

STIFEL

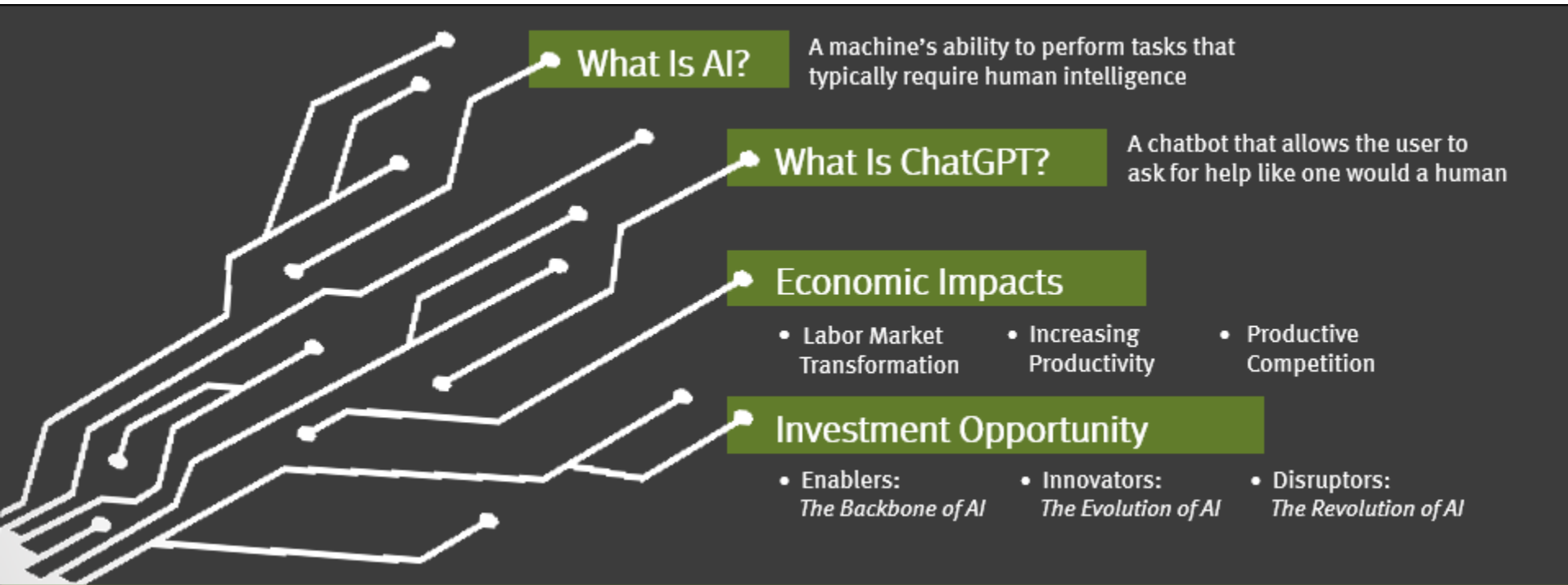
FAVORITE

15

June 2024

Insights From Stifel's CIO Office

1. **Artificial Intelligence:** *Our investment themes identify drivers of change like the Fourth Industrial Revolution and how technology, specifically artificial intelligence (AI), is blurring the lines of our physical, digital, and biological world.*
2. **AI: Future Economic Impact:** *Global GDP is estimated to be 14% higher to \$15.7 trillion in 2030, attributable to AI improving productivity and enhancing products.*
3. **Inflation:** *The Federal Reserve (Fed) is closely watching shelter, which has stayed elevated as landlords continue to increase rent.*
4. **2024 Interest Rate Forecasts:** *The market had been expecting more rate cuts than the Fed, but with the most recent data, we have seen the market's view align with the Fed leaving interest rates elevated.*
5. **Fiscal Transition:** *One of the risks we are monitoring looking forward is that in a higher rate regime, the cost of debt will increase.*
6. **Consumer:** *Companies are seeing a slowdown in consumer spending, especially as it relates to the lower-income consumer.*
7. **Consumer Finances:** *Signs of a slowing consumer are starting to show through softening retail sales, a negative shift in consumer sentiment, and an uptick in loan delinquencies.*
8. **2024 Global Election Supercycle:** *With over 40% of the world's population voting in 2024, common themes include economic opportunity, protectionism, and international relations.*
9. **2024 Global Election Supercycle:** *In Mexico, the left-leaning political party won by a large majority. India saw the current party lose its parliamentary majority. In Europe, there's been a slight shift to the right.*
10. **2024 Elections:** *In the United States, policy changes are possible on tax, trade, and immigration depending on the election outcome. Regardless of the results, we foresee persistent deficit spending and strained China relations.*
11. **2024 Elections:** *All 435 seats in the House of Representatives are up for reelection, while 23 Democratic seats and 10 Republican seats are up for reelection in the Senate.*
12. **Bond Yields:** *Various categories within fixed income are still showing attractive yields.*
13. **Volatility and Dispersion:** *Although the VIX index shows that overall market volatility is low, a closer look reveals that individual stock volatility and dispersion have increased.*
14. **Magnificent Seven:** *While the Magnificent Seven may look more overvalued than the market overall based on the price-earnings (P/E) ratio, we can adjust the analysis to account for earnings growth by using the PEG (P/E over growth) ratio.*
15. **Market Performance:** *Year to date, the S&P 500's returns are driven primarily by the largest technology-oriented companies. The equal-weighted S&P 500 has had more muted returns.*



