

FAVORITE 15

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Insights from Stifel’s CIO Office



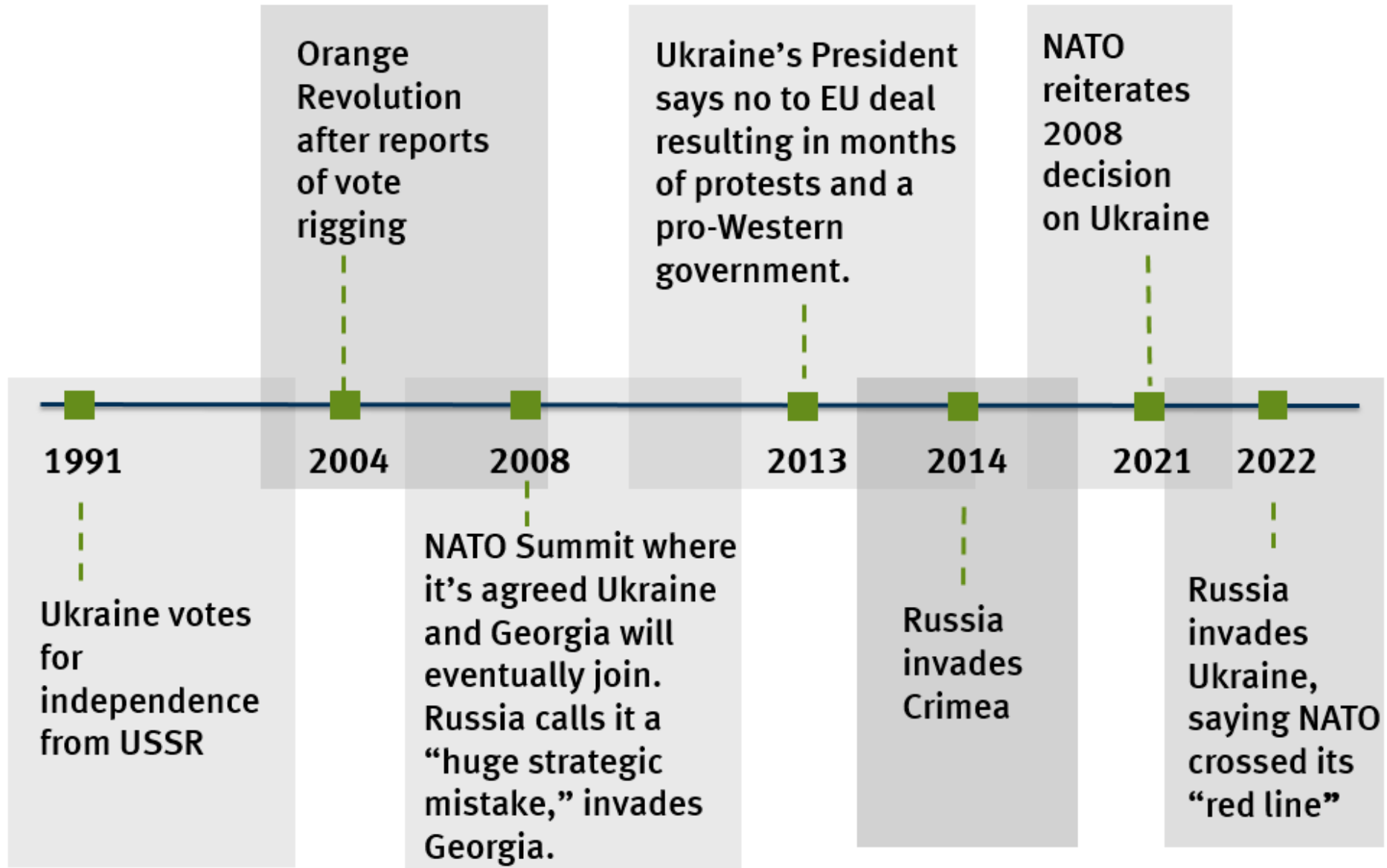
FAVORITE 15

Sources of volatility

- **Geopolitics**, including **Russia's invasion of Ukraine**, DC tensions, and midterms.
- Higher rates and elevated inflation;
- A hawkish shift in Federal Reserve (Fed) policy, and uncertainty about how/when the Fed will act;
- Evidence the omicron wave is muting economic growth; and
- Investors selling equities as “fear” begins to dominate behavior.



