

Investment Outlook

- August 31, 2022

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The S&P 500 fell 4.1% in August, giving back a portion of the summer's strong returns. Most of the losses occurred at the end of the month, following aggressive interest rate commentary from the Federal Reserve. We continue to expect stock market performance over the next few months to be driven by the pace of interest rate hikes and the upcoming mid-term elections. These events are likely to create volatility in stock and bond markets.

Positives**Stock Valuations:**

- Stock market valuations have dropped considerably from a year ago and are slightly below their 10-Year historic average.

U.S. Corporate Earnings Growth:

- Corporate earnings growth has accelerated for Energy companies due to the rise in commodity prices, but other sectors of the market like Consumer Discretionary and Financials are seeing slowdowns in economic activity.

Supply Chains:

- Manufacturing challenges and port congestion have caused shipment delays, product shortages and higher prices, but supply chain challenges are starting to improve.

U.S. Inventory Levels:

- Inventory levels are elevated in many product areas, excluding automobiles. Fortunately, elevated inventory levels will eventually put downward pressure on inflation.

Mid-Term Election:

- Historically, mid-term elections in the U.S. create stock market volatility, although the market is nearing a period in which it historically bottoms.

Wild Cards**Concerns****Russia/Ukraine War:**

- From a global economic perspective, Russia's invasion of Ukraine will keep commodity prices elevated and likely slow global growth.

Federal Reserve / Interest Rates / Inflation:

- The U.S. Federal Reserve is expected to raise the Federal Funds interest rate .75% in September, although they will be watchful of many input costs like commodities that are starting to decline.

Foreign Exchange:

- The U.S. Dollar has strengthened vs. a basket of foreign currencies throughout most of the year, pressuring U.S. based companies with overseas businesses.

