by CHRIS KONSTANTINOS

THE RIVERFRONT WRITING TEAM

ADAM GROSSMAN, CFA
Global Equity CIO |
Co-Head of Investment Committee

CHRIS KONSTANTINOS, CFA
Director of Investments |
Chief Investment Strategist

KEVIN NICHOLSON, CFA
Global Fixed Income CIO |
Co-Head of Investment Committee

DOUG SANDLER, CFA
Head of Global Strategy

ROD SMYTH
Chairman of the Board of Directors

DAN ZOLET, CFA
Associate Portfolio Manager

SUMMARY

- The US economy is trending stronger than many fear, in our view.
- Recession indicators mixed, but not uniformly negative.
- Any economic turndown is likely to be mild, in our view.

10.17.2023

October 2023 Chart Pack Summary: US Economy's Reality Stronger Than the Perception

We are excited to release our October 2023 Chart Pack – our visual quarterly designed to walk investors through our views on:

- What's happening and why,
- Predictions about what may come next,
- Positioning in our RiverFront portfolios.

In today's *Weekly View*, we created a concise synopsis of three selected visuals from our October 2023 *Chart Pack*. In our view, markets could stay volatile and range-bound through year-end, with US investors watching inflation and economic trends closely, as well as the upcoming US presidential election. Nonetheless, as we start to look towards 2024, we have been encouraged by the resilience in the US economy. Our asset allocation portfolios are slightly overweight stocks, with an emphasis on the US. We hope you find the chart pack a helpful tool for client meetings and conversations.

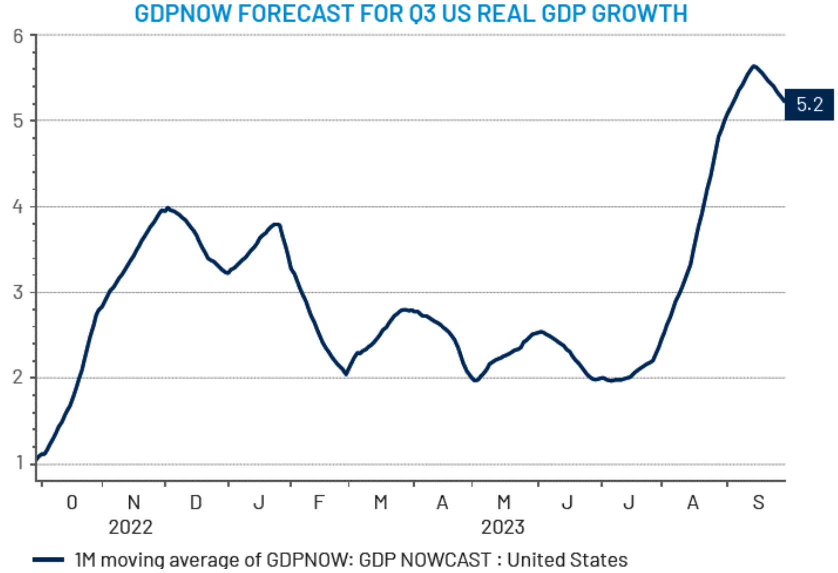
US Economy: *Weak Perception VS. Strong Reality*

Parts of the US economy are suffering from a lack of confidence about the future, in our opinion. This is evident in data such as low manufacturing sentiment, small business optimism, and consumer confidence.

However, the reality on the ground in the US economy is quite better than the perception and has been for much of the year. **US GDP grew in the 2nd quarter, and the Atlanta Fed's 'GDPNow' forecasting tool suggests even higher growth for Q3 (see chart, below).**

We believe that the US economy is cooling, but do not foresee the US falling into deep recession in 2023. The situation overseas seems worse, with China flirting with deflation and Germany possibly in a recession.

