STIFEL

FAVORITE 15

September 2023

Insights From Stifel's CIO Office

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- Consumer spending
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3 things we're focused on:

- Shelter prices
- Supercore services
- Inflation expectations

3 MARKETS

Returns broadening out, volatility to increase

3 things we're focused on:

- Company earnings
- Profit margins
- Capital expenditures

ECONOMIC FORECASTS

U.S. GDP	Date of Estimate	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	2022	2023	2024
Consensus Estimates	**9/14/2023**	**2.0**	**2.1**	**2.0**	**0.4**	**0.1**	**0.9**	**2.1**	**2.0**	**0.9**
Consensus Estimates	*1/3/2023*	*0.1*	*-0.6*	*0.0*	*0.9*	*1.5*	*1.8*	*1.9*	*0.3*	*1.3*
Stifel	8/29/2023	1.2	1.8	2.6	1.5	0.9	1.8	0.5	2.1	1.7
Goldman Sachs	9/14/2023	1.5	2.5	3.2	1.3	1.9	1.9	2.0	2.2	2.0
Capital Economics	9/8/2023	1.2	1.4	2.3	-0.8	0.8	1.4	2.0	2.0	1.0
Strategas	9/11/2023	1.0	1.6	3.0	-0.5	-1.5	1.0	2.0	2.1	0.6
UBS	9/8/2023	1.5	1.6	3.3	-1.4	-2.0	1.5	2.0	2.1	0.4
Wells Fargo	9/7/2023	0.6	0.9	3.4	0.4	-0.8	-1.1	2.1	2.1	0.5
Bloomberg Economics	8/18/2023	1.2	1.5	1.5	-0.2	-0.5	0.4	2.0	2.1	0.6
Barclays	9/4/2023	1.5	1.5	3.0	0.5	0.0	-0.5	2.0	2.1	0.5
JPMorgan Chase	9/8/2023	1.1	1.7	3.5	1.5	0.5	0.5	2.1	2.3	1.2
Federal Reserve**	6/14/2023							**0.9**	1.0	1.1

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively. Stifel estimates based on Stifel sell-side Economics department estimates.

**Percent change from fourth quarter to fourth quarter one year ago.

Source: Stifel CIO Office via Bloomberg, as of September 11, 2023. Federal Reserve estimates are as of June 14, 2023. Figures in grey areas under "Consensus Estimates" represent reported results

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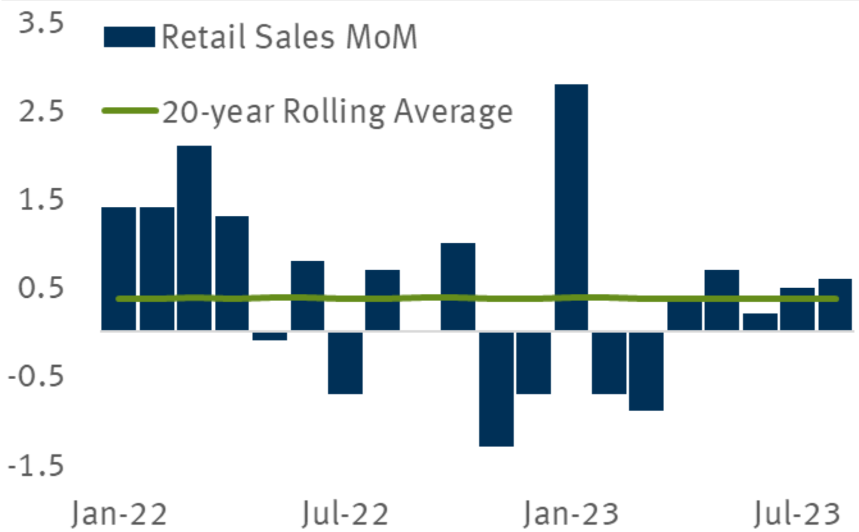
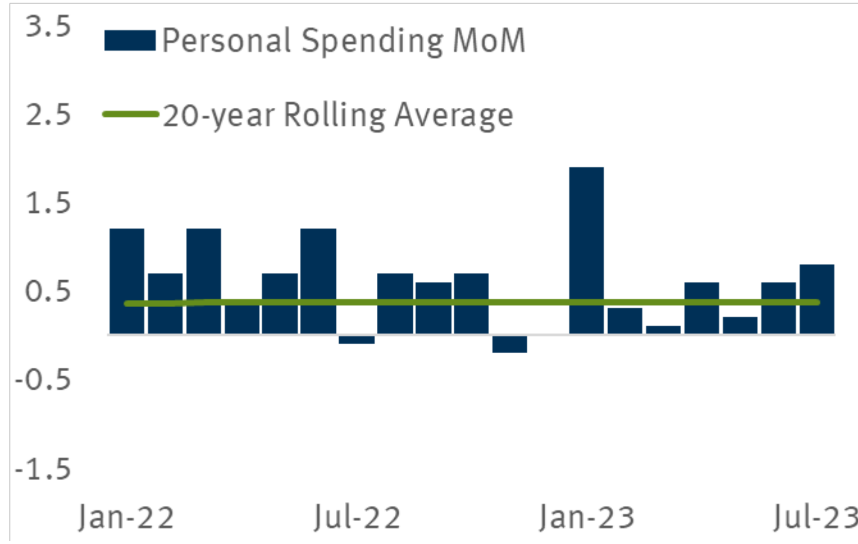
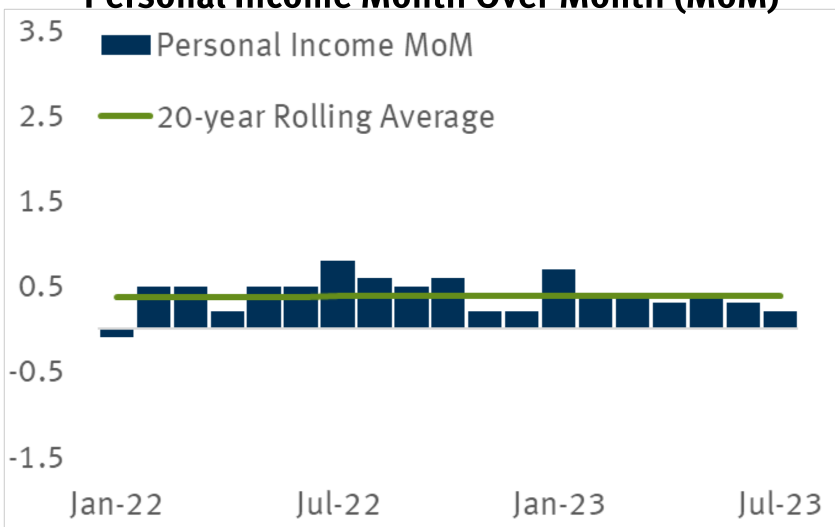
Retail Sales Month Over Month (MoM)