Global GDP is estimated to be 14% higher in 2030 – \$15.7 trillion

Improved productivity

(\$6.6 trillion increase in GDP by 2030)

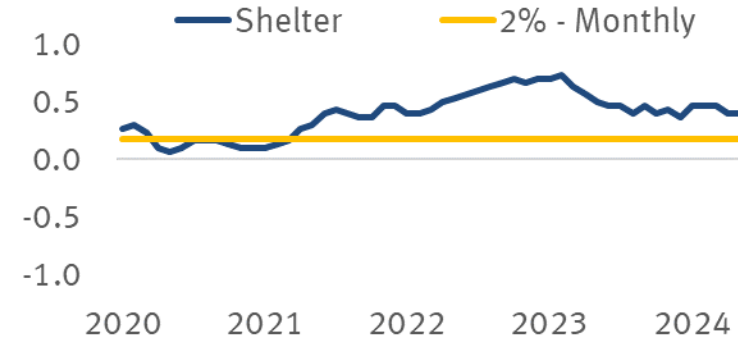
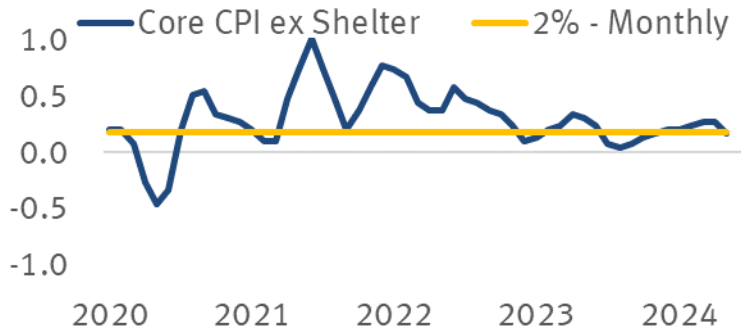
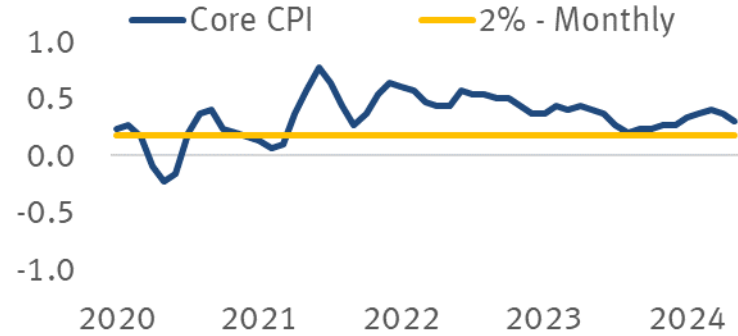
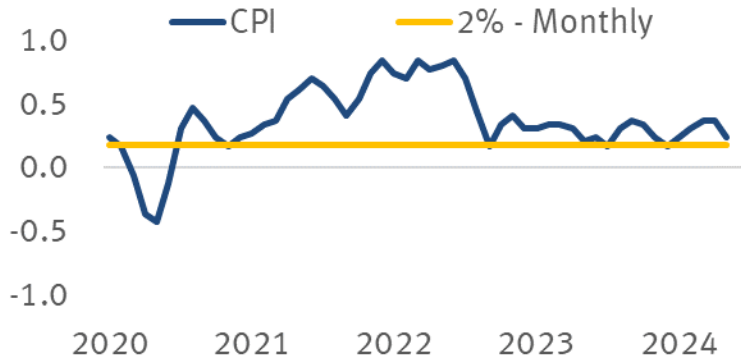
- Examples
 - Automation
 - Improved traffic flow
 - Digital twins

Product enhancements

(\$9.1 trillion increase in GDP by 2030)

