

Synovus Market Update

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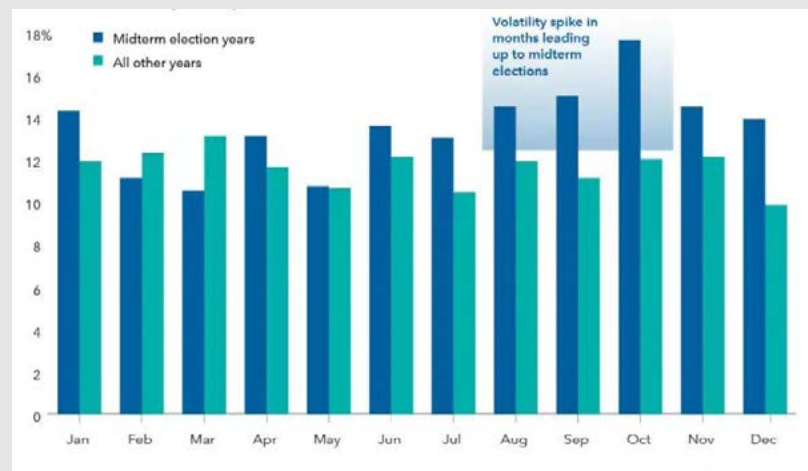
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Are you ready for the midterms?

Christopher Brown, CIMA®, CRPC™, Financial Advisor, Synovus Securities, Inc.

The 2022 mid-term elections will take place on Nov. 8, 2022. The importance of the mid-term election for the markets, surprisingly, is not if the Democrats or the Republicans win the House or Senate. The important factor for the stock market is a post mid-term election result. Markets hate uncertainty and invoke turbulent price swings due to the reshuffling of the congressional deck. Since 1970, the standard deviation of the S&P 500 during mid-term years is 16% compared to all other years of a 13% standard deviation. Standard deviation is a term that represents the measurement of volatility or variance of price. The volatility in stock prices in mid-term election years can move erratically compared to the normal weekly, monthly, or annual movement of the S&P 500.

Standard Deviation during MTE years



Source: Capital Group, RIMES, Standard & Poor's.





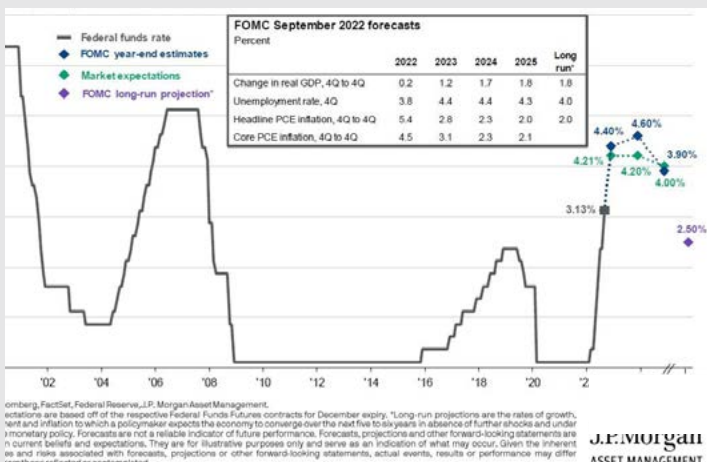
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The 2022 YTD performance of the markets can be viewed as a positive set up for the next year but, we're not out of the woods yet. Inflation remains a key component for lower performance in 2022, especially in technology and other high growth-related sectors. The October headline inflation report coming in the first week of November (AKA October CPI numbers) can determine how aggressive the Federal Reserve can remain with the blunt instrument of quantitative tightening (QT). The markets have priced in a future fed funds rate of 4.25% or approximately 1% higher than where we are now, 3% to 3.25% fed funds rate. This proposes approximately two more rate hikes before year end, 0.75% in November and 0.50% to 0.75% in December. A higher than expected, CPI report in November can extend the bludgeoning of QT and potentially create additional volatility into 2023.



Once the mid-term results are announced and the uncertain political change becomes certain, the markets have a history of getting back on track.

What markets have priced in going forward in Fed Funds



Source: BEA, Compustat, FactSet, Standard & Poor's.

