

Economic and Market Overview

March 2022



BCT
WEALTH ADVISORS



WILBANKS SMITH & THOMAS
Asset Management, LLC

Transition Risks Mount As We Enter 2022

- Global growth still strong, but slowing
- Monetary policy still accommodative, but tightening
- COVID better understood, but still surprising
- Inflation remains the key variable
- Geopolitical tensions with China, Russia and Iran add to uncertainty
- Valuations across most asset classes are extended

Equities: Stocks Surge in 4Q To Cap Amazing Year

- Market rotates back to U.S. large cap; small-cap and non-U.S. lag
- Valuations suggest lower returns ahead
- Looking for leadership shift to international, value and small stocks

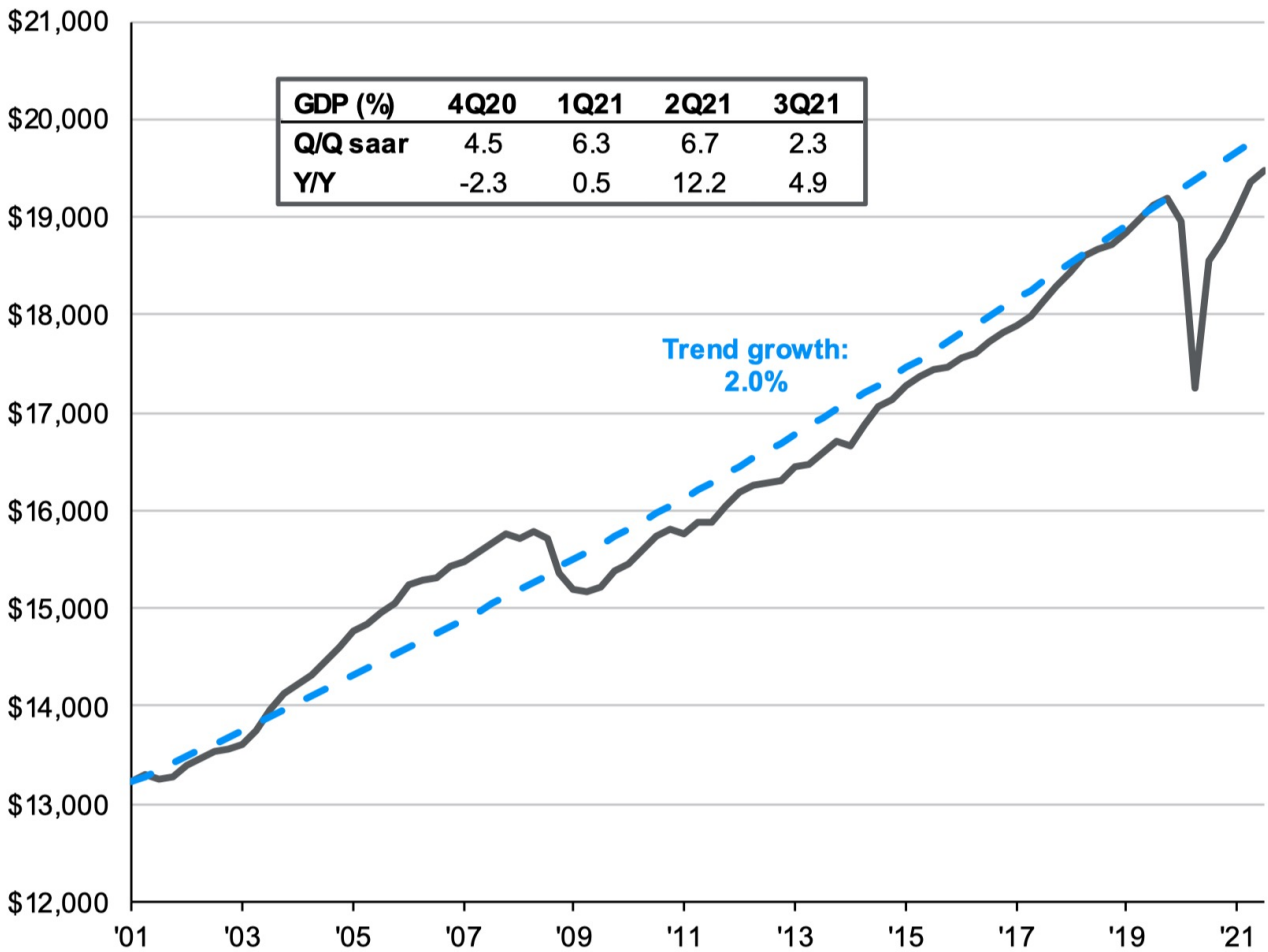
Bonds: Fixed Income Investors Endure Rare Negative Year

- Inflation maybe not so transitory
- Yield curve flattens as Fed Shifts more hawkish and growth slows
- Bonds offer minimal compensation for additional duration risk
- Continue to overweight credit exposure

Economic Growth Remains Strong

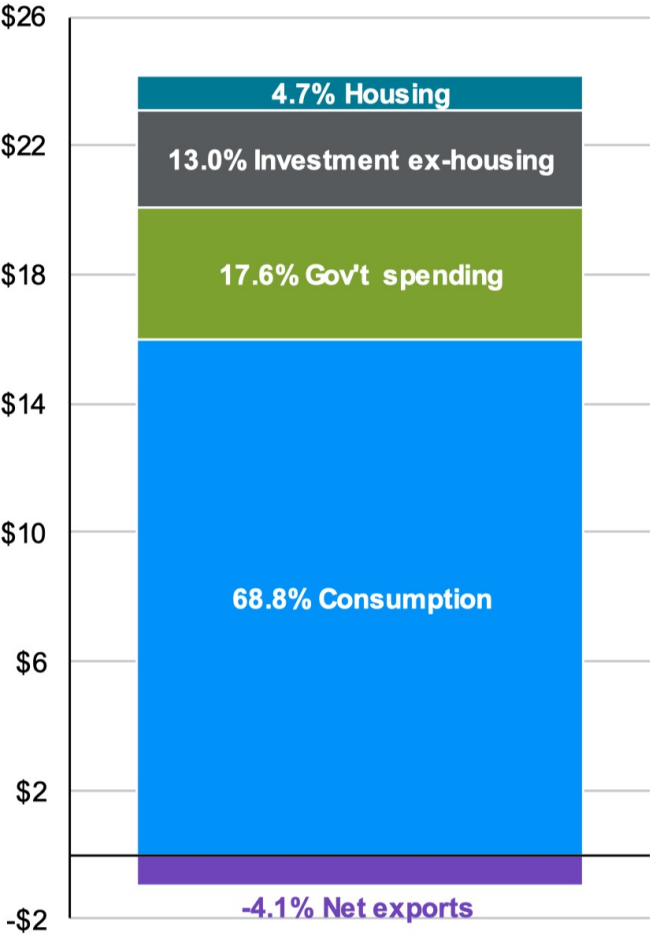
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



