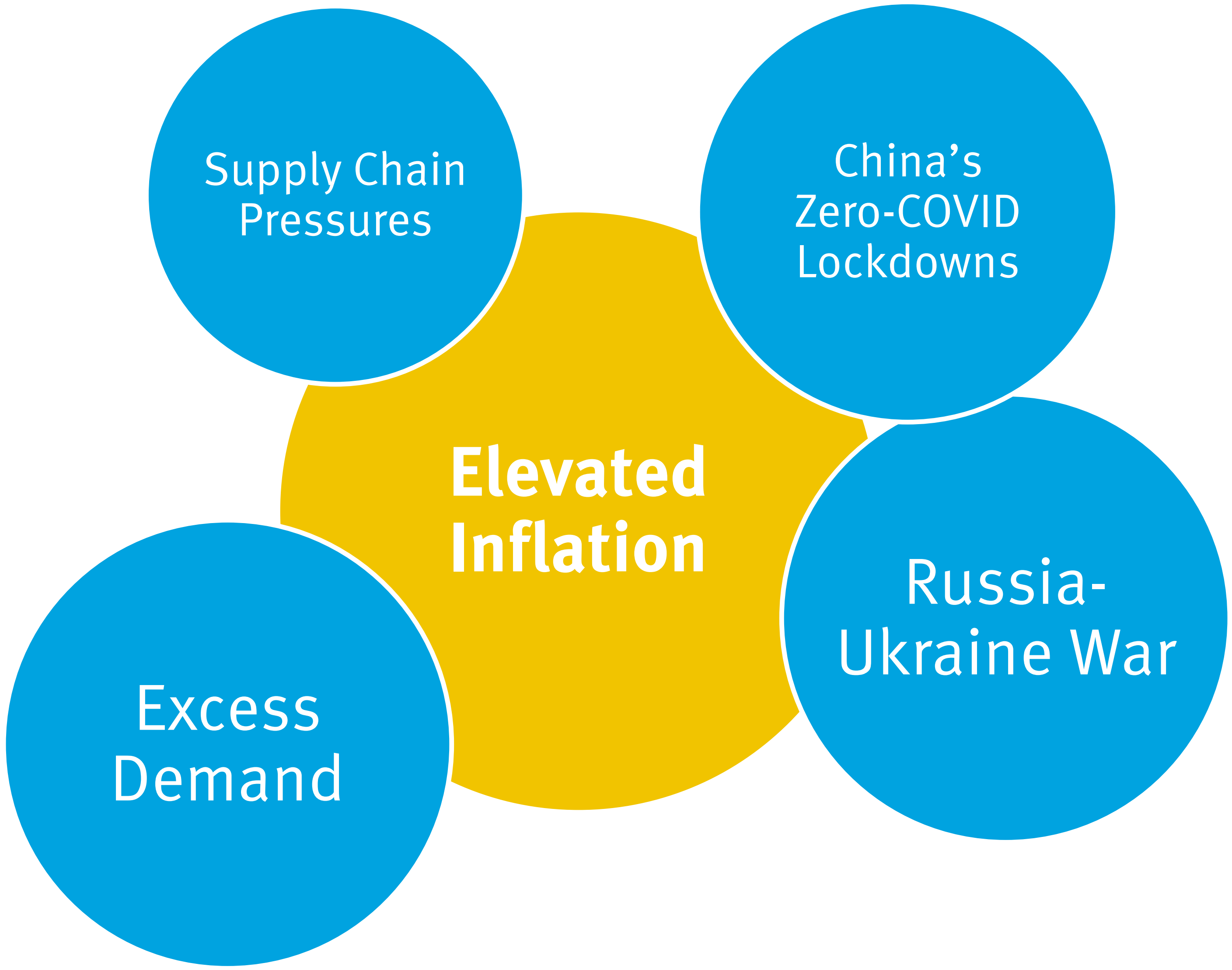
STIFEL

FAVORITE 15

October 5, 2022

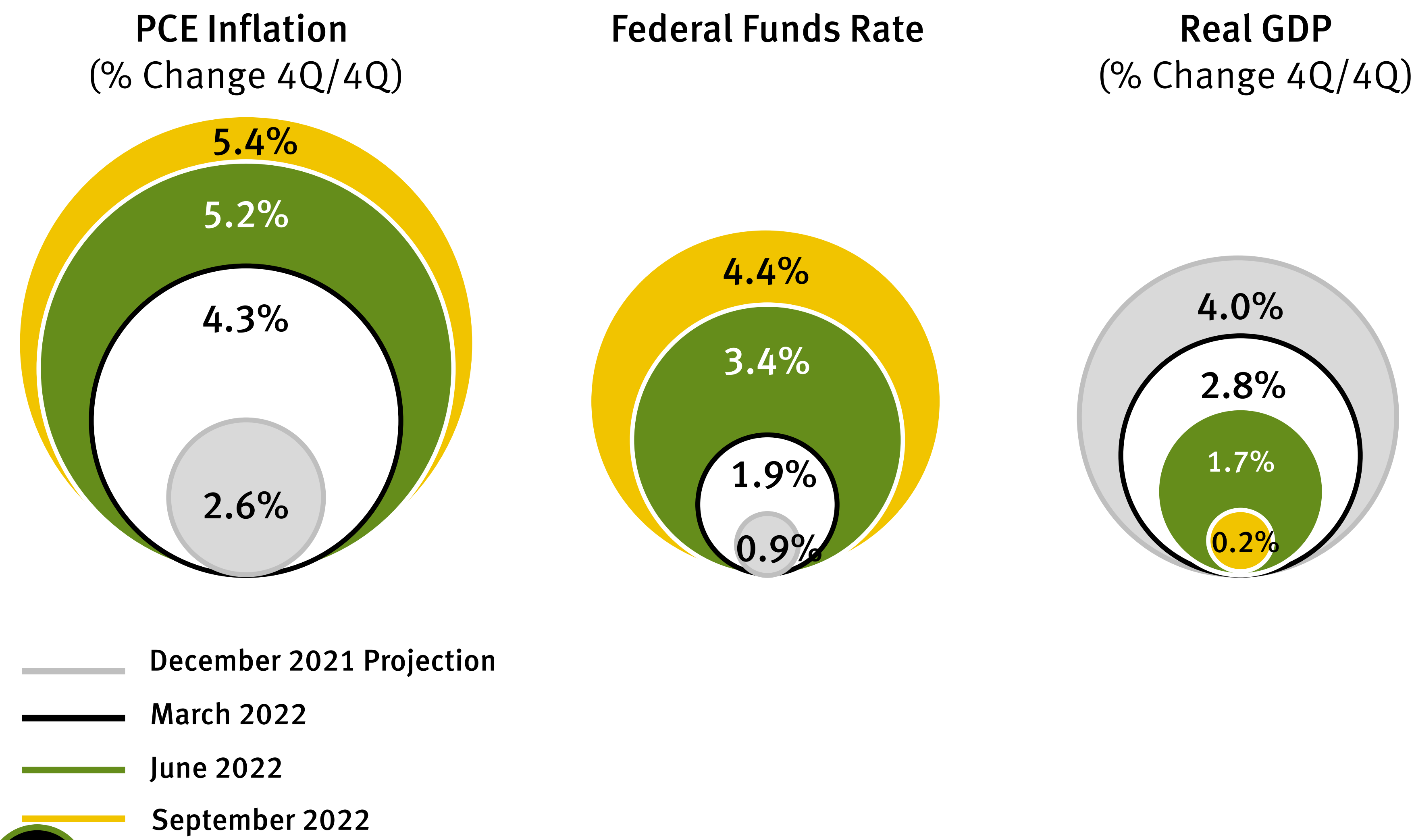
Insights From Stifel's CIO Office

IMBALANCES DRIVING INFLATION



THE FEDERAL RESERVE (FED) HAS BEEN BEHIND

Market Sight|Lines - Federal Open Market Committee Update: Higher Rates for Longer



