



That 70's Show...

NOT a Re-Run

Hosted by Dr. Dave Yeske and Yusuf Abugideiri

LIVE BIGSM

Agenda

- It's the '70's all over again...or is it?
- COVID Economy
- Russia/Ukraine War
- Inflation
- The Fed & Interest Rates
- Stocks have been acting like it's the '90's (and early aughts)



History ~~Repeats~~ Rhymes

■ 1970s

- Richard Nixon => Jimmy Carter
- Vietnam War
- Global Supply Shock (Oil)
- Inflation concerns in response to fiscal/monetary policies
- Roe vs. Wade

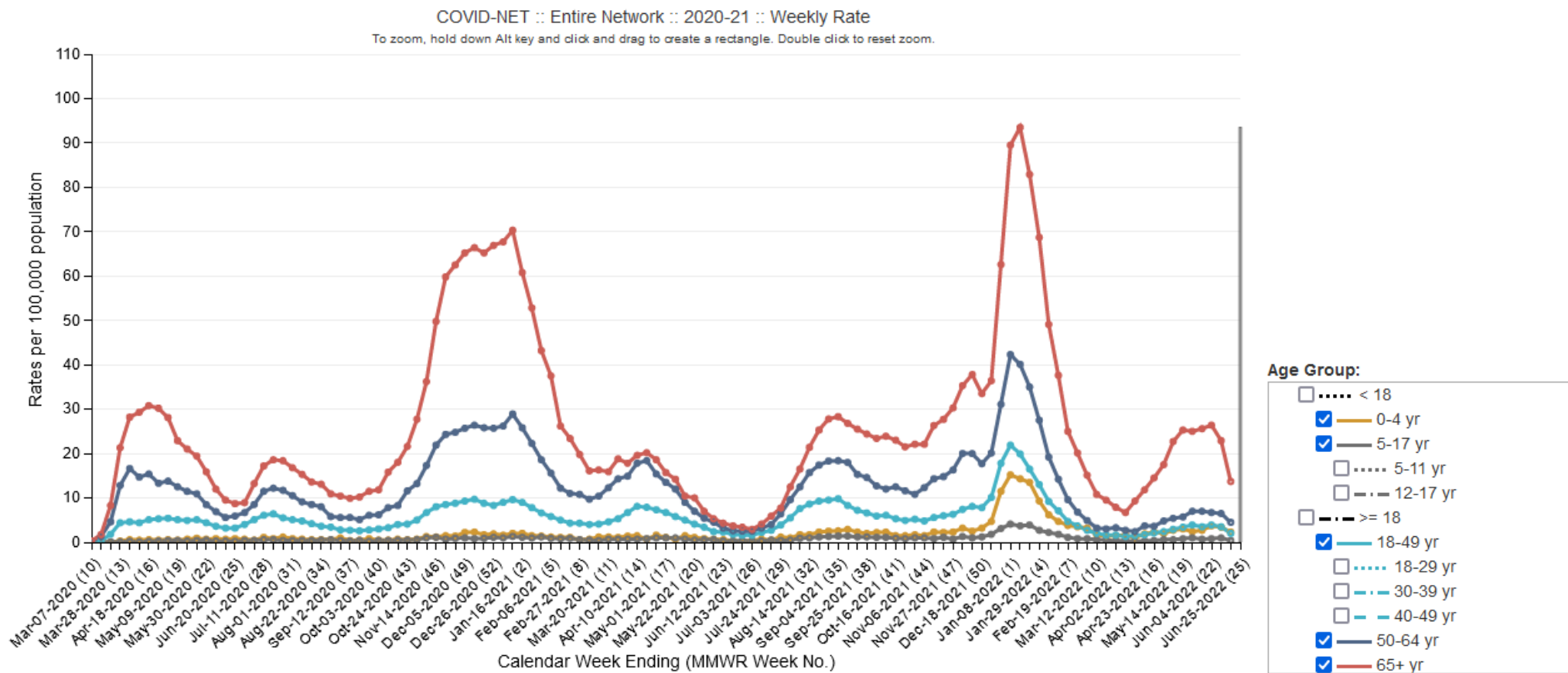
■ 2020s

- Donald Trump => Joe Biden
- War in Afghanistan
- Global Supply Shocks (COVID)
- Inflation concerns in response to fiscal/monetary policies
- Roe vs. Wade (overturned)



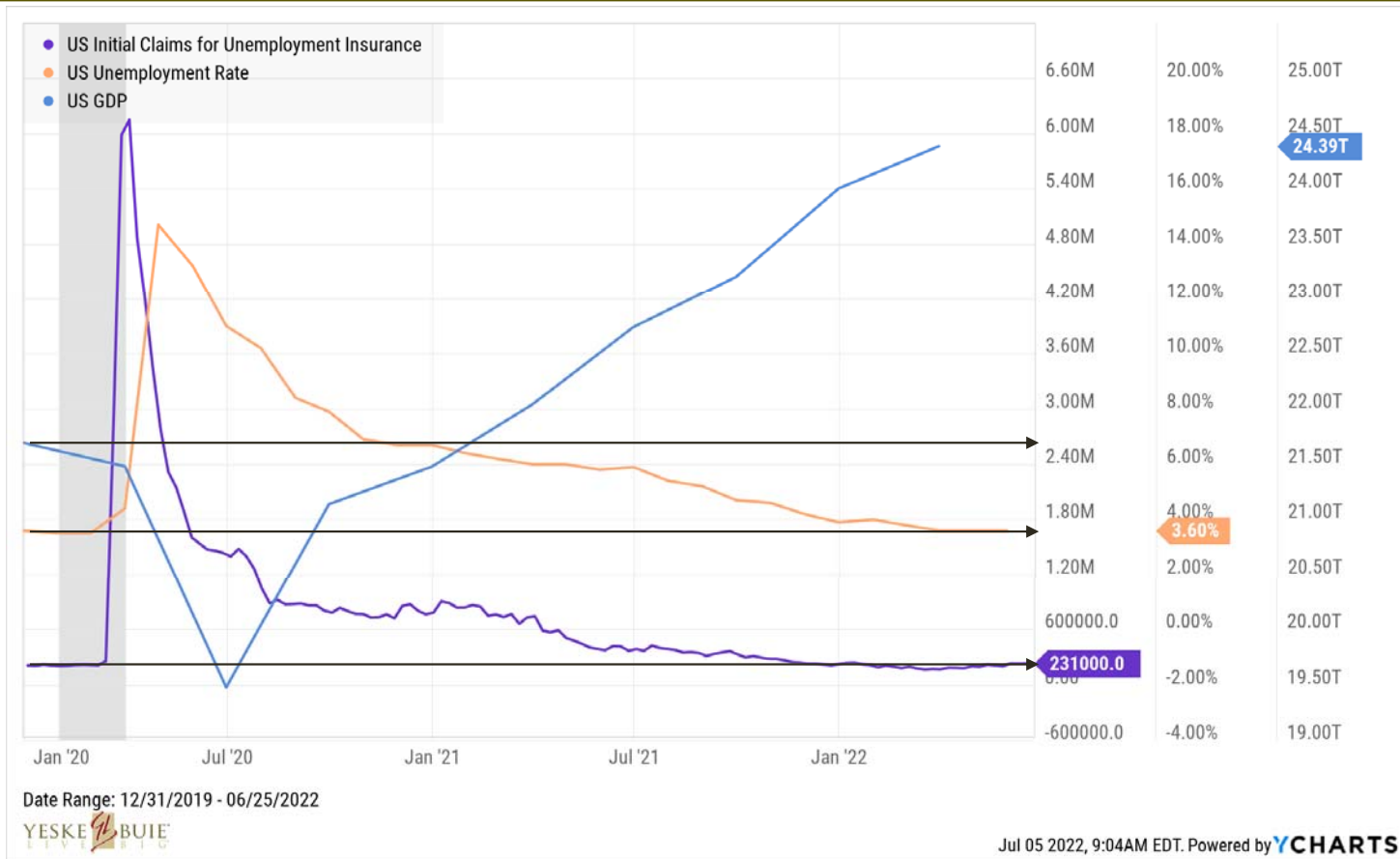
COVID – Shifting From Pandemic to Endemic

