

# SCA 2020 Macro Outlook

January 27<sup>th</sup>, 2020

# Capital Markets Outlook – Cyclical (6-12Mths)

- Late Cycle Pressures Intensify (Headwind)
  - Political Uncertainty & Trade Tensions (Headwind)
  - Central Bank Policy Remains Accommodative (Tailwind)
  - Tight Credit Spreads, Credit Availability (Tailwind)
  - Consumer Spending & Labor Market (Tailwind)
- 
- ✓ Smaller Allocation Tilts
  - ✓ Favor Domestic Assets to Foreign
  - ✓ Overweight Industrials and Consumer Cyclical
  - ✓ Favor Duration over Credit

# Capital Markets Outlook – Secular (3-5Yrs)

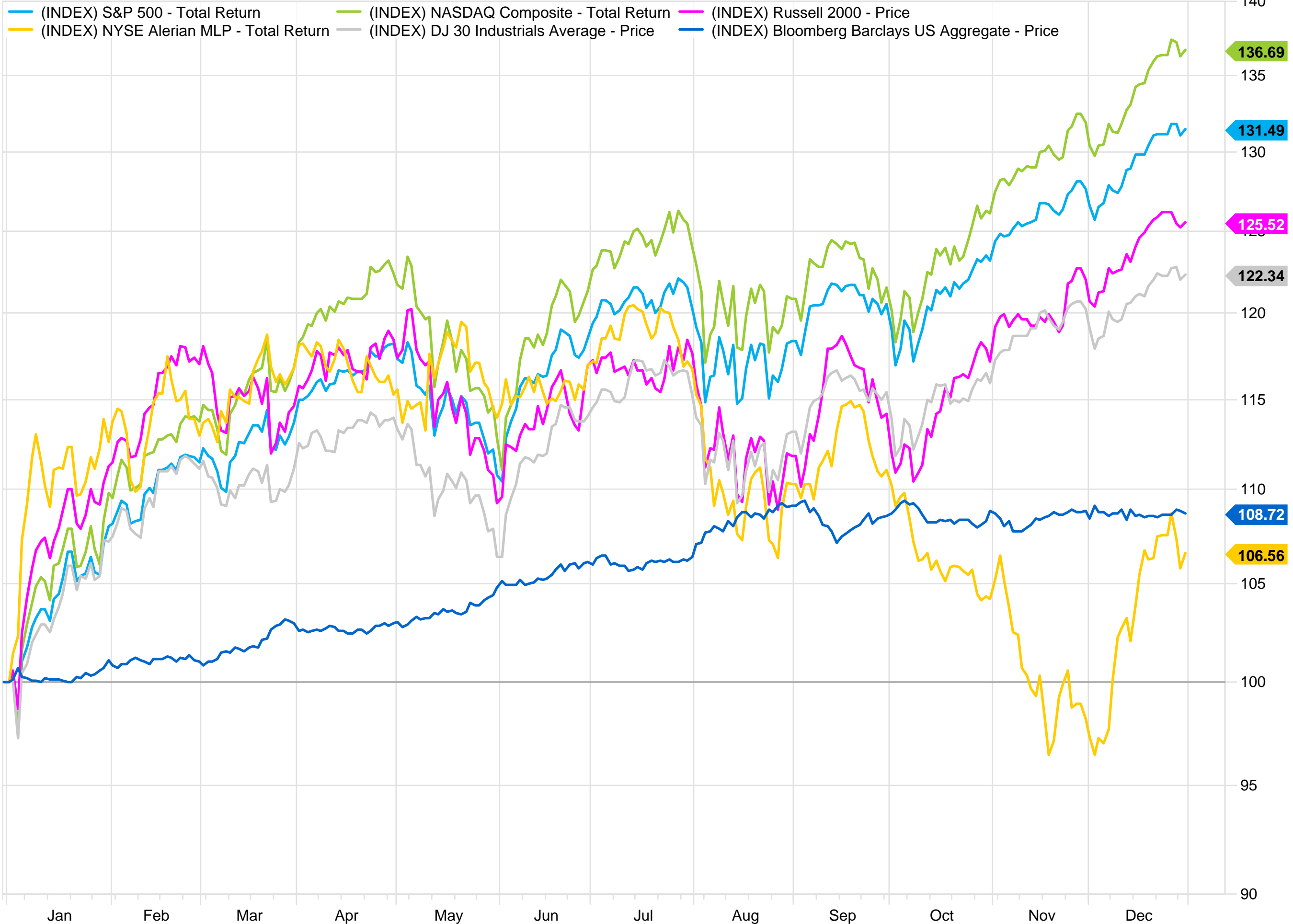
- Lackluster Global Economic Growth (Headwind)
  - Excessive Debt Levels & Ultra-Low Interest Rates (Headwind)
  - Monetary Policy Efficacy Fading (Headwind)
  - Global Capitalism & New Wealth Creation (Tailwind)
  - Technology: Productivity Growth & Low Inflation (Tailwind)
- 
- ✓ Relatively Shallow Recession But Sluggish Recovery
  - ✓ Lower Capital Market Returns
  - ✓ Asset Price Distortions & Lower Asset Correlations
  - ✓ Active Management over Passive Strategies

# U.S. Markets 2019

Daily

3273.40 0.00 0.00% VWAP:

