



Godsey & Gibb State of the Economy

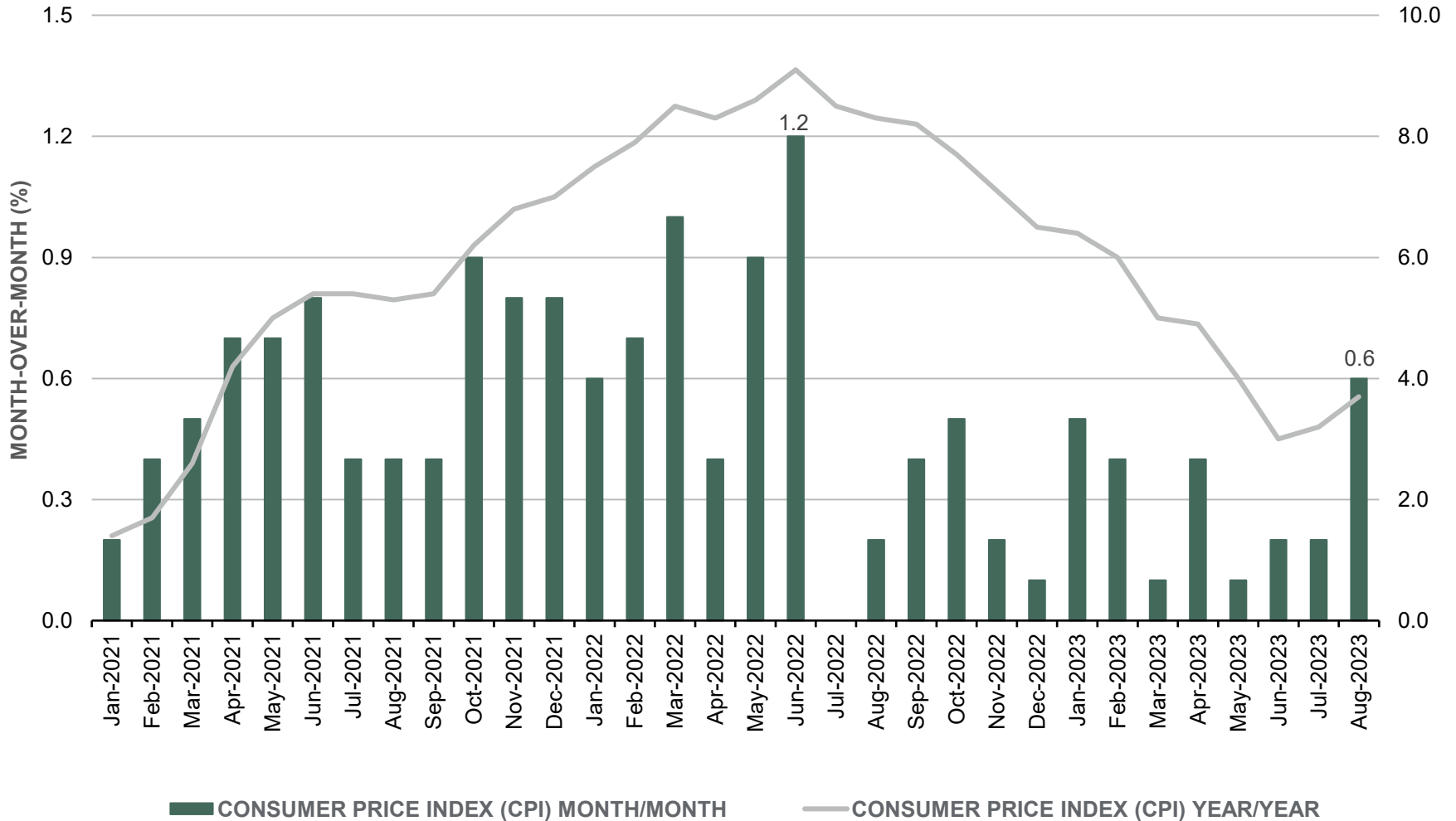
October 4, 2023

Revised: September 25, 2023

KEY THEMES FOR THE REST OF THE YEAR

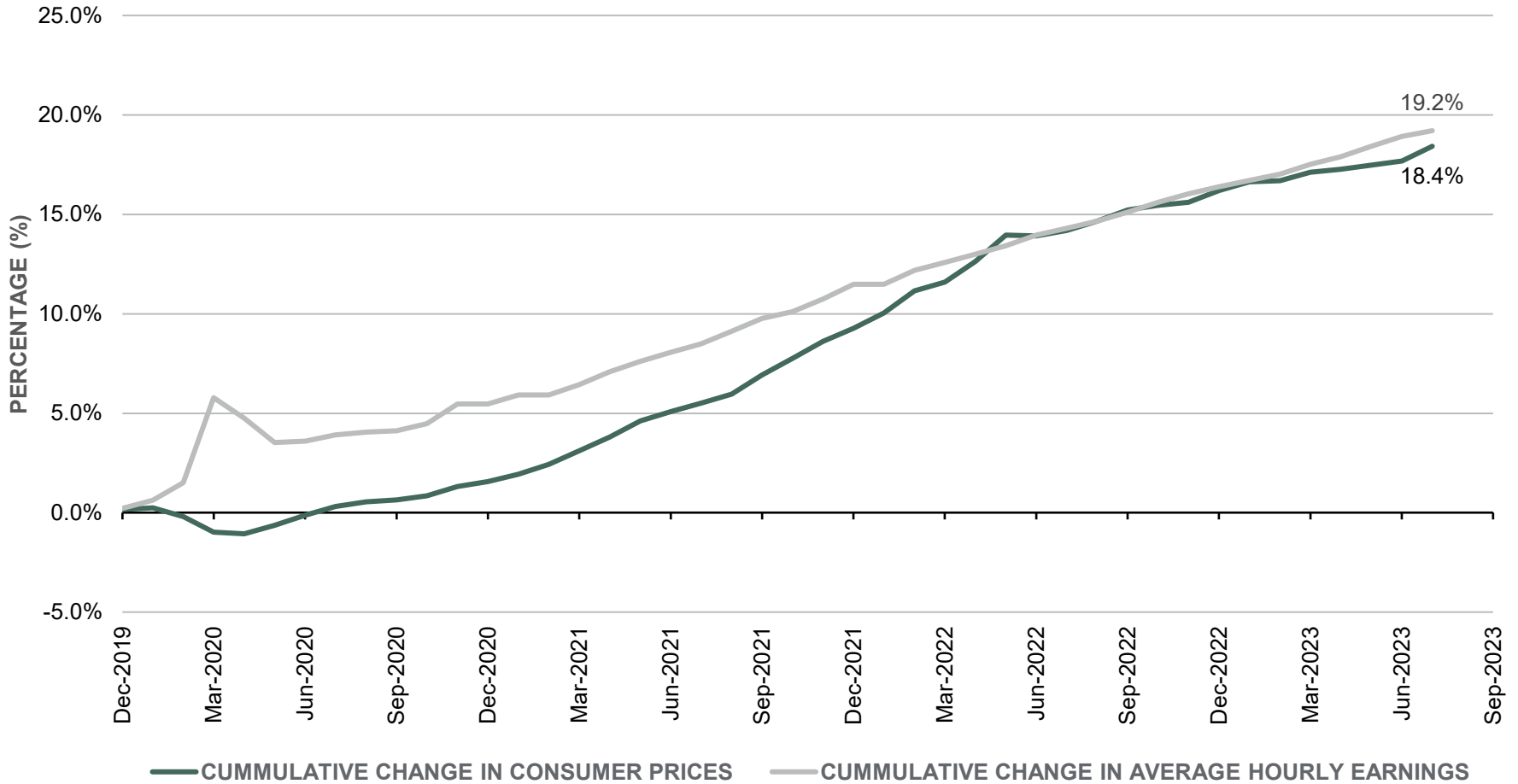
- Slowing economic growth and the potential for a mild recession
- Housing activity is slowing, but supply and demand imbalances are keeping prices from falling dramatically
- The health of the consumer and the labor market are key to future growth
- Inflation has come down from the peak, but it is still too high
