

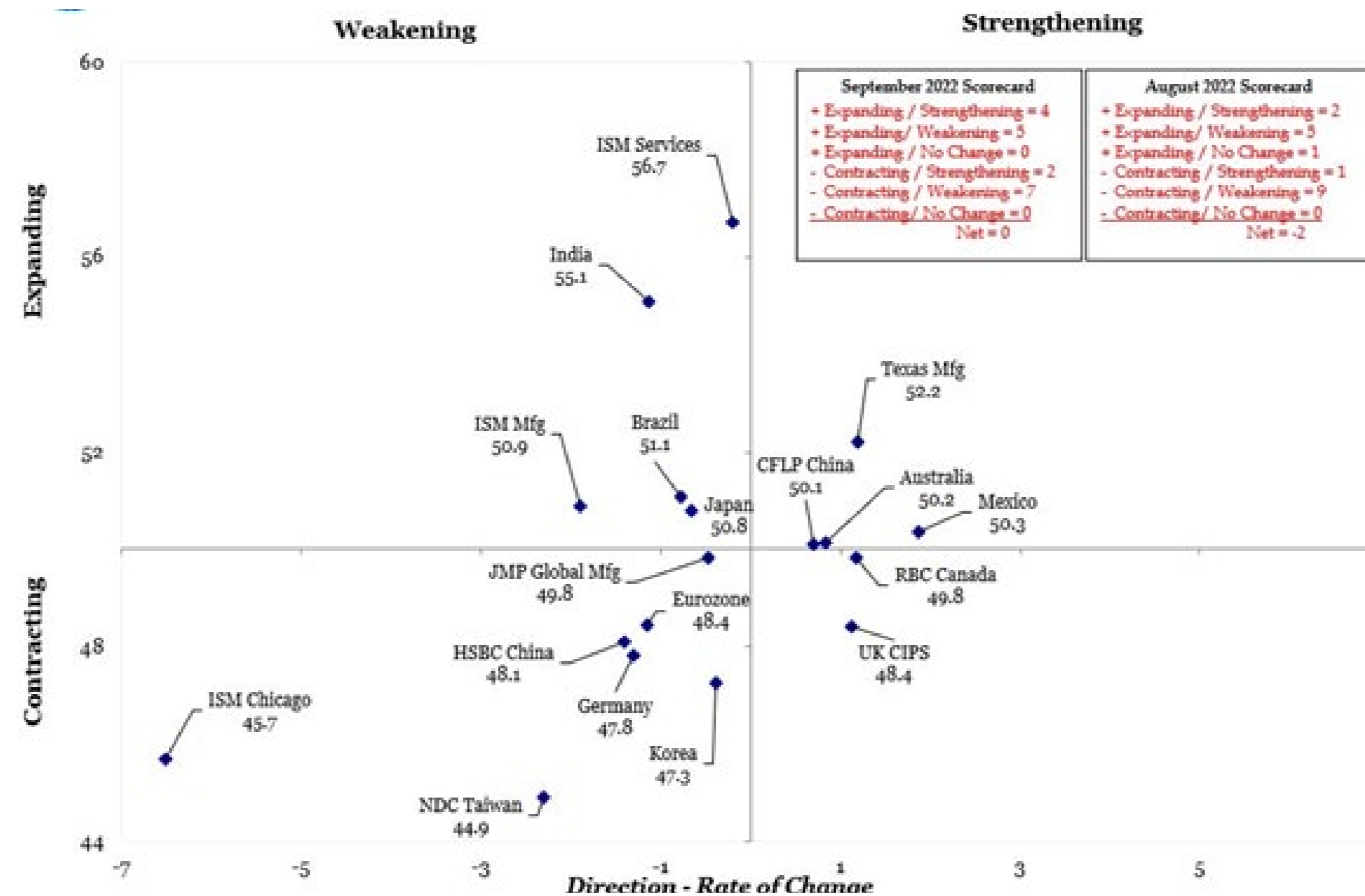
Economic & Market Outlook: It All Depends On Your Time Horizon

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Senior Equity Strategist
Senior Vice President

October 2022

Synchronous Global Recession. Can The U.S. Escape It?

Global Economy Scorecard as of September 2022



Source: Strategas Research Partners. Data as of October 6, 2022

Probably Not.

US Leading Economic Indicator
5 Month % A.R. July: -5.5%



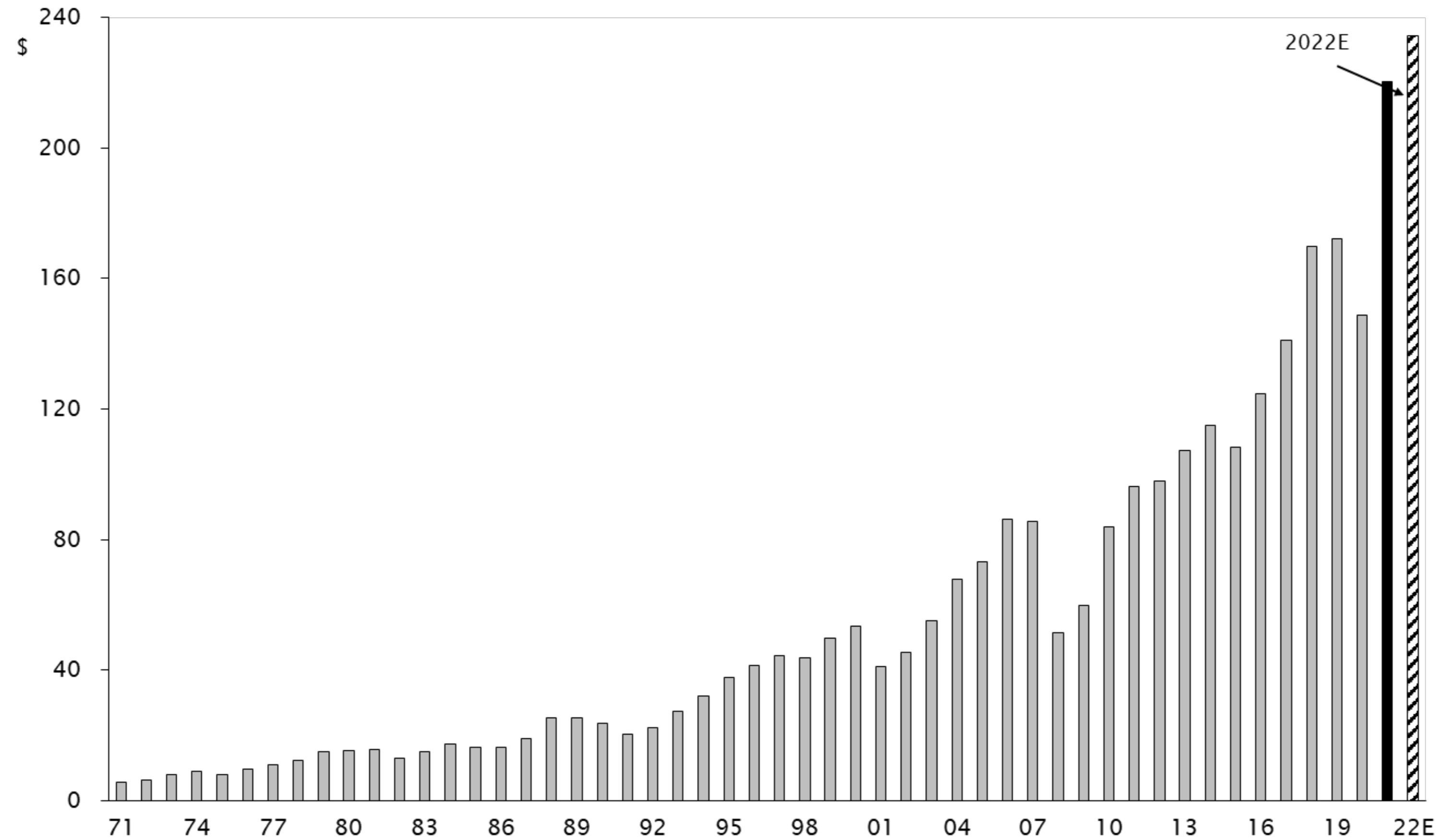
1970s Redux? Not As Vulnerable To Energy Costs Now

Estimated Energy Expenditure As A Percent of Disposable Income



The Earnings Have Been Extraordinary

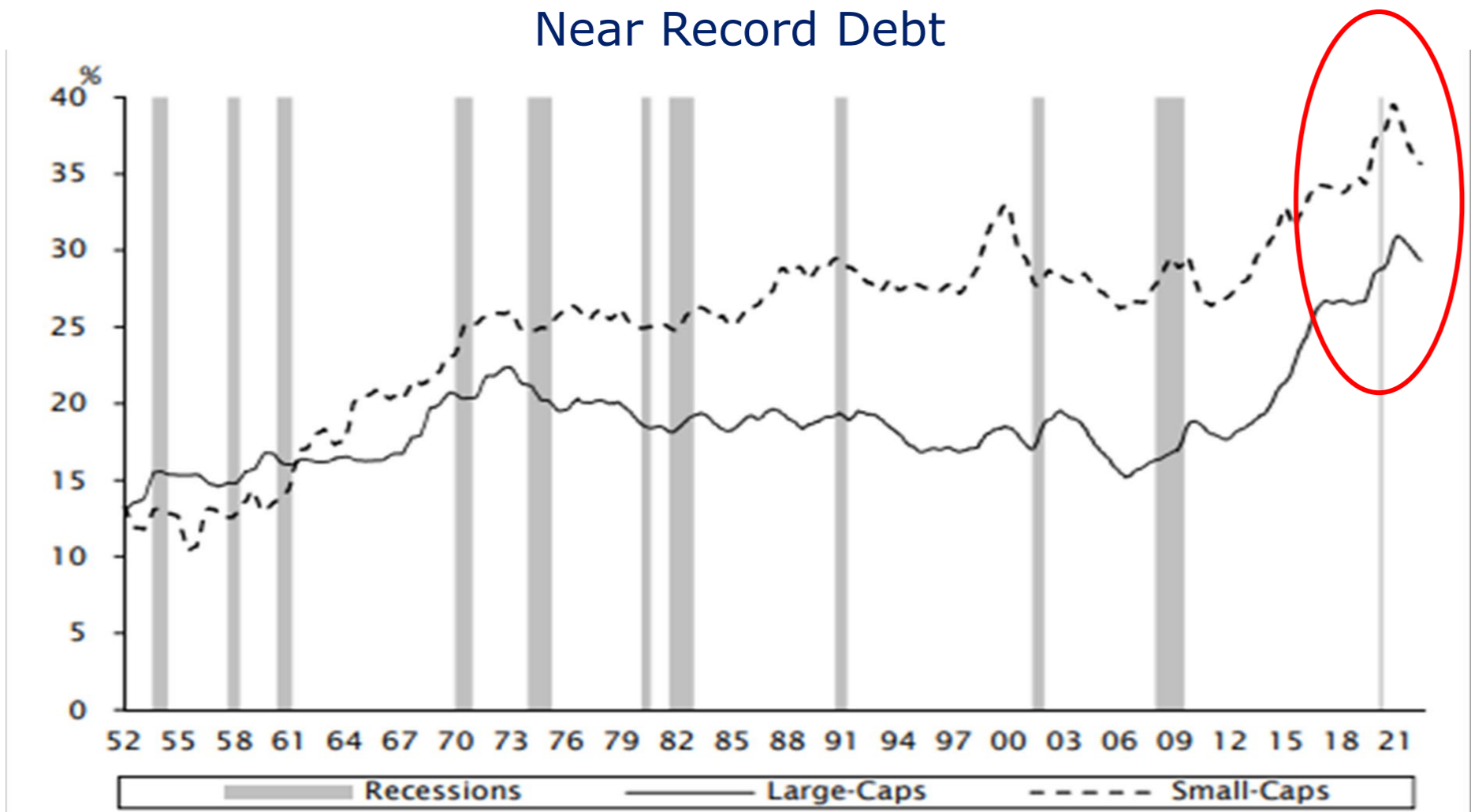
The S&P 500 Operating Earnings Per Share *
1971 Through 2022E



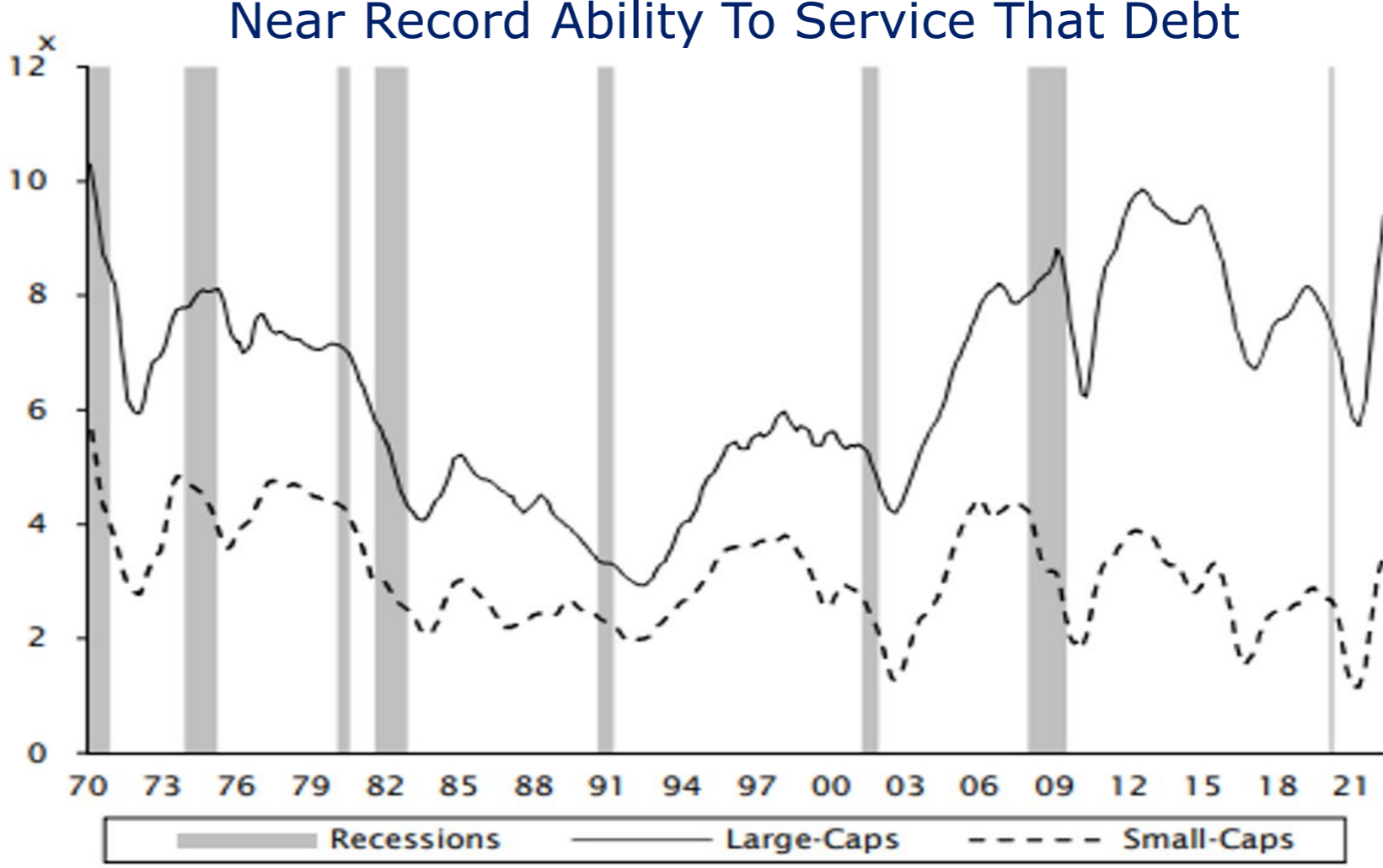
Source: Empirical Research Partners Analysis and Estimates, July 28, 2022

*-Based on a roll-up of analyst estimates.

