

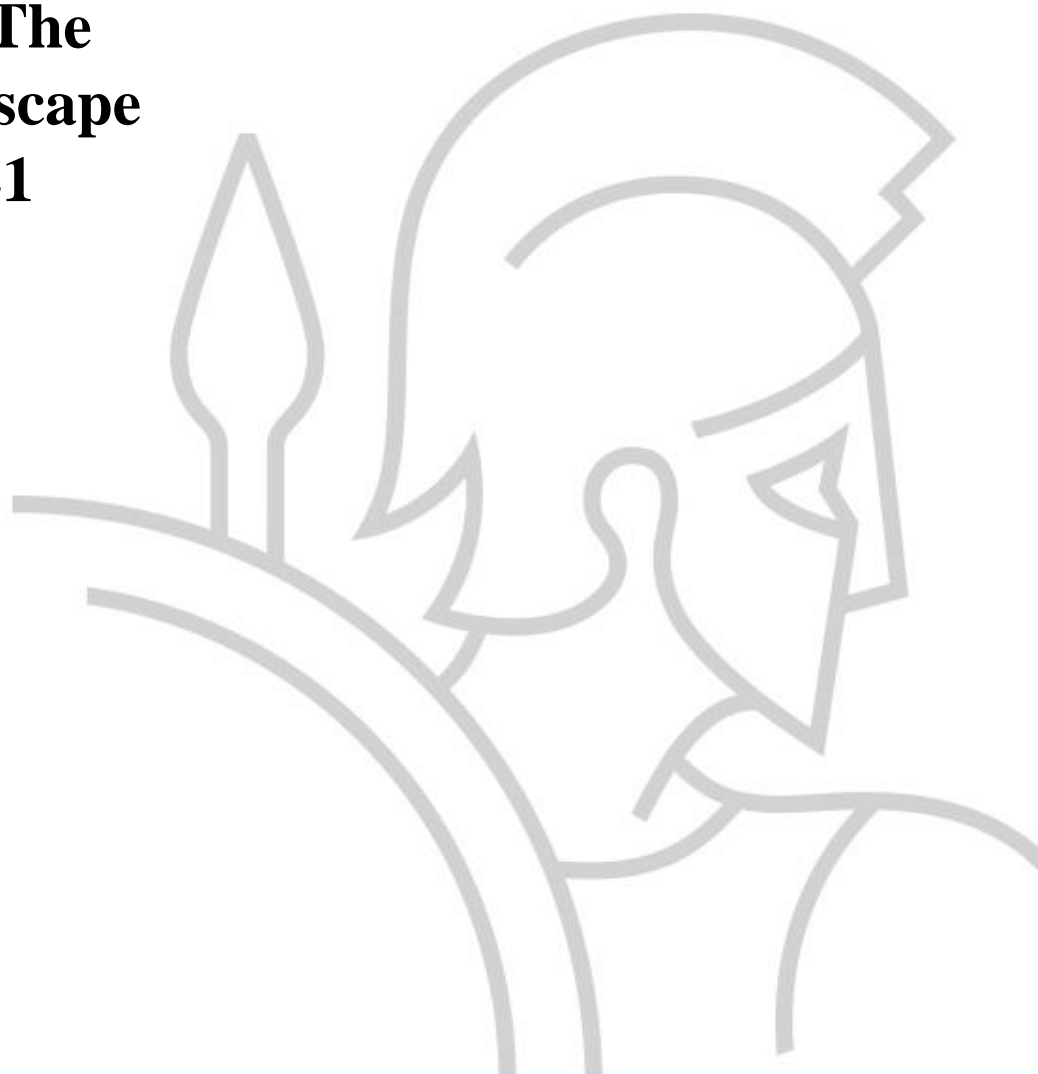


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Washington & The Investment Landscape February 2021

Macro Research

- Investment Strategy
- Economics
- Policy Research
- Quantitative Research
- Technical Research
- Fixed Income Research
- Industry Surveys
- Bespoke Research
- Conferences
- Sales & Trading





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Voters Have Removed The Party In Power In 7 of the Past 8 Elections

Changing Government Dynamics

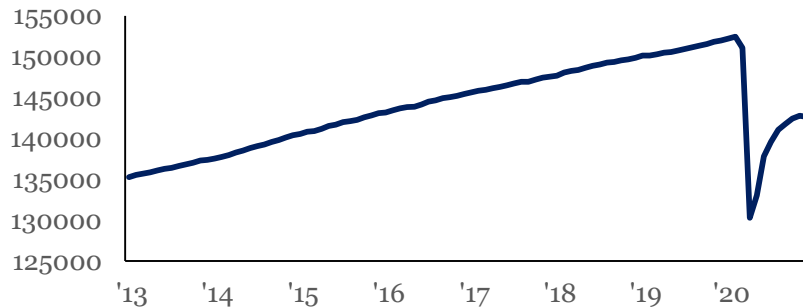




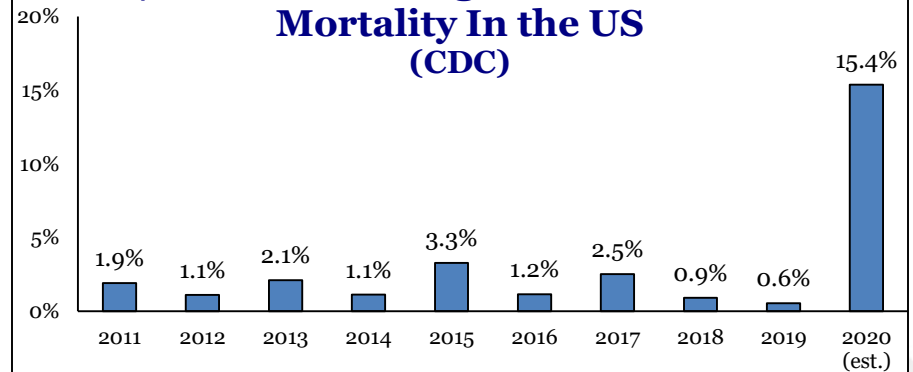
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2020: First Time These Four Transformational Events Happened

**Non-Farm Payroll Employment
(Thousands)**



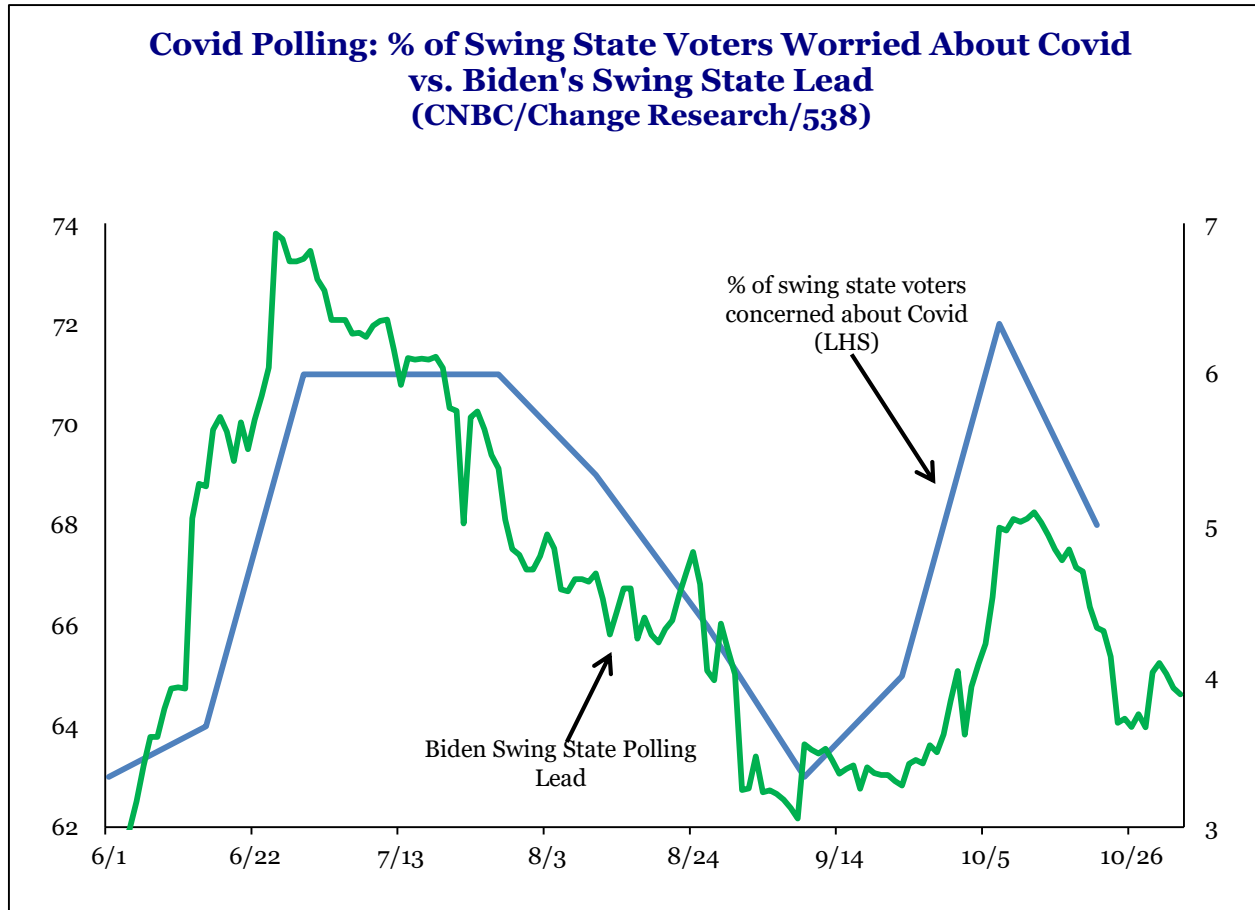
**Y/Y Percent Change In Total Annual
Mortality In the US
(CDC)**





