



In this week's Highlights, Ryan Grabinski suggests U.S. economic data remains resilient, Sanders continues to be the favorite in the betting markets, and despite the near-term obstacles, a bullish outlook for equities over the long-term is warranted.



Ryan Grabinski
Equity Strategist

rgrabinski@strategasrp.com

U.S. Economic Data Remains Resilient; China Showing Signs of Weakening

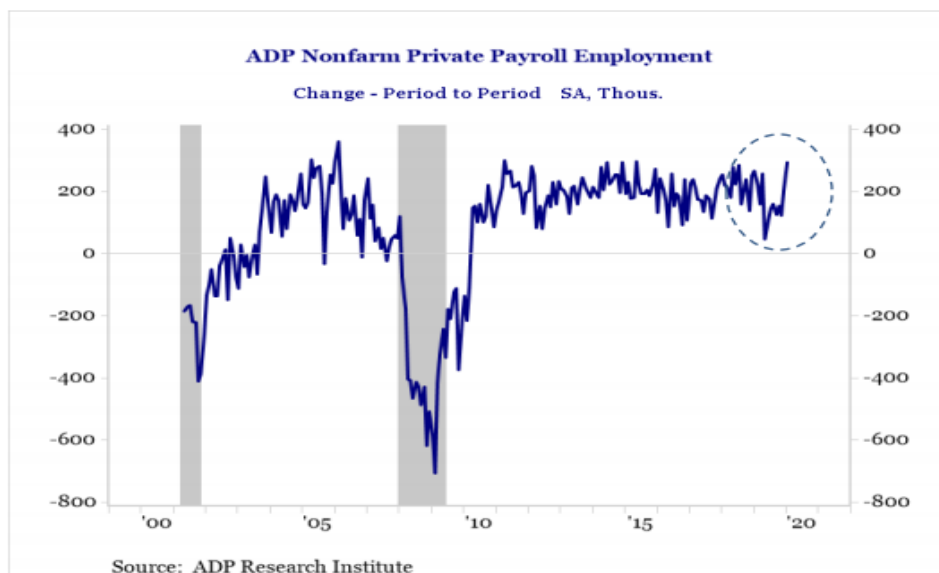
- As Chinese policymakers try to combat the impact of the coronavirus, economic growth is at least going to suffer in the first quarter. The latest figures reported suggest GDP could be 5% in the first quarter rather than 6% but we would not be surprised if the final number was weaker.



- Still look to Germany as a leading indicator to see if growth for the rest of the world is turning.



- The U.S. economy is looking resilient, heading into the hits that are coming in the first quarter (China virus, Boeing production cuts, political uncertainty, etc.). ADP's measure of private U.S. payrolls surprised to the upside, rising +291,000 month over month in January.

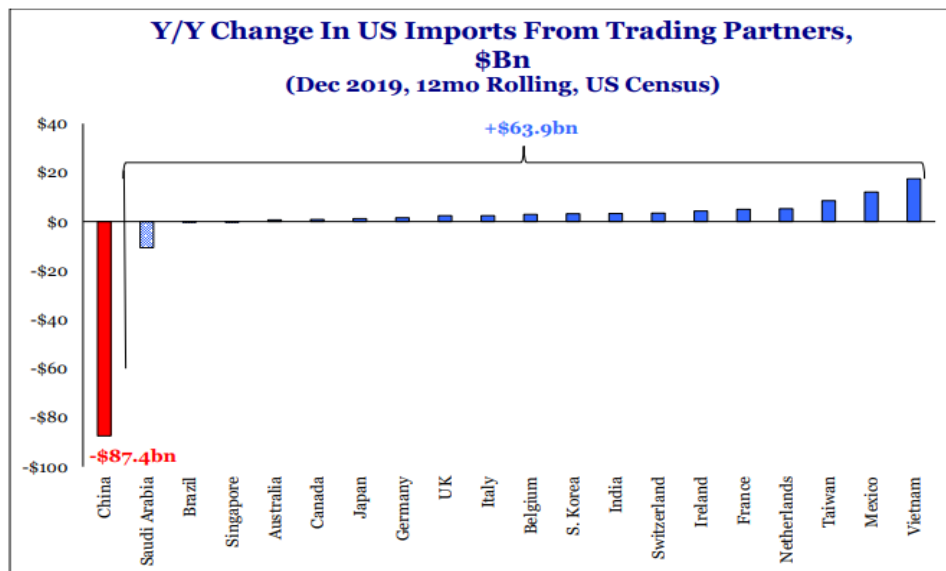


- Also, the U.S. manufacturing PMI reversed a five-month contraction in January rising to 50.9.