Source: Stifel Investment Strategy data via Bloomberg, as of April 4, 2022 (intra-day)

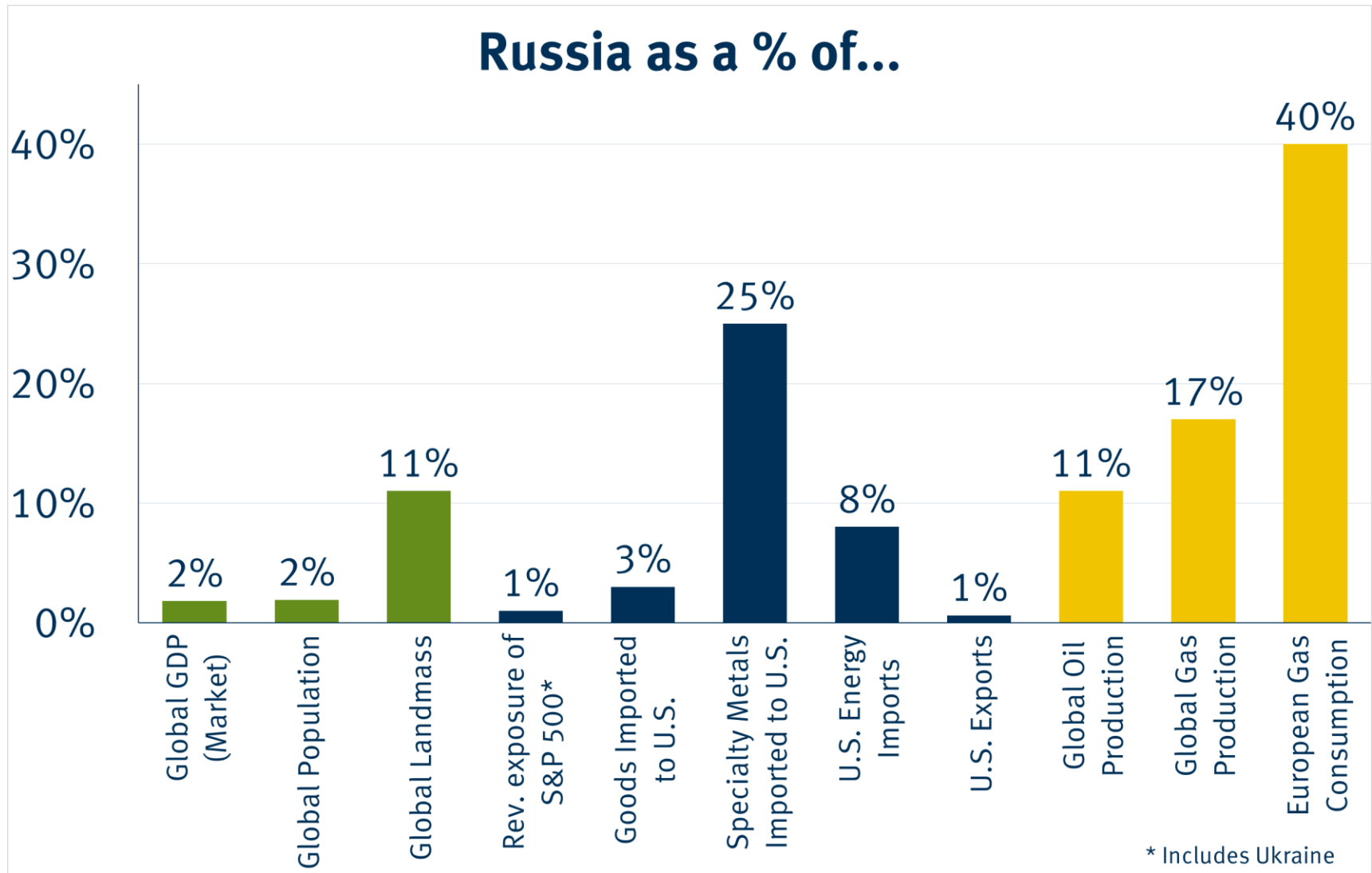


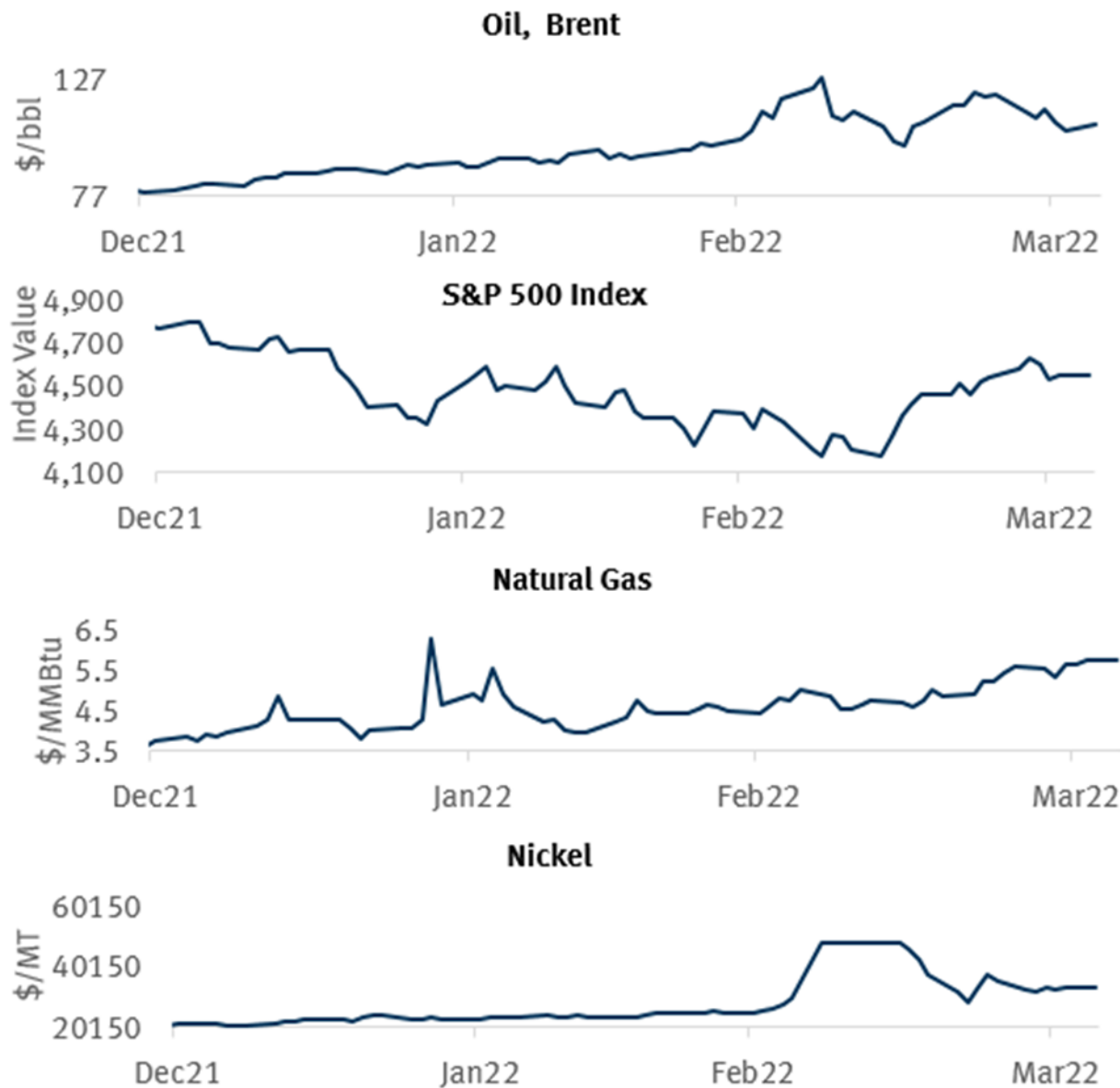




Source: Stifel Investment Strategy via the Center for Insights in Survey Research (CISR) of the International Republican Institute (IRI)