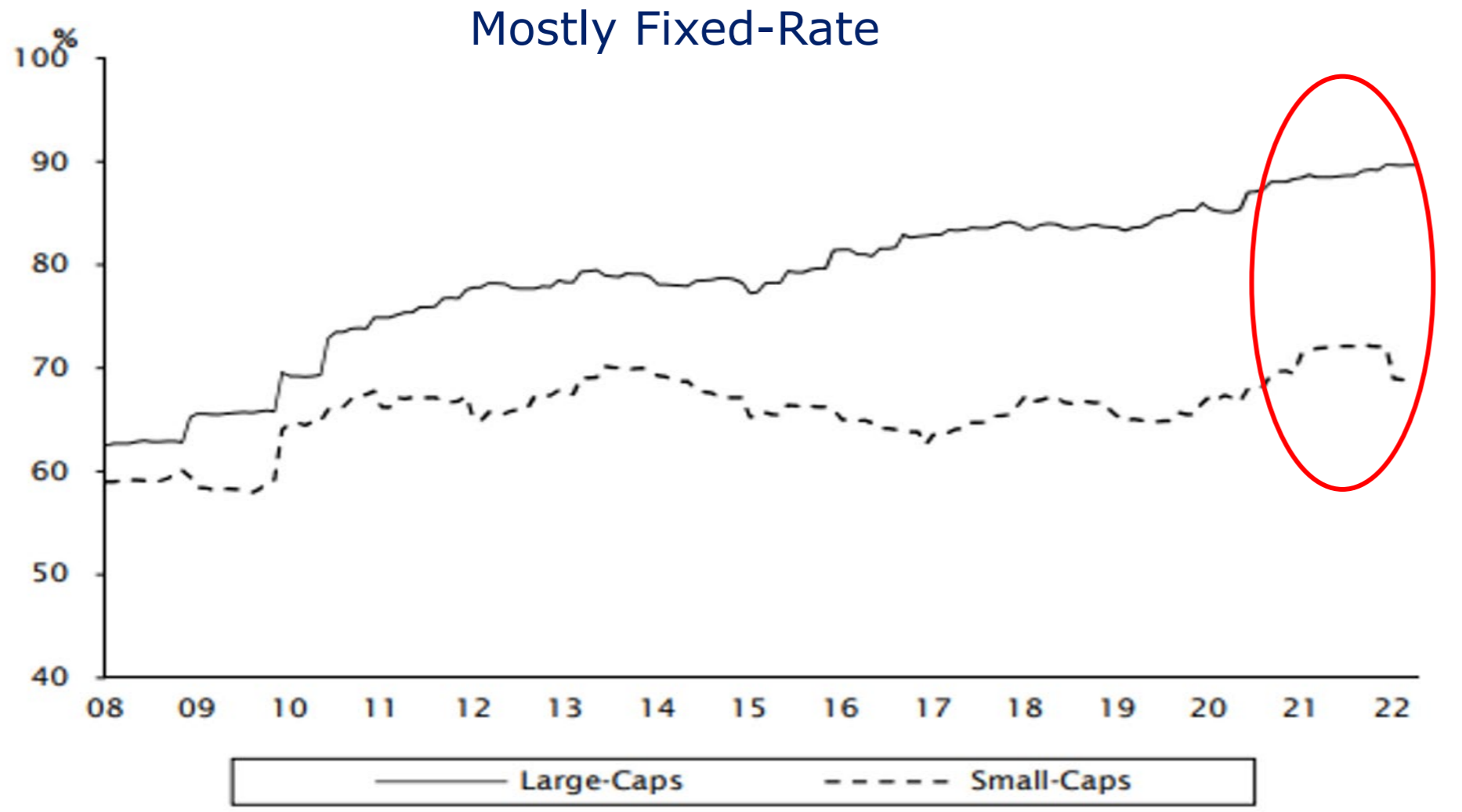
Corporate Debt Is Manageable



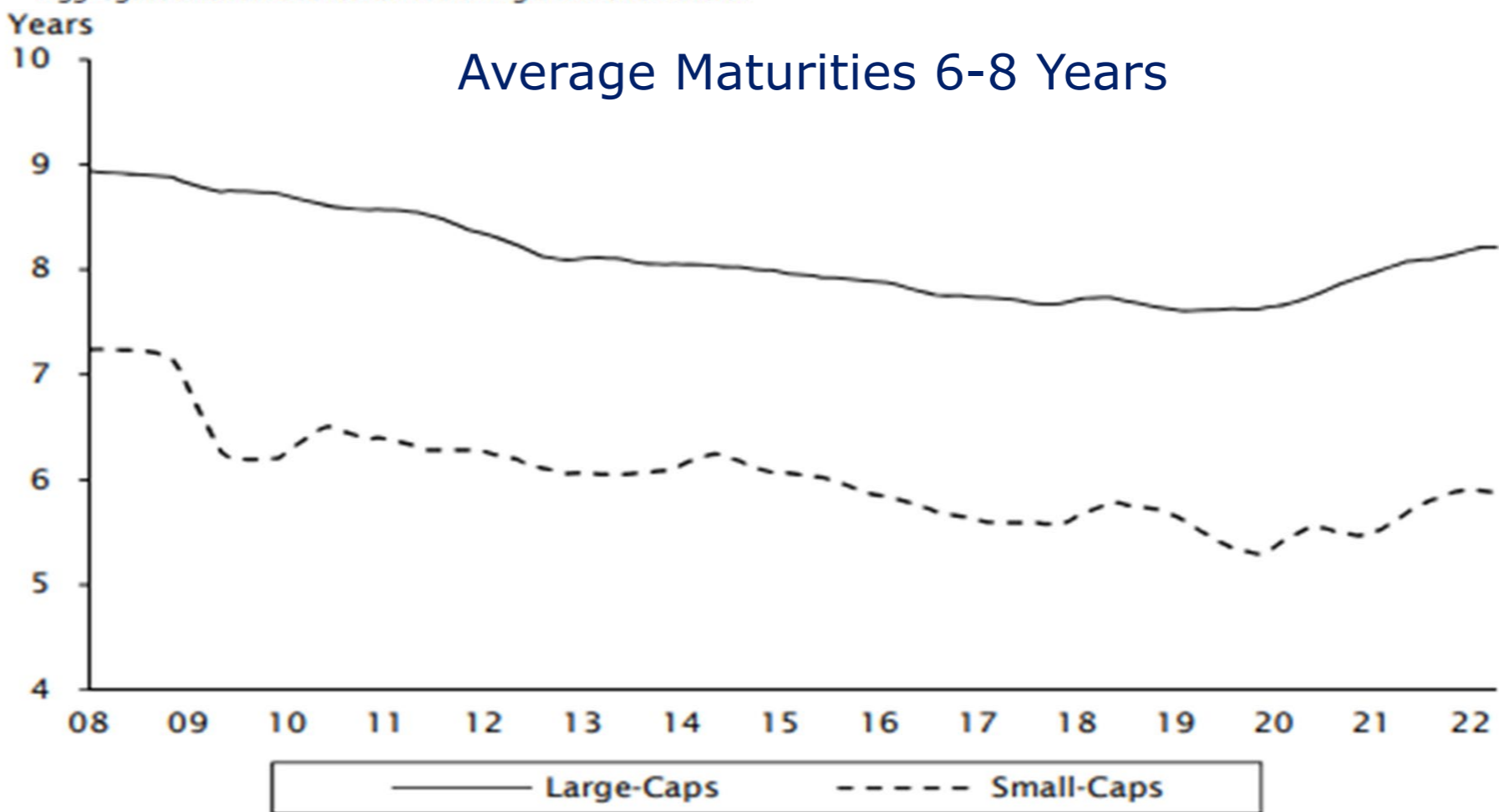
Source: Empirical Research Partners Analysis.
 1 Aggregate data smoothed on a trailing six-month basis.



Source: Empirical Research Partners Analysis.
 Aggregate data smoothed on a trailing six-month basis.



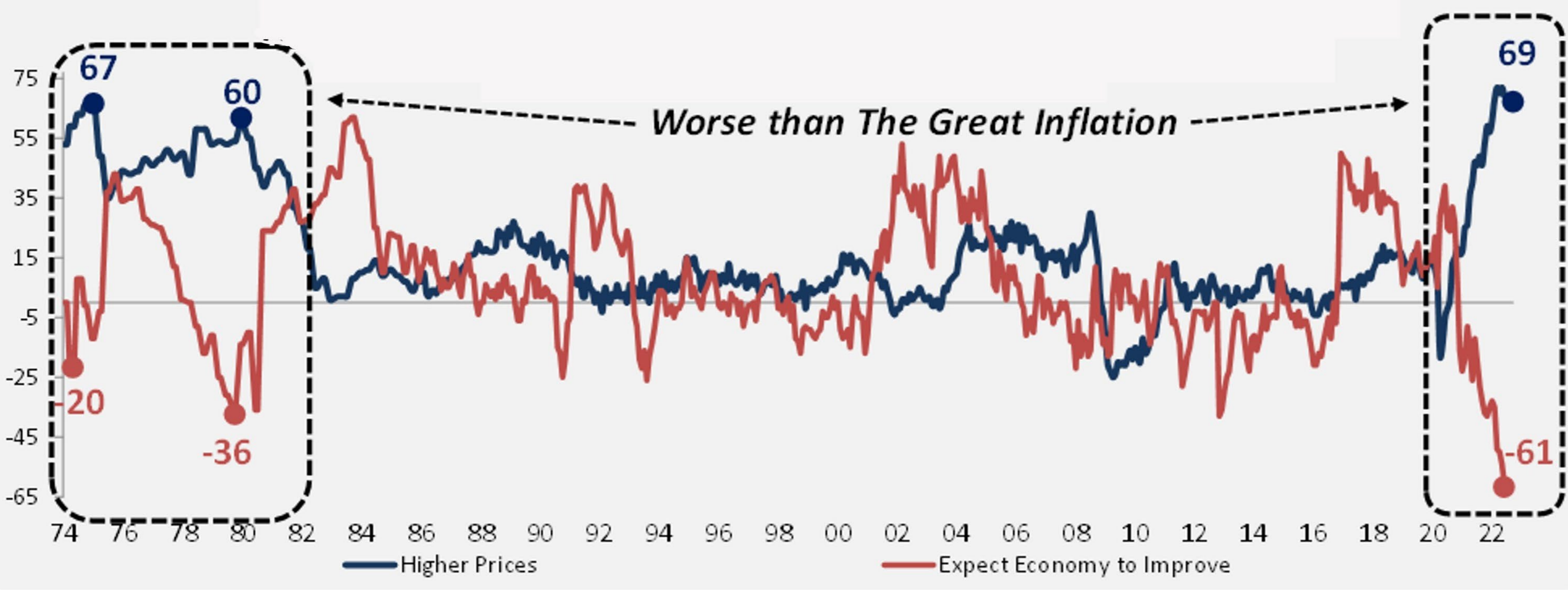
Source: FactSet Research Systems, Empirical Research Partners Analysis.



Source: Factset Research Systems, Empirical Research Partners Analysis.
 1 Excluding financials and REITs.
 2 Smoothed on a six-month basis.

1970s Redux? Businesses Are Worried

Higher Prices vs. Outlook For Business Conditions
(NFIB Small Business Optimism Survey)



Source: Wolfe Research. July 29, 2022

1970s Redux? Employees Quitting Their Jobs At Highest Rate Since The Late 1970s

Initial Jobless Claims As A Share of The Labor Force

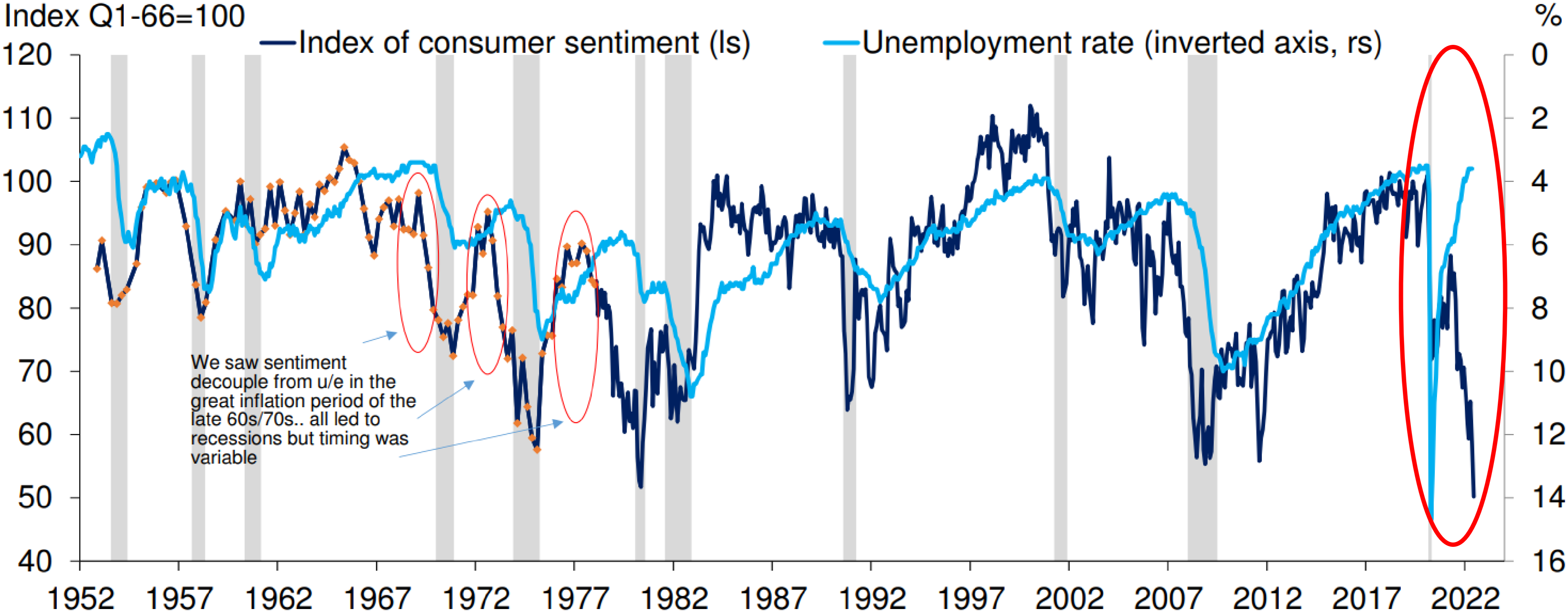


Source: Department of Labor, Bureau of Labor Statistics, Haver Analytics, BofA Global Research. September 23, 2022

Note: Shaded bars indicate recessions

What Will Happen To Consumer Sentiment When Unemployment Rises?

US Consumer Sentiment vs Unemployment Rate- A Huge Decoupling



Source: University of Michigan, BLS, Haver Analytics, Deutsche Bank, June 24, 2022
Note: Shaded bars indicate recessions

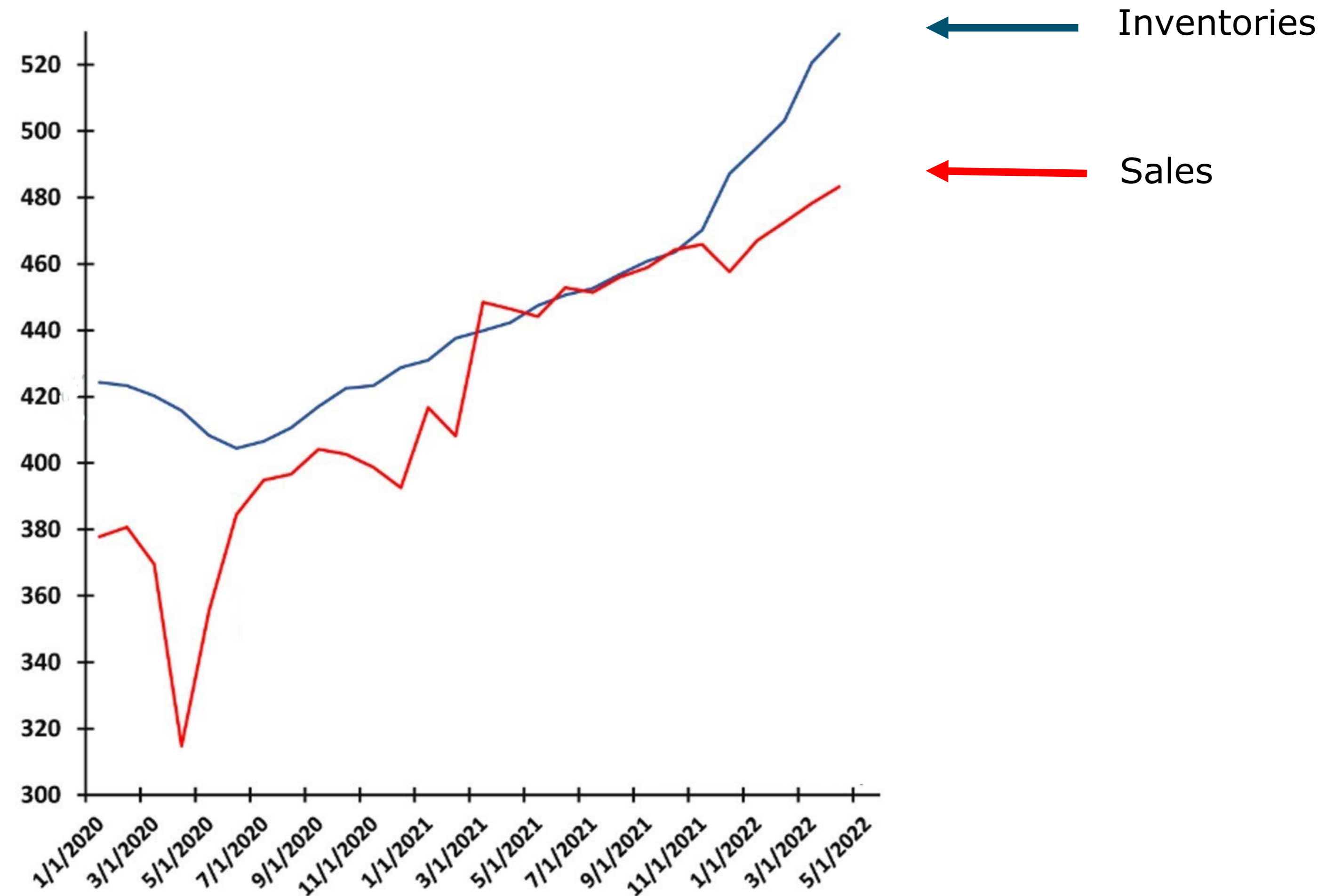
The Spending Spree Is Over...

