September | 2022

WEALTH MANAGEMENT | ARVEST

INVESTMENT MANAGEMENT GROUP | ARVEST

Viewpoint

Executive Summary

- We continue to position portfolios with near benchmark weighting to risk assets (Page 2), and in full knowledge that risk assets experience material price declines just before and during recessions.

- There is still the potential for hay to be made while the sun shines. (Page 2), While risk markets often begin to form a top around three-to-six months before a recession begins, they typically advance materially prior to these pre-recession tops.

- The initial Q2 GDP figure was revised upward from -0.9% to -0.6%. (Page 5), It led the team to slightly adjust upward our quarterly forecasts for Q3 and Q4 2022. We have additionally adjusted up our FY 2022 forecast.

- We're electing to leave our Recession Pressure Gauge unchanged. (Page 6), This view largely reflects the continued resilience of the labor market and some improvement in commodities and input prices.

- Very tight labor market. (Page 8), The level of both initial and continuing jobless claims remain at near pre-pandemic levels and while job openings had recently been trending down, they did once again pick up and remain far above pre-pandemic levels.

- The Federal Open Market Committee will meet the week of September 19 to determine the magnitude of the next rate increase. (Page 9), The market is currently pricing in a 0.75% rate increase.

- A renewed rise in Treasury yield levels in August has continued through the initial days of September. (Page 12), Between the end of July and the close of business on Tuesday, September 13, yields for the 3-month through 30-year portion of the curve have pushed higher by 47.7 to 95.3 basis points.

- Recent economic data on the labor market and inflation (Page 12), have provided the market with a speculative basis for increasing the ultimate peak in the Fed funds rate.

- Although our portfolio strategy remains under continuous evaluation to respond to prevailing market and economic conditions, (Page 13), we are inclined not to make any further adjustments at this time.

- With valuations more attractive now, and further earnings growth ahead, (Page 17), potential longer term equity returns are more favorable than they have been in the past few years.

Asset Class Outlook

Equity	Current	Previous
U.S. Equity	Neutral	Neutral
Int'l Equity	Slightly Favorable	Slightly Favorable
Emer. Mkts	Slightly Favorable	Slightly Favorable

Real Assets	Current	Previous
Real Estate	Slightly Unfavorable	Slightly Unfavorable
Infrastructure	Neutral	Neutral
Commodities	Neutral	Neutral

Fixed Income	Current	Previous
Invest. Grade Credit	Neutral	Neutral
Treasury/Agency	Neutral	Neutral
Mortgage Backed	Neutral	Neutral
Commercial MBS	Slightly Favorable	Slightly Favorable
Asset Backed (ABS)	Slightly Favorable	Favorable
High Yield	Neutral	Neutral
Emer. Mkts Debt	Slightly Unfavorable	Slightly Unfavorable
Taxable Muni	Favorable	Favorable
Tax-Exempt	Neutral	Neutral
TIPS	Neutral	Neutral

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But why hold stocks if recession is 'out there'?

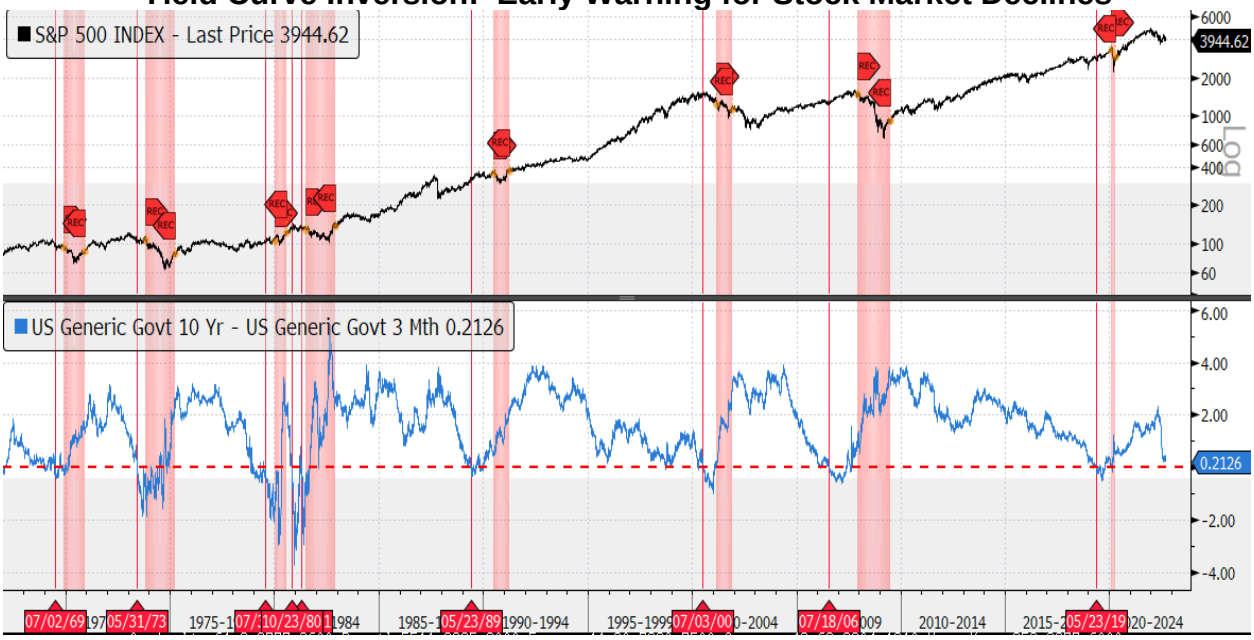
We are on record stating that the US is not currently in a recession. Yes, "technically" there were two quarters of negative GDP for the US, but it would be the only recession ever in the history of recessions where jobs are still increasing at a clip of 380,000 per month (6 mo. average: 381k; 3 mo. average: 378k).

We are also on record as stating that a 1982 style or 1990/91 style recession is likely to begin sometime in 2023. At the same time, we continue to position portfolios with near benchmark weighting to risk assets (stocks, real assets, etc.) and in full knowledge that risk assets experience material price declines just before and during recessions. So what gives?! Why remain in stocks at strategic allocation levels if a storm is (probably) on the horizon?

The simple answer is that there is still the potential for hay to be made while the sun shines. While risk markets often begin to form a top around three-to-six months before a recession begins, they typically advance materially prior to these pre-recession tops. As fiduciary money managers we must balance the risk/reward and often these are potential gains we want to deliver for our investment clients.

Additionally, there are leading indicators of recession that also provide early warnings of risk asset stress, such as the yield difference between the 10-year Treasury and 3-month treasury. These yields invert (the 3-month yield is greater than the 10-year yield) twelve months before the onset of a recession on average, and usually 3 or more months before stocks decline significantly. Currently, the 3-mo/10-y spread has not yet inverted. (graph below: 3-mo/10-y spread in lower panel; S&P 500 in upper panel)

Yield Curve Inversion: Early Warning for Stock Market Declines



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As shown, yield curve inversion occurs well before the worst of the market declines are experienced. So, while we have concerns about the Federal Reserve *eventually* raising rates too far and creating the environment for a recession, currently the balance of the risk vs. reward is still favorably tilted in the risk asset investor's favor.

Course of Action

While individual investment strategies can differ, and each investor should seek the counsel of their advisor in accordance with a holistic financial plan, generally investors should retain allocations to risk assets in line with their strategic targets.

Now, the investment observations outlined above presume a recession is on the horizon, however, it is important to first note that a soft landing is still possible—recession is not inevitable. Avoiding a recession in 2023 or 2024 is a low probability outcome by our estimation but still not a zero probability.

