BWM Investment Strategy
Did The Fed Finally Break Something?

Largest bank failures since GFC

Largest U.S. Bank Failures

Bank	City	State	Year	Assets at time of failure
Washington Mutual	Seattle	Washington	2008	$307 billion
Silicon Valley Bank	Santa Clara	California	2023	$209 billion
Signature Bank	New York	New York	2023	$118 billion
Continental Illinois National Bank and Trust	Chicago	Illinois	1984	$40.0 billion
First RepublicBank Corporation	Dallas	Texas	1988	$32.5 billion
IndyMac	Pasadena	California	2008	$32 billion
American Savings and Loan	Stockton	California	1988	$30.2 billion
Colonial Bank	Montgomery	Alabama	2009	$25 billion
Bank of New England	Boston	Massachusetts	1991	$21.7 billion
MCorp	Dallas	Texas	1989	$18.5 billion
FBOP Corp banking subsidiaries	Oak Park	Illinois	2009	$18.4 billion
Gibraltar Savings and Loan	Simi Valley	California	1989	$15.1 billion
First City National Bank	Houston	Texas	1988	$13.0 billion
Guaranty Bank	Austin	Texas	2009	$13.0 billion
Downey Savings and Loan	Newport Beach	California	2008	$12.8 billion
BankUnited FSB	Coral Gables	Florida	2009	$12.8 billion
HomeFed Bank	San Diego	California	1992	$12.2 billion
AmTrust Bank	Cleveland	Ohio	2009	$12.0 billion
WesternBank	Mayaguez	Puerto Rico	2010	$11.9 billion
United Commercial Bank	San Francisco	California	2009	$11.2 billion
Southeast Bank	Miami	Florida	1991	$10.5 billion

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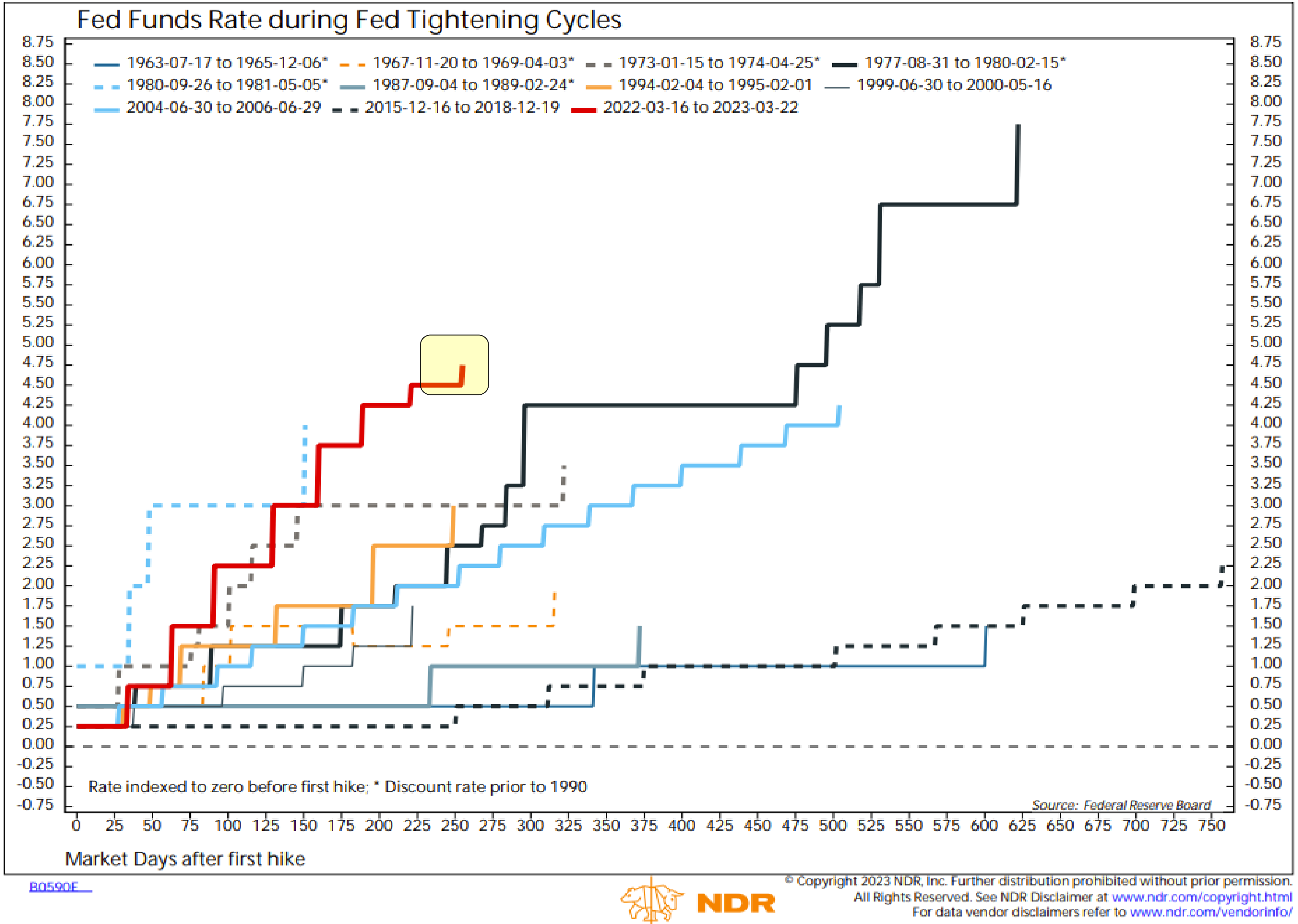
Fastest pace of tightening since the 80's



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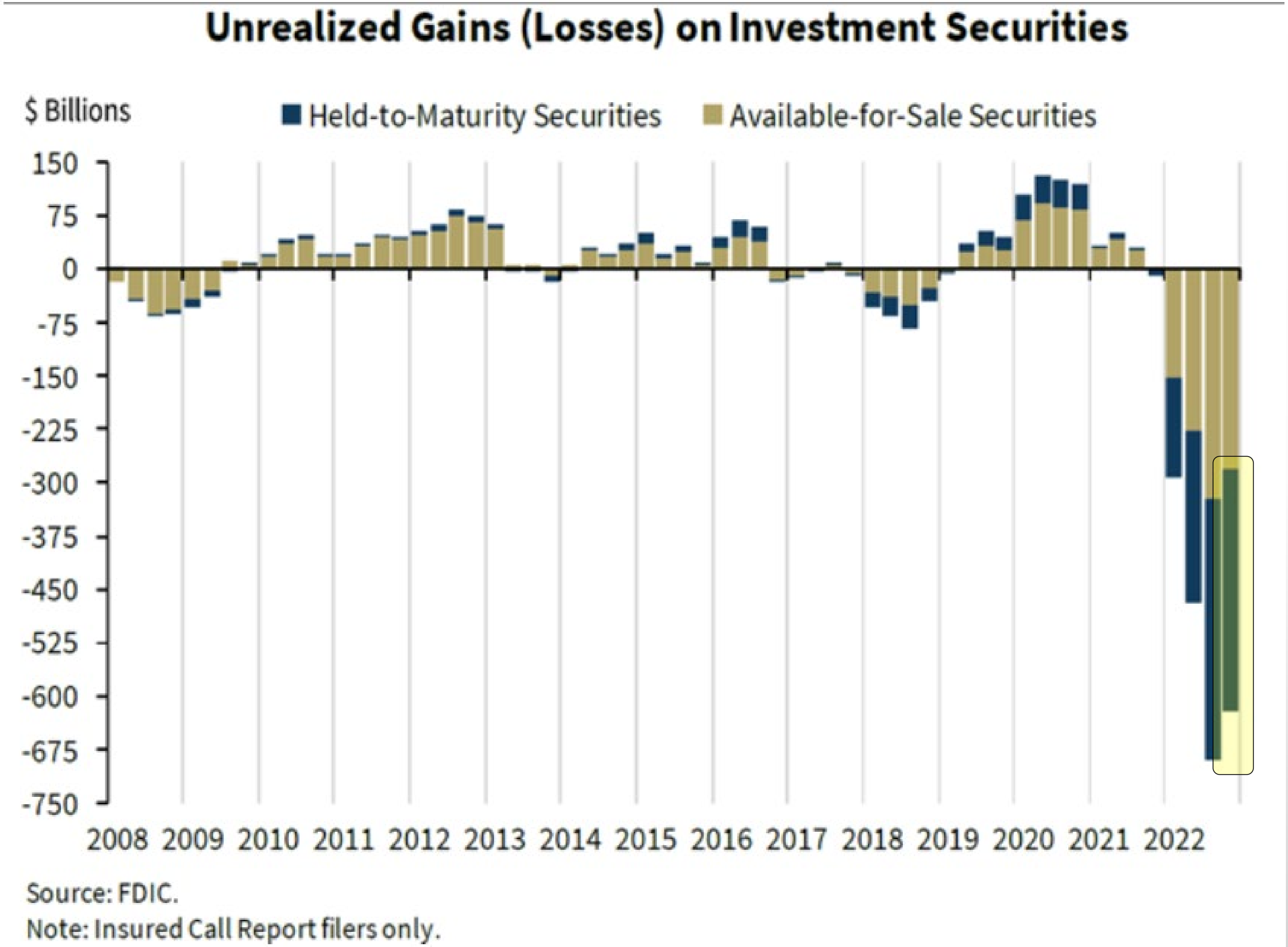
Massive losses due to interest rate increase



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A classic bank run

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Please see important disclosures, chart explanations, summary and commentary at the end of this report.