Components of GDP

3Q21 nominal GDP, USD trillions

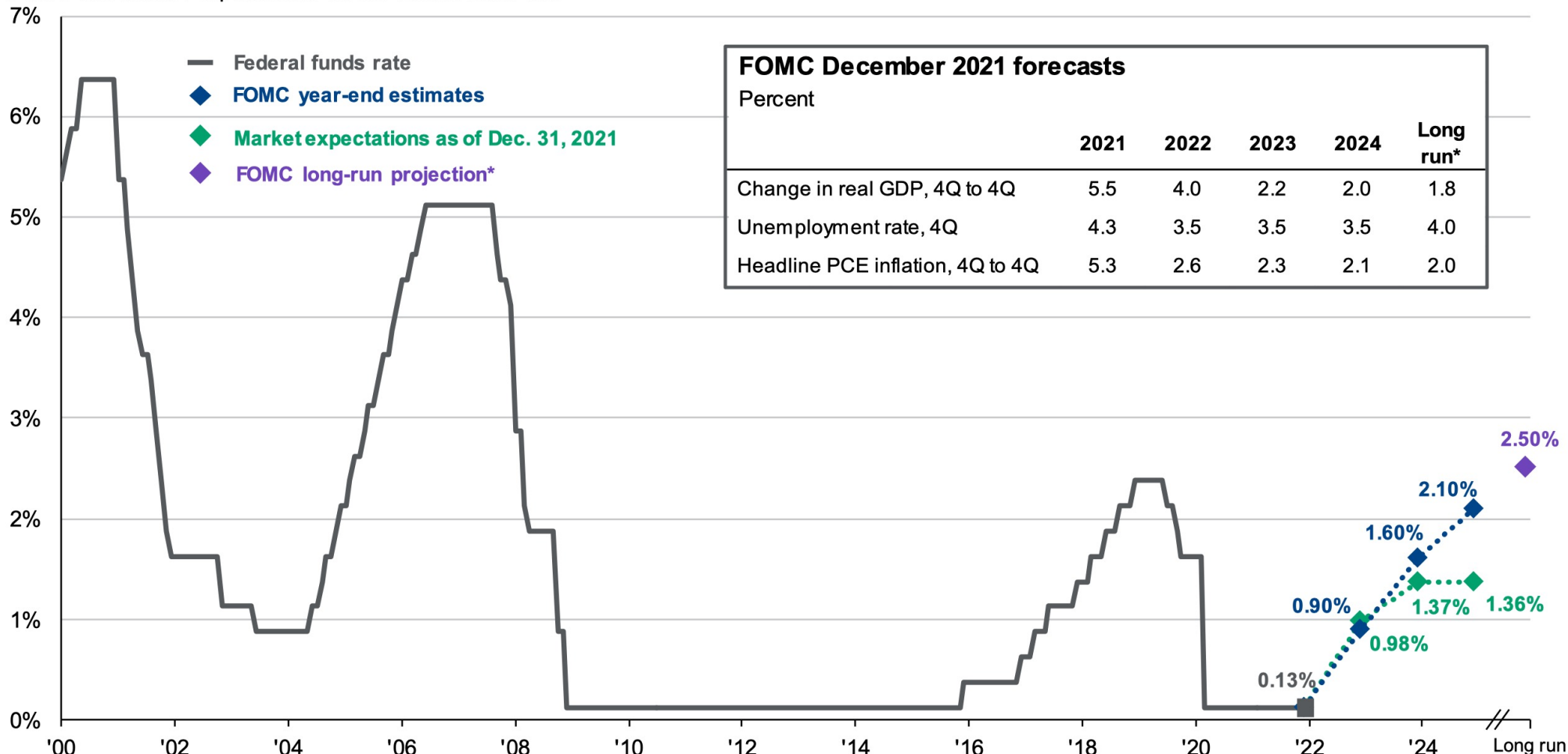


Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19. *Guide to the Markets – U.S.* Data are as of December 31, 2021.

Fed Needs To Thread The Needle On Pace Of Tightening

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of the USD Overnight Index Forward Swap rates. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of December 31, 2021.

