Insights from Stifel's CIO Office

May 2023

INVESTMENT STRATEGY BRIEF:

Outlook Scenarios: A Range of Views Emerge

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TABLE OF CONTENTS

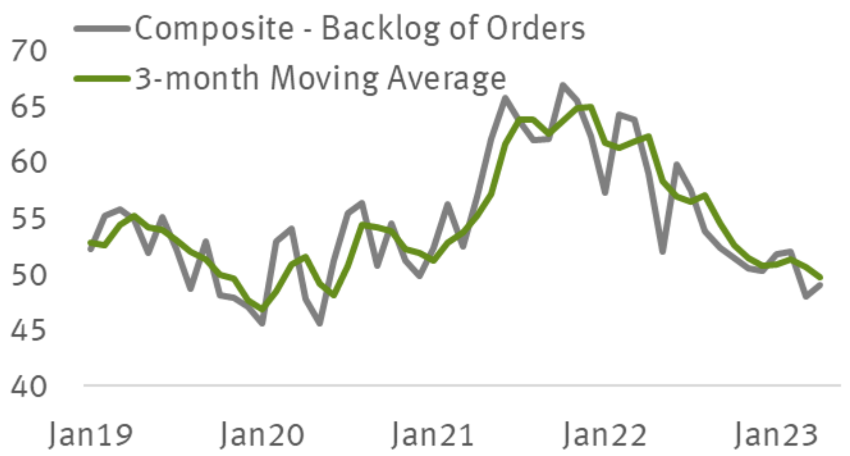
THE BULL AND BEAR HAVE FAT TAILS

VIEW REPORT

VIEW VIDEO

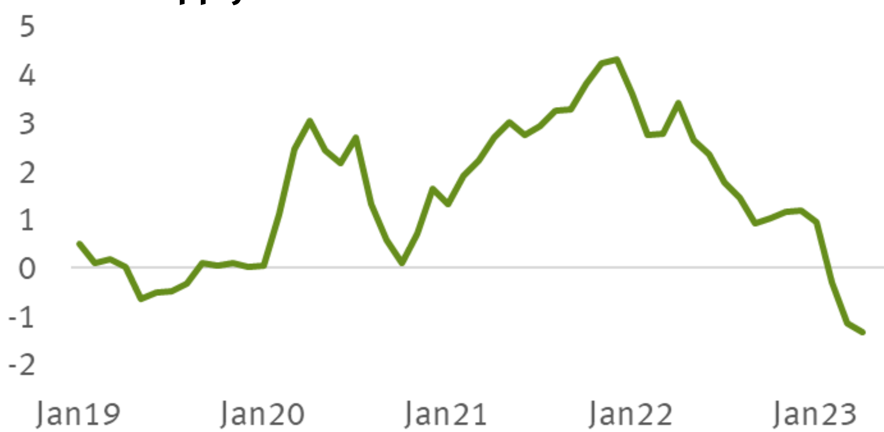
INFLATION	MONETARY POLICY	EARNINGS
Given elevated levels over the last couple of years, the path of inflation will greatly influence Fed policy, economic activity, earnings, and market performance.	The Fed will try to set policy in response to the path of inflation going forward. This will influence economic activity, earnings, and market performance.	Once the path of inflation and Fed policy are better known, we'll be able to more confidently determine the direction of the economy and earnings, which will drive market performance.
Bear case: Inflation remains stubbornly high. The Fed continues hiking, consumer spending deteriorates, company earnings turn negative, and we enter a deep recession.	***Bear case:*** The Fed commits a policy error by either overtightening (leading to recession) or stopping rate hikes too early (allowing inflation to become entrenched).	***Bear case:*** Economic slowdown is not fully priced in and reflected in company valuations and earnings forecasts. Earnings growth is negative, and markets retest lows.
Bull case: Inflation recedes quickly toward 2%, allowing the Fed to ease policy. Economic growth resumes, company earnings growth is positive, and equity markets recover.	***Bull case:*** The lagged effect of cumulative tightening stomps out inflation, and the Fed stops rate hikes and eases policy sooner than anticipated.	***Bull case:*** Earnings prove to be resilient as companies maintain margins. Earnings grow at high single digits, fueling the start of the next bull market.

Institute of Supply Management (ISM) – Backlog of Orders



Retail Sales % – MoM - 3-month Moving Average

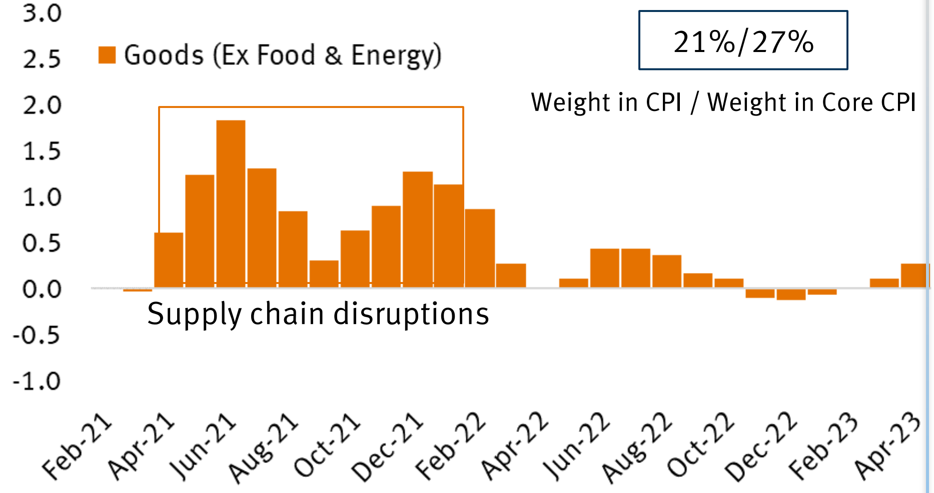
Global Supply Chain Pressure Index

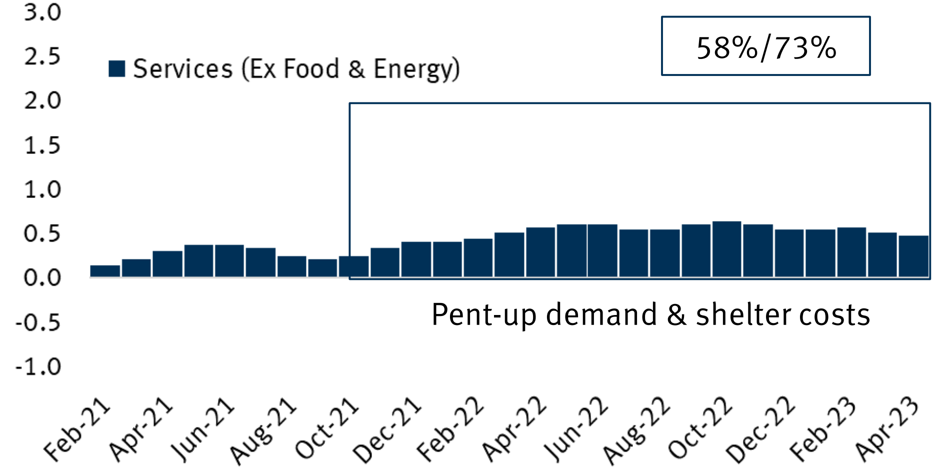


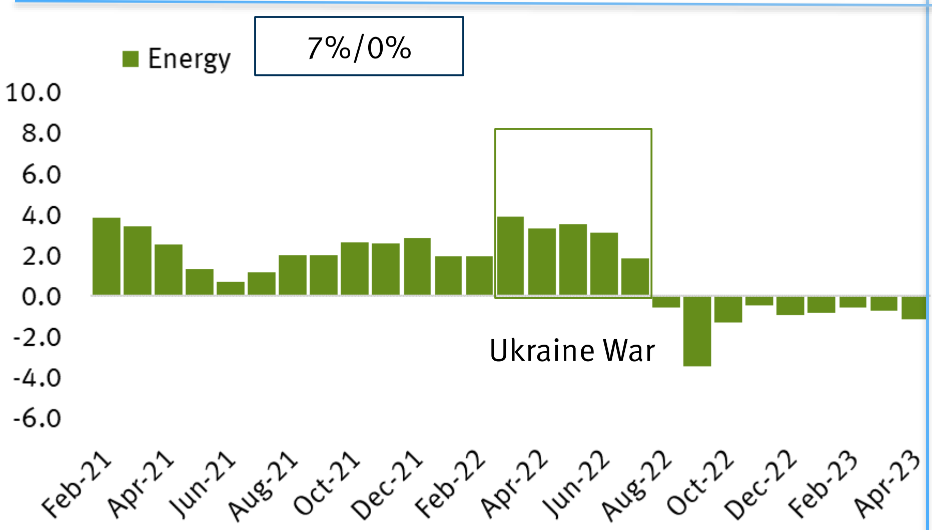
Excess Savings (Trillions)

Source: Stifel CIO Office via Bloomberg, Strategas Research Partners, as of May 12, 2023

