



# The Road Ahead: Economic Outlook Webinar

**SECURITY**  
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WEALTH MANAGEMENT

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# Investment Team

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John Gibb, CFA  
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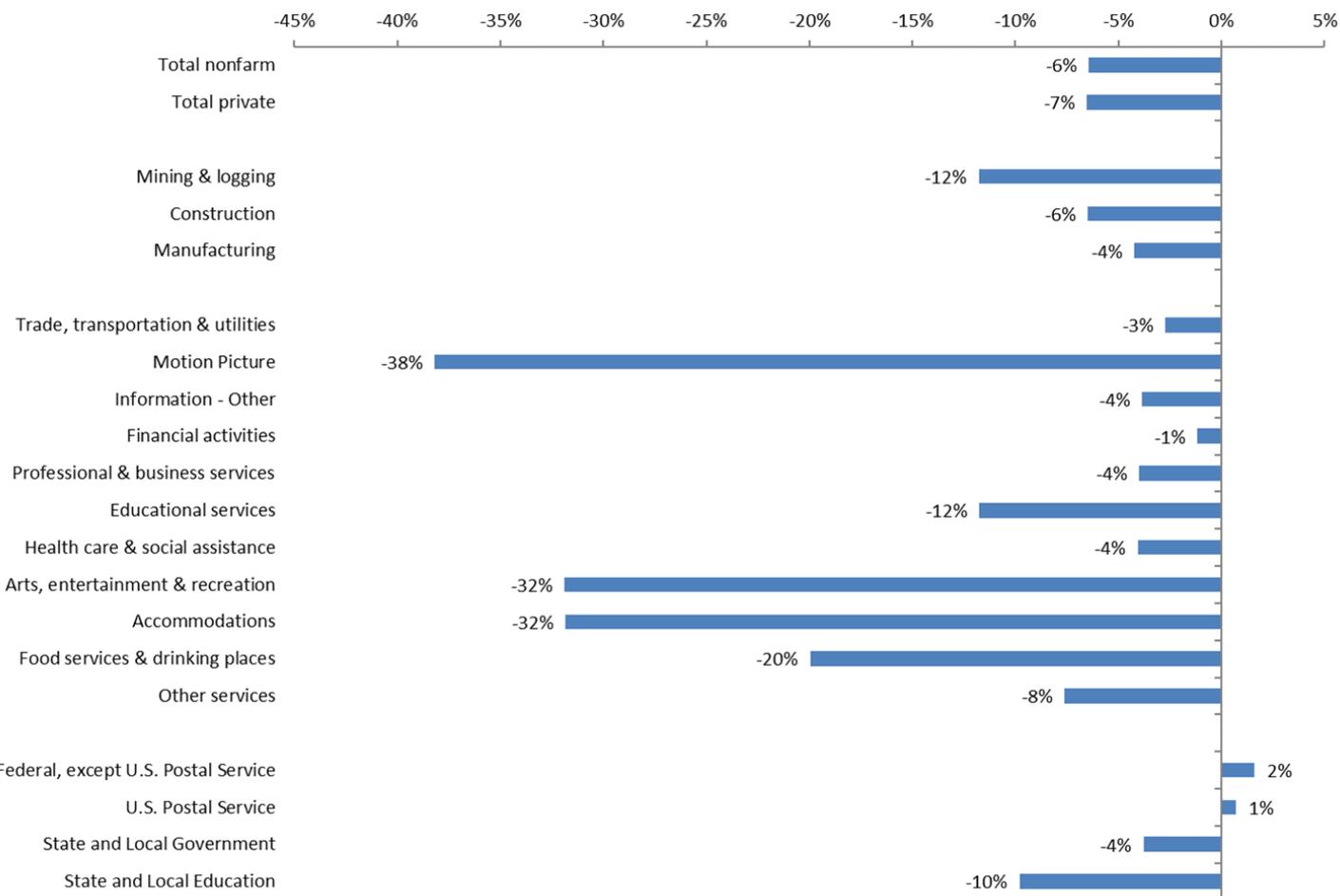
Brent Boyce, CFA  
Assistant Vice President/Trust  
Investment Officer

# Current State



# Labor Market

Change in Employment since February



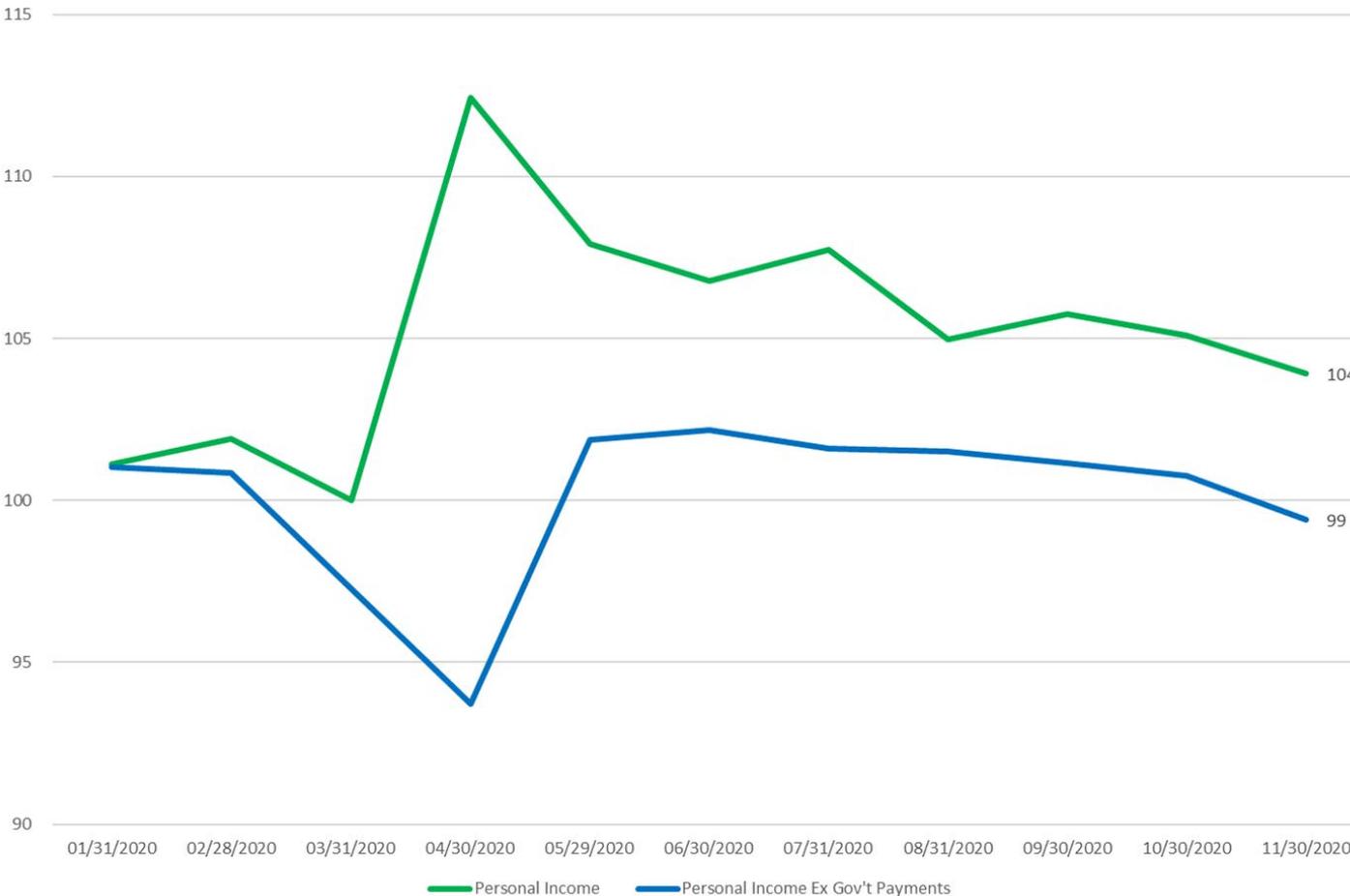
15.8 million people reported they were unable to work at all or worked fewer hours due to Covid-19.

For the most part job losses are concentrated in leisure and hospitality and other lower paying sectors.

# Income

## Personal Income

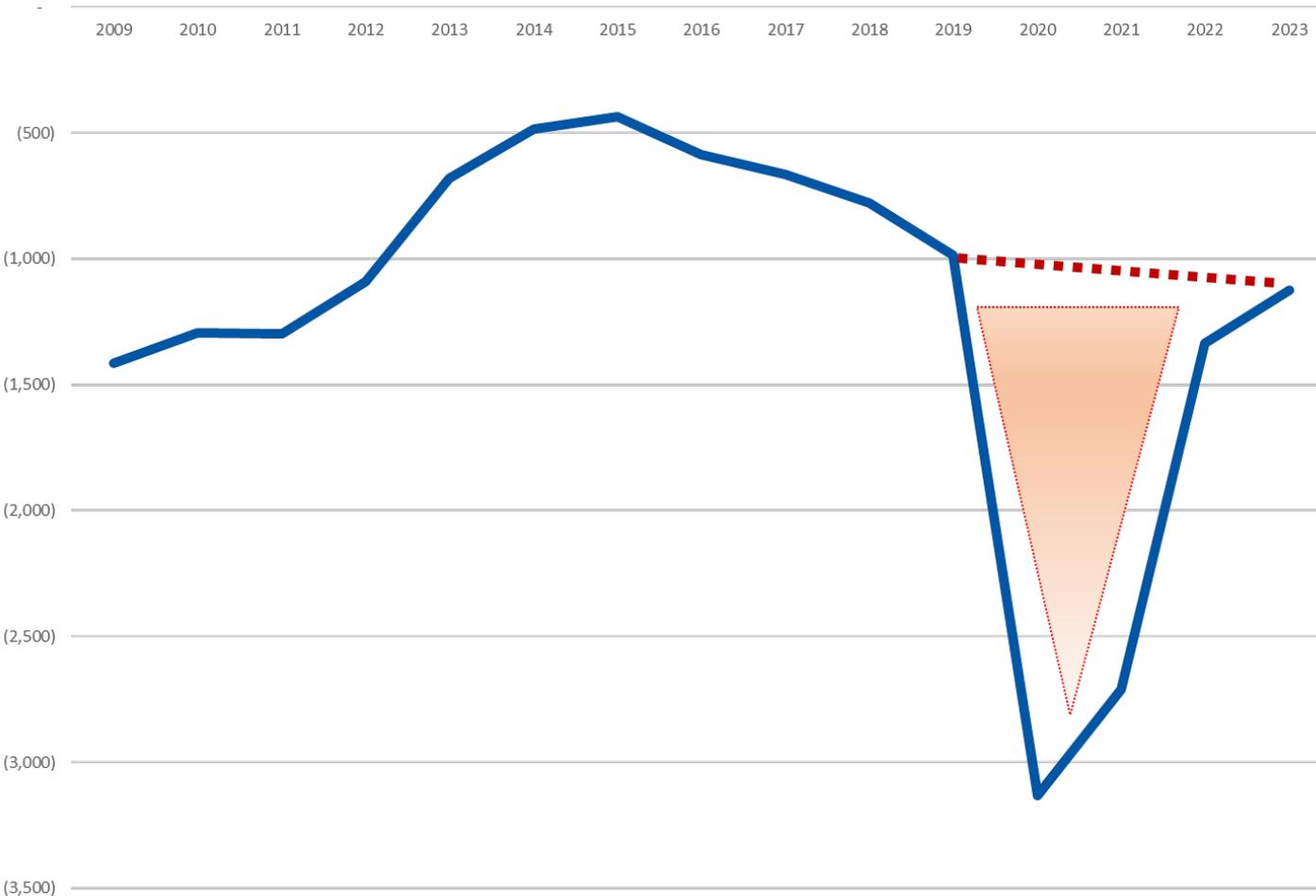
2019 4th quarter Average = 100



Households lost an estimated \$330 billion in wages during the pandemic but received almost \$1 trillion in transfer payments with more to come.

