Market & Economic Outlook 2022 – April Update: Near-Term Caution, Full-Year Gains

2022 YTD Returns (12/31/21 - 3/31/22)	Value	Price Return	Total Return*	All-Time High	Date of All-Time High
S&P 500	4,530.41	-4.9%	-4.6%	4,796.56	1/03/2022
Dow Jones Industrial Average	34,678.35	-4.6%	-4.1%	36,799.65	1/04/2022
NASDAQ Composite	14,220.52	-9.1%	-8.9%	16,057.44	11/19/2021
Russell 2000	2,070.13	-7.8%	-7.5%	2,442.74	11/08/2021
MSCI EAFE (USD)	2,181.63	-6.6%	-5.8%	2,398.71	9/06/2021
MSCI Emerging Markets (USD)	1,141.79	-7.3%	-6.9%	1,444.93	2/17/2021

Data Source: FactSet

Outlook Summary:

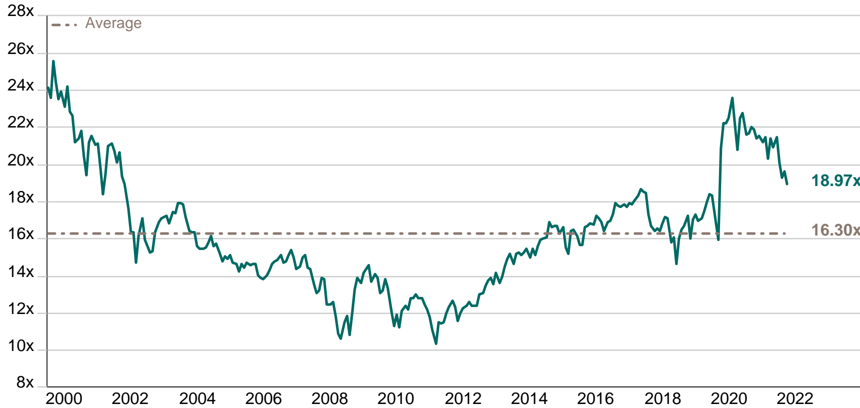
We are cautious on U.S. equities entering 2022's second quarter, with ongoing volatility expected, but see higher S&P 500 index price levels by year-end, supported by full-year U.S. economic growth and gains in corporate earnings. We modify our S&P 500 fair value estimate to 4,800 (from 4,900), which is 5.9% above the index's closing value on 3/31/22. Our near-term caution stems from ongoing economic headwinds caused by inflation and the war in Ukraine, which could limit the expected post-Omicron economic recovery as consumers and businesses take a more "wait-and-see" position. In addition, higher interest rates across the yield curve (different maturities) create headwinds for valuations (generally as long-term interest rates rise, price-to earnings (P/E) multiples move lower). With equity returns lower year-to-date (YTD) in 2022, we believe many of these near-term challenges are reflected in current prices, and that additional equity market weakness, which is quite possible, will find buying support from investors. We believe inflation-driven cost pressures will drive a range of outcomes for corporate results (some companies will thrive while others struggle), creating a more difficult environment for equity investors. Expectations for growth in gross domestic product (GDP) and earnings are bolstered by a strong labor market and healthy consumer finances that we expect to support ongoing growth in consumer spending. We reiterate our recommendation that investors stay with high-quality companies and build portfolios that are diversified across sectors. While defensive sectors could benefit during periods of market volatility, we believe that cyclical sectors and companies that successfully deliver earnings growth despite inflationary pressures can outperform the broader market in 2022.

First quarter review. Major equity indices traded lower in the first quarter of 2022 as investors assessed the potential economic impact of the COVID-19 Omicron variant, a surge in inflation, the onset of tighter Federal Reserve Bank (Fed) monetary policy (higher interest rates), and Russia's invasion of Ukraine. Broadly speaking, quarterly returns for equities were the worst since 1Q 2020, when global economies shut down due to the COVID-19 pandemic (in 1Q 2020, the S&P 500 posted a negative total return of 19.6%). While the S&P 500's total return (includes dividends) was negative 4.6% in the first quarter of 2022, its decline was less than both the negative 8.9% total return of the Nasdaq Composite (large capitalization, technology-heavy) and the Russell 2000's (small cap) 7.5% drop. In addition, the widely-followed foreign indices, the MSCI Emerging Markets and MSCI EAFE (developed markets), showed negative total returns of 6.9% and 5.8%, respectively.

