



The EVERGREEN chartbook

The Top Charts for 2020

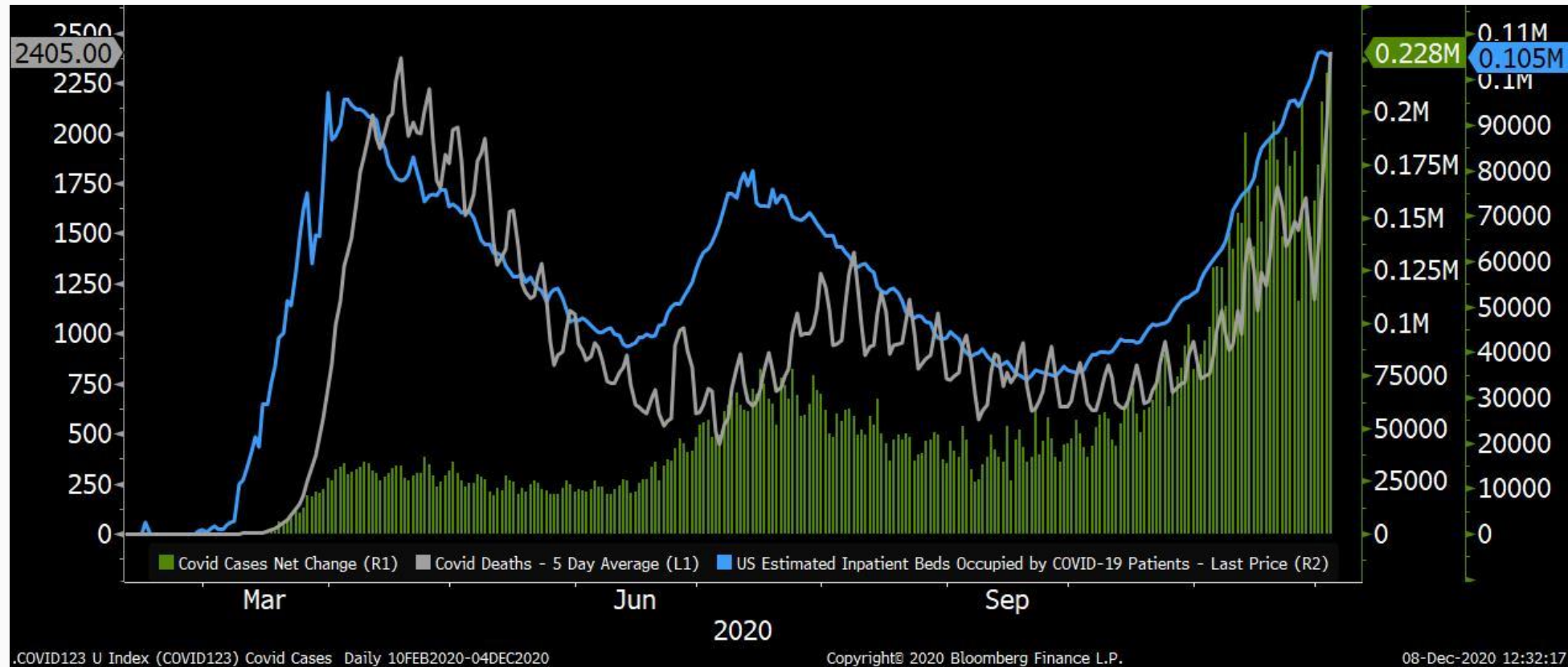
December 2020

See important disclosures following the presentation.

In this edition of *Evergreen Chartbook*, we will look back through 2020 and showcase the top charts during what's been a rather unique year, to say the least.



