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Weekly Market Guide

Equities remain volatile through the back-and-forth of US-Iran headlines and oil prices. The S&P 500 has drifted marginally lower, currently near its 200-day moving average and 5.5% off highs.

All eyes are on oil prices, given the commodity's far-reaching effects on many parts of the global economy. *How high oil goes* and *how long it stays there* will be the ultimate determinant of the economic impact. Because of this, oil's movements are the main influence on stock prices in the near-term. We believe the market is currently under-pricing the impact of oil with investors holding out some hope that the Iranian turmoil lasts *weeks rather than months*. If oil stays in the mid-90s, we believe the natural progression is for the S&P 500 to drift lower toward 6000-6200.

No one knows exactly when or how this will end, but it will pass. The Administration has stated its intent to wrap things up in 4-6 weeks (we are currently in week 4), and we do not believe there's much appetite to have a long-lasting conflict. Of course, Iran has a say on when things de-escalate too- and the situation may ultimately get worse before it gets better.

Importantly, there are buffers providing some cushion to the US economy for now (i.e. ~$140B in expected tax refunds coming to US consumers this Spring). **The quicker that tensions can de-escalate, the quicker that investor focus can shift back toward the positives (i.e. massive domestic investment spending, healthy economic growth, and broadening earnings strength).** While we believe potential downside should be contained, potential upside may be more moderate too. A risk-premium may linger in oil prices for a while, and geopolitical concerns are unlikely to disappear.

Sentiment indicators are nearing oversold, though not washed out. 52% of investors in the AAII survey are now bears (vs 30% bulls), the VIX has lifted near 30, and percentage of S&P stocks above their 50-day moving average is near 20%. These indicators can help from a contrarian standpoint, as investor "fear" often spikes near market lows. The current readings are not at capitulation-type levels and can often be a little early on timing; however, they are near an area where tradeable lows can develop. Additionally, credit spreads remain fairly narrow. In the face of military conflicts, spiking oil prices, private credit headlines, and softer employment, the bond market has not indicated spiking fears of widespread issues. This is supportive of equities, particularly if US-Iran tensions can dial down soon.

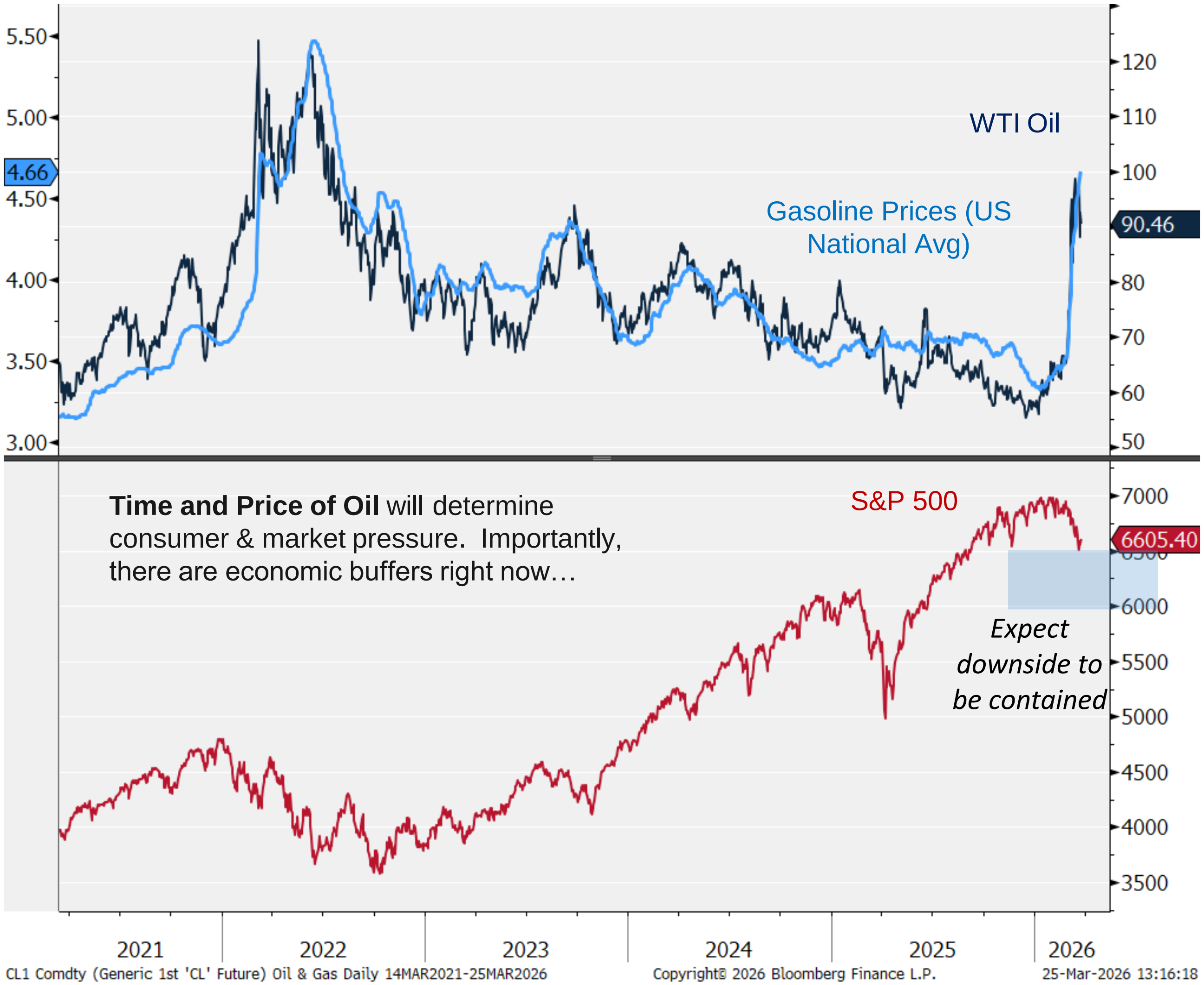
Long-term, diversified portfolios are well-positioned in this year's rotation and current volatility. More moderate returns and normal pullbacks are expected, particularly after the market strength seen in recent years. We remain positive on the longer-term backdrop amidst the current disruptions, and would use pronounced weakness opportunistically.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-4.0%	8.3%
S&P 500	-4.2%	13.7%
S&P 500 (Equal-Weighted)	0.2%	9.1%
NASDAQ Composite	-6.4%	19.6%
Russell 2000	0.9%	18.8%
MSCI All-Cap World	-2.8%	15.7%
MSCI Developed Markets	-1.4%	15.4%
MSCI Emerging Markets	2.8%	27.1%
NYSE Alerian MLP	18.1%	8.9%
MSCI U.S. REIT	3.1%	1.6%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	36.0%	4.0%
Materials	5.9%	2.0%
Industrials	5.8%	9.1%
Utilities	5.7%	2.5%
Consumer Staples	5.6%	5.2%
Real Estate	2.6%	1.8%
S&P 500	***-4.2%***	-
Communication Svcs.	-6.3%	10.3%
Health Care	-6.4%	9.3%
Information Technology	-7.8%	33.3%
Consumer Discretionary	-8.9%	9.9%
Financials	-10.0%	12.5%

