

FAVORITE 15

June 13, 2022

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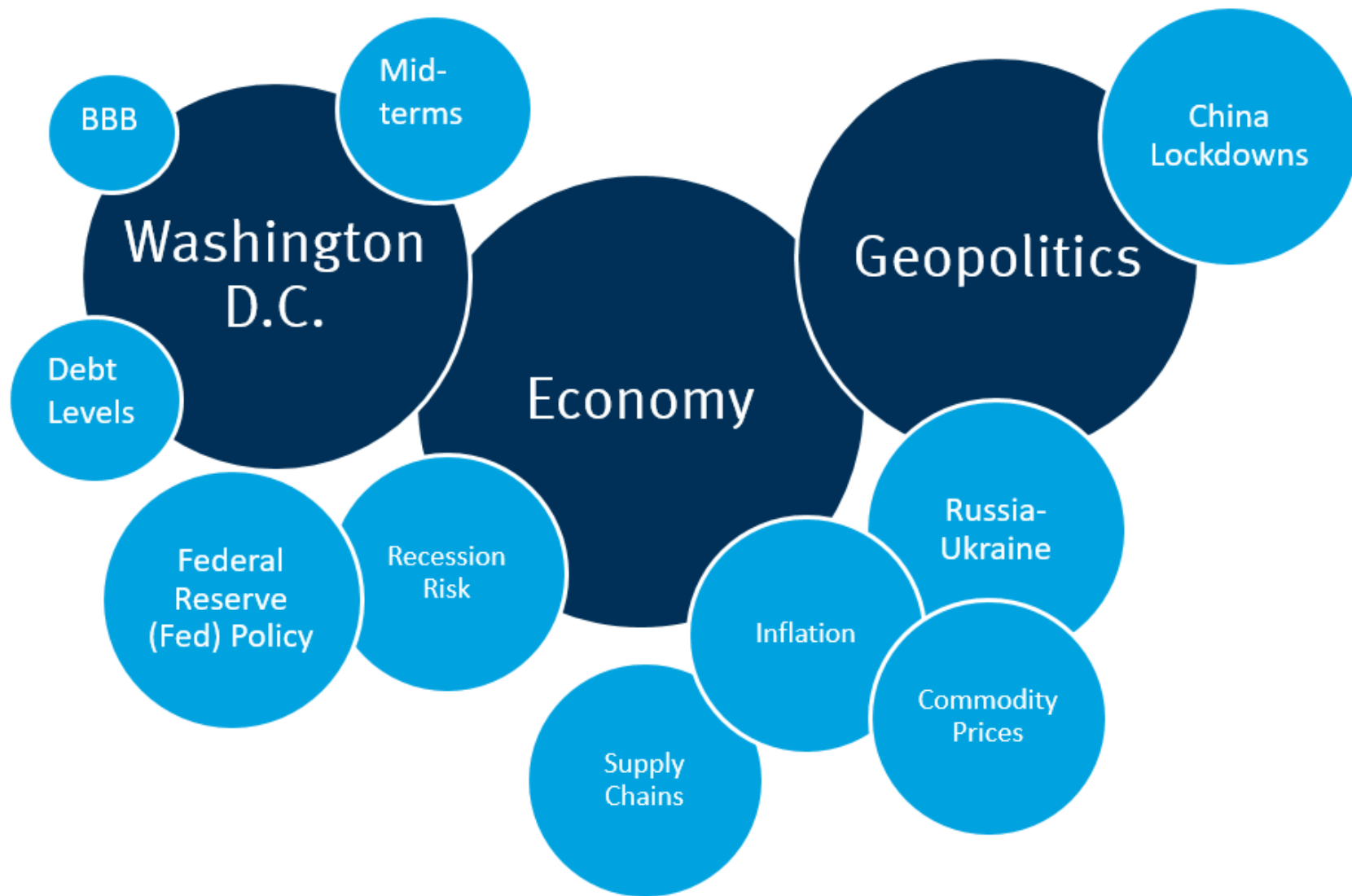
Sneha Jose

