



May 25, 2021

City National Rochdale

Economic Outlook & Market Update

CNR House Views

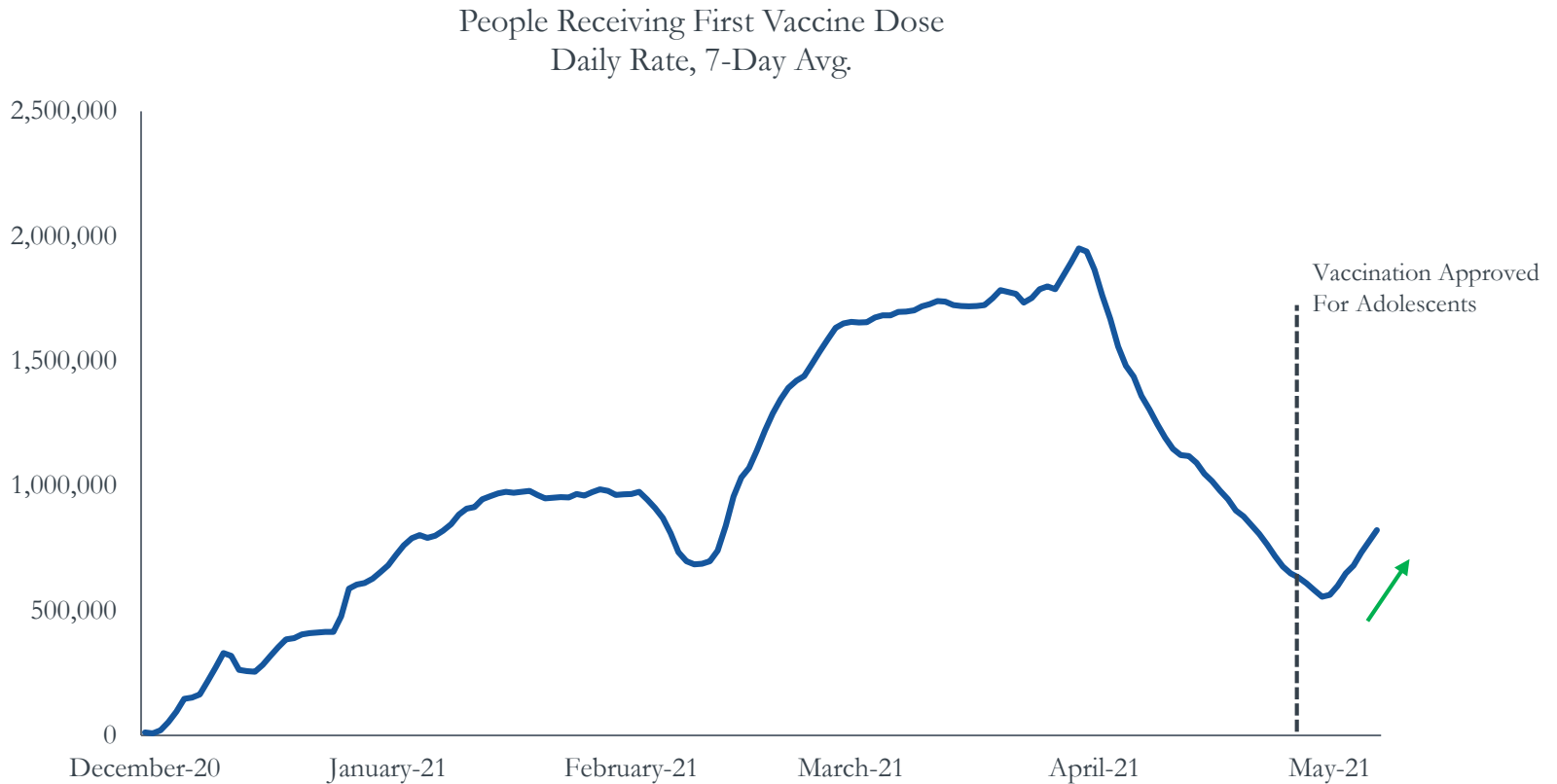
Investment Strategy Committee considering:

- Vaccine-driven return to normalcy kicks off a multi-year expansion
- Strong consumer recovery driven by savings, pent-up demand
- Job growth expected to continue to improve, hindered by short-term labor supply issues
- Inflation likely to be elevated for a few months, but long-term disinflationary forces to drive moderation
- Monetary policy to remain accommodative past 2021
- Fiscal spending support to continue, but likely funded through tax increases
- Earnings for S&P 500 on track for very strong growth in 2021 and 2022.
- U.S., Emerging Asia best positioned for strong recovery; Europe likely to lag
- Valuations suggest long-term equity returns should moderate.
- Increasing exposure to economically sensitive large and mid/small companies.
- Challenging environment for investment grade fixed income going forward.

Source: CNR Research.

Half of U.S. Vaccinated as Adolescent Inoculation Begins

- Approximately 50% of the U.S. population has received at least 1 shot
- Rate of vaccination picking up as children ages 12-15 can now access shots