High: 131.84 Low: 97.67 Chg: 31.49%

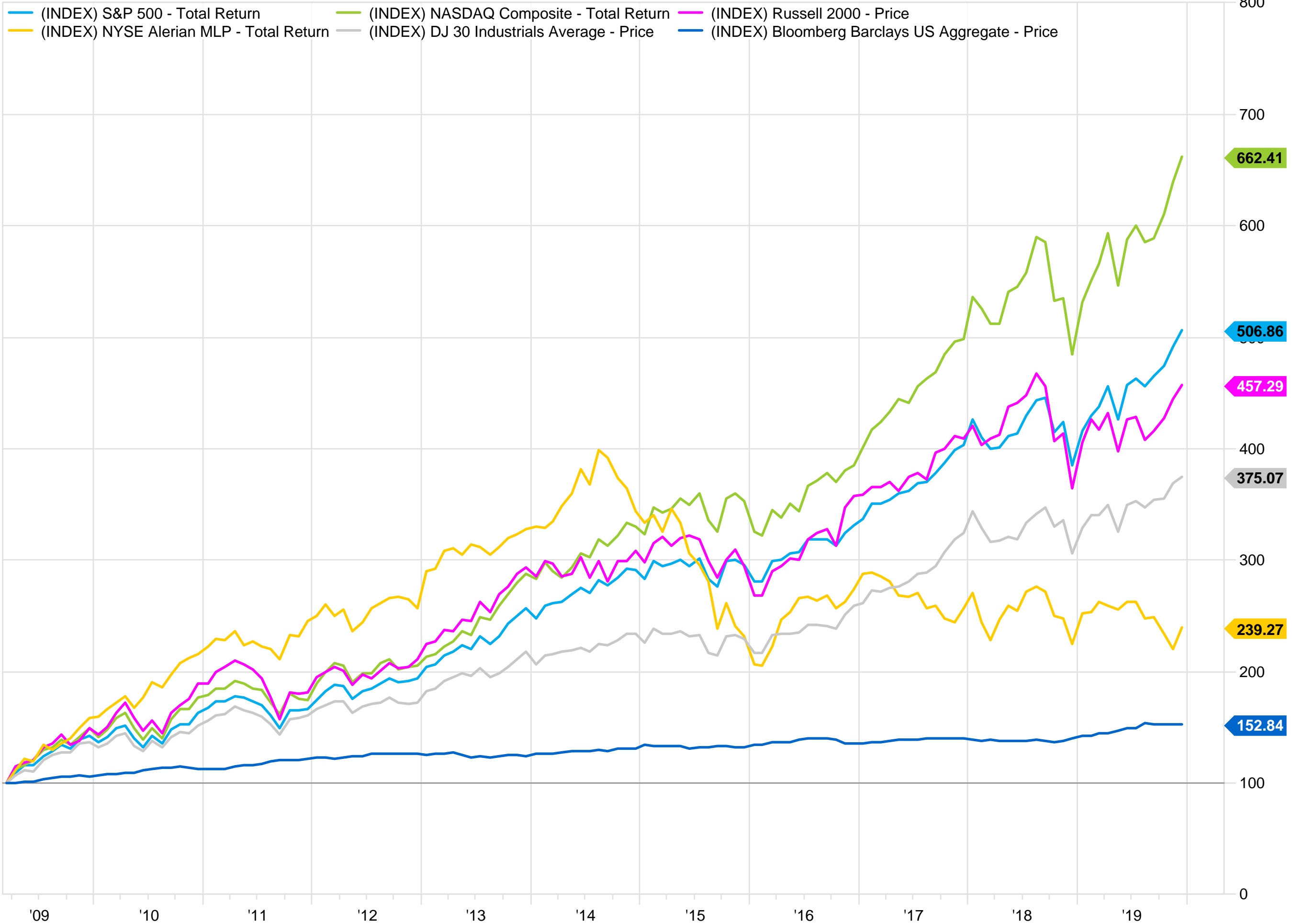


# U.S. Markets Since Financial Crisis Low

Monthly

3273.40 0.00 0.00% VWAP:

