D|A|DAVIDSON
WEALTH MANAGEMENT



# Market & Economic Outlook 2021 – October Update: As Growth Slows, Valuations Matter

| Major Indices | Value (9/30/2021) | 3Q21 (6/30/2021 - 9/30/2021) Price Return | 3Q21 Total Return | 2021 YTD (12/31/2020 -9/30/2021) Price Return | 2021 YTD Total Return |
|---|---|---|---|---|---|
| S&P 500 | 4,307.54 | 0.2% | 0.6% | 14.7% | 15.9% |
| Dow Jones Industrial Average | 33,843.92 | -1.9% | -1.5% | 10.6% | 12.1% |
| NASDAQ Composite | 14,448.58 | -0.4% | -0.2% | 12.1% | 12.7% |
| Russell 2000 | 2,204.37 | -4.6% | -4.4% | 11.6% | 12.4% |
| MSCI EAFE (USD) | 2,281.29 | 0.7% | 1.4% | 6.2% | 8.8% |
| MSCI Emerging Markets (USD) | 1,253.10 | -7.5% | -6.6% | -3.0% | -1.0% |
| Bloomberg Commodity Index | 100.76 | 6.6% | 6.6% | 29.1% | 29.1% |
| Barclays U.S. Aggregate Bond | 105.50 | -0.7% | 0.1% | -4.0% | -1.6% |

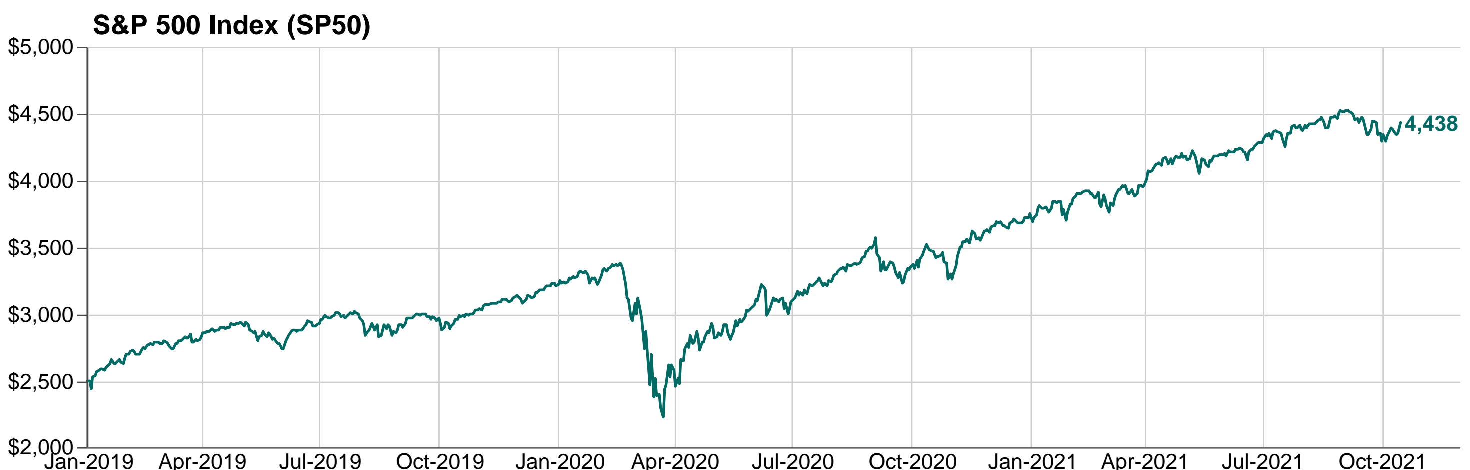
*Data Source: Factset through 9/30/21; Further discussion of market indices can be found in the Appendix section.*

***Outlook Summary:***

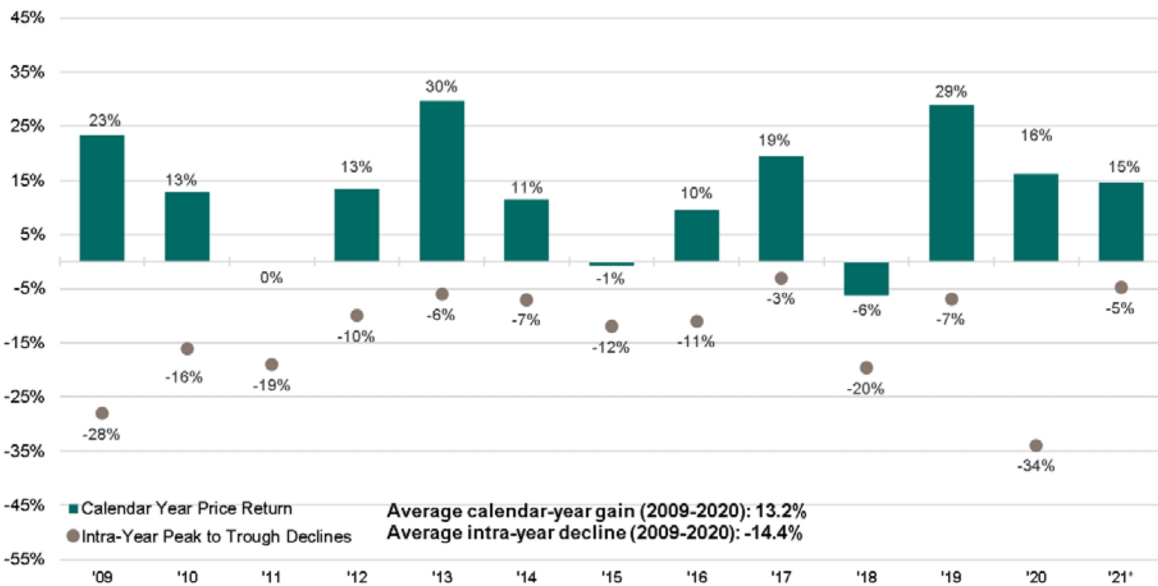
U.S. equities were broadly lower in September, erasing accumulated gains from July and August as investors worried about reduced consumer activity caused by surging COVID-19 cases and global supply chain bottlenecks that are causing problems for manufacturers and retailers. Equity market gains since the shutdown-recession lows in March 2020 have been driven by two factors, in our view: first, much better-than-expected earnings growth, and second, expanding valuation multiples on a price-to-earnings (P/E) basis. Looking ahead, the pace of the economic recovery appears healthy, especially if U.S. employment growth accelerates from a summer lull and global economies continue to reopen. This can drive both consumer spending and business investment to offset lower near-term expenditures from the federal government. At the same time, while the late-summer COVID surge appears to have eased in recent weeks (providing optimism for a rebound in employment growth and consumer activity), investors must navigate multiple near-term risks as the fourth quarter of 2021 gets under way. This includes supply chain headwinds, elevated inflation levels, the impact of potential higher corporate tax rates on earnings, and the Federal Reserve Bank (Fed) removing monetary liquidity by tapering its open market securities purchases.

