

# Tulsa Estate Planning Forum Economic and Market Update

January 9, 2023



For intended audience only; Not to be distributed to the General Public

# Market participants came into 2022 with cautious optimism

## 2022 Expectations

Pandemic Impacts	Subsiding
Inflation	Transient
Monetary Policy	Low for Longer
Economic Growth	Modest Growth
Geopolitics	Status Quo

# Persistent inflation, rising interest rates and geopolitical risks trigger material repricing of risk assets and market volatility

	2022 Expectations	2022 Experience
Pandemic Impacts	Subsiding	Omicron Supply chain issues
Inflation	Transient	Persistent
Monetary Policy	Low for Longer	Aggressive tightening
Economic Growth	Modest Growth	Slowing global growth
Geopolitics	Status Quo	Ukraine war, UK leadership crisis

# Markets sold off sharply in 2022 amid increased volatility



Note: Past performance is no guarantee of future results.  
Source: Bloomberg, January 2023

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# Inflation reached its highest level in 40 years



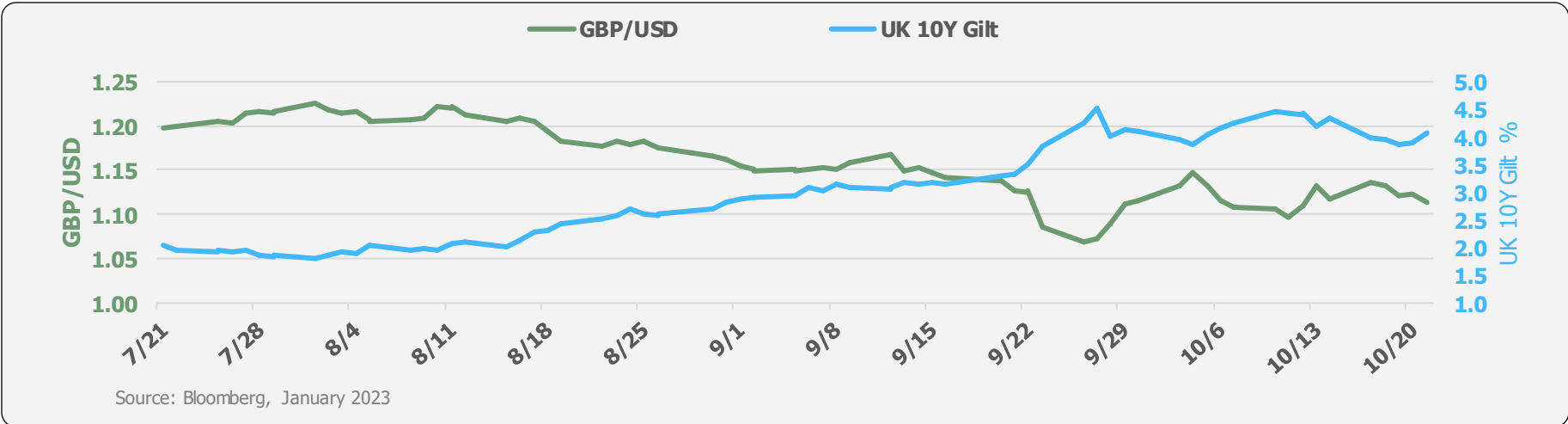
# Twin supply-demand shock resulted in too many dollars chasing too few goods and services