High: 506.86 Low: 100.00 Chg: 406.86%

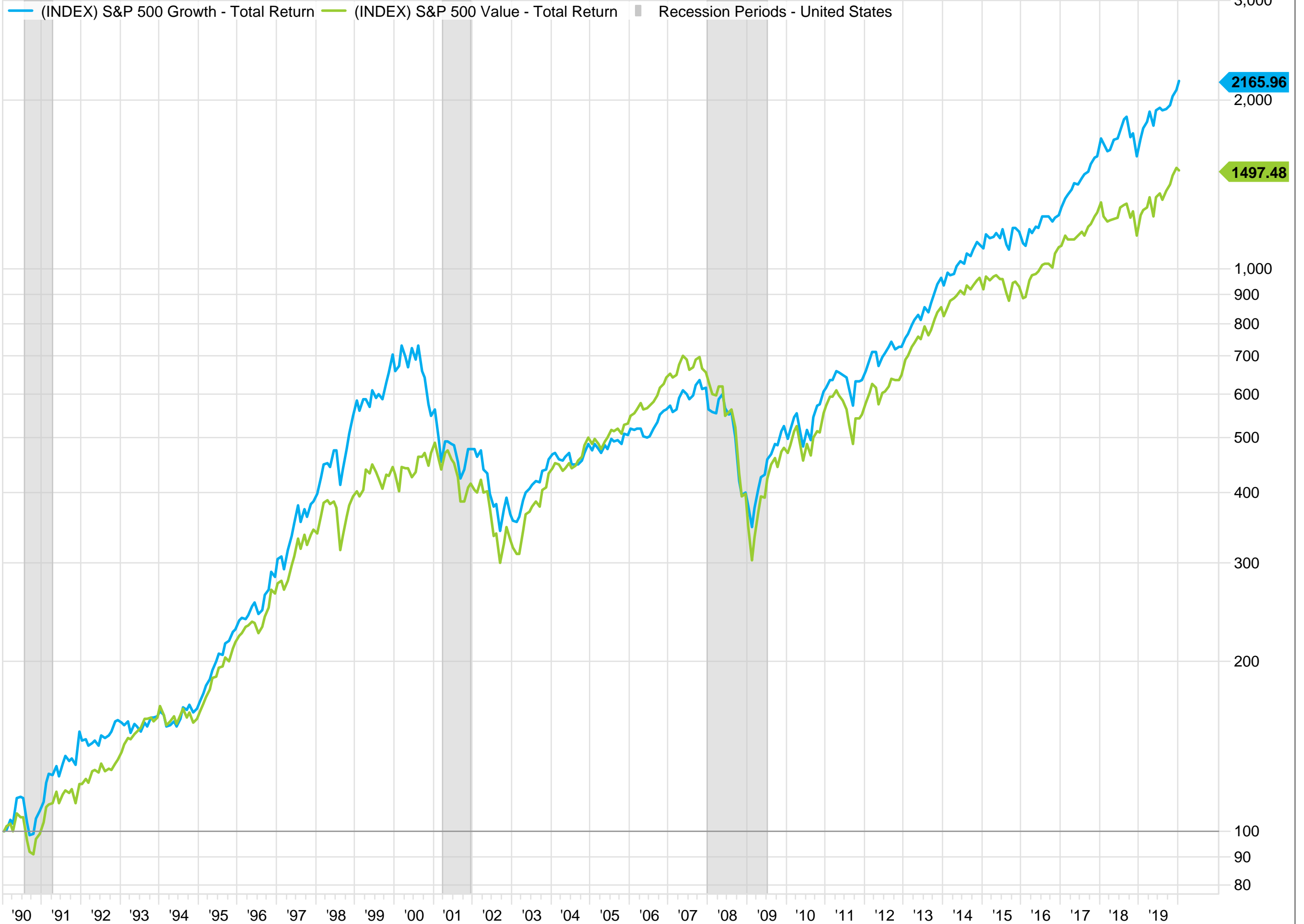


# Growth versus Value

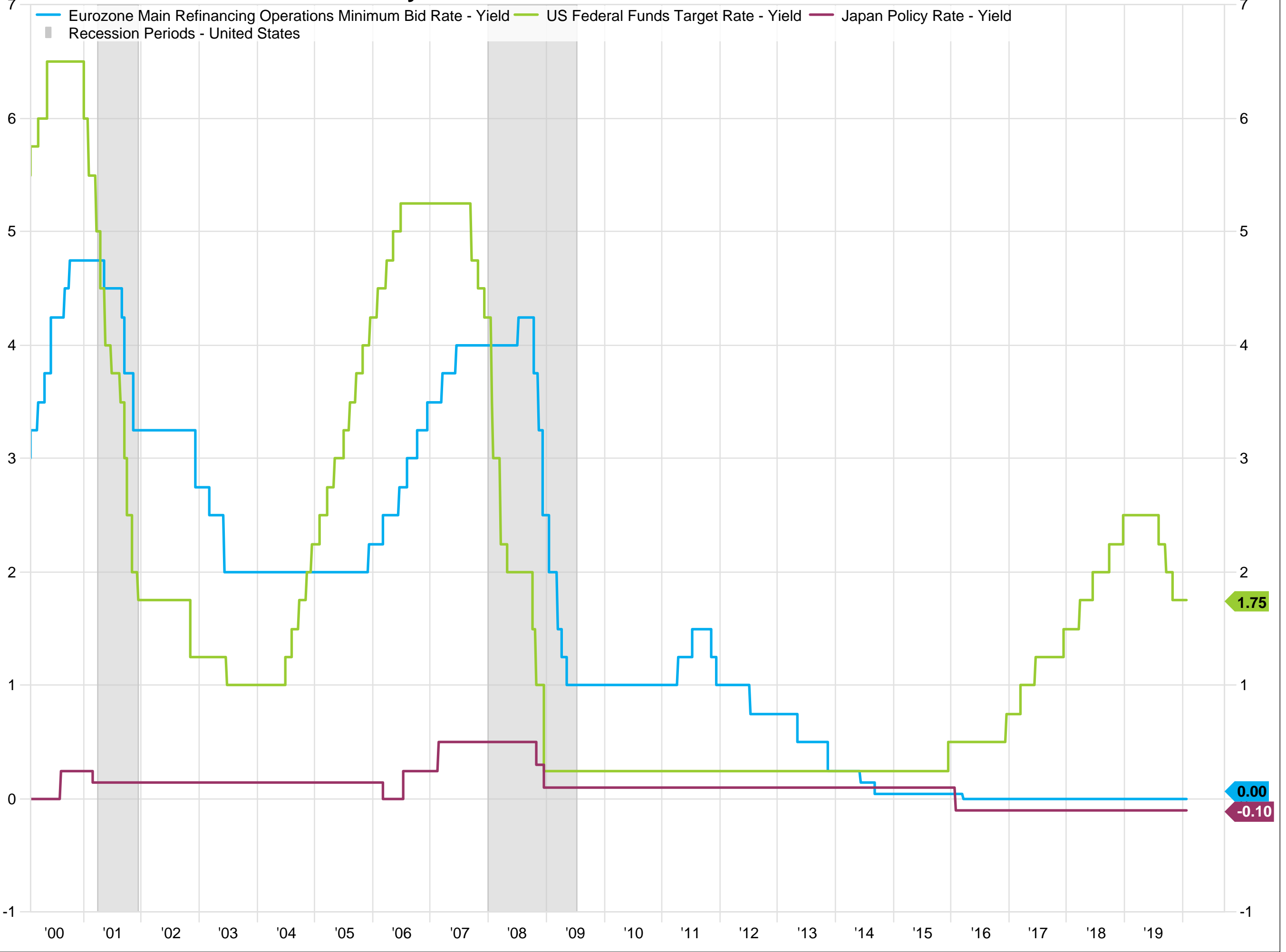
Monthly

2025.71 0.00 0.00% VWAP:

High: 2165.96 Low: 98.32 Chg: 2065.96%



# ECB versus Federal Reserve Policy

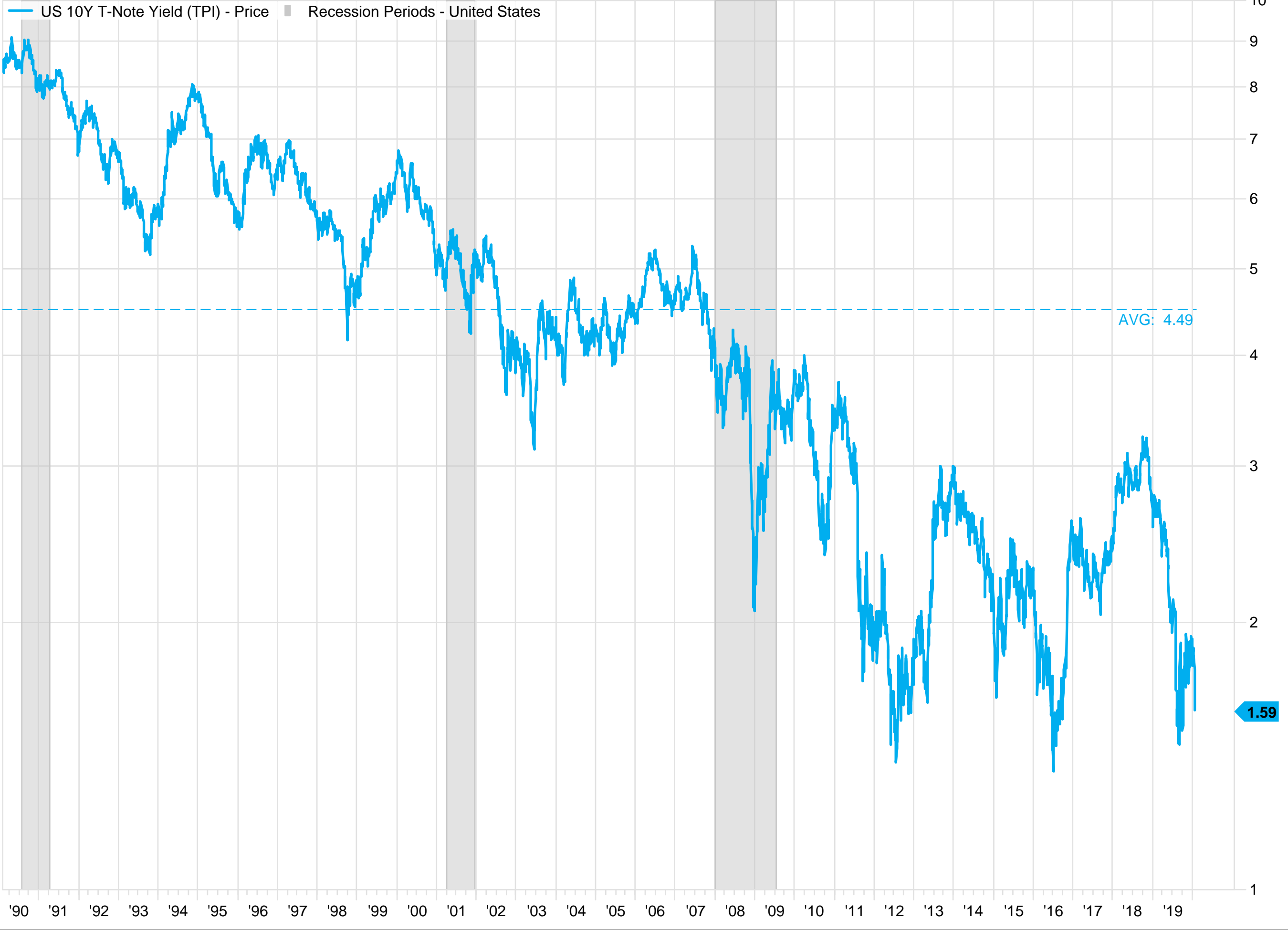


# US 10Y T-Note Yield (TPI)

Daily

% 8:37:52 AM VWAP:

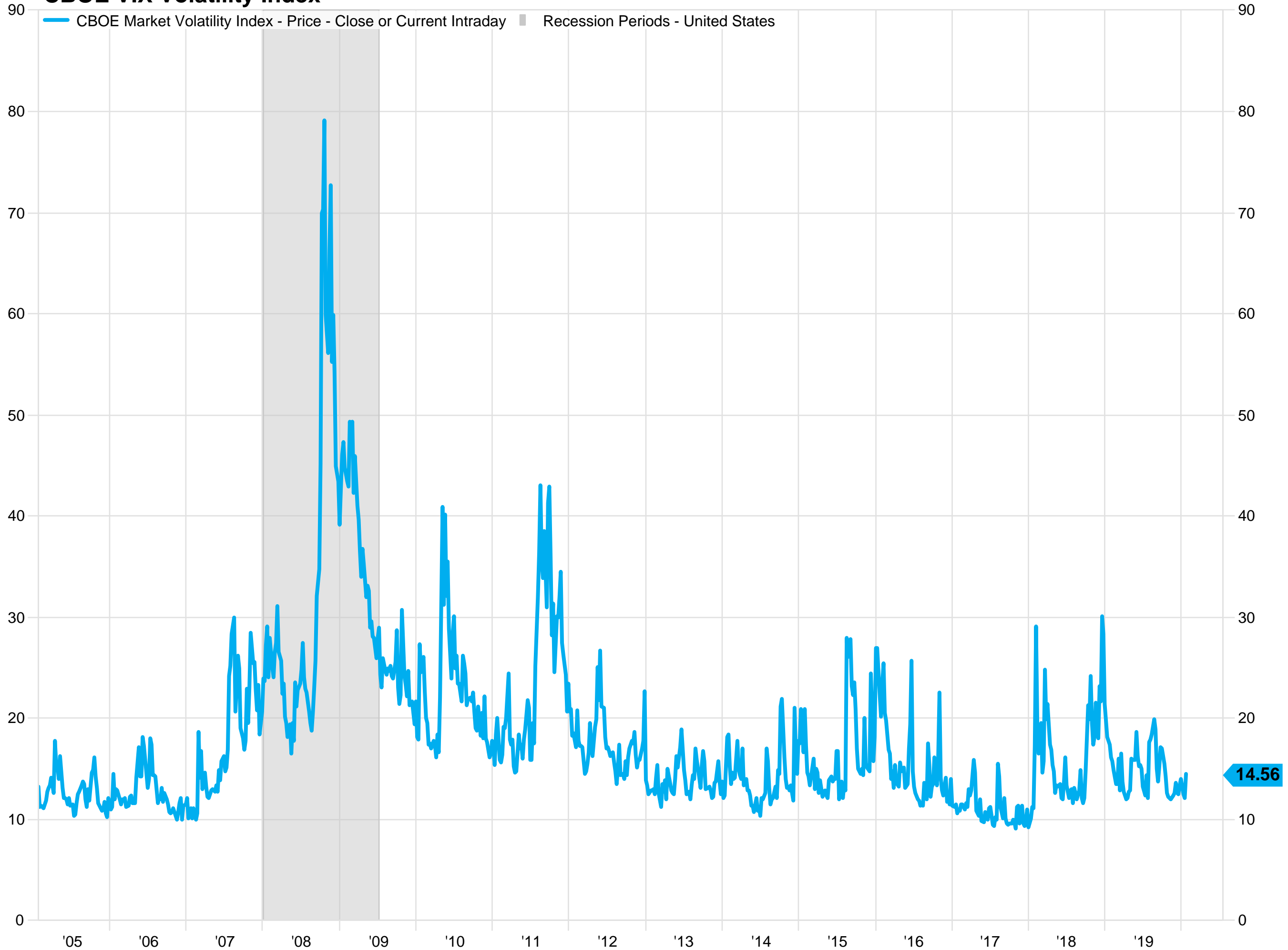
High: 9.09 Low: 1.36 Chg: -81.32%



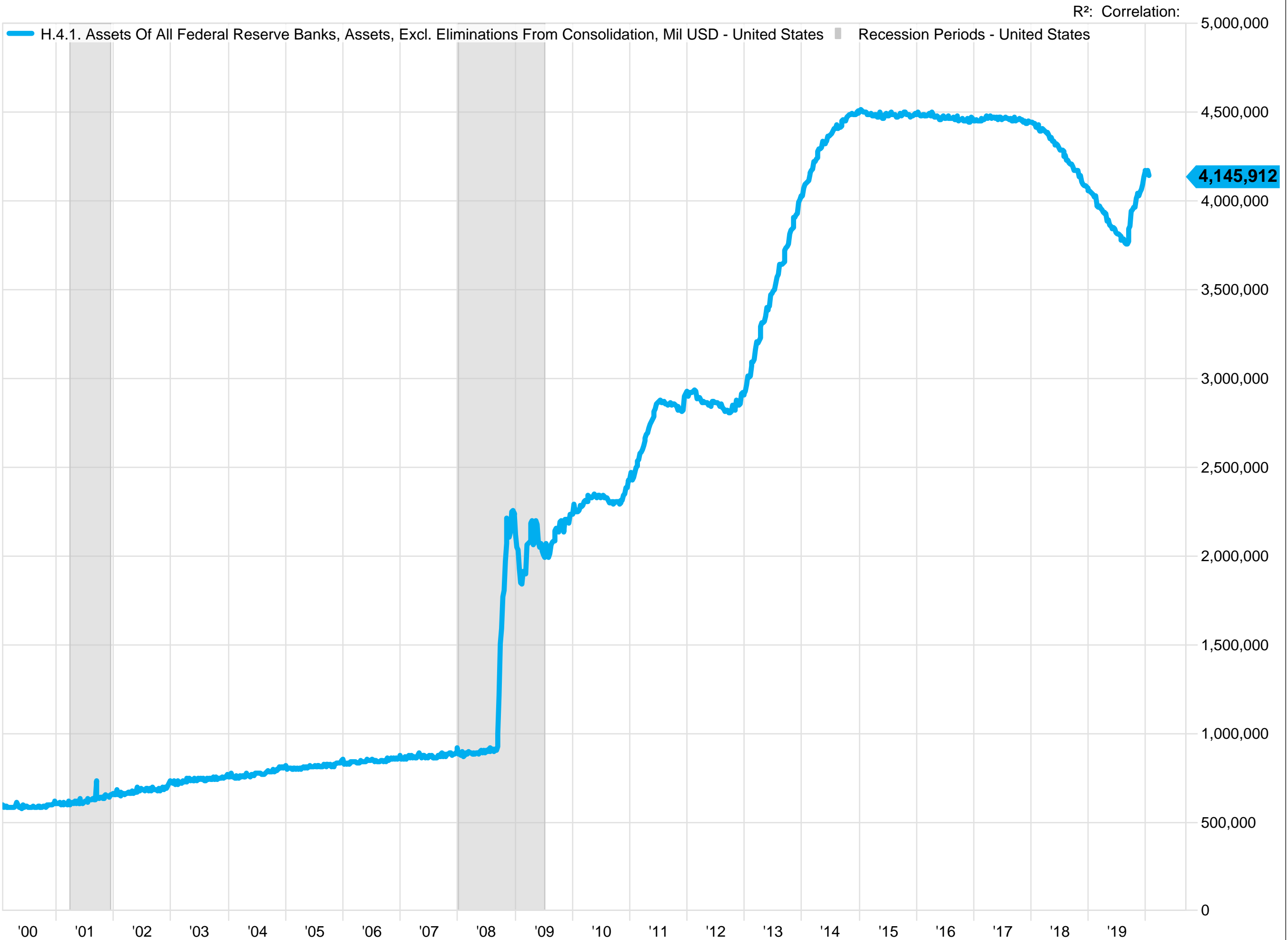


# CBOE VIX Volatility Index

CBOE Market Volatility Index - Price - Close or Current Intraday    Recession Periods - United States

