2021 Stock Market Outlook

Introduction

Thank you for purchasing the 2021 Market Outlook.

I hope this 2021 outlook can serve as a resourceful guide all year to target best in class names in these industries when trends are favorable. I do not expect you to blindly follow the ideas presented in this report as every investor has his/her own style of investing, different risk parameters and timeframes, as well as each individual's personal outlooks that may differ with my views. The goal here is to open your eyes to names I favor in 2021 for various reasons, a guide to some key trends and themes in investing, and likely introduce you to some exciting stocks that were not on your watchlist as I have always thrived in discovering under-followed stocks that become superstar performers.

The best piece of simple advice is to buy stocks in quality companies growing both the top and bottom line in attractive industries with positive tailwinds for growth. Quality meaning companies that have consistently exceeded earnings expectations in previous quarters, strong management, positive margins and efficiency ratios (ROE, ROA, ROIC), and healthy balance sheets. Attractive industry meaning an industry showing growth that has meaningful available market remaining, being involved in the secular shifts seen in economies. The 2021 themes section of this report will be helpful for finding those industries. It is important to learn sector specific ratios which I try and present in more detail in the Sector Breakdowns section.

I did a post a few years ago this on the 7 classes of great investments to pay attention to and that includes pure revenue growth stories in growing markets, sustainable MOAT, market share takers and disruptors in large TAMs, product mix shift and margin expansion stories, accelerating growth causing multiple re-ratings, new product and replacement/upgrade cycles, and consolidator stories with synergies and growth.

I do not expect you to enter all of these names on day one of 2021 and sit and wait, instead, be active and strategic in entries/exits whether taking a fundamental or technical approach, or even better, a combination. Paying attention to options flow has single-handedly been the greatest tool allowing me to succeed in markets, and something we provide insight on every day at OptionsHawk. One fairly simple rule I like to use is to avoid longs in names where the 8 week EMA has crossed below the 21 week EMA, and vice versa for shorts, it will keep you on the right side of the trade more often than not. Each name mentioned in this report should also be researched further as these are brief views as I am a firm believer that less is more, and you should be able to lay out an investment thesis concisely, but more in depth due diligence always adds value and confidence to the view.

At OptionsHawk we perform fundamental, technical, ownership trends, and options activity analysis while also discovering the likely catalyst for a move, and when all of these individual analyses give the same signal, it is a worthy trade/investment. If you are interested in receiving daily research and live market coverage from OptionsHawk, please visit the website at OptionsHawk.com. For those interested in having accounts managed I recently started a new venture at Relativity Capital where I will be providing my services for stock selection, portfolio management, and risk management. For further details please visit RelativityCap.com.

Thank you again and I hope you enjoy this year's report, it is the most extensive to date. Best of luck to everyone in 2021!

S&P 500 (SPX) Technical View and Analysis

The S&P is making a final thrust into year-end hitting record highs and nearing that target we have been looking for at 3855 as the 138.2% Fibonacci extension of the COVID correction move. The rising monthly channel chart shown below also shows markets are stretched near resistance and already outside of the monthly upper Bollinger Band while the weekly upper band is at 3770. Although there remains room for further upside as a long-term equity bull the current risk/reward is shifting less favorable and a correction with sentiment also stretched is not only likely but would be welcomed. With a positive fundamental backdrop for 2021 I expect the longer-term bull trend to remain firmly intact and looking more at garden-variety 10-15% correction in Q1 which would align with a potential test of the 200-day moving average at 3210, but the table below outlines plenty of other potential support levels. To me, technical analysis is less about predicting and more about reacting, having an arsenal of levels at your disposal and awaiting confirmation of support/resistance from the resultant price-action providing a positive reward/risk level to trade against. We are working out of a tight range into year-end and potential to carry us up to that 3855 target with strength expected through January options expiration.

Key Levels Table

Level	Description	Level	Description
4885	223.6% Extension of 2020 Correction	3280	13 Month Moving Average
4800	Pitchwork Resistance for Jan. 1st 2023	3230	June 2020 High
4400	COVID Correction Low Double	3211	55 Week MA
4385	2016 to February 2020 161.8 Extension	3210	200 Day MA
4140	161.8% Extension of 2020 Correction	3210	September 2020 Low
4007	2016 to March 2020 138.2 Extension	3205	Weekly Lower Bollinger Band
4000	Measured Move of May/November Range Break	3160	21 Month Moving Average
3923	3.618 Extension of 2013 Major Market Breakout	3150	38.2% Retrace of 2020 Range
3855	138.2% Extension of 2020 Correction	3120	89 Week MA
3770	Weekly Upper Bollinger Band	3110	VWAP from March 2020 High
3715	Monthly Upper Bollinger Band	3030	VWAP from February 2020 High
3686	13 Day MA	2980	VWAP from December 2018 Low
3638	34 Day MA	2975	144 Week MA
3627	8 Week MA	2975	34 Month Moving Average
3566	13 Week MA	2960	50% Retrace of 2020 Rally Off Lows
3557	55 Day MA	2940	September 2018 High
3500	November Breakout Retest	2852	200 Week MA
3493	89 Day MA	2760	June Reversal Low
3483	21 Week MA	2753	55 Month Moving Average
3395	May 2020 Highs	2560	Monthly Lower Bollinge Band
3395	8 Month Moving Average	2450	April 2020 Reversal Low
3395	February 2020 High	2350	December 2018 Lows
3383	144 Day MA	2200	March 2020 Lows
3332	34 Week MA	1990	144 Month Moving Average
3295	VWAP from May 2020 Reversal Low		

Monthly Channel Chart

S&P 2021 Roadmap Scenario

In the scenario below the market extends momentum briefly into January options expiration before pulling back with Q4 earnings results. The Summer is then characterized by a choppy range trade as we await confirmation of a successful vaccine rollout that sets up for a strong 2H21 for corporate profits and economic activity as pent-up demand explodes with consumers returning to traveling, spending, and working.

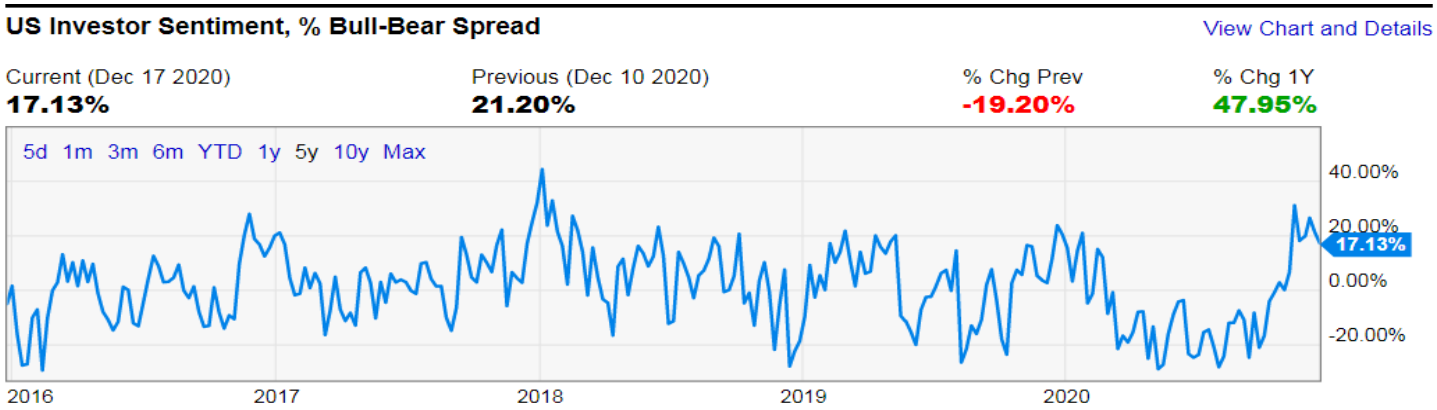
Market Sentiment/Breadth, Macro Picture and Fundamental Analysis

Sentiment/Breadth

Sentiment measures tend to be good counter-indicators in that extreme pessimism likely bodes well for stocks going forward and vice versa. However, extreme optimism is a less effective indicator for identifying market tops than extreme pessimism is for timing market bottoms. Another means of gauging risk appetite is the measurement of stock-price momentum, which is also very strong and well off the historic lows we saw in March. But similar to sentiment, the breadth of momentum in stock prices provides much more powerful and timely indications of market reversal at a low than at a high, and widespread positive momentum (i.e. a high reading in this indicator) is rarely consistent with primary market tops. These indicators are warning signals and we should have our guard up, but they are not yet at levels that typically presage the end of the bull market.

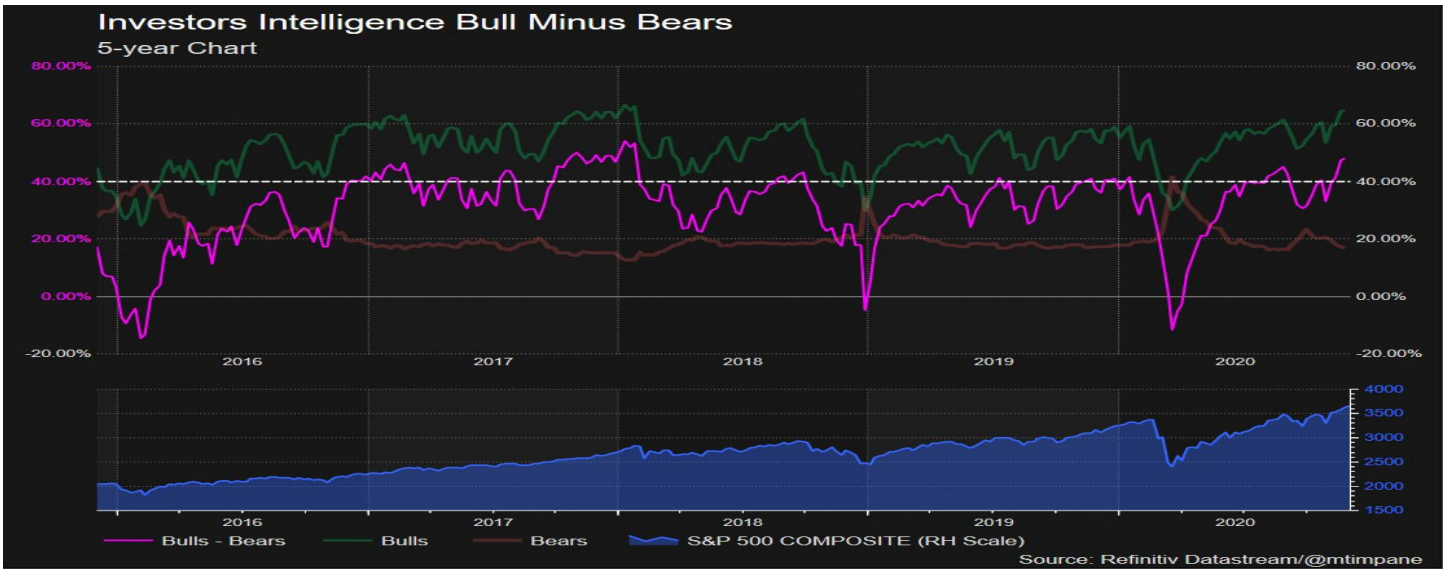
AAII Sentiment Survey

The AAII Investor Sentiment Survey measures the percentage of individual investors who are bullish, bearish, and neutral on the stock market for the next six months; individuals are polled from the ranks of the AAII membership on a weekly basis. The Bull-Bear spread is my preferred measure and can see into 2021 it is quite elevated near multi-year highs, showing overly bullish sentiment.



The Investors Intelligence Survey

The Advisors Sentiment report surveys the market views of over 120 independent investment newsletters (those not affiliated with brokerage houses or mutual funds) and reports the findings as the percentage of advisors that are bullish, those bearish and those that expect a correction. The current Bull to Bear spread is one of the highest in decades, yet another indication of frothy sentiment.



NAAIM Exposure Index

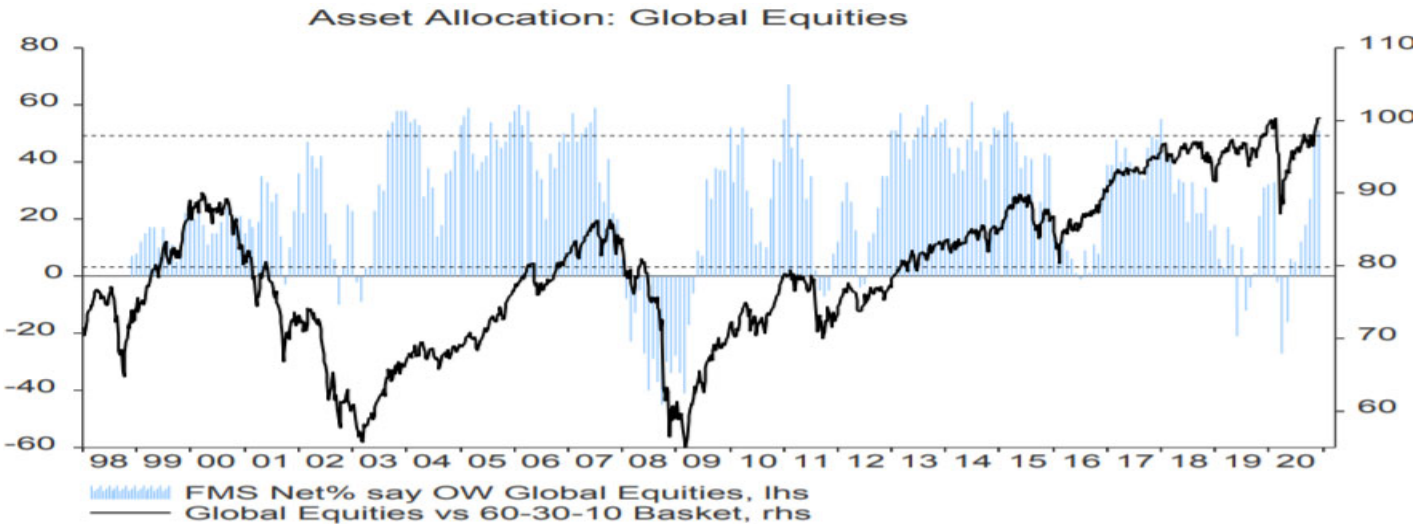
NAAIM member firms who are active money managers are asked each week to provide a number which represents their overall equity exposure at the market close on a specific day of the week, currently Wednesdays. The NAAIM Exposure Index represents the average exposure to US Equity markets reported by members. The NAAIM Exposure Index provides insight into the actual adjustments active risk managers have made to client accounts over the past two weeks. NAAIM has been one of my preferred indicators to determine when to buy fear and sell greed. It currently is at 89 and off some 100+ prints but remains elevated to the averages.

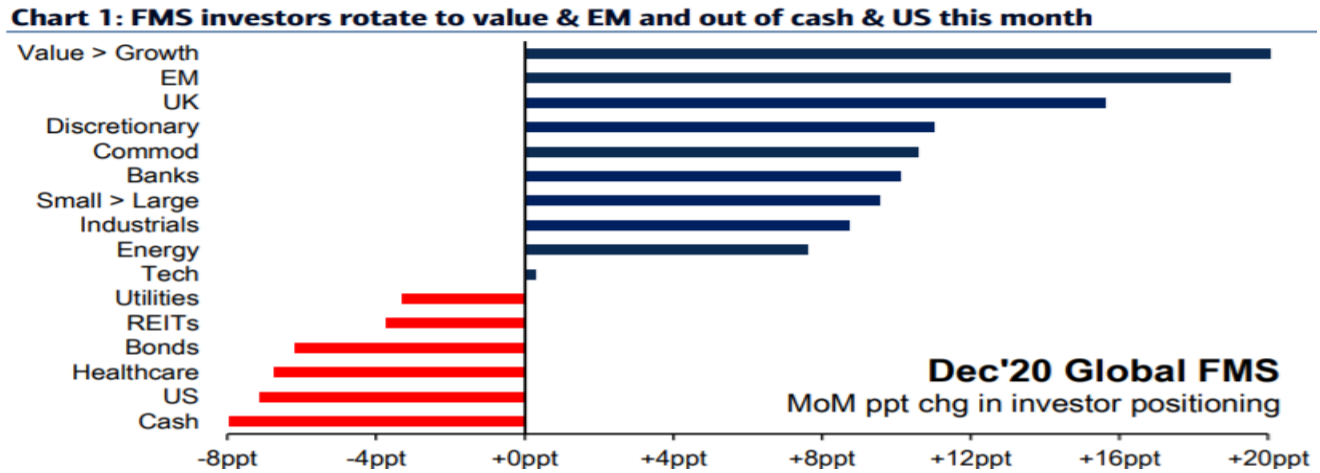
NAAIM Exposure Index Number View Chart and Details

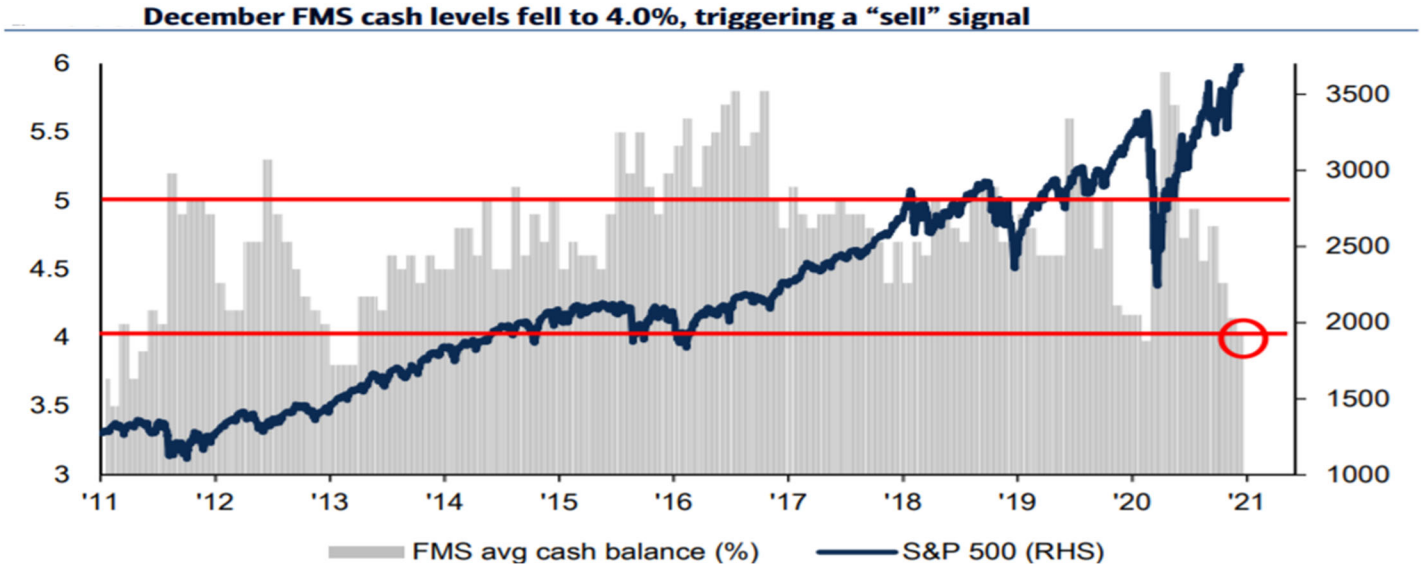
Current (Dec 23 2020)	Previous (Dec 16 2020)	% Chg Prev	% Chg 1Y
89.11	**101.47**	**-12.18%**	**-9.90%**

BAML Global Fund Manager Survey

The BAML global fund manager survey is a monthly report that canvasses the views of approximately 200 institutional, mutual and hedge fund managers around the world. The December survey showed a rotation out of Bonds and Cash. The three most crowded trades were long Tech, short USD, and long Bitcoin. More than 70% say the global economy is now in the early-cycle phase and profit expectations are at an all-time high. Expectations for a steeper yield curve hit a new record at 76% of those surveyed. FMS cash levels fell to 4% which triggered a sell signal on this proprietary indicator where 1-month forward returns average -3.2%. The biggest risks cited were COVID, Inflation, a Credit Event, and US-China Trade War. Emerging Markets outperforming is the biggest consensus trade. FMS investor optimism on stocks increases to highest level since Jan'18 (net 51%) as topping process gets underway (extremely bullish >50%); hedge funds' equity exposure remains high (43%). FMS investor optimism on "risk-on" assets (equities + commodities) overall has increased sharply to the highest level since Feb'11 (net 69%). A net % of FMS investors are underweight cash for the first time since May 2013, indicative of an early-stage recovery similar to recoveries after the GFC (Oct'09) and the dotcom bubble (Jan'02).







Sell-Side Indicator

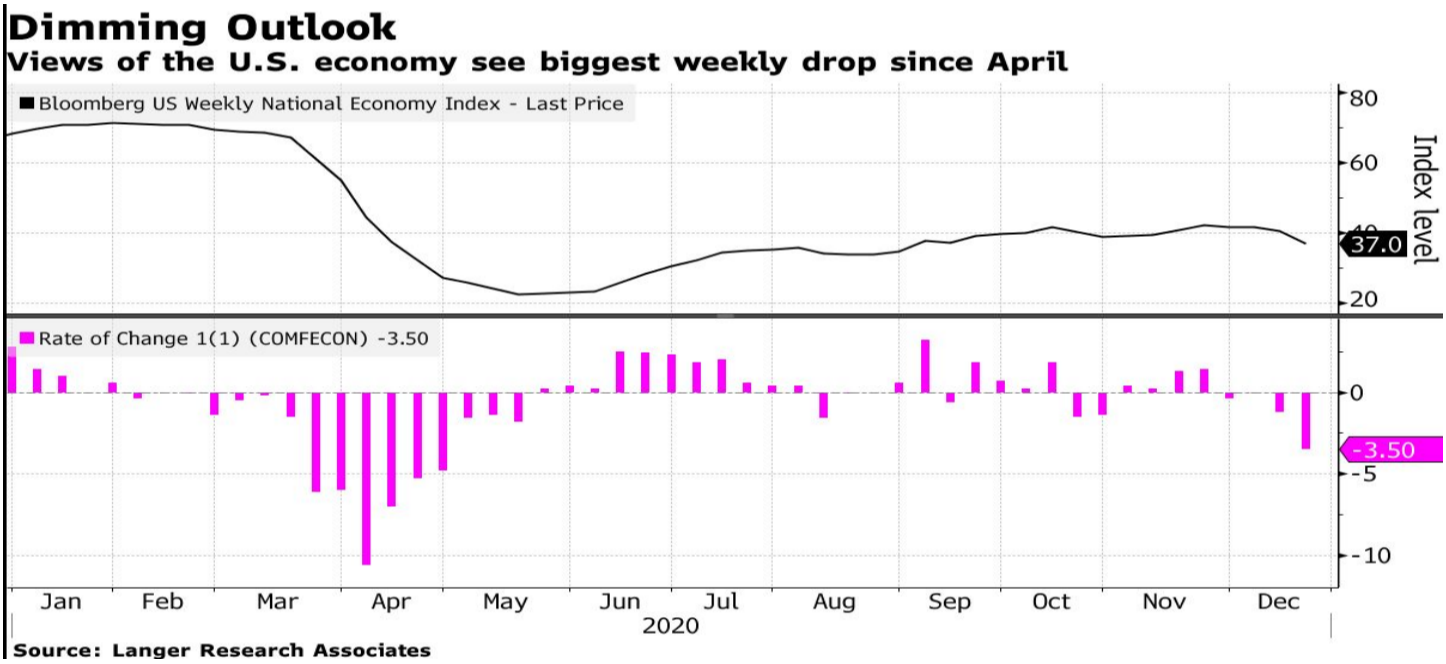
Wall Street's consensus equity allocation has been a reliable contrarian indicator over time. At 57%, Wall St. is neutral on US stocks, but remains below the typical benchmark allocation of 60%. Current levels imply price returns of 10% over the next 12 months. Note that from 2009 to now, the forecast 12-month return output of this model has been significantly higher – as much as 31% expected return– as Wall Street sentiment has been significantly more pessimistic than today's neutral to optimistic levels. Sentiment hasn't been this bullish since June 2019, after which returns were 5% over the next 12 months.

US Consumer Confidence

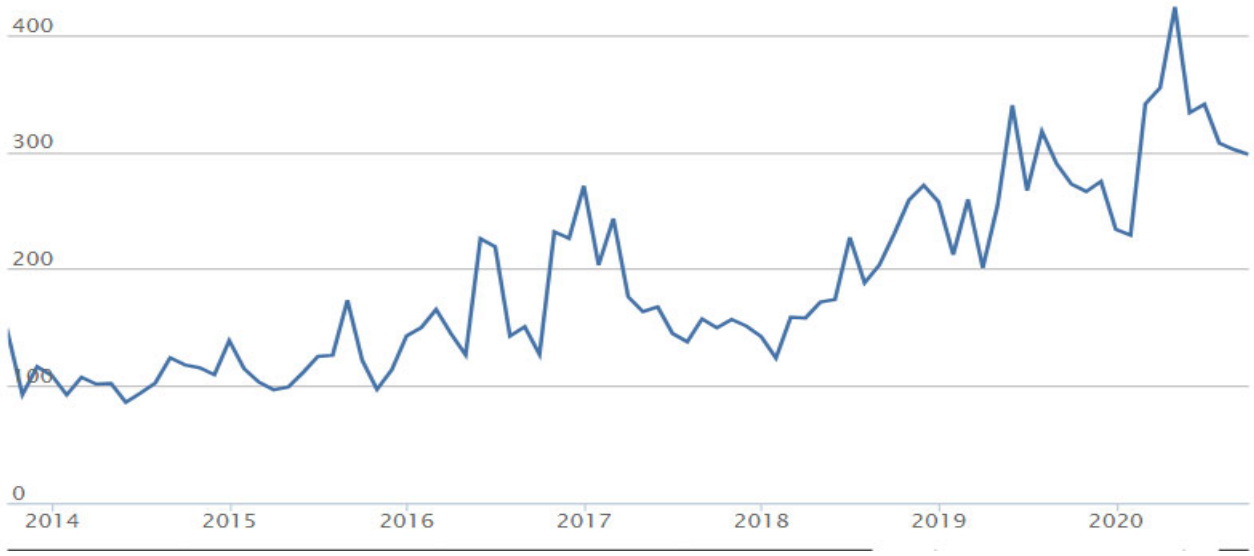
The Conference Board *Consumer Confidence Index®* declined in December, after decreasing in November. The Index now stands at 88.6 (1985=100), down from 92.9 in November. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – decreased sharply from 105.9 to 90.3. However, the Expectations Index – based on consumers' short-term outlook for income, business, and labor market conditions – increased from 84.3 in November to 87.5 this month. "Consumers' assessment of current conditions deteriorated sharply in December, as the resurgence of COVID-19 remains a drag on confidence," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board.

US Economic Sentiment & CEO Confidence

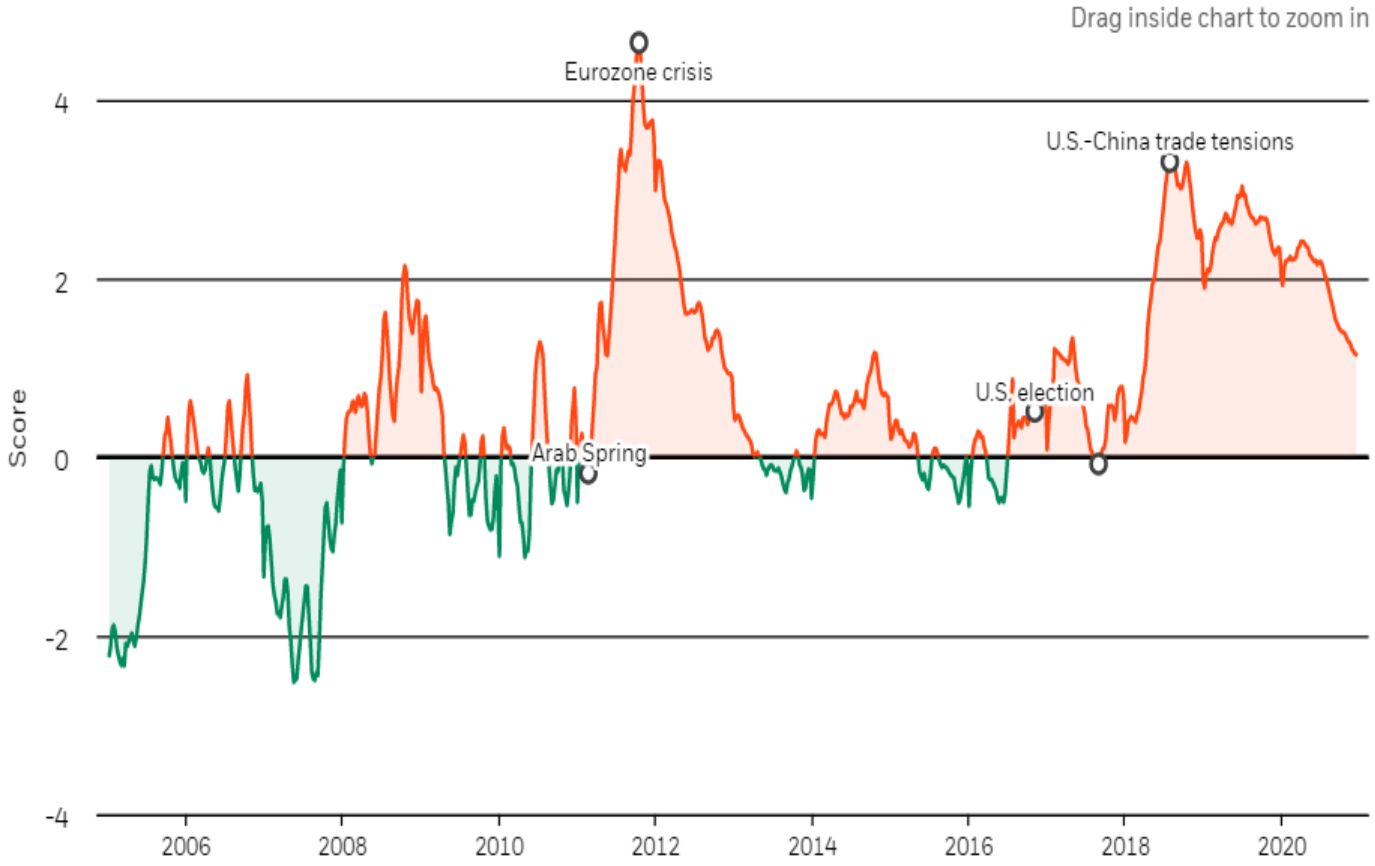
The Bloomberg Consumer Comfort Index is produced by Langer Research Associates of New York. The Index has significant long-term correlations, including on a time-lagged basis, with a variety of key economic indicators. In addition to its three measures of current sentiment, the Consumer Comfort data include a monthly gauge of economic expectations, based on the share of Americans who say the economy is getting better, getting worse or staying the same. The 12/24 reading showed a fifth straight week of declines to a two-week low at 47, and the steepest drop on economic view outlook since April amid the worst phase yet of the pandemic.



