



THE BULL CASE FOR INVESTMENT MARKETS IN 2021



Agenda

- **Liquidity**
- **Liquidity**
- **Liquidity**
- **Not Valuation**
- **Earnings**
- **Reflation**
- **Investment Outlook**



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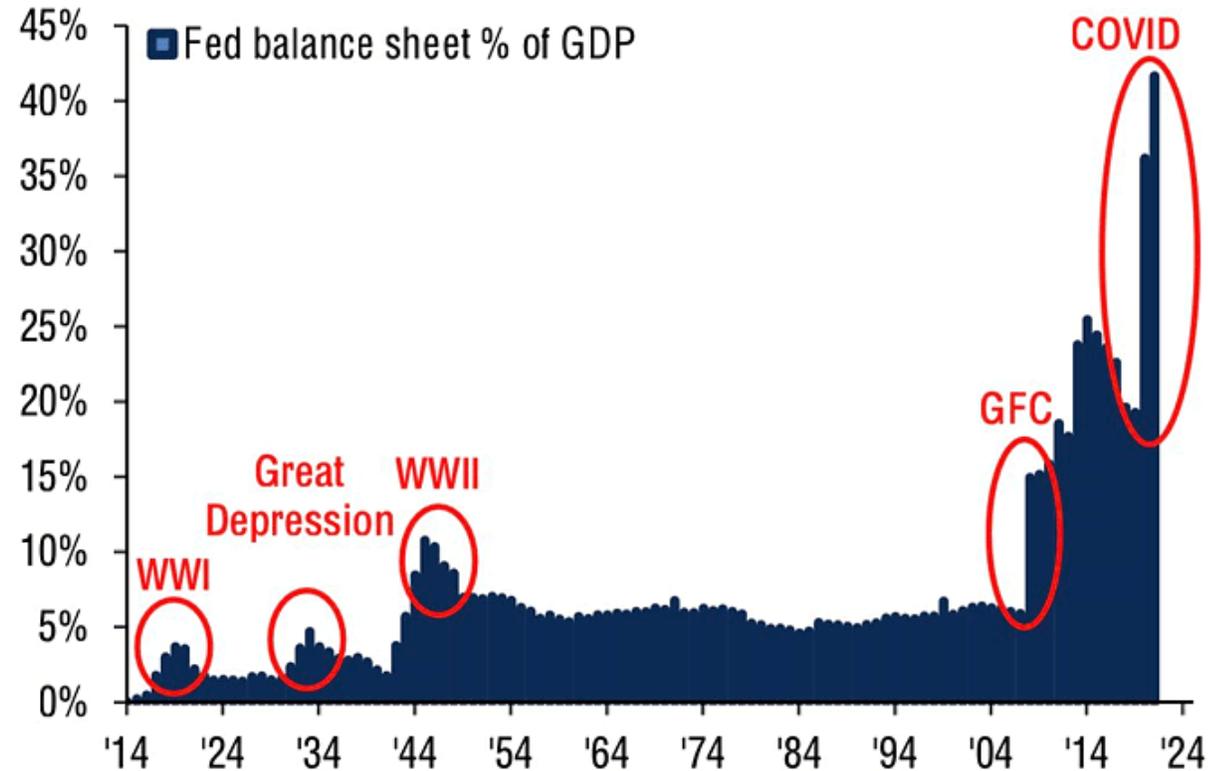
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Liquidity:

Chart 9: Fed balance sheet to hit 42% of GDP...