- The Federal Reserve Open Market Committee (FOMC) is near the end of monetary tightening but will keep rates higher for longer
- The fixed income market should provide solid returns and our focus is on reinvestment risk
- Higher interest rates, slowing economic growth and an early start to the 2024 election season are likely drive volatility in the equity market

INFLATION HAS MODERATED, BUT IS STILL TOO HIGH



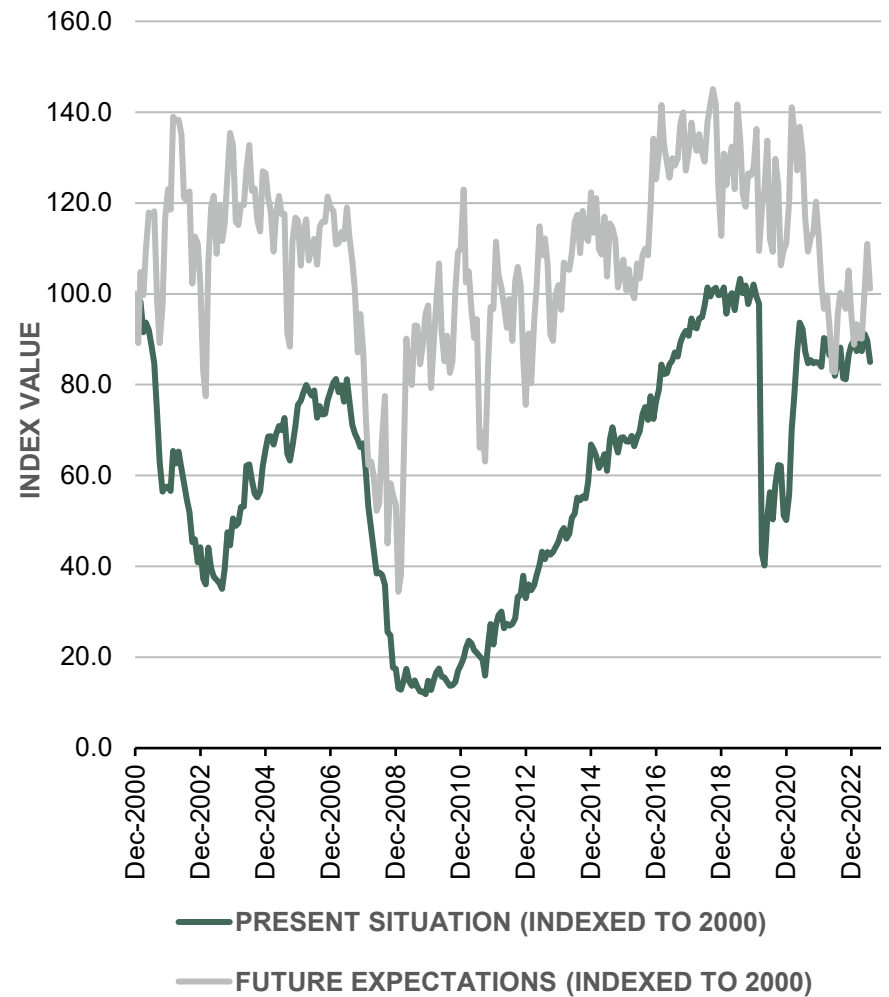
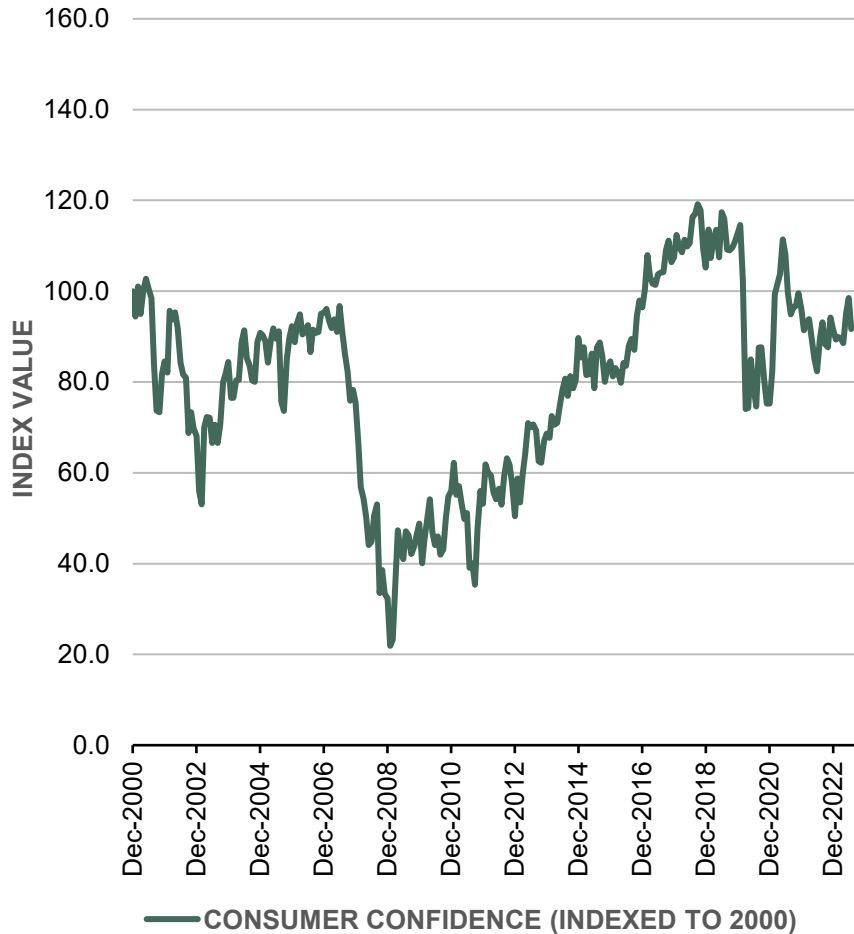
Source: Godsey & Gibb Research, Bloomberg