Our S&P 500 fair value estimate remains 4,540 (unchanged from July), which is 5.4% above the index's closing value on 9/30/21. While we see multiple market risks potentially weighing on equity market gains over the near-term, gross domestic product (GDP) growth in 2021 and 2022 should remain above trend (higher than long-term averages) and provide a strong backdrop for solid corporate performance. We believe that equity market gains in 2022 and beyond will more closely follow earnings growth (not from higher valuation multiples) and that investors should scale back return expectations from the high levels enjoyed since the end of 2018 (from 12/31/18 to 9/30/21 the S&P 500 compounded annual total return was 23.9%). In our view, investors should stick to high-quality positions while maintaining equity portfolios that are diversified across sectors. In the near term, we look for outperformance from companies in cyclical sectors that can benefit from the expected above-trend GDP growth trajectory.

The S&P 500 gained just 0.6%, including dividends, in 3Q21, but generated a nine-month (through 9/30/21) total return of 15.9%. The index established 19 new all-time closing highs in July and August, and one in September when the S&P 500 peaked at 4,537 (the index began 2021 at a level of 3,756). From the 9/2/21 peak to the end of September, the index dropped 5.0%, and through 10/4/21 the pullback reached 5.2%. This was the largest peak-to-trough decline for the S&P 500 since a 7.4% decrease in late October 2020. While market volatility increased in September, the pullback remained well below the average annual peak-to-trough decline since 2009. Over that 12-year period from 2009 through 2020, the average annual S&P 500 price return was 13.2%, while the average intra-year pullback (a high to low within the calendar year) was 14.4%. While we are not predicting a 14% market correction in the current environment, investors should expect market pullbacks greater than 5% on a regular basis.

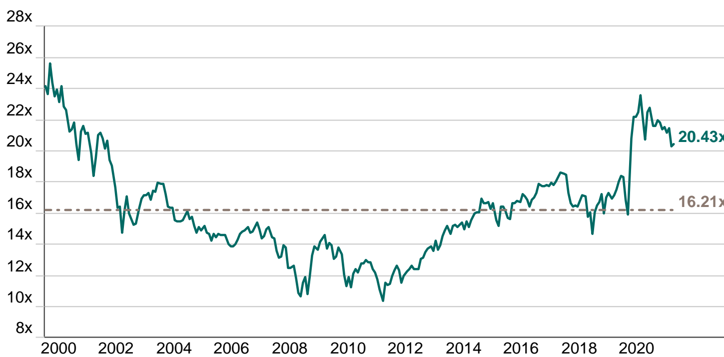


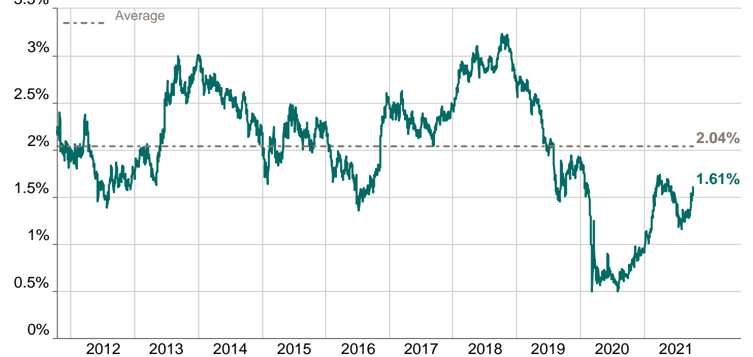

Data Source: FactSet as of 10/14/21. S&P 500 Daily Closing Prices 12/31/18 to 10/14/21




Data source: FactSet and D.A. Davidson using daily closing prices of the S&P 500 index. As of 9/30/21. Column labels are rounded.

