

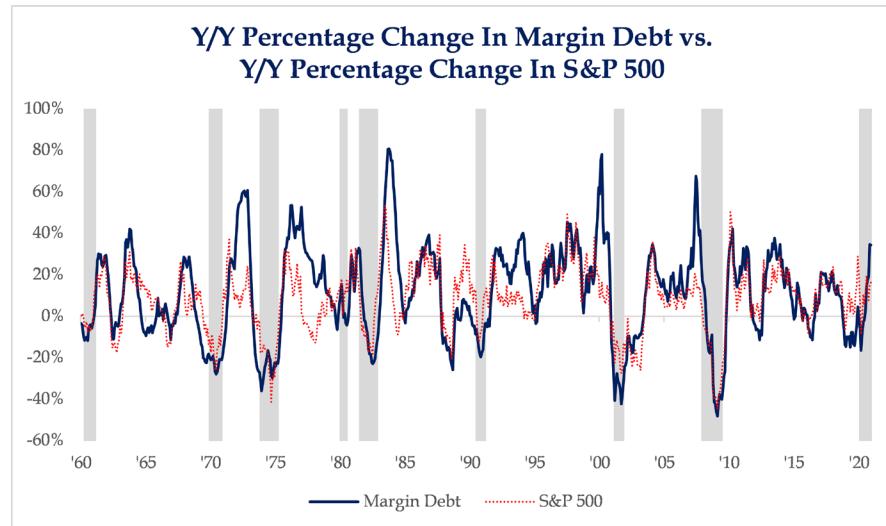
Strategas Daily Macro Brief

February 5, 2021

Prepared by Strategas Securities, a Baird Company

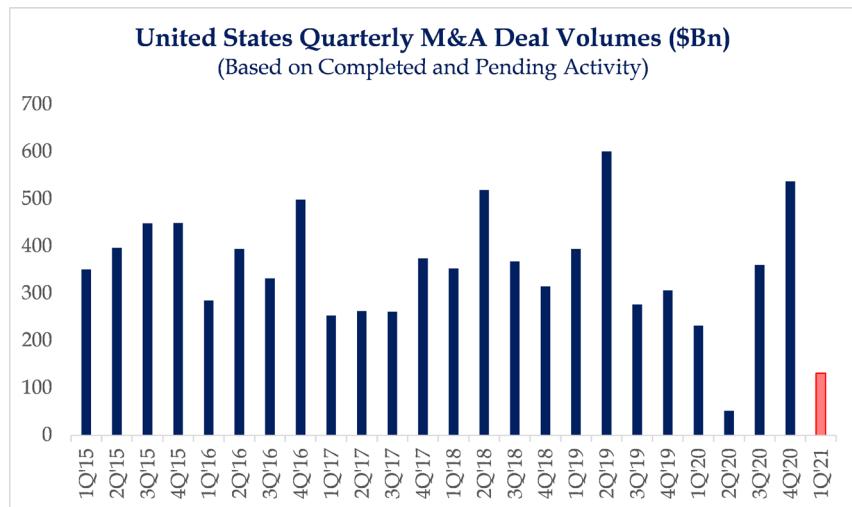
LEVEL OF MARGIN DEBT NOT AN ISSUE FOR EQUITIES

Recently, we have seen more and more discussion about the levels of margin debt. However, historical data suggests that the y/y percentage change matters more. The correlation between margin debt and the S&P 500 is 0.67, which implies that it is not until the percentage change begins to roll over that it becomes problematic. What's also interesting is that this is the only expansion of margin debt that has occurred during a recession. Typically, you see a large boost either directly before or immediately following.



