2022 ECONOMIC OUTLOOK AND FINANCIAL MARKET UPDATE

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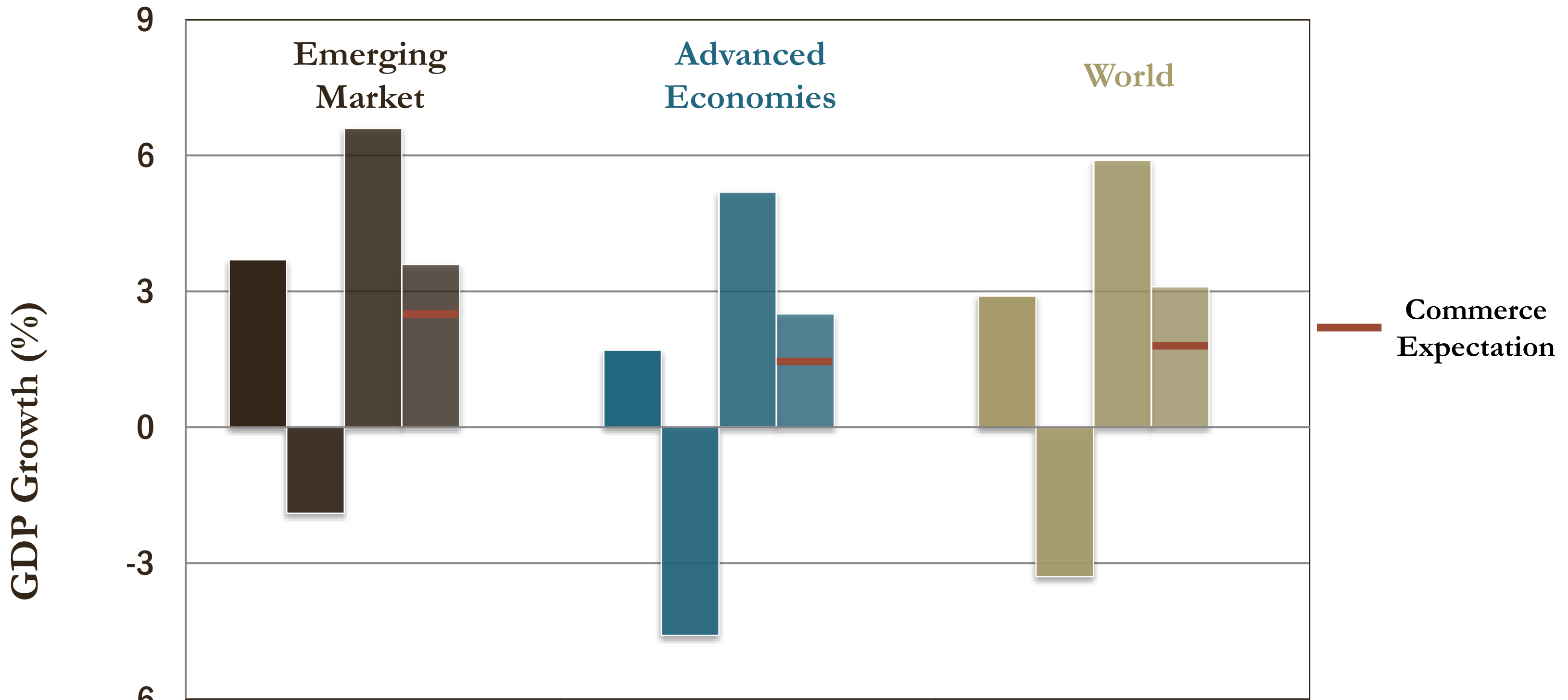
GLOBAL GROWTH COOLING RAPIDLY

(GROWTH LIKELY TO DECLINE EVEN FURTHER)

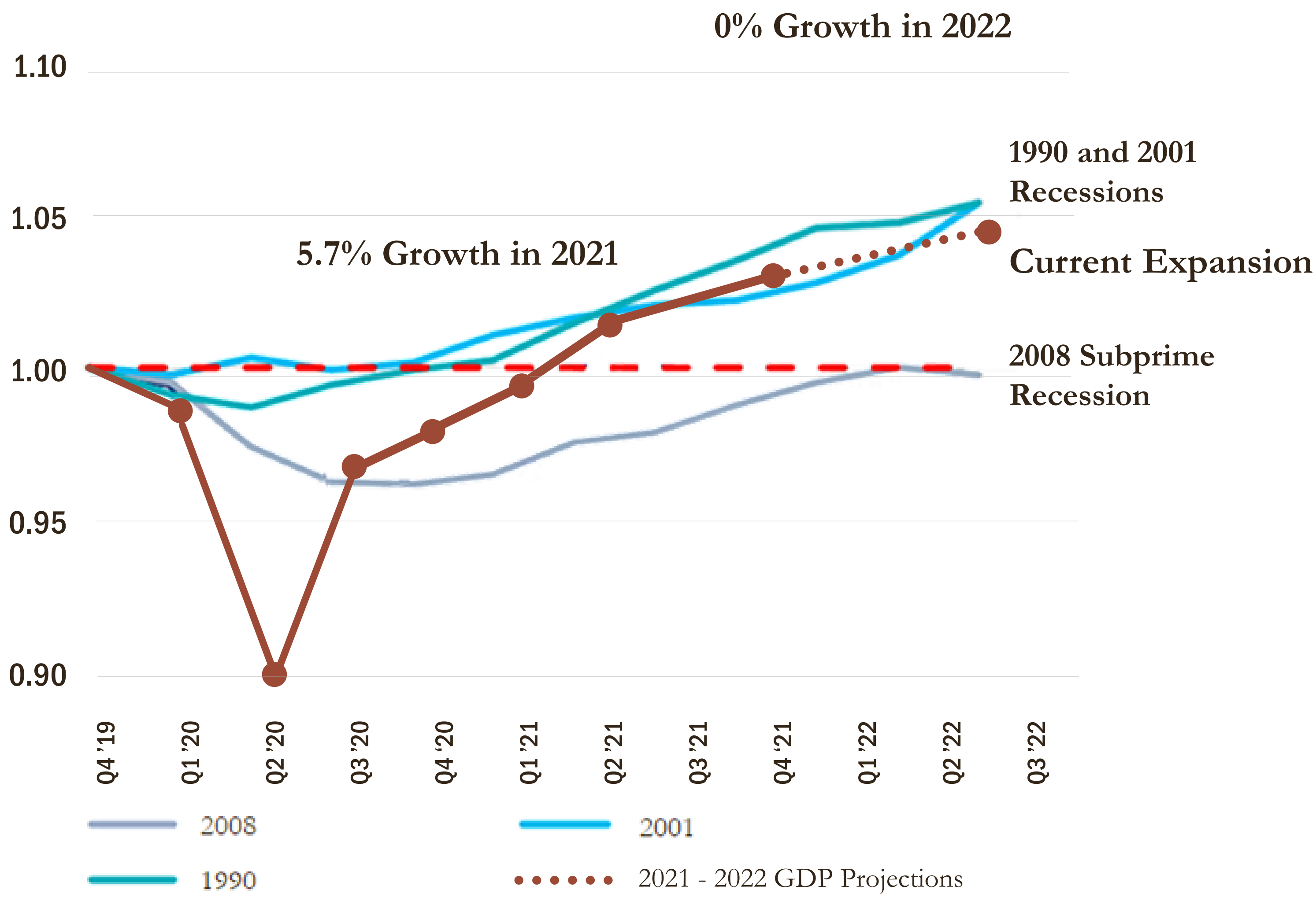


	EMERGING MARKET/DEVELOPING ECONOMIES	ADVANCED ECONOMIES	WORLD
2019	3.7	1.7	2.9
2020	-1.9	-4.6	-3.3
2021	6.6	5.2	5.9
2022* (P)	3.6	2.5	3.1
COMMERCE	2.5	1.5	1.9

Source: International Monetary Fund, World Bank

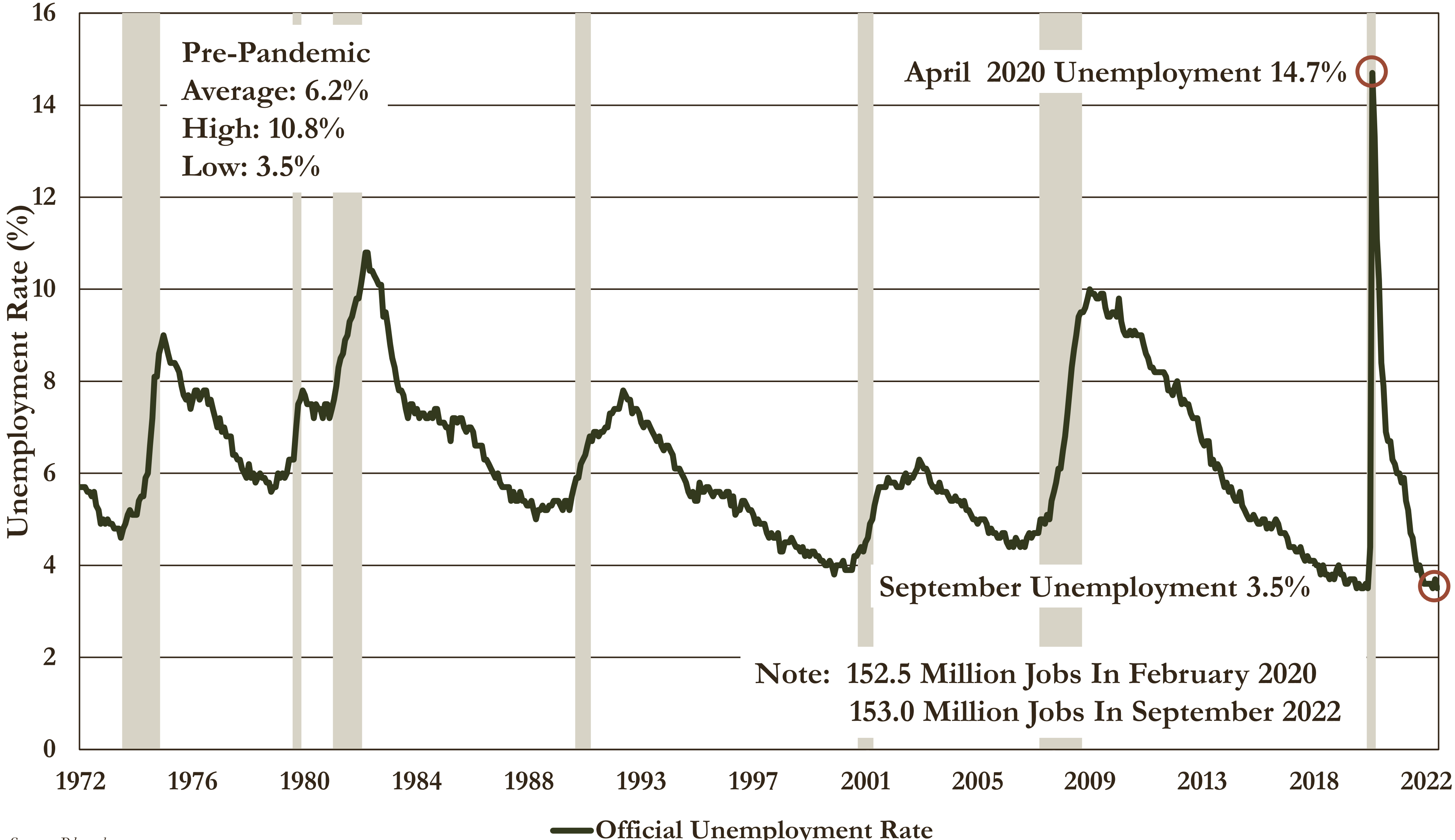
**Projections based on average of both sources*

U.S. GDP PLUNGED, RECOVERED QUICKLY – BUT NOW SLOWS



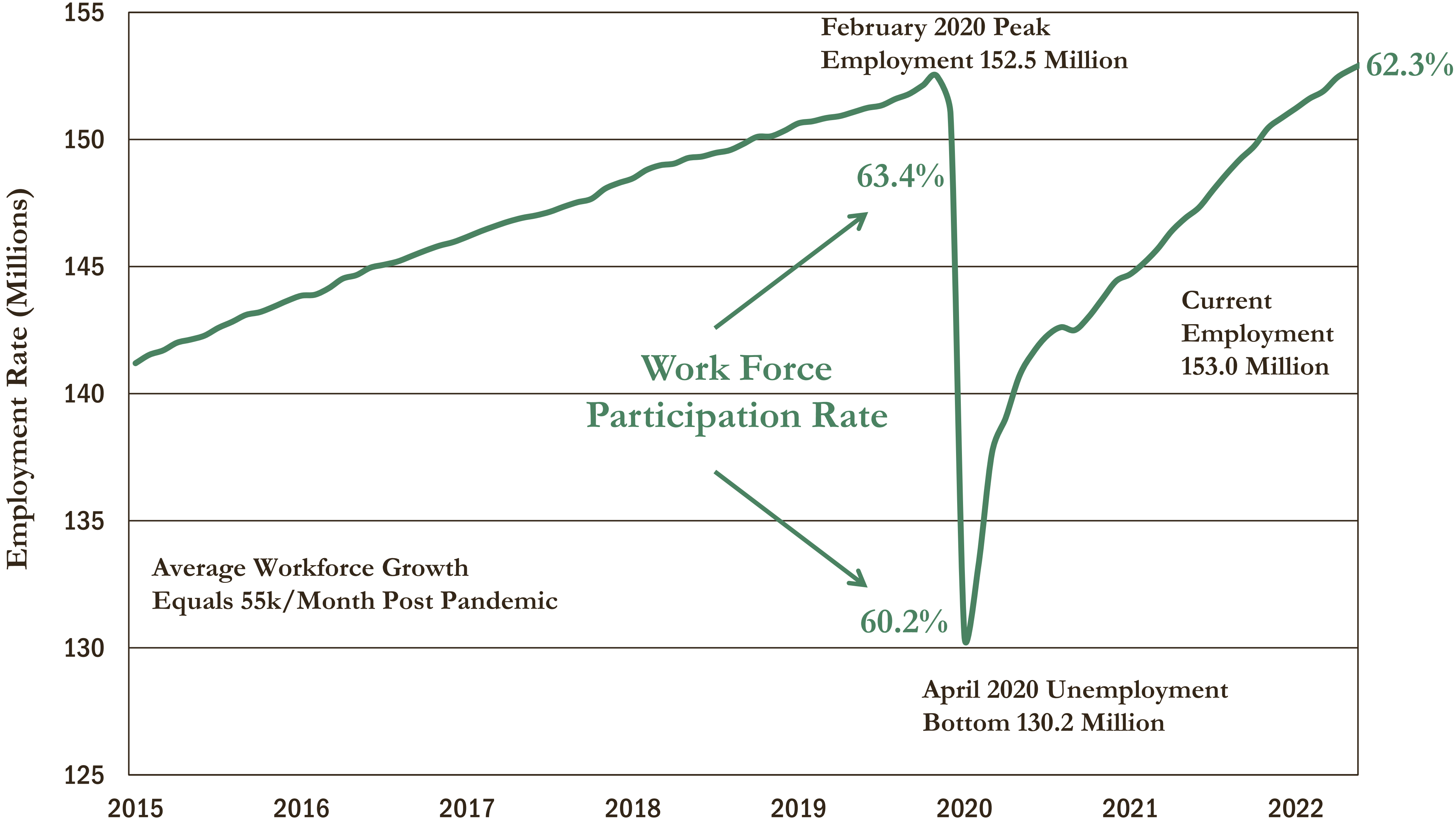
Source: Citi Research, Commerce Trust Company

OFFICIAL UNEMPLOYMENT RATE
(LOWER THAN NORMAL DUE TO LESS WORKFORCE PARTICIPATION)



Source: Bloomberg

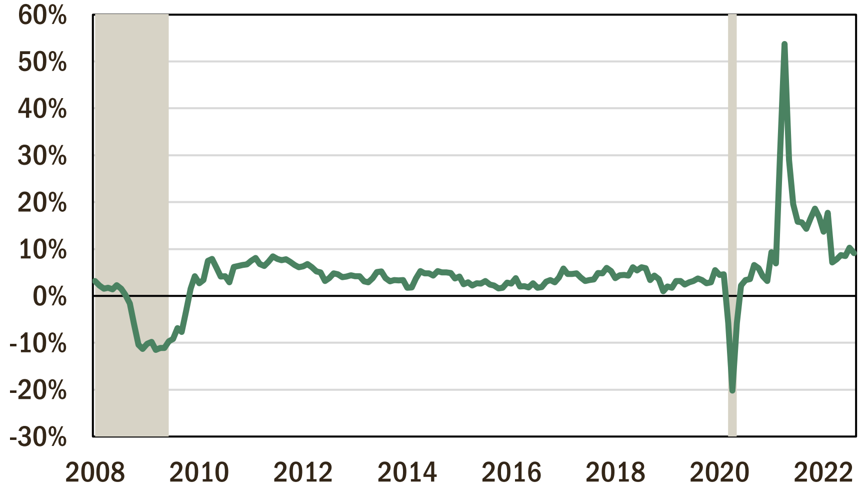
TOTAL NON-FARM EMPLOYMENT



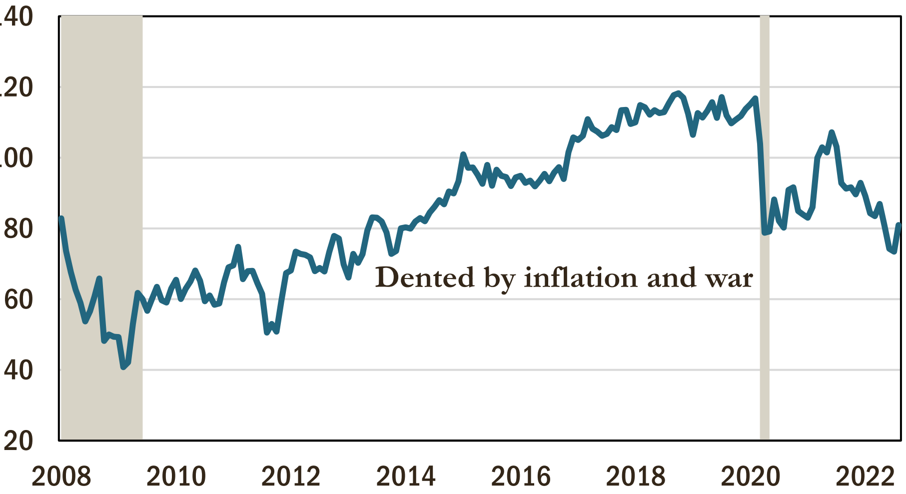
Source: Bloomberg

CONSUMER –RATTLED BY INFLATION

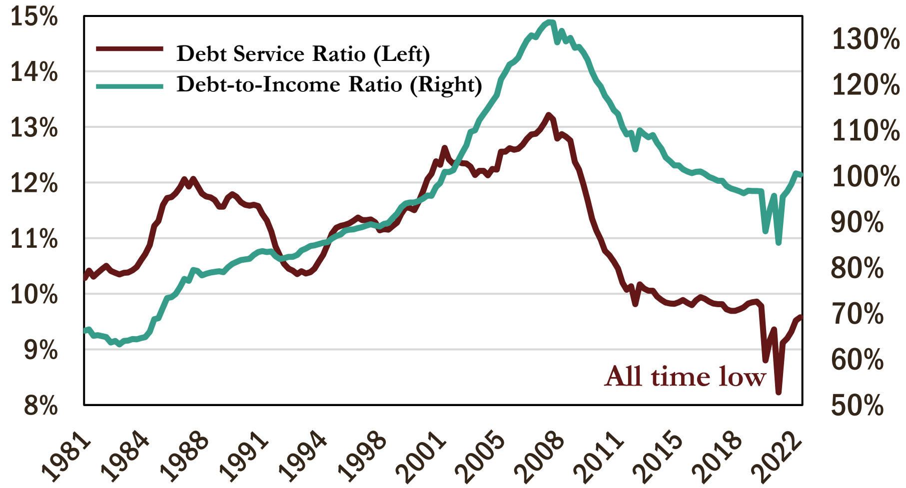
RETAIL SALES (YOY%)