US Real Retail Sales
June: \$615.4 Billion



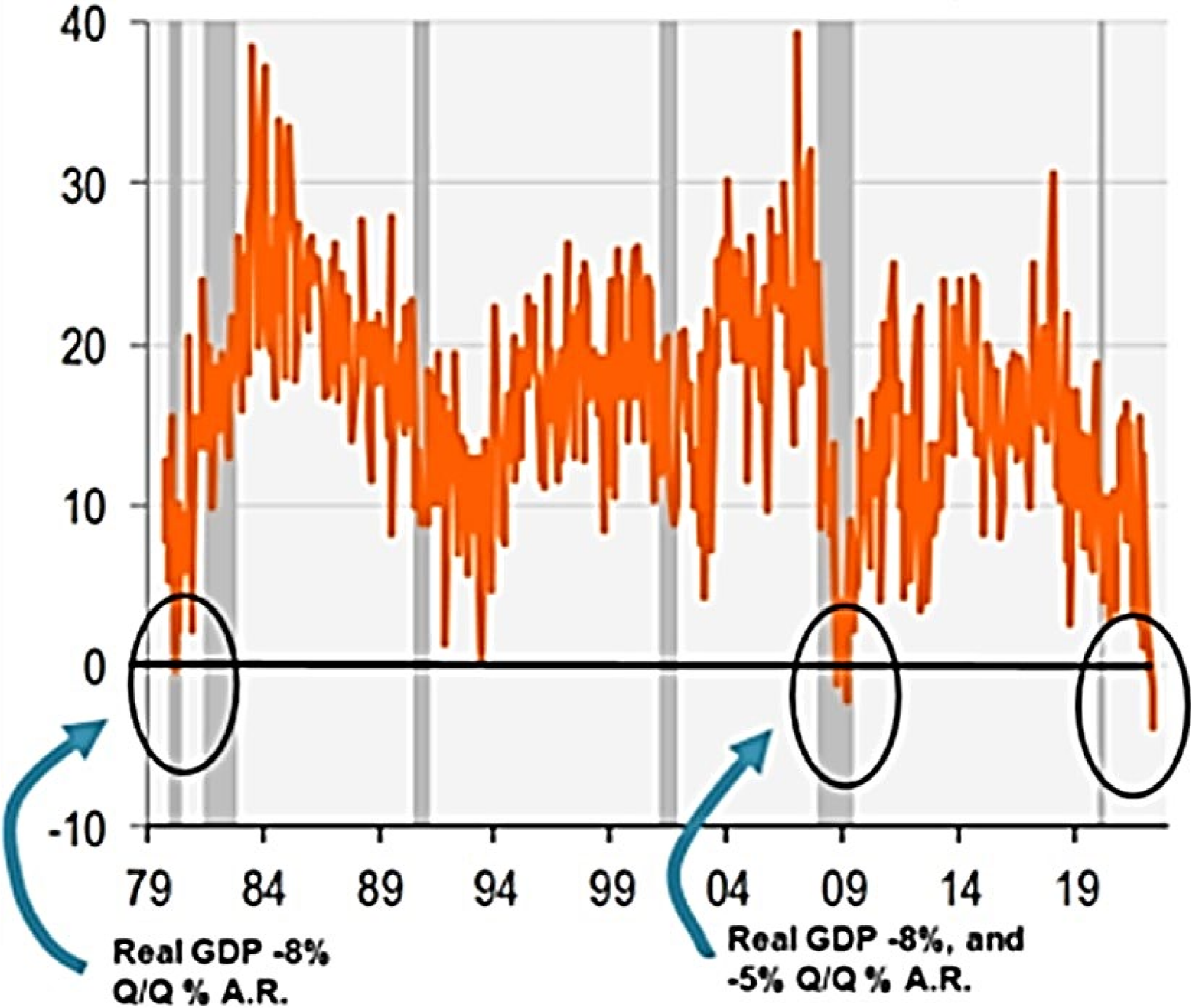
...Just As Inventories Are Surging

Retail Inventories Less Autos vs. Retail Sales Less Autos & Gas



High Income Confidence Worse Than Low Income Confidence Is Rare

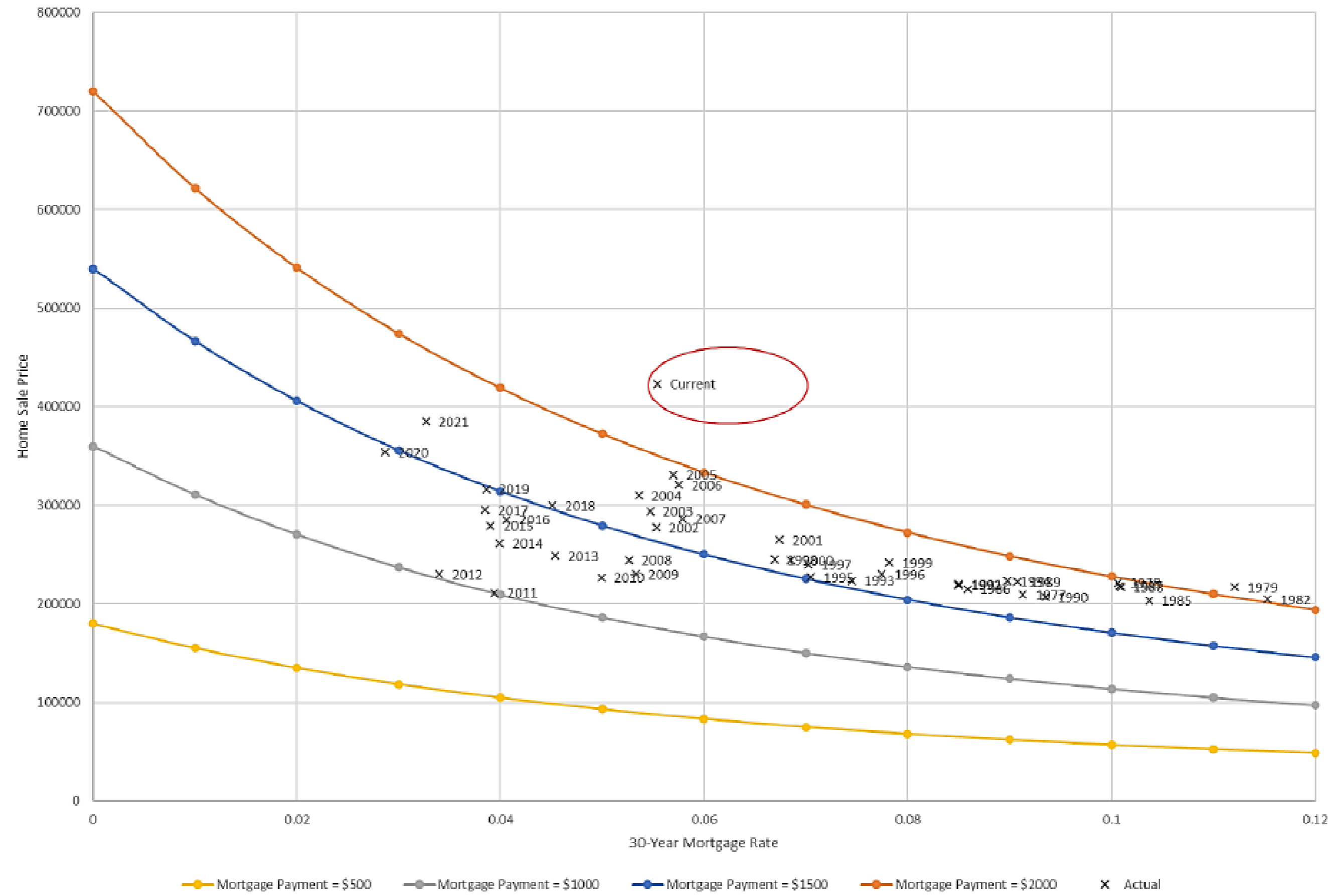
Us Consumer Sentiment (U of Mich) By Household Income
High Minus Low: June -3.9



Source: Piper Sandler July 6, 2022
Note: Shaded bars indicate recessions

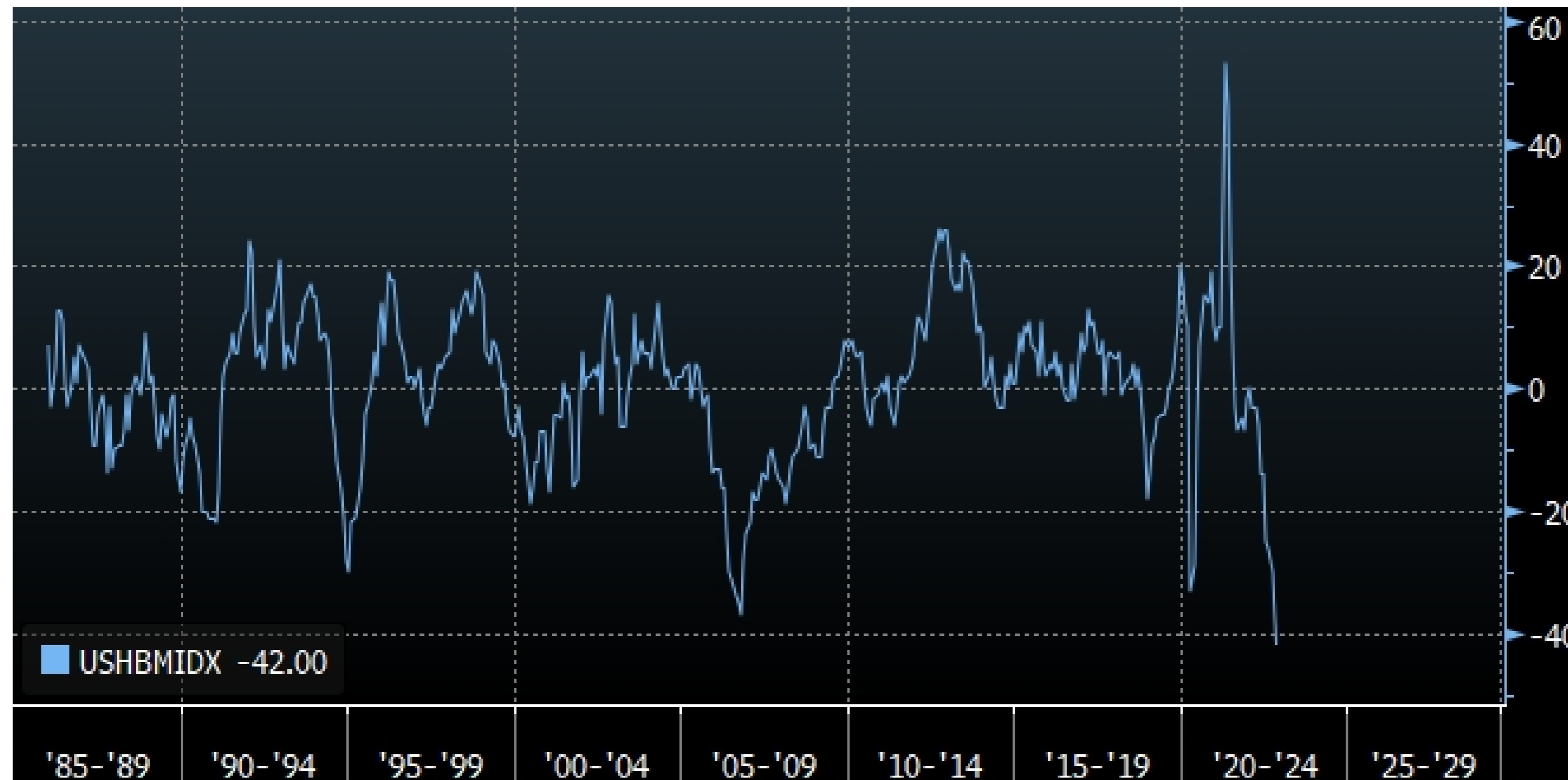
Housing Affordability Has Never Been Worse

Estimated Mortgage Payment Given Purchase Price and Rates-Priced in 2022 Dollars



Source: Bloomberg. Data as of August 2022.

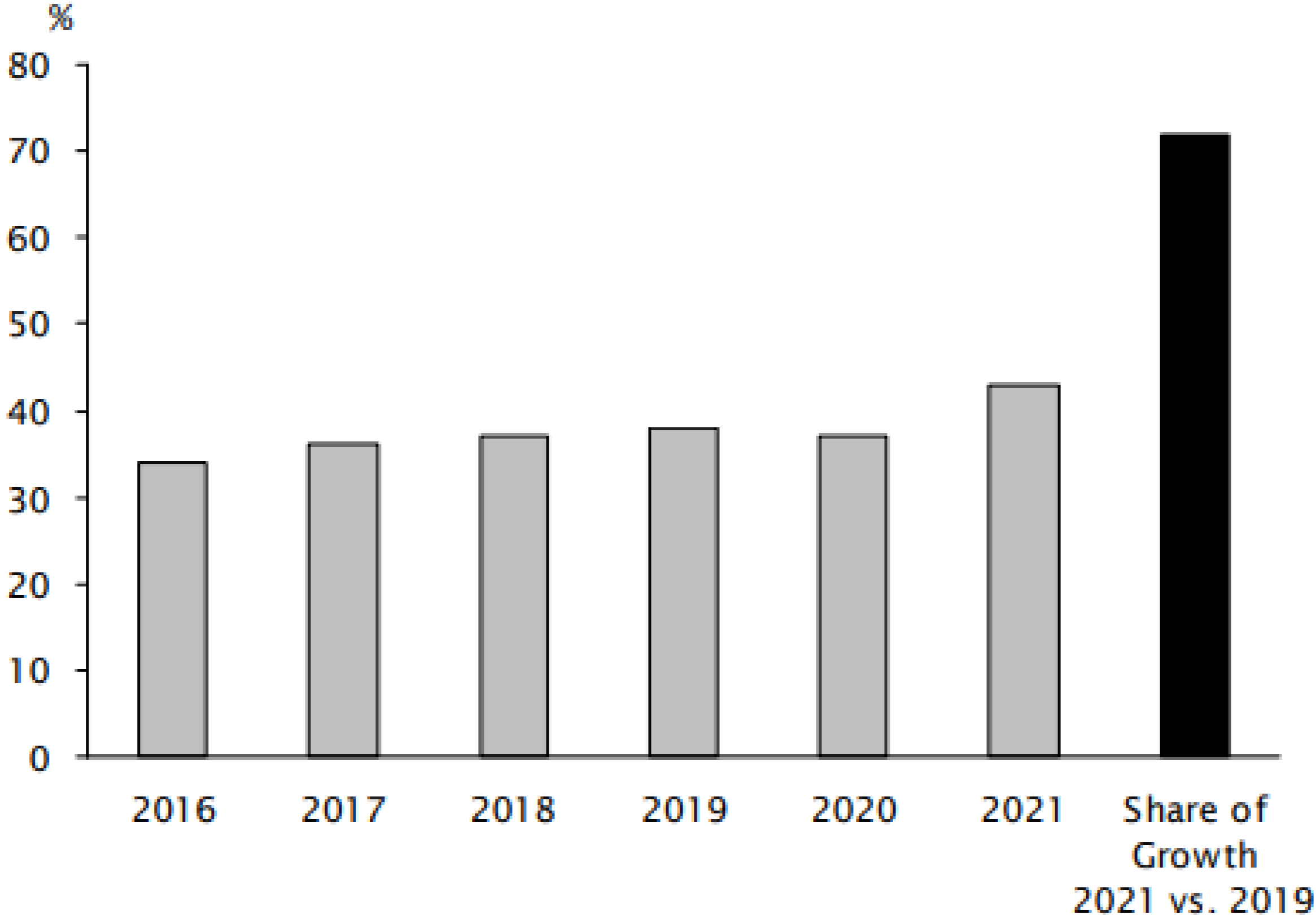
Biggest Year Over Year Drop In The NAHB* In History



Source: Piper Sandler Research, Bloomberg Finance, October 18, 2022
*NAHB=National Association of Home Builders

