

2023 Market Outlook

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Council
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WHAT IS GOING ON WITH THESE MARKETS?





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Topics

What is Going On with These Markets?

- **2022 Overview**
 - **Russia/Ukraine**
 - **Inflation**
 - **Mid-Term Elections**
 - **Uncertainty**
- **2023 Market Outlook**
- **Other Factors to Consider**

2022 Overview



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Russia/Ukraine, Inflation, Mid-Term Election

- Inflation over 8%
- Fed raised rates 4.25% in 2022
- Have not yet seen downward earnings revisions or layoffs
 - Companies hoarding workers
- 10 recessions since WWII
 - Least decline -20%
 - Greatest decline -55% (Great Recession 2008, banking crisis)
- Bank balance sheets are in strong position
- S&P, Nasdaq have crossed into “bear market territory”
- Nibble, bite, gorge ~ worst down days followed by best up days
- What if we go into recession?

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RUSSIA/UKRAINE



Crisis and Events

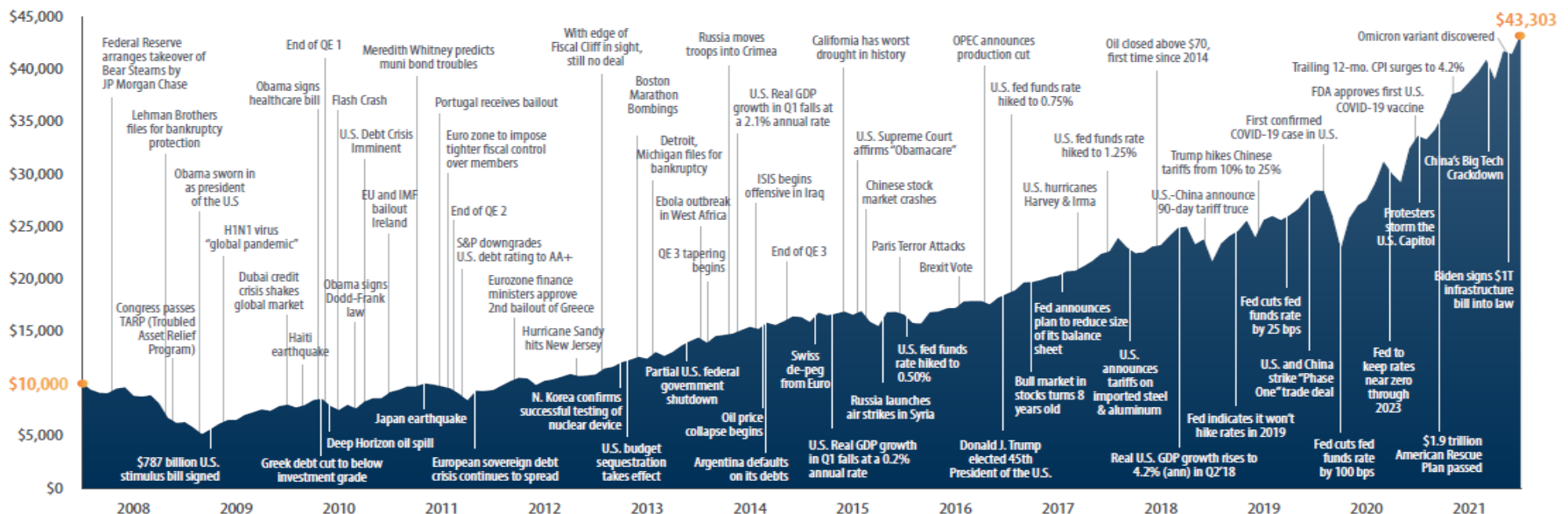


Crisis and Events

S&P 500 Index: 2008 – 2021

This chart shows the growth of \$10,000 based on S&P 500 Index performance over the last several years. We believe looking at the market's overall resiliency through several major crises and events helps to gain a fresh perspective on the benefits of investing for the long-term.

THE AVERAGE ANNUAL TOTAL RETURN OF THE S&P 500 INDEX FOR THE PERIOD SHOWN BELOW WAS 11.04%.



Source: Bloomberg, First Trust Advisors L.P., 1/1/2008 - 12/31/2021. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future.