Where it all started..

Institution	Program	Estimated Program Size
The Fed	Fed funds rate cut to 0%-0.25%	
	Discount rate cut to 0.25%	
	Large scale asset purchases[3]	$1.8 trillion, Open-ended
	Dollar swap line arrangements	
	Term Asset-Backed Securities Loan Facility (TALF)	$100 billion
	Commercial Paper Funding Facility (CPFF)	$100 billion
	Primary Dealer Credit Facility (PDCF)	Unspecified
	Primary Market Corporate Credit Facility (PMCCF)	$500 billion
	Secondary Market Corporate Credit Facility (SMCCF)	$250 billion
	Money Market Mutual Fund Liquidity Facility (MMFLF)	$100 billion
	Municipal Liquidity Facility	$500 billion
	"Main Street" Lending Facilities (new and expanded)	$600 billion
	Paycheck Protection Program Lending Facility (PPPLF)	$350 billion
Congress	Coronavirus Preparedness and Response Supplemental Appropriation Act	$8.3 billion
	National Emergency Declaration	$50 billion
	Families First Coronavirus Response Act[1]	$192 billion
	Coronavirus Aid, Relief, and Economic Security Act (CARES)[2]	$2.0 trillion
	Individuals	$560 billion
	Small businesses	$375 billion
	Big businesses	$500 billion
	Public health	$155 billion
	State and local governments	$340 billion
	Education/Safety net/Other	$70 billion
	Total stimulus	**$6.55 trillion**
	Total stimulus as a % of nominal GDP	**30.1%**

Notes: 1. Has been evaluated by the CBO; 2. Has not been evaluated by the CBO; 3. Based on change in the Fed's balance sheet assets between 2/28/2020 and 4/9 2020; Source: Federal Researve Board, Congressional Budget Office, Library of Congress, www.Congress.gov

Ned Davis Research T_BEC_020200414.1

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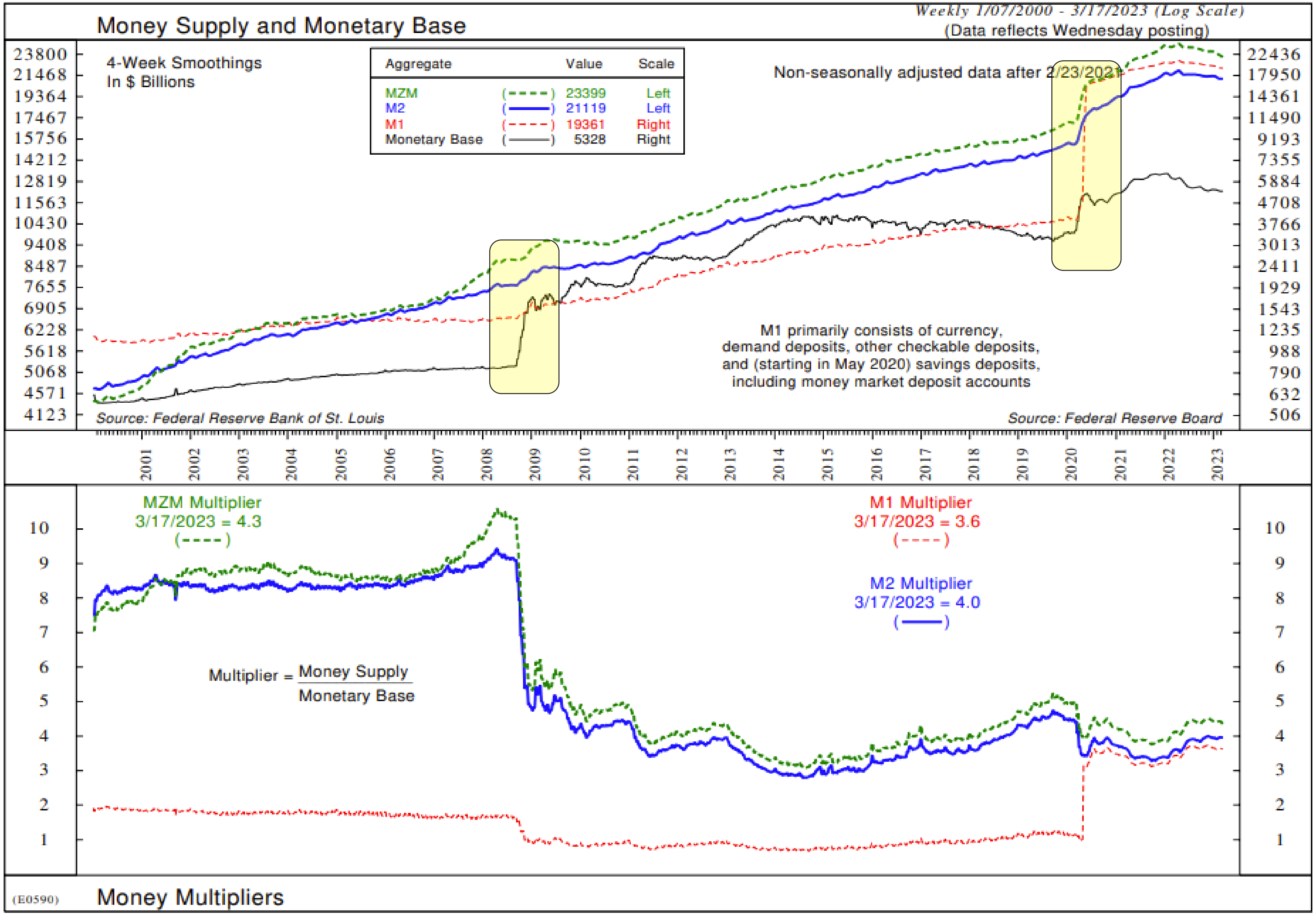
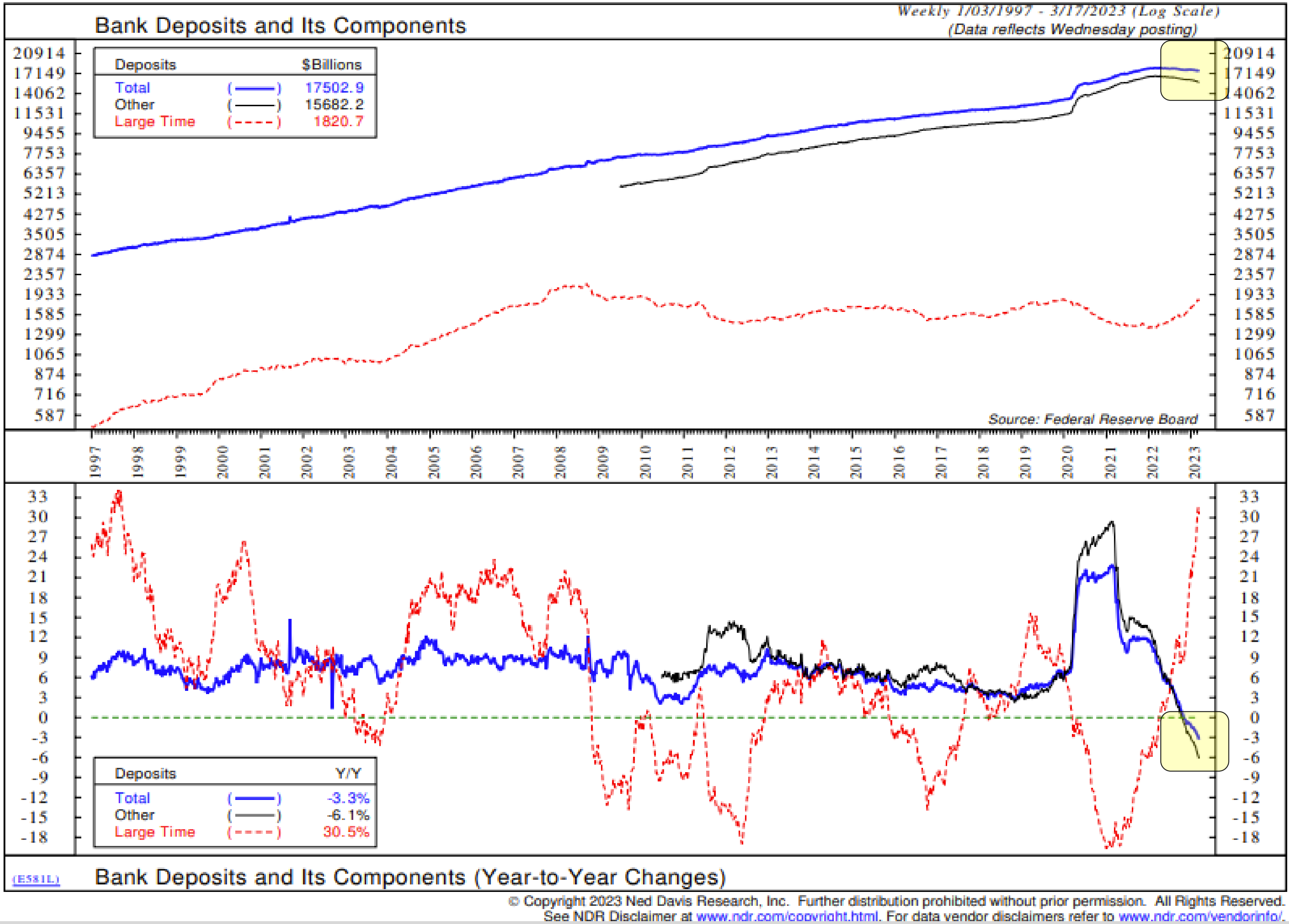
GFC vs COVID