Source: FactSet

All Eyes On Oil in the Near-Term



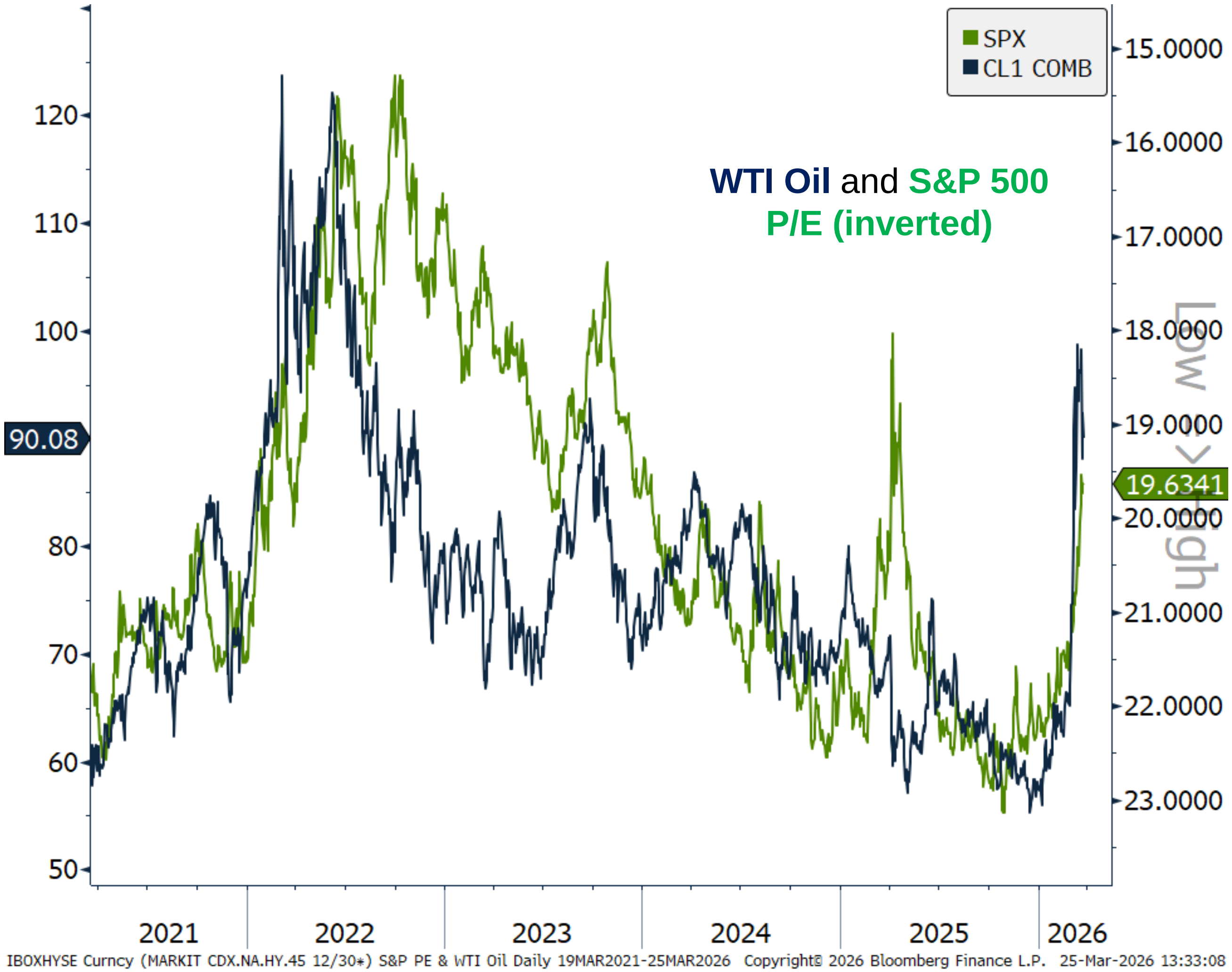
Oil price movements are the main influence on stock prices in the near-term. *How high oil goes* and *how long it stays there* will be the ultimate determinant of the economic and market impact.

