



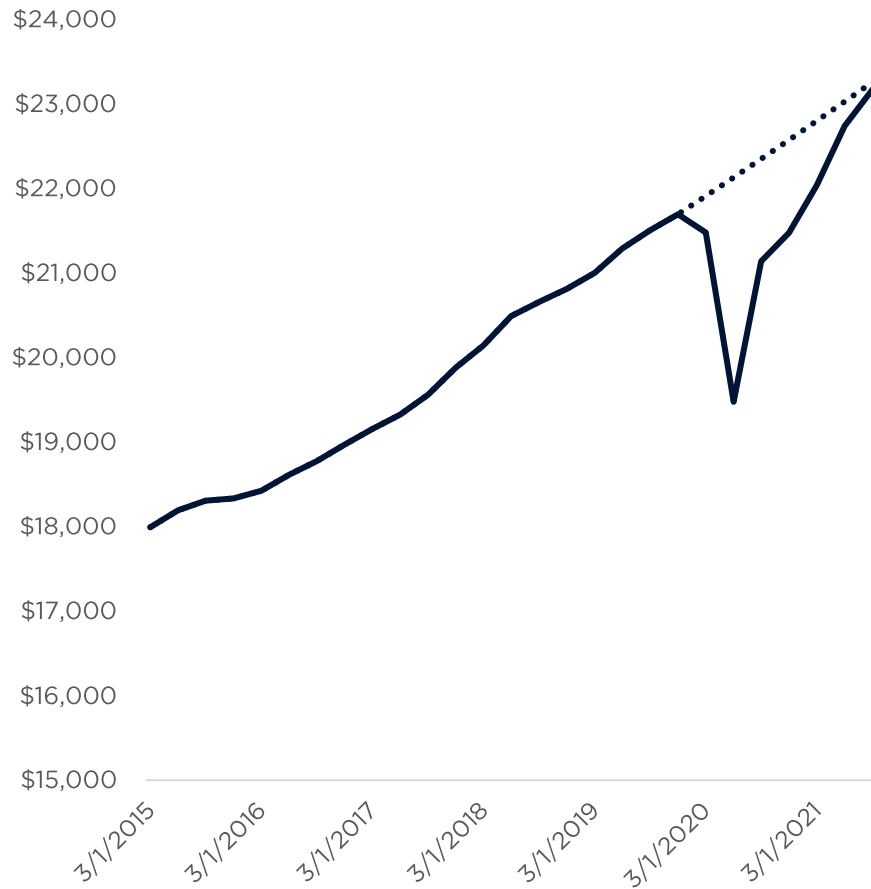
# RISKS AND OPPORTUNITIES IN THE POST-COVID ECONOMY

BRANDON ZUREICK, CFA

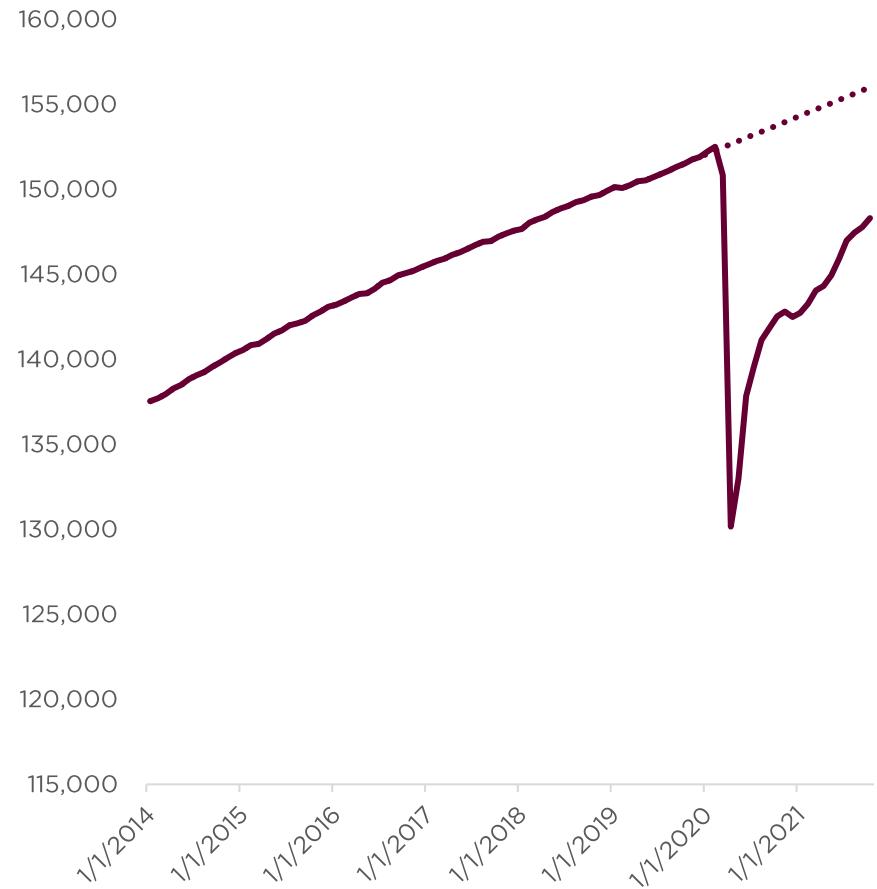
JANUARY 2022

## ECONOMY STILL NOT FULLY RECOVERED

Nominal GDP (\$ Billions)

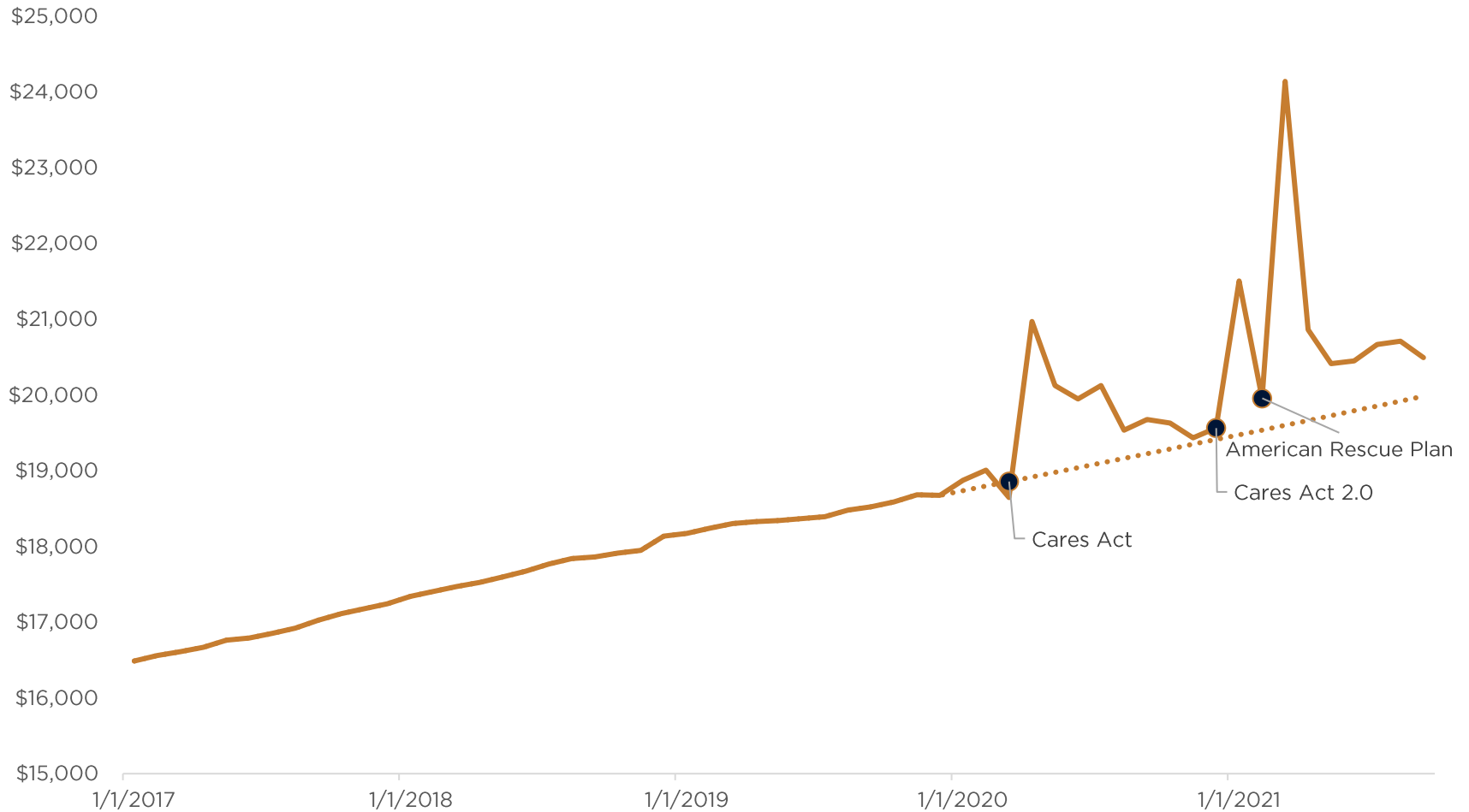


Total Employment (000's)



# MASSIVE FISCAL STIMULUS

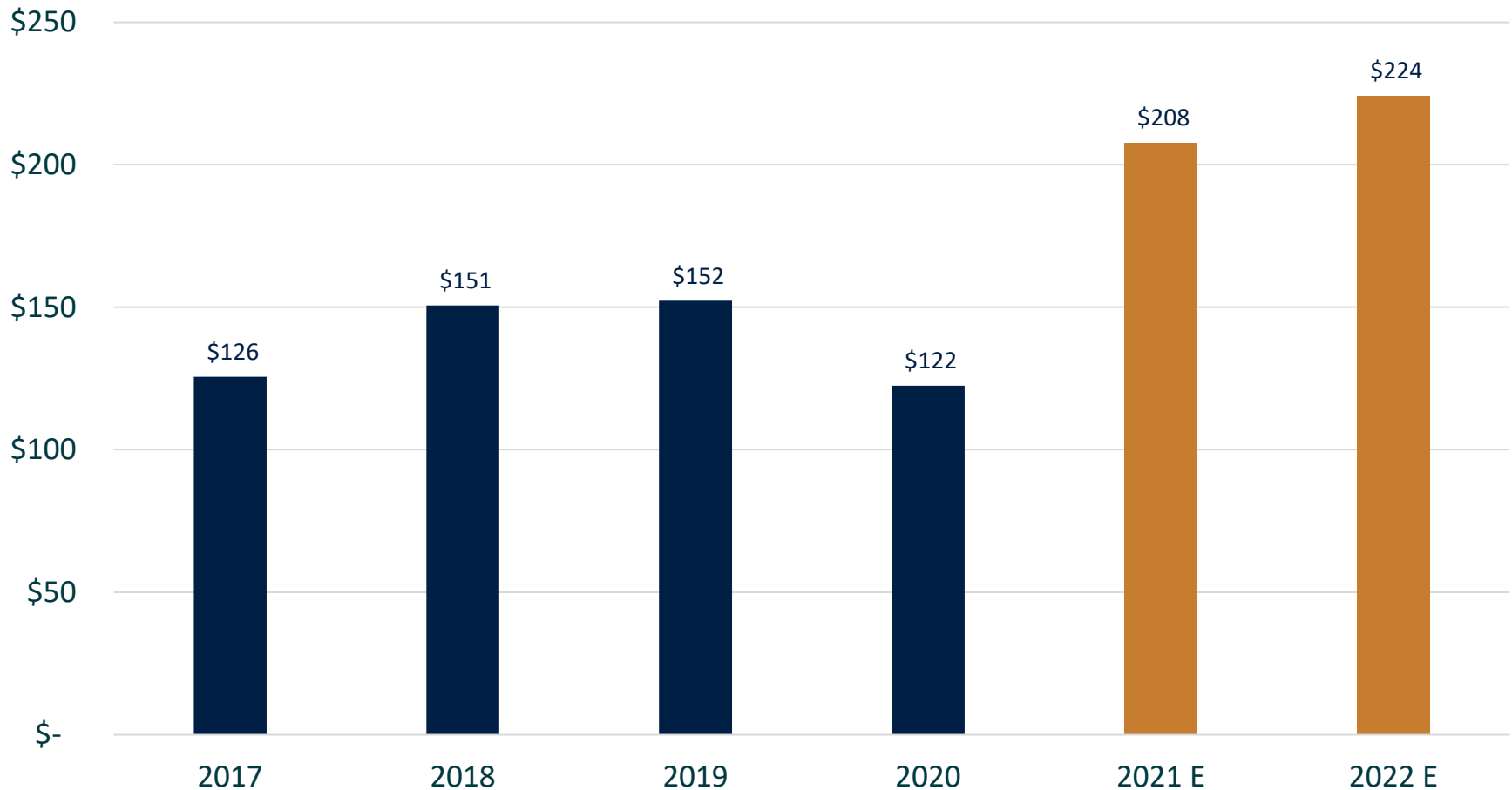
US Personal Income (Billions)





