



Is It Time to Buy or Bail?

Second-Half 2018 Outlook

Sam Stovall

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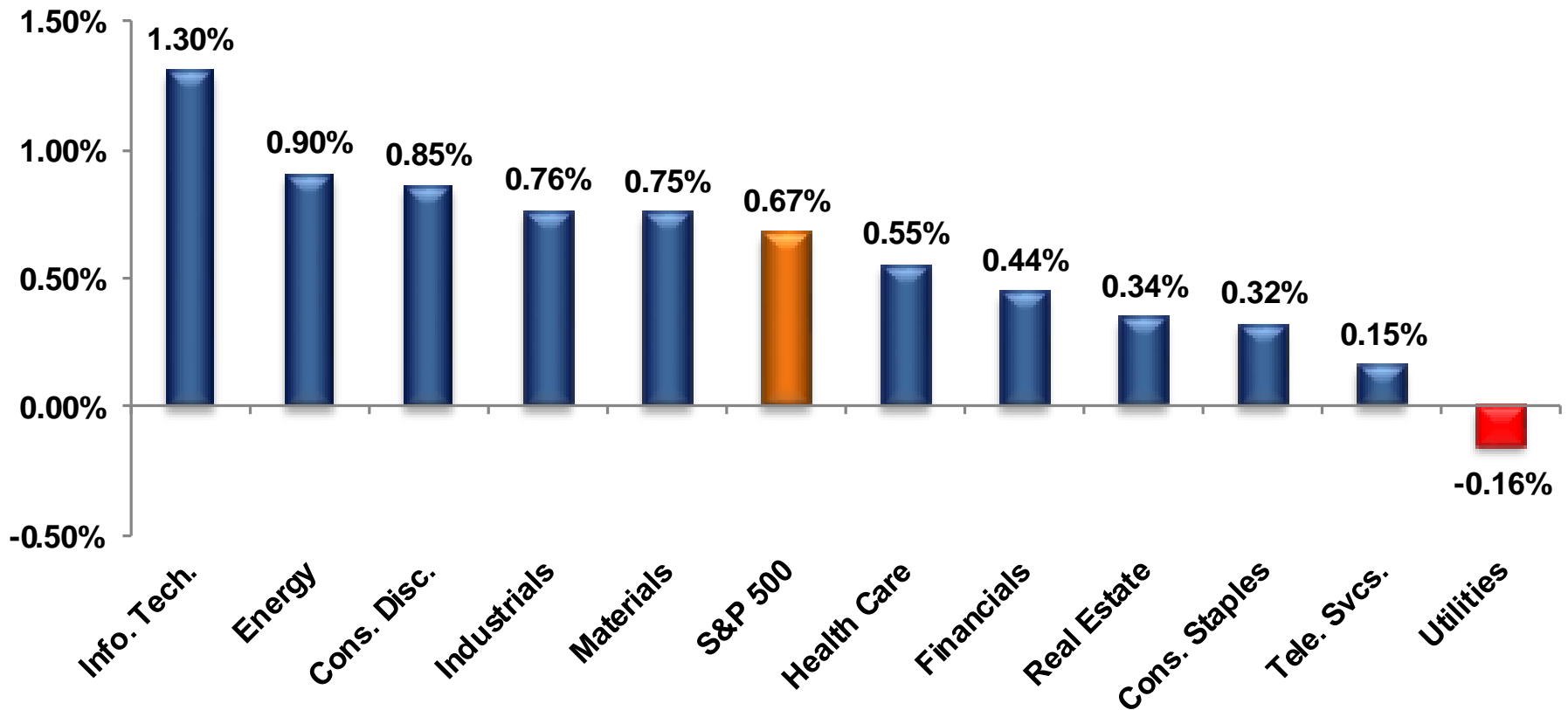
FIRST-HALF RETURNS

Small Stocks & Cyclical Groups Led the Way

Regions/Sizes/Sectors	% Chg.	Best S&P 1500 Sub-Ind.	% Chg.
Consumer Discretionary	9.9	Internet & Direct Marketing Retail	48.0
Information Technology	9.9	Department Stores	31.9
S&P SmallCap 600	8.7	Application Software	27.5
Energy	6.0	Marine	26.1
S&P MidCap 400	2.7	Footwear	24.3
Health Care	2.5	Home Entertainment Software	23.6
S&P Composite 1500	2.0	Education Services	18.8
S&P 500	1.7	Health Care Facilities	17.2
S&P Equal Weight 500	0.8	Worst S&P 1500 Sub-Ind.	% Chg.
Real Estate	(0.3)	Airlines	(15.5)
Utilities	(0.9)	Homebuilding	(15.6)
Global 1200	(1.1)	Cable & Satellite	(16.9)
Materials	(3.5)	Motorcycle Manufacturers	(17.3)
Financials	(4.2)	Home Furnishings	(17.7)
Industrials	(4.9)	Housewares & Specialties	(19.6)
Consumer Staples	(9.4)	Tobacco	(22.0)
Telecom. Services	(10.4)	Tires & Rubber	(27.5)