2019-Novel Coronavirus Cases, Deaths, and Hospitalizations in the US



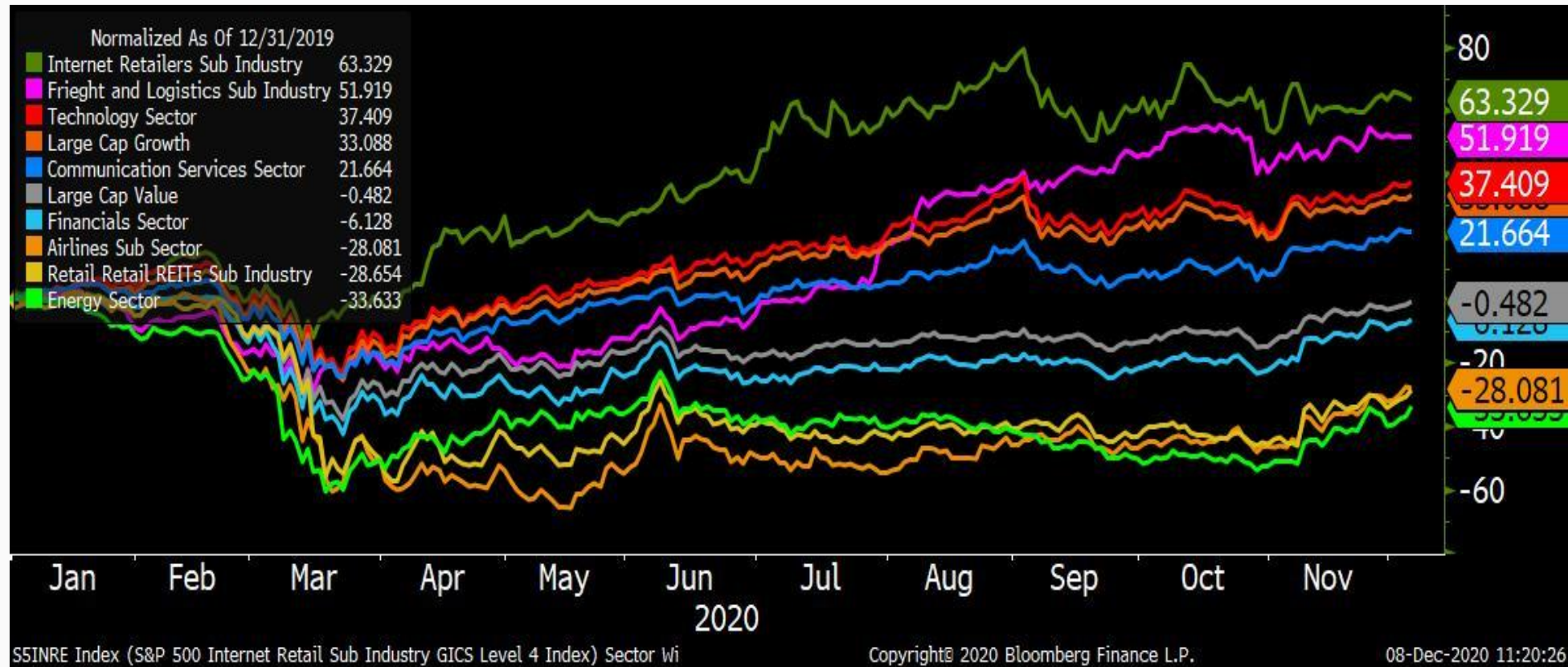
- A 2020 chartbook would be severely incomplete without a Covid chart. Above, you can see US cases, deaths, and hospitalizations to-date
- As you can observe, the third (and most recent) wave has exceeded March levels, and could end up being the worst yet
- We expect cases to peak in the next two months with cases, hospitalizations, and deaths declining in the following six months, aided by vaccine distribution
- By the second-half of 2021, we believe the virus will be relatively under control

US GDP, Retail Sales, and Unemployment 1992-2020



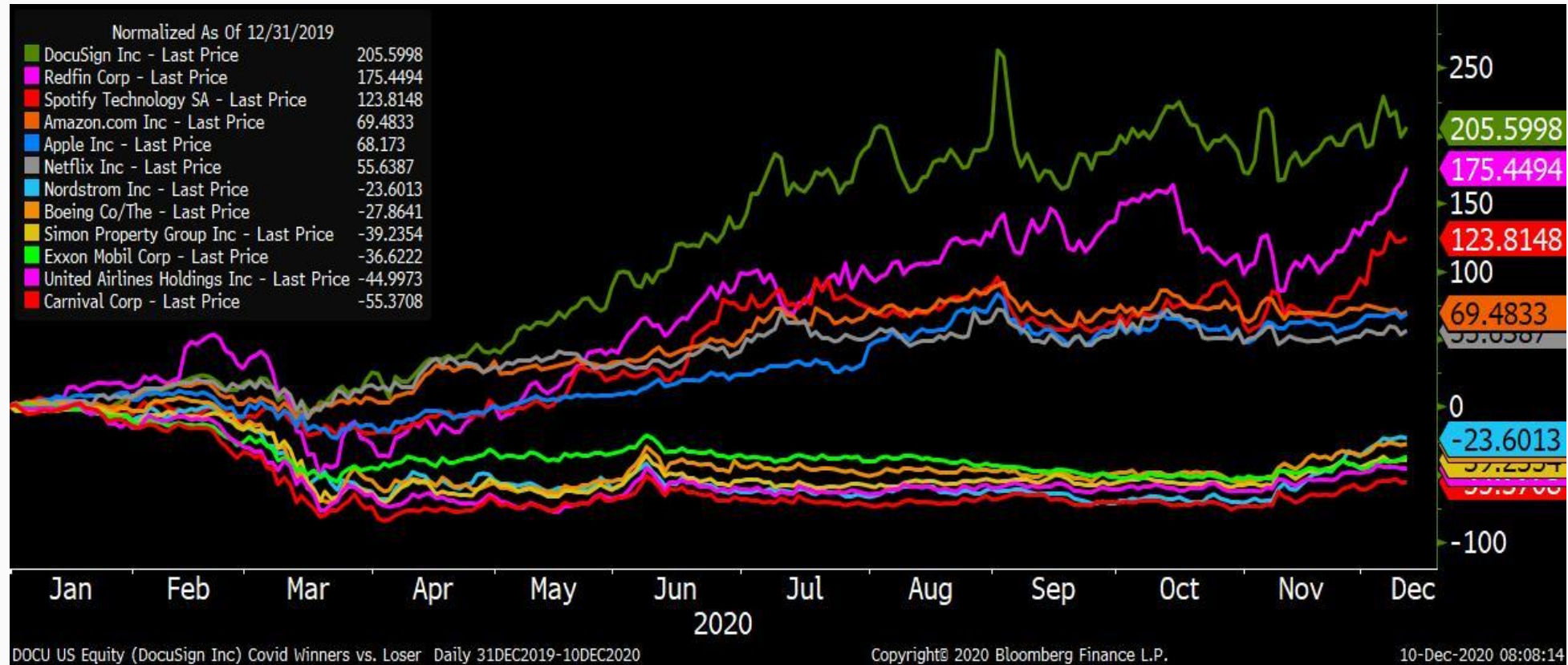
- The first wave of Covid and subsequent economic shutdowns brought about the sharpest quarterly GDP contraction on record (as shown in the lower pane in the chart above) with a -9% quarterly contraction, or -31.4% annualized
- Fortunately, following this sharp recession, so far, we have witnessed a V-shaped recovery
- The unemployment rate has markedly improved from 14.7% to 6.7% and US retail sales have fully recovered, up 5.9% year-over-year for the month of November

