



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
July 22, 2022



Introduction

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President, Partner and Chief Compliance Officer
- Jonathan Scharlau, CFA, CFP[®], AEP[®], CAIA
Partner and Lead Analyst



Agenda

- Economic data
- Market data
- Review of past bear markets and recoveries
- SilverOak's outlook
- SilverOak updates and other items
- Questions



Economy: Mixed Signals



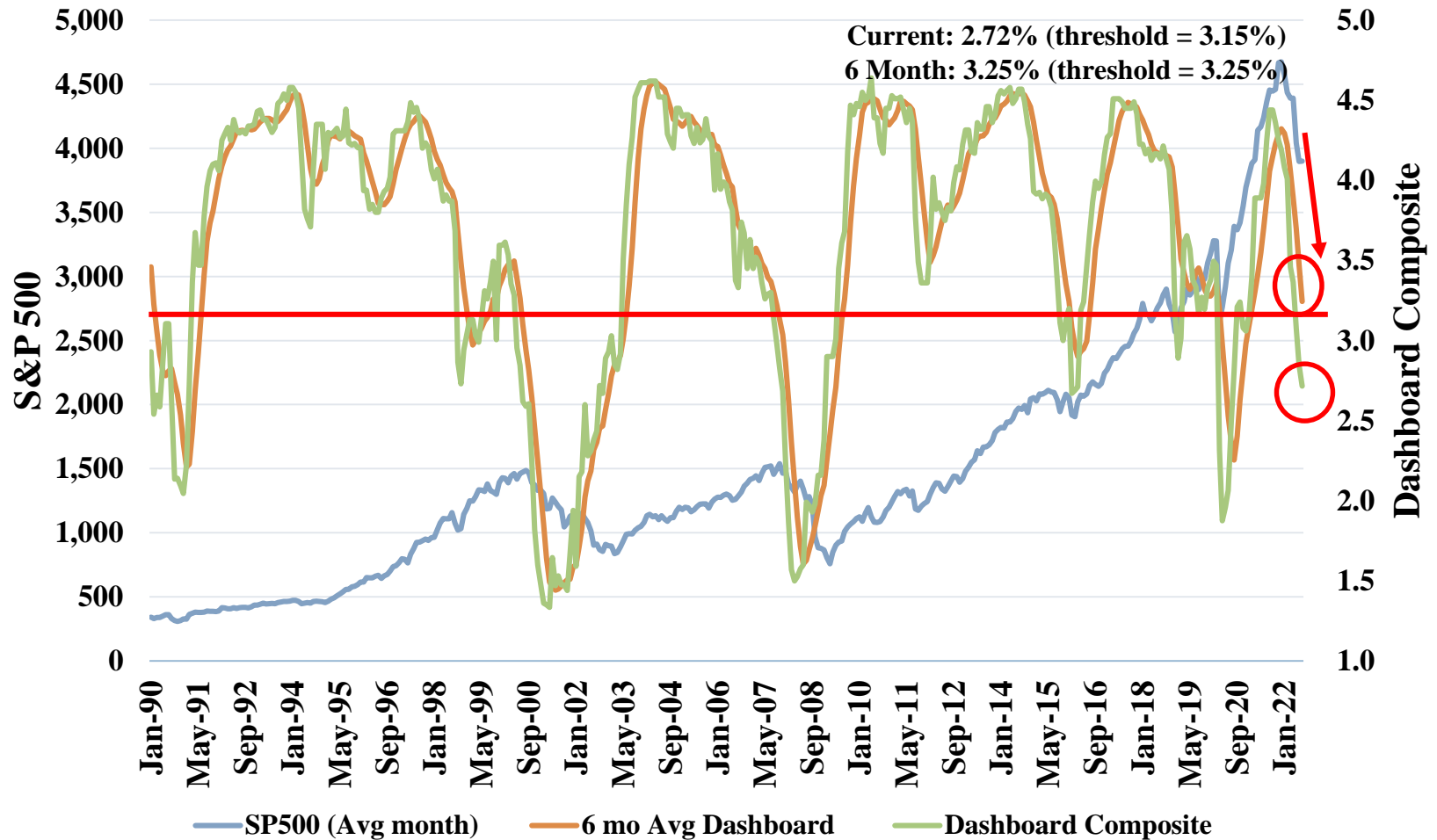
Market Dashboard

Projected

	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Economy														
Credit Markets														
Valuations														
Market Sentiment														
Composite 6mo. Avg.														



Market Dashboard



High Energy Costs Impacting Economy

Price of oil

WTI crude, nominal prices, USD/barrel

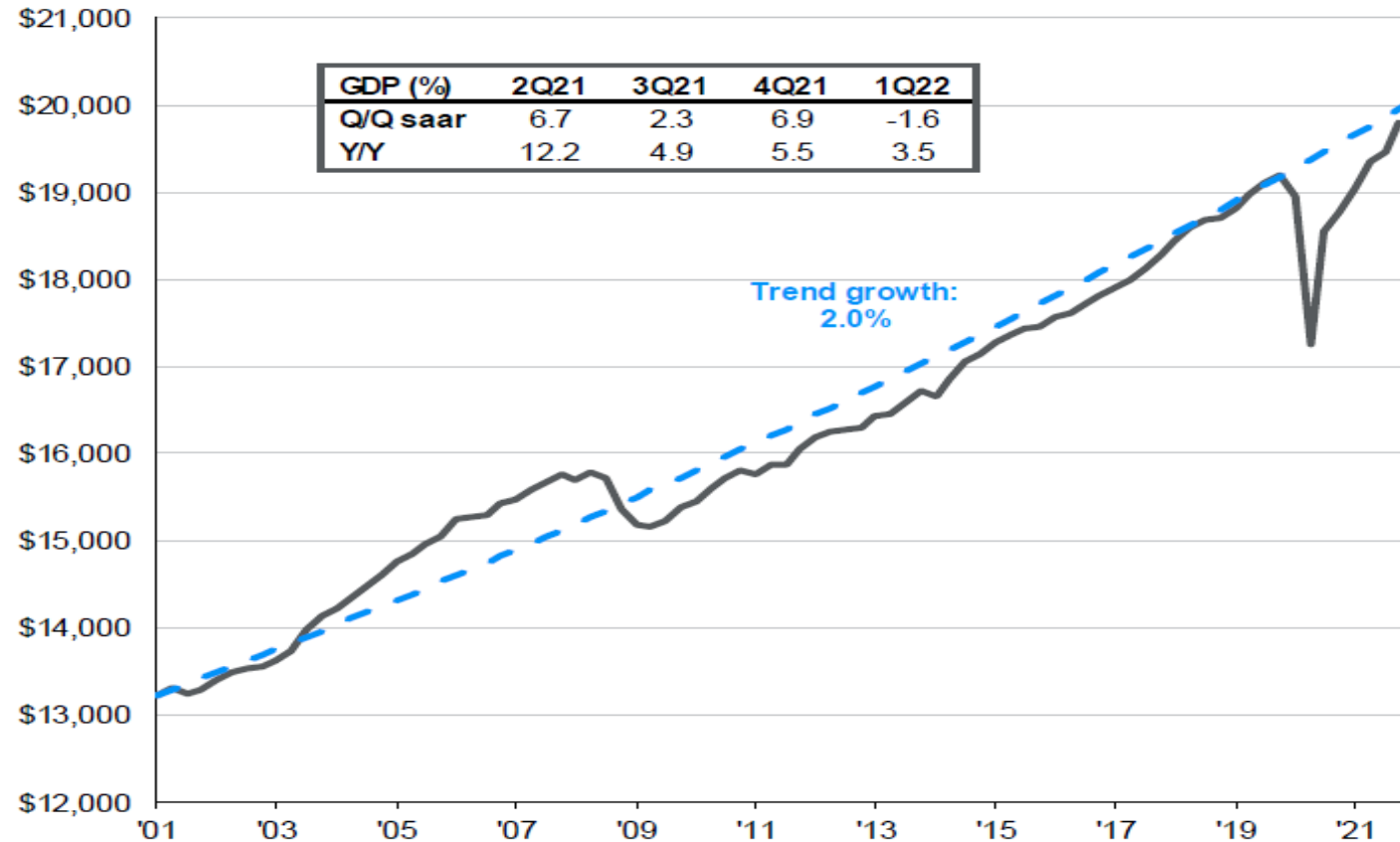


Source: Factset, IEA, JP Morgan Asset Management. Data as of 6/30/2022

GDP Growth Flattening

Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates

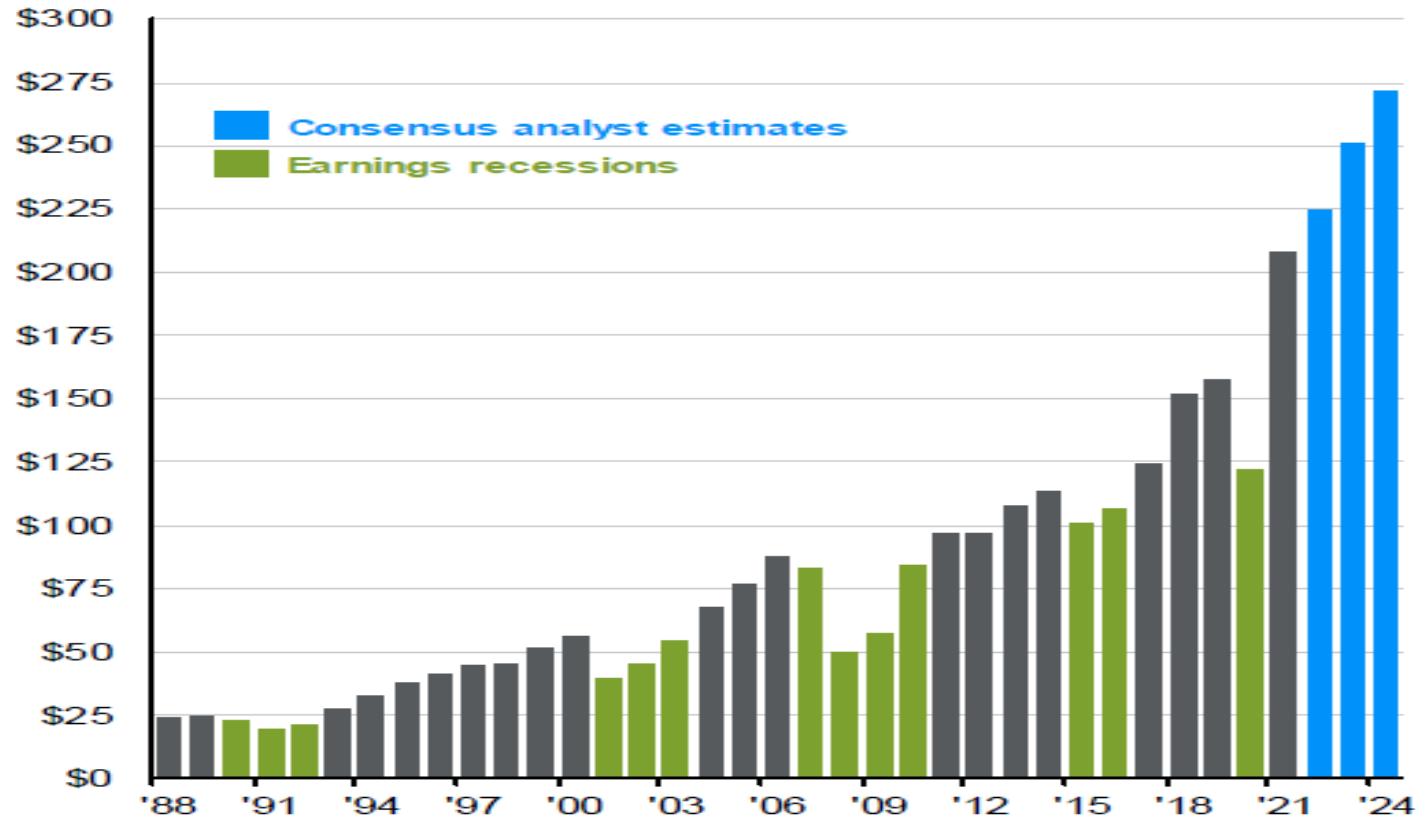


Source: Bureau of Economic Analysis, Factset, J.P. Morgan Asset Management. Data as of 6/30/2022



