

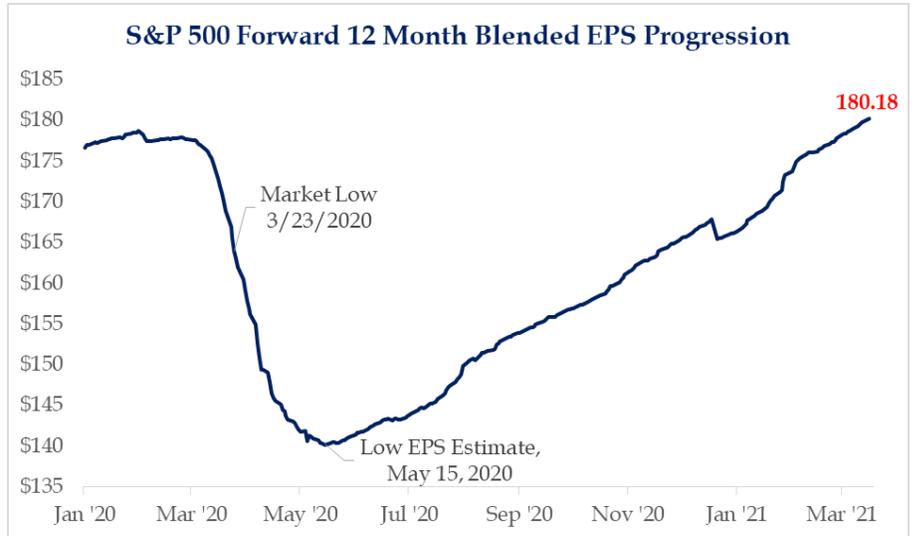
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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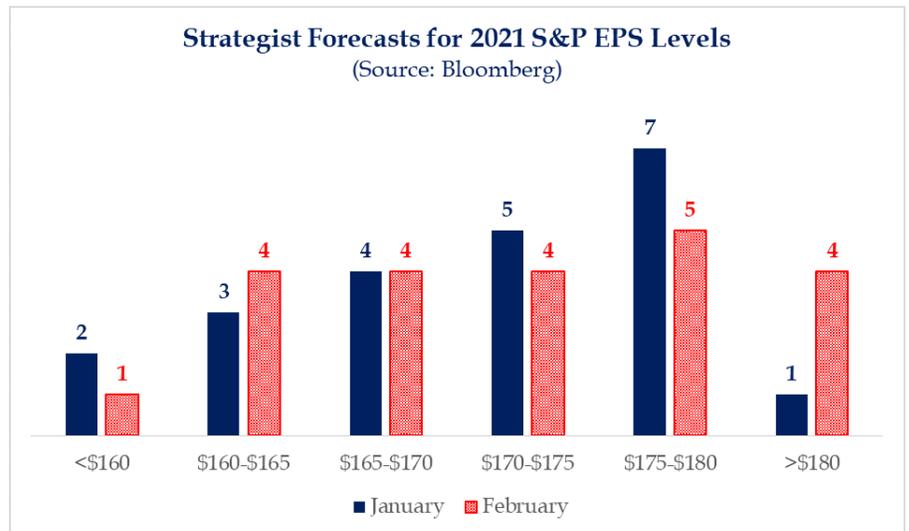
NTM EPS CONTINUES ITS STEADY MOVE HIGHER

The move higher in the S&P 500 next twelve month EPS figure has been nothing short of remarkable and thus far is showing no signs of slowing down. The latest reading is above \$180 and has the potential to rise even further as two of the most cyclical sectors, Energy and Industrials, remain well below their pre-pandemic levels.



BEGINNING TO SEE UPWARD REVISIONS TO STRATEGIST ESTIMATES

There was a notable uptick in the number of analyst estimates that are greater than \$180. In January, it was just one strategist and as of February, it stands at four. We suspect when the table is next released at the end of March, there will be additional estimates that were revised higher. Our survey at our round table last week also showed that investors believe consensus estimates remain too low.



Please see the Appendix on page 3 for important disclosures.

WHAT SECTORS WORK IN THE 12-MONTHS FOLLOWING INTEREST RATE RISES

Yesterday, we highlighted seven periods in the last 30 years that saw rising rates. In the past, we have shown what sectors performed best during those periods. Today, we address the question of what works in the twelve-months following the peaks. While Technology and Financials have performed best on average, in our opinion the bigger takeaway is that it historically has been bullish for equities overall.