Year-to-Date Sector Returns



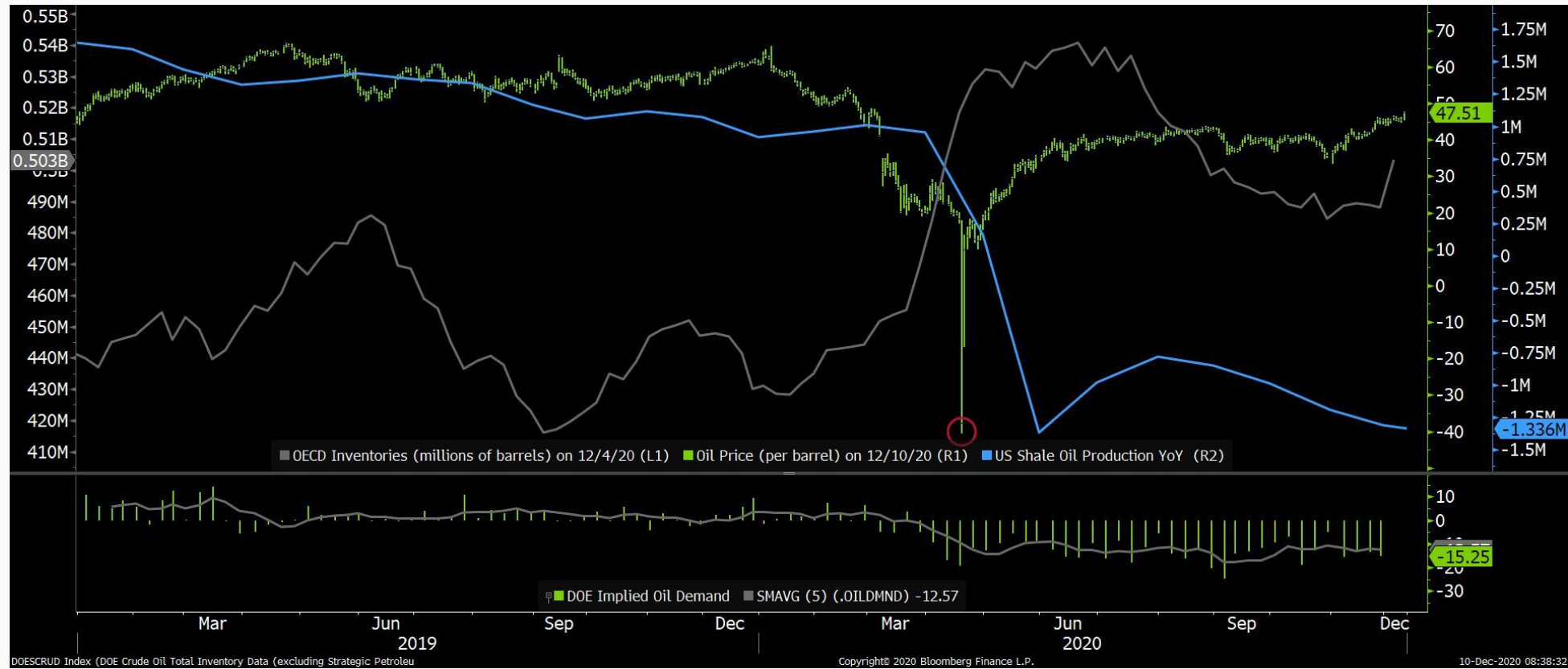
- The market rewarded sectors that were able to continue providing services to consumers while they stayed home
- Performance disparity between sectors this year has been the most significant since the epic late 90's tech bubble
- Energy, retail, airlines and really any industries tied to being out of the house were hit the hardest, but also command the most rebound potential if we see a growth surge coming out of the current crisis