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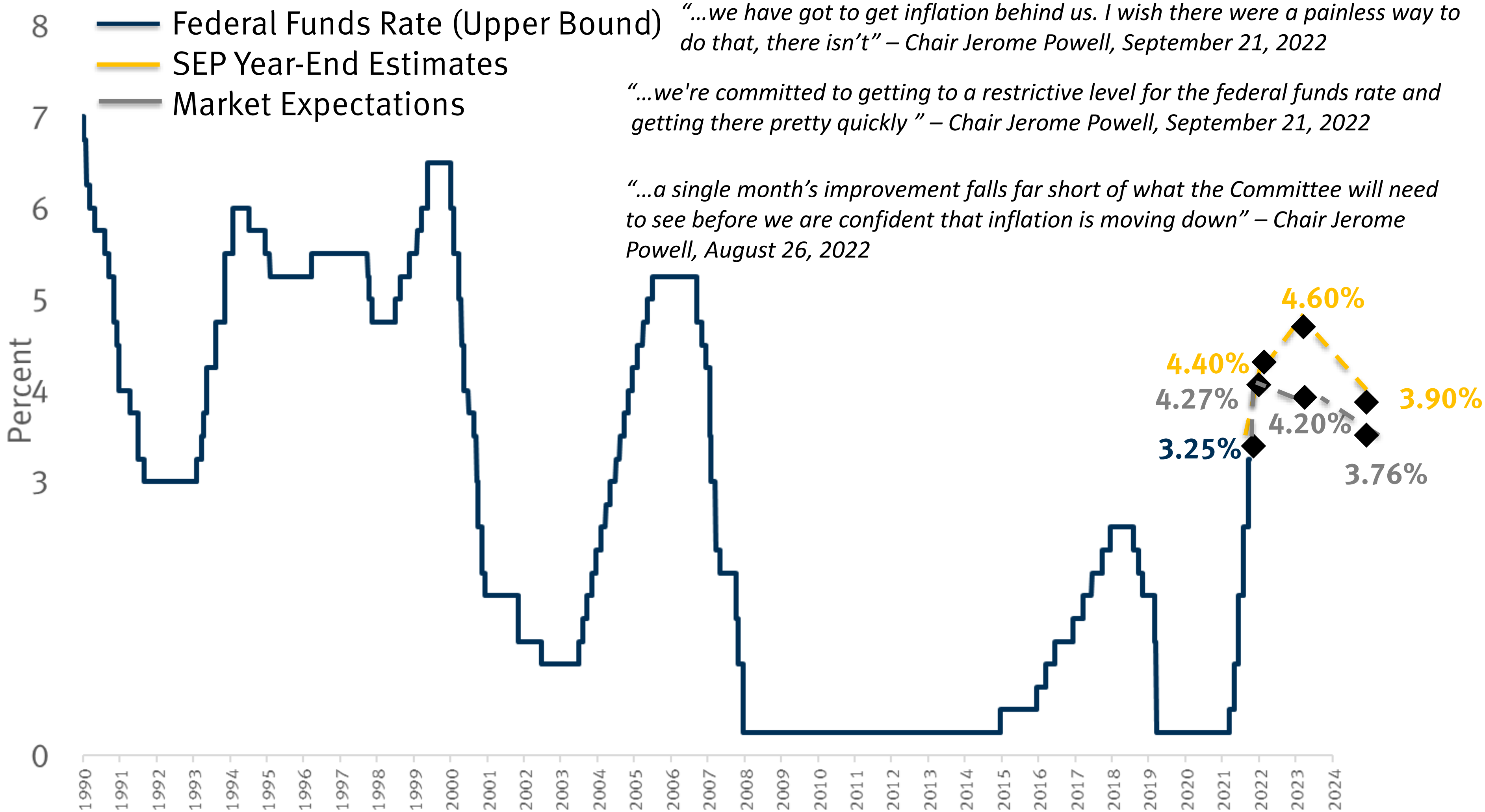
THE FED IS MORE HAWKISH

Market Sight|Lines - Federal Open Market Committee Update: Higher Rates for Longer

"…we have got to get inflation behind us. I wish there were a painless way to do that, there isn't" – Chair Jerome Powell, September 21, 2022

"…we're committed to getting to a restrictive level for the federal funds rate and getting there pretty quickly " – Chair Jerome Powell, September 21, 2022

"…a single month's improvement falls far short of what the Committee will need to see before we are confident that inflation is moving down" – Chair Jerome Powell, August 26, 2022



Source: Stifel Investment Strategy data via Bloomberg, JP Morgan, as of September 26, 2022

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ECONOMIC GROWTH COLLAPSING

U.S. GDP	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	2020	2021	2022	2023
Consensus Estimates	2.3	6.9	-1.6	-0.6	1.4	1.0	0.8	-2.8	5.9	1.6	0.8
Stifel*	5.0	3.2	1.2	0.5	-1.1	-2.1	-0.8	-3.5	5.3	-1.3	0.4
Goldman Sachs	3.3	7.0	1.5	0.7	0.9	1.0	0.8	-3.4	5.7	1.6	0.9
Capital Economics	2.6	4.5	1.2	1.2	2.4	1.6	1.5	-3.5	5.7	1.9	1.2
Strategas	2.0	5.7	1.0	-0.5	1.0	1.0	0.0	-3.2	5.6	1.6	0.7
UBS	3.4	6.1	1.5	-0.8	0.8	1.0	0.9	-3.5	5.6	1.6	0.7
Wells Fargo	3.0	5.9	0.6	0.2	3.5	0.4	-0.7	-3.5	5.6	1.9	-0.2
Bloomberg Economics	3.5	5.0	1.2	1.0	1.5	1.4	1.3	-3.5	5.6	1.6	0.7
Barclays	3.0	5.5	1.5	-0.4	0.5	0.0	-0.5	-3.5	5.6	1.5	0.2
JPMorgan Chase	3.0	7.0	1.1	0.7	1.0	1.5	1.0	-3.5	5.7	1.7	0.9
Bank of America ML	4.5	6.0	1.0	-1.5	1.0	0.5	-0.5	-3.5	5.6	1.6	-0.6
Federal Reserve**								-2.4	5.5	0.2	1.2

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively.
*Based on Stifel sell-side Economics department estimates. **Percent change from fourth quarter to fourth quarter one year ago.