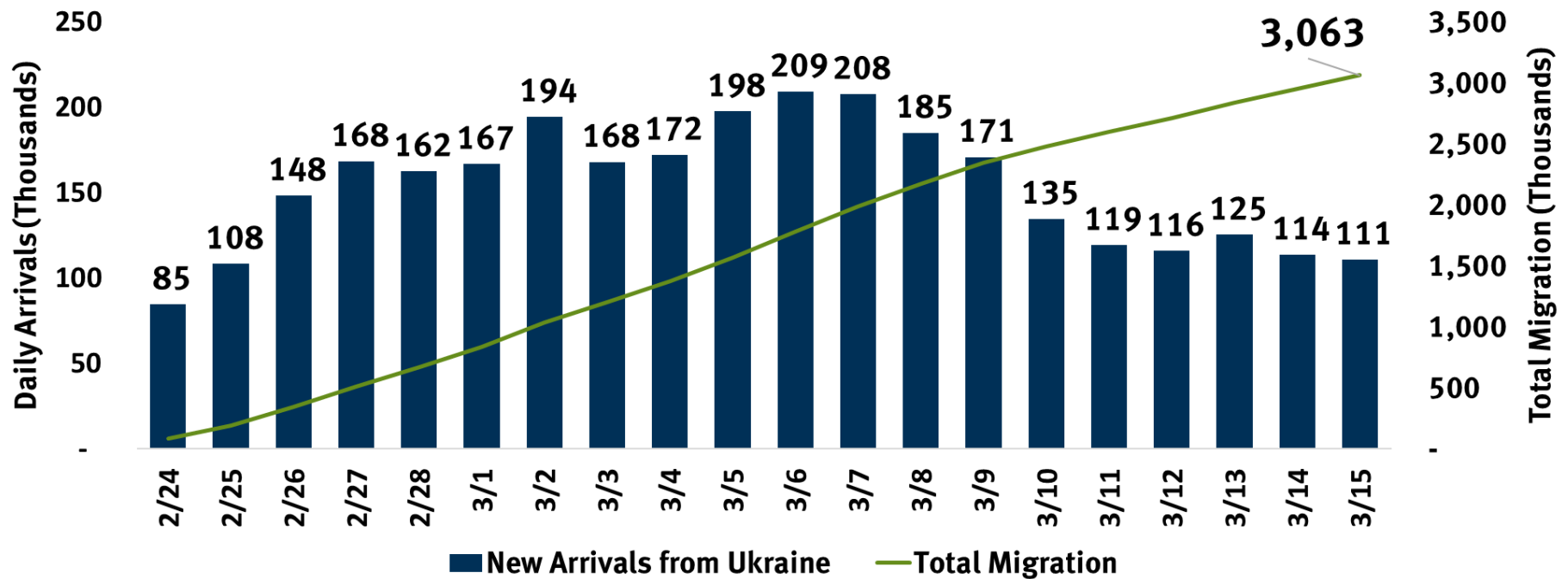
Instrument	Action	Countries / Companies
SWIFT	Prevents Russian banks from communicating with outside banks, making it difficult for businesses and banks to complete transactions	Member-owned cooperative that includes U.S. and EU
Export Controls	Limits exports to Russia of software, technology, and equipment	U.S., EU, UK, CA, JPN, AUS
Currency Transactions	Limits Russia's ability to transact in Dollars, Euro, Pound, and Yen	U.S., EU, UK, JPN
Energy	Restrictions or outright ban on the trade of commodities and energy	U.S., UK
Business	Companies have elected to self-sanction, stop doing business in Russia, or temporarily close store locations	AAPL, ABNB, AXP, BA, DIS, F, FB, FDX, GOOG, MA, NFLX, NKE, UPS, V





Refugee Arrivals From Ukraine

Total Arrivals from 2/24/2022 to 3/15/2022 (In Thousands)



Source: Stifel Investment Strategy, Fundstrat, United Nations

A vertical bar on the left side of the slide featuring the Ukrainian national flag, with a blue top half and a yellow bottom half.