It is also important to note that a recession due to Federal Reserve overtightening, while still unpleasant, should not be as pernicious as the deep recessions in 2007-2009 and 2020. For example, rough, early estimations are that unemployment rates from a possible 2023 recession might approach 6ish percent—not the 10% rate of 2009 nor the near 15% rate in 2020. Concomitantly, equity market declines typical for a mild-to-moderate recession historically range from 20-35% (the U.S. stock indexes are already down about 20% from all-time highs), not the 50%+ drop from 2007 highs to 2009 lows. A recession in 2023 would not be "the big one" and so angst surrounding the potential event should be kept in check, proportionally.

Last, but not least, a quick word on Tuesday's market response to the hotter than expected CPI (inflation) data release:

In general, the equity markets reset to the post Jackson Hole levels (see equity comments for more detail). While U.S. stock market indexes dropped by 3%-4%, credit spreads did not really widen in a likewise manner. In a true risk-off event, credit pricing should have been more effected. Amongst our portfolio management and research team internal discussions, a question was raised if the equity market reaction was overblown. It is possible, particularly with options expiration this Friday, that a couple/few large institutional players may have been caught off-sides and needed to quickly reposition their trade-books. Beyond that, we would be reticent to read too much into a single day's price action, especially in the context of our regular warnings that we are in a higher-volatility environment that is likely to persist well into 2023, perhaps longer.

Clay Nickel
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Clay is responsible for the strategic investment direction of the investment models and portfolios managed by the Investment Management Group and Arvest Bank Trust. He oversees the development of capital market assumptions, the development and management of asset allocations, research on mutual funds, ETFs and outside managers, and communication of investment strategy to Arvest Wealth Management associates and clients. A graduate of Wichita State University, Clay has completed Columbia University's Academy of Certified Portfolio Management and is a member of the Chartered Financial Analyst Institute and Kansas City Society of Chartered Financial Analysts.

Economic Indicators

Emil Suqi, CFA

Current Economic Snapshot

Quarterly & Fiscal Year GDP Growth (Average Annual)

Source	FY22 (Forecast)	1Q22 (Actual)	2Q22 (Actual)	3Q22 (Forecast)	4Q22 (Forecast)	1Q23 (Forecast)
Bloomberg	**1.60%**	**-1.60%**	**-0.60%**	**1.40%**	**1.20%**	**0.95%**
AWM/IMG	**1.69%**	**-1.60%**	**-0.60%**	**1.45%**	**1.00%**	**0.58%**

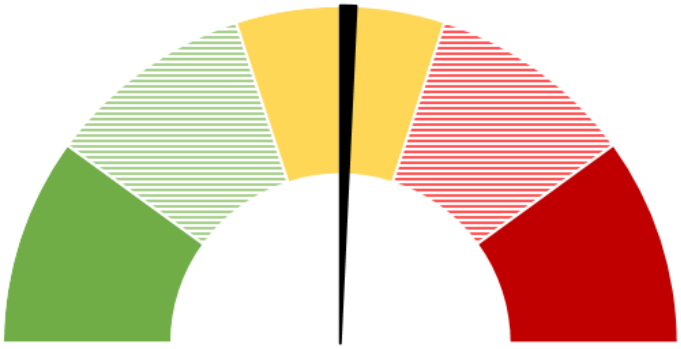
Sources: Bloomberg, Bureau of Economic Analysis; Methodology: Average Annual Return

Investment Management Group's Recession Indicators

Indicator*	Current	Previous	Short Term Trend	Long Term Trend
CB Leading Econ. Indicators	+0.0%	+1.4%	Negative	Neutral
3–Mon./10–YR. Yield Curve Spread	+0.27%	+0.29%	Neutral	Neutral
New Orders–to–Inventories	-1.8	-9.3	Negative	Neutral
Cap. Goods New Orders	+7.2	+9.4	Neutral	Positive
Initial Jobless Claims	222k	260k	Neutral	Positive
New Building Permits	1,674k	1,685k	Neutral	Positive

Sources: Bloomberg
**See the Appendix for description of each indicator*

Investment Management Group's Recession Pressure Gauge



Not Out of the Woods Yet

It has been a shade over a month since the portfolio management team published its last monthly Viewpoint and held its monthly webcast. A slate of important data points about the health of the economy has since been released. These data points, taken together, will form the basis of the Fed's interest rate policy setting process going forward. The Fed's effectiveness in tightening financial conditions, such that upward price pressure within the economy is mitigated, will largely affect the return profile of financial assets into the end of this year and next.

The initial Q2 GDP figure reported in late July was revised upward from -0.9% to -0.6%. Taking this revision into account, it led the team to slightly adjust upward our quarterly forecasts for Q3 and Q4 2022. We have additionally adjusted up our FY 2022 forecast. We continue to see some of the anomalous contributors to the decline in Q1 and Q2 GDP reverse, specifically the trade balance tightening further in July, continuing a 4-month trend, that should result in a positive net export contribution to Q3 GDP.

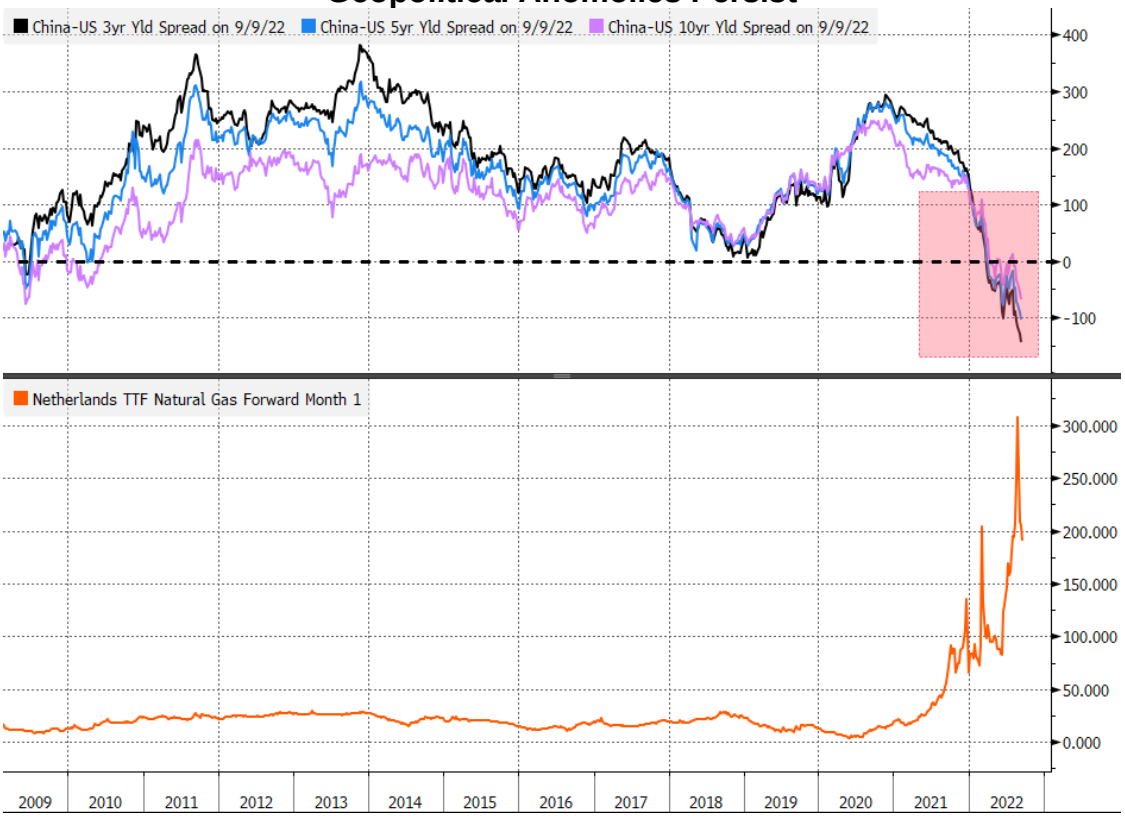
Economic Indicators

Emil Suqi, CFA

Domestically, a looming rail workers strike could add to inflationary pressure, as reports emerge that railways have halted some grain and animal-feed shipments, and most have put a stop to ammonia fertilizer and hazardous items to ensure sensitive cargo is not left unsecured. Early indications are that a potential strike would cause a 0.01% impact to domestic output, daily.