Personal Spending Month Over Month (MoM)



Personal Income Month Over Month (MoM)



University Of Michigan Consumer Sentiment

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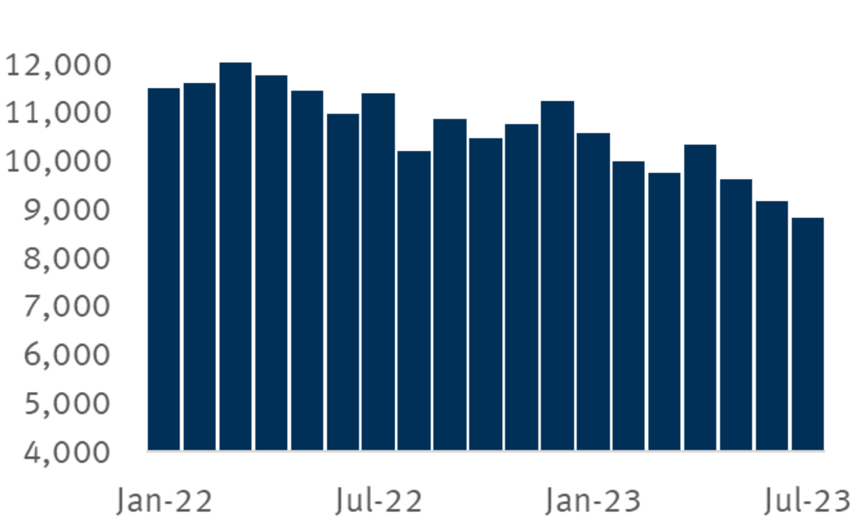
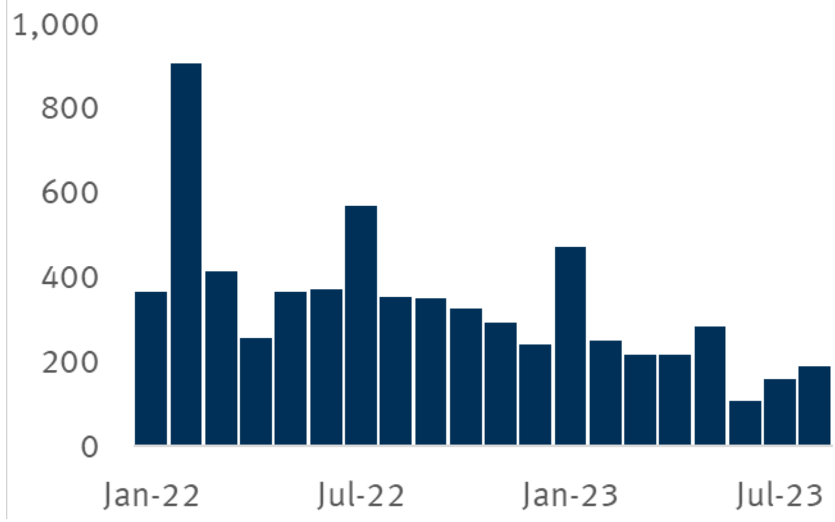
Source: Stifel CIO Office via Bloomberg, as of September 15, 2023

LABOR MARKET

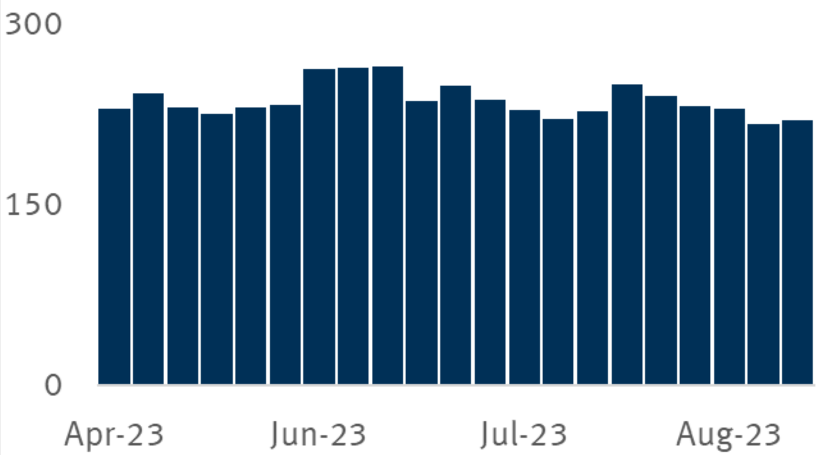
JOLTs - Job Openings (000s)