WTI Crude Oil in the mid-90s has seen Gasoline prices increase ~$1 over the past few weeks. The US consumes ~140 billion gallons of gasoline per year, so this would amount to a $140B cost to consumers (if that average lasts all year). To put in perspective, this is 0.5% of GDP and equal to the estimated individual tax refunds expected this Spring.

Of course, the actual cost of higher oil prices is much more far-reaching than that. The point is that the impact is manageable with economic buffers helping in the near-term. The longer these pressures go on, the bigger headwind it becomes. Hopefully, tensions can dial-down sooner rather than later.

Source: Bloomberg, FactSet

WTI Crude Oil vs. S&P 500 P/E



We believe the market is currently under-pricing the impact of oil with investors holding out some hope that the Iranian turmoil lasts *weeks rather than months*.

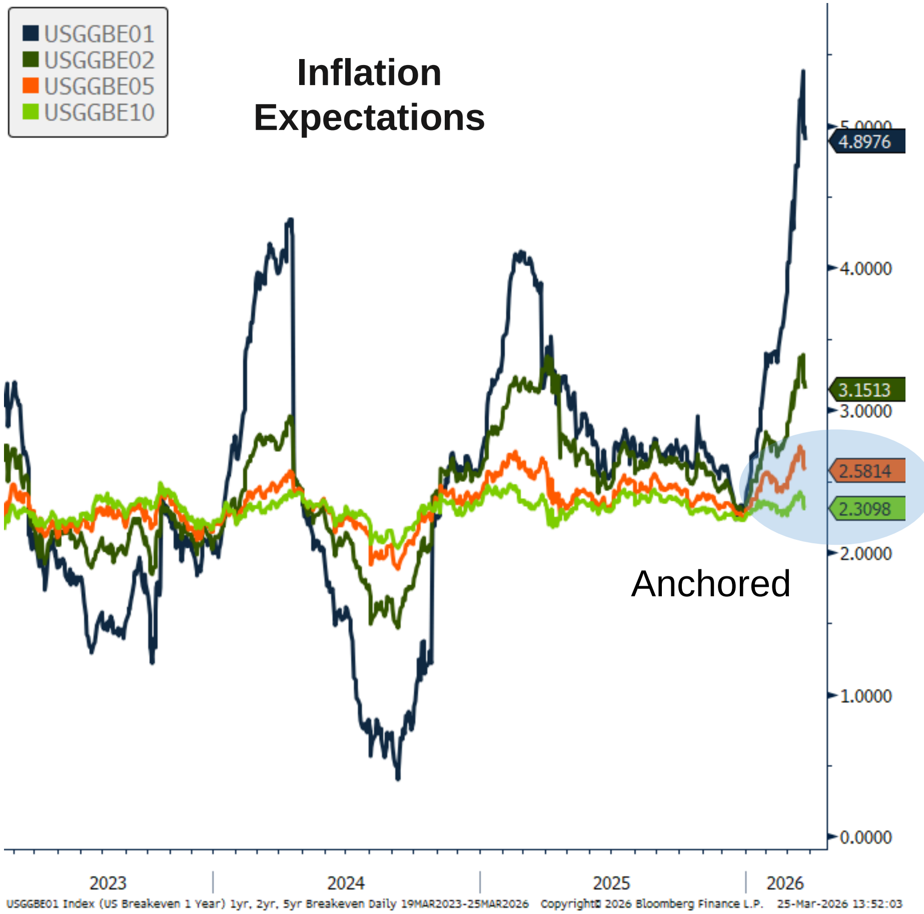
If oil stays in the mid-90s, we believe the natural progression is for the S&P 500 to drift lower toward 6000-6200. The relationship between WTI oil and S&P 500 P/E indicates the current 19.6x valuation should gravitate toward 18.5x.

