STIFEL

FAVORITE 15

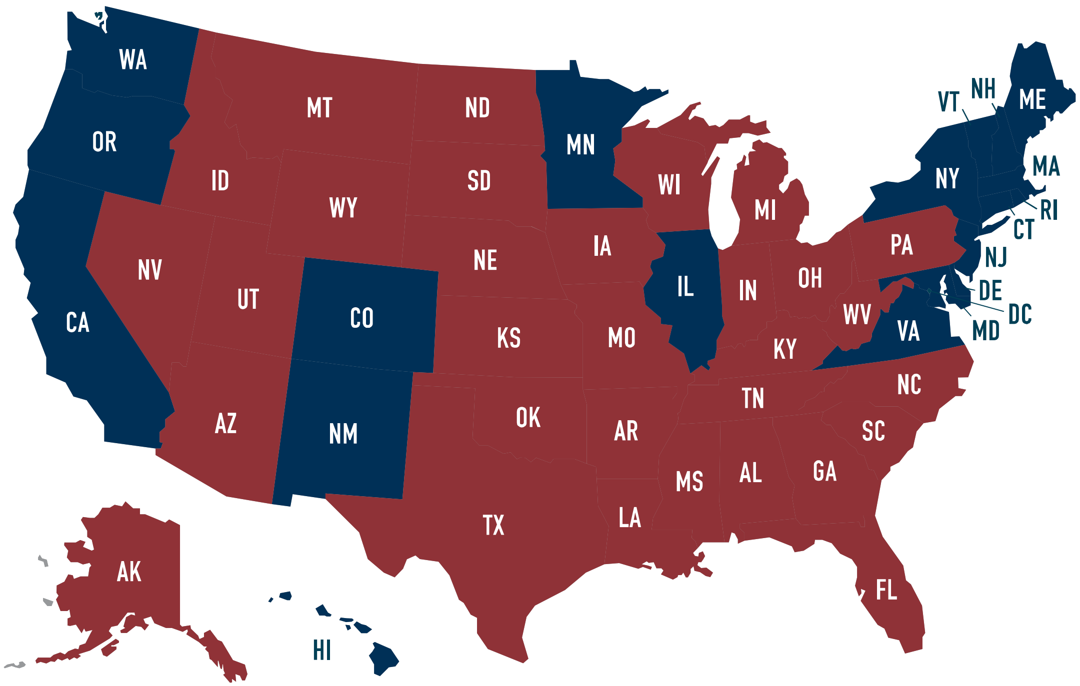
November 2024

Insights From Stifel's CIO Office

TABLE OF CONTENTS

Electoral Votes

Trump: 312 **Harris: 226**



Democrat Republican

CONGRESS

HOUSE OF REPRESENTATIVES:

213 Seats

219 Seats

SENATE:

47 Seats

53 Seats

Note: There are four independent Senators that caucus with the Democratic Party.

FAVORITE 15

Topics	Observations
Deregulation	We expect to see a significant rollback in Biden administration regulations, especially related to financial services and climate initiatives.
Taxes	The Trump administration will try to make good on election promises, but meaningful change, including the extension of the 2017 tax cuts, requires support from Congress.
Healthcare	A focus on deregulation will seek to increase competition and efficiency, and a leading role for Robert F. Kennedy (RFK) Jr. means potentially more dramatic change.
Military and Defense	We expect support of a strong military, changes to the legacy military leadership, and potential peace negotiations between Russia/Ukraine and Israel/Hamas.
Foreign Policy	An “America First” approach will be pursued with both U.S. allies and China, with tariffs imposed as a first big step toward aggressive negotiations.
Energy	Increased scrutiny on alternative energy like wind and solar will be offset with renewed support for oil and gas and a growing focus on nuclear energy.
The Fed	Like many presidents before him, President Trump will lobby for a more accommodative Fed, but we expect the Fed to maintain independence.
Government Spending	The focus on government efficiency is real and should result in reduced discretionary spending, with limited fiscal spending legislation.
Animal Spirits	Markets rallied on an uncontested election and optimism about deregulation and government efficiency, but we expect some volatility going forward.

Chicago Board of Options Exchange Volatility Index

Source: Stifel CIO Office, via Bloomberg, as of November 27, 2024

FAVORITE 15

CONSUMER SPENDING: EARNING SEASON

"**Consumer demand** continues to be **strong**, especially on services. We are not seeing any signs of trade down in delivery, with eaters ordering more from **higher-priced options**."
– Uber CEO Dara Khosrowshahi (October 31)

"We are seeing a **gradual strengthening in the consumer**, both in the domestic parks and experiences business as well as in the international parks."
– Walt Disney CEO Robert Iger (November 13)

"Both credit card and debit card spend were up in the third quarter from a year ago, and although the pace of growth has slowed, it is **still healthy**."
– Wells Fargo CEO Charles Scharf (October 11)

"The reduction of excess savings, interest rates, and inflation are **pressuring consumers' ability to spend**. Consumers are purchasing lower-priced items, buying less, and focusing on essentials… they are **more cautious with their spending**."
– Kroger Co. CEO Rodney McMullen (September 12)