UKRAINE

- Immediate cease-fire
- Humanitarian corridors for the evacuation of civilians
- Withdrawal of all Russian troops from Ukraine

A vertical bar on the right side of the slide featuring the Russian national flag, with a white top half, a blue middle section, and a red bottom section.

RUSSIA

- Demilitarization
- Abandon ambition to join NATO or EU
- Acknowledge Crimea as Russian territory
- Recognize two republics in Donbas region as independent

BEAR

NATO enters the war
Russia/Ukraine not
willing to
compromise

BASE

War ends
Concessions from
Russia and Ukraine

BULL

Diplomatic resolution
Russia calls off
military

Long-term geopolitical tensions remain

***Still too early to evaluate long-term implications ...
but some items worth monitoring and considering***

New Cold War

- Military Spending

Energy (in)dependence

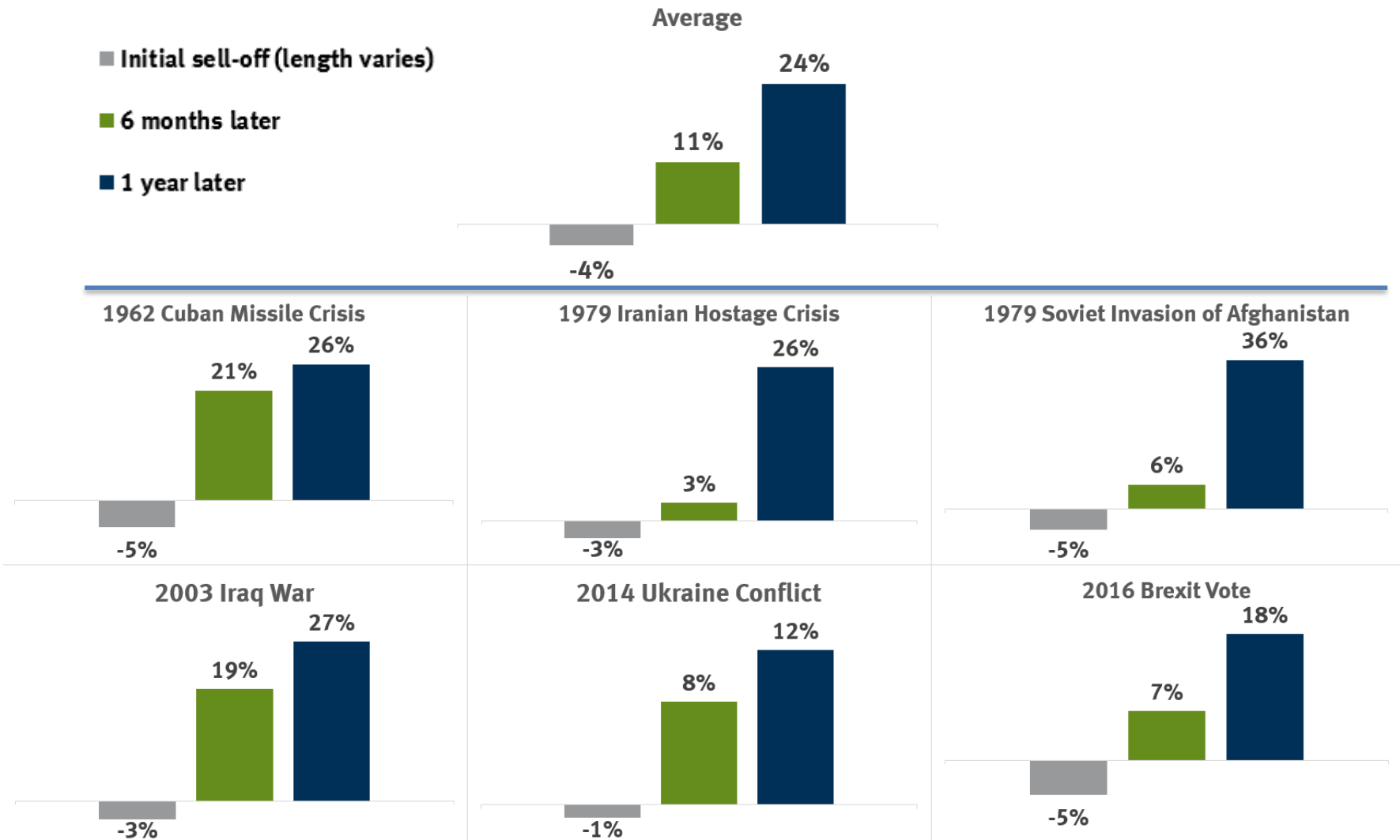
- Climate change policy

European/Western world unity

- U.S. – China competition
- China's stance on Taiwan, South China Sea, etc.

