



Income Analysis

# LOOKING FORWARD: Q4, 2021 EARNINGS WILL BE STRONG WHEN THEY ARE ANNOUNCED AT THE END OF JANUARY 2022

THERE IS A STRONG ARGUMENT FOR A CONTINUATION OF THE  
BULL MARKET IN EQUITIES



HOLIDAY SEASON  
EARNINGS  
OUTLOOK WILL BE  
THE NEXT FOCUS

- ✓ Wells Fargo estimate that US Retail Sales during the Holiday Season will hit a record gain of 11% over last year.
- ✓ Economists forecast that inflation (prices) will be under control by 2023. “Nothing to worry about.”
- ✓ Equity Risk Premium is Attractively Placed.
- ✓ Technology is increasingly being accepted into the mainstream of our lives. Hertz ordered 100,000 Tesla’s.
- ✓ Positive Equity Inflows in the US Market.

## Consumers Have Cash To Spend.

WELLS FARGO  
ESTIMATE RETAIL  
SALES DURING THE  
HOLIDAY SEASON  
WILL HIT A  
RECORD GAIN OF  
11% OVER LAST  
YEAR



- ✓ Consumers are estimated to spend record amounts this Christmas season.
- ✓ Many consumers have built up savings from extended lockdown periods.

FOOD AND  
ENERGY PRICES  
REMAIN FAR  
LOWER THAN 10  
YEARS AGO

## Putting Inflation in Perspective.

### **Fuel and Food: Prices Remain Far Lower Than a Decade Ago**

The recent sharp price rises mark the end of a bear market, not a new boom

— Bloomberg Energy Subindex — Bloomberg Agriculture Subindex



Bloomberg

BloombergOpinion

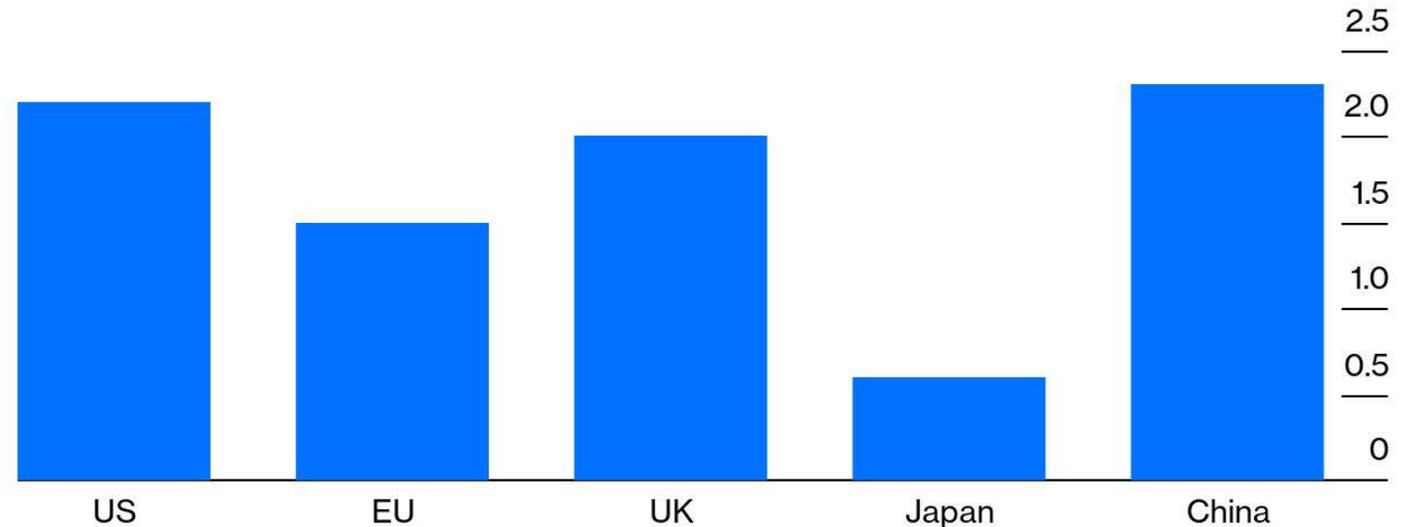
- ✓ Although there has been some gradual price increases, inflation remains below pre-pandemic levels.

