



In this week's Highlights, Ryan Grabinski discusses how the reopening is occurring but very slowly, China is becoming a risk to the market, and domestic equities are more attractive on a global basis.

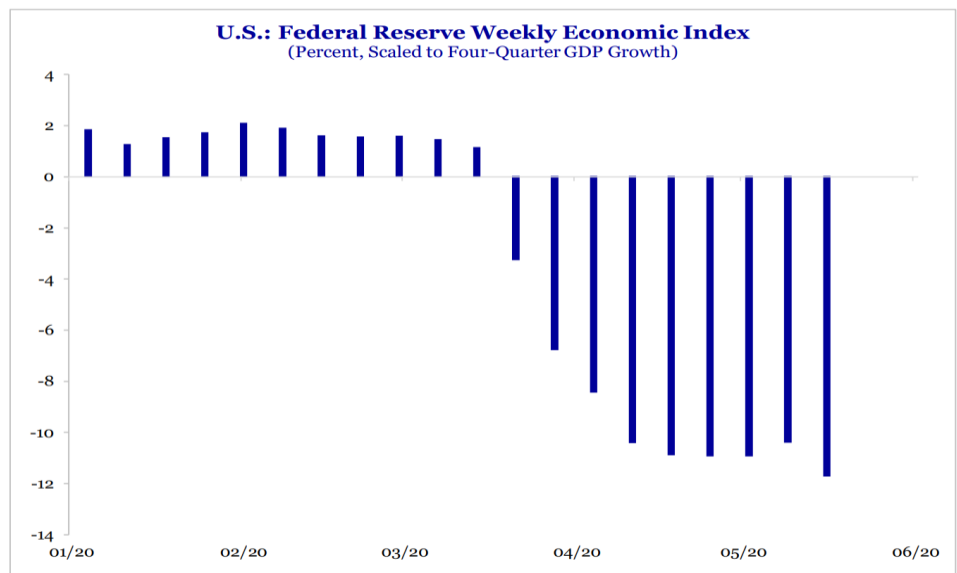


Ryan Grabinski  
Equity Strategist

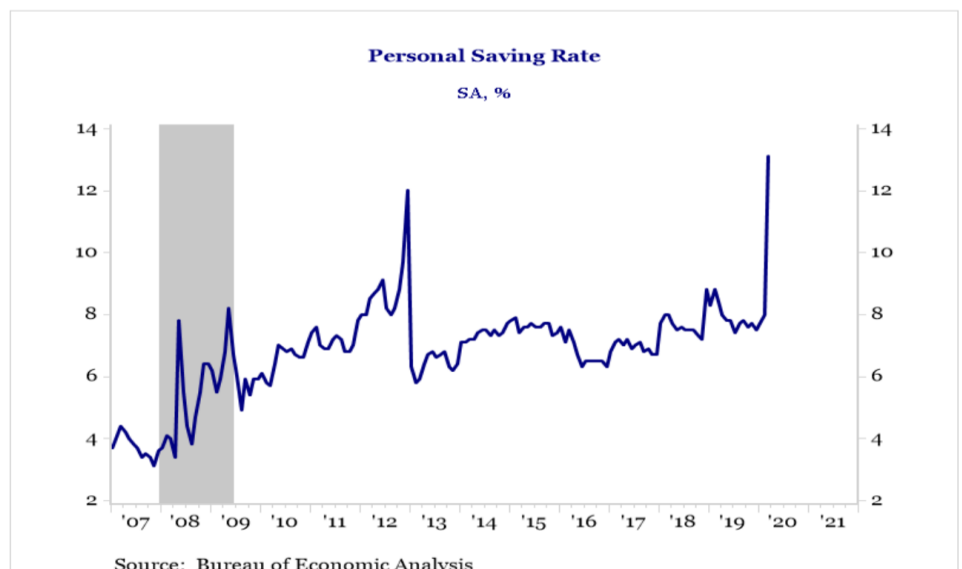
[rgrabinski@strategasrp.com](mailto:rgrabinski@strategasrp.com)