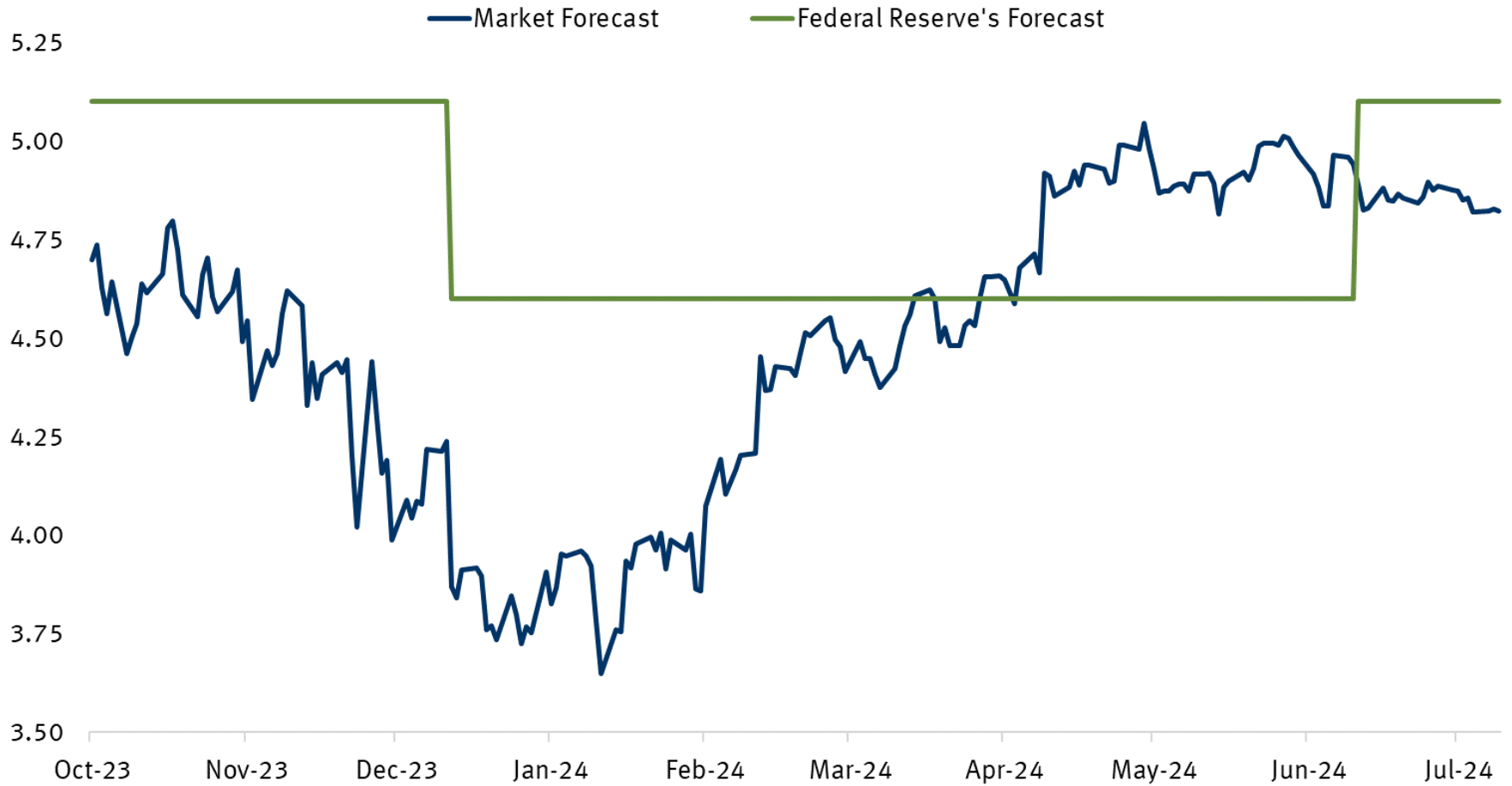
- Examples
 - AI-powered diagnostics
 - Predict consumer behavior
 - Customized apparel

Source: Stifel CIO Office via PricewaterhouseCoopers, *Global Artificial Intelligence Study (2017)*



Source: Stifel CIO Office via Bloomberg as of June 14, 2024
 CPI = Consumer Price Index
 Figures above are based on three-month moving average month-over-month data.

Federal Funds Rate Forecast for the End of 2024



Source: Stifel CIO Office via Federal Reserve and Bloomberg data, as of July 10, 2024



Debt Added Since GFC

Households	\$5.3 trillion
Corporate	\$8.7 trillion
Federal	\$25.4 trillion

10-Year Treasury Yield

Now	4.3%
10 Years Forward	5.0%
20 Years Forward	4.0%

In a higher rate regime, the cost of debt will increase going forward

Consumers must manage debt more carefully, in a possibly slowing economy, and defaults and bankruptcies could increase.

Businesses will adjust how they manage debt, with some companies unable to handle increased debt costs and failing.

Government spending, deficits, and debt will come more into focus as the cost of our debt rises and attention turns to fiscal discipline.

We remain optimistic that, as a country, we'll get through this fiscal transition stronger. But how much pain will we experience through the process, and when?

Source: Stifel CIO Office, as of July 10, 2024; data via Bloomberg, St. Louis Federal Reserve (FRED), New York Federal Reserve, Strategas; GFC = Great Financial Crisis

“Strong labor markets and solid wage growth remain in countries across the globe. This is supportive of **healthy consumer spending**.”

– MasterCard CEO Michael Miebach

“Spending patterns of consumers using our debit and credit cards remain **generally consistent and continue to grow year over year**. Consumer credit is performing as we expect.” – Wells Fargo CEO Charles Scharf

“Everybody's **fighting for fewer consumers** or consumers that are certainly visiting less frequently...”
– McDonald's CEO Chris Kempczinski

