



# MarketOutlook

## 2021

By K. Sean Clark, CFA<sup>®</sup>

Thursday, January 7, 2021

# Tale of Two Markets

Domestic Equity		12/31/2019 – 3/23/2020*	3/23/2020 – 12/31/2020*	2020
	S&P 500	-30.43%	70.17%	18.39%
	Russell 1000	-31.07%	75.48%	20.95%
	Russell 2000	-39.74%	99.02%	19.93%
	Russell 3000	-31.64%	76.82%	20.88%
	Russell 1000 Value	-37.41%	64.21%	2.78%
	Russell 1000 Growth	-25.11%	84.93%	38.49%
International Equity				
	MSCI Emerging Market	-31.80%	73.47%	18.31%
	MSCI All Country World (ex US)	-33.33%	65.96%	10.65%
Fixed Income				
	BBgBarc U.S. Aggregate Bond	1.04%	6.40%	7.51%
	BBgBarc U.S. Treasury	7.81%	0.18%	8.00%
	BBgBarc U.S. Corporate	-9.95%	22.03%	9.89%
	BBgBarc U.S. Corporate High Yield	-19.78%	33.53%	7.11%
	BBgBarc Municipal	-7.62%	13.89%	5.21%

Past performance is not indicative of future results. This is not a recommendation to buy or sell a particular security. Please see attached disclosures.

Source: Morningstar Direct. \*3/23/2020 was the lowest point in the market for 2020.

# 2021 Outlook – Executive Summary

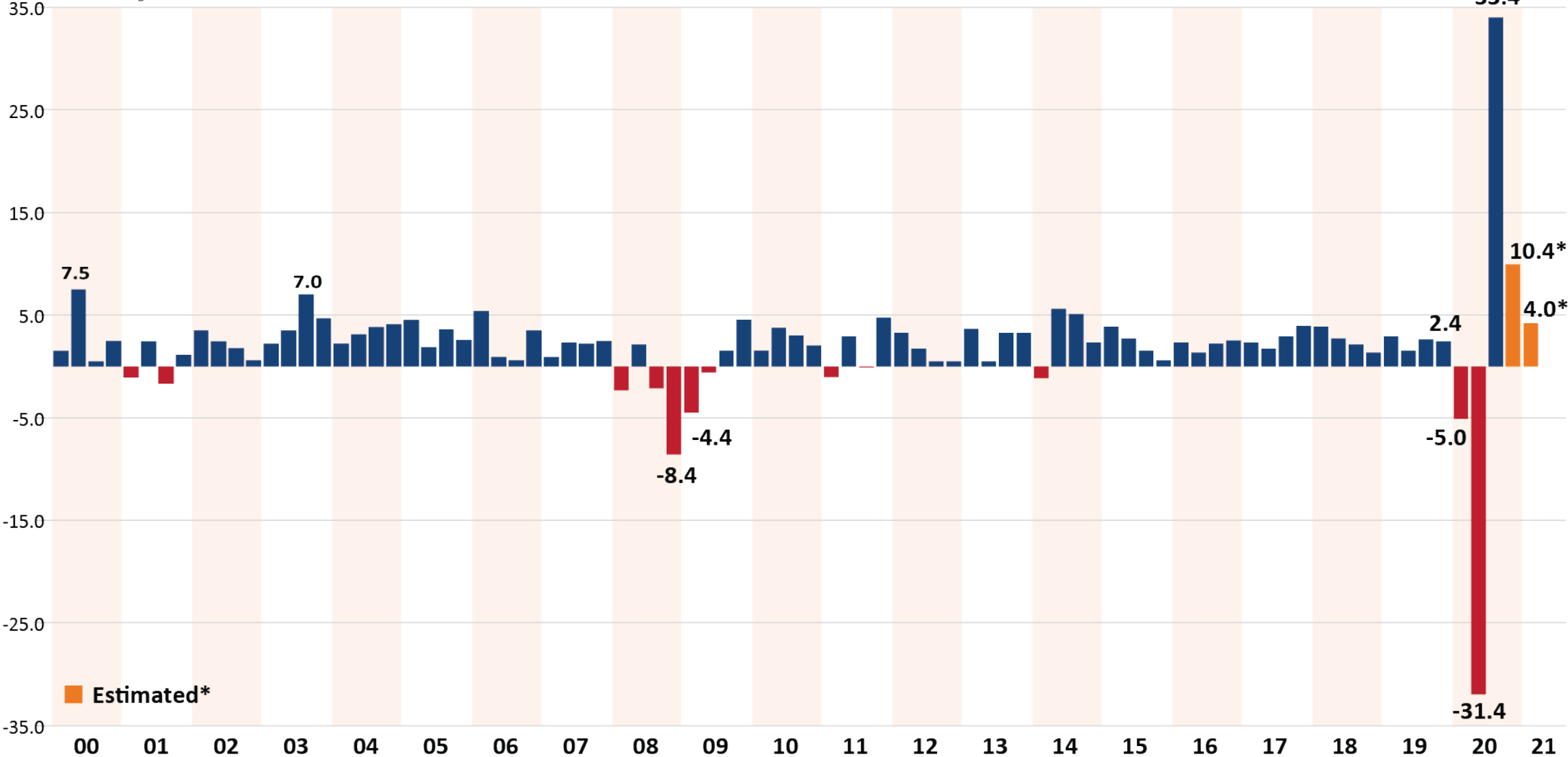
We believe:

- Continuation of secular bull market. 2021 S&P 500 target 4150 as P/E multiples contract with strong earnings recovery
- Post presidential election year trends suggest first half strength followed by second half consolidation
- Weakening USD, valuation gap, and economic recovery support international market outperformance, led by emerging markets
- Economy – Unprecedented monetary and fiscal policy support continues. Strong economy reopening momentum, pent up demand for spending, and strong housing trends suggest above trend economic growth. For U.S. economy, we expect 5.0% real economic growth. Global economy to grow 5.5%
- Risks to the outlook – Slower than expected vaccine rollout, equity market valuations, optimistic investor sentiment, tax hikes, and inflation
- Fixed Income – Short-term rates anchored, yield curve steepens. 10-Year Treasury yield rangebound between 0.75% - 1.5%. Modest steepening of the yield curve. Continued economic expansion supportive of credit
- Federal Reserve – Pedal to the metal, remains supportive of economic growth and markets



# United States GDP Annualized Growth As of 12/31/2020

Percent Change in Gross Domestic Product



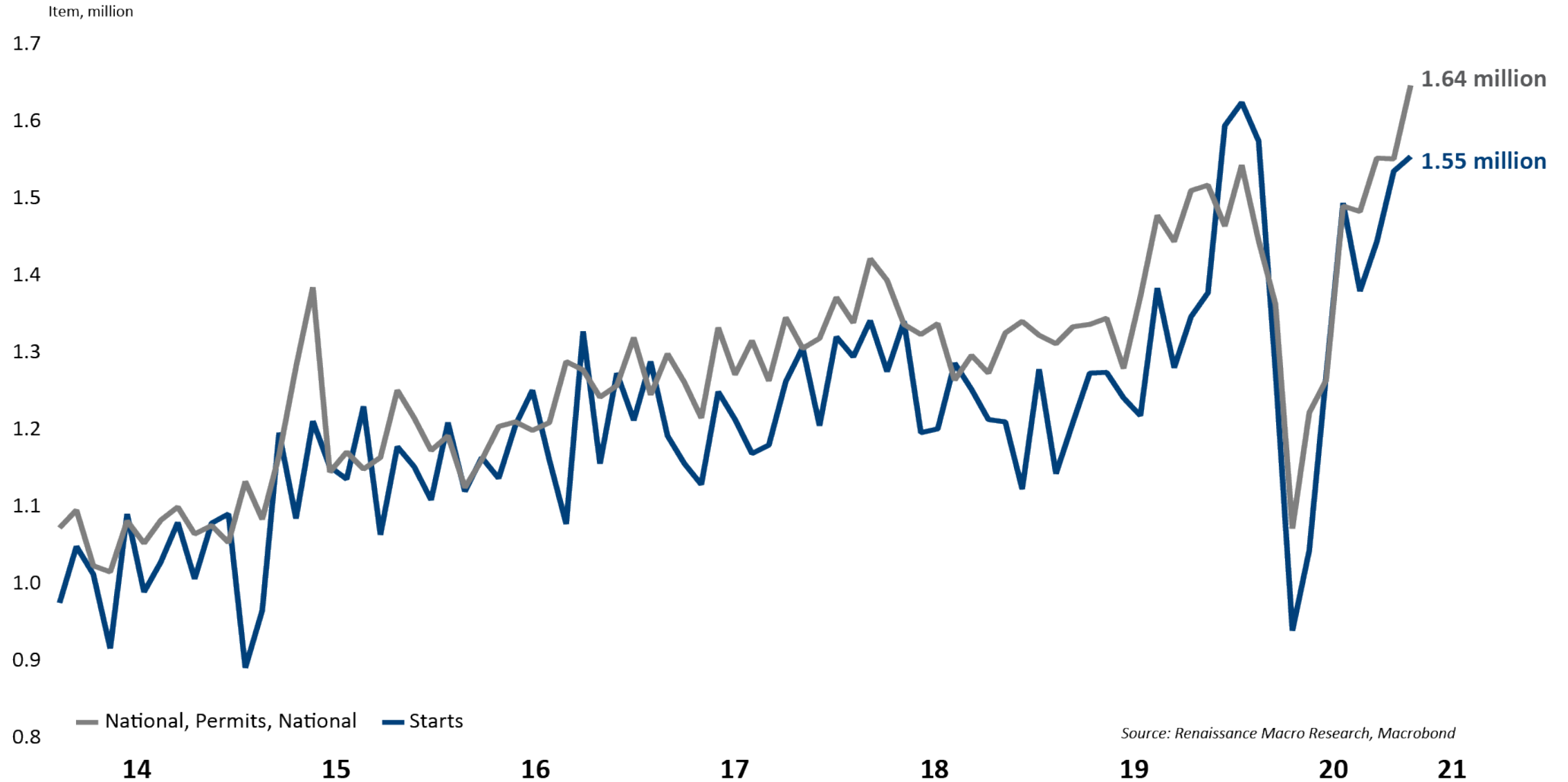
Source: FRED, Federal Reserve Economic Data

For illustrative purposes only. Projections or other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.





