

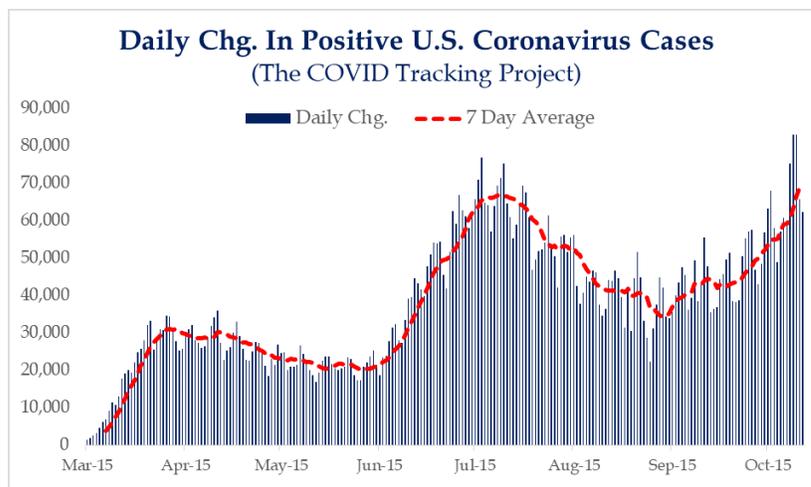
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

October 27, 2020

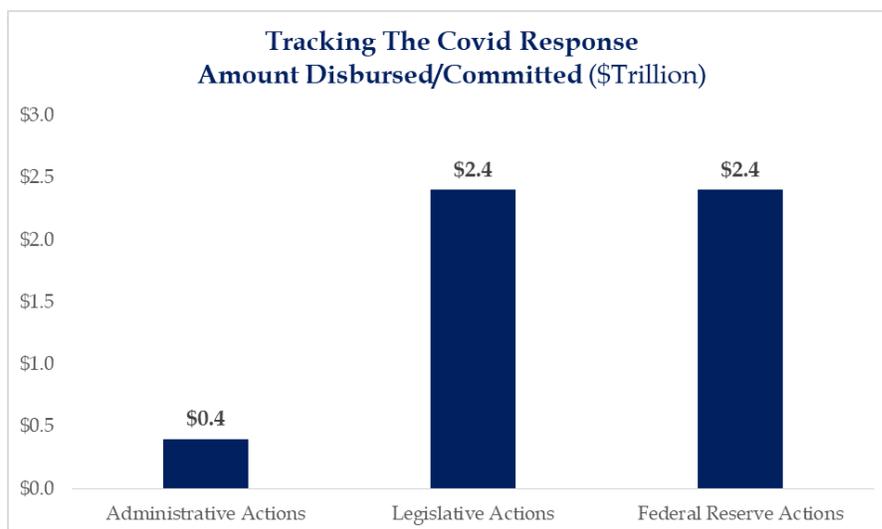
RISING CASE COUNTS GETTING A LOT OF ATTENTION

Yesterday's sell-off in part is being blamed on the rising number of Covid cases showing up globally. In our latest client survey conducted earlier this month, a second wave of Covid was one of the biggest risks to the equity markets. Mix in the uncertainty surrounding the election over the next week, and we could be setting ourselves up for a rocky environment in the near-term.



