

# Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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### MANUFACTURING PMI AS GOOD AS IT GETS?

With the U.S. vaccination roll-out gaining more steam and the economy returning to a more normal state of operations, the U.S. Manufacturing PMI recently surged to a multi-decade high. The rapid shift from moribund activity to a more active economy now begs the question... what does it mean for financial assets if the Manufacturing PMI is near its peak and begins to move lower?



### DEFENSIVE SECTORS CATCH A BID FOLLOWING A PEAK IN PMIS

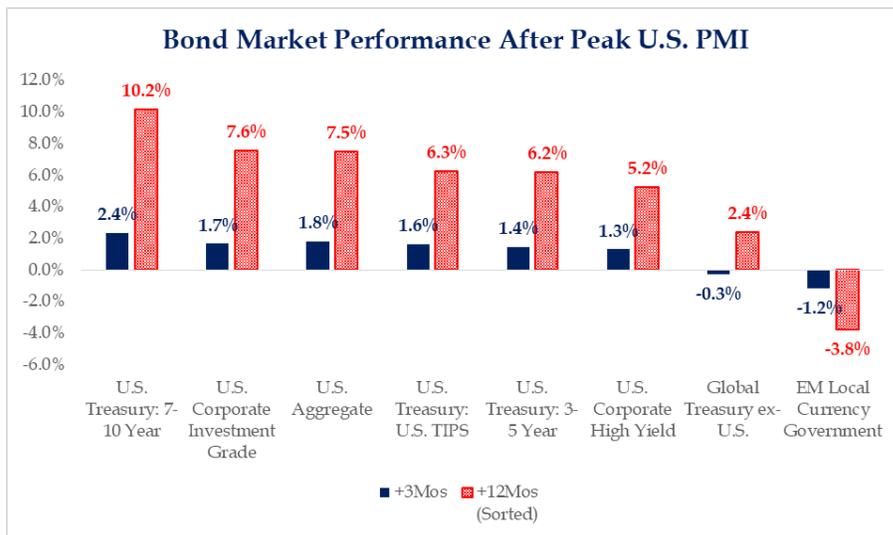
In the seven observations of the US Manufacturing PMI rolling over since 1990, cyclical sectors on average led the charge as the Manufacturing PMI accelerated to its peak level. However, as the PMI rolls over, the equity sector leadership begins to shift, with the defensive sectors of Utilities, Healthcare, and Staples outperforming their peers on average 3, 6, and 12 months later.

Average Sector Performance Before & After Peak U.S. PMI						
Sector	-12Mos	-6Mos	-3Mos	+3Mos	+6Mos	+12Mos (Sorted)
Utilities	5.1%	0.4%	-1.0%	6.0%	12.9%	22.8%
Health Care	19.9%	12.2%	7.4%	1.2%	8.2%	20.3%
Staples	13.0%	7.7%	3.3%	-1.7%	3.4%	12.1%
Real Estate	18.3%	7.4%	1.6%	6.2%	8.6%	11.0%
Technology	43.2%	20.7%	12.4%	2.1%	6.3%	10.5%
Discretionary	20.9%	11.8%	6.5%	-0.2%	5.5%	9.5%
Financials	22.7%	12.4%	7.2%	-3.0%	1.0%	8.9%
<b>S&amp;P 500</b>	<b>22.9%</b>	<b>12.9%</b>	<b>6.8%</b>	<b>0.0%</b>	<b>4.2%</b>	<b>8.6%</b>
Telecom	14.5%	8.7%	4.0%	1.3%	5.5%	8.5%
Industrials	23.3%	12.2%	5.7%	-0.5%	4.8%	8.2%
Energy	22.6%	17.9%	6.8%	-1.0%	2.9%	3.5%
Materials	23.5%	11.7%	4.7%	-4.3%	-0.8%	-4.8%

Please see the Appendix on page 3 for important disclosures.

### TREASURIES RALLY FOLLOWING PMI PEAKS

Looking at the seven observations of the US Manufacturing PMI rolling over since 1990, treasuries have historically rallied in both the 3 and 12 months following the peaks. This is consistent with the more defensive-oriented positioning that equity investors have taken.



### DXY RALLIES & COMMODITIES SOFTEN FOLLOWING PMI PEAK

The U.S. dollar rally may have legs if history repeats itself as, on average, the U.S. dollar index is up 5% in the 12 months following the peak in the manufacturing PMI. On the commodities side of the equation, Gold, Oil, & Copper are all negative in the 12-months following the peak.

Commodity/Currency	-12Mos	-6Mos	-3Mos	+3Mos	+6Mos	+12Mos (Sorted)
Gold Spot	2.9%	1.9%	2.4%	-0.4%	2.6%	-0.7%
Crude Oil	26.5%	18.2%	3.8%	2.7%	-0.7%	-1.4%
S&P GSCI	15.9%	13.2%	4.1%	1.1%	-0.9%	-1.5%
Bloomberg Commodity	11.2%	9.3%	1.4%	-0.4%	-1.9%	-6.3%
Copper	30.3%	20.0%	3.5%	-3.7%	-6.6%	-7.7%
Japanese Yen per U.S. Dollar	-4.4%	-3.7%	-2.9%	3.7%	0.6%	7.6%
United States Dollar Index	-0.9%	-1.1%	-0.5%	1.4%	1.7%	5.1%
British Pounds per U.S. Dollar	-6.2%	-3.7%	-1.4%	1.7%	2.5%	4.3%
U.S. Dollar per Euro	0.8%	0.7%	-0.2%	-1.5%	-2.0%	-5.3%

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