

Market Themes for 4Q 2022

9 Market Themes for 4Q 2022

This collection of market insights highlights 9 themes we believe are most likely to shape the investment environment this quarter.

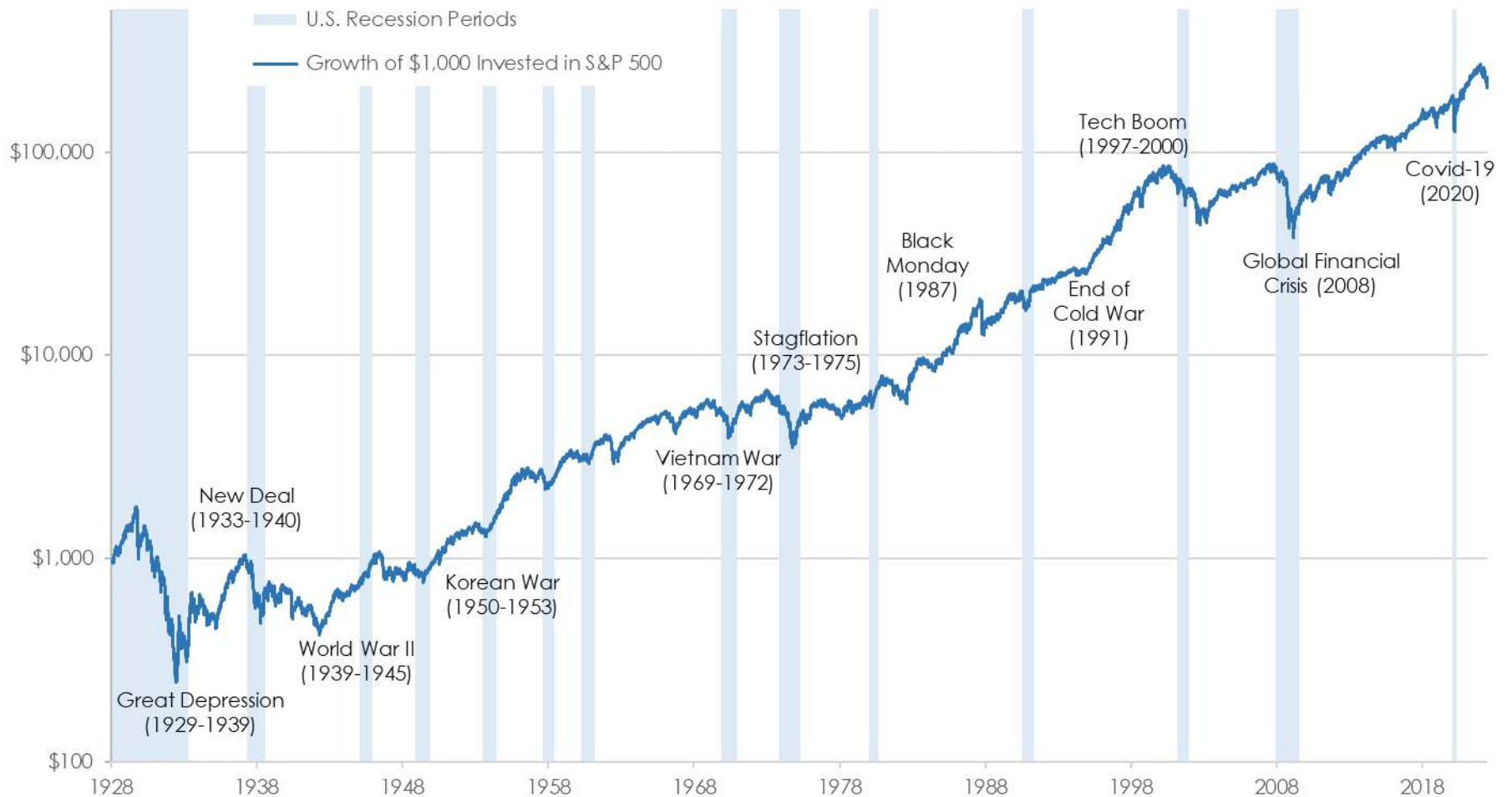
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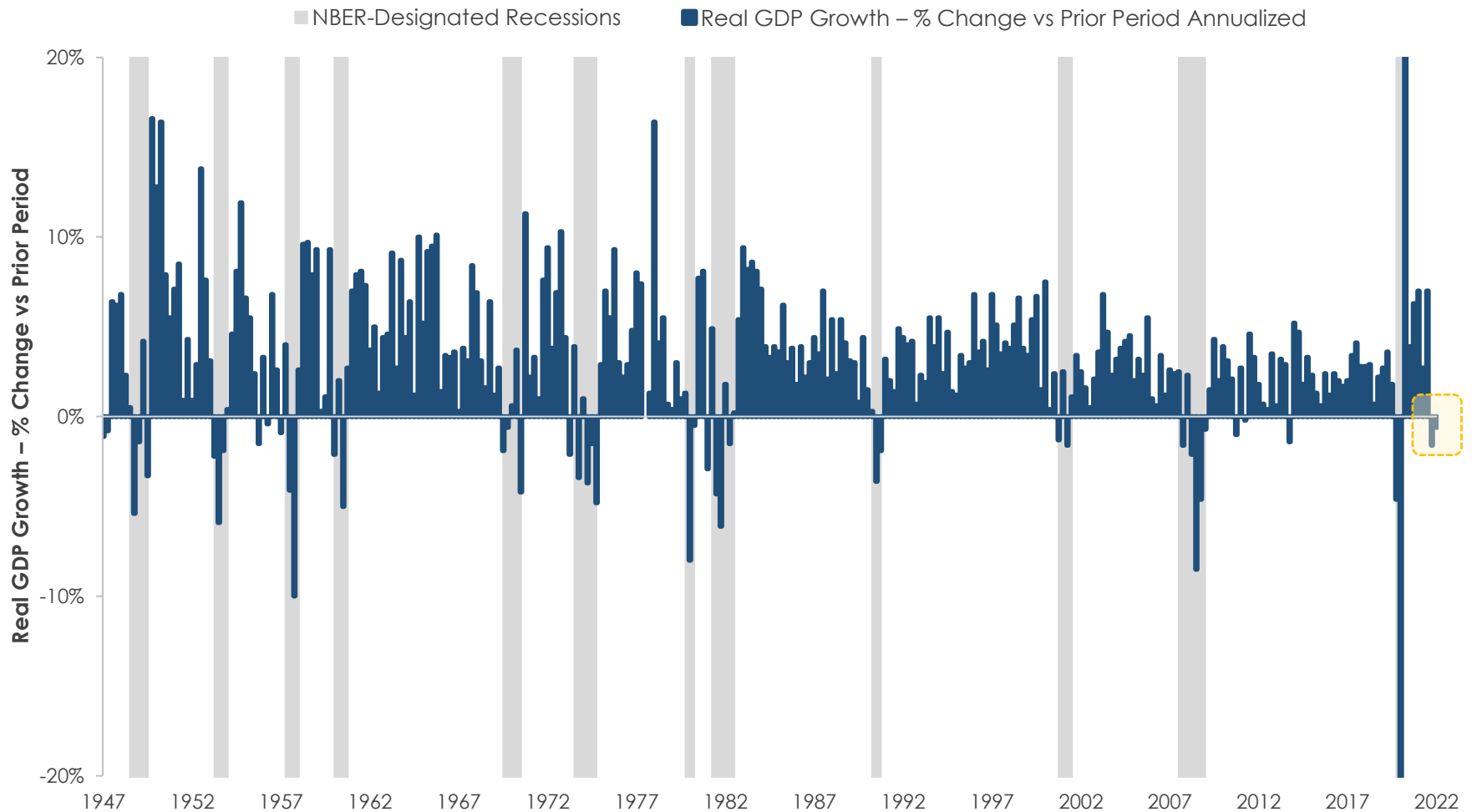
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Putting 2022 in Historical Context