Individual Stock Winners and Losers Year-to-Date



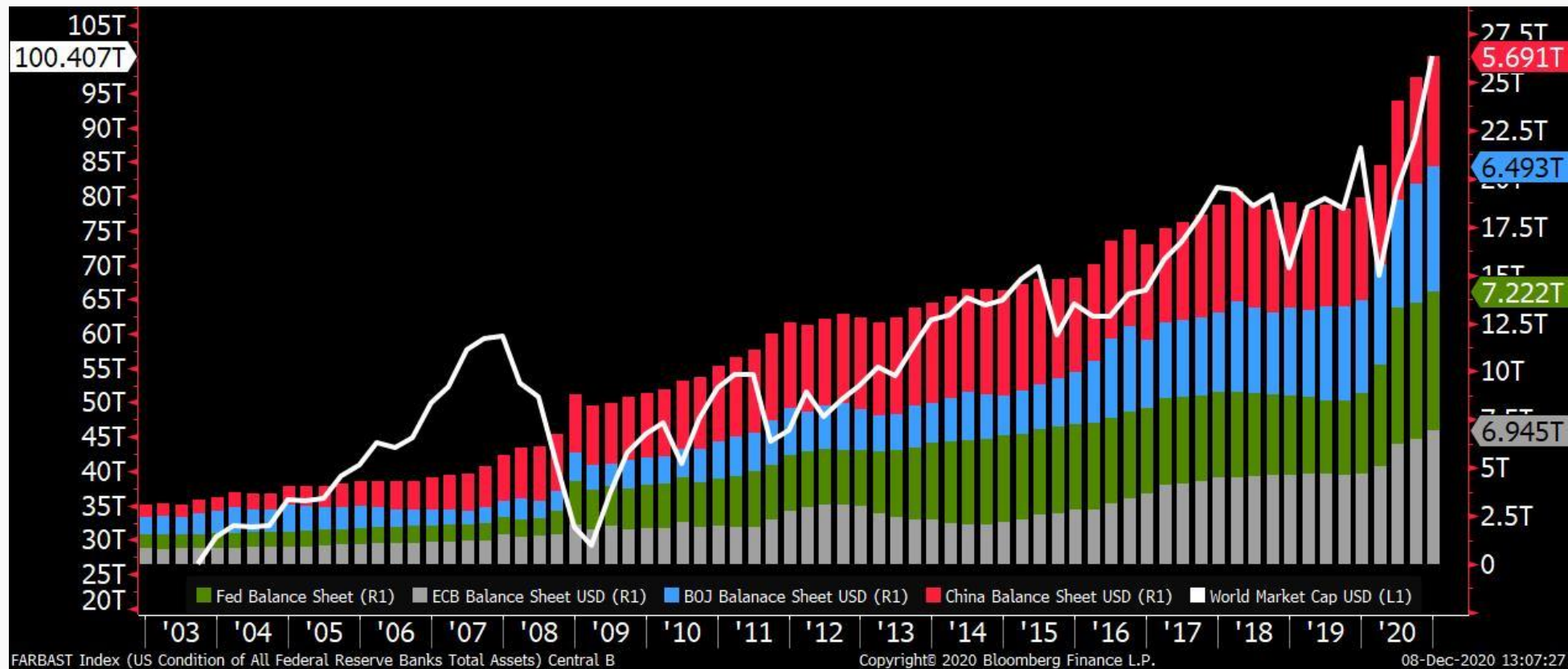
- As you would expect, individual equities saw an even greater level of dispersion
- Many technology stocks that helped consumers and companies adapt during Covid were up significantly, many up triple-digits
- On the flip side, companies linked to those previously mentioned hard-hit sectors have really struggled

