

MESIROW EQUITY MANAGEMENT

A Funny Thing Happened on the Way to the Recession: Managing a soft landing

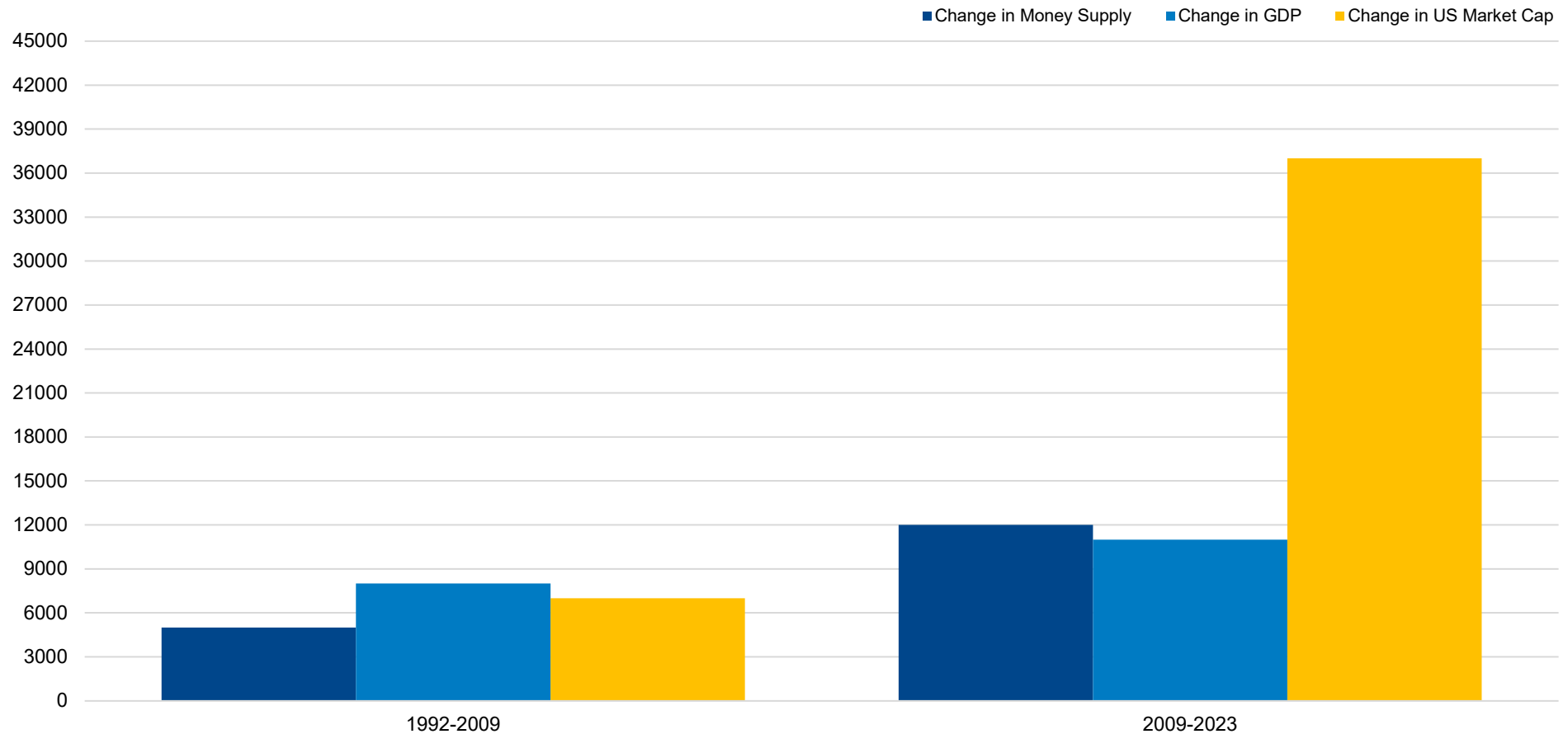
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Regional Business Outlook

