

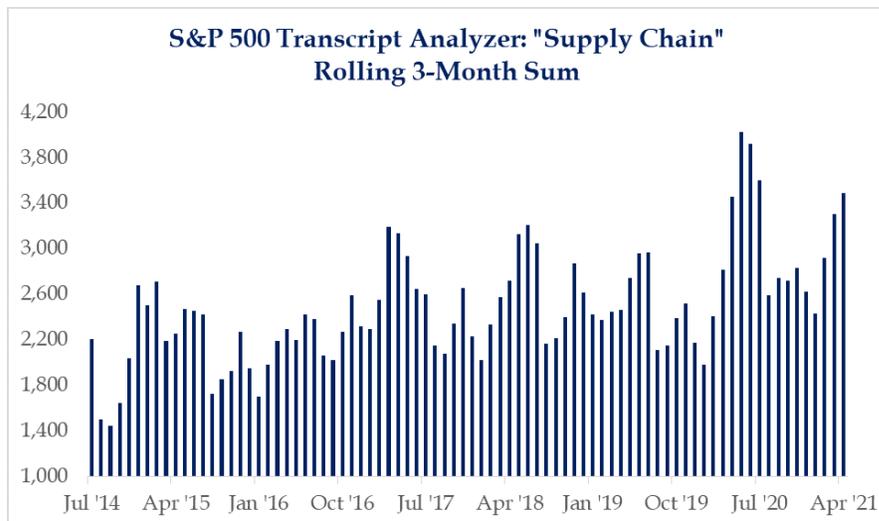
Strategas Daily Macro Brief

Prepared by Strategas Securities, a Baird Company

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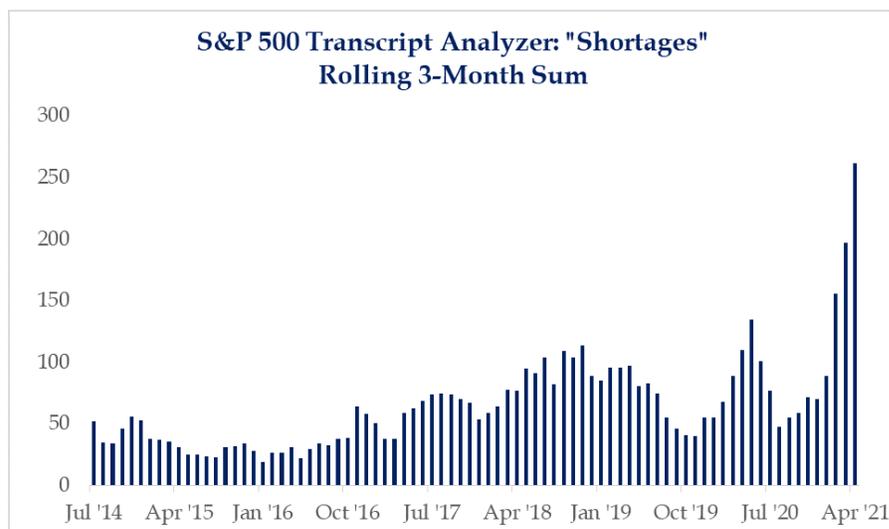
MENTIONS OF “SUPPLY CHAIN” IN TRANSCRIPTS DOWN COMPARED TO MAY 2020

In discussions with clients over recent weeks, the disruptions to supply chains that resulted from closing economies during the Pandemic last year arises more and more. However, when we analyze transcripts for S&P 500 companies, the number of mentions of “supply chains” is actually down compared to May of last year and only slightly above March of 2017 and June of 2018.