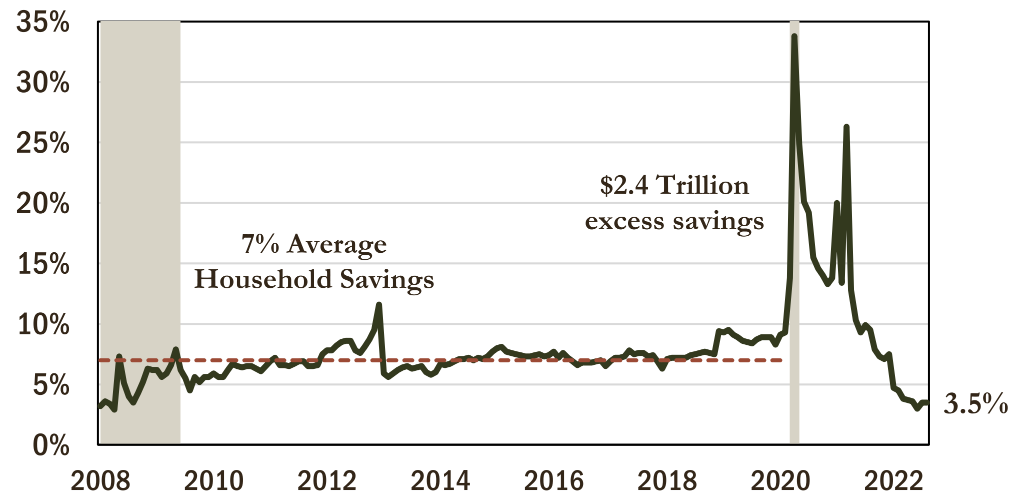
CONSUMER CONFIDENCE*



CONSUMER BALANCE SHEETS



HOUSEHOLD SAVINGS

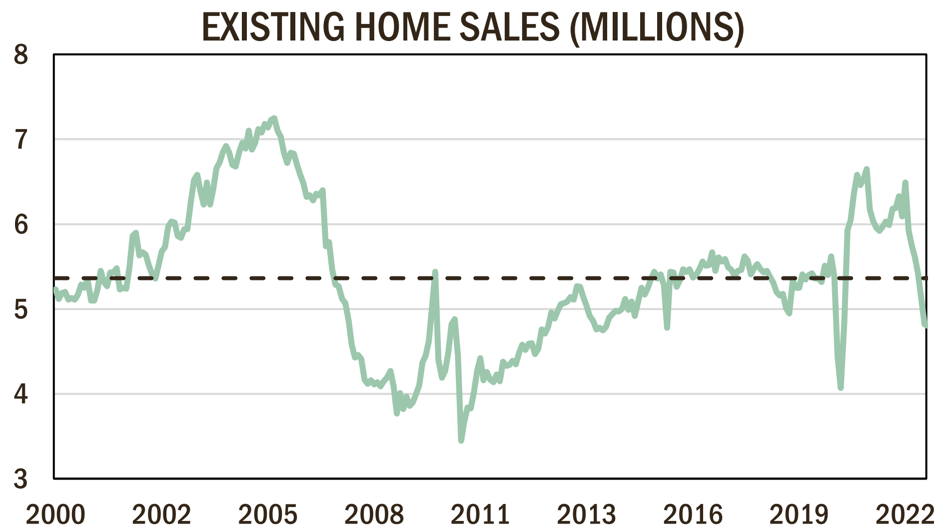


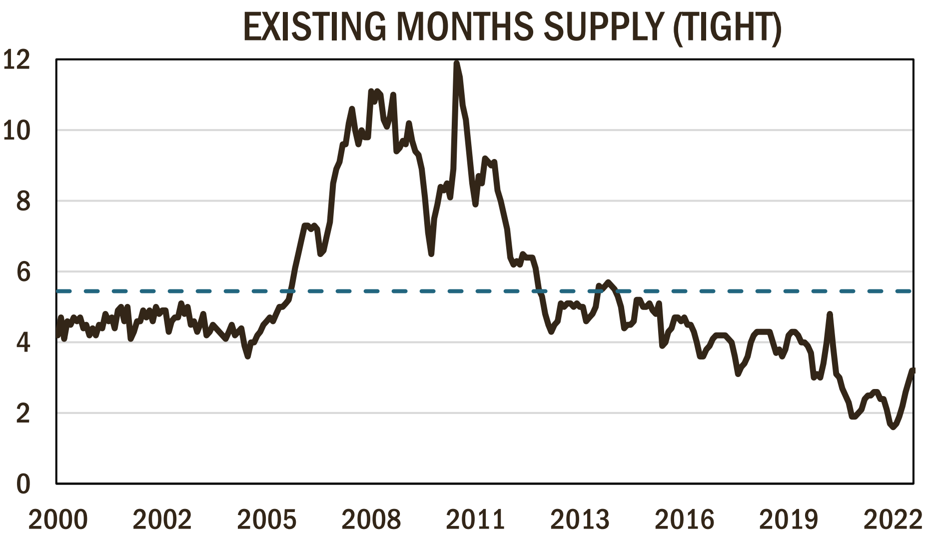
Source: Bloomberg, FRB, BEA, Goldman Sachs Global Investment Research, Baird

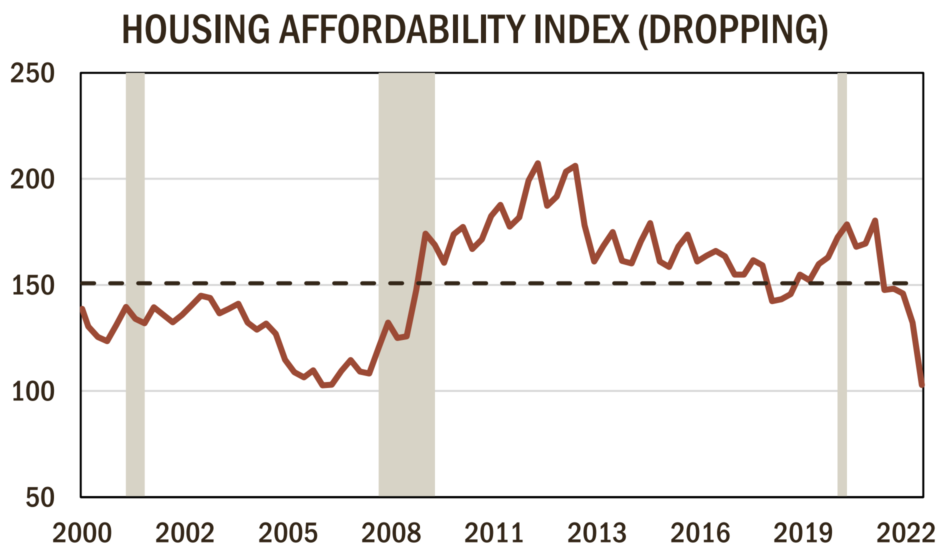
**Consumer Confidence is the avg. of the Conference Board Consumer Index and the University of Michigan Consumer Sentiment Index*

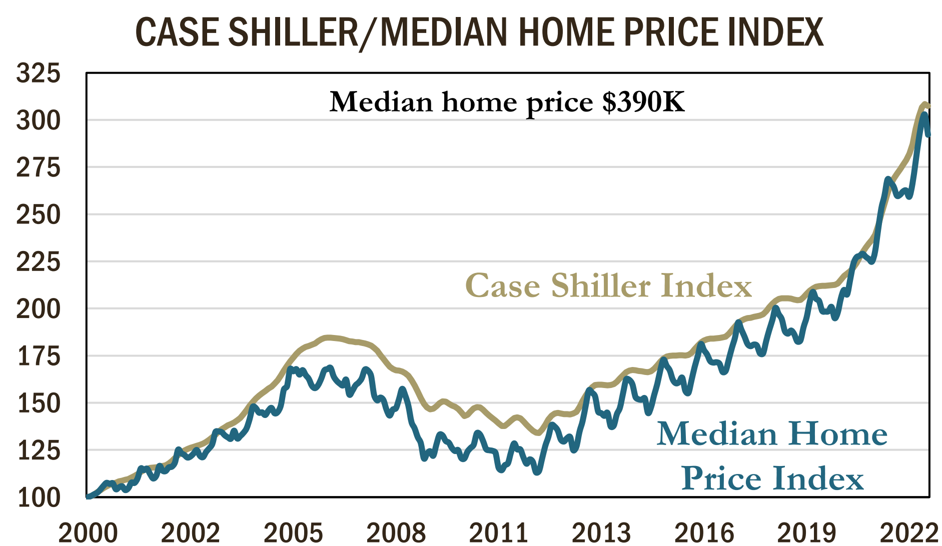
HOUSING MARKET IS CLEARLY FADING

(AFFORDABILITY TIED TO THE 10 YEAR TREASURY)





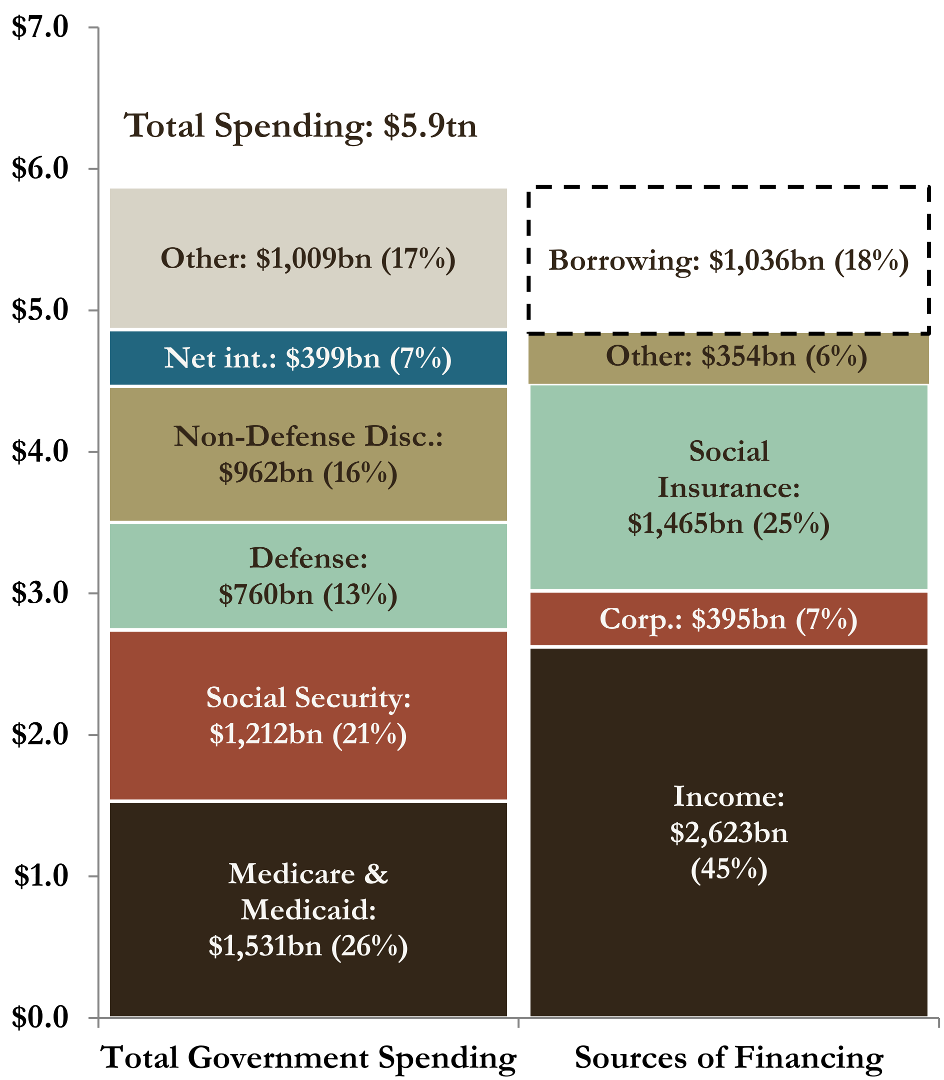




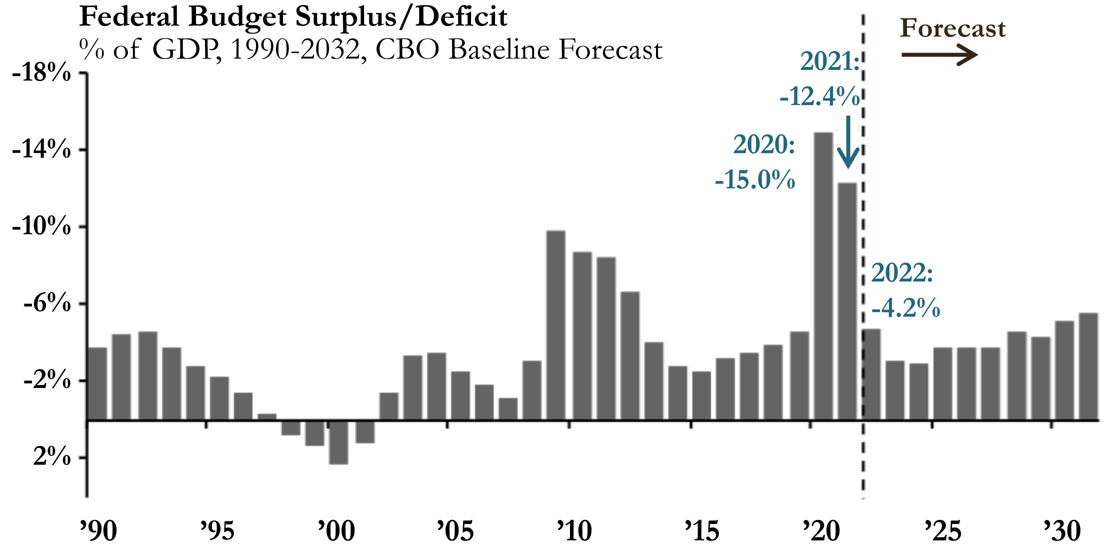
Source: Bloomberg, Baird

LIMITATIONS ON FISCAL POLICY

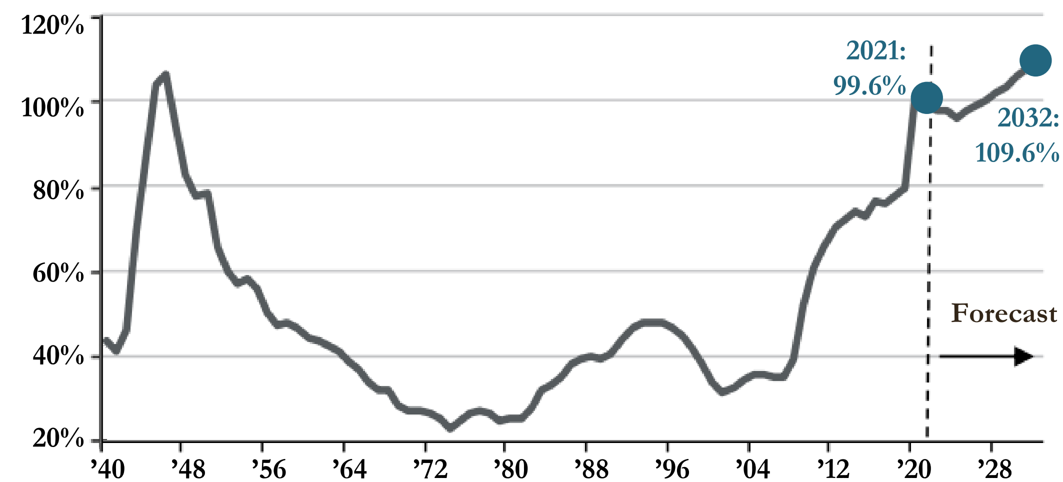
The 2022 Federal Budget,
CBO Baseline Forecast, USD Trillions



