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In the Markets Now

2,021 things for 2021

We believe in the old saying: a picture is worth a thousand words—but this time we're going with a list of noteworthy numbers as we aim to provide some perspective to investors.

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10 (THEMES HEADING INTO THE NEW YEAR)

$900 (Millions in additional stimulus) – The CARES Act was critical in keeping a health crisis from spiraling into a financial crisis. Now, with the recovery stalling and the coronavirus continuing to spread, it's clear that additional support is needed to bridge the gap between today and widespread vaccination/economic reopening. The ~$900M package (particularly the direct consumer support and small business aid) will be critical to get us to the finish line.

535 (Members of Congress) – Starting with the Jan. 5 Georgia runoff elections to determine Senate control, the evolution of the political landscape next year will be fascinating. A split Congress might limit more-aggressive Biden administration goals, but big ticket items like infrastructure and the debt ceiling will still shape markets.

245 (Thousands of jobs added in November) – The US added just 245K jobs in November, leaving us still *10 million* shy of pre-pandemic levels. The pace of recovery in the labor market has now slowed drastically. While the vaccines will help get workers back on the job eventually (particularly in beaten down services sectors), the slowing recovery and permanent scarring will remain a factor in policy-making, equity markets, and the general well-being of the populace.

$169 (S&P 500 earnings per share estimate for 2021) – This aggregate forecast would take us above 2019 levels of profitability, solidify the recovery of corporate America, and help justify record-high stock prices, but the road will not be easy (particularly as COVID spread picks up). Energy, Consumer Discretionary, and Industrials, are the sectors expected to lead the way in year-ahead earnings growth.

100 (Million vaccinated) – The US aims to vaccinate 100M Americans by April, a goal contingent on not just the Pfizer and Moderna vaccines, but other candidates also being effective and approved in early 2021. The COVID-19 crisis is a medical issue first and foremost, and only a medical solution can return us to some semblance of normalcy.

33% (Growth's outperformance over Value YTD) – Growth continued its strong run in 2020, bolstered by mega-cap Tech, internet-adjacent, e-commerce, and work-from-home winners. With economic growth projected to boom in 2021 on the back of pent-up consumer and business demand, Value and Cyclical sectors are expected to outperform. Will 2021 be the year the Value rotation sticks?

27 (Countries in the MSCI EM Index) – Emerging Markets have quietly outperformed the S&P 500 off the March lows. With the US Dollar weakening significantly into year-end, a potential global economic boom on the horizon, and strengthening commodity prices, could this be the year that global indices take the baton from US stocks? Our partners at Strategas are overweight EM heading into 2021.

5 (China's 5-year plan) – Prior to COVID, the trade war with China was the top story in markets. There's a new administration in DC, but China's ambitions of global economic dominance remain unchanged. Trade, technology development, tensions in southeast Asia, human rights, and more will continue to drive the US-China relationship. The question is: Is the decoupling too far along to repair?

5 (The Big 5) – The Big 5 "tech" stocks dominated 2020, as the already-massive firms benefited from COVID-19 trends, ultra-low interest rates, and monopoly-like market shares. Though antitrust rhetoric is heating up and the end of the pandemic is within sight, these firms will still have an outsized effect on index performance due to the historic concentration at the top.

2% (Inflation) – Given aggressive stimulus policies, rapidly increasing money supply, and the Fed's new, more laissez-faire approach to inflation, many have begun to wonder if and when inflation will finally return. Though COVID-19 has been deflationary (thus far) and the labor market remains impaired, it's not hard to imagine a future where prices begin running a little hot and the Fed is forced to make a call.

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