THE DOMINOES ARE WOBBLING

UMB

KC MATHEWS, CFA
CHIEF INVESTMENT OFFICER

UMB Financial Corporation &
UMB Bank, n.a.

THE ECONOMIC DOMINOES *THAT MATTER*

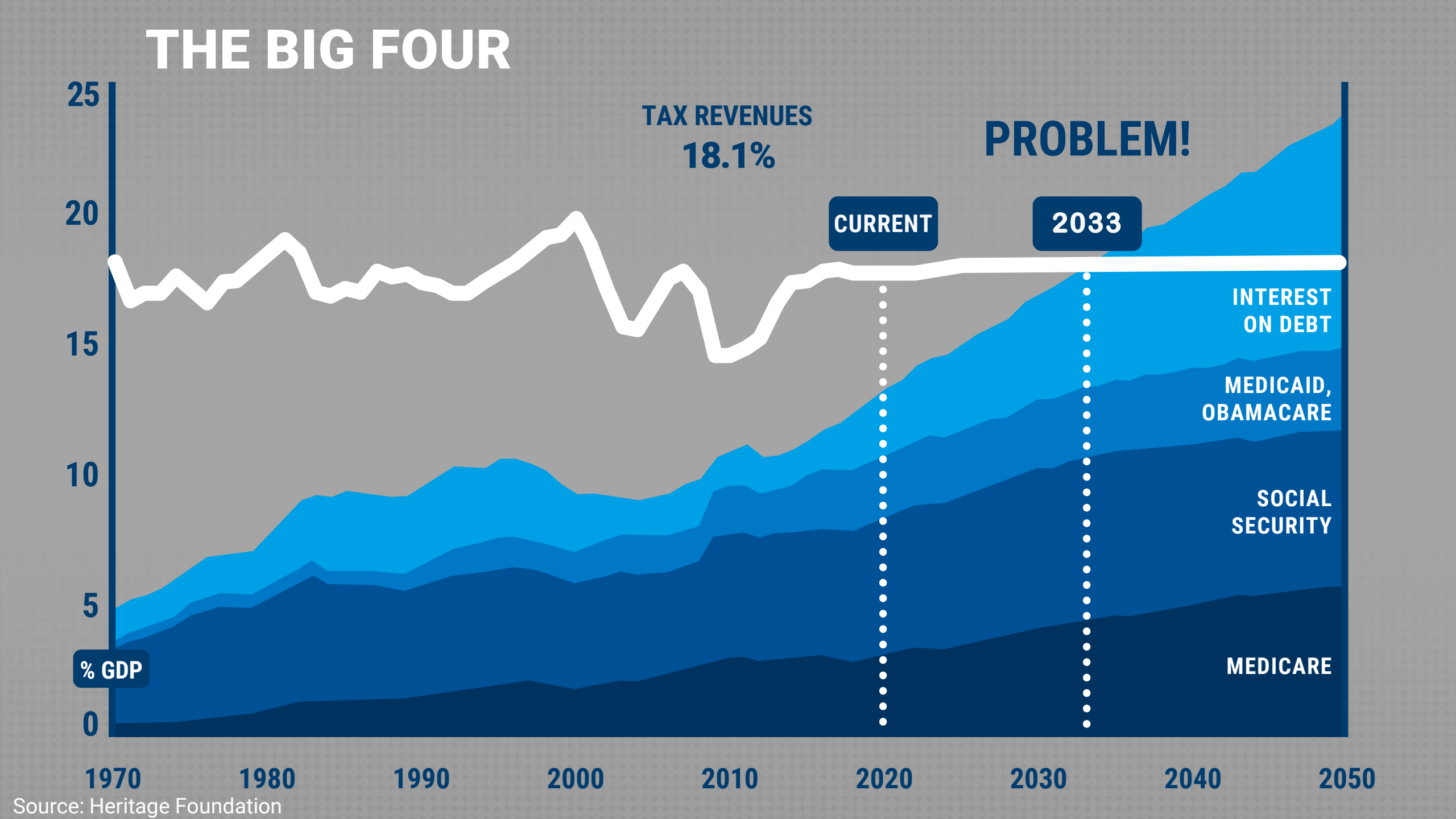
RECESSION *SIGNALS*

THE FORECAST *CONNECTING THE DOTS*

ACTIONABLE *INVESTMENT IDEAS*

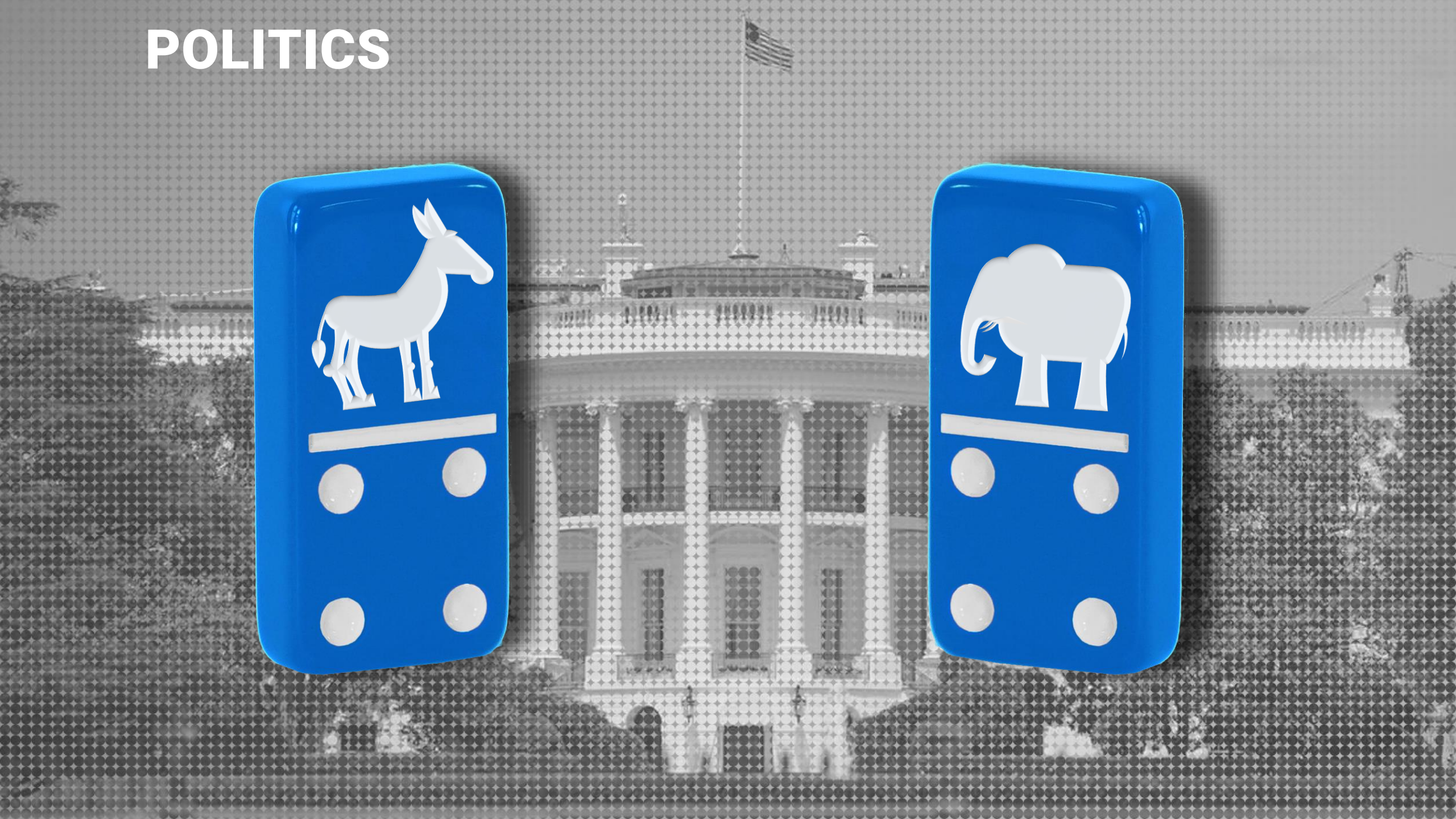
THE ECONOMIC DOMINOES *THAT MATTER*

... AND A FEW THAT DON'T

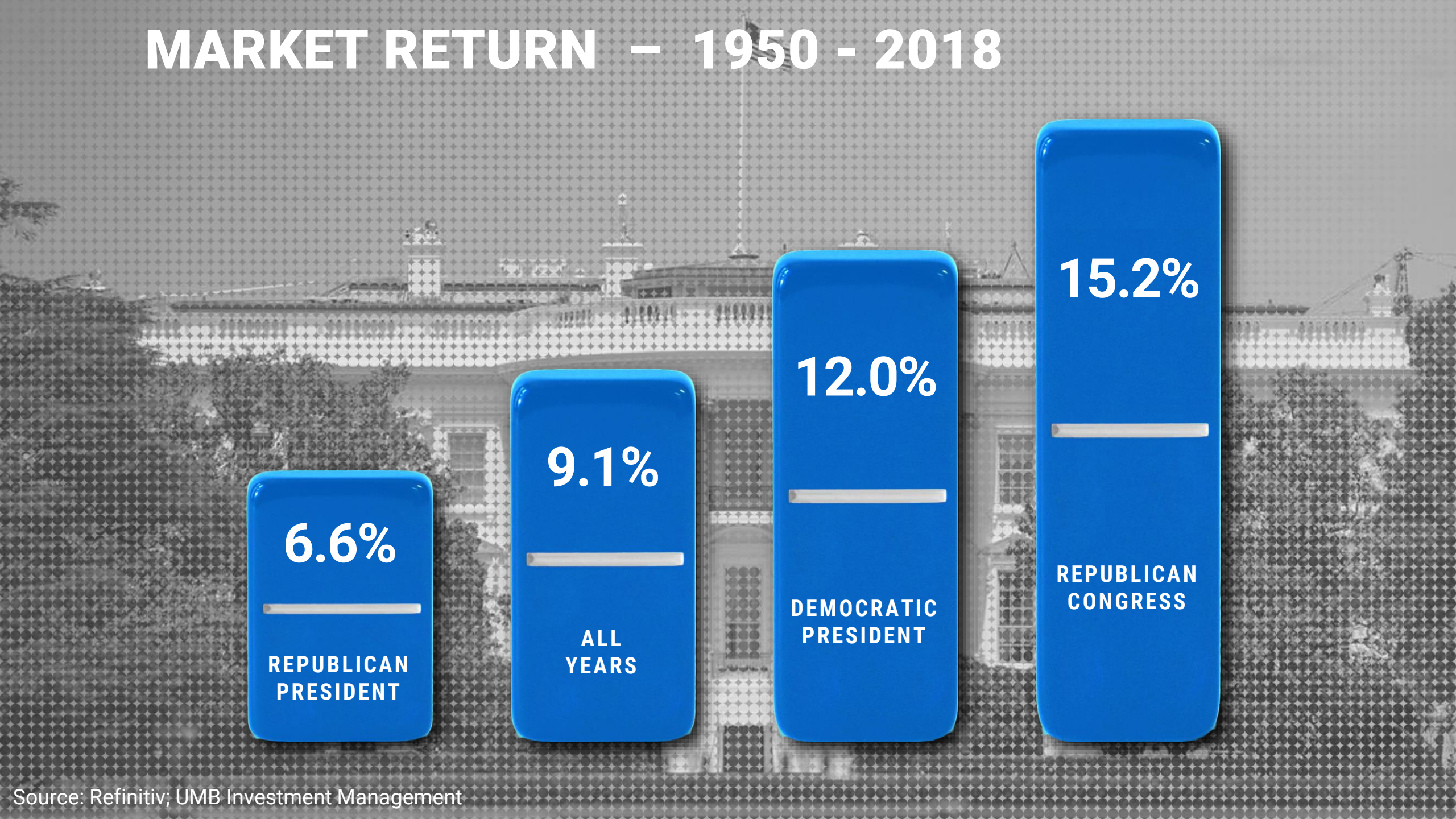


Source: Heritage Foundation

POLITICS



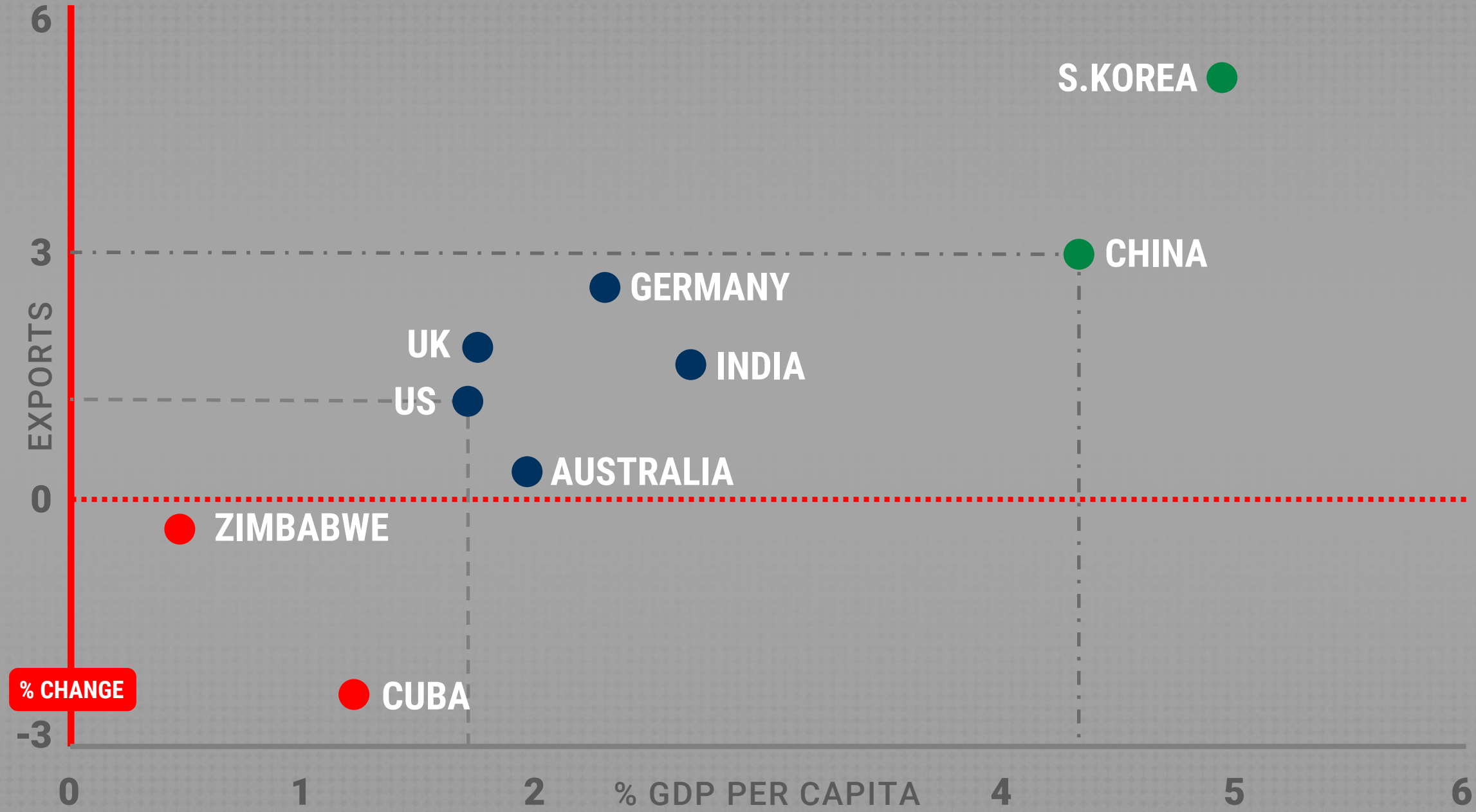
MARKET RETURN – 1950 - 2018



Source: Refinitiv; UMB Investment Management

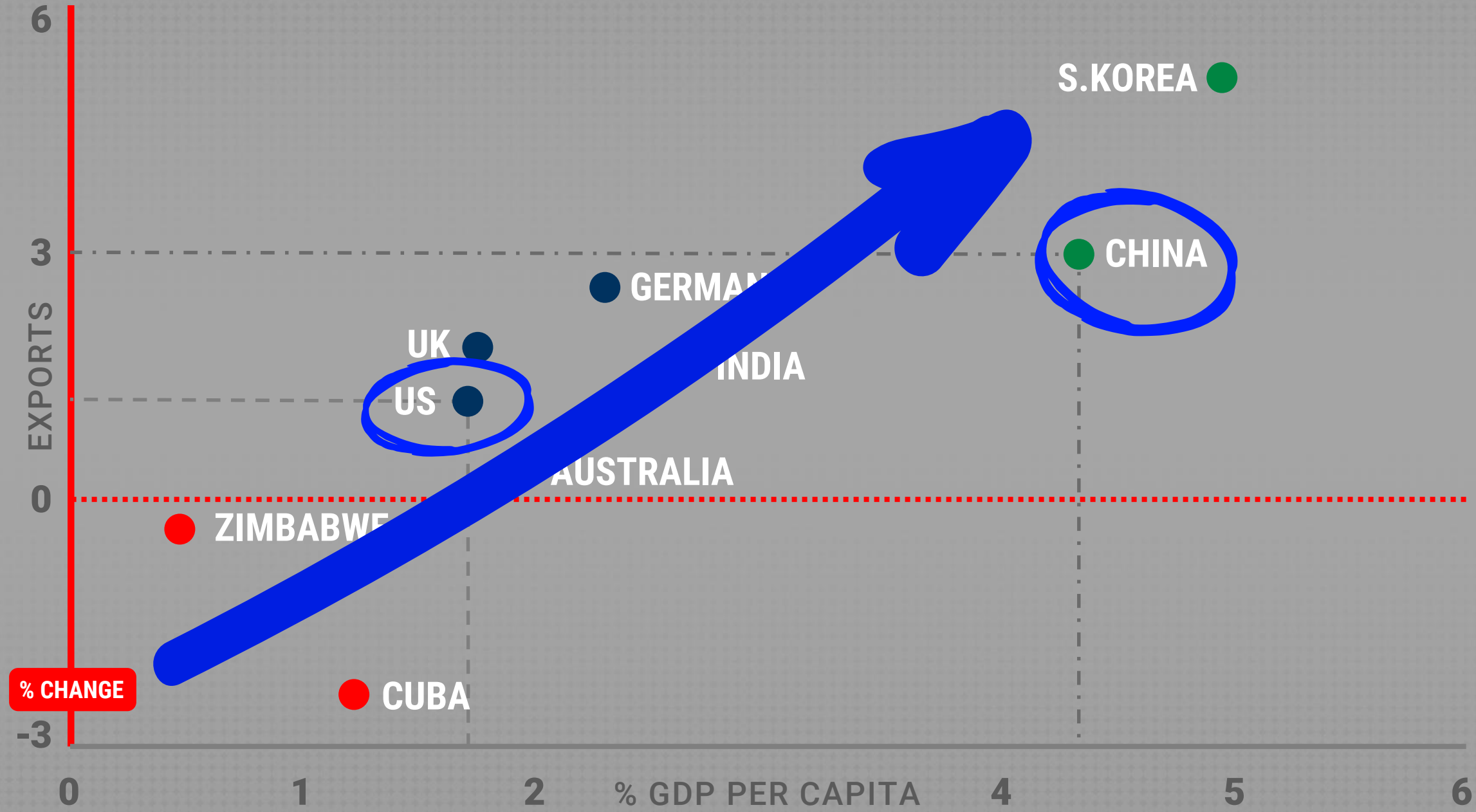
TRADE

AVERAGE ANNUAL CHANGE – REAL GDP VS EXPORTS – POST WWII



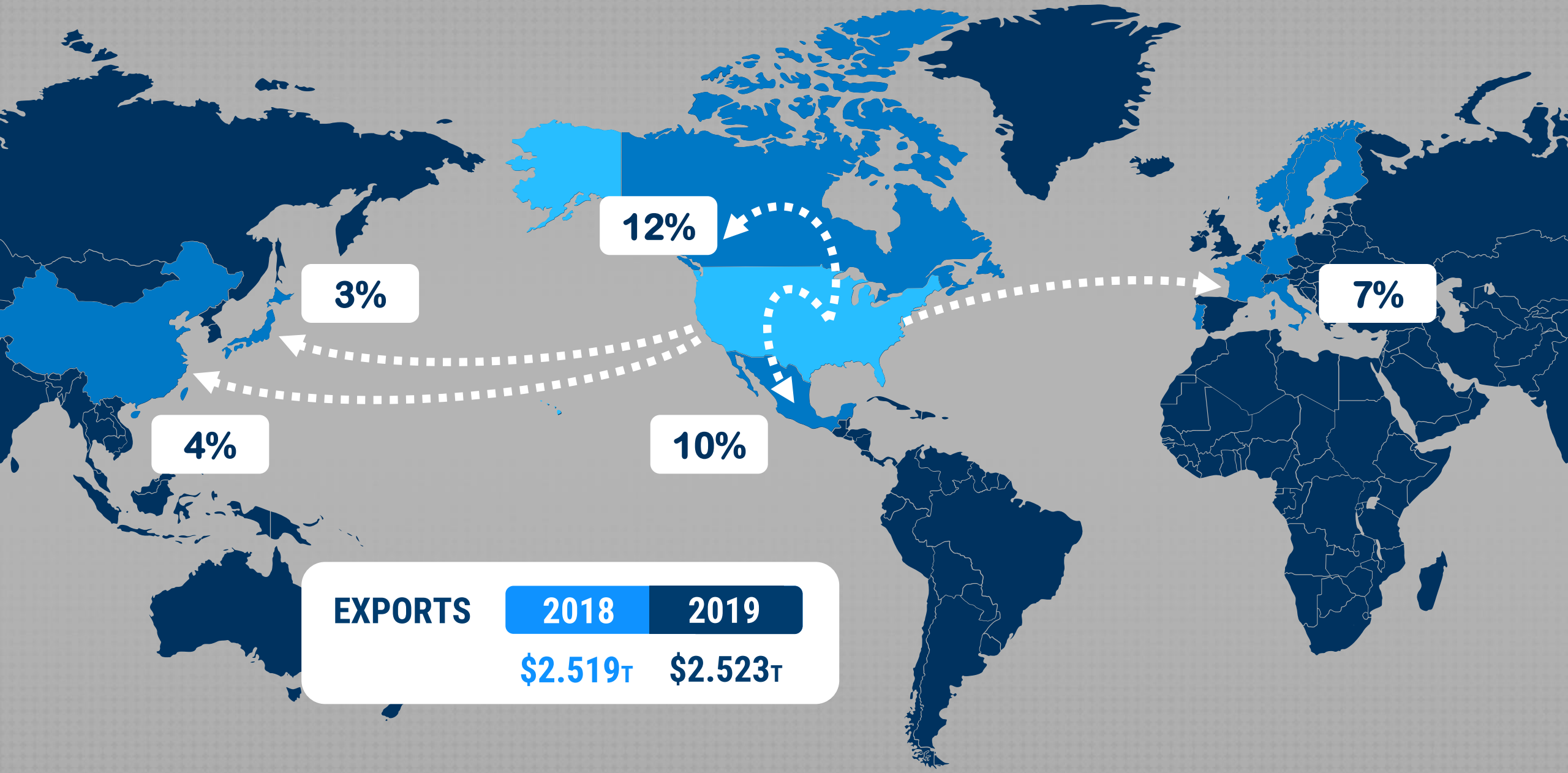