# Russia & China are contributing to inflation dynamics



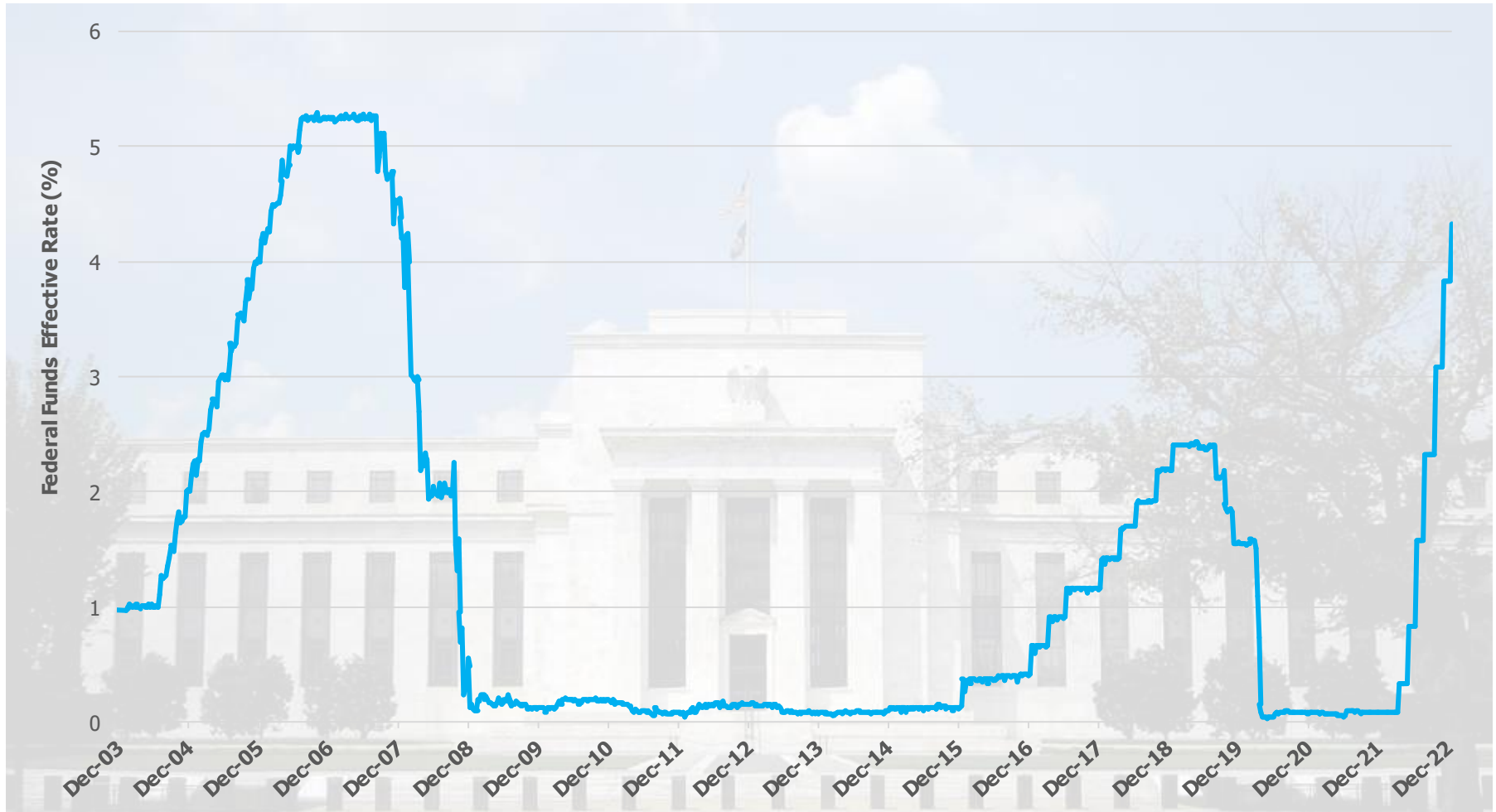
# UK leadership crisis adds to volatility



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# The Federal Reserve is aggressively raising interest rates

