

FSINSIGHT VIRTUAL CONFERENCE  
POST ELECTION ROUNDUP AND  
MARKET STRATEGY

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2020 **COVID-19**

# 10 reasons for YE rally

Key to 2019:  
Don't fight the Fed  
PE matters more than 'E'  
**+30%**

Key to 2020:  
Don't fight Central Banks  
EPS upside on PMI rise  
**+10%**

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**INSIGHT**  
a fund**strat** company

**Thomas J. Lee, CFA<sup>AC</sup>**  
Head of Research  
inquiry@fsinsight.com  
twitter: @fundstrat

**Brian Rauscher, CFA<sup>AC</sup>**  
Head of Global Portfolio Strategy  
& Asset Allocation

**Robert Sluymer, CFA<sup>AC</sup>**  
Head of Technical Strategy  
twitter: @rsluymer

**Ken Xuan, CFA<sup>AC</sup>**  
Head of Data Science Research  
twitter: @fundstrat\_ken

**L. Thomas Block**  
Policy Strategist  
twitter: @TomBlock\_FS

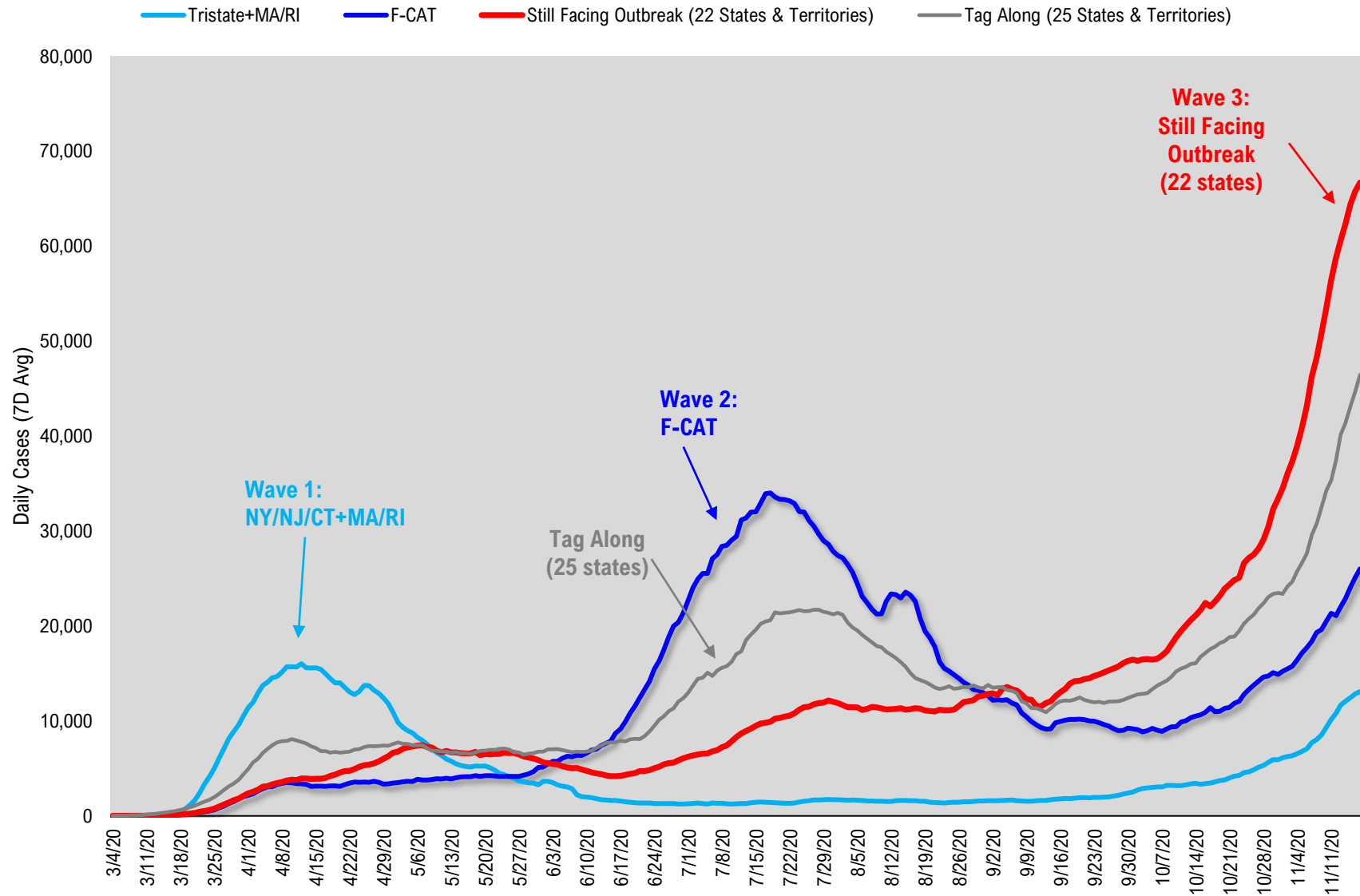
**Vito Racanelli**  
Senior Editor & Market  
Intelligence Analyst  
twitter: @WSintelligencer

