



State of the Economy

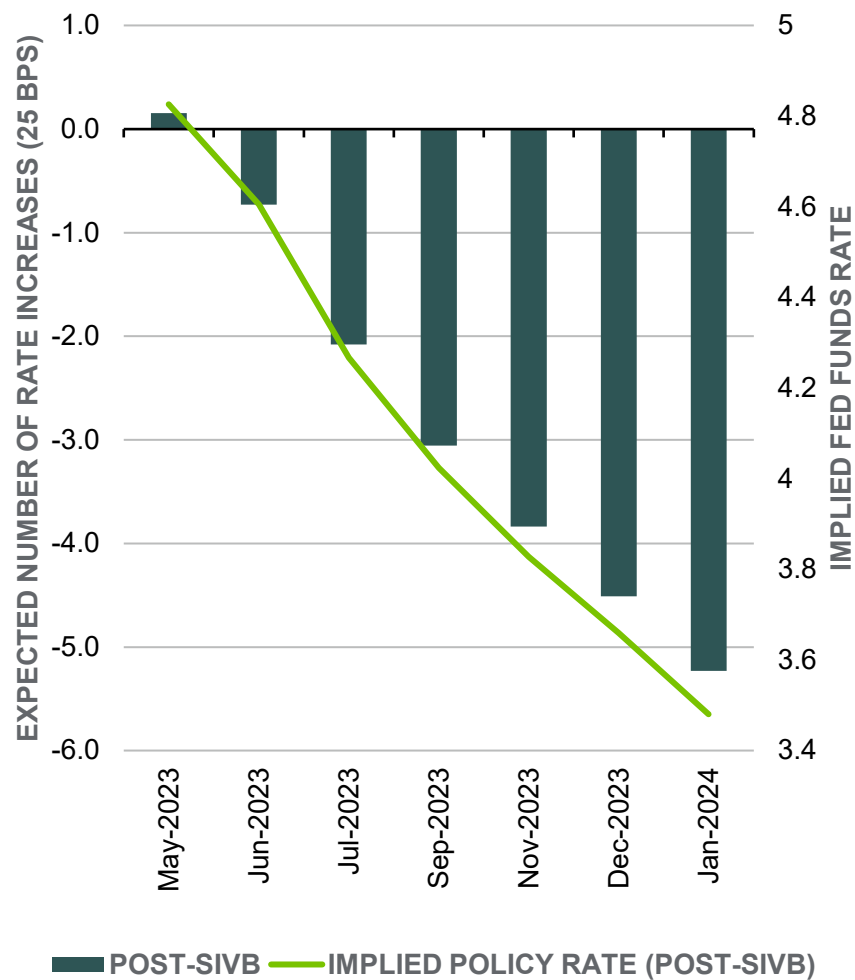
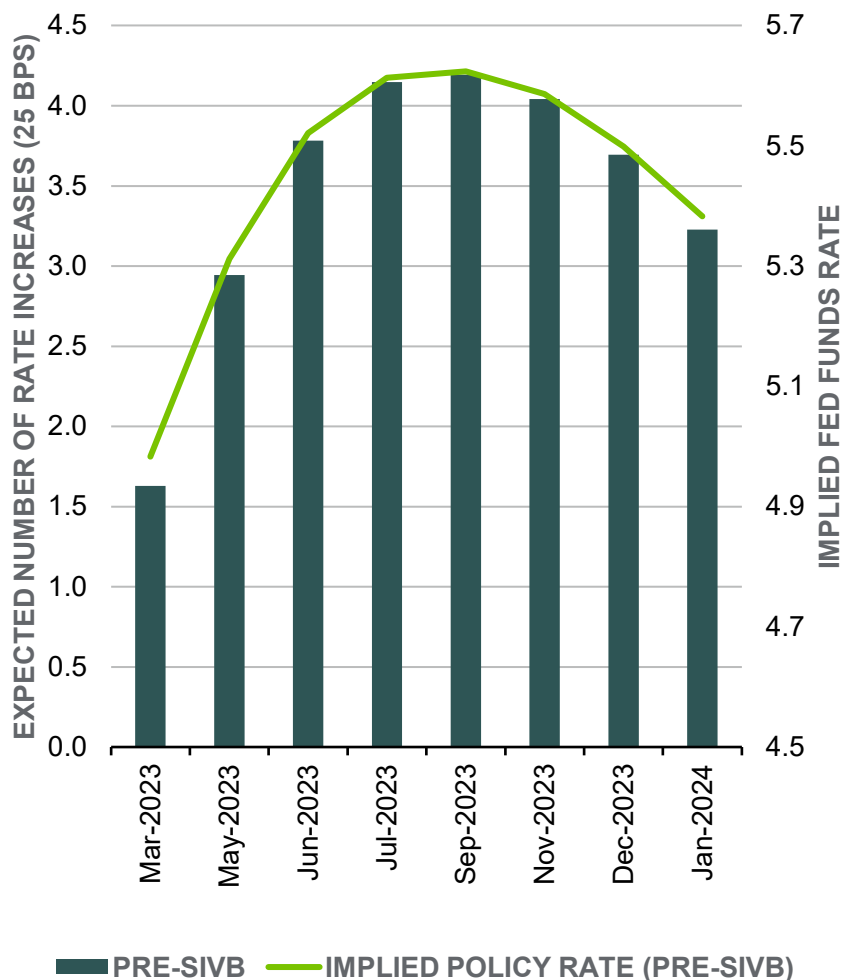
Q2 2023

