Wealth Management

Viewpoint | February 2024

Executive Summary

- History points to a very low probability of orchestrated soft-landings by the Federal Reserve, (Page 2), yet soft-landing is currently the predominant view of market economists and pundits..

- We see growing evidence that inflation may remain more stubborn than most anticipate, (Page 2), and due in part to continued government spending/stimulus and labor market tightness-growth may remain robust..

- Good balance in investing includes re-balancing. (Page 2), . . . As asset allocations stray from target percentages with market moves, prudent rebalancing will help reduce risk over time and smooth return streams.

- Real GDP growth came in at an above trend 3.3% for the fourth quarter of 2023. (Page 4), It's fair to assume that overall year-over-year growth in 2023 should be approximately 2.5%

- Q4 is the second consecutive quarter with no detractors from the overall growth rate. (Page 4), This has occurred while Core PCE has dropped from 3.6% to 2.9% in year-over-year terms during the quarter.

- It appears apparent that it would be difficult to justify easing monetary policy (Page 5), in the face of economic growth of this nature.

- The premature loosening in financial conditions that began in the final two months of 2023 and into January, (Page 5), does increase the risk that the economy does not cool sufficiently down to a trend level.

- Volatility remains the name of the game for bond investors (pages 8), Significant swings in yield valuations make it difficult to discern the appropriate portfolio positioning that would be best to take advantage of swings in interest rates.

- A portion of the volatility can easily be attributed to shifts in expectations for movements in the overnight lending rate by the Federal Reserve (Page 8), The market has evolved from pricing in nearly a 75% chance of a first rate cut by the Federal Reserve's March 20, 2024 meeting on January 15 to just a 20% probability at the close of business on February 6.

- The yield curve remains deeply inverted and the Fed Funds overnight lending rate remains north of core inflation rates. (Page 9), We remain of the mindset that the Federal Reserve has implemented its last rate hike of the cycle and that we have probably seen the overall peak level for Treasury yields..

- Earnings growth expectations are high in 2024 and those expectations present a risk. (page 11), Large cap U.S. stocks are the most susceptible to a downturn, as they are trading at the highest valuation

Asset Class Outlook

Equity	Current	Previous
US Equity - Large Cap	Slightly Unfavorable	Slightly Unfavorable
US Equity - Mid Cap	Neutral	Neutral
US Equity - Small Cap	Slightly Favorable	Slightly Favorable
Int'l Equity	Slightly Favorable	Slightly Favorable
Emer. Mkts	Slightly Favorable	Neutral

Real Assets	Current	Previous
Real Estate	Neutral	Neutral
Infrastructure	Neutral	Neutral
Commodities	Slightly Favorable	Slightly Favorable

Fixed Income	Current	Previous
Invest. Grade Credit	Slightly Unfavorable	Slightly Unfavorable
Treasury/Agency	Favorable	Favorable
Mortgage Backed	Slightly Favorable	Slightly Favorable
Commercial MBS	Neutral	Neutral
Asset Backed (ABS)	Slightly Favorable	Slightly Favorable
High Yield	Unfavorable	Unfavorable
Emer. Mkts. Debt	Slightly Unfavorable	Slightly Unfavorable
Taxable Muni	Slightly Unfavorable	Slightly Unfavorable
Tax Exempt	Unfavorable	Unfavorable
TIPS	Slightly Favorable	Slightly Favorable

Balance

As a child of the ‘80s, the original Karate Kid movies were formative. Grab any Gen-Xer and merely mutter “wax on, wax off” and see if they don’t instinctively make circles with their hands.

One of the many pearls of wisdom shared by Mr. Miyagi (Pat Morita) was “Balance is key. Balance good, karate good. Everything good.” And that is where we think the current market environment is pointing investors today.

History points to a very low probability of orchestrated soft-landings by the Federal Reserve, yet soft-landing is currently the predominant view of market economists and pundits. (we are reminded that Mr. Market tends to take the path that frustrates the maximum number of participants.) We continue to be wary of the rapid interest rate increases and still tight monetary conditions that pose the risk of eventually–with a long, variable and cumulative lag–negatively affecting the economy and corporate earnings, which of course will move asset prices.

Additionally, as Emil Suqi points out in the economics section, we see growing evidence that inflation may remain more stubborn than most anticipate, and–due in part to continued government spending/stimulus and labor market tightness–growth may remain robust. In this case, perhaps a 1-in-3 outcome, corporate profits may remain robust, but inflation will also become a concern for the investor again.

So, if we anticipate a 50-ish% chance of eventual recession, a 33-ish% chance of accelerating growth and inflation, and only a 15-20% chance of a favorable “soft landing” where growth dips, but avoids recession while inflation is sufficiently tamed, what is an investor to do?

As Mr. Miyagi taught us in Karate Kid 2 (yes, my brother and I spent good money to watch the sequel), “Rule Number One: Karate for defense only; Rule Number Two: First learn rule number one.”

Assuming that most investors are not well versed in placing convexity trades in the derivatives market to defend against and profit from either outcome, the best defense is then going to be diversification. And another way of saying diversification is…BALANCE.

