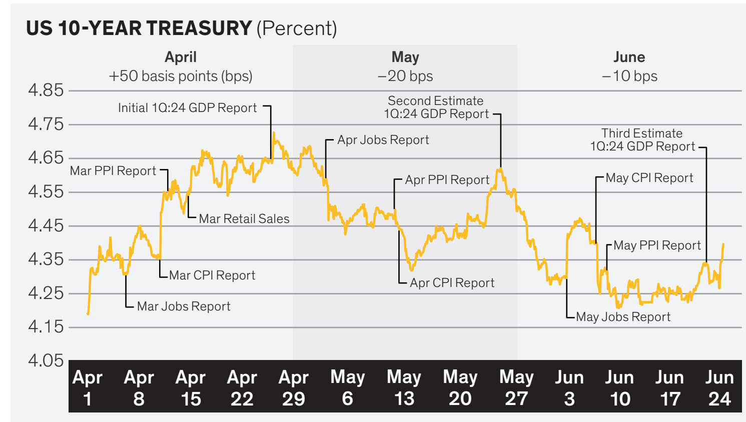
During the first six months of 2024, the artificial intelligence (AI) trade and the Magnificent Seven experienced one high after another. In fact, the strength of "the Seven" skewed the quarter's returns, which would have seen a negative performance without them.



Past performance does not guarantee future results. | Returns are price returns. | As of June 30, 2024 | **Source:** Bloomberg, LPL Financial, S&P and AllianceBernstein (AB)

Rates were largely unchanged in the second quarter, but saw heightened intra-period volatility due to a deluge of macro variables.

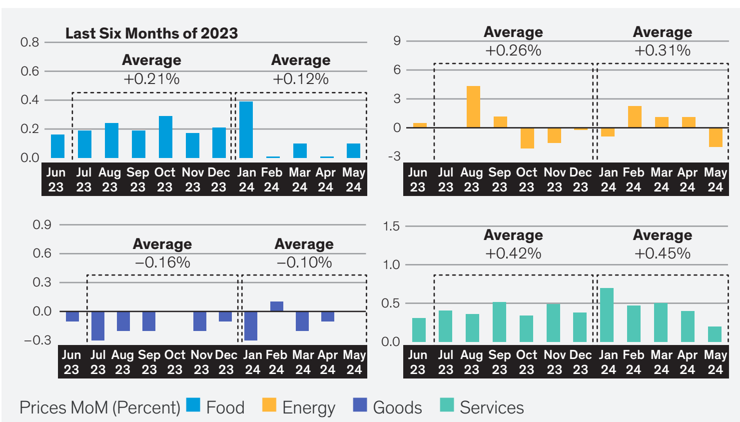
The second quarter also saw its fair share of notable macro events. "Hot" reports during April incited fear, pushing rates higher. However, as we entered May and June, markets saw a clearer picture of the normalization just under the surface. Initial reports were either revised lower or more recent data suggested degrees of seasonality to them.



Past performance does not guarantee future results. | PPI: Producer Price Index | CPI: Consumer Price Index | Returns are price returns and event dates are approximates. | As of June 30, 2024 | **Source:** Bloomberg and AB

All roads lead to inflation: growth, labor market and CPI readings are being highly scrutinized, but we continue to see normalization ahead.

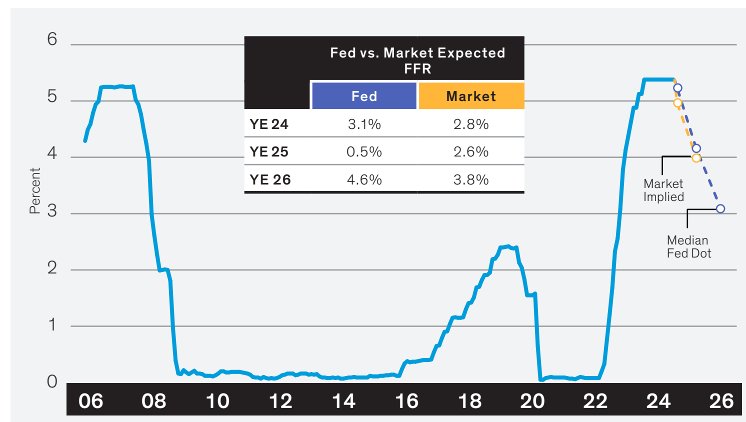
In the words of Fed Chair Jerome Powell: "We had *really, really* good inflation data in the second half of last year, then kind of a *pause* in progress in the first quarter." In other words, we've experienced some noisy data on our path toward the Fed's 2% target. Fortunately, the most recent three reports suggest the confidence gained during the last six months of 2023 was, in fact, signal.



