CHIEF INVESTMENT OFFICE

Capital Market Outlook

August 30, 2021

All data, projections and opinions are as of the date of this report and subject to change.

IN THIS ISSUE

Macro Strategy—Trends from around the world show supply chain bottlenecks have been holding back global growth to a degree not seen since at least the 1970s. Low inventories and high inflation pressures are also symptoms of the underlying source of these capacity limit problems. While there are both temporary short-term constraints and long-term structural shifts exacerbating the problem, the main cause is the excessive stimulation of aggregate demand relative to potential supply.

Global Market View—The next wave of the digital revolution will help provide a significant shift up in real gross domestic product (GDP) and productivity growth as a larger share of the economy is driven by technology. Our "Four Horsemen of the Digital Revolution" are the Internet of Things (IoT), big data, artificial Intelligence and cloud computing—all symbiotic technologies in nature.

Thought of the Week—The consumer remains well supported by excess savings and elevated household net worth, but we are starting to see some churn below the surface amid increasing uncertainty over the near-term economic outlook.

Portfolio Considerations—We believe the ultimate trend for Equities is still positive but with occasional bouts of weakness, which should provide investors with potential opportunities to rebalance portfolios; look to add to underweight positions in Equities or increase exposure as cash builds.

MACRO STRATEGY
Chief Investment Office Macro Strategy Team

GLOBAL MARKET VIEW
Lauren J. Sanfilippo
Vice President and Investment Strategist

THOUGHT OF THE WEEK
Emily Avioli
Assistant Vice President and Investment Strategist

Data as of 8/30/2021, and subject to change

MACRO STRATEGY

Supply Chains, Inventories and Inflation

Chief Investment Office, Macro Strategy Team

Q2 earnings reports and corporate guidance for the second half of 2021 were replete with mentions of production constraints caused by the inability to get necessary inputs to satisfy unusually strong demand across many industries. Prominent examples, such as chip shortages, autos and housing supply constraints, have become the norm in daily news, with negative effects on the economy. As a result, while nominal GDP has grown at a double-digit pace so far in 2021, real growth seems to have maxed out at about 6% to 7%, averaging 6.5% in the first half of 2021 and on track for about 6.1% growth in Q3, according to the latest GDPNow estimate from the Atlanta Federal Reserve (Fed) Bank. The balance is inflation, which is also running around 6%.

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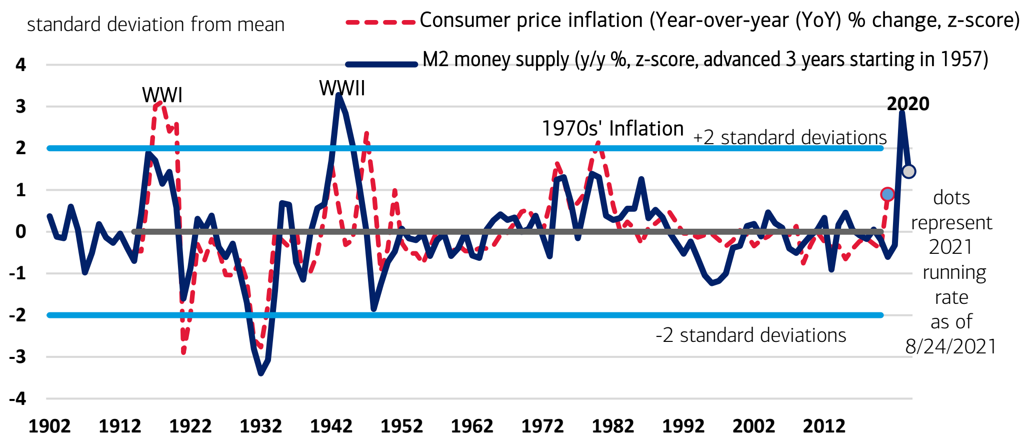
Most market commentary focuses on coronavirus-related disruptions to supply chains. Indeed, zero-tolerance policies have forced shutdowns in China and other countries, causing reduced production and port closures, throwing sand in the gears of global transportation networks, and backing up goods in congested ports. From a longer-term perspective, there is also a major transition underway toward more diversified supply chains in order to make them more resilient and to reduce reliance on China as it pursues an alternative approach to the transparency and regulatory norms of other developed economies. The increasing application of real-time information to fully optimize inventory management over the past 50+ years has reached extremes that greatly increased the fragility of supply chains. The pandemic disruptions have prompted a major rethink about how to make them more resilient. In general, the weak global supply chains links exposed by the pandemic have forced a more local perspective of supply, especially for critical inputs such as medical products, for example.