**Our S&P 500 fair value estimate of 4,540 represents a P/E of 21.4x the next twelve months (4Q21 to 3Q22) FactSet consensus S&P 500 EPS estimate of $212 and 20.8x the 2022 EPS estimate of $218.** The market (S&P 500) P/E valuation as of 10/11/21 of 20.4x forward EPS estimates remains elevated and is well-above the average forward P/E of 16.2x since 2000 (the average forward P/E over the past 5 years is 18.3x). In 2021, consensus earnings estimates have grown faster than the index gains, leading to a lower S&P 500 forward P/E ratio. The FactSet consensus 2021 EPS estimate was 21% higher on 9/30/21 vs. the estimate on 12/31/20, while the S&P 500 price return was 14.7% over the same period. Although the P/E ratio has moved lower, it remains above that 5-year and 10-year average. Because lower long-term interest rates increase the present value of future cash flows, a low-rate environment generally supports higher P/E ratios, as we have currently. As of early October, the 10-year U.S. Treasury yield was about 1.61%. While the 10-year Treasury yield has increased from both the pandemic lows of 2020 (0.51% on 8/4/20) and 3Q21 lows (1.17% on 8/4/21), yields remain below the average 10-year Treasury yield of 2.04% over the past ten years. P/E ratios have remained elevated for more than two years since the 10-year Treasury yield dropped below 2.0% and stayed there. Rising interest rates remain a risk for market valuations; while interest rates remain relatively low, we do not expect P/E multiples to expand from current levels.

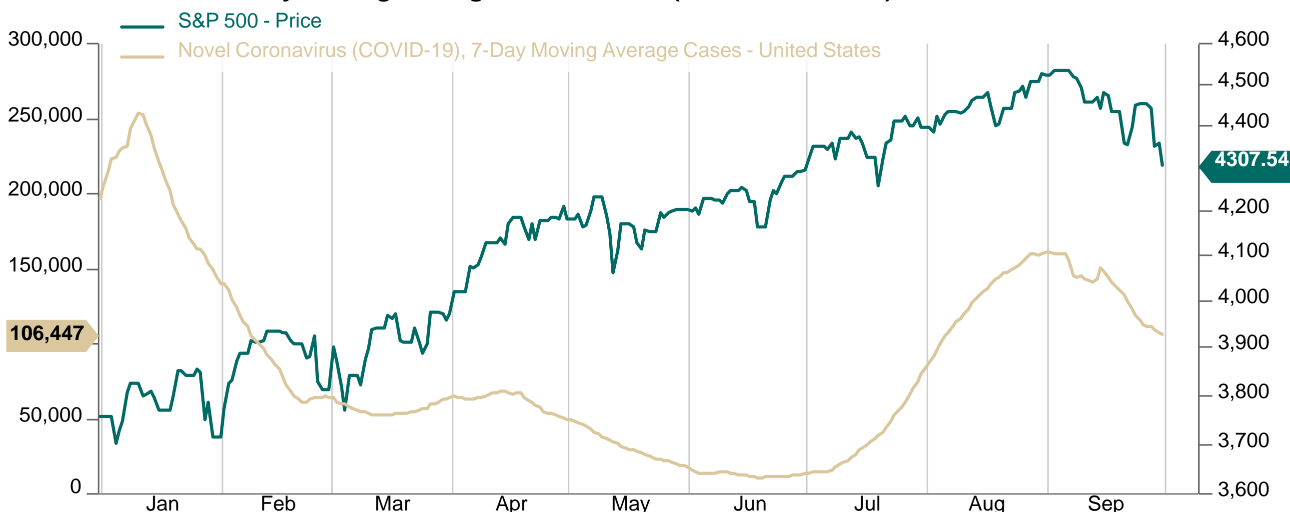



Data source: FactSet, using exchange data, as of 10/11/21 (see Other Disclosures on page 8 for further discussion of P/Es and Treasury yields)

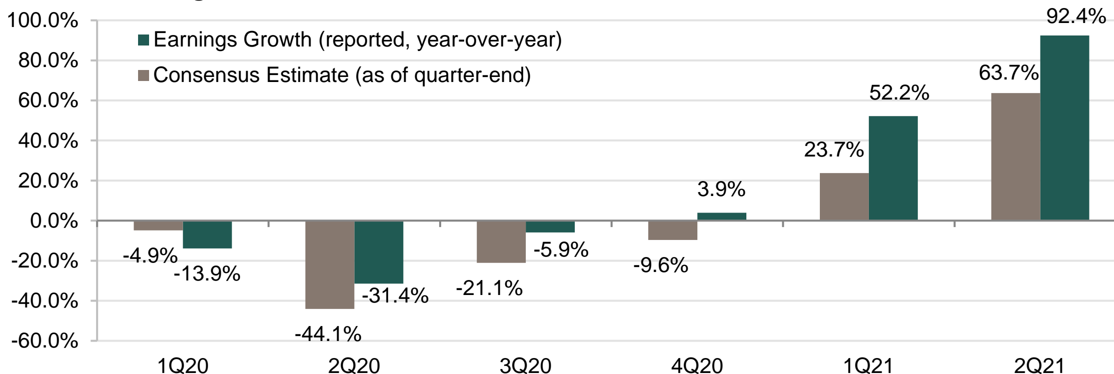
The calendar year 2021 began in the middle of a COVID-19 winter outbreak that threatened to delay the post-recession recovery. However, vaccine penetration, along with the easing of business restrictions helped sustain the strong GDP trends that began in the second half of 2020, but that had slowed late in 4Q20. GDP growth in 1Q21 and 2Q21 was 6.3% and 6.7%, respectively, and both quarters were paced by a strong contribution from consumer spending. During 3Q21, the spread of the COVID-19 Delta variant placed a wrench in the recovery, although there was a lag between COVID trends and the equity market reaction. According to the Center for Disease Control (CDC), the 7-day average of new COVID-19 infections peaked in early January and declined relatively steadily through late June; then new cases accelerated in July and August, before peaking again at the end of August. The S&P 500 moved steadily higher as cases were falling in the spring and continued higher despite the summer surge. But, we believe there was a lag effect before consumer activity was constrained by virus fears. This was shown in several high-frequency (daily) data points, including daily airline passenger data from the TSA and hotel occupancy from industry data provider STR. The 7-day average of daily airline traffic rose through most of July, peaking on 7/21/21 up nearly 140% from the end of December. Meanwhile, daily passengers dropped 22% from 7/21/21 to 9/16/21, an indication of more cautious travel activity that dropped much more than typical seasonal patterns. U.S. Hotel occupancy peaked at 71% the third week of July and dropped to 61% by the end of September. Over the same period, revenue per available room dropped 17%. This has contributed to lowered estimates for 3Q21 GDP growth, although the outlooks