I remain cautiously optimistic and rely on the weight of the evidence for further economic data as it is released. This may be one of the best opportunities for long-term investors to own financial assets in over a decade. Retirees are now able to own US Treasuries with over a 4% risk free return -- yield levels that haven't been available for 15 years. Long-term investors of stocks are able to purchase stocks of Fortune 500 companies or broad market funds below their historic average price. The famous investor, mutual fund manager, and philanthropist, Sir John Templeton stated, "Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell."

Commercial Customer Survey Results: 3Q2022

Cal Evans, Synovus Senior Director Investor Relations & Market Intelligence

One statistic that we track in Synovus Market Intelligence is the National Federation of Independent Business (NFIB) Small Business Optimism Index, because it offers insight into the future expectations of small businesses, a sector where Synovus has a wide range of clients. At the beginning of 2022, we noticed that the index level was slipping below its 48-year average of 98, and we surmised that was reflective of future worsening economic conditions given inflation pressures and the potential for Federal Reserve Board rate hikes. Our group partnered with our Marketing Analytics team to issue a quarterly survey of business conditions to our commercial customers,



Companies reporting the same or higher volume of business compared to the previous quarter improved marginally (see Figure 1), though incoming new business stayed the same.



very similar to various Purchasing Managers Index (PMI) surveys conducted by other companies. We administered the first survey in June, and our second

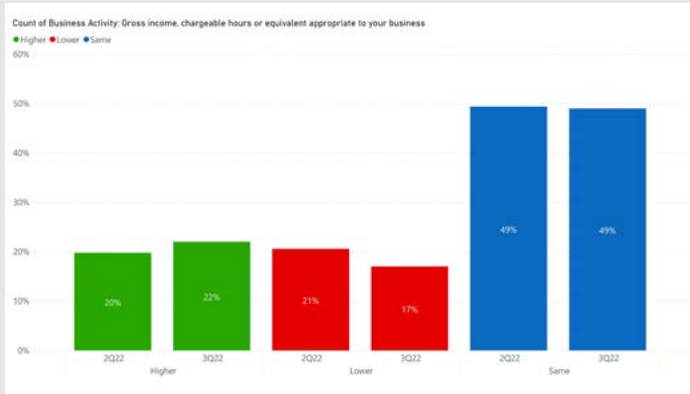


Figure 1

one was issued in September, which incidentally marked the ninth consecutive month the NFIB Small Business Optimism Index came in below 98 (92.1).

We wanted to know how are Synovus commercial customers, and more specifically Synovus small business customers (which comprise approximately 75% of our survey respondents) faring? In general, we learned, they are doing well despite an increasingly challenging economic environment. Companies reporting the same or higher volume of business compared to the previous quarter improved marginally (see Figure 1), though incoming new business stayed the same. In general, the pandemic environment has never been a function of a lack of demand and the results bear that out. What ails the market is a lack of supply, and that is evident in the level of input prices versus the previous quarter. In Figure 2, you can see that more commercial clients report paying higher input costs quarter over quarter, though that rate is decreasing which could be indicative of slowing demand and/or thawing in frozen supply chains.

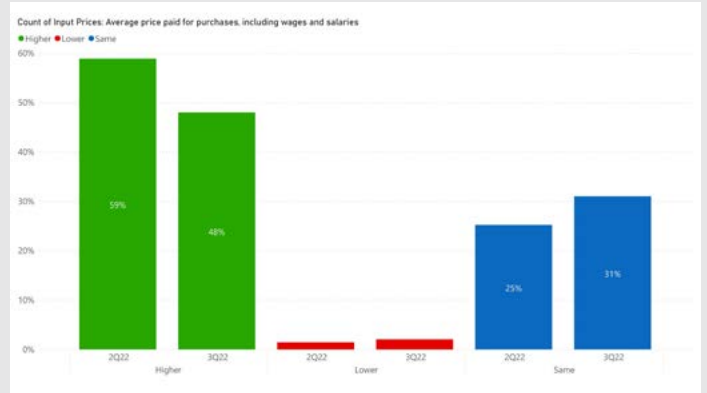


Figure 2

Figure 3 shows how commercial operators are being impacted. In 2Q22, 45% reported charging higher prices, yet in the same quarter 59% reported paying

