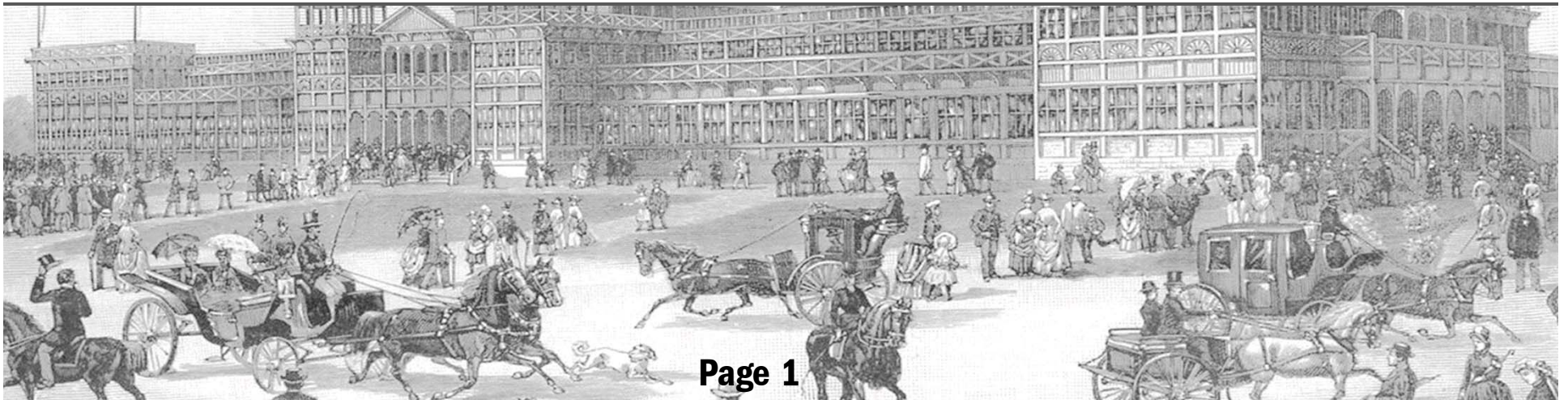


The Economy and Stocks Where were we and where are we going?

A review of DATA, TECHNOLOGY, and INFORMATION
...and how it's changing the game



COMPLIANCE DISCLOSURE

- The information provided is for illustration purposes only. It is not, and should not be regarded as “investment advice” or as a “recommendation” regarding a course of action to be taken. These analyses have been produced using data provided by third parties and/or public sources. While the information is believed to be reliable, its accuracy cannot be guaranteed.
- Any securities identified were selected for illustrative purposes only. Specific securities identified and described may or may not be held in portfolios managed by the Adviser and do not represent all of the securities purchased, sold, or recommended for advisory clients. The reader should not assume that investments in the securities identified and discussed were or will be profitable.

Stocks or Cash?

Starting Point

Conditions

Direction



- The S&P 500 Index is highly correlated to earnings.
- Earnings have grown long term at ~6% per year.
- Earnings out-grow and under-grow the 6% average.
- Stocks trade between 10x and 30x earnings.

Over-Earning
Neutral

What direction are stocks headed?



Well, what direction are Earnings headed?



What drives Earnings?

- Fed Policy, Interest Rates, Liquidity
- Consumer and CEO Confidence, Spending & Investment
- Debt

The GOOD – Conditions that are ‘ok’

Conditions

- Inventories
- Corporate Cash Flow
- Corporate Debt Coverage
- Consumer Spending
- Savings Rates
- Fixed Income Ownership
- Capacity Utilization
- Bubbles/Excess - no

Conditions

- Banks willingness to lend
- Credit Delinquencies
- Labor Participation Rate
- Globalization
- Fed on Hold
- Inflation 2%
- Oil
- Politics

The BAD – Conditions & Rate of Change/Direction

- 2019 Earnings Expectations
- 2019 Earnings Estimates
- Product Costs
- Wage Inflation
- Corporate Profit Margins
- Interest Rates rose
- Global FEDS tightened
- Money Supply (M1/M2)
- PMI's / ISM's
- Tax Cut anniversary
- Housing
- Auto Sales
- Capital Expenditures
- Consumer Leverage
- Corporate Leverage
- CEO Confidence Surveys
- China / Emerging Markets
- Euro Block
- Stock Prices
- Dollar
- Earnings
- Unemployment

