

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, creating a sense of height and urban density. The sky is a pale, overcast blue. The CFRA logo is positioned in the upper right corner of the image.

CFRA

OUTLOOK 2021: Is It Time to Buy or Bail?

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CFRA Research

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Talking Points

- The Presidential Cycle & Political Makeups
 - Double-Digit Returns: Year-1 of Presidential Cycle
 - The Market Has Done Well Under a Democratic “Trifecta”
- Momentum & the Market
 - Industry Momentum Portfolio
- Asset Class Rotation
 - Growth – Value Differential
 - High Quality vs. Low Quality

Presidential Cycle Performances

Since 1979, Years 1 & 3 Have Been the Best for Large- and Small-Cap U.S. Equities

Pres. Cycle	S&P 500 Average % Change					Russell 2000 Average % Change				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	0.8	5.3	1.4	6.1	14.3	1.5	7.1	2.4	5.3	15.9
Year 2	1.7	(0.9)	(1.3)	6.4	5.5	3.4	(1.8)	(5.7)	6.0	0.7
Year 3	7.3	4.5	0.1	3.2	15.3	10.0	6.4	(1.1)	2.8	18.3
Year 4	(1.6)	3.2	2.5	1.3	5.8	(1.0)	3.8	3.8	2.9	8.9
All Years	2.1	3.1	0.7	4.2	10.3	3.5	3.9	(0.1)	4.2	11.1

Source: CFRA, S&P Global. Past performance is no guarantee of future results.. S&P 500: 12/31/44-11/30/20. Russell 2000: 12/31/78-11/30/20.



Party Majorities & the S&P 500

Unified Governments (Trifectas) Have Typically Led to Above-Average Annual Returns

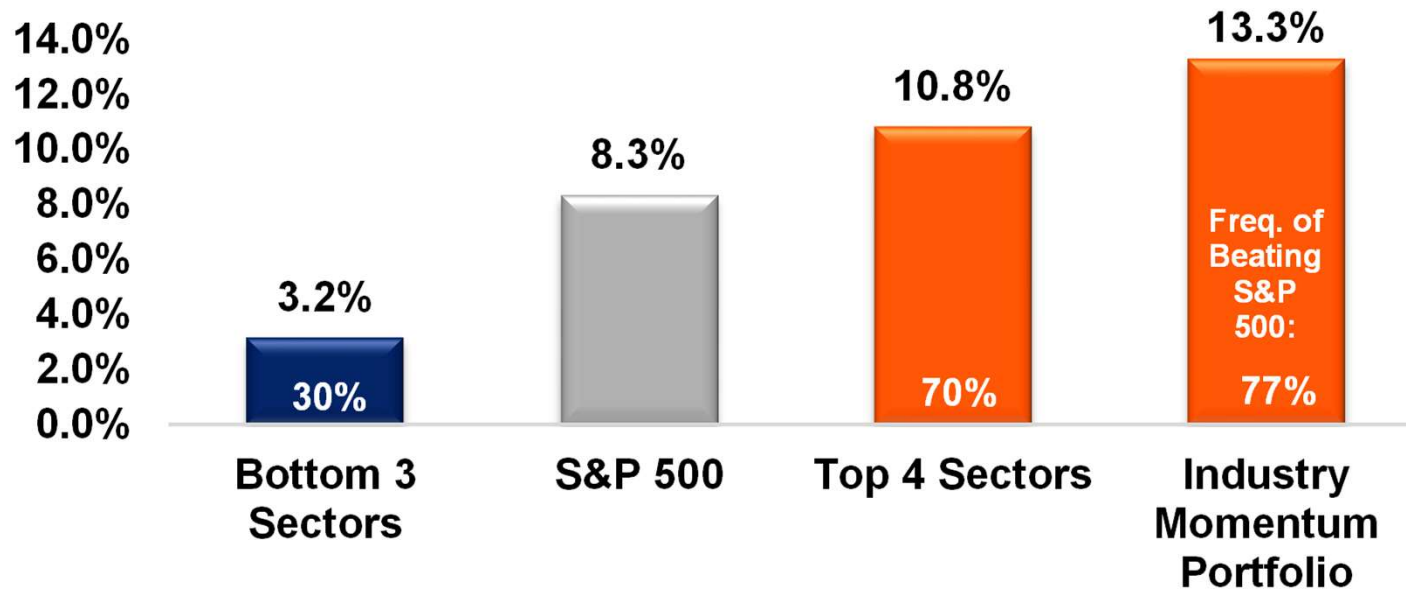
Political Scenarios	Avg. Chg.	Years	FoA
Unified Government	10.6%	30	77%
>Democratic President	9.8%	22	77%
>Republican President	12.9%	8	75%
Unified Congress	7.4%	32	66%
>Dem. Pres./Rep. Congress	13.0%	10	60%
>Rep. Pres./Dem. Congress	4.9%	22	68%
Split Congress	8.6%	14	69%
>Democratic President	13.6%	4	75%
>Republican President	7.2%	10	70%
All Years	9.0%	76	71%

Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data 12/31/1944-12/4/2020.



MOMENTUM: Let Your Winners Ride; Cut Your Losers Short

CAGRs Based on Trailing 12-Mo. Returns. IMP: Buy Top 10%, Hold Until Falls Out of Top 30%



Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data: 12/31/89-11/30/20. F.O.: Frequency of Outperformance.

CFRA's Industry Momentum Portfolio Constituents

Sector	S&P 500 Sub-Industry	Entry Date	Price % Change		
			MTD	90 Days	Entry
Comm. Svcs.	Wireless Telecommunication Services	9/30/20	(0.9)	--	15.3
Cons. Disc.	Computer & Electronics Retail	8/31/20	(5.6)	(2.4)	(7.4)
	Footwear	10/30/20	3.0	--	15.5
	General Merchandise Stores	8/30/19	(2.3)	17.7	42.8
	Home Improvement Retail	5/29/20	(4.5)	(2.1)	8.6
	Homebuilding	7/31/20	(0.1)	4.6	5.8
	Internet & Direct Marketing Retail	5/29/20	(0.0)	1.4	29.4
Health Care	Life Sciences Tools & Services	10/30/20	1.9	--	5.4
Industrials	Agricultural & Farm Machinery	11/30/20	(3.7)	--	(3.7)
	Air Freight & Logistics	9/30/20	(0.0)	--	4.9
	Diversified Support Services	2/28/18	(0.7)	11.7	112.5
	Trading Companies & Distributors	7/31/20	0.9	20.5	19.8
	Trucking	4/30/20	2.3	5.3	40.9
Info. Tech.	Application Software	6/30/20	0.1	7.6	18.5
	Interactive Home Entertainment	2/28/20	2.8	8.6	41.4
	Semiconductor Equipment	9/30/19	8.9	60.9	88.6
	Semiconductors	1/31/20	4.2	21.8	44.0
	Systems Software	9/28/18	0.4	6.5	81.6
	Tech. Hardware/Storage/Peripherals	11/27/19	4.2	10.5	77.7
Materials	Copper	8/31/20	5.1	56.4	57.5
	Gold	2/28/20	4.5	(6.6)	18.3
	Industrial Gases	6/28/19	(3.0)	(1.1)	22.6
	Metal & Glass Containers	11/30/20	(0.5)	--	(0.5)
S&P 500 Index			1.9	10.8	NA

Source: CFRA, S&P Global. Price Returns as of 11/30/20. Prices as of 12/4/20.



Growth's Relative Performance Extreme!