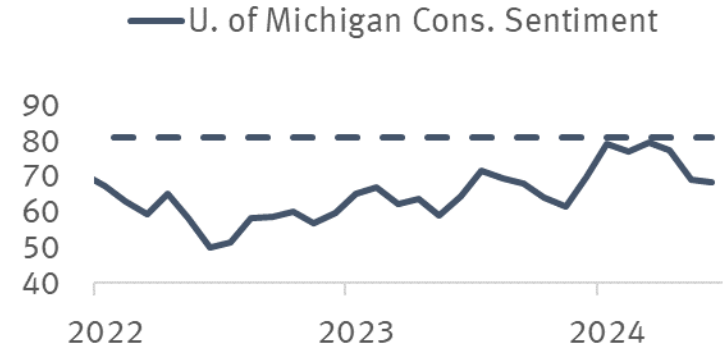
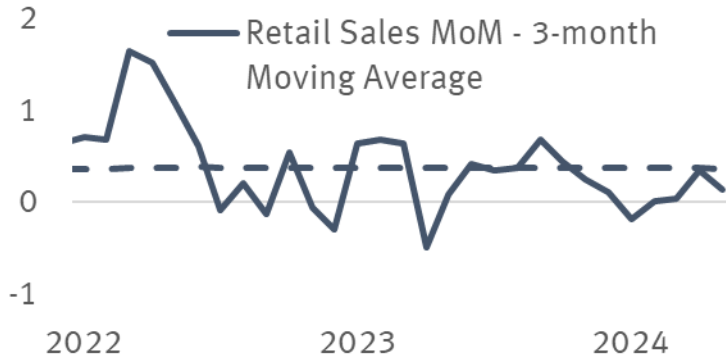
“The **lower-income consumer in the U.S. is stretched**...he is strategizing a lot to make their budgets get to the end of the month.”
– PepsiCo CEO Ramon Laguarta

“As the results show, **customers are shopping but remain cautious**, trading down on price when they can, and seeking out deals.” – Amazon CEO Andy Jassy

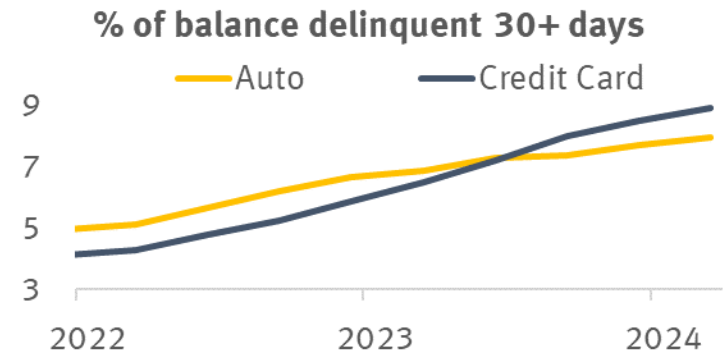
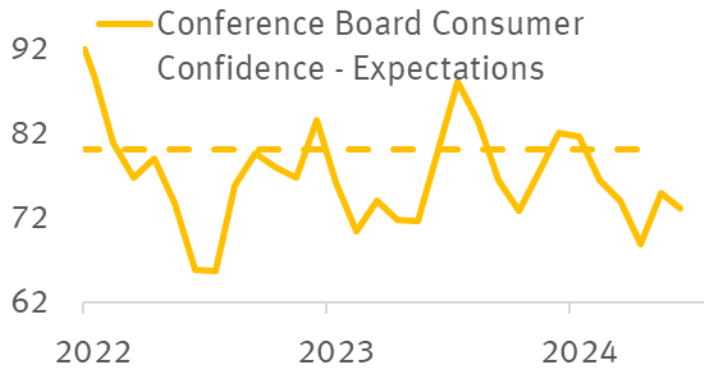
“So, I would **say consumer customers are fine**...The amount of income they need to service their debt is still kind of low....So whatever happens, the customer is in pretty good shape. – JPMorgan CEO Jamie Dimon

“We're **seeing a much more cautious low-income consumer**...They're feeling more of the pressure of the cost of living, which has been high and increased for them. So while there is employment for them, debt servicing levels are higher than they were before.” – Citigroup CEO Jane Fraser

“But in this environment, **many customers are being more exacting** about where and how they choose to spend their money, particularly with stimulus savings mostly spent.”
– Starbucks CEO Laxman Narasimhan



University of Michigan Consumer Sentiment



Source: Stifel CIO Office via Bloomberg, as of July 10, 2024; Dashed lines represent historic averages except for Conference Board Consumer Confidence Expectations. MoM = Month Over Month

More than 40% of the world's population will be voting in 40 national elections

Key Themes

Economic Opportunity

Protectionism

International Relations

Five elections to watch as the U.S. and China compete for influence:

- Taiwan – Manufactures 90% of the most advanced semiconductor chips
- Indonesia – Plays pivotal role in supplying nickel for EVs
- India – Significant trading partner for the West and China
- Mexico – Now the largest U.S. trading partner and potential beneficiary from reshoring
- European Union – Strong U.S. ally but also relies on Chinese consumers for exports

GDP

World's largest economies may be evolving...

	2023	2050*
1.	U.S.	China
2.	China	U.S.
3.	Germany	India
4.	Japan	Indonesia (NEW)
5.	India	Germany
6.	UK	Japan
7.	France	Brazil (NEW)

Sight | Lines: [The 2024 Election Supercycle Brings Into Focus an Evolving World Order](#)

Key Themes

Economic Opportunity

Protectionism

International Relations

Mexico:

Left Wins Large Majority

Claudia Sheinbaum wins presidency by 30% margin

Continue the “Fourth Transformation” started by predecessor

Strengthen border enforcement

Capitalize on nearshoring effort by U.S companies

India:

Right Loses Majority

Prime Minister Narendra Modi wins third term, party loses majority

Unemployment and inequality high despite economy growing

Rallied voter base around Hindu nationalism

Appeasing both China and the U.S.

