

Strategas Daily Macro Brief

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Prepared by Strategas Securities, a Baird Company

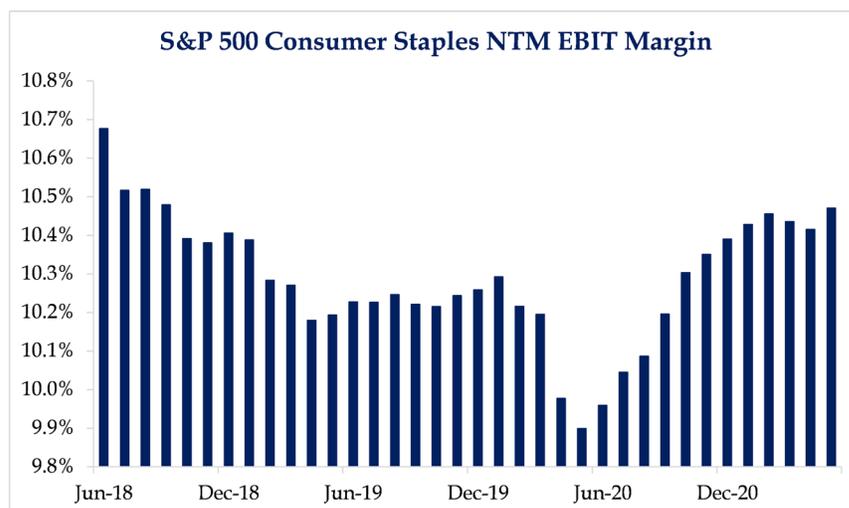
SHOULD RATES RISE, CONSUMERS STAPLES WILL LIKELY LAG

It is notable that the Consumer Staples sector overall is a laggard during periods of rising rates. However, breaking the sector down into industries shows that Personal Products have outperformed the overall sector in each period and the S&P 1500 on average.

Index	12/31/95 08/31/96	09/30/98 01/31/00	05/31/03 06/30/06	12/31/08 12/31/09	07/31/12 12/31/13	06/30/16 10/31/18	Average (Sorted)
Personal Products	29.0%	1.1%	18.2%	45.7%	26.6%	6.0%	21.1%
S&P 1500	11.3%	28.2%	12.3%	27.2%	26.4%	13.6%	19.9%
Beverages	33.2%	5.5%	5.6%	24.1%	10.8%	5.3%	14.1%
Household Products	7.8%	30.4%	7.7%	7.0%	19.9%	2.1%	12.5%
Consumer Staples	13.4%	-4.6%	9.2%	15.3%	18.0%	3.0%	9.0%
Food & Staples Retailing	19.1%	-14.2%	4.7%	7.6%	23.7%	8.2%	8.2%
Food Products	0.5%	-17.8%	12.4%	17.7%	30.8%	-3.5%	6.7%
Tobacco	-3.1%	-42.2%	26.8%	25.9%	5.5%	0.2%	2.2%

MARGINS HANGING IN DESPITE HEADWINDS FROM HIGHER COSTS

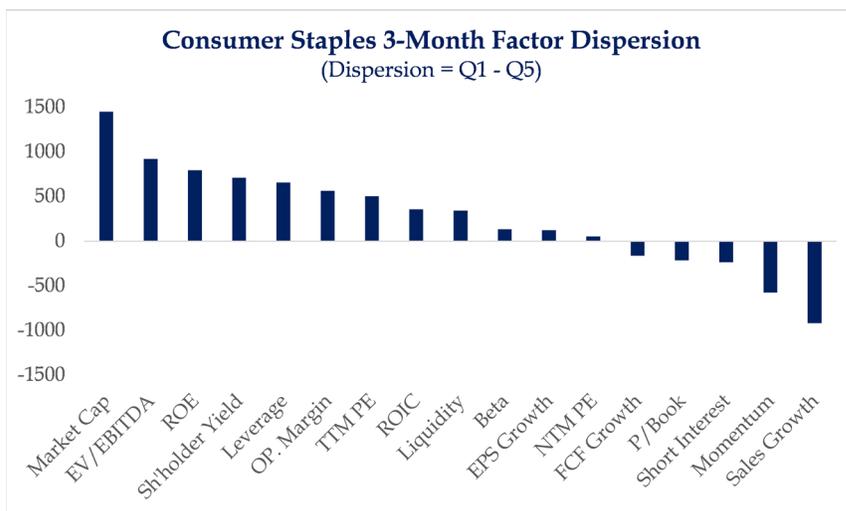
A surprising data point from the Consumer Staples sector is the recent tick higher in the next twelve month EBIT margin, hitting 10.47%, the highest level since September 2018. The question now is how to interpret this in the face of higher costs: is inflation seen as transitory and not harmful to margins, or is there confidence that Staples companies will simply raise prices to account for the cost headwind?



Please see the Appendix on page 3 for important disclosures.

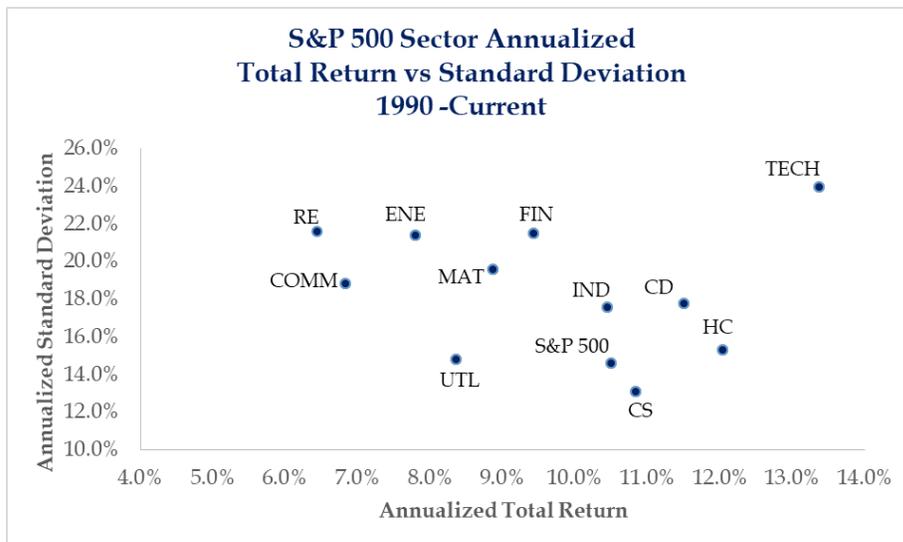
CONSERVATIVE POSITIONING WITHIN STAPLES FACTORS

Dissecting the Consumer Staples' past three month factor quintile performance, it can be seen that conservative and higher quality positioning was the dominant theme among investors. Large-caps were the stand-outs versus their small-cap peers, along with low EV/EBITDA, high ROE, and high shareholder yield outpacing their low quality higher valuation peers.



HISTORICALLY, STAPLES HAS PROVIDED SOLID RISK-ADJUSTED RETURNS

Believe it or not, the annualized total return for the consumer staples sector ranks fourth-best based on data from 1990 forward. What makes it more impressive is that the annualized standard deviation of the monthly returns is the lowest across all sectors.



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