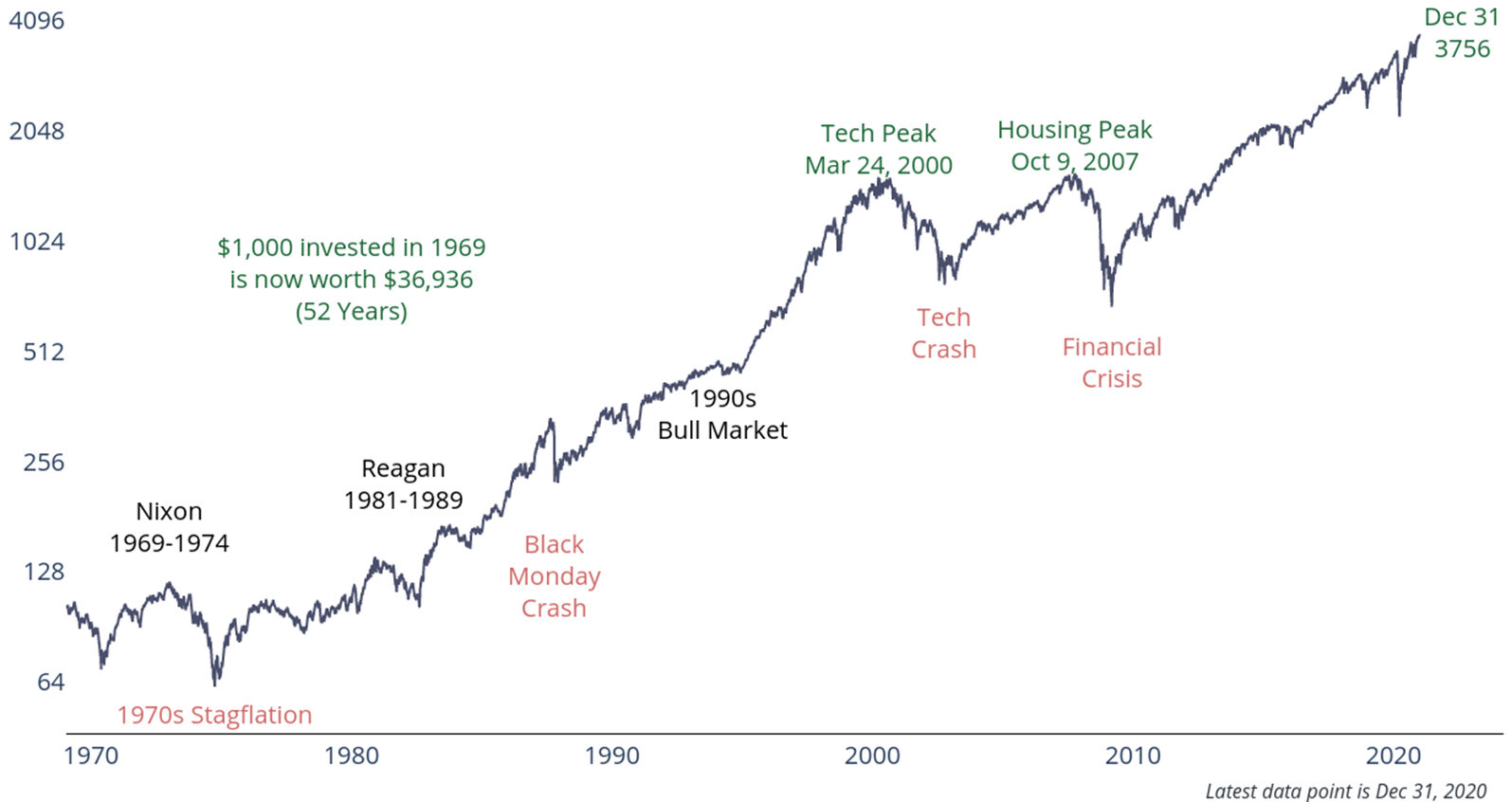# Wealth Strategies Team

SUPPORTED BY OHANESIAN / LECOURS

**2020 Year End Review Chartbook**
**Cliff Jarvis | Vice President - Investments | January 1, 2021**

U.S. Stock Market

# Stock Market Cycles
