



ARGUS OUTLOOK: THE YEAR AHEAD

THE MONTHLY RESEARCH CONFERENCE CALL

MODERATOR:

Jim Kelleher, CFA

Director of Research

Wednesday, December 2, 2020

11:00 a.m. ET

61 Broadway • NYC, N.Y. 10006

Telephone: (212) 425-7500

■ **Argus Outlook: the Year Ahead**

- Jim Kelleher, CFA, Director of Research
- John Eade, President of Argus
- Kevin Heal, Fixed Income Strategist

■ **Argus Quick Notes**

- Our Favorite Tech Stocks
- COVID-19 Vaccine Timeline Update
- Companies Raising Guidance
- Moderna
- AstraZeneca
- Find these on the homepage of our website

■ **Argus Min Vol Portfolio**

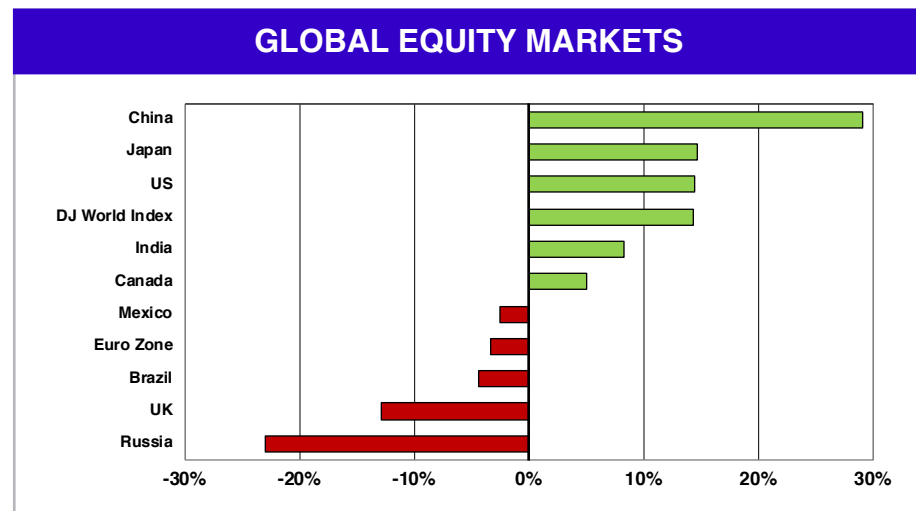
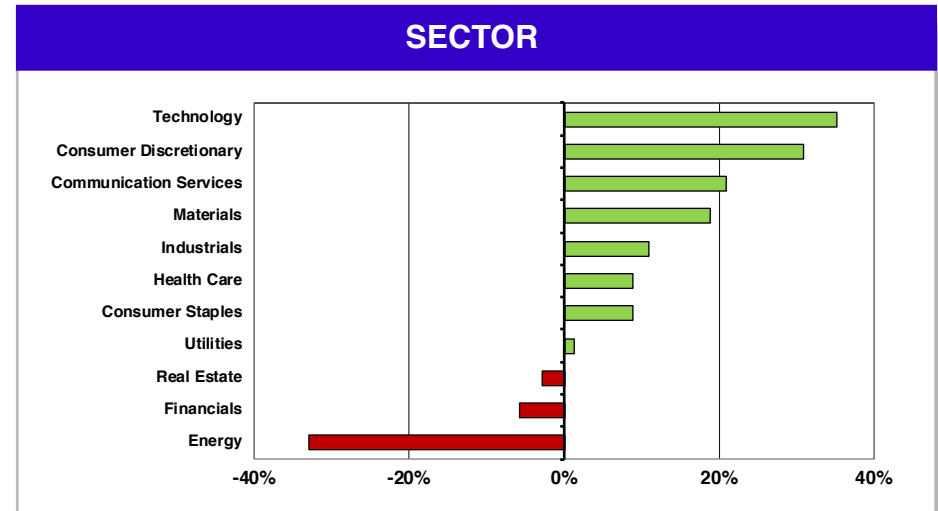
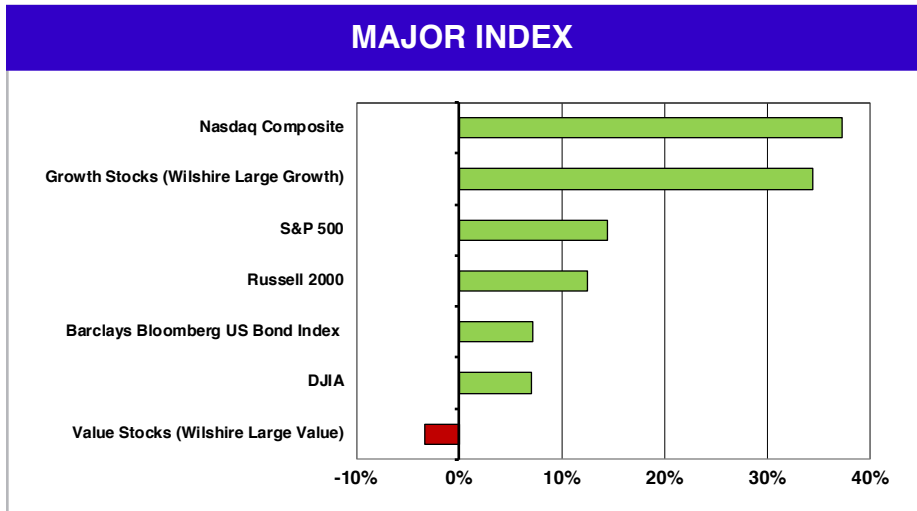
- Amid spiking COVID cases, volatility remains elevated
- Cashing out of the market risks lagging performance
- Min-vol is an all-weather strategy
- Market-matching performance in any investment climate
- Find our Theme Portfolios under Portfolio Strategy on our website

