

Your Clients Top Questions, Answered



FAQs

- Is the Bear Market over?
- Is the Fed done raising interest rates?
- Will there be a Recession in 2023/2024?
- What about Commercial Real Estate?
- Is the Dollar losing its reserve status?
- How will the 2024 Election impact the Markets?



Is the Bear Market Over?

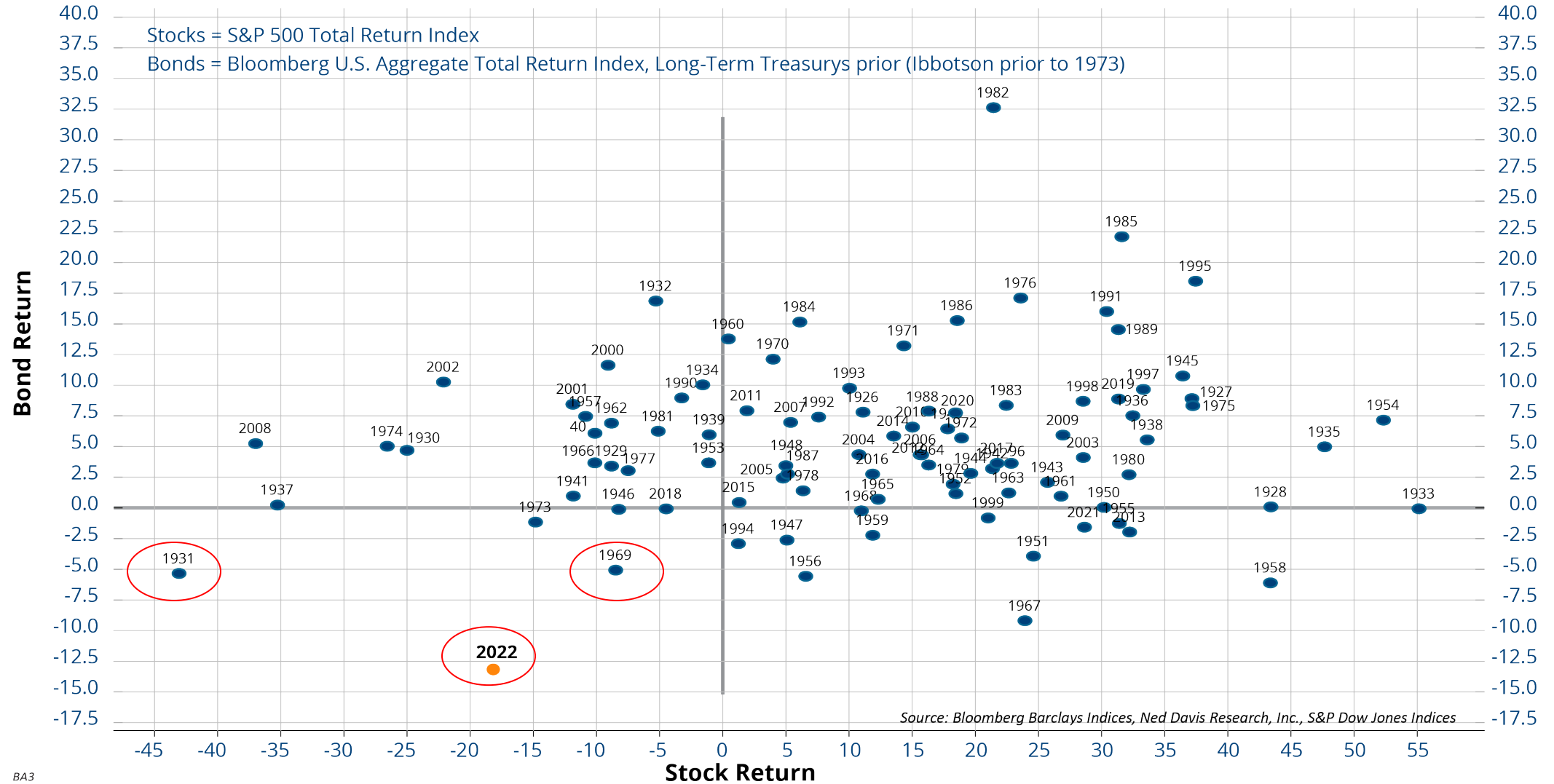
- 2022 Worst year ever for the bond market
- 2022 Seventh worst year for the S&P 500
- Stocks off to a strong start YTD
- Positive technical signals
- Solid corporate earnings



Unusual for Stock and Bonds to both be Down

U.S. Stocks vs Bonds Returns

Yearly data from 1926 to 2022



Source: Bloomberg Barclays Indices, Ned Davis Research, Inc., S&P Dow Jones Indices

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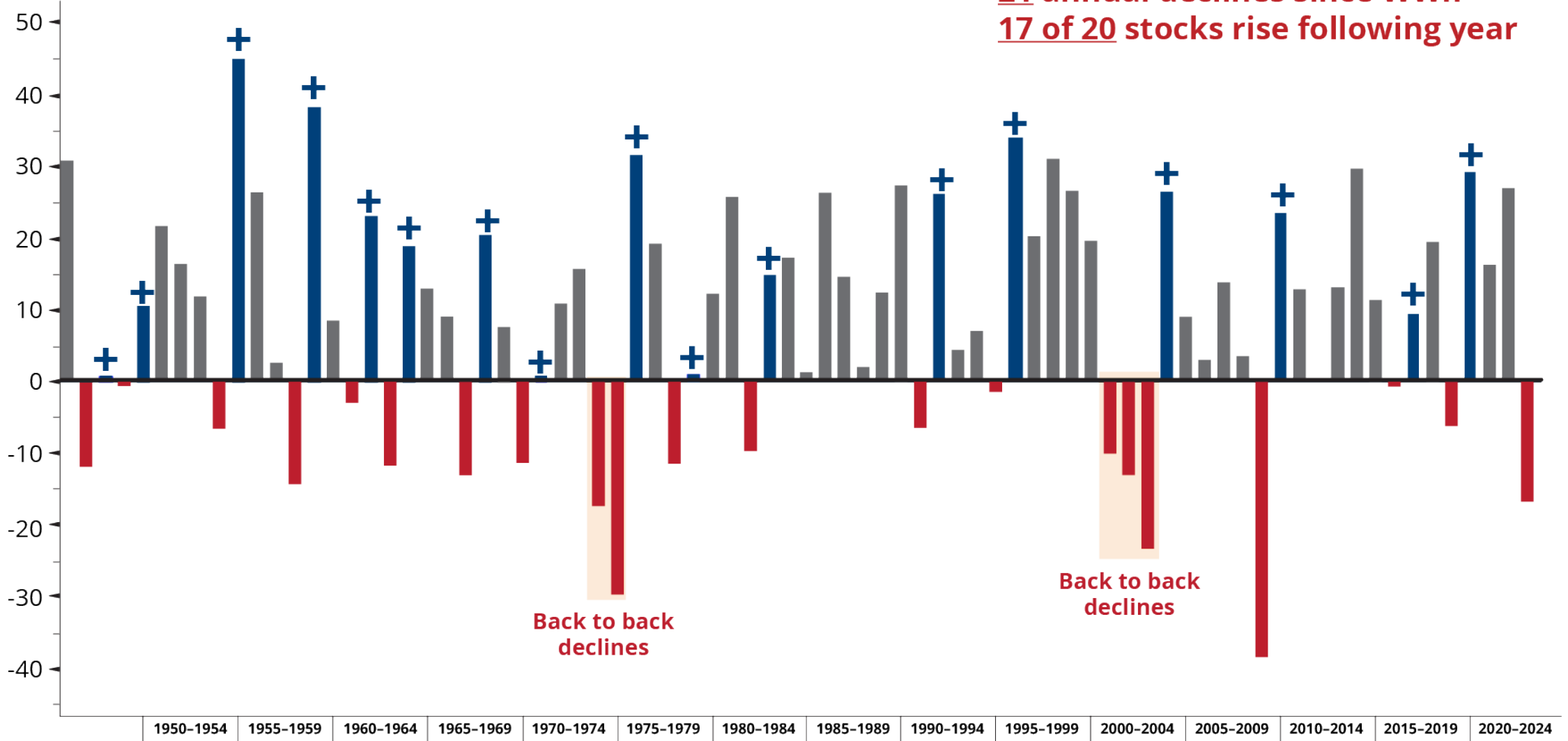
Source: Ned Davis Research

Annual S&P 500 Price Return

Rare to See Two Consecutive Annual Declines

Since WWII

21 annual declines since WWII
17 of 20 stocks rise following year



Source: Fundstrat, Bloomberg Finance L.P.

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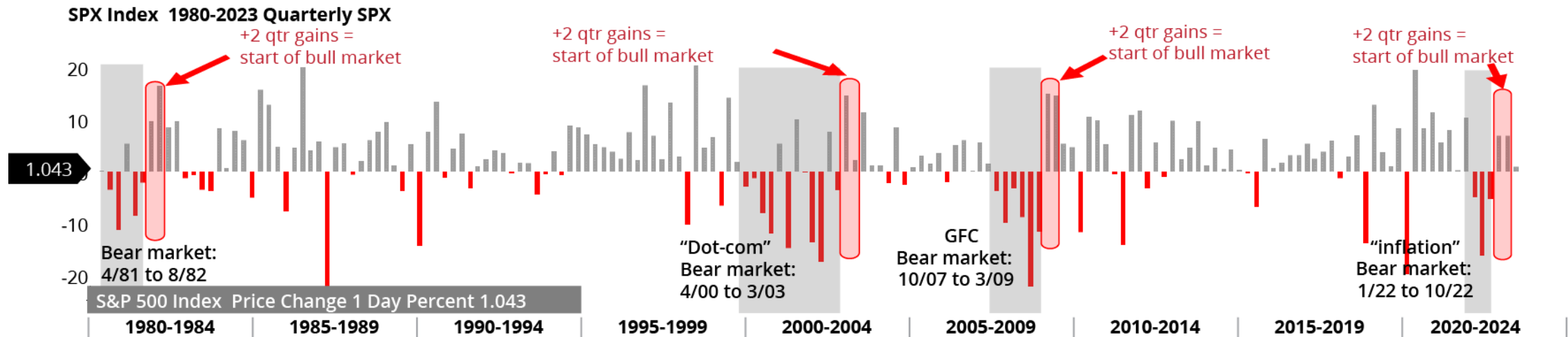
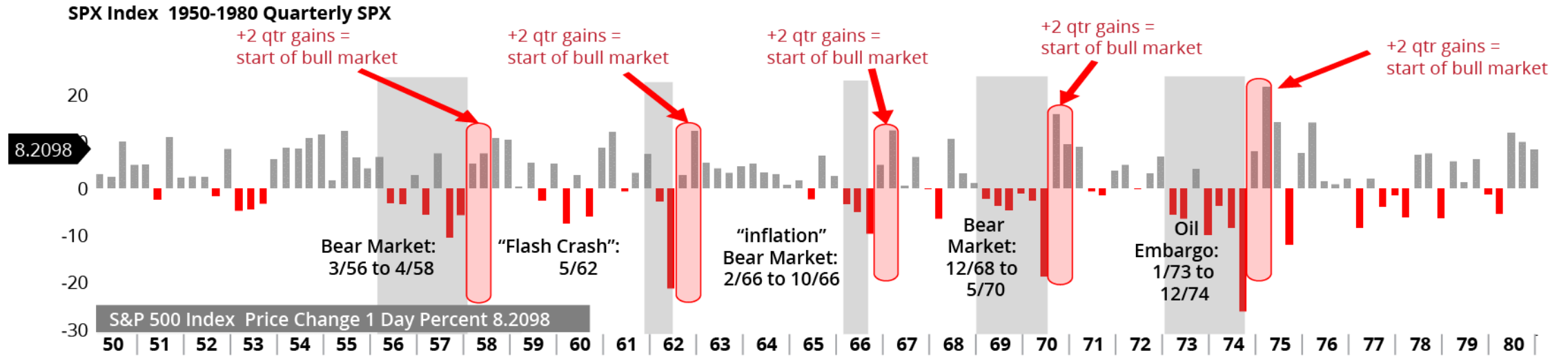
Source: Fundstrat, Bloomberg Finance L.P.