SECTOR RETURNS & RISING-RATES

Average Monthly Total Returns During Months of Rising 10-Year Yields



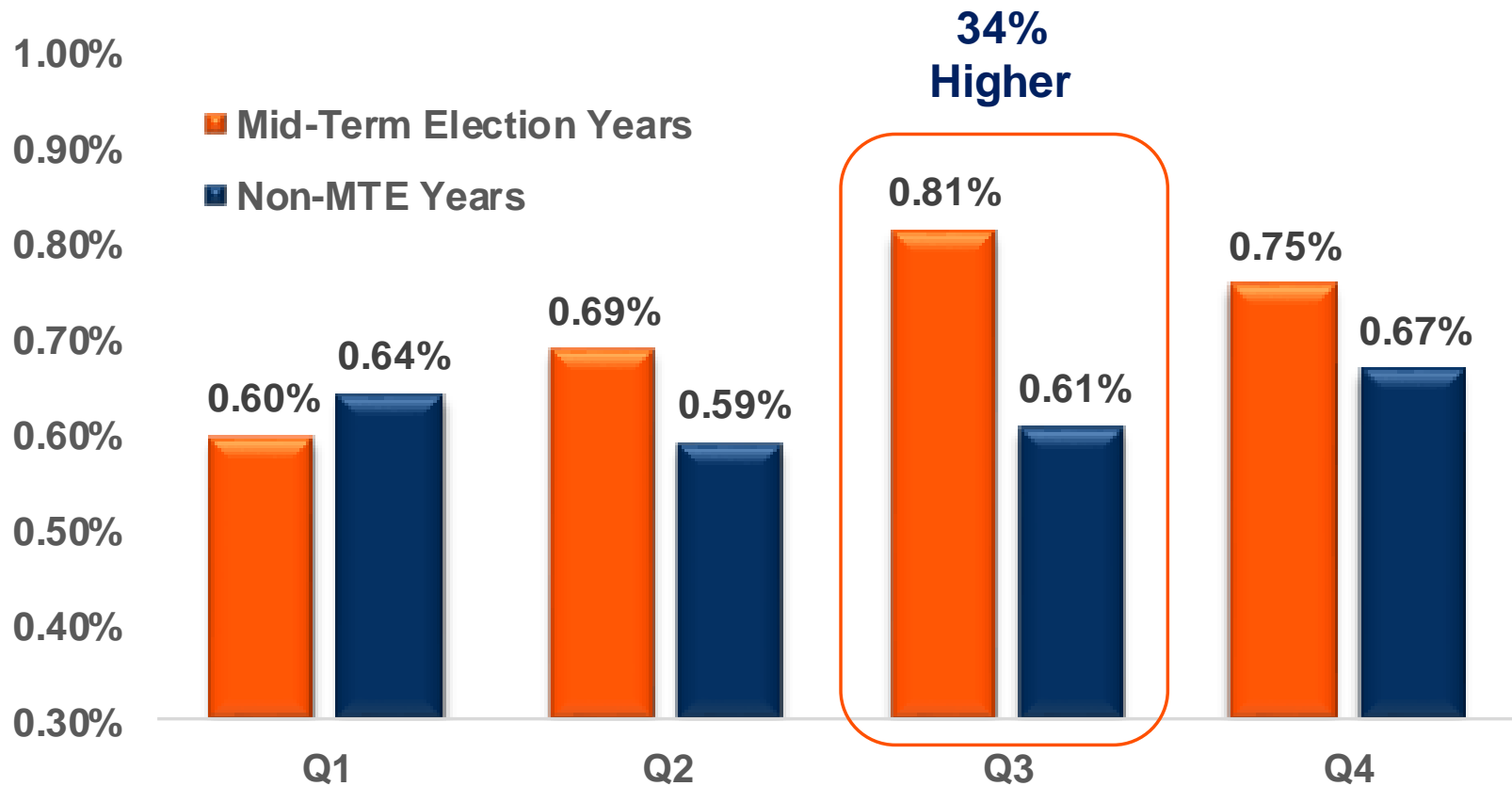
THE WALL OF WORRY

INVESTOR FEARS:

- Inflation is ready to explode
- Interest rates are preparing to go parabolic
- The economic expansion is getting overheated
- The brewing trade war will trigger a global recession
- This stock market correction will morph into a bear market