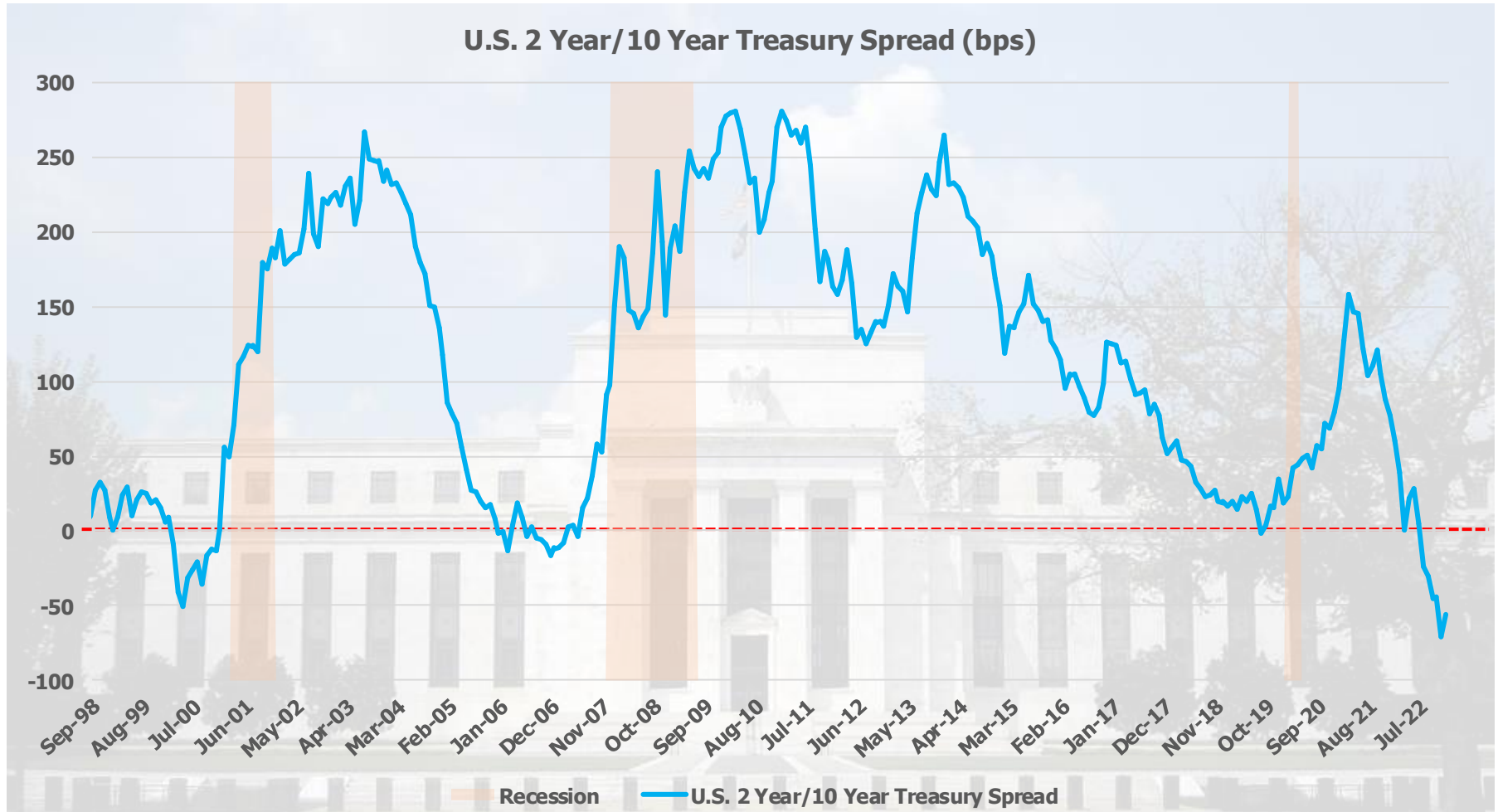


The effective federal funds rate is the interest rate banks charge each other for overnight loans to meet their reserve requirements. Also known as the federal funds rate, the effective federal funds rate is set by the Federal Open Market Committee, or FOMC

Source: Bloomberg, January 2023



# An inverted yield curve has often preceded US recessions



Source: Bloomberg, January 2023

Note: Past performance is no guarantee of future results.



# Unemployment rate fell to 3.5%, its lowest level in 50 years



Source: Bloomberg, January 2023

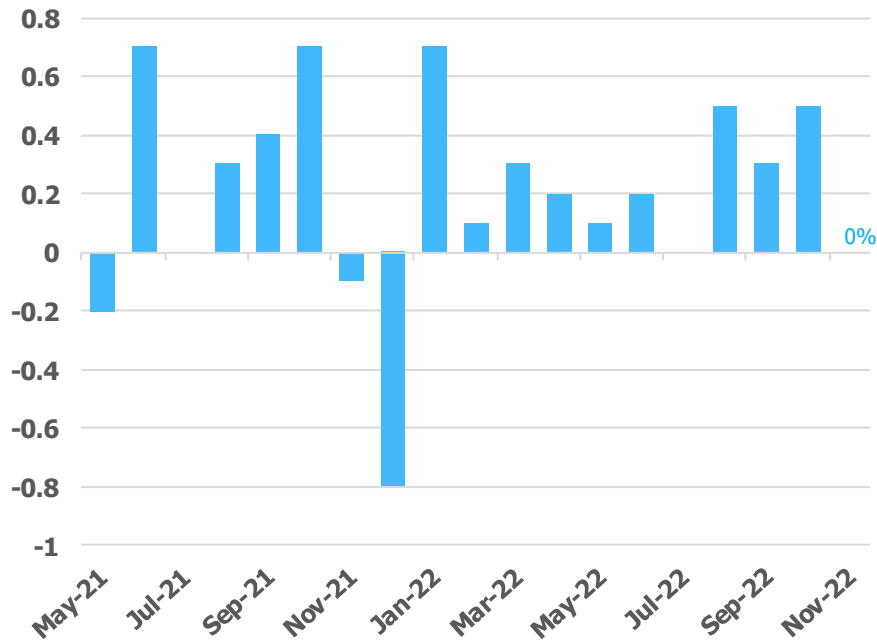


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# Consumer spending resilient while sentiment plummets