On balance, these factors have created a structural shift in goods production and distribution that is likely to be a major force shaping the global economy for the foreseeable future. Coupled with the accelerating pace of technological change, the evolution of supply chains is likely to remain a source of disruption, though ultimately "creative destruction" should improve supply resiliency over time and create a better balance of production capabilities around the world.

While these restructuring forces are significant, the bigger problem currently facing supply chains and economic output is the widening gap between U.S. demand growth and the economy's potential to supply goods and services. This reflects the unprecedented fiscal and monetary stimulus that has fueled the economic recovery since last year's shutdown. Exhibit 1 shows the annual growth rate of the money supply (blue line) going back to 1900 and the inflation rate (red line), expressed as standard deviations from trend. We have added estimates for 2021 based on the year-to-date (YTD) performance of both indicators. As shown, while money-supply growth has slowed, it remains at levels associated with high inflation. Also important, it leads inflation by about three years. As we expected, the 7%-plus annualized consumer price inflation so far this year is the highest since the 1970s, which was also the last time money growth was persistently so much above normal.

Exhibit 1: Unprecedented Peacetime Money Stimulus Has Ignited Inflation.



Z-score gives you an idea of how far from the mean a data point is. Standard deviations is a quantity calculated to indicate the extent of deviation for a group as a whole. Sources: Bureau of Labor Statistics; Federal Reserve Board/Haver Analytics. Data as of August 24, 2021.

The other two instances of such extreme money growth are World War I (WWI) and WWII, which also saw inflation rise far above normal. As discussed in past reports, the big fiscal deficits during the wars were similarly monetized by the Fed, which purchased Treasury debt to keep interest rates low, just as it does now. Over the past 18 months, we have witnessed the biggest fiscal deficits and fastest accumulation of national debt since WWII.

Rather than paying for a war, the coronavirus-related fiscal splurge has showered money on most American families to an unprecedented degree, as the U.S. has entered the early stages of universal basic income programs financed by a modern monetary theory (MMT) approach from Fed Chair Jay Powell.

While fathoming what $5 trillion in mostly direct and immediate government stimulus means for the economy may be difficult, translating it into what it means for U.S. household incomes makes it easier to understand the consumer demand shock of the past year and a half and its reverberations across supply chains, inflation and the labor market. Indeed, there are now more job openings than unemployed people in the U.S., retail sales are almost 20% higher than pre-coronavirus levels according to the Census Bureau —the largest 18-month jump since the early 1980s—businesses have never been more concerned about finding labor, shortages persist, and prices are surging.

Just as an example, between April 2020 and April 2021 there were, on average, 13.5 million unemployed people according to Bureau of Labor Statistics. GDP data show that they collected $657 billion from various unemployment compensation programs during this period, or $48,700 per person on average. Adding $3,200 per adult in three stimulus checks brings this 12-month income to $51,900 on average per unemployed, five times more than collected in 2009 and 2010, for example. Extended and enhanced unemployment compensation is scheduled to end in early September, implying around $15,000 more for the April 2021 to September 2021 period. This adds up to about $67,000 in unemployment compensation, on average, per claimant over the entire April 2020 to September 2021 period. For a family of four, with two unemployed adults and two children, the household income for the 12-month period from April 2020 to April 2021 alone would be $103,800 plus $2,500 per child in stimulus checks, for a total of $108,800 on average. This has been a massive windfall for most unemployed. About 55%, or seven million, have been people between 16 and 24 or over 24 years old with a high-school education or less. Another 3 million have some college education. Also for perspective, about 25%, or 32 million, of households have income of less than $37,000, and another 15 million have income between $35,000 and $50,000.

Moreover, low-income households have a particularly high propensity to consume out of an extra dollar of income. It is thus not surprising to see the epic surge of demand for consumer goods and shortages of used cars, appliances and other goods. Some of the money has been saved, as it came too fast to be spent immediately, especially given the ongoing pandemic and product shortages, and is likely to support for the economy for a while, since prospects for finding a job are the strongest in decades. According to the Fed Board, U.S. household checking balances rose $2 trillion between the first quarter of 2020 and the first quarter of 2021, an increase of 150%, providing great fuel for future consumption and economic growth.