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The COVID-19 Election

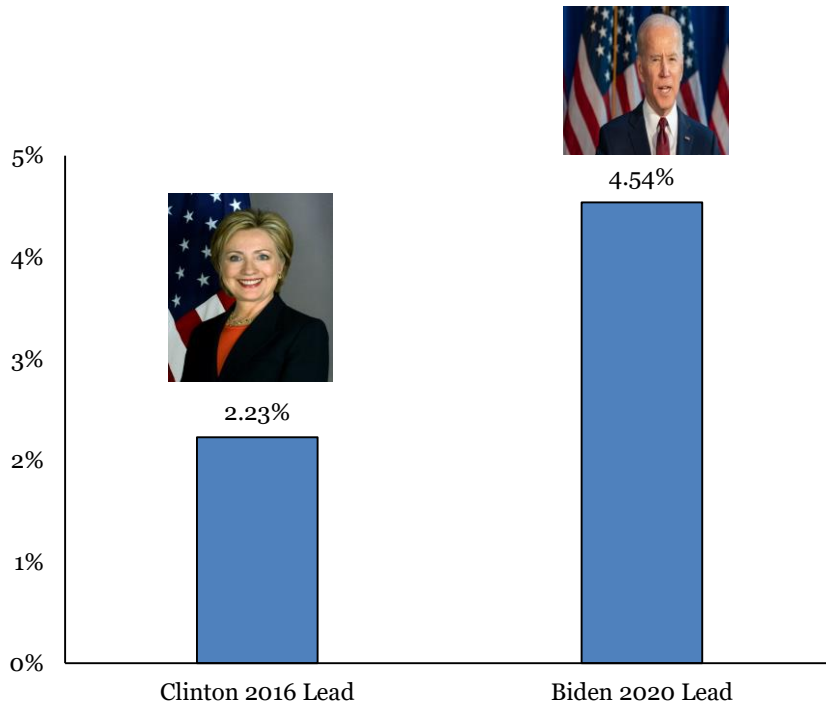




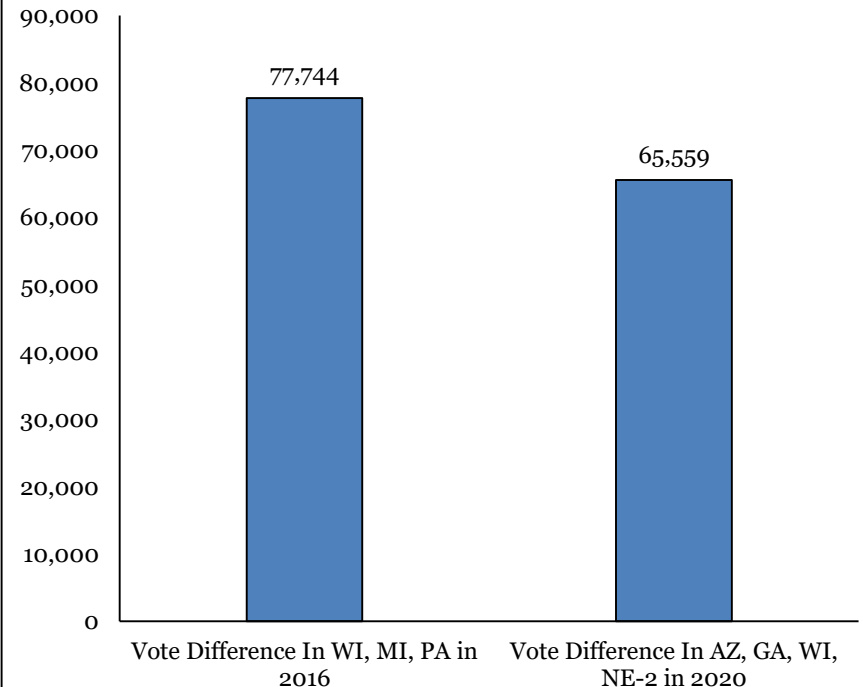
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Biden Wins Popular Vote By 4.5%, But Just A 65k Vote EC Margin

Democrats' Vote Lead, Percent of Two-Party Vote



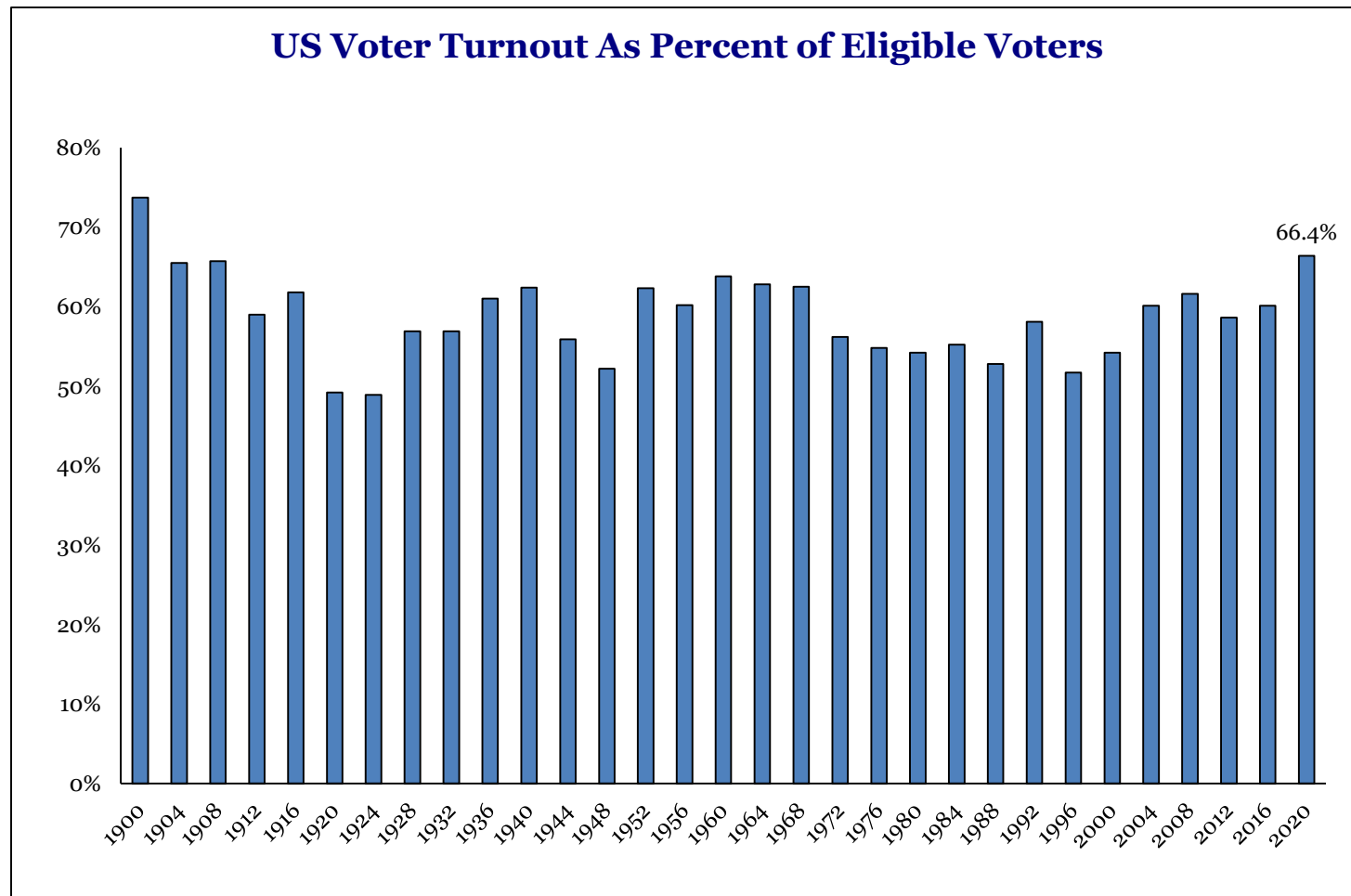
Tipping Point States Vote Difference, 2016 vs. 2020





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Highest Voter Turnout Since 1900





Democrats Win The Majority, No Blue Wave & Coattails Are Limited

Presidents Elected In Crisis Usually Have Large Down Ticket Gains

Year/ President	Vote Margin	Senate	House	Gov
2008 / OBAMA	7.27%	8	21	1
1980 / REAGAN	9.74%	12	34	4
1932 / FDR	17.80%	11	97	11
1920 / HARDING	26.20%	10	63	7
2020 / BIDEN	4.50%	3	-13	-1