Monthly, three-month rolling average shown below







Source: Stifel CIO Office via Bloomberg, as of May 12, 2023

Consumer Price Index, components

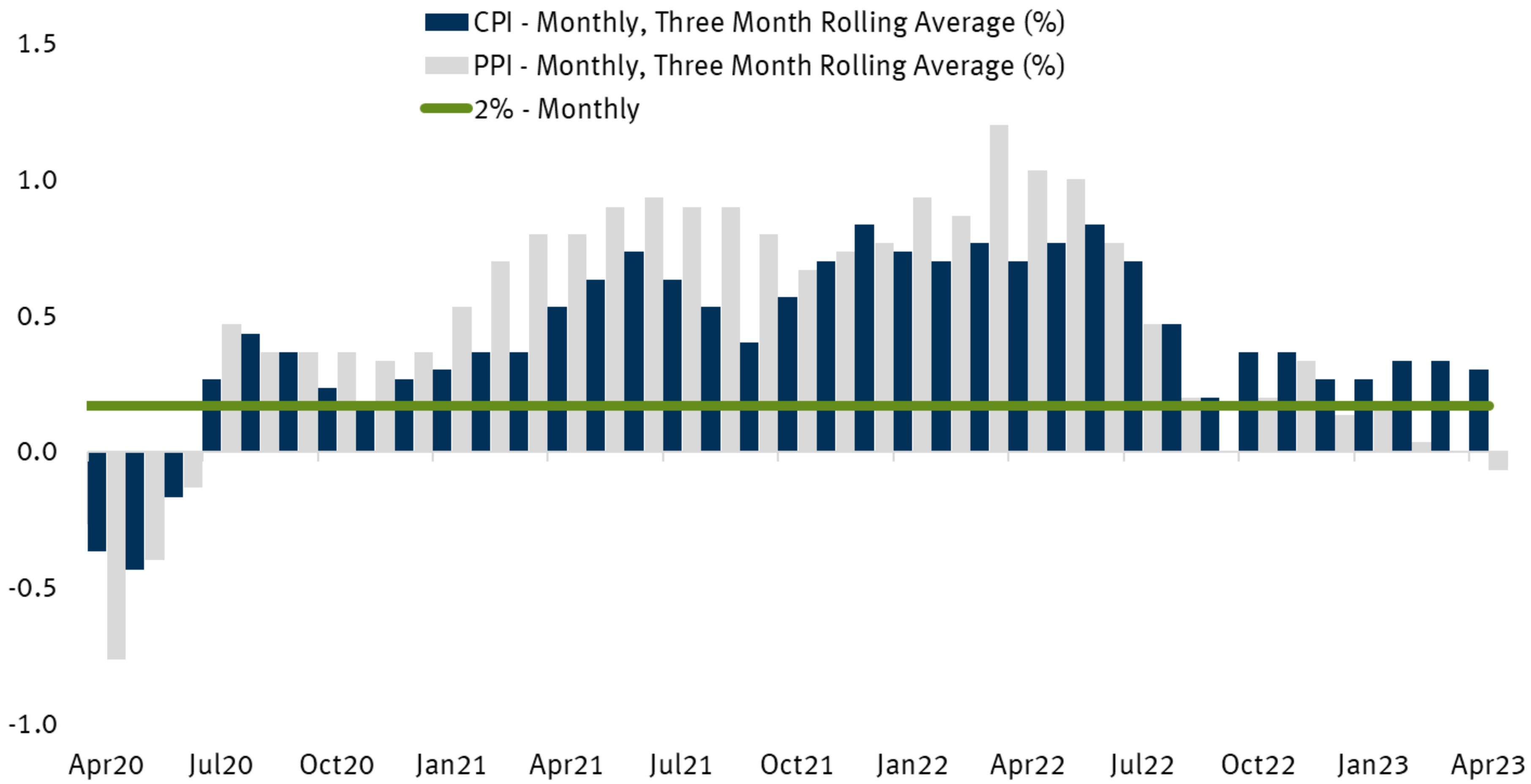
m/m % change, seasonally adjusted

	Weight	2021								2022												2023			
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Headline CPI, y/y	100.0	4.9%	5.3%	5.2%	5.2%	5.4%	6.2%	6.9%	7.2%	7.6%	8.0%	8.5%	8.2%	8.5%	8.9%	8.4%	8.2%	8.2%	7.8%	7.1%	6.4%	6.3%	6.0%	5.0%	5.0%
Core CPI, y/y	79.5	3.8%	4.4%	4.2%	3.9%	4.0%	4.6%	5.0%	5.5%	6.1%	6.4%	6.5%	6.1%	6.0%	5.9%	5.9%	6.3%	6.6%	6.3%	6.0%	5.7%	5.5%	5.5%	5.6%	5.5%
Core svcs. ex-housing PCE, y/y*	-	4.3%	4.2%	4.4%	4.4%	4.3%	4.4%	5.0%	5.0%	4.9%	4.8%	4.7%	4.5%	4.5%	4.6%	4.0%	4.2%	4.5%	4.7%	4.4%	4.3%	4.8%	4.9%	4.5%	*4.5%*
Headline CPI, m/m	100.0	0.7%	0.8%	0.4%	0.4%	0.4%	0.9%	0.8%	0.8%	0.6%	0.7%	1.0%	0.4%	0.9%	1.2%	0.0%	0.2%	0.4%	0.5%	0.2%	0.1%	0.5%	0.4%	0.1%	0.4%
Core CPI, m/m	79.5	0.7%	0.7%	0.3%	0.2%	0.3%	0.7%	0.6%	0.7%	0.6%	0.5%	0.3%	0.5%	0.6%	0.6%	0.3%	0.6%	0.6%	0.3%	0.3%	0.4%	0.4%	0.5%	0.4%	0.4%
Core svcs. ex-housing PCE, m/m*	-	0.4%	0.4%	0.5%	0.3%	0.2%	0.2%	0.6%	0.5%	0.2%	0.3%	0.5%	0.3%	0.3%	0.6%	-0.1%	0.5%	0.5%	0.4%	0.3%	0.4%	0.6%	0.3%	0.2%	*0.3%*
Energy	7.0	0.3%	1.5%	1.7%	2.8%	1.5%	3.6%	2.6%	2.4%	0.8%	2.7%	8.2%	-1.0%	3.4%	6.9%	-4.7%	-3.9%	-1.7%	1.7%	-1.4%	-3.1%	2.0%	-0.6%	-3.5%	0.6%
Gasoline	3.3	-0.1%	2.5%	2.5%	4.5%	1.5%	4.1%	4.2%	3.8%	-0.3%	4.7%	13.2%	-3.1%	3.2%	10.3%	-8.1%	-8.4%	-4.2%	3.4%	-2.3%	-7.0%	2.4%	1.0%	-4.6%	3.0%
Electricity	2.6	0.4%	0.0%	0.2%	0.7%	1.0%	1.6%	0.7%	0.9%	2.7%	-0.3%	1.7%	0.9%	1.3%	1.5%	1.5%	1.2%	0.8%	0.5%	0.5%	1.3%	0.5%	0.5%	-0.7%	-0.7%
Utility Gas	0.8	1.1%	1.2%	2.0%	1.6%	2.2%	6.7%	0.5%	0.1%	0.5%	2.0%	0.6%	2.5%	7.2%	7.5%	-3.8%	3.5%	2.2%	-3.7%	-3.4%	3.5%	6.7%	-8.0%	-7.1%	-4.9%
Food	13.5	0.4%	0.7%	0.6%	0.4%	0.9%	0.9%	0.8%	0.6%	0.8%	1.0%	0.9%	0.8%	1.1%	1.0%	1.1%	0.8%	0.8%	0.7%	0.6%	0.4%	0.5%	0.4%	0.0%	0.0%
Food at home	8.7	0.3%	0.8%	0.5%	0.4%	1.2%	1.0%	1.0%	0.6%	0.9%	1.3%	1.3%	0.9%	1.3%	1.0%	1.3%	0.8%	0.7%	0.5%	0.6%	0.5%	0.4%	0.3%	-0.3%	-0.2%
Food away from home	4.8	0.6%	0.7%	0.8%	0.4%	0.5%	0.8%	0.6%	0.6%	0.7%	0.4%	0.3%	0.6%	0.7%	0.9%	0.7%	0.9%	0.9%	0.9%	0.5%	0.4%	0.6%	0.6%	0.6%	0.4%
Core goods	21.3	1.7%	1.9%	0.3%	0.3%	0.3%	1.3%	1.1%	1.4%	0.9%	0.3%	-0.4%	0.1%	0.6%	0.6%	0.1%	0.4%	0.0%	-0.1%	-0.2%	-0.1%	0.1%	0.0%	0.2%	0.6%
Apparel	2.6	0.8%	0.6%	0.0%	0.3%	-0.5%	1.0%	0.7%	0.9%	0.7%	0.6%	0.3%	-0.1%	0.4%	0.7%	-0.1%	0.3%	0.0%	-0.2%	0.1%	0.2%	0.8%	0.8%	0.3%	0.3%
New vehicles	4.3	1.1%	1.6%	1.4%	1.2%	1.3%	1.5%	1.6%	1.8%	0.3%	0.1%	0.1%	0.4%	0.6%	0.5%	0.5%	0.8%	0.7%	0.6%	0.5%	0.6%	0.2%	0.2%	0.4%	-0.2%
Used cars	2.6	7.7%	9.1%	-0.4%	-1.3%	-0.5%	3.1%	3.2%	3.9%	1.4%	-0.6%	-3.6%	-0.7%	1.9%	0.5%	-0.8%	-0.2%	-1.1%	-1.7%	-2.0%	-2.0%	-1.9%	-2.8%	-0.9%	4.4%
Medical care commod	1.5	0.0%	-0.4%	0.2%	-0.2%	0.3%	0.6%	0.1%	0.0%	0.9%	0.3%	0.2%	0.1%	0.3%	0.4%	0.6%	0.2%	-0.1%	0.0%	0.2%	0.1%	1.1%	0.1%	0.6%	0.5%
Core services	58.2	0.4%	0.3%	0.3%	0.1%	0.2%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%	0.4%	0.6%	0.8%	0.5%	0.5%	0.6%	0.5%	0.6%	0.4%	0.4%
Shelter	34.5	0.3%	0.4%	0.5%	0.2%	0.4%	0.4%	0.5%	0.4%	0.3%	0.6%	0.5%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.6%	0.8%	0.7%	0.8%	0.6%	0.4%
Rent of primary res.	7.5	0.2%	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.4%	0.6%	0.6%	0.8%	0.7%	0.7%	0.8%	0.7%	0.8%	0.8%	0.7%	0.8%	0.5%	0.6%
OER	25.4	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.6%	0.7%	0.6%	0.7%	0.8%	0.6%	0.7%	0.8%	0.7%	0.7%	0.5%	0.5%
Medical care services	6.5	-0.1%	-0.1%	0.1%	0.2%	0.0%	0.6%	0.5%	0.5%	0.5%	0.1%	0.6%	0.5%	0.4%	0.7%	0.4%	0.7%	0.8%	-0.4%	-0.5%	0.3%	-0.7%	-0.7%	-0.5%	-0.1%
Transportation services	5.8	1.9%	0.9%	-0.8%	-0.7%	-0.9%	0.0%	1.2%	0.5%	0.7%	1.1%	2.1%	2.2%	1.6%	1.8%	-0.4%	1.0%	1.9%	0.6%	0.3%	0.6%	0.9%	1.1%	1.4%	-0.2%

Source: BLS, FactSet, J.P. Morgan Asset Management. Heatmap shading is relative to the two-year period shown. Component weights may not add to 100. OER refers to owner's equivalent rent. *Core services ex-housing is an approximation by J.P. Morgan Asset Management and the April 2023 values are estimates until PCE data is released. It reflects the custom PCE index of services excluding energy and housing referenced in the U.S. Federal Reserve's Monetary Policy Report. Data for the custom PCE index is provided by the BEA and is distinct from the CPI data provided by the BLS. "Housing" is a PCE component that is measured separately from the CPI "shelter" component.

Guide to the Markets – U.S. Data are as of May 12, 2023.

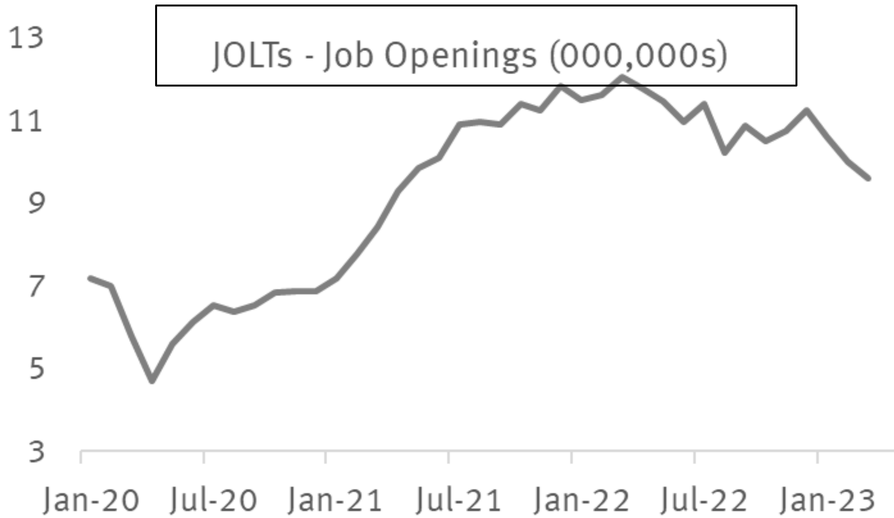
RECENT INFLATION TRENDS

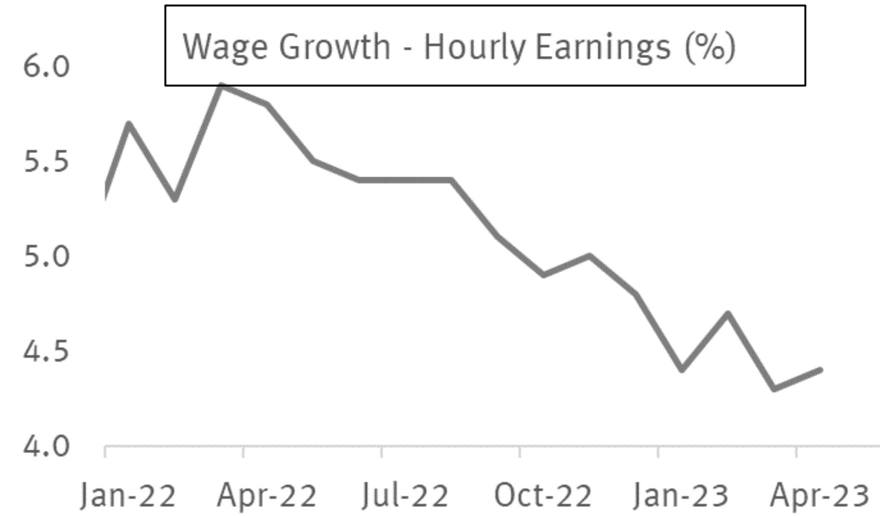


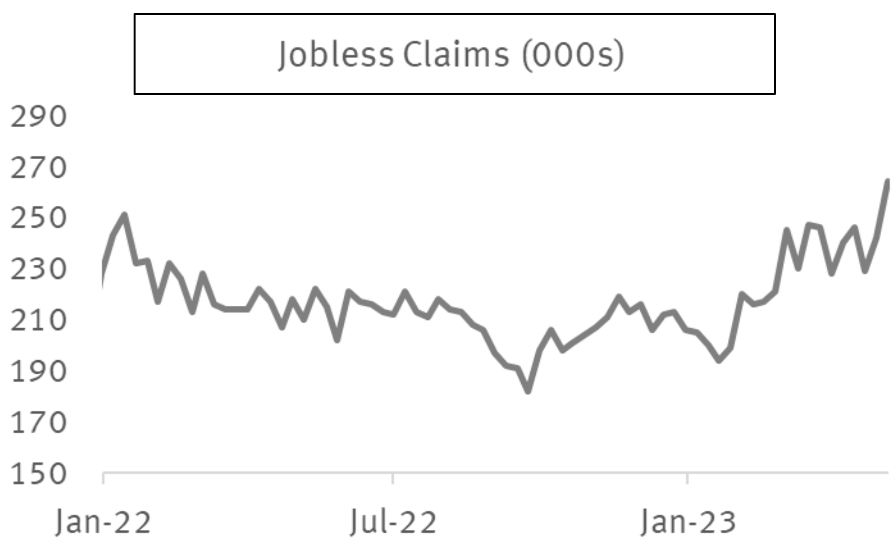
Source: Stifel CIO Office via Bloomberg, as of May 12, 2023
PPI = Producer Price Index