Source: Refinitiv; UMB Investment Management

AVERAGE ANNUAL CHANGE – REAL GDP VS EXPORTS – POST WWII



Source: Refinitiv; UMB Investment Management

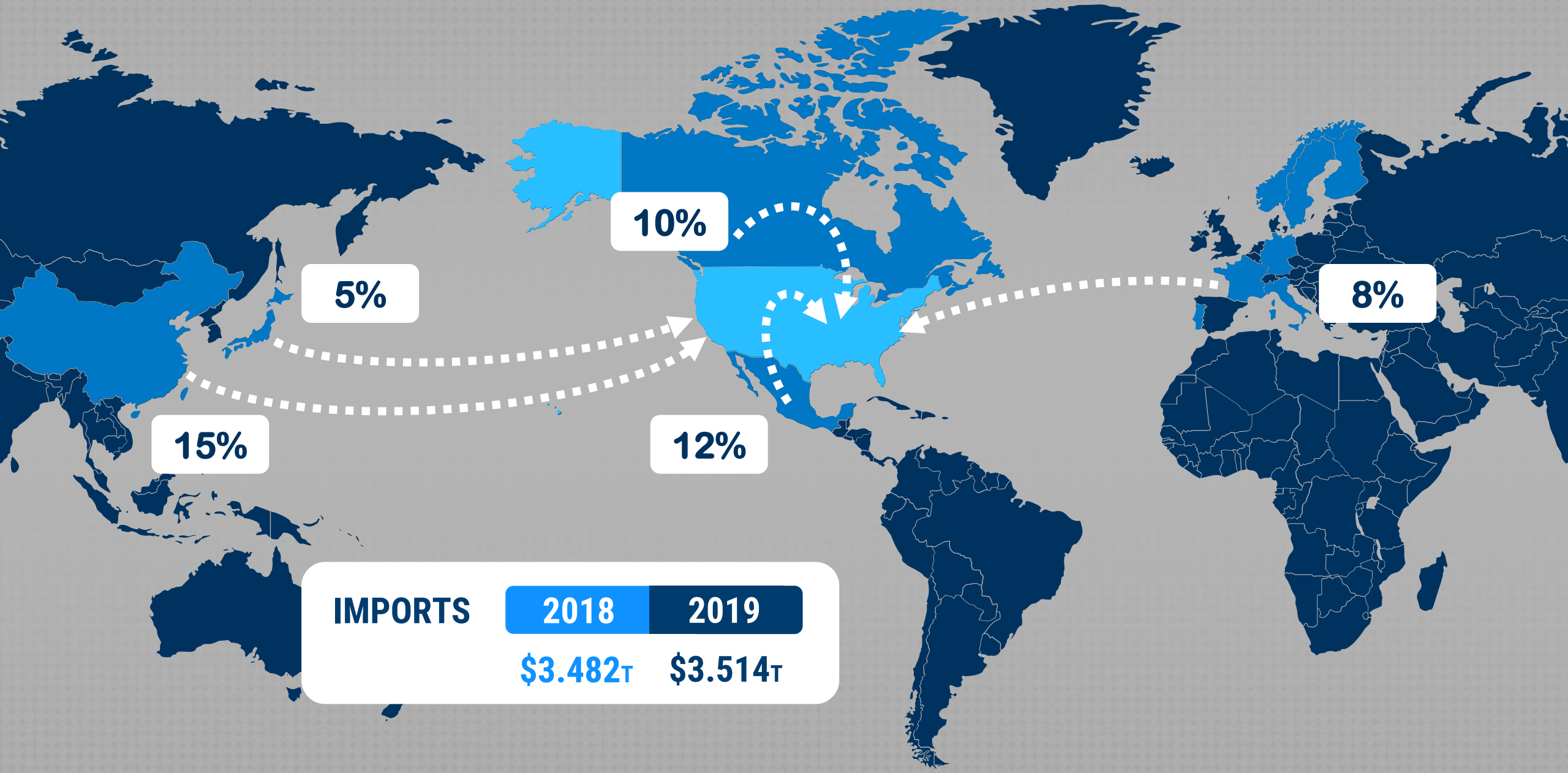
GLOBAL – US EXPORTS – % OF TOTAL



EXPORTS	2018	2019
	$2.519T	$2.523T

Source: Refinitiv; UMB Investment Management

GLOBAL – US IMPORTS – % OF TOTAL



IMPORTS	2018	2019
	$3.482T	$3.514T

Source: Refinitiv; UMB Investment Management

BLACK SWANS

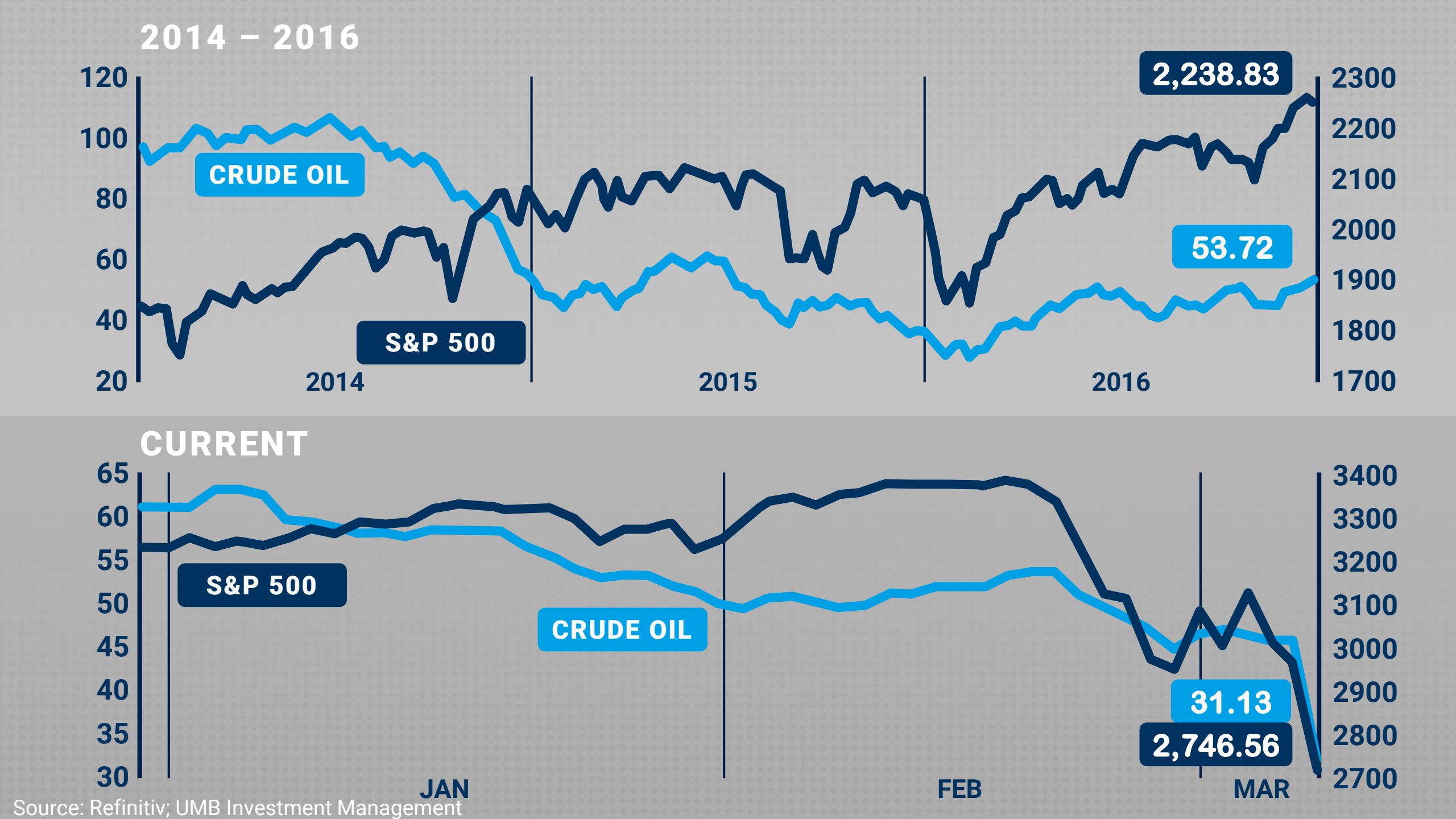
CORONAVIRUS

CORONAVIRUS

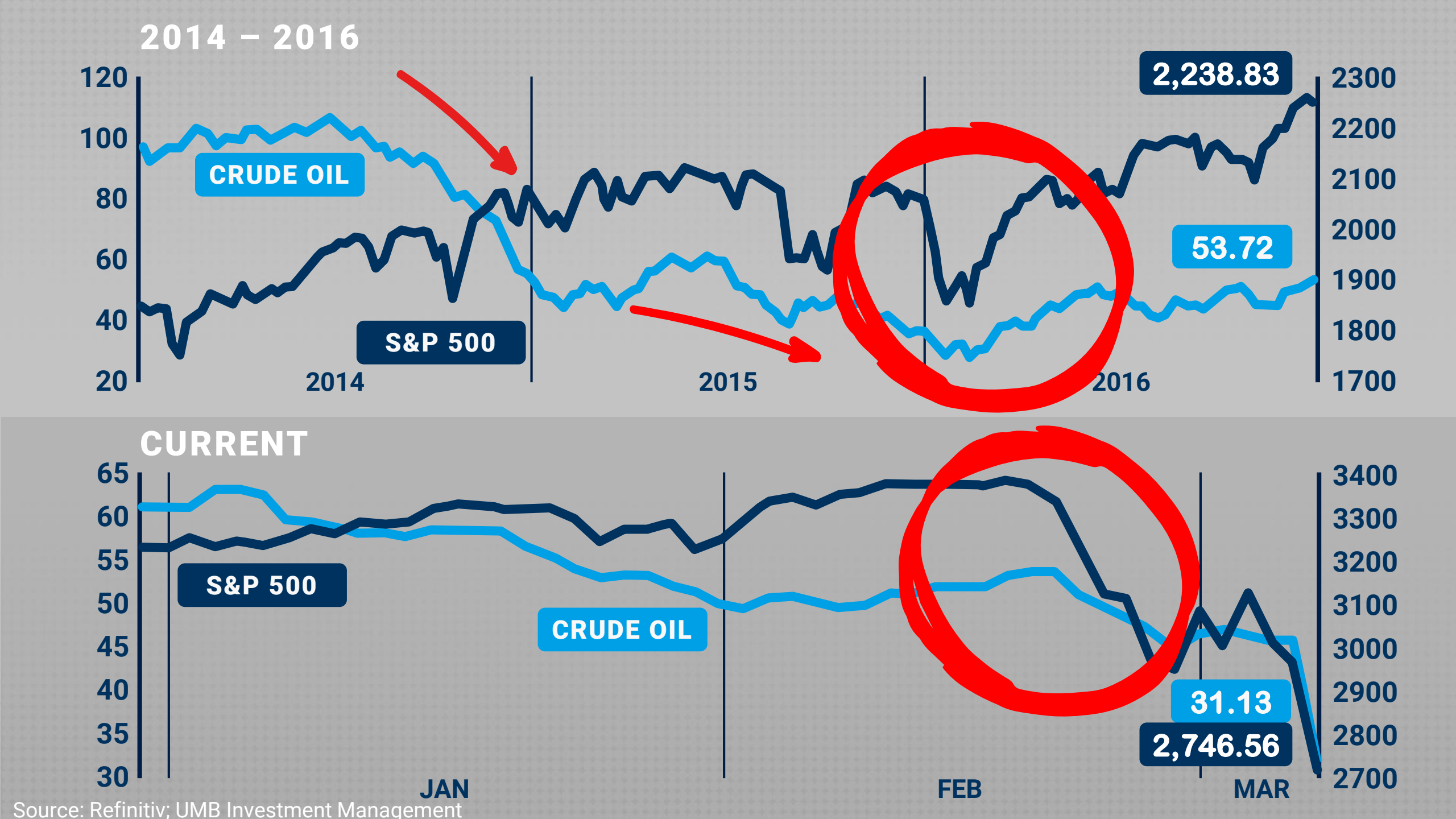
YEAR	EPIDEMIC	PEAK-TROUGH	1 MONTH RETURN	6 MONTH RETURN
2003	SARS	-15%	8.6	21.5
2013	MERS	-8%	-0.3	8.6
2014	EBOLA	-10%	-0.1	4.4
2016	ZIKA	-14%	-6.1	-0.6
2020	Corona	-19%	???	???