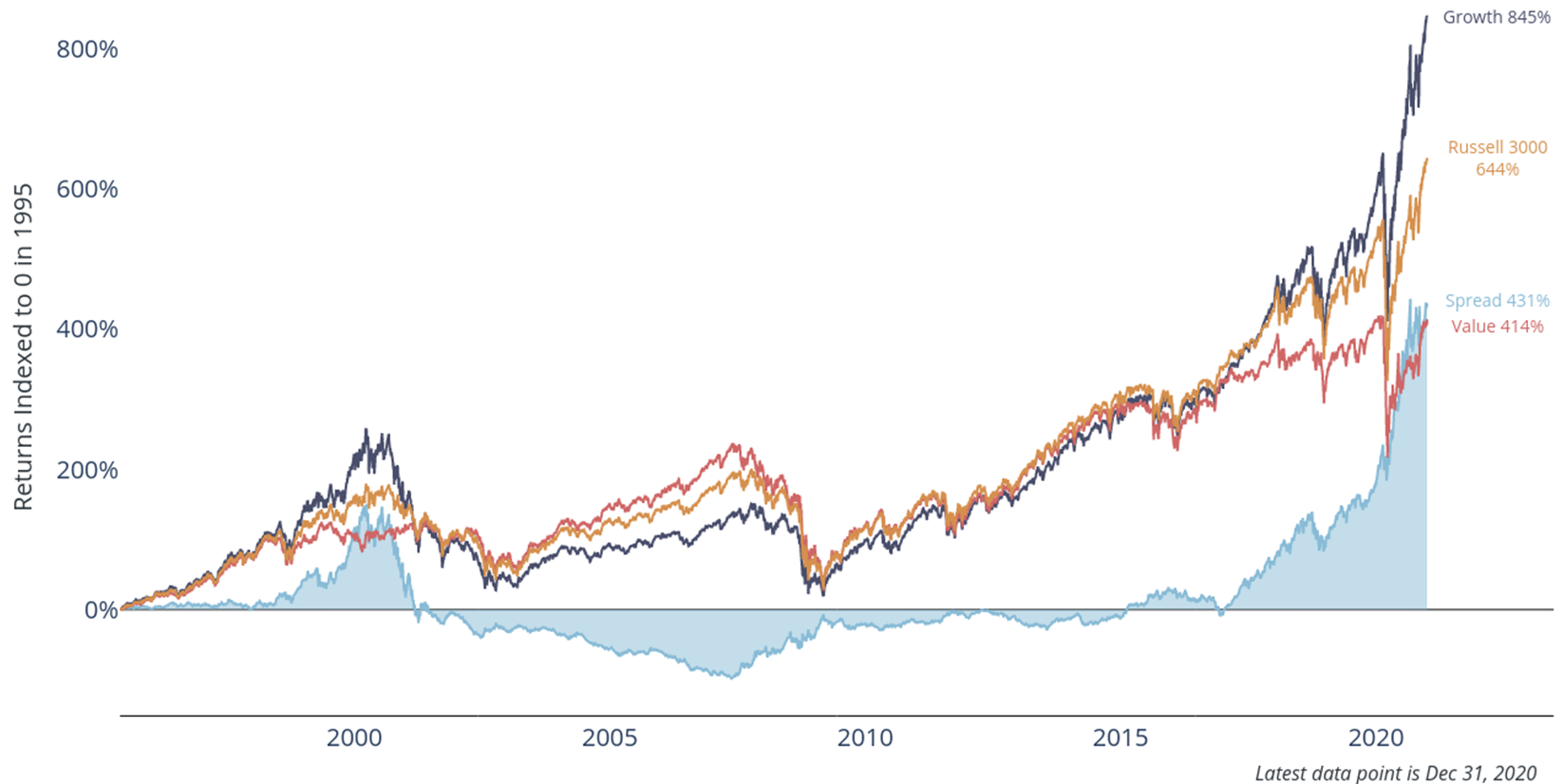*S&P 500 Index over the past 50 years (Log Scale)*



- As this chart shows (log scale), the stock market has performed well over the past 50 years.
- This occurred despite significant economic, political and global turmoil during those decades.