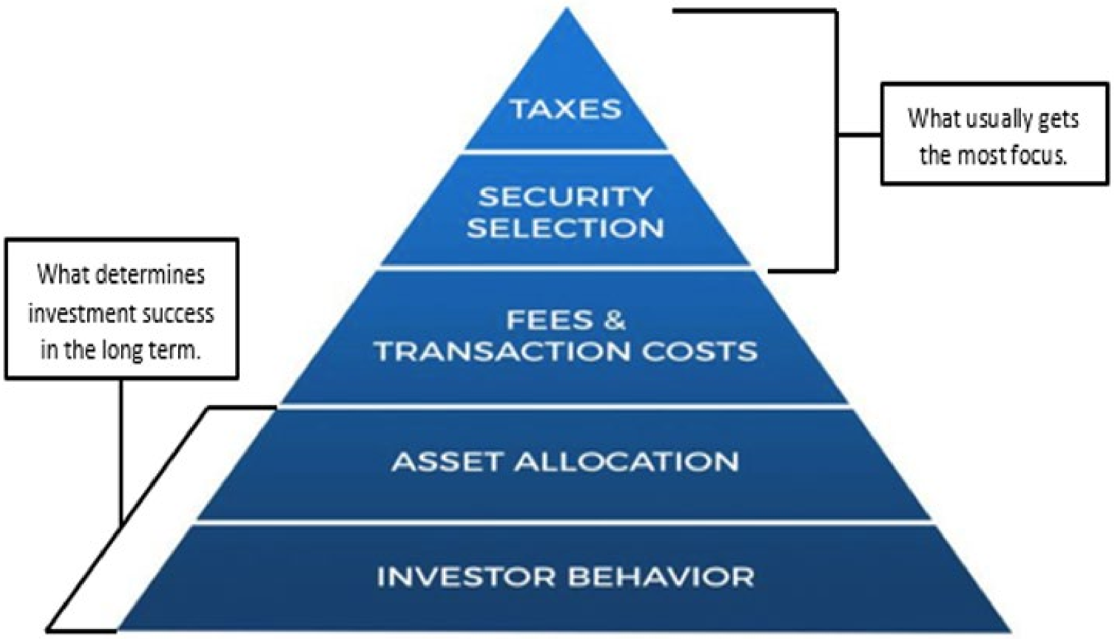
We have continued to be slightly underweight equities and lower-grade credit given our cautious view of Federal Reserve impacts, but we have not abandoned positions in risk assets. We still think that some rebalancing to include small companies and international stocks is advantageous. As Chris, Ryan, and Bret point out in the equity section, valuations appear more favorable in these sectors.

For risk mitigation and income in bonds, Dennis Whittaker outlines in the fixed income section that remaining close to benchmark weights for duration is also prudent. And, of course, it will continue to be important that investors also include real asset allocations in energy infrastructure and real estate (and occasionally in select commodities) that have historically helped mitigate inflation while providing positive long-run returns.

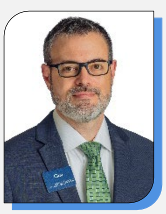
We also want to point out that good balance in investing includes re-balancing. Given the change in Fed policy, geopolitical risks, and potential policy changes (and more rambunctious rhetoric) due to U.S. elections, all on top of the macroeconomic uncertainty means that volatility could be increasing this year. As asset allocations stray from target percentages with market moves, prudent rebalancing will help reduce risk over time and smooth return streams.

Lastly, it’s important to continue to keep emotions in check–neither overly exuberant in anticipating further outsized gains, nor–should volatility return–becoming overly fearful. Or, as Mr. Miyagi said, “Don’t forget [to] breathe. Very important!”

Managing Emotions and Asset Allocation are the Foundation of Successful Investing



Source: The Collaborative Fund



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Clay is responsible for the strategic investment direction of advisory and trust department models and portfolios, which are managed by members of Arvest Wealth Management Portfolio Management and Research. He oversees the development of capital market assumptions, the development and management of asset allocations, research on mutual funds, ETFs and outside managers, and communication of investment strategy to Arvest Wealth Management associates and clients. A graduate of Wichita State University, Clay has completed Columbia University's Academy of Certified Portfolio Management and is a member of the Chartered Financial Analyst Institute and Kansas City Society of Chartered Financial Analysts.

Economic Indicators
Emil Suqi, CFA®

Current Economic Snapshot

Quarterly & Fiscal Year GDP Growth (Average Annual)

Source	FY23 (Forecast)	FY24 (Forecast)	4Q23 (Actual)	1Q24 (Forecast)	2Q24 (Forecast)	3Q24 (Forecast)	4Q24 (Forecast)
Bloomberg	**2.50%**	**1.50%**	**3.30%**	**1.00%**	**0.50%**	**1.00%**	**1.50%**
AWM/IMG	**2.54%**	**2.12%**	**3.30%**	**2.00%**	**0.60%**	**0.80%**	**1.00%**

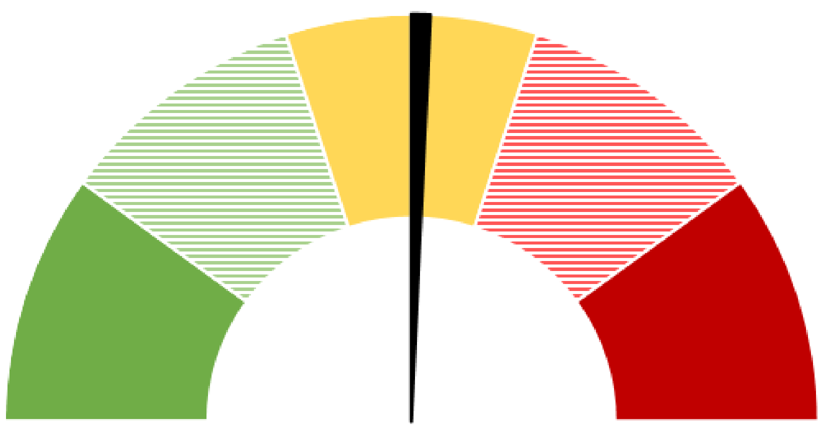
Sources: Bureau of Economic Analysis; Methodology: Average Annual Return; Bloomberg; Copyright 2024 Bloomberg Finance L.P.

Portfolio Management and Research Recession Indicators

Indicator*	Current	Previous	Short Term Trend	Long Term Trend
CB Leading Econ. Indicators	-7.10%	-7.60%	Negative	Negative
3–Mon./10–YR. Yield Curve Spread	-1.27%	-1.36%	Negative	Negative
New Orders–to–Inventories	+6.3	+2.8	Positive	Neutral
Cap. Goods New Orders	+0.9	+1.5	Neutral	Negative
Initial Jobless Claims	224k	202k	Neutral	Neutral
New Building Permits	1,495k	1,460k	Neutral	Neutral

Sources: Bloomberg; Copyright 2024 Bloomberg Finance L.P.
**See the Appendix for description of each indicator*