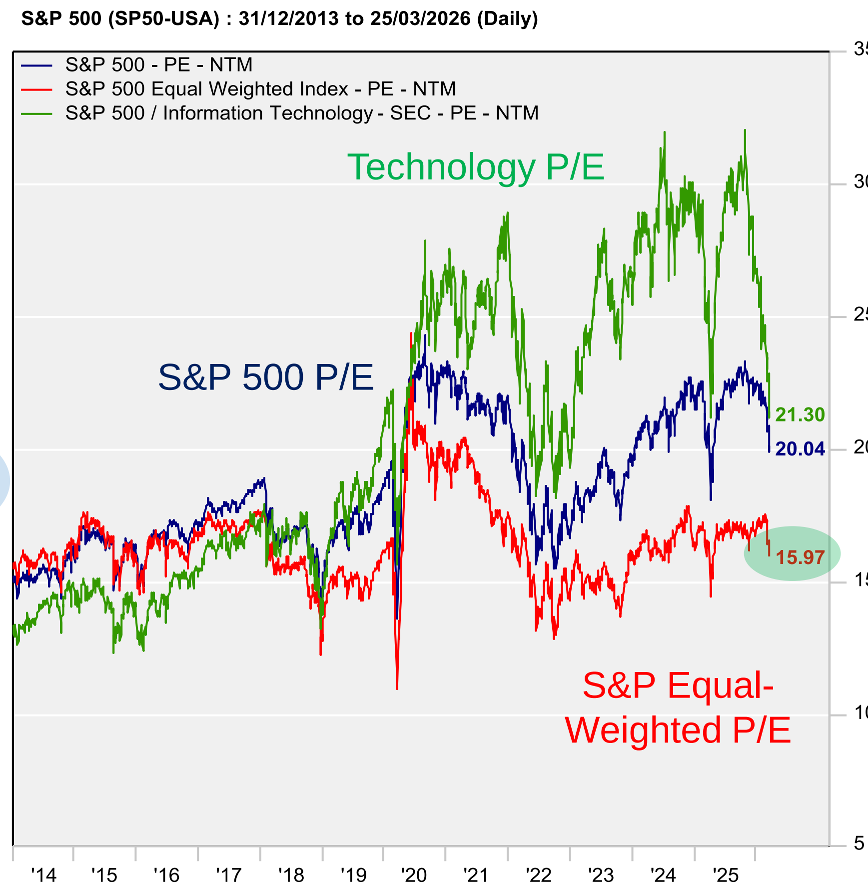
While we believe potential downside should be contained, potential upside may be more moderate too. A risk-premium may linger in oil prices for a while, and geopolitical concerns are unlikely to disappear.

Source: Bloomberg, FactSet

Inflation and Valuation

Oil prices have lifted the 1- and 2-year inflation expectations embedded in the bond market. This has contributed to P/E multiple contraction in equities, in particular for the elevated prices seen in Tech-land. Positively, 5- and 10-year inflation expectations remain anchored near ~2.5% (supportive of equities); and the "average stock" is trading at just 16x (in line with its long-term average).

