

Q2 2021 – Market and Economic Outlook

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Stock Market Cycles

S&P 500 Index since 1995

U.S. Stock Market



Latest data point is Apr 7, 2021

- The current bull market began very soon after the pandemic market crash, making for one of the fastest recoveries in history.
- Bull markets are often driven by economic growth, rising corporate earnings and interest rates.
- Overcoming emotions and staying invested is one of the most important principles of investing across all cycles.

Source: Standard & Poor's

Stock Market Performance

S&P 500 Index, recent period



Latest data point is Apr 7, 2021

- The stock market has rallied significantly over the past year.
- Despite reaching many new all-time highs, uncertainty remains high due to the recovery and rising interest rates.
- For long-term investors, it is important to maintain the proper perspective and look past short-term volatility.

Source: Standard & Poor's

Developed Market Recent Performance

MSCI EAFE Index (USD)



Latest data point is Apr 7, 2021

- Developed markets have recovered alongside many other regions since the pandemic-induced market crash.
- It is unclear what the ultimate impact of this pandemic will be on developed market economies as vaccines are rolled out.
- Many countries, especially those in Europe, continue to face high COVID-19 case rates.

Source: MSCI

Emerging Market Recent Performance

MSCI EM Index (USD)



Latest data point is Apr 7, 2021

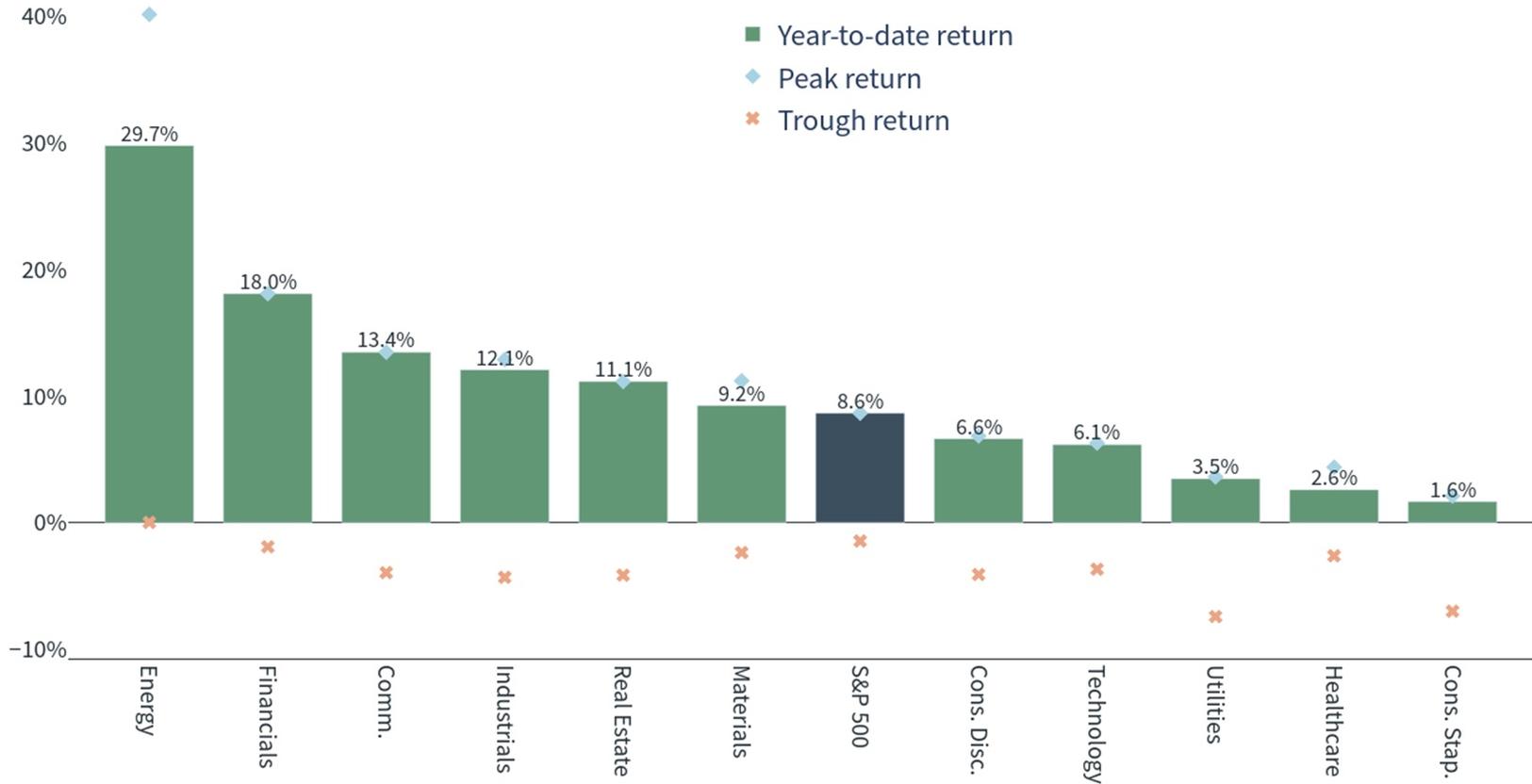
- Emerging markets were one of the best performing asset classes in 2020 following the pandemic market crash.
- Even before the pandemic, the asset class had been volatile over the past decade due to growth concerns.
- Longer term, emerging markets still play a very important role in portfolio diversification despite recent uncertainty.