Weekly Rates of COVID-19 Associated Hospitalization



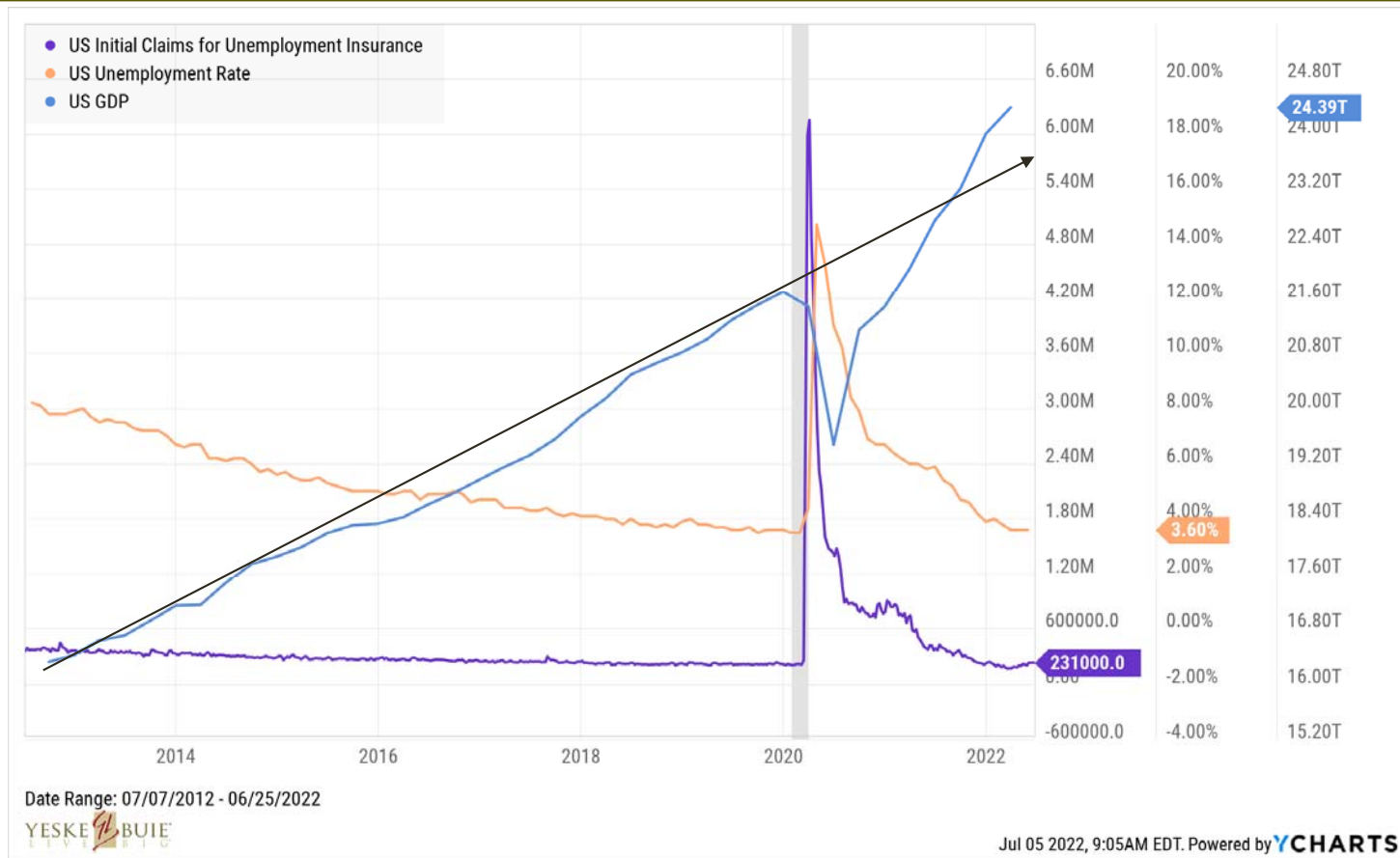
Economic Output and Unemployment

Since January 2020



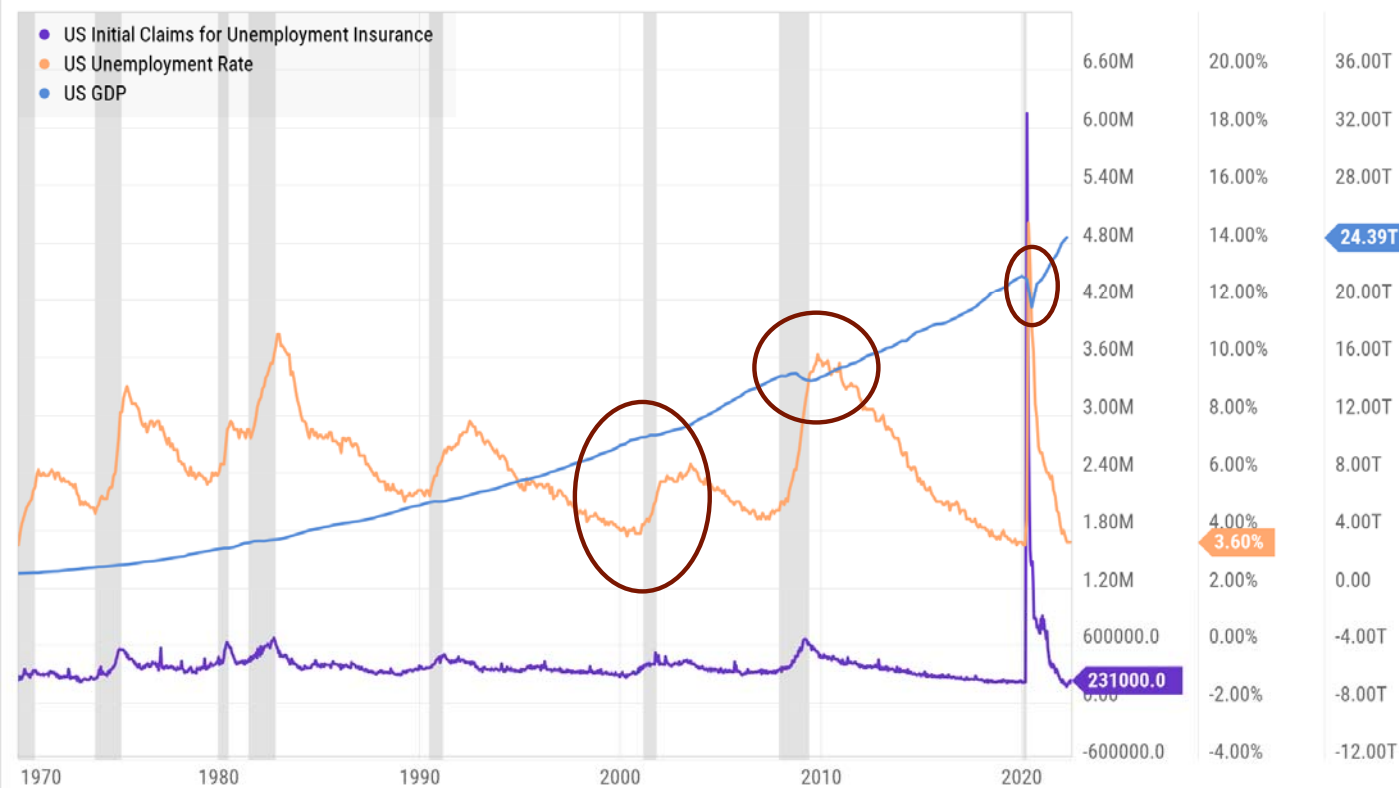
Economic Output and Unemployment

Last Ten Years



Economic Output and Unemployment

Since January 1970



Date Range: 12/31/1969 - 06/25/2022

YESKE  BUUE

Jul 05 2022, 9:06AM EDT. Powered by **YCHARTS**



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Russian Invasion of Ukraine

- Since February 24th, when the invasion began:
 - Thousands of casualties
 - Millions displaced
- Sanctions imposed by US and dozens of other nations have been effective; Russia defaulted on foreign debt for first time in 100 years
- Russian military had shifted focus to the east; recently overtook Luhansk region, now focusing on Donetsk (keys to controlling the Donbas region)
- Ramifications of Ukraine losing Donbas:
 - Access to mines/factories/critical land
 - Could tip scales in favor of Russian victory