Earnings Still Expected to Grow

S&P 500 earnings per share
Index annual operating earnings

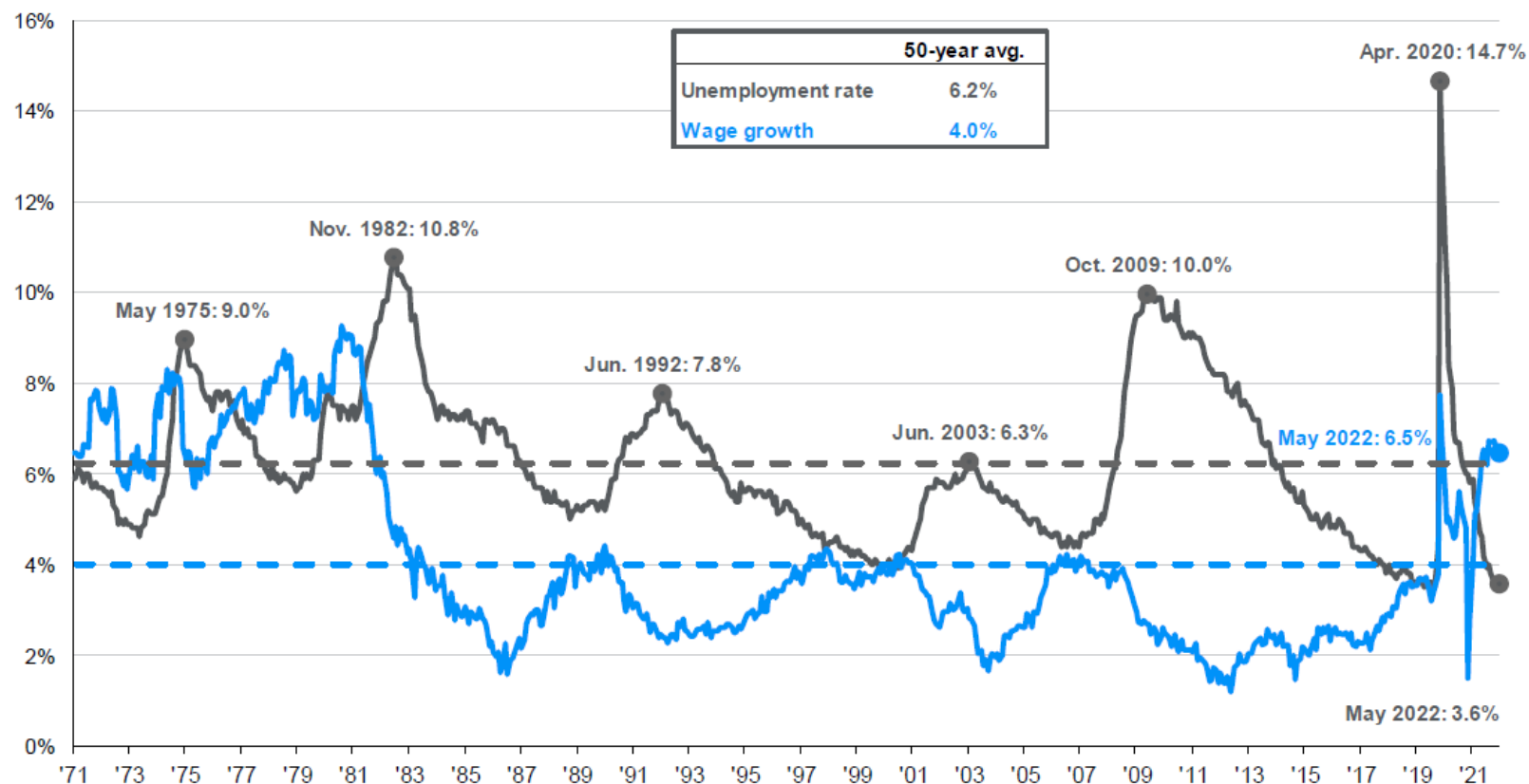


Source: FactSet, Compustat, S&P, JP Morgan Asset Management. Data as of 6/30/2022

Job Growth Remains Strong

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



Source: BLS, Factset, JP Morgan Asset Management. Data as of 6/30/2022

Current Economic Factors Scorecard

Positive

Corporate Earnings

Credit Conditions ↓

Neutral

Interest Rates ↓

U.S. Politics

U.S. Dollar ↓

Employment

Global Growth ↓

Eurozone ↓

Monetary Policy (-)

Housing (-)

Fiscal Policy (-)

Negative

China

Tariffs

Geopolitics

U.S. Inflation

Commodity Prices

Consumer Confidence (-)

(+)/(-) signifies upgrades/downgrades in categories
↑ ↓ signifies sentiment shifts within a category



As of 6/30/2022

Markets: Few Places To Hide



Market Summary

■ Equity market performance

	<u>Q2 2022</u>	<u>YTD</u>	<u>2019-2021 Total Return</u>
– US large cap			
• S&P 500	-16.1%	-20.0%	+100.4%
– US mid cap			
• Russell Midcap	-16.9%	-21.6%	+87.4%
– US small cap			
• Russell Smallcap	-17.2%	-23.4%	+72.9%
– International equities			
• MSCI ACWI ex US	-13.7%	-18.4%	+45.0%
– Emerging markets			
• MSCI Emerging Markets	-11.5%	-17.6%	+36.6%

Source: Morningstar



Market Summary

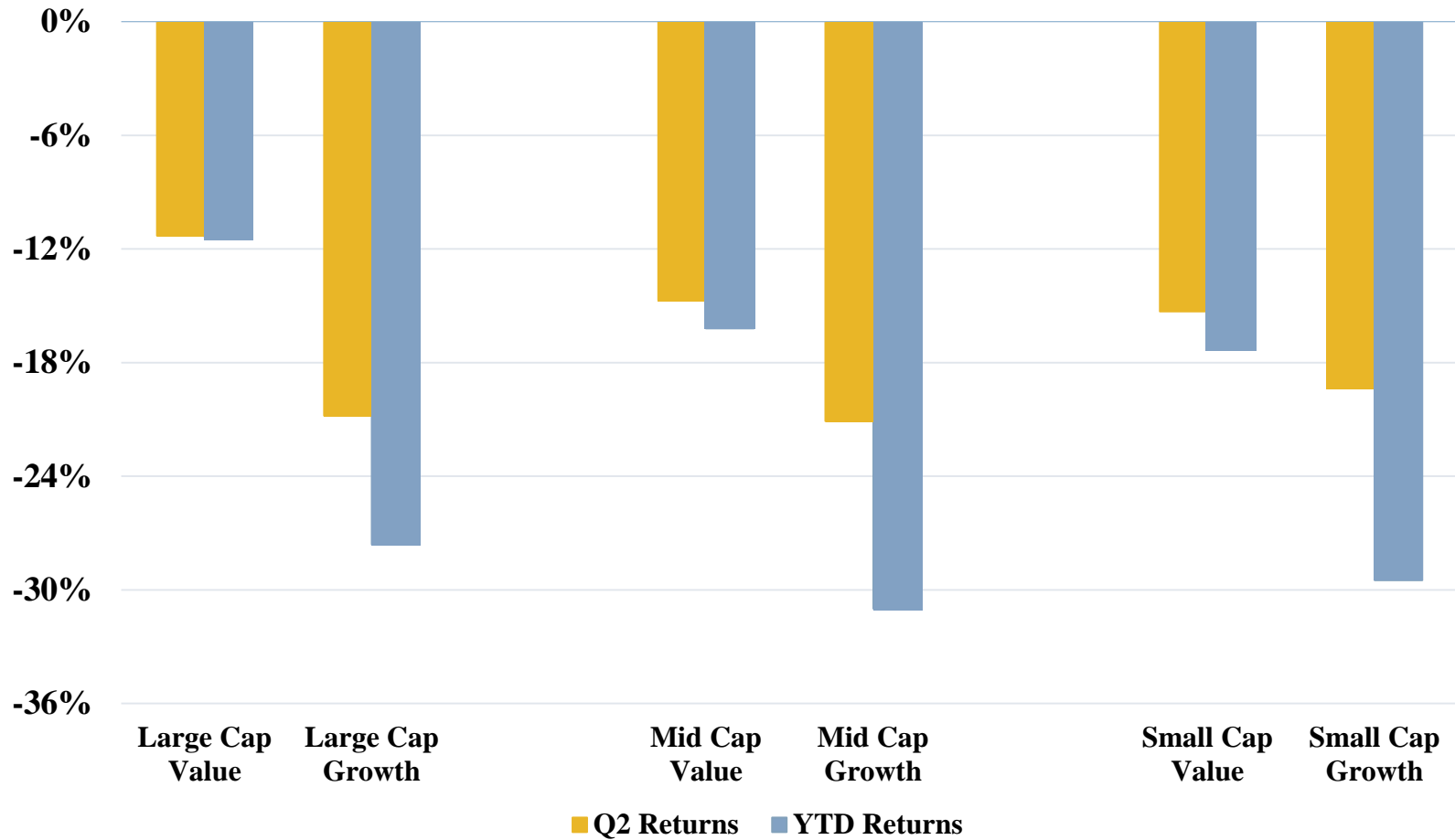
■ Bonds and other asset class performance

	<u>Q2 2022</u>	<u>YTD</u>	<u>2019-2021 Total Return</u>
– US fixed income			
• Bloomberg U.S. Aggregate	-4.7%	-10.4%	+15.1%
– Global fixed income			
• Bloomberg Barclay's Global ex US	-11.0%	-16.5%	+7.6%
– Commodities			
• Bloomberg Commodity TR	-5.7%	+18.4%	+32.6%
– REITS			
• MSCI US REIT NR	-17.2%	-20.7%	+60.9%