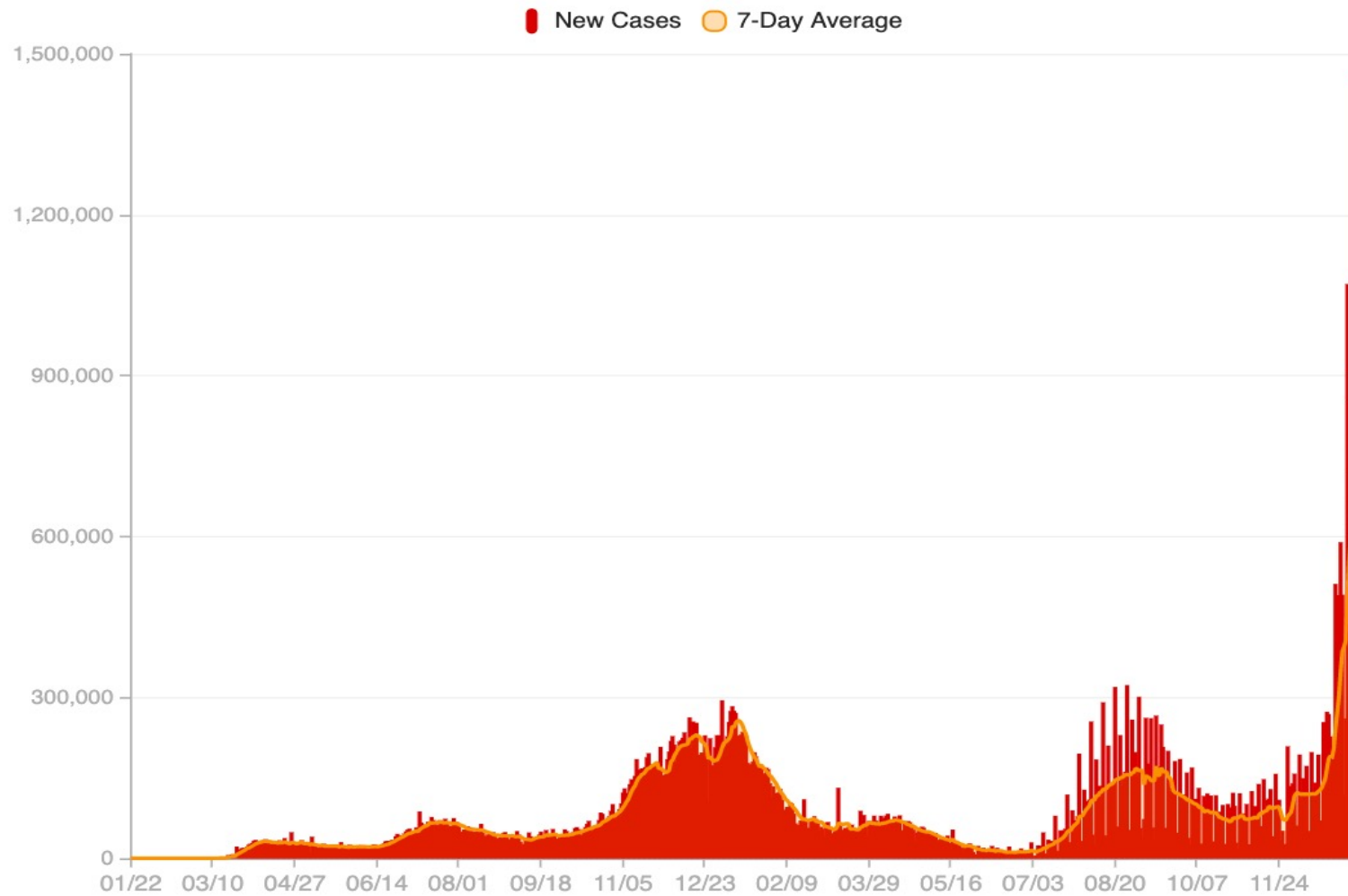
COVID -19 Remains A Wildcard in 2022

New U.S. Cases



January 10
+1,467,757

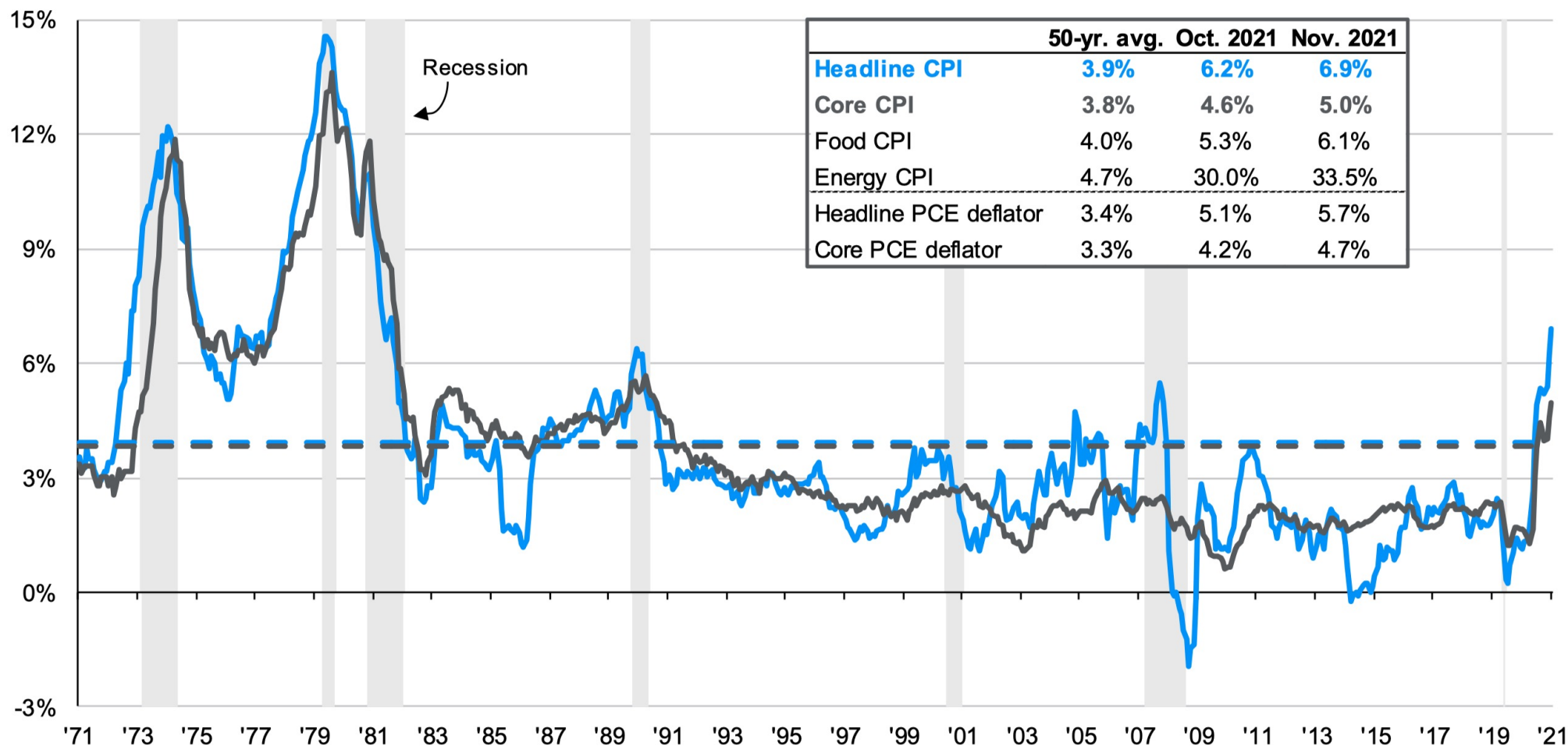
Trend
↑ Rising



Inflation Is Key Variable

CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

Guide to the Markets – U.S. Data are as of December 31, 2021.