M&A ACTIVITY COULD SLOW IN NEAR-TERM

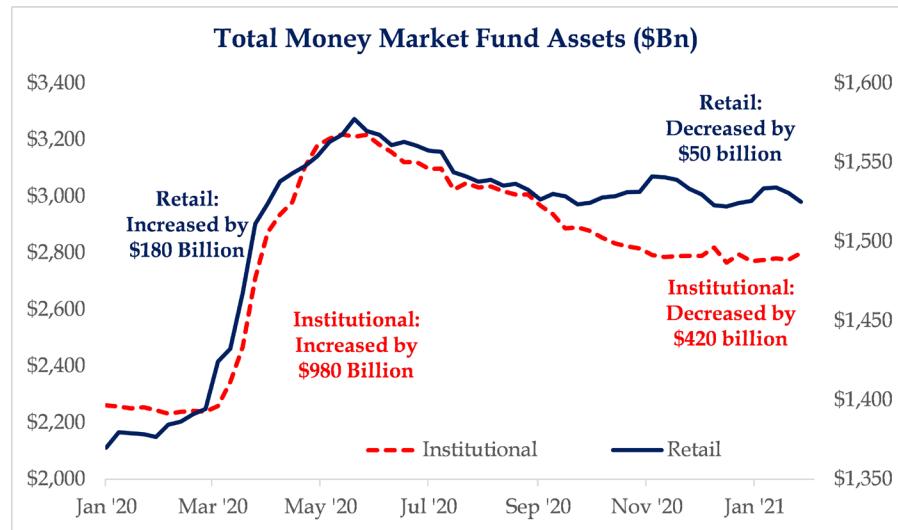
M&A activity has remained strong with roughly \$130bn of completed & pending activity during the first month of the year. From earnings conference calls during the 4Q season thus far, companies have been suggesting that they have been continuing to look for acquisitions; but premiums and valuations are elevated. This likely means that activity may slow in the near-term but, ultimately, we still believe the trend will persist.



Please see the Appendix on page 3 for important disclosures.

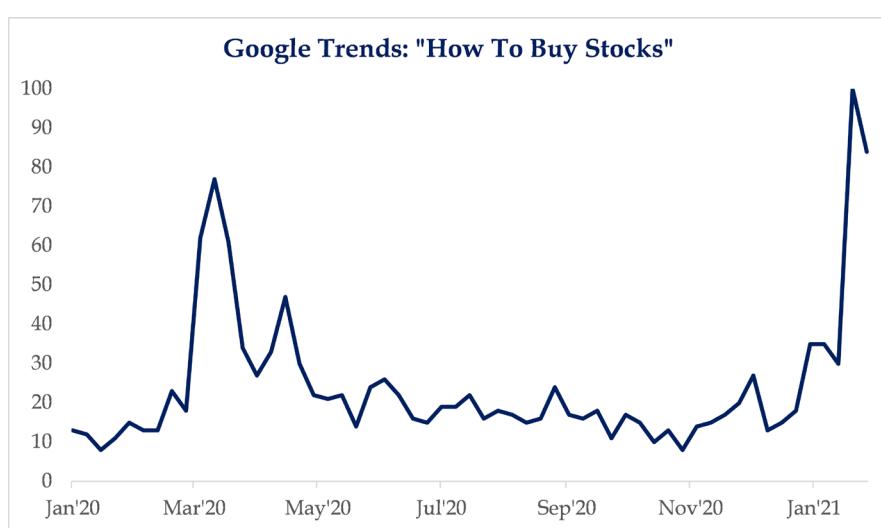
PLENTY OF CASH REMAINS ON THE SIDELINES

Despite the mania surrounding GameStop and the surge of retail interest in the public markets lately, there appears to be plenty of dry powder left on the sidelines. Since peaking in mid-2020, money market fund assets have decreased by \$420 billion for institutions and \$50 billion for retail. What remains key is that there remains plenty of cash on the sidelines relative to pre-pandemic levels, a potential tailwind for equities.



"HOW TO BUY STOCKS" SEARCH COUNT HIGHER THAN AT 2020 LOW

Recently, the stock market has received a significant amount of media coverage amid the GameStop frenzy. This heightened coverage has led to a notable uptick in retail interest and, perhaps not surprisingly, led to a sharp increase in google searches of the phrase "how to buy stocks." The popularity in this search has even surpassed the interest received near the market low of 2020.



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