Federal Budget Surplus/Deficit
% of GDP, 1990-2032, CBO Baseline Forecast

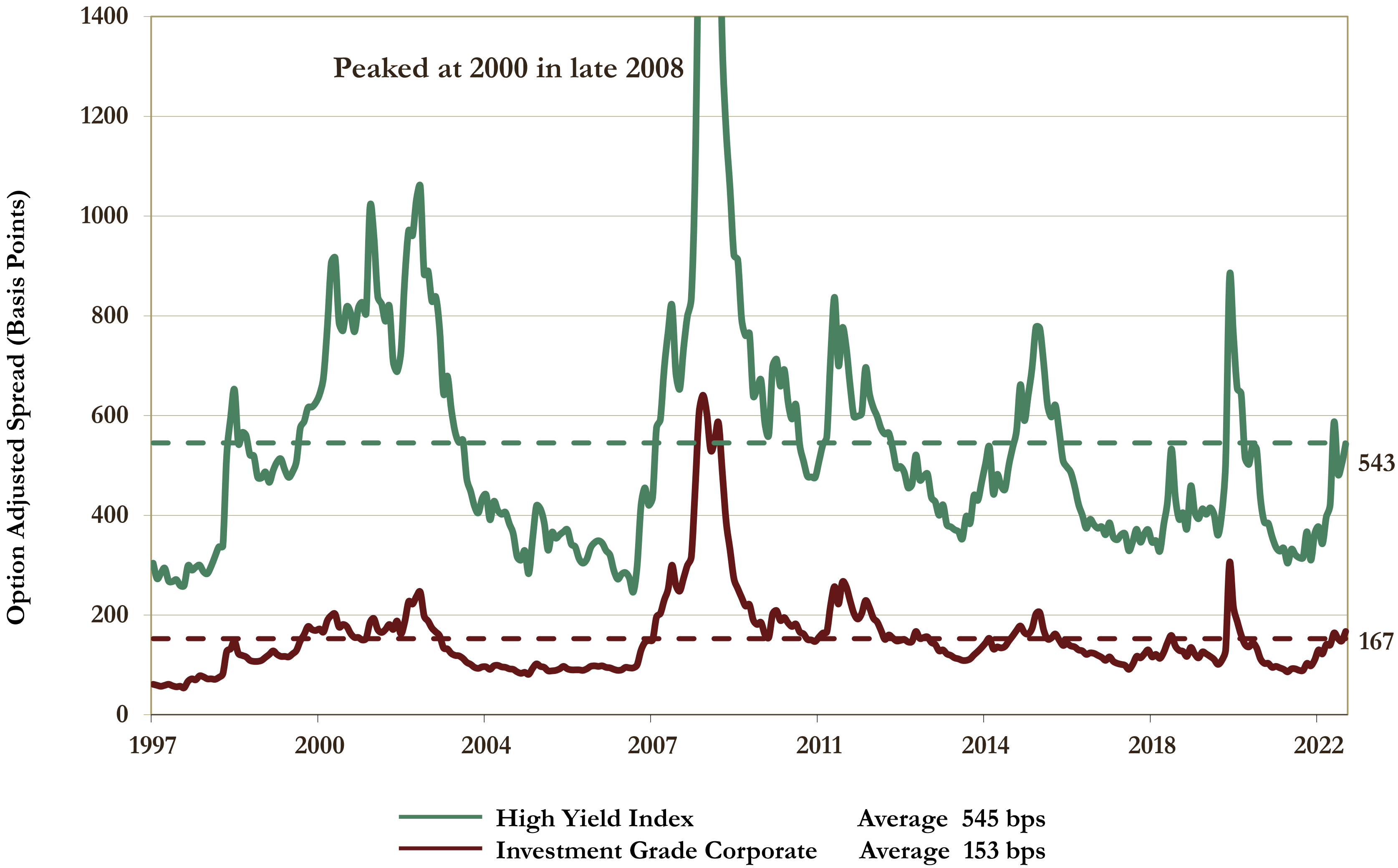


Federal Net Debt (accumulated deficits)
% of GDP, 1940-2032, CBO Baseline, End of Fiscal Year



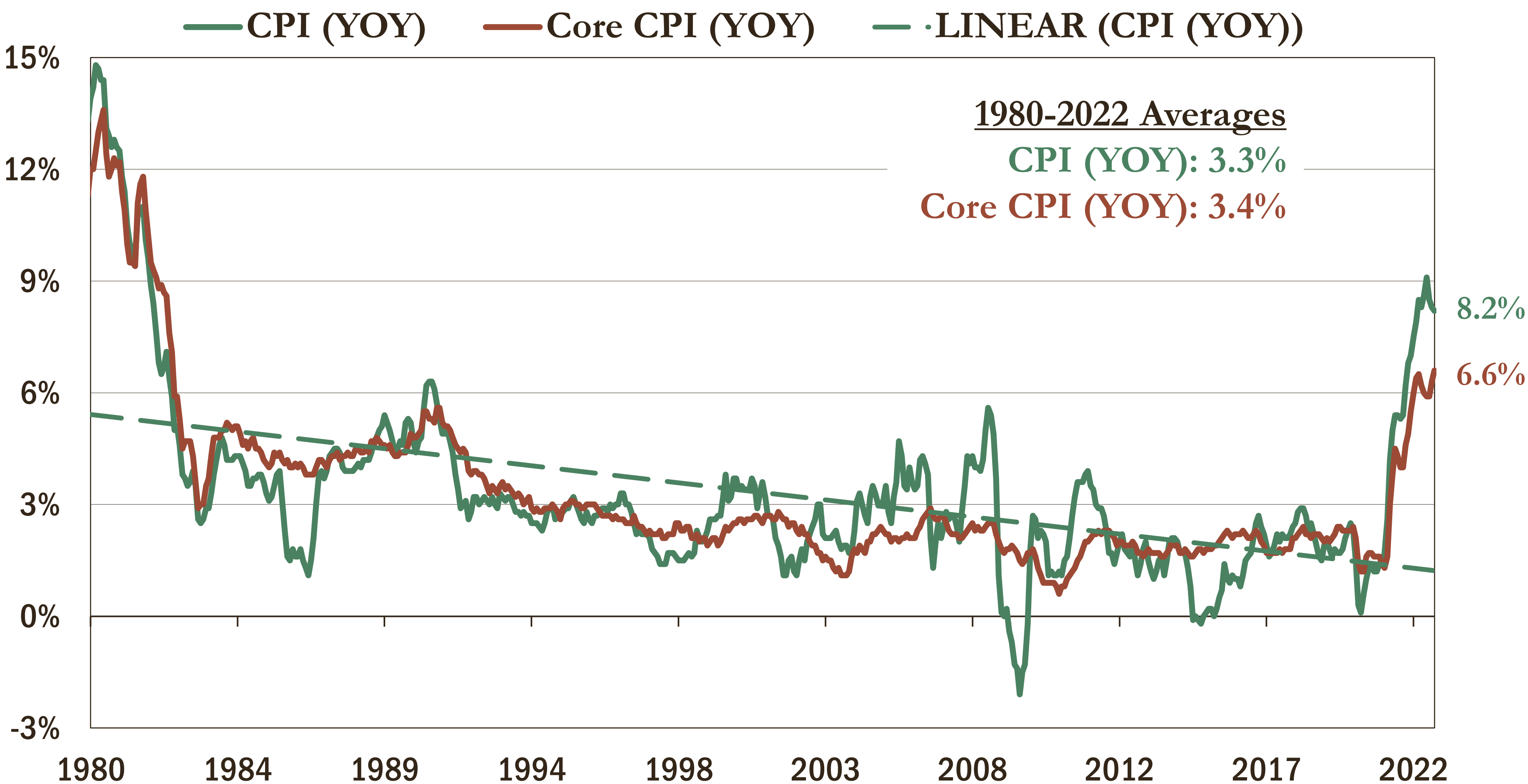
Source: JP Morgan, CBO, BEA, Treasury Dept

CORPORATE CREDIT SPREADS – *1/31/97 through 09/30/22*



Source: Bloomberg, ICE BofA ML

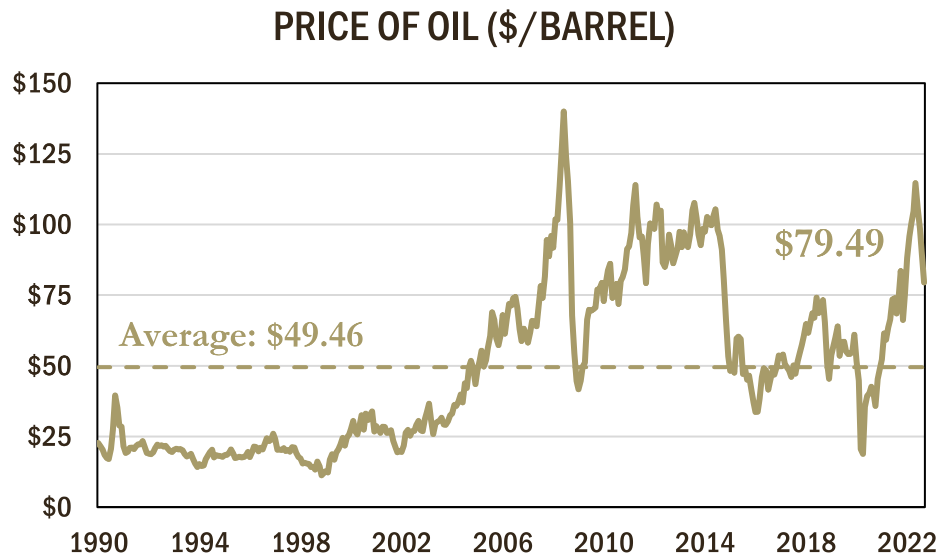
INFLATION – PROBABLY PEAKED

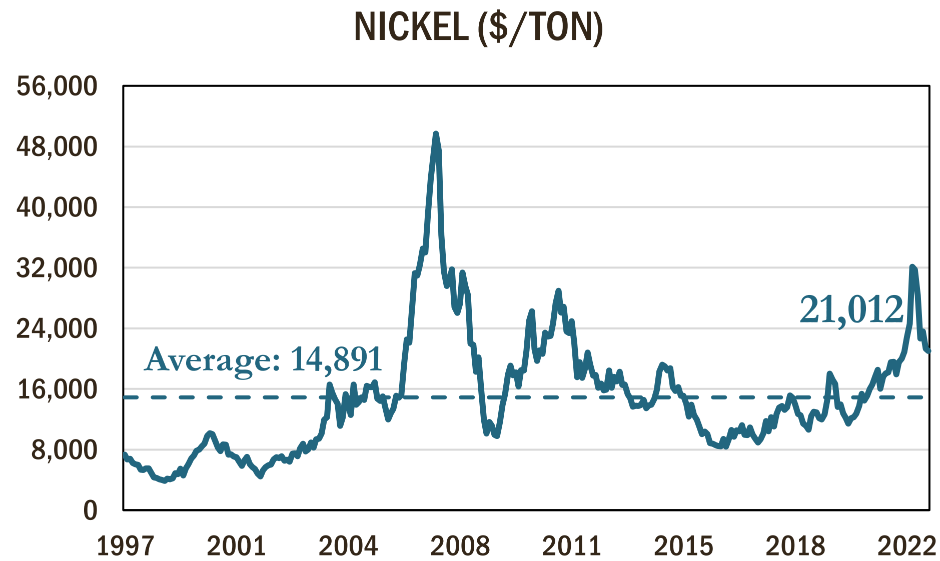


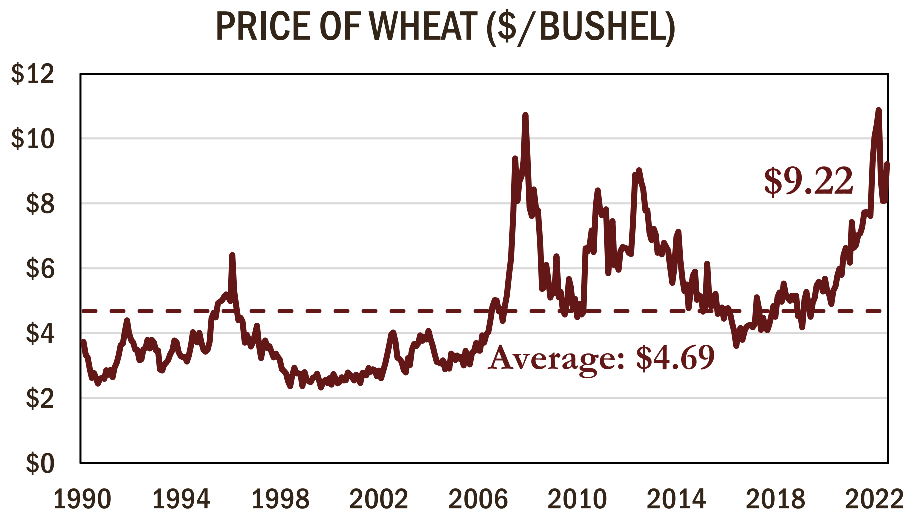
Source: Bloomberg

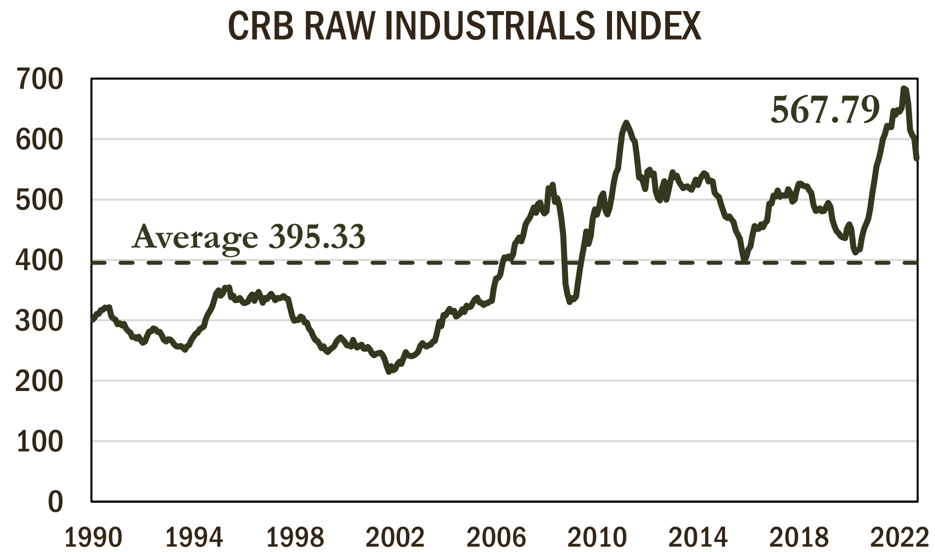
COMMODITY PRICES ROLLING OVER

as of 09/30/2022



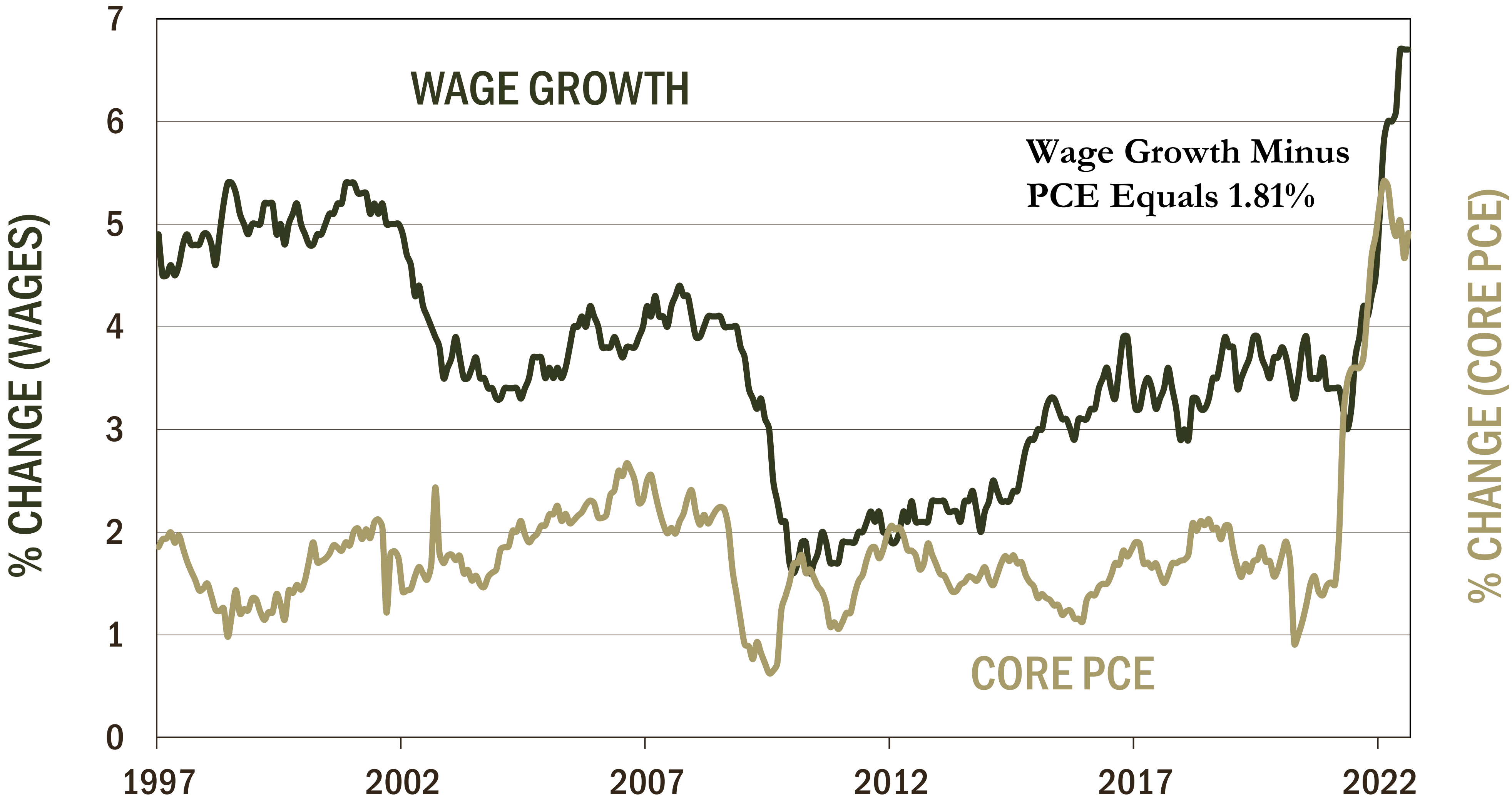






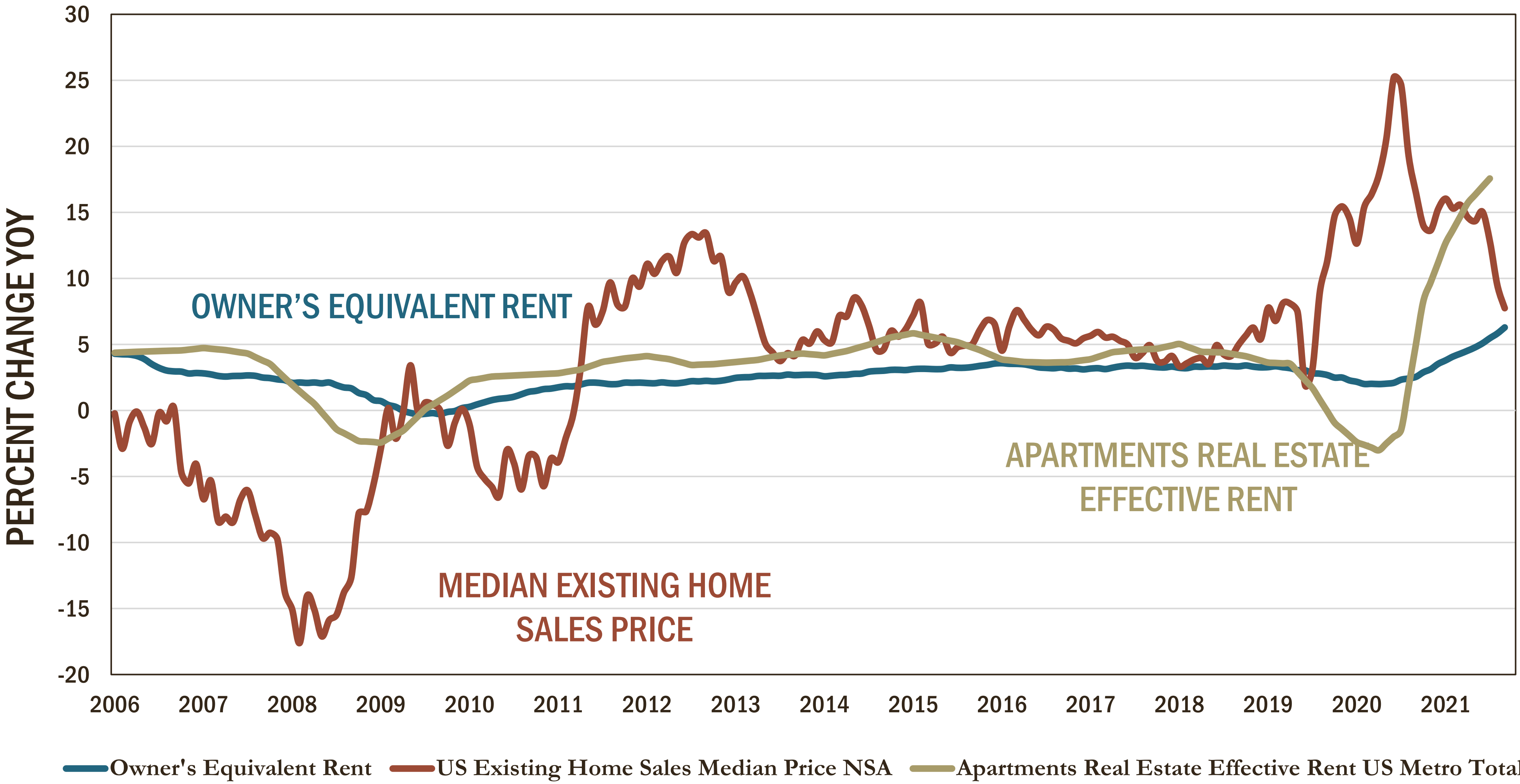
Source: Bloomberg

WAGE GROWTH AND CORE PCE
(INFLATION TRACKS WAGES)