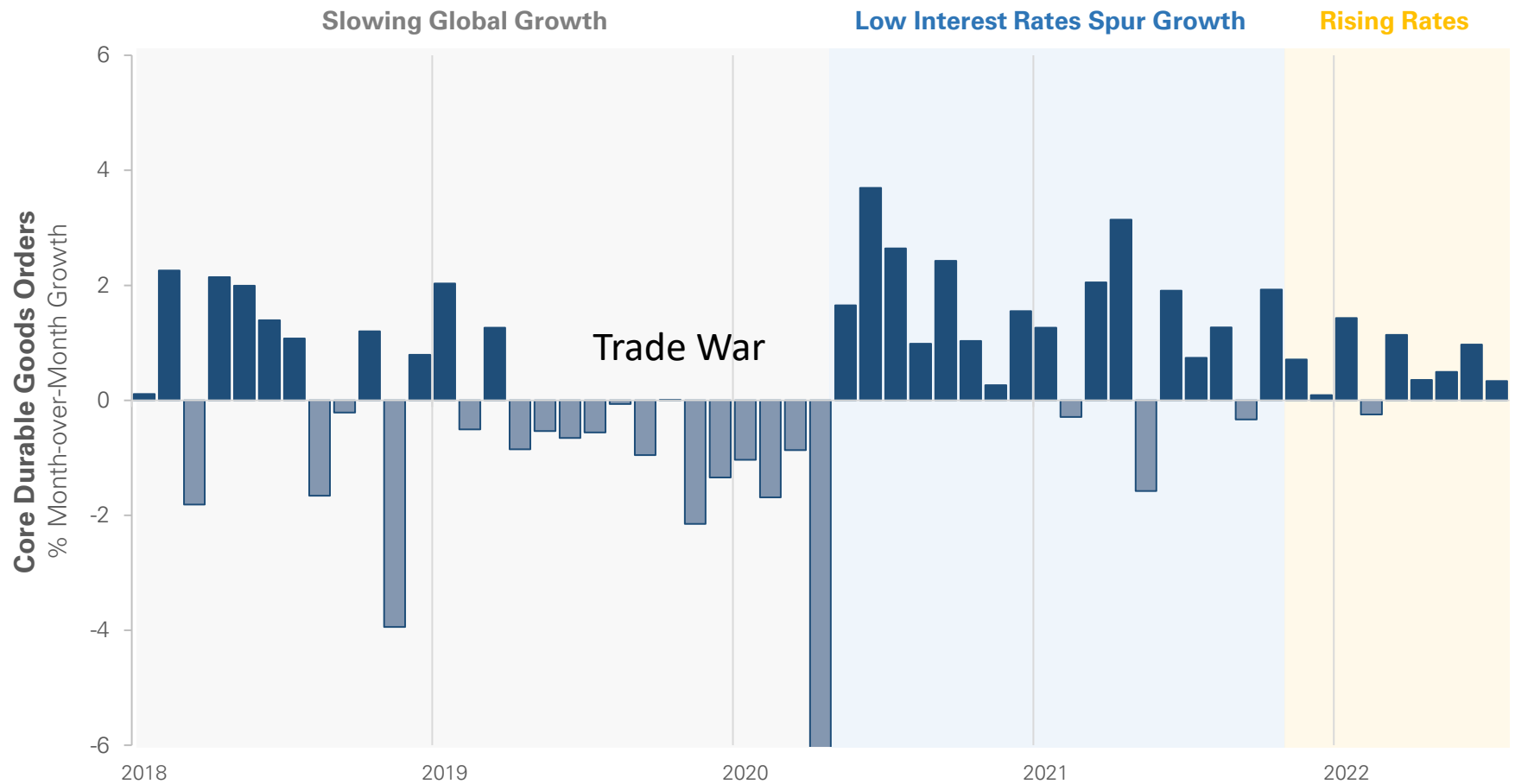
Disclosures: All performance data represents price returns of the S&P 500. Past performance is no guarantee of future results. U.S. Recession dates are based on National Bureau of Economic Research (NBER).