Source: Morningstar



Value Has Held Up Better Than Growth

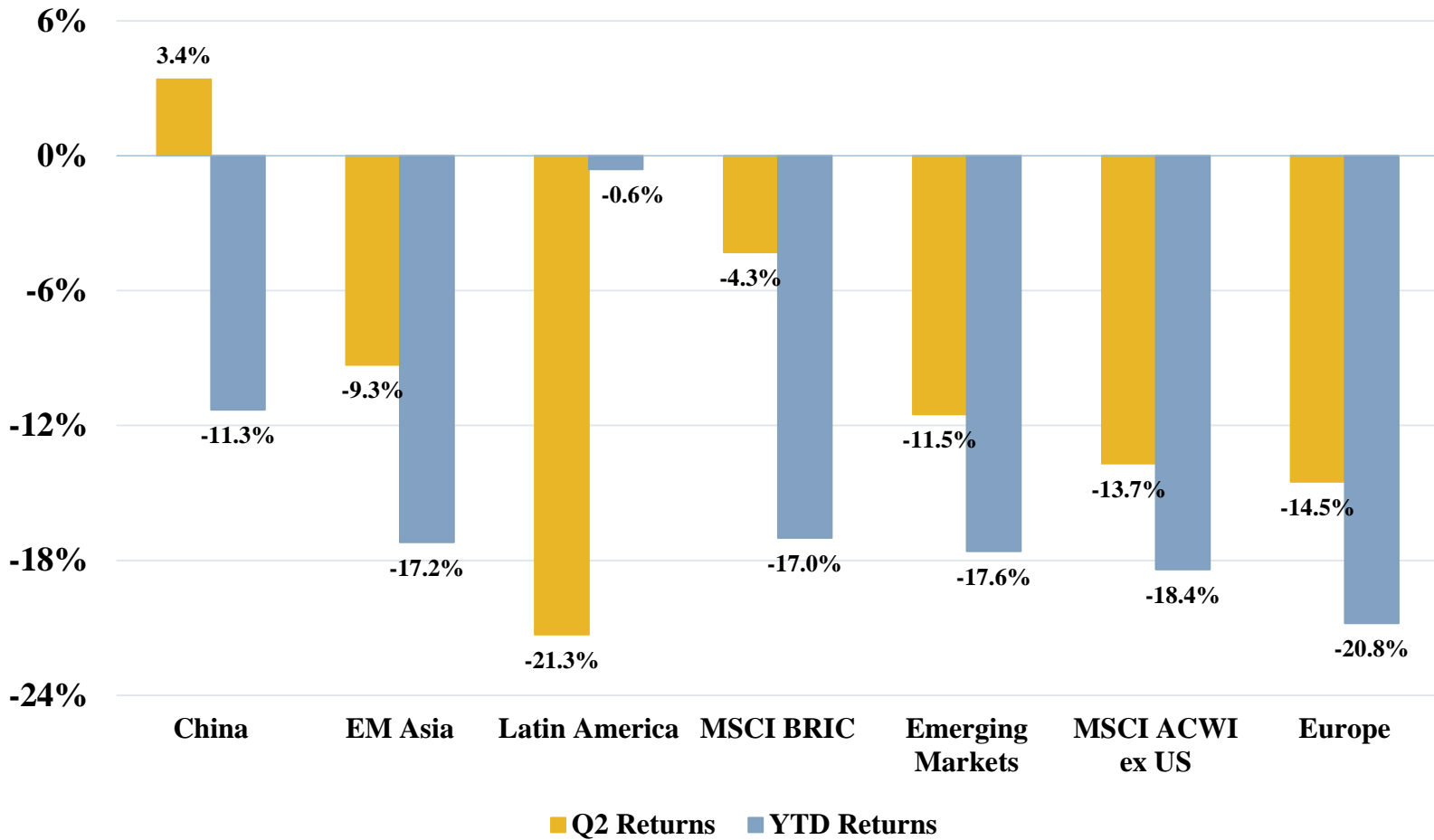


Past performance is no guarantee of future success. As of 6/30/2022

Returns in US dollars.



Less International Downside In Second Quarter



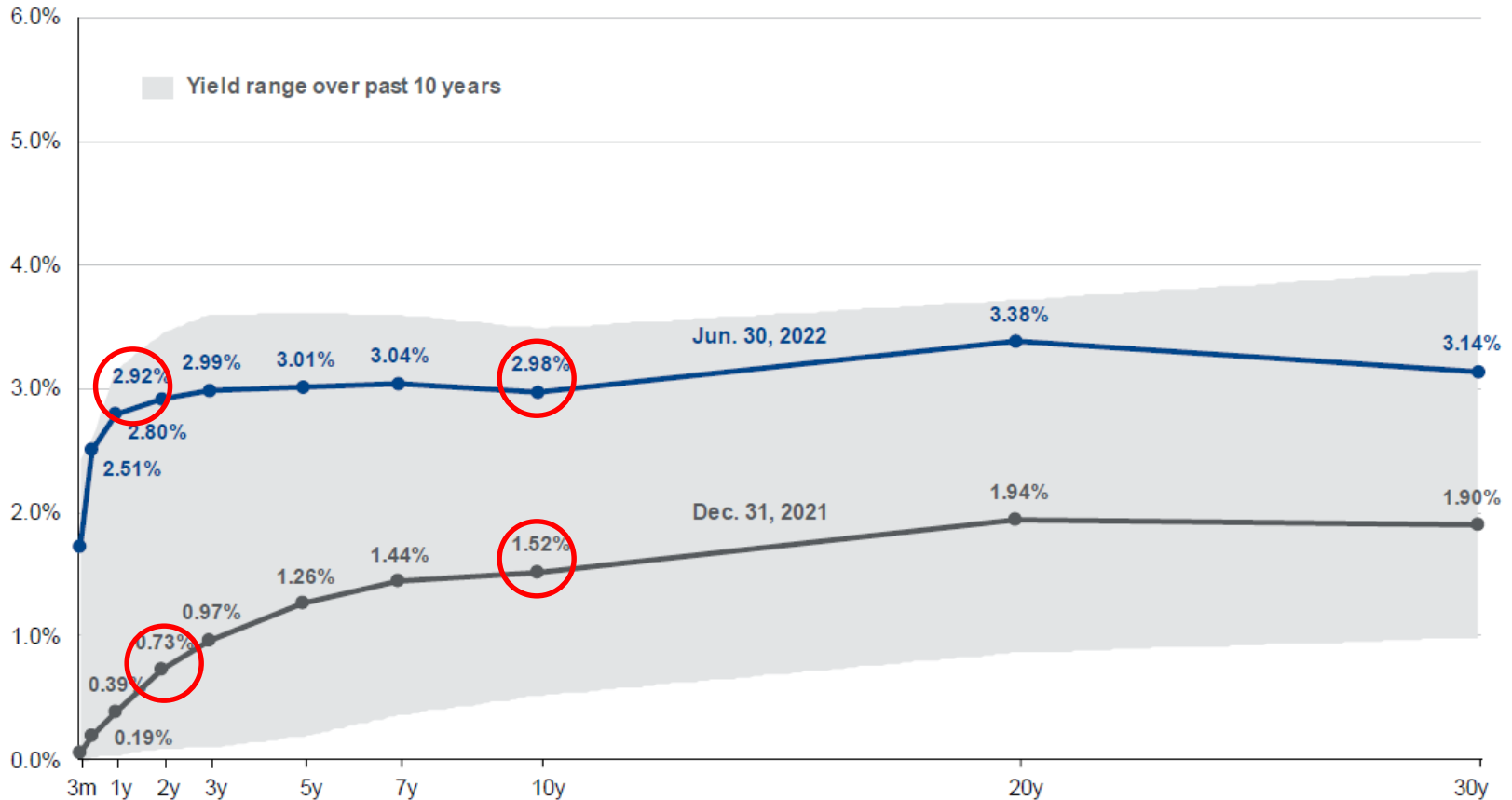
Past performance is no guarantee of future success. As of 6/30/2022

Returns in US dollars.



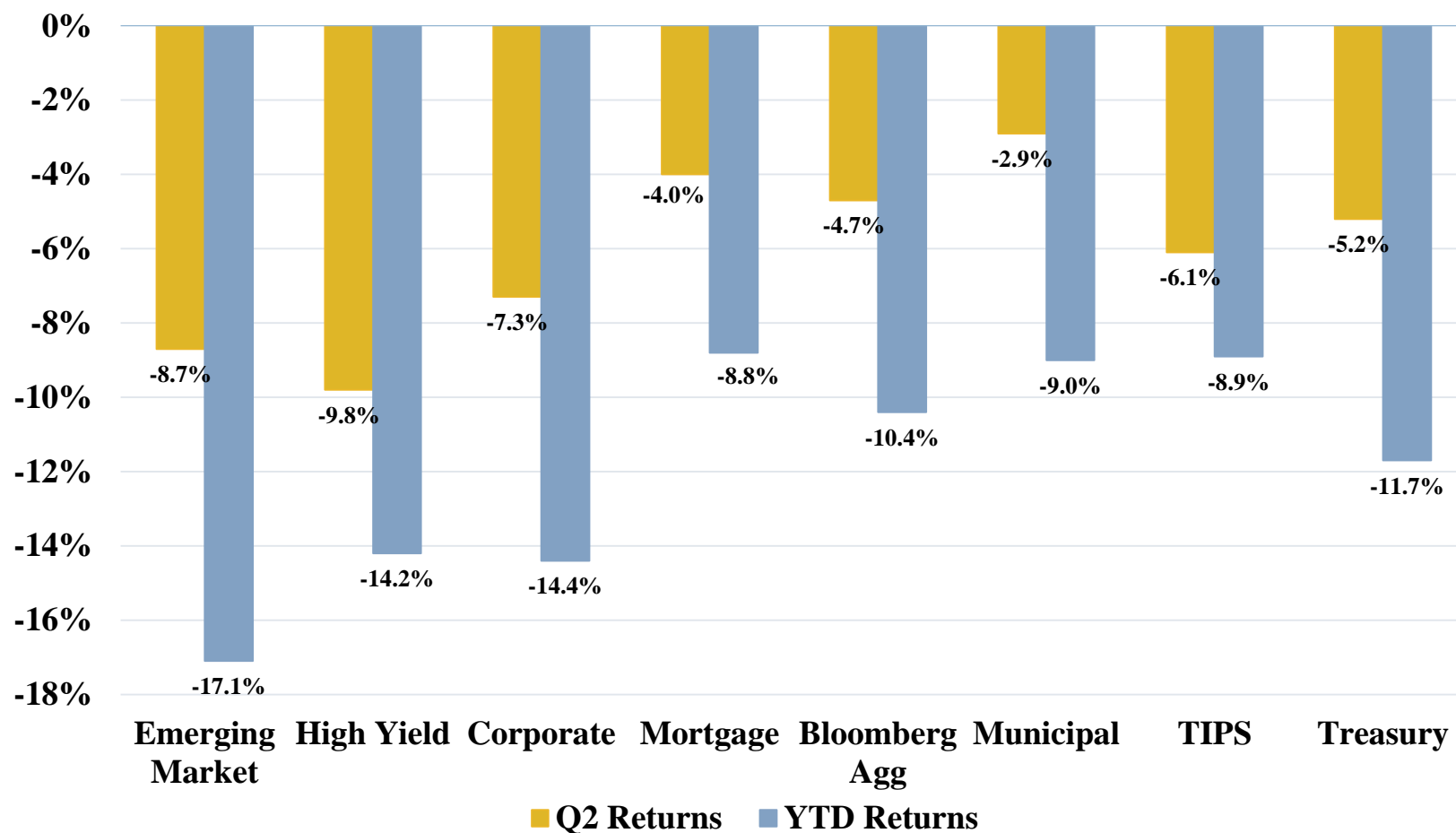
Interest Rates Are Up Substantially

U.S. Treasury yield curve



Source: Factset, Federal Reserve, JP Morgan Asset Management. Data as of 6/30/2022