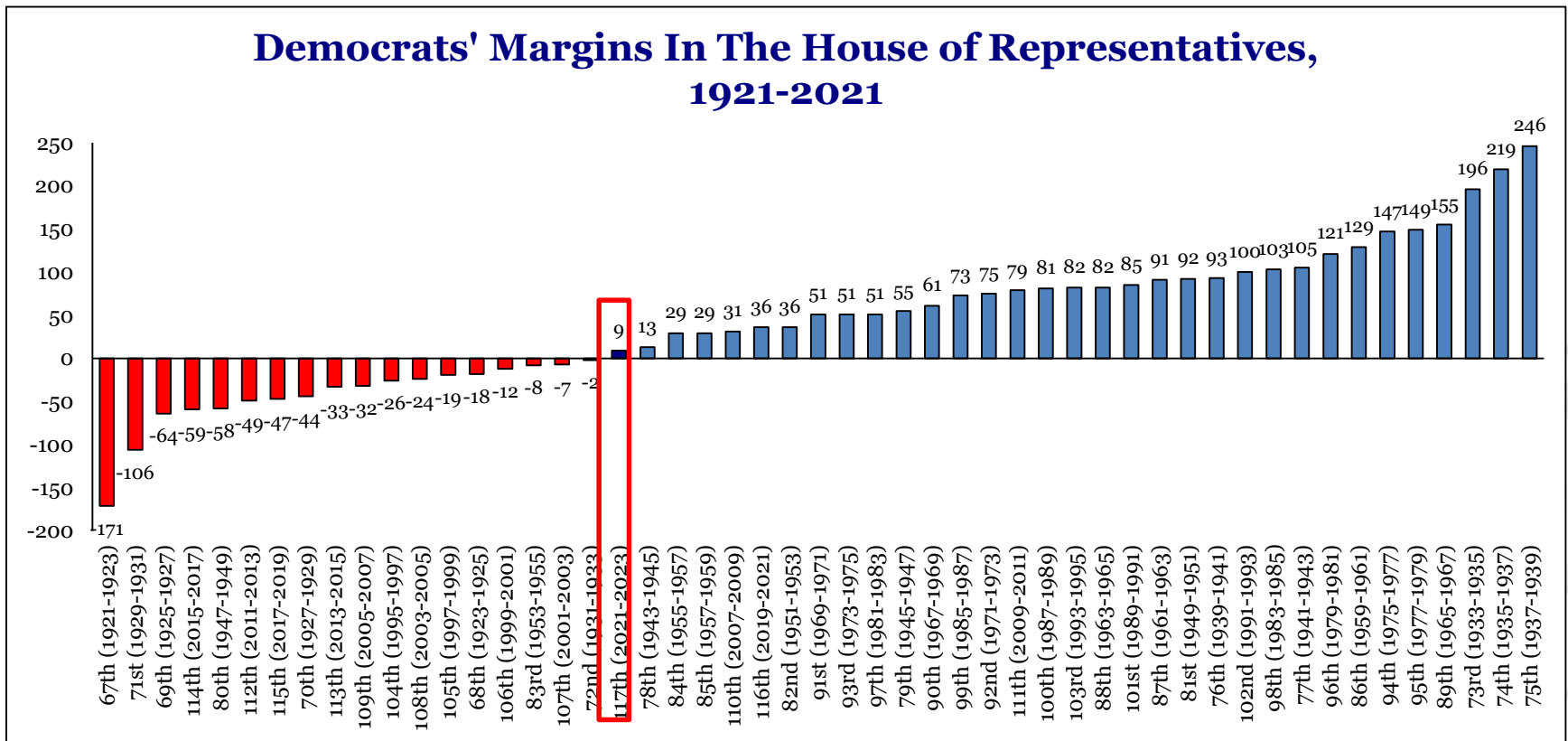
Senate Majority For First Term Democratic Presidents

# of Dem Senators	Year	President	Size of Senate Majority
68	1965	Johnson	36
64	1961	Kennedy	28
61	1977	Carter	23
59	1933	FDR	23
41	1857	Buchanan	21
57	2009	Obama	16
38	1853	Pierce	16
57	1993	Clinton	14
54	1949	Truman	12
51	1913	Wilson	7
50	2021	Biden	0
34	1885	Cleveland	-8



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Smallest Democratic House Majority Going Back More Than 100 Years





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Democrats Now Read The Georgia Election As A Larger Mandate



Crime Bill
NAFTA
Tax Increase
AmeriCorps



Tax Cut
Education Reform
Defense Budget
Patriot Act



2009 Stimulus
Obamacare
Dodd-Frank

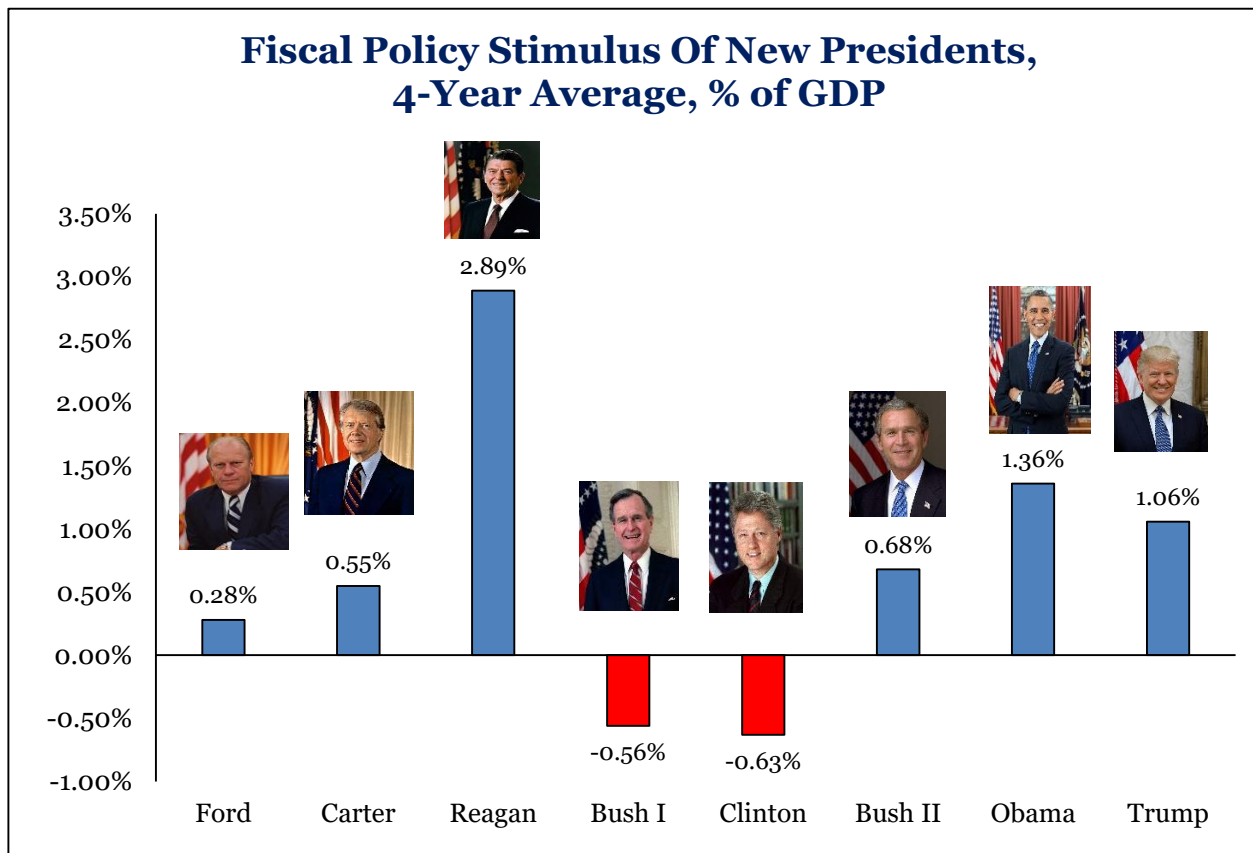


Tax Reform
USMCA/NAFTA
Criminal Justice



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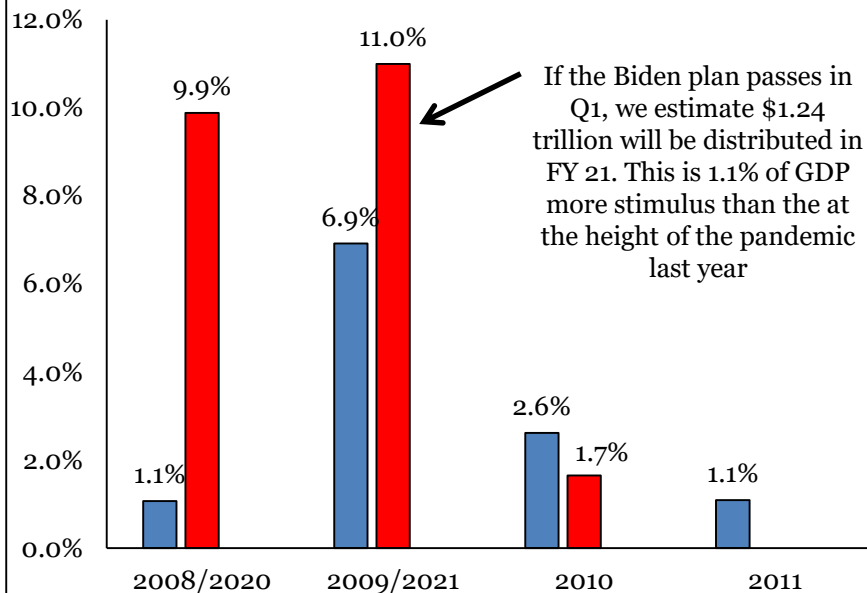
New Presidents Get Broad Discretion On New Fiscal Policy



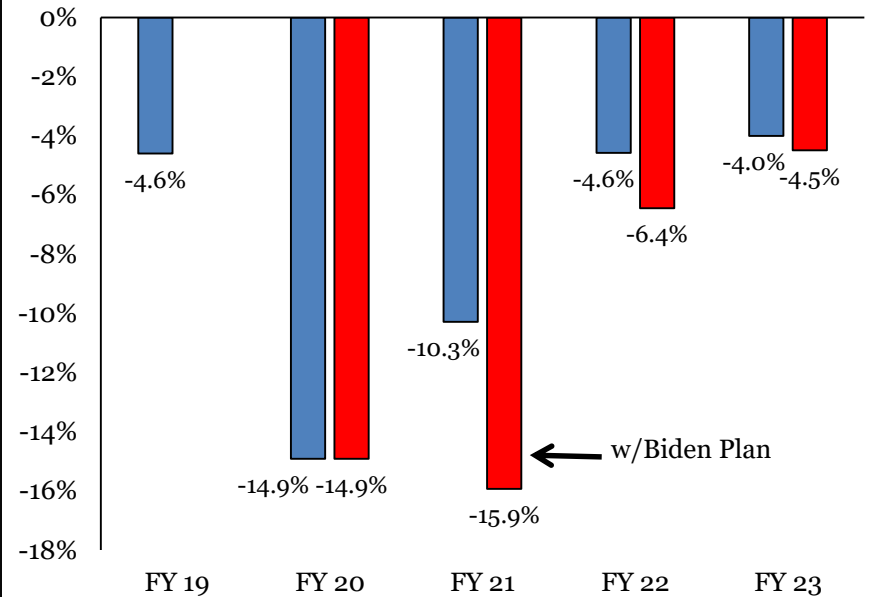


Biden Goes All In On Fiscal Stimulus For Q1

Fiscal Policy, % of GDP, FY Financial Crisis vs. Coronavirus



Federal Budget Deficit, % of GDP, With & Without Biden \$1.9 Trillion Stimulus Plan