S&P 500 – Amazing Recovery Drives Stocks To Records, and High Valuations

S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on J.P. Morgan Asset Management estimates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets –U.S. Data are as of December 31, 2021.

Market Returns Summary – December 31, 2021

Equity Index	1 Week	MTD	1 Month	QTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrial Average	1.1	5.5	5.5	7.9	20.9	20.9	18.4	15.5
S&P 500 Index	0.9	4.5	4.5	11.0	28.6	28.6	25.9	18.4
Large Cap Stocks (Russell 1000)	0.8	4.1	4.1	9.8	26.3	26.3	26.1	18.3
Growth	0.2	2.1	2.1	11.6	27.5	27.5	33.9	25.2
Value	1.4	6.3	6.3	7.8	25.1	25.1	17.5	11.1
Small Cap Stocks (Russell 2000)	0.2	2.2	2.2	2.1	14.8	14.8	19.9	12.0
Growth	-0.3	0.4	0.4	0.0	2.8	2.8	21.0	14.5
Value	0.8	4.1	4.1	4.4	28.1	28.1	17.9	9.0
MSCI All Country World Index	0.9	4.0	4.0	6.8	19.0	19.0	20.9	14.9
International Stocks (MSCI EAFE)	1.0	5.1	5.1	2.7	11.7	11.7	14.0	10.0
Growth	1.1	4.3	4.3	4.1	11.5	11.5	19.3	13.9
Value	0.8	6.0	6.0	1.2	11.5	11.5	8.4	5.9
Emerging Markets Stocks (MSCI EM)	1.1	1.9	1.9	-1.2	-2.2	-2.2	11.3	10.2
Fixed Income Index/ETF	1 Week	MTD	1 Month	QTD	YTD	1 Year	3 Year	5 Year
Barclays U.S. Aggregate Bond Index	0.2	-0.3	-0.3	0.0	-1.5	-1.5	4.8	3.6
iShares 1-3 Year Treasury Bond ETF	0.0	-0.2	-0.2	-0.6	-0.7	-0.7	1.9	1.5
iShares 3-7 Year Treasury Bond ETF	-0.1	-0.4	-0.4	-0.9	-2.5	-2.5	3.3	2.5
iShares 20+ Year Treasury Bond ETF	-0.2	-2.0	-2.0	3.2	-4.6	-4.6	8.7	6.7
iShares TIPS Bond ETF	0.8	0.4	0.4	2.4	5.6	5.6	8.2	5.2
iShares National AMT-Free Municipal Bond ETF	-0.1	0.0	0.0	0.7	1.0	1.0	4.3	3.7
SPDR Barclays Intermediate Term Corporate Bond ETF	0.0	0.1	0.1	-0.5	-1.2	-1.2	5.4	3.9
SPDR Barclays High Yield Bond ETF	-0.2	2.4	2.4	0.7	4.0	4.0	7.8	5.2
PowerShares Senior Loan ETF	0.2	1.6	1.6	0.7	2.3	2.3	4.5	2.8
SPDR Barclays International Treasury Bond ETF	0.1	-0.2	-0.2	-1.3	-8.6	-8.6	1.8	2.6
iShares JPM USD Emerging Market Bond ETF	0.5	2.2	2.2	0.4	-2.2	-2.2	5.9	4.4

Source: Factset.