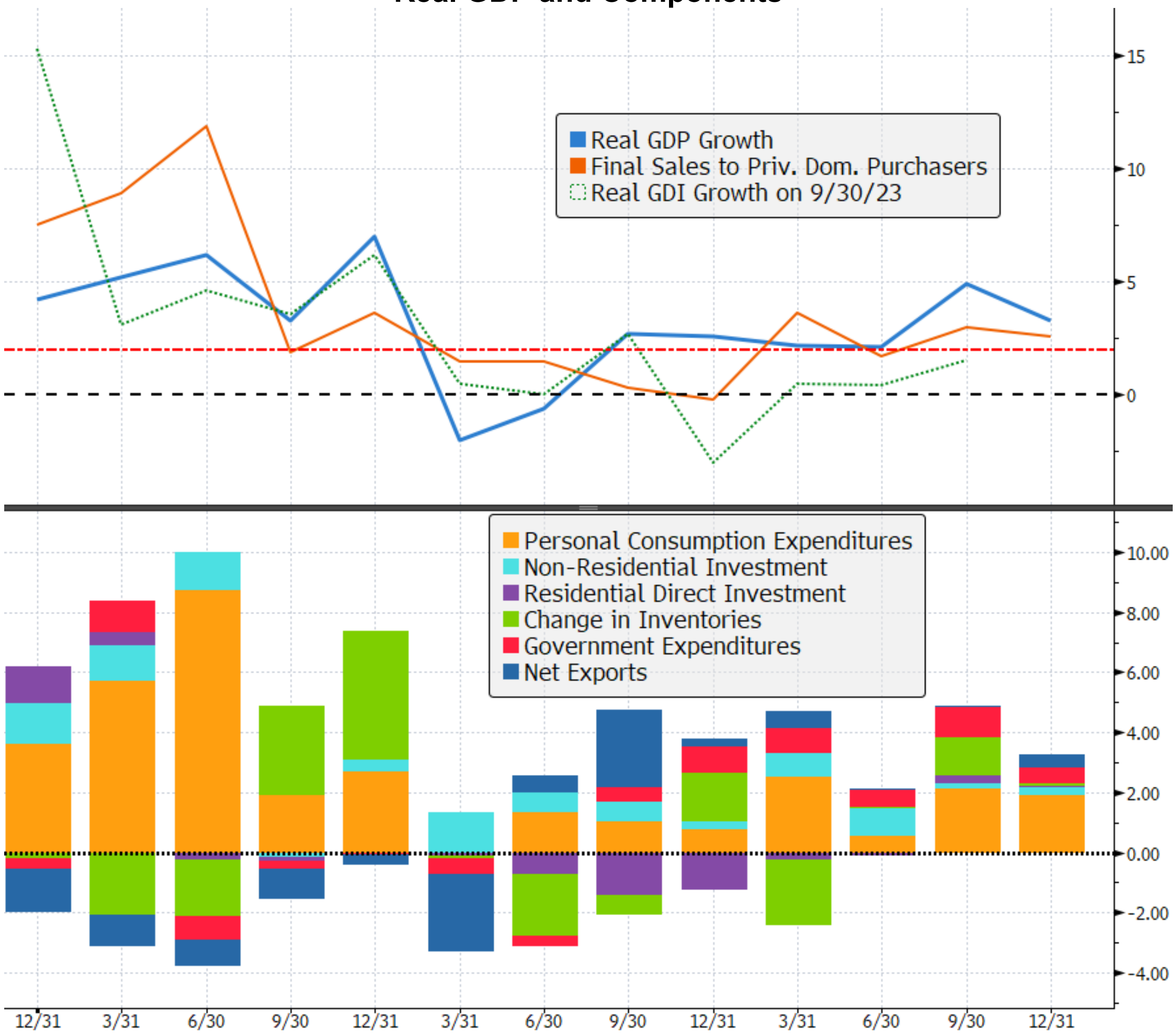
Portfolio Management and Research Recession Pressure Gauge



Real GDP growth came in at an above trend 3.3% for the fourth quarter of 2023. While this figure may yet be adjusted upward or downward, it's fair to assume that overall year-over-year growth in 2023 should be approximately 2.5%. Interestingly, Q4 is the second consecutive quarter with no detractors from the overall growth rate of the economy. Stated another way, all inputs to the GDP calculation provided a boost to the economy (see chart below, bottom panel). This has occurred while Core PCE (Personal Consumption Expenditures, the Federal Reserve's preferred gauge of inflationary pressure) has dropped from 3.6% to 2.9% in year-over-year terms during the quarter.

One would have to squint to find weakness in this print. While we do not yet have a preliminary estimate of Gross Domestic Income, the trend is still higher, albeit there is still quite a divergence between the two measures of national income. Consumption remains robust, contributing 1.9% to the overall growth rate. Government expenditures additionally continue to contribute positively to the quarterly growth rate and have done so for the last six quarters. It's important to note that the Primary Budget Balance (the fiscal deficit less interest payments) grew from 6.3% to 6.4% of GDP in the quarter (recall that the widening in the deficit, primarily caused by COLA adjustments and automatic stabilizers, has played a significant role in fueling economic growth, while monetary policy has been restrictive).

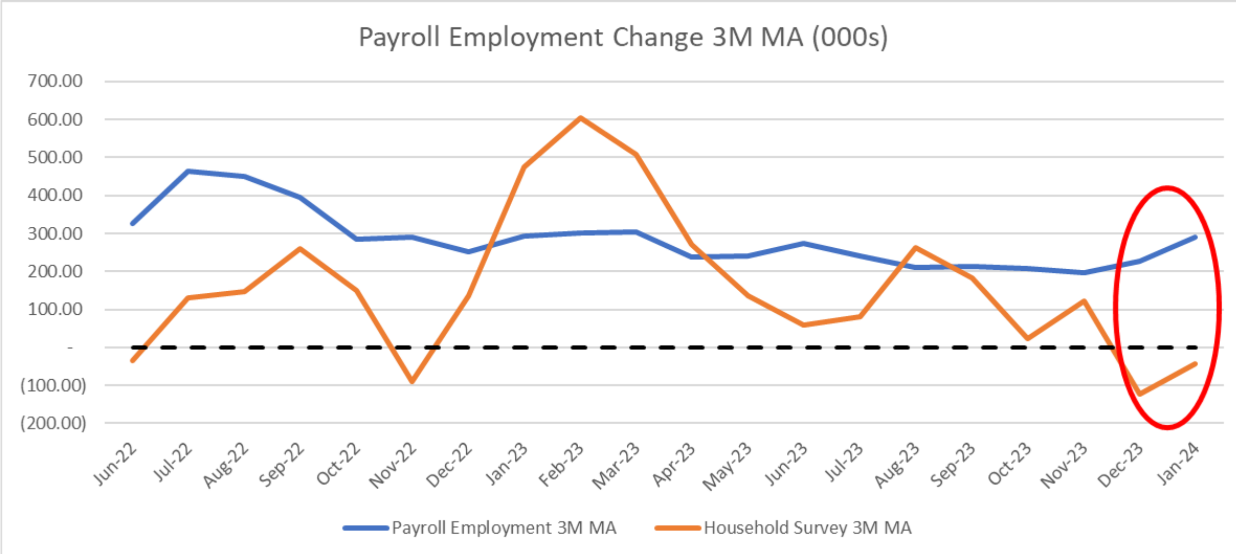
Real GDP and Components



Source: U.S. Bureau of Economic Analysis; Bloomberg Copyright 2024 Bloomberg Finance L.P.