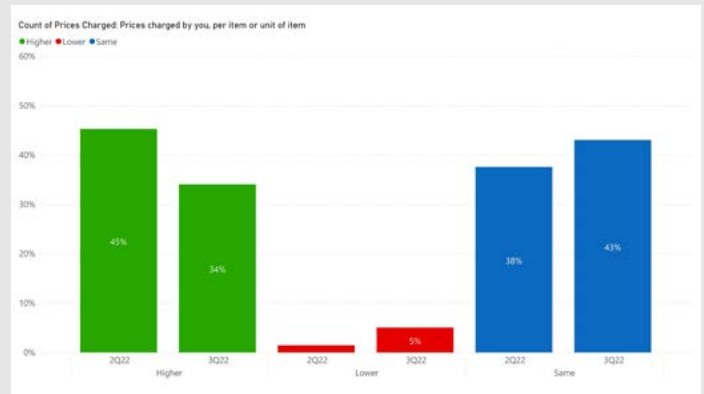


Figure 3

higher prices for inputs. The same trend was in place in 3Q22 but to a lesser extent (34% charging higher prices versus 48% paying higher prices).

This is margin erosion, and the results show that some costs are not being passed along to the customers of our clients. Fortunately, the degree of higher prices paid seems to be lessening, although so does the degree of higher prices being charged, and this reinforces the premise that both slowing demand and thawing supply chains are factors in play right now.



Update on FAAMG stocks' recent financial results

Daniel Morgan, Senior Portfolio Manager, Synovus Trust Company

It is that time again when all the Technology companies start to report financial results. With the FAAMG stocks accounting for approximately 25% of the overall Market Cap of the S&P 500, Wall Street investors will be keeping a careful eye on how these companies are performing. Going into this upcoming CY3Q the Street was looking for solid revenue growth in the high-single-digit to mid-teens.

Alphabet (GOOGL) -- reported revenues for 3Q22 of \$57.26 Bn +6.8%. Internet ad spend rates continue to be impacted by the Ukraine conflict, macro-environment headwinds and increasing competition for advertising dollars that are now growing more slowly for Alphabet, SNAP, Twitter, Meta and Amazon and is creating an overall smaller advertising pool. According to a recent study from Winterberry Group overall spend rates for online media players are expected to slow to 16.6% in FY22, following

a massive gain of 36.0% in FY21. For the 3Q22, Alphabet delivered ad revenues of \$54.48 Bn, +2.5%. During its 2Q22 results, GOOGL highlighted the benefits of long-term investments in artificial intelligence and commerce. Alphabet's GCP unit (+35.5% YoY in 2Q22) posted revenues of \$6.86 Bn, +37.6% in the 3Q22, which gives strong evidence that the enterprise datacenter cloud space is still very buoyant. GOOGL's revenue estimates have come down 1% - 3% across 2022-2024, with lower revenue at YouTube.

Microsoft (MSFT) -- posted revenues for 1Q23 of \$50.12 Bn +10.6%. Software companies are calling out the more difficult macro environment. What is occurring is deal cycle elongation for the biggest/most expensive projects. This is a step one response to a more uncertain environment. During its 4Q22 report, Microsoft shares rose after



the company issued a rosy income forecast for the year ahead, despite issuing quarterly results that failed to reach Wall Street consensus. Heading into the 1Q23, a broadening solution portfolio and increasing consolidation of spend enabled Microsoft to stand out within a softening macro environment. For the 1Q23, the highly watched Intelligent Cloud unit posted revenues of \$20.3 Bn, +19.9%. MSFT's top line maybe under pressure as IT budget growth expectations continue to moderate, FX becomes more unfavorable, and PC data likely pressures Windows OEM results. There are two key factors that could have made earnings a clearing event for the MSFT shares:

1. Continued strength in Azure (Cloud) – Achieved a 35% YoY growth rate, that fell shy of the projected 43% YoY growth. For the Q223 guided to high-to-mid 30% growth.

2. Reset expectations for FX and PCs. The More Personal Computing unit may be impacted the results from a recent study by International Data Corporation (IDC), showing that shipments of traditional PCs are forecast to decline 12.8% in 2022 to 305.3 million units while tablet shipments will fall 6.8% to 156.8 million. With the shipment data weakening in both consumer and commercial segments, Microsoft likely sees mounting pressure on the Windows OEM business in FY23.