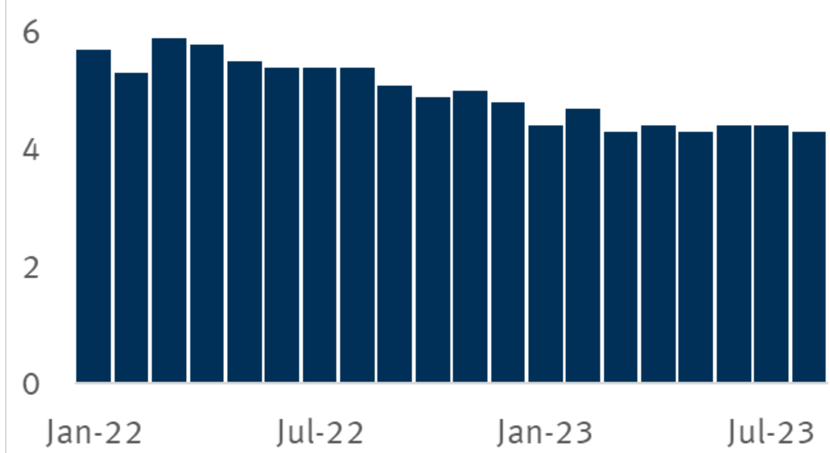
Nonfarm Payrolls (000s)



Jobless Claims (000s)



Wage Growth - Hourly Earnings (%)



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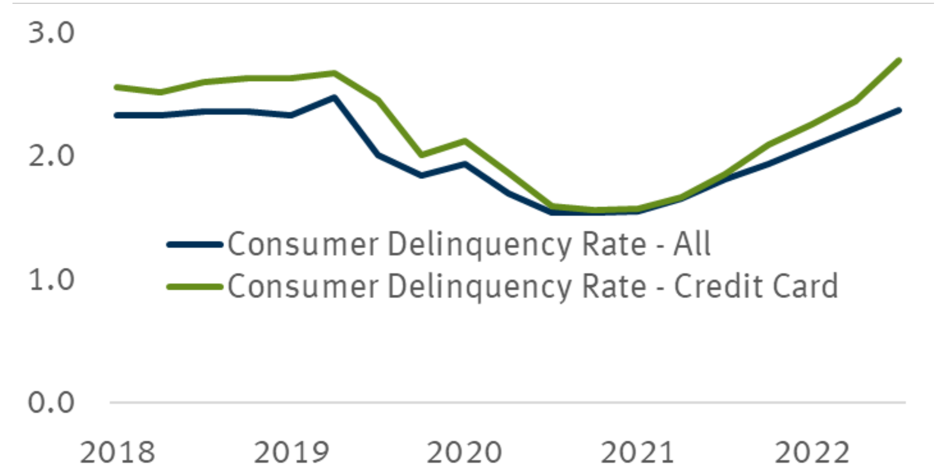
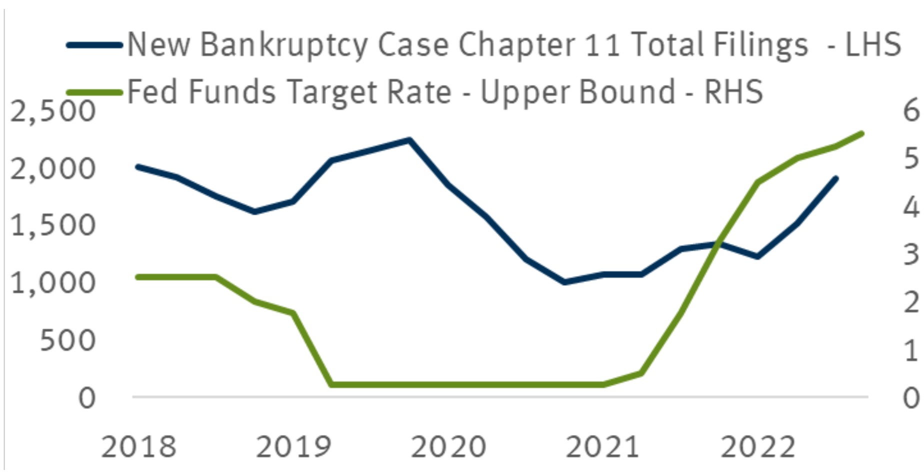
Source: Stifel CIO Office via Bloomberg, as of September 14, 2023

