

The Great Slowdown

KC Mathews, CFA
Chief Investment Officer
UMB Bank



Securities and Insurance products are:
Not FDIC Insured • No Bank Guarantee • Not a Deposit • Not Insured by any Government Agency • May Lose Value



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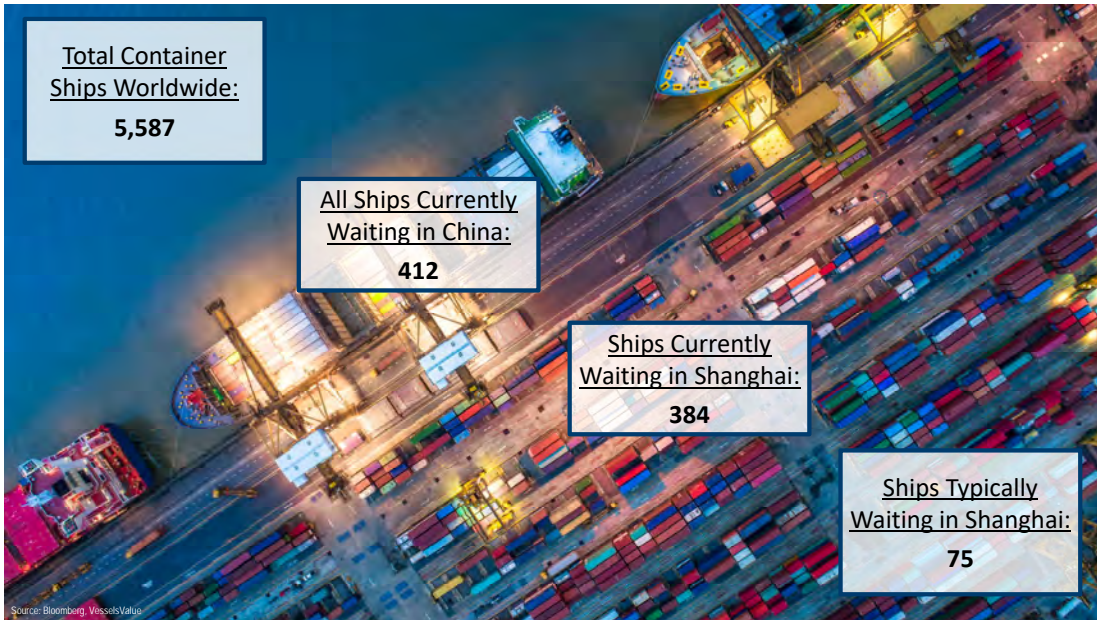
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Agenda

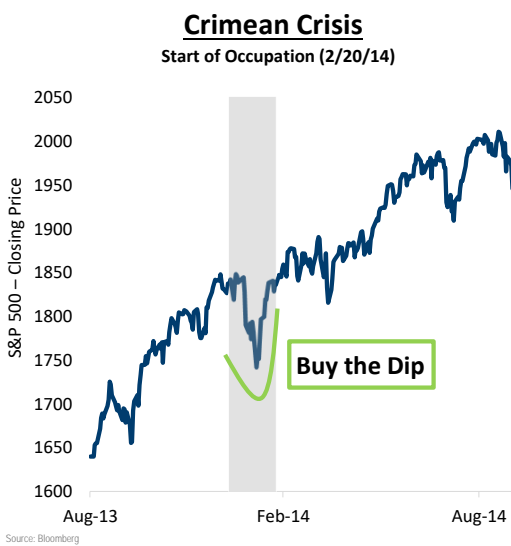
The UMB logo is located in the top right corner of the blue header bar. It consists of the letters 'UMB' in a bold, white, sans-serif font, with a horizontal line underneath the letters.

