FSnotes on **Equity** Markets

2021 Strategy Outlook

Exiting 'Greater Depression' = cycle reversion

Key to 2020: SYMMETRY Speed decline = recovery $+14\frac{0}{0}$ Key to 2021:
CYCLE REVERSION
Profits + Capex + VIX
+13-15%

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SAVE THE DATE: 2021 Outlook upcoming webinars

Date	Webinar	Time
12/21/2020	Tom DeMark 2021 Market Update	3pm ET
1/12/2021	2021 Technical Outlook Rob Sluymer	3pm ET
1/20/2021	2021 Global Portfolio Strategy Outlook Brian Rauscher	3pm EDT
Feb 2021	2021 Bitcoin and Digital Asset Outlook Thomas Lee and David Grider	3pm EDT

Source: FSInsight



EXECUTIVE SUMMARY

- 2021 is 'Cycle reversion' as much as 2020 was about 'symmetry.'
 Reversion → VIX, margins, capital spending, consumer demand, Value vs Growth
- 2021 is year+1 of start of a new economic expansion. Pent-up demand + massive 'relief' and celebration of pandemic finale could lead to substantially stronger than expected GDP recovery. This is what the resilience of equities in 2020 seem to suggest.
- Epicenter (aka Cyclical) profit margins will likely outperform consensus in 2021-2022 due to massive cost re-engineering this year. 2022 EPS >\$200 (per Brian Rauscher).
- Real interest rates -6.0% in 2021-2022, the lowest in more than 60 years. Massive tailwind for asset heavy companies and best time to outperform Growth (Slide 42)
- Volatility to decline substantially in 2021-2023, with VIX sinking below 20 and VIX futures normalizing. This is a major risk-on signal for Cyclicals (aka Epicenter) with 84% win-ratio (Slide 31).
- "Pause that refreshes" -- We expect S&P 500 to stall between Feb-April 2021, correct ~10% to 3,500 before surging into YE 2021 (<u>Slide 11</u>).

Our YE 2021 Target is 4,300, based upon 20.5X-21.0X 2022 EPS of \$204-\$210. Our top 3 favorite sectors are: **Industrials, Discretionary** and **Energy**



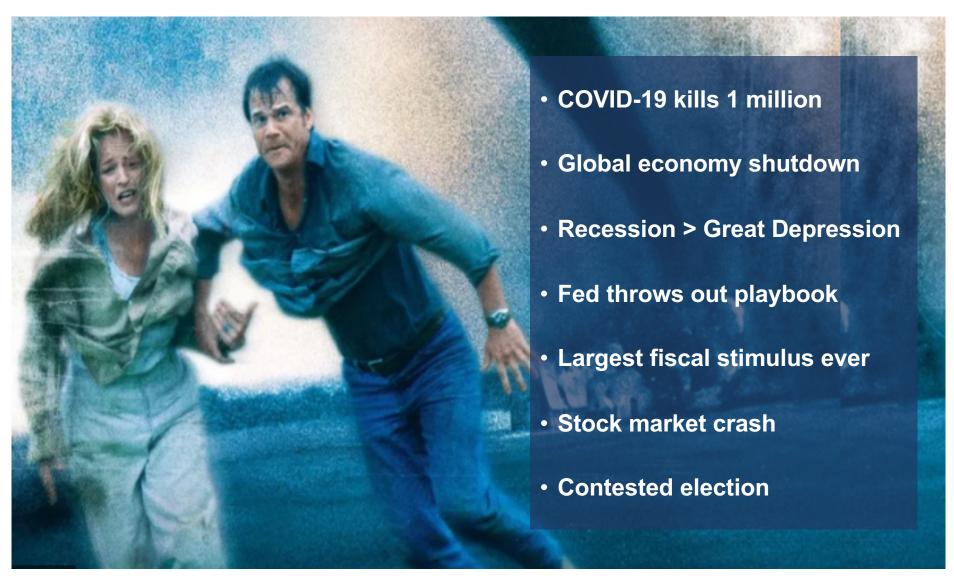
RISK: A lot can go wrong...

- The future is uncertain
- COVID-19 could mutate - Mink strain
- Election turmoil redux?
- Vaccine doesn't work
- USD crashes
- Interest rates surge
- IPO bubble?
- Retail stock trading bubble?
- People are too bullish
- Congress goes after US Big Tech
- Biden has health issues
- Hackers





2020: World got 'lucky' as 2020 is worse than any disaster movie



Source: Fundstrat, Bloomberg, Factset



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Positive (+): The analyst expects the performance of his industry/sector coverage universe over the next 6-18 months to be attractive vs. the relevant broad market benchmark, being the S&P 500 for

Neutral (N): The analyst expects the performance of his or her industry/sector coverage universe over the next 6-18 months to be in line with the relevant broad market benchmark, being the S&P 500 for

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