Source: Refinitiv; UMB Investment Management

OIL SHOCK

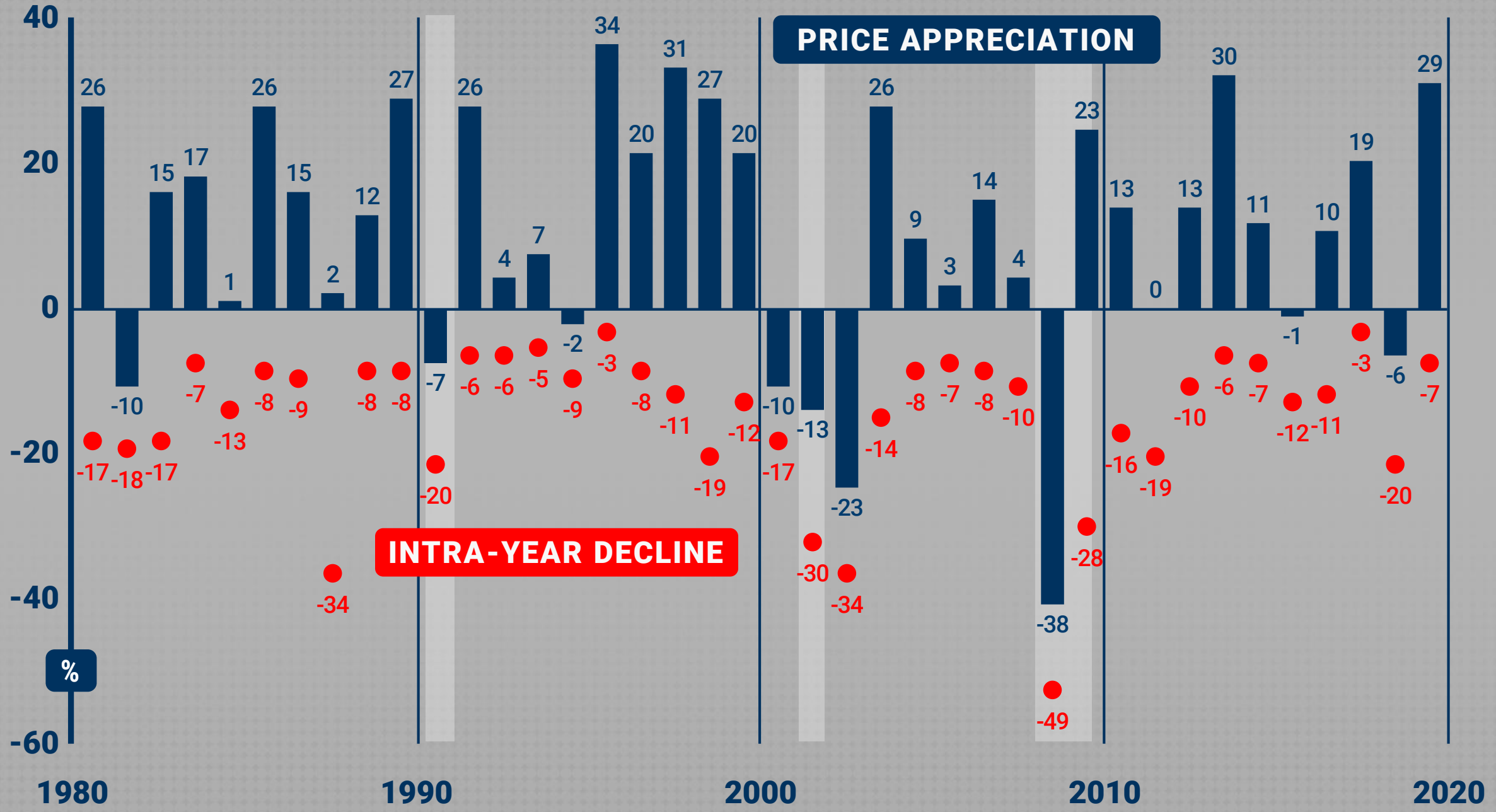


Source: Refinitiv; UMB Investment Management

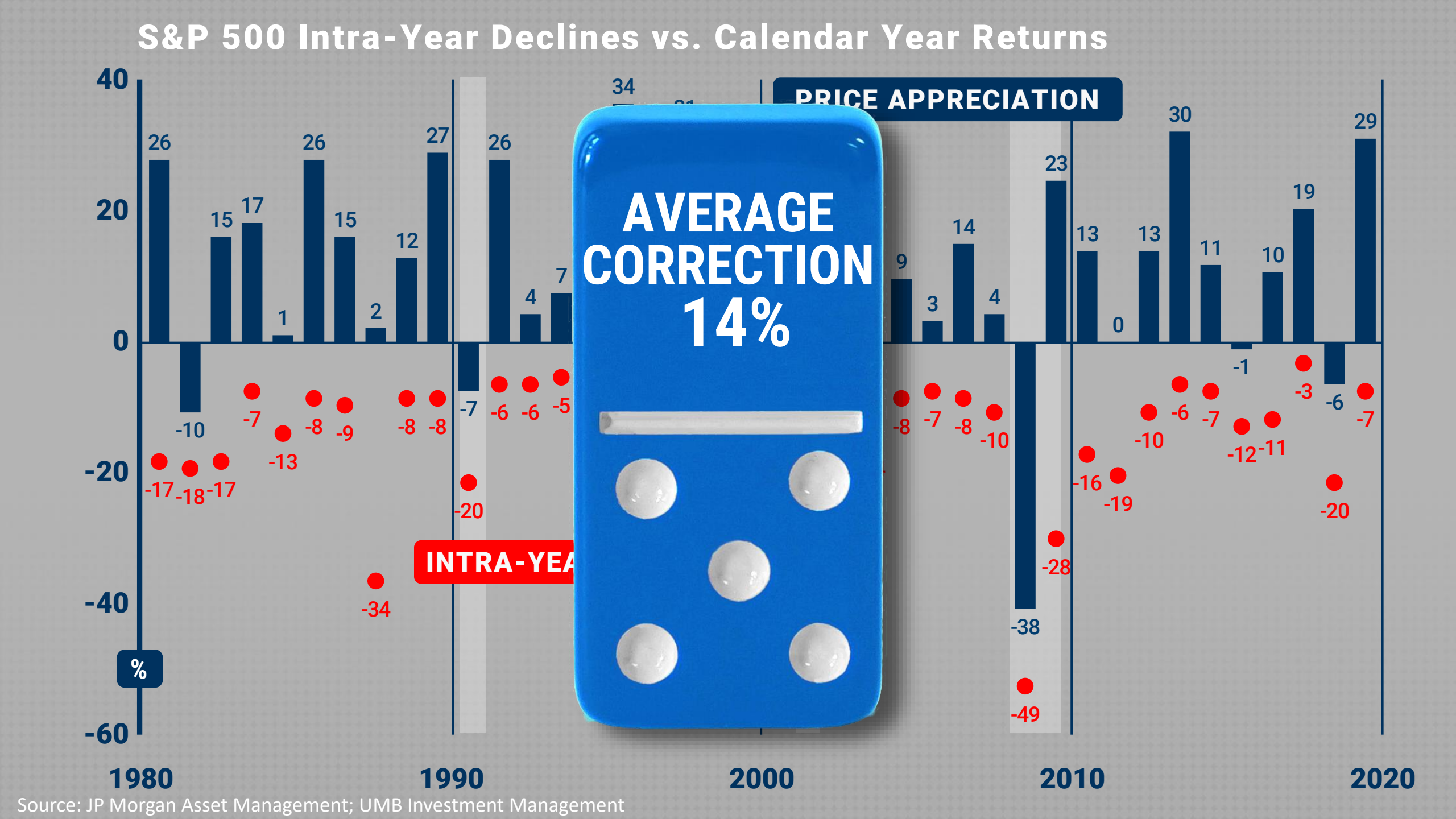


Source: Refinitiv; UMB Investment Management

S&P 500 Intra-Year Declines vs. Calendar Year Returns



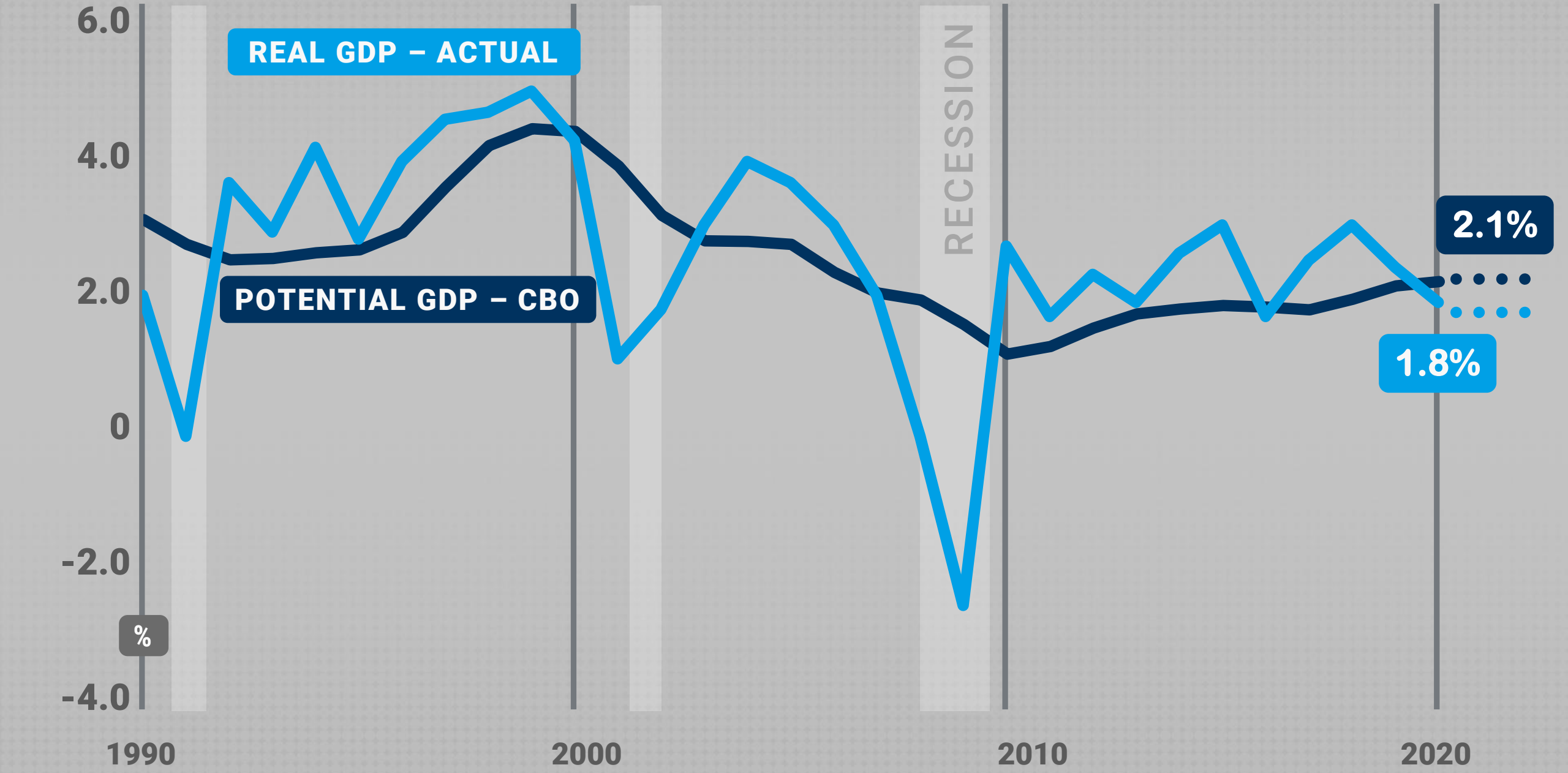
Source: JP Morgan Asset Management; UMB Investment Management



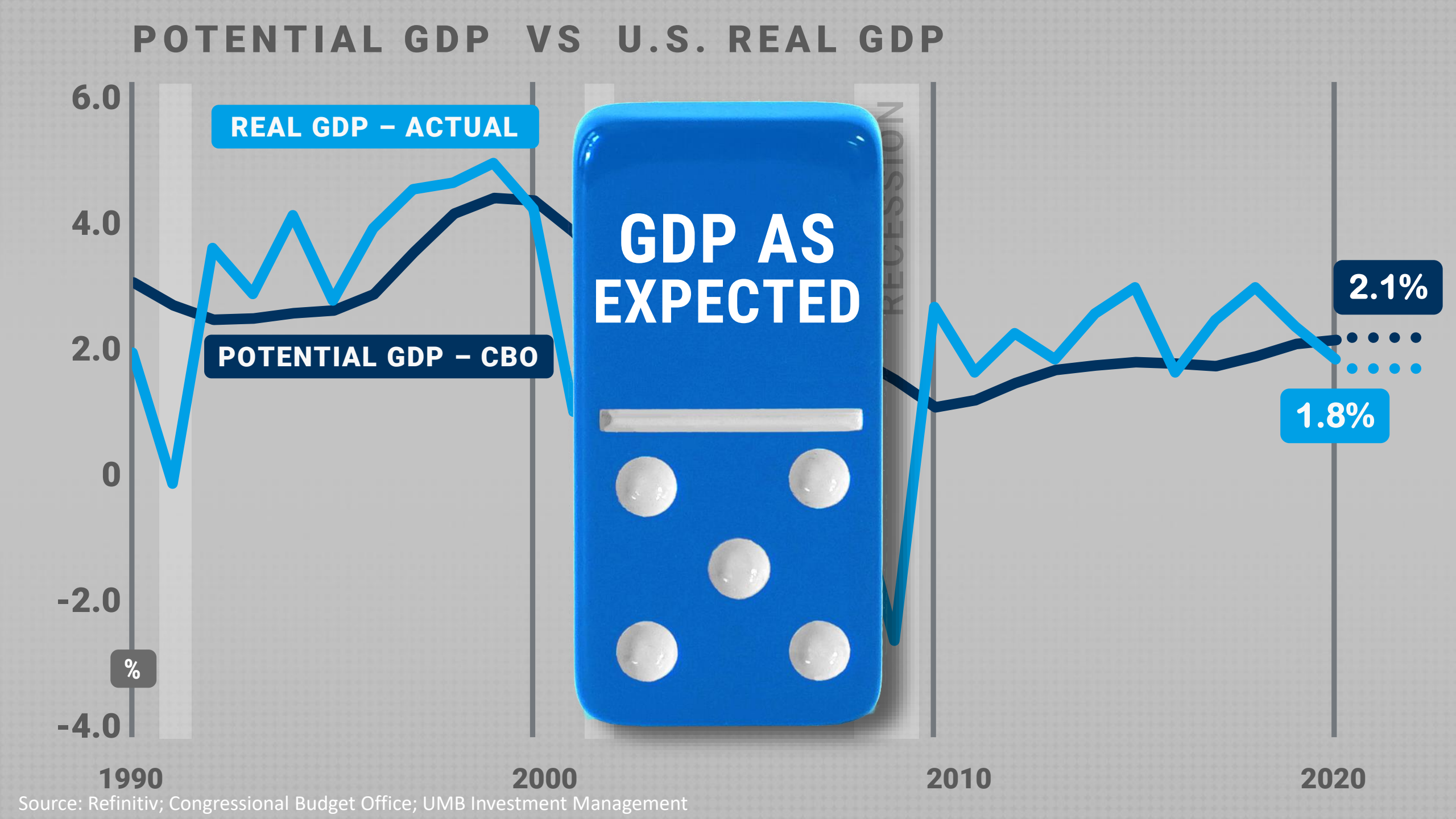
Source: JP Morgan Asset Management; UMB Investment Management