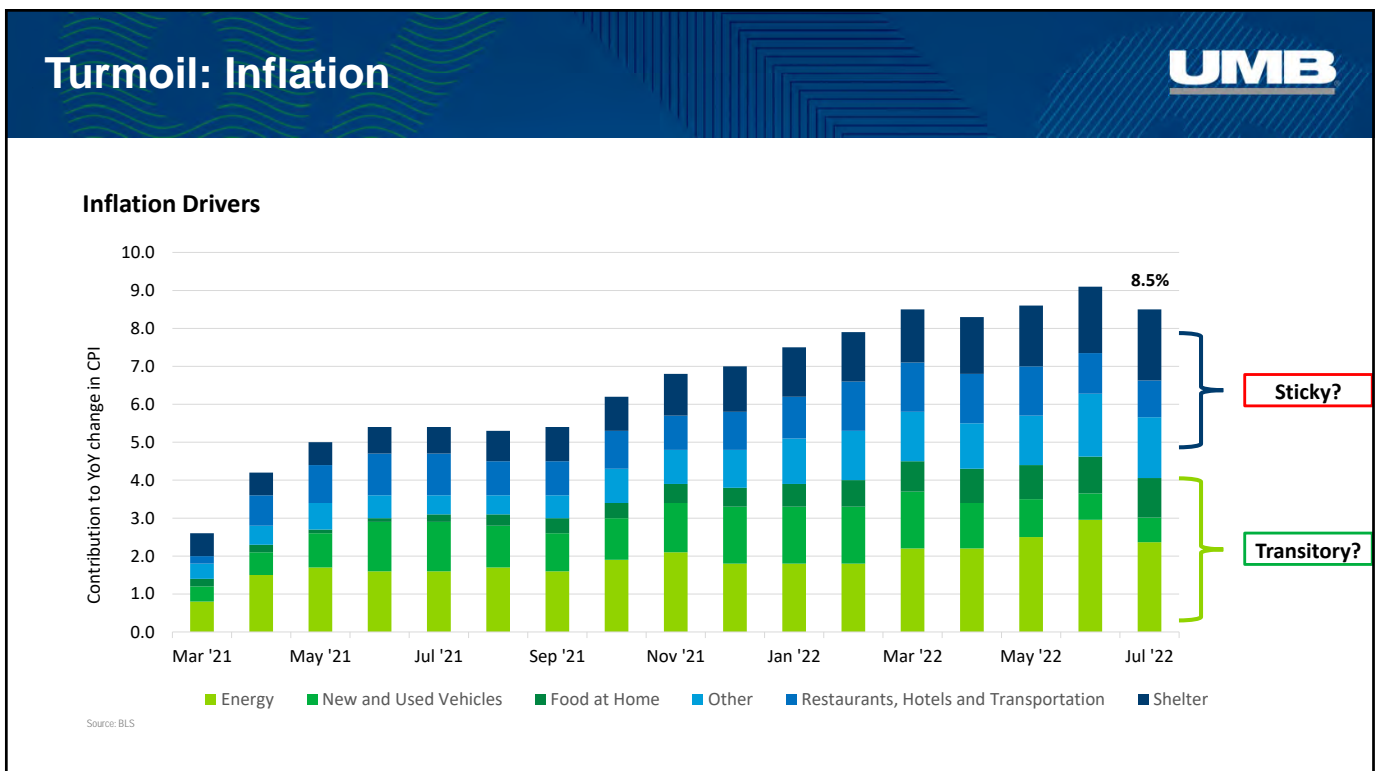
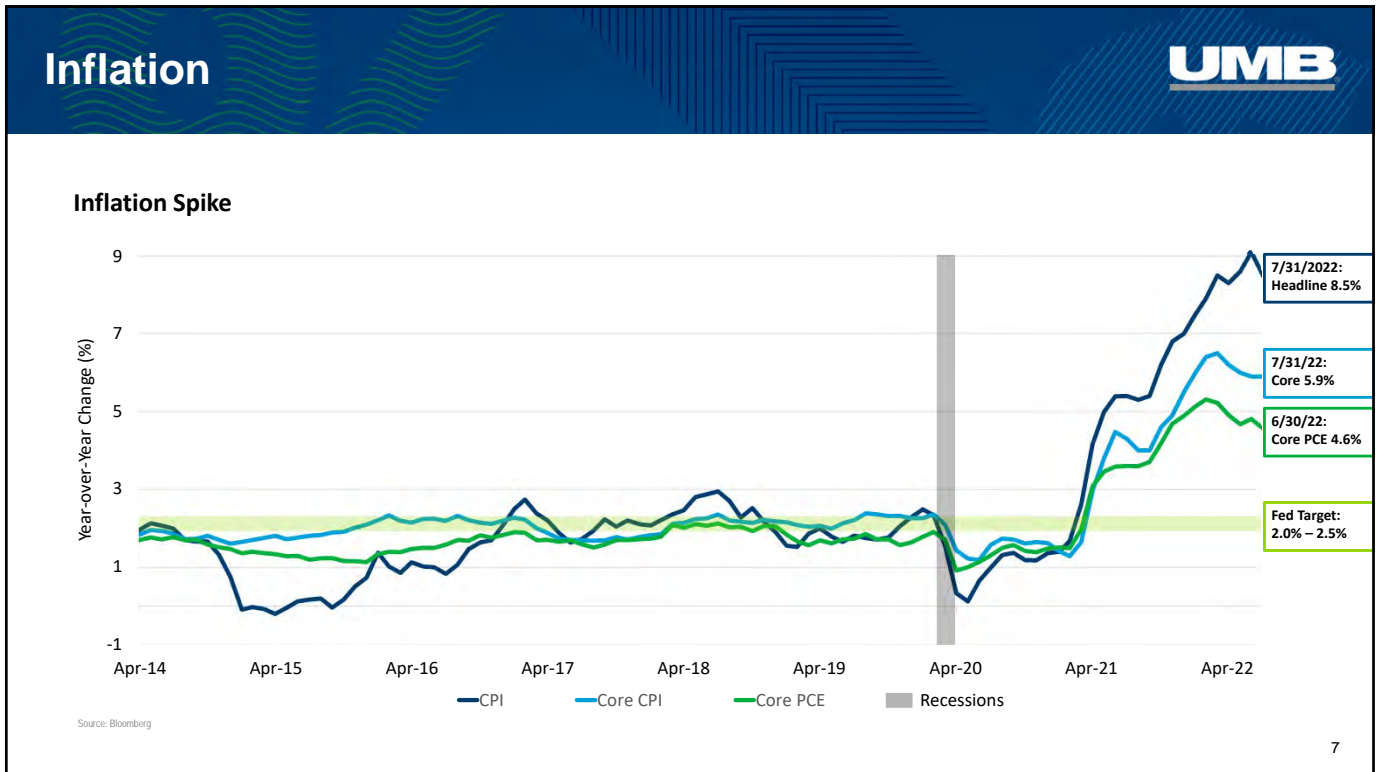
- The Great Slowdown
 - COVID
 - Geopolitical Tension
 - Military Conflict
 - Inflation
 - Federal Reserve/Interest Rates
- Will the Great Slowdown Lead to a Recession?
- Financial Markets
- Forecasts
- Questions