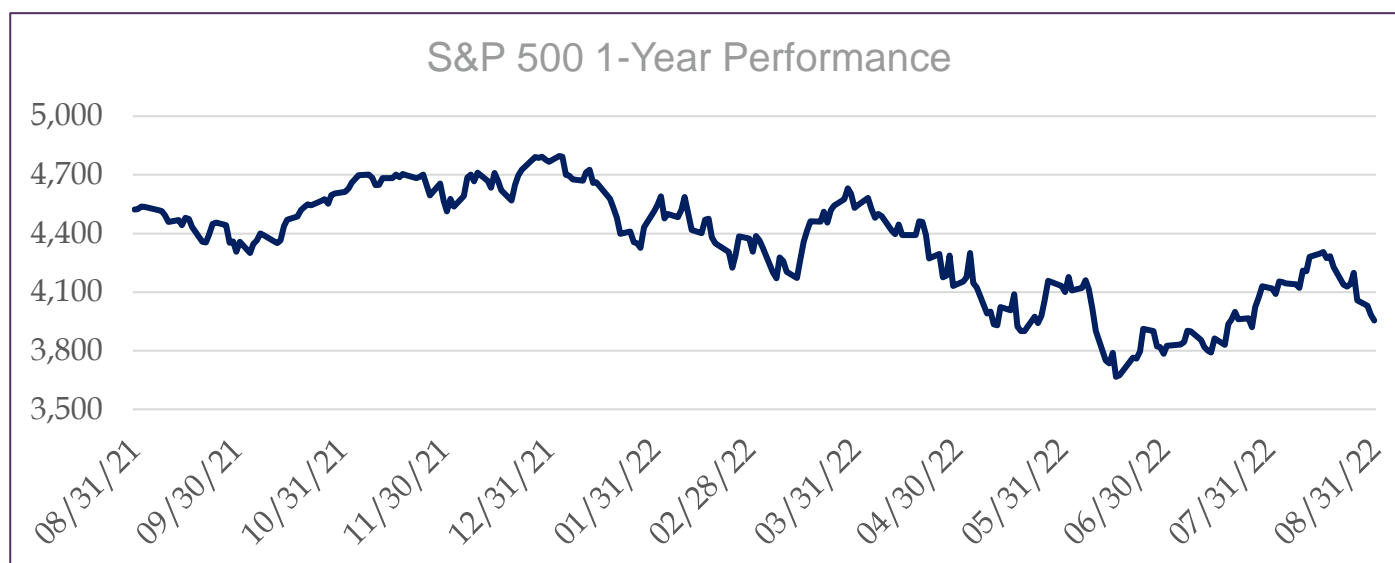
Index Performance

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Private Wealth
Management

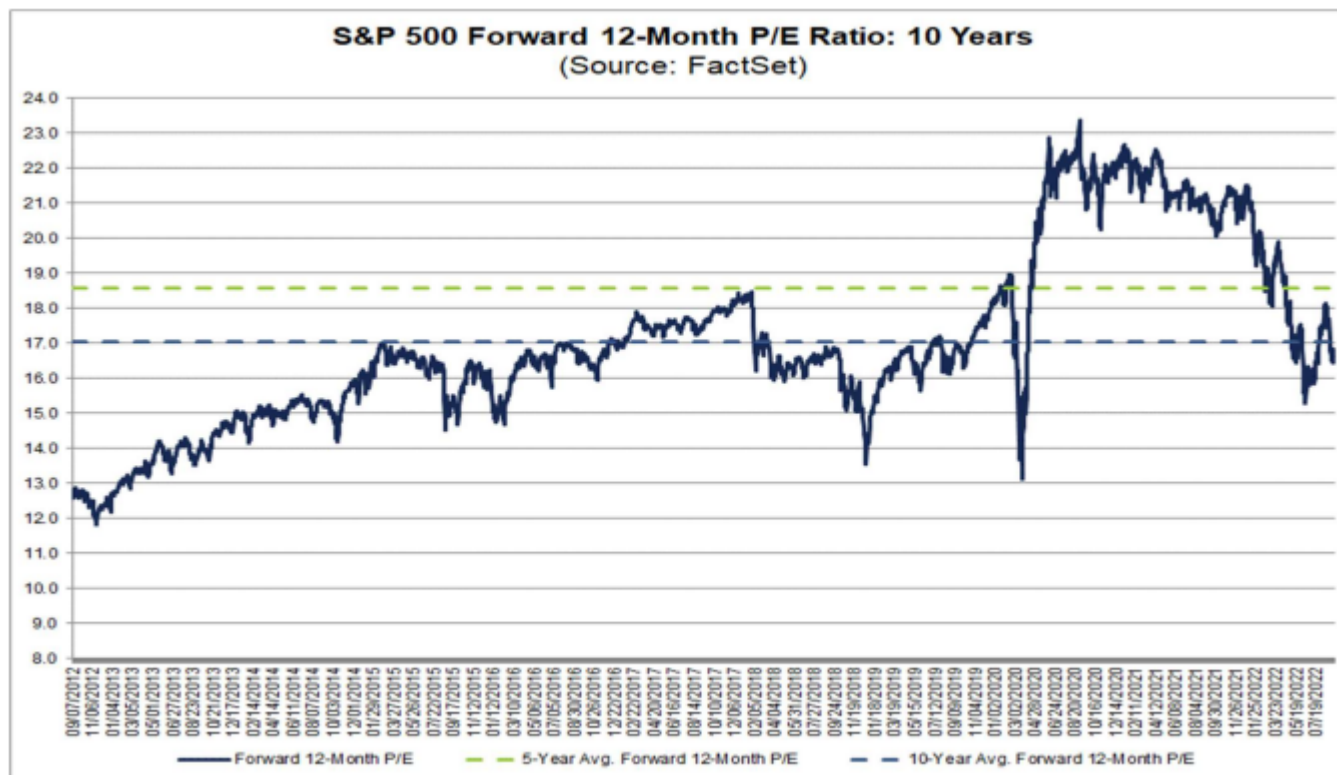
Asset Class	Trailing Returns (%) - annualized past 1-Year						Benchmark
	Month	YTD	1-Year	3-Year	5-Year	10-Year	
U.S. Large Cap	-4.1	-16.1	-11.2	12.4	11.8	13.1	S&P 500
U.S. Mid Cap	-3.1	-16.5	-14.8	9.4	9.2	11.6	Russell Mid Cap
U.S. Small Cap	-2.0	-17.2	-17.9	8.6	6.9	10.0	Russel 2000
Developed International	-2.3	-8.4	-6.0	6.4	5.2	8.8	MSCI EAFE (Developed International)
Emerging International	1.2	-12.3	-15.4	5.3	3.6	6.3	MSCI EEM (Emerging International)
U.S. Intermediate-Term Taxable Bonds	-2.0	-7.1	-8.2	-0.9	0.8	1.3	Barclays Intermediate Govt./Credit
U.S. Intermediate-Term Municipal Bonds	-1.8	-6.2	-6.7	-0.4	1.2	2.1	Barclays 7 Year Municipal

Source: Factset. Performance is represented by the benchmark listed in the "representative benchmark" column. Performance is a total return index, or price return plus reinvested dividends. See important disclosures and definitions included with this publications.



