



# Macro & Market Outlook

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January 09, 2023



See important disclosures in Appendix

# Recession Outlook – The Most Predicted Recession Ever

**Philadelphia Federal Reserve Anxious Index**  
1968 – Current – Quarterly Chart



Source: WSJ / Federal Reserve Bank of Philadelphia / Canaccord  
Quarterly Data

# Market Outlook – “The” Low Happens During Recession

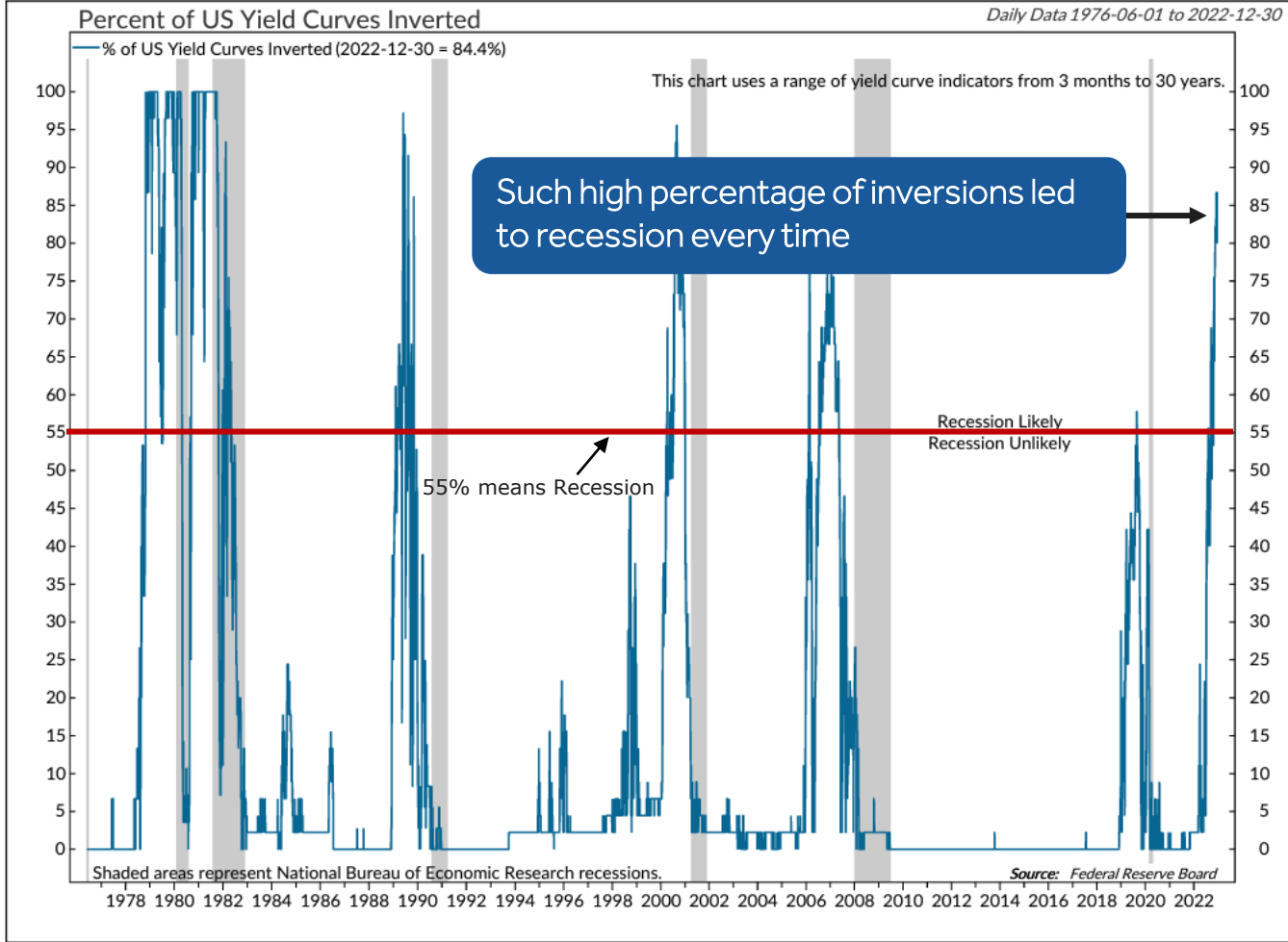
The market has never bottomed BEFORE a recession

U.S. Recessions			SPX Low		SPX Low in Recession?	Weeks from Start to Low
Start	Trough	# of Mths	Date	SPX		
8/30/1957	4/30/1958	8	10/22/57	38.98	Yes	8
4/29/1960	2/28/1961	10	10/25/60	52.3	Yes	26
12/31/1969	11/30/1970	11	5/26/70	69.29	Yes	21
11/30/1973	3/31/1975	16	10/3/74	62.28	Yes	44
1/31/1980	7/31/1980	6	3/27/80	98.22	Yes	8
7/31/1981	11/30/1982	16	8/12/82	102.42	Yes	54
7/31/1990	3/31/1991	8	10/11/90	295.46	Yes	10
3/31/2001	11/30/2001	8	10/9/02	776.76	After	79
12/31/2007	6/30/2009	18	3/9/09	676.53	Yes	62
2/29/2020	4/30/2020	2	3/23/20	2237.4	Yes	3
Source: Bloomberg/ nber.org					<b>Median</b>	<b>23.5</b>

Standard and Poor's 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.

Past performance is not a guarantee of future results. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

# Recession Outlook – Yield Curve Inversions Signaling 2023 Recession



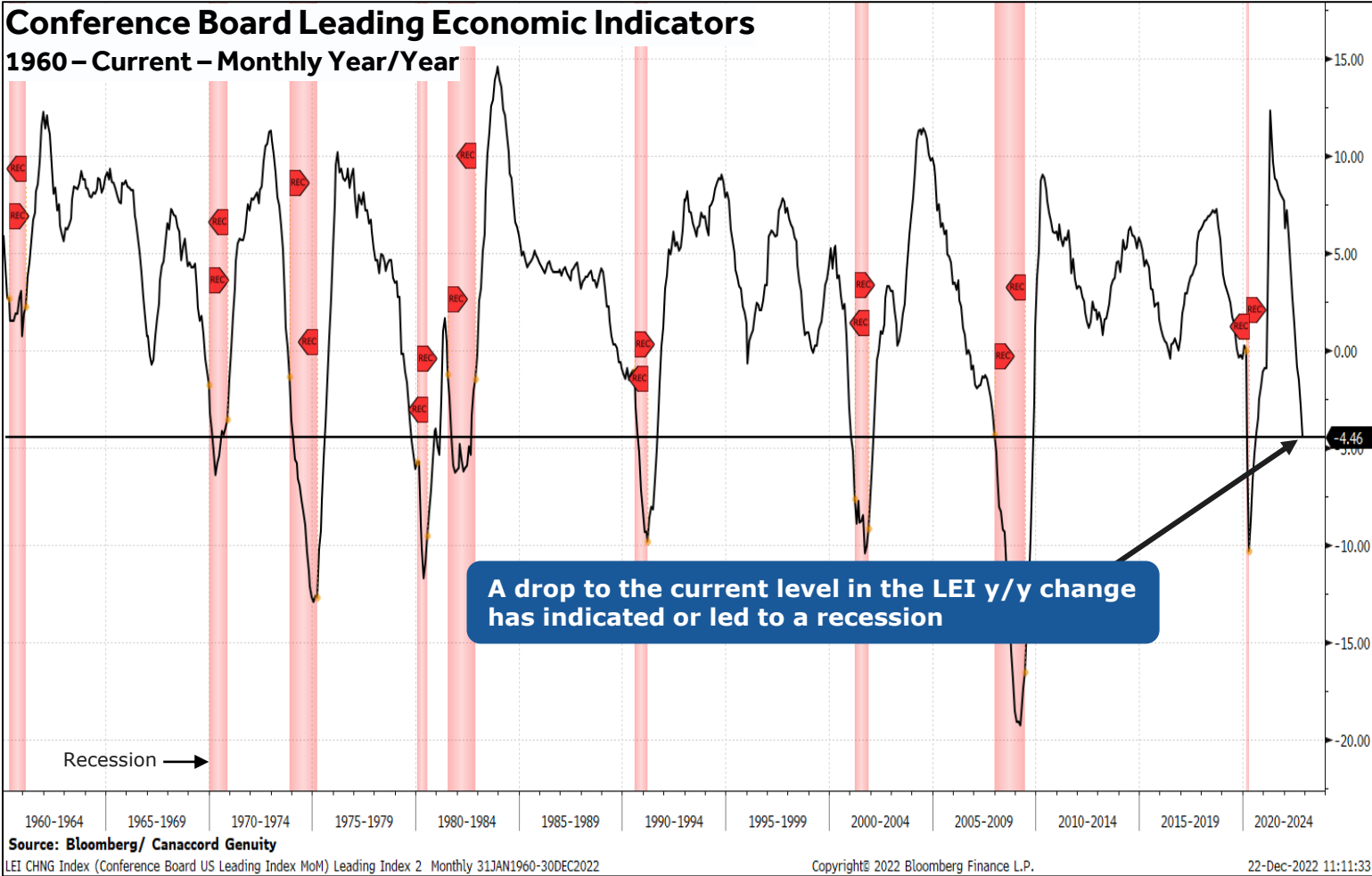
Source: [www.ndr.com](http://www.ndr.com) / Canaccord Genuity

Past performance does not predict future results



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# Recession Outlook – Leading Economic Indicators Signaling 2023



Past performance does not predict future results

# Market Outlook – In Levered Era, Pivot Not A Pre-Recession Buy Signal



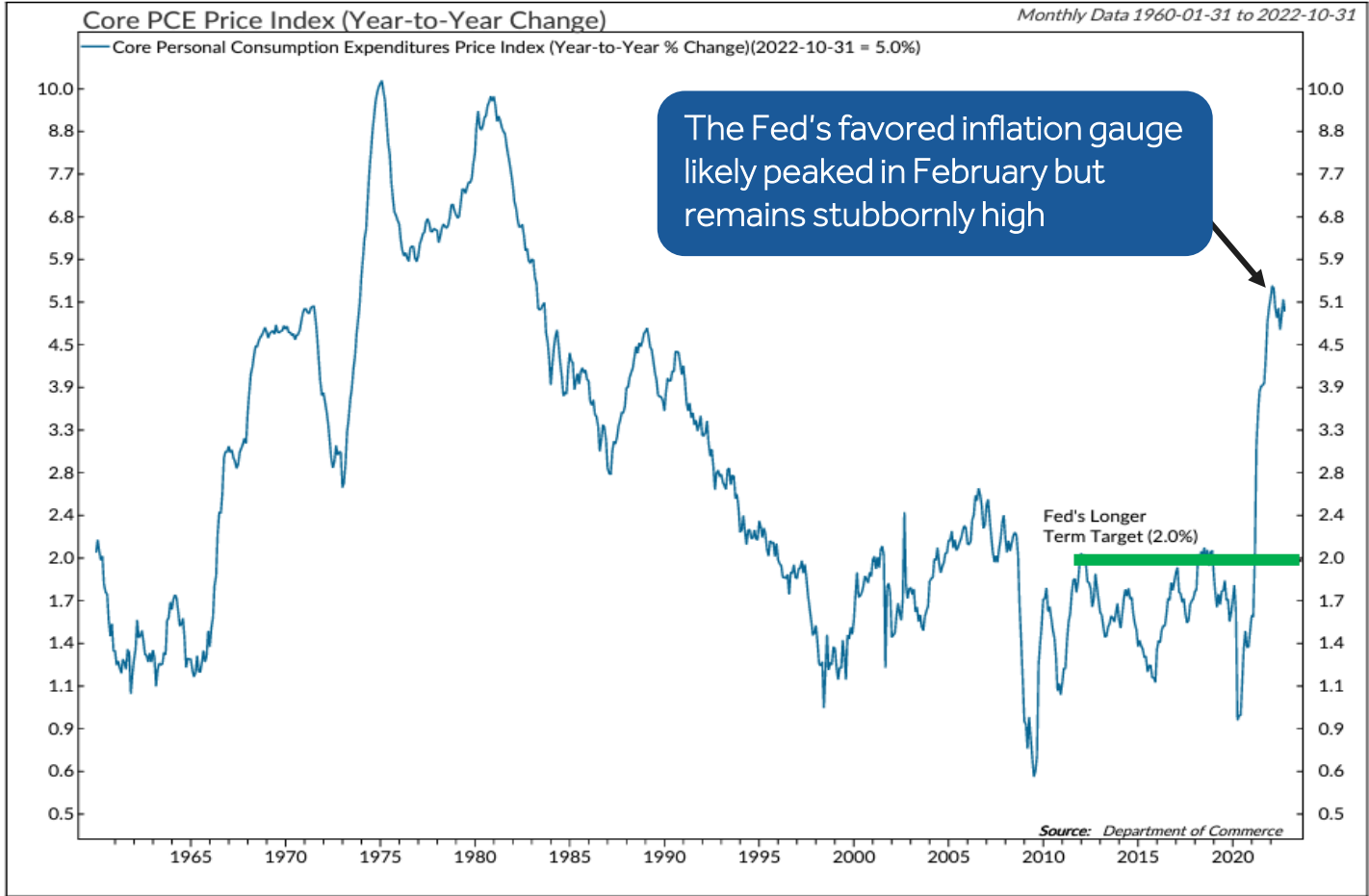
Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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# Core Fundamental Thesis Remains Challenged

1. Over time, the market correlates to the direction of EPS – expected to drop
2. EPS is driven by the direction of economic activity – 2023 recession
3. Economic activity is produced by money availability – historically weak
4. Money availability is driven by Fed policy – channeling their inner Volker
5. Fed policy is driven by Inflation and Employment – both turning but elevated

# Inflation Outlook – Core PCE Peaked But Stubbornly High



E707B

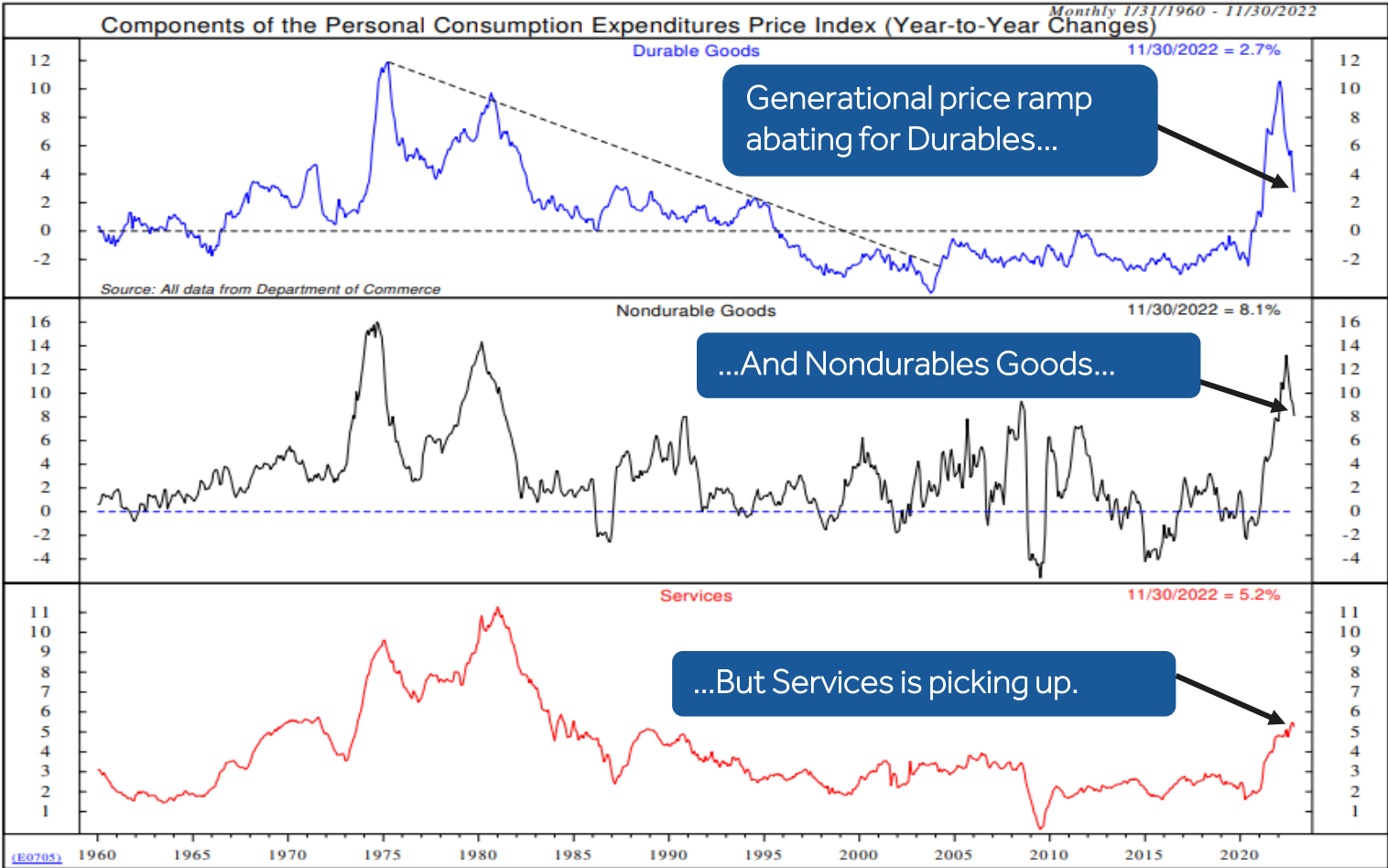
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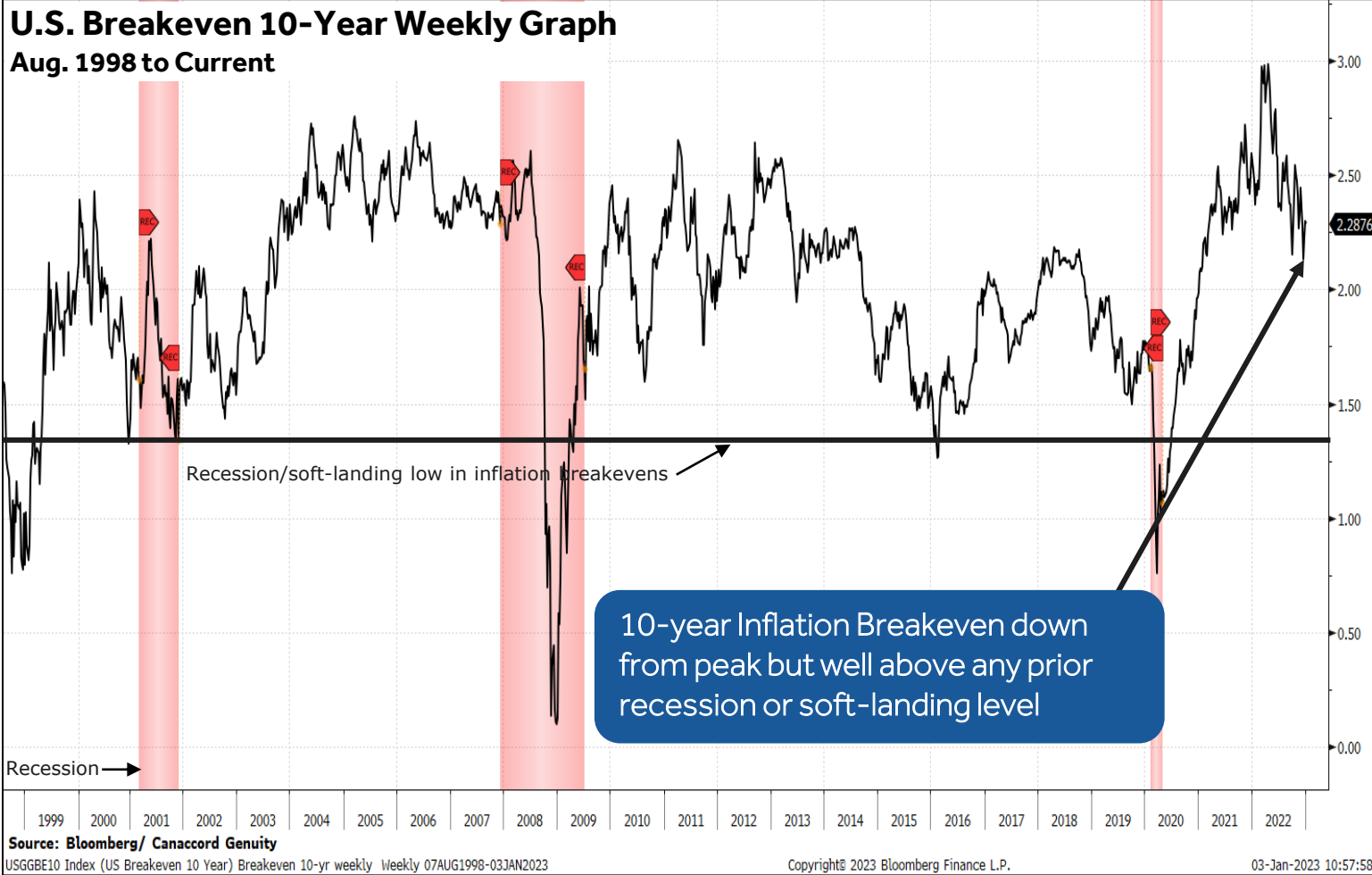
# Inflation Outlook – Services Offsetting Drop In Goods Inflation