DAILY WRANGLING OVER ADDITIONAL STIMULUS CREATES DOUBTS

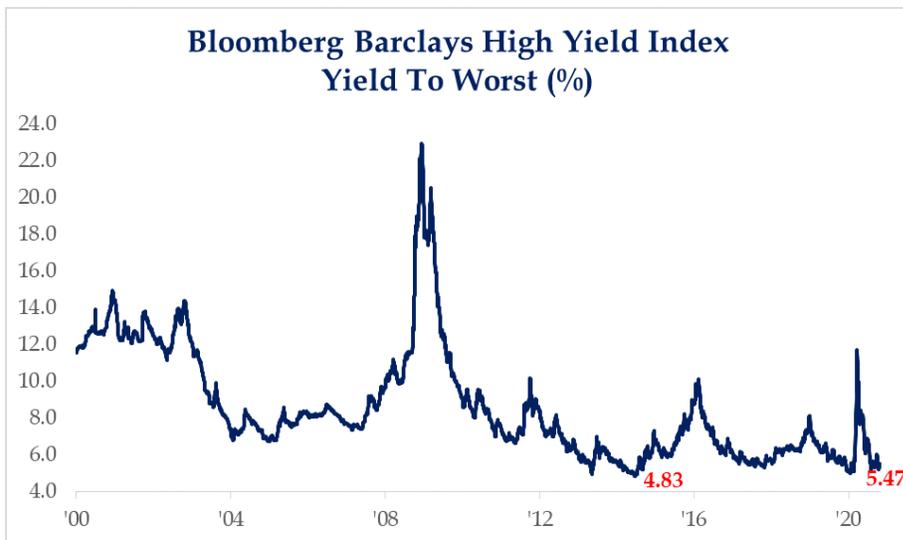
It seems that every day, we hear either the two sides are getting closer to a stimulus deal, or they cannot agree on particular "sticking points" and will continue discussions. The wrangling is creating doubts among investors about whether or not more stimulus will ever be passed. Thus far, more than \$5 trillion have been disbursed/committed in the wake of the coronavirus pandemic and economic crisis.



Please see the Appendix on page 3 for important disclosures.

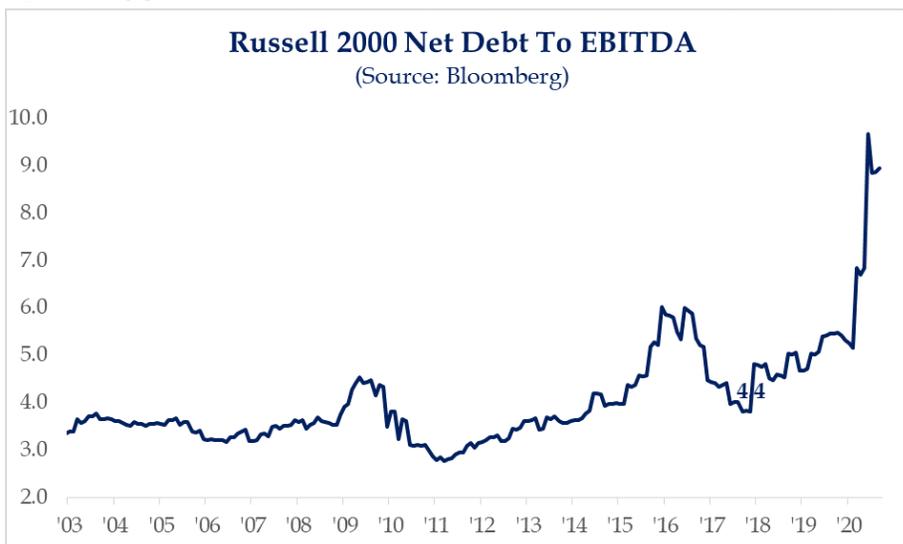
HIGH YIELD ISSUERS BORROW CASH NEAR RECORD LOW RATES

In just over six months, the yield to worst on the Bloomberg Barclays high yield index has been cut in half, and spreads have fallen from 1100bps to about 480bps today. With short-term interest rates anchored near zero, borrowing for most companies is cheap and will likely remain that way for the time being. The extent that liquidity remains ample, companies will continue to tap the credit markets in the short-term. However, in the long-term, problems are being created that will eventually need to be addressed..



RECORD BORROWINGS WITH FALLING EARNINGS

The abundance of debt issuance creates an overhang for companies that will likely last for several years, by forcing profits to be used for future interest expenses or debt repayment instead of capital spending for hiring, payment of dividends, or stock buybacks. The spike in leverage may not be an issue now, but a less than optimal recovery in earnings may leave some companies in a state of permanently higher leverage ratios.



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