

Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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2021 STRATEGIST ESTIMATES CONTINUE TO CLIMB

At the start of the year, only one strategist had a 2021 S&P 500 earnings estimate greater than \$180 per share. There are now seven estimates above that level, with the estimates shifting higher just four months later. There are still three estimates below \$165, but we suspect those will be revised higher as well as the earnings season progresses.



NO CONSENSUS ON 2022 ESTIMATES THUS FAR

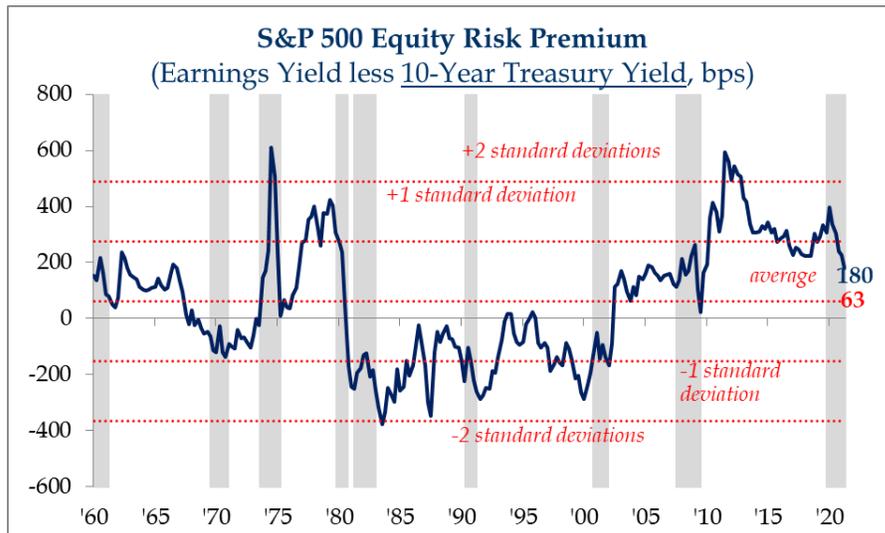
While early to begin looking at the 2022 estimates, the data that has been reported thus far shows a relatively even distribution of estimates ranging from \$190-\$220. The biggest outstanding question for 2022 is surrounding taxes. As we touched on Monday, most companies are still not yet discussing the impact it may have.



Please see the Appendix on page 3 for important disclosures.

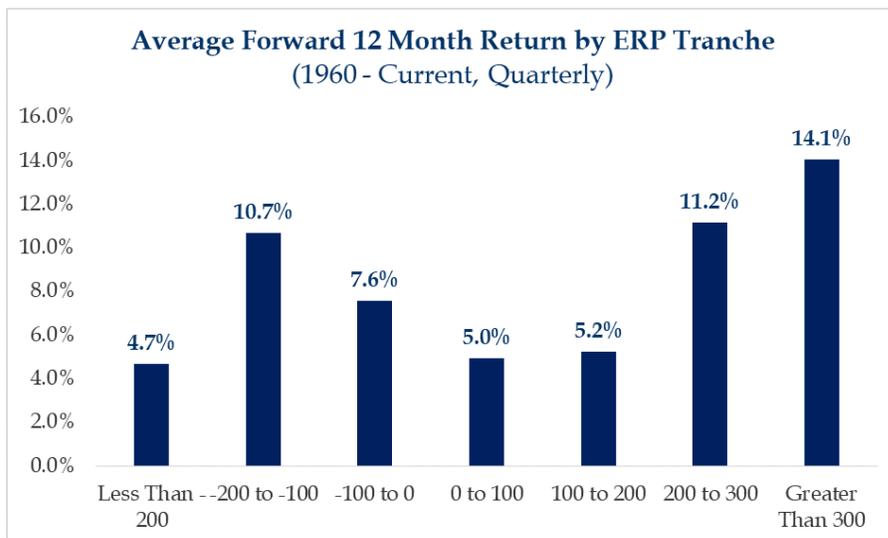
EQUITY RISK PREMIUM DECLINES TO 180BPS

Lately, clients have increasingly focused on the equity risk premium for the S&P 500 and its slip from recent highs. Despite having fallen to 180bps, the equity risk premium remains above its long term average of 63 basis points. This metric will likely frequently checked going forward, especially if bond yields resume their march higher and attract yield-oriented investors.



AGGREGATE RETURNS MORE CHALLENGING AT THESE LEVELS

An important consideration remains the forward return implications for the S&P 500's current equity risk premium, with aggregate returns are likely to be more challenging at these levels. Since 1960, the S&P 500 averages 5.2% 12-months forward in the 100 to 200 bps bucket. Stock selection will be more important for investors moving forward.



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