Returns: 2 Quarters of Gains = "New" Bull Market - Since 1950

S&P 500 Quarterly Returns

1950 to 2023



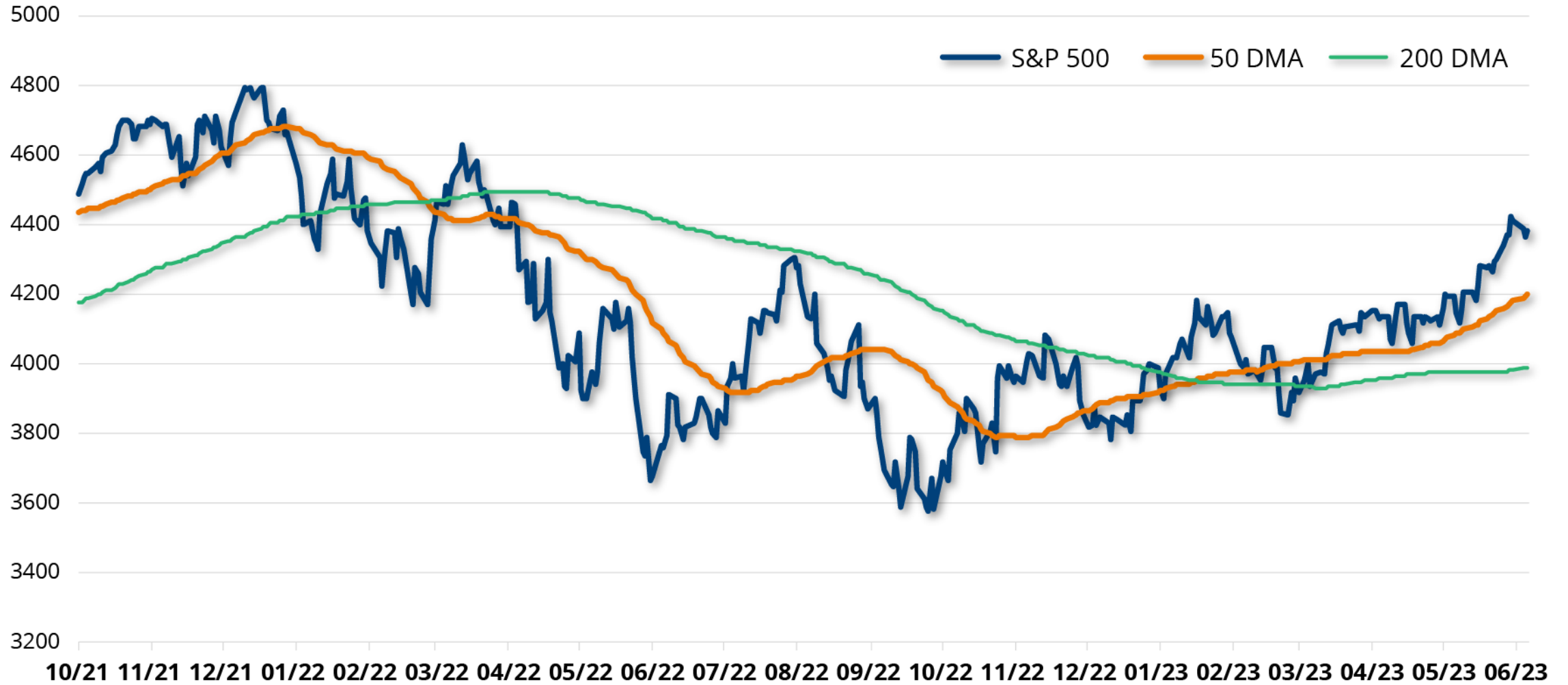
Source: Fundstrat, Bloomberg

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Golden Cross

10/18/2022 to 6/22/2023



Source: Bloomberg; Clark Capital

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Super Golden Cross

S&P 500 "Super" Golden Cross Signal

Triggered when the 50-DMA crosses above the 200-DMA and stays above it for at least 3 days, after trading below it for at least 9 months

# of Times It Has Happened since 1950	8
% of the Time Stocks Were Higher 1-Year Later	100%
Average 1-Year Forward Peak Return	24%

List of Occurrences

Peak 12-Month Return

6-Feb-23	???
25-Jun-09	32.3%
24-May-03	23.8%
30-Sep-82	41.6%
24-May-78	9.1%
11-Mar-75	20.9%
23-Oct-70	25.3%
7-Feb-67	11.3%
6-Jan-61	26.2%

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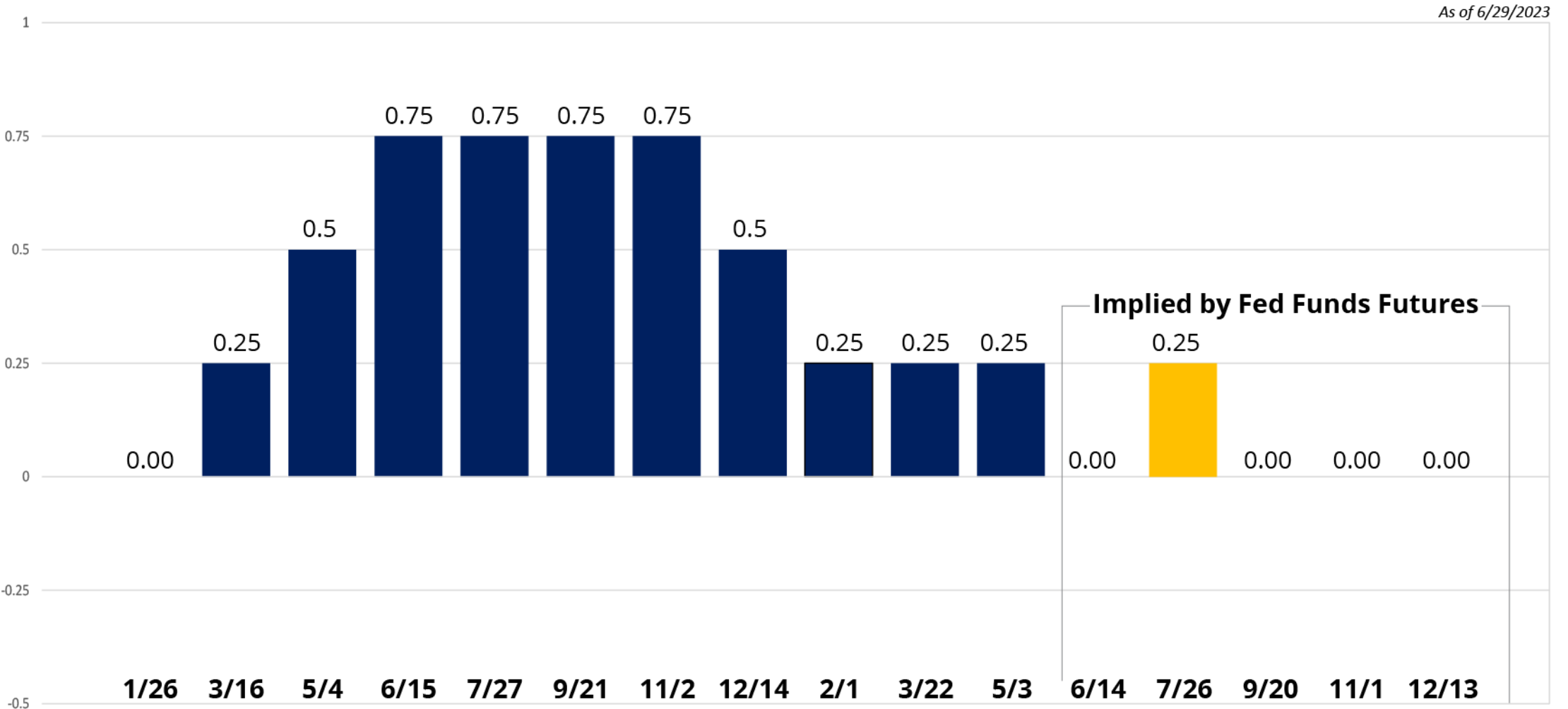
Is the Fed done raising interest rates?

- Raised rates at 10 consecutive meetings
- Increased rates from 0.0%-0.25% to 5.0%-5.25%
- “Skipped” the June meeting
- Markets expecting at least one more hike
- Rate cuts not expected until 2024



One More and Done?