Source: BofA Global Research, GFD, Haver



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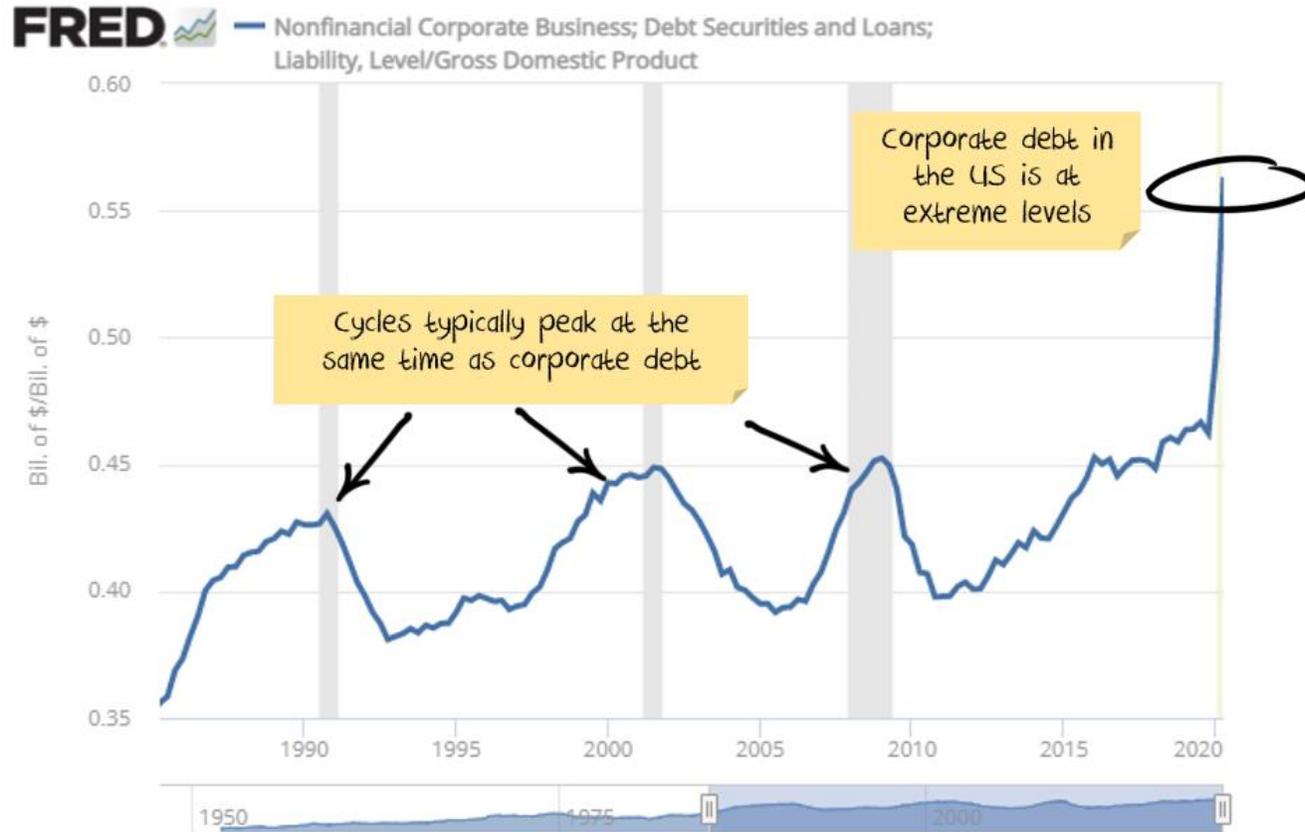


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Liquidity:



Sources: BEA, Board of Governors



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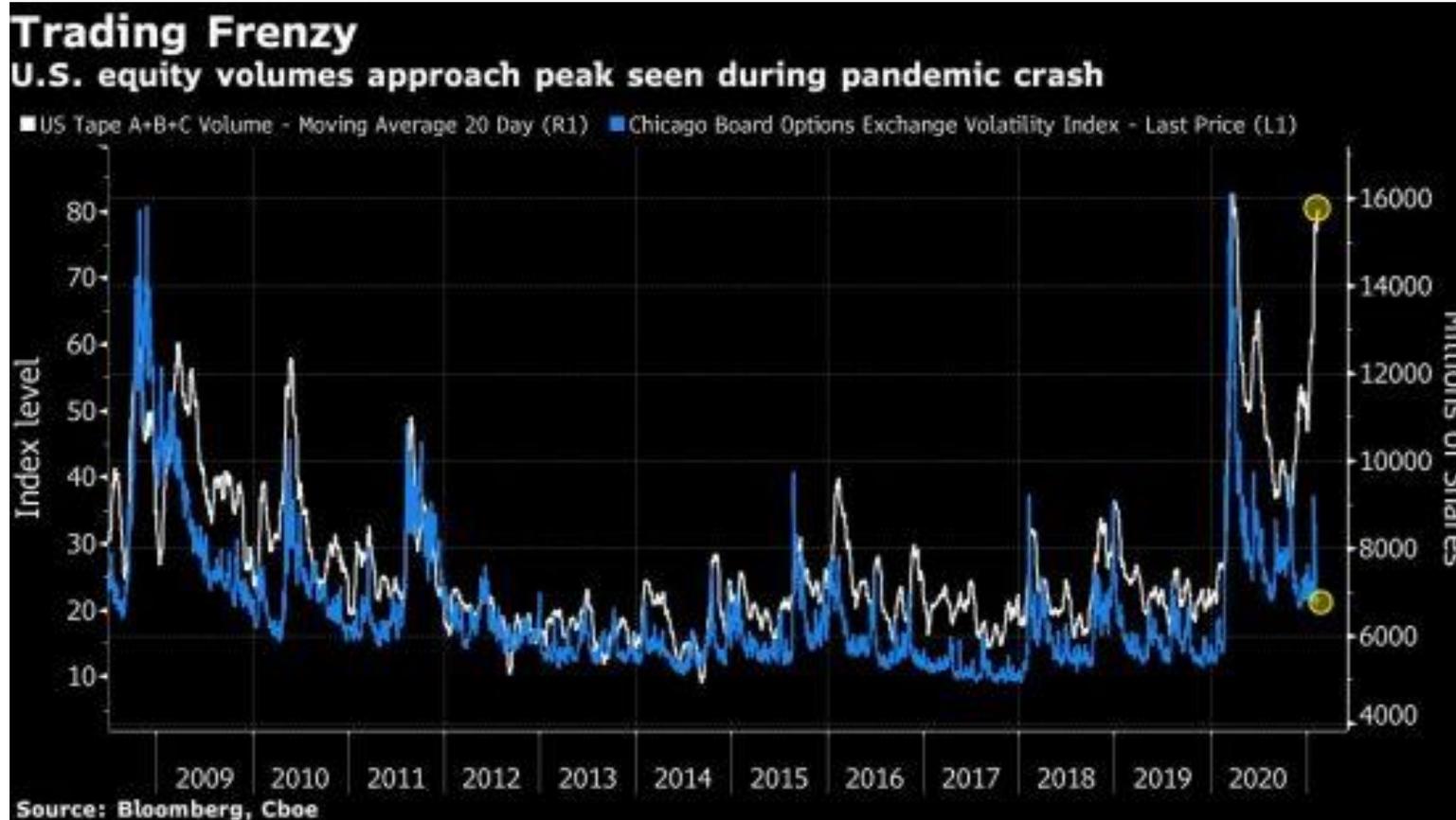