Based on the results to date, the historical experience, and the reservoir of savings waiting to be spent, it would not be surprising to see the Consumer Price Inflation Index (CPI) rise to two standard deviations above normal before it begins to recede (Exhibit 1). That would be consistent with inflation peaking out at over 10% in the next year or two. Even if it proves temporary, if inflation averages 7% in 2021, peaks at 10% next year and falls to, say, only 4% in 2023 and 2.5% in 2024, it would still imply that the dollar could lose almost 25% of its purchasing power by the end of 2024. This assumes that the inflation spike will be tamed by eventual Fed restraint and that the spike is "temporary," as promised by government officials. It should also be noted that between 2010 and 2020, inflation averaged just 1.7% per year and still amounted to an 18% erosion of the dollar's purchasing power over the decade.

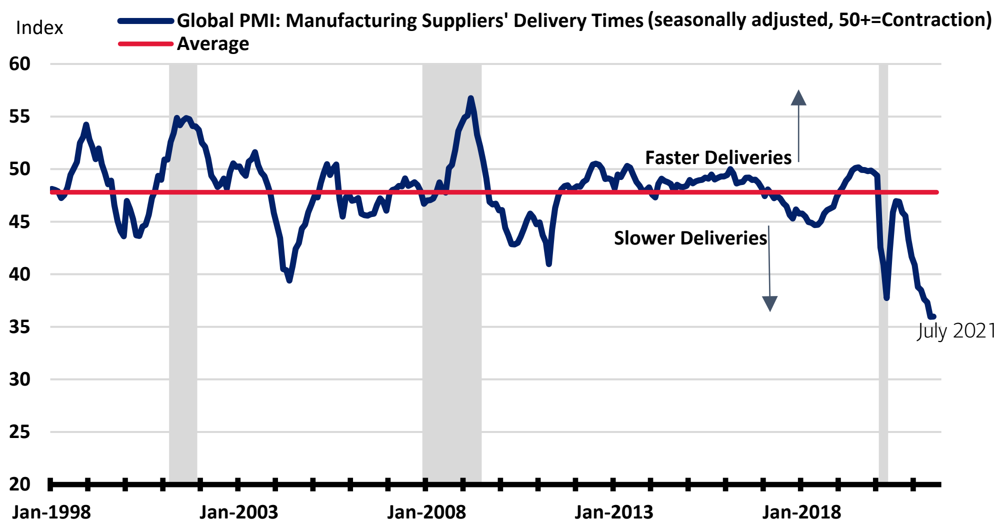
The unusual money printing and government largesse have been the reasons demand is growing twice as fast as supply can increase, resulting in three times faster inflation than the consensus, including the Fed, has expected. The symptoms of this excess demand are evident in the supply chain problems, insufficient inventories and accelerating inflation experienced this year. As noted above, this extends to everything from homes to

appliances and semi-conductors to autos, and everything else in between, including labor. Until incomes and demand fall into line with supply capacity, it is unlikely that production and distribution bottlenecks will disappear. Basically, unprecedented peace-time stimulus has both limited labor supply and created an abnormal demand surge that cannot reconcile other than through rapid devaluation of money while it persists.

Because the U.S. has had the most monetization of the biggest fiscal deficit, it has also experienced the highest inflation. As inflation in the U.S. runs higher than elsewhere, the U.S. dollar is becoming more overvalued relative to less inflationary currencies, setting up an eventual loss of foreign exchange value that gets bigger the longer U.S. inflation remains above inflation elsewhere.

Massive excess demand in the U.S., combined with the fact that the U.S. economy is the biggest in the world, has strained not just domestic producers and distribution capabilities but also global supply chains. With a demand shock and most consumer goods imported, there is an acute shortage of containers to bring in rising imports. The trade deficit is also rising as more demand is satisfied by imports because of insufficient domestic production capacity. These pressures are reflected in Exhibit 2, which shows that global purchasing managers are reporting the slowest delivery times ever. This allows manufacturers to increase prices for those who wish quicker deliveries, with purchasing managers reporting pricing power of a degree not seen except in red-hot high-inflation economies.

Exhibit 2: No Signs Of Easing Bottlenecks.



Gray area refers to recessionary periods. Sources: IHS Markit/Haver Analytics; Chief Investment Office. Data as of August 26, 2021.