Economic Growth Contracts for Two Consecutive Quarters



Disclosures: Data is sourced from the U.S. Bureau of Economic Analysis. GDP Growth represents percent change vs prior quarter annualized and is seasonally adjusted.

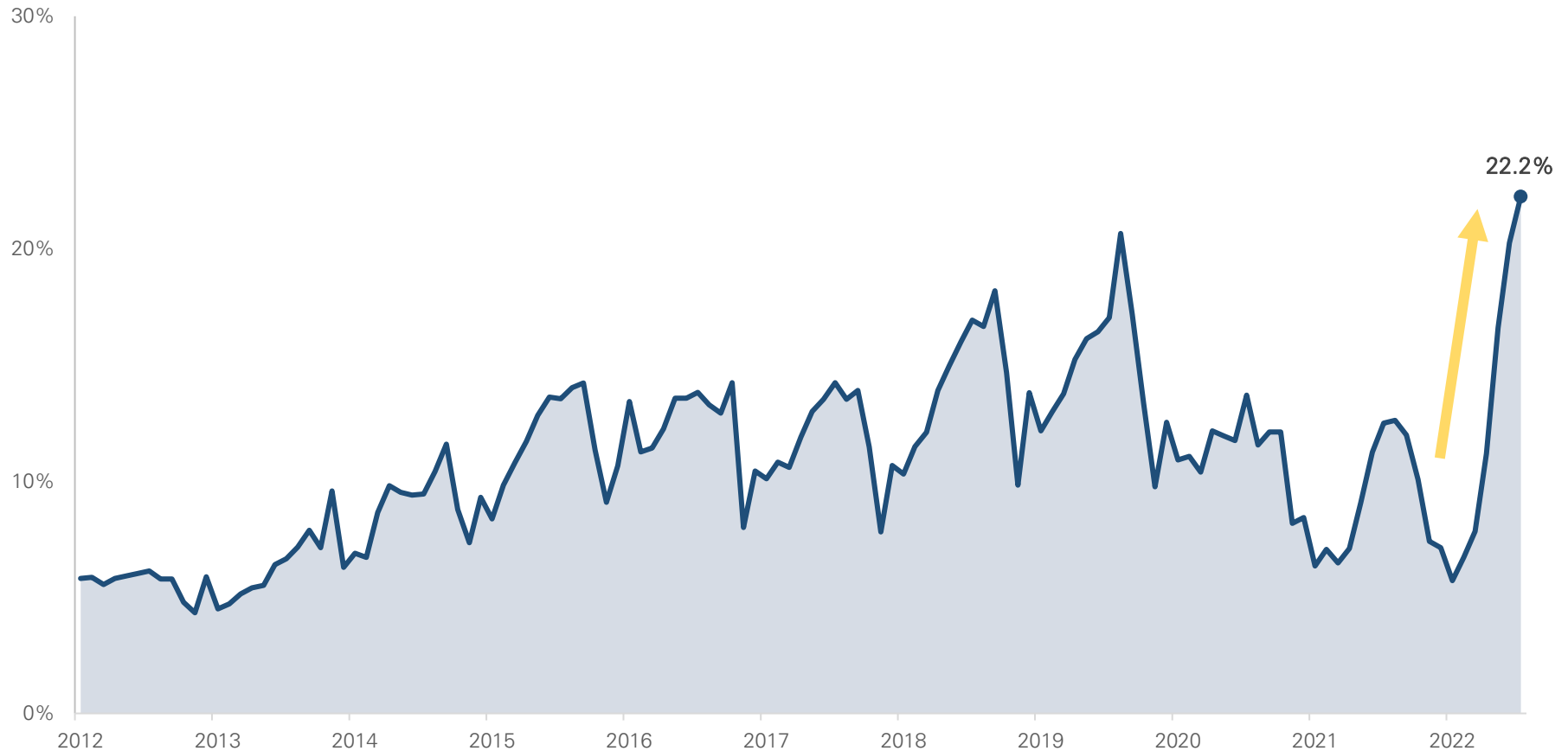
Business Investment Normalizes After Pandemic Growth Spurt



Disclosures: Data is sourced from U.S. Census Bureau and represents the seasonally adjusted percent change from prior month.