European Union:

Center Holds, Far-Right Gains

Renew and Greens lose 41 parliament seats, European People’s Party (center) and Identity and Democracy Group (right) gain

Migration a concern while consumers starting to rebel against measures to combat climate change

Focused on security while balancing military support for Ukraine

Sight | Lines: [The 2024 Election Supercycle Brings Into Focus an Evolving World Order](#)

The 2024 U.S. Presidential Election

Great scope for a change;
Dependent on the election outcome

- Trade policy
- Tax policy
- Immigration policy
- Regulation policy
- Environment policy

Limited scope for a change;
Irrespective of the election outcome

- Persistently high fiscal deficit
- Heavy scrutiny on China

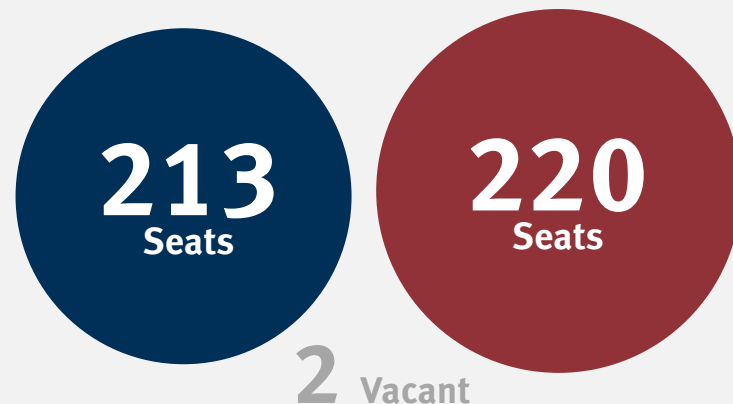
Getting Ready: The 2024 U.S. Presidential Election

Our approach on preparing for the election:

- Understanding the four phases of the election
 1. Early primary
 2. Late primary
 3. General election
 4. Post-election
- Anticipating each candidate's impact on businesses and markets
- Understanding each candidate's chances of winning
- Assessing any possible changes in congressional control

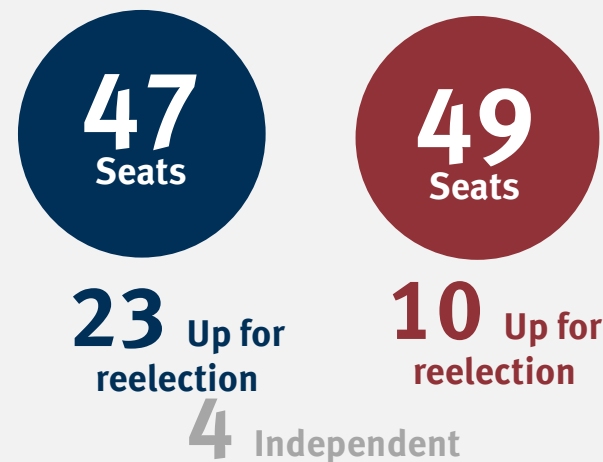
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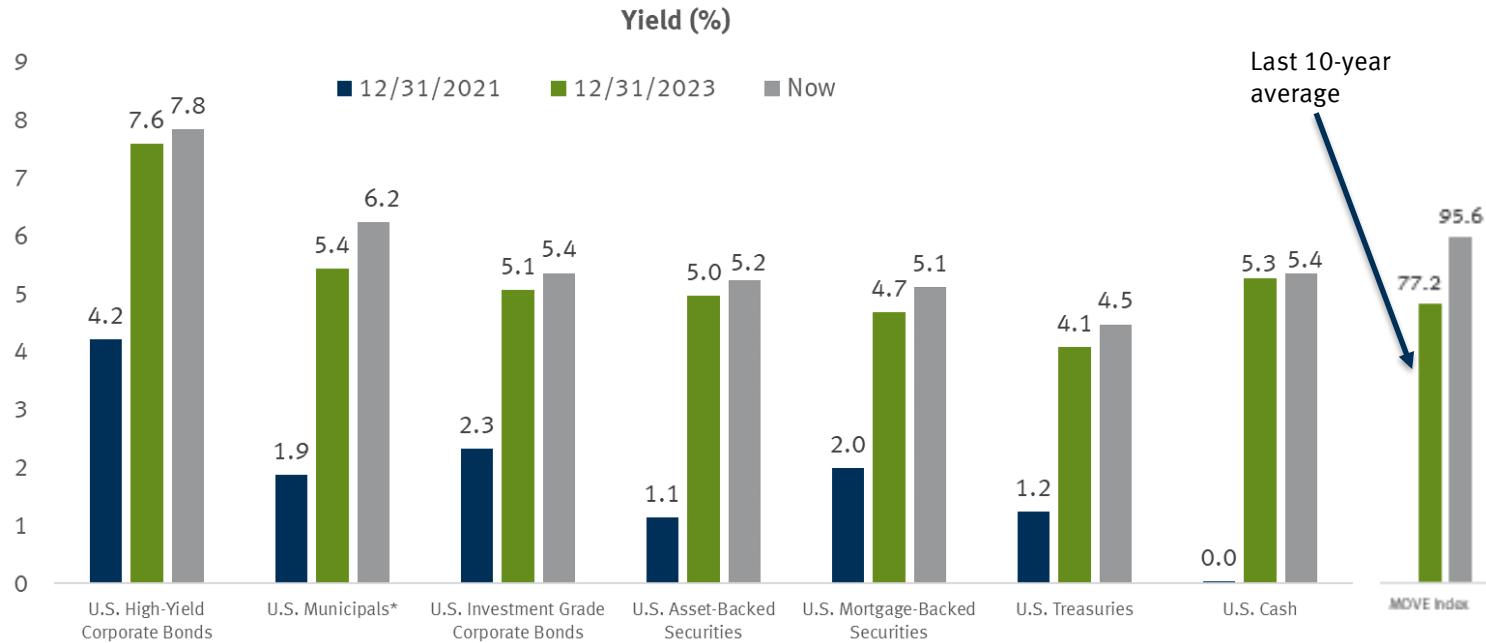
HOUSE OF REPRESENTATIVES