THE DOMINOES *THAT MATTER*

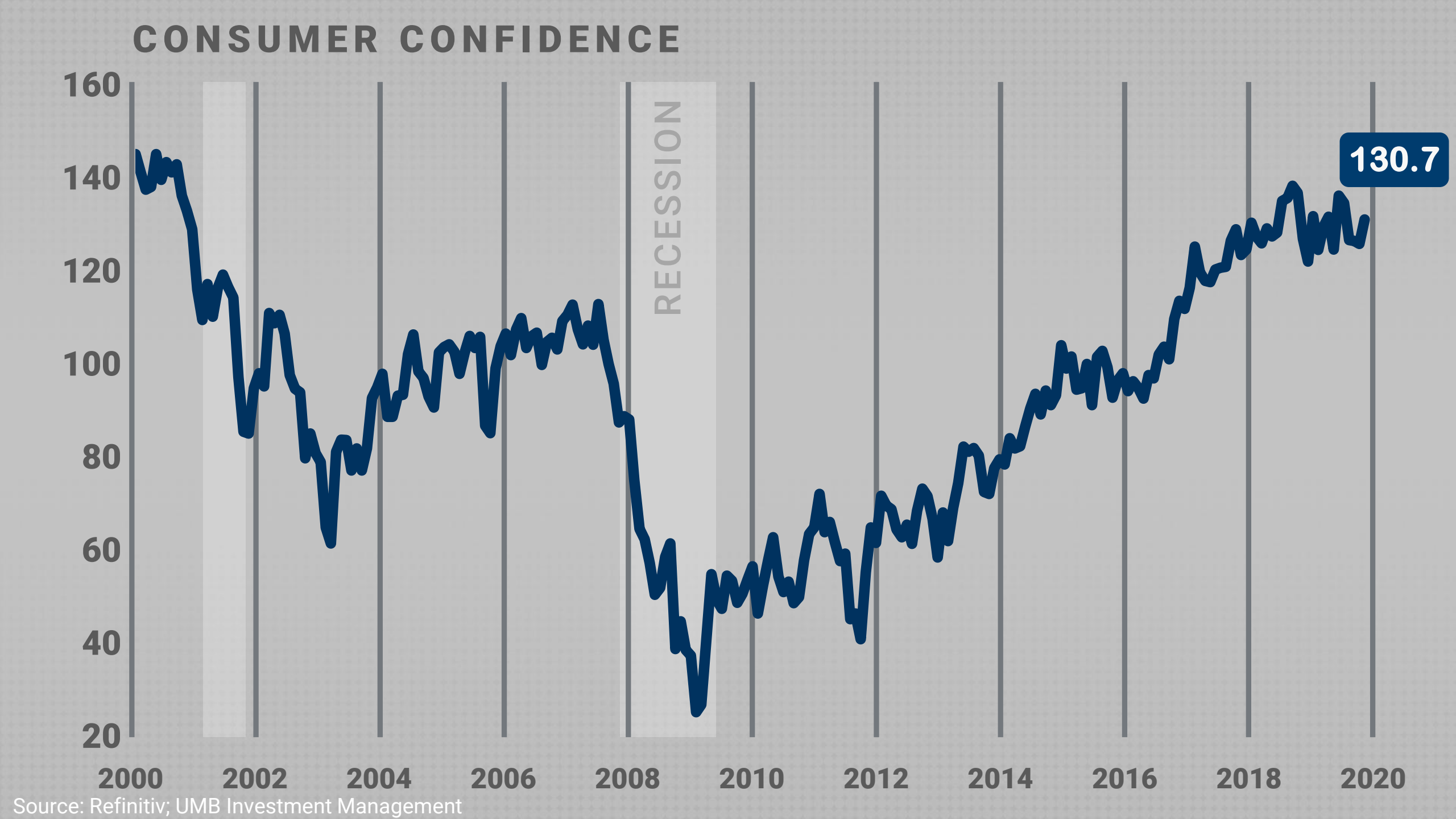
POTENTIAL GDP VS U.S. REAL GDP

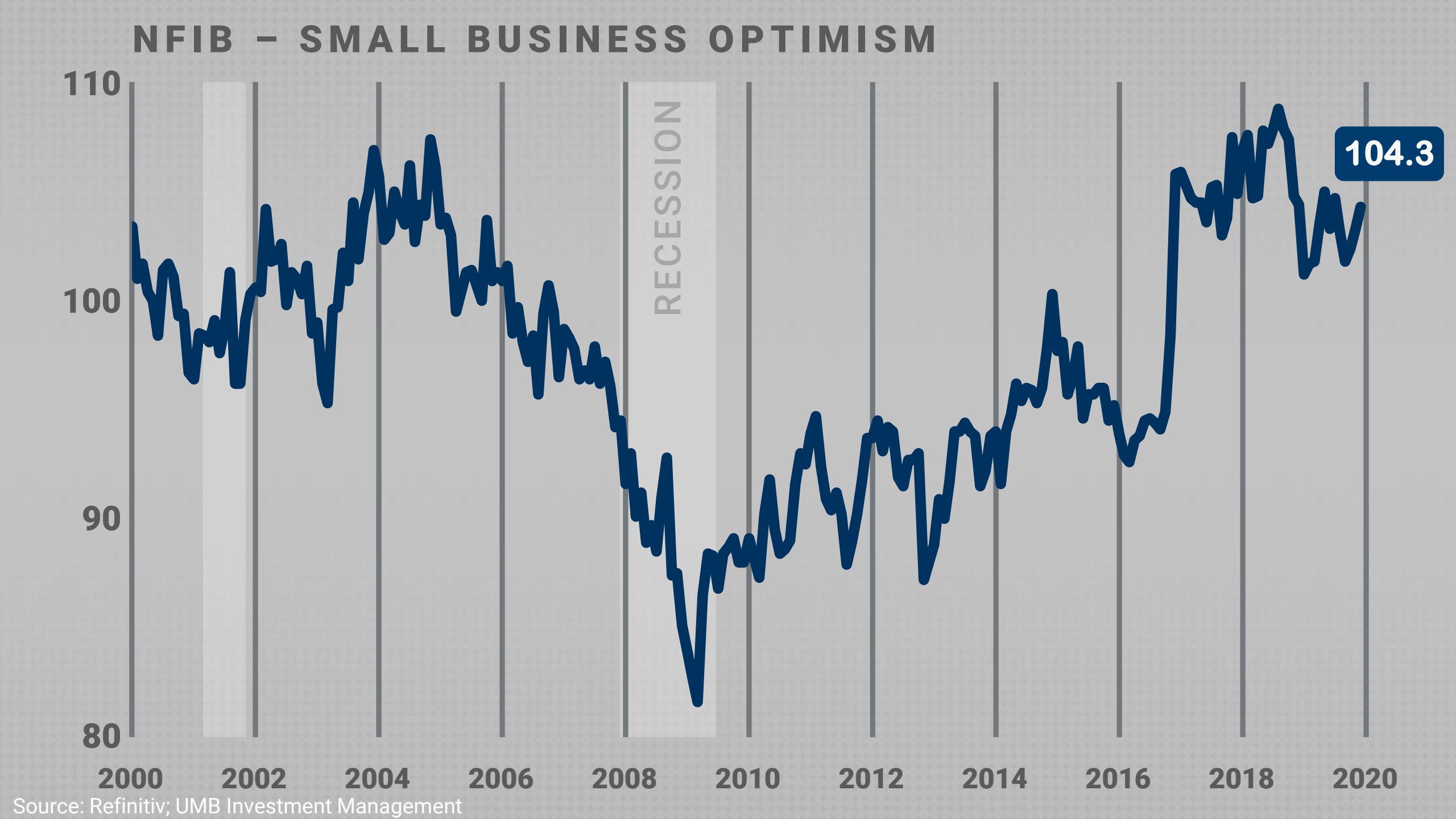


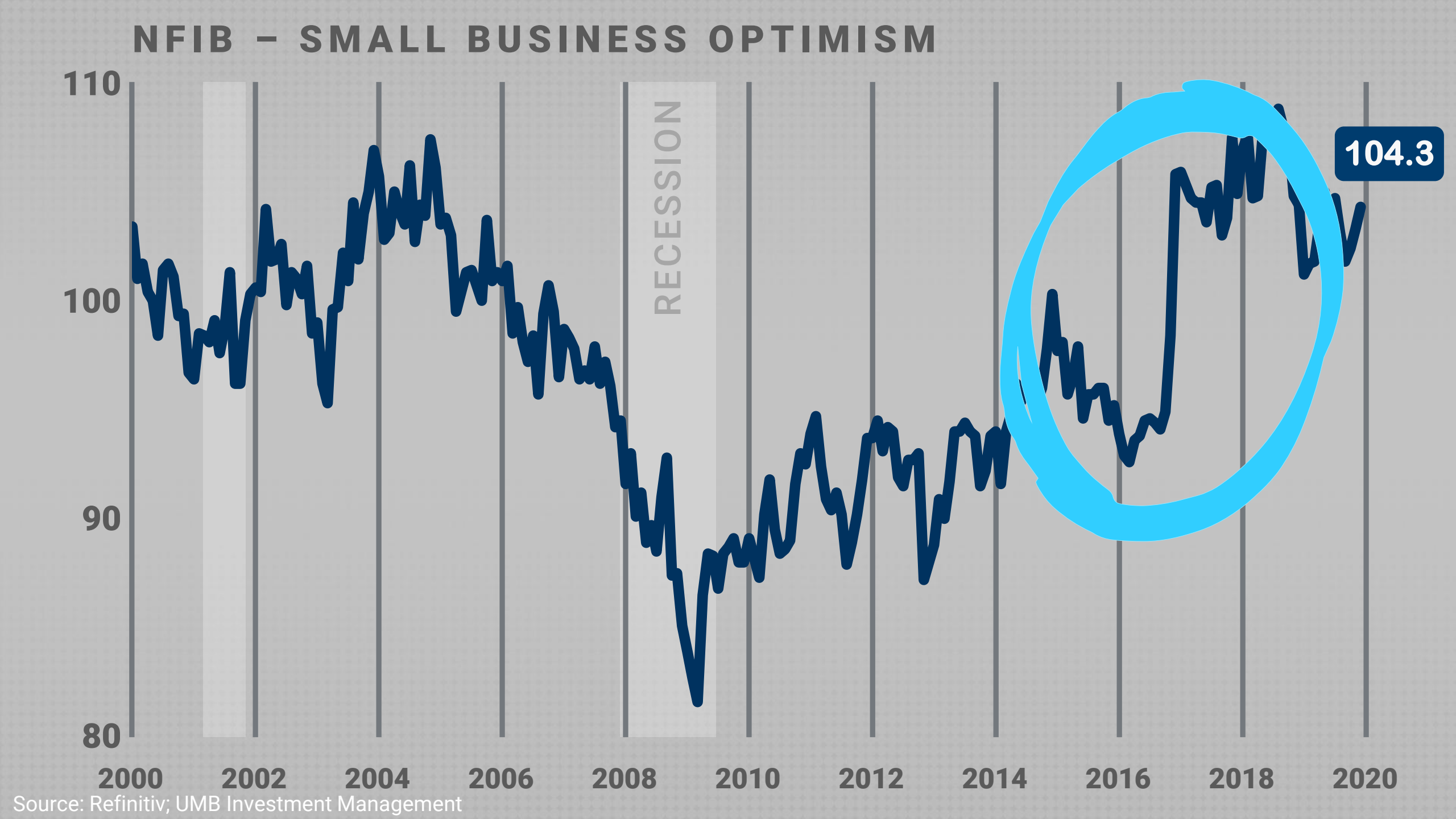
Source: Refinitiv; Congressional Budget Office; UMB Investment Management

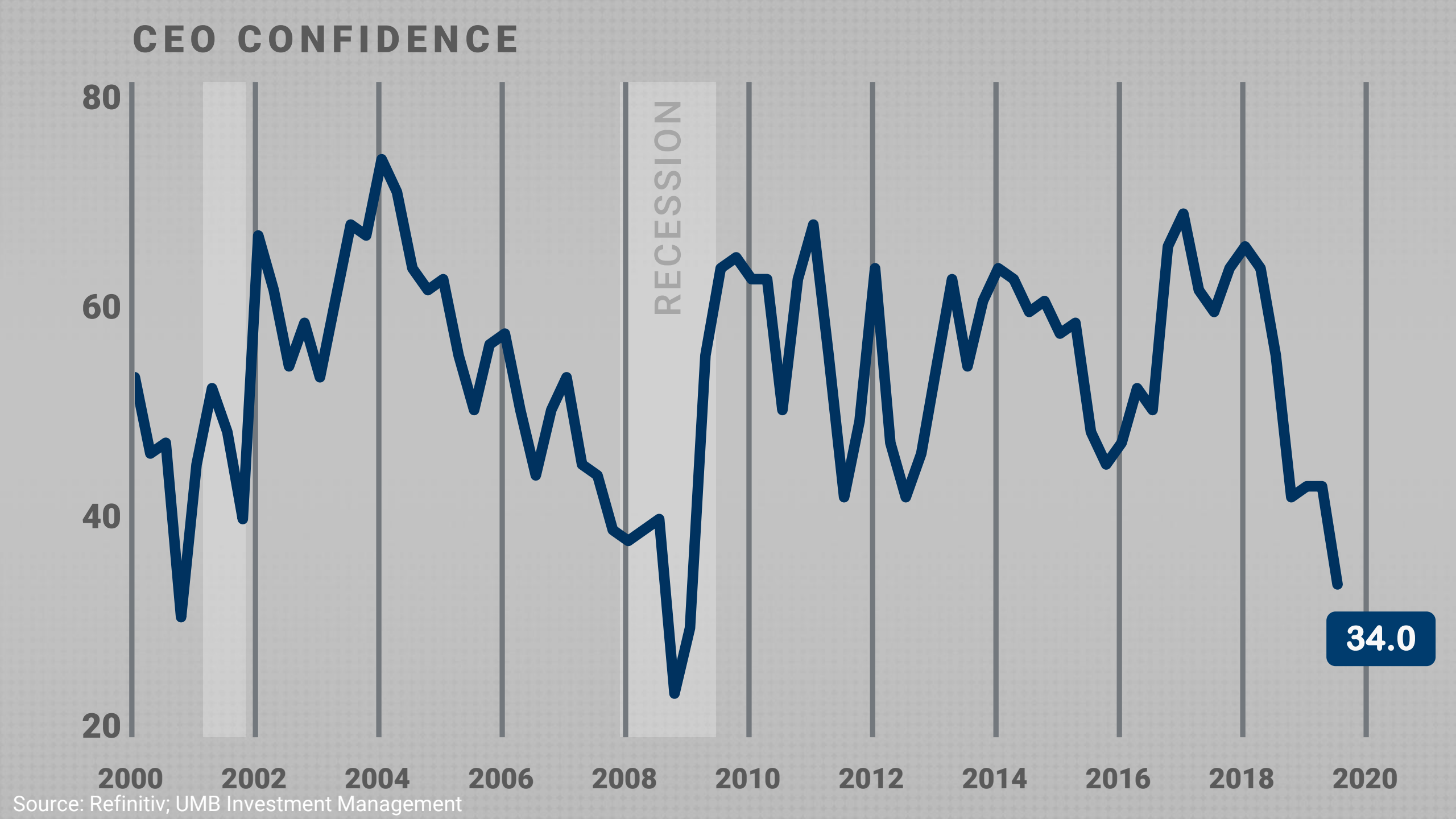


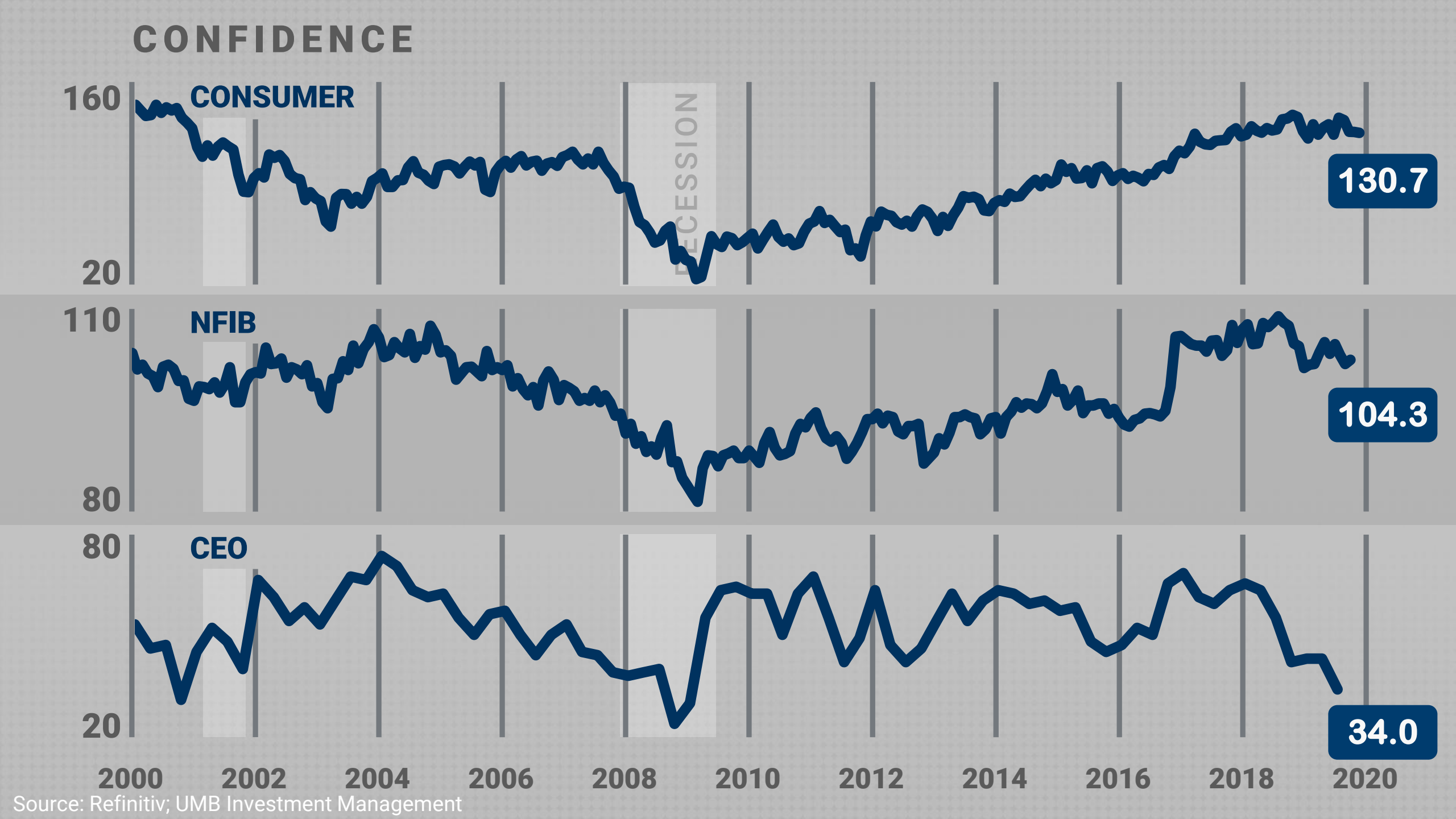
Source: Refinitiv; Congressional Budget Office; UMB Investment Management

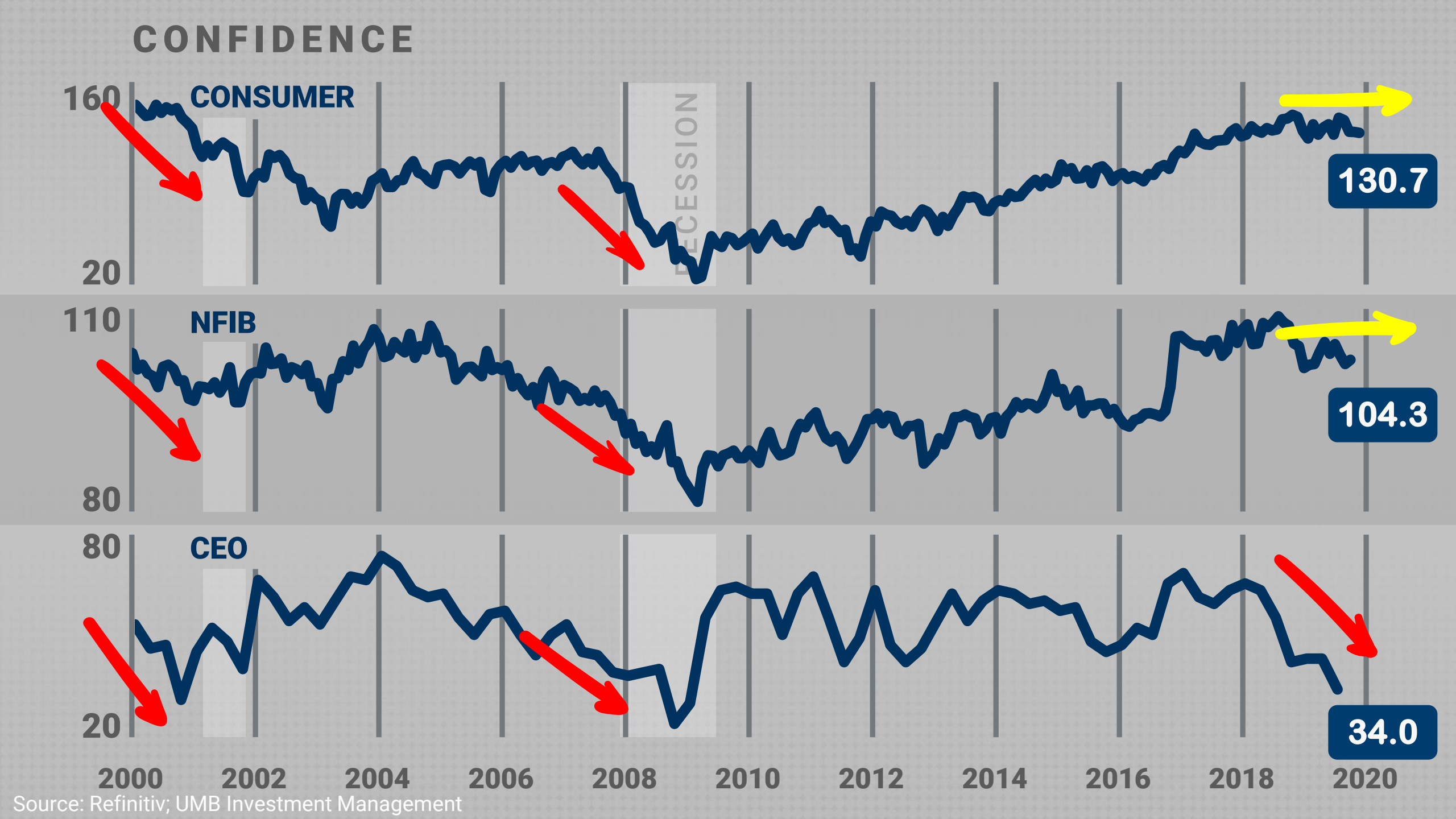

CONSUMER CONFIDENCE
160
140
120
100
80
60
40
20
RECESSION
130.7
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Source: Refinitiv; UMB Investment Management


NFIB – SMALL BUSINESS OPTIMISM
110
100
90
80
RECESSION
104.3
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Source: Refinitiv; UMB Investment Management


NFIB – SMALL BUSINESS OPTIMISM
110
100
90
80
RECESSION
104.3
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Source: Refinitiv; UMB Investment Management


CEO CONFIDENCE
80
60
40
20
RECESSION
34.0
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Source: Refinitiv; UMB Investment Management