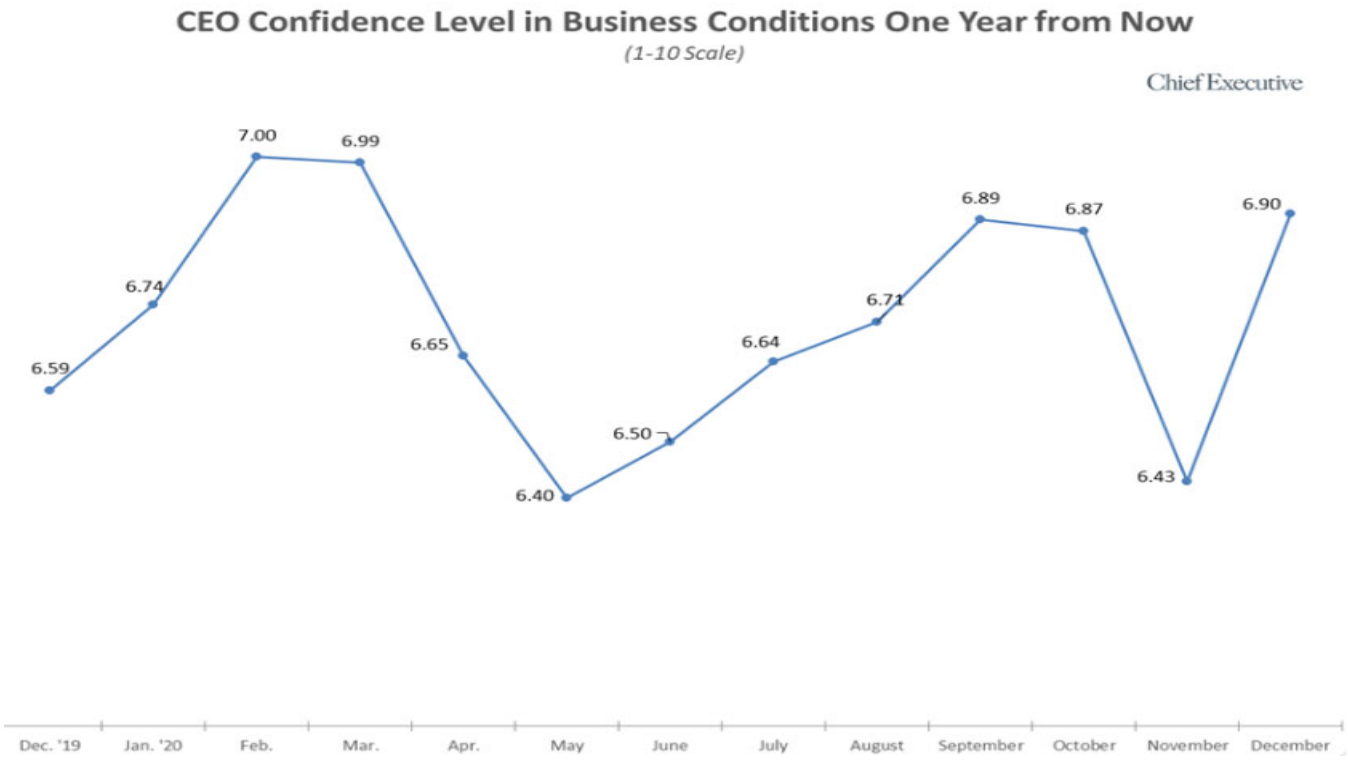
The US Economic Policy Uncertainty is based on newspapers in the United States. To measure policy-related economic uncertainty, it constructs an index from three types of underlying components. One component quantifies newspaper coverage of policy-related economic uncertainty. A second component reflects the number of federal tax code provisions set to expire in future years. The third component uses disagreement among economic forecasters as a proxy for uncertainty. A significant dynamic relationship exists between the economic policy uncertainty index and real macroeconomic variables. An increase in economic policy uncertainty as measured by the index foreshadows a decline in economic growth and employment in the following months.



BlackRock Geopolitical Risk Indicator



The CEO Confidence Index is America's largest monthly survey of chief executives. Each month, Chief Executive surveys CEOs across corporate America, at organizations of all types and sizes, compile the CEO Confidence Index data. CEO optimism rebounded in early December, with many CEOs betting on a vaccine and a politically hamstrung Biden administration to stabilize conditions enough to get through the Covid-19 pandemic. CEOs' outlook for the business environment 12 months from now jumped 7.3%, by far the largest month-over-month increase in confidence recorded since November 2016, on the heels of the last presidential election.



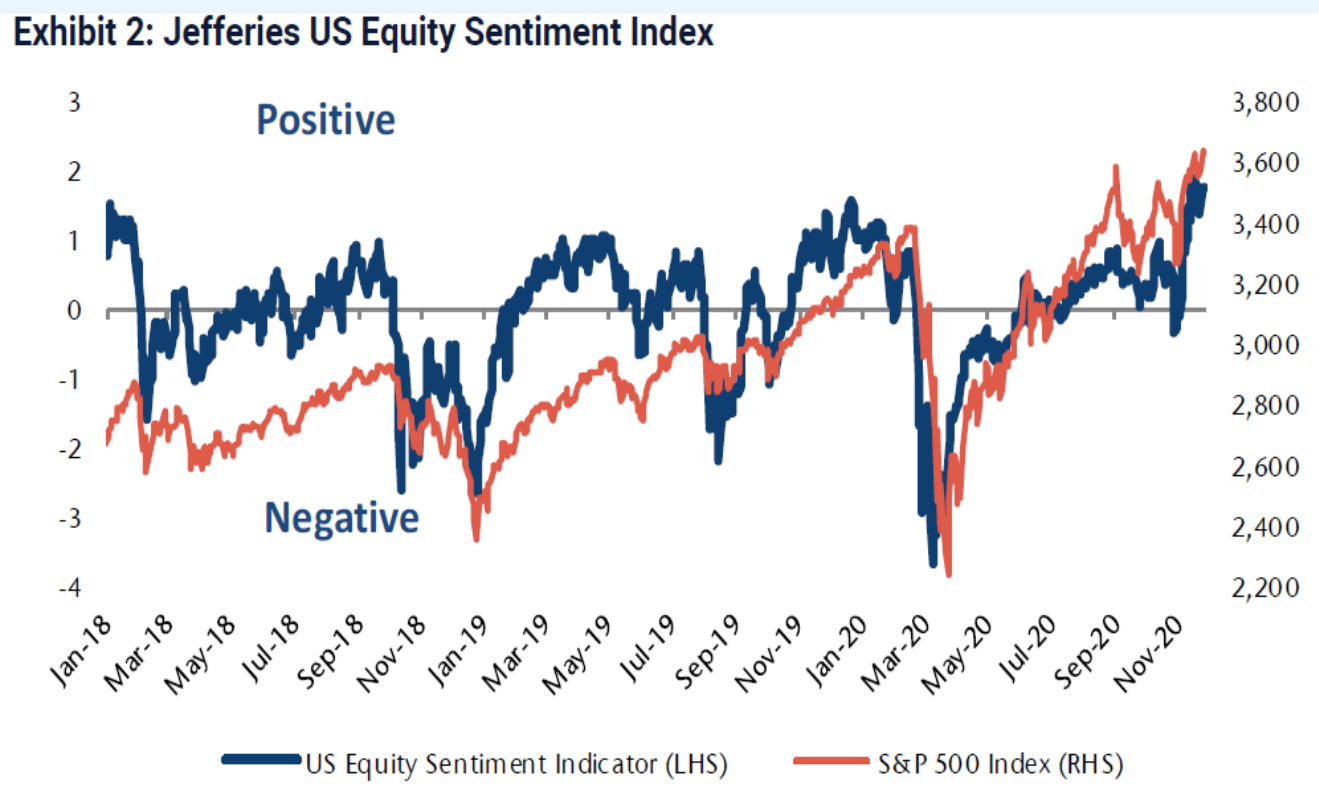
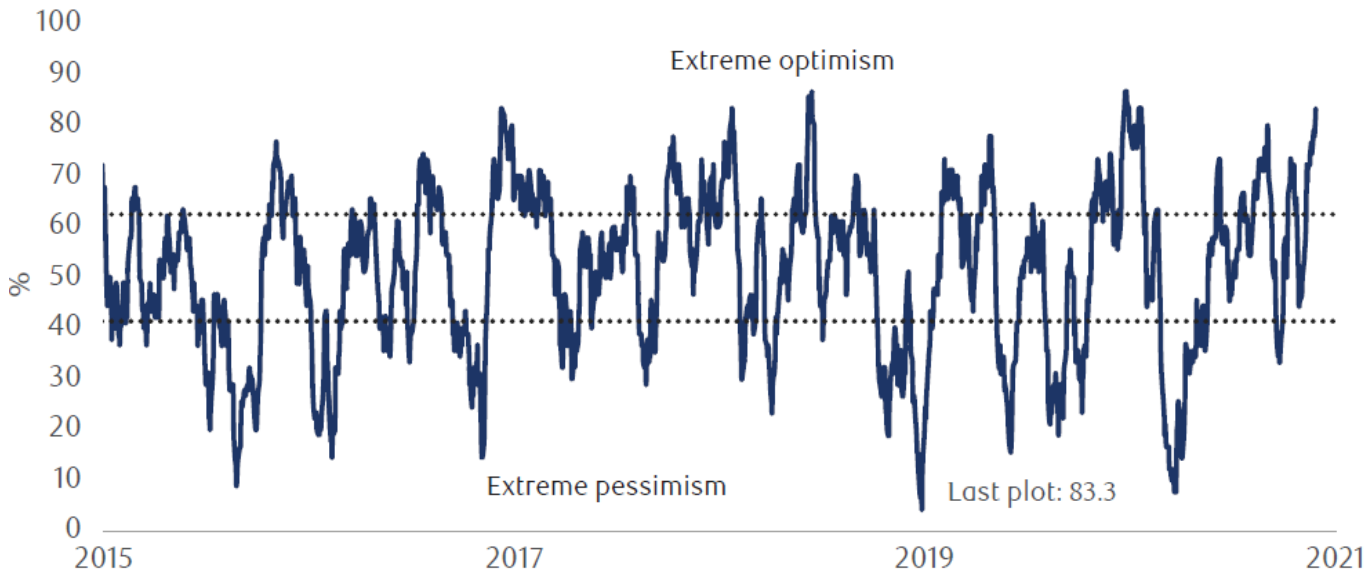


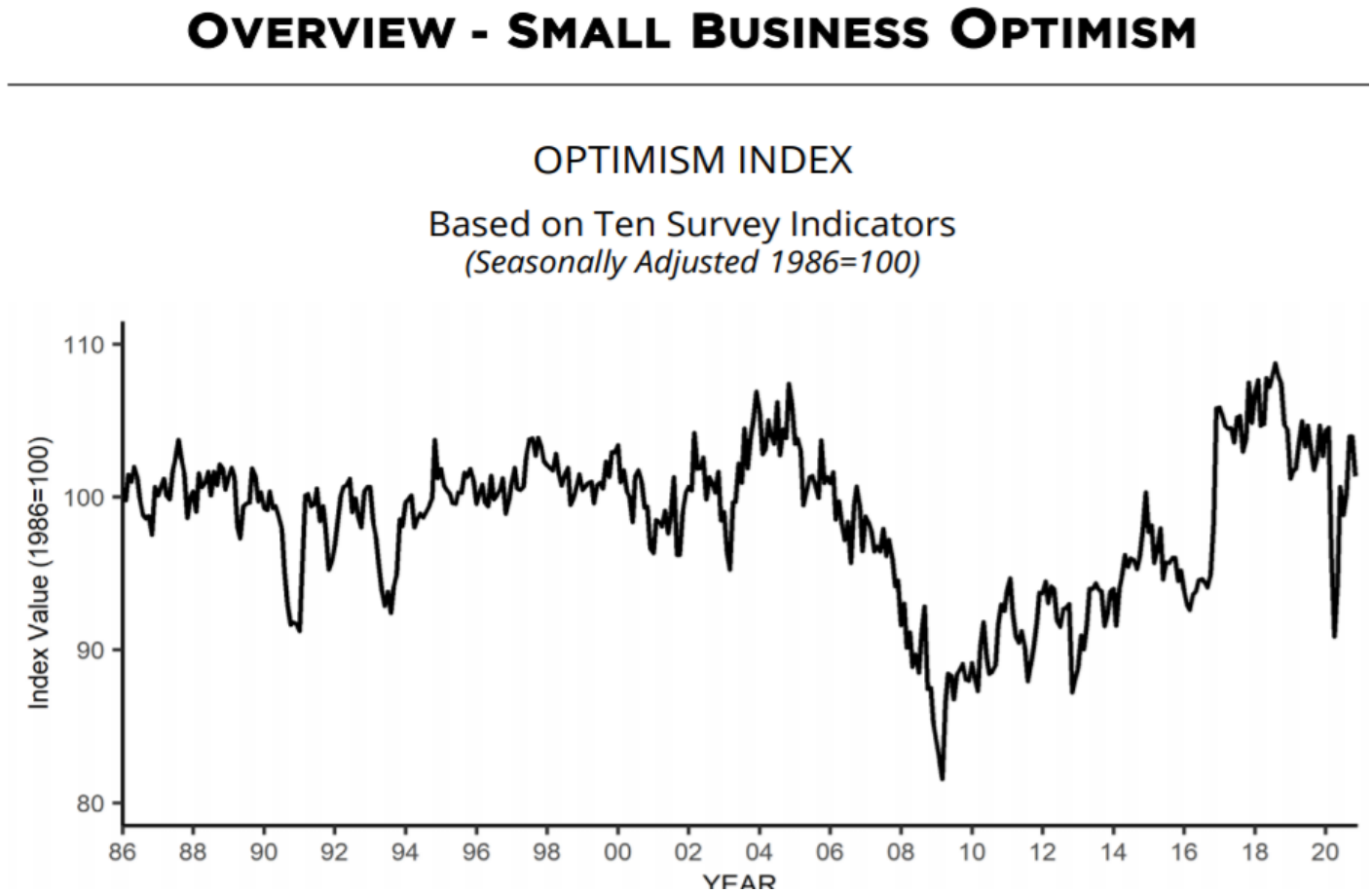
Exhibit 24: Ned Davis Research Daily Trading Sentiment Composite percent bulls



Note: As of November 27, 2020. Source: Ned Davis Research, RBC GAM

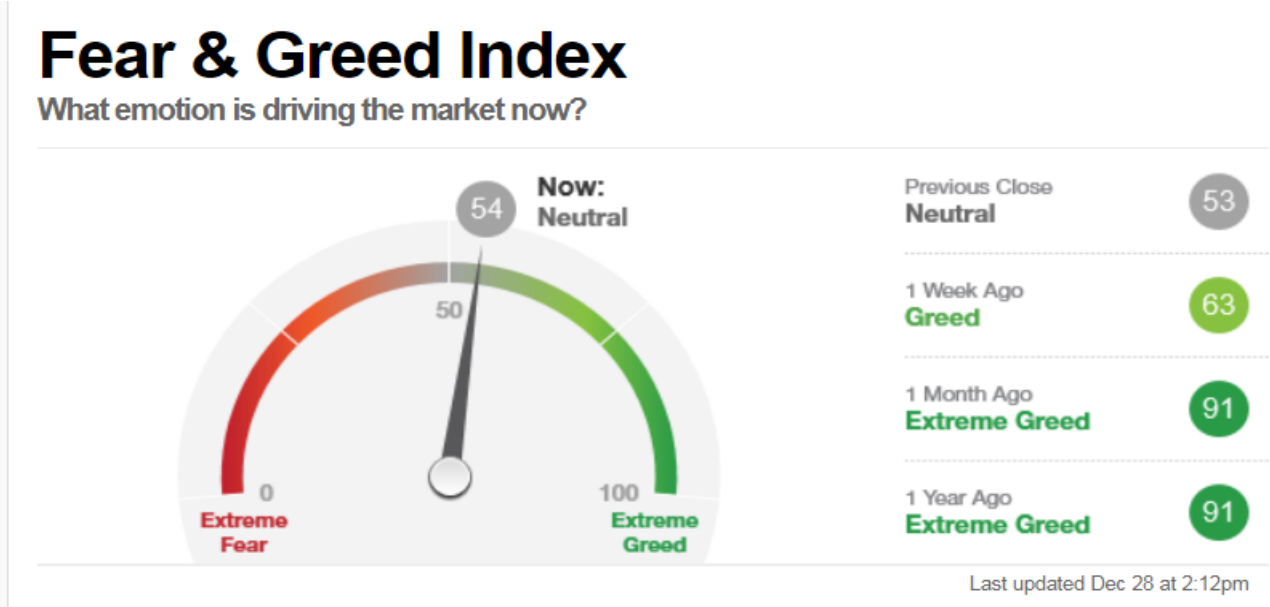
Small Business Optimism

The NFIB small business optimism index in the United States fell to 101.4 in November 2020, from 104.0 in the previous month, as small business owners continued to face major uncertainties, including the Covid-19 crisis and the upcoming Georgia runoff election. At the same time, the gauge for small business uncertainty declined 8 points to 90, following the outcome of the US presidential election.



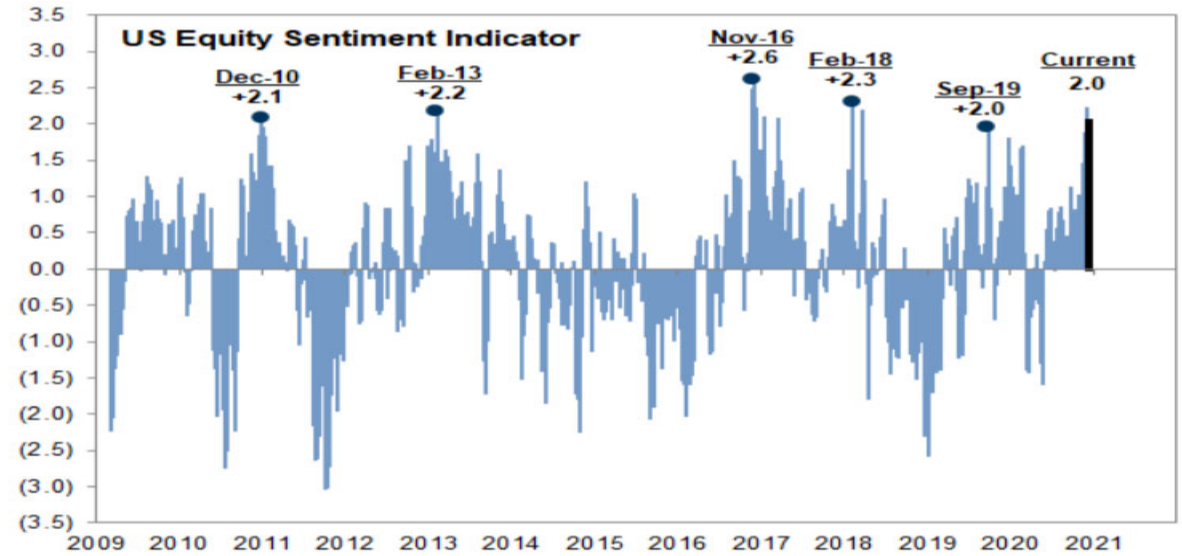
Fear & Greed Sentiment Indicator

The Fear & Greed Index has pulled back off extreme greed levels. It is a gauge comprised of seven indicators: Momentum (S&P versus the 125-day moving average), Strength (stocks hitting 52-week highs and lows), Breadth (volume ratio of rising stocks to declining stocks), Options (put/call ratio), Junk Bonds (yield spread of investment grade and junk bonds), Volatility (VIX reading), and Safe Haven Demand (spread of stock returns to Treasuries).



Goldman Sachs Sentiment Indicator

The GS Sentiment Indicator measures how far stock prices are outpacing fundamentals and climbed to two standard deviations above the average recently, signaling heightened risk of near-term market weakness.

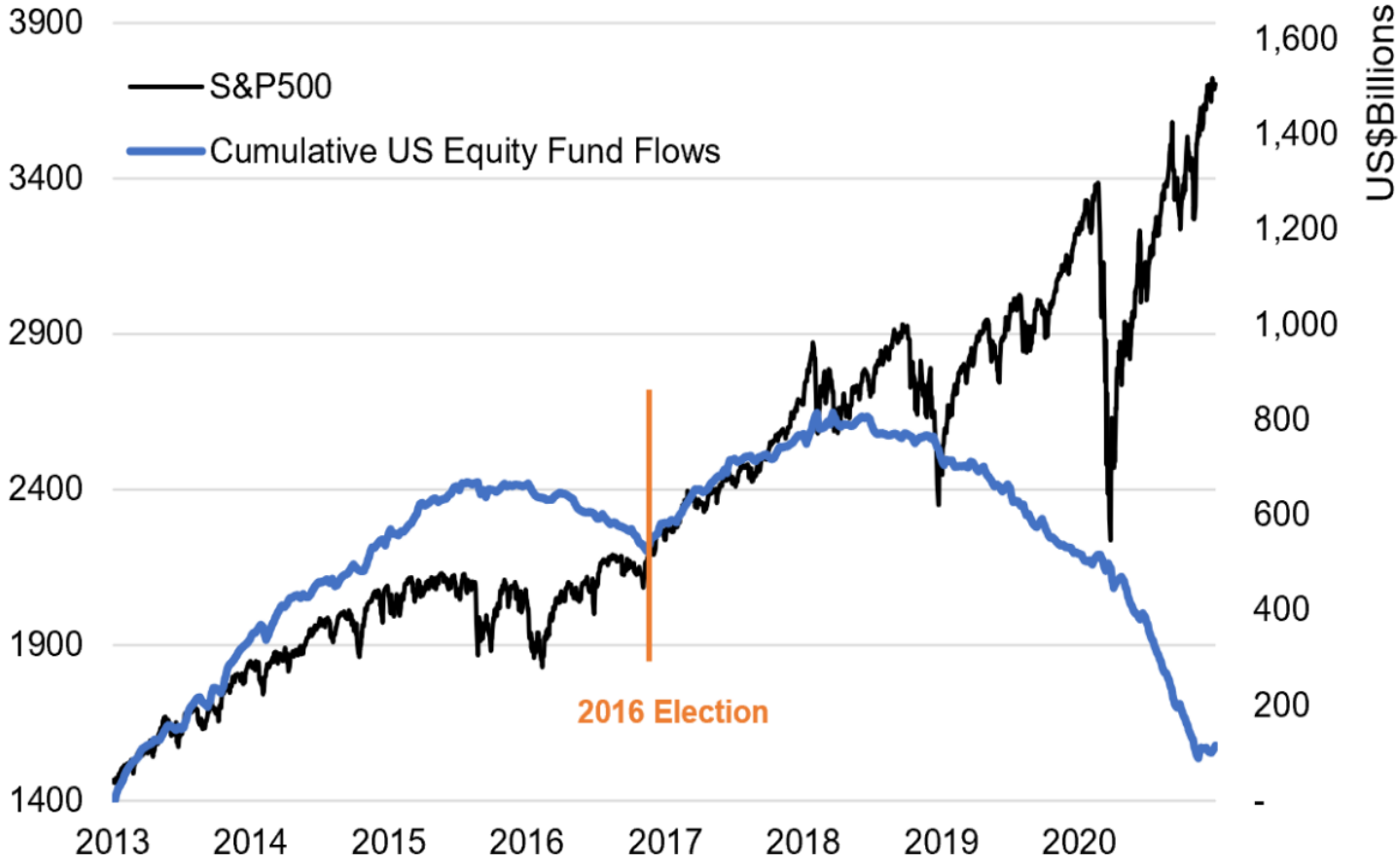


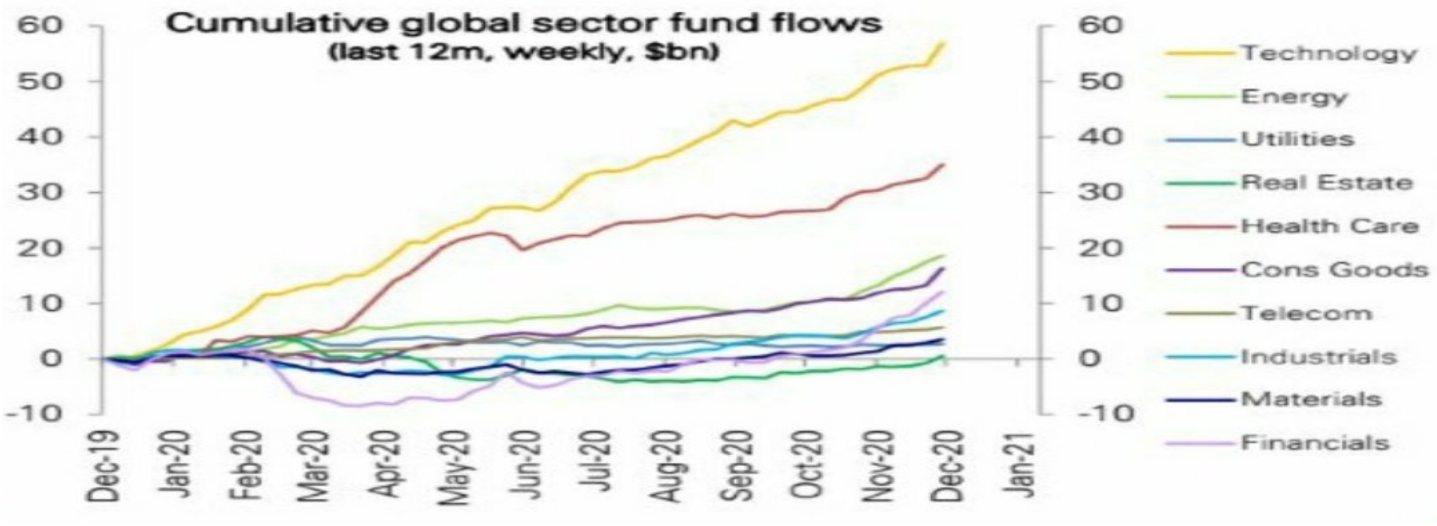
Source: Goldman Sachs Global Investment Research

Fund Flows, Short Interest and Insider Trading

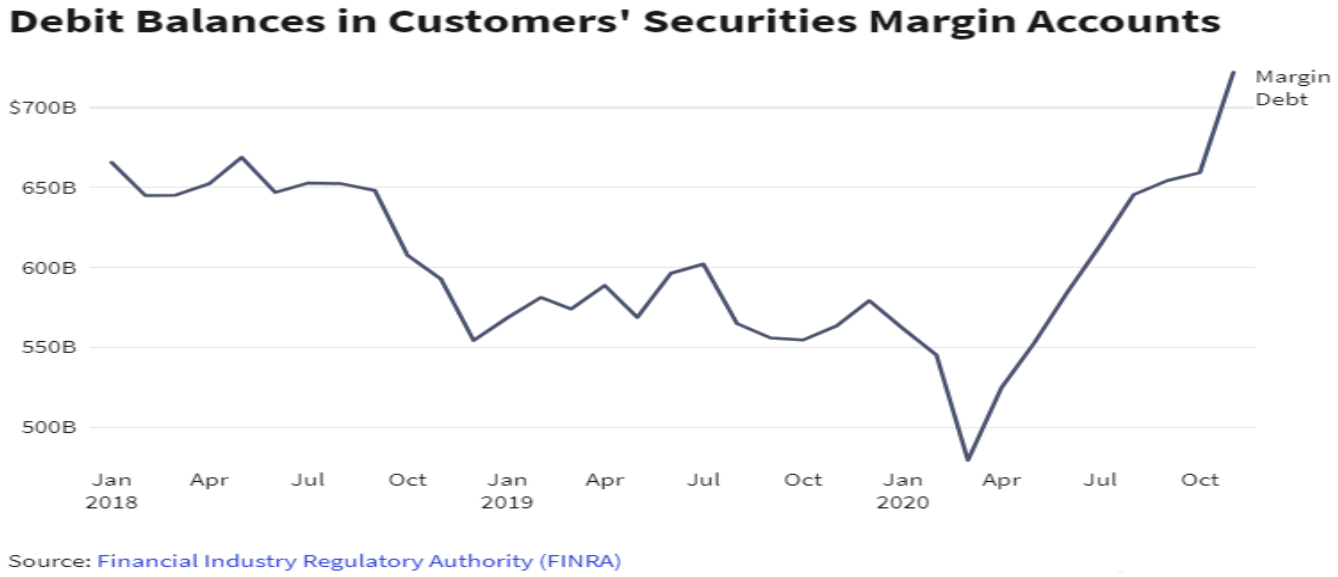
Fund Flows: The Fund Flow data is an area very supportive of equities continuing higher as cumulative flows have moved out of equities the last three years and missed much of the rally while Bond flows continue to rise and there is also a shift to allocations in Alternatives. One concern is the more sudden shift with equity ETF's seeing record inflows in November. After lagging bond funds for most of 2020, ETFs tracking equities lured a record $81 billion last month, bringing their total haul for the year to $196 billion, according to data compiled

by Bloomberg. That catapulted them ahead of fixed-income funds, which attracted $17 billion and have a tally of $192 billion. Within Equity, Tech continues to dominate the inflows followed by Healthcare. The trend towards Passive versus Active investing continues and expected to have a larger share by 2022. Total assets in U.S. bond ETFs stand at roughly $1.1 trillion, while their stock counterparts hold $4 trillion.





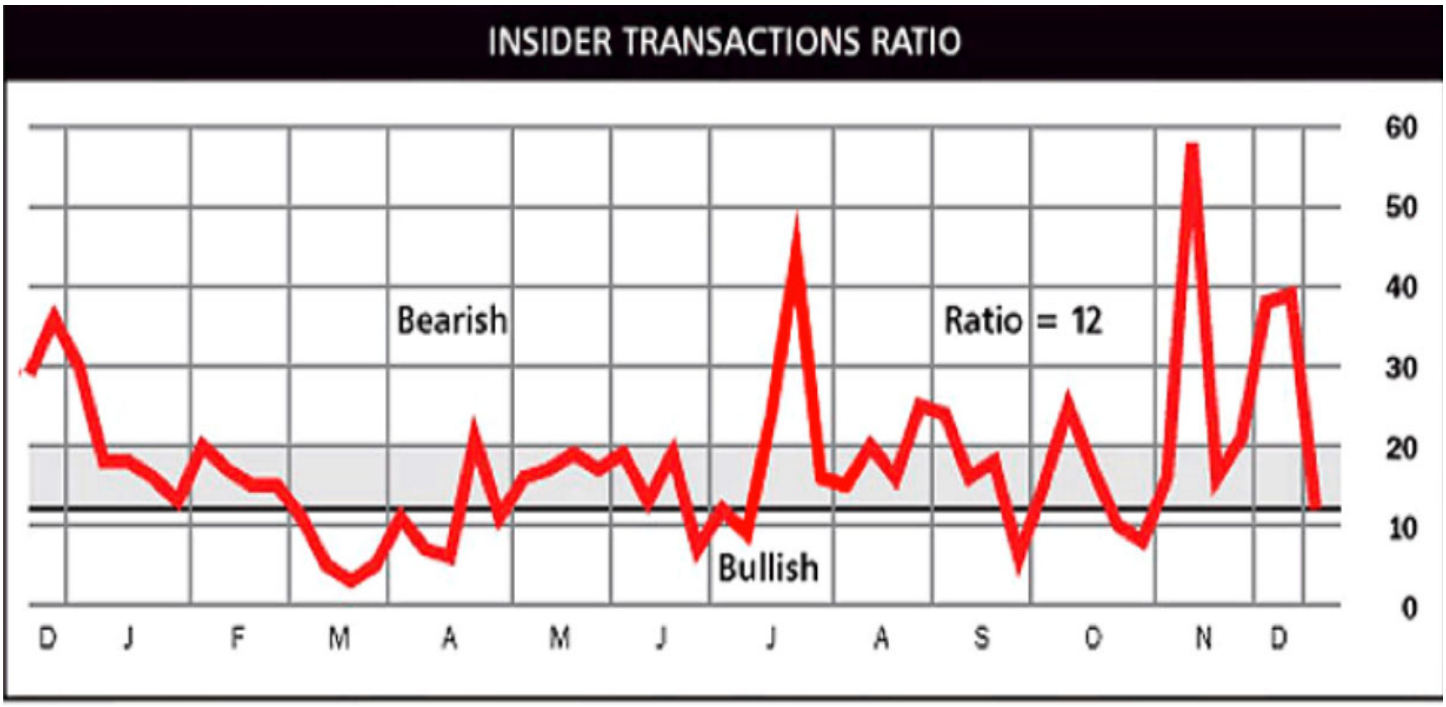
Margin debt has reached the highest point in two years as investors borrowed a record $722.1 billion against their investment portfolios through November, topping the previous high of $668.9 billion from May 2018, according to the Financial Industry Regulatory Authority (FINRA).