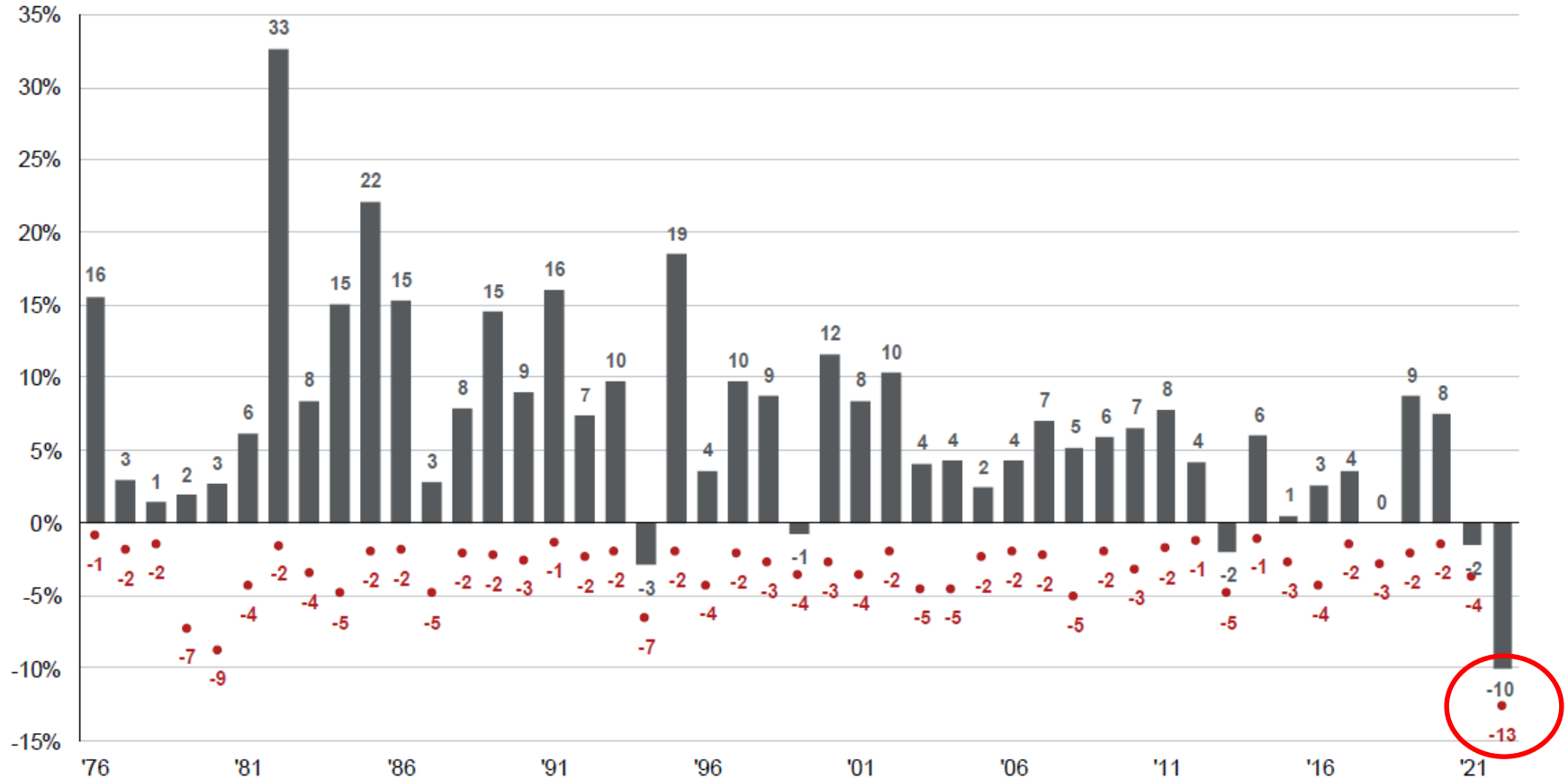
Bonds Hit By Rates and Economic Concerns



Current YTD Bond Returns Historically Weak

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.1%, annual returns positive in 42 of 46 years



Source: Bloomberg, Factset, JP Morgan. Data from 1976 and as of 6/30/2022.



Rare For Both Stocks and Bonds To Be Down

Negative calendar years for U.S. stocks	Bonds	Stocks
1929	6.0	-8.4
1930	6.7	-24.9
1931	-2.3	-43.3
1932	8.8	-8.2
1934	9.0	-1.4
1937	1.6	-35.0
1939	4.5	-0.4
1940	3.0	-9.8
1941	0.5	-11.6
1946	1.0	-8.1
1953	3.2	-1.0
1957	7.8	-10.8
1962	5.6	-8.7
1966	4.7	-10.1
1969	-0.7	-8.5
1973	4.6	-14.7
1974	5.7	-26.5
1977	3.0	-7.2
1981	6.3	-4.9
1990	9.0	-3.1
2000	11.6	-9.1
2001	8.4	-11.9
2002	10.3	-22.1
2008	5.2	-37.0
2018	0.0	-4.4
YTD 2022	-8.9	-12.8



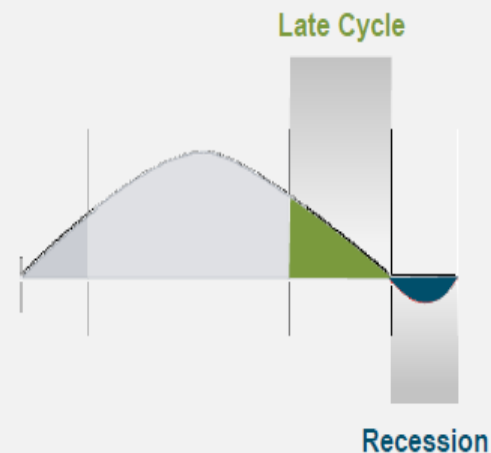
Review of Past Bear Markets and Recoveries



Late Cycle vs. Recession

Typical Business Cycle Conditions by Phase

Indicator	Late Cycle	Recession
Overall growth	⇒ Pace moderates	Activity falls
Employment	⇒ Labor markets tight and peaking; job losses begin to rise	Job losses accelerate
Credit conditions	⇒ Tighten; yield curve flattens and inverts	Access to credit dries up
Monetary policy	⇒ Fed tightening becomes contractionary	Fed eases
Corporate profits	⇒ Growth under pressure; profit margins decline	Profits decline
Inventories	⇒ Rise relative to sales	Fall while sales also fall



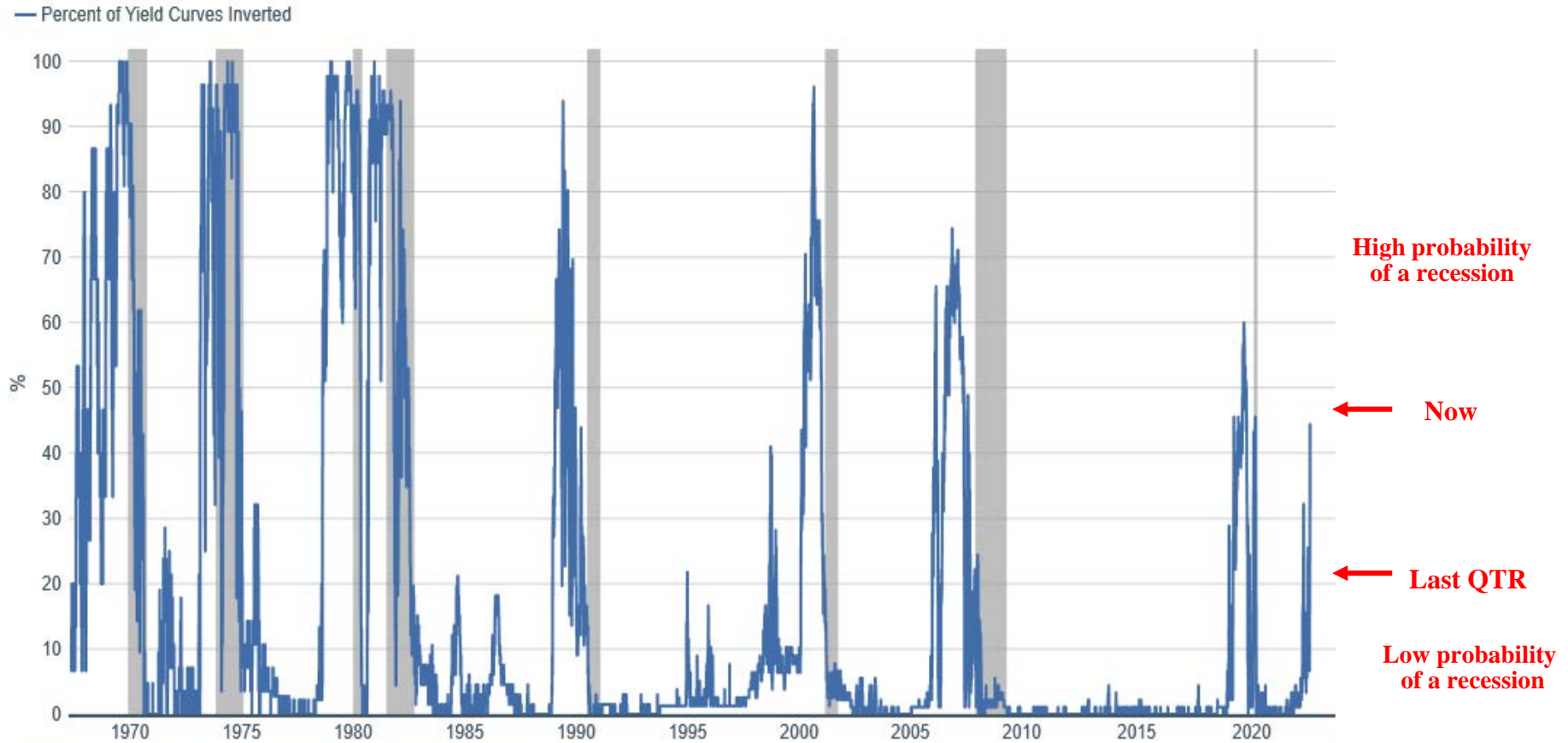
Yield Curve Inversion

2-year/10-year yield spread (basis points)



Source: Factset, Federal Reserve, JP Morgan Asset Management. Data as of 6/30/2022

Recession Watch Update

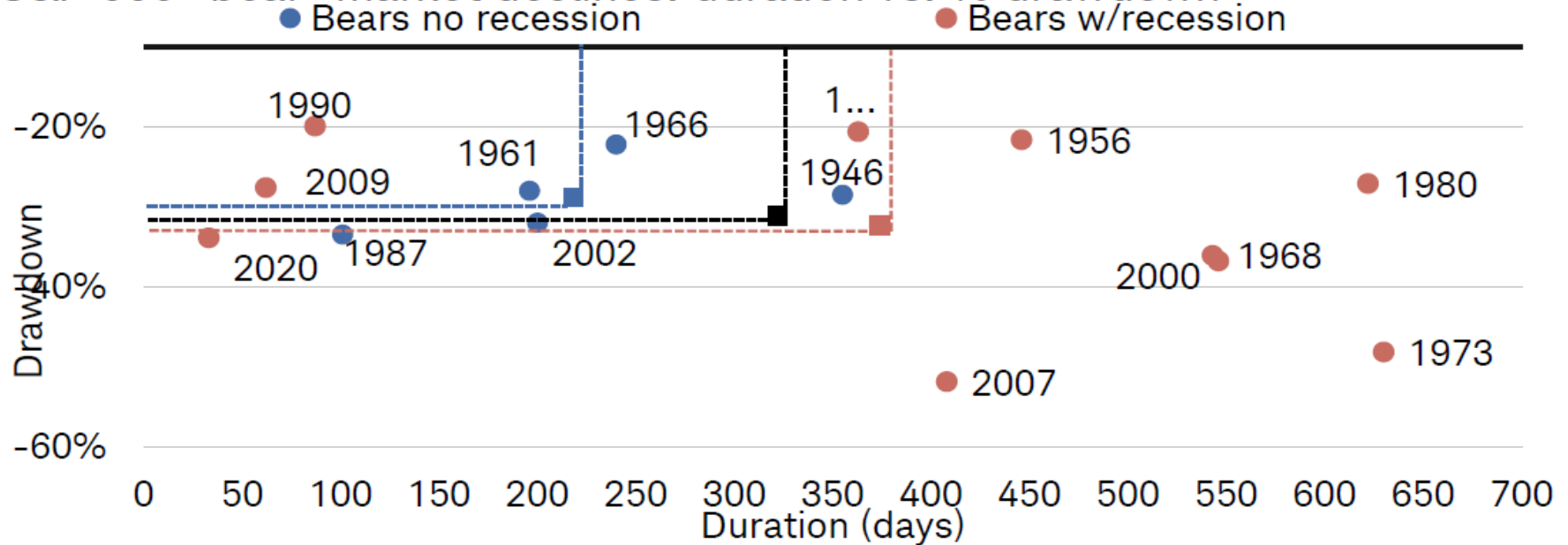


Source: Charles Schwab, Macrobond, US Department of Treasury data as of 7/15/2022