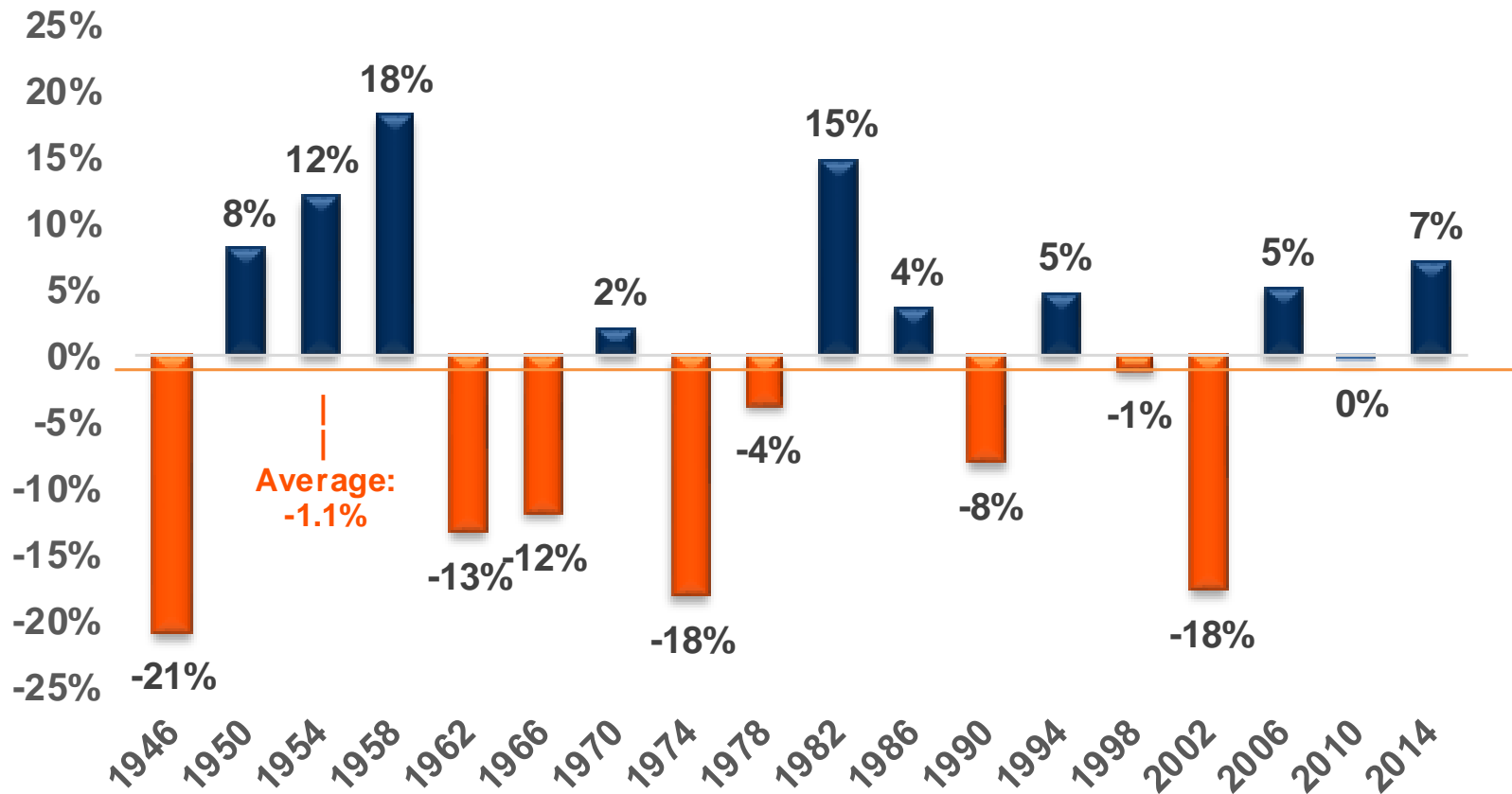
AN EXPECTED ACCELERATION OF VOLATILITY

Average Daily S&P 500 Price Volatility



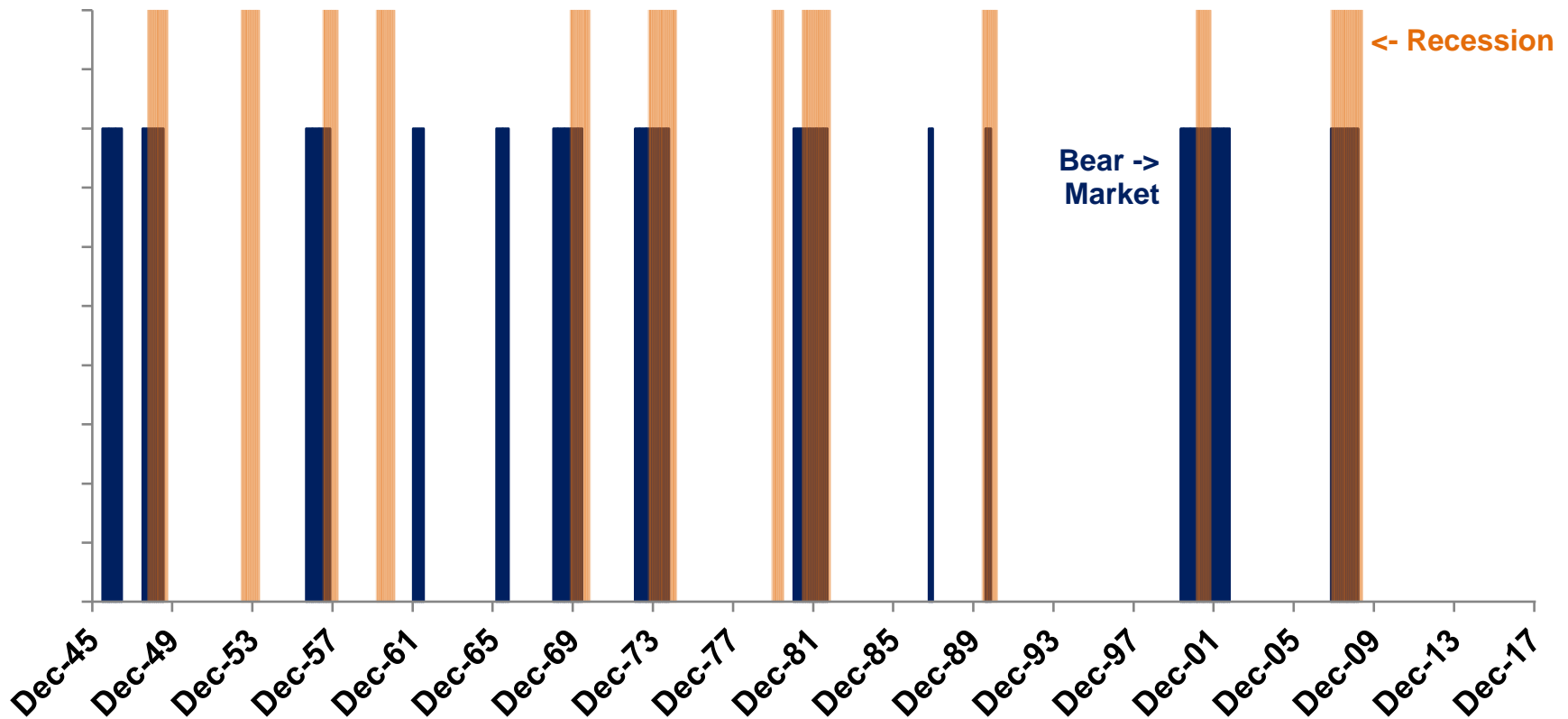
THE UNCERTAINTY IMPACT

S&P 500 Price Change May-Oct of Midterm Election Years



RECESSIONS & BEAR MARKETS

Two Out of Three Bear Markets Since WWII Have Been Accompanied by Recession



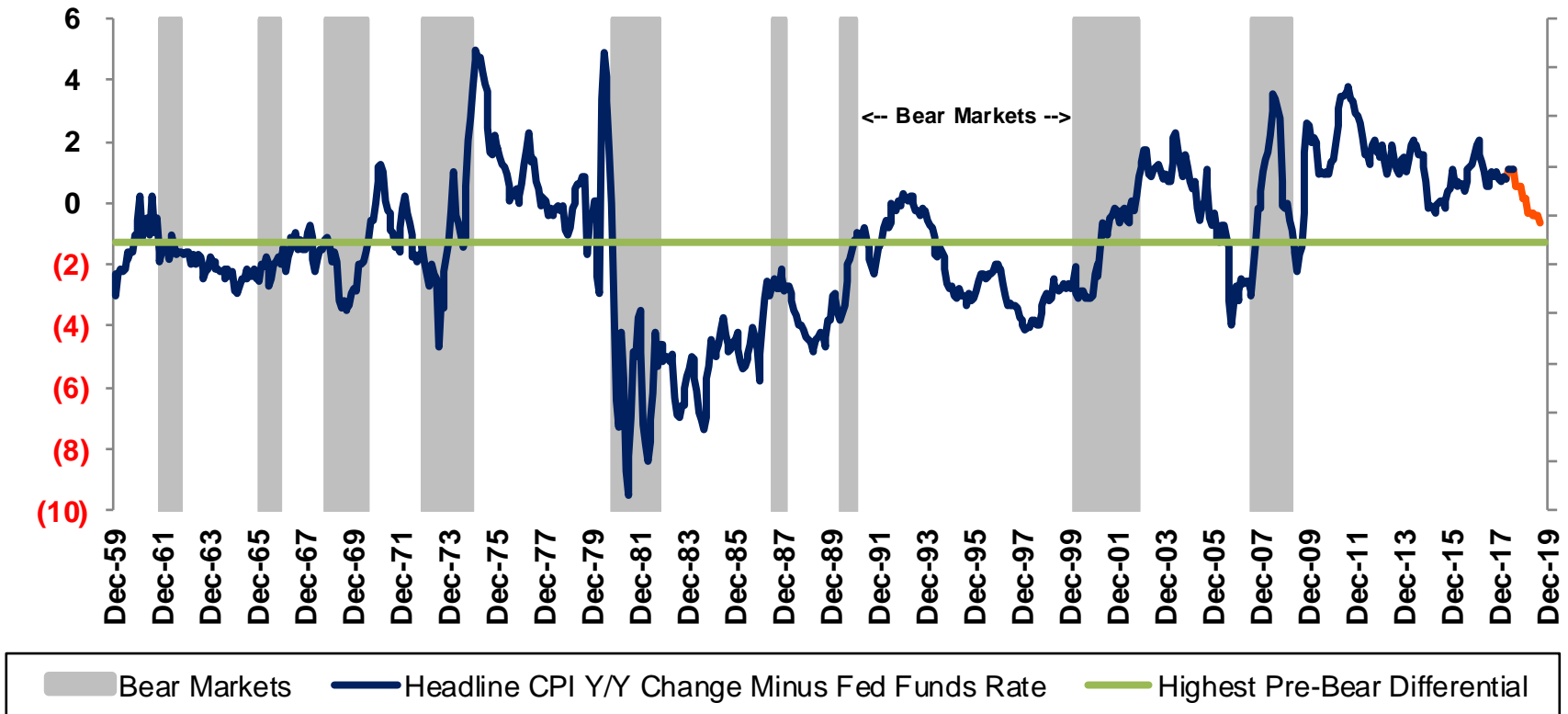
RECESSION INDICATORS

Low Readings Up to Three Months Prior to the Recession's Start

Recession Dates	Year-Over-Year % Change in		Yield Curve (10 Year Bond- Two-Year Note)
