



STOCKS ARE YIELDING MORE THAN BONDS

BLOOMBERG OPINION



SHAREHOLDER
YIELD OF 3.9% VS
10YR BOND
YIELDING 1.24%

- ✓ There have only been two occasions when dividend yields rose more than a percentage point above bonds yields. On both occasions investors would have done fantastically (buy stocks while shorting bonds). In 2009 there was a 68% return over the next 12 months, while in 2020 there was a 94% return.
- ✓ Inflows into Equities \$13.7 Billion, 21 July 2021
- ✓ Inflation is not an ongoing concern.
- ✓ Share Buy Backs: providing investors with an expected shareholder yield of 3.9%. “This is a significant cross-asset valuation support for equities at a time when 10yr US bonds are yielding 1.24%,” JP Morgan strategist.

WHEN STOCKS
YIELD MORE THAN
BONDS: IN 2009
THERE WAS A 68%
RETURN OVER THE
NEXT 12 MONTHS.
IN 2020 THERE
WAS A 94%
RETURN

S&P 500 Dividend Yield Is Above The 10-Year Treasury.

Stocks Are Yielding More Than Bonds, Again

What once seemed an epochal one-off is turning into a regular event



- ✓ Historically, when the dividend yield on the S&P 500 has been higher than the 10 year bond, high returns on equities have followed.

SHARE BUYBACKS ARE BACK

Stock Buy Backs Could Boost Stocks.

All told, S&P 500 corporations could buy back \$875 billion of their stock over the next year, while paying out another \$575 billion in dividends, providing investors with an expected shareholder yield of 3.9%. “This is a significant cross-asset valuation support for equities at a time when 10yr US bonds are yielding 1.2%,” J.P. Morgan strategist.

“EQUITIES ARE CURRENTLY PAYING A YIELD IN COLD HARD CASH THAT IS SLIGHTLY HIGHER THAN WHAT YOU CAN GET FROM BONDS.”
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Yield Gap Signals Buying Opportunity