# Deficit Spending

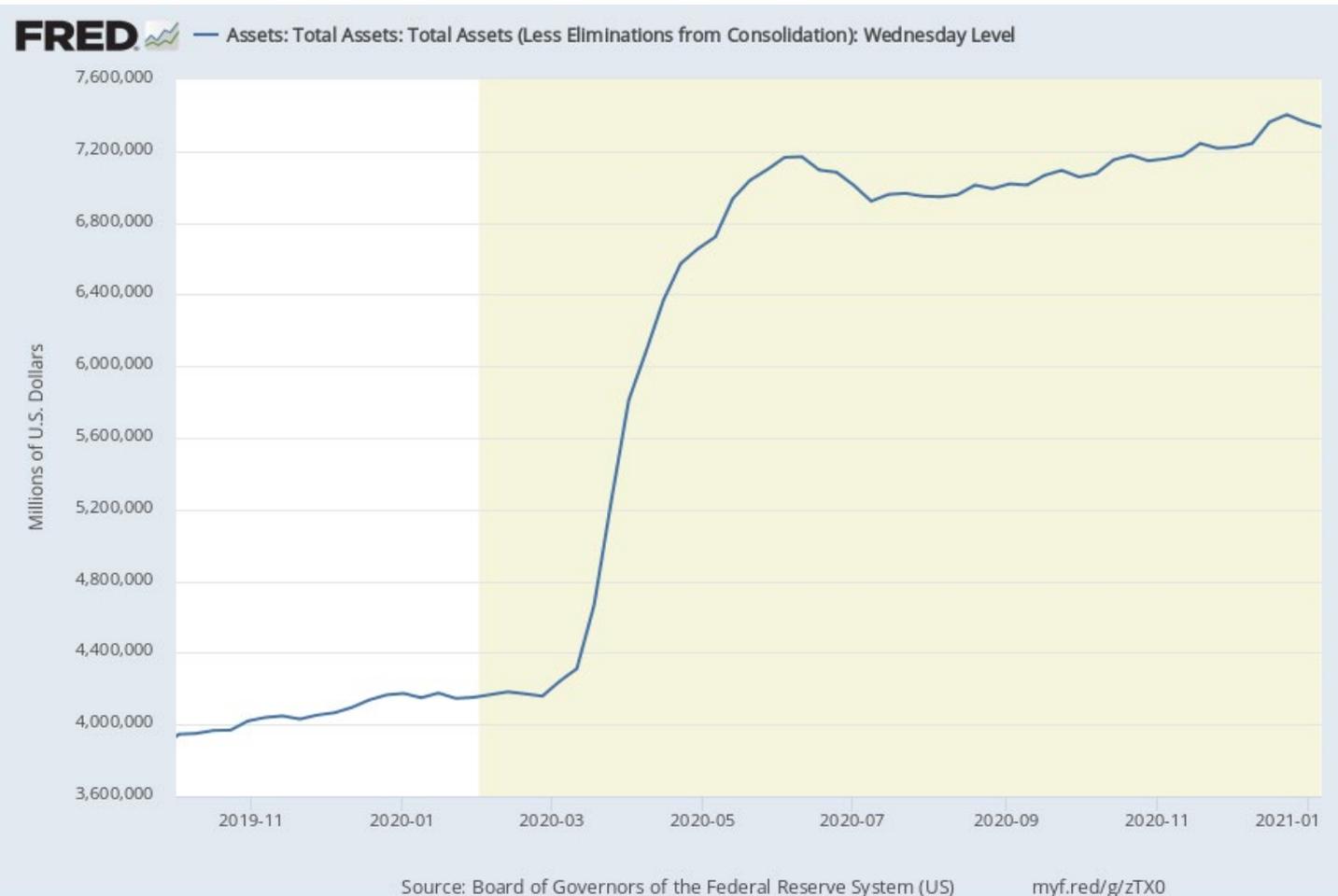
U.S. Budget Deficit



The Federal government will have spent an extra \$4 trillion combating the pandemic.

President-elect Biden has announced plans for an additional \$1.9 trillion additional deficit spending.

# Quantitative Easing

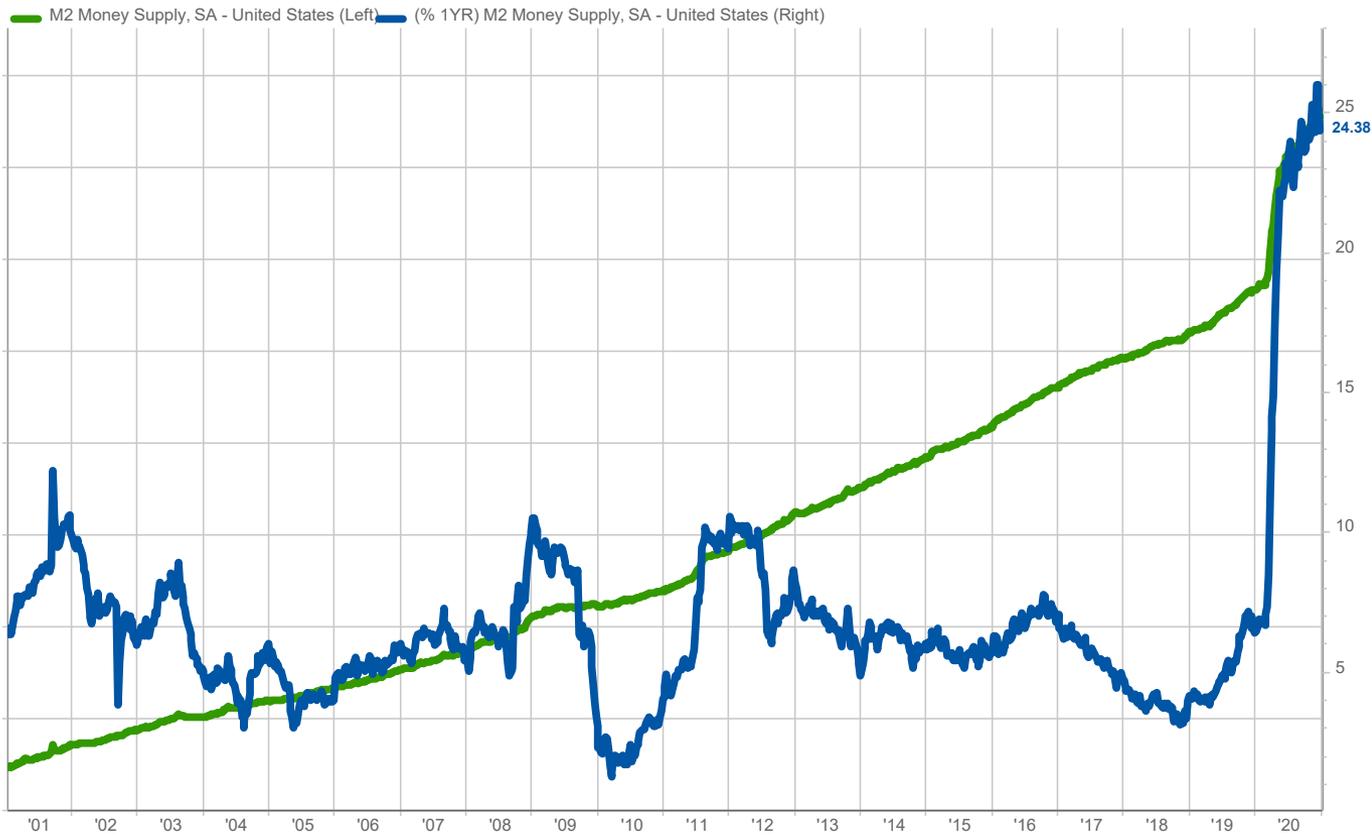


The Federal Reserve Board (FRB) has purchased a net \$3 trillion of bonds.

# Money Supply

US M2 Money Supply  
USD Bil.

%Chg vs Year Ago



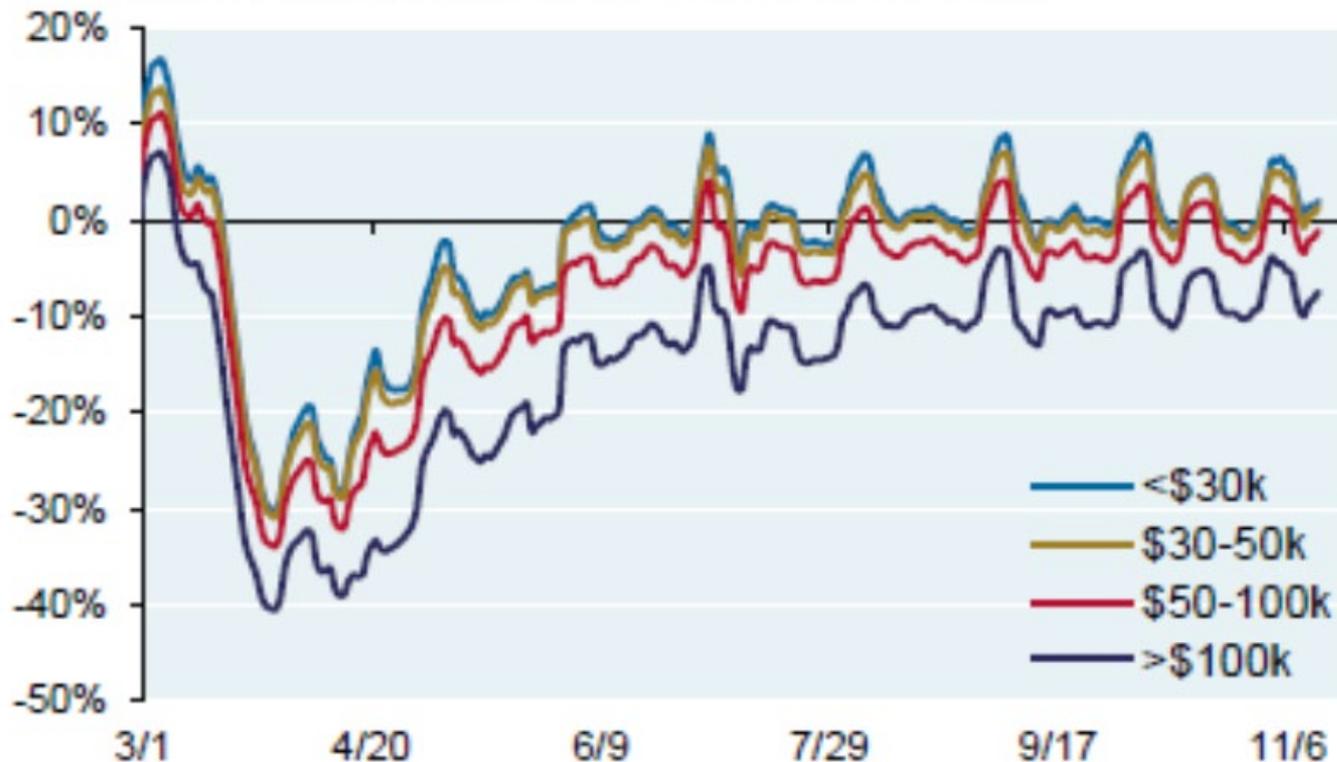
©FactSet Research Systems

Bank deposits are up \$2.9 trillion and money market balances are up \$1.3 trillion since January 2020.