Money Supply and Monetary Base
Weekly 1/07/2000 - 3/17/2023 (Log Scale)
(Data reflects Wednesday posting)
4-Week Smoothings
In $ Billions
Aggregate Value Scale
MZM 23399 Left
M2 21119 Left
M1 19361 Right
Monetary Base 5328 Right
Non-seasonally adjusted data after 2/23/2021
M1 primarily consists of currency, demand deposits, other checkable deposits, and (starting in May 2020) savings deposits, including money market deposit accounts
Source: Federal Reserve Bank of St. Louis
Source: Federal Reserve Board
23800 21468 19364 17467 15756 14212 12819 11563 10430 9408 8487 7655 6905 6228 5618 5068 4571 4123
22436 17950 14361 11490 9193 7355 5884 4708 3766 3013 2411 1929 1543 1235 988 790 632 506
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
MZM Multiplier
3/17/2023 = 4.3
M1 Multiplier
3/17/2023 = 3.6
M2 Multiplier
3/17/2023 = 4.0
Multiplier = Money Supply / Monetary Base
10 9 8 7 6 5 4 3 2 1
(E0590)
Money Multipliers

Bank deposits now shrinking



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Global Systemically Important Banks (G-SIBs) have the advantage

Bank Name / Holding Co Name	Nat'l Rank	Bank ID	Bank Location	Charter	Consol Assets (Mil $)	Domestic Assets (Mil $)	Pct Domestic Assets	Pct Cumulative Assets	Domestic Branches	Foreign Branches	IBF
JPMORGAN CHASE BK NA/JPMORGAN CHASE & CO	1	852218	COLUMBUS, OH	NAT	3,201,942	2,480,688	77	15	4,791	33	Y
BANK OF AMER NA/BANK OF AMER CORP	2	480228	CHARLOTTE, NC	NAT	2,418,508	2,291,312	95	26	3,819	24	Y
CITIBANK NA/CITIGROUP	3	476810	SIOUX FALLS, SD	NAT	1,766,752	1,069,311	61	34	661	144	Y
WELLS FARGO BK NA/WELLS FARGO & CO	4	451965	SIOUX FALLS, SD	NAT	1,717,531	1,693,335	99	42	4,670	10	Y
U S BK NA/U S BC	5	504713	CINCINNATI, OH	NAT	585,136	574,872	98	45	2,236	1	N
PNC BK NA/PNC FNCL SVC GROUP	6	817824	WILMINGTON, DE	NAT	552,307	550,670	100	47	2,617	1	N
TRUIST BK/TRUIST FC	7	852320	CHARLOTTE, NC	SNM	546,228	546,148	100	50	2,123	0	N
GOLDMAN SACHS BK USA/GOLDMAN SACHS GROUP THE	8	2182786	NEW YORK, NY	SMB	486,967	439,365	90	52	2	2	N
CAPITAL ONE NA/CAPITAL ONE FC	9	112837	MC LEAN, VA	NAT	453,313	452,784	100	54	292	1	N
T D BK NA/TD GRP US HOLDS LLC	10	497404	WILMINGTON, DE	NAT	386,799	386,799	100	56	1,163	0	N
BANK OF NY MELLON/BANK OF NY MELLON CORP	11	541101	NEW YORK, NY	SMB	324,646	236,858	73	57	2	15	Y
STATE STREET B&TC/STATE STREET CORP	12	35301	BOSTON, MA	SMB	298,020	209,177	70	59	2	10	N
CITIZENS BK NA/CITIZENS FNCL GRP	13	3303298	PROVIDENCE, RI	NAT	226,402	226,402	100	60	1,145	1	N
FIRST REPUBLIC BK/	14	4114567	SAN FRANCISCO, CA	SNM	212,639	212,639	100	61	72	0	N
MORGAN STANLEY PRIV BK NA/MORGAN STANLEY	15	2489805	PURCHASE, NY	NAT	209,664	209,664	100	62	0	0	N
SILICON VALLEY BK/SVB FNCL GRP	16	802866	SANTA CLARA, CA	SMB	209,026	194,514	93	63	16	1	N
FIFTH THIRD BK NA/FIFTH THIRD BC	17	723112	CINCINNATI, OH	NAT	206,289	206,099	100	64	1,104	1	N
MORGAN STANLEY BK NA/MORGAN STANLEY	18	1456501	SALT LAKE CITY, UT	NAT	201,363	201,363	100	65	0	0	N
MANUFACTURERS & TRADERS TC/M&T BK CORP	19	501105	BUFFALO, NY	SMB	200,263	200,263	100	65	1,043	1	Y
KEYBANK NA/KEYCORP	20	280110	CLEVELAND, OH	NAT	187,590	187,588	100	66	991	0	N

Source: Federal Reserve, December 2022

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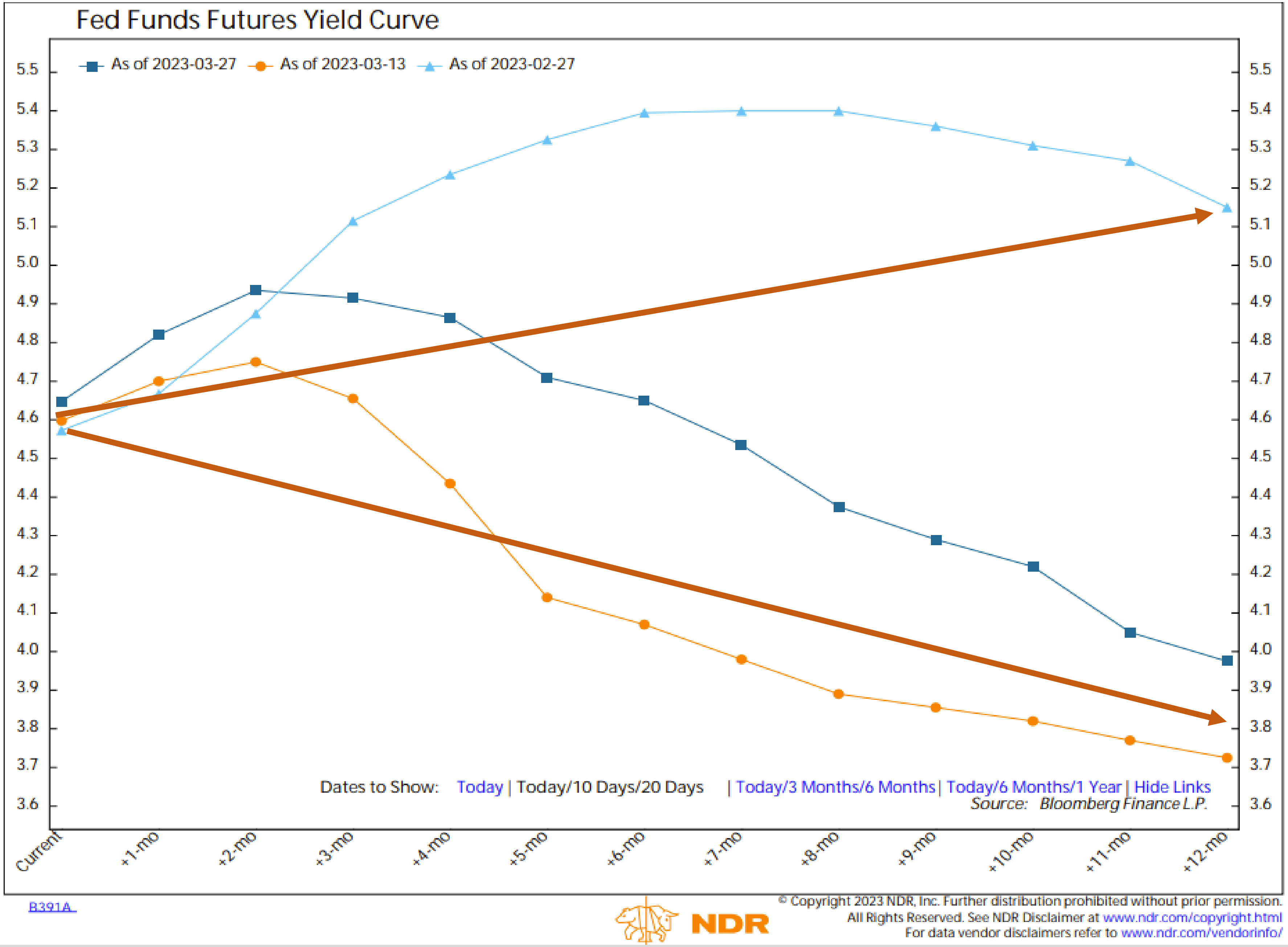
Dramatic shift in market expectation of future Fed policy



