

Navigating the Economy and Financial Markets

Insights from Synovus
Webinar Series
May 10, 2023

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Welcome

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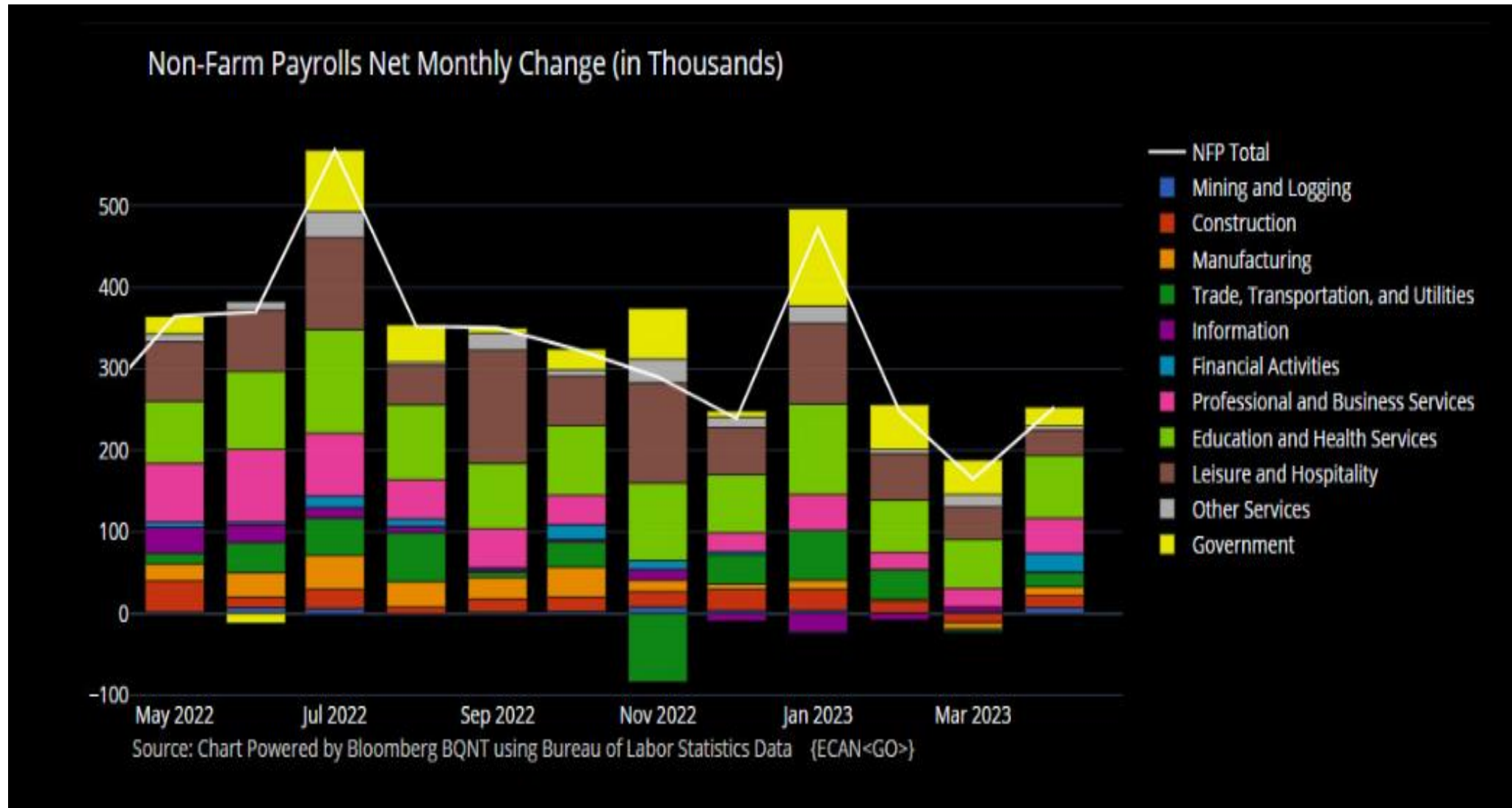
Question 1

What is the true health of today's economy and should investors brace for a recession?

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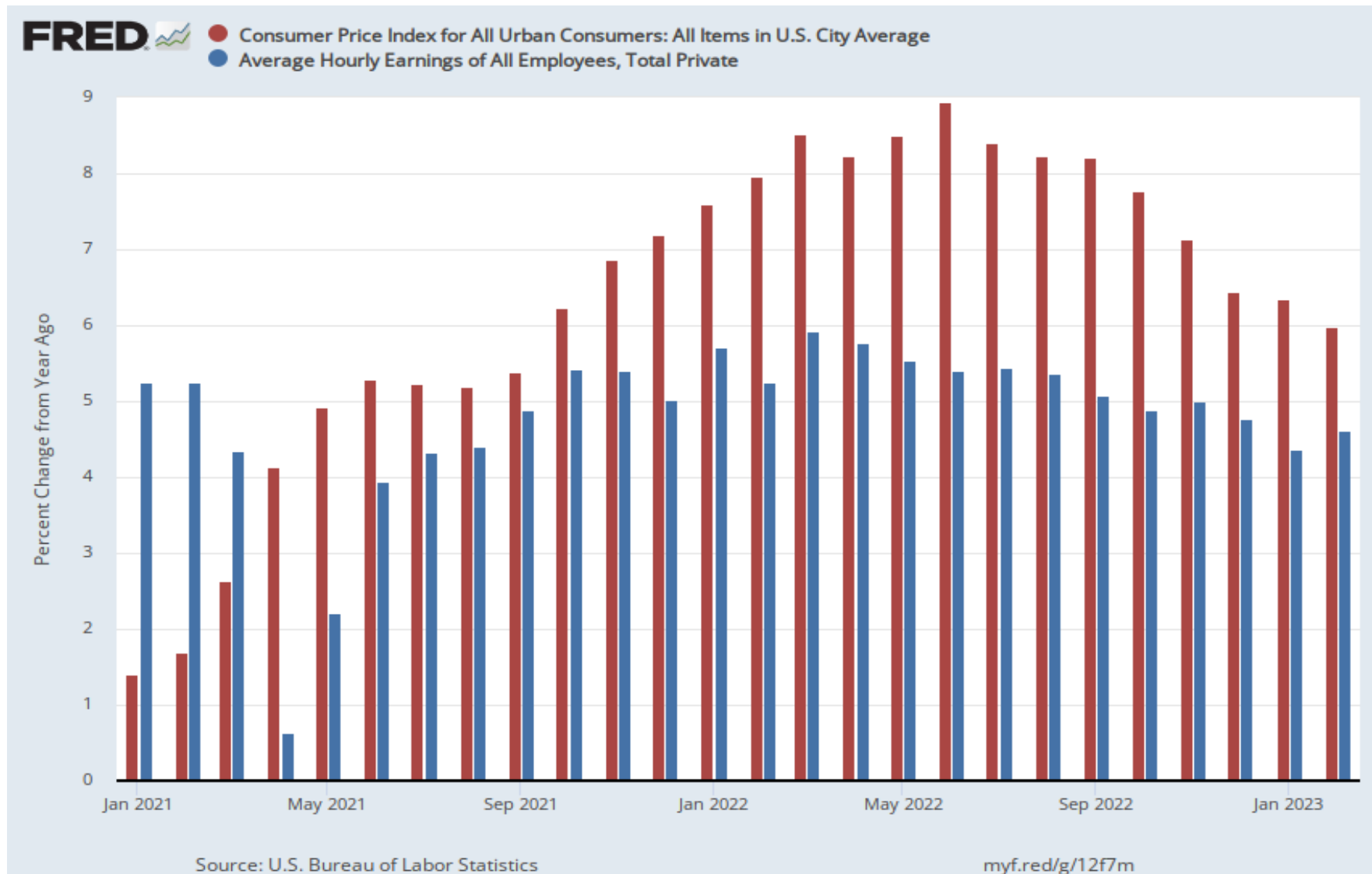


Monthly Non-farm Payrolls



Source: Bloomberg & US Labor Department

US Wage Growth Rising but at a Slower Rate than CPI Inflation!

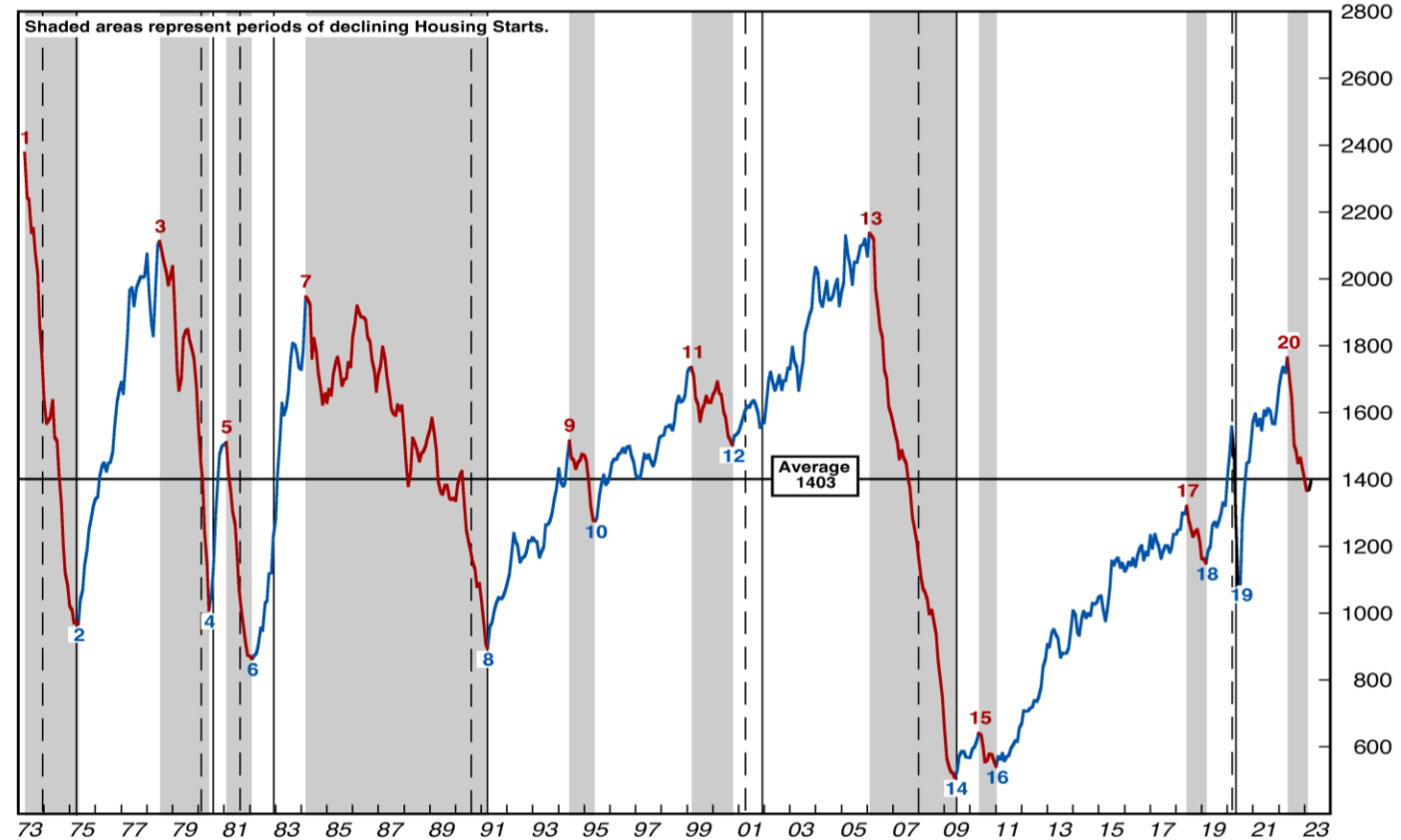


Housing Starts

50 Years Ending March 2023

Housing Starts

	Beginning Date	Ending Date	Duration Years	Percent Change
1	2/1973	4/1975	2.17	-59.33%
2	4/1975	6/1978	3.17	118.54%
3	6/1978	5/1980	1.92	-52.30%
4	5/1980	1/1981	0.67	50.05%
5	1/1981	1/1982	1.00	-42.94%
6	1/1982	2/1984	2.08	125.68%
7	2/1984	3/1991	7.08	-54.08%
8	3/1991	5/1994	3.17	69.71%
9	5/1994	5/1995	1.00	-15.92%
10	5/1995	2/1999	3.75	36.03%
11	2/1999	9/2000	1.58	-13.42%
12	9/2000	1/2006	5.33	42.19%
13	1/2006	5/2009	3.33	-76.26%
14	5/2009	4/2010	0.92	26.53%
15	4/2010	12/2010	0.67	-15.57%
16	12/2010	5/2018	7.42	143.88%
17	5/2018	2/2019	0.75	-13.05%
18	2/2019	2/2020	1.00	35.59%
19	2/2020	4/2022	1.83	62.42%
20	4/2022	1/2023	0.75	-22.84%
Average Increase			2.93	71.06%
Average Decline			2.03	-36.57%



Trend Criteria - Minimum 10% (+/-) change over 6 months.

Data: 3 Month Moving Average (Thousands of Units) • Black line segments indicate periods not meeting the trend criteria.