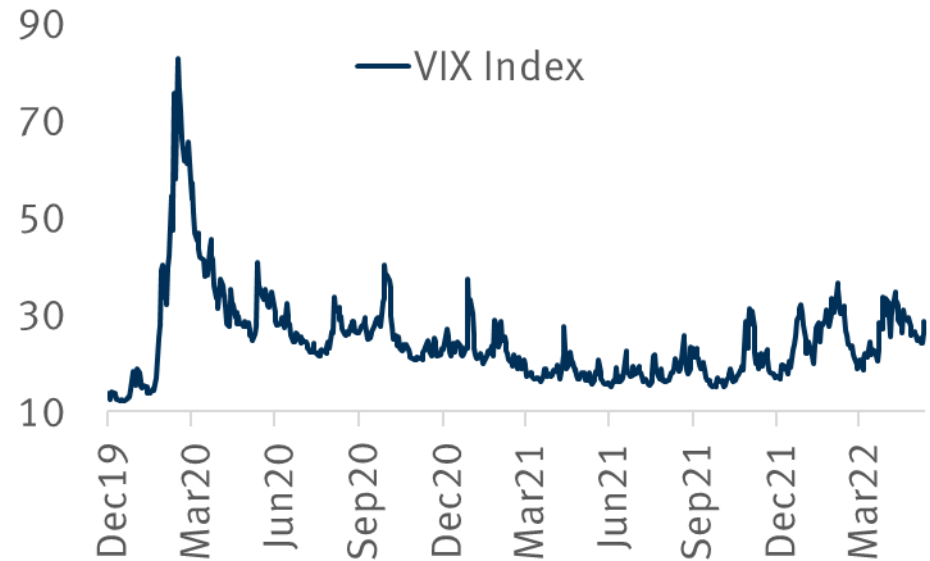
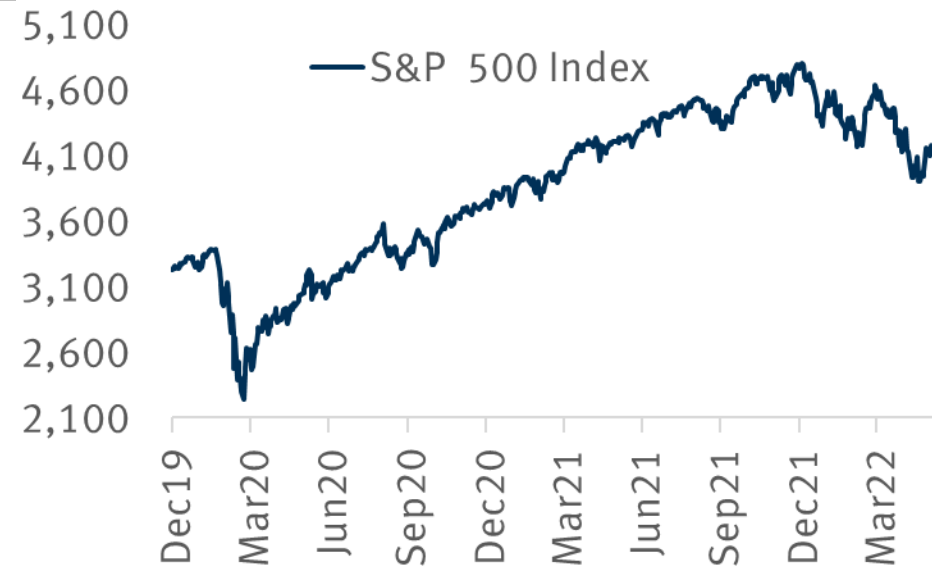
Director of Behavioral Finance