Plenty Of Demand For Homes Down The Road

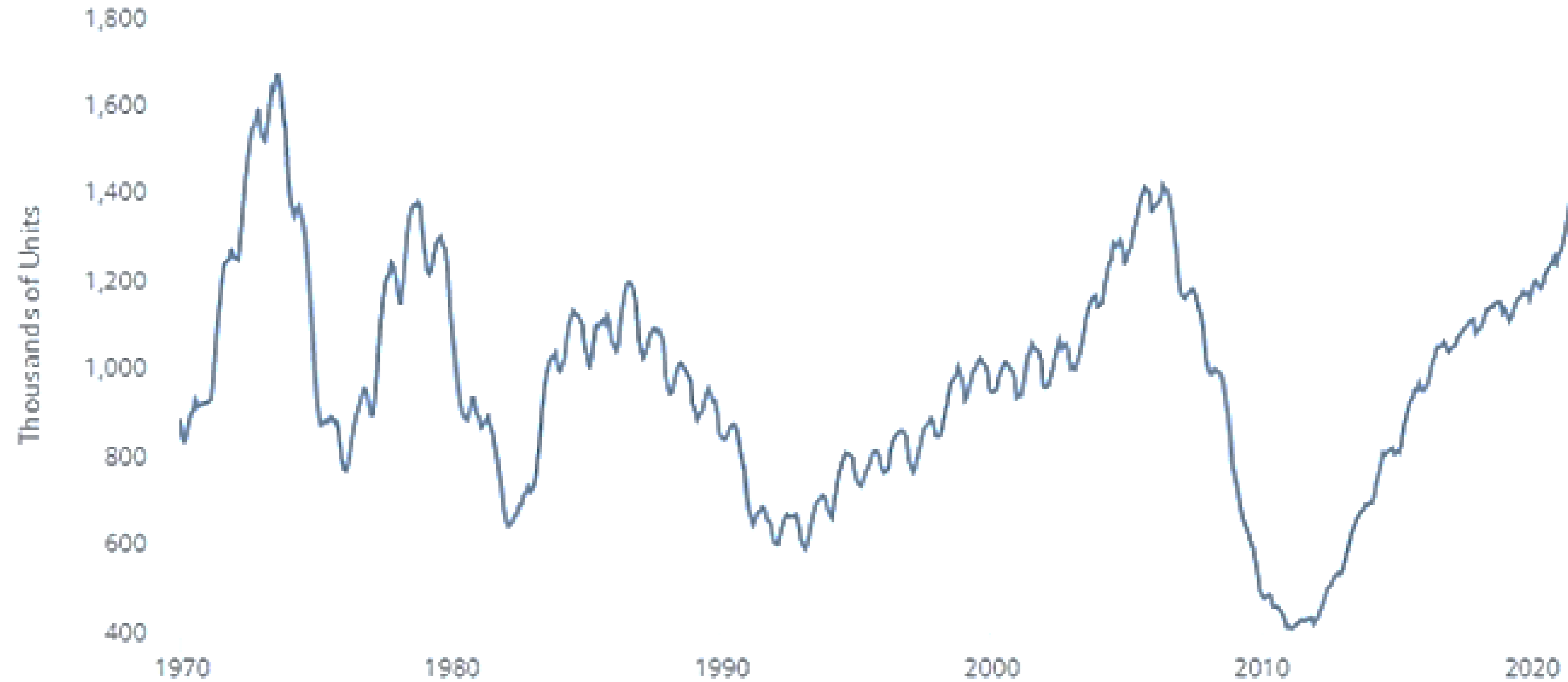
Millennials* Share of Home Purchases
Years Ending June: 2016 Through 2021



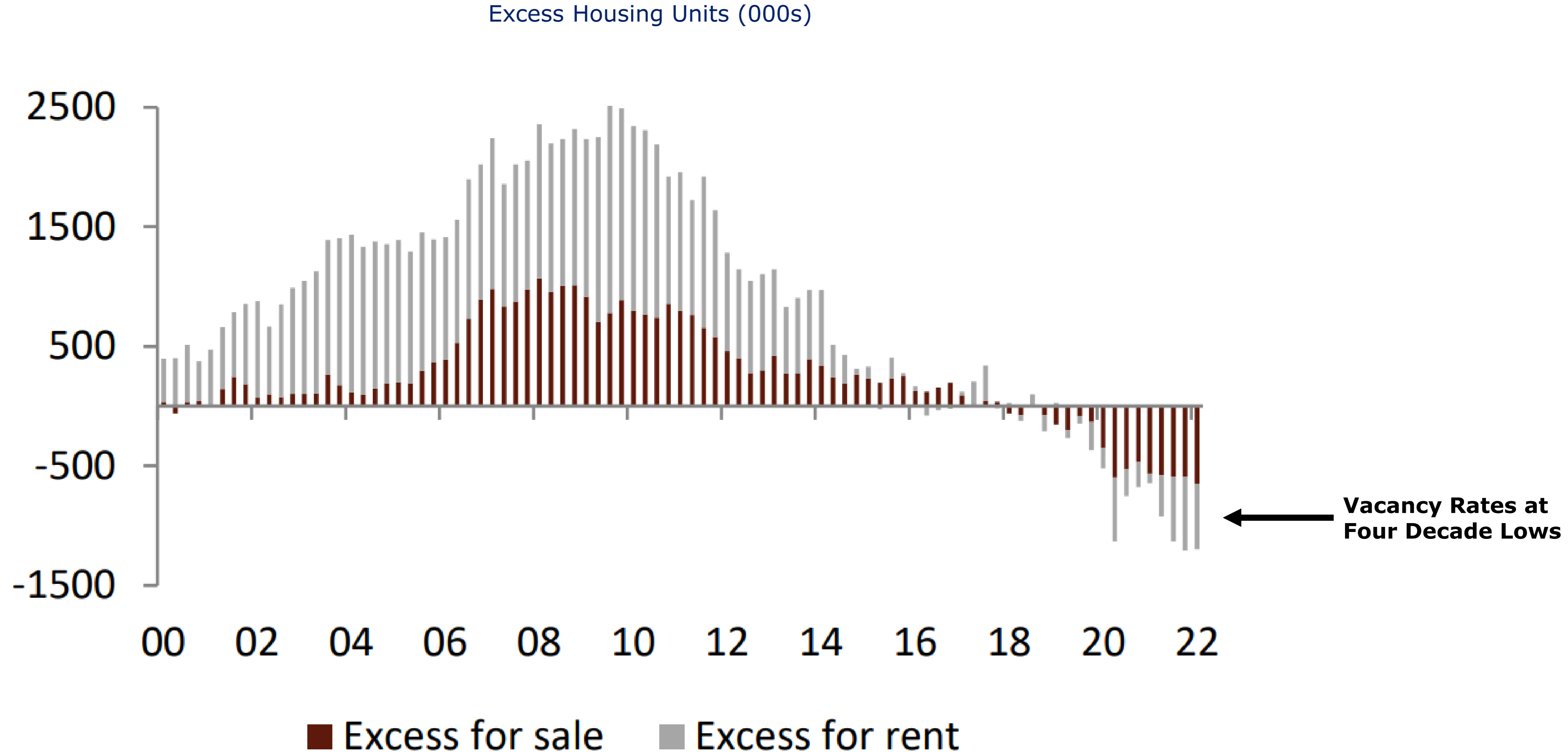
Source: National Association of Realtors, Empirical Research, June 7, 2022
*Those born from 1980 to 1998

Home Builders Still Working On A Big Backlog

New Privately-Owned Housing Units Under Construction: Total Units



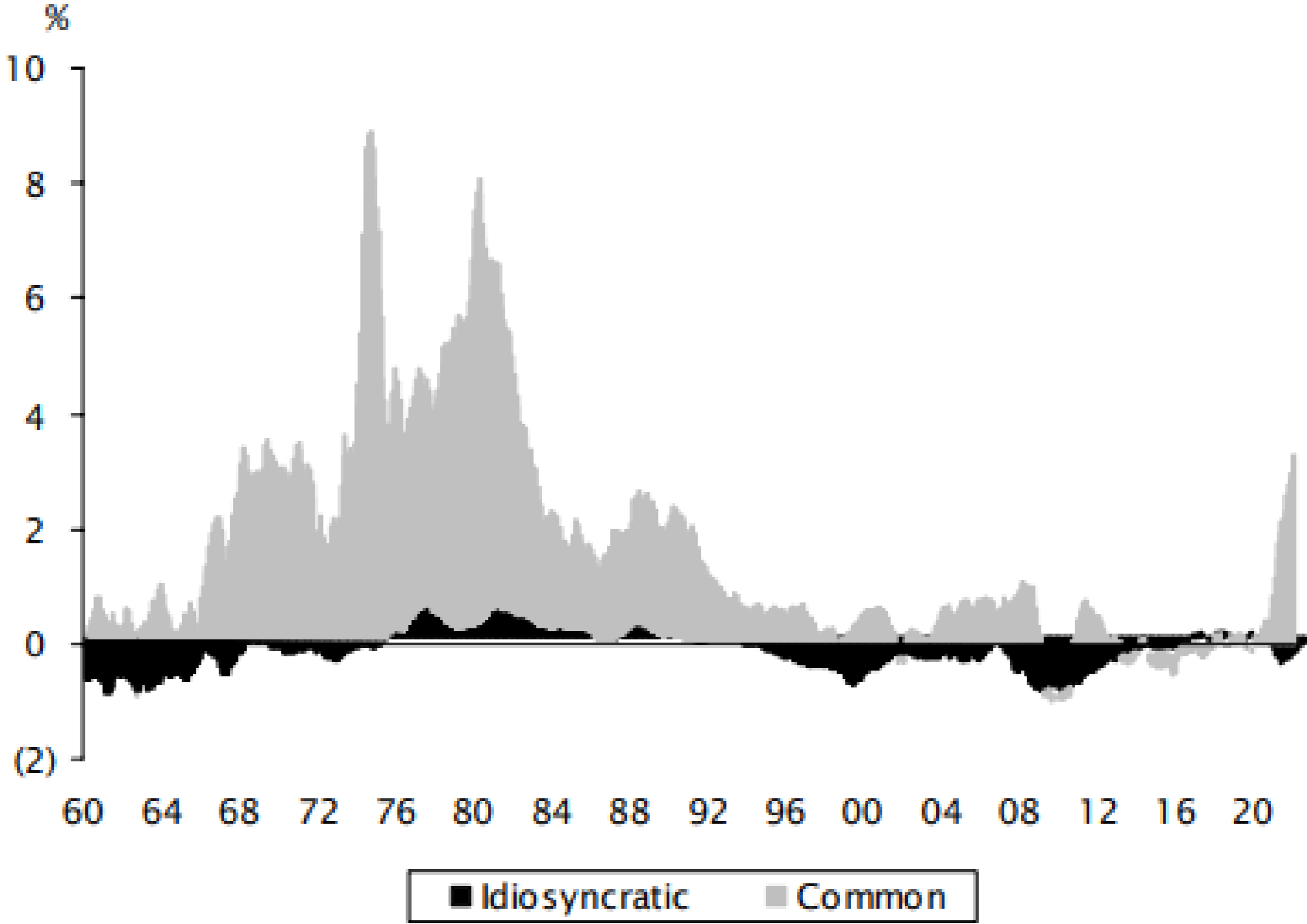
US Housing Remains In An Excess Demand Position



Source: Renaissance Macro Research, Bloomberg, Haver Analytics, May 17, 2022

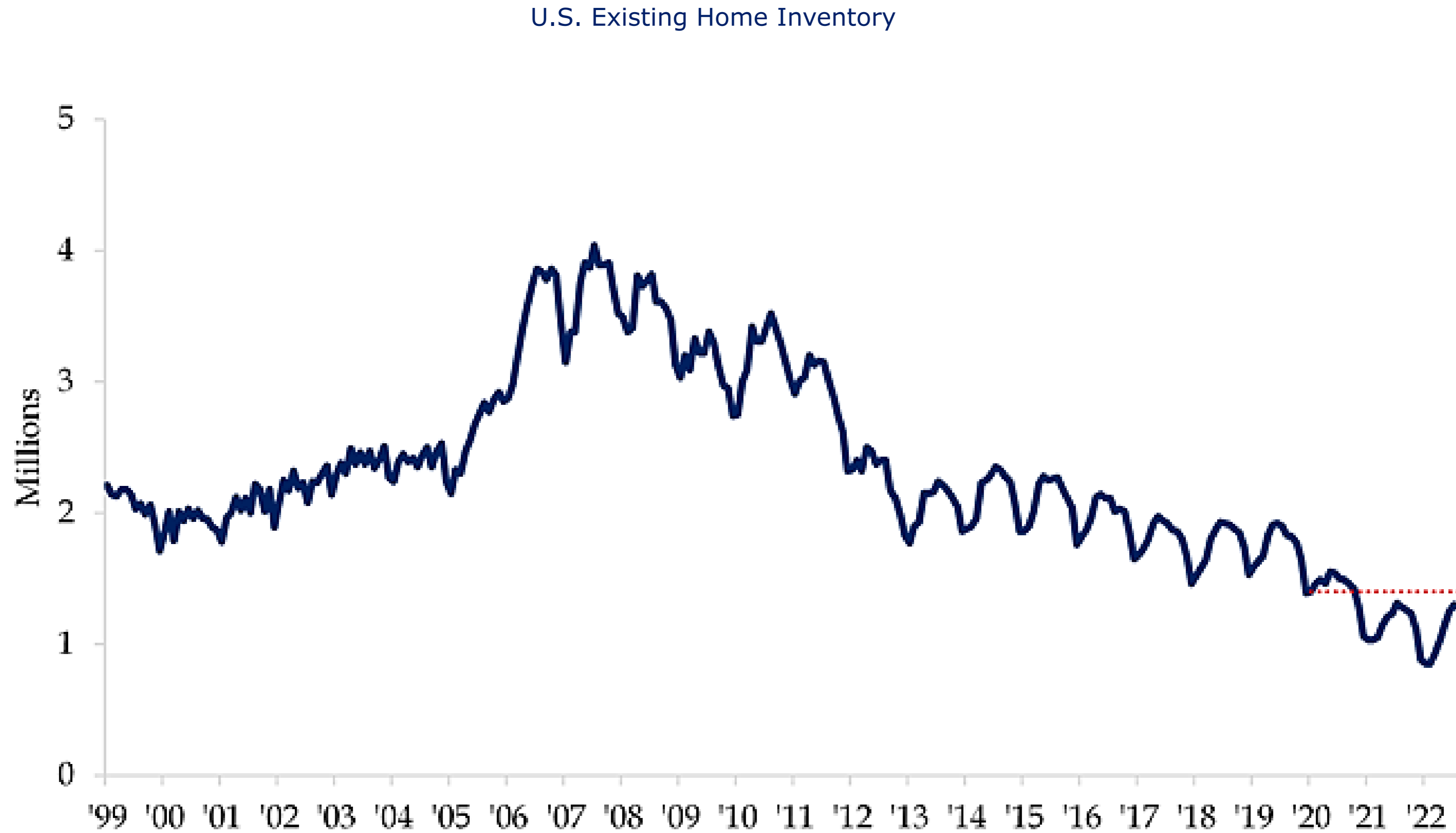
1970's Redux? Inflation Not "Transitory"

Inflation Trend Decomposition
Idiosyncratic and Common Components 1960 Through February 2022