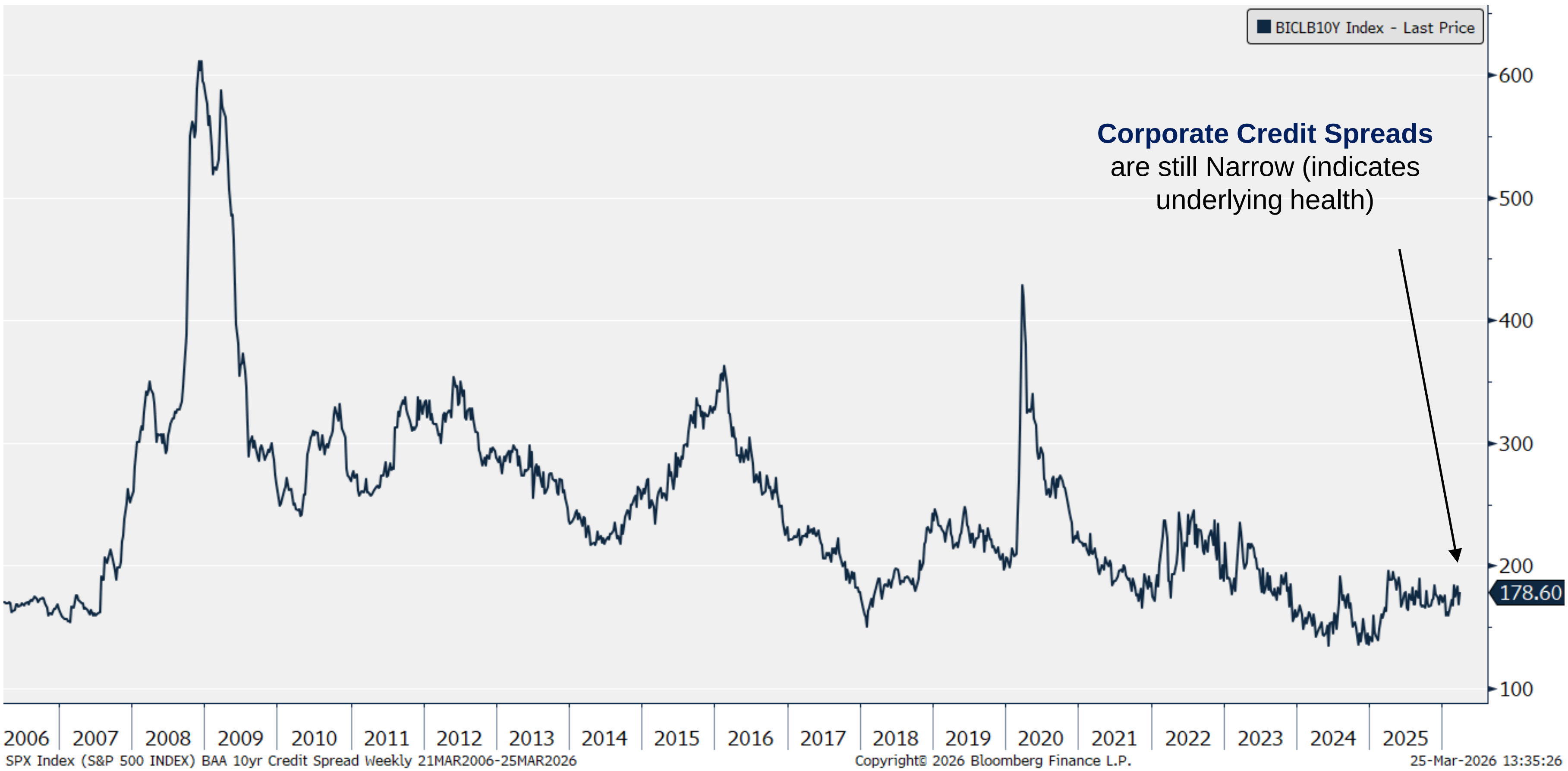




Source: Bloomberg, FactSet

Supportive Backdrop Amidst the Disruptions

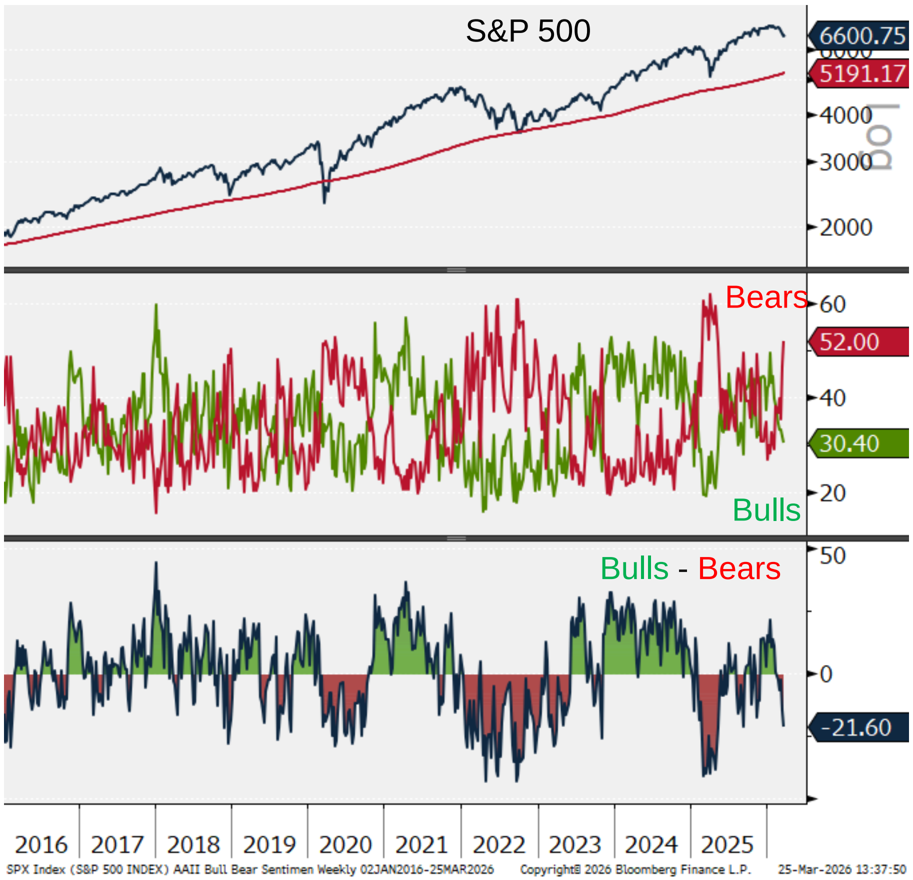
Credit spreads remain fairly narrow. In the face of military conflicts, spiking oil prices, private credit headlines, and softer employment, the bond market has not indicated spiking fears of widespread issues. This is supportive of equities, particularly if US-Iran tensions can dial down soon.

