



BIDEN: MARKET BOOM OR BUST?

Agenda

- Senate impasse or not?
- Stimulus / Policies
- Economic Environment
- Investment Outlook



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Major Policy / Stimulus:

- Senate impasse or not?
- Stimulus: \$950b passed, \$1.9t proposed, \$??t Infrastructure
- Minimum wage
- Bidentcare
- Tax hike
- Yellen / Powell dynamic



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Major Policy / Stimulus:

Exhibit 1: Coronavirus Relief and Fiscal Stimulus Proposals

	"Phase IV" Proposals				"Phase V" Proposals		
	House Democrats (May 2020) "Phase IV"	House Democrats (Oct. 2020) "Phase IV"	Bipartisan Proposal (Dec. 2020)	Enacted COVID-Relief Bill (Dec. 2020) "Phase IV"	Biden Proposal (Jan. 14, 2020)	GS Est., Prior Assumption	GS Est., New Assumption
State fiscal aid	996	492	160	0	370	200	200
Education grants	90	225	82	82	170		100
Public health	197	198	51	69	160	50	100
Stimulus payments, child tax credit	584	360	-	171	450	300	300
Unemployment insurance	440	390	180	180	200	150	200
Rental/homeowner assistance	200	89	25	25	35		25
Child care	10	65	10	10	40		25
Safety net programs	40	26	13	13	20		25
Health insurance	99	10	-	-	100		
Business assistance, incl. restaurants	268	408	300	350	50		50
Student loan relief	192	44	4	-			
Pension relief	53	59	-	-			
Transportation	31	48	29	29	20		25
Air carriers		27	16	16			
Broadband	6	15	10	7			
Farm subsidies			13	13			
Eliminate SALT limitation for 2020	137	65	-				
Reverse CARES tax loss provisions	-254	-254	-				
Other	356	131	15		285	50	50
Total cost (\$bn/10yrs)	3445	2398	908**	-950	1900	750	1100
Total cost (% of 2020 GDP)	16.5	11.5	4.3	4.5	8.6	3.4	5.0

Source: Congressional Budget Office, Joint Committee on Taxation, Treasury, Goldman Sachs Global Investment Research



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US Economic Environment:

- Weak demand, needs to be debt funded
 - High corporate debt, not much scope to increase
 - Moderate government debt, lots of scope to increase
 - Moderate consumer debt, scope to increase
- Catch-up growth and catch-up inflation coming in next 6-12 months
- Chance of growth igniting a new cycle?
- Latent corporate and personal bankruptcies



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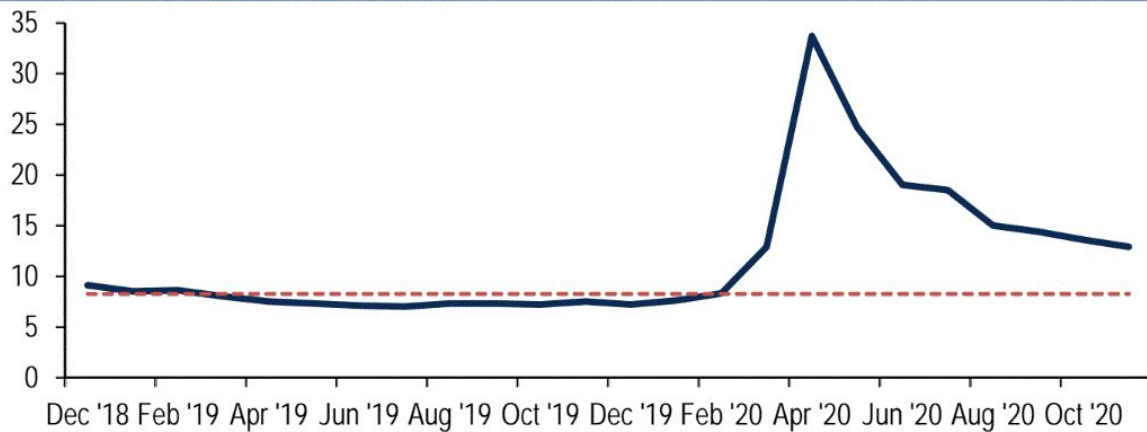
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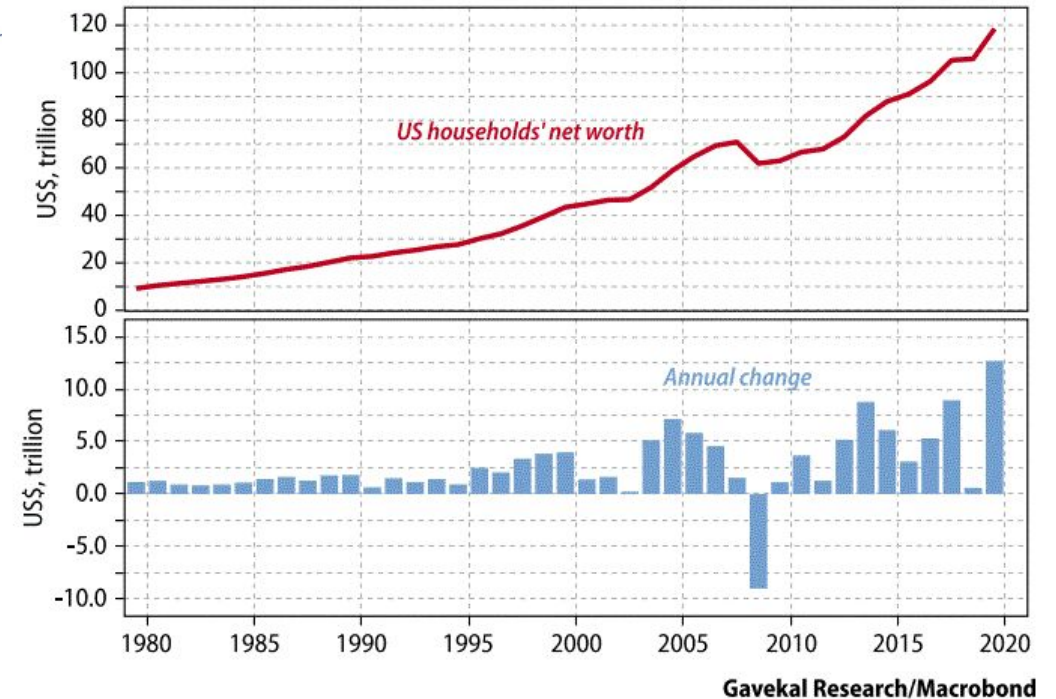
Cyclical tailwinds, demand:

- US consumer in rude health with wealth and income boom:

Chart of the day: Personal saving rate (%)



Last year saw the biggest ever increase in US households' net worth



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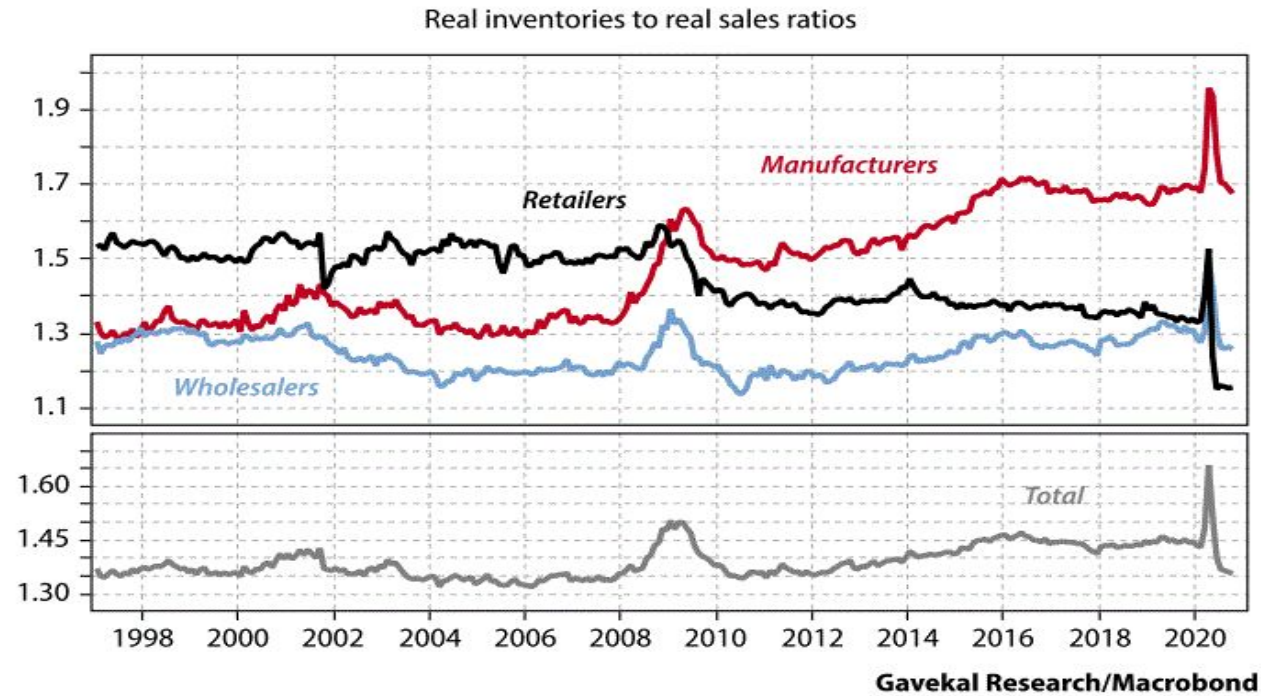
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Cyclical tailwinds, supply:

- With supply side well short of inventories:

US inventories are at their most depleted in almost a decade



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The great handoff:

- There is so much latent demand and stimulus coming that markets have begun to worry about inflation via steepening yield curve.
- This presents a risk to high asset prices, both equities and property.
- The FED is still issuing masses of liquidity to control long-end bond yields and has prepared for this eventuality by stating that it will not hike until inflation has been above its 2% goal for a year.
- It is a delicate balancing act of handing off high valuations from liquidity to profits.



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Investment Outlook

Dancing, but near the door

Key positive factors

- Government stimulus
- Low probability of US tax hikes
- Earnings very good
- Inequality to increase

Other positive factors

- Bankruptcies limited
- Evictions limited
- Mortgage repayment holidays
- Wage growth very low
- Capital efficiency
- Low oil prices
- Vaccine hope
- Policy certainty
- Structural change in industries leading to cost efficiencies

Key negative factors

- Virus in Northern Hemisphere
- Valuation
- Latent bankruptcies
- Low genuine credit growth

Other negative factors

- Short term gap in US economic conditions
- Inequality longer-term effects
- Effects gradually rolling off
- Structural change in industries leading to weak demand
- Cycle
- Demand weak
- Australian stimulus badly targeted



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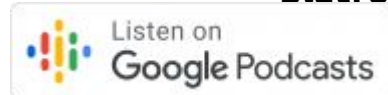


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