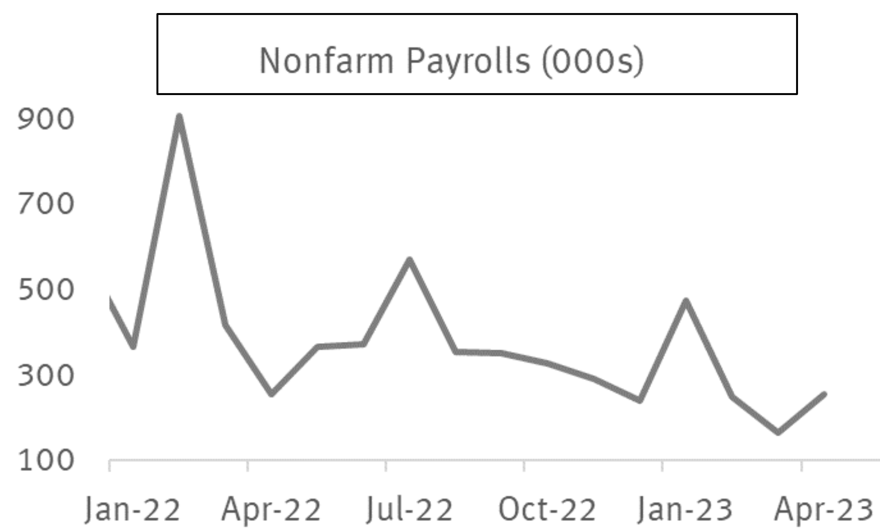
Source: Stifel CIO Office via Bloomberg, as of May 12, 2023 (intra-day)
CPI = Consumer Product Index

INFLATION FORCES: LABOR MARKET









Source: Stifel CIO Office via Bloomberg, as of May 11, 2023

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 Consumer Price Index (CPI) trends lower
- Monthly Personal Consumption Expenditures (PCE) trends lower

Maximum Employment

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

Latest Developments

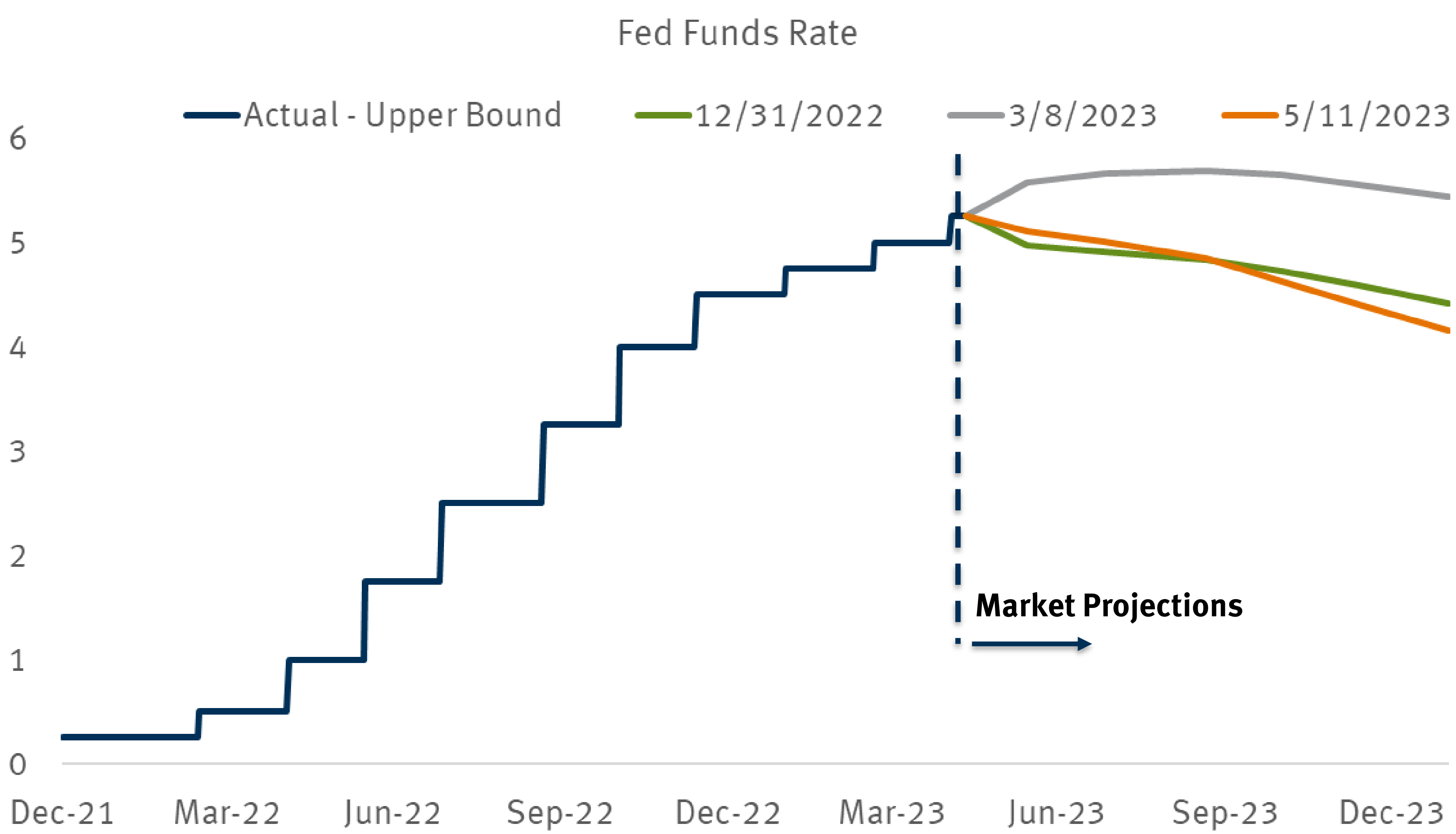
May 2-3 Fed Meeting

- Hiked rates by 0.25%, **signaled a pause**
- Removed **"additional policy firming may be appropriate"** from statement
- **Tighter credit conditions** "are likely to weigh on economic activity"…impact **"remains uncertain"**
- **"Data-dependent"** approach…taking into account the "**cumulative tightening** of monetary policy"
- Fed participants have **different perspectives…**
    - Broadly, the forecast is for a **mild recession later this year**
    - **Powell:** "it's possible **this time is really different…** there's so much **excess demand in the labor market"**

Post-Meeting Fed Speak

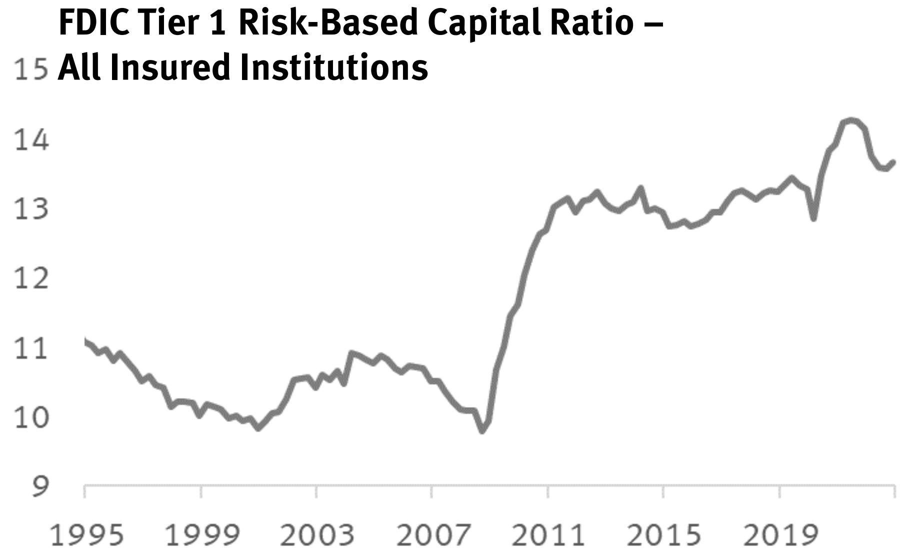
- **Rates:**
    - **Bullard (5/5)** Need "meaningful declines in inflation"…**higher rates are likely**
    - **Williams (5/9):** inflation still too high, **no reason to cut**
    - **Bowman (5/12):** Not clear if Fed **policy is restrictive enough**
- **Recession:**
    - **Bullard (5/5): "not the base case"**
    - **Jefferson (5/9):** "economy will have the opportunity to **continue to expand**"
- **Credit Conditions:**
    - **Jefferson (5/9):** tightening a **"natural part"** for where we are in economic cycle
    - **Williams (5/9):** credit contraction will affect **economic growth**

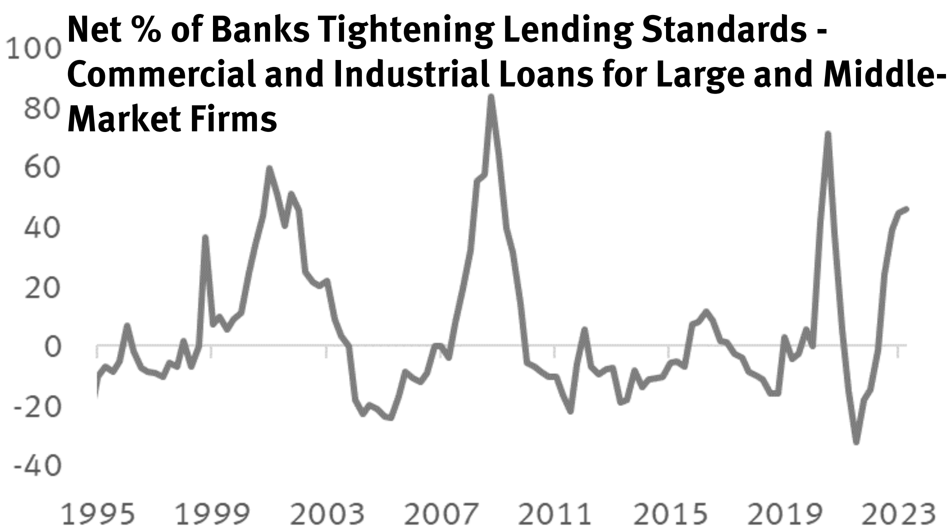
Source: Stifel CIO Office



Source: Stifel CIO Office via Bloomberg, as of May 11, 2023 (intra-day)

" The U.S. banking system is sound and resilient" – FOMC Statement





Learnings From Fed Financial Stability Report

- Banks in the aggregate "well capitalized"
- Overall vulnerability to future credit losses is moderate
- Lending standards for bank commercial and industrial loans have tightened
- Common equity Tier 1 (CET1) – close to median of its range since the end of the Financial Crisis
- Survey of salient risks to financial stability
  1. Persistent inflation and monetary tightening
  2. Stress in banking sector
  3. Commercial real estate
  4. Geopolitical risks
  5. Debt limit

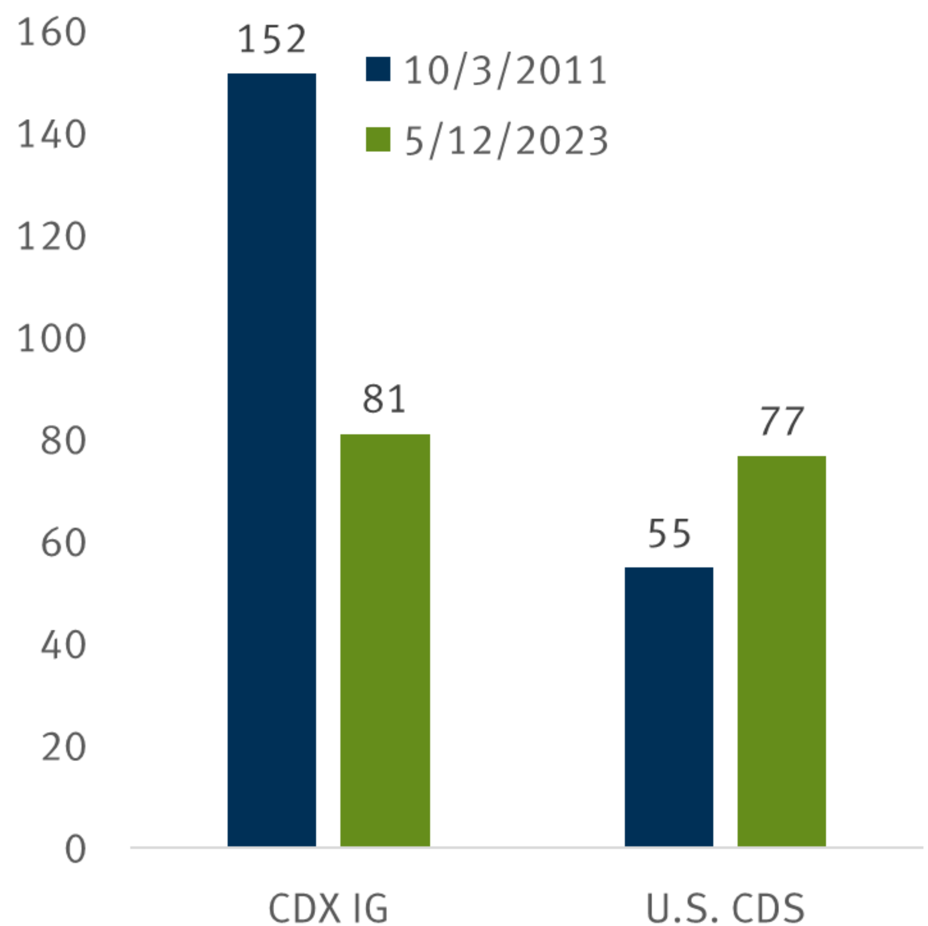
Source: Stifel CIO Office via Bloomberg, as of May 11, 2023