In March, the S&P 500 posted a total return gain of 3.7%, which followed consecutive monthly declines in January and February. In fact, when the index closed at a price of 4,167 on 3/14/22, it was down 12.4% year-to-date (down 12.2% including dividends) in 2022. That included a price decline of 6.8% (from 2/16/22 to 3/14/22) after the Russian invasion of Ukraine, as global commodity prices spiked and investors became more defensive. Over the second half of March the index moved higher, not only reversing the decline from the first half of the month, but also rallying to end March above pre-Ukraine invasion levels. We attribute several factors to the late-month rally and equity market gains in March. These include oversold conditions as of 3/14/22 that saw the S&P 500 and Nasdaq Composite indices down 13.1% and 21.6%, respectively, from all-time highs; solid 4Q21 S&P 500 earnings growth of 30%; rebounding consumer activity from December and January Omicron headwinds; and a strong labor market that included solid wage gains and jobs data. While the March rally added some momentum late in the period, equity returns were negative for the entire quarter. All of this combined to make for a volatile quarter and high investor concern. With headwinds remaining in place in early April, we expect continued volatility (market declines with subsequent rallies) and limited near-term upside as markets adjust to an interest rate hiking cycle initiated by the Fed.

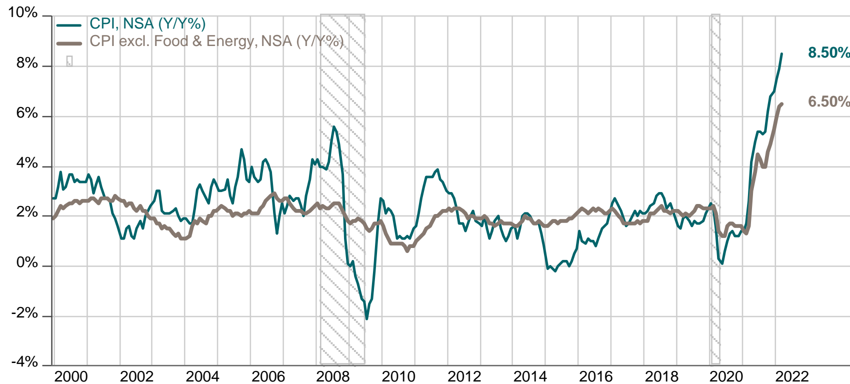
Source: FactSet, S&P 500 Daily Closing Prices 12/31/18 to 4/12/22

Market Valuation. Our S&P 500 fair value estimate of 4,800 represents a P/E of 20.6x the FactSet consensus S&P 500 EPS for the next four quarters of $233 and 19.3x the 2023 EPS estimate of $249. The market (S&P 500) P/E valuation as of 4/12/22 of 19.0x forward EPS estimates has moved steadily lower since August 2020 (which was the peak of the recent cycle at 23.6x estimated forward earnings), but remains above the 16.3x average forward P/E ratio since 2000 (the average forward P/E over the past 5 years is 18.3x). Throughout 2021, reported earnings exceeded pre-report estimates, and forward estimates have continued to move higher. Even this year, despite inflation and growth fears, earnings estimates for 2022 and 2023 (comparing estimates on 12/31/21 to estimates on 4/12/22) have increased by 1.8% and 2.5%, respectively. We believe that earnings and interest rates are important components of deriving stock price valuations. Typically, we would expect higher equity market gains as earnings grow, but valuations would be lower as interest rates rise (this is because the present value of future cash flows is lower when discounted at a higher interest rate). In 2022, despite S&P 500 earnings growth of 30% in 4Q21, and expected growth of 9.5% in 2022, the P/E multiple has moved lower due to higher interest rates. We do not expect an expansion of the S&P 500 P/E from current levels and believe that future market gains will be more closely tied to future expected earnings growth.



Source: FactSet as of 4/12/22.

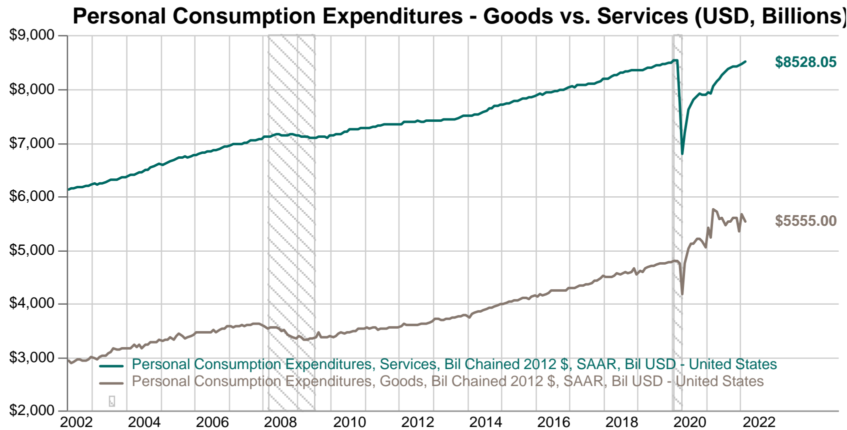
The Consumer Price Index (CPI), a measure of consumer inflation reported monthly by the Bureau of Labor Statistics, increased 8.5% year-over-year (Y/Y) in March, the largest Y/Y monthly increase since December 1981, surging to a new cycle high for the seventh consecutive month. The March report included the impact of higher commodity prices following Russia's invasion of Ukraine, and subsequent global sanctions on Russia, contributing to higher oil (and gasoline) and crop (raising the cost of food) prices. From 2/16/22 (the date Russia first began moving troops into Ukraine) through 4/13/22, the price of West Texas Intermediate crude oil increased 11% to $104 per barrel, and over the same period, the one-month forward crop prices for wheat and corn (from the Chicago Board of Trade) increased 44% and 20%, respectively. Not surprisingly, the month-to-month (M/M) (from February 2022 to March 2022) price increase in the CPI report for energy surged 11% (up 32% Y/Y), and food prices increased 1.0% (up 8.8% Y/Y). Core CPI (the gray line in the chart below) measures price changes excluding food and energy; because food and energy prices tend to be more volatile over time, the core number is a solid complimentary gauge of underlying inflation trends. Since the middle of 2021, core inflation is also elevated. While we believe that continued inflationary pressures could weigh on GDP growth by curtailing consumer spending and business investment, the data through 1Q22 does not reflect a concerning slowdown. Consumer spending data slowed modestly in December and January, but have improved since then, indicating that inflation to this point has not been a significant headwind to growth.



