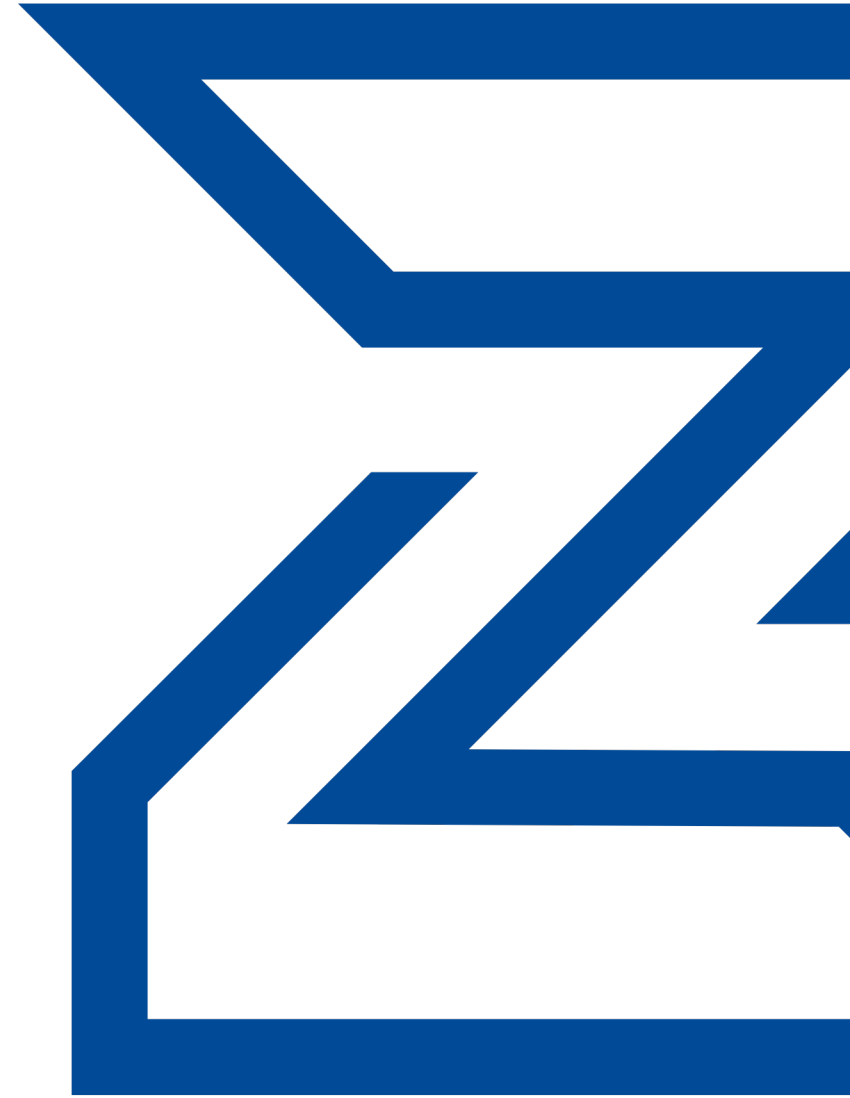