Source: Stifel Investment Strategy data via Bloomberg, as of October 3, 2022. Federal Reserve estimates are as of September 21, 2022. Figures in grey areas under "Consensus Estimates" represent reported results.

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INFLATION FIGHT MAY TRIGGER RECESSION

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

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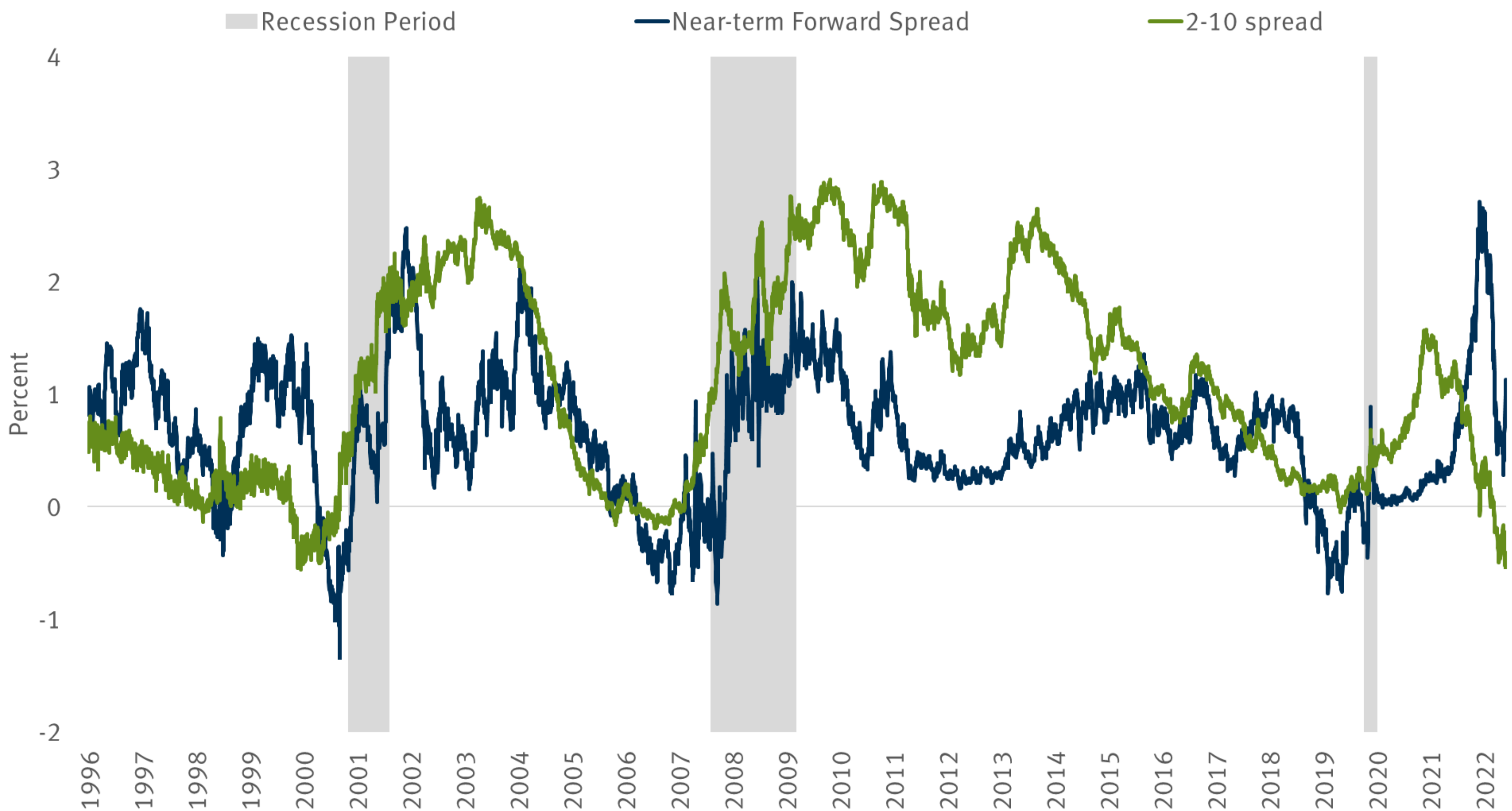
★ *Previously in expansionary territory.*

