

<u>A Game of Multiples (Updated 8/10/2022)</u>			
Market Influence	<u>Current Situation</u>	<u>Things Get Better If...</u>	<u>Things Get Worse If...</u>
Inflation	Numerous inflation indicators have signaled that inflation peaked in July.	Disinflation accelerates and the August price data continues to decline.	Prices stabilize in August and hope shrinks for a quick decline in prices.
Fed Tightening	The Fed hiked 75 bps in July and it's a toss-up between a 50-bps hike or a 75-bps hike in September.	The Fed hints at the Jackson Hole conference that a dovish pivot might be coming.	The Fed continues its hawkish message and states that markets are wrong about expecting a Fed pivot.
Economic Growth	Economic growth is slightly losing momentum but overall the U.S. economy remains resilient, keeping hope alive for a "soft landing."	Economic growth continues to slowly moderate, but inflation falls faster than growth allowing the Fed to stop hiking before growth stalls.	Economic growth falls much faster than inflation, increasing stagflation concerns.
China Lockdowns	COVID-19 cases have declined in China and the economy has largely opened up, but "Zero COVID" remains the policy so the consistent threat of lockdowns remain.	COVID-19 cases stay low, and ideally, Chinese officials distance themselves from "Zero COVID."	COVID-19 cases rise and new lockdowns are implemented in industrial cities (Beijing, Shanghai).
Russia/Ukraine War	Russia continues to make territory gains in eastern Ukraine and there remains no progress towards a ceasefire.	A ceasefire deal is struck that reduces geopolitical risk.	The conflict extends beyond Ukraine, increasing the risk of a larger conflict (possibly with NATO).
Expected 2023 S&P 500 EPS	\$230	\$240	\$220
Multiple	16.5X-17.5X	17.5X-18.5X	15.5X-16.5X
S&P 500 Range	3,795-4,025	4,200-4,440	3,410-3,630
S&P 500 Target (Midpoint)	3,910	4,320	3,520
Change from today	-6%	3%	-16%

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The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large capitalization US stocks. An investment cannot be made directly in a market index.

Basis points (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point.

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