More BAD – Conditions and Rate of Change/Direction

The Unknowns

- Tariffs
- Deficits
- Election 2020
- Trump
- Trade Wars
- N. Korea

Ground Level data

- FedEx
- Apple
- Micron
- Macy's
- Stanley Works
- UTX, IBM, JBHT, Banks
- Overall Company Guidance

1988-1992



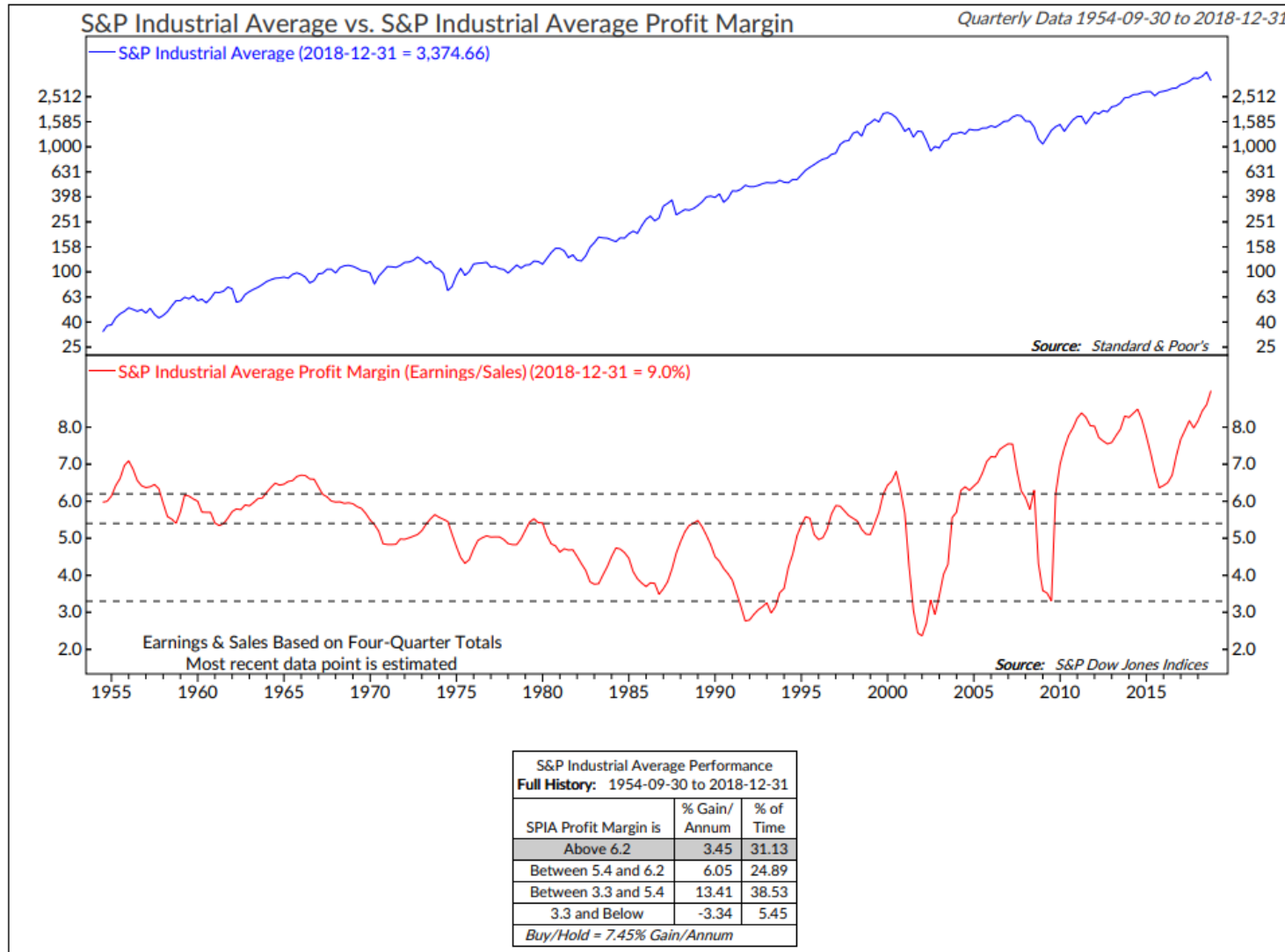
A1: 'Group

READY

	A	B	C	D	E	F	G	H
	Group	BAL	PRIN	INT	ACCU	#PMTS	I%YR	PMT
1		142	675	(5)	(11,6	(11	12	(1,414)
2		136	668	(5)	(11,6	(11	12	(1,414)
3		130	661	(5)	(11,6	(11	12	(1,414)
4		124	654	(5)	(11,6	(11	12	(1,414)
5		118	647	(5)	(11,6	(11	12	(1,414)
6		112	640	(5)	(11,6	(11	12	(1,414)
7		106	633	(5)	(11,6	(11	12	(1,414)
8		100	626	(5)	(11,6	(11	12	(1,414)
9		94	619	(5)	(11,6	(11	12	(1,414)
10		88	612	(5)	(11,6	(11	12	(1,414)
11		82	605	(5)	(11,6	(11	12	(1,414)
12		76	598	(5)	(11,6	(11	12	(1,414)
13		70	591	(5)	(11,6	(11	12	(1,414)
14		64	584	(5)	(11,6	(11	12	(1,414)
15		58	577	(5)	(11,6	(11	12	(1,414)
16		52	570	(5)	(11,6	(11	12	(1,414)
17		46	563	(5)	(11,6	(11	12	(1,414)
18		40	556	(5)	(11,6	(11	12	(1,414)
19		34	549	(5)	(11,6	(11	12	(1,414)
20		28	542	(5)	(11,6	(11	12	(1,414)
21		22	535	(5)	(11,6	(11	12	(1,414)
22		16	528	(5)	(11,6	(11	12	(1,414)
23		10	521	(5)	(11,6	(11	12	(1,414)
24		4	514	(5)	(11,6	(11	12	(1,414)
25			507	(5)	(11,6	(11	12	(1,414)
26			500	(5)	(11,6	(11	12	(1,414)
27			493	(5)	(11,6	(11	12	(1,414)
28			486	(5)	(11,6	(11	12	(1,414)
29			479	(5)	(11,6	(11	12	(1,414)
30			472	(5)	(11,6	(11	12	(1,414)
31			465	(5)	(11,6	(11	12	(1,414)
32			458	(5)	(11,6	(11	12	(1,414)
33			451	(5)	(11,6	(11	12	(1,414)
34			444	(5)	(11,6	(11	12	(1,414)
35			437	(5)	(11,6	(11	12	(1,414)
36			430	(5)	(11,6	(11	12	(1,414)
37			423	(5)	(11,6	(11	12	(1,414)
38			416	(5)	(11,6	(11	12	(1,414)
39			409	(5)	(11,6	(11	12	(1,414)
40			402	(5)	(11,6	(11	12	(1,414)
41			395	(5)	(11,6	(11	12	(1,414)
42			388	(5)	(11,6	(11	12	(1,414)
43			381	(5)	(11,6	(11	12	(1,414)