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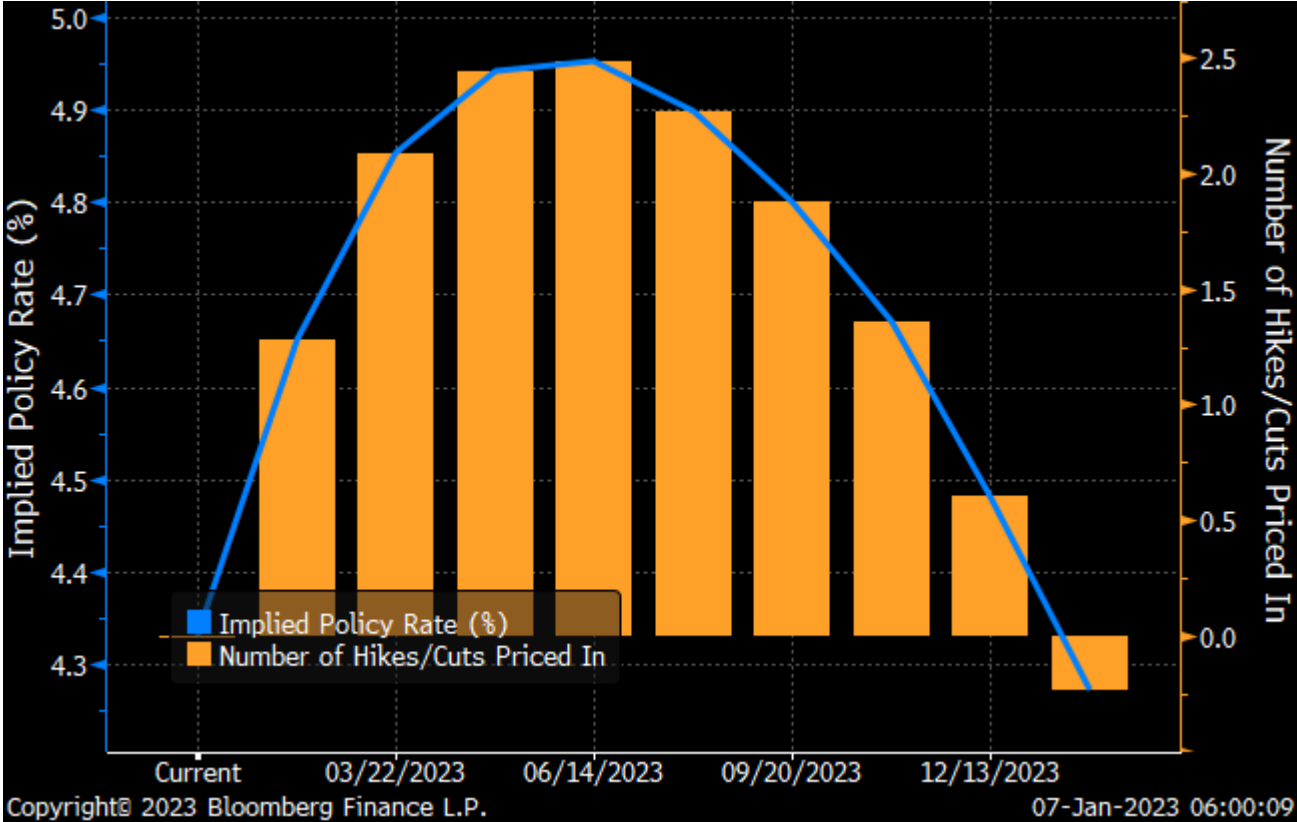
# Inflation Outlook – Long-term Inflation Expectations “Anchored”



Past performance does not predict future results

# Credit Outlook –The Market Doesn't Believe The Fed

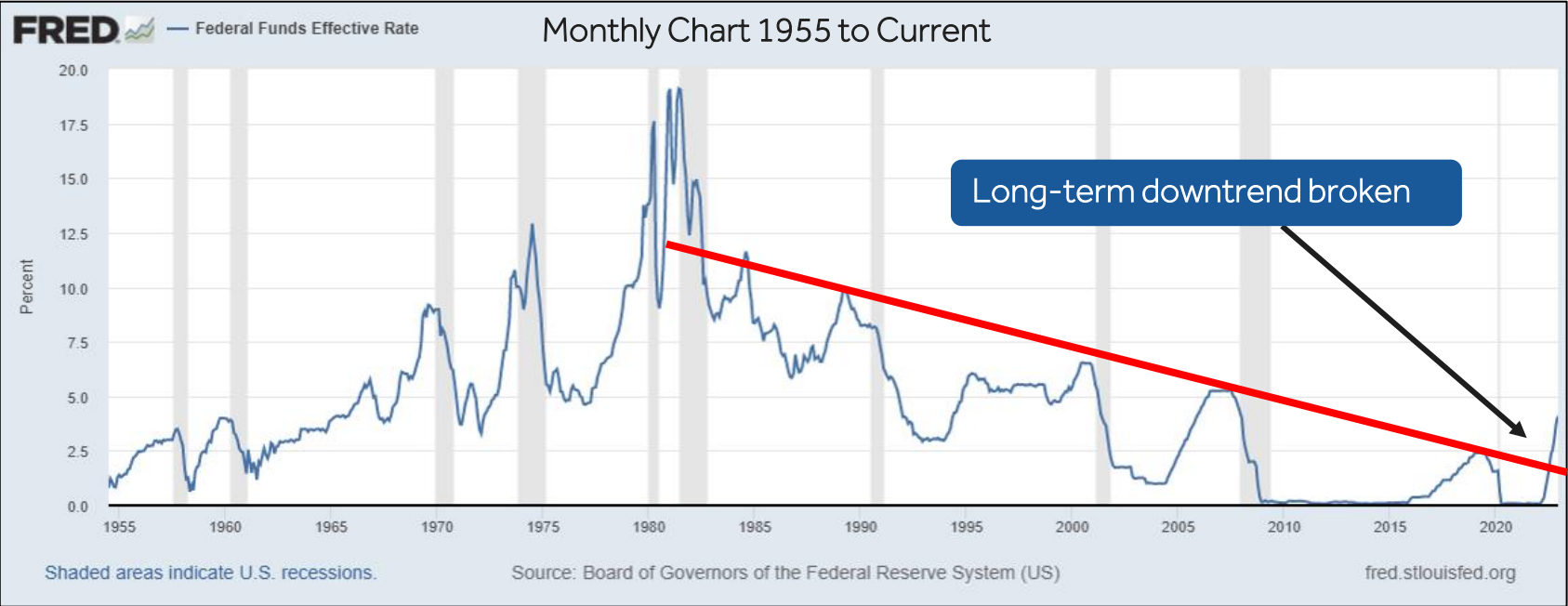
Despite the Fed rhetoric, the market expects peak rates below 5% and end of 2023 reduction



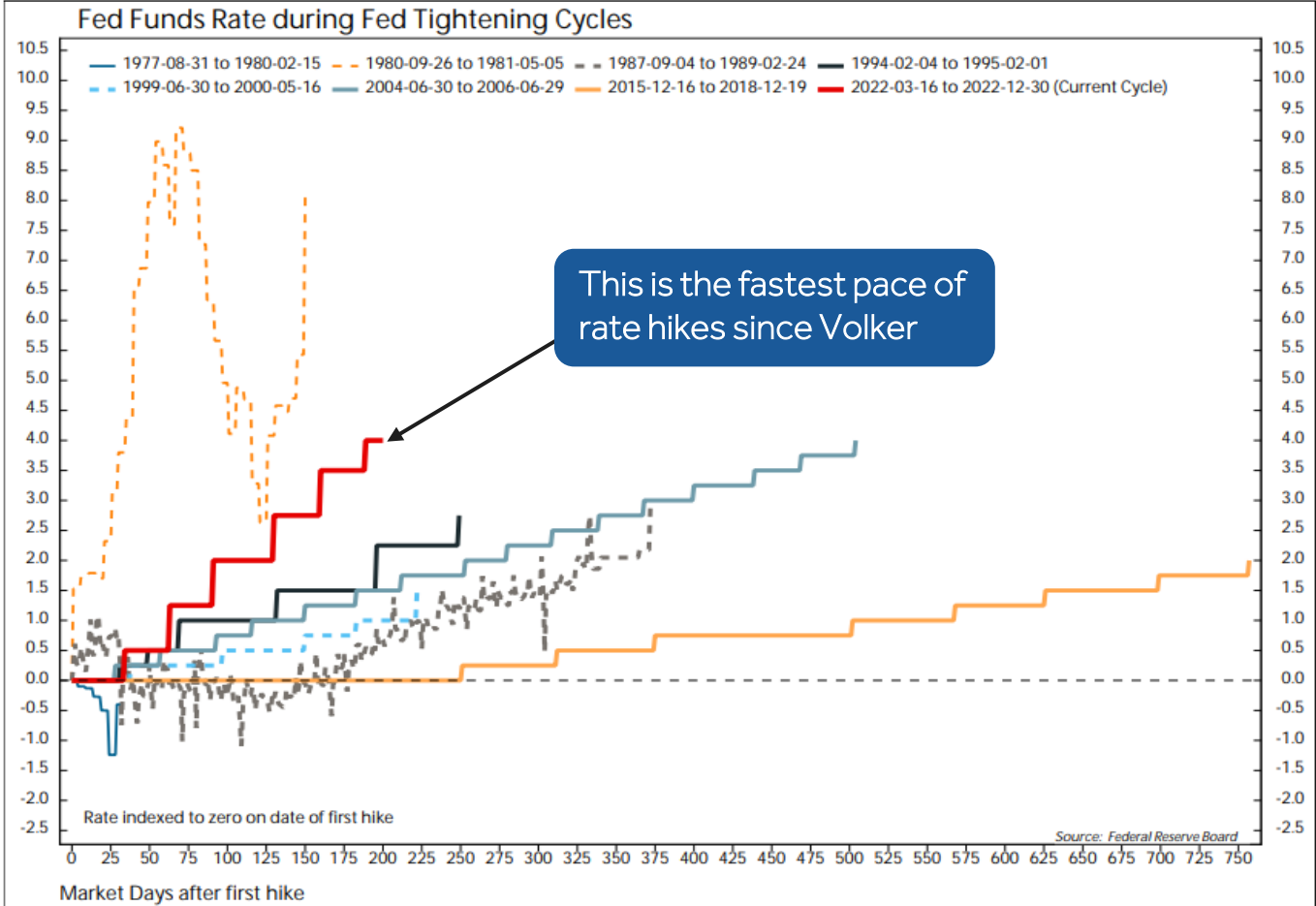
Source: Bloomberg / Canaccord

# Credit Outlook – The Fed Hikes Have Broken Long-Term Downtrend...

The Fed has embarked on a tightening cycle that has broken the long-term downtrend. We continue to believe it is a bad idea to spike rates into a generationally levered system