Short Interest

Insider Transaction Ratio

Insider activity is mainly only worth following on the buying side as management only buys its stock for one reason, expectations the stock is undervalued and heading higher, often being a key inflection point for a stock in a downtrend. Tracking insider selling provides very little value as management sells stock for a variety of reasons, and it provides little historical evidence of being a signal.



Ratio of Insiders Sales to Buys. Readings under 12:1 are Bullish. Those over 20:1 are Bearish.
The total top 20 sales and buys are 636,744,802 and 55,306,262 respectively; Source: Thomson Reuters

Breadth Readings

Below are a variety of the key breadth readings and some of the signals I utilize for market timing, and always am developing more indicators. One of the newer ones I noticed in 2015 was the S&P's correlation with the performance of Blackrock (BLK) stock, the latter being a slight lead indicator which makes sense as a major allocator of flows.

NYSE Cumulative A/D – This is an overall good indicator of breadth and making new highs into year-end, supportive of the bull market and the rising 40 day EMA an indicator I like as when it touches or breaks, we tend to see pullbacks and any sustained move below that level often signals a correction. A more conservative EMA to use is the 89-day which has not crossed bearish since the April bull cross and is a smoother indication. In 2020 it broke a long streak from 2019 and gave an early warning signal in late February well ahead of the plunge in markets while the bullish cross in late April has sustained aside from some brief moves just slightly under the level.

NYSE McClellan Oscillator (NYMO) – This indicator is useful for timing short term overbought and oversold extremes in combination with other indicators and sentiment measures. It mainly ranges in the -60 to +60 range though 2020 was an unprecedented year and saw a low print of -139 during the March sell-off. The indicator is back near Neutral into year-end and mostly noise within its range but at extremes can be helpful for measuring excessive levels of overbought or oversold.

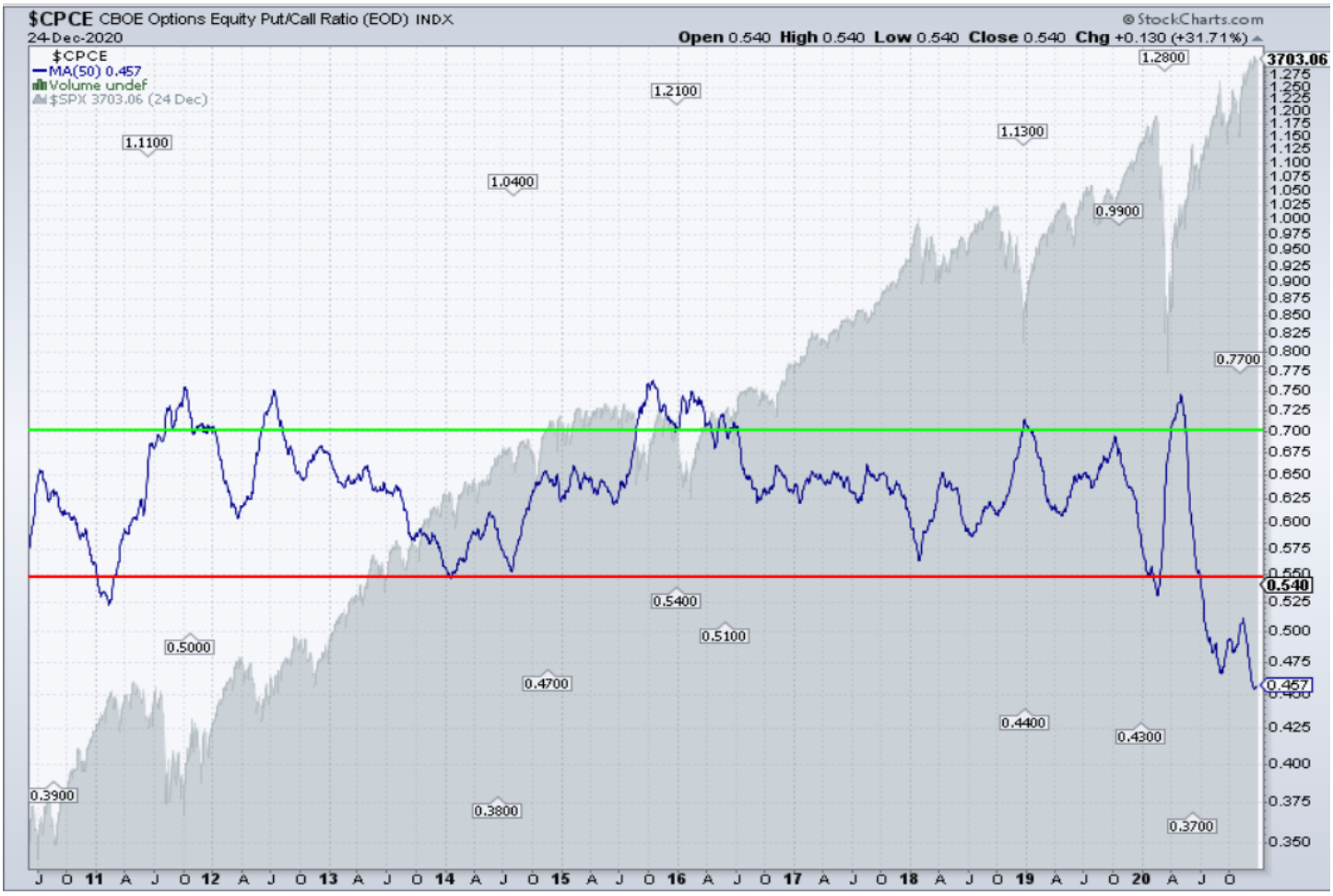
NYSE Summation Index (NYSI) – This indicator is another one to watch for divergences while a very simple but great signal over the years has been looking for 5 or 8 day EMA crossover, above is a buyers' market and below a sellers' market, the 8 day EMA signal shown below with vertical line triggers for buys (green) and sells (red). Its best used after a multi-week trend move in the indicator as a reversal signal. This has been by far one of the greatest signals I use for timing market moves. It triggered a sell signal in 2020 and stayed at a sell signal well before the market sold off sharply and then caught most of the move off the bottom with the buy signal. It is peaking into year-end and triggering a sell signal into the final week of trading. The sell signals into rallies tend to be early but tends to play out as well as signaling a period of limited upside.

ARMS Index (TRIN) – This is another useful indicator for judging overbought and oversold conditions and I prefer using the 55-day moving average to eliminate the daily noise. It is another indicator with plenty of noise and looking instead for extremes. The 55-day MA has given few signals but a sustained move above 1.2 for multiple days/weeks has been a general reading of oversold and correlated with key inflection bottoms while below 1 vice versa. The signal tends to be early at the extreme and when it starts to fade from highs and rally off lows (back under 1.15 or over 1.05) gives the actual trade signal, and a bearish one is flashing into year-end.

Moving Averages and Crossovers – The 8/21-week EMA crossover has long been a favorite signal for momentum in individual names and also works with Indices. The 21-week EMA is important support for growth/momentum stocks. In general, you want to be long when the 8 week is above the 21 week and short when it is below with crossovers being key trend inflection signals. The 12-month moving average (MA) and monthly MACD are good longer-term risk management tools. The price action relative to the 200-week MA provides a good gauge for the health of the S&P 500's secular trend. Pullbacks or corrections (aka cyclical bear markets) for the S&P 500 that hold above or near the rising 200-week MA are a secular bull market pattern. Pullbacks that decisively break the 200-week MA are a sign of a secular bear market. Most corrections on the S&P 500 during the 1950-1966 and 1980-2000 secular bull market held between the 100-week MA and the 200-week MA. The 2015-2016 S&P 500 pullback fit this secular bull market correction pattern. The secular bear market periods from 1929-1950, 1966-1980, and 2000-2013 saw sustained periods below these long-term moving averages. This means that the 200-week MA provides a good secular bull market risk management tool or stop loss. Using this history as a guide suggests that the Ichimoku monthly cloud is a good trailing secular bull market stop loss. History also suggests that a decisive move below the monthly cloud confirms a secular bear market for US equities.

Volatility and Options Sentiment

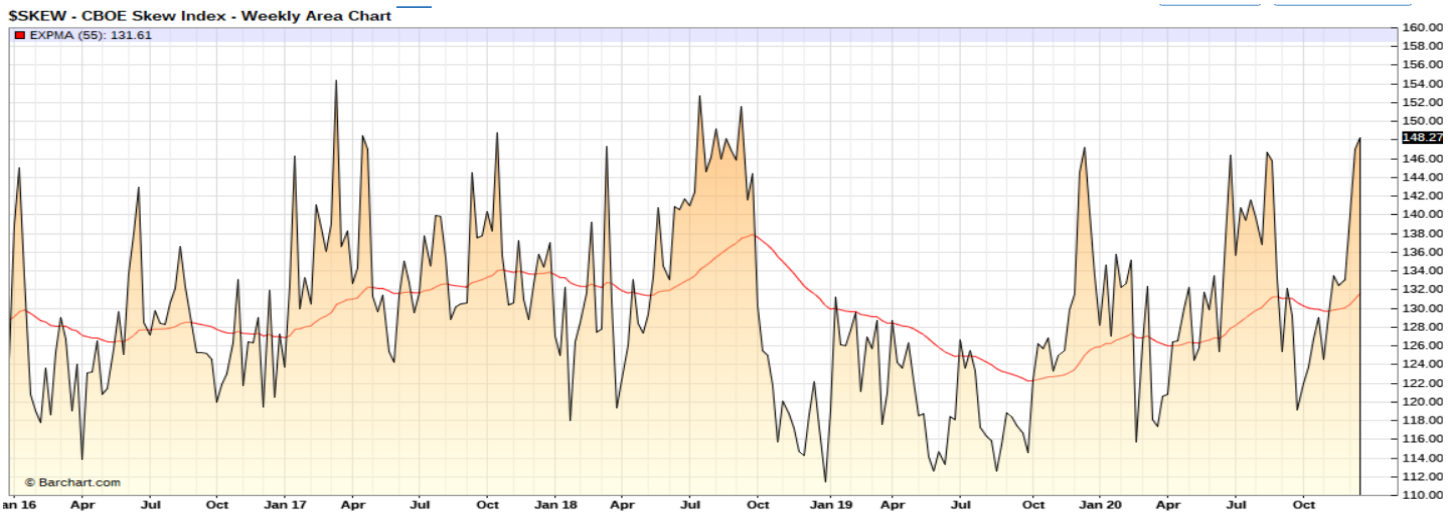
CBOE Equity Put/Call: This indicator is weak due to its constant changing and overall fallacies such as not accounting for opening/closing nor initiated via a buyer or seller when opening. It has about a dozen flaws and suggest not paying much attention to put/call ratios as it assigns more value to 10,000 contracts of a $0.05 contract whether opening or closing, as it does to 2500 contracts of a $10 contract. We are also in an unprecedented era for options trading with the options market not surpassing the equity market and the added flexibility of weeklies and narrow strike ranges is increasing liquidity. You can utilize longer term moving averages of the ratio to smooth out the data and come away with some perspectives. However, in 2020 this relationship has broken as well with just about every timeframe showing record lows for put/call ratios and although some may claim that is an indication to sell, its being trending that way since May. The indicator is more effective in signaling bottoms than it is for signaling tops, and my signal is a move of the 50-day Equity Put/Call above 0.7 is a solid buy the fear signal. Conversely, readings below 0.55 are indicative of some froth, and we are way down at 0.457 to close the year.

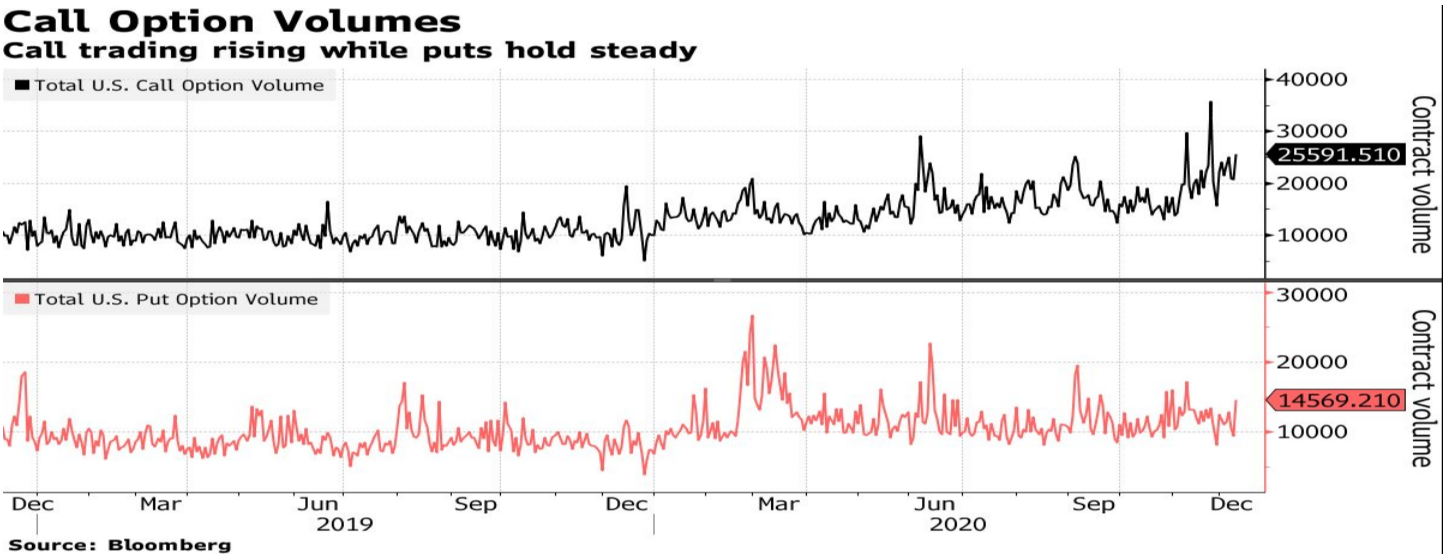


CBOE Skew: This is indicator has been about as useless as tits on a bull for market timing. The skewness of a rate of return indicates returns around 0. Negative skewness entails The CBOESKEW Index (SKEW) estimates the skewness of S&P 500® returns at the end of a 30-day horizon. Similar to VIX® the price of S&P 500 tail risk is calculated from the prices of S&P 500 out-of-the-money options. SKEW typically ranges from 100 to 150. To get a sense of what high or very high tail risk means, one can translate the value of SKEW to a risk-adjusted probability that the one-month S&P 500 log-return falls two or three standard deviations below the mean, and use VIX as an indicator of the magnitude of the standard deviation. When SKEW is equal to 100, the distribution of S&P 500 log-returns is normal, and the probability of returns two standard devations below or above the mean is 4.6% (2.3% on each side); the probability decreases to .3% (.15% on each side) for three standard deviations. For a non-normal distribution, comparable probabilities are approximated1 by adding a skewness term to the normal distribution. Into 2021 the SKEW is indicating a high probability of tail risk compared to historic norms. Skew in S&P 500's one-month puts, or a measure of cost in the bearish options, stands at the 92nd percentile of its historic range with Georgia elections seen as a key catalyst.

Estimated Risk Adjusted Probability		
SKEW	S&P 500 30-Day Log Return	
	2 Std. Dev	3 Std. Dev.
100	2.30%	0.15%
105	3.65%	0.45%
110	5.00%	0.74%
115	6.35%	1.04%
120	7.70%	1.33%
125	9.05%	1.63%
130	10.40%	1.92%
135	11.75%	2.22%
140	13.10%	2.51%
145	14.45%	2.81%

Source: CBOE





VIX:VXV Ratio: This is a great indicator of market fear as it relates to the term structure of the volatility curve, and when moving above the 1 level generally indicative of an overly fearful environment though always best to let price-action confirm. On the other side, readings below 0.8 tend to lead to a sideways and topping market. The indicator is at a neutral reading into 2021.

Momentum tends to outperform when the VIX index stays under 25, otherwise momentum tends to underperform.

Table 18: Rule of 25: buy momentum when VIX<25

Avg. 1m relative returns vs. equal-wtd. S&P 500, 1990-10/2018

Momentum Factor	VIX > 25	VIX < 25
30wk/75wk MA	-1.1%	0.5%
5wk/30wk MA	-0.5%	0.3%
10wk/40wk MA	-1.0%	0.4%
200 day Price to MA	-0.7%	0.3%
Price Return - 12-mth Perf.	-1.0%	0.5%
Price Return - 9-mth Perf.	-1.1%	0.5%
Price Return - 3-mth Perf.	-0.3%	0.2%
Price Return - 11-mth Perf.	-1.1%	0.5%
Price Return - 12-mth and 1-mth Perf.	-0.7%	0.2%
Price Return - 12-mth and 1-mth Reversal	-0.9%	0.5%
Average:	**-0.9%**	**0.4%**
Median	**-0.9%**	**0.4%**

BAML Bear Market Signposts

Bear Market Signposts at 9/2018 peak and monthly since 2/2020, as of 11/20/20

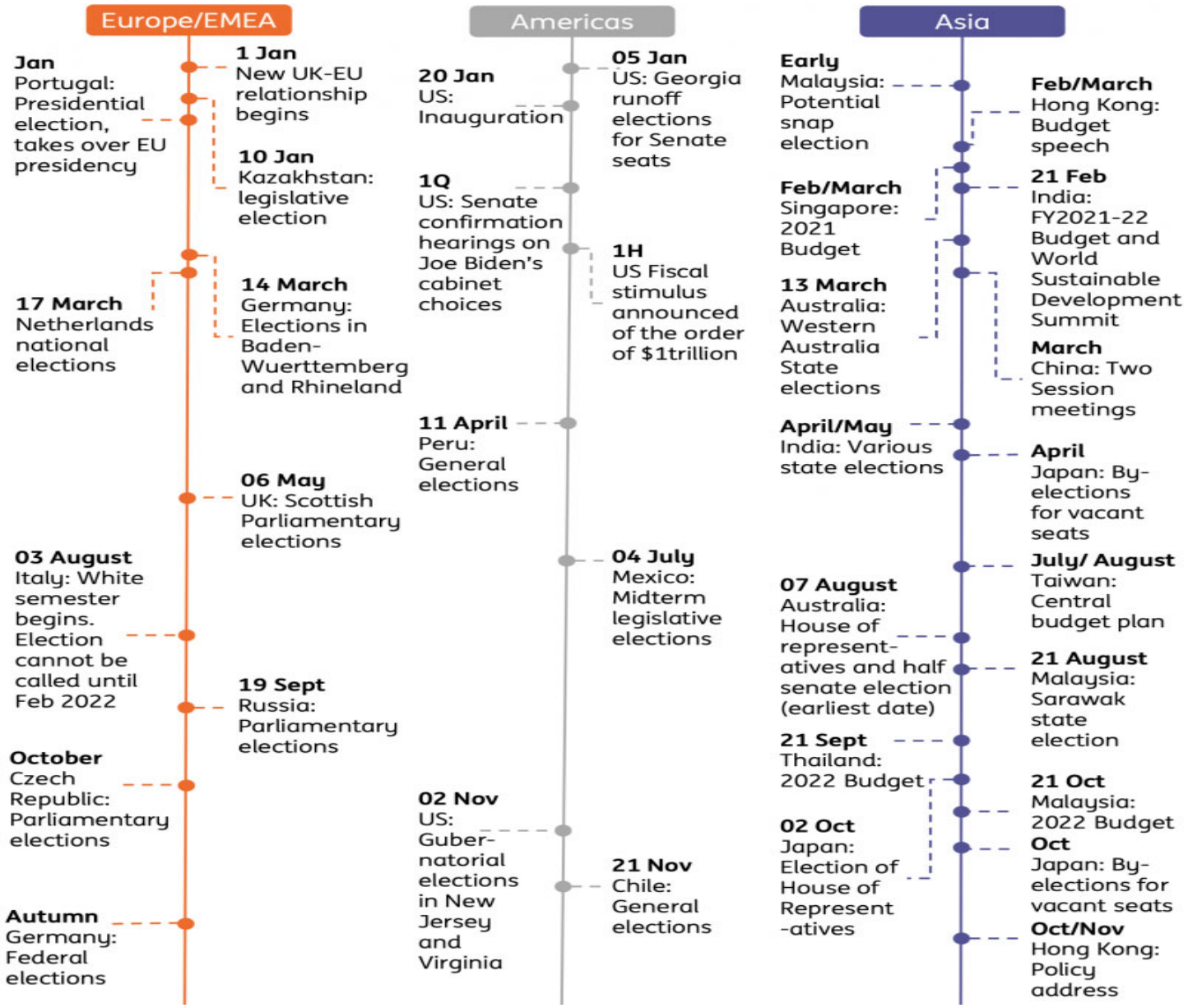
Signpost	Sep-18	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Fed raising rates	☑	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐
Tightening credit conditions	☐	☑	☐	☐	☐	☑	☑	☑	☑	☑	☑
Trailing S&P 500 12m returns > 11%	☑	☑	☐	☐	☑	☐	☑	☑	☑	☐	☑
Trailing S&P 500 24m returns > 30%	☑	☐	☐	☐	☐	☐	☐	☐	☑	☐	☑
Low quality outperforms high quality (6m)	☑	☐	☐	☑	☑	☑	☑	☑	☑	☑	☑
Momentum outperforming (6m/12m)	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☐
Growth outperforming (6m/12m)	☑	☐	☐	☐	☑	☑	☑	☑	☑	☑	☐
5% pullback over prior 12m	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Low PE underperforms (6m/12m)	☑	☑	☑	☑	☑	☑	☑	☑	☐	☑	☐
Conf Board consumer confidence (24m)	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Conf Board net % expecting stocks higher (6m)	☑	☑	☑	☑	☑	☑	☑	☐	☐	☐	☐
Lack of reward to EPS & sales beats (3 qrts)	☑	☑	☐	☐	☐	☑	☑	☑	☑	☑	☑
Sell Side Indicator	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
FMS cash levels	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Inverted yield curve (YC)	☐	☑	☑	☐	☐	☐	☐	☐	☐	☐	☐
Chg in long-term growth expectations	☑	☐	☐	☐	☐	☐	☐	☑	☑	☑	☑
Rule of 20 (12m)	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
VIX rises > 20 (prior 3m)	☑	☐	☑	☑	☑	☑	☑	☑	☑	☑	☑
ERR rule	☑	☑	☐	☐	☐	☐	☐	☐	☐	☐	☐
% triggered	**79%**	**63%**	**42%**	**42%**	**53%**	**58%**	**63%**	**63%**	**63%**	**58%**	**53%**

Source: BofA US Equity & Quant Strategy

Event Schedule of Catalysts 2021

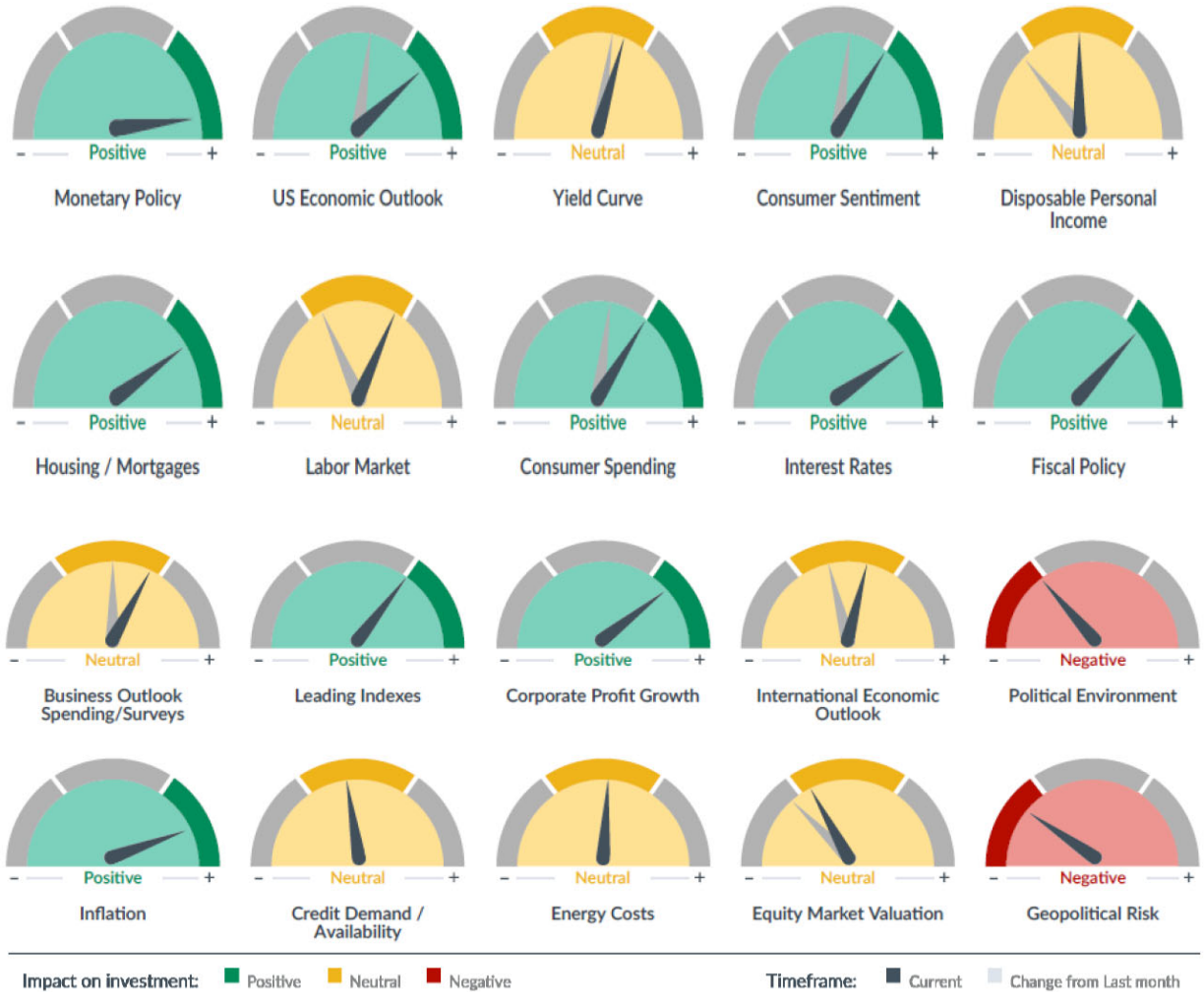
Events Calendar	Events Calendar
1/5 - Georgia Senate Runoff	6//15-6/16 - US Feed Meeting
1/20 - Portugal Presidential Election	7/16 - BOJ Meeting
1/20 - US Presidential Inauguration	7/22 - ECB Meeting
1/21 - ECB and BOJ Meetings	7/23-8/8 - Summer Olympics, Tokyo
1/26-1/27 - Federal Reserve Meeting	7/27-7/28 - US Fed Meeting
1/25-1/29 - World Economic Forum	8/1 - US Debt Ceiling Suspension
3/11 - ECB Meeting	9/9 - ECB Meeting
3/16-3/17 - US Fed Meeting	9/21-9/22 - US Fed Meeting
3/17 - Netherlands Elections	10/11-10/17 - IMF Annual Meetings
4/9-4/11 - IMF Spring Meetings	10/22 - Japan Elections
4/22 - ECB Meeting	10/28 - ECB and BOJ Meetings
4/27-4/28 - US Fed Meeting	11/2-11/3 - US Fed Meeting
4/27 - BOJ Meeting	11/21 - Chile Elections
5/13-5/16 - World Economic Forum	12/14-12/15 - US Fed Meeting
6/10 - ECB Meeting	12/16 - ECB Meeting

2021 Economics Calendar via Wells Fargo



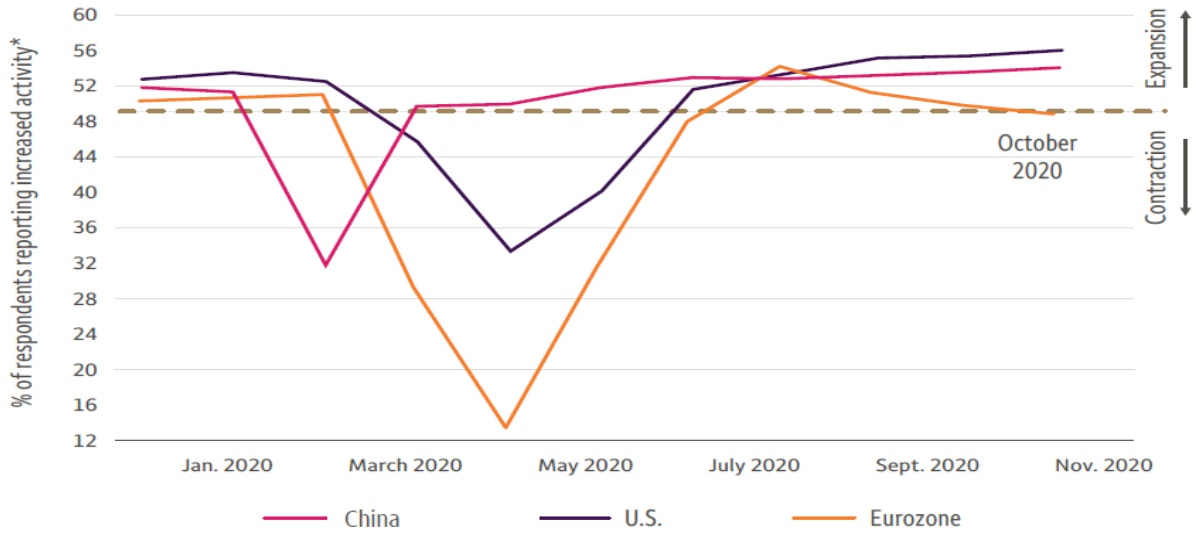
Macroeconomic

It almost feels like we are entering 2018 again with synchronized global growth the key theme into 2021, although this time coming after an exogenous shock, COVID-19, created a rapid slowdown in the global economy and 2021 will now lap very easy comparisons. This is not a crisis from structural issues with balance sheets and the financial system healthy, and the coordinated global policy response allowed for a speedy recovery. The optimism on 2021 delivering a record year for corporate profit growth and strong GDP growth around the globe is very contingent on a successful vaccine rollout. The current surge of cases and hospitalizations in the US and Europe is resulting in further restrictions and lockdowns that will weigh on growth expectations, or at least push out pent-up demand. Consumers have led the recovery so far with a boost from fiscal stimulus but the key to a self-sustained recovery is a strong capex cycle which is seen kicking off in Q2 2021. The labor market will also be in focus after record low unemployment the pandemic saw the number jump to 14.7% in April, the highest since the Great Depression, but has recovered rapidly though losing some momentum as it finished the year near 6.5% unemployment and consensus expectations to reach 5% by the end of 2021, still far-off from the 3.5% pre-crisis rate.