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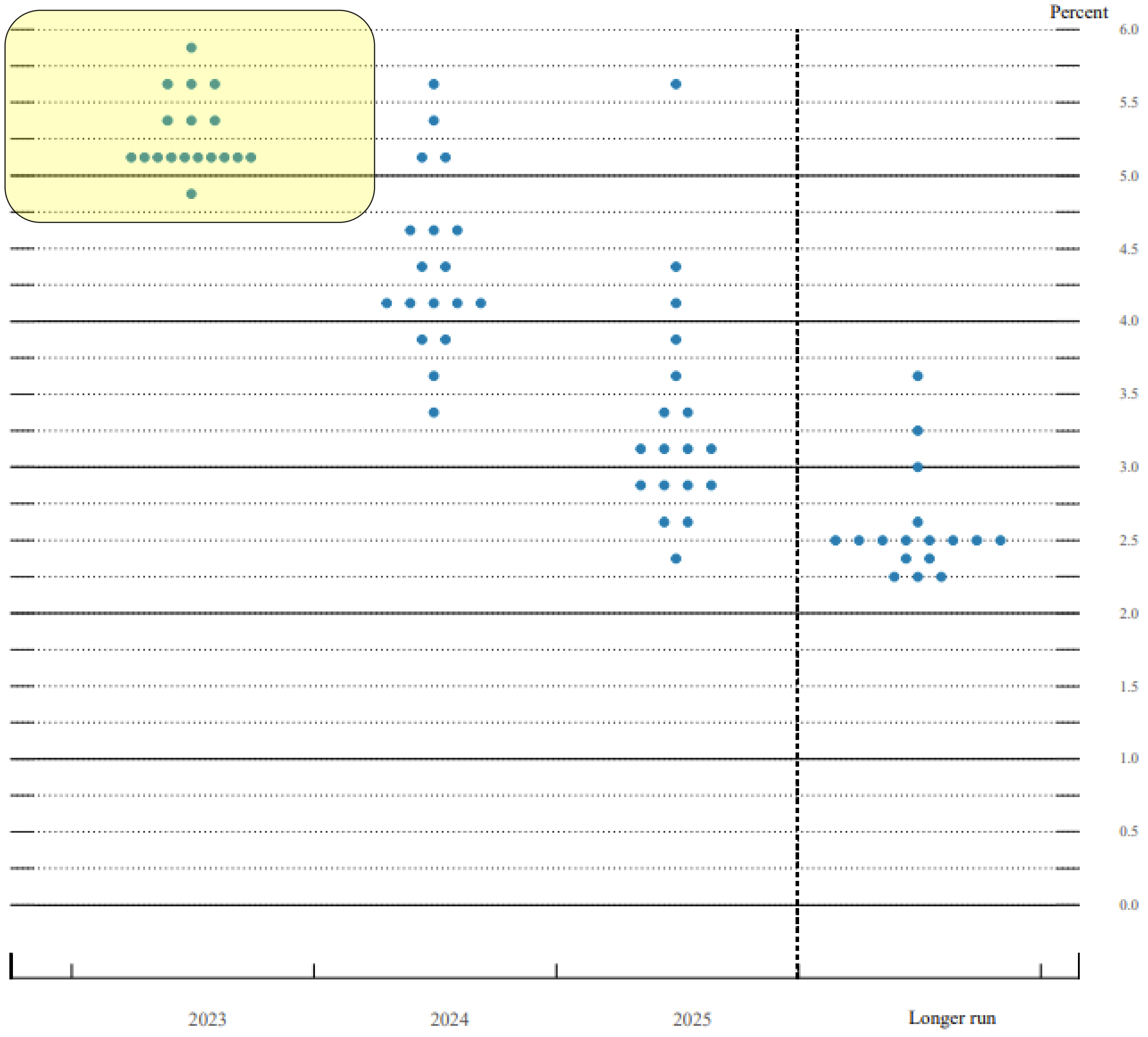
The Fed thinks differently..

Federal Reserve Target Federal Funds Rate "Dot Plot"



Source: Federal Reserve, March 2023

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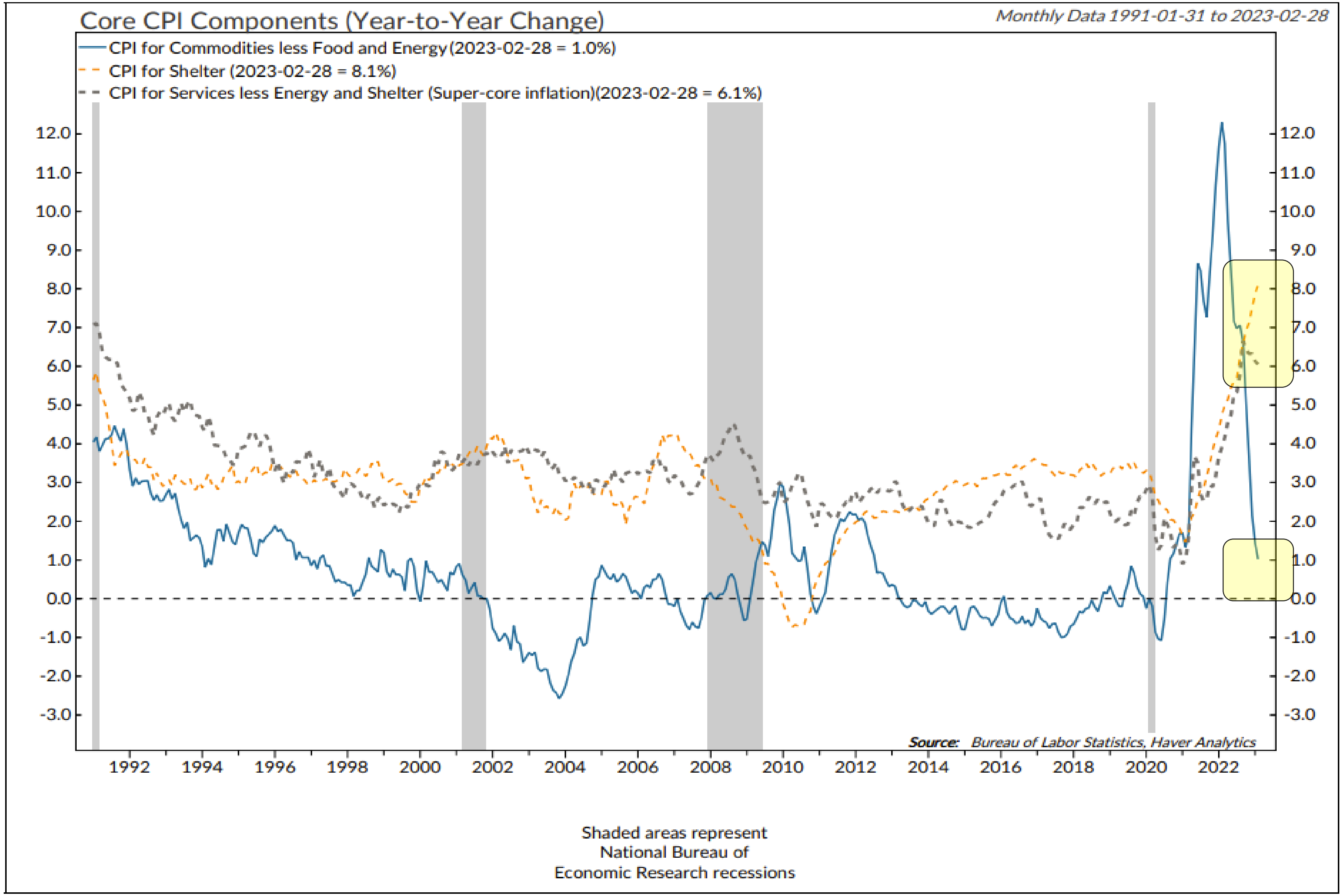
Fed focusing on shelter and jobs in their inflation battle