# Credit Outlook – ...As They Raise Rates In A Historic Way...

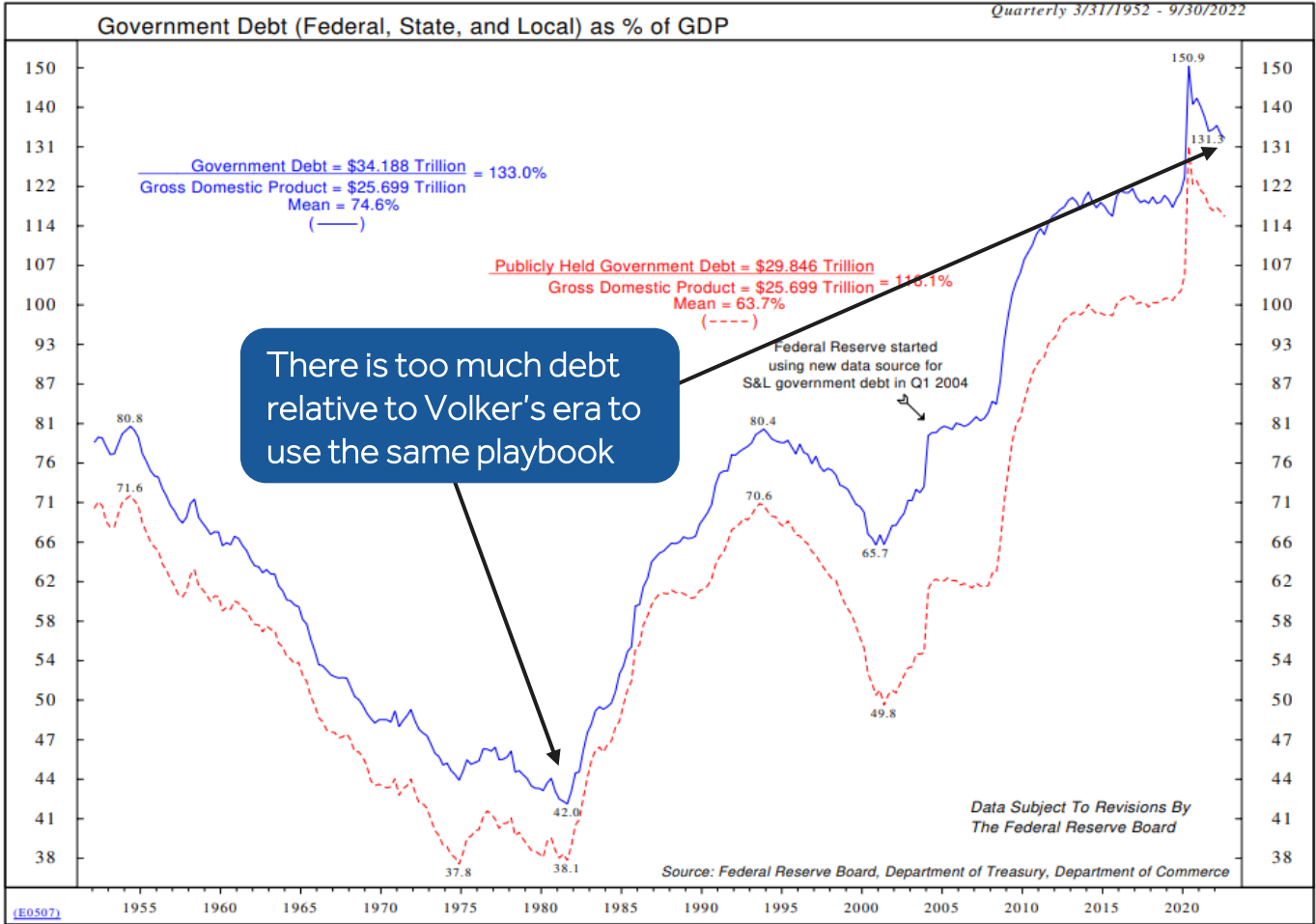


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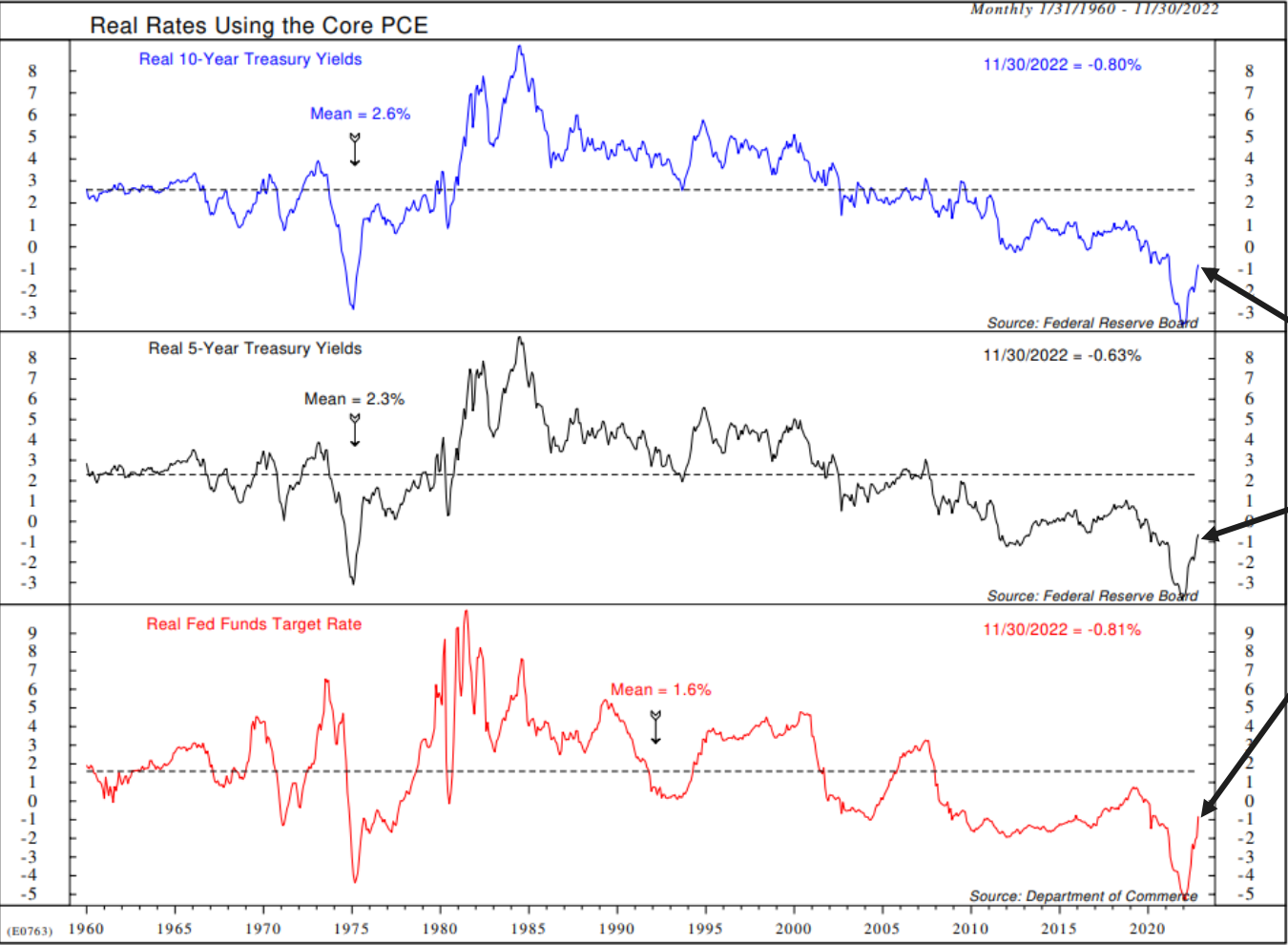
# Credit Outlook – ...Into A Generationally Levered System...



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# Credit Outlook – ...As Real Rates Are Trending Higher

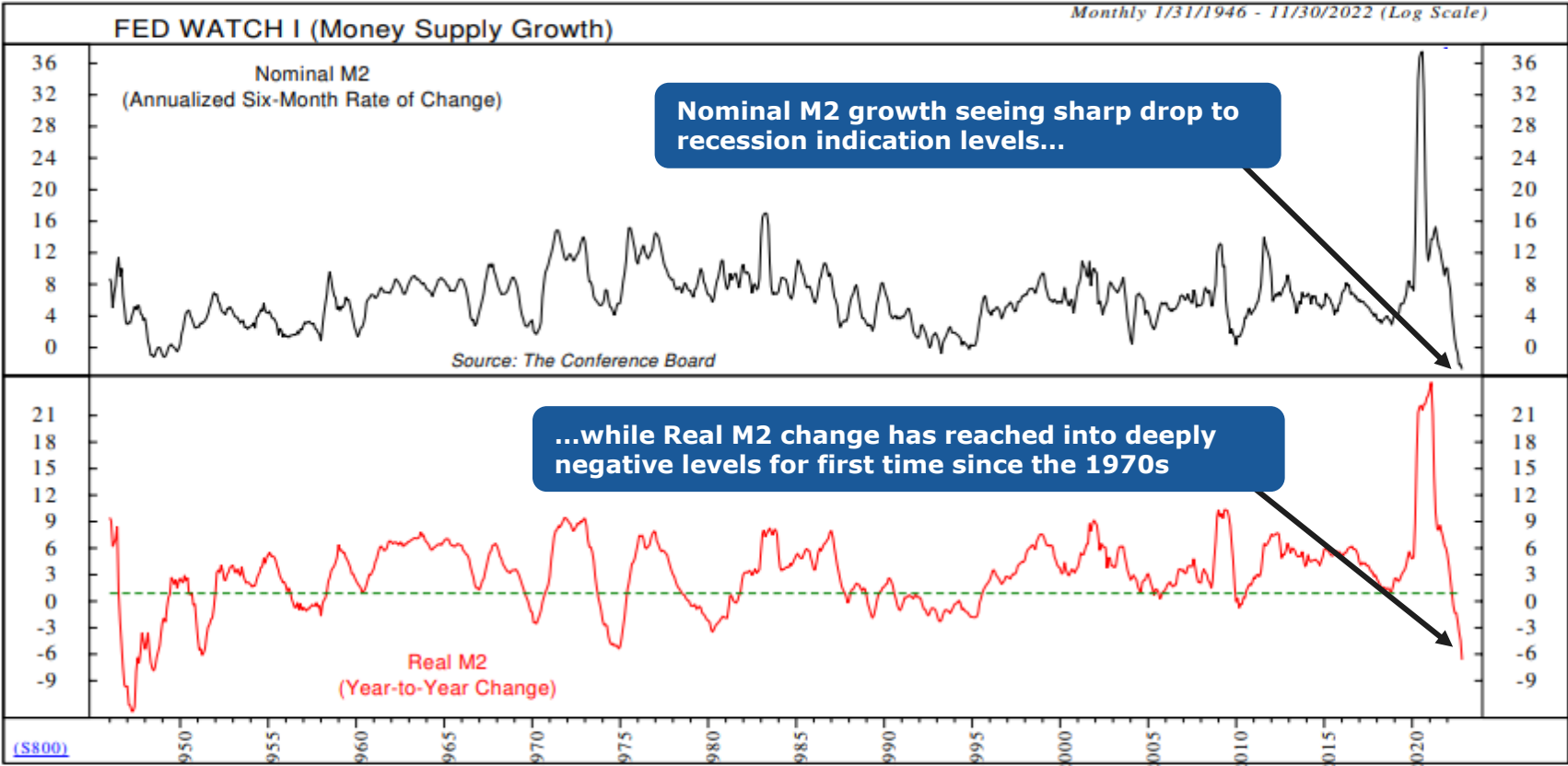


Real 10-Year, 5-year and Fed Funds remains in negative territory but trending back toward neutral

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# Credit Outlook – Money Supply (M2) Signaling 2023 Recession

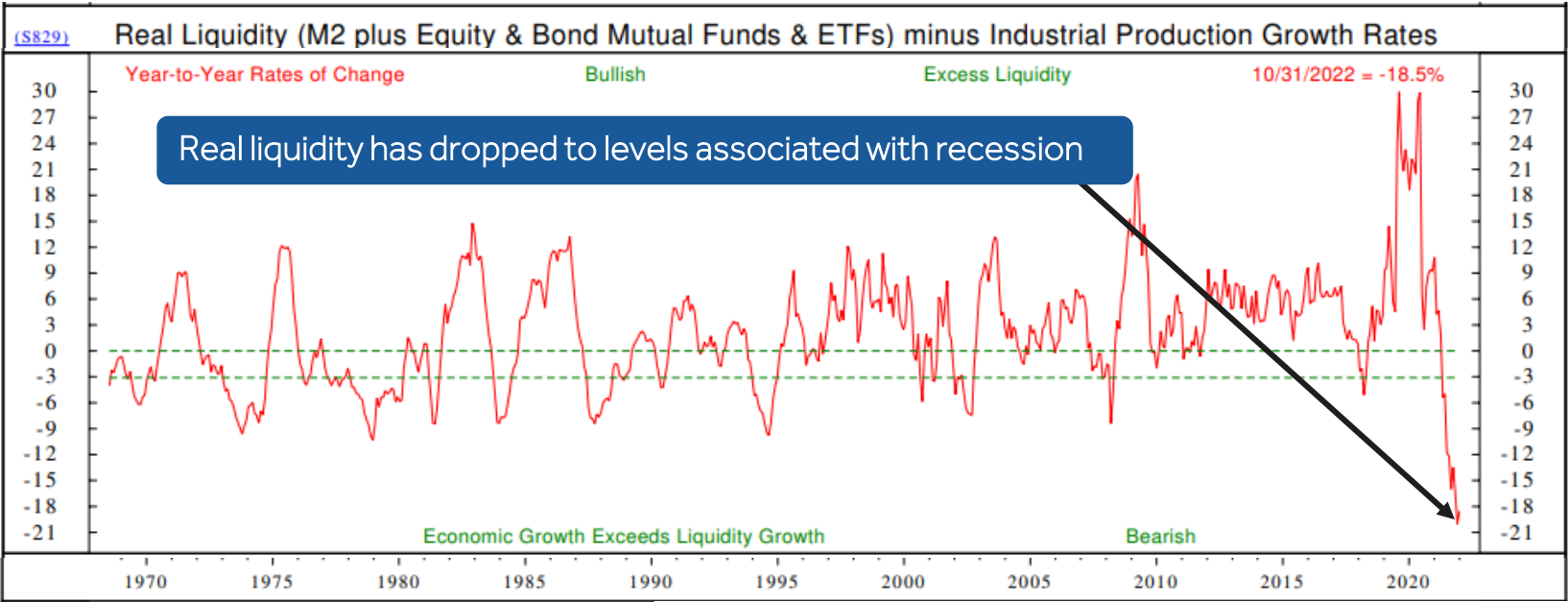


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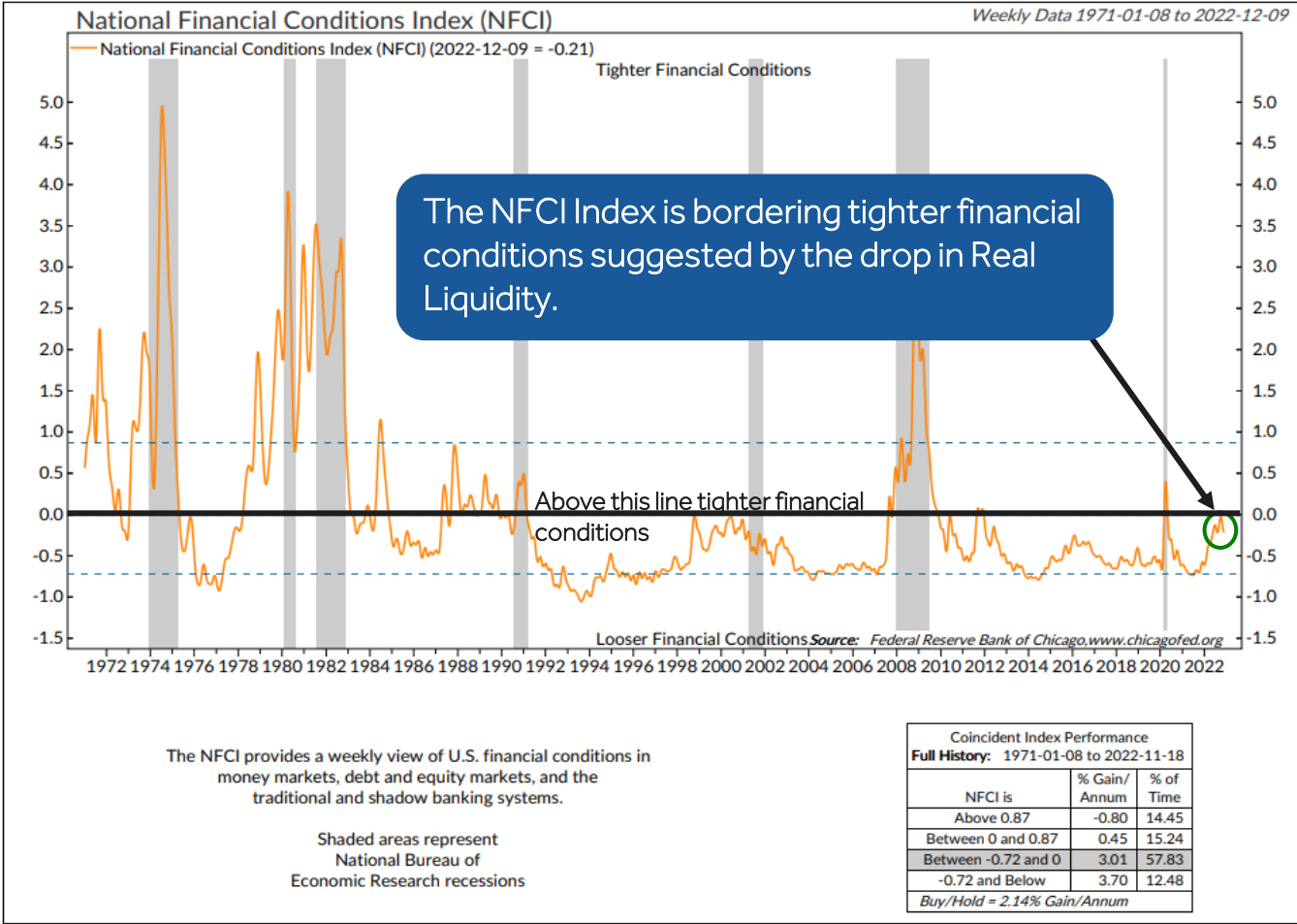
# Credit Outlook – Real Liquidity Sharply Lower With M2 & Markets



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# Credit Outlook – Chicago Fed Financial Conditions Bordering “Tight”



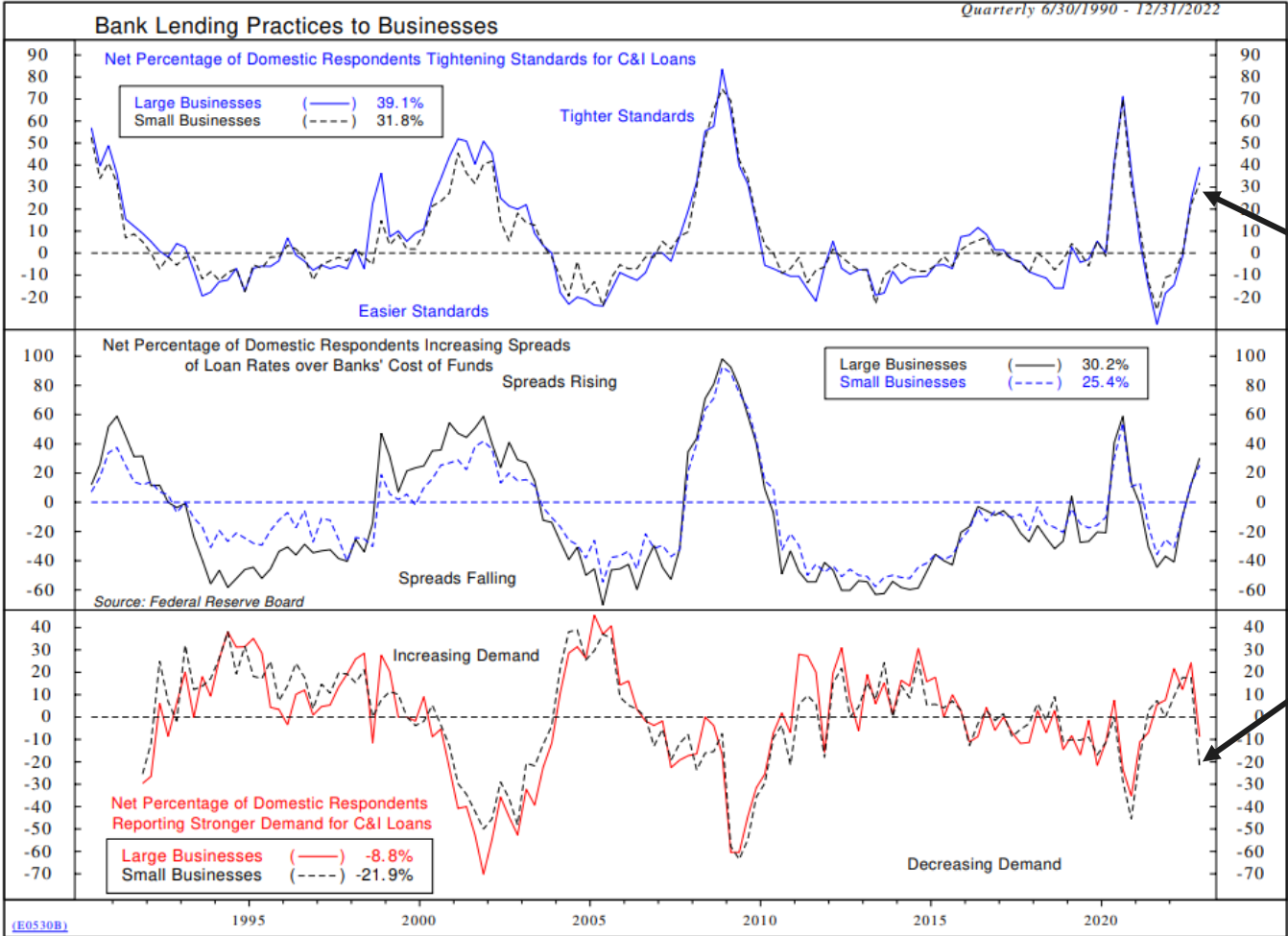
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# Credit Outlook – Bank Lending Standards Also Near Recession Level