- Flatter **yield curve** indicates increased recession risk.
- **Credit spreads** have stabilized but remain close to historic average levels.
- **Money supply** growth has normalized on backdrop of continued Fed's balance sheet reduction.
- **Wage growth is** contributing to inflationary pressures.
- **Commodity** prices have eased but are still above our neutrality levels.
- With the Fed being laser focused on **inflation** by aggressively tightening monetary policy, the probability of recession has gone up.
- **Housing starts** have stalled on higher costs, chain supply issues, and weak builder confidence.
- **Jobless claims** have rolled-over on a solid labor market.
- Growth in **retail** sector is positive despite inflationary pressures.
- More people have been **quitting** jobs as leverage has shifted from employers to employees.
- **ISM** Manufacturing **New Orders** have just moved into moderate expansion after declining.
- **Profit margins** remain historically high but risks are meaningful due to price pressures.
- **Truck shipments** indicate growth is slowing down.

Source: Stifel Investment Strategy data via Bloomberg, as of September 23, 2022

YIELD CURVE INVERSION



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Source: Stifel Investment Strategy data via Bloomberg, as of September 26, 2022 (intra-day)
Near-term forward spread measures the expected three-month Treasury yield eighteen months in the future minus the current three-month Treasury rate.

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MOVING CLOSER TO RECESSION

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

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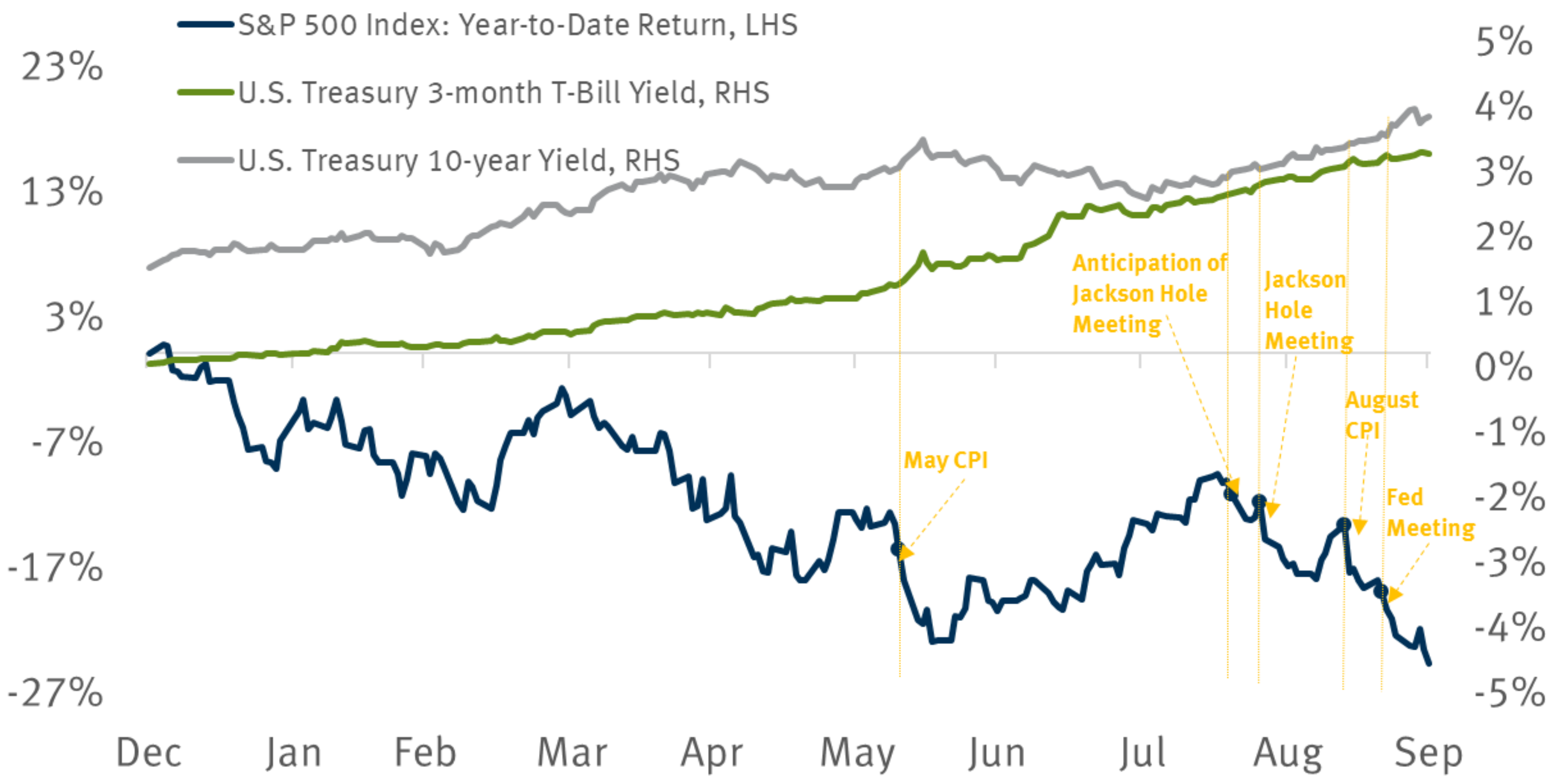
MARKETS REACTING NEGATIVELY



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Source: Stifel Investment Strategy data via Bloomberg, as of September 30, 2022

EQUITY EARNINGS AT RISK?