## Consumer Spending

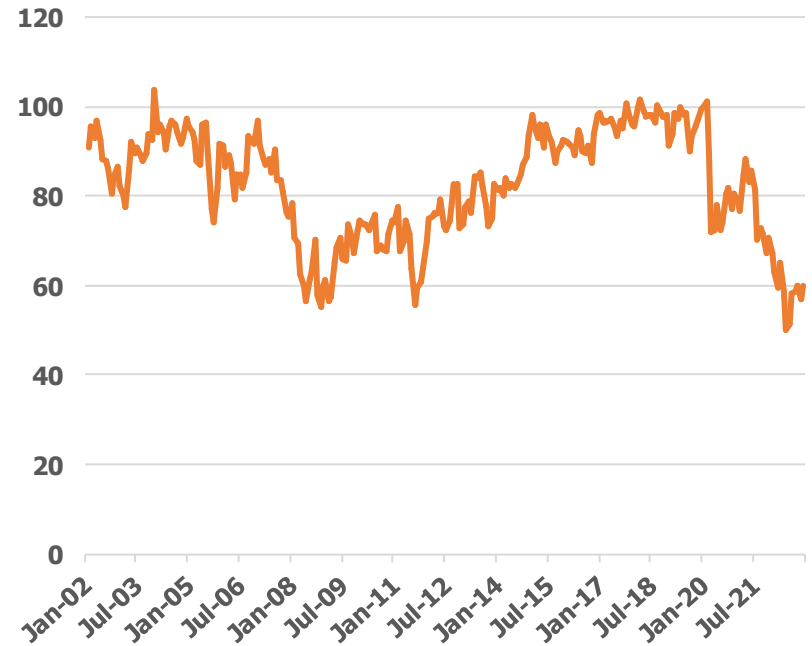
Personal Consumption Expenditures (PCE)  
adjusted for inflation (%)










Source: Bloomberg, January 2023

## Consumer Sentiment

U. of Michigan Consumer Sentiment



# Mega-trends could result in structurally higher inflation

Factor	Impact on Inflation Last ~40 Years	Impact on Inflation Outlook
1 Demographics		
2 Globalization		
3 Technology		
4 Climate Change and Energy Transition	N/A	

# Market volatility to persist due to weaker economic outlook

	2022 Expectations	2022 Experience	2023 Outlook
Pandemic Impacts	Subsiding	Omicron Supply chain issues	China is a wildcard Supply chains normalize
Inflation	Transient	Persistent	Structural
Monetary Policy	Low for Longer	Aggressive tightening	Rates to remain high
Economic Growth	Modest Growth	Slowing global growth	Increased risk of recession
Geopolitics	Status Quo	Ukraine war, UK leadership crisis	Russia and China continue to challenge global order

# The sudden shift in monetary policy and macro environment has led to significant volatility and sharp market movements

	1/1/2022	12/31/2022
10-year Treasury Yield	1.5%	3.9%
S&P 500 Return	+29% in 2021	-19% in 2022
IG Corporate Yield	2.5%	5.25%
HY Corporate Yield	4.0%	8.5%

- Public fixed income now offers the best yields/value since 2008

# The life insurance industry plays a critical role in the U.S. economy - paying benefits, investing capital, and creating jobs

**\$21.2**  
**Trillion**

Industry Total Life  
Insurance in Force

**\$200**  
**Billion**

Industry Total Life and  
Annuity benefits Paid in 2021

**2.8**  
**Million**

People Employed by  
U.S. Life Insurers

**\$5.3**  
**Trillion**

Industry General Account  
Investments in Economy

- Benefits paid by life insurers are second only to U.S. Social Security with \$2.4 billion daily life insurance industry payouts, compared to \$3 billion in Social Security benefits<sup>1</sup>
- Life insurers have been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s<sup>1</sup>



# Disclosures

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