ECONOMISTS  
EXPECT PRICES TO  
BE UNDER  
CONTROL BY 2023

## Inflation Is Under Control.

### 2023 Inflation Projections: Nothing to Worry About

Economists surveyed by Bloomberg expect prices to be under control by 2023



Bloomberg World Economic Statistics

**Bloomberg**Opinion

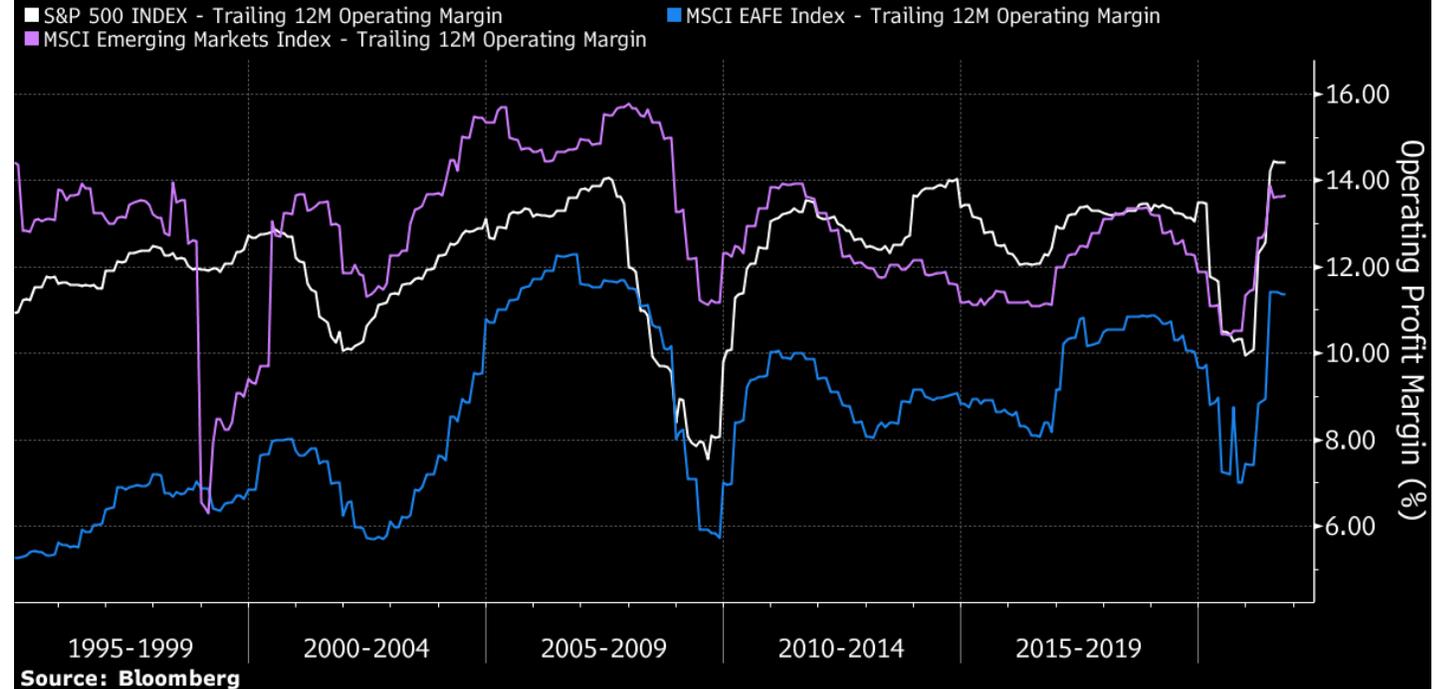
- ✓ Economists and the Fed expect inflation to be transitory.
- ✓ A recent survey of economists suggests prices will come down.