Revised: March 28, 2023

IMPORTANT TOPICS TO DISCUSS

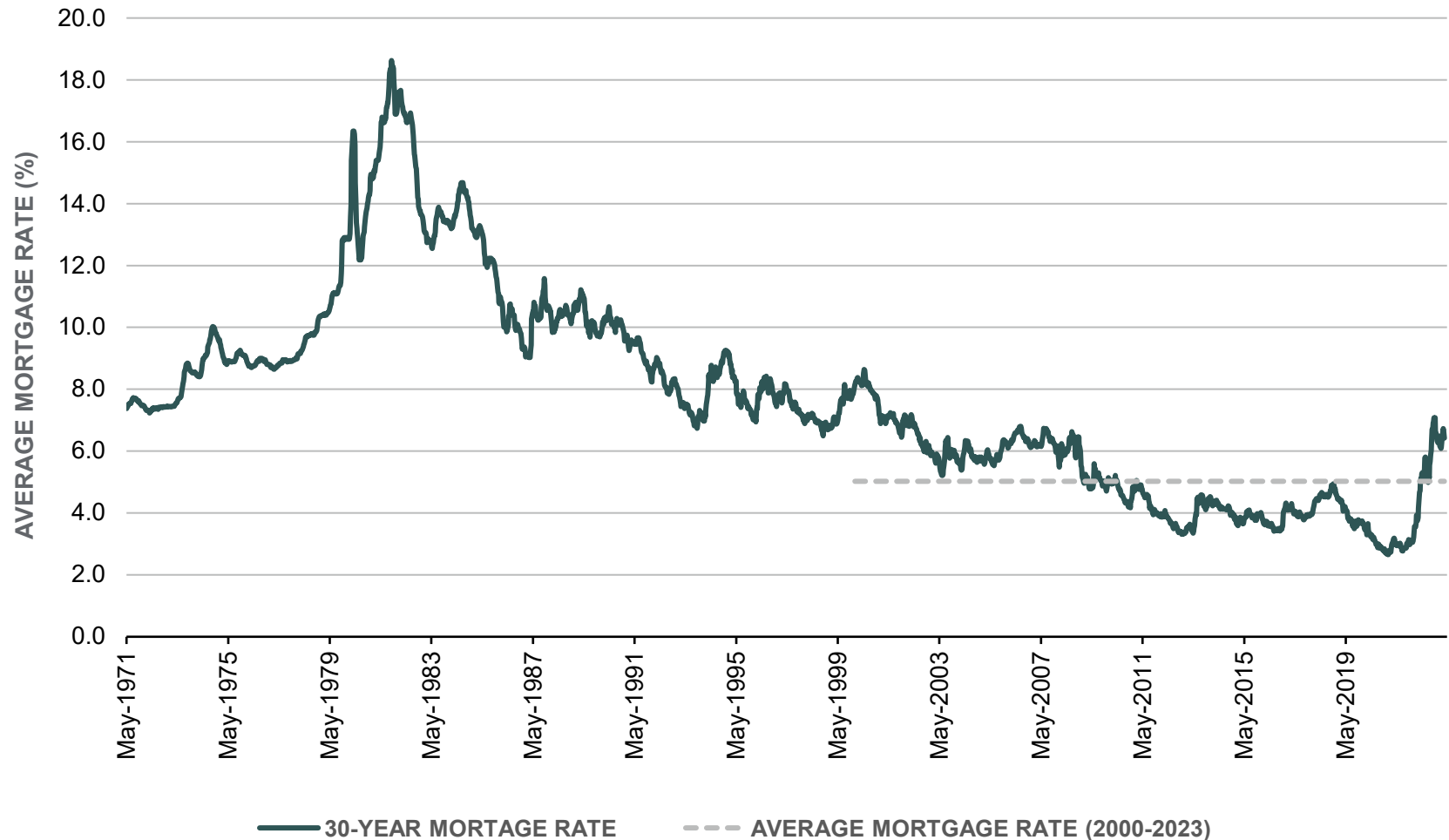
- Impact of the Silicon Valley Bank (SIVB) failure
- Housing market response to higher interest rates
- Strength of the Labor Market (bolstering the consumer, even with inflation)
- Improvement in inflation
- Challenges faced by the Federal Reserve Open Market Committee (FOMC)
- Equity and bond market opportunity