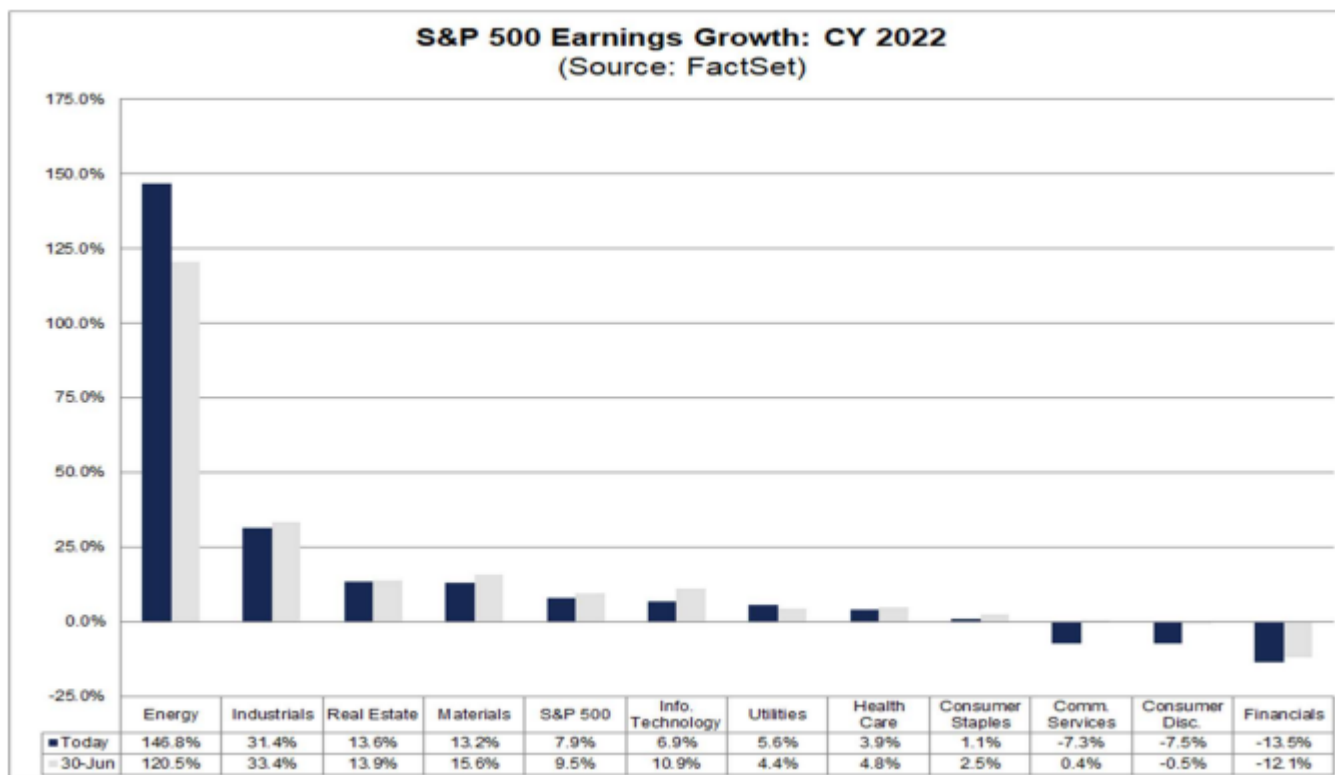
Stock Valuations

- Stock market valuations have dropped considerably from a year ago and are slightly below their 10-Year historic average.



U.S. Corporate Earnings

- Corporate earnings growth has accelerated for Energy companies due to the rise in commodity prices, but other sectors of the market like Consumer Discretionary and Financials are seeing slowdowns in economic activity.



- Manufacturing challenges and port congestion have caused shipment delays, product shortages and higher prices, but supply chain challenges are starting to improve.