"Spending patterns are solid and consistent with the narrative that the **consumer** is on **solid footing** and consistent with the strong labor market and the current central case of a no-landing scenario."
– J.P. Morgan CEO Jamie Dimon (October 11)

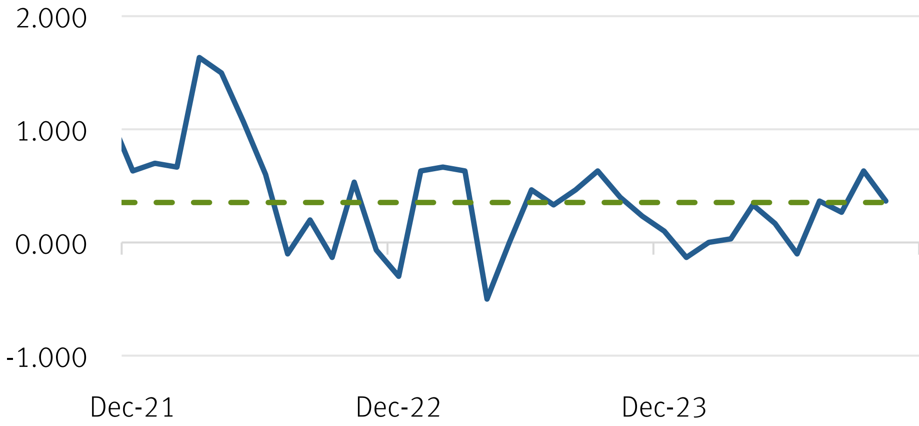
"Activity is consistent with how customers were spending money in 2016-2019 when the **economy** was **growing** and **inflation** was **under control**."
– Bank of America CEO Brian Moynihan (October 15)

"Consumer spending, especially for low-income consumers, has been **challenging**. Third quarter traffic remained **pressured** as low-income consumers are choosing to eat at home."
– McDonald's CEO Christopher Kempczinksi (October 29)

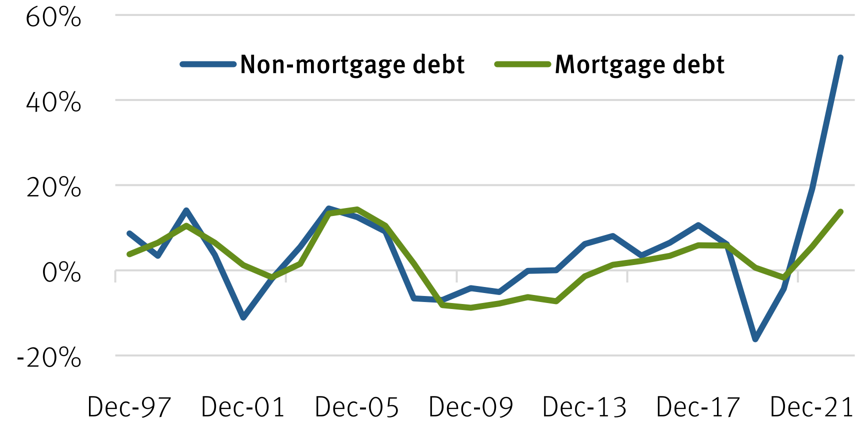
"Customers are being **careful** about how much they spend, and Amazon is continuing to lower prices."
– Amazon CEO Andy Jassy (October 31)

FAVORITE 15

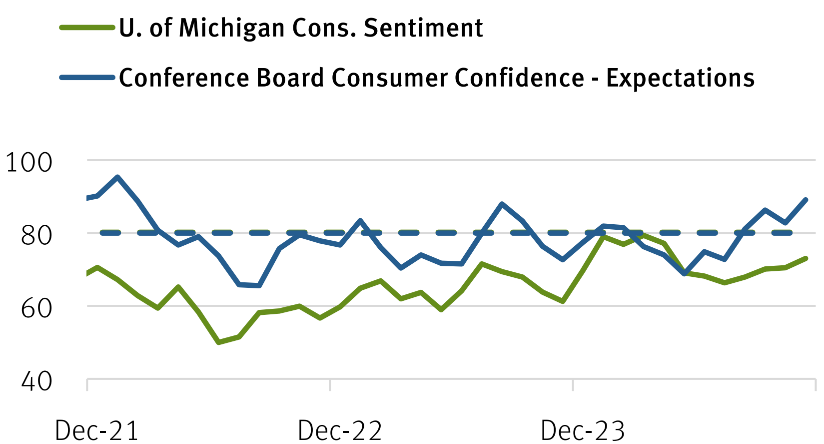
Retail Sales MoM - 3-month Moving Average