Source: MSCI

Sector Returns – Year-to-Date

S&P 500 sector year-to-date, peak and trough returns

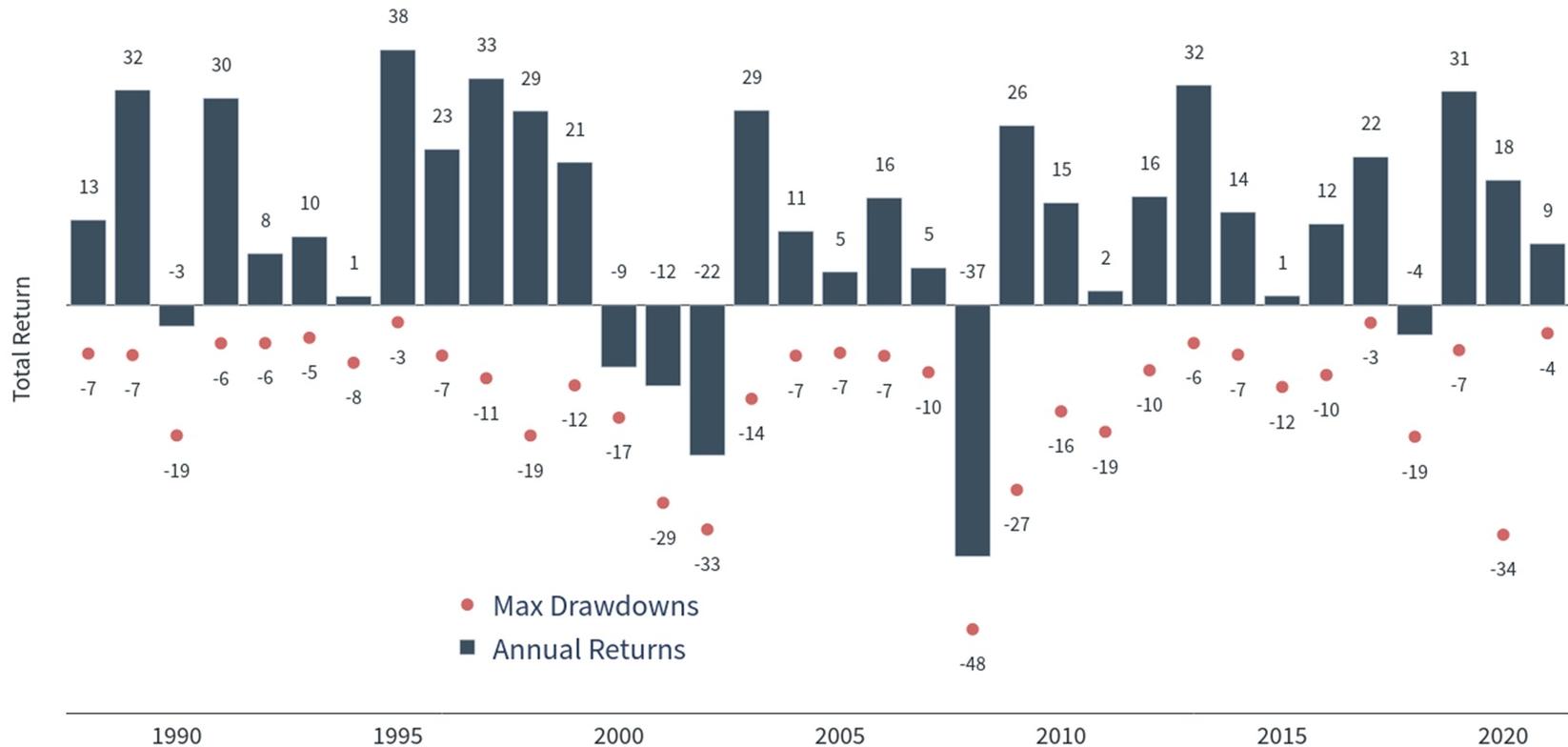
U.S. Stock Market



- Stock market sectors have performed differently from one another throughout the pandemic and recovery.
- Technology-driven sectors initially led the pack but recovery sectors are now outperforming.
- Most investors should continue to benefit from broad diversification across sectors and industries.

Total Returns and Pullbacks

S&P 500 Index total returns. Max drawdown represents the biggest intra-year decline



Latest data point is Apr 7, 2021

- This chart shows total returns of the stock market (bars) and the largest intra-year decline (dots) each year.
- The average year sees a significant intra-year drop. However, most years still end in positive territory, especially with dividends.
- Volatility in prices is a normal part of investing. It is important to not forget that investments also generate income.