HOWEVER, MENTIONS OF “SHORTAGES” RAMPING UP

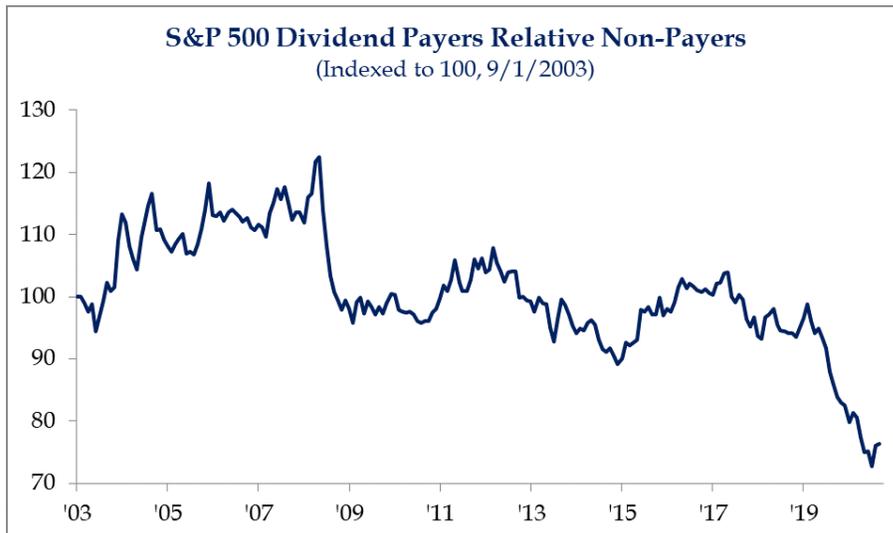
The bigger concern from our perspective is the number of mentions of shortages. This could bleed into company margins as they face higher input costs and could even result in lower revenues from a lack of finished products. While this should self-correct over time, it could result in consumers being squeezed as companies attempt to pass along increased prices.



Please see the Appendix on page 3 for important disclosures.

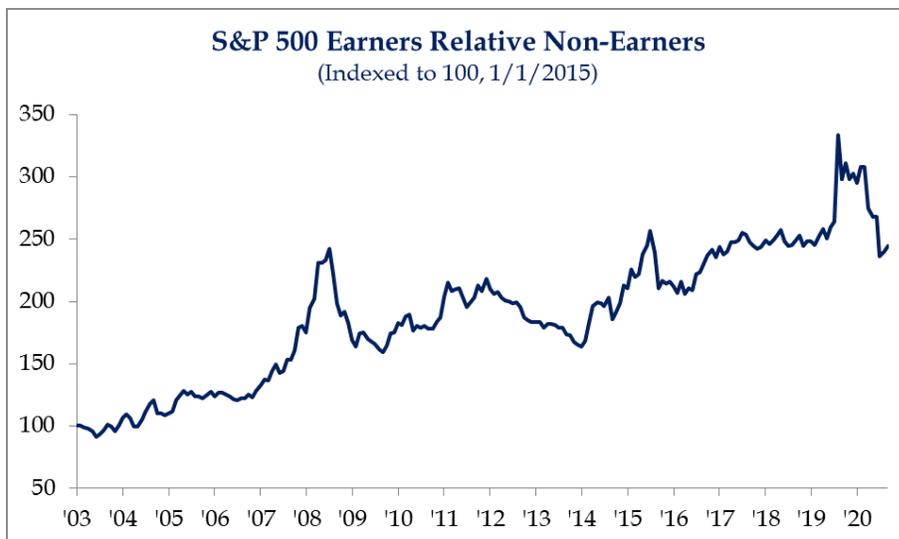
PAYERS FREE FALL RELATIVE TO NON-PAYERS APPEARS TO BE OVER

After peaking in September of 2019, dividend-paying companies underperformed non-payers for 18 months, but the tide appears to be turning, at least for now. While it is difficult to say for certain if the trend continues, we are seeing more and more companies raise or pay dividends. Preservation of cash was a big theme over the last year, but companies should be more comfortable deploying their cash as the reopening continues.



EARNERS BEGINNING TO TURN HIGHER

Over the last two months, we are seeing a subtle sign that fundamentals will play a bigger role in driving equity performance. S&P 500 earners outperformed non-earners in both March and April. This should not be all that surprising as this leadership transition is typical following major risk-on markets like the one we have seen over the last year.



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