Fed Rate Hikes: Actual and Implied by Fed Funds Futures

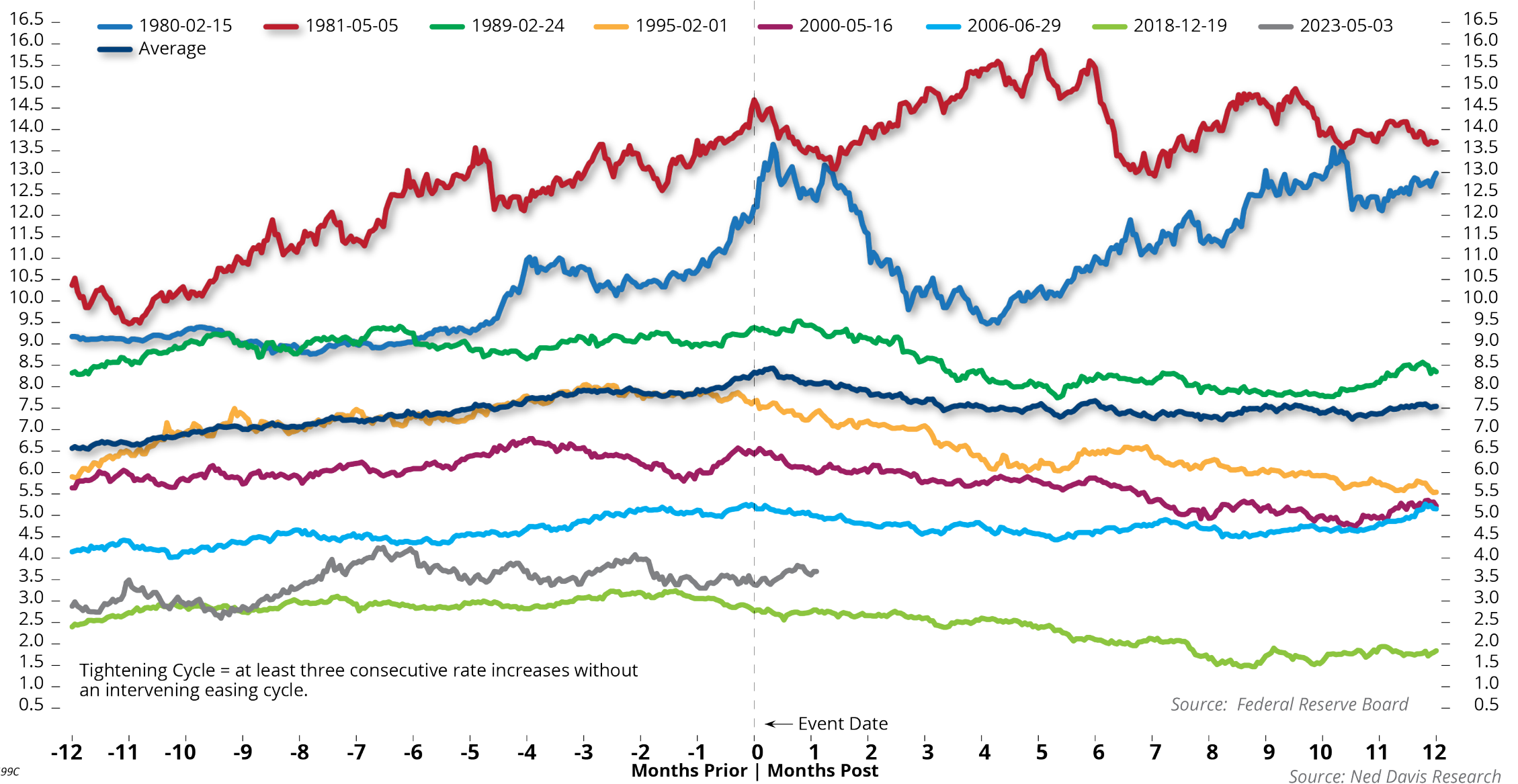


Source: Clark Capital, fred.stlouisfed.org, CME FedWatch Tool

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10-Year Treasury Yield Around End of Fed Tightening Cycle



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S&P 500 Returns and the Fed Funds Rate

Fed Funds Rate	Number of months	Avg Monthly Return	Annualized Return	Worst Month	Return	Best Month	Return
Less than 2%	222	0.96%	12.15%	Oct 2008	-16.94%	Apr 2020	12.68%
Between 2%-4%	173	0.24%	2.92%	Sep 2022	-9.34%	Nov 1962	10.16%
Between 4%-6%	197	1.13%	14.44%	Aug 1998	-14.58%	Jan 1976	11.83%
Greater than 6%	228	0.39%	4.78%	Oct 1987	-21.76%	Oct 1974	16.30%
Total	820	0.69%	8.60%				

Jul 1954 to Oct 2022

For illustrative purposes. Past performance is not indicative of future results. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.



Stock Returns and Economic Metrics under each Fed Chair

Fed Chair	Start	End	S&P 500 CAGR Returns	10yr Treasury Start	10yr Treasury End	GDP	Inflation
Bill Martin	04/02/51	01/31/70	7.6%	2.6%	7.75%	3.9%	2.1%
Arthur Burns	02/01/70	01/31/78	0.6%	7.75%	7.94%	3.1%	6.6%
William Miller	03/08/78	08/06/79	13.4%	8.03%	8.91%	4.9%	11.2%
Paul Volcker	08/06/79	08/11/87	15.6%	8.91%	8.72%	2.9%	5.7%
Alan Greenspan	08/11/87	01/31/06	7.5%	8.72%	4.52%	3.2%	3.1%
Ben Bernanke	02/01/06	01/31/14	4.2%	4.56%	2.64%	1.3%	2.1%
Janet Yellen	02/03/14	02/03/18	12.2%	2.58%	2.84%	2.3%	1.5%
Jay Powell	02/05/18	02/21/23*	8.5%	2.71%	3.95%	2.0%	3.8%

*Current as of 3/1/2023. For illustrative purposes. Past performance is not indicative of future results. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses, or sales charges.



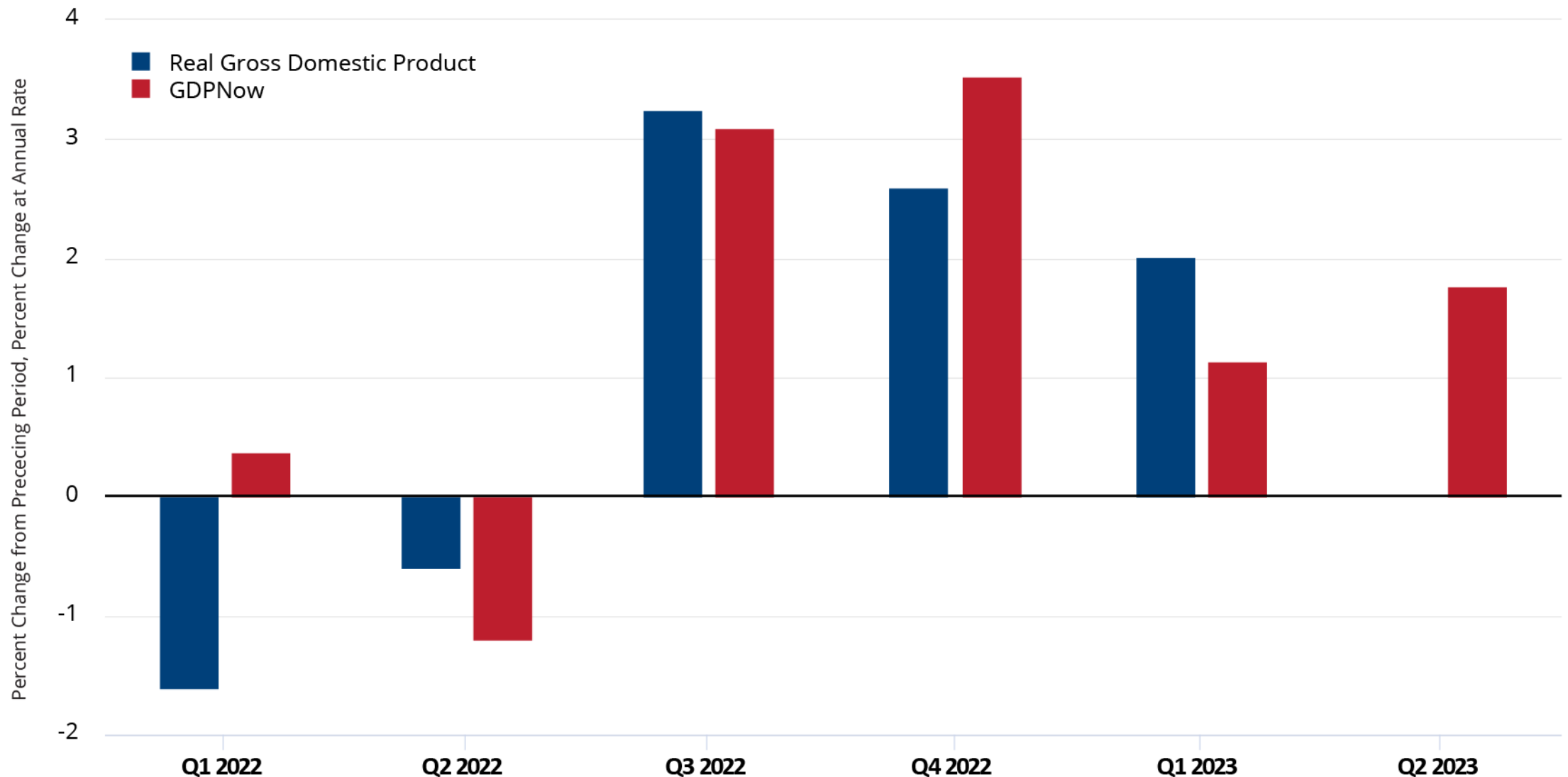
Will there be a Recession in 2023/2024?

- Q1 GDP below trend but positive
- Parts of the economy remain strong, while others have begun to soften
- We believe a slowdown in growth is possible later this year
- We believe the odds of a mild recession are on the rise
- No signs of an “Earnings Recession”