Source: Clearnomics, Standard & Poor's

The Stock Market and Earnings

S&P 500 Index price and trailing earnings-per-share since 1990

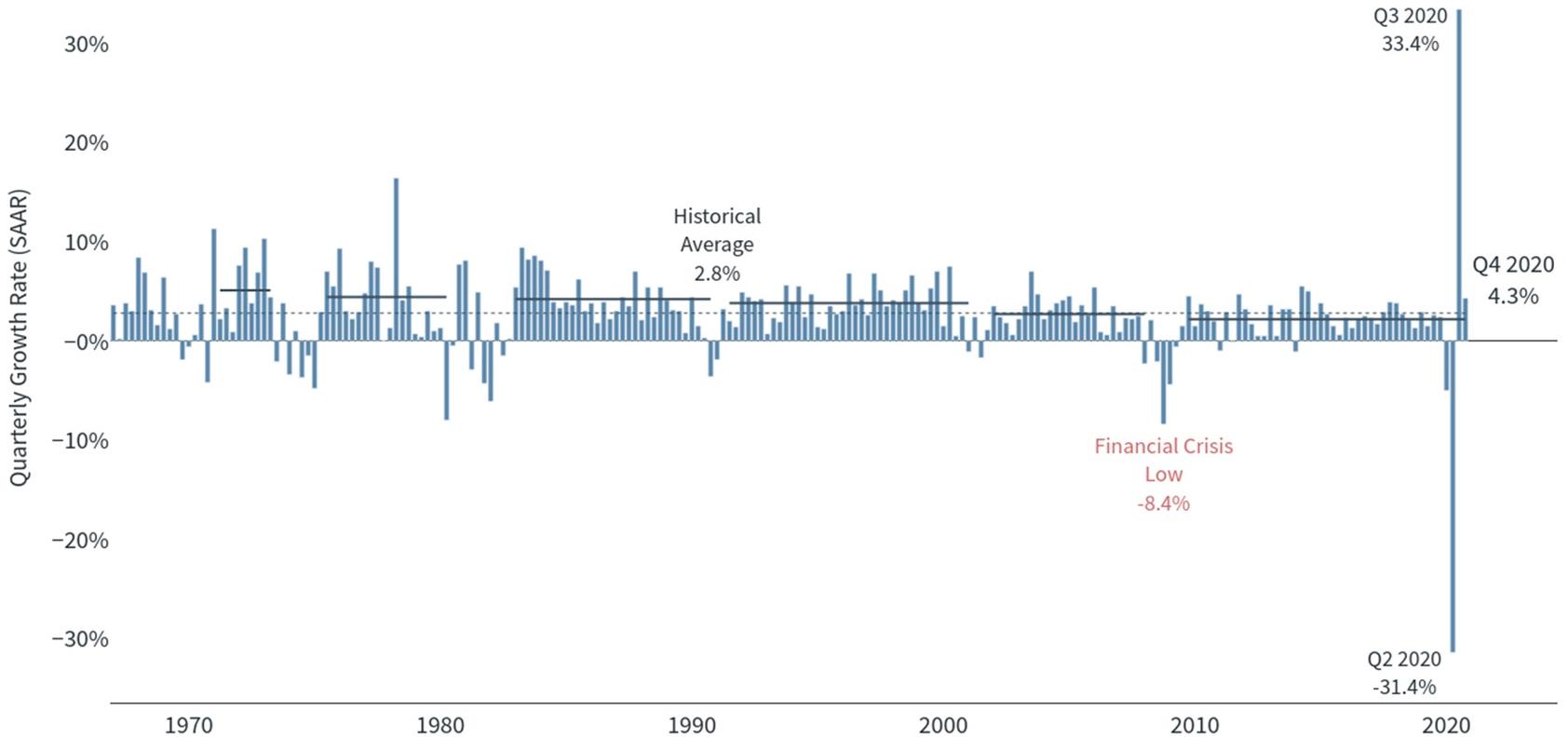


Latest data point is Apr 7, 2021

- This chart shows the S&P 500 index alongside its trailing 12 months earnings-per-share.
- Over the long run, the stock market tends to follow earnings. If earnings are rising, investors are willing to pay more per share.
- Earnings, in turn, tend to track economic growth. Thus, a healthy economy tends to result in a rising stock market.