Amazon (AMZN) -- posted revenues for 3Q22 of \$127.10 Bn +14.7%. During the 2Q22 results, AMZN's 3Q Revenue guidance was better than expected, with a forecast of \$125 Bn - \$130 Bn, suggesting nearly 17% - 21% FXN growth. During the 2Q22 results, AMZN's 3Q Revenue guidance was better than expected, with a forecast of \$125 Bn - \$130 Bn, suggesting nearly 17% - 21% FXN growth. Despite potential macro pressures, it is expected that AMZN will continue to accelerate revenue growth in the

back half on more favorable comps and focused execution in both Retail and Amazon Web Services (AWS). AMZN has come through the challenging operational period during the pandemic with the subsequent overbuild/overstaffing issues to right-sizing the model to current demand. During 2Q22, AMZN's power growth driver AWS reported strong revenue growth of \$19.7 Bn vs. an estimate of \$19.56 Bn + 33% YoY. AWS posted revenues of \$20.53 Bn, + 27.5% for 3Q22 and is now on an annualized run rate of nearly \$79 Bn. Data Center in the enterprise and public sector areas, is in the early adoption phase as the cloud remains in the early stage of investment and innovation. AWS backlog of \$100 Bn grew 65% YoY—faster than Google Cloud's 45% growth on a much smaller base.

Apple (AAPL) -- posted revenues for 4Q22 of as \$90.146 Bn +8.1%. Concerns are high from investors, Apple's share price has managed to outperform both the broader technology stocks, as well as the S&P 500 index year to date, despite a consumer spending pullback across various product segments, including smartphones, which has been expected since the start of the year. Apple is reported to be telling assemblers to make 90 Mn of its newest iPhones on par with last year. While Apple's soft 3Q growth in unit volumes for iPhone (+3%), iPads (-2%), Macs (-10%) and wearables (-8%) suggest that the consumer electronics industry is headed for a period of slow growth. Inventory trackers are now targeting 48-51 Mn iPhone units for the upcoming September quarter. For the 4Q22, iPhone revenues increased to \$42.26 Bn +9.67% and Service revenues to \$19.188 Bn +4.98%. These metrics were outshined by solid beats in both Wearables and Mac's, that posted revenue increases of 9.85% and 25.4%, respectively. As we look closer at the impact of the iPhone 14 product cycle, which has reflected lackluster demand in base models, but strong demand in



high-end and legacy models. We are still in the early days in the iPhone 14 product cycle, expect the weaker consumer spending environment to impact the earnings trajectory, and it could drive softer than consensus earnings in some of the later quarters in FY23.

Inflation’s silver lining from an unlikely place

Jarrett E. Hindrew, CFP®, ChFC®
Creative Financial Group

As Americans continue to adjust to increasing prices for housing, food, energy, and everyday necessities due to rising inflation, taxpayers may see relief from an unlikely source, the Internal Revenue Service. On Tuesday, Oct. 18, the IRS announced new inflation adjusted tax rates and deductions for 2023.

The Federal income tax rates don’t change from year to year, but thanks to a provision passed in 1981 (the country’s most recent period of high inflation), the brackets are automatically adjusted to account for changes in the Consumer Price Index. The provision is designed to keep taxpayers from being pushed into a higher tax bracket, also known as bracket creep, when their real (inflation adjusted) income is essentially unchanged from the previous year. Taxpayers whose income hasn’t kept pace with inflation could actually experience a tax cut.

The IRS also announced the largest one-year increase in retirement plan contribution limits for 2023. In addition, the Social Security Administration announced two changes for the upcoming year:

1. an 8.7% increase to benefits, the largest cost-of-living adjustment since 1981,
2. an increase in the maximum amount of earnings

subject to FICA payroll tax, an increase to \$160,200 from \$147,000

Standard Deductions

	2022	2023	Difference
Single	\$12,950	\$13,850	\$900
Married Filing Separate	\$12,950	\$13,850	\$900
Married Filing Joint	\$25,900	\$27,700	\$1,800
Head of Household	\$19,400	\$20,800	\$1,400

Marginal Rates

Single

- 37% for incomes over \$539,900 (increases \$38,225 to \$578,125 in 2023);
- 35% for incomes over \$215,950 (increases \$15,300 to 231,250 in 2023);
- 32% for incomes over \$170,050 (increases \$12,050 to \$182,100 in 2023);
- 24% for incomes over \$89,075 (increases \$6,300 to \$95,375 in 2023);
- 22% for incomes over \$41,775 (increases \$2,950 to \$44,725 in 2023);
- 12% for incomes over \$10,275 (increases \$725 to \$11,000 in 2023);
- 10% for incomes up to \$10,275 (increases \$725 to \$11,000 in 2023).