Insights from Stifel’s CIO Office



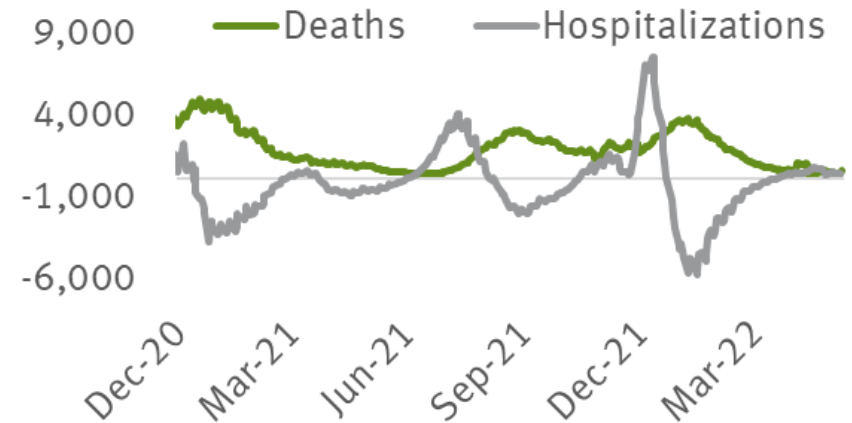
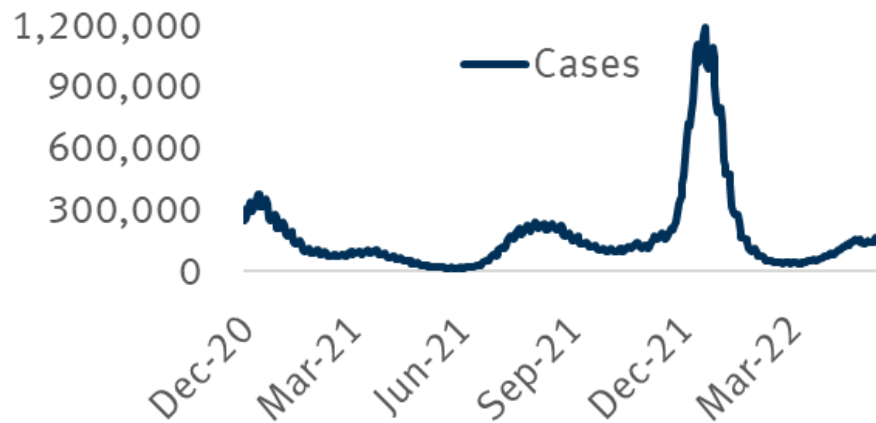
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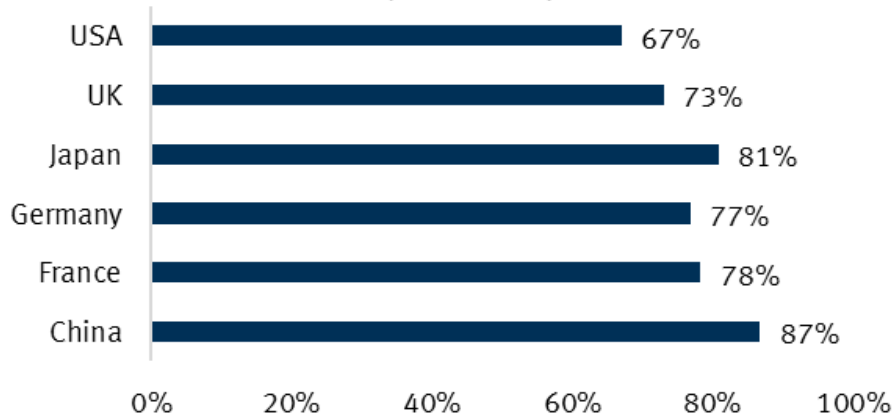
Source: Stifel Investment Strategy data via Bloomberg, as of June 10, 2022 (intra-day)

Index	2021 1 st Half	2021 2 nd Half	2021 Full Year	2022 YTD
S&P 500 Index	15.2%	11.7%	28.7%	-17.6%
<i>Software & Services</i>	14.8%	11.0%	27.4%	-23.8%
<i>Retail</i>	12.1%	6.4%	19.3%	-30.0%
<i>Semicond's & Semi Eq.</i>	21.9%	23.5%	50.5%	-29.3%
<i>Consumer Dur. & Apparel</i>	15.8%	5.7%	22.4%	-30.2%
<i>Media & Entertainment</i>	22.9%	3.3%	26.9%	-32.0%
S&P 500 Equal Weighted Index	19.2%	8.7%	29.6%	-13.1%
NYSE FANG+ Index	15.2%	2.1%	17.7%	-31.9%
Russell 2000 Index	17.5%	-2.3%	14.8%	-19.4%
MSCI EAFE Index	8.8%	2.2%	11.3%	-15.8%
MSCI EM Index	7.4%	-9.3%	-2.5%	-13.6%
Bloomberg U.S. Aggregate	-1.6%	0.1%	-1.5%	-10.7%



Source: Stifel Investment Strategy via Bloomberg, Our World in Data, as of June 10, 2022; based on 7-day moving average data. Change in cases, deaths, and hospitalizations shown above.

■ Share of Population Fully Vaccinated



EFFECTIVENESS AT PREVENTING

	Vaccine	Original Strain		Omicron Variant	
		Severe Disease	Infection	Severe Disease	Infection
U.S.	Johnson & Johnson	86%	72%	57%	33%
	Moderna	97%	92%	73%	48%
	Pfizer/BioNTech	95%	86%	72%	44%
China	CanSino	66%	62%	48%	32%
	CoronaVac	50%	47%	37%	24%
	Sinopharm	73%	68%	53%	35%

Source: Stifel Investment Strategy via Bloomberg, Our World in Data, as of June 10, 2022