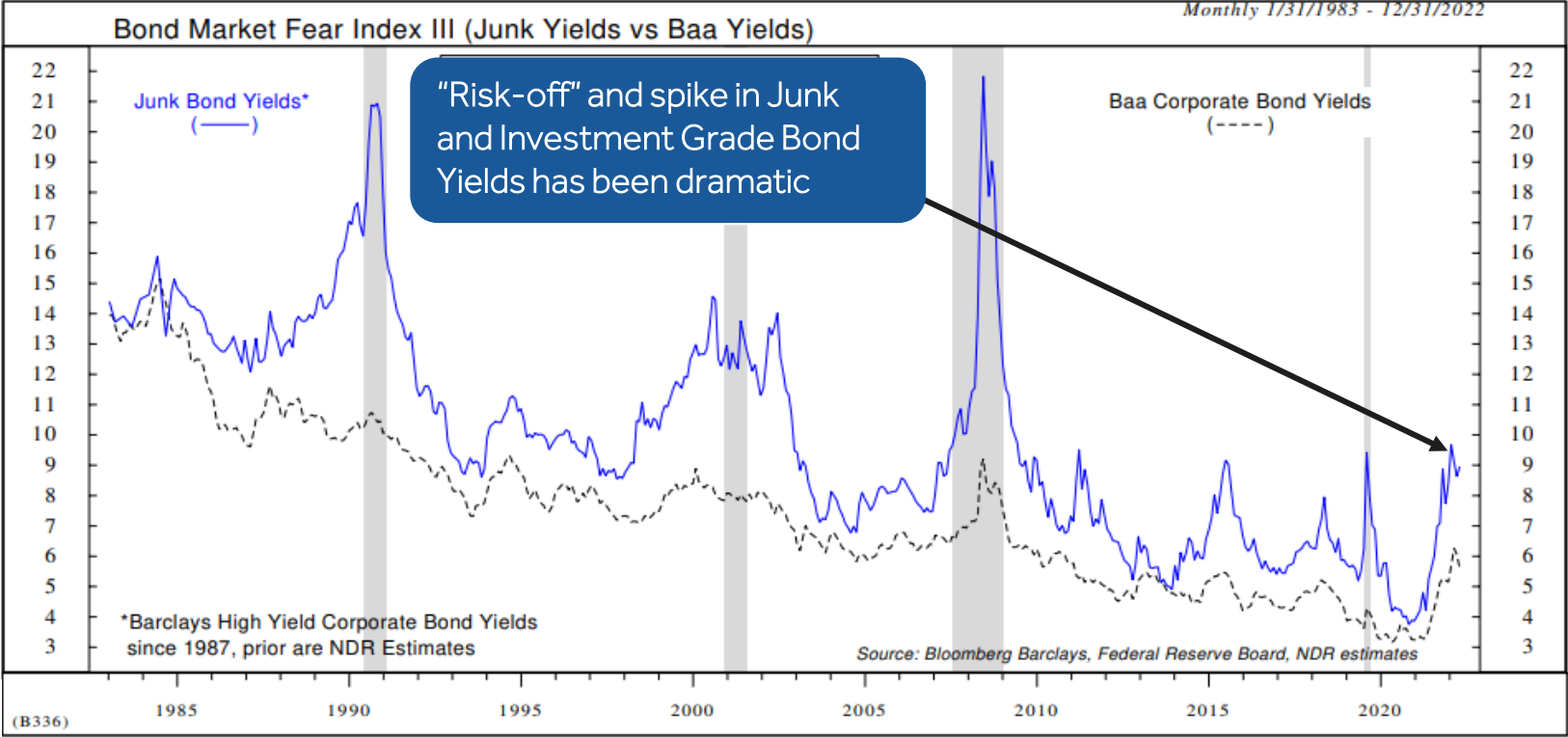


Lending standards for small and large businesses have tightened while demand for loans has dropped

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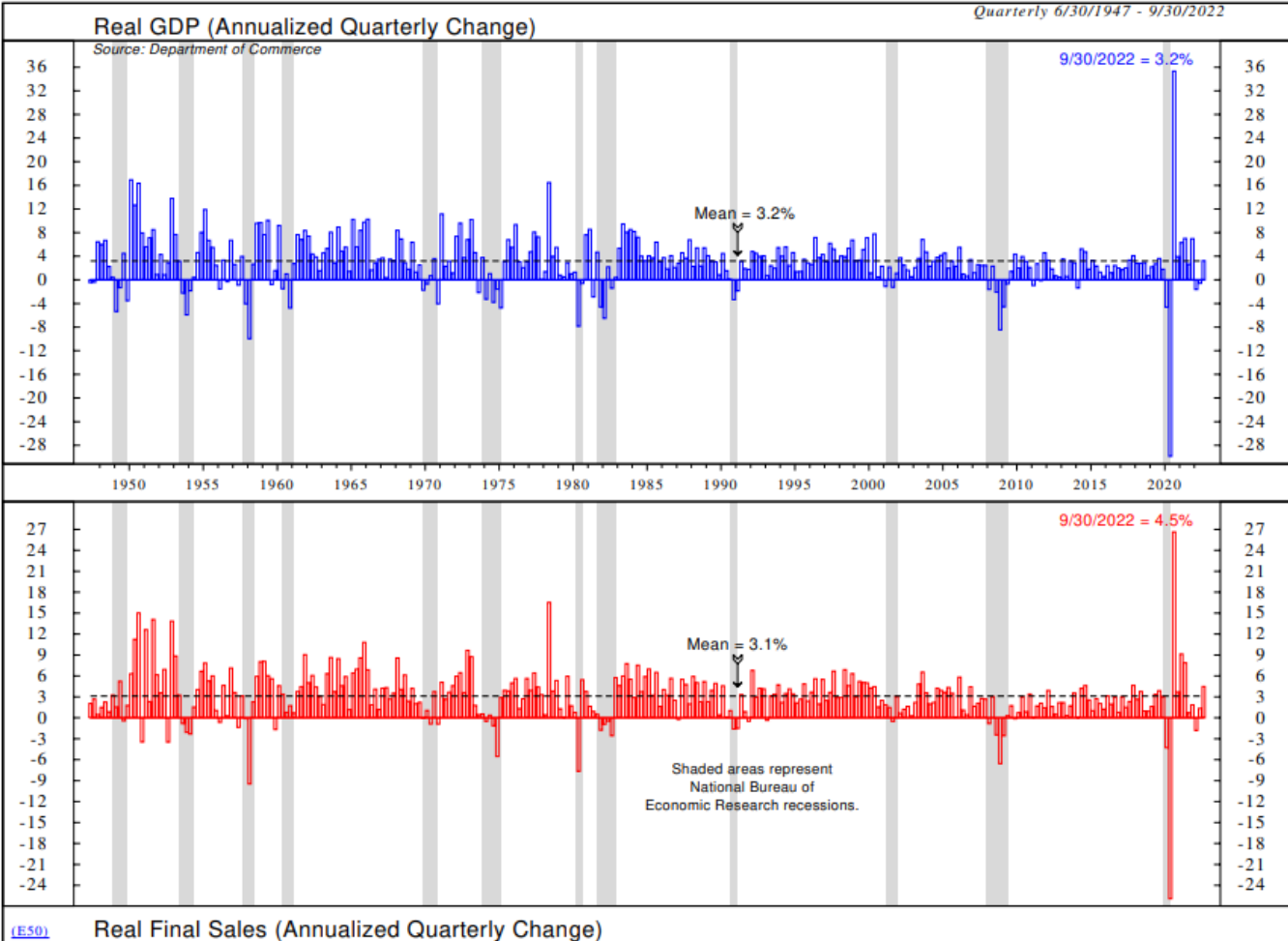
# Credit Outlook – Corporate Credit Yields Remain Elevated



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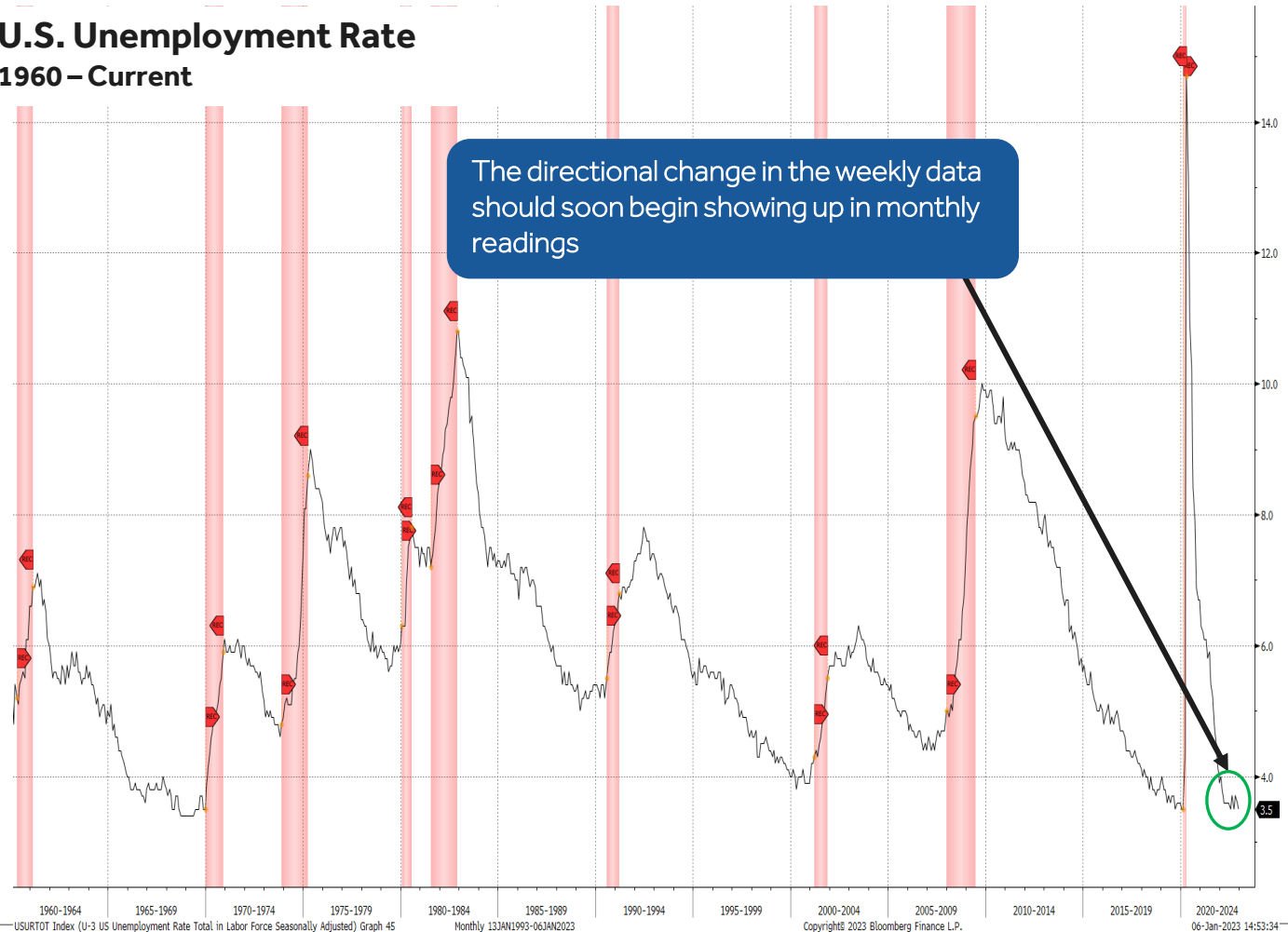
# Economic Outlook – GDP Rose in Q3 Due To Improved Final Sales



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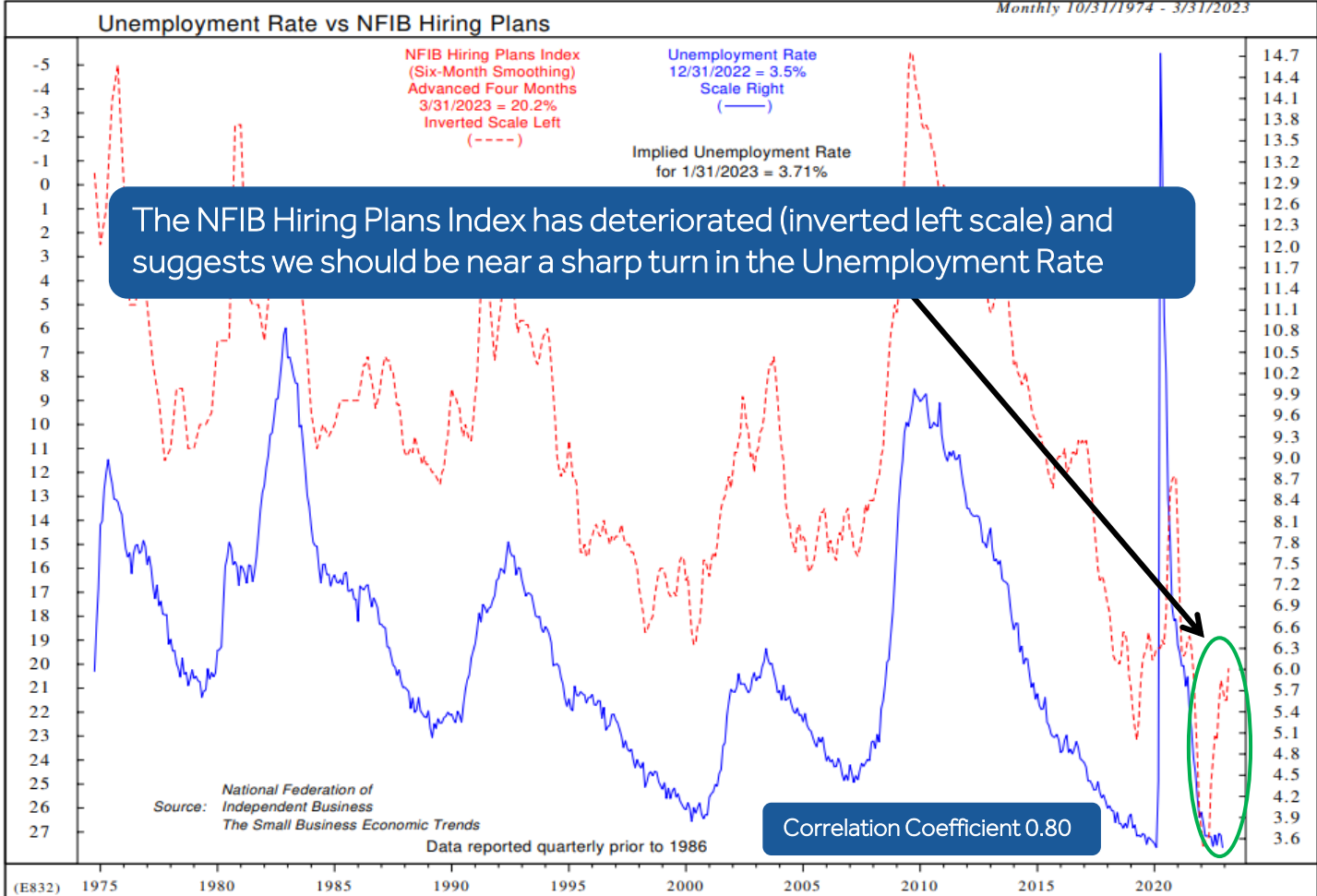
# Economic Outlook – The Unemployment Rate Still Near Historic Low...

