



# The Road Ahead: Economic Outlook Webinar

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

# Disclaimer



This material is intended for informational purposes only and does not constitute an invitation or solicitation to invest in any particular investment product. Information contained herein has been obtained from sources believed to be reliable but may change without notice. We do not guarantee its accuracy or completeness. Security National Bank accepts no liability for the results of any action taken on the basis of this information.

Financial commentary discussed in this report may not be applicable or suitable for all investors, and investors must make their own independent legal, tax, accounting, and financial evaluations of their risks and merits. Past performance is not indicative of future results. Investments offered by Security National Bank:

- **Are Not a Deposit**
- **Are Not FDIC-insured**
- **Are Not Guaranteed by The Bank**
- **Are Not Insured by Any Federal Government Agency**
- **May Go Down in Value**





# Investment Team

# Investment Team

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT



Colten Moshier  
Investment Services  
Administrative Assistant

John Gibb, CFA  
Assistant Vice President,  
Investment Officer

Damian Howard, CFA  
Vice President, Senior  
Investment Officer

Brent Boyce, CFA  
Assistant Vice President/Trust  
Investment Officer

# Current State

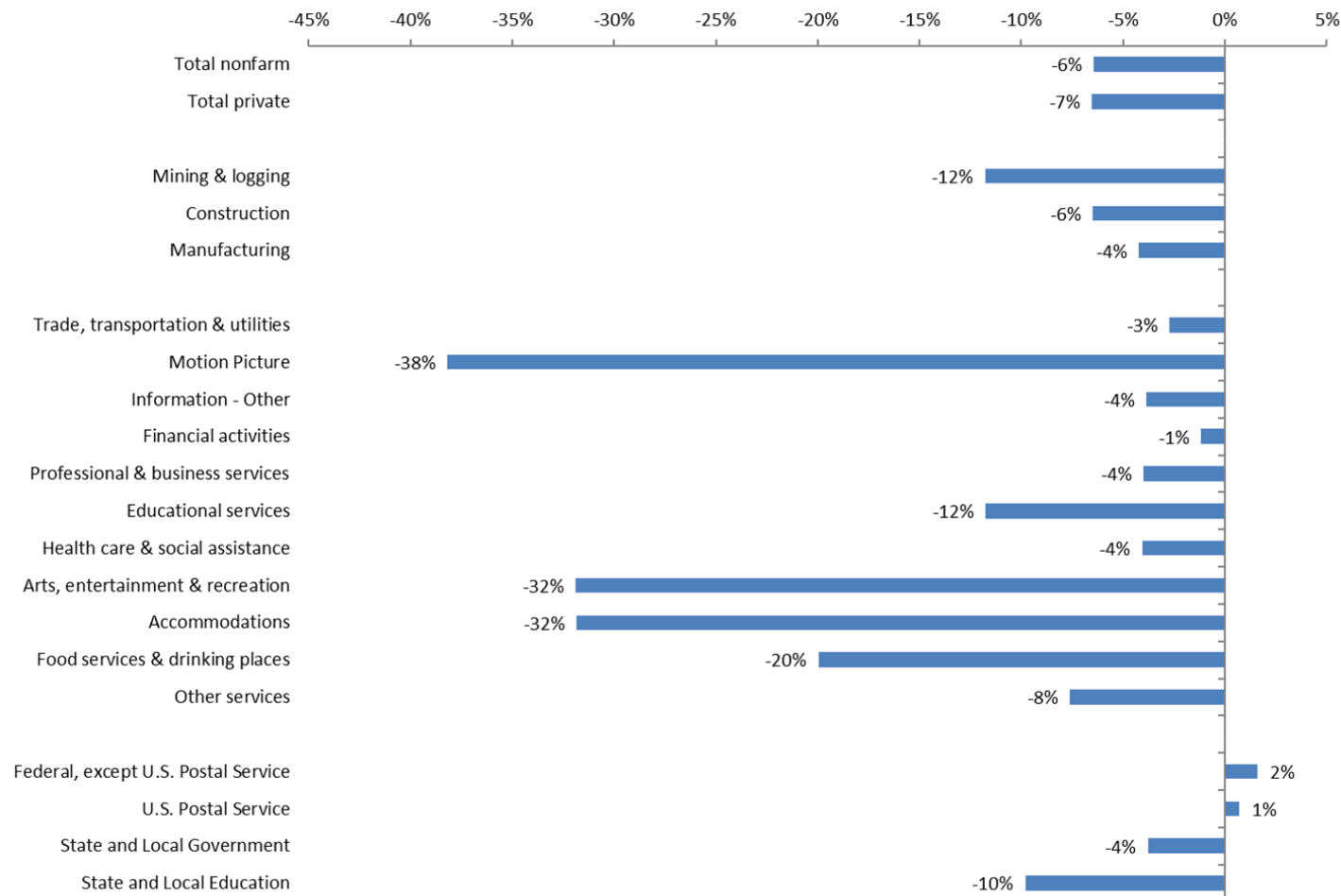


# Labor Market

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

Change in Employment since February



15.8 million people reported they were unable to work at all or worked fewer hours due to Covid-19.

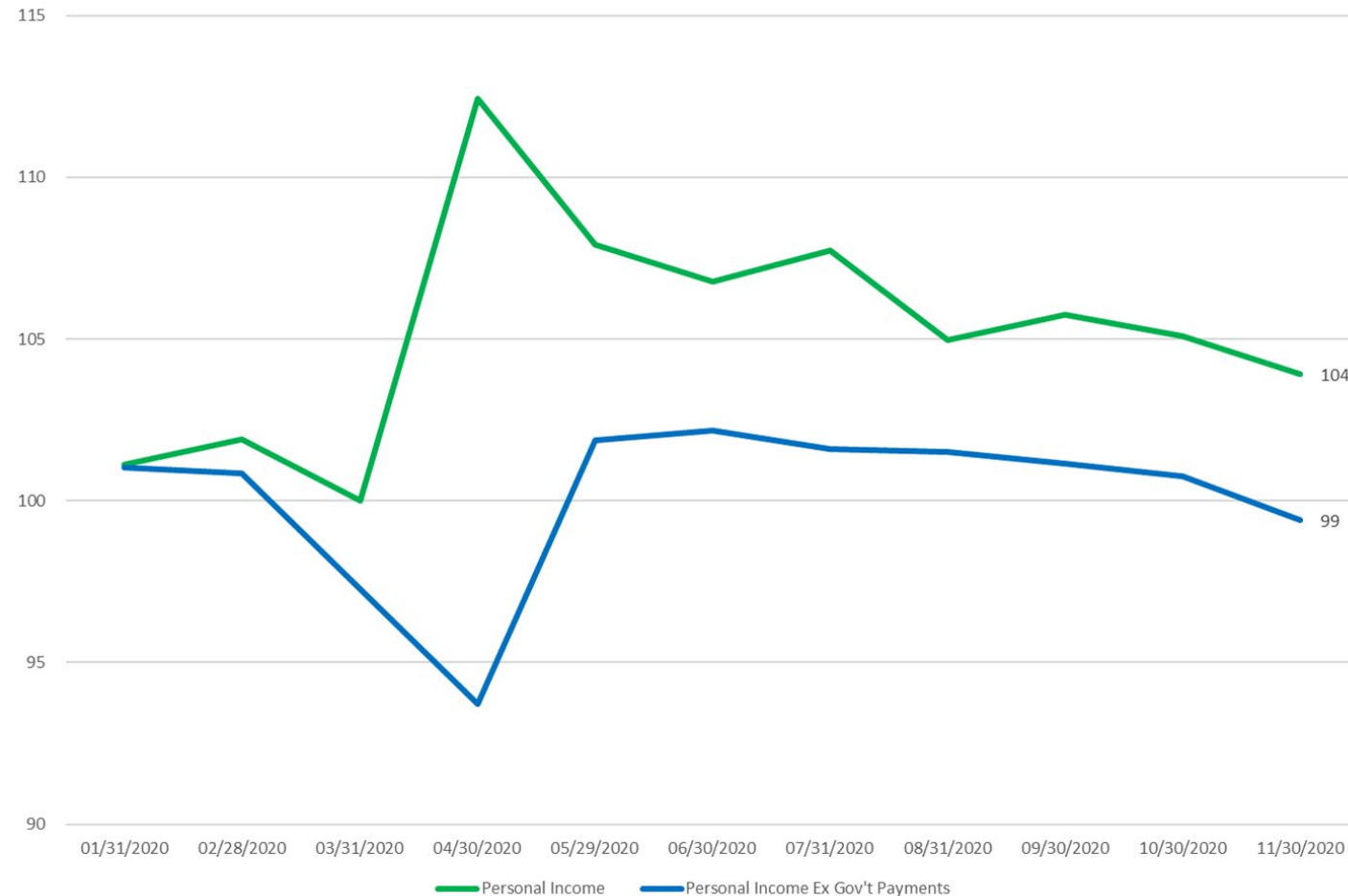
For the most part job losses are concentrated in leisure and hospitality and other lower paying sectors.



# Income

## Personal Income

2019 4th quarter Average = 100



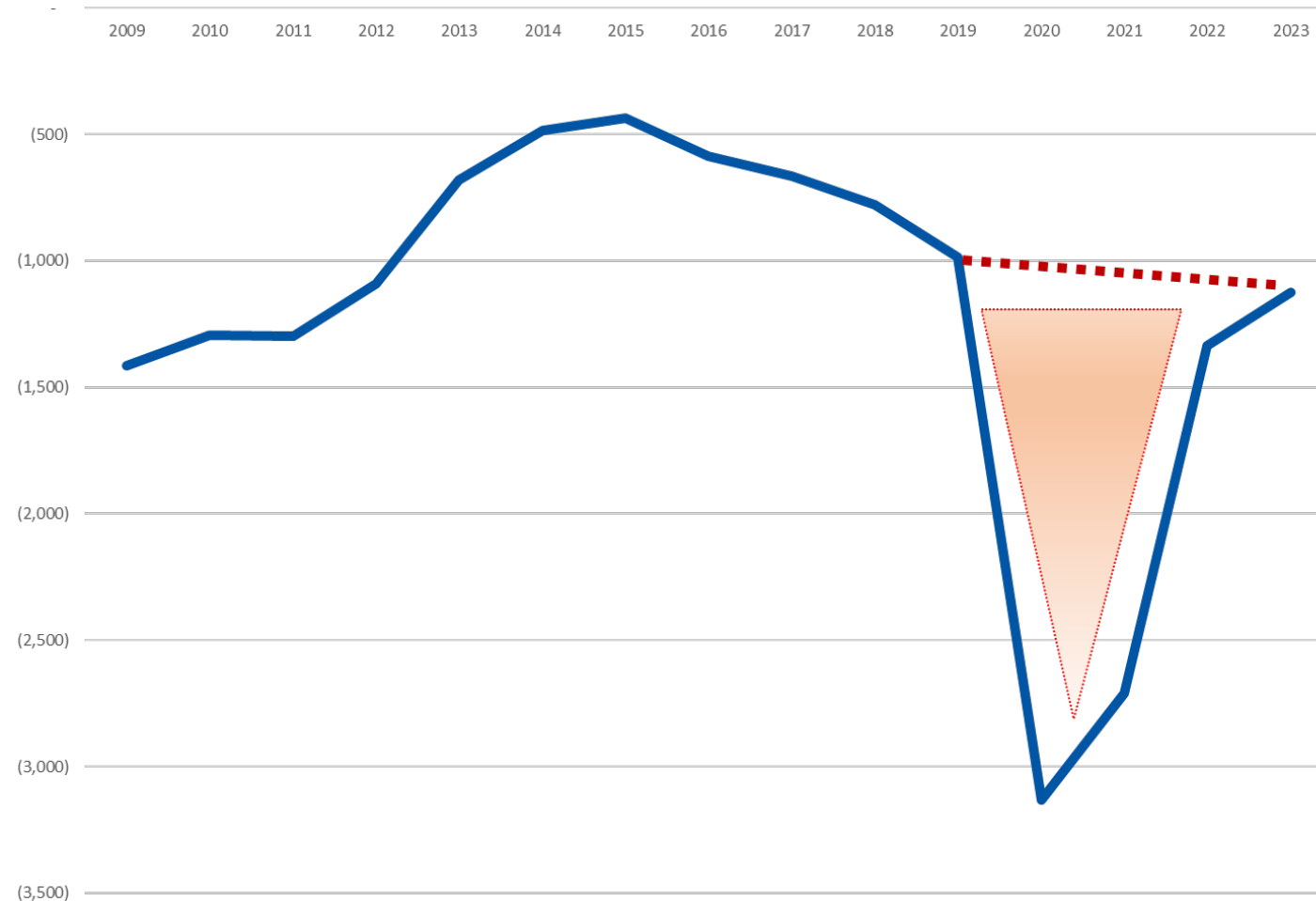
Households lost an estimated \$330 billion in wages during the pandemic but received almost \$1 trillion in transfer payments with more to come.