Married Filing Jointly

- 37% for incomes over \$647,850 (increases \$45,900 to \$693,750 in 2023);
- 35% for incomes over \$431,900 (increases \$30,600 to \$462,500 in 2023);
- 32% for incomes over \$340,100 (increases \$24,100 to \$364,200 in 2023);
- 24% for incomes over \$178,150 (increases \$12,600 to



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\$190,750 in 2023);
 22% for incomes over \$83,550 (increases \$5,900 to \$89,450 in 2023);
 12% for incomes over \$20,550 (increases \$1,450 to \$22,000 in 2023);
 10% for incomes up to \$20,550 (increases \$1,450 to \$22,000 in 2023).

Long Term Capital Gains

Rate	Single	Married Filing Separate	Married Filing Joint	Heads of Household	Estates and Trust
0%	Up to \$44,625	Up to \$44,625	Up to \$89,250	Up to \$59,750	Up to \$3,000
15%	Over \$44,625 - \$492,300	Over \$44,625 - \$276,900	Over \$89,250 - \$553,850	Over \$59,750 - \$523,050	Over \$3,000 - \$14,650
20%	Over \$492,300	Over \$276,900	Over \$553,850	Over \$523,050	Over \$14,650

Gift and Estate Taxes

Estates of decedents who die during 2023 have a basic exclusion amount of \$12,920,000, up from a total of \$12,060,000 for estates of decedents who died in 2022.

The annual exclusion for gifts increases to \$17,000 for calendar year 2023, up from \$16,000 for calendar year 2021.

Traditional and Roth IRA Contribution Limits

	2022	2023
Under Age 50	\$6,000	\$6,500
Age 50 and above	\$7,000	\$7,500

Phase-out range for IRA contribution deductibility

	2022	2023
Married Filing Jointly	\$109,000 - \$129,000 MAGI (if you are covered by plan at work) \$204,000-\$214,000 MAGI (if your spouse is covered by a plan at work and you are not)	\$116,000 - \$136,000 MAGI (if you are covered by plan at work) \$218,000-\$228,000 MAGI (if your spouse is covered by a plan at work and you are not)
Married Filing Separately	\$0 - \$10,000 MAGI (if you or your spouse is covered by a plan at work)	\$0 - \$10,000 MAGI (if you or your spouse is covered by a plan at work)
Single and Head of Household	\$68,000 - \$78,000 MAGI (if you are covered by a plan at work)	\$73,000 - \$83,000 MAGI (if you are covered by a plan at work)

Phase-out range for Roth IRA contributions

	2022	2023
Married Filing Jointly	\$204,000 - \$214,000 MAGI	\$218,000 - \$228,000 MAGI
Married Filing Separately	\$0 - \$10,000 MAGI	\$0 - \$10,000 MAGI
Single and Head of Household	\$129,000 - \$144,000 MAGI	\$138,000 - \$153,000 MAGI



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401(k), 403(b), & 457(b) Contribution Limits

Elective Deferral	2022	2023
Under Age 50	\$20,500	\$22,500
Age 50 and Above	\$27,000	\$30,000

Maximum Defined Contribution Plan Limit (Employer and Employee)

Elective Deferral	2022	2023
Under Age 50	\$61,000	\$66,000
Age 50 and Above	\$67,500	\$73,500

We're here if you have questions.

If you have questions or want to talk with a Synovus financial advisor to learn more, go to [Synovus.com](https://www.synovus.com) or call us at 1-888-SYNOVUS (1-888-796-6887).

*Past Economic Insights newsletters are available at:

<https://www.synovus.com/personal/plan-and-invest/economic-insights/>

¹Standard Deviation YTD for S&P 500, <https://finance.yahoo.com/quote/SPY/risk/>

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