- **Macro Strategy – Thomas Lee**
- **Policy Strategy – L. Thomas Block**
- **Tax Strategy – David Zion, Zion Research Group**
- **Global Portfolio Strategy – Brian Rauscher**
- **Technical Strategy – Robert Sluymer**
- **Digital Asset Strategy – David Grider**



# Head of Research Thomas Lee, CFA

# COVID: Biggest macro factor, even more powerful than gov'ts and Fed...



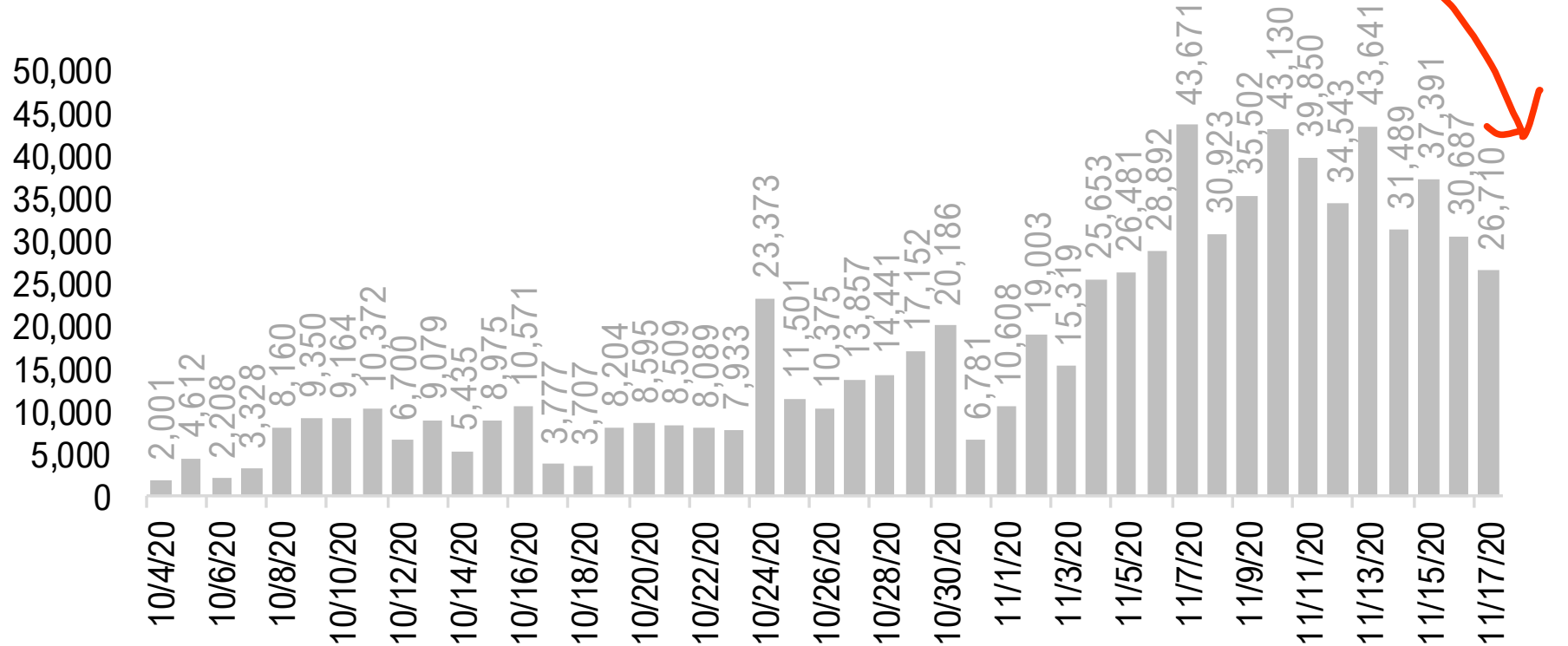
## 2020: Events this year will not happen again for 5 lifetimes...