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Crisis and recovery: How the S&P 500® Index performed during and after historic events

Event	Event reaction dates	Percent of gain/loss during event	S&P 500 percentage of gain/loss after last reaction date			
			1 month later	1 year later	5 years later	10 years later
Fall of France	5/9/40–6/22/40	–18.2	3.1	5.2	15.9	13.2
Attack on Pearl Harbor	12/6/41–12/10/41	–6.9	4.5	16.0	18.1	17.1
Outbreak of Korean War	6/23/50–7/13/50	–11.1	9.5	42.0	27.6	18.4
Cuban Missile Crisis	8/23/62–10/23/62	–9.9	15.5	41.1	15.8	11.0
President Kennedy assassination	11/21/63–11/22/63	–2.8	7.0	27.8	12.4	7.0
U.S. attacks Cambodia	4/29/70–5/26/70	–15.0	6.4	49.0	9.3	9.3
President Nixon resigns	8/9/74–8/29/74	–13.4	–6.8	30.6	14.6	14.6
1987 stock market crash	10/2/87–10/19/87	–31.5	7.1	27.9	17.0	18.9
Gulf War ultimatum	12/17/90–1/16/91	–2.8	17.2	36.6	17.3	18.0
Attempted coup in USSR	8/16/91–8/19/91	–2.3	3.2	14.5	15.2	14.3
September 11 terrorist attacks	9/10/01–9/21/01	–11.6	11.3	–11.1	8.3	3.9
U.S. invades Iraq	3/18/03–3/31/03	–2.1	8.2	35.1	11.3	8.5
Collapse of Lehman Brothers	9/5/08–11/20/08	–39.1	18.3	48.8	21.5	15.8
U.S. debt downgrade by S&P	8/5/11–10/3/11	–8.0	14.9	35.0	17.0	17.1
U.K. Brexit referendum	6/23/16–6/27/16	–5.3	8.5	23.5	18.7	—
Covid-19 pandemic	2/19/20–3/23/20	–33.8	25.2	77.8	—	—
Pandemic recovery slows	9/2/20–9/23/20	–9.5	7.2	39.5	—	—

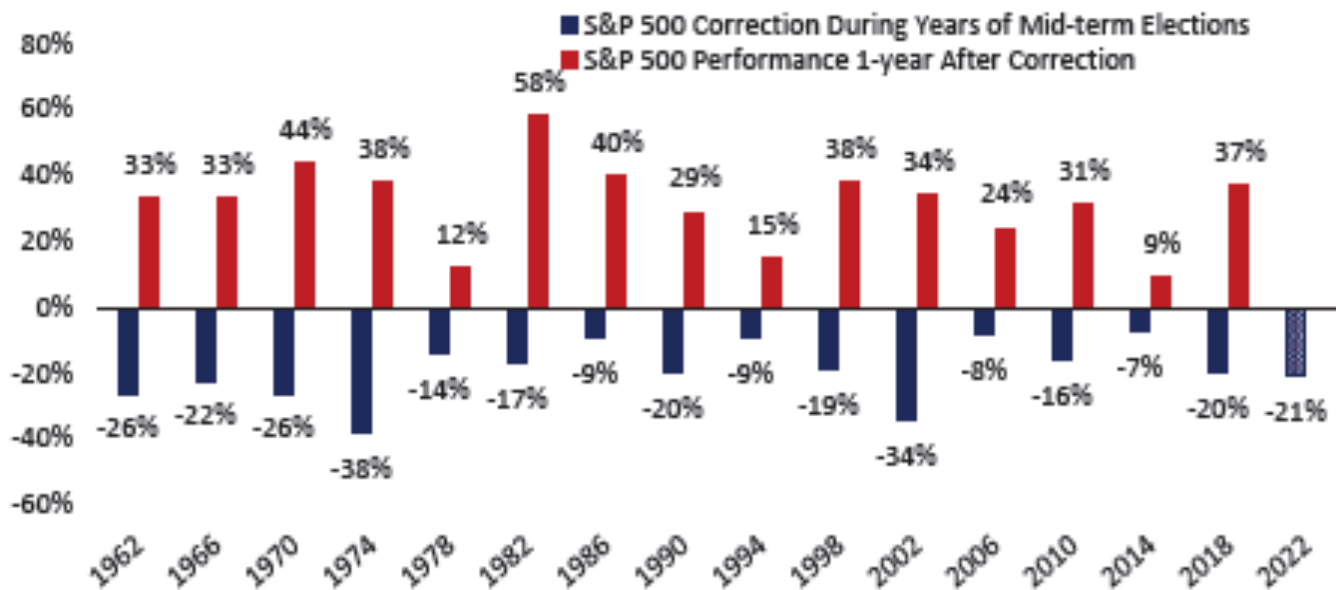
Historical references do not assume that any prior market behavior will be duplicated. Past performance does not indicate future results.

There are risks associated with mutual fund investing including the possibility that share prices will decline. Since investment return and principal value will fluctuate, shares when redeemed may be worth more or less than their original cost. Performance of Putnam funds will differ.