44			374	(5)	(11,6	(11	12	(1,414)
45			367	(5)	(11,6	(11	12	(1,414)
46			360	(5)	(11,6	(11	12	(1,414)
47			353	(5)	(11,6	(11	12	(1,414)
48			346	(5)	(11,6	(11	12	(1,414)
49			339	(5)	(11,6	(11	12	(1,414)
50			332	(5)	(11,6	(11	12	(1,414)
51			325	(5)	(11,6	(11	12	(1,414)
52			318	(5)	(11,6	(11	12	(1,414)
53			311	(5)	(11,6	(11	12	(1,414)
54			304	(5)	(11,6	(11	12	(1,414)
55			297	(5)	(11,6	(11	12	(1,414)
56			290	(5)	(11,6	(11	12	(1,414)
57			283	(5)	(11,6	(11	12	(1,414)
58			276	(5)	(11,6	(11	12	(1,414)
59			269	(5)	(11,6	(11	12	(1,414)
60			262	(5)	(11,6	(11	12	(1,414)
61			255	(5)	(11,6	(11	12	(1,414)
62			248	(5)	(11,6	(11	12	(1,414)
63			241	(5)	(11,6	(11	12	(1,414)
64			234	(5)	(11,6	(11	12	(1,414)
65			227	(5)	(11,6	(11	12	(1,414)
66			220	(5)	(11,6	(11	12	(1,414)
67			213	(5)	(11,6	(11	12	(1,414)
68			206	(5)	(11,6	(11	12	(1,414)
69			199	(5)	(11,6	(11	12	(1,414)
70			192	(5)	(11,6	(11	12	(1,414)
71			185	(5)	(11,6	(11	12	(1,414)
72			178	(5)	(11,6	(11	12	(1,414)
73			171	(5)	(11,6	(11	12	(1,414)
74			164	(5)	(11,6	(11	12	(1,414)
75			157	(5)	(11,6	(11	12	(1,414)
76			150	(5)	(11,6	(11	12	(1,414)
77			143	(5)	(11,6	(11	12	(1,414)
78			136	(5)	(11,6	(11	12	(1,414)
79			129	(5)	(11,6	(11	12	(1,414)
80			122	(5)	(11,6	(11	12	(1,414)
81			115	(5)	(11,6	(11	12	(1,414)
82			108	(5)	(11,6	(11	12	(1,414)
83			101	(5)	(11,6	(11	12	(1,414)
84			94	(5)	(11,6	(11	12	(1,414)
85			87	(5)	(11,6	(11	12	(1,414)
86			80	(5)	(11,6	(11	12	(1,414)
87			73	(5)	(11,6	(11	12	(1,414)
88			66	(5)	(11,6	(11	12	(1,414)
89			59	(5)	(11,6	(11	12	(1,414)
90			52	(5)	(11,6	(11	12	(1,414)
91			45	(5)	(11,6	(11	12	(1,414)
92			38	(5)	(11,6	(11	12	(1,414)
93			31	(5)	(11,6	(11	12	(1,414)
94			24	(5)	(11,6	(11	12	(1,414)
95			17	(5)	(11,6	(11	12	(1,414)
96			10	(5)	(11,6	(11	12	(1,414)
97			3	(5)	(11,6	(11	12	(1,414)
98				(5)	(11,6	(11	12	(1,414)
99				(5)	(11,6	(11	12	(1,414)
100				(5)	(11,6	(11	12	(1,414)

