

Market Perspectives

PRIVATE CLIENT
SOLUTIONS

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It will not be our typical holiday season, that is for sure! But as we gather around the warm glow of our screens and devices, connecting with loved ones, we have entered the beginning of the end. The rollout of the COVID-19 vaccine has begun, providing a light at the end of the tunnel and while the past eight months have been difficult, there are positive takeaways: Many technology trends have been pulled forward by three to five years, which will surely result in future productivity gains. We've embraced e-commerce stretching supply chains and forcing improvements in shipping and logistics. Work from anywhere has changed the employer/employee relationship, opening up opportunities that may not have existed prior to 2020. Pharmaceutical companies developed a vaccine in less than a year, a process that typically takes many, and the lessons learned here will benefit future drug development. We don't wish to discount the hardships faced by many, but we think it's important to recognize the positives in a difficult situation.

As we turn our attention to 2021, there are also many reasons to be bullish on the markets.

- Actions taken by governments and central banks have left the vast majority of corporations and personal finances in a much better position today. This "head start" will allow the economy to recover at a faster pace.
- Wide distribution of the vaccine is imminent and 2021 will be a year where we rediscover/retake our personal lives. We think of all the activities and purchases that have been delayed due to the pandemic. This pent up demand acts as powerful stimulus for economic activity.
- Stimulus measures will remain in place for the foreseeable future. Central banks have committed to maintaining interest rates at abnormally low levels, cognizant that small changes to interest rates can have a more meaningful impact on economic activity given debt levels.
- Cash balances, earning nothing, will find their way back to the market. By some estimates, Canadians have ~\$170 bln on the sidelines, while in the US it's a whopping ~\$5 trillion.
- Cash-rich corporations will deploy cash for M&A, share buybacks, dividend increases and capital expenditures.
- Corporate earnings growth will accelerate as economic activity recovers. Valuation levels will look less rich as earnings catch up to the market.
- Capital has little choice but to look towards equities relative to bonds given the current yield environment. Thus, equities remain an attractive asset class. A "great rotation" may provide another powerful tailwind for equity prices.

We all look forward to the new year, and closing the books on 2020. We hope by this time next year the pandemic will be a distant memory and we will have returned to the new normal. We wish you all a happy and safe holiday, and hope that you enjoy our year-end Christmas classic, with a financial twist of course.

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RAYMOND JAMES®

'Twas the Night Before Christmas

*'Twas the night before Christmas, when all through the House
Not a member was stirring, not even Senator Strauss;
Congress was preparing for a new year runoff with care
As the GOP sought for Perdue and Loeffler to be there;*

*Portfolio managers were nestled all snug in their beds,
While visions of fiscal stimulus danced in their heads;
And analysts in their 'kerchief, and managers in their caps
Had just settled their trades for a long winter's nap,*

*When out on the exchange there arose such a clatter,
They sprang from their beds to see what was the matter.
Away to the floor they flew like a flash,
Turned on their terminal stations and threw up the sash.*

*The moon on the breast of the new spreadsheets
Gave way to high-frequency data sure to beat the Streets,
When, what to the managers' wondering eyes should appear,
But Jerome Powell and eleven colleagues sharing some
holiday cheer.*

*A lawyer by practice, so lively and quick,
Managers knew in a moment Powell could be like St. Nick!
His hair how it shimmered, so white and so slick,
Managers paused for a moment, "could this be another
dovish trick?"*

*But, now with Yellen at the helm of the printing press,
Managers knew they would not need to stress.*

*More rapid than eagles his coursers they came,
And Powell whistled, and shouted, and called them by name;*

*"Now, WILLIAMS! Now, BOWMAN! Now, GEORGE and
BULLARD!
On, QUARLES! On, EVANS! On CLARIDA and BRAINARD!
To the top of the porch! To the top of the wall!
Now ease away! Ease away! Ease away all!"*

*As early-cyclicals that before the wild storm fly,
When they meet with more liquidity, mount to the sky.
So up to the highest level they flew,
As managers pondered what further Powell could do.*

*And then, in a twinkling, they heard on the roof,
The prancing and pawing of each Fed head's hoof.
As managers drew in their head, and turned around,
Down the chimney Chief Powell came with a bound.*

*He was dressed in Canali, from head to his toe,
His clothes glistened, as if he had worked with Daniel Loeb;
A briefcase full of data he had flung on his back,
And he looked like a peddler just opening his pack.*