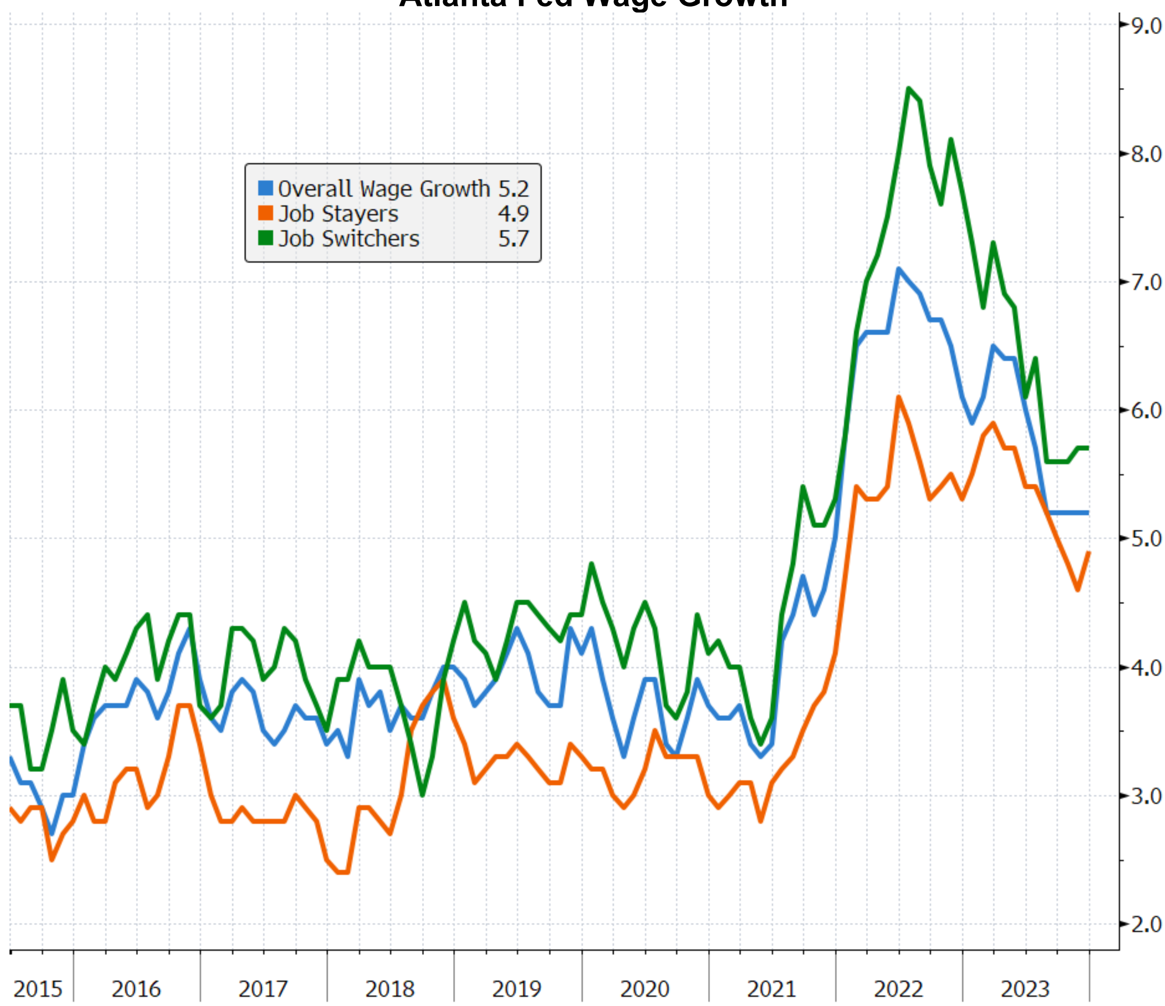
Looking forward it appears apparent that it would be difficult to justify easing monetary policy in the face of economic growth of this nature. In a post Federal Open Market Committee (FOMC) meeting presser and subsequent 60 Minutes interview, Federal Reserve Chair Jerome Powell pushed back on the idea that there would be a rate cut in March. This is consistent with the thinking of our team. The premature loosening in financial conditions (along with geopolitical tensions that have driven up the cost of shipping as well as a host of stimulative measures enacted by the Chinese government in an attempt to shore up their economy) that began in the final two months of 2023 and into January, does increase the risk that the economy does not cool sufficiently down to a trend level (approximately 2% in annual real GDP growth). This is further evidenced by the growth in payrolls (which grew at 333k in December and 353k in January) which easily surpassed economist estimates (chart below).

3-Month Moving Average of Payroll Growth



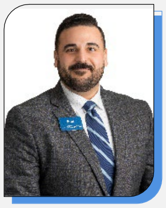
Source: U.S. Bureau of Labor Statistics; Arvest Portfolio Management and Research

Atlanta Fed Wage Growth



Source: Federal Reserve Bank of Atlanta; Bloomberg Copyright 2024 Bloomberg Finance L.P.

The bottom line is that the extraordinarily strong growth in both the economy and labor market during the fourth quarter of 2023 and thus far in 2024, will make it very difficult for a Fed that is already in a very restrictive stance to cut rates meaningfully. This is because an economy that is consistently growing at an above trend level risks becoming overheated and reaccelerating wage growth (which has stubbornly remained around the 5% level; see chart above) and ultimately, prices. This would approximate the “no-landing” scenario and theoretically necessitate that monetary policy either remain tight for a longer period or tighten further. This is not our base case, but we are acutely aware of the risk that this scenario poses and will continue to monitor economic developments.



