

STIFEL

FAVORITE

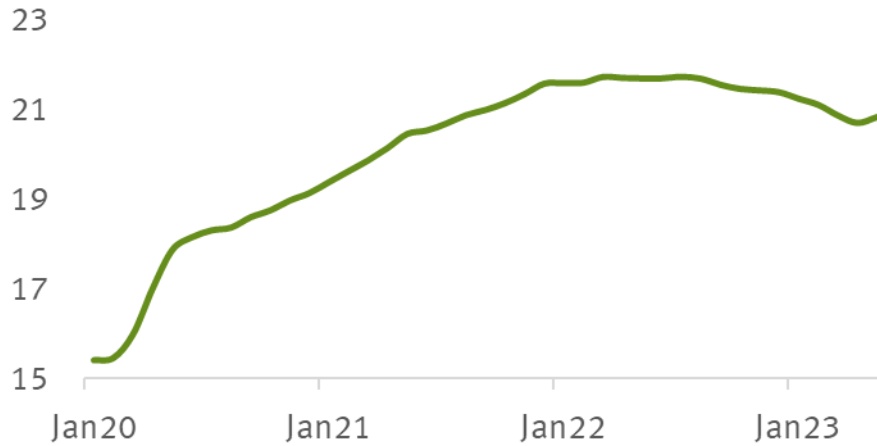
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July 2023

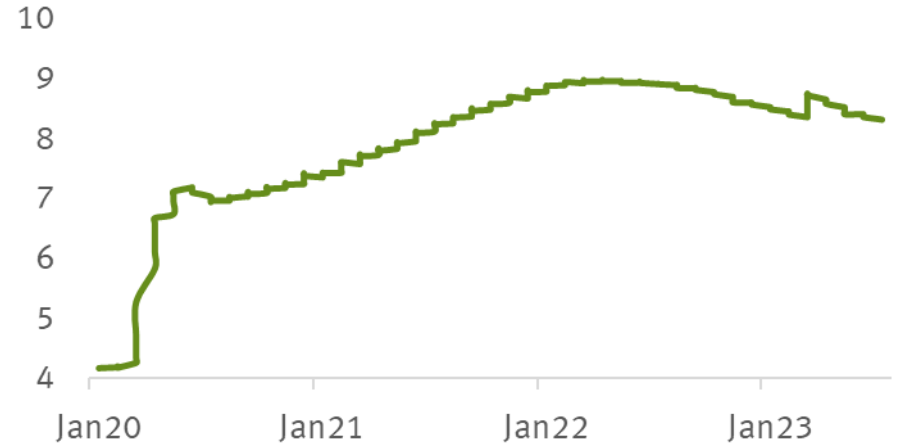
Insights From Stifel's CIO Office

1. Post-Pandemic Environment: Fiscal and monetary policy support along with excess demand and limited supply fueled higher inflation.
2. Post-Pandemic Environment: The S&P 500 has risen over 20% from its low in October, entering a new bull market.
3. Inflation and Fed Policy: Real-time inflation data for shelter and used car prices suggests these component measures of inflation should cool in the coming months.
4. Inflation and Fed Policy: The job market remains strong, but is starting to soften.
5. Inflation and Fed Policy: The Federal Reserve (Fed) sees a stronger economy and higher rates for this year.
6. Higher Rates Present Challenges: Consumers and businesses are facing challenges as a result of higher rates.
7. Consumer Activity: Consumer spending still remains a positive contributor to economic growth.
8. Business Activity: Business activity is weakening, consistent with slowing economic growth.
9. Politics and Geopolitics: Brian Gardner, Stifel's Chief Washington Policy Strategist, has identified the issues to focus on in the second half of 2023.
10. Mid-Year Check-In: We check in on our forecasts for the year and compare them to first half results.
11. Market Performance: Strong year-to-date performance for equity markets, led by mega cap technology companies.
12. Market Performance: Market breadth has improved more recently, but still remains low.
13. Near-Term Risks and Opportunities: Current equity market valuations are a bit higher than recent history.
14. Long-Term Investment Themes: The five investment themes that we believe are presenting opportunities for long-term investors.
15. Fourth Industrial Revolution: Artificial intelligence (AI) falls within our Fourth Industrial Revolution theme.