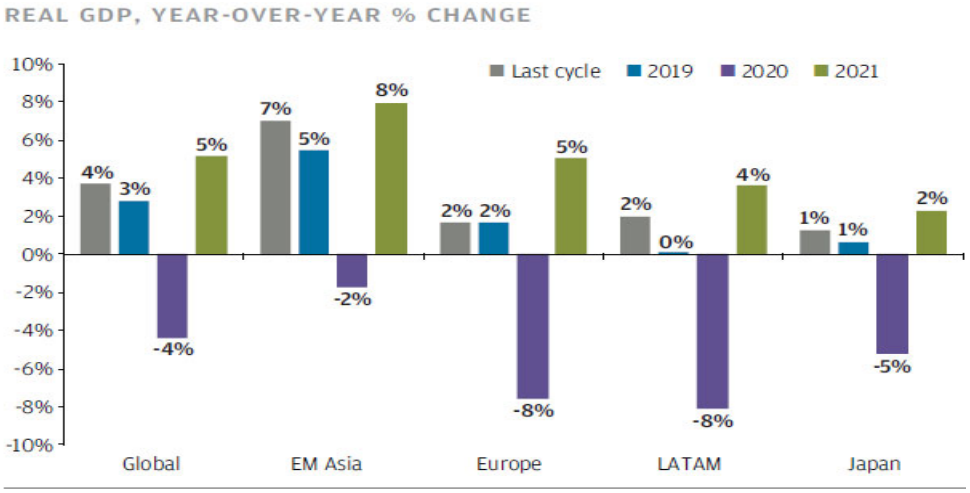


The recovery has already started in 2H20 in the US & China while the European recovery has been more subdued. The driver of the strong 2021 recovery will be the full reopening of economies worldwide which makes a successful vaccine distribution critical. The US Dollar is closing 2020 weak and looks to have some structural issues with surging deficits, Fed's intention to boost inflation, easy financial conditions, and expected economic and political improvements. The combination of easy monetary policy, a rebound in old economy industries and a global upswing in growth provides a healthy backdrop for 2021. The balance sheets of households, corporate and governments are expanding alongside the aggressive monetary policy and signs of inflation returning causing a rotation back to value and cyclical growth supported by a steepening yield curve.

Although the U.S. and China show signs of recovering from the pandemic-related contraction, eurozone economic activity remains depressed.



GDP is seeing rising 6.4% globally in 2021 according to Morgan Stanley, the consensus is for 5.4% growth. In the US those numbers are 5.9% and 3.8% respectively.



Inflation would be the key risk into 2021 with it likely to start showing up in 2H21, and the risk being an overshoot could start a disruptive shift in Fed policy. Surging debt remains another concern, as a share of U.S. GDP, total debt has spiked near a record high and total nonfinancial debt has surged to new all-time highs. The rapid increase in government deficits is due to the combination of 1) the budget shortfall that already existed and was growing, plus 2) the deficit spending to fund the stimulus programs to date.

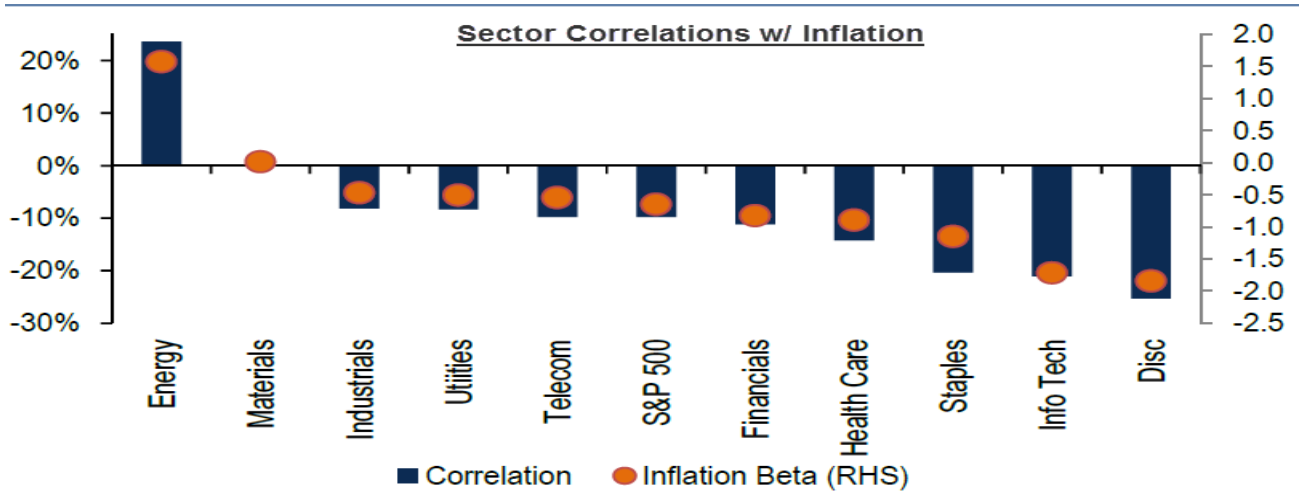
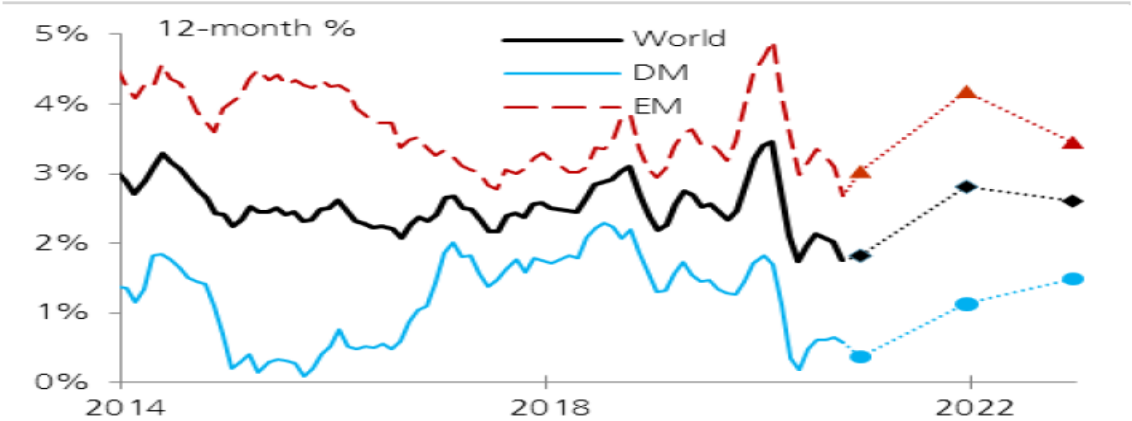
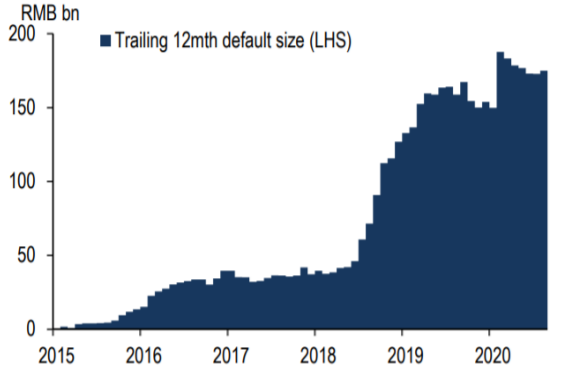


Figure 43: Inflation is projected to pick up next year, but still remain low



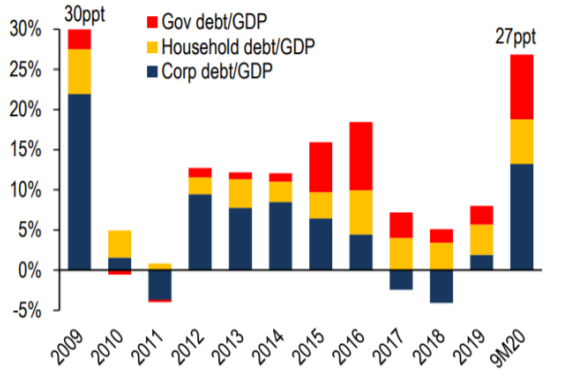
The other clear risk in 2021 is China where debt defaults are rising and could spark a move to credit tightening and a recession that would strangle the global recovery. The overall default rate is currently low but the percentage spike in debt/GDP was the highest since 2009 which could lead to policy tightening in 2021.

Chart 10: China high yield bond defaults are climbing



Source: BofA Global Research, CBIRC

Chart 11: Change in Chinese debt/GDP leverage by segments

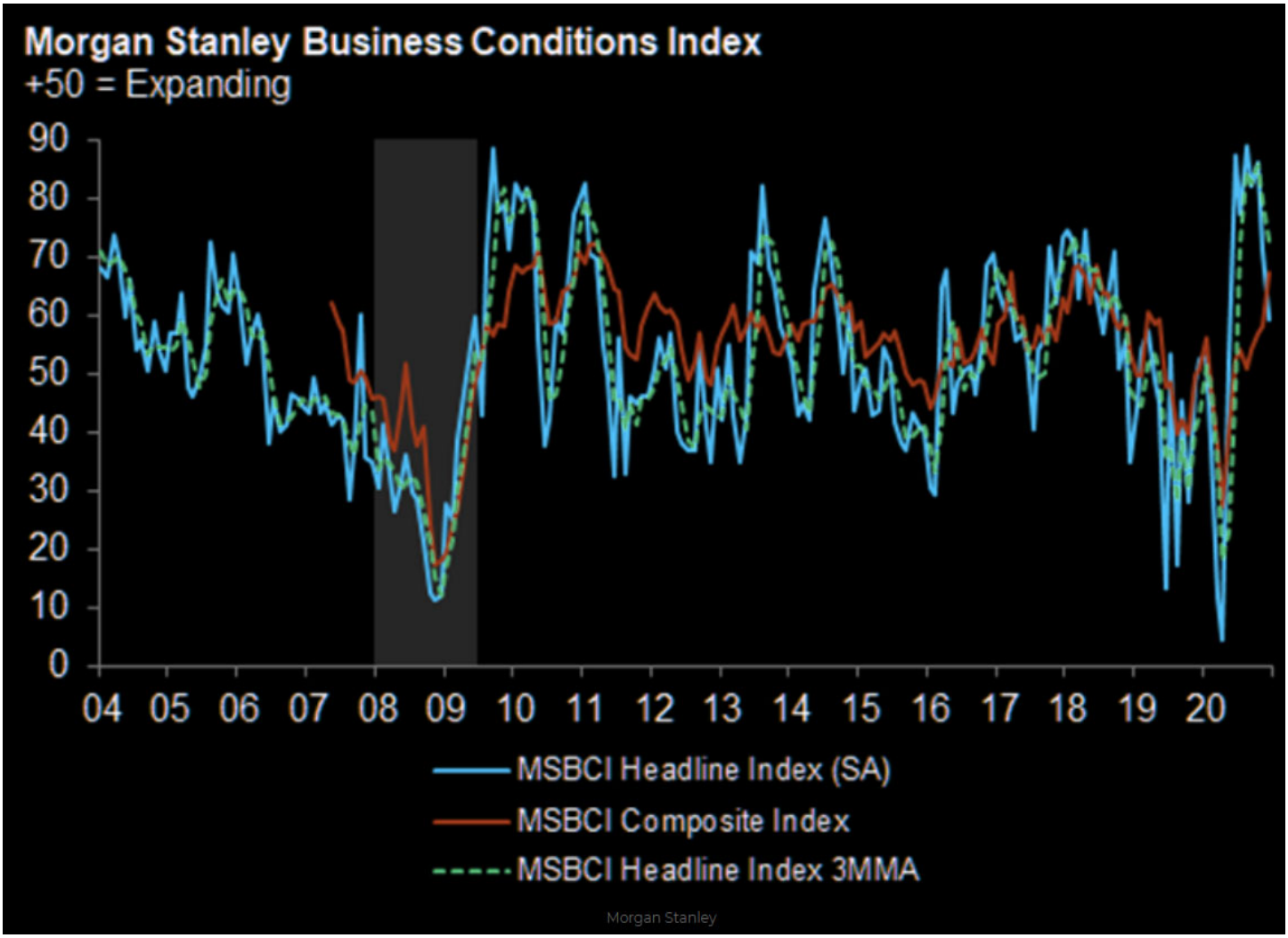


Source: BofA Global Research, PBOC, CEIC

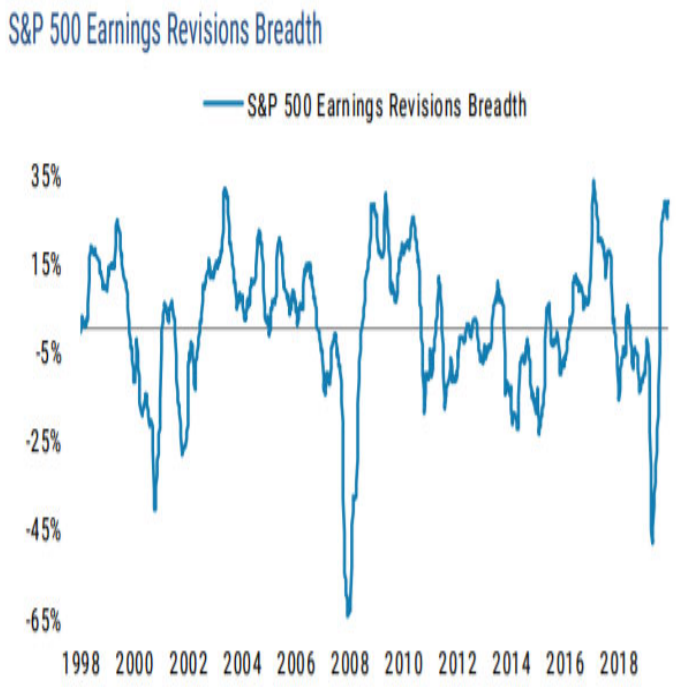
Citi US Economic Surprise Index

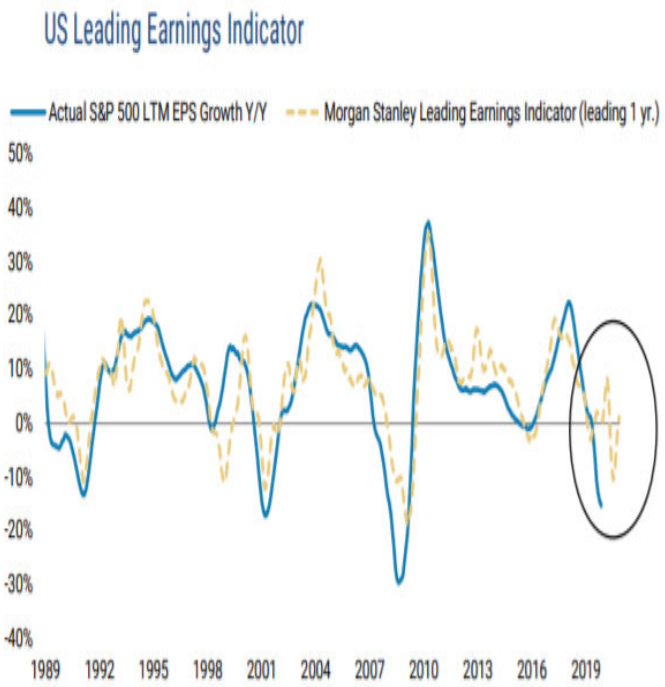
This index tracks how economic data is coming in relative to the forecasts. The Citigroup Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance [been] beating consensus. The indices are calculated daily in a rolling three-month window. The weights of economic indicators are derived from relative high-frequency spot FX impacts of 1 standard deviation data surprises. The indices also employ a time decay function to replicate the limited memory of markets.

Morgan Stanley Business Conditions Index

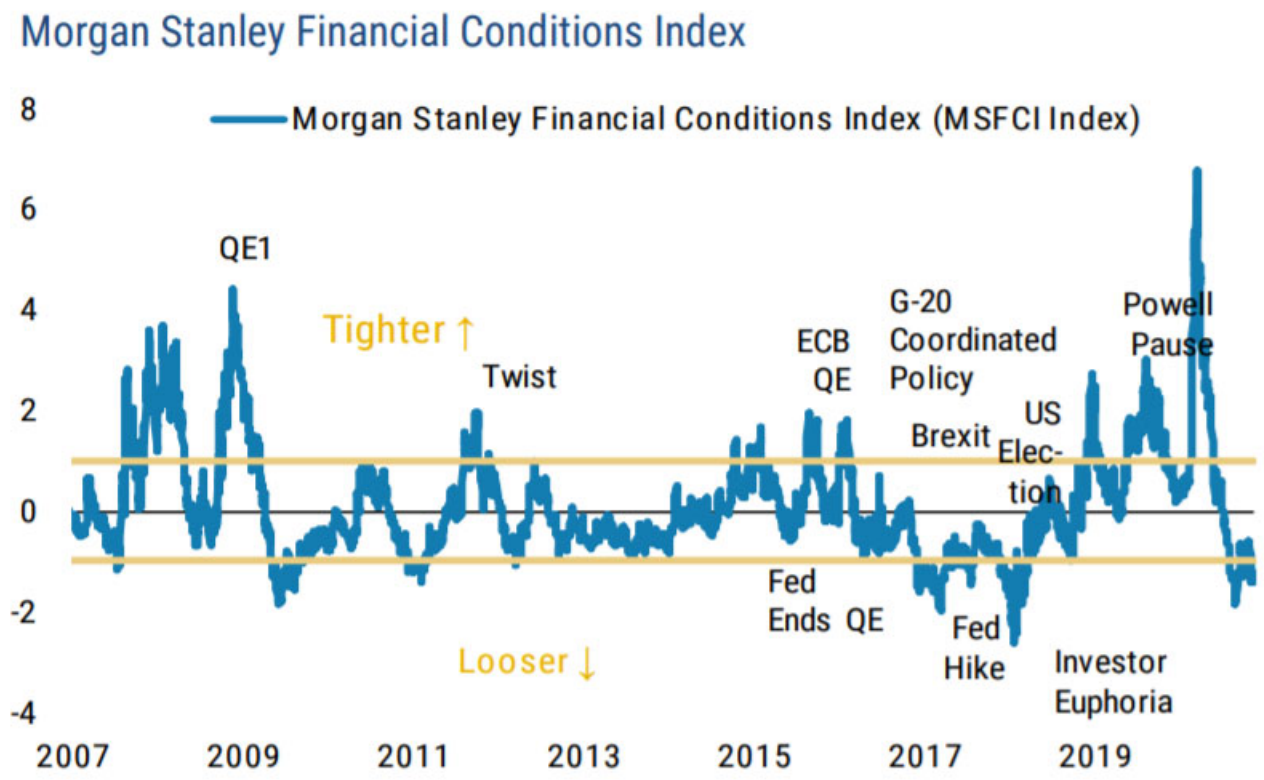


Morgan Stanley Leading Earnings Indicator

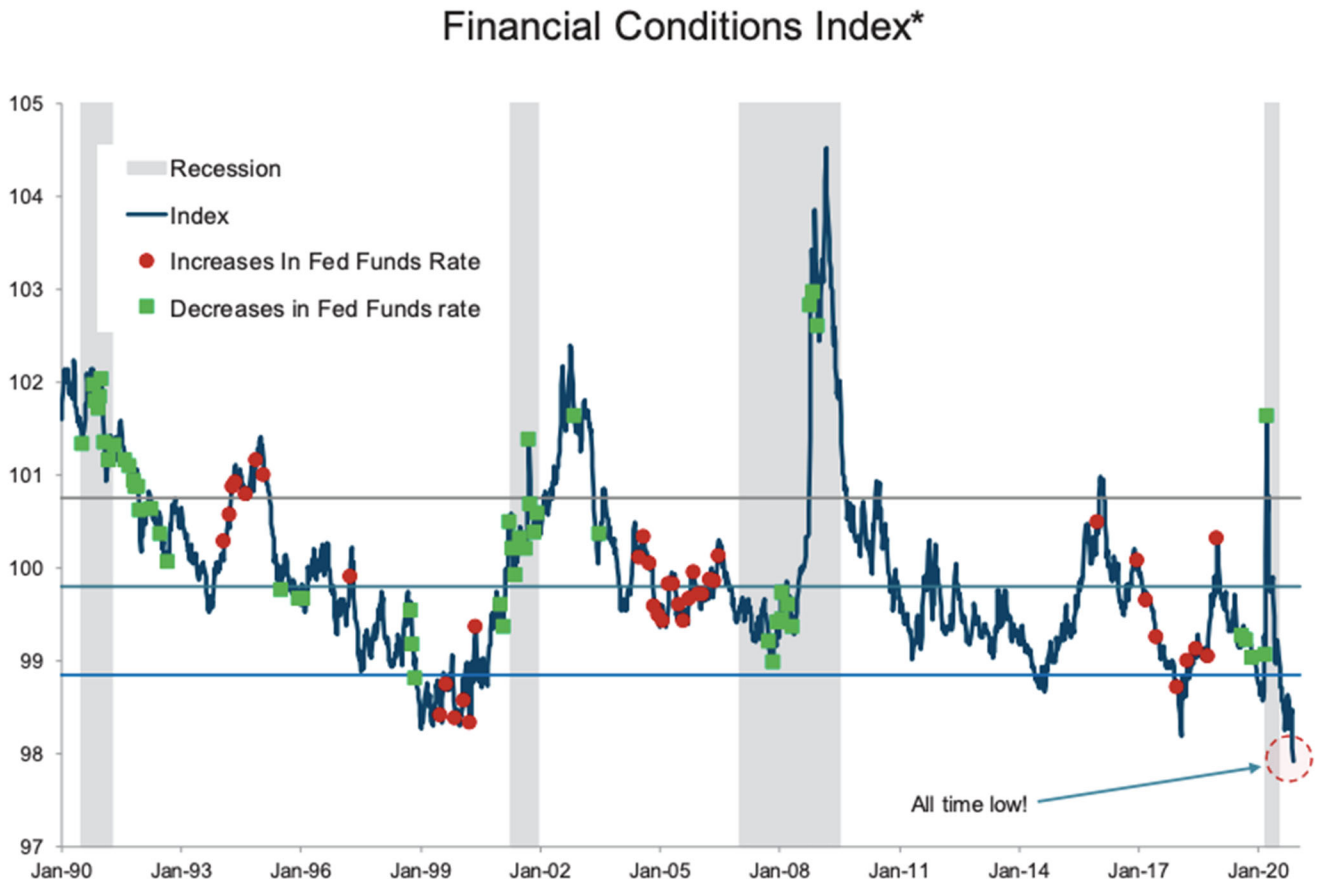




Morgan Stanley Financial Conditions Index



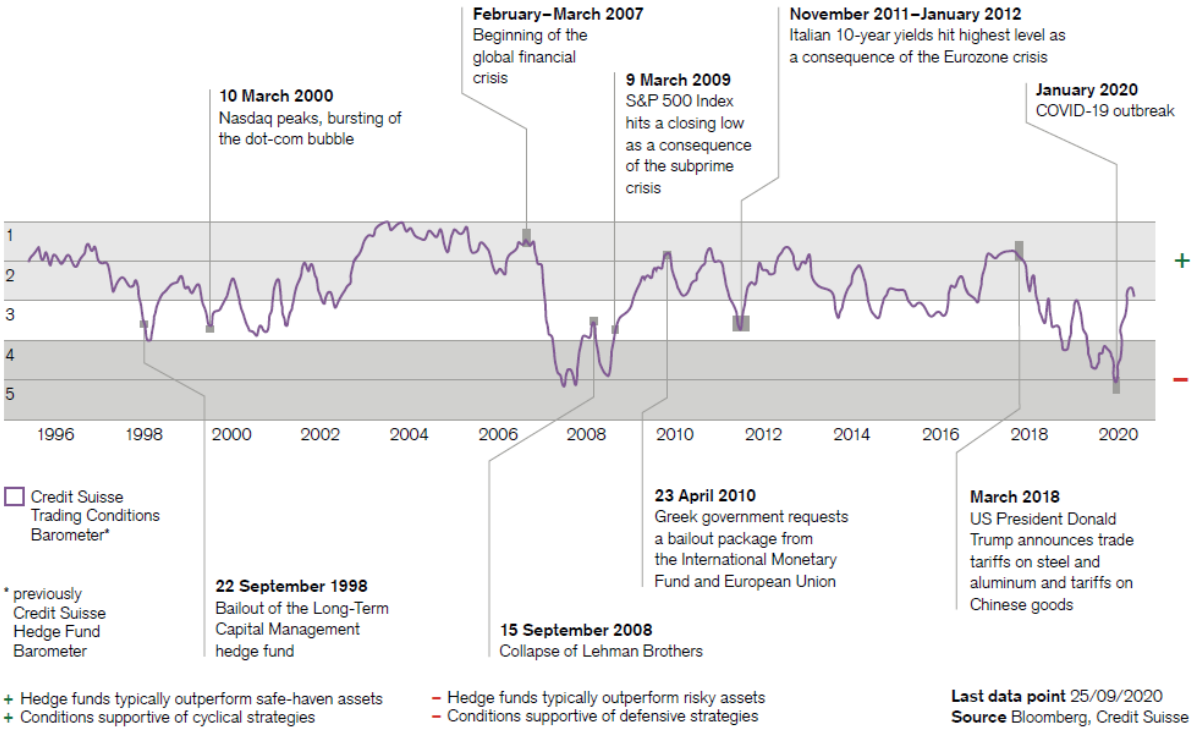
Goldman Sachs Financial Conditions Index



*The Goldman Sachs FCI is a weighted sum of a short-term bond yield, a long-term corporate yield, the exchange rate, and a stock market variable. Since 2005, the long-term corporate yield has been measured as a sum of the 10-year swap rate and the 10-year credit default swap spread.
Source: Bloomberg, William Blair

Credit Suisse Trading Conditions Barometer

Credit Suisse Trading Conditions Barometer* suggests improved market conditions compared to 2020
Scorecard based on Purchasing Managers' Indices, liquidity conditions, volatility and systemic risks



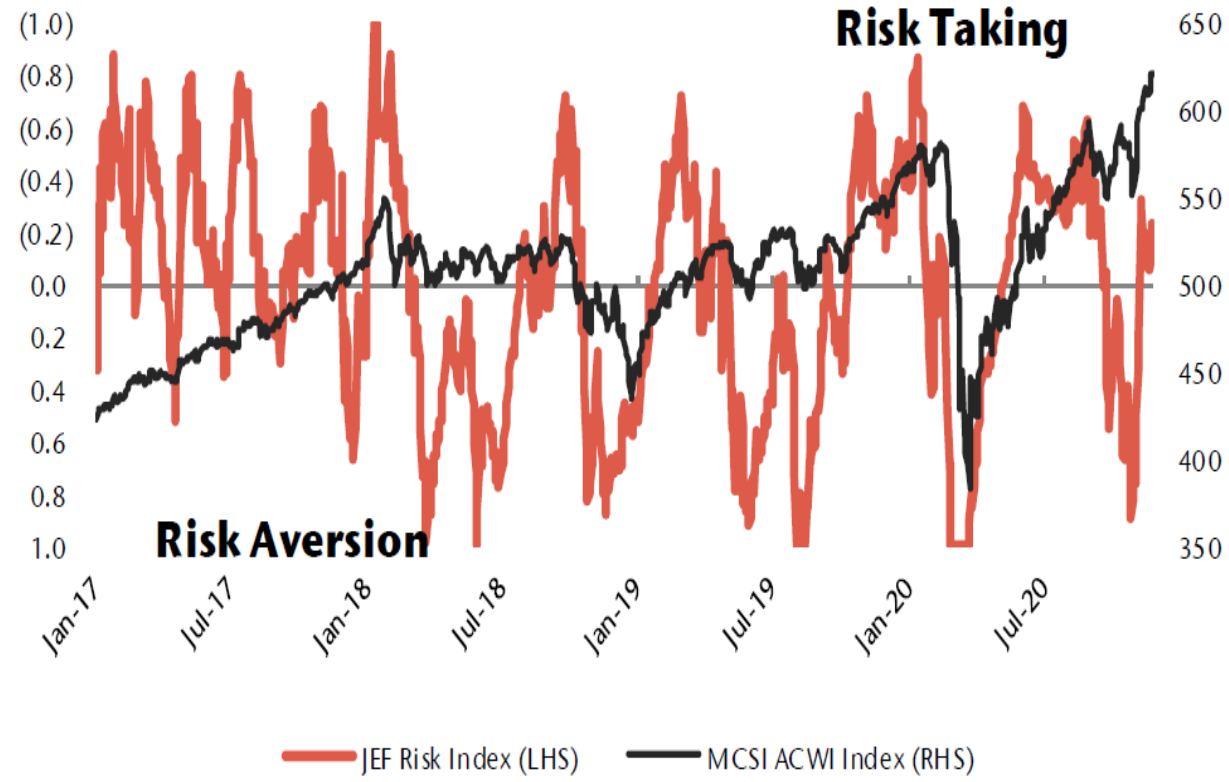
+ Hedge funds typically outperform safe-haven assets
+ Conditions supportive of cyclical strategies

– Hedge funds typically outperform risky assets
– Conditions supportive of defensive strategies