The S&P 500® Index is an unmanaged index of common stock performance. You cannot invest directly in an index. Indexes are unmanaged and used as a broad measure of market performance.

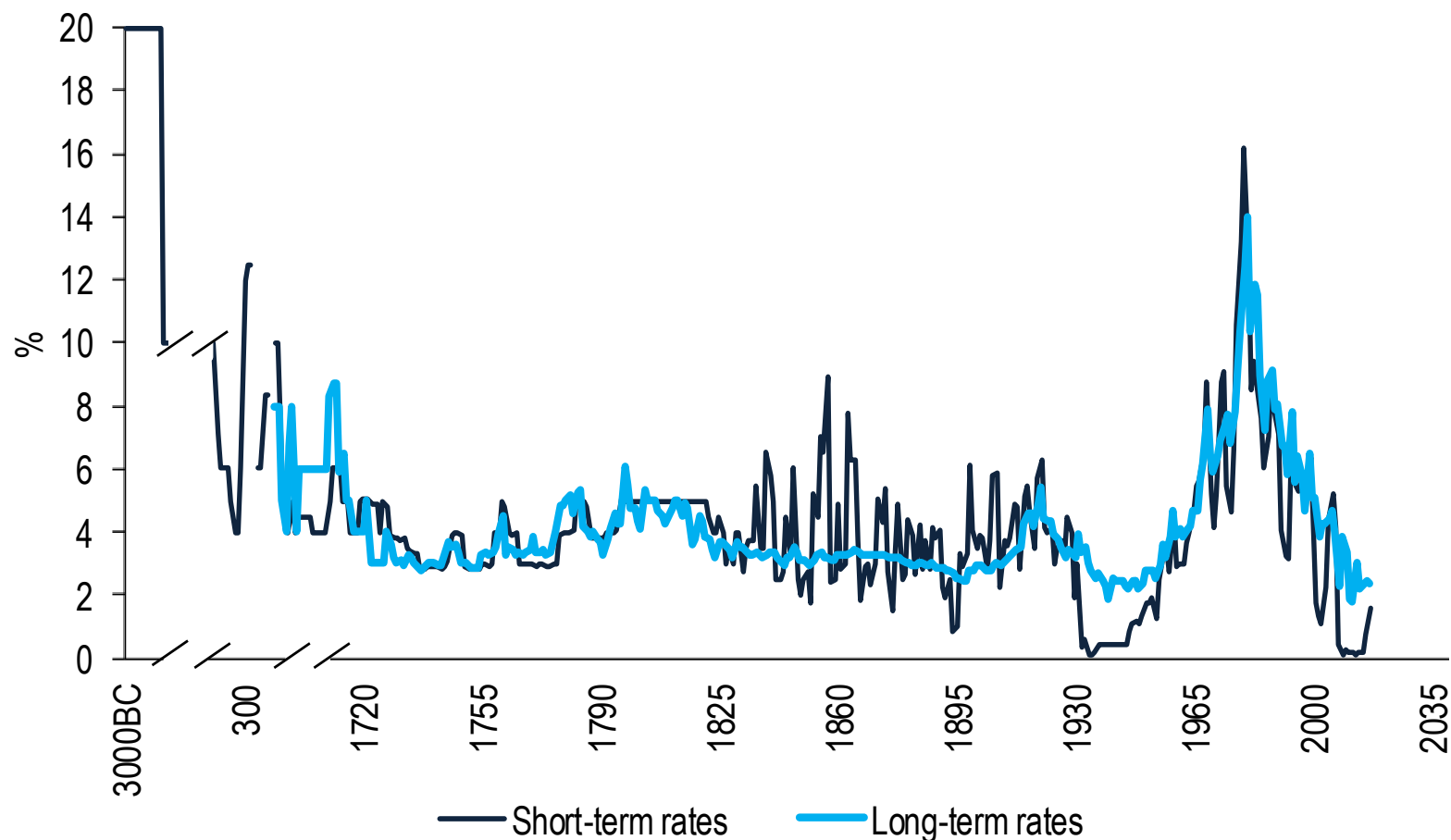
Market Volatility - Elections

In fact, the S&P 500 has historically underperformed in the year leading up to a midterm election, and this year is shaping up to be no different. Market weakness is typically followed by market strength/rebounds post elections.



INFLATION

Long Term Global Interest Rates Since 3000 B.C.