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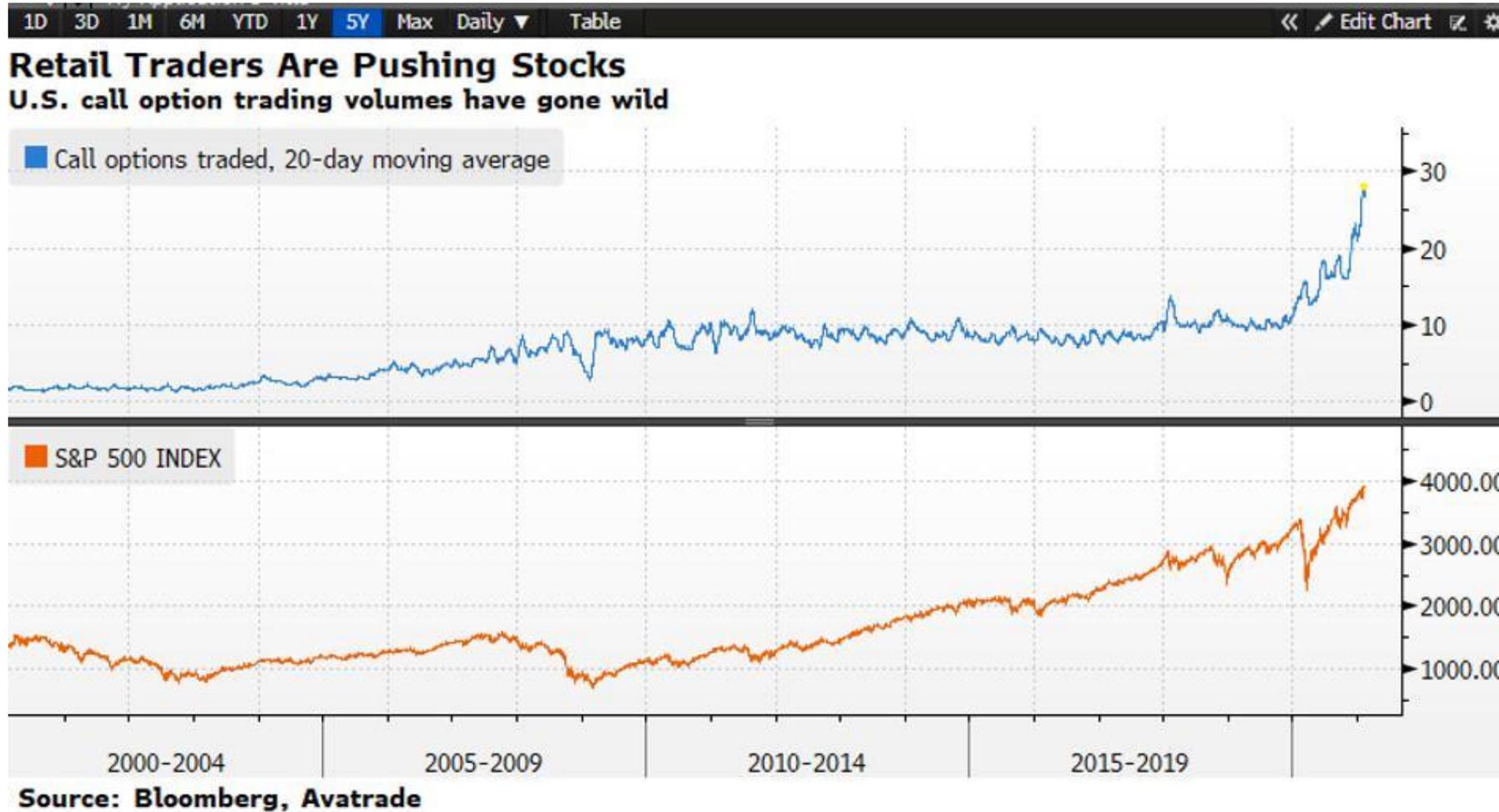