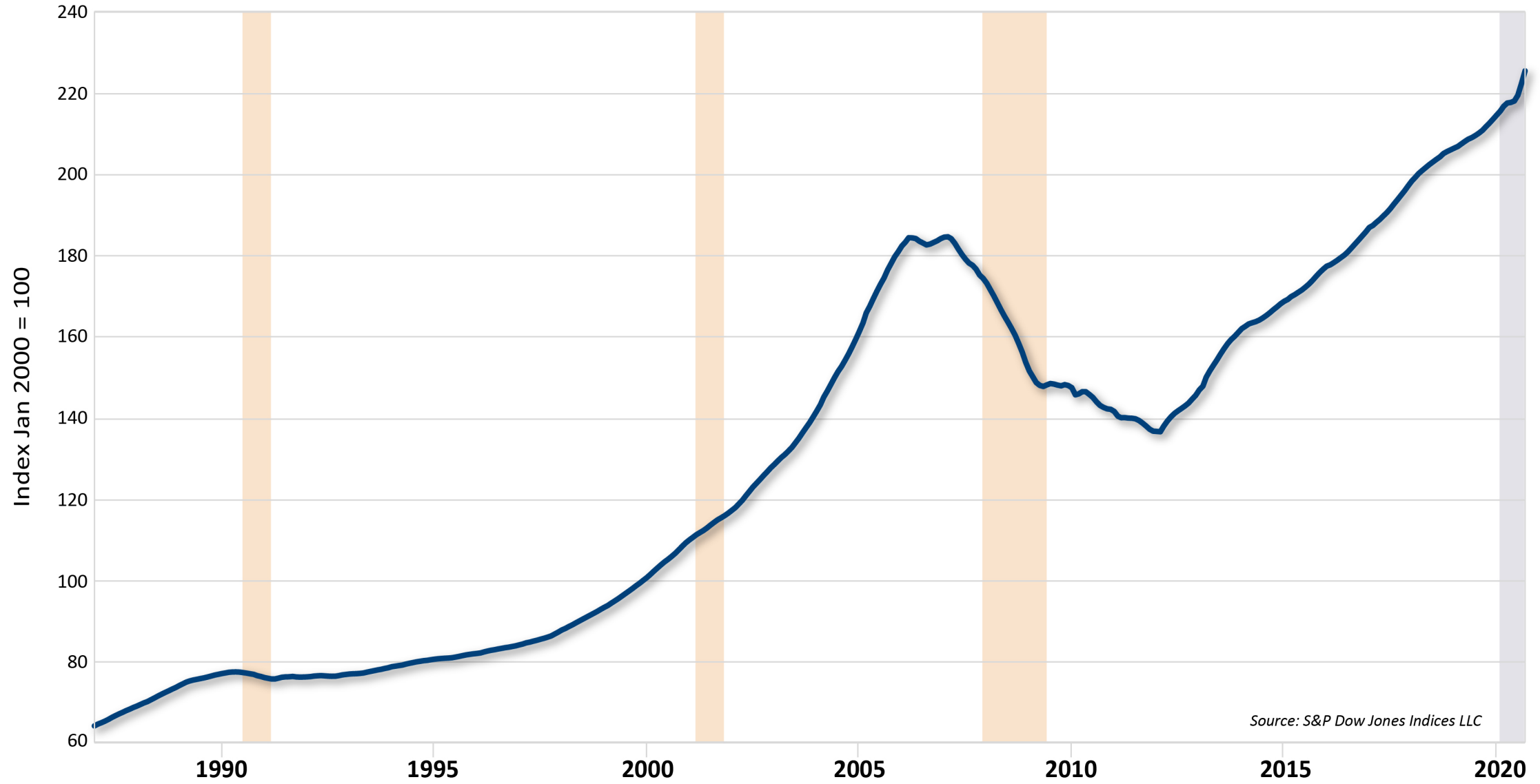
# Permits Hit A Cycle High



Source: Renaissance Macro Research, Macrobond



# S&P/Case-Shiller U.S. National Home Price Index



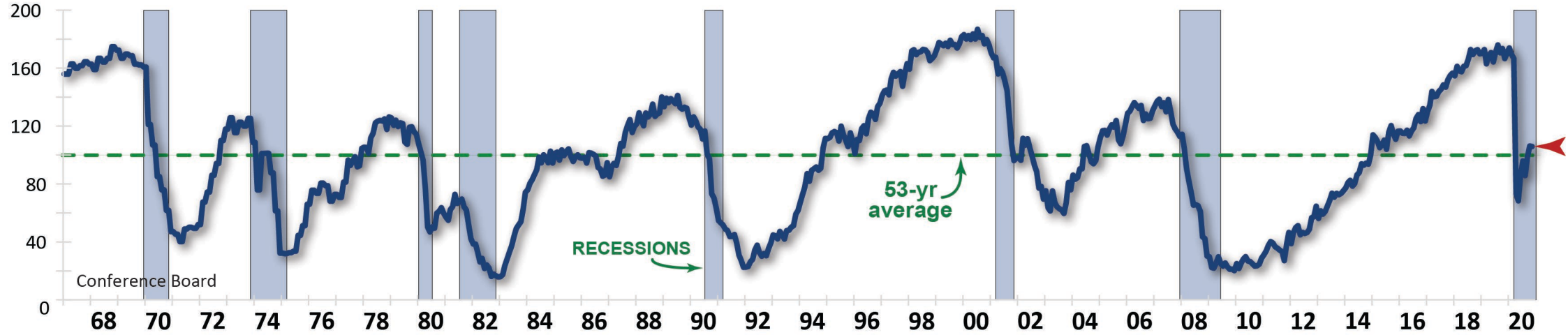
Source: S&P Dow Jones Indices LLC

Source: FRED, Board of Governors of the Federal Reserve System (US)

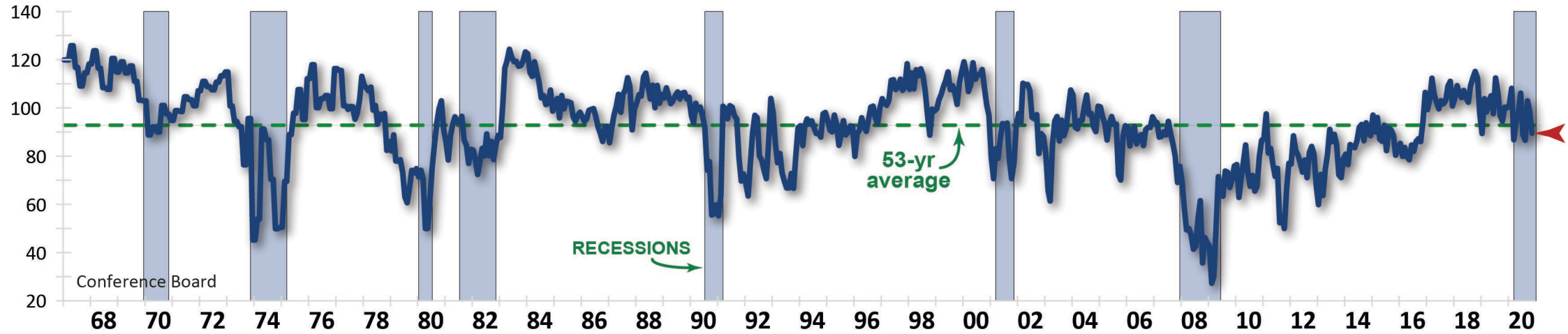


# Consumer Confidence

## “Present Situation”



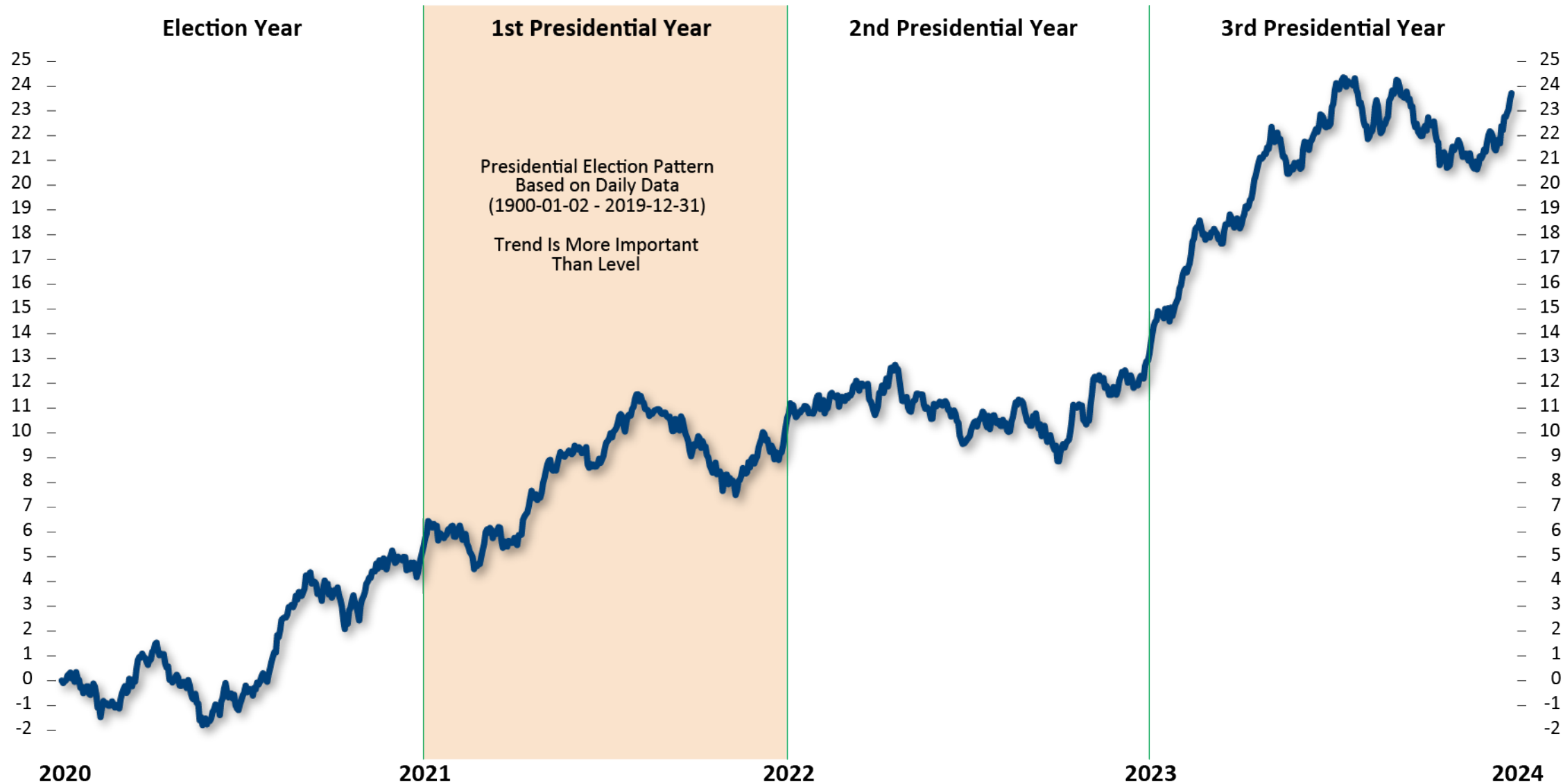
## “Future Expectations”



Source: InvesTech Research

For illustrative purposes only. Projections or other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

# Dow Industrials Four-Year Presidential Cycle



S01642  
Past performance is not indicative of future results.

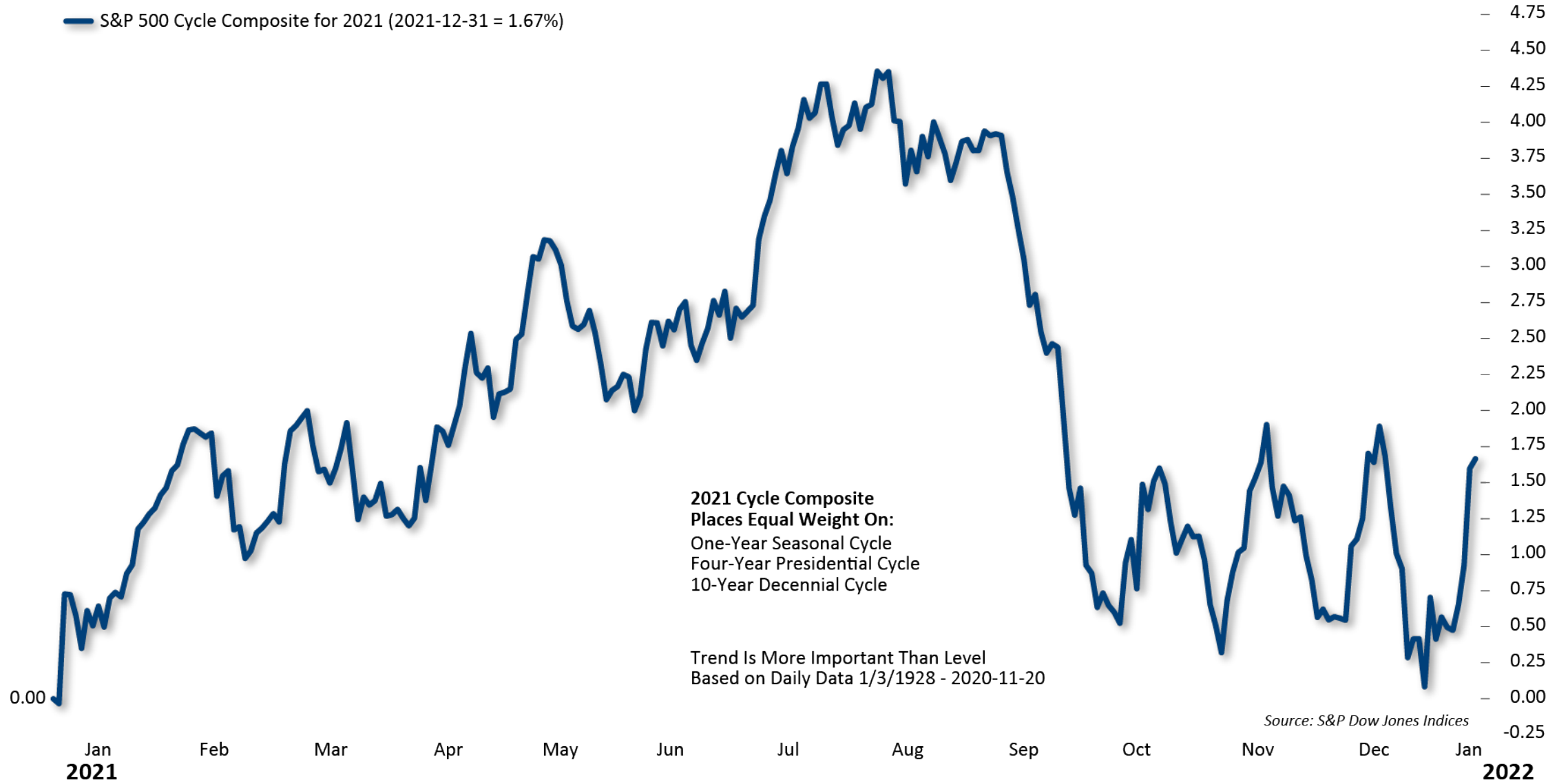
Source: Ned Davis Research



# Preliminary S&P 500 Cycle Composite for 2021

Daily Data 2020-12-31 to 2021-12-31

— S&P 500 Cycle Composite for 2021 (2021-12-31 = 1.67%)



Source: S&P Dow Jones Indices

Source: Ned Davis Research

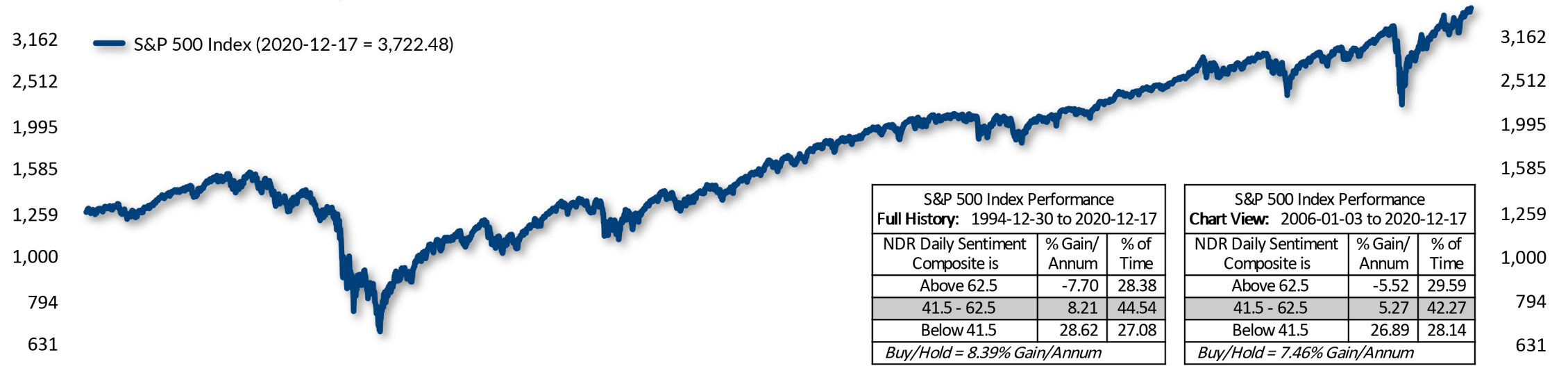
SSF20\_45A\_C

For illustrative purposes only. Projections or other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