U.S. Economic Growth

Quarterly GDP, year-over-year percentage change



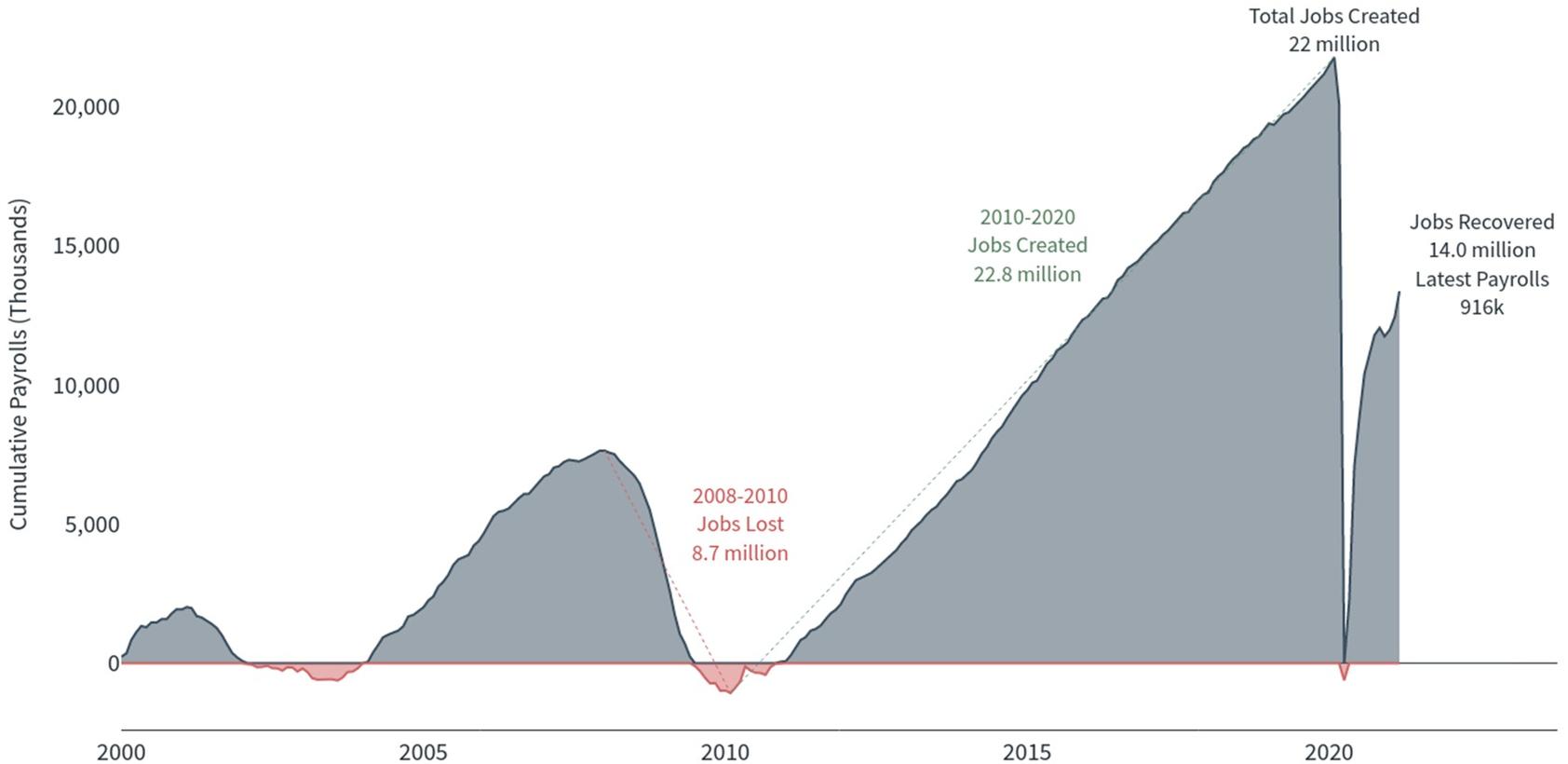
Latest data point is Q4 2020

- The economy officially fell into recession in early 2020 due to the economic shutdown from COVID-19.
- GDP fell at a record pace in the second quarter before recovering significantly in the third.
- Future growth will depend greatly on how the public health crisis and economic reopening is managed.

Source: U.S. BEA, NBER

Total Jobs Created Since 2000

Cumulative change in non-farm payrolls, seasonally adjusted



Latest data point is Mar 2021

- This chart shows the total jobs created since the year 2000.
- Over 22 million jobs had been created since 2010.
- At this point, more than half the jobs lost during the pandemic have been recovered.