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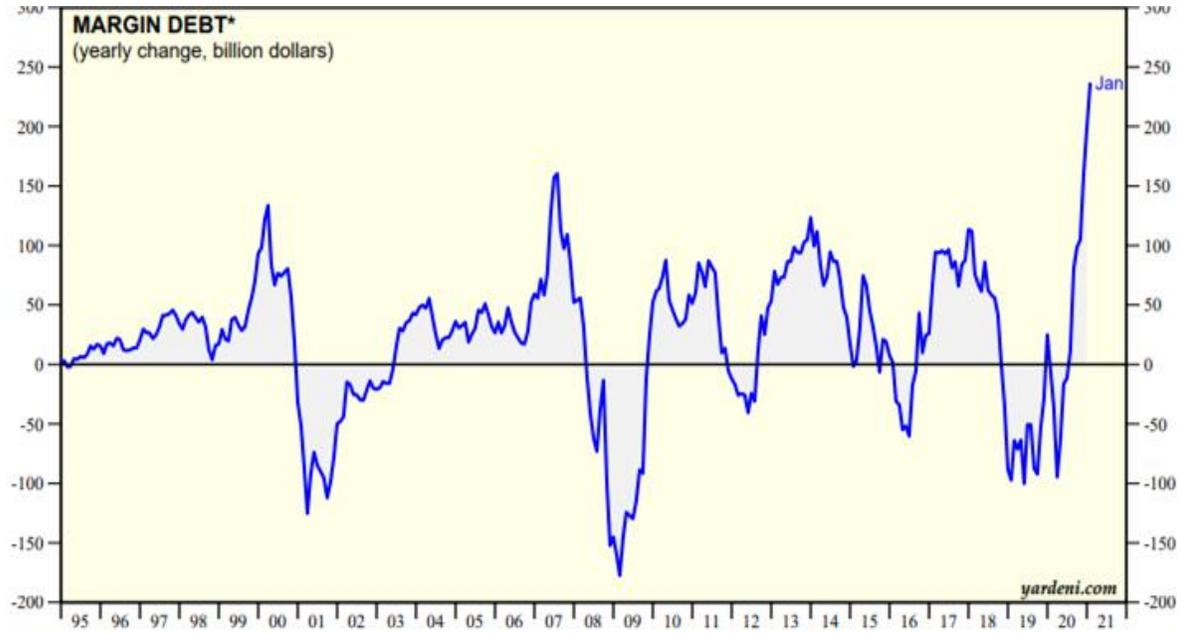


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Liquidity:



* Debit balances in margin accounts at broker/dealers.
Source: New York Stock Exchange through December 1996, FINRA thereafter, and Haver Analytics.



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Source: New York Stock Exchange through December 1996, FINRA thereafter, and Haver Analytics.