OVER TIME WAGES HAVE GROWN WITH INFLATION

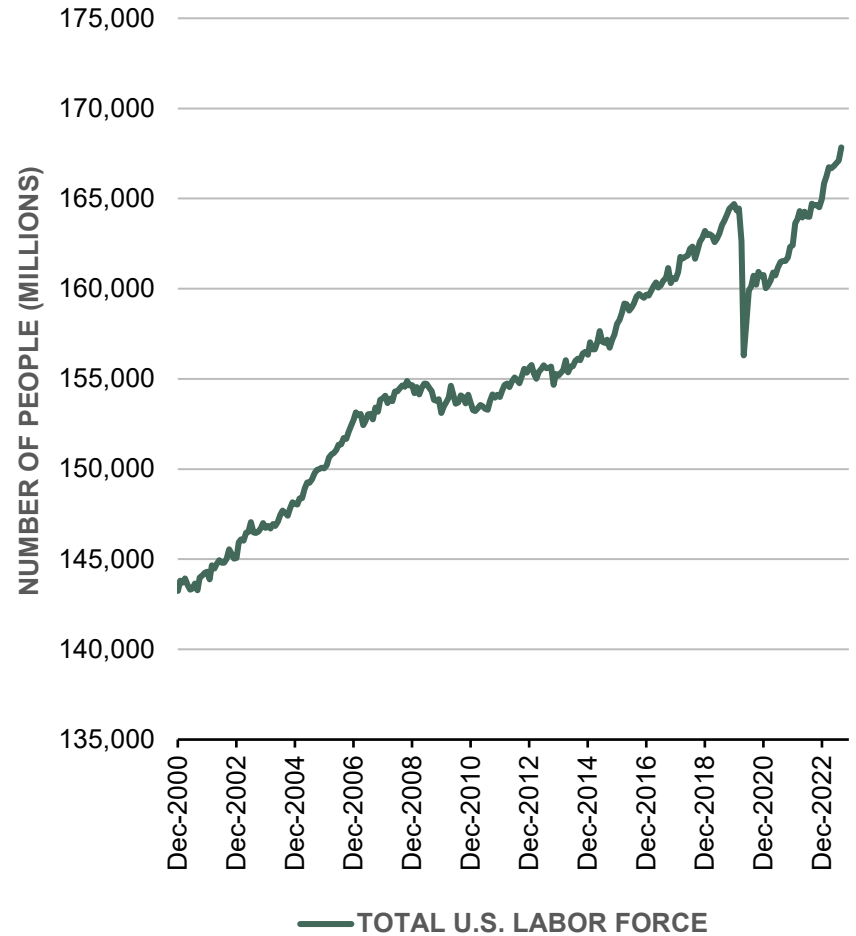
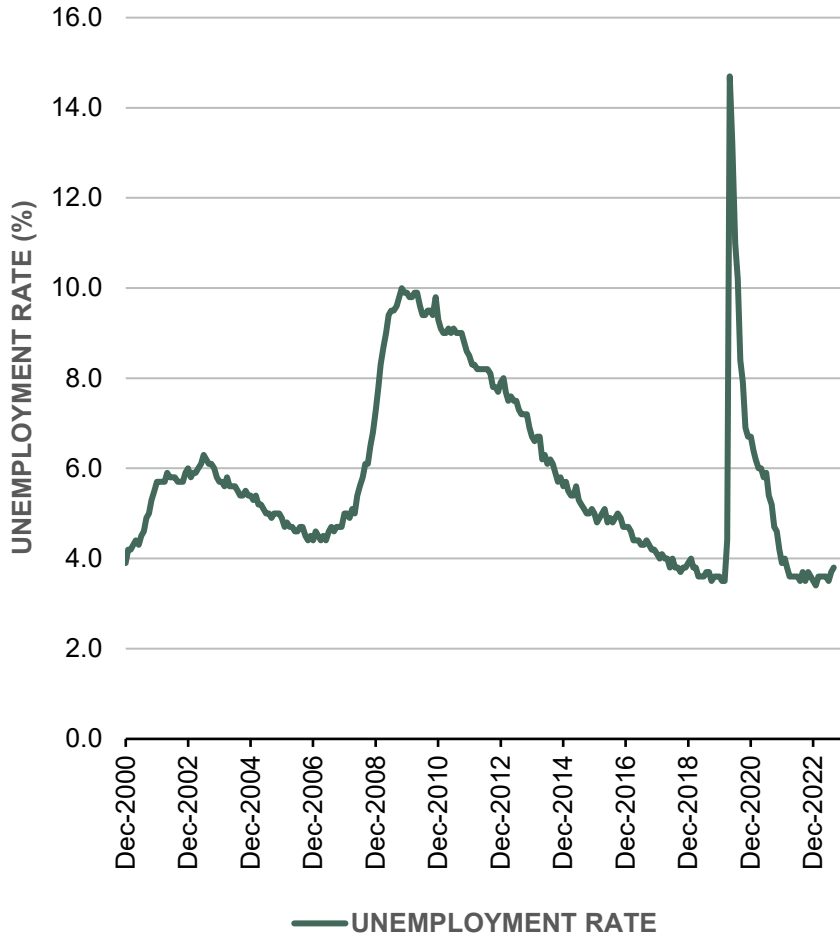