Source: BofAML Global Investment Strategy, Bank of England, Global Financial Data, Homer and Sylla "A History of Interest Rates". Note: Intervals on the x-axis change through time up to 1700, after which they are annual intervals. Data updated December 31, 2017. **Past performance is no guarantee of future results.**

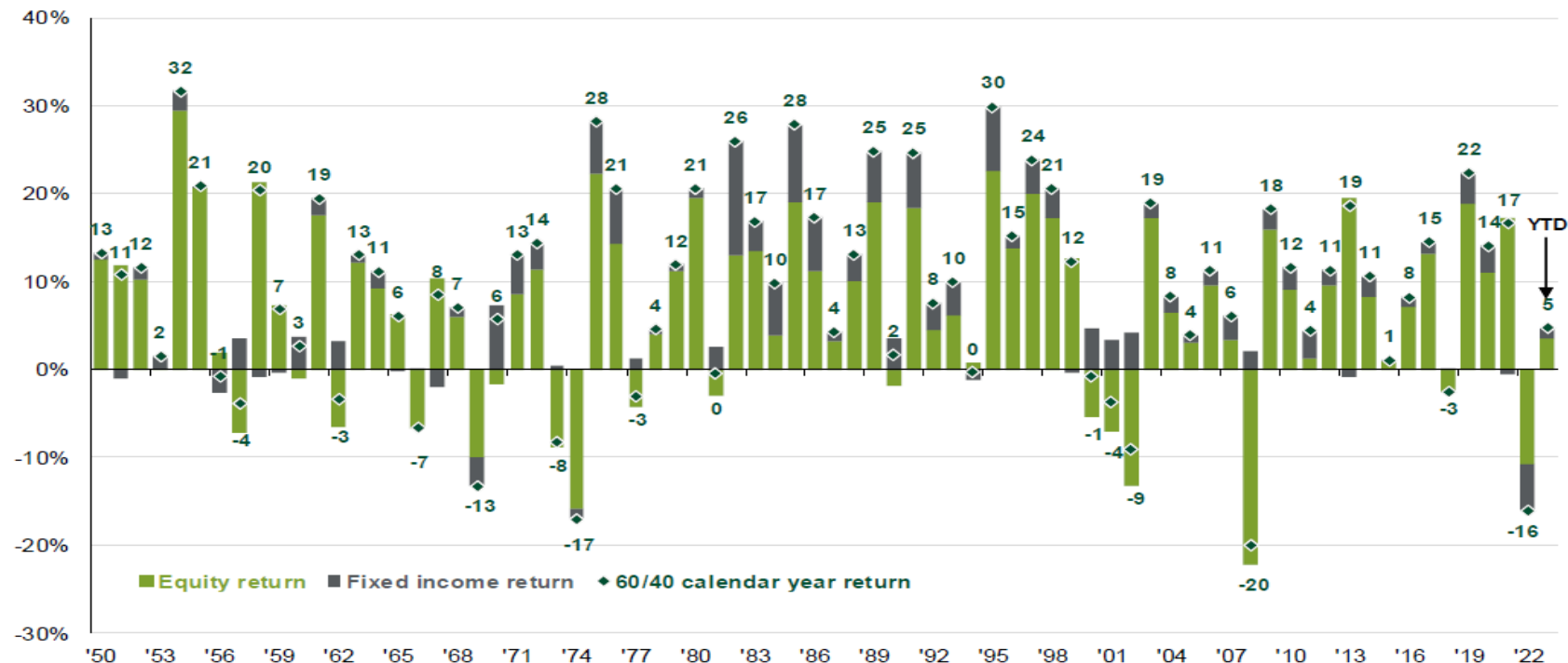


60/40 annual returns

GTM U.S. 63

60/40 annual return decomposition

Total returns, 1950 – present



Source: FactSet, Standard & Poor's, Robert Shiller, Yale University, Bloomberg, Ibbotson/Strategas, J.P. Morgan Asset Management. The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. S&P 500 returns from 1950 – 1970 are estimated using the Shiller S&P Composite. U.S. fixed income total returns from 1950 – 1975 are estimated using data from Strategas/Ibbotson. The portfolio is rebalanced annually. Guide to the Markets – U.S. Data are as of January 26, 2023.