Debt Ceiling

Latest Views from Brian Gardner – Stifel's Chief Washington Policy Strategist

- How serious is the risk of default?
    - Technical default - fairly high; Actual default – low
    - Expect no default on U.S. Treasuries even if "X-Date" is reached without an agreement
- Other payments (Social Security checks, veterans and soldiers wages, etc) may get delayed
    - Politicians will not want this and a "face saving" deal will be made relatively quickly
- **Bottom line: a deal will most likely lean more toward the Democrat proposal – cuts won't be as steep as what House Republicans proposed**

Current U.S. 5Y Credit Default Swap (CDS) spreads are much wider than the 2011 debt ceiling crisis, indicating greater investor anxiety



Source: Stifel CIO Office via Bloomberg, as of May 12, 2023 (intra-day)

A WIDE RANGE OF VIEWS: RECESSION

"While we do not believe a recession is imminent, we do expect credit conditions to tighten further and slow economic growth" - *UBS*

"A downturn, or an outright technical recession, is not a foregone conclusion" – *Dr. Lindsey Piegza Ph.D. Stifel's Chief Economist*

"Nearly all the survey-based evidence now points to…a shallow recession beginning soon" – *Capital Economics*

"…We are seeing economic damage emerge…this all reinforces our recession view "- *BlackRock*

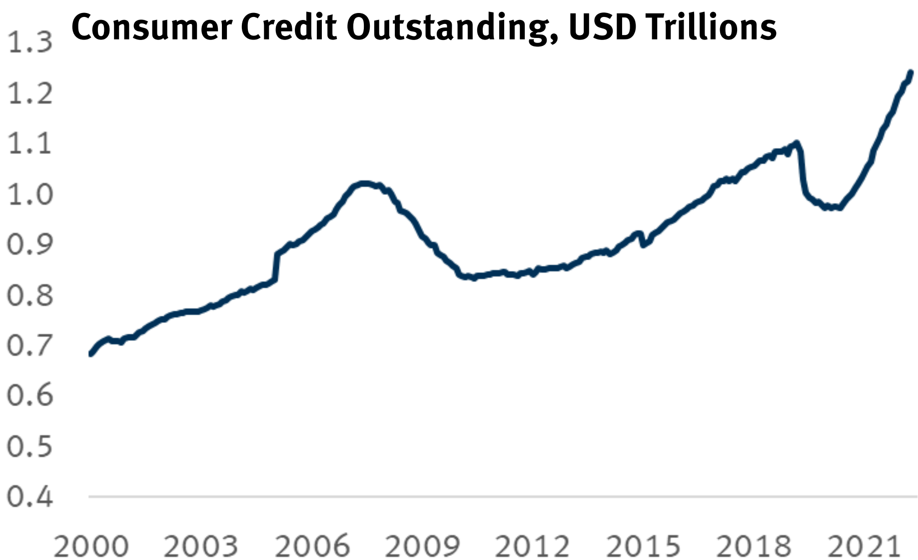
"Based on our views, it is only by late-2023 that we will become more concerned"- *Barry Bannister, Stifel's Chief Equity Strategist*

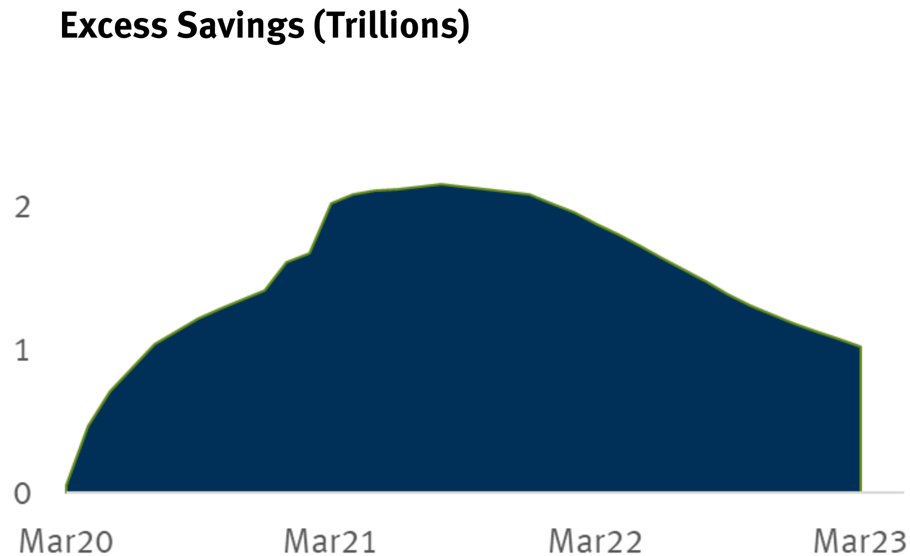
"Our judgmental 12-month recession probability [is] at a well-below-consensus 35%." – *Goldman Sachs*

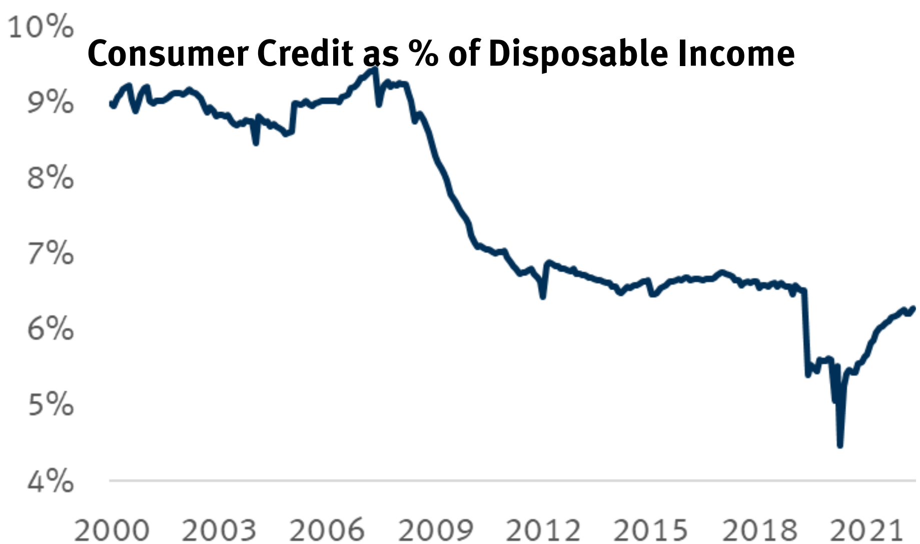
"A greater than 50% chance of [the economy] tipping into a recession by the end of this year" – *J.P.Morgan*

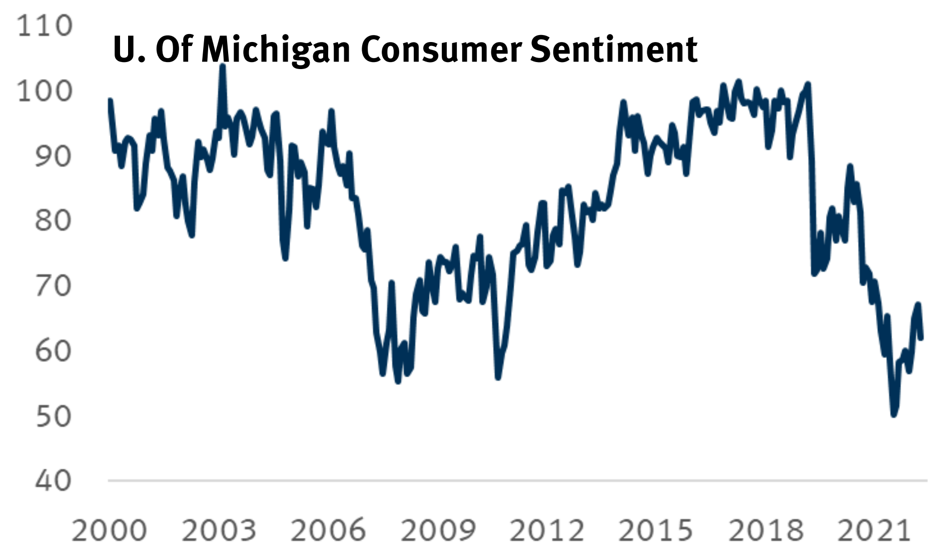
"Interest rates…are likely to remain below an inflation rate still stuck on the 4% to 5% plateau – and therefore much too low to precipitate a U.S. recession" – Gavekal

"The risk of economic recession has increased modestly in 2023" – *Morgan Stanley*





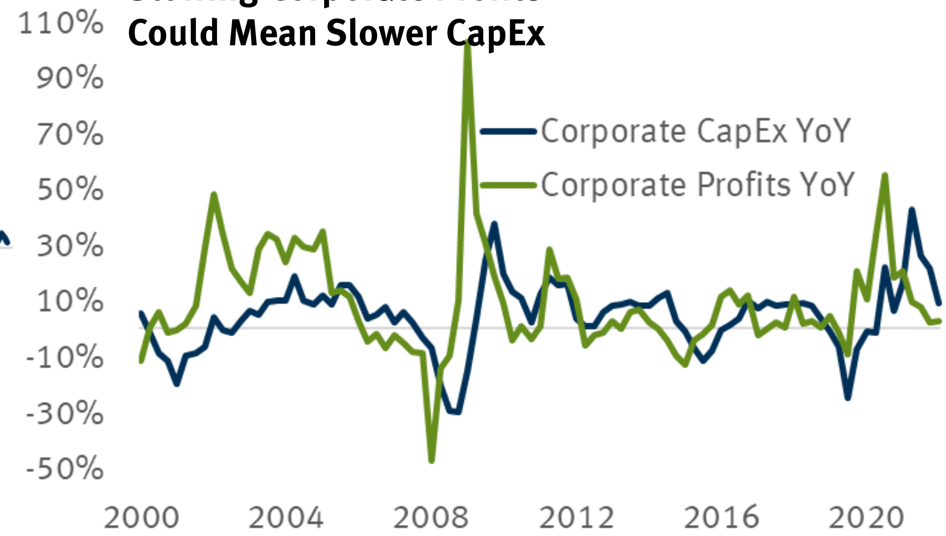




Source: Stifel CIO Office via Bloomberg and Strategas Research Partners, as of May 11, 2023