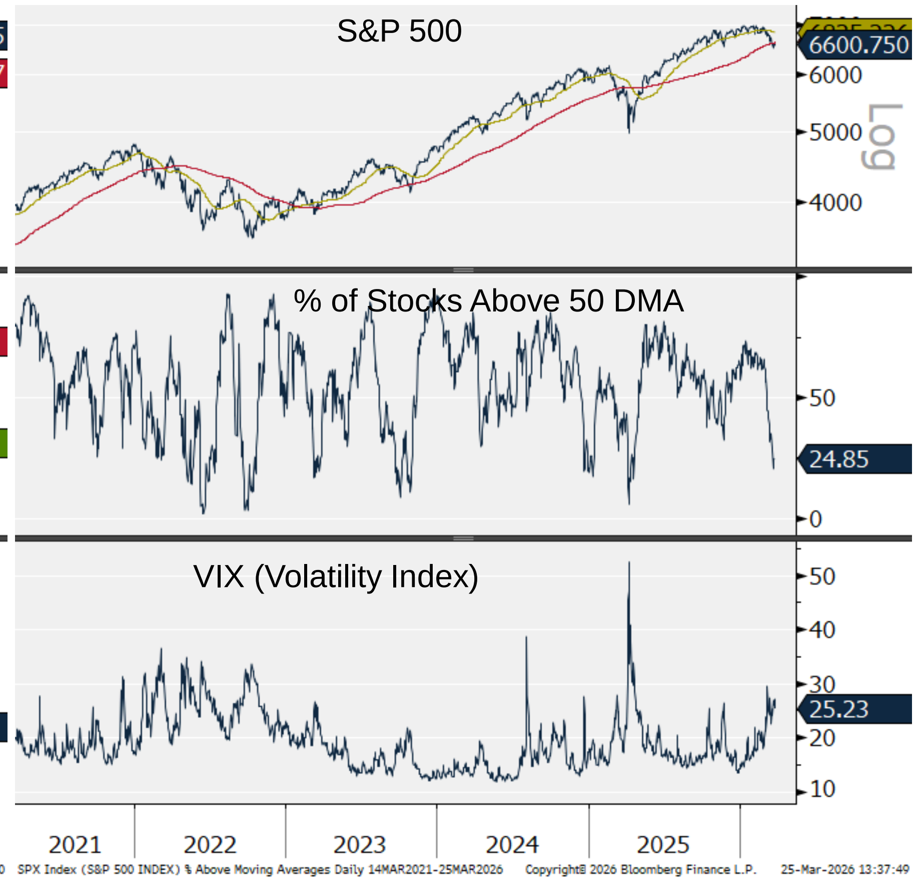


Source: Bloomberg, FactSet

Sentiment Indicators Nearing Oversold, Though Not Washed Out

52% of investors in the AAII survey are now bears (vs 30% bulls), the VIX has lifted near 30, and percentage of S&P stocks above their 50-day moving average is near 20%. These indicators can help from a contrarian standpoint, as investor "fear" often spikes near market lows. The current readings are not at capitulation-type levels and can often be a little early on timing; however, they are near an area where tradeable lows can develop.