Source: FactSet, Bureau of Labor Statistics as of 3/31/22. The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services.

Much of the inflation surge in 2021 was driven by a V-shaped economic recovery, including accelerating consumer demand fueled by businesses reopening and substantial COVID relief transfer payments to individuals from the Federal government. In addition, a shift in consumer spending favoring goods over services contributed to global supply chain constraints that further pressured prices. Consumer spending (personal consumption expenditures, or PCE) remains the largest component of U.S. GDP, comprising 70% of real GDP (net of inflation) in 4Q21. Consumer spending on Goods (40% of 4Q21 real GDP) grew 14.9% from pre-pandemic annual levels, while spending on Services (60% of 4Q21 real GDP) remained down 2.2% over that period. From the charts below, PCE on Goods is significantly above the pre-pandemic trend

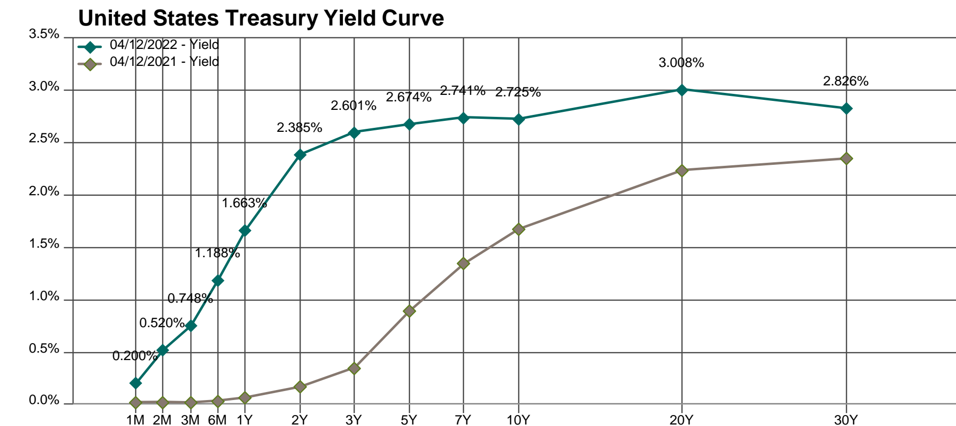
line, while PCE on Services is below that trend growth. There is some evidence that spending on services is growing faster than goods in 2022, and that is expected to provide some relief from core inflation. In the March CPI report, several goods categories either showed a M/M decline in prices or an increase below the headline CPI number. This included household furnishings, outdoor equipment, apparel and footwear, video and audio products, used cars, automobile parts, and tires. This leads to the expectation that Y/Y core inflation may have peaked in March, but the expectation for food and energy prices to remain elevated means that overall inflation is likely to stay high over the next few months. In addition we are watching the trend in wage inflation (average hourly earnings, as reported by the BLS increased an average of 5.4% in 1Q22, compared to an average gain of 4.6% over the last six months of 2021). Persistent gains in wages, if built into expectations and labor contracts, will also contribute to higher levels of sustained inflation.



Source: Bureau of Economic Analysis (BEA) as of 2/28/22. GDP and PCE data can be found at bea.gov (recessions shaded)

U.S. interest rates have moved steadily higher in 2022, attributed to both inflation and a hawkish outlook (raising interest rates) from the Federal Reserve Bank. On a Y/Y comparison, U.S. Treasury yields are higher across all maturity levels comparing April of 2022 to April of 2021, and the yield curve of U.S. Treasuries from 3-years to 30-years has become relatively flat. Since the onset of the COVID-19 recession in March 2020, global interest rates have remained significantly below long-term averages, as economic growth slowed and central banks around the world pursued highly accommodative monetary policy to add liquidity to financial markets and drive low interest rates to stimulate economic growth. Along with Federal government transfer payments (stimulus), global GDP growth recovered in 2021, and U.S. interest rates began moving higher. While interest rates have moved higher, the long-term rates (10-years and longer) have not moved as much as rates from 2- to 5-years, creating the flatter yield curve. We attribute this to an ongoing challenge faced by the U.S. economy. On the one hand, the Fed has begun raising short-term interest rates to tame inflation (the expectation is that this will raise borrowing costs and remove excess, or over-heating, from the economy). If inflation moderates and GDP growth remains positive, it is called a "soft landing." On the other hand, bond investors fear that the Fed could raise rates too far too fast, hurting the labor market and slowing the economy more than expected, perhaps leading to a recession, which would be called a "hard landing." In that scenario, the Fed would likely reverse course and cut interest rates.

