BAIRD
Private Wealth Management

Strategas Daily Macro Brief

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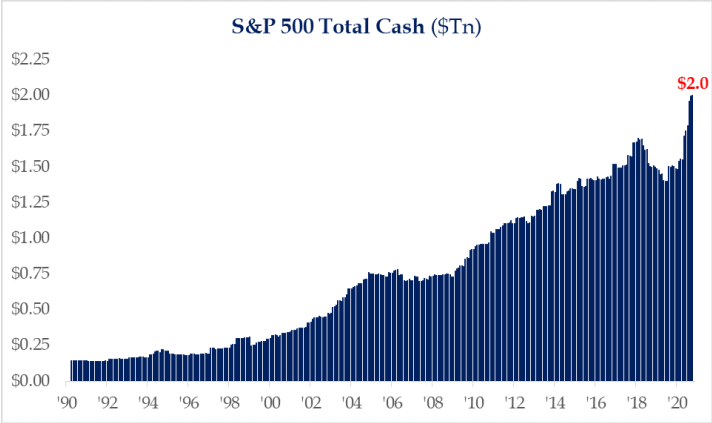
Prepared by Strategas Securities, a Baird Company

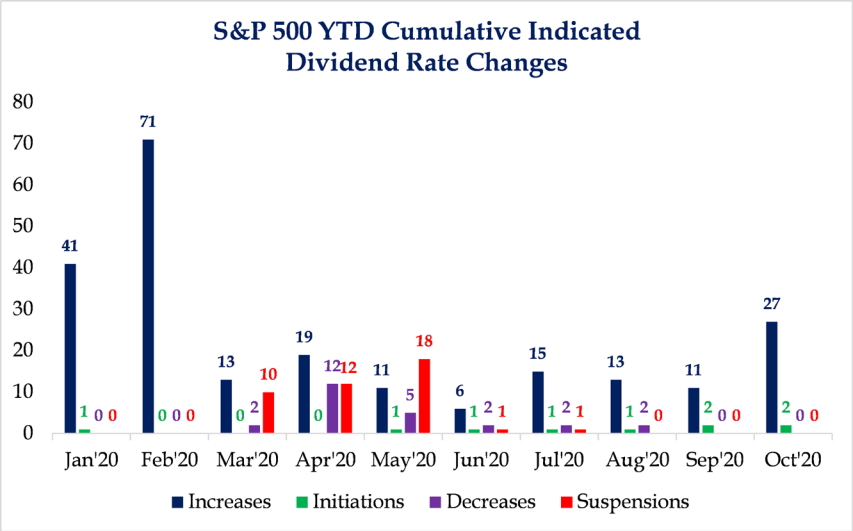
IN AGGREGATE S&P 500 COMPANIES HAVE $2 TRILLION OF CASH

At the beginning of the pandemic, cash was considered king for corporations as they shored up liquidity to weather the storm associated with shutter ing the economy. The stockpile has now reached $2 trillion as of the end of October, with cash spending still subdued. The pick-up in M&A activity suggests companies are looking to acquire, but we are also beginning to see dividend increases again.



SECOND CONSECUTIVE MONTH WITH NO DIVIDEND CUTS OR SUSPENSIONS

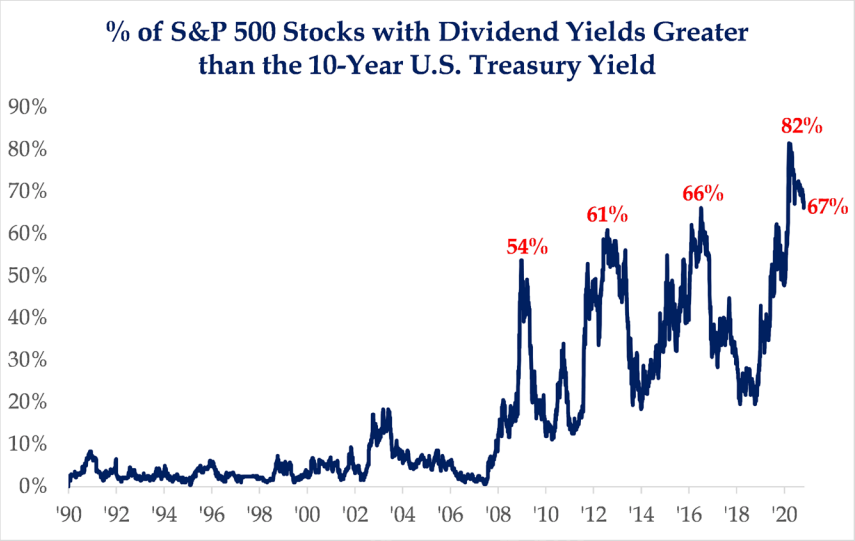
At the start of the pandemic, the outlook for dividends seemed dire as a fair amount of companies either cut or suspended their programs. However, there has been a slow but notable improvement in the past few months as negative dividend actions came to a standstill. October evidenced 29 positive dividend actions (27 increases and 2 initiations) and zero cuts or suspensions. This is an encouraging development as companies look for opportunities to deploy their cash in constructive manners.



Please see the Appendix on page 3 for important disclosures.

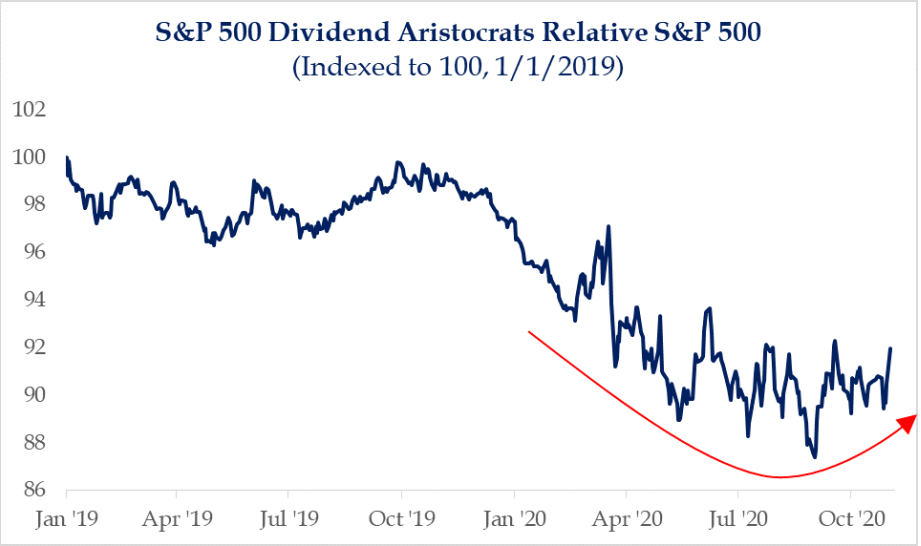
67% OF THE INDEX YIELDS MORE THAN 10-YEAR TREASURIES

As a result of the Fed's mission for easy monetary conditions to support growth, suppressed yields have led to almost two-thirds of the S&P 500 yielding more than the U.S. 10-year Treasury yield. If yields continue to remain lower for longer as the Fed intends, a time may soon come where investors will need to embrace that there may be no alternative and reach for yield within the equity space.



DIVIDEND ARISTOCRATS HAVE BEEN UNDERPERFORMERS

The underperformance of the dividend aristocrats started before the Pandemic itself but accelerated when the economy shut down. Since April, performance has been choppy, but it appears the worst may be behind these companies for now. Perhaps some of the choppy performance could be related to the prospects of a Democratic sweep, which may ultimately result in a higher dividend tax rate. With short-end rates anchored, for the time being, these companies may be attractive currently.



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