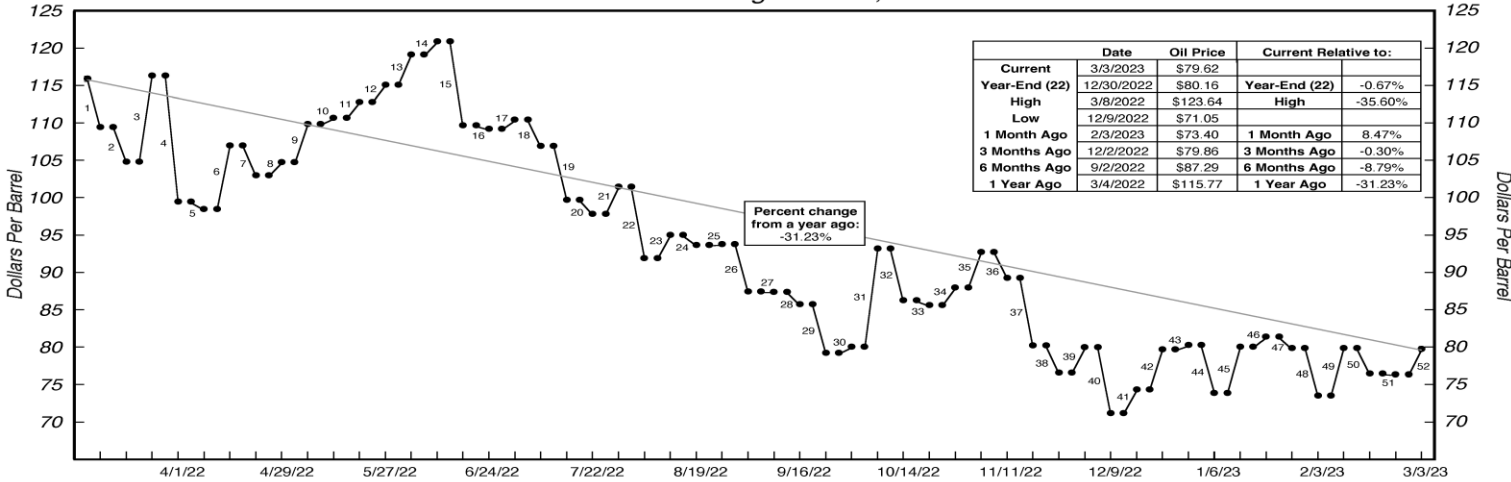
Vertical Lines: Recessions - Beginning (dashed line), End (solid line) - as defined by the National Bureau of Economic Research

Sources: Bureau of the Census; National Bureau of Economic Research; Copyright © 2023 Crandall, Pierce & Company • All rights reserved.

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Crude Oil Prices Stabilizing

Oil - Price Per Barrel (West Texas Intermediate)
The Year Ending March 3, 2023



The Year - By Week

Week	Ending	Percent Change	From 3/4/2022	Week	Ending	Percent Change	From 3/4/2022	Week	Ending	Percent Change	From 3/4/2022	Week	Ending	Percent Change	From 3/4/2022
1	3/11/2022	-5.58%	-5.58%	14	6/10/2022	1.48%	4.28%	27	9/9/2022	-0.02%	-24.62%	40	12/9/2022	-11.03%	-38.63%
2	3/18/2022	-4.23%	-9.57%	15	6/17/2022	-9.25%	-5.36%	28	9/16/2022	-1.95%	-26.09%	41	12/16/2022	4.42%	-35.92%
3	3/25/2022	10.99%	0.37%	16	6/24/2022	-0.45%	-5.79%	29	9/23/2022	-7.60%	-31.70%	42	12/23/2022	7.25%	-31.27%
4	4/1/2022	-14.53%	-14.21%	17	7/1/2022	1.13%	-4.72%	30	9/30/2022	1.05%	-30.98%	43	12/30/2022	0.74%	-30.76%
5	4/8/2022	-0.98%	-15.05%	18	7/8/2022	-3.19%	-7.77%	31	10/7/2022	16.47%	-19.61%	44	1/6/2023	-7.97%	-36.28%
6	4/15/2022	8.63%	-7.71%	19	7/15/2022	-6.73%	-13.98%	32	10/14/2022	-7.49%	-25.63%	45	1/13/2023	8.31%	-30.98%
7	4/22/2022	-3.73%	-11.15%	20	7/22/2022	-1.89%	-15.60%	33	10/21/2022	-0.73%	-26.17%	46	1/20/2023	1.71%	-29.80%
8	4/29/2022	1.68%	-9.66%	21	7/29/2022	3.68%	-12.49%	34	10/28/2022	2.78%	-24.12%	47	1/27/2023	-1.89%	-31.13%
9	5/6/2022	4.90%	-5.23%	22	8/5/2022	-9.42%	-20.73%	35	11/4/2022	5.38%	-20.03%	48	2/3/2023	-7.94%	-36.60%
10	5/13/2022	0.73%	-4.53%	23	8/12/2022	3.37%	-18.06%	36	11/11/2022	-3.72%	-23.00%	49	2/10/2023	8.64%	-31.12%
11	5/20/2022	1.91%	-2.71%	24	8/19/2022	-1.38%	-19.19%	37	11/18/2022	-10.18%	-30.84%	50	2/17/2023	-4.30%	-34.08%
12	5/27/2022	2.07%	-0.70%	25	8/26/2022	0.09%	-19.12%	38	11/25/2022	-4.52%	-33.96%	51	2/24/2023	-0.16%	-34.19%
13	6/3/2022	3.49%	2.76%	26	9/2/2022	-6.77%	-24.60%	39	12/2/2022	4.46%	-31.02%	52	3/3/2023	4.50%	-31.23%

Sources: Energy Information Administration; Copyright © 2023 Crandall, Pierce & Company • All rights reserved.

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Mapping Soft vs. Hard Landings Throughout History



Source: Piper Sandler

Question 2

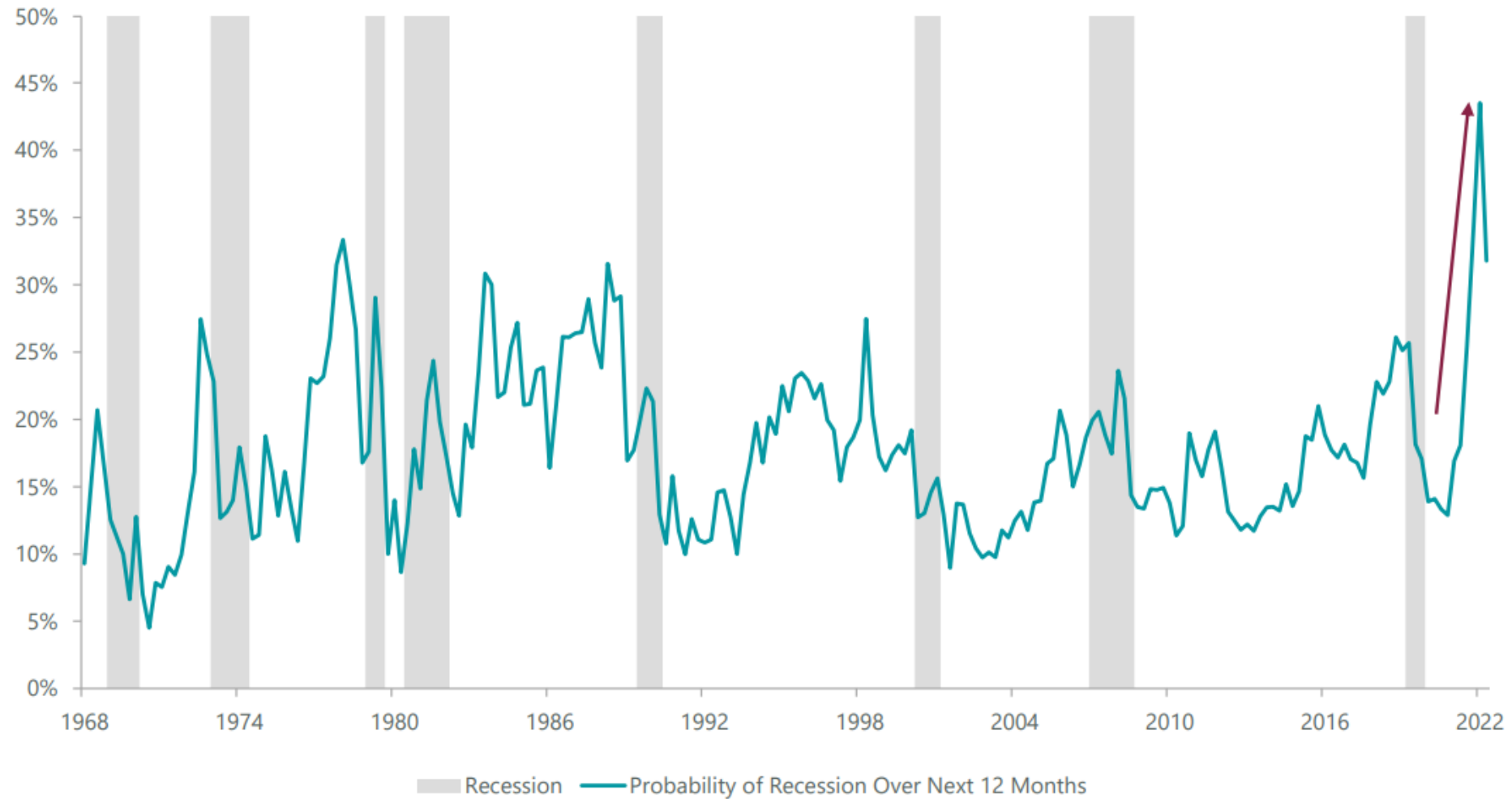
We have been hearing about a recession for awhile. Where is the recession?

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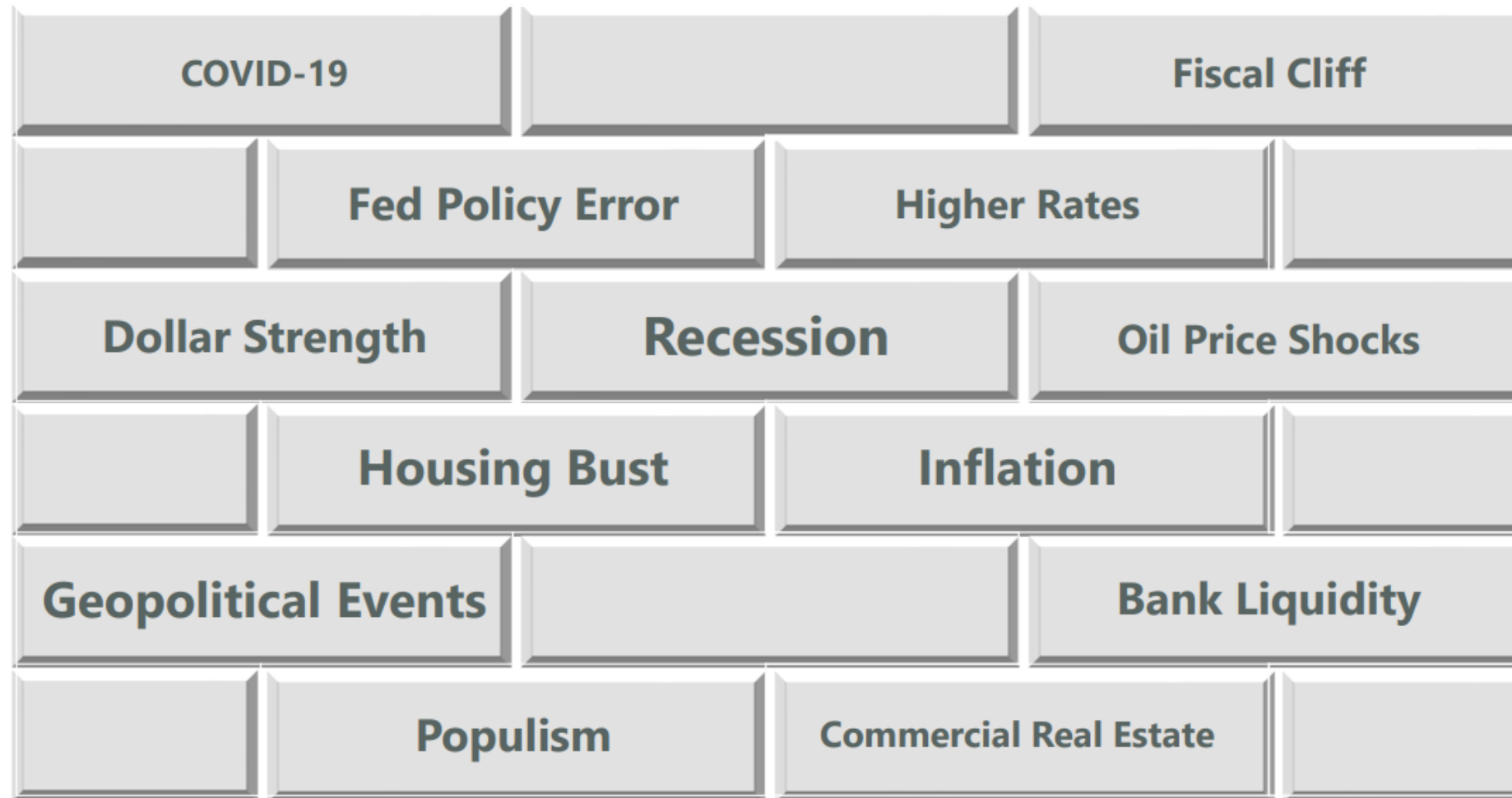
Most Anticipated Recession Ever

Probability of Recession Over Next 12 Months - Philadelphia Fed Survey of Professional Forecasters