In late March, the U.S. yield curve briefly inverted (the yield on the 2-year Treasury exceeded the yield on the 10-year Treasury), sparking discussion of recession fears. The inversion only spanned two days, however, and as of 4/12/22 the 10-year yield and 2-year yield were 2.72% and 2.39%, respectively. But a 2-year/10-year inversion has occurred prior to the each of the six U.S. recessions since 1980. We do not see strong recession indicators in 2022, but the bond market should be followed closely. If the yield curve inverts again due to long-term interest rates falling rapidly, we would be more concerned than from the current situation when both short-term yields and long-term yields are rising.



Source: FactSet as of 4/12/22.

The Fed's ability to engineer a soft landing during tightening cycles has been mixed, but often left out of the discussion about yield curve inversions is the fact that the S&P 500 tends to move higher following the first inversion and peak between 6 to 18 months after that event. In the three inversions that were followed by a recession prior to the pandemic (2008, 2001, and 1991), the S&P 500 gained an average of 37% after the yield curve inverted. Using data from the St. Louis Federal Reserve Bank, looking at 11 Federal Reserve interest rate hiking cycles since 1960, the Fed engineered a soft landing three times, and a tightening-attributed recession followed three times. Of the other five cycles,

there were three mild economic contractions, and two other recessions that were not attributed to Fed policy. Strong consumer finances and corporate balance sheets should help a potential soft landing scenario in 2022, but inflation numbers are at a four-decade high, and interest rates have been low (at zero), suggesting that the Fed might have to raise interest rates much higher than initially expected.

During 1Q22, the Federal Reserve's Federal Open Market Committee (FOMC) raised its target overnight fed funds rate to 0.25% from 0.0%. The Fed also published its Summary of Economic Projections (often called the "Dot Plot"), which laid out the average estimate from all committee participants on a range of 2022 and 2023 economic data, including GDP growth, unemployment, and inflation. The estimates reflected an estimated year-end 2022 target fed funds rate of 1.9% and year-end 2023 of 2.8%. This, of course, suggests an additional 165 basis points (bp) of rate hikes this year and nearly 100bp in 2023. This is substantially higher than what was expected at the beginning of 2022 and more than we expected. In our 2022 Market Outlook, published in December 2021, we discussed 75bp of rate hikes for all of 2022. If the Fed raises its target rate by 50bp at its next FOMC meeting on 5/4/22, it will already reach that 75bp level. In our view, two factors have contributed to the Fed's more aggressive stance. Most important are the inflation trends that have accelerated, and have become more acute due to rising food and energy inputs; but the other factor is a belief that a strong labor market and job openings can tolerate further Fed rate increases.

Fixed income markets have also priced in more Fed rate hikes. According to the CME FedWatch Tool, which analyzes the fed funds futures market to determine probabilities that investors are assigning to changes in the fed funds rate, investors are assigning an 85% (as of 4/12/22) chance of at least a 50bp rate hike at the 5/4/22 meeting, and a 90% probability of another 50bp at the June 2022 FOMC meeting. By year-end 2022, investors have priced in an 88% chance of a minimum fed funds target of 2.25%, which is above the Fed's mean estimate (but within the range of estimates). Also discussed at the March meeting was the Fed's intent to reduce its ownership (the Fed balance sheet) of Treasury and mortgage securities, which totaled $8.9 trillion as of 4/6/22 (Federal Reserve data). According to the minutes of the March 2022 FOMC meeting, the Fed will begin reducing its holdings (primarily by not reinvesting maturing proceeds) in May and quickly scale to $95 billion per month in reductions. This will also have a tightening effect on the U.S. economy, removing liquidity, and possibly combating inflation. We believe the combination of aggressive rate hikes and balance sheet reduction creates risk for equity investors, as the removal of liquidity could create additional volatility and raise concerns about the Fed making a policy mistake. We believe investors can use equity market volatility to add exposure to premier companies that are expected to gain market share and grow earnings and cash flow in the current environment.