■ **Market Podcast**

- “8 Fundamental Forecasts for 2021”
- Find it on the site: Home Page, News & Media

MARKET PERFORMANCE

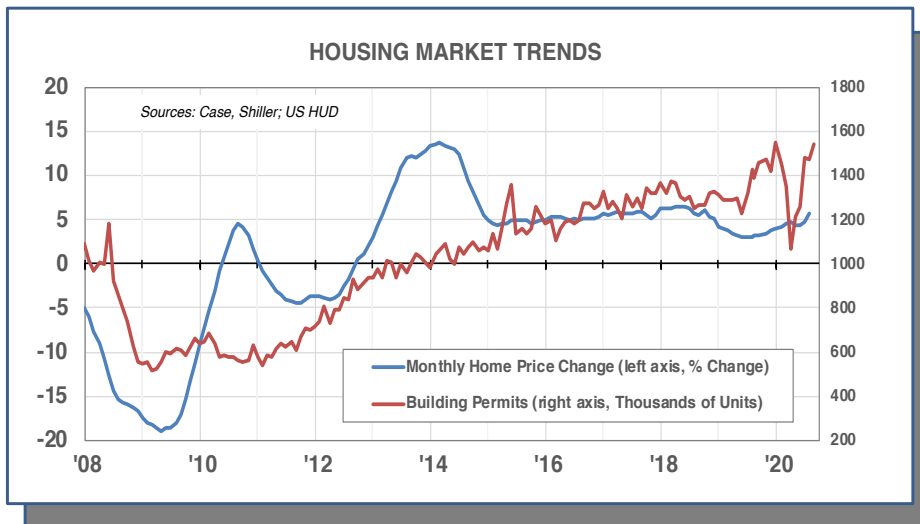
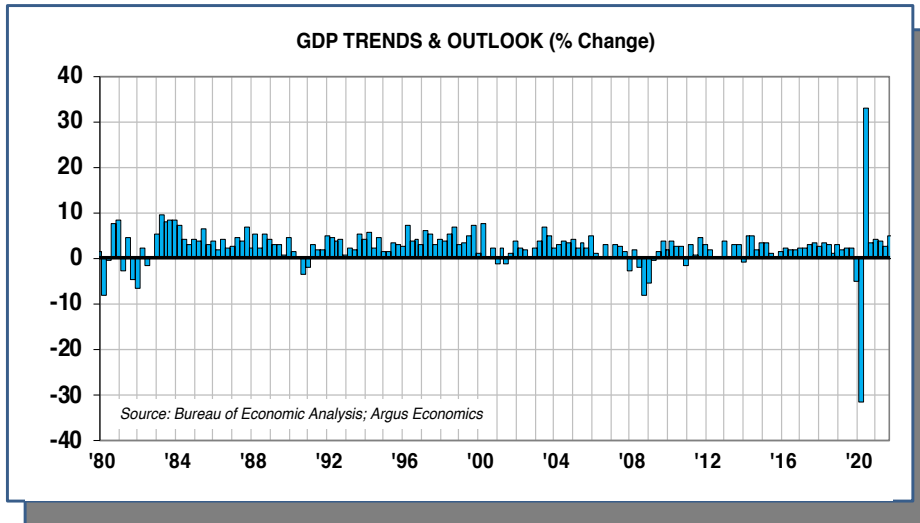
DATA AS NOVEMBER 30, 2020