Historical Bear Market Declines

S&P 500 "bear" market declines: duration vs. % drawdown

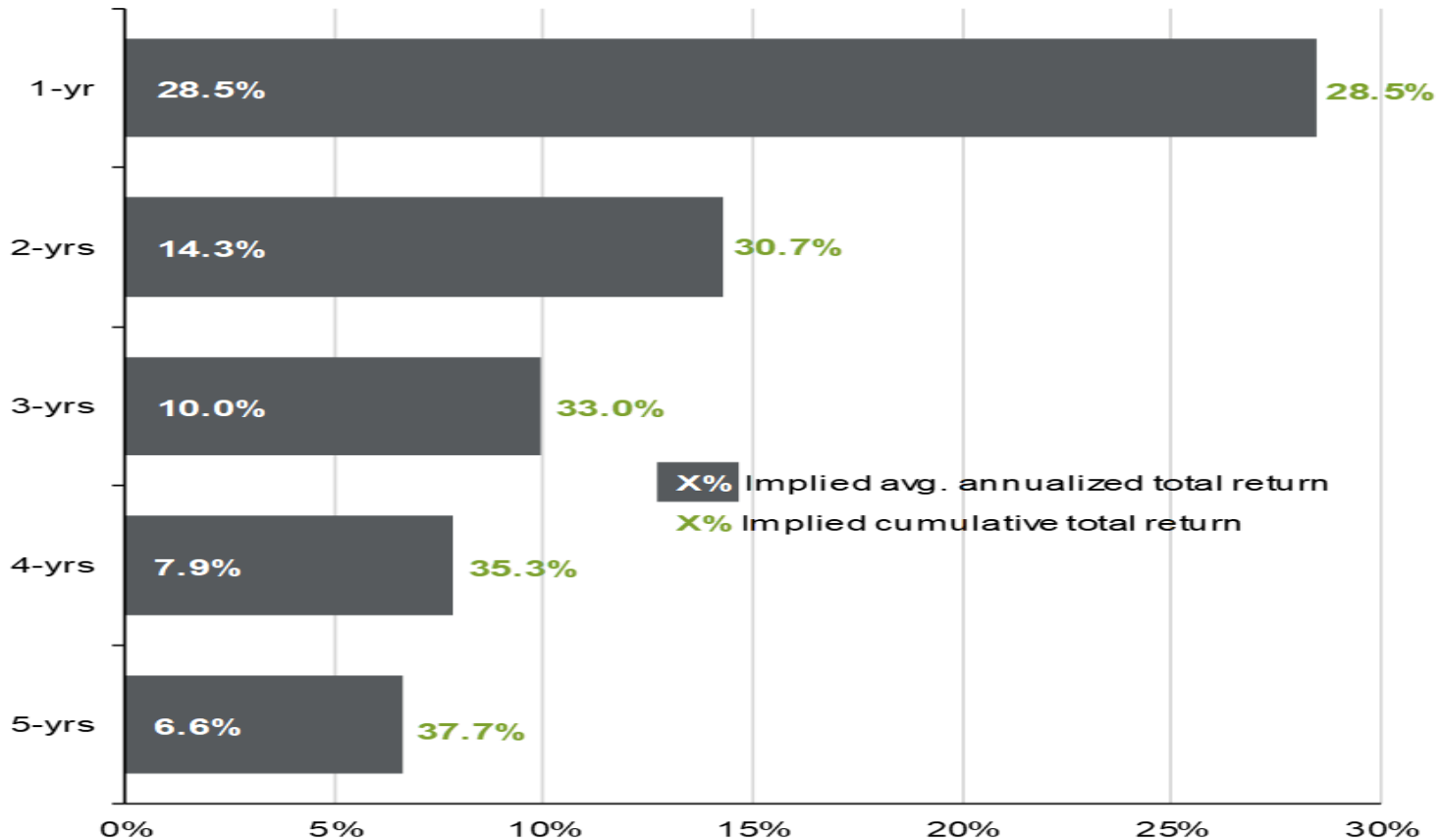


S&P 500		
Scenario	Average % change	Average duration of bear market
Bears no recession	-28.8%	218
Bears w/recession	-32.4%	374
All bears	-31.2%	322



Recovery Returns

Return needed to reach January 2022 peak
Current S&P 500 peak is 4797



Stocks Often Rally After Big Drops

S&P 500 returns after falling -20% from record high (since 1950)				
	6-months later	1-year later	2-years later	3-years later
10/21/57	9%	31%	46%	40%
5/28/62	11%	26%	45%	59%
8/29/66	18%	25%	36%	24%
1/29/70	-9%	11%	20%	38%
11/27/73	-9%	-27%	-6%	7%
2/22/82	1%	32%	40%	62%
10/19/87	15%	23%	48%	31%
3/12/01	-7%	-1%	-27%	-6%
7/9/08	-27%	-29%	-17%	6%
3/12/20	35%	59%	72%	
Average	4%	15%	26%	29%
% positive	60%	70%	70%	89%

1-Year

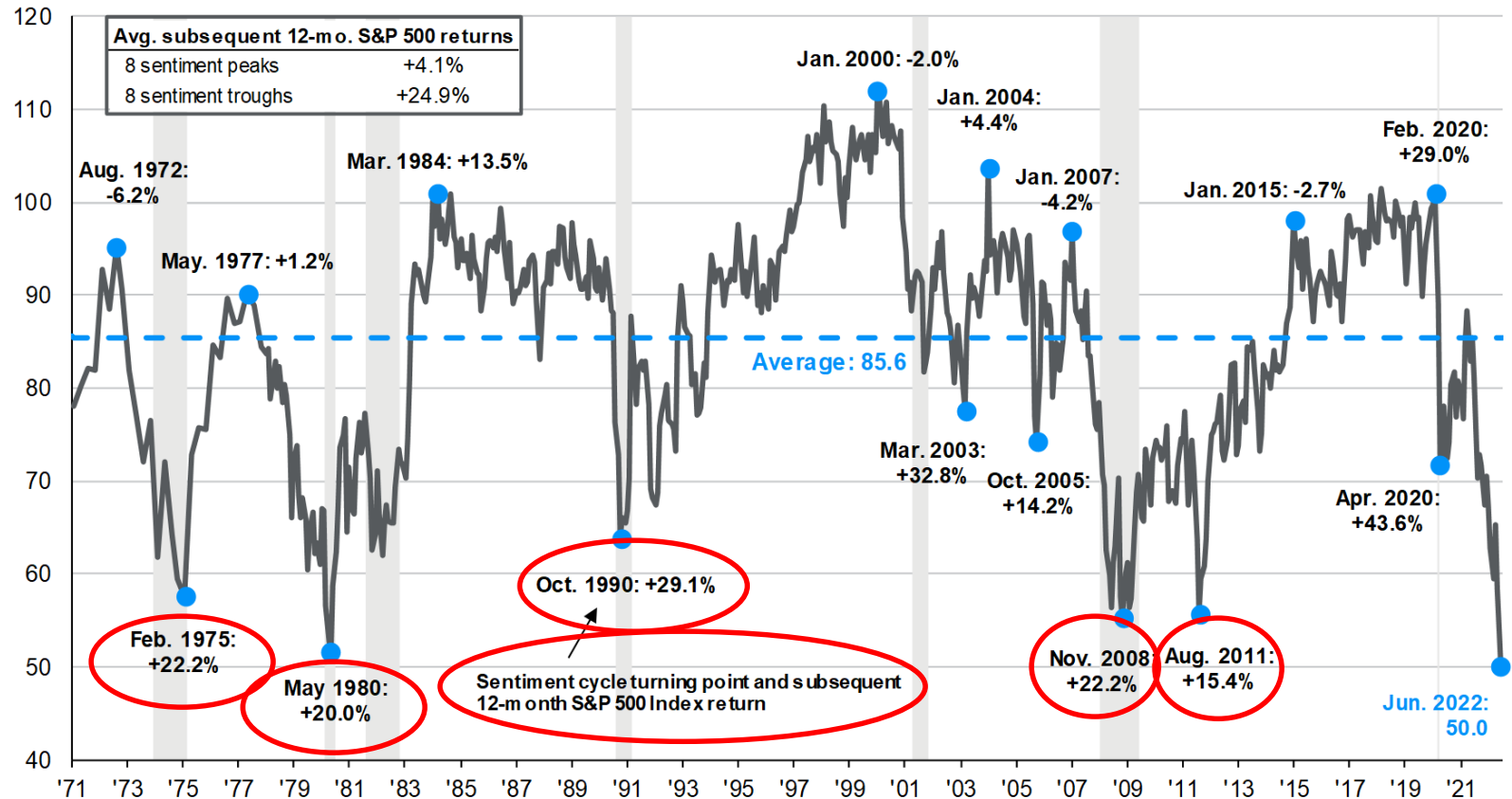
2-Years

3-Years



Consumer Sentiment is a Contrarian Indicator

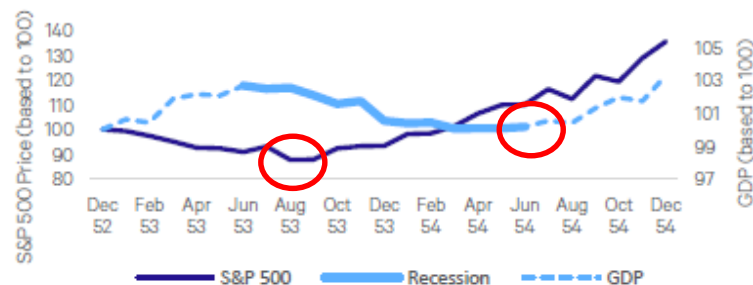
Consumer Sentiment Index and subsequent 12-month S&P 500 returns



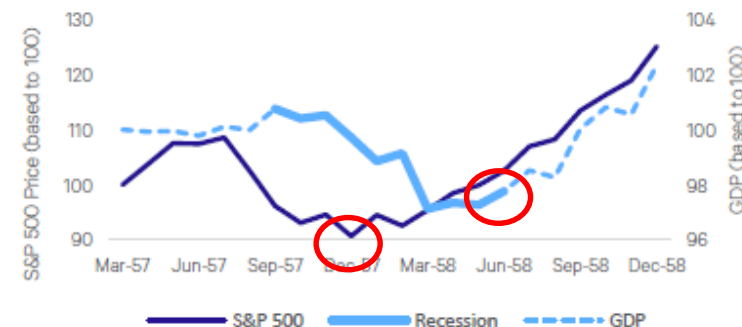
Source: Factset, University of Michigan, Standard & Poor's, JP Morgan. Data as of 6/30/2022