Geopolitically, the stalemate in Ukraine has led to reverberations that are being felt across Europe in the form of skyrocketing energy costs (see chart below, bottom panel). This situation has materialized as a result of Russia shutting off gas flows to Europe from the Nord Stream 1 pipeline in retaliation for continued economic sanctions levied on the country. This situation underscores the difficulty the European Central Bank (ECB) will have in reigning in price pressures of their own. In Asia, China continues to stubbornly pursue a zero COVID policy, most recently locking down the western province city of Chengdu. Interestingly, Chinese bond yields across the 3-, 5- and 10-year maturities are now providing a lower yield than the requisite U.S. Treasury bonds; a peculiar situation considering China's emerging market status and the embedded risks that accompany such a country (see chart below, top panel).

Geopolitical Anomolies Persist



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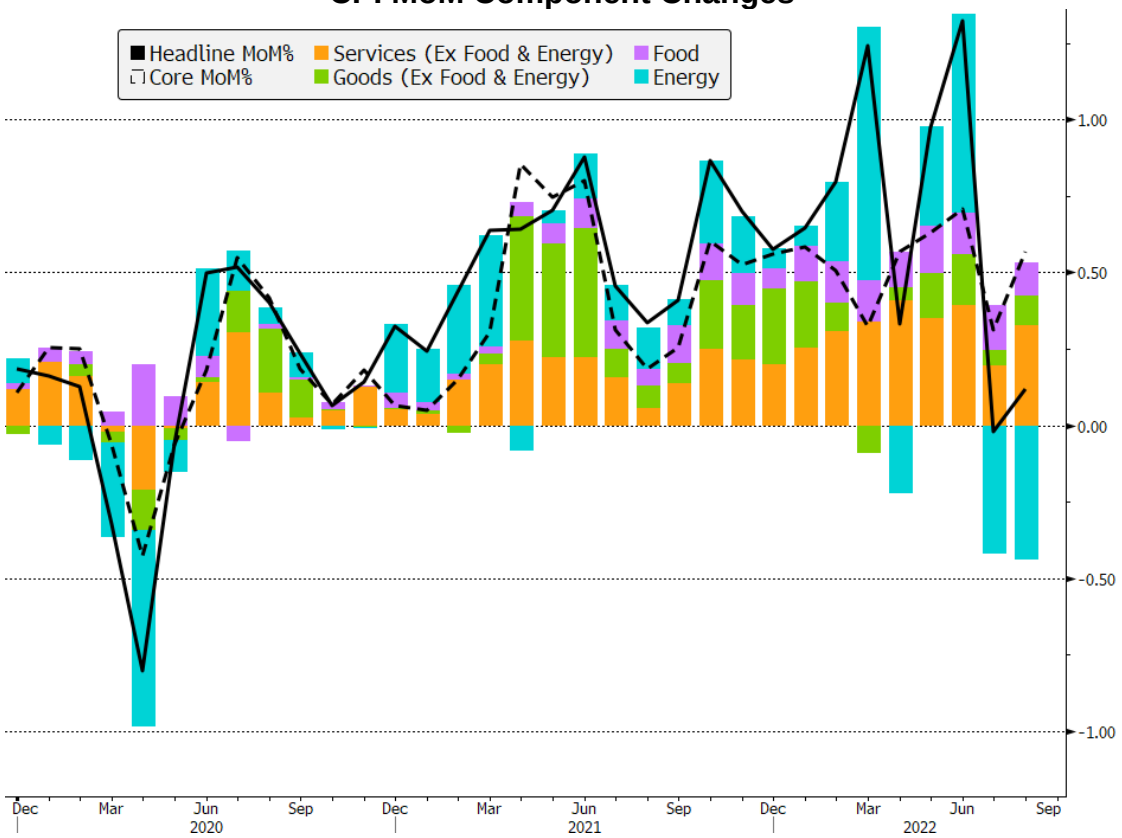
The Conference Board Leading Economic Indicators Index (a basket of ten financial and non-financial economic components) has declined further and now resides at a level of zero. Should that index dip into negative territory, this has historically been consistent with a turn in business cycle activity by about 6-7 months. The 3mo/10yr U.S. Treasury spread is still positive but has come very close to inversion (at a spread of about 0.27%). Every point along the U.S. Treasury yield curve is now inverted (longer term yield less than shorter term) against the 1-year U.S. Treasury. We're electing to leave our Recession Pressure Gauge unchanged at this juncture. This view largely reflects the continued resilience of the labor market and some improvement in

commodities and input prices that have resulted in a small improvement in new orders and some inventory depletion, further underscoring a thawing in global supply chains.

In August, we thoroughly dissected the contributors and detractors of Q2 GDP as well as the states of the housing and labor markets. We will touch on the latter as labor remains historically tight (i.e., a surplus of jobs, with few workers). However, we do have the benefit of a fresh Consumer Price Index (CPI) print that will largely dictate the tightness of financial conditions and, ultimately, the probability that the economy slips into a fresh recession.