Industrial Production (YoY) is Slowing

Slowing Corporate Profits Could Mean Slower CapEx

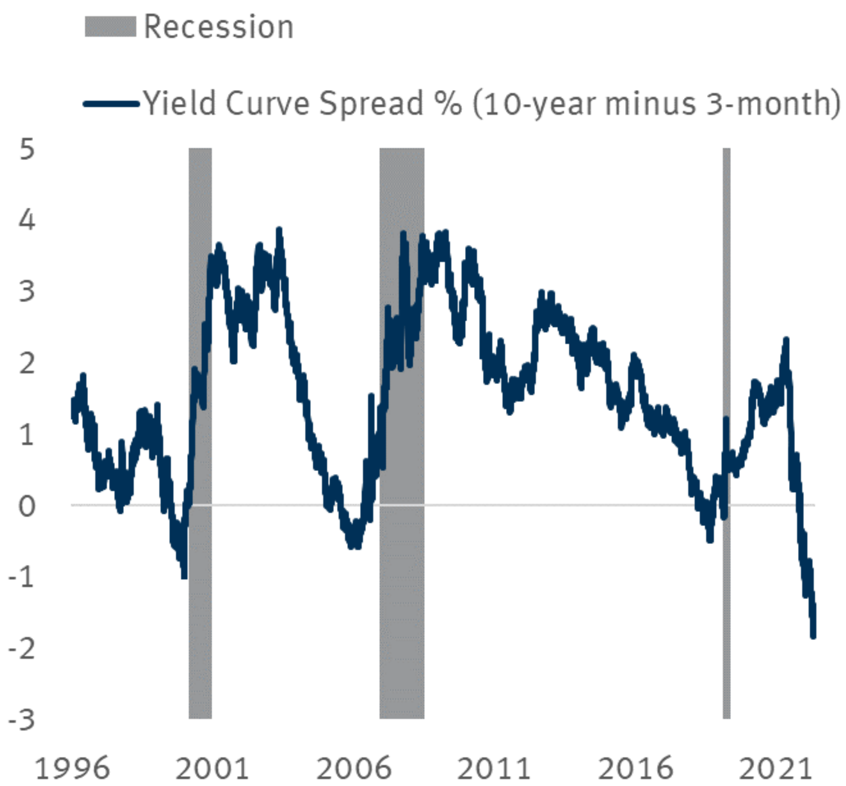


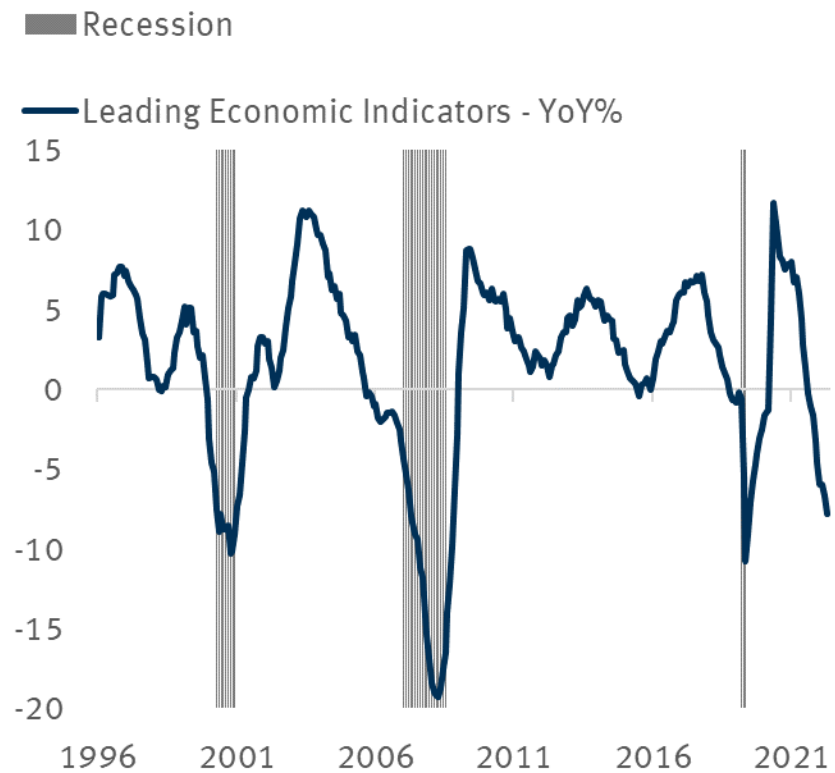
Factory Orders (YoY) are Slowing

NFIB Small Business Sentiment at Lows

Source: Stifel CIO Office via Bloomberg, as of May 11, 2023

Some traditional recession signals are pointing to a recession

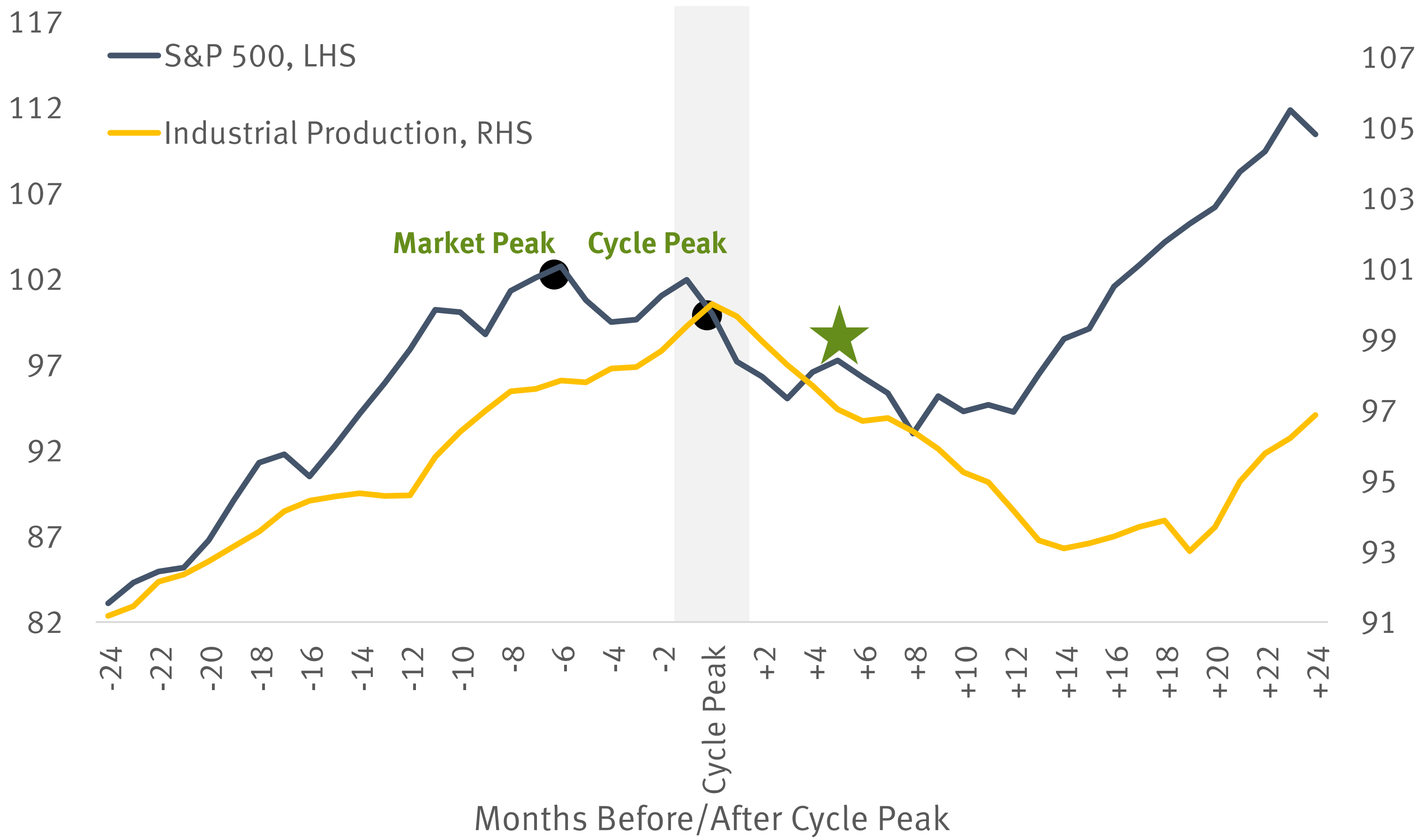




Source: Stifel CIO Office via Bloomberg, as of May 11, 2023

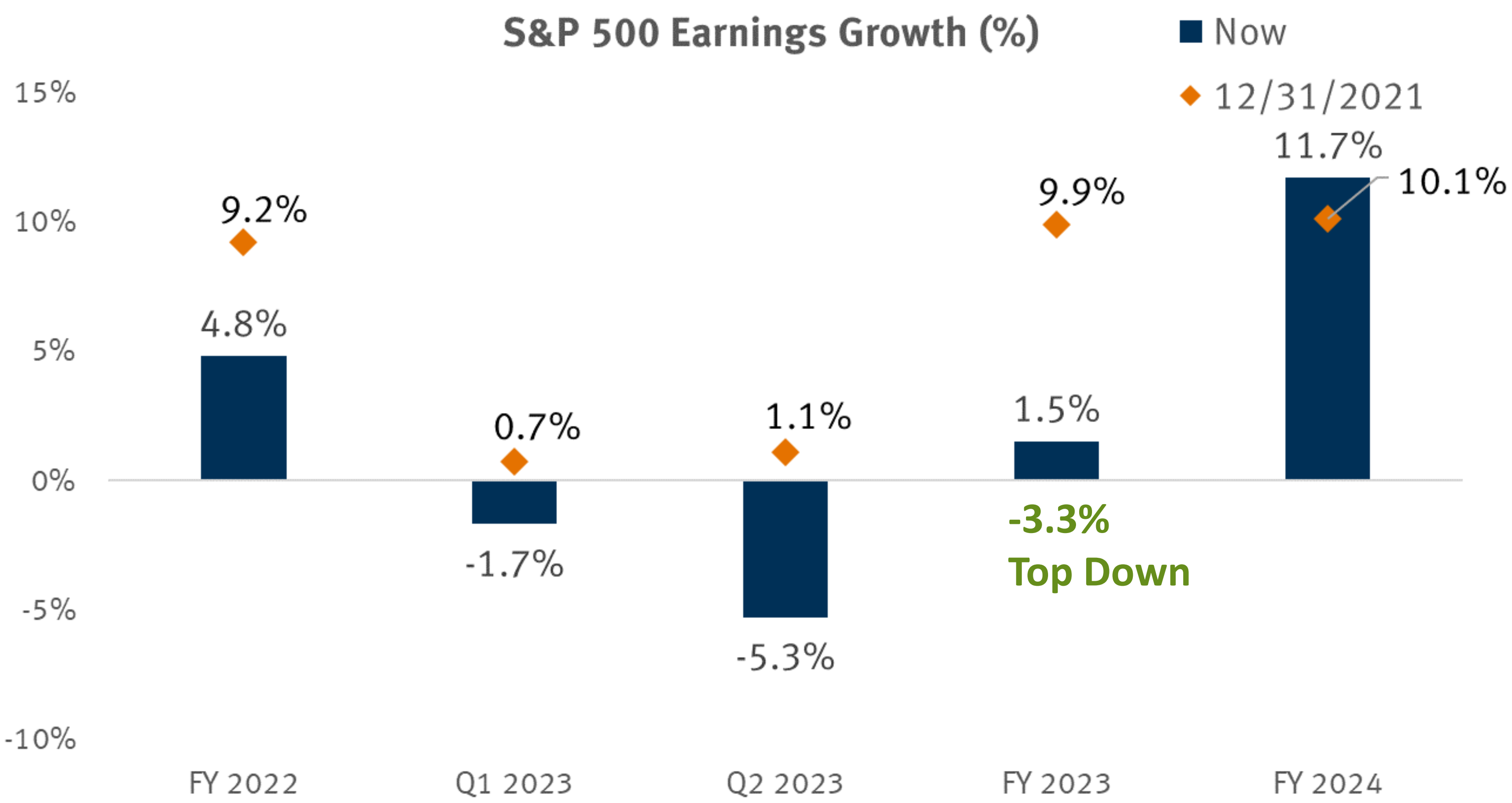
U.S. GDP	Date of Estimate	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2022	2023	2024
Consensus Estimates	**5/10/2023**	**2.6**	**1.1**	**0.1**	**-0.9**	**-0.3**	**2.1**	**1.1**	**0.8**
Stifel*	2/1/2023			-1.8	0.3	-0.9		-0.7	1.6
Goldman Sachs	5/10/2023			1.8	0.6	0.9		1.6	1.5
Capital Economics	4/28/2023			0.0	-2.0	-0.6		0.7	0.6
Strategas	5/8/2023			0.5	1.0	-0.5		1.3	0.3
UBS	5/5/2023			-0.9	-1.8	-1.4		0.8	0.4
Wells Fargo	4/21/2023			1.3	-0.9	-2.7		1.2	0.2
Bloomberg Economics	4/21/2023			0.5	-1.3	-0.9		1.3	0.3
Barclays	5/5/2023			0.5	-0.5	-1.5		1.1	-0.1
JPMorgan Chase	5/5/2023			1.0	0.5	-0.5		1.3	0.4
Bank of America ML	5/5/2023			0.5	-1.0	-2.0		1.0	-0.1
Federal Reserve**	3/22/2023							0.4	1.2

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 May 11, 2023. Federal Reserve estimates are as of March 22, 2023. Figures in grey areas under "Consensus Estimates" represent reported results



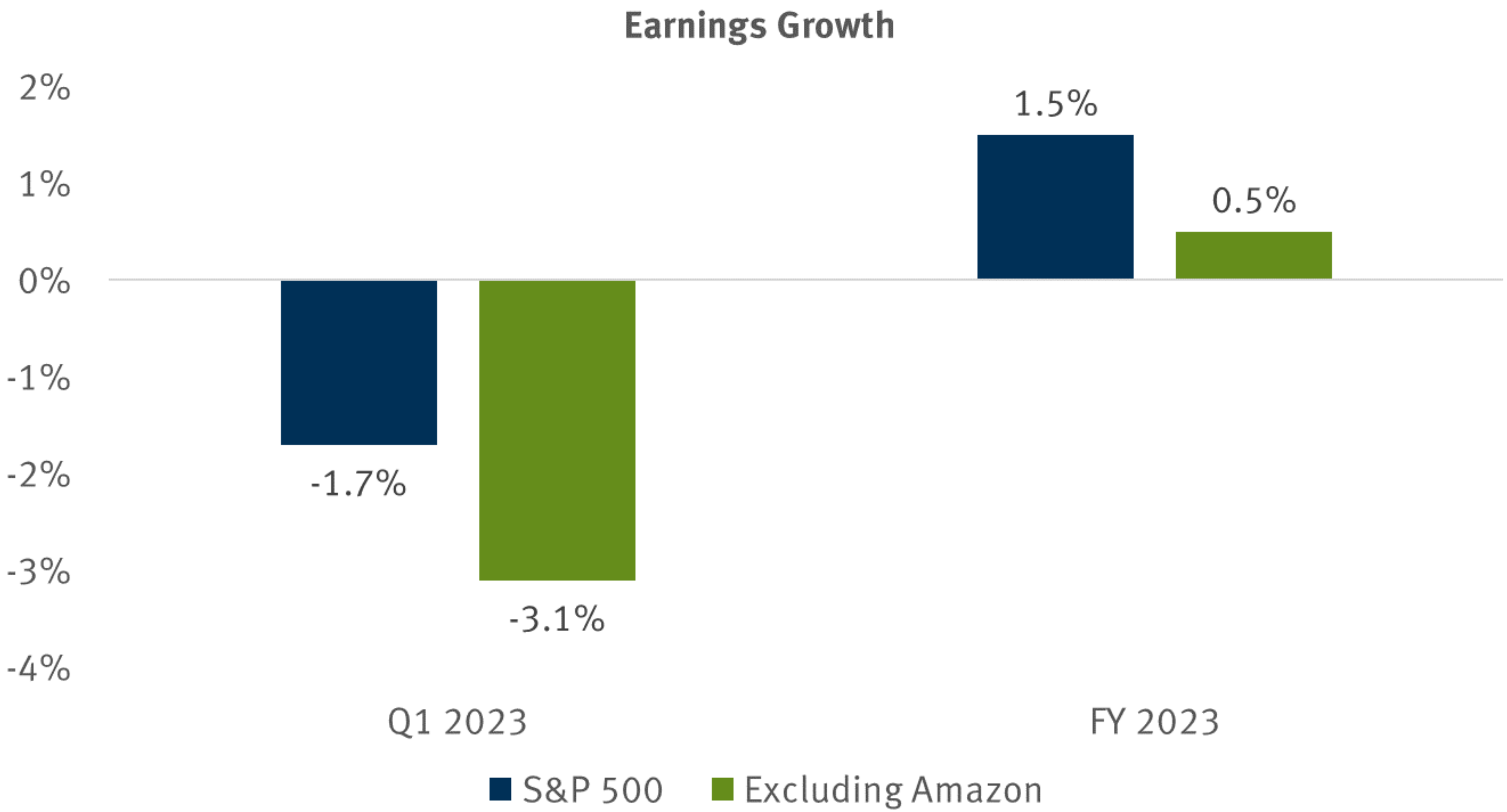
Source: Stifel CIO Office via Strategas Research Partners, as of May 11, 2023; Data since 1950.