# Spending

## National spending trends by income

% change from January 2020 level, 7-day average



Spending is only down in the highest income group

Source: Internal Chase data, JPMAM. November 13, 2020.

# Audience Survey

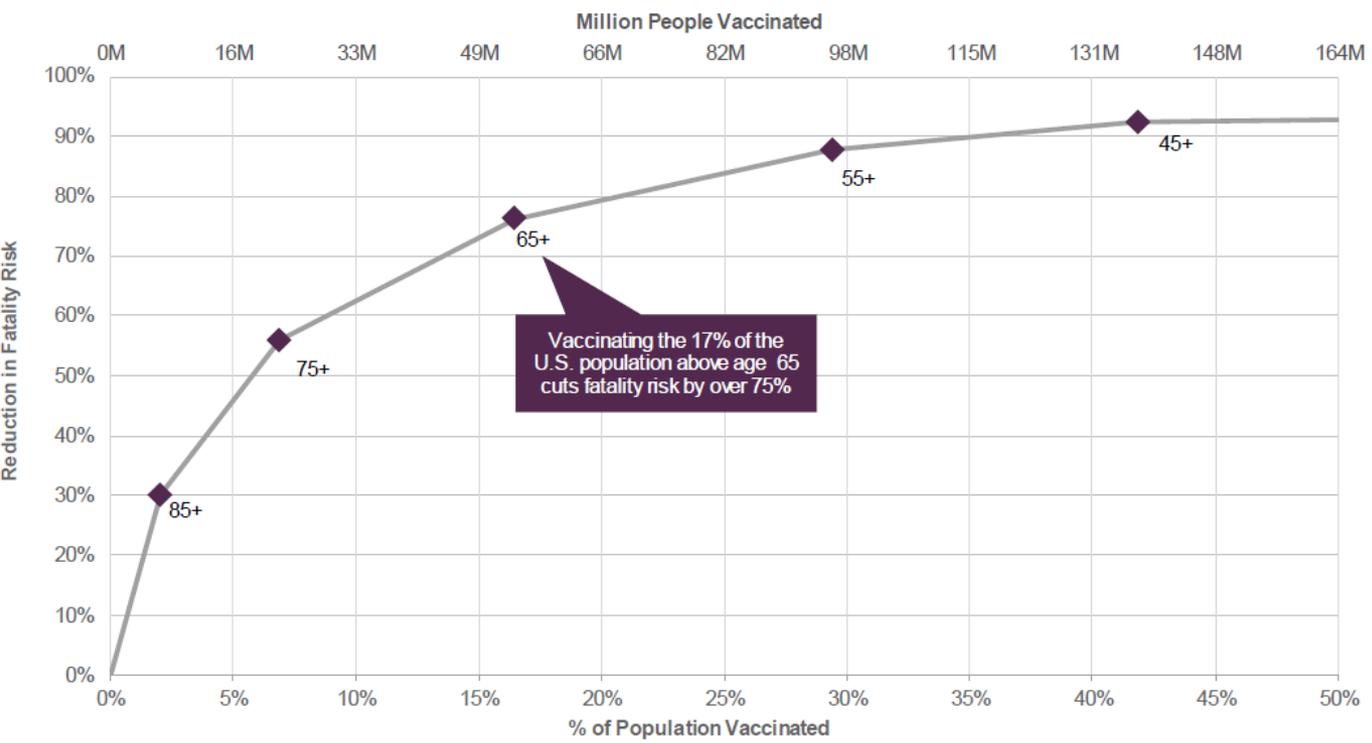


# Way Forward



# Impact Sooner than You Think

Reduction in Fatality Risk of COVID-19 in the U.S., Based on Vaccinating the Population from Oldest to Youngest



The benefits of vaccinations will be front end loaded.

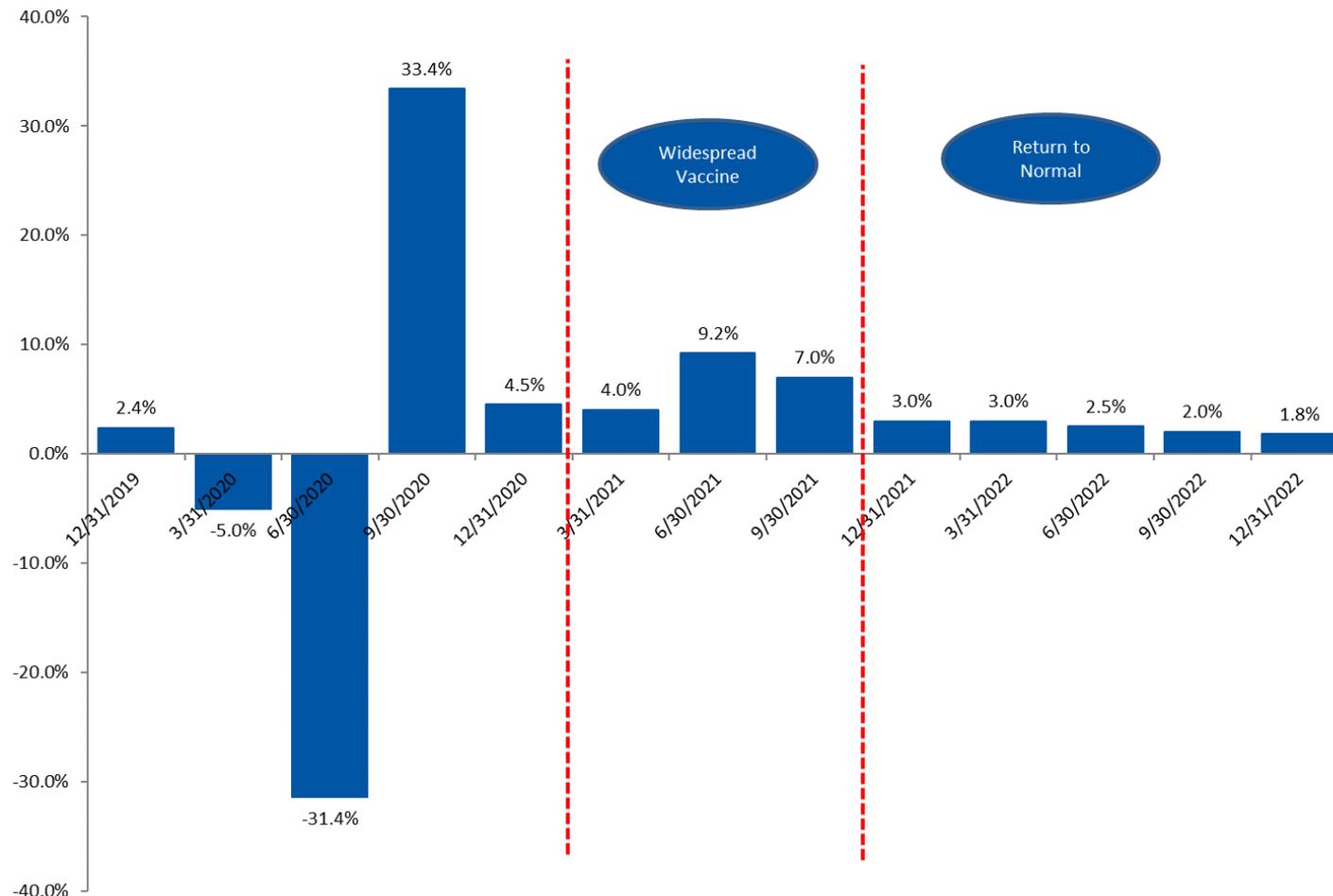
Groups most at risk will be immunized first.

With hospitalizations and deaths down, economy can reopen faster than most expect.

Source: Guggenheim Investments, Haver Analytics, CDC, New Statesman. Data as of 12/22/2020.

# GDP Forecast

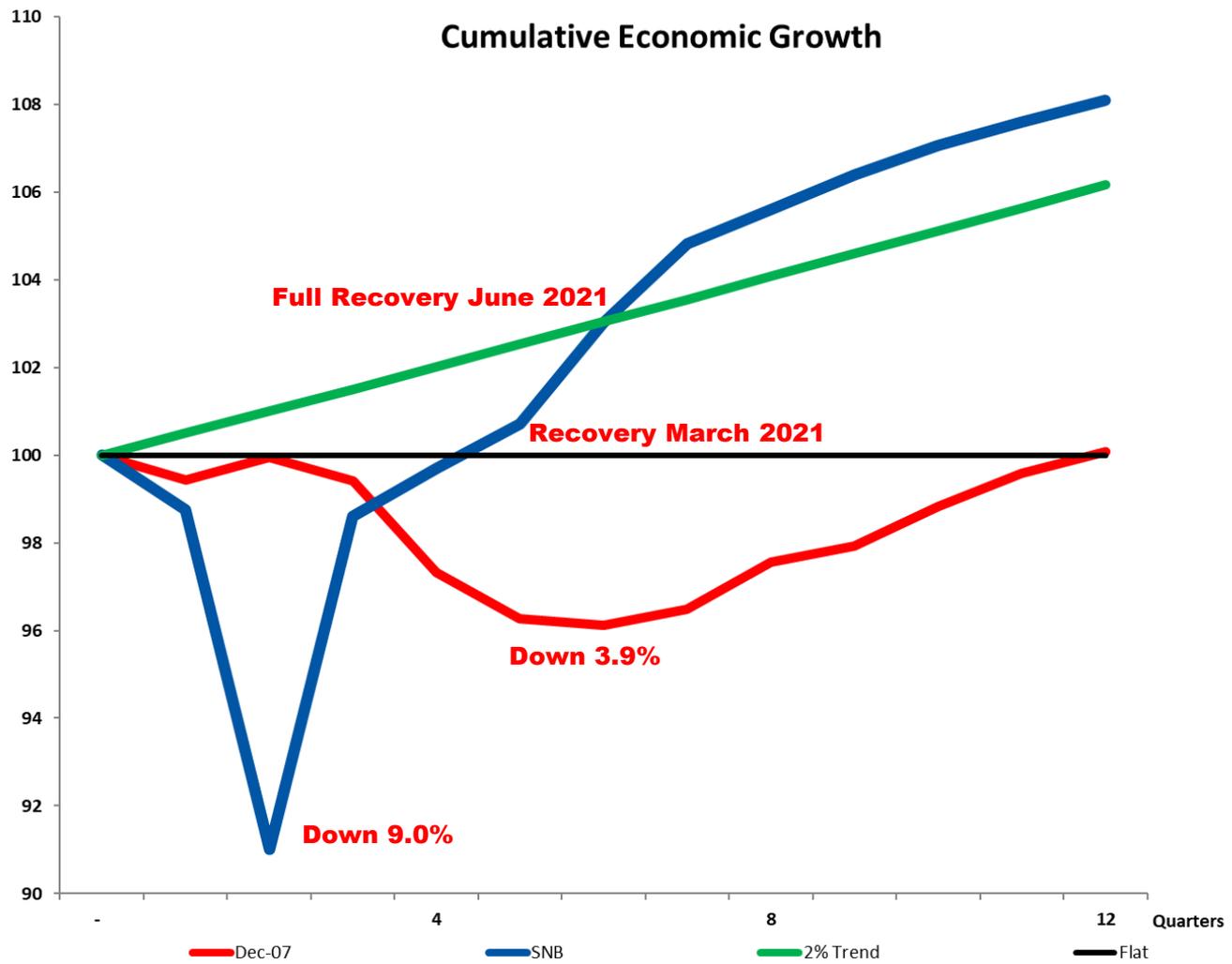
### Quarterly GDP Growth



Rapid economic recovery continues.