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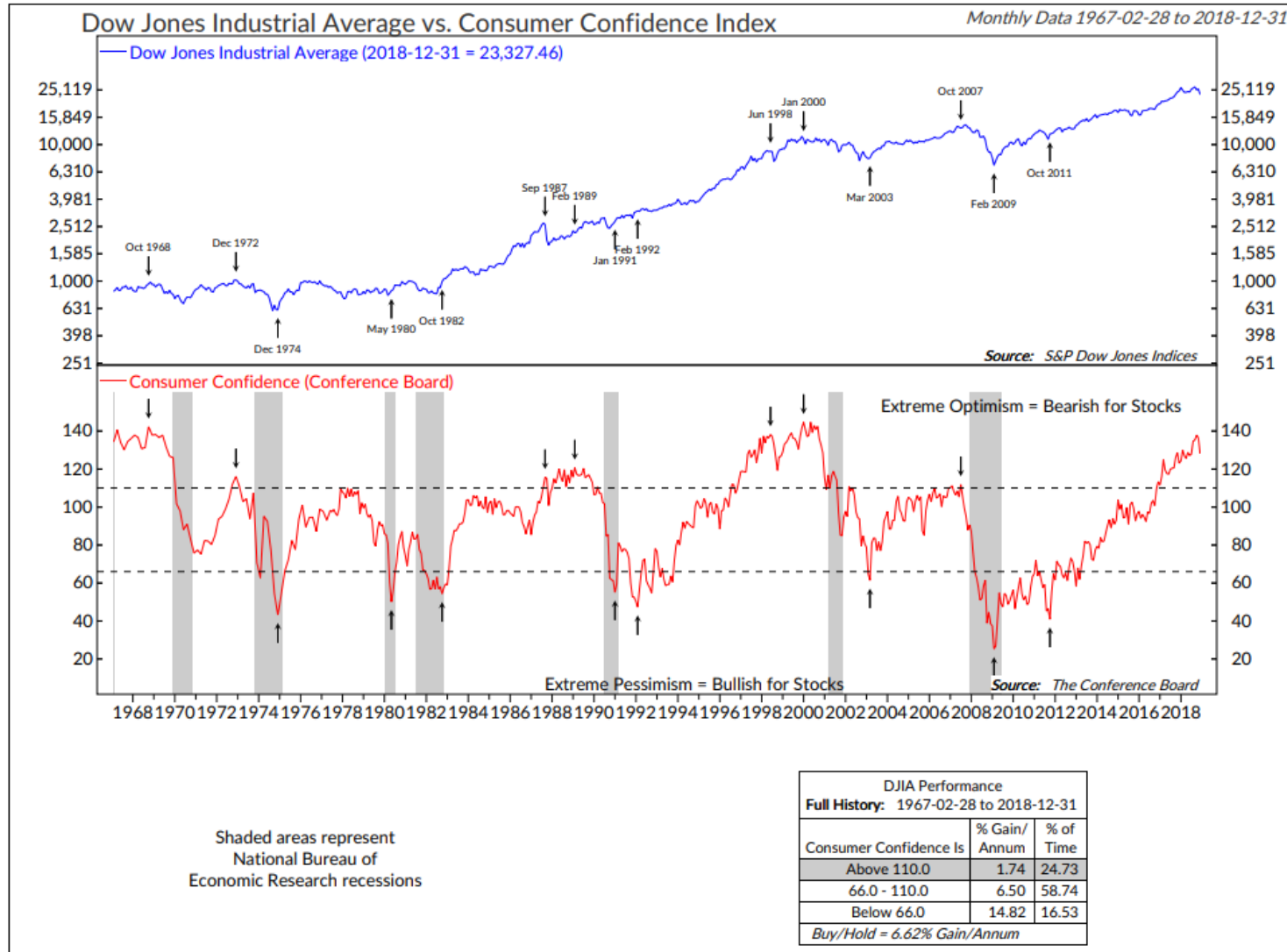
Focus on a Factor(Profit Margins)