A significant amount of companies have beat Q1 consensus expectations



Source: Stifel CIO Office via FactSet, as of May 11, 2023

BIG COMPANIES DRIVING RESULTS



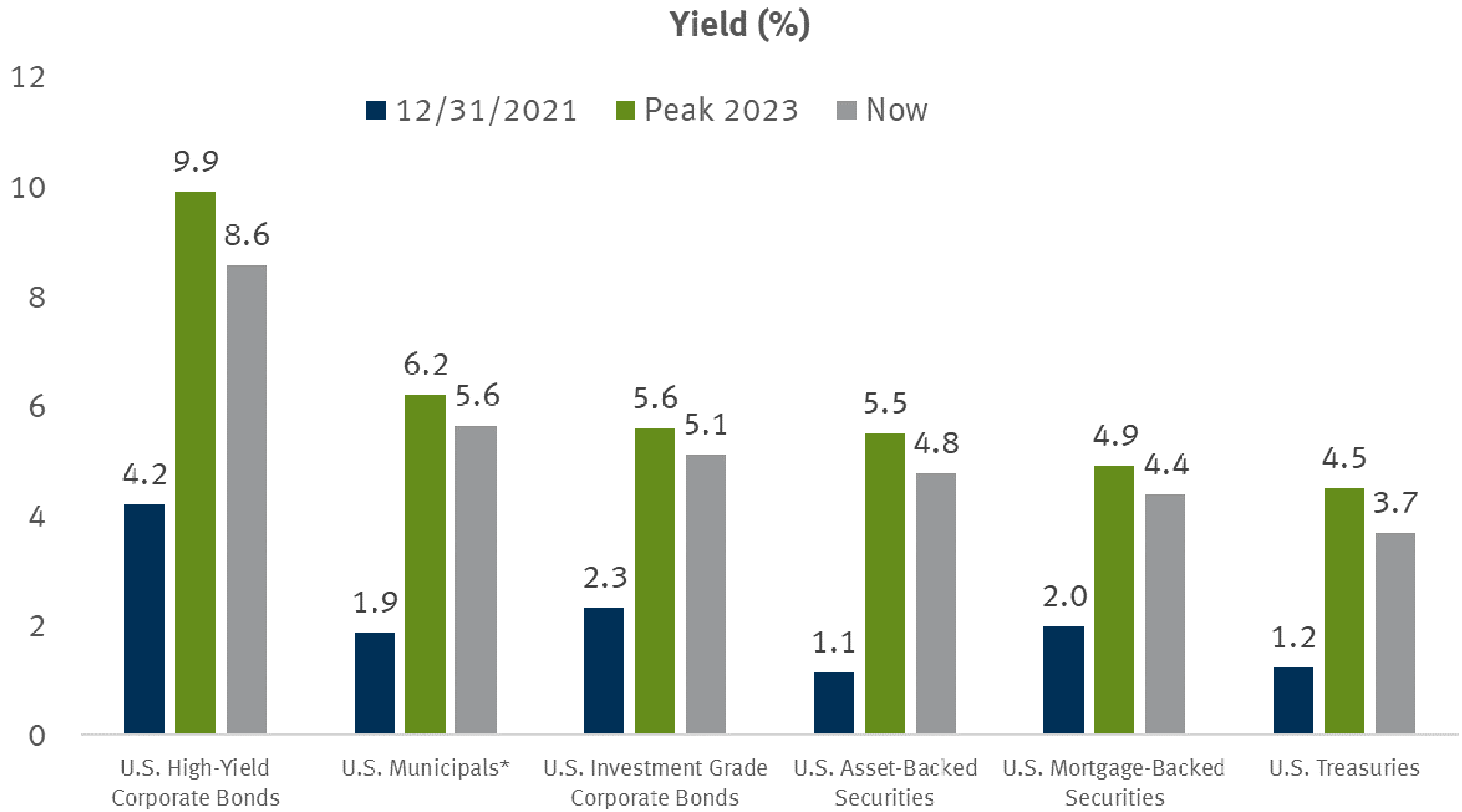
Big companies have been significant contributors to the decrease in the earnings decline for the S&P 500

- AMZN reported EPS of $0.31 vs. $0.21 consensus for Q1 2023
- MSFT reported EPS of $2.45 vs. $2.24
- AAPL reported EPS of $1.52 vs. $1.43

Source: Stifel CIO Office via FactSet, as of May 11, 2023

Index	2020	2021	2022	YTD - Mar 8 2023	Mar 8 - May 12 2023	YTD - May 12 2023
S&P 500 Index	18.4%	28.7%	-18.1%	4.3%	3.6%	8.1%
S&P 500 Equal Weight.	12.8%	29.6%	-11.5%	3.8%	-3.0%	0.7%
S&P 500 Financials	-1.8%	34.9%	-10.6%	2.2%	-8.3%	-6.3%
KBW Regional Banking	-8.7%	36.7%	-6.9%	-1.7%	-30.3%	-31.5%
Russell 1000 Value	2.8%	25.1%	-7.6%	1.3%	-1.6%	-0.3%
Russell 1000 Growth	38.5%	27.6%	-29.1%	8.3%	7.3%	16.2%
NYSE FANG+ Index	103.1%	17.7%	-40.0%	24.0%	15.4%	43.1%
Russell 2000 Index	19.9%	14.8%	-20.5%	6.9%	-7.1%	-0.7%
MSCI EAFE Index	7.8%	11.3%	-14.5%	6.1%	4.5%	11.0%
MSCI EM Index	18.3%	-2.5%	-20.1%	2.4%	0.0%	2.4%
Bloomberg U.S. Agg	7.5%	-1.5%	-13.0%	-0.1%	3.4%	3.3%

Source: Stifel CIO Office via Bloomberg, as of May 12, 2023



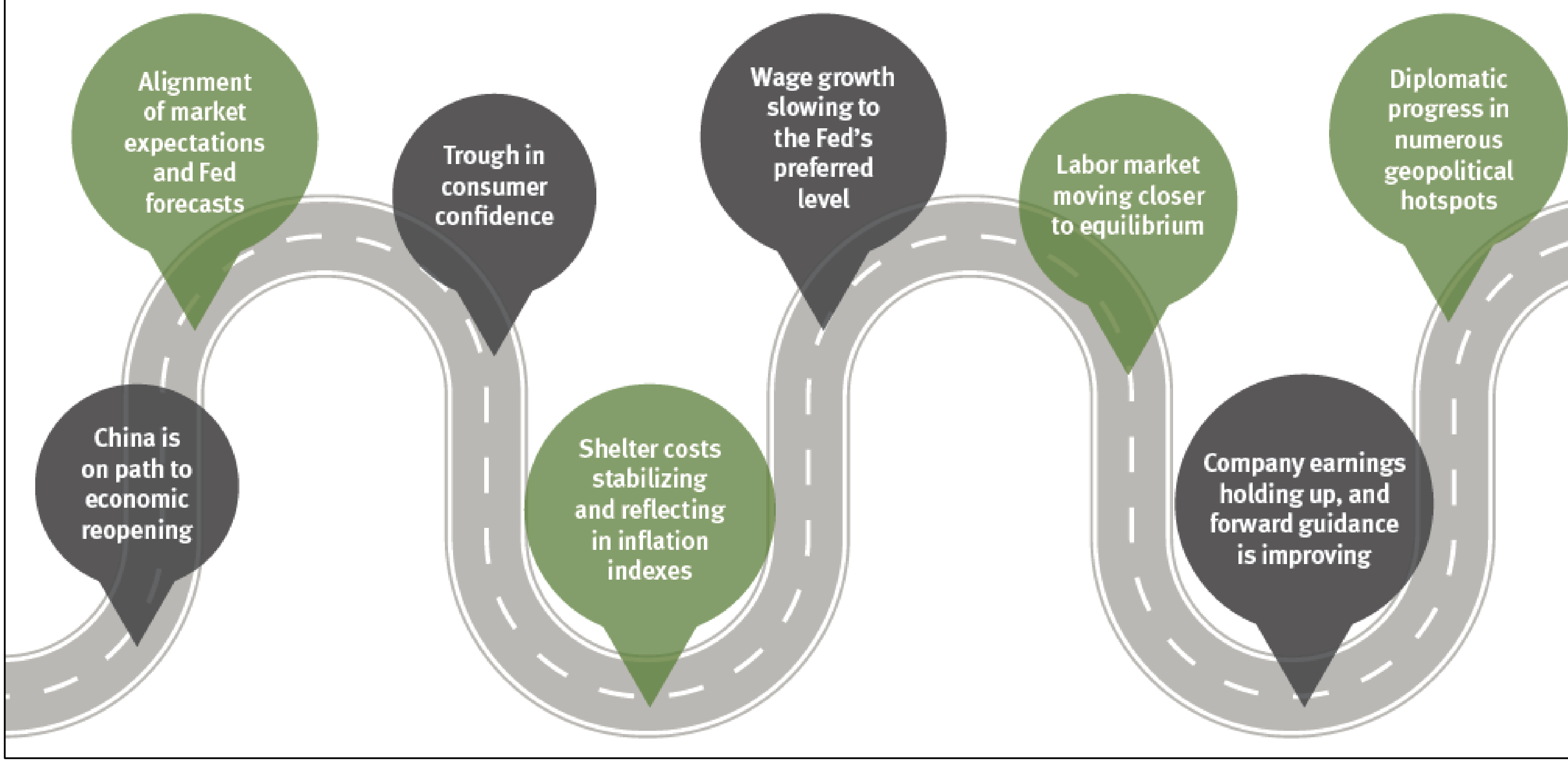
**Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.*

Source: Stifel CIO Office via Bloomberg, as of May 11, 2023

SIGNPOSTS

VIEW REPORT

VIEW VIDEO



WHERE TO FIND
STIFEL GUIDANCE

The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients. You can find all of our Stifel Guidance at:

stifelinsights.com

Popular insights from Stifel's CIO Office include:

WEEKLY | MONTHLY | QUARTERLY

VIDEO | PODCAST | NEWSLETTER

VIDEO | PODCAST | NEWSLETTER

NAVIGATING KEY DATES

MAY	
3	Fed Policy Decision
5	Employment
10/11	Inflation
12	Consumer Sentiment
16	Retail Sales
17/23	Housing
24	Federal Open Market Committee (FOMC) Minutes

JUNE	
1	Debt Ceiling Deadline
2	Employment
13/14	Inflation
14	Fed Policy Decision with Economic Projections
15	Retail Sales
16	Consumer Sentiment
20/27	Housing