- **Worse than a science fiction movie**
- **Global pandemic, so far 1 million deaths**
- **First ever global and coordinated economic shutdown**
- **US economic contraction exceeding Great Depression**
- **US Federal Reserve writes a new playbook within days**
- **US Government spends \$5T in stimulus, 25% of GDP**
- **Investors panic and sell whatever they can**

Source: Fundstrat, Bloomberg, Udata

## COVID: Silver lining? Rate of increase is slowing

US daily new cases rolling 7D delta

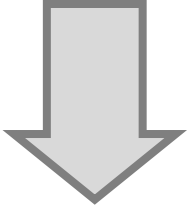


## 10 reasons for a BIG Year-end Rally

1. COVID-19 vaccine and therapeutics take “worst case” off table
2. Policymakers are pursuing soft-lockdowns, not killing recovery
3. Pent-up demand in US, look at output gap
4. China seeing massive explosive economic recovery
5. Fiscal stimulus coming
6. Investors are cautiously positioned, with little conviction
7. \$4.5T cash on sidelines
8. If VIX breaks below 20, double-risk on signal
9. Santa Claus rally
10. Fed dovish

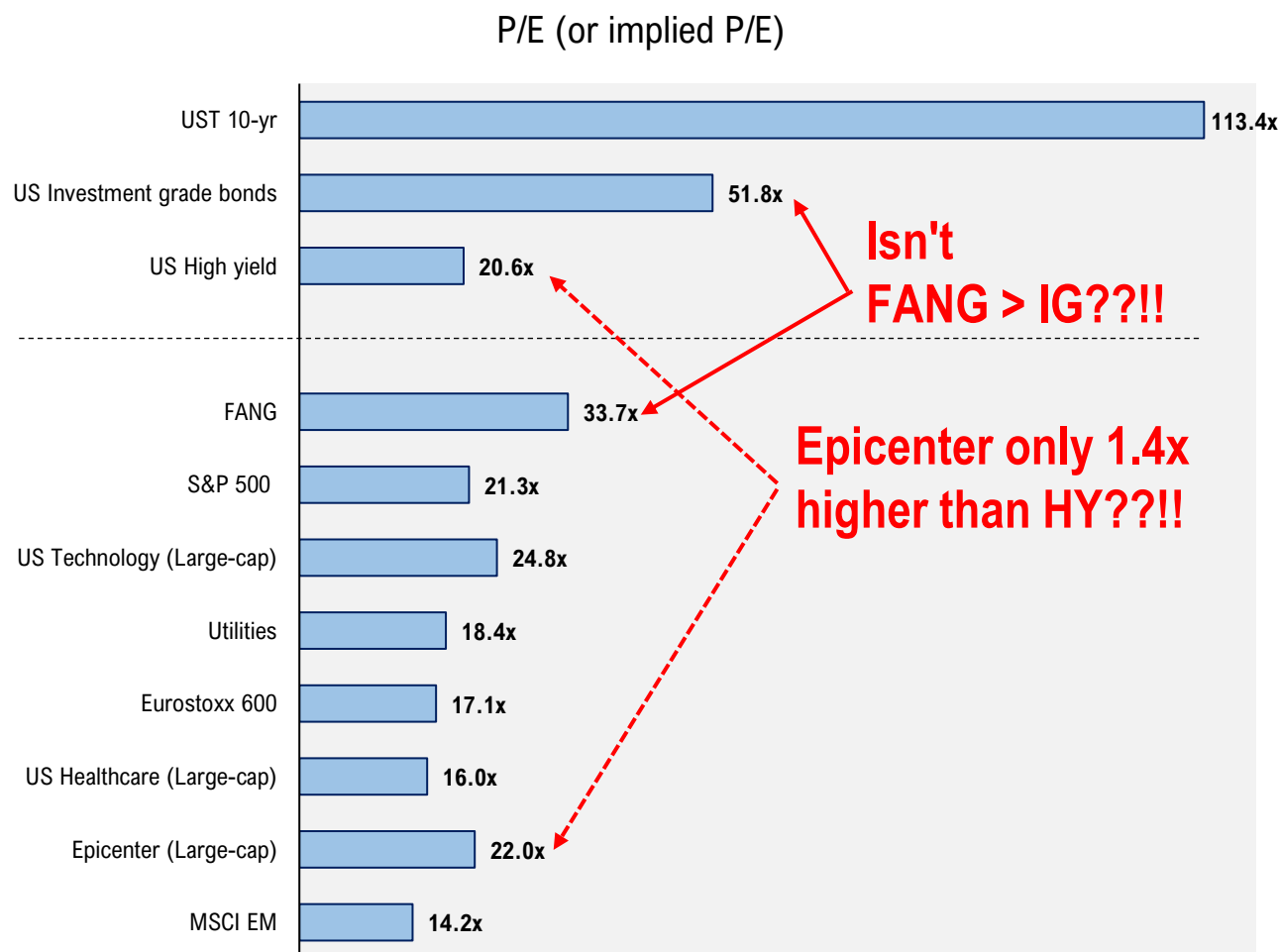


## YE 2020: Raising S&P 500 YE 2020 Target to 3,800, from 3,525

	<u>2021 EPS</u>	<u>P/E</u>	<u>YE 2020</u>
Prior (Aug 13)	\$193	18.3X	3,525
			
Revised (Nov 19)	\$193	19.7X	3,800

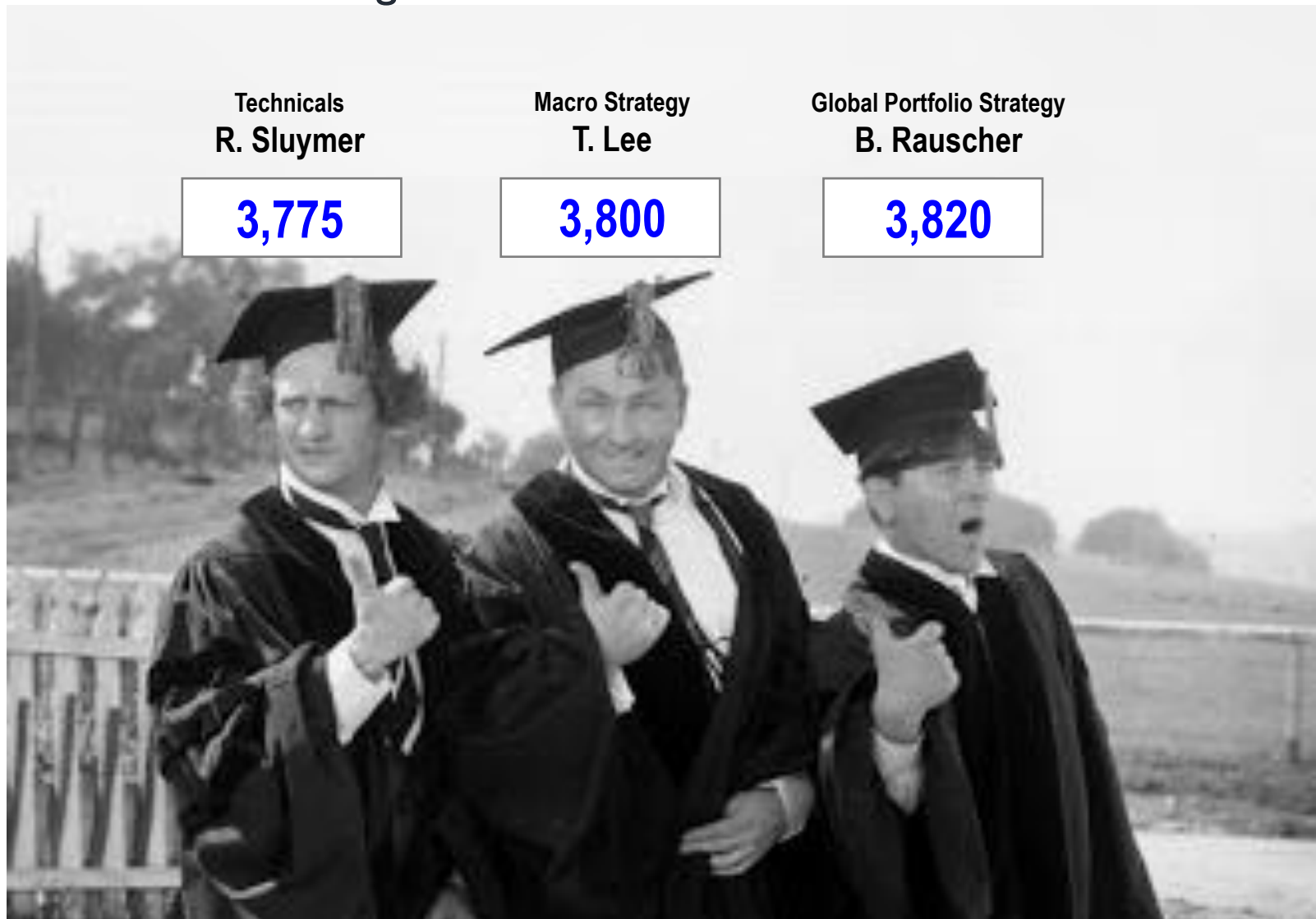
# TINA: Bonds have >50 to 100+ P/E multiples