Consumer



Business

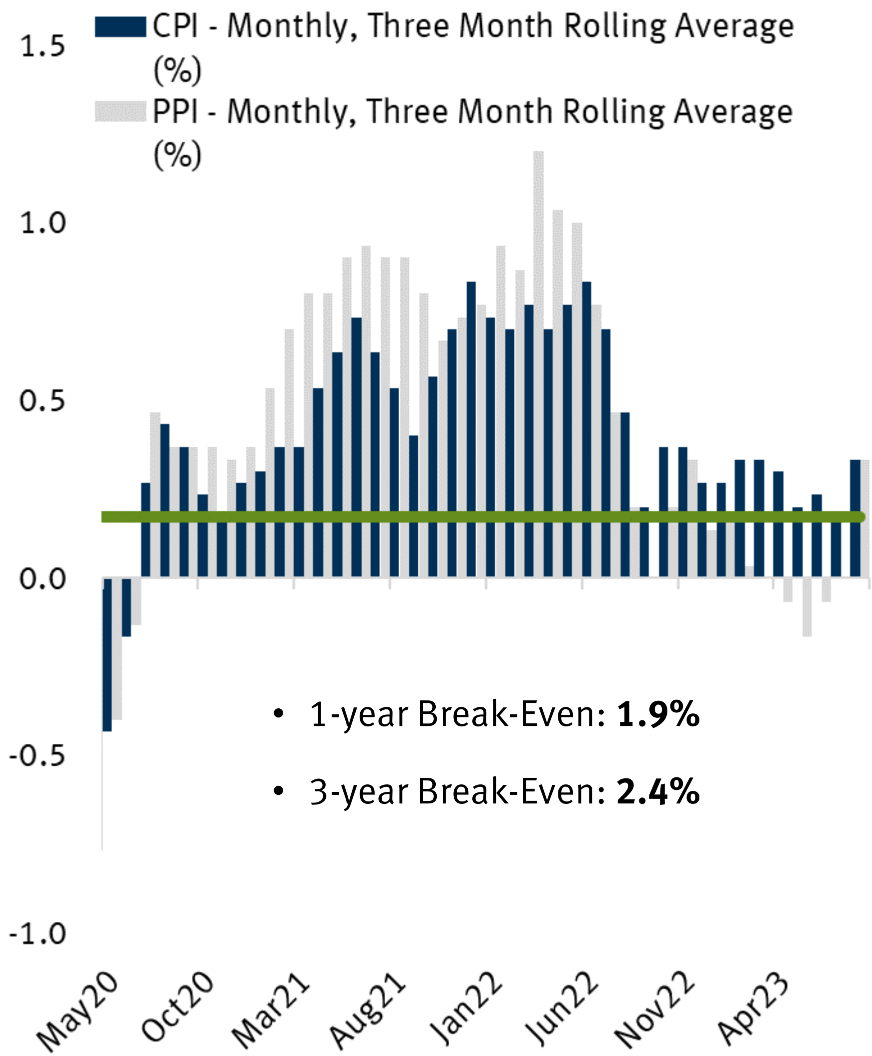


Summary

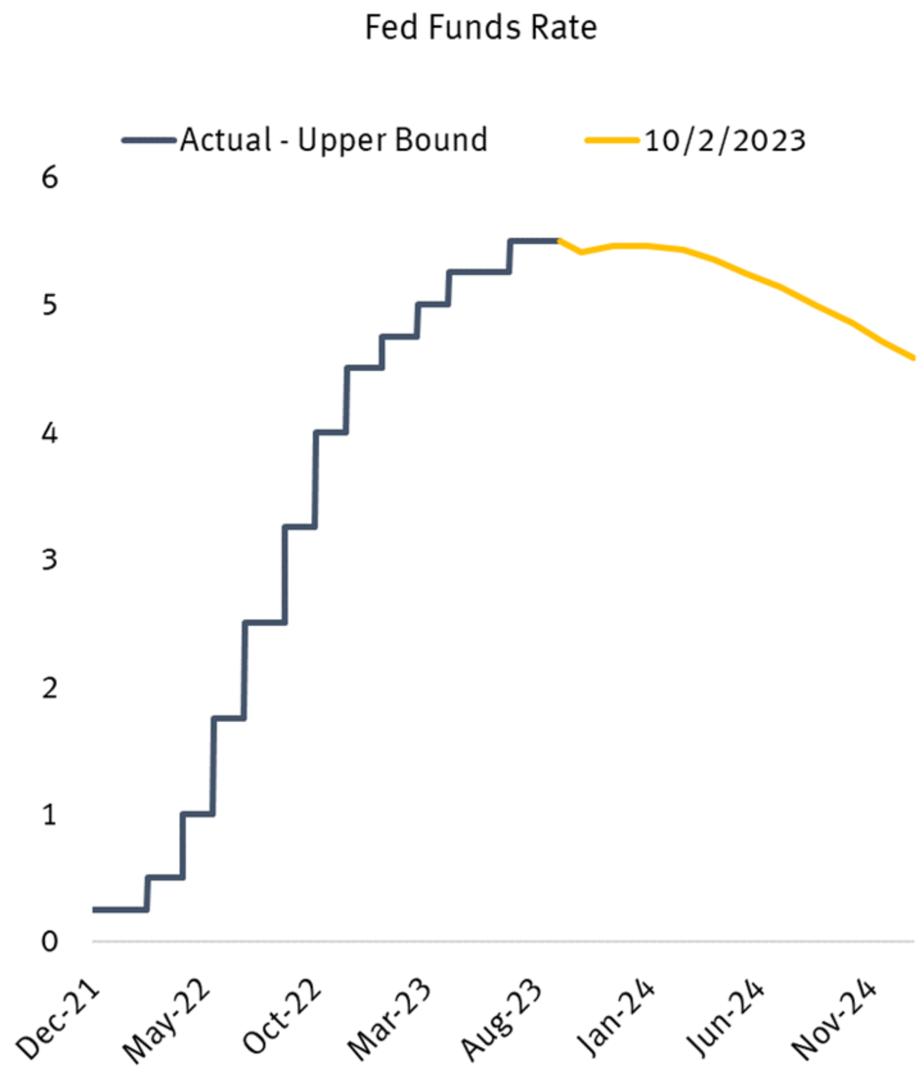
- Consumer delinquency rates are rising
  - Led by credit card debt category
  - Despite rising, delinquency rates are below the levels we saw during GFC
- Interest rates have put pressure on mismanaged corporate entities, resulting in a higher level of corporate bankruptcies
  - However, the rate remains below levels seen During COVID-19 as larger firms are holding healthy levels of cash on their balance sheets

Source: Stifel CIO Office via Bloomberg and Federal Reserve, as of August 31, 2023; Quarterly data has been used for historical values.

