



US INFLATION NEARS THE PEAK, BUT IT WILL BE A LONG SLOW DESCENT

SUPPLY CHAIN ISSUES, TIGHTNESS IN THE
LABOUR MARKET AND ONGOING
CORPORATE PRICING POWER WILL TAKE
TIME TO NORMALISE



CLOSE TO THE PEAK IN INFLATION

- ✓ Another small increase in the annual rate of inflation is possible next month, but we are close to the peak. Used car auction prices are down 5.4% over the last two months. Russian-Ukraine/Covid lockdowns in China remain concerns.
- ✓ It's clear that the Federal Reserve will (and has) acted to regain control of the inflation narrative. Expect a 50bp interest rate increase at May and June FOMC Meetings.
- ✓ The S&P 500 rises during periods of increasing interest rates. During these periods, the average return since 1988 for the S&P 500 has been 23.40% and the average return for NASDAQ since 1988 has been 42.95%.
- ✓ Bonds decline in price when interest rates rise. This leaves US Equities as the only real asset class that can offer protection amid rising interest rates. See the last slide in this presentation.

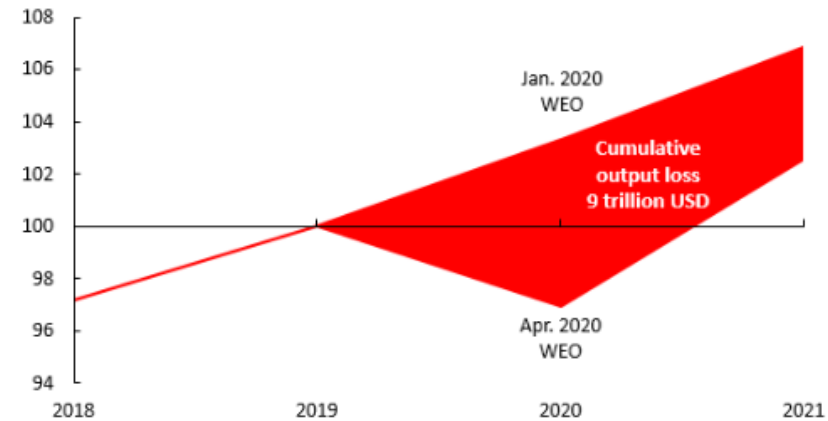
THE CUMULATIVE
OUTPUT LOSS
OVER 2020 AND
2021 FROM THE
PANDEMIC. THESE
SUPPLY CHAIN
BOTTLENECKS
CAUSE INFLATION

COVID Output Losses Were Very Large From 2020 - 2021.

Output losses

The cumulative output loss over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars.

(global real GDP level, index)



Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

- ✓ Supply chain bottlenecks partly cause increased inflation.

THE US LABOUR
DEPARTMENT
INDICATED THAT
THE CONSUMER
PRICE INDEX
JUMPED 8.5% IN
MARCH 2022
FROM 12 MONTHS
EARLIER

Relative Levels Of Inflation.