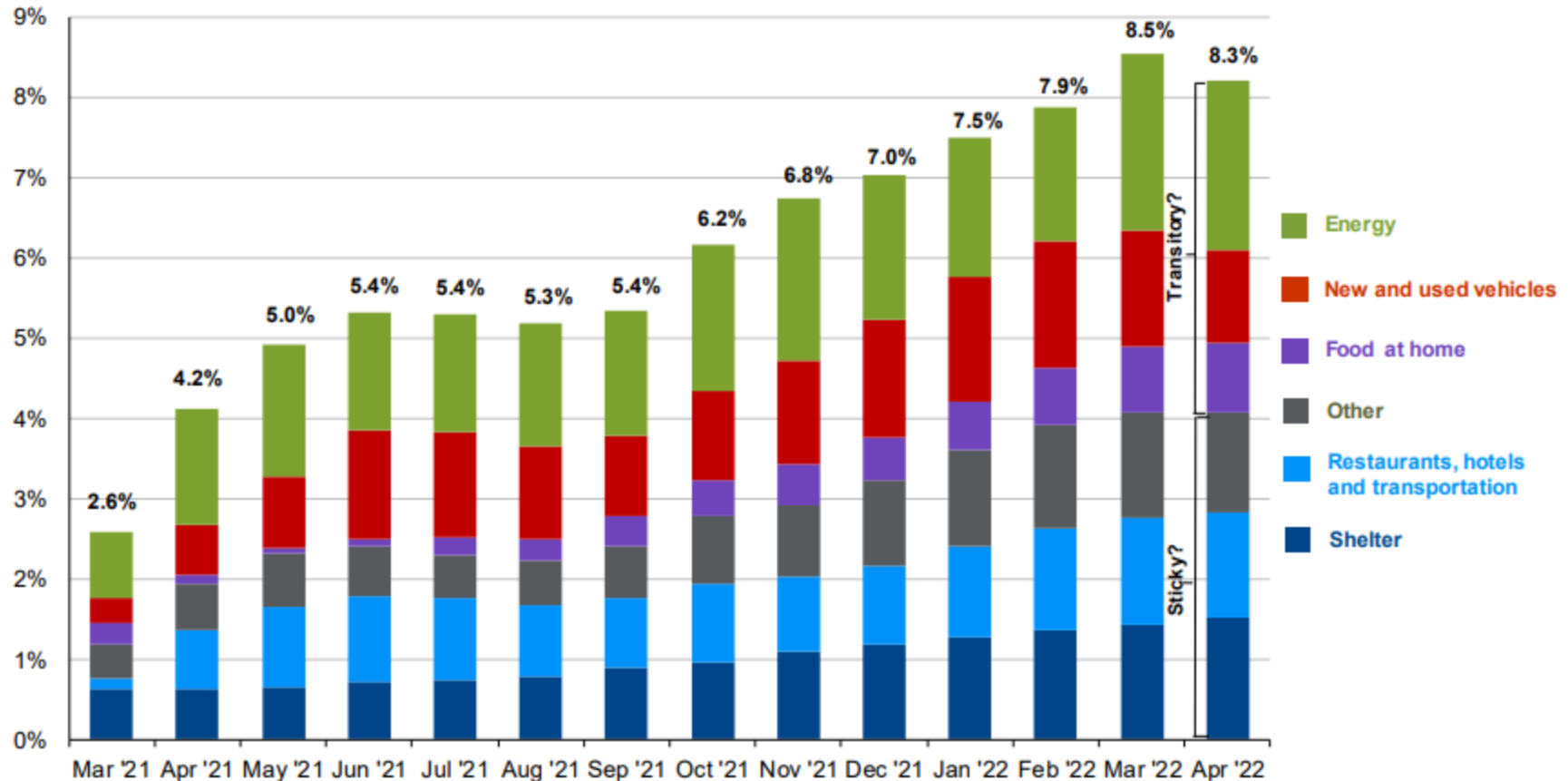
Source: Stifel Investment Strategy via IHME healthdata.org as of February 18, 2022

Read: Has Inflation Peaked? It Depends on Who You Ask

Inflation <u>IS</u> Peaking	Inflation <u>NOT</u> Peaking
<p>“Base Effect”</p> <p>Shortages/Supply Chains Easing</p> <p>Prices for Goods Moderating</p> <p>Fed Policy</p> <p>Breakeven Inflation</p>	<p>Tight Labor Market</p> <p>Shortages in Some Categories</p> <p>War in Ukraine</p> <p>China’s “COVID-Zero” Strategy</p> <p>Expanded Balance Sheet</p>