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Emil manages fixed-income separate account portfolios for Arvest Wealth Management Trust clients and Portfolio Management and Research advisory clients. Additionally, he contributes to fixed-income investment strategy and outlooks, as well as client and advisor communications and presentations. A graduate of the University of Illinois, Emil is a CFA Charterholder, a member of the Chartered Financial Analyst Institute and CFA Society of Kansas City.

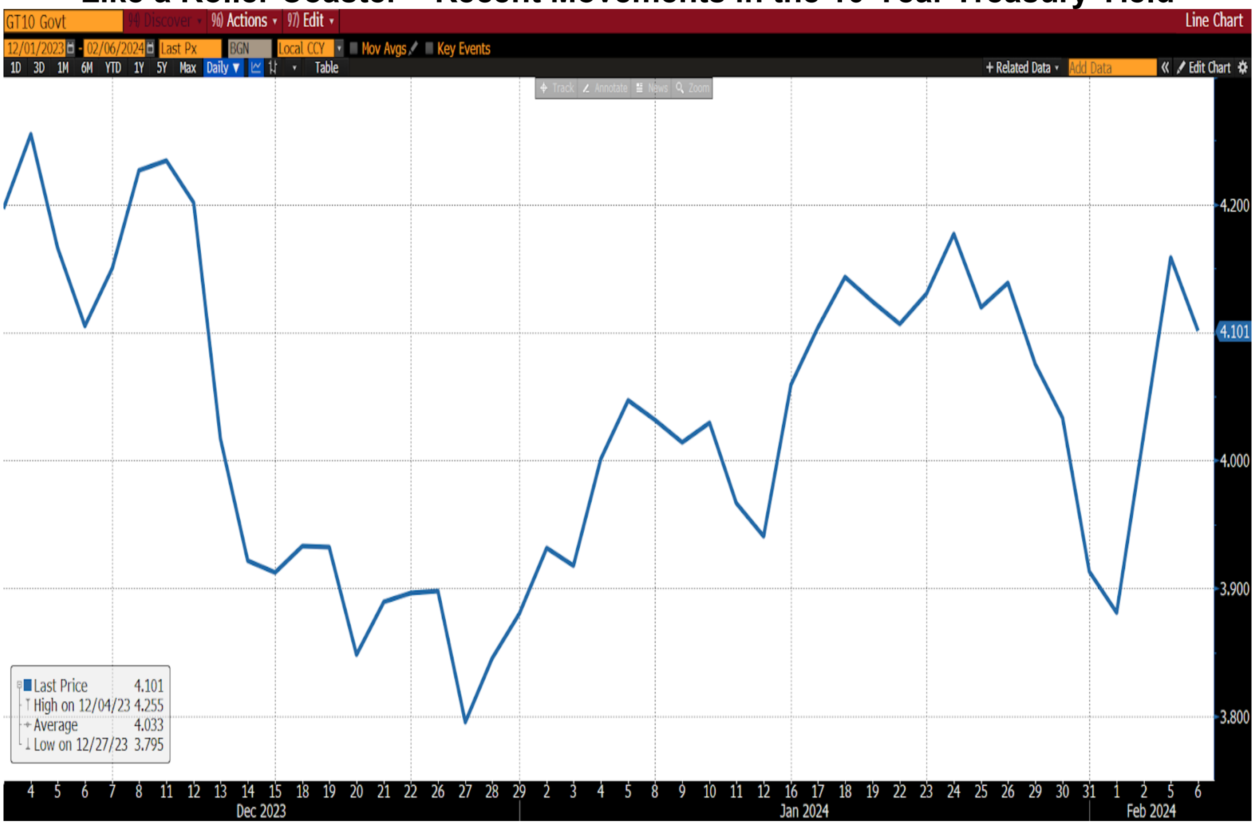
Bond Market

Dennis J. Whittaker, CFA®

Staying Close to Home

Volatility remains the name of the game for bond investors. Significant swings in yield valuations make it difficult to discern the appropriate portfolio positioning that would be best to take advantage of swings in interest rates, as recent weekly movement in yields can make being long the benchmark (i.e., more sensitive to the change in interest rate levels that the passive performance benchmark such as the Bloomberg U.S. Aggregate Bond Index) right on Monday and wrong by Friday. These are truly the times that try bond portfolio managers' souls.