Source: Godsey & Gibb Research, Bloomberg, Atlanta Federal Reserve Bank

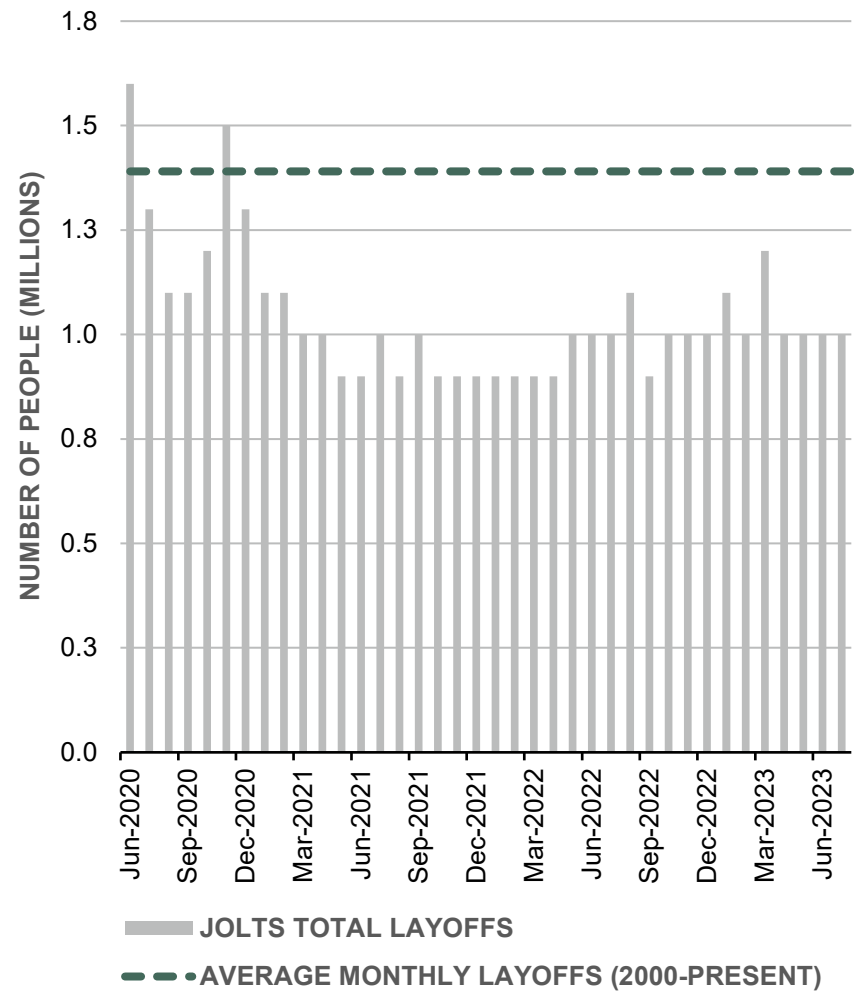
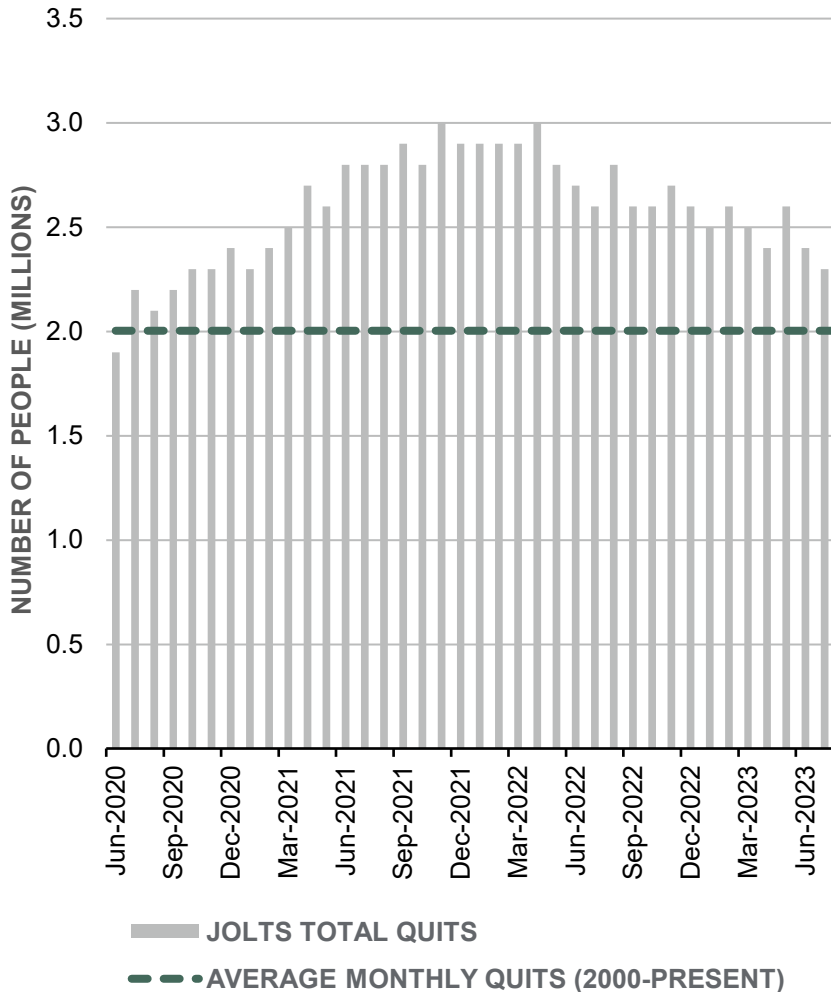
CONSUMER CONFIDENCE HAS BEEN WEAKENING