Markets Tend to Bottom Before Economic Data

1954 Recession



Eisenhower Recession



1970s Stagflation



1982 Recession



Financial Crisis of 2008/2009



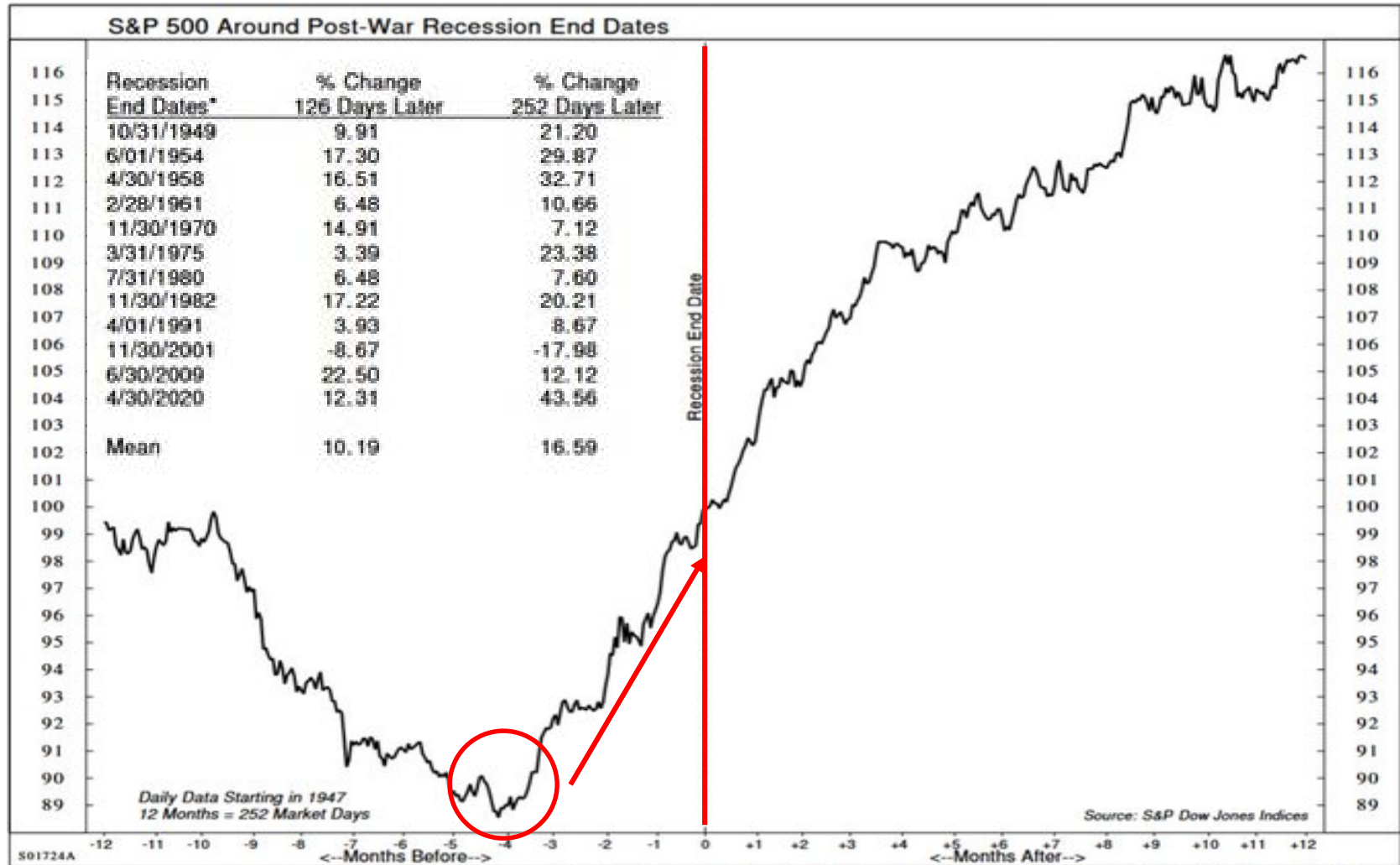
COVID-19 Recession of 2020



Source: Factset. Charts show nominal U.S. GDP versus S&P 500 levels for the six recessionary periods since 1950 where nominal GDP declined more than 2.5% during the contractionary period. For illustrative purposes only.



Market Recoveries Begin Before Recessions End



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SilverOak's Outlook



SilverOak's Economic Outlook

■ U.S. Economy

- Consumer still well-positioned
- Fiscal and Monetary policy decreasing liquidity
- Rising but moderate recession risk
 - Watch consumer spending trends
 - Will earnings and job growth be the last items to fall?
- Recent decline in commodity prices could moderate inflation

■ International Economy

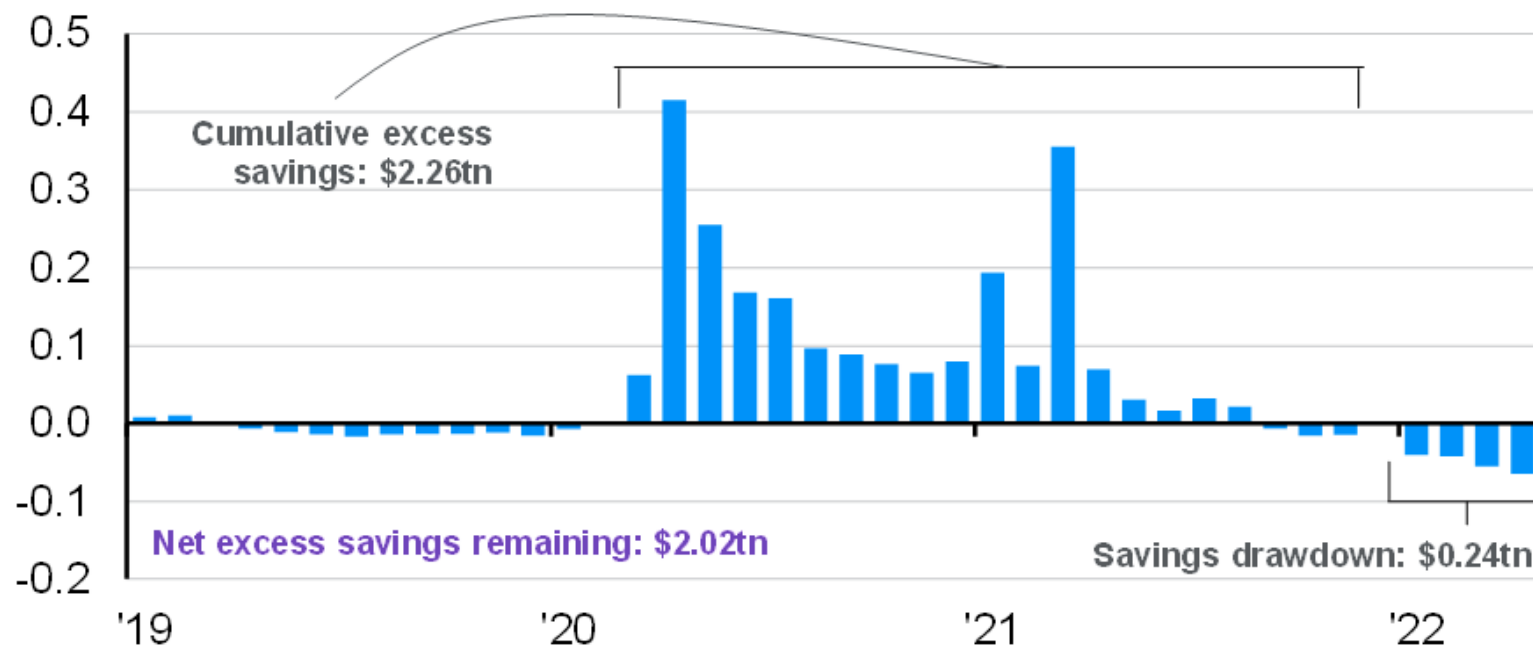
- Global growth slowing
 - Recession risk in Europe rising with high energy prices
- China easing likely to provide some support to global growth
- Global fiscal and monetary policy likely to become more of a headwind



Consumer Balance Sheet Remains Strong

Excess personal savings relative to pre-pandemic trend

Disposable personal income less consumer outlays, minus pre-pandemic trend growth***, \$ trillions, monthly

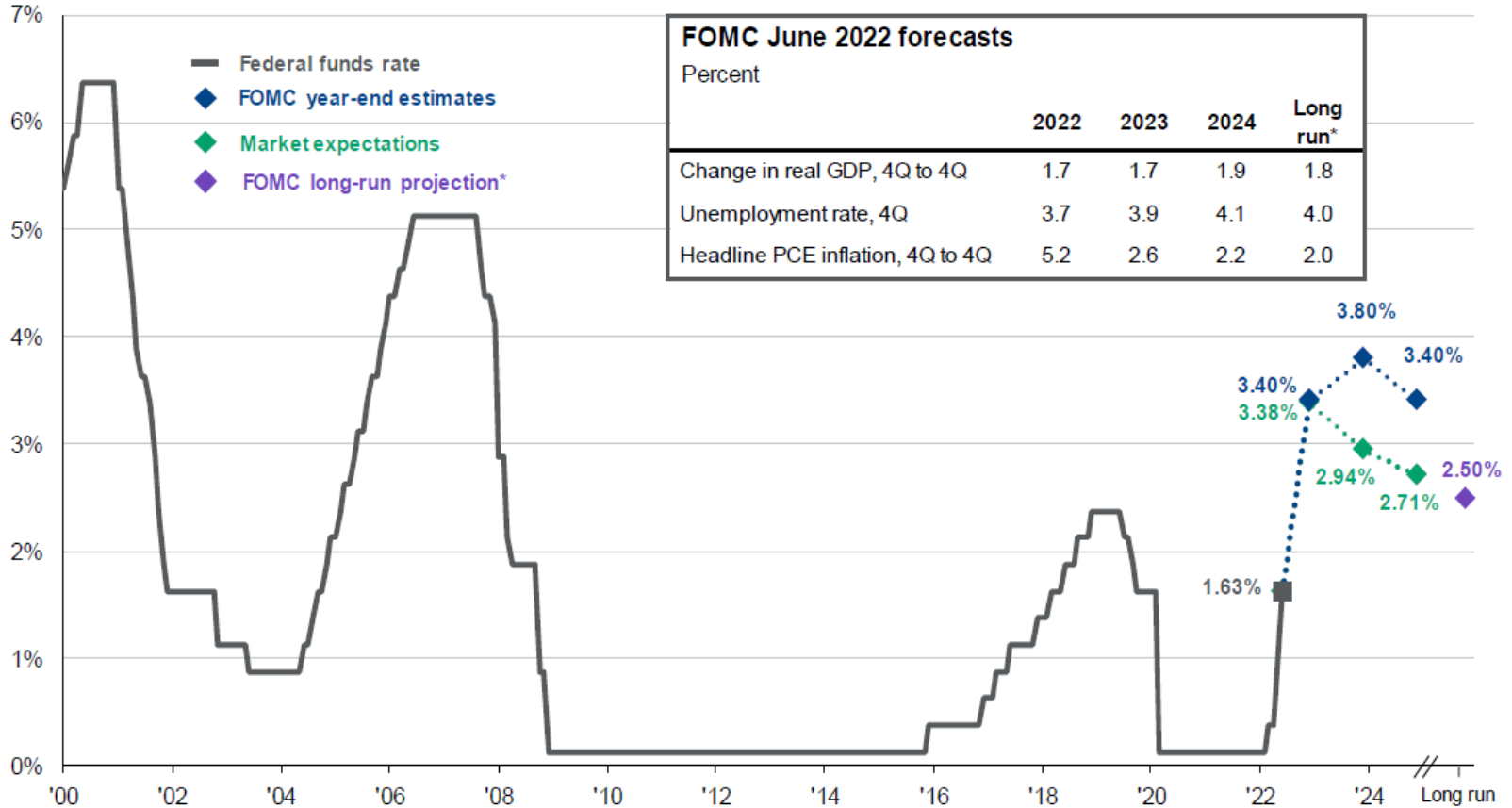


Source: Factset, Federal Reserve Board, Bureau of Economic Research, JP Morgan. Data as of 6/30/2022