All 435 seats up for reelection

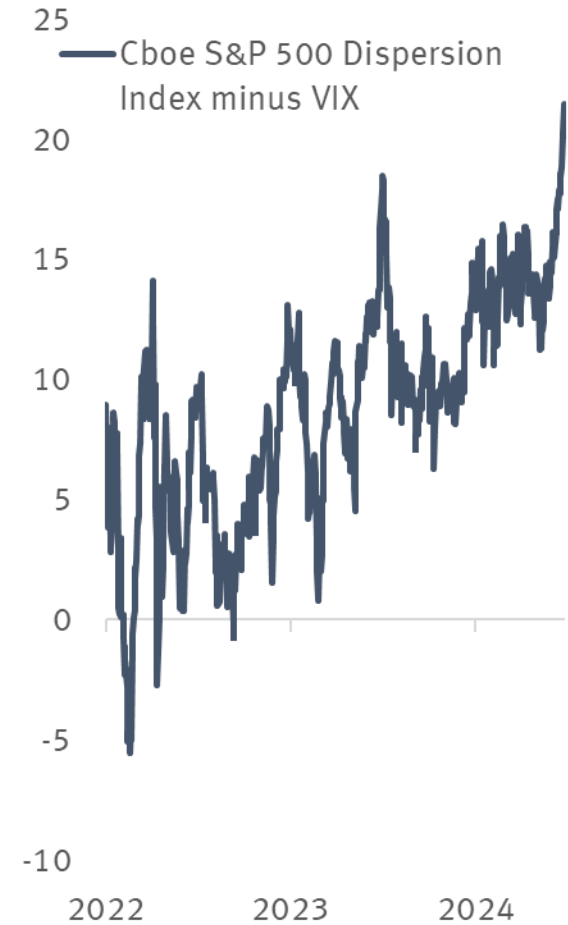
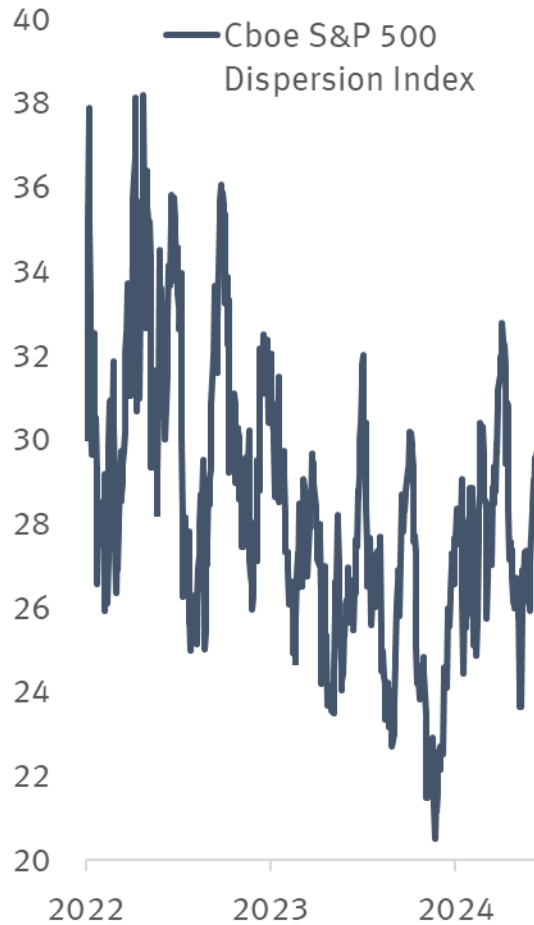
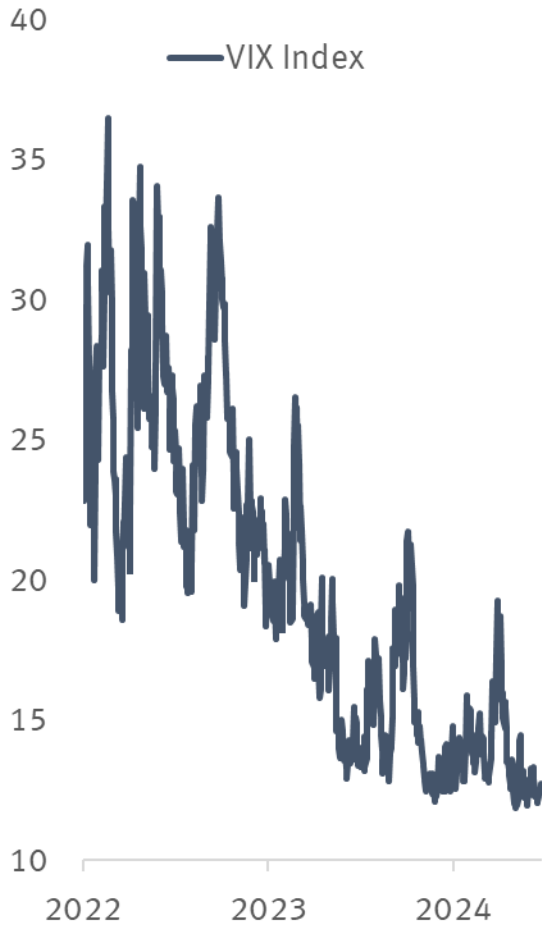
SENATE