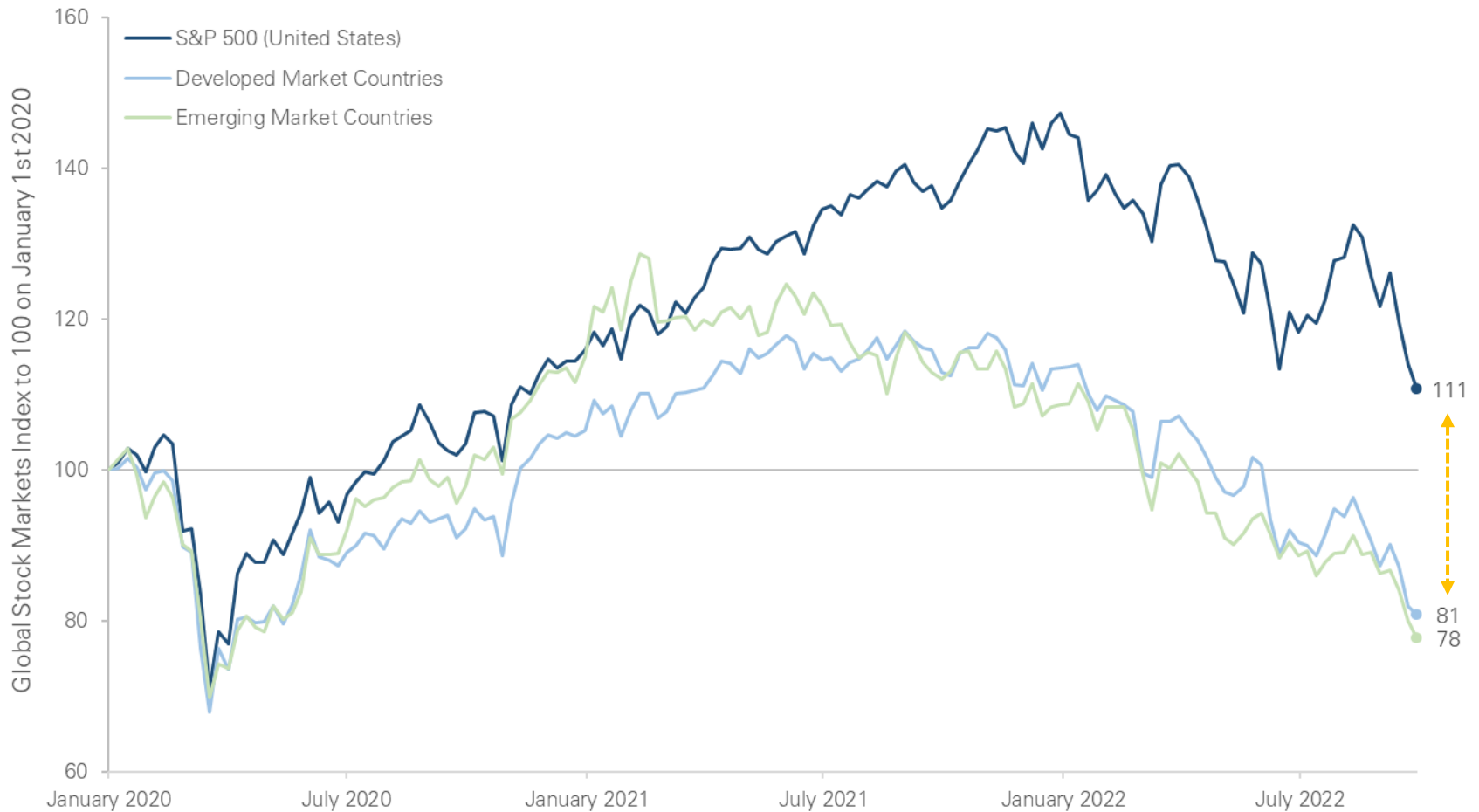
Home Listing Prices Drop as Mortgage Rates Surge Higher

Percentage of Homes for Sale with Price Drops
4-Week Rolling Average Since 2012



Disclosures: Data is sourced from Redfin and represents the percentage of active listings with price drops during the past four weeks.