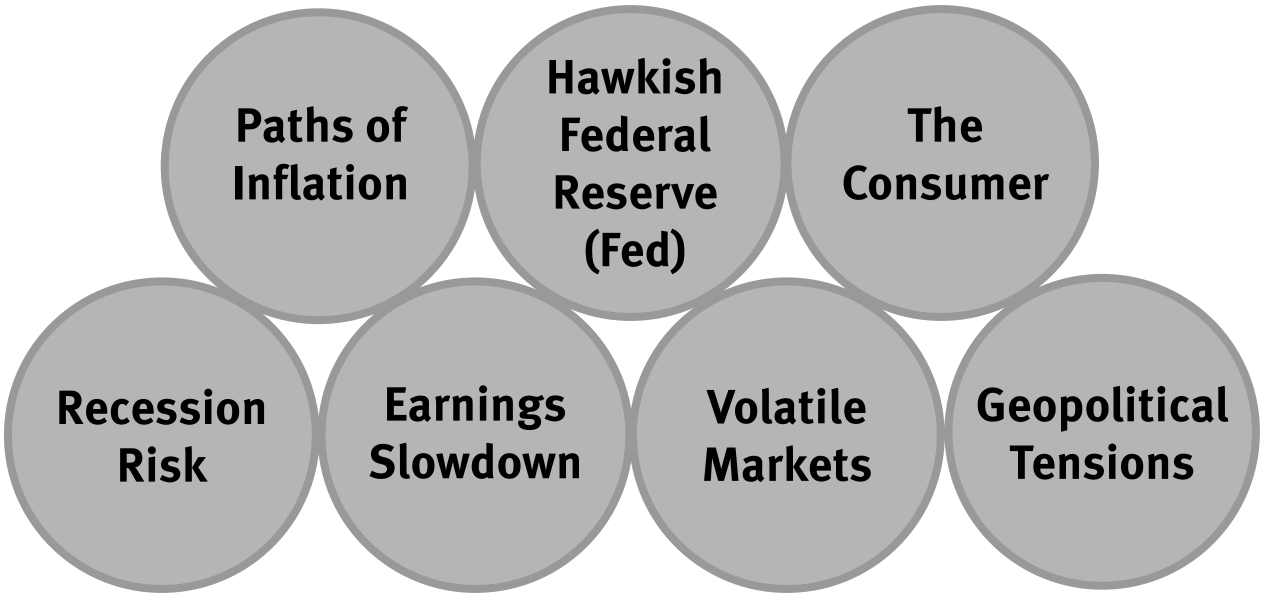
JULY	
5	Federal Open Market Committee (FOMC) Minutes
7	Employment
12/13	Inflation
14	Consumer Sentiment
18	Retail Sales
19	Housing
26	Fed Policy Decision

AUGUST	
1	Employment
10/11	Inflation
11	Consumer Sentiment
15	Retail Sales
16	Housing
16	Federal Open Market Committee (FOMC) Minutes

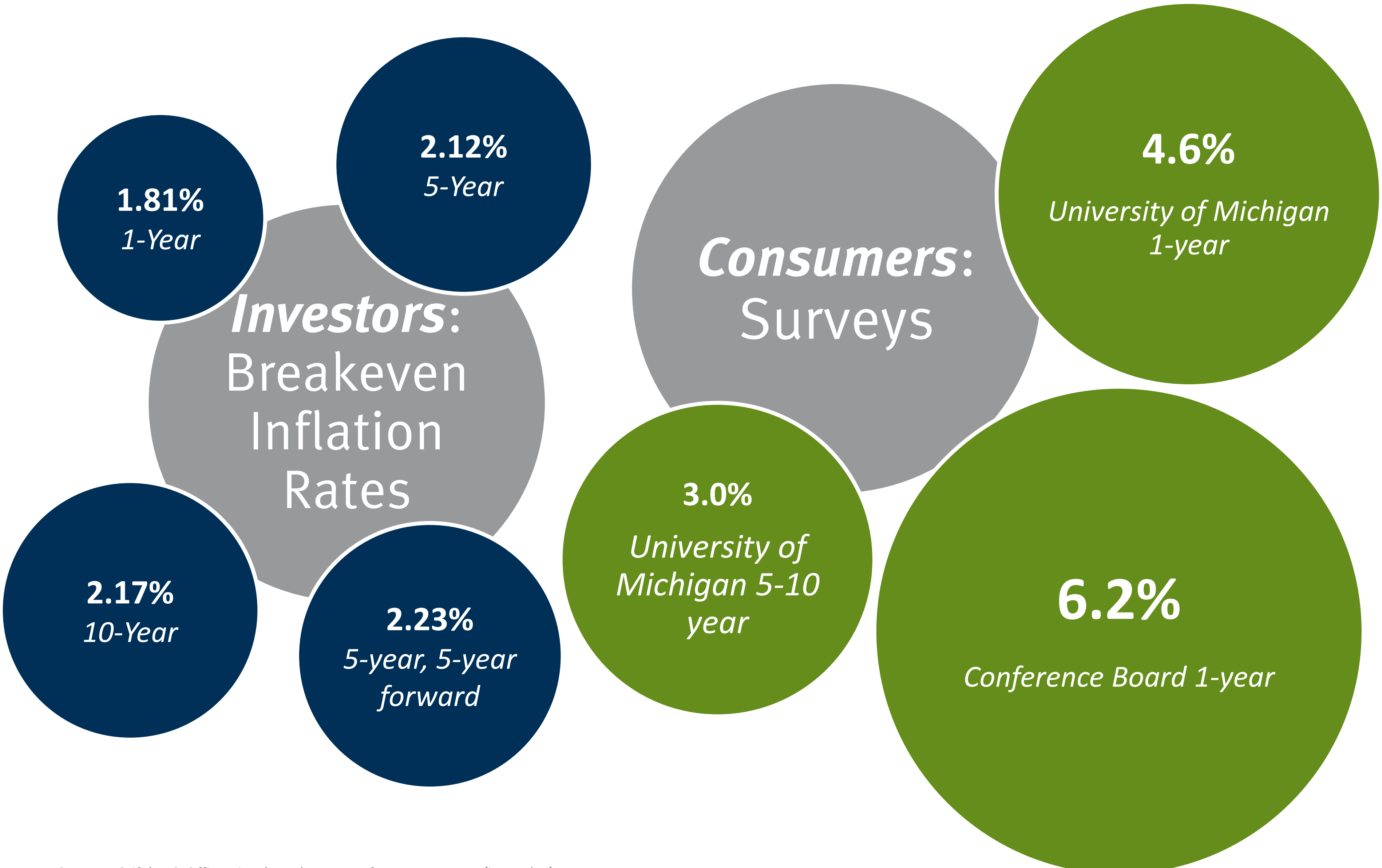
OTHER IMPORTANT TOPICS

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

Macro Environment


Paths of Inflation
Hawkish Federal Reserve (Fed)
The Consumer
Recession Risk
Earnings Slowdown
Volatile Markets
Geopolitical Tensions

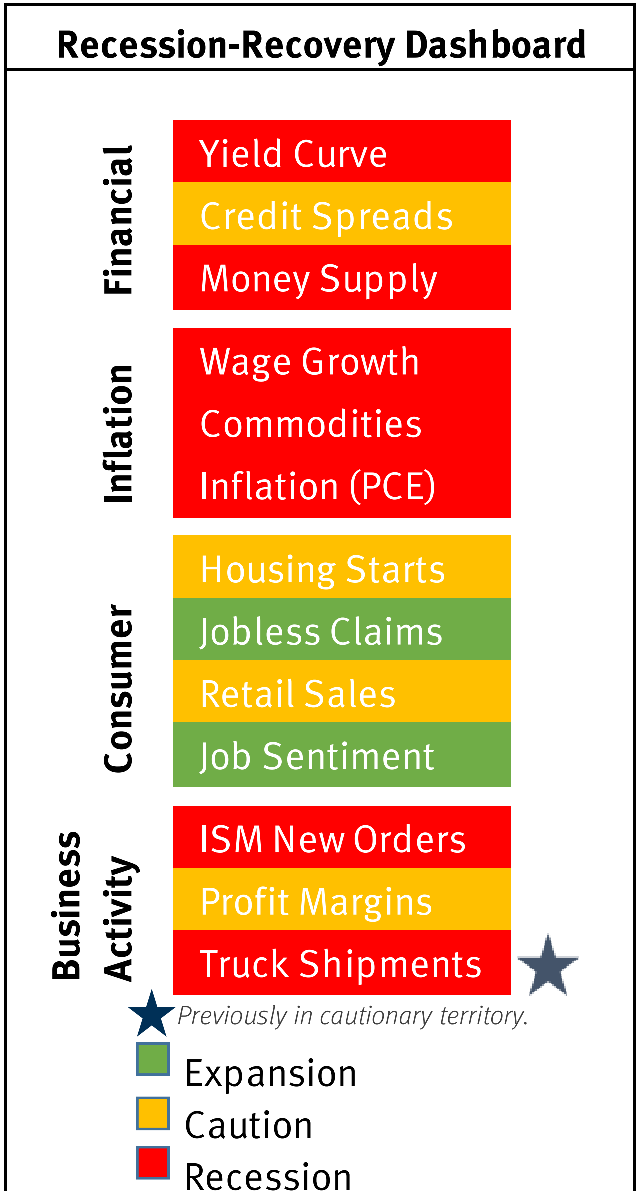
INFLATION EXPECTATIONS



Source: Stifel CIO Office via Bloomberg, as of May 11, 2023 (intra-day)

STIFEL

RECESSION DASHBOARD



- Various **yield curve** indicators suggest +50% probability of recession.
- **Credit spreads** have repriced on increased economic uncertainty. Overall bank deposits remain stable, but some pockets of risk exist.
- **Money supply** growth continues to be negative; but levels of high liquidity remain on Fed's balance sheet.
- **Wage growth** slowing but continue to contribute to inflationary pressures.
- **Commodities** are lower on recession fears and energy market volatility.
- **Inflation** is still sticky, with modest progress.
- **Housing starts** have stalled on higher costs and weak builder confidence.
- **Jobless claims** beginning to show signs of labor market growth slowdown.
- Overall **retail sales** remain supported by consumer spending.
- **Job sentiment** remains at an elevated level despite its recent deceleration.
- **ISM New Orders** show volatility with the services sector presenting a meaningful upside risk and the manufacturing a downside risk.
- **Profit margins** remain historically high but risks are meaningful due to price pressures.
- **Truck shipments** are weak despite the stabilization of supply chain pressures.

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

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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

A SHIFT TO TIGHTER FINANCIAL CONDITIONS

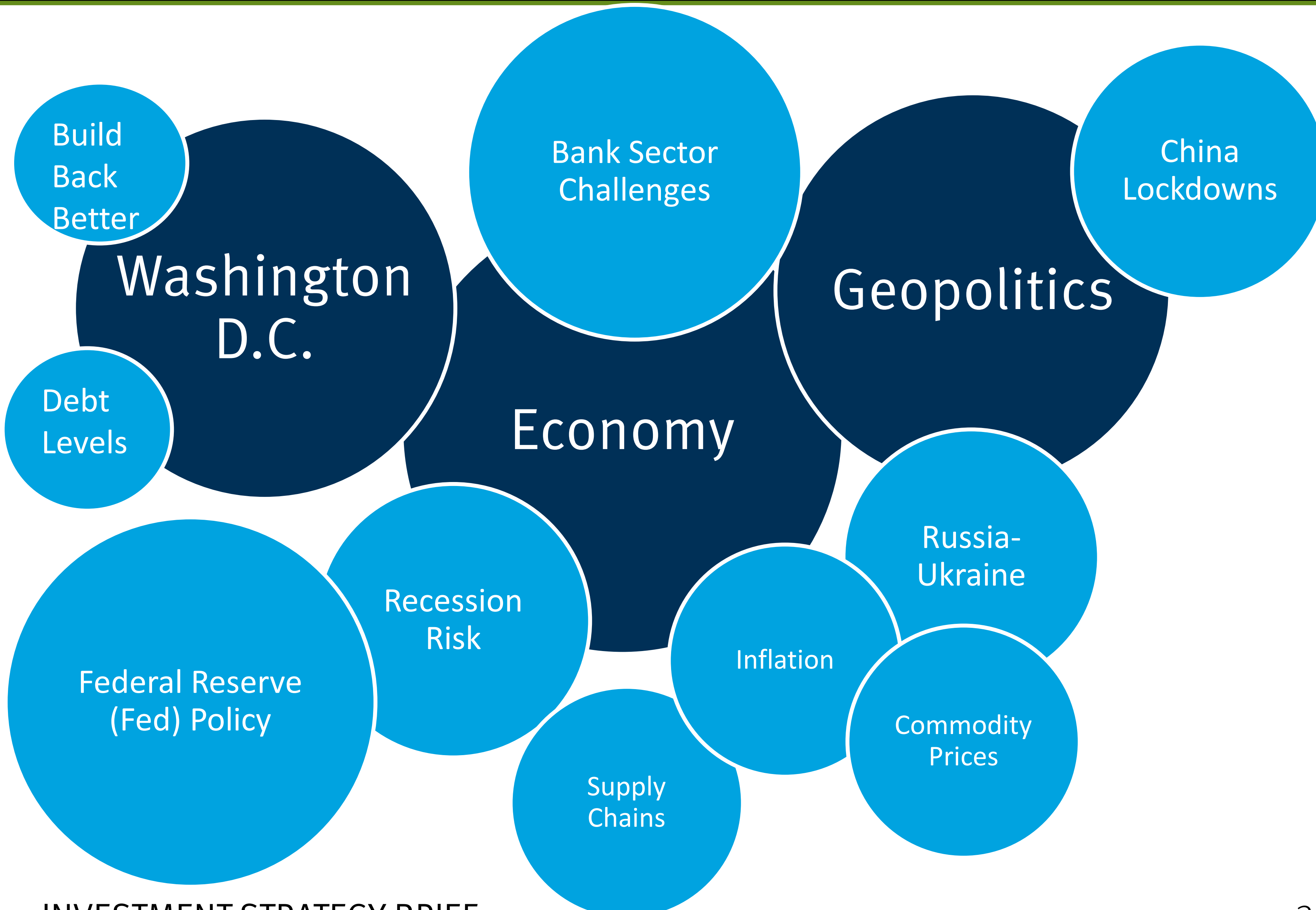
	10-year Yield	IG Spread	HY Spread	VIX Index	MOVE Index	Financial Conditions
High	4.24	1.65	5.83	34.0	198.7	0.5
Median	3.49	1.40	4.58	22.8	126.5	(0.4)
Low	2.57	1.15	3.85	15.8	97.3	(1.3)
Current	3.38	1.46	4.73	16.9	128.2	(0.1)
% Tile	64%	30%	35%	98%	47%	27%
2/28/23	3.42	1.40	4.65	18.97	143.00	(0.07)
% Tile	60%	51%	44%	86%	19%	24%