for 4Q21 and 2022 have remained relatively unchanged. Notably, daily air passenger traffic rebounded 14% from the September low through 10/11/21. Consumer activity and business investment are key components of 2022 GDP and we are watching employment gains, consumer confidence, personal consumption expenditures (PCE), and corporate capital expenditures to support continued above-trend GDP growth. According to the CDC, as of 10/9/21 187 million (M) Americans were fully vaccinated and 217M (66% of the population) were at least partially vaccinated. 84% of the population above age 65 was fully vaccinated. In addition, with more than 44M confirmed cases of COVID, this infers some level of natural immunity. While herd immunity appears close, if not already here, we also know that the vaccines do not fully prevent infections or stop transmission. For that reason, it appears COVID-19 is endemic and likely vulnerable to future outbreaks as new variants emerge. We believe that U.S. and global economies will be able to balance the risk of future outbreaks with an ongoing return to normal work and personal activities.




Data source: FactSet, daily S&P 500 closing prices as of 9/30/21. U.S. Center for Disease Control (CDC) as of 9/30/21.

**Will positive earnings surprises continue?** Equity investors have enjoyed an impressive run of positive earnings surprises as shown in the table below. We looked at the actual reported S&P 500 earnings growth compared to the end of the quarter (pre-reporting) FactSet consensus year-over-year (Y/Y) earnings growth estimate for the past six quarters. Since earnings missed estimates in the March 2020 quarter, S&P 500 earnings have exceeded estimates for five consecutive quarters by an average of 20 percentage points (including 28 percentage points in 2Q21 when reported earnings increased 92%, compared to the 64% estimate). Earnings growth rates will begin to come down (almost no one expects 92% Y/Y earnings growth to continue), as we are now past the lowest of the comparative numbers from 2020, and we also believe that potential for upside surprises will diminish. While companies still face a fairly positive global GDP recovery environment (driving sales growth), companies will have fewer opportunities for margin expansion due to rising raw materials and input costs, wage pressures, and transportation and logistics expenses that have accelerated due to supply chain bottlenecks. We believe that supply chain disruptions will remain but ease in early 2022, but that still suggests ongoing margin challenges affecting earnings results in 3Q21, 4Q21 and 1Q22. S&P 500 consensus earnings growth estimates for those three quarters are 28%, 22%, and 6%, respectively, and at this point we don't expect significant upside to those growth rates, which could limit equity market gains until inflation visibility improves.

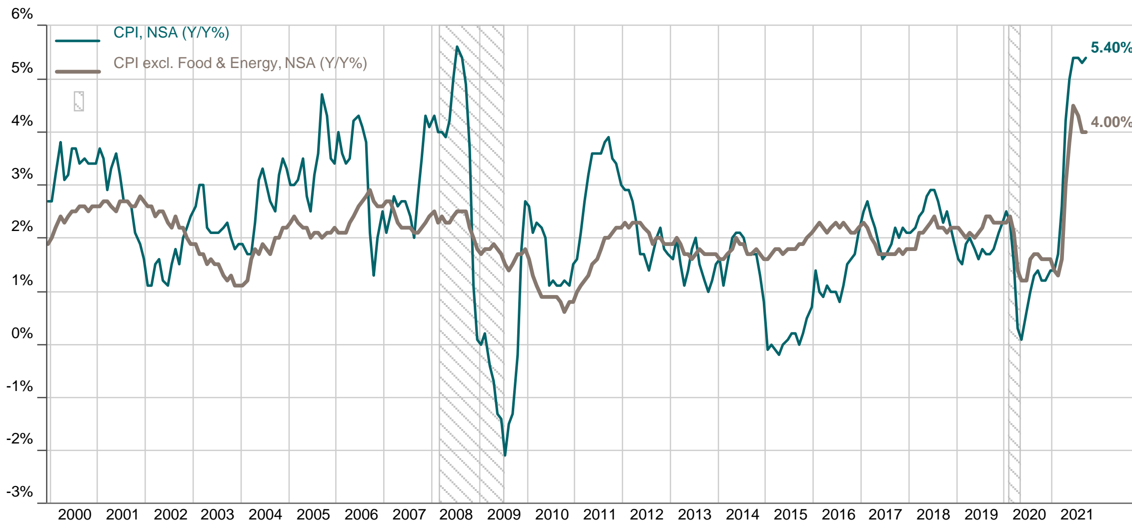



Data source: FactSet as of 9/30/21, earnings estimates are compiled by FactSet from Wall Street analyst estimates