DESPITE SOME WEAKENING, THE LABOR MARKET REMAINS HEALTHY



STRENGTH OF THE LABOR MARKET EVIDENT IN JOLTS DATA



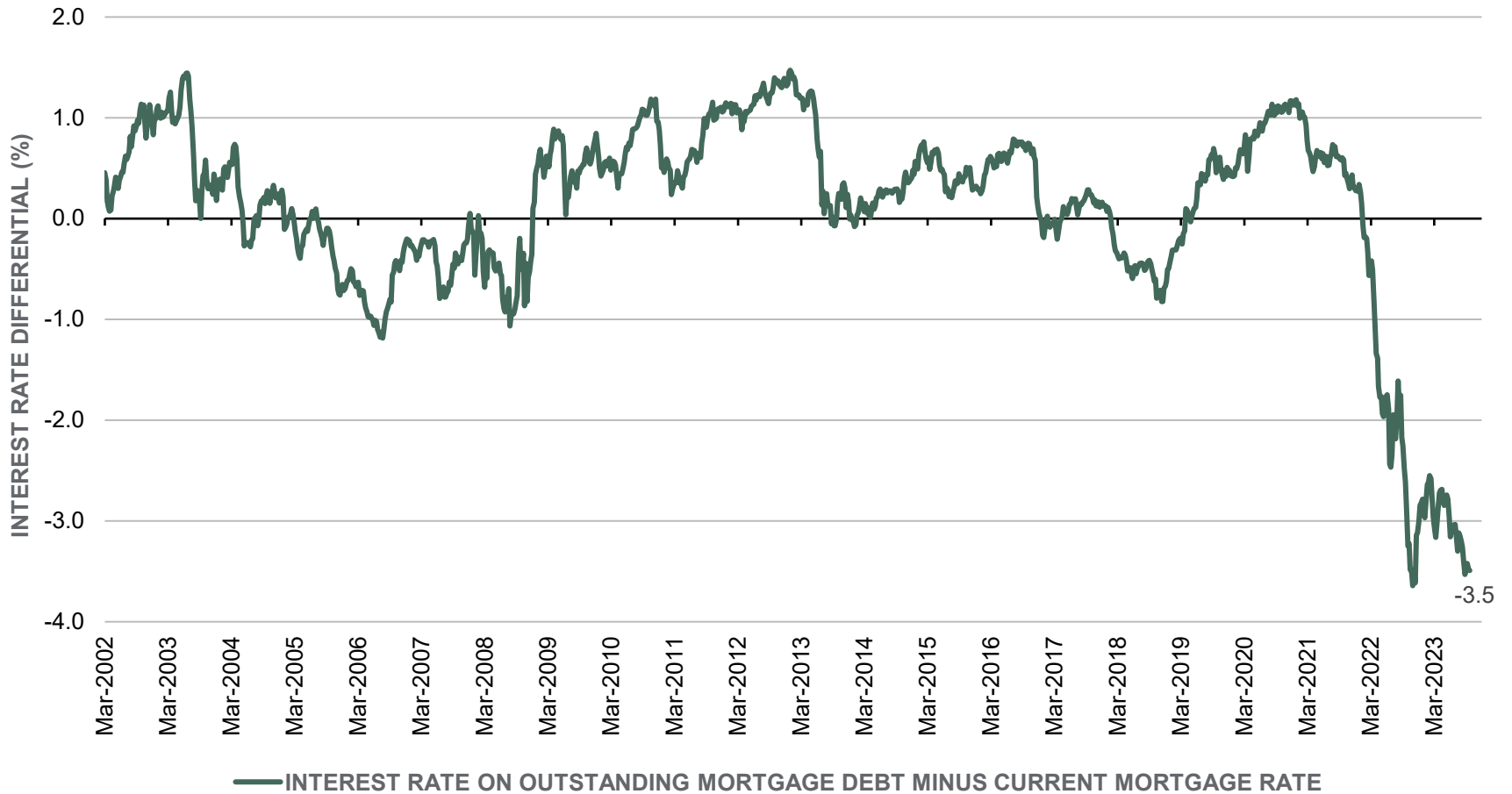
Source: Godsey & Gibb Research, U.S. Bureau of Labor Statistics