### Re-opening Occurring, But Slowly

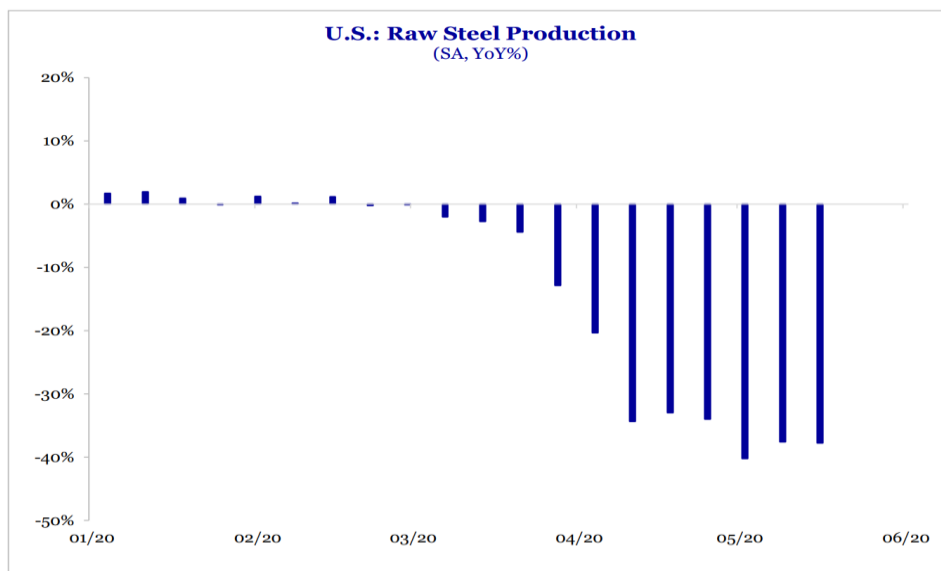
- The Federal Reserve Weekly Economic Index summarizes same-store sales, jobless claims, staffing data, consumer confidence, raw steel production, electric utility output, fuel sales, railroad traffic, and federal withholding tax. Thus far, the overall index remains weak.



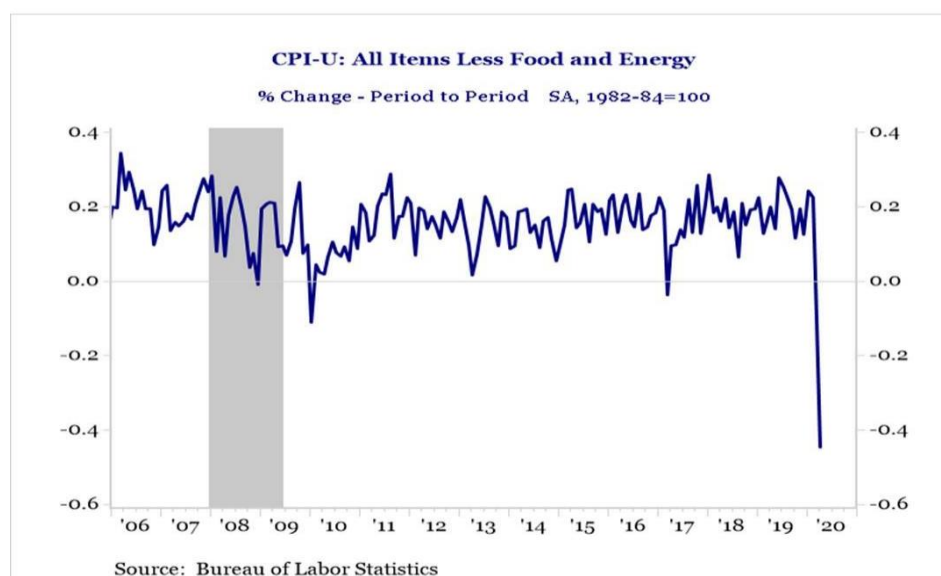
- The jump in the savings rate also indicates that even as restrictions are lifted, consumer attitudes remain cautious.