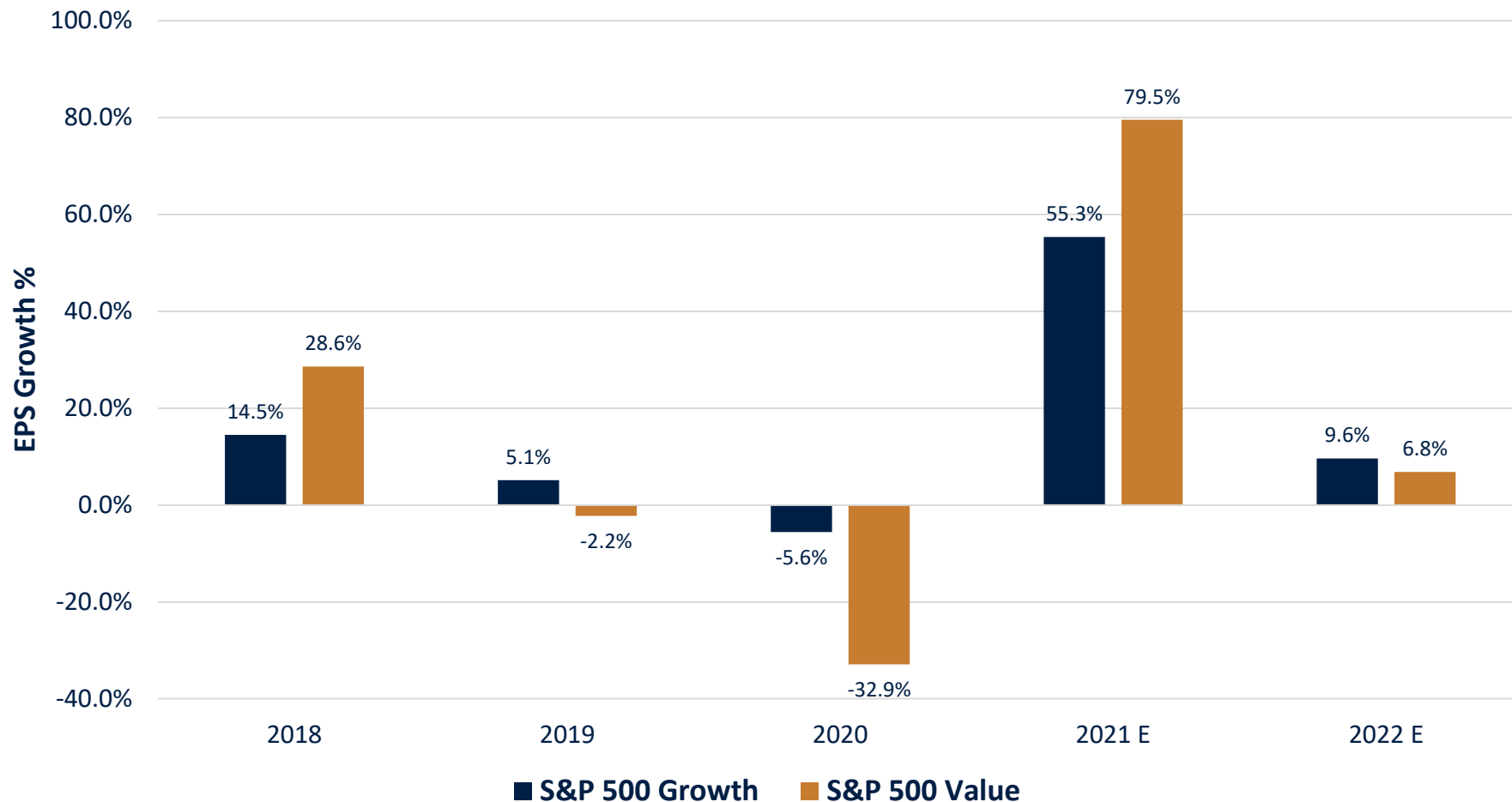
## DOMESTIC EARNINGS HAVE FULLY RECOVERED

S&P 500 Earnings



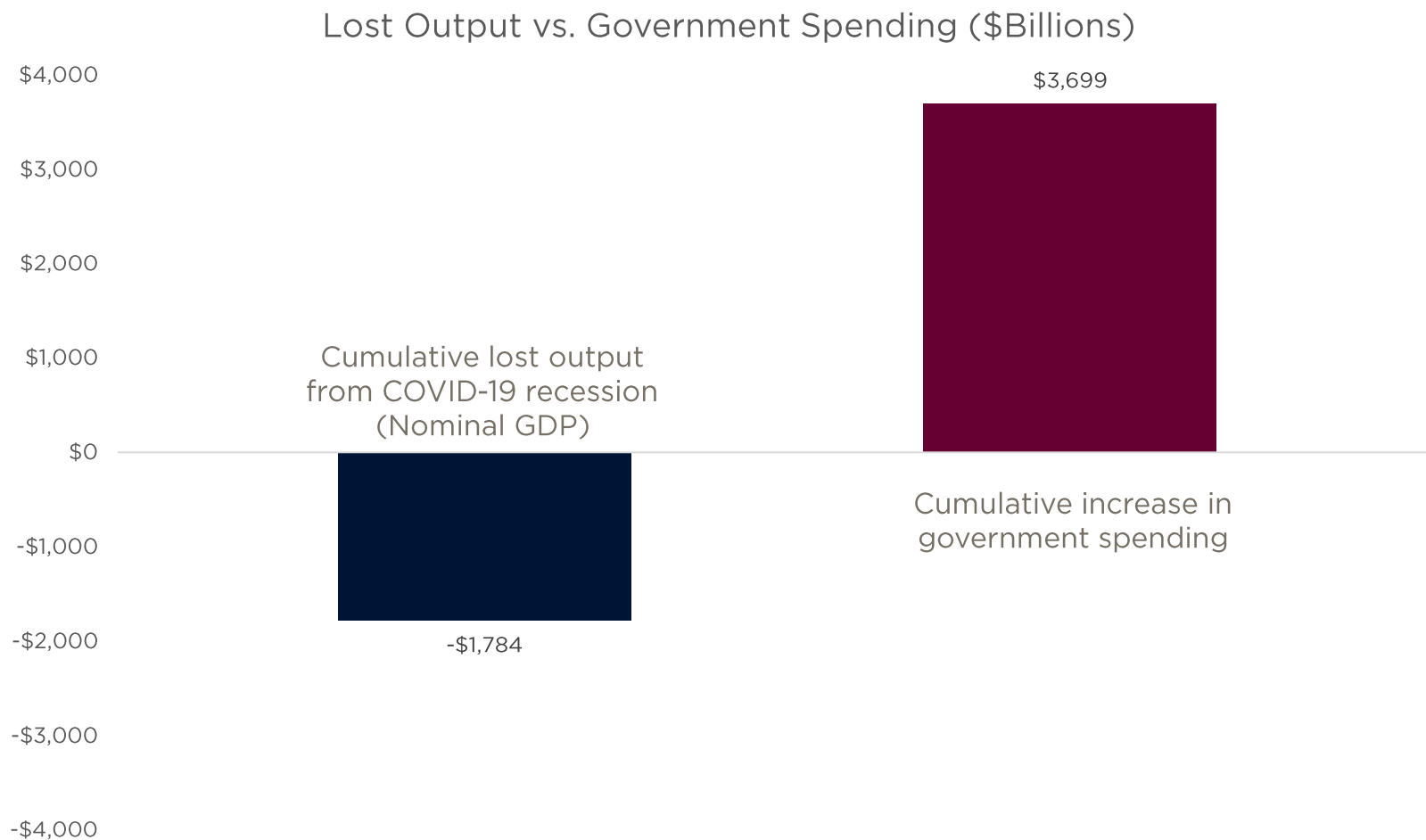
# CYCLICAL STOCKS HAVE LED IN THE RECOVERY

Earnings Per Share – Growth vs. Value





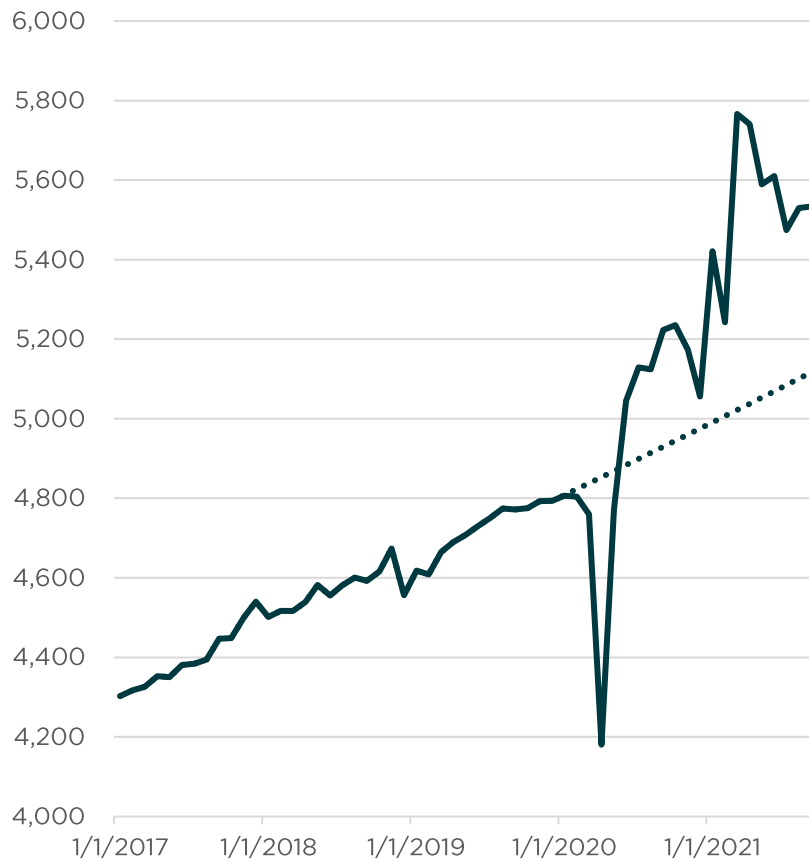
## UNEVEN SUPPORT...