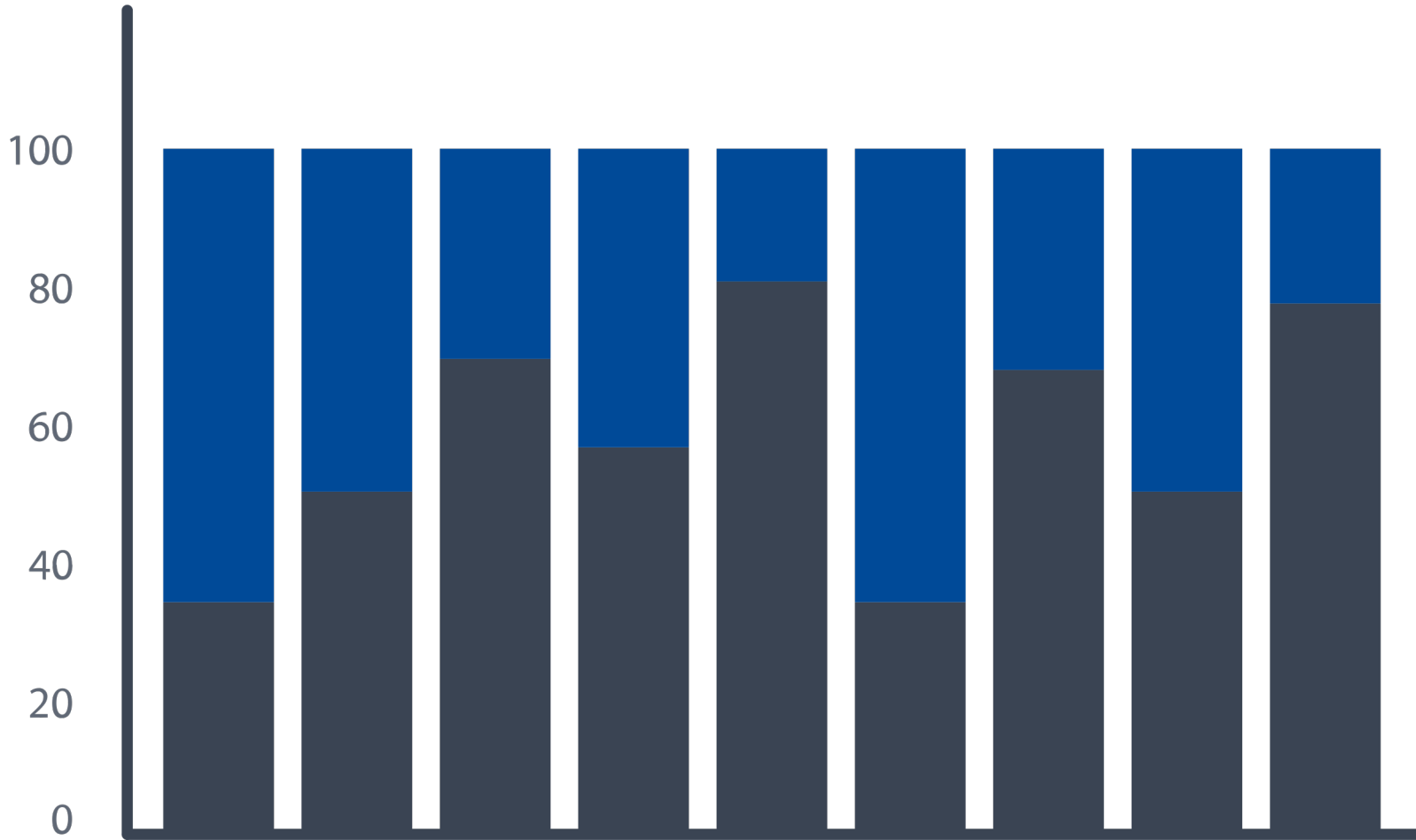


