

THE WEIGHT OF THE EVIDENCE: -1 (CAUTIOUS)

DESPITE EQUITY MARKET BOUNCE, EVIDENCE ARGUES FOR CAUTION

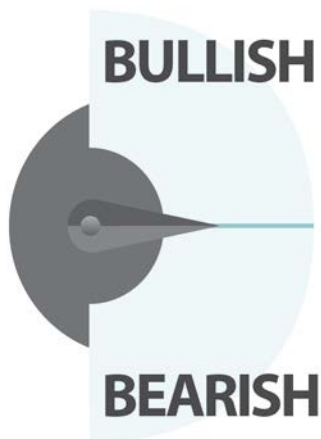
BAIRD

July 25, 2018

Please refer to Appendix – Important Disclosures.

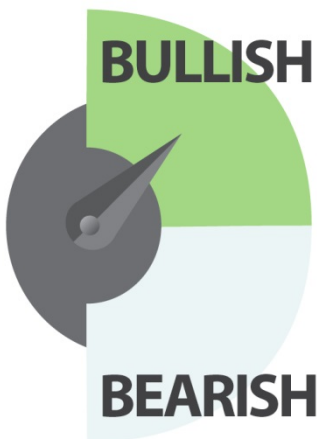
MACRO FACTORS (WHAT COULD HAPPEN):

FED POLICY



Fed continues to normalize policy by raising rates and paring back balance sheet – next hike likely in September

ECONOMIC FUNDAMENTALS



Domestic growth remains robust but there are hints of slowing growth overseas

VALUATIONS



Second-quarter earnings are meeting elevated expectations, but overall valuations remain elevated

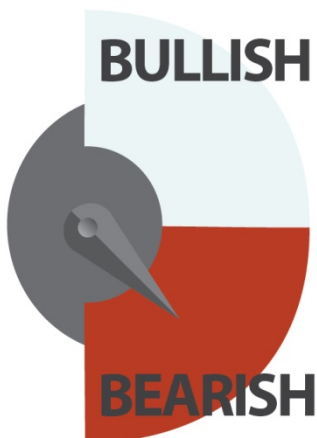
MARKET FACTORS (WHAT IS HAPPENING):

SENTIMENT



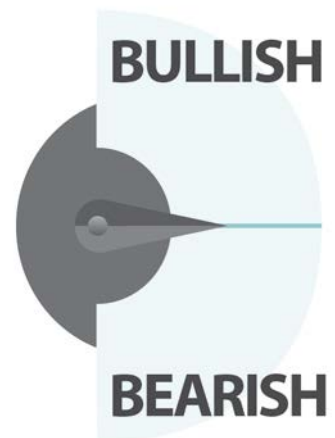
Optimism is building but remains generally shy of excessive levels

SEASONAL PATTERNS AND TRENDS



The months leading up to mid-term elections tend to be volatile for stocks

BREADTH



Broad market indicators suggest rally participation has been less than robust

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