The Great Slowdown: COVID

The Great Slowdown: Geopolitical Tension/Military Conflict

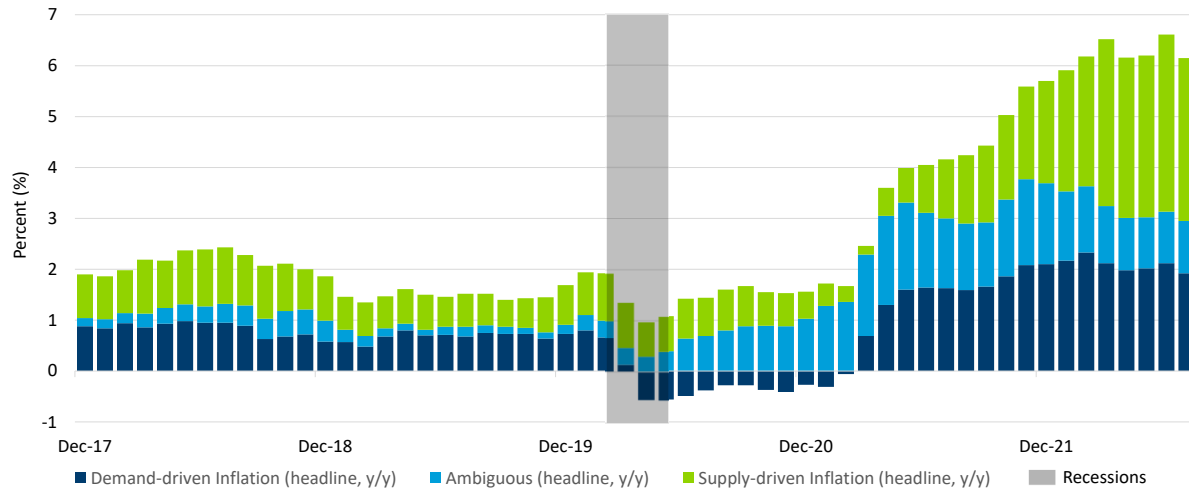





Inflation



Supply- and Demand-Driven Contributions to Inflation



Energy Cycle – Historically Boom/Bust



WTI Crude - Price per Barrel



Inflation – What is Driving Inflation Higher?



	Weight (%)	CPI (% YoY)	Core CPI (% YoY)
All Items	100.0	8.5	6.5
Shelter	32.7	5.0	
Food	13.4	8.8	
Transportation Commodities	8.8	21.8	
Medical Care Services	6.9	2.9	
Energy	7.5	32.0	
Education and Communication Services	5.5	1.6	
Transportation Services	5.6	7.7	
Household Furnishings and Supplies	4.0	10.8	
Recreation Services	3.2	4.8	
Apparel	2.6	6.8	
Recreation Commodities	1.9	4.7	
Other Personal Services	1.4	5.7	
Medical Care Commodities	1.5	2.7	
Other Goods	1.4	5.3	
Water/Sewer/Trash Collection Services	1.1	4.0	
Alcoholic Beverages	0.9	3.7	
Household Operations	0.0	0.0	
Education/Communication Commodities	0.8	1.3	

Used Car and Truck Prices
Up 35.3% YoY

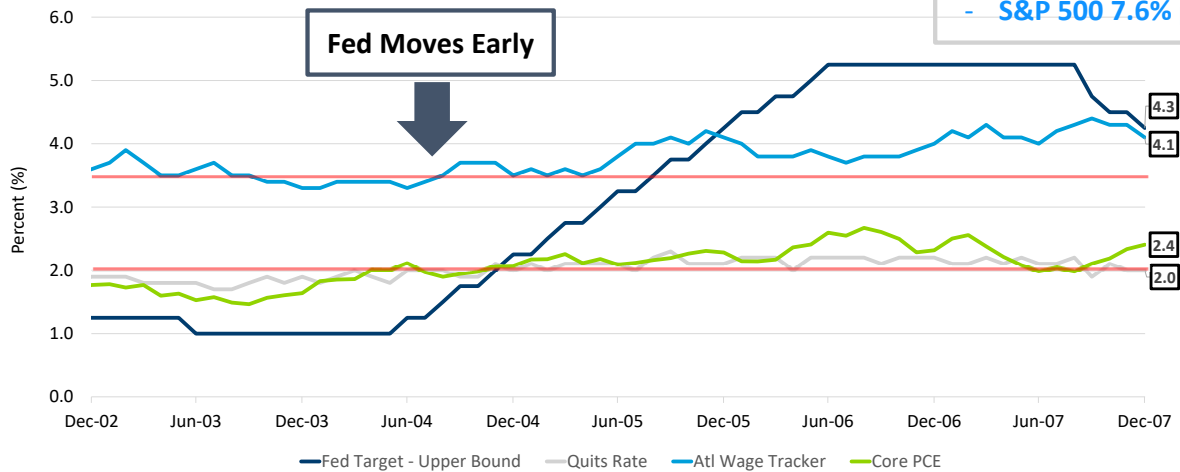
Gasoline Prices
Up 48% YoY

Data as of 3/31/2022
Source: U.S. Bureau of Labor Statistics

Fed Moves: Then vs Now



Fed Moves Higher to Slow PCE Increase

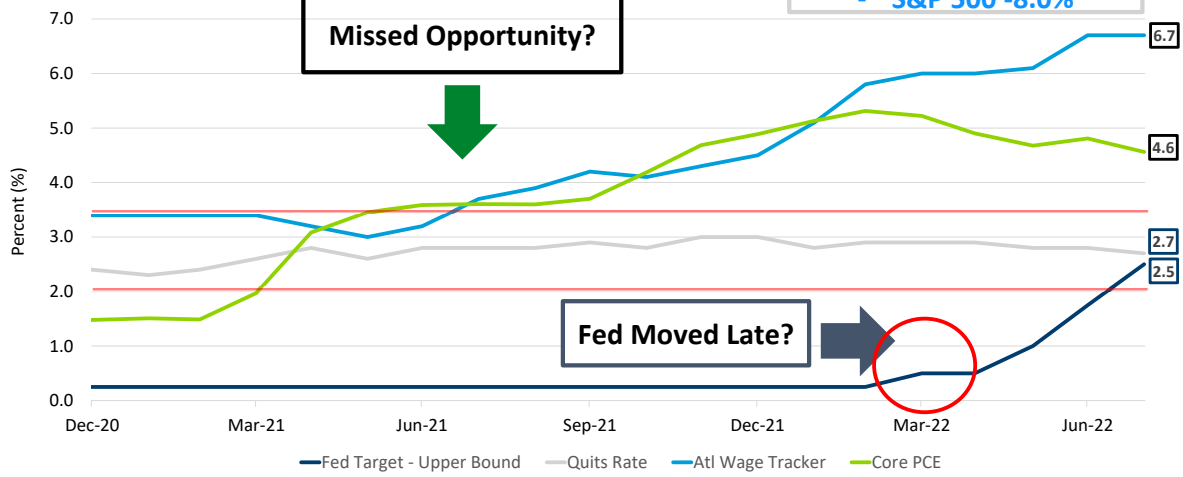


- 17 Fed Hikes
- 4.25% Increase
- S&P 500 7.6% per yr.