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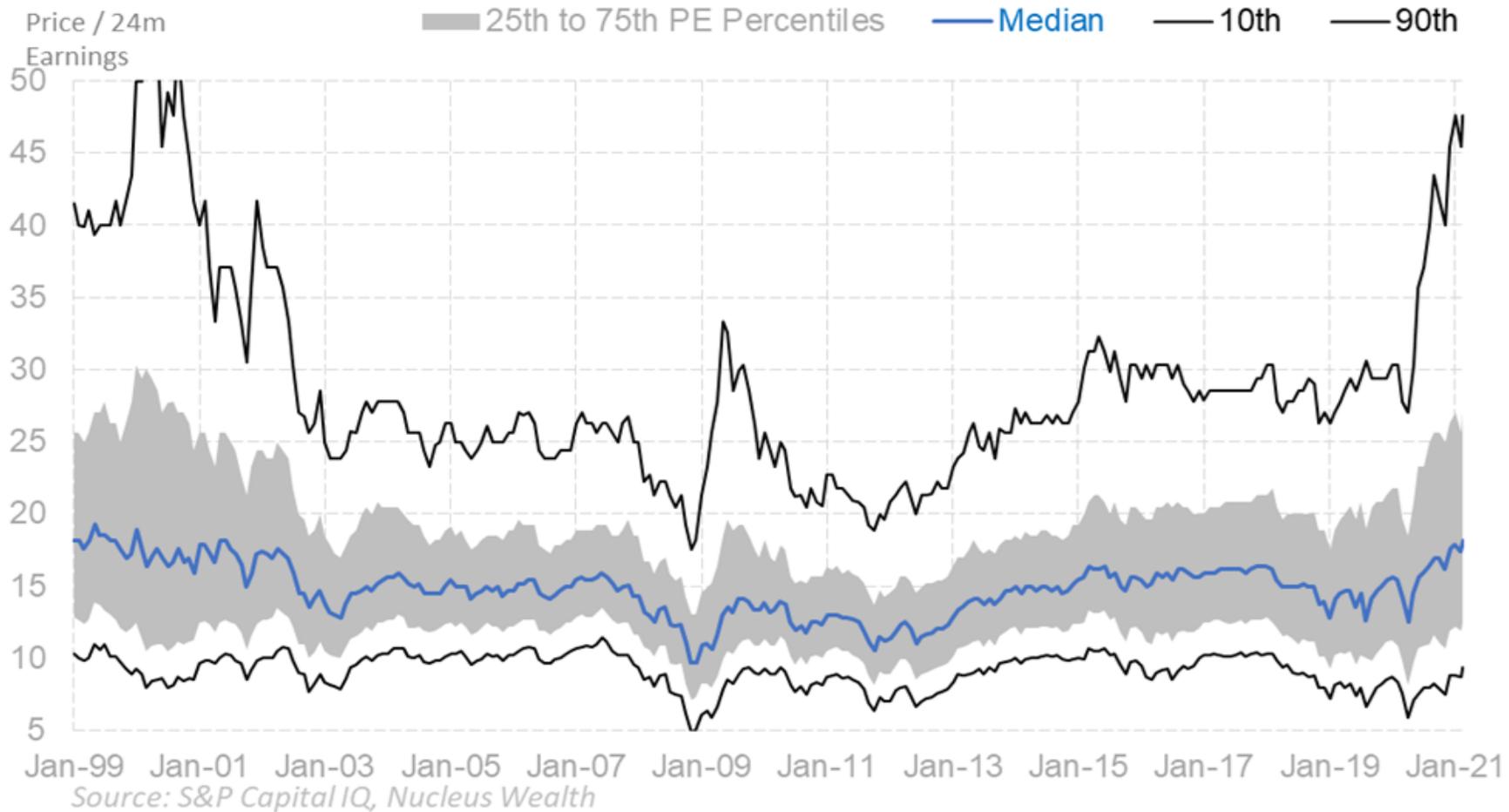


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Not Valuation:

MSCI World | Second 12 month forecast Price/Earnings | Cheapest 25% of stocks



Source: S&P Capital IQ, Nucleus Wealth



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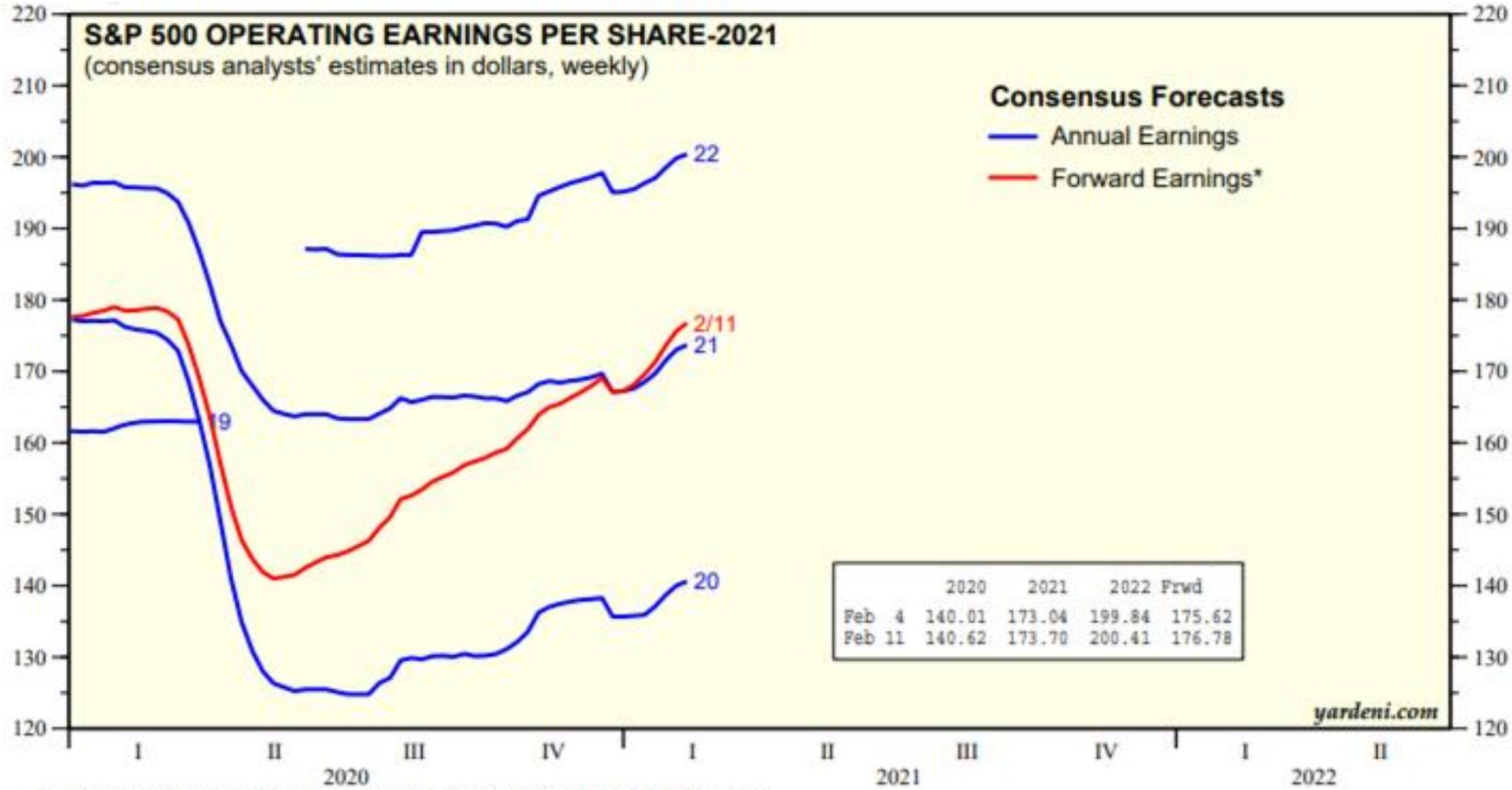


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Earnings



* Time-weighted average of the consensus estimates for current and next year.
Source: I/B/E/S data by Refinitiv.

| %tile | 4Q Growth | 4Q Surprise | NTM Revision | NTM vs 2019 | 2022 Revision |
|-------|-----------|-------------|--------------|-------------|---------------|
| 10% | -60% | -14% | -3% | -50% | -4% |
| 25% | -15% | 1% | 1% | -15% | -1% |
| 50% | 9% | 12% | 5% | 6% | 1% |
| 75% | 39% | 35% | 12% | 24% | 3% |
| 90% | 97% | 96% | 30% | 67% | 8% |
| Count | 872 | 828 | 997 | 992 | 994 |



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Reflation/Recovery

- Stocks tend to perform well as inflation goes from being low to normal
- Vaccine outcomes to date are exceptional
- Structural change



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Investment Outlook

Structural downturn lurking, acute or chronic?

Key positive factors

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

Other positive factors

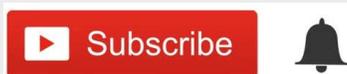
- Bankruptcies limited
- Evictions limited
- Mortgage repayment holidays
- Wage growth very low
- Capital efficiency
- Low oil prices
- Vaccine hope
- Policy certainty
- Structural change in industries leading to cost efficiencies

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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Viewer question of the week:

What is the biggest risk to a bull market in 2021?

Drop your answers in the comments



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