*His eyes-how they twinkled! His dimples how merry!
His cheeks were like roses, his nose like a cherry!
With one simple word he could make the market glow,
Yet, it was no secret the market were well off its low.*

*The stump of a pen he held tight in his teeth,
And his hair looking like a bright Christmas wreath;
He had a broad face and a little round belly,
That shook at pressers like a bowlful of jelly.*

*He was well within his term, a right jolly old Fed Chief,
And managers laugh'd in spite of their belief;
A wink of his eye and a twist of his head,
Soon let them know there was nothing to dread;*

*He spoke just a word, and went straight to his work,
Offering a dovish outlook; then turned with a jerk.
And laying his finger aside of his nose,
And giving a nod, up the chimney he rose;*

*He sprang to his chair, to his team gave a whistle,
And away they all flew like the down of a thistle.
But I heard him exclaim, 'ere he drove out of sight,*

"MERRY CHRISTMAS TO ALL, AND TO ALL A GOOD-NIGHT!"

How the Grinch Stole Christmas!

Every Bay Street trader
Down in *Bays-ville*
Liked Christmas rallies a lot...

But the Grinch,
Who lived just north of *Bays-ville*,
Did NOT!

The Grinch *hated* Christmas!
The whole Christmas season!
Now, please don't ask why. No one quite knows the reason.

It *could* be his distrust of the Fed's printing press.
It *could* be, perhaps, the high-yield market was stressed.
But I think that the most likely reason of all
May have been his view the market was about to fall.

But, whatever the reason, on Christmas Eve he stood,
Hating the Bay Street town, as one should,
Starting down from above with a sour, Grinchy frown,
At the warm-lighted windows across the downtown.

For he knew every *Bay Streeter* down in *Bays-ville* beneath
Were busy now extending longs below a mistletoe wreath.

"And they're counting their profits!" he snarled with a sneer.
"Tomorrow they expect another big rally! It's practically here!"
Then he growled, his Grinch fingers nervously drumming,
"I MUST find some way to stop the rally from coming!"

For,
Tomorrow, he knew...

...All the Bay Streeter girls and boys
Would wake bright and early. They'd rush for their fancy toys!
And *then!* Oh, the noise! Oh, the Noise! Noise! Noise!
That's *one* thing he hated! The NOISE! NOISE! NOISE! NOISE!

Then the *Bay Street traders*, young and old, would sit around the conference table.

And they'd talk about bidding up the next equity,
And they'd bid, And they'd bid!

And they'd BID!

BID!

BID!

BID!

They would bid up renewables, and stocks in the Far East
Which was something the Grinch couldn't stand in the least!

And THEN

They'd do something

He liked least of all!

Every *trader* down in Bays-ville, the tall and the small,
Would stand close together, with Bloomberg terminal bells ringing.

They'd stand hand-in-hand. And the *traders* would start singing!

They'd sing! *And they'd sing!*

AND they'd SING! SING! SING! SING!

And the more the Grinch thought of this *Bay Street*-singing
The more the Grinch thought, "*I must stop this whole thing!*
Why, for fifty-three years I've put up with it now!
I MUST stop this Christmas rally from coming!"

...But HOW?

Then he got an idea!

An awful idea!

THE GRINCH

GOT A WONDERFULLY, AWFUL IDEA!

"*I know just what to do!*" The Grinch laughed in his throat.

"*I'll make a quick Canali suit and a car coat.*"

And he chuckled, and clucked, "*What a great grinchy spell!*

With this suit and coat, I'll look just like J Powell!"

"*All I need is another Fed head...*"

The Grinch looked around.

But since Fed heads' were scarce, there was none to be found.

Did that stop the old Grinch?

No! The Grinch simply said,

"*If I can't find a Fed head, I'll make one instead!*"

So he took his friend, Fox. Then he took some thread

And he made a chauffeur's hat on top of his head.

THEN

He loaded some briefcases

And an old bankers box

On a ramshackle Benz and he whistled for old Fox.

Then the Grinch said, "*Let's Go!*"

And the Benz started down

Towards the towers where Bay Streeters avoided the last meltdown.

All their windows were dark. Quiet snow filled the air.

All were dreaming of higher prices without care.

When he came to the first little building of the square.