CPI MoM Component Changes



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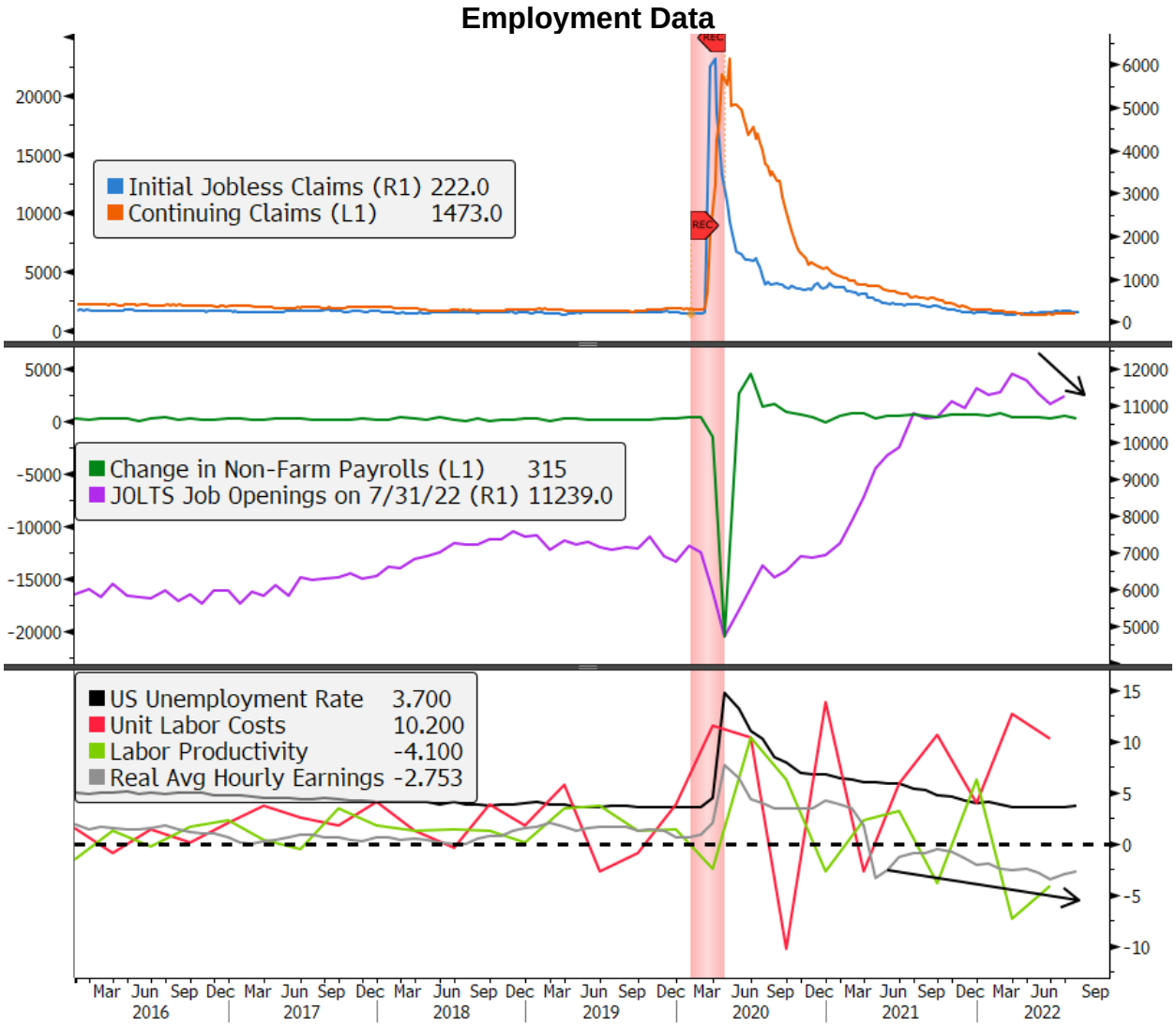
In the chart above, we have again deconstructed the month over month (MoM) components of CPI as well as the MoM change in both the headline and core (ex. energy and food) measures. The headline figure increased by 0.1% and the core measure increased 0.6%, MoM. For the second consecutive month, energy has led declines. This was again driven by a 10.6% decline in the gasoline index. Increases were again broader based, with shelter, food and medical care representing the largest of the many contributors.

Recall that the rent and owner's equivalent rent indices are responsible for about 40% of the core and 30% of the headline measure; these indices each increased at 0.7% MoM and prove to be stickier and often lag other expenditure categories as leases are renewed. Used car prices were down slightly (-0.1%) and airfares also were lower by 4.6%, continuing a 3-month downward trend, likely on the back of easing gasoline prices.

All told, the August CPI print points to a consumer base that is largely keeping up with the pace of price pressures, driven largely by nominal (i.e., not adjusted for inflation) wage gains and a

very tight labor market. In the chart below (top panel) that we alluded to earlier, the level of both initial and continuing jobless claims remain at near pre-pandemic levels and while job openings (middle panel) had recently been trending down, they did once again pick up and remain far above pre-pandemic levels. This labor market strength takes place under the backdrop of continued decreases in real (inflation adjusted) wages chart below, (bottom panel).



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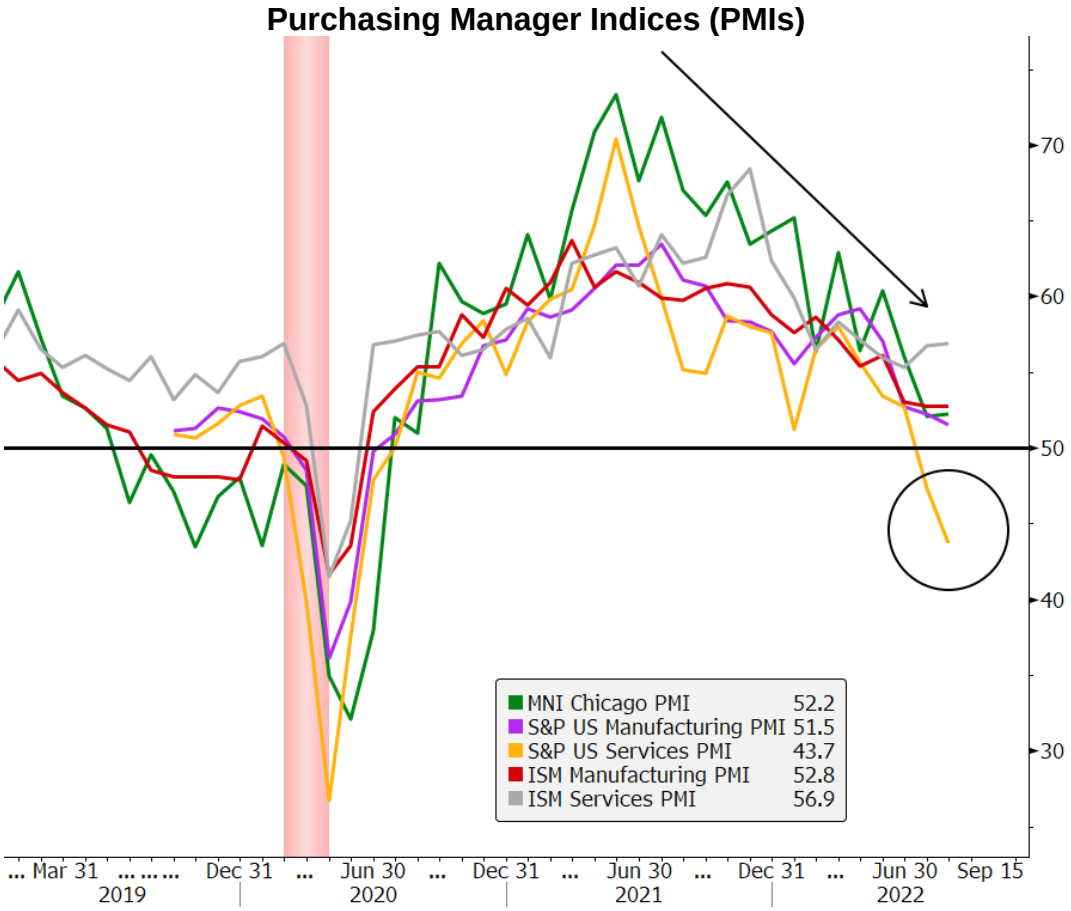
Our colleague, Alex Jantsch, alluded to a divergence in Purchasing Manager Index (PMIs) levels and direction, with respect to services, in the most recent Weekly Market Insights. The measure calculated by ISM improved, while the measure calculated by S&P deteriorated further. While the divergence was attributed to methodology, it nonetheless underscores the continued mixed economic signals being received by managers responsible for decision making. Most of the measures remain within expansionary territory, constituted by a level over 50 (chart below). While the trend in these survey measures has been negative since the middle of 2021, they are not yet at levels that would be consistent with the expectation of economic contraction.