WTI Price, US Oil Inventories, Shale Production Growth and Implied Oil Demand



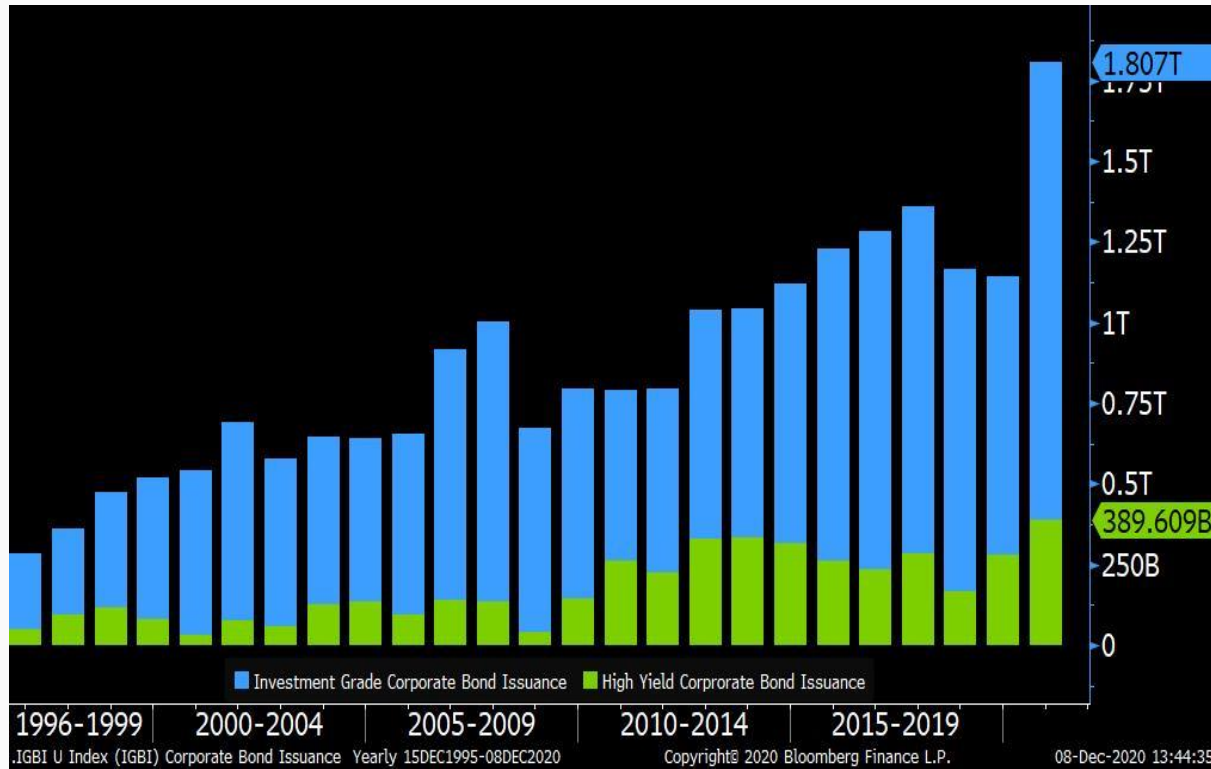
- Perhaps the most remarkable moment in 2020 was when the futures contract for West Texas oil turned negative for the first time in history
- This happened due to concerns over a massive glut in oil inventories, which led to storage capacity reaching precarious, and nearly full, levels
- Between March and April, US oil demand was down a staggering 20% relative to 2019, but as the economy has improved, we have seen demand snap back with that figure now trending down roughly 10% YoY
- As vaccines gets distributed, we expect that energy demand will continue to rebound and eventually recover to pre-Covid levels, likely in back half of 2021

Global Market Capitalization vs. ECB, Fed, and Chinese Central Bank Balance Sheets



- The FED, the ECB, the BOJ, and BOC have expanded their balances sheets by over \$7 trillion year-to-date
- This monetary bazooka has funded countless stimulus and relief packages as a result of Covid
- Unsurprisingly, total global equity market cap has risen in lock-step with central bank balance sheet expansion

Investment Grade and High Yield Corporate Issuance



Investment Grade and High Yield Corporate Spreads



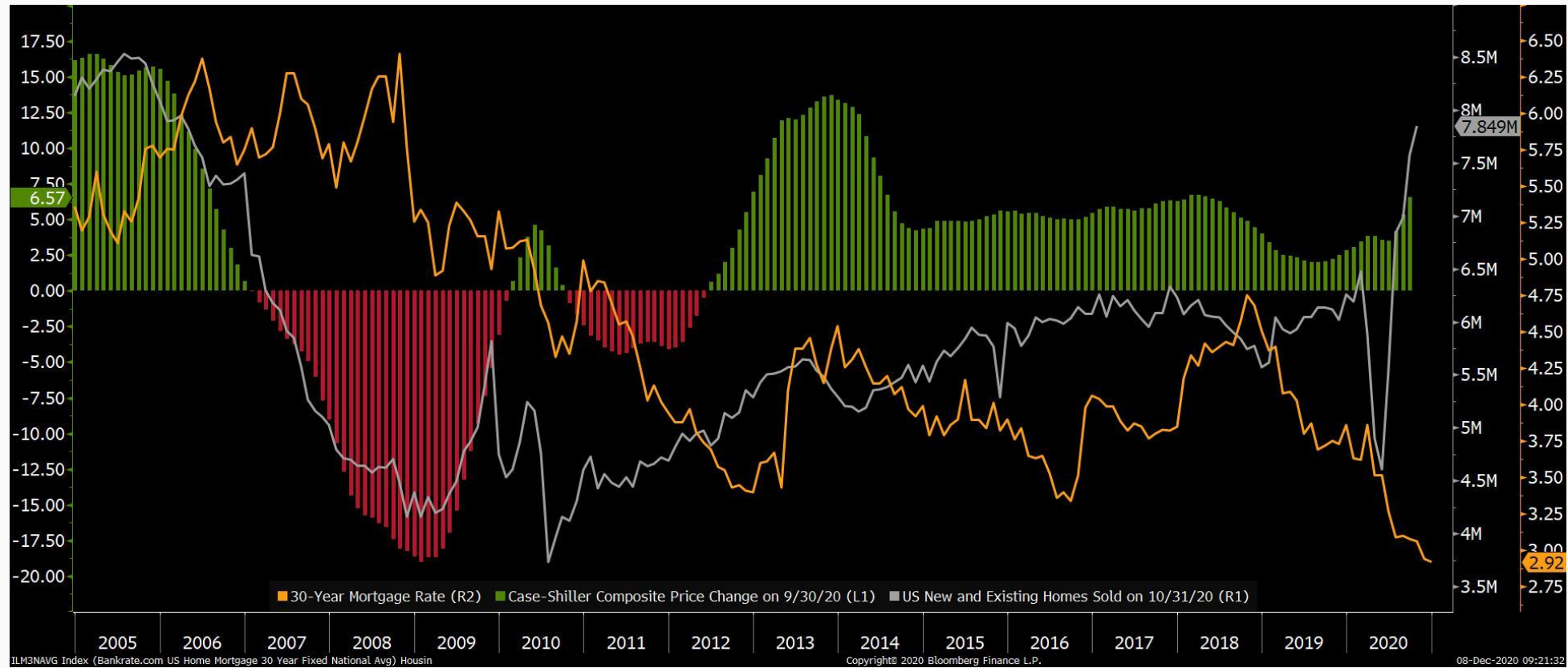
- This tremendous government support, including the Fed's credit facility created to buy US corporate debt, has relieved pressure on US companies
- As shown above, 2020 has been a record year for corporate issuance - an unusual occurrence during a recession
- These policies not only reduced borrowing costs, but also mended corporate balance sheets by adding liquidity and extending debt maturities