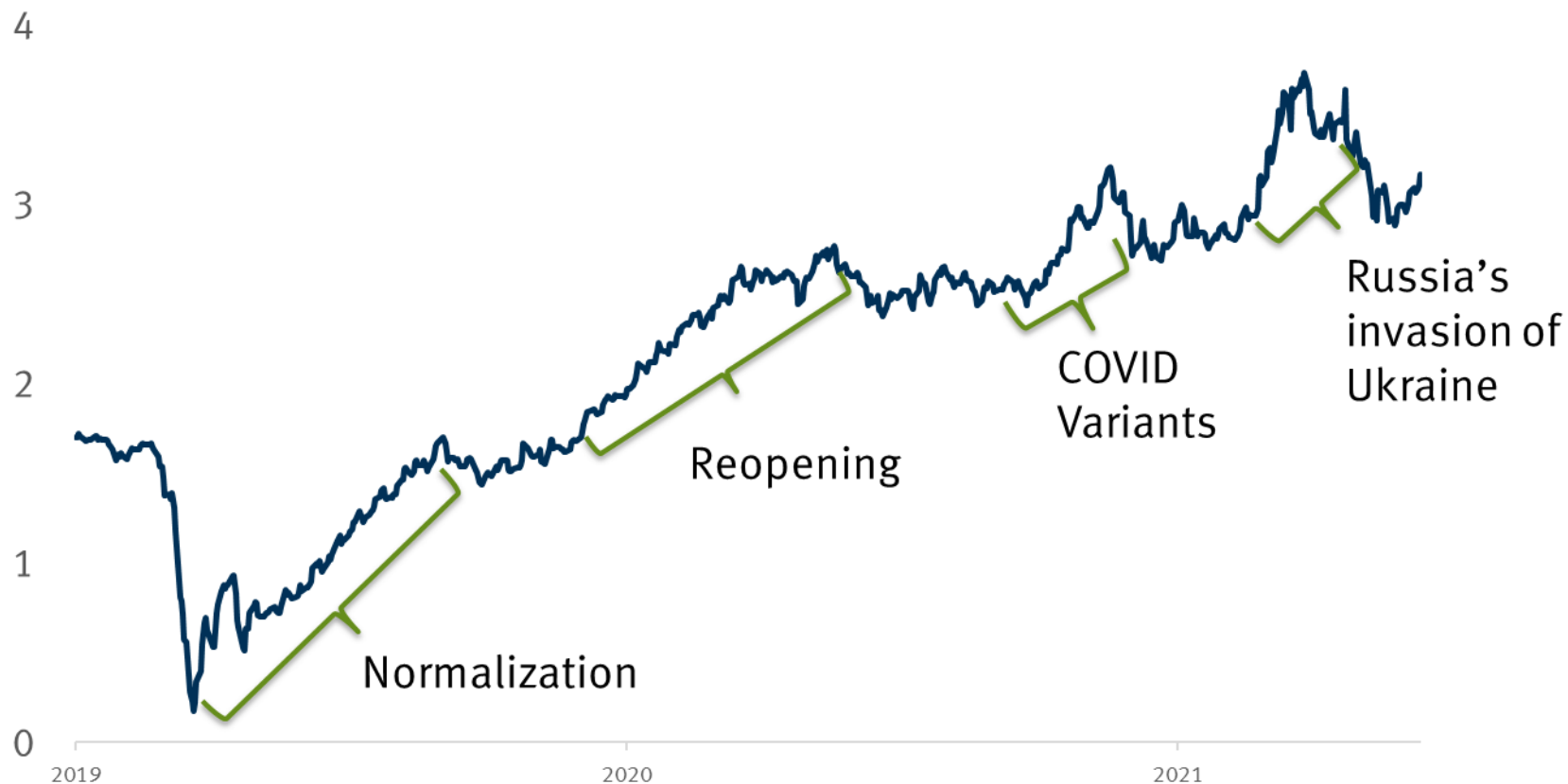
Contributors to headline inflation

Contribution to y/y % change in CPI, non seasonally adjusted



Source: BLS, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners equivalent rent and rent of primary residence. "Other" primarily reflects household furnishings, apparel and medical care services. *Guide to the Markets – U.S.* Data are as of June 9, 2022.

5-year Breakeven Inflation



Source: Stifel Investment Strategy via Bloomberg, as of June 10, 2022

Read: First Quarter Comes to an End: Inflation is Raging**Inflation Breakevens**

Time Period	1-year forward Inflation
One year from now	3.4%
In Two Years	2.7%
In Three Years	2.3%
In Four Years	2.1%
In Five Years	2.4%
In Six Years	2.4%
In Seven Years	2.0%
In Eight Years	2.5%
In Nine Years	2.8%

Inflation Estimates (Sell Side)

Time Period	Expected Inflation
2Q22	8.0%
3Q22	7.6%
4Q22	6.3%
2022	7.5%
1Q23	4.7%
2Q23	3.5%
3Q23	2.8%
2023	3.3%
2024	2.4%

Source: Stifel Investment Strategy via Bloomberg, as of June 10, 2022 (intra-day)

First Fed Rate Hike	Last Fed Rate Hike	S&P 500 Return	Months to Recession
Feb-72	May-74	-7.4%	20
Nov-76	Mar-80	30.3%	37
Aug-80	Dec-80	12.1%	11
Apr-83	Aug-84	8.0%	86
Dec-86	Sep-87	30.5%	43
Mar-88	Feb-89	15.1%	27
Feb-94	Feb-95	0.7%	85
Jun-99	May-00	9.7%	21
Jun-04	Jun-06	16.2%	42
Dec-15	Dec-18	30.5%	50
Median		13.6%	40
Average		14.6%	42
Mar-22	?	-8.5%	?