Source: Bloomberg

Fed Moves: Then vs Now

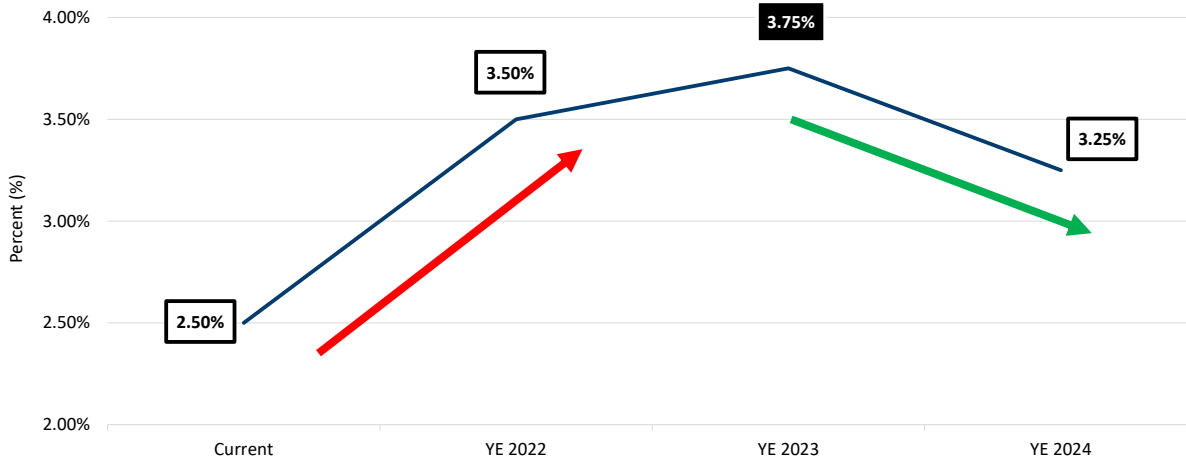
Fed Moved Late



Source: Bloomberg

Federal Reserve/Interest Rates

Fed Funds: Fed Estimates



Source: Bloomberg

Inflation

UMB

75 Years - 13 Economic Cycles

Median CPI at the time of first rate increase: 2.5%

The Fed has waited **much** longer this time.



Median CPI at the time of first rate cut: 4.4%

Inflation has continued to rise as the Fed hikes rates - lag effect.
The Fed starts cutting rates when inflation is still high.



Median time from last increase to first cut: 4 months

The tightening cycle typically slows activity enough to quickly cause a need for easier conditions.