Many companies citing supply chain, inflation, and recession

Source: Stifel Investment Strategy via FactSet, as of September 30, 2022

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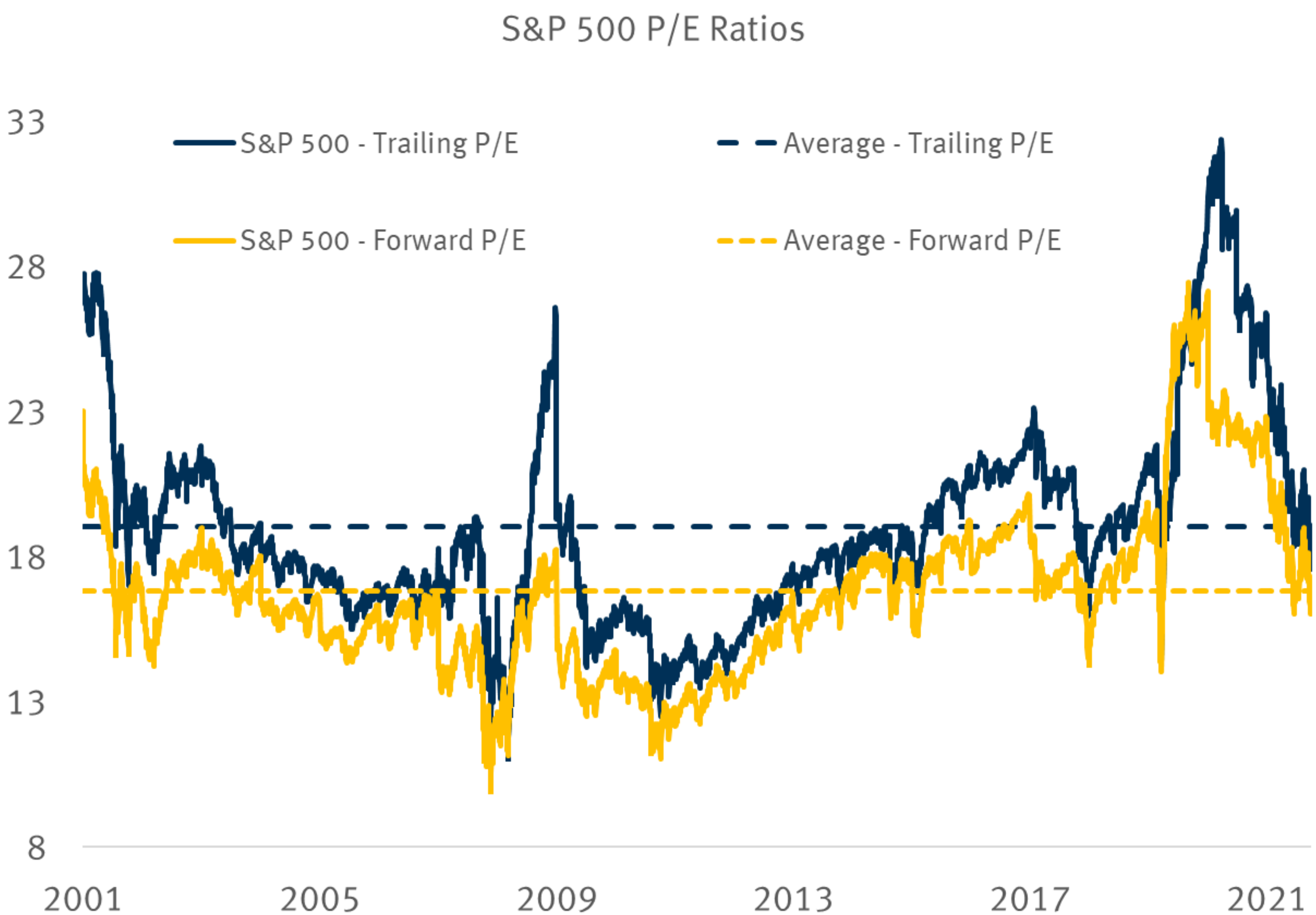
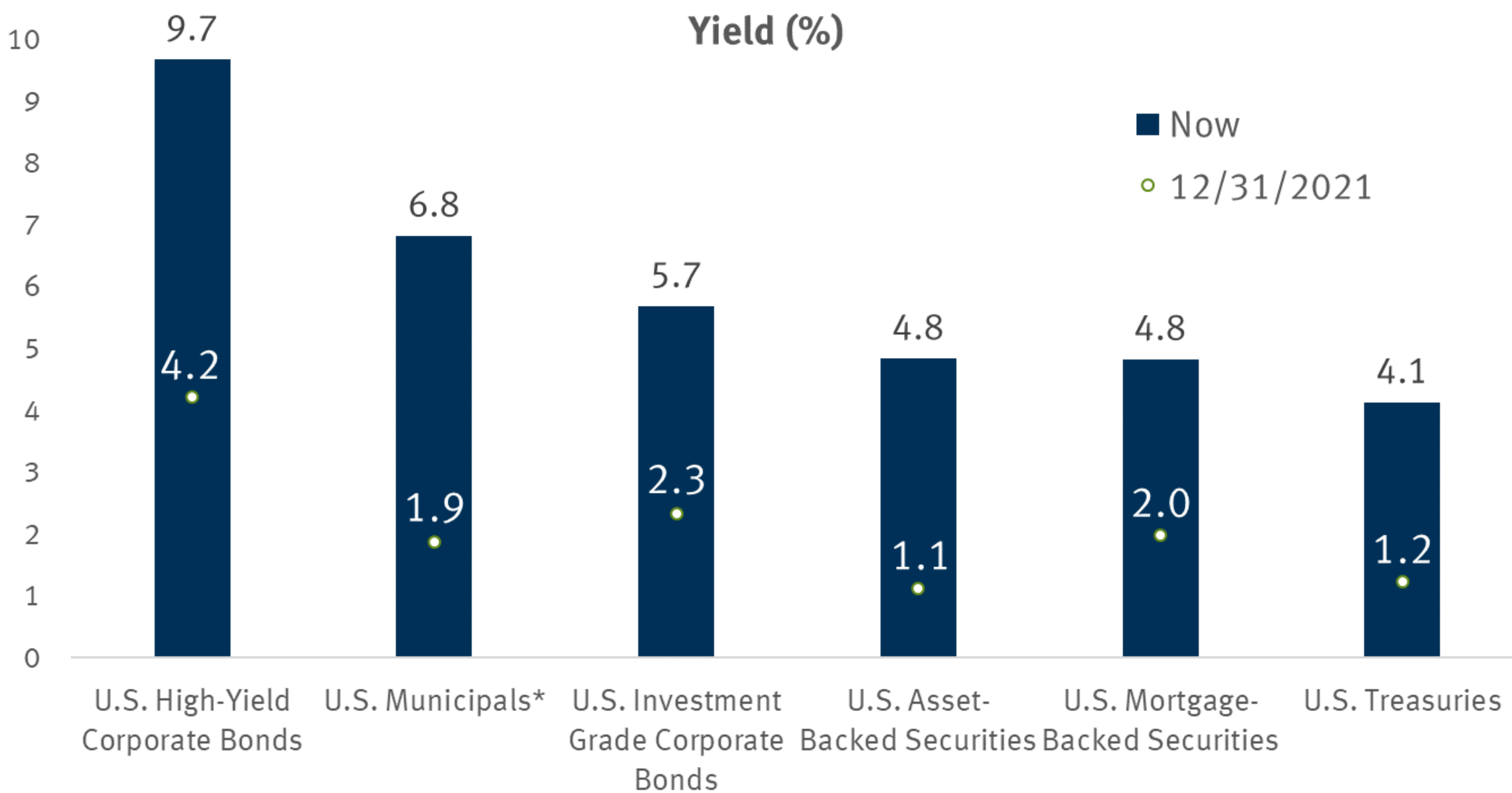
STOCKS GETTING "CHEAPER"