J.P.Morgan
ASSET MANAGEMENT

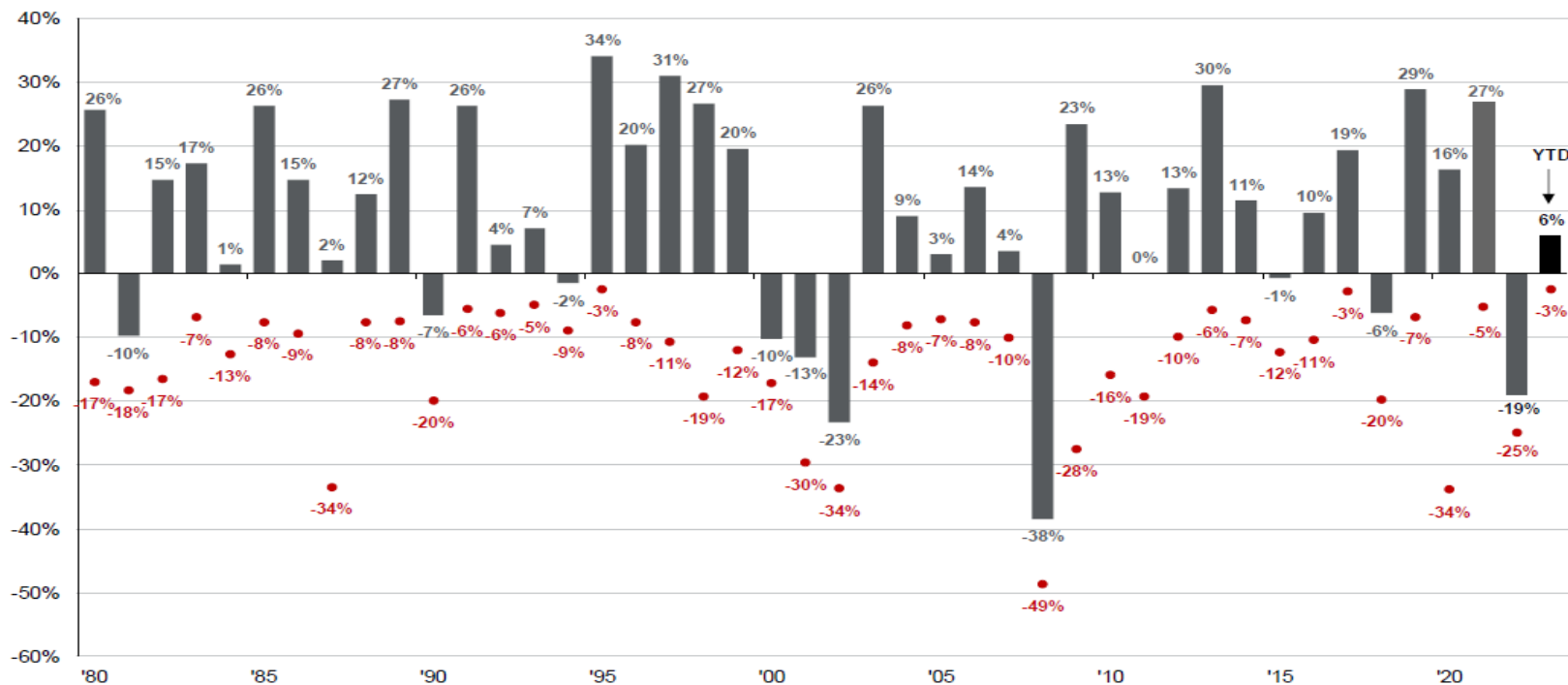


Annual returns and intra-year declines

GTM U.S. 15

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.

Guide to the Markets – U.S. Data are as of January 26, 2023.