Index	11/30/1994	8/31/1996	1/31/2000	6/30/2006	12/31/2009	12/31/2013	10/31/2018	Average
	11/30/1995	8/31/1997	1/31/2001	6/30/2007	12/31/2010	12/31/2014	10/31/2019	
Financials	54.2%	55.3%	29.5%	14.7%	12.1%	15.2%	11.7%	27.5%
Technology	50.5%	80.7%	-24.5%	25.9%	10.2%	20.1%	22.6%	26.5%
Health Care	51.4%	39.8%	18.8%	18.6%	2.9%	25.3%	8.6%	23.6%
Industrials	42.0%	36.9%	15.3%	17.4%	26.7%	9.8%	14.9%	23.3%
Real Estate				11.7%	28.0%	26.1%	26.7%	23.2%
Staples	39.9%	32.2%	17.6%	14.8%	14.1%	16.0%	14.0%	21.2%
Utilities	26.2%	9.9%	28.1%	26.1%	5.5%	29.0%	23.7%	21.2%
S&P 500	37.0%	40.6%	-0.9%	20.6%	15.1%	13.7%	14.3%	20.0%
Materials	25.4%	26.4%	-6.9%	29.1%	22.2%	6.9%	13.5%	16.7%
Discretionary	19.1%	26.2%	-0.9%	19.1%	27.7%	9.7%	15.8%	16.7%
Communications	37.9%	22.7%	-27.3%	38.8%	19.0%	3.0%	15.5%	15.7%
Energy	21.6%	42.7%	14.0%	28.0%	20.4%	-7.8%	-11.0%	15.4%

RISING MORTGAGE RATES & HOME PRICES MAKE HOUSING LESS AFFORDABLE

While the demand story for housing is supportive of higher rates, there is no question that as home price appreciation accelerates, buyer affordability is getting more stretched. Further increases in home prices, which is largely expected, lowers the ceiling where rates can rise to. In 2018, when the housing market paused and equities sold off, monthly mortgage payments reached a level of about \$1,400. If mortgage rates rise to 3.5% and home prices remain flat, the mortgage payment will be at those levels. Rates are not the only factor as the macro backdrop today is very much different than it was in 2018.

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
2010	\$883	\$889	\$909	\$931	\$914	\$947	\$927	\$884	\$850	\$837	\$852	\$892
2011	\$828	\$833	\$844	\$843	\$868	\$891	\$873	\$839	\$790	\$777	\$781	\$770
2012	\$736	\$738	\$786	\$817	\$835	\$865	\$842	\$840	\$791	\$785	\$788	\$794
2013	\$769	\$779	\$833	\$851	\$948	\$1,079	\$1,052	\$1,064	\$985	\$954	\$966	\$999
2014	\$932	\$940	\$985	\$1,001	\$1,027	\$1,078	\$1,073	\$1,055	\$1,023	\$988	\$986	\$974
2015	\$905	\$941	\$969	\$1,004	\$1,076	\$1,131	\$1,104	\$1,070	\$1,041	\$1,016	\$1,044	\$1,067
2016	\$995	\$967	\$1,020	\$1,058	\$1,092	\$1,109	\$1,089	\$1,068	\$1,046	\$1,047	\$1,123	\$1,157
2017	\$1,110	\$1,111	\$1,149	\$1,174	\$1,198	\$1,239	\$1,220	\$1,182	\$1,158	\$1,166	\$1,166	\$1,175
2018	\$1,171	\$1,206	\$1,257	\$1,319	\$1,353	\$1,395	\$1,371	\$1,349	\$1,335	\$1,348	\$1,352	\$1,298
2019	\$1,258	\$1,245	\$1,249	\$1,306	\$1,327	\$1,318	\$1,299	\$1,264	\$1,240	\$1,260	\$1,246	\$1,270
2020	\$1,197	\$1,207	\$1,260	\$1,245	\$1,218	\$1,262	\$1,287	\$1,294	\$1,297	\$1,288	\$1,264	\$1,249
2021	\$1,237	\$1,276	\$1,289									

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