Source: Standard and Poor's

U.S. Stock Market

# U.S. Growth vs Value Performance

*Russell 3000 Growth and Value price returns and performance spread*
*Returns and spread are indexed to 0 in 1995*



Growth 845%

Russell 3000 644%

Spread 431%
Value 414%

Returns Indexed to 0 in 1995

*Latest data point is Dec 31, 2020*

- Growth stocks and Value stocks historically trade in a tight range.
- However, in 2020, the gap in performance expanded to a near record gap.
- Growth and Value often trade off over the course of years.  Will it be different this time?

Wealth Strategies Team
SUPPORTED BY OHANESIAN / LECOURS

U.S. Stock Market

# Stock Market Price-to-Earnings Ratio

*S&P 500 forward P/E ratio using earnings estimates over the next twelve months*
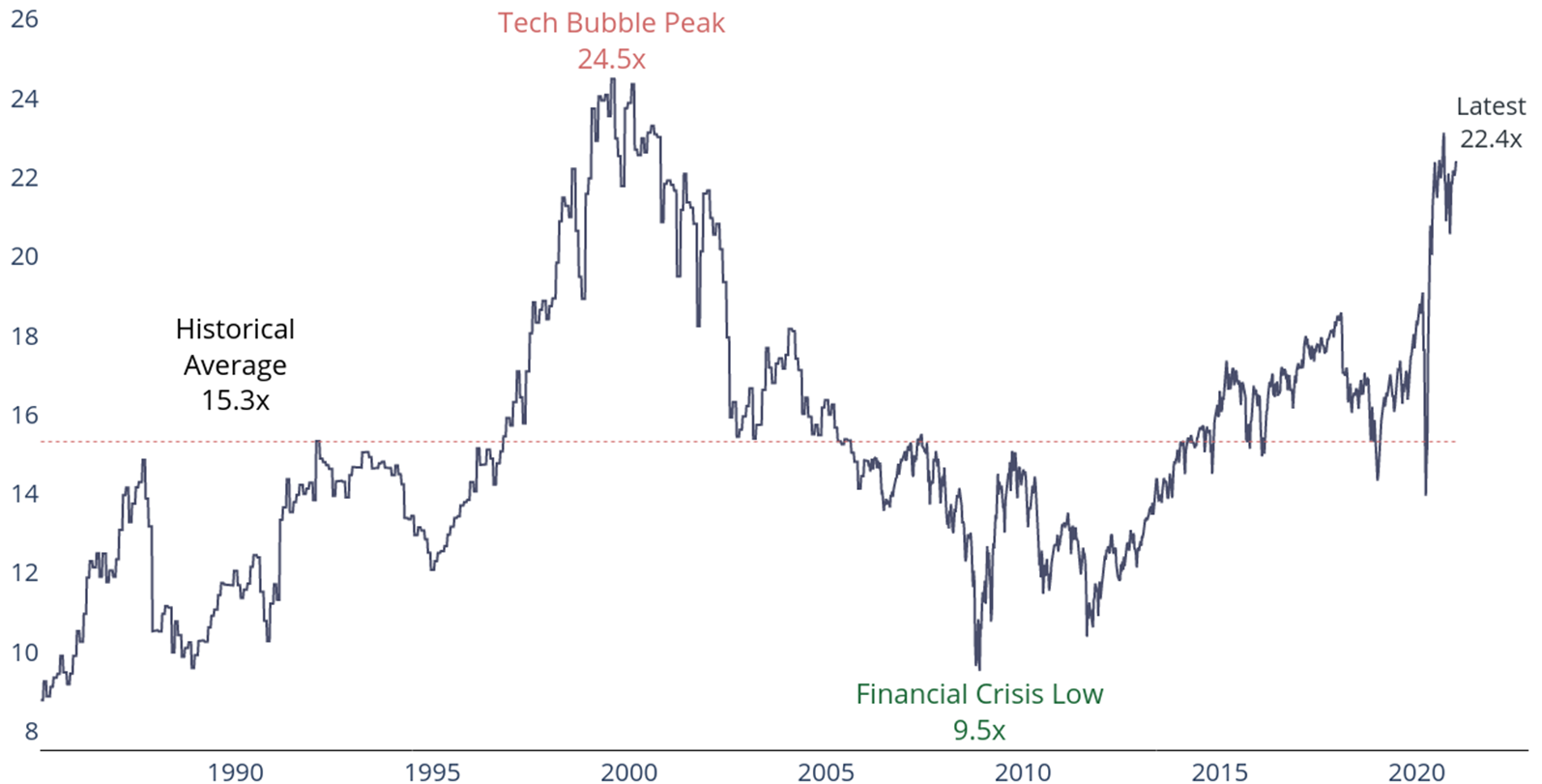