INFLATION AND FED POLICY



- 1-year Break-Even: **1.9%**
- 3-year Break-Even: **2.4%**



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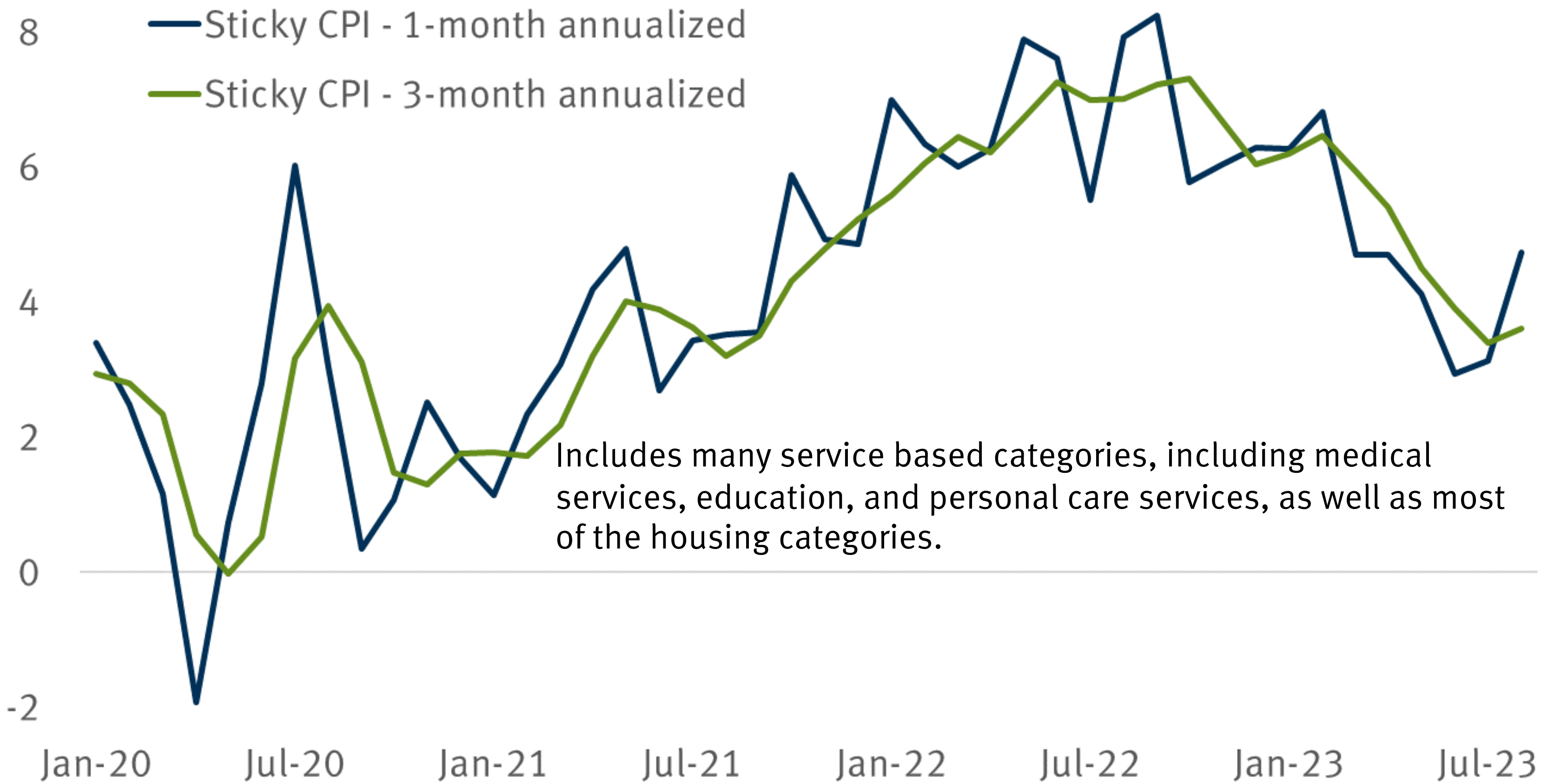
Source: Stifel CIO Office via Bloomberg, as of October 2, 2023