S658

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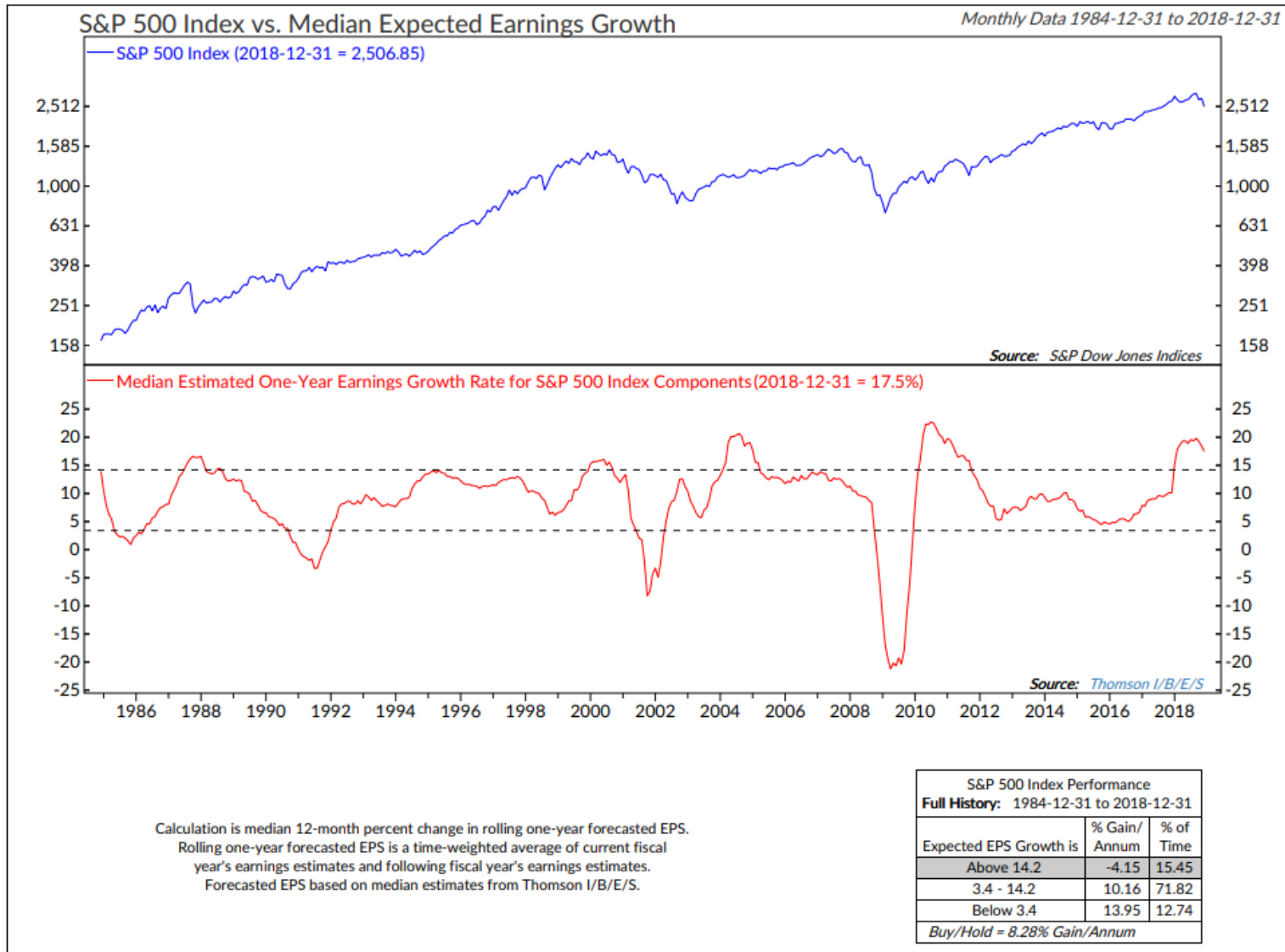
Focus on a Factor(Confidence)