June 2024

Money supply used to ignite the economy now it ignites assets

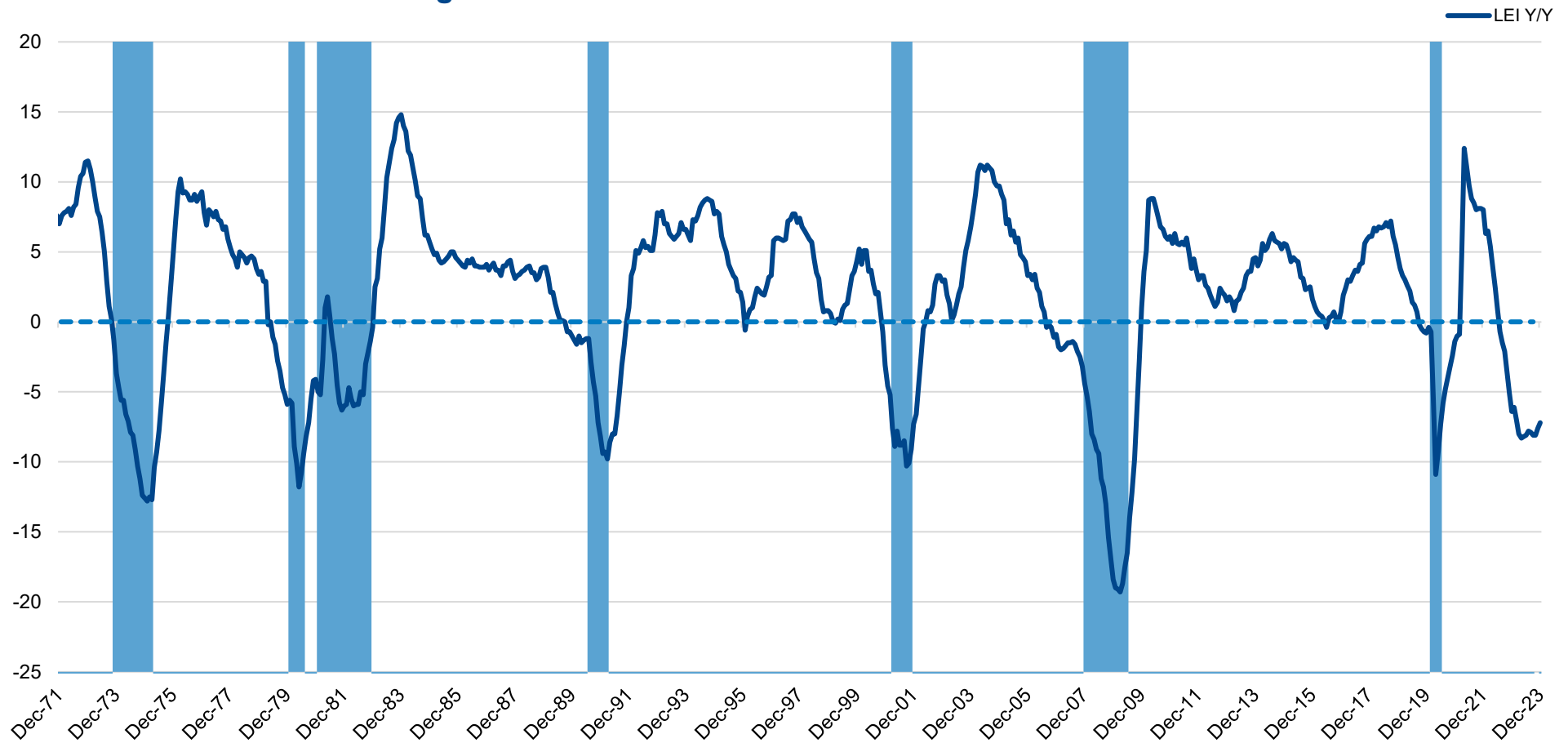
The effect of money supply on economic activity and markets (\$B)



Source: MEM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

Leading indicators are well past dangerous levels

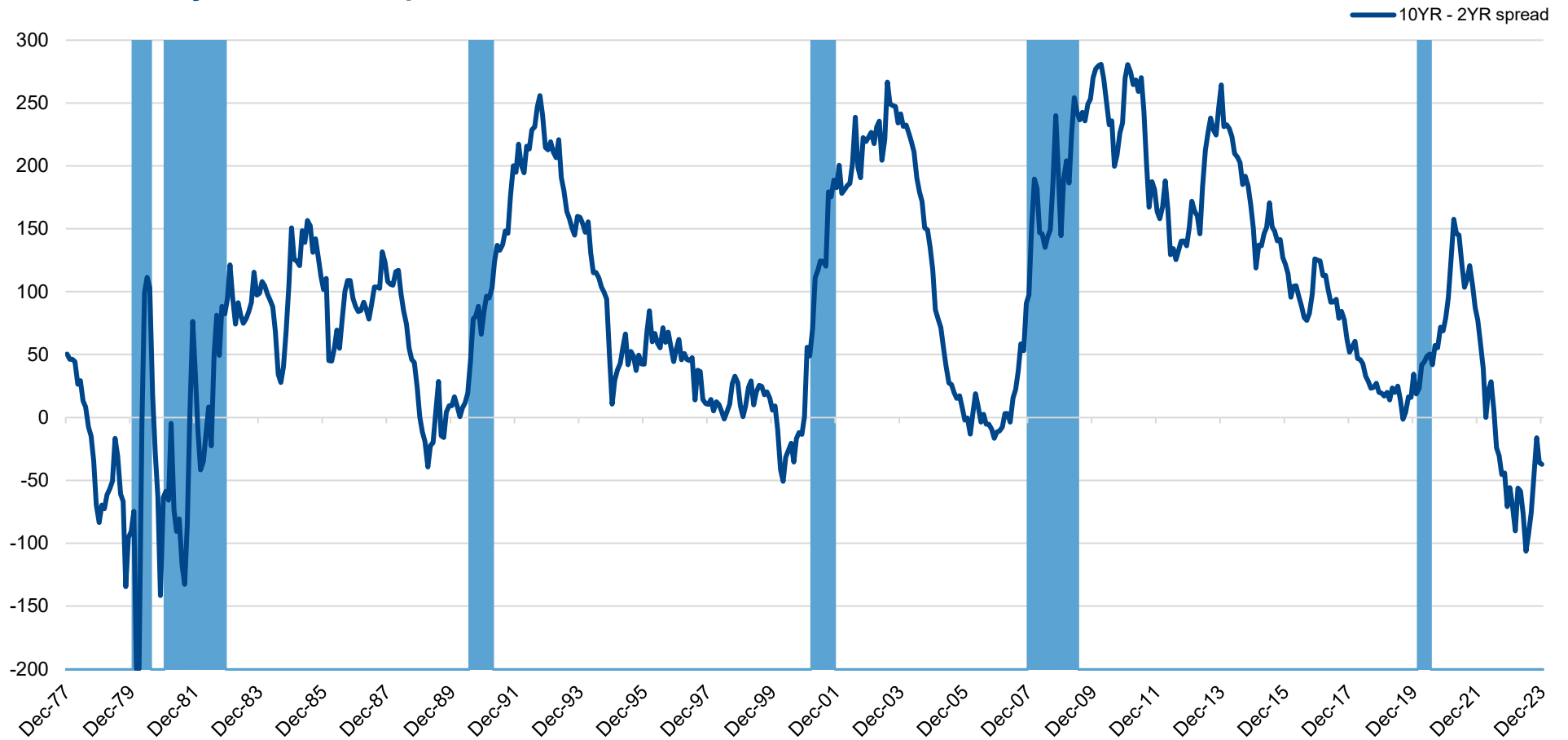
Conference board - US leading indicators - Y/Y