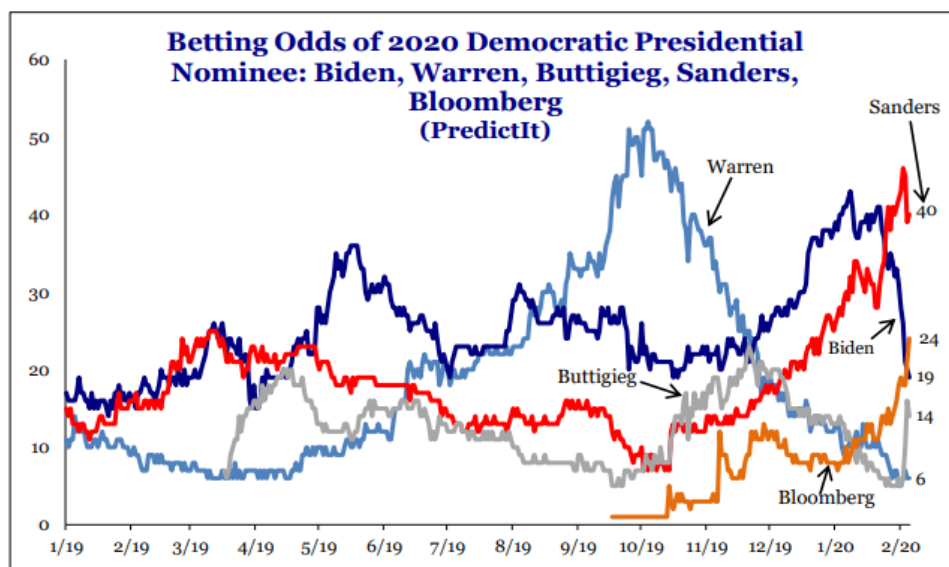


Trade War Shifted the Dynamics of Global Trade; Sanders Still the Favorite to Win the Nominee

- As a result of the trade war, imports from the top trade partners, excluding China, saw a significant boost in 2019.



- Following the Iowa caucus this week, Sanders is still the favorite to be the Democratic nominee for president, but Bloomberg and Buttigieg are rising as Biden continues to fall.

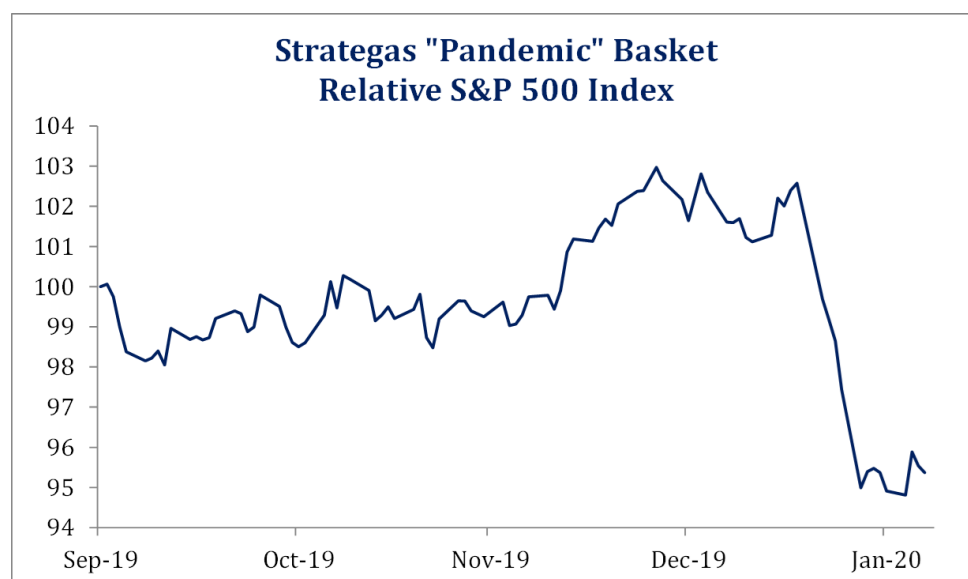


Long-Term Bullish On Market & Cyclical, Market Impact from Virus Likely Transitory