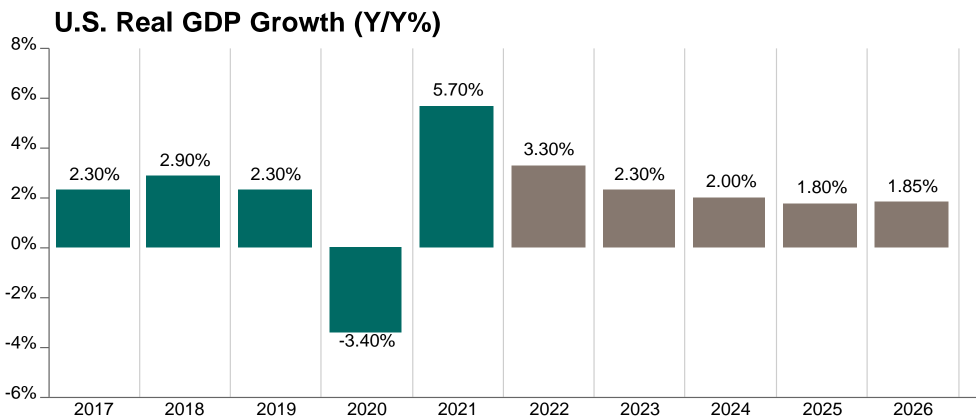
From the table below, the average estimate from FOMC participants for U.S. GDP growth is 2.8% in 2022 and 2.2% in 2023, with PCE inflation (an alternative measure the Fed uses to measure consumer inflation) of 4.3% in 2022, falling to 2.7% in 2023.

U.S. Federal Reserve Bank "Dot Plot" as of 3/16/22*
Federal Open Market Committee (FOMC)

	2022-mean estimate	2022-range	2023-mean estimate	2023-range
U.S. GDP Growth	**2.8%**	2.1%-3.3%	**2.2%**	2.0%-2.9%
Unemployment Rate	**3.5%**	3.1%-4.0%	**3.5%**	3.1%-4.0%
PCE Inflation	**4.3%**	3.7%-5.5%	**2.7%**	2.2%-3.5%
Year-end fed funds rate	**1.9%**	1.4%-3.1%	**2.8%**	2.1%-3.6%

Data Source: federalreserve.gov, as of 3/16/22. The Summary of Economic Projections or "Dot Plot" is compiled from Federal Reserve Board members and Federal Reserve Bank presidents.

Growth estimates for the U.S. economy have moved lower since the Russian invasion of Ukraine in February, but U.S. 2022 GDP growth is expected to remain solidly positive. Late last year, the FactSet consensus estimate for 2022 U.S. GDP was 4.1%; we estimated a slightly lower range of 3.5% to 4.0% in our WM Research 2022 Market Outlook, published in December 2021, which discussed expectations for solid consumer spending, headwinds from uncertain levels of business investment and inventory adjustments, and weaker export markets. As of 4/12/22, the FactSet consensus estimate for 2022 GDP growth was 3.3%. Estimates dropped modestly in January as yet another COVID-19 variant, Omicron, disrupted consumer behavior. Consumer activity resumed quickly by late January, however, with a surge in airline travel, hotel occupancy, and restaurant visits. But since mid-February, surging inflation and sanctions on Russia have negatively impacted the growth outlook.



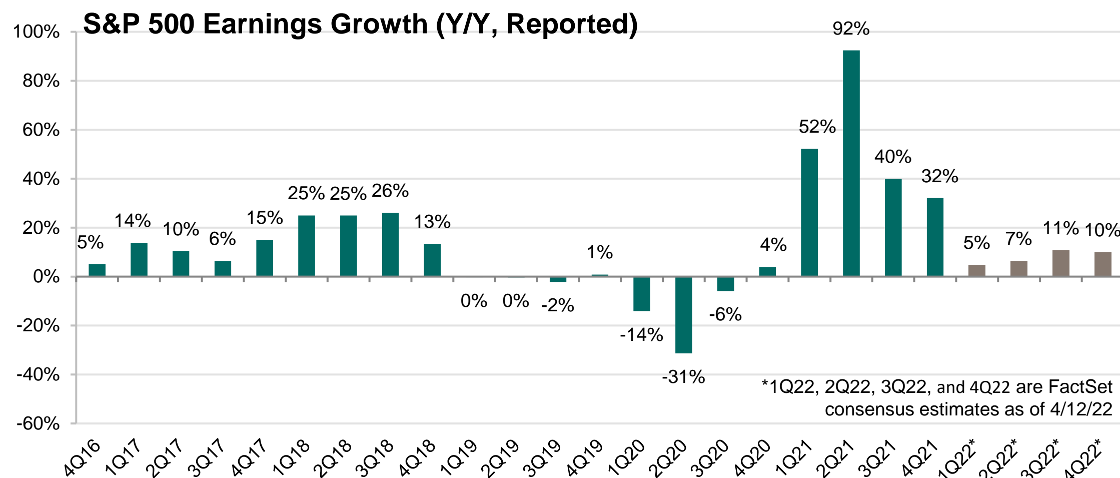
U.S. Quarterly Real GDP Actual / Estimates (Q/Q%)	
4Q21A	6.9%
1Q22E	1.8%
2Q22E	3.0%
3Q22E	3.0%
4Q22E	2.7%

Data Source: FactSet consensus estimates and Bureau of Economic Analysis, as of 4/12/22 (green are actual reported numbers)

Higher food and energy prices will potentially change consumer patterns and delay the expected recovery in spending on services. In addition, because Europe relies on Russia (and Ukraine) for oil, gas, and grain, the war and sanctions will negatively impact the European growth outlook, particularly Germany, and that could have negative consequences for U.S. companies with heavy European exposure. Lower exports would weigh on U.S. GDP growth potential.