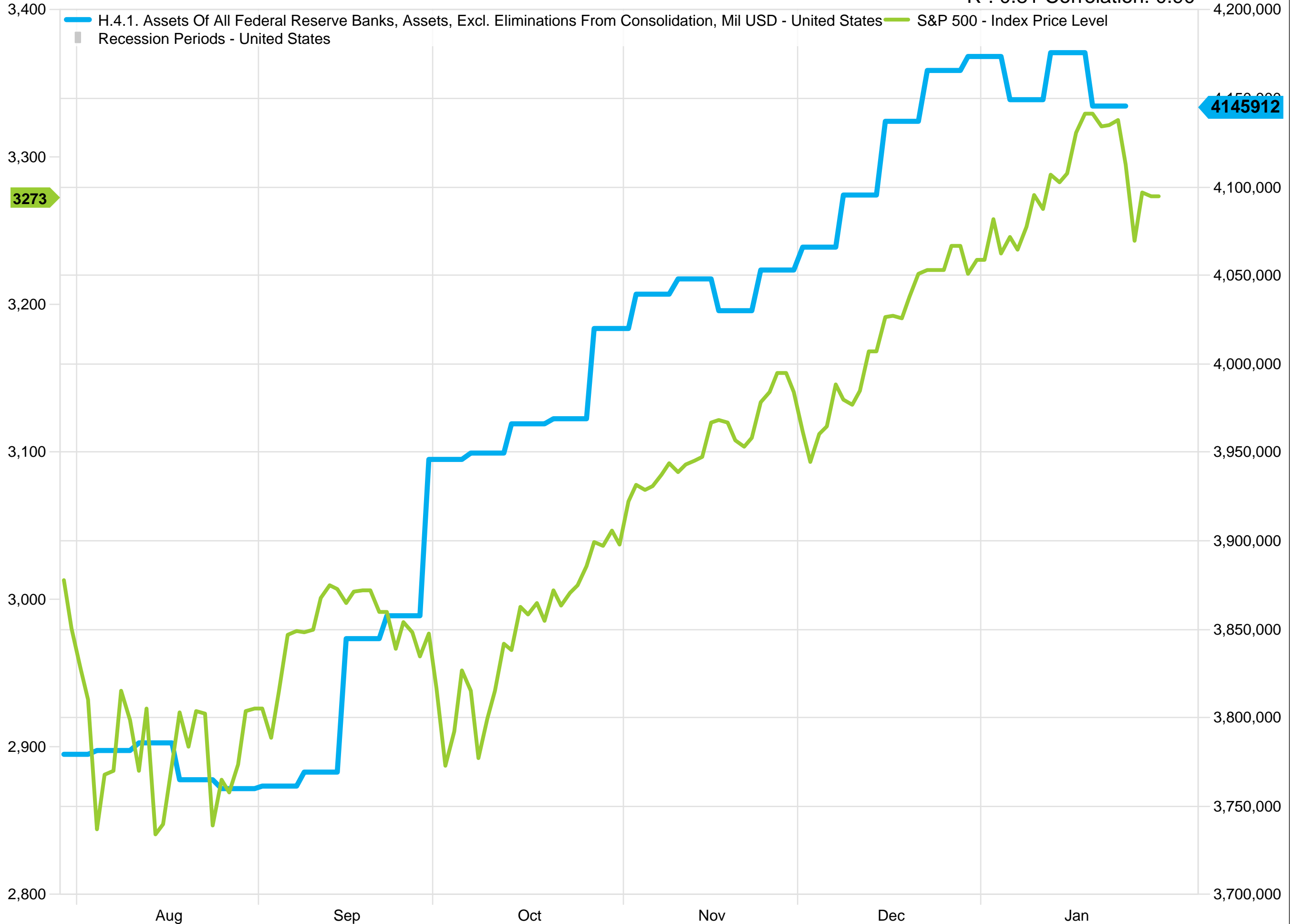


# Federal Reserve Balance Sheet



# Fed Balance Sheet versus S&P 500 Index

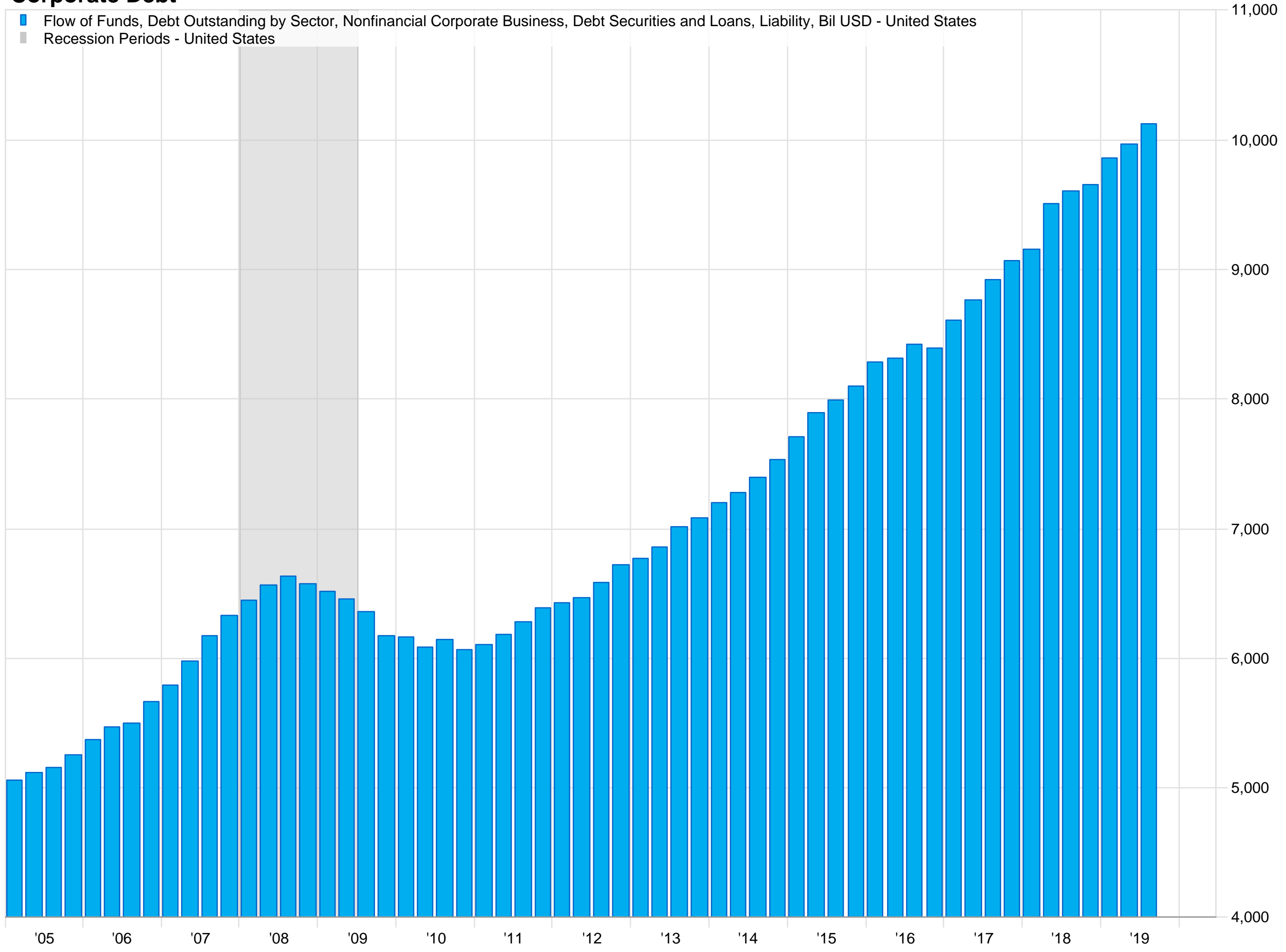
R<sup>2</sup>: 0.81 Correlation: 0.90

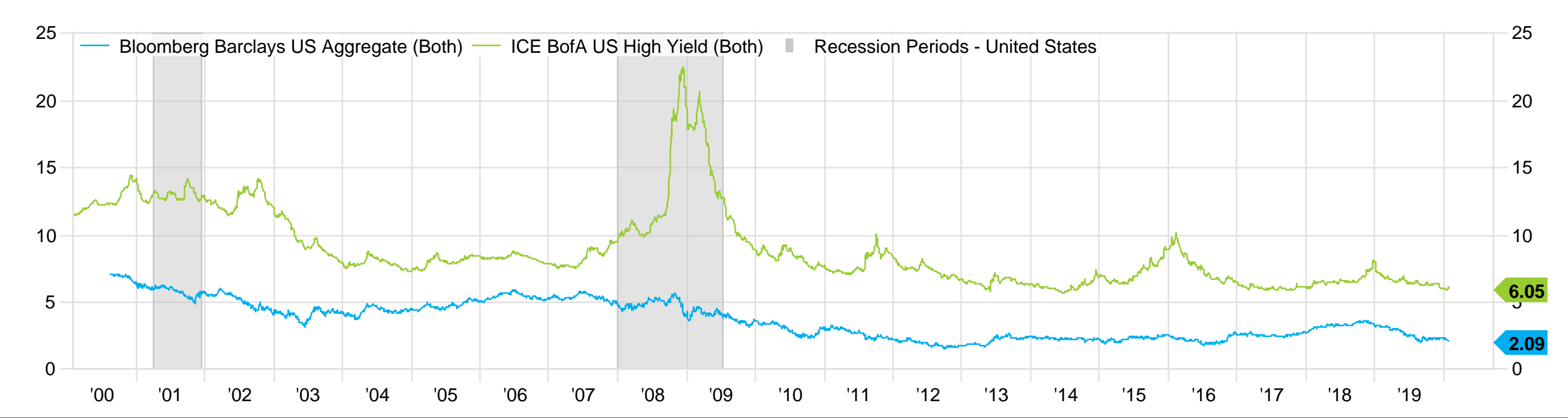


# Corporate Debt

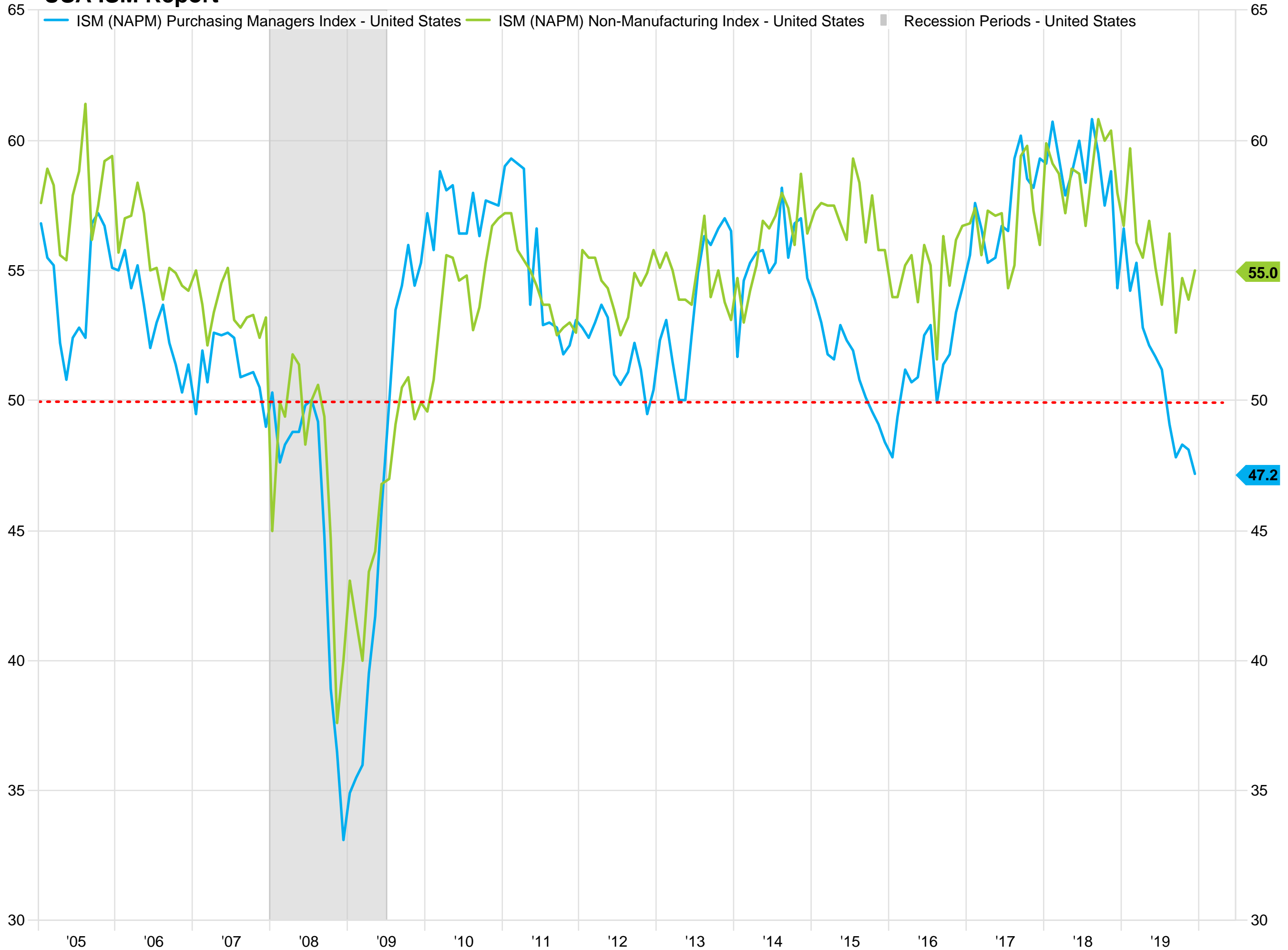