Read: Risks to the Stock Market



Source: Stifel Investment Strategy data via Bloomberg, as of September 30, 2022

BONDS ATTRACTIVE



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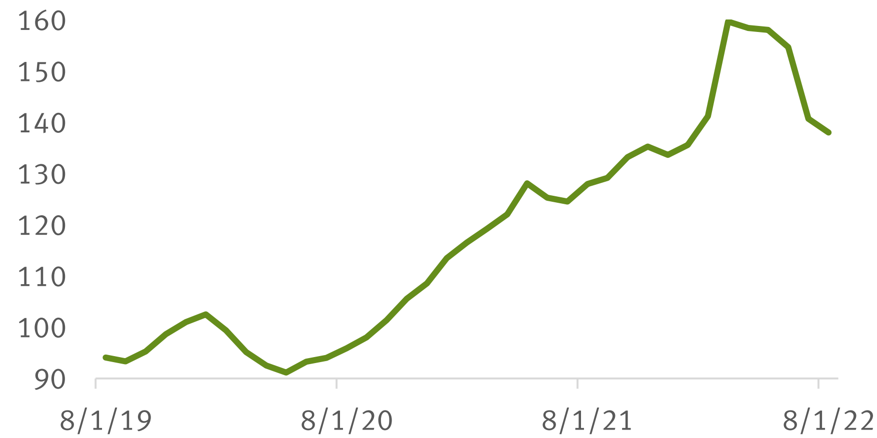
Based on taxable equivalent yield.