Like a Roller Coaster – Recent Movements in the 10-Year Treasury Yield

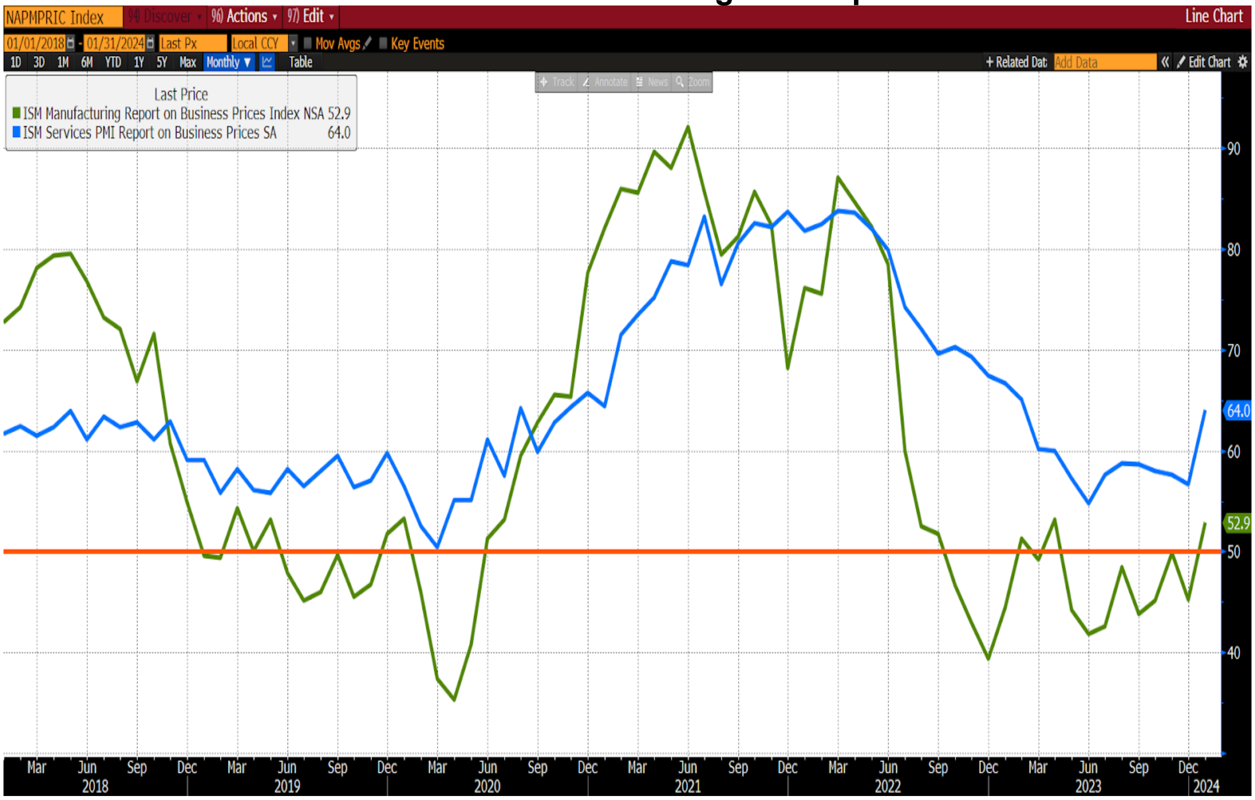


Source: Bloomberg; Copyright 2024 Bloomberg Finance L.P.

A portion of the volatility can easily be attributed to shifts in expectations for movements in the overnight lending rate by the Federal Reserve. Indeed, the market has evolved from pricing in nearly a 75% chance of a first rate cut by the Federal Reserve's March 20, 2024 meeting on January 15 to just a 20% probability at the close of business on February 6. Moreover, the market has reduced its expectations for potential reductions in the overnight lending rate from a little more than 6 rate cuts (assuming all cuts are 0.25%-point in nature) to "just" less than 5 cuts over the same time period.

As my colleague, Emil Suqi, outlines in his Economic Comments, there are a host of reasons to call into question the market's present pricing of the eventual level and magnitude of rate cuts that the Federal Reserve will be able to deliver in 2024. Beyond the reasons that Emil outlines in his comments, we would also note that the prices paid indices (see graph below) of the ISM Manufacturing and ISM Services surveys both experienced spikes upward in January and could be pointing to a resumption of pricing pressures in the production pipelines. While we recognize both price indices remain below prior peak levels, the recent upturn in both is disturbing and something we will be monitoring closely in the months ahead.

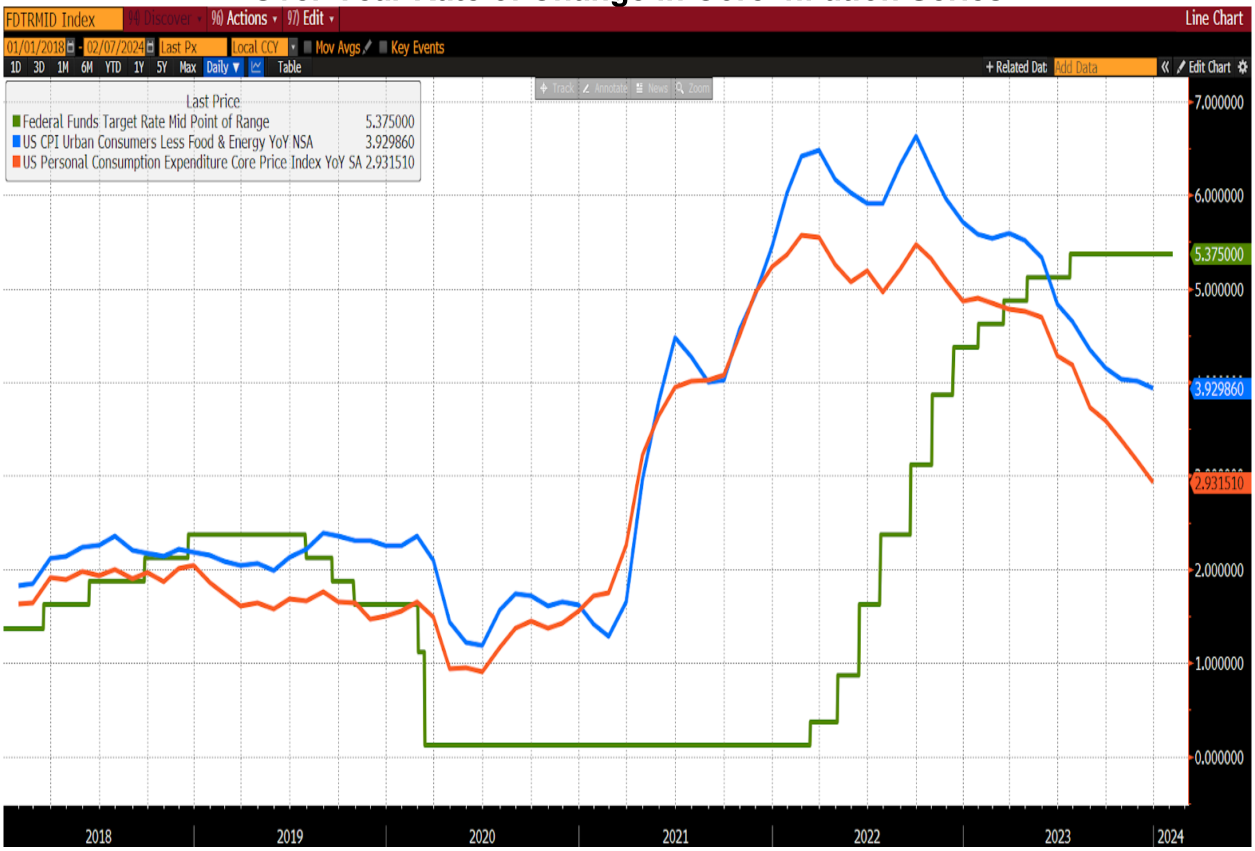
Price Pressures Turning Back Up?