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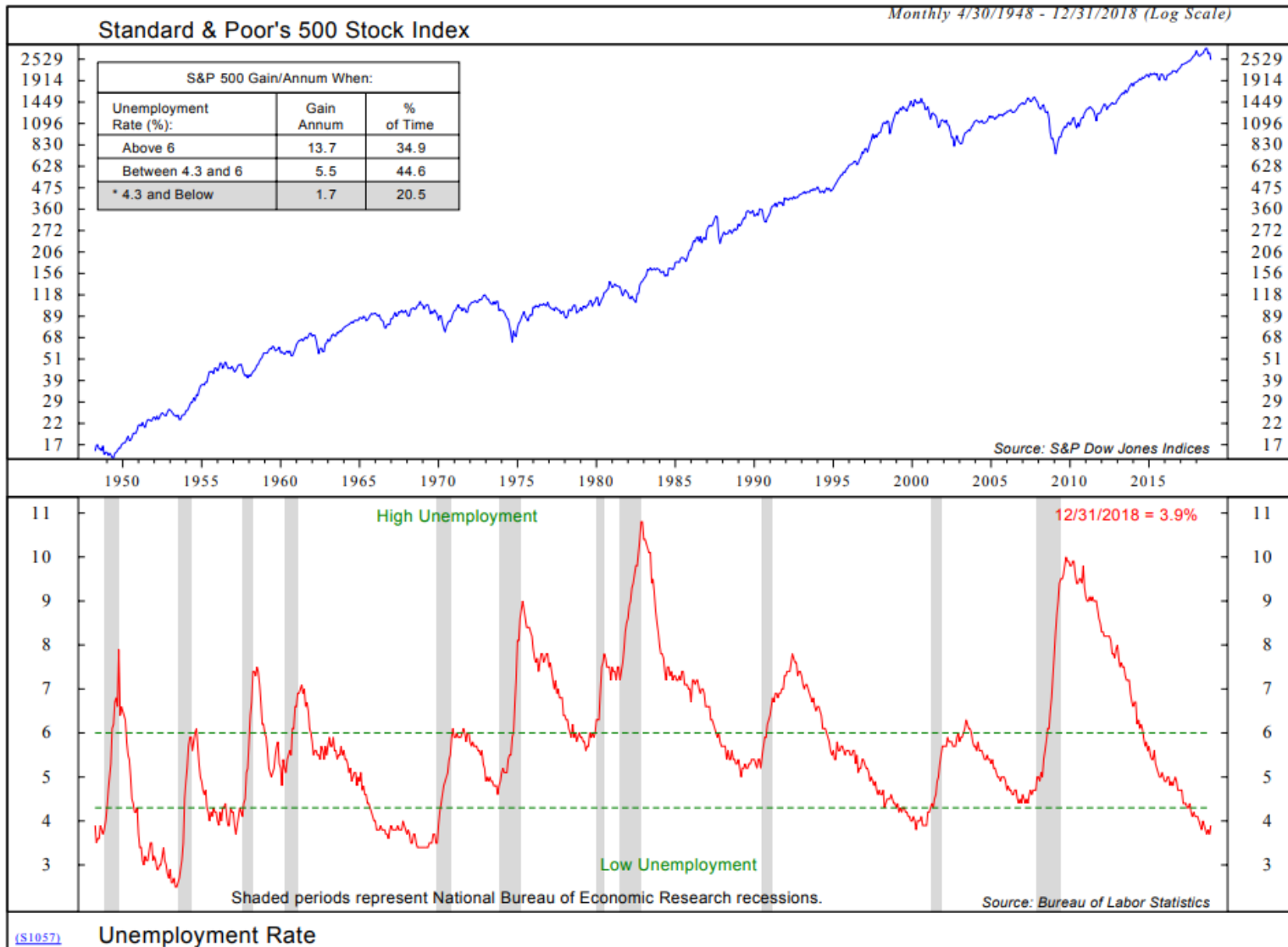
Focus on a Factor(Expected Earnings Growth)