Source: Stifel CIO Office via Bloomberg, as of May 11, 2023; based on last 12 months data. (intra-day)

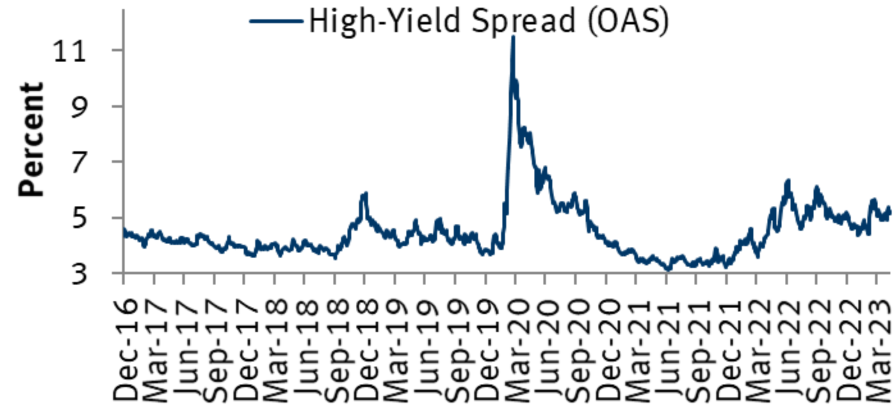
GEOPOLITICAL TENSIONS

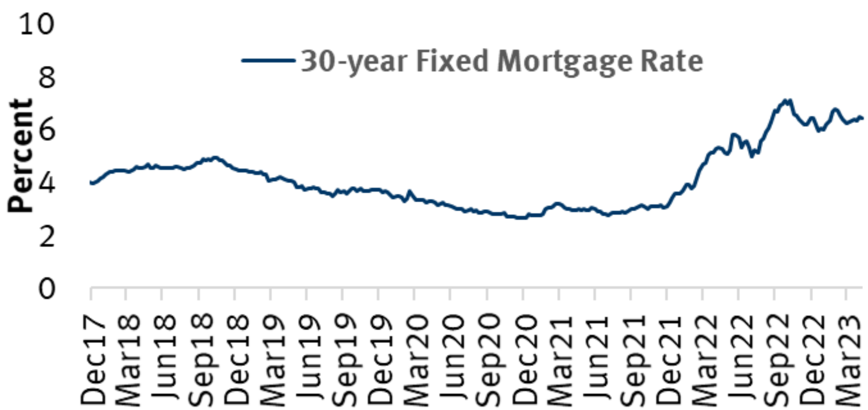
Markets

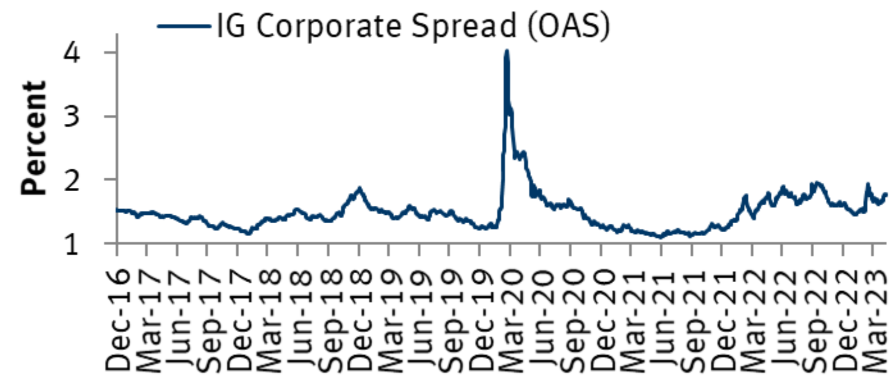
SOURCES OF VOLATILITY



Rates and Spreads







OAS Spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option

Source: Stifel CIO Office via Bloomberg, as of May 11, 2023 (intra-day)

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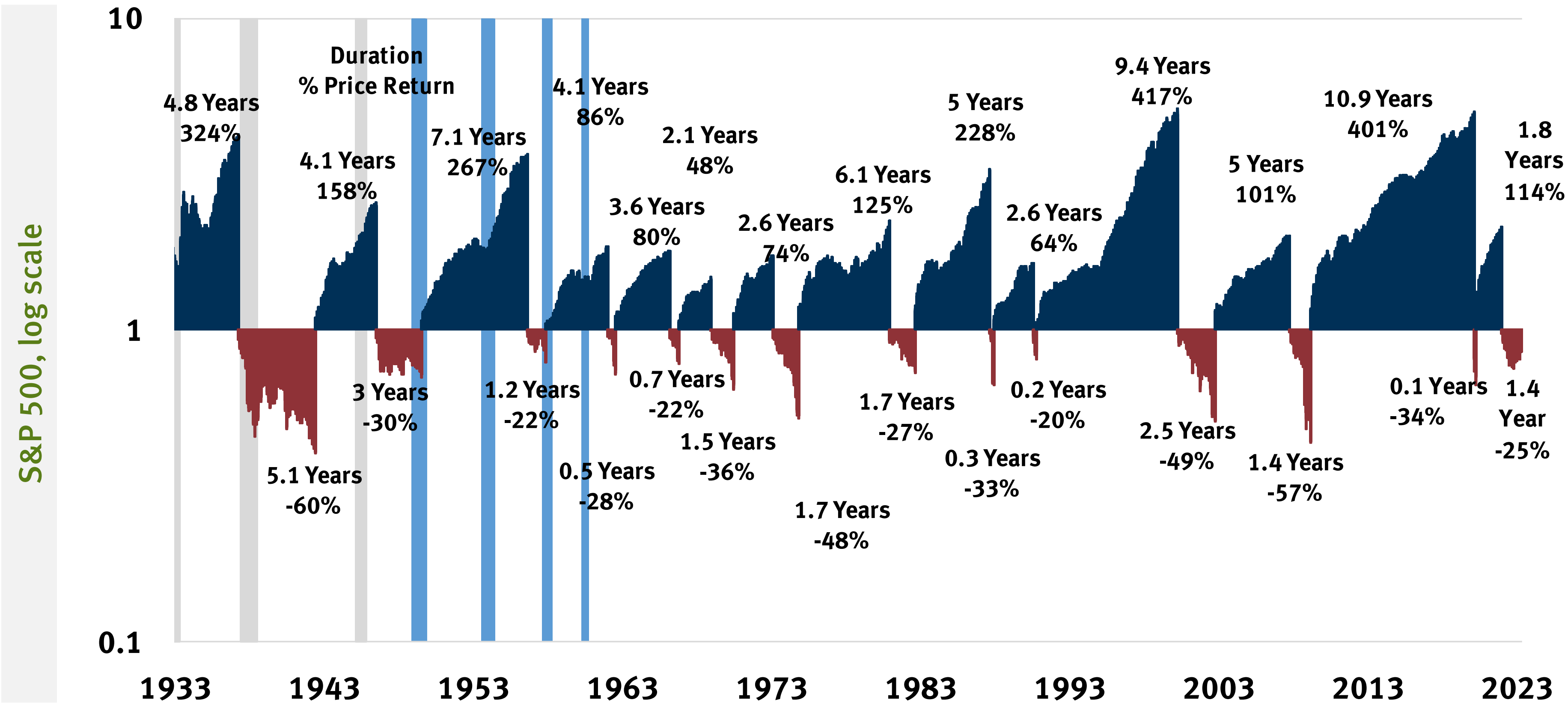
BULL AND BEAR MARKETS SINCE 1932



Source: Stifel CIO Office via Bloomberg, Strategas Research Partners, as of May 11, 2023 (Intra-Day)

Dynamic leanings

144 ASSET ALLOCATION MODELS FOR YOUR SELECTION

6
Risk Profiles

Conservative | Moderately Conservative | Moderate | Moderate Growth | Moderately Aggressive | Aggressive

2
Time Frames

- Strategic (Long Term)
- Dynamic (Near Term)

3
Levels of Liquidity

- Tier 1
- Tier 2
- Tier 3

2
Equity Choices

- U.S. Focused
- Global

2
Fixed Income Choices

- Tax Sensitive
- Taxable

DYNAMIC LEANINGS

Underweight | Neutral | Overweight

EQUITY

ASSET CLASS	CURRENT: Underweight	CURRENT: Neutral	CURRENT: Overweight	COMMENTS
U.S. Equity vs. Non-U.S. Equity		Neutral		While non-U.S. equity relative valuations remain attractive for longer-term investors, we remain neutral given the global economic and geopolitical headwinds. The strength of the U.S. consumer and corporate balance sheets put the U.S. on a stronger footing, but richer valuations mean near-term weakness is possible.
U.S. Large Cap vs. U.S. Small Cap	Underweight			Small cap company valuations are providing an attractive entry point for skilled investors. Falling prices reflect, to a good degree, the concerns about higher interest rates and an economic slowdown. But lower valuations create opportunities. We guide investors to implement an overweight with active management.
U.S. Large Value vs. U.S. Large Growth		Neutral		In this environment we believe investors should diversify across both value and growth styles. Within U.S. large cap, we have a modest overweight to dividend growth and quality companies, regardless of style.
Non-U.S. Developed Markets vs. Emerging Markets		Neutral		Risks stemming from China and the war in Ukraine are each binary, meaning one or both could quickly dissipate, or get worse. Our team is closely following the developments in China and Europe, and we are prepared to act swiftly as we receive further clarity on the macroeconomic outlook.
Europe vs. Japan		Neutral		We see investment opportunities across regions of the world. Japan's corporate governance reform is a positive and likely to enhance shareholder value in the medium-to-long term. Risks from the war in Ukraine are largely reflected in European stock valuations, and there is meaningful upside potential if and when we see a diplomatic resolution there.

DYNAMIC LEANINGS

Underweight · Neutral · Overweight

	ASSET CLASS	CURRENT: Underweight	CURRENT: Neutral	CURRENT: Overweight	COMMENTS
FIXED INCOME	U.S. Investment Grade vs. U.S. High Yield			■	Bond yields are the most attractive they have been in the last 10–15 years, despite coming off of recent highs. Near-term volatility and an economic slowdown may exacerbate near-term price losses in high yield.
FIXED INCOME	Corporates/ Government/Agency MBS		■		While our base case is for Treasury yields and corporate spreads to remain range bound, we remain neutral and diversified across fixed income supersectors given the fat tail risks of our bear and bull scenarios.
FIXED INCOME	Duration		■		We view duration as a diversifier in a multi-asset class portfolio given the near-term uncertainty and remain neutral to the overall market.
ALTERNATIVES	Private Assets		■		For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of private equity, private debt, and/or private real estate can be considered as part of a diversified portfolio.
ALTERNATIVES	Hedge Funds		■		For investors interested in alternative investments and able to handle less liquidity who have conviction about manager skill, exposure to hedge funds can be a helpful part of a diversified portfolio. This is especially true in volatile, low-return environments.

Past performance is no guarantee of future results.

Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

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.

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.*

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.

Bloomberg U.S. Treasury Bills 1-3 Months Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have $250 million or more of outstanding face value.

Bloomberg U.S. Corporate IG Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Aggregate Corporate Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Corporate High Yield is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

Bloomberg U.S. Government Bond Index is an unmanaged index considered representative of fixed-rate, investment-grade US Government debt.

Bloomberg Global Aggregate This index provides a broad-based measure of the global investment-grade, fixed-rate debt market.

DXY Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

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 500 Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

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 represents approximately 1,00S&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.

Russell 1000 Index represents approximately 1,000 of the largest companies in the U.S. equity markets, the Russell 1000 is a subset of the Russell 3000 Index. The Russell 1000 (maintained by the Russell Investment Group) comprises over 90% of the total market capitalization of all listed U.S. stocks and is considered a bellwether index for large cap investing.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index.

MSCI EAFE Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Morgan Stanley Market implied pace of hikes index (MSPOKE) is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

The MSCI World Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets.

Wilshire 5000 Index is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States.

VIX Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

EURO STOXX 50 is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone

Cash & Cash Equivalent is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

U.S. Government Bonds is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

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

High-Yield Bonds is represented by the Bloomberg 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.

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

Emerging Markets 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. 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 investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

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

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.

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