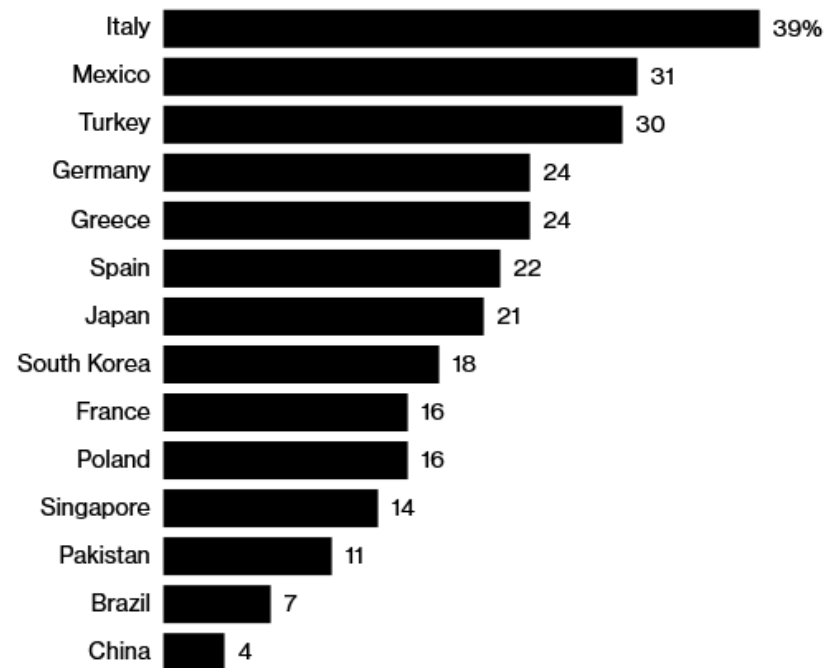
Russia and Oil

- As of 2020, oil and gas combined to make up 60% of Russia's exports and 40% of its federal budget
- Reported shipments to China and India are down 15% from highs in late May
- High prices have kept Russia afloat; as oil prices decline, Russia's financial prospects weaken

#	Country	Daily Oil Consumption (barrels)	World Share	Yearly Gallons Per Capita
1	United States	19,687,287	20.3 %	934.3
2	China	12,791,553	13.2 %	138.7
3	India	4,443,000	4.6 %	51.4
4	Japan	4,012,877	4.1 %	481.5
5	Russia	3,631,287	3.7 %	383.2
6	Saudi Arabia	3,302,000	3.4 %	1,560.2
7	Brazil	2,984,000	3.1 %	221.9
8	South Korea	2,605,440	2.7 %	783.4
9	Canada	2,486,301	2.6 %	1,047.6
10	Germany	2,383,393	2.5 %	444.5

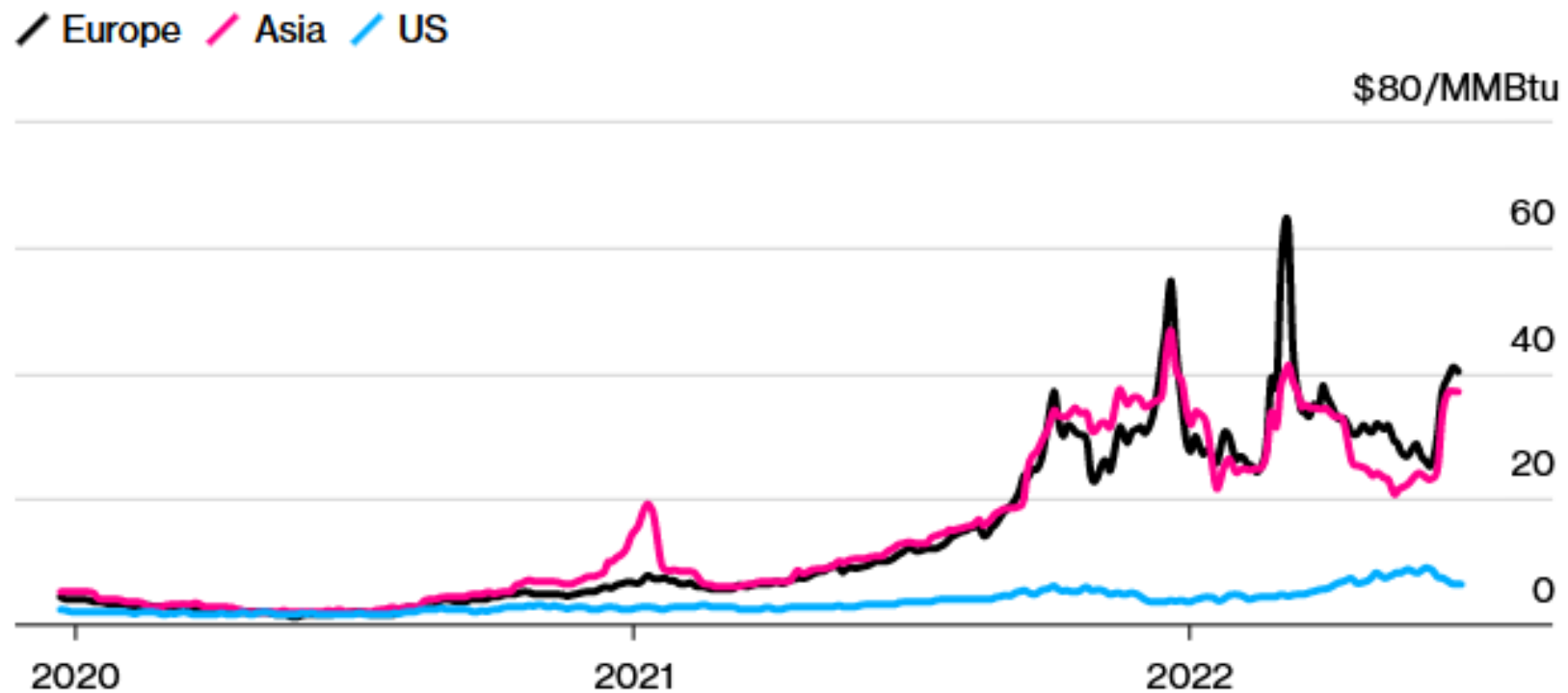
Natural Gas Consumption

- Natural Gas prices up 700% in Europe since beginning of 2021 (war exacerbated shortfall due to cuts in Russian deliveries to Europe)
- German businesses at risk of running out of power
- Countries around the world are working together to increase supply (counter to long-term environmental goals)



Source: Bloomberg calculations based on 2021 data from BP Statistical Review of World Energy

Global Natural Gas Prices



Source: Bloomberg

Note: Europe = TTF futures; Asia = JKM Swap futures and US = Henry Hub futures. MMBtu = million British Thermal Units

Russia/Ukraine: Financial and Economic Ramifications

- Higher prices for commodities like food and energy (oil and gas)
- Neighboring economies: trade and supply chain disruptions
- Reduced confidence (businesses/investors) in the face of uncertainty