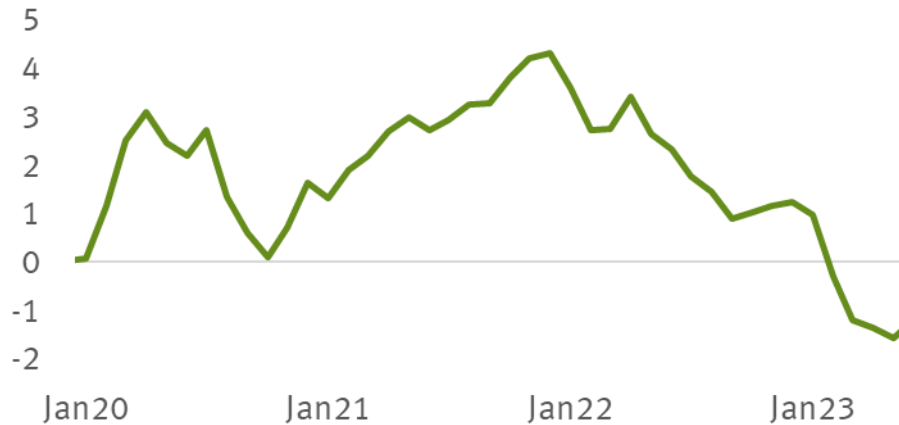
Money Supply (Trillions)



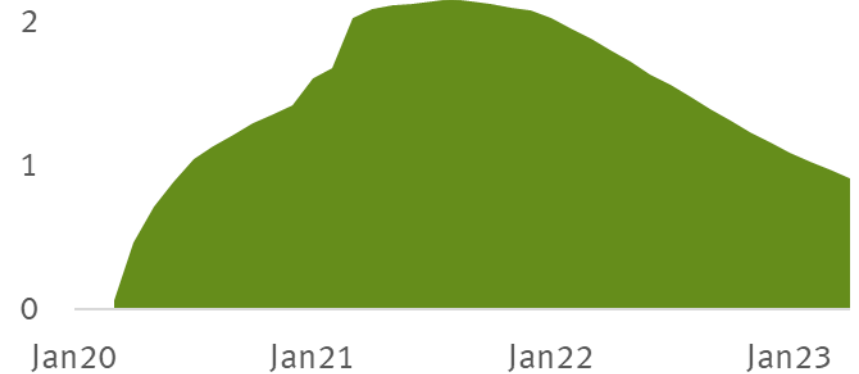
Fed's Balance Sheet (Trillions)

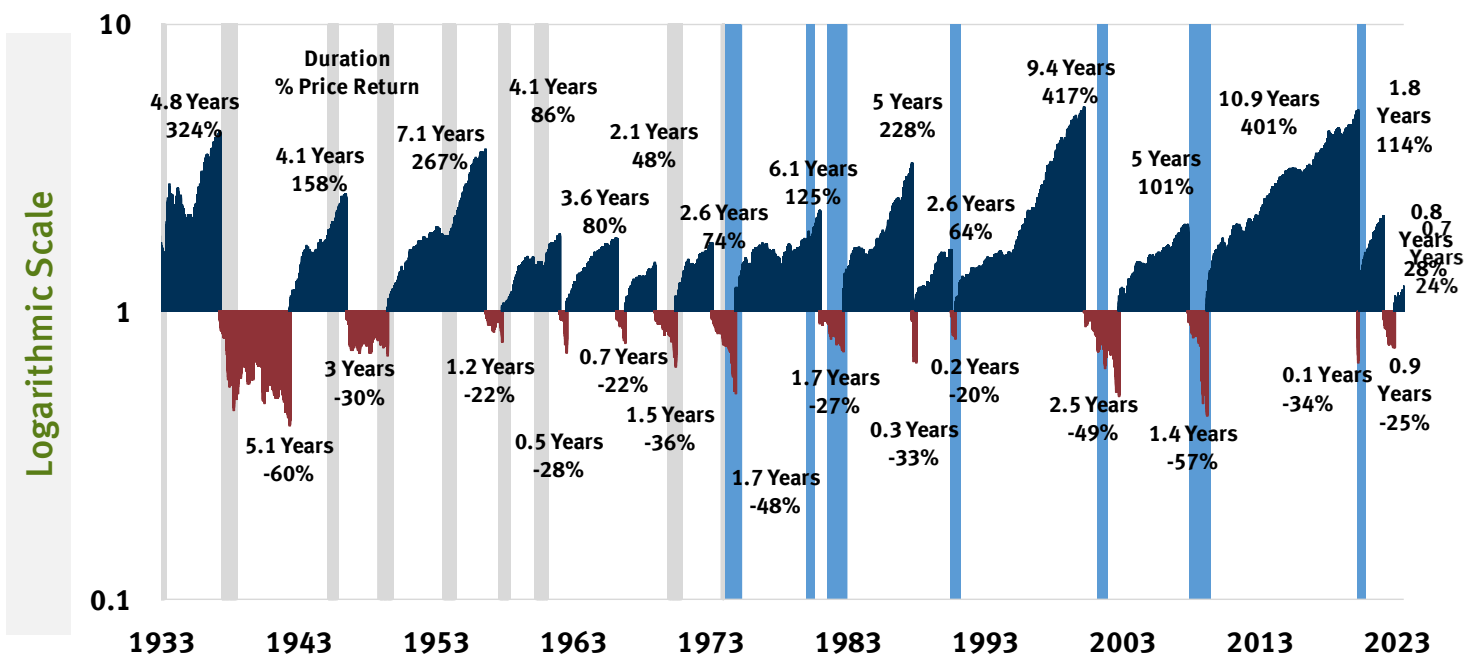


Global Supply Chain Pressure Index



Excess Savings (Trillions)