CONFIDENCE
CONSUMER
160
20
RECESSION
130.7
NFIB
110
80
104.3
CEO
80
20
34.0
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
Source: Refinitiv; UMB Investment Management



Source: Refinitiv; UMB Investment Management

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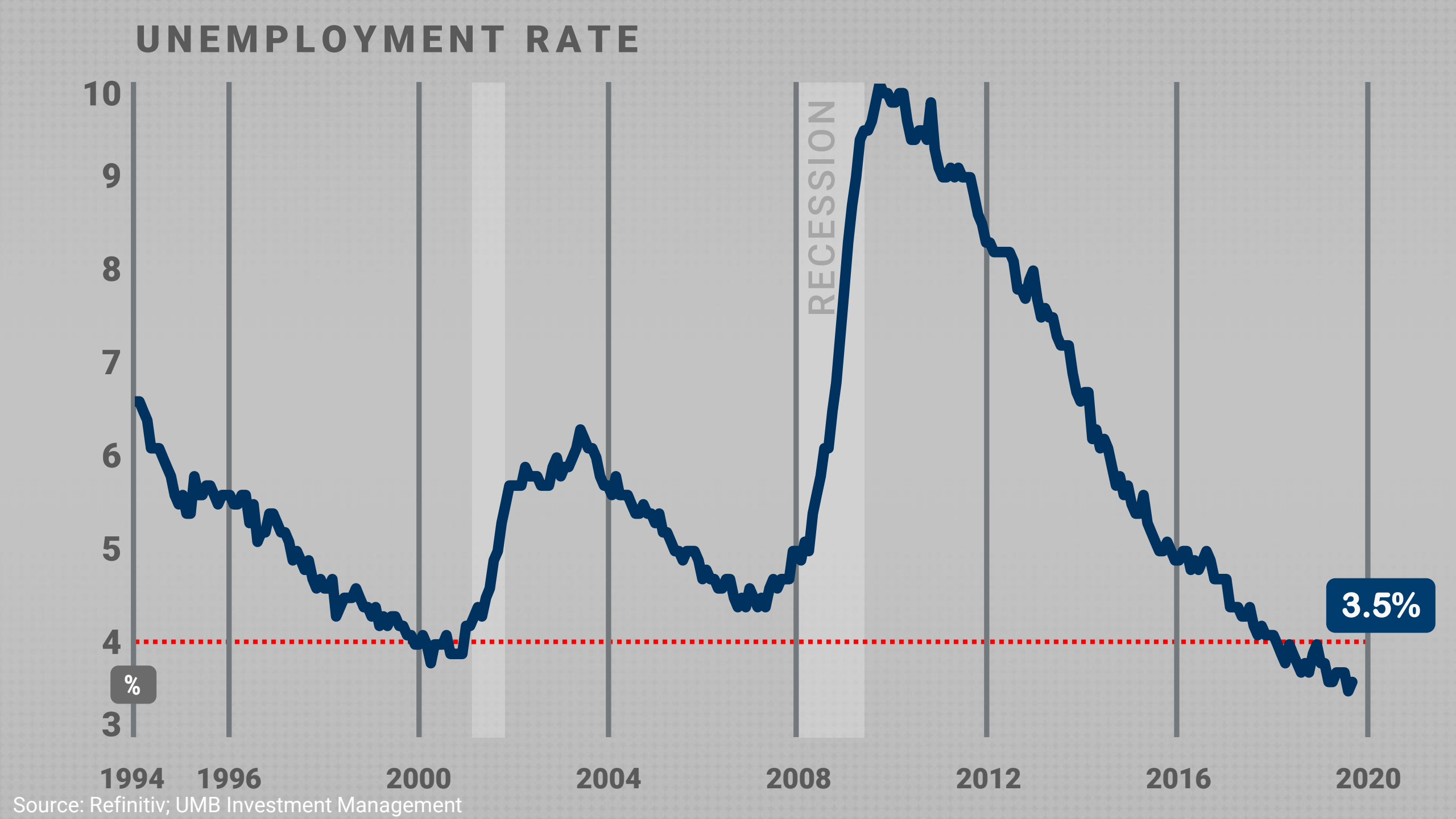
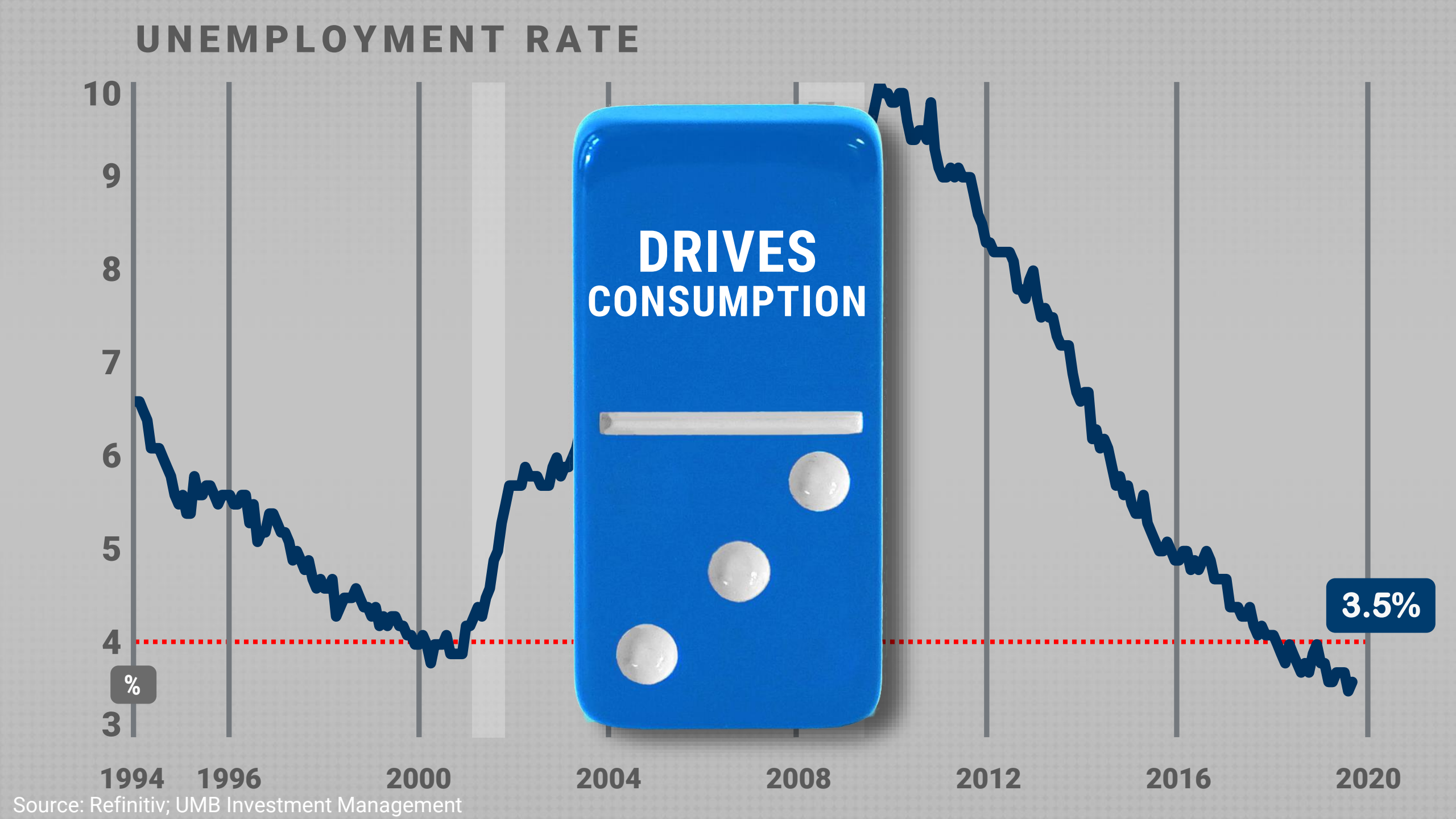
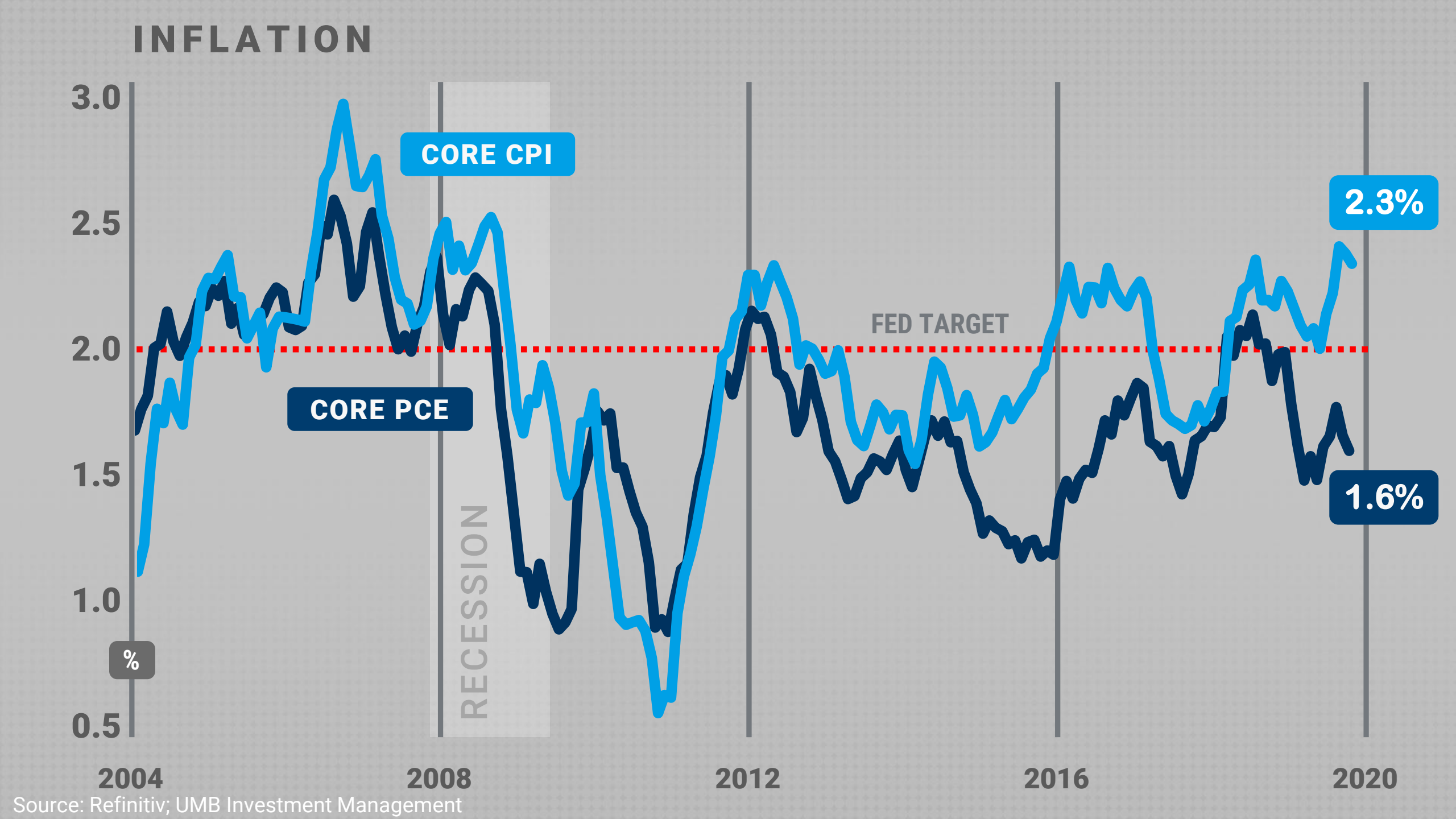

UNEMPLOYMENT RATE
10
9
8
7
6
5
4
3
%
RECESSION
3.5%
1994
1996
2000
2004
2008
2012
2016
2020
Source: Refinitiv; UMB Investment Management

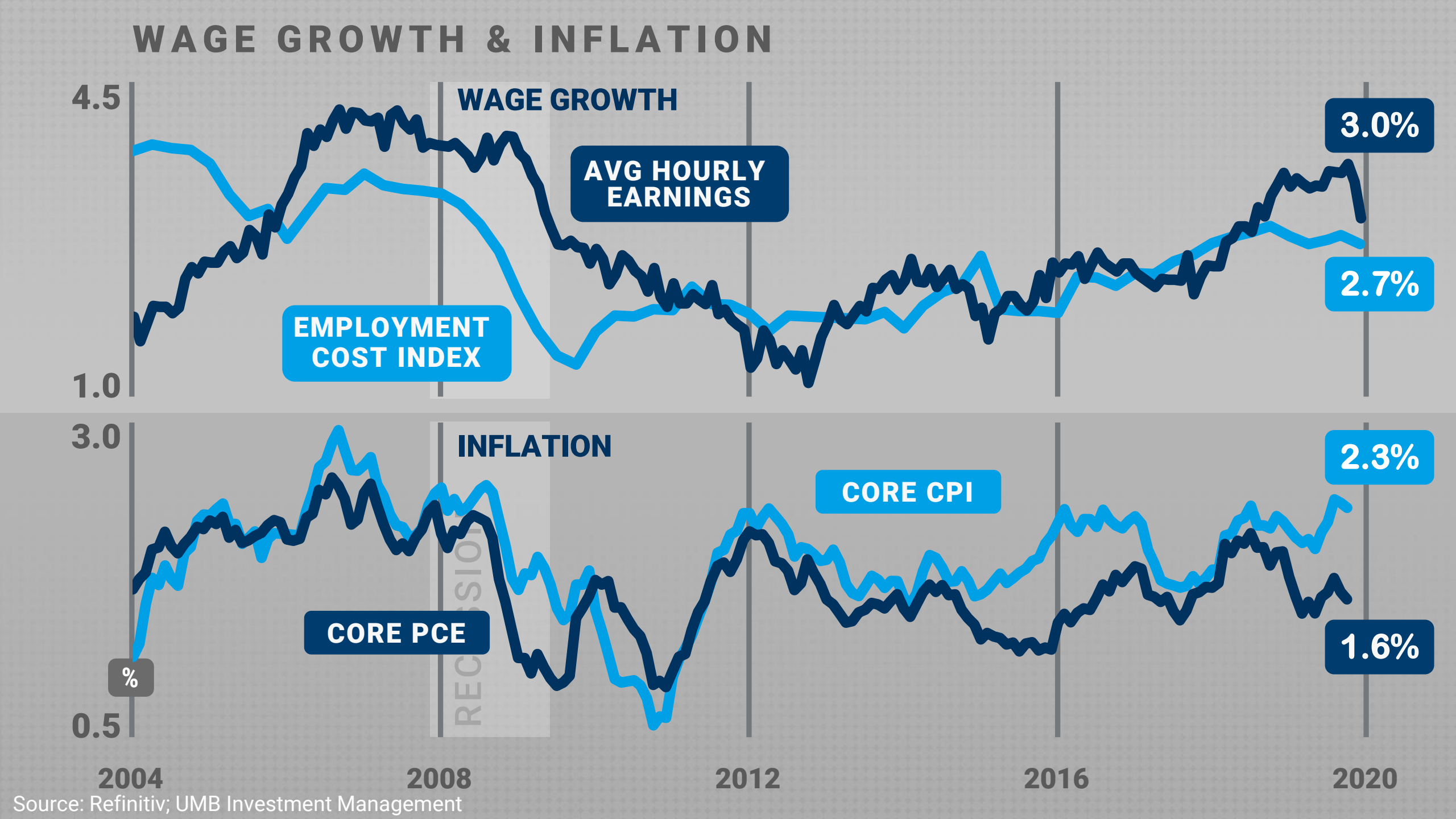

UNEMPLOYMENT RATE
10
9
8
7
6
5
4
3
%
DRIVES
CONSUMPTION
3.5%
1994
1996
2000
2004
2008
2012
2016
2020
Source: Refinitiv; UMB Investment Management

WAGE GROWTH
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
%
AVG HOURLY EARNINGS
EMPLOYMENT COST INDEX
3.0%
2.7%
2004
2008
2012
2016
2020
Source: Refinitiv; UMB Investment Management

WAGE GROWTH
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
%
AVG HOURLY EARNINGS
EMPLOYMENT COST INDEX
3.0%
2.7%
2004
2008
2012
2016
2020
Source: Refinitiv; UMB Investment Management