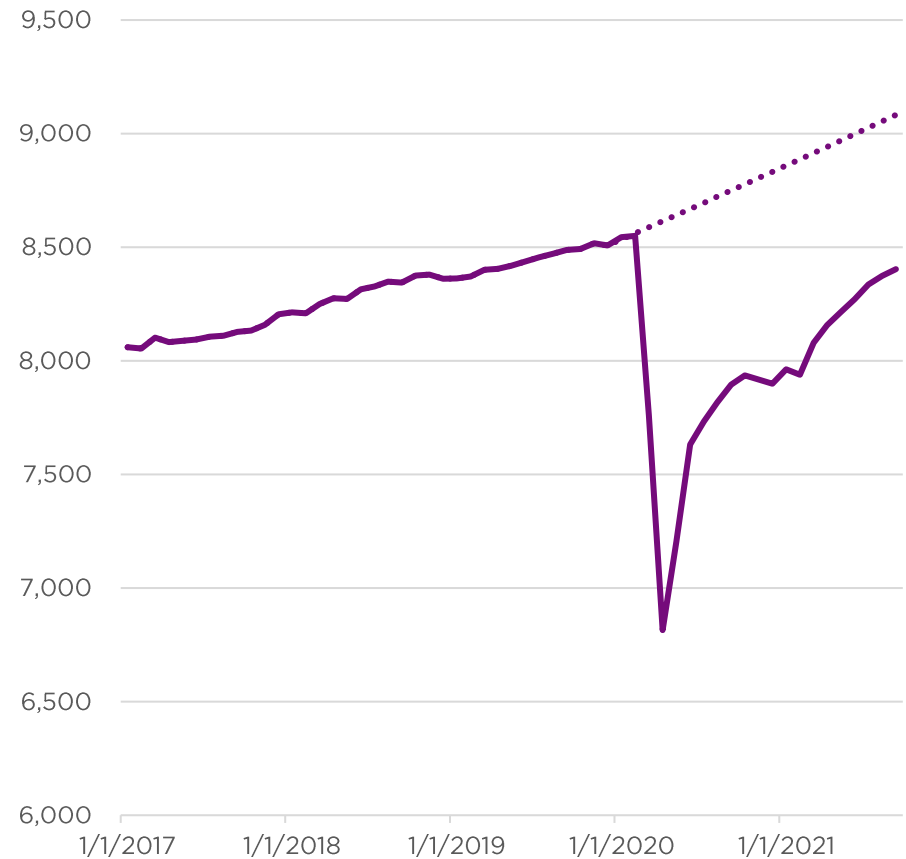


## ...CAUSED AN UNEVEN RECOVERY...

Personal Consumption – Goods  
(\$Billions)



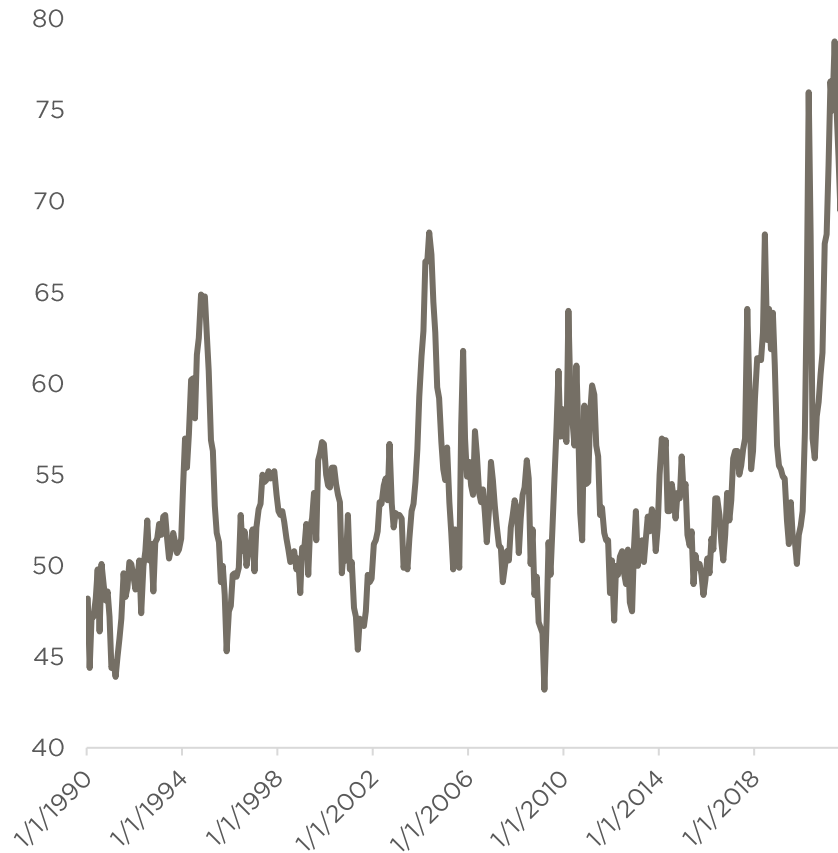
Personal Consumption – Services  
(\$Billions)





## ...CONTRIBUTING TO SUPPLY CHAIN PROBLEMS

ISM Manufacturing Supplier Delivery Times



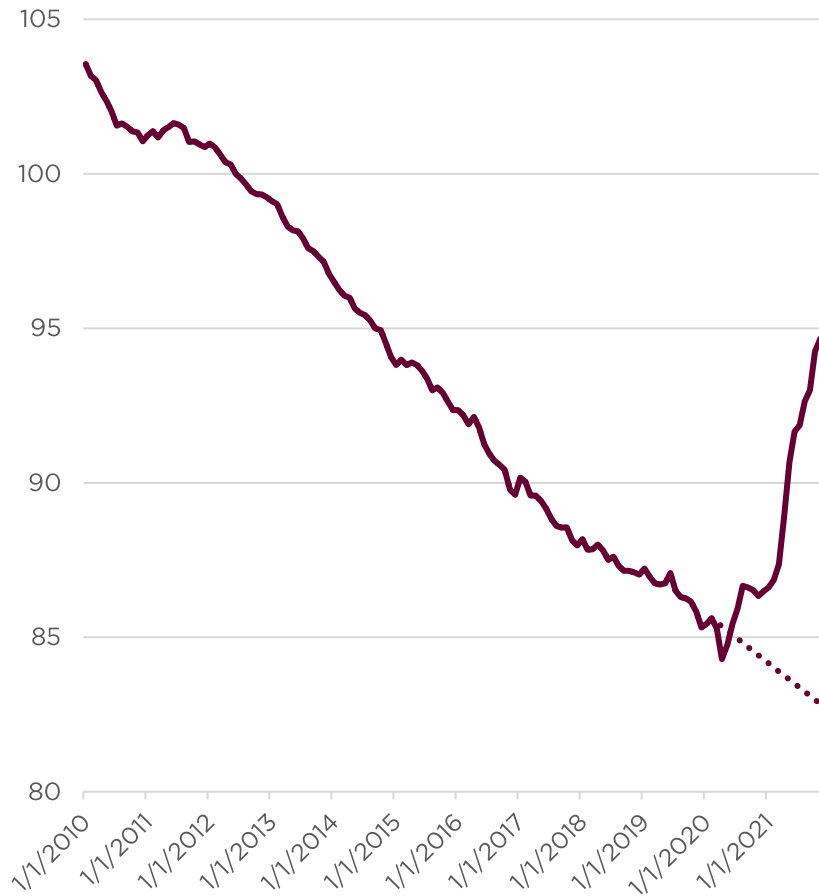
# of Ships Anchored at Port of Los Angeles



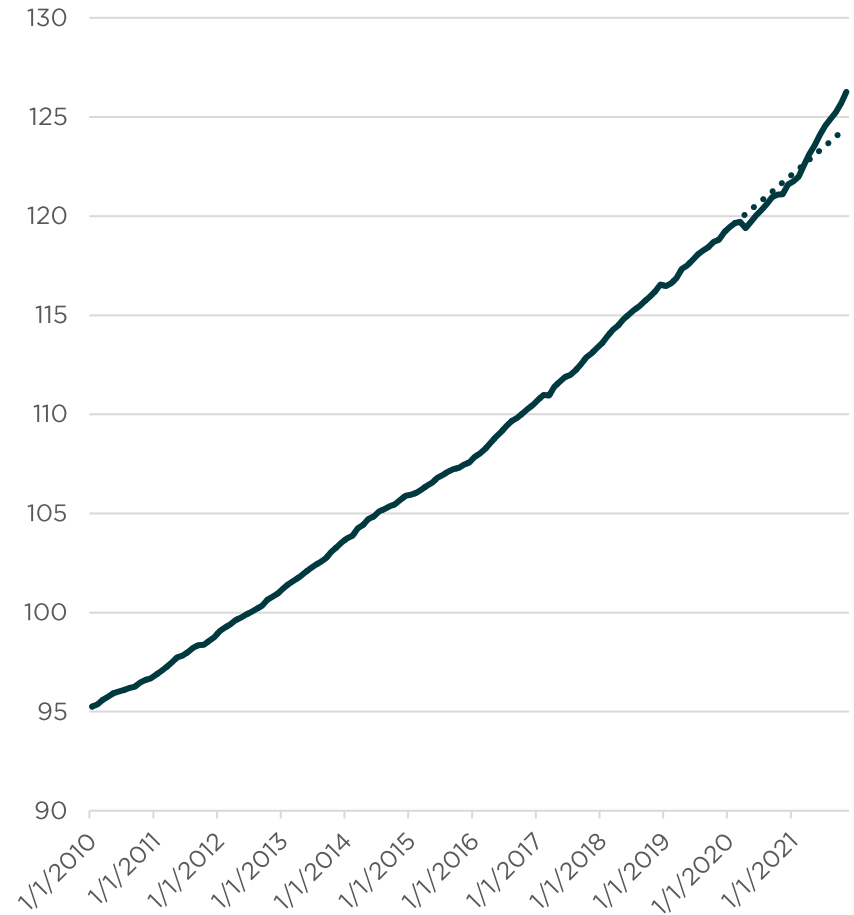


## INFLATION FOCUSED IN GOODS

Durable Goods - Inflation Index (PCE)