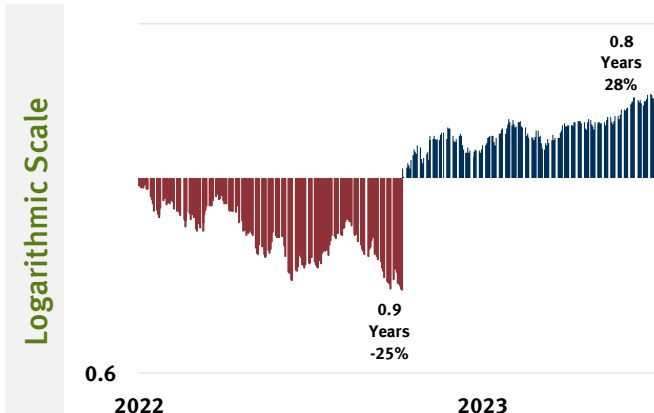


S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal.

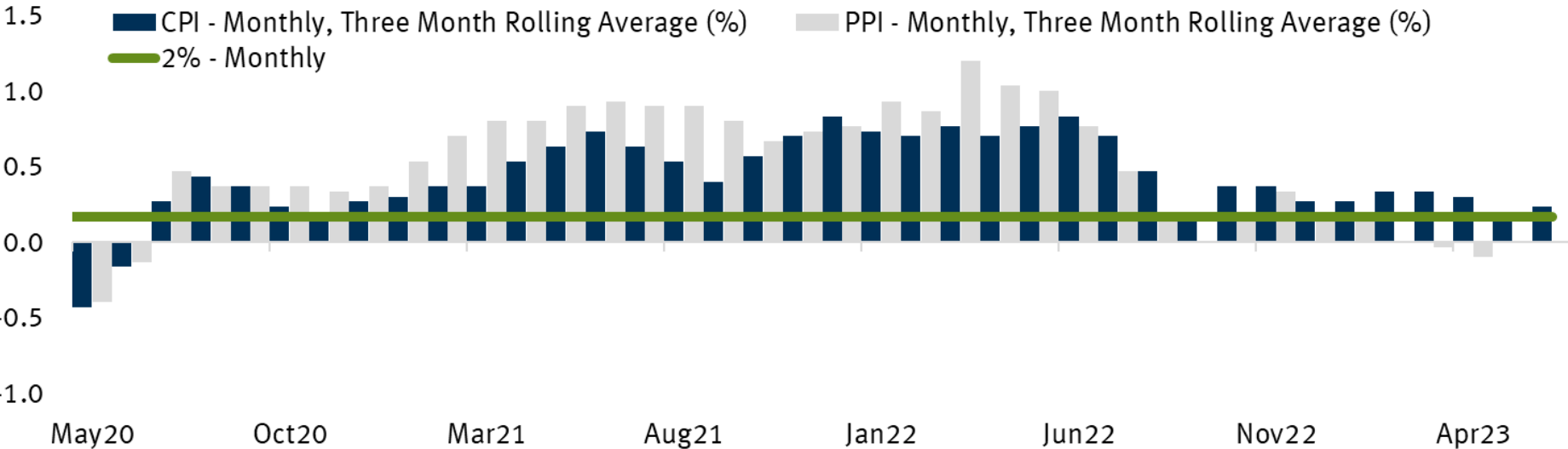
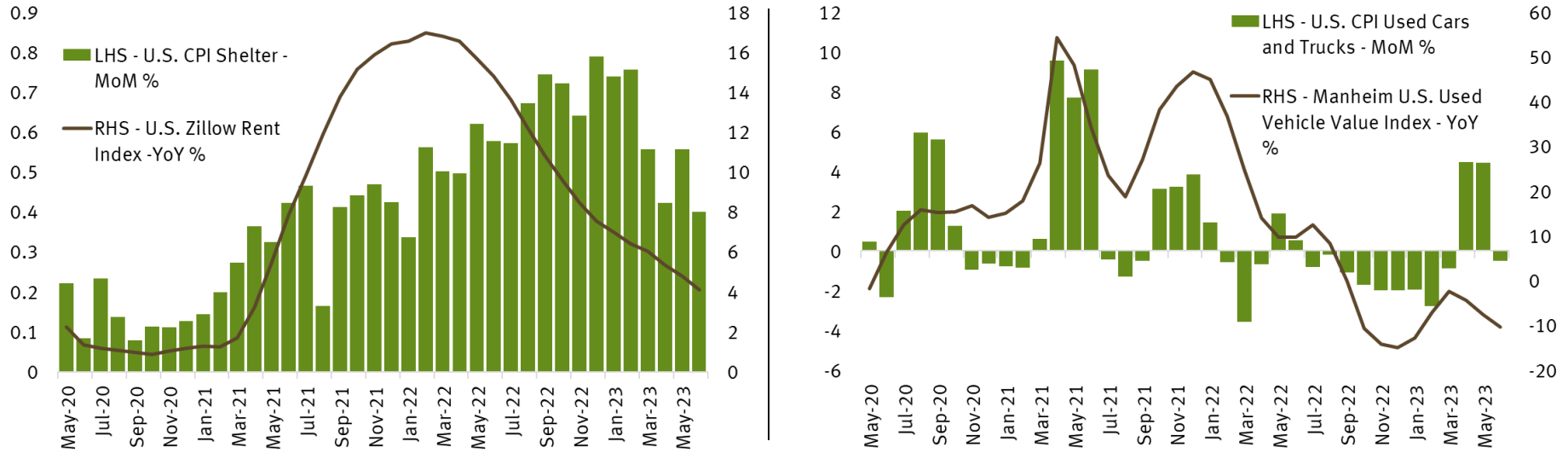
Asset allocation and diversification do not ensure a profit or protection against loss.