Growth has slowed in 2023

Real Gross Domestic Product vs. GDPNow



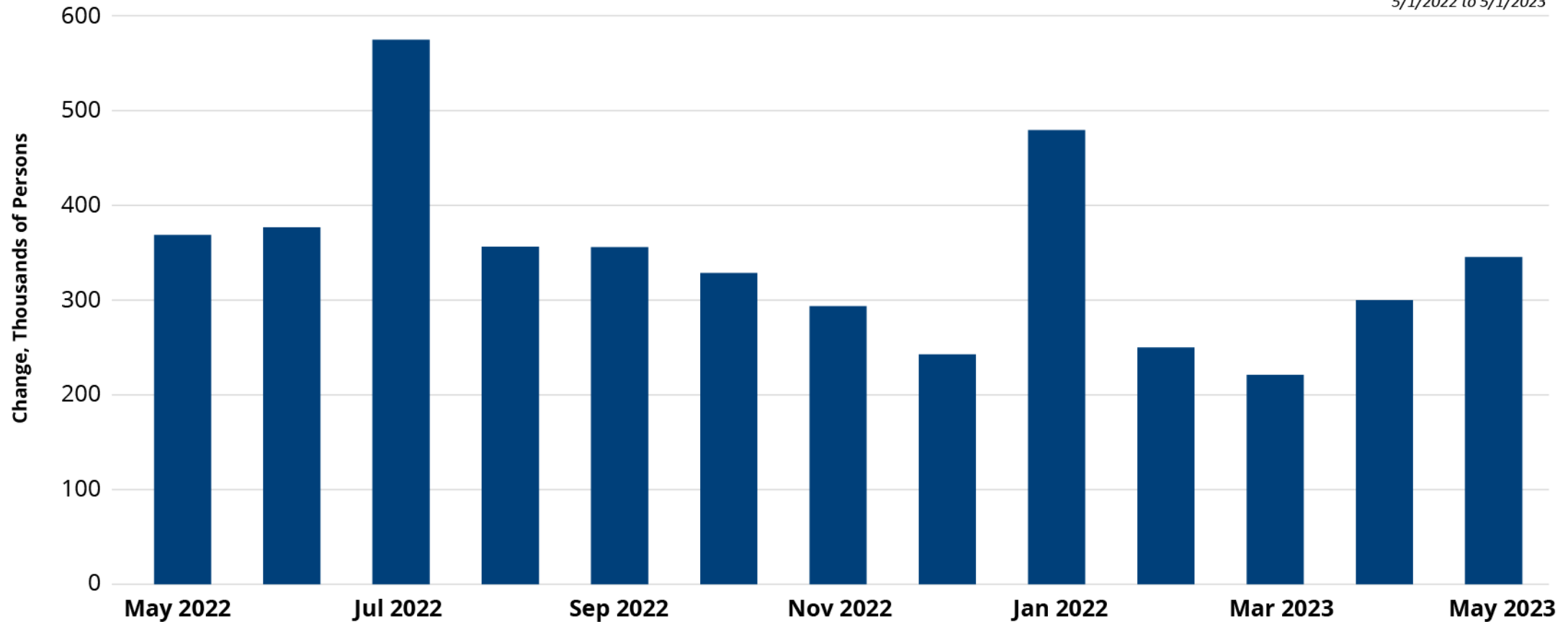
Sources: BEA; Atlanta Fed; fred.stlouisfed.org

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Nonfarm payrolls remain positive

All Employees, Total Nonfarm

5/1/2022 to 5/1/2023



Source: FRED, U.S. Bureau of Labor Statistics

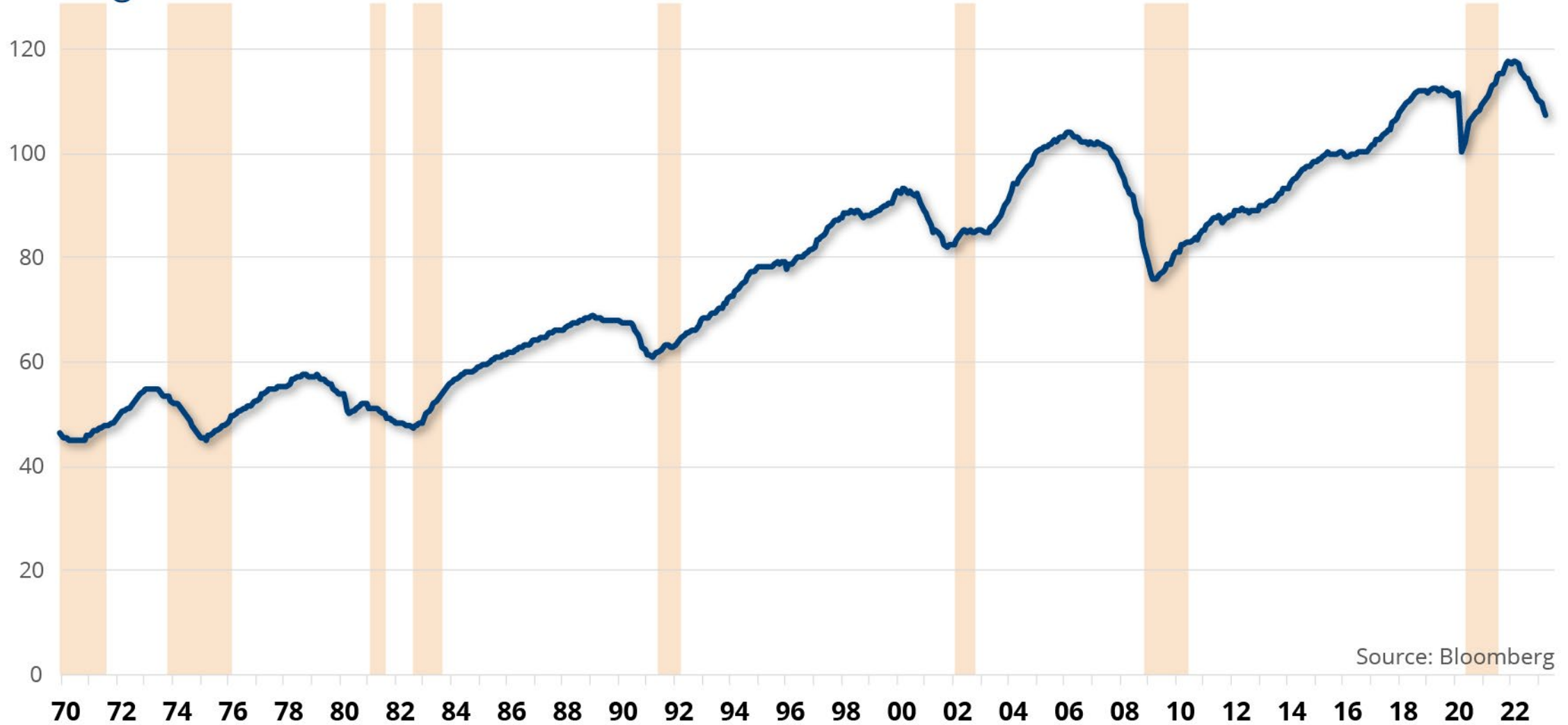
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Some storm clouds on the horizon

Leading Economic Indicators

1/1/1970 to 4/30/2023



Source: Bloomberg

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Timing NBER Recession Declarations

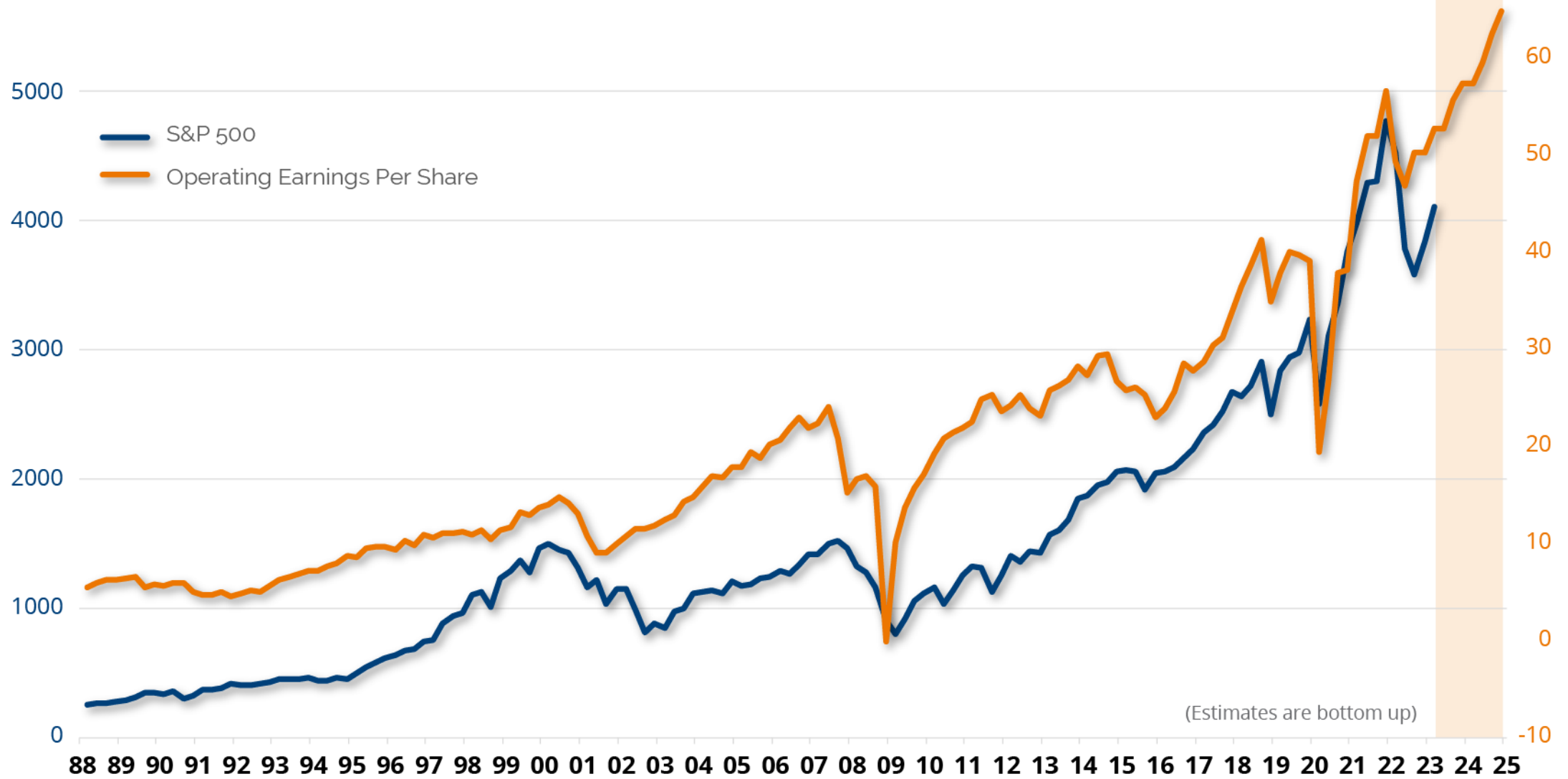
Recession Start Declared	S&P 500	Recession End Declared	S&P 500	Missed Return
06/08/2020	3232	07/19/2021	4258	31.74%
12/01/2008	816	09/20/2010	1143	40.00%
11/26/2001	1157	07/17/2003	982	-15.18%
04/25/1991	379	12/22/1992	440	16.10%
01/06/1982	119	07/08/1983	168	40.59%
06/03/1980	111	07/08/1981	128	16.12%
			Average	21.56%

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S&P 500 & Operating Earnings

3/31/1988 to 12/31/2024 (estimated)



(Estimates are bottom up)