Current analysis does not guarantee future results. | MoM: month over month | As of June 30, 2024 | **Source:** Bloomberg, US Bureau of Labor Statistics and AB

With economic normalization comes rate cuts: current Fed projections look increasingly stale as recent data give greater confidence for cuts.

With higher rates having their intended slowing effect on inflation, growth and the labor market, the Fed has started to suggest that the first rate cut is fast approaching. In the Fed's last SEP report from June 2024, it projected one cut for later this year. We now believe it will cut two or three times, starting at the September meeting.



Fed vs. Market Expected FFR

	Fed	Market
YE 24	3.1%	2.8%
YE 25	0.5%	2.6%
YE 26	4.6%	3.8%

Current analysis does not guarantee future results. | SEP: summary of economic projections, FFR: federal funds rate | As of June 30, 2024 | **Source:** US Federal Reserve and AB

3Q 2024 AB CAPITAL MARKETS OUTLOOK

AB'S CAPITAL MARKETS COMMITTEE MEMBERS

Rick Brink, CFA
Chief Market Strategist

Walt Czaicki, CFA
Senior Investment Strategist—Equities

Eric Winograd
Director—Developed Market Economic Research

Daryl Clements
Municipal Bond Portfolio Manager

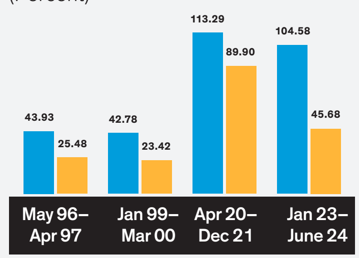
Scott DiMaggio, CFA
Head—Fixed Income

EQUITIES

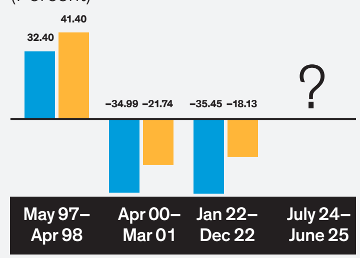
What happens after mega-caps outperform? Expect some reversal (see broadening out).

Although it is impossible to perfectly time a regime change, with index concentration at record levels and such meaningful valuation and performance disconnects between the Magnificent Seven and "the Magnificent Others," we believe this material outperformance of a select few names will give way to a broadening out in equities.

WHEN WERE THE LARGEST EXAMPLES OF OUTPERFORMANCE?
(Percent)



NOW CONSIDER THE SUBSEQUENT 12-MONTH PERFORMANCE
(Percent)



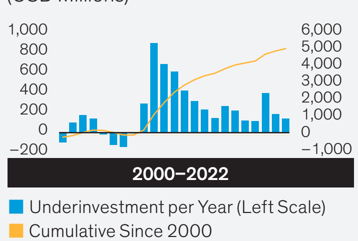
Top 10 S&P Stocks   S&P 500

Past performance does not guarantee future results. | As of June 30, 2024 | **Source:** Bloomberg, S&P and AB

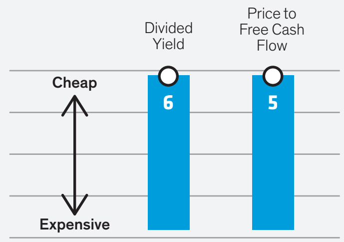
VALUE EQUITIES

Value and dividend equities offer a compelling opportunity for investors. Beyond their diversification away from the "Magnificent Seven" trade, this cohort provides many ways to capitalize on long-term trends that enable a glide path to find "growth in value," at attractive prices.