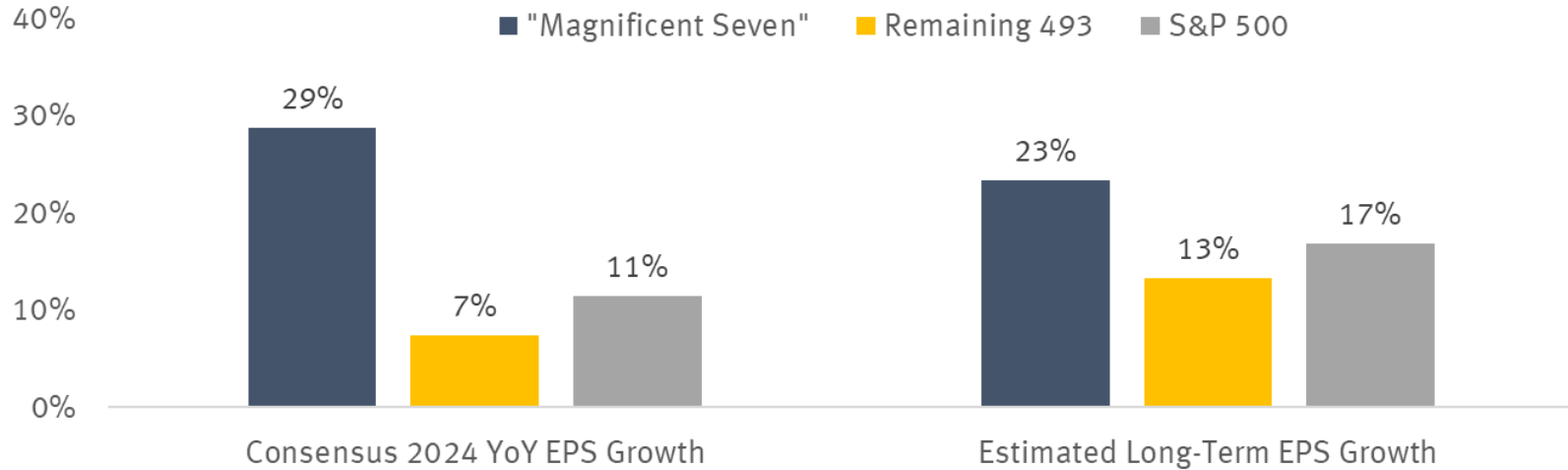


*Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax. Move Index is shown on right-hand scale.

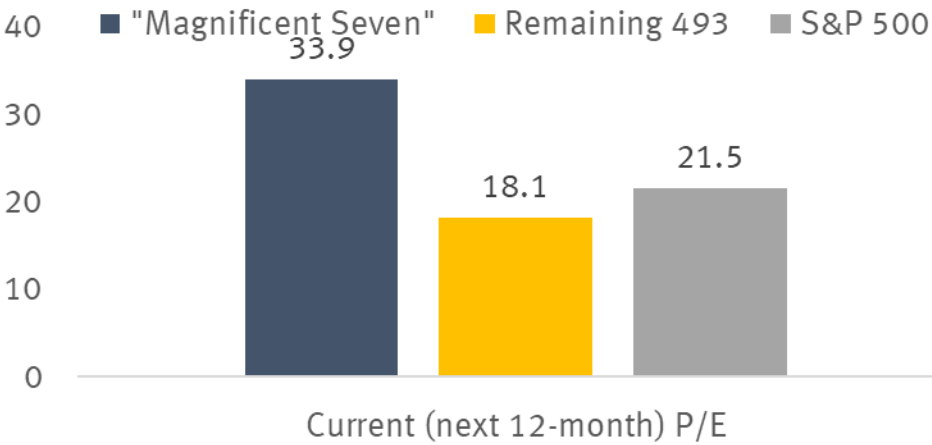
Source: Stifel CIO Office via Bloomberg, as of July 9, 2024