	Housing Starts	Consumer Sentiment	
4/60-2/61	(32)	--	(0.3)
12/69-11/70	(25)	--	(0.8)
11/73-3/75	(33)	--	(1.4)
1/80-7/80	(27)	(22)	(1.2)
7/81-11/82	(18)	19	(1.4)
7/90-3/91	(18)	(4)	(0.0)
3/01-11/01	(10)	(19)	(0.1)
12/07-9/09	(37)	(18)	0.2
Average	(25)	(9)	(0.6)
Latest Data	(4.2)	4.0	0.30

BEAR MARKET INDICATOR

No Bear Market Since 1960 Ever Started with the Y/Y CPI - Fed Funds Differential this High.



CFRA TARGETS

Economic, Fundamental, and Price Forecasts

INDICATOR

S&P 500 12-Month Target:

Global GDP Growth:

U.S Real GDP Growth (Q4vQ4):

Core CPI Y/Y (Dec./Dec.):

Fed Funds Rate:

10-Year Yield:

WTI Oil Prices:

FRB Major \$ Index:

S&P 500 Revenue Growth:

S&P 500 EPS Growth:

	2018E	2019E
S&P 500 12-Month Target:	3000	
Global GDP Growth:	3.9%	4.0%
U.S Real GDP Growth (Q4vQ4):	3.1%	2.8%
Core CPI Y/Y (Dec./Dec.):	2.3%	2.5%
Fed Funds Rate:	1.85%	2.81%
10-Year Yield:	2.95%	3.40%
WTI Oil Prices:	\$67	\$73
FRB Major \$ Index:	88.6	89.7
S&P 500 Revenue Growth:	8%	4%
S&P 500 EPS Growth:	21%	10%

