

Davenport Asset Management presents:

Virtual Investor Summit Series

Navigating an Unsettled Yield Curve:

2022-23 Review and Outlook

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Davenport & Company LLC Member NYSE-FINRA-SIPC

Virtual Investor Summit Series



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Important Disclosures:

The information presented is intended for informational purposes only, and has been compiled from sources believed to be reliable, however, there is no guarantee of its accuracy or completeness.

Negative Yielding Debt



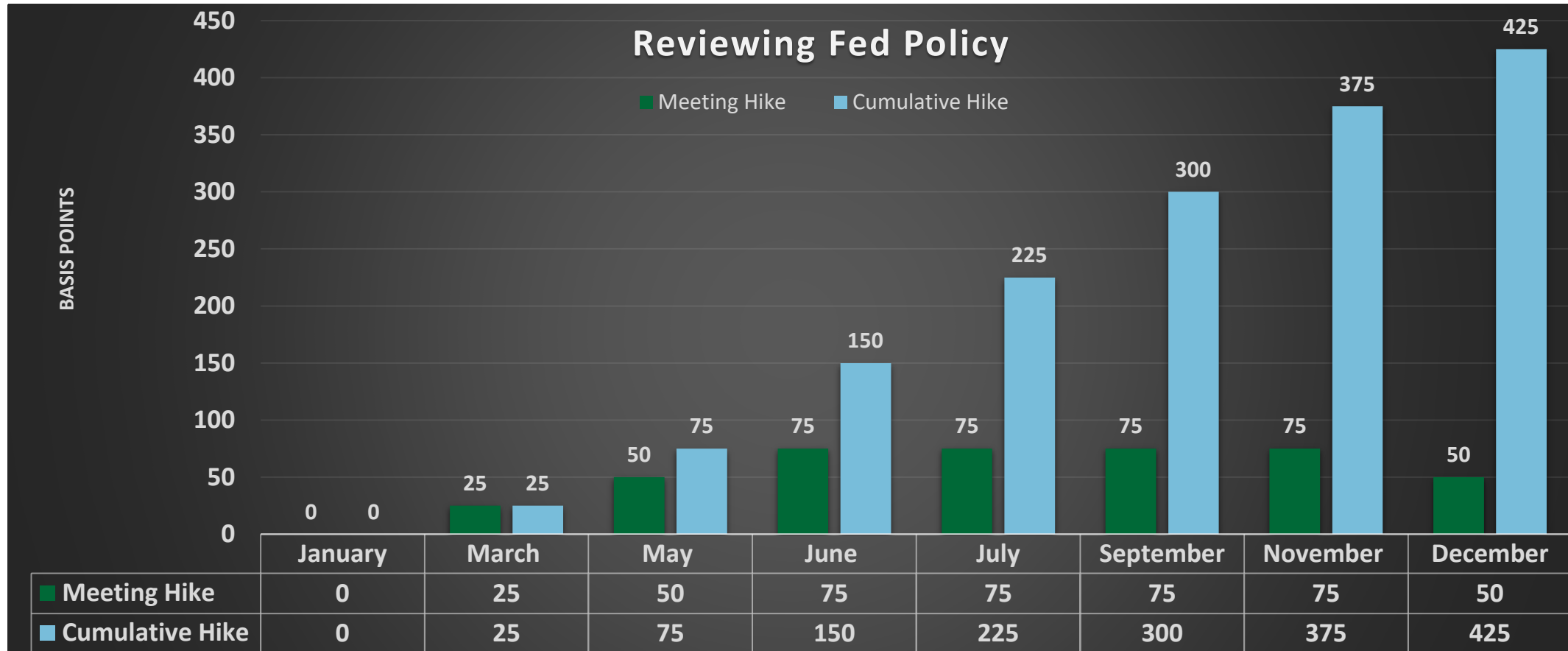
Source: Bloomberg

- Global negative yielding debt reached \$18.4 trillion during 2020 as central banks flooded the global economy with liquidity**
- Fast forward to late 2022 and most of the negative yielding debt is gone as the focus has turned to inflation
 - In response, The U.S. Federal Reserve has led the global charge by significantly raising interest rates

*Last Price 12/13/22. ** Source: Bloomberg. Performance shown is historical and is no guarantee of future results. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness.

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Reviewing the U.S. Fed



Source: Bloomberg

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What is the yield curve telling us?