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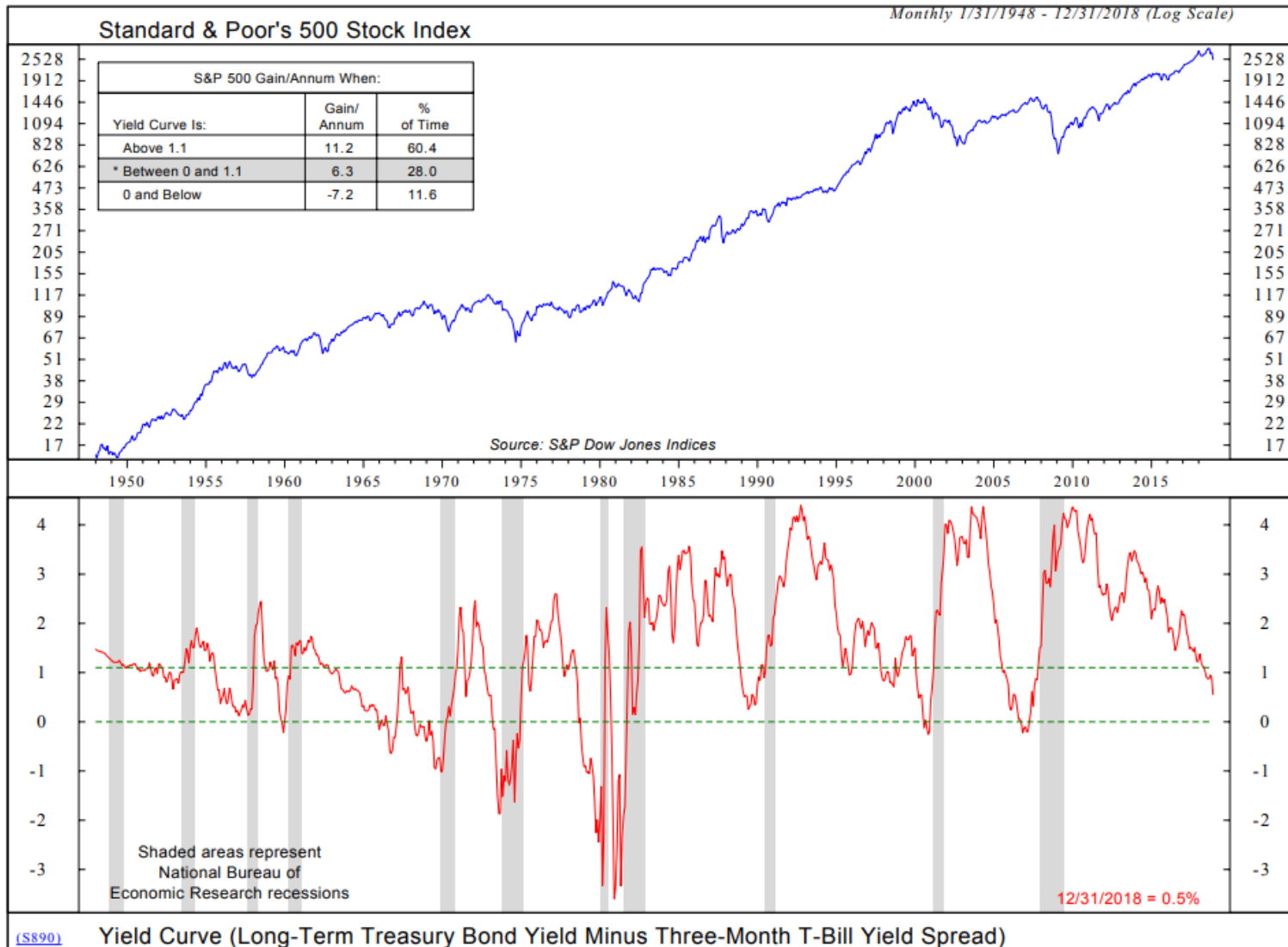
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Focus on a Factor(Unemployment)