Flow of Funds, Debt Outstanding by Sector, Nonfinancial Corporate Business, Debt Securities and Loans, Liability, Bil USD - United States

Recession Periods - United States





# USA ISM Report



# USA Corporate Profits versus S&P500 Index

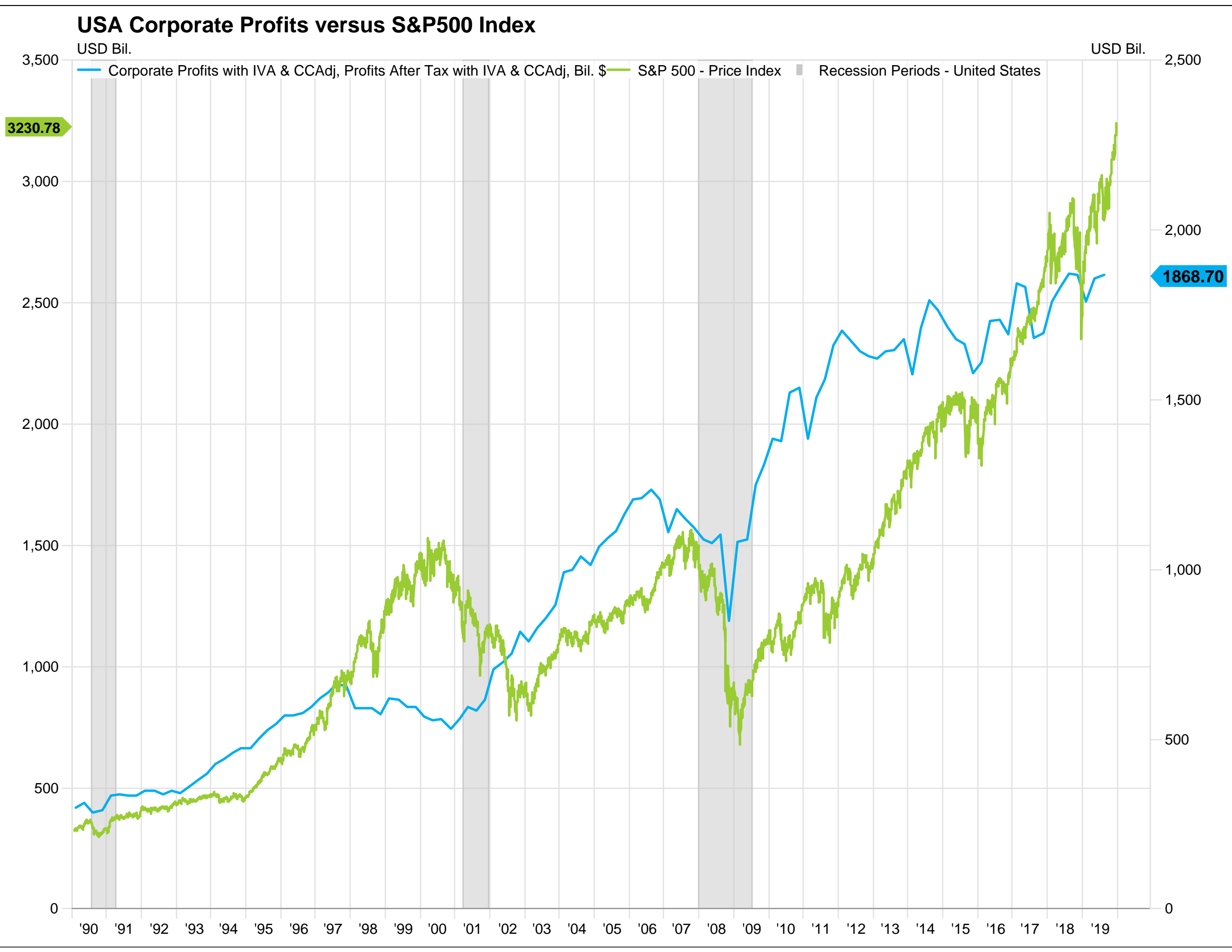
USD Bil.