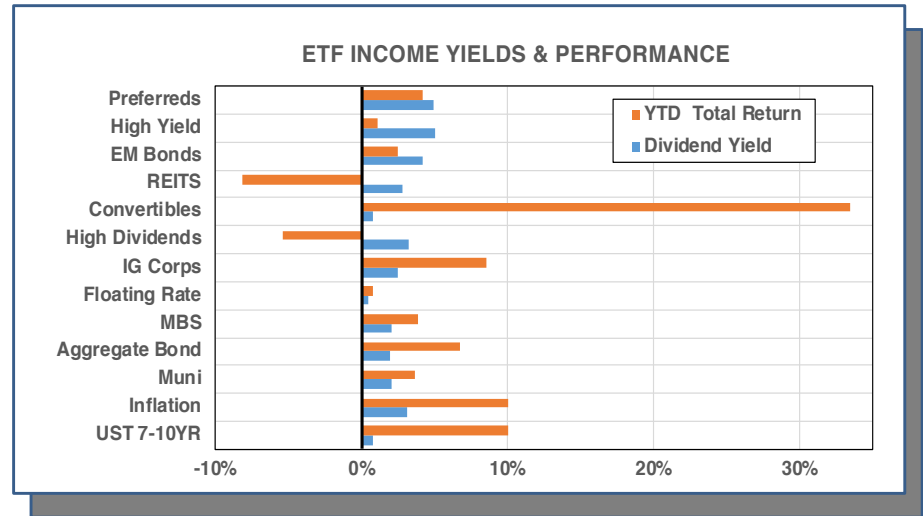
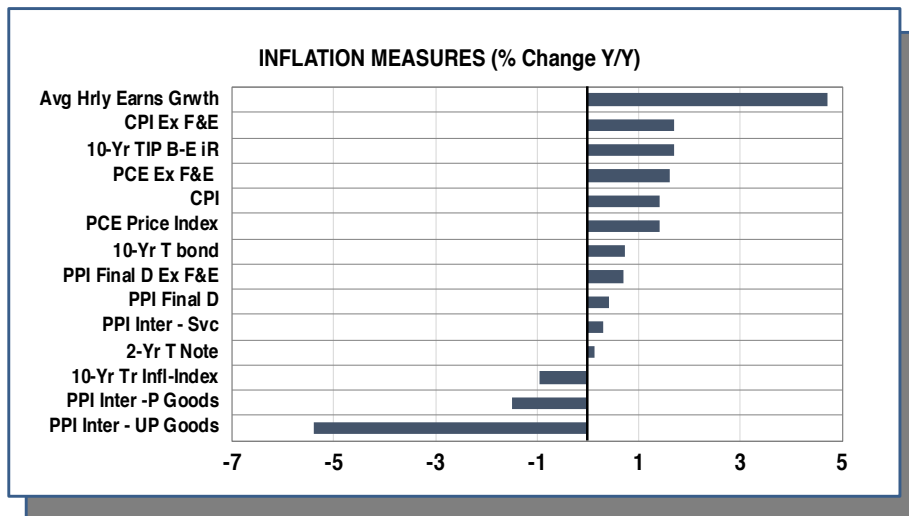