Economy shrank 2.4% in 2020 and will expand 5.8% in 2021

# Rapid Recovery



Aggressive fiscal and monetary spending results in faster recovery versus the Great Financial Crisis (GFC)

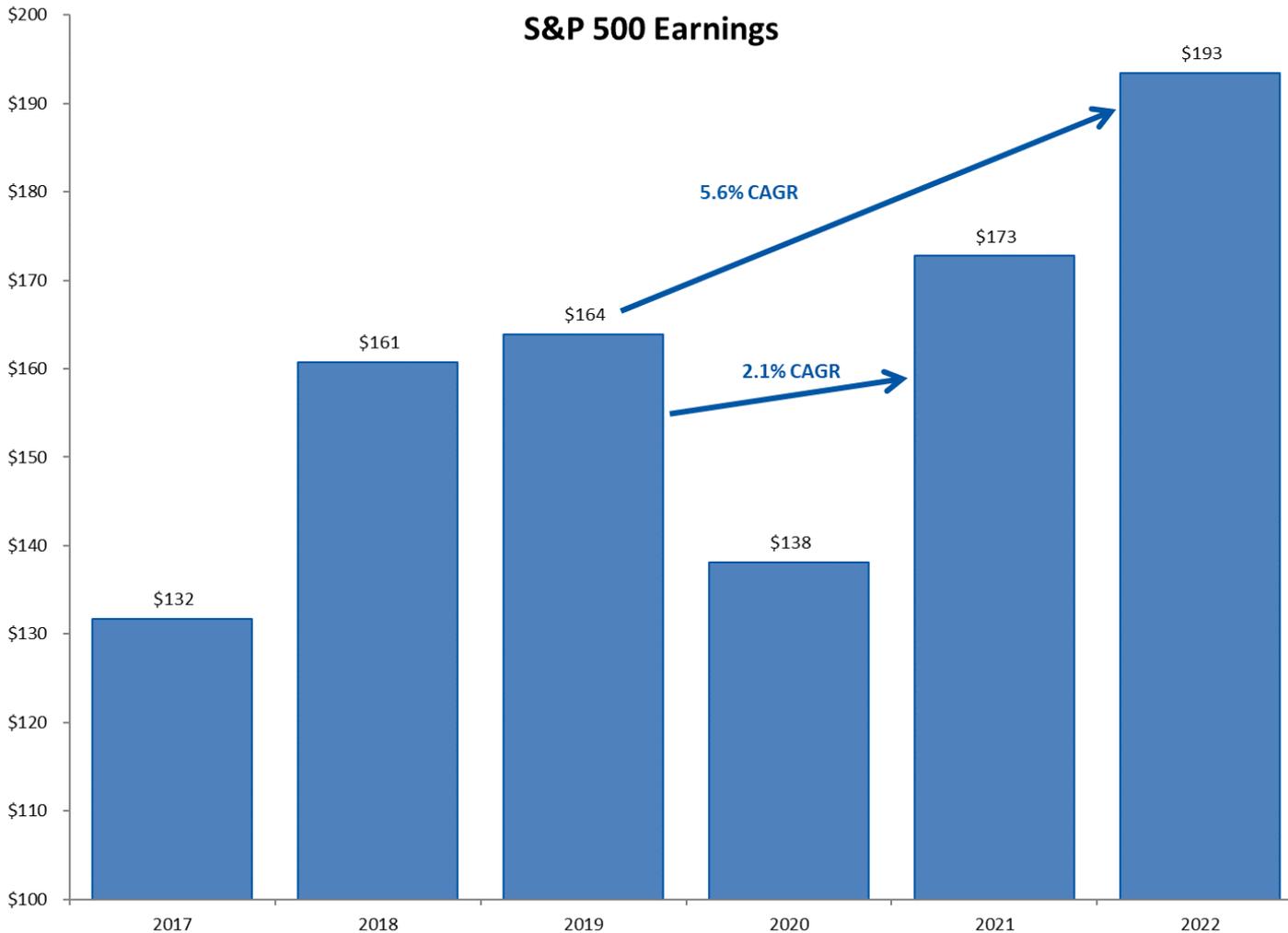
# Inflation

CPI Inflation  
y/y



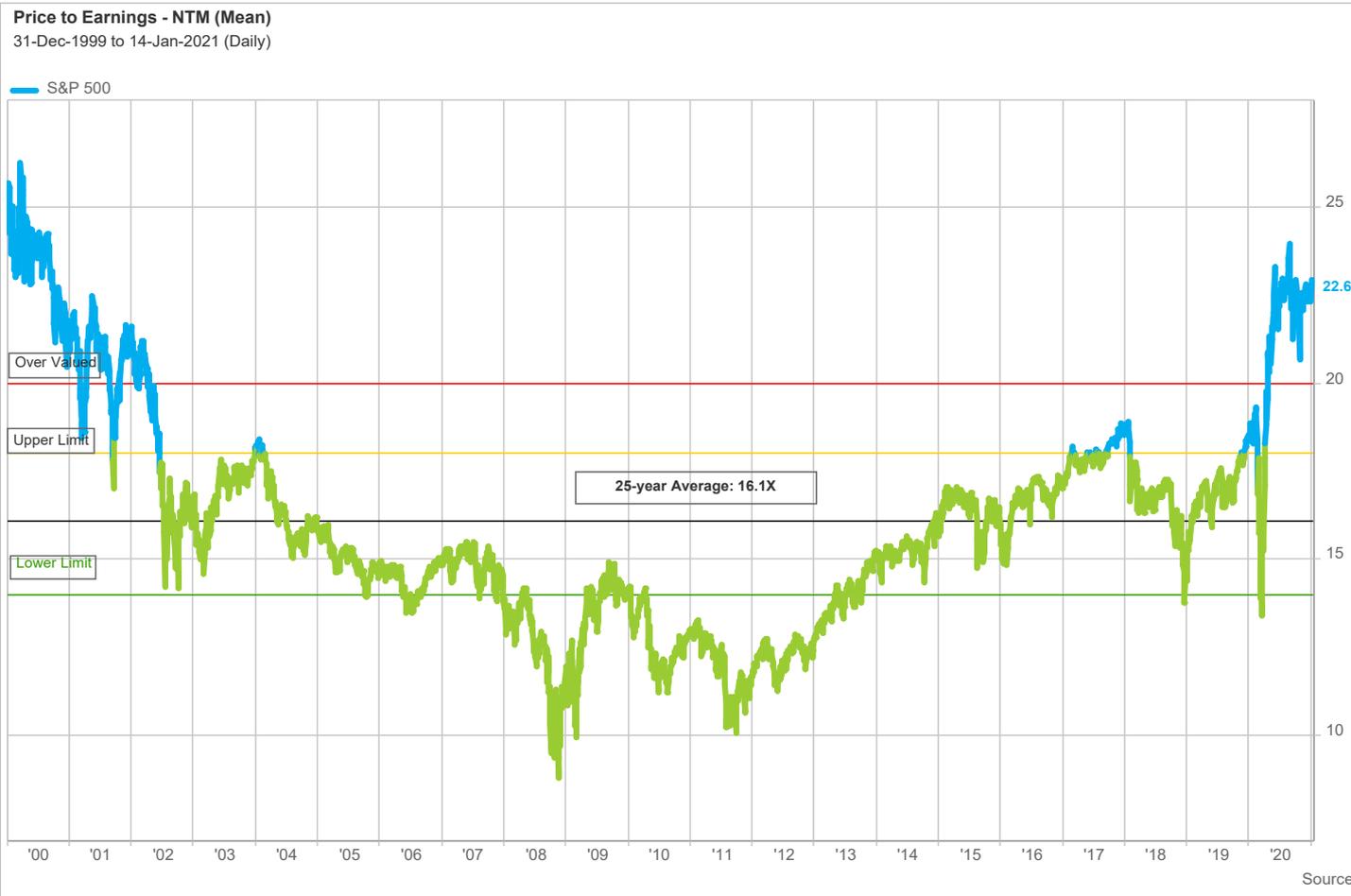
Aggressive fiscal and monetary spending results in faster recovery versus the Great Financial Crisis (GFC)

# Corporate Earnings



Earnings for the S&P 500 are set to grow 25% in 2021.

# Stock Valuation



Stocks are expensive, trading at 21.9 times our 2021 earnings estimate.

# Economic Questions





# What Have We done Since September

# Asset Allocation

Equity % up to	January 2021	September 2020	January 2020
<b>Fixed Income</b>			
Short Term	0%	0%	0%
High (Investment) Grade	35%	38%	35%
High Yield	0%	2%	0%
Alternative	2%	0%	0%
International	0%	0%	5%
<b>Equities</b>			
Large	45%	47%	43%
Extended	8%	8%	10%
International	7%	3%	5%
<b>Alternative</b>	3%	2%	2%
<b>Total</b>	100%	100%	100%

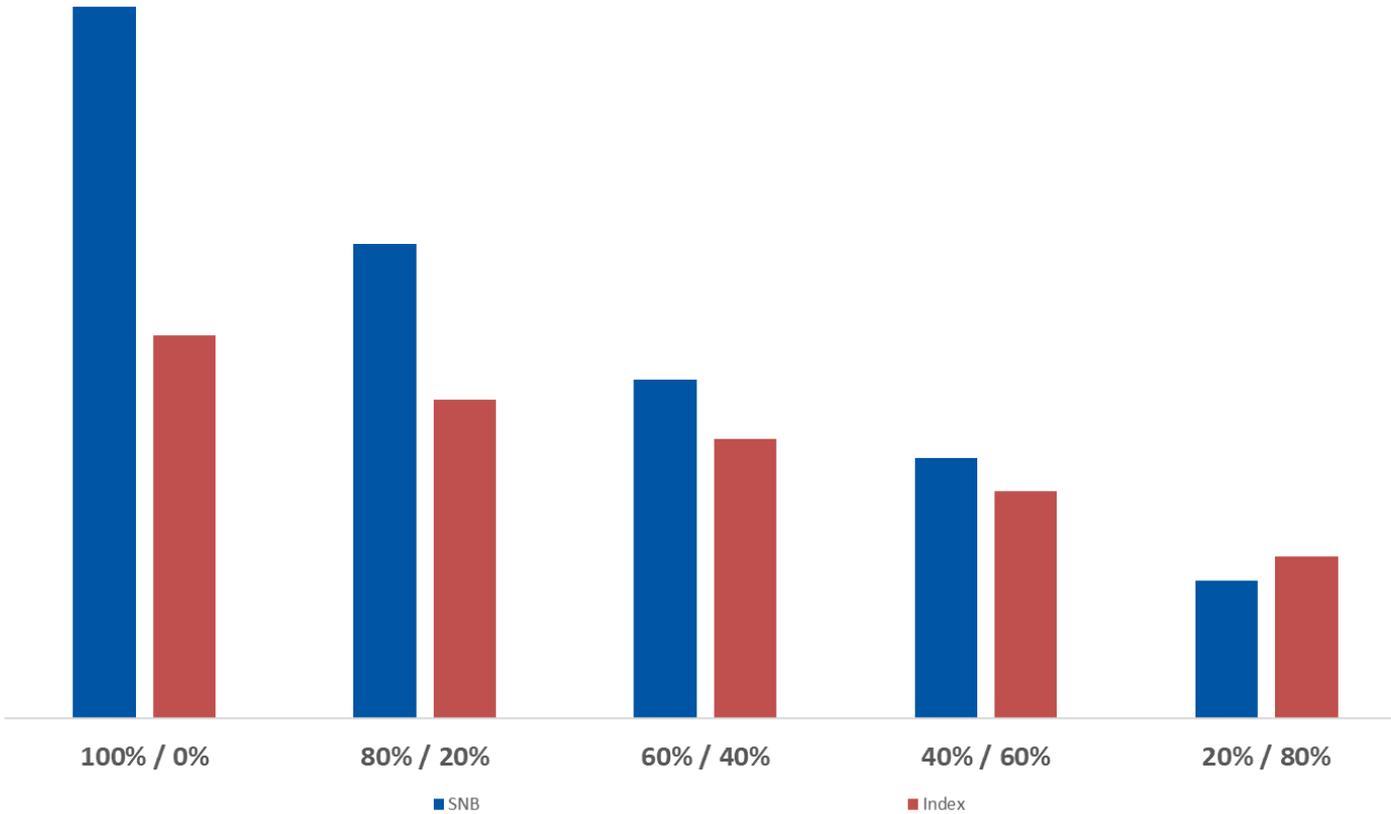
We made some modest asset allocation moves over the last year