USD Bil.

Corporate Profits with IVA & CCAAdj, Profits After Tax with IVA & CCAAdj, Bil. \$ S&P 500 - Price Index Recession Periods - United States

3230.78

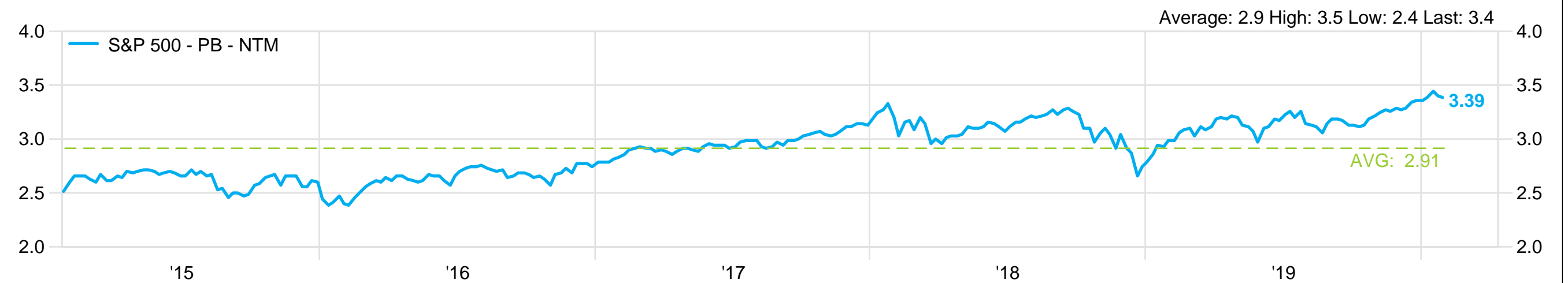
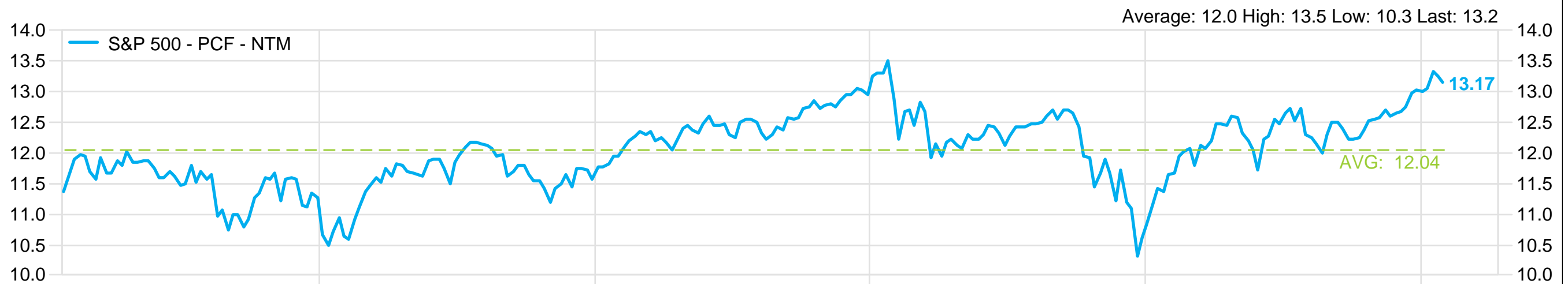
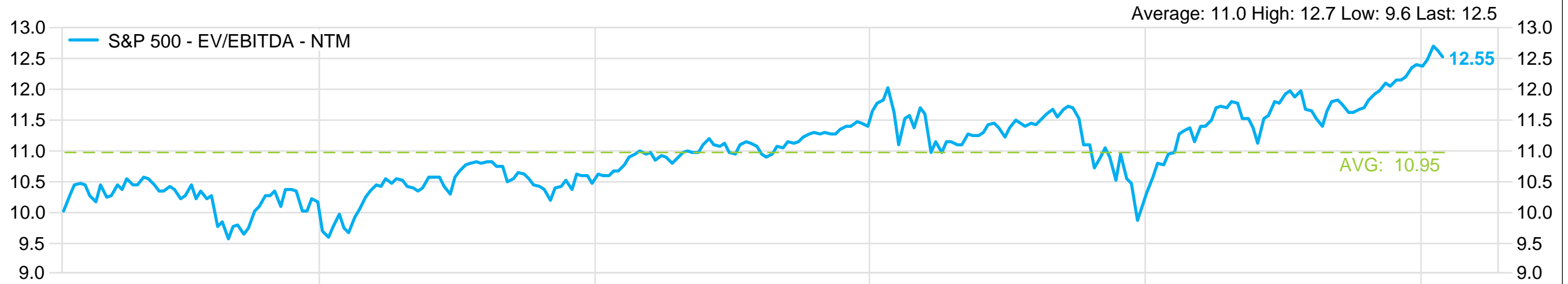
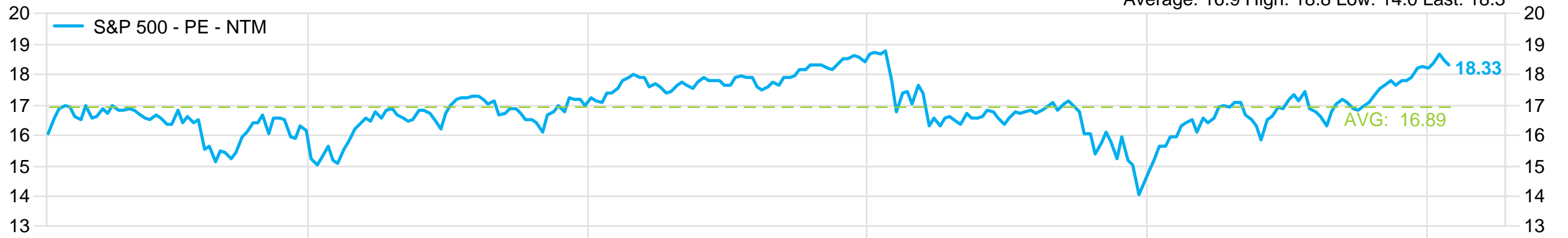
1868.70