10-Year Treasuries, Inflation Expectations, and the Price of Copper



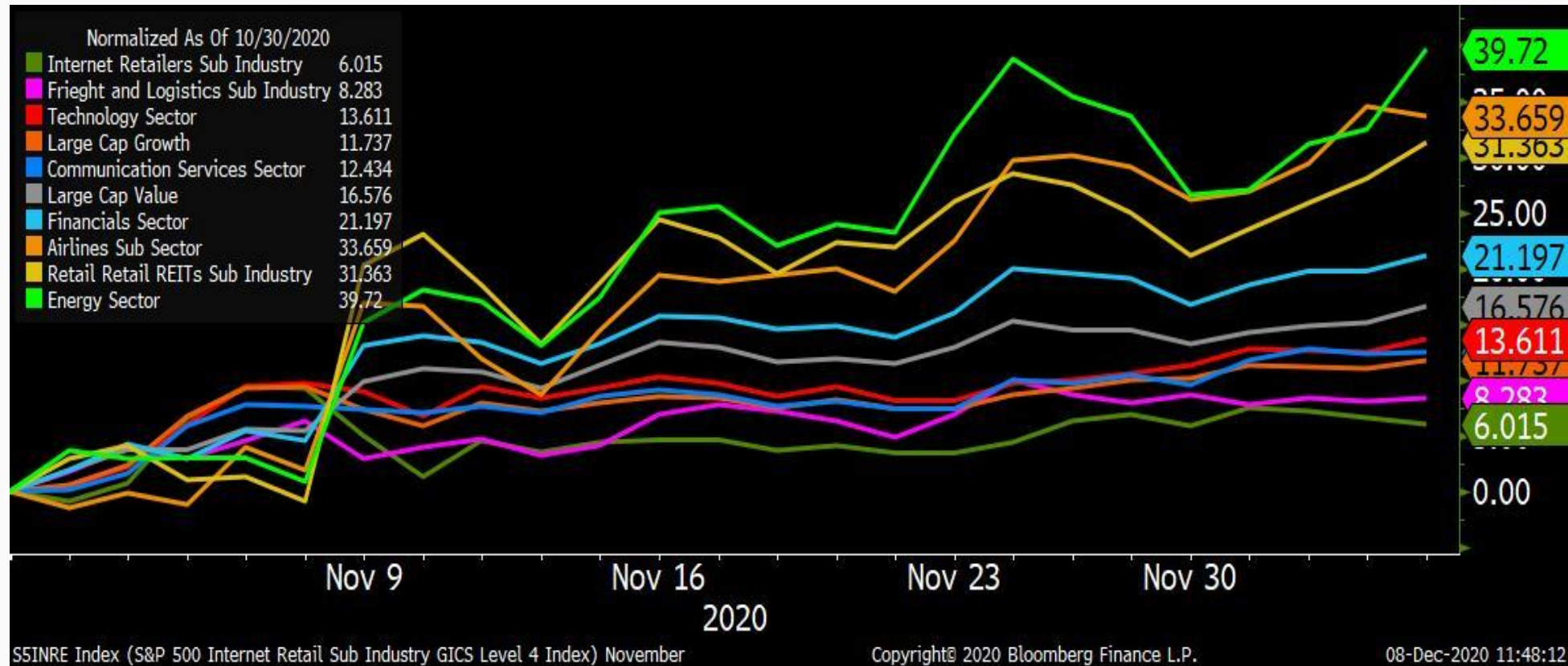
- With the massive amount of money supply added to global economies, deflation concerns have largely subsided
- The US inflation rate, as measured by the Consumer Price Index, has moved up from 0.1% in May to 1.2% today (blue line)
- Longer-term inflation expectations (grey line) have also moved up significantly along with copper prices, which both are leading indicators for interest rates
- The 10-year treasury yield (green line) has edged higher, but we expect a further move up given the dislocation between long-term rates and both current and expected rates of inflation