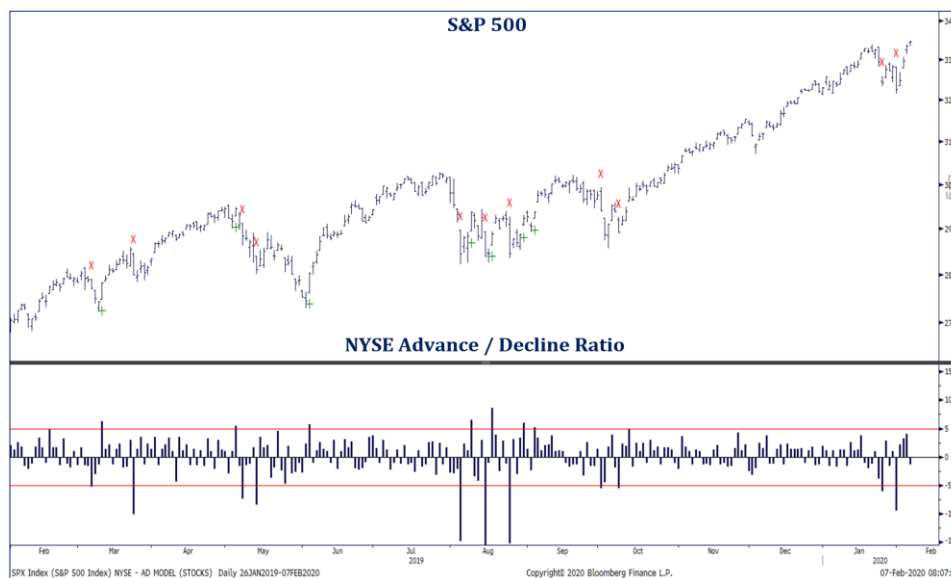
- As the chart below indicates, past outbreaks, while tragic in human terms, had little or no long-term impact on stocks in the midst of bull markets. Ultimately, we expect the market to behave similarly. Still, we believe it is important to note that the impact of these events on economic behavior is likely to be greater this time around.

Epidemic	Month Virus First Appeared	S&P 500 Performance +1 Months	S&P 500 Performance +3 Months	S&P 500 Performance +6 Months
West Africa Ebola Virus	Mar. 2014	0.0%	5.6%	6.5%
Avian Flu (H7N9) China	Mar. 2013	1.9%	2.9%	8.3%
MERS Coronavirus	Jun. 2012	3.3%	11.7%	9.2%
Swine Flu (H1N1)	Apr. 2009	3.8%	10.1%	30.1%
SARS Coronavirus	Nov. 2002	0.2%	-7.8%	4.8%
West Nile NYC	Aug. 1999	-5.8%	3.6%	0.6%
Avian Flu (H5N1) Hong Kong	May 1997	7.4%	11.2%	11.0%

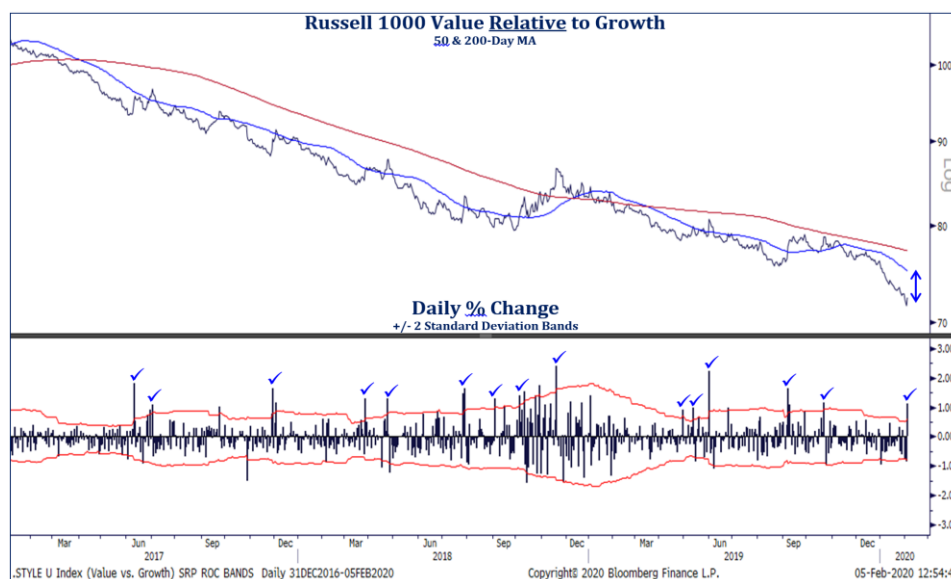
- While too soon to call the all-clear, a basket of companies citing concerns about the coronavirus may be showing signs of bottoming.



- Breadth was decent but not spectacular this week. We'd be on guard for some divergences to develop over the coming weeks.



- Outside of a few brief stints, sharp daily outperformance from Value over Growth has yet to meaningfully translate into a durable trend. We're open to seeing this change as more data comes in.



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