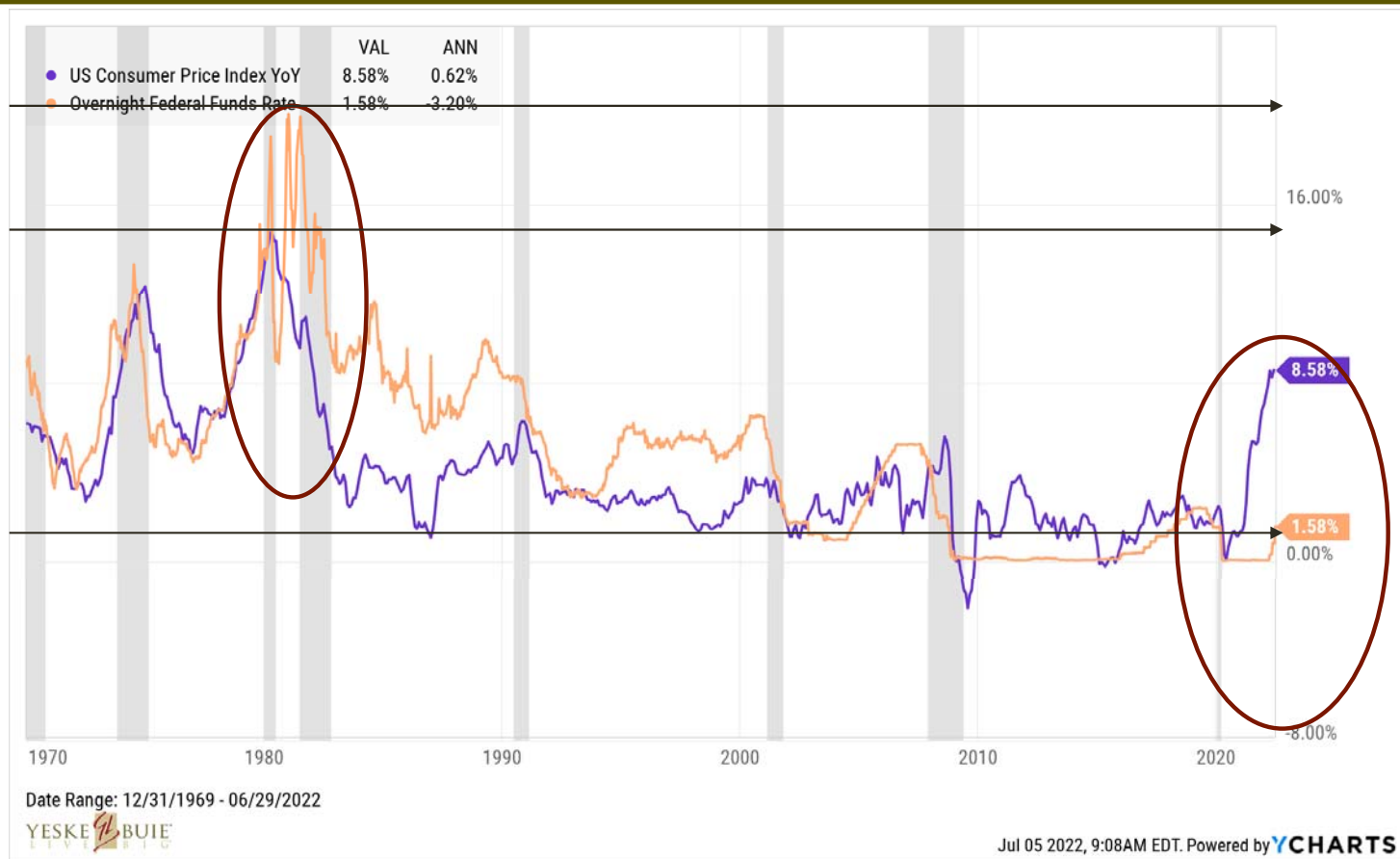


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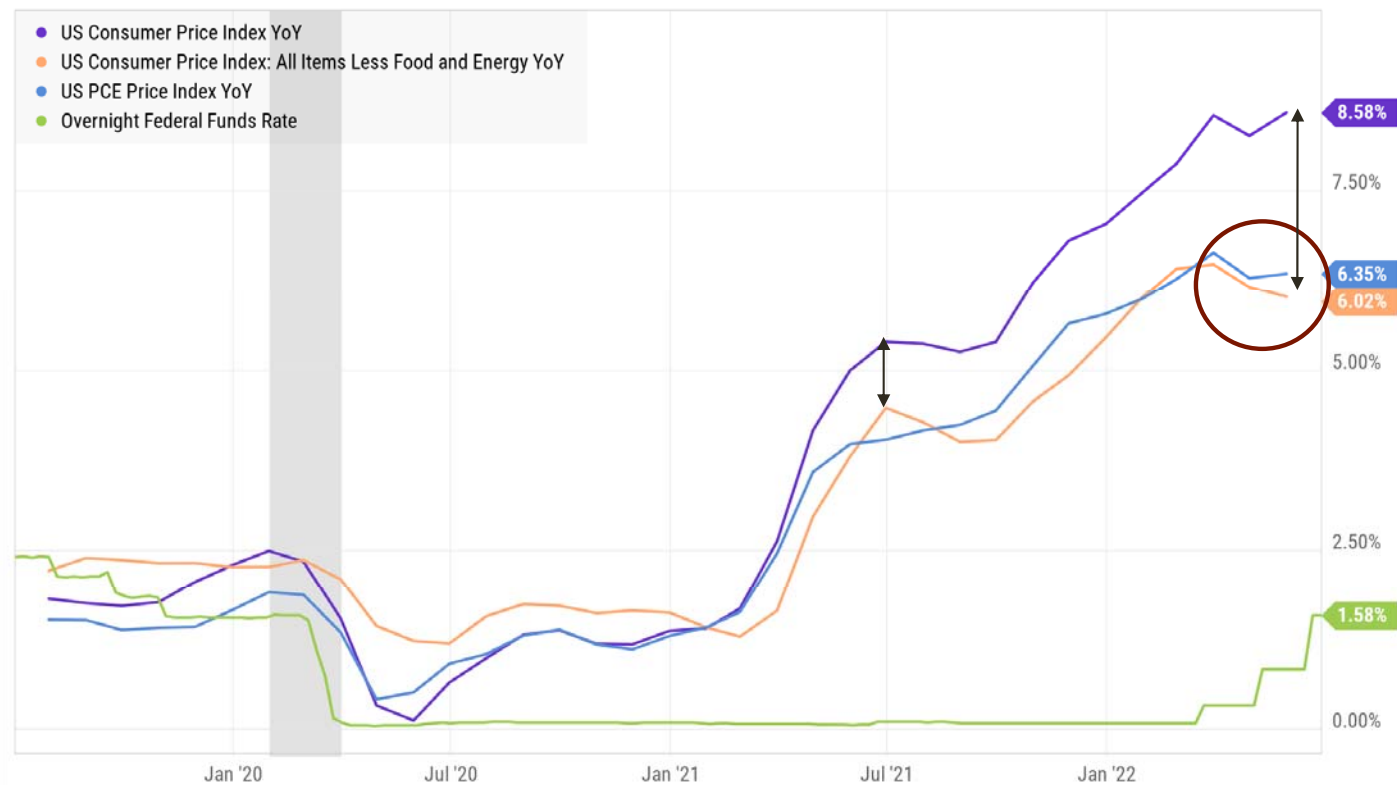
Inflation: That 70's Show?



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Inflation Rates

Last Three Years



Date Range: 07/03/2019 - 06/29/2022

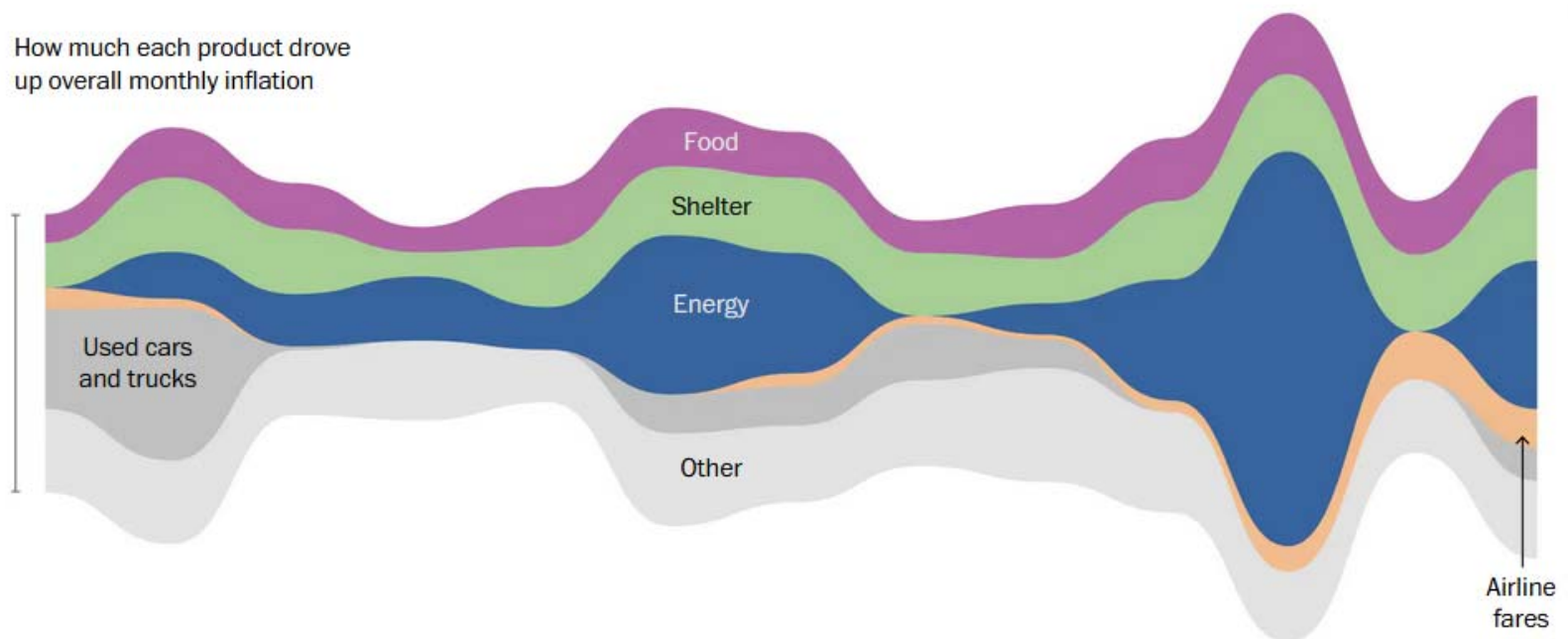
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Inflation: Components