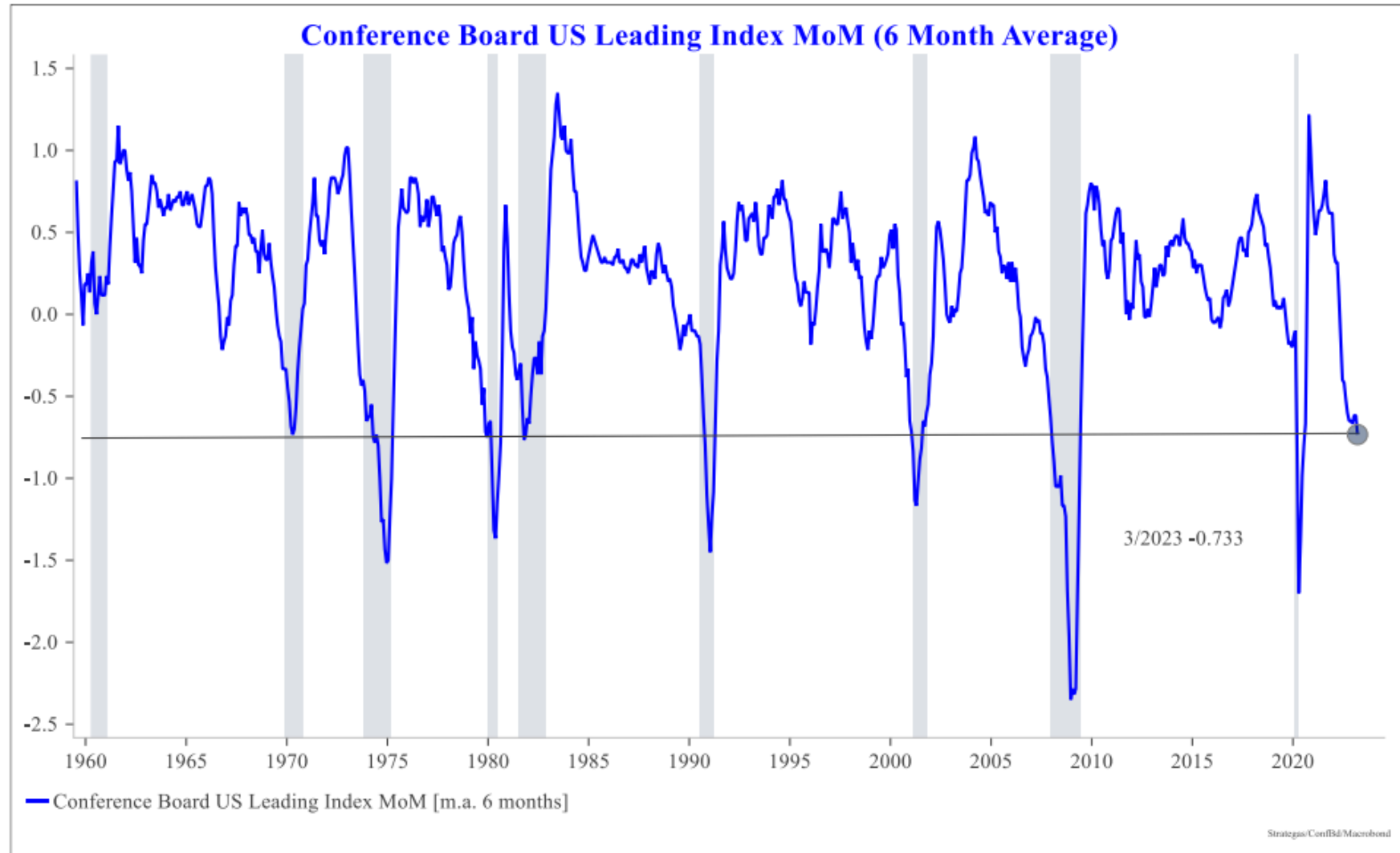


Source: ClearBridge Investments

Wall of Worries

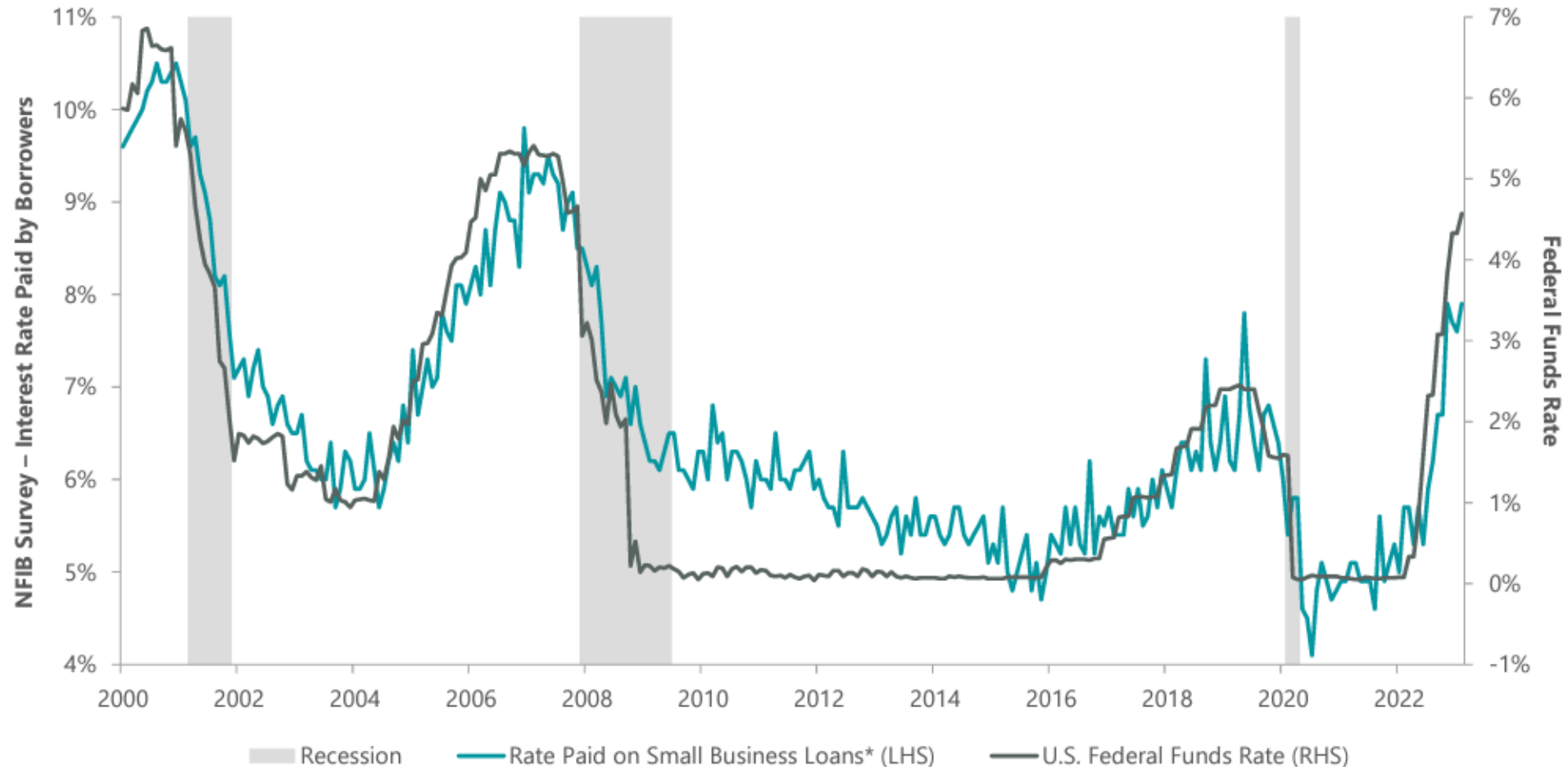


ECONOMIC LEADING INDICATORS



Source: Strategas Research Partners

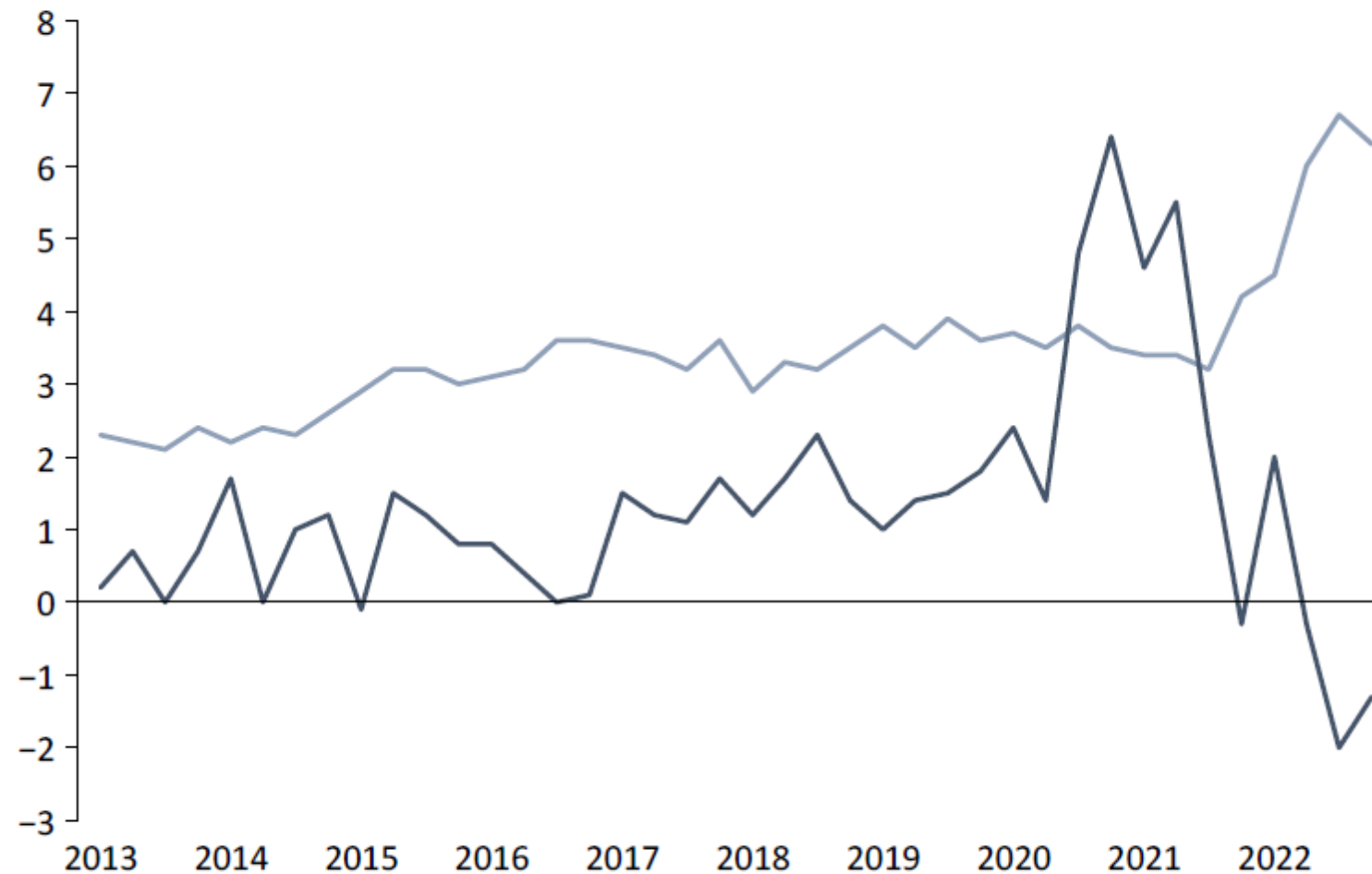
Higher Interest Rates Hurting Small Businesses



Source: ClearBridge Investments

Workers are getting paid more and doing less

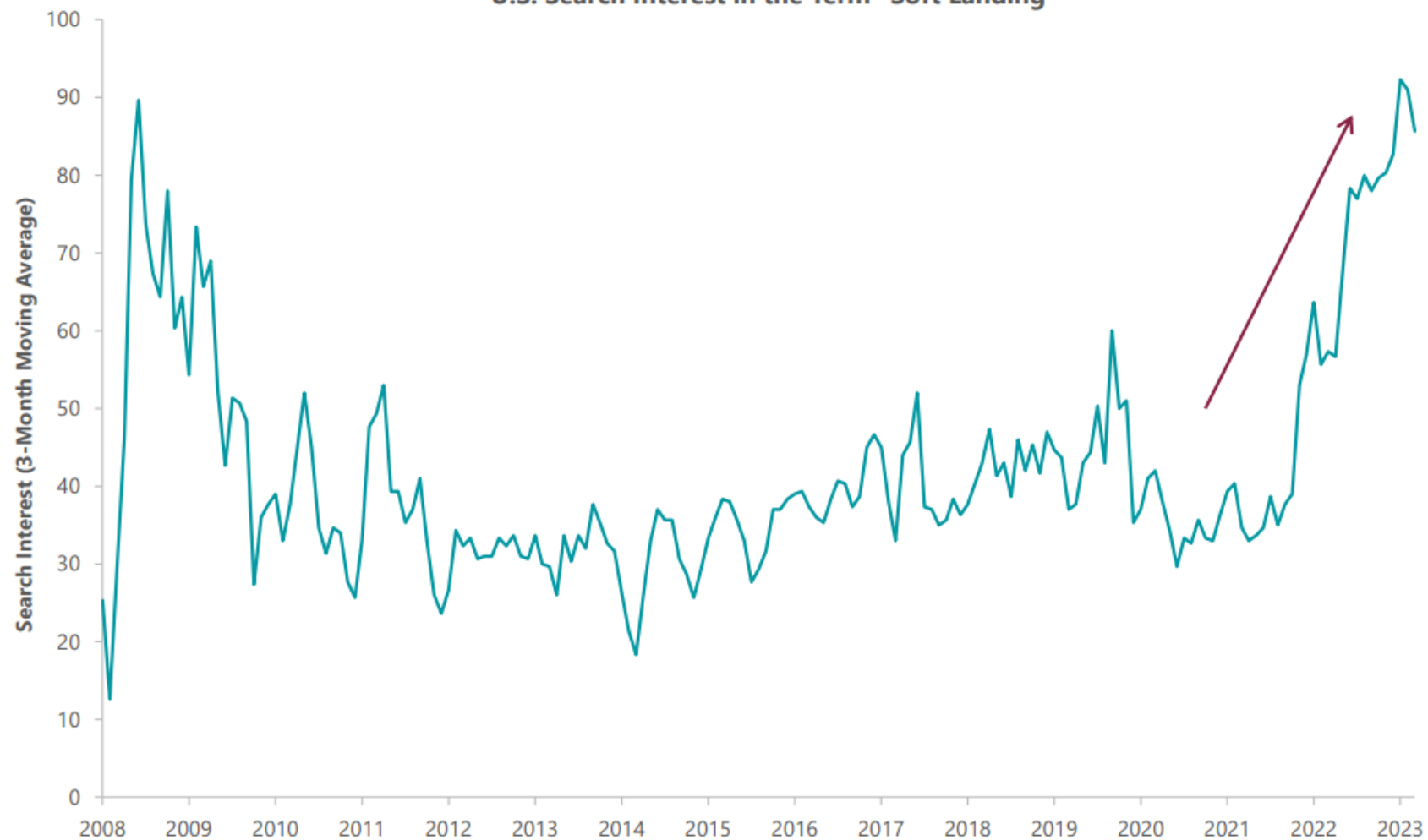
— Wage Growth — Productivity Growth



Source: Atlanta Federal Reserve, U.S. Bureau of Labor Statistics, as of December 23, 2022

Soft Landing?