Home Sales, Home Price Appreciation, and Mortgage Rates



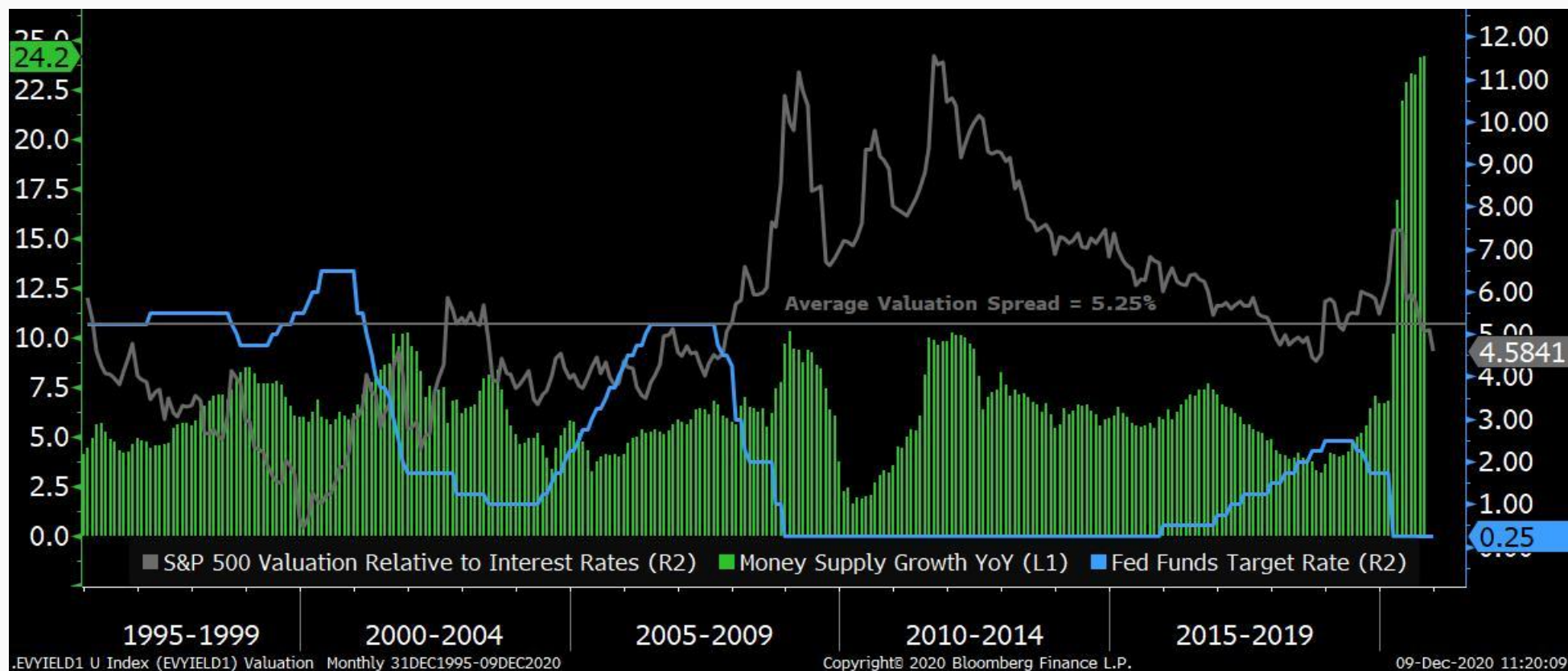
- The most impressive area of the US economy in 2020 has been residential real estate with sales activity registering multi-year highs (grey line)
- This strength in housing is attributable to the combination of record-low mortgage rates and consumer preference shifting to single-family homes
- This increased demand along with available and attractive financing has pushed home prices up over 6% YoY after two years of lower price gains