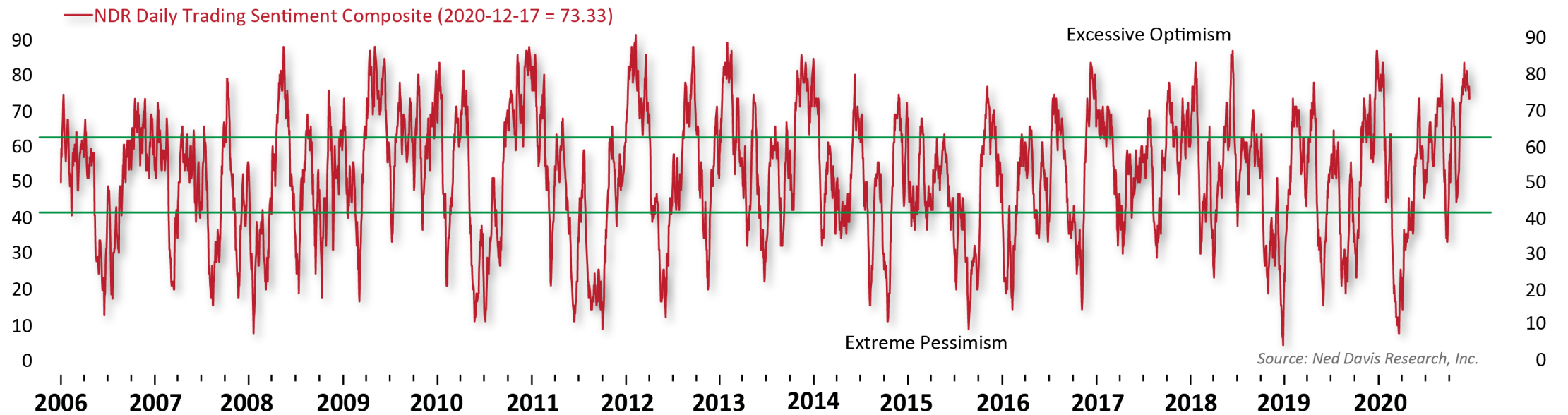


# S&P 500 vs. NDR Daily Trading Sentiment Composite

Daily Data 2006-01-03 to 2020-12-17



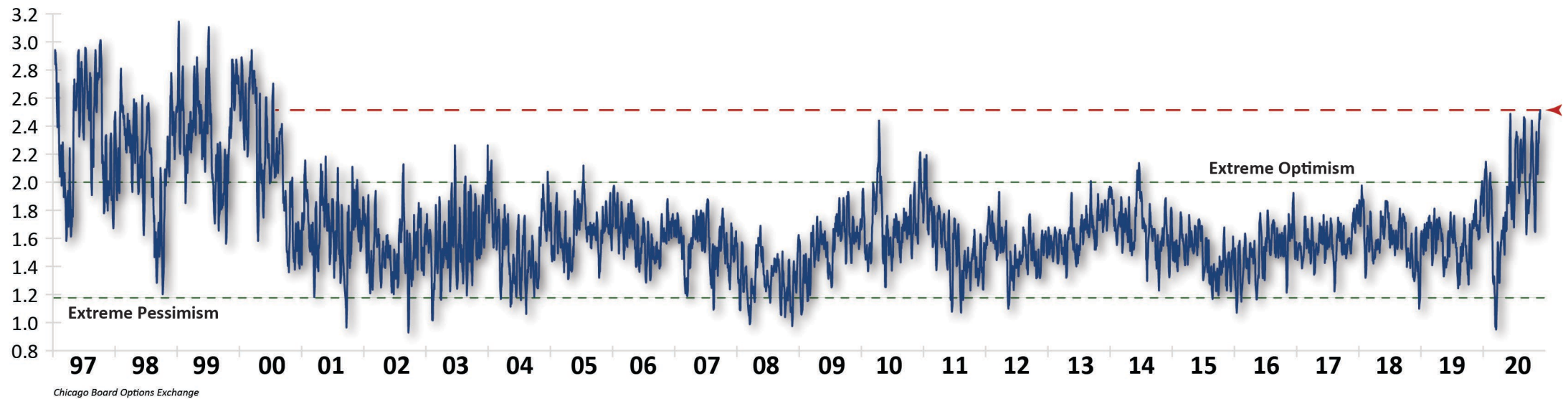
Source: S&P Dow Jones Indices



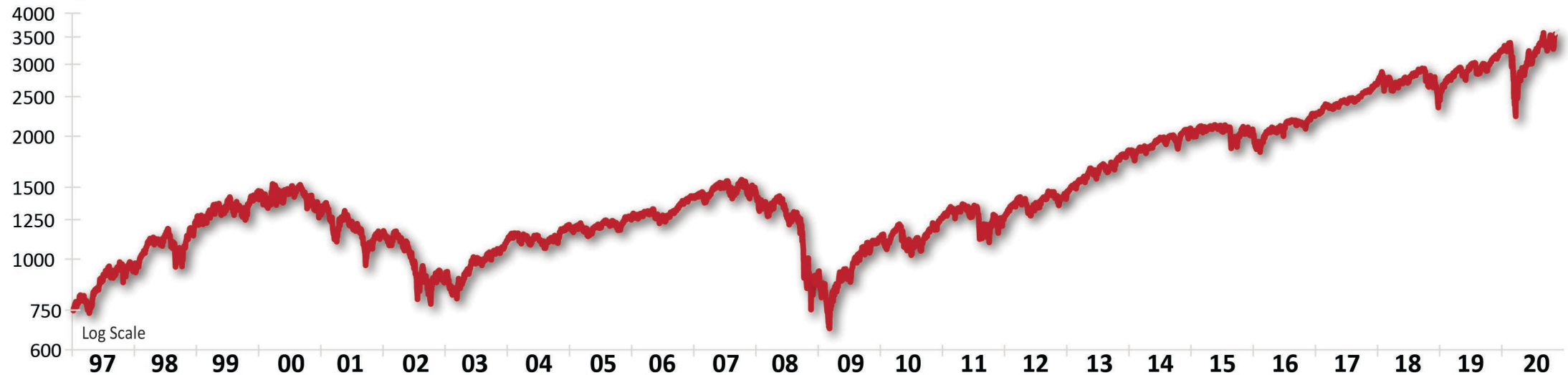
Source: Ned Davis Research, Inc.



## CBOE Equity Call/Put Ratio (5-Day Moving Average)



## S&P 500



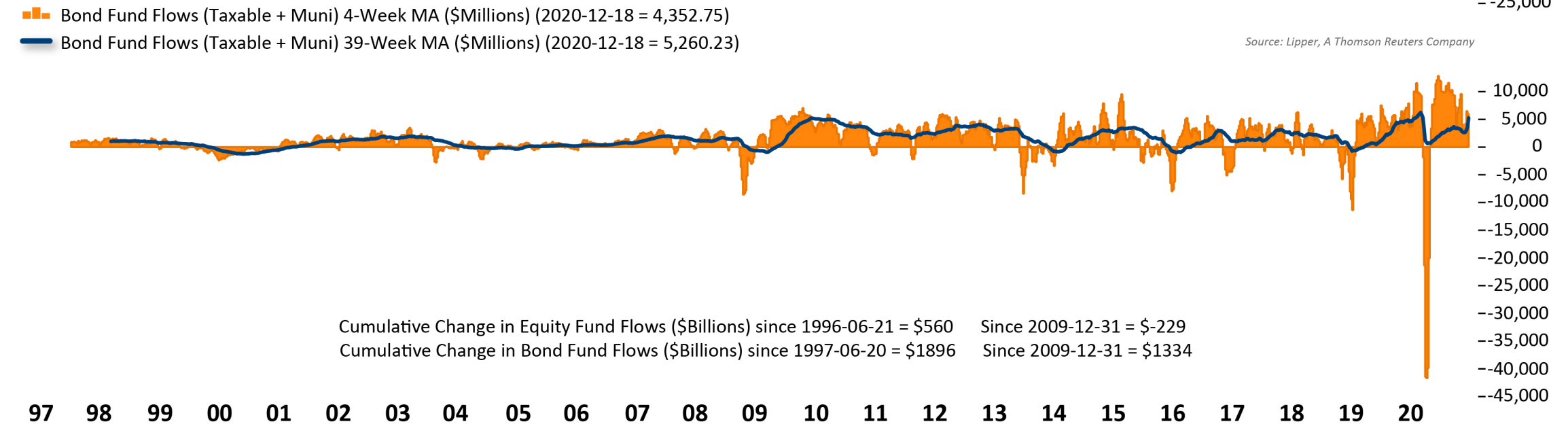
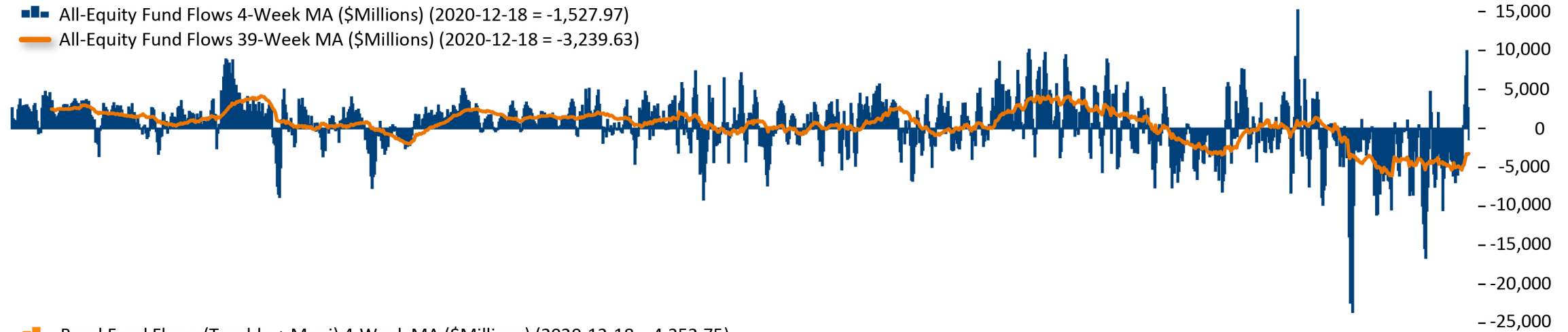
Source: InvesTech Research

Past performance is not indicative of future results.



# Equity and Bond Flows Including ETFs

Weekly Data 1996-06-21 to 2020-10-02



Source: Lipper, A Thomson Reuters Company

Cumulative Change in Equity Fund Flows (\$Billions) since 1996-06-21 = \$560    Since 2009-12-31 = \$-229  
 Cumulative Change in Bond Fund Flows (\$Billions) since 1997-06-20 = \$1896    Since 2009-12-31 = \$1334

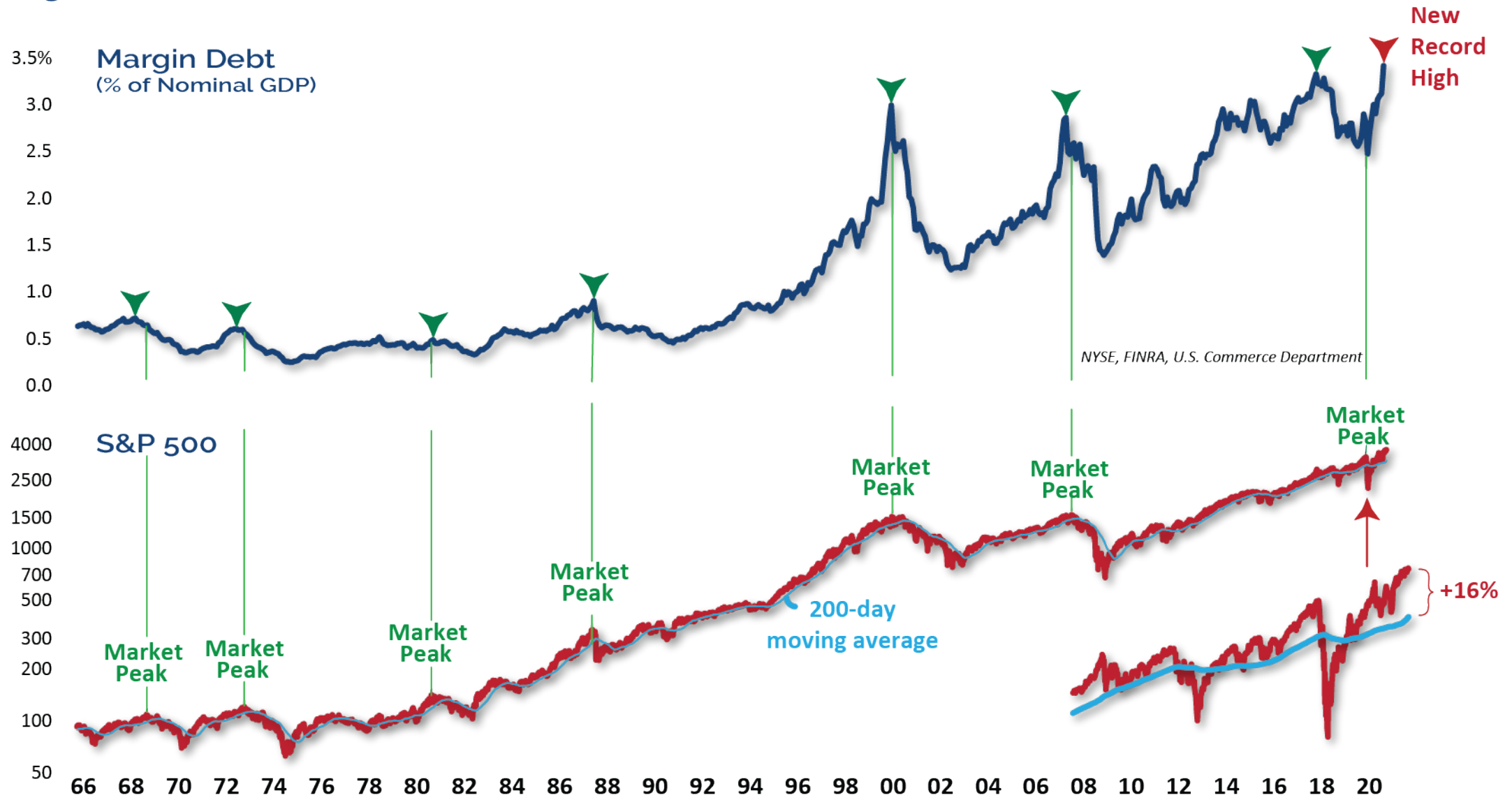
DAVIS207

Past performance is not indicative of future results.