Source: Stifel Investment Strategy via Strategas Securities, LLC and Bloomberg, as of July 20 2023

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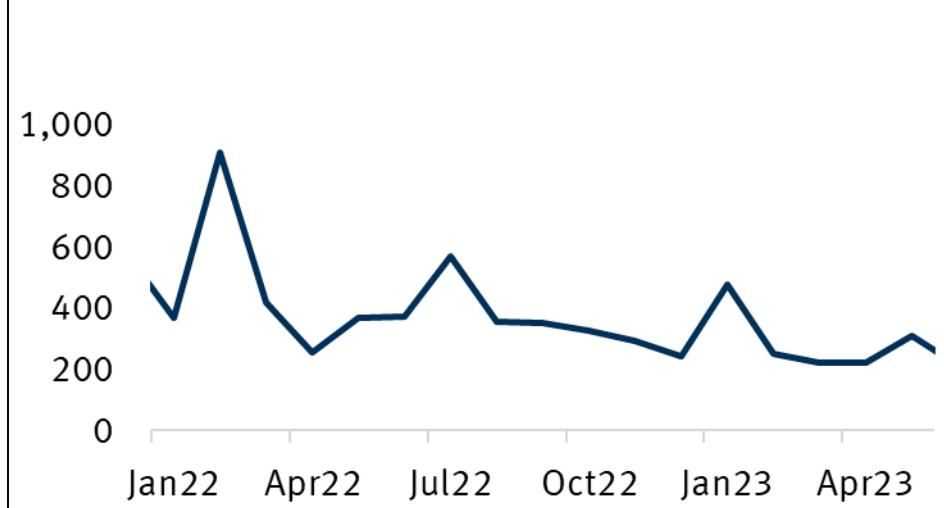
Real-time inflation data vs. Consumer Price Index (CPI)



JOLTs - Job Openings (000,000s)



Nonfarm Payrolls (000s)



Jobless Claims (000s)