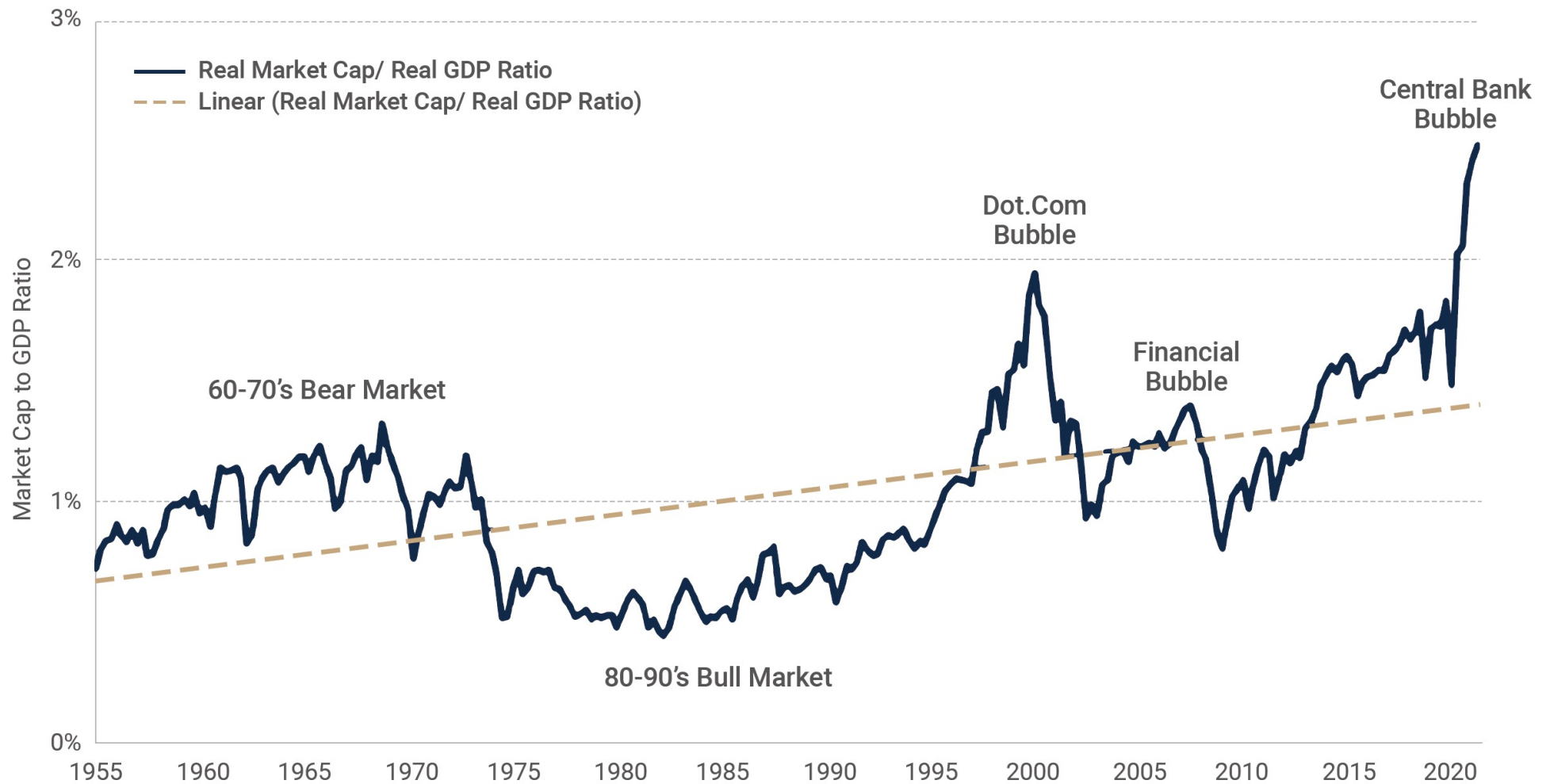
Confidence Gap Likely To Narrow This Year – One Way Or Another

Consumer Confidence vs S&P 500



Source: Real Investment Advice

Real Market Cap to GDP Ratio



U.S. Equity Valuations and Subsequent Returns



Source: Robert Shiller, Bloomberg, and Goldman Sachs Asset Management.