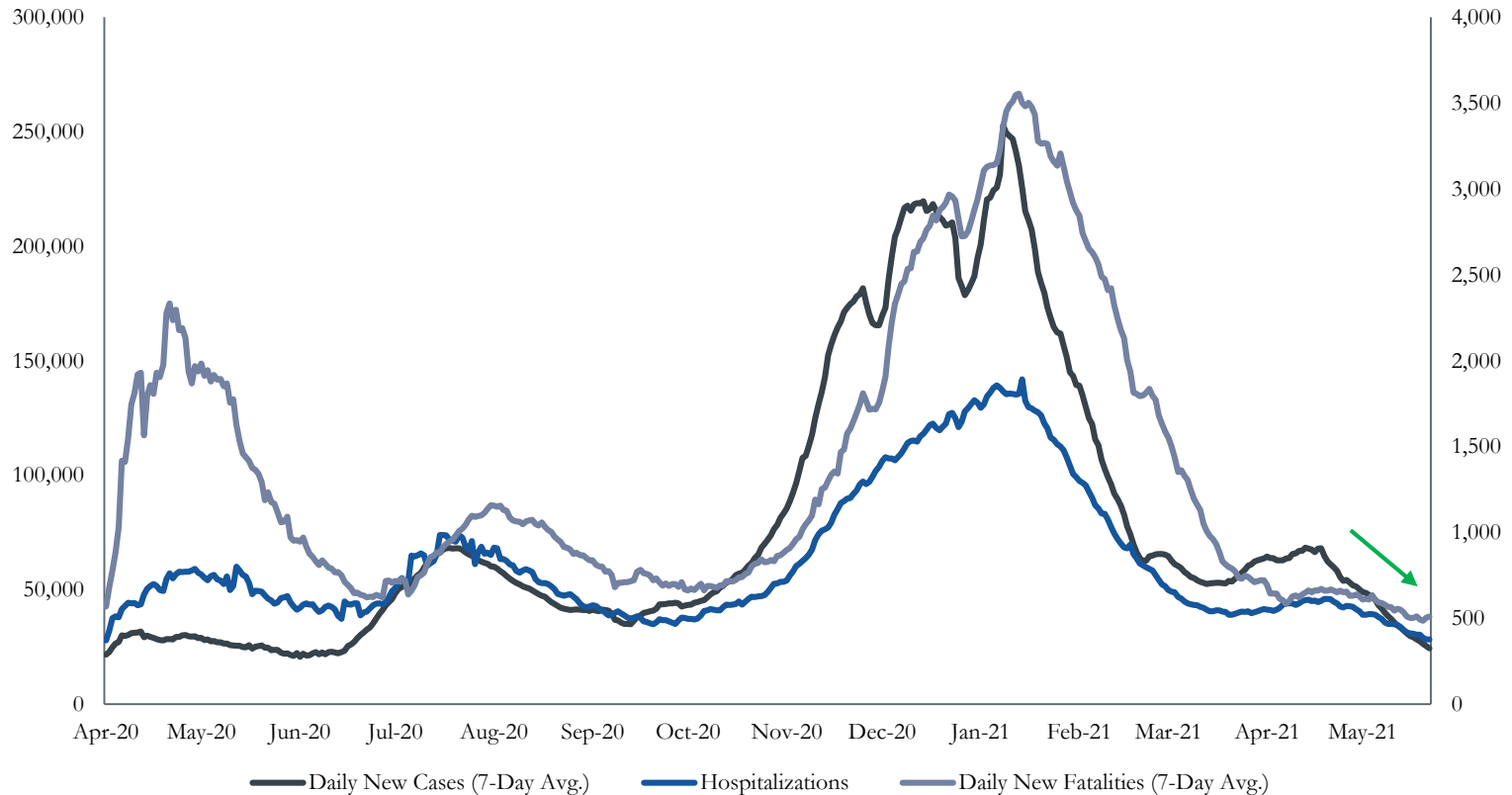


Source: CDC.

U.S. COVID-19 Declines Continue

- Cases falling rapidly, now at lowest levels since early June 2020
- Vaccinations, widespread immunity starting to have meaningful impact

U.S. COVID-19 Cases, Hospitalizations and Fatalities

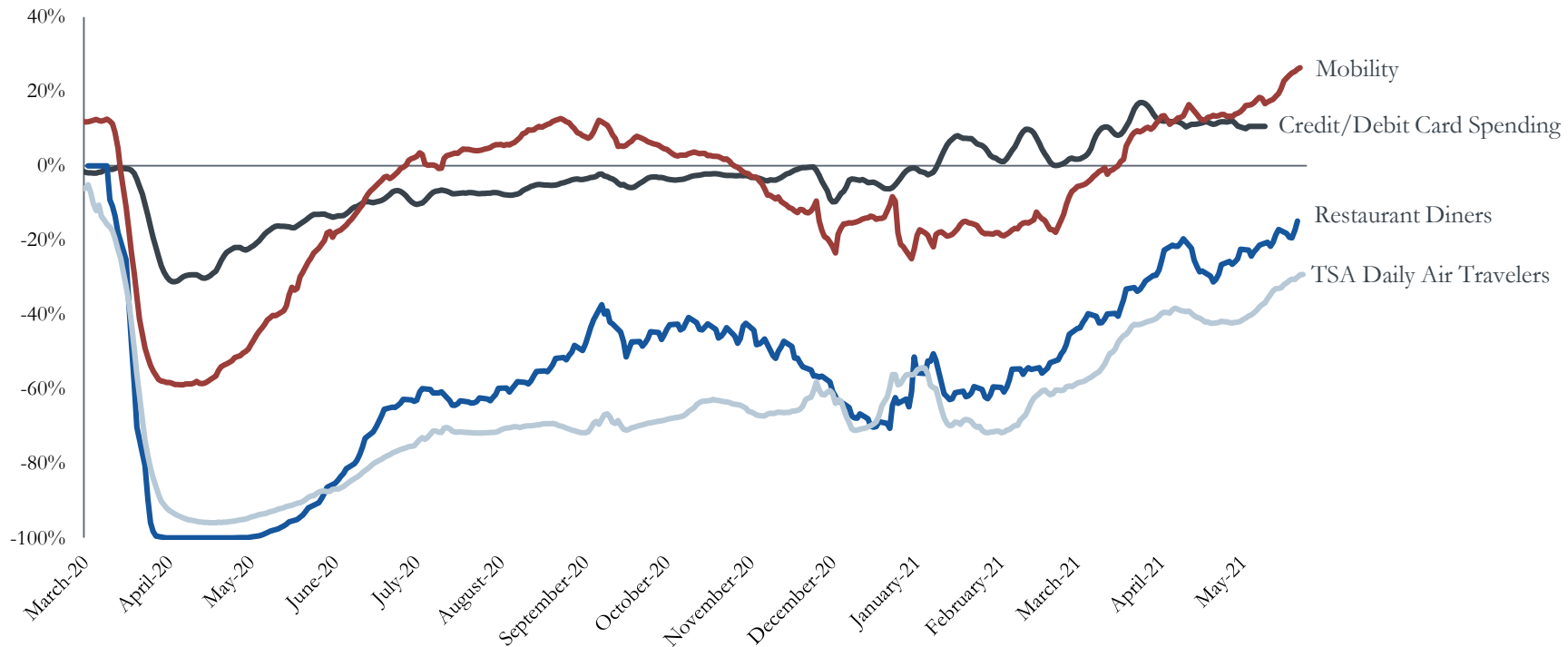


Source: CDC.

Economic Activity Continues to Pick Up Rapidly

- Increases seen through April, indicating strong growth has continued
- Consumer spending held at very high levels more than a month after stimulus passage
- Dining out, traveling approaching pre-pandemic levels