MONETARY POLICY EXPECTATIONS SHIFTED WITH THE BANKING TURMOIL

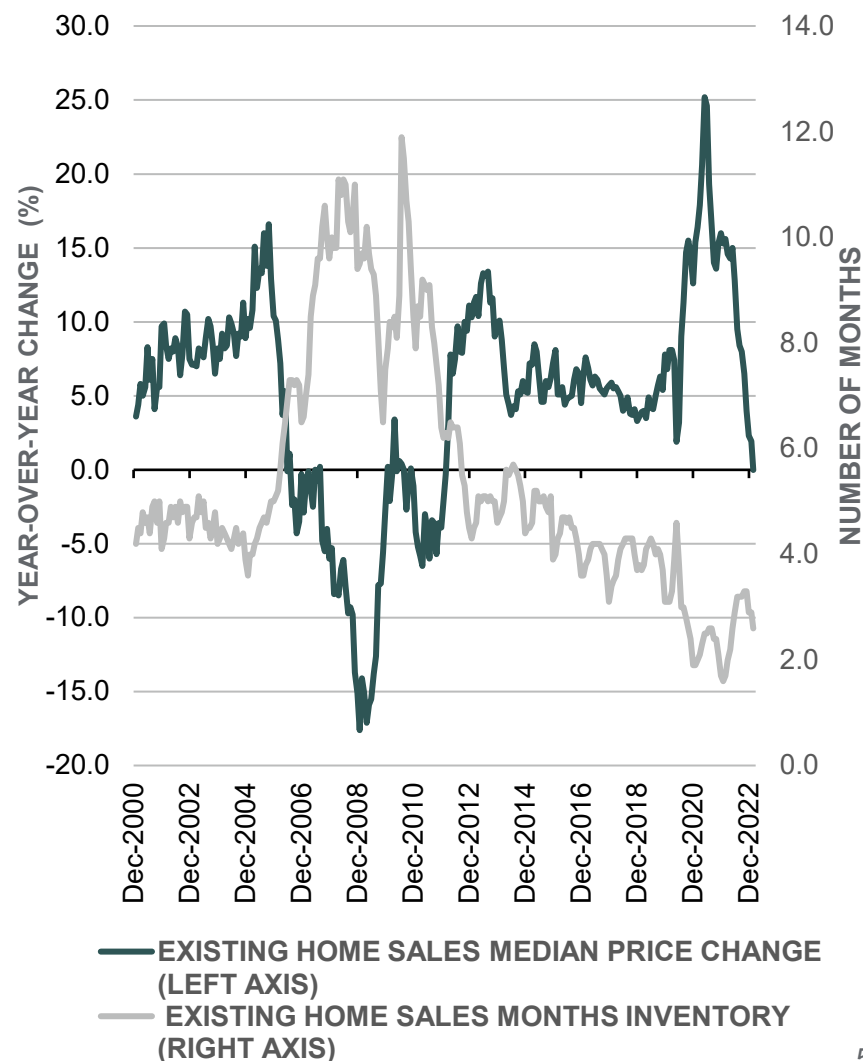
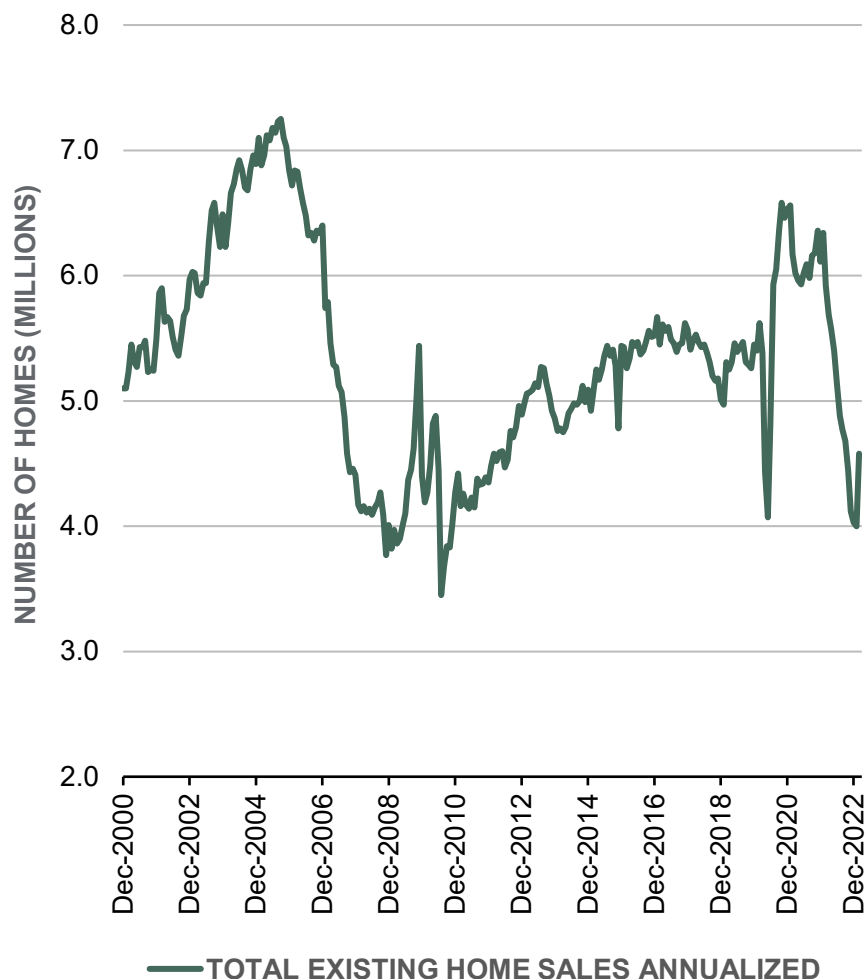