Last data point 25/09/2020
Source Bloomberg, Credit Suisse

Jefferies Global Risk Appetite

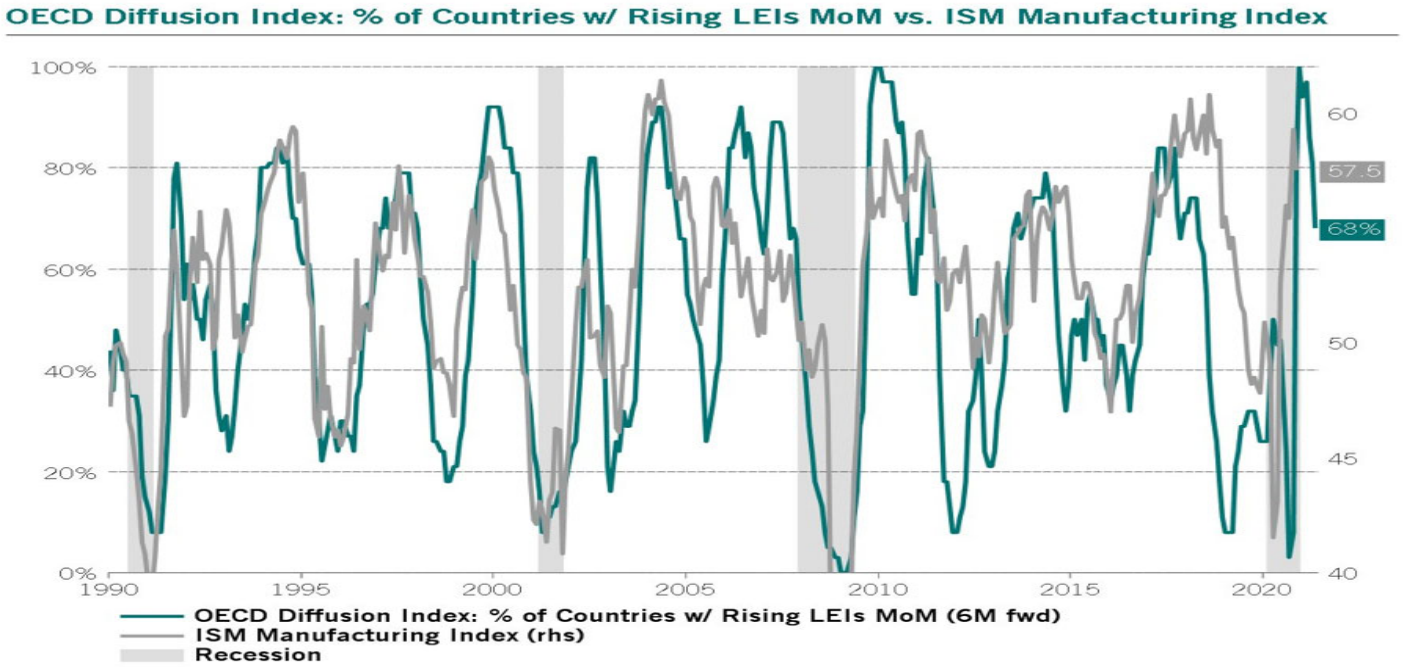
Exhibit 3: Jefferies Global Risk Appetite Index



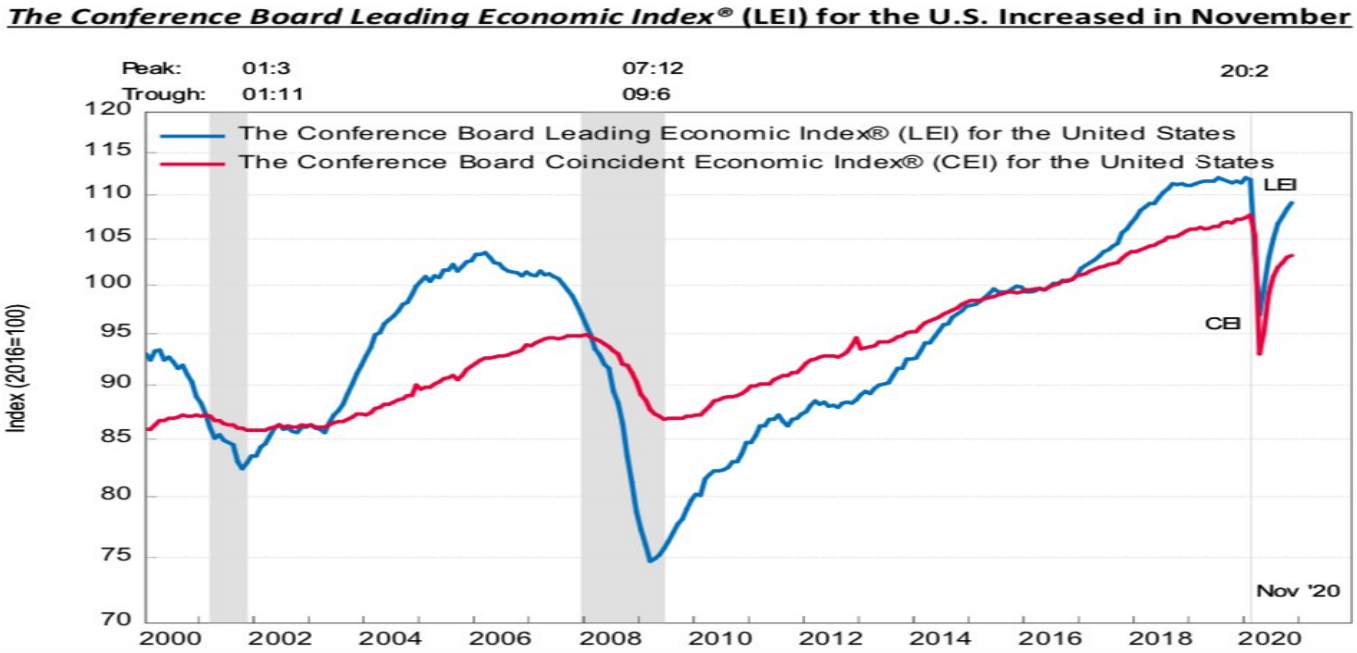
Sources: Bloomberg, Jefferies

OECD Leading Indicators

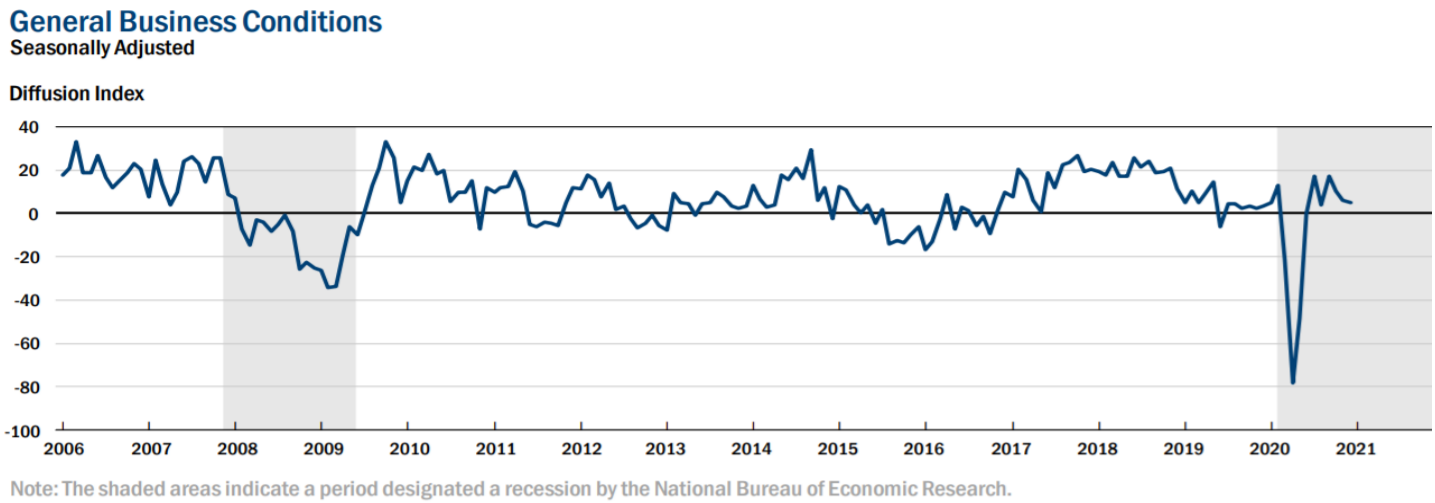
The OECD system of composite leading indicators, first developed in the 1980s, is designed to give early signals of turning points in economic activity. The OECD CLI system uses the monthly index of industrial production (IIP) as a proxy measure for economic activity. The CLI system focuses on the business cycle, defined as the difference between the smoothed IIP data and its long-term trend. OECD CLIs aim to predict turning points in this business cycle estimate. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. However, lead times sometimes fall outside of this range and turning points are not always correctly identified. On top of identifying turning-points, CLIs also have the property of moving in the same direction as the business cycle. However, the CLI is optimized to identify turning points and not for judging the speed or strength of a recovery or downturn in the business cycle; and users should not interpret it in this way. A very high or low CLI for example cannot be interpreted as an indication of very high or low levels of economic activity or growth. It merely provides a strong signal of the phase a country is likely to be in its business cycle in the near future.



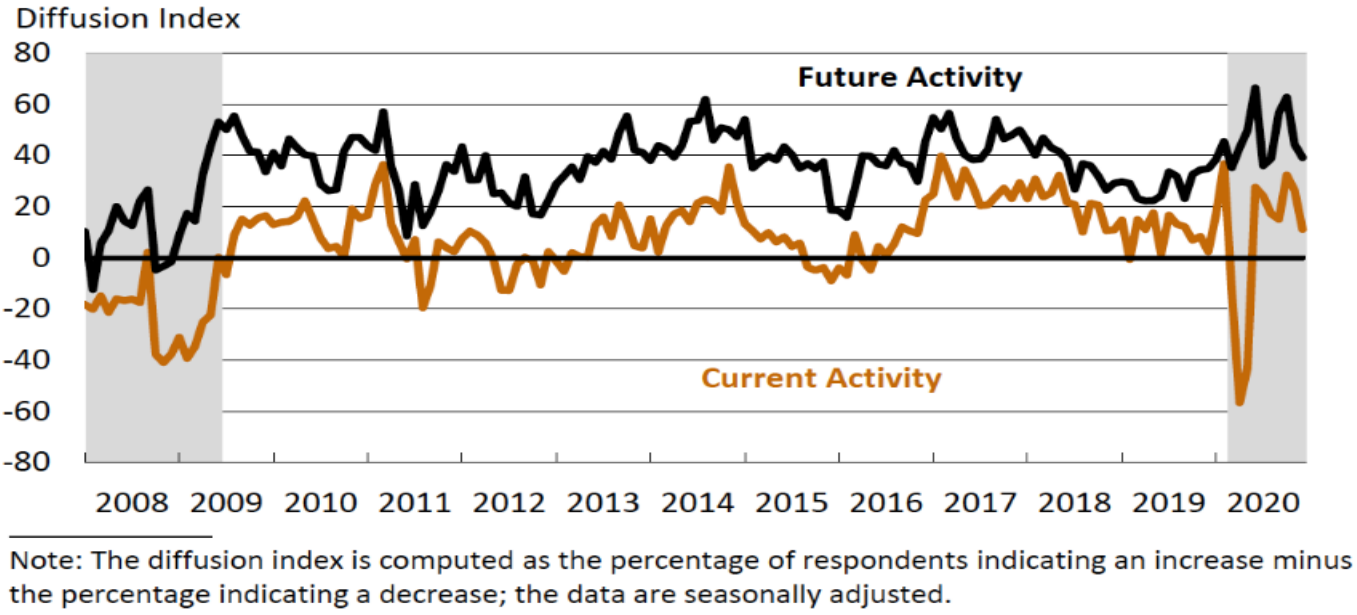
US Leading Economic Indicators



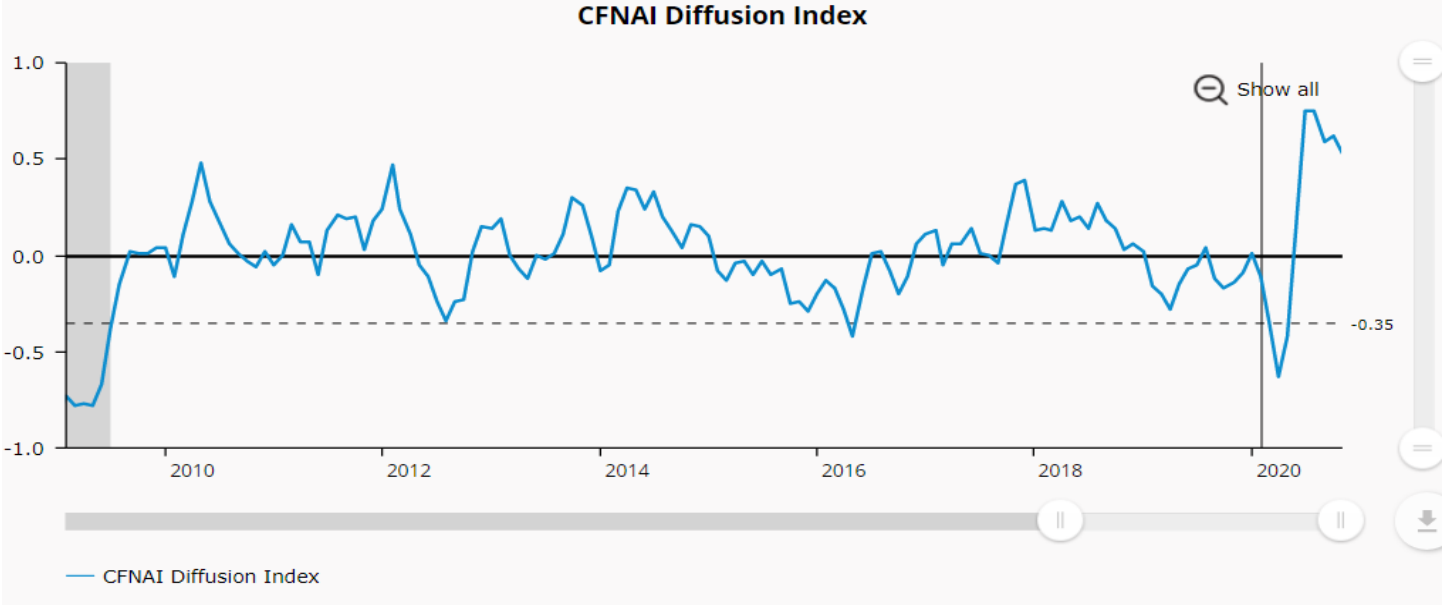
Empire State Manufacturing Survey



Philly Fed Index

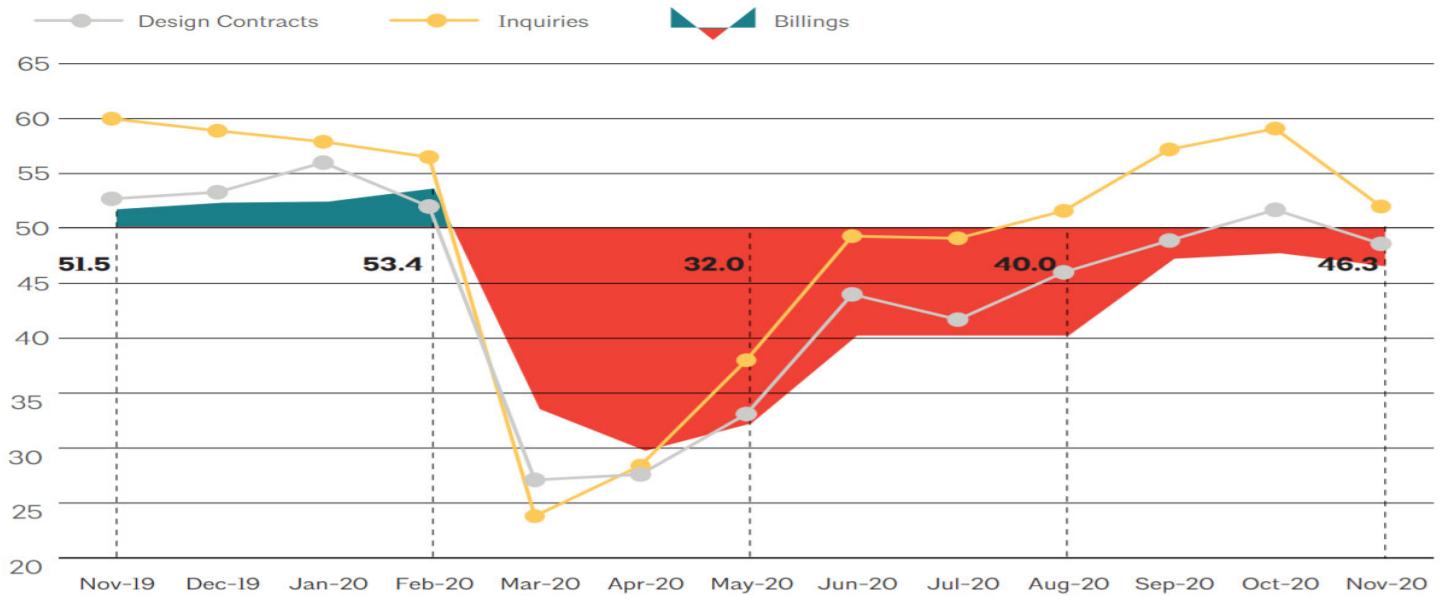


Chicago Fed Index



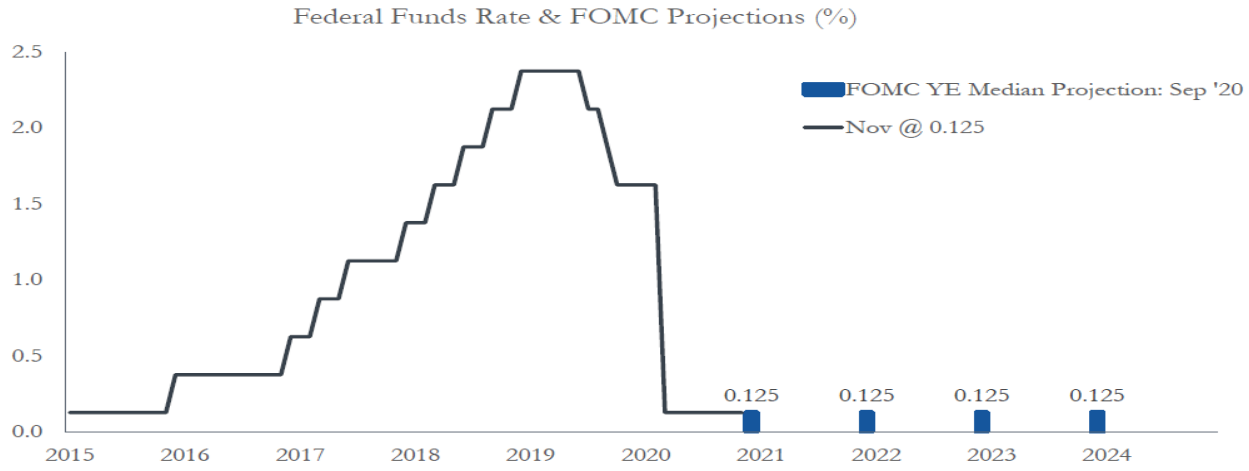
Architecture Billings Index

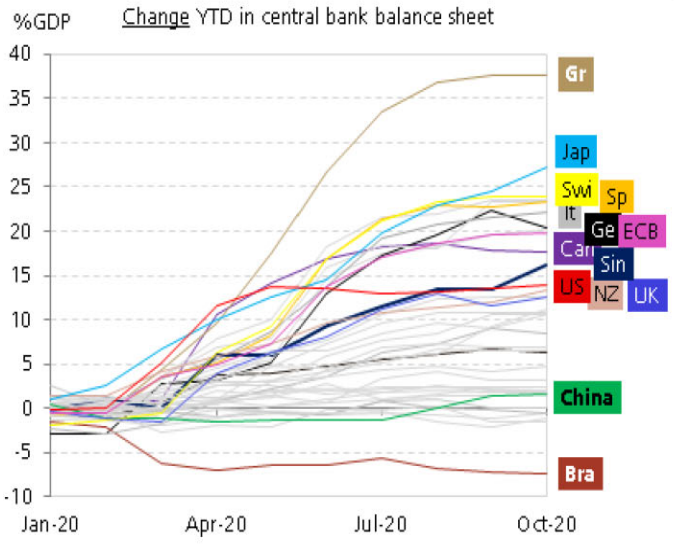
In November, the total ABI slid from 47.5 in October to 46.3. Sector-by-sector, multifamily residential demand increased for a third straight month, going from 55.1 in October to 52.2 in November. Demand for practices with a mix of specialties came in at 49.5 in November, while commercial/industrial fell from 48.0 to 47.5, and institutional demand weakened, falling even further from 42.2 in October to 41.9. Finally, there is a spot of optimism as it appears developers are still looking towards the future: New project inquiries increased yet again, remaining at 52.0 (from 59.1 in October). However, the amount of newly signed contracts fell to 48.6 from the positive 51.7 the month before.



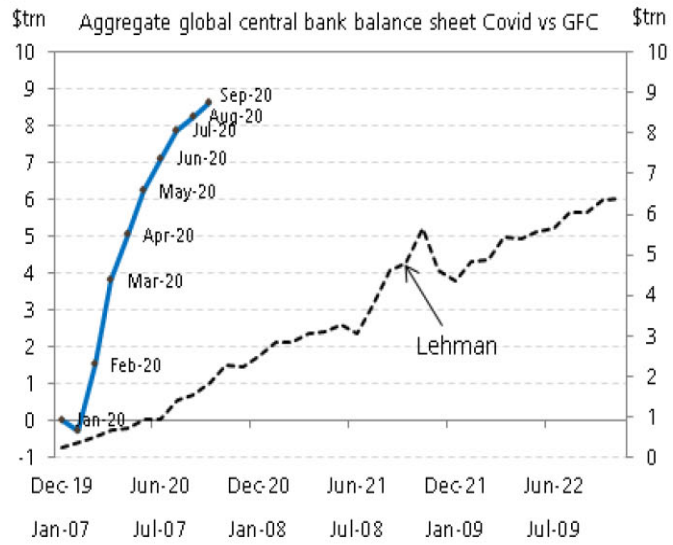
Central Banks

G4 central banks will expand their balance sheets collectively by a further US$3.4 trillion in 2021 (after an expansion of US$8.6 trillion in 2020) and the G4 fiscal deficits will remain relatively wide at 9% of GDP in 2021. The US Federal Reserve (Fed) has aligned its forward guidance with its aim to achieve maximum employment and 2% average inflation. The central bank has effectively vowed to keep rates close to zero through 2023, as its preferred core inflation measure is projected to remain below 2%, with no period of overshoot over the next three years. The Fed revamped its inflation target framework with an average inflation level as opposed to a specific target level and implied it will remain accommodative longer than previously indicated. Applying the new framework to average inflation (three-year rolling) back to 1998, the Fed would have only needed to raise rates once (2006), suggesting that hikes in the foreseeable future are highly unlikely. Central banks are highly unlikely to rescind their monetary policy path anytime soon and stand ready to do more. With a recovery seen in 2021 a sudden surge in inflation beyond 2% appears unlikely though more fiscal commitments and a vaccine leading to a strong recovery can result in upward pressures.