Source: Stifel Investment Strategy data via Bloomberg, as of June 10, 2022



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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
- Credit spreads are approaching historic average levels, but remain low.
- Historically high money supply growth dropping
- Wages 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 demand despite significant movement in mortgage rates
- Jobless claims remain subdued on strong hiring
- Growth in retail sector is positive despite real disposable income falling below trend
- More people have been quitting job as leverage has shifted from employer to employees
- Key leading indicator ISM New Orders continue to grow at a decelerating pace
- Profit margins remain historically high but risks are meaningful on price pressures
- Solid truck shipments indicate cyclical recovery

Source: Stifel Investment Strategy data via Bloomberg, as of June 8, 2022

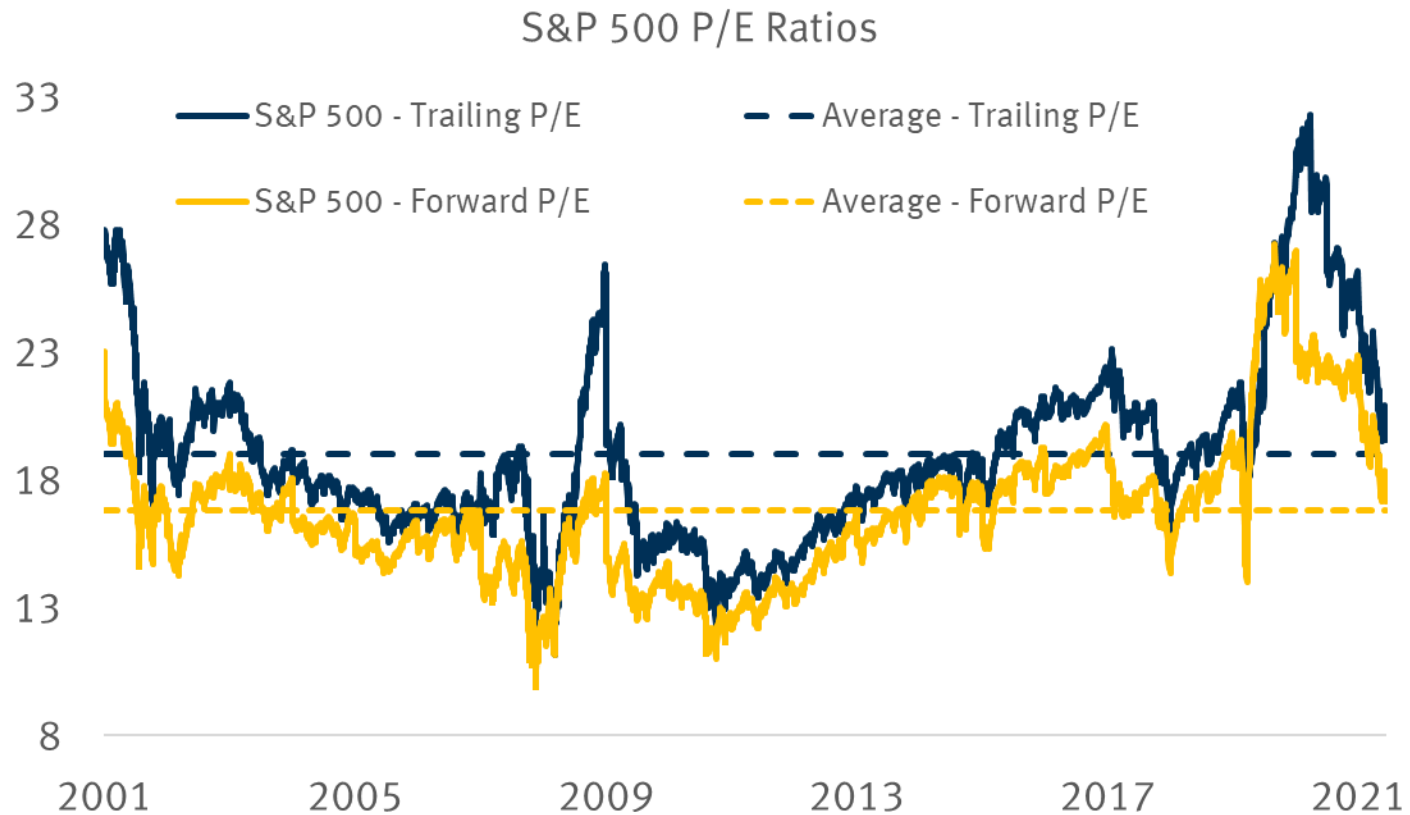
EARLY Acceleration in economic growth	MID Positive, but moderating growth	LATE Growth rate slows to trend or below-trend	RECESSION Growth contracts
Lower consumer spending	Recovering consumer spending	Strong consumer spending	Falling consumer spending
Credit creation low	Credit creation rising	Credit creation rising faster	Credit creation declining
Company profits recovering	Company profits peaking	Company profits under pressure	Company profits contracting
Fiscal/monetary policy accommodative	Fiscal/monetary policy shifting to neutral	Fiscal/monetary policy contractionary	Fiscal/monetary policy easing