Figure: PE of Bonds (inverse of YTW) and PE of equities  
Current



Source: Fundstrat and BofA

## YE 2020: FSInsight Consensus

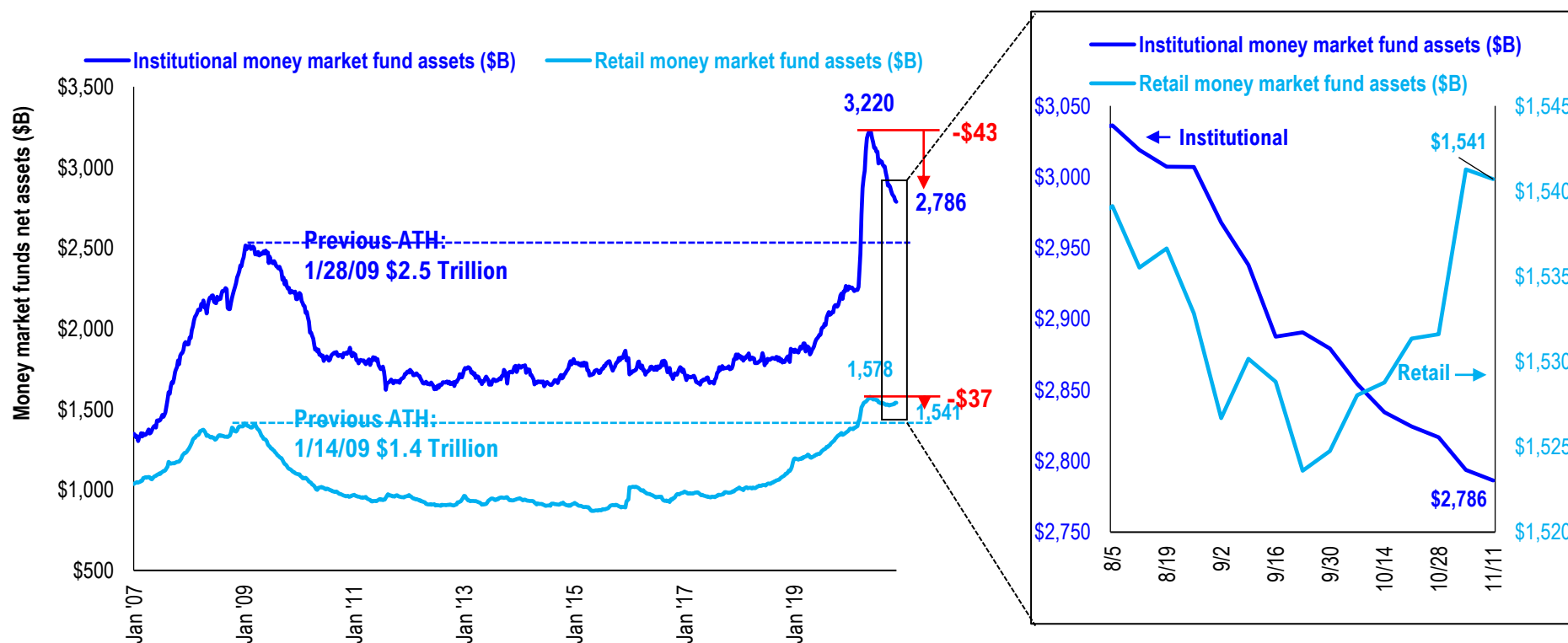


VIX: <25 = Risk-on... <20 = BOOM



# DRY POWDER: Money on sidelines has “barely” budged... and now down to “only” \$4.3 trillion, from the peak of \$4.8 trillion