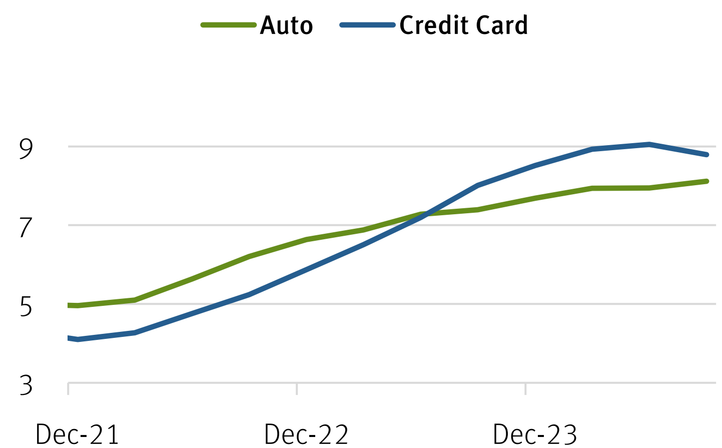
Interest paid on Consumer Debt YoY %



Consumer Confidence and Sentiment

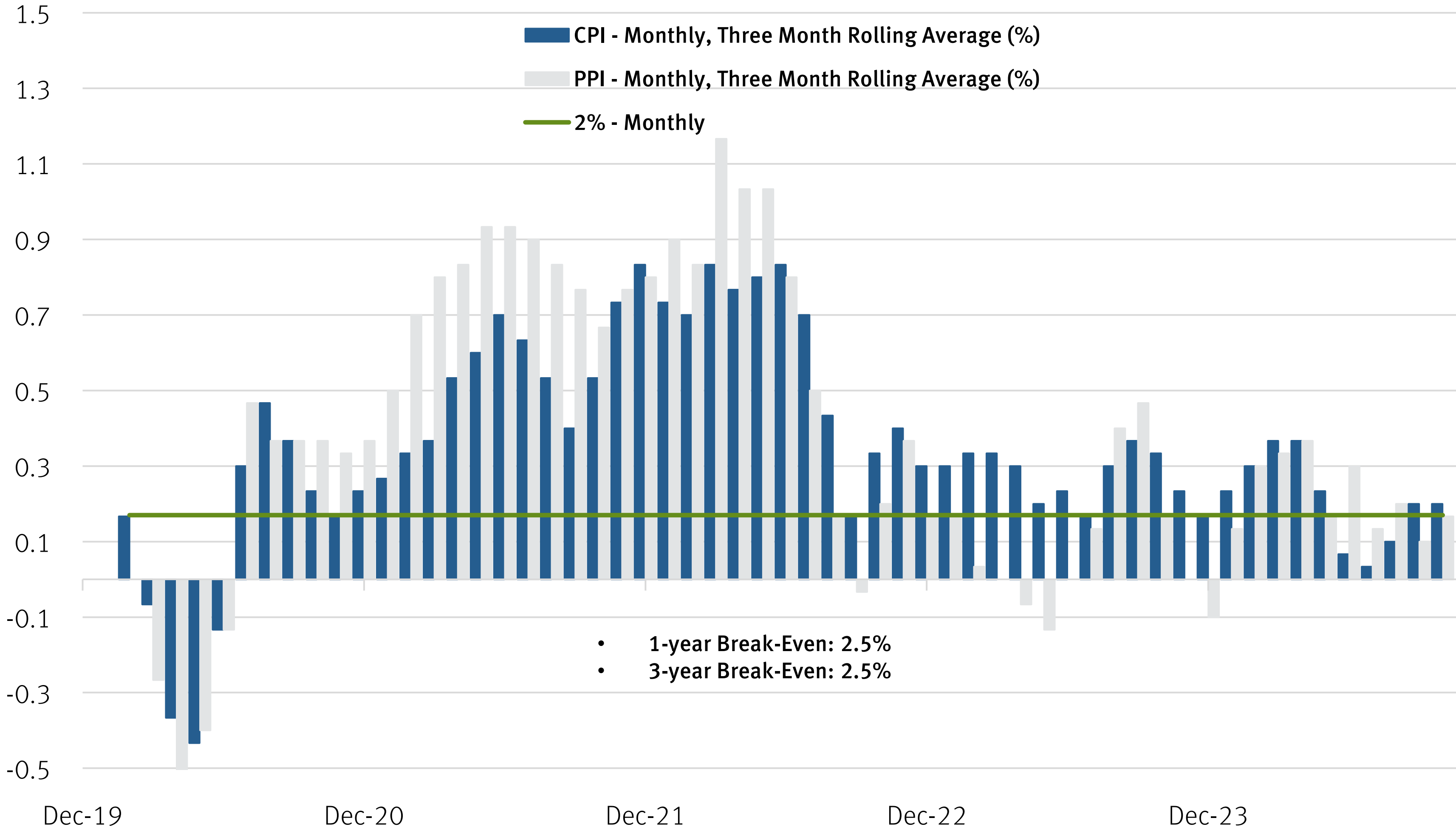


% of balance delinquent 30+ days



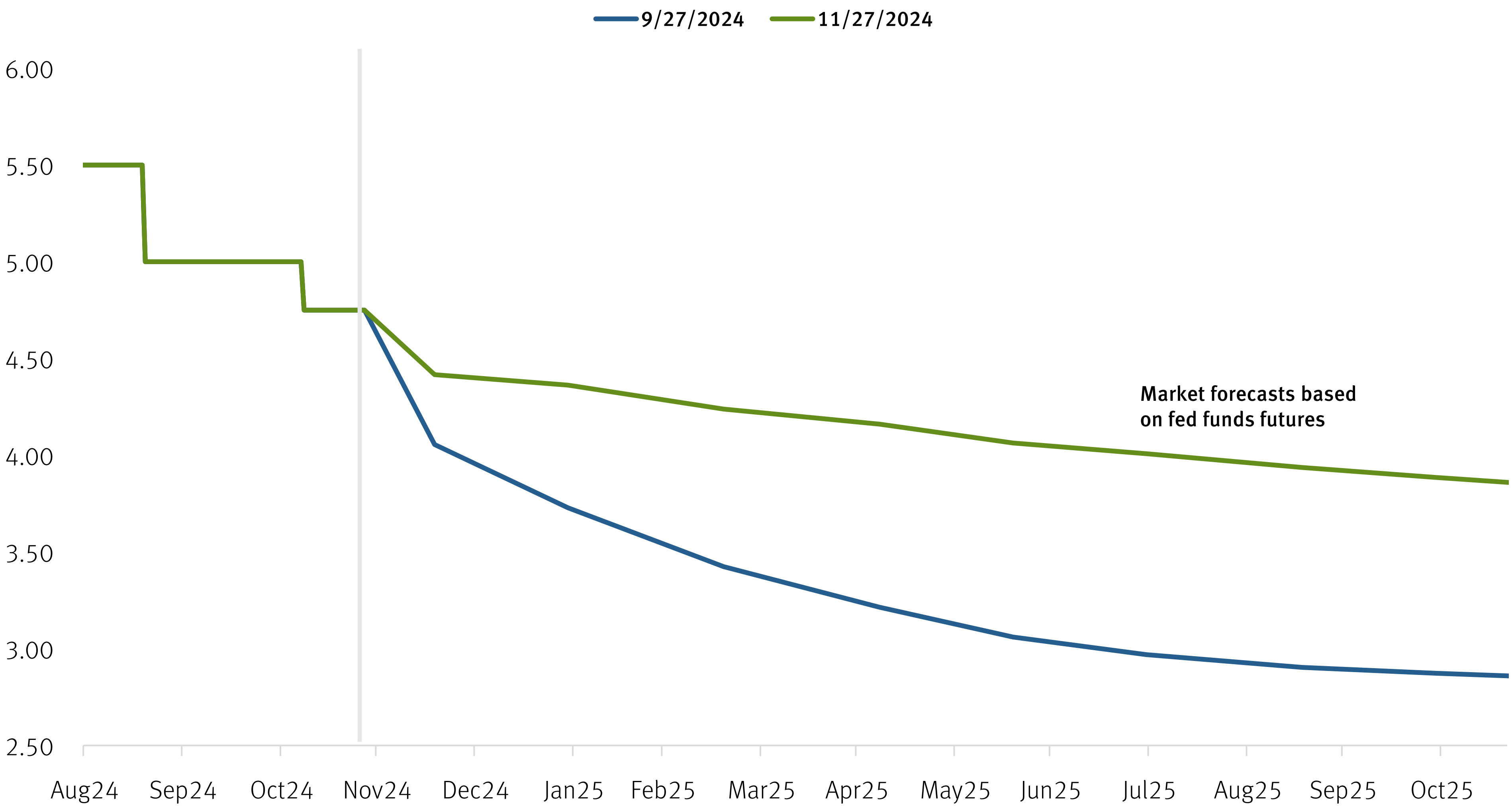
Source: Stifel CIO Office via Bloomberg, Bureau of Economic Analysis, and *The Wall Street Journal* as of November 15, 2024; Dashed lines represent historic averages except for Conf. Board Cons. Confidence Expectations. MoM = Month Over Month. YoY = Year Over Year. For interest paid on consumer debt, annual values are shown.

Monthly Inflation Trends



Source: Stifel CIO Office via Bloomberg, as of November 15, 2024
CPI = Consumer price index
PPI = Producer price index
Fed = Federal Reserve

Fed Funds Target Rate - Upper Bound



Source: Stifel CIO Office via Bloomberg, as of November 27, 2024

FAVORITE 15

Debt Added Since GFC

Households	**$5.6 trillion**
Corporate	**$8.6 trillion**
Federal	**$26.7 trillion**

10-Year Treasury Yield

Now	**4.2%**
10 Years Forward	**4.9%**
20 Years Forward	**4.1%**

In a higher rate regime, the cost of debt will increase going forward for all segments of the economy: the consumer, business, government

Current Government Debt

2024 Deficit: $1.8 trillion
Total Debt: $36 trillion
Net Interest:
16% revenue
12% spending
35% discretionary

CBO Forecast 2034

2034 Deficit: $2.8 trillion
Total Debt: $57 trillion
Net Interest:
19% revenue
14% spending
43% discretionary

Quotes

"…the…federal government's fiscal path…is on an unsustainable path. The level of our debt, relative to the economy, is not unsustainable. The path is unsustainable…you've got a very large deficit…And that's expected to continue….So, it's important…they be dealt with. It is ultimately a threat to the economy...We don't have oversight over fiscal policy…" – Jay Powell