U.S. Stock Market Outpaces Global Peers

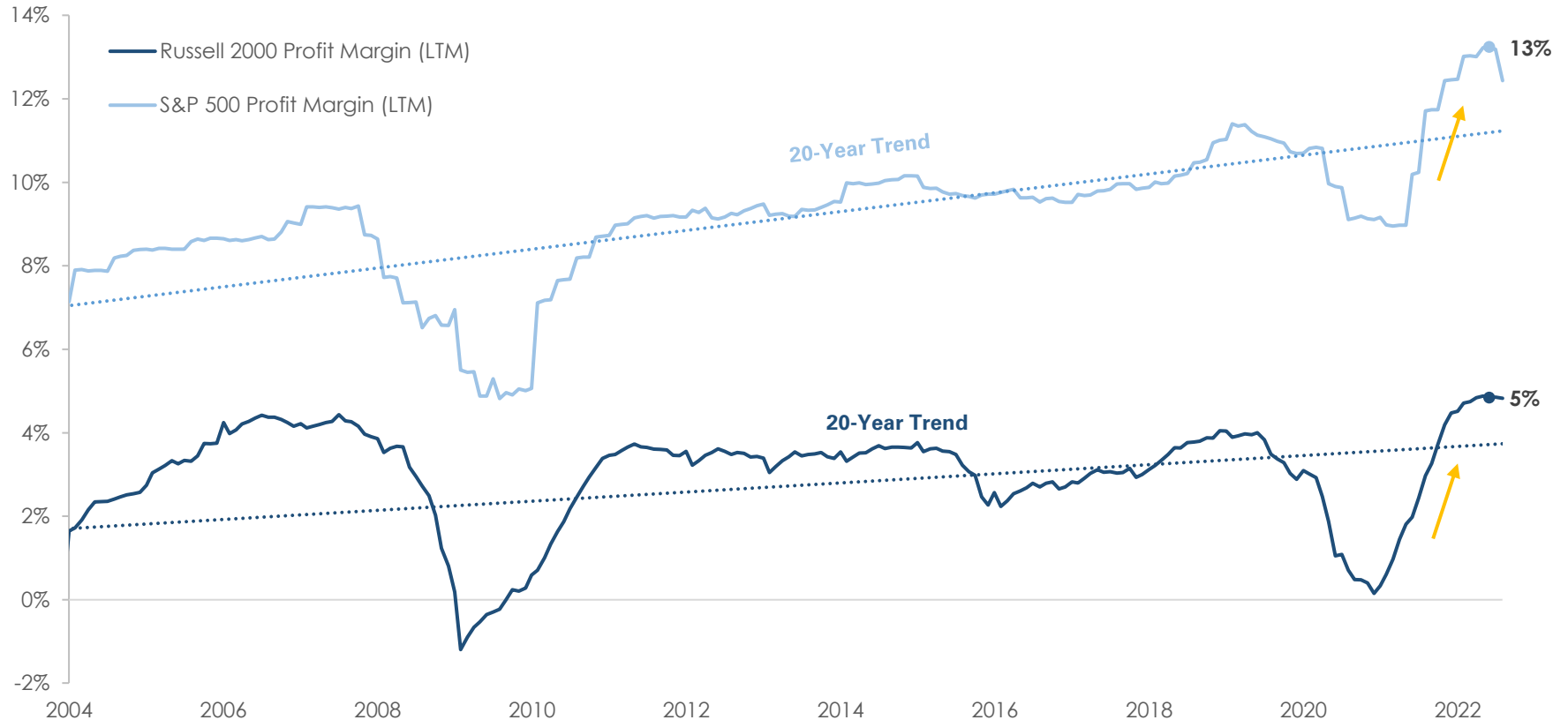


Disclosures: Data is sourced from MarketDesk. Price returns in U.S. Dollar based on SPDR S&P 500 ETF (SPY), iShares MSCI EAFE ETF (EFA), and iShares MSCI Emerging Markets ETF (EEM).

Can Corporate Profit Margins Remain Strong?

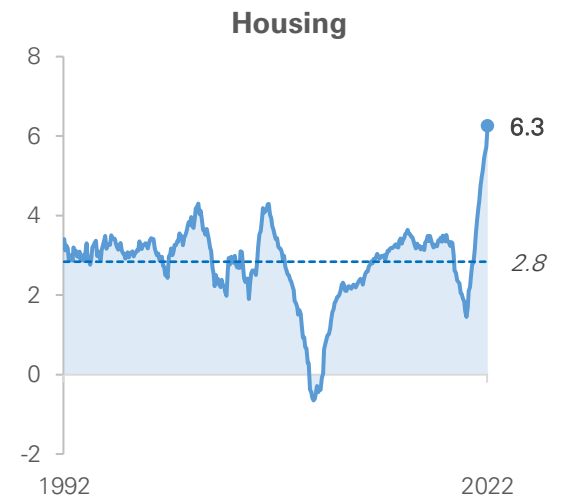
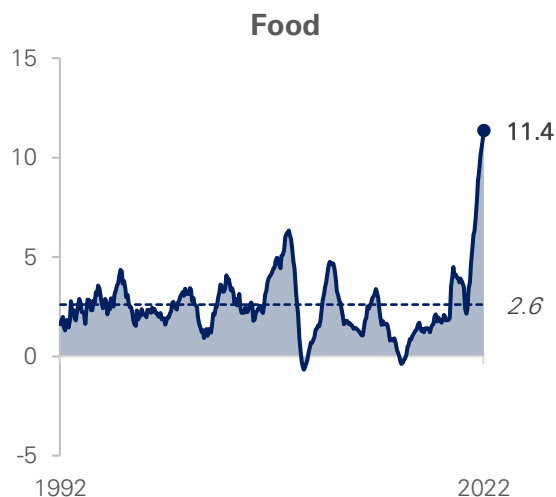
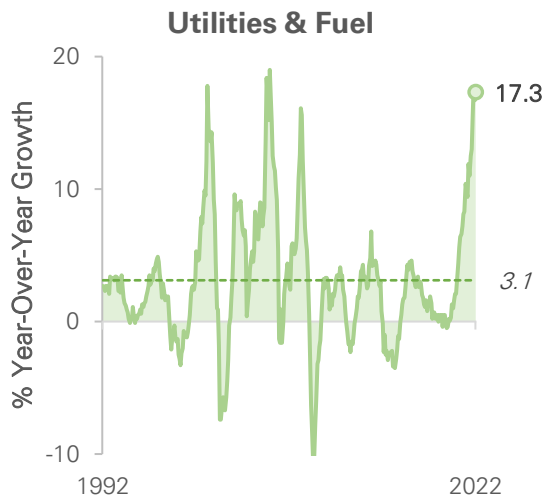
Profit Margins Rose to All Time Highs in Recent Quarters