Latest data point is Dec 29, 2020

- This PE ratio uses next-twelve-month earnings estimates.
- The dramatic rise in Stay-at-Home/Work-at-home technology stocks has helped drive valuation to near record highs.
- Investors should exercise caution and properly diversify across asset classes, both in the U.S. and globally.

Source: Refinitiv

© 2021 Clearnomics, Inc.

Global Rates

# U.S. and German Interest Rates
*Yields and spread between U.S. 10Y Treasury and German 10Y Bund*



Spread 1.50%

US 10Y 0.93%
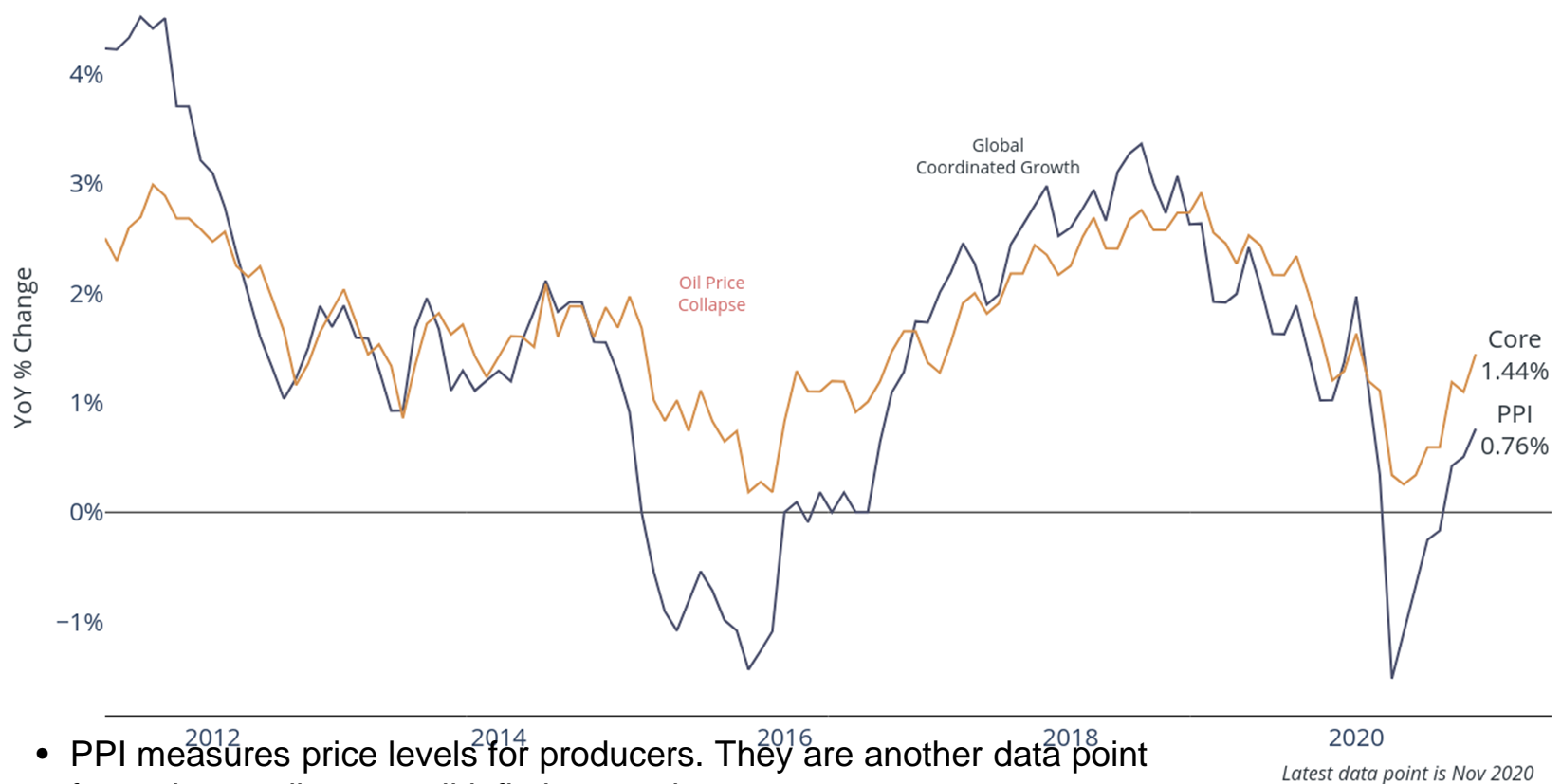
German 10Y -0.57%

*Latest data point is Dec 31, 2020*
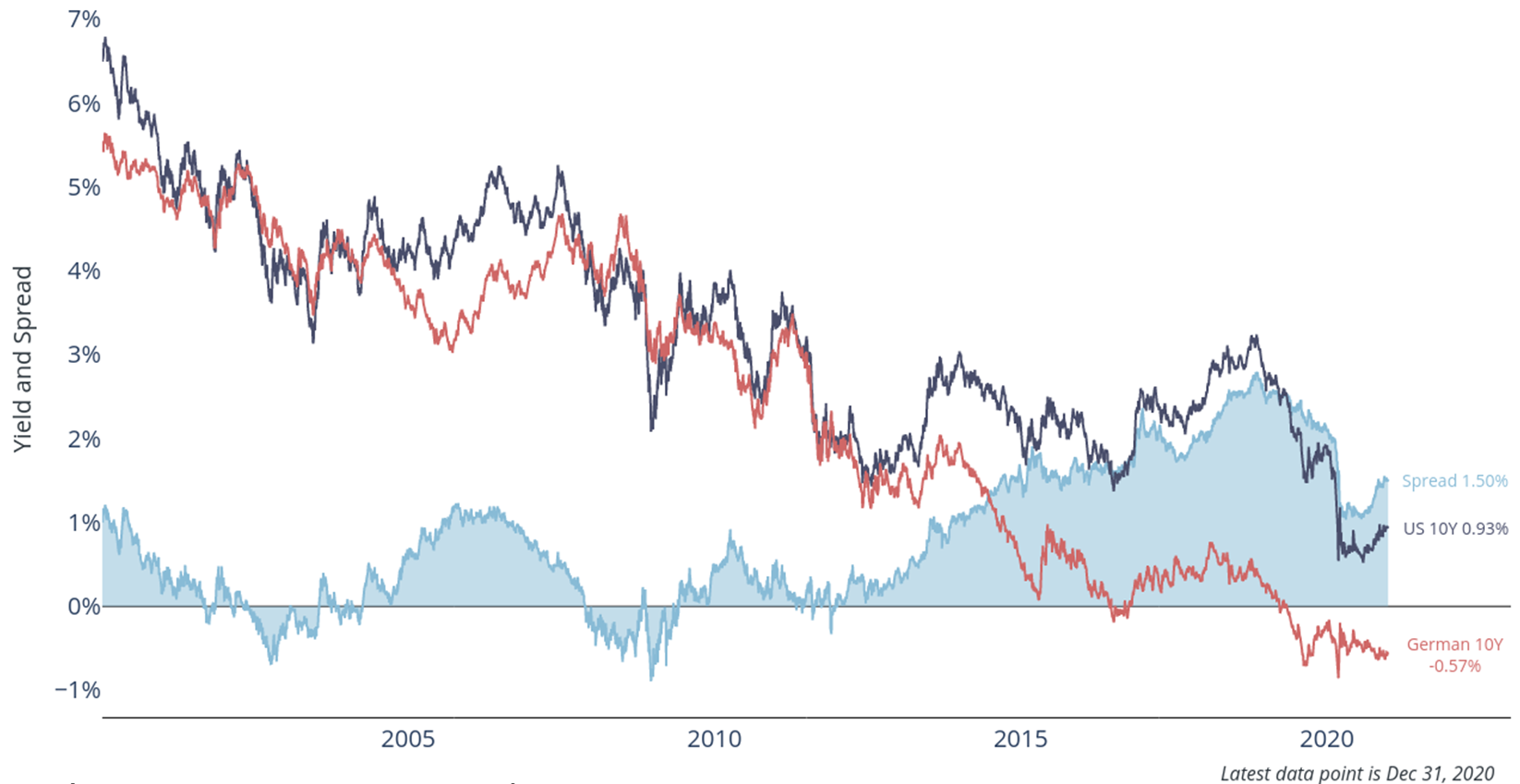
- Interest rates are at extreme lows.
- Overseas interest rates, such as that of the German bund, are at negative interest rates.
- This phenomena is unique in modern times.