**Inflation data remained elevated in 3Q and became a key topic driving discussions about consumer purchasing power, supply chain bottlenecks, and the Federal Reserve Bank's (Fed) view that higher prices are "transitory."** Inflation, as measured by the consumer price index (CPI) began moving higher from the 2020 recession lows in June 2020, moving higher to close the year, and ultimately surpassed the pre-pandemic level of 2.5% (annual increase) in April of this year, hitting 4.2%. The inflation rate moved to 5.0% in May and has remained

above that level for five consecutive months. A sustained range of CPI above 4.0% was last seen from March to September in 2008, and before that all the way back to 1988. In addition, the trends in "core-CPI," which excludes food and energy prices and is much less volatile over time, has been at 4.0% or higher for the past four months, levels not seen in 29 years. Among the largest contributors to higher CPI levels include gasoline, natural gas, heating oil, building materials, used vehicles, new vehicles, and food. Most of us have experienced higher prices on a day-to-day basis and the question becomes at what point do higher prices begin to negatively impact spending? According to the Labor Department's monthly employment report, average hourly earnings (AHE) increased 4.6% Y/Y in September and averaged 3.6% over the past five months. While this has not quite kept up with inflation recently, compared to April to September 2019, AHE increased an average of 9.0% in April to September 2021 indicating that consumers' purchasing power has kept pace. Still, with the recent spike in food and especially energy prices (gasoline increased 42% Y/Y in September), sustained elevated CPI is a potential risk for consumer spending.

**Consumer Price Index (Monthly)**




Source: FactSet, Bureau of Labor Statistics as of 9/30/21. 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.

We are in partial agreement with the Fed in that much of the inflation tied to the supply chain is transitory; a result of temporary demand vs. supply imbalances that will correct over several quarters. A transitory period of inflation would be consistent with the recent low inflation experienced since the financial crisis despite Fed efforts to raise price levels. But the definition of transitory could be tested if high price levels continue into the middle of 2022 (suggesting 18 months of elevated CPI readings). This could drive long-term interest rates higher, creating headwinds for equity valuations. Many companies began highlighting cost challenges on 1Q21 and 2Q21 conference calls, and those comments have increased in recent weeks. Companies will raise prices if they can and it makes sense, but the ability to drive increasing margins in this environment is diminished. In the past few weeks we have seen prices fall for many agricultural crops, including corn, soybeans and cotton, but prices for industrial metals, oil and lumber have turned higher. Even shipping costs have pulled back from peak levels in late September. The Drewry World Container Index reflected Y/Y prices up 289% as of 10/7/21, but dropped more than 2% since 9/23/21, and rates from Shanghai to Los Angeles were down 10%. We are watching for signs that supply chain bottlenecks will peak early in 4Q (as goods arrive for holiday), but even if companies get relief from moderating costs, higher labor and energy costs could linger for some time. It is important for investors to understand the potential impact of sustained inflation (revenue and profit margins) on companies in portfolios.

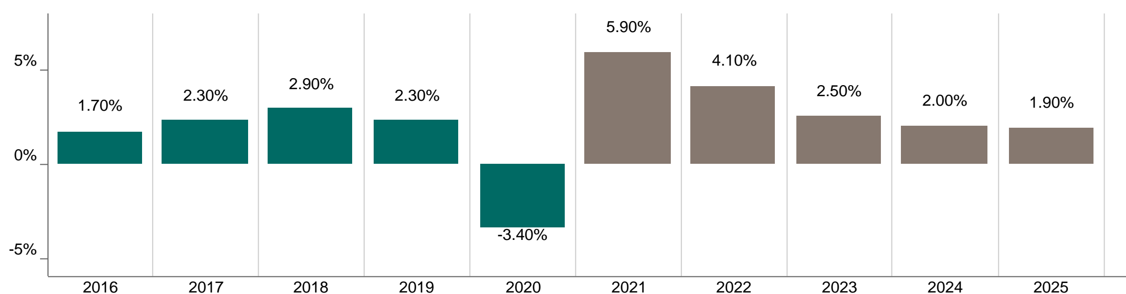
Federal Reserve monetary policy has remained highly accommodative throughout the pandemic as the Fed follows its dual mandate to foster maximum employment and manage inflation. The Fed has maintained its overnight fed funds interest rate target at 0% to 0.25% since March 2020 and has purchased Treasury securities ($80B) and mortgage securities ($40B) totaling $120B every month. Now that inflation has exceeded the Fed's "above 2% for some time" target for several months, there has been committee discussion about reducing or "tapering" those purchases as the first step to remove excess liquidity (before the next step of raising the fed funds target). Following the 9/22/21 Federal Open Market Committee (FOMC) meeting Fed Chair Jerome Powell indicated that as progress continues on driving employment growth and inflation above 2.0%, the tapering of asset purchases may "soon be warranted," and also be completed by the middle of 2022. This suggests to us that tapering could begin in November this year and continue for eight months. The release of the meeting minutes this week confirmed that November is the likely start date. One wrinkle that we see in that timeline is that Congress has pushed out the deadlines for the budget resolution and debt ceiling to 12/3/21, which will require a fierce budget debate beginning in mid-November. We are not sure the Fed will want to begin removing liquidity concurrent with the budget negotiations. On the other hand, the minutes revealed that FOMC members discussed a view that inflation could last longer than "currently assumed," which would support some action to remove liquidity to address inflation pressures. Tapering remains the first line of defense to address inflation, but FOMC members also see a 0.25% increase in the fed funds rate in 2022 and 0.75% in 2023.