China's response to the Russian invasion

- Ties with Russia vs. the U.S./Europe



Source: Vanguard Investments. Returns are based on the S&P 500 Index. All returns are price returns. Past performance does not guarantee future results. Not shown in the above charts, but included in the averages, are the following events: the Suez Crisis, Berlin Wall, assassination of President Kennedy, authorization of military operations in Vietnam, Israeli-Arab Six Day War, Israeli-Arab War/oil-embargo, Shah of Iran's exile, U.S. invasion of Grenada, U.S. bombing of Libya, First Gulf War, President Clinton & President Nixon impeachment proceedings, Kosovo bombings, intervention in Libya, U.S. anti-ISIS intervention in Syria, and Arab Spring (Egypt).

Recession-Recovery Dashboard

Financial

Yield Curve

Credit Spreads

Money Supply

Inflation

Wage Growth

Commodities

Inflation (PCE)

Consumer

Housing Starts

Jobless Claims

Retail Sales

Job Sentiment

Business Activity

ISM New Orders

Profit Margins

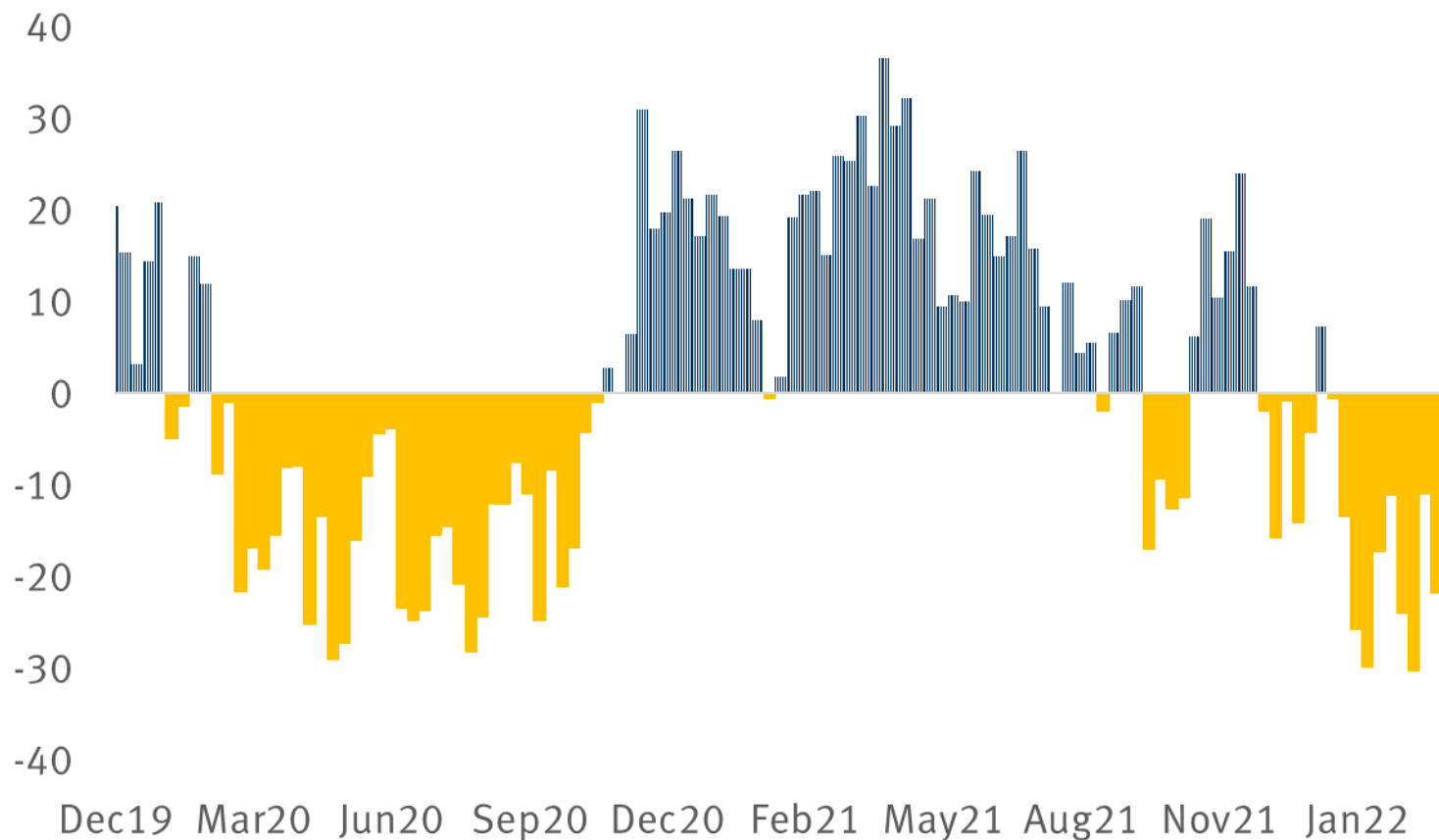
Truck Shipments

Expansion

Caution

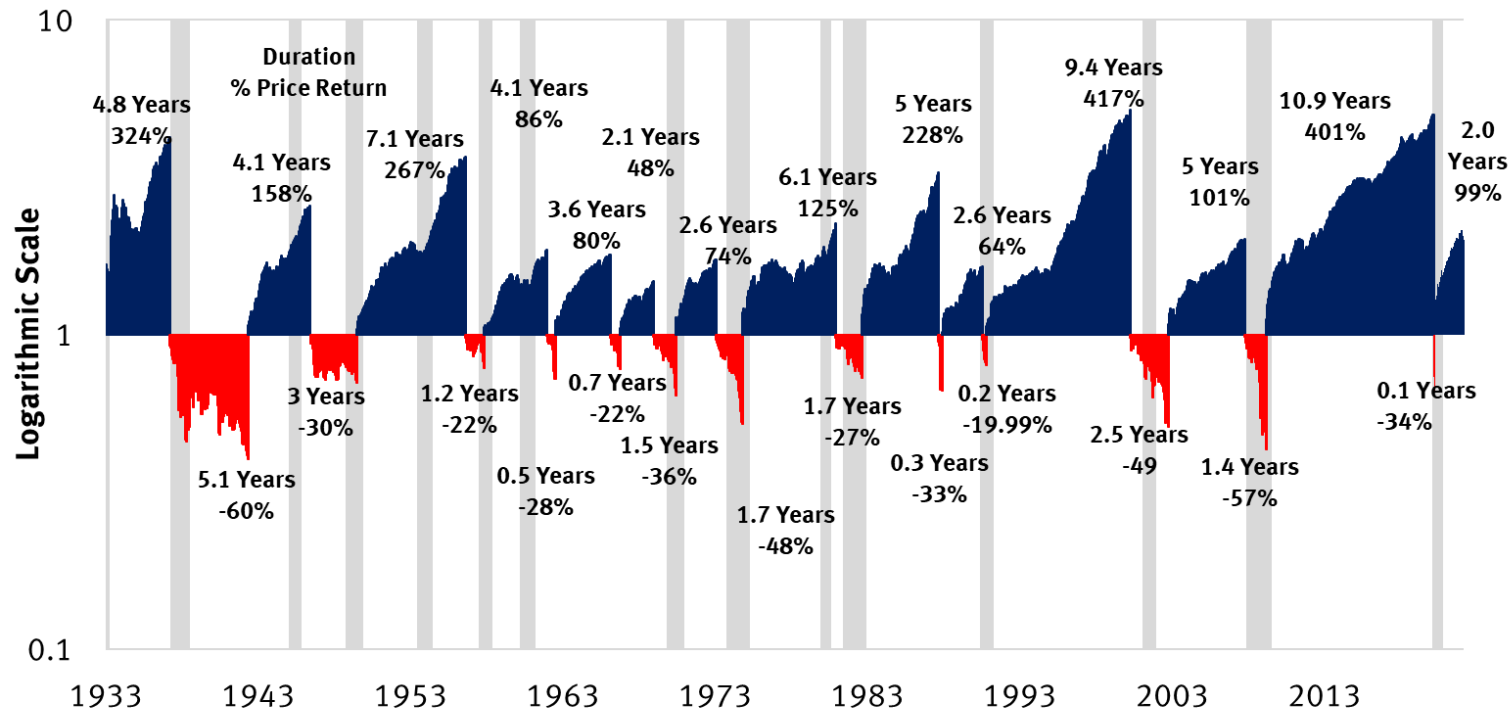
Recession

- Flatter yield curve often signals economic growth slowdown
- Rising but historically low credit spreads point to ongoing economic recovery
- Historically high money supply growth dropping
- Wage growth picking up on pent-up demand and labor market mismatches
- Commodity prices boosted by global demand, geopolitical risk premium, and relative demand/supply deficit
- Prices remain stubbornly high both due to structural and cyclical factors
- Housing starts are elevated on historically low real estate inventory and strong demand despite significant movement in mortgage rates
- Jobless claims remain subdued on strong hiring
- Growth in retail sector is normalizing after being boosted by policy support
