

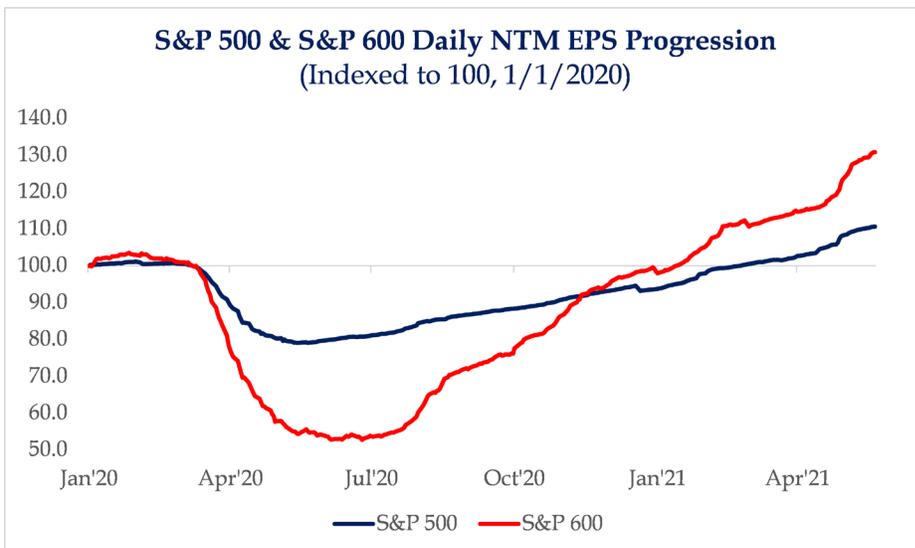
Strategas Daily Macro Brief

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Prepared by Strategas Securities, a Baird Company

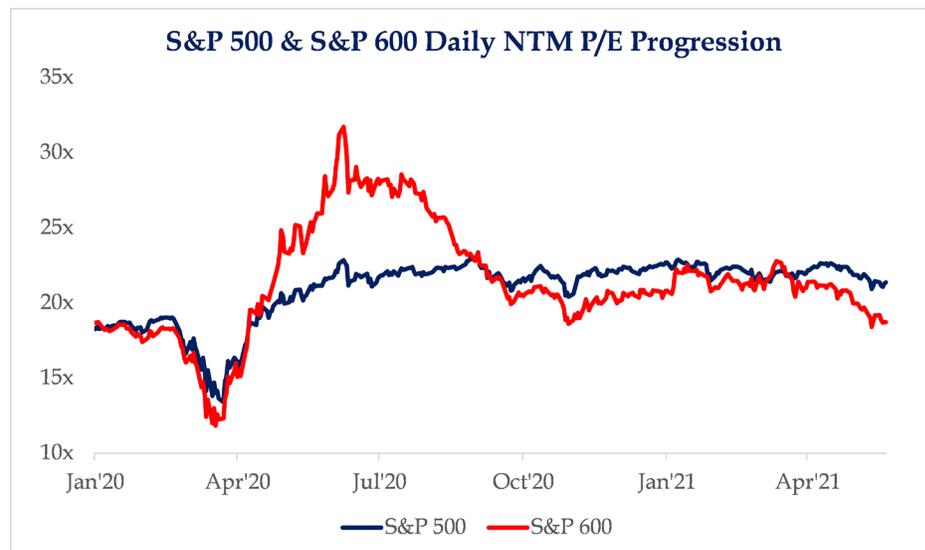
SMALL & LARGE-CAP NTM EPS PROGRESSING STEADILY HIGHER

Despite the well-documented and extraordinarily devastating economic damage caused by the Covid-19 pandemic, the subsequent recovery has been nothing short of remarkable. We've tracked the next twelve month EPS progression for a timely gauge on the state of the recovery, and it's striking to note the drawdown and bounce back of both large and small-caps, with the latter seeing its NTM EPS accelerate to fresh recovery highs.