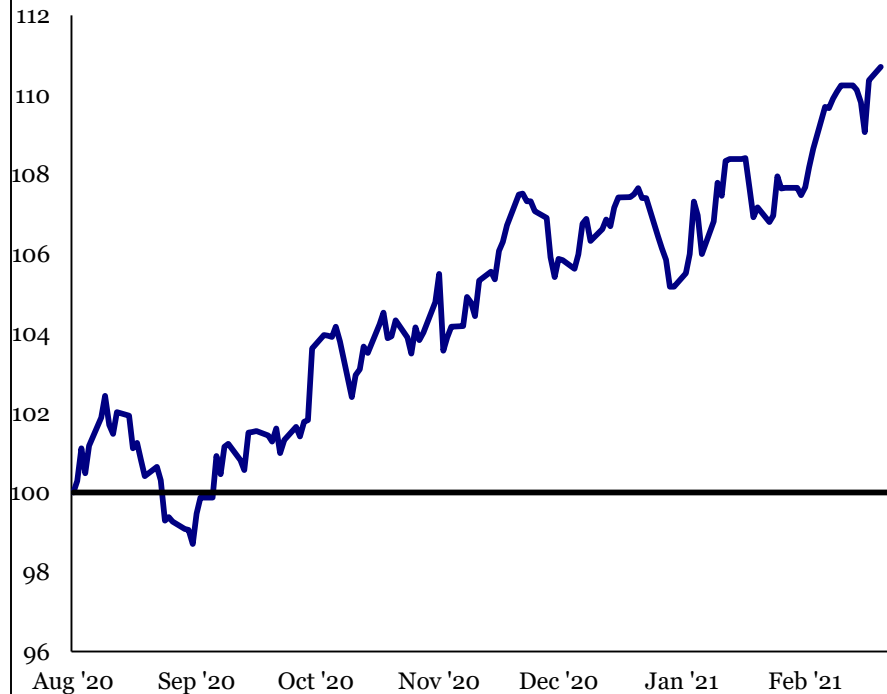




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Biden Goes All In On Fiscal Stimulus For Q1

**Strategas Stimulus Basket 2.0
Relative to S&P 500**



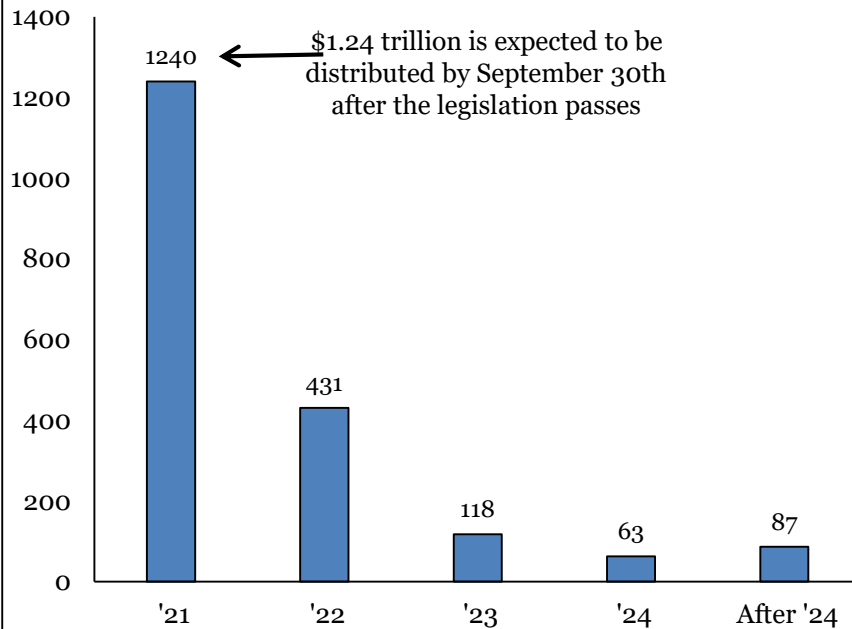
**S&P EQW Discretionary Relative To
S&P EQW Staples**



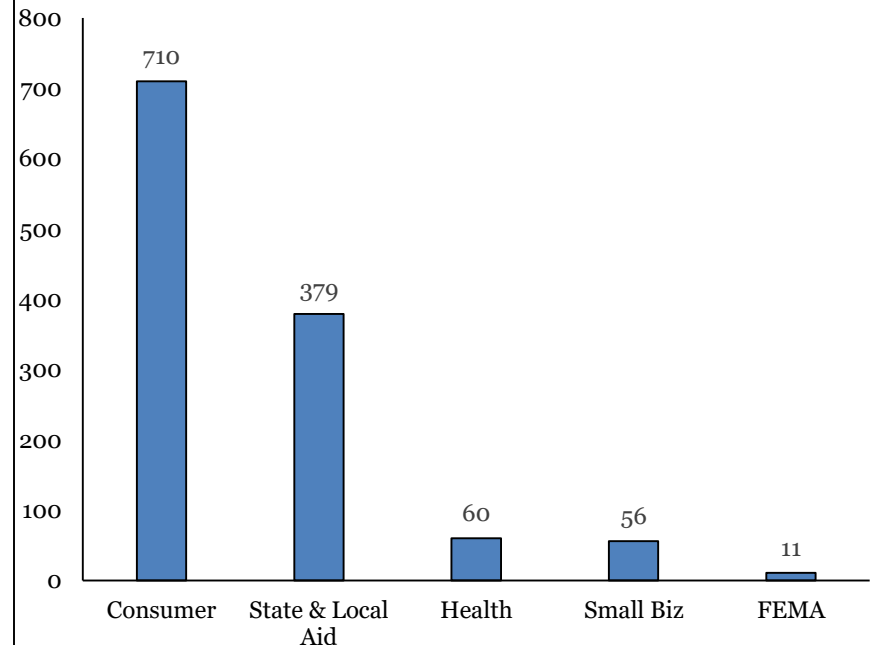


Stimulus Is Front Loaded & Focused On Consumers & Governments

Annual Distribution of Biden Stimulus Plan, FY, \$BN



Allocation of Stimulus In The First Six Months Following Passage, \$BN

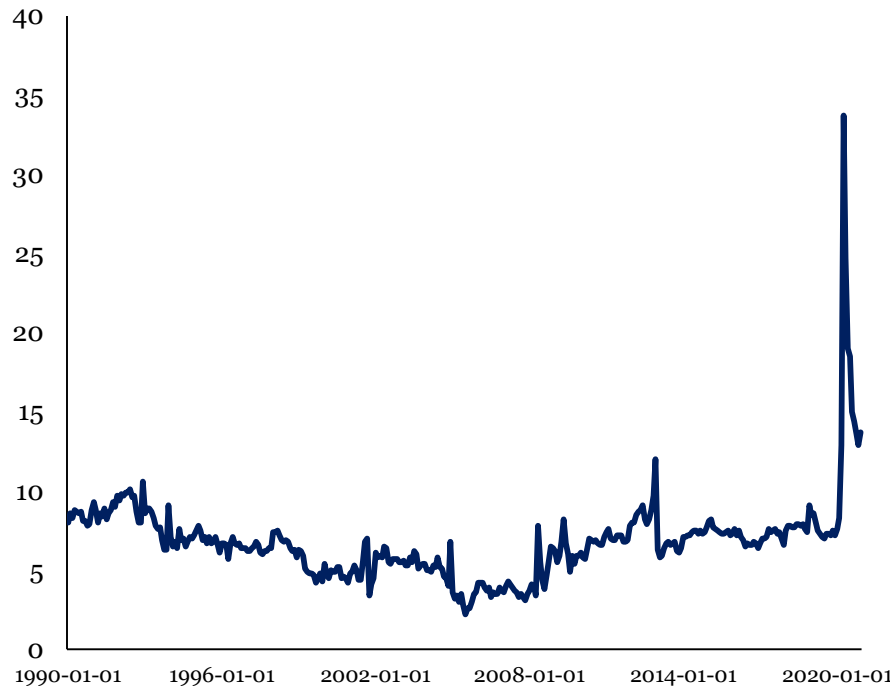




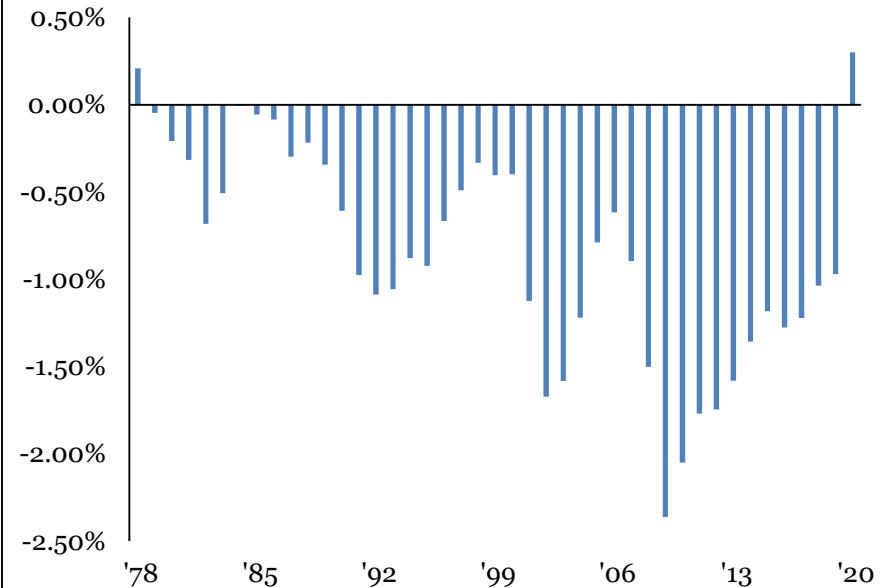
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Consumers & State Governments Are In Better Shape In 2021