Source: Ned Davis Research



# Margin Debt vs. S&P 500 Index



Past performance is not indicative of future results.

Source: InvesTech Research

# NYSE Advance/Decline Line

# NYSE CUMULATIVE ADVANCE/DECLINE LINE (ALL SECURITIES) (weekly)

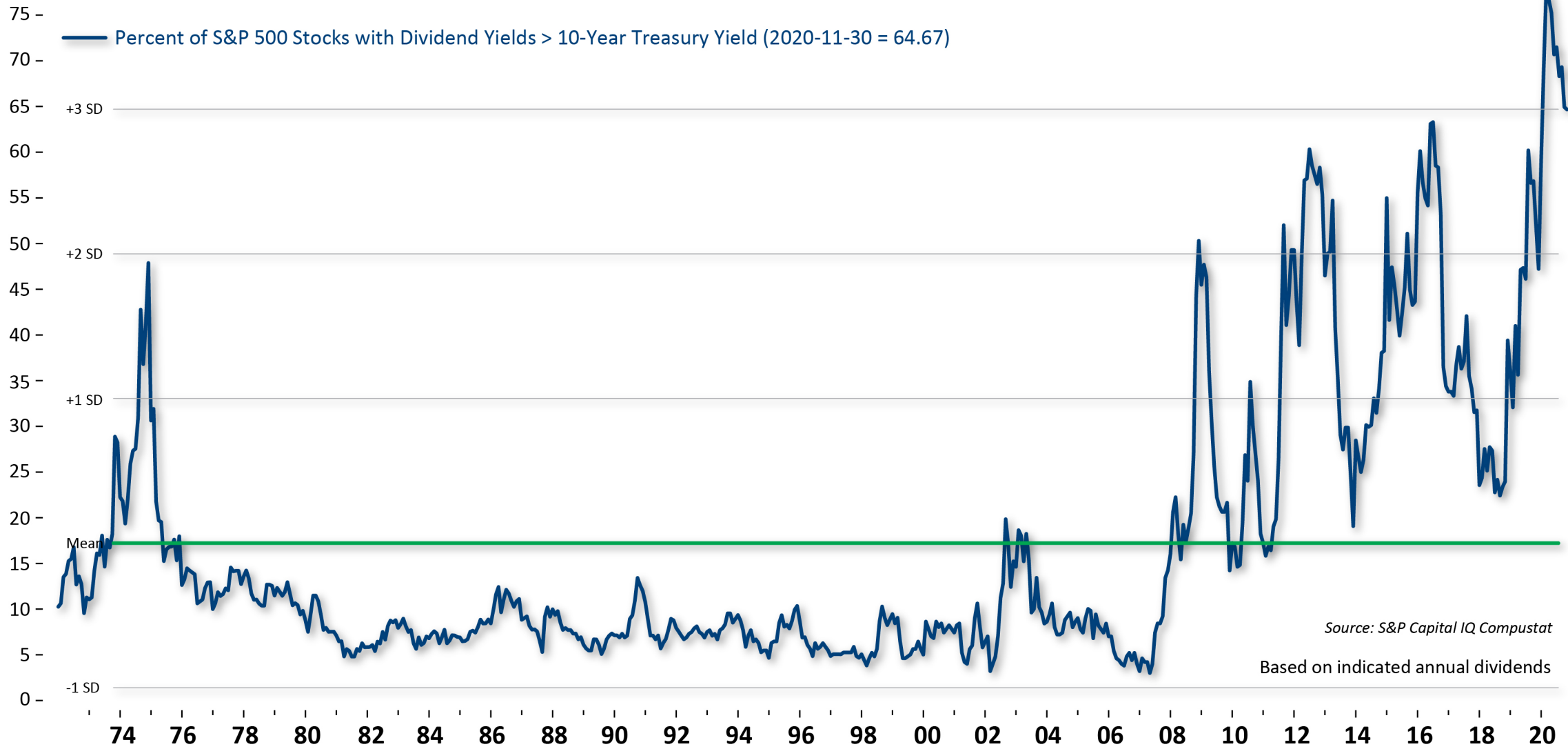


Past performance is not indicative of future results.

Source: yardeni.com

# Percent of S&P 500 Stocks with Dividend Yields > 10-Year Treasury Yield

Monthly Data 1972-01-31 to 2020-11-30



Source: S&P Capital IQ Compustat

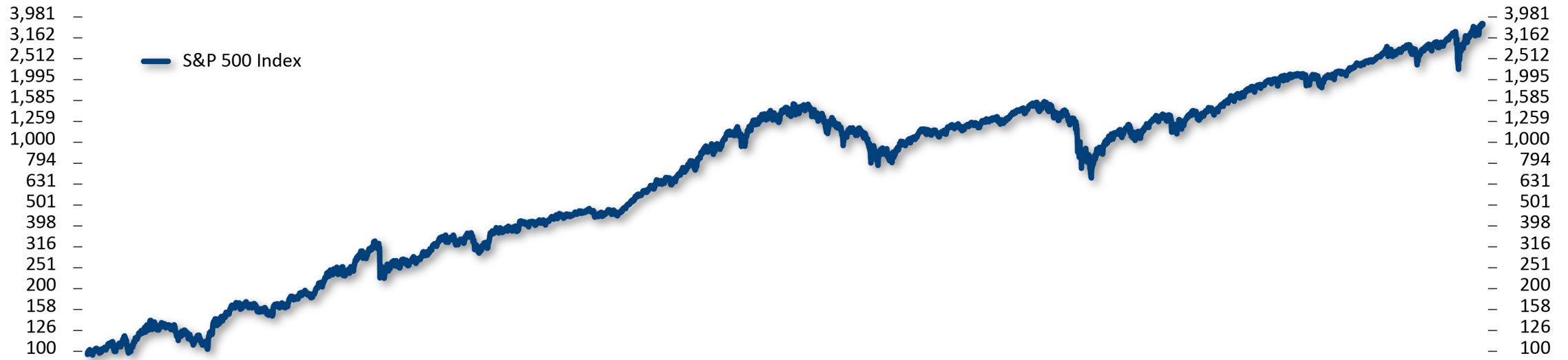
Based on indicated annual dividends

Source: Ned Davis Research

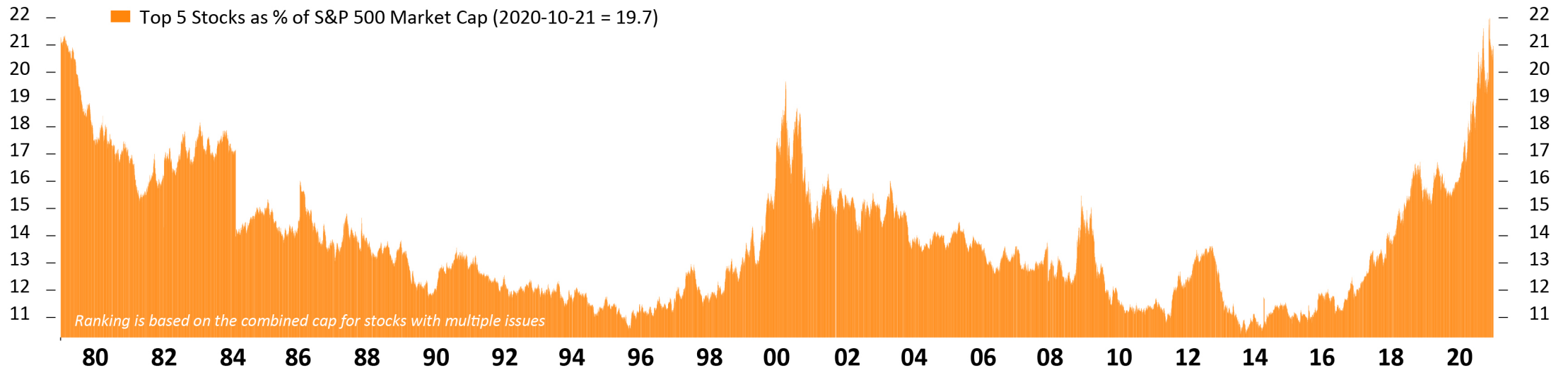


# S&P 500 vs. Top 5 S&P 500 Stocks by Market Cap as a % of Total S&P 500 Market Cap

Daily Data 1979-01-02 to 2020-12-15 (Log Scale)



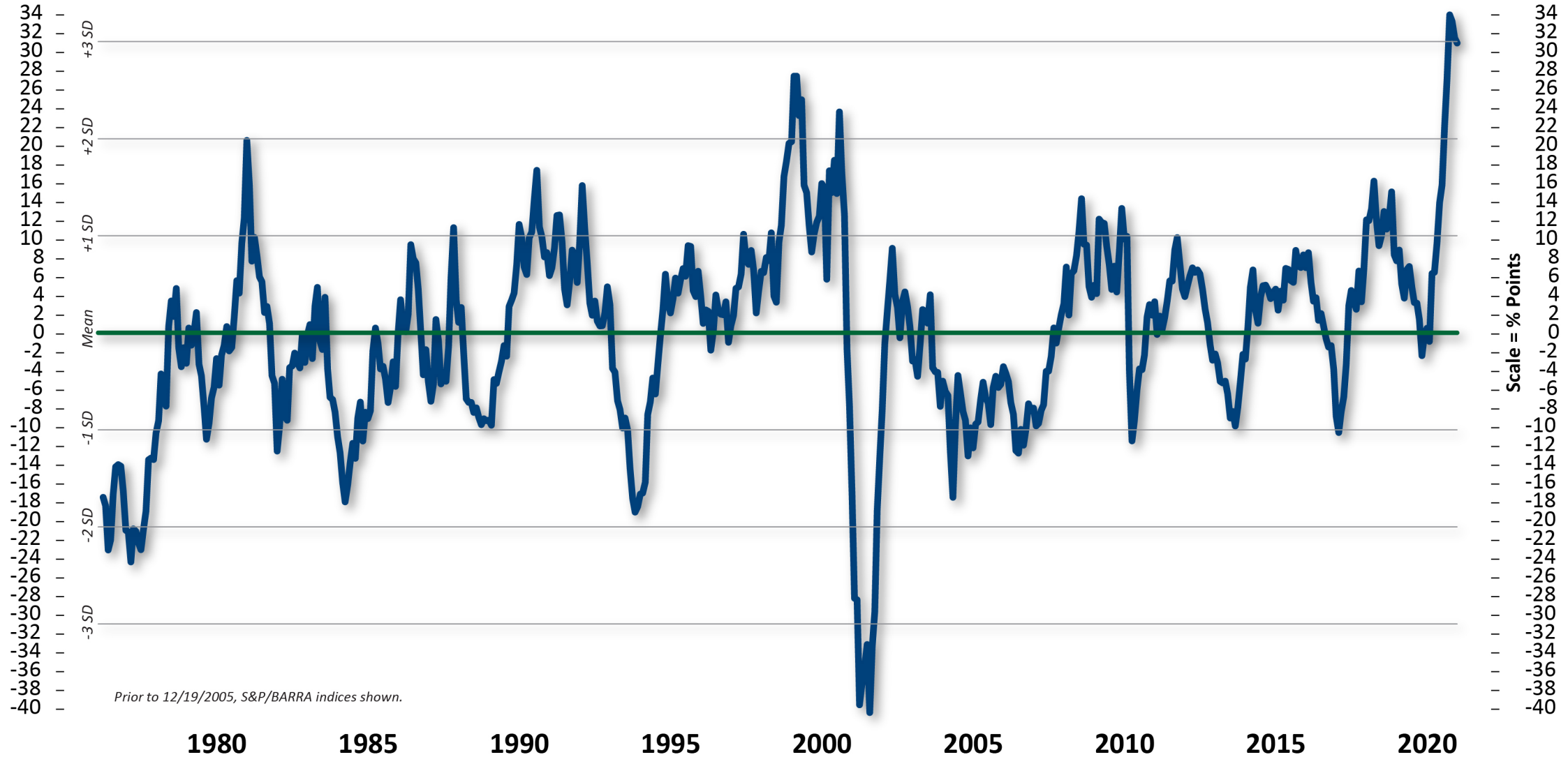
Source: S&P Dow Jones Indices



Source: Ned Davis Research, Inc.

# S&P 500/Citigroup Growth Total Return Index (Y/Y) minus S&P 500/Citigroup Value Total Return Index (Y/Y) — Monthly

Monthly 12/31/1975 - 11/30/2020



Prior to 12/19/2005, S&P/BARRA indices shown.