J.P.Morgan
ASSET MANAGEMENT

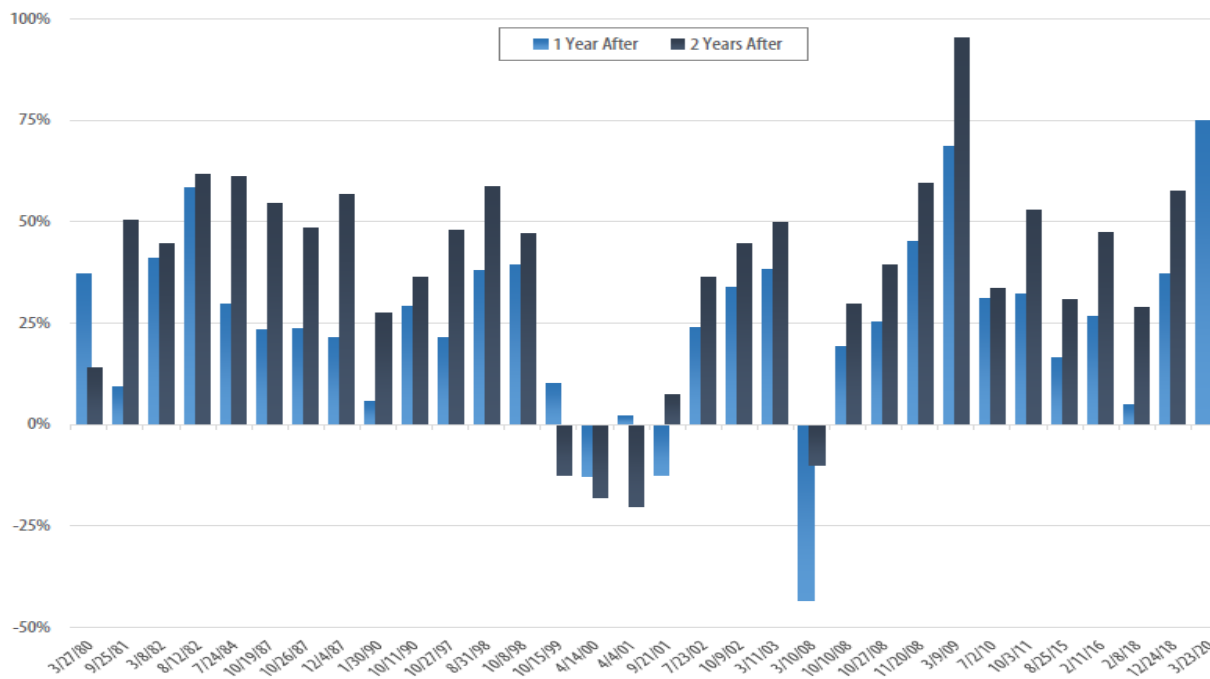


Stock Market Corrections & Subsequent Year Returns

S&P 500 Index

First Trust

S&P 500 INDEX PRICE RETURNS 1 & 2 YEARS AFTER A MARKET CORRECTION



Trough Date	Correction Return	1 Year After	2 Years After
3/27/1980	-17.07%	37.09%	13.97%
9/25/1981	-19.75%	9.36%	50.31%
3/8/1982	-15.05%	40.92%	44.58%
8/12/1982	-14.27%	58.33%	61.51%
7/24/1984	-14.38%	29.60%	60.97%
10/19/1987	-33.24%	23.19%	54.39%
10/26/1987	-11.89%	23.59%	48.43%
12/4/1987	-12.45%	21.39%	56.59%
1/30/1990	-10.23%	5.55%	27.45%
10/11/1990	-19.92%	29.10%	36.28%
10/27/1997	-10.80%	21.48%	47.86%
8/31/1998	-19.34%	37.93%	58.54%
10/8/1998	-10.00%	39.25%	46.86%
10/15/1999	-12.08%	10.16%	-12.49%
4/14/2000	-11.19%	-12.76%	-18.10%
4/4/2001	-27.45%	2.09%	-20.34%
9/21/2001	-26.43%	-12.47%	7.30%
7/23/2002	-31.97%	23.93%	36.17%
10/9/2002	-19.31%	33.73%	44.46%
3/11/2003	-14.71%	38.22%	49.87%
3/10/2008	-18.64%	-43.49%	-10.03%
10/10/2008	-36.97%	19.16%	29.57%
10/27/2008	-15.39%	25.27%	39.29%
11/20/2008	-25.19%	45.05%	59.45%
3/9/2009	-27.62%	68.57%	95.12%
7/2/2010	-15.99%	31.01%	33.54%
10/3/2011	-19.39%	32.00%	52.71%
8/25/2015	-12.35%	16.32%	30.81%
2/11/2016	-13.31%	26.63%	47.35%
2/8/2018	-10.16%	4.92%	28.93%
12/24/18	-19.78%	37.10%	57.50%
3/23/2020	-33.92%	74.78%	?
2/23/2022	-11.91%	?	?
Average	-18.55%	24.91%	37.38%
Median	-15.99%	25.95%	44.58%
% Positive	N/A	90.63%	87.10%

Source: Bloomberg. Performance is price return only (no dividends). Past performance is no guarantee of future results. For illustrative purposes only and not indicative of any actual investment. Market correction: When the market fell at least 10% from its recent peak. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