MORTGAGE RATES ARE NEAR MULTI-DECADE HIGHS

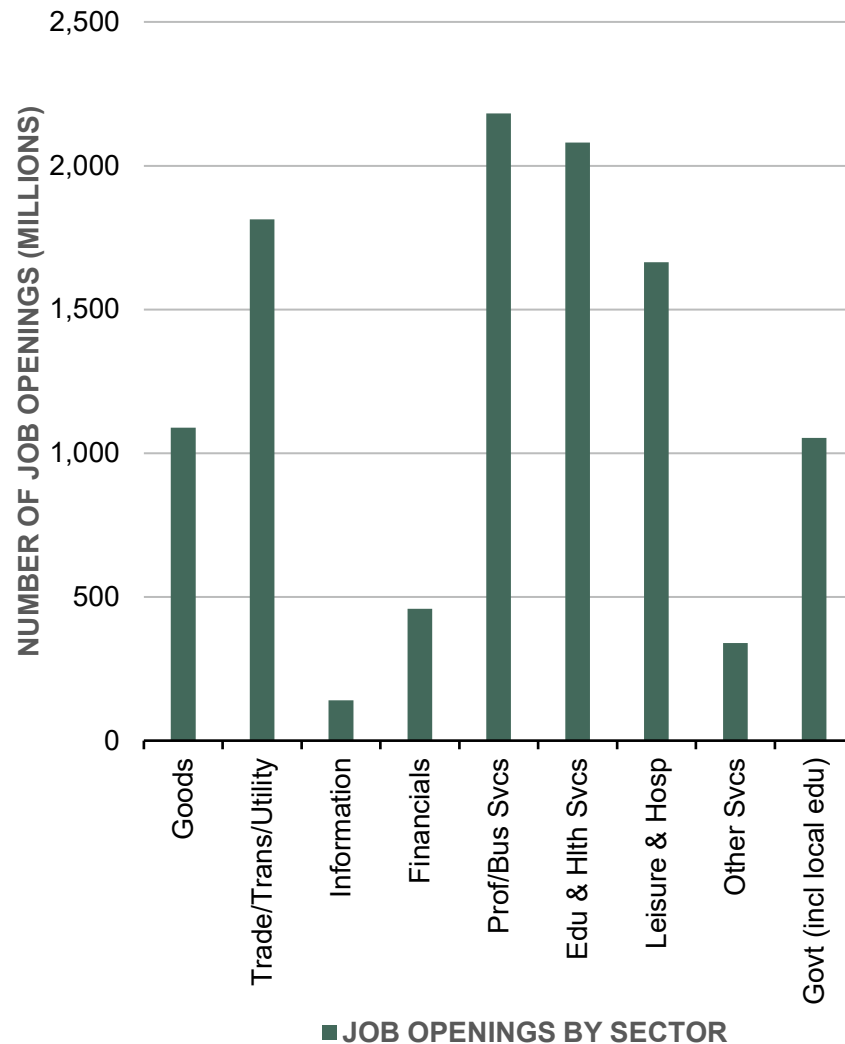
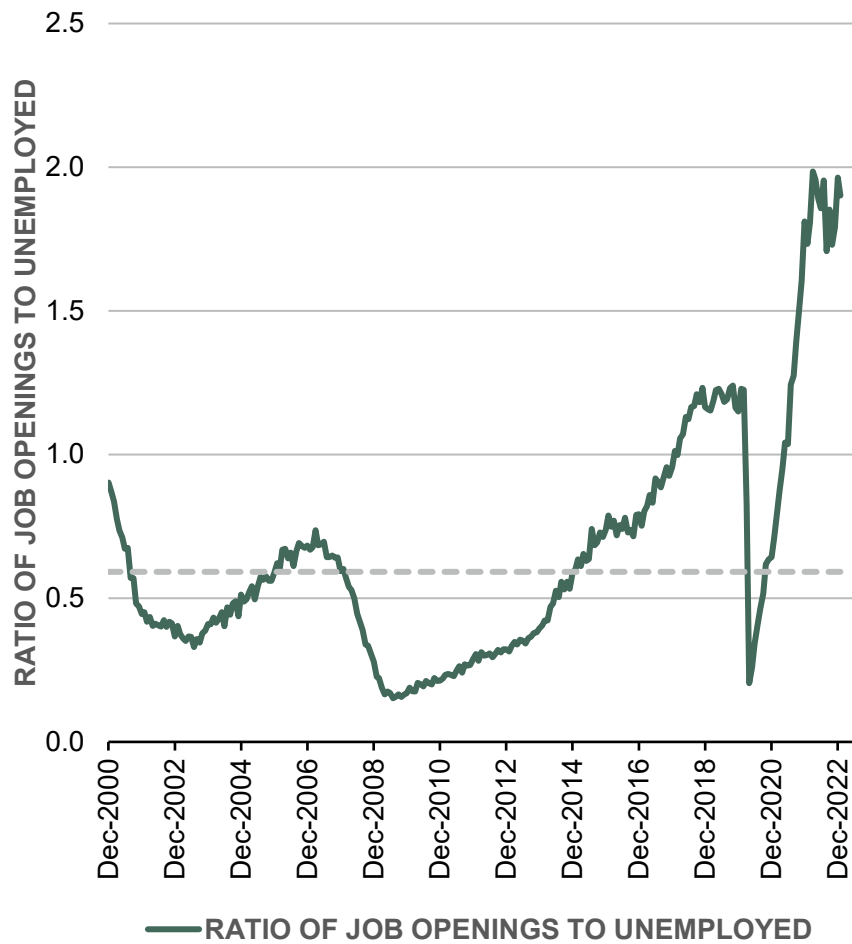