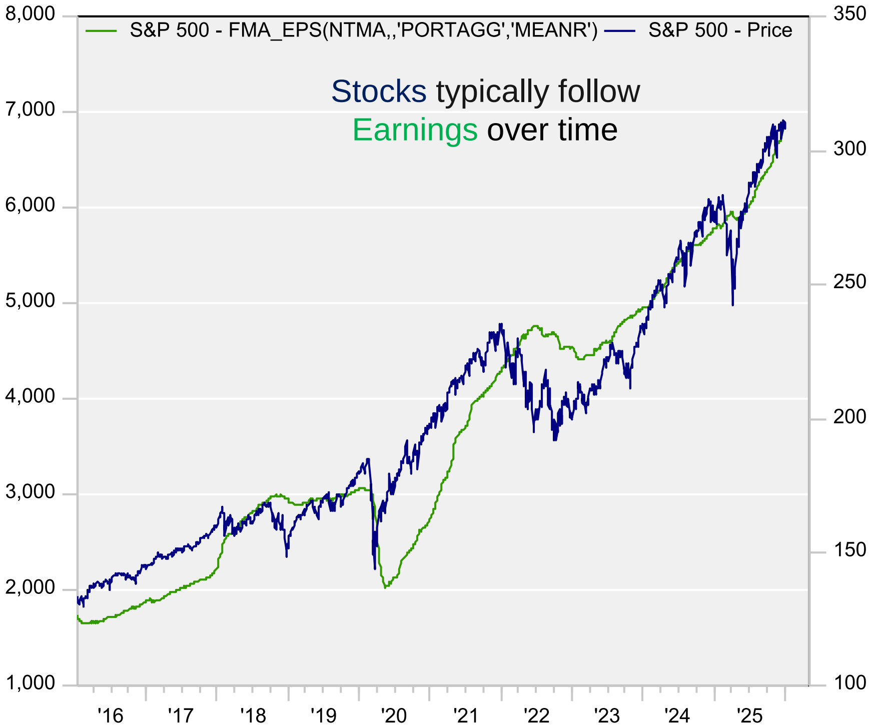


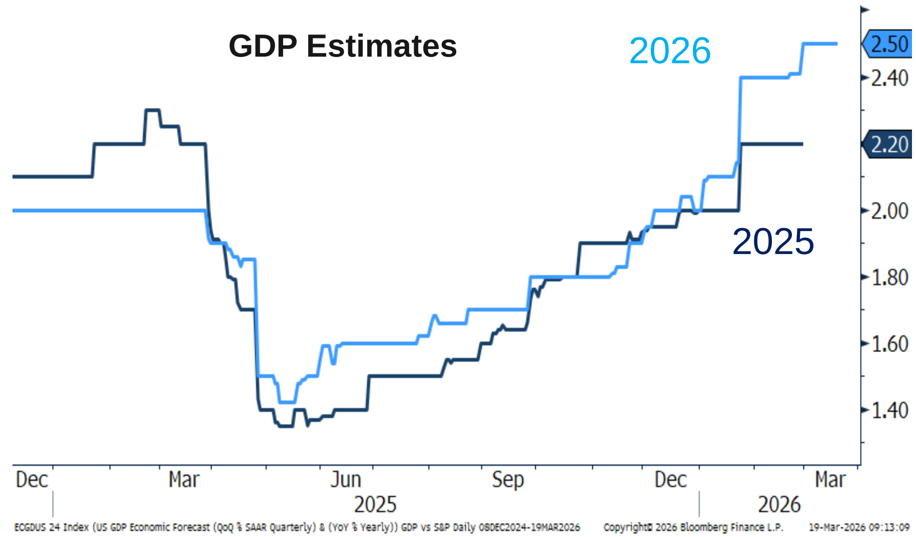


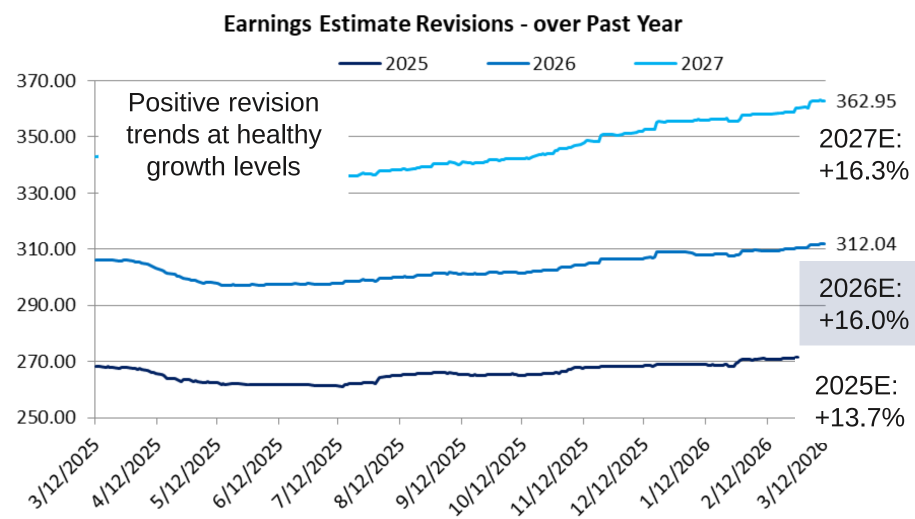
Source: Bloomberg, FactSet

Earnings Are The Long-Term Driver of Equities

Importantly, there are buffers providing some cushion to the US economy for now (i.e. ~$140B in expected tax refunds coming to US consumers this Spring). The quicker that tensions can de-escalate, the quicker that investor focus can shift back toward the positives in the economic and fundamental backdrop (i.e. massive domestic investment spending, healthy economic growth, and broadening earnings strength).