Read: A positive “season” so far: Where are earnings headed?



Source: Stifel Investment Strategy via FactSet, as of June 10, 2022

Read: Risks to the Stock Market

Source: Stifel Investment Strategy via Bloomberg, as of June 10, 2022 (intra-day)

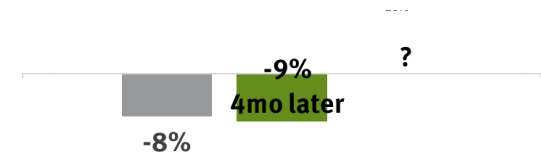
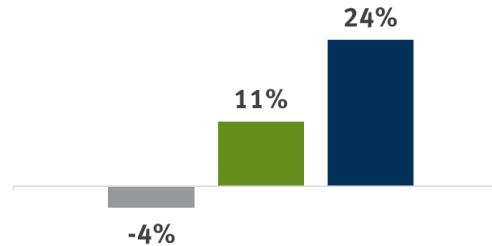
■ Initial sell-off (length varies)

■ 6 months later

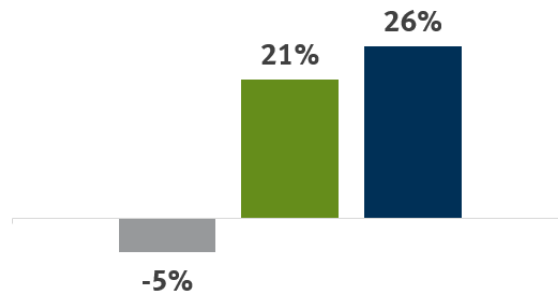
■ 1 year later

Average

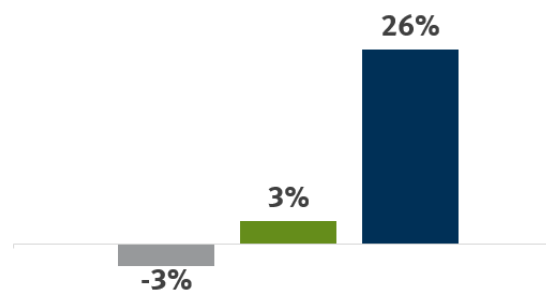
2022 Russia-Ukraine Invasion



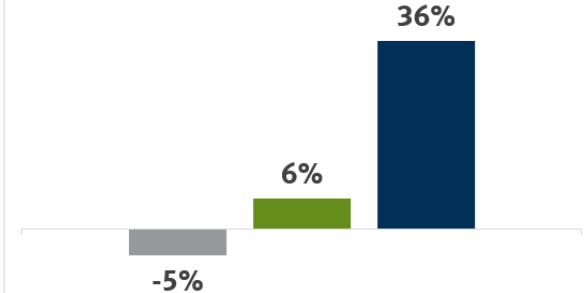