Fed Rate Hikes Won't Necessarily Derail The Bull Market

Fed Funds vs S&P 500



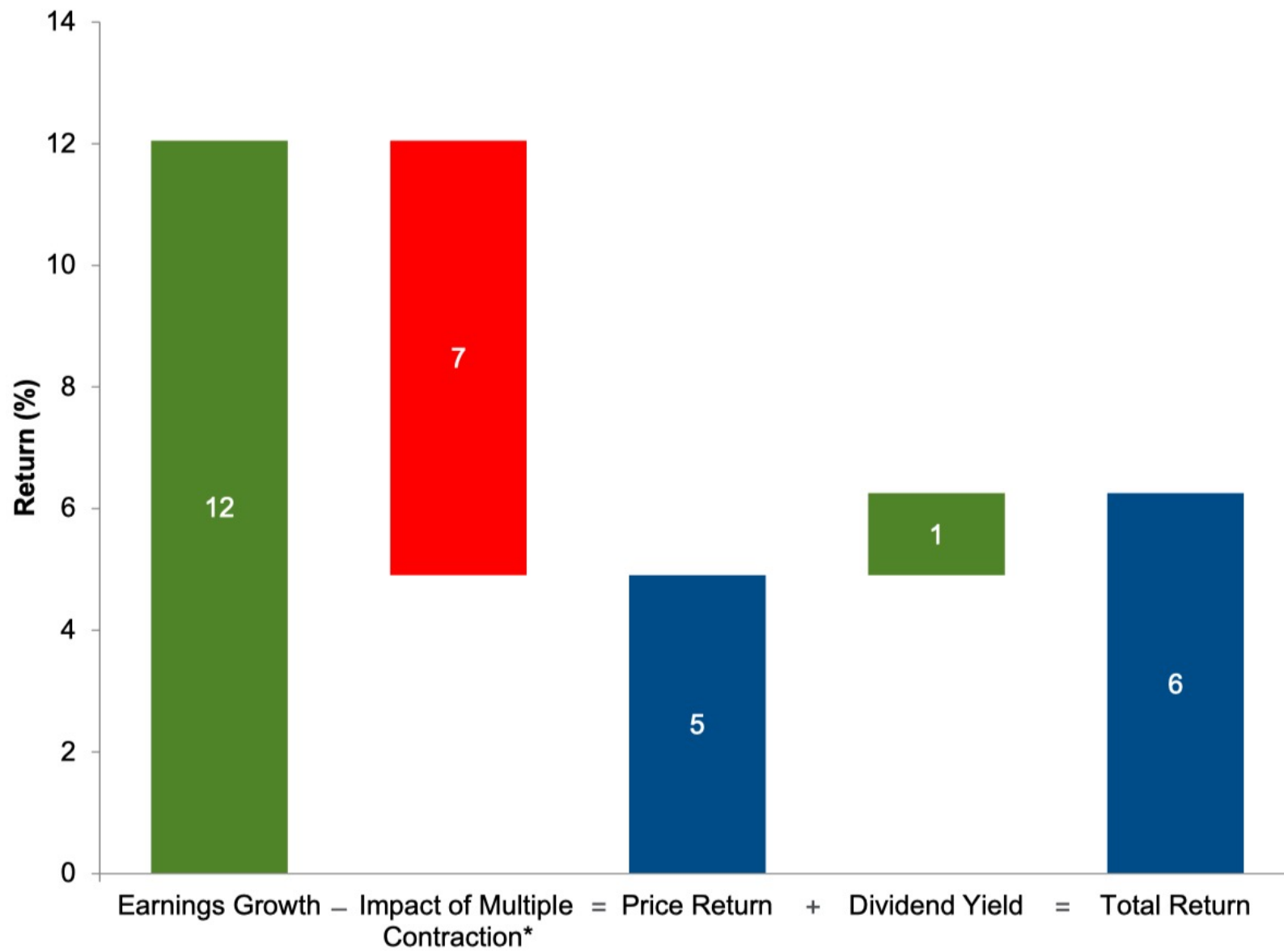
Source: Real Investment Advice

Stock Valuations and Interest Rates

■ CAPE ■ Long-Term Interest Rates



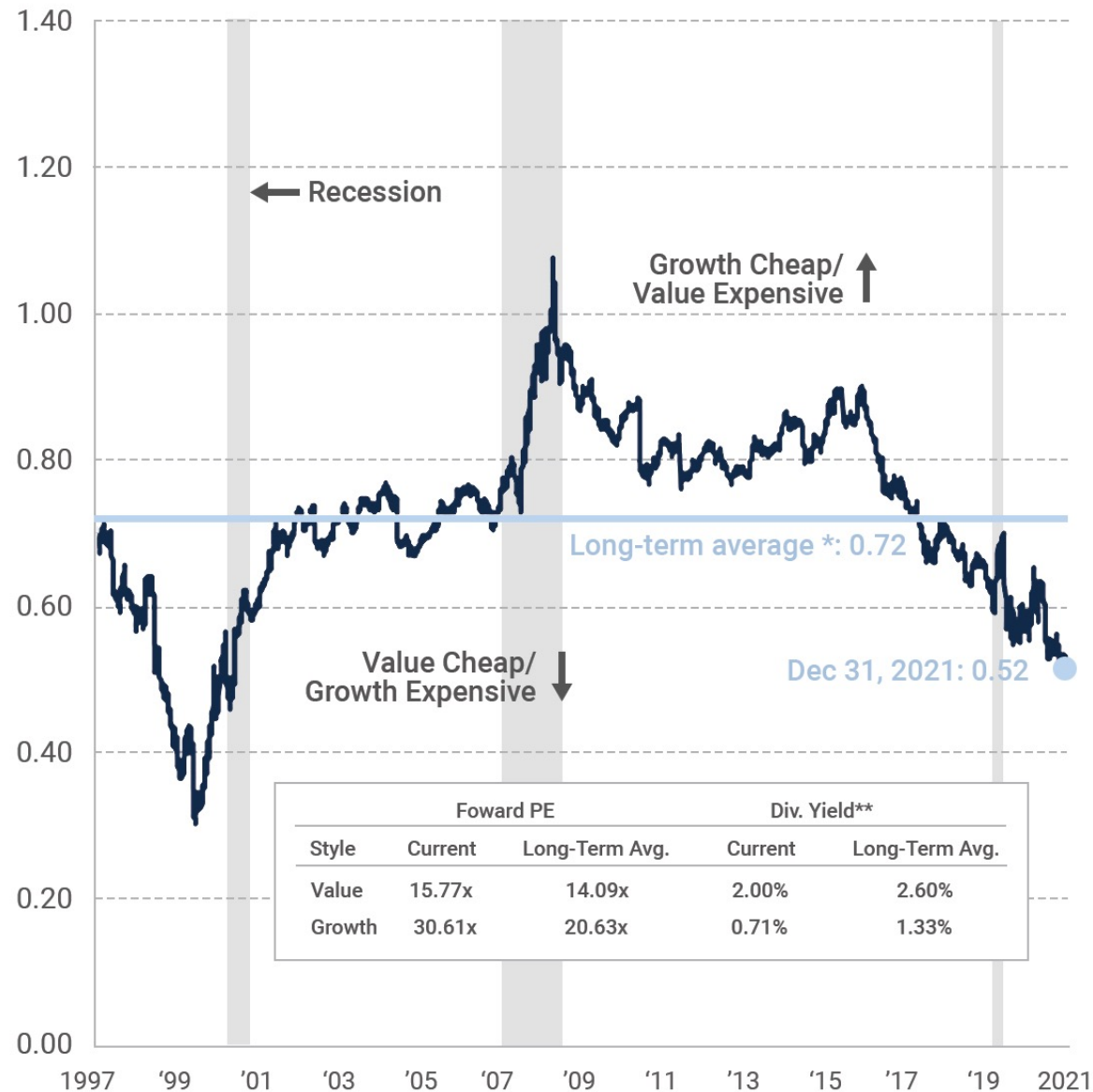
A Possible Path to a 6% Return For The S&P 500 in 2022



Style: Value Versus Growth Stocks – Reversal Ahead?