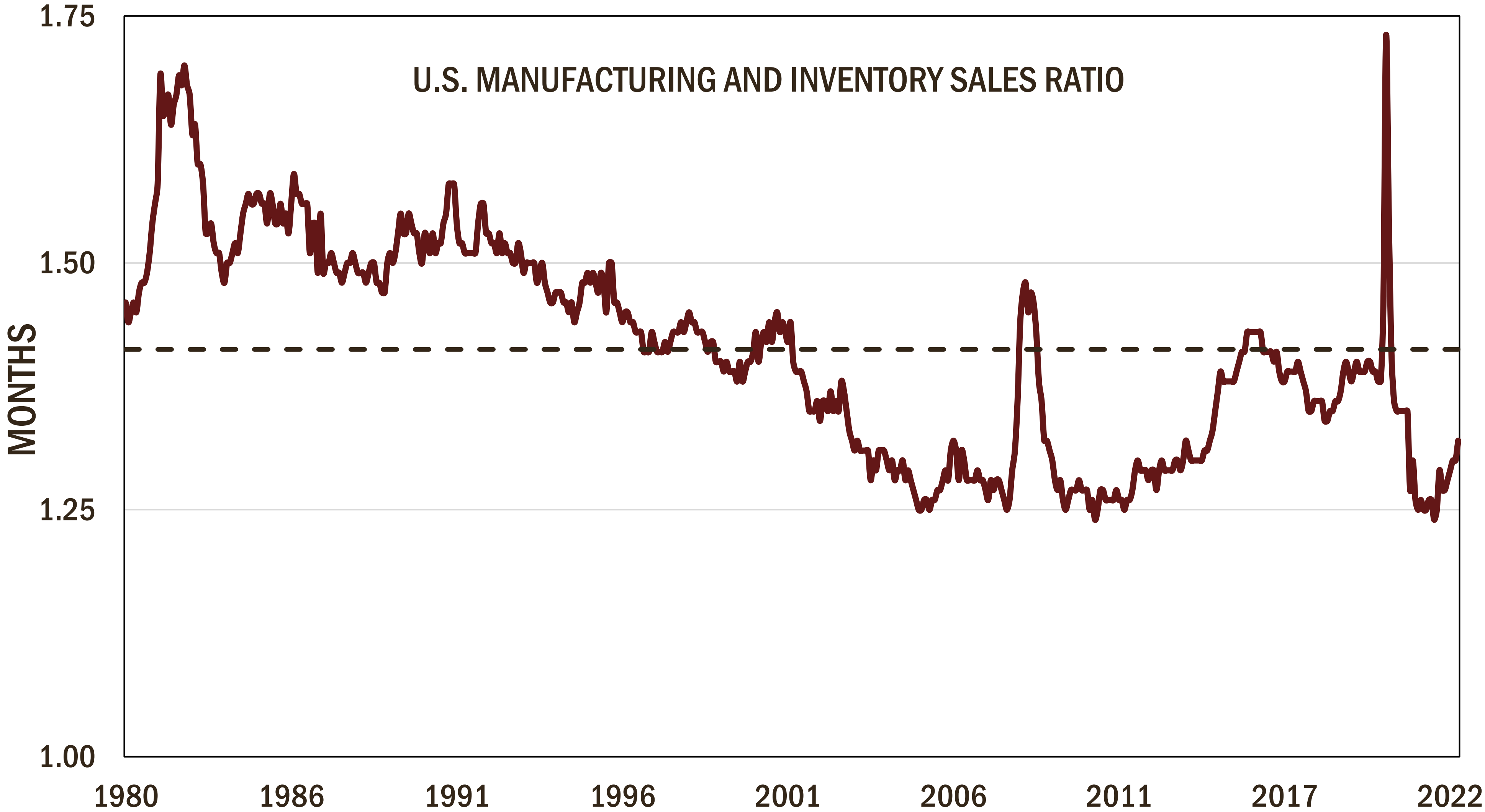
Source: Bloomberg

OWNER'S EQUIVALENT RENT LAGS HOME PRICES AND FORWARD RENTS – PUSHING FUTURE INFLATION HIGHER



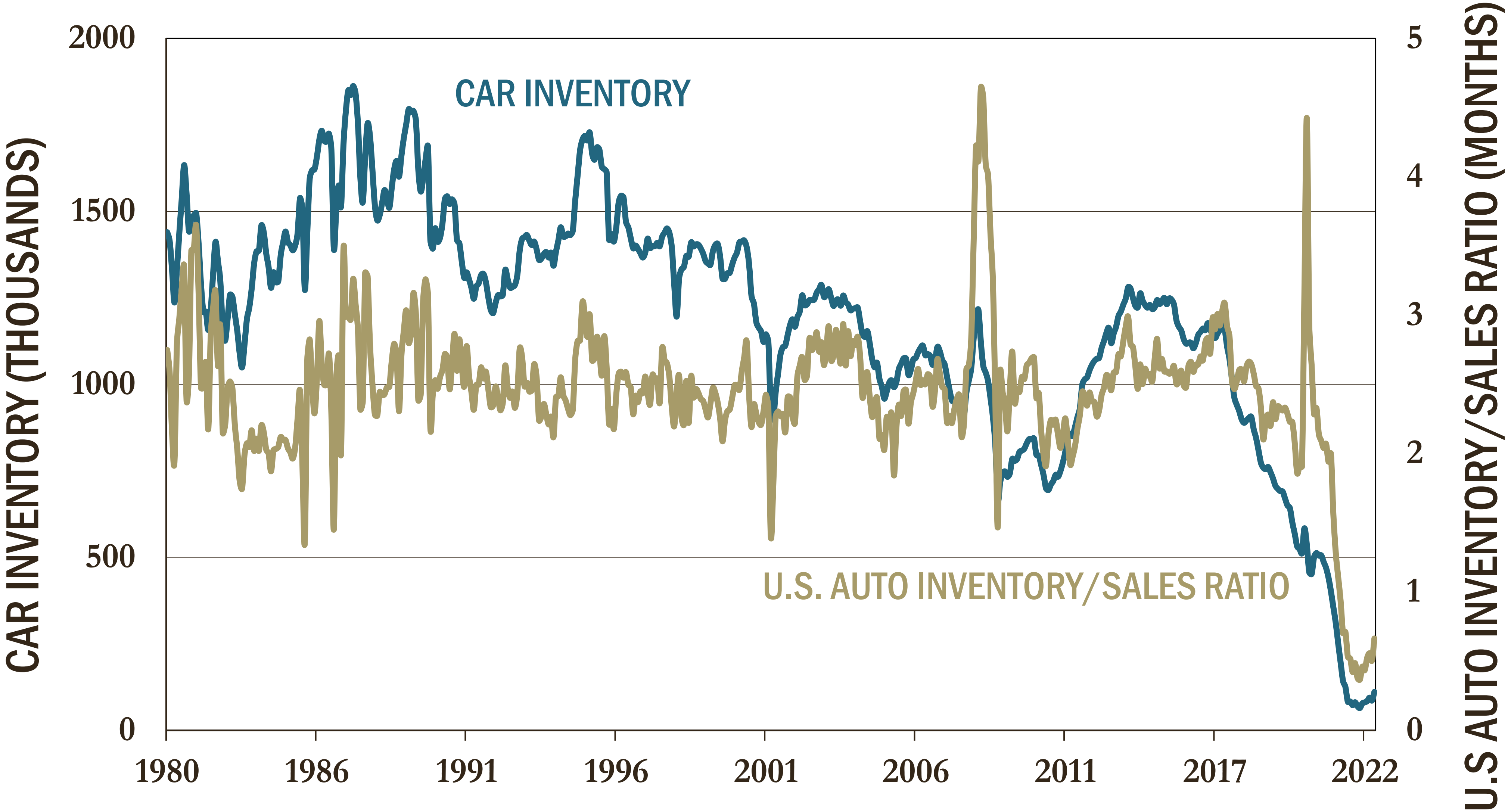
Source: Bloomberg / Federal Reserve

INVENTORIES TO SALES RATIO TURNING UP



Source: Bloomberg

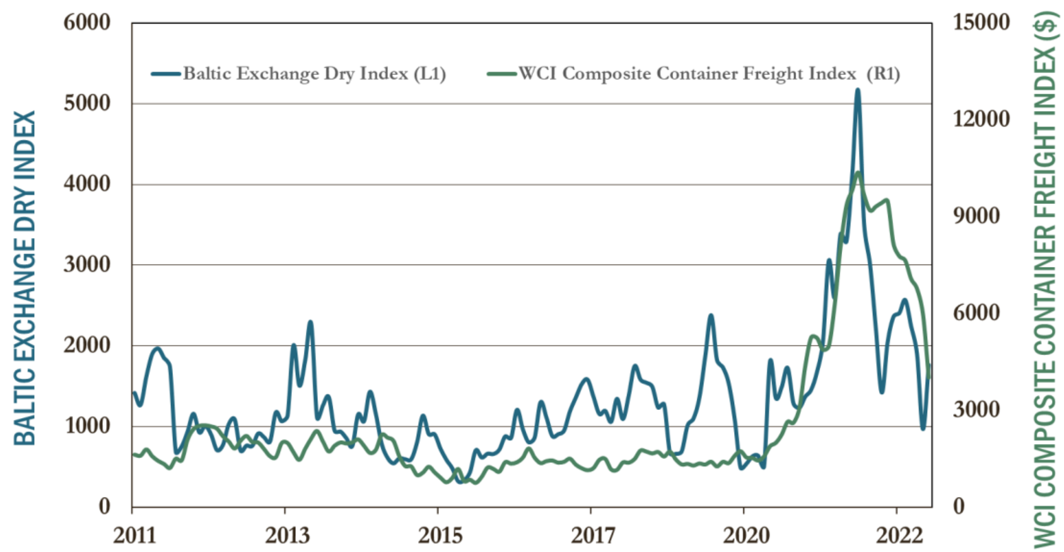
CAR INVENTORIES STILL EXCEPTIONALLY LOW

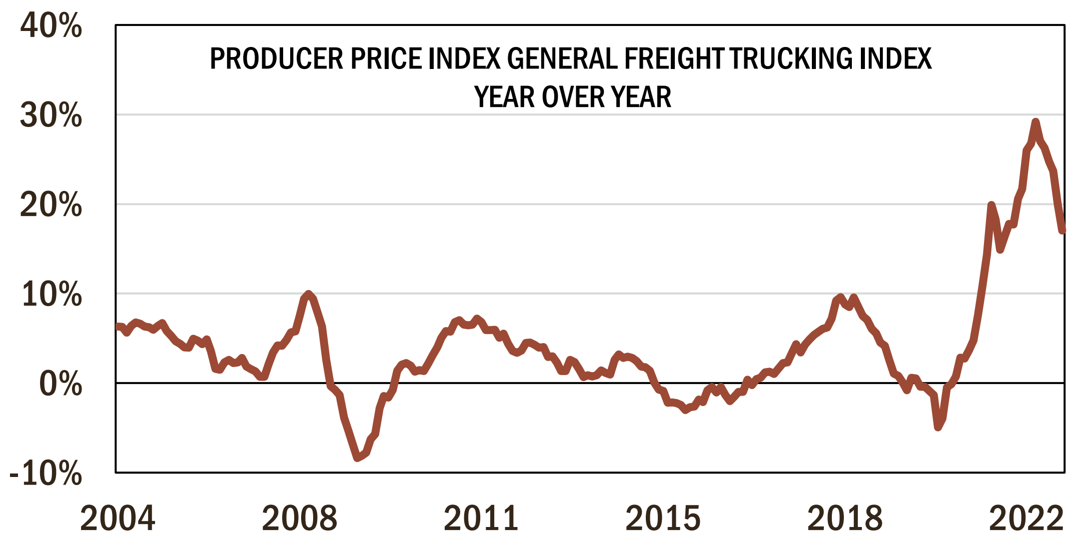


Source: Bloomberg

TRANSPORTATION COSTS EASING

- The Baltic dry freight index, a measure of what it costs to ship bulk goods like iron ore and grains overseas, was up more than 7 times pre- pandemic levels, but has been halved so far this year
- The 25 million boxes shuttling around the globe on approximately 6000 ships cost three times more on average to rent today versus their pre-pandemic level driven up mostly by rising prices from Asian market deliveries to North America.

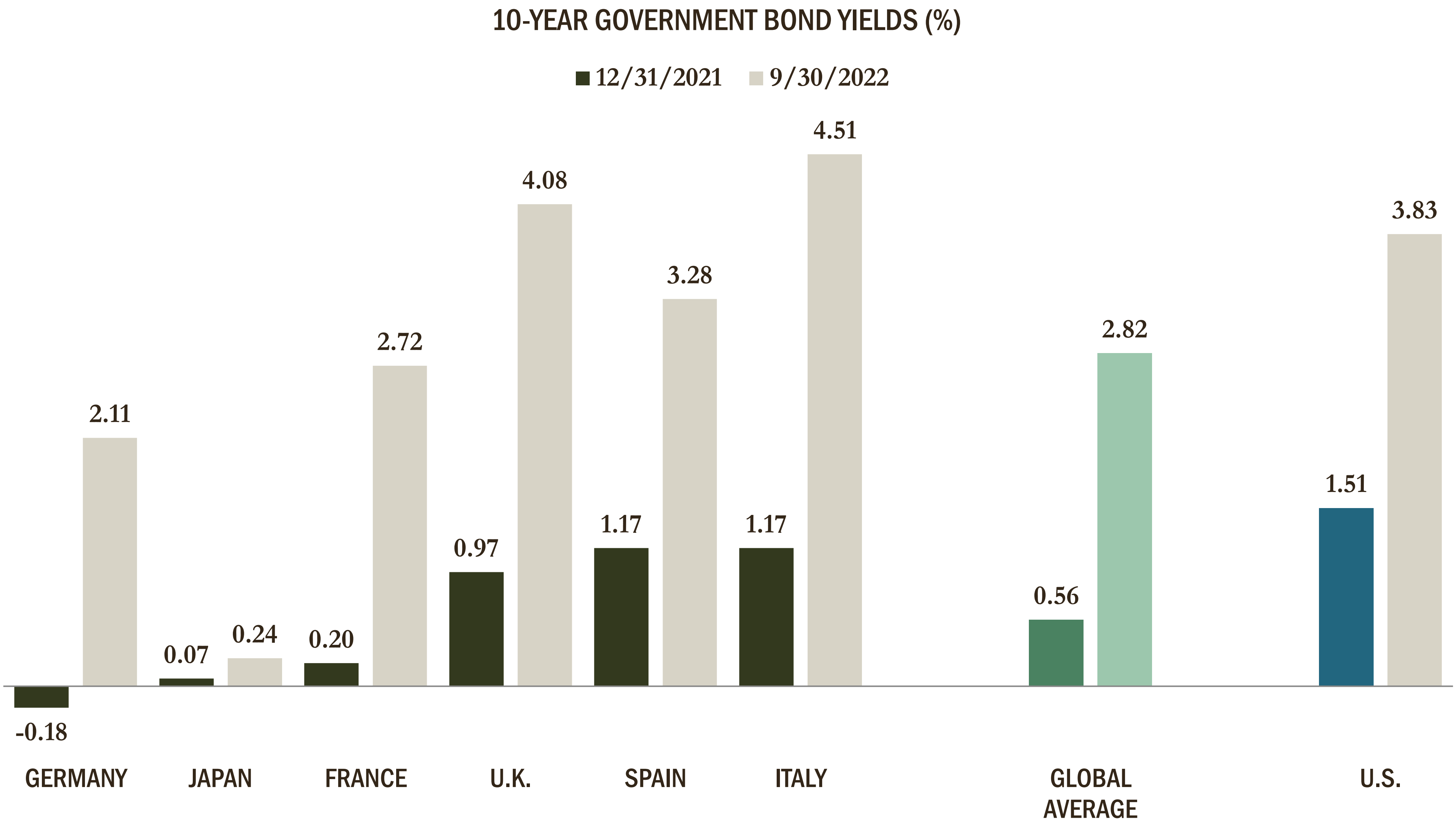




Source: Bloomberg

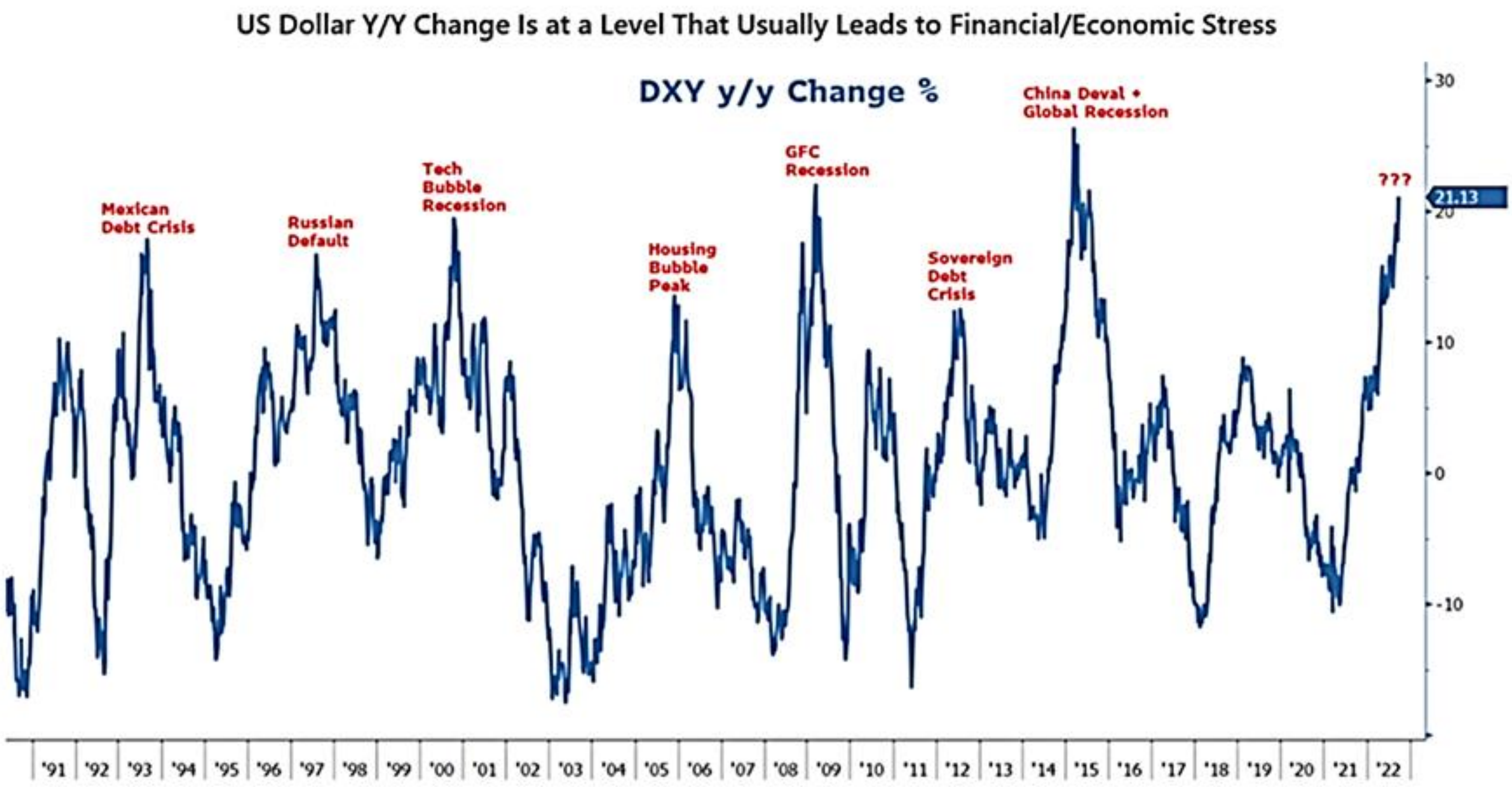
- Transportation bottlenecks and driver shortages point to continued supply pressure.
- It takes over a year to have a class VII/VIII semi-truck delivered.