# S&P 500 Valuation Metrics

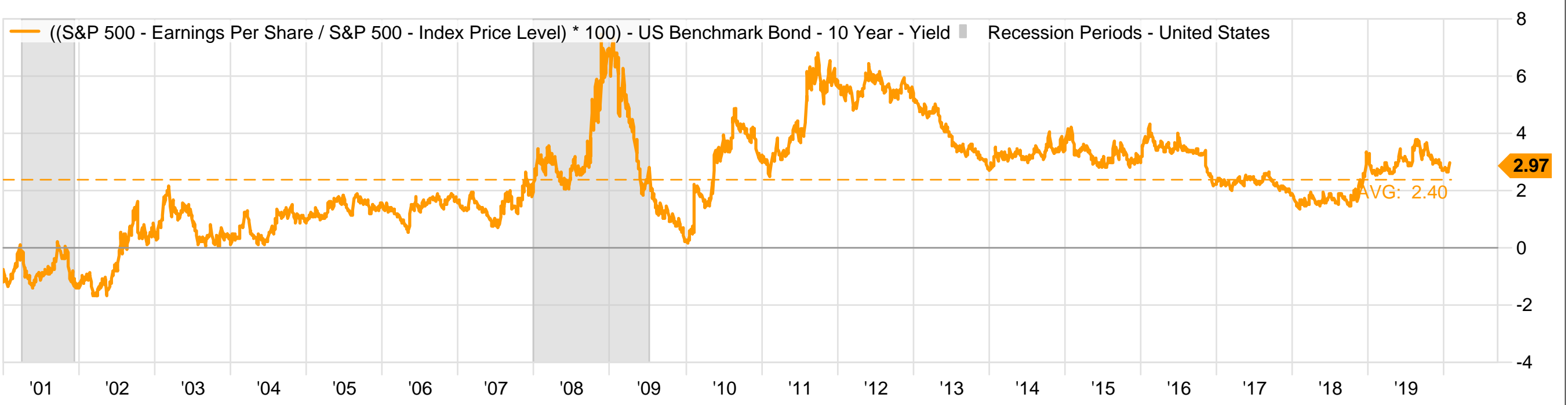
01/30/2015 to 01/30/2020 (Weekly)

Average: 16.9 High: 18.8 Low: 14.0 Last: 18.3

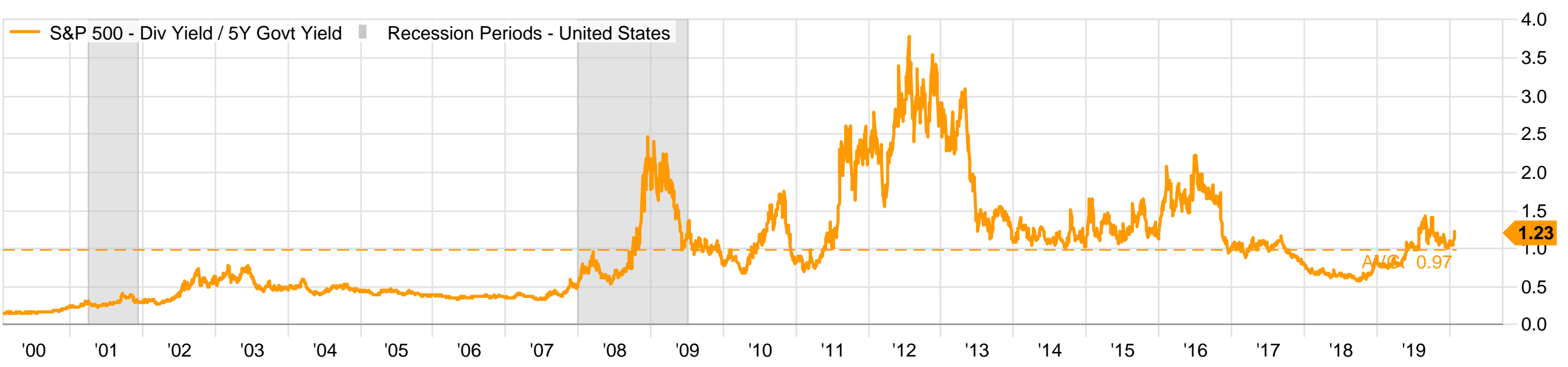
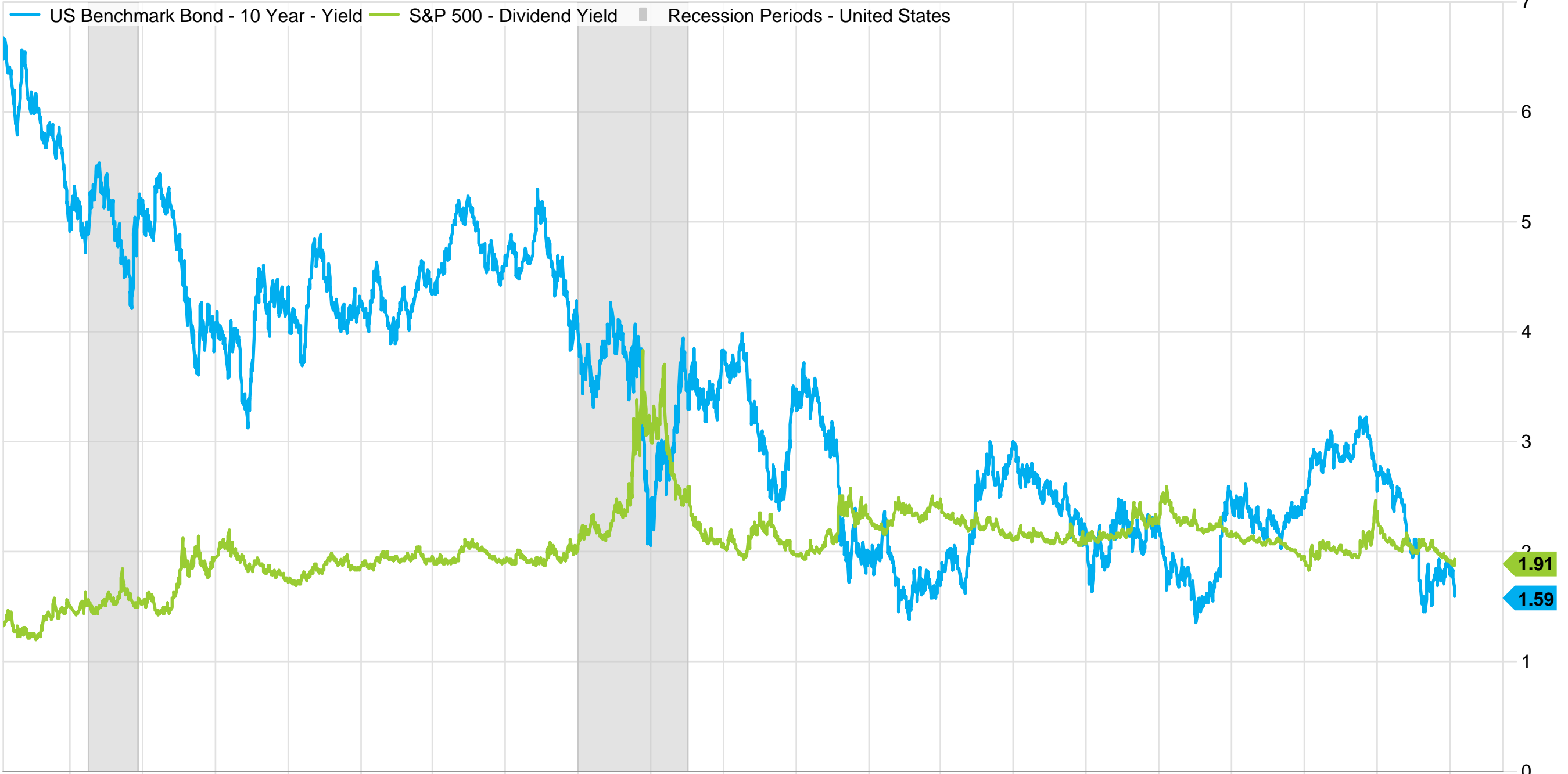




# S&P 500 Earnings Yield versus 10 Year Treasury



# S&P 500 Dividend Yield versus 10 Year U.S. Treasury





# STOKES CAPITAL

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