## Corporate Profitability Is High

CORPORATE  
PROFIT MARGINS  
WILL ALSO  
NORMALISE IN  
2022

### **Pandemic Profitability**

**Across the world, corporate profit margins have surged in 2021**



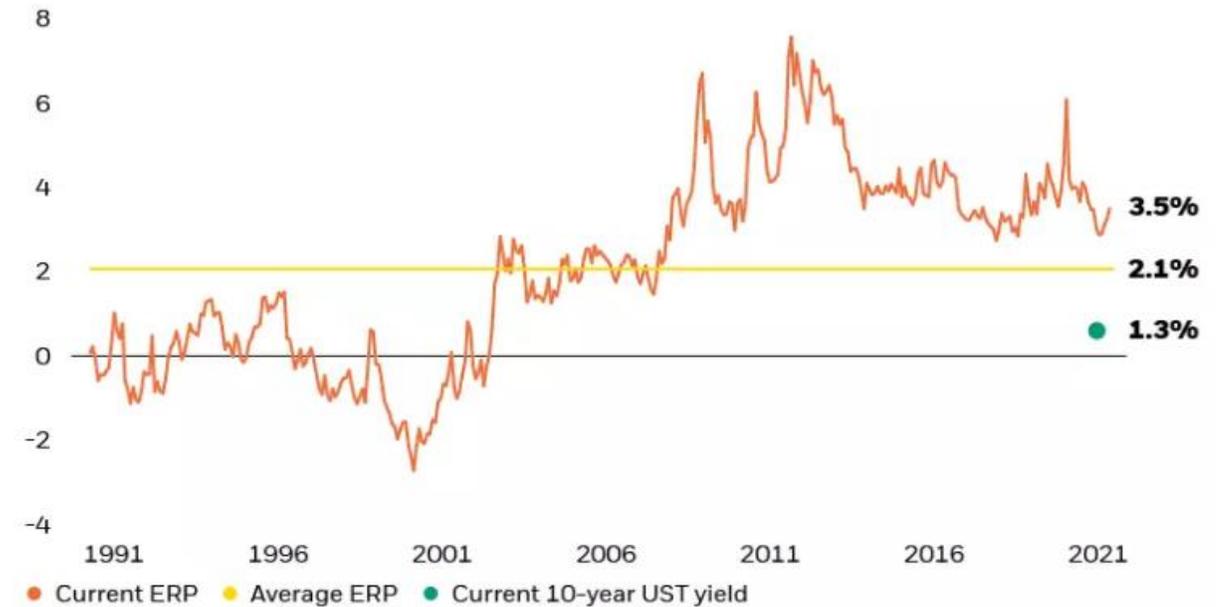
- ✓ Higher prices and healthy consumer demand have resulted in higher corporate profitability.

AT THE END OF AUGUST 2021, THE ERP STOOD AT 3.5%. THE 10 YEAR BOND WOULD HAVE TO MOVE TO 2.7% TO BE A CONCERN. IT IS CURRENTLY 1.62%

## Equities Look Attractive vs. Bonds

### Equity risk/reward still attractive vs. bonds

S&P 500 equity risk premium, 1990-2021



Source: BlackRock Fundamental Equities, with data from Wolfe Research Portfolio Strategy, Compustat, Thomson Reuters, Standard & Poor's and FactSet, as of Aug. 31, 2021. Equity risk premium is calculated using the S&P 500 earnings yield and subtracting the 10-Year Treasury Constant Maturity Rate (GS10). Treasury data is sourced from the Board of Governors of the Federal Reserve System ([fred.stlouisfed.org](http://fred.stlouisfed.org)). **It is not possible to invest directly in an index.**

- ✓ Comparing the yield on Treasuries vs the yield on the S&P, still favours stocks.

## Tesla's Popularity Continues To Grow.

HERTZ PLACED AN  
ORDER FOR  
100,000 TESLA'S  
TO BE DELIVERED  
OVER THE NEXT 14  
MONTHS



- ✓ Hertz ordering 100,000 Tesla's suggests the large rental car company believes Tesla is the future.
- ✓ Additionally, the Hertz order will help market Tesla vehicles.

INFLOWS INTO  
EQUITY ETF'S  
(PROSHARES  
BITCOIN STRATEGY  
ETF STARTED  
TRADING)

## Flows for 10/18/2021 - 10/22/2021

### Top 10 Creations (All ETFs)

Ticker	Fund Name	Net Flows* Details
<a href="#">SPY</a>	SPDR S&P 500 ETF Trust	3,351.59 <a href="#">➤</a>
<a href="#">IVV</a>	iShares Core S&P 500 ETF	1,449.50 <a href="#">➤</a>
<a href="#">BITO</a>	ProShares Bitcoin Strategy ETF	1,203.46 <a href="#">➤</a>
<a href="#">HYG</a>	iShares iBoxx USD High Yield Corporate Bond ETF	922.85 <a href="#">➤</a>
<a href="#">VTI</a>	Vanguard Total Stock Market ETF	920.52 <a href="#">➤</a>
<a href="#">NUGO</a>	Nuveen Growth Opportunities ETF	805.72 <a href="#">➤</a>
<a href="#">IWM</a>	iShares Russell 2000 ETF	782.99 <a href="#">➤</a>
<a href="#">KWEB</a>	KraneShares CSI China Internet ETF	752.51 <a href="#">➤</a>
<a href="#">VOO</a>	Vanguard S&P 500 ETF	700.64 <a href="#">➤</a>
<a href="#">TIP</a>	iShares TIPS Bond ETF	667.45 <a href="#">➤</a>

\* Net Flows in USD Millions

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