"Any country can borrow money and drive growth, but it may not always lead to good growth, so I think America should be quite aware that we've got to focus on it more" – Jamie Dimon

"Policymakers need to put greater focus on the ballooning debt and deficit. The government's ability to spend without constraint is not unlimited."– David Solomon

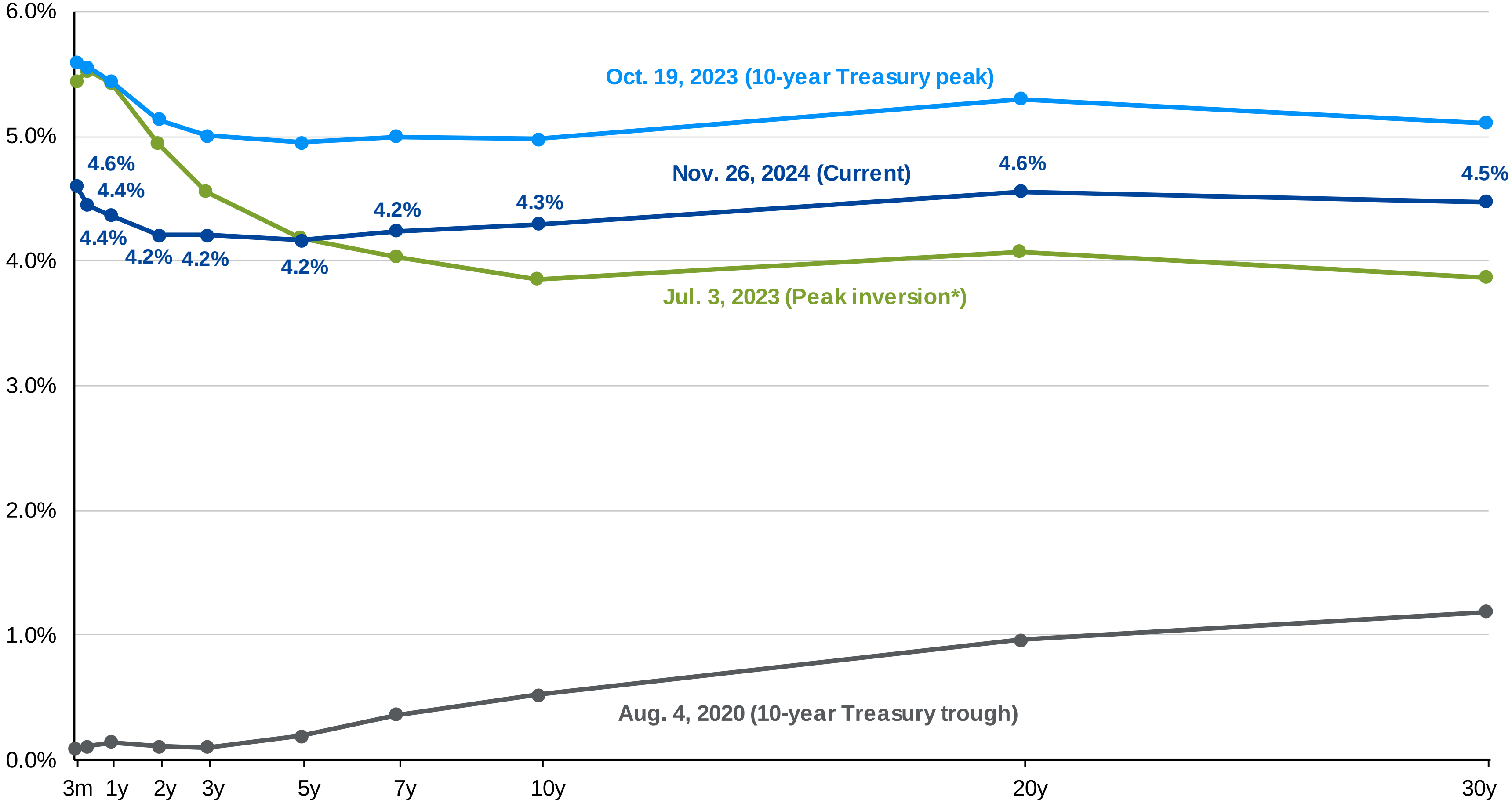
We remain optimistic that the U.S. will ultimately get through this fiscal transition stronger. But how much pain will we experience through the process, and when?