# CHARTS OF THE MONTH

FEB 2023



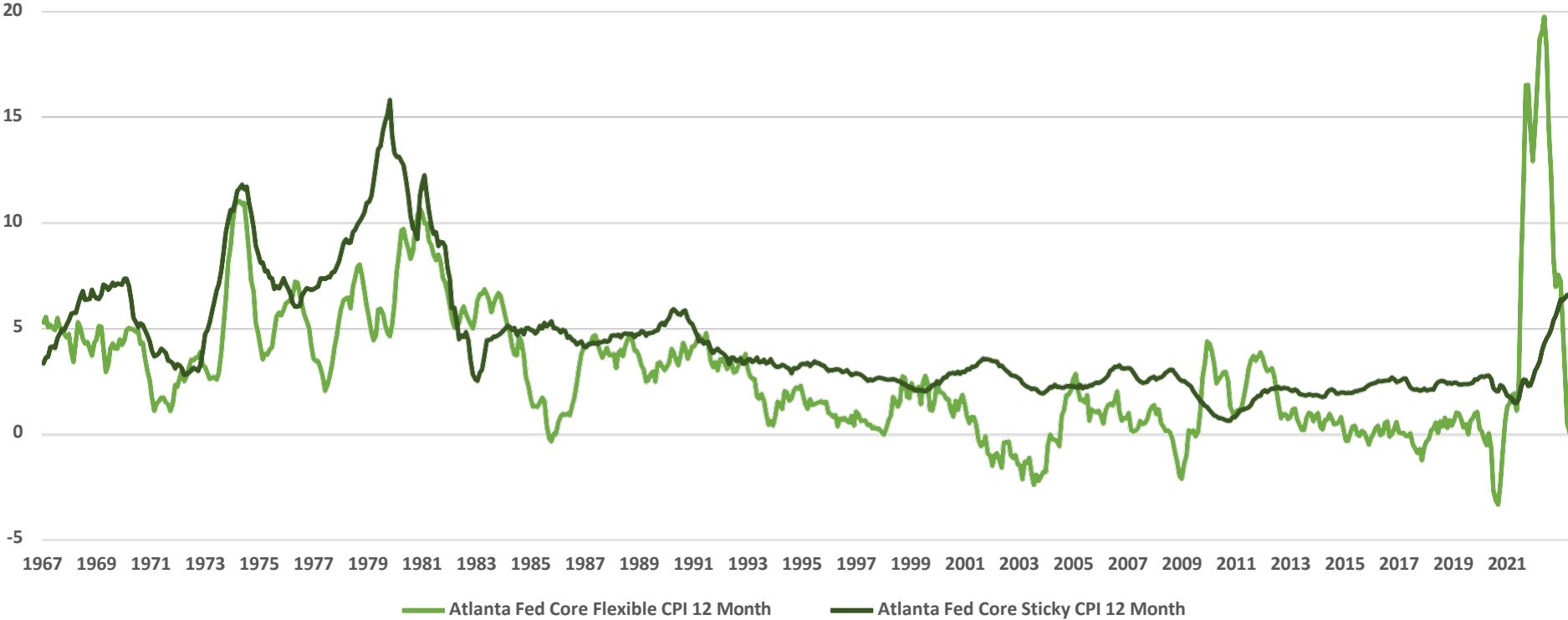
## WS Macro Leading Indicator



	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
<b>WS MLI (Unsmoothed)</b>	4.49	0.44	0.67	-5.56	-7.16	-7.46	-8.05	-10.54	-10.09	-11.39	-10.10	-11.21	-10.98
Consumer	0.06	-1.06	-0.33	-2.39	-1.37	-1.52	-1.61	-1.54	-1.87	-1.77	-1.67	-1.35	-1.67
<b>Financial Conditions</b>	3.09	0.90	0.69	-0.75	-2.61	-3.12	-2.56	-5.36	-5.16	-5.21	-4.38	-4.82	-4.45
Housing	-0.21	-0.88	0.00	-1.79	-2.23	-0.67	-1.27	-2.41	-2.43	-3.37	-3.07	-3.83	-4.23
Labor	1.05	1.03	1.08	1.02	0.82	0.70	0.68	0.65	0.76	0.51	0.13	0.10	0.51
Production	0.01	0.33	0.52	-0.14	-0.23	-0.28	-0.79	-0.82	-0.57	-0.49	-0.14	-0.43	-0.77
Sentiment	0.50	0.11	-1.29	-1.52	-1.55	-2.56	-2.50	-1.06	-0.83	-1.06	-0.97	-0.88	-0.37

Source: Bloomberg, WealthShield; Data from 1/31/2022 to 1/31/2023

# Massive Divergence Puts Inflation at Crossroads



After the surge in inflation seen in 2021 and the first half of 2022, the Consumer Price Index has somewhat moderated over the last seven months. This is seen in the precipitous decline in “Core Flexible CPI,” as monitored by the Atlanta Fed, which contains components to core CPI that change relatively frequently. That being said, “Core Sticky CPI,” which contains components to core CPI that change relatively slowly, has remained elevated. This is the highest dispersion between Flexible and Sticky CPI ever recorded, and while Sticky CPI has historically been a better gauge of where inflation is headed, only time will tell how this ends.