HIGHER INTEREST RATES ARE IMPACTING HOUSING ACTIVITY

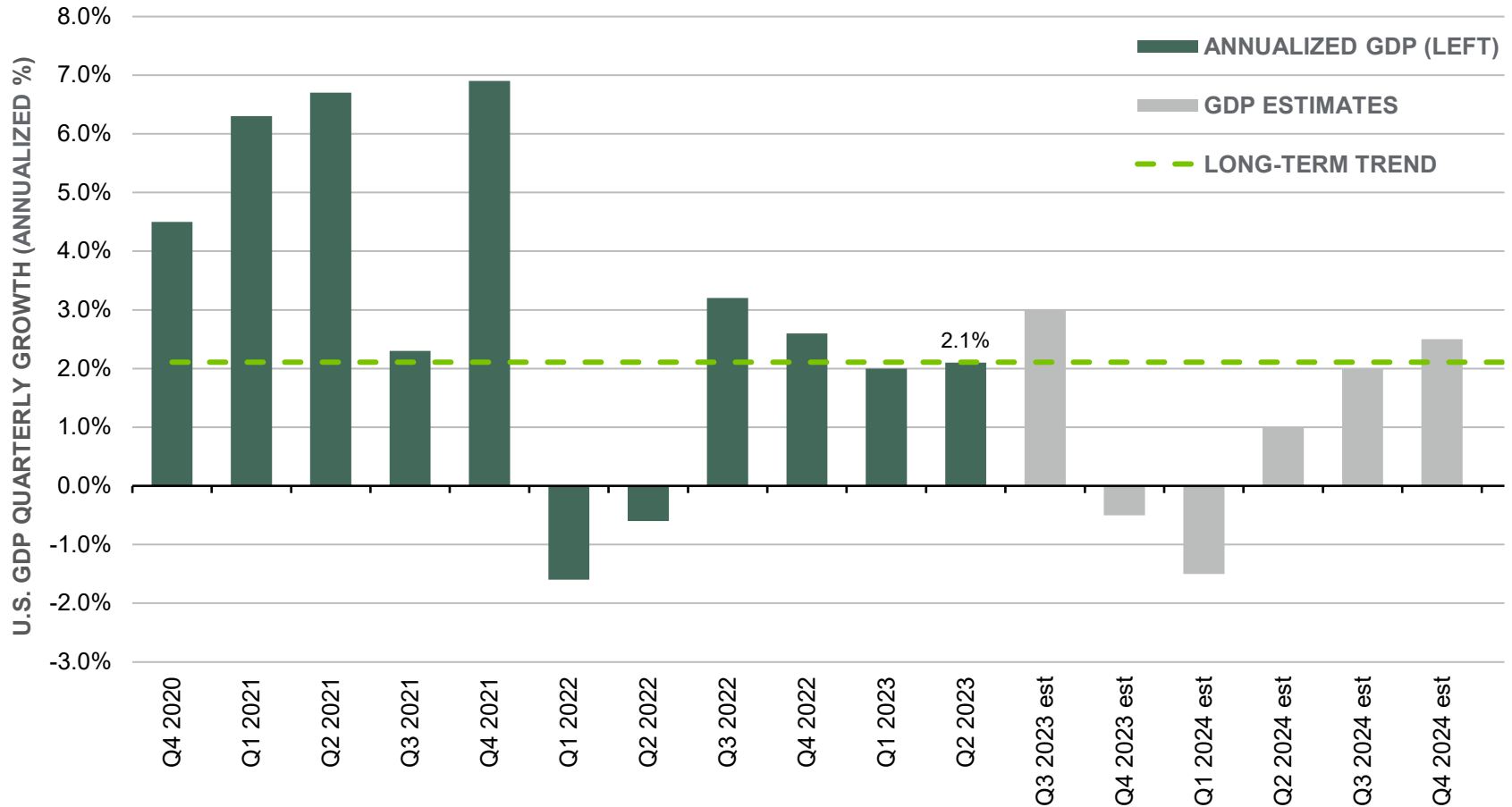


Source: Godsey & Gibb Research, Bloomberg

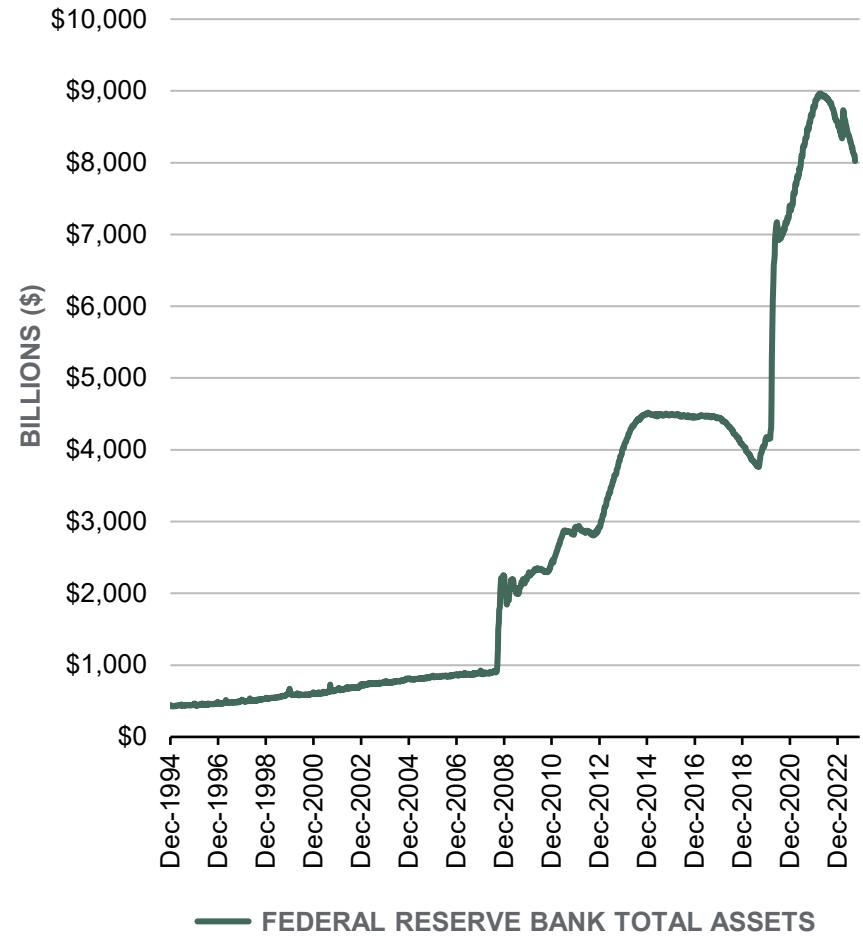
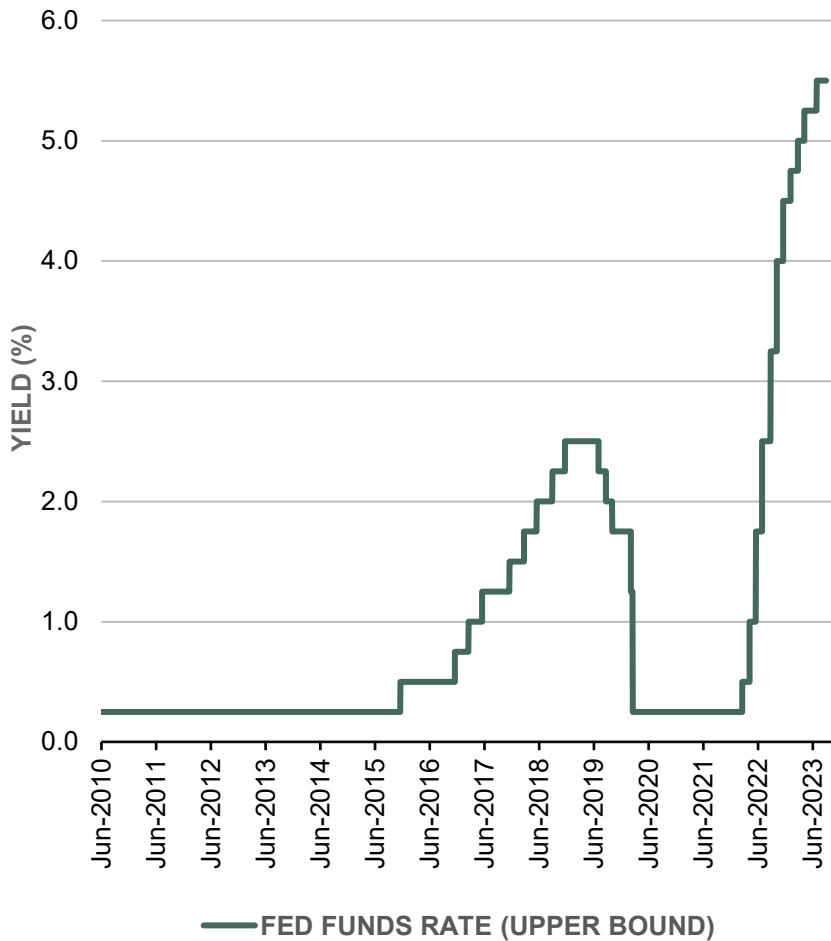
MORTGAGE DEBT REMAINS AFFORDABLE FOR MOST CONSUMERS