U.S. Search Interest in the Term "Soft Landing"



Source: ClearBridge Investments

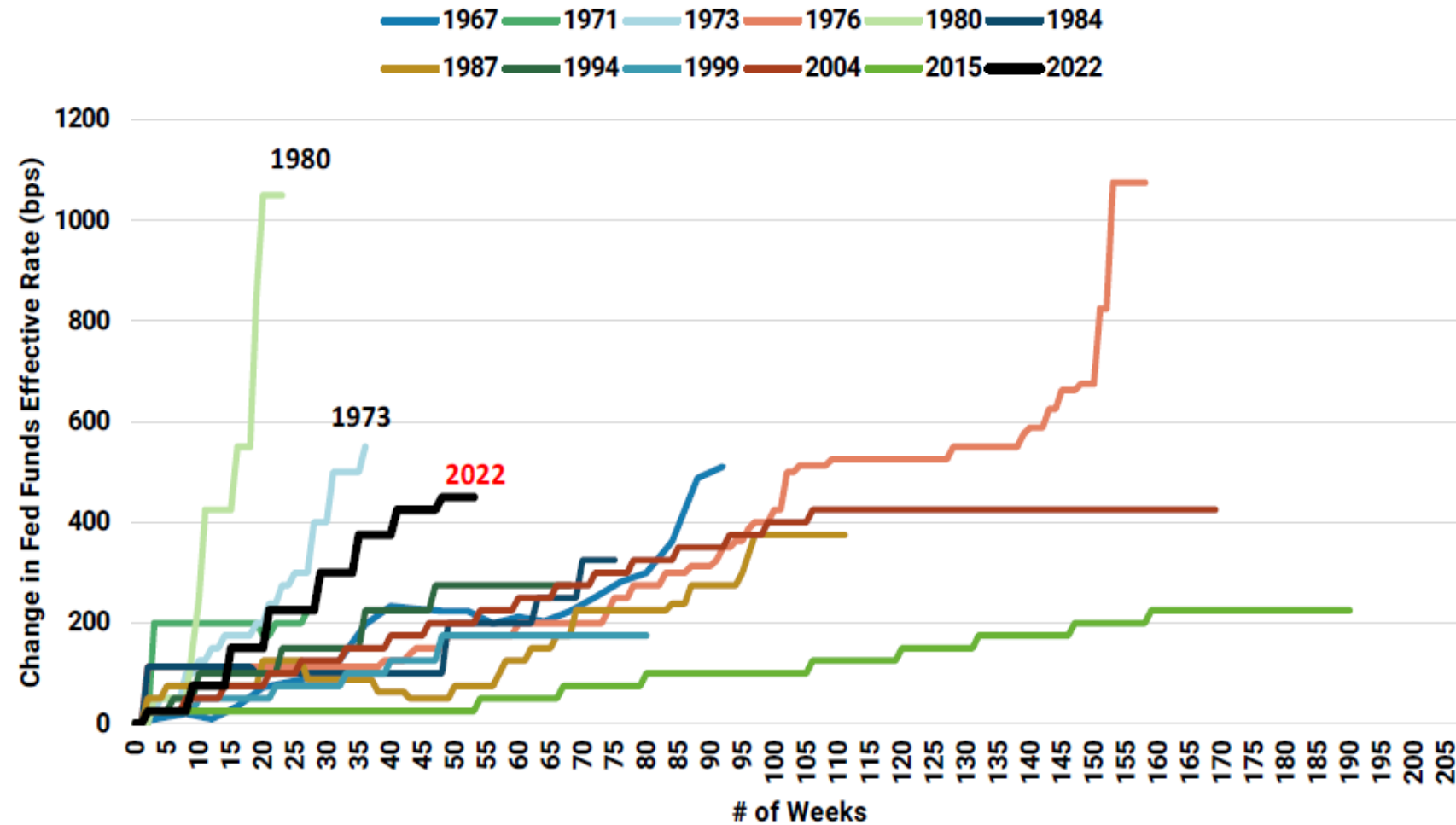
Question 3

Where will the markets land after the Fed's aggressive tightening cycle?

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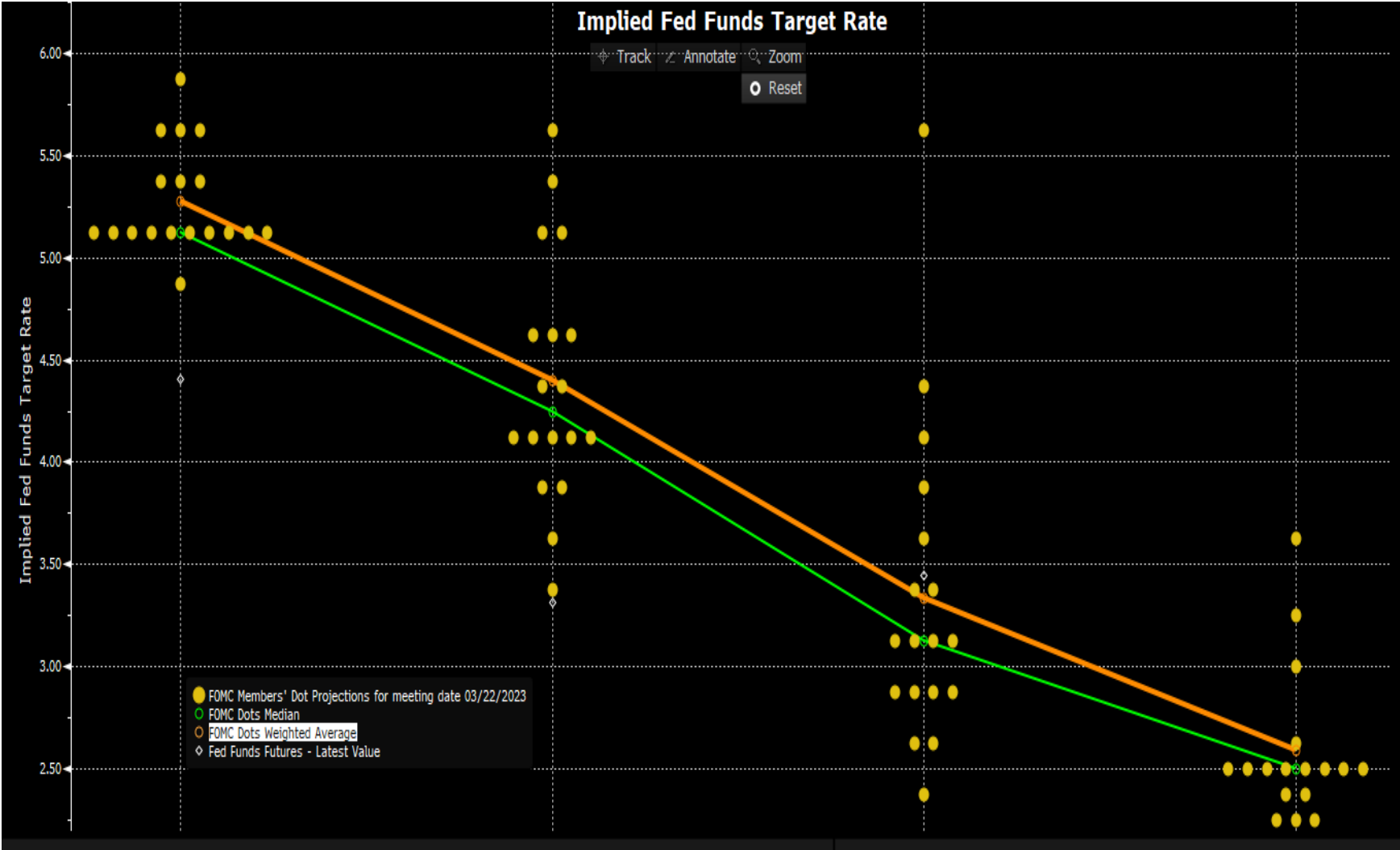


Cumulative Fed Hikes



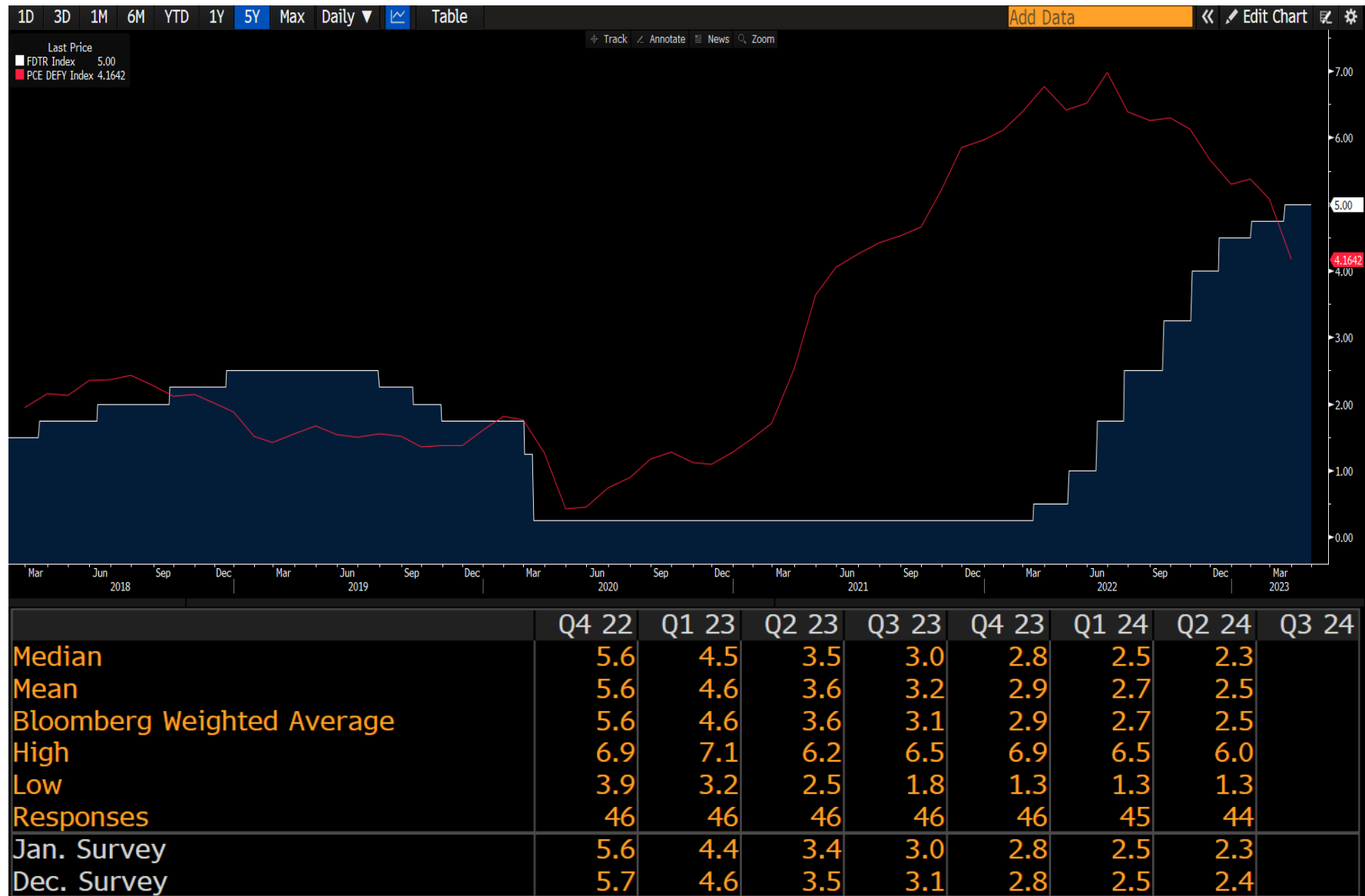
Source: Bloomberg, FRED, Morgan Stanley Research

Fed's Projected Rate is 5.5% in 2023



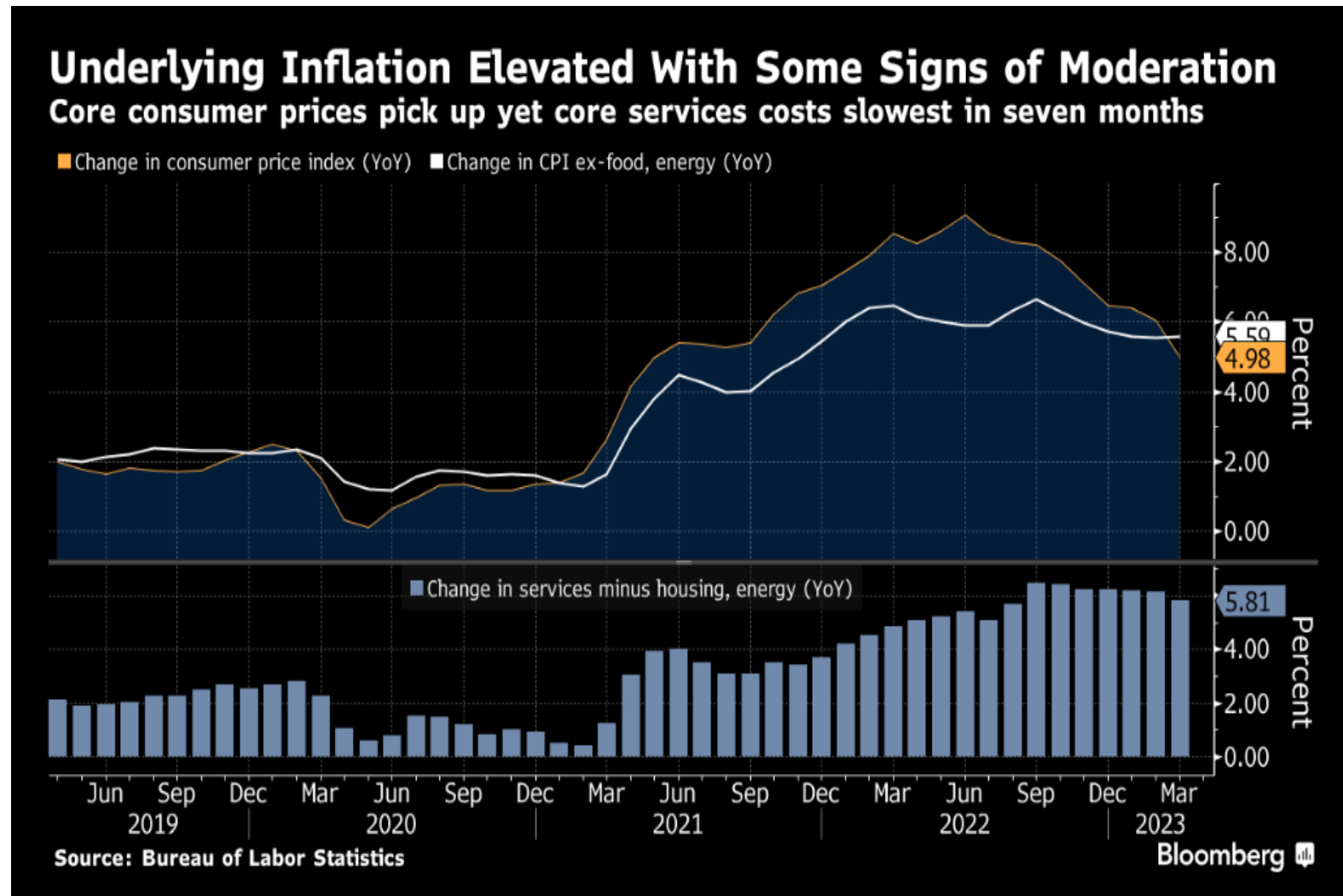
Source: Bloomberg

Fed will Stop Tightening when FFUND's rate Meets PCE deflator = 5.0-5.25%



Source: Bloomberg

Fed's Preferred Inflation Metric "Core Services Ex-Housing" Remains Elevated!