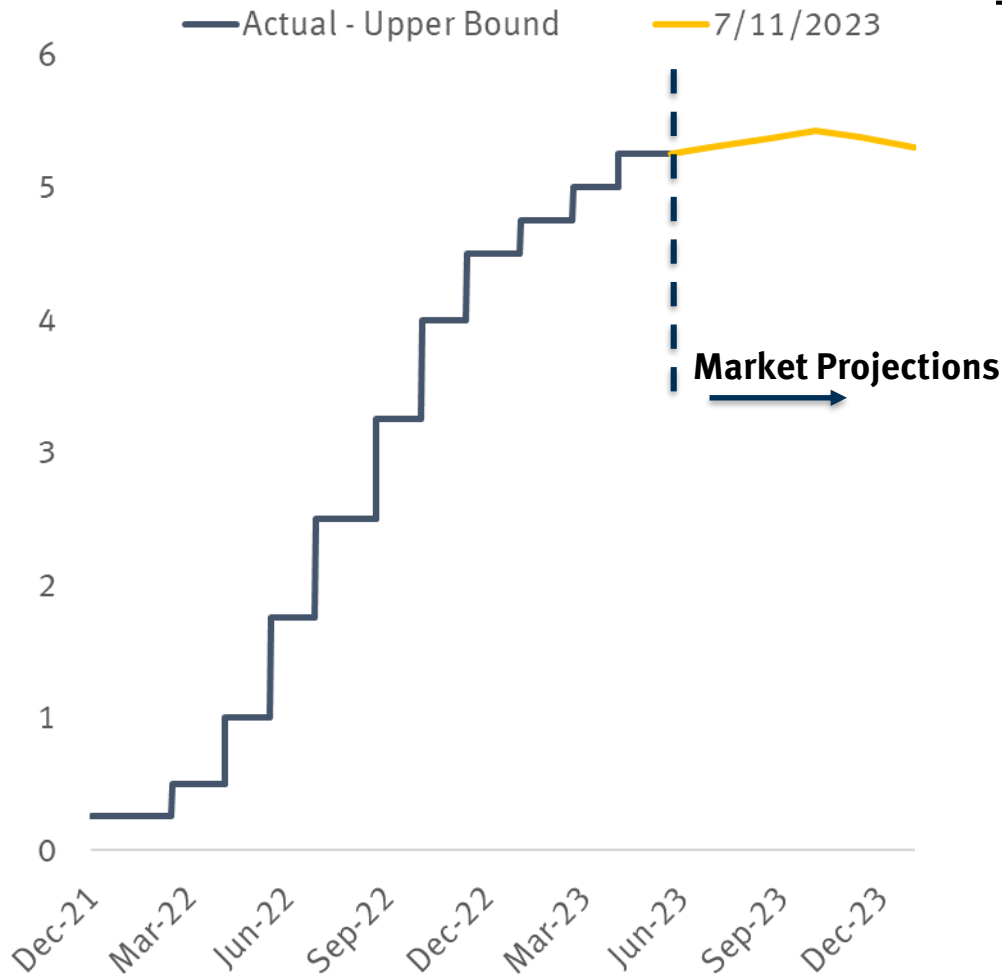


Wage Growth - Hourly Earnings (%)



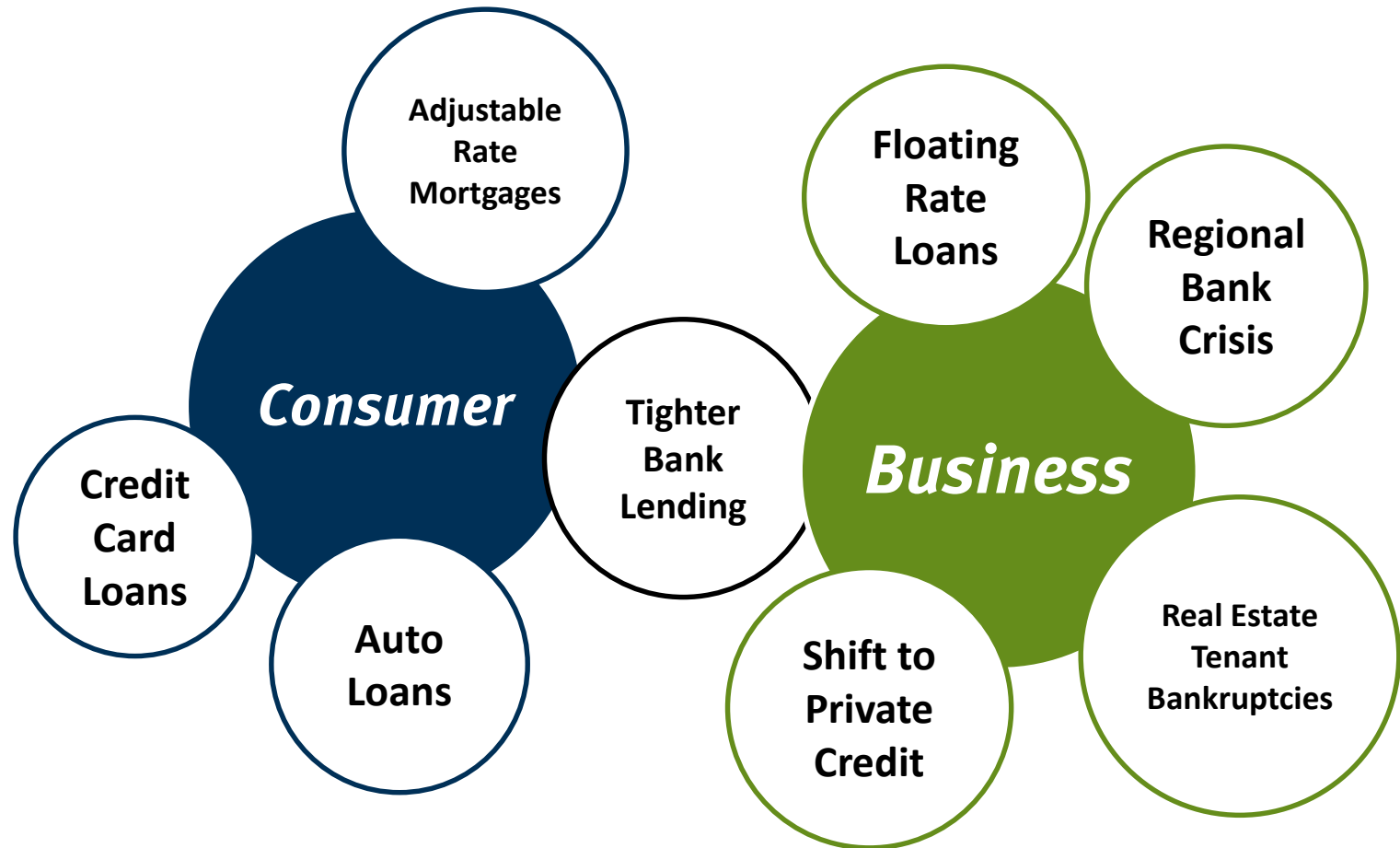
Source: Stifel CIO Office via Bloomberg, as of July 10, 2023