Housing is another area where demand in excess of supply is pushing up prices. Consumer surveys show an unprecedented gap between buyer and seller sentiment, with buyers reporting high prices making it the worst time to buy a home ever. At the same time, sellers believe there has never been a better time to sell a home, and, as a result, they are starting to bring more homes to the market. Still, the vacancy rate has declined, and this tends to put upward pressure on rents and home prices. As strong demographics pressure housing demand higher and government largesse makes higher rents possible, the end result will be reduced affordability. Millennials are about to experience what baby boomers did in the late 1970s and early 1980s, when they were entering the housing market en masse. In short, the highest inflation since those years is also accompanied by the tightest housing market since that time.

However, despite similar housing market tightness, CPI definitional changes delay and spread out housing's effect on inflation. The CoreLogic Case–Shiller Home Price Index posted the biggest 12-month increase in its 46-year history in May, surpassing the prior

record set during the double-digit inflation of the late 1970s. Back then, house prices were directly incorporated into the CPI. If the definition of the index had not changed, the 16% plus rise in the Case-Shiller measure would have pushed the CPI over 10% by now. Instead, the current CPI definition uses the concept of owners' equivalent rent (OER), which lags house prices. Still, since it is set to explode over the next year, it will likely keep CPI inflation much higher than the consensus expects. Surveys of rents already show high single-digit increases in line with the general inflation rate. Here, again, excess demand is the driving force, as people scramble to find vacant apartments in an ever-tighter market.

The economy is currently being fueled by an unprecedented peacetime surge in money printing to fund massive transfer payments to households. The old "secular stagnation" worries are fading, as problems related to excess demand become the new normal. Inflation is the primary consequence of this new paradigm. However, as the 1970s showed, people are slow to catch on to the problems associated with excess money printing and high inflation, and particularly slow to grasp the persistence of a new inflation regime.

As workers start to see prices rising faster than wages, the effects of high inflation start to sink in. In addition to the coming wave of big rent increases' effect on the CPI, the tight labor market and rising inflation are likely to stimulate workers' demands for bigger wage increases. Large voluntary wage increases have already been announced by multiple employers. Once this wage price spiral becomes entrenched, inflation goes from transitory to persistent and inflation expectations become unanchored.

GLOBAL MARKET VIEW

The Four Horsemen of the Digital Revolution

Lauren J. Sanfilippo, Vice President and Investment Strategist

Waves of technological change have defined certain time periods—like the introduction of mainframe computers in the 1950s, to the spread of PCs in the 1980s, to the dawn of the World Wide Web in the 1990s and the proliferation of mobile devices in more pockets through the 2000s. The next wave of the digital revolution will help to provide a significant shift up in real GDP and productivity growth as a larger share of the economy is driven by technology. Our "Four Horsemen of the Digital Revolution" described below are the Internet of Things, big data, artificial intelligence and cloud computing—all symbiotic technologies in nature.

For the **Internet of Things** (IoT), the pandemic served as a major accelerant to the rise of digitalization and the number of "things" having network connectivity, both sending and receiving data. Devices and connections are growing fastest at a 10% compound annual growth rate (CAGR) compared to the general population (1% CAGR) or internet user growth (6% CAGR). By 2023, Cisco estimates there will be 29.3 billion devices on the internet, including 7 billion smartphones, a billion wearable devices and nearly 15 billion machine-to-machine (M2M) connections including domestic appliances such as thermostats, cameras and garages, all animating smart homes.

Big data, the second horsemen, or the raw input collected and catalogued about and around the world, has enabled the datasphere (the amount of digital data generated) to grow to zettabyte[1] level. With more pervasive and faster networks and advanced semiconductor technologies, the amount of data usage has approximately doubled since 2015 and is forecasted to rise another 400% by 2025. This future growth is driven broadly across industries, with annual growth rates in data usage of certain sectors such as 36% in healthcare, 30% in manufacturing and 26% in financial services.[2]

[1] A zettabyte is one sextillion bytes, or a trillion gigabytes.

[2] Cambridge Associates, May 2021.