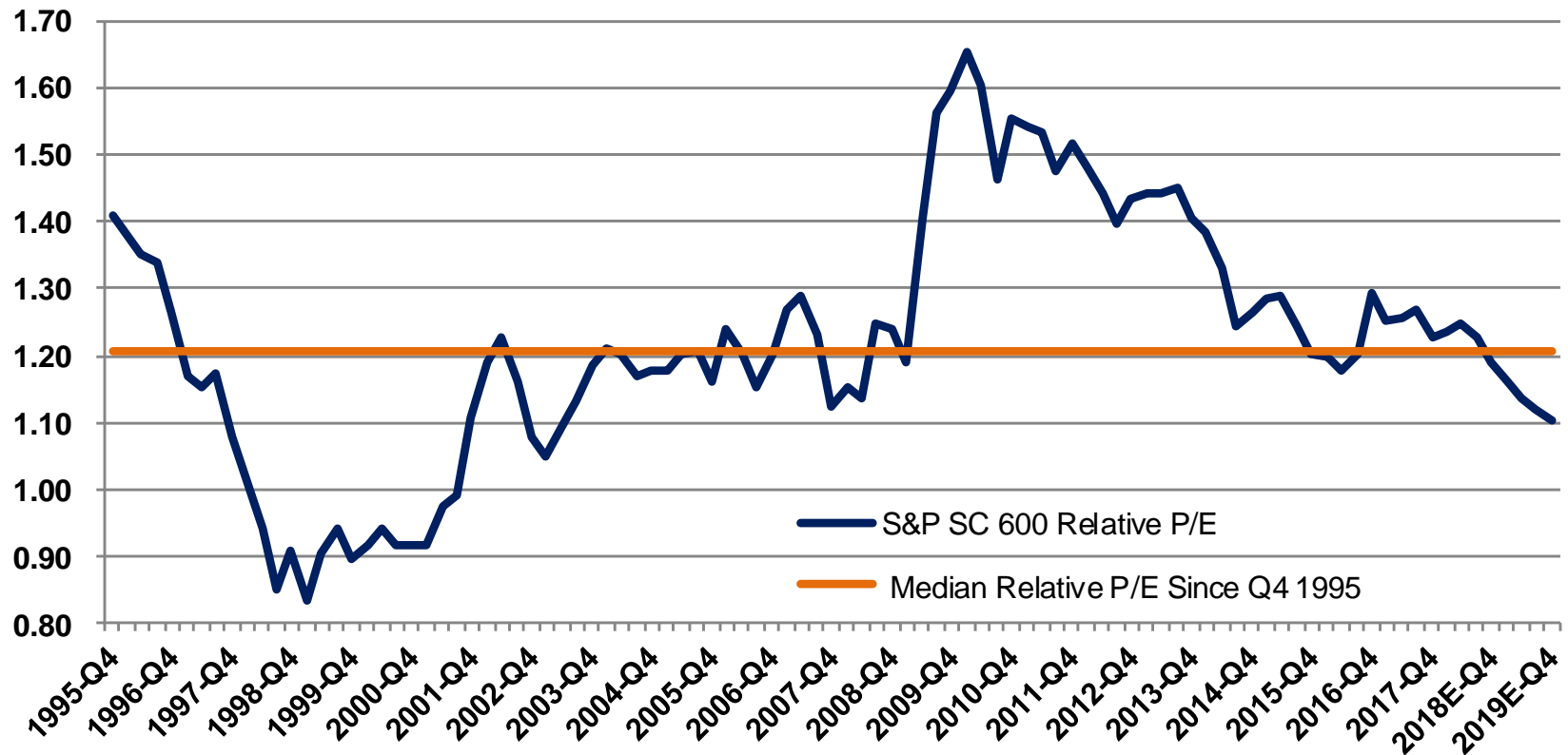
BENCHMARK EXPECTATIONS

Comparative EPS Growth Expectations, P/Es & Yields

Global Market	2018E		2019E	
	EPS % Chg.	P/E	EPS % Chg.	P/E
S&P 500	21.2	17.5	10.1	11.9
S&P MidCap 400	23.9	18.5	13.5	17.9
S&P SmallCap 600	34.0	21.0	19.3	9.8
S&P Developed Ex-U.S. BMI	5.0	14.4	9.1	13.2
S&P Emerging BMI	11.9	12.7	13.4	11.2

DO SMALL CAPS HAVE FURTHER TO RISE?

P/Es of the S&P SmallCap 600 Index Relative to the S&P 500 are Below Their Long-Term Average



CFRA PORTFOLIOS: Industry Momentum

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HOME STOCKS ETFS FUNDS BONDS OPTIONS | PORTFOLIO ANALYSIS ALERTS WATCHLISTS

Q Search by ticker

Market Movers	Portfolio ▲	Type	YTD		1YR		3YR		Performance As of *
			CFRA vs. Benchmark	Benchmark	CFRA vs. Benchmark	Benchmark	CFRA vs. Benchmark	Benchmark	
Broker Views & News									
Research Notes	➤ Contrarian ETF	ETF Portfolio	▲ 0.48%	-0.43%	▼ -0.04%	10.73%	▲ 2.87%	7.96%	06/30/2018
Trends & Ideas	➤ Fair Value	Equity	▼ -2.13%	1.48%	▼ -0.44%	11.45%	▲ 1.08%	9.75%	06/30/2018
Portfolios	➤ Focus Stock of the Week	Equity	▲ 1.02%	1.48%	▲ 0.59%	11.45%	▼ -3.26%	9.75%	06/30/2018
Street Talk	➤ Global Large Cap Diversified ETF	ETF Portfolio	▲ 1.08%	-0.43%	▲ 2.36%	10.73%	▲ 3.16%	7.96%	06/30/2018
Technical Analysis	➤ High-Quality Capital Appreciation	Equity	▼ -2.24%	1.48%	▼ -6.40%	11.45%	▲ 0.74%	9.75%	06/30/2018
Sectors	➤ Industry Momentum	Equity	▲ 1.52%	1.48%	▲ 8.37%	11.45%	▲ 3.55%	9.75%	06/30/2018
Investment Strategy	➤ Investment Ideas	ETF Portfolio	▼ -2.87%	1.48%	▼ -2.26%	11.45%	▼ -2.17%	9.75%	06/30/2018
Morning Briefing	➤ Mid-Year Powerpicks	Equity	▼ -0.94%	1.48%	▼ -0.33%	11.45%	▼ -4.76%	9.75%	06/30/2018
Economy Watch	➤ Platinum	Equity	▼ -5.78%	1.48%	▼ -6.62%	11.45%	▼ -2.00%	9.75%	06/30/2018
Focus Stock of the Week	➤ Powerpicks	Equity	▼ -3.38%	1.48%	▼ -3.28%	11.45%	▼ -3.53%	9.75%	06/30/2018
Indices	➤ Small/Mid-Cap Growth	Equity	▼ -1.71%	4.01%	▲ 0.99%	13.17%	▼ -7.98%	9.87%	06/30/2018
The Outlook	➤ Top Ten	Equity	▼ -5.50%	1.48%	▼ -4.52%	11.45%	▼ -6.38%	9.75%	06/30/2018
Page Index	➤ Total Return	Equity	▼ -6.20%	1.48%	▲ 0.26%	11.45%	▲ 1.43%	9.75%	06/30/2018
	➤ Warren Buffett (Intrinsic Value)	Equity	▲ 2.18%	1.48%	▲ 4.11%	11.45%	▲ 2.05%	9.75%	06/30/2018

Source: CFRA, Past performance is no guarantee of future results.