FAVORITE 15

Source: Stifel CIO Office, as of November 27, 2024; data via Bloomberg, St. Louis Federal Reserve (FRED), New York Federal Reserve, Strategas

GFC = Great Financial Crisis
CBO = Congressional Budget Office

U.S. Treasury yield curve

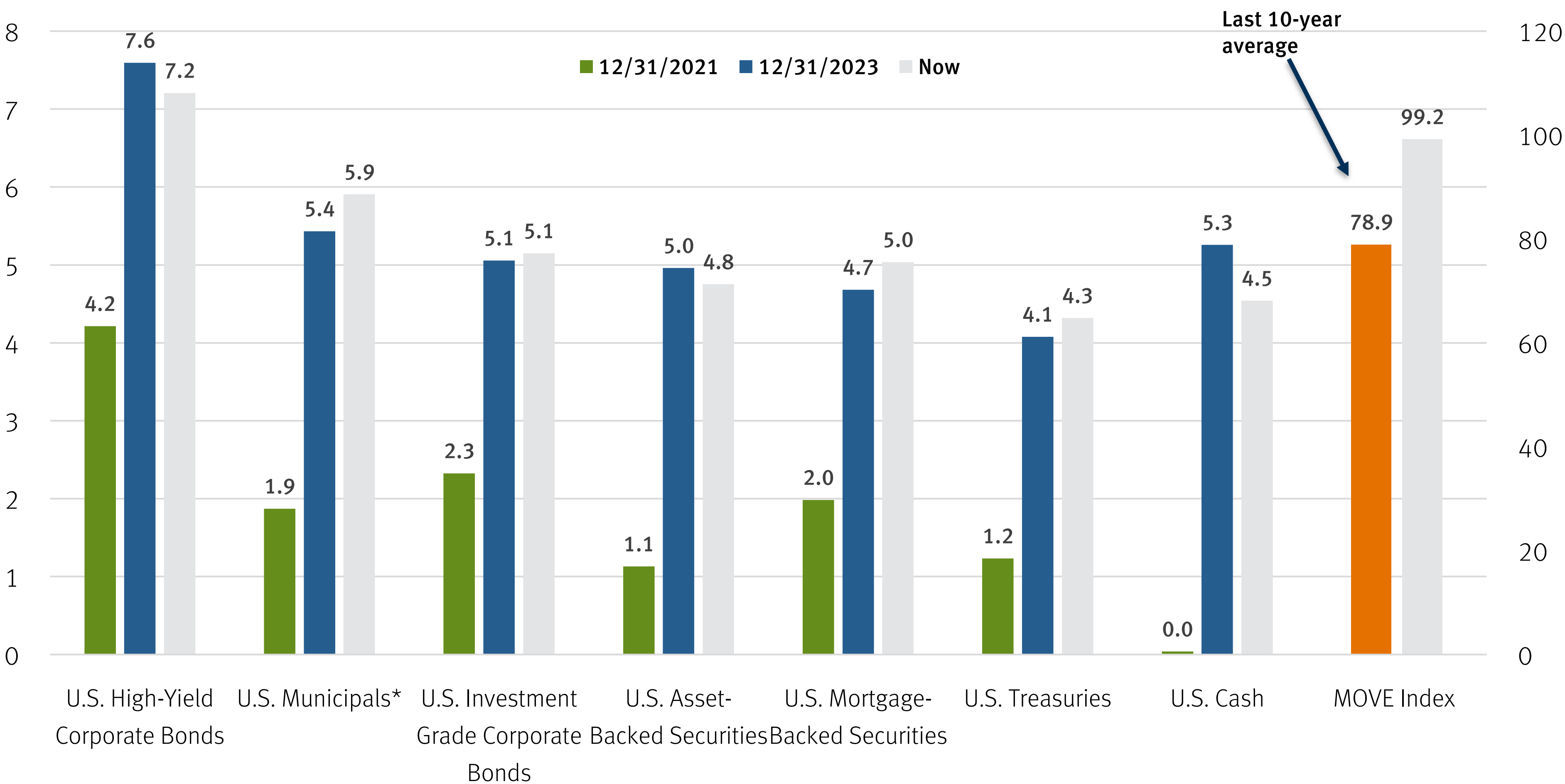


Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.

Guide to the Markets – U.S. Data are as of November 26, 2024.

FAVORITE 15

Fixed Income Yield (Percentage)