HIGHER INTEREST RATES HAVE IMPACTED THE HOUSING SECTOR



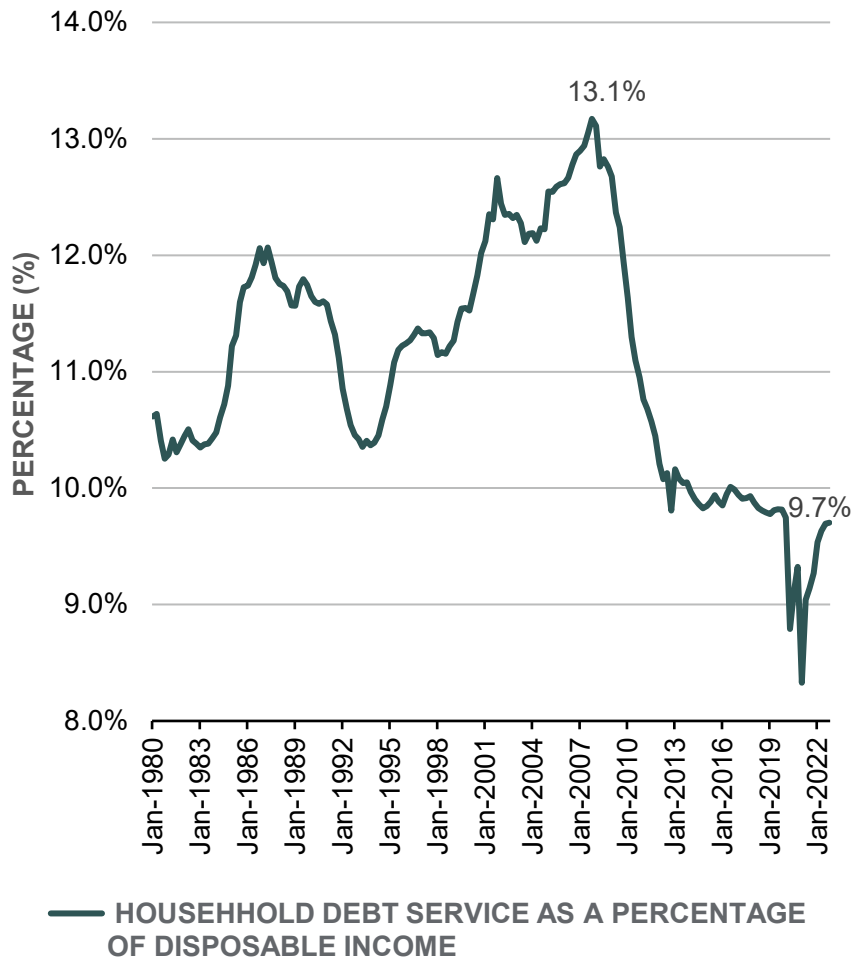
Source: Godsey & Gibb Research, Bloomberg

LABOR MARKET SUPPLY & DEMAND IMBALANCES REMAIN



Source: Godsey & Gibb Research, Bloomberg

RIISING WAGES SUPPORT SPENDING, BUT STOKE INFLATION



THE FED'S PREFERRED INFLATION MEASURES SHOW WORK TO BE DONE



SOME SIGNS OF PEAK INFLATION

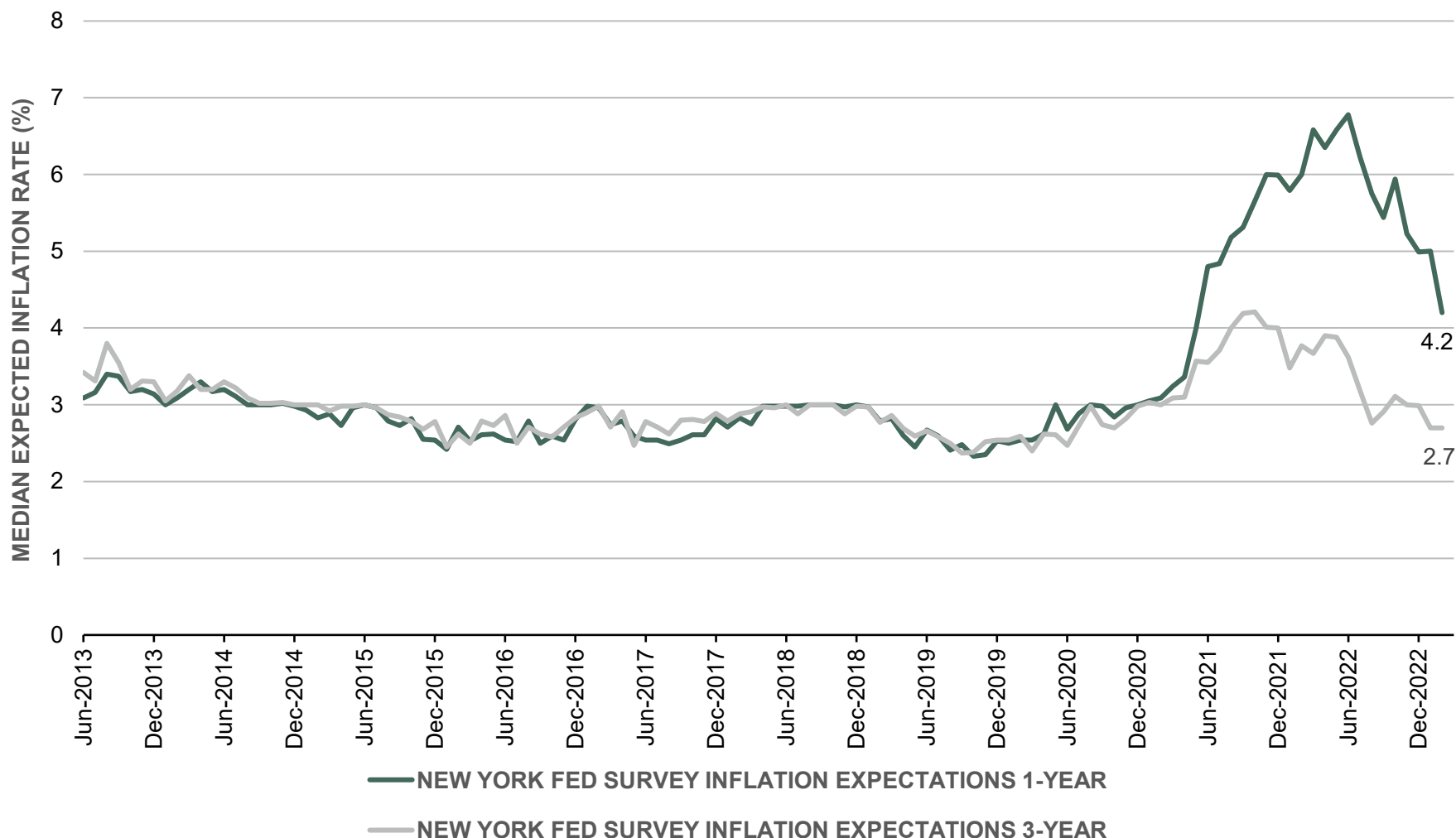
U.S. CONSUMER PRICE INDEX MAJOR COMPONENTS (YEAR-OVER-YEAR % CHANGE)