GDP GROWTH HAS SURPRISED ON THE UPSIDE, BUT RECESSION RISK REMAINS



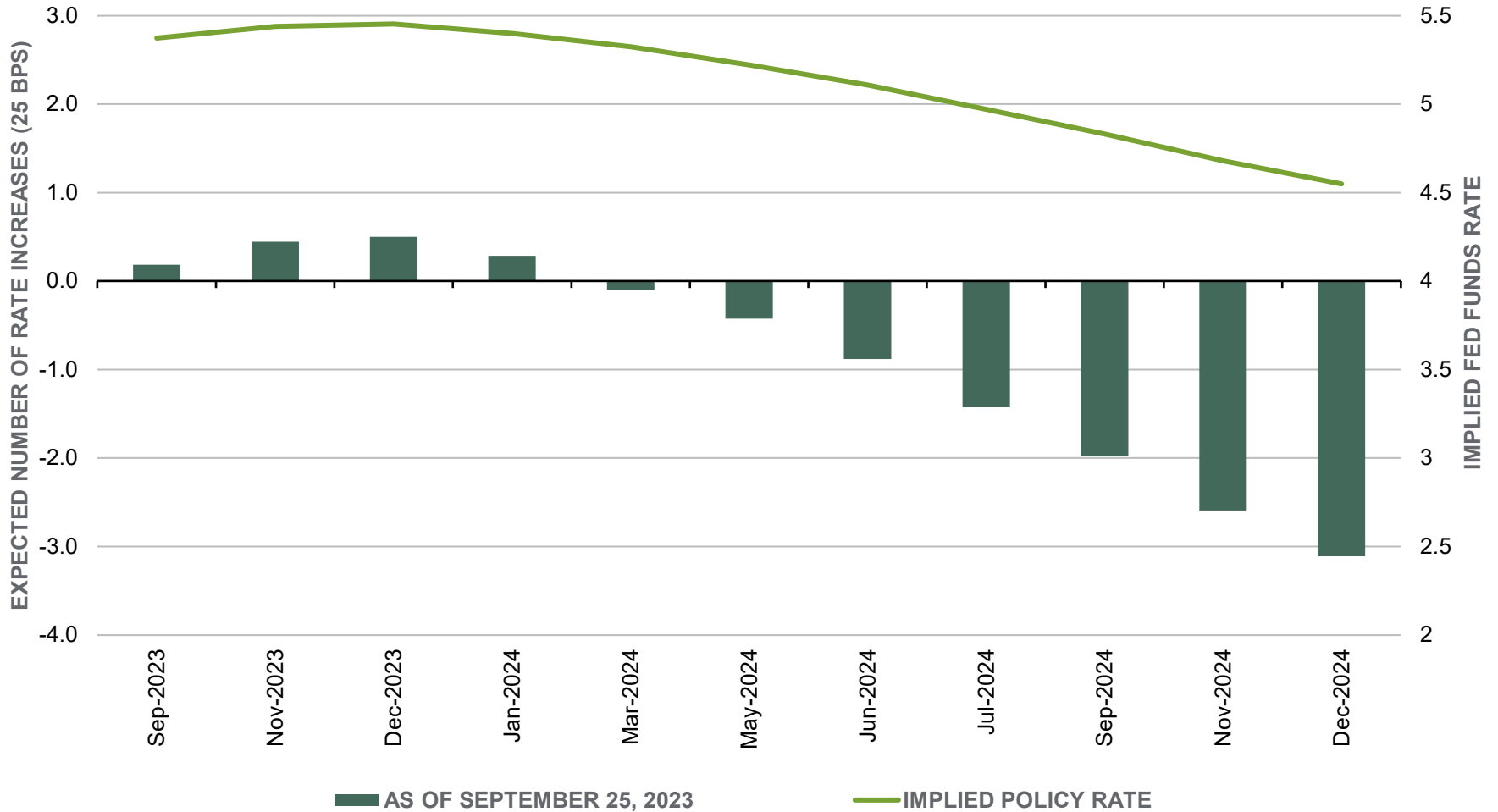
MONETARY TIGHTENING AND HIGHER FOR LONGER