Source: Bureau of Labor Statistics

Historical Interest Rates

10-year and 2-year yields since 1960



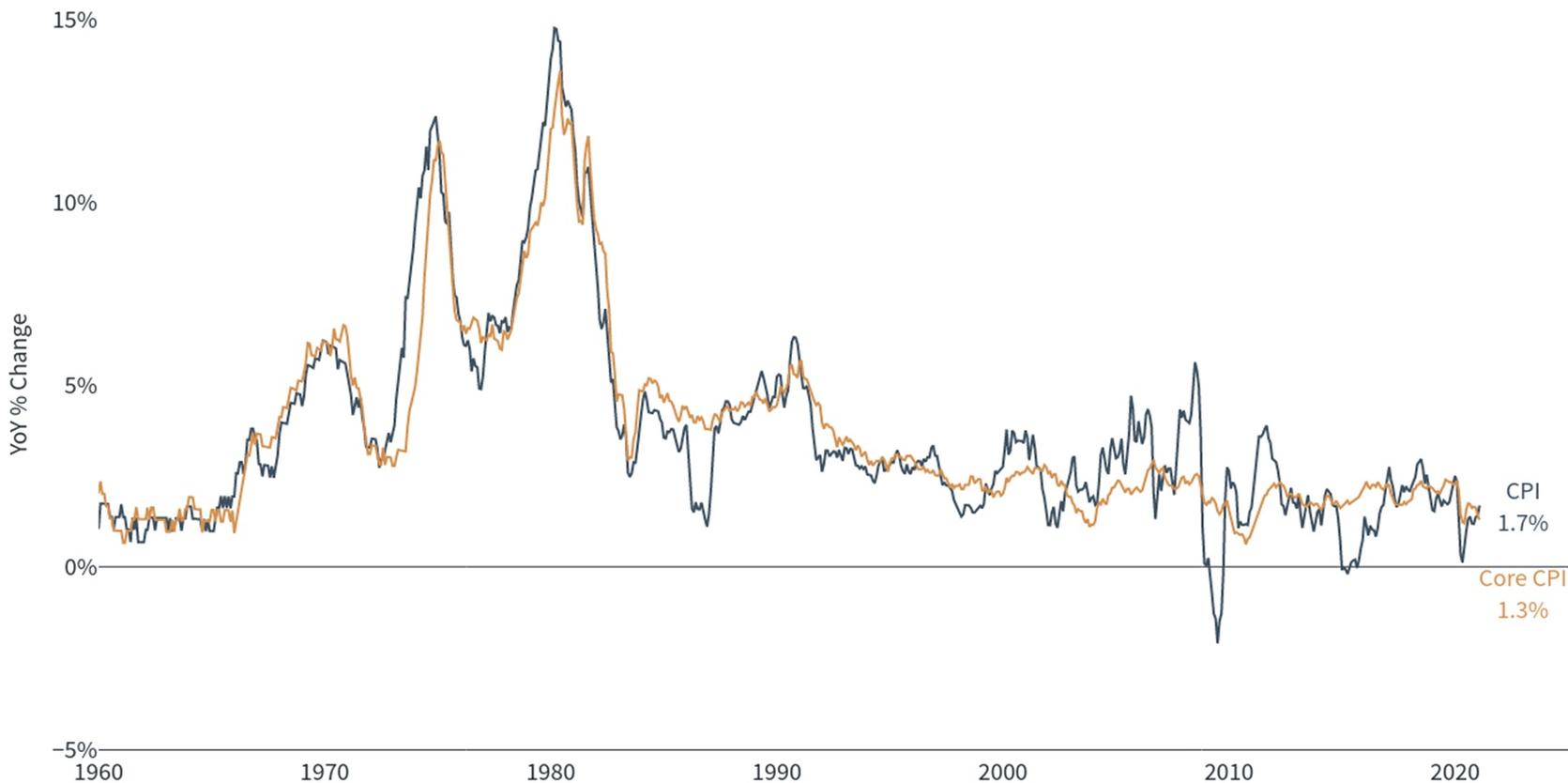
Latest data point is Apr 7, 2021

- Interest rates have been on a declining trend since the 1970s resulting in a multi-decade bull market for bonds.
- Interest rates have been at historic lows since 2009. Short-term rates have often been in negative territory in many parts of the world.
- The Fed has made it clear that they intend to keep rates low for years to spur inflation.