**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 November 26, 2024

FAVORITE 15

NEAR-TERM RISKS AND OPPORTUNITIES

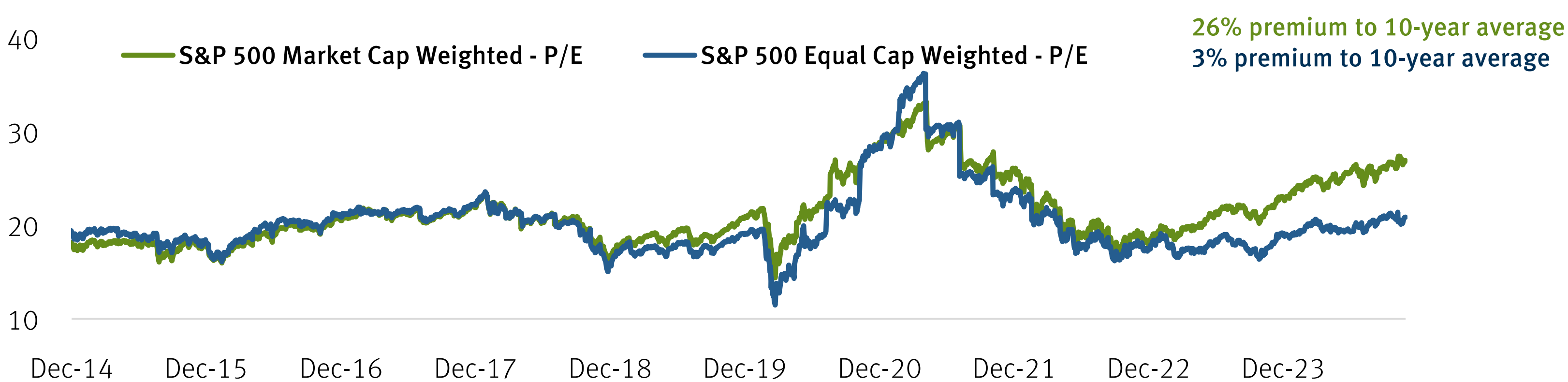
EPS	EPS Forward P/E						
	19x	20x	21x	22x	23x	24x	25x
$285	5,415	5,700	5,985	6,241	6,555	6,840	7,181
$275	5,225	5,500	5,775	6,022	6,325	6,600	6,929
$268	5,092	5,360	5,628	5,868	6,164	6,432	6,752
$259	4,921	5,180	5,439	5,671	5,957	6,216	6,526
$250	4,750	5,000	5,250	5,474	5,750	6,000	6,299
$239	4,541	4,780	5,019	5,233	5,497	5,736	6,022
$230	4,370	4,600	4,830	5,036	5,290	5,520	5,795

Consensus 2025 EPS

Consensus 2024 EPS

Current S&P 500 Index Level

In line with recent high



Since 12/31/22:

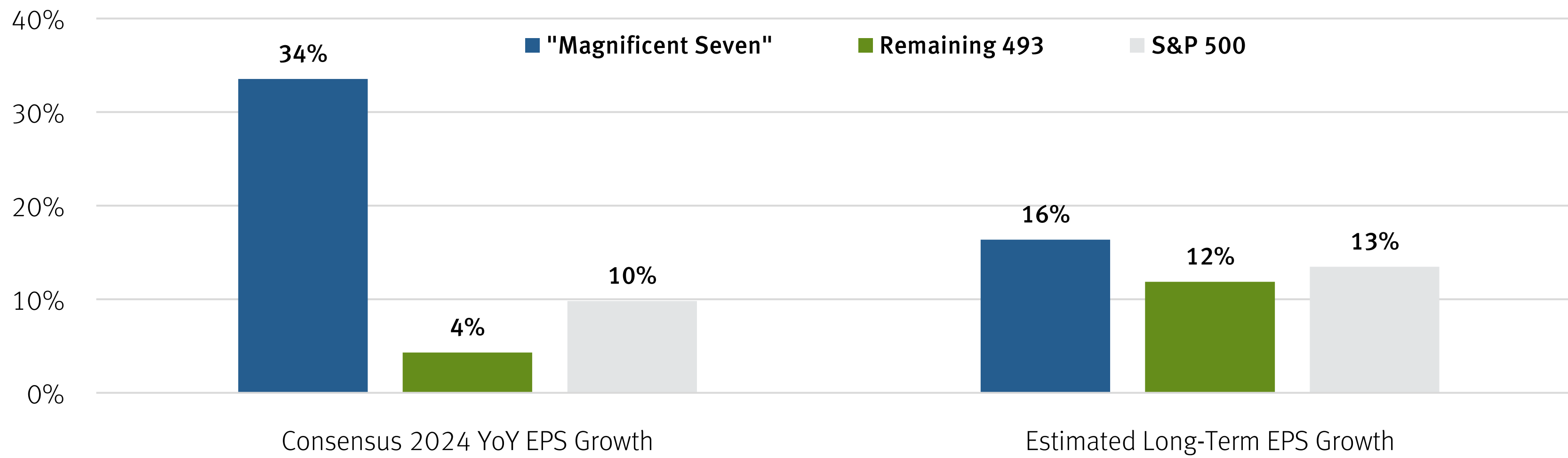
- **Chipmaker Nvidia is up 837%, now approximately 6% of the cap-weighted S&P 500 and 16% of the index return.***

EPS = Earnings Per Share

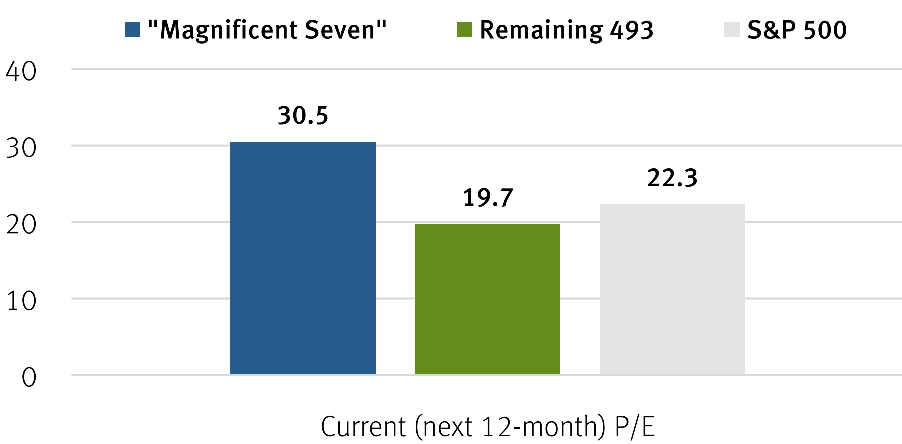
*Source: Stifel CIO Office and Bloomberg, as of November 26, 2024