		FEBRUARY 2023	CYCLE HIGH INFLATION RATE (Y/Y)	DATE OF CYCLE PEAK
U.S. CPI	CPI COMPONENTS	6.0%	9.1%	JUNE 2022
NON-CORE CPI	FOOD INFLATION	9.5%	11.4%	August 2022
	Food at home	10.1%	13.5%	August 2022
	Food away from home	8.4%	8.6%	October 2022
	ENERGY INFLATION	5.2%	41.6%	June 2022
	Energy commodities	-1.4%	60.6%	June 2022
	Energy services	13.4%	19.8%	August 2022
CORE CPI	CORE GOODS (LESS FOOD & ENERGY)	1.0%	12.3%	February 2022
	Household furnishings	6.3%	10.8%	March 2022
	Apparel	3.3%	6.8%	March 2022
	Transportation	-3.2%	23.9%	February 2022
	- New vehicles	6.3%	14.2%	April 2022
	- Used vehicles	-13.6%	45.2%	June 2021
	CORE SERVICES (LESS FOOD & ENERGY)	7.3%	7.3%	??
	Shelter	8.1%	8.1%	??
	Rent of shelter	8.2%	8.2%	??
	Transportation services	14.6%	15.2%	October 2022

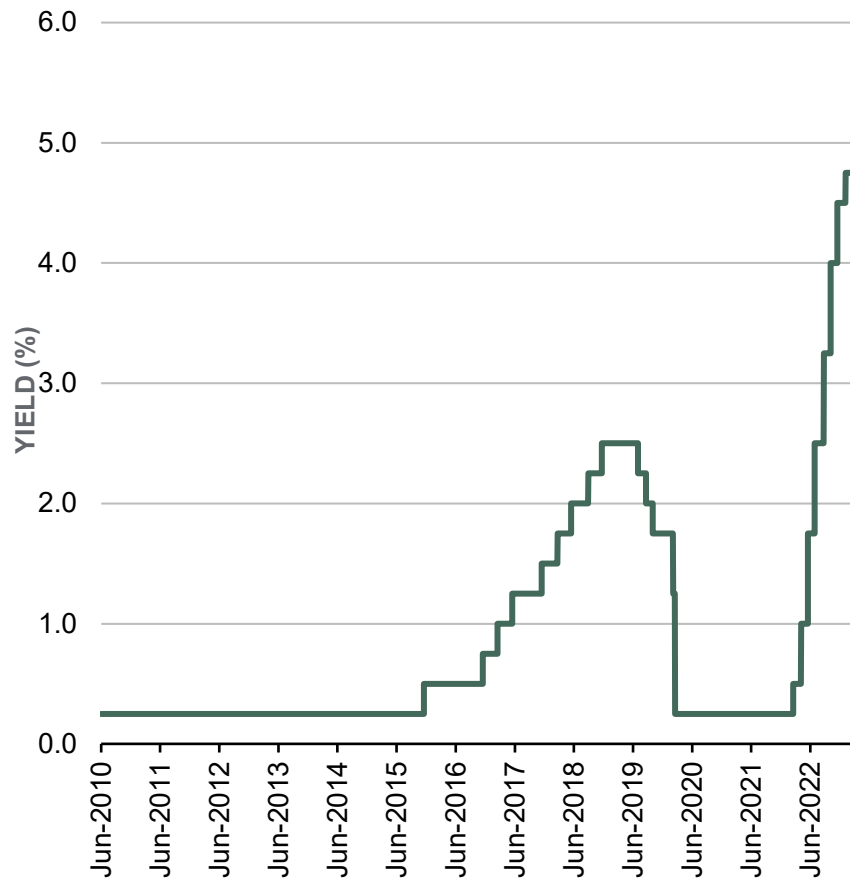
*The current inflation cycle began in January of 2021