- With manufacturing likely to recover more quickly than services industries, we would watch raw steel production for signs of improvement.

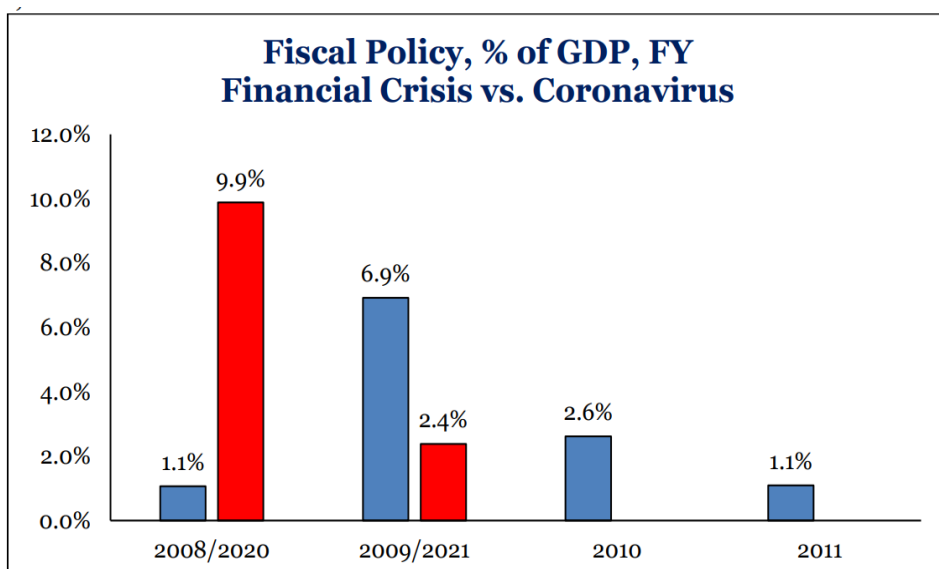


- Although supply chain strains are causing food prices to rise, the significant demand shock from the pandemic is deflationary. Core CPI fell in the most recent reading.



## More Stimulus Likely Coming, China Becoming a Risk

- While policymakers have already passed more stimulus than during the financial crisis, we anticipate Congress will clear another deal in the coming weeks, adding roughly \$1.5 trillion more in fiscal policy.

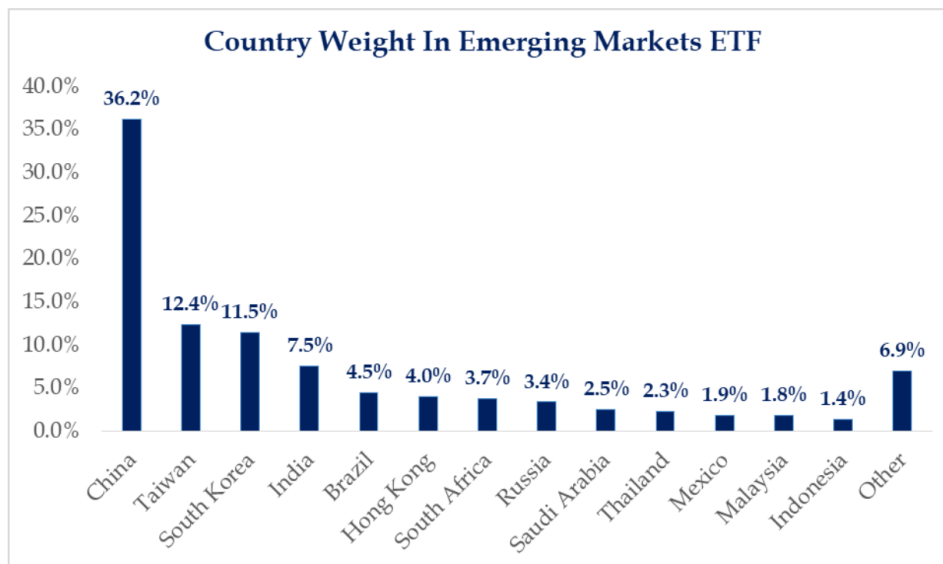


- COVID-19 has changed the US-China relationship considerably. The U.S. dollar now sits at a level consistent with the pre-October trade levels, a sign that US-China tensions are increasing and of a possible unraveling of the trade deal itself.