Consumer Confidence



Consumer Confidence

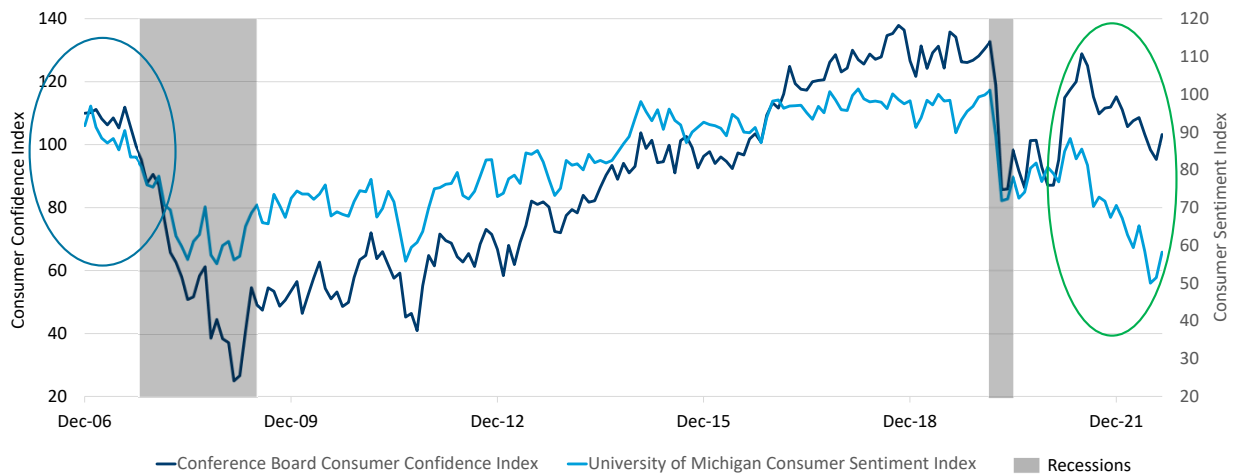


Source: Bloomberg

Consumer Confidence



Consumer Confidence

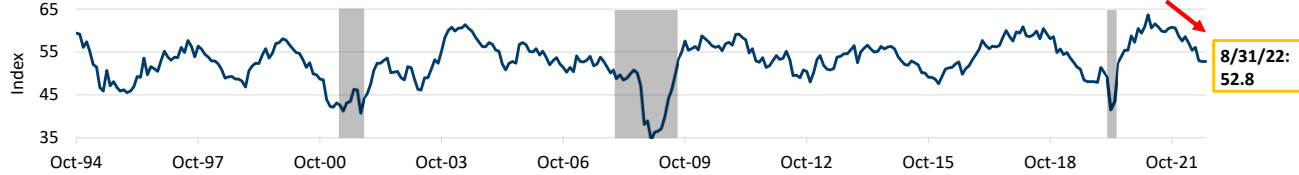


Source: Bloomberg

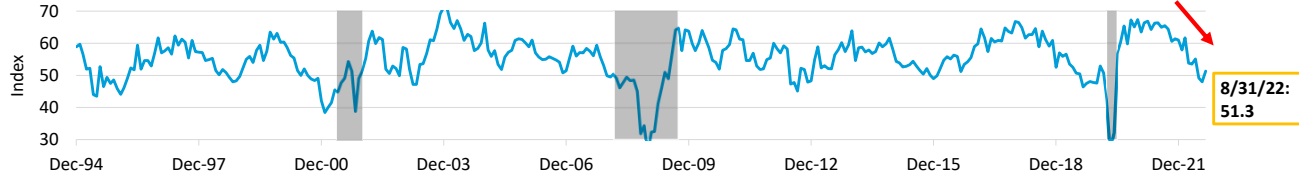
Manufacturing



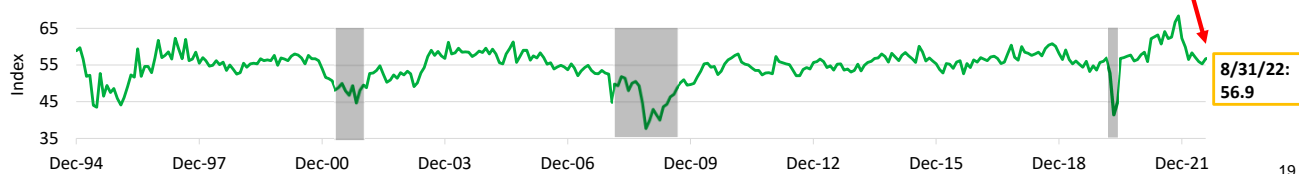
ISM Manufacturing Index



ISM New Orders Index



ISM Non-Manufacturing Index



Source: Bloomberg

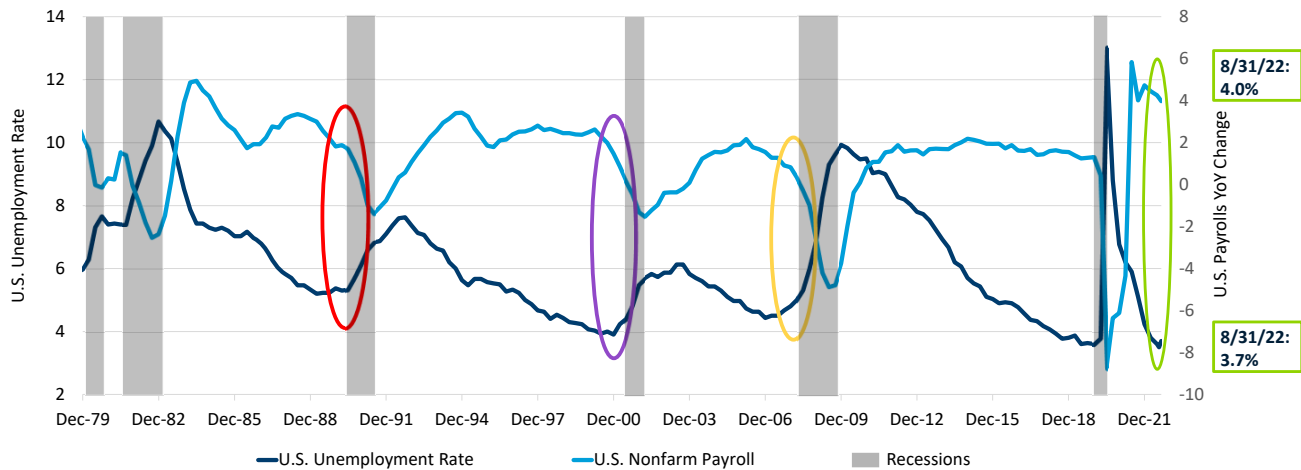
Recessions

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Labor Market



Both Unemployment and Payrolls Not Indicating Recession



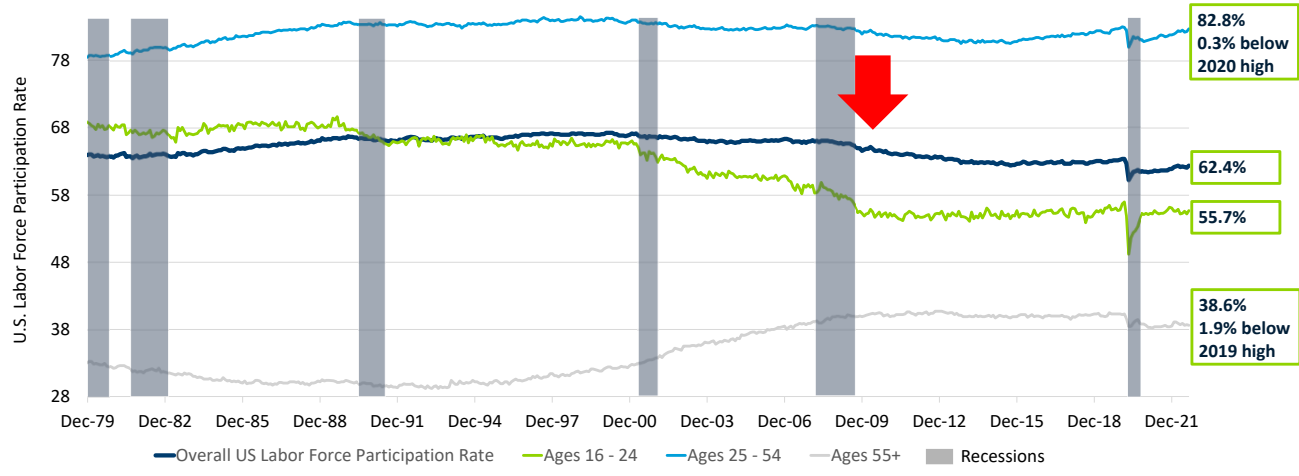