As of June 2022



Overall one-month change in consumer prices:

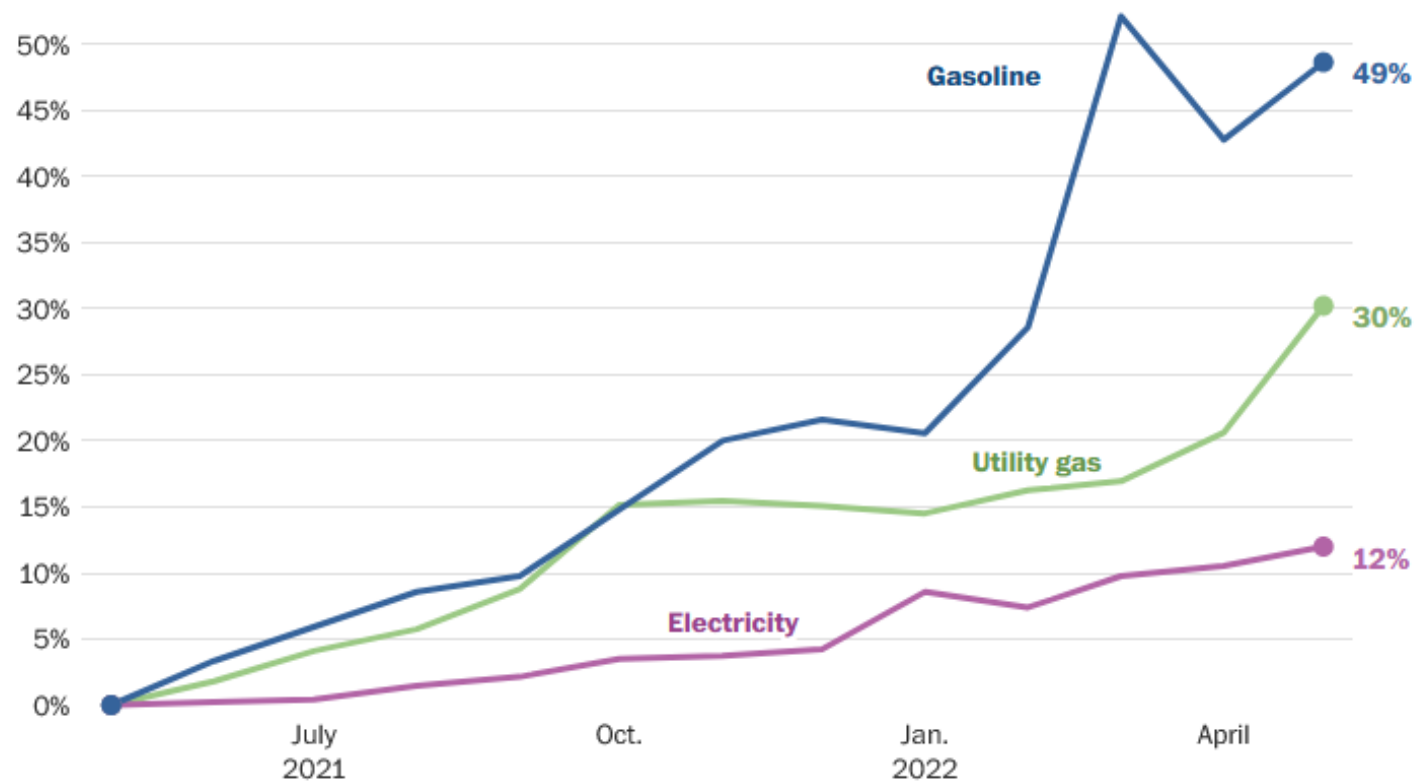
MAY '21	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN. '22	FEB.	MARCH	APRIL	MAY
+0.7%	+0.9%	+0.5%	+0.3%	+0.4%	+0.9%	+0.7%	+0.6%	+0.6%	+0.8%	+1.2%	+0.3%	+1.0%

Seasonally adjusted

Gas Prices

As of June 2022

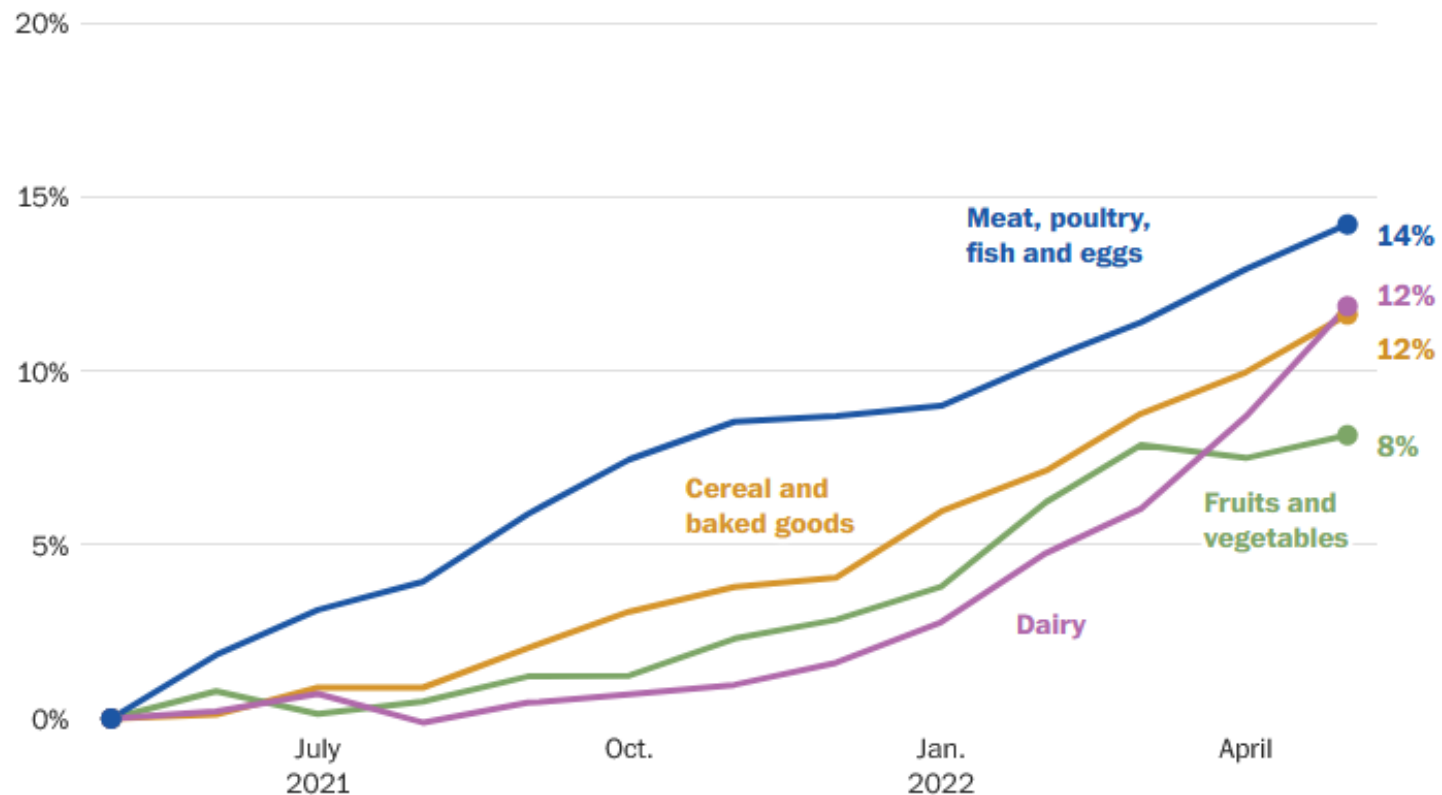
Percent change in consumer price index since May 2021, seasonally adjusted



Food Prices

As of June 2022

Percent change in consumer price index since May 2021, seasonally adjusted



































Global Interest and Inflation Rates

As of June 2022

Larger economies: 2021 G.D.P.