Source: Federal Reserve

Consumer Price Index

CPI and Ex Food and Energy, YoY % Change



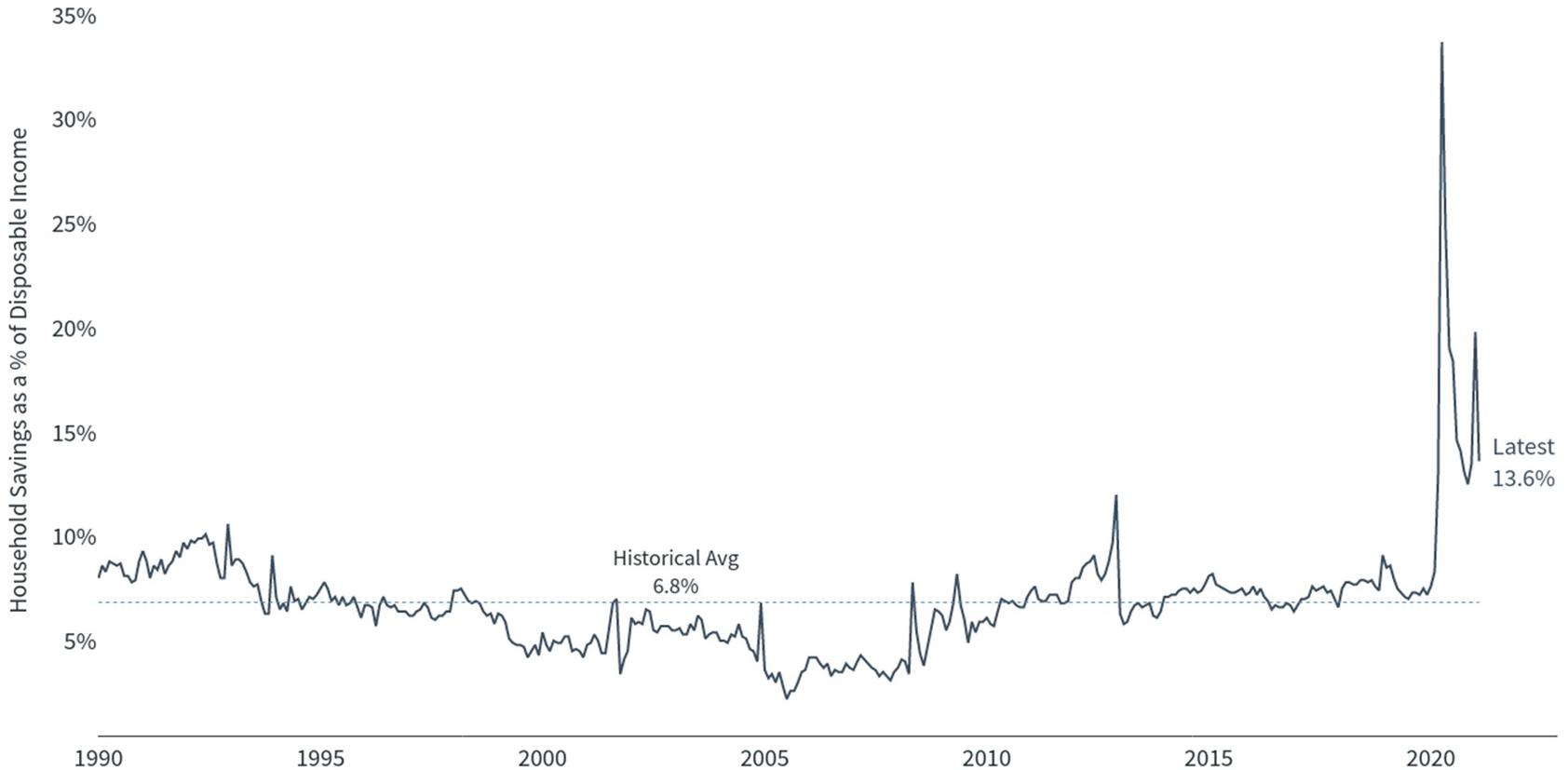
Latest data point is Feb 2021

- CPI is a commonly cited measure of inflation. It uses a basket of goods and services to track price changes for consumers.
- In order to measure the underlying trend in inflation, rather than temporary shocks to food and energy, economists focus on Core CPI.
- Inflation has been lower than average over the past decade but there are fears that it is rising quickly.

Source: U.S. Bureau of Labor Statistics

Personal Savings Rate

Savings as a percentage of disposable income



Latest data point is Feb 2021

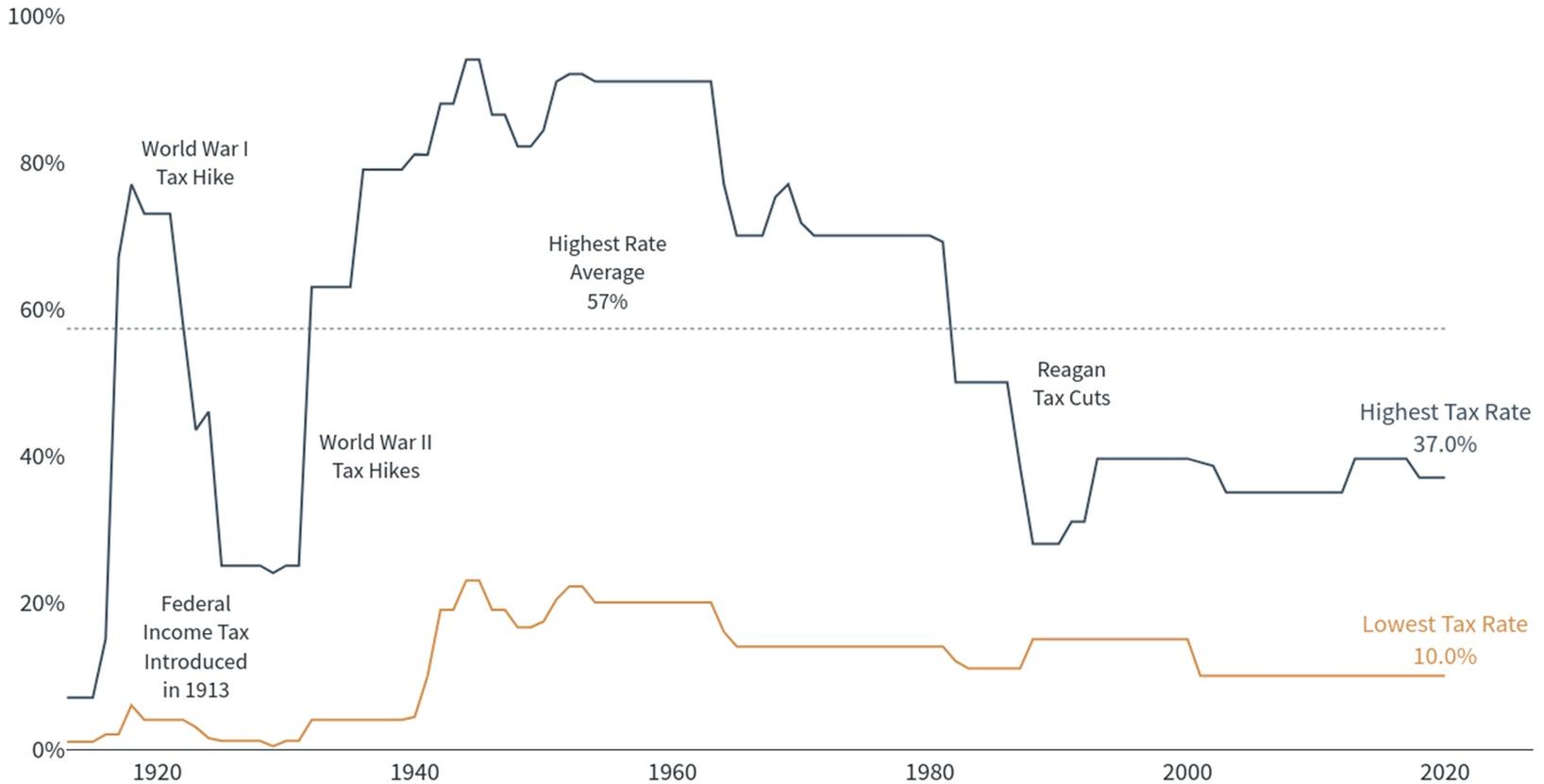
- Household savings are the flip-side of spending. They are important for financial health.
- Savings rates have remained high during the economic recovery.