Source: Bloomberg

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Recession: Labor Market



Labor Force Participation Rate by Age Group

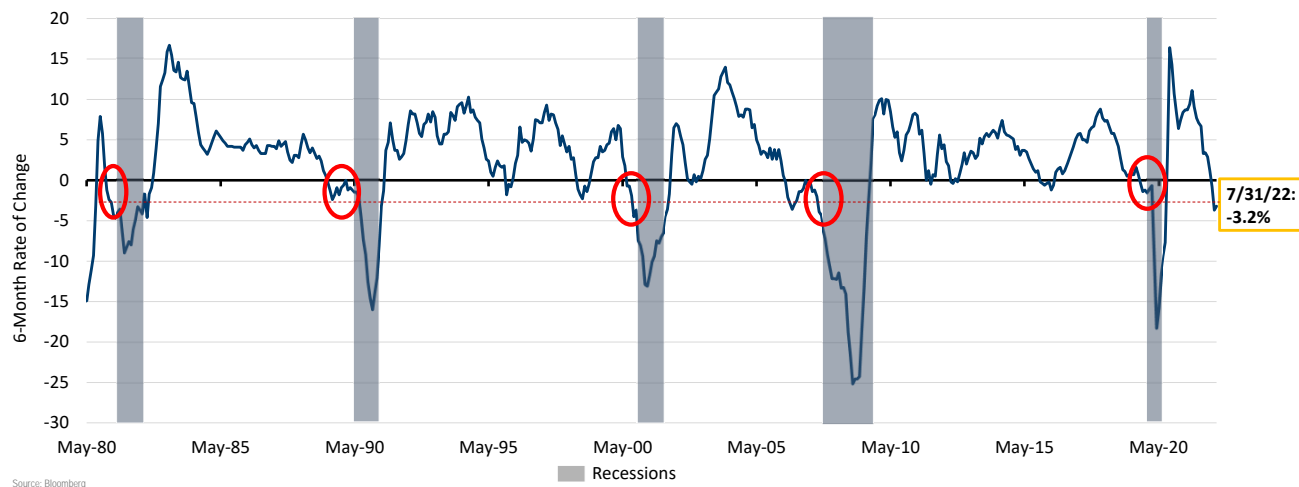


Source: Bloomberg

Recession: Leading Economic Index



LEI a Leading Indicator

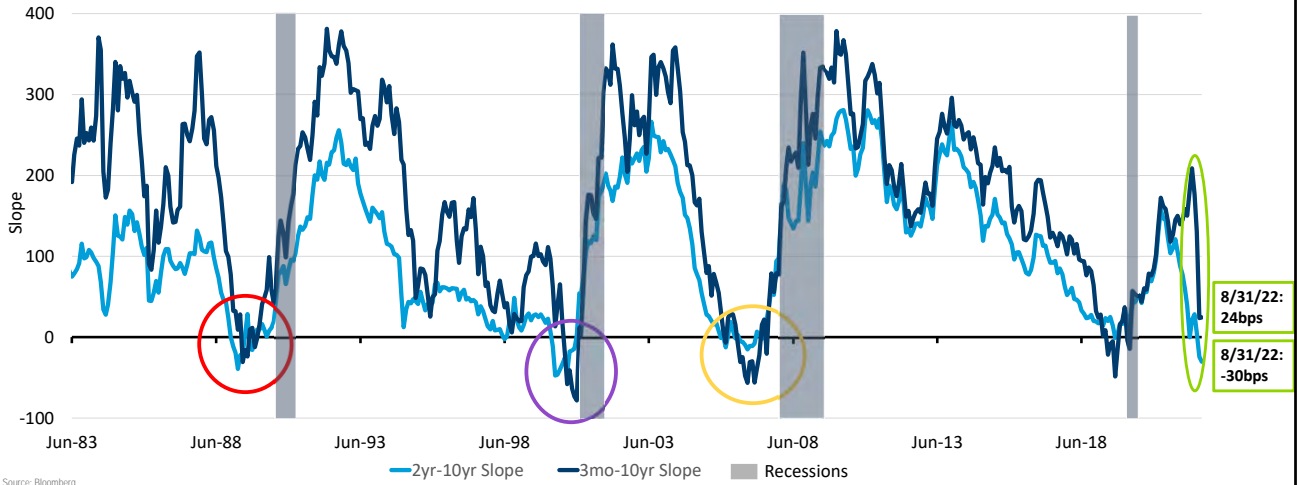


Source: Bloomberg

Recession: Slope



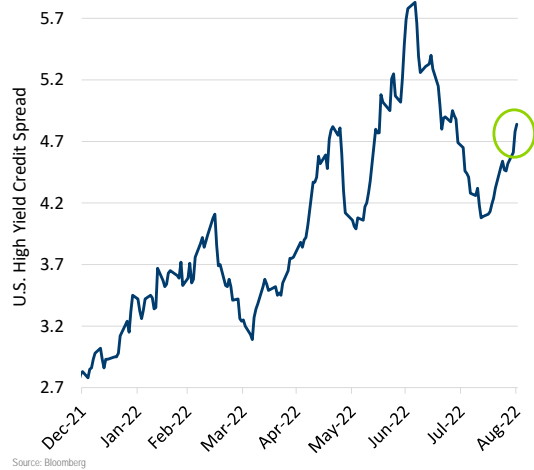
Slope of Treasury Curve



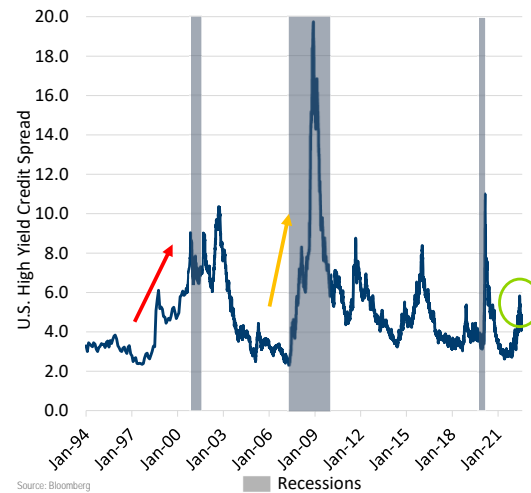
Recession: Credit Spreads



High Yield Credit Spreads (Short Term)



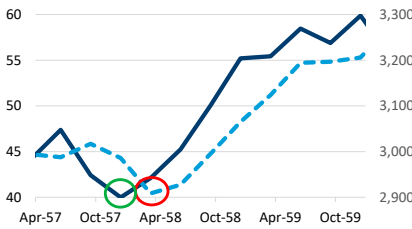
High Yield Credit Spreads (Long Term)