Inflation has exploded during the pandemic

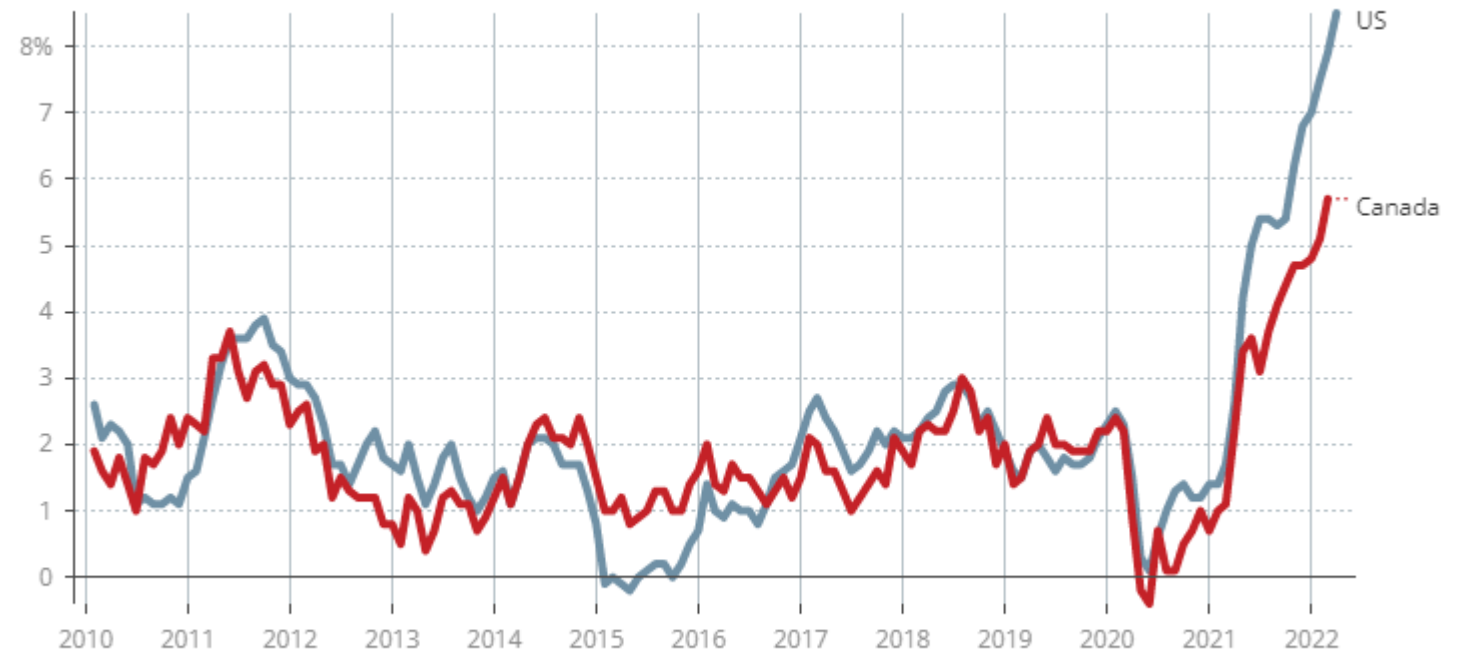


Chart: Pete Evans/CBC • Source: [U.S. Department of Labour](#)

CBC News

Current Fed Dot Plot

FEDERAL RESERVE
DOT PLOT SHOWS
OFFICIALS EXPECT
TO RAISE THE FED
FUNDS RATE SIX
MORE TIMES IN
2022
CONTROLLING
GROWTH AND
INFLATION



- ✓ The Fed's Dot Plot Indicates interest rate increases are very likely in the short term over 2022.

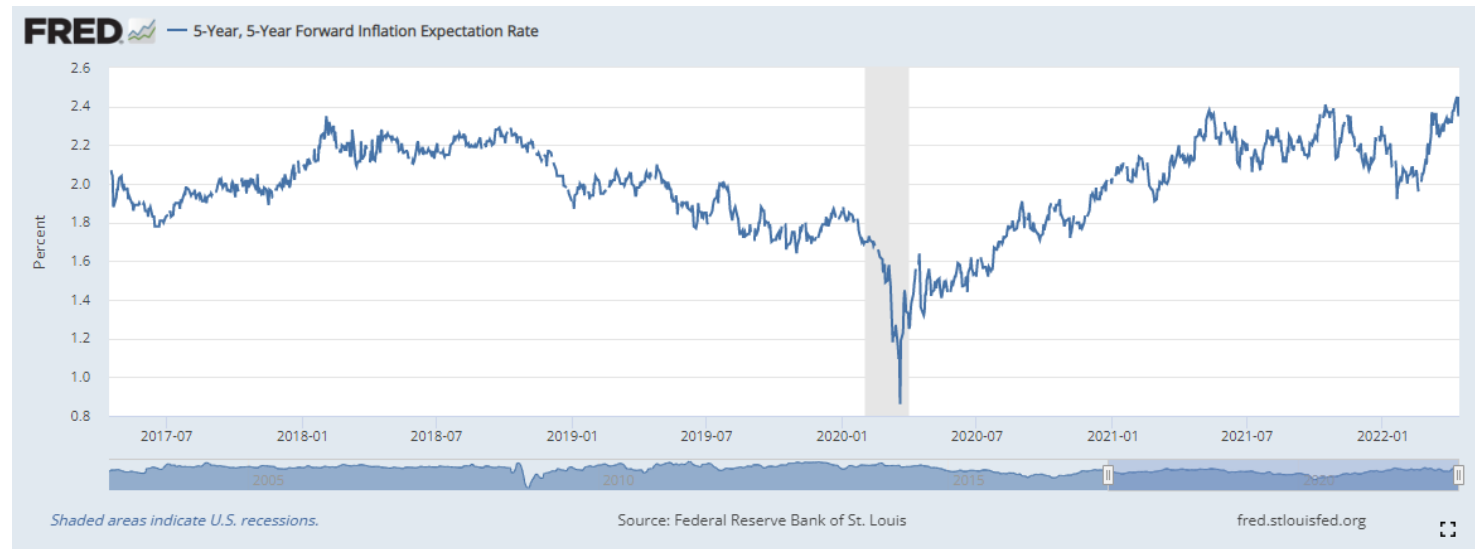
CHINA'S LATEST
COVID
LOCKDOWNS ARE
LIKELY TO HOLD
INFLATION HIGHER
FOR LONGER AS
SUPPLY CHAINS
NEED TO RETURN
TO NORMAL

“Given that these recent lockdowns are coming at a point when global supply chains are already strained ... we believe the impact of this lockdown could be much higher on global inflation and growth outlook compared to what we saw back in 2020.”