A Guide to Historic Buying Opportunities

Buy a week after yield gaps peaked, and returns were extraordinary

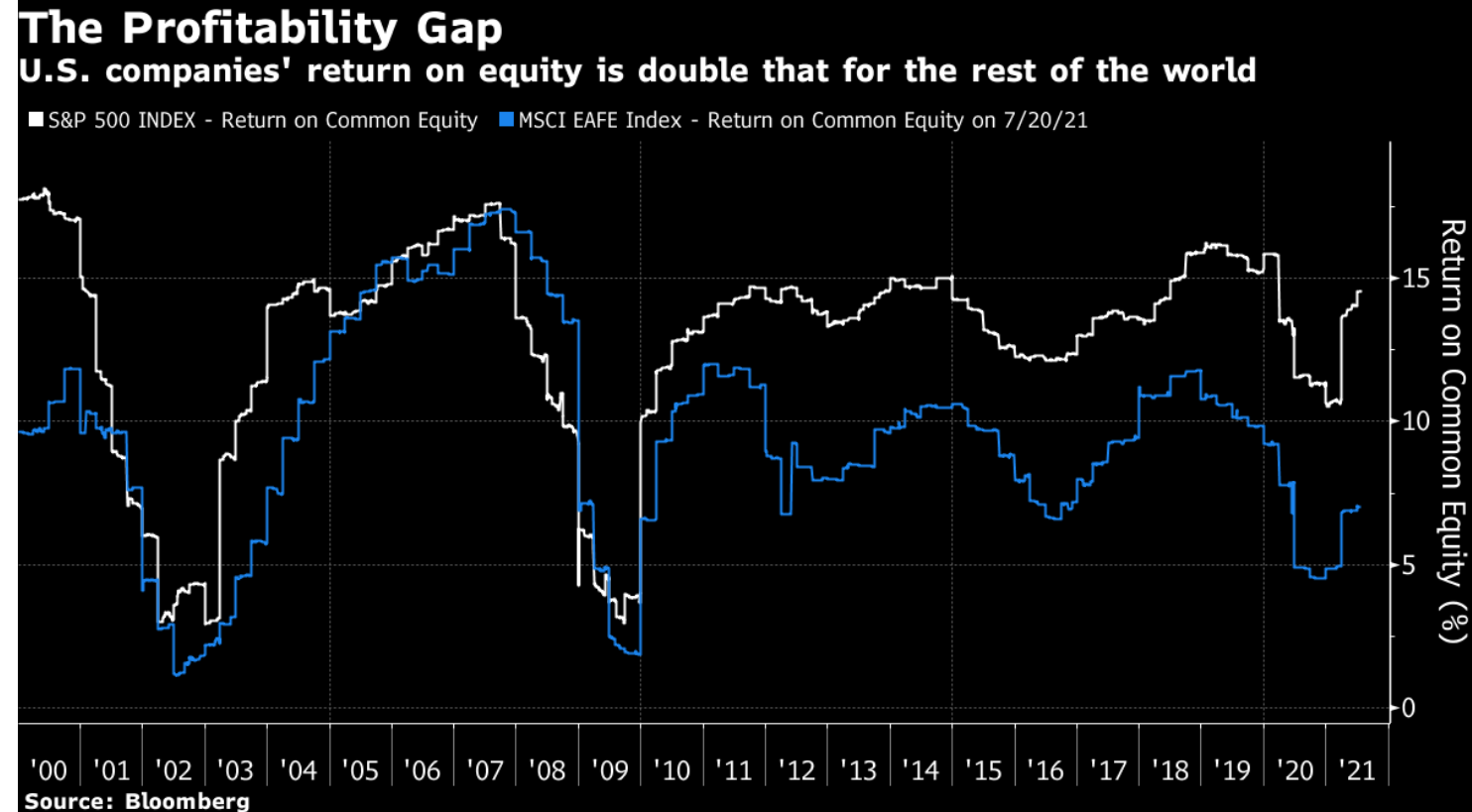
Normalized As Of 03/09/2009 ■ SPDR S&P 500 ETF Trust / iShares 20+ Year Treasury Bond ETF



- ✓ Buying stocks the week following the peak between the 10-year Treasury and the S&P 500 dividend yield historically has been a good strategy.

US COMPANIES'
RETURN ON
EQUITY IS DOUBLE
THAT FOR THE
REST OF THE
WORLD

U.S. Equites Offer Greater Potential Returns.