FAVORITE 15

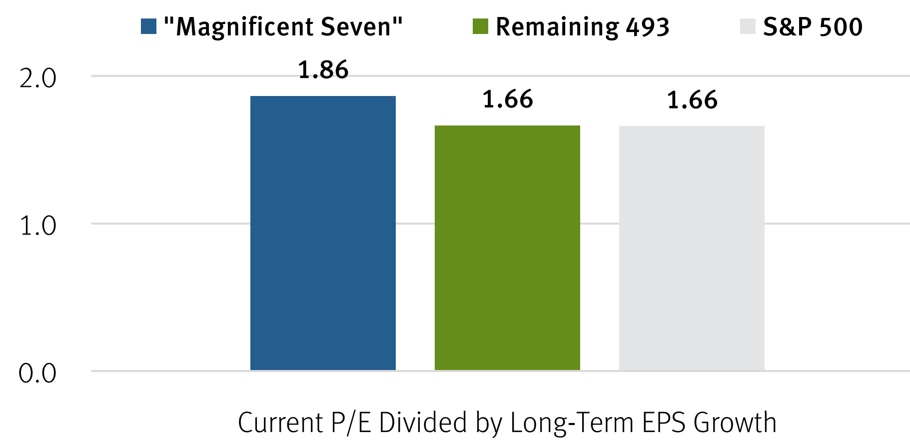
Earnings Growth



P/E Multiples



PEG Ratios



Source: Stifel CIO Office via FactSet, as of November 27, 2024

S&P 500 Sector Weights and Estimated Earnings Growth YoY%

	Weight*	FY25
Tech.	32%	22%
Financials	14%	8%
Health Care	11%	21%
Cons. Disc.	11%	12%
Comm. Services	9%	15%
Industrials	9%	19%
Cons. Staples	6%	6%
Energy	3%	7%
Utilities	2%	9%
Materials	2%	19%
Real Estate	2%	5%
S&P 500		15%

*S&P 500 sector weights are shown.
Source: Stifel CIO Office via FactSet, J.P. Morgan Asset Management, as of November 15, 2024

MARKET PERFORMANCE

Index	2021	2022	2023	Dec 31 23 – Jul 10 24	Jul 10 24 – Nov 26 24	Nov 05 24 – Nov 26 24
S&P 500 Index	28.7%	-18.1%	26.3%	19.0%	7.4%	4.2%
S&P 500 Eq. Weight.	29.6%	-11.5%	13.8%	5.7%	13.9%	4.8%
S&P 500 Financials	34.9%	-10.6%	12.1%	12.3%	22.6%	9.5%
KBW Reg. Banking	36.7%	-6.9%	-0.4%	-6.9%	36.1%	15.1%
Bloomberg U.S. 1000 Value	28.6%	-2.5%	9.4%	7.6%	13.3%	5.1%
Bloomberg U.S. 1000 Growth	26.1%	-27.5%	36.1%	22.2%	6.5%	4.6%
Bloomberg Magnificent 7	51.5%	-45.3%	107.0%	51.1%	3.6%	6.8%
NYSE FANG+ Index	17.7%	-40.0%	96.4%	40.8%	2.0%	4.9%
Bloomberg U.S. 2000	18.6%	-20.1%	17.1%	0.8%	20.0%	7.6%
MSCI EAFE Index	11.3%	-14.5%	18.2%	7.8%	-3.0%	-2.9%
MSCI EM Index	-2.5%	-20.1%	9.8%	10.3%	-1.6%	-4.5%
Bloomberg U.S. Agg	-1.5%	-13.0%	5.5%	0.1%	2.2%	0.2%

Source: Stifel CIO Office via Bloomberg, as of November 26, 2024

POTENTIAL HEADWINDS

Middle East Conflict Escalation Involving the U.S. and Other Allies

Prolonged Russia-Ukraine War with Waning NATO Support

Reigniting Inflation and Fed Policy Error

Economy Slows Triggering Weaker-Than-Expected Earnings

Diverging Global Economies with Continued Weakness in China and Germany

The U.S. Fiscal Trajectory Threatens Confidence in the U.S. Dollar and U.S. Debt

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.

Bloomberg Magnificent Seven Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of seven widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

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 (DSPX℠) 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.

Michael O'Keeffe, CFA
Chief Investment Officer

Sophia DiMartini
Investment Strategy Analyst

Nik Eftimov, CFA
Director, Investment Management & Guidance

Bobby Lewit
Investment Strategy Analyst

Carlos Mieles, CFA
Senior Investment Strategist

Brian Moody
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David Motsonelidze, CFA
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