Question 4

Consumers are in a gloomy mood so will consumer spending hold up?

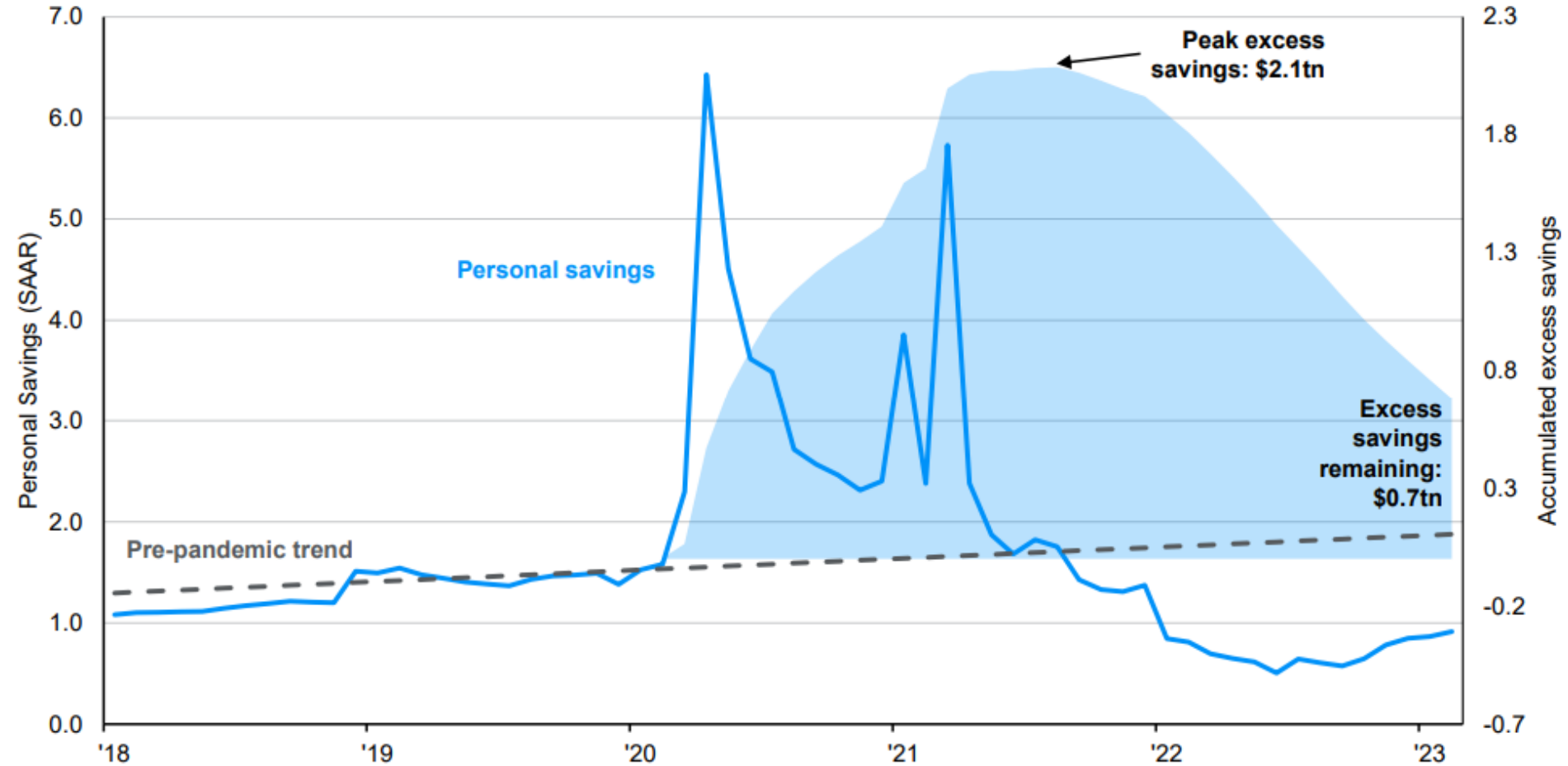
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Consumer Finances

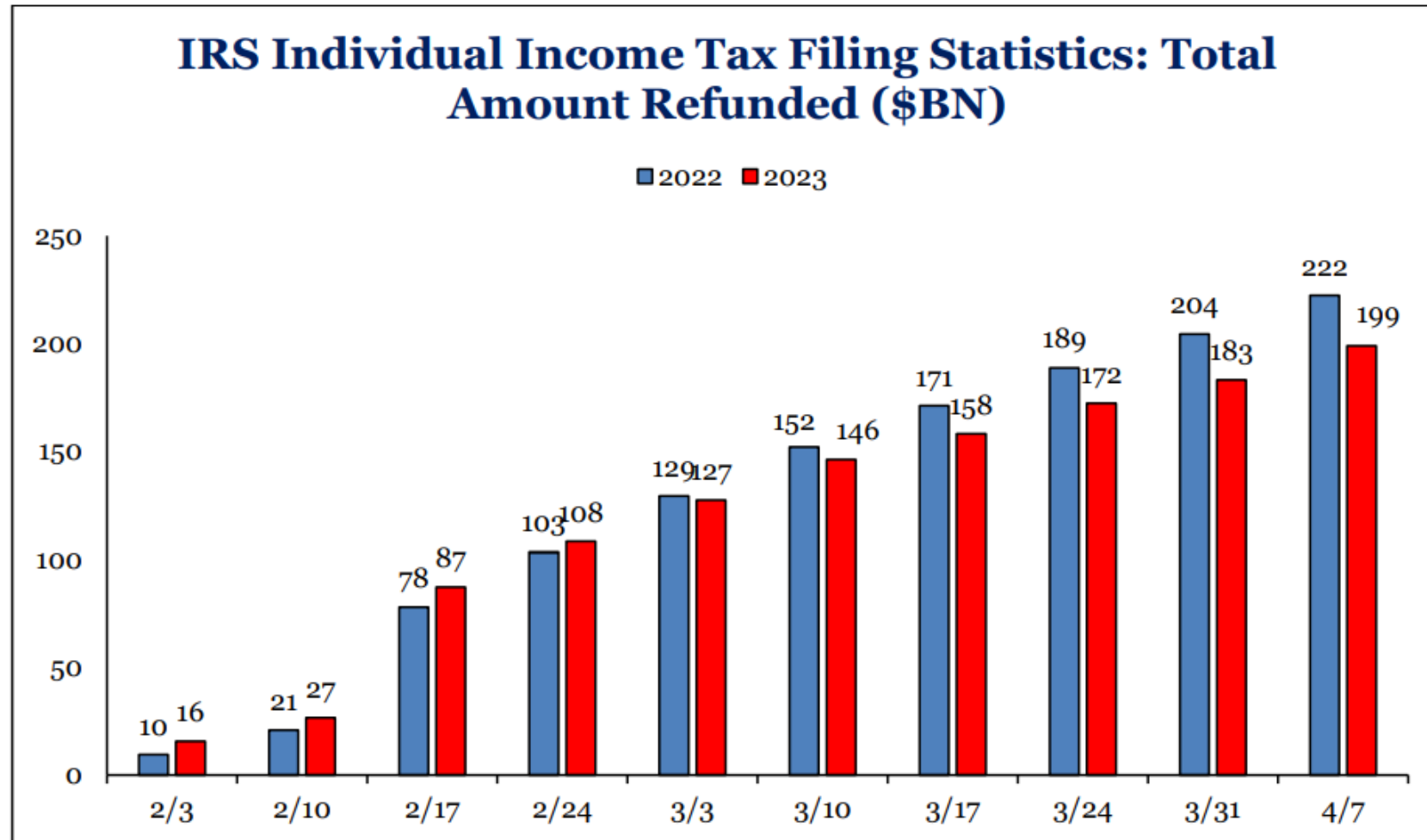
Household excess savings

Trillions of USD



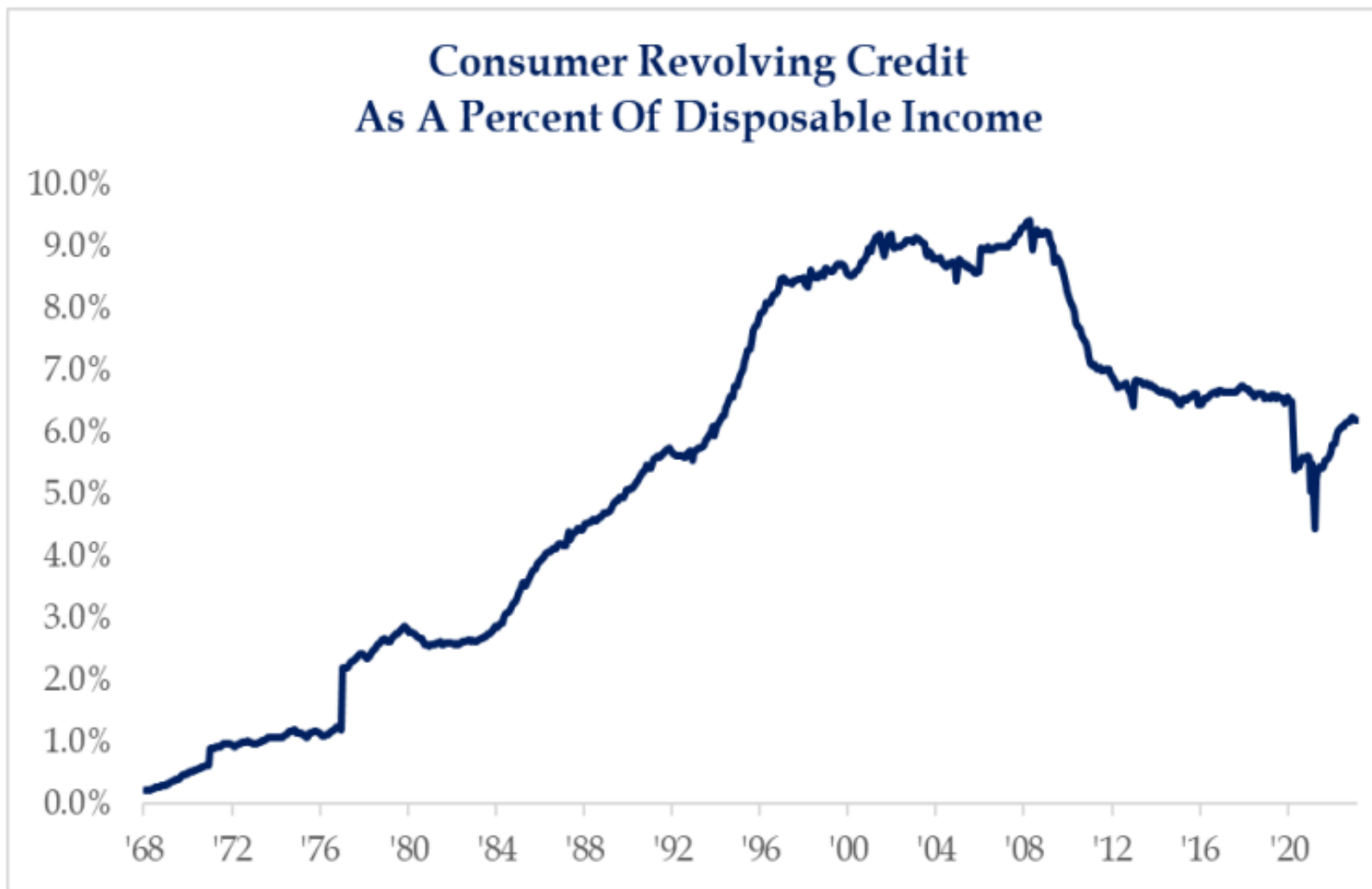
Sources: FactSet, FRB, J.P. Asset Management, BEA