The Fed and Interest Rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

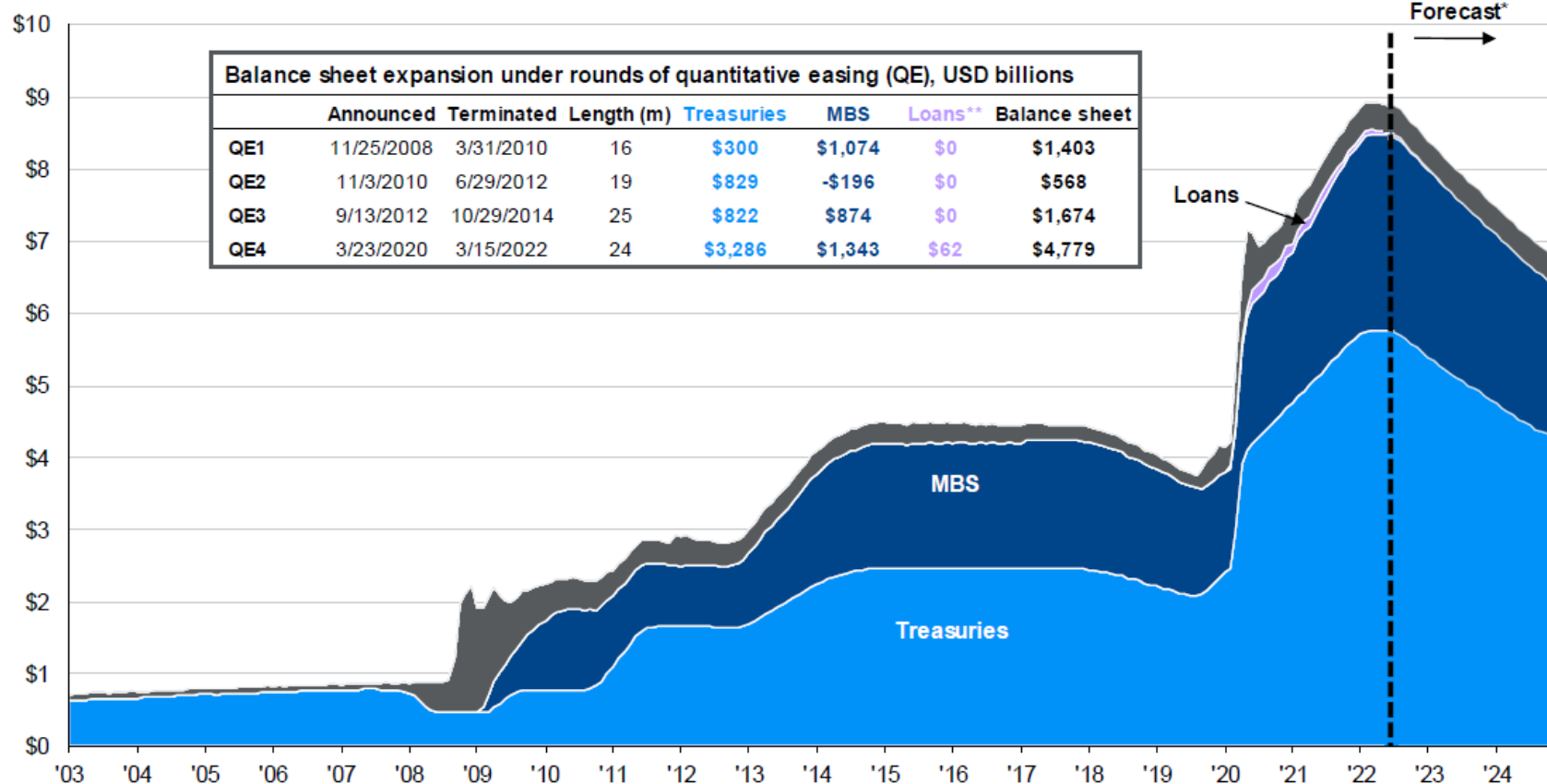


Source: Factset, Federal Reserve, JP Morgan Asset Management. Data as of 6/30/2022

Quantitative Tightening to Begin

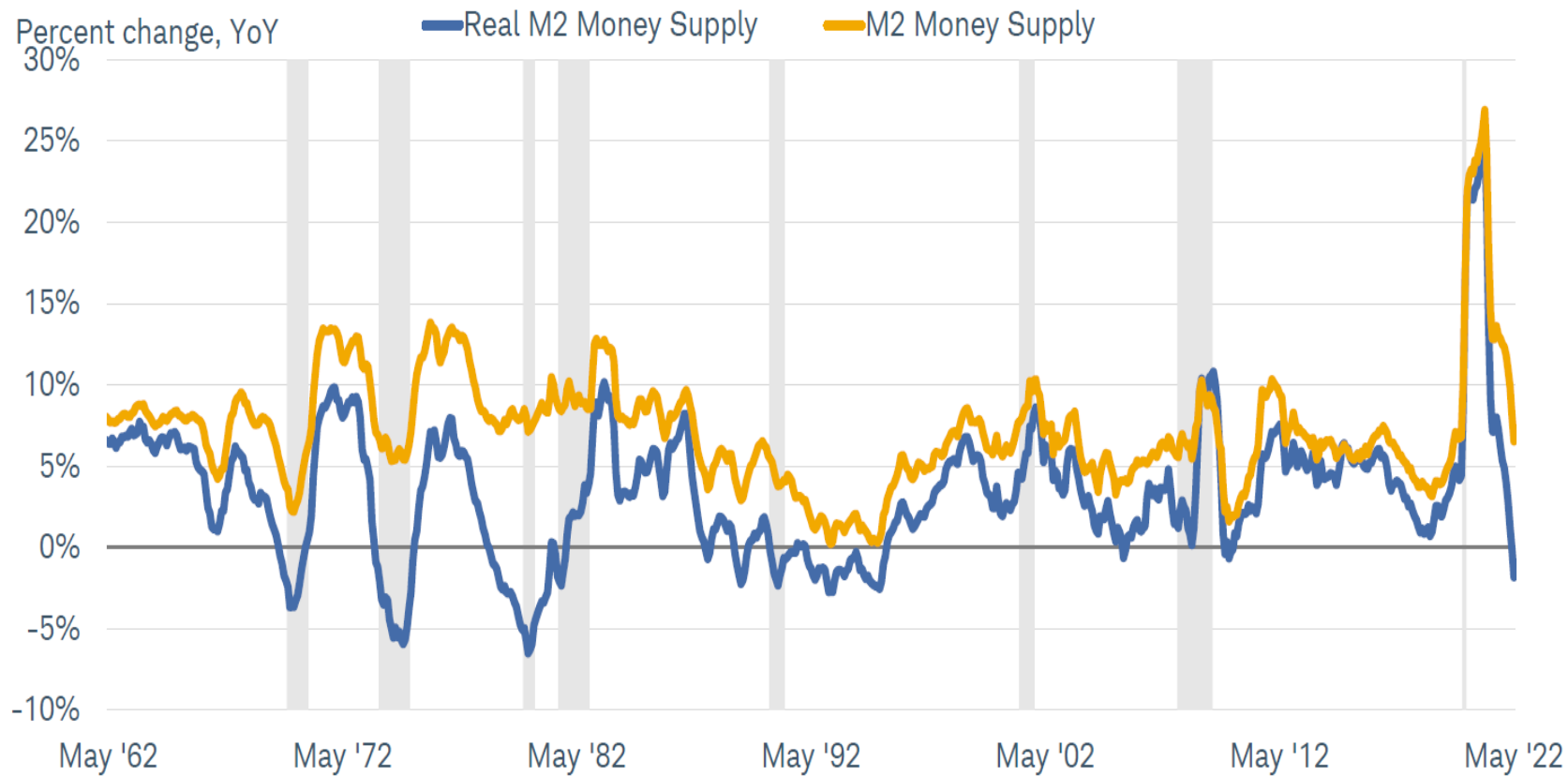
The Federal Reserve balance sheet

USD trillions



Source: Factset, Federal Reserve, JP Morgan Asset Management. Data as of 6/30/2022

Money Supply Shrinking



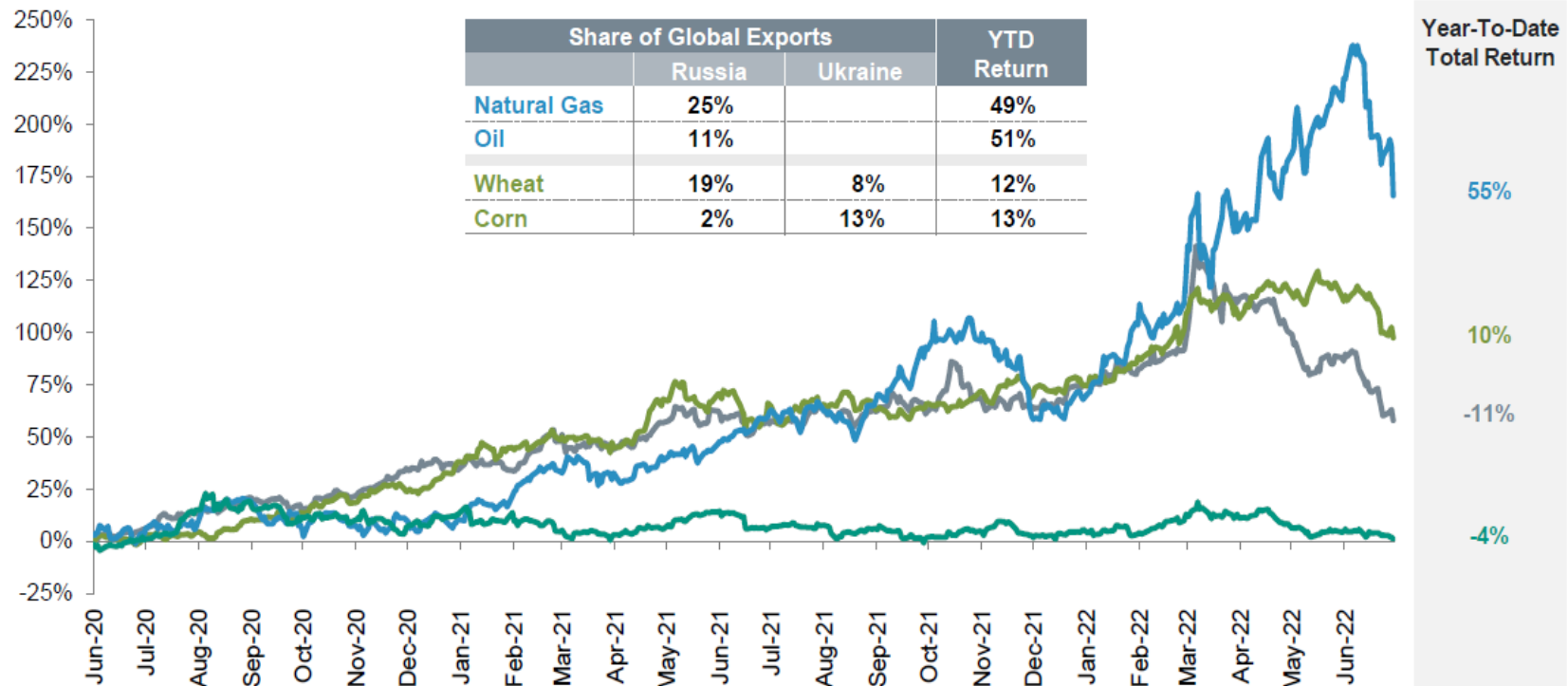
Source: Federal Reserve Bank of St. Louis, Fidelity. Data as of 5/31/2022

Commodity Prices May Have Peaked

Commodity Index Returns

Industrial Metals Agriculture Energy Precious Metals

Cumulative Total Return



Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Returns represented by Bloomberg commodity total return sub-indices. Source: World Bank, JP Morgan, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/22.