BERNSTEIN

5-YEAR, 5-YEAR
FORWARD
INFLATION
EXPECTED RATE
SINCE 2017

5-YEAR, 5-YEAR Inflation Outlook.



5-YEAR, 5-YEAR
FORWARD
INFLATION
EXPECTED RATE
SINCE 2002

5-YEAR, 5-YEAR Inflation Outlook Since 2002.



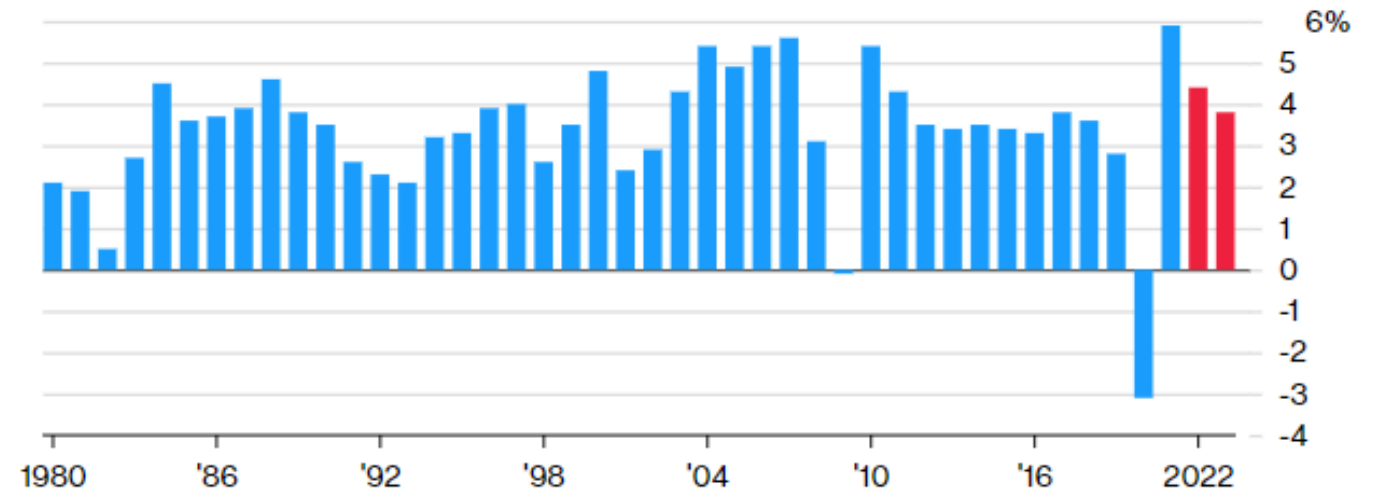
WAR RISKS
REVERSING THE
ECONOMIC
RECOVERY (WHICH
ISN'T BAD AS IT
MODERATES
ECONOMIC
GROWTH AND
INFLATION)

Growth Rates Are Expected Moderate.

Global Rebound

The IMF predicts that global growth will moderate in 2022 and 2023.