# Deficit Spending

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

U.S. Budget Deficit



The Federal government will have spent an extra \$4 trillion combating the pandemic.

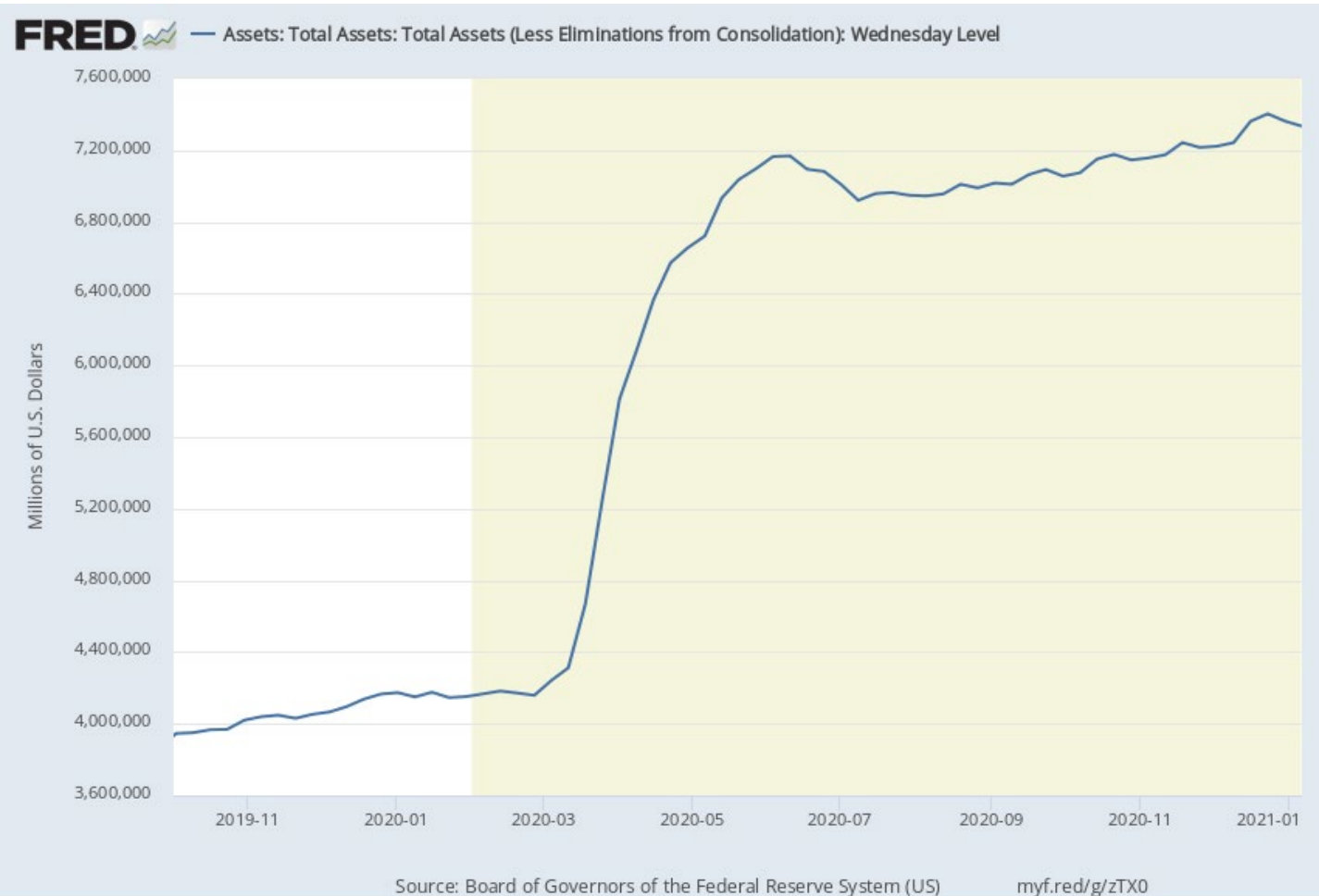
President-elect Biden has announced plans for an additional \$1.9 trillion additional deficit spending.



# Quantitative Easing

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT



The Federal Reserve Board (FRB) has purchased a net \$3 trillion of bonds.

# Money Supply

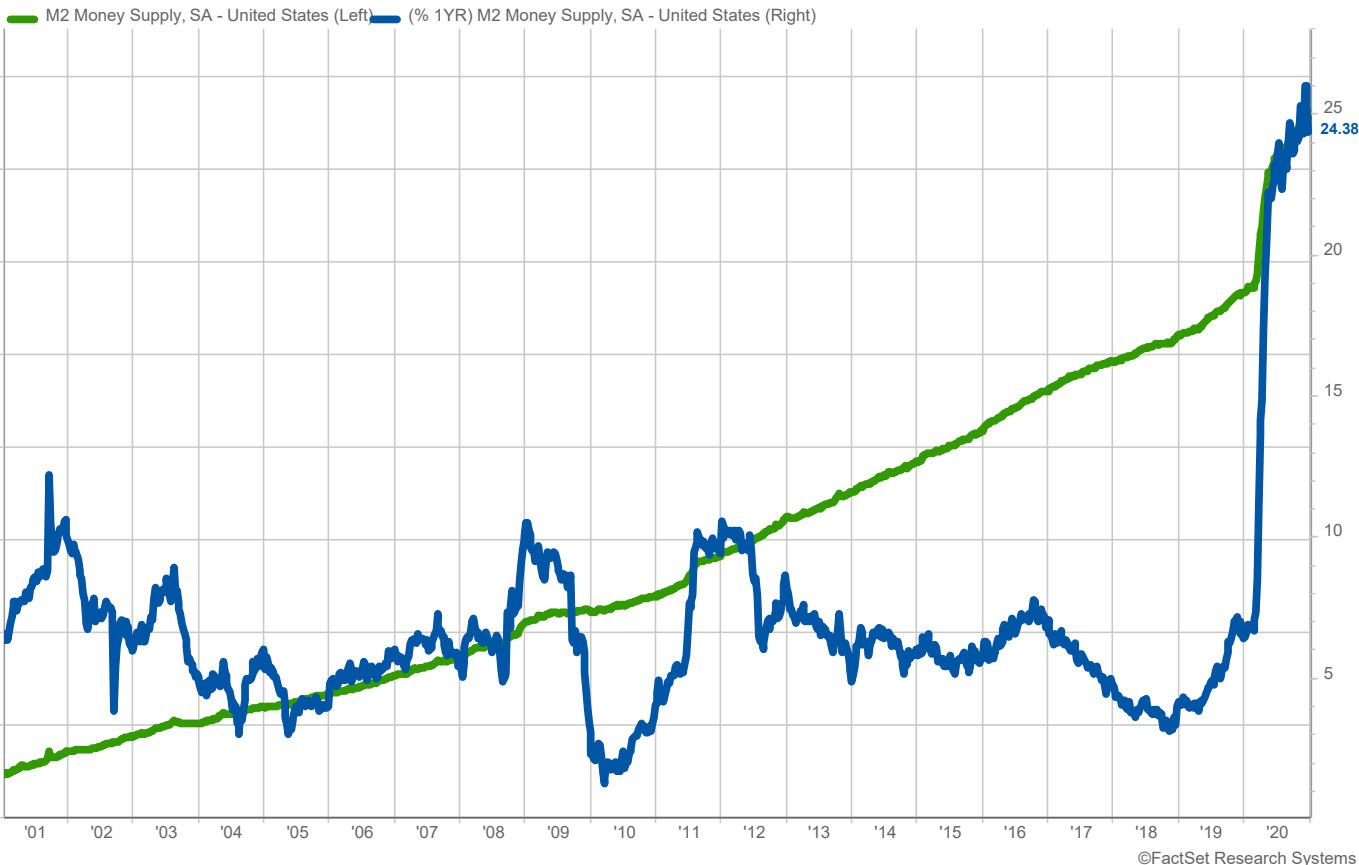
**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

## US M2 Money Supply

USD Bil.

%Chg vs Year Ago

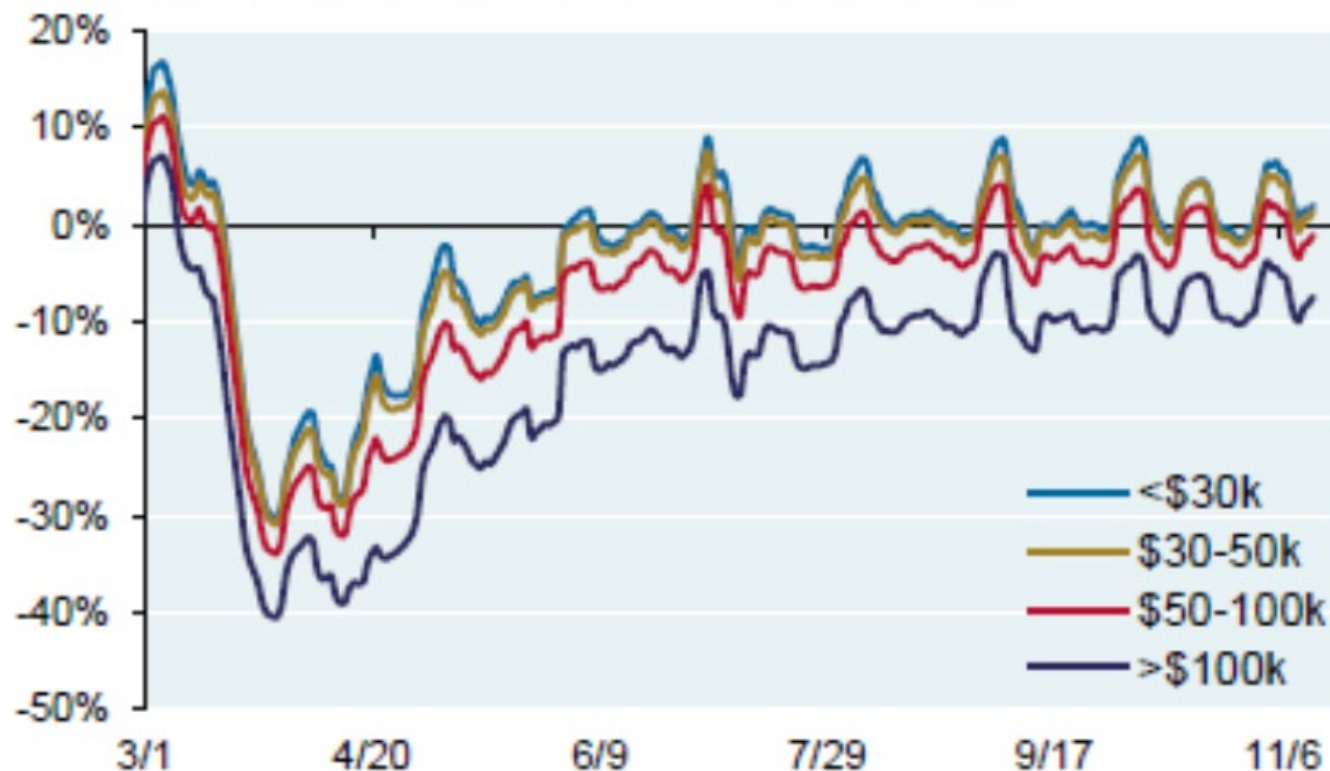


Bank deposits are up \$2.9 trillion and money market balances are up \$1.3 trillion since January 2020.