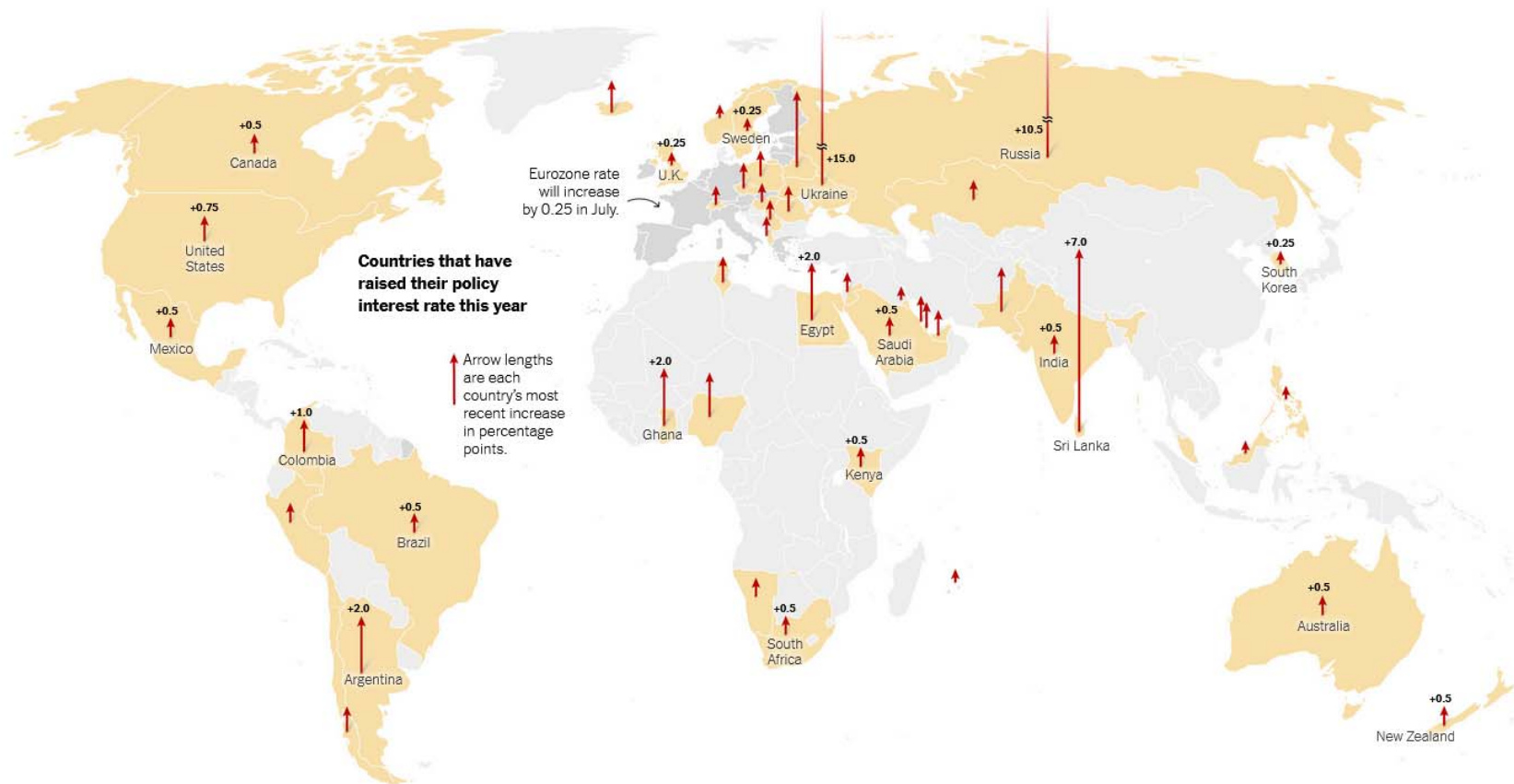
Current policy interest rate

Projected average 2022 inflation

United States	\$23.0 trillion	1.75%		7.7%	
China	17.5	3.70		2.1	
Eurozone *	14.5	0.00		5.3	
Japan	4.9	-0.10		1.0	
Britain	3.2	1.25		7.4	
India	3.0	4.90		6.1	
Canada	2.0	1.50		5.6	
Brazil	1.6	13.25		8.2	
Russia	1.8	9.5		21.3	
Korea	1.8	1.75		4.0	
Australia	1.6	0.85		3.9	
Mexico	1.3	7.00		6.8	
Switzerland	0.8	-0.25		2.5	
Sweden	0.6	0.25		4.8	
Norway	0.5	0.75		3.5	
Israel	0.5	0.35		3.5	
Denmark	0.4	-0.60		3.8	
Czech Republic	0.3	5.75		9.0	
New Zealand	0.2	2.00		5.9	