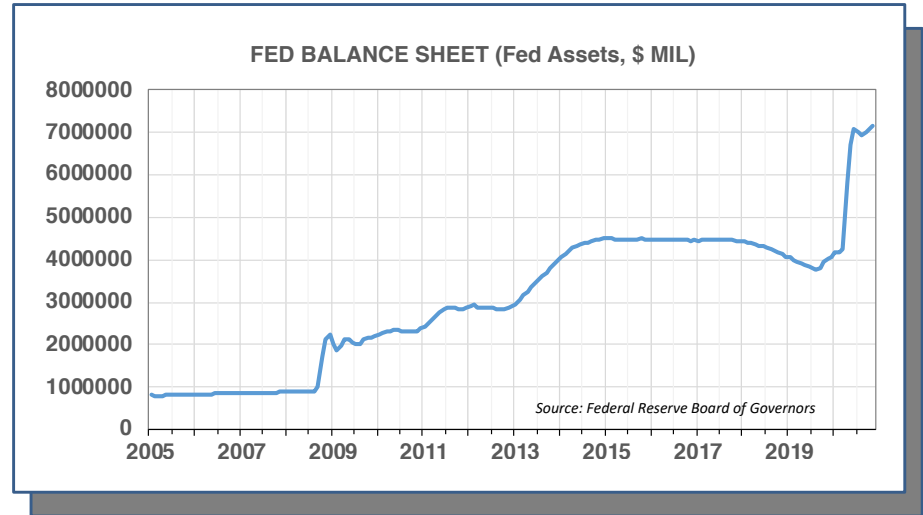
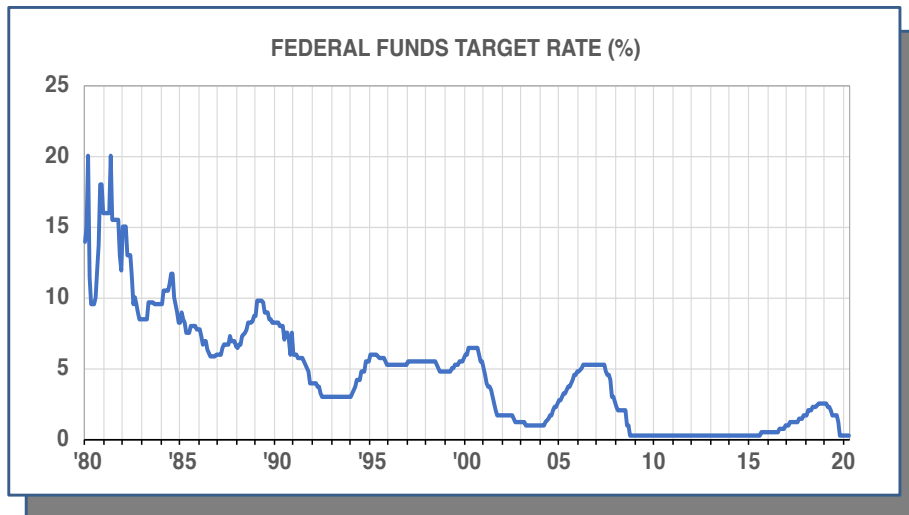
8 FUNDAMENTAL FORECASTS FOR 2021