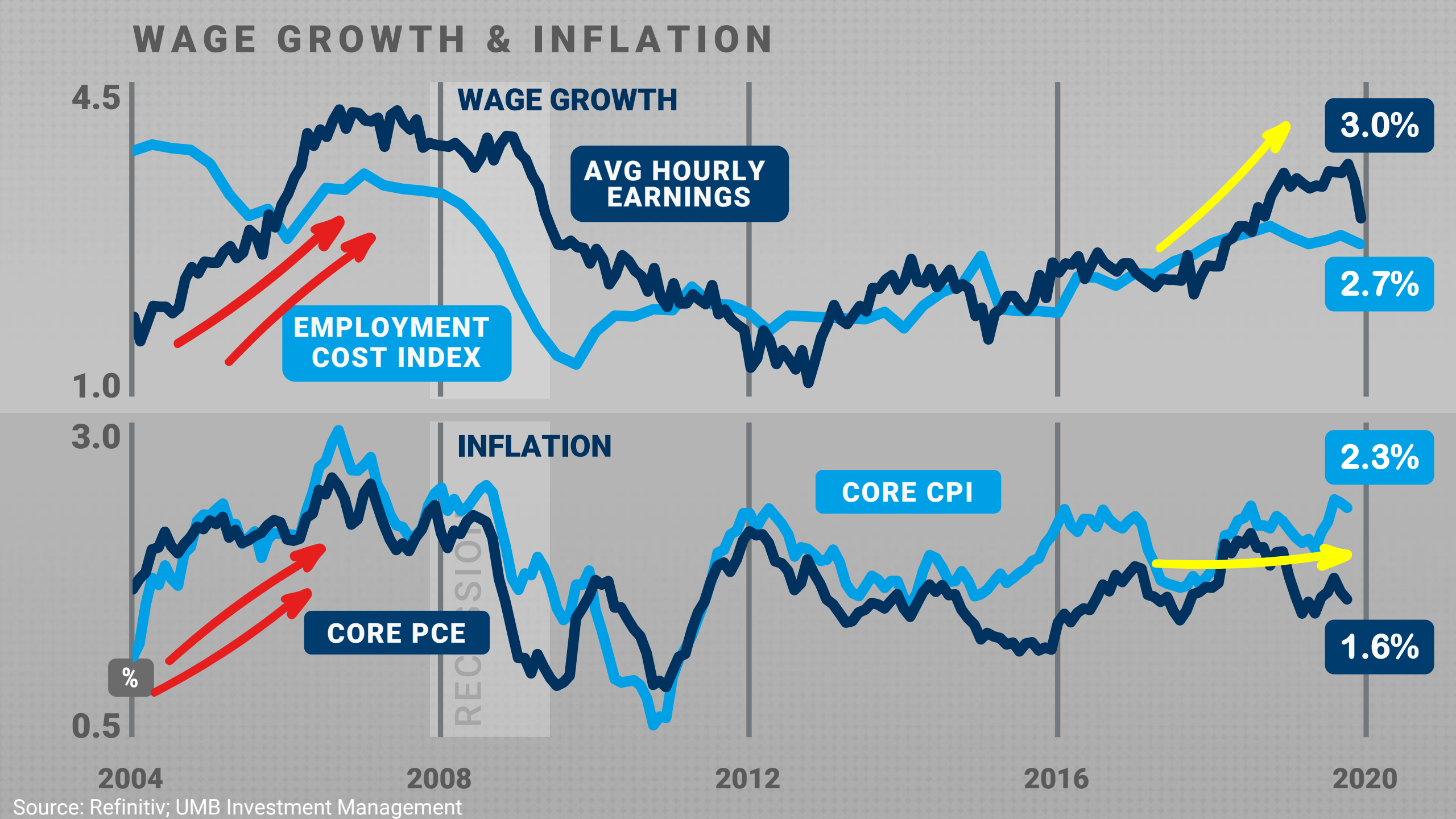


Source: Refinitiv; UMB Investment Management

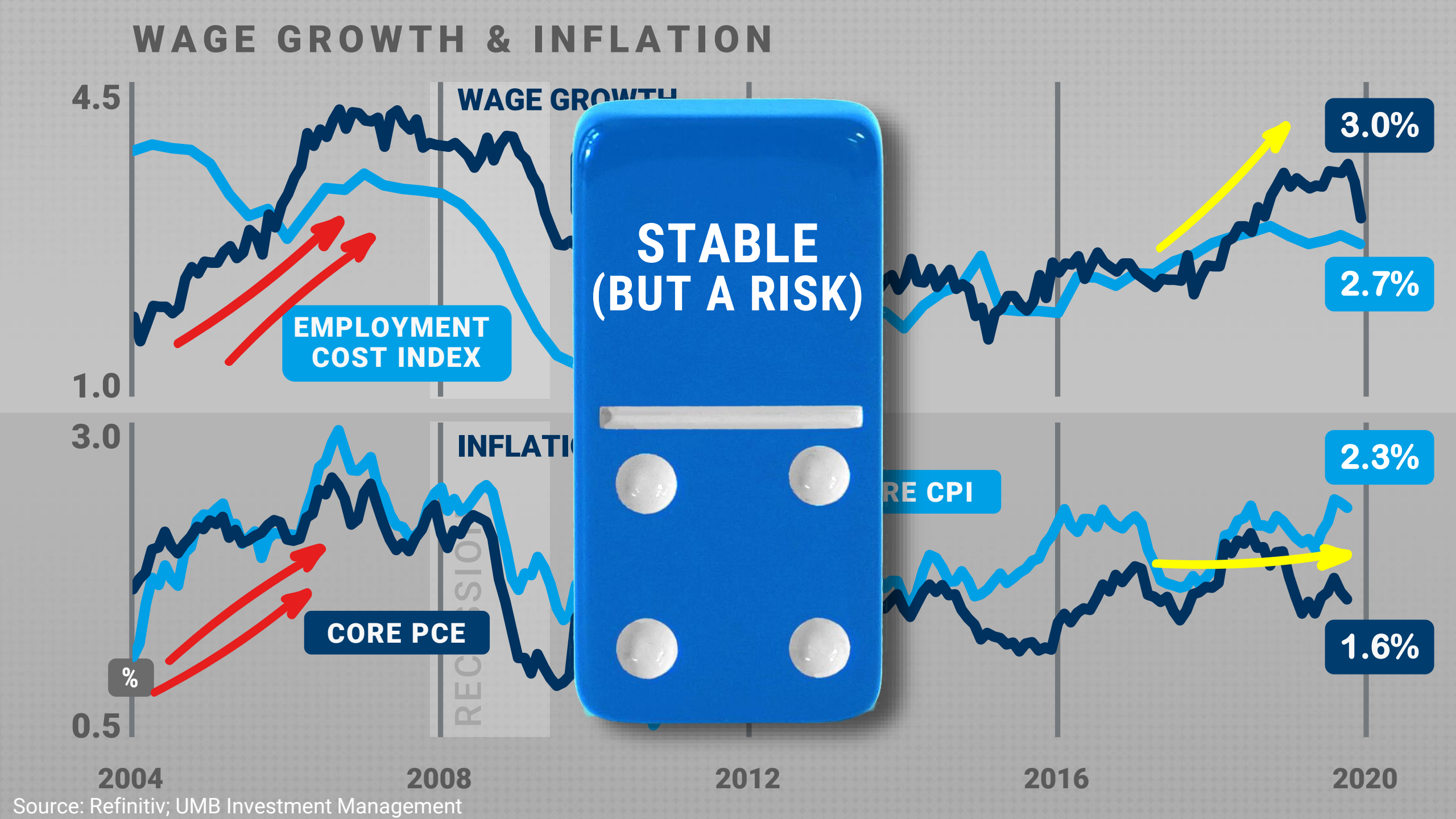


Source: Refinitiv; UMB Investment Management

WAGE GROWTH & INFLATION



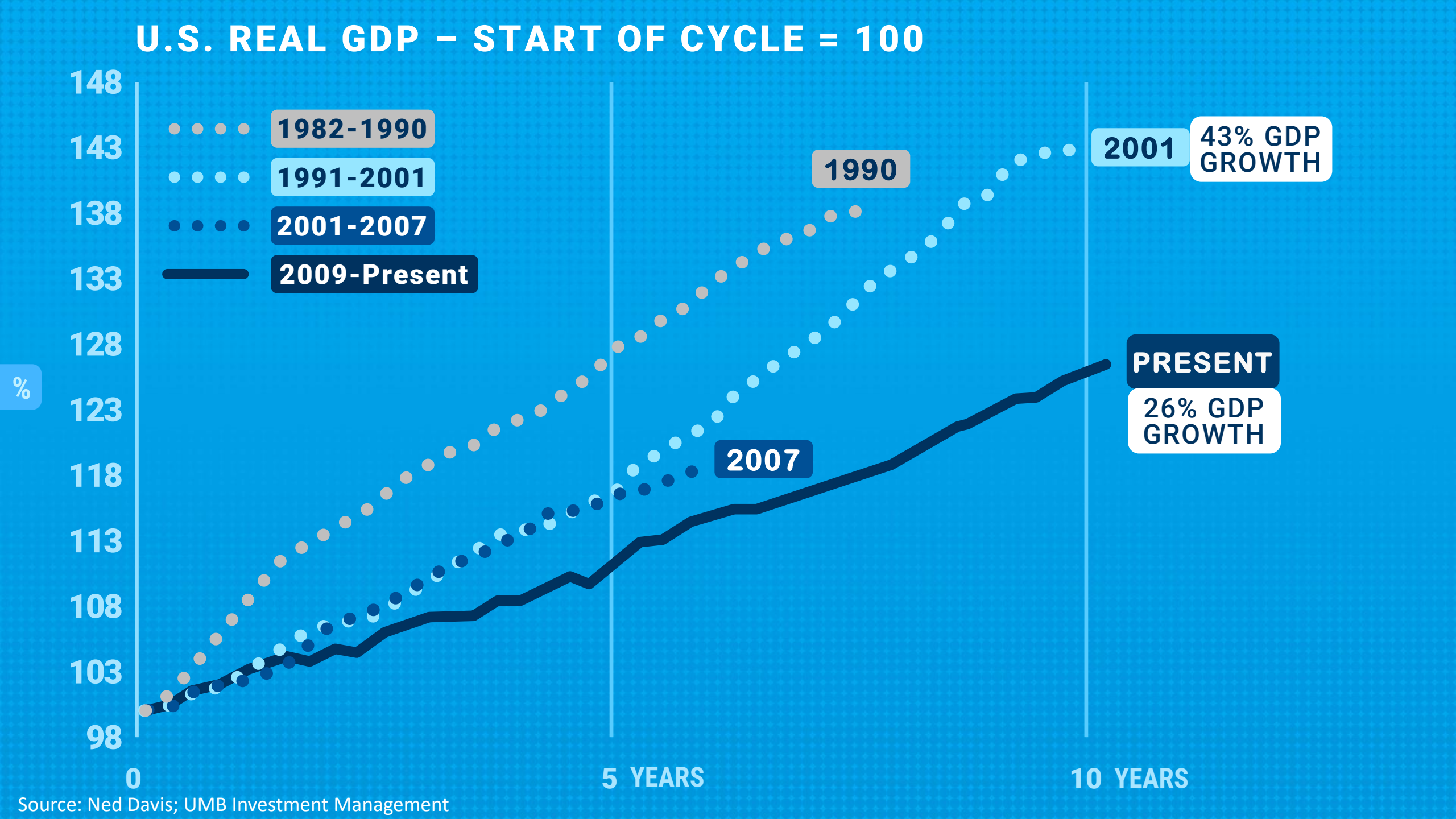
Source: Refinitiv; UMB Investment Management



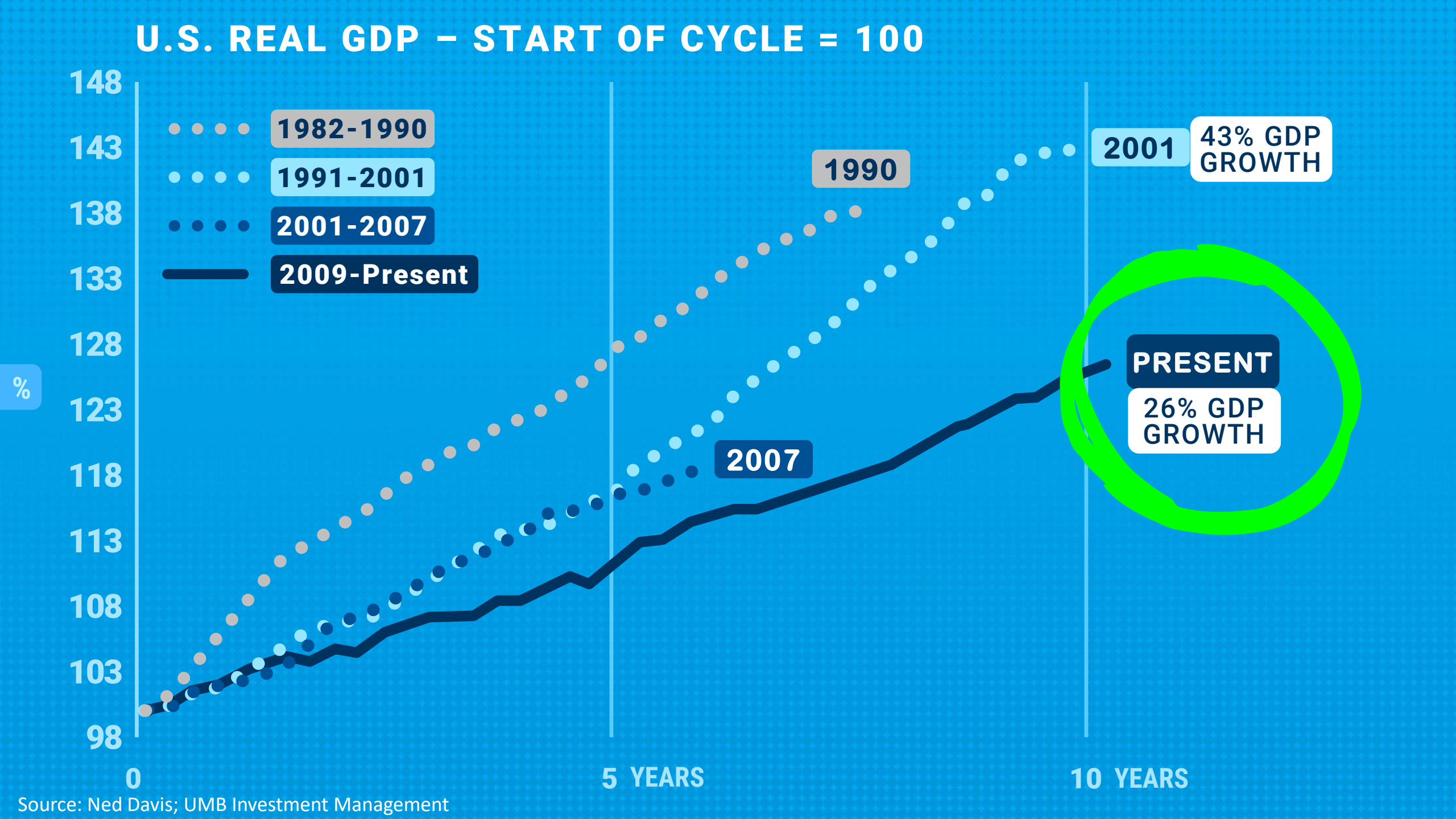
Source: Refinitiv; UMB Investment Management