Source: U.S. Treasury, Refinitiv

© 2021 Clearnomics, Inc.

Wealth Strategies Team
SUPPORTED BY OHANESIAN / LECOURS

Inflation

# Producer Price Inflation

Global
Coordinated Growth

Oil Price
Collapse

Core
1.44%

PPI
0.76%

YoY % Change

4%

3%

2%

1%

0%

−1%

2012    2014    2016    2018    2020

*Latest data point is Nov 2020*

- PPI measures price levels for producers. They are another data point for understanding overall inflation trends.

- Inflation declined  dramatically from already low levels due to the COVID-19 tragedy.

- There has been a sharp rise since the March lows and the massive government efforts to support the economy.

Source: U.S. Bureau of Economic Research

Government

# Federal Budget Deficit



Deficit
% of GDP
(2019, Right)
-4.6%

Deficit
Level
(2020, Left)
-3.1 trillion
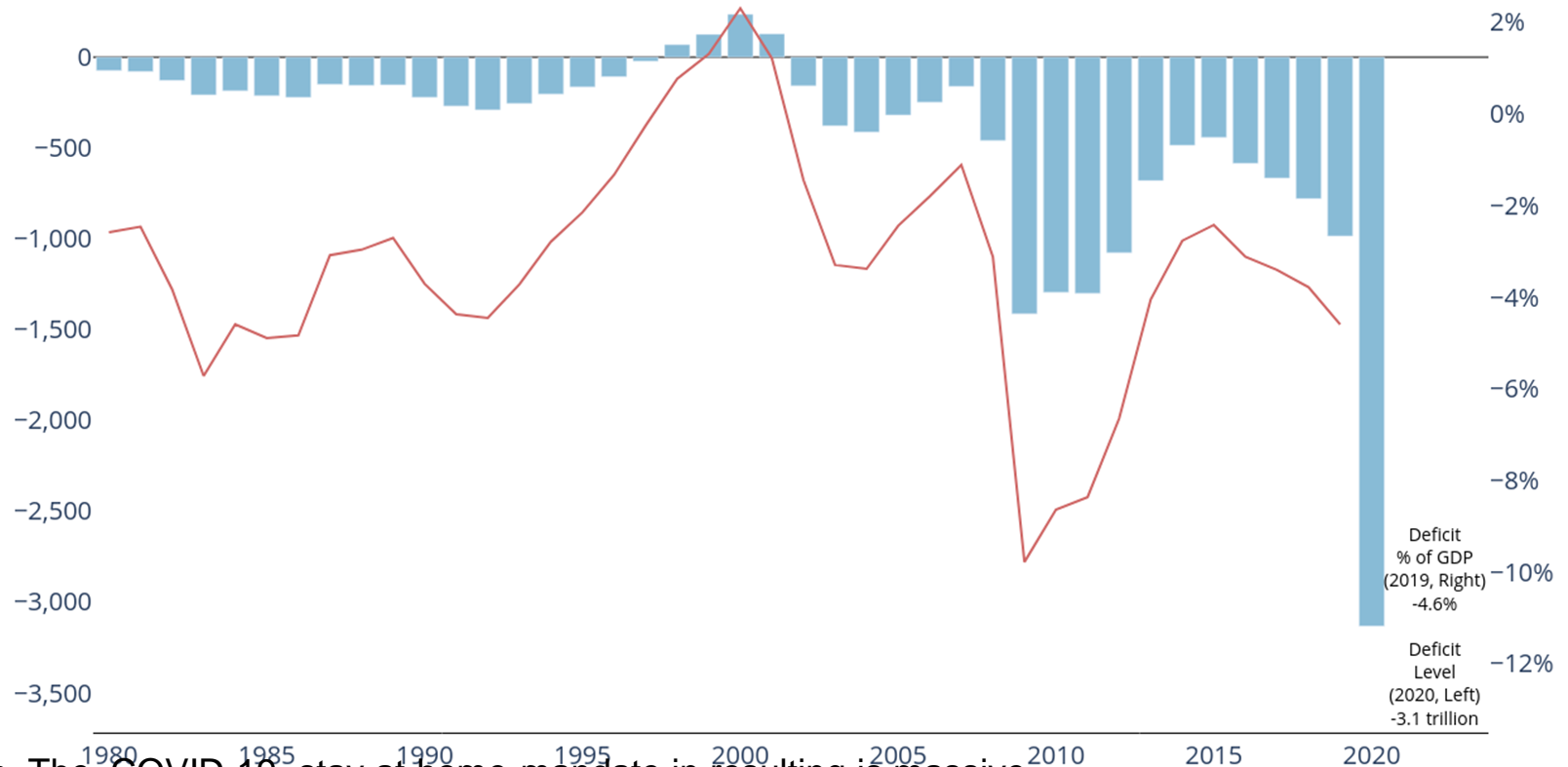
- The COVID-19 stay-at-home mandate in resulting is massive government borrowing to support the economy.

- This massive spending, plus the Federal Reserve's efforts, is argued to have helped drive the stock market.

- It is uncertain what effect this explosion in the Federal Debt will have once the economy recovers.