Source: Empirical Research, June 7, 2022

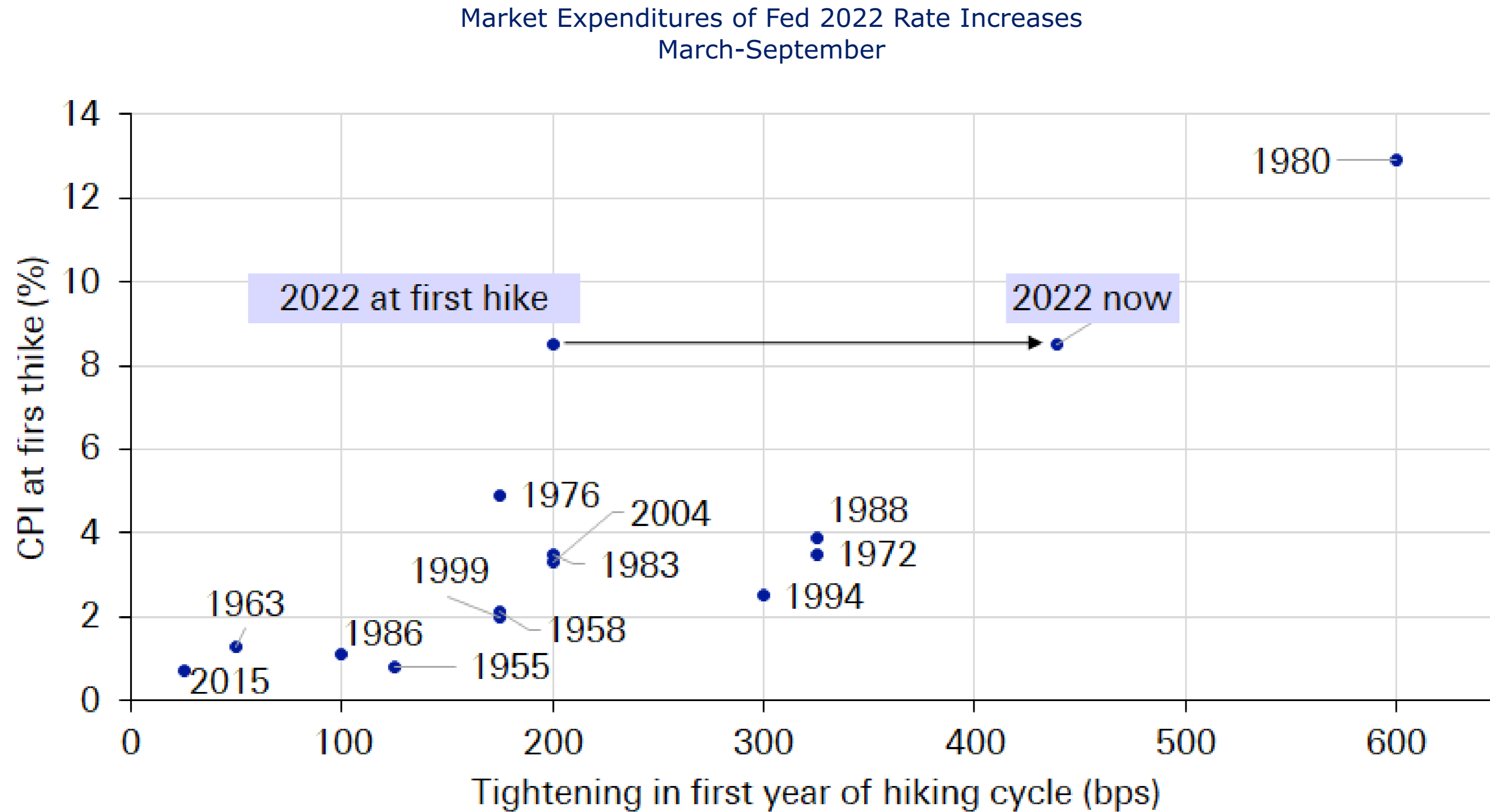
Housing Is Reflected In CPI With a Lag



1970s Redux? Inflation “Peaked” Three Times In The ‘70s

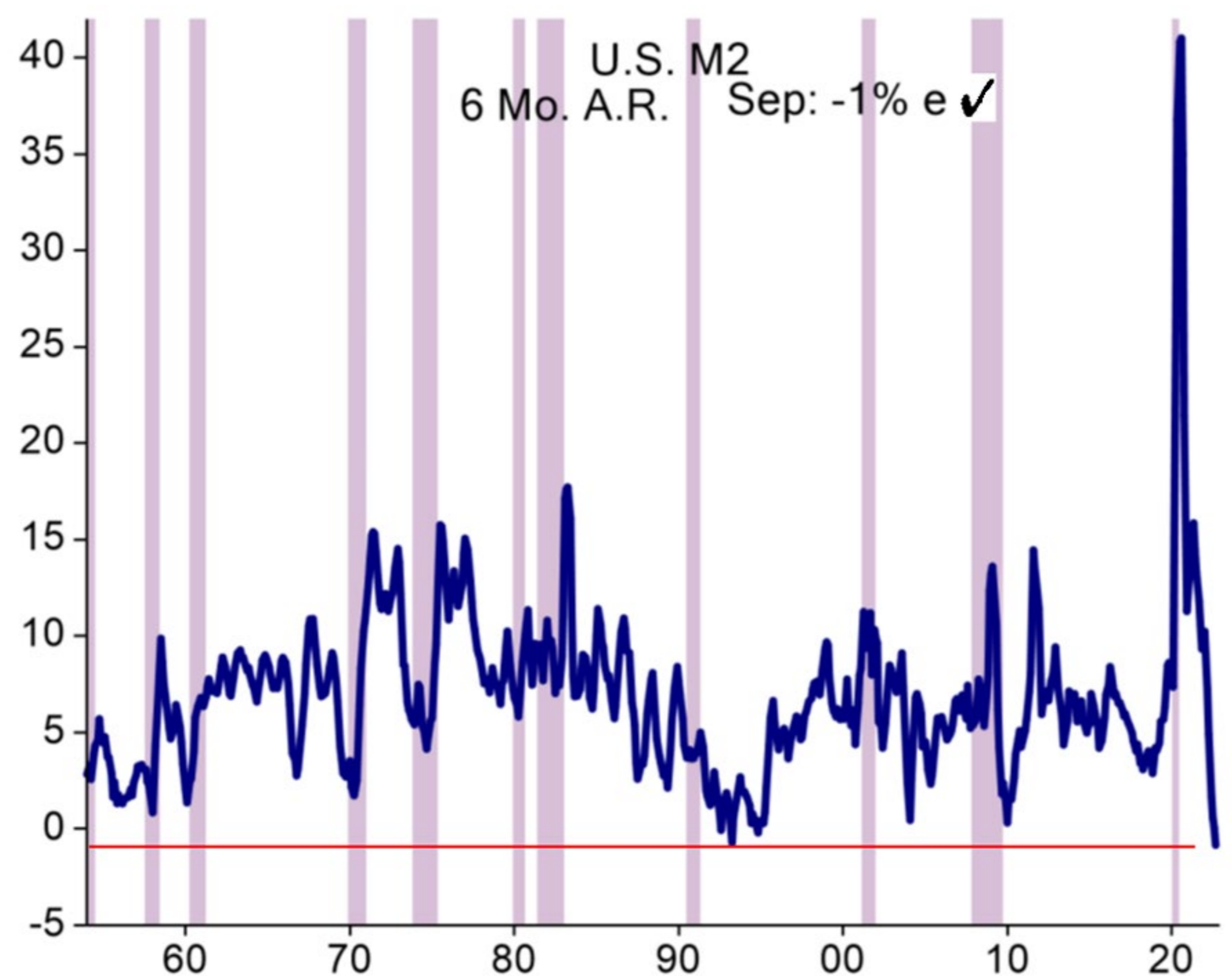


The Most Aggressive Pace Of Rate Hikes In Decades



Negative Money Growth Is Rare, And QT* Is A Mystery

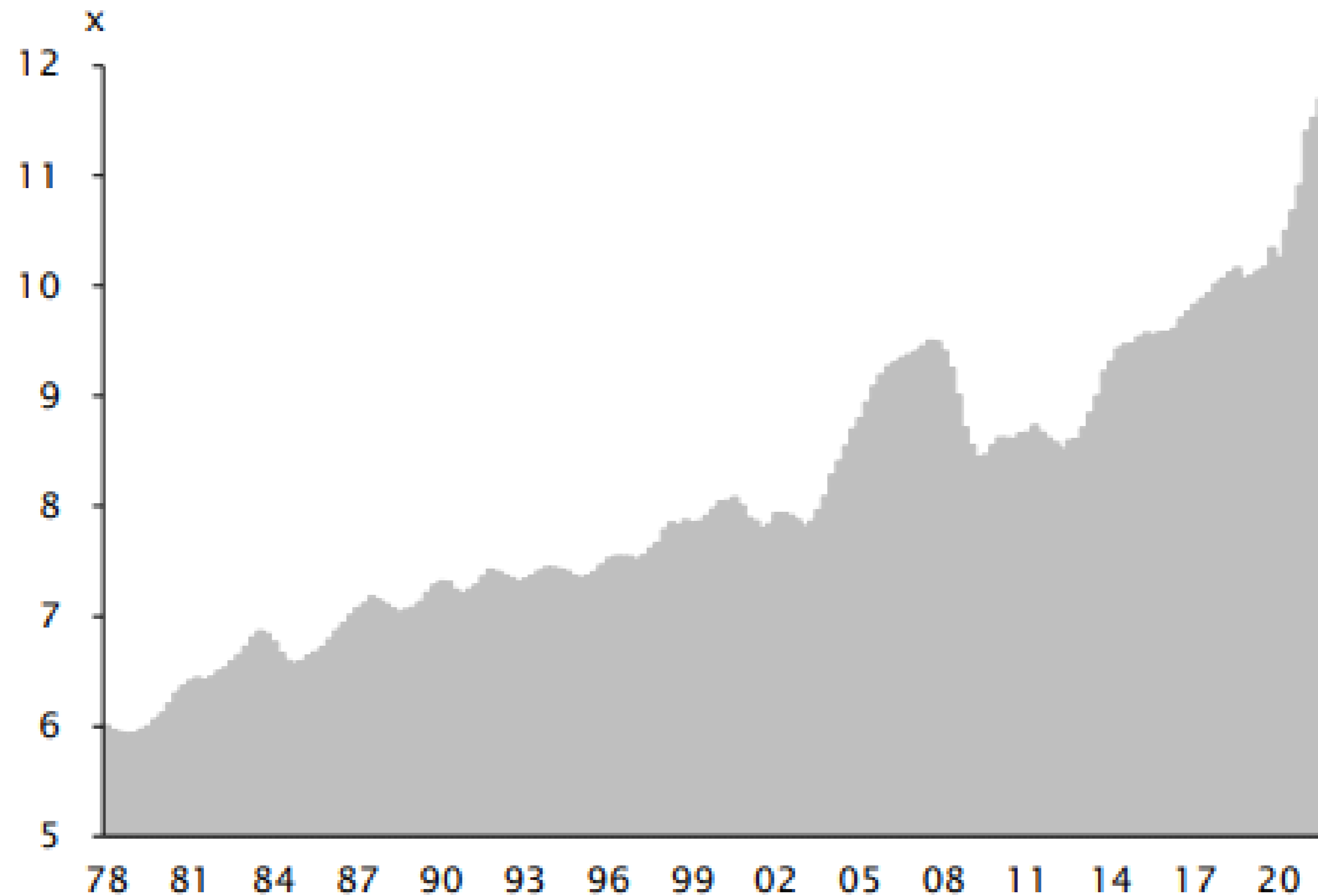
Core PCE Inflation Rate vs. Annual M2 Money-Supply Growth



Source: Evercore Research. September 2022
*QT=Quantitative Tightening
Note: Shaded bars indicate recessions

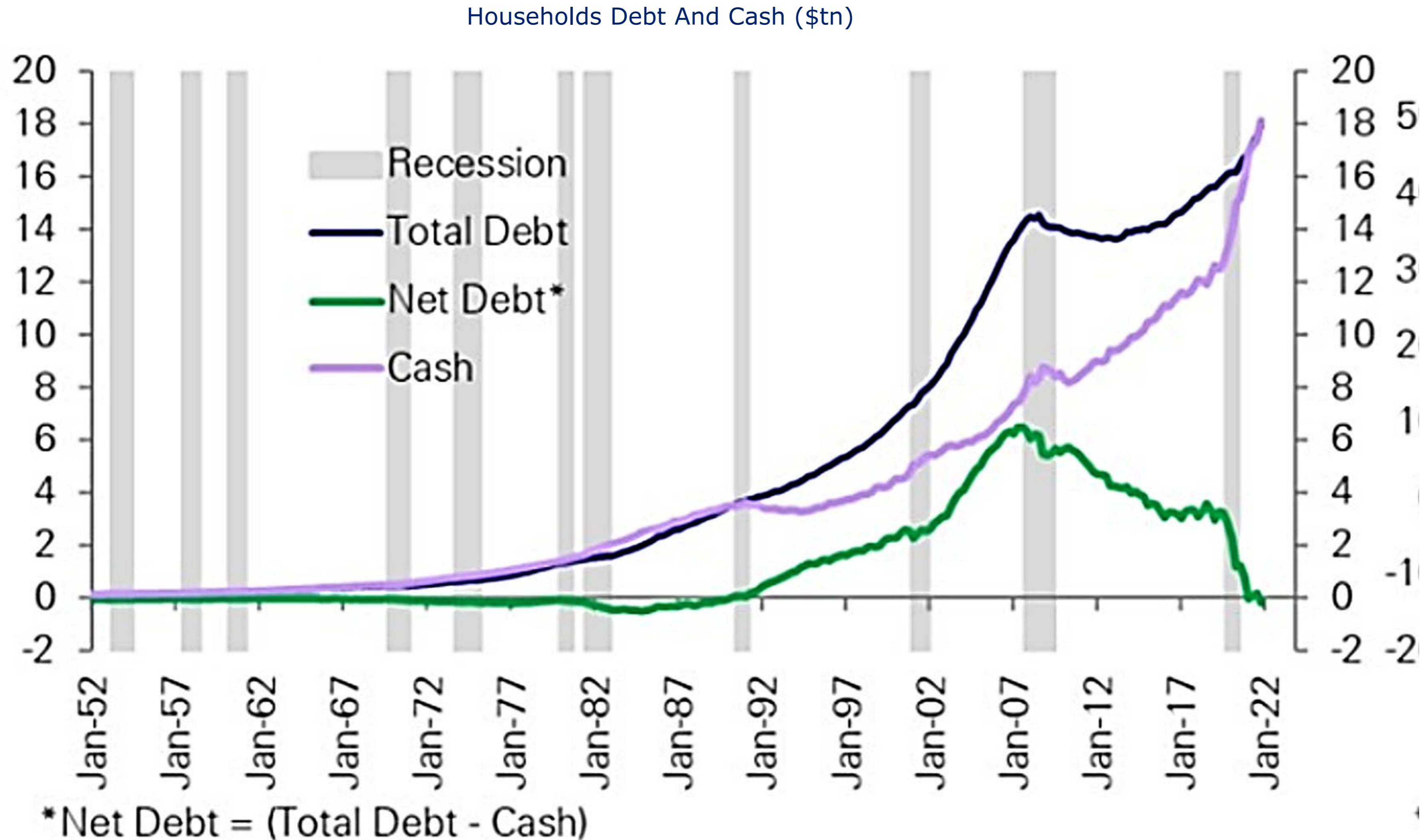
Consumers In Great Shape—Particularly Those Ages 55+

US Consumers Net Worth Relative to Income
1978 Through Q1 2022



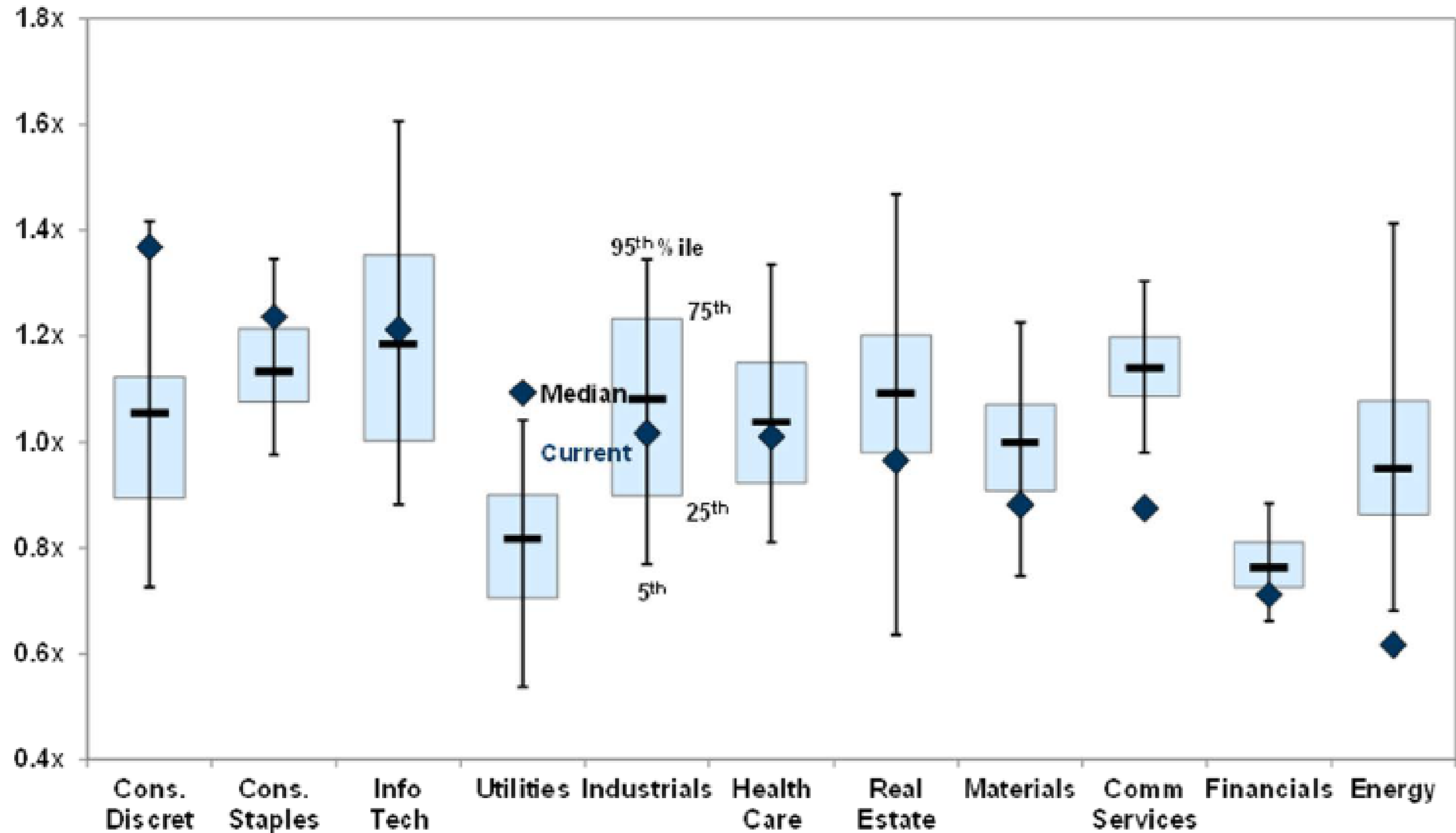
Source: Federal Reserve Board of Governors, Bureau of Economic Analysis, Empirical Research Partners Analysis August 1, 2022
*Labor Income includes wages, salaries, and proprietor's income