CFRA PORTFOLIOS: Industry Momentum 6/30/18

SECTOR	CURRENT PORTFOLIO	TICKER	STARS
Cons. Disc.	Apparel, Accessories & Luxury Goods	TPR	4
	Department Stores	M	4
	General Merchandise Stores	DG	4
Cons. Staples	Distillers & Vintners	STZ	5
	Food Distributors	SYF	3
	Personal Products	EL	4
Energy	Oil & Gas Refining & Marketing	VLO	4
Health Care	Health Care Supplies	COO	4
	Managed Health Care	AET	5
Industrials	Aerospace & Defense	LMT	5
	Diversified Support Services	CTAS	4
	Trading Companies & Distributors	URI	5
	Trucking	JBHT	4
Info. Tech.	Application Software	CTXS	4
	Communications Equipment	CSCO	4
	Data Processing & Outsourced Services	V	3
	Electronic Equipment & Instruments	FLIR	3
	Internet & Direct Marketing Retail	AMZN	4
Materials	Commodity Chemicals	LYB	5
	Copper	FCX	5
Real Estate	Real Estate Services	CGB	3
Utilities	Independent Power Producers & Energy Traders	AES	4

BEST & WORST SIX MONTHS

“Sell in May” vs “The Cyclical Six”

Period	Average	
	Price Change	Freq. of Advance
Jan.-Jun.	4.0%	68%
Feb.-Jul.	3.9%	71%
Mar.-Aug.	3.9%	69%
Apr.-Sep.	2.1%	63%
May-Oct.	1.4%	64%
Jun.-Nov.	2.5%	65%
Jul.-Dec.	4.3%	69%
Aug.-Jan.	4.2%	68%
Sep.-Feb.	4.4%	67%
Oct.-Mar.	6.4%	69%
Nov.-Apr.	6.6%	76%
Dec.-May	5.6%	72%
Averages	4.1%	69%

WHY?: ANECDOTAL REASONING

It's a Matter of Capital Inflows and Market Movements

May Through October

- Investors focus more on their tans than their portfolios.
- Q3 and September are the most challenging of the year.
- Investors more forgiving of early, but not late, of EPS misses
- October is known as a “capitulation” month.
 - 5 of last 10 bears ended in October
 - The 2011 near-bear ended in October
- Above average EPS beats for defensive sectors.

November Through April

- The weak Q3 return sets the market up nicely.
- Above average Q4 & Q1 EPS beats for the cyclical sectors.
- “Santa Claus” rally reflects investors’ seasonal optimism.
- Q1 sees strong payroll and money flows
 - Bonuses are paid early in the year
 - 401(k)s typically get maxed out early
 - IRAs need to be funded by mid-April
 - Overpaid tax returns tend to get filed early

BEST & WORST SIX MONTHS: OTHER BENCHMARKS

“Sell in May” vs “The Cyclical Six” Since 1990

Period	S&P E.W. 500		S&P SmallCap 600*		S&P Global 1200*	
	Price Change	Freq. of Advance	Price Change	Freq. of Advance	Price Change	Freq. of Advance
Jan.-Jun.	5.3%	72%	5.7%	83%	3.2%	70%
Feb.-Jul.	5.7%	72%	6.6%	74%	4.9%	78%
Mar.-Aug.	4.6%	61%	5.7%	65%	3.3%	61%
Apr.-Sep.	2.3%	68%	4.3%	61%	1.7%	57%
May-Oct.	1.0%	71%	2.6%	65%	0.7%	70%
Jun.-Nov.	1.4%	61%	3.4%	64%	2.3%	74%
Jul.-Dec.	4.5%	68%	5.3%	68%	3.9%	64%
Aug.-Jan.	4.7%	75%	4.9%	77%	2.5%	64%
Sep.-Feb.	6.5%	79%	6.6%	77%	4.6%	73%
Oct.-Mar.	8.7%	86%	8.4%	77%	6.2%	86%
Nov.-Apr.	9.5%	89%	9.2%	91%	6.5%	82%
Dec.-May	8.7%	96%	7.6%	86%	4.8%	73%
Averages	5.3%	75%	5.9%	74%	3.8%	71%

Source: CFRA, S&P DJ Indices. Past performance is no guarantee of future results. *Data: 12/31/1990-6/29/2018. ** Since 10/31/1994.

DON'T RETREAT, ROTATE! RETURNS SINCE INCEPTION

**Defensive Sectors May-October; Cyclical Sectors
November-April**

Indices	CAGR (Price)	Beat Benchmark?	Standard Deviation	YTD
S&P 500	7.9	NA	15.4	4.80
Seasonal Rotation Large Cap.	13.5	69%	15.2	4.54
S&P EW 500	9.5	NA	16.2	3.06
Seasonal Rotation Equal Weight	15.7	76%	15.6	3.24
S&P SmallCap 600*	10.6	NA	14.7	12.79
Seasonal Rotation SmallCap*	14.2	67%	14.8	14.92
S&P Global 1200*	5.9	NA	15.7	1.31
Seasonal Rotation Global*	11.5	67%	14.8	4.58