High Frequency Economic Indicators vs. Pre-Pandemic

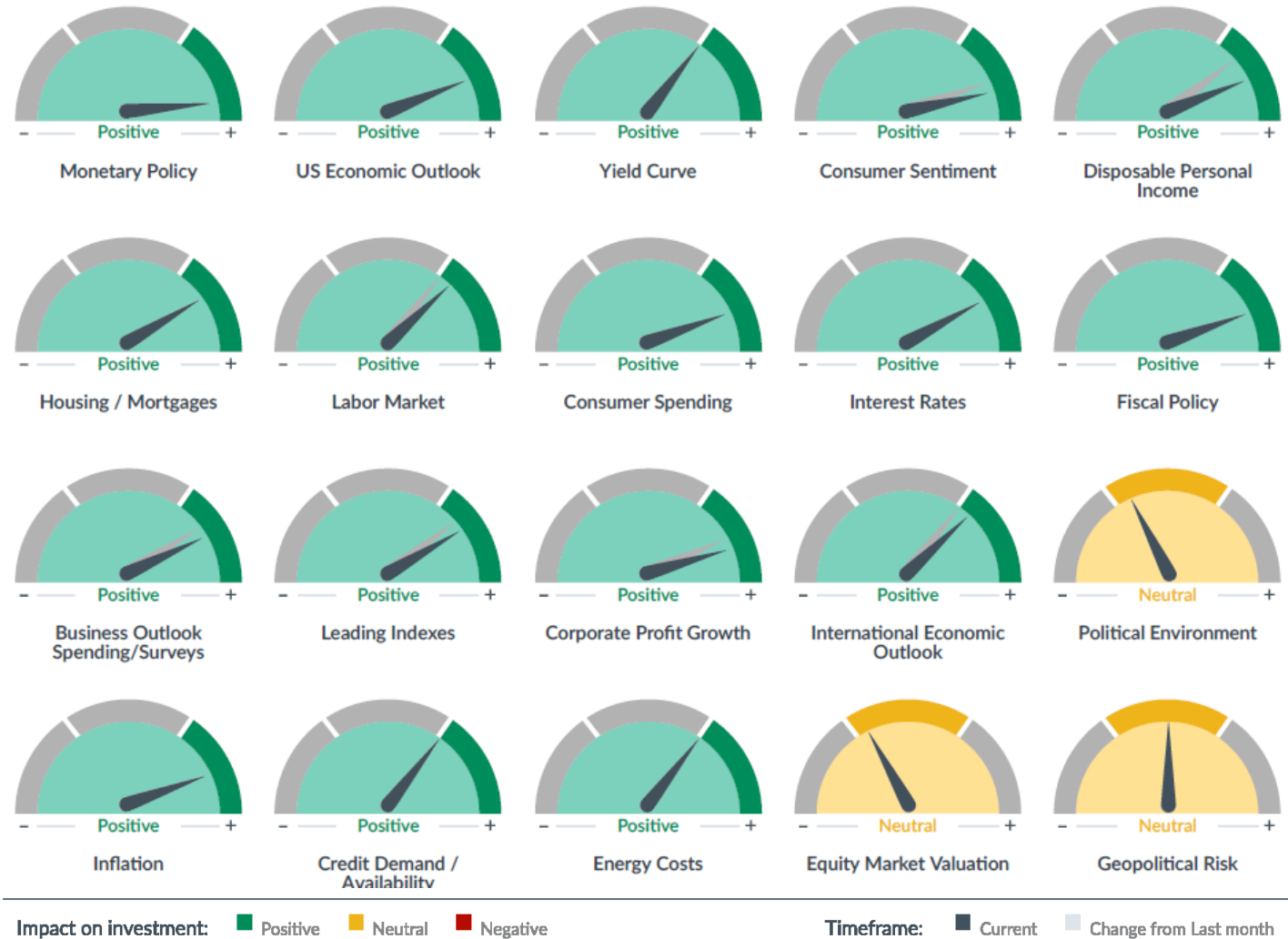


Source: Opportunity Insights, Affinity Solutions, Bloomberg, OpenTable, Apple.

Economic and Financial Indicators

Indicators Are Forward-Looking Six to Nine Months

Indicators are signaling a more entrenched and durable recovery from the COVID-19 crisis developing in the second half of 2021 as vaccine availability becomes widespread.



Source: City National Rochdale. As of May 2021.

Expecting Multi-year Expansion Ahead

- Expect a sharper recovery to take hold in second half of 2021 as vaccine availability becomes widespread
- COVID still weighing on activity, but momentum improving as restrictions are lifted and confidence rises
- Larger than expected fiscal stimulus lifting growth prospects
- Equity rally to continue, but expect higher volatility and pace of gains to moderate

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	2020	2021	2022
Potential GDP Growth Range	-31%	33%	4%	6.4%	10%	-3.5%	7.0%	4.5%
					8%		5.5%	2.5%

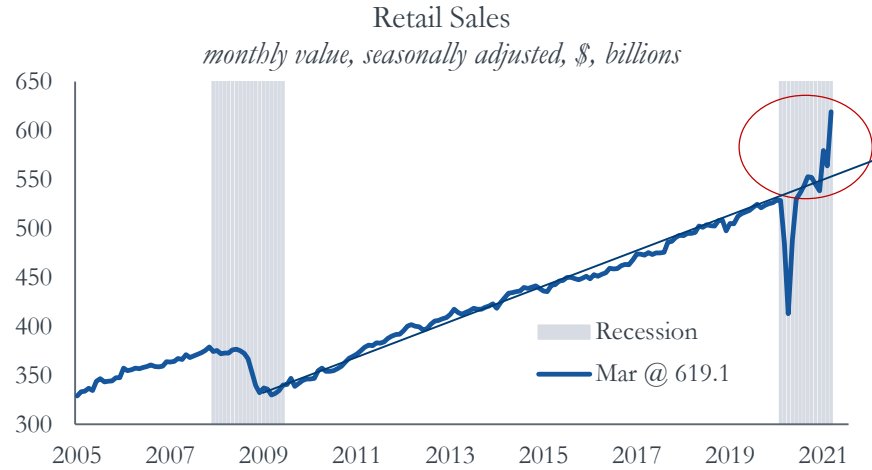
Percent Change From Preceding Period, Seasonally Adjusted at Annual Rates

City National Rochdale Forecasts		2019	2020	2021e	2022e
GDP Growth		2.3%	(3.5%)	5.5%-7.0%	2.5%-4.5%
Corporate Profit Growth		1%	(14%)	27%-33%	10%-20%
Interest Rates	Fed Funds Rate	1.625%	0%-0.25%	0%-0.25%	0%-0.25%
	Treasury Note, 10-Yr.	1.90%	0.92%	1.25%-1.75%	1.25%-1.75%

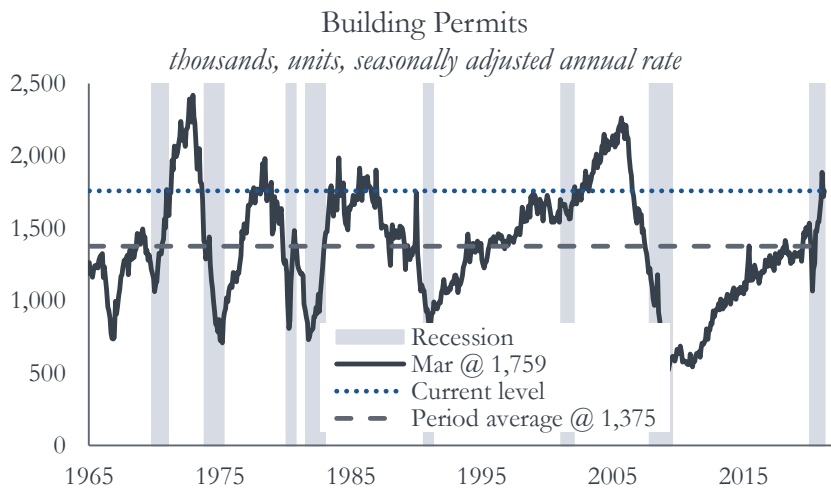
Source: Bureau of Economic Analysis, Standard & Poor's, Bloomberg. As of May 2021.

Expecting Strongest Economic Growth in Almost 40 Years

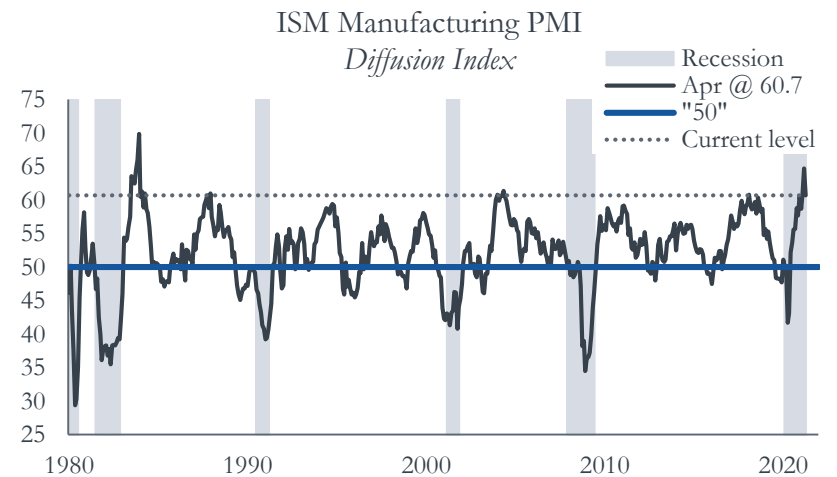
Strength will come from consumer spending, housing and manufacturing



Source: U.S. Census Bureau as of March 2021.