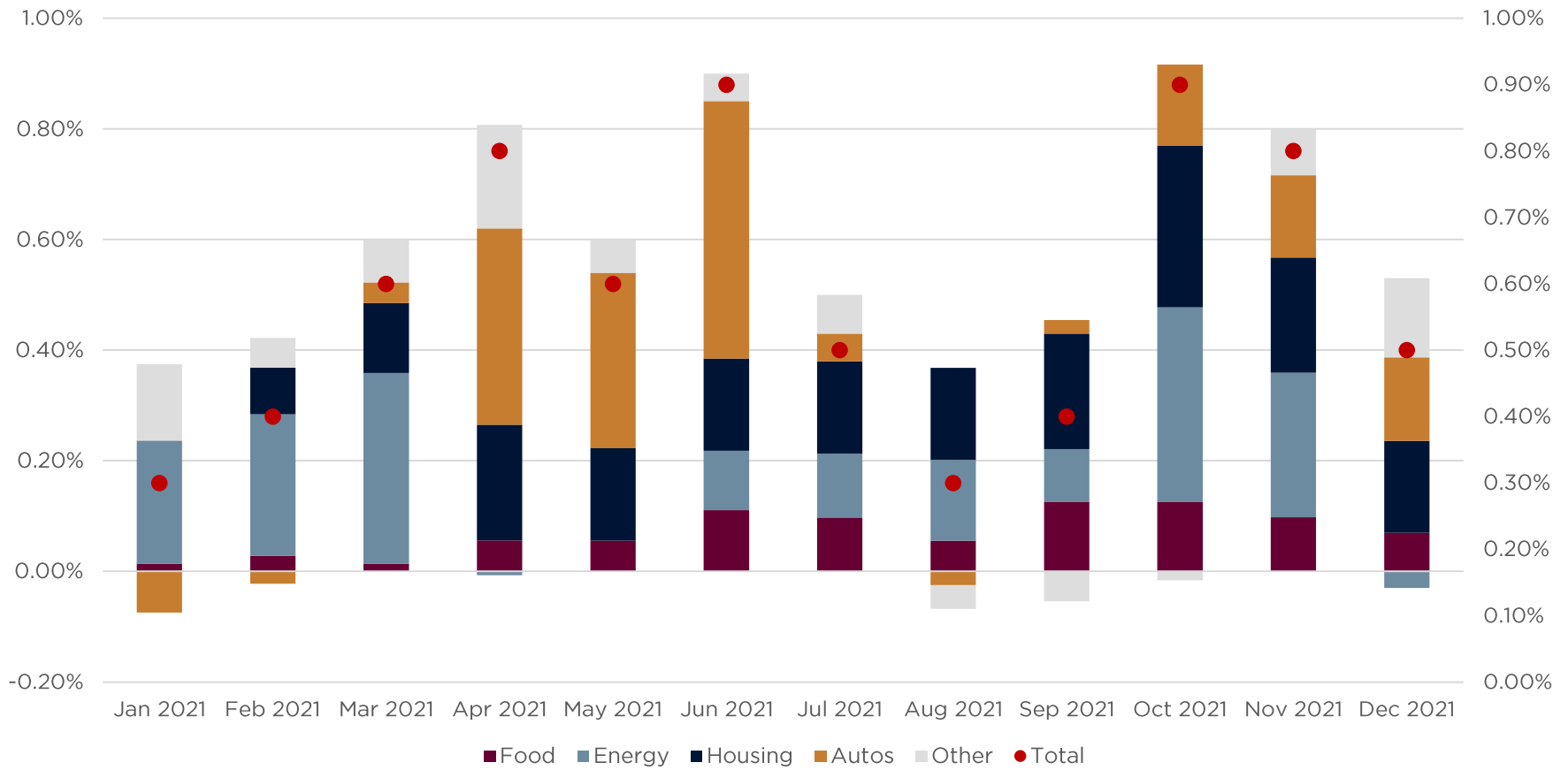


Services - Inflation Index (PCE)



# INFLATIONARY PRESSURE NARROW BUT ACUTE

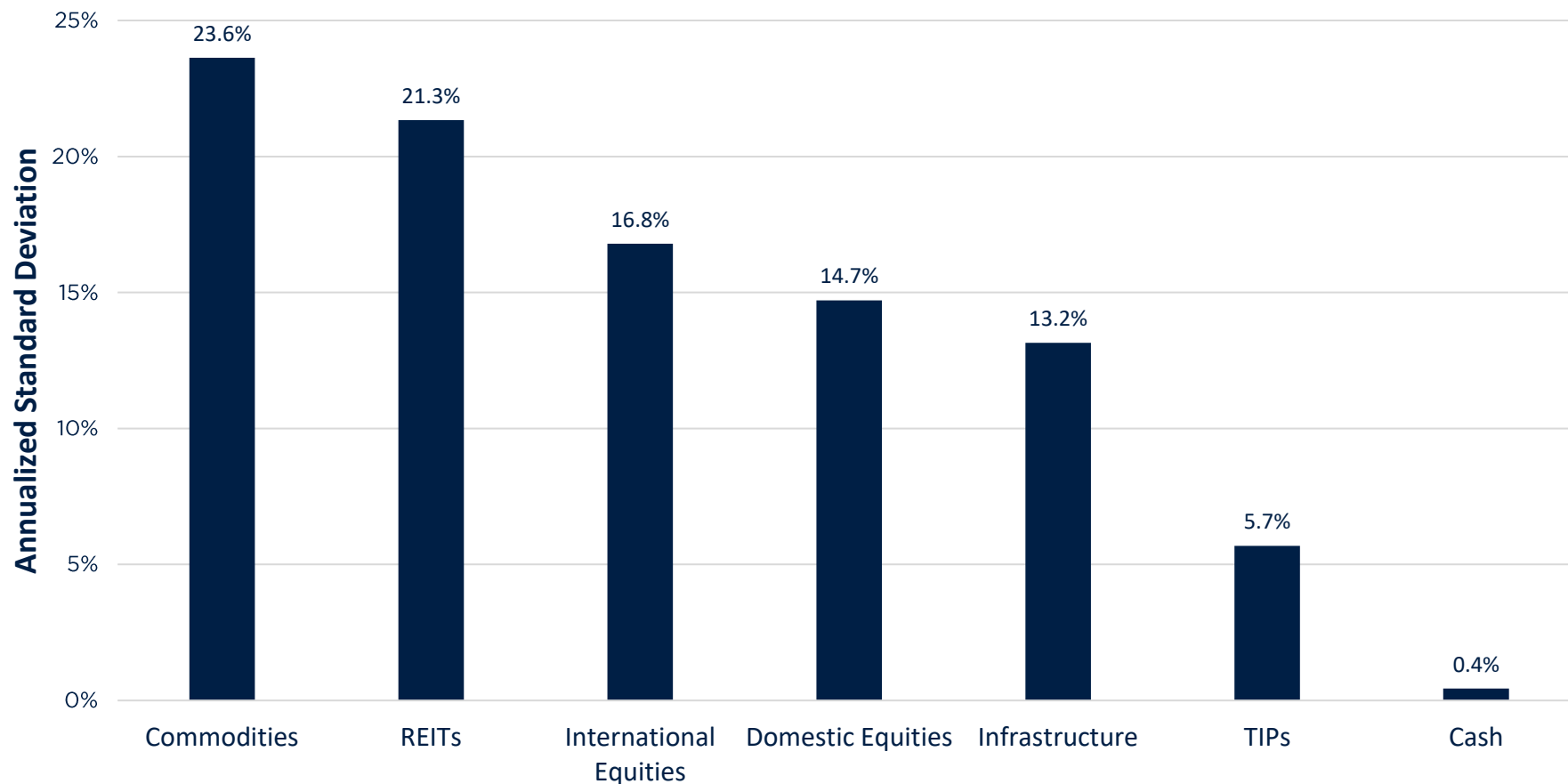
Contribution to Headline CPI (MoM%)





# TRADITIONAL INFLATION HEDGES ARE VOLATILE

Annualized Standard Deviation

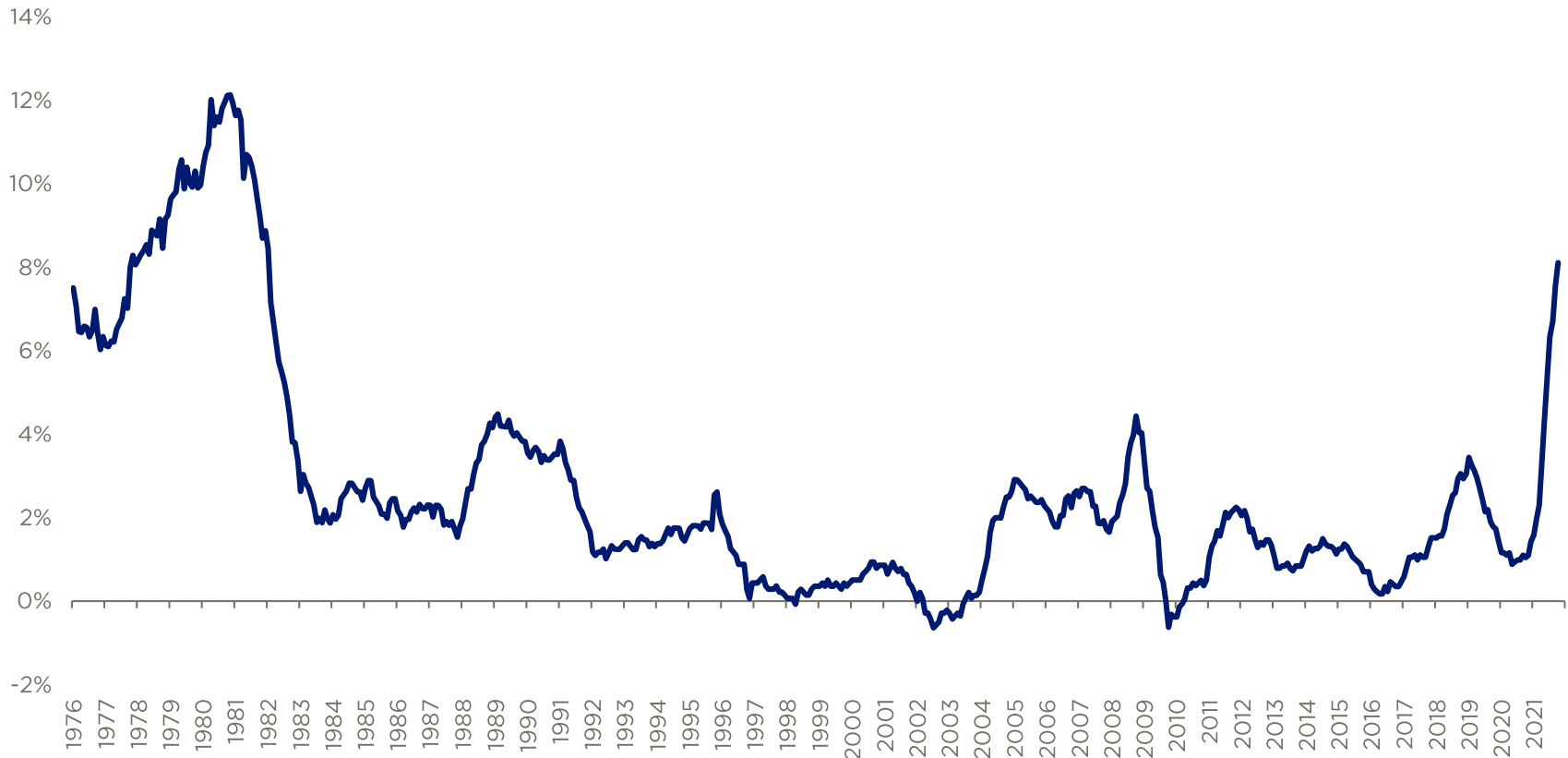


➤ ANNUALIZED VOLATILITY FROM 12/2002 TO 10/30/2021. FOLLOWING INDICES WERE USED: S&P GSCI (COMMODITIES), FTSE NEREIT ALL EQUITY REITS (REITS), MSCI ACWI EX USA NET (INTERNATIONAL EQUITIES), RUSSELL 3000 (DOMESTIC EQUITIES), DOW JONES BROOKFIELD GLOBAL INFRASTRUCTURE INDEX USD (INFRASTRUCTURE), BLOOMBERG US TIPS (TIPS), BLOOMBERG US TREASURY BILLS: 1 - 3 MONTH (CASH)