Source: U.S. OMB

Wealth Strategies Team
SUPPORTED BY OHANESIAN / LECOURS

U.S. Economy

# Industrial Production and Capacity Utilization
*Year-over-year changes in seasonally adjusted data*



Capacity Utilization 73.3%

Industrial Production -5.5%

Industrial Production
Capacity Utilization
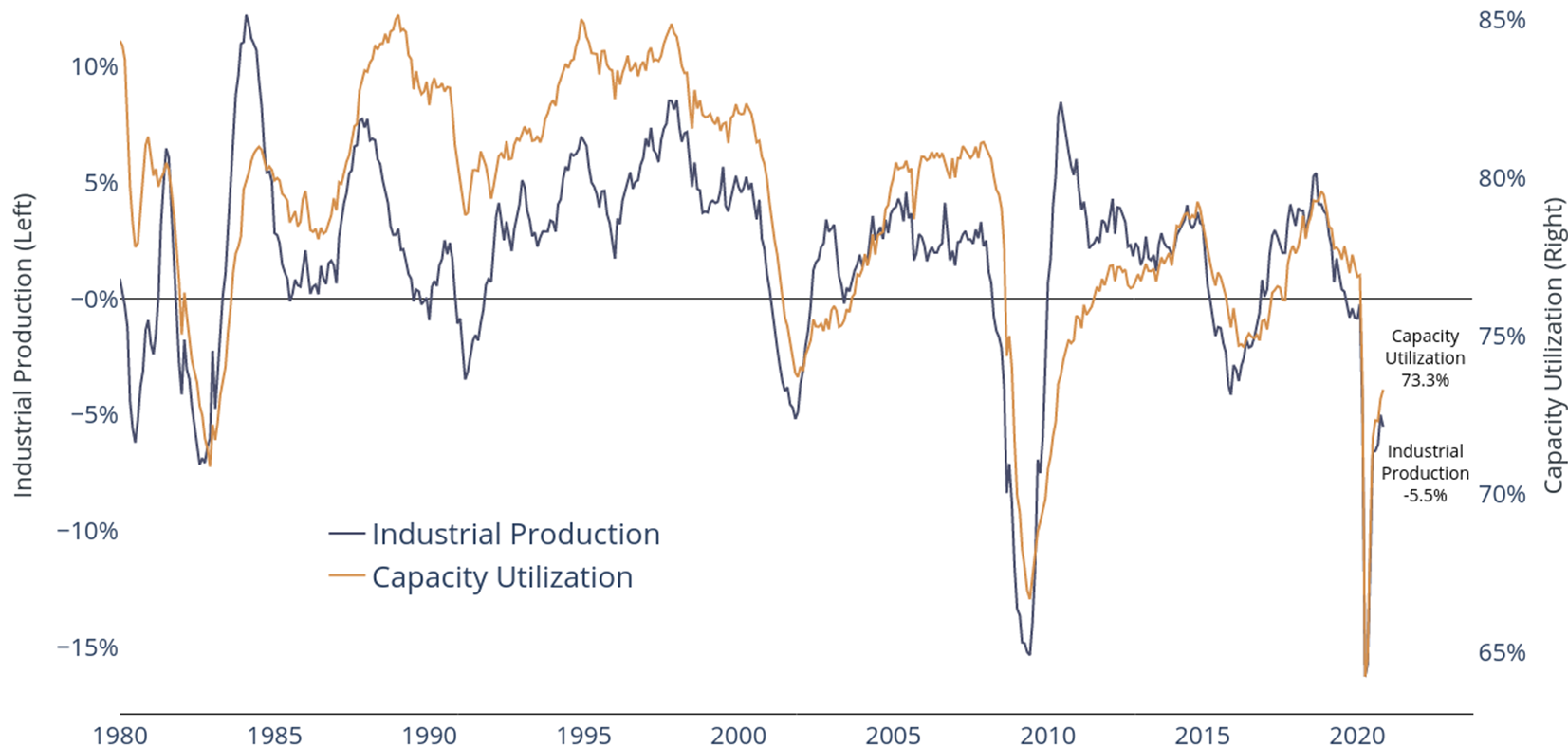
*Latest data point is Nov 2020*

- Industrial production is an important indicator of economic activity.
- Similarly, capacity utilization tells us whether there is spare or excess capacity in the system.
- Manufacturing activity has recovered somewhat but will be sensitive to the recovery from the COVID-19 tragedy.

Source: Federal Reserve

© 2021 Clearnomics, Inc.

# Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard and Poor's value and growth indices.

**MSCI EME** is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAII Investor Sentiment** index is based on a weekly survey conducted by AAII.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

**Consumer sentiment** indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

**Asset Class Performance and Asset Classes Relative to U.S. Stocks charts**: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

**Portfolio Risk/Reward and Portfolio Drift Since 2009** charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

# Clearnomics Disclosures

Copyright (c) 2021 Clearnomics, Inc. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports posted on or via www.clearnomics.com or any affiliated websites, applications, or services are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments. The text, images, and other materials contained or displayed in this report are proprietary to Clearnomics, Inc. and constitute valuable intellectual property. All unauthorized reproduction or other use of material from Clearnomics, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Clearnomics, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Clearnomics, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.