Source: MEM using data from Bloomberg, L.P., FRED, NBER. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

10-Year less 2-Year spreads reflects tighter monetary policy

U.S. Treasury 10YR - 2YR spread



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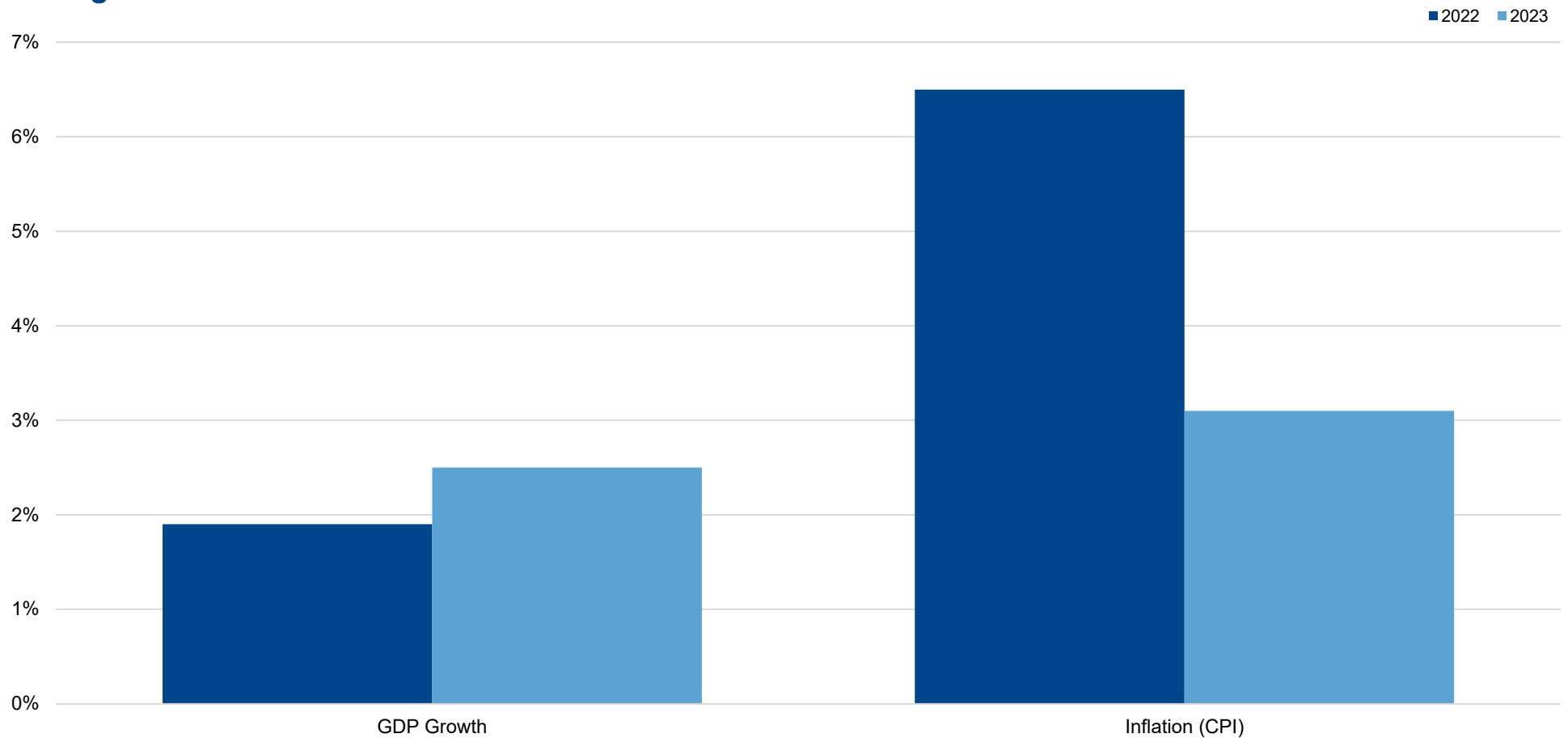
The FED doesn't always break the economy....just usually

Beginning of FED tightening cycle	Did ISM fall below 50?	GDP recession
1972	Yes	Yes
1977	Yes	Yes
1980	Yes	Yes
1983	Yes	NO
1988	Yes	Yes
1994	Yes	NO
1999	Yes	Yes
2004	Yes	Yes
2015	Yes	Yes
2022	Yes	-
Frequency	100%	80%

Source: Trahan Macro Research Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