U.S. 2021 annual GDP growth of 5.9% was helped by 4Q21 GDP growth of 6.9% (seasonally adjusted at an annual rate). That 6.9% rate was somewhat misleading, however, as the core components of GDP growth that we follow (consumer spending, business investment and government expenditures) contributed just 1.3% to that total number combined. Inventories, a quarterly adjustment, contributed 5.3% to GDP, a historically high number. Several factors contributed to the inventory build-up, but the main drivers in our view were ongoing anomalies caused by the dramatic government-imposed shutdown and reopening, and supply chain disruptions that led to high levels of undelivered or unfinished product. Some of the inventory build is expected to have reversed in 1Q22, which will cause a drag in reported GDP growth, masking a decent quarter from consumer, business, and government. While the 1Q22 GDP growth estimate (FactSet) was 1.8% as of 4/12/22, the Atlanta Fed GDPNow estimate (which tracks current quarter GDP trends as monthly data is reported) as of 4/8/22 reflected 1Q22 GDP growth from consumer, business, and government of 3.5%, while inventories and exports/imports reflected a drag of 1.5% and 1.4%, respectively. Due to the war and inflation trends, we believe that 2Q22 and 3Q22 are the most vulnerable to a slowdown in consumer spending, but we believe that full-year U.S. GDP growth of 3.0% to 3.3% is achievable.

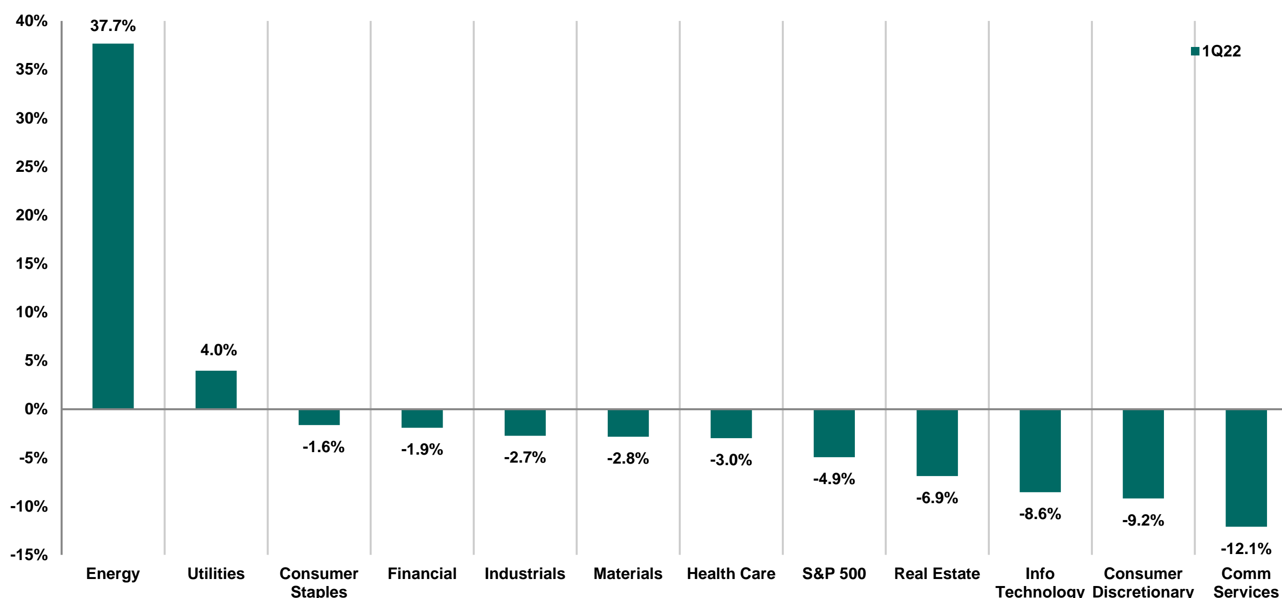
After a post-recession surge earnings growth is expected to slow in 2022. Perhaps the biggest equity market story of 2021 was earnings growth. Not only did earnings across the S&P 500 increase at a large double-digit percentage growth rate for four consecutive quarters from 1Q21 to 4Q21, but also actual results, once reported consistently, exceeded pre-report estimates each quarter by a wide margin. In our view, earnings growth was the largest contributor to the S&P 500's 26.9% price gain in 2021. While earnings growth is expected to slow substantially in 2022 compared to 2021 growth rates, earnings growth of 9.5% is expected for the full year. Higher growth rates are expected in the second half of the year, indicating the full-year expected numbers will be back-end loaded, creating some risk to the annual estimates if inflation and/or demand destruction hurts corporate results as the year unfolds. S&P 500 earnings growth rate estimates for 1Q22 are the lowest in five quarters but companies typically exceed estimates. According to FactSet consensus estimates, 1Q22 earnings for S&P 500 companies are expected to increase 5%. Also according to FactSet, over the past five years, quarterly Y/Y earnings results have exceeded estimates as of the end of the reporting quarter by 8.1 percentage points. If that happens for 1Q22, the Y/Y earnings growth rate would be above 12%. While overall S&P 500 earnings are expected to grow in 1Q, four of the eleven S&P 500 Global Industry Classification Standard (GICS) sectors are estimated to show Y/Y earnings declines. Those are Financials, Consumer Discretionary, Communications Services, and Consumer Staples. But the other seven sectors reflect strong estimated Y/Y growth led by Energy, Industrials, Materials, and Real Estate. Despite cost pressures imposed by inflation and supply chain disruptions, strong expected revenue growth should help companies drive growth to the bottom line as well. We believe that better-than-expected 1Q earnings growth is a potential market catalyst in the second quarter, but also see ongoing uncertainty regarding full-year growth estimates. Companies that miss estimates and/or reduce 2022 outlooks will likely trade lower until visibility improves.