TAX REFUNDS ARE DOWN 10%



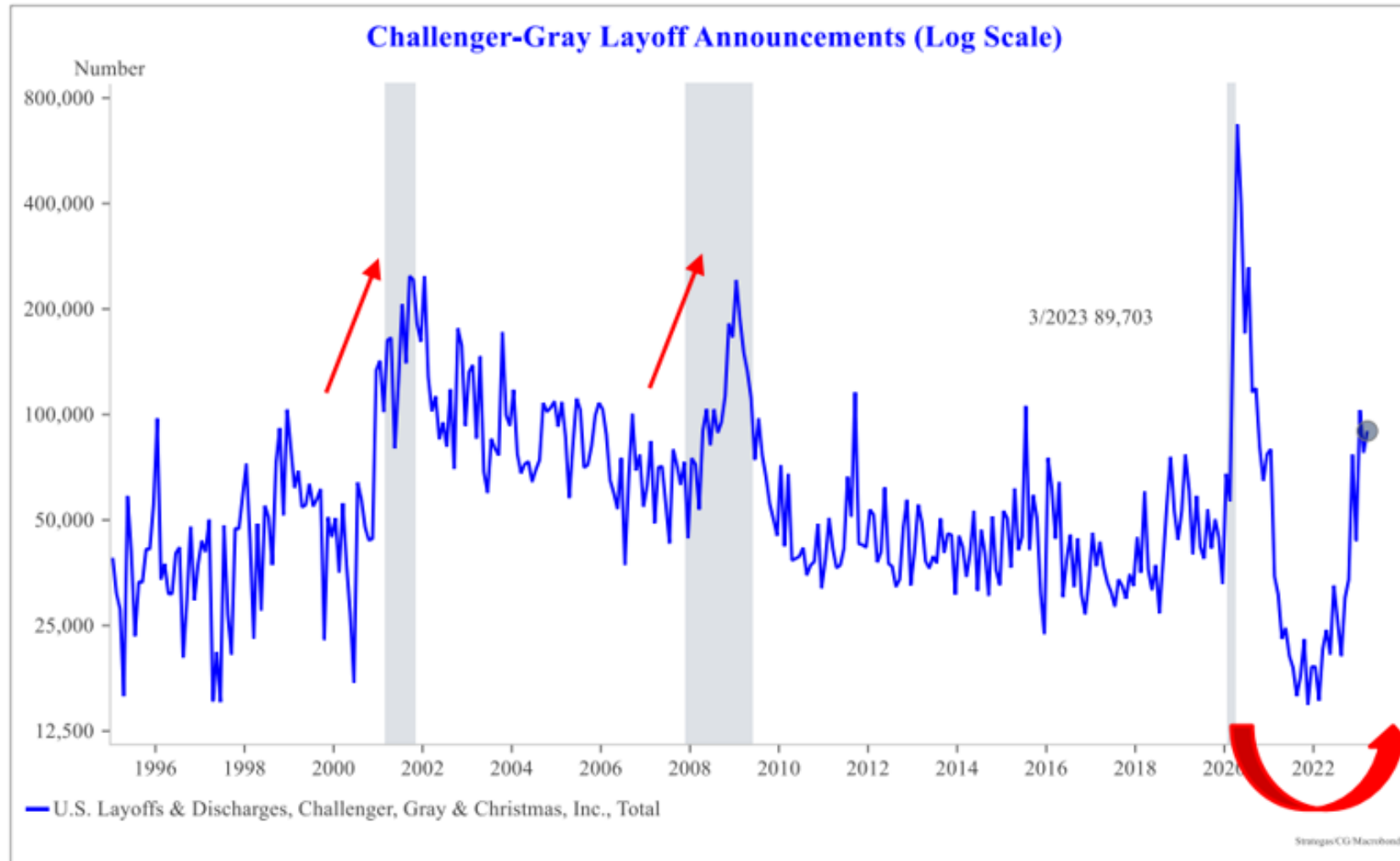
Source: Strategas Research Partners

Consumer Spending



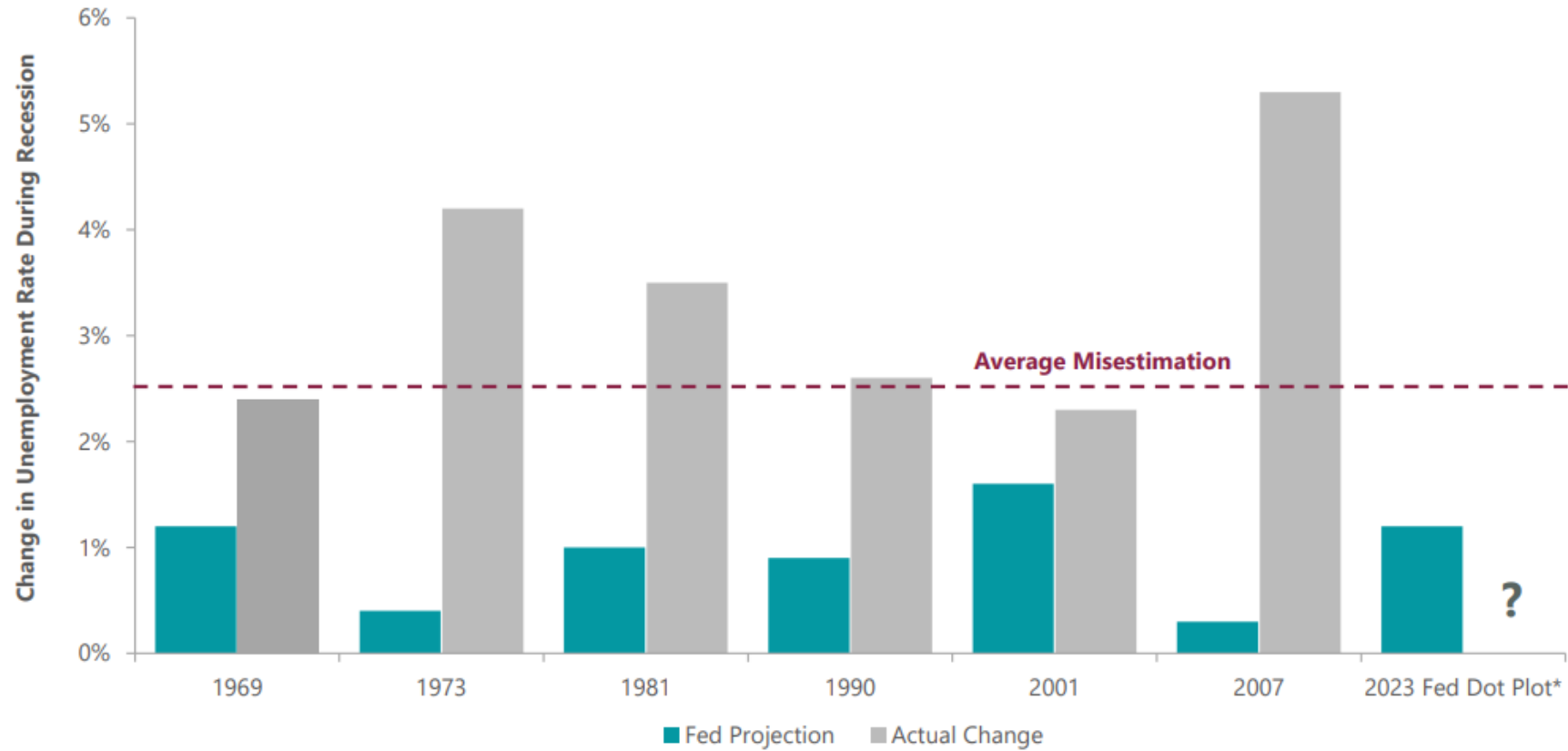
Source: Strategas Research Partners

LAYOFF ANNOUNCEMENTS HAVE ALREADY BEEN TRENDING UP IN THE U.S.



Source: Strategas Research Partners.

The Federal Reserve's Projection



- ▶ **The Fed underestimates the pain in labor markets experienced during a recession by 2.5% on average.**

Source: ClearBridge Investments

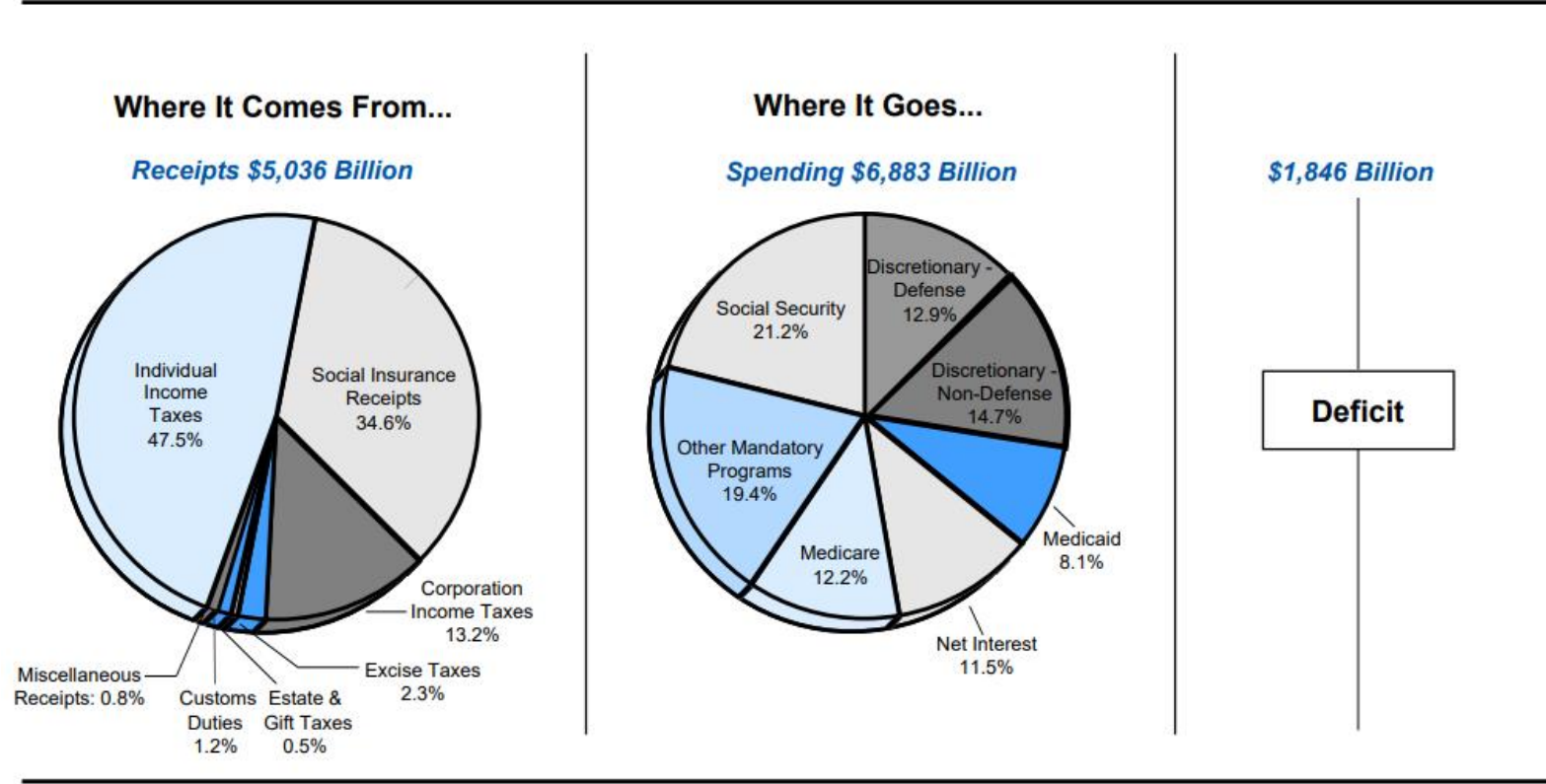
Question 5

How should we be positioned for the debates on Debt Ceiling and Government Spending?

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Fiscal Year 2024 Federal Budget Proposal



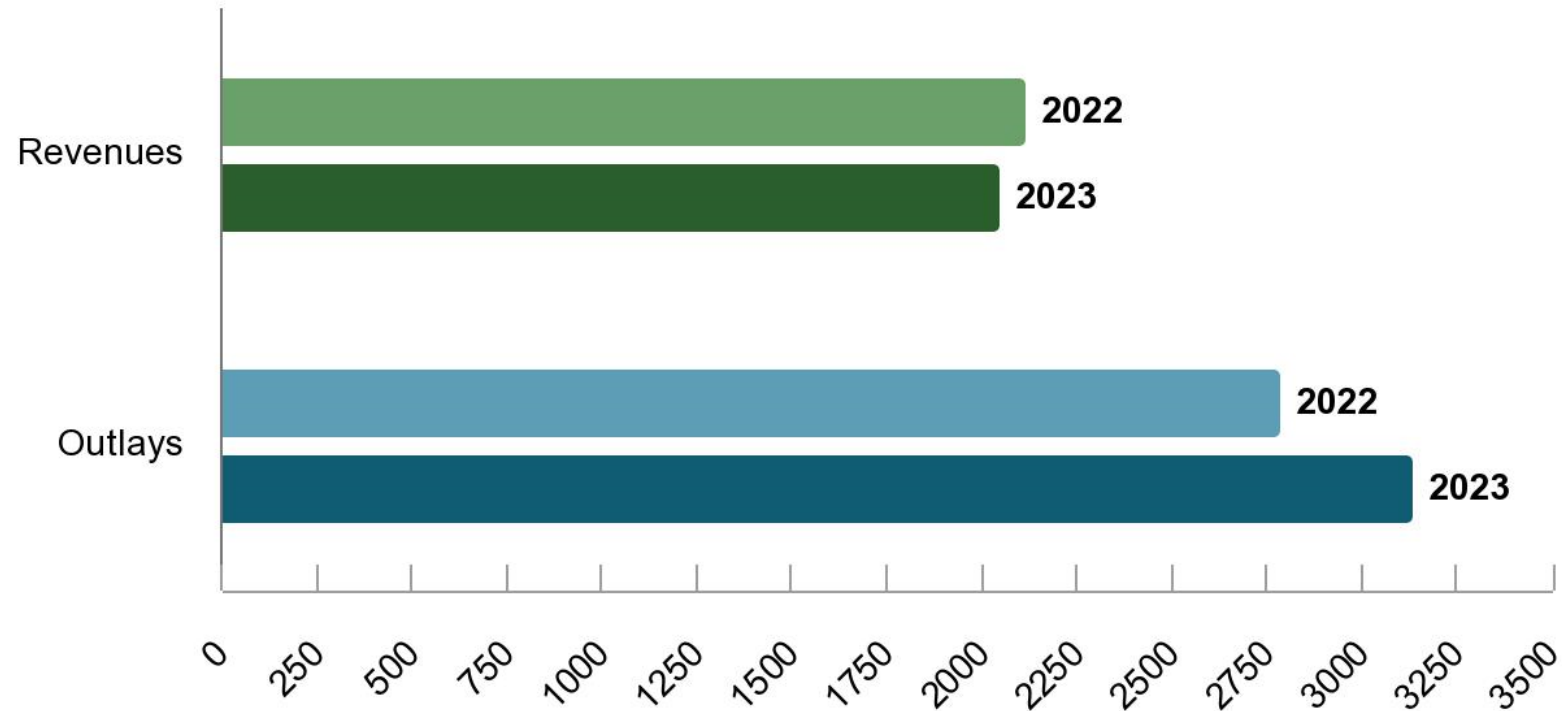
*Due to rounding, numbers may not add up to 100%.
Data released March 9, 2023*