- More people have been quitting jobs as leverage has shifted from employer to employees
- Key leading indicator ISM New Orders point to recovery in light of supply chain pressures dissipating
- Profit margins remain historically high as businesses manage to pass price increases to consumers
- Strong truck shipments indicate solid cyclical recovery

Weekly, AAll Investor Sentiment % bulls less % bears

Source: Stifel Investment Strategy data via Bloomberg, as of March 21, 2022

The cycle of markets is inevitable, however, bull markets have historically lasted longer than bear markets and recessions.



Source: Stifel Investment Strategy data via Bloomberg, Strategas Research Partners, as of March 21, 2022

INDEX DESCRIPTIONS CONTINUED

U.S. CORP IG BONDS is represented by the Bloomberg Barclays U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

HIGH-YIELD BONDS is represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index, comprised of U.S. dollar-denominated high-yield, fixed-rate corporate bond market securities.

U.S. LC (LARGE CAP) equities is represented by Russell 1000 Index, comprised of 1,000 of the largest U.S. securities based on a combination of their market cap and current index membership.

U.S. SC (SMALL CAP) equities is represented by the Russell 2000 Index, comprised of 2,000 of the smallest U.S. securities based on a combination of their market cap and current index membership.

DEV INTERNATIONAL Equities is represented by the MSCI EAFE Index, comprised of equity securities that belong to markets outside of the U.S. and Canada.

EM EQUITIES is represented by the MSCI EM Index, comprised of equity securities that belong to emerging markets.

MODERATE BENCH stands for moderate benchmark portfolio return, which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg Barclays U.S. Agg Gov/Credit).

MSCI AC WORLD INDEX is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

BLOOMBERG U.S. GOVERNMENT/CREDIT BOND INDEX is comprised of investment-grade, dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

KBW RESTORATION INDEX is composed of 13 high-frequency economic indicators. These indicators include those with longer histories (initial jobless claims, MBA mortgage applications, and steel production) along with newly developed gauges tracking mobility, dining reservations, and airport traffic, among others. KBW set each of the 13 indicators to 100 as of the end of February 2020, the official end of the longest economic cycle in U.S. history, and update the Index each week.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

DISCLOSURES

Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Alternative Investments or Non-Traditional Assets – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

Real Estate – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Commodities and Futures – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

DISCLOSURES CONTINUED

Hedge Funds – Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

Venture Capital – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

LIMITED PARTNERSHIPS – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Bonds – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

Duration – Duration is a measure of the sensitivity of the price – the value of principal – of a fixed income investment to a change in interest rates. Duration is expressed as a number of years.

Standard Deviation – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

International and Emerging Markets – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Private Equity – Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.

Short Positions – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

Small Company Securities – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.