Last 12-Month Profit Margins and Long-term Trends



Disclosures: Data is sourced from MarketDesk and FactSet. LTM = Last 12 months.

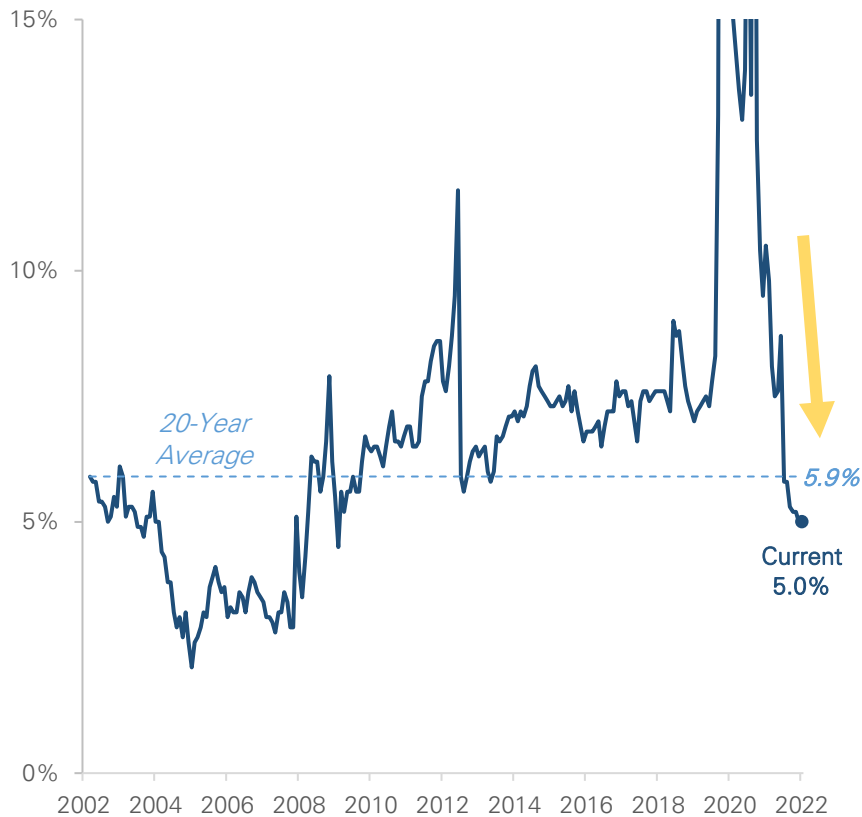
30-Year History of Core Inflation and Key Inputs