Economic Indicators

Emil Suqi, CFA



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We were cautious to avoid calling a peak in inflation figures following the softer than expected July release. This week's August CPI results avow that caution. The Federal Open Market Committee (FOMC) did not meet in August but will meet the week of September 19 to determine the magnitude of the next rate increase. The market is currently pricing (see chart below) in a 0.75% rate increase at September's meeting. For the uninitiated, in the chart below each "hike" corresponds to a 0.25% increase in the benchmark overnight Fed Funds Rate (i.e., the rate at which banks lend to each other and can be directly controlled by the Federal Reserve). Multiple members of the Fed's board of governors have recently stated in interviews that they are resolute in their mission to curtail inflation and return the level back to their 2% target; going so far as to acknowledge the inflationary backdrop that culminated in the Paul Volcker led tightening of the early 1980s. While the same set of macro-economic factors do not exist today, if one were to take the Fed Board at face, then their hawkish tone is one that should not be ignored.

Economic Indicators

Emil Suqi, CFA

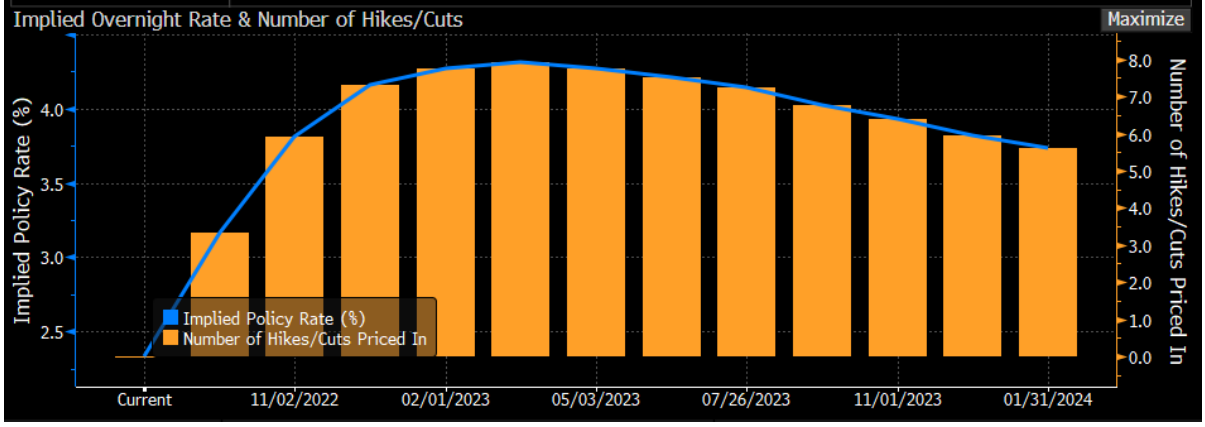
Fed Fund Futures Market Implied Rates

Region: United States »

Instrument: Fed Funds Futures »

Target Rate	2.50	Pricing Date	09/13/2022
Effective Rate	2.33	Cur. Imp. O/N Rate	2.332

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/21/2022	+3.321	+332.1%	+0.830	3.163	0.250
11/02/2022	+5.921	+259.9%	+1.480	3.812	0.250
12/14/2022	+7.321	+140.1%	+1.830	4.163	0.250
02/01/2023	+7.760	+43.8%	+1.940	4.272	0.250
03/22/2023	+7.921	+16.2%	+1.980	4.313	0.250
05/03/2023	+7.766	-15.5%	+1.942	4.274	0.250
06/14/2023	+7.514	-25.2%	+1.879	4.211	0.250
07/26/2023	+7.241	-27.3%	+1.810	4.142	0.250
09/20/2023	+6.771	-47.0%	+1.693	4.025	0.250
11/01/2023	+6.378	-39.3%	+1.594	3.927	0.250
12/13/2023	+5.942	-43.6%	+1.486	3.818	0.250
01/31/2024	+5.601	-34.1%	+1.400	3.733	0.250



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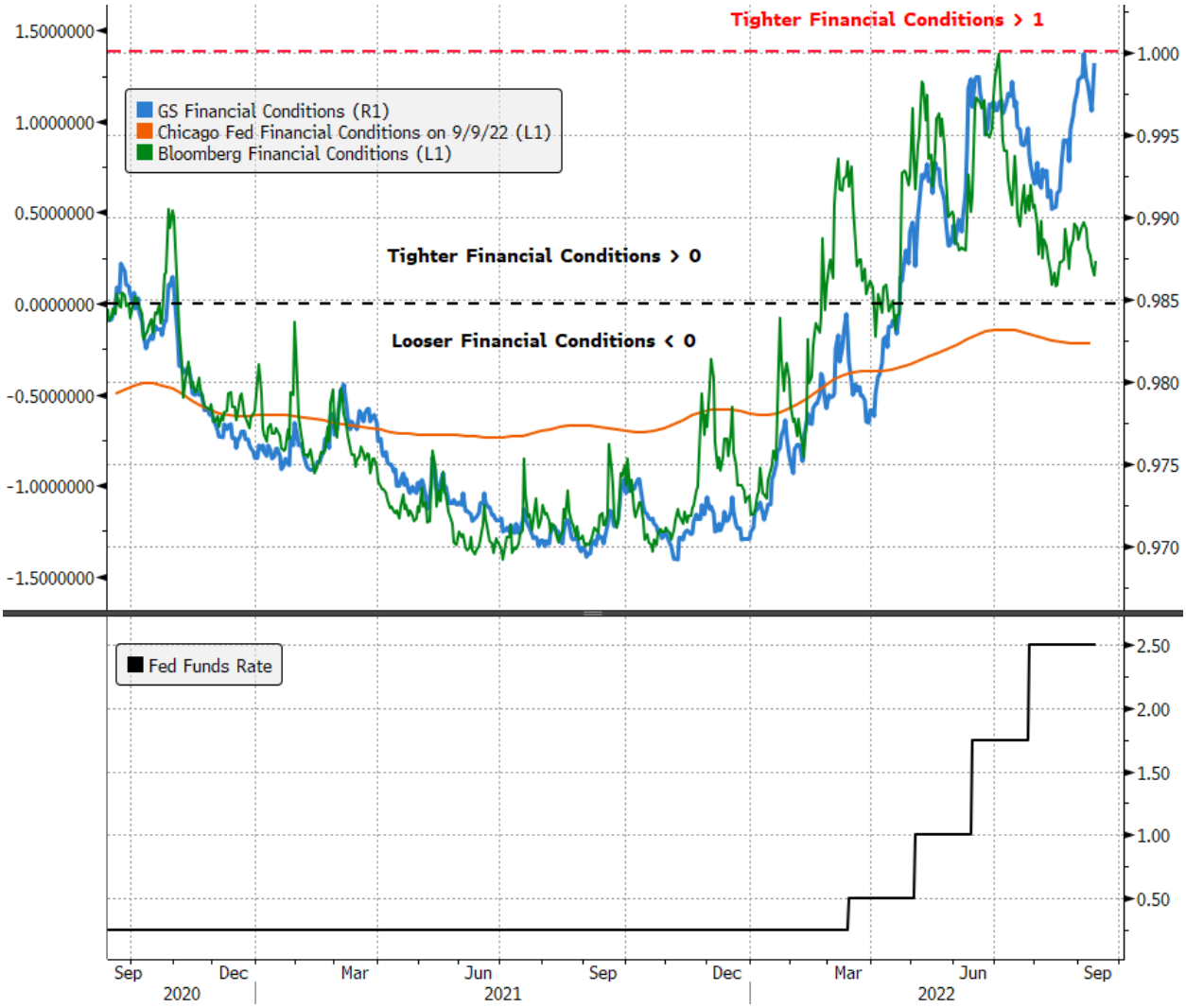
This week's CPI data pointed to an economy that is still facing price pressures and the labor market remains historically tight. Data released by regional Federal Reserve Banks and Purchasing Manager Indices give fuel to the idea that economic activity is slowing but has not yet halted. This is largely due to slowing, but still positive consumption activity. This will likely push the Fed to tighten financial conditions further and keep them there until the desired effect is achieved. Please see the chart below (top panel) for three measures of financial conditions issued by Goldman Sachs, Bloomberg and the Federal Reserve Bank of Chicago. While we do not see a recession as an immediate concern, we do acknowledge that the tighter the Fed will have to take financial conditions, the greater that probability increases.