With an avalanche of collected data, the evolution of **artificial intelligence** (AI)-based algorithms such as machine learning and deep learning are the computer science capable of learning and deriving insight. When applied to the IoT, an AI-enabled IoT will be key to the productivity enhancements for businesses. An example of AI improving both the practice and science of healthcare is the finding in one study that AI programs trained to read pathology images can now diagnose certain kinds of lung cancer with 97% accuracy."[3]

The **cloud computing** shift, or transition from on-premises data management and localized servers to cloud services, will enable the dramatic growth in data usage. "[If] the web is hyperlinked documents; the cloud is hyperlinked data."[4] What's more, cloud computing offers 31% lower operational costs than comparable on-premises infrastructure and even greater savings when people and downtime costs are included.[5] Estimates suggest that by 2025, 50% of data could be stored in the cloud, and, although growing, there is significant runway for more assets to transition to the cloud. Already, major airlines have committed to migrating a majority of their information technology infrastructure to a cloud infrastructure over the next decade.

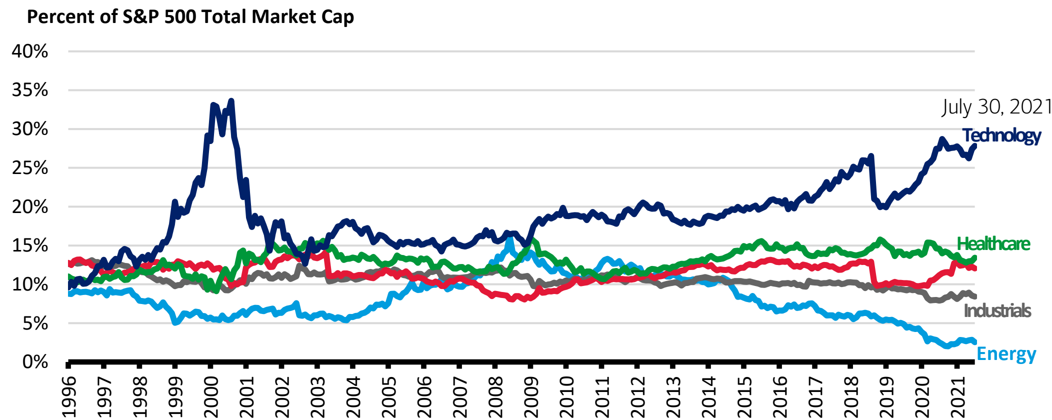
Investment Considerations for the Four Horsemen of the Digital Revolution

A number of megatrends have created tailwinds for tech-enabled sectors over the long term—cloud computing, AI, IoT, big data and many more. Digital economies are not only an increasing share (currently around 10% of GDP) for the economy but for earnings as well. The market capitalization of the S&P 500 Information Technology sector is 27% of the broader market's total (Exhibit 3), and its earnings share is 22.4%. (Note: The concentration of the tech sector in the S&P 500 is not as high as levels seen August 2000, which was around 34%). Investment across the digital infrastructure value chain continues to rise. International Data Corporation (IDC) estimates a multiyear growth cycle and that digital transformation investment for corporations will grow at a 15.5% compound annual rate, reaching $6.8 trillion in 2023. In addition, elevated corporate bank balances led to a technology-led capital expenditure (CapEx) recovery, with tech CapEx now about a third of total CapEx, totaling around $960 billion by Q2 of this year.

There are various ways investors should consider allocating toward sectors that stand to benefit from future cyclical and secular dynamics. We maintain our positive long-term outlook on high-quality growth stocks due to a secular rise in spending on innovation and competitiveness, and the continued digitalization of the economy. Pandemic-driven shifts across cloud storage could boost demand for its related cybersecurity investments. More opportunity given remote work, online banking and generally more tethered points of entry offer hackers' opportunities to find a way into the network, making cybersecurity a top priority for retail and enterprise users.

[3] *Ten Lessons for a Post-Pandemic World*, Fareed Zakaira, October 2020.
[4] *The Inevitable*, Kevin Kelly 2016.
[5] Brookings Institute, July 28, 2021.

Exhibit 3: Concentration Of Certain Sectors Of The S&P 500.



All Sectors: Technology (27.8%); Healthcare (13.4%); Consumer Discretionary (12.1%); Communication Services (11.2%); Financials (10.9%); Industrials (8.4%); Consumer Staples (5.9%); Real Estate (2.6%); Materials (2.6%); Energy (2.6%); Utilities (2.5%). Source: FactSet. Data as of August 27, 2021. **Please refer to index definitions for sector proxies.**

The potential infrastructure plan seeks $100 billion in revitalizing digital infrastructure, resulting in spending tailwinds in industries across next-generation technology such as broadband internet service and advanced semiconductors. With policy and investment serving as tailwinds, long-term growth opportunities from increased demand for processing power exist within technology such as software and services, chipmakers, semiconductor capital equipment, and hardware applications such as networking equipment and cloud servers. As AI adoption increases, developers of computer vision, speech recognition and AI-digital assistants should benefit as more products and services leverage these capabilities. Bottom line, and with our “Four Horsemen of the Digital Revolution” top of mind, consider maintaining positions in high-quality secular growth leaders in these areas.