NDR

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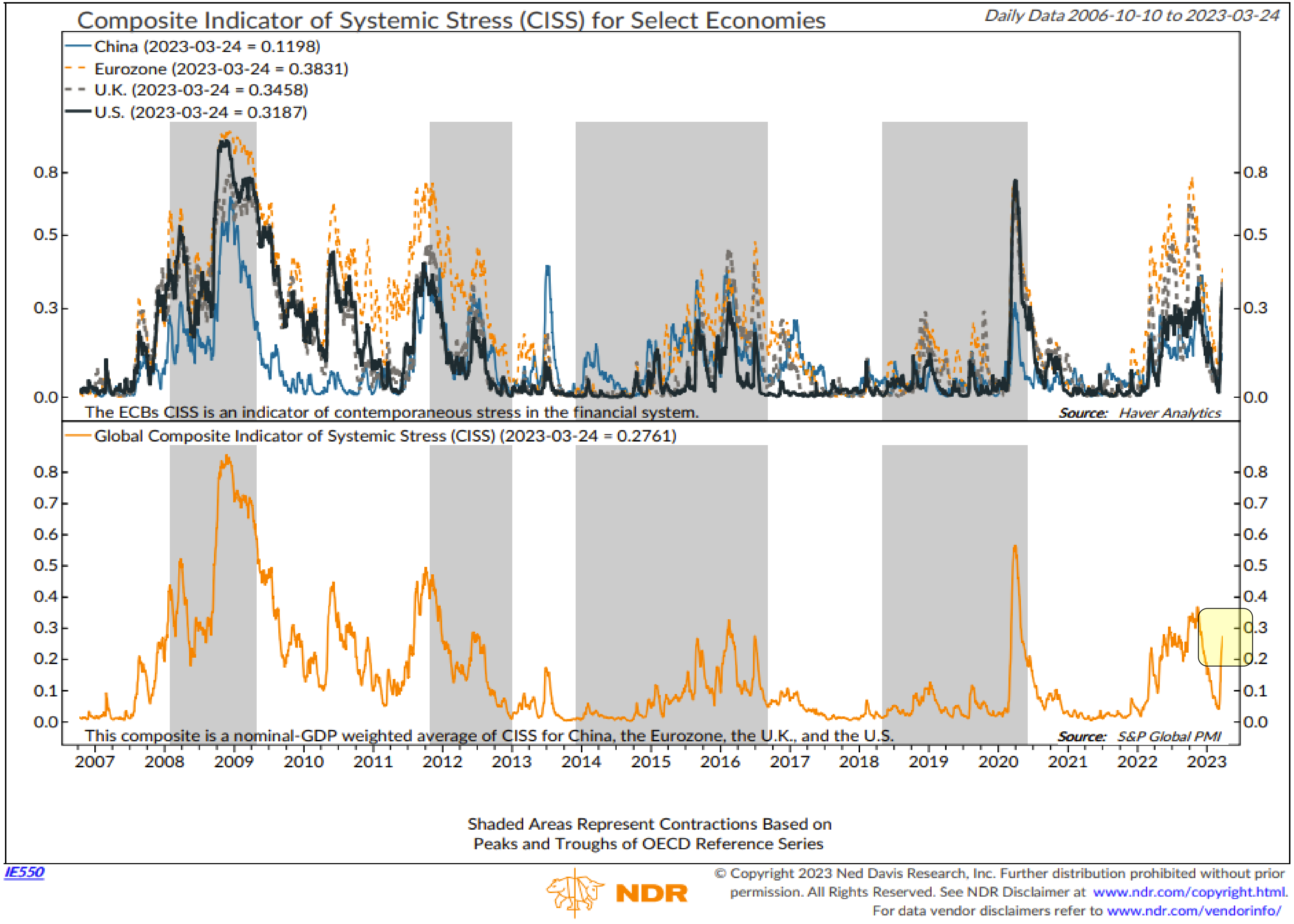
But market stress is increasing



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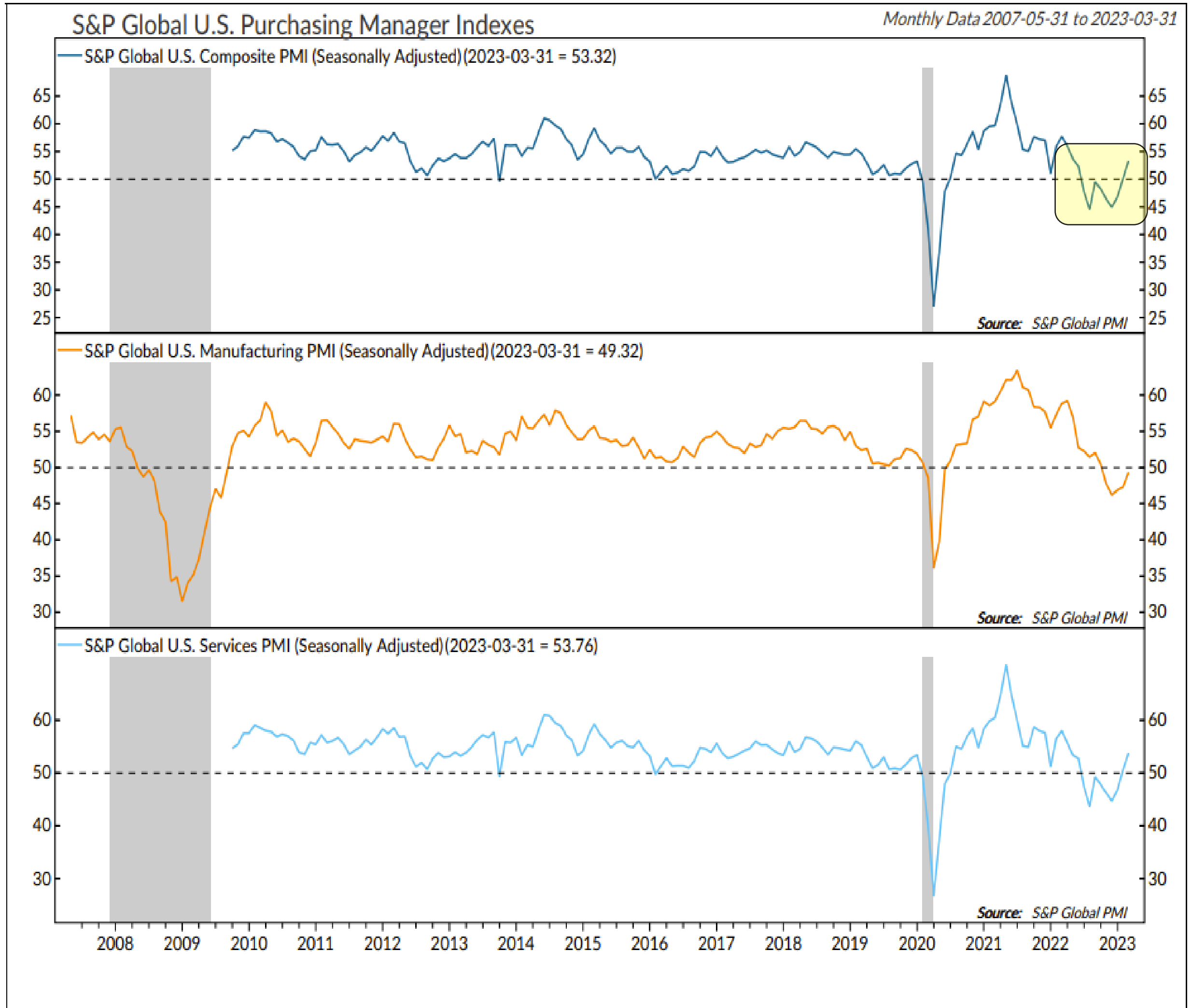
Can the economy handle a banking crisis?