GDP moved higher while inflation declined

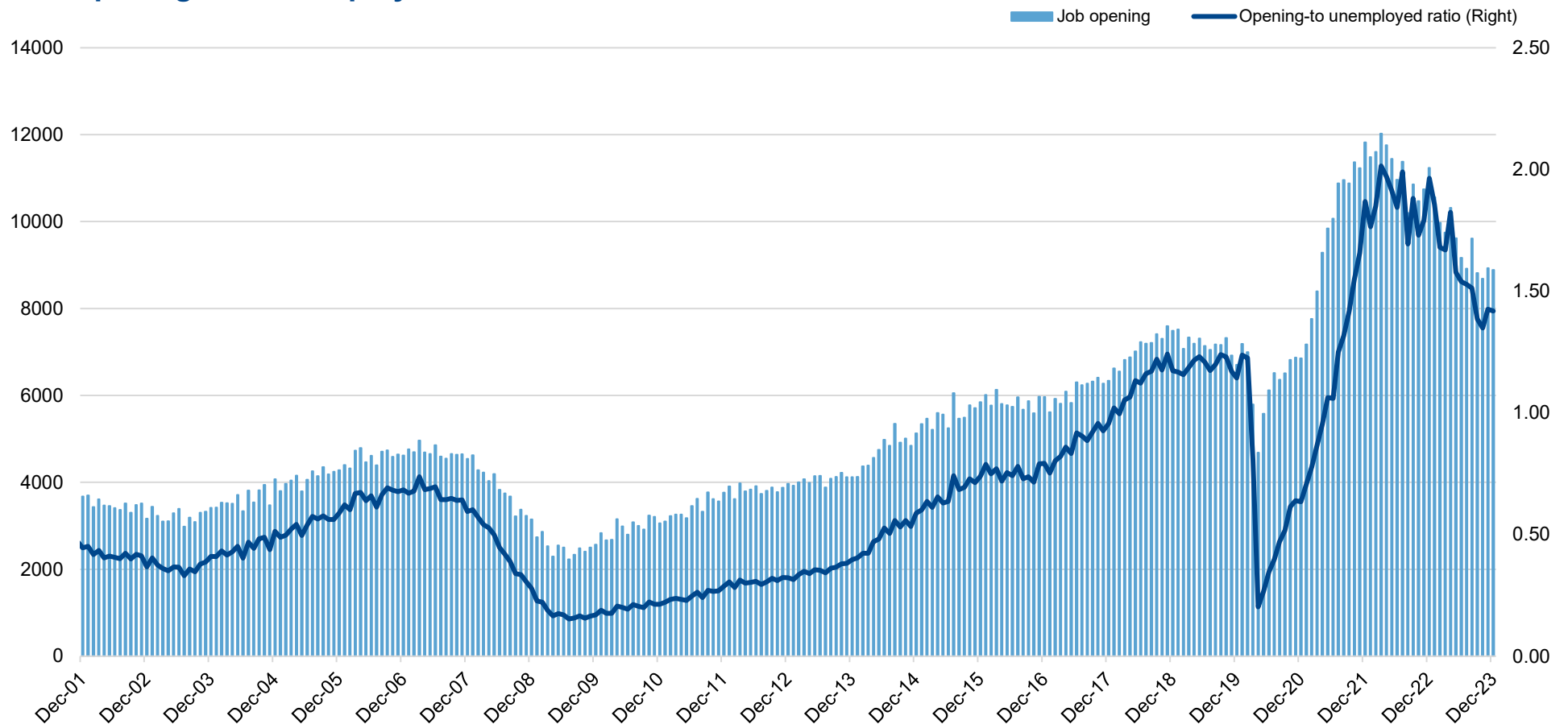
Change in GDP and CPI 2022 to 2023



Source: MEM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

Healthy employment environment support spending and wages

Job openings vs. unemployment



Source: MEM using data from Bloomberg, L.P. and FRED. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

