

Synovus Market Update

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Daniel Morgan
Senior Trust Portfolio Manager,
Synovus Trust Company



Chris Brown, CIMA®, CRPC™
Financial Advisor,
Synovus Securities, Inc.



Jarrett E. Hindrew, CFP®, ChFC®
Financial Advisor,
Creative Financial Group



David Grimaldi
Foreign Exchange
Sales Consultant,
Synovus Bank

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➔ A better start for 2023, but what lies ahead?

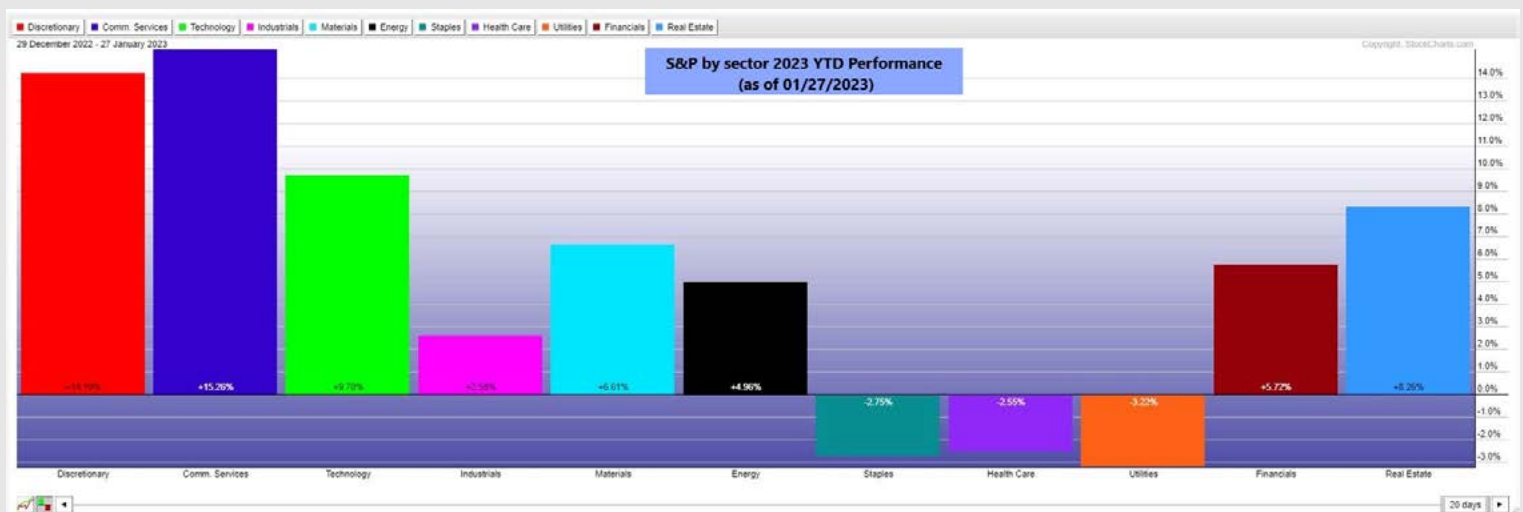
Chris Brown, Vice President Investments, Synovus Securities, Inc.

For the week ending Jan. 27, the S&P 500 was up 6.02% YTD compared to this time last year, the S&P 500 was down -9.75% as of Jan. 2, 2022. Eight of the 11 S&P sectors are positive for the year with the highest returns coming from the Communication Services sector up 15.2%, Consumer Discretionary up 14.50% YTD, and Technology up 9.85% YTD. Keep in mind these three sectors were some of the worst performing sectors in the S&P 500, racking up losses in the range of -25% to -35% in 2022.

One sector showing modest but, continued strength is energy. After a banner year of a whopping 64% return for 2022, energy continues to grind higher in January, up 4.25% YTD. This continued growth has been fueled by the reopening of China's 2022 COVID lockdowns and the

lack of current inventory of the Strategic Petroleum Reserves (SPR) now at 371MM barrels. This is the lowest level of the U.S. SPR since November 1983. This will be an area to watch as energy prices may creep higher in the upcoming months now that the second largest economy in the world, China, is back open and starting to ramp up their normal petroleum use thus, creating more global energy supply constraints.

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Source: Chart 1, StockCharts.com.



➔ The Trillion Dollar Coin

David Grimaldi, Foreign Exchange Sales Consultant,
Synovus Bank

The debt ceiling again takes center stage in Congress as both sides square off about increasing the debt ceiling. Janet Yellen dismissed the idea of the Federal Reserve accepting a One Trillion dollar platinum coin if the Biden administration attempted to mint one in order to prevent hitting the debt limit. Despite record tax receipts, we face this debate every few years.