Shading indicates NBER-defined recessions

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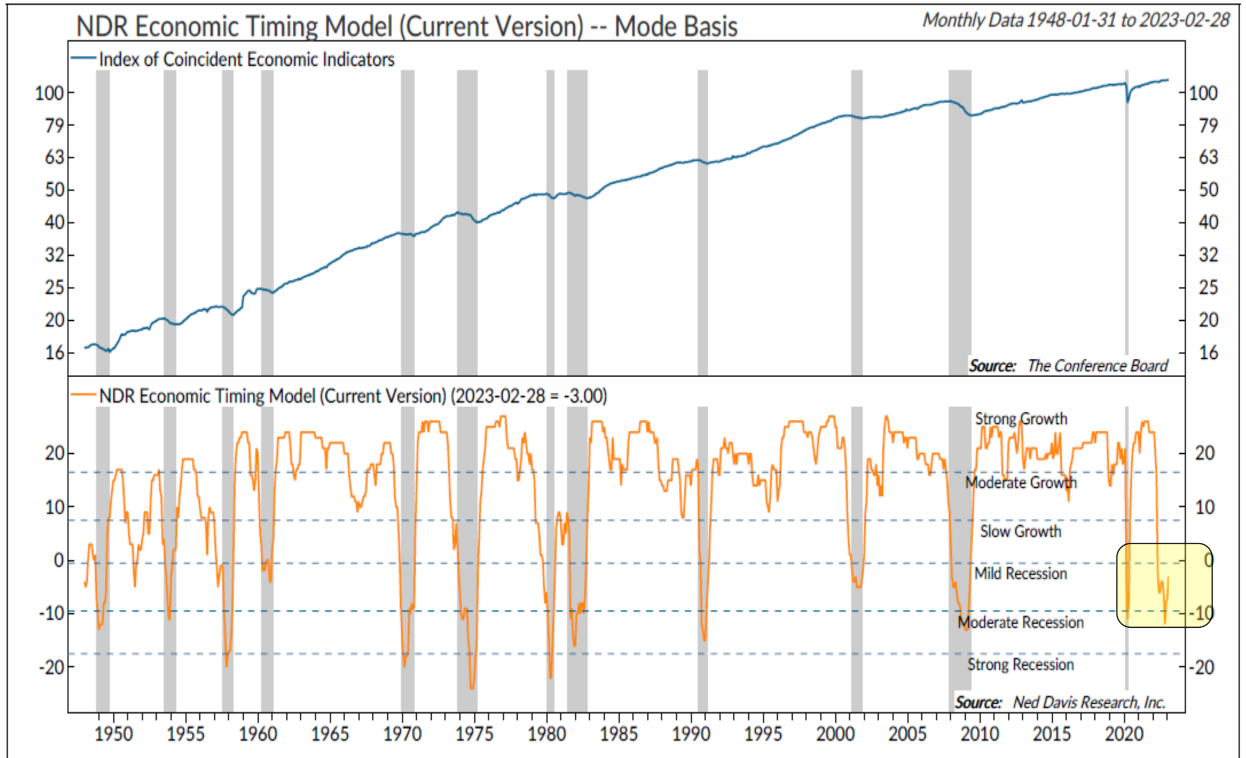
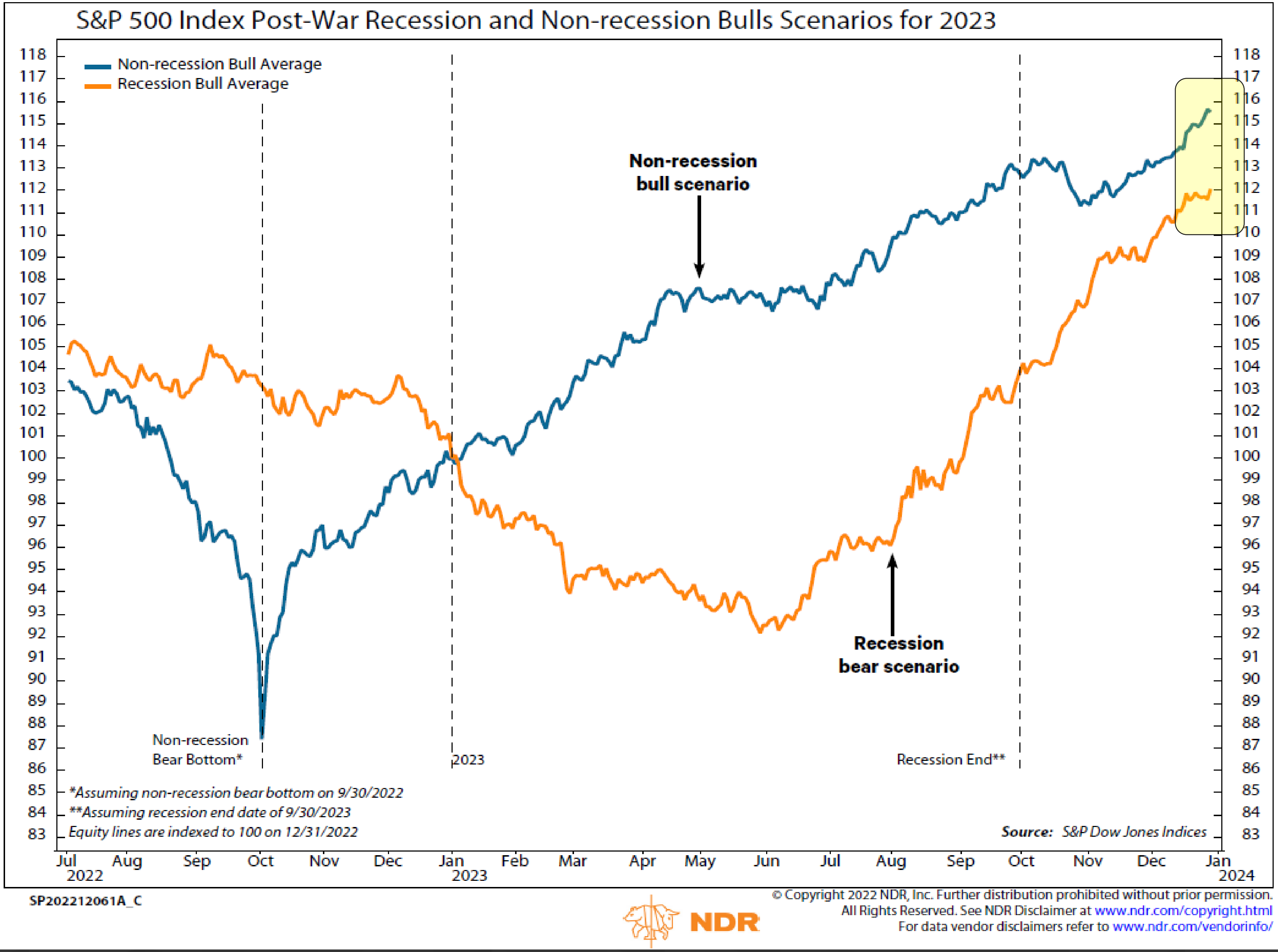


Shaded areas represent National Bureau of Economic Research recessions

Coincident Index Performance		
Full History: 1948-01-31 to 2023-02-28		
Economic Timing Model Indicates	% Gain/ Annum	% of Time
Strong Recession	-7.33	1.44
Moderate Recession	-4.13	4.86
Mild Recession	-2.76	9.01
Slow Growth	2.20	7.86
Moderate Growth	3.19	18.32
Strong Growth	4.09	58.50
Buy/Hold = 2.56% Gain/Annum		