**U.S. GDP growth estimates for 2021 and 2022 remain above the pre-recession trend, despite a reduced outlook for 3Q21, the quarter that just ended.** 2Q21 GDP grew 6.7%, eclipsing the first quarter growth rate of 6.3%, but was below the 2Q21 estimate, which was 9.8% in early July. The GDP "miss" in 2Q was due to a surprise drop in inventories, and also a drag from residential (housing) investment, which pulled back from a strong second half of 2020. Consumer spending and business investment both made solid GDP contributions to 2Q and were not part of the shortfall. Inventories were also a drag on 2Q GDP, suggesting that production did not keep pace with demand, and could become a source of future GDP growth as inventory stocks of finished goods are replenished. The first look at 3Q21 GDP will be reported by the

Commerce Department at the end of October, and the consensus estimate is for 5.0% growth (annualized growth from 2Q levels). That estimate was 7.1% on 7/31/21, but has trended lower as the spread of COVID-19 weighed on economic activity. Monthly data from the U.S. Commerce Department showed weaker-than-expected July reports for retail sales and personal consumption expenditures, although the data improved in August. In addition, according to the Bureau of Economic Analysis, new car sales have trended lower, and both housing starts and new home sales in August were below levels earlier in the year, per the U.S. Census Bureau. This has led to some economists lowering their 3Q21 GDP growth estimates, thus bringing down the FactSet consensus estimate. Given the headwinds created by the Delta variant we would view 5.0% as a fairly strong number, and also highlight expectations for 5.6% expected GDP growth in 4Q21, reflecting expectations that consumer activity improves as the spread of Delta wanes and some supply shortages (especially semiconductors) ease. The 4Q21 GDP estimate was 5.2% at the end of July indicating a modestly higher estimate over the past two months. The Atlanta Federal Reserve Bank publishes a current quarter GDP estimate (GDPNow) that calculates the GDP trend as data is reported. Its 3Q21 GDP estimate was 6.1% on 7/30/21, but as of 10/8/21 had fallen to 1.3%. The Atlanta Fed model (with most data in through August) shows weaker-than-expected trends for consumer spending, business equipment, and housing investment contribution. We believe the model is likely to move higher as September data is reported, but in our view a weak 3Q21 GDP is a risk for equity markets as this is not expected by investors.

As we look to 2022, the consensus GDP estimate is 4.1%, unchanged from the end of July. In the four years (2016 to 2019) prior to 2020 (when U.S. GDP declined 3.4%), U.S. GDP growth averaged 2.3% (average annual GDP growth for ten years 2010 to 2019 was also 2.3%). Next year's GDP growth is expected to remain above its long-term trend as consumer spending growth is driven by employment and wage gains, continued growth in corporate capital expenditures, and a need for U.S. companies to replenish inventory levels after declines in the first half of 2021. Government spending is likely to be a drag on 2022 U.S. GDP growth as two years of massive COVID relief mostly goes away. We estimate COVID relief bills passed in March, April, and December of 2020 and March 2021 totaled $5.7 trillion (T), which is 25.1% of 2Q 2021 annual U.S. nominal GDP of $22.7 trillion. Although additional infrastructure bills totaling $1.0T to $3.0T are expected this year, those spending programs will likely spread outlays across several years, so the direct impact in 2022 is likely to be limited. Also in 2022 and beyond, some of the Federal government spending programs are likely to be offset by an increase in corporate tax rates, but the outcome of those proposals remains uncertain in early October.

**U.S. Real GDP Growth (Y/Y%)**



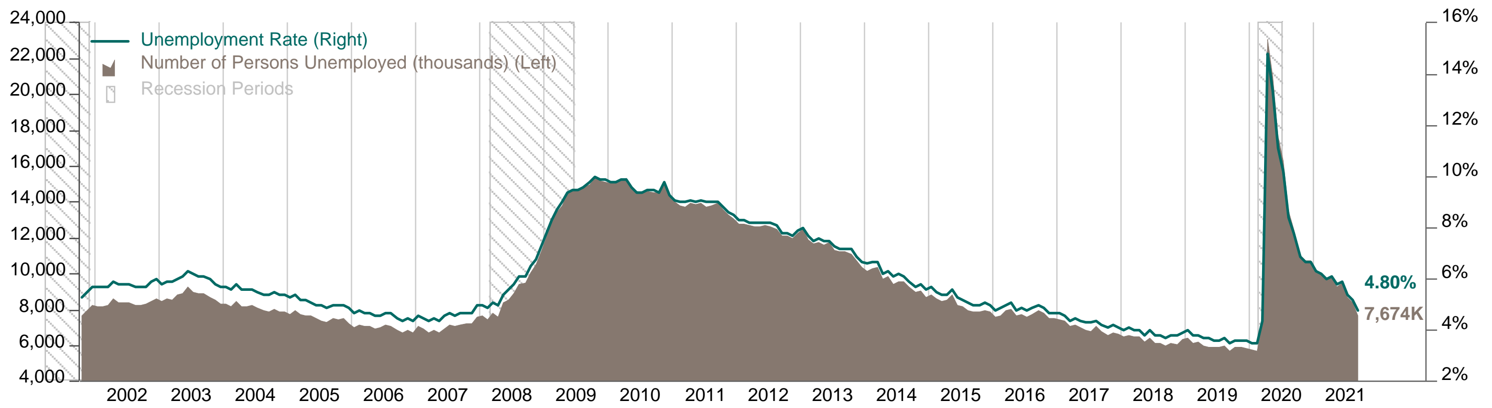

| U.S. Quarterly Real GDP Actual / Estimates (Q/Q%) | |
|---|---|
| 1Q21A | 6.3% |
| 2Q21A | 6.7% |
| 3Q21E | 5.0% |
| 4Q21E | 5.6% |
| 1Q22E | 3.2% |

Data Source: FactSet consensus estimates and Bureau of Economic Analysis, as of 10/11/21 (green are actual reported numbers)