Source: Bloomberg; Copyright 2024 Bloomberg Finance L.P.

Despite these concerns, we remind ourselves that the yield curve remains deeply inverted and that the Fed Funds overnight lending rate (present range of 5.25%-5.50%) remains north of core inflation rates (year-over-year rate of change for the core personal consumption expenditure (PCE) deflator is at +2.9% as of December 2023 while the year-over-year rate of change for the core consumer price index (CPI) is at +3.9%). Meanwhile, the year-over-year rate of change for both core inflation series are well below previous peaks. As such, we remain of the mindset that the Federal Reserve has implemented its last rate hike of the cycle and that we have probably seen the overall peak level for Treasury yields.

Unlike the Last Acceleration in Inflation, the Fed Funds Rate is Above the Year-Over-Year Rate of Change in Core Inflation Series



Source: Bloomberg; Copyright 2024 Bloomberg Finance L.P

Given these considerations, we remain of the mindset that our "close to home" duration band of 97%-105% (mid-point of 101%) remains appropriate for accounts managed versus both the Bloomberg U.S. Aggregate and Bloomberg U.S. Intermediate Aggregate bond indices. Moreover, we continue to see valuation in the U.S. Treasury market as favorable and believe that current yield levels provide investors with a critical level of cushion to pursue investment into the taxable bond market. Nevertheless, we recognize that the yield environment may remain volatile and that adjustments in our strategic approach to duration may need to occur.

Despite our view of Treasury market valuation, we remain significantly underweight the sector, as we continue to seek opportunities in the "spread sectors" to (hopefully) achieve a portfolio yield level above those of our respective benchmarks. As such, we have not made any further reductions in our allocation level to the taxable municipal sector despite the further contraction in its reported option-adjusted spread (OAS) level. Moreover, we remain of the mindset that valuation in the agency residential mortgage backed securities (RMBS) and agency commercial mortgage backed securities (CMBS) sectors remain adequate enough for us to pursue slight overweight and significant overweight allocations, respectively.

Dennis J. Whittaker, CFA®

Bond Market Considerations Table

	2/6/2024	1/9/2024	Change	9/29/2023	Change	2/7/2023	Change
1-Year Treasury	4.81%	4.82%	-0.01%	5.45%	-0.64%	4.83%	-0.02%
2-Year Tsy	4.40%	4.36%	0.04%	5.04%	-0.64%	4.46%	-0.06%
3-Year Tsy	4.19%	4.13%	0.07%	4.80%	-0.61%	4.12%	0.07%
5-Year Tsy	4.05%	3.97%	0.08%	4.61%	-0.56%	3.83%	0.21%
7-Year Tsy	4.08%	3.99%	0.09%	4.61%	-0.53%	3.76%	0.32%
10-Year Tsy	4.10%	4.01%	0.09%	4.57%	-0.47%	3.67%	0.43%
30-Year Tsy	4.30%	4.19%	0.11%	4.70%	-0.40%	3.71%	0.59%
3MO-10YR	-128.92	-139.16	10.24	-88.52	-40.40	-102.25	-26.67
1YR-10YR	-70.80	-80.30	9.50	-87.70	16.90	-115.30	44.50
2YR-10YR	-30.40	-35.10	4.70	-47.30	16.90	-79.00	48.60
3YR-10YR	-9.30	-11.50	2.20	-22.80	13.50	-44.90	35.60
5YR-30YR	25.50	21.60	3.90	9.00	16.50	-12.10	37.60
10YR-30YR	20.00	17.30	2.70	12.80	7.20	3.90	16.10
2YR BE	234.54	211.60	22.94	204.59	29.95	256.00	-21.46
5YR BE	227.19	219.81	7.38	224.96	2.23	245.80	-18.61
10YR BE	223.60	222.17	1.43	234.07	-10.47	232.07	-8.47
30 Year BE	224.98	222.02	2.96	240.26	-15.28	226.92	-1.94
IG OAS	95.00	100.00	-5.00	121.00	-26.00	115.00	-20.00
HY OAS	334.00	340.00	-6.00	394.00	-60.00	391.00	-57.00
HY OAS/IG OAS	3.52	3.40	0.12	3.26	0.26	3.40	0.12
MBS OAS	48.00	49.00	-1.00	66.00	-18.00	41.00	7.00
MOVE	110.60	114.92	-4.32	113.55	-2.95	103.15	7.45
ABS OAS	61.00	65.00	-4.00	67.00	-6.00	63.00	-2.00
CMBS OAS	110.00	125.00	-15.00	130.00	-20.00	104.00	6.00
AAA Index	91.00	102.00	-11.00	107.00	-16.00	80.00	11.00
BBB Index	851.00	966.00	-115.00	910.00	-59.00	513.00	338.00
BBB/AAA	9.35	9.47	-0.12	8.50	0.85	6.41	2.94
Non-Agency	172.00	199.00	-27.00	203.00	-31.00	156.00	16.00
Agcy	50.00	51.00	-1.00	57.00	-7.00	48.00	2.00
Non-Agency/Agency	3.44	3.90	-0.46	3.56	-0.12	3.25	0.19
Taxable Muni OAS	79.00	88.00	-9.00	93.00	-14.00	105.00	-26.00
EM USD OAS	296.00	307.00	-11.00	316.00	-20.00	317.00	-21.00
EM OAS/HY OAS	0.89	0.90	-0.02	0.80	0.08	0.81	0.08
IG OAS/Taxable Muni	1.20	1.14	0.07	1.30	-0.10	1.10	0.11

Source: Bloomberg; ARVEST Portfolio Management and Research Group

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Dennis is responsible for the construction and management of several fixed income portfolios. Prior to rejoining Arvest Wealth Management in 2006, he managed a tax-exempt mutual fund for an investment advisory firm and prepared all their fixed income research. Dennis has a bachelor's degree in business administration with an emphasis in economics and holds the Chartered Financial Analyst designation. He is a member of the Fixed Income Analysts Society and the Board of Directors for the Southern Municipal Finance Society, previously serving as chair, and a former member of the Board of Governors of the National Federation of Municipal Analysts.