GLOBALIZATION'S REVERSAL EXPOSED SUPPLY CHAIN VULNERABILITIES
(USD Millions)



FINDING GROWTH WITHIN VALUE: KEY FACTORS REMAIN ATTRACTIVELY PRICED*



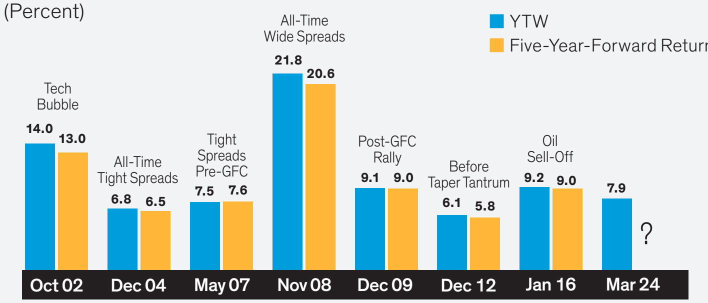
Current analysis does not guarantee future results. | Left display as of November 20, 2023; right display as of June 30, 2024 | *Percentile rankings are based on monthly valuations vs. Russell 1000 from 1990. Dividend yield: Last 12 months (LTM) | **Source:** Bloomberg, Federal Reserve Bank of St. Louis, Strategas Research Partners, UBS and AB

FIXED INCOME

Corporate and municipal finances are generally healthy, creating great potential for investors.

Credit—more specifically high yield—continues to look appealing. The level of yield is highly predictive of returns in the forward five years. As we move toward normalization, we believe high yield represents a compelling risk-adjusted opportunity inside of equity portfolios.

YIELD TO WORST HAS HISTORICALLY BEEN A STRONG PREDICTOR OF FUTURE RETURNS
(Percent)

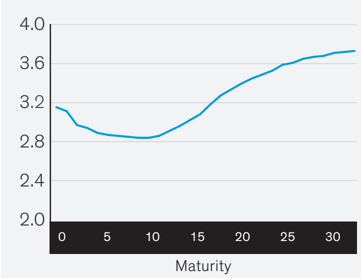


Past performance does not guarantee future results. | High yield is represented by the Bloomberg US Corporate High Yield Index. | As of June 30, 2024 | **Source:** Bloomberg, S&P and AB

MUNICIPAL

Amid a persistently inverted yield curve, active management can help investors capitalize on high front-end yields and a steeper curve slope in the 12- to 20-year range.

AAA MUNICIPAL YIELD CURVE
(Percent)



HYPOTHETICAL MATURITY PORTFOLIO CONSTRUCTION*

	Yield to Worst (Percent)	Duration (Years)	2024 Return (Percent)
Barbell	3.8	5.4	0.22
Concentrated	3.6	5.4	–1.55
Ladder	3.5	5.4	–0.46

*Hypothetical portfolio is calculated using Bloomberg municipal indices. Barbell is 40% to the one- and three-year indices, and 60% in the 15-year, 20-year and 22-plus-year muni indices. Concentrated is 100% in the 10-year municipal index. Ladder is equal to 12.5% weights to the one-year through 22-year municipal indices. | As of June 30, 2024 | **Source:** Bloomberg, Municipal Market Data and AB

A Word About Risk—Market Risk: The market values rise and fall from day to day, so investments may lose value. **Interest-Rate Risk:** Fixed-income securities may lose value if interest rates rise or fall—long-term securities tend to rise and fall more than short-term securities. The values of mortgage-related and asset-backed securities are particularly sensitive to changes in interest rates due to prepayment risk. **Credit Risk:** A bond's credit rating reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered and the bond's value may decline. **Inflation Risk:** Prices for goods and services tend to rise over time, which may erode the purchasing power of investments. **Derivatives Risk:** Investments in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments, and may be more volatile, especially in a down market. **Leverage Risk:** Trying to enhance investment returns by borrowing money or using other leverage tools can magnify both gains and losses, resulting in greater volatility.

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