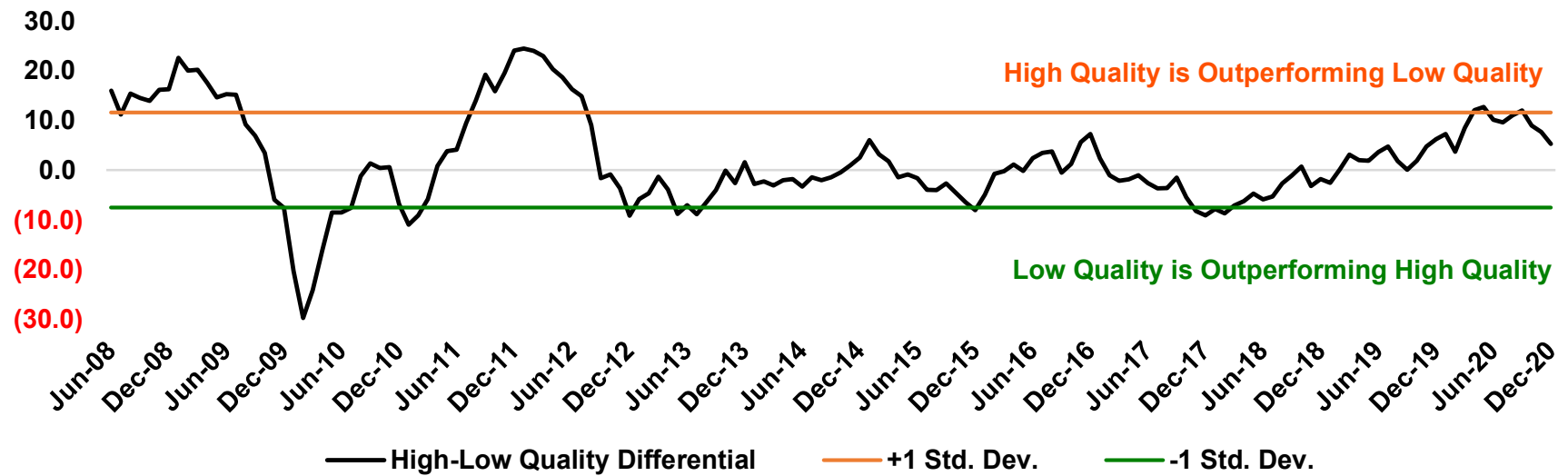
Rolling 12-Month Price Return: S&P 500 Growth vs. S&P 500 Value



Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 12/7/20.

Rotation into Low Quality from High Quality

Rolling 12-Month Price Return: S&P 500 Growth vs. S&P 500 Value



Source: CFRA, S&P Global. Past performance is no guarantee of future results. Data as of 12/7/20.



Learn More!

Upcoming Webinar

The New Normal: Outlook 2021— Pandemic Pop

December 16, 2020 at 9:00am Eastern

Join us on December 16 for a discussion featuring CFRA Chief Investment Strategist Sam Stovall, CFRA Equity Analysts Matthew Miller and Colin Scarola, and moderated by Ken Leon, Director of Equity Research, when we will provide our U.S. economy and investment outlook for equities and funds for the closing month of 2020 and into 2021.

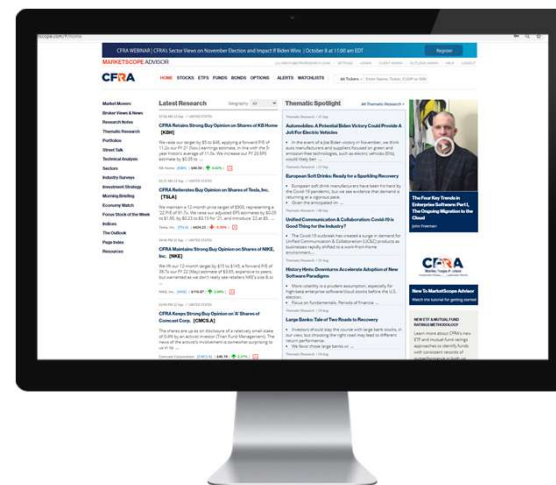
Register <https://go.cfraresearch.com/nn-session-1-2021-outlook>

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