Fed Funds Rate



Learnings From the Fed Meeting

- Rates unchanged, dot-plot **shows two more hikes. No rate cuts** projected this year.
- **GDP higher: 1.0% vs. 0.4% in March**
Small changes for 2024 and 2025.
- **Unemployment lower: 4.1% vs. 4.5% in March**
Rise to 4.5% at year-end 2024 and 2025.
- **Headline inflation lower: 3.2% vs. 3.3% in March**
- **Core inflation higher: 3.9% vs. 3.6% in March**
- **Headline and core inflation are expected to fall** to 2.5% and 2.6% in 2024, respectively, and 2.1% and 2.2% in 2025, respectively.



Retail Sales Year Over Year (YoY)



Personal Spending YoY



Personal Income YoY



University Of Michigan Consumer Sentiment



Industrial Production YoY is Slowing



Slowing Corporate Profits Could Mean Slower Capital Expenditures



Factory Orders YoY are Slowing



National Federation of Independent Business Small Business Sentiment at Lows



SECOND HALF FOCUS – WASHINGTON D.C.

- **Government Shutdown** - Low odds, but not zero
- **Defense spending and Ukraine** – disagreements still exist
- **China outbound investment rules**- creating a process to vet outbound investments in China
- **Student loan forgiveness** – Supreme Court likely to block the administration’s plan
- **Business tax legislation** – talks to suspend some business-related tax changes
- **M&A** – potential changes to merger guidelines
- **Banking Regulation** –banks with > \$100 billion in assets
- **Deposit Insurance**- limited political will
- **SAFE Banking Act** – might be a “must-pass” bill
- **MiFID II** – unlikely to pass
- **Cryptocurrency** - watch for enforcement actions

DEBT CEILING DEAL

- Suspends debt limit until January 2025
- Budget cuts and caps on non-defense spending
- Rescinds \$28 billion in COVID-19 relief funds
- Borrowers to start paying back student loans

U.S. – CHINA RELATIONS

- Relationship strained
 - Spy balloons
 - China military facility in Cuba
 - U.S. – Taiwan Initiative on 21st Century Trade
- Secretary of State Anthony Blinken visit to China
 - First visit in 5 years, both sides agreed to talk further
 - Will “compete vigorously”...but seek to “reduce risk of miscalculation”



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	2023 Forecast	Current
U.S. Real GDP	-0.5%- +0.5%	1.30%
Core PCE Inflation (4Q/4Q)*	3.50%-3.75%	4.70%
Federal Funds Rate	4.75%-5.00%	5.00%-5.25%
S&P 500	4,000	4,565
10-year Treasury (%)	3.25%-3.75%	3.75%
Market Pulse Publications**	25	2
Investment-Grade Spreads (bps)***	100-150 bps	124 bps
High-Yield Spreads (bps)***	450-500 bps	381 bps

*PCE is Personal Consumer Expenditures.

**The Stifel CIO Office issues a Market Pulse publication when the S&P 500 closes up or down by at least 2% on a given day.