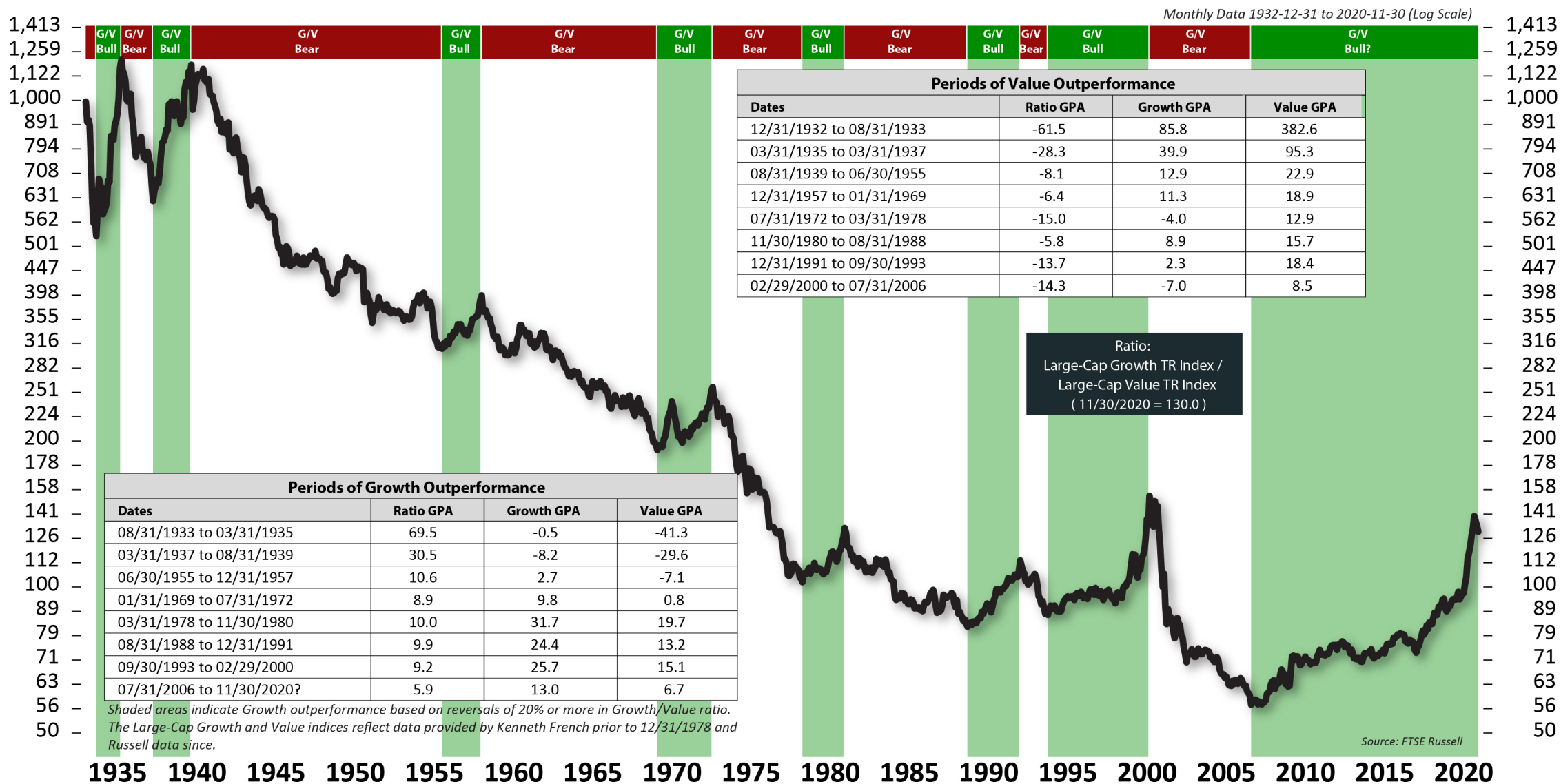
(AA062)

Past performance is not indicative of future results.

Source: Ned Davis Research



# Long-Term Trends in Large-Cap Growth/Value Relative Performance



AA067A

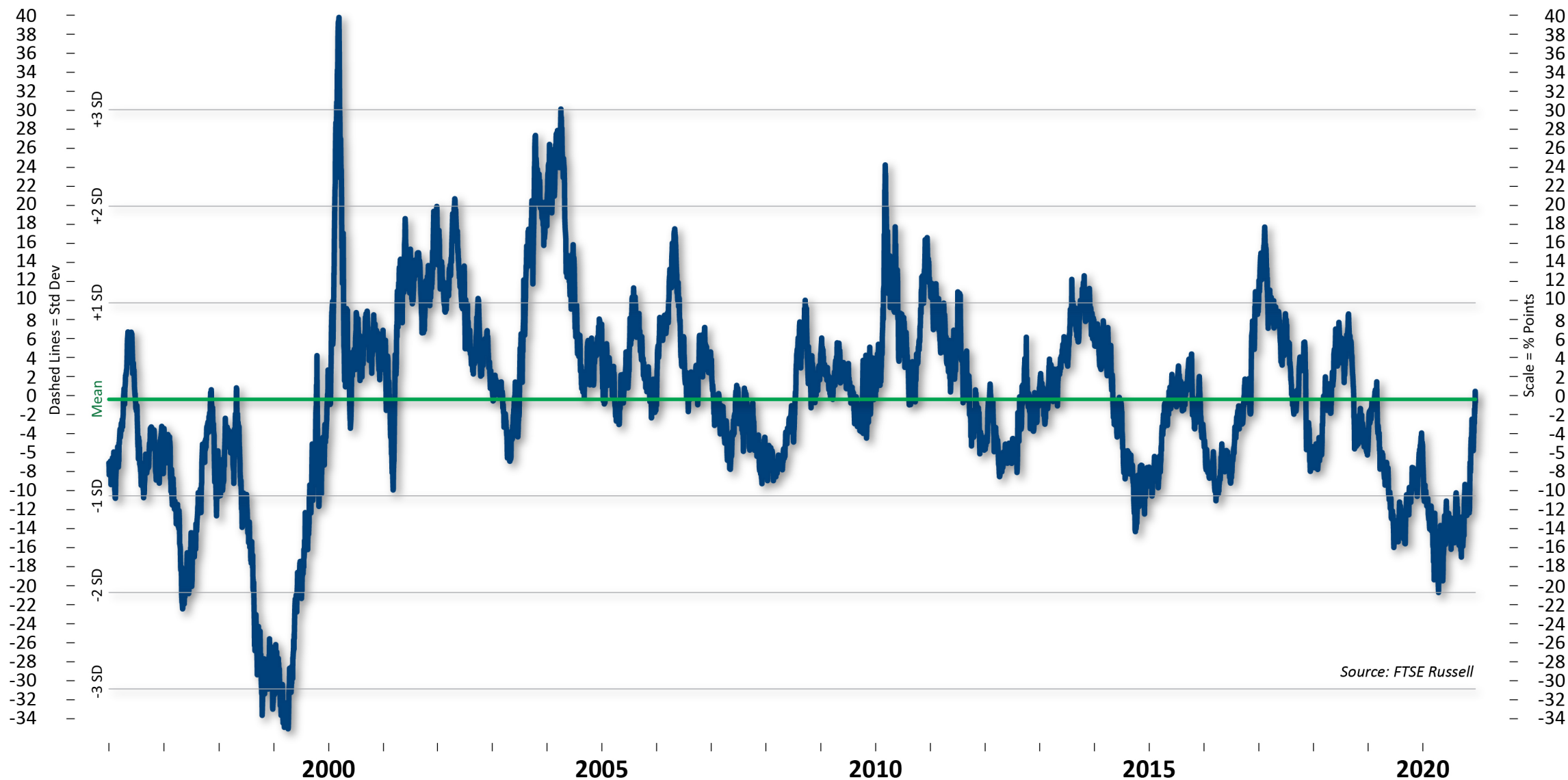
Past performance is not indicative of future results.

Source: Ned Davis Research



# Russell 2000 (Y/Y) minus Russell 1000 (Y/Y) — Daily

Monthly Data 1996-01-02 to 2020-12-16



AA133

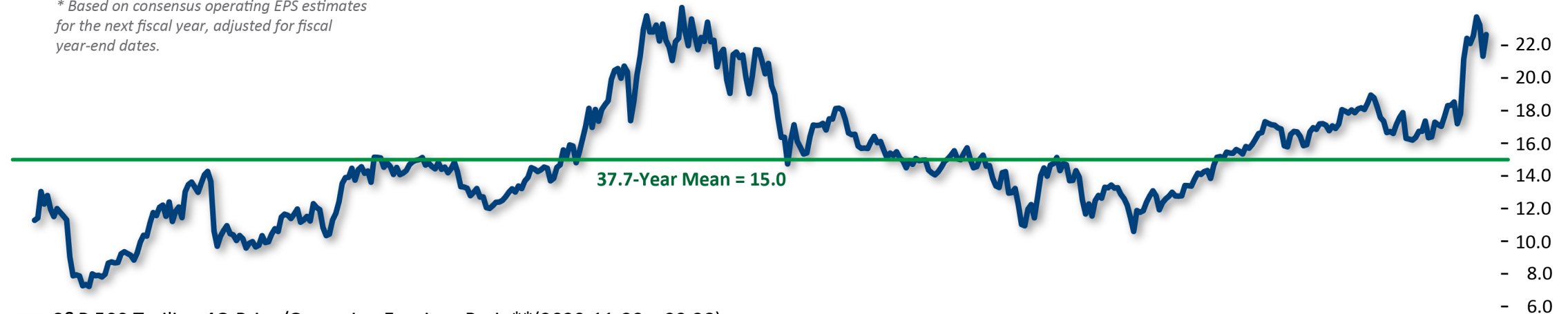
Source: Ned Davis Research

# S&P 500 Forward vs. Trailing Price/Earnings Ratios

Monthly Data 1983-02-28 to 2020-11-30

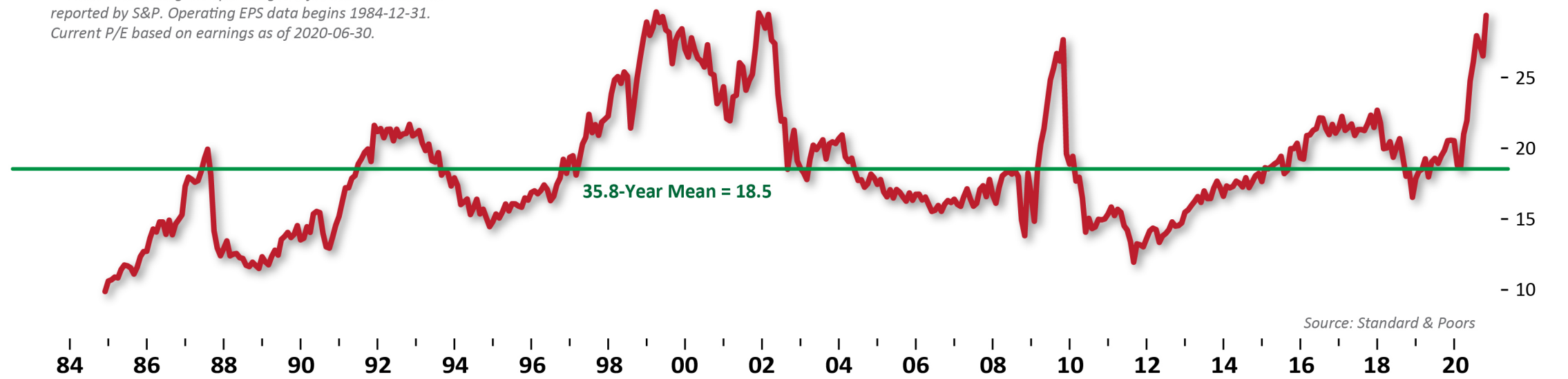
— S&P 500 One-Year Forward Price/Earnings Ratio\*(2020-11-30 = 22.66)

\* Based on consensus operating EPS estimates for the next fiscal year, adjusted for fiscal year-end dates.



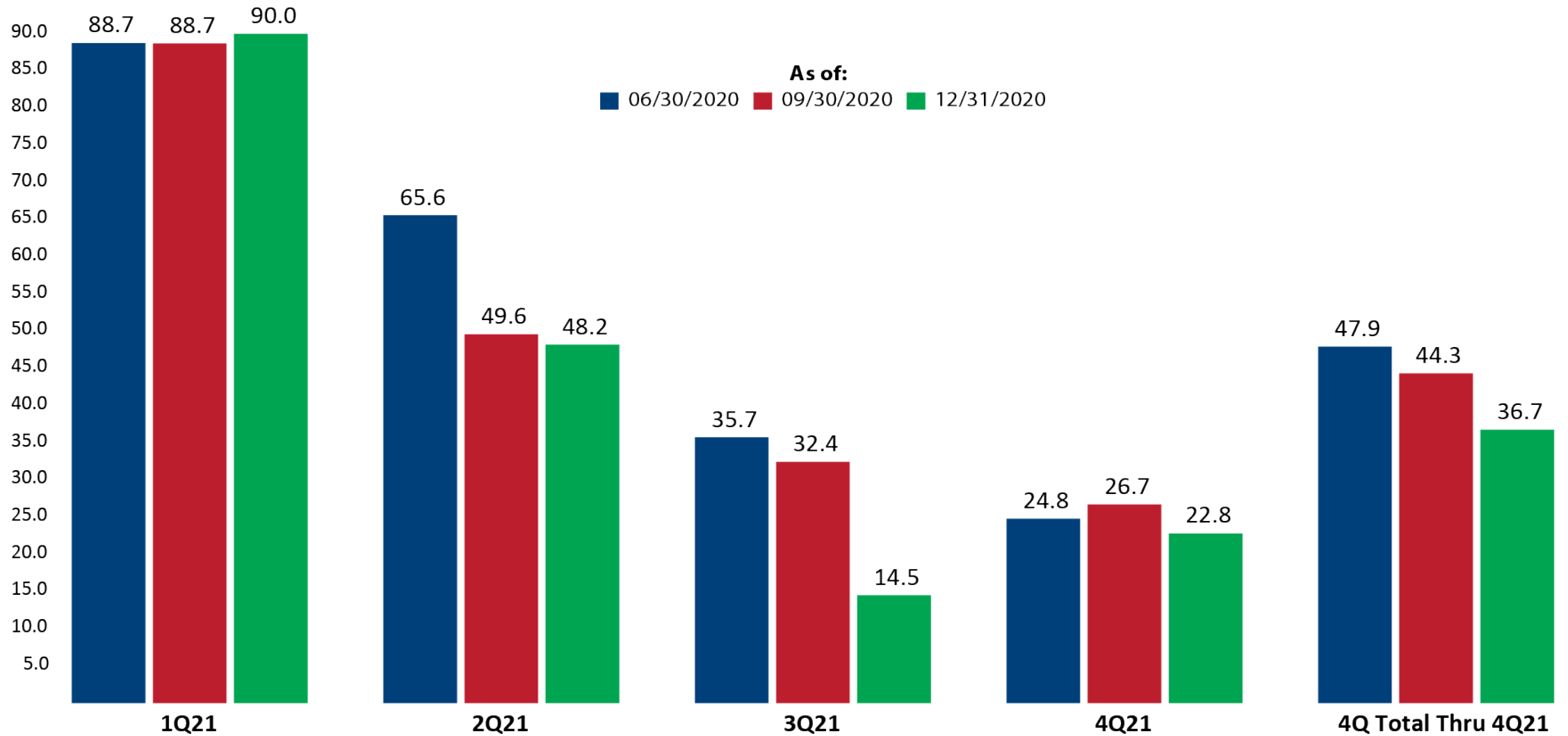
— S&P 500 Trailing 4Q Price/Operating Earnings Ratio\*\*(2020-11-30 = 29.38)

\*\* Based on trailing 4Q operating EPS for S&P 500 Index as reported by S&P. Operating EPS data begins 1984-12-31. Current P/E based on earnings as of 2020-06-30.