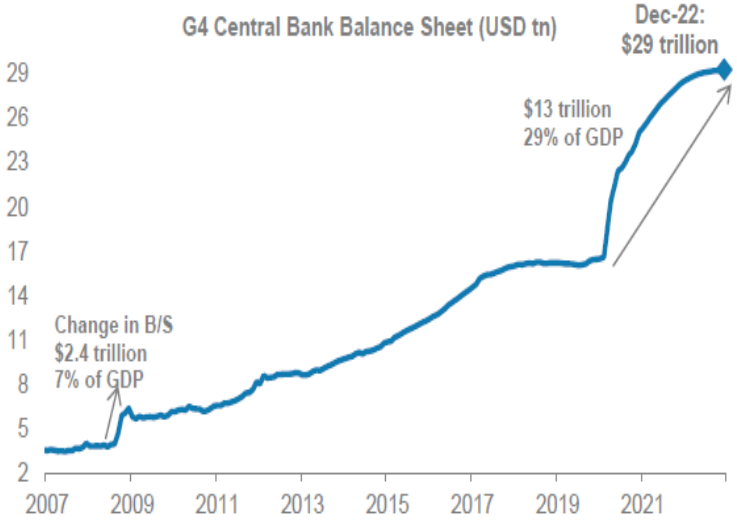


Source: UBS, Haver



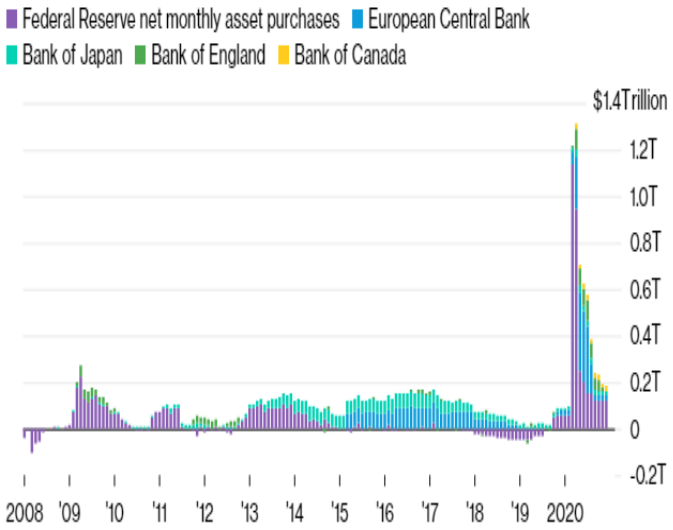
Source: UBS, Haver

G4 central banks' balance sheet

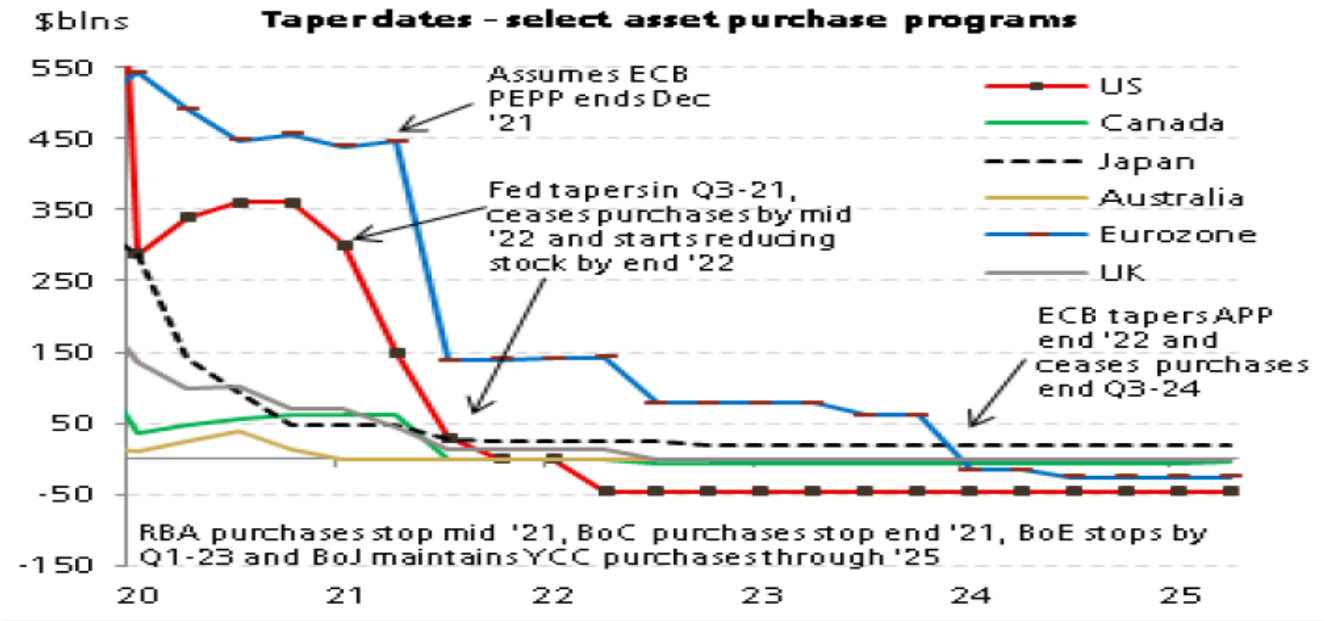


Source: Haver Analytics, national source, IMF, Morgan Stanley Research forecasts

G7 central banks have bought a cumulative $5 trillion of assets since March

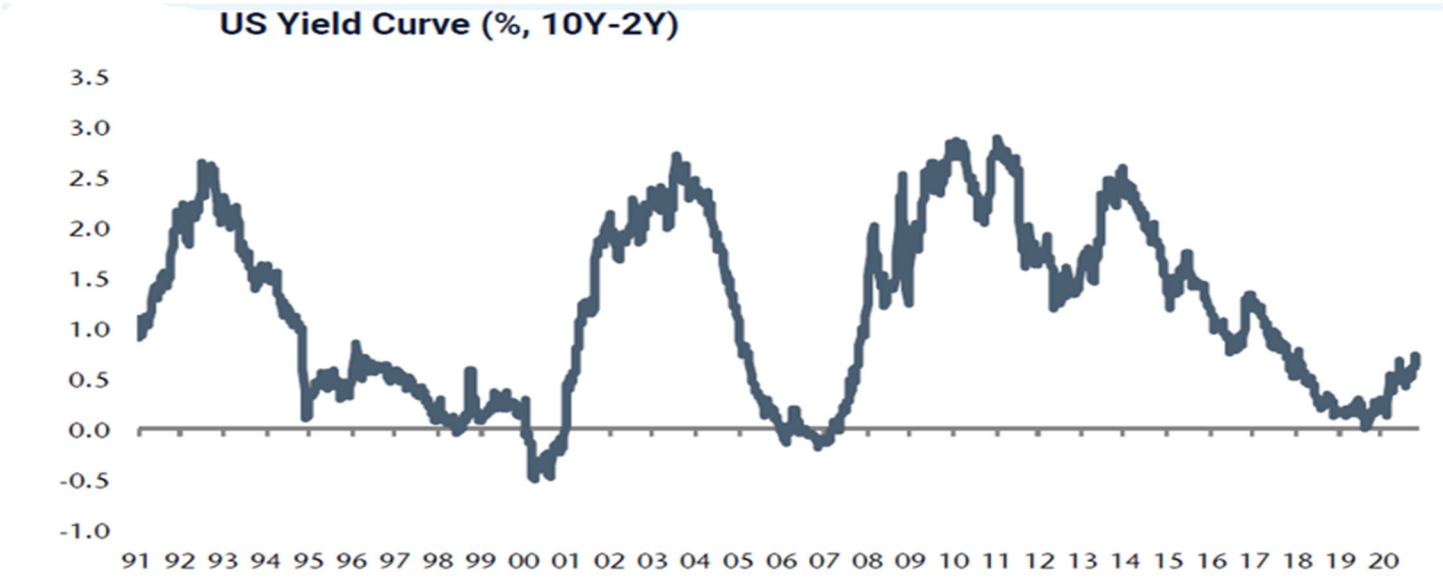


Source: Bloomberg Economics

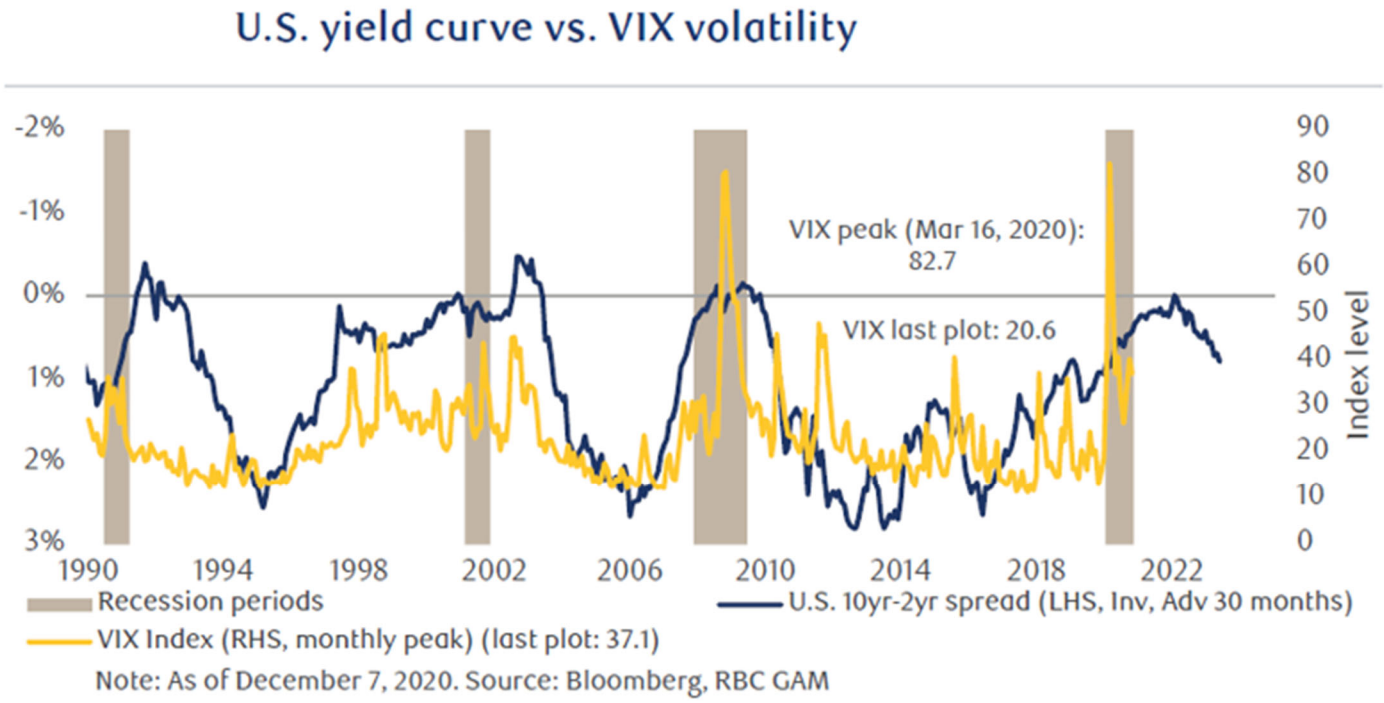


Bonds vs. Stocks

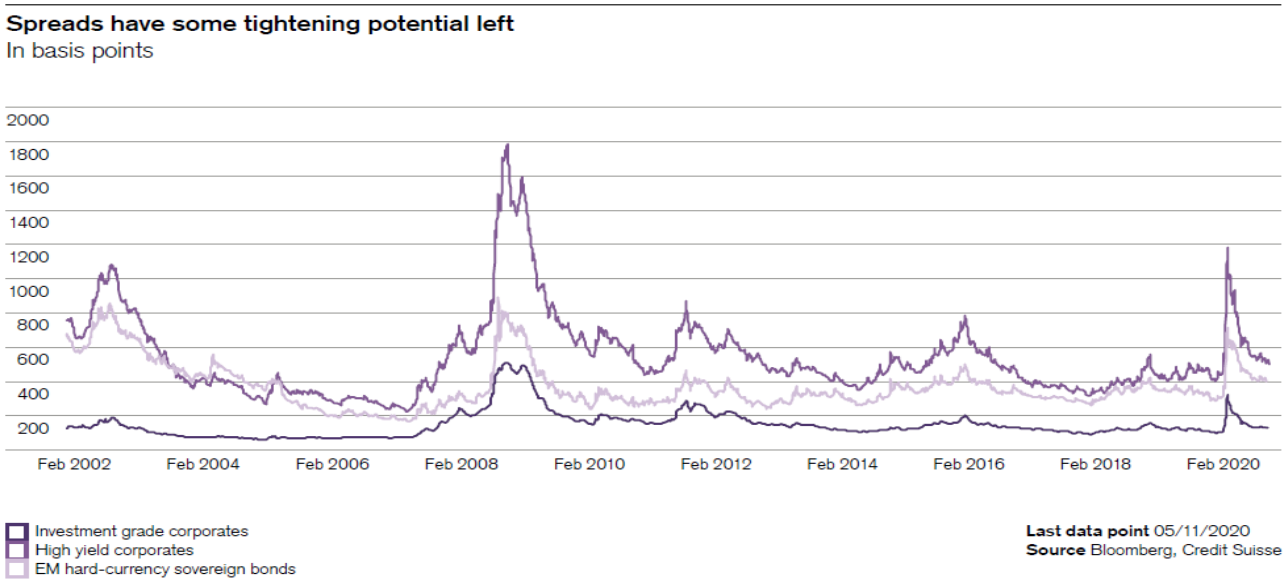
Stocks continue to look attractive to bonds in the low-yield environment and with rapidly rising corporate profits seen in 2021 and a lack of alternatives for attractive real returns, the set-up for equities remains positive. Rates in longer maturities are likely to rise modestly with an environment of record fixed income supply, historic monetary policies and additional government deficit spending while interest rates are expected to remain at low levels for the foreseeable future. Longer-term bond yields have a bit more room to rise, but the scope for increases is limited by secular pressures such as aging demographics, slowing population growth and an increased desire for saving versus spending.

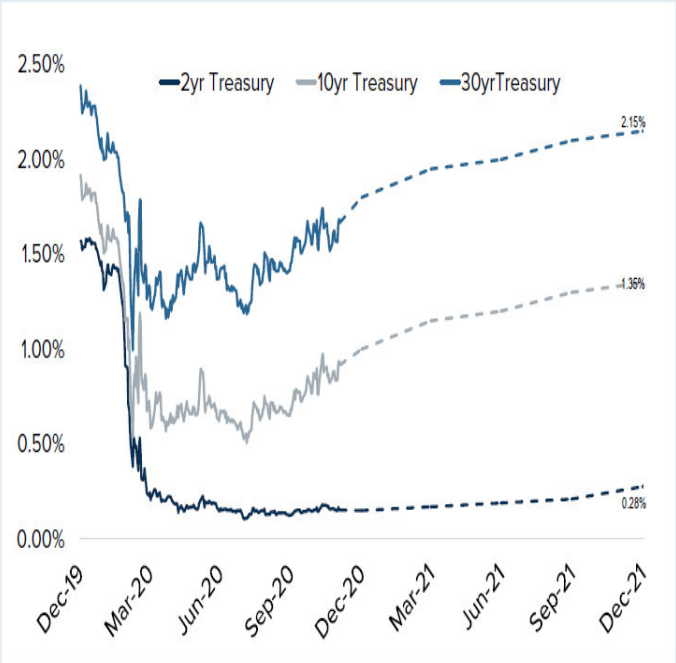


The relationship in the lines on the chart below suggests that changes in today's yield curve foreshadow market volatility with nearly a three-year lead time. The flattening in the yield curve between 2015 and 2019 was consistent with the rise in volatility experienced over the past year. But the steepening of the yield curve since late 2019 and into 2020 suggests markets may be moving into a sustained period of lower volatility in the quarters ahead. The improving outlook is reinforced by both credit markets and the yield curve, both of which have in the past been good leading indicators of future market conditions.

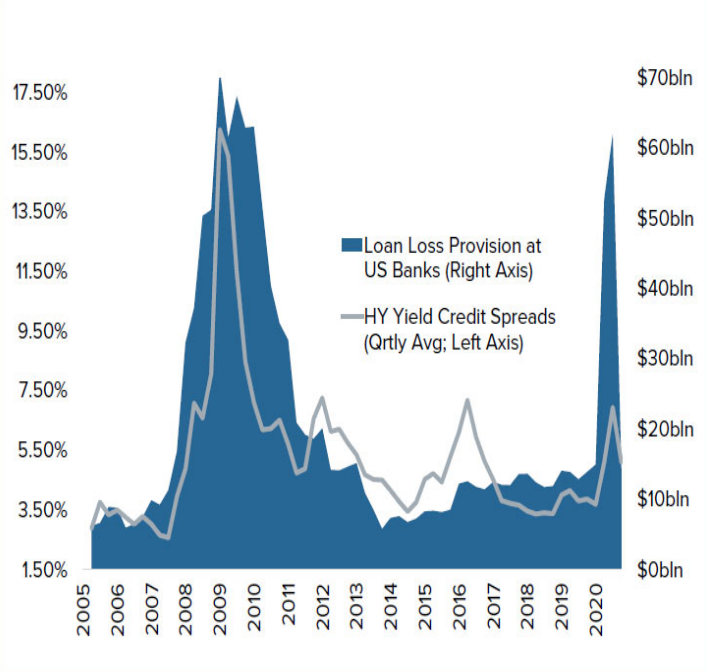


When it comes to credit conditions, economic growth should help. However, there is an additional factor: bank reserves. The banking sector added credit reserves into the March downturn that, on average, have exceeded actual losses. In 2021, it is likely the banking sector will be able to release these reserves, add to capital (especially if regulators prevent them from returning capital to owners), and increase lending activity. With positive lending forces in the banking sector, the credit markets are likely to respond with tightening spreads, which would allow corporate and taxable muni credit, especially lower-investment-grade and high yield sectors, to perform well. In that sense (and thanks in large part to banking reserves), the post-coronavirus financial landscape is likely to proceed much as the post-Global Financial Crisis landscape did a decade ago. The primary difference is that everything in 2020 is unfolding at two to four times the speed it did in 2009.

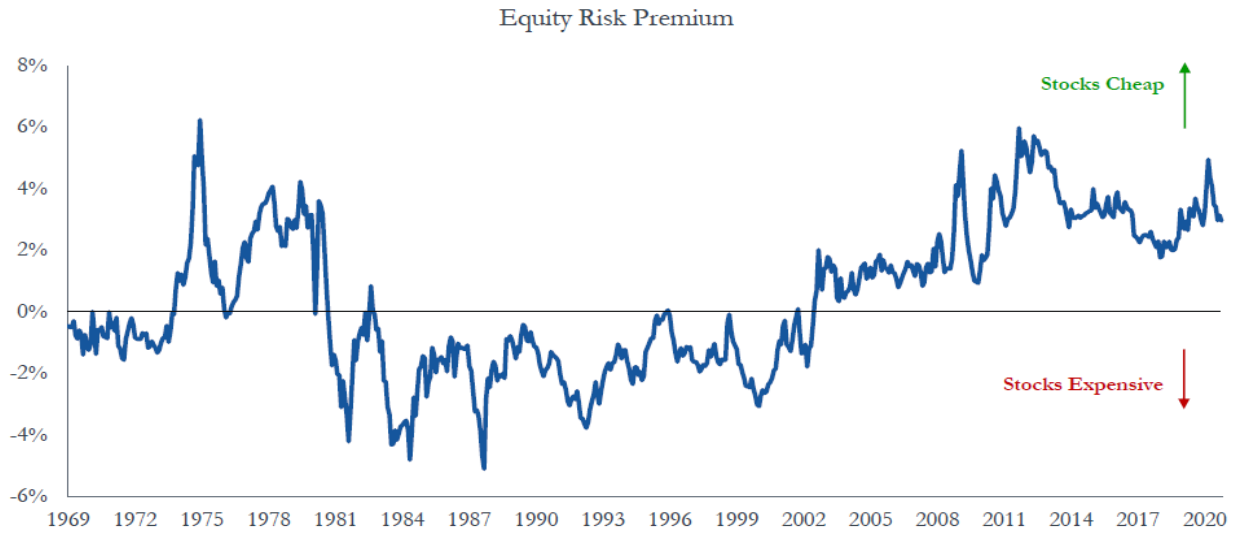




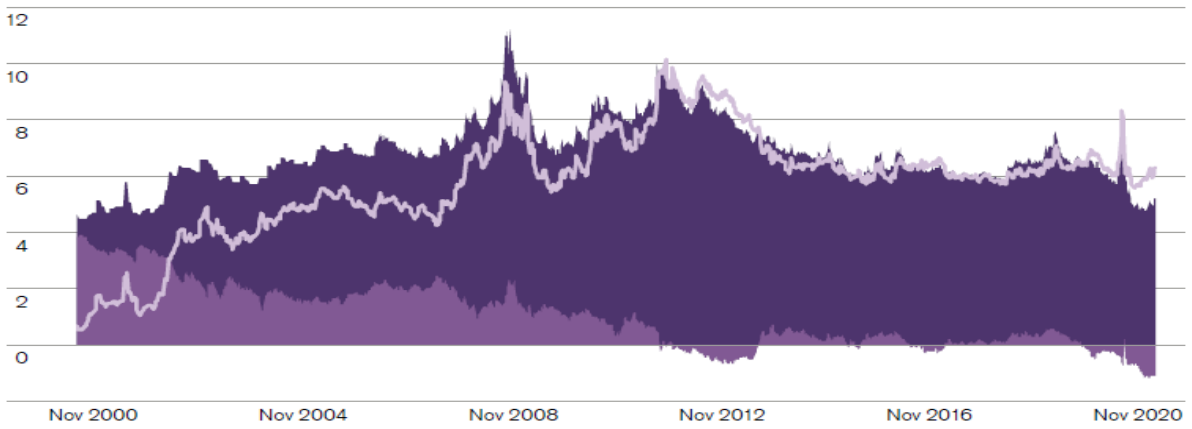
(Source: Janney Investment Strategy Group; Bloomberg)



(Source: Janney Investment Strategy Group; FDIC; Bloomberg/Barclays)



Risk has its rewards
MSCI World – Earnings yield vs. real bond yield (in %)



Earnings yield – consensus 12M forward
Real bond yield
ERP

Last data point 05/11/2020
Source Datastream, Bloomberg, Credit Suisse

Exhibit 14: S&P 500 Forward Dividend Yield minus US 10Y Govt Yield (%)

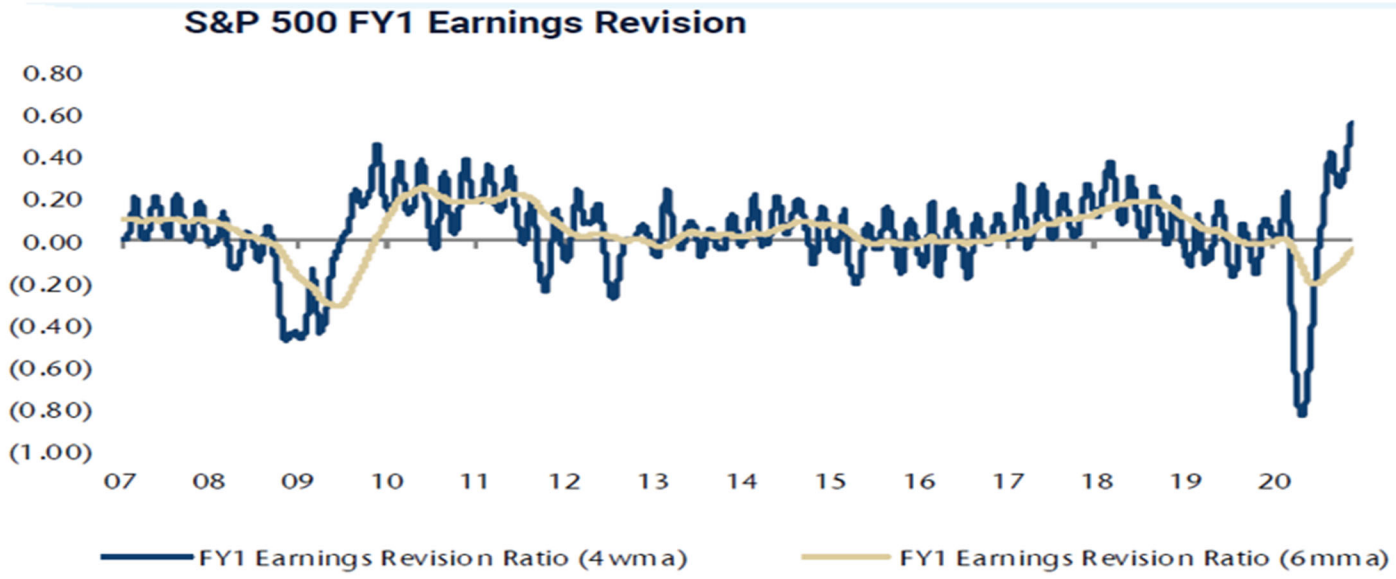
Sources: FactSet, Jefferies

Market Valuation and Fundamentals

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Annualised
Emerging debt 8.5%	REITs 23.7%	U.S. equities 32.6%	REITs 22.8%	Japan equities 9.9%	High yield 14.3%	EM equities 37.8%	Cash 1.9%	U.S. equities 31.6%	U.S. equities 16.6%	U.S. equities 14.4%
DM gov. debt 6.3%	Europe equities 19.9%	Japan equities 27.3%	U.S. equities 13.4%	U.S. equities 1.3%	Infrastructure 12.4%	Europe equities 26.2%	DM gov. debt -0.4%	Infrastructure 27%	EM equities 10.5%	REITs 7.5%
IG credit 4%	High yield 19.6%	Europe equities 26%	Infrastructure 13%	Emerging debt 1.2%	U.S. equities 11.6%	Japan equities 24.4%	IG credit -3.5%	Europe equities 24.6%	Japan equities 10.3%	Japan equities 7.2%
High yield 3.1%	EM equities 18.6%	Infrastructure 15%	Emerging debt 5.5%	REITs 0.6%	EM equities 11.6%	U.S. equities 21.9%	High yield -4.1%	REITs 24.5%	IG credit 8.6%	Infrastructure 6.8%
U.S. equities 2%	Emerging debt 18.5%	High yield 7.3%	IG credit 2.5%	Cash 0.1%	Emerging debt 10.2%	Infrastructure 20.1%	U.S. equities -4.5%	Japan equities 20.1%	DM gov. debt 7.9%	High yield 6.5%
REITs 1.7%	U.S. equities 16.1%	REITs 2.8%	Cash 0.1%	Europe equities -2.3%	Commodities 9.7%	High yield 10.4%	Emerging debt -4.6%	EM equities 18.9%	High yield 4.4%	Europe equities 6.3%
Cash 0.1%	IG credit 12.4%	IG credit 1.8%	High yield 0%	High yield -2.7%	REITs 6.9%	Emerging debt 9.3%	REITs -4.8%	Emerging debt 14.4%	Emerging debt 4%	Emerging debt 5.8%
Infrastructure -0.4%	Infrastructure 11.9%	Cash 0.1%	DM gov. debt -0.8%	DM gov. debt -3.3%	IG credit 6%	IG credit 9.3%	Infrastructure -9.5%	High yield 12.6%	Europe equities 1.2%	IG credit 4.9%
Commodities -8.2%	Japan equities 8.4%	EM equities -2.3%	EM equities -1.8%	IG credit -3.8%	Japan equities 2.7%	REITs 8.6%	Commodities -10.7%	IG credit 11.8%	Cash 0.7%	EM equities 4%
Europe equities -10.5%	DM gov. debt 1.8%	DM gov. debt -4.3%	Japan equities -3.7%	Infrastructure -11.5%	DM gov. debt 1.7%	DM gov. debt 7.3%	Japan equities -12.6%	Commodities 11.8%	Infrastructure -8.5%	DM gov. debt 2.3%
Japan equities -14.2%	Cash 0.1%	Commodities -5%	Europe equities -5.7%	EM equities -14.6%	Cash 0.4%	Commodities 1.7%	EM equities -14.2%	DM gov. debt 5.6%	REITs -11.7%	Cash 0.7%
EM equities -18.2%	Commodities -3.3%	Emerging debt -6.6%	Commodities -17.9%	Commodities -23.4%	Europe equities 0.2%	Cash 0.8%	Europe equities -14.3%	Cash 2.3%	Commodities -13.5%	Commodities -5.6%

The NASDAQ continue to outperform in 2020 with a 45%+ YTD return compared to the S&P at +15% as major secular trends in technology continue to play out. The trend of rapid rotational moves also continue with growth often seeing selling pressure for a few days before quickly recovering and resuming the longer-term uptrends. Into 2021 earnings growth is expected to be a record though room for multiple expansion is minimal. A combination of improving economic conditions causing greater business and consumer confidence should drive strong earnings growth in 2021. Increased fiscal spending and a moderation of tariffs provide additional tailwinds. In 2020 many businesses shedded labor and transformed businessed models to higher productivity to offset the collapse in demand and low inventories with rebounding production point to margin expansion in 2021. The 2021 environment shapes up to be one of solid earnings growth, a return of buybacks and modest multiple contraction. The growth versus value debate is likely to continue but the low-rate environment continues to favor growth, but even more-so a greater preference for quality, companies with strong balance sheets, cash flow generation, and returns on capital should continue to outperform. We are seeing historically strong earnings revision ratios and a record percentage of stocks with dividend yields above the rate of the ten-year Treasury, both conducive to allocations to equities. Compared to bonds, equities can act as a hedge in case of inflation and, with a thorough selection process, can still offer returns closer to historical returns.

Source: BofA US Equity & Quant Strategy, FactSet



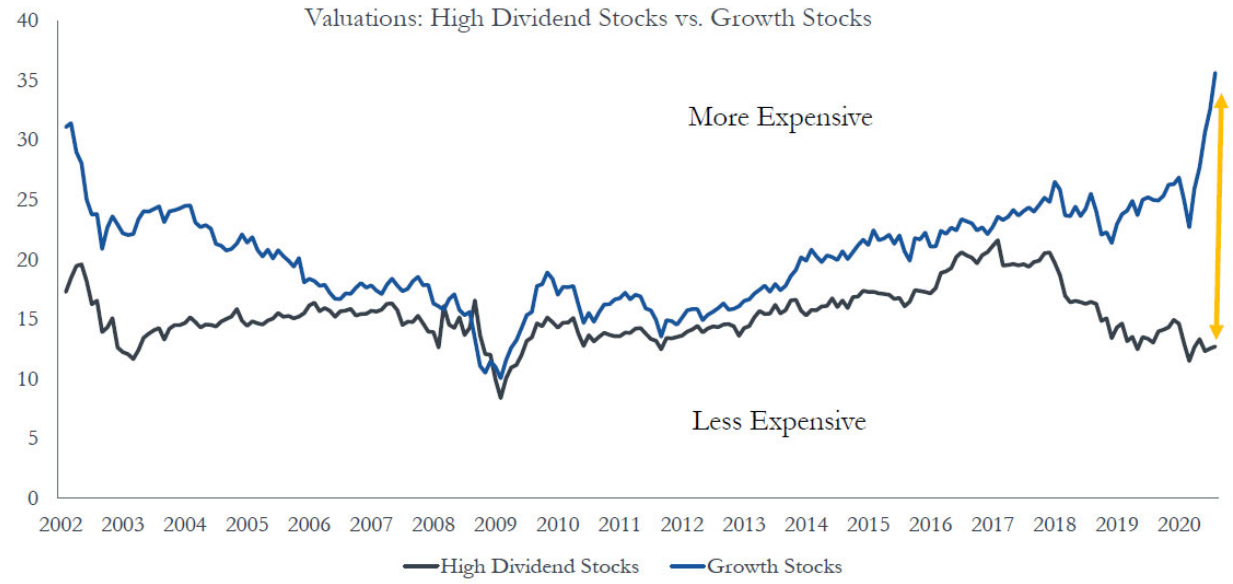
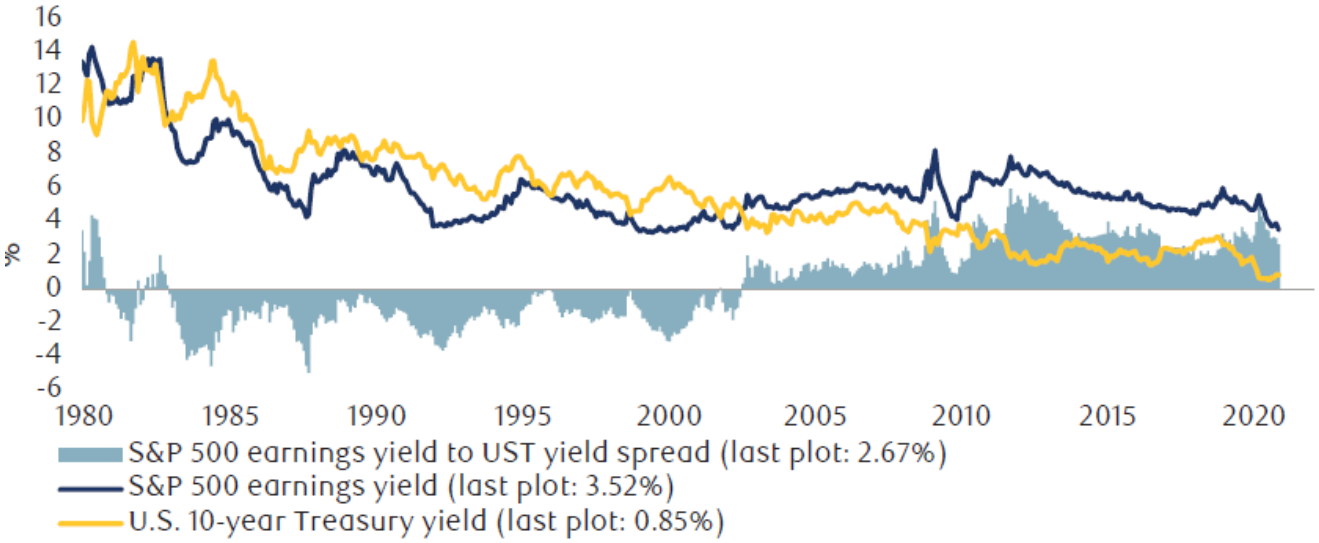


Exhibit 26: S&P 500 earnings yield

12-month trailing earnings/index level



Note: As of November 30, 2020. Source: RBC GAM, RBC CM

Earnings & Valuation

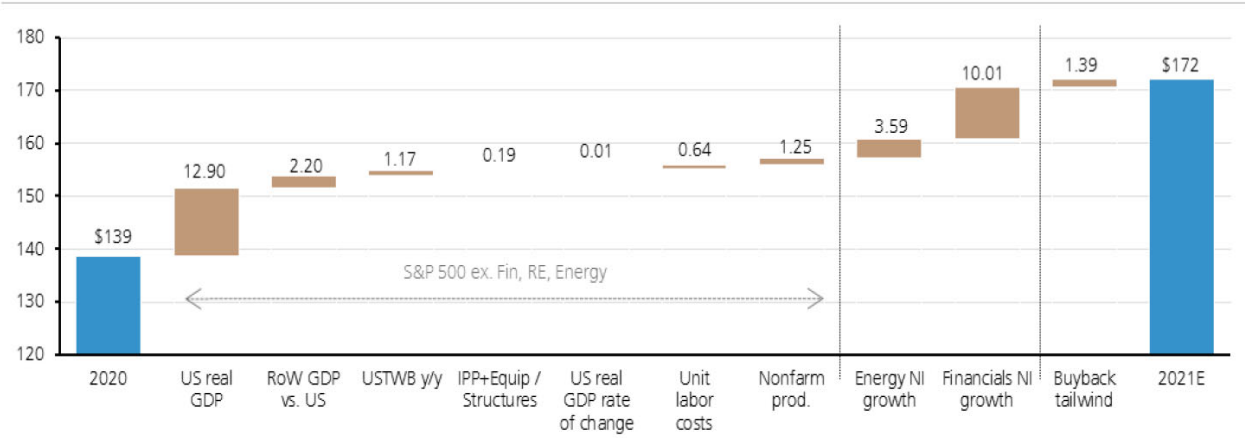
Valuation is never a reason to sell a stock, and the same goes for the market in general, only signs of deteriorating global growth, earnings, business optimism, and global liquidity are appropriate reasons to see reason for an end to the trend. Temporary shocks will always be part of investing, and the equity risk premium. We are emerging from a unique recession and back into the cyclical recovery stage of markets.

My forecasts for 2021 take into account consensus expectations, a bull case for a strong vaccine rollout, and a bear case for disruptions to the vaccine rollout and geopolicatical potential issues. I am assigning a 40% probability for the bull case, 40% for the base case, and 20% for the bear case to arrive at a S&P fair value of 3600 though 1H21. In 2H21 we start to look to 2022 estimates and feel we can approach $200 EPS with slight multiple contraction to 22X leaving upside potential to 4400 for year-end 2021.

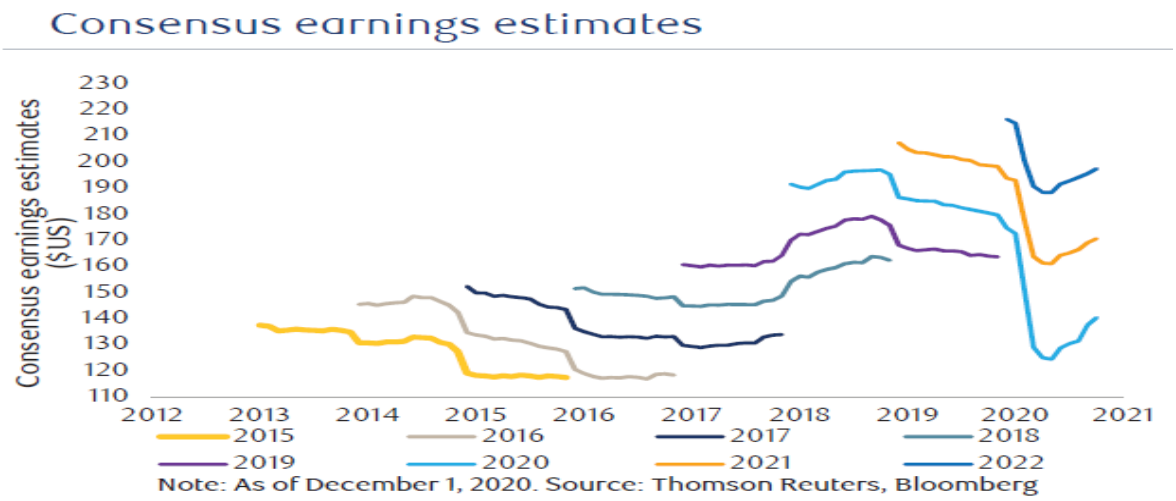
	EPS	Trading Multiple	S&P Value
Bull Case	$175	24X	4200
Base Case	$168	20X	3360
Bear Case	$160	18X	2880

Earnings

For 2021, the bottom-up EPS estimate (which reflects an aggregation of the median EPS estimates for CY 2021 for all of the companies in the index) is $169.20. For CY 2021, analysts are projecting earnings growth of 21.7% and revenue growth of 7.7%. The 6% trend growth rate since the 1930s would point to S&P 500 EPS getting back to trend levels of $187 in 2022. An optimistic vaccine scenario would see S&P 2022 EPS well above $200.