Source: Stifel Investment Strategy data via Bloomberg, as of September 30, 2022

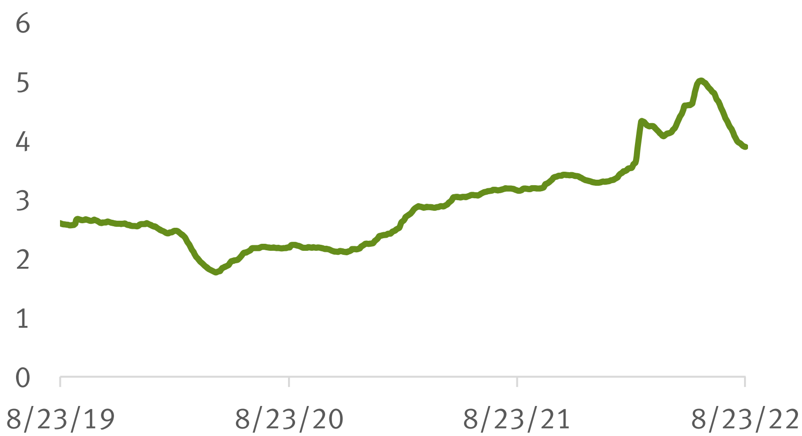
Market Sight|Lines - Exploring the Data: Inflation May Be Cooling

Brent Crude Oil ($/bbl)

FAO Food Price Index



Average Gas Price ($/gallon)



Consumer Price Index

	CPI		Core CPI	
	Monthly	Annualized	Monthly	Annualized
2020	0.11%	1.29%	0.13%	1.60%
2021	0.57%	7.10%	0.45%	5.48%
1H22	0.89%	11.16%	0.55%	6.85%
July '22	0.00%	0.00%	0.30%	3.66%
August '22	0.10%	1.21%	0.60%	7.44%

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Source: Stifel Investment Strategy data via Bloomberg, as of September 23, 2022

INFLATION EXPECTATIONS

2.24%
1-Year

2.33%
5-Year

***Investors*:**
Breakeven Inflation Rates

2.24%
10-Year

2.15%
5-year, 5-year forward

***Consumers*:**
Surveys

4.70%
University of Michigan 1-year

2.70%
University of Michigan 5-10 year

6.80%
Conference Board 1-year

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Source: Stifel Investment Strategy data via Bloomberg, as of October 4, 2022

WHEN CAN THE FED SHIFT POLICY?

Fed's Dual Mandate

Price Stability: 2%

- Wage pressures subside
- Food/shelter/core goods prices ease
- Supply chain pressures ease
- Inflation expectations fall towards 2%
- Monthly CPI trends lower
- Monthly PCE trends lower

Maximum Employment

- Job quits slow
- Initial jobless claims rise
- Unemployment to job openings ratio declines
- Unemployment above 4.4%
- Deep recession
- Severe financial conditions

Navigating the Rest of 2022

SEPTEMBER	
2	Employment
13/14	Inflation
15	Retail Sales
16	Consumer Sentiment
20/21	Housing
21	Fed Policy Decision
21	FOMC Economic Projections

OCTOBER	
7	Employment
12	Federal Open Market Committee (FOMC) Minutes
13/14	Inflation
14	Retail Sales
14	Consumer Sentiment
19/20	Housing
27	3rd Quarter GDP (Adv Est.)

NOVEMBER	
2	Fed Policy Decision
4	Employment
8	Mid Term Elections
10	CPI/Core CPI
11	Consumer Sentiment
15	PPI/Core PPI
16	Retail Sales
17/18	Housing
23	FOMC Minutes

DECEMBER	
2	Employment
9	Consumer Sentiment
9/13	Inflation
14	Fed Policy Decision
14	FOMC Economic Projections
15	Retail Sales
20/21	Housing

OTHER IMPORTANT TOPICS

- Russia-Ukraine War
- China-Taiwan Tensions
- Progression of Earnings Forecasts
- 3rd Quarter Earnings Season
- Progression of PMI measures
- Business and consumer sentiment
- Global Inflation
- Global Central Bank Policy

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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.

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