Personal Savings Rate



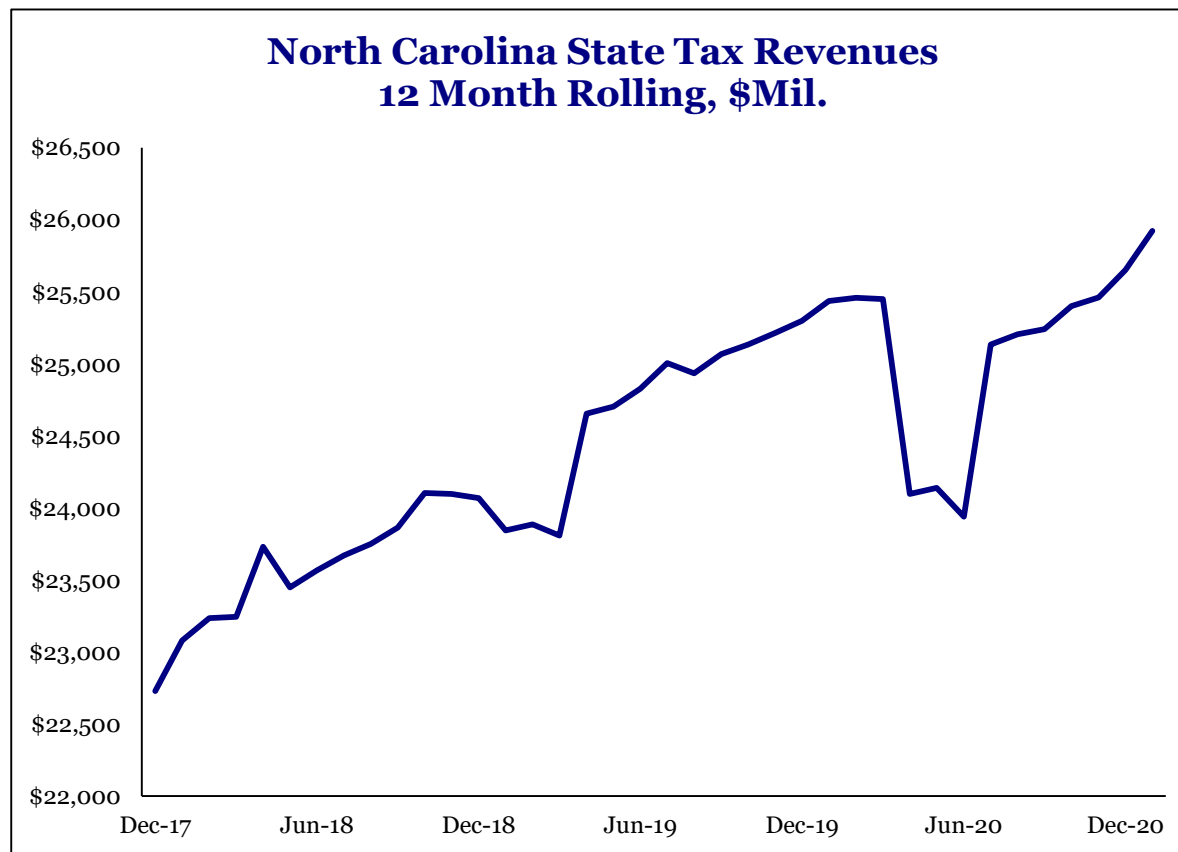
**State & Local Budget
Surplus/Deficit, w/Federal Aid, % of
GDP**





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One Example Of The Sharp Recovery In State Tax Revenues





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Yellen & Powell Are Targeting Unemployment

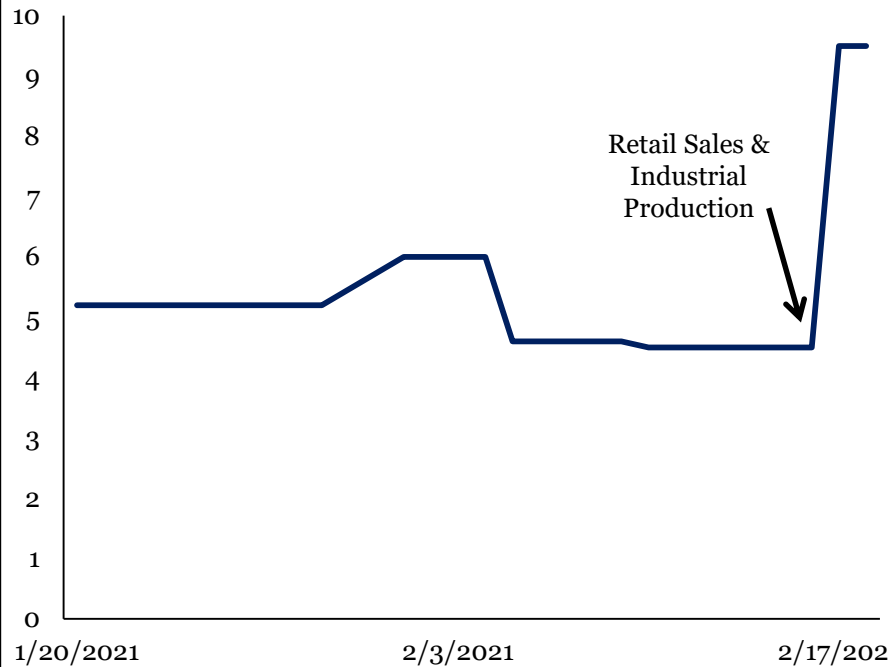




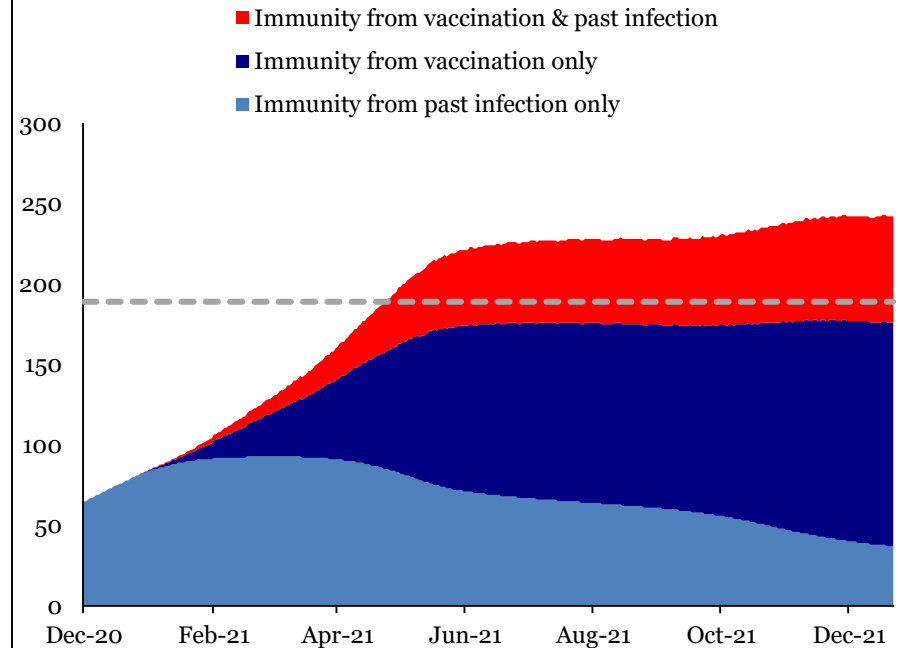
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Stimulus Coming As The Bond Market Declares COVID-19 Over

Atlanta Fed GDP NOW,
Q1 GDP Real-Time Estimate



US Covid Herd Immunity Estimates
(covid-19-projections.com)