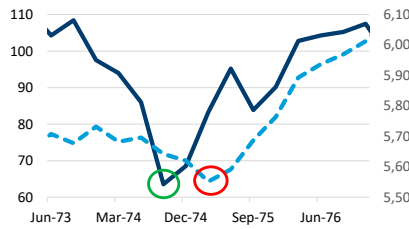
Stocks Lead the Economy



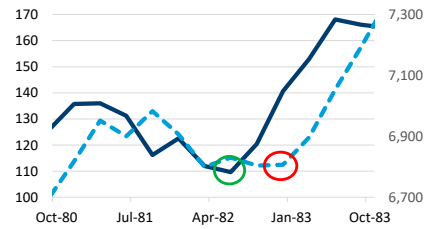
Eisenhower Recession



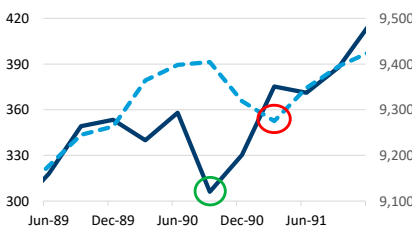
1970's Stagflation



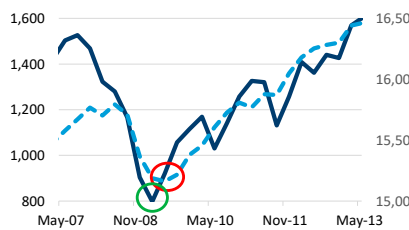
1980's Double-Dip Recession



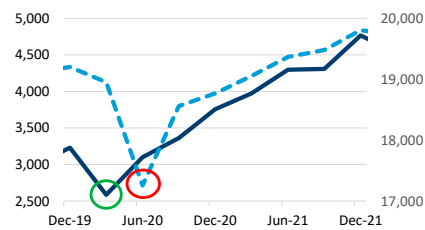
Savings & Loan Crisis



Global Financial Crisis



COVID Pandemic



Source: Bloomberg

2022-23 vs 1981-82



S&P 500 Index: 1981-82



Source: Bloomberg

2022-23 vs 1981-82

S&P 500 Index: 2022-23 vs 1981-82



Source: Bloomberg





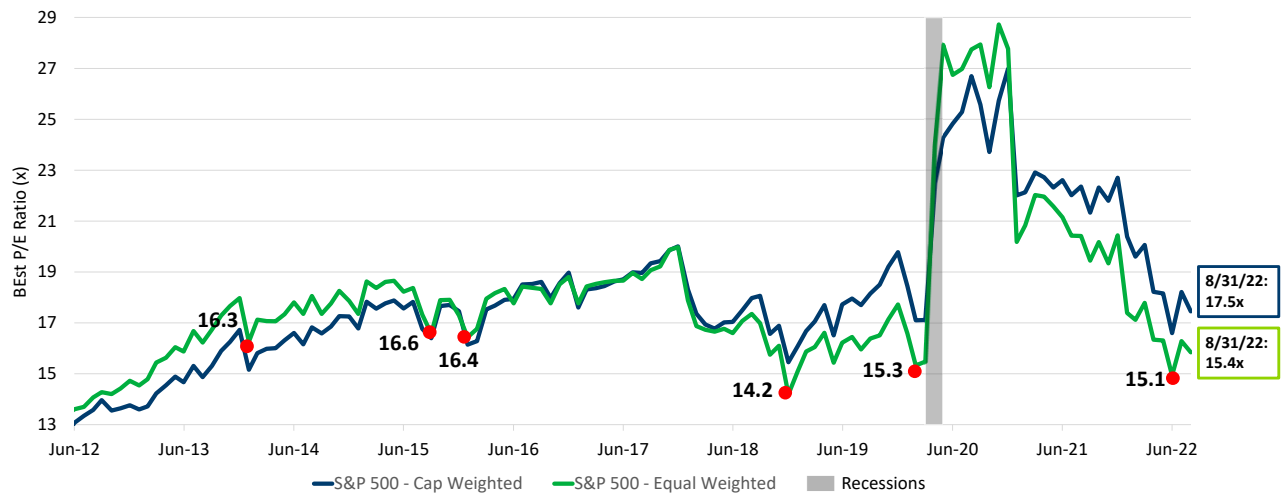
Financial Markets



Equal Weighted P/E Already Under 15x



S&P 500 Index: P/E Ratio



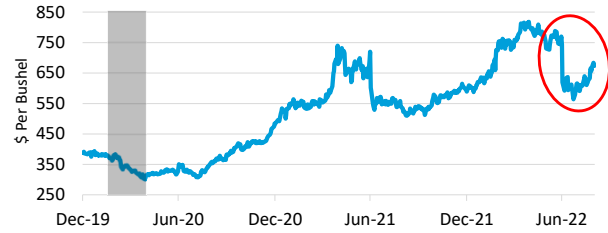
Commodities Hit a Peak



Copper



Corn



Natural Gas