Interest Rates Around the World

As of June 2022

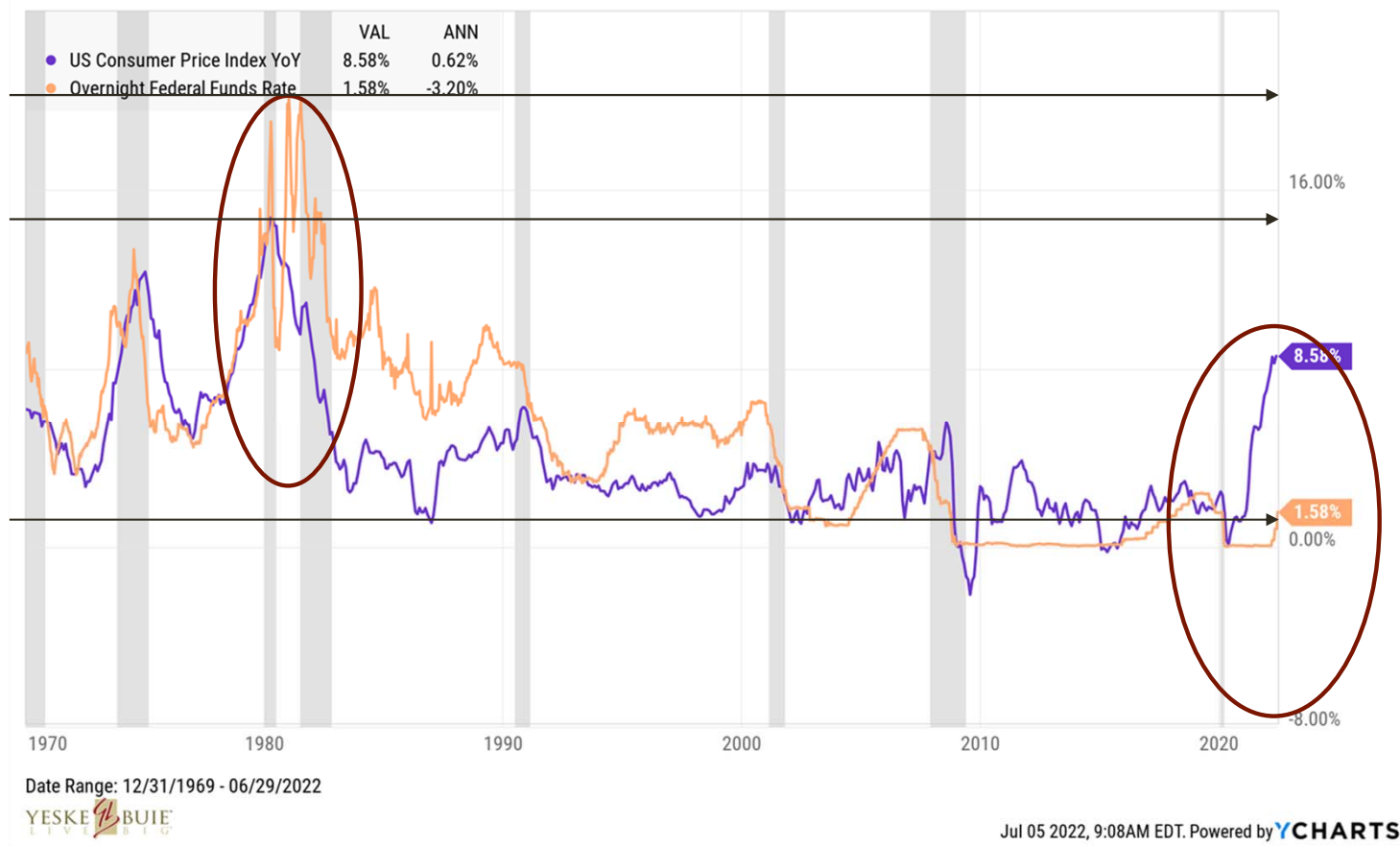


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Inflation: That 70's Show Re-Run?

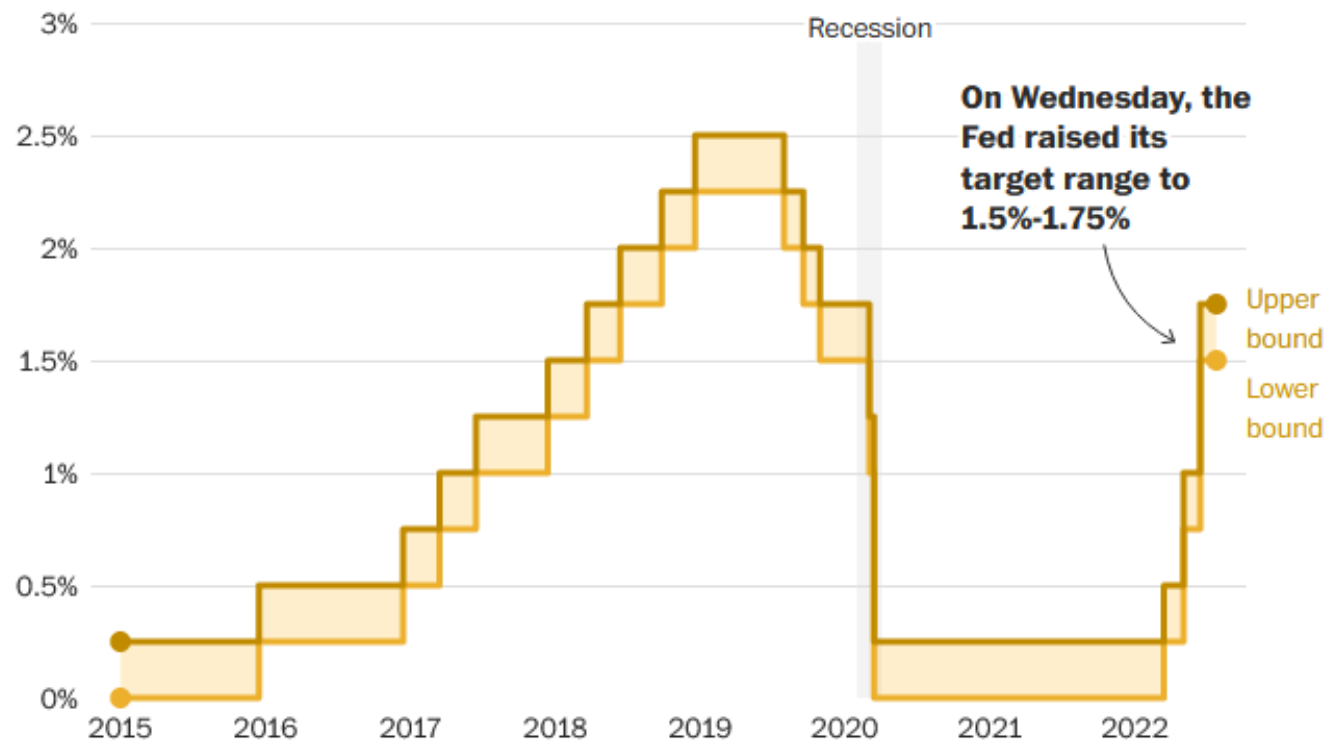


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Interest Rates on the Rise

As of June 2022

The Federal Reserve sets a narrow range for its target short-term interest rate



Source: Federal Reserve via FRED

THE WASHINGTON POST

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The Fed's Remaining Meetings

- July 26th-27th
 - CPI release: July 13th
 - PCE release: July 29th
- September 20th-21st
- November 1st-2nd
- December 13th-14th



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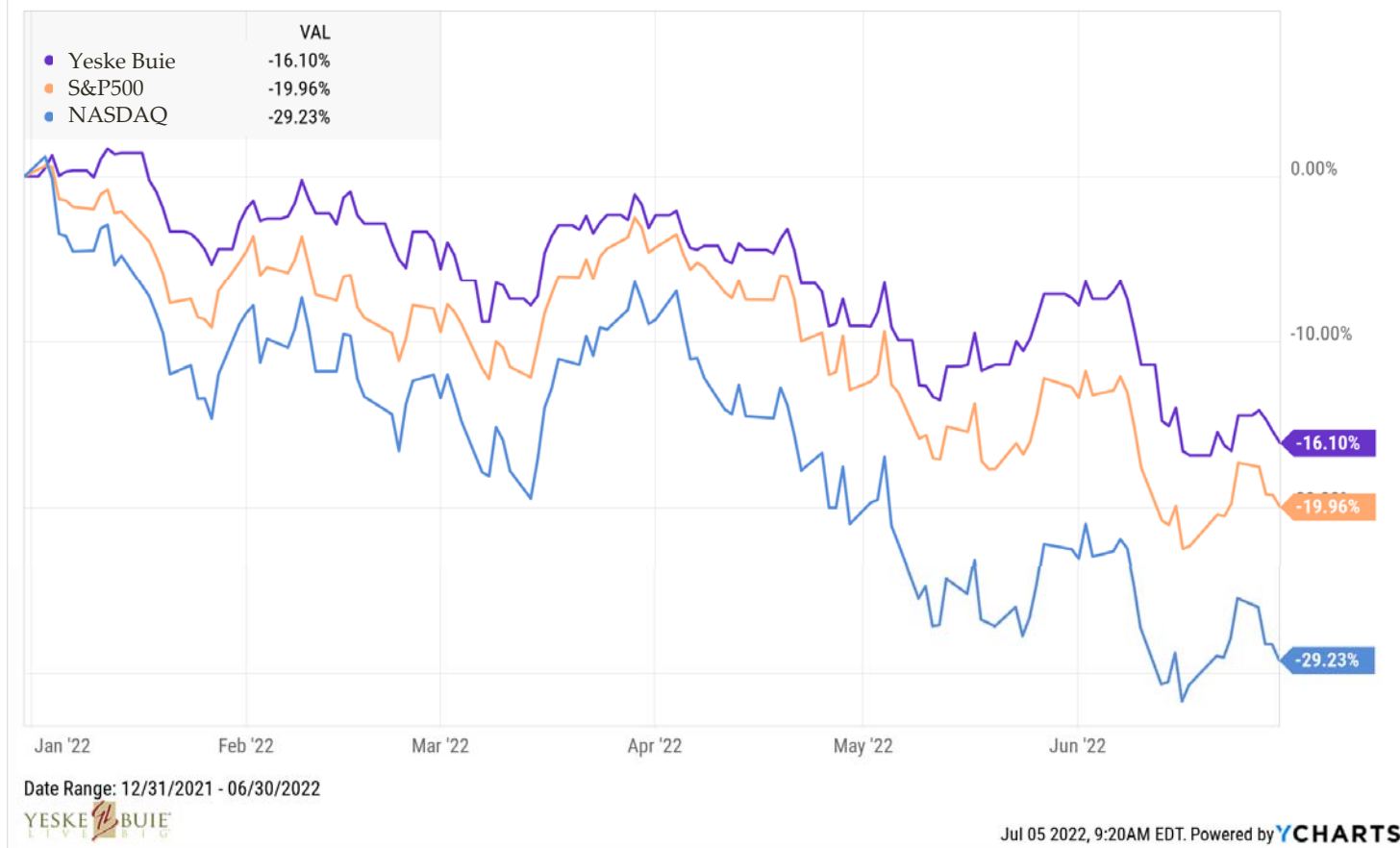
Portfolio Performance: YTD