Beta	3.82	1.67	-0.24	0.29	1.78	-0.75	1.45	-	-	-
Assumption	4.2%	1.5%	-5.5%	1.1%	0.9%	-1.4%	1.0%	2198.3%	52.9%	1.0%



		2021 Top down	2021 Bottom up	2022 Top down	2022 Bottom up
	P/E	$165.0	$170.8	$196.4	$197.6
+1 Standard Deviation	22.9	3775.4	3907.9	4501.2	4528.9
+0.5 Standard Deviation	20.7	3420.4	3540.4	4077.9	4103.0
Equilibrium	18.6	3065.4	3172.9	3654.6	3677.1
-0.5 Standard Deviation	16.4	2710.3	2805.4	3231.3	3251.2
-1 Standard Deviation	14.3	2355.3	2437.9	2808.0	2825.3

The low rate environment impacts the multiple and assuming the 10-year stays low, the Fed keeps rates at zero, and credit spreads stay firm, a valuation framework would put a trailing PE at 24X and forward at 21.5X for the current environment. The spread between the S&P dividend yield versus the corporate Baa bond yield is near historical highs and the ERP (Equity Risk Premium) is very high by many measures. Assuming the spread between the dividend yield and IG corporate yield goes back to 2012-19 levels, it would point to 30%-plus upside for S&P 500 valuations. Assuming some rise in rates as the spread narrows more from falling equity yields would point to 20%-plus upside. In 2021, policy support should remain in place to curtail risk aversion. Besides the risk of a credit crisis, concerns over a late-cycle overheating have been pushed further out due to the pandemic-induced recession and policy makers' increased inflation tolerance. When comparing relative attractiveness across asset classes, which ultimately steers a substantial part of investment flows, equity markets continue to look quite attractive. Since the beginning of 2020, real bond yields in the USA have declined by over 100 basis points, outpacing the decline in earnings yields (inverse of the price-earnings ratio), thus supporting higher valuation multiples. Currently the difference between the earnings yield and the real bond yield as a measure for the equity risk premium (ERP) is higher than the long-term average, suggesting that equities offer an attractive excess return over bonds. Although lower interest rates support higher multiples due to the increase value of future earnings, a return to normal could push long-term interest rates higher and exert downward pressure on equity valuation multiples.

		Equity Risk Premium (ERP)				
		325	375	425	475	525
Normalized 2022 EPS ($)	180	4,800	4,235	3,789	3,429	3,130
	175	4,667	4,118	3,684	3,333	3,043
	170	4,533	4,000	3,579	3,238	2,957
	165	4,400	3,882	3,474	3,143	2,870
	160	4,267	3,765	3,368	3,048	2,783

Source: BofA US Equity & US Quant Strategy *based on 0.5% in real risk-free rate

The sector breakdown of expected 2021 growth rates are shown below and can see the groups facing easy comps:

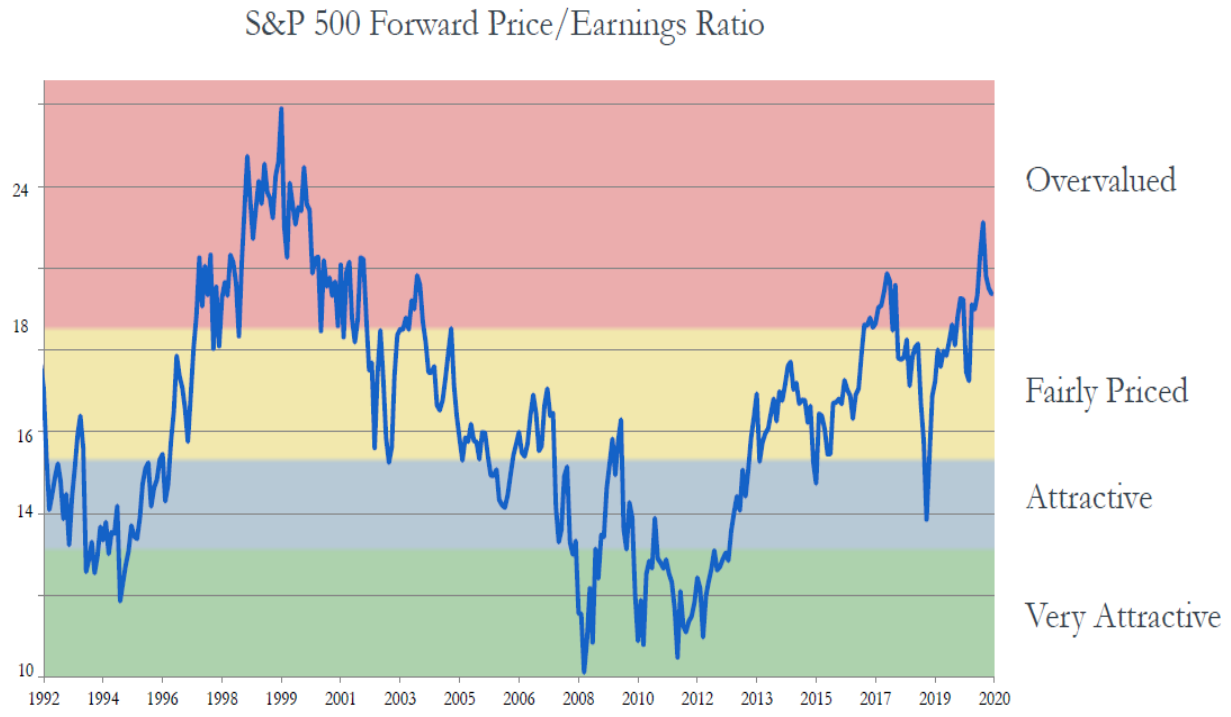
	2019 Earnings Integer	2019 % y-y	2020 Earnings Integer	2020 % y-y	2021 Earnings Integer	2021 % y-y
S&P 500	**161.1**	**0.6**	**138.7**	**(13.9)**	**169.1**	**21.9**
Communication Services	8.7	**6.3**	8.4	**(3.4)**	9.6	**14.3**
Consumer Discretionary	37.9	**0.4**	25.1	**(33.8)**	40.0	**59.3**
Consumer Staples	30.2	**0.0**	31.3	**3.8**	33.1	**5.8**
Energy	20.8	**(30.3)**	-1.6	**(107.5)**	8.2	**626.2**
Financials	37.0	**3.4**	27.7	**(25.2)**	33.3	**20.4**
Health Care	66.7	**10.2**	73.4	**10.0**	81.4	**10.8**
Industrials	34.8	**(4.5)**	17.2	**(50.6)**	30.7	**78.9**
Information Technology	68.5	**1.6**	71.8	**4.8**	82.1	**14.4**
Materials	18.6	**(25.1)**	16.4	**(11.5)**	21.1	**28.3**
Real Estate	11.4	**4.7**	10.5	**(8.2)**	11.0	**4.7**
Utilities	16.1	**9.2**	16.2	**1.0**	17.0	**4.9**

Sources: FactSet, Jefferies

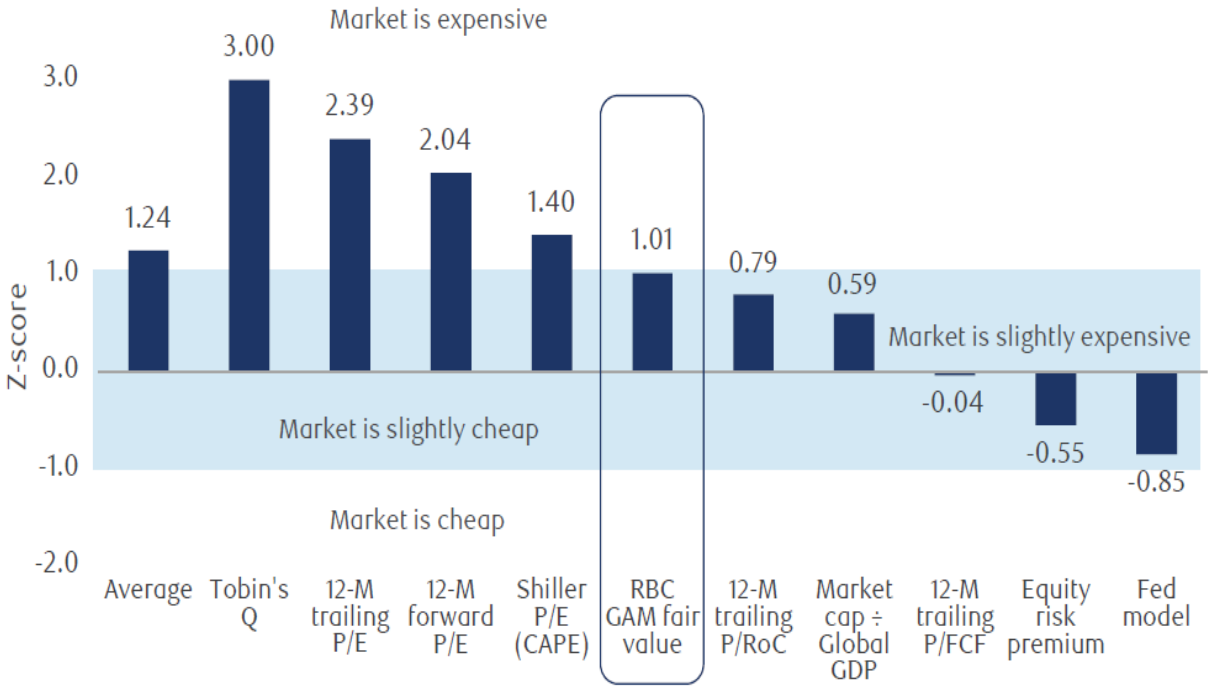
	2019 Sales	2019 % y-y	2020 Sales	2020 % y-y	2021 Sales	2021 % y-y
S&P 500	**12,011,756**	**3.6**	**11,773,871**	**(2.0)**	**12,651,261**	**7.5**
Communication Services	955,292	**10.9**	977,831	**2.4**	1,078,622	**10.3**
Consumer Discretionary	1,535,627	**4.7**	1,549,331	**0.9**	1,748,382	**12.8**
Consumer Staples	1,532,018	**2.8**	1,589,122	**3.7**	1,629,631	**2.5**
Energy	1,014,308	**(3.7)**	669,231	**(34.0)**	757,146	**13.1**
Financials	1,412,126	**3.7**	1,391,233	**(1.5)**	1,425,406	**2.5**
Health Care	2,149,794	**13.5**	2,339,961	**8.8**	2,491,717	**6.5**
Industrials	1,331,404	**(1.4)**	1,154,749	**(13.3)**	1,266,913	**9.7**
Information Technology	1,277,530	**2.9**	1,339,711	**4.9**	1,446,076	**7.9**
Materials	378,687	**(17.8)**	352,689	**(6.9)**	379,346	**7.6**
Real Estate	107,708	**5.3**	104,860	**(2.6)**	110,137	**5.0**
Utilities	317,262	**0.5**	309,671	**(2.4)**	321,802	**3.9**

Sources: FactSet, Jefferies

<u>Valuation Graphics</u>

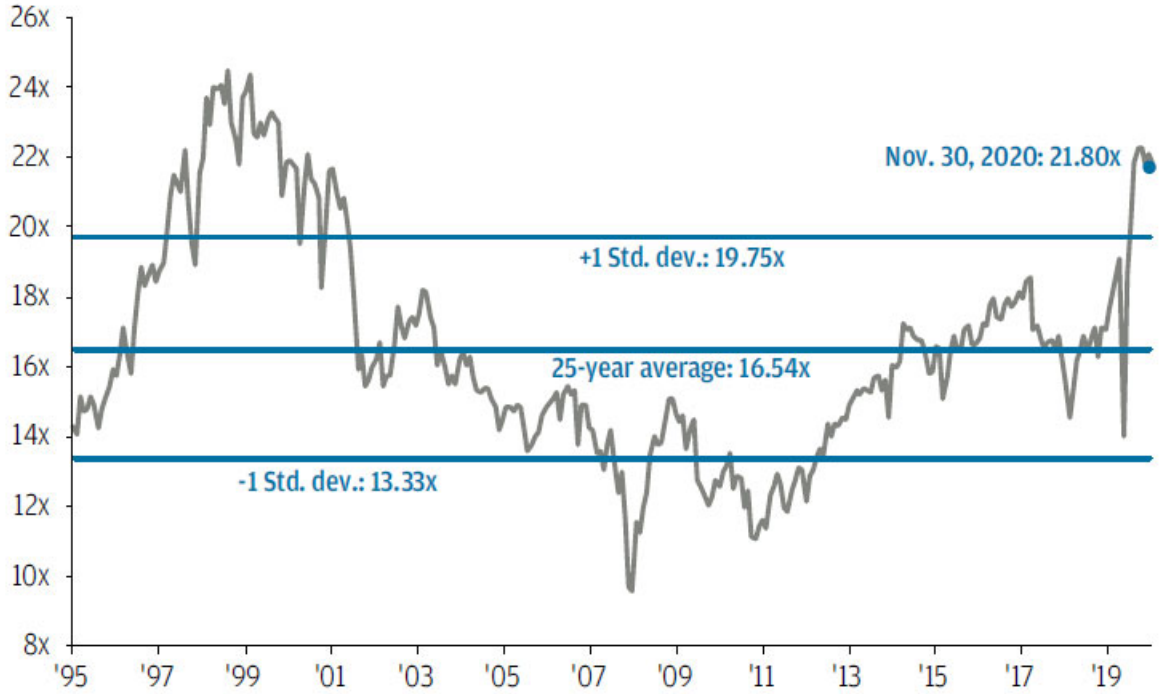


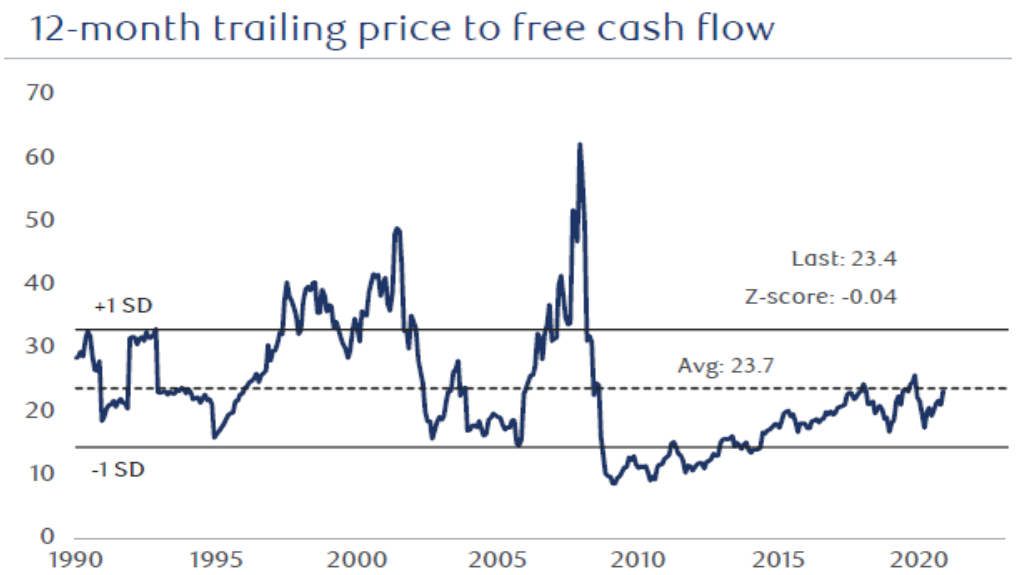
Normalized valuation metrics

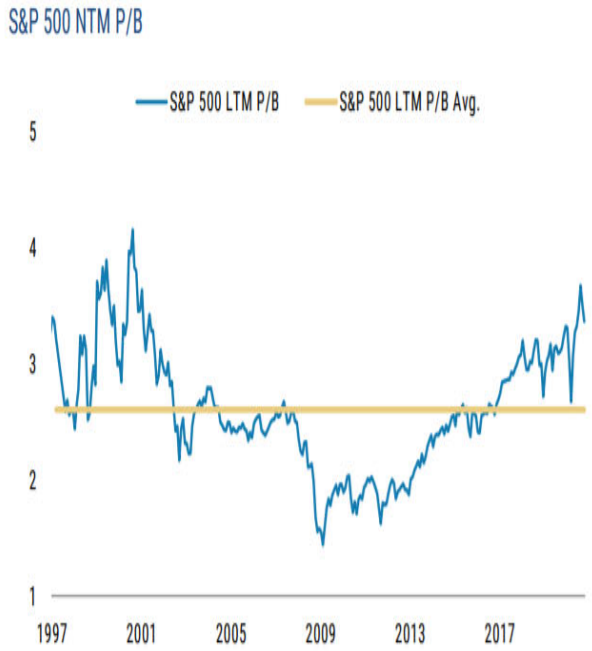


S&P 500 INDEX: FORWARD P/E RATIO

Valuation measure	Description	Latest	25-year avg.*	Std. dev. over-/ under-valued
P/E	Forward P/E	1.80x	16.54x	1.64
CAPE	Shiller's P/E	32.93	27.45	0.90
Div. Yield	Dividend yield	1.66%	2.05%	1.17
P/B	Price to book	3.68	2.99	0.94
P/CF	Price to cash flow	15.52	10.78	2.36
EY Spread	EY minus Baa yield	1.39%	0.05%	-0.67







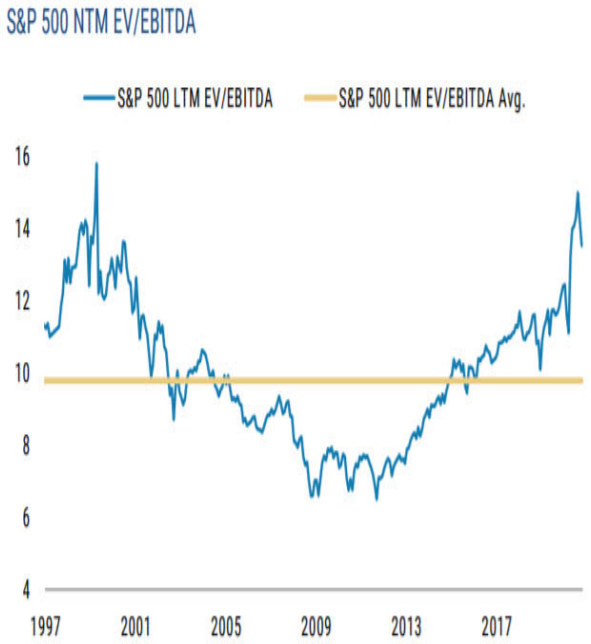


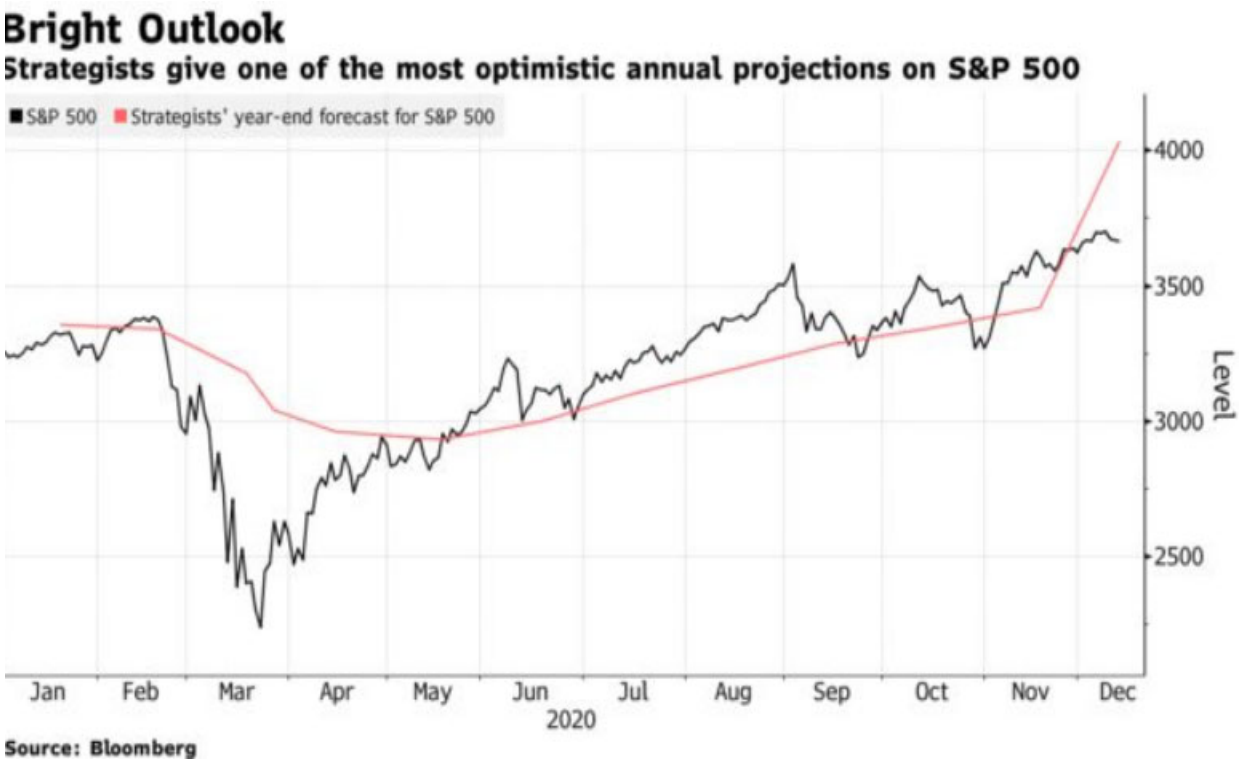
Exhibit 80: S&P 500 Sector Valuations

Market/Sector	PE (x)		PB (x)		P/Sales (x)		PEG (x)	EPSG (%)	ROE (%)	DY (%)	FCFY (%)	Earnings Revision 3M change in %		Earnings Revision 12M change in %	
	12M	5Y Zscr	12M	5Y Zscr	12M	5Y Zscr	12M	12M	12M	12M	12M	FY1	FY2	FY1	FY2
S&P 500	**22.2**	**2.47**	**3.76**	**2.44**	**2.50**	**2.78**	**1.8**	**18.0**	**17.0**	**1.63**	**4.22**	**5.3**	**1.8**	**(22.2)**	**(14.2)**
S&P 500 / Communication Services	23.5	2.30	3.49	1.10	3.33	2.67	1.4	12.3	14.9	0.99	4.46	8.6	3.3	(14.5)	(13.3)
S&P 500 / Consumer Discretionary	35.0	1.58	9.04	2.19	2.18	2.53	1.4	46.1	26.2	0.73	3.14	15.4	6.0	(43.5)	(19.7)
S&P 500 / Consumer Staples	21.3	1.44	5.56	2.09	1.45	2.10	3.7	5.4	26.1	2.61	4.53	2.6	1.4	(3.7)	(4.9)
S&P 500 / Energy	14.9	(0.00)	1.33	(1.19)	0.99	(1.07)	(10.0)	1270.8	3.3	5.64	5.81	103.2	(17.6)	(106.0)	(72.3)
S&P 500 / Financials	14.5	1.39	1.29	0.03	2.25	0.31	2.7	14.9	8.9	2.28	N/A	12.0	2.4	(29.0)	(20.9)
S&P 500 / Health Care	16.1	0.05	3.96	0.69	1.69	0.98	1.6	10.6	24.6	1.74	6.20	4.4	2.4	(0.5)	0.4
S&P 500 / Industrials	25.6	2.52	4.92	2.17	2.14	3.34	3.7	57.2	19.9	1.59	3.73	3.6	(2.9)	(57.5)	(31.6)
S&P 500 / Information Technology	26.4	2.53	9.21	2.26	5.92	2.43	1.9	13.7	35.0	1.05	3.89	1.0	1.6	(2.0)	(0.6)
S&P 500 / Materials	21.7	2.28	2.86	0.55	2.24	3.02	1.5	24.2	13.2	1.96	4.35	8.0	7.5	(22.7)	(13.3)
S&P 500 / Real Estate	20.5	1.65	3.49	0.41	7.03	0.96	2.4	3.6	17.0	3.09	3.21	1.7	(0.6)	(11.8)	(13.0)
S&P 500 / Utilities	19.1	1.07	2.02	0.93	2.75	1.82	3.4	4.5	10.6	3.28	0.91	0.9	0.4	(2.1)	(2.0)

Sources: FactSet, Jefferies

Sell-Side 2021 Market Projections

FIRM	STRATEGIST	2021 S&P 500	2021 EPS	IMPLIED P/E
BANK OF AMERICA MERRILL LYNCH	Savita Subramanian	3800	165	23
BARCLAYS	Maneesh Deshpande	4000	173	23
BMO	Brian Belski	4200	175	24
BTIG	Julian Emanuel	4000	167	24
CFRA	Sam Stovall	4080	166	25
CITI	Tobias Levkovich	3800	167	23
CREDIT SUISSE	Jonathan Golub	4050	168	24
DEUTSCHE BANK	Binky Chadha	3950	194	20
GOLDMAN SACHS	David Kostin	4300	175	25
JPMORGAN CHASE	Dubravko Lakos-Bujas	4400	178	25
MORGAN STANLEY	Mike Wilson	3900	175	22
OPPENHEIMER	John Stoltzfus	4300	175	25
UBS	Keith Parker	4100	172	24
WELLS FARGO INVESTMENT INSTITUTE	Darrell Cronk	3900	175	22



Morgan Stanley: $3900 - After a year of big swings in valuations, 2021 will be about who can deliver on earnings. 2020 was all about beta and understanding how equity markets trade in and around a recession that handed us the fattest pitch we've seen in a decade. 2021 will be much more about stock picking (alpha) and should favor those companies that can deliver earnings growth that isn't already expected or priced. MSCO prefers companies with earnings growth most tied to re-openings and an economic recovery and also favors small caps. Financials are also preferred due to positive upside skew on rising rates and better credit; Materials and Industrials on demand rebound, earnings leverage and inflation protection; and Health Care given its GARP characteristics and re-rating potential with fading political overhangs.

Bank of America: $3800 - Stocks have already priced in much of the expected recovery in the economy and corporate profitability, leaving just slightly more upside heading into next year. Even as investors ride a wave of vaccine-related optimism, potential negative catalysts abound. The recovery is intact and the world likely re-opens in the 2H, but a lot of optimism is priced in already on vaccine/recovery. Vaccine execution risk, delayed fiscal stimulus and longer lockdowns are risks. But a few themes support stocks: the S&P 500 dividend yield is 3x the 10-year yield, and S&P 500 dividends are set to increase in 2021. And unlike bond yields, earnings are nominal and participate in inflationary upside – where inflation risks may be running higher, given rampant money-printing and a potential post-vaccine spike in demand. BAML picks value stocks over growth, cyclicals over defensives and small caps over large caps, given each of these groups' likelihoods to be disproportionately boosted by a post-virus economic recovery.

Goldman Sachs: $4300 - A vaccine is a more important development for the economy and markets than the prospective policies of a Biden presidency. The economic reopening coming alongside a vaccine, in tandem with a status quo policy environment cemented with a divided government, will help push the S&P 500 to 4,300 by year-end 2021 and then to 4,600 by the end of 2022. The forecast assumes that the Senate will remain under Republican control following the Georgia run-off elections in January, the economy will continue on a path toward a "V-shaped" recovery, corporate profits will rebound, Fed funds rate will hold near-zero and the yield curve will steepen while the 10-year Treasury yield climbs only modestly.

Deutsche Bank: $3950 - Much of 2020's run-up in the stock market came with multiples expansion, as prices escalated despite a drop in earnings, as companies dealt with fallout due to the coronavirus pandemic. Next year, as the economy recovers and a vaccine allows for long-lasting re-openings, earnings growth will rebound and multiples will de-rate. The pattern of the equity market recovery, bottoming halfway through recession and recouping most of its losses before it's over, has been typical but the continued run-up means valuations are high. In our reading, elevated multiples reflect increased participation of retail investors which we see as sustaining, but we expect the multiple to begin to de-rate. For 2021, a recovery in earnings — which essentially increases the denominator of the price-earnings ratio — should lower multiples. That said, an increase in companies' payout ratios as dividends and buybacks return could at least partially offset this. A gradual correction of overvaluation argues for the current overvaluation of 5 multiple points to diminish but remain significant at 3.6 points, putting the end-2021 multiple at 20.5X.

Jefferies: $4200 - Improving prospects for a vaccine, easy lending conditions and broader participation among cyclical and value stocks will help propel the stock market higher in 2021. November's historic stock market rally, led by cyclical and value stocks in the energy, financials and industrials sectors, reflected broadening equity strength beyond just big tech and software shares. That rotation is anticipated to continue into next year, helping push the broader market higher. Notwithstanding the second and third Covid-19 waves permeating the world, there is a palpable feeling that the global economy is resynchronizing with the household, corporate and government balance sheets expanding simultaneously alongside aggressive monetary policy. The much-maligned value and cyclical growth sectors are slowly making a comeback as inflation pressures begin to return. This rotation has been supported by a steepening in the yield curve and with growthier stocks trading sideways. Improved visibility towards a successful coronavirus vaccine, easier lending conditions, little evidence of deflation and a sentiment switch from growth to value will lift US bank shares through 2021. Rising global capacity utilization rates, firmer producer prices, improving world trade volume, booming housing/autos and a weak dollar are the perfect environment for the S&P 500 Industrials.

The S&P 500 materials sector is blowing off in response to a weak dollar, higher commodity prices, an upswing in global manufacturing and a restocking cycle.

CSFB: $4050 - Our 2021 forecasts are designed to answer a simple question: what the future will (2022) look like in the future (end of 2021). From this perspective, we are forced to de-emphasize the near-term, focusing instead on the return to a more normal world. As we look toward 2022, the virus will be a fading memory, the economy robust, but decelerating, the yield curve steeper and volatility lower, and the rotation into cyclicals largely behind us. Since the stock market discounts future events, each of these prospects for further improvement down the line should translate into a higher S&P 500 as investors price in these events.

UBS: $4100 - The vaccine-related developments that drove stocks' gains in November and early December have now been baked into market expectations, leaving vaccine distribution the next milestone for equity investors to consider in 2021. The key driver of U.S. equities will be the pace of vaccinations, similar to how shifts in mobility drove equities through the spring and summer. As people get vaccinated, they are likely to 'normalize' spending on areas impacted by COVID shortly thereafter. We see the rotation toward cyclical services spending and other COVID-hit areas as a key investment theme for 2021. UBS is overweight the consumer discretionary, industrials and energy sectors given that consumption and production will likely rebound next year. It downgraded materials and financials to Neutral. It is also Underweight consumer staples, utilities and REITs and Neutral on information technology, but overweight communication services and health care on still attractive growth relative to valuations. UBS maintained an upside case for the S&P 500 of 4,400, which would emerge in the case of higher-than-baseline growth against a backdrop of still-low interest rates. However, in a downside case, the S&P 500 could fall to 3,300, which would entail a weaker recovery and/or tighter financial conditions.

BMO Capital: $4200 - Heading into 2021, stocks are poised to keep reaping the benefits of the massive infusion of monetary support from the Federal Reserve, along with an anticipated additional round of fiscal stimulus. This constructive policy environment is likely to help push equities higher even as virus concerns linger for at least the first several months of the new year. Even with recent positive vaccine and treatment developments, the global pandemic and its unprecedented impact is unlikely to fade in coming months. As such, the massive fiscal and monetary response in the U.S. and around the world (also unprecedented) will likely remain in place to combat its negative economic impact for the foreseeable future. Such environments have historically supported continued stock market gains and we see no reason why 2021 will be any different. Aside from the global financial crisis, 2020 represented the swiftest quarter-over-quarter earnings collapse for the S&P 500 where index EPS plummeted nearly 50% during 1Q, thus, we anticipate that 2021 has the potential to be one of the best years ever in terms of earnings growth, something we believe will also help to push stock prices higher. We remain optimistic and expect another year of double-digit gains as the economy and society slowly transition back to normal.