■ Annual GDP (YoY) ■ Forecast



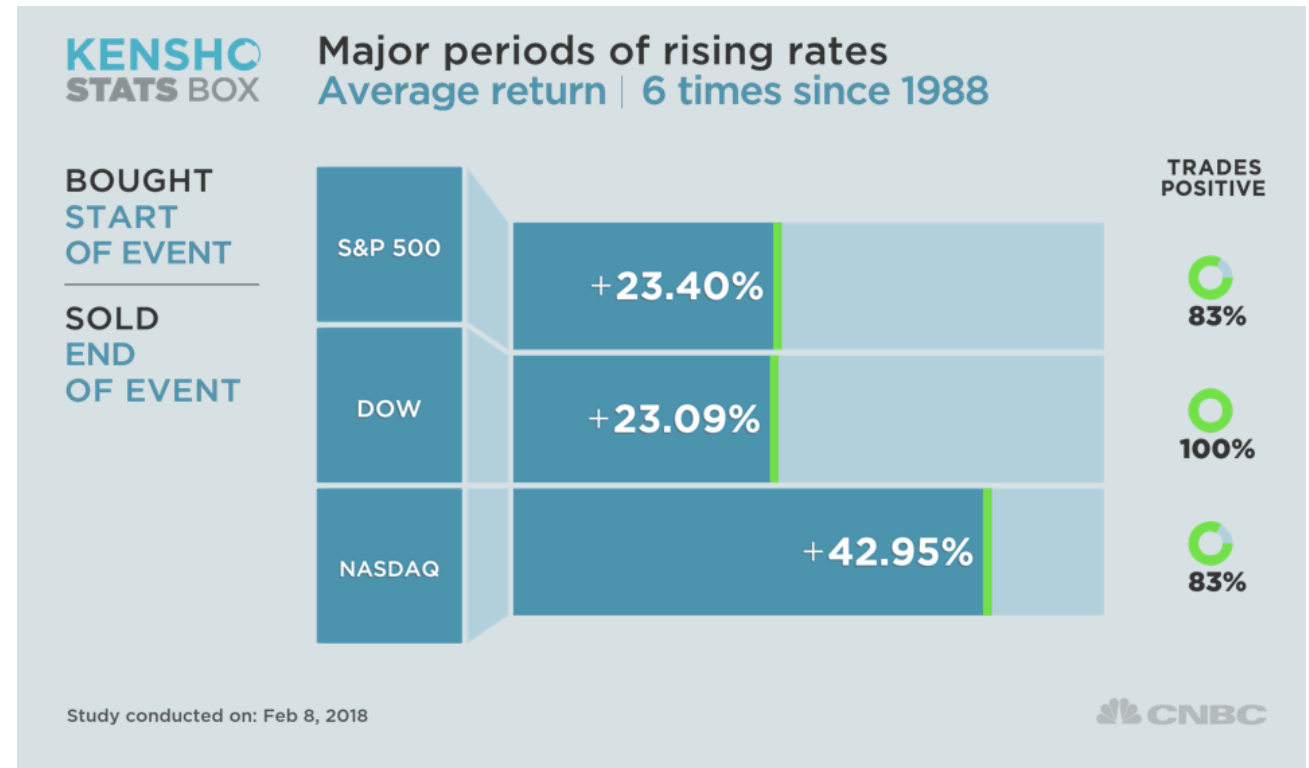
Source: International Monetary Fund

NOTE: 2021 growth is estimate

- ✓ This is largely due to the Russia/Ukraine conflict.

WHAT HAPPENS
DURING PERIODS
OF INCREASING
INTEREST RATES?
THERE WAS AN
AVERAGE POSITIVE
RETURN 6 TIMES
SINCE 1988

Historically, Rising Rates Have Coincided With Positive Returns.



- ✓ Rising interest rates mean that the US economy is improving.
- ✓ This can lead to higher corporate profitability and increased share prices.

US EQUITY AND
FIXED INCOME
ETFs SUFFERED
OUTFLOWS IN THE
FIRST TWO WEEKS
OF APRIL 2022

ETF Weekly Flows By Asset Class

	Net Flows (\$, mm)	AUM (\$, mm)	% of AUM
U.S. Equity	-13,660.53	4,218,036.30	-0.32%
International Equity	4,370.38	1,262,062.92	0.35%
U.S. Fixed Income	-4,857.97	1,050,670.79	-0.46%
International Fixed Income	917.14	157,443.72	0.58%
Commodities	400.08	169,303.53	0.24%
Currency	263.70	3,765.99	7.00%
Leveraged	1,599.68	66,313.39	2.41%
Inverse	-108.97	16,927.42	-0.64%
Asset Allocation	54.59	19,091.51	0.29%
Alternatives	25.81	7,347.68	0.35%
Total:	-10,996.09	6,970,963.26	-0.16%