Sources: OMB and Crandall Pierce

1st Half of Fiscal 2023

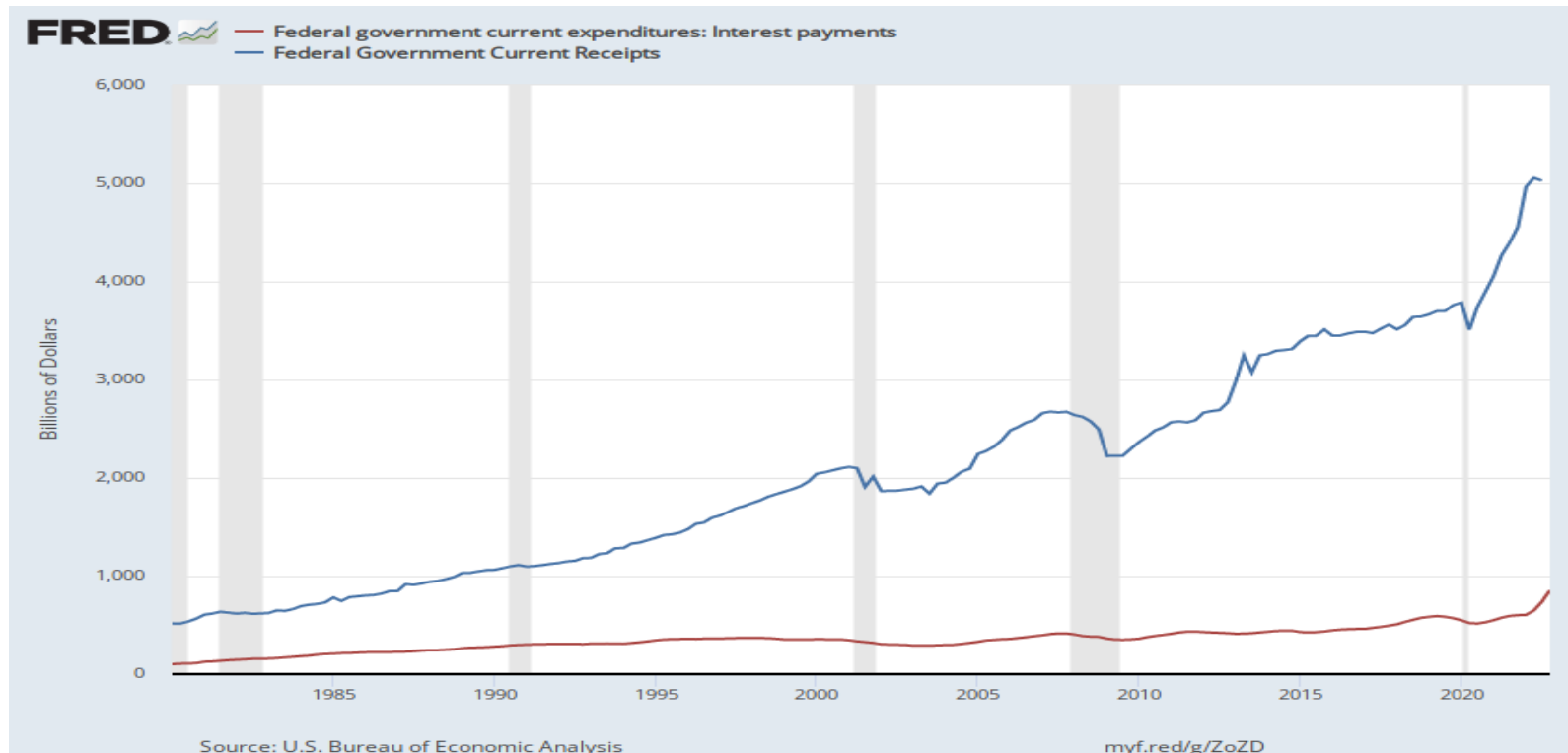
Figure 1.
October-March Revenues and Outlays
Fiscal Years 2022 and 2023

Billions of Dollars



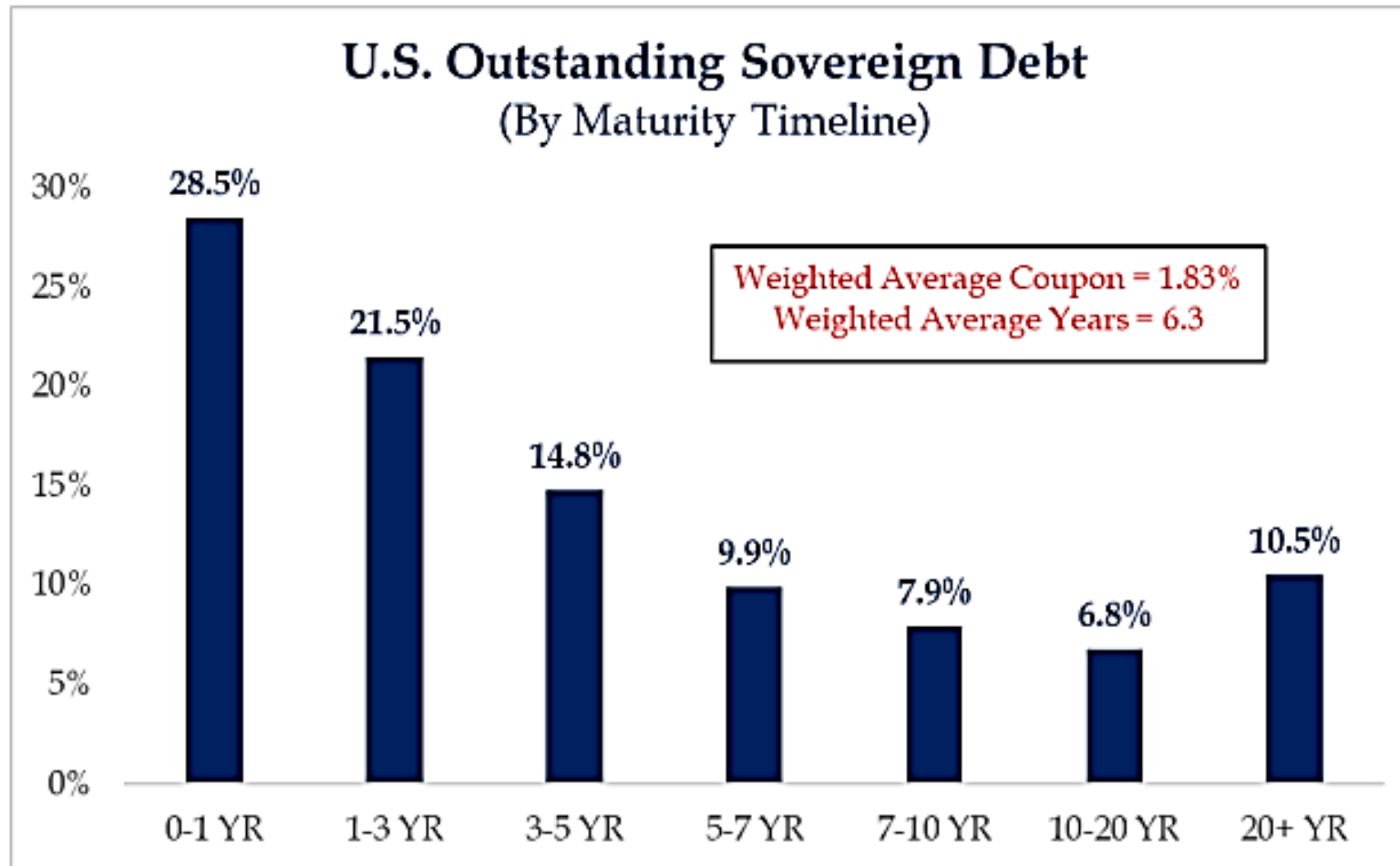
Source: CBO

Debt Interest Expense becoming Larger Piece of Tax Receipts



- For FY22 the CBO has announced that the Federal Government's total tax revenues were \$4.90 Tn, on total Outlays of \$6.27 Tn resulting in an annual deficit of \$1.38 Tn. The current Accumulated Debt Held by the US government is \$31.46 Tn. Resulting in 17% of total Federal Government Current Receipts will be used to simply pay the interest on the existing debt.
- With US tax receipts highly correlated to economic growth and the Fed forced to raise rates to douse out inflation, the costs of funding additional debt will rise. This creates concerns that the US government cannot fund its \$853 Bn in interest payments, \$3.5 Tn in entitlement spending and \$800 Bn in Defense.

Higher Rates Means Debt Service Expense will Rise



Source: Strategas Research Partners

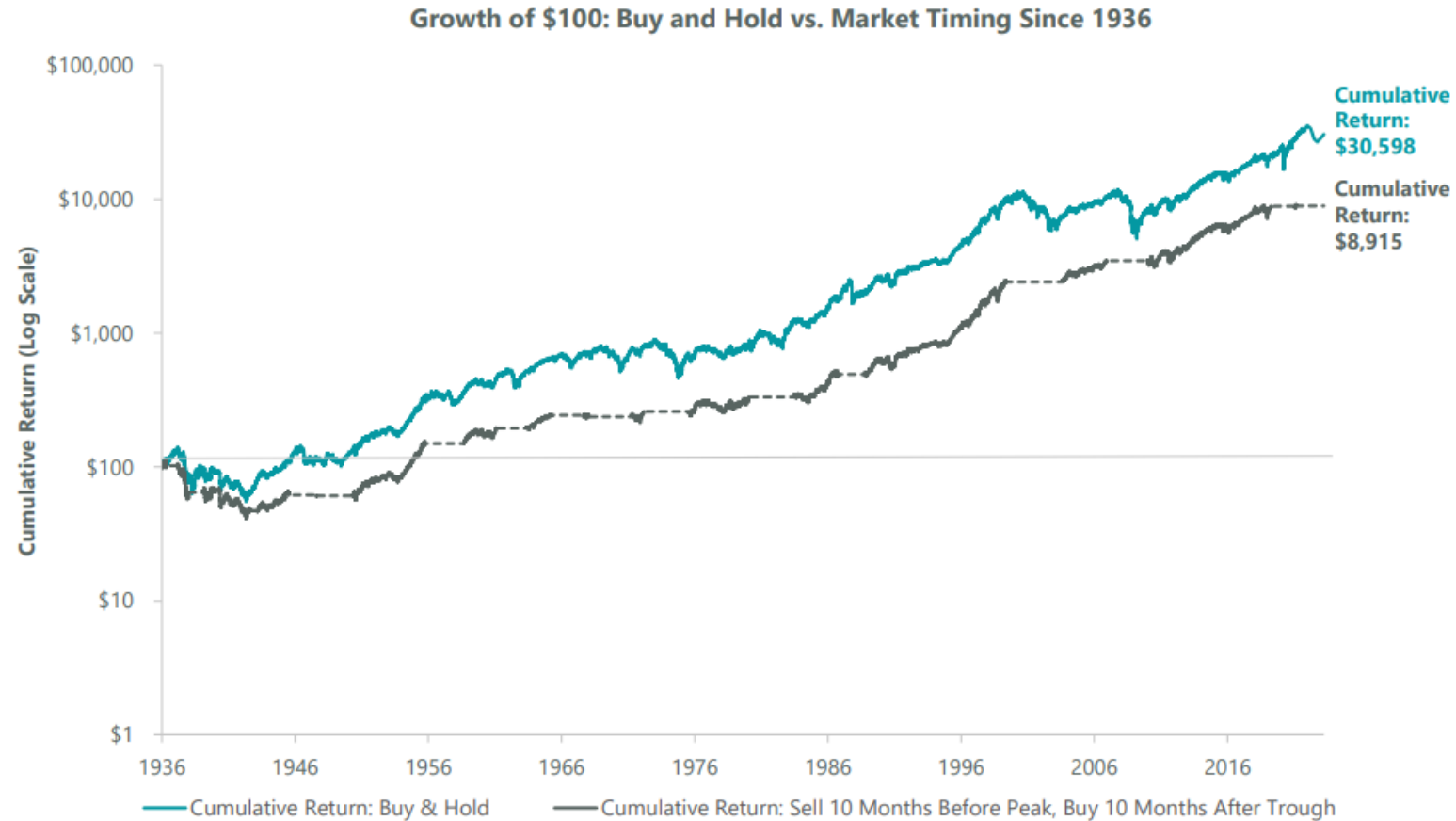
Question 6

What is the outlook for the Financial Markets?