Barclays: $4000 - Markets are right to be optimistic about the global economic outlook in 2021, with growth returning and inflation rising but staying below central bank targets. Projected global gross domestic product growth of 5.6% in 2021, rebounding from a 3.6% contraction this year, with most Western economies reaching so-called herd immunity from Covid-19 in the second and third quarters of the year. Forecasts reflected the recent slew of positive vaccine results with efficacy rates exceeding expectations, which point to a significant boost for growth in the second quarter of 2021. Barclays also suggested the inflation outlook would not indicate any unwinding of current unprecedented levels of central bank support. Labor markets are recovering, but we are still at very high unemployment, so there is undeniably a lot of slack in the system. That means that when it comes to core inflation and the underlying drivers, to wage costs etc., that was unlikely to happen in the short run, meaning even next year. It would take several years really to come back. While Barclays anticipates a gradual improvement in inflation, it will not be significant enough to cause central banks to consider tightening their accommodative monetary policy stances. We have an environment whereby growth comes back, inflation stays relatively muted, and you have central banks continuing to support the recovery, and tightening is still far out.

Oppenheimer: $4300 - The S&P 500 is likely to post another double-digit percentage gain in 2021 as the distribution of COVID-19 vaccines underpins a lasting economic recovery. This outcome is based on six key assumptions: First, that the public will expediently accept and receive COVID-19 vaccines and second, that equity investors will discount the success of the vaccines in reversing the disruptions brought on by the pandemic. Thirdly assumes that at least one of the two Senate seats in the Georgia runoff election will go to a Republican lawmaker, thereby retaining their control of the Senate and reducing (if not necessarily eliminating) the risk that the Biden administration will eradicate the corporate tax reform act of 2017. Fourth, the Federal Reserve will continue its low interest rate regime in tandem with accommodative monetary policy, and fifthly, that congressional lawmakers will step in with another round of fiscal stimulus by the first quarter of 2021 at the latest. Lastly, that investor appetite will continue to tilt toward "stocks that favor diversification and both growth and value segments of the market in a relatively low interest rate environment that favors equities, real assets and other asset classes over fixed income for intermediate and longer-term objectives. The vaccine rollout is arguably the most important in determining the trajectory of the S&P 500 next year. Ultimately the stock market is broadly dependent on economic growth to drive revenues and earnings across the sectors.

Stifel: $3800 - Near-term risks include slower growth (delayed fiscal) and a flatter yield curve, cuts to 2021 EPS [earnings per share] consensus and the disruptive effects in 2021 if the dollar does indeed weaken. A flattening yield curve can indicate economic uncertainty. Despite enthusiasm for a value vs. growth cycle, the characteristics of that shift may be a case of 'be careful what you wish for' as populism, currency debasement, a greater Federal role in GDP and the long march toward a geopolitical conflict is the norm.

JP Morgan: $4400 - Investors are entering 2021 against a confluence of market-positive events, including improving prospects for widespread vaccinations and sustained economic reopening, gridlock in Washington and accommodative central bank policy. Given the COVID-19 crisis, vaccine distribution is likely the linchpin event. But even with widespread vaccine availability still months away, optimism over early vaccine efficacy data has already sparked a rally among stocks hardest-hit by the pandemic. The equity market is facing one of the best backdrops for sustained gains in years. After a prolonged period of elevated risks (global trade war, COVID-19 pandemic, U.S. election uncertainty, etc.), the outlook is significantly clearing with the business cycle expanding and risks diminishing. We expect a 'market nirvana' scenario for equities with the melt-up continuing into 1H21, driven by earnings recovery and multiple expansion. Much of next year's stock market rise is likely to come at the beginning of the year, as lingering uncertainties over vaccine distribution, the results of the Georgia senate race and additional monetary and fiscal stimulus start to dissipate. While the broader backdrop should still remain constructive in the second half of next year, by then the market will have likely priced in close to a full recovery and investors may start to expect a gradual shift in central bank forward guidance away from the current exceptionally accommodative stance.

Piper: $4225 – Piper sees us trading way overbought and sees sentiment at unprecedented frothy levels short-term, expecting a correction, but remains optimistic longer-term. It prefers Industrial and Technology sectors. It sees early cyclical recovery names leading the way in 2021.

BTIG - $4000 - Global synchronized growth underpinned by central bank ease and a Washington which sees Election 2020's decidedly mixed outcomes as a catalyst for cooperation (spend, it's necessary) and centrist government (no tax hikes) results in a Redistribution of Wealth consistent with the 2003-06 synchronized reflation period where Value outperformed. Growth, Small Cap outperformed Large Cap, and International equities outperformed the S&P 500.

LPL Financial: $3900 - On average, stocks have historically gained about 65% during the first two years of a new bull market after an average 41% gain during year one. Even with the S&P 500 roughly 60% above its March 23, 2020, lows, we see further potential upside in 2021. Favorable prospects for a safe and effective vaccine in early 2021, in our view, introduce the possibility of exceeding these historical averages as stocks did in 2009–10 when the S&P 500 nearly doubled in two years. Stocks will likely grow into their currently elevated valuations next year as earnings rebound, with a widespread economic reopening allowing corporate profits to return to growth. Despite lingering effects of COVID-19, in 2021 we expect the economic recovery to drive a

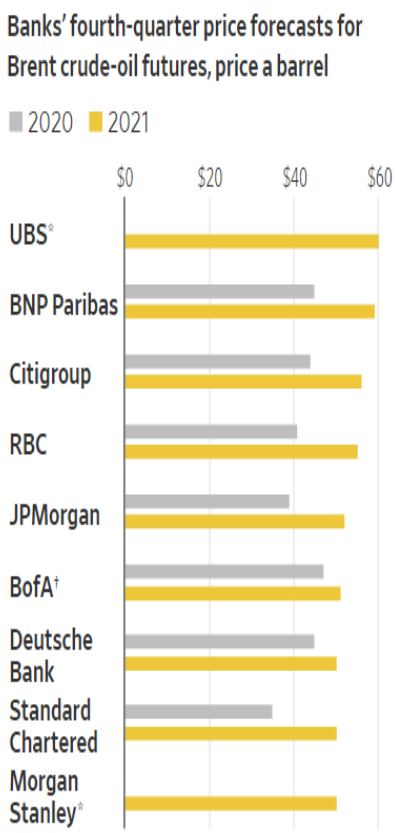
big rebound in profits. We could potentially see S&P 500 earnings growth of 25% in 2021, boosted by cost efficiencies achieved during the pandemic.

Gold Technical View and Analysis

Gold (GLD) had a solid year in 2020 gaining more than 20% as a long base breakout that triggered in June 2019 continued to play out higher and reached its measured move objective while the rally briefly broke above 2011 highs before pulling back. If we look at Fibonacci extension targets of the 2011-2015 correction GLD has upside targets at $207 and $220. The 2018-2020 rally has Fibonacci retracement support levels at $162.5 and $152.5. Gold rallied in 2020 on economic uncertainty and a flight to safety and has pulled back in Q4 with the greater optimism for 2021 taking hold. On an allocation basis, Gold may be losing some of its luster as a store of value with the momentum seen in Bitcoin, although that has not been seen to this point with global gold ETF inflows topping a record in 2020 as a way to diversify portfolios and hedge against inflation. However, November saw the second largest outflow on record. In 2020 the lockdowns resulted in a 5% decline in global output, so the supply-side is expected to rebound in 2021. Gold prices should be supported by inflationary pressures, a deep fiscal deficit and a weaker US Dollar. Goldman sees Gold reaching $2300 in 2021 as recovery from the coronavirus-related recession fuels higher inflation next year. Further fuel could be added from a recovery in demand from India and China.

Oil Technical View and Analysis

Oil has seen strong momentum since early November on optimism of a global economic recovery in 2021 with the vaccine rollout and saw historic levels of volatility in early 2020. The rebound has brought Oil back a high volume zone of resistance after failing the COVID sell-off gaps and getting above $52.50 is the first challenge while $57.50 the upper boundary of a high volume node zone that aligns with the longer-term downtrend resistance. Although commodities are lifting on the prospects of economic recovery and a weak US Dollar for a reflationary trade, Oil remains technically broken and the fundamentals for fossil fuels still remain dim as alternative energy technology continues to improve and further penetrate the demand. OPEC recently cut its 2021 oil demand outlook to 5.9M barrels due to the lingering impact of the pandemic. Barclays forecasts Oil prices at $53 in 2021 on the vaccine boosting demand in the second half. Although there has been discipline to stall production output increases, OPEC has only delayed plans for increasing output, and this could be a damper on prices at the next meeting. The upside for Oil prices in 2021 looks to be subdued while the downside feels greater given the optimism built into the recent recovery.

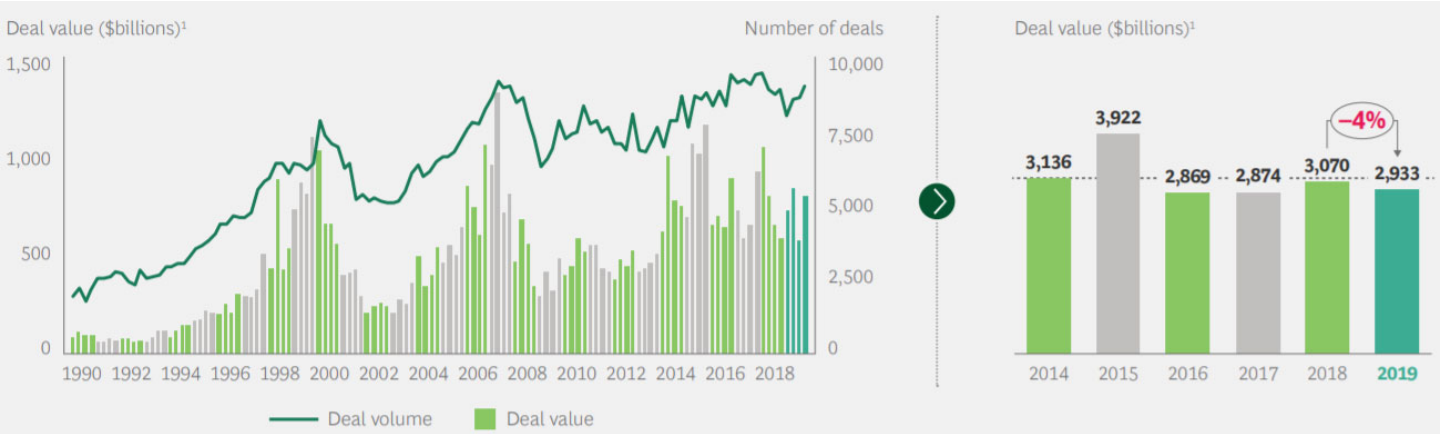


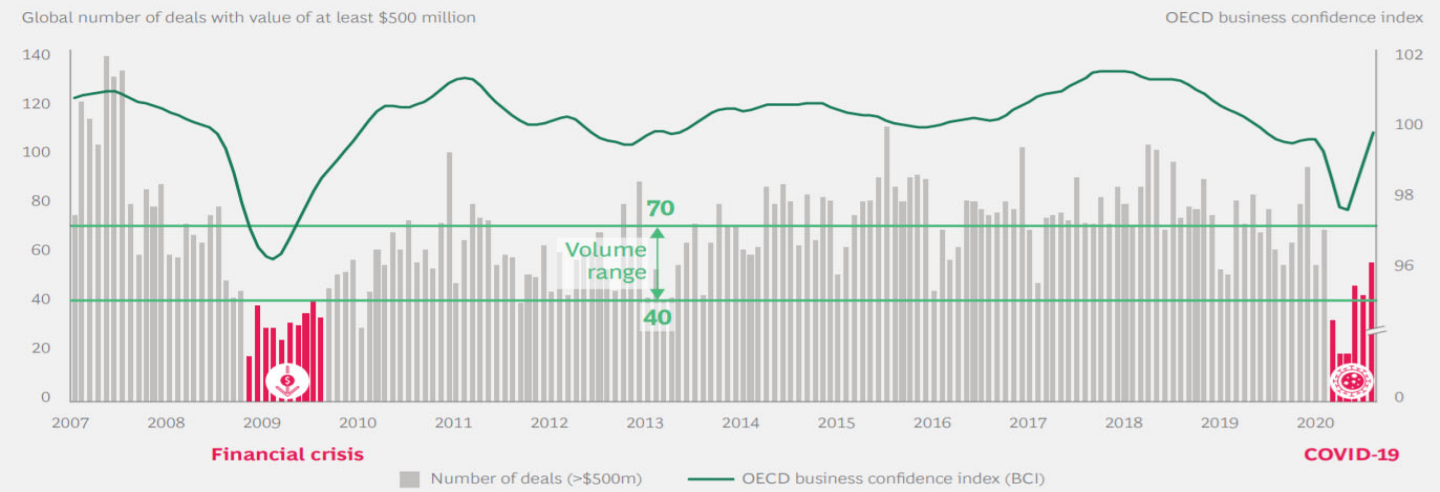
150 M&A Candidates for 2021

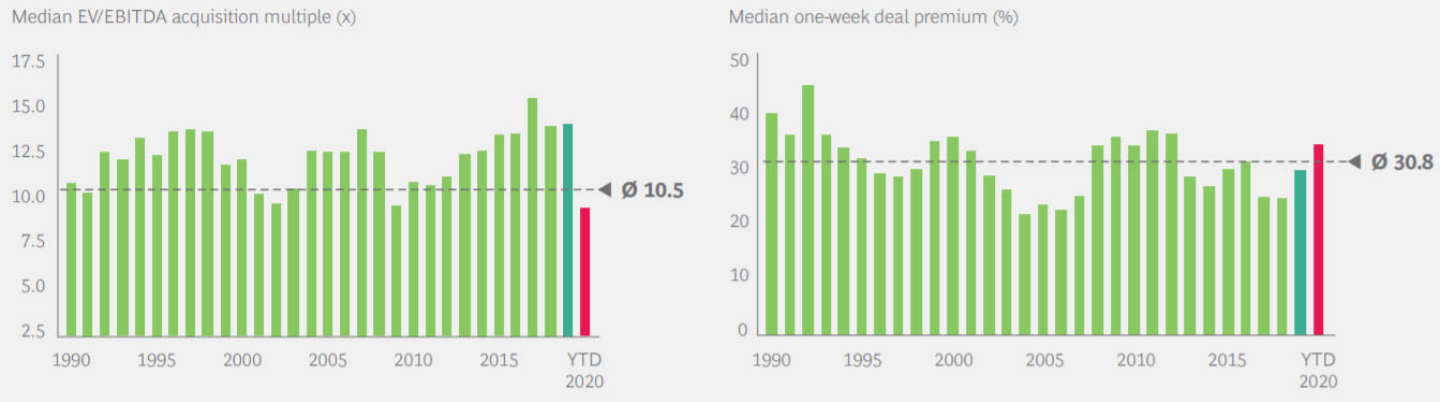
EA, FCX, IBKR, MDB, TRU, KSU, ZEN, STE, MPWR, WIX, BKI, PTC, ESTC, ENTG, MOH, EVRG, DT, TECH, FSLY, AAP, CREE, LII, PEGA, CBOE, MORN, DBX, DLB, FIVE, FATE, ST, XLRN, IVZ, IIVI, BBIO, SEE, AXTA, QTWO, BPMC, GMED, ALK, PSTG, APPF, SKX, WMS, COLM, LSI, EGP, FOUR, MEDP, INSP, DSGX, ALSN, ASH, NYCB, WPX, SAIL, MRCY, SMTC, UPWK, ROLL, RXN, ENV, SSRM, CFX, TENB, WK, AXS, XEC, VICR, QLYS, DAVA, NVT, QTS, EQT, APAM, SWCH, CDLX, PRSP, SPSC, AIMC, TREE, SWX, STAA, GKOS, SVMK, AB, AMBA, MIME, CWST, NGVT, AXSM, CCOI, LGIH, RCM, PJT, ESE, LTHM, PCRX, BMI, EAT, HGV, BRC, SMPL, SFM, ZYME, IRBT, VRRM, SUM, SKYW, SHEN, QURE, THRM, XPER, KLIC, WHD, JACK, SILK, FSS, PRGS, SJW, NVMI, CUB, CALX, PRPL, TWNK, SCPL, AXNX, REAL, GTN, PRFT, MGRC, CVI, AAWW, BKE, SAND, MRTN, BALY, QTRX, CBZ, LNN, EVRI, TLND, ELF, ECOL, CHEF, JBSS, WOW, LIND, CPE, INS

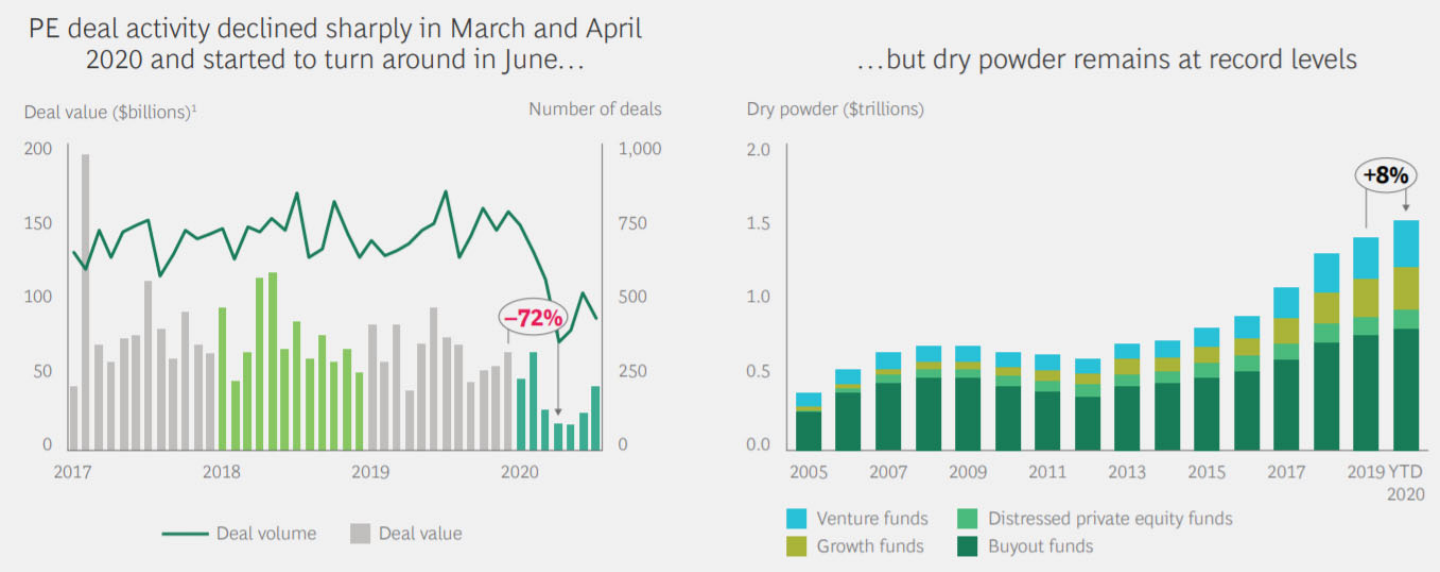
2020 M&A Review

It was a rather strong year for M&A in 2020 particularly in the latter half of the year as markets stabilized and economic optimism rose while the changing administration causing some urgency to get deals done before potential changes to tax laws. Deal activity in Q3 for the US reached over $400B, a 425% increase Y/Y. Q3 2020 saw an overall ~140% quarter-over quarter increase in global deal value to $891.4 billion, up from $372.2 billion in Q2 2020. It was not quite enough overcome the COVID-caused deal slowdown, through the first three quarters of 2020, M&A activity totaled $1.86 trillion in value, compared to $2.58 trillion over the same period in 2019, a ~28% decline. Deal count year-to-date has similarly decreased to 11,214 from 15,306 over the same period in 2019, a ~27% decline. Deal-making was led by the Technology sector. Since July, there has been US$2.1 trillion in deal activity — which would be the second-highest total on record for the second half of a year. The 2021 outlook for M&A is strong with a combination of large amounts of dry powder in both public markets and private equity, easy access to credit and a low-rate environment expected to continue through 2023, an urgency to do deals before a tax increase, and willing sellers from a year causing a lot of business fatigue from owners.









Source: Refinitiv (data correct to 14 December 2020)

Global*	USA*†	Europe*†	Asia-Pacific*†
M&A value	M&A value	M&A value	M&A value
$3,018.3bn	**$1,215bn**	**$785bn**	**$830bn**
M&A deal volume	M&A deal volume	M&A deal volume	M&A deal volume
43,413	**10,893**	**11,970**	**15,856**

Sector		Value $bn	%
1	TMT	942.3	31.22
2	Financials	435.0	14.41
3	Industrials and materials	387.0	12.82
4	Consumer*	367.0	12.16
5	Energy and power	299.3	9.91
6	Healthcare	265.0	8.78
7	Real estate	251.0	8.32
8	Infrastructure and transport	71.8	2.38
Total		**3,018.3**	**100**

* Includes retail

The largest deals in 2020 were:

- **S&P Global (SPGI)** announced a $44B deal for **IHS Markit (INFO)**
- **Nippon Telephone** announced a $40B deal for **NTT Docomo**
- **Alexion (ALXN)** received a $39B acquisition offer from **AstraZeneca (AZN)**
- **NVIDA (NVDA)** announced a $38B deal for **ARM Holdings (ARMH)**
- **Xilinx (XLNX)** was acquired by **Advanced Micro (AMD)** for $35B
- **AON (AON)** announces a $30B deal for **Willis Tower Watson (WLTW)**
- **Slack (WORK)** was acquired by **Salesforce (CRM)** for $27.2B
- **Immunomedics (IMMU)** was acquired by **Gilead (GILD)** for $21B
- **Marathon Petro (MPC)** Speedway unit was acquired by **7-Eleven** for $21B
- **Maxim Semi (MXIM)** was acquired by **Analog Devices (ADI)** for $20.5B
- **Livongo (LVGO)** was acquired by **TelaDoc (TDOC)** for $18.5B
- **Varian (VAR)** was acquired by **Siemen's** for $16.4B
- **E-Trade (ETFC)** was acquired by **Morgan Stanley (MS)** for $13B
- **Ellie Mae** was acquired by **Intercontinental (ICE)** for $11B
- **Dunkin (DNKN)** was acquired by **Inspire Brands** for $11.3B
- **Inphi (IPHI)** was acquired by **Marvell (MRVL)** for $10B
- **RealPage (RP)** was acquired by **Thomas Bravo** for $10.2B

A few other notable deals by sector included:

Healthcare:

- **Illumina (ILMN)** did a $7.1B deal for **Grail**
- **J&J (JNJ)** did a $6.5B deal for **Momenta (MNTA)**
- **DXC Health Services** was acquired by **Veritas Capital** for $5B
- **Gilead (GILD)** did a $4.9B deal for **Forty-Seven (FTSV)**
- **Sanofi (SNY)** bought **Principia Bio (PRNB)** for $3.6B
- **Biotelemetry (BEAT)** was acquired by **Phillips (PHG)** for $2.8B
- **Velos Bio** was acquired by **Merck (MRK)** for $2.75B
- **Aimmune (AIMT)** was acquired by **Nestle Health** for $2.6B
- **Eidos (EIDX)** was acquired by **Bridger-Bio (BBIO)** for $2.3B
- **Thrive** was acquired by **Exact Sciences (EXAS)** for $2.15B
- **AdaptHealth (AHCO)** acquired **AeroCare** for $2B
- **Akcea (AKCA)** was acquired by **Ionis (IONS)** for $1.85B
- **ArcherDX** was acquired by **Invitae (NVTA)** for $1.4B
- **Portola (PTLA)** was acquired by **Alexion (ALXN)** for $1.4B
- **Dermira (DERM)** was acquired by **Eli Lilly (LLY)** for $1.1B
- **Gilead (GILD)** announces a EUR1.15B deal for MYH

Tech:

- **SK Hynix** acquired **Intel's (INTC)** memory business for $9B
- **Microsoft (MSFT)** acquired **Zenimax Media** for $7.5B
- **CPA Global** was acquired by **Clarivate (CCC)** by $6.8B
- **Verizon (VZ)** announced a $6.25B deal for **Tracfone**
- **Aveva** did a $5B deal for **OSIsoft**
- **Roper (ROP)** announced a $5.35B deal for **Vertafore**
- **Veeam** was acquired by **Insight Partners** for $5B
- **Ancestry.com** was acquired by **Blackstone (BX)** for $4.7B
- **Baidu (BIDU)** bought **Joyy's (YY)** streaming business for $3.6B
- **PluralSight (PS)** was acquired by **Vista Equity** for $3.5B
- **American Tower (AMT)** bought **InSite Wireless** for $3.5B

- **Twilio (TWLO)** bought **Segment** for $3.2B
- **Virtusa (VRTU)** was acquired by **Baring PE** for $2B
- **ForeScout Tech (FSCT)** was acquired by **Advent** for $1.9B
- **MTS Systems (MTSC)** was acquired by **Amphenol (APH)** for $1.7B
- **Workfront** was acquired by **Adobe (ADBE)** for $1.5B
- **Amazon (AMZN)** acquired **Zoox** for $1.2B
- **Ericsson (ERIC)** bought **Cradlepoint** for $1B

Consumer:

- **Adevinta** acquired **eBay (EBAY)** Classifieds business for $9.2B
- **Home Depot (HD)** announces an $8B deal for **HD Supply (HDS)**
- **WalMart (WMT)** sold its **Asda** business to **The Issa Brothers** for $8.7B
- **Tegna (TGNA)** was acquired by **Najafi, Trinity** for $8.5B
- **Altice (ATUS)** acquired **Cogeco** for $7.8B
- **Liberty (LBTYA)** acquired **Sunrise Communications** for $7.4B
- **JustEat** acquired **GrubHub (GRUB)** for $7.3B
- **Blackstone RE (BX)** acquired the Las Vegas assets of **MGM Property (MGPI)** for $4.6B
- **Pepsi (PEP)** bought **Rockstar Energy** for $3.85B
- **Caesar's (CZR)** acquired **William Hill** for $3.7B
- **Apollo (APO)** announced a $3.3B deal for Great Canadian Gaming
- **1-800 Contacts** was acquired by **KKR** for $3B
- **Nielsen (NLSN)** Global Connect business was acquired by **Advent** for $2.7B
- **PostMates** was acquired by **Uber (UBER)** for $2.6B
- **ION Media** was acquired by **Scripps (SSP)** for $2.65B
- **CardWorks** was acquired by **Ally (ALLY)** for $2.65B
- **Supreme Brands** was acquired by **VF Corp (VFC)** for $2.1B
- **Net-End** was acquired by **Evolution Gaming** for $2.1B
- **Peak Gaming** was acquired by **Zynga (ZNGA)** for $1.8B
- **Acima** was acquired by **Rent-A-Center (RCII)** for $1.6B
- **Codemasters** was acquired by **Electronic Arts (EA)** for $1.2B
- **Give & Go Bakery** was acquired by **Mondelez (MDLZ)** for $1.2B

Energy/Materials:

- **Conoco (COP)** announced a $9.7B deal for **Concho Resources (CXO)**
- **Chevron (CVX)** announced a $5B deal for **Noble Energy (NBL)**
- **Pioneer (PXD)** announced a $4.5B deal for **Parsley Energy (PE)**
- **PPG (PPG)** announces a EUR1.1B deal for Tikkurila
- **WR Grace (GRA)** received a $4B buyout offer from **40-North**
- **K&S** Salt business was sold to **Stone Canyon** for $3.2B
- **Cenovus (CVE)** was acquired by **Husky Energy** for $2.9B
- **TC Pipelines (TCP)** was acquired by **TC Energy (TRP)** for $2.6B
- **QEP Resources (QEP)** was acquired by **Diamondback (FANG)** for $2.2B
- **Arcelor (MT)** US operations were bought by **Cliff (CLF)** for $1.4B

Industrial/Utility:

- **Berkshire** bought **Dominion's (D)** Natural Gas assets for $9.7B
- **PNM Resources (PNM)** was acquired by **Avangrid (AGR)** for $8.3B
- **Alstom** acquired **Bombardier's** Train unit for $7B
- **Mobile Mini (MINI)** was acquired by **WillScot (WSC)** for $6.6B
- **Woodward (WWD)** announced a $6.4B deal for **Hexcel (HXL)**
- **Aerojet (AJRD)** was acquired by **Lockheed (LMT)** for $5B
- **Viridor** was acquired by **KKR** in a $5.2B deal
- **Brookfield Energy (BEP)** acquired **TerraForm (TERP)** for $3.86B

- **Navistar (NAV)** was acquired by **Volvo** for $3.5B
- **Northrop's (NOC)** Federal IT & Mission Support business was acquired by **Veritas Capital** for $3.4B
- **Borg Warner (BWA)** bought **Eaton's (ETN)** Hydraulics unit for $3.3B
- **Argo Merchants** was acquired by **Americold (COLD)** for $1.74B
- **Open Systems** was acquired by **Emerson (EMR)** for $1.6B
- **CAM** was acquired by **Stanley (SWK)** for $1.5B
- **Sparta Systems** was acquired by **Honeywell (HON)** for $1.3B

Financial:

- **BBVA USA Bancshares** was acquired by **PNC (PNC)** for $11.6B
- **Worldline** announces an $8.6B deal for **Ingenico**
- **Morgan Stanley (MS)** announced an $8.3B deal for **Eaton Vance (EV)**
- **Intuit (INTU)** announced a $7.1B deal for **Credit Karma**
- **Huntington Bancshares (HBAN)** did a $6B deal for **TCF Financial (TCF)**
- **Visa (V)** announced a $5.3B deal for **Plaid**
- **Atlantic Financial** was acquired by **KKR** for $4.4B
- **Legg Mason (LM)** was acquired by **Franklin (BEN)** for $4.39B
- **Zurich Insurance** bought **MetLife's (MET)** Auto & Home units for $3.94B
- **Simon Property (SPG)** bought **Taubman (TCO)** for $3.6B
- **South State Bancorp (SSB)** was acquired by **Center State (CSFL)** for $3B
- **FGL Holding (FG)** was acquired by **Fidelity Financial (FNF)** for $2.7B
- **Verafin** was acquired by **Nasdaq (NDAQ)** for $2.75B
- **Front Yard Residential (RESI)** was acquired by **Amherst** for $2.3B
- **Safe Harbor Marinas** was acquired by **Sun Communities (SUI)** for $2.1B
- **Waddell & Reed (WDR)** was acquired by **Macquarie** for $1.7B
- **eNett** was acquired by **Wex (WEX)** for $1.7B
- **Versant Health** was acquired by **MetLife (MET)** for $1.68B
- **Cardtronic (CATM)** was acquired by **Apollo (APO)** for $1.35B

DISCLAIMER:

Data Accuracy: This report was prepared from 12-01-2020 to 12-31-2020 so some of the figures may not be exact as of the end of 2020, but due to the time-intensive nature of the project it was required. The data provided is deemed to be reliable and was collected from multiple sources. Charts are provided courtesy of Finviz.com, Y-Charts, TrendSpider and Tradingview.com.

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