## S&P 500 Consensus Operating EPS Estimates (Year/Year % Change) — 2021



S676\_2021

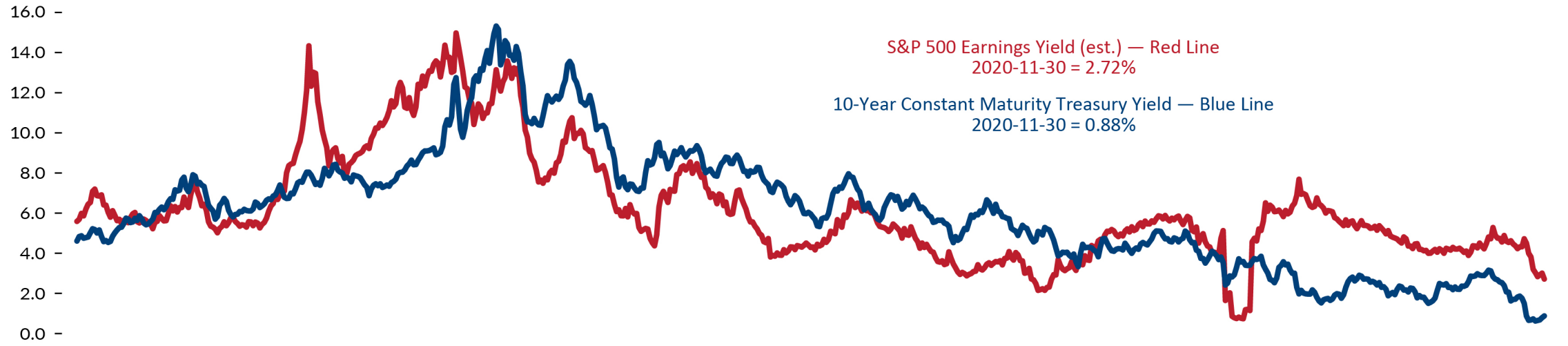
Source: Ned Davis Research

For illustrative purposes only. Projections or other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

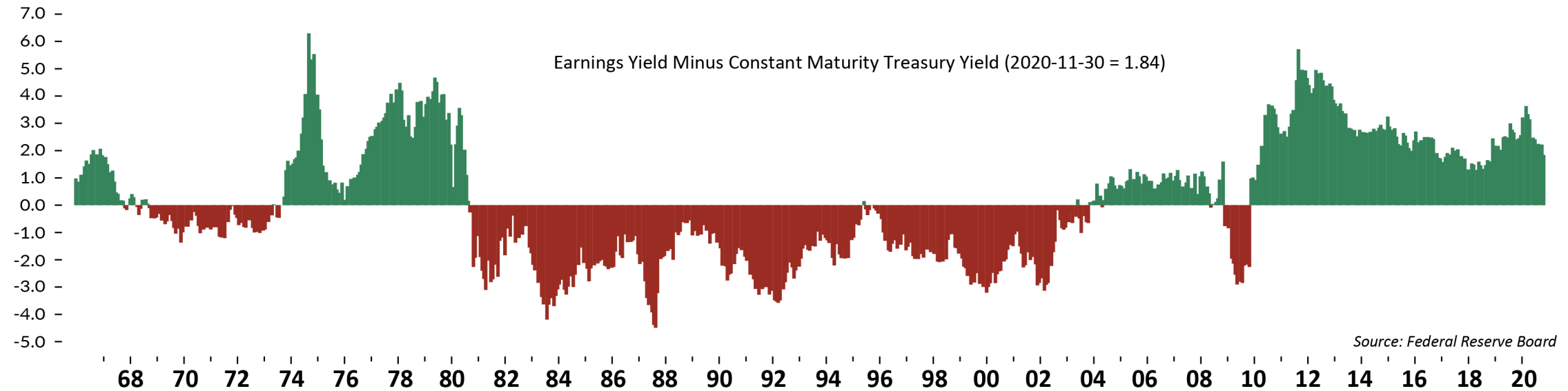


# S&P 500 Earnings Yield vs. 10-Year Treasury Yield

Monthly Data 1966-01-31 to 2020-11-30



Source: Federal Reserve Board, Standard & Poor's

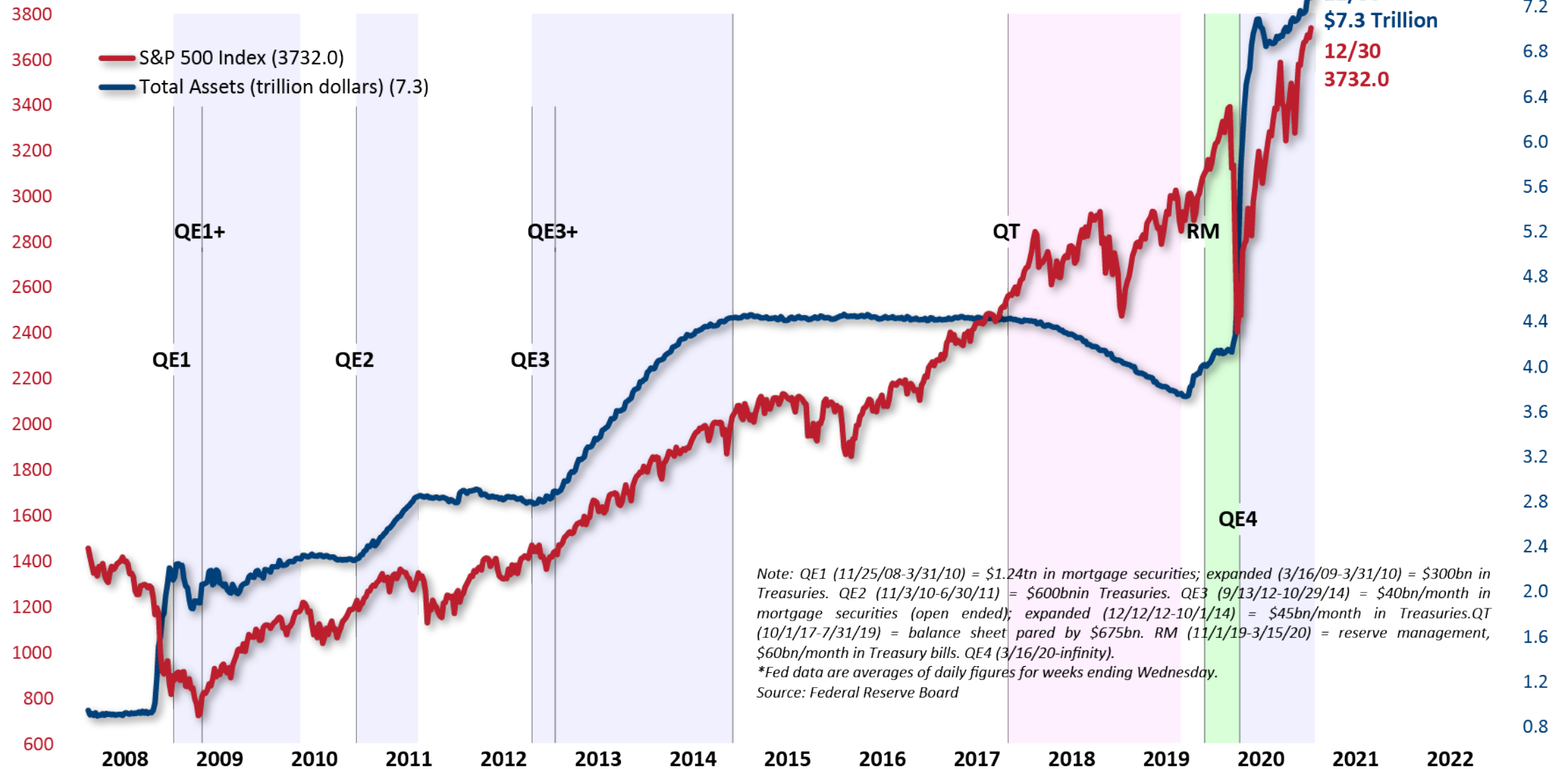


Source: Federal Reserve Board

Source: Ned Davis Research



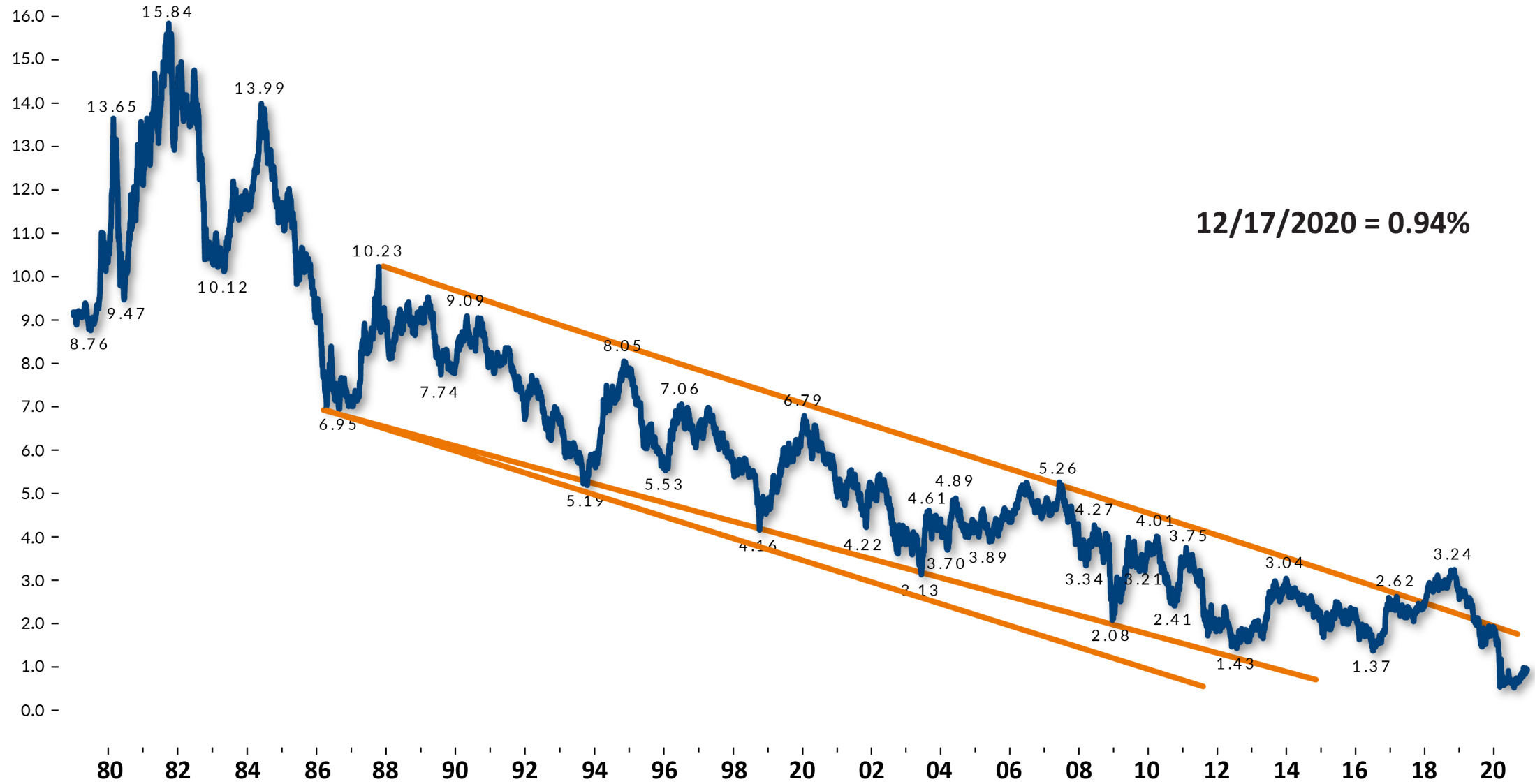
# S&P 500 & Fed Assets\* (weekly)