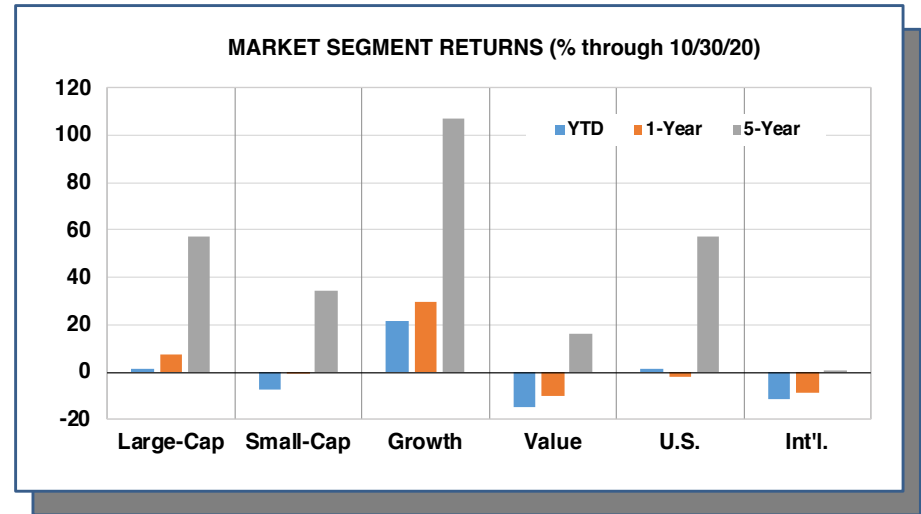
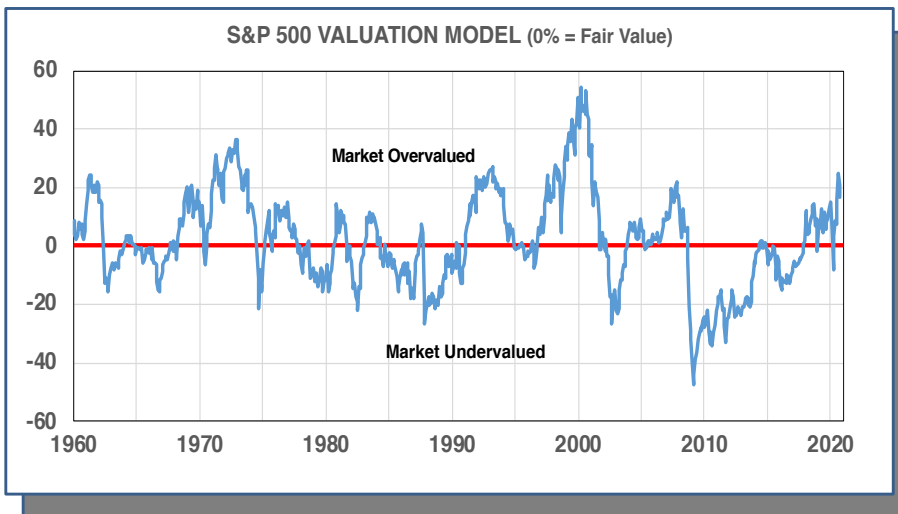
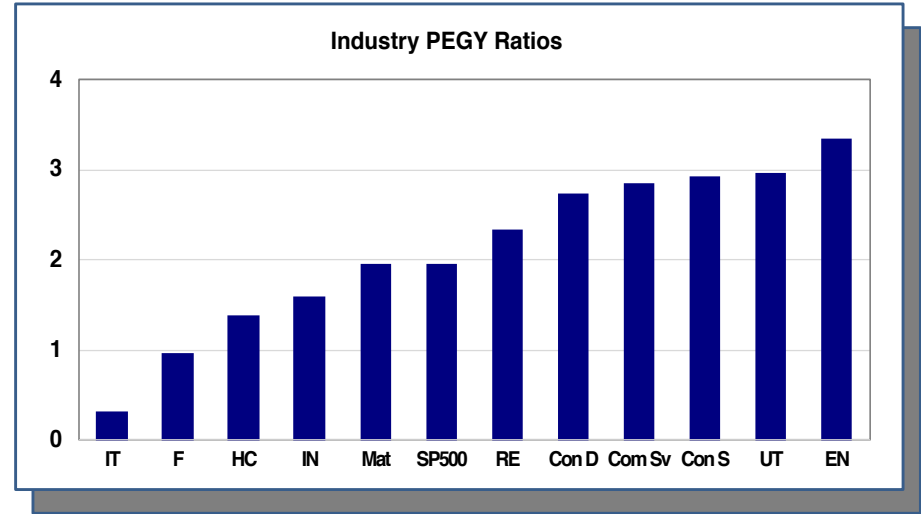
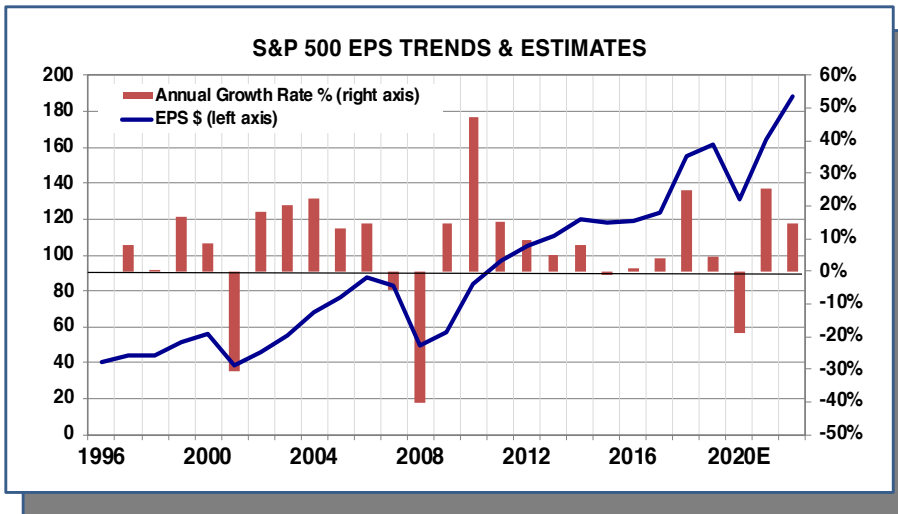
- 1. We expect the U.S. economy to complete a round-trip recovery to pre-COVID levels in 2H21. Currently, after 2 volatile quarters, GDP is about 3% below all-time highs. The ultimate recovery will depend on the health of the nation. Right now, COVID-19 cases are soaring. But a widespread vaccination program is expected to be in place by the middle of next year. Even as the economy recovers, we expect major structural changes. Segments such as Investment into Intellectual Property Products, Consumer Spending on Durables and Residential Investment are expected to emerge stronger. Spending on Services and Exports may lag. By year-end 2021, we expect U.S. Unemployment will be down toward 5.0% as many, but not all, workers are called back to work.**
- 2. We do not expect the global economic recovery to be as strong. Europe and Japan continue to struggle with deflation & negative interest rates. Emerging economies will likely not have the wealth to fund widespread vaccination programs. China will be an outlier, though, and continue to lead global growth.**
- 3. We look for the dollar to continue its 2H20 trend lower. The greenback is down 6% from all-time highs, as the Fed's balance sheet bulges and politicians ready another fiscal stimulus package. We note, though, that even if the dollar drops another 5-6%, it will still be much higher than the long-term average, continuing to place pressure on oil and commodities, as well as on exporters.**
- 4. We expect interest rates to remain low into 2022. At the short end of the yield curve, we expect the Federal Reserve to keep interest rates at zero until at least 2022, as unemployment fails to drop back to pre-COVID levels. The Fed is also trying to influence the long-end of the yield curve with its asset purchases, but is not likely to be as successful as at the short end, due in part to currency values, which remain high. Our forecasts call for the benchmark 10-year Treasury bond rate to drift higher and average 1.25% in 4Q21. That's still historically low.**