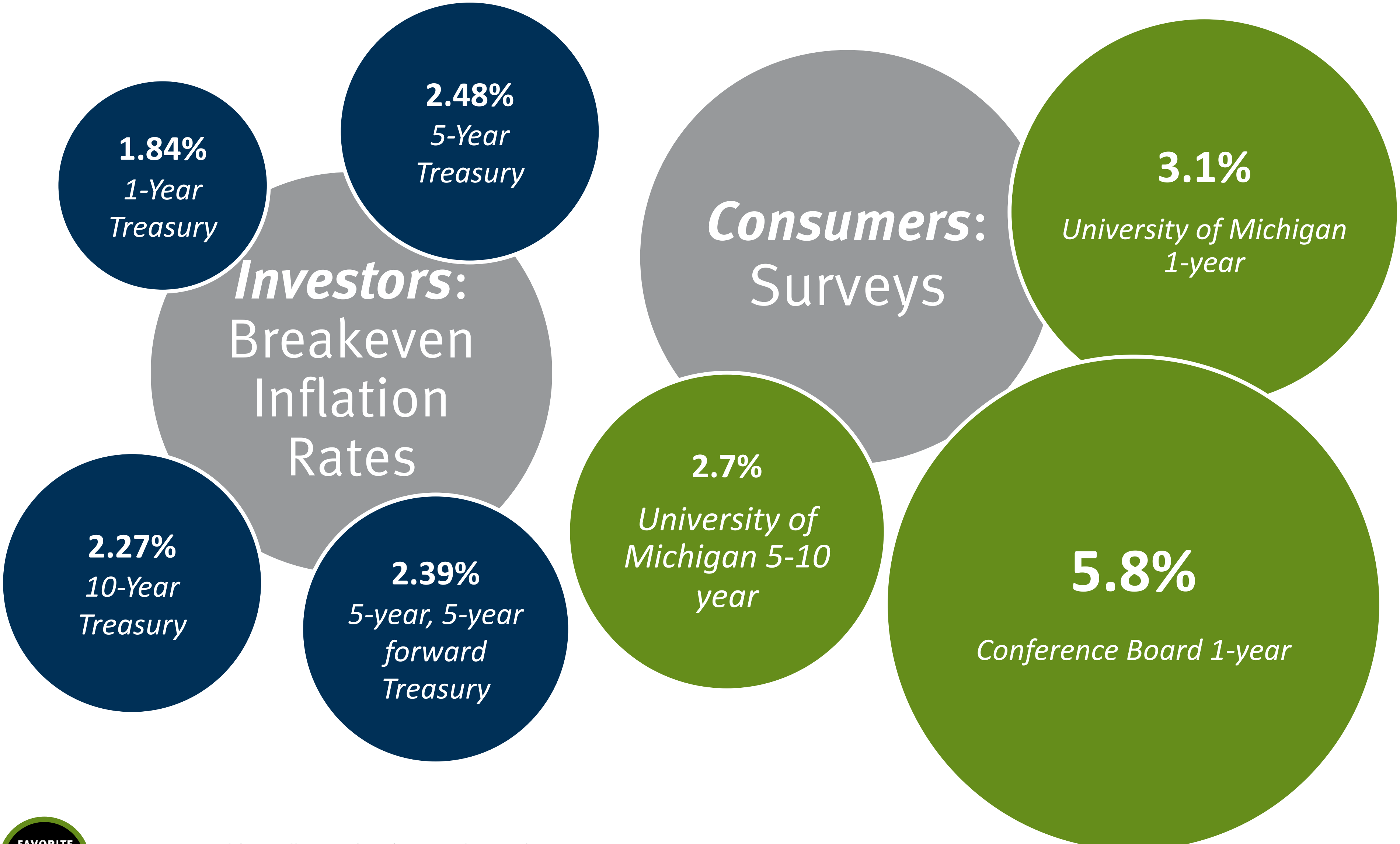
PPI = Producer Price Index

Sticky inflation



CPI = Consumer Price Index
Source: Stifel CIO Office via Federal Reserve Bank of Atlanta, as of September 13, 2023

INFLATION EXPECTATIONS



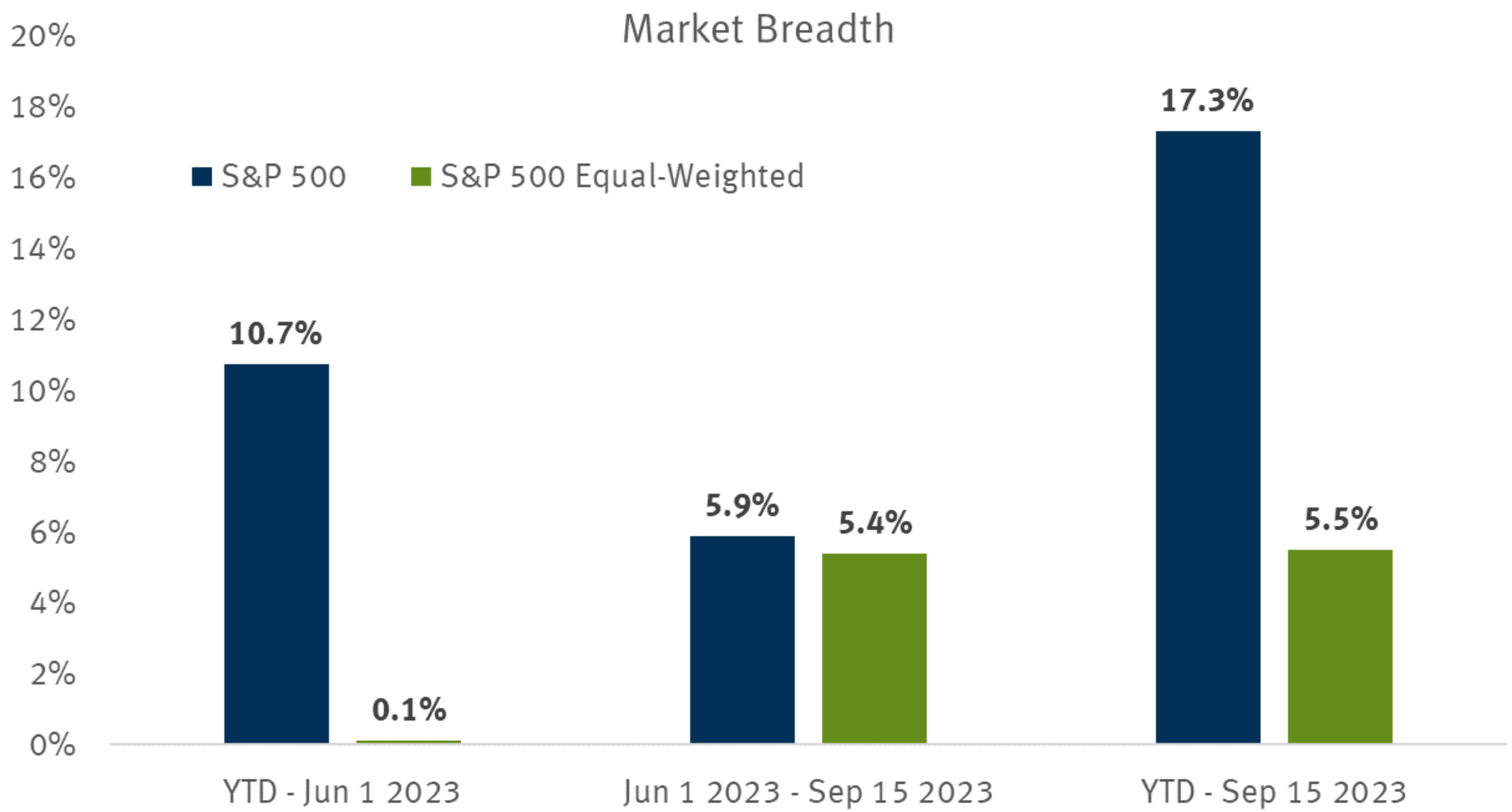
Source: Stifel CIO Office via Bloomberg, as of September 15, 2023