Value vs Growth Relative Valuations

Rel. fwd. P/E ratio of Value vs Growth, 1997-present

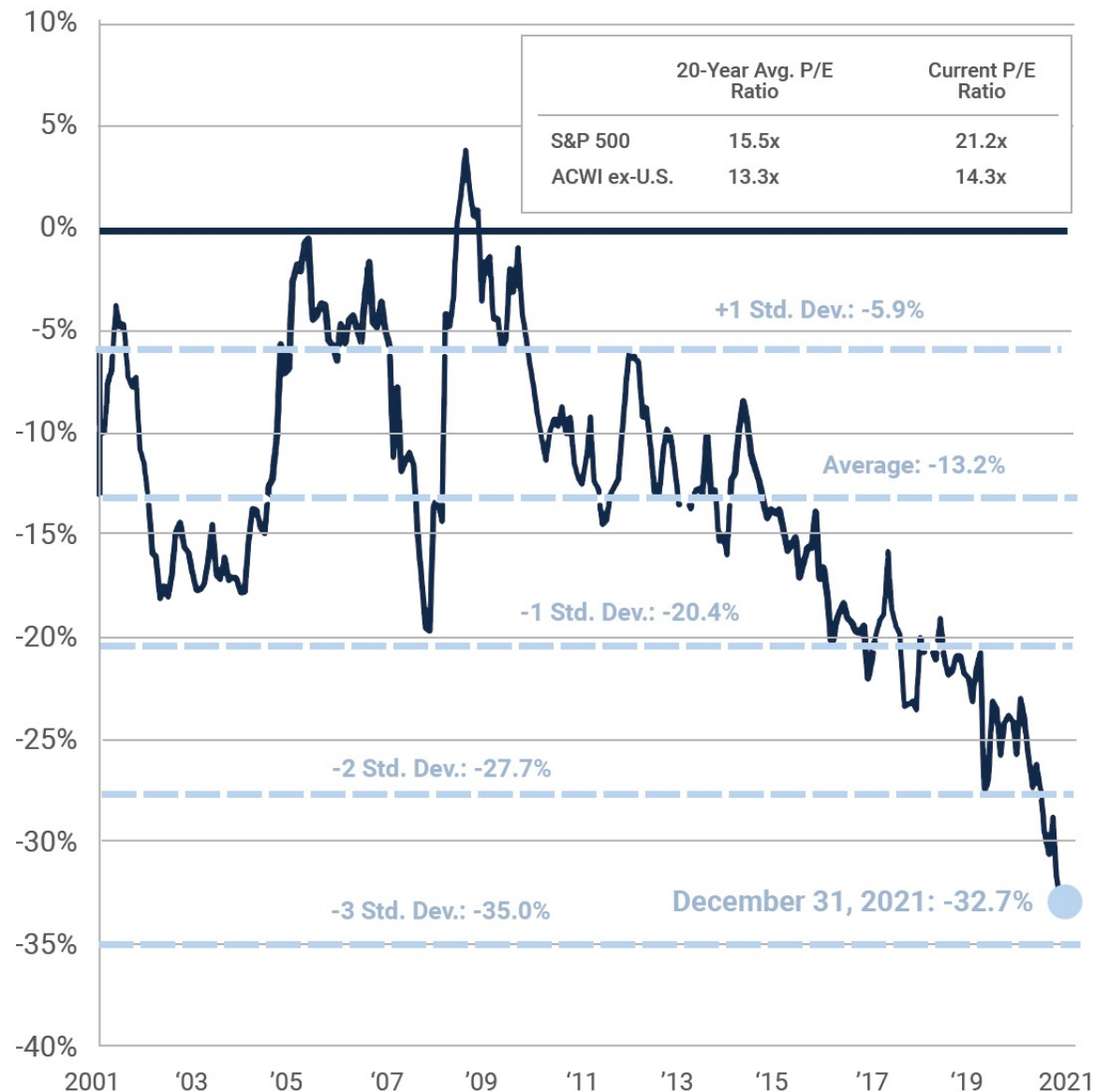


Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

U.S. Stocks Have Enjoyed A Long Run Of Leadership

International: Price-to-Earnings Discount vs U.S.

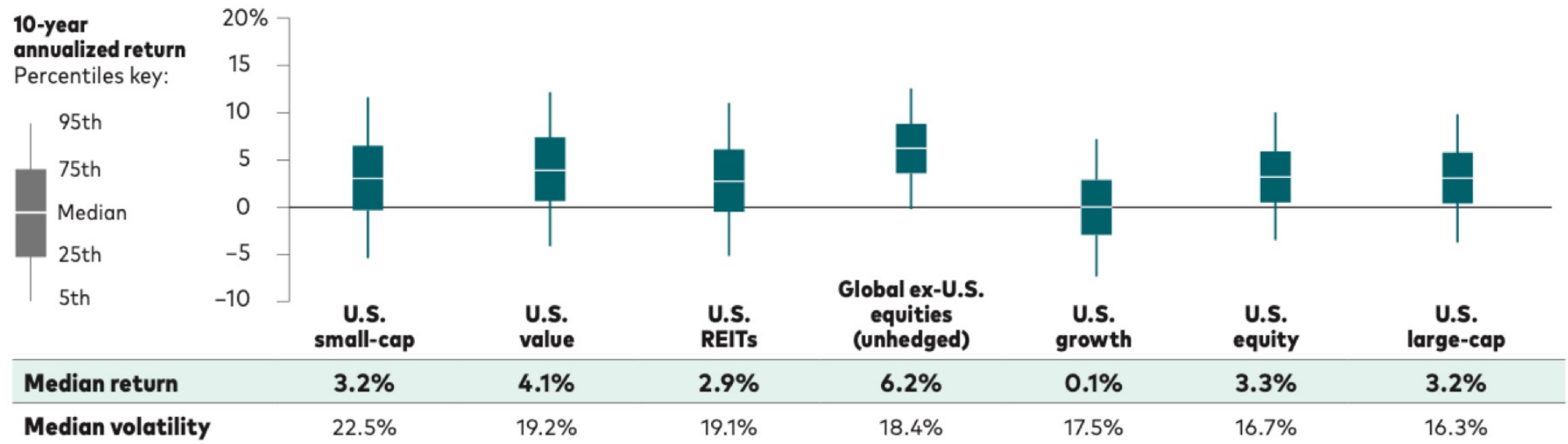
MSCI AC World ex-U.S. vs S&P 500 Indices, Next 12 Months



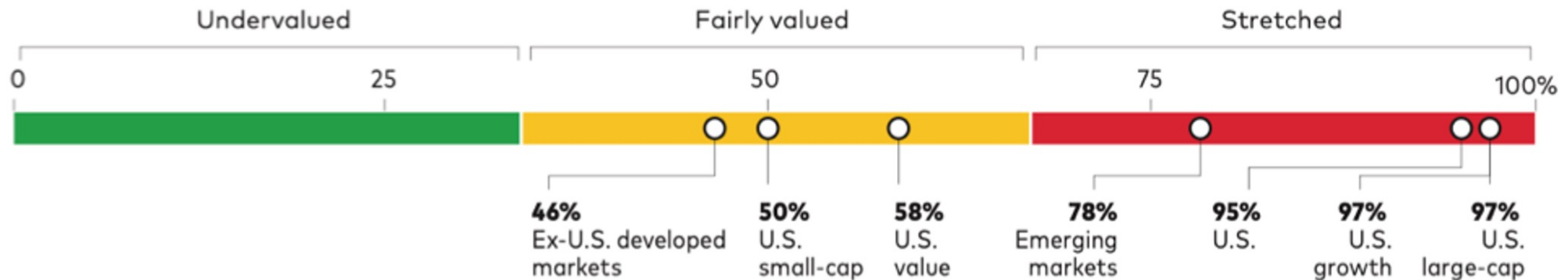
Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