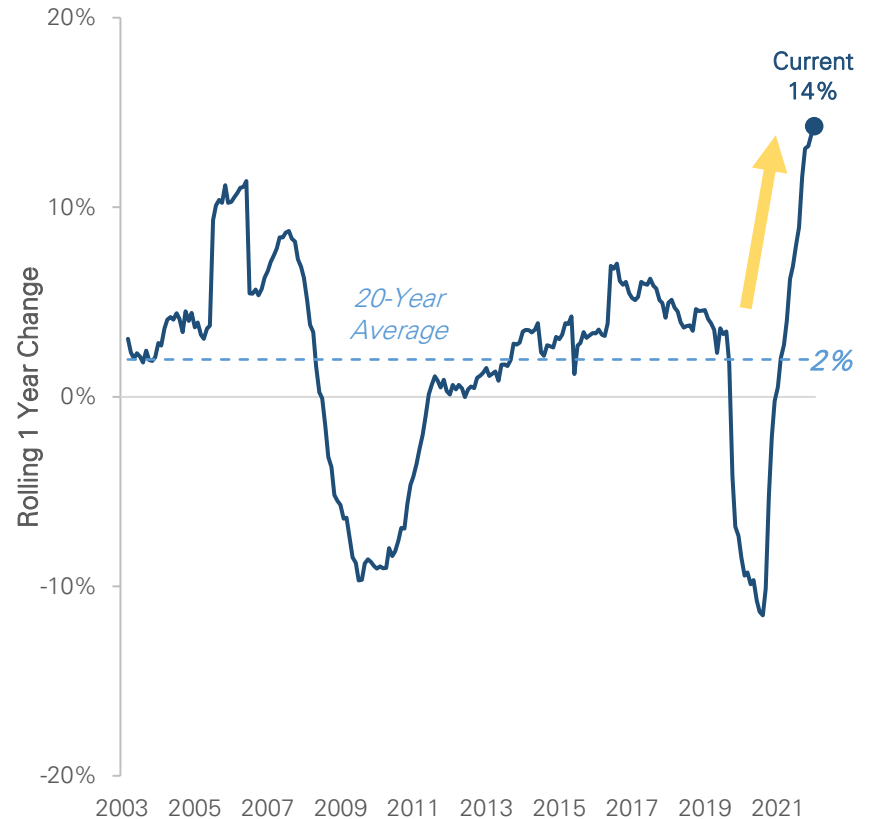
Disclosures: Data is sourced from Federal Reserve and represents seasonally adjusted percent change vs prior year.

U.S. Consumer Pulse – Personal Savings Rate & Credit Usage

U.S. Personal Savings Rate Below Long-term Average
Ratio of Personal Savings to Income



U.S. Consumer Credit Usage Highest in 20-Years
Outstanding Revolving Consumer Credit



Disclosures: Personal savings rate is sourced from U.S. Bureau of Economic Analysis and is seasonally adjusted. Revolving consumer credit is sourced from Federal Reserve and represents the percent change in total revolving credit outstanding vs prior year.

Questions?

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Definitions

2Y / 10Y / 30-Year Treasury Bonds: Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.

Bitcoin Futures: CME's Bitcoin futures contract, ticker symbol BTC, is a USD cash-settled contract based on the CME CF Bitcoin Reference Rate (BRR), which serves as a once-a-day reference rate of the U.S. dollar price of bitcoin. The BRR aggregates the trade flow of major bitcoin spot exchanges during a one-hour calculation window into the U.S. dollar price of one bitcoin as of 4 p.m. London Time.

CBOE Market Volatility Index (VIX): Measures the market's expectations of future volatility and is based on S&P 500 options activity

Consumer Price Index (CPI): Measures the changes in the price level of a basket of consumer goods and services purchased by households.

Federal Fund's Rate: The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.

Federal Reserve: The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

Forward Price to Earnings Ratio: The forward P/E ratio (or forward price-to-earnings ratio) divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.

Growth Stocks: Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.

Inflation: A general rise in price level relative to available goods and services.

ISM Purchasing Managers Index (PMI): The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.

Price Return: The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.

Prime Interest Rate: A base rate used by banks to price short-term consumer and business loans.

Real Earnings: Usual weekly earnings represent earnings before taxes and other deductions and include any overtime pay, commissions, or tips usually received. Real Earnings adjust these dollar amounts the Consumer Price Index.

Real Yield: The interest rate earned on a fixed income investment after factoring in the impact of inflation as measured by the Consumer Price Index (CPI).

Total Return: Return on a portfolio of investments including capital appreciation and income received on the portfolio.

U.S. Labor Participation Rate: The percentage of the population that is either working or actively looking for work

U.S. Total Payrolls: A measure of the number of U.S. workers in the economy that excludes proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed. This measure accounts for approximately 80 percent of the workers who contribute to Gross Domestic Product (GDP).

Unemployment Rate: A lagging economic indicator which is calculated as the percent of the labor force that is jobless.

Value Stocks: Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

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