**U.S. Unemployment Rate**  
1960 – Current



USURTOT Index (U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted) Graph 45 Monthly 13JAN1993-06JAN2023 Copyright© 2023 Bloomberg Finance L.P. 06-Jan-2023 14:53:34

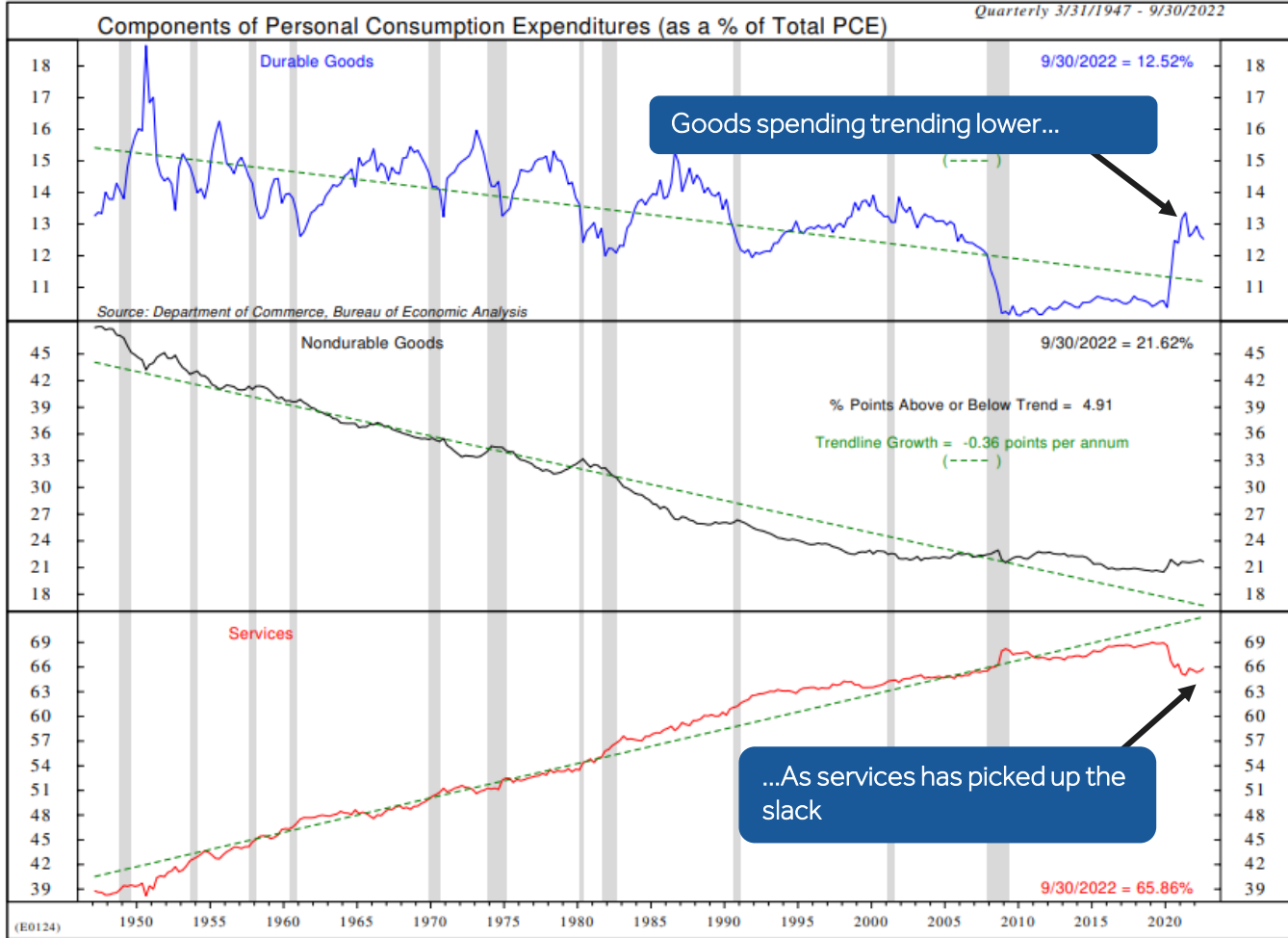
# Economic Outlook – ...But NFIB Hiring Plans Suggest A Turn Ahead...



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# Economic Outlook – ...Which Could Limit Renewed Services Spending

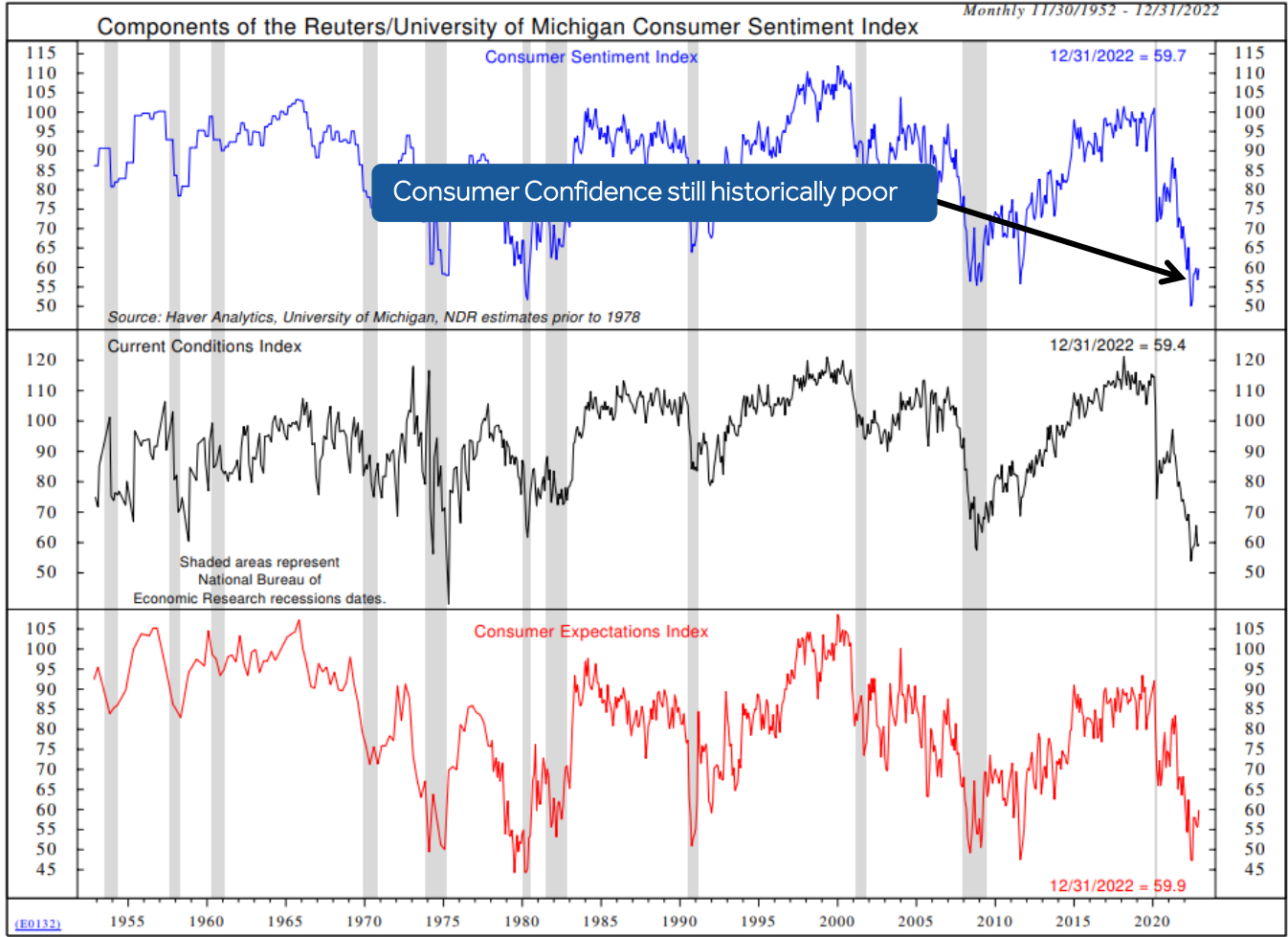


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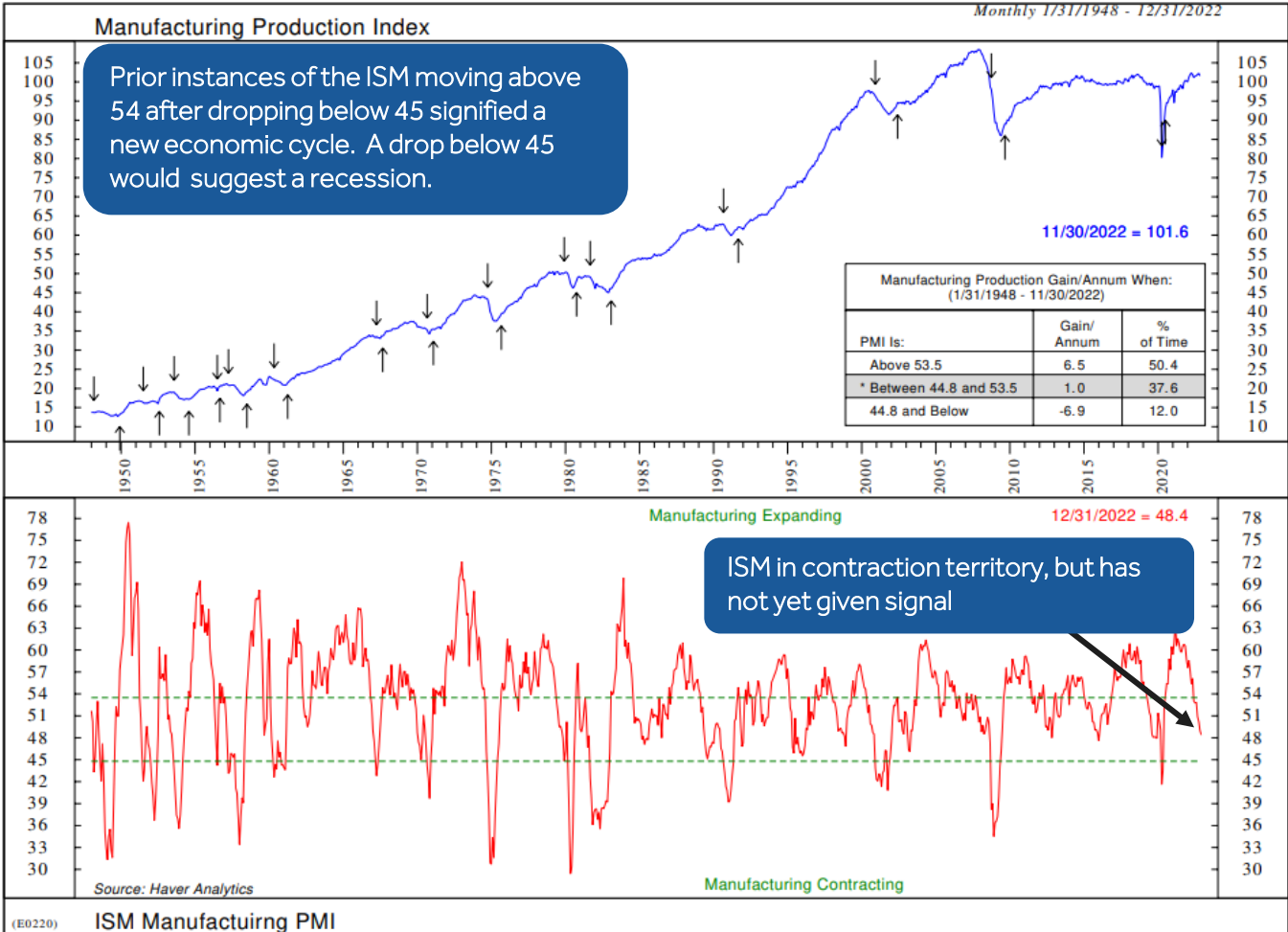
# Economic Outlook – ... Especially If Consumer Confidence Stays Weak



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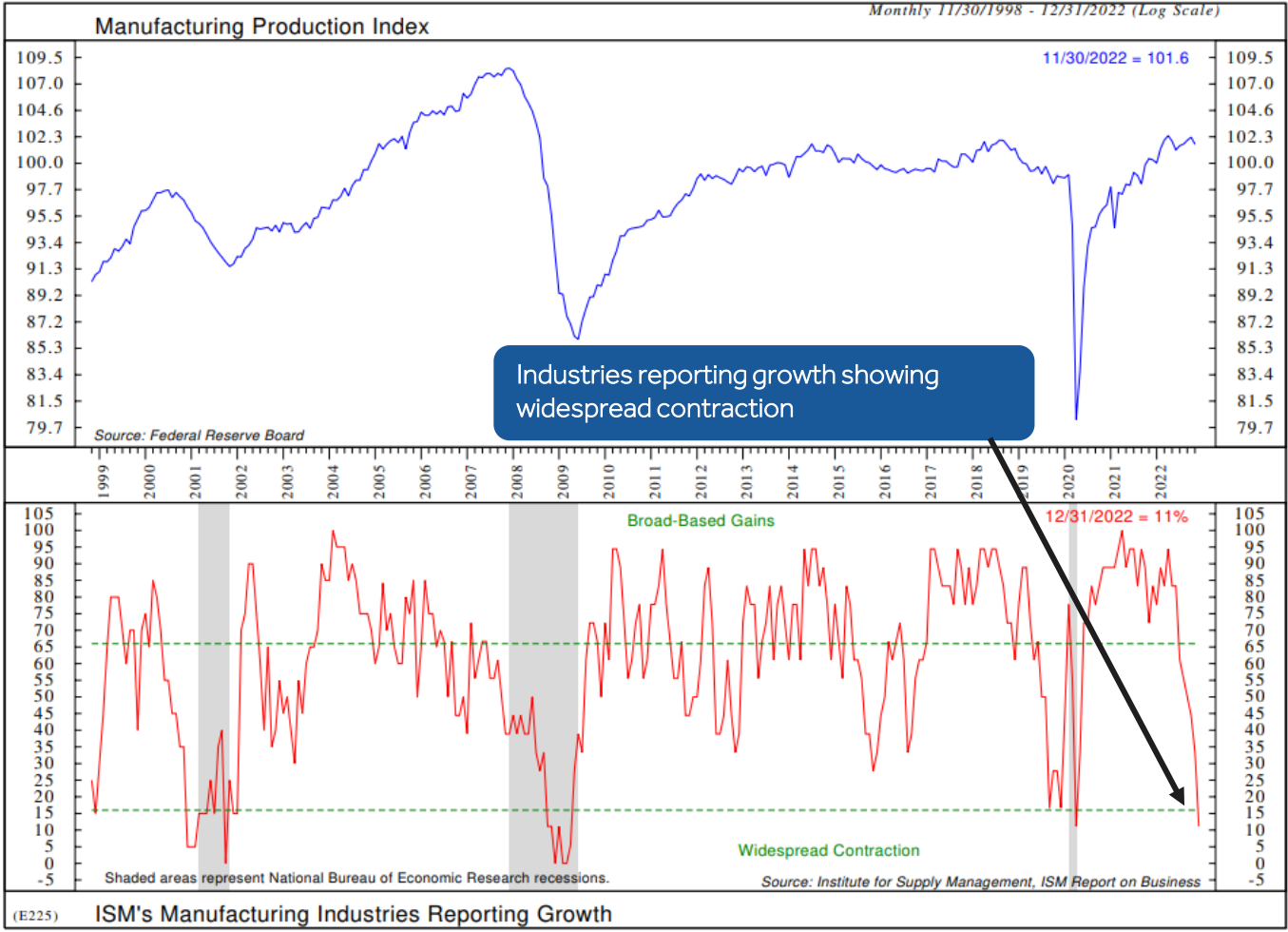
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# Economic Outlook – ISM Manufacturing Survey Suggests Contraction



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# Economic Outlook – ISM Manufacturing Contraction Widespread

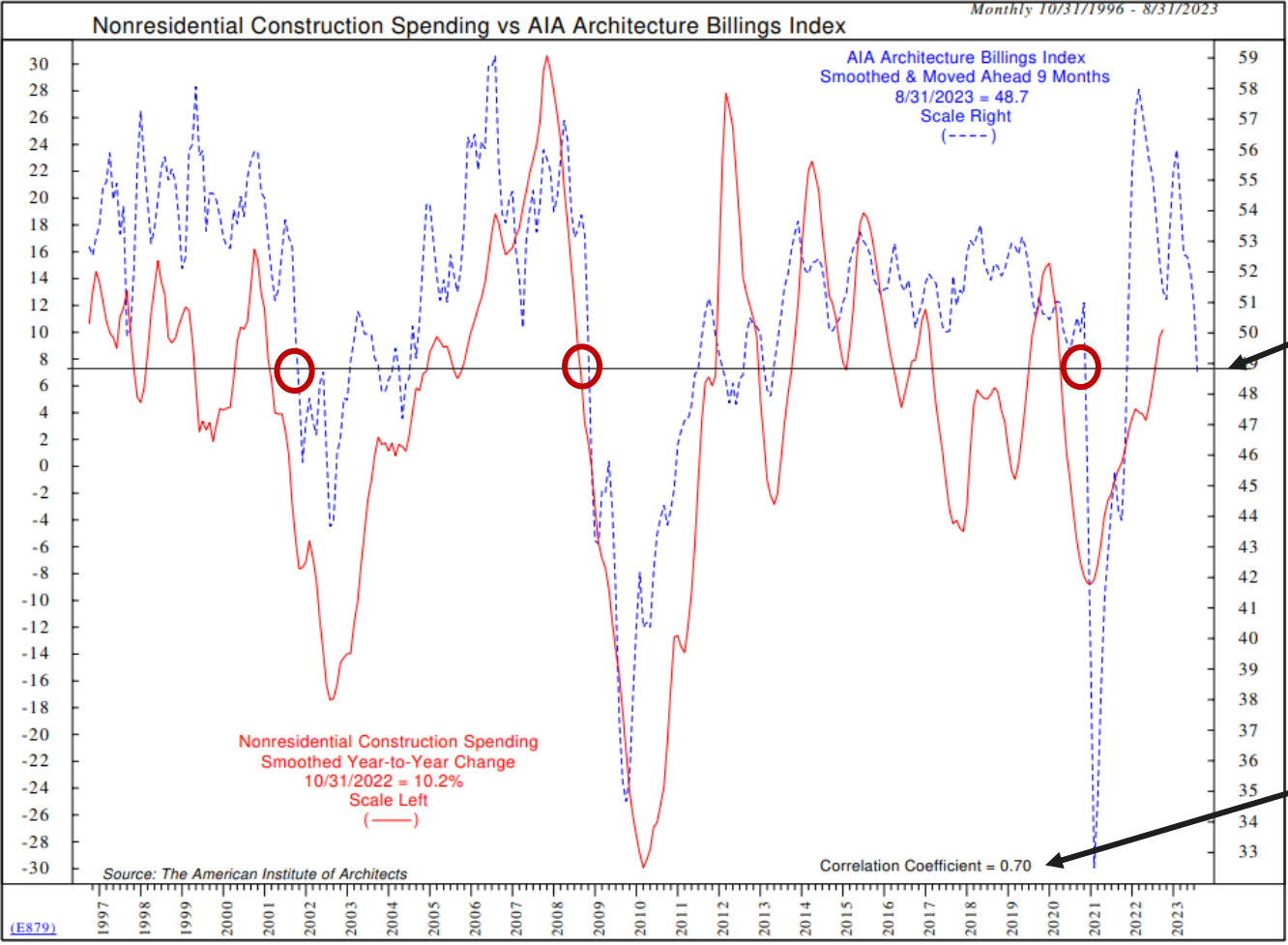


Industries reporting growth showing widespread contraction

Source: [www.ndr.com](http://www.ndr.com) / Canaccord Genuity

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# Economic Outlook – Non-Res Construction Likely To Contract