1962 Cuban Missile Crisis



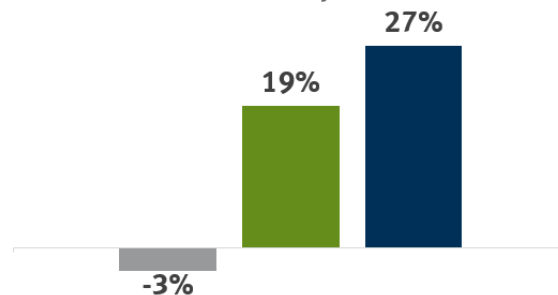
1979 Iranian Hostage Crisis



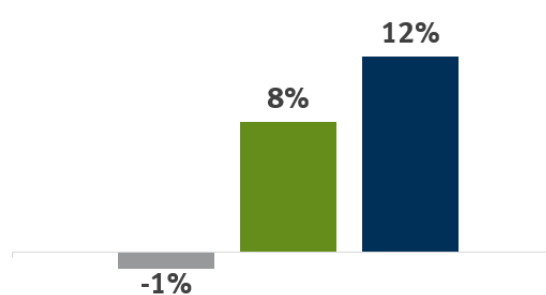
1979 Soviet Invasion of Afghanistan



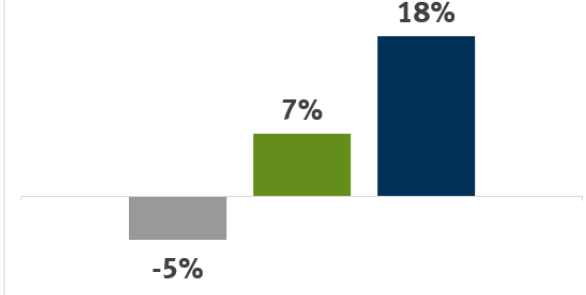
2003 Iraq War



2014 Ukraine Conflict

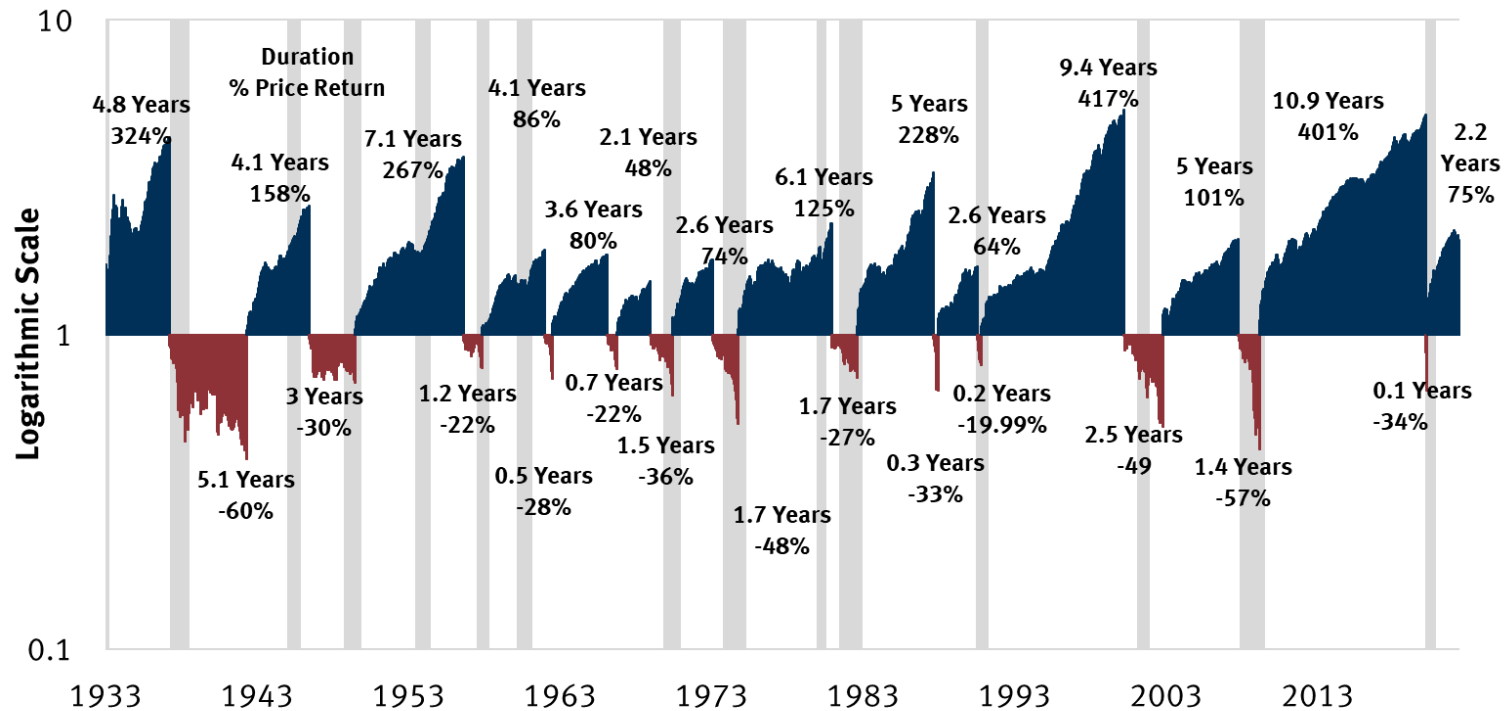


2016 Brexit Vote



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). Average excludes the latest crisis.

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 June 10, 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.