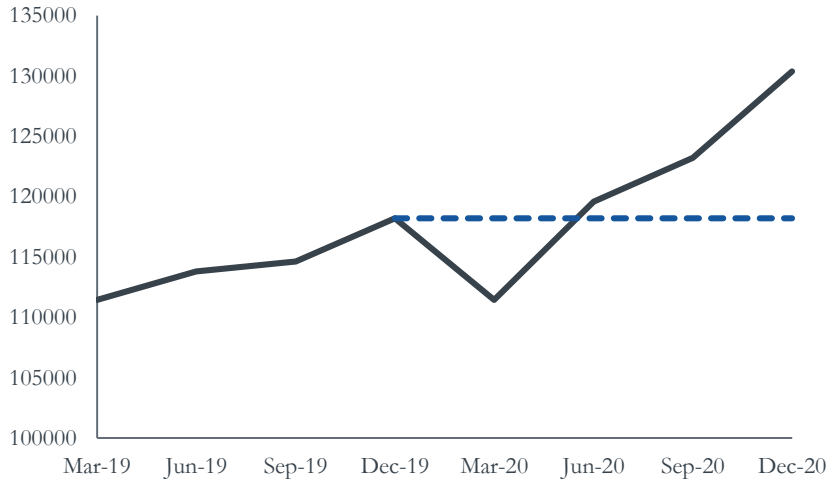
Source: U.S. Census Bureau as of March 2021.



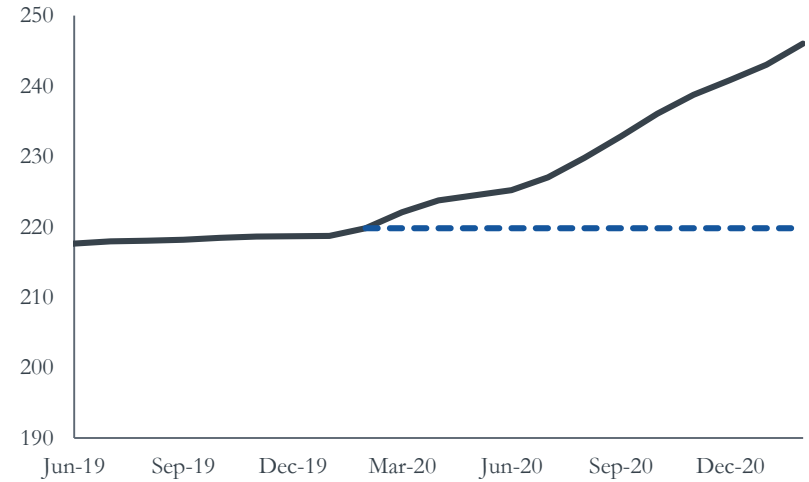
Source: Institute of Supply Management as of April 2021.

Consumer Drives the Recovery

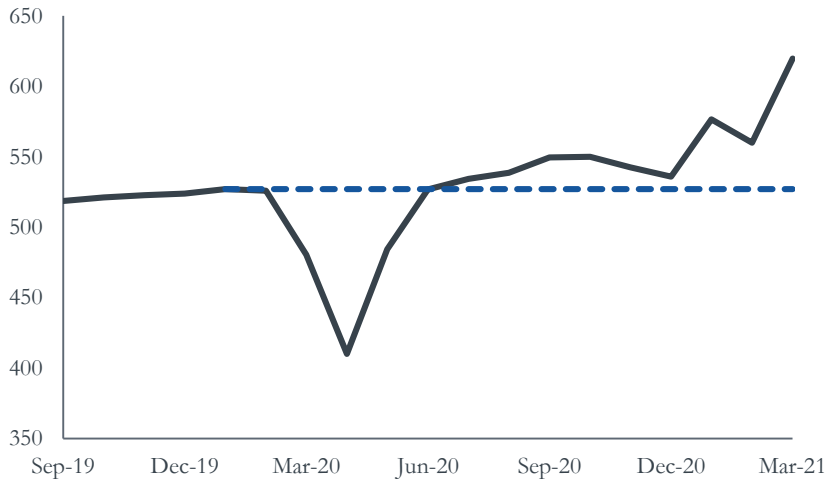
Household Net Worth



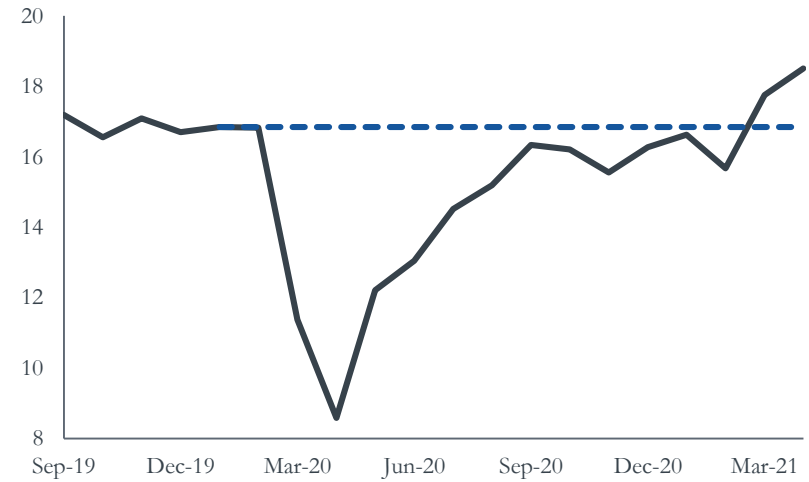
Home Prices



Retail Sales



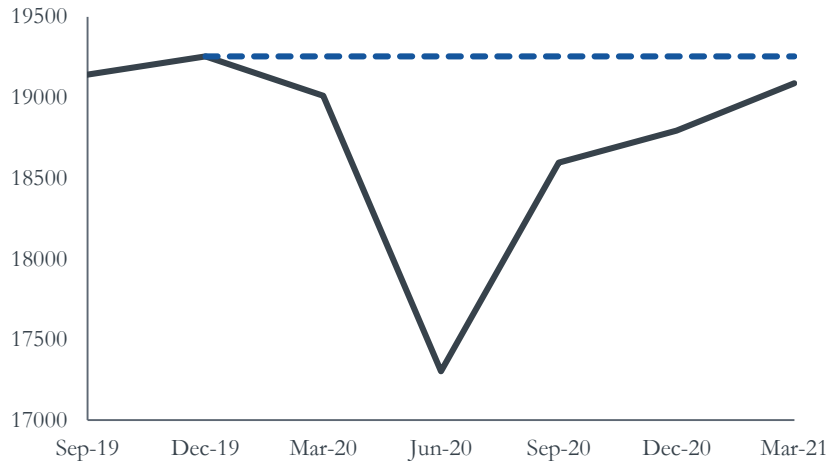
Auto Sales



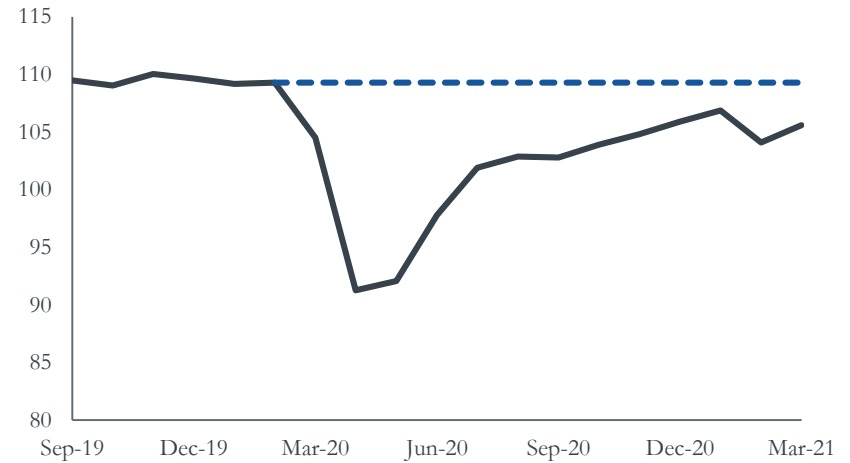
Source: Bloomberg.