GLOBAL GOVERNMENT INTEREST RATES HAVE MORE THAN TRIPLED



Source: Bloomberg

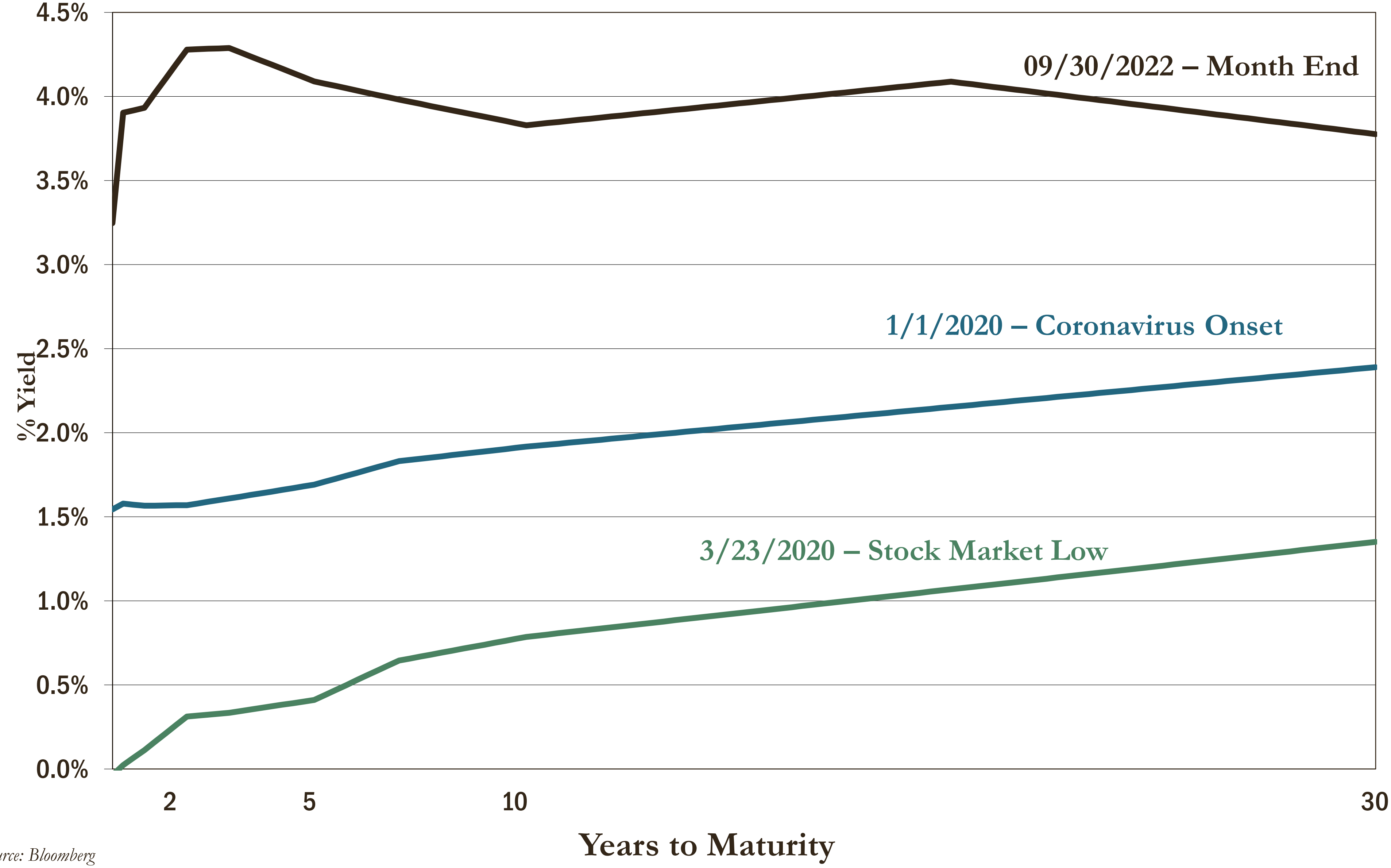
STRONG DOLLAR IS A HEADWIND & RISK



Source: Morgan Stanley Research, Bloomberg

TREASURY YIELD CURVE AS OF 09/30/2022

(AVERAGE INTEREST RATES MORE THAN 1% HIGHER THAN PRE-PANDEMIC LEVELS)

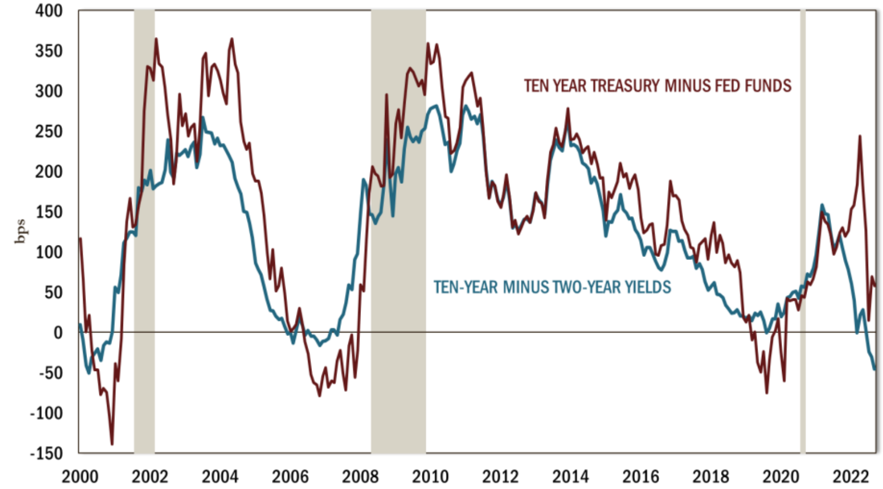


Source: Bloomberg

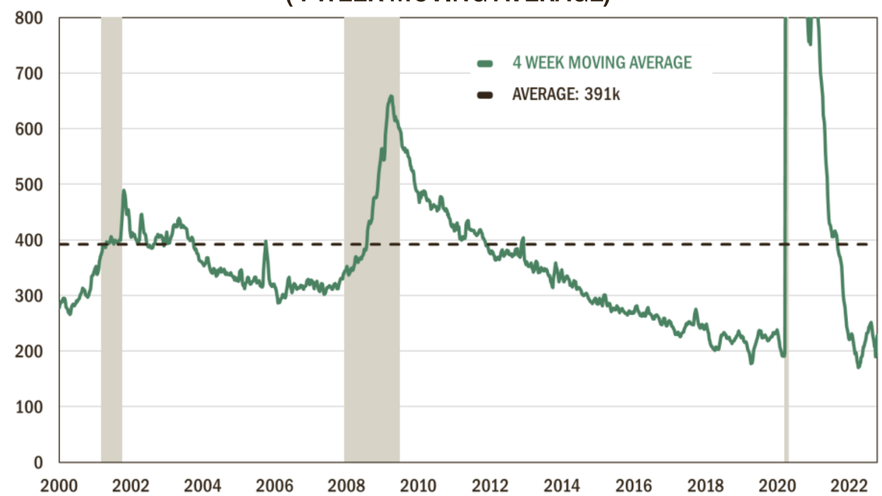
POTENTIAL RECESSION INDICATORS

LEADING ECONOMIC INDICATORS (% CHANGE ANNUALIZED)

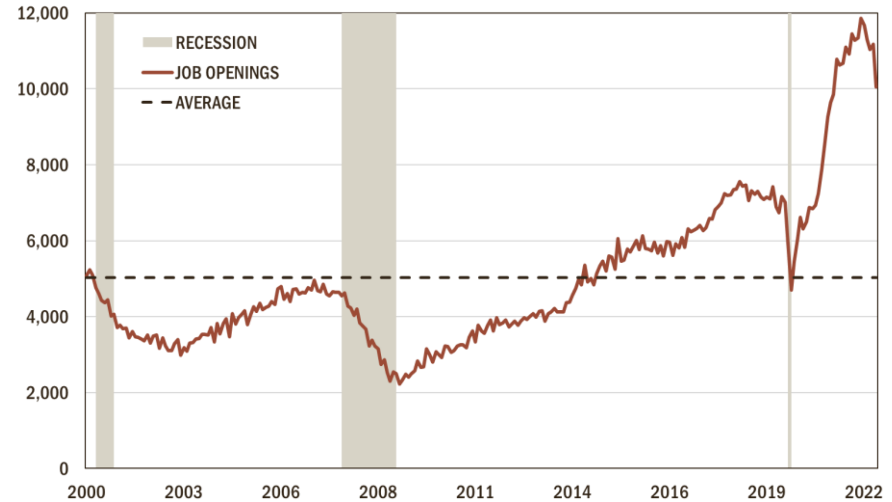
TREASURY CURVE INVERSION



INITIAL JOBLESS CLAIMS (4 WEEK MOVING AVERAGE)



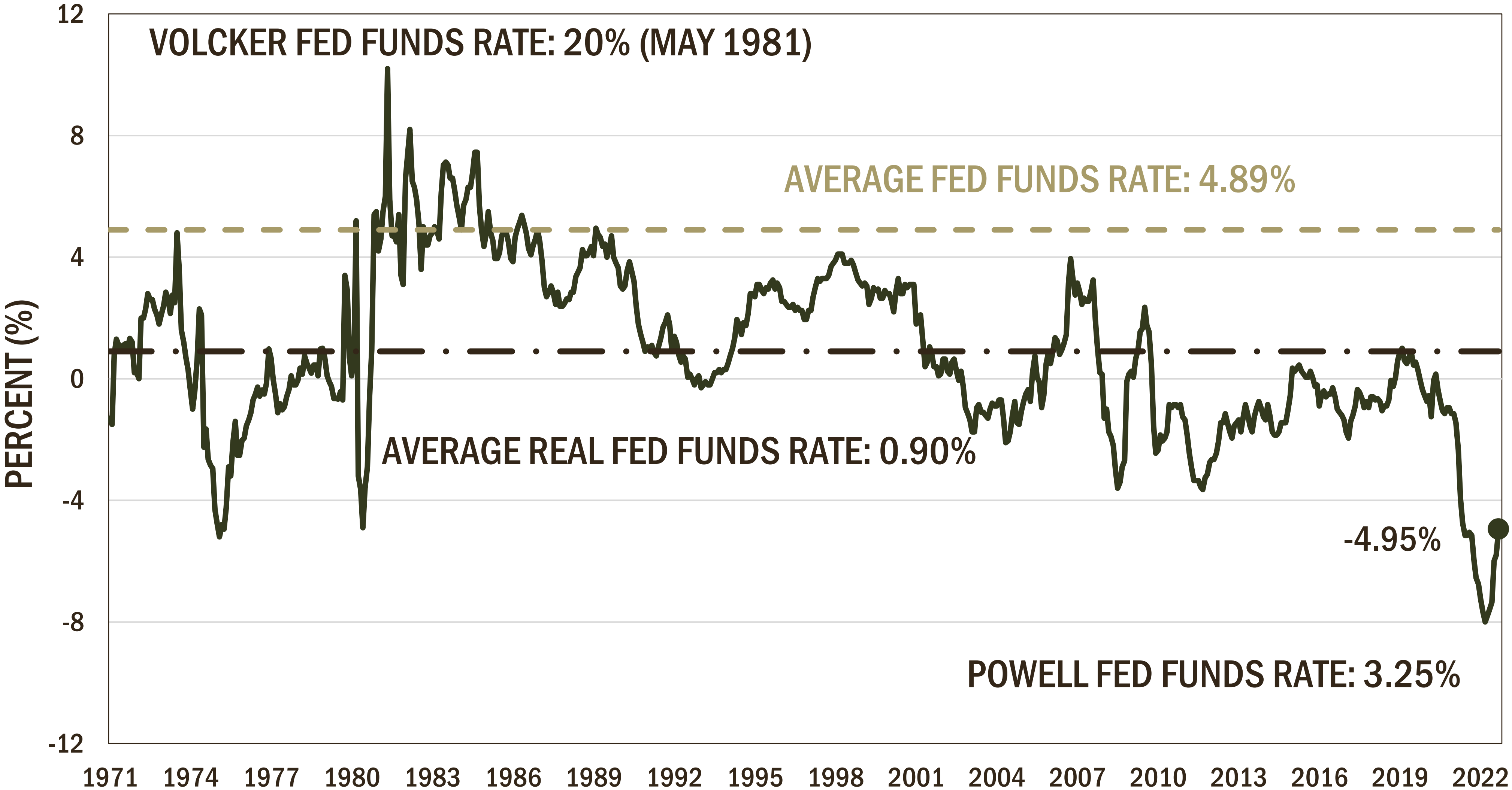
JOB OPENINGS



Source: Bloomberg

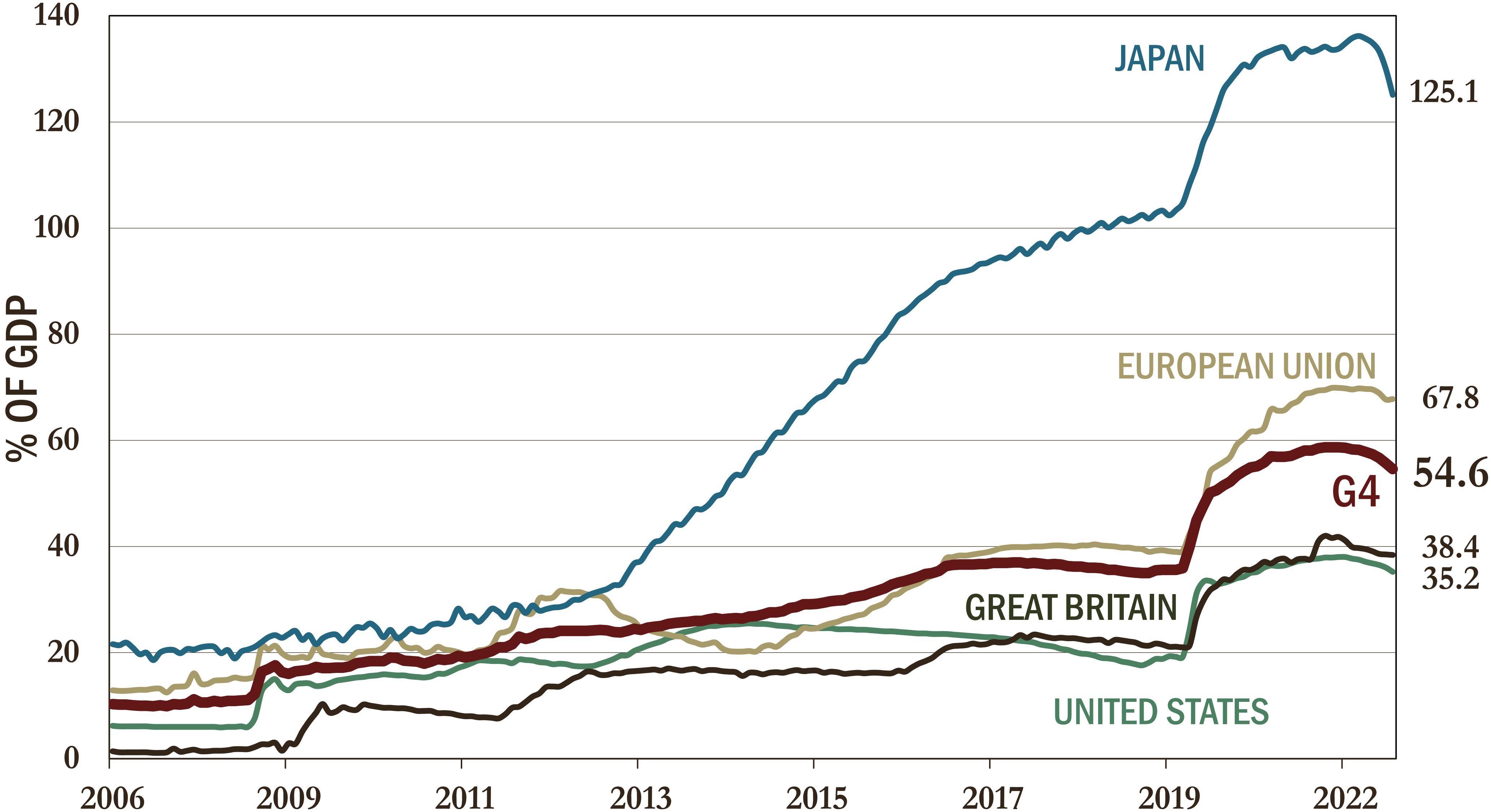
FED FUND RATE MINUS INFLATION (Y-O-Y CPI)