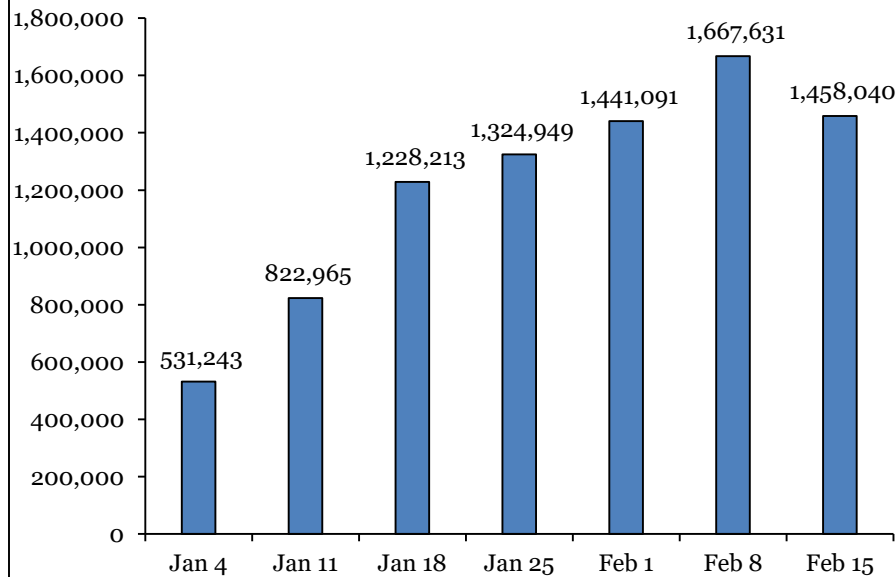




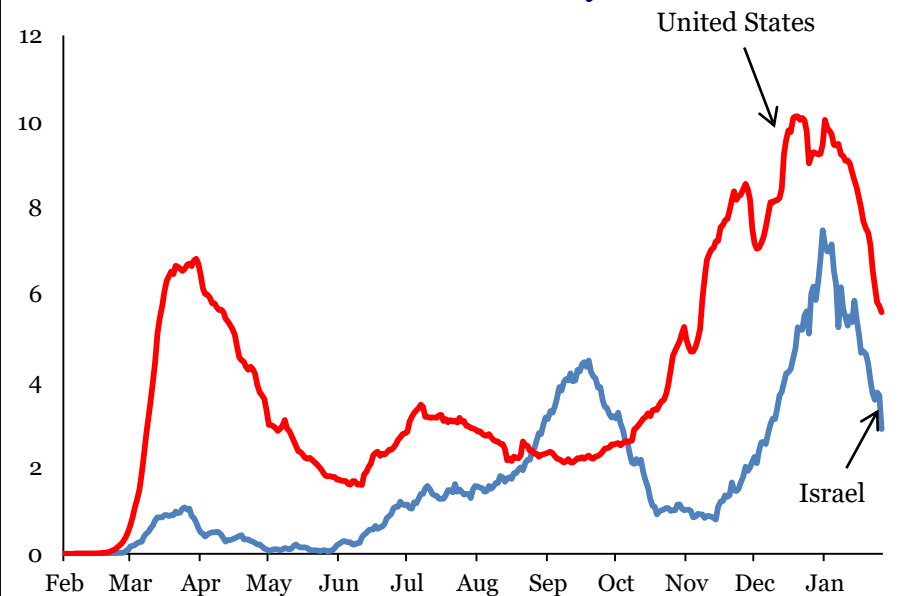
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Vaccines Are Ramping Up In The US & Israel Showing Great Success

**Daily Average of Vaccine Doses
Administered By Week
(CDC)**



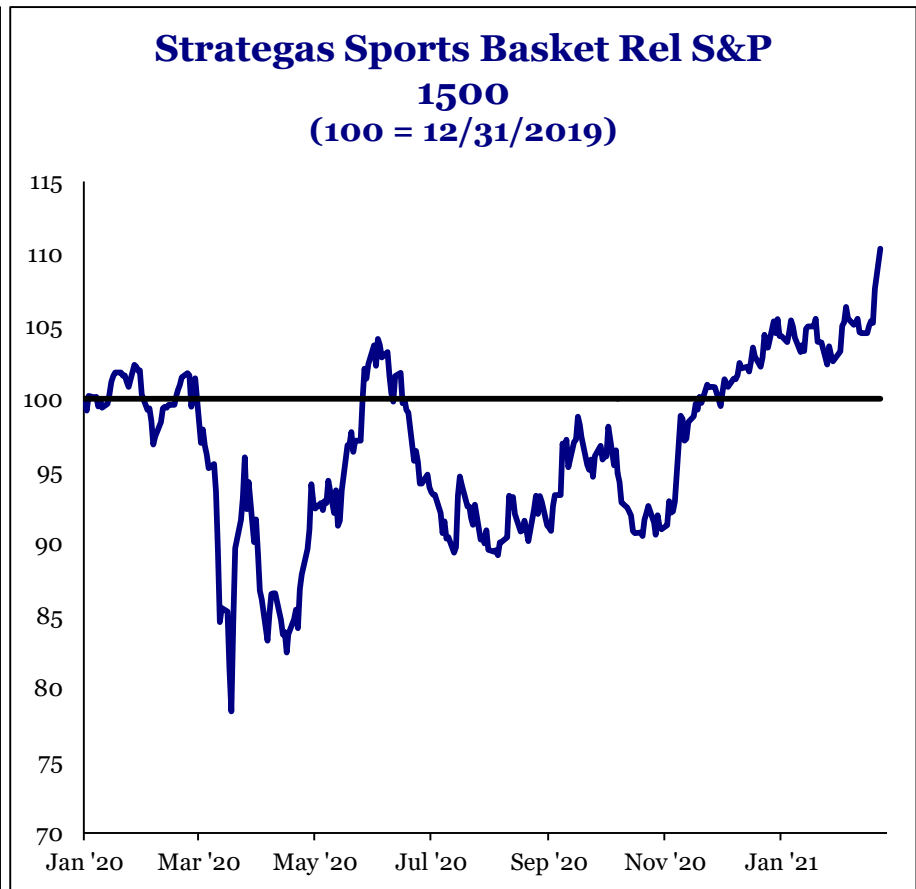
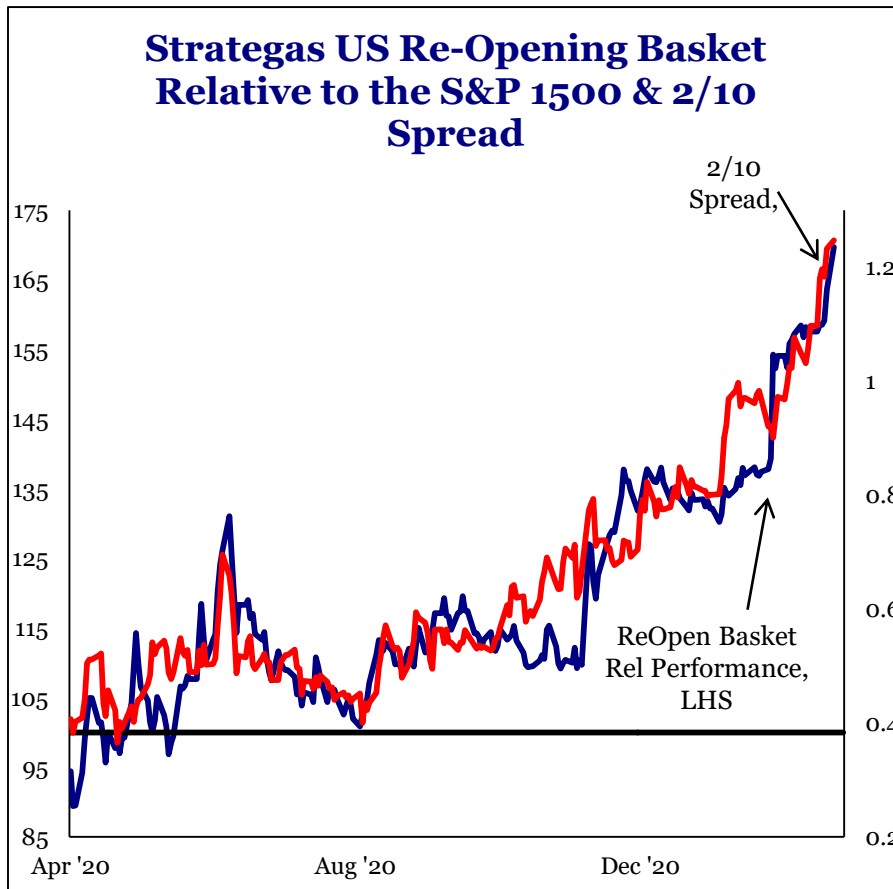
**New Daily Covid Deaths Per 1 Million
People
(Oxford University)**