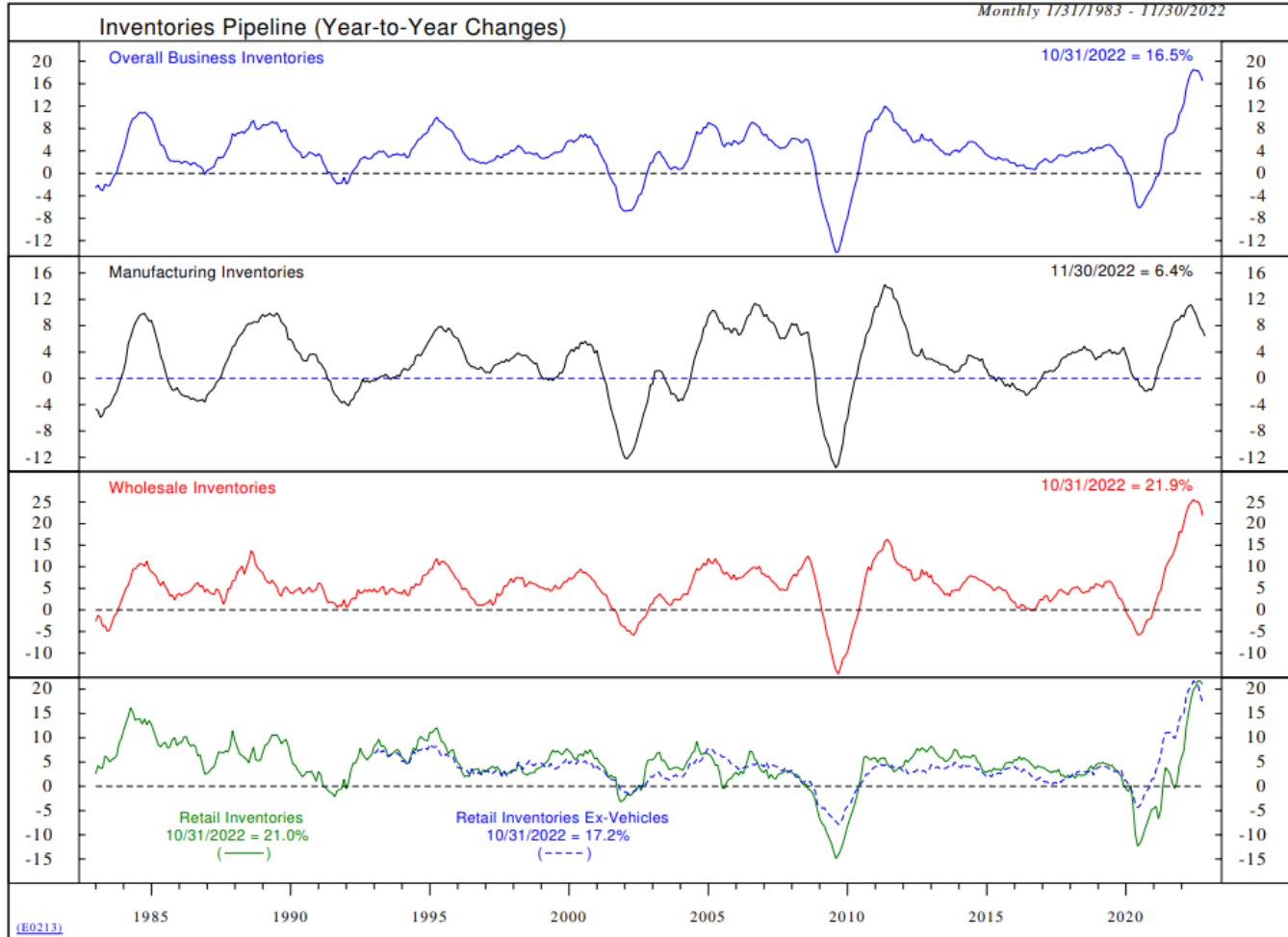
The AIA Billings Index has dropped to a level that suggests contraction in the past when moved ahead by 9 months.

There is a high correlation to Nonresidential construction, which suggests a turn lower in Non-Res Construction

Source: [www.ndr.com/](http://www.ndr.com/) Canaccord Genuity

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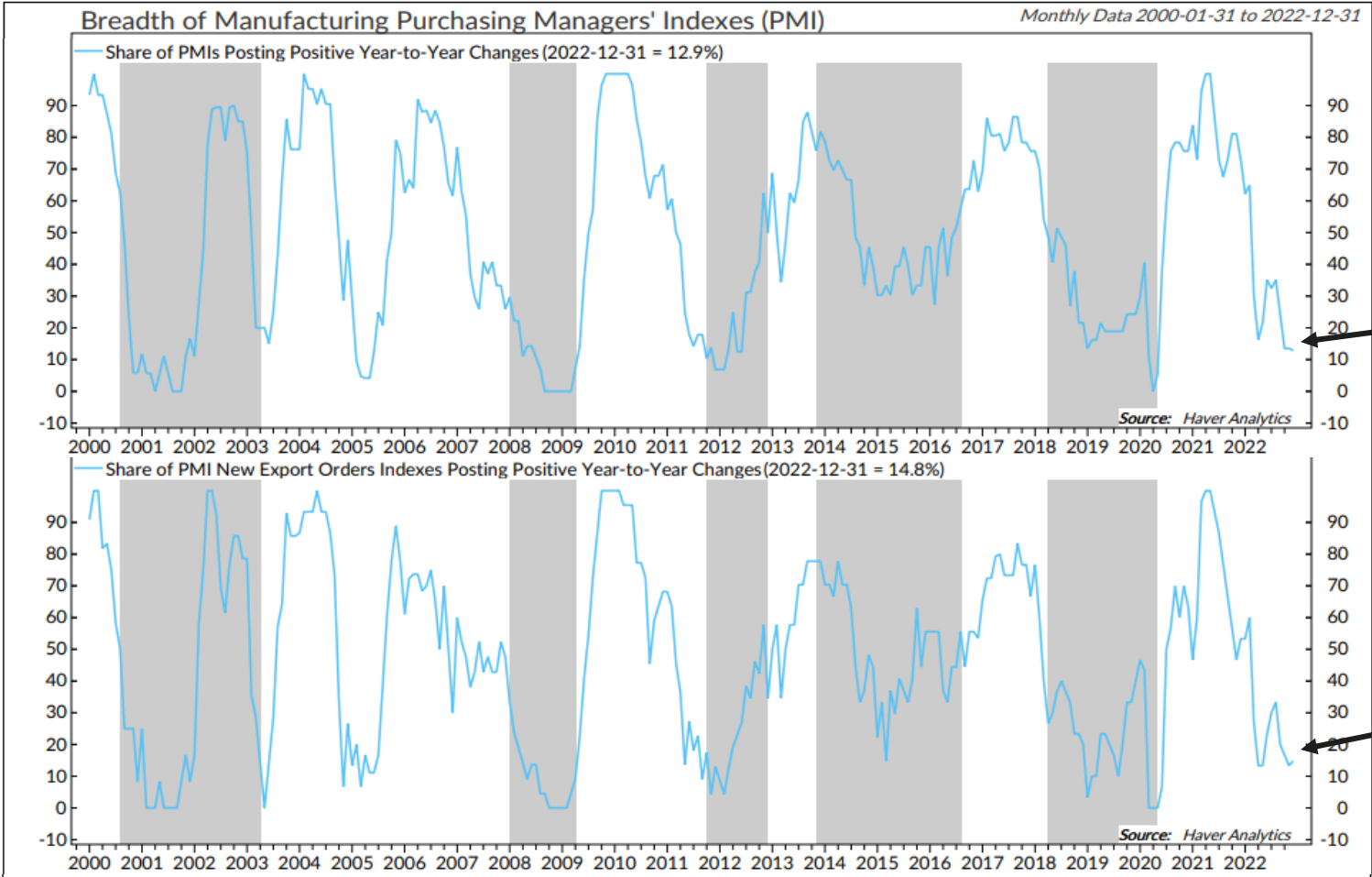
# Economic Outlook – Inventories Turning After Historic Build



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# Economic Outlook – Global PMIs Show Much Slower Global Growth



% of positive global PMIs dropping...

...as new export orders weaken

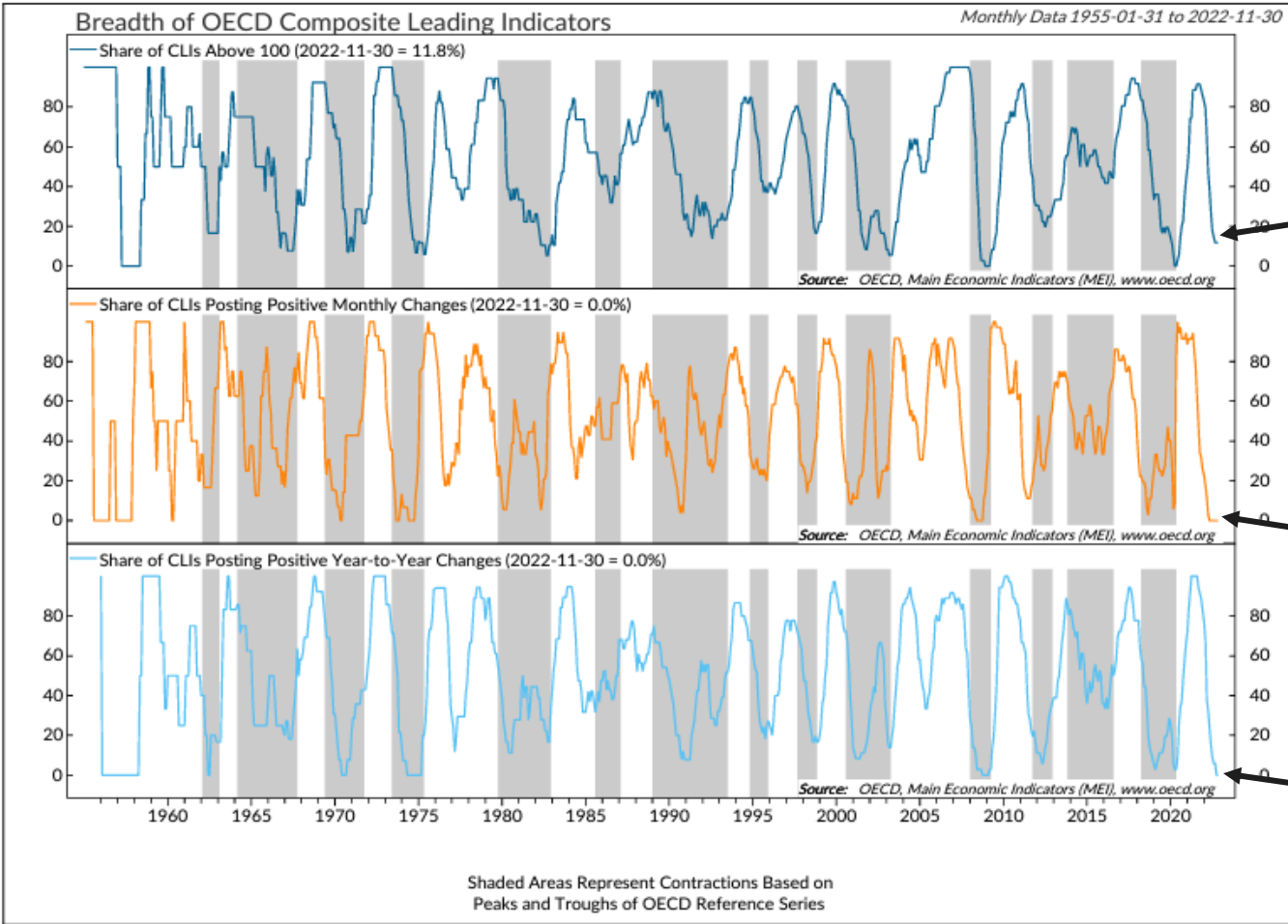
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# Economic Outlook – OECD Data Reinforces Weak Global Outlook



Positive CLIs rapidly slowing...

...with m/m gains at zero two months in a row...

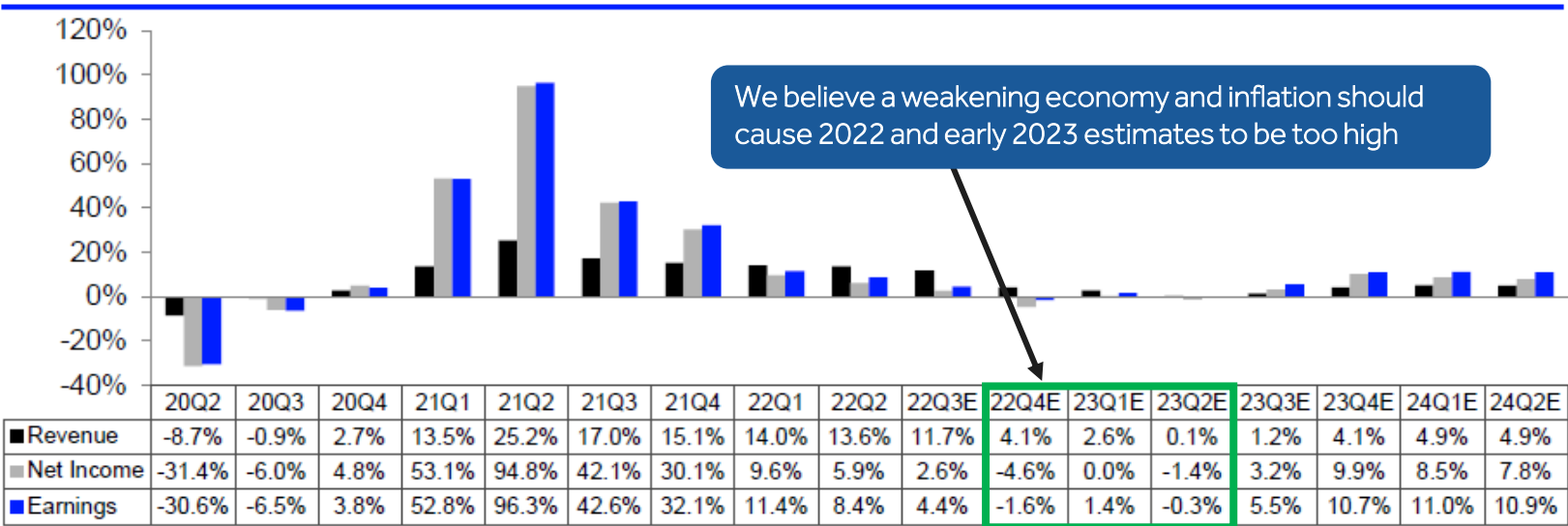
...while y/y suggesting recession

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# Earnings Outlook – Consensus SPX EPS Should Prove Too Optimistic



Source: I/B/E/S data from Refinitiv



# Earnings Outlook – EPS Direction Down In 2023 In Mild Downturn

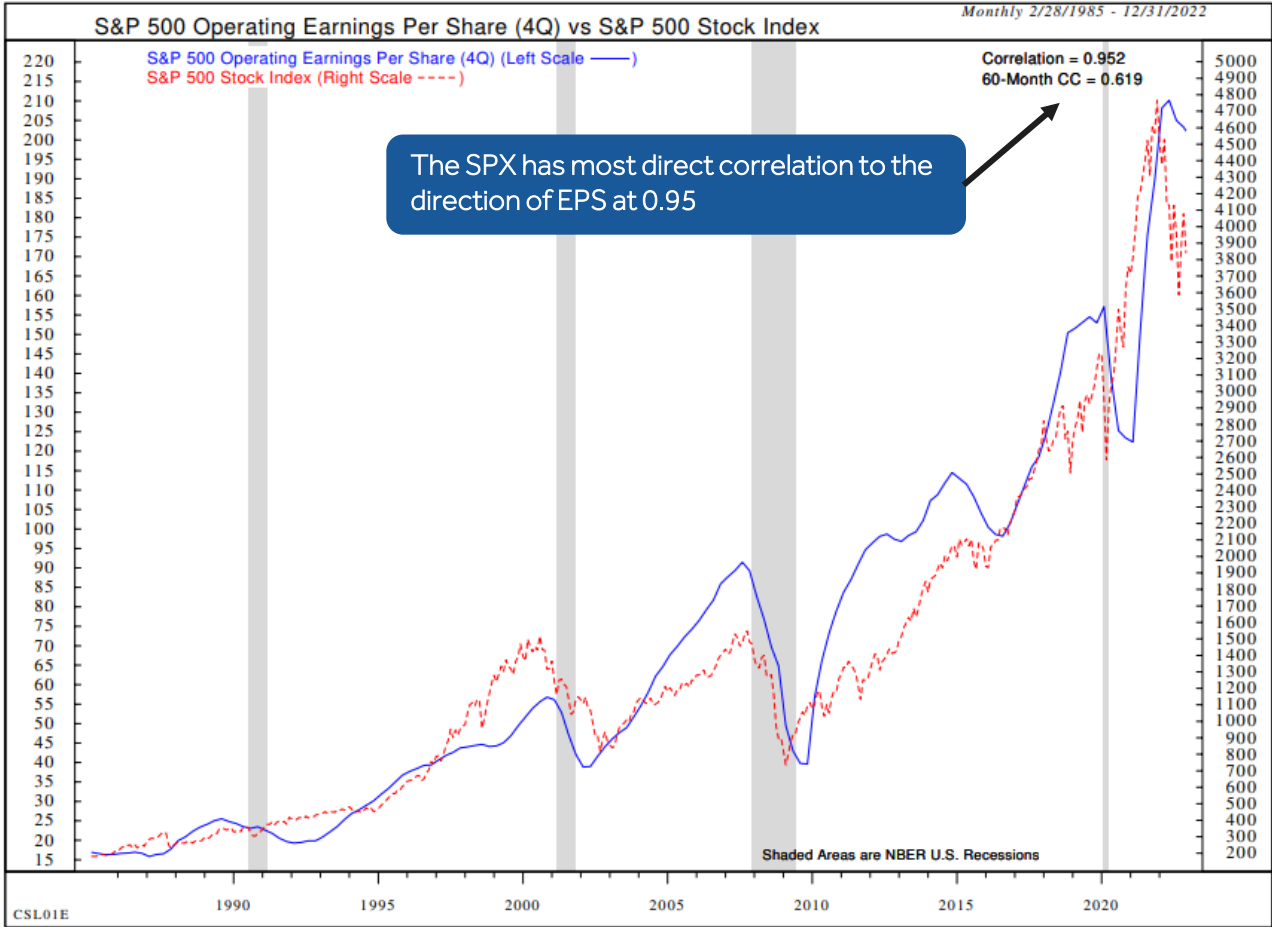
## QUARTERLY REPORTED RESULTS AND FUTURE EXPECTATIONS Industry Analyst Estimates - S&P 500 Bottom Up (\$/share)