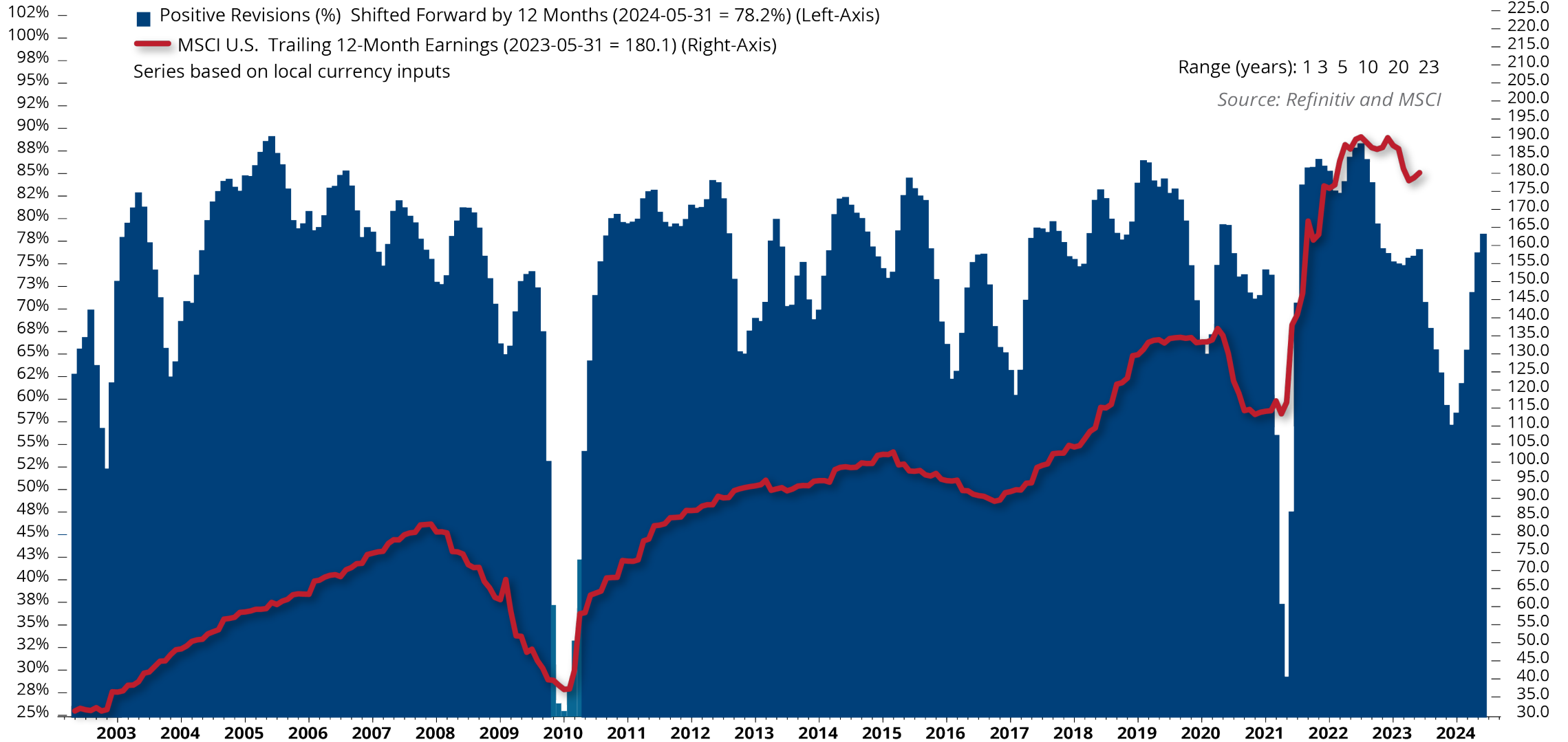
Source: S&P Dow Jones Indices.

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MSCI U.S. Trailing Earnings and % of Companies with Positive Earnings Revisions

Monthly Data 2002-04-30 to 2024-05-31



ICS_27A.RPT

Source: Ned Davis Research

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What About Commercial Real Estate?

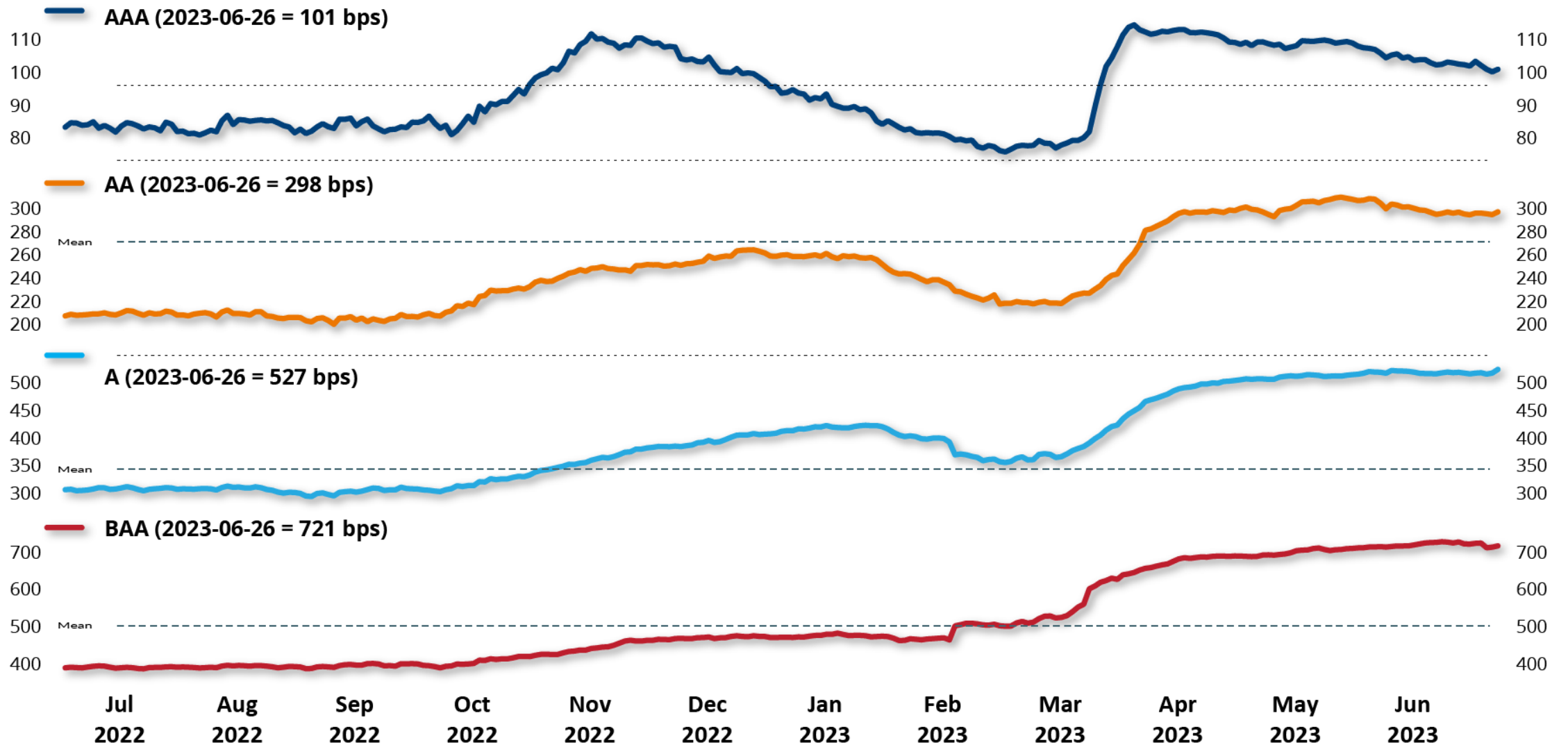
- We believe it is definitely an area to watch
- Higher credit loans holding up well
- Risk seems to be in lower credit loans
- Delinquency and Charge-Off rates are low



CMBS spreads have widened significantly, especially for Baa

OAS for U.S. CMBS by Credit Quality

Daily Data 2022-06-16 to 2023-06-26



OAS = Option-Adjusted Spread

Source: Ned Davis Research

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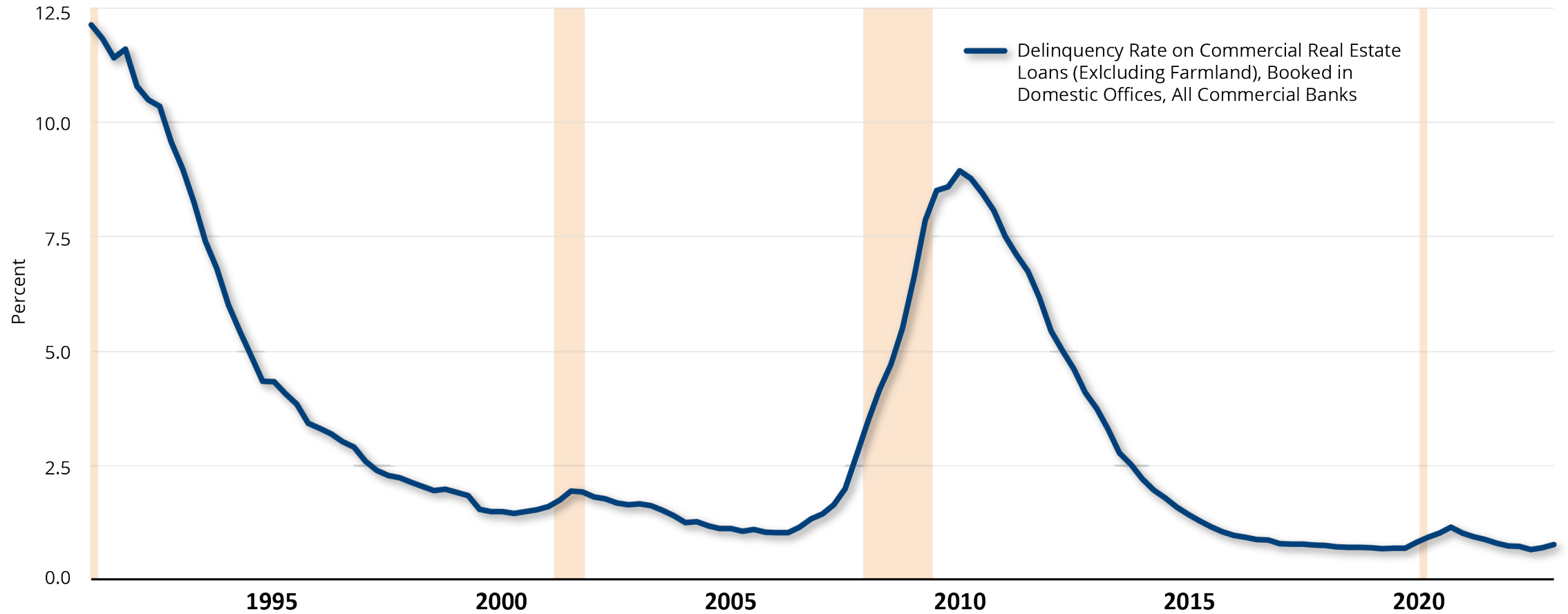
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Delinquency rates on Commercial Real Estate loans are low