- 5. Corporate earnings should recover to all-time highs in 2021, similar to U.S. GDP. WE expect profit growth to be paced by the secular growth sectors: Information Technology, Healthcare, Communication Services and Consumer. 3Q EPS declined 7%, compared to a 34% drop in 2Q. Our revised estimates imply a high-teen percentage decline for 2020, followed by 24% EPS growth for 2021. We have also recently increased our preliminary EPS forecast for 2022 to \$191. Our 2022 estimate assumes 15% EPS growth.**
- 6. Growth will continue to outperform value, as long as interest rates stay low and growth groups include IT & HC, while value groups include Energy and Materials, which face major secular challenges. We expect U.S. stocks to continue to outperform Global stocks, based on risk profiles and growth outlooks, tempered by valuation. Small-cap stocks have surprised in the recent recovery, and we now think they deserve market-weight status in diversified portfolios.**
- 7. There are risks to our outlook. Volatile oil prices are not a risk, nor is inflation. We expect the U.S. government transfer of power to occur. Global growth could disappoint, and valuations are high, predicting perfection, which, as we saw in 2020, does not always materialize. Of course, the biggest risk remains the spread of COVID-19, as the national case and death counts continue to climb. The VIX Volatility Index remains elevated near 25.**
- 8. We expect a positive year for stocks in 2021, based on several factors such as a return to earnings growth, the roll out of a vaccine that leads to the control of COVID-19, continued low interest rates and a calmer political environment. We look for stocks to rise 10-12%, capped a bit by current high stock market valuations.**