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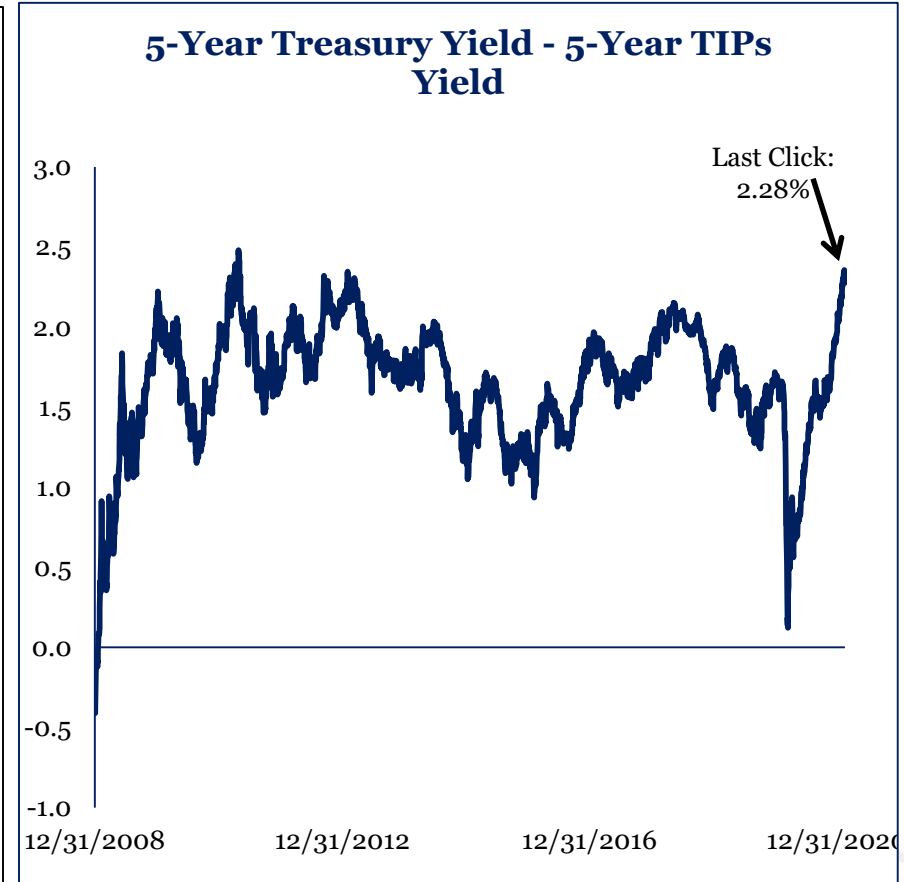
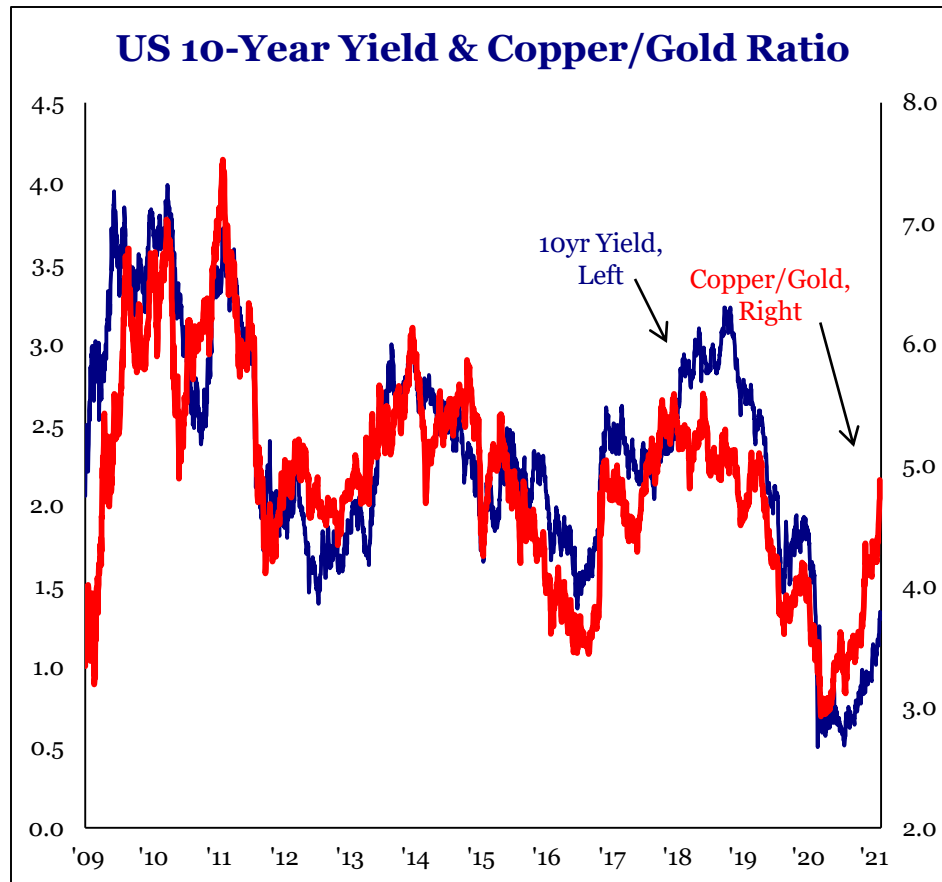
Stimulus Coming As The Bond Market Declares COVID-19 Over





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The Risk of Overstimulation

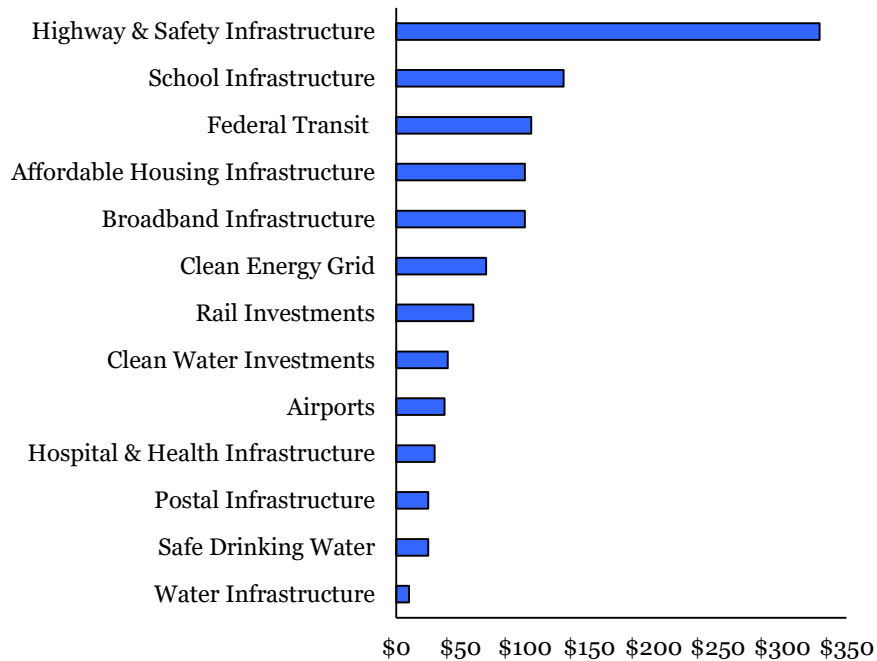




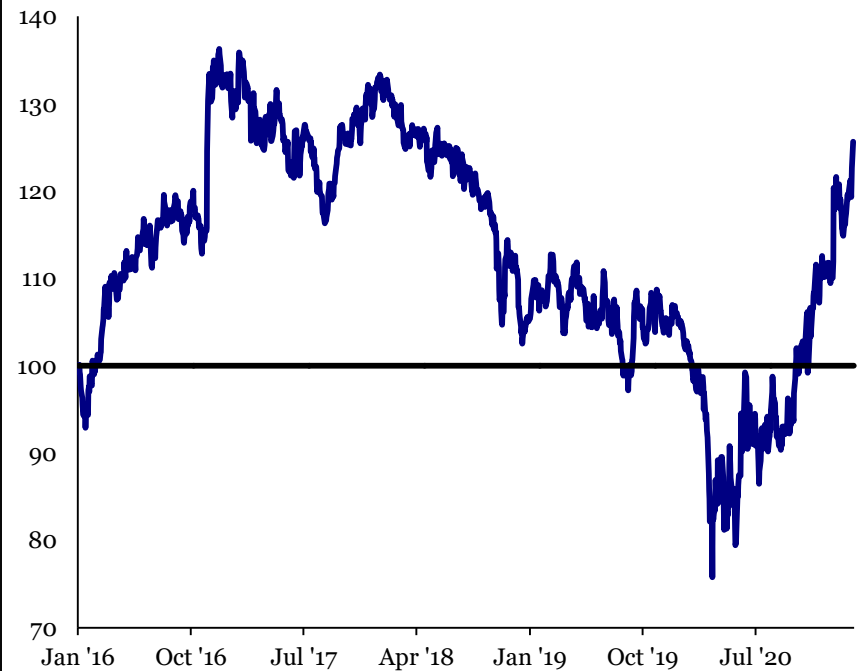
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Immediate Pivot To Infrastructure & Climate Change Coming In 2Q

House Democrats' Moving Forward Act (June 2020)
(\$Bn Over 5 Years)



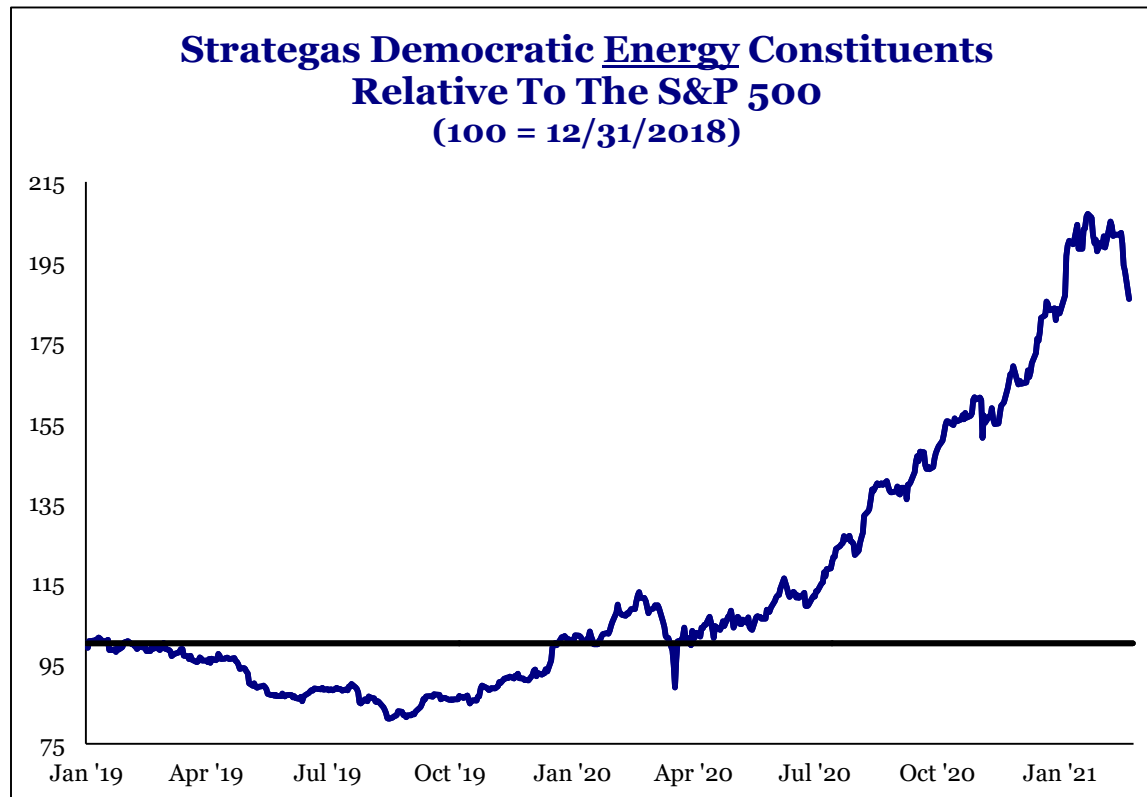
Highway Basket Relative to the S&P 500
(100 = 12/31/2015)