Strong Economic Recovery, Strong Corporate Earnings

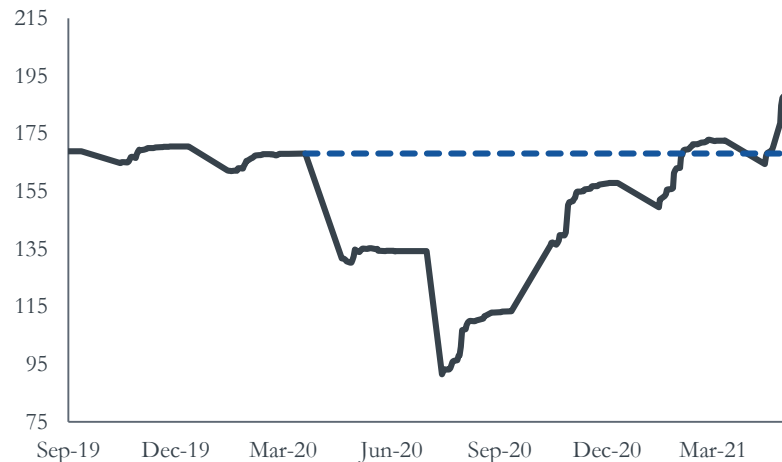
U.S. Real GDP



Industrial Production



S&P 500 Earnings Per Share

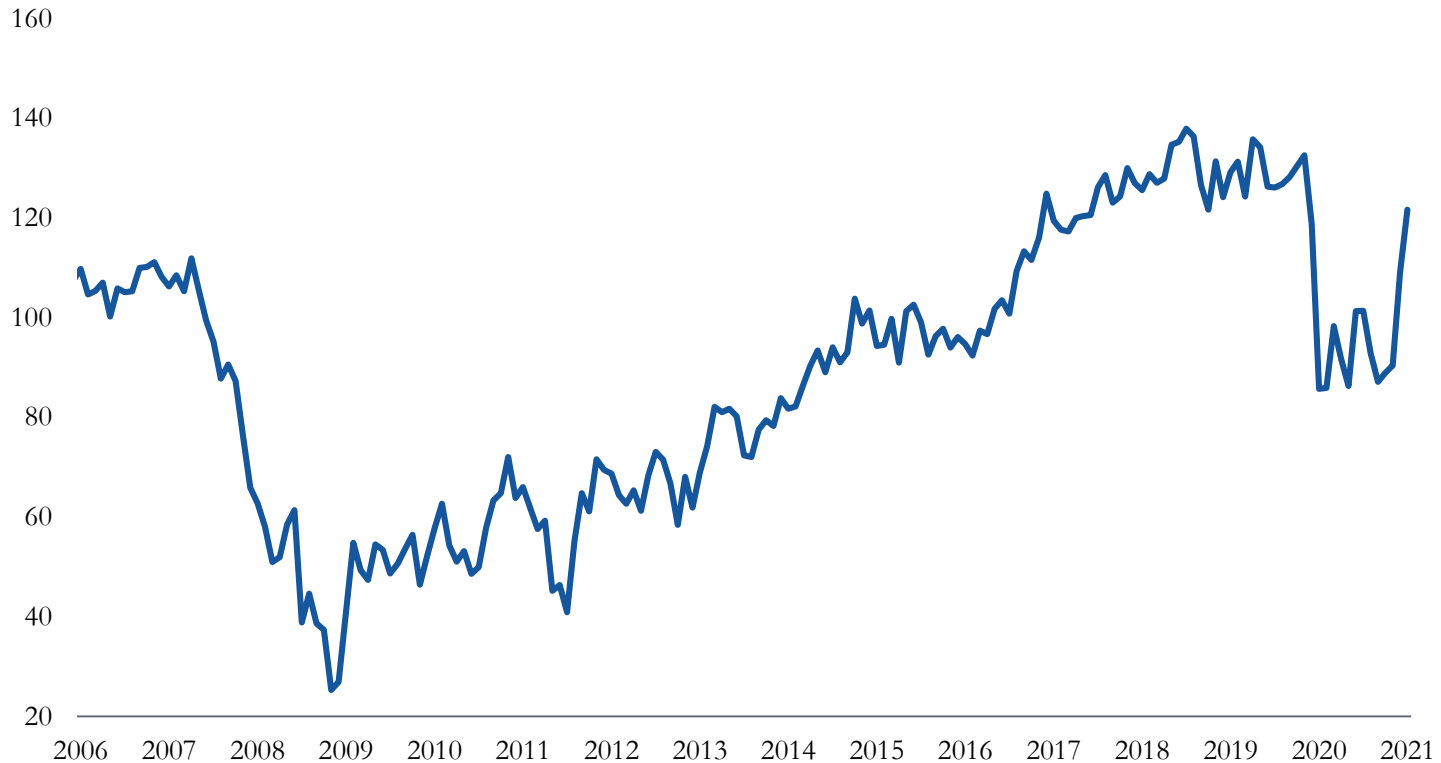


Source: Bloomberg.

Rising Confidence Points To Multi-Year Expansion

- Consumer confidence has nearly recovered to pre-pandemic levels
- CEO confidence also rose, reaching its highest level since 1976
- Increased confidence has historically been typical of the early stages of economic expansions