# How Have We Done



# 2020 Results

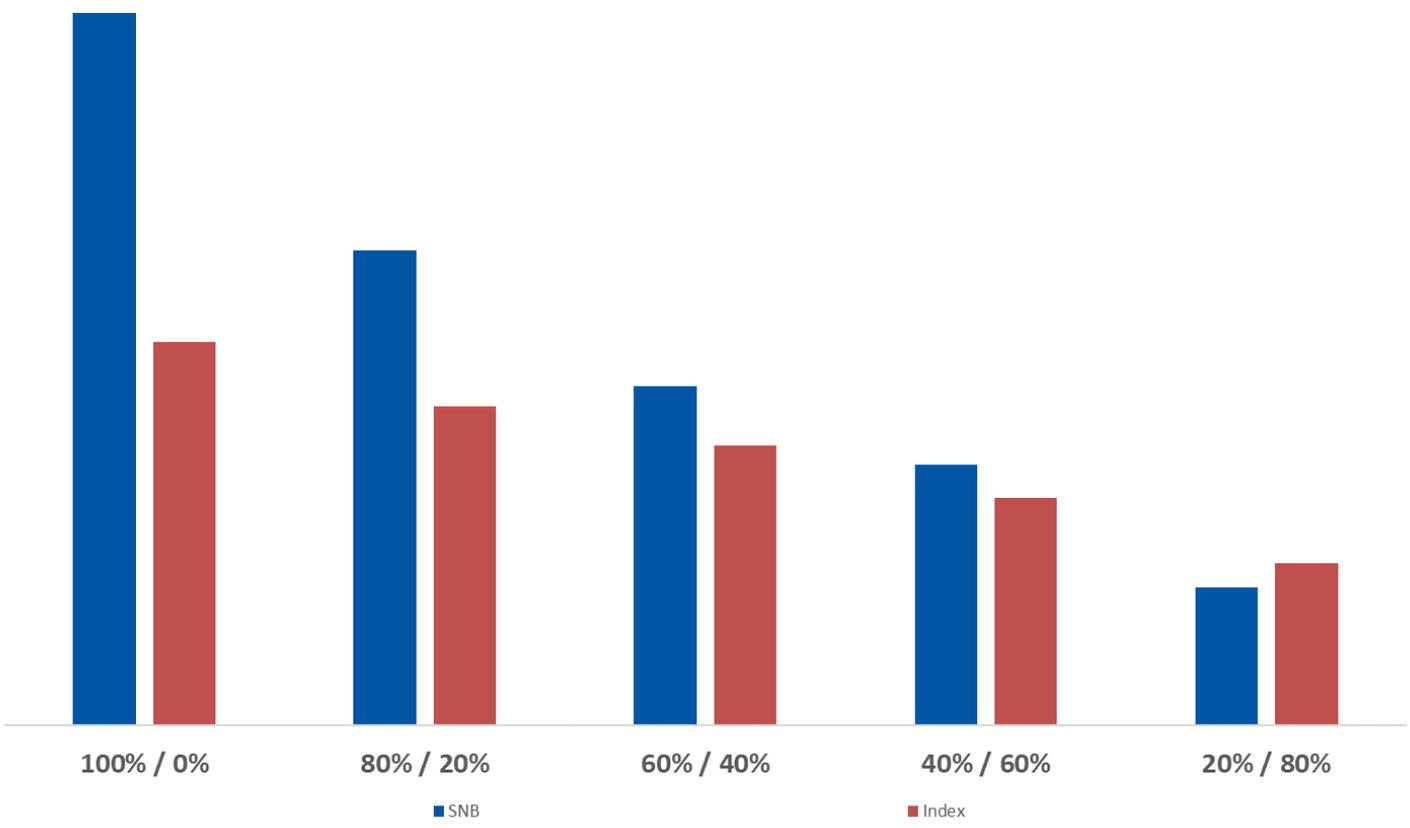
SNB Wealth Management Returns Compared to Index  
1 Year ending December 31, 2020



Our approach has proved to be successful last year.

# Longer Term Results

SNB Wealth Management Returns Compared to Index  
5 Years ending December 31, 2020

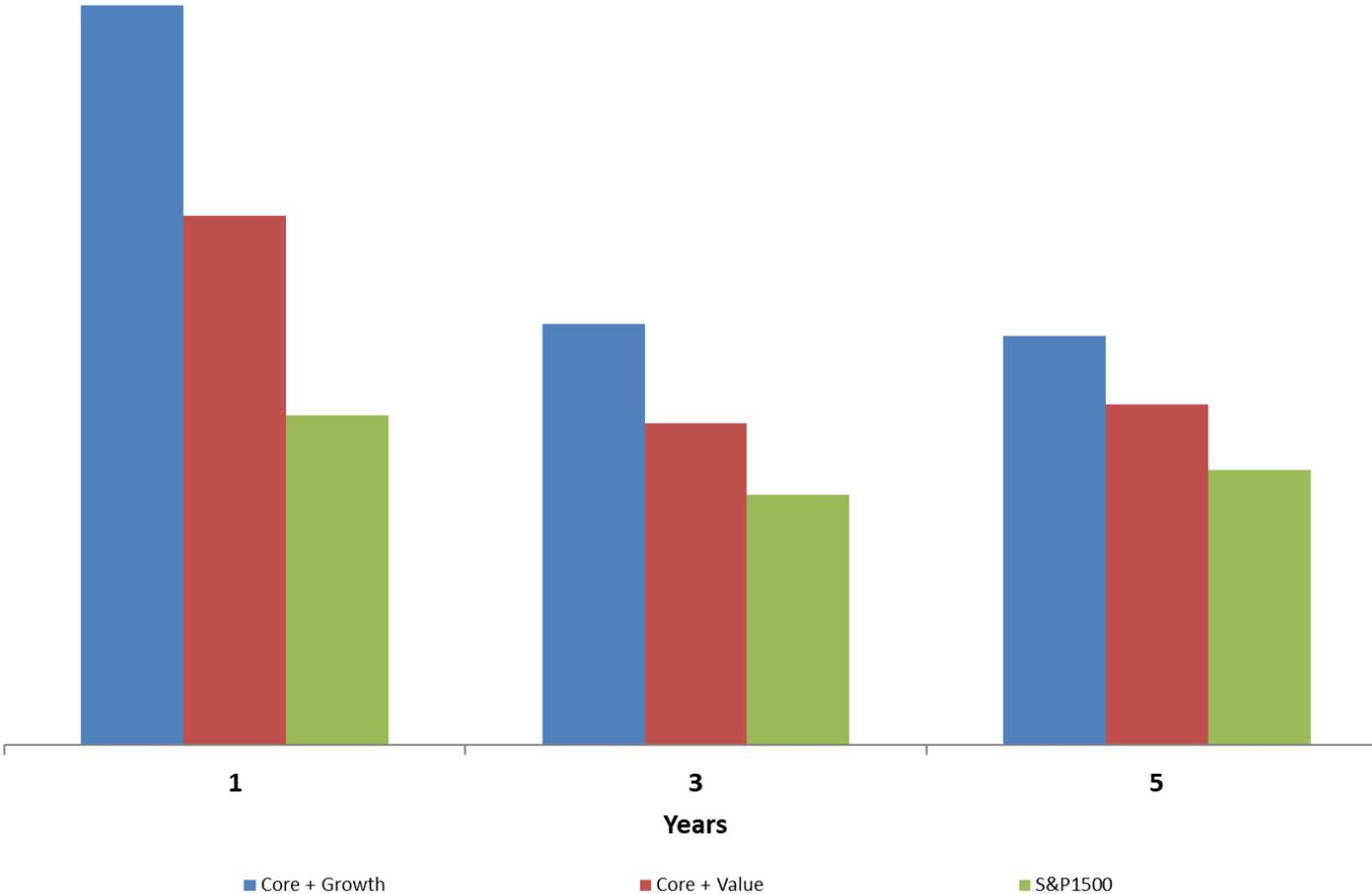


Our approach has proved to be successful over the long term.

# Stock Returns

## Equity Returns as of December 31, 2020

Our returns are led by superior stock returns



# Questions



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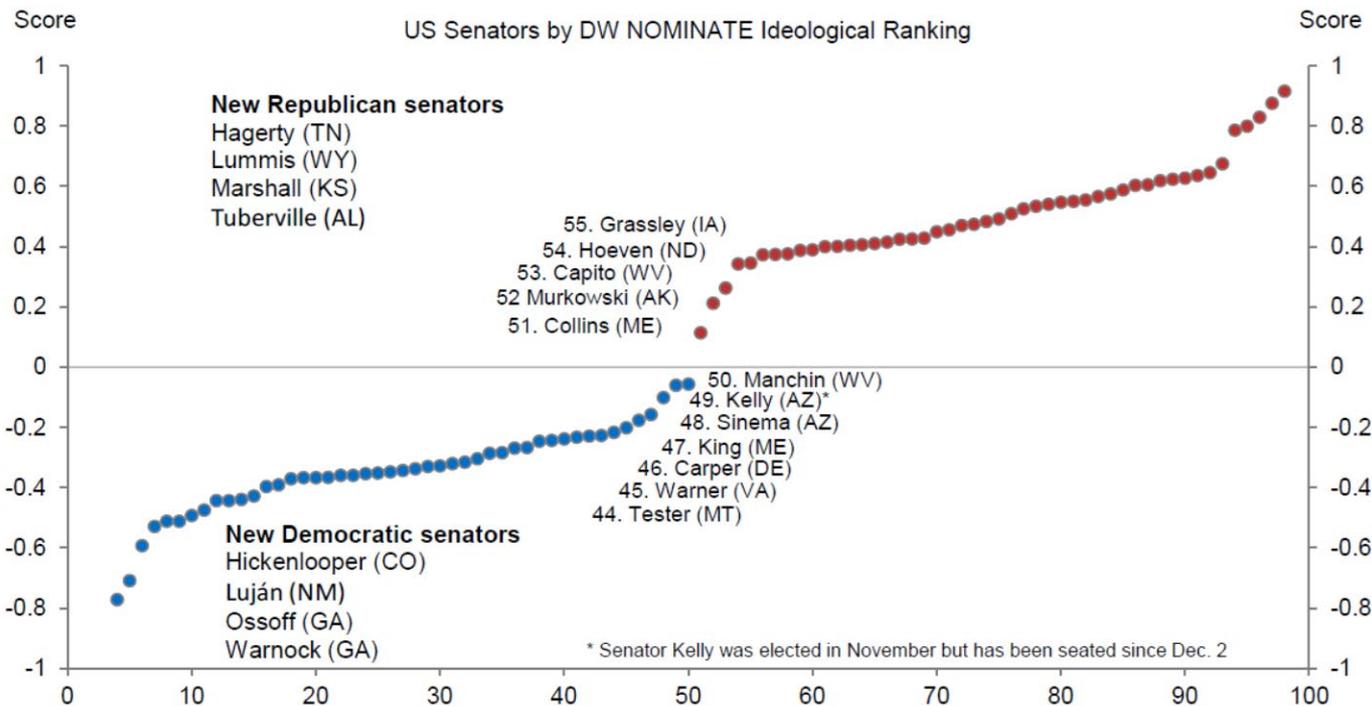
**jgibb@snbomaha.com**

**Thank You!**

# Additional Slides



# Senate Division



Democrats have the slimmest majority in Congress.