Data source: FactSet as of 4/12/22, earnings estimates are compiled by FactSet from Wall Street analyst estimates. Graph measures S&P 500 earnings growth (weighted average of all S&P 500 earnings results based upon market capitalization) of each quarter compared to the same quarter in the prior year.

What is the bigger story of 1Q22: sector performance leadership from Energy, or underperformance of growth sectors? The Energy sector, which gained 47.7% on a price basis in 2021 to lead all sector returns, increased another 37.7% just in 1Q22 to lead all sectors again. This was even more impressive because while all 11 S&P 500 GICS sectors were positive in 2021, in the first quarter of 2022, nine of the 11 sectors were lower. The other positive sector, Utilities, traded 4.0% higher in 1Q22. Energy's five-quarter rally has increased its weighting in the S&P 500 to 4.1% as of 4/12/22, compared to 2.4% at the end of 2020. Energy is now the eighth-largest sector by market capitalization in the index, while the largest sector, Information Technology, represents 26.8% (the second largest sector as of 4/12/22 was Health Care at 14.2%). The S&P 500's worst sector performers in 1Q22 were Communications Services, Technology, and Consumer Discretionary. These three sectors largely led market returns since the onset of the pandemic recession, and include most of the large cap leading technology-centric growth companies well known to investors. The underperformance to begin 2022 is a reminder that sector leadership often changes, or rotates, over time, and supports our view that long-term equity portfolios should strive for sector diversification. We advocate that investors maintain positions in high-quality leading companies across industry sectors. We may be now seeing a longer-term change in sector leadership that could lead to better relative performance from sectors and companies that have lagged the broader market in recent years.

S&P 500 Sector Performance – 1Q22 Price Returns (12/31/21 to 3/31/22)



Data source: FactSet as of 3/31/22, S&P 500 GICS sector indices maintained by S&P Global & MSCI

We made no changes to our sector weighting recommendations in April, after making a few changes in December, but have updated our sector commentary in the table below. While there is much debate among professional investors about growth vs. value and cyclical vs. defensive, we see value in building broad exposure to high-quality "franchise" companies that can successfully navigate today's complex environment. This includes companies with strong market share positions, high-quality management leadership, strong balance sheets (manageable debt and access to capital), and resilient profitability (growth in earnings and cash flow despite inflation). Much more than we have seen the past two years, 2022 will be a "stock picker's" market. It is not the time to become overly defensive, but some defensive exposure is appropriate. Similarly, while growth is currently out of favor, we see value in some leading growth companies that have pulled back to lower valuation levels. Investors with long-term horizons (more than one year, preferably two to three years) should look to improve portfolio quality and improve diversification. We also are attracted to dividend payers, especially companies with low payout ratios (dividends that are 50% or lower as a percentage of earnings) and those that are able to increase dividends even during periods of volatility and uncertainty.