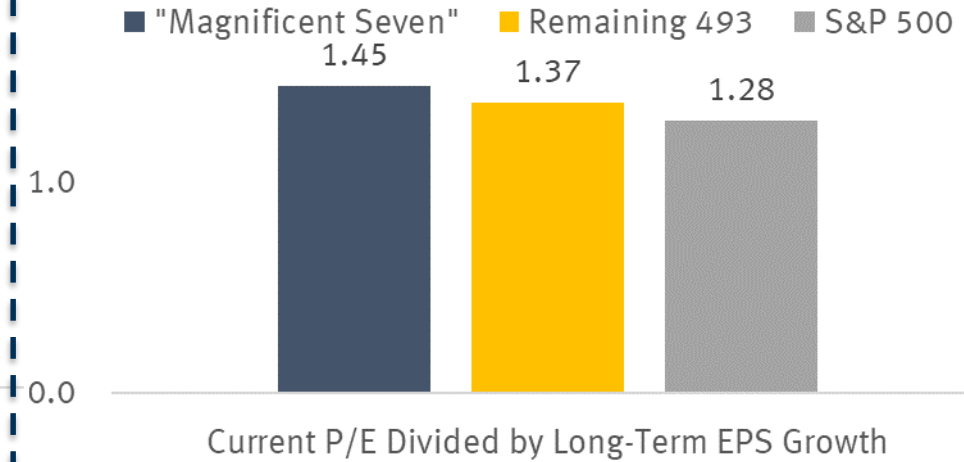
Earnings Growth



P/E Multiples



PEG Ratios



Index	2021	2022	2023	2024
S&P 500 Index	28.7%	-18.1%	26.3%	17.8%
S&P 500 Eq. Weight.	29.6%	-11.5%	13.8%	4.7%
S&P 500 Financials	34.9%	-10.6%	12.1%	11.8%
KBW Reg. Banking	36.7%	-6.9%	-0.4%	-9.0%
Bloomberg U.S. 1000 Value	28.6%	-2.5%	9.4%	6.6%
Bloomberg U.S. 1000 Growth	26.1%	-27.5%	36.1%	20.9%
Bloomberg Magnificent 7	51.5%	-45.3%	107.0%	49.3%
NYSE FANG+ Index	17.7%	-40.0%	96.4%	39.7%
Bloomberg U.S. 2000	18.6%	-20.1%	17.1%	-0.3%
MSCI EAFE Index	11.3%	-14.5%	18.2%	6.9%
MSCI EM Index	-2.5%	-20.1%	9.8%	10.3%
Bloomberg U.S. Agg	-1.5%	-13.0%	5.5%	0.0%

Source: Stifel CIO Office via Bloomberg, as of July 9, 2024

INDEX DESCRIPTIONS

Bloomberg U.S. Treasury Bills 1-3 Months Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value.

Bloomberg U.S. Corporate IG Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Aggregate Corporate Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Corporate High Yield is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

Bloomberg U.S. Government Bond Index is an unmanaged index considered representative of fixed-rate, investment-grade U.S. Government debt.

Bloomberg Global Aggregate This index provides a broad-based measure of the global investment-grade, fixed-rate debt market.

DXY Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

S&P 500 Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

Bloomberg U.S. 1000 Value Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Growth Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Index is a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

Bloomberg U.S. 2000 Index is a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

MSCI EAFE Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Morgan Stanley Market implied pace of hikes index (MSPOKE) is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

MSCI World Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets.

UBS Magnificent Seven Index tracks a group of seven of the largest mega cap tech stocks listed in the U.S. The stocks mirror their respective S&P 500 weight reweighted pro-rata. Created October 2023 – rebalanced and reconstituted semi-annually.

INDEX DESCRIPTIONS

Wilshire 5000 Index is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States.

VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

Cboe S&P 500 Dispersion Index (DSPXSM) measures the expected dispersion in the S&P 500[®] over the next 30 calendar days, as calculated from the prices of S&P 500 index options and the prices of single stock options of selected S&P 500 constituents, using a modified version of the VIX[®] methodology.

EURO STOXX 50 is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone.

Cash & Cash Equivalent is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

U.S. Government Bonds is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

U.S. Corp IG Bonds is represented by the Bloomberg U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

High-Yield Bonds is represented by the Bloomberg U.S. Corporate High Yield Bond Index, comprised of U.S. Dollar denominated, high-yield, fixed-rate corporate bond market securities.

U.S. LC (Large Cap) equities is represented by the Bloomberg U.S. 1000 Index, comprised of a float market-cap-weighted benchmark of the 1,000 most highly capitalized U.S. companies.

U.S. SC (Small Cap) equities is represented by the Bloomberg U.S. 2000 Index, comprised of a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the Bloomberg U.S. 3000 Index.

Developed International Equities is represented by the MSCI EAFE Index, comprised of equity securities that belong to markets outside of the U.S. and Canada.

Emerging Markets Equities is represented by the MSCI EM Index, comprised of equity securities that belong to emerging markets.

Moderate Bench stands for moderate benchmark portfolio return which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg U.S. Agg Gov/Credit).

MSCI AC World Index is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

Bloomberg U.S. Government/Credit Bond Index is comprised investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

KBW Nasdaq Regional Banking Index seeks to reflect the performance of U.S. companies that do business as regional banks of thrifts.

NYSE FANG+ Index is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

NCREIF Property Index is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.

DISCLOSURES

Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Alternative Investments or Non-Traditional Assets – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

Real Estate – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Commodities and Futures – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Hedge Funds – Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

Venture Capital – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

Limited Partnerships – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Bonds – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

Duration – Duration is a measure of the sensitivity of the price – the value of principal – of a fixed income investment to a change in interest rates. Duration is expressed as a number of years.

Standard Deviation – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

International and Emerging Markets – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Private Equity – Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.

DISCLOSURES CONTINUED

Short Positions – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

Small Company Securities – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

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