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Synovus Market Update



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A macro look ahead

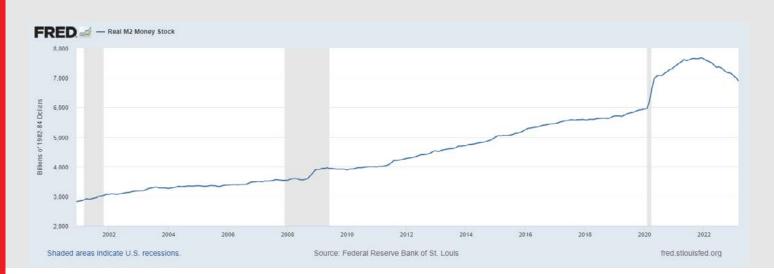
Chris Brown, Vice President — Investments, Synovus Securities, Inc.

The first quarter of 2023 is in the books and now we are facing the Q1 2023 earnings season with many forecasting the second consecutive quarter of negative year-over-year (YoY) earnings growth — also known as an earnings recession. The earnings contraction of Q4 2022, reported earlier this year, was down -3.2% and forecasters are now projecting a Q1 2023 YoY earnings of -1.6%, the lowest since Q3 of 2020.

Though this earnings season is shaping up to provide a negative print, we are finding that it is still better than expected compared to an earlier forecast in April that predicted a -5.2% for the Q1 2023 earnings season. The big surprise has been the Tech sector, where cost cuts and layoffs of top tech firms provided a better-than-expected earnings season for one of the largest cap weighted sectors of the S&P 500.

Q1 Gross Domestic Product (GDP) rose by 1.1% quarterover-quarter (QoQ) annualized where personal spending, the biggest GDP component, was up 3.7% — in line with the Atlanta Fed GDP Now Forecast of 4%. This added 248 basis points or approximately 0.25% to GDP with spending on autos and services leading the way. This indicates that we continue to see the U.S. consumer remaining resilient despite the discussed slowdown in savings rates and the M2 Money Supply, which shows a decline in overall money supply over the past four months. M2 is simply the Federal Reserve's estimate of the total money supply including all the cash people have on hand, plus all the money deposited in checking accounts, savings accounts, as well as other shortterm saving vehicles such as certificates of deposit (CDs). This has caused concern with economists since it is the fastest slowdown in money supply in 50 years.

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Protecting your deposits

Jarrett E. Hindrew, Financial Advisor

With the recent headlines of the collapse of Silicon Valley Bank (SVB) and Signature Bank in March — as well as the stress that First Republic Bank is currently experiencing — depositors are rightly concerned about the safety of their deposits and their current Federal Deposit Insurance Corporation (FDIC) coverage. It has been reported that 88% of SVB's deposits and 90% of Signature Bank's were uninsured. It's important for you to understand what is covered and how to maximize that protection, as well as understand the different organizations that have been established to protect your financial assets.

The FDIC is an independent agency created by U.S. Congress that protects depositors against the loss of their insured deposits if an insured bank or savings association becomes insolvent. Premiums are paid to the FDIC by the depository institution and deposits are insured up to at least \$250,000 per depositor, per FDIC-insured bank, per ownership category (e.g., single accounts, joint accounts, business accounts, trust accounts etc.) even if held at the same bank. Also, adding or naming beneficiaries to accounts changes the "ownership category" as to where each beneficiary added would have an additional \$250,000 of coverage.

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Is Al the next leg of growth in tech?

Daniel Morgan, Senior Portfolio Manager

Looking at the long-term secular growth path of the Technology sector over the past 35 years, we can think of many smaller waves that have propelled it to current heights that have allowed the group's market cap to be the largest in the S&P 500 Index. In the early



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1990s, the enterprise Tech sector exploded with the movement away from a mainframe and Unix-based operating system to a client server-based structure that relied on individual PCs and laptops to all connect to a central server. This then opened the door for the Internet. Soon every major corporation raced to create a web presence. As Internet bandwidth increased, users could access their devices from anywhere. This led to the smart phone explosion, as not only text, messaging and voice devices, but also as access points to the Internet. Further, on the business software front, efficiency enhancing enterprise systems (like Relational Database, ERP and Cloud) increased work productivity exponentially. Could artificial intelligence (AI) be that next transformational technology that could push the Tech to new altitudes?

Attention on AI has been dubbed an "Arms Race" among top names in the Technology space. Alphabet and Microsoft (MSFT) are making noise with Bard and ChatGPT.

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We're here if you have questions.

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