MULTIPLE COMPRESSION PRESENT IN SMALL & LARGE-CAP INDEXES

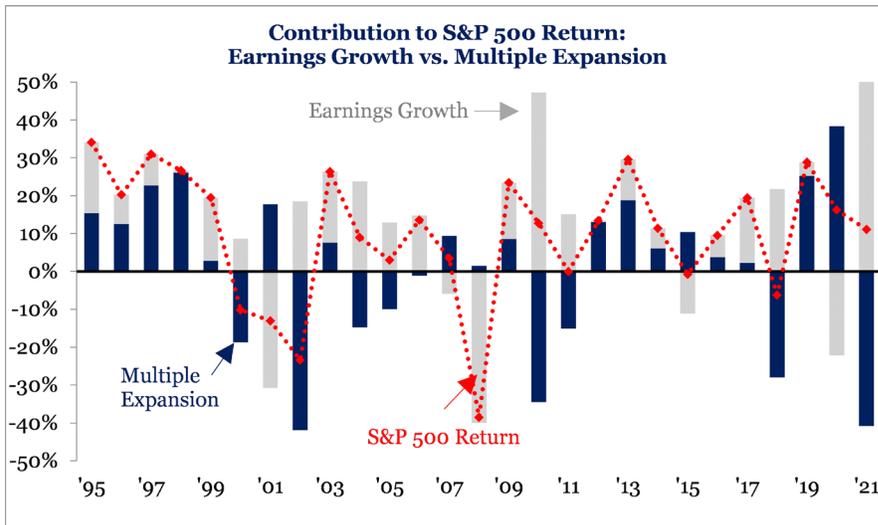
With the notable improvement in corporate fundamentals and profits, it is natural to expect multiple compression. While present throughout the cap spectrum, small-caps have evidenced the compression in multiples to a much greater extent than large-caps, a likely result of small-caps recovering swiftly off of a much lower trough in earnings.



Please see the Appendix on page 3 for important disclosures.

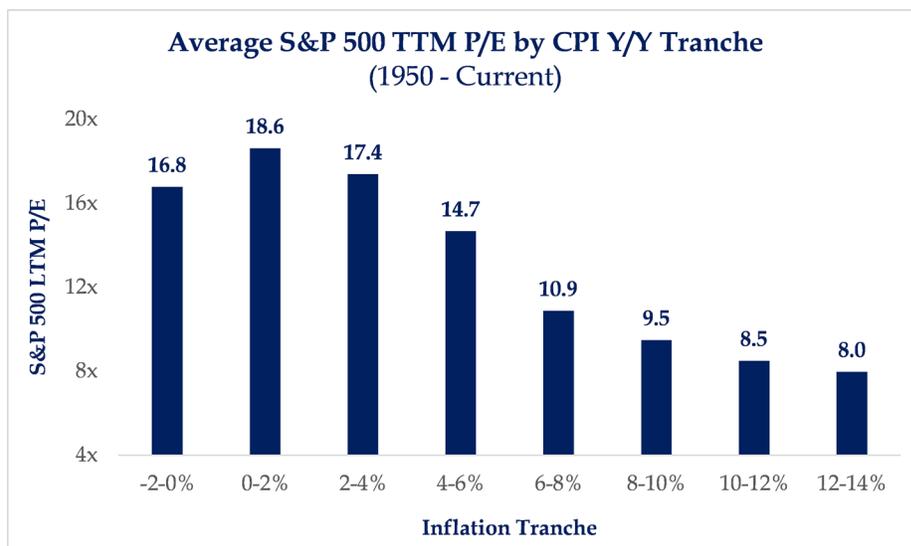
EPS GROWTH BECOMES IMPORTANT RETURN CONTRIBUTOR DURING RECOVERIES

Following the abundance of risk appetite and multiple expansion seen immediately off major market lows, the market hits a juncture in which the baton is passed to more fundamentally durable leadership. In the nascent years of economic recoveries, earnings growth becomes one of the primary drivers of equity market returns while multiple expansion takes a back seat.



REMINDER: DURABLY HIGHER INFLATION HURTS EQUITY MULTIPLES

Another important factor to keep in mind regarding equity market multiples is the pace of inflation growth, a topic that has been scrutinized and covered thoroughly over recent weeks. If we are to see a much higher and durable increase in inflation, this will become a formidable headwind for multiples.



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