Fiscal spending additive to growth

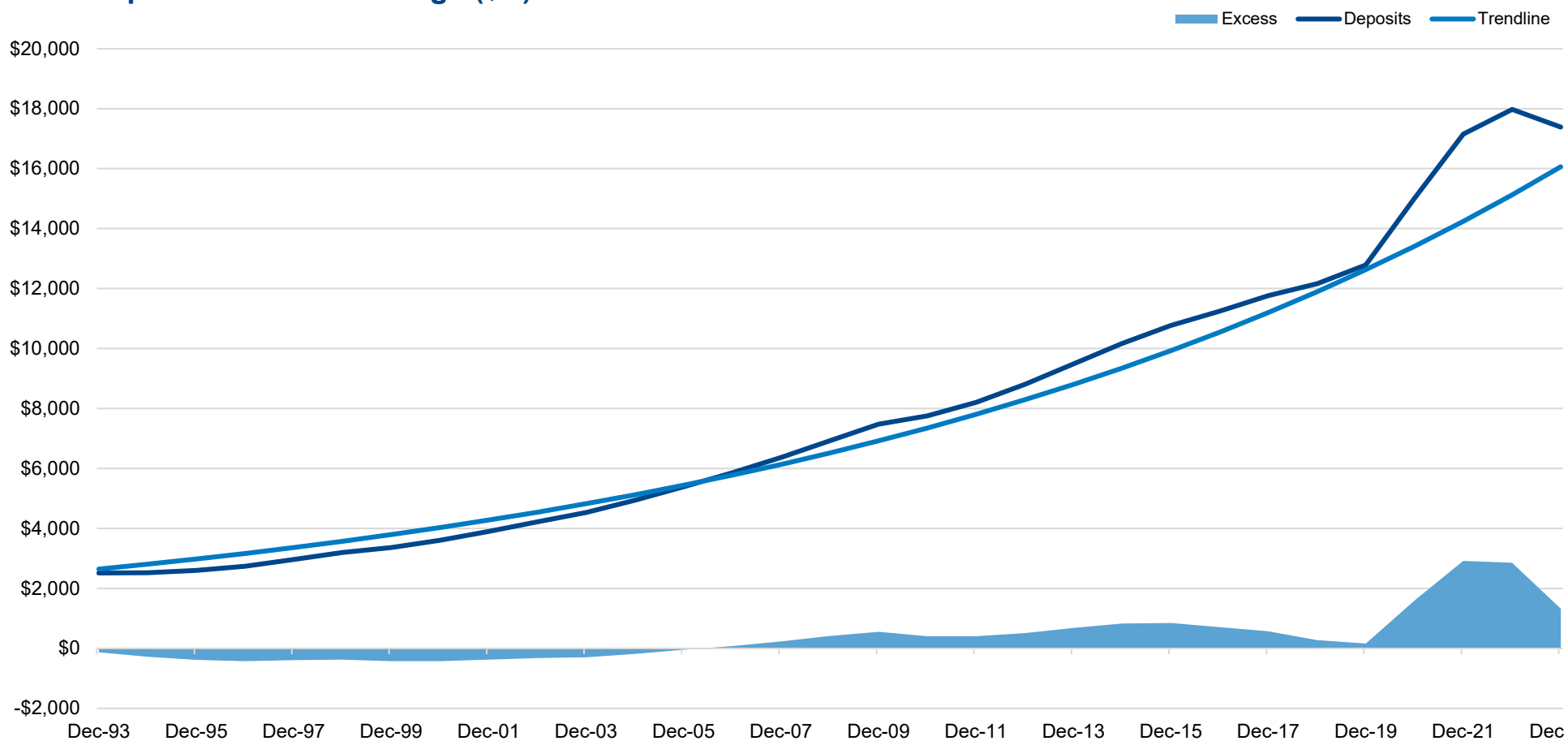
Year	IIJA act	IRA act	CHIPS act	*Total spending
2022	\$4.1B	-	-	\$4.1B
2023	10.0B	\$26.8B	\$2.3B	\$39.1B
2024	\$32.0B	\$25.9B	\$5.6B	\$63.5B
2025	\$41.9B	\$21.0B	\$8.0B	\$70.9B
2026	\$64.4B	\$18.9B	\$9.4B	\$92.7B
Total	\$152.4B	\$92.6B	\$25.3B	\$270.3B

*Excludes revenue offsets

Source: MEM using data from Congressional Budget Office. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

Fiscal and monetary policies generated over \$2T in excess savings

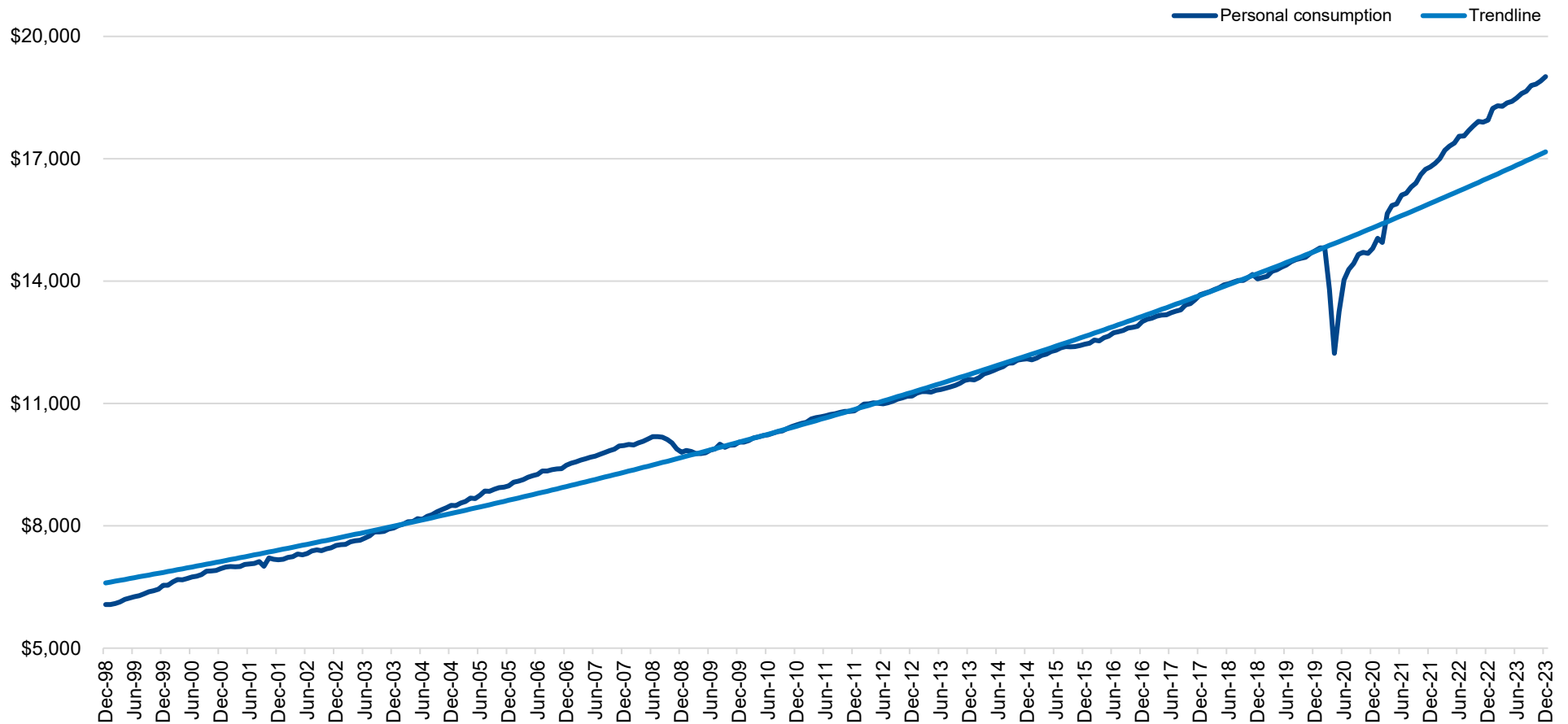
Total deposits - excess savings (\$B)