Economic Indicators

Emil Suqi, CFA

Financial Conditions Indices and Fed Funds Rate



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Emil manages fixed-income separate account portfolios for Arvest Wealth Management Trust and Investment Management Group clients. Additionally, he contributes to fixed-income investment strategy and outlooks, as well as client and advisor communications and presentations. A graduate of the University of Illinois, Emil is a CFA Charterholder, a member of the Chartered Financial Analyst Institute and CFA Society of Kansas City.

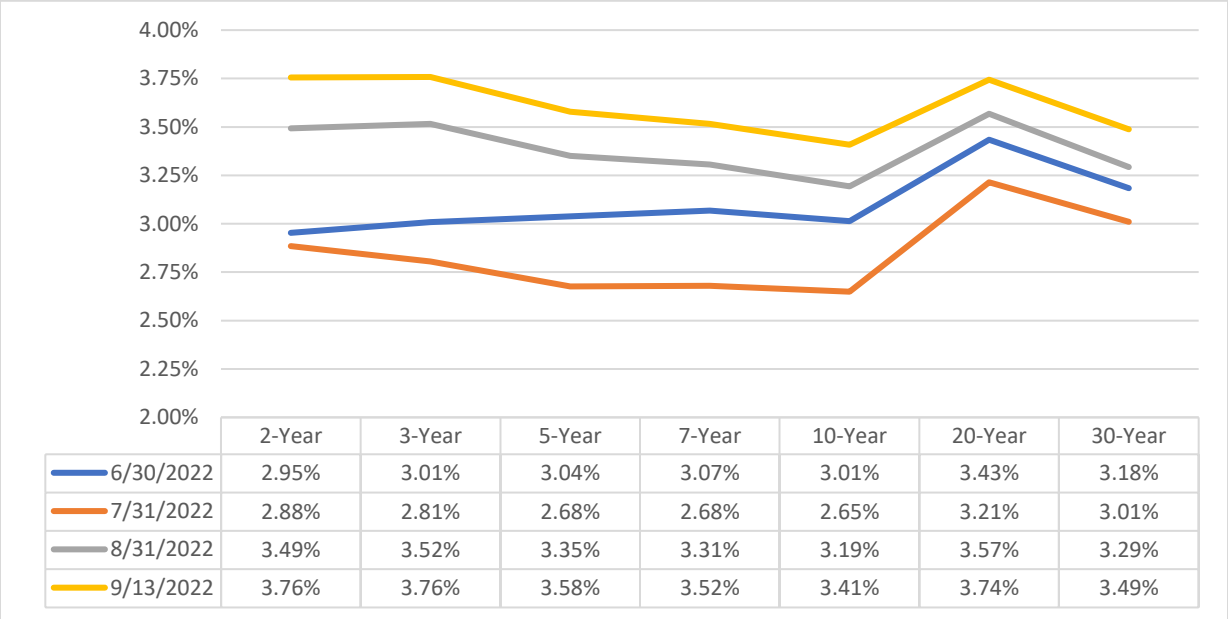
Bond Market

Dennis J. Whittaker, CFA

Onward & Upward

After experiencing a brief reprieve during the month of July, bond investors experienced a renewed rise in Treasury yield levels in August that has been continued through the initial days of September. Indeed, between the end of July and the close of business on Tuesday, September 13, 2022, yields for the 3-month through 30-year portion of the curve have pushed higher by 47.7 to 95.3 basis points. As a result, the yield on the 10-year Treasury has firmly moved into the 3.25%-3.50% range that we had previously entertained as an area upon which we might consider an expansion of our current portfolio duration band of 87.5%-97.5% of the passive benchmark to something closer to a neutral stance.

Treasury Yield Curve



	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year
6/30/2022	2.95%	3.01%	3.04%	3.07%	3.01%	3.43%	3.18%
7/31/2022	2.88%	2.81%	2.68%	2.68%	2.65%	3.21%	3.01%
8/31/2022	3.49%	3.52%	3.35%	3.31%	3.19%	3.57%	3.29%
9/13/2022	3.76%	3.76%	3.58%	3.52%	3.41%	3.74%	3.49%

Source: Bloomberg

As Emil detailed in his Economic Comments section above, recent economic data on the labor market and inflation have provided the market with a speculative basis for increasing the ultimate peak in the Fed Funds rate. Specifically, the peak in yields along the Fed Funds futures contract curve for March 2023 has risen from 3.48% at the time of our last written publication to 4.313% at the close of business on Tuesday, September 13, 2022. It is our view that this reassessment of the potential peak for the administrated overnight lending rate has been a critical factor in the recent rise in Treasury yield levels.

Moreover, we have become entranced by the deeper inversion that has occurred for the 5-year Treasury note/30-year bond relationship in recent days. As can be evidenced from the chart below, an inversion of this part of the curve has been an infrequent occurrence over the past several years. Indeed, outside of this calendar year, the last such occurrence was in 2006.

Bond Market

Dennis J. Whittaker, CFA

5-30 Year Relationship Turns Negative

Source: Bloomberg

A lot of ink has been spilled on the topic of yield curve inversions, and we are significant believers in the signal provided by the 3-month/10-year relationship as also detailed in Emil's Economic Comments. As such, we are not going to spend a great deal of time pontificating on this relationship beyond stating that we believe it lends some credence to the notion that the Federal Reserve may well need to engineer a recession to accomplish its goal of bringing inflation back down to its policy targeted area of 2%.

Unfortunately, the August CPI report indicates that the Fed remains some distance from accomplishing its goals. In our view, the rise in the core (excludes food and energy) CPI index was broad-based in August with core goods prices rising by +0.5% (+6.0% annualized over the last three months) and core services increasing by +0.6% (+6.7% annualized over the last three months). Indeed, our fear is that if the rate of increase in core inflation does not begin to show some signs of slowing in the next couple of months that the Fed will find a need to push its overnight lending rate further and further into restrictive territory, which has definitive implications for the bond market and spread sectors.

Specifically, we admit to some temptation to lift our overall portfolio duration band given the significant movement in yield levels over the past several weeks. Nevertheless, we also admit to having our confidence in making such a movement shaken by the August CPI report and worry that inflation may prove sticker and more sustainable than we would have previously anticipated. Although our portfolio strategy remains under continuous evaluation to respond to prevailing market and economic conditions, we are inclined not to make any further adjustments at this time. Still, we suspect that the market is pricing in a very significant portion of the rate increases likely to be employed by the Federal Reserve in this cycle and that the time is approaching in which investors will want to have duration positioned to neutral relative to the benchmark level.

Bond Market

Dennis J. Whittaker, CFA

Meanwhile, we remain committed to our overweight positions in asset backed securities (ABS), commercial mortgage-backed securities (CMBS) and taxable municipal securities. Still, we note that the option adjusted spread (OAS) for the Bloomberg ABS index has compressed from a recent peak of 82 on July 29, 2022 to 58 on September 13, 2022 and sits just 2 basis points above its average reading (56) since the beginning of 2010. As such, we did downgrade our "view" of the ABS sector from "Favorable" to "Slightly Favorable."