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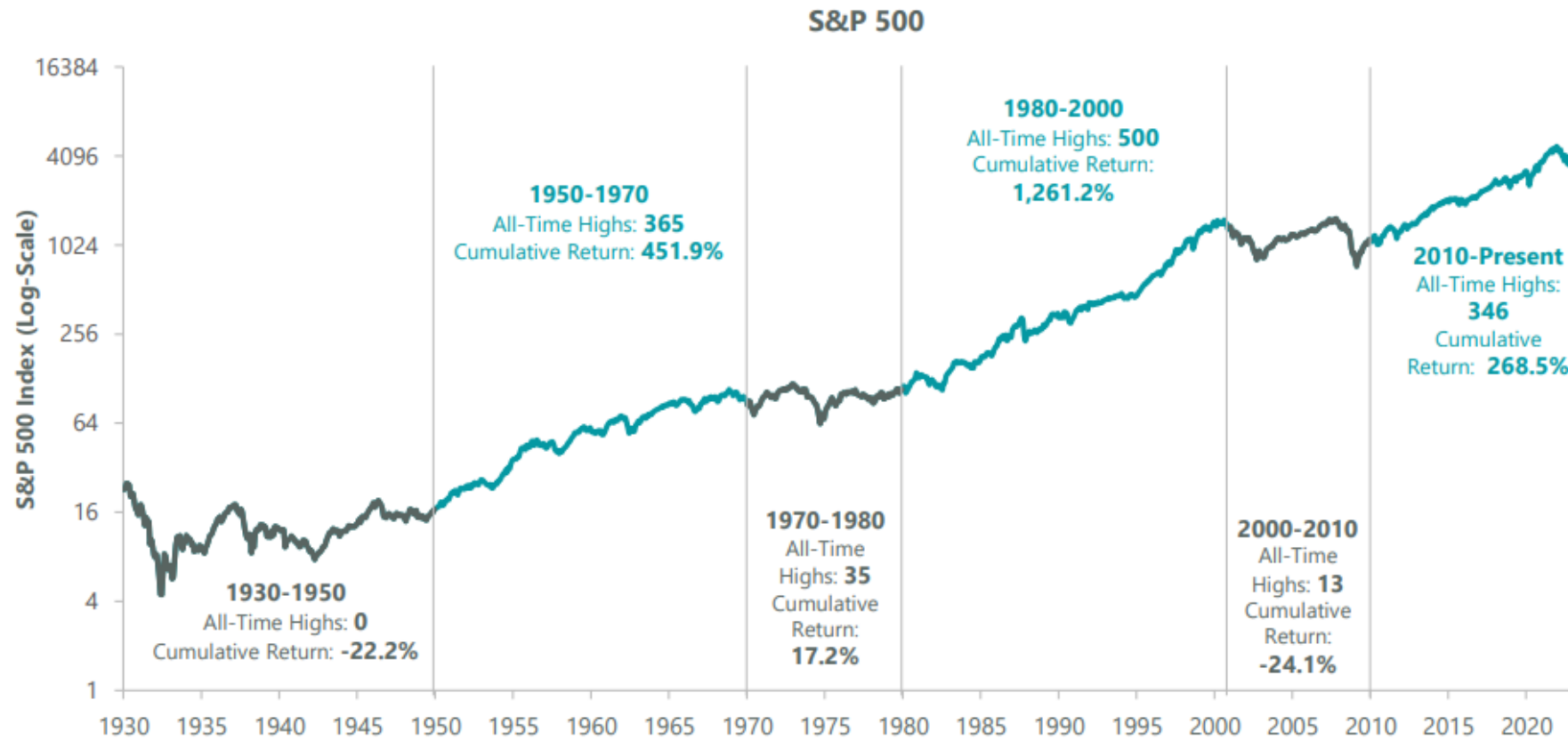
Can You Time The Market?



- ▶ Since 1936, an investor that consistently sold 10 months prior to a market peak and bought back 10 months after the trough was worse off overall than a buy-and-hold investor.

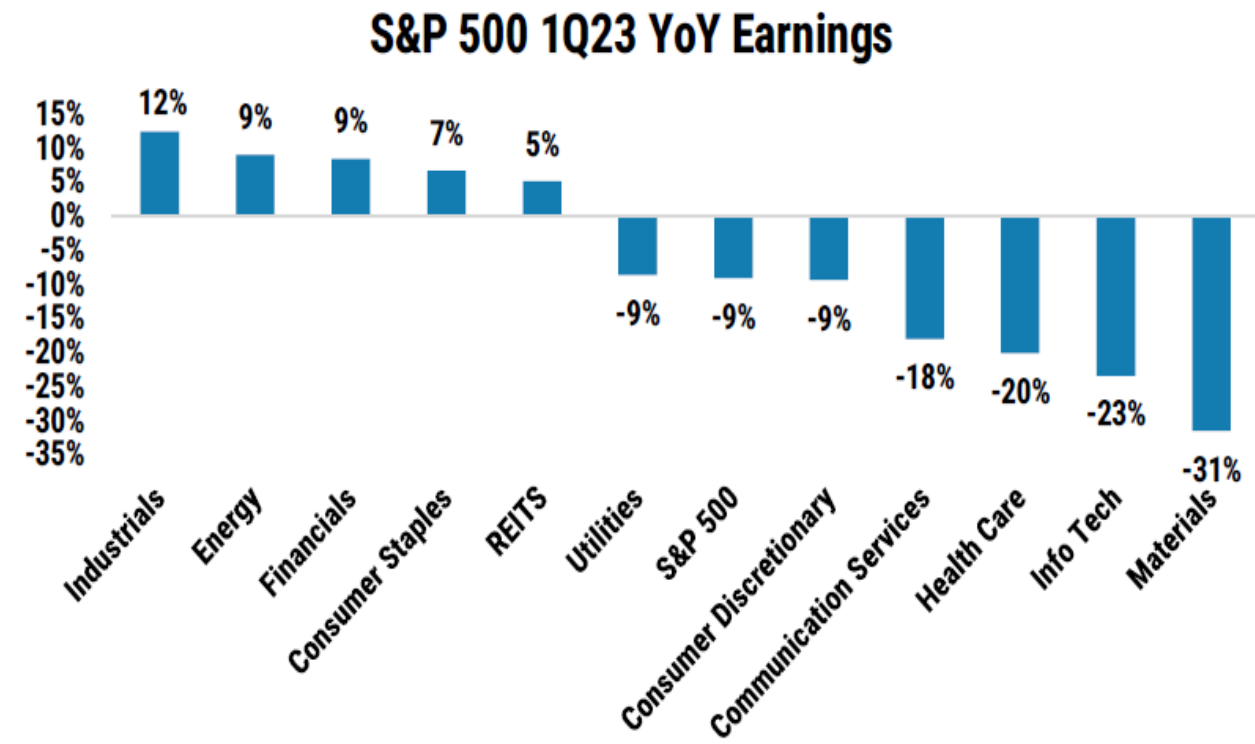
Source: ClearBridge Investments

Historical Perspective



Source: ClearBridge Investments

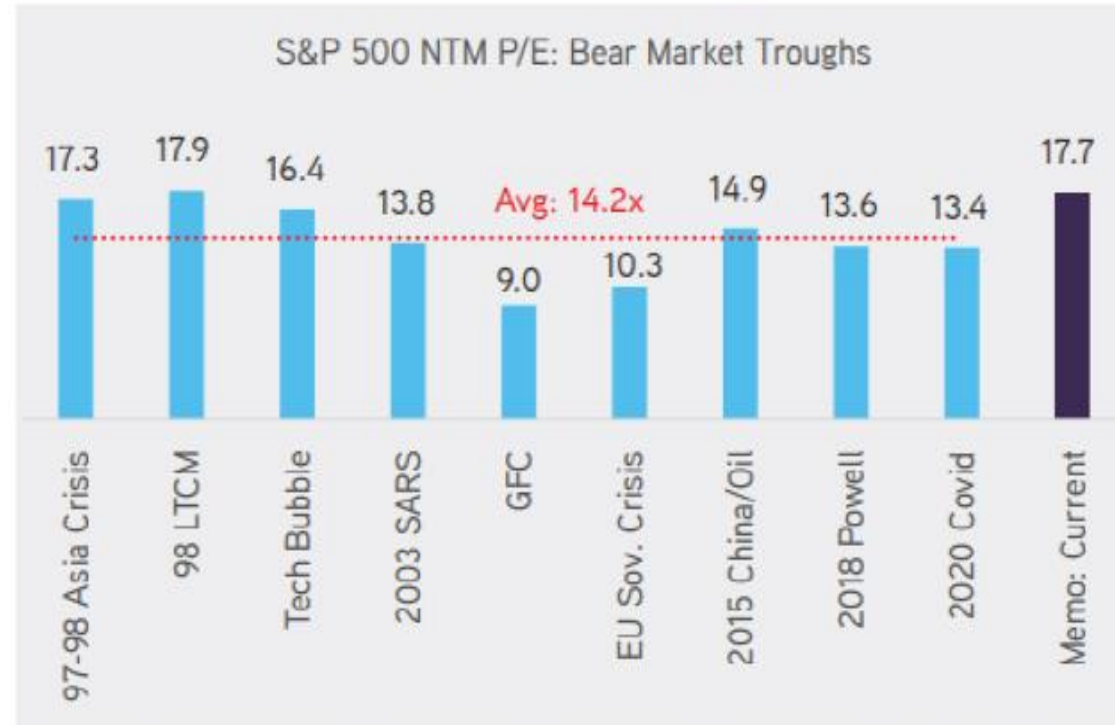
S&P 500 Index Profit Growth 1Q23 Estimated to be -9%



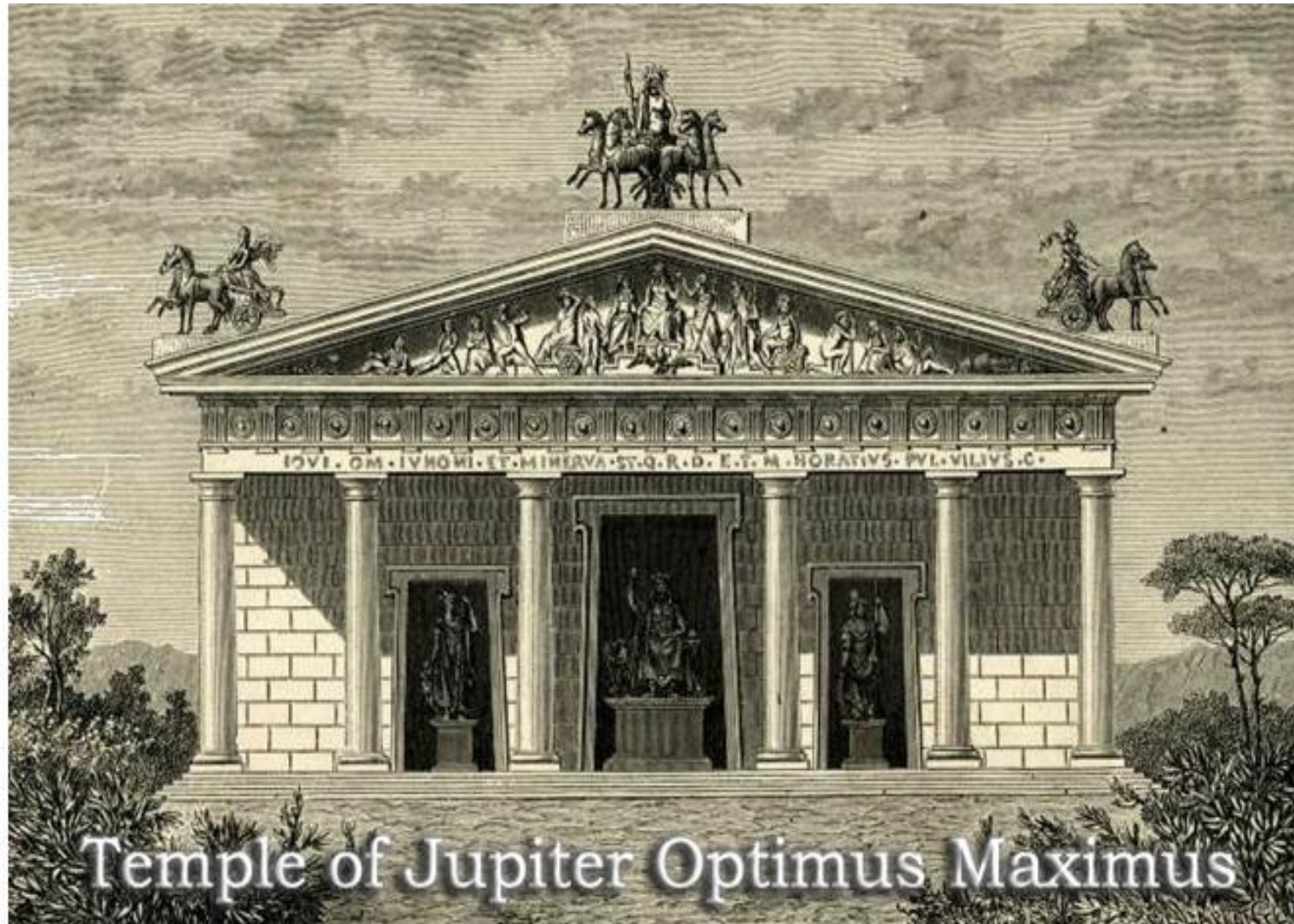
Source: Compustat, Morgan Stanley Research

Earnings Estimates Likely Too High if a Recession is Imminent

**During Prior Bear Market Troughs, S&P 500 NTM P/E
Has Traded Down to 14-15x on Average**



Data as at November 30, 2022. Source: Bloomberg, MS Research, KKR Global Macro & Asset Allocation analysis.



S&P P/E Valuation	Interest Rates	GDP	Inflation	S&P Profit Growth	UST Curve Inverted
Negative	Negative	Positive	Negative	Negative	Negative

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Standard & Poor's Index (S&P 500) – A market capitalization weighted equity index maintained by Standard and Poors that seeks to be a benchmark of the large Cap U.S. stock market. The index covers 400 industrial, 40 utility, 20 transportation, and 40 financial companies of the US markets (mostly NYSE issues). These 500 companies are spread across 10 economic sectors: Technology, Financials, Health Care, Energy, Consumer Discretionary, Consumer Staples, Industrials, Materials, Utilities, and Telecommunications.

Russell 3000 Index – A market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S. The index is further divided by market capitalization and investment style. Russell 1000 Value, Russell 1000 Growth, Russell Mid Cap Value, Russell Mid Cap Growth, Russell 2000 Value, and Russell 2000 Growth.

MSCI EAFE Index – An index created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. The index is further divided into 4 major regions: the U.K., Europe ex-U.K., Japan, Pacific ex-Japan.

MSCI Emerging Markets Index – An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets. The Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Barclays Capital Aggregate Bond Index – An index maintained by Barclay's Capital that includes all publicly issued, non-convertible domestic debt of the US Government and all its agencies, all investment-grade corporate debt and all mortgage-backed securities. The minimum maturity is one year, but there is no maximum maturity. The bonds must have at least \$250 million par amount outstanding.

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A link to today's recording will be sent via email.

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