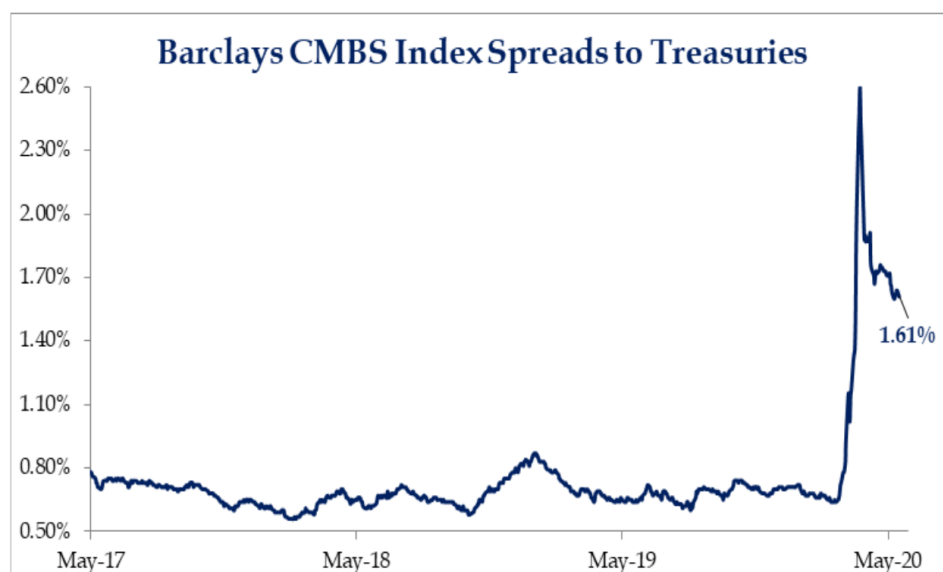


## Favoring Domestic Over Developed and Emerging Equities

- With China tensions smoldering again and growth prospects lower, Emerging Market markets are vulnerable as they make up more than one-third of the overall index.



- On the Fixed Income side, we trimmed CMBS materially in mid-March and late-March, just before spreads exploded higher. Spreads have inched back down, but are still elevated. We feel that the sector is fairly valued for the risks coming.



- The technology sector proves to be one for all seasons as it has outperformed in all three phases of the market this year.

| <b>S&amp;P 500 Sector Performance<br/>(January 1 - February 19)</b> |             |
|---|-------------|
| Technology  | 12.1%       |
| Utilities   | 8.6%        |
| Real Estate   | 6.6%        |
| Communications  | 6.5%        |
| Discretionary   | 6.4%        |
| <b>S&amp;P 500</b>  | <b>5.1%</b> |
| Industrials   | 3.2%        |
| Staples   | 2.6%        |
| Health Care   | 2.1%        |
| Financials  | 1.1%        |
| Materials   | -1.5%       |
| Energy  | -8.9%       |

| <b>S&amp;P 500 Sector Performance<br/>(February 19 - March 23)</b> |               |
|--|---------------|
| Staples  | -24.0%        |
| Health Care  | -27.9%        |
| Communications   | -28.6%        |
| Technology   | -31.1%        |
| Discretionary  | -31.7%        |
| <b>S&amp;P 500</b>   | <b>-33.8%</b> |
| Utilities  | -35.6%        |
| Materials  | -36.1%        |
| Real Estate  | -37.7%        |
| Industrials  | -41.7%        |
| Financials   | -42.9%        |
| Energy   | -55.9%        |