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Immediate Pivot To Infrastructure & Climate Change Coming In 2Q

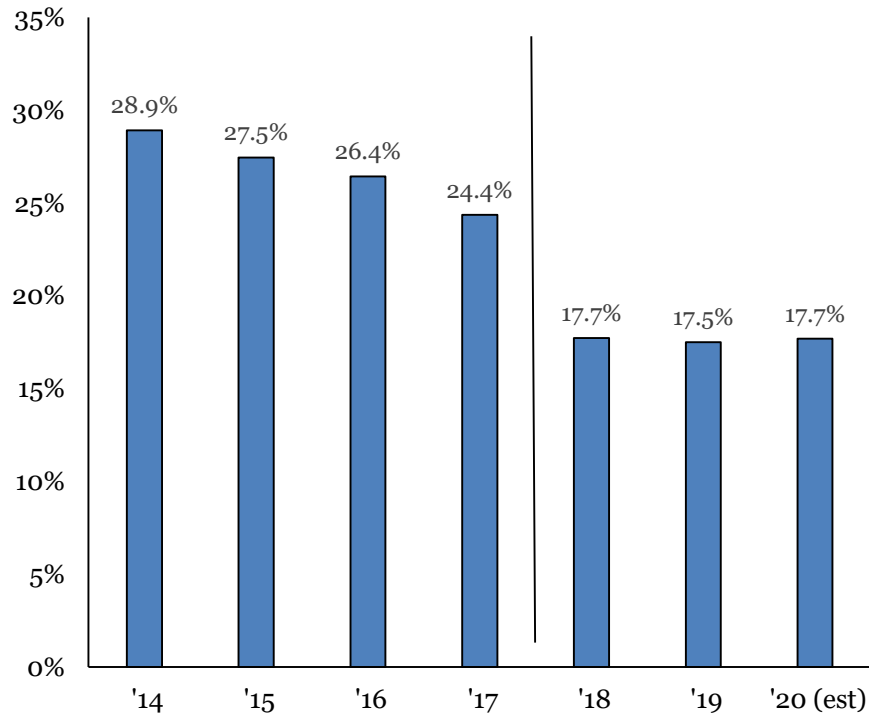




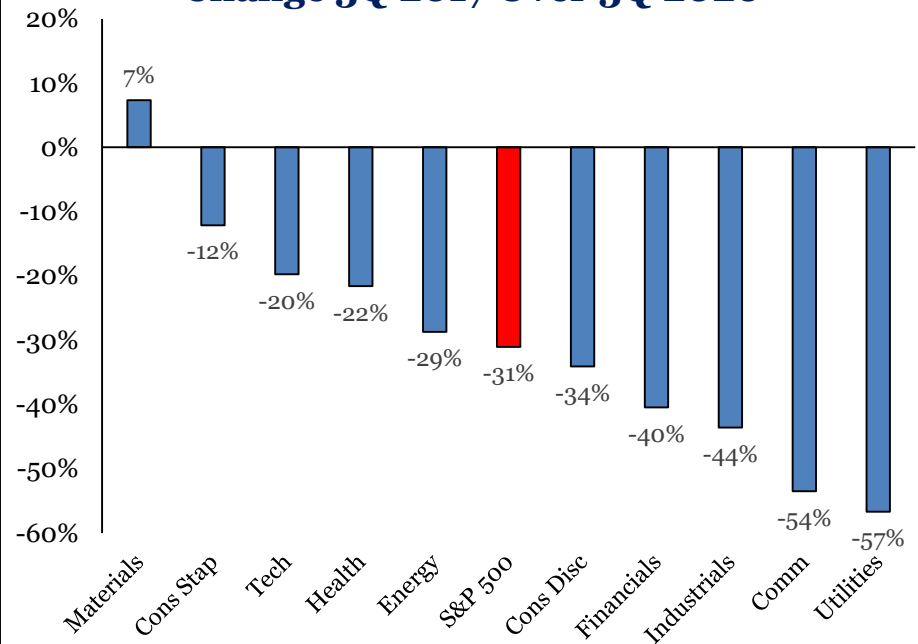
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Nearly All Democrats Want A Corporate Tax Rate > 21%

S&P 500 Annual Corporate Tax Rate



**S&P 500 Tax Rate By Sector, %
Change 3Q 2017 Over 3Q 2020**

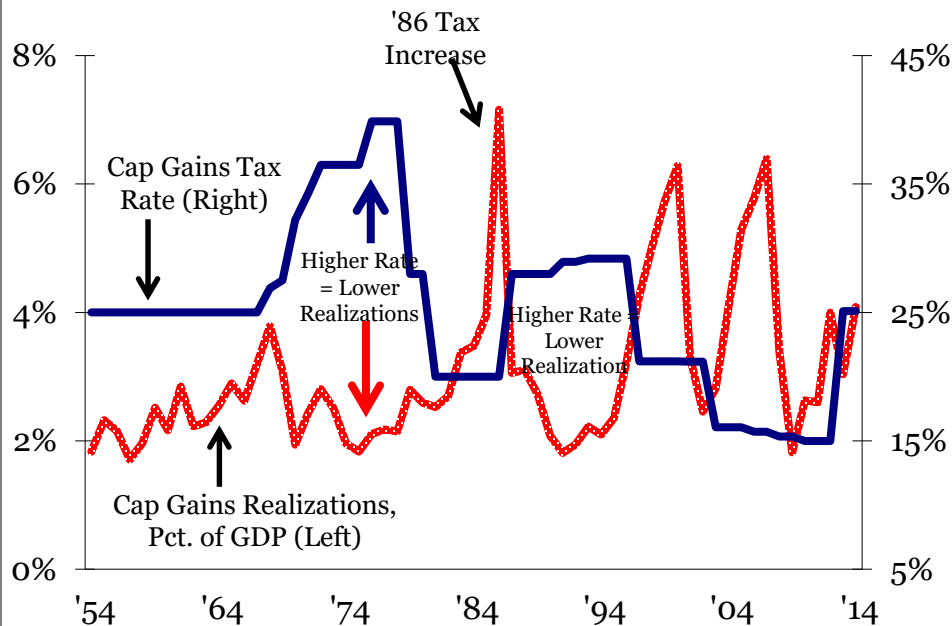




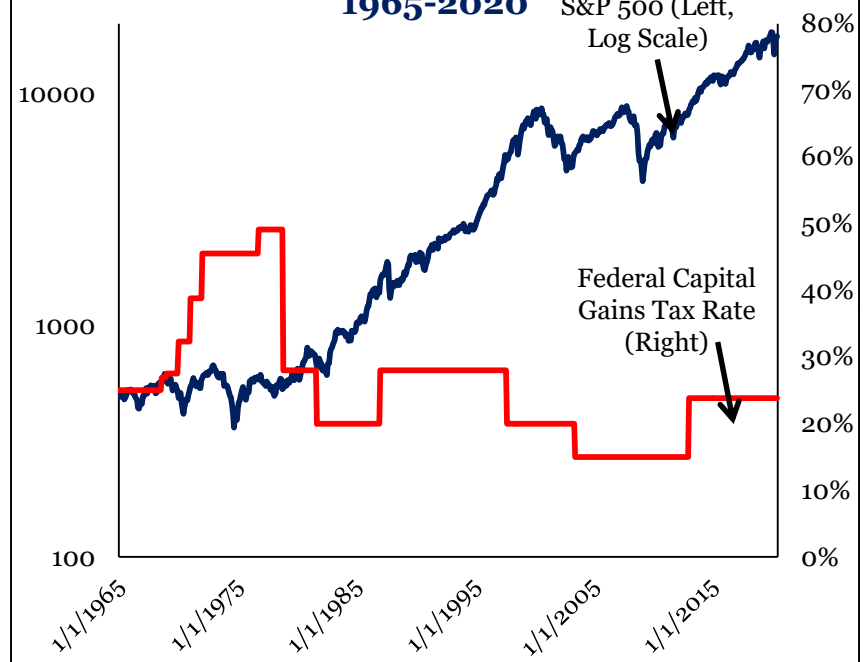
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Higher Capital Gains Tax = Lower Capital Gains Realizations

Capital Gains Realizations & Capital Gains Tax Rates



**S&P 500 & Federal Capital Gains Tax Rate
1965-2020**





Biden Tax Plan

Corporate

- ✓ Boost Corporate Tax Rate to 28%
- ✓ Impose a 15% Minimum Book Tax
- ✓ Minimum Tax on Foreign Profits 21%
- ✓ End Tax Preferences For Fossil Fuels
- ✓ Renewable Energy Tax Credits
- ✓ Manufacturing Tax Credit
- ✓ End Loopholes for Real Estate
- ✓ End Advertising Deduction For Pharma

Individual

- ✓ 12.4 Tax On Social Security For Wages Over \$400k
- ✓ Top Income Tax Rate Raised from 37 to 39.6% For Income Over \$400k
- ✓ Phases Out 20% Business Deduction Rate for Small Businesses
- ✓ Taxes Capital Gains & Dividends At Ordinary Income Tax Rates
- ✓ Limits the Value of Itemized Tax Deductions to 28%
- ✓ Estate Tax Carryover Basis
- ✓ \$15k Tax Credit For 1st Time Homes
- ✓ More Generous ACA Tax Credits
- ✓ Expands The Earned Income Tax Credit
- ✓ Expand The Childcare Credit
- ✓ Student Loan Tax Relief



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