***bps is basis points. 1 basis point is 0.01%.



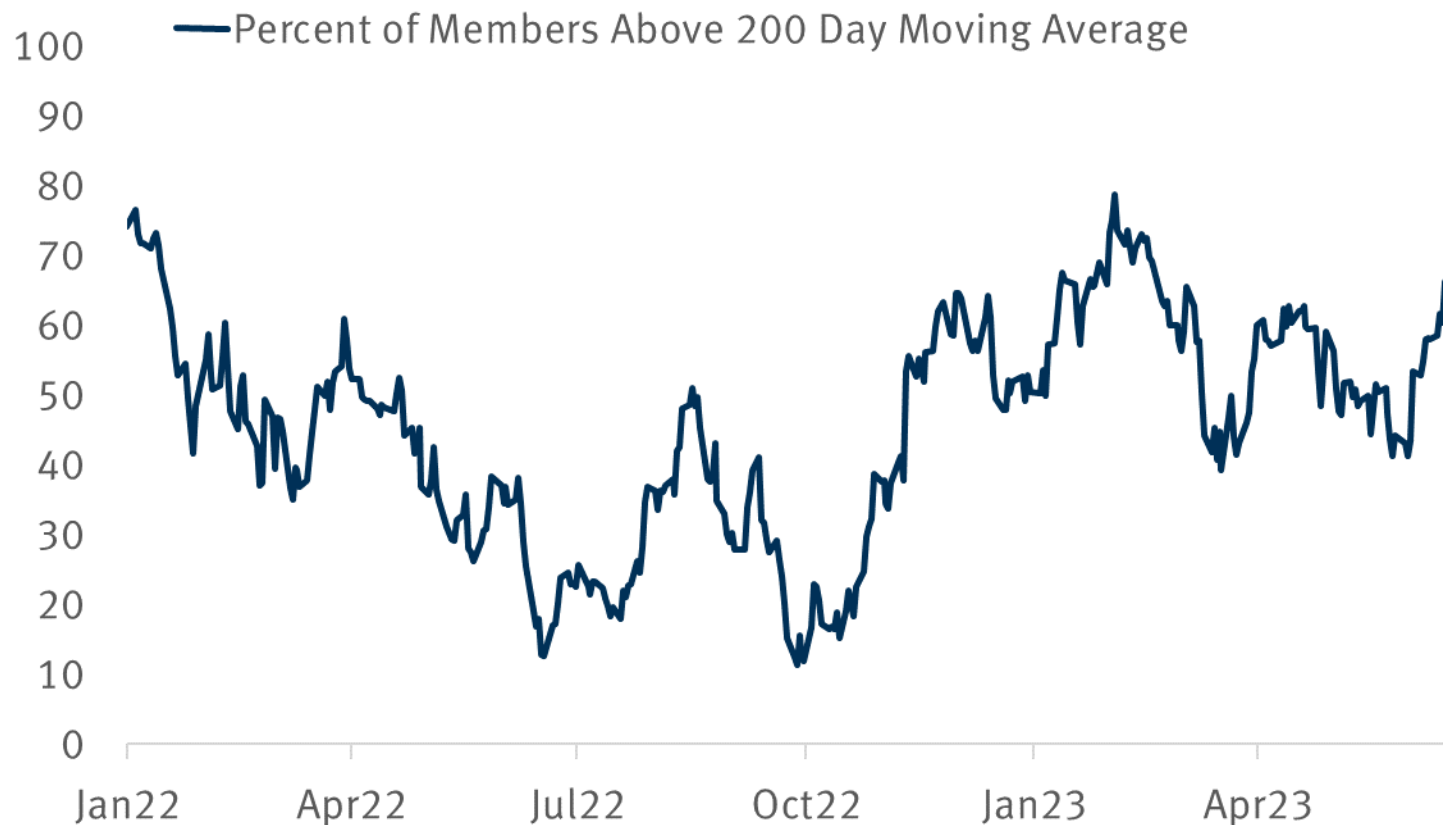
Source: Stifel CIO Office via Bloomberg, as of July 20, 2023

Index	2020	2021	2022	YTD - Mar 8 2023	Mar 8 – June 1 2023	June 1– July 19 2023	YTD – July 19 2023
S&P 500 Index	18.4%	28.7%	-18.1%	4.3%	6.2%	8.4%	20.0%
S&P 500 Eq. Weight.	12.8%	29.6%	-11.5%	3.9%	-3.6%	10.0%	10.1%
S&P 500 Financials	-1.8%	34.9%	-10.6%	2.2%	-7.7%	10.0%	3.7%
KBW Reg. Banking	-8.7%	36.7%	-6.9%	-1.7%	-24.6%	19.4%	-11.6%
Russell 1000 Value	2.8%	25.1%	-7.6%	1.3%	-2.0%	8.0%	7.3%
Russell 1000 Growth	38.5%	27.6%	-29.1%	8.3%	12.8%	9.4%	33.8%
NYSE FANG+ Index	103.1%	17.7%	-40.0%	24.0%	32.7%	12.2%	84.6%
Russell 2000 Index	19.9%	14.8%	-20.5%	6.9%	-5.6%	12.5%	13.6%
MSCI EAFE Index	7.8%	11.3%	-14.5%	6.1%	2.0%	5.8%	14.6%
MSCI EM Index	18.3%	-2.5%	-20.1%	2.4%	-1.0%	7.0%	8.5%
Bloomberg U.S. Agg	7.5%	-1.5%	-13.0%	-0.1%	2.8%	0.1%	2.8%