➤ SOURCE: BLOOMBERG

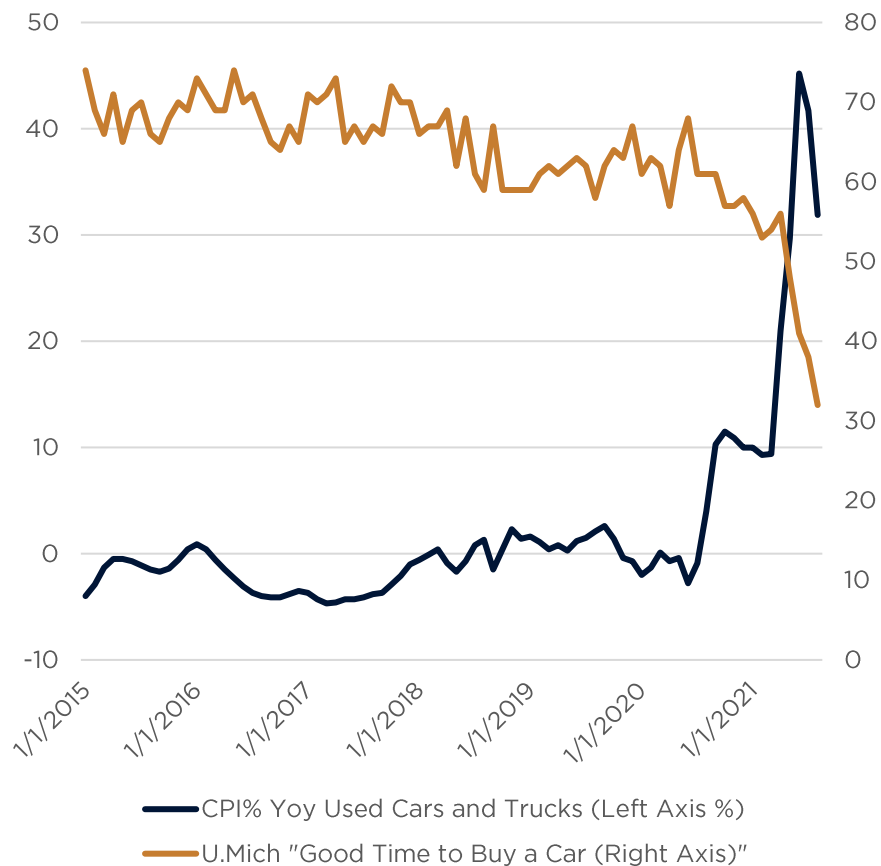
## COMPANIES SHOWING PRICING POWER

US PPI: Private capital equipment for manufacturing industries

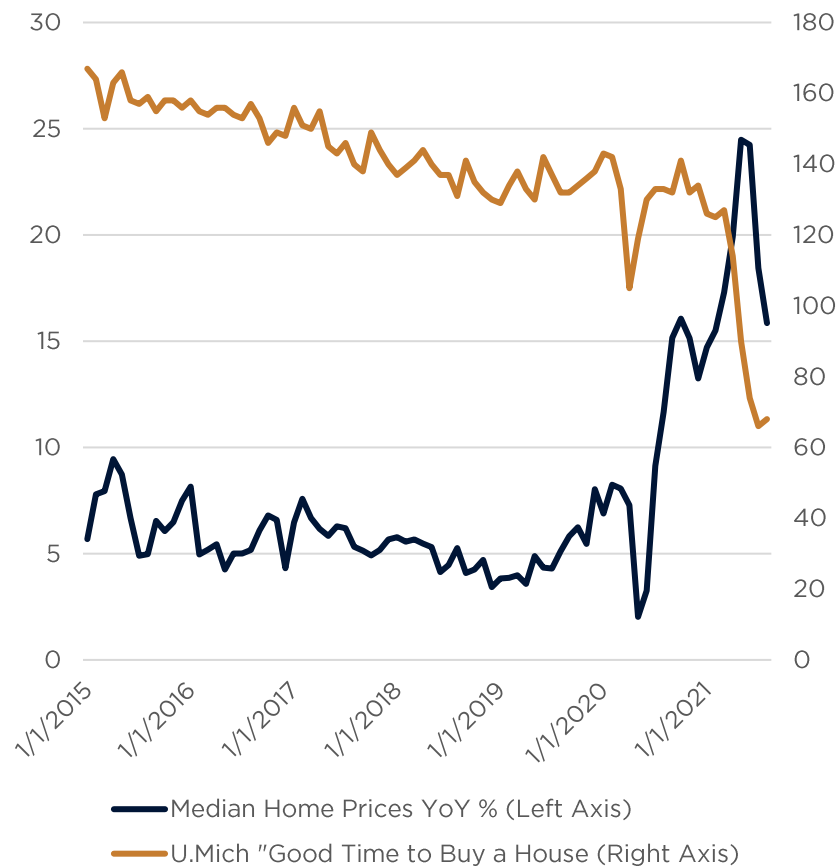


# CONSUMERS REACTING TO HIGHER PRICES

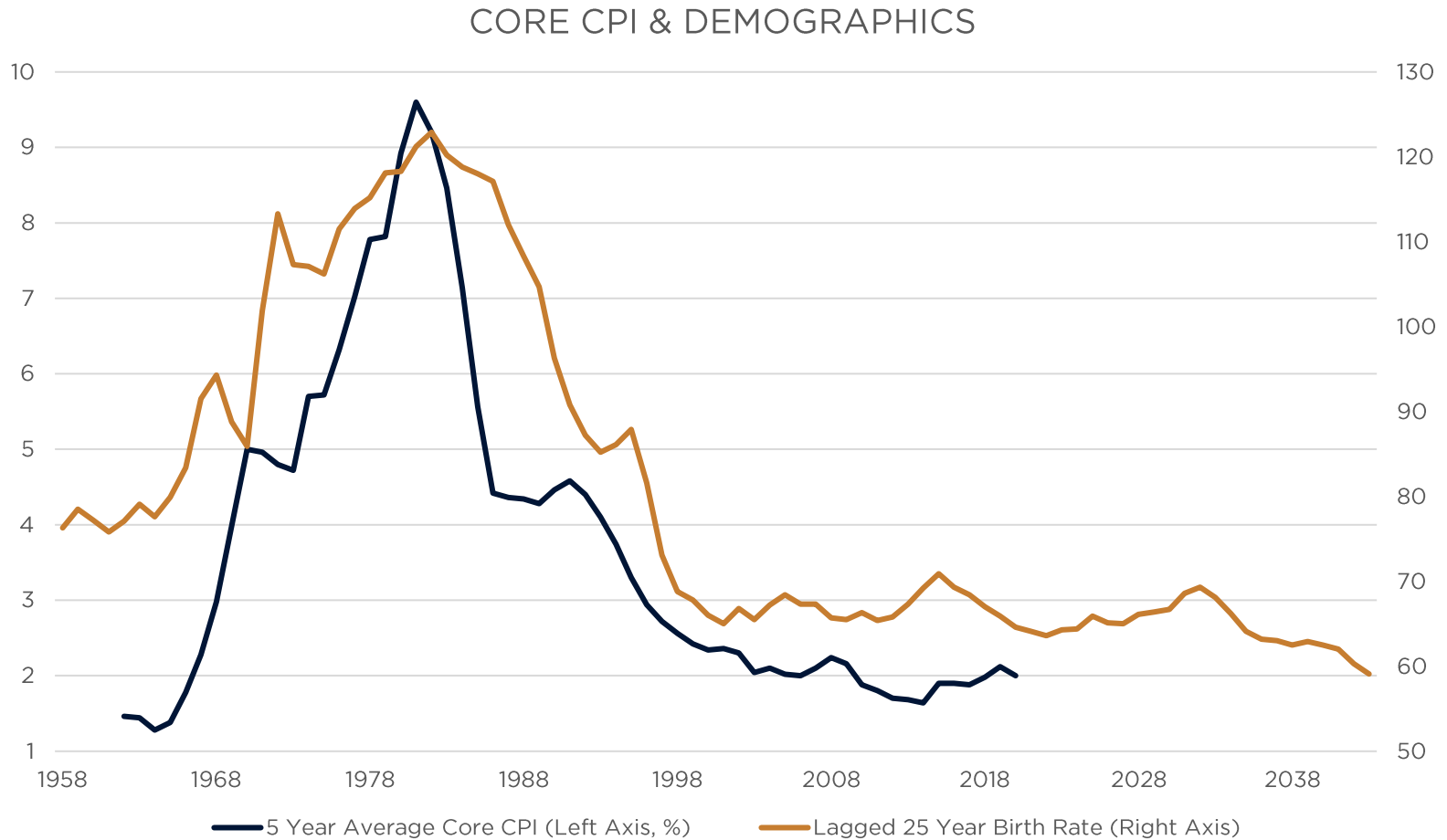
## Car and Truck Prices



## Home Prices

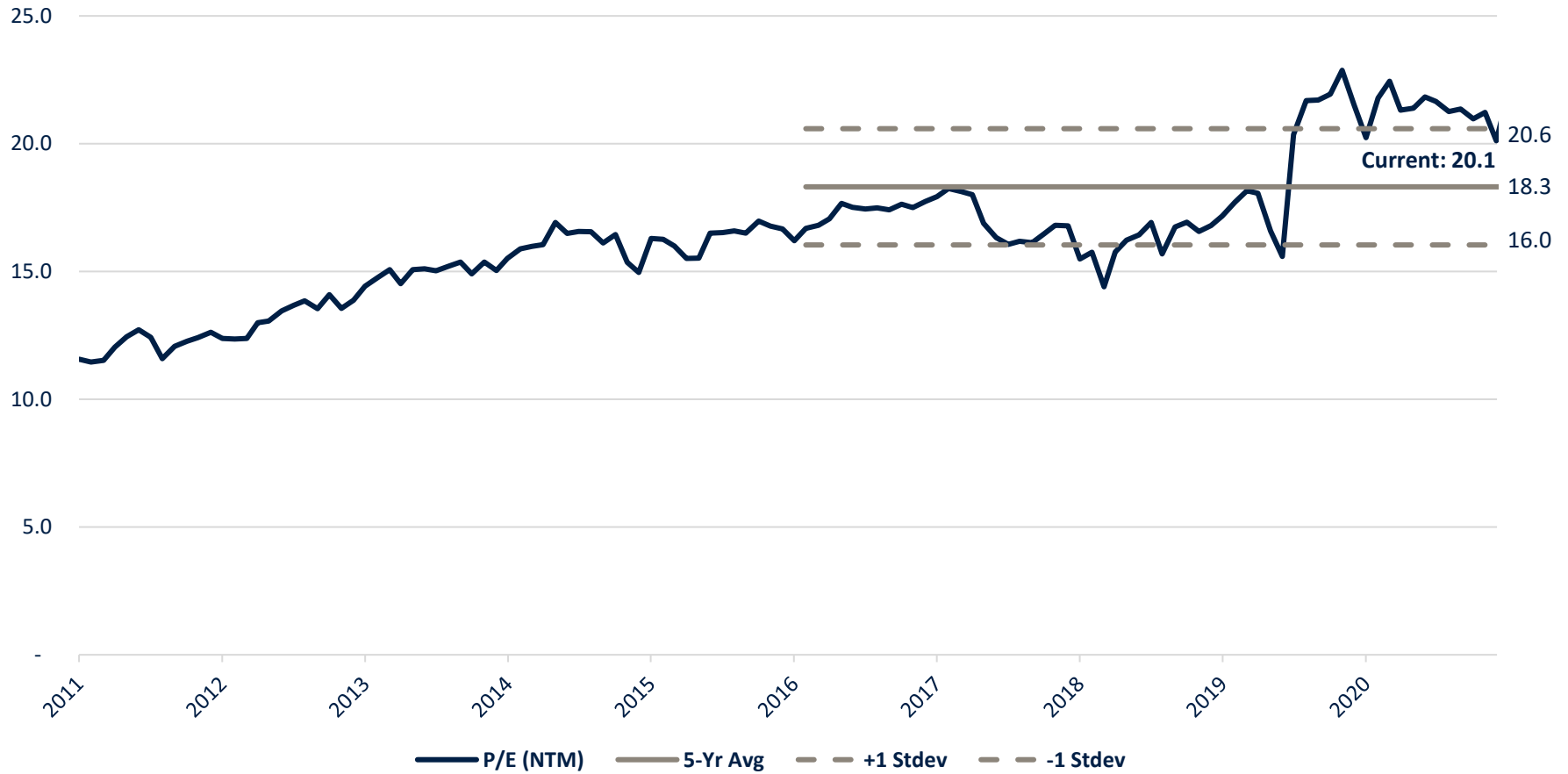