E2A

2023 Recession likely creates another buying opportunity but could end in same place..



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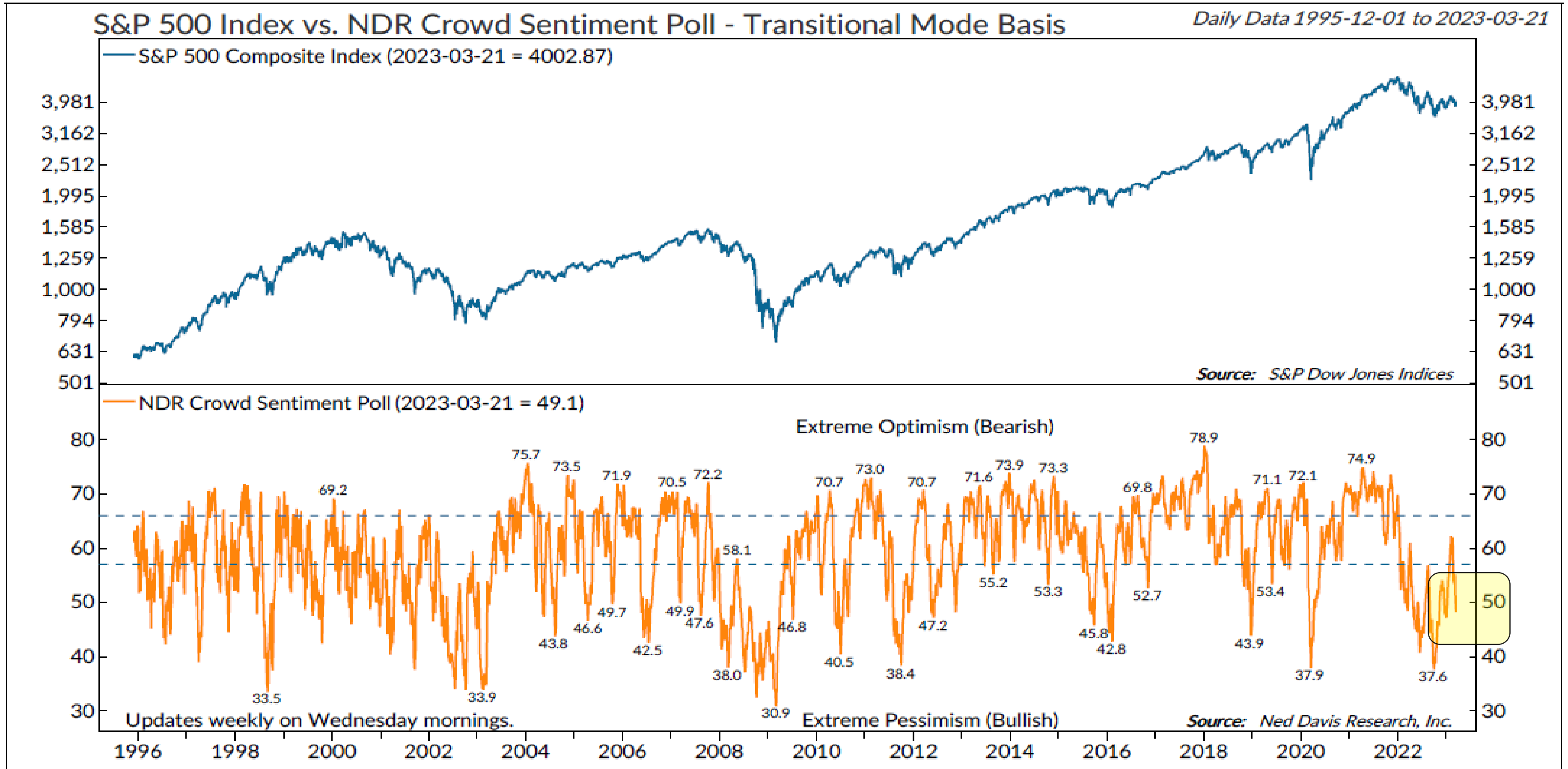
Intermediate sentiment back in Pessimism zone



S&P 500 Index Performance **Full History:** 1995-12-01 to 2023-03-21		
NDR Crowd Sentiment Poll is	% Gain/ Annum	% of Time
Above 66.0	-0.41	27.07
57.0 - 66.0 From Above	1.95	17.45
57.0 - 66.0 From Below	19.20	18.46
Below 57.0	9.99	36.62
Buy/Hold = 7.15% Gain/Annum		

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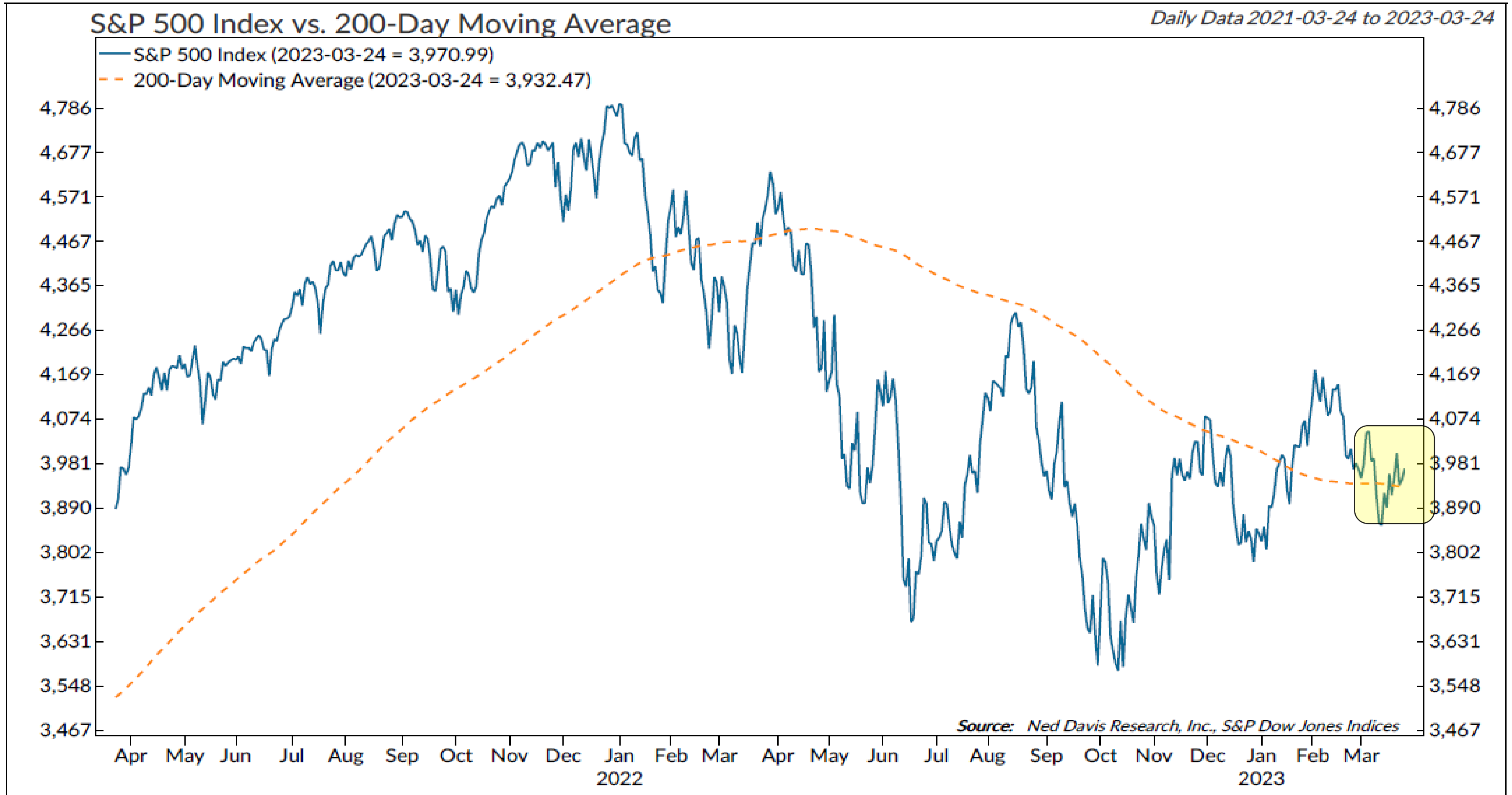
Trend holding up on US equities



Moving average direction based on reversals of 0.5% or greater.

S&P 500 Index Performance
Full History: 1929-11-11 to 2023-03-24

200-Day Moving Average is	% Gain/ Annum	% of Time
Rising	7.36	69.04
Falling	2.51	30.96

Buy/Hold = 5.83% Gain/Annum

S&P 500 Index Performance
Chart View: 2021-03-24 to 2023-03-24

200-Day Moving Average is	% Gain/ Annum	% of Time
Rising	0.77	57.53
Falling	1.21*	42.47