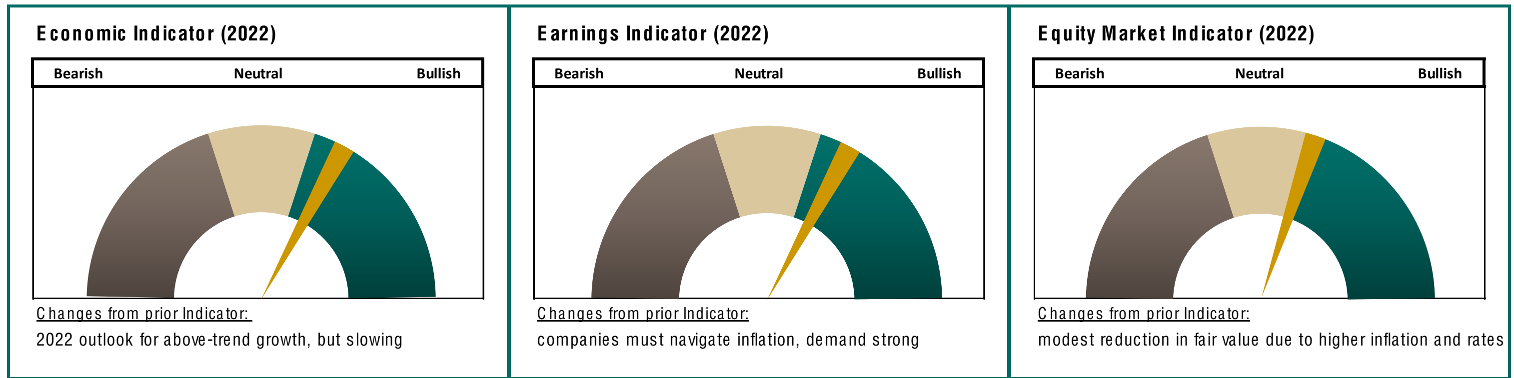
Our S&P sector recommendations and commentary are updated below.

S&P 500 Sector Recommendations - April 2022

GICS Sector	S&P 500 Weight by Market Cap	WM Research 2022 Outlook	Notes (reflect current expectations and are subject to change)	Change
Technology	26.8%	marketweight	still valuation risk in momentum names, but leaders remain attractive	
Health Care	14.2%	overweight	many high quality earnings and cash flow leaders, well positioned	
Consumer Discretionary	11.8%	marketweight	watch inflation headwinds, favor services over goods	
Financials	11.1%	marketweight	higher rates good, flat yield curve bad, but should benefit from cyclical recovery	
Communications Services	9.2%	marketweight	worst performing sector in Q1, but 5G and telecom well positioned	
Industrials	7.8%	overweight	supply chain recovery helps margins, but inflation and Europe now headwinds	
Consumer Staples	6.5%	underweight	safe haven in down market, remain selective after Q1 gains	
Energy	4.1%	marketweight	sector weight was 2.7% one year ago, Ukraine war should sustain high energy prices	
Real Estate (REITs)	2.9%	marketweight	focus on faster turnover of assets where capacity is tight (limited supply)	
Utilities	2.9%	marketweight	one of two sector winners in Q1, beneficiary of infrastructure & energy transition	
Materials	2.7%	marketweight	some winners in this group for companies that have pricing power	

Data source: D.A. Davidson Wealth Management Research as of 4/12/22.

Wealth Management Research Investment Cycle Gauge



Source data: D.A. Davidson & Co. as of 4/12/22

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publically traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets..

Other Disclosures:

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet.

Fair value refers to a valuation method based on our view of the intrinsic value of an asset or index, determined by macroeconomic factors and earnings expectations rather than current market prices. This is our view of intrinsic value as of the date of this report.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet Consensus refers to the aggregate of all analyst estimates from firms that submit estimates to FactSet for a given financial metric.

The annual price returns of the S&P 500 index are calculated using index closing value on 12/31 of one year to 12/31 of the next year. 2022 returns are calculated as of 3/31/2022, although some charts used a date in early April. Intra-year peak-to-trough percentage declines are calculated using the index closing prices from an intra-year high date to a subsequent low date. Closing prices are provided by S&P Global through FactSet. Averages across years are calculated using the arithmetic mean.

The yield of the 10-year U.S. Treasury bond is a widely followed barometer of the current U.S. interest rate environment.

Treasury bond data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

S&P 500 earnings growth reflect the year over year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members--the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury bonds, indicating the relationship between the interest rate and the time ("term") to maturity.

U.S. Personal Consumption Expenditures (PCE) is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis.

The Federal Reserve Summary of Economic Projections (Dot-Plot) is sourced from federalreserve.gov, as of 3/16/22. Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The Summary of Economic Projections or "Dot Plot" is compiled from Federal Reserve Board members and Federal Reserve Bank presidents.

Consumer data includes: The Advance Monthly Sales for Retail is a survey of 5,500 employer firms by the U.S. Census Bureau. Its statistical analysis from the respondents is weighted and benchmarked to represent the complete universe of over three million retail and food service firms, as well as personal consumption expenditures from the Federal Reserve Bank. In addition. The Transportation Security Administration (TSA) reports the daily number of travelers that pass through its U.S. security checkpoints. It is used a measure to track daily airline passenger traffic across the U.S.

STR, a division of CoStar Group provides data analytics for the global hospitality industry. STR provides a weekly composite of hotel data across 25 top markets to measure, occupancy, average daily rates, and revenue per available room.

The Atlanta Fed GDPNow is not an official Fed forecast of GDP growth, but is a running estimate of real GDP growth based upon available economic data for the current measured quarter.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity.

The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and in this way alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The CME FedWatch Tool is calculated by CME Group, to estimate probabilities of future changes in the Fed’s fed funds rate, by analyzing publicly trade Fed Funds futures contracts.