Source: MEM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

PCE accelerated and remains well above trend

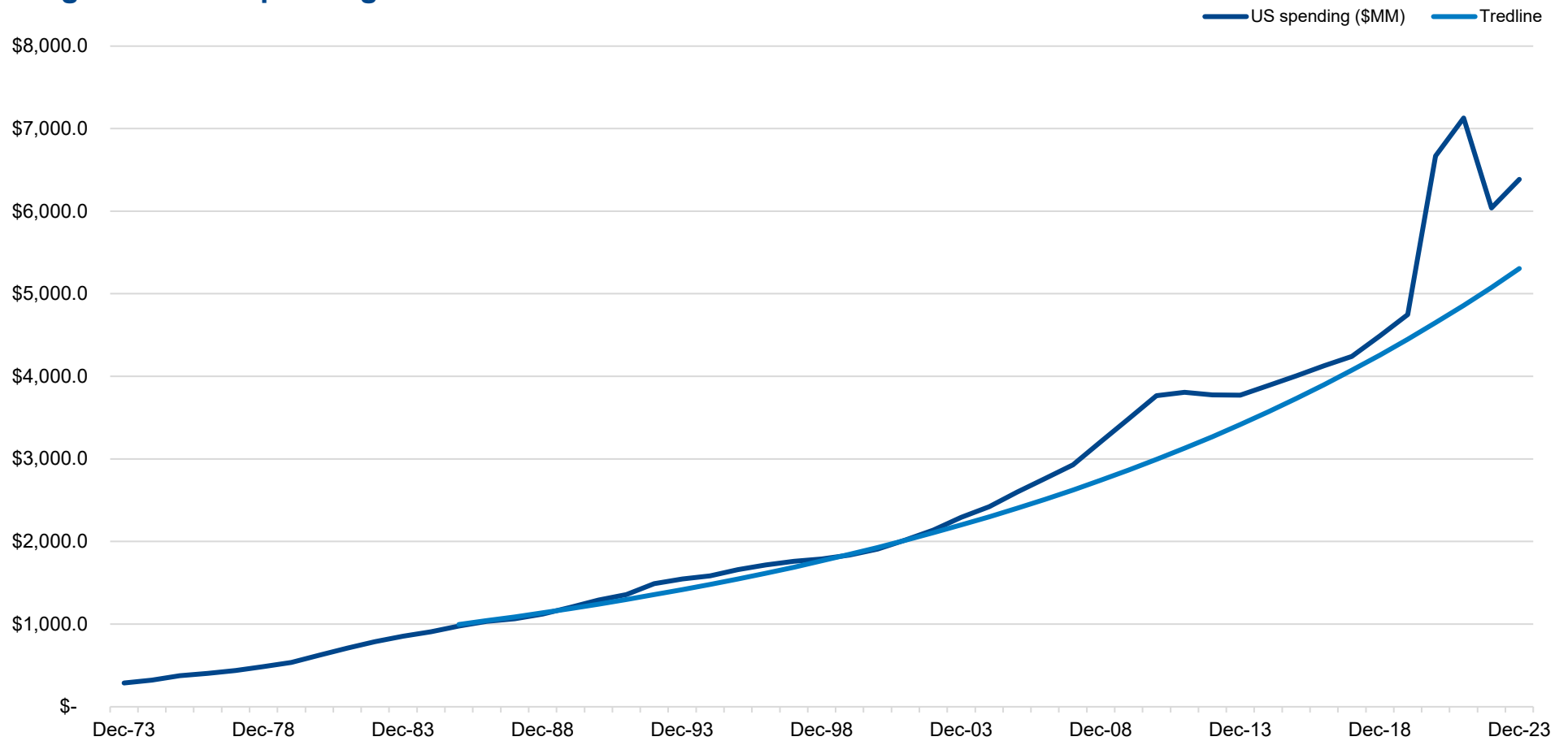
Personal consumption expenditures (\$B)



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Fiscal spending above baseline trend helps fuel inflation and debt