Conversely, the OAS for the mortgage-backed securities (MBS) index has pushed wider from a recent nadir of 26 on August 15, 2022 to 53 on September 13, 2022 and sits comfortably above the range of 40-50 we had initially established to move toward a neutral weighting versus the passive benchmark. As such, we remain comfortable with our current positioning in the MBS sector despite the potential for some underperformance related to interest rate volatility and the possible impact from the Federal Reserve's quantitative tightening (QT) program.

We continue to suspect that a more difficult economic growth environment will result in additional pressure on operating margins and, hence, pre-tax coverage of interest obligations at a time when leverage in the investment grade sector remains higher than we would desire (note: JP Morgan estimates leverage, as measured by debt to EBITDA, at 2.9x as of June 30, 2022. Although this is down from its most recent peak, it remains above levels that prevailed during the earlier part of the 2010-decade). Moreover, we worry that the slowdown in high yield bond issuance that has occurred in 2022 could portend a more difficult funding environment that might exert additional pressure on spreads. As such, we remain comfortable with our underweight on the investment grade corporate bond sector at this time.

Finally, we would be remiss if we did not acknowledge that the tax-exempt bond market also has seen a significant back-up in yield levels in recent weeks. Yields for the AAA Municipal Market Data (MMD) General Obligation (GO) curve rose between 50-90 basis between the end of July 2022 and Friday, September 9, 2022. As a result of the recent movement in yields, the yield on the 30-year point of the curve moved above 3.50% for the first time since late April 2014. Valuations in the shorter-dated portions (2-5-year segment) continue to look stretched to us, but between the rise in nominal yields levels and present municipal to Treasury valuations, we do see some value in the 9-15-year segment of the tax-exempt curve.

Bond Market

Dennis J. Whittaker, CFA

Bond Market Considerations Table

	9/13/2022	7/31/2022	Change	6/30/2022	Change	12/31/2021	Change
2-Year Tsy	3.76%	2.88%	0.87%	2.95%	0.80%	0.73%	3.02%
3-Year Tsy	3.76%	2.81%	0.95%	3.01%	0.75%	0.96%	2.80%
5-Year Tsy	3.58%	2.68%	0.90%	3.04%	0.54%	1.26%	2.32%
7-Year Tsy	3.52%	2.68%	0.84%	3.07%	0.45%	1.44%	2.08%
10-Year Tsy	3.41%	2.65%	0.76%	3.01%	0.40%	1.51%	1.90%
30-Year Tsy	3.49%	3.01%	0.48%	3.18%	0.30%	1.90%	1.58%
3MO-10YR	14.20	23.71	-9.51	130.49	-116.30	145.18	-130.98
2YR-10YR	-34.80	-23.50	-11.30	6.00	-40.80	77.40	-112.20
3YR-10YR	-35.00	-15.60	-19.40	0.50	-35.50	55.06	-90.06
5YR-30YR	-9.20	33.40	-42.60	14.50	-23.70	63.86	-73.06
10YR-30YR	7.90	36.10	-28.20	17.00	-9.10	39.14	-31.24
5YR BE	262.63	280.68	-18.05	261.73	0.90	290.63	-28.00
10YR BE	244.13	255.26	-11.13	234.49	9.64	259.47	-15.34
30 Year BE	234.08	230.95	3.13	220.55	13.53	237.97	-3.89
IG OAS	141.00	144.00	-3.00	155.00	-14.00	92.00	49.00
HY OAS	457.00	469.00	-12.00	569.00	-112.00	283.00	174.00
HY OAS/IG OAS	3.24	3.26	-0.02	3.67	-0.43	3.08	0.17
USD FRA/OIS 3M	1.00	24.50	-23.50	18.50	-17.50	6.90	-5.90
MBS OAS	53.00	27.00	26.00	46.00	7.00	31.00	22.00
MOVE	128.87	116.36	12.51	135.50	-6.63	77.10	51.77
ABS OAS	58.00	82.00	-24.00	75.00	-17.00	38.00	20.00
CMBS OAS	103.00	106.00	-3.00	101.00	2.00	68.00	35.00
Agcy	51.00	54.00	-3.00	45.00	6.00	38.00	13.00
Taxable Muni OAS	127.00	140.00	-13.00	127.00	0.00	94.00	33.00
EM USD OAS	355.00	405.00	-50.00	407.00	-52.00	297.00	58.00
EM OAS/HY OAS	0.78	0.86	-0.09	0.72	0.06	1.05	-0.27

Source: Bloomberg; ARVEST Wealth Management

Municipal to Treasury Yield Relative Valuation Considerations

Maturity (in Years)	9/9/2022	9/9/2021	3-Month Avg.	6-Month Avg.	12-Month Avg.	3-Year Average	1 Year High	1 Year Low	Diff vs 1 YR Low	Dif to 1YR Avg	Dif to 3YR Avg
2	64.89%	47.83%	60.19%	69.27%	60.97%	98.32%	89.53%	31.58%	33.31%	3.92%	-33.44%
3	64.27%	39.53%	62.07%	69.89%	58.98%	88.20%	90.18%	34.62%	29.65%	5.28%	-23.93%
4	66.53%	45.68%	65.22%	72.05%	62.42%	82.60%	90.03%	39.43%	27.10%	4.11%	-16.06%
5	69.57%	51.90%	67.65%	74.08%	65.11%	82.06%	91.17%	43.80%	25.77%	4.45%	-12.50%
6	72.29%	57.51%	71.73%	77.14%	69.69%	82.00%	94.85%	50.82%	21.47%	2.59%	-9.72%
7	73.98%	61.11%	74.99%	80.09%	73.08%	82.68%	98.26%	55.56%	18.42%	0.90%	-8.70%
8	76.58%	66.55%	77.96%	82.80%	76.70%	86.65%	100.91%	59.18%	17.40%	-0.12%	-10.07%
9	80.86%	69.92%	81.35%	85.53%	79.06%	89.22%	102.99%	60.57%	20.29%	1.80%	-8.35%
10	82.28%	72.31%	83.76%	87.90%	81.13%	90.79%	105.40%	62.57%	19.71%	1.15%	-8.50%
11	85.40%	73.86%	85.75%	89.22%	81.87%	92.56%	106.03%	62.14%	23.25%	3.53%	-7.16%
12	87.69%	74.63%	87.00%	89.83%	82.03%	93.57%	105.32%	61.84%	25.85%	5.65%	-5.89%
15	89.04%	74.17%	87.02%	89.42%	81.35%	93.82%	103.23%	63.02%	26.02%	7.69%	-4.78%
20	89.76%	73.22%	86.87%	88.34%	80.60%	90.43%	100.00%	64.15%	25.61%	9.16%	-0.67%
30	101.48%	80.57%	98.01%	99.04%	91.00%	94.24%	110.07%	72.96%	28.52%	10.48%	7.24%

Source: TM3; Bloomberg; ARVEST Wealth Management

Bond Market

Dennis J. Whittaker, CFA

Dennis Whittaker, CFA

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Dennis is responsible for the construction and management of several fixed income portfolios. Prior to rejoining Arvest Wealth Management in 2006, he managed a tax-exempt mutual fund for an investment advisory firm and prepared all their fixed income research. Dennis has a BSBA in economics and holds the Chartered Financial Analyst designation. He is a member of the Fixed Income Analysts Society and the Board of Directors for the Southern Municipal Finance Society, previously serving as chair, and a former member of the Board of Governors of the National Federation of Municipal Analysts.