RECESSION
SIGNALS

RECESSION *SIGNALS*

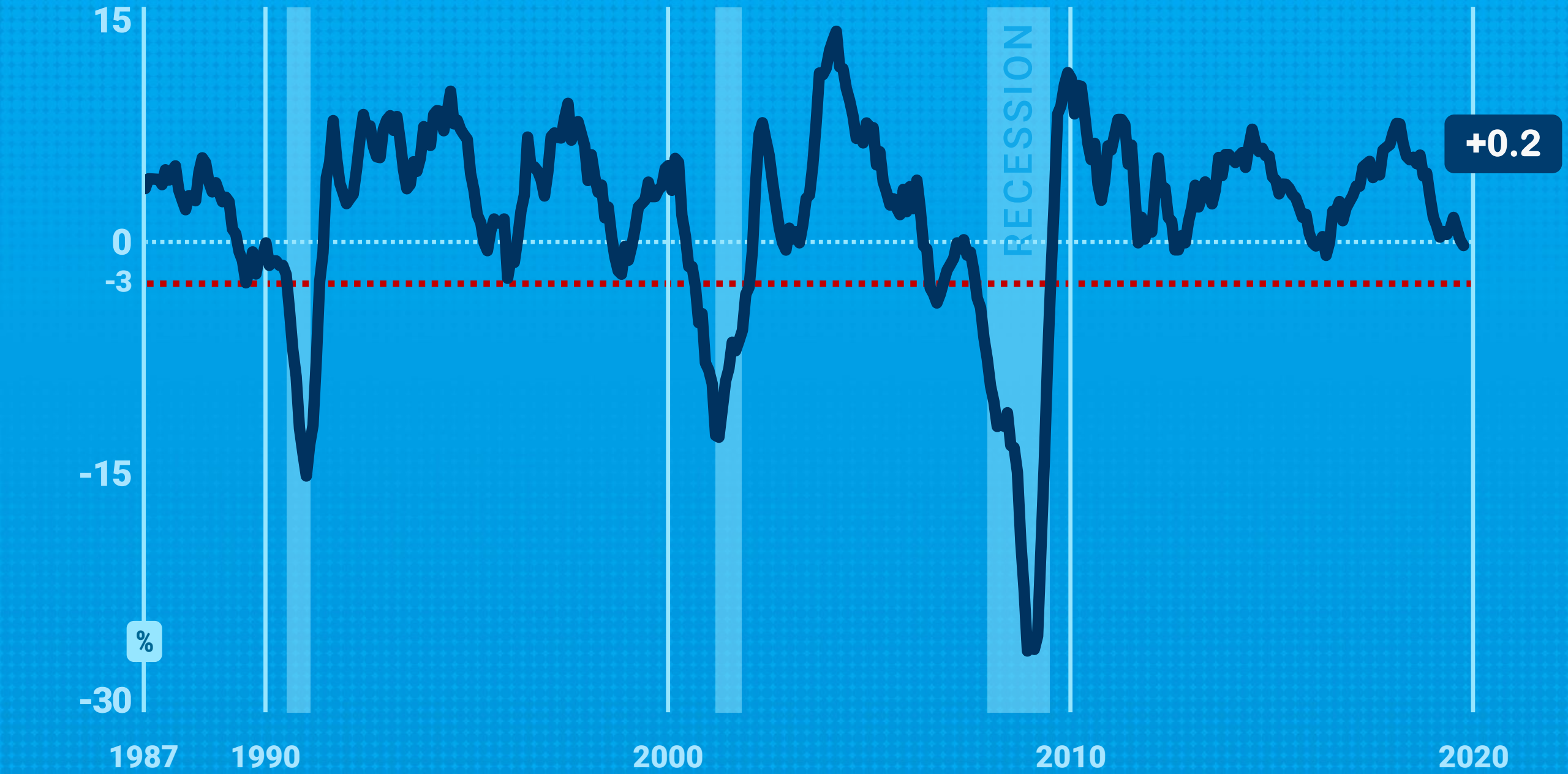


Source: Ned Davis; UMB Investment Management



Source: Ned Davis; UMB Investment Management

LEI – 6 MONTH RATE OF CHANGE



Source: Refinitiv; UMB Investment Management

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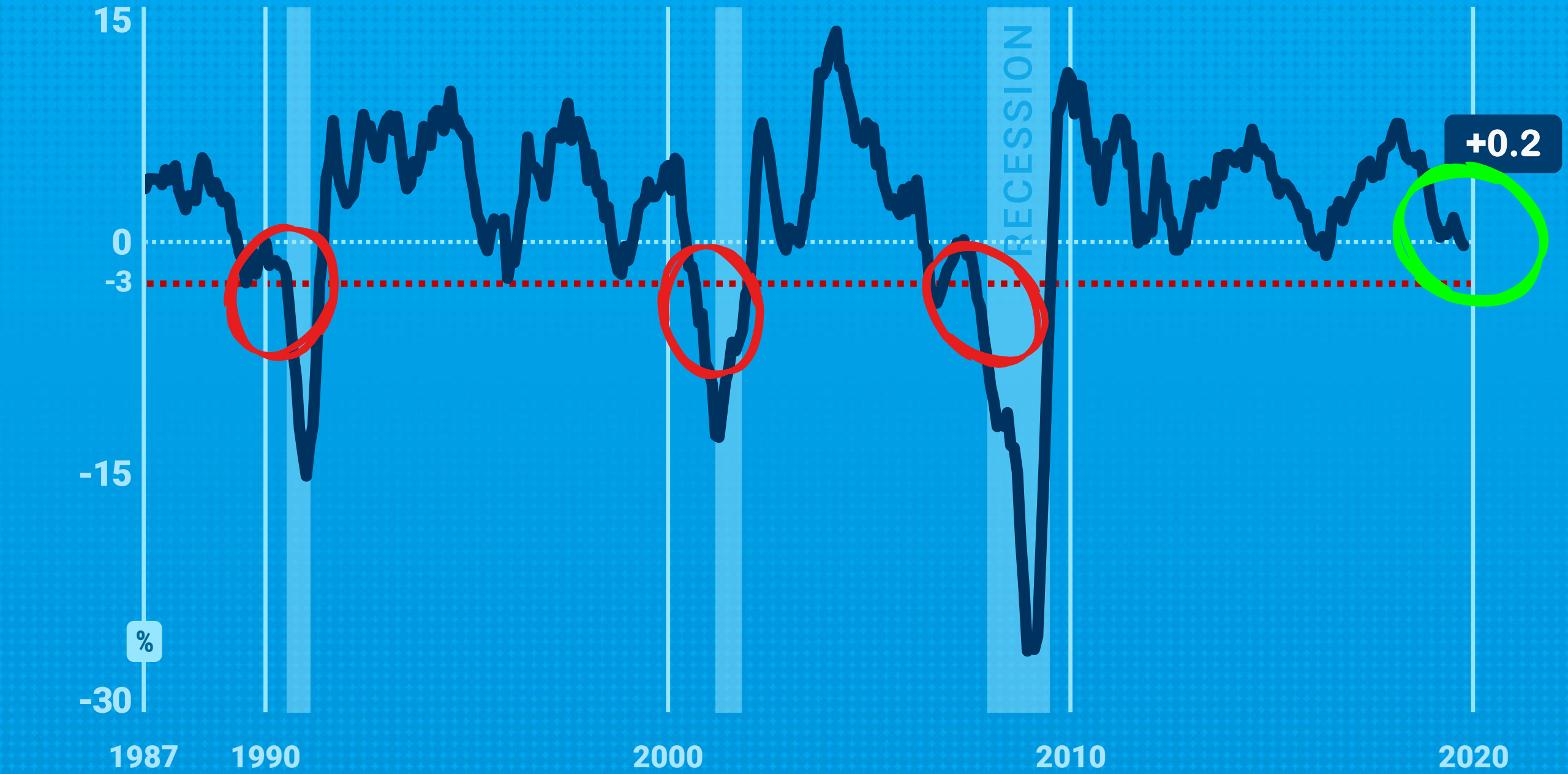
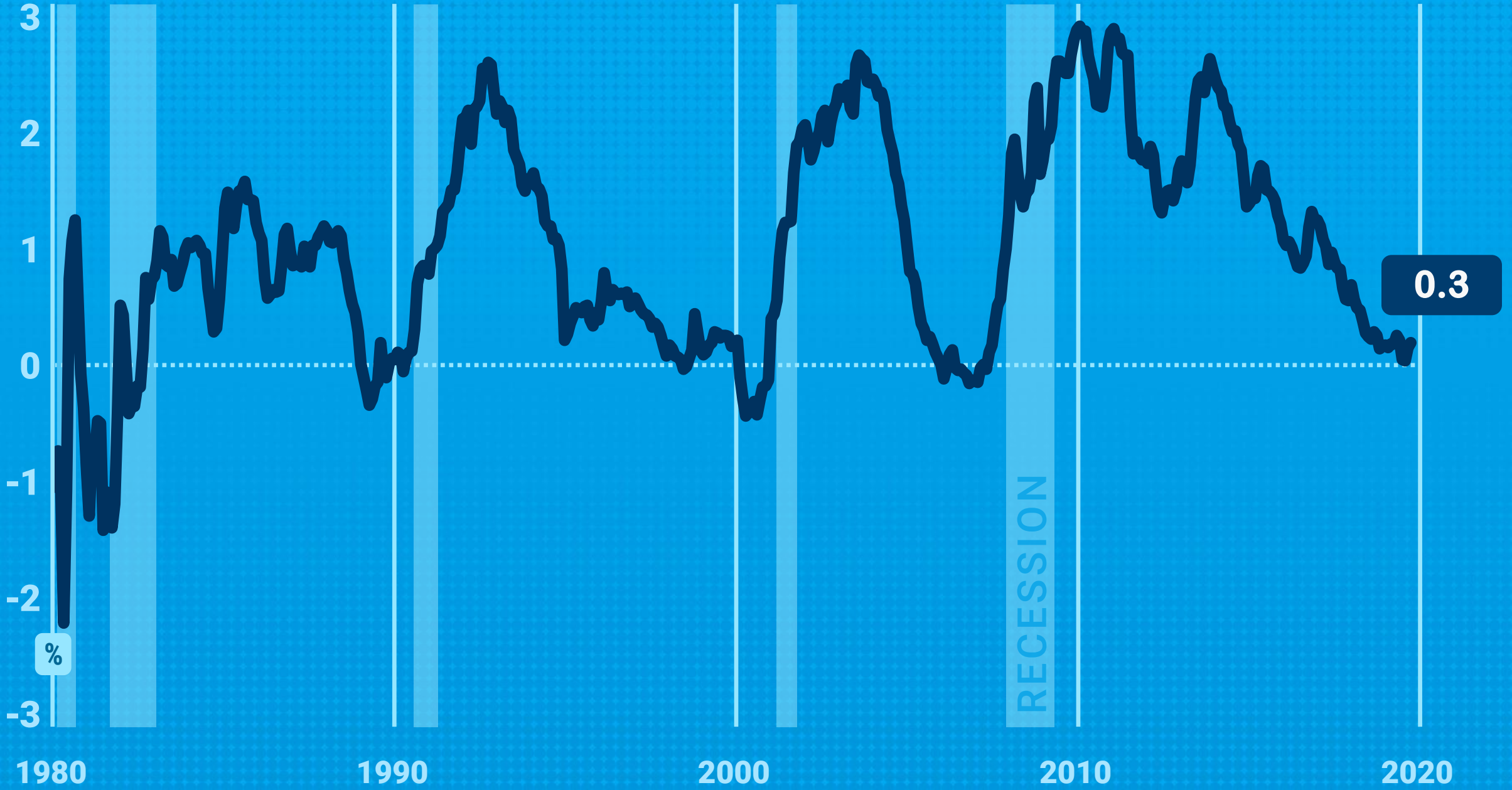
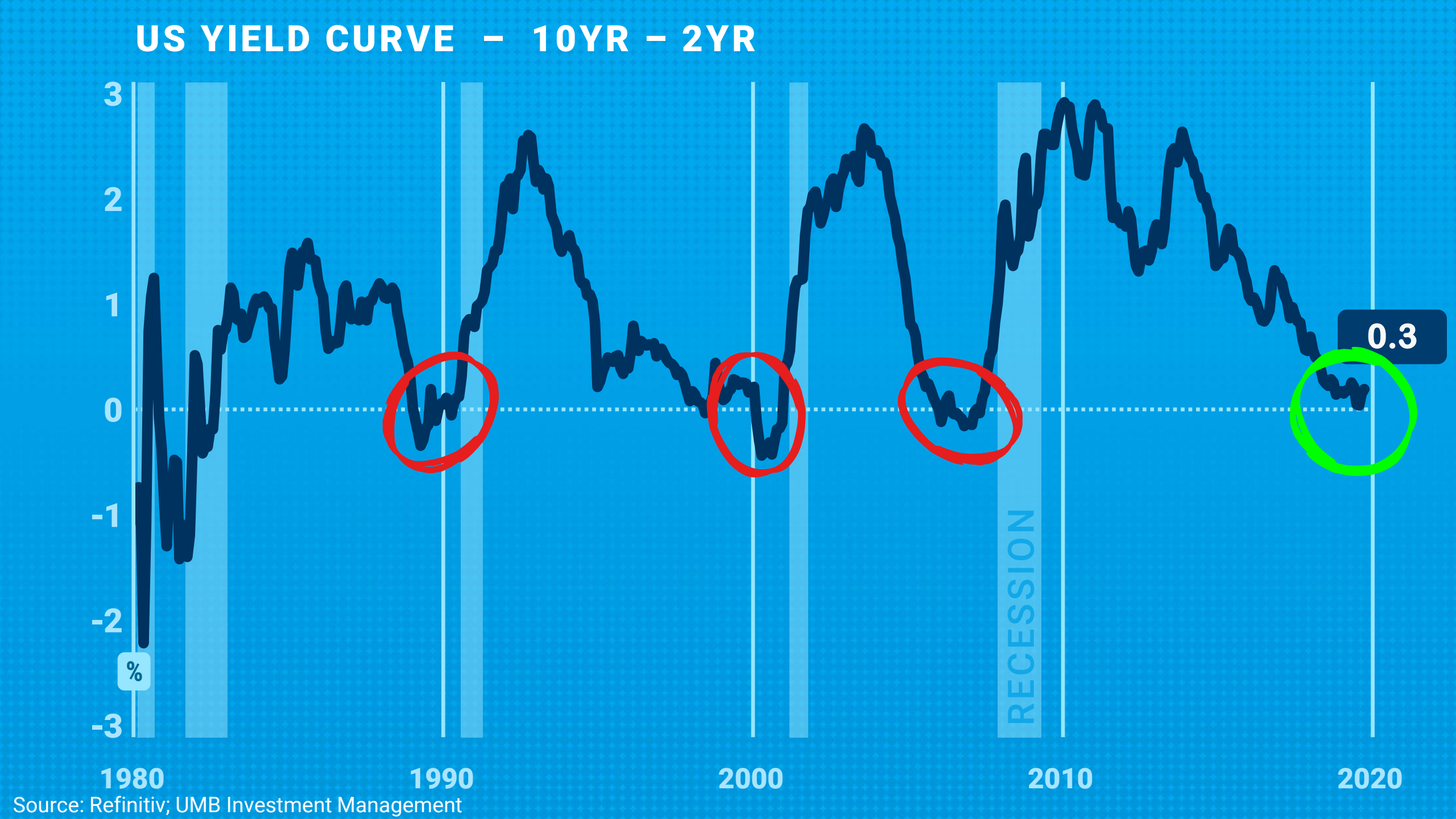


Source: Refinitiv; UMB Investment Management

US YIELD CURVE – 10YR – 2YR

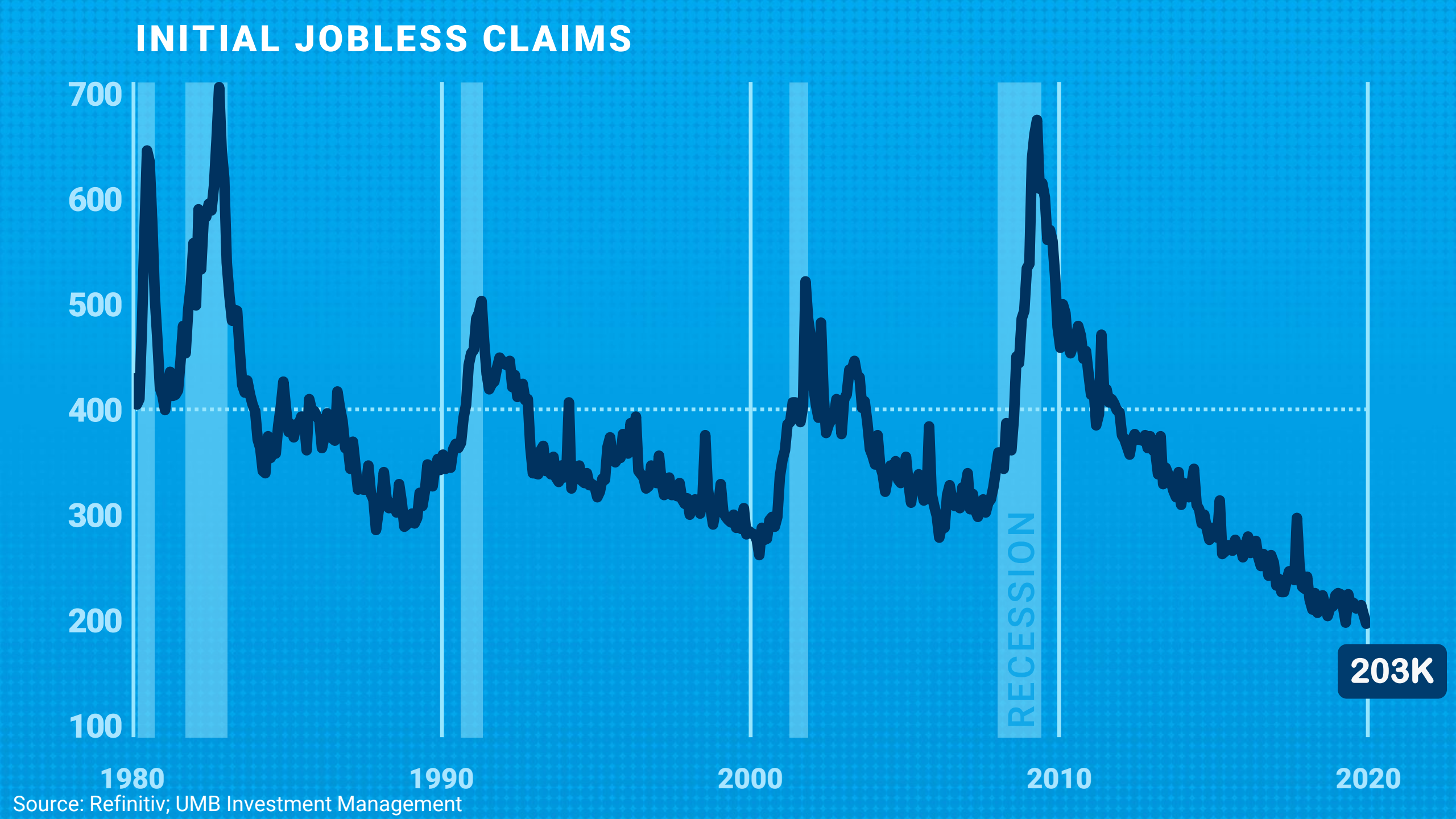


Source: Refinitiv; UMB Investment Management



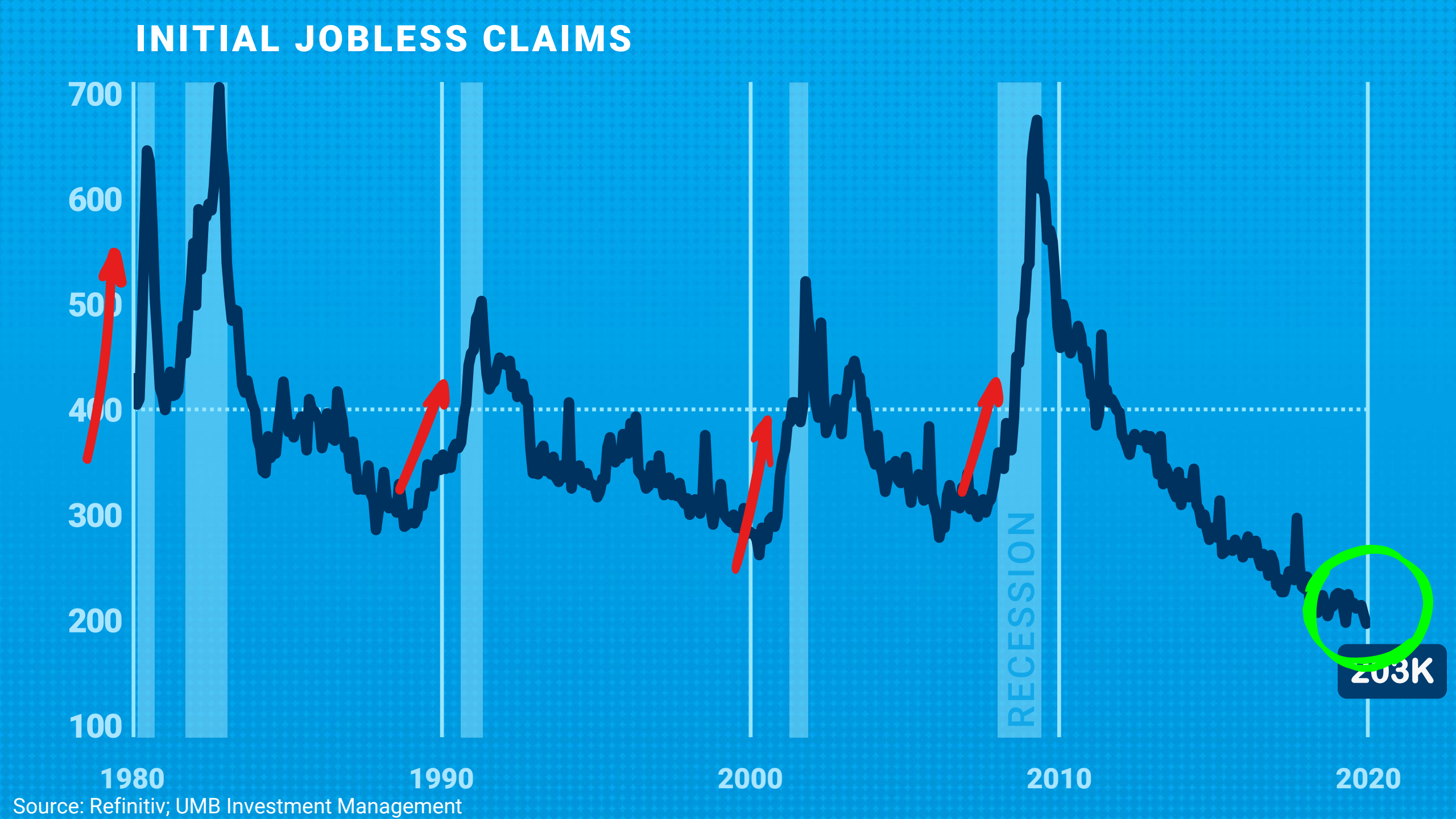
Source: Refinitiv; UMB Investment Management