"*This is stop number one,*" the old Grinchy Powell hissed,

And he climbed to the roof, empty briefcase in his fist.

Then he slid down the stairwell, a rather tight pinch.

But if St. Claus could do it, then so could the Grinch.

He got stuck only once, for a minute or two.

Then he stuck his head out of the exit door for a clue.

There were vintage stock certificates all hung in a row.
"These certs," he grinned, "are the first things to go!"
Then he slithered and slunk, with a smile most unstable,
Around the whole office and ripped out every computer cable!

Ethernet, audio, VGA, and keyboards!
DVI, HDMI, USB, and display port-cords!

He stuffed them in his briefcase and with the ring of a bell,
Pushed them all, one by one, up the stairwell.

Then he slunk to the kitchen. He took the traders' feast!
He took the traders' protein shakes! He took their roast beast!

He cleaned out that kitchen as quick as a flash.
Why, that Grinch even took their last can of mash!

Then he stuffed all the food up the stairwell with glee.
"And NOW," grinned the Grinch, "I will stuff up the tree!"

And the Grinch grabbed the tree, as he started to shove,
When he heard a small sound like the coo of a dove.
He turned around fast, and he saw the overseas trader!
Zhang Wei Bay, who was reading Trump's tweeter.

The Grinch has been caught by this overseas trader
Who'd gotten up from the desk for a cold cup of water.
She stared at the Grinch and said, "Powell, why,
Why are you taking our Christmas tree? WHY?"

But, you know, that old Grinch was so smart and so slick,
He thought up a lie, and he thought it up quick!

"Why, my sweet little trader," the fake Powell lied,
"There's a light on this tree that won't light on one side.
So I'm taking it home to Washington, my dear.
I'll fix it up there. Then I'll bring it back here."

And his fib fooled the trader. Then he patted her head,
He got her a drink and let her finish Trump's latest thread.
And when Zhang Wei Bay took her first sip of the cup,
He crept to the stairwell and stuffed the tree up!

Then the last thing he took
Was the New Year's Eve gala flyer!
Then he went up the stairwell, himself, the old liar,
On their walls he left nothing but hooks and some wire.

The only document left in that Bay-street house
Were agreements for the partner's spouse.

Then
He did the same thing
To the other Bay-street houses
Leaving before anyone else arouses!

It was quarter past dawn...
All the traders, still a-bed,
All the traders still a-snooze,
When he packed the Benz,
Packed it up with cables! Hard drivers! Their drinking cup
bottles!
Their phones! And their pens and notepads! And some exotic
derivative models!

A hundred feet up, up the side of Union Station,
He rode with his load within no intentions of charitable
donation!

"Pooh-pooh to the traders!" he was Grinch-ish-ly humming.
*"They're finding out now that no rally is coming!
They're just waking up! I know just what they'll do!
Their mouths will hang open for a minute or two
Then the traders down in Bays-ville will all cry BOO-HOO!"*

"That's a noise," grinned the Grinch,
"That I simply MUST hear!"
He paused. And the Grinch put a hand to his ear.
And he did hear a sound rising over the snow.
It started in low. Then it started to grow...

But this sound wasn't sad!
Why, this sound sounded merry!
It couldn't be so!
But it WAS very MERRY!

He stared down at Bays-ville!
The Grinch popped his eyes!
Then he shook!
What he saw was a shocking surprise!

Every trader down in Bays-ville, the tall and the small,
Was singing without any direct market access at all!

He HADN'T stopped the rally from coming!
IT CAME!
Somehow or other, it came just the same!

And the Grinch, with his Grinch-feet ice-cold in the snow,
Stood puzzling and puzzling, *"How could it be so?"*

*"It came without models! It came without extended flags!
It came without reversals, bottoms, or double zigzags!"*

He puzzled three hours, till his puzzler was sore.
Then the Grinch thought of something he hadn't before!

"Maybe market rallies," he thought, *"don't come from an algo
store...Maybe rallies...perhaps...means a little bit more!"*

And what happened then...?
Well...in Bays-ville they say
That the Grinch's cynical outlook turned that day!
And the minute his outlook was a little more true,
He whizzed with his load through the bright morning hue.

And he brought back the office equipment! And some food for
a feast!
And he...
HE HIMSELF...
The Grinch carved the roast beast!

Wishing you all a safe and happy holiday season!!

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