# Spending

## National spending trends by income

% change from January 2020 level, 7-day average



Spending is only down in the highest income group

Source: Internal Chase data, JPMAM. November 13, 2020.

# Audience Survey



# Way Forward

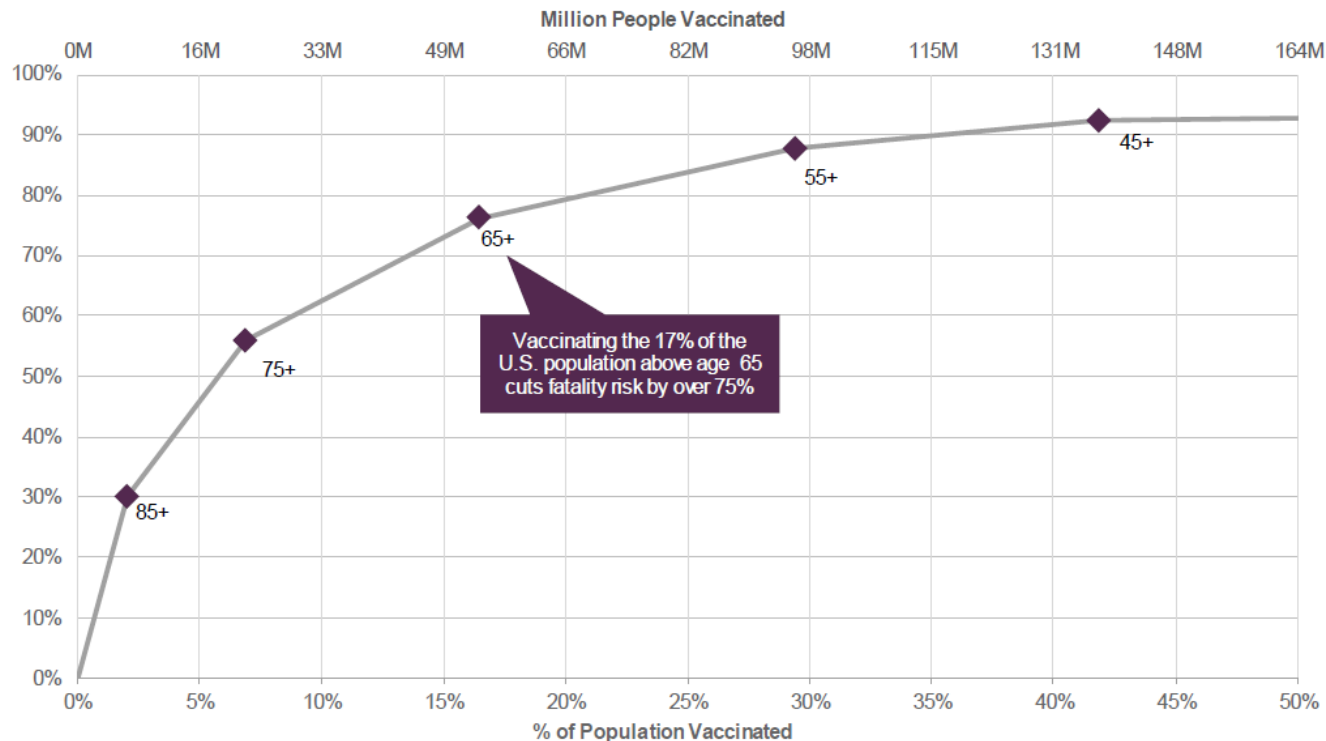


# Impact Sooner than You Think

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

Reduction in Fatality Risk of COVID-19 in the U.S., Based on Vaccinating the Population from Oldest to Youngest



The benefits of vaccinations will be front end loaded.

Groups most at risk will be immunized first.

With hospitalizations and deaths down, economy can reopen faster than most expect.

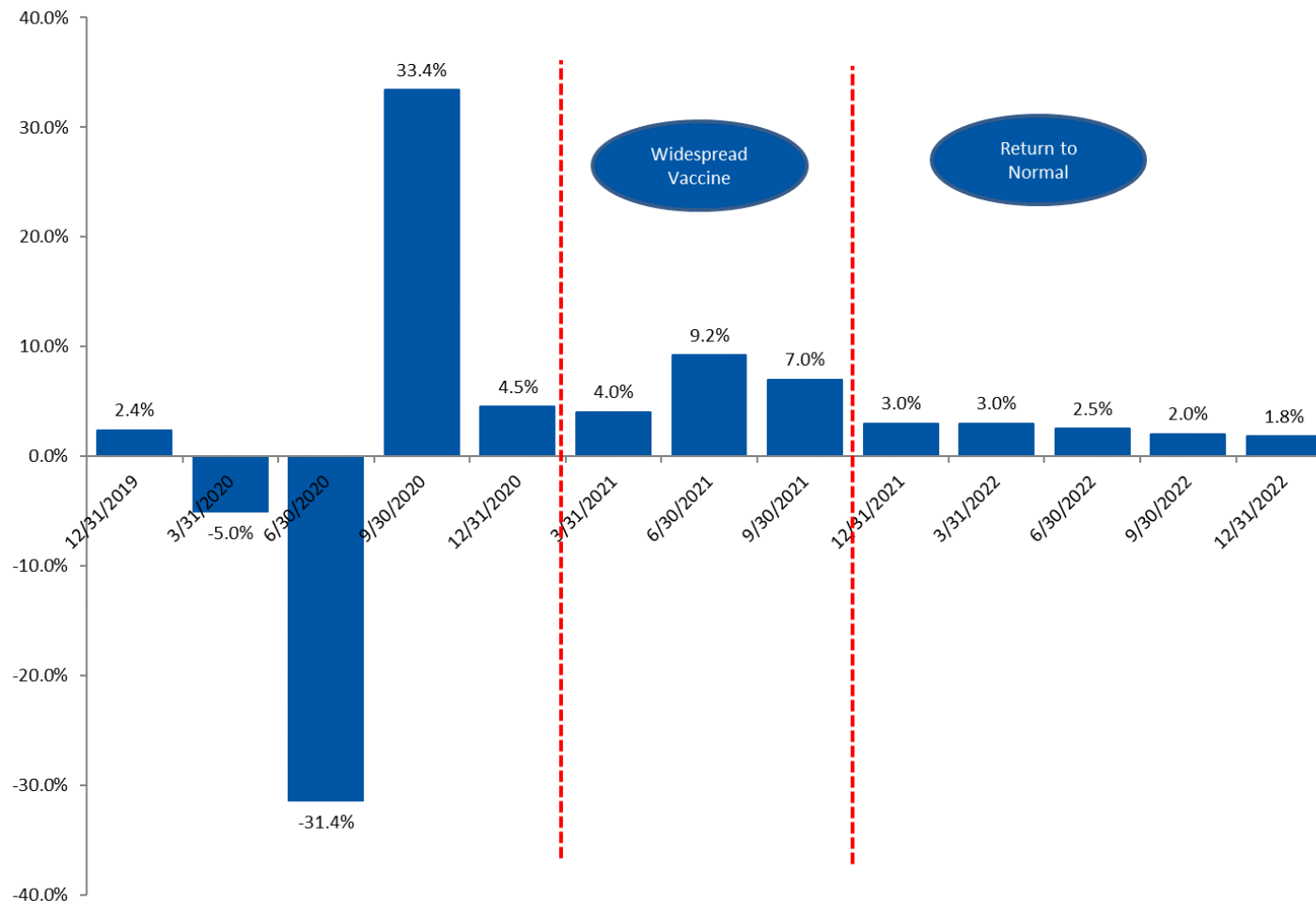
Source: Guggenheim Investments, Haver Analytics, CDC, New Statesman. Data as of 12/22/2020.

# GDP Forecast

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

Quarterly GDP Growth

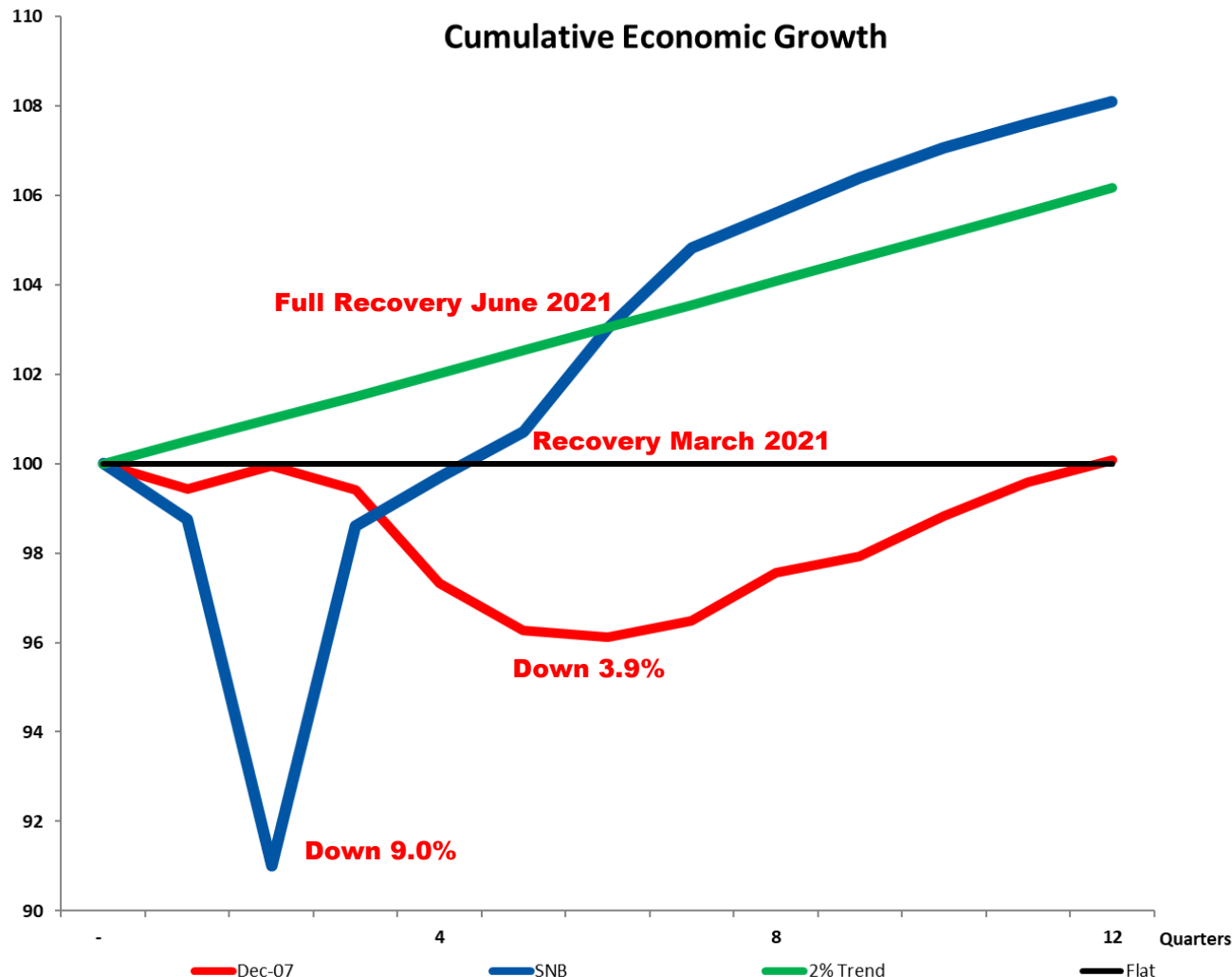


Rapid economic recovery continues.