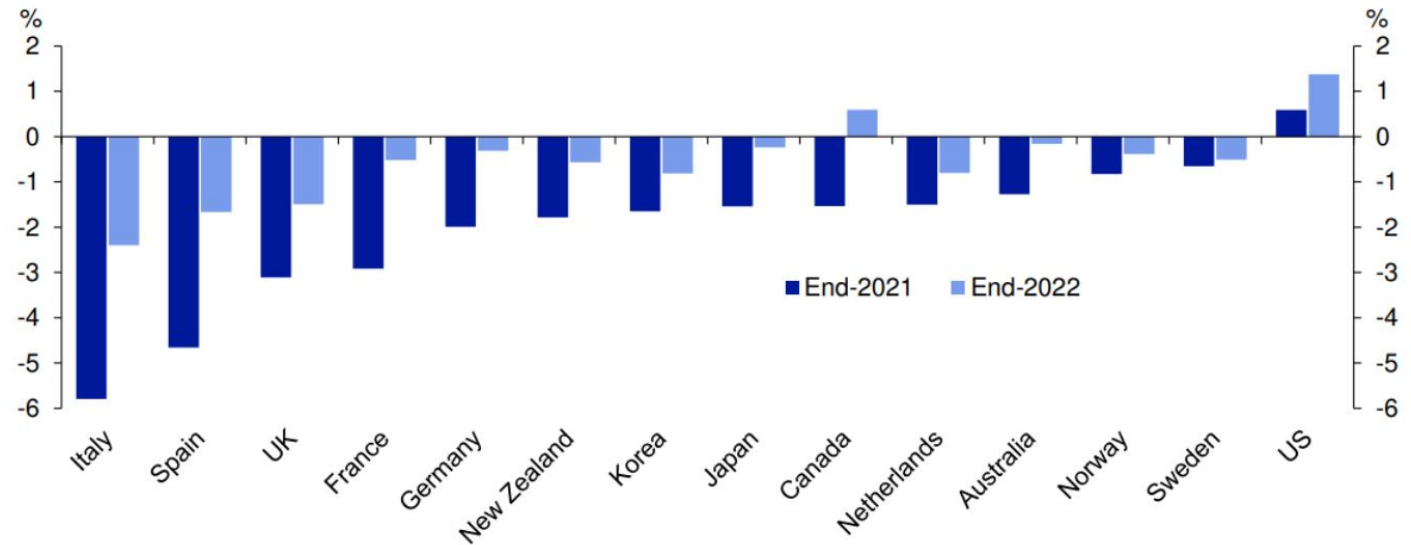


- ✓ U.S. large cap companies in the S&P 500 have historically offered a better return on equity than non U.S. companies.
- ✓ Apple, Amazon, Pfizer and IBM are some examples of these.

The U.S. has Recovered Economically.

THE US IS IN A
COMPLETELY
DIFFERENT PLACE
FROM THE REST OF
THE DEVELOPED
WORLD

Figure 1: IMF Estimates : Output gap as % of Potential GDP



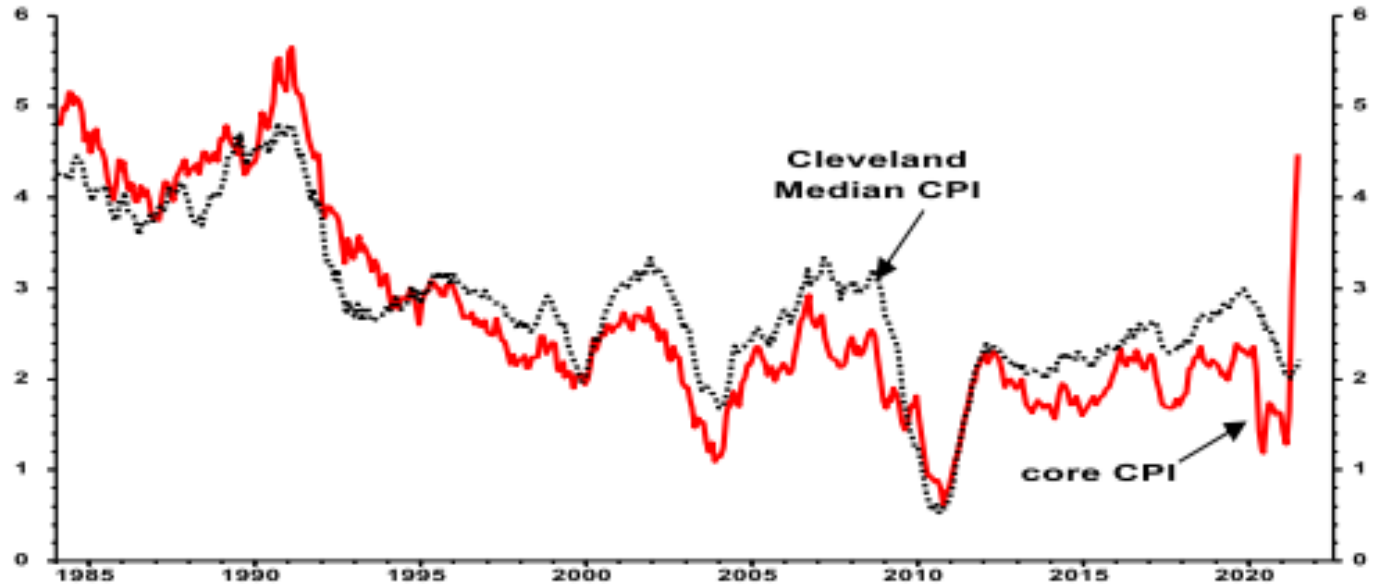
Source :IMF, Haver Analytics, Deutsche Bank

- ✓ The U.S. has recovered economically faster than the rest of the world.
- ✓ This is good news for U.S. equities as it will increase investor confidence.