Year	1Q	2Q	3Q	4Q	CY
2008	18.96	19.78	17.49	5.62	65.47
2009	12.83	16.03	16.36	16.80	60.80
2010	19.71	21.48	21.75	22.55	85.28
2011	23.50	24.14	25.65	24.55	97.82
2012	25.60	25.84	26.00	26.32	103.80
2013	26.74	27.40	27.63	28.62	109.68
2014	28.18	30.07	30.04	30.54	118.78
2015	28.60	30.09	29.99	29.52	117.46
2016	26.96	29.61	31.21	31.30	118.10
2017	30.90	32.58	33.45	36.02	132.00
2018	38.07	41.00	42.66	41.18	161.93
2019	39.15	41.31	42.14	41.98	162.93
2020	33.13	27.98	38.69	42.58	139.72
2021	49.13	52.58	53.72	53.95	208.12
2022	54.80	57.62	56.02	53.87	219.80
2023	54.05	56.43	58.56	59.64	229.52
2024					253.37

Our new 2023 SPX Operating EPS est. of \$210 is currently well below consensus expectations

Source: I/B/E/S data from Refinitiv

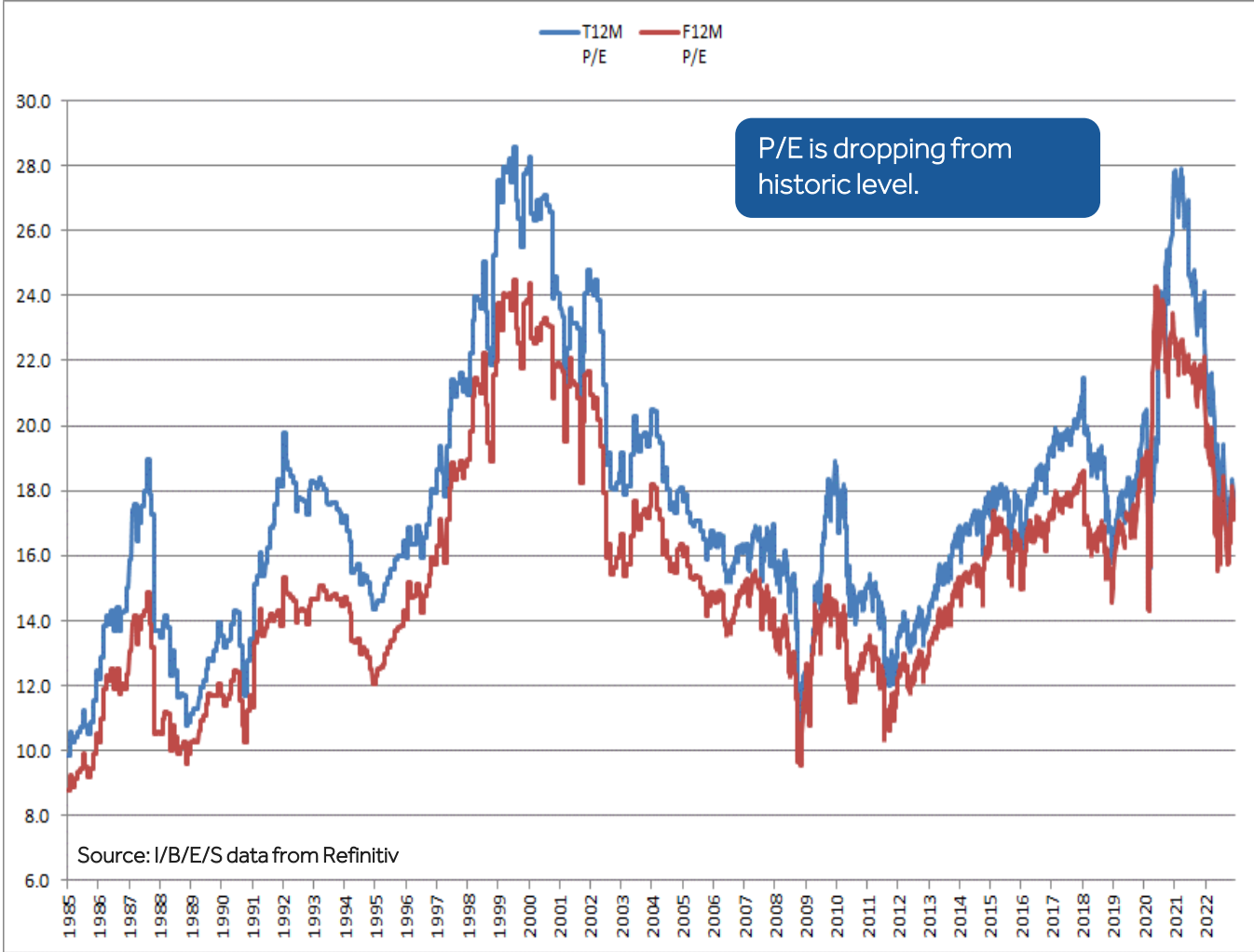
# Earnings Outlook – The SPX Correlates to DIRECTION of EPS



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 Past performance does not predict future results

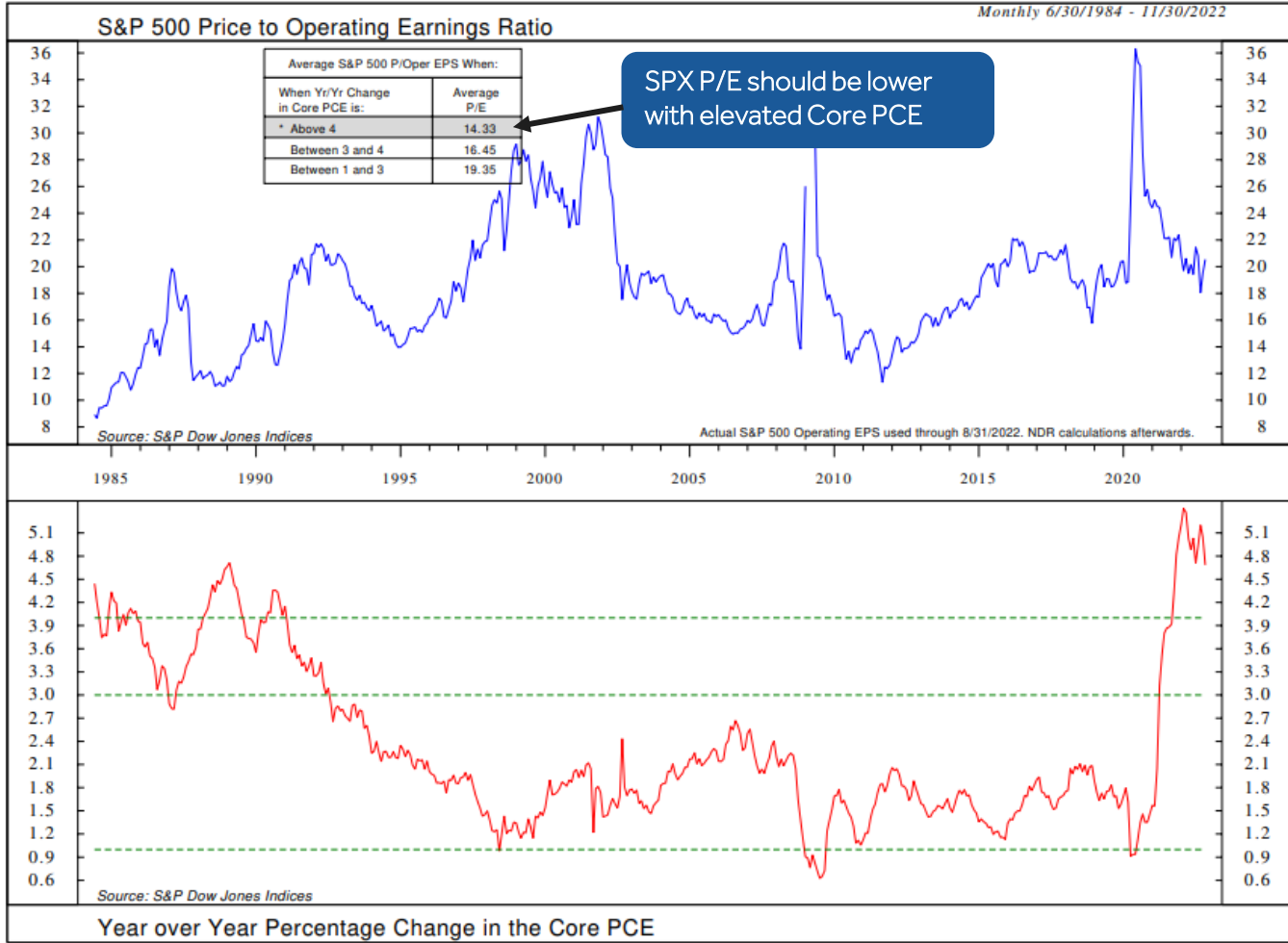
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# Valuation Outlook – What P/E Is Appropriate After Recent Drop?



Past performance does not predict future results

# Earnings Outlook – The SPX P/E Driven By Core PCE That Is Elevated



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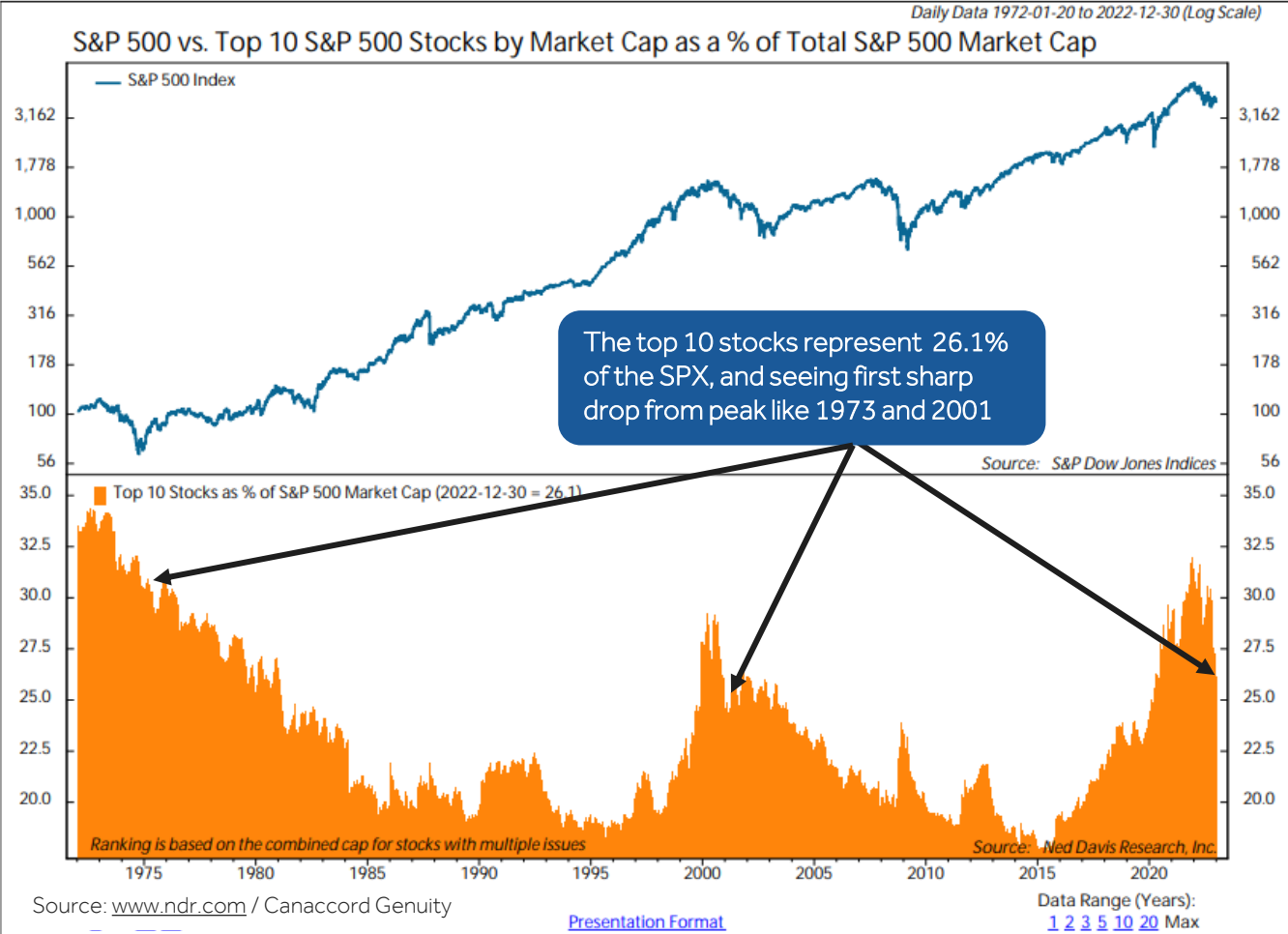
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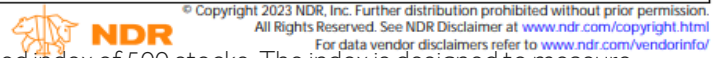
# Tactical Outlook – Our Key Tactical Indicators Are In No-Man's Land

1. The SPX continues to be top-heavy driven by Nasdaq
2. The relative NDX underperformance may have a long way to go
3. Our most sensitive tactical indicators are neutral
4. Our intermediate-term tactical indicators are neutral

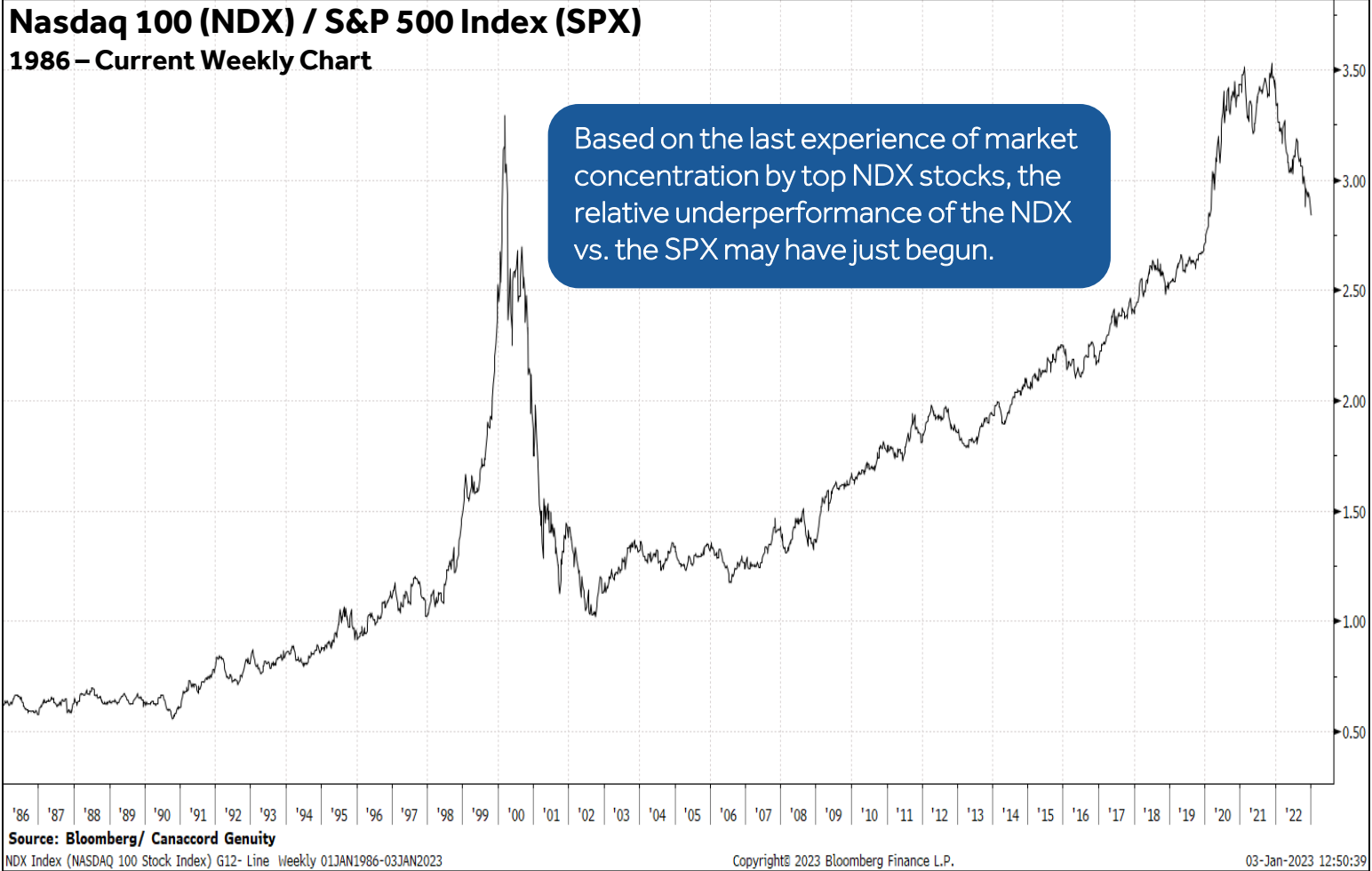
# Tactical Outlook – SPX Still Too Top-Heavy, Pressuring Indices