Will the center hold?

# Spending

## Personal Outlays

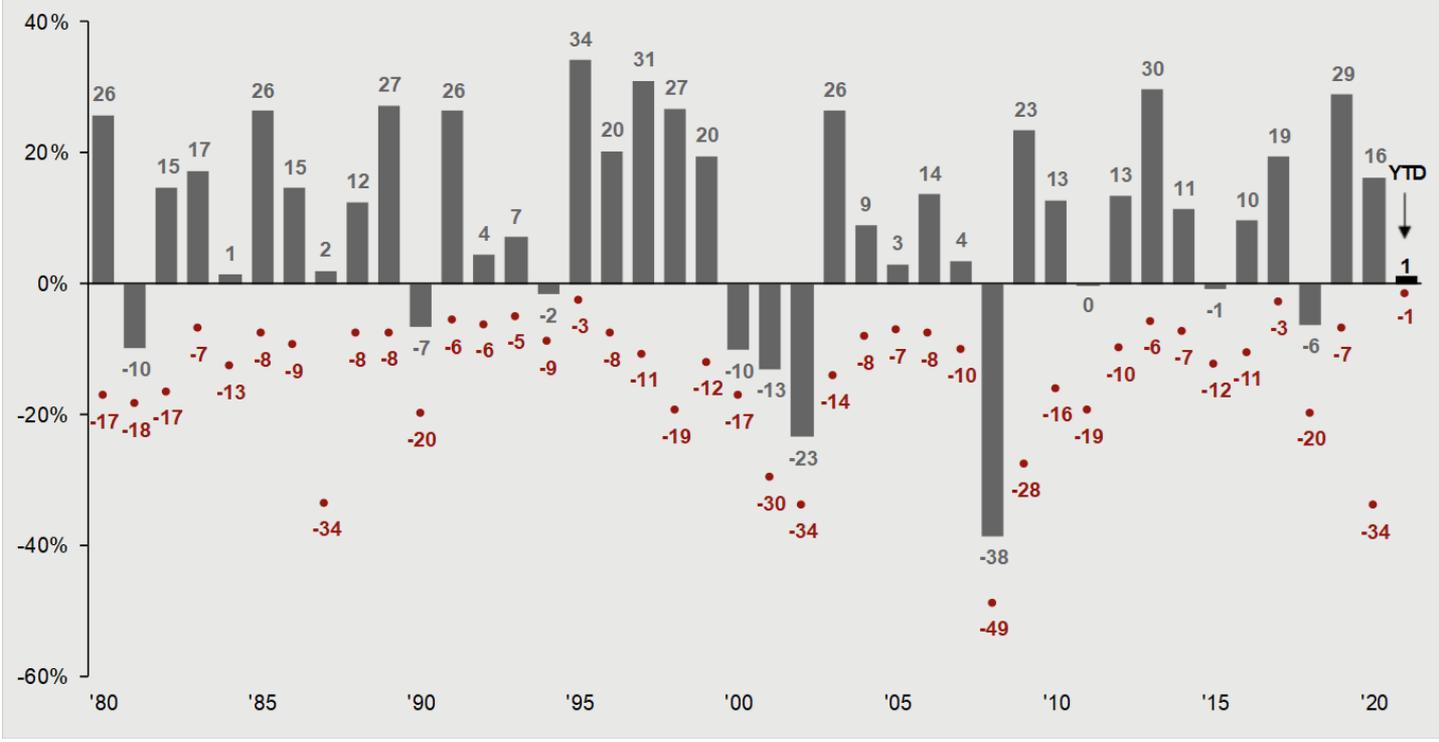
2019 4th quarter Average = 100



Spending is only down in the highest income group

# Sell-Offs are to be Expected

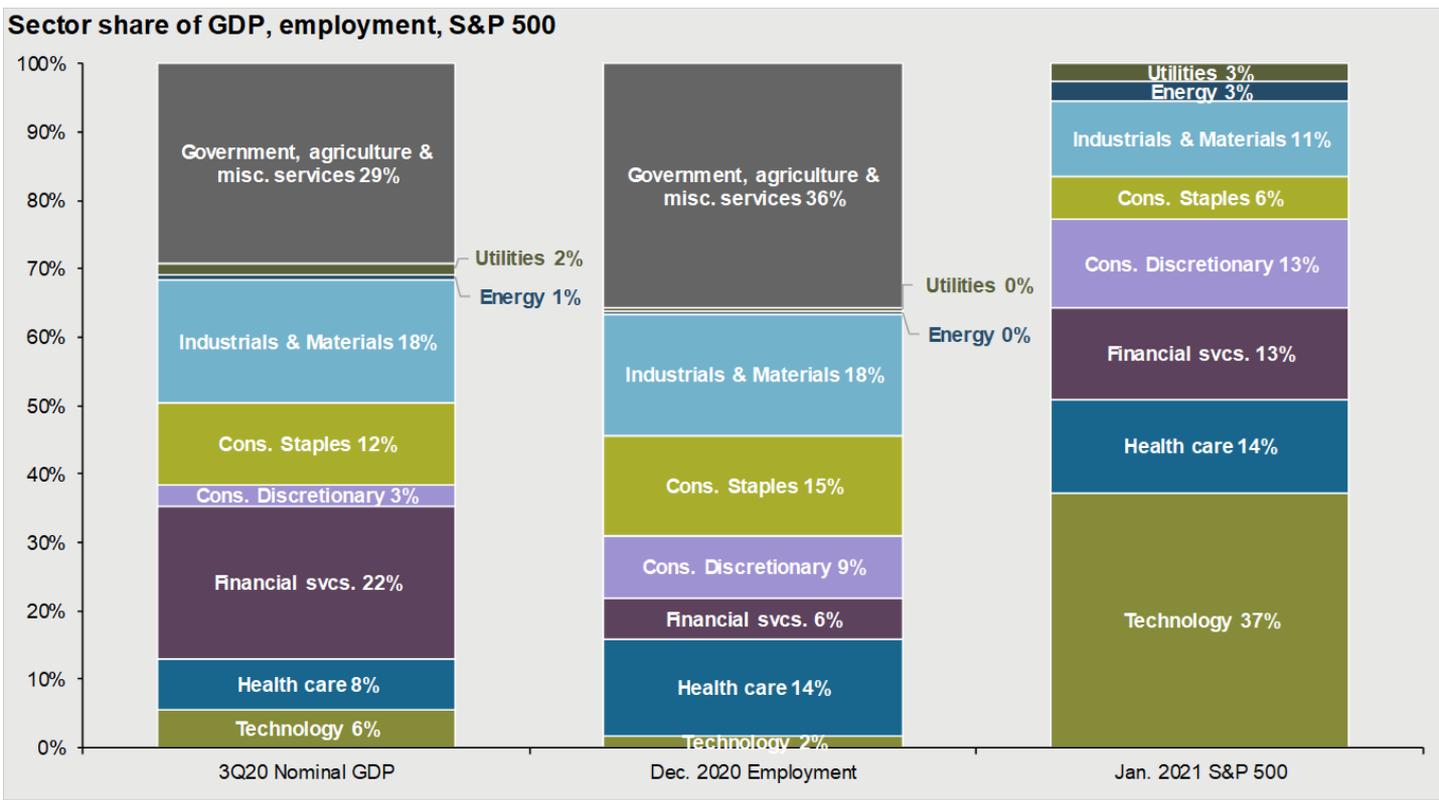
**S&P 500 intra-year declines vs. calendar year returns**  
Despite average intra-year drops of 14.3%, annual returns positive in 31 of 41 years



Periodic sell-off are to be expected

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.  
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020, over which time period the average annual return was 9.0%.  
*Guide to the Markets – U.S.* Data are as of January 14, 2021.

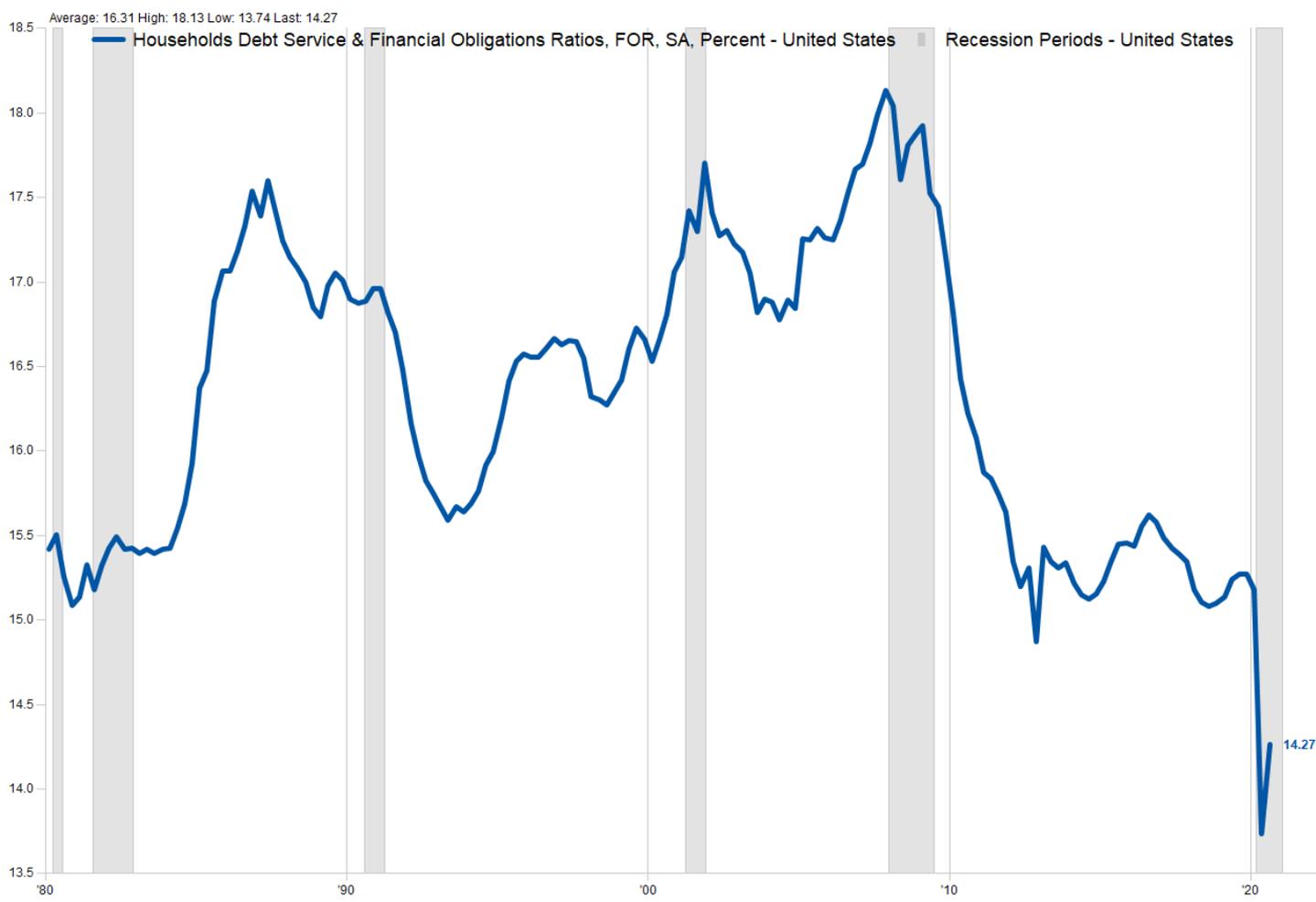
# Stocks are not the Economy



The stock market is not the economy

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Standard & Poor's, J.P. Morgan Asset Management. Sector share of S&P 500 based on market cap weighting. Technology: information (economy, employment), technology and communication services (S&P 500). Financial services includes real estate (S&P 500). Consumer discretionary: Arts, entertainment, recreation, accommodation, and food services (economy), leisure and hospitality (employment). Consumer staples: wholesale trade and retail trade (economy, employment). Industrials and materials: construction, manufacturing, transportation and warehousing (economy, employment). Energy: mining (economy), mining and logging (employment). Government, agriculture & misc. services: government, other services, professional and business services, education and agriculture, forestry, fishing, and hunting (economy), government, other services, professional and business services, and education (employment).  
*Guide to the Markets – U.S.* Data are as of January 14, 2021.