GDPNOW FORECAST FOR Q3 US REAL GDP GROWTH

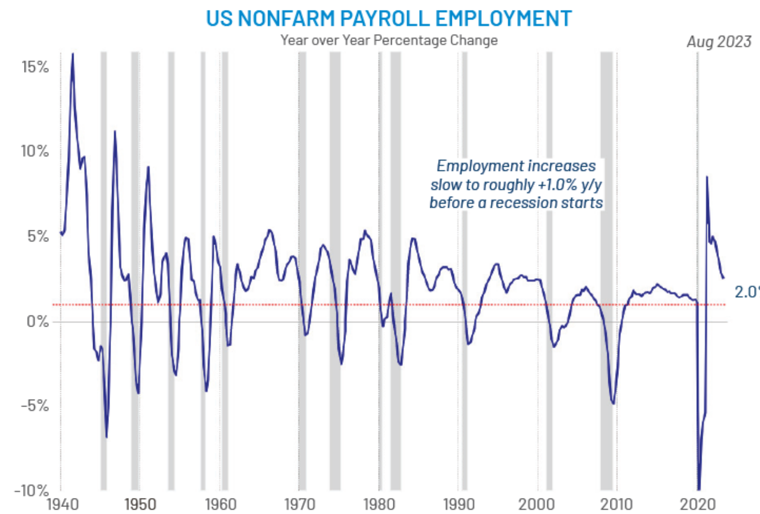


Source: LSEG Datastream, Riverfront. Data daily as of 09.29.2023. Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly) of time. The GDP Now nowcast GDP indicator was created by the Atlanta Federal Reserve and combines higher-frequency (e.g., monthly) economic data released before the GDP data to estimate growth in the current quarter.

Recession Watch: *Indicators Mixed*

Traditional harbingers of recession such as the US 3-month-to-10-year Treasury yield curve and the six- month change in the Leading Economic Index (LEI), have been warning of US recession risks for well over a year now. These reflect subdued sentiment in manufacturing and consumer sentiment, among other things.

However, other important economic indicators, such as credit spreads, employment (chart, right) and services sentiment have stayed robust — suggesting to us a mixed but not recessionary economy.



Source: LSEG Datastream, RiverFront; data as of August 2023. Chart right shown for illustrative purposes only. Past performance is no guarantee of future results.

Recession Likely To Be Mild, In Our View

We believe the US will stay out of recession in 2023. **However, we also think any future recession should be less severe given that US consumers and corporations are healthier than previous recessions:**

- Consumers are in good shape. US consumer debt (including mortgages, auto loans and credit card interest) as a percentage of disposable personal income is significantly lower than before the 2008 housing crisis (see chart, right).
- Consumers also have roughly $2T more in excess savings (or ~9% of GDP) than they did prior to COVID-19, according to The Economist*.

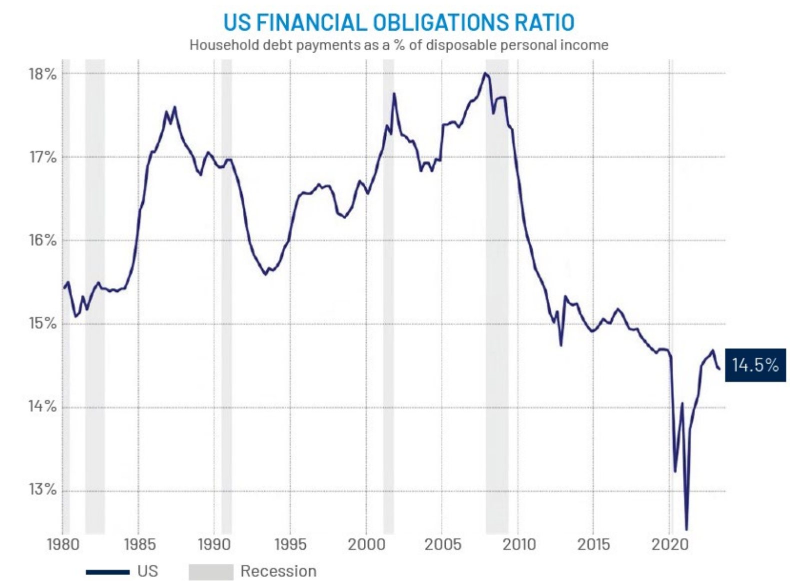


*Chart Source: LSEG Datastream, Riverfront; data quarterly as of Q2 2023. Shown for illustrative purposes only. Past performance is no guarantee of future results. *Source: The Economist; What America's next recession will look like; 06.01.2022, Updated 09.30.2022.*

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Definitions:

Treasury yield is the effective annual interest rate that the U.S. government pays on one of its debt obligations, expressed as a percentage. Put another way, Treasury yield is the annual return investors can expect from holding a U.S. government security with a given maturity.

The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy. Businesses and investors can use the index to help plan their activities around the expected performance of the economy and protect themselves from economic downturns.

Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly) of time.

The GDP Now nowcast GDP indicator was created by the Atlanta Federal Reserve and combines higher-frequency (e.g., monthly) economic data released before the GDP data to estimate growth in the current quarter.

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