Through June 30th



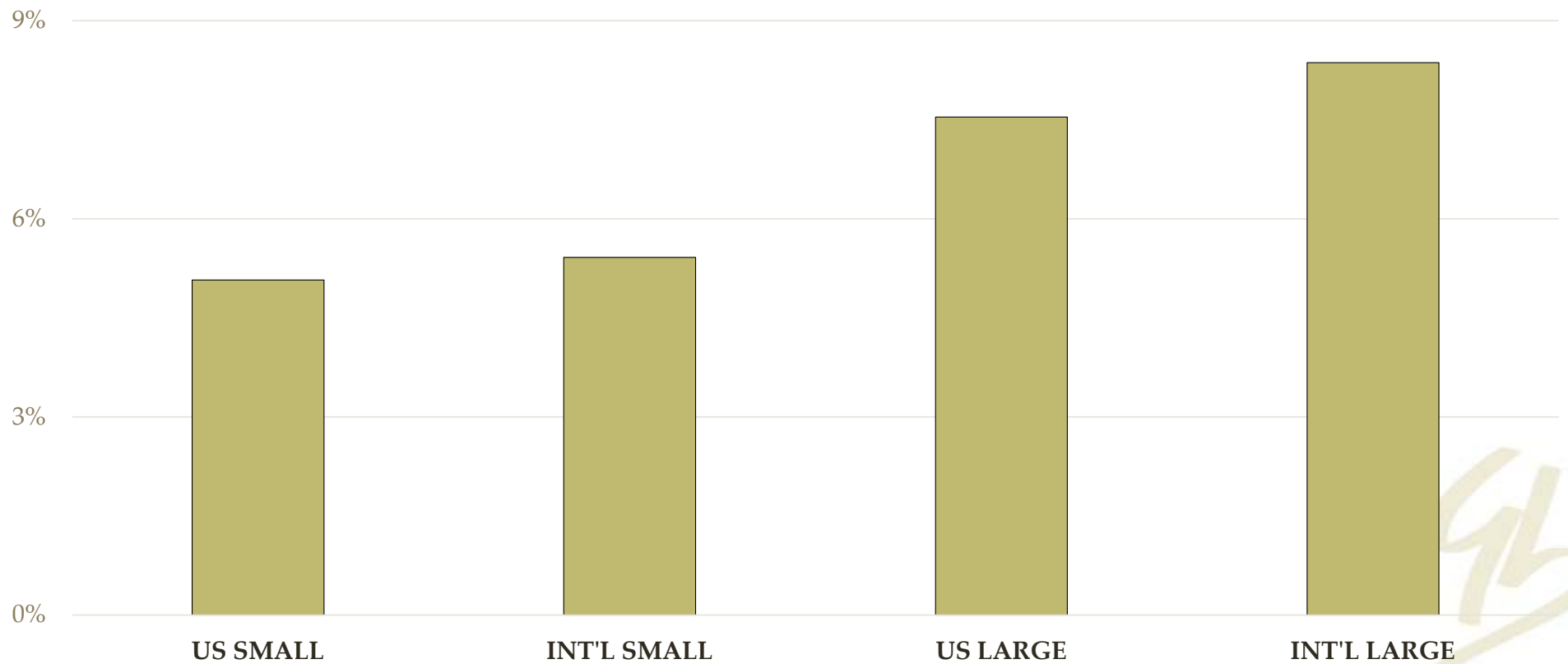
Portfolio Performance: YTD

Through June 30th



Value Premium: YTD

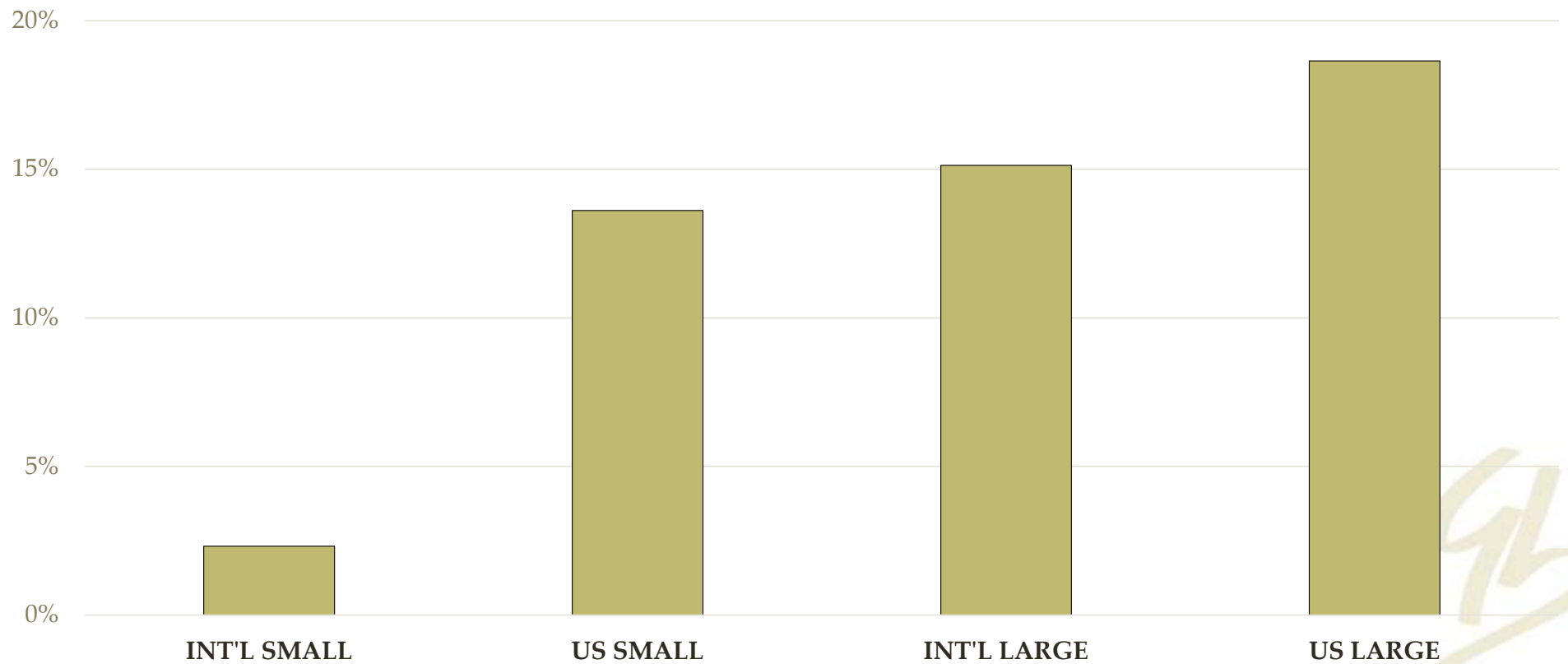
Through June 30th



History Repeats Rhymes (again)

- Early 2000s/Dot Com Meltdown
 - Interest rates on track to reach highest levels in over a decade
 - After protracted period of dominance, US Large Cap Stocks are among worst performing asset class (led by Tech Sector)
 - Value Stocks power portfolio's outperformance re: benchmark
- Early 2020s/COVID
 - Interest rates on track to reach highest levels in over a decade
 - After protracted period of dominance, US Large Cap Stocks are among worst performing asset class (led by Tech Sector)
 - Value Stocks power portfolio's outperformance re: benchmark

Value Premium: 2000



An All-Weather Portfolio

- Our portfolio is well positioned for this economic climate:
 - Globally neutral and broadly diversified,
 - Tilted towards value stocks (well suited for a rising interest rate environment), and
 - Relatively high allocation to stocks (higher growth potential to outpace inflation)



Questions?

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