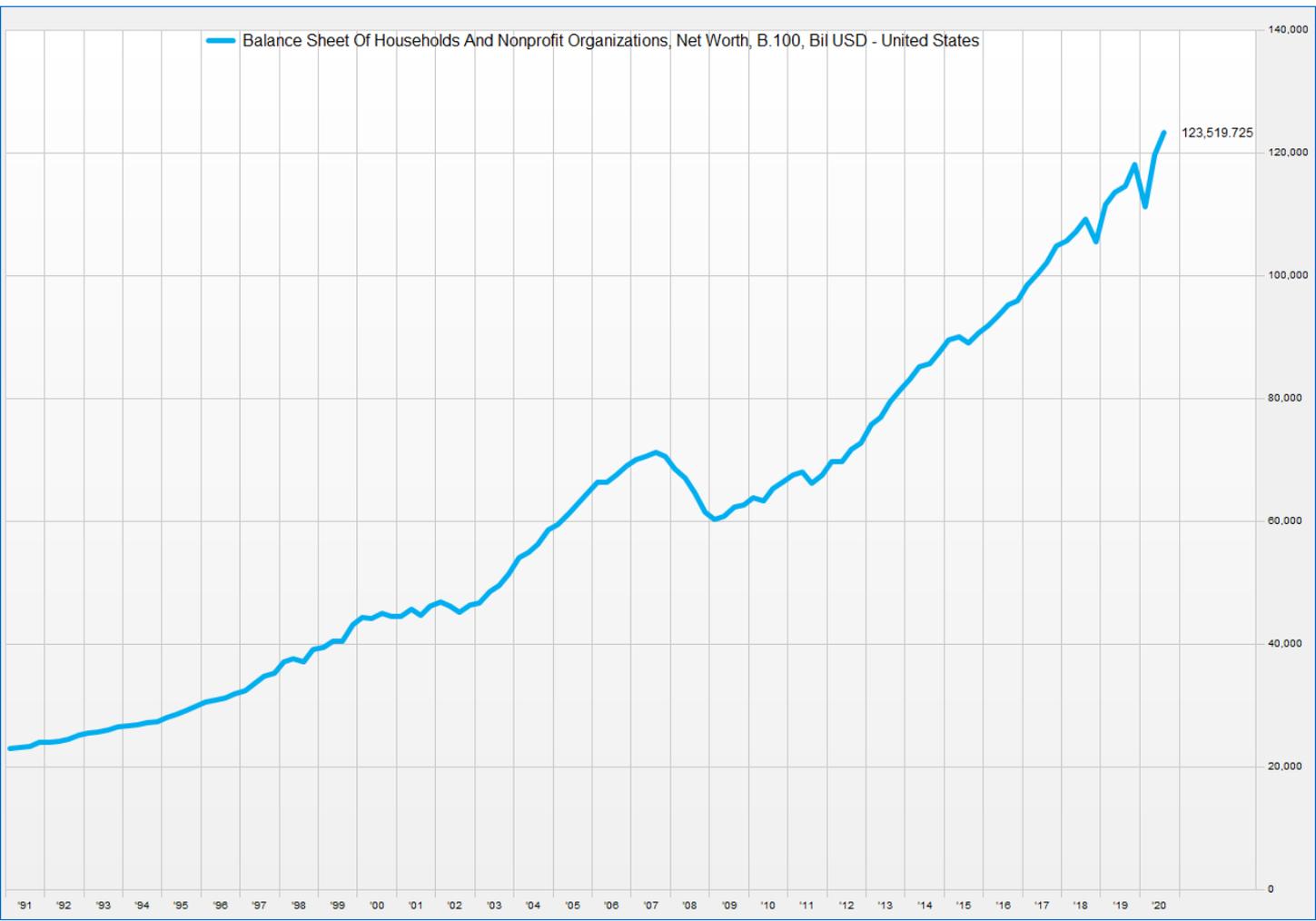
# Debt Service



Overall, the consumer is in great shape.

Source: FactSet Financial Obligations Ratio includes debt payment (principal and interest, rent payments, auto lease payments, home-owners insurance and property taxes as a percent of disposable income.

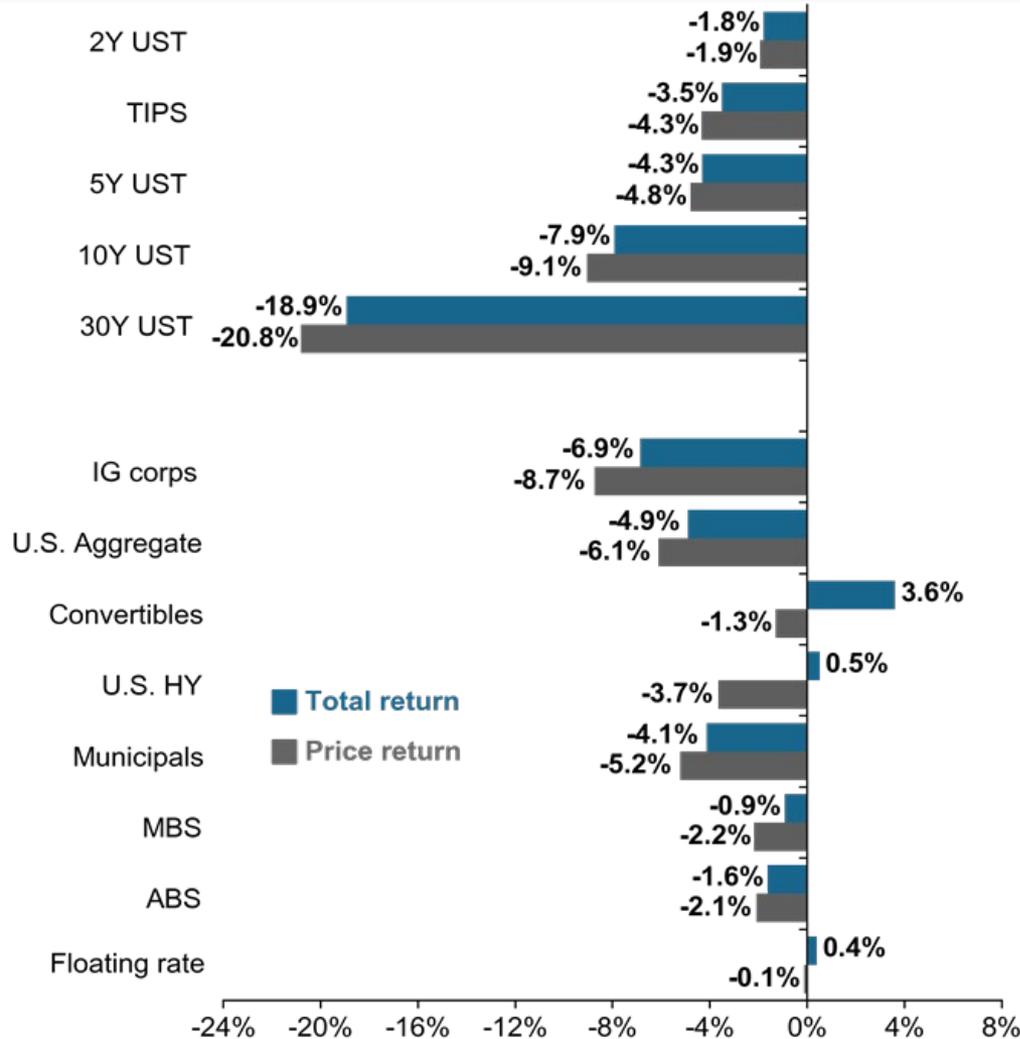
# Household Wealth



Net Worth is at an all-time high

Source: FactSet

# Impact of a 1% increase in Rates



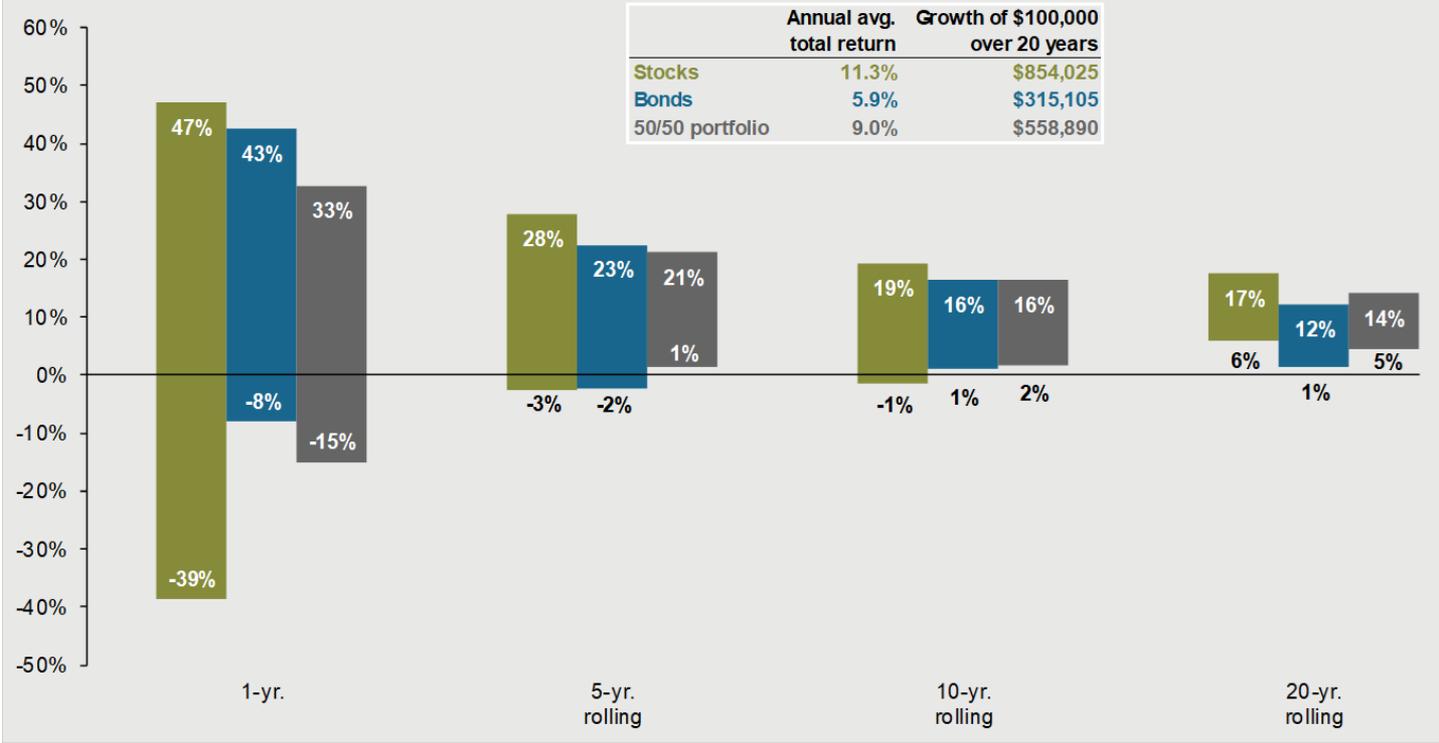
Impact of a 1% rise in interest rates

Assumes a parallel shift in the curve.