(FEDERAL RESERVE STILL MORE ACCOMMODATIVE THAN THEY WERE IN THE 1970'S)



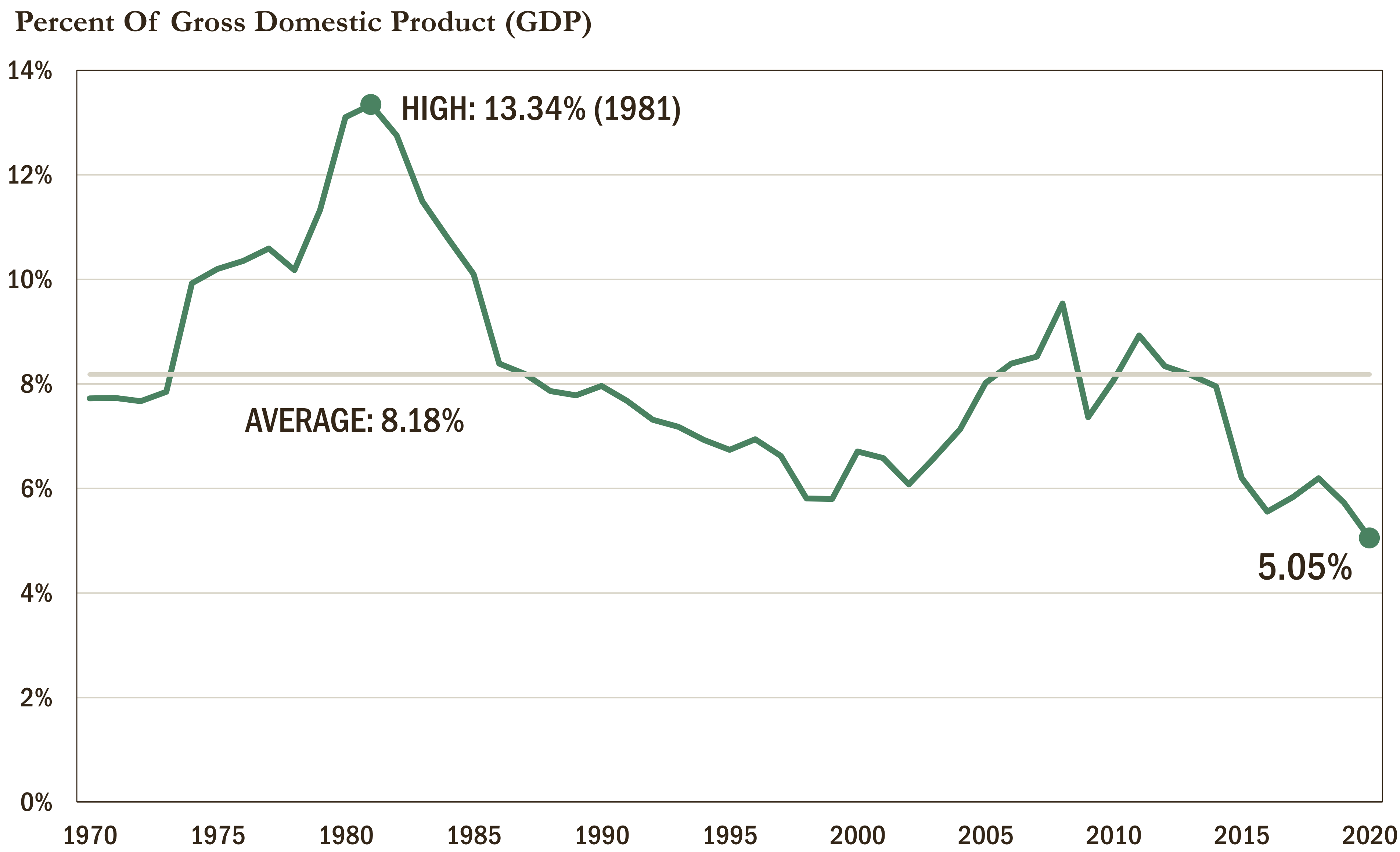
Source: Bloomberg

QUANTITATIVE EASING AS A PERCENT OF GDP



Source: Bloomberg

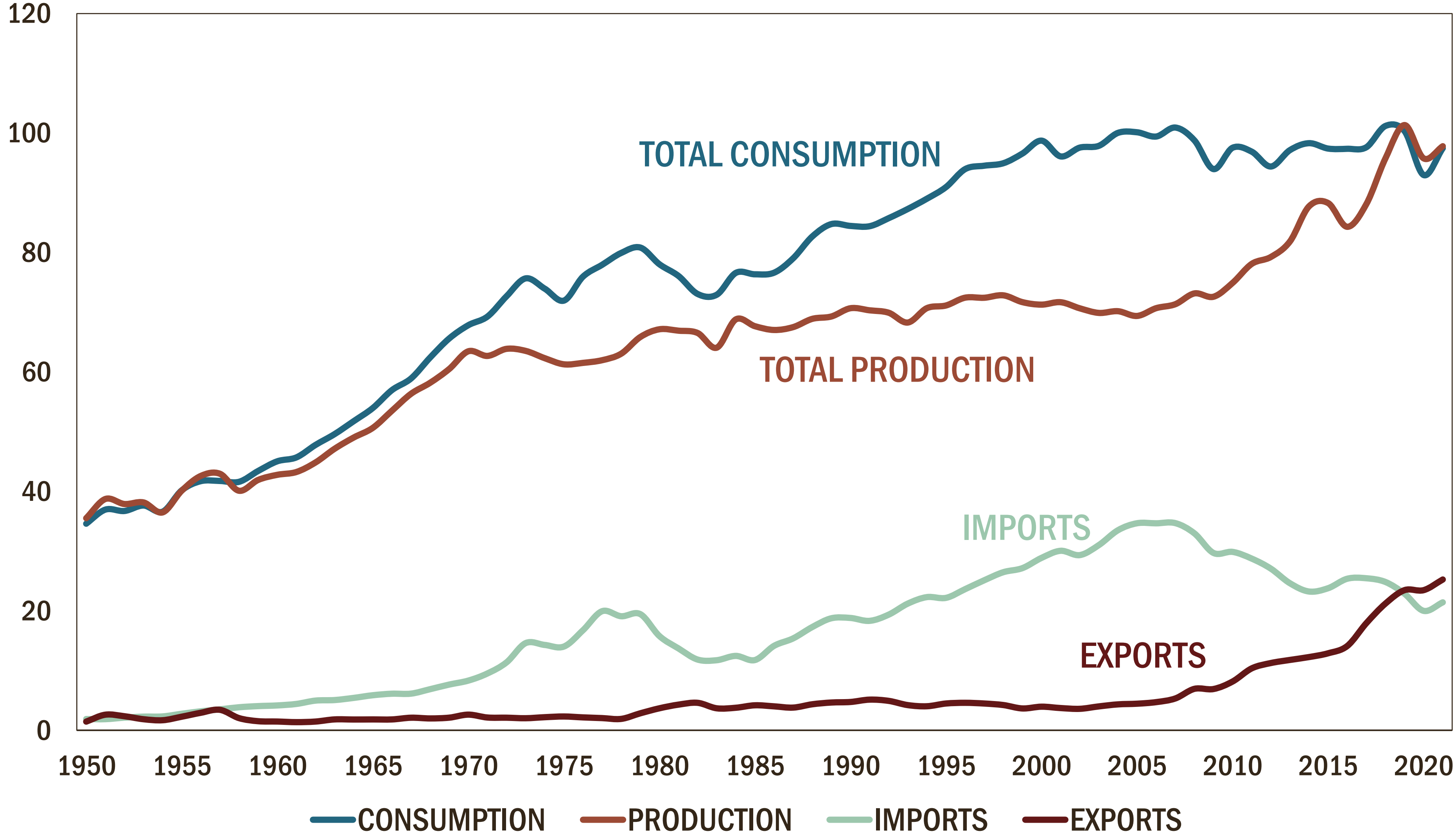
U.S. TOTAL-END USE ENERGY EXPENDITURES
(1970-2020)



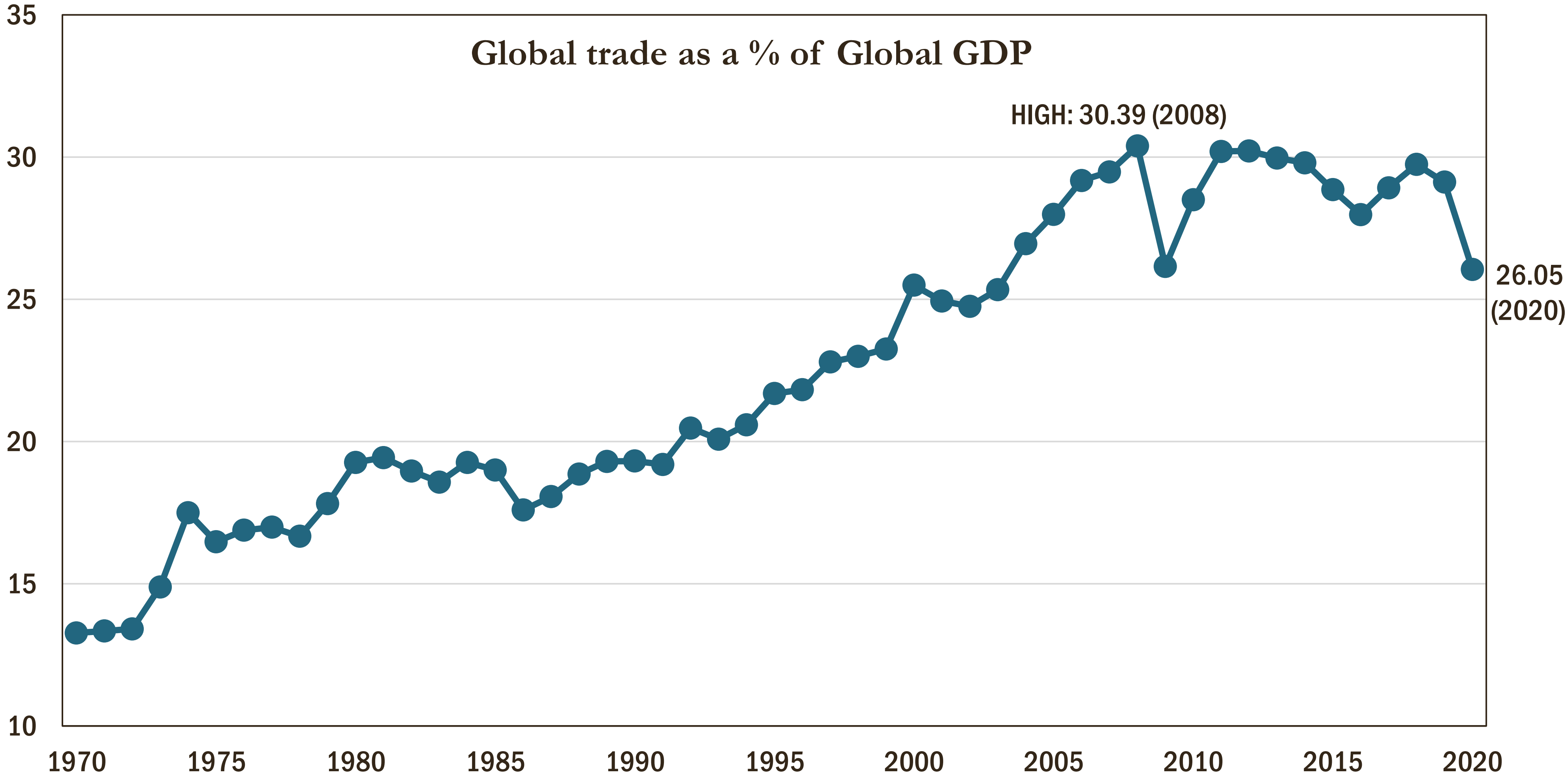
U.S. PRIMARY ENERGY OVERVIEW

1950-2021

Quadrillion British Thermal Units (BTU)

