

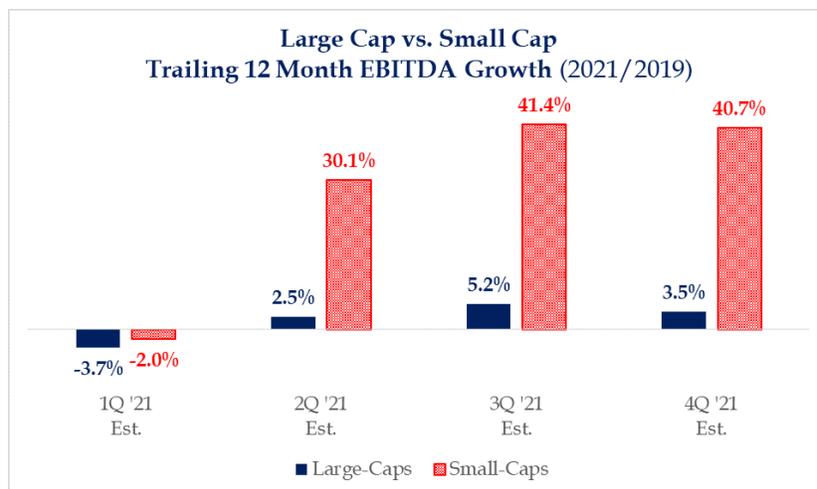
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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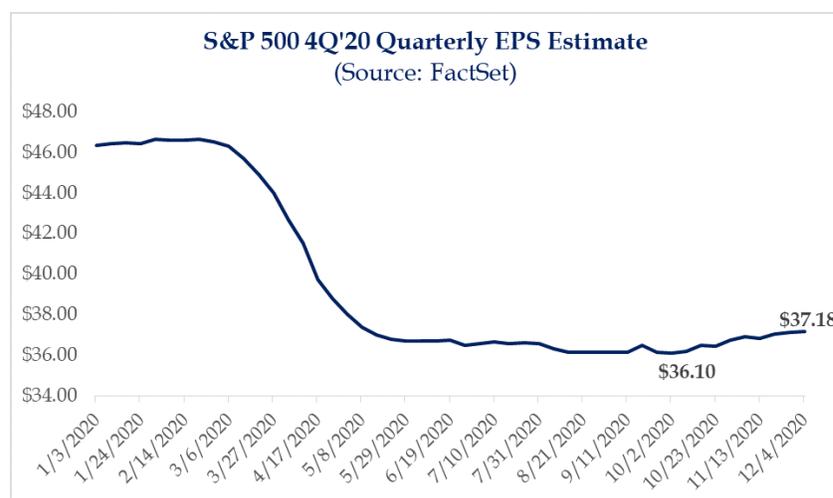
2021 EARNINGS RECOVERY GREATER FOR SMALL-CAPS

The profit recovery for small-caps is estimated to be stronger than large-caps peers, even when comparing growth rates to 2019 earnings levels rather than 2020 troughs. Furthermore, coming off peaks in small-cap non-earners has historically led to small-cap outperformance for an extended period.



NO UPWARD REVISION TO 4Q'20 EPS ESTIMATE DESPITE STRONG 3Q

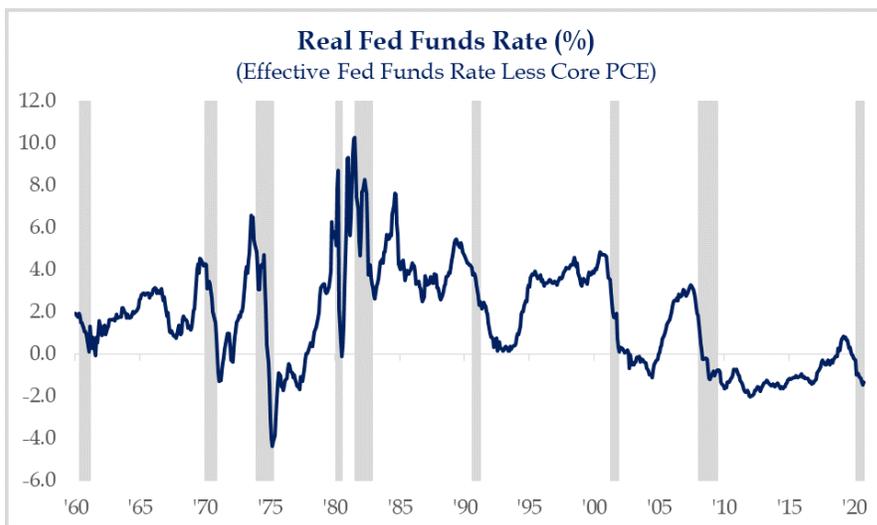
Despite the strong third-quarter earnings season, we find it interesting that there has been virtually no upward revision to the 4Q EPS figure. There is still time for revisions upward, but this bears watching over the coming weeks.



Please see the Appendix on page 3 for important disclosures.

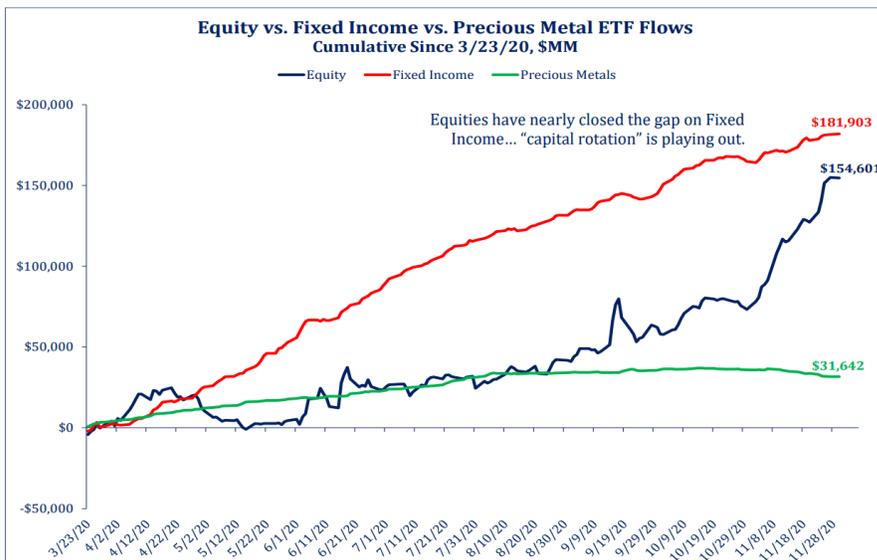
REAL RATES LIKELY TO REMAIN NEGATIVE FOR AN EXTENDED PERIOD AGAIN

With the Fed on hold for the foreseeable future and recent commentary suggesting officials are willing to let inflation run a “little hot,” the real fed funds rate is likely to remain in negative territory for an extended period again. Furthermore, the utilization of negative rates around the globe did not bode well and, as of now, appears to be off the table here in the U.S.



EQUITY FLOWS CLOSING THE GAP VS. BONDS

Last week, Todd Sohn on our Technical Team published his ETF Flow monitor, and the chart on the right caught our attention. Bond ETFs have seen more cumulative flows than equity ETFs despite the more than 60% equity market return off the lows. Although the recent surge of equity flows looks strong, the rolling 12-month sum into the January 2018 peak was +\$372 Bn. Today’s reading has just surpassed +\$238 Bn.



APPENDIX – IMPORTANT DISCLOSURES

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