U.S. Equity Market

Christopher Magee, Ryan Ritchie, and Bret O'Meara

By mid-August, the U.S stock market had climbed halfway off its cycle lows – and then Fed Chair Jerome Powell spoke in Wyoming. With just an eight-minute speech, the Fed chair sent the S&P down by 3.4%. Stocks had their roughest day since June, when the market bottomed in the middle of the month amid spiking interest rates and peak inflation.

In retrospect, investors agree they should have "seen it coming," given that the Fed has not weakened in its often-stated resolve to contain inflation. We believe that this forthrightness, while painful in the short term, provides investors with necessary clarity on the Fed's intentions and agenda. While investors dislike inflation and rising rates, history has shown that uncertainty and drift from the Federal Reserve lead to worse outcomes over time.

In the past, uneven strategies by the Fed to fight inflation sometimes meant that it had to turn to restrictive policy in periods of stagflation. Currently, the U.S. economy is in sound shape and should be able to absorb the Fed's harsh medicine without toppling into deep recession.

The U.S. economy is slowing, albeit from the historically high growth rates of 2021. And the labor market, while strong, is "clearly out of balance," with demand for workers substantially exceeding supply. The lower inflation readings in July were welcomed, but a single month's improvement falls short of what the FOMC needs to confirm that inflation is moving down. On September 13, the August CPI number came in a bit higher than expected, sending the S&P 500 down a staggering 4.3%. However, this only ensures that the Fed will raise rates by 75 basis points, which was all but certain anyway.

Based on low double-digit earnings growth in the first half of the year, high single to low double-digit EPS growth in 2022 is projected. Additional growth of approximately 8% is still expected in 2023. With valuations more attractive now, and further earnings growth ahead, potential longer term equity returns are more favorable than they have been in the past few years.

S&P 500 EPS, Actual and Estimates

Year	Q1	Q2	Q3	Q4	CY
2008	18.96	19.78	17.49	5.62	65.47
2009	12.83	16.03	16.36	16.80	60.80
2010	19.71	21.48	21.75	22.55	85.28
2011	23.50	24.14	25.65	24.55	97.82
2012	25.60	25.84	26.00	26.32	103.80
2013	26.74	27.40	27.63	28.62	109.68
2014	28.18	30.07	30.04	30.54	118.78
2015	28.60	30.09	29.99	29.52	117.46
2016	26.96	29.61	31.21	31.30	118.10
2017	30.90	32.58	33.45	36.02	132.00
2018	38.07	41.00	42.66	41.18	161.93
2019	39.15	41.31	42.14	41.98	162.93
2020	33.13	27.98	38.69	42.58	139.72
2021	49.13	52.58	53.72	53.95	208.12
2022	54.80	57.95	56.19	58.39	225.34
2023	57.79	60.07	61.31	63.72	243.59
2024					263.14

Source: I/B/E/S data from Refinitiv

U.S. Equity Market

Christopher Magee, Ryan Ritchie, and Bret O'Meara

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Bret O'Meara, CFA

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Bret assists and supports the management of investment portfolios through research, analysis, and trading, specializing in equity securities. He joined Arvest Wealth Management in 2010 as a member of the Retirement Plan Services Group before transitioning to the Investment Management Group. Bret has a BSBA in economics and finance and MBA. He previously worked at a Northwest Arkansas bank for two years and taught courses in accounting and economics at Northwest Arkansas Community College for six years. Bret is a CFA charterholder and a member of the CFA Society of Arkansas

Christopher Magee

Senior Equity Portfolio Manager | cmagee@arvest.com

Christopher is the lead manager of the Arvest Bank Group Equity Fund and the Investment Management Group DIG Equity Portfolio and is responsible for construction of equity portfolios for institutional and retail clients, including equity research, security selection, sector weightings and trading. Prior to joining Arvest Wealth Management in 1992, he served as a trust investment officer at a national bank in Shreveport, Louisiana and a bank in Amarillo, Texas. He has a BSBA in finance, with an emphasis in investments, and is a graduate of Cannon Financial Institute's Advanced Trust Investments School.

Ryan Ritchie

Equity Portfolio Manager | rritchie@arvest.com

Ryan is co-manager of the Arvest Bank Group Equity Fund and co-lead manager of the Investment Management Group's strategic portfolios and is responsible for the construction of equity portfolios for institutional and retail clients, including equity research, sector weightings, and trading. Additionally, he is responsible for directing the implementation of Arvest Wealth Management's equity strategy throughout trust and brokerage relationships. Ryan has a BSBA in finance with an emphasis in financial management. Ryan has been managing portfolios since 2002.

Appendix

Investment Management Group Team Members

Clay Nickel, Chief Investment Officer & Strategist

Christopher Magee, Sr Equity Portfolio Manager

Ryan Ritchie, Portfolio Manager

Bret O' Meara, Client Portfolio Manager

Dennis Whittaker, Sr Portfolio Manager

Emil Suqi, Fixed Income Portfolio Manager

Alex Jantsch, Portfolio Analyst

Josh Warner, Portfolio Analyst

Lee Musser, Portfolio Analyst

Abbey Vibhakar, Fixed Income Analyst

Jake Baker, Fixed Income Analyst

Curtis Jones, Fixed Income Analyst

Jennifer Tichenor-Turner, Adv Solutions Support Specialist

Colton Nix, Advisory Solutions Support Specialist

Dylan Goswick, Fixed Income/Equity Portfolio Specialist

Charles Kurtz, Executive Assistant

Description of IMG Recession Indicators

- Conference Board Leading Economic Indicators (LEI) - The indicator tracks the Year-over-Year percentage change in the Conference Board Leading Economic Indicators Index. The index is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables.

- U.S. Treasury Yield Curve (3-month to 10-year Spread) – This indicator measures the spread between the fixed income yields of the 3-month Treasury Bill and the 10-Year Treasury Bond. The lower this number, the flatter the yield curve is. The flatter the yield curve is, the less longer term investors are getting compensated over shorter term investors for the inherent interest rate risk. If the spread goes below zero, this means that the yield curve has inverted.

- ISM New Orders-to-Inventories Spread – This indicator looks at the spread of reported new order levels versus reported current inventories levels. The Institute for Supply Management (ISM) surveys 300 manufacturing firms on numerous manufacturing data points to get data points for both new orders and inventories.

- Core Capital Goods (New Orders) – This indicator tracks the Year-over-Year percentage change in the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

- Initial Jobless Claims – This indicator tracks the number of initial unemployment claims of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

- New Building Permits – This indicator tracks the number of construction permits that have been issued and approved for new construction, additions to pre-existing structures, or major renovations.

DISCLAIMER: These are not the only indicators that the IMG team looks at, and no decision should (or will) be made on any single indicator. These are simply what the IMG team utilizes to *help* forecast potential for a recessionary environment.

Disclosures

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The Investment Management Group (IMG) is comprised of Arvest Wealth Management registered investment adviser representatives who provide portfolio management services with respect to certain of Arvest Wealth Management's investment advisory wrap fee programs (the "IMG managed programs").

Arvest Wealth Management does not provide tax or legal advice. Be sure to consult your own tax and legal advisors before taking any action that would have tax consequences.

Consider your investment objectives, and the risks, charge and expenses of any investment product carefully before investing. Obtain a prospectus or other product information from your Client Advisor and read it thoroughly before investing.

Investments and Insurance Products: Not a Deposit	Not Guaranteed by the Bank or its Affiliates
Not FDIC Insured | Not Insured by Any Federal Government Agency	May Go Down in Value