INITIAL JOBLESS CLAIMS



Source: Refinitiv; UMB Investment Management

INITIAL JOBLESS CLAIMS

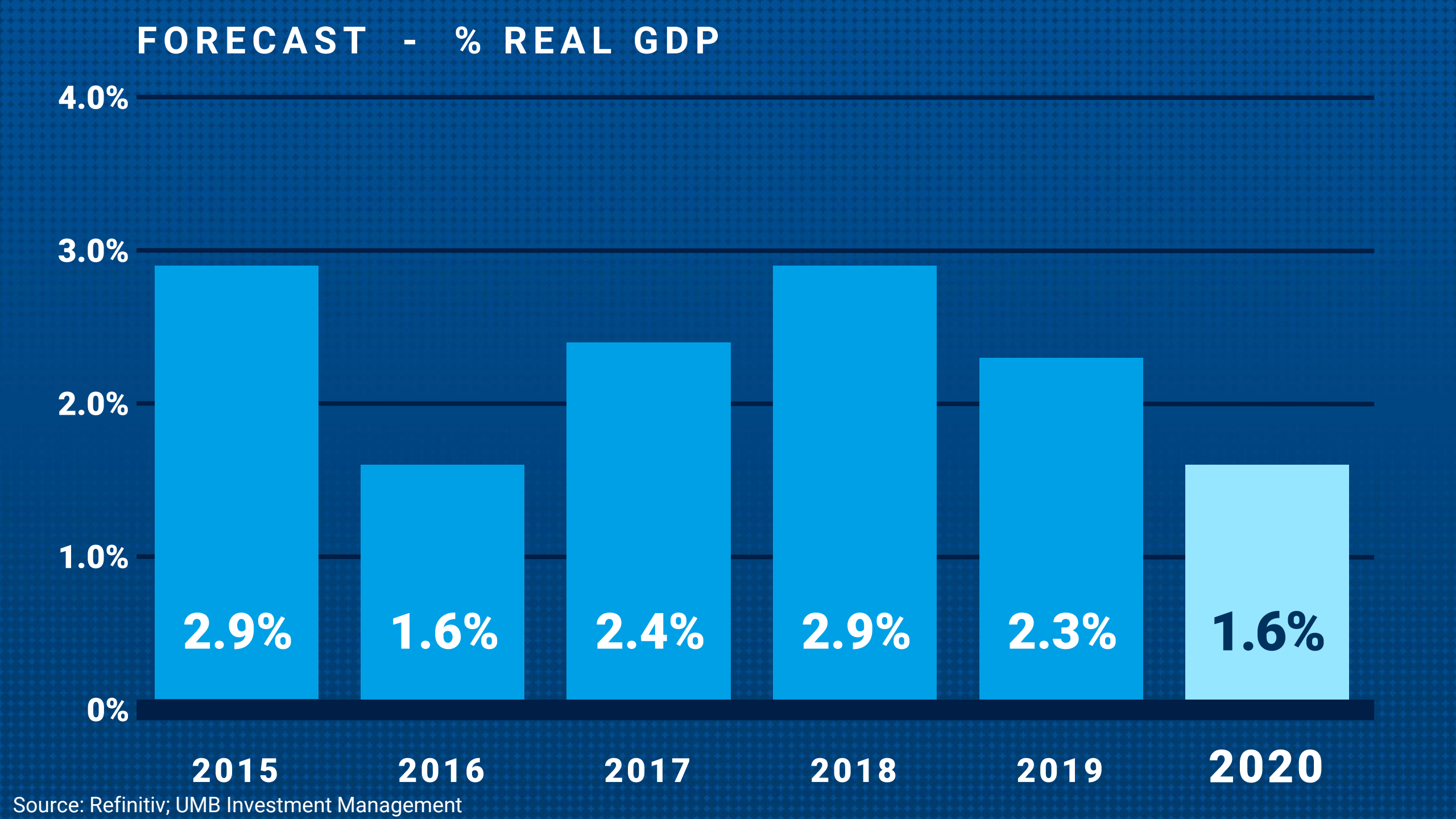


Source: Refinitiv; UMB Investment Management

INITIAL JOBLESS CLAIMS
700
600
500
400
300
200
100
SLOW & STEADY
RECESSION
203K
1980
1990
2000
2010
2020
Source: Refinitiv; UMB Investment Management

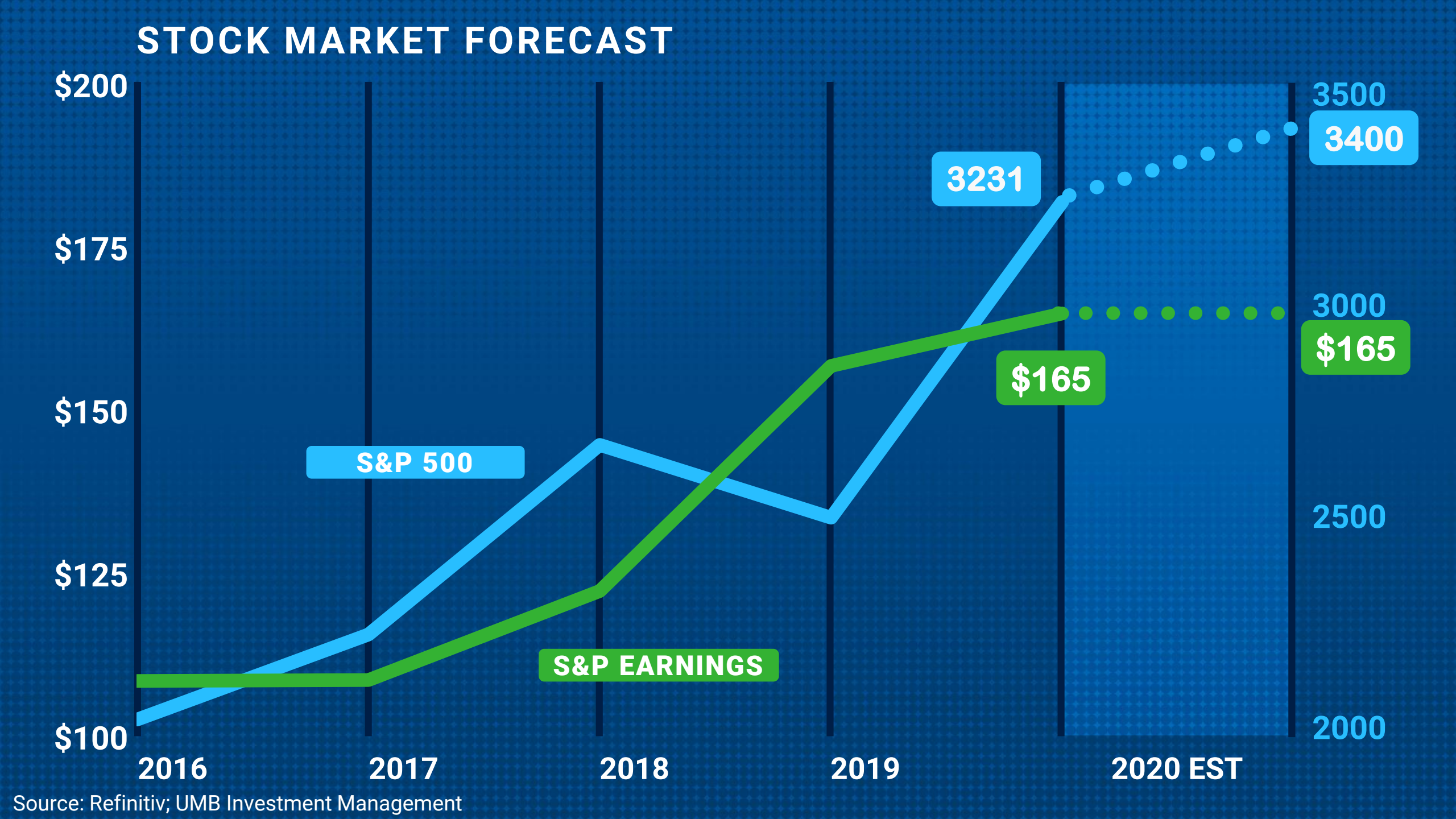
FORECAST

CONNECTING THE DOTS

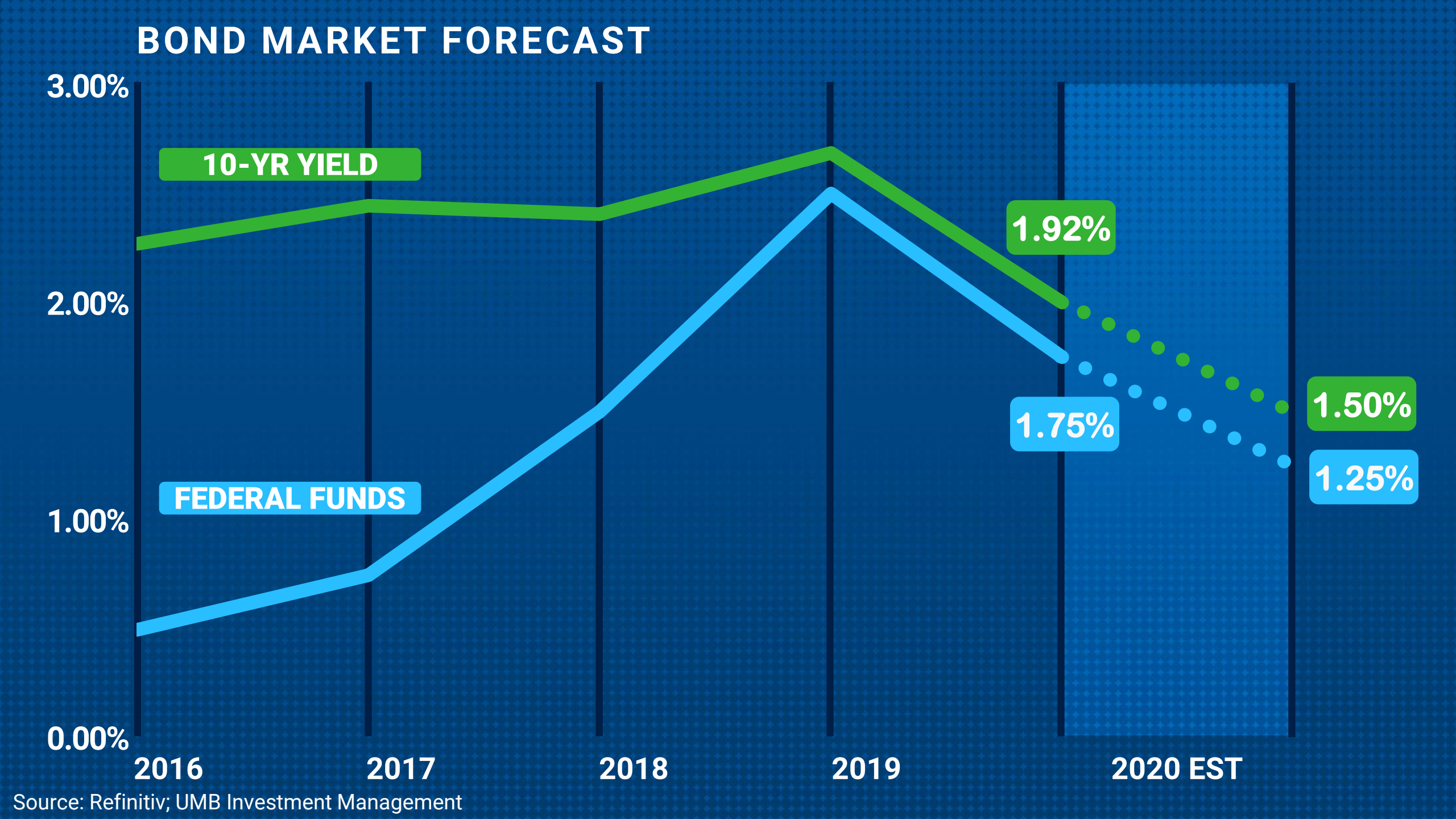


Source: Refinitiv; UMB Investment Management

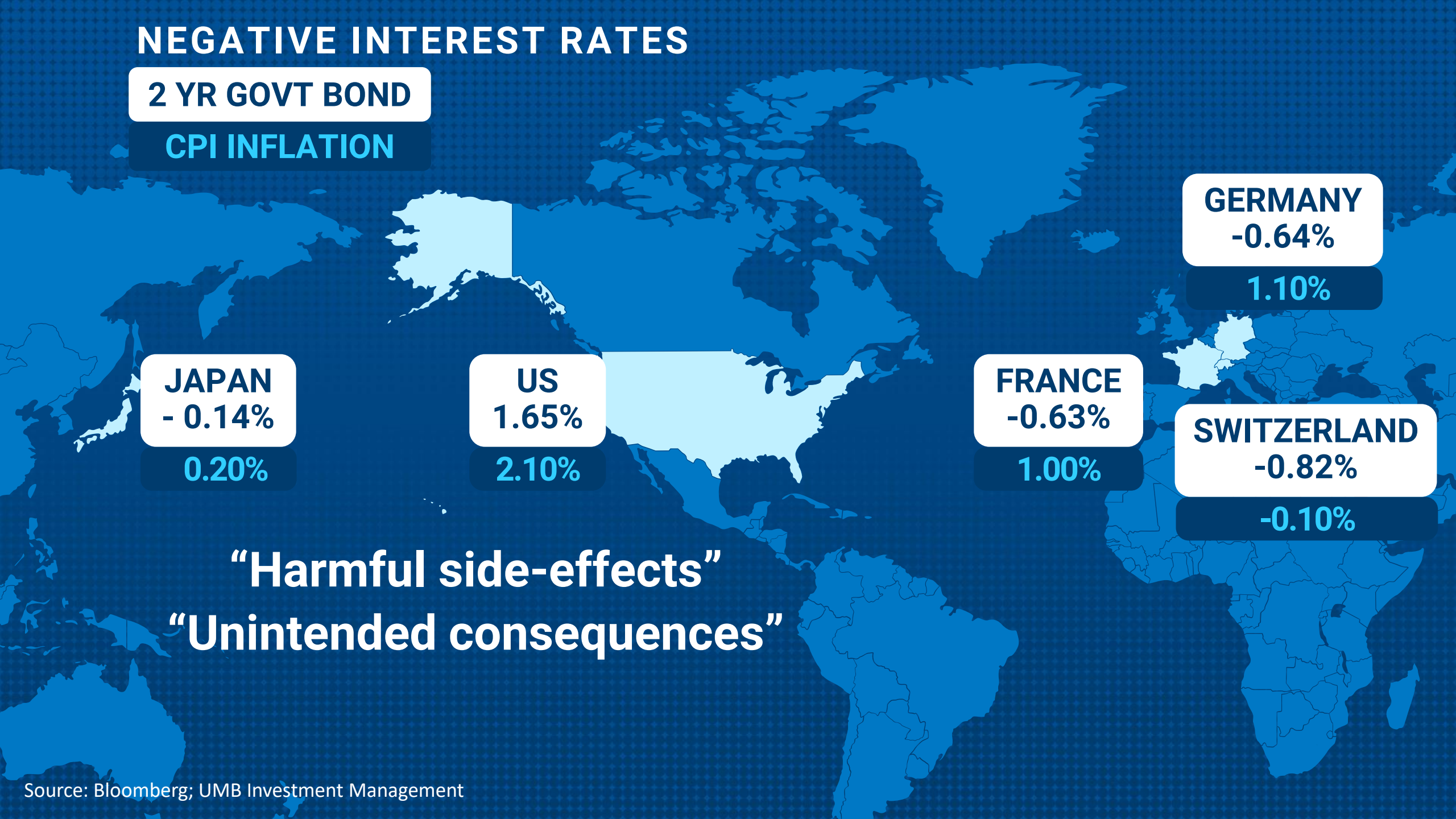
STOCK MARKET FORECAST



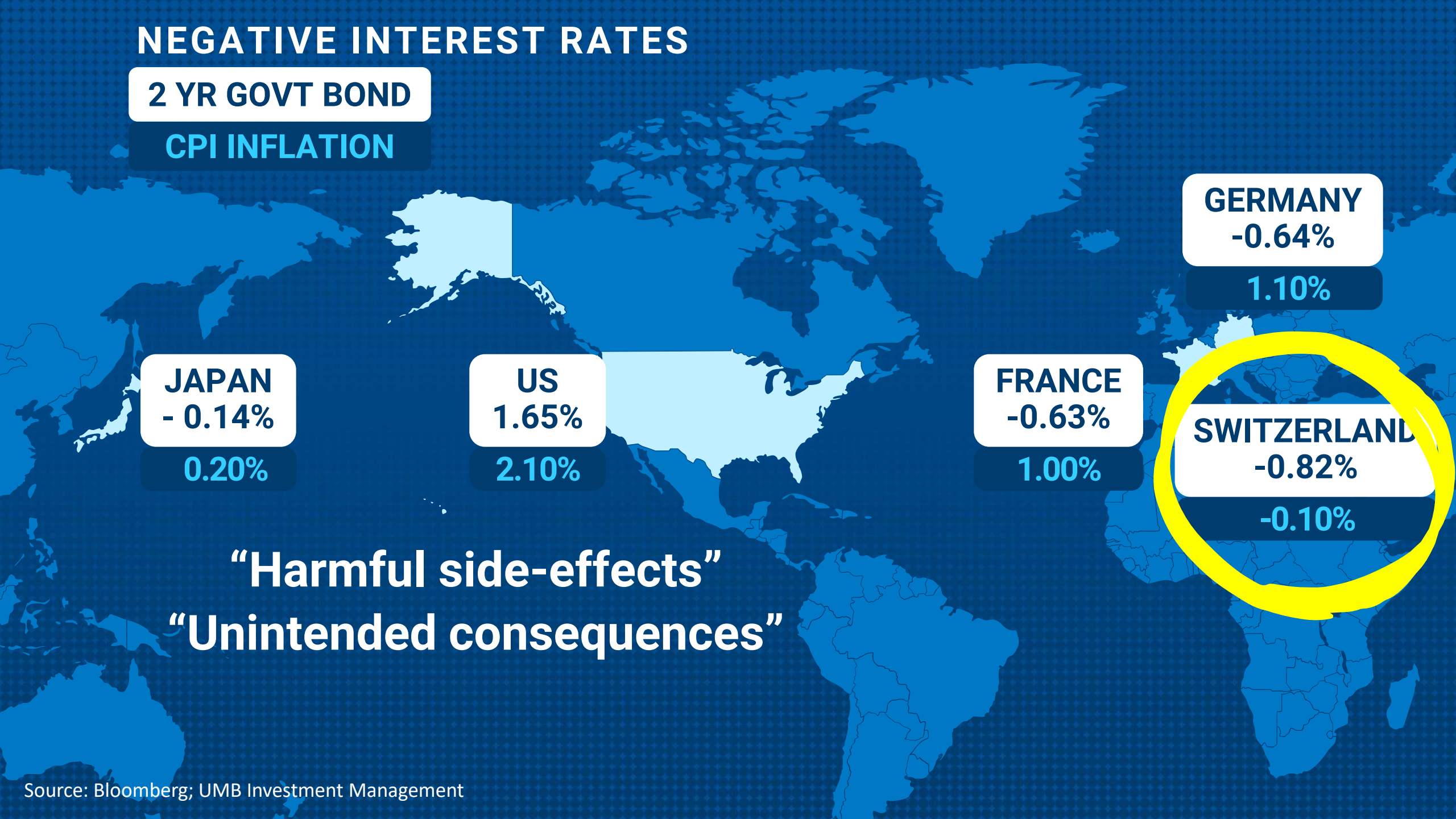
Source: Refinitiv; UMB Investment Management



Source: Refinitiv; UMB Investment Management



Source: Bloomberg; UMB Investment Management



Source: Bloomberg; UMB Investment Management

UMB FORECAST SUMMARY

Source: UMB Investment Management

ACTIONABLE
INVESTMENT
IDEAS

SCORECARD

2019 ACTIONABLE INVESTMENT IDEAS

DOMESTIC LARGE CAP	31.5%
LOW DURATION CREDIT	5.3%
NON-CORRELATED ASSETS	18% – 29%

UMB

2020 ACTIONABLE INVESTMENT IDEAS

UMB®

UMB®

Q
A

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