**Job creation slowed at the end of the quarter and more people than expected have exited the labor force.** New nonfarm payrolls (jobs) averaged 550 thousand (K) monthly in 3Q21, below the monthly average of 615K in 2Q (data from Labor Department's Bureau of Labor Statistics, or BLS). But the 3Q trend deteriorated in August and September as those two months averaged just 260K. This is substantially below the 500K to 600K monthly average we believe is necessary to drive continued post-COVID-recession economic expansion. The U.S. employed population in September 2021 was 153.7M, still down 5.1M from 158.8M in February 2020 (pre-pandemic). The industry group with the largest jobs shortfall compared to February 2020 are leisure and hospitality (-1.5M), local government (-625K), administrative and support (-600K), healthcare (-540K), and manufacturing (-400K). Jobs growth has slowed despite millions of jobs available, which have hovered near all-time record levels. The BLS' monthly Job Openings and Labor Turnover Survey (JOLTS) showed 10.4M open jobs at the end of August (just below July's all-time high of 11M). Job opening were plentiful in retailers, hotels, and restaurants, but also in transportation, warehousing, health care, education, and professional services. Several factors have contributed to anemic jobs growth despite the record openings (including childcare constraints, transportation issues, supplemental unemployment benefits), but in our view the spread of COVID-19 due to the Delta variant posed the most severe headwind. With the COVID spread trend improving in recent weeks, we expect 4Q21 jobs growth to accelerate.

The September employment report also showed the unemployment rate at 4.8%, the lowest since the onset of the pandemic. While the continued decrease in the unemployment rate is undoubtedly positive, the raw number does not tell the complete story. The civilian workforce (those eligible who are working or actively seeking work) was 161.4M in September, which is down 3.2M people from January 2020. The labor participation rate was 61.7% in September 2021 compared to 63.4% in February 2020. If fewer people had exited the workforce, and were still looking for work, the unemployment rate would be higher. The Dallas Federal Reserve Bank looked at data in May 2021 and concluded that more people than expected took early retirement, but many had left the work force for other reasons. We believe that sustained jobs growth above 500K monthly will be a key indicator that feeds into the outlook for above-trend GDP growth.

**U.S. Employment Situation**

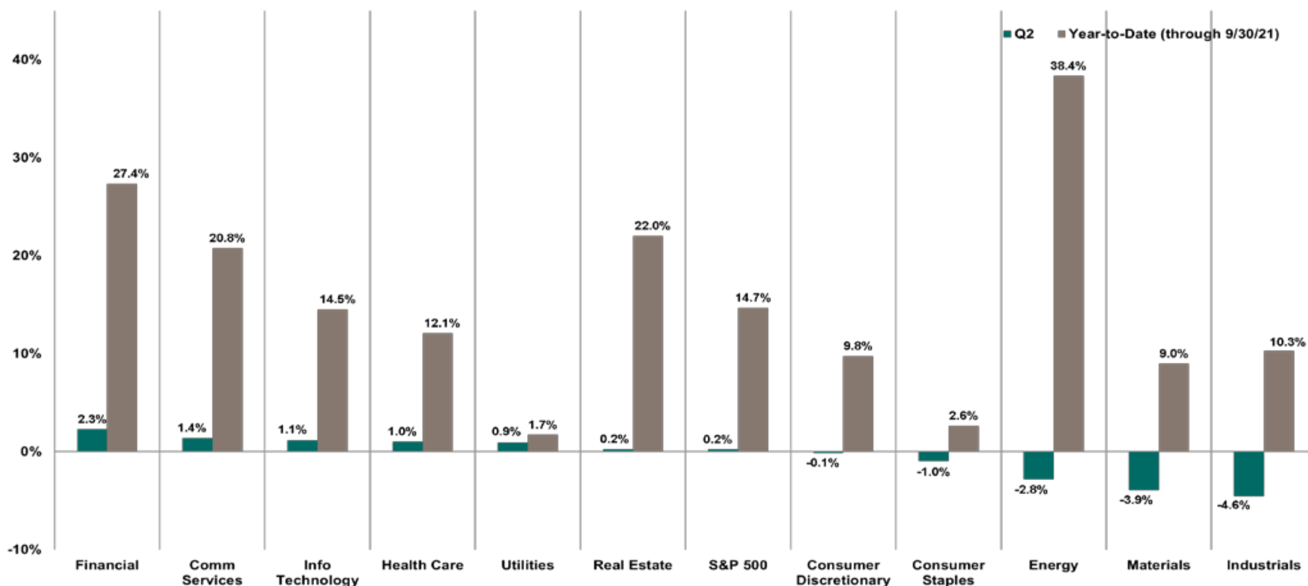



Data source: FactSet and U.S. Bureau of Labor Statistics, unemployment rate as of 9/30/21, unemployed persons as of 9/30/21.

**Cyclical sectors led broad-based S&P 500 gains through the first three quarters of 2021, but returns for just the third quarter were mixed.** The chart below shows the 3Q and year-to-date (YTD, includes 1Q, 2Q and 3Q) price performance of the 11 macro sectors within the S&P 500 index. For the 9-month YTD period (gray bars) market gains were led by Energy and Financials, two sectors positioned to benefit from a broad-based cyclical recovery that lifts economic activity and investment across the economy. Real Estate also performed well as the REIT sector is positioned to benefit from the economic reopening, demand for real estate in many industries and relatively low impact from a potential corporate tax increase. Communication Services also outperformed, primarily due to strong performance from social media, advertising-driven constituents. Third quarter results were mixed, but six of eleven sectors beat the S&P 500's 0.2% price gain. This included Financials (value), Communications Services (growth) and Technology (growth), an eclectic mix of growth and value; perhaps an indication of a market pause as investors asses the near-term economic slowdown and expectation that strong GDP growth will continue next year. The two worst performing sectors in 3Q, Industrials and Materials, are heavy cyclical sectors that should perform well during a period of strong sustained GDP growth, but these groups are perhaps most exposed to ongoing supply chain constraints and input inflation, which could explain the underperformance in September.