Economy shrank 2.4% in 2020 and will expand 5.8% in 2021



# Rapid Recovery



Aggressive fiscal and monetary spending results in faster recovery versus the Great Financial Crisis (GFC)

# Inflation

CPI Inflation  
y/y



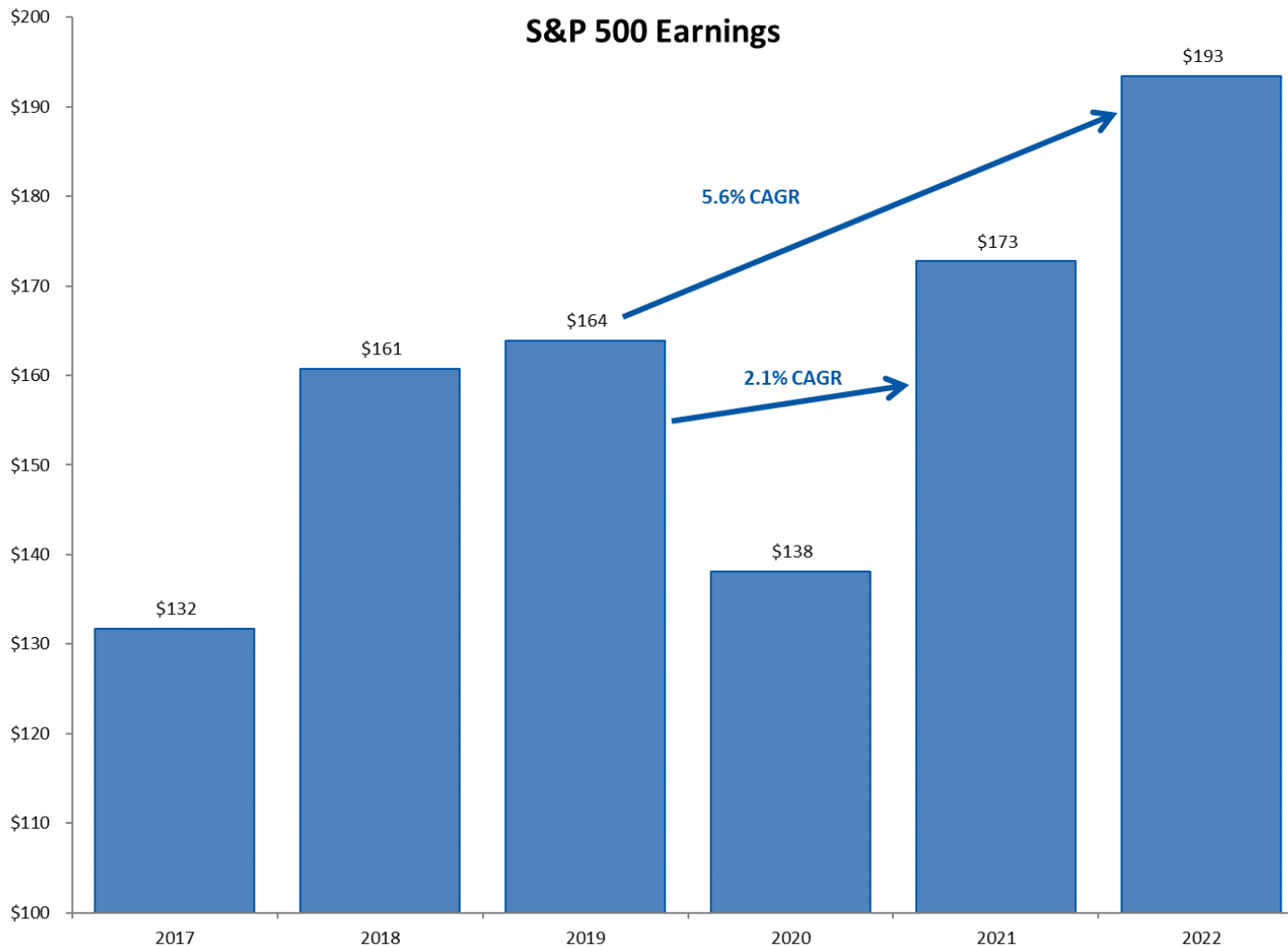
Aggressive fiscal and monetary spending results in faster recovery versus the Great Financial Crisis (GFC)

# Corporate Earnings

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

**S&P 500 Earnings**



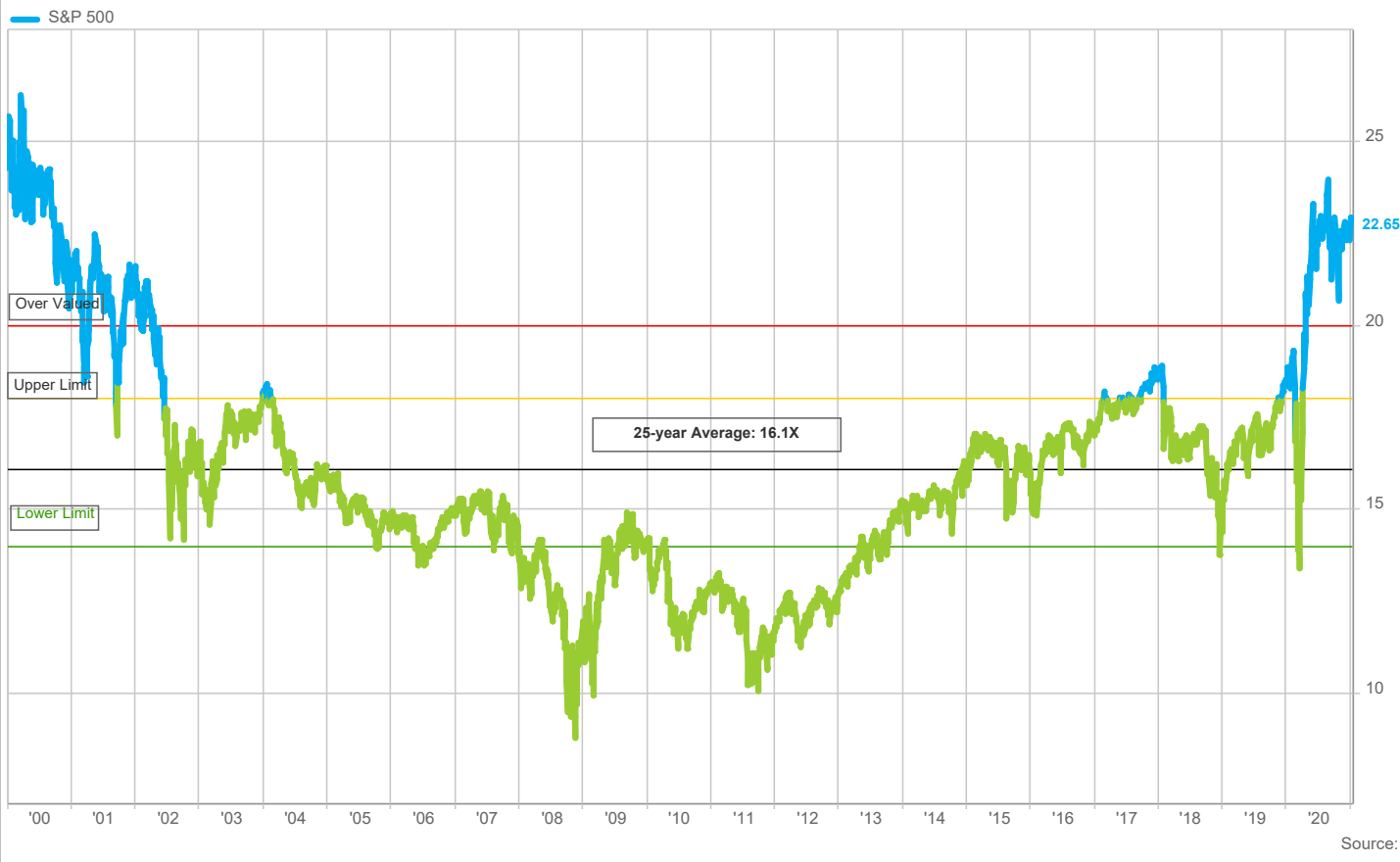
Earnings for the S&P 500 are set to grow 25% in 2021.

# Stock Valuation

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

Price to Earnings - NTM (Mean)  
31-Dec-1999 to 14-Jan-2021 (Daily)



Stocks are expensive, trading at 21.9 times our 2021 earnings estimate.

# Economic Questions





# What Have We done Since September

# Asset Allocation

Equity % up to	January 2021	September 2020	January 2020
<b>Fixed Income</b>			
Short Term	0%	0%	0%
High (Investment) Grade	35%	38%	35%
High Yield	0%	2%	0%
Alternative	2%	0%	0%
Internaitonal	0%	0%	5%
<b>Equities</b>			
Large	45%	47%	43%
Extended	8%	8%	10%
International	7%	3%	5%
<b>Alternative</b>	3%	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

We made some modest asset allocation moves over the last year

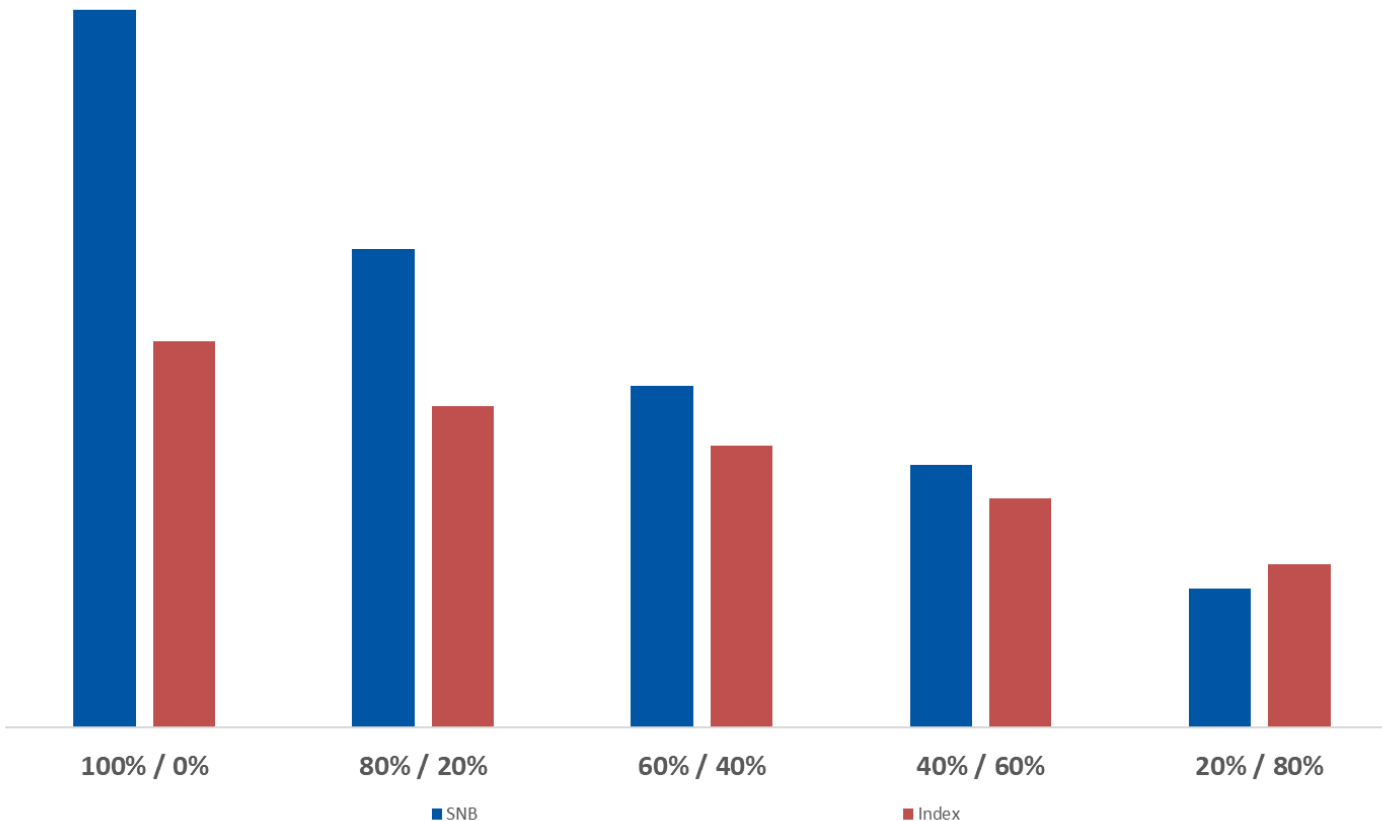


# How Have We Done



# 2020 Results

SNB Wealth Management Returns Compared to Index  
1 Year ending December 31, 2020