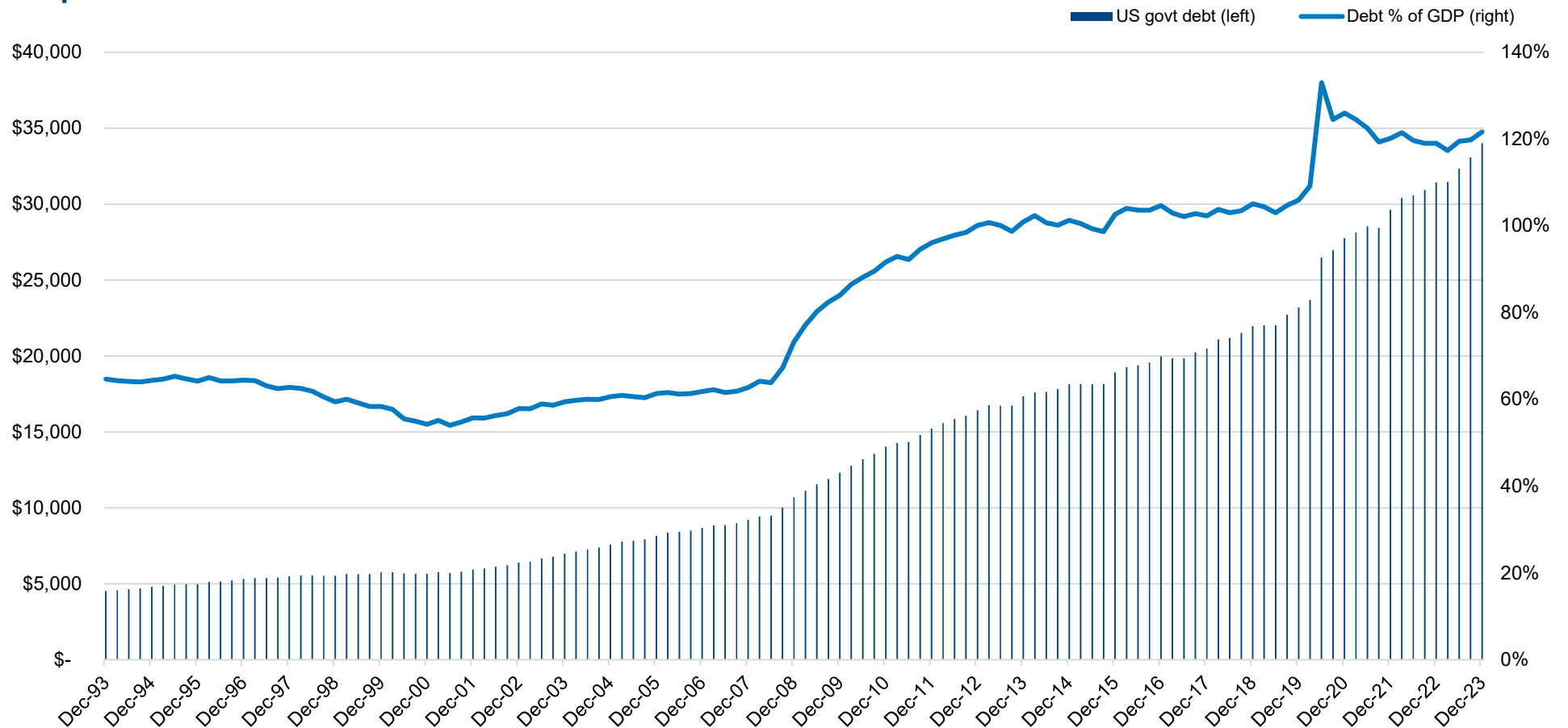
US government spending



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Deficit spending drives higher government debt balances