**Figure: Institutional and retail money market fund assets**  
Since 2007

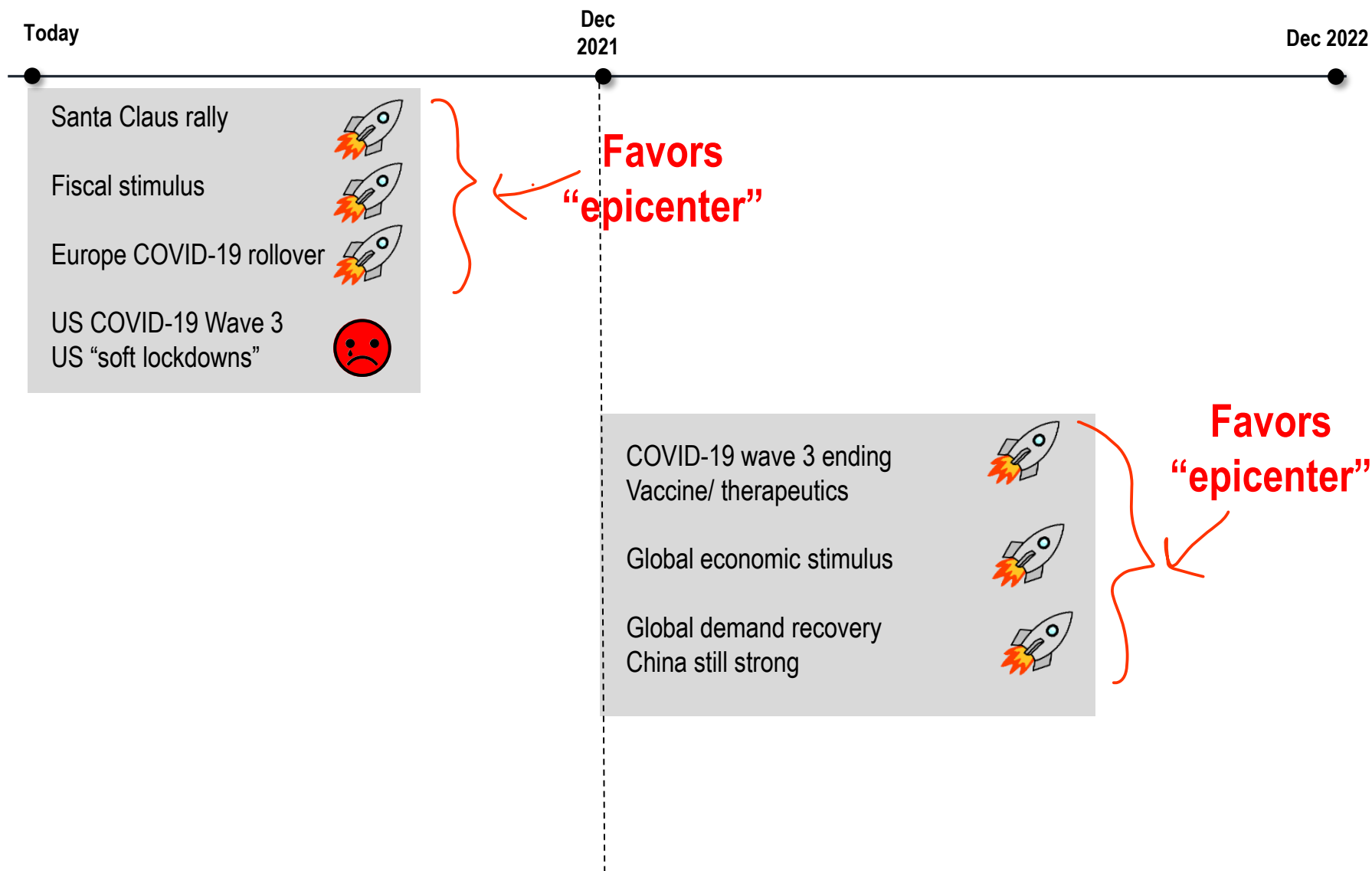


Source: Fundstrat, Bloomberg, ICI