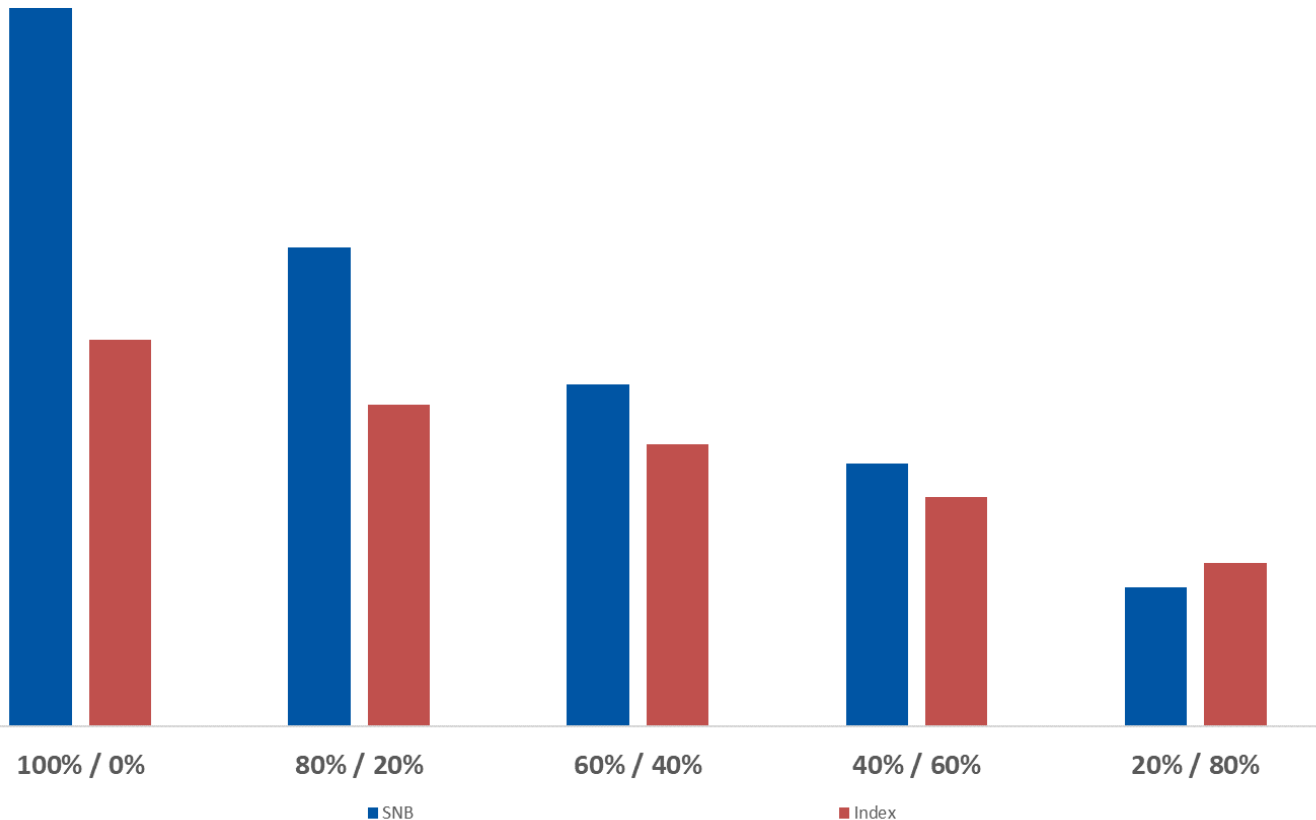
Our approach has proved to be successful last year.

# Longer Term Results

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

SNB Wealth Management Returns Compared to Index  
5 Years ending December 31, 2020

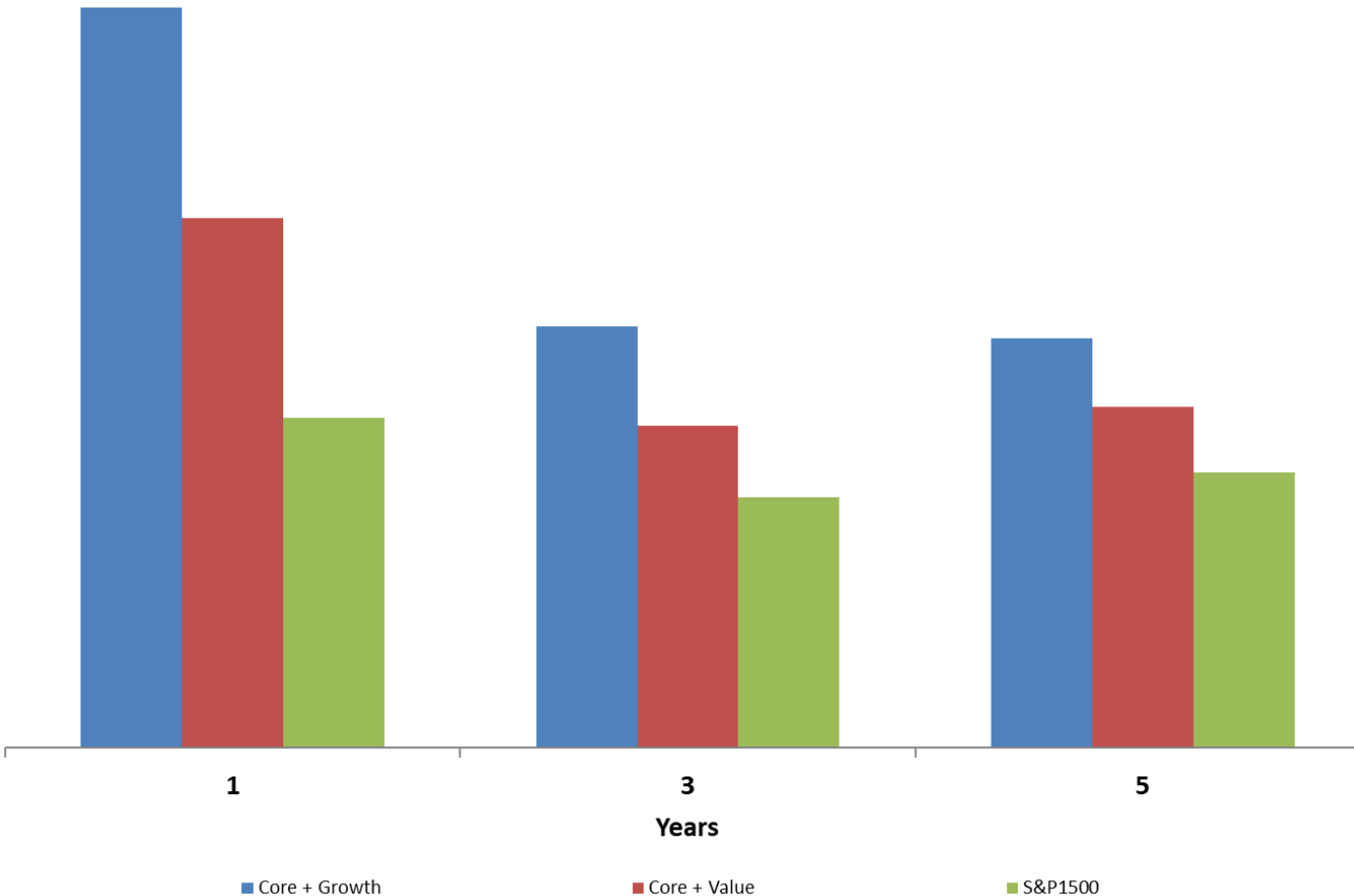


Our approach has proved to be successful over the long term.

# Stock Returns

## Equity Returns as of December 31, 2020

Our returns are  
led by superior  
stock returns



# Questions



# Disclaimer



This material is intended for informational purposes only, and does not constitute an invitation or solicitation to invest in any particular investment product. Information contained herein has been obtained from sources believed to be reliable but may change without notice. We do not guarantee its accuracy or completeness. Security National Bank accepts no liability for the results of any action taken on the basis of this information.

Financial commentary discussed in this report may not be applicable or suitable for all investors, and investors must make their own independent legal, tax, accounting, and financial evaluations of their risks and merits. Past performance is not indicative of future results. Investments offered by Security National Bank:

- **Are Not a Deposit**
- **Are Not FDIC-insured**
- **Are Not Guaranteed by The Bank**
- **Are Not Insured by Any Federal Government Agency**
- **May Go Down in Value**



# Contact Us

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

**Damian Howard**

**402-221-0178**

**dhoward@snbomaha.com**

**Brent Boyce**

**402-221-0162**

**bboyce@snbomaha.com**

**John Gibb**

**402-221-0188**

**jgibb@snbomaha.com**

**Thank You!**



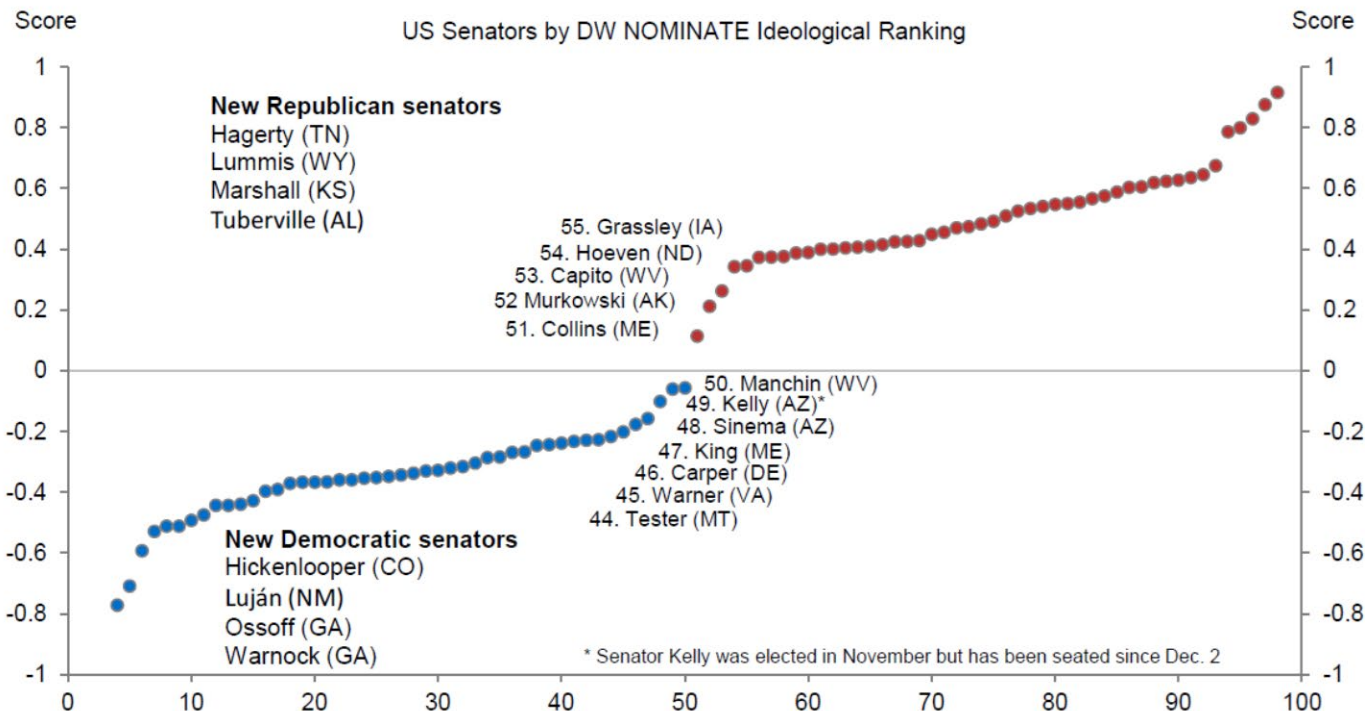
# Additional Slides



# Senate Division

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT



Democrats have  
the slimmest  
majority in  
Congress.