<http://www.customindices.spindices.com/custom-index-calculations/cfra/all>

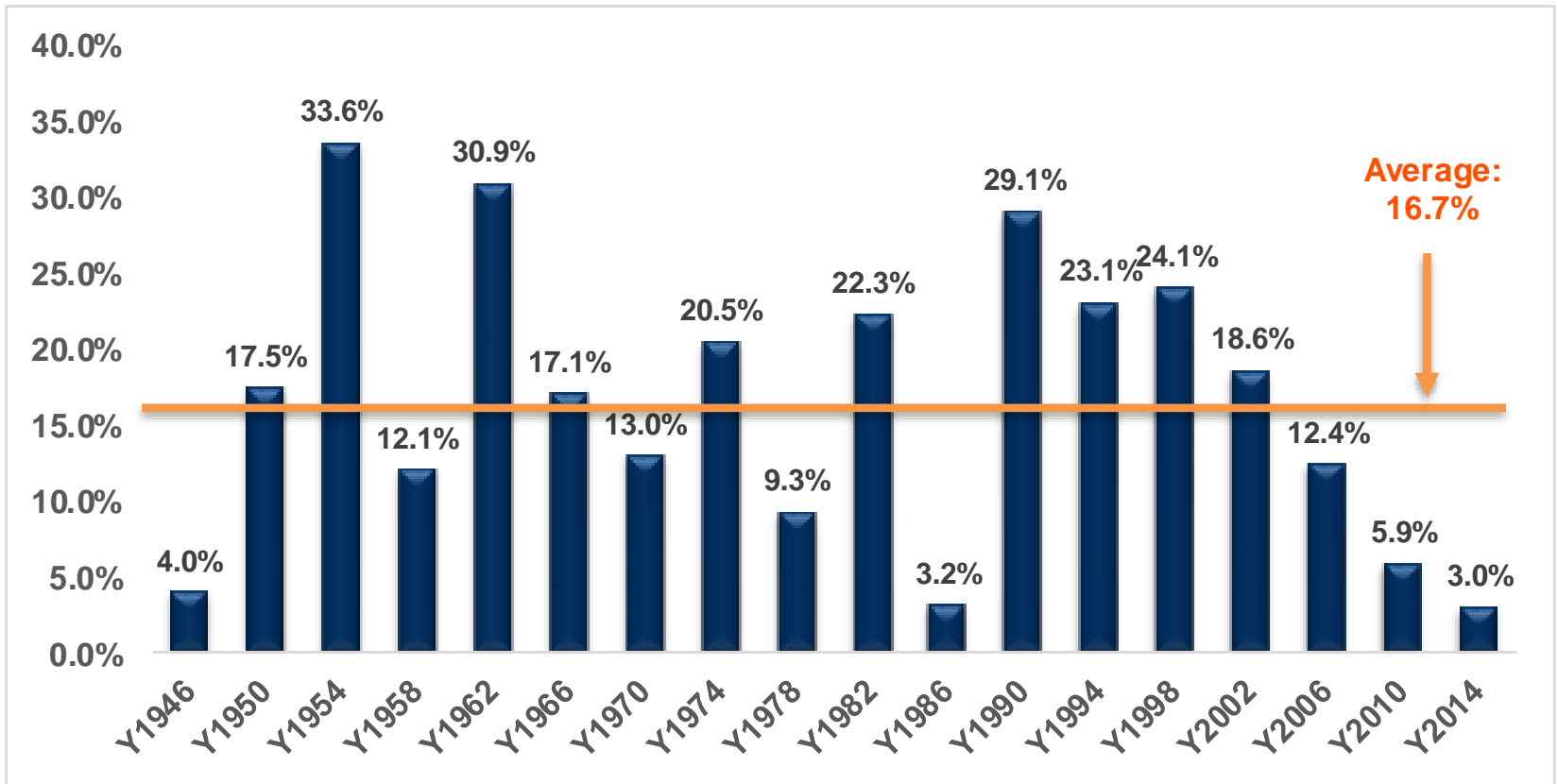
SEASONAL ROTATION STRATEGY

PacerETFs.com

The screenshot shows the PacerETFs.com website. At the top left is the PacerETFs logo, which consists of a circular icon with a horse silhouette and the text "PACER ETFs". To the right of the logo is the contact information: "info@pacereffs.com | 877-337-0500" followed by social media icons for Twitter and LinkedIn, and a "Logout" link. Below this is a dark blue navigation bar with the following menu items: "Home", "Pacer ETFs", "About Us", "Resources", and "Contact Us". On the right side of the navigation bar is a "Login/Register" button. The main content area features a large banner with a background image of a tree on a hill, split vertically to show autumn foliage on the left and winter snow on the right. The banner text reads: "INTRODUCING Pacer CFRA-Stovall Equal Weight Seasonal Rotation ETF" and "Ticker: SZNE". Below the text is a "Learn more" button with a play icon. At the bottom of the banner, there are four small circular indicators, with the second one from the left being white and the others grey. Below the banner is a text block stating: "Pacer ETFs is a 7-time award winning exchange traded fund provider that has been recognized for its client-focused philosophy."

THE POST-ELECTION POP

S&P 500 Price Returns Following Mid-Term Elections



CLIMBING THE WALL OF WORRY

CFRA EXPECTATIONS:

- Inflation should peak in August and moderate in coming quarters
- The Fed will raise rates two more times in 2018 and 3X in 2019.
- The economic expansion is not getting overheated
- The trade sanctions will not likely morph into a full-blown war
- Small caps & the Nasdaq hint at a new high for the S&P 500



Client Services:
+1 212.981.1062
cservices@cfraresearch.com

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