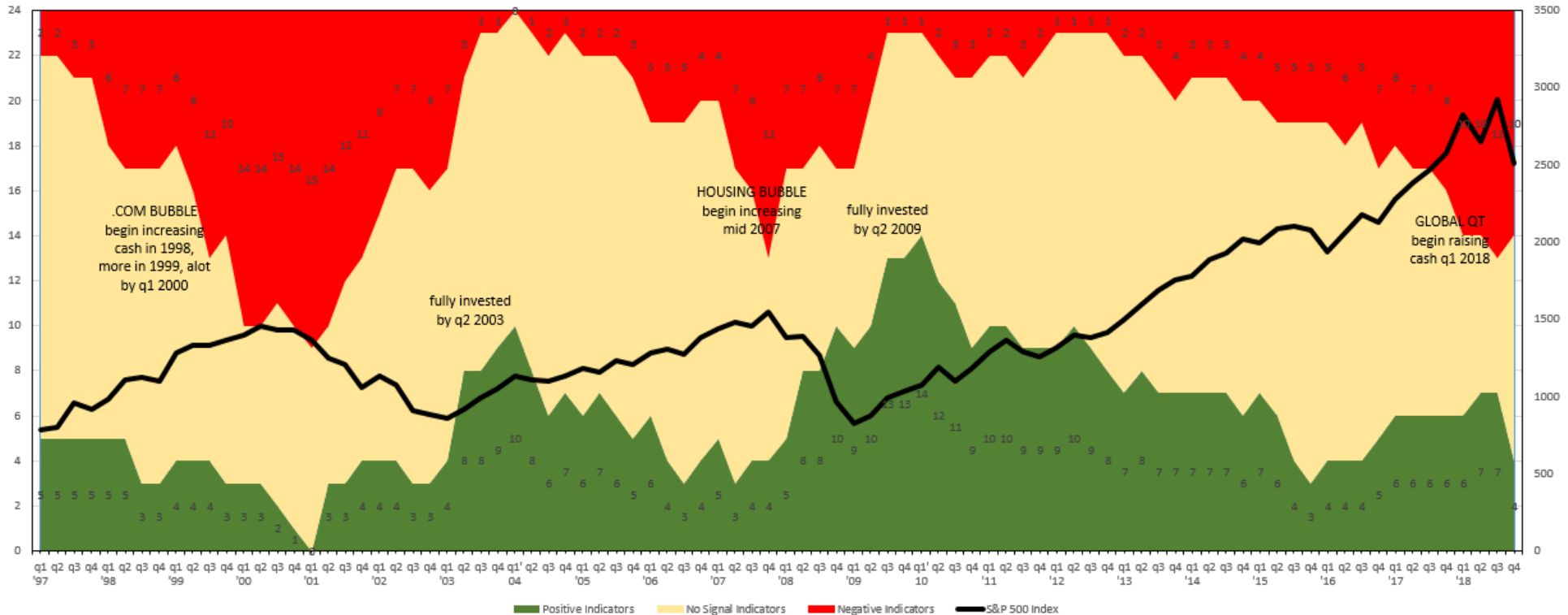
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Focus on a Factor (Yield Curve)



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Equity Market Indicators



4 Positive - Forward Estimate Chg., S&P Capex/Cash Flow, Credit Conditions, Valuations(S&P 500 Earnings Yield to T-Bills)

10 Neutral – High/Lows Breadth Index, Output Gap, Capacity Utilization, Yield Curve, LEI, Breadth of State LEI, Option Adjusted Spreads, S&P Margin Debt, Valuation(P/E level), Debt Spreads

10 Negative – Equity Trends, Consumer Confidence, Domestic Equity Fund Flows/Levels, Bond Fund Flows/Levels, Street Median Expected Growth, S&P Profit Margins(level), Unemployment, Corporate Debt to Cash Flow, Valuation(EV to Cash Flow), Fed Funds Direction

- The Market's *'Value'* is *not great*, but not bad either
- The S&P 500 is *'over-earning'* the long-term trend of 6.6%
- *'Conditions'* for earnings growth are not great but not too bad
- The *'Rate of Change/Direction'* of earnings drivers are down

- We do the same analysis for other asset classes continually
 - International Markets
 - Commodities
 - Real Estate
 - Private Equity
 - Hedge Funds
 - Fixed Income

Questions?