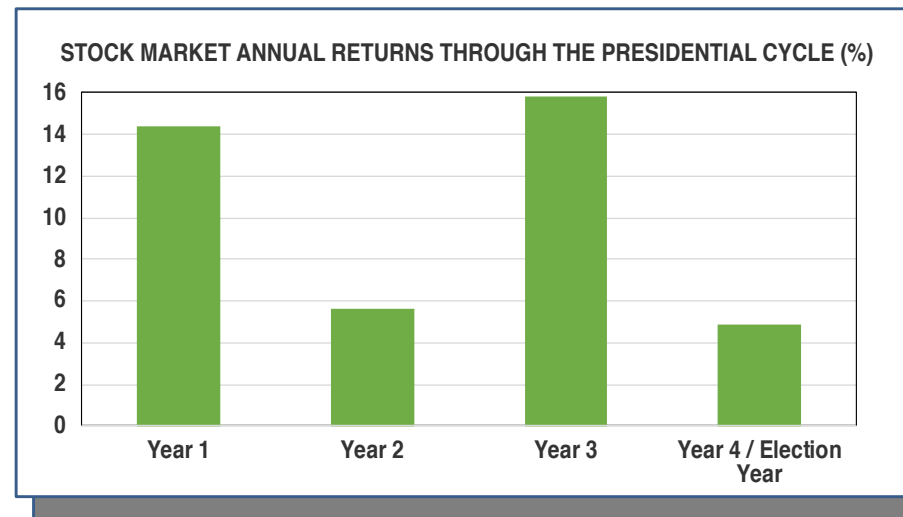
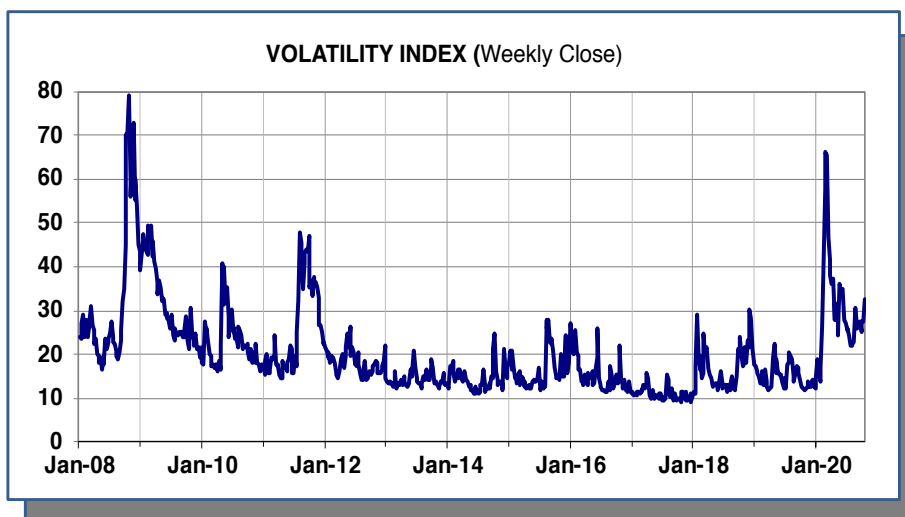
INTEREST RATE OUTLOOK