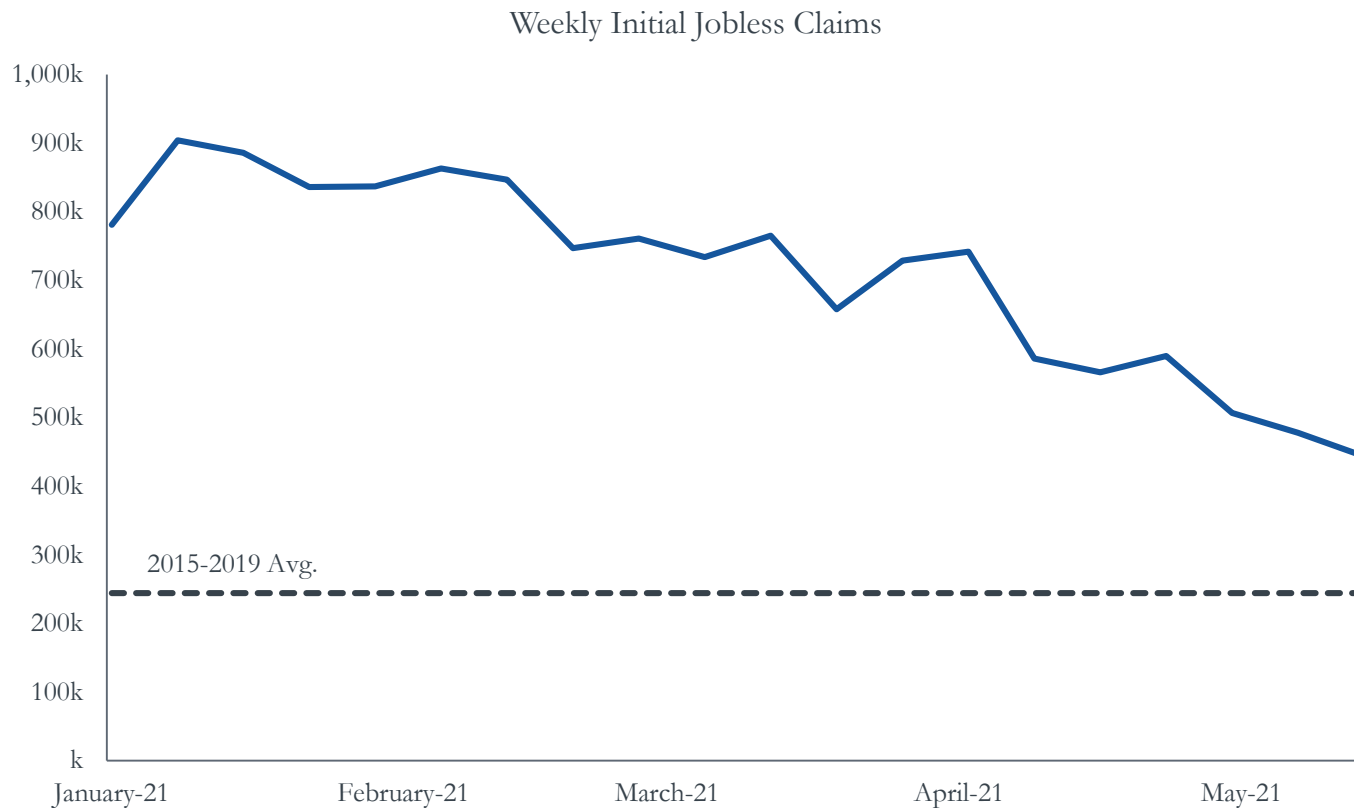
Conference Board Consumer Confidence



Source: Bloomberg, Conference Board.

Falling Jobless Claims Show Strong Labor Demand

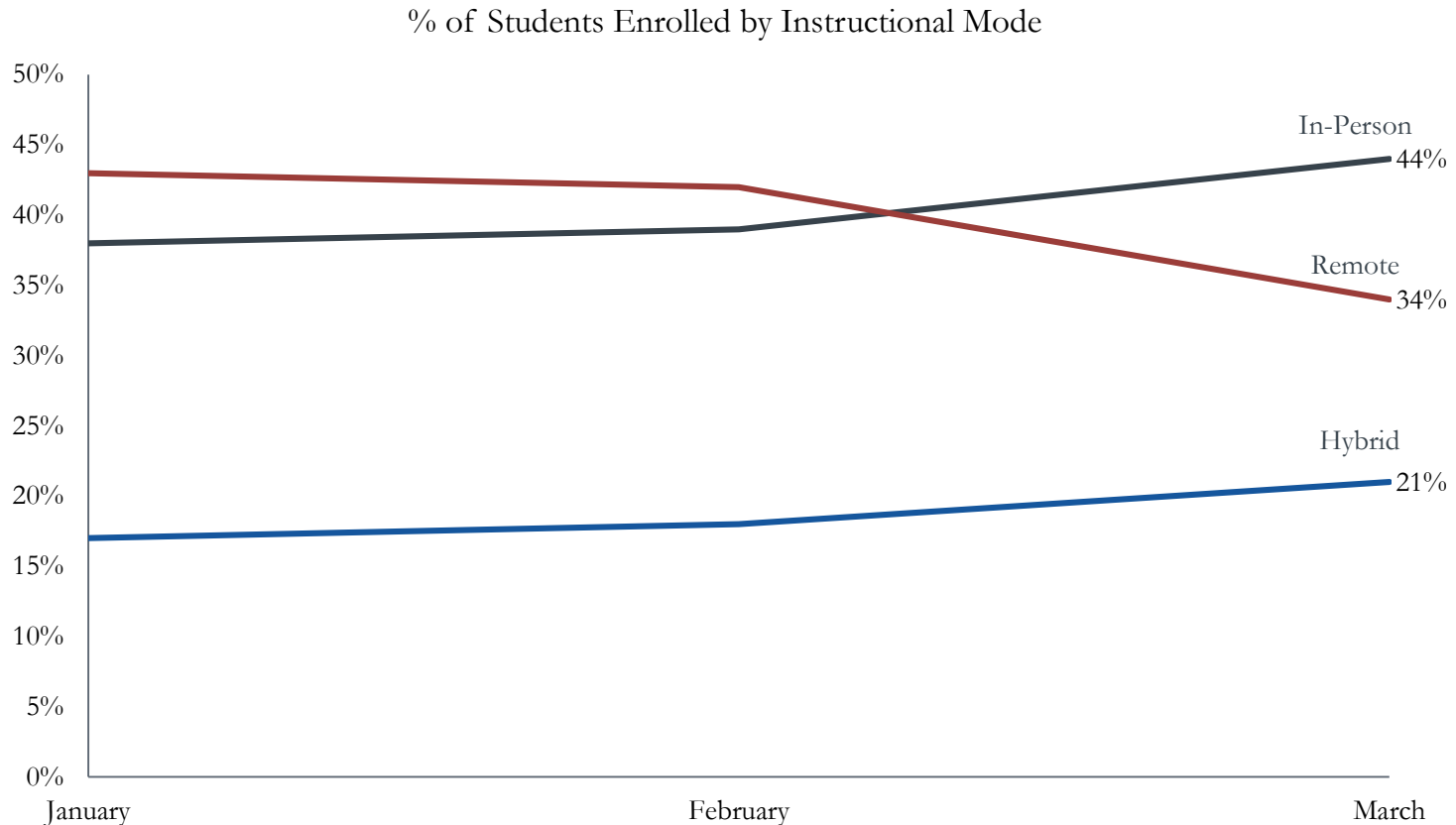
- Initial unemployment claims have continued to fall into May
- Reduced layoffs, strong economic demand indicate a strong availability of jobs



Source: Bloomberg.