MARKET PERFORMANCE

Index	2020	2021	2022	YTD – June 1 2023	June 1 – September 29 2023	YTD – September 29 2023
S&P 500 Index	18.4%	28.7%	-18.1%	10.7%	2.1%	13.1%
S&P 500 Eq. Weight.	12.8%	29.6%	-11.5%	0.1%	1.6%	1.8%
S&P 500 Financials	-1.8%	34.9%	-10.6%	-5.7%	4.3%	-1.7%
KBW Reg. Banking	-8.7%	36.7%	-6.9%	-25.9%	6.9%	-20.8%
Russell 1000 Value	2.8%	25.1%	-7.6%	-0.7%	2.5%	1.8%
Russell 1000 Growth	38.5%	27.6%	-29.1%	22.2%	2.2%	25.0%
NYSE FANG+ Index	103.1%	17.7%	-40.0%	64.5%	0.9%	66.0%
Russell 2000 Index	19.9%	14.8%	-20.5%	1.0%	1.5%	2.5%
MSCI EAFE Index	7.8%	11.3%	-14.5%	8.3%	-1.1%	7.1%
MSCI EM Index	18.3%	-2.5%	-20.1%	1.4%	0.4%	1.8%
Bloomberg U.S. Agg	7.5%	-1.5%	-13.0%	2.7%	-3.8%	-1.2%

Source: Stifel CIO Office via Bloomberg, as of September 29, 2023

MARKET PERFORMANCE



Source: Stifel CIO Office via Bloomberg, as of September 15, 2023

NEAR-TERM RISKS AND OPPORTUNITIES

Current S&P 500 Index Level

Consensus 2024 EPS

Consensus 2023 EPS

EPS	EPS Forward P/E					
	16x	17x	18x	19x	20x	21x
$255	4,080	4,335	4,582	4,837	5,102	5,355
$250	4,000	4,250	4,492	4,742	5,002	5,250
$245	3,920	4,165	4,450	4,647	4,902	5,145
$240	3,840	4,080	4,312	4,552	4,802	5,040
$230	3,680	3,910	4,132	4,362	4,602	4,830
$220	3,520	3,740	3,953	4,173	4,450	4,620
$210	3,360	3,570	3,773	3,983	4,202	4,410