Lumber

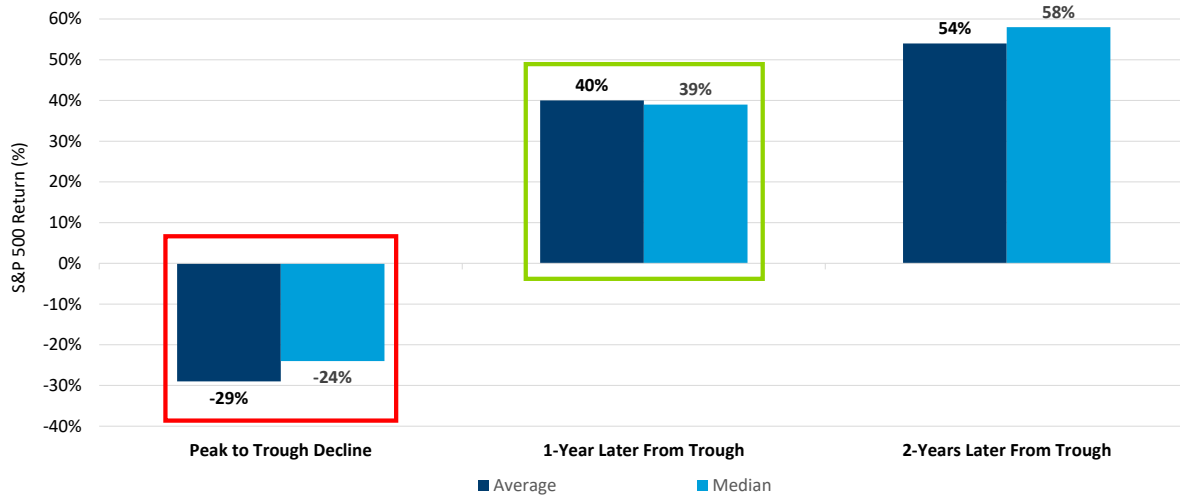


Source: Bloomberg

Stocks Do Well After Going Into a Recession



S&P 500 Returns Around Recessions

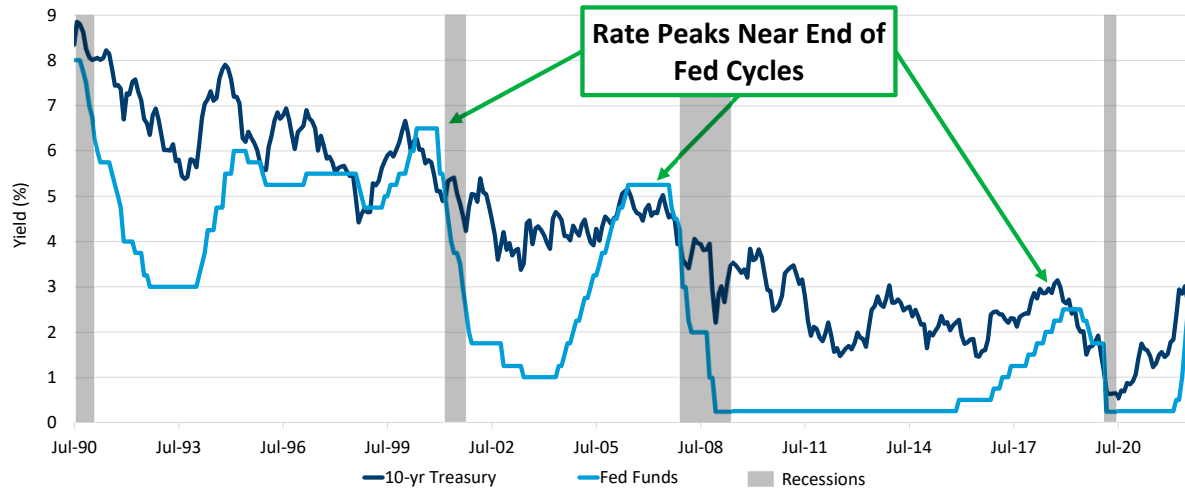


Source: Bloomberg

Financial Markets: Fixed Income



Rates Peak Near End of Fed Cycles

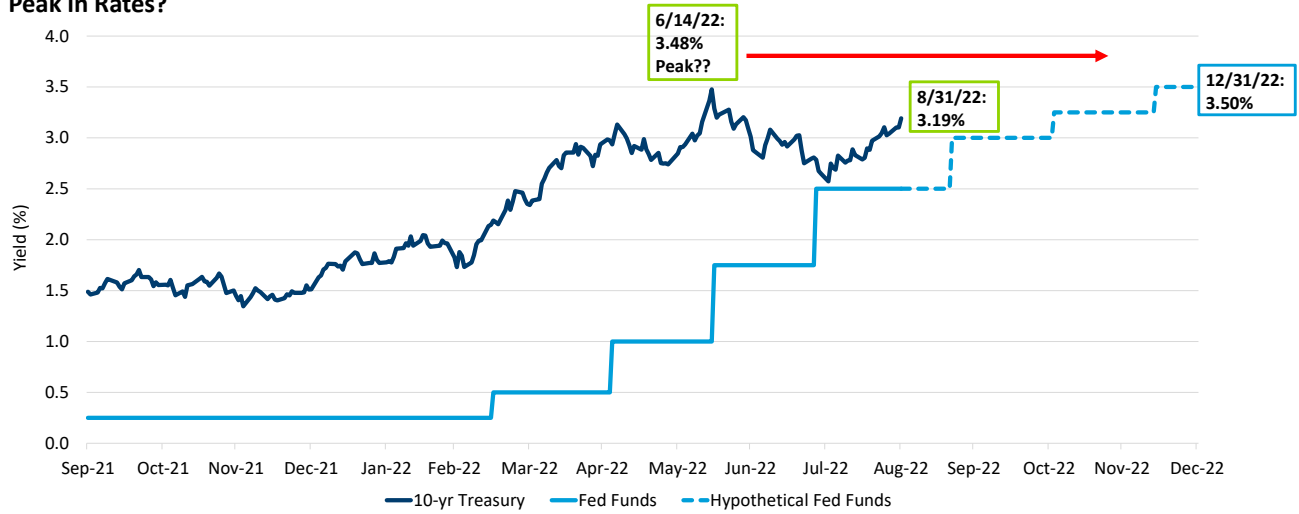


Source: Bloomberg

Financial Markets: Fixed Income



Peak in Rates?



Source: Bloomberg

2022-2023 Forecast



Fundamentals of the U.S. Economy

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Real GDP	-3.5%	5.7%	1.6%	1.1%
Unemployment	6.7%	3.9%	3.6%	3.9%
Fed Funds	0.25%	0.25%	3.50%	3.50%
10-Year Treasury	1.00%	1.51%	3.25%	3.25%
S&P 500	18.4%	28.7%	-5.0 – 0.0%	7.0 – 10.0%

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