What would the coin do?

The Treasury would mint a trillion dollar coin in which would in turn be used to reduce the debt. It is an accounting strategy supported mostly by Democrats to circumvent the Congress and GOP who oppose raising the debt ceiling.



Origins:

Bo Gritz was a Populist Party Candidate running for President in 1992. He would often campaign with a 5 inch coin to press the idea. After the Great Recession of 2008, the idea gained popularity with Democrats, as Congress was unable to present a budget and created the

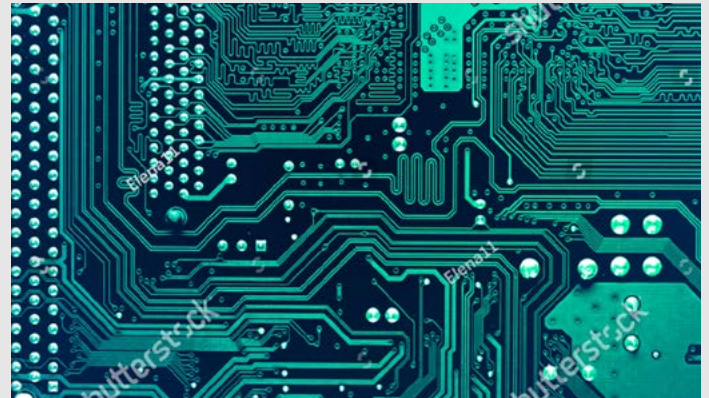
debt ceiling. Economist Paul Krugman, The Economist, The New York Times, and the Washington Post have supported this idea.

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➔ Has the Semiconductor Sector bottomed?

Daniel Morgan, Senior Portfolio Manager,
Synovus Trust Company

The semiconductor industry has historically gone through many boom-and-bust cycles over the past 25 years, whereby supply and demand fall out equilibrium leading to huge swings in the sectors sales and profits. Before the recent pull back of the SOX, (Philadelphia Stock Exchange Semiconductor Index), in January 2022 many investors pointed to the increased usage of chips beyond traditional smart phones and PCs to electric vehicles to toasters as a reason for the sector to hold on to all-time highs. The thought was that now that chips have become



so main steam, in-bedded in almost all manufactured goods, that severe peaks and troughs where less likely. Historically, semiconductor demand – such as for personal computers in the 1980s, mobile phones in the 2000s and smartphones in the 2010s – would lead manufacturers to aggressively expand capacity during peaks, while CAPEX would contract during sluggish periods. However,



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with chips now becoming a key component in industrial applications, vehicles, industrial automation, 5G infrastructure, artificial intelligence, and cloud computing. And with such applications requiring more chips per unit creating longer cycles than just consumer electronics, this was expected to lessen the industry's reliance on consumer spending and potentially smoothing revenue. For example, an electric vehicle (EV) uses more than twice the number of semiconductors than its internal combustion engine predecessor, and industry experts expect this gap to widen, basically the EV is the new smart phone.

All-in-all, these arguments made sense until the SOX corrected from January 2022 highs (SOX closed at 4,088) dropping 45% to bottom out in October 2022 (SOX closed at 2,263). Since the sector bottomed from October lows, the SOX has rallied in February 2023 up 32% (SOX close at 2,918). So, the question on all investor's mind is... "Has the semiconductor sector fully corrected and is poised to rally or are more tough times ahead"? We must remember that the semiconductor sector is the plankton of the Technology and Manufacturing ocean. That is everything requires chips in it to run. Typically, the chip sector will lead the Technology sector out of the valley and will be one of the first sectors to show green sprouts foreshadowing a pending recovery.

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➔ Financial Planning Corner: Start the year with a Financial Planning Review

Jarrett E. Hindrew, CFP®, ChFC®, Financial Advisor,
Creative Financial Group

"No one has ever achieved financial fitness with a January resolution that's abandoned by February" – Suzie Orman

At the start of the new year, typically many people make resolutions related to their physical health and fitness. Similar to an annual check-up with your trusted physician, the new year is always a good time to also conduct a financial check-up and take stock of where things stand in relation to your financial goals. Below are some steps that you can take to make sure that your year is off to a great start financially.

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We're here if you have questions.

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*Past Economic Insights newsletters are available at: <https://www.synovus.com/personal/plan-and-invest/economic-insights/>

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