Source: U.S. Bureau of
Economic Analysis

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Individual Income Tax Rates

Historical Highest and Lowest Tax Brackets



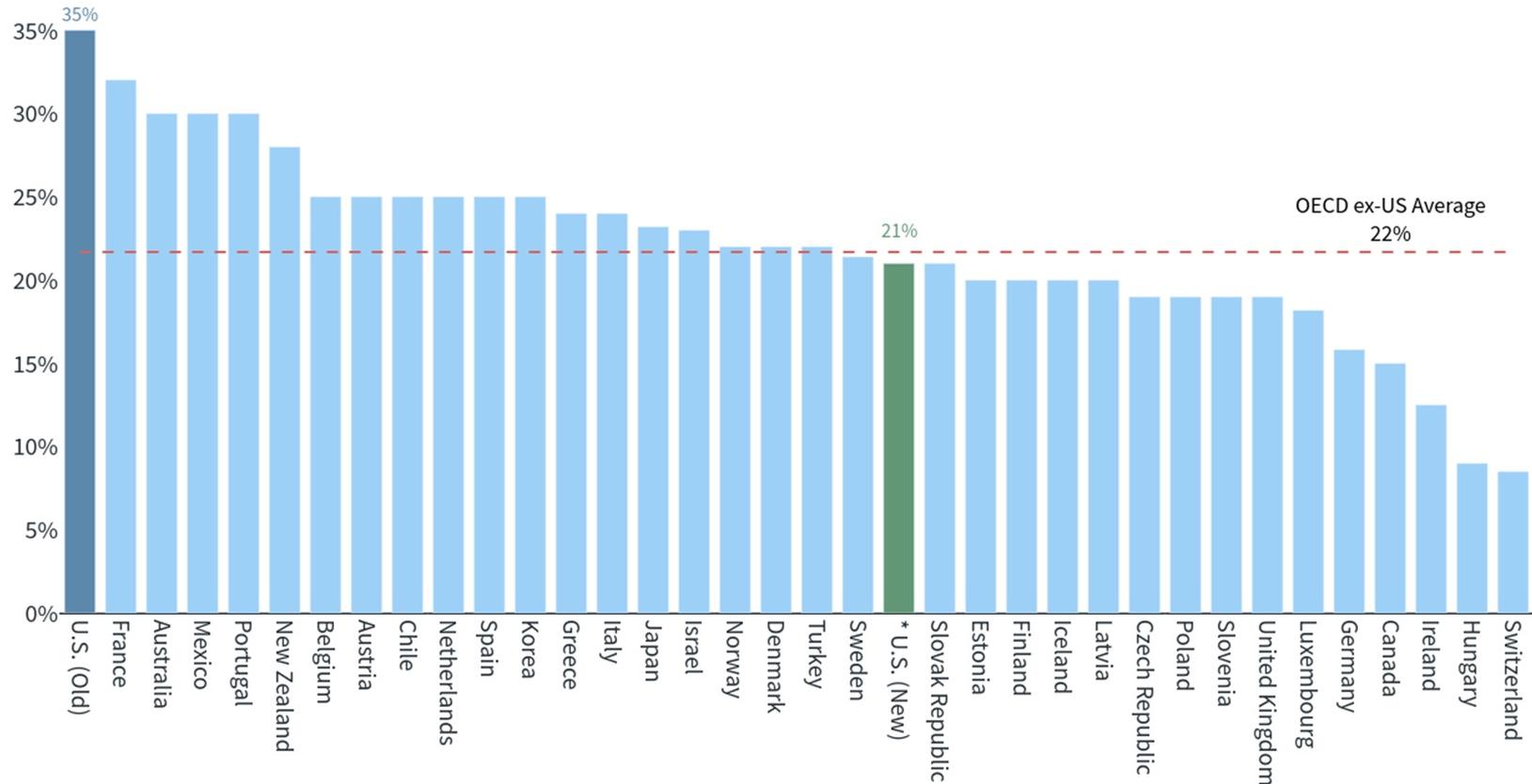
Latest data point is 2020

- The tax reform bill that passed at the end of 2017 changed a number of marginal tax rates.
- The highest tax rate became 37%, a slight decrease from prior levels.
- Historically, the top tax rates have been much higher, especially during wartime.