# Long Term View

## Range of stock, bond and blended total returns

Annual total returns, 1950-2020



Long time horizons allow for higher equity allocations.

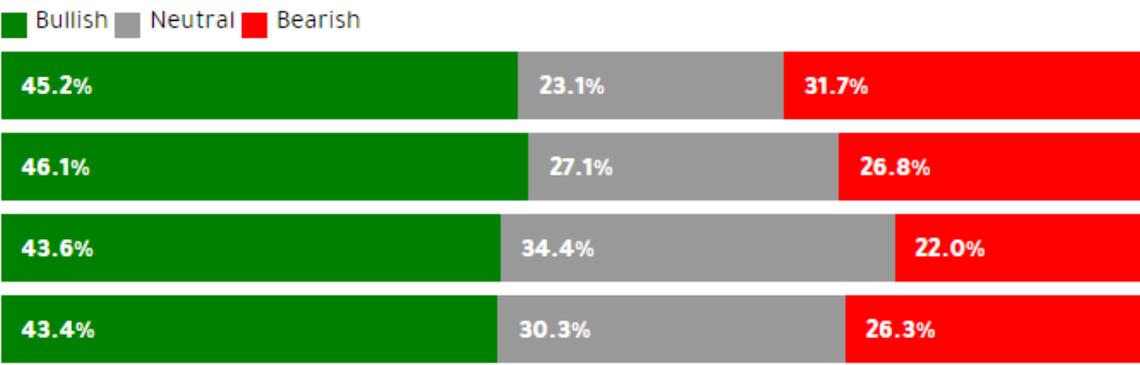
Most investors are under allocated to equities.

Allocated to equities as cashflow and comfort allows.

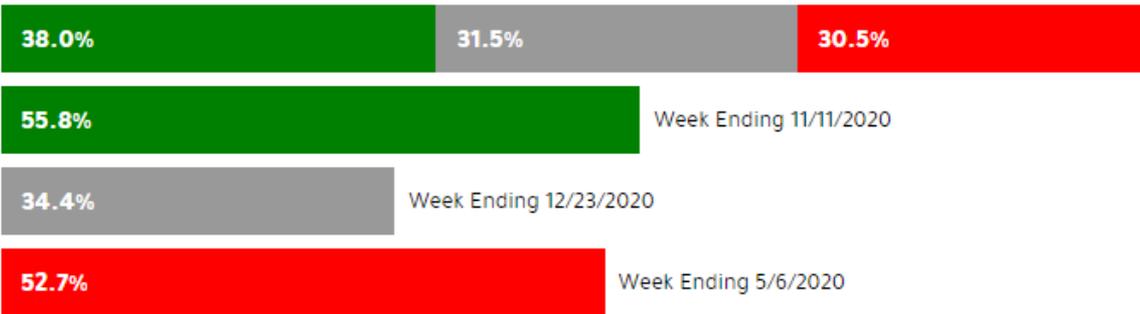
Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2020. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2020. *Guide to the Markets – U.S.* Data are as of January 14, 2021.

# Retail Sentiment

Sentiment Votes



Historical View

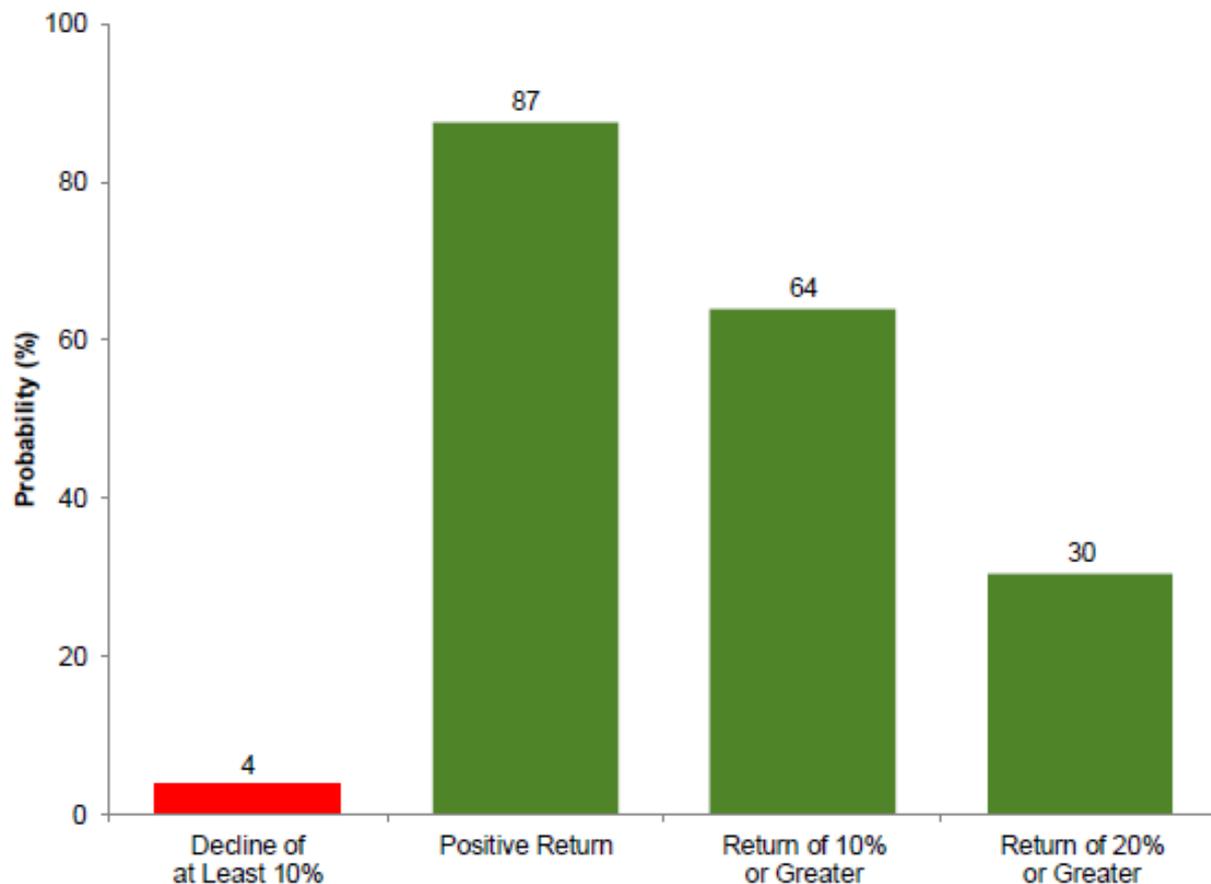


Retail investors have for the most part missed the recovery and are now returning to the market.

Source: American Association of Individual Investors January 18, 2021.

# Odd Favor Investors

## 1. Odds of Various S&P 500 One-Year Total Returns During US Economic Expansions<sup>1</sup>

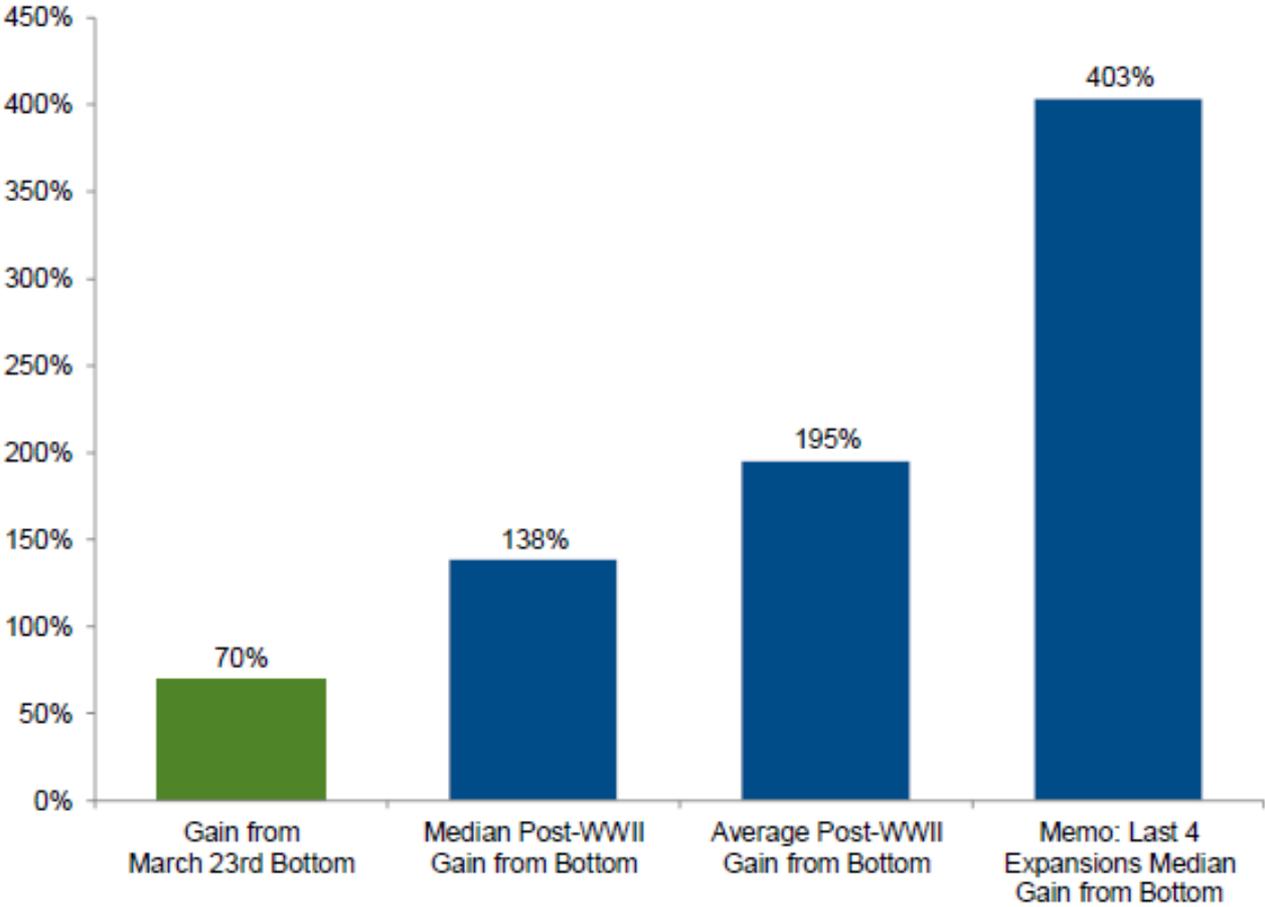


Investors have an 87% chance of positive return during periods of economic growth and only 4% chance of a decline of more than 10% this year.

# Bull Market has Room to Run

## 2. S&P 500 Total Return from Equity Trough to Beginning of Next Recession<sup>2</sup>

Odds favor further equity gains.



Source: Goldman Sachs Investment Strategy Group