# INFLATION FOLLOWS POPULATION GROWTH

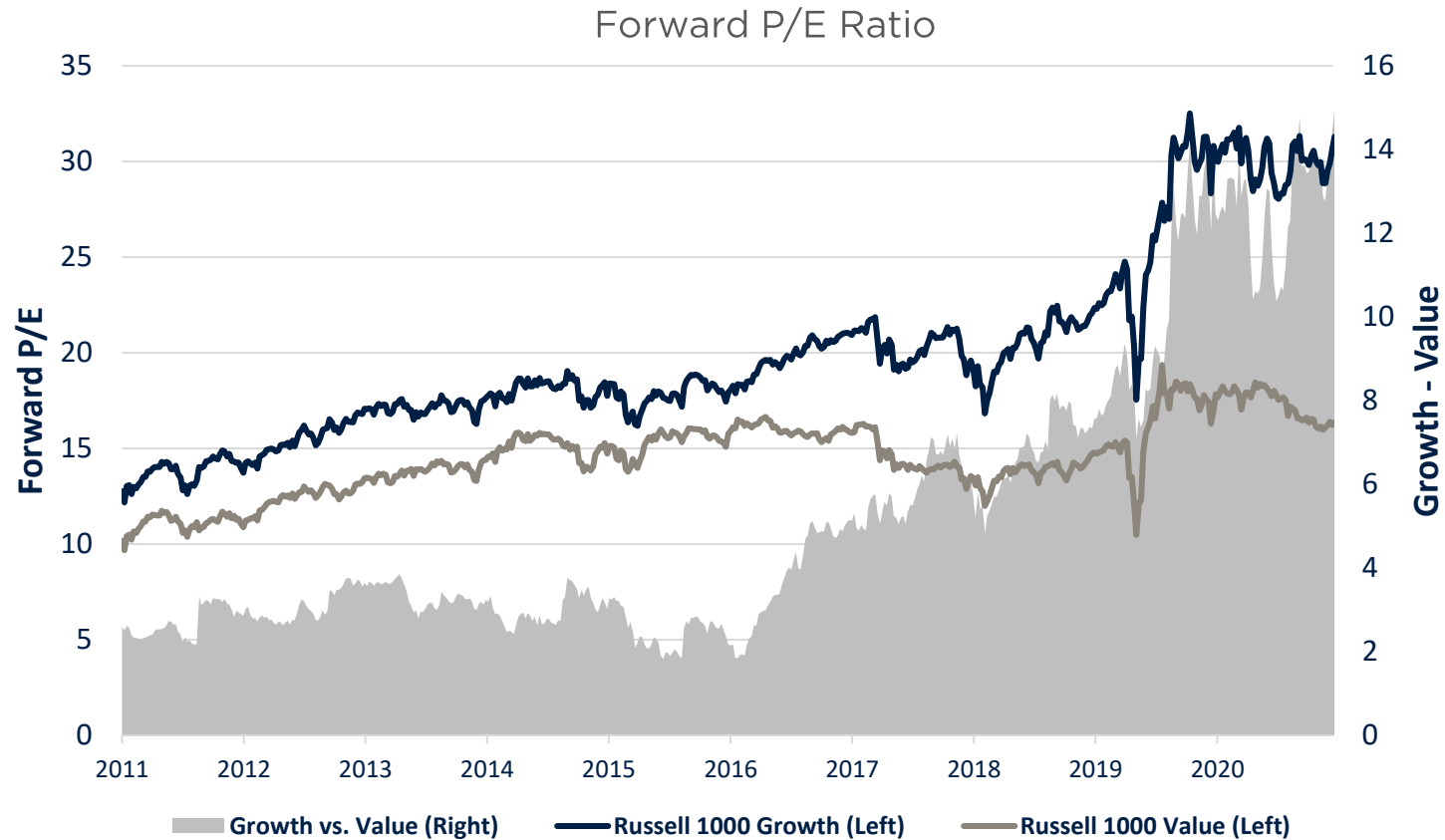


## STOCKS PRICING IN EARNINGS GROWTH...

S&P 500 PE NTM



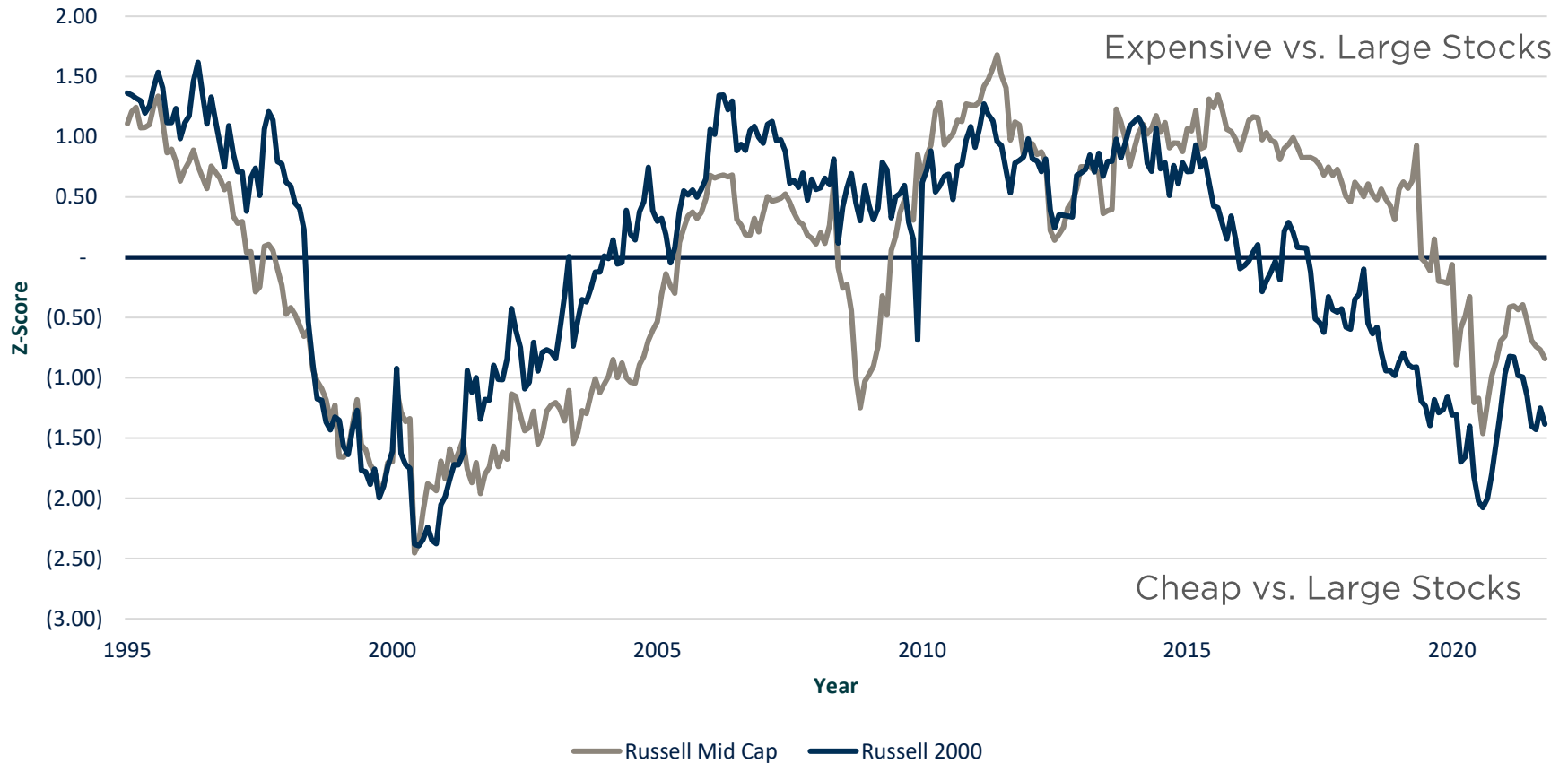
## ... AND LOW INTEREST RATES





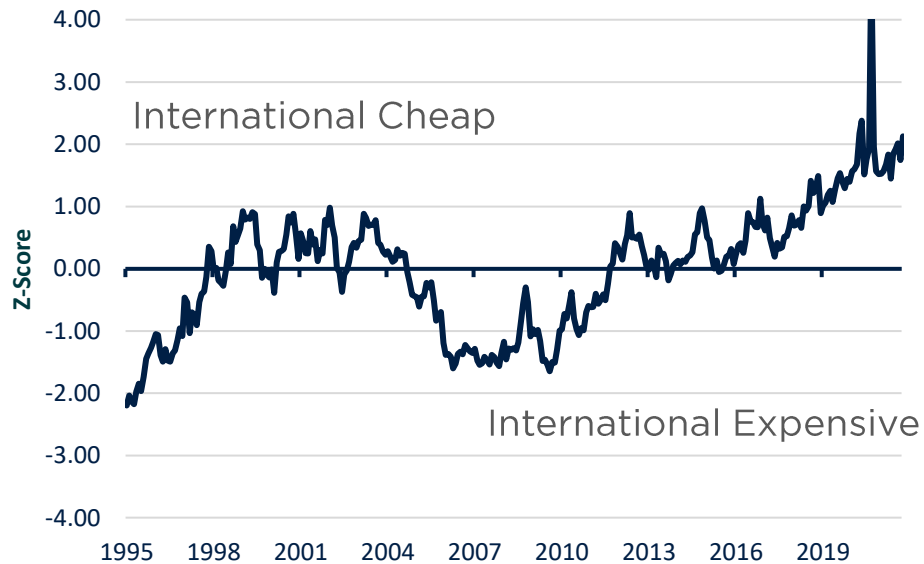
# SMALLER COMPANIES RELATIVELY ATTRACTIVE