US Household Cash Exceeds Debt For The First Time In Three Decades



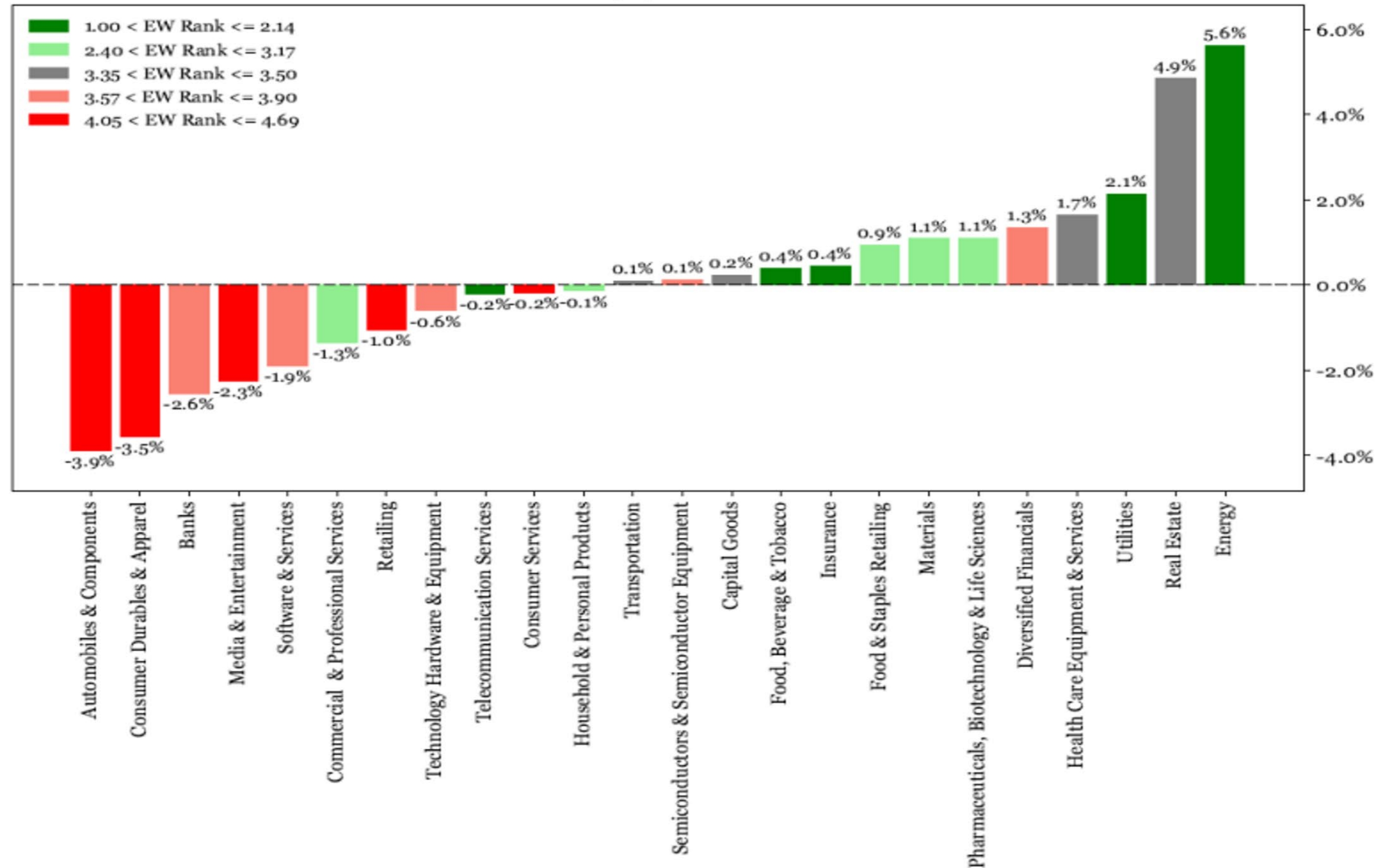
Inflation Hedge Equities Relatively Inexpensive

Distribution Of Sector FY2 P/E Ratios Relative To S&P 500 During Last 30 Years



Industry Performance in Inflationary Boom

6-Month Forward Excess Returns During Inflationary Periods (1964-2022)

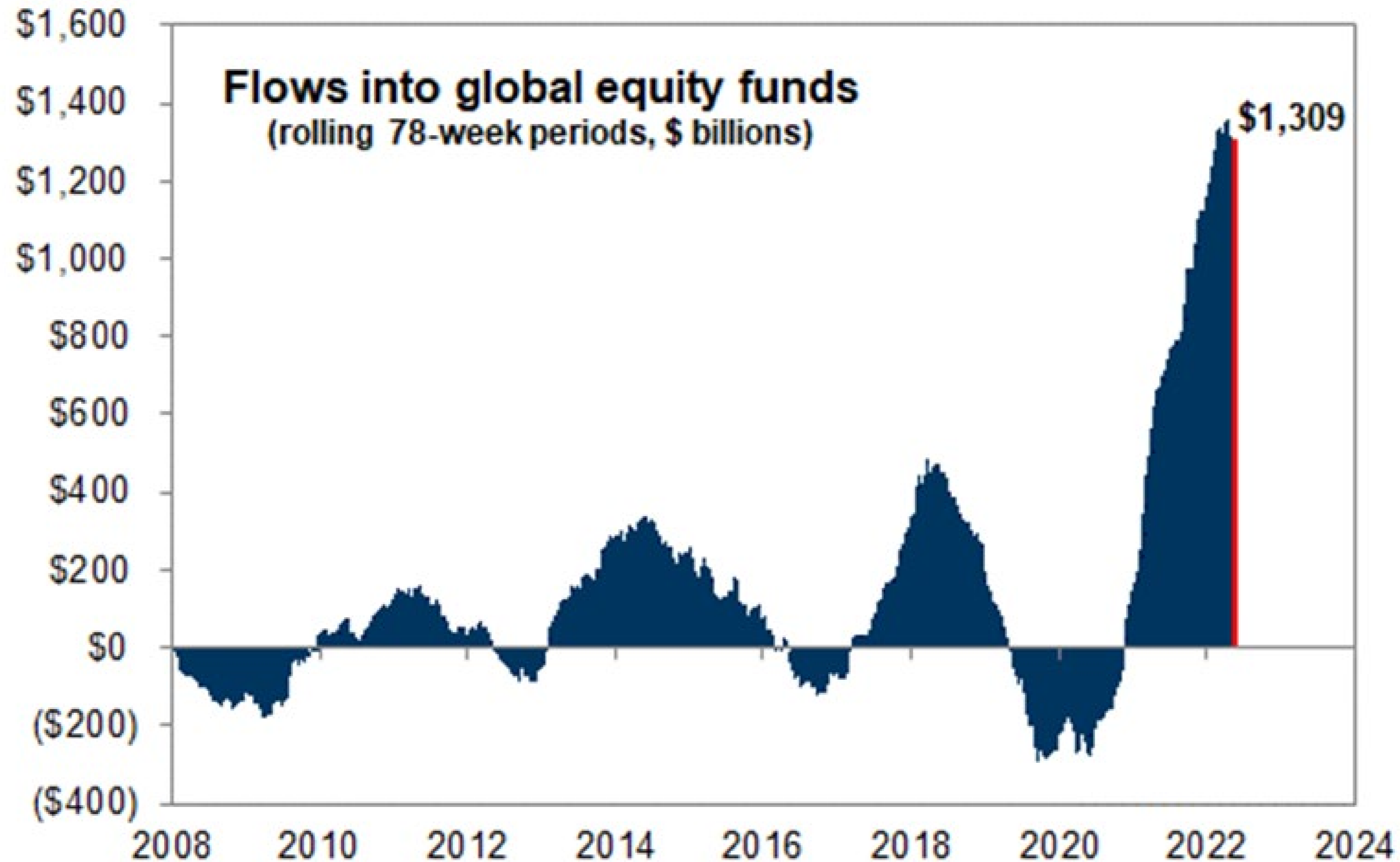


Source: Renaissance Macro Research, June 4, 2022

Note: Renmac Econ/Market Cycle, S&P 500 Industry Groups 6 Month Fwd Excess Returns on Current Growth-Inflation Cell. Growth: >65.5th, Inflation: >68.4th (1964-2022)

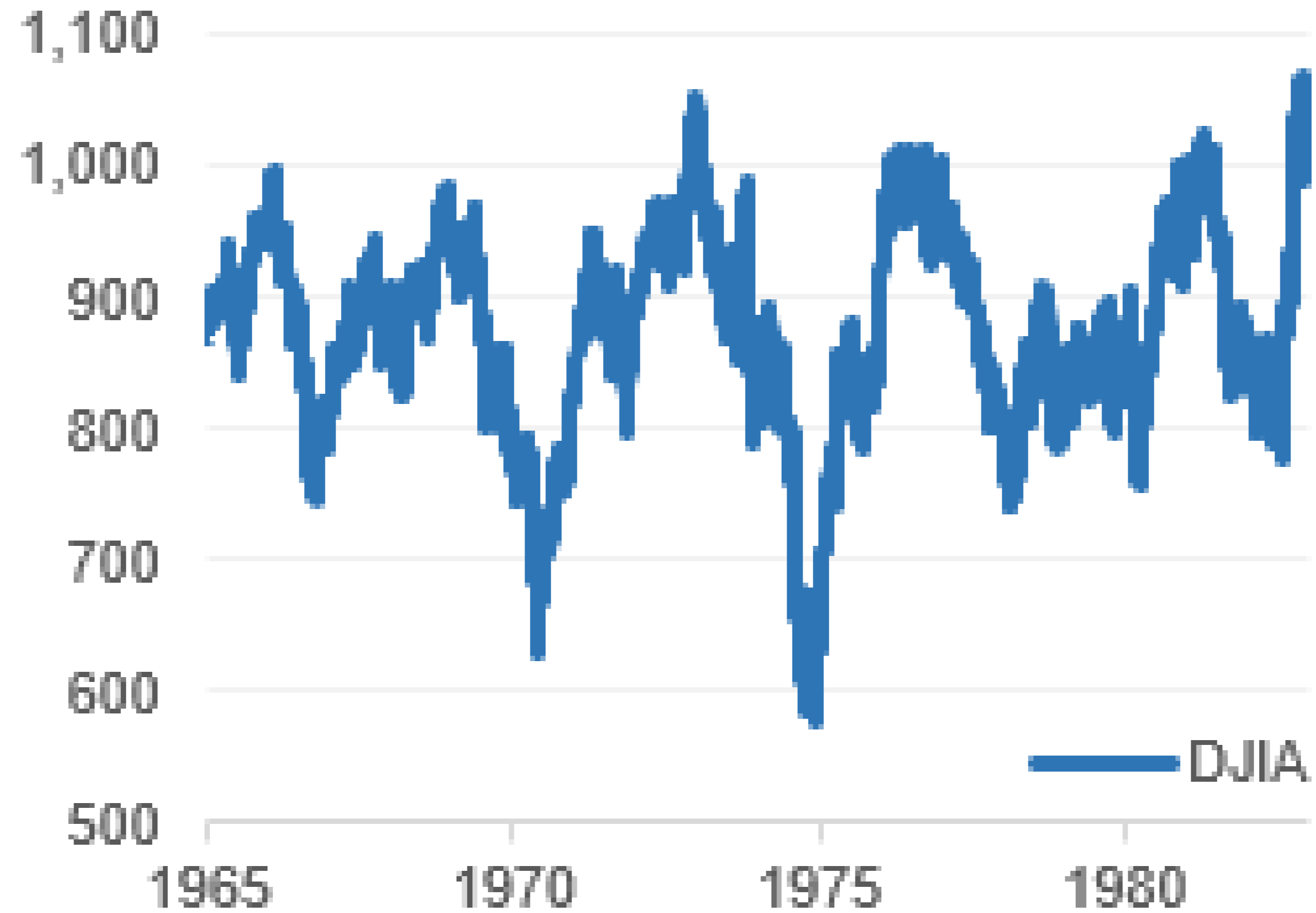
Investors Still “Buying The Dip”