INFLOWS REMAIN
POSITIVE INTO US
EQUITIES
YEAR-TO-DATE

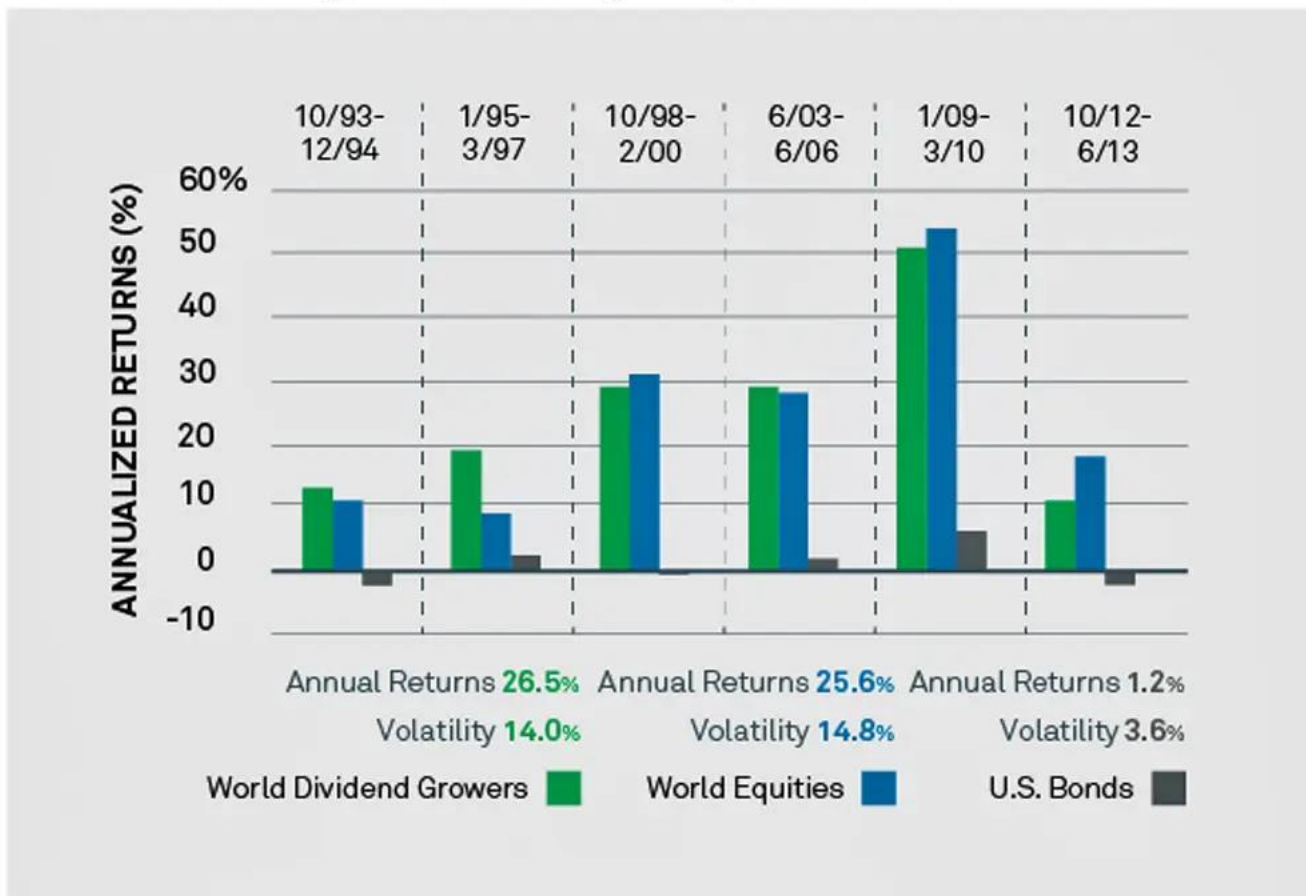
Asset Classes (Year-to-Date)

	Net Flows (\$, mm)	AUM (\$, mm)	% of AUM
U.S. Equity	91,929.86	4,218,036.30	2.18%
International Equity	50,961.13	1,262,062.92	4.04%
U.S. Fixed Income	10,269.78	1,050,670.79	0.98%
International Fixed Income	8,260.66	157,443.72	5.25%
Commodities	19,297.77	169,303.53	11.40%
Currency	633.25	3,765.99	16.81%
Leveraged	8,437.88	66,313.39	12.72%
Inverse	4,314.11	16,927.42	25.49%
Asset Allocation	724.33	19,091.51	3.79%
Alternatives	287.97	7,347.68	3.92%
Total:	195,116.74	6,970,963.26	2.80%

STOCKS ACTUALLY
OFFER
PROTECTION
DURING PERIODS
OF RISING
INTEREST RATES
(BLACKROCK)

STOCKS SEEK TO OFFER PROTECTION AMID RISING RATES

Performance During Periods of Rising Rates, October 1993–June 2013



Sources: Societe Generale, BlackRock, as of 6/30/13. World Dividend Growers represented by top quintile of dividend growers by five-year dividend growth across FTSE World Index; World Equities represented by entire FTSE World Index; U.S. Bonds represented by Barclays U.S. Aggregate Index. Volatility is measured by standard deviation. Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index is shown for illustrative purposes only.

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