EARNINGS & MARKET VALUATIONS



RISKS & ASSET ALLOCATION



ASSET ALLOCATION MODEL

Asset Category	Asset Type	Asset Class	Base Strategic Asset Allocation Model (60/40)	Argus Conservative Tactical Model (50/50)	Argus Moderate Tactical Model (70/30)	Argus Aggressive Tactical Model (80/20)
Fixed Income	Bonds	Core Fixed Income	20%	26%	7%	4%
		Inflation-Indexed Bonds	5%	0%	0%	0%
		Opportunistic Fixed Income	13%	24%	23%	13%
	Cash	Cash	2%	2%	3%	2%
Growth Assets	Equities	US Large Stocks	37%	32%	44%	55%
		Intl Large Stocks	8%	4%	7%	8%
		US Small Stocks	6%	5%	8%	9%
		Emerging Markets Stocks	4%	2%	4%	5%
		Commodities	3%	4%	4%	4%
	Alternatives	Real Estate	2%	0%	0%	0%
			100%	100%	100%	100%

TOP SECTOR PICKS



	Communication Services	Consumer Discretionary	Healthcare	Technology	Utilities
Focus List	CHTR EA VZ	DPZ TJX WSM	TECH MRNA REGN VRTX ZTS	ADBE CIEN FIS PANW NOW SNAP SQ TXN	NEE
Equity Income Model	T BCE	GPC LOW MCD	ABT CAH JNJ MRK	AVGO CSCO HPW KLAC PAYX QCOM STX	D PEG
Growth & Income Model	FB TMUS DIS	CMG LULU NKE	AMGN BDX CTLT LLY MDT ZTS	CAN AAPL ADP MRVL MA MCHP MSFT NVDA SAP XLNX	ES
Growth Model	GOOGL FB	AMZN	TECH CTLT EBS INCY LLY TMO	ADBE ADI AAPL ADSK FISV NVDA PYPL CRM NOW V	NEE
Institutional Model	ATVI GOOGL CMCSA FB VA	AMZN HD COST ULTA	BDX DHR EBS MRK SYK TMO UNH	ADBE AAPL AMAT AVGO GLW INTU MSFT CRM SWKS TXN V	NEE XEL

New Normal/App Economy

- PYPL, V, MC, GPN, FISV, GOOGL, AAPL, UBER, LYFT, AMZN, W, SHOP, PTON, TDOC, PINS, DKNK

AI Data Center

- CIEN, VIAV, AVGO, MU, TXN, NVDA, AMD

Home as Sanctuary

- LEN, DHI, TOL, LOW, HD, WSM, GNRC, MAS, SHW, PG, CFG, RF, AGNC

Infrastructure/Supply Chain

- VZ, T, ODFL, JBHT, UNP, NSC, CSX, URI, CAT, DE, VMC, ECL, ROP, AWK, NEE, SPGI, MCO

COVID Fighters

- MRNA, PFE, JNJ, AZN, GSK, SNY, CTLT, EBS, LLY, REGN, BDX, CARR, TT, FDX, APD, LIN

High Yield

- ENB, T, NRZ, BCE, PPL, CVX, PRU, GSK, IBM, ABBV, STX, CFG, KEY, SO, NFE, PFE, VZ, AVB, TFC, RIO

Sustainable Impact Investing

- ECL, LOW, CVS, SCHW, JPM, ABT, ANTM, ISRG, DE, LHX, HON, EQIX, KLA

Innovation

- FB, ICE, TECH, INCY, ADBE, ADI, ADSK, NVDA, PYPL, CRM NOW, V, DLR

Dividend Growth

- HD, COST, EL, BLK, CFG, SPGI, TMO, ZTS, FAST, ITW, NOC, ODFL, MA, MSFT, AMT, NEE

Min-Vol

- VZ, MCD, LHR, CHD, WMT, UN, CL, PG, KO, BDX, MRK, JNJ, PFE, DHR, UPS, TXN, WEC

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