Source: yardeni.com

# 10-Year Constant Maturity Treasury Note Yields

Daily 1/02/1979 - 12/17/2020



12/17/2020 = 0.94%

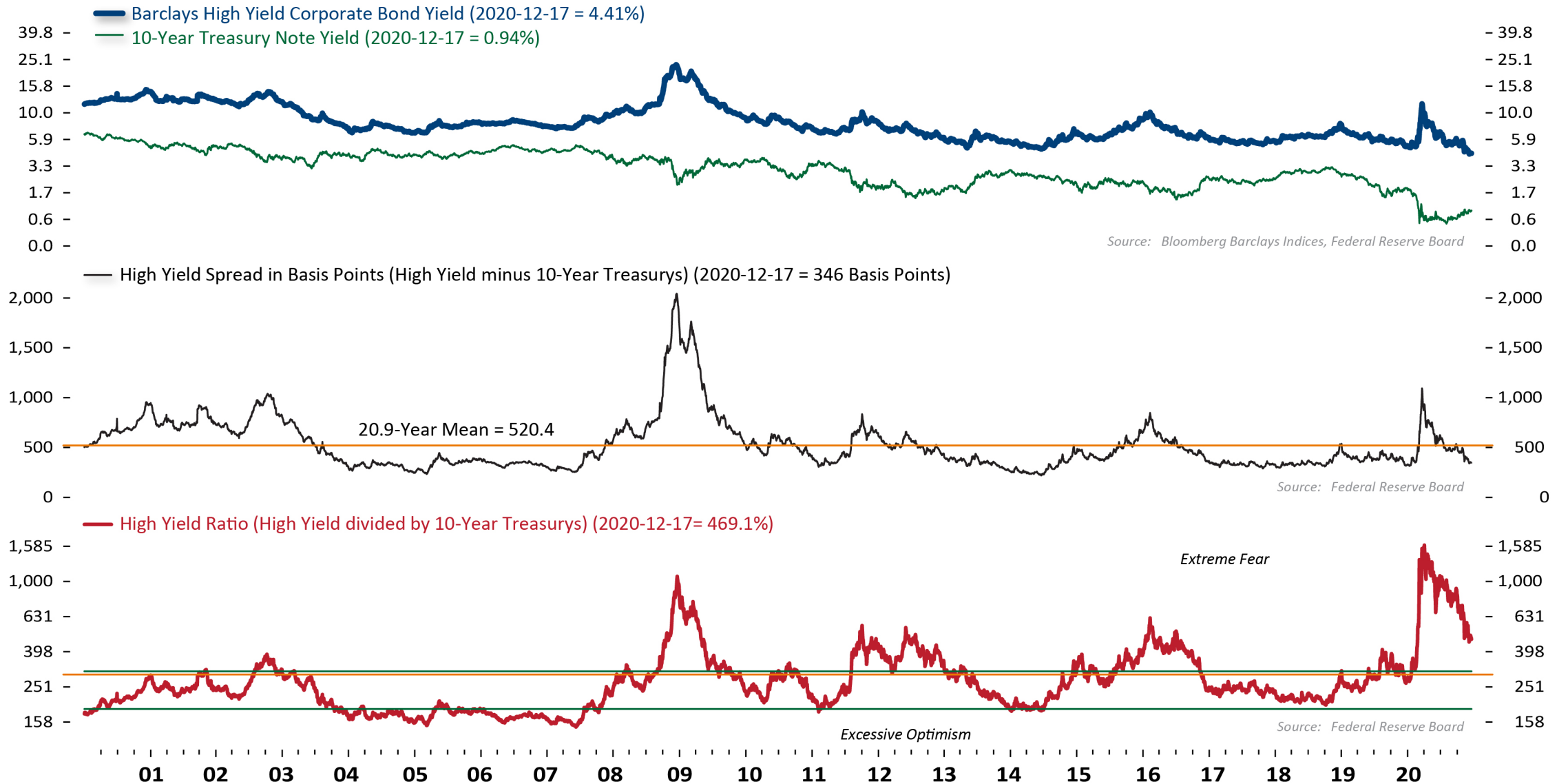


# Inflation – Not the End of the World

	Stocks	Bonds	Cash	Inflation
1930s	-0.9%	4.0%	1.0%	-2.1%
1940s	8.5%	2.5%	0.5%	5.5%
1950s	19.5%	0.8%	2.0%	2.0%
1960s	7.7%	2.4%	4.0%	2.3%
1970s	5.9%	5.4%	6.3%	7.1%
1980s	17.3%	12.0%	8.8%	5.5%
1990s	18.0%	7.4%	4.8%	3.0%
2000s	-1.0%	6.3%	2.7%	2.6%
2010s	13.4%	4.1%	0.5%	1.8%

# High Yield Corporate Spreads

Daily Data 2000-01-03 to 2020-12-17

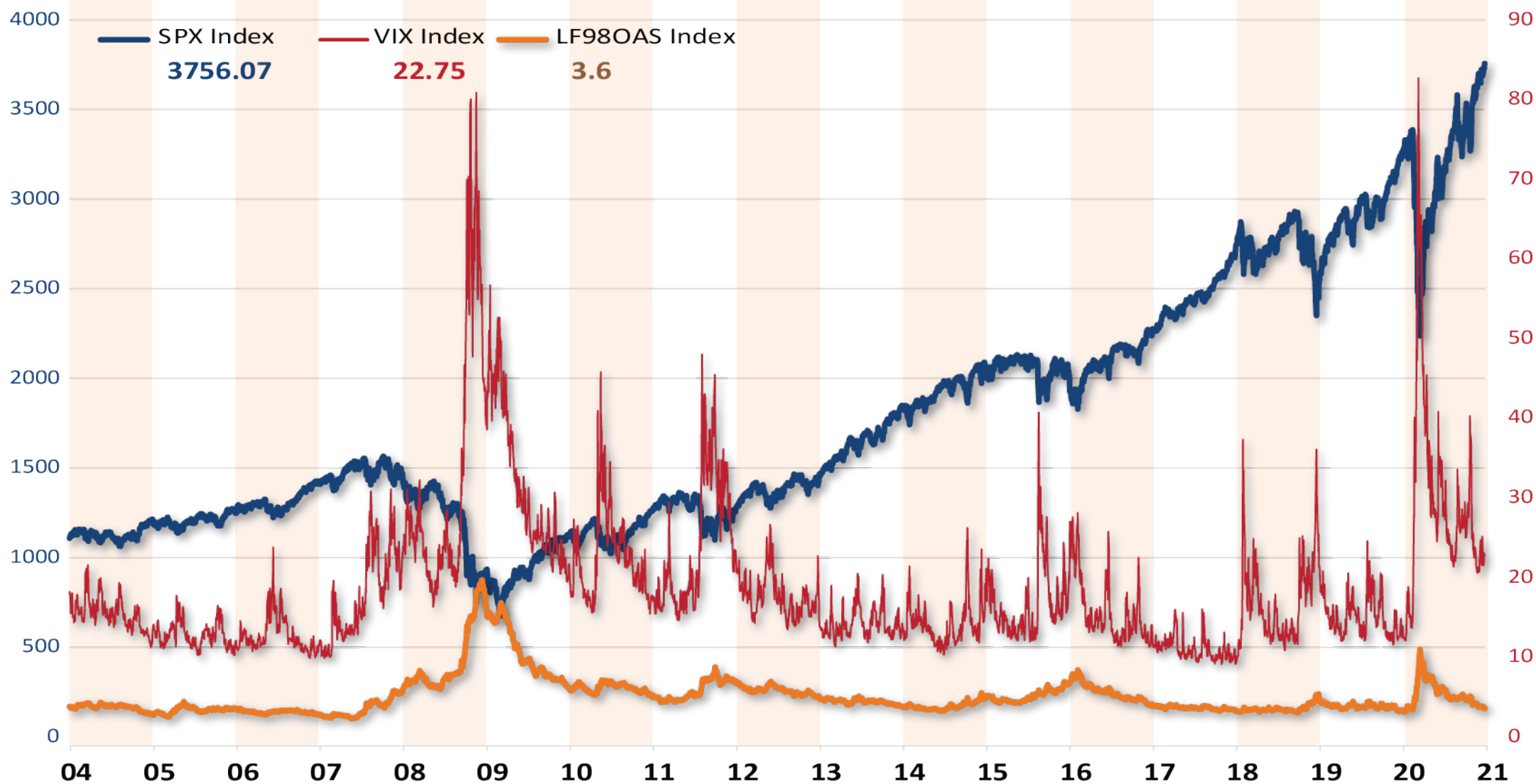


B334A



# S&P 500 vs. CBOE Volatility Index (VIX) vs. High Yield Credit Spreads

1/1/2004 to 12/31/2020



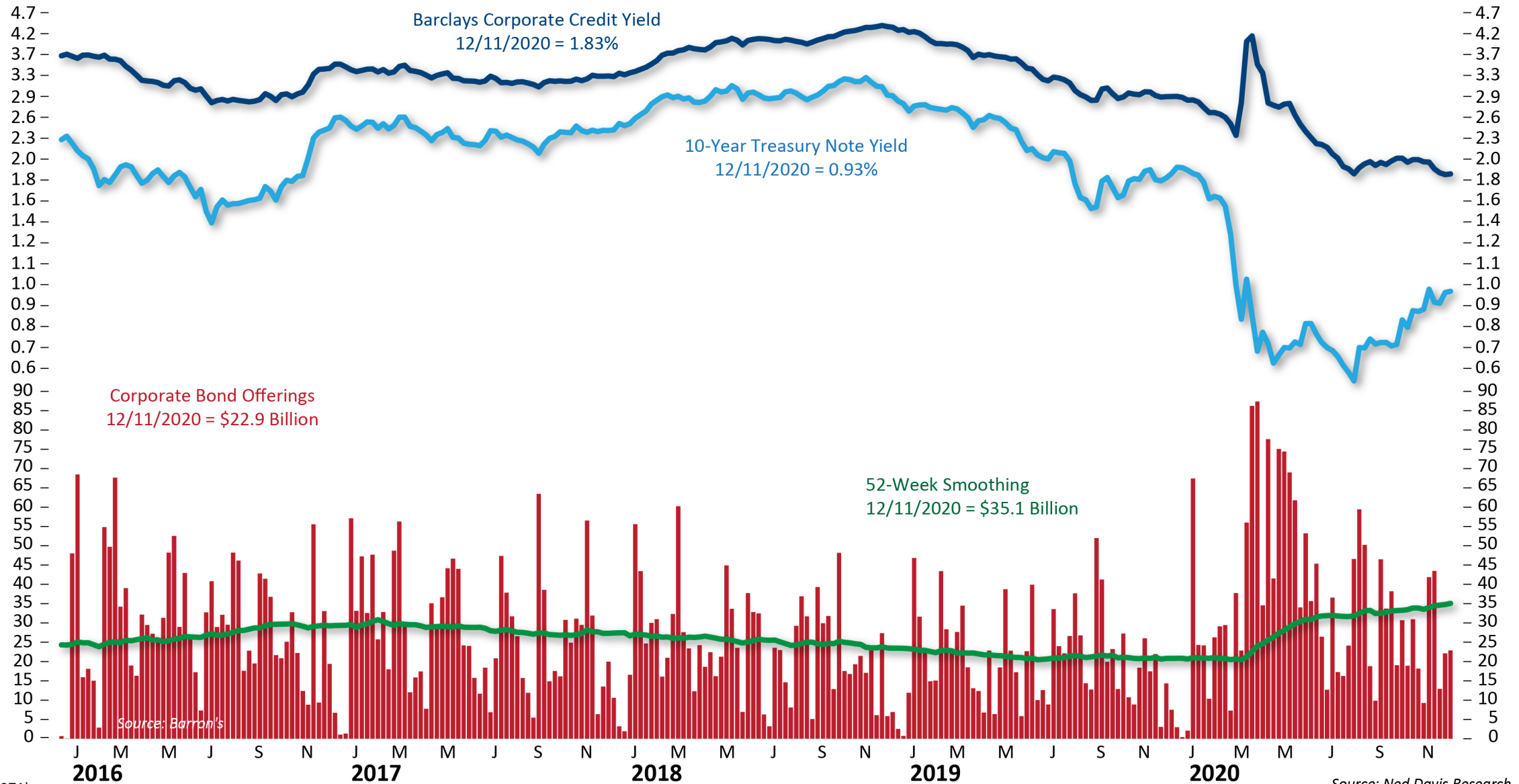
Source: Bloomberg





# Corporate Bond Supply

Weekly 12/24/2015 - 12/11/2020 (Log Scale)