Delinquency Rate on Commercial Real Estate Loans (Excluding Farmland),
Booked in Domestic Offices, All Commercial Banks

1/1/1993 to 1/1/2023



Source: Board of Governors of the Federal Reserve System (US)

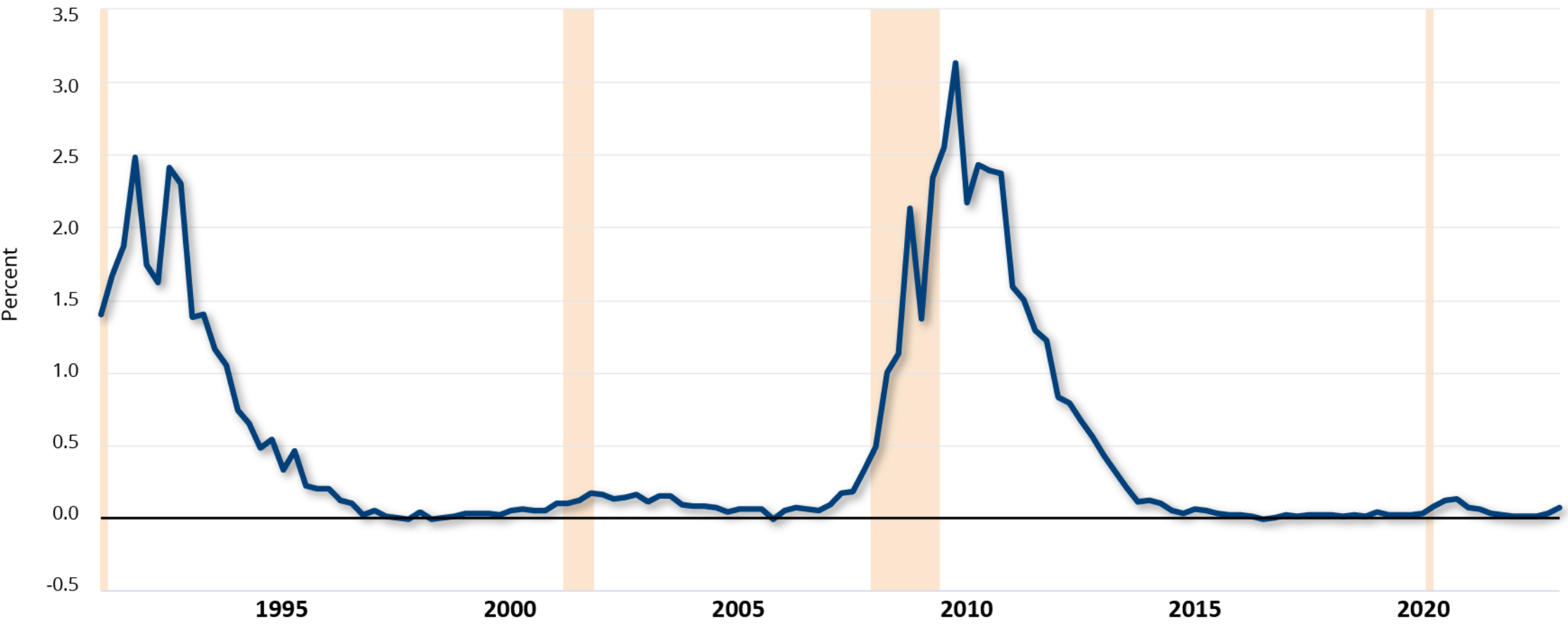


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Charge-Off Rates on Commercial Real Estate loans are also low

Charge-Off Rate on Commercial Real Estate Loans (Excluding Farmland), Booked in Domestic Offices, All Commercial Banks

1/1/1991 to 1/1/2023



Source: Board of Governors of the Federal Reserve System (US)



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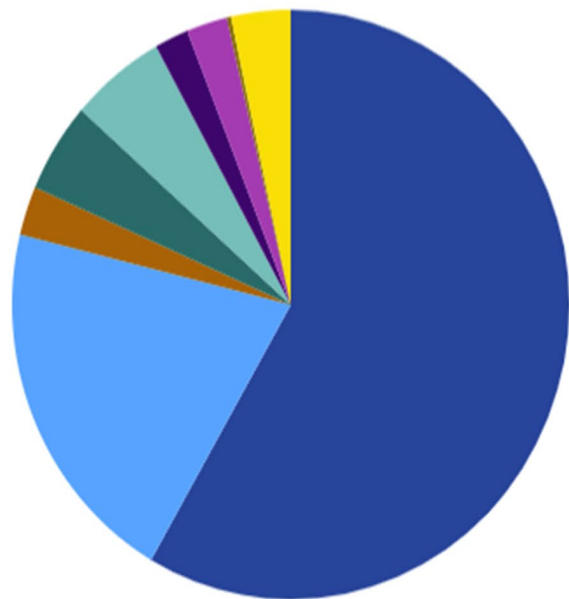
Is the Dollar going to lose its Reserve Status?

- Widely used by Central Banks around the World
- Accounts for ~60% of foreign exchange reserves
- Accounts for ~90% of all foreign exchange transactions
- Can be a safe haven during times of crisis



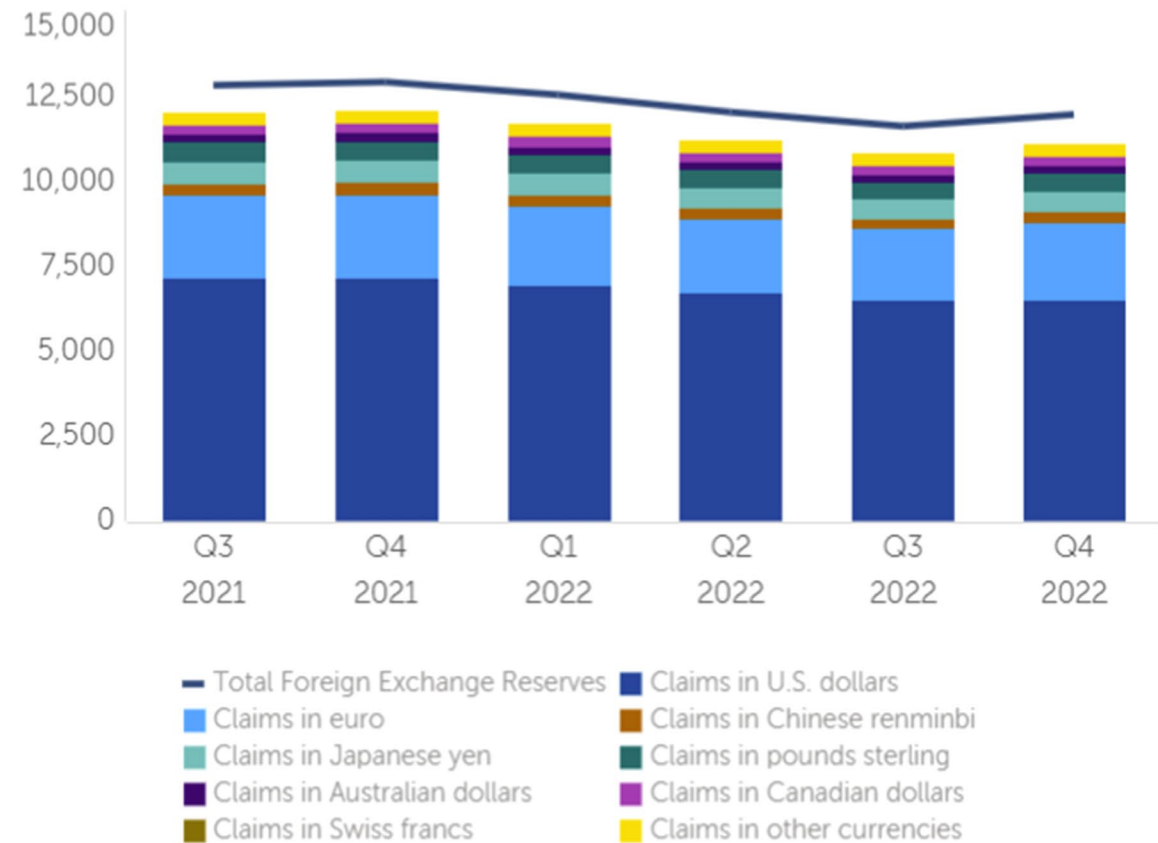
Foreign Exchange Reserves

World – Allocated Reserves by Currency for 2022 Q4



- U.S. dollars
- Euro
- Chinese renminbi
- Pounds sterling
- Japanese yen
- Australian dollars
- Canadian dollars
- Swiss francs
- Other currencies

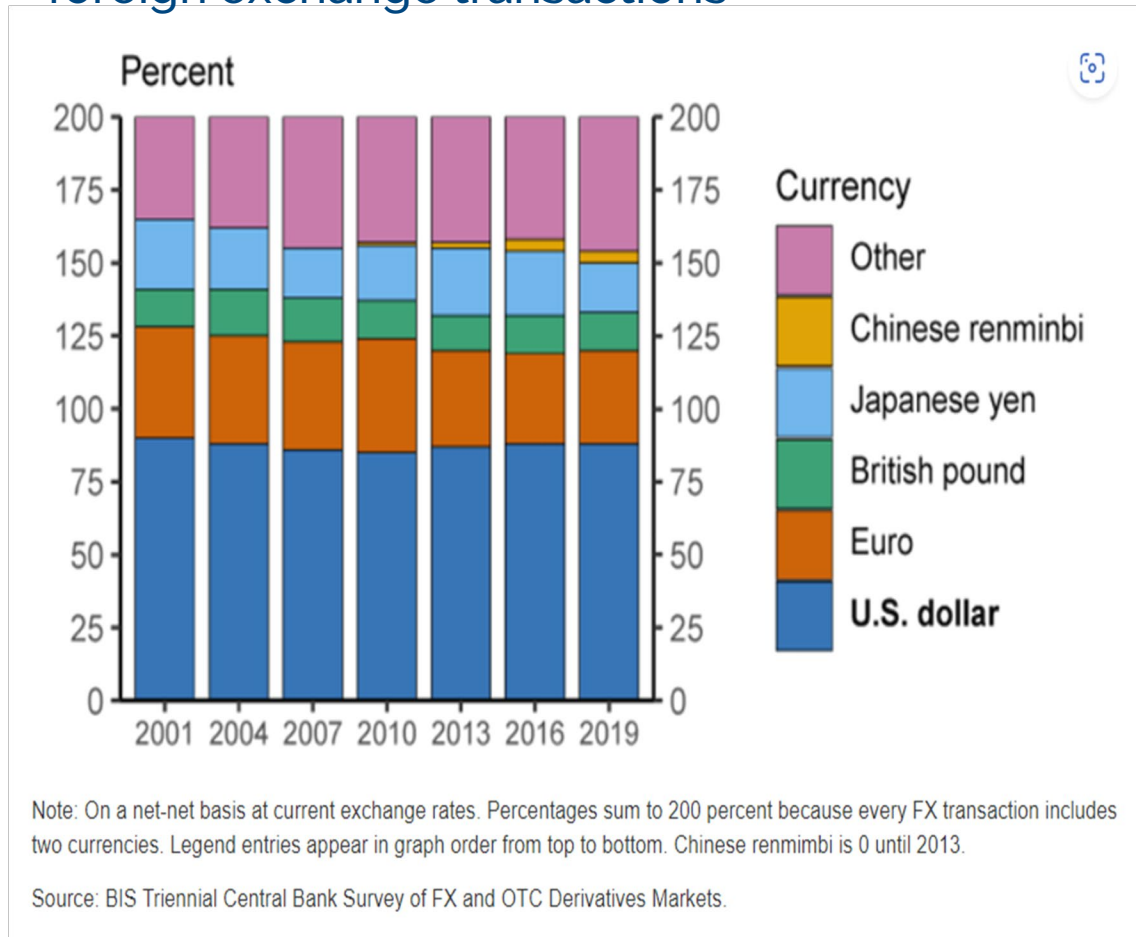
World – Official Foreign Exchange Reserves by Currency (U.S. Dollars, Billions)