THOUGHT OF THE WEEK

Consumer Strength is Moderating

Emily Avioli, Assistant Vice President and Investment Strategist

The consumer has played an instrumental role in the recovery from the coronavirus, as elevated levels of spending helped lift the economy from the depths of pandemic lows. While the consumer remains well supported by excess savings and elevated household net worth, we are starting to see some churn below the surface amid increasing uncertainty over the near-term economic outlook.

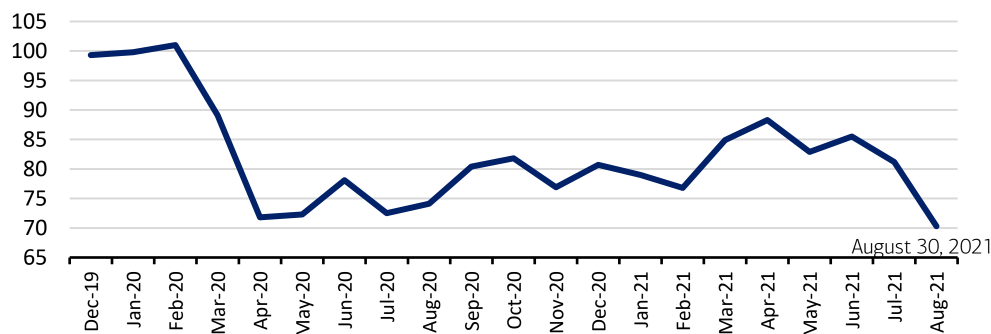
U.S. Census data shows that retail sales fell -1.1% month-over-month (MoM) in July, though the decrease comes from historically high levels. At least some of the drop-off is due to supply chain issues—for instance, vehicle sales declined by -3.9% last month. Shifting consumer preferences away from pandemic-advantaged categories may also account for a portion of the decline. Online shopping fell -3.1% in July, and furniture and building materials were down by -0.6% and -1.2%, respectively.

Bank of America aggregated credit and debit card data further confirms a cutback, as total card spending was down -1.3% MoM in July on a seasonally adjusted basis. The data also indicates that services spending, which just recently crept back to pre-pandemic levels, has been declining since the first week of July. The Delta variant is seemingly responsible for the drop-off, as recently we’ve seen relative weakening in services spending for the states with the fastest case growth versus those with the slowest.[6]

[6] BofA Global Research, July 30, 2021.

All of this comes as consumer confidence has sharply pulled back in recent weeks. The University of Michigan Consumer Sentiment Survey decreased to 70.3 in August, a level just below the April 2020 low of 71.8 (Exhibit 4).

Exhibit 4: Consumer Confidence Declined in August.



Source: Bloomberg. Data as of August 30, 2021.

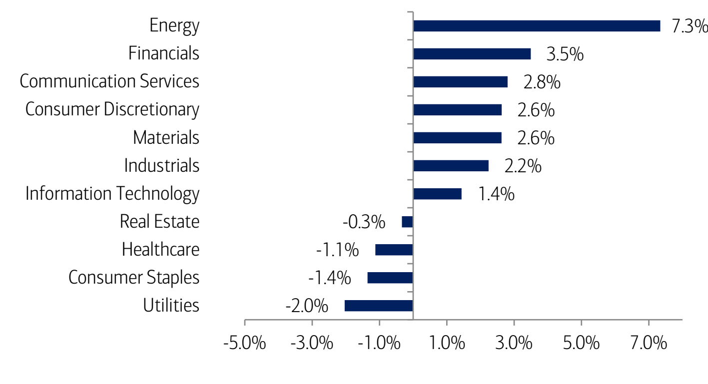
While a variety of economic data is signaling a cutback in consumer activity, we think that this is merely a speed bump on the road to recovery. As the consumer works through short-term headwinds, we expect shifts in strength between goods and services spending, with more pent-up demand for experiences to be released into the economy when virus concerns subside. In the long run, we believe the consumer is armed with enough firepower to support the economy into 2022 and beyond.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	35,455.80	1.0	1.7	17.3
NASDAQ	15,129.50	2.8	3.2	17.9
S&P 500	4,509.37	1.5	2.7	21.2
S&P 400 Mid Cap	2,767.06	3.4	2.4	20.9
Russell 2000	2,277.15	5.1	2.4	16.0
MSCI World	3,133.67	1.8	2.2	17.6
MSCI EAFE	2,349.46	1.9	1.5	11.2
MSCI Emerging Markets	1,272.67	4.3	-0.2	0.0