Temporary Pandemic-related Labor Supply Constraints

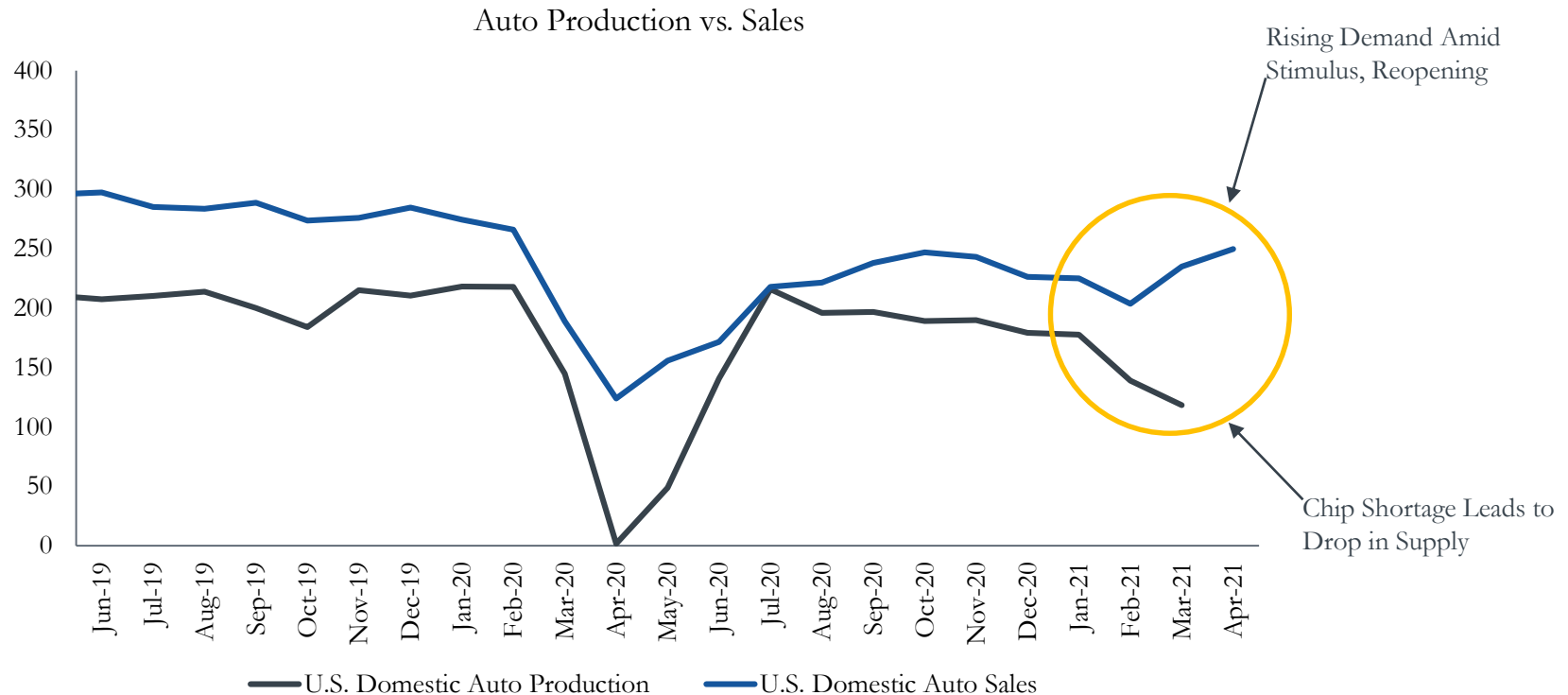
- 3 million remain out of the labor force due to pandemic related issues, likely to be temporary
- Child care is one such constraint, with just 44% of students enrolled in in-person schooling in March



Source: Institute of Education Services.

Temporary Supply/Demand Imbalances Drive Inflation

- Used car prices, up 10% in April, drove a significant portion of April's high CPI increase
- Increase driven by supply/demand issues in the auto industry related to a global chip shortage
- Supply issues expected to be temporary

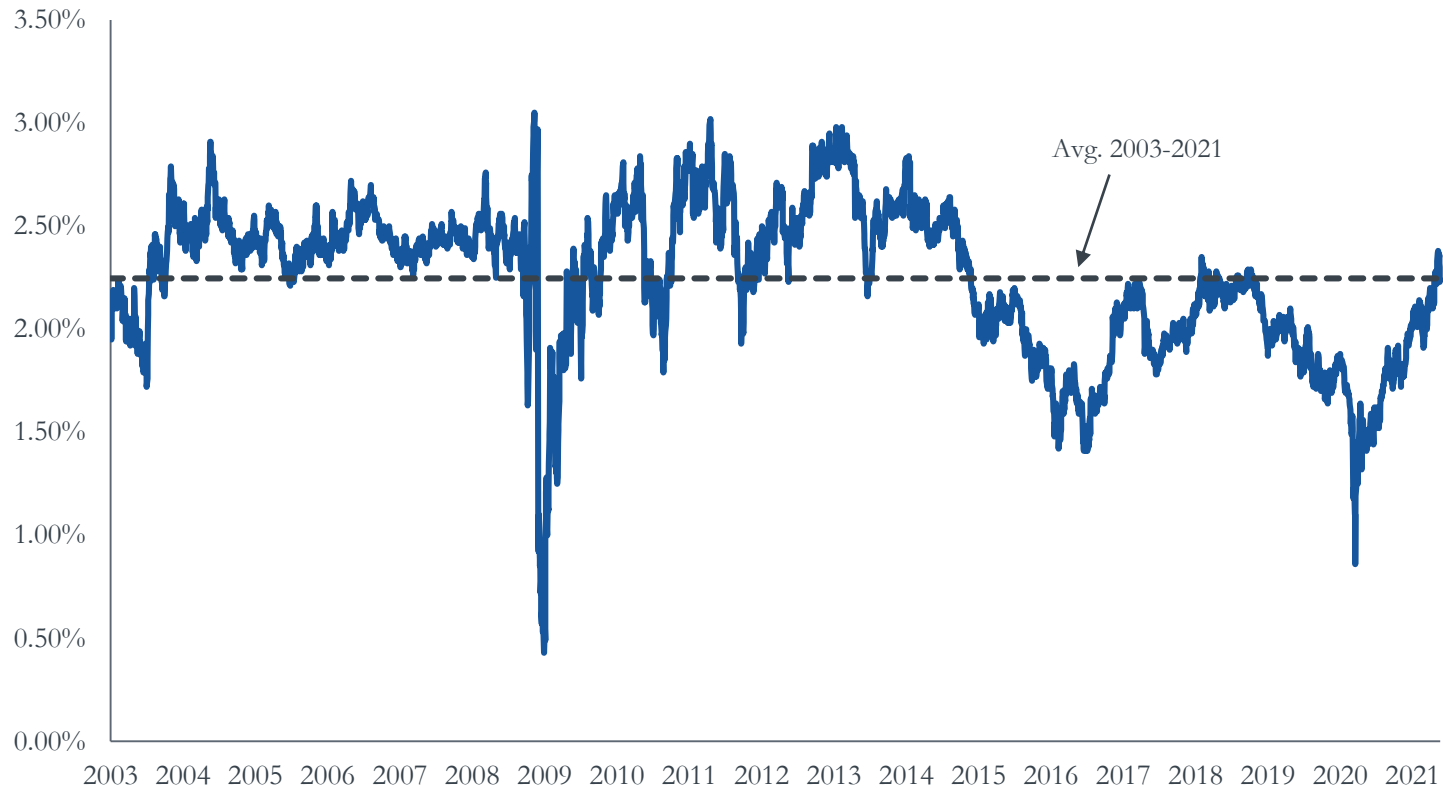


Source: Bloomberg

Inflation Expectations Up, In Line With Long-Term Avg.

- Long-term inflation expectations have risen, but are still within historical norms
- This level of expected inflation is unlikely to concern the Fed