U.S. Equity Market

Christopher Magee, Ryan Ritchie, and Bret O'Meara, CFA®

Market Indices Performance

Index	Trailing Returns (Price + Dividends) YTD	1-Month	3-Month	12-Month	Yield	2024 P/E	10-Year Avg P/E	2024 EPS Growth (est.)
S&P 500	1.68	1.68	15.99	20.79	1.45	22.8	19.2	10%
S&P 400	-1.71	-1.71	15.93	4.73	1.96	17.1	19.2	9%
S&P 600	-3.95	-3.95	17.25	1.71	1.75	16.8	21.3	8%
MSCI World ex-US	0.45	0.45	15.95	10.16	3.26	14.3	15.6	5%
MSCI EM	-4.64	-4.64	7.04	-2.64	3.24	13.4	13.0	18%

Source: Bloomberg, I/B/E/S data from Refinitiv, as of 1/31/2024

After a strong 2023 and decent start to 2024, most U.S. large cap stock market indices are at or near all-time highs. The S&P 500 and Dow are both sitting at their all-time highs now. The Nasdaq is approximately 3% of its all-time high set back in November of 2021. However, other areas of the equity market are still not even close to their previous highs. The Russell 2000 and S&P 600 (small cap indices) are a respective 21% and 15% of their highs also set in November of 2021. International developed stocks as measured by the MSCI World ex-US Index, are 7% off their high set in September of 2021. Emerging market stocks as measured by the MSCI EM Index are a whopping 32% below their high set in February of 2021.

Even though U.S. large cap equities as a whole were higher - the difference between stock market sectors was striking. The best performing sectors in 2023 were Information Technology and Communications, with respective returns of 58% and 56%, driven by generative AI hype. The IT sector now trades at 35-times 2024's estimated earnings compared to an average of 22, indicating an overpriced valuation.

During the first month of this year, these sectors added another 4% and 5%. Two of the weaker sectors in 2023 were Energy and Utilities, with respective returns of -1% and -7%. That was followed with returns of -0.5% and -3% in January. The Energy sector is trading at 11-times this year's expected earnings compared to a 10-year average of 29. The Utilities sector is trading at 17-times 2024's expected earnings compared to a 10-year average of 18. This may indicate that these areas of the market are undervalued and presents an opportunity.

Earnings growth expectations are high in 2024, and those high expectations present a risk. Large cap U.S. stocks are the most susceptible to a downturn, as they are trading at the highest valuation (more than 20-times 2024's estimated earnings), and this includes an expectation of 10% earnings growth in 2024. This is after 2023 earnings growth of approximately 8%, or 11% excluding the most volatile energy sector (about half of the index has reported Q4 2023 earnings so this figure is not final, but will be close).

In conclusion, small cap U.S. stocks, international stocks and emerging market stocks continue to look more attractive on a valuation basis. Areas of U.S. large cap equities such as the Energy and Utilities sectors look attractive as well. However, the S&P 500 as a whole is now very expensive and presents an elevated level of risk.

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Bret assists and supports the management of investment portfolios through research, analysis, and trading, specializing in equity securities. He Joined Arvest Wealth Management in 2010 as a member of the Retirement Plan Services Group before transitioning to Portfolio Management and Research. Bret has a bachelor's degree in business administration with an emphasis in economics and finance and a master's degree in business administration. He previously worked at a Northwest Arkansas bank for two years and taught courses in accounting and economics at Northwest Arkansas Community College for six years. Bret is a CFA charterholder and a member of the CFA Society of Arkansas.

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Christopher is the lead manager of the Arvest Bank Group Equity Fund and the DIG Equity Portfolio and is responsible for construction of equity portfolios for institutional and retail clients, including equity research, security selection, sector weightings and trading. Prior to joining Arvest Wealth Management in 1992, he served as a trust investment officer at a national bank in Shreveport, Louisiana and a bank in Amarillo, Texas. He has a bachelor's degree in finance, with an emphasis in investments, and is a graduate of Cannon Financial Institute's Advance Trust Investments School.

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Ryan is co-manager of the Arvest Bank Group Equity Fund and co-lead manager of the Investment Management Group Strategic portfolios and is responsible for the construction of equity portfolios for institutional and retail clients, including equity research, sector weightings, and trading. Additionally, he is responsible for directing the implementation of Arvest Wealth Management's equity strategy throughout trust and brokerage relationships. Ryan has a bachelor's degree in business administration with an emphasis in finance and financial management. Ryan has been managing portfolios since 2002.

Appendix

Portfolio Management & Research Group Team Members

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Ryan Ritchie, Portfolio Manager

Bret O' Meara, Client Portfolio Manager

Dennis Whittaker, Sr Portfolio Manager

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Alex Jantsch, Portfolio Analyst

Josh Warner, Portfolio Analyst

Lee Musser, Portfolio Analyst

Abbey Vibhakar, Fixed Income Analyst

Jake Baker, Fixed Income Analyst

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Jennifer Tichenor-Turner, Adv Solutions Support Specialist

Charlie Holliday, Advisory Solutions Support Specialist

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Jack Kincannon, Quantitative Strategy Analyst

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Description of Recession Indicators

- Conference Board Leading Economic Indicators (LEI) - The indicator tracks the Year-over-Year percentage change in the Conference Board Leading Economic Indicators Index. The index is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables.

- U.S. Treasury Yield Curve (3-month to 10-year Spread) – This indicator measures the spread between the fixed income yields of the 3-month Treasury Bill and the 10-Year Treasury Bond. The lower this number, the flatter the yield curve is. The flatter the yield curve is, the less longer term investors are getting compensated over shorter term investors for the inherent interest rate risk. If the spread goes below zero, this means that the yield curve has inverted.

- ISM New Orders-to-Inventories Spread – This indicator looks at the spread of reported new order levels versus reported current inventories levels. The Institute for Supply Management (ISM) surveys 300 manufacturing firms on numerous manufacturing data points to get data points for both new orders and inventories.

- Core Capital Goods (New Orders) – This indicator tracks the Year-over-Year percentage change in the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

- Initial Jobless Claims – This indicator tracks the number of initial unemployment claims of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

- New Building Permits – This indicator tracks the number of construction permits that have been issued and approved for new construction, additions to pre-existing structures, or major renovations.

DISCLAIMER: These are not the only indicators that the team looks at, and no decision should (or will) be made on any single indicator. These are simply what the team utilizes to ***help*** forecast potential for a recessionary environment.

Disclosures

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