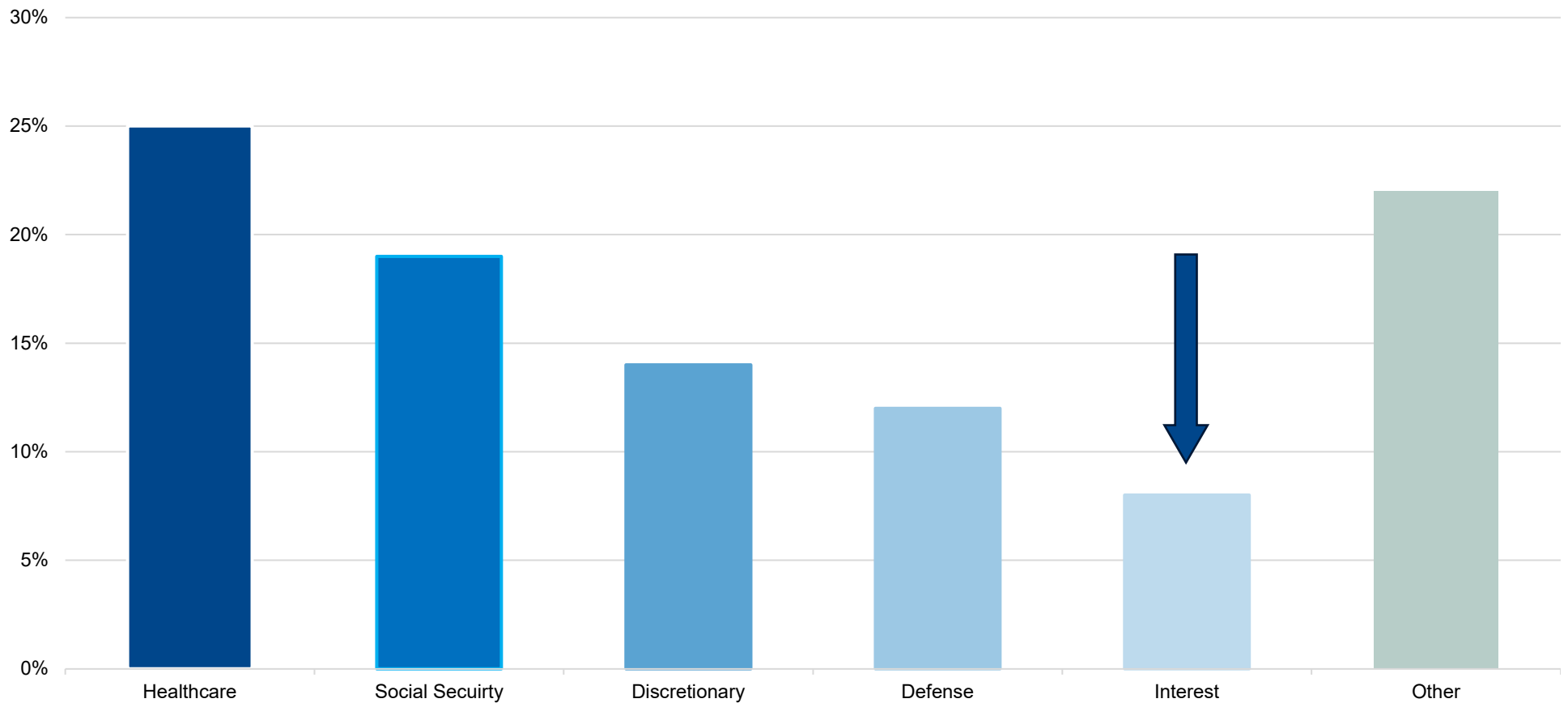
US public debt as % of GDP



Source: MEM using data from Bloomberg, L.P. and FRED. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

Deficits will expand as higher yields impact interest payments

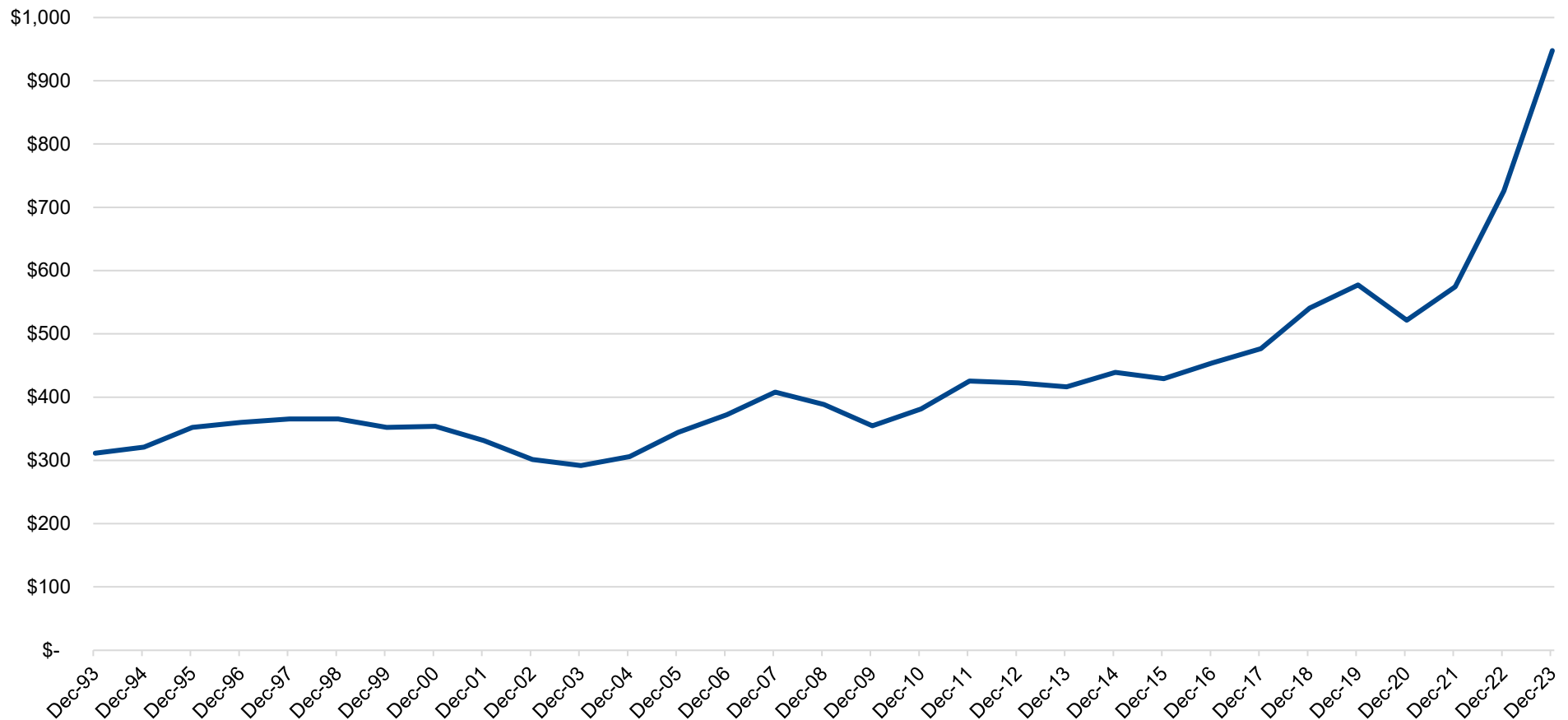
Federal spending FY 2022



Source: FRED, Congressional Budget Office, and MEM using data from Bloomberg, L.P. Past performance is not indicative of future results. Please see the disclosures at the end of this presentation for additional, important information and for benchmark/index definitions.

Interest on federal debt

Interest payments on federal debt



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