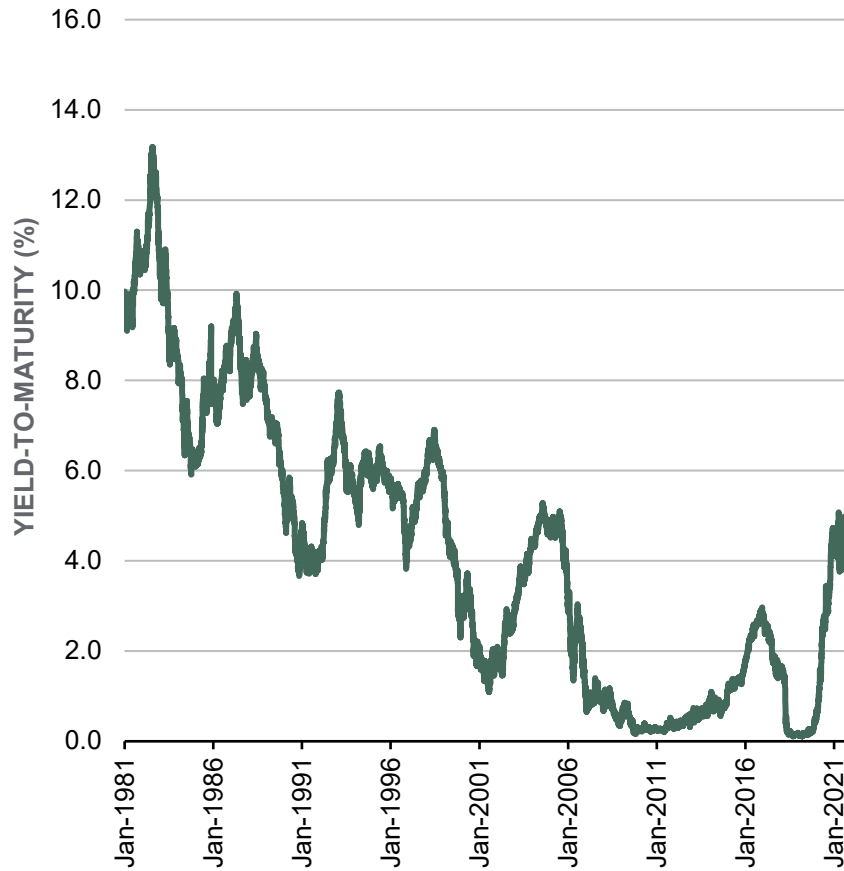
THE FED IS CONCERNED ABOUT A 1970s REACCELERATION



INVESTORS EXPECT RATE CUTS IN MID-2024



INFLATION ENDED THE DECADES LONG BOND BULL MARKET



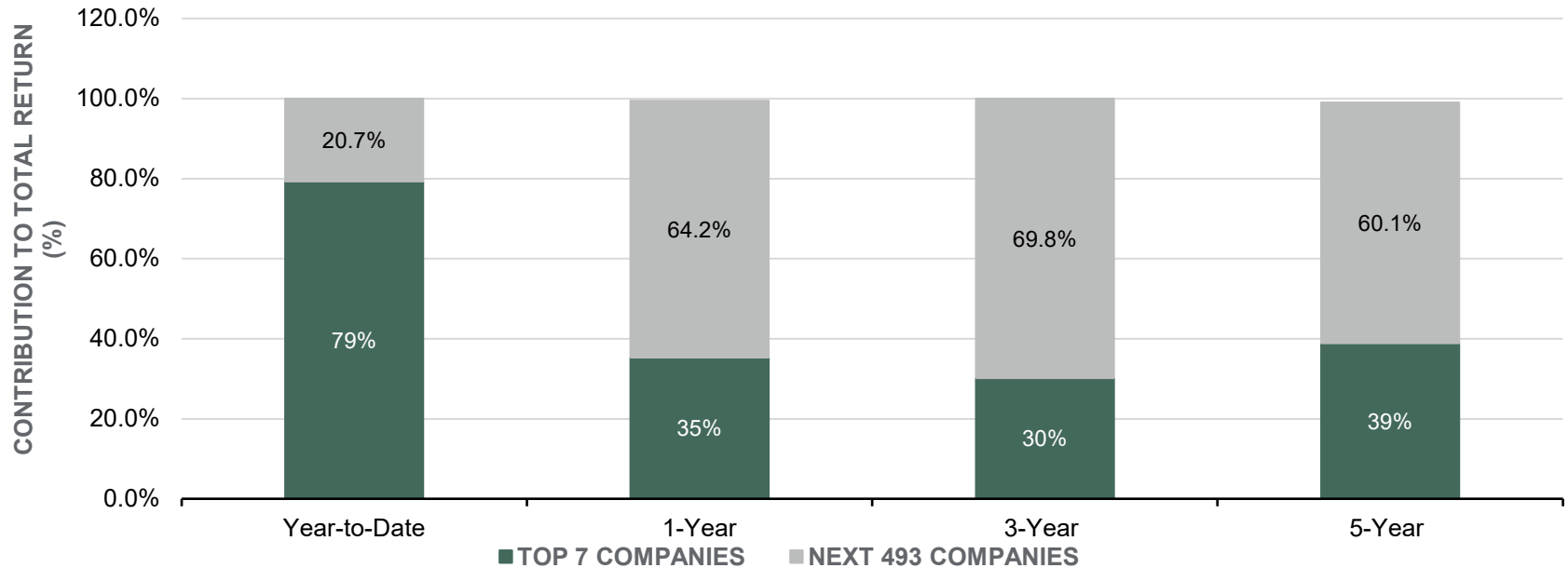
— 2-YEAR TREASURY YIELD



— 10-YEAR TREASURY YIELD

INDEX CONCENTRATION CAN IMPACT RETURNS OVER SHORT PERIODS

SEGMENT	WEIGHT OF INDEX	MEDIAN YTD RETURN	MEDIAN FORWARD P/E
Top Seven (Apple, Alphabet, Amazon, Microsoft, Nvidia, Meta, Tesla)	25.1%	45.1%	28.4 x
Rest of the S&P 500	74.9%	4.0%	14.8x
S&P 500 Index	100.0%	14.3%	18.2x



INCOME EQUITY STRATEGY REVIEW

CHARACTERISTICS (AS OF JUNE 30, 2023)	INCOME EQUITY	S&P 500 INDEX
Weighted Average Market Cap	\$127.0M	\$423.4M
Price Earnings Ratio	16.3x	25.7x
Expected Earnings Growth	6.7%	9.4%
Dividend Yield	3.9%	1.4%
Beta (10-year)	0.61	1.00
Standard Deviation (10-year)	11.0%	15.3%

HIGH DIVIDEND PAYERS VS. HIGH DIVIDEND GROWTH THROUGH THE BUSINESS CYCLE

Current Strategy:

- Focus on a combination of high dividend payers and companies with strong dividend growth.
- Continue to replace companies that do not meet either goal
- Defensive sectors provide attractive opportunities and tend to exhibit these characteristics



Questions?



Disclaimer

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