P/S Relative to Russell 1000 - Z-Score

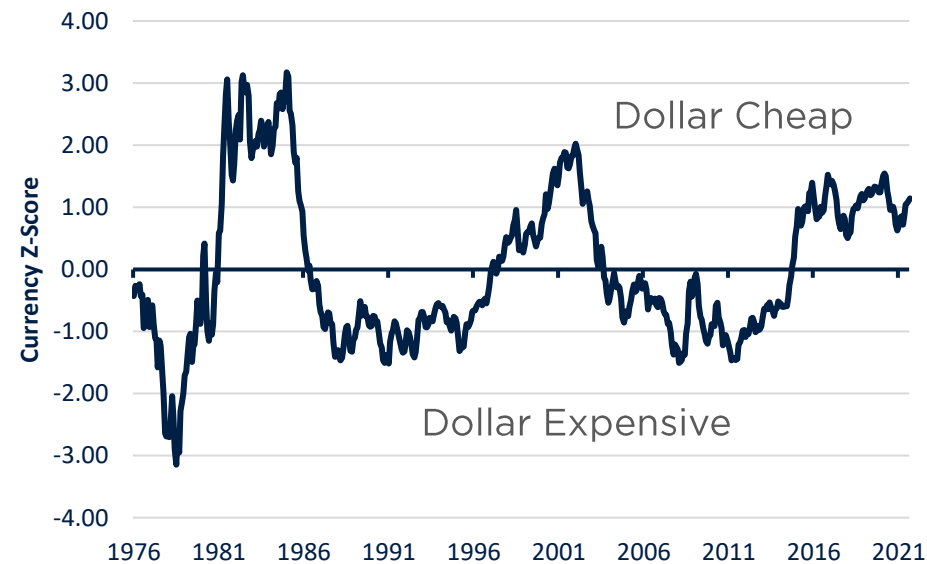


# INTERNATIONAL DIVERSIFICATION APPROPRIATE

S&P 500 / MSCI EAFE Price to Sales Z-Score



Trade Weighted Dollar

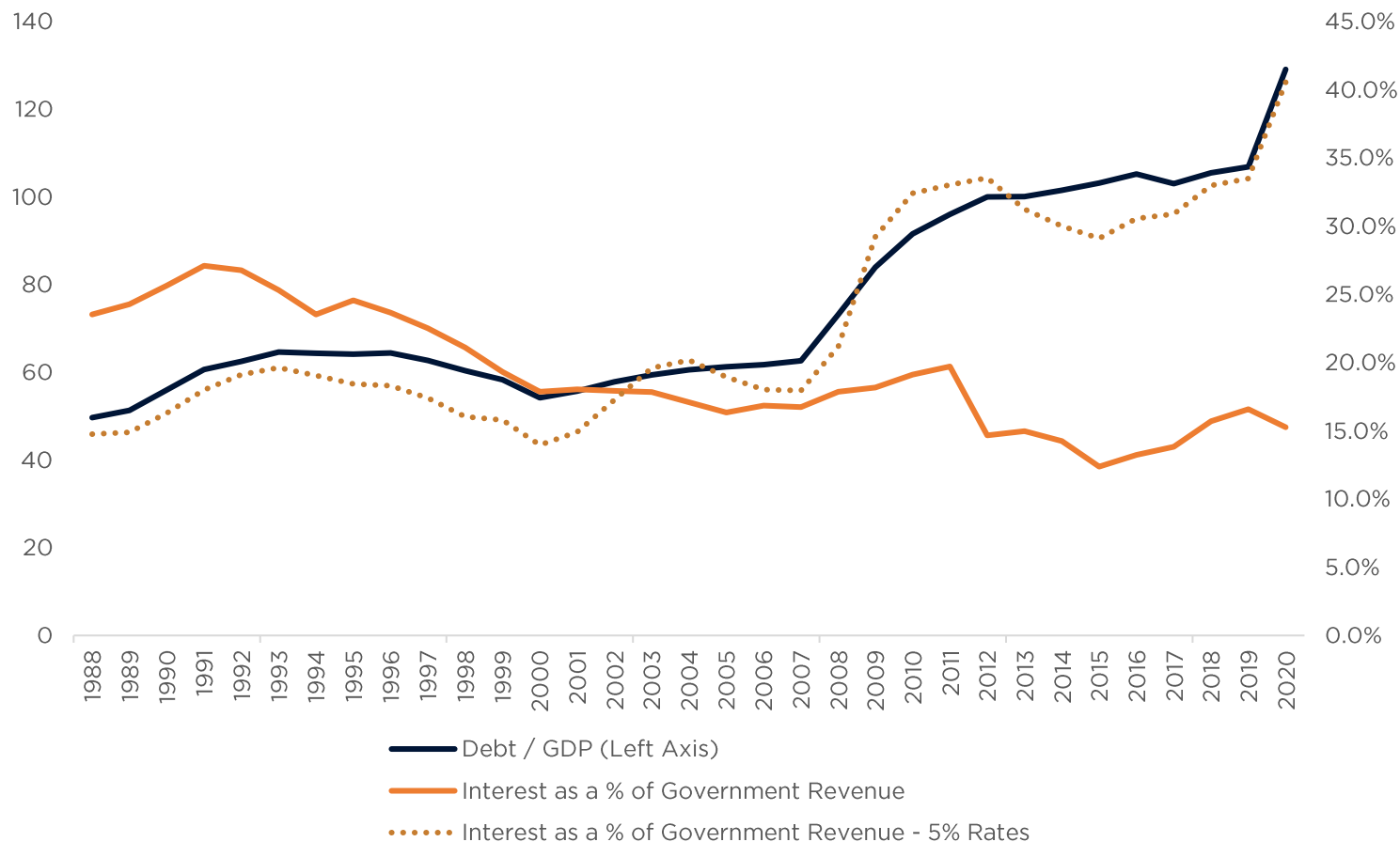


» DATA AS OF 10/31/2021; TRADE WEIGHTED DOLLAR IS US FED TRADE WEIGHTED REAL AFE INDEX

» SOURCE: BLOOMBERG, FACTSET, JAM RESEARCH

# ECONOMIC SENSITIVITY TO HIGHER RATES

Government Debt and Interest Expense



## ECONOMIC SENSITIVITY TO HIGHER RATES

IF LOAN AMOUNT STAYS THE SAME AND INTEREST RATES INCREASE, MONTHLY PAYMENT INCREASES...

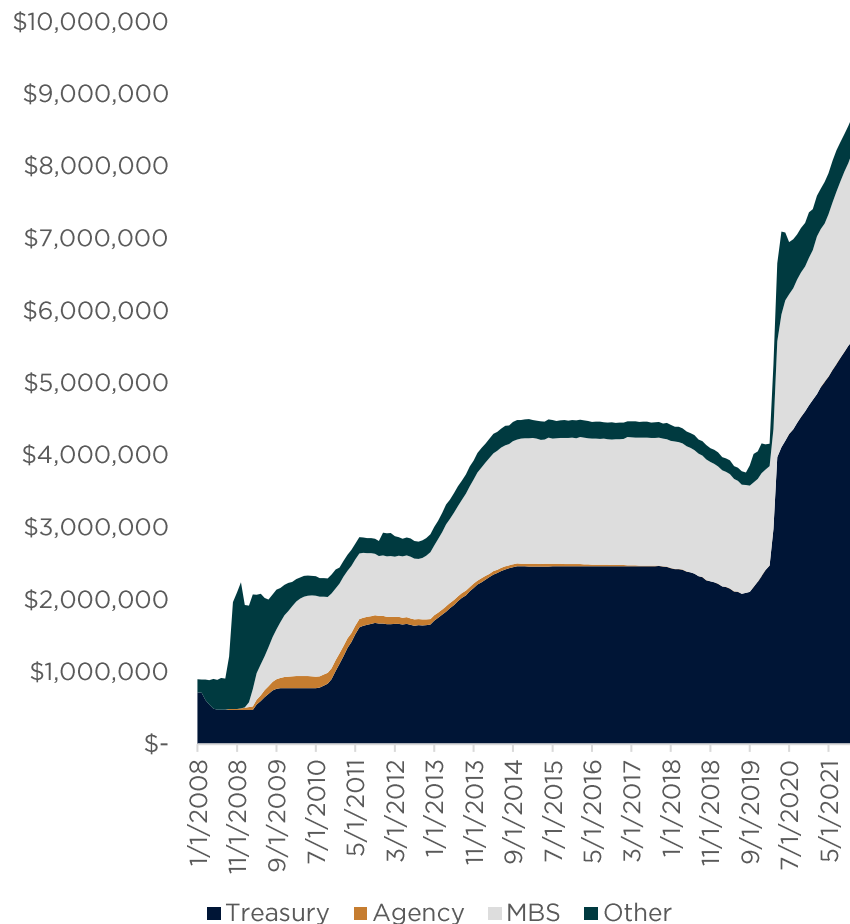
LOAN AMOUNT	INTEREST RATE	MONTHLY PAYMENT	CUMULATIVE INTEREST
\$500,000	3%	\$2,108.02	\$258,887.26
\$500,000	5%	\$2,684.11	\$466,278.92
\$500,000	8%	\$3,668.82	\$820,776.23
\$500,000	10%	\$4,387.86	\$1,079,628.83

IF MONTHLY PAYMENT STAYS THE SAME AND INTEREST RATES INCREASE, LOAN AMOUNT DECREASES....

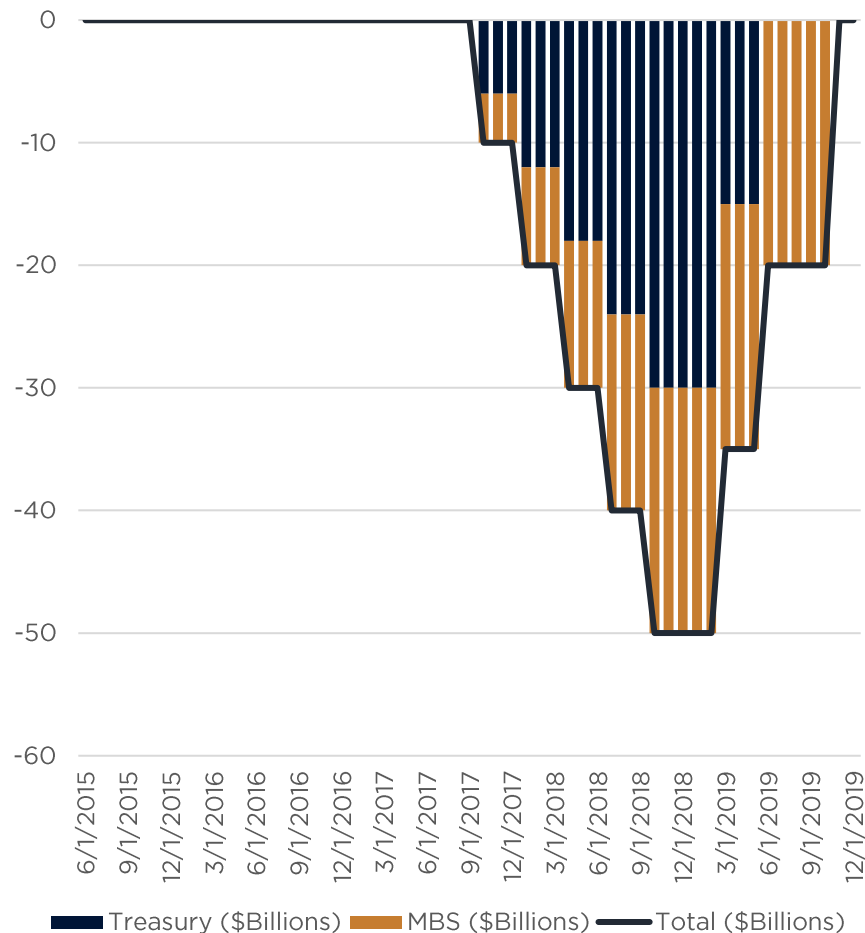
LOAN AMOUNT	INTEREST RATE	MONTHLY PAYMENT	CUMULATIVE INTEREST
\$500,000	3%	\$2,108.02	\$258,887.26
\$392,685	5%	\$2,108.02	\$366,201.83
\$287,288	8%	\$2,108.02	\$471,598.87
\$240,211	10%	\$2,108.02	\$518,676.59

# FED BALANCE SHEET

Fed Balance Sheet Total Assets (\$mm)