Source: Bloomberg, Atlanta Fed; Data from 12/31/1967 to 1/31/2023

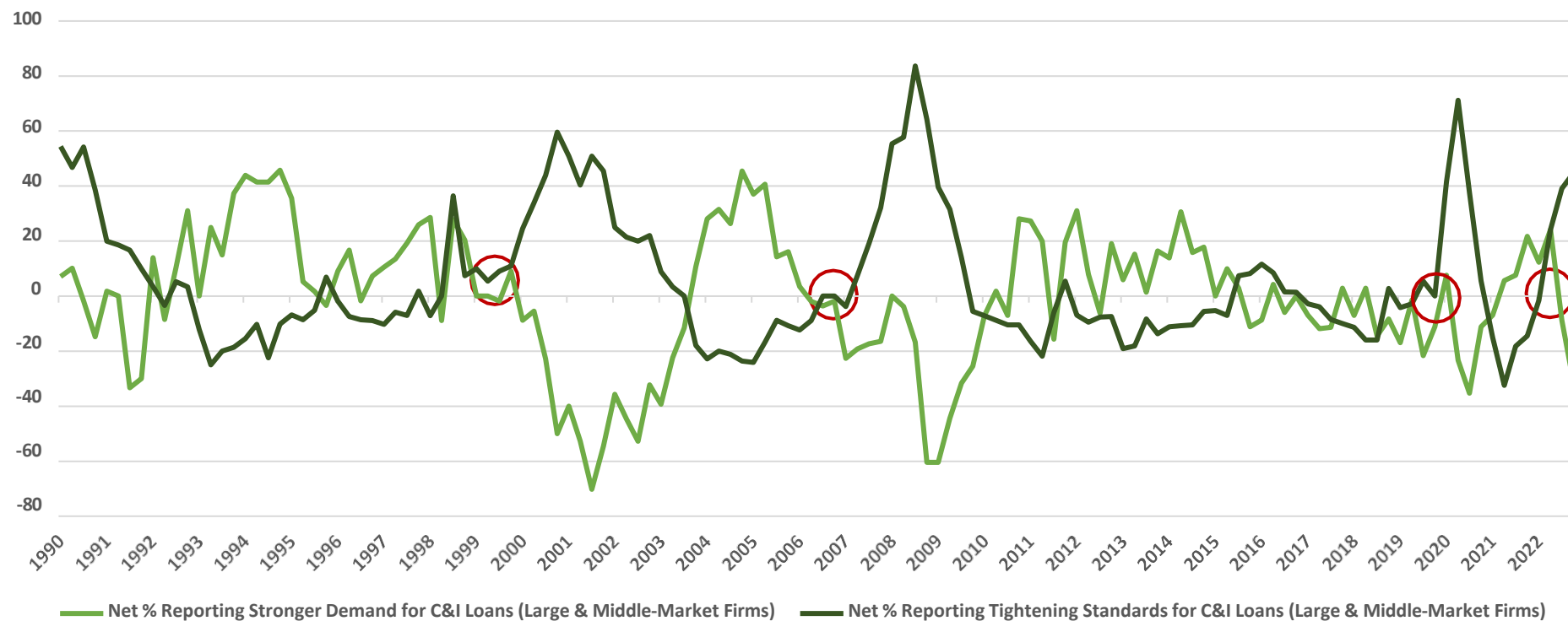
## Equity Risk Premium Returns to 2022 Lows



While broad declines in equity markets in 2022 led to declines in valuation metrics such as the Price to Earnings Ratio, looking at the “equity risk premium,” the difference between the S&P 500 Earnings Yield and the 10-Year Treasury Yield, market valuations haven’t improved over the last year. Historically a major market low occurs on a spike in the equity risk premium, as either the 10-Year yield drops in reaction to stimulus, or the market value of the S&P 500 drops (which would cause the earnings yield to increase markedly above the 10-Year).