U.S. Inventory Levels

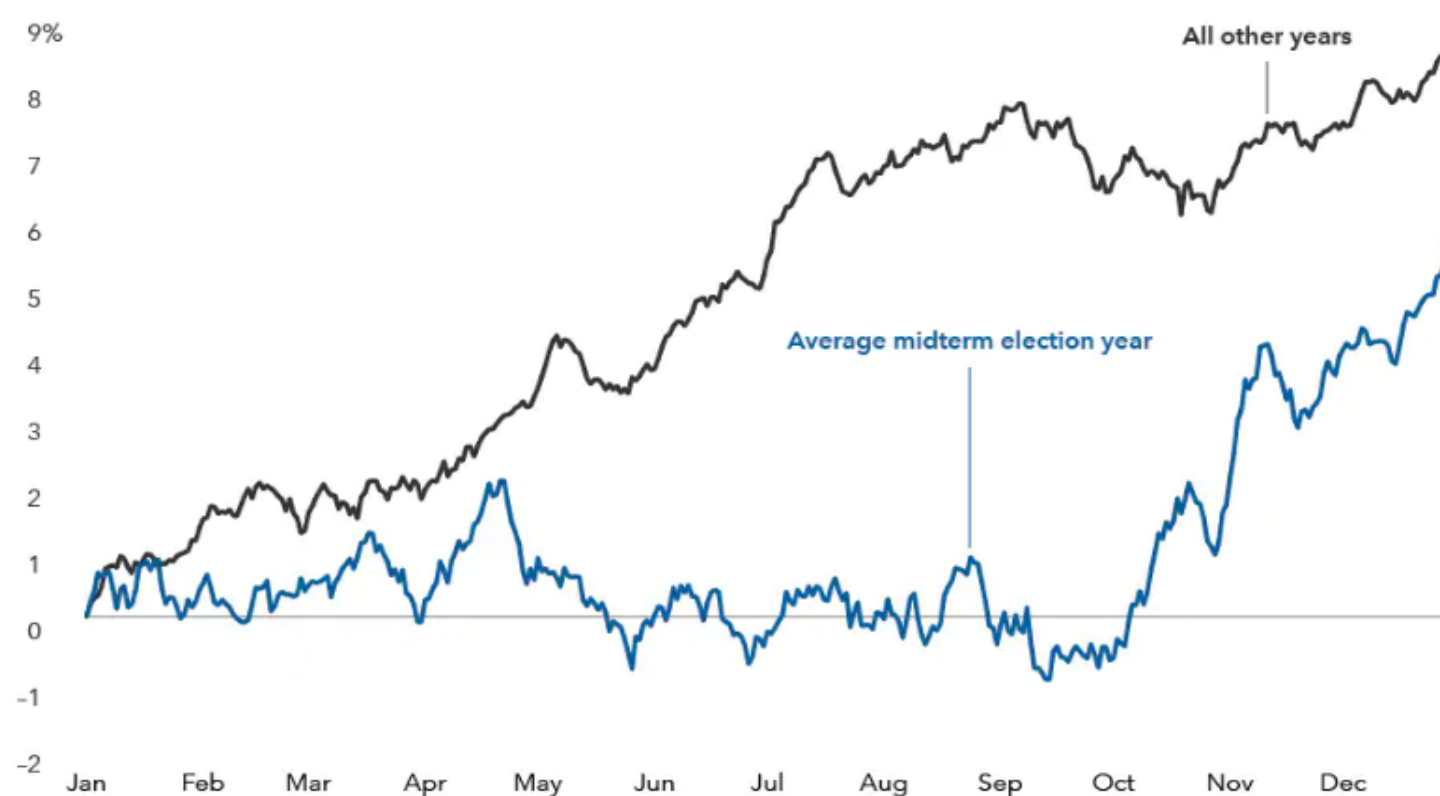
- Inventory levels are elevated as supply chain and manufacturing challenges slowly abate.
- Fortunately, elevated inventory levels will eventually put downward pressure on inflation.



Mid-Term Elections

- Historically, mid-term elections in the U.S. create stock market volatility until the election process is over.
- Fortunately, the S&P 500 is nearing the period in which it historically bottoms.

S&P 500 Index average returns since 1931



Sources: Capital Group, RIMES, Standard & Poor's. The chart shows the average trajectory of equity returns throughout midterm election years compared to non-midterm election years. Each point on the lines represents the average year-to-date return as of that particular month and day and is calculated using daily price returns from 1/1/31-12/31/21.