| <b>S&amp;P 500 Sector Performance<br/>(March 23 - Current)</b> |              |
|--|--------------|
| Energy   | 51.8%        |
| Health Care  | 34.4%        |
| Materials  | 32.7%        |
| Technology   | 32.6%        |
| Discretionary  | 32.1%        |
| <b>S&amp;P 500</b>   | <b>28.4%</b> |
| Communications   | 25.4%        |
| Utilities  | 22.4%        |
| Industrials  | 22.1%        |
| Real Estate  | 21.4%        |
| Financials   | 19.3%        |

- While we believe it will be difficult to see the level of both economic activity and earnings reach their 2019 high-water marks for quite some time, there are stark differences that are important to keep in mind about both.

### **Differences Between Nominal GDP and the S&P 500**

| <u><b>U.S. Economy</b></u> | <u><b>S&amp;P 500 Index</b></u>      |
|----------------------------|--------------------------------------|
| Domestic                   | Global                               |
| Consumption driven         | Investment driven                    |
| Short oil                  | Long oil                             |
| Service oriented           | Manufacturing oriented               |
| Net importer               | Net exporter                         |
| Prefers strong dollar      | Prefers weak dollar                  |
| Net borrower               | Net saver                            |
| Captive to U.S. taxes      | Countries compete to attract capital |

---

## IMPORTANT DISCLOSURES

This communication was prepared by Strategas Asset Management, LLC (“we” or “us”). Recipients of this communication may not distribute it to others without our express prior consent. This communication is provided for informational purposes only and is not an offer, recommendation, or solicitation to buy or sell any security. This communication does not constitute, nor should it be regarded as investment research or a research report or securities recommendation, and it does not provide information reasonably sufficient upon which to base an investment decision. This is not a complete analysis of every material fact regarding any company, industry or security. Additional analysis would be required to make an investment decision. This communication is not based on the investment objectives, strategies, goals, financial circumstances, needs or risk tolerance of any particular client and is not presented as suitable to any other particular client.

For investors subject to MiFID II (European Directive 2014/65/EU and related Delegated Directives): We classify the intended recipients of this communication as “professional clients” or “eligible counterparties” with the meaning of MiFID II and the rules of the U.K. Financial Conduct Authority. The contents of this report are not provided on an independent basis and are not “investment advice” or “personal recommendations” within the meaning of MiFID II and the rules of the U.K. Financial Conduct Authority.

The information in this communication has been obtained from sources we consider to be reliable, but we cannot guarantee its accuracy. The information is current only as of the date of this communication, and we do not undertake to update or revise such information following such date. To the extent that any securities or their issuers are included in this communication, we do not undertake to provide any information about such securities or their issuers in the future. We do not follow, cover, or provide any fundamental or technical analyses, investment ratings, price targets, financial models or other guidance on any particular securities or companies. Further, to the extent that any securities or their issuers are included in this communication, each person responsible for the content included in this communication certifies that any views expressed with respect to such securities or their issuers accurately reflect his or her personal views about the same and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this communication. This communication is provided on a “where is, as is” basis, and we expressly disclaim any liability for any losses or other consequences of any person’s use of or reliance on the information contained in this communication.

Strategas Asset Management, LLC is an SEC-registered investment adviser and is affiliated with Strategas Securities, LLC, registered broker-dealer and FINRA member firm, as well as an SEC-registered investment adviser. Both are affiliated with Robert W. Baird & Co. Incorporated (“Baird”), a broker-dealer and FINRA member firm, although the firms conduct separate and distinct businesses. A complete listing of all applicable disclosures pertaining to Baird with respect to any individual companies mentioned in this communication can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/third-party-research-disclosures.aspx>. You can also call 1-800-792-2473 or write: Robert W. Baird & Co., PWM Research & Analytics, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Past performance is not a guarantee of future results.