Source: Bloomberg, Data from 12/31/1999 to 2/21/2023

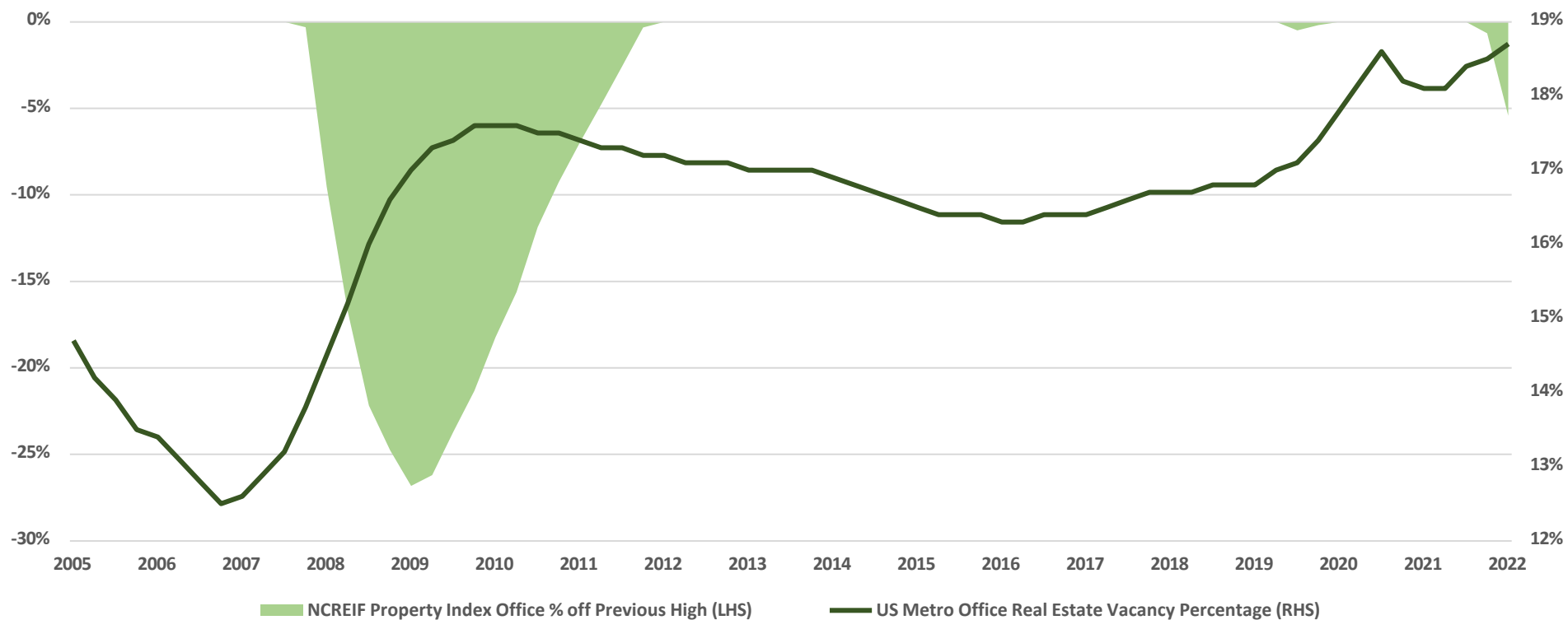
## Tightening Commercial Credit Conditions Begin to Crack Demand



Federal Reserve rate hikes are beginning to cause tightening financial conditions and demand destruction in large consumer & industrial loan deals. In the fourth quarter of 2022, a significant net share of senior loan officers reported tightened standards for C&I loans to large and middle-market firms. Concurrently, a significant net share of SLOs reported weaker demand for loans. This divergence between tight credit standards and weakening demand has only occurred a few times in the available data (circled in red).