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Foreign Exchange Transactions

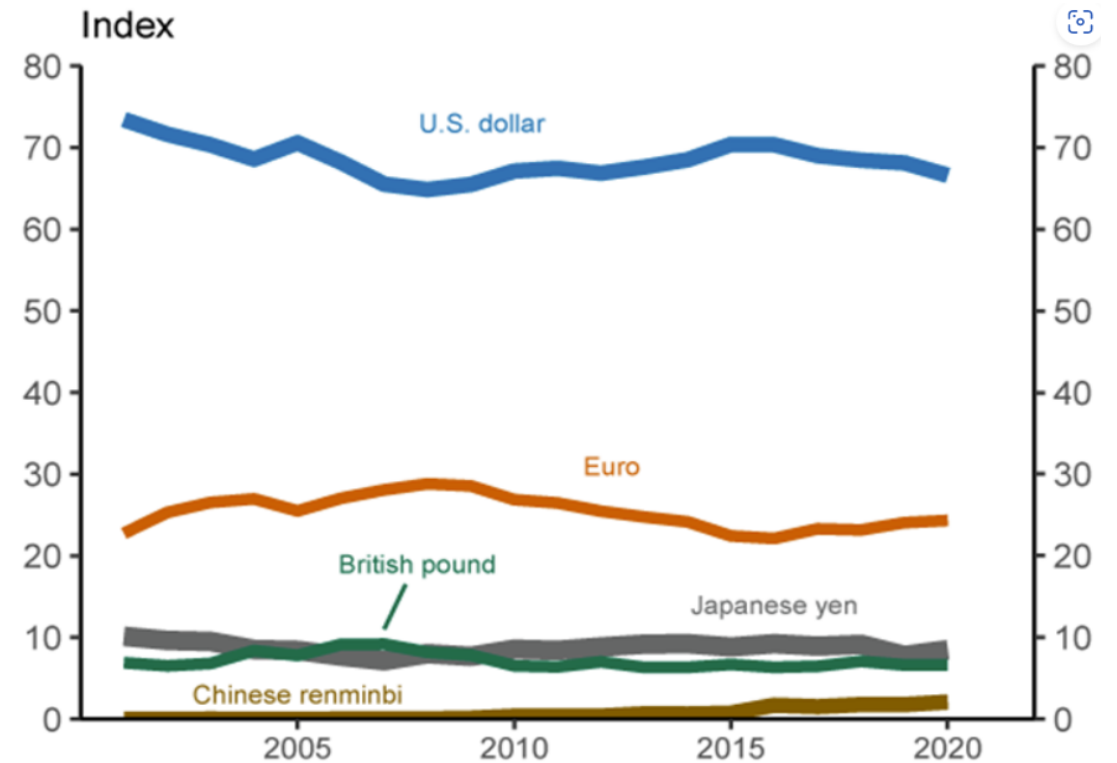
Share of over-the-counter foreign exchange transactions



For illustrative purposes. Past performance is not indicative of future results.

Source: FederalReserve.gov

Index of international currency usage



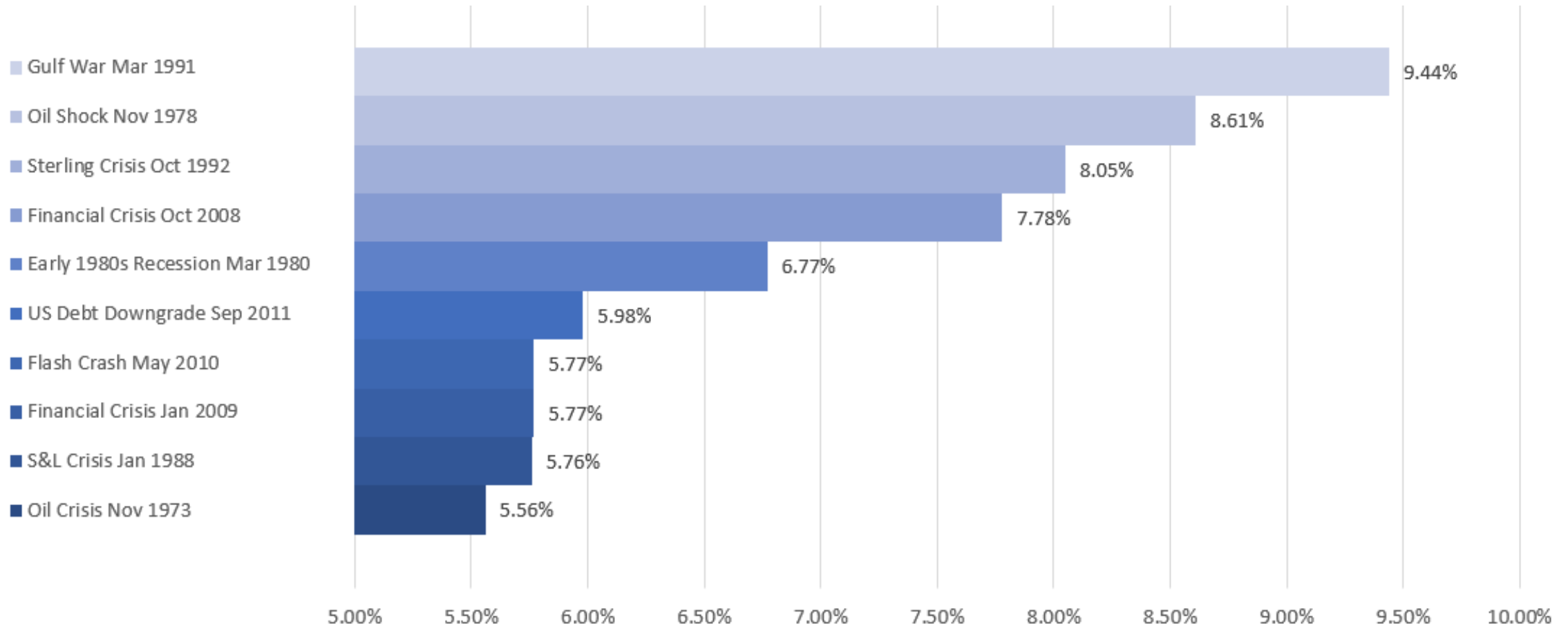
Note: Index is a weighted average of each currency's share of globally disclosed FX reserves (25 percent weight), FX transaction volume (25 percent), foreign currency debt issuance (25 percent), foreign currency and international banking claims (12.5 percent), and foreign currency and international banking liabilities (12.5 percent).

Source: IMF COFER; BIS Triennial Central Bank Survey of FX and OTC Derivatives Market; Dealogic; Refinitiv; BIS locational banking statistics; Board staff calculations.



US Dollar Can be a Save Haven

Biggest Monthly Gains in USD

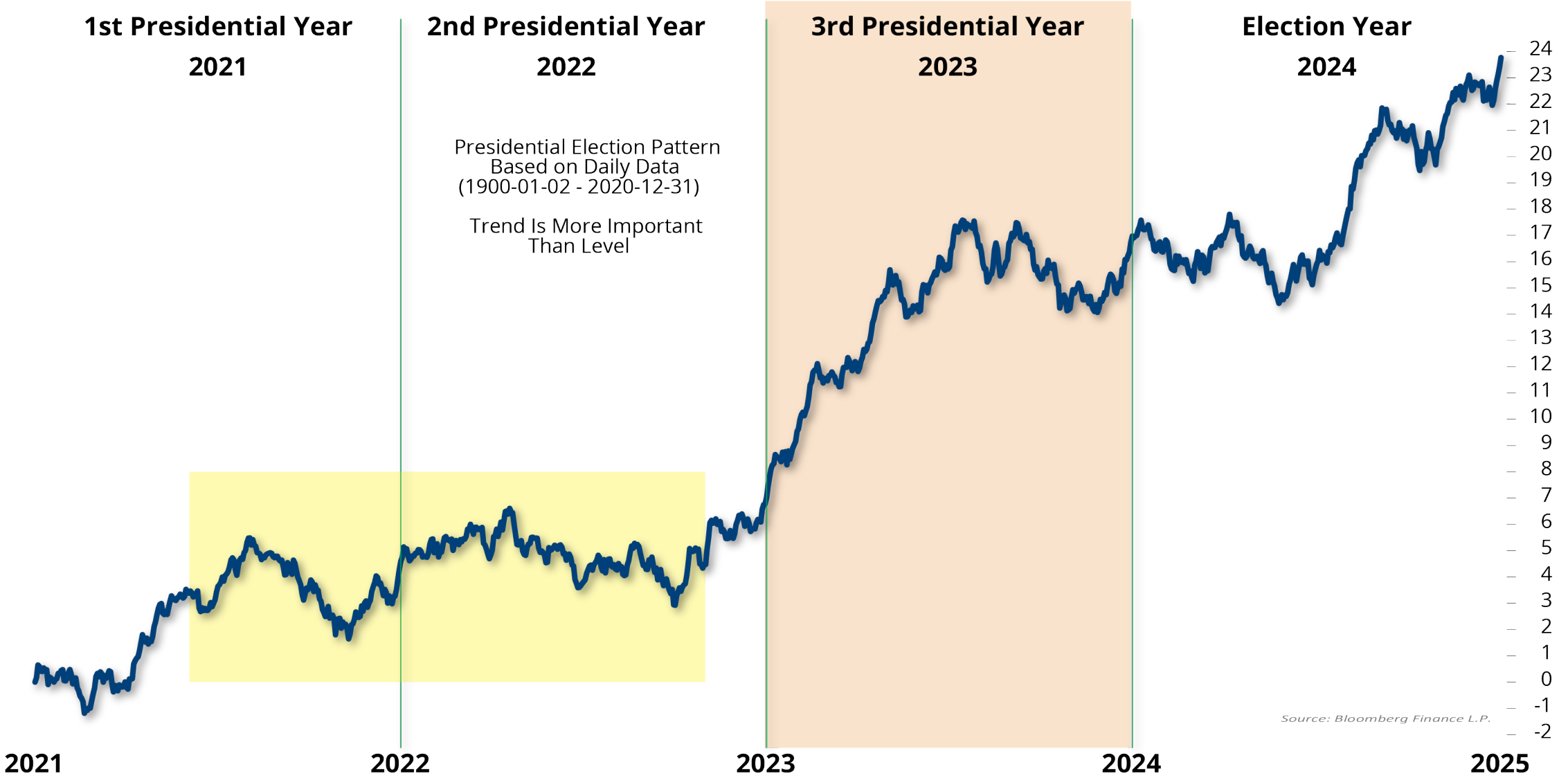


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How will the 2024 Election impact the Markets?



