

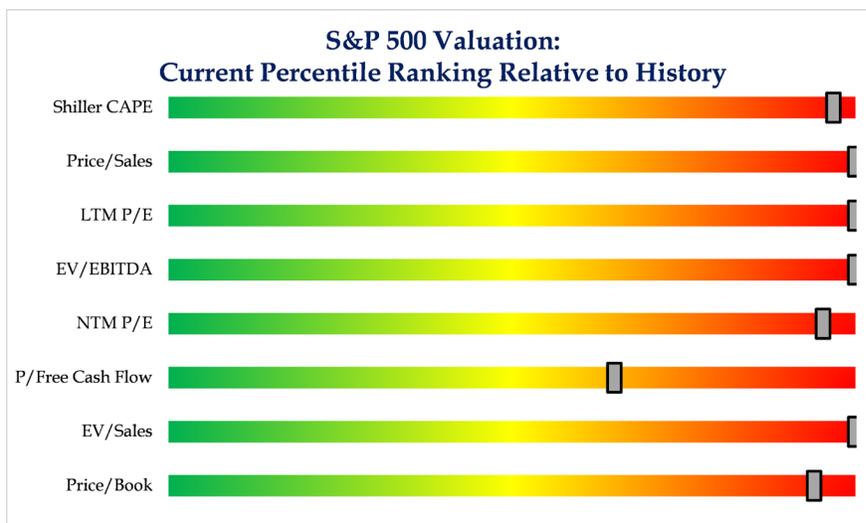
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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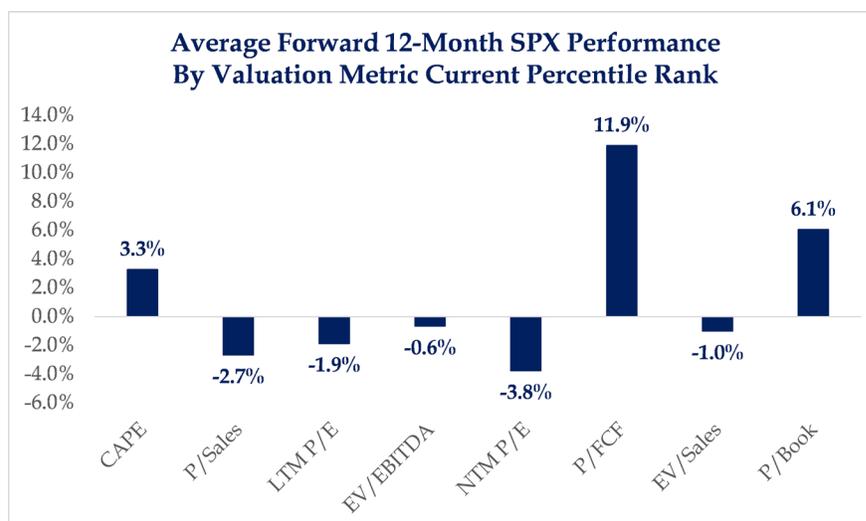
MOST VALUATION METRICS AT HISTORICAL EXTREMES

Looking at the history of various valuation metrics for the S&P 500, virtually every metric is at or near the 100th percentile of their respective histories. It's hard to call the market cheap, and the synchronized message from different valuation ratios confirms this view.



HISTORICALLY EXTREME VALUATIONS HINDER EQUITY RETURNS

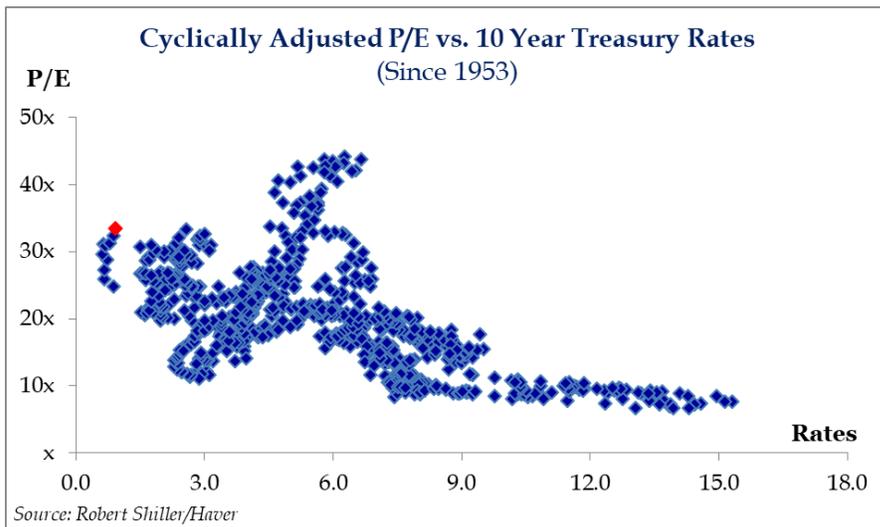
When evaluating the forward performance implications of each valuation metric's current percentile rank, the extreme valuation readings like the ones seen today point to underwhelming equity market performance 12-months forward on average. Valuation may not be a perfect market timing tool, but this data suggests that the easy money may have already been made, and warrants caution by investors.



Please see the Appendix on page 3 for important disclosures.

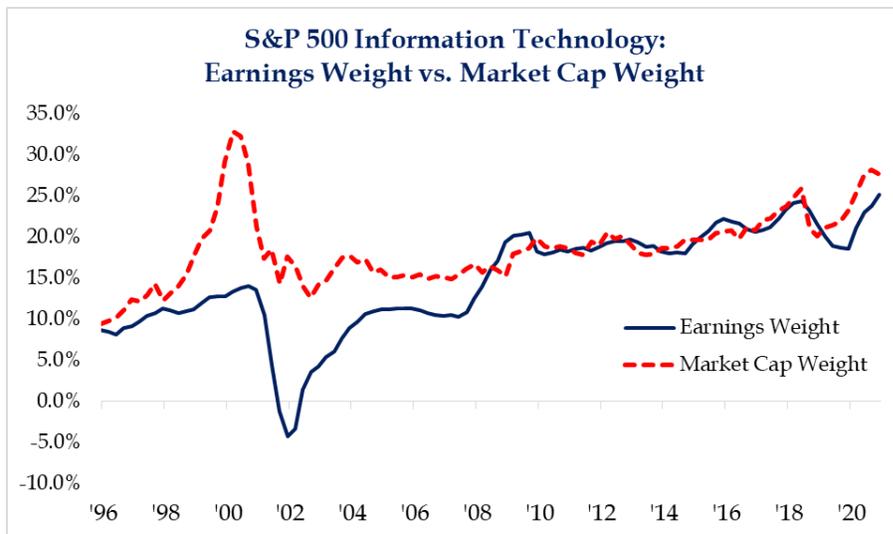
SPECULATIVE EXCESSES CAN PERSIST

The last time the CAPE P/E traded at 33x was during the tech bubble of the 2000s when interest rates were near 6%. In fact, the multiple first crossed the 30x mark in June of 1997 and peaked in December of 1999. During that time period, the S&P 500 was up 74% or 24.2% annualized. We recognize that there are areas of the market that do not make sense currently but we have seen speculative excesses persist in the past. It cannot be ruled out today with more stimulus likely coming in 2021.



EARNINGS CONTRIBUTION A MAJOR DIFFERENCE TODAY VS. 2000

In our view, there are two major differences today compared to 2000 as it relates to the S&P 500. The first, which is widely discussed, is the level of interest rates today is 500bps lower. The second which we have written about in the past, is the profitability of the technology sector. Attention may have to be diverted to the Discretionary sector, where Tesla's addition is having a bigger impact on fundamentals.



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