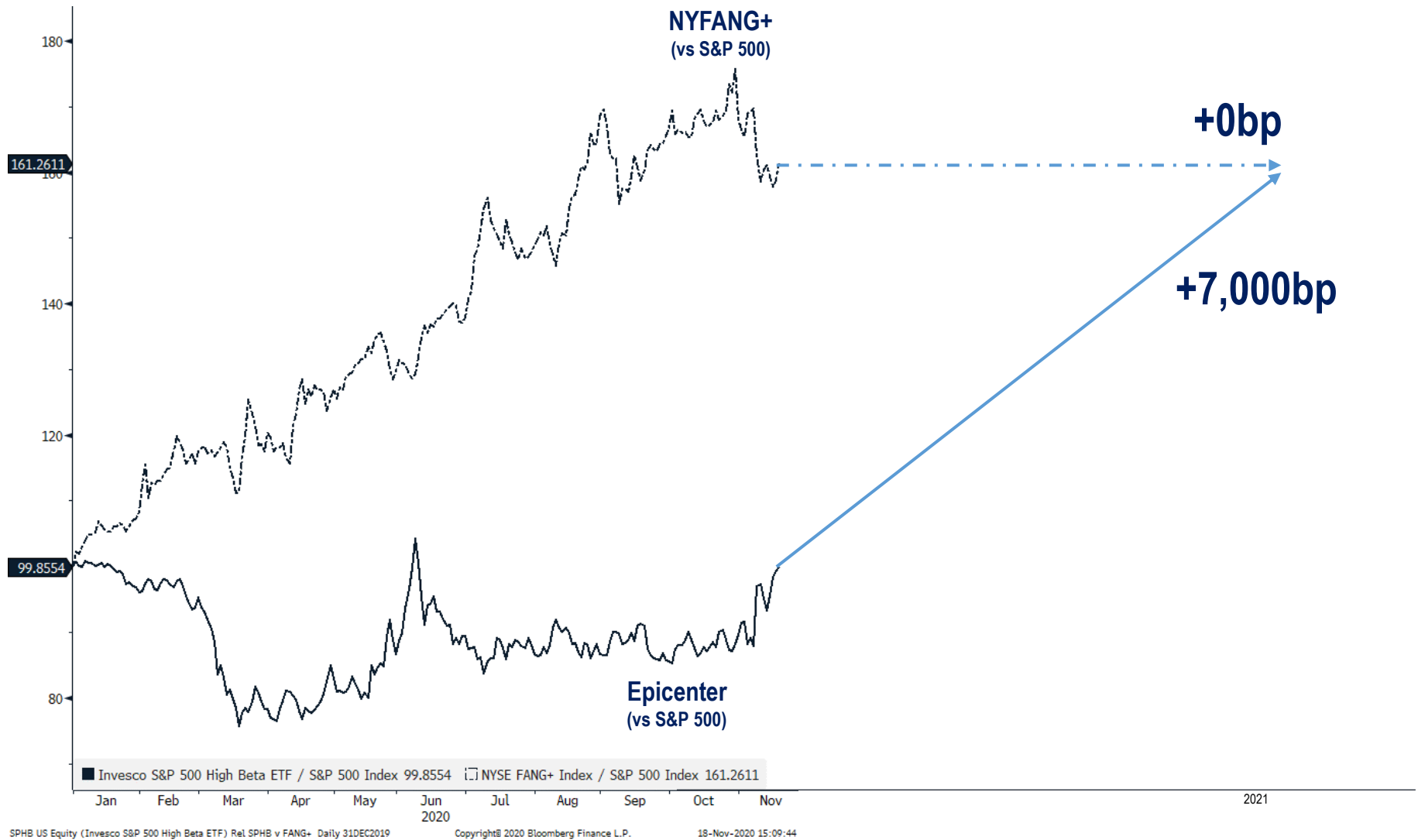
**Epicenter: We warned it would be violent...**



## Epicenter:



## Epicenter:





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