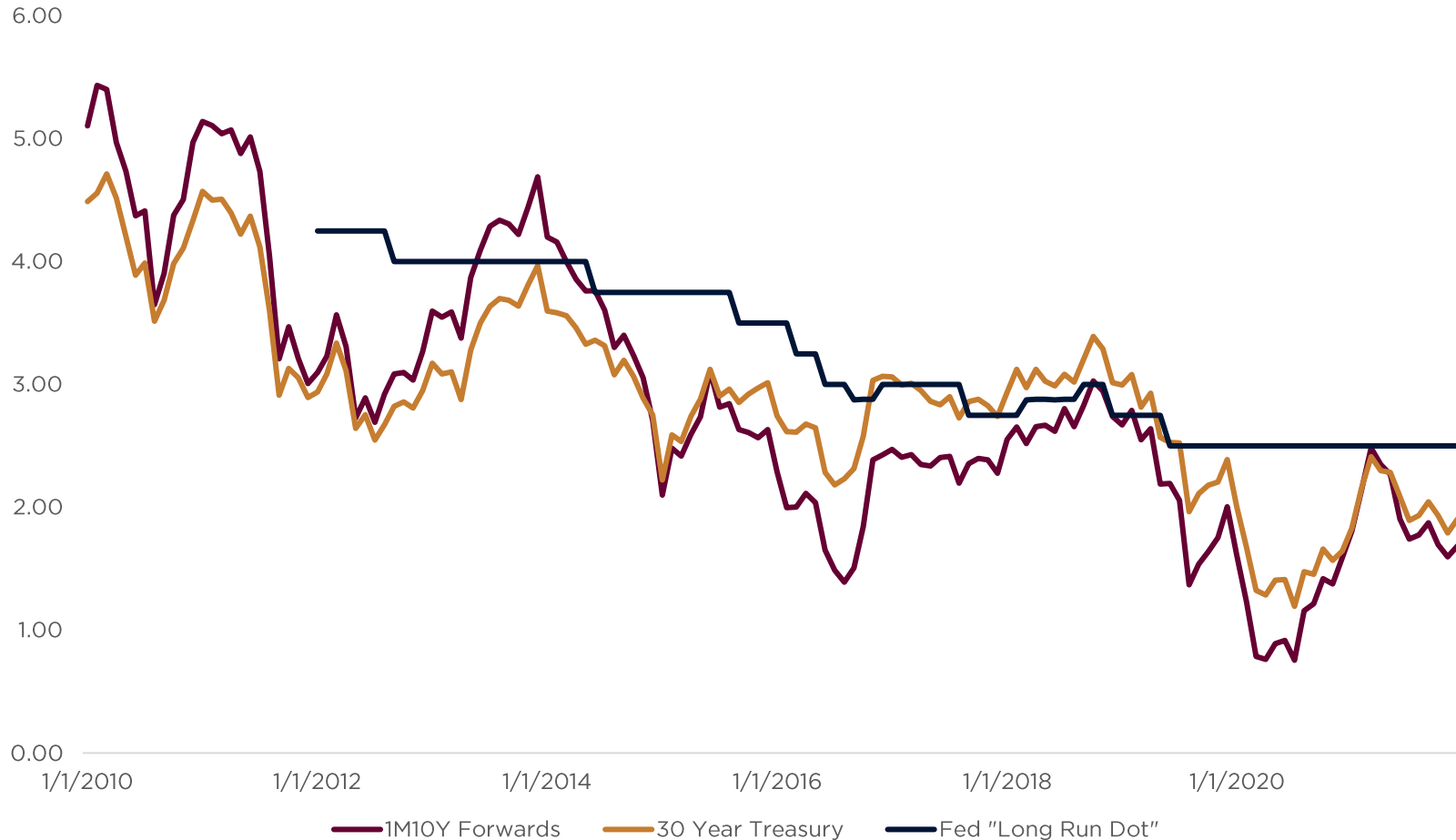


Prior Balance Sheet Runoff

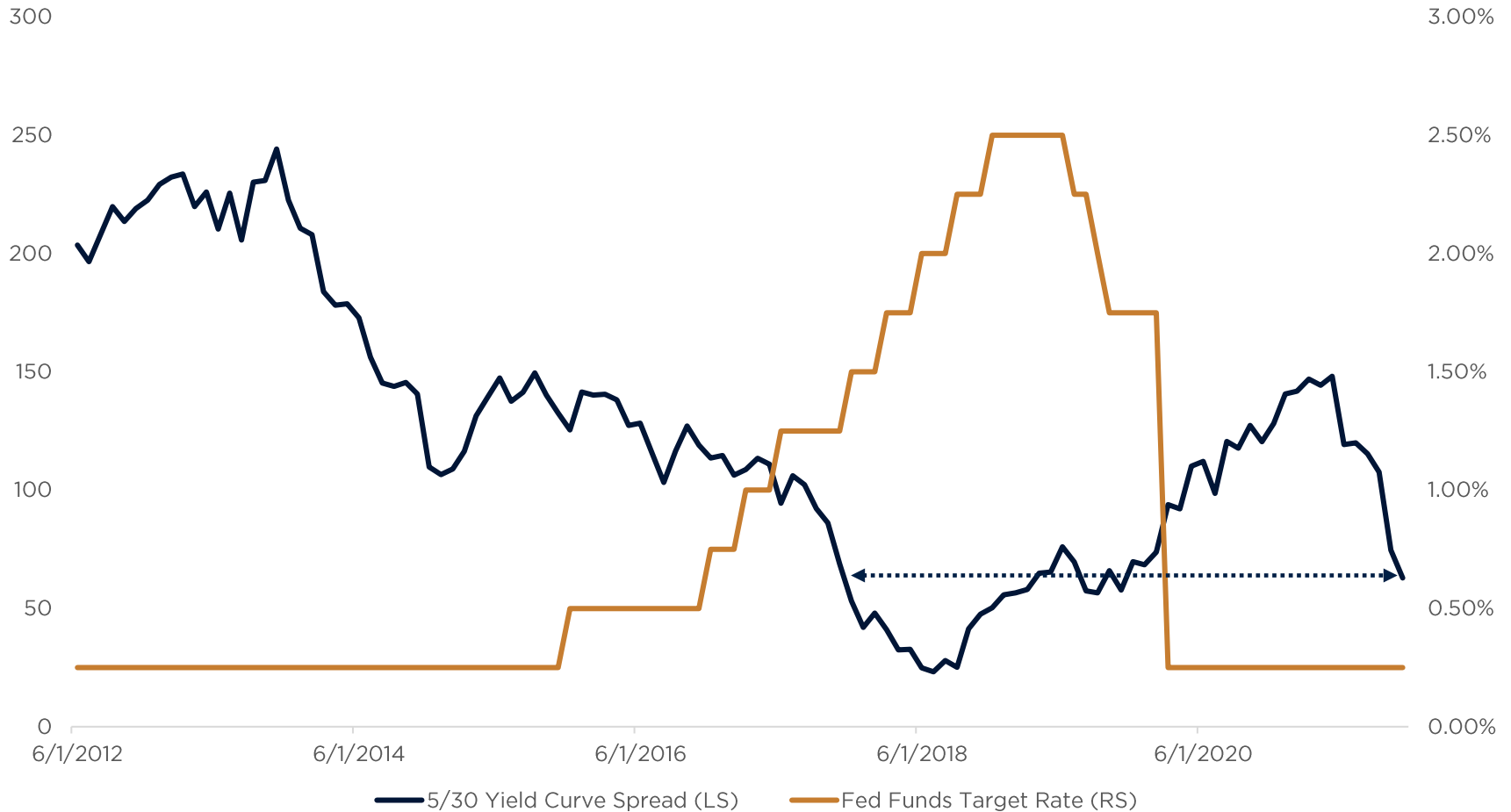


## TERMINAL RATE EXPECTATIONS

Terminal Rate Expectations (%)

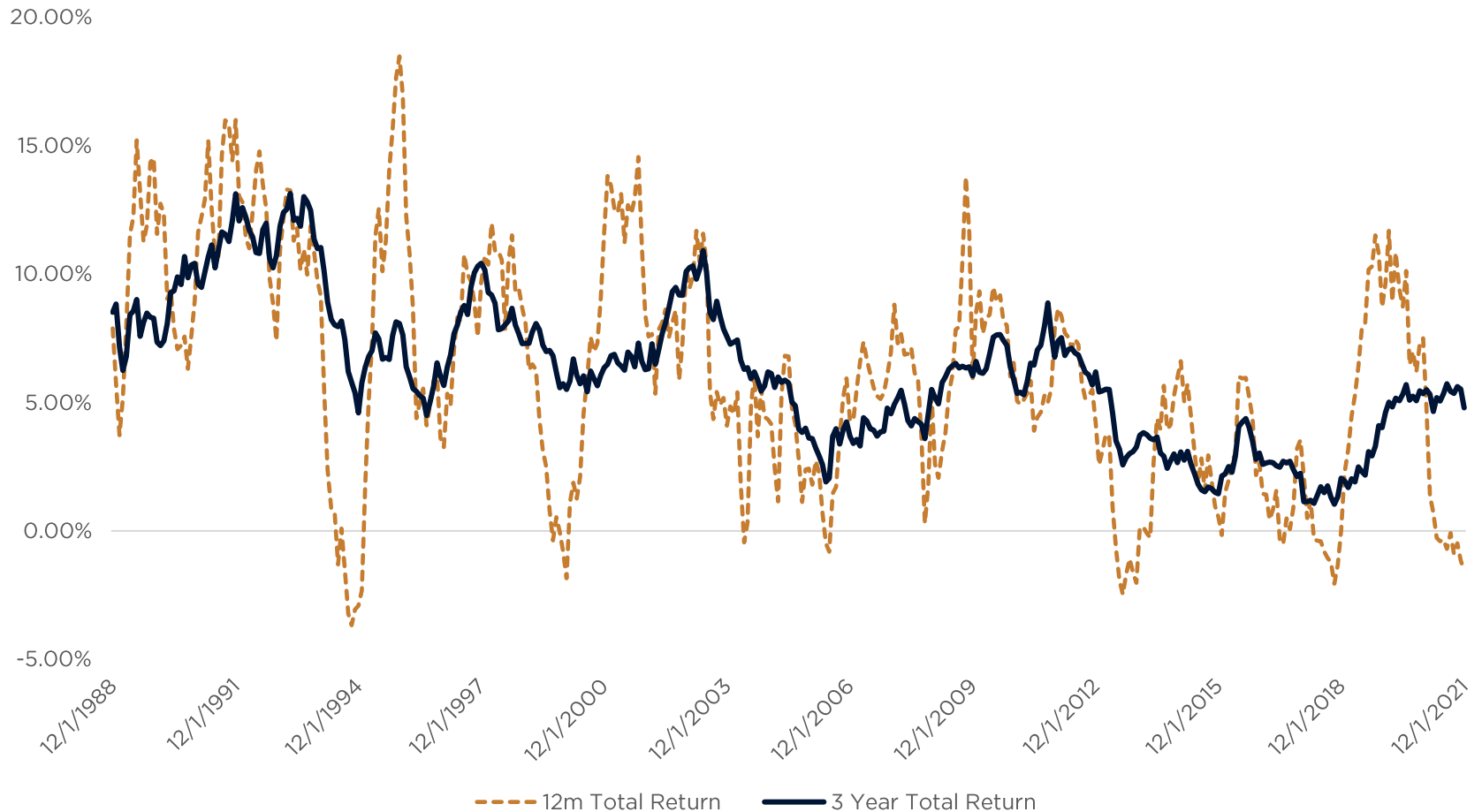


## YIELD CURVE & MONETARY POLICY



## BOND RETURNS

Bloomberg Aggregate Index Total Returns





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