We made no changes to our sector weighting recommendations since our July outlook and we remain overweight Financials, Industrials and Real Estate as we expect solid GDP growth in 4Q21 and 2022. We also remain underweight Consumer Staples and Utilities, as we do not believe investors should become overly defensive in the current environment. Although, we would expect the defensive sectors to perform relatively well during a market correction, and advocate for investors to maintain some exposure. For the S&P 500, we do not expect P/E multiple expansion from current elevated levels and believe equity market gains ahead will be tied to earnings growth. We believe that companies with market leading products that can gain market share and hold or expand margins can do well in the current environment. Diversification is important to help minimize risk, and although we are overweight cyclicals, we suggest balancing exposure across both cyclical and growth sectors.

**S&P 500 Sector Performance – Year-to-Date (price returns)**




Data source: FactSet as of 9/30/21, S&P 500 GICs sector indices maintained by S&P Global

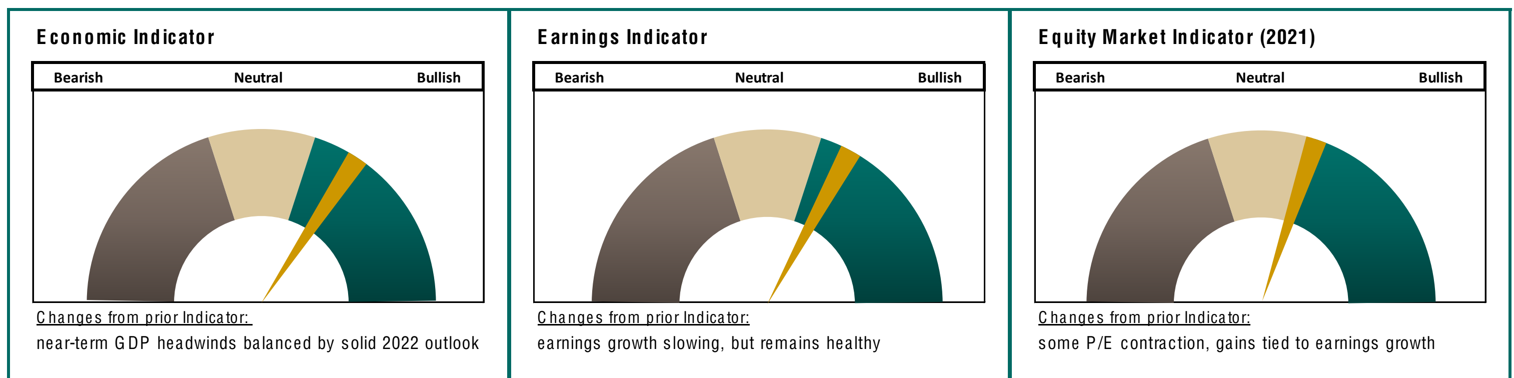
**Our S&P sector recommendations are updated below.**

**S&P 500 Sector Recommendations - October 2021**

| GICS Sector | S&P 500 Weight by Market Cap | WM Research 2021 Outlook | Notes (reflect current expectations and are subject to change) | Change |
|---|---|---|---|---|
| Technology | 27.6% | marketweight | expect continued strong earnings growth, as sector drives global productivity | |
| Health Care | 13.0% | marketweight | political pressure remains, defensive sectors out of favor, valuations attractive | |
| Consumer Discretionary | 12.3% | marketweight | be selective in this group as consumers receive less government support | |
| Financials | 11.6% | overweight | well positioned for GDP growth, benefits from steeper yield curve | |
| Communications Services | 11.2% | marketweight | diverse sector, with drivers of 5G, ad spending, and subscription revenue | |
| Industrials | 8.1% | overweight | attractive valuations, global recovery and infrastructure spending a plus | |
| Consumer Staples | 5.8% | underweight | safe haven in down market, but will lag the recovery, some good values | |
| Energy | 3.0% | marketweight | supply-demand equation favors suppliers as global GDP growth resumes | |
| Real Estate (REITs) | 2.6% | overweight | rising interest rates a potential headwind, but strong GDP drives growth | |
| Materials | 2.5% | marketweight | benefits from infrastructure spending, but inflation a headwind for some | |
| Utilities | 2.4% | underweight | valuations high, some can benefit from renewable energy | |

Data source: D.A. Davidson Wealth Management Research as of 10/11/21.

**Wealth Management Research Investment Cycle Gauge**




Source data: D.A. Davidson & Co. as of 10/11/21

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**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. 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.

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 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.

The Bureau of Economic Analysis reports monthly sales of cars and light trucks in the U.S. Most outlets follow the monthly seasonally adjusted at annual rates data.

The U.S. Census reports annualized monthly data on housing starts, permits and completions. It is a widely followed measure to track construction activity in the residential housing market. New Home sales measures sales of new single family homes and is a measure of the demand for housing.

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.

The Drewry World Container Index is compiled by London-based Drewry Maritime Research, and it reflects a composite of 40-foot ocean container rates on 8 major global trade routes. It is used to measure global freight costs for shipping containers.

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.