Setting Expectations

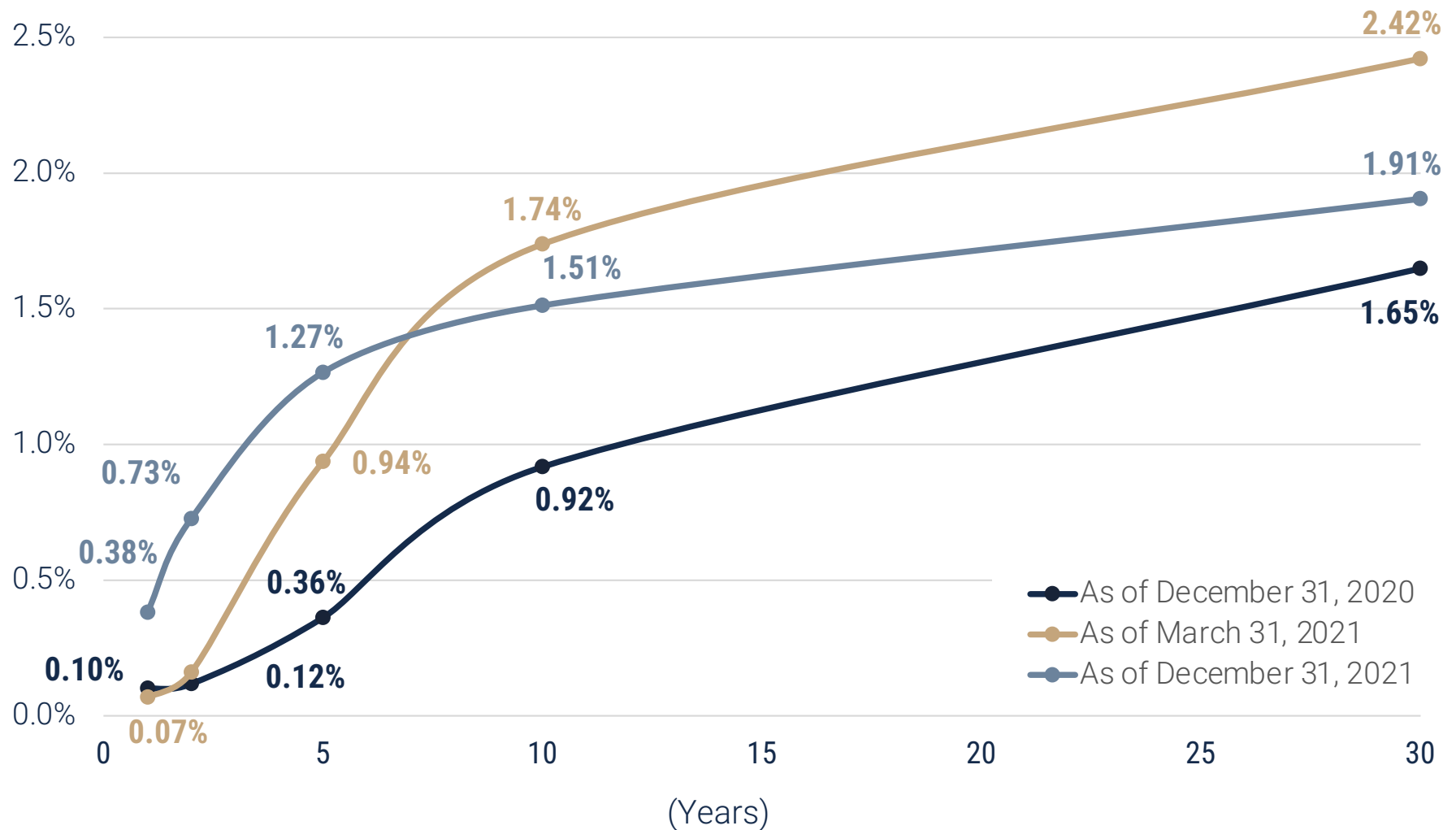
U.S. equity market 10-year outlook: Setting reasonable expectations



Global equity markets valuation percentile relative to fair value



U.S. Treasury Yield Curves



Cautious On Short-Term Outlook

- Slowing growth
- Higher Inflation
- Opaque data
- Fed policy risk
- Fiscal policy risk

Equities Remain Asset Of Choice For Long-Term Growth

- Low yields = TINA
- Valuations point to lower returns for U.S. large caps
- International stocks are relatively attractive

Bonds Still Play A Role In Portfolios, But Structure Matters

- Keeping maturities short - no compensation for additional duration risk
- Continue to overweight credit exposure if economy is healthy

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Barclays US Aggregate Bond Index: Benchmark covering the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

Yield to Call is the yield of a bond or note if you were to buy and hold the security until the call date. This yield is valid only if the security is called prior to maturity.

Yield to Maturity is the rate of return anticipated on a bond if it is held until the maturity date.

During the period(s) shown, there were no material market or economic conditions which affected the results portrayed. With the exception of several market corrections during the period(s), the overall market as measured by the S&P 500 was generally rising. If such trends are broken, the clients may experience real capital losses in their managed accounts.

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Past performance is not necessarily indicative of future results. Results portrayed reflect the reinvestment of dividends, capital gains and other earnings when appropriate.

Small company issues can be subject to increased volatility and considerable price fluctuations.

Commodities and futures generally are volatile and are not suitable for all investors. The value of commodity funds relate directly to the value of the futures contracts and other assets held within the fund and any fluctuation in the value of these assets could adversely affect an investment in commodities.

High yield bonds are rated in the lower rating categories by the various credit rating agencies, investors must take into account the special nature of such securities and certain special considerations in assessing the risk associated with such investments. Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

MSCI EAFE Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Markets Index: A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

S&P 500 Index: The S&P 500 Index is a market capitalization-weighted index, including reinvestment of dividends and capital gains distributions that is generally considered representative of the U.S. stock market.

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