Buy/Hold = 1.05% Gain/Annum

** Cases less than one year are not annualized*

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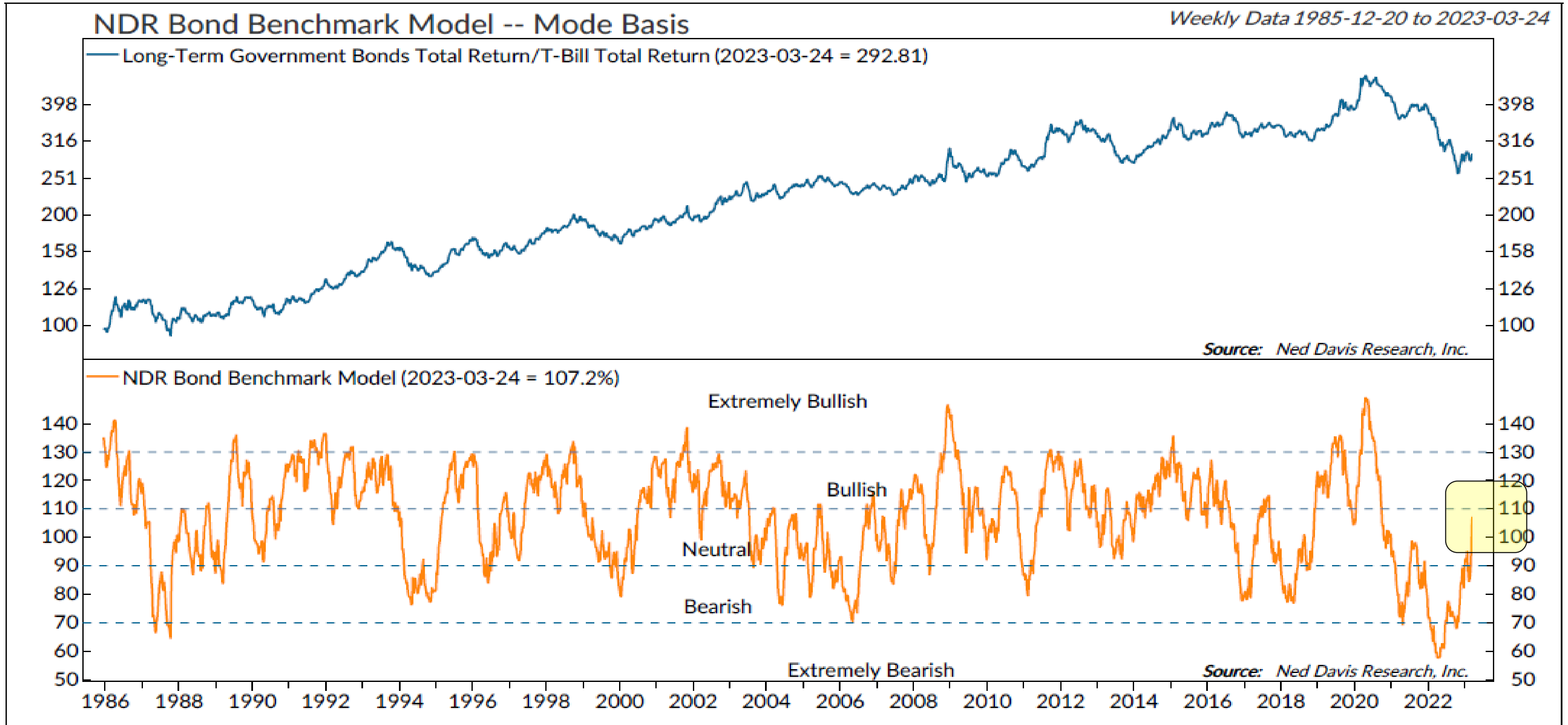
Bonds looking more attractive



LT Gov't Bonds RS Performance **Full History:** 1985-12-20 to 2023-03-24		
BBM	% Gain/ Annum	% of Time
Above 130	33.26	6.12
Between 110 and 130	10.61	43.17
Between 90 and 110	-3.00	33.52
Between 70 and 90	-8.51	15.49
70 and Below	-24.73*	1.70
Buy/Hold = 3.00% Gain/Annum		
** Cases less than one year are not annualized*		

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NDR

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BWM Tactical Positioning

	OVERWEIGHT	MARKETWEIGHT	UNDERWEIGHT
Stocks	◎		
Bonds			◎
Cash	◎		
U.S.		◎	
Large Cap		◎	
Mid/Small Cap		◎	
International		◎	
Credit		◎	
Duration			◎

No strategy assures success or protects against loss.

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Bottom Line

- Silicon Valley Bank run and other regional pressures likely due to the most aggressive tightening cycle by the Fed in over 40 years after the largest money printing event we have seen.
- The potential for a true banking ‘crisis’ seems real, but the market has currently stabilized as the large G-SIBs take in deposits from their smaller peers.
- A true fix likely involves higher FDIC insurance, banks paying more interest on deposits, more regulation on regional banks and more
- We have yet to see how this will affect the economy and our potential for a softer landing.
- Market expectations on future Fed hikes have completely reversed.
- BWM is currently overweight equities while watching our objective indicators for the next potential allocation shift.

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Executive Summary

- Slide 2 – This table lists the largest US bank failures. The recent failures of Silicon Valley Bank and Signature Bank rank as the second and third largest, respectively.
- Slide 3 – this chart plots the Fed Funds Target Rate during periods when the Fed was actively increasing rates. The current tightening cycle has been steeper than in most historical cycles.
- Slide 4 – this chart plots the unrealized gains and losses of held-to-maturity and available-for-sale securities that banks carry on their balance sheets. The losses in the last year have been driven by rising interest rates.
- Slide 5 – this chart shows the extent of the bank run on Silicon Valley Bank by plotting historical inflows and outflows, including the $42BN in attempted withdrawals on March 9, 2023.
- Slide 6 – this table shows the federal stimulus in response to the 2020 COVID-19 pandemic, a total of $6.55 Trillion.
- Slide 7 – this chart plots money supply (as measured by MZM, M1, and M2) and monetary base (M0) in the top clip. The bottom clip shows the money supply multiplier, the ratio of the various measures of money supply to the monetary base. The impact of the GFC and COVID-19 pandemic on money supply can be seen on the chart.
- Slide 8 – this chart plots total bank deposits in the top clip and the year-to-year change of total deposits in the bottom clip.
- Slide 9 – this table lists Globally Systemically Important Banks, ranked by total consolidated assets.
- Slide 10 – this chart plots expectation for the Fed Funds rate based on futures contracts as of various dates over the last few weeks. The impact of the banking turmoil can be seen in the market's dramatically changing expectations.
- Slide 11 – this chart represents each FOMC participant's projection for the federal funds rate. The dots reflect what each participant thinks will be the appropriate midpoint of the fed funds rate at the end of each calendar year. The chart currently indicates higher rates through the end of 2023 with rates falling below 3% by the end of 2026. The dispersion among the dots indicates the wide range of participants' outlooks.
- Slide 12 - this chart plots the year-to-year change in Core Commodities CPI (ex-energy and food), CPI for Shelter, and Service CPI (Ex-Energy and Shelter). As can be seen, Core Commodity CPI has fallen from highs while Services and Shelter CPI have risen.
- Slide 13 – this chart plots economic stress based on the ECB's Composite Indicator of Systemic Stress. The ECB's CISS is an indicator of contemporaneous stress in the financial system. It includes 15 raw, mainly market-based financial stress measures that are split equally into five categories, namely the financial intermediaries sector, money markets, equity markets, bond markets and foreign exchange markets. A reading of 0=no stress, 1=high stress.
- Slide 14 – the chart on the left shows Composite PMI, Manufacturing PMI, and Services PMI in the top, middle, and bottom clips respectively. Purchasing Managers' Indexes (PMIs) are designed to monitor underlying business conditions and economic health.
  the chart on the right shows the performance of the economy (measured by the Index of Coincident Economic Indicators, top clip) and the latest version of NDR's Economic Timing Model (bottom clip), along with its hypothetical performance. The NDR Economic Timing Model consists of 27 different economic indicators that monitor a different sector of the economy. The individual indicators are combined to produce an indication on the direction of the economy. Currently the model indicates mild recession.

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Executive Summary

- Slide 15 – this chart plots average S&P 500 performance during recession bull markets and non-recession bull markets based on post-war historical performance.
- Slide 16 - This chart provides perspective on a composite sentiment indicator designed to highlight short- to intermediate-term swings in investor psychology. The composite is based on seven individual sentiment indicator and the reading shows what percentage of all the investors represented by the data can be classified as bullish on the stock market at any given time. Sentiment is currently in the extreme pessimism zone (most investors are bearish), indicating stock prices may be near a bottom.
- Slide 17 – this chart plots the S&P 500 against it's 200-day moving average. A rising 200-day moving average (i.e. current S&P 500 level is above 200-day moving average) has been a positive indicator for future returns.
- Slide 18 - This chart is designed to measure the outlook for the bond market. The top clip plots the total return of long-term treasury bonds. The bottom clip plots Ned Davis' Bond Benchmark Model. As bond momentum improves or economic statistics weaken, the model improves. Conversely, when bond momentum falls or the economic numbers strengthen, the model weakens.
- Slide 19 – we are currently overweight stocks, underweight bonds, and overweight cash. Within the equity allocation, we are marketweight US, large cap, mid/small cap, and international. Within fixed income, we are marketweight credit and have a focus on owning bonds with shorter duration.

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Important Disclosure Information

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Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your BWM account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your BWM accounts; and (3) a description of each comparative benchmark/index is available upon request.

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