2 Year Treasury Yield



Source: Bloomberg

2022 US Treasury Curve



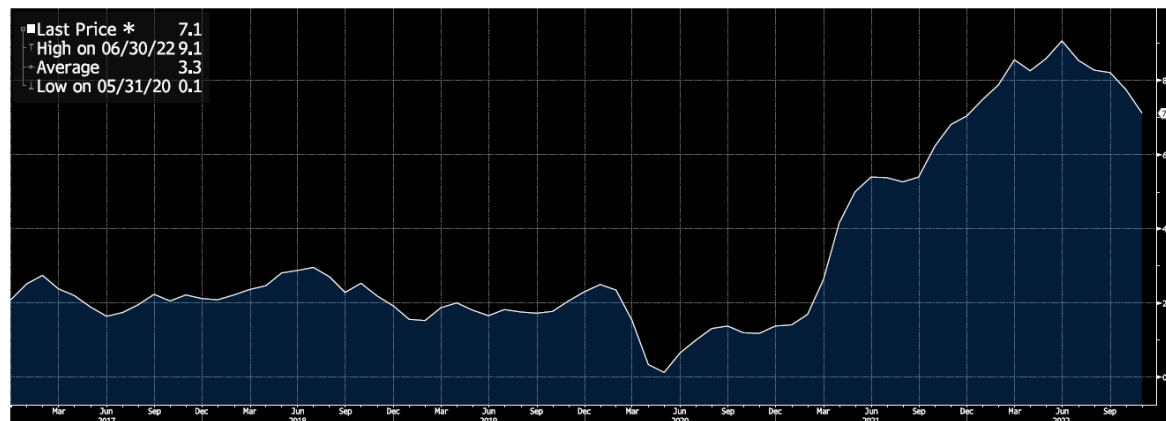
Source: Bloomberg

- Interest rates have moved precipitously higher at all maturities
- Structurally, the inversion speaks to recessionary concerns
- U.S. Treasury rates are the foundation of capital markets and a clear repricing occurred

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Where now?

CPI YOY Index 12/31/16 - 12/14/22



Source: Bloomberg

30 Year Mortgage 12/14/21 - 12/13/22



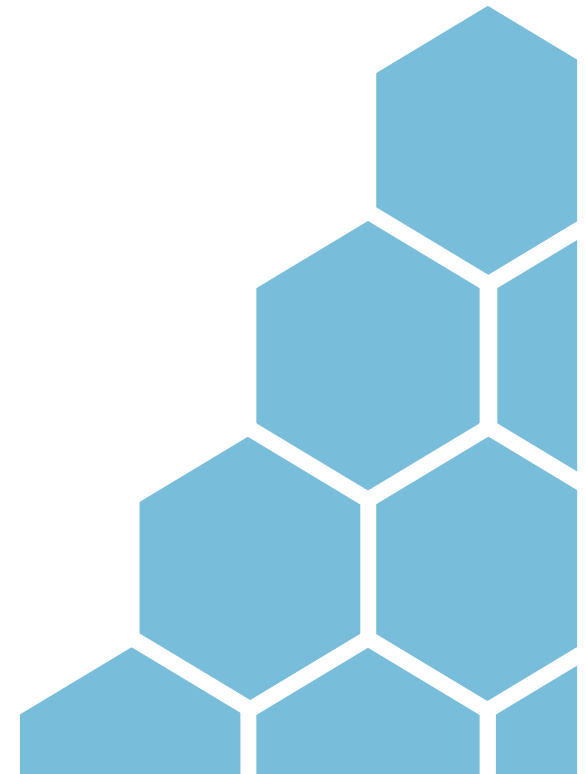
Source: Bloomberg

- 2022 proved inflation wasn't a transitory phenomenon
- Double digit inflation has greatly impacted the economy and capital markets
- Inflation has likely peaked but remains at very elevated levels, recall the Fed target is 2%
- Mortgage rates have more than doubled this year in tandem with ongoing Fed rate hikes

*Last Price 12/14/22. **Mid Price 12/13/22. Performance shown is historical and is no guarantee of future results. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness.

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Questions?



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Index Definitions:

CPI YOY INDEX: This index uses CPURNSA Index (US CPI Urban Consumers YoY NSA for ((Current Month - Prior value for same month last year)/ Prior value for same month last year))*100. Then the value is rounded to 1 decimal place. This CPI represents changes in prices of all goods and services purchased for consumption by urban households. User fees (such as water and sewer service) and sales and excise taxes paid by the consumer are also included. **Bloomberg US Corporate Statistics Index:** The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. **Bloomberg Global Agg Neg Yielding Debt Market Value USD:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty- five local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. This index is a carveout of the global aggregate, with an additional rule that is it only includes bonds with negative yield to worst. **Bankrate.com US Home Mortgage 30 Year Fixed National Avg:** Rate includes only 30-Year Fixed Mortgage products, with and without points. This index is the Overnight National Average. You will see daily rate averages on Bankrate.com in boxes labeled overnight averages (these calculations are run after the close of the business day). Included there are rates we have collected on the previous day for a specific banking product. Overnight averages tend to be volatile. They help consumers see the movement of rates day to day. The institutions included in the overnight averages tables will be different from one day to the next, depending on which institutions' rates we gather on a particular day for presentation on the site.

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