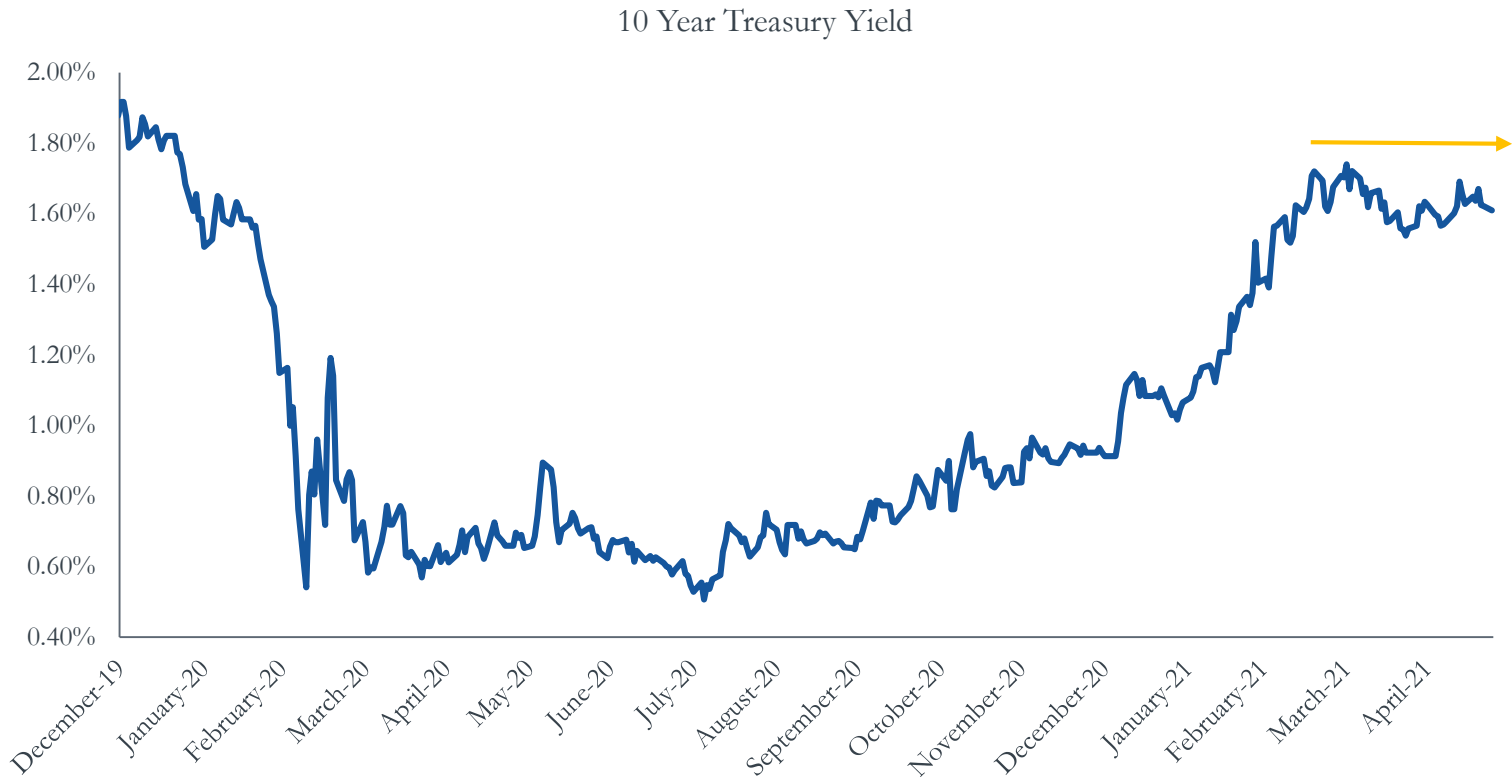
St. Louis Fed 5-Year 5-Year Forward Inflation Expectation Rate



Source: Bloomberg.

Interest Rate Increases Pause

- After rising for the first 3 months of the year, Treasury Bond yields have moderated
- Yields could rise further, but not currently reflecting significant concern about Fed policy, inflation

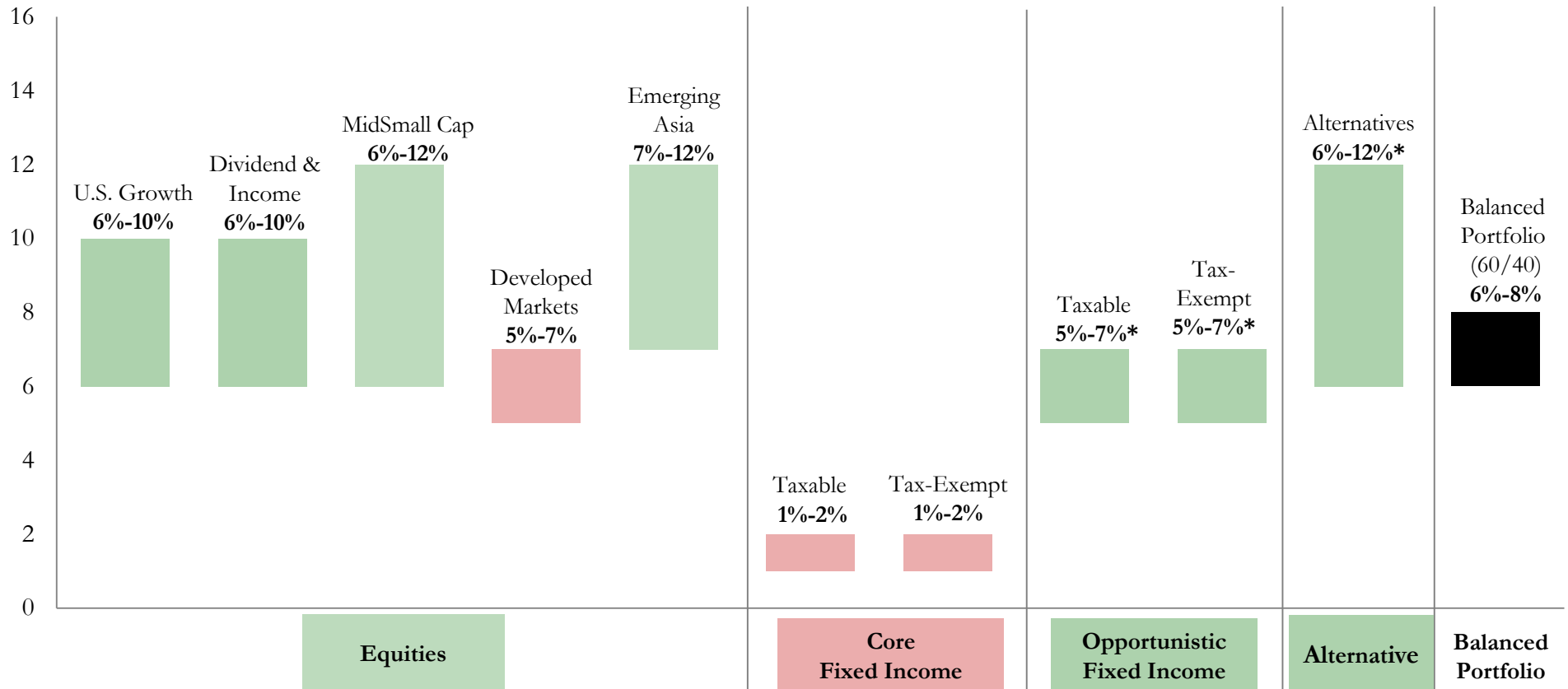


Source: Bloomberg.

Market Outlook

Positive but Moderate Portfolio Returns Expected

Near Term Forecasted Expected Returns (%)



Source: City National Rochdale. As of January 2021. Forecasted expected returns represent City National Rochdale's opinion for these asset classes, are for illustrative purposes only, and do not represent client returns. The expected returns presented for these asset classes do not reflect any deductions for City National Rochdale fees or expenses. Actual client portfolio and investment returns will vary.

*Forecasted expected returns for HY Municipal and Municipal FI represent the taxable equivalent return at a 43.4% tax rate.

Index Definitions

The S&P 500 Index is a market-capitalization-weighted index of the 500 largest publicly-traded companies in the U.S.

The Dow Jones U.S. Select Dividend Index aims to represent the U.S.'s leading stocks by dividend yield.

The Russell 2000 index measures the performance of the 2,000 smaller companies that are included in the Russell 3000 Index, which itself is made up of nearly all U.S. stocks.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

The MSCI Emerging Markets Asia Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Asian emerging markets.

The MSCI Emerging Markets ex Asia Index captures large and mid cap representation across 17 Emerging Markets (EM) countries*. With 267 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country excluding Asia.

The Bloomberg Barclays Aggregate Bond Index is an index used by bond traders, mutual funds, and ETFs as a benchmark to measure their relative performance.

The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market.

The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting.

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