Sector Leadership Reversal Based on Total Return, Year-to-Date

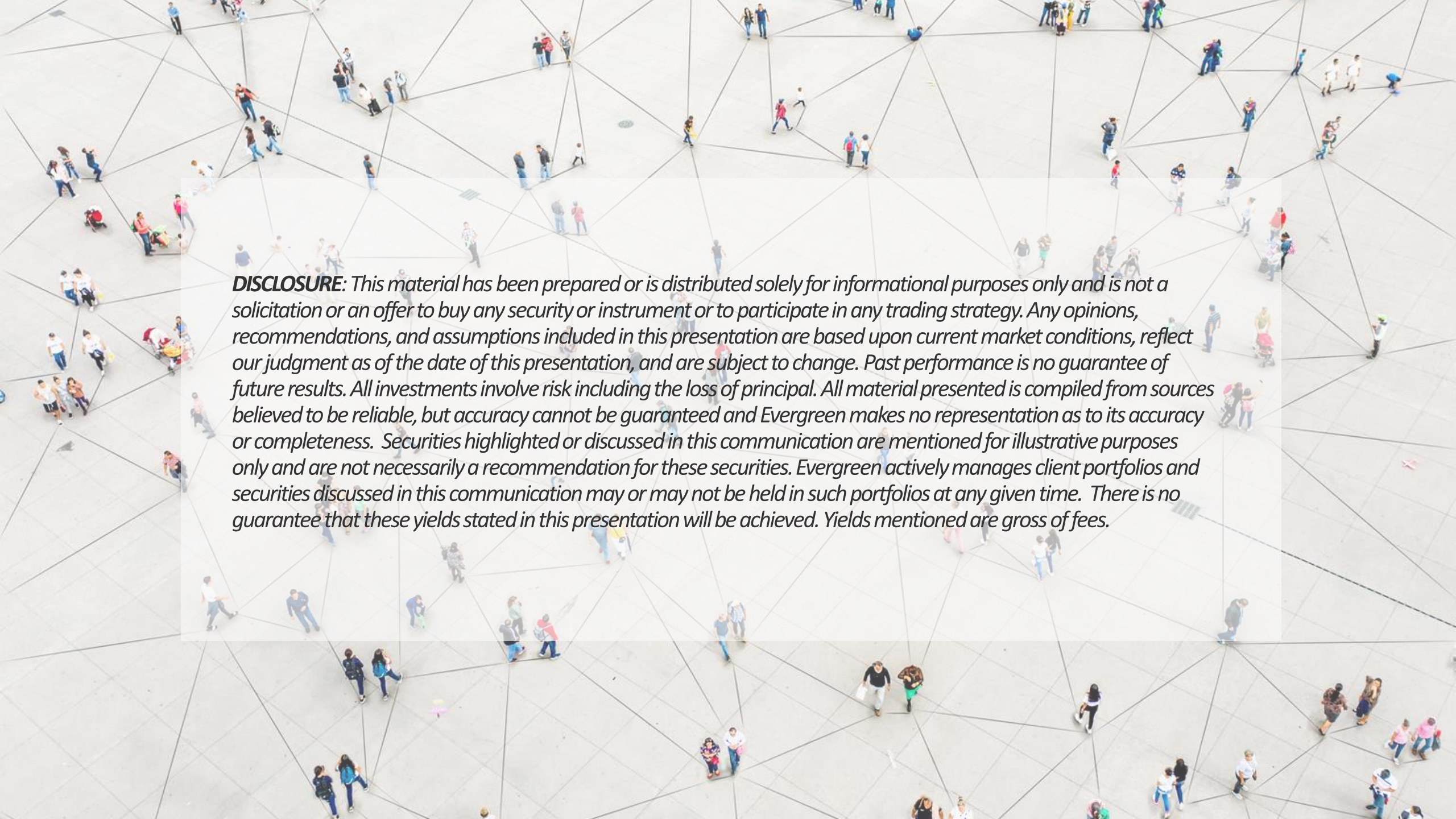


- It has been fascinating to see the rapid reversal in market leadership as positive vaccine news has been released during quarter four
- The chart above is the same chart we ran on slide five, but with a start date as of 10/31/2020
- We believe that stocks that were devastated by the fallout of Covid have further outperformance ahead

S&P 500 Valuation Relative to Treasuries, Money Supply Growth, and Fed Funds Rate



- Our last chart shows the valuation of the S&P 500 (including debt) relative to interest rates. The gist of it is that the earnings yield spread of the S&P at 4.6% is below the historic average of 5.25% and means stocks are slightly more expensive relative to history
- With short-term rates at zero (and remaining there for the time being) and the fastest-ever money supply growth, we expect improving valuations near-term
- We are cautiously optimistic on equities, especially with how little it pays to hold bonds (i.e. the ratio of equity cashflow yield to interest rates is quite high)

An aerial photograph of a large crowd of people walking on a paved plaza. The plaza is marked with a complex geometric pattern of thin black lines that form a network of triangles and polygons. The people are scattered throughout the scene, some walking alone, some in small groups, and some pushing strollers. The overall scene suggests a busy public space, possibly a park or a large square. A semi-transparent white rectangular box is overlaid on the center of the image, containing a disclosure text.

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An aerial photograph of a large, open plaza paved with light-colored tiles. A complex network of thin, dark lines is drawn across the plaza, forming a series of interconnected triangles and polygons. Numerous people of various ages and ethnicities are scattered throughout the plaza, some standing, some walking, and some in small groups. The overall scene suggests a large gathering or event. A semi-transparent white rectangular box is centered over the image, containing the text "Thank you!".

Thank you!