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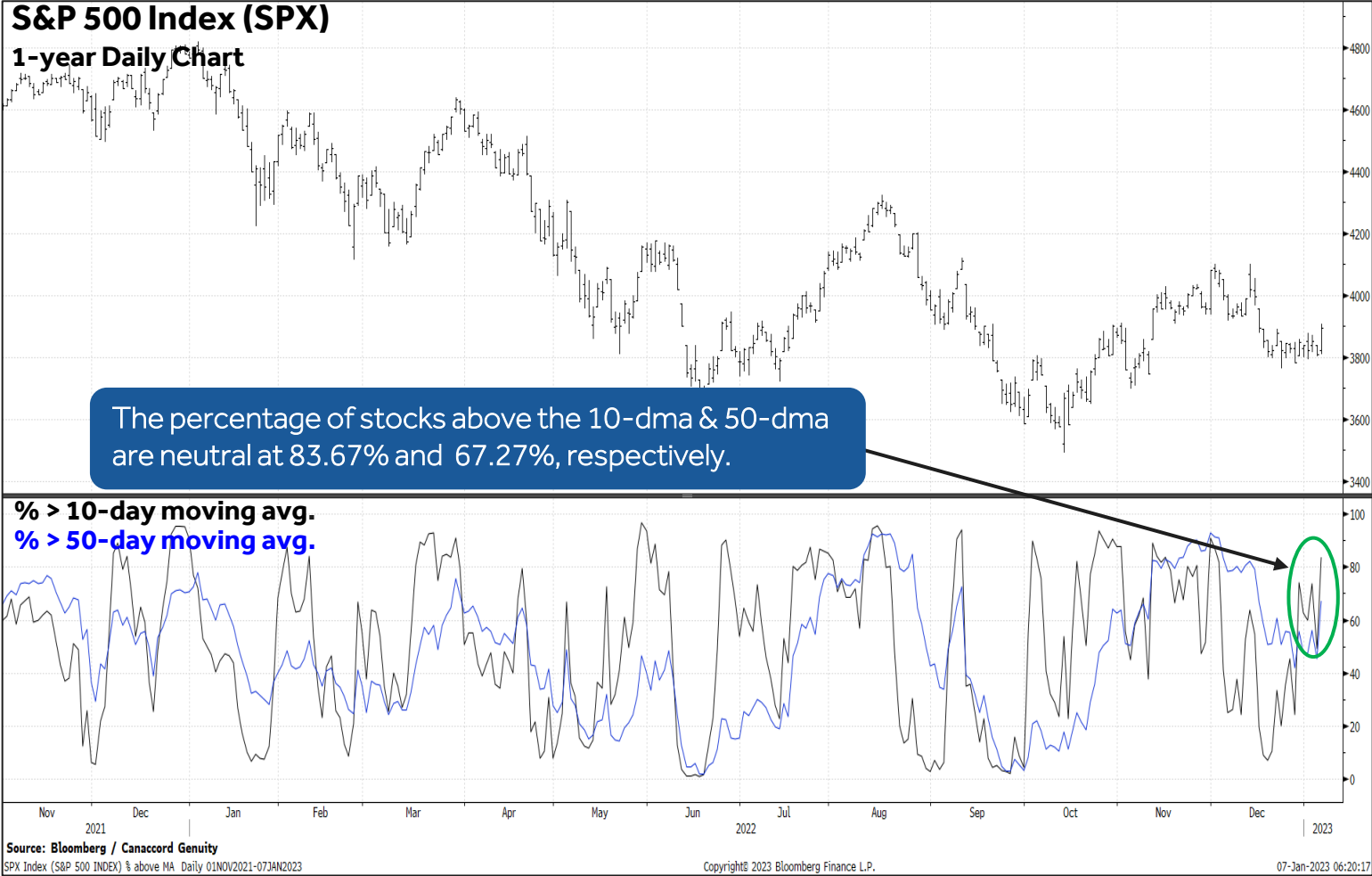


# Tactical Outlook – Nasdaq 100 Relative Performance Unwind



Past performance does not predict future results

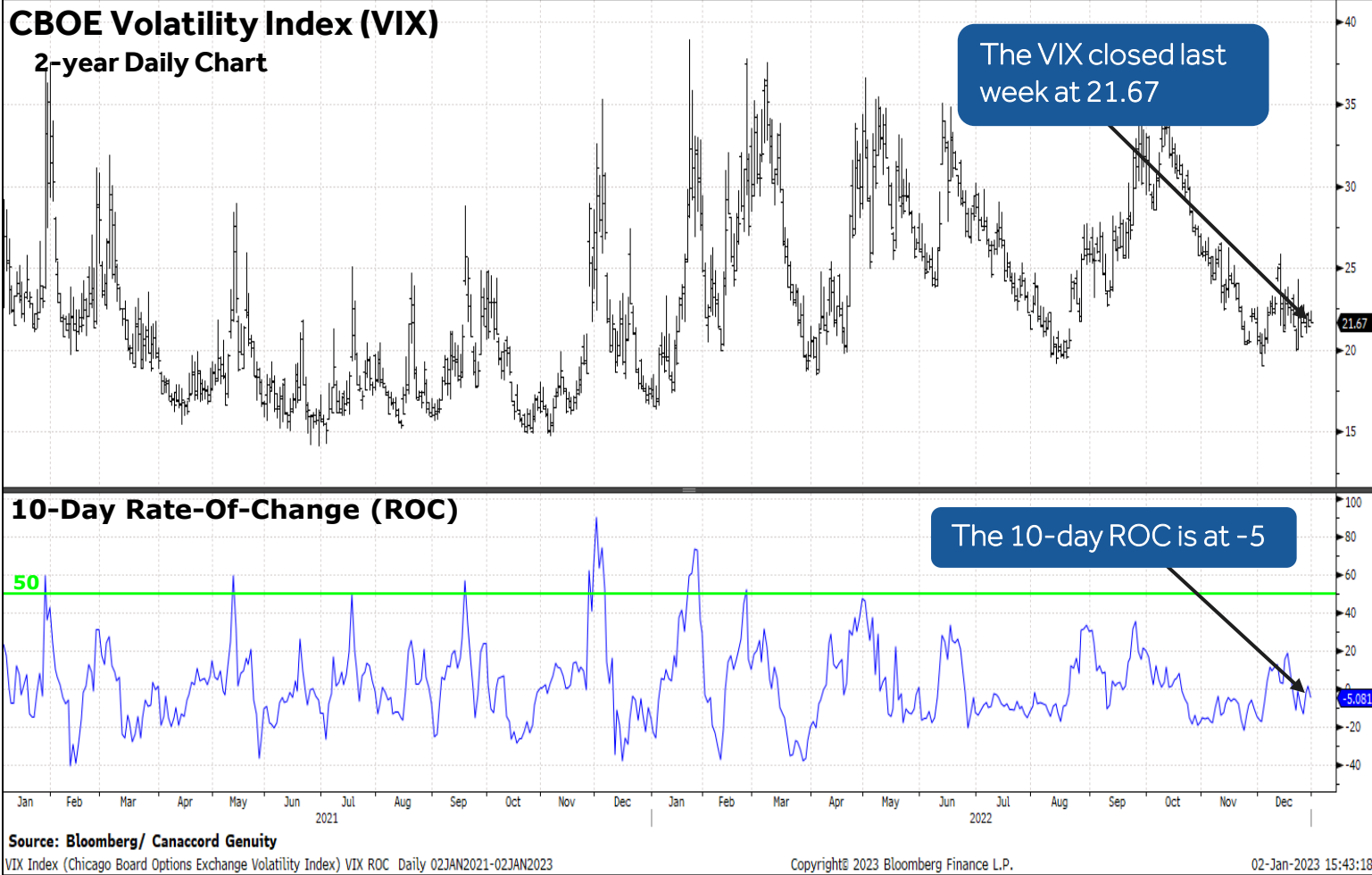
# Tactical Outlook – Percent Above 10- & 50-Day Are High Neutral



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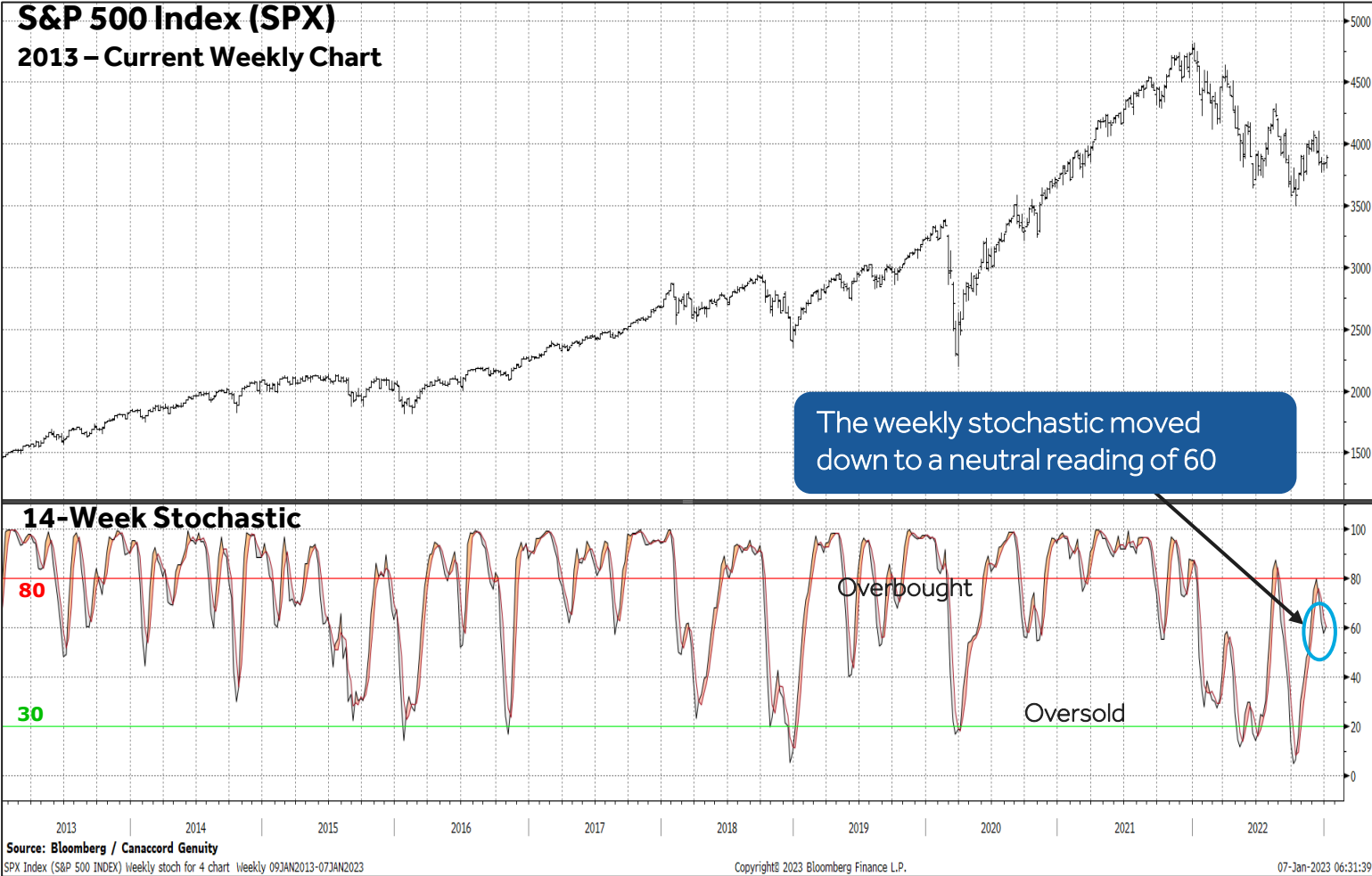


# Tactical Outlook – Volatility Pulled Back From Extreme



Past performance does not predict future results  
The Chicago Board Options Exchange Volatility Index reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes. 1<sup>st</sup> & 2<sup>nd</sup> month expirations are used until 8 days from expiration, then the 2<sup>nd</sup> and 3<sup>rd</sup> are used.

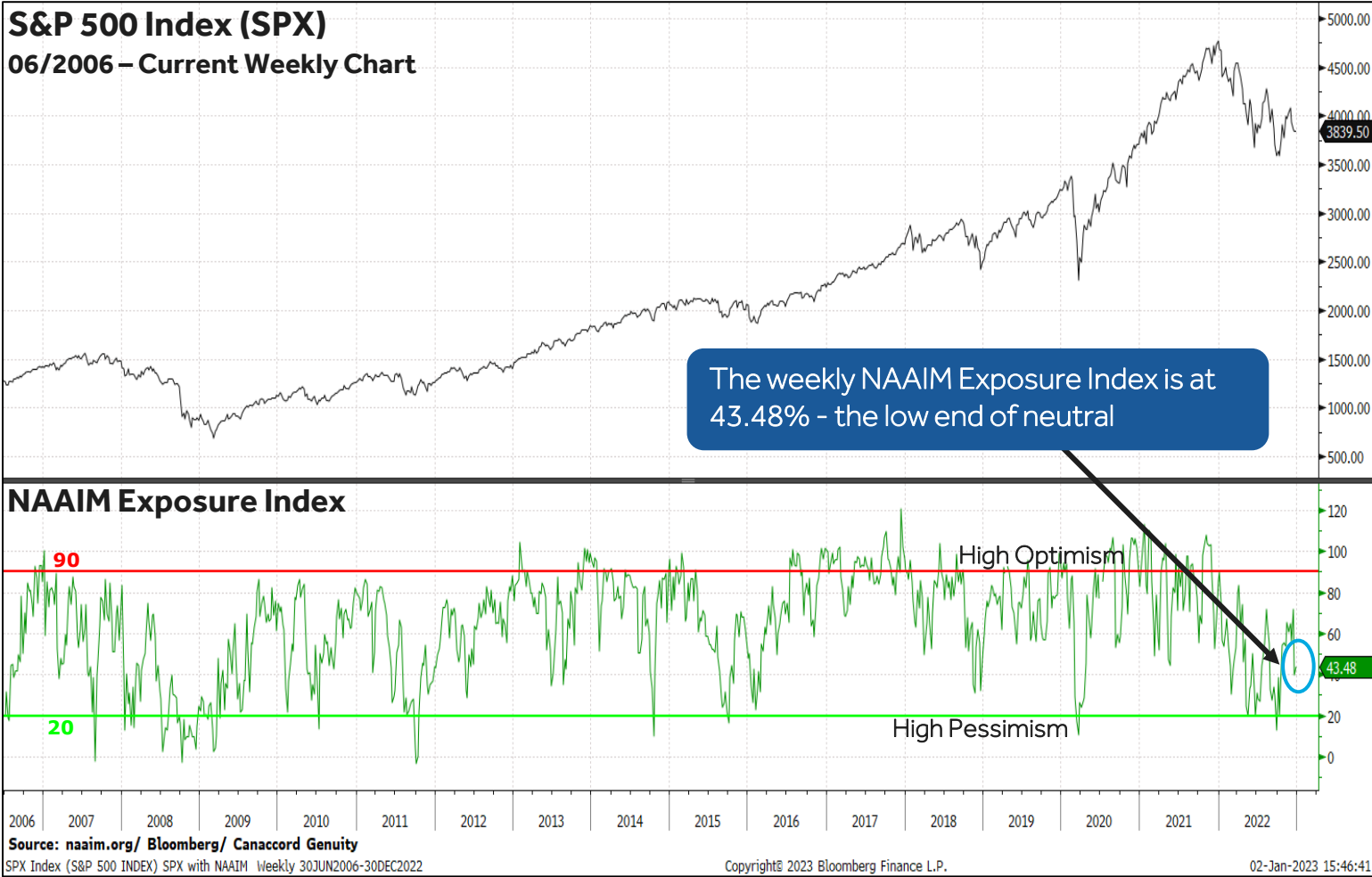
# Tactical Outlook – Weekly Stochastic Is In High Neutral Territory



Past performance does not predict future results

Standard and Poor's 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.

# Tactical Outlook – NAAIM Exposure Index Is Neutral



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Date and time of first dissemination: January 9, 2023, 7:43 am ET

Date and time of production: January 9, 2023, 7:40 am ET

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### Global Stock Ratings (as of 01/09/23)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	631	66.00%	26	26.31%
Hold	151	15.79%	17	17.22%
Sell	14	1.46%	7	7.14%
Speculative Buy	154	16.11%	40	40.91%
	956*	100.0%		

\*Total includes stocks that are Under Review

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