7% needed to reach previous S&P 500 high

6% premium to 10-year average

11% discount to 10-year average

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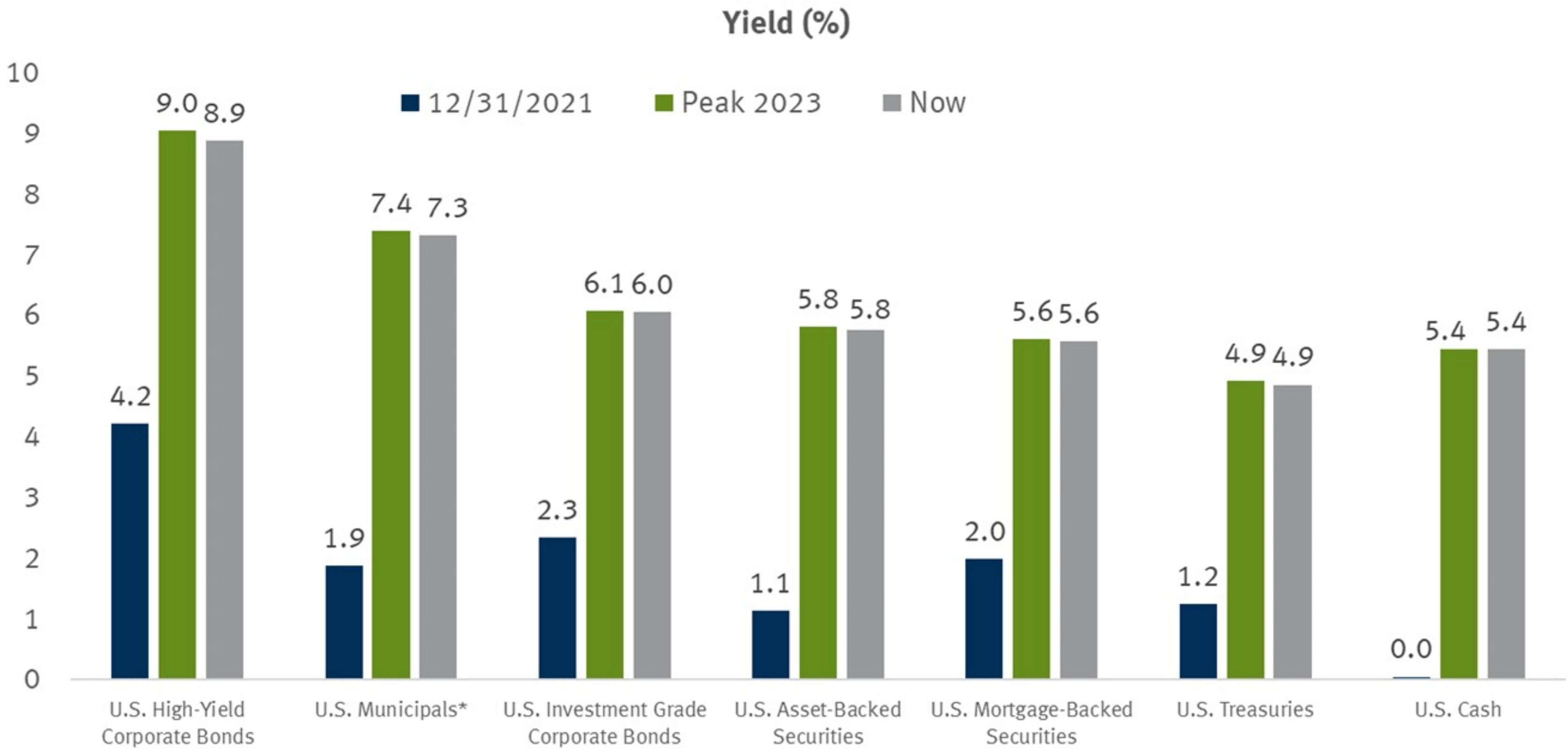
Source: Stifel CIO Office via Bloomberg, as of September 15, 2023



**Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.*

Source: Stifel CIO Office via Bloomberg, as of September 29, 2023

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10-YEAR TREASURY YIELD

Decade *prior* to the GFC **5%**

Decade *after* the GFC **2%**

During Pandemic **1.2%**

2020 ← → 2021

Now	10 Years Forward	20 Years Forward
4.3%	**5.0%**	**4.5%**
2023	2033	2043

Sight|Lines: A New Market Rate Regime? Data and Sentiment Say Yes.

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GFC: Global Financial Crisis

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POST-GREAT FINANCIAL CRISIS ENVIRONMENT

Following the decade of low interest rates post-Great Financial Crisis (GFC), companies and businesses were able to "lock-in" lower fixed rates, reducing debt servicing costs and extending the transmission effects of monetary policy tightening

$5.2 trillion

Increase in U.S. household debt 2023 vs. 2007

Note: U.S. household debt as a percent of GDP has declined by roughly 25% since 2007

$7.0 trillion

Increase in U.S. non-financial corporate debt 2023 vs. 2007

21.6% vs. 5.6%

ARM Loans average as % of total loans pre-GFC and post-GFC

212%

Increase in S&P 500 Index cash per share 2022 vs. 2007

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Source: Stifel CIO Office, as of August 30, 2023; data via St. Louis Federal Reserve (FRED), New York Federal Reserve, and Bloomberg

Note: The time period for Adjustable Rate Mortgage (ARM) loans average for pre-GFC is 12/31/1999 – 12/31/2007; post-GFC is 12/31/2007 – 12/31/2021

Key Issues Confronting Congress This Fall

- **Government Shutdown** - Low odds, but not zero
- **Impeachment** – Potential House vote to initiate proceedings for President Biden
- **Disaster Spending/Ukraine Aid** - $40 Billion to Florida and Hawaii, uncertainty on Ukraine aid
- **Health Care/Prescription Drugs** – price cap unlikely beyond insulin and recent caps under Medicare
- **China Tariffs** - Under review, likely to remain
- **Business Taxes and SALT**– negotiations ongoing
- **SAFE Banking –** Cannabis banking debated, some bipartisan support
- **Durbin Credit Card Bill** – Efforts continue to allow merchants to use two unaffiliated credit card networks, odds low
- **Executive Compensation Clawback Bill** – crowded Senate calendar makes it difficult for it to reach the Senate floor

VIEW REPORT

U.S. – CHINA RELATIONS

- Relationship strained further this year
- ***February:***
  - U.S. shoots down spy balloons
- ***May:***
  - U.S. – Taiwan Initiative on 21st Century Trade
- ***June:***
  - China exploring military facility in Cuba
  - Secretary of State Blinken visits China - Will "compete vigorously"…but seek to "reduce risk of miscalculation"
- ***July:***
  - China places export restrictions on key metals for chip production
  - Treasury Secretary Janet Yellen says 'premature' to remove tariffs
- ***August:***
  - U.S restricts investments in Chinese tech companies

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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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