Source: Stifel CIO Office via Bloomberg, as of July 19, 2023

- More recently – market breadth has improved but it still remains low



	2023 EPS	EPS Forward P/E						
		15x	16x	17x	18x	19x	20x	21x
Consensus 2023 EPS	\$240	3,600	3,840	4,080	4,320	4,560	4,800	5,040
	\$230	3,450	3,680	3,910	4,140	4,370	4,600	4,830
	\$220	3,300	3,520	3,740	3,960	4,180	4,400	4,620
	\$217	3,255	3,472	3,689	3,906	4,123	4,340	4,557
	\$210	3,150	3,360	3,570	3,780	3,990	4,200	4,410
	\$200	3,000	3,200	3,400	3,600	3,800	4,000	4,200
	\$190	2,850	3,040	3,230	3,420	3,610	3,800	3,990
	\$180	2,700	2,880	3,060	3,240	3,420	3,600	3,780

Current Approximate
S&P 500 Index Level

	2024 EPS	EPS Forward P/E					
		15x	16x	17x	18x	18.5x	19x
Consensus 2024 EPS	\$255	3,825	4,080	4,335	4,590	4,718	4,845
	\$250	3,750	4,000	4,250	4,500	4,625	4,750
	\$245	3,675	3,920	4,165	4,410	4,533	4,655
	\$240	3,600	3,840	4,080	4,320	4,440	4,560
	\$230	3,450	3,680	3,910	4,140	4,255	4,370
	\$220	3,300	3,520	3,740	3,960	4,070	4,180
	\$210	3,150	3,360	3,570	3,780	3,885	3,990

Current Approximate
S&P 500 Index Level

THE FIVE THEMES

3



FOURTH INDUSTRIAL REVOLUTION

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

Data as a Commodity
|
Enhanced Computing
|
Workforce Optimization
|
Future of Transportation



SECURING STRATEGIC RESOURCES

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

Food and Water Security
|
Net Zero Movement
|
Renewable Energy
|
Circular Economy



SHIFTING DEMOGRAPHICS

Changes in global population dynamics will bring about challenges and opportunities.

Millennials
|
Emerging Global Middle Class
|
Aging Population
|
Future of Health



THE NEW CONSUMER

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

Reimagined Convenience
|
Digitalization of Human Connectivity
|
Future of Finance
|
Future of Leisure



PRODUCTIVE COMPETITION

Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

The New Cold War
|
Geopolitical Tensions
|
Localization
|
Transforming Business Models

Get to Know Our Long-Term Investment Themes

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Source: Stifel CIO Office via *From Vision to Value: Our Long-Term Investment Themes*

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FOURTH INDUSTRIAL REVOLUTION

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

Future of Transportation

Innovative technologies and infrastructure that facilitate **sustainable, autonomous, and connected mobility solutions.**

As all modes of transportation taken together account for **37% of global greenhouse gas emissions**, the sector is a key target for **emissions-reduction activity**



Teslas have driven over **three billion miles in autopilot mode** since 2014



1 in 10 vehicles are expected to be **autonomous** by 2030



Between 2017 and 2020, **24 U.S. states** enacted **commercial autonomous vehicles legislation**

Enhanced Computing

The development of **powerful computing systems**, such as **quantum computing** and **artificial intelligence**, to tackle complex problems, process vast amounts of data, and drive innovation.

35% of **businesses** worldwide used **AI** in 2022

The **global artificial intelligence market** is expected to reach **\$1.6 trillion** by 2030

In **200 seconds**, a **quantum computer** can solve a problem that the world's current **fastest computer** would need **10,000 years** to compute

Sources: International Energy Agency (IEA), Tesla, Statista, National Conference of State Legislatures

Sources: IBM, Precedence Research, Google

Get to Know Our Long-Term Investment Themes

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Source: Stifel CIO Office via *From Vision to Value: Our Long-Term Investment Themes*

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INDEX DESCRIPTIONS

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

S&P Financial Select Index includes all companies in the S&P 500 Index classified under the GICS® Financial sector.

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 U.S. Aggregate Government/Credit Bond Index).

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.

Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), and ABS and CMBS (agency and nonagency).

Russell 1000 Value Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

NYSE FANG+ Index is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

KBW Nasdaq Regional Banking Index seeks to reflect the performance of U.S. companies that do business as regional banks or thrifts.

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.

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.

DISCLOSURES CONTINUED

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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