SilverOak's Market Outlook

■ Equities

- Higher volatility likely until there is more clarity
- Many of the challenging issues likely reflected in stocks
- Earnings growth could be a swing factor
 - Fear that expectations will come down in 2nd half
- Value and International still undervalued relative to other equities

■ Bonds

- Yields have become more attractive
- Will likely continue to provide “risk off” protection
- Future total returns expected to improve



Valuations More Reasonable

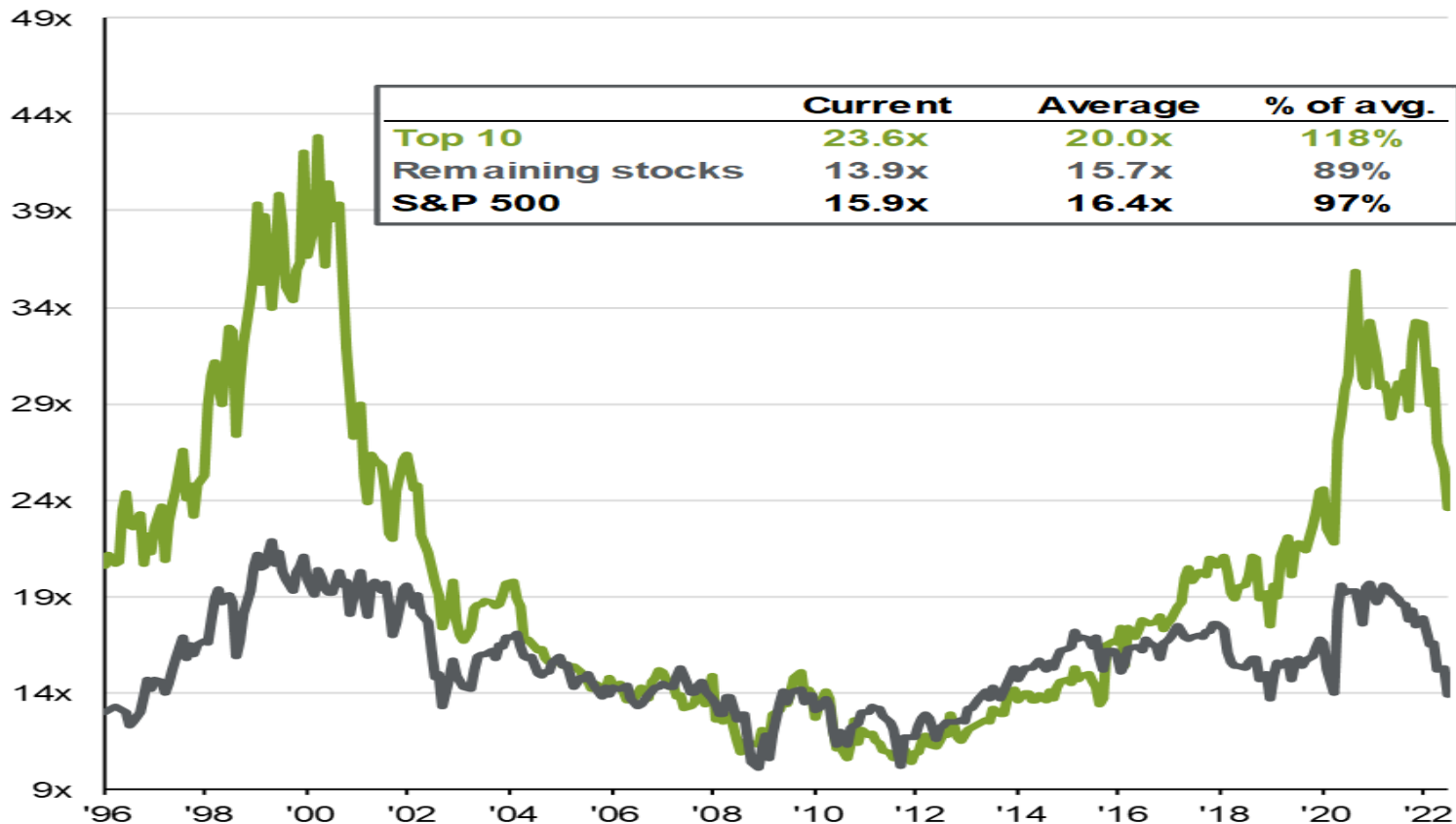
S&P 500 Index: Forward P/E ratio



Source: Factset, Federal Reserve, JP Morgan Asset Management. Data as of 6/30/2022

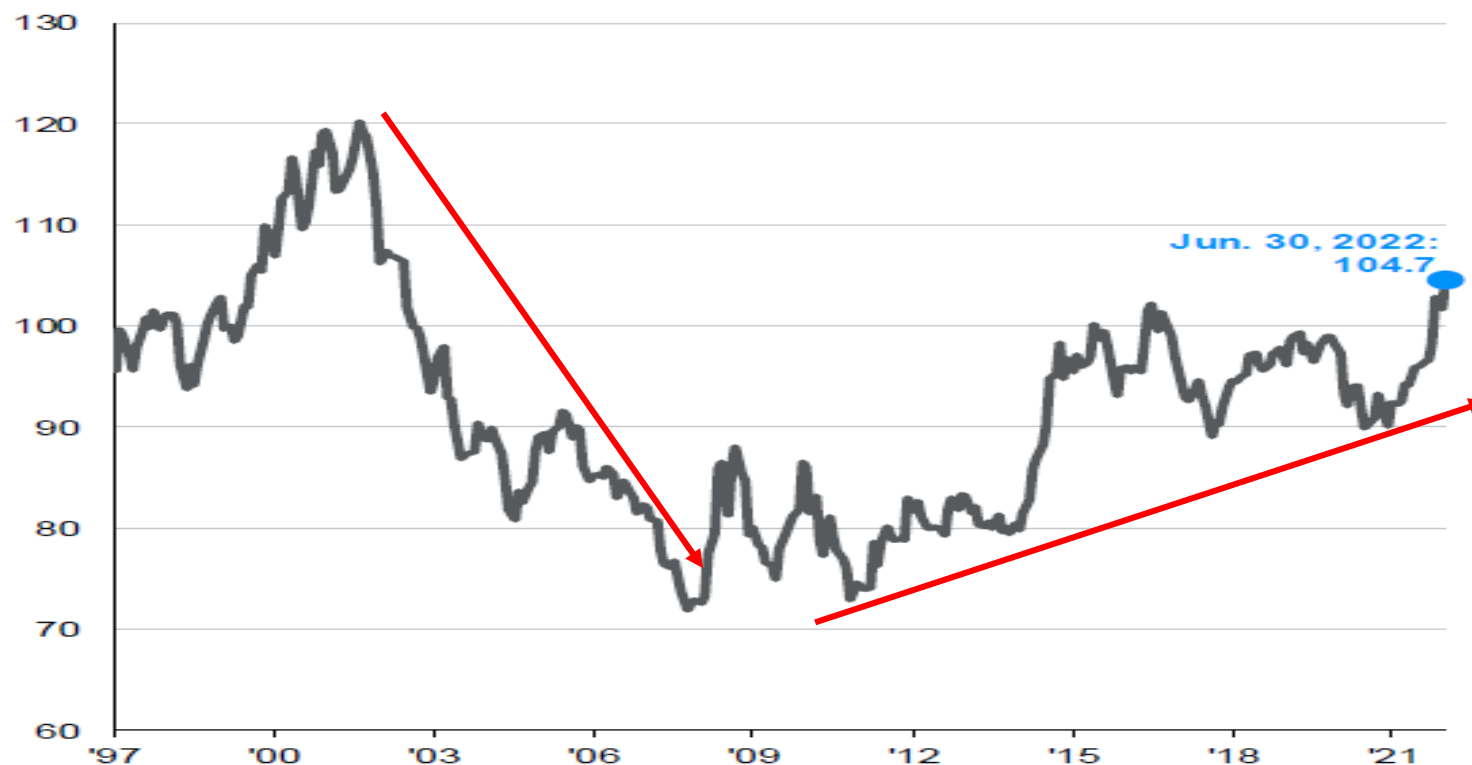
S&P 500 Valuations Bifurcated

P/E ratio of the top 10 and remaining stocks in the S&P 500
Next 12 months



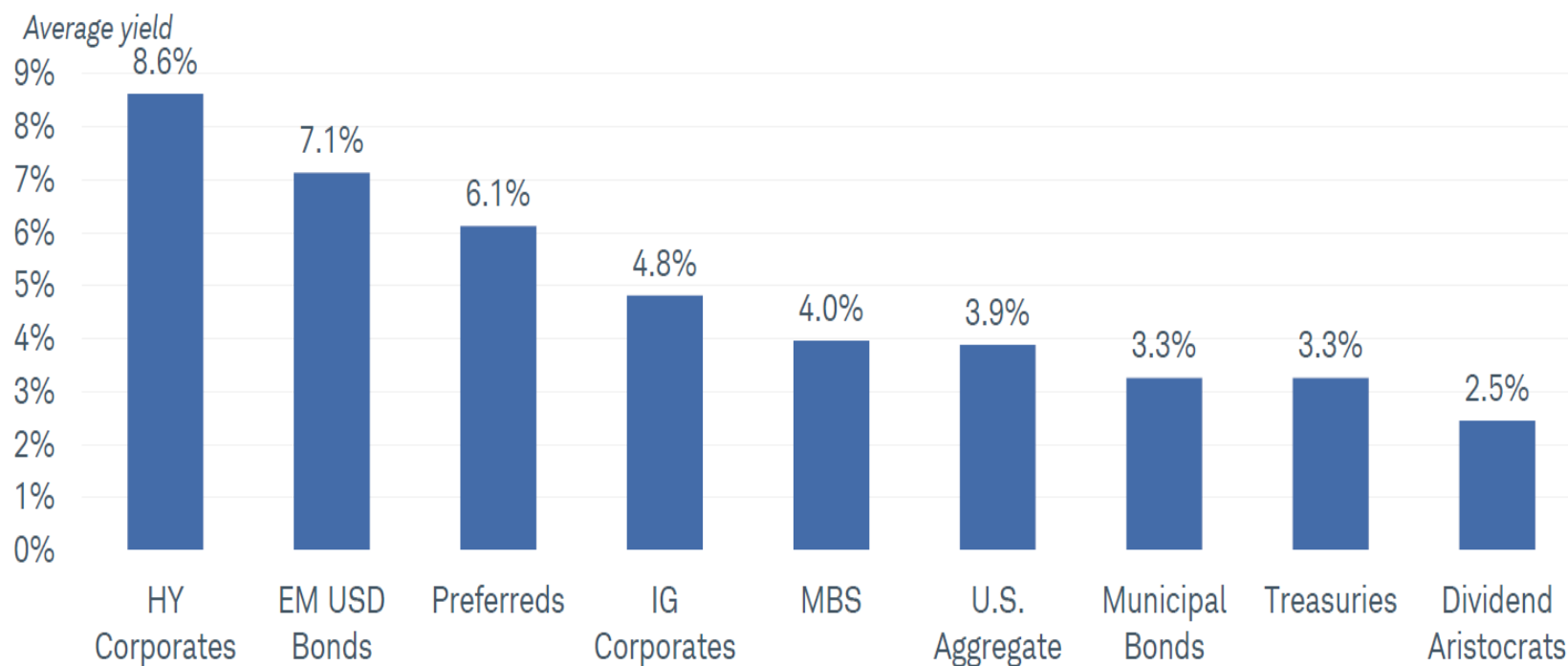
Dollar Reversal Could Help Int'l Returns

The U.S. dollar
U.S. Dollar Index



Source: Factset, ICE, JP Morgan Asset Management. Data as of 6/30/2022

Fixed Income Yields are Attractive



Source: Bloomberg, Schwab. Data as of 6/30/2022

SilverOak Updates and Other Important Items



SilverOak Updates

- IQSS[™] (Investment Quality Scoring System[™])
 - Performance update
- SilverOak personnel update
 - New executive assistant
- New mandated IRA rollover disclosure and analysis requirement
- Working on implementing new trading software
 - Will occur later this year or early next year
 - Will not impact performance reporting
 - Client reports might change



*Additional
Questions
and/or Topics?*



End of Quarterly Webinar

Please contact your SilverOak Advisor
to discuss any questions and/or concerns.

If you are not currently working with SilverOak, feel free
to contact us at 952-896-5701 to learn more about our services.

www.silveroakwealth.com