Russia/Ukraine War

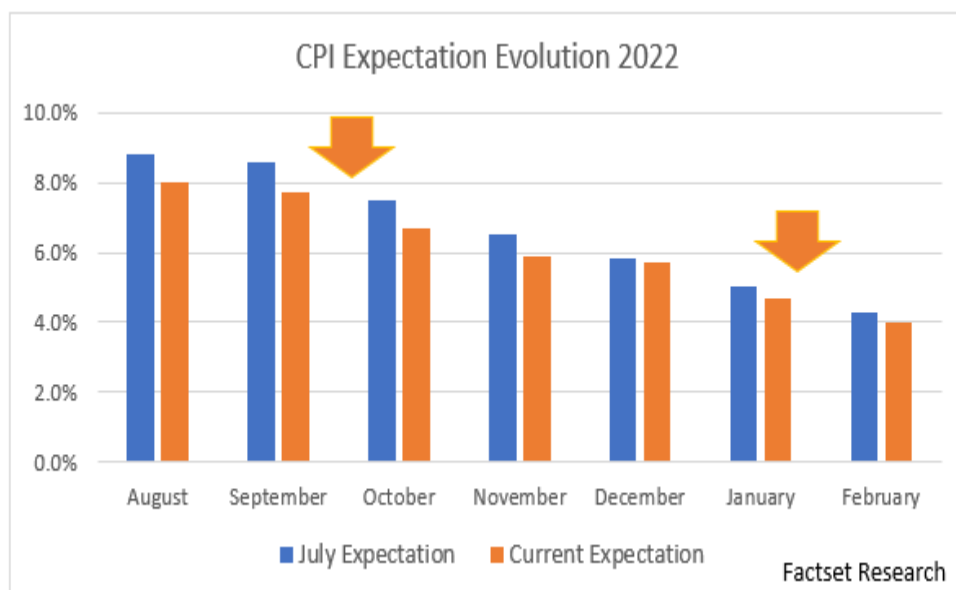
- The Russian invasion of Ukraine will have widespread military, diplomatic, economic and humanitarian effects.
- From a global economic perspective, the fact that Russia and Ukraine are large producers of commodities (grains, oil, natural gas, metals, etc.) will keep commodity prices elevated and slow global growth.



Source: UK MoD / Institute for the Study of War (21:00 GMT, 11 September) **BBC**

Federal Reserve / Interest Rates / Inflation

- Inflation surged at the beginning of the year, largely due to the impact from the Russia-Ukraine conflict, but recent inflation estimates have started to drop.
- The U.S. Federal Reserve is expected to raise the Federal Funds interest rate .75% in September, although they will be watchful of many input costs like commodities that are starting to decline.



Foreign Exchange

- The U.S. Dollar has strengthened vs. a basket of foreign currencies throughout most of the year.
- U.S. based companies with overseas businesses such as Procter & Gamble, Salesforce and Microsoft have all recently warned that foreign exchange will be a headwind for upcoming earnings results.



Important Disclosures:

Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index. All material presented is compiled from sources believed to be reliable, but the accuracy and completeness, and the opinions based thereon, are not guaranteed.

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Domestic Equity Benchmarks S&P500 ® Index: Are presentative sample of 500 leading companies in leading industries of the U.S. economy. Considered a large-cap index.

Russell Midcap ® Index: Measures the performance of the 800 smallest companies of the Russell 1000® Index, which represents approximately 36% of the total capitalization of the Russell 1000® Index. A mid-cap index.

Russell 2000® Index: Measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represent approximately 10% of the total market capitalization of the Russell 3000® Index. A small-cap index.

MSCI EAFE Index: A free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. The MSCI EAFE Index consists of 21 developed market country indices in Europe, Australasia, and the Far East. An international index.

MSCI Emerging Markets Index: A free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of February 2003 the MSCI Emerging Markets Index consisted of 26 emerging market country indices. An emerging markets index.

Barclays Intermediate Government/Credit Bond Index: Composed of approximately 3,500 publicly issued corporate and U.S. government debt issues rated Baa or better, with at least one year to maturity and at least \$1 million par outstanding. The index is weighted by the market value of the issues included in the index. The Index has duration of a little over 3 years and a maturity equal to slightly more than 4 years.