

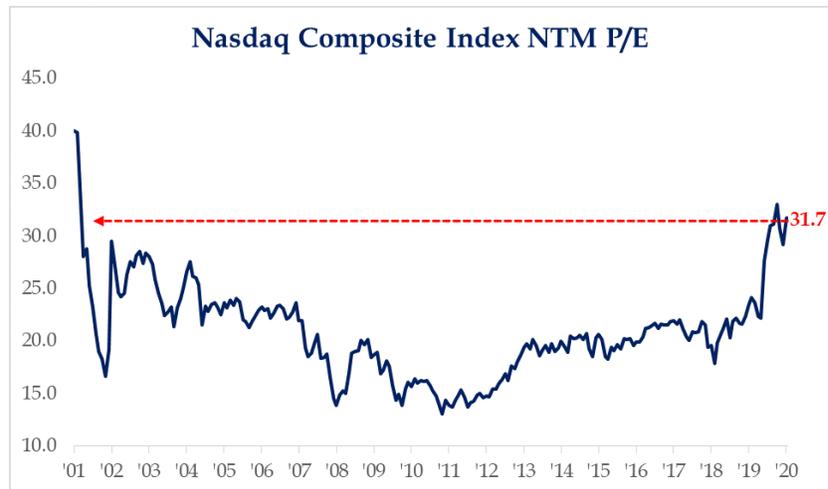
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

December 18, 2020

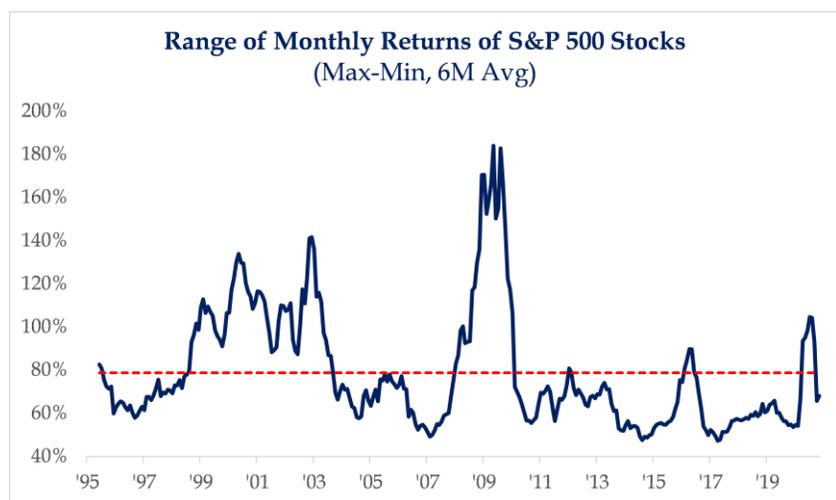
NASDAQ VALUATIONS TRADING AT TECH BUBBLE LEVELS

With the run-up in Technology shares and the strong IPO market, lately we've been frequently asked about valuations on the Nasdaq. At 31.7x forward twelve month earnings, one would have to go back to the tech bubble for the last time the Nasdaq traded at these levels.



DISPERSION REVERTING TO THE MEAN

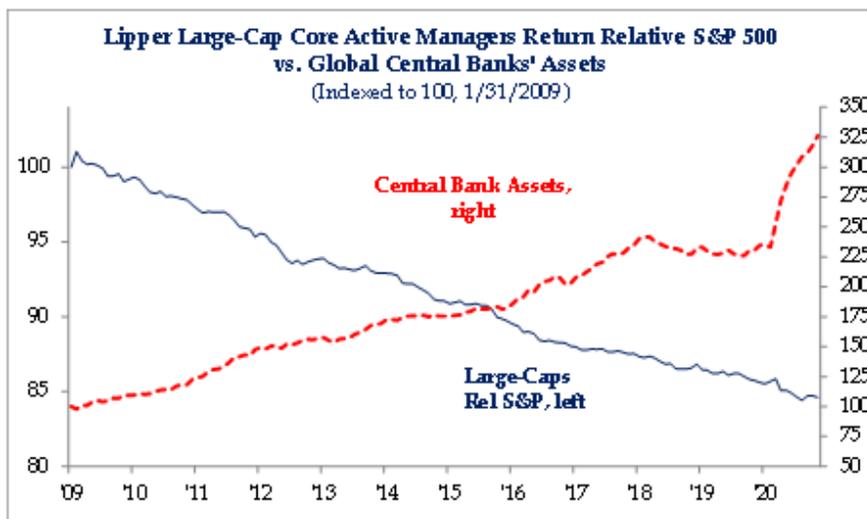
Following a sustained period of below-average dispersion, the Covid-19 pandemic brought about historic volatility, naturally leading to a swift uptick in the range of returns among S&P 500 stocks. Since peaking earlier this year, S&P 500 return dispersion has been reverting to the mean, a condition that can make it more difficult for active managers to differentiate themselves and outperform the broader market.



Please see the Appendix on page 3 for important disclosures.

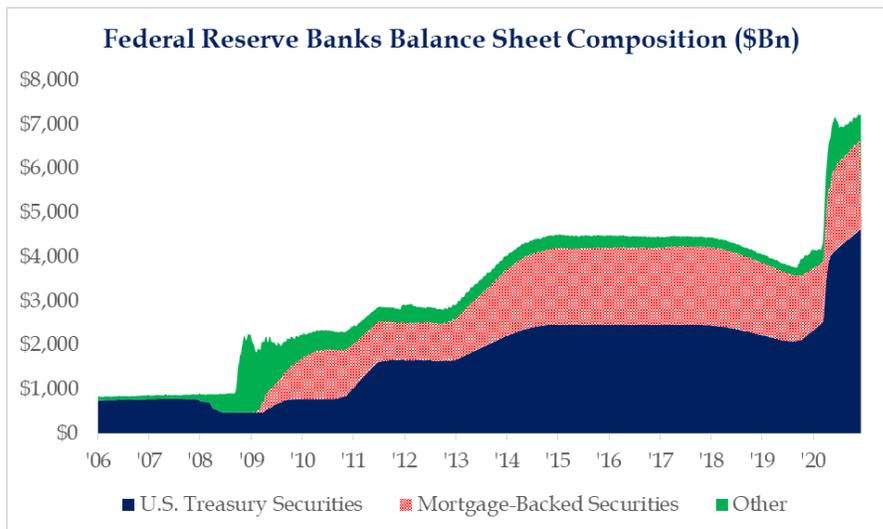
GROWING CB BALANCE SHEETS MAKE ACTIVE MANAGEMENT CHALLENGING...

Another challenging headwind for active managers could likely be the ballooning balance sheets of global central banks, an outcome of supporting global economies deeply scarred by the pandemic lockdowns. Large-cap active managers have struggled to outperform since QE began after the Great Financial Crisis, and the latest surge in central bank balance sheet assets is not an encouraging development for managers.



...ESPECIALLY WHEN PURCHASES ARE EXPANDED BEYOND TREASURIES

While the actions taken by the Federal Reserve and the federal government have indicated that policymakers are willing to do “whatever it takes” to save the economy, it has made the job of the active manager more difficult. From at one time consisting of more than 90% Treasuries, the Fed’s Balance sheet is now only 66% Treasuries.



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