Will the center  
hold?

# Spending

## Personal Outlays

2019 4th quarter Average = 100

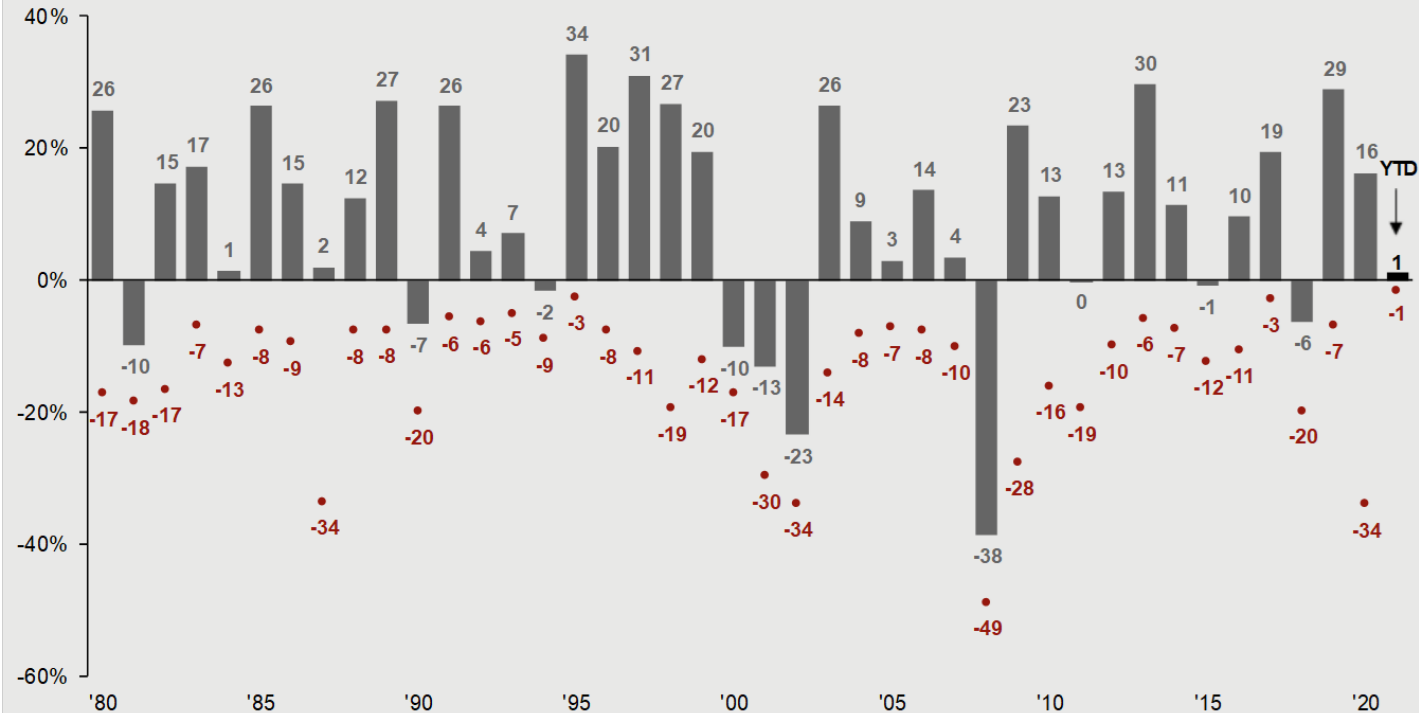


Spending is only down in the highest income group

# Sell-Offs are to be Expected

## S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns positive in 31 of 41 years



Periodic sell-off  
are to be expected

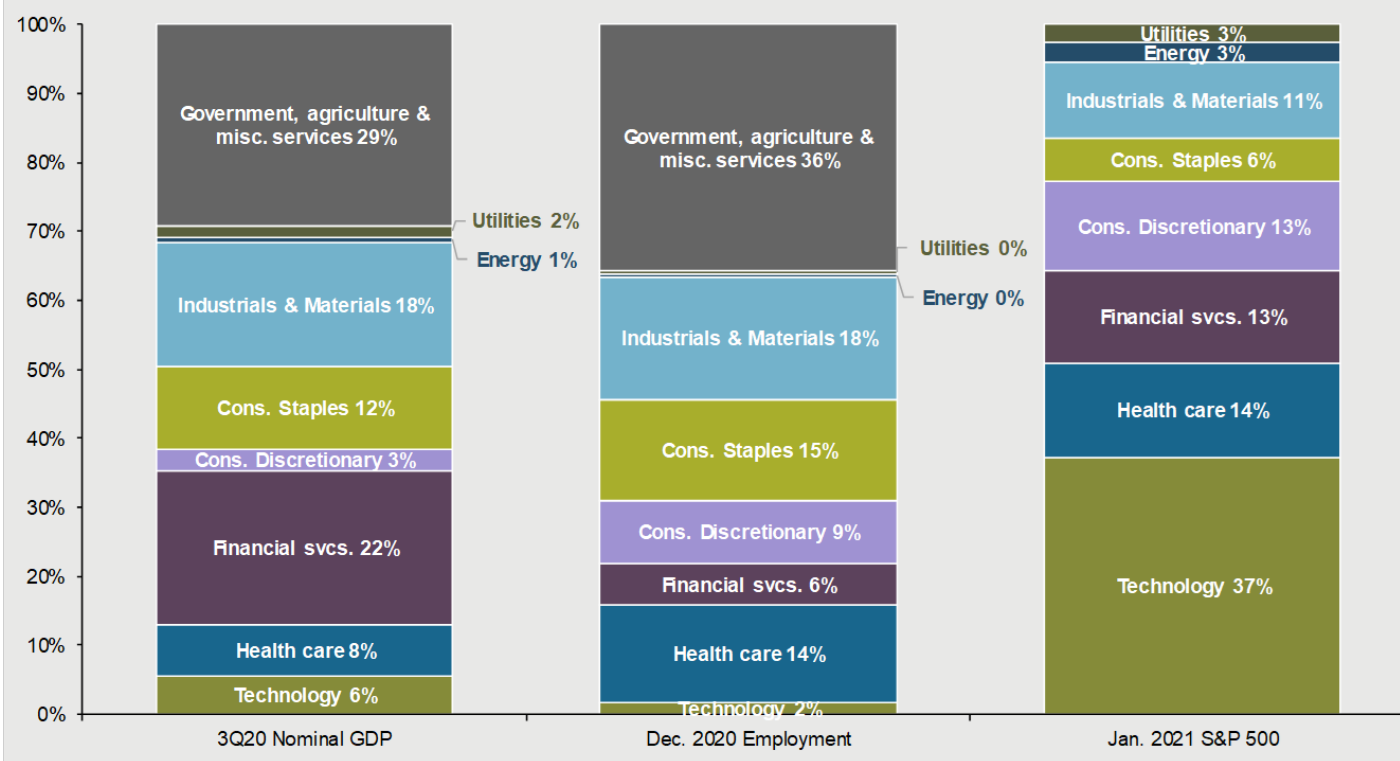
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020, over which time period the average annual return was 9.0%.

Guide to the Markets – U.S. Data are as of January 14, 2021.

# Stocks are not the Economy

**Sector share of GDP, employment, S&P 500**



The stock market  
is not the  
economy

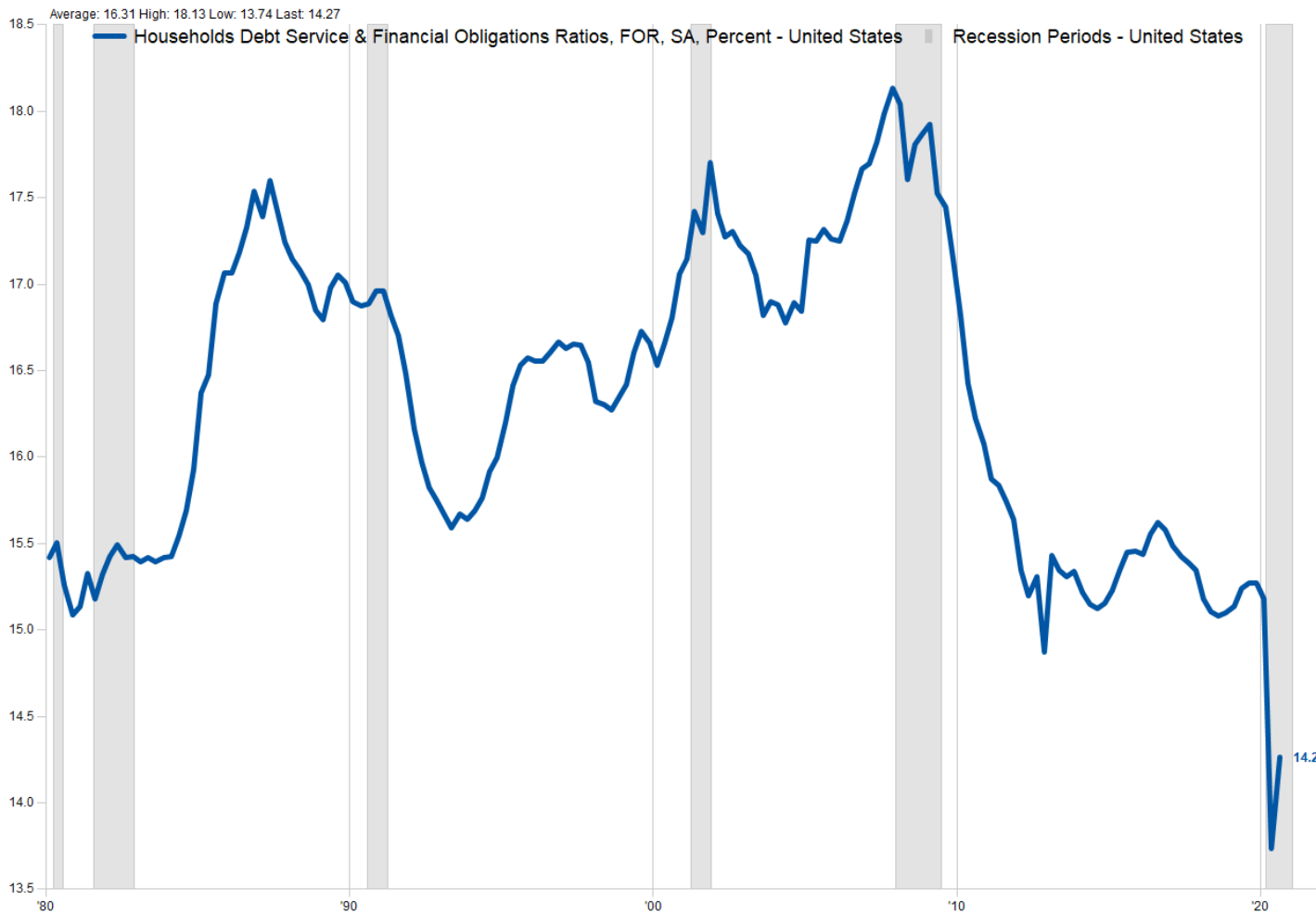
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Standard & Poor's, J.P. Morgan Asset Management. Sector share of S&P 500 based on market cap weighting. Technology: information (economy, employment), technology and communication services (S&P 500). Financial services includes real estate (S&P 500). Consumer discretionary: Arts, entertainment, recreation, accommodation, and food services (economy), leisure and hospitality (employment). Consumer staples: wholesale trade and retail trade (economy, employment). Industrials and materials: construction, manufacturing, transportation and warehousing (economy, employment). Energy: mining (economy), mining and logging (employment). Government, agriculture & misc. services: government, other services, professional and business services, education and agriculture, forestry, fishing, and hunting (economy), government, other services, professional and business services, and education (employment).