Source: U.S. Bureau of Labor Statistics

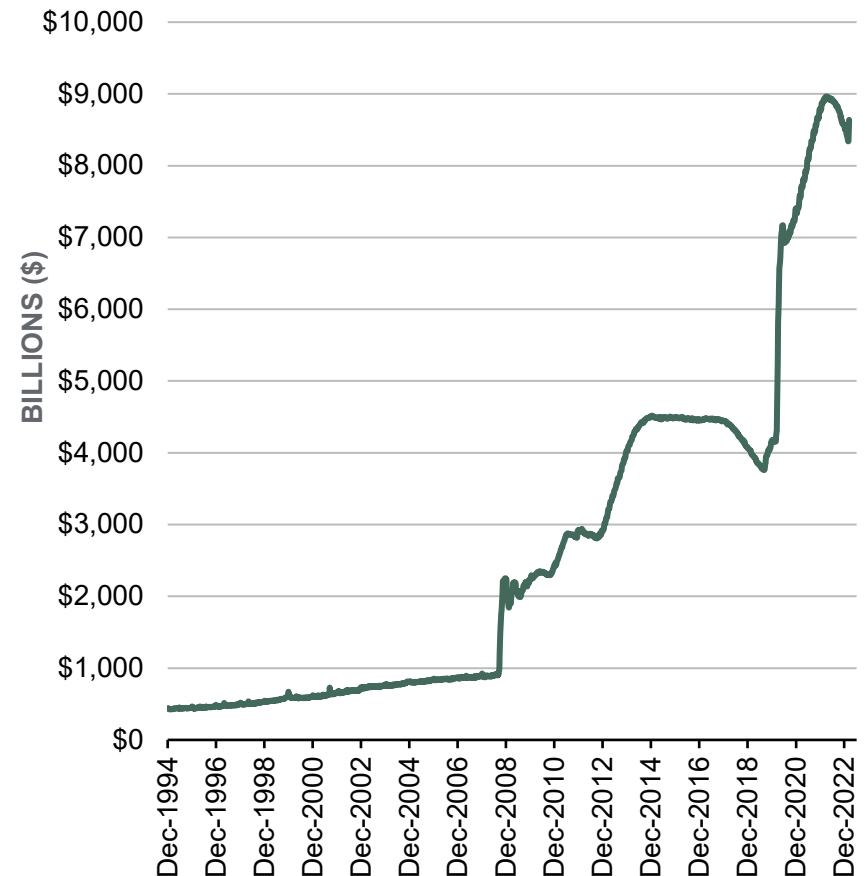
INFLATION EXPECTATIONS ARE BEGINNING TO MODERATE