Global Equity Inflows

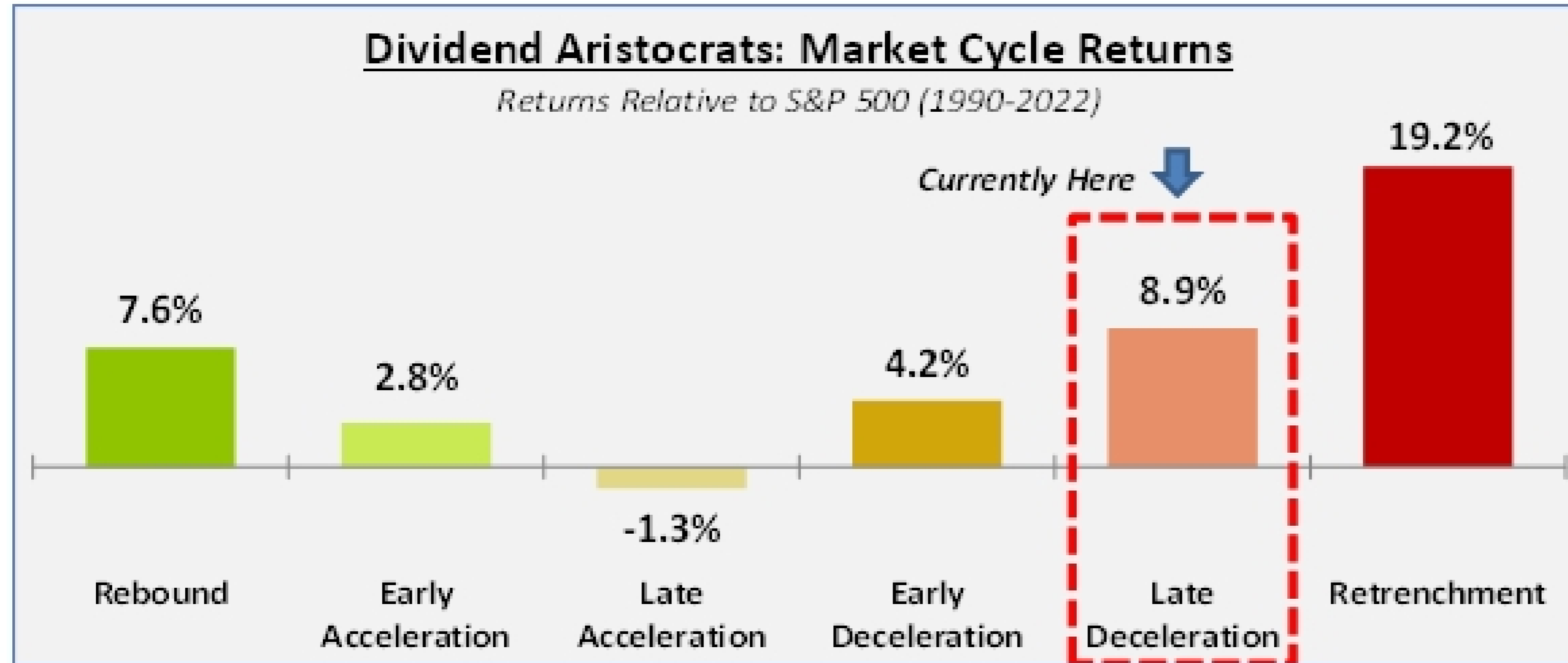


1970s Redux? "The" Bottom vs "A" Bottom

Numerous Bear Market Rallies In The '70s

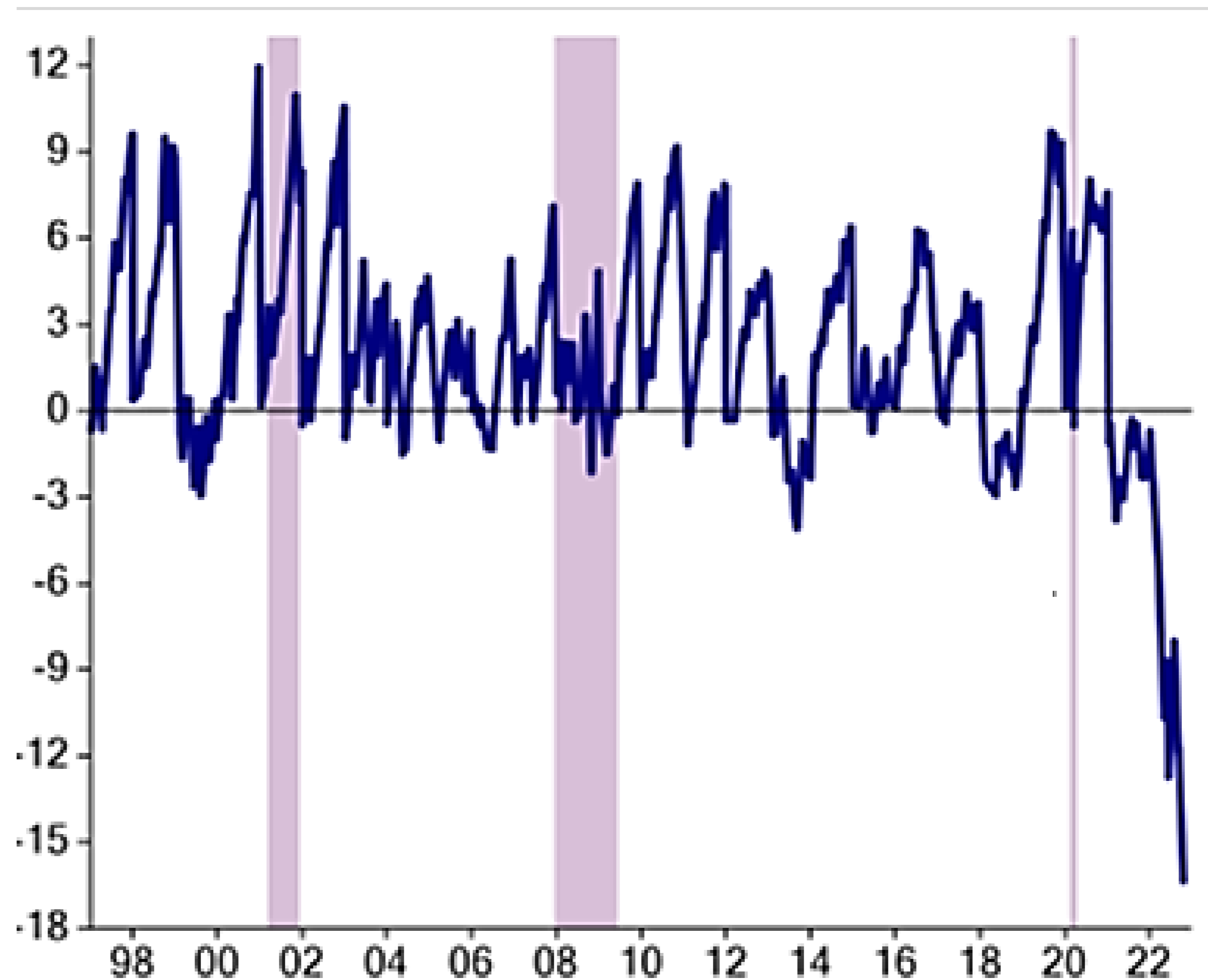


Entering Part Of The Cycle When Dividends Typically Shine



Bond Investors Have Just Experienced A Record Decline and QT Is Coming

US Bond Market Total Return YTD
October 19, 2022: -16.3%



Source: Evercore Research October 19, 2022
Note: Shaded bars indicate recessions

Dividends Likely To Play A Larger Role In Returns

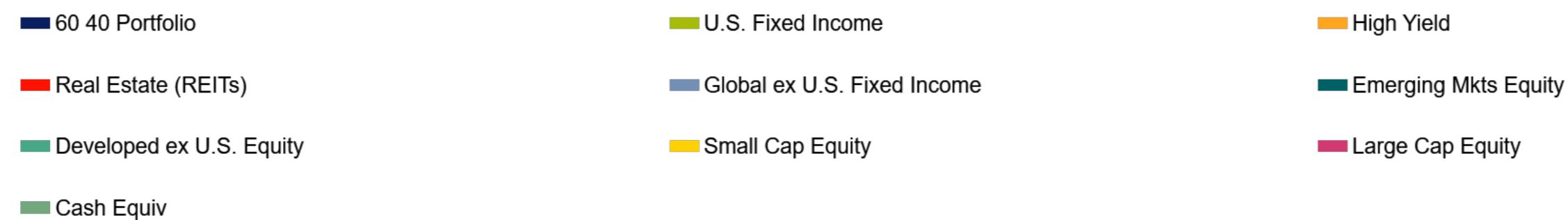
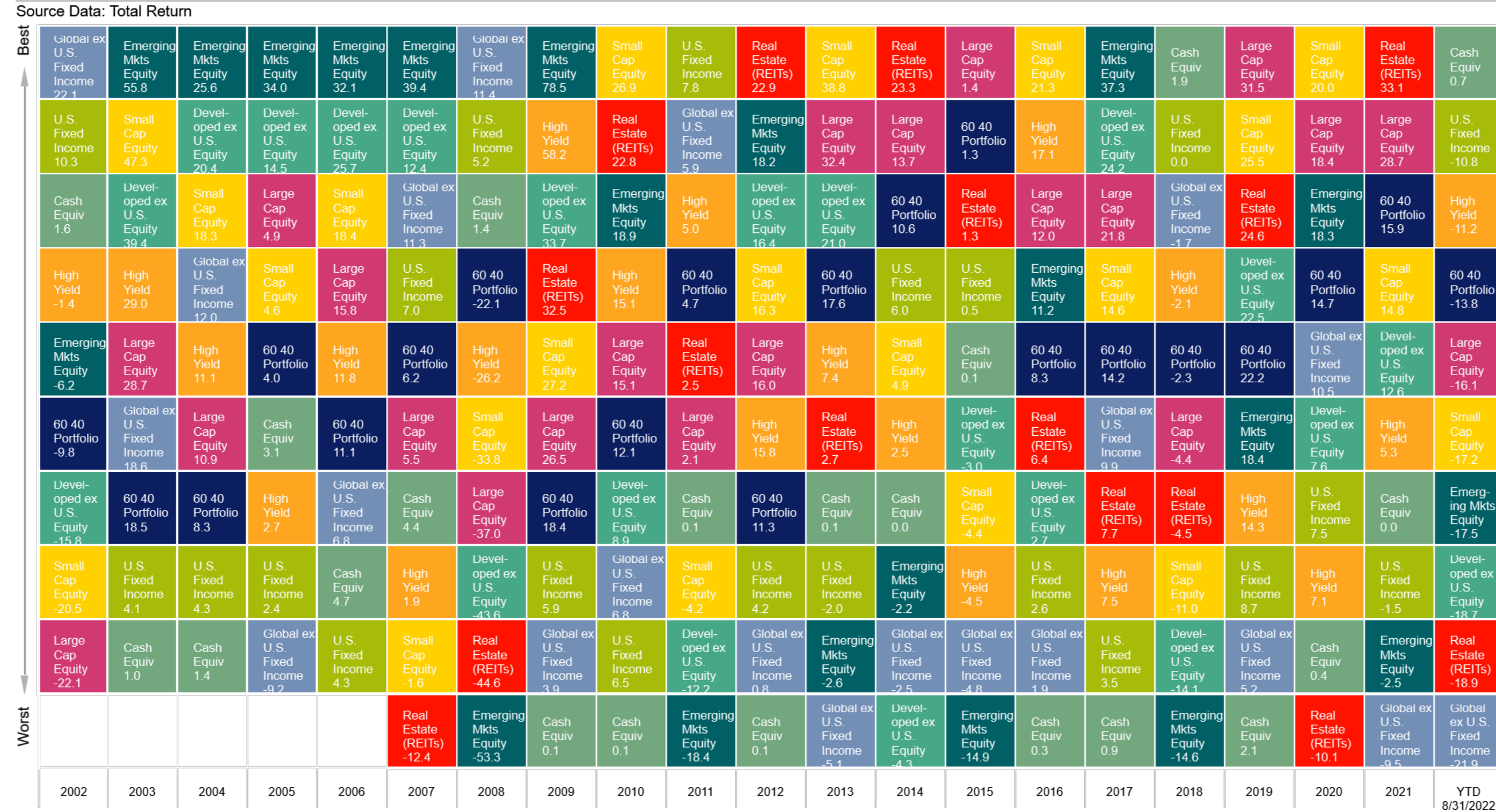
Dividend Contribution To Total Return

Decade	Price Pct. Change	Dividend Contribution	Total Return	Dividends Pct of TR	Avg Payout Ratio
1930s	-41.9%	56.0%	14.1%	100.0	90.1
1940s	34.5%	100.1%	134.6%	74.4	59.4
1950s	257.3%	180.3%	437.7%	41.2	54.6
1960s	53.7%	54.2%	107.9%	50.2	56.0
1970s	17.2%	59.1%	76.4%	77.4	45.5
1980s	227.4%	143.1%	370.5%	38.6	48.6
1990s	315.7%	115.7%	431.5%	26.8	47.6
2000s	-24.1%	15.0%	-9.1%	100.0	35.3
2010s	189.7%	66.9%	256.7%	26.1	35.2
2020s	45.4%	4.8%	50.2%	9.6	39.5
Average	114.4%	87.8%	202.2%	59.4	52.5

Source: Strategas Research. January 26, 2022
Past Performance is no guarantee of future results

Diversified Income For A Smoother Ride

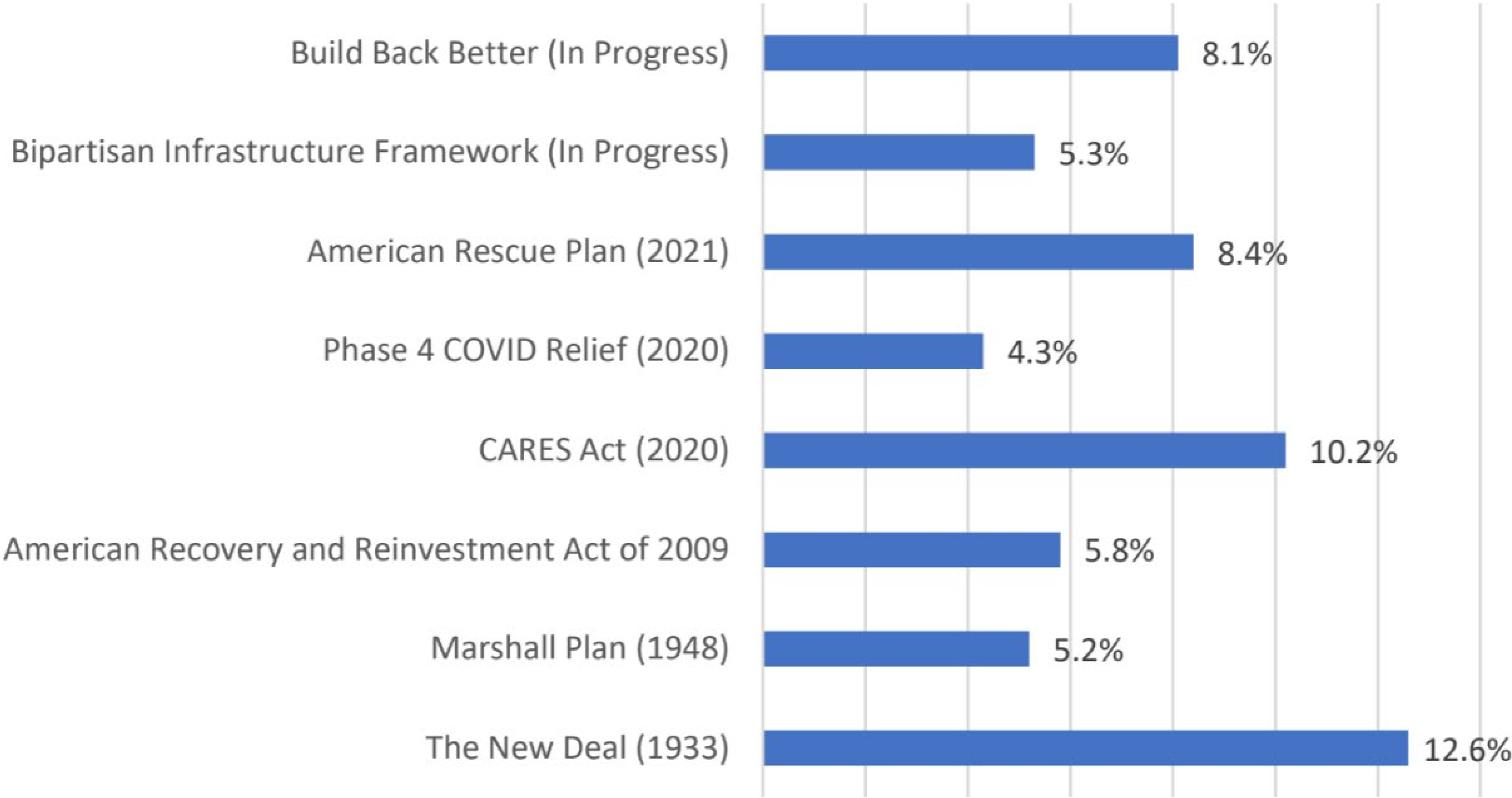
Annual Returns Ranked In Order Of Performance (2002-YTD 2022)



Source: Federated Hermes. September 26, 2022
 This is for illustrative purposes only and does not represent any specific investment. Past performance is no guarantee of future results.
 See Disclosure page at the end of presentation for underlying sources (indexes) and definitions

Historic Fiscal Policy

Select Stimulus As A Percentage of US GDP



Source: Axios and Crown and Company. November 1, 2021

And The Debt Champion Is....

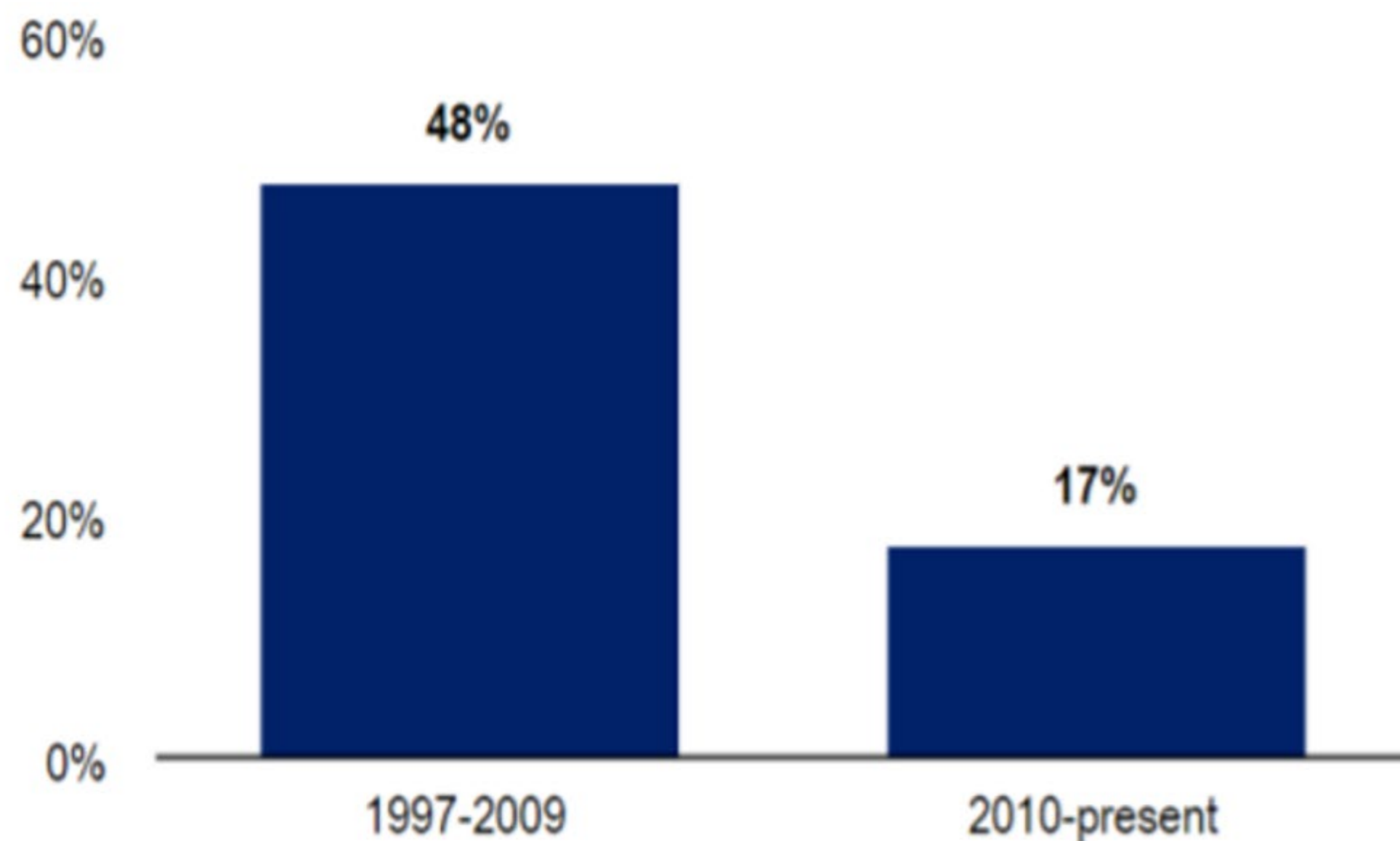
Debt Levels and Increases in Major Economies

	2020 gov't debt (US\$ trn)	2020 rise in gov't debt (US\$trn)	Population (mn)	2020 gov't debt per capita (US\$)	2020 rise in gov't debt per capita (US\$)
USA	22.21	4.20	328.2	67,672	12,797
Canada	0.76	0.31	37.6	20,300	8,202
UK	2.68	0.46	66.6	40,176	6,961
Japan	9.01	0.72	126.5	71,192	5,690
Germany	2.12	0.44	83	25,571	5,286
France	2.92	0.34	66.9	43,552	5,063
Italy	2.85	0.24	60.3	47,157	4,048
China	9.65	1.66	1,393.00	6,931	1,191