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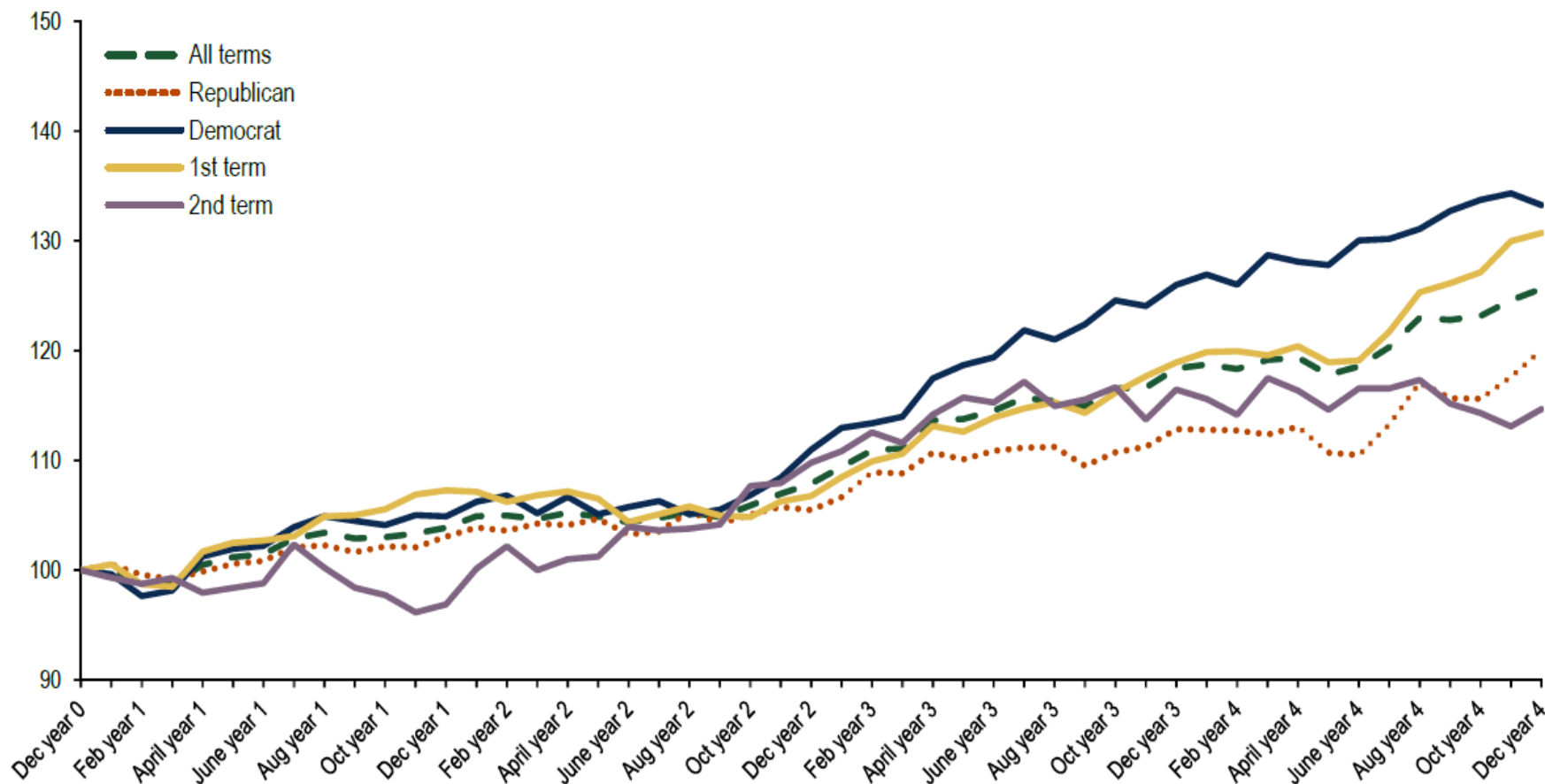
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ELECTIONS

500 Years of Financial Markets – Dawn of a New Age

Chart 1: S&P 500 average performance through the Presidential Cycle: All terms, Republican, Democrat, 1st term and 2nd term 1872 - 2020



Source: BofA Global Research, Bloomberg Global Financial Data (GFD)



2023 Market Outlook

World Conflicts:

- On-shoring favorable for America w more stable energy prices
 - US Steel - \$3B mill in AR
 - Other 1st world allies shifting manufacturing here, 1st time ever
- Weakening of US Dollar as rest of the world strengthens theirs

Inflation:

- Housing
- Rate Hikes – Feb, March, May, then might see rate cuts
- Supply Chain Normalizes
- Unemployment works its way to 5% – 5.5%

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Presidential Election:

- **Candidates start emerging for 2024 Presidential Election**
- **Secure Act 2.0**
- **Debt Ceiling Debate**

Recession:

- **Mild by Mid-Year**
- **Shallow and Short**

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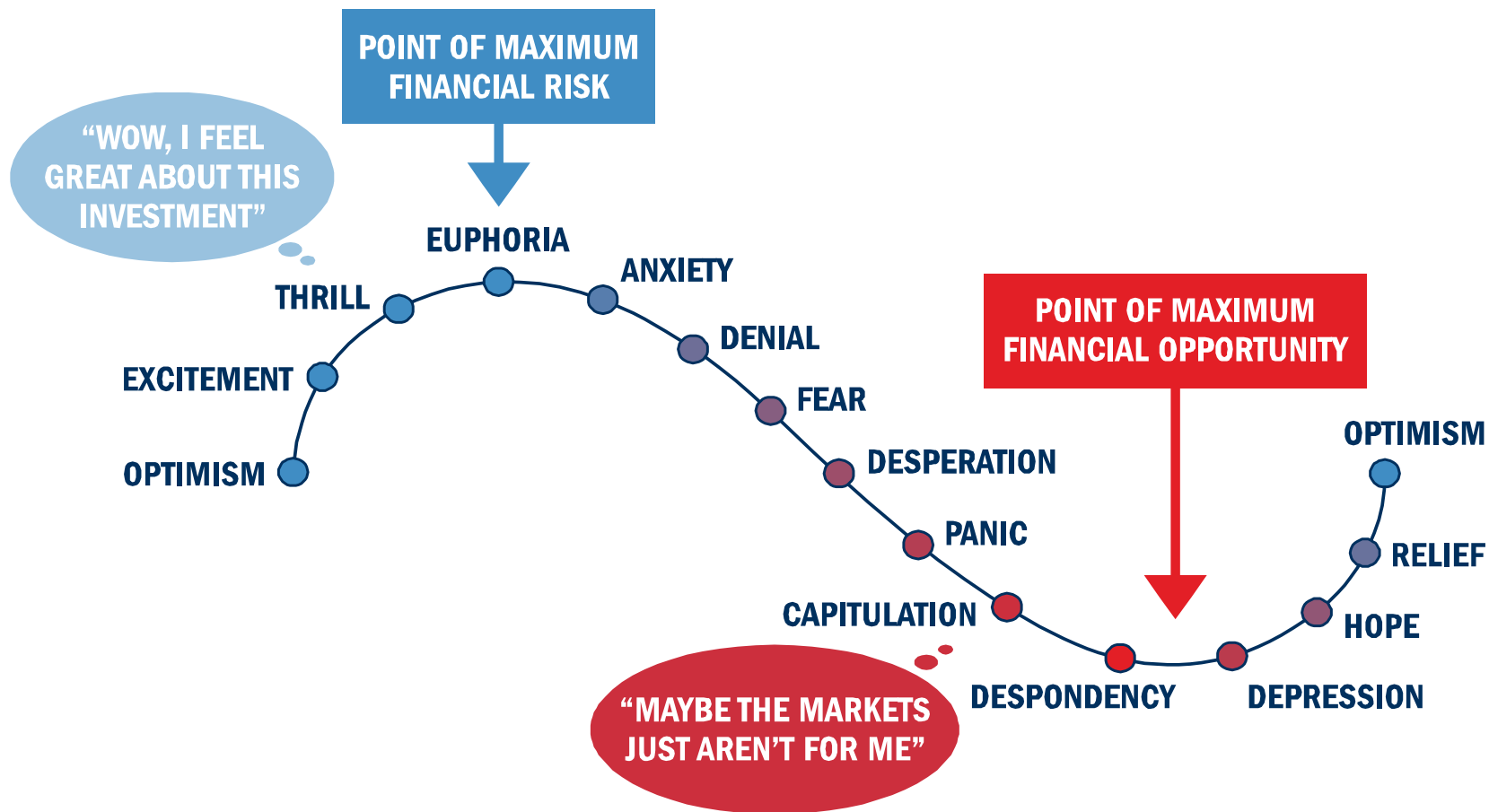


Chart source: Westcore Funds / Denver Investment Advisers LLC 1998

Us Now:

- **Baby Boomers**
 - **Born 1946 – 1964**
 - **74.9 million**
- **Generation X**
 - **Born 1965 – 1980**
 - **55 million**

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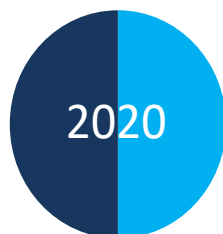
Future:

- **Millennials (23-42)**
 - **Born 1981 - 2000**
 - **75.4 million (projected to peak in 2036 at 81.1 million)**
- **Centennials/Gen Z/Boomlets**
 - **Born after 2001**
 - **Estimated to reach 84.7 million by 2020**
 - **“Tweens” age 8-12 years old**
 - **\$51 billion is spend by tweens every year with an additional \$170 billion spent by their parents and family members directly for them**

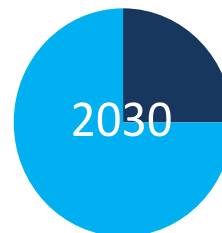
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Millennials will be roughly 50% of the US Workforce in 2020 and 75% of the global workforce by 2030



50%
of the U.S.
Workforce



75%
of the Global
Workforce

Barron's, April 29, 2013.

500 Years of Financial Markets – Dawn of a New Age



AGRICULTURE

INDUSTRIAL

DIGITAL



1500

1700

2000

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QUESTIONS?

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