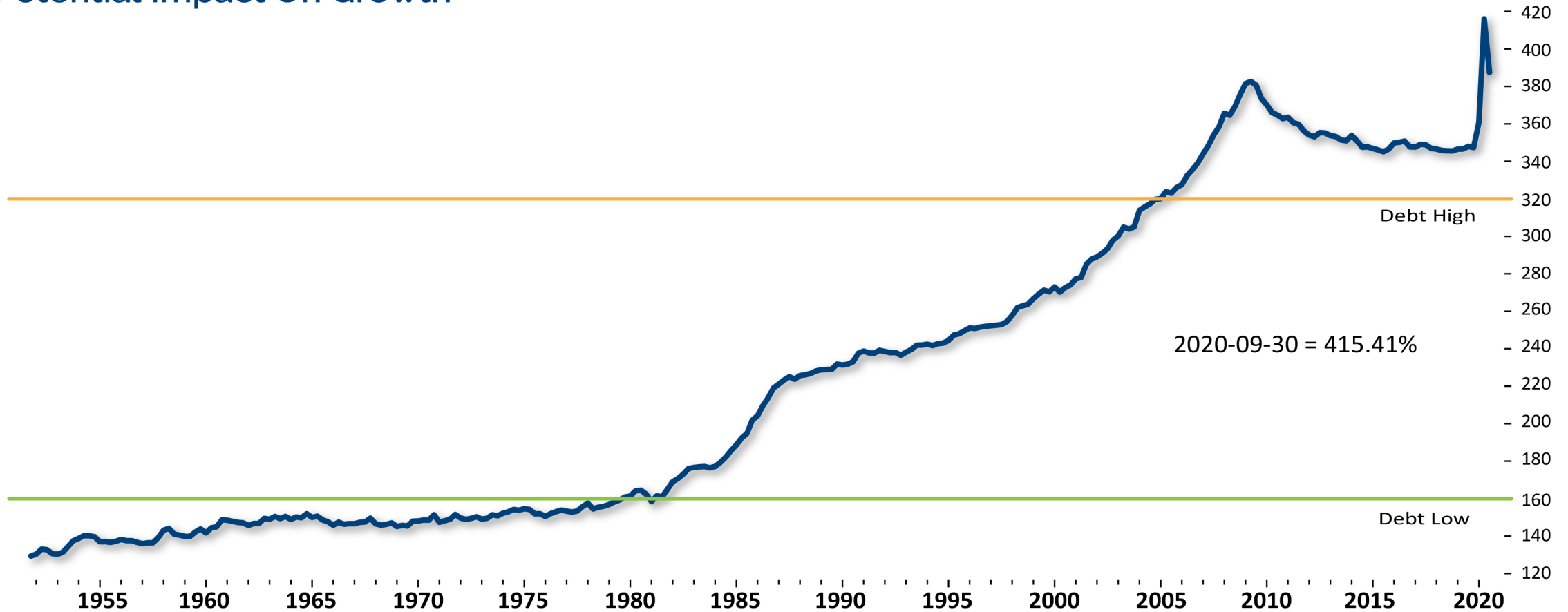


(B971)



# Total Credit Market Debt's (All Sectors, as a % of GDP) Potential Impact On Growth

Quarterly Data 1951-12-31 to 2020-09-30



2020-09-30 = 415.41%

Debt High

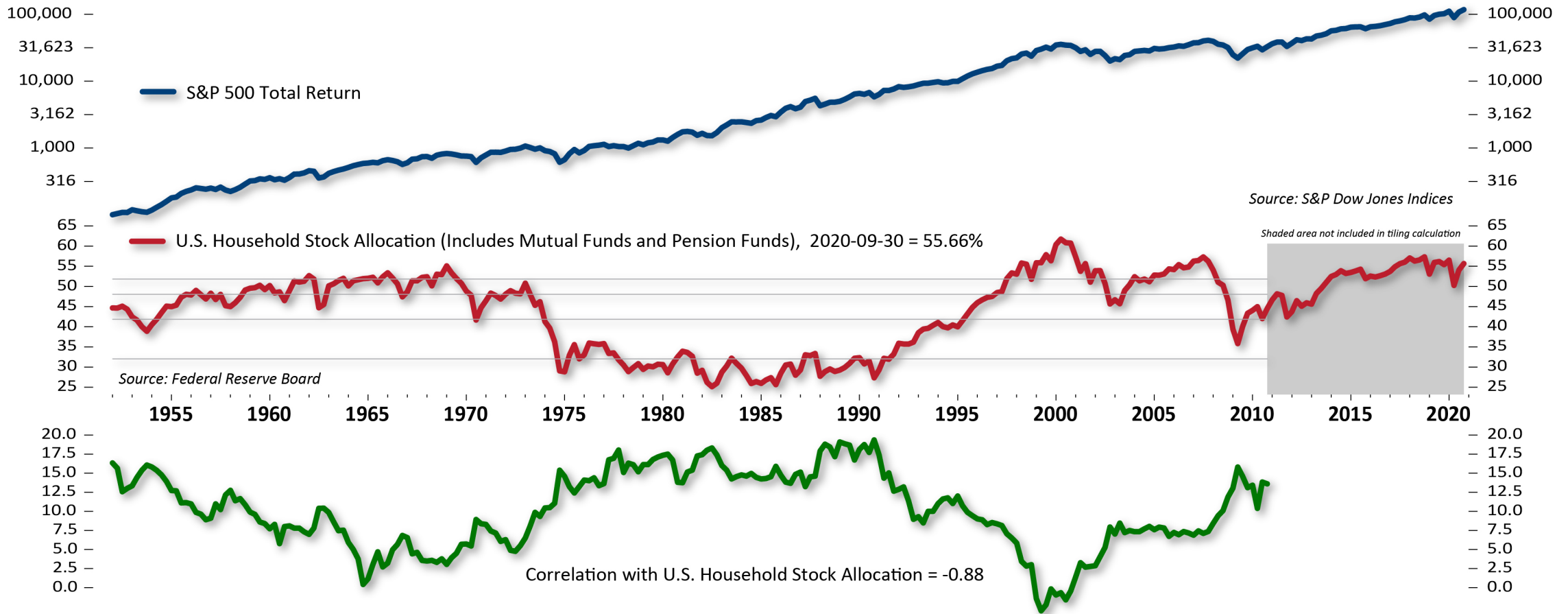
Debt Low

Multi-Factor Mode Analysis ( 1951-12-31 - 2020-09-30 )								
Government Debt/GDP is:	Nominal GDP Gain/Annum	Real GDP Gain/Annum	Nonfarm Payrolls Gain/Annum	CPI Inflation Gain/Annum	Real Non-Res Investment Gain/Annum	Non-Financial Productivity Gain/Annum	Net National Savings Gain/Annum	% Time In Mode
Above 320%	3.31	1.49	0.41	1.94	3.01	0.87	0.00	22.55
160% to 320%	6.32	3.18	1.54	3.67	5.20	2.27	2.39	36.36
160% and Below	7.51	3.57	2.26	3.92	8.97	2.31	6.01	41.09



# Rolling 10-Year S&P 500 Total Returns and U.S. Household Stock Allocation

Quarterly Data 12/31/1951 - 09/30/2020 (Log Scale)



Stock Allocation Quintile	Average Stock Allocation	Low GPA% 10 Years Later	High GPA% 10 Years Later	Average GPA% 10 Years Later
Highest 20%	54.64	-3.03	8.43	4.01
2nd Highest 20%	50.07	2.78	10.87	7.00
3rd Highest 20%	45.72	5.46	16.35	10.69
4th Highest 20%	36.53	8.48	18.13	13.13
Lowest 20%	29.01	13.68	19.36	16.39

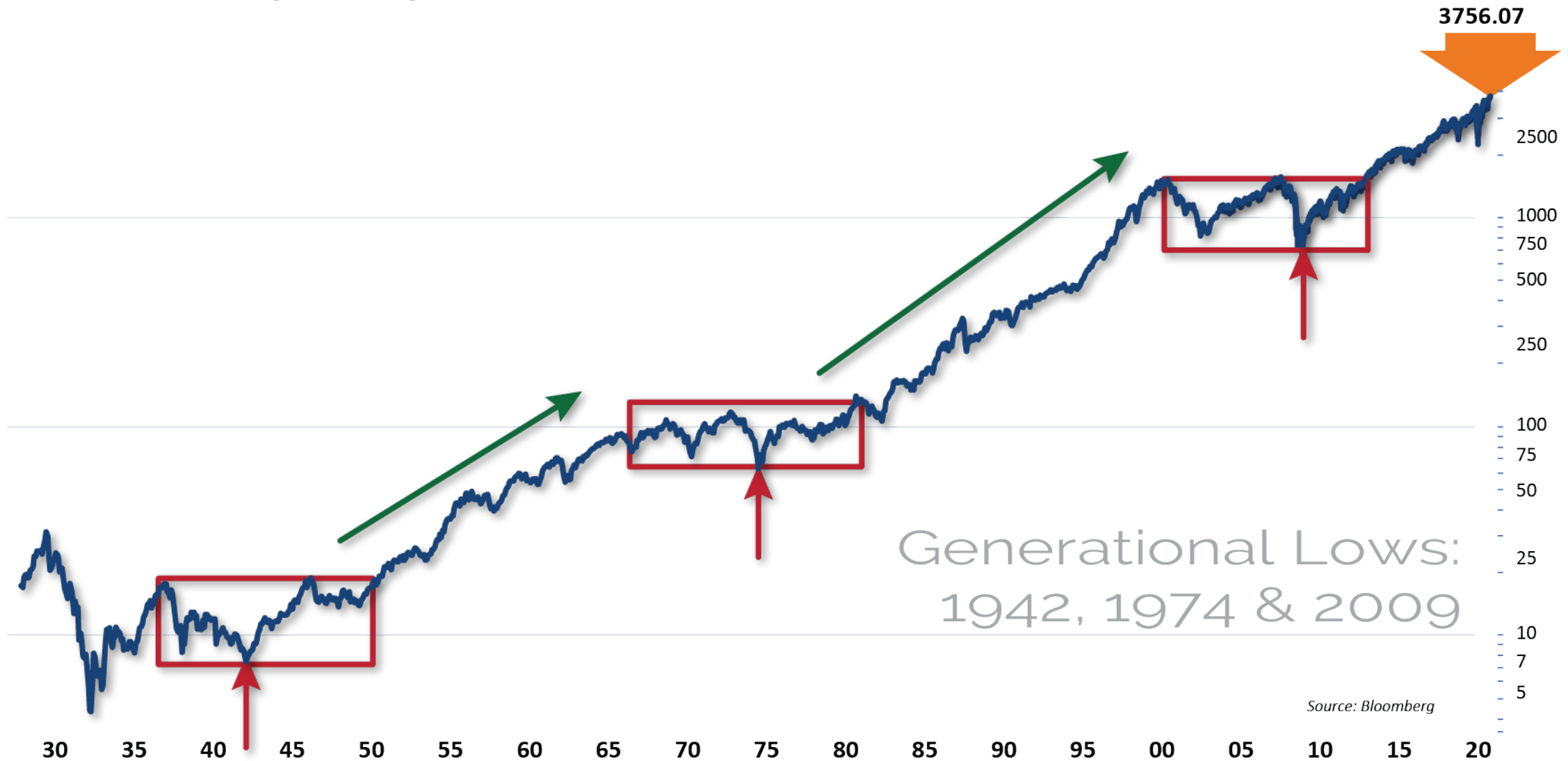
— S&P 500 Total Return Rolling Gain/Annum 10 Years Later, 2010-09-30 = 13.60%

Middle Clip: The U.S. household equity allocation as percent of total equities, bonds, and cash (% invested position).

Source: Ned Davis Research

1/1/1928 to 12/31/2020

# S&P 500 Monthly Closing Price



Generational Lows:  
1942, 1974 & 2009

Source: Bloomberg





Q&A





# Disclosure

The opinions expressed are those of the Clark Capital Management Group Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. There is no guarantee of the future performance of any Clark Capital investment portfolio. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. For educational use only. This information is not intended to serve as investment advice. This material is not intended to be relied upon as a forecast or research. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Past performance does not guarantee future results.

This document may contain certain information that constitutes forward-looking statements which can be identified by the use of forward-looking terminology such as "may," "expect," "will," "hope," "forecast," "intend," "target," "believe," and/or comparable terminology (or the negative thereof). No assurance, representation, or warranty is made by any person that any of Clark Capital's assumptions, expectations, objectives, and/or goals will be achieved. Nothing contained in this document may be relied upon as a guarantee, promise, assurance, or representation as to the future.

Clark Capital Management Group, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The information provided in this report should not be considered a recommendation to purchase or sell any particular security, sector or industry. There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from an account's portfolio. It should not be assumed that any of the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Clark Capital Management Group, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital's advisory services can be found in its Form ADV which is available upon request.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.



# Benchmark Descriptions

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

The Russell 2000 Index measures the performance of the 2000 smallest U.S. companies based on total market capitalization in the Russell 3000, which represents approximately 10% of Russell 3000 total market capitalization.

The Russell 3000 Index measures the performance of the 3000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries\*. With 2,361 constituents, the index covers approximately 85% of

the global equity opportunity set outside the US. BbgBarc U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The BbgBarc US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The US Treasury Index is a component of the US Aggregate, US Universal, Global Aggregate and Global Treasury Indices.

The BbgBarc US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The US Corporate Index is a component of the US Credit and US Aggregate Indices, and provided the necessary inclusion rules are met, US Corporate Index securities also contribute to the multi-currency Global Aggregate Index.

The S&P 500/Citigroup Growth Total Return Index is an index of the most strongly scored growth stocks in the S&P 500 index.

The S&P 500/Citigroup Value Total Return Index is an index of the most strongly scored value stocks in the S&P 500 index

The S&P CoreLogic Case-Shiller National Home Price Index measures the change in the value of the U.S. residential housing market by tracking the purchase price and resale value of single-family homes that have undergone a minimum of two arm's-length transactions.

The BbgBarc U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The BbgBarc U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The Global Manufacturing PMI™ indices are all seasonally adjusted. The seasonal adjustment is applied at the national level (as opposed to at the global aggregate level) in order to account for differing seasonal patterns in each of the nations included. Global Manufacturing PMI™ indices are weighted according to national contributions to global manufacturing gross value added. Weights for the global indices are derived from the latest available World Bank data on the gross value added of manufacturing for each of the nations covered. World Bank data on value added are in constant 2010 US\$, with all national currencies converted to 2010 US\$ by the World Bank using DEC alternative conversion factors.

The NDR Credit Conditions Indices (CCI) are designed to objectively measure credit conditions in the U.S. market, specifically the cost & availability of credit. The index consists of two equal-weighted components and historically evaluates business and consumer credit conditions.

NDR (Ned Daily Research) Daily Trading Sentiment Index is based on the S&P 500 Daily Sentiment Index which shows a short-term sentiment view of the S&P 500 Index

Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Derived from the price inputs of the S&P 500 index options, it provides a measure of market risk and investors' sentiments.

The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

The volatility (beta) of an account may be greater or less than its respective benchmark.