CORE INFLATION,
EXCLUDING FOOD
AND FUEL,
NORMALLY
FOLLOWS THE
MEDIAN

Inflation Should Return To A More Normal Pace.

The divergence between the normally coincident core and median CPI is highly unusual



Source: Datastream

- ✓ The Fed believes the factors impacting inflation are “transitory”.
- ✓ It is likely Core CPI will move closer to the median CPI.

EARNINGS THIS WEEK Q2, 2021

Large Cap S&P Companies Earnings To Be Reported

| MON | TUES | WED | THU | FRI |
|-------|--|----------------------|------------|-------------|
| TESLA | Apple | BOEING | mastercard | ExxonMobil |
| | Alphabet | Bristol Myers Squibb | amazon | Chevron |
| | Microsoft | McDonald's | twilio | CATERPILLAR |
| | AMD | facebook | | |
| | | Ford | | |
| |  FOMC MEETING | | | |

- ✓ With earnings expected to be high, investors confidence will be high.

US EQUITIES
ROARED BACK TO
LIFE AFTER TWO
WEEKS OF NET
OUTFLOWS,
POSTING GAINS OF
MORE THAN \$13.7
BILLION, 21 JULY
2021

ETF Weekly Flows By Asset Class

| | Net Flows (\$, mm) | AUM (\$, mm) | % of AUM |
|----------------------------|--------------------|---------------------|--------------|
| U.S. Equity | 13,736.57 | 3,850,288.28 | 0.36% |
| International Equity | 3,073.77 | 1,281,880.22 | 0.24% |
| U.S. Fixed Income | 2,355.10 | 1,049,794.54 | 0.22% |
| International Fixed Income | 1,530.65 | 145,779.20 | 1.05% |
| Commodities | -359.62 | 143,420.15 | -0.25% |
| Currency | 20.61 | 1,942.49 | 1.06% |
| Leveraged | 39.40 | 61,790.85 | 0.06% |
| Inverse | 104.39 | 11,864.64 | 0.88% |
| Asset Allocation | -10.95 | 16,506.13 | -0.07% |
| Alternatives | 63.04 | 6,437.53 | 0.98% |
| Total: | 20,552.95 | 6,569,704.02 | 0.31% |

THE SPDR SAW
GAINS OF \$4.5Bn
WHILE INVESCO'S
QQQ HAD
INFLOWS OF
\$1.4BN FOR 21ST
JULY 2021.

Top 10 Creations (All ETFs)

| Ticker | Name | Net Flows (\$,mm) | AUM (\$,mm) | AUM % Change |
|--------|---|-------------------|-------------|--------------|
| SPY | SPDR S&P 500 ETF Trust | 4,497.55 | 384,669.52 | 1.17% |
| FTCS | First Trust Capital Strength ETF | 1,841.11 | 10,112.64 | 18.21% |
| VTI | Vanguard Total Stock Market ETF | 1,412.62 | 257,488.03 | 0.55% |
| QQQ | Invesco QQQ Trust | 1,407.48 | 182,724.66 | 0.77% |
| LQD | iShares iBoxx USD Investment Grade Corporate Bond ETF | 1,214.53 | 40,676.70 | 2.99% |
| VT | Vanguard Total World Stock ETF | 1,150.58 | 23,137.09 | 4.97% |
| VOO | Vanguard S&P 500 ETF | 1,047.09 | 239,727.87 | 0.44% |
| BNDX | Vanguard Total International Bond ETF | 886.27 | 44,147.52 | 2.01% |
| VTWO | Vanguard Russell 2000 ETF | 854.35 | 5,777.03 | 14.79% |
| VEA | Vanguard FTSE Developed Markets ETF | 674.37 | 102,945.82 | 0.66% |

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