Don't Shoot The Messenger: The Market Loves Easy Monetary Policy

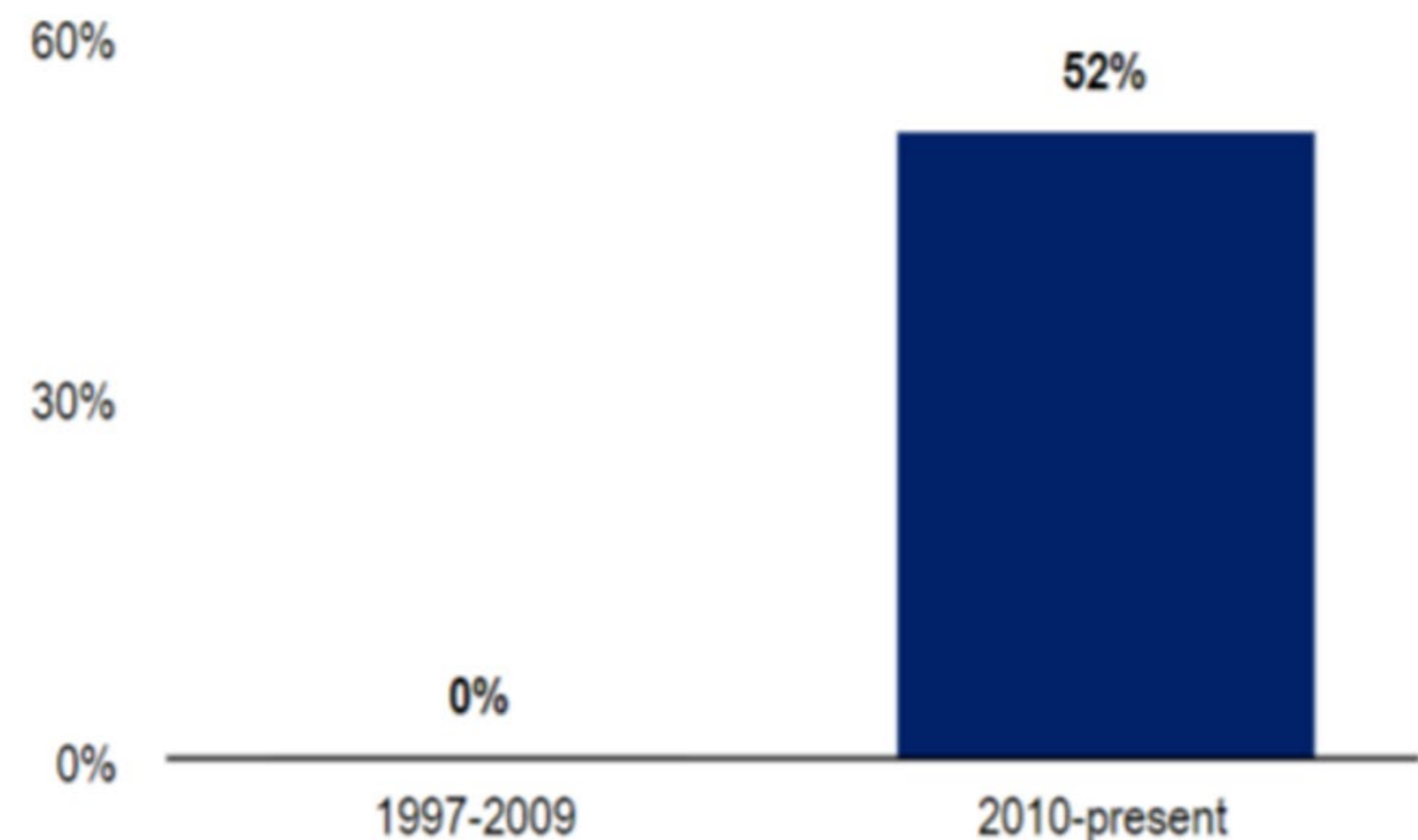
EPS Used to Matter Most

Earnings Explained Nearly 50% of Market Returns Pre-GFC,
Only 17% Post-GFC



R-sq of S&P 500 fwd EPS YoY vs. S&P 500 price returns on a monthly basis (May 1997-present)

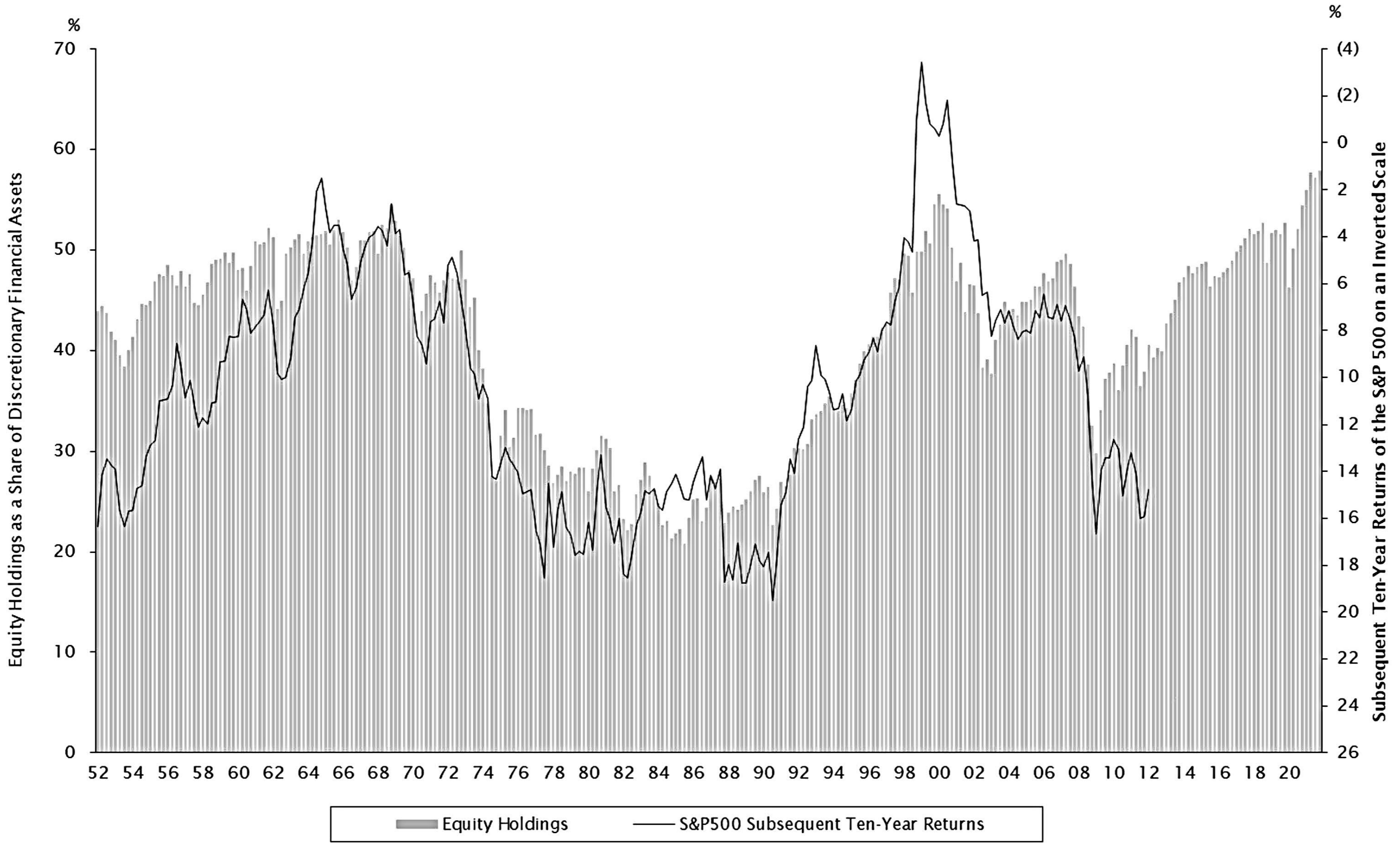
Of The Non-Earnings Portion of S&P 500 Changes, More Than
Half Explained By Fed Balance Sheet Changes Post-GFC



R-sq of Fed balance sheet YoY vs. YoY change in S&P 500 market cap that is not driven by earnings (May 1997-present)

Don't Shoot The Messenger: Future Equity Returns May Be Modest

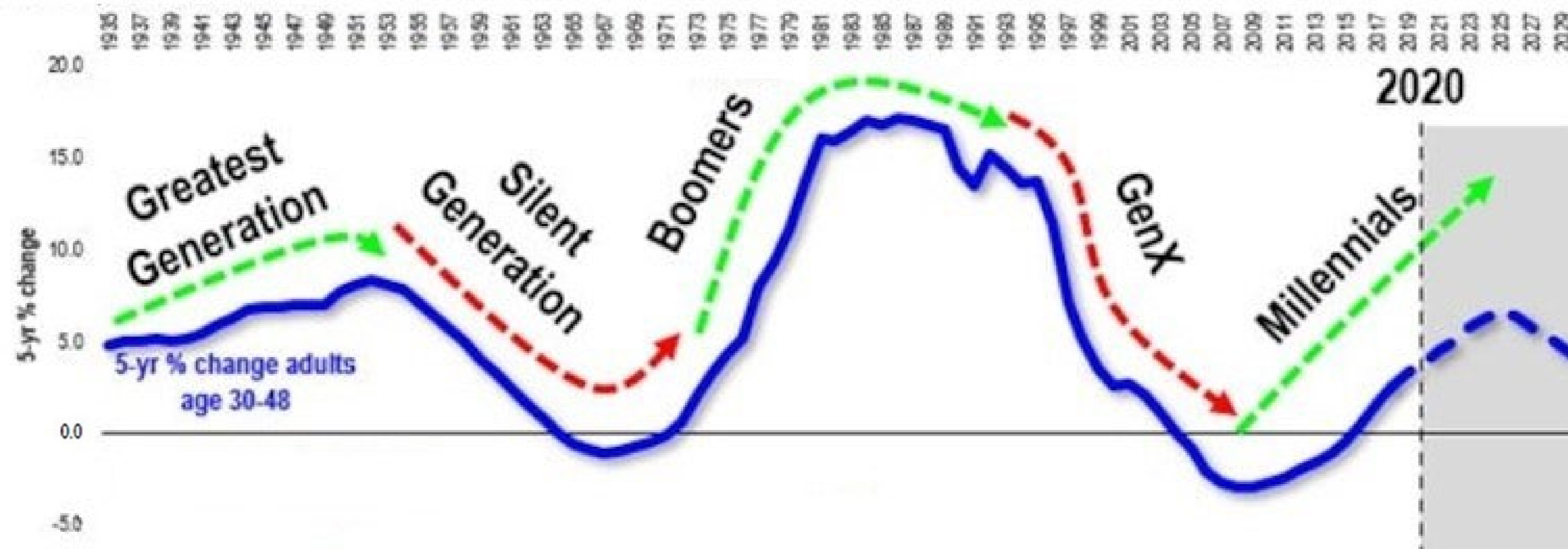
Us Households Equity Holdings As a Share of Discretionary Financial Assets and Subsequent Ten-Year Annualized Returns of The S&P 500 On An Inverted Scale. 1952 Through Q4 2021



Source: Federal Reserve Board, Bloomberg, Empirical Research, June 7, 2022

It All Depends On Your Time Horizon: In The Long Term, Prime Skilled Adults Age 30-48 Are Surging

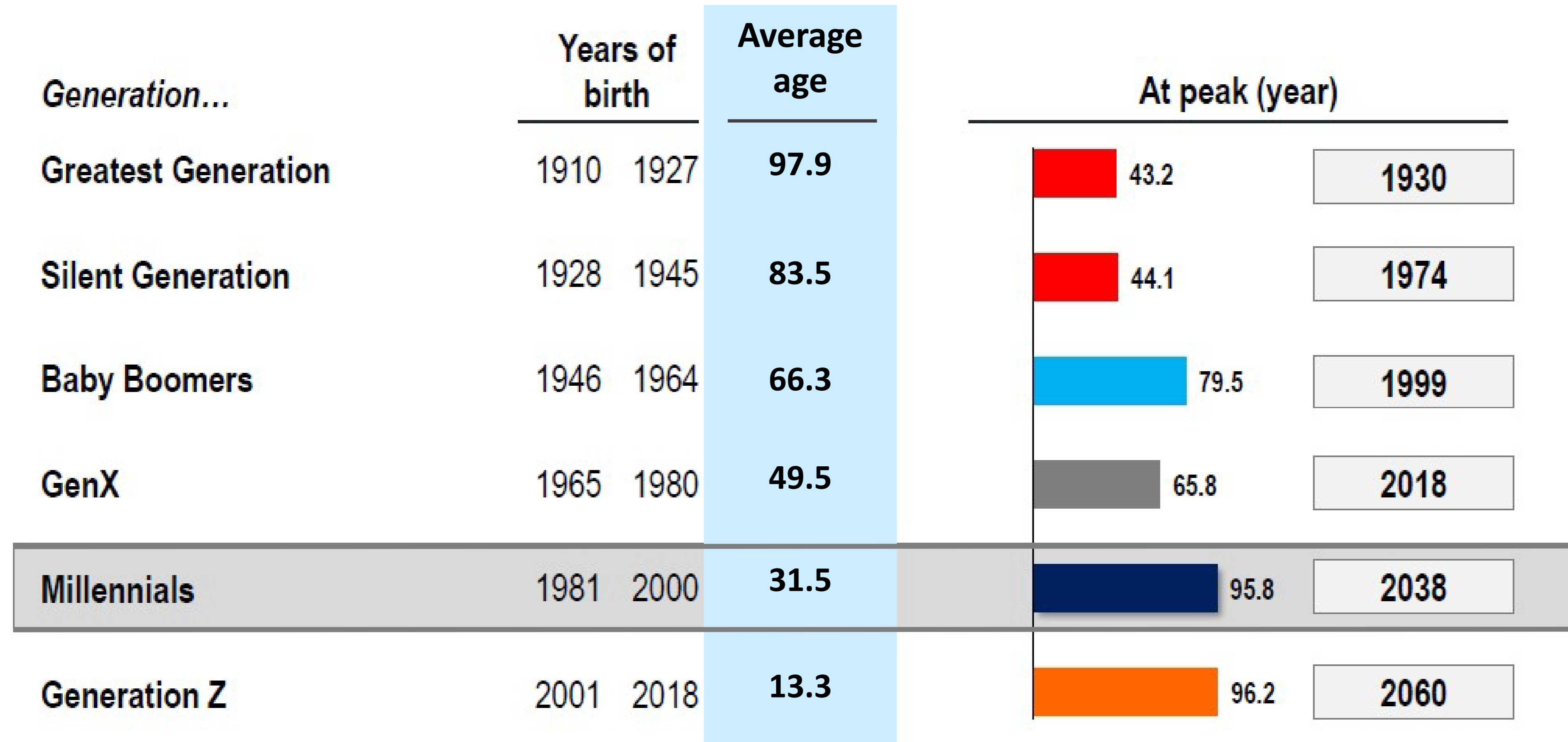
Prime Leverage Years: # Adults Age 30-48 Since 1935 per the US Census Bureau



Generation...	Birth years
Greatest Generation	1910 1927
Silent Generation	1928 1945
Baby Boomers	1946 1964
GenX	1965 1980
Millennials	1981 2000
Generation Z	2001 2018

The Largest Generation Ever, Millennials Are Just Entering Their Prime Income Years

Total US Population Divided by Age Groups



Peak population figures above include immigration. Reduced immigration will lead to a smaller overall size of Gen Z.
 Source: DESA UN Data sets, Fundstrat; Federated Hermes. Updated December 8, 2021

Slide 33 Disclosures and Definitions

Large Cap Equity - S&P 500 Index measures the performance of large capitalization U.S. stocks. It is a market-value-weighted index of 500 stocks that are traded on the NYSE, NYSE MKT, and Nasdaq

Small Cap Equity - Russell 2000 Index measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market value-weighted index of the 2,000 smallest stocks (#1,001–3,000) in the broad-market Russell 3000 Index.

Developed ex U.S. Equity - MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 developed market countries (excluding the U.S.) and 26 emerging market countries covering approximately 85% of the global equity opportunity set outside the U.S.

Emerging Markets Equity - MSCI Emerging Markets Index is a free float-adjusted market-capitalization-weighted index that is designed to measure equity market performance of 26 emerging market countries.

U.S. Fixed Income - Bloomberg US Aggregate Bond Index includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.

High Yield - Bloomberg Corporate High Yield Index measures the market of USD-denominated, noninvestment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

Global ex U.S. Fixed Income - The GBI Global Index currently tracks a fixed list of 12 core developed markets, namely Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, United Kingdom.

60/40 Portfolio – represents a portfolio consisting of 60% Equities (S&P 500 Index) and 40% Fixed Income (Bloomberg US Aggregate Bond Index)

Real Estate - The FTSE EPRA Nareit Developed Index is designed to measure the stock performance of companies engaged in specific real estate activities of the North American, European, and Asian real estate markets. Relevant real estate activities are defined as the ownership, trading, and development of income producing real estate.

Cash - Cash Equivalent (90-day T-bill) is a short-term debt obligation backed by the Treasury Department of the U.S. government.

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LINDA DUESSEL



Mind on the Market

With more than 30 years of experience, Linda Duessel is nationally recognized for her expertise in analyzing equity market conditions. Linda discusses personal finance with investor groups across the country on topics of interest ranging from the impact of the alternative minimum tax to investing for retirement. Additionally, Linda has been extensively quoted by Associated Press, The Wall Street Journal and Barron's, as well as featured in the annual roundtable for USA Today.

As senior equity market strategist, Linda is part of the equity income team, which is responsible for formulating Federated's views about the market and the firm's positioning strategies within the equity income team. As senior client portfolio manager, she is responsible for articulating the strategy, process, positioning and performance of Federated's equity income products.

Interested in hearing more from Linda? Here are two ways:

1. **Read her weekly market views**
Look for them on our [site](#) and in our weekly email.
2. **Connect with her on [LinkedIn](#)**