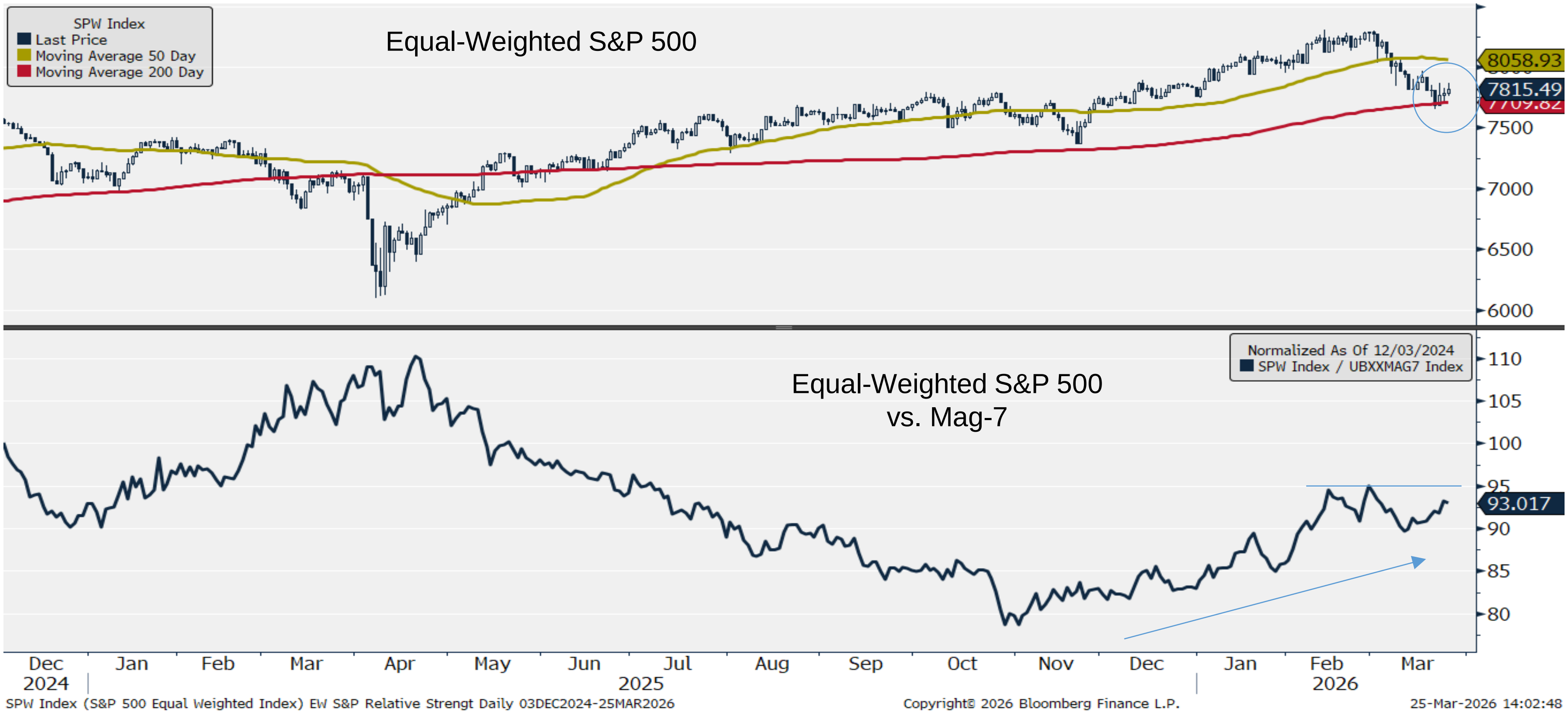




Source: Bloomberg, FactSet

Market Participation

Long-term, diversified portfolios are well-positioned in this year's rotation and current volatility. The "average" S&P 500 stock is up ~1% year-to-date, whereas the Mag-7 is down -10%. Currently, the equal-weighted S&P is oversold at 200-day support, following an uptrend at the beginning of the year. In contrast, the Mag-7 has been putting in lower highs since last October and has broken below its 200-day moving average. We are watching to see how the "average stock" responds to support and if relative strength (vs. the Mag-7) can break to a higher high. This would add to the broadening theme and support diversified portfolios vs. the top-heavy index.



Source: Bloomberg, FactSet

IMPORTANT INVESTOR DISCLOSURES

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.