*Guide to the Markets* – U.S. Data are as of January 14, 2021.

# Debt Service

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT



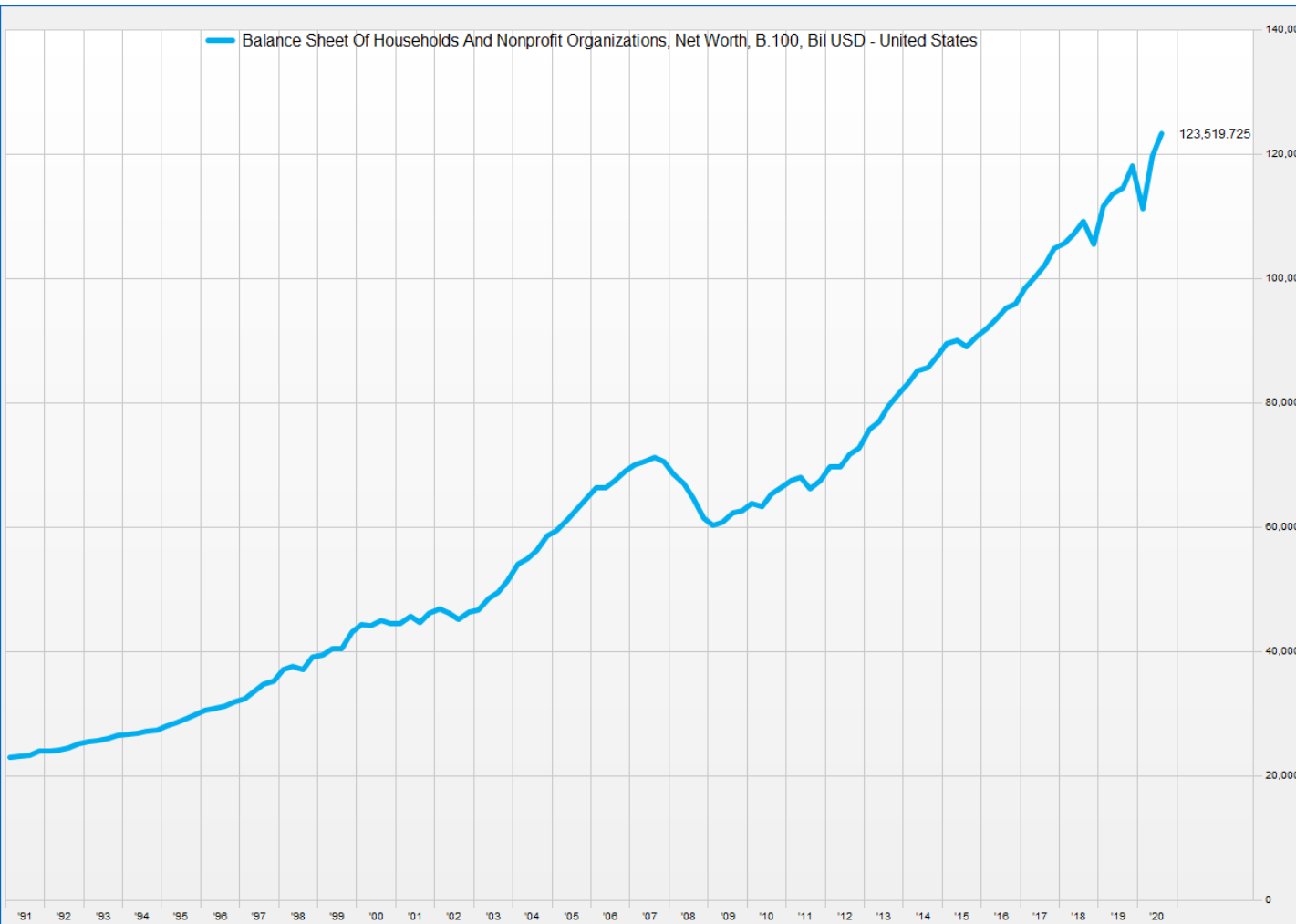
Overall, the consumer is in great shape.

Source: FactSet Financial Obligations Ratio includes debt payment (principal and interest, rent payments, auto lease payments, home-owners insurance and property taxes as a percent of disposable income.

# Household Wealth

**SECURITY**  
**NATIONAL BANK**

WEALTH MANAGEMENT

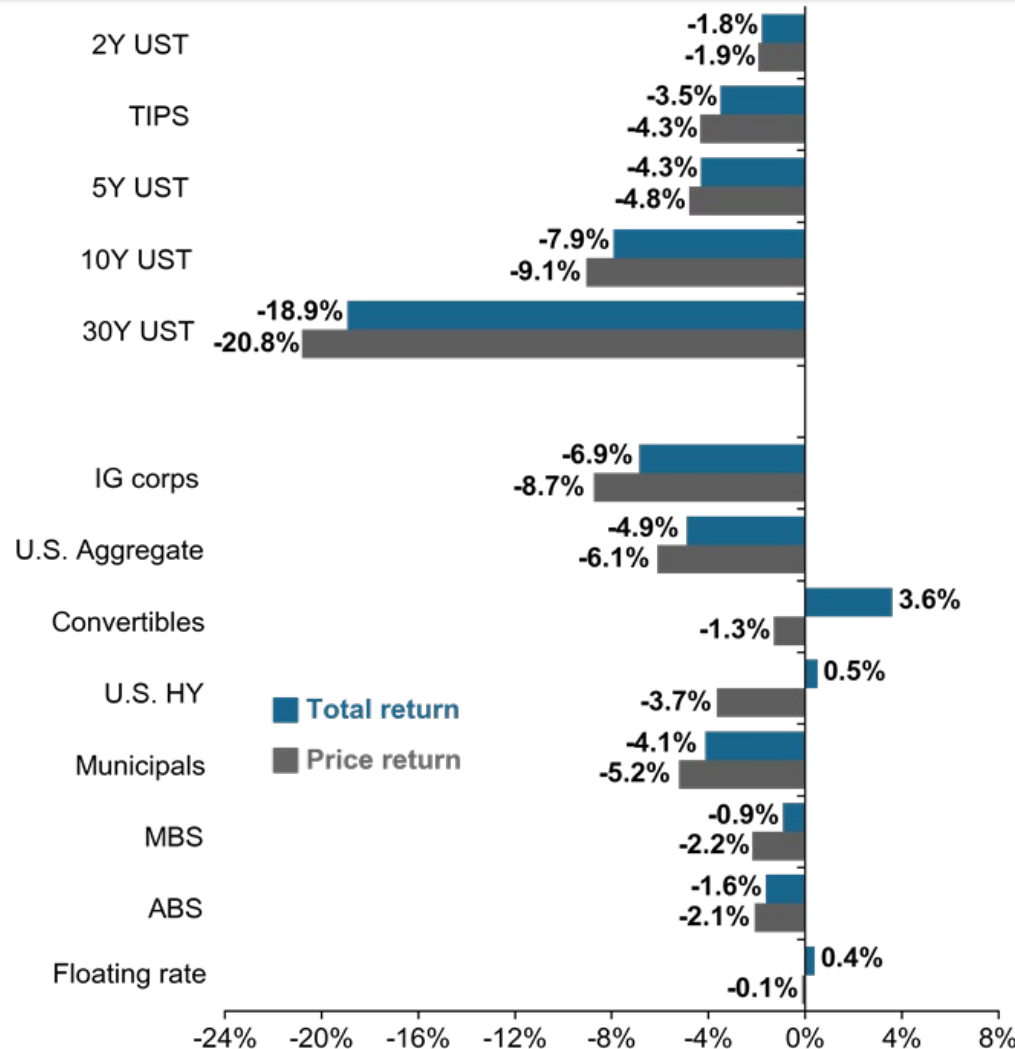


Net Worth is at an  
all-time high

Source: FactSet



# Impact of a 1% increase in Rates



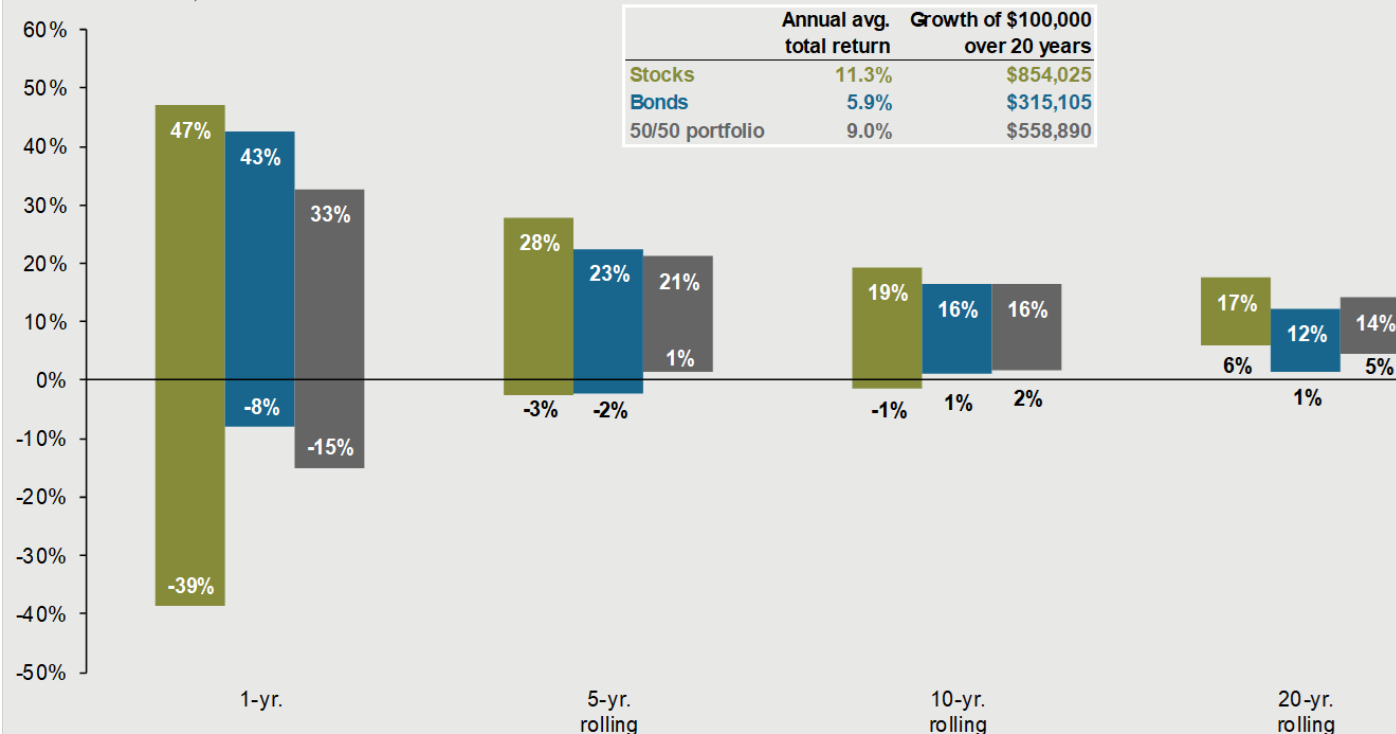
Impact of a 1% rise in interest rates

Assumes a parallel shift in the curve.