S&P 500 Sector Returns



Fixed Income†

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	1.32	-0.10	-0.21	-0.88
Agencies	0.70	-0.04	-0.13	-0.24
Municipals	0.96	-0.11	-0.40	1.49
U.S. Investment Grade Credit	1.43	-0.05	-0.20	-0.70
International	2.00	0.00	-0.32	-0.23
High Yield	3.94	0.70	0.29	4.31
90 Day Yield	0.05	0.04	0.04	0.06
2 Year Yield	0.22	0.22	0.18	0.12
10 Year Yield	1.31	1.26	1.22	0.91
30 Year Yield	1.92	1.87	1.89	1.64

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	205.75	5.7	0.1	23.5
WTI Crude $/Barrel††	68.74	10.3	-7.0	41.7
Gold Spot $/Ounce††	1817.57	2.0	0.2	-4.3

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.18	1.17	1.19	1.22
USD/JPY	109.84	109.78	109.72	103.25
USD/CNH	6.46	6.50	6.46	6.50

Sources: Bloomberg, Factset. Total Returns from the period of 8/23/2021 to 8/27/2021. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 8/27/2021 close. Data would differ if a different time period was displayed. Short term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Asset Class Weightings (as of 8/3/2021)

Asset Class	CIO View: Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large Cap Growth				●	
U.S. Large Cap Value				●	
U.S. Small Cap Growth				●	
U.S. Small Cap Value				●	
International Developed			●		
Emerging Markets			●		
Global Fixed Income		●			
U.S. Governments		●			
U.S. Mortgages			●		
U.S. Corporates				●	
High Yield		●			
U.S. Investment Grade Tax Exempt			●		
U.S. High Yield Tax Exempt		●			
International Fixed Income	●				
Alternative Investments*					
Hedge Funds			●		
Private Equity			●		
Real Assets			●		
Cash					

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

Economic Forecasts (as of 8/27/2021)

	2020A	Q1 2021A	Q2 2021E	Q3 2021E	Q4 2021E	2021E
Real global GDP (% y/y annualized)	-3.2	-	-	-	-	5.8
Real U.S. GDP (% q/q annualized)	-3.4	6.3	6.5	4.5	6.0	5.9
CPI inflation (% y/y)	1.2	1.9	4.8	5.3	5.2	4.3
Core CPI inflation (% y/y)	1.7	1.4	3.7	4.1	4.1	3.3
Unemployment rate (%)	8.1	6.2	5.9	5.2	4.5	5.5
Fed funds rate, end period (%)	0.09	0.06	0.08	0.13	0.13	0.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics.
Past performance is no guarantee of future results. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.
A = Actual. E/* = Estimate.
Sources: BofA Global Research; GWIM ISC as of August 27, 2021.
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Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices.

Consumer Price Index (CPI) measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households.

CoreLogic Single-Family Rent Index analyzes data across four price tiers: Lower-priced, which represent rentals with prices 75% or below the regional median; lower-middle, 75% to 100% of the regional median; higher-middle, 100%-125% of the regional median; and higher-priced, 125% or more above the regional median.

Technology Sector Index provides investors with a benchmark that represents U.S. securities classified under the GICS® information technology sector as well as the internet & direct marketing retail, interactive home entertainment, and interactive media & services sub-industries.

Healthcare Sector Index designed to measure the performance of narrow GICS® sub-industries. The Index comprises stocks in the S&P Total Market Index that are classified in the GICS health care services sub-industry.

Consumer Discretionary Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

Communication Services Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

Financials Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

Industrials Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

Consumer Staples Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

Real Estate Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Real Estate sector.

Materials Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

Energy Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

Utilities Sector Index comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

University of Michigan Consumer Sentiment Index is a consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in December 1966. Each month at least 500 telephone interviews are conducted of a contiguous United States sample.

Global Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

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