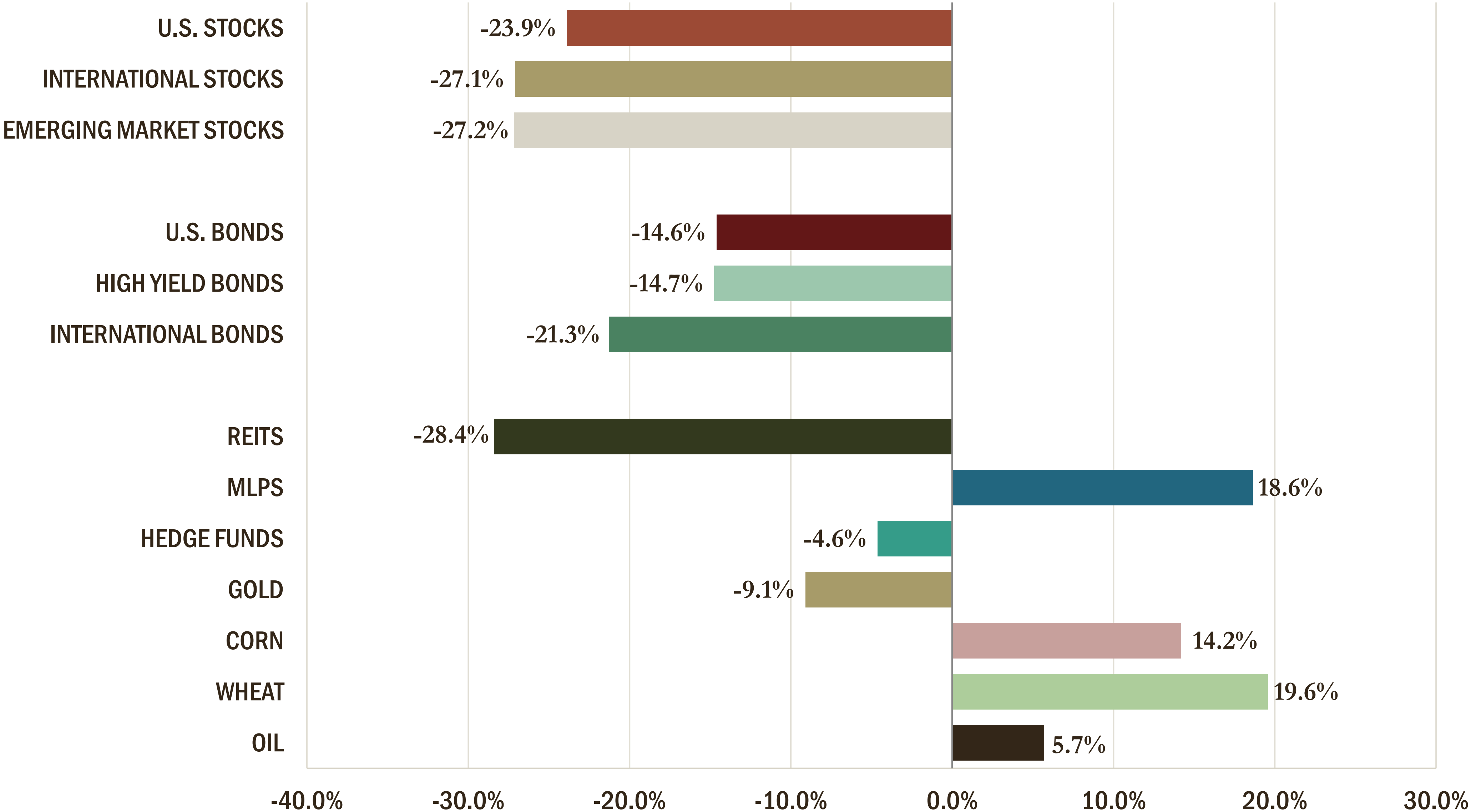


WORLD TRADE TO GDP RATIO



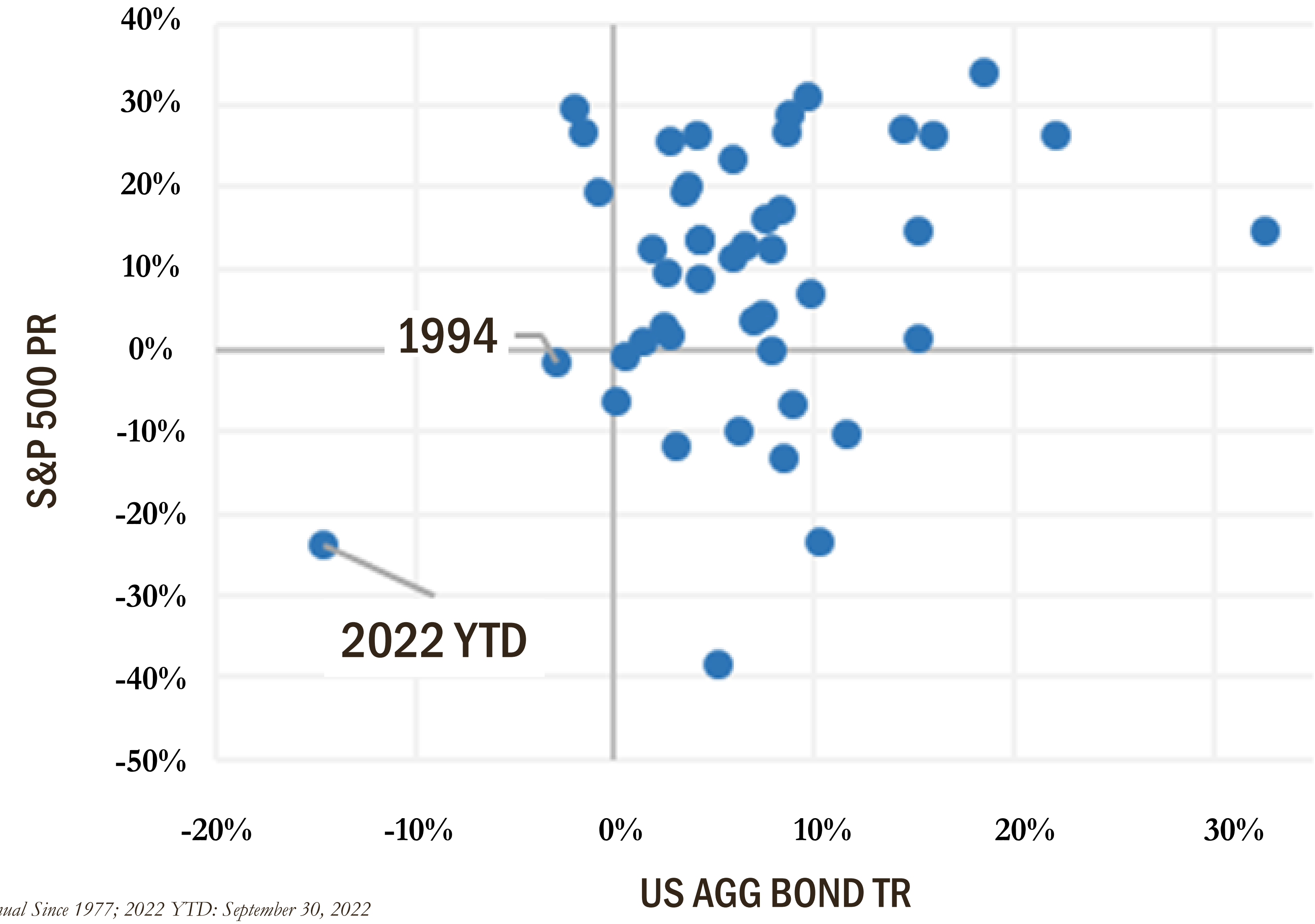
Source: MacroTrends; World Bank

YTD INDEX RETURNS
as of 09/30/2022



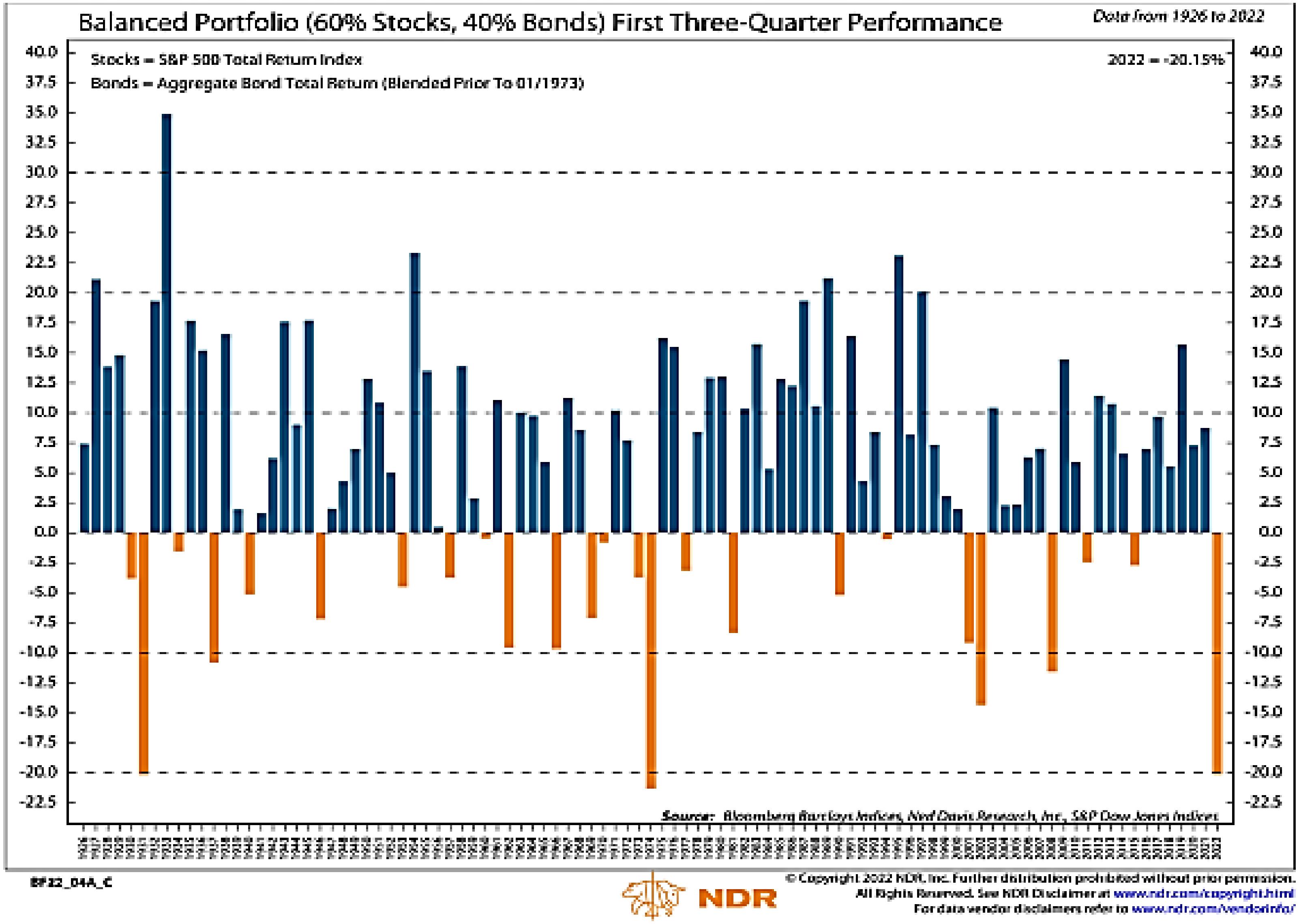
Source: Bloomberg

IT IS RARE FOR BONDS AND STOCKS TO BE DOWN OVER THE PAST 45 YEARS

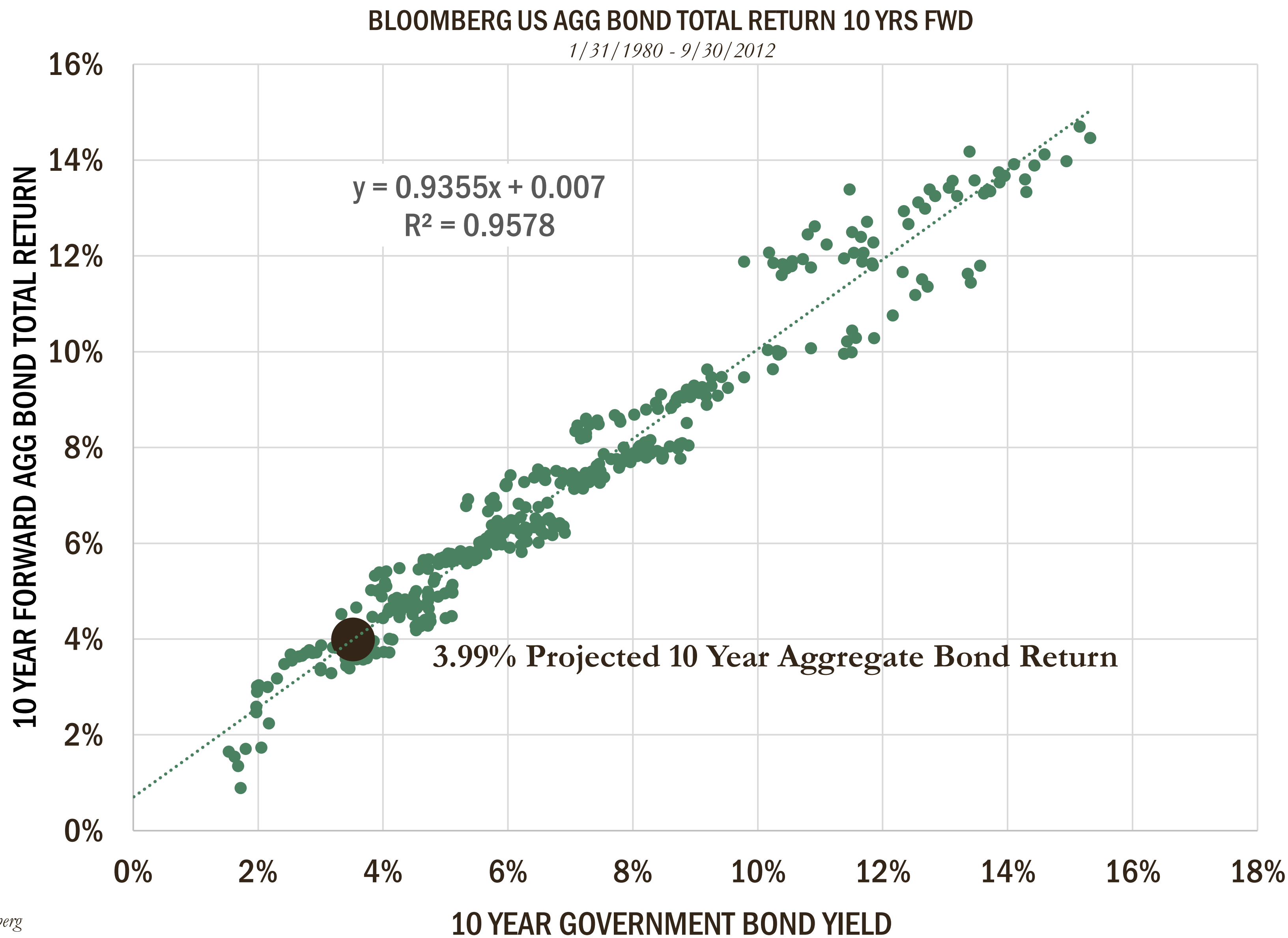


Annual Since 1977; 2022 YTD: September 30, 2022
Source: Bloomberg, Evercore ISI Research

BALANCED PORTFOLIO (60% STOCKS, 40% BONDS) GENERATIONALLY LOW RETURN YTD



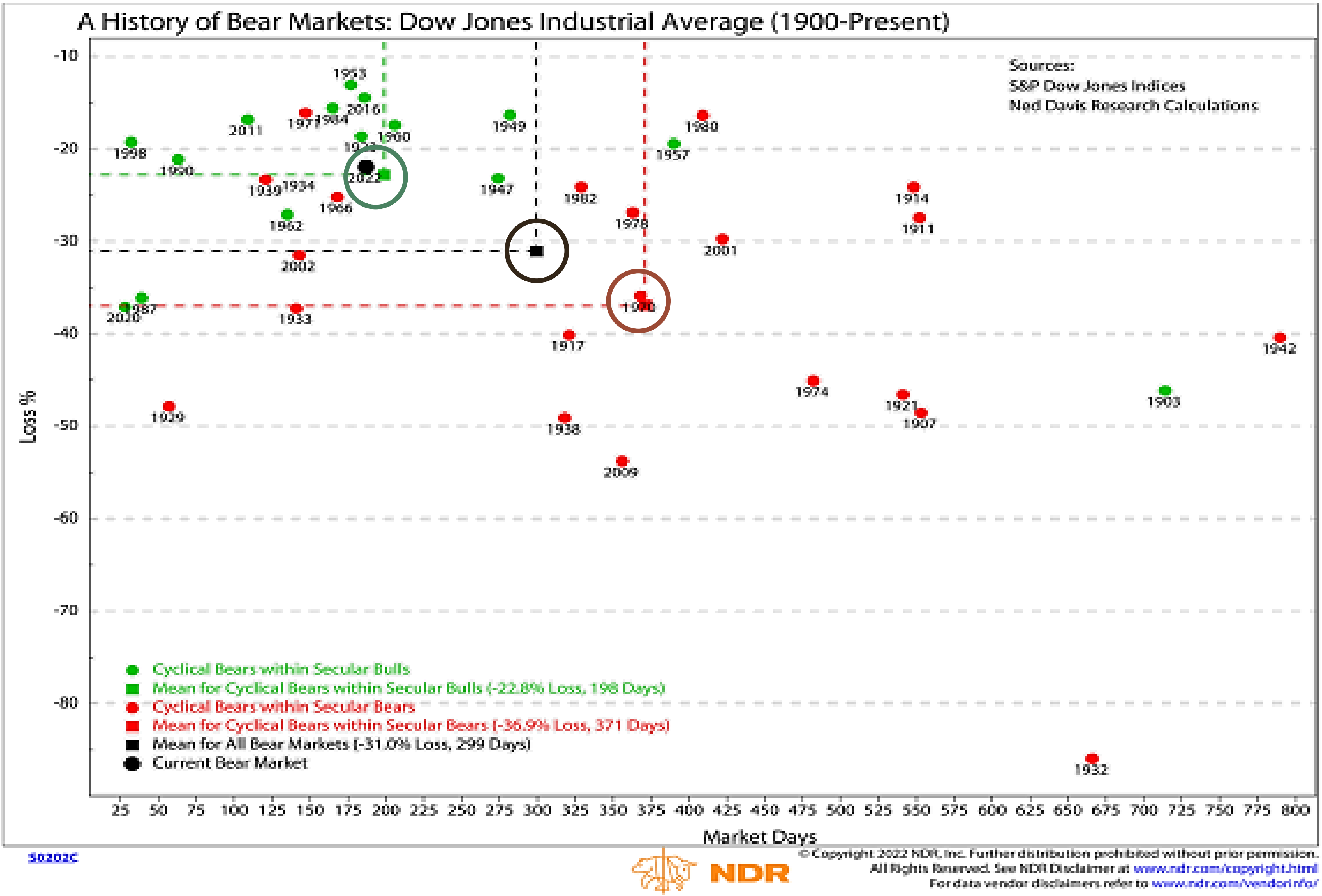
BLOOMBERG US AGGREGATE BOND TOTAL RETURNS
(10 YEARS FORWARD PROJECTION)



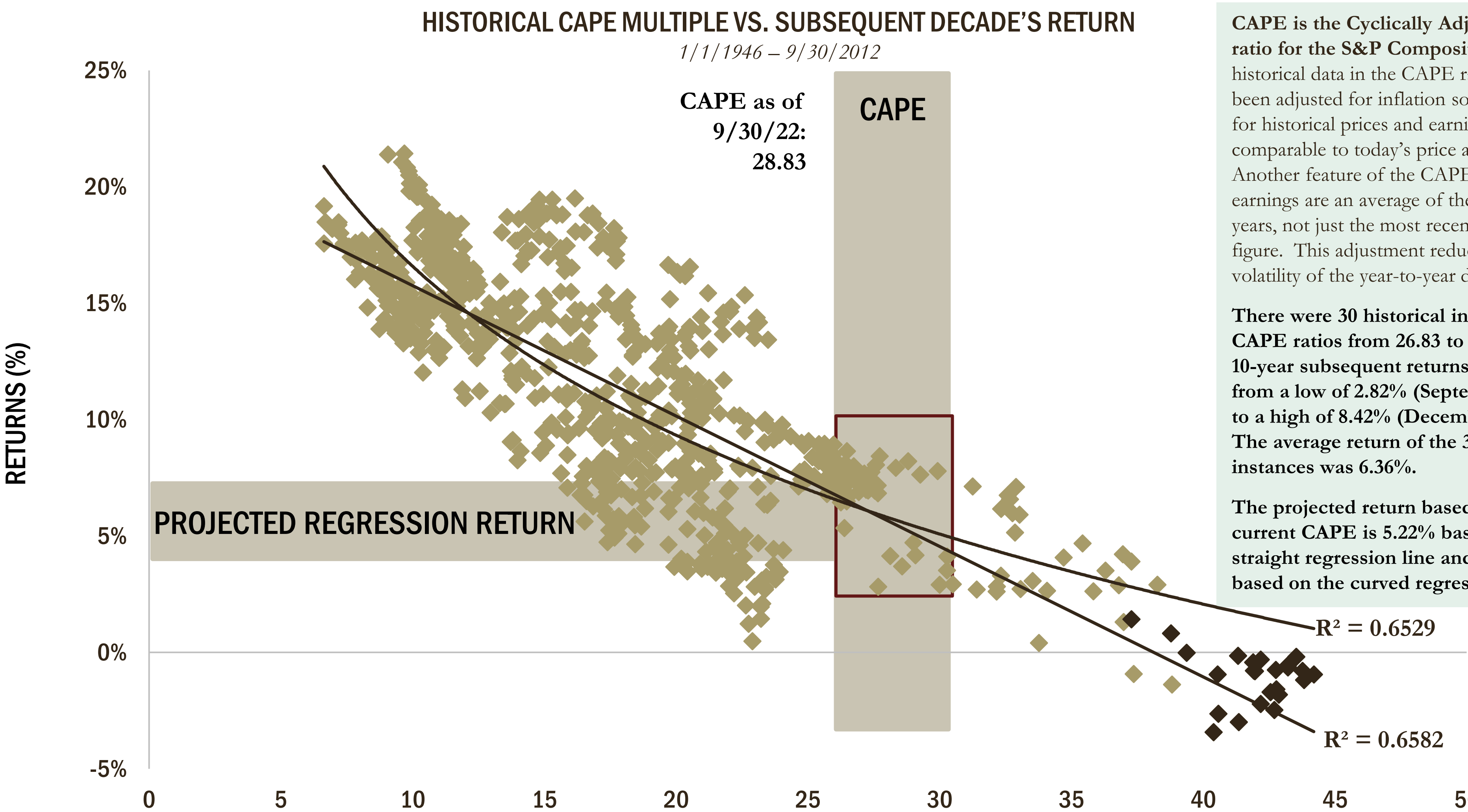
Source: Bloomberg

A HISTORY OF BEAR MARKETS

DOW JONES INDUSTRIAL AVERAGE (1900 – PRESENT)



CAPE RATIO & S&P 500 INDEX 10-YEAR SUBSEQUENT ANNUALIZED RETURN (%)



CAPE is the Cyclically Adjusted P/E ratio for the S&P Composite. The historical data in the CAPE ratios have been adjusted for inflation so that values for historical prices and earnings are comparable to today's price and earnings. Another feature of the CAPE is that earnings are an average of the last 10 years, not just the most recent earnings figure. This adjustment reduces the volatility of the year-to-year data.