Source: Treasury Department, IRS

Global Corporate Tax Rates

Central Government Tax Rates of Industrialized Countries



- Prior to the 2017 tax reform, the U.S. had the highest corporate tax rate among major industrialized countries.
- The enacted tax reform plan lowered the corporate tax rate to 21%, below the OECD average of 22%.
- However, corporate taxes are expected to increase to fund programs such as infrastructure spending.

Source: OECD

Months' Supply of Inventory

Housing Market



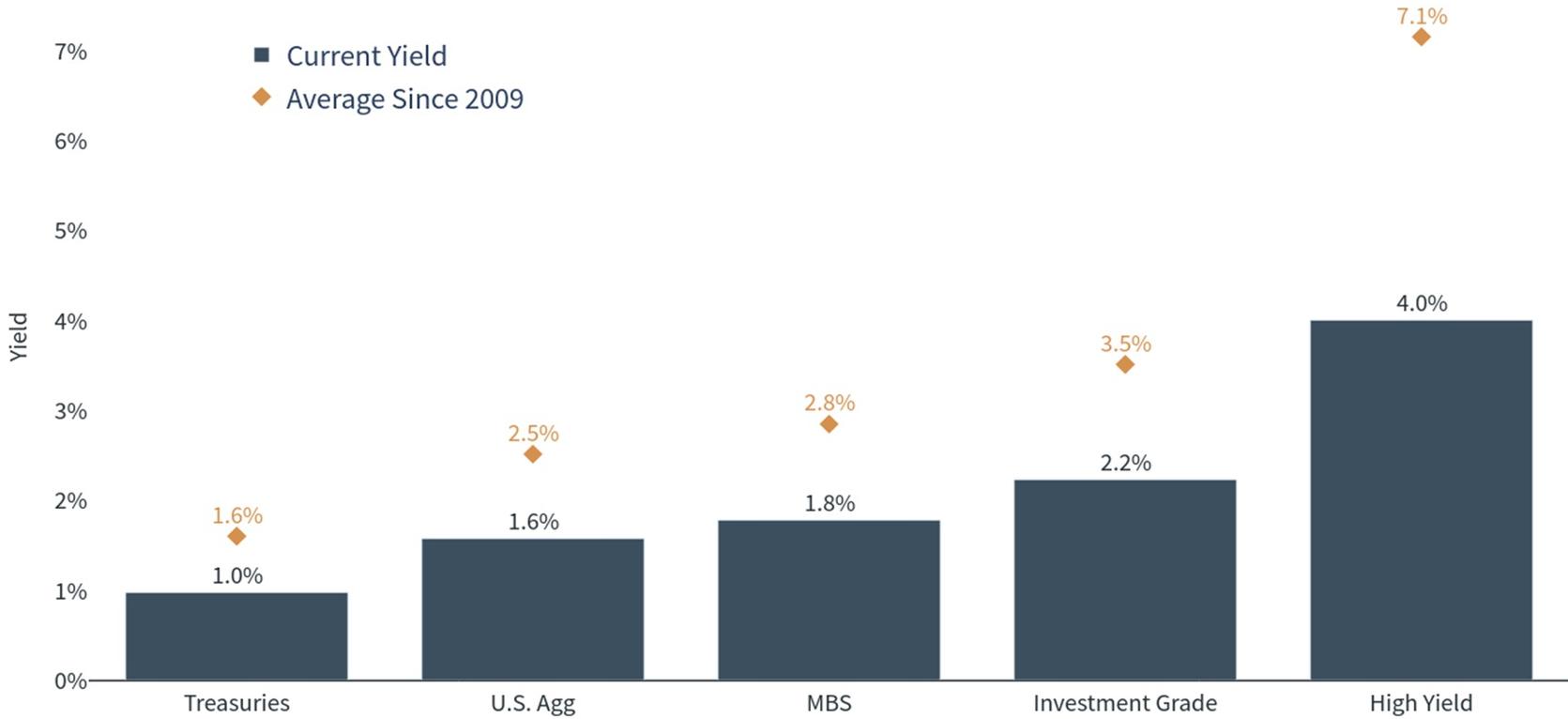
Latest data point is Feb 2021

- While the number of available homes has increased to average levels, it is still well below levels seen during the last housing cycle.
- This limited level of supply should continue to drive housing construction.

Source: National Association of Realtors

Traditional Sources of Bond Yield

Current yields and averages since 2009



Latest data point is Apr 7, 2021

Source: Clearnomics,
Bloomberg

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Upcoming Events (please put a placeholder on your calendars)

Money Management for Women

Thursday May 20th @ 5pm: The basics of managing money may be gender neutral, but women still face unique challenges when it comes to personal finances. Join us as we discuss money management strategies tailored towards women as different stages of career and life.

Q & A

Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard and Poor's value and growth indices.

MSCI EM is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S.

Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

Fixed Income Performance: All sectors are represented by the Bloomberg Barclays bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009 charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

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