MONETARY POLICY HAS BECOME BIFURCATED

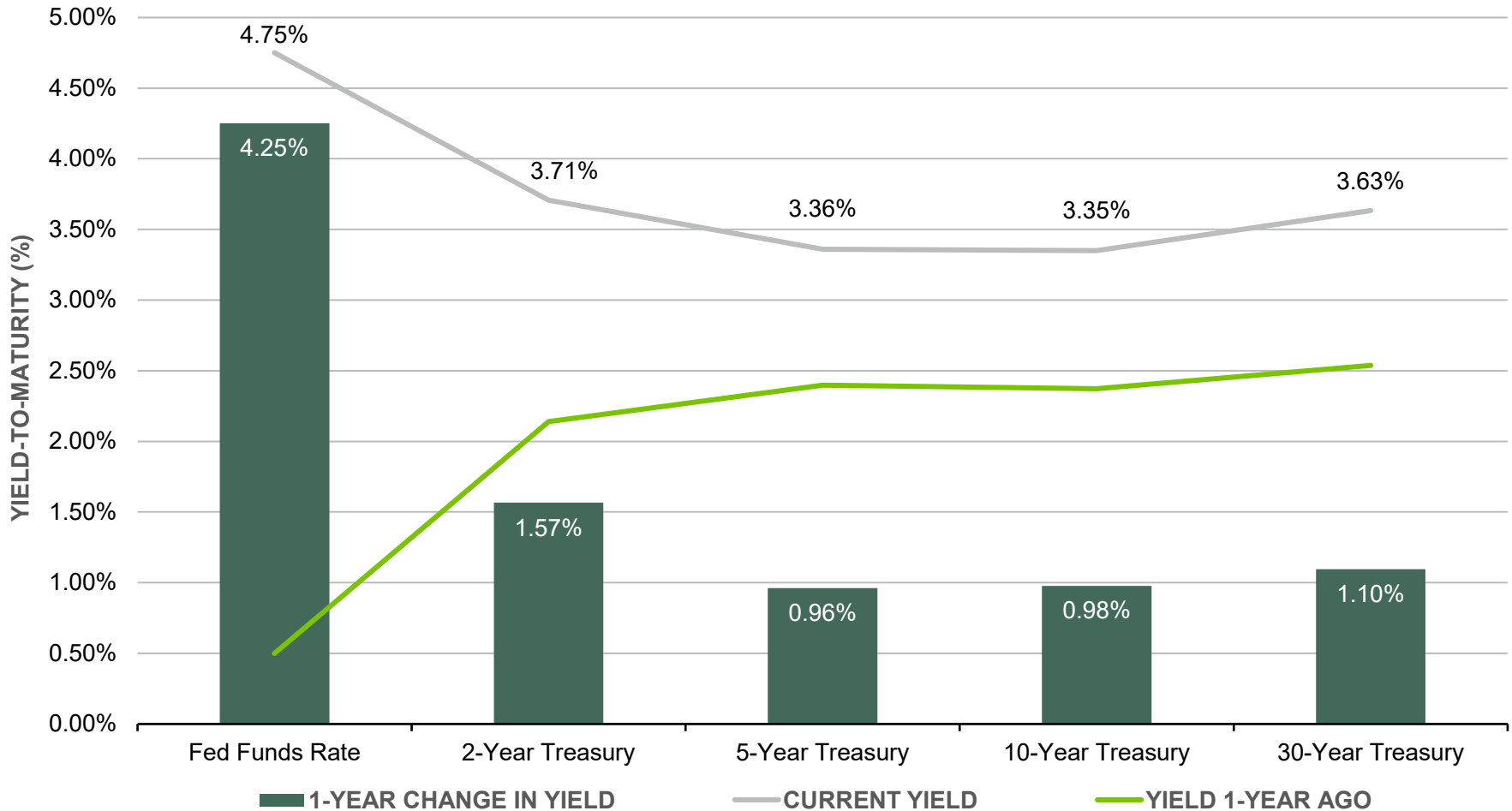


— FED FUNDS RATE (UPPER BOUND)



— FEDERAL RESERVE BANK TOTAL ASSETS

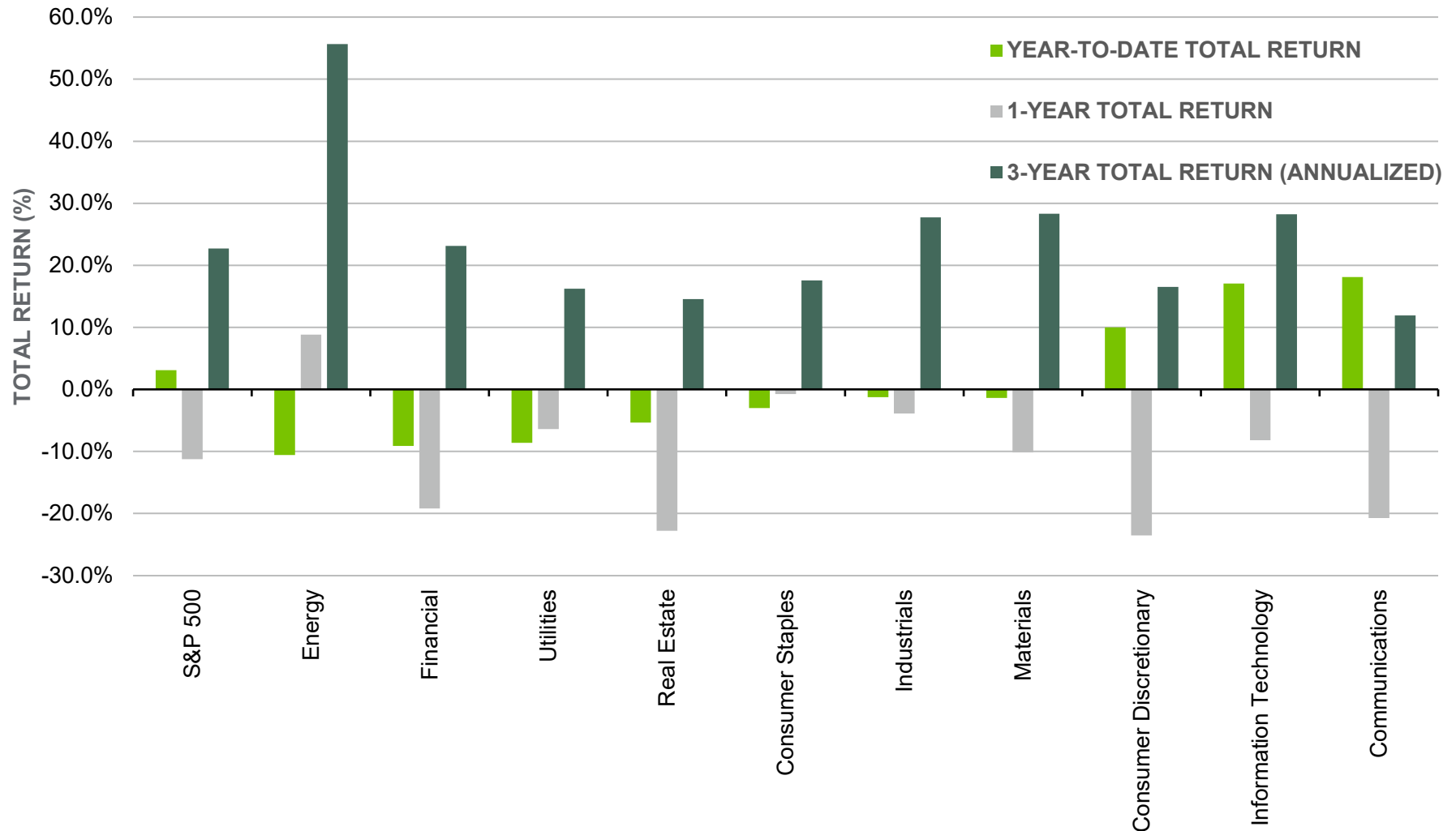
FED POLICY HAS IMPACTED RATES AND THE SHAPE OF THE YIELD CURVE



BONDS NOW PROVIDE DIVERSIFICATION AND INCREMENTAL INCOME



OPPORTUNITY IN DEFENSIVE SECTORS



Source: Godsey & Gibb Research, Bloomberg



Questions?

**PLEASE CONTACT YOUR ADVISOR
OR EMAIL US AT:**

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