Source: Bloomberg, Data from 4/30/1990 to 1/31/2023

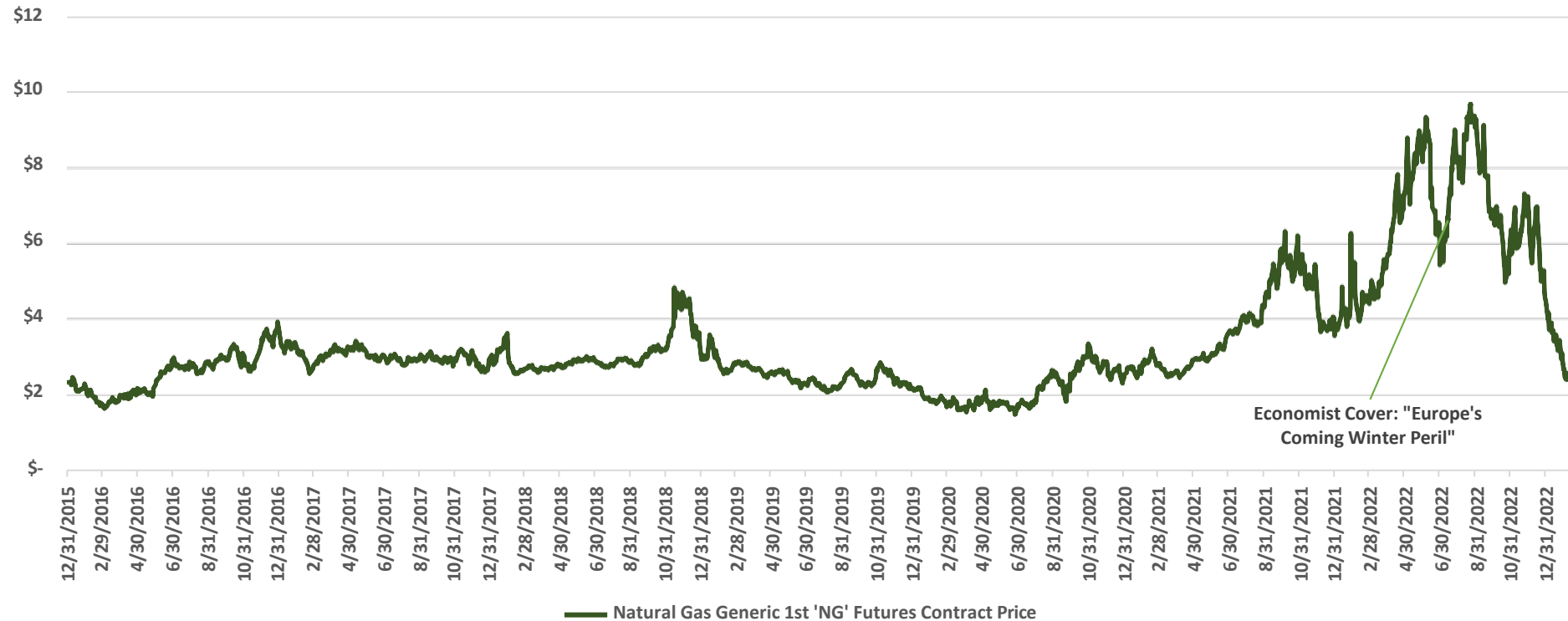
## Office Real Estate Slump Primed to Worsen



After the stress brought on by Covid lockdowns in 2020, office real estate failed to rebound with the rest of the market as “work from home” gained popularity. With tight financial conditions filtering through the credit system and vacancy rates above the 2021 highs, private office real estate has had its first drawdown of greater than 5% since 2008. With limited demand and virtually no bank funding available, it’s possible that the drawdown will worsen as debt maturities come due over the next several quarters.

Source: Bloomberg, NCREIF; Data from 12/31/2005 to 12/31/2022

## Milder Than Expected Winter Sends Natural Gas Below 2021 Lows



Natural Gas has continued to slide from its peak in August 2022 and is currently in a drawdown of -79%. Most of the commodity's 2022 gains came from fears surrounding the Russian Invasion of Ukraine and its effects on European gas stores during the winter of 2022/2023. This mini-mania was capitalized by an issue of The Economist with the cover [Europe's Coming Winter Peril](#). Despite the potential catalysts, a severe winter in Europe failed to materialize, resulting in the declines in Natural Gas front-month futures to levels not seen since 2020.

Source: Bloomberg, The Economist; Data from 12/31/2015 to 2/21/2023

# DISCLOSURE

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