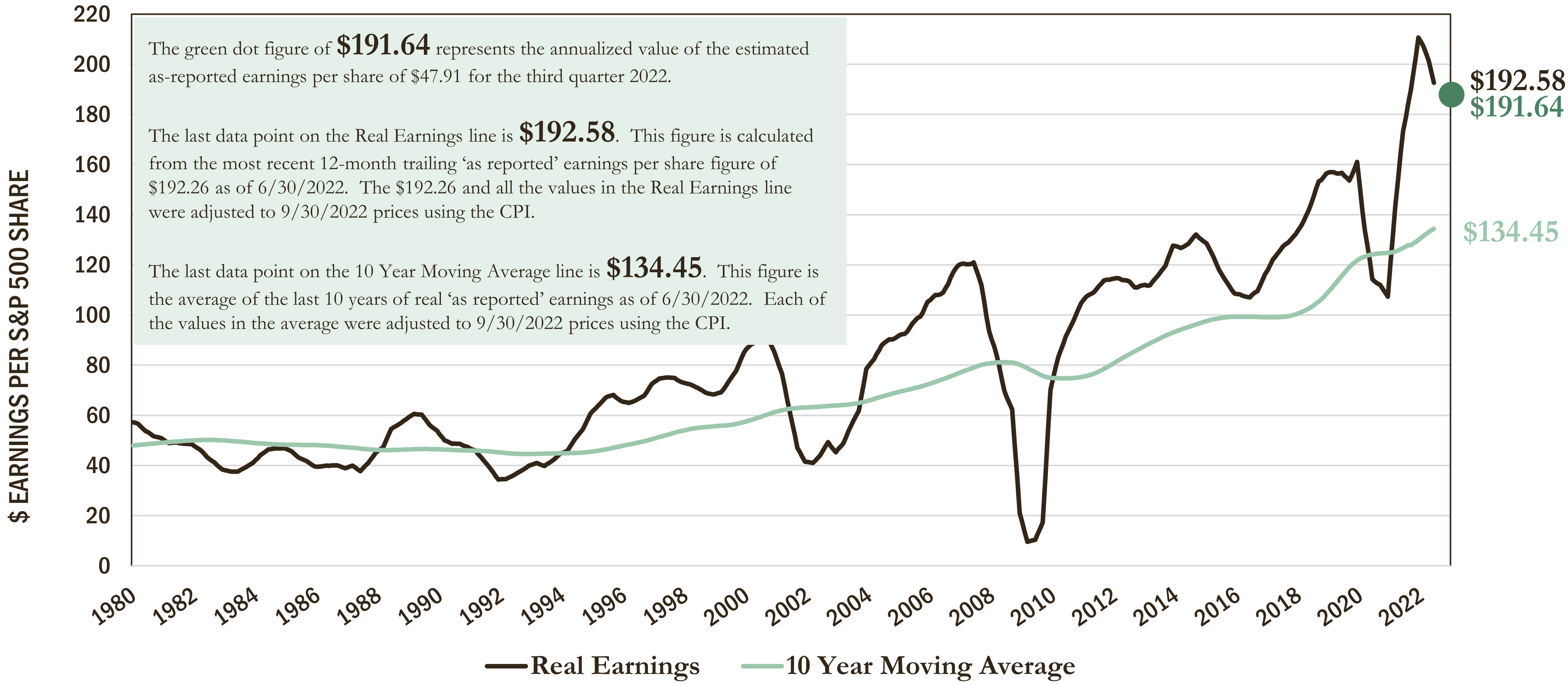
There were 30 historical instances of CAPE ratios from 26.83 to 30.83, with 10-year subsequent returns ranging from a low of 2.82% (September 2001) to a high of 8.42% (December 1996). The average return of the 30 historical instances was 6.36%.

The projected return based on the current CAPE is 5.22% based on the straight regression line and 5.52% based on the curved regression line.

Calculations based on IA SBBI US Large Stock TR USD and Cyclically Adjusted Price/Earnings Ratio for S&P Composite
Source: Ibbotson, Robert Shiller

Dark brown diamonds represent the data points from January 1999 through December 2000.

S&P 500 REAL EARNINGS GROWTH AND 10-YEAR MOVING AVERAGE (AS OF 6/30/2022)



The green dot figure of **$191.64** represents the annualized value of the estimated as-reported earnings per share of $47.91 for the third quarter 2022.

The last data point on the Real Earnings line is **$192.58**. This figure is calculated from the most recent 12-month trailing 'as reported' earnings per share figure of $192.26 as of 6/30/2022. The $192.26 and all the values in the Real Earnings line were adjusted to 9/30/2022 prices using the CPI.

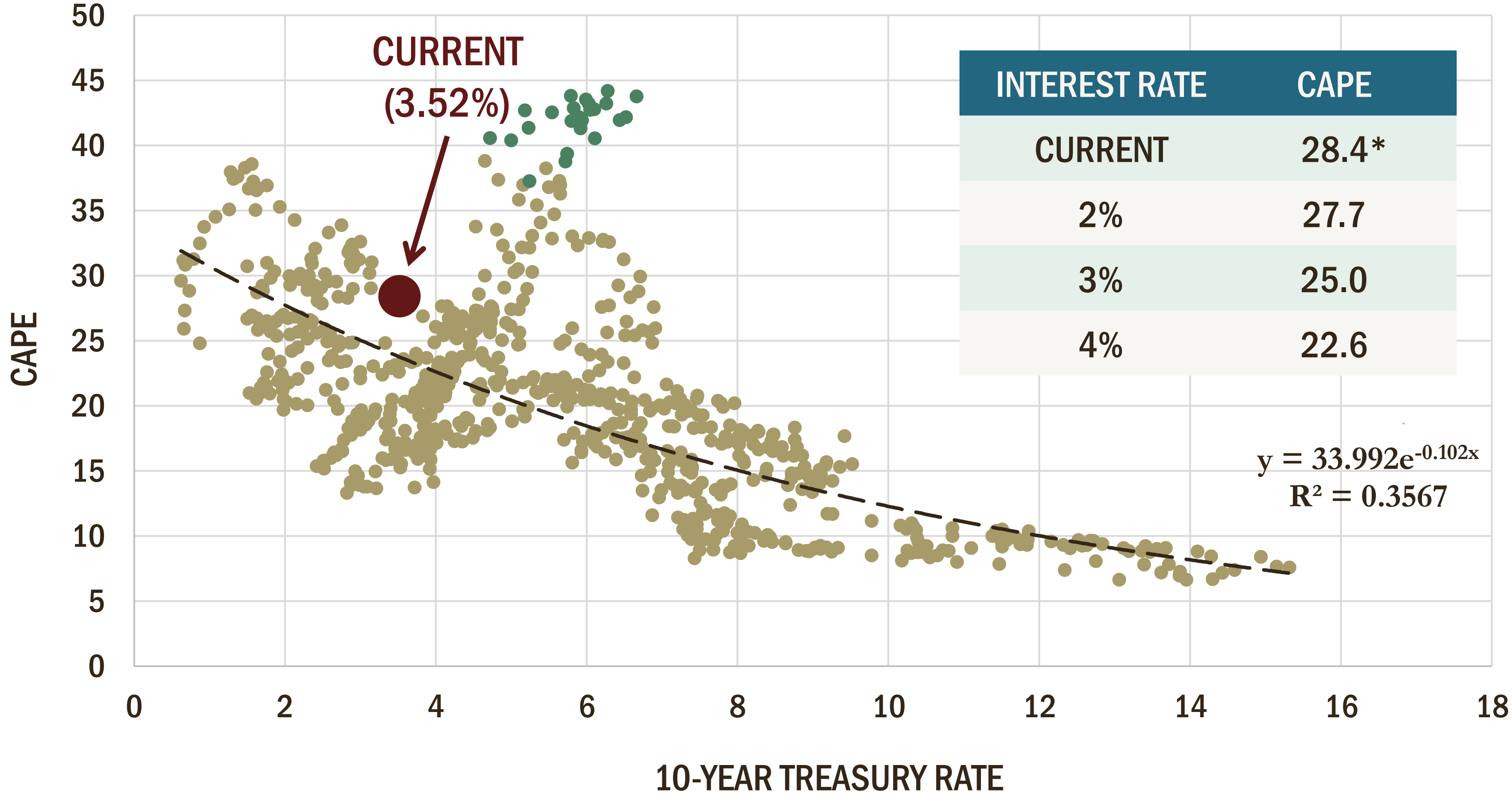
The last data point on the 10 Year Moving Average line is **$134.45**. This figure is the average of the last 10 years of real 'as reported' earnings as of 6/30/2022. Each of the values in the average were adjusted to 9/30/2022 prices using the CPI.

Source: Shiller Data, S&P Global website

YIELD IMPACT ON P/E MULTIPLE

(VALUATION WILL COMPRESS)

TEN YEAR TREASURY RATE VS. CYCLICALLY-ADJUSTED P/E MULTIPLE
1/1/1955 – 9/30/2022



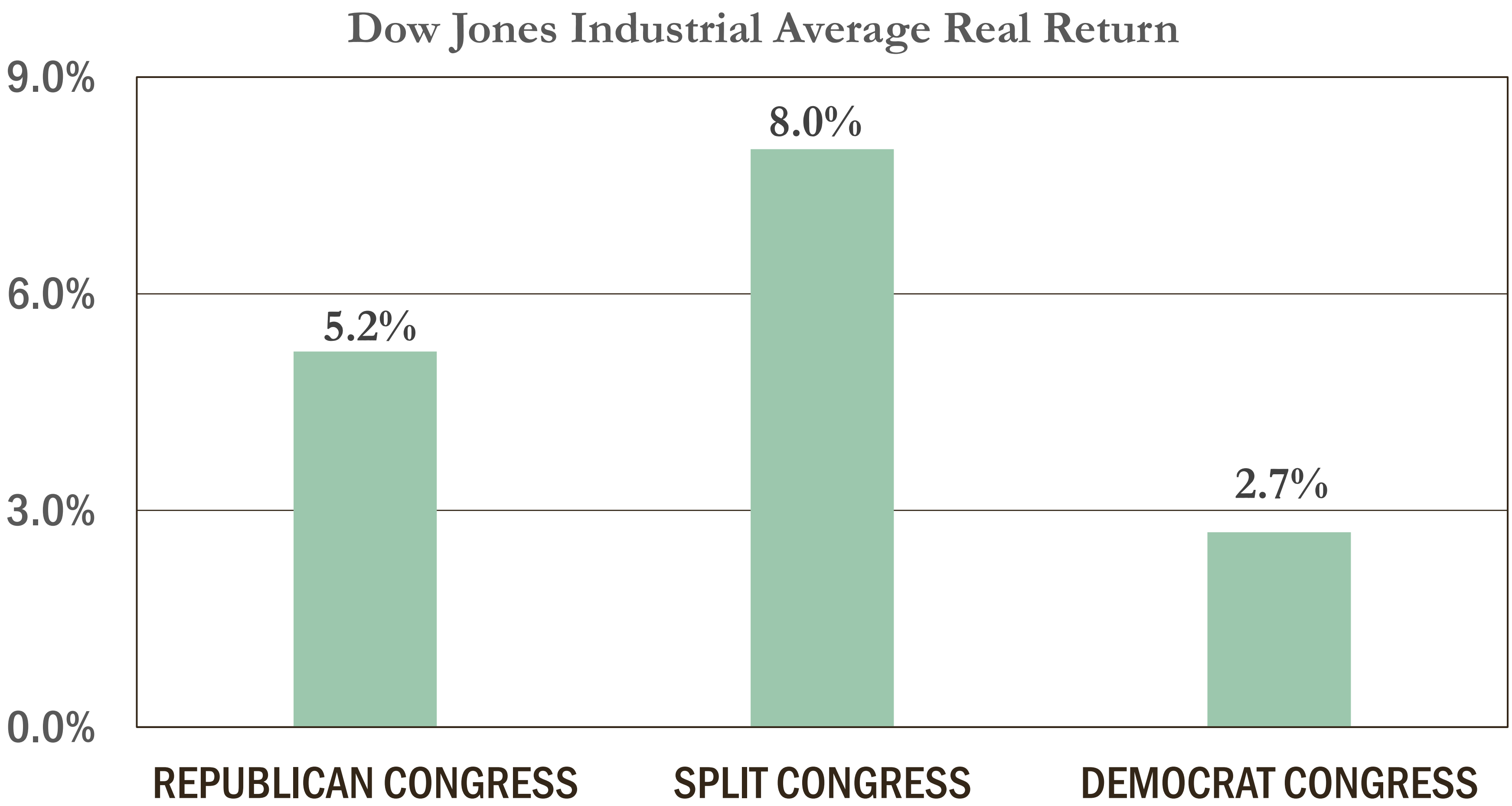
INTEREST RATE	CAPE
CURRENT	28.4*
2%	27.7
3%	25.0
4%	22.6

$y = 33.992e^{-0.102x}$
$R^2 = 0.3567$

Calculations based on Cyclically Adjusted Price Earnings Ratio for S&P Composite
Source: Ibbotson, Robert Shiller & Federal Reserve Economic Database
Green dots represent the data points from January 1999 through December 2000.

*CAPE is the cyclically adjusted P/E ratio for the S&P Composite.

RETURNS UNDER CONGRESSIONAL SCENARIOS WITH DEMOCRAT PRESIDENT



Source: Ned Davis

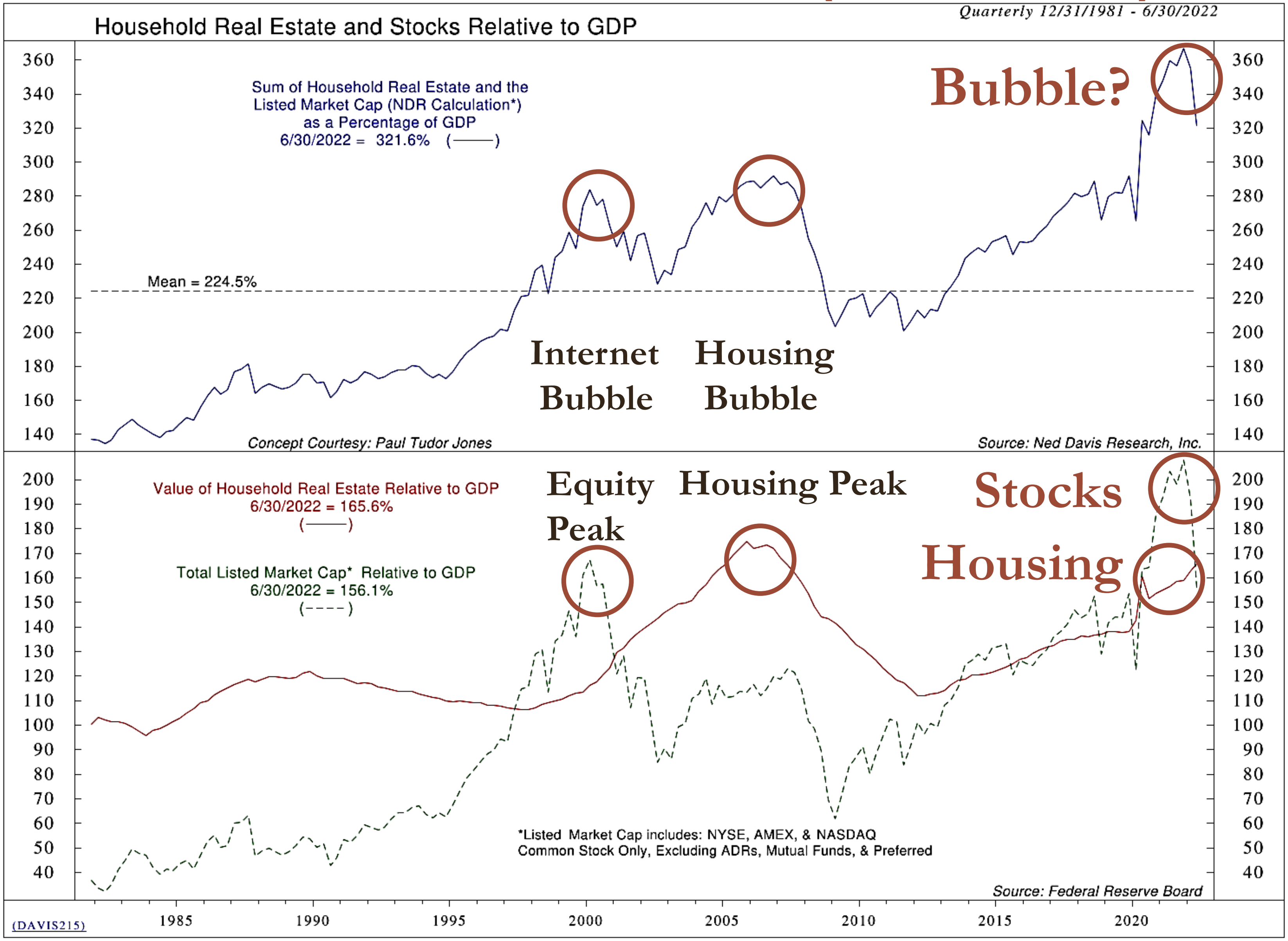
POST RECESSION STOCK MARKET RETURNS DURING ECONOMIC RECOVERIES

RECESSION START	RECESSION END	RECESSION MONTHS	RECOVERY DURATION MONTHS	STOCK MARKET RECESSION BOTTOM	STOCK MARKET RECESSION RECOVERY PEAK	RECOVERING MARKET DURATION MONTHS	RETURN	ANNUALIZED RETURN
APR-60	FEB-61	10	105	NOV-60	DEC-68	97	162%	12.7%
DEC-69	NOV-70	11	36	JUL-70	JAN-73	30	75%	25.2%
NOV-73	MAR-75	16	70	OCT-74	JAN-80	74	198%	19.4%
JUL-80	NOV-82*	28	92	AUG-82	JUL-90	95	355%	21.1%
JUL-90	MAR-91	8	120	OCT-90	SEP-00	119	525%	20.5%
MAR-01	NOV-01	8	73	OCT-02	NOV-07	61	108%	15.2%
DEC-07	JUN-09	18	128	MAR-09	FEB-20	131	450%	16.9%
FEB-20	APR-20	2	28	MAR-20	?	29	67%**	?
AVERAGE		13	89			87	243%***	18.7%

*Combined both the 1980 and 1981 recessions
** Recovery and returns as of 09/30/2022
***Standard Deviation = 178%

Source: Commerce Trust Company

HOUSING AND STOCKS VS. GDP (EXPENSIVE)



FORECAST AND PORTFOLIO BIASES

HIGHEST CONVICTION

1. **SHORT TERM INTEREST RATES WILL CONTINUE TO RISE, AND BOND RETURNS WILL BE NEGATIVE FOR BOTH TAXABLE AND THE MUNI MARKET IN 2022**
   - We were 15% short our durational/maturity target, but are now only 10% short the portfolio's benchmark
2. **WE HAVE ADDED TO GROWTH EXPOSURE TO NEUTRALIZE OUR INITIAL VALUE OVERWEIGHT.**
   - Early in a recovery, as expected, value outperformed growth. Now that the economy is slowing and earnings growth has moderated, growth is likely to re-bound.
3. **SLIGHTLY MORE DEFENSIVE IN GENERAL FROM AN EQUITY PERSPECTIVE**
   - We are holding some cash in most portfolios (about 5%), have underweighted our equity exposure a similar amount as we sold into the strong rebound at the end of July. We have also reduced our overweight to alternatives and used those proceeds to increase fixed income back to our targeted bond allocation.
4. **REDUCE HIGH YIELD EXPOSURE**
   - We have moved up in credit once again at mid year favoring Investment Grade Bonds and recommend minimal exposure to the riskier higher yielding sectors of the bond market.
5. **MID CAP STOCKS WILL OUTPERFORM BOTH LARGE CAP AND SMALL CAP STOCKS**
   - We prefer the higher profitability and stronger balance sheets of Mid Cap vs. Small Cap and the domestic orientation of Mid Cap vs. Large Cap equity
6. **DOMESTIC STOCKS SHOULD CONTINUE TO OUTPERFORM INTERNATIONAL MARKETS**
   - We are one-third underweight our International targets and expect the dollar to remain relatively firm
7. **WE ARE OVERWEIGHT INTERNATIONAL DEVELOPED EQUITY VERSUS EMERGING MARKET**
   - 80% of our International allocation is in Developed Equity

LOWEST CONVICTION