Dow Industrials Four-Year Presidential Cycle

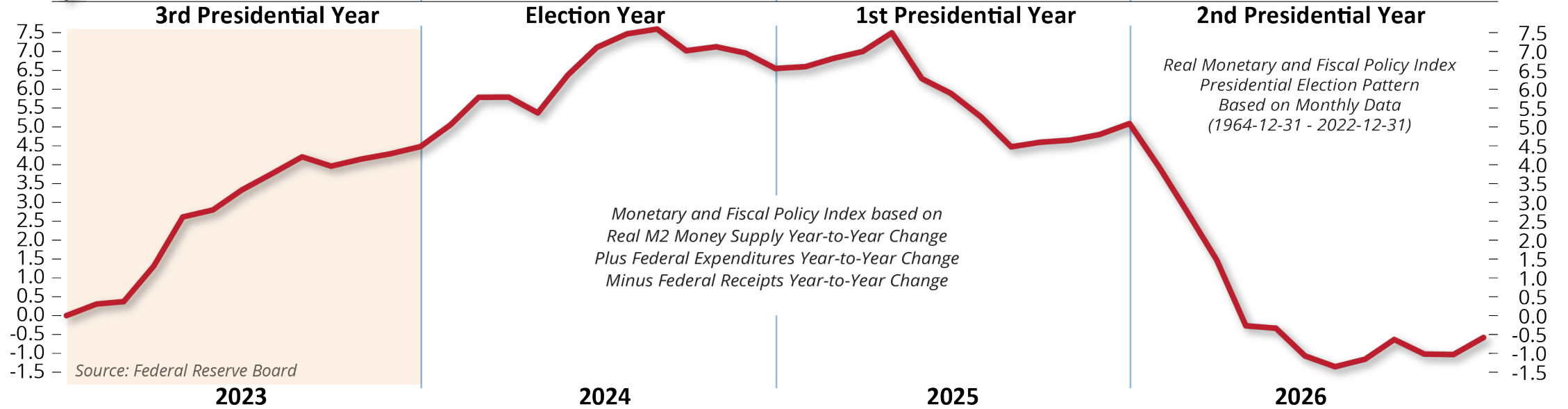
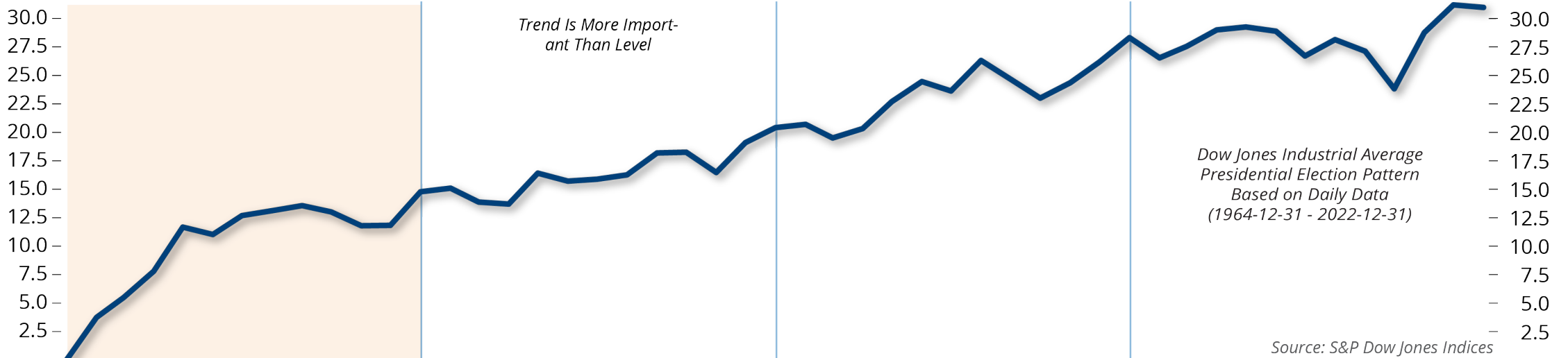


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DJIA and Monetary & Fiscal Policy Presidential Cycles



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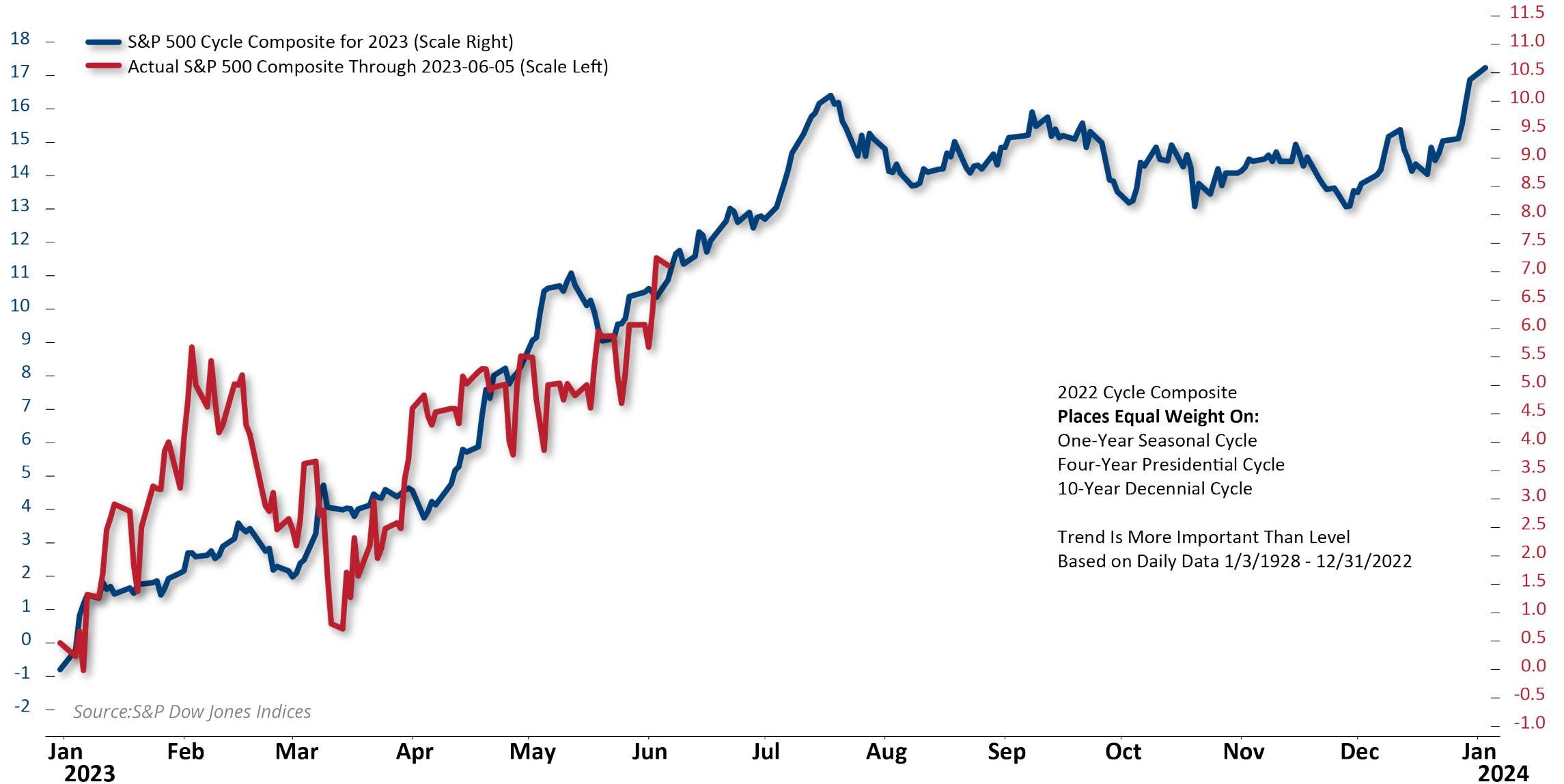
Source: Ned Davis Research

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S&P 500 Cycle Composite for 2023

Daily Data 2021-12-31 to 2024-01-02



Source: S&P Dow Jones Indices

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Source: Ned Davis Research

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Q&A



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Investing involves risk, including loss of principal.

Fixed incomes securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase) and inflation risk (rising prices will lower the purchasing power of the investment at maturity).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Foreign securities are more volatile, harder to price and less liquid than U.S. securities. They are subject to different accounting and regulatory standards and political and economic risks. These risks are enhanced in emerging market countries.

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Benchmark Descriptions

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an “index”) are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The 10-year Treasury yield is closely watched as an indicator of broader investor confidence. Because Treasury bills, notes, and bonds carry the full backing of the U.S. government, they are viewed as one of the safest investments.

A leading indicator is a measurable set of data that may help to forecast future economic activity. Leading economic indicators can be used to predict changes in the economy before the economy begins to shift in a particular direction. They have the potential to be useful for businesses, investors, and policy makers.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

The volatility (beta) of an account may be greater or less than its respective benchmark.

Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

GDPNow is a forecasting model that provides a "nowcast" of the official GDP estimate prior to its release by estimating GDP growth using a methodology similar to the one used by the

U.S. Bureau of Economic Analysis.

The nonfarm payroll measures the number of workers in the U.S. except those in farming, private households, proprietors, non-profit employees, and active military.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 638 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

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

The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses Treasury yields for the risk-free rate.

Commercial mortgage-backed securities (CMBS) are fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate.

The Daily Moving Average is a technical indicator used to analyze price trends over a security's average closing price over a period of time.