# Long Term View

## Range of stock, bond and blended total returns

Annual total returns, 1950-2020



Long time horizons allow for higher equity allocations.

Most investors are under allocated to equities.

Allocated to equities as cashflow and comfort allows.

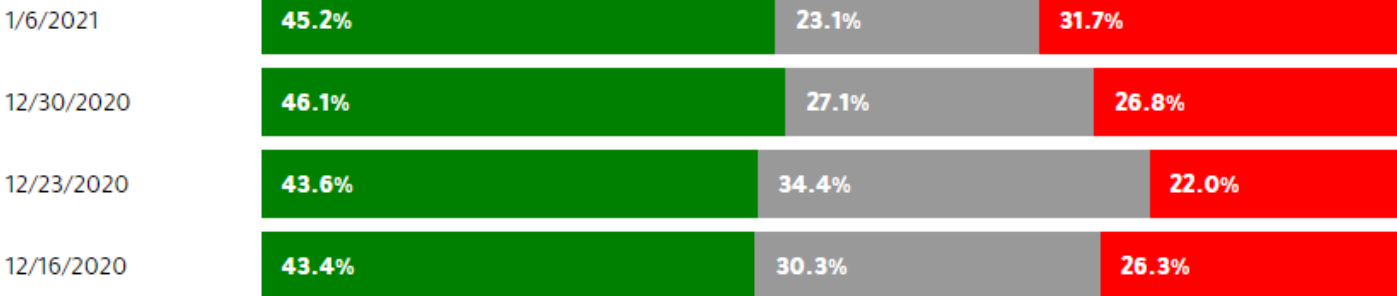
Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2020. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2020. *Guide to the Markets* – U.S. Data are as of January 14, 2021.

# Retail Sentiment

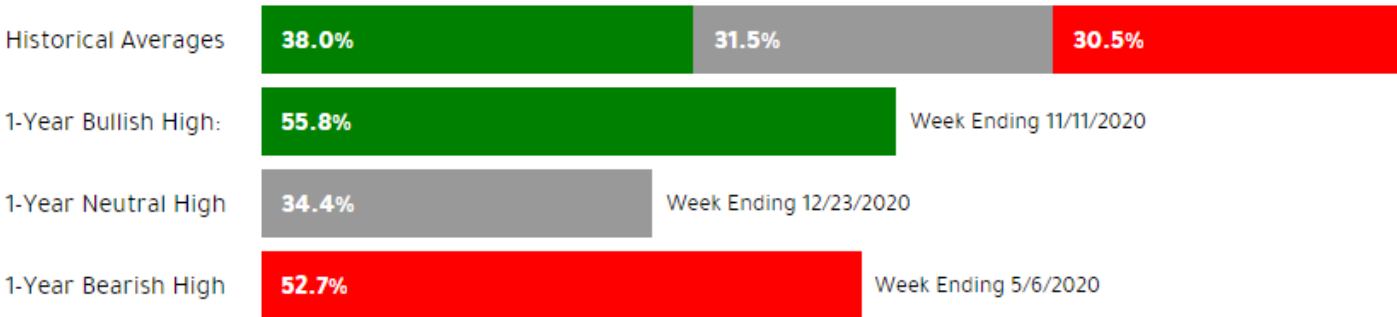
## Sentiment Votes

■ Bullish ■ Neutral ■ Bearish

### Week Ending



### Historical View

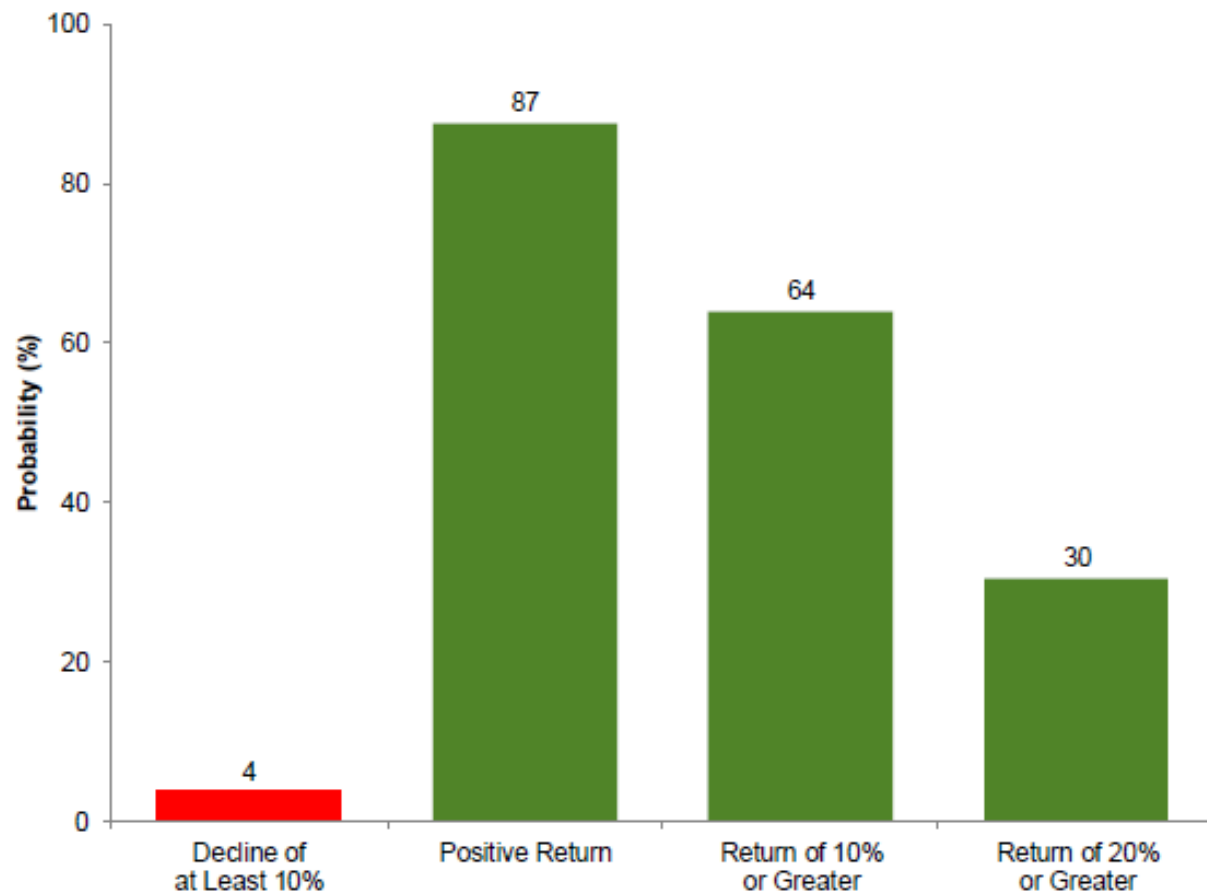


Retail investors have for the most part missed the recovery and are now returning to the market.

Source: American Association of Individual Investors January 18, 2021.

# Odd Favor Investors

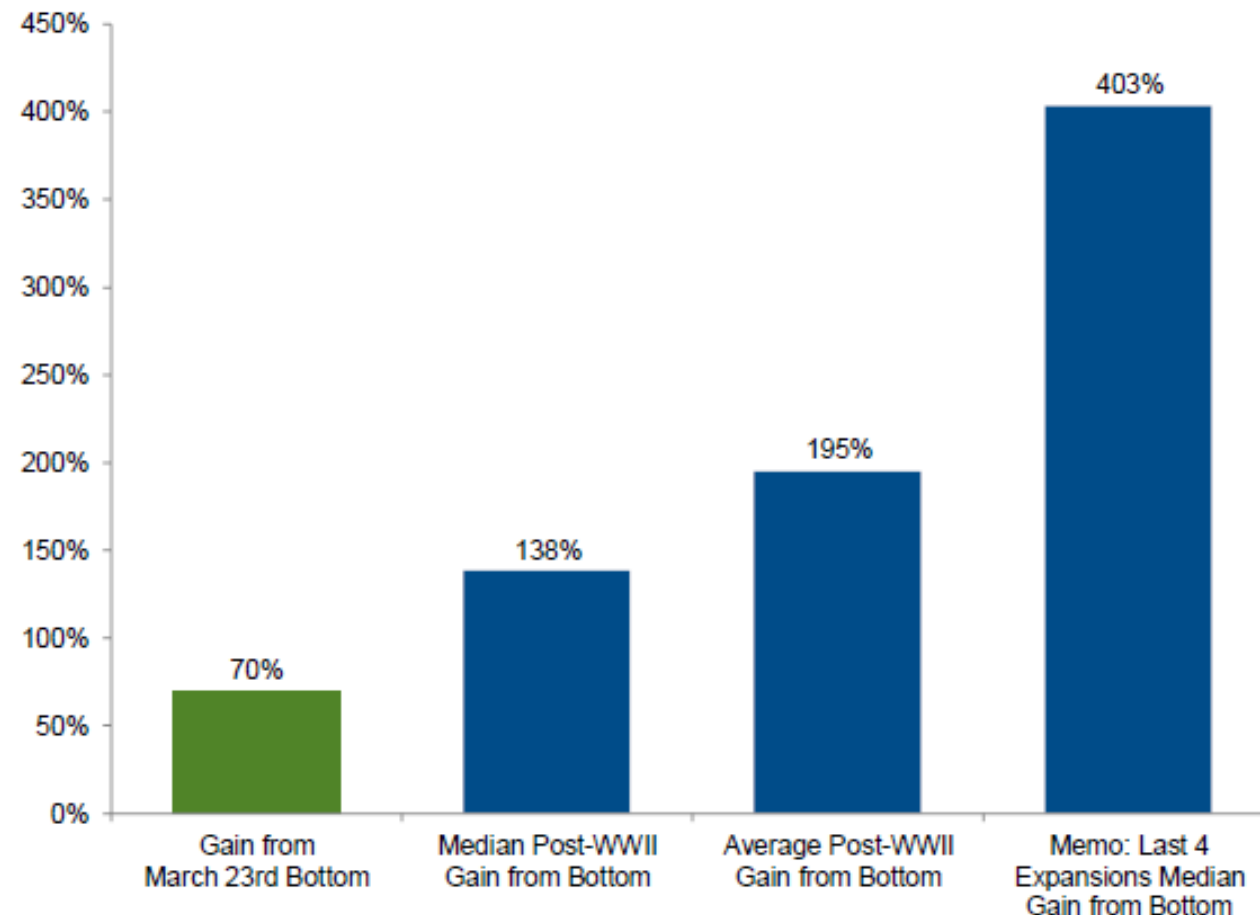
## 1. Odds of Various S&P 500 One-Year Total Returns During US Economic Expansions<sup>1</sup>



Investors have an 87% chance of positive return during periods of economic growth and only 4% chance of a decline of more than 10% this year.

# Bull Market has Room to Run

## 2. S&P 500 Total Return from Equity Trough to Beginning of Next Recession<sup>2</sup>



Odds favor further equity gains.