Summary:

Nancy Lazar (Global Economics):

- The great Hand off :
    - Successful hand off from the public to the private sector:
        - GOVT spending declines, as business confidence/spending surges
        - Monetary Stimulus fading as banks ease, since feds has stopped cutting rates
    - Reflation trade is over, see it in the markets:
        - Yields from treasury is signaling that the trade is over and this is good with this being better for longer term growth
        - Lower commodities signals lower inflation, good for economy
        - Corporate spreads signal sustainable growth
    - CPI will peak will flow clearly in 2022:
        - V-bound morphing into sustainable expansion
        - US CPI is peaking and likely not to slow to 2.5% until 2022
    - CAPEx is underappreciated, major driver of jobs and productive, big factor in keeping inflation low :
        - Jobs likely to soar and labor force participation rise
        - Most hurt sectors are going to contribute to the growth (transportation, leisure)
        - Unemployment rate likely to drop to 3.5% as we see wages accelerate.
        - Fiscal cliff
        - Transfer Payments falling, but private cash/compensation rising
        - Tech capex soared, and now industrial capex accelerating
        - Housing up big in 1H and likely to see House prices slow in 2H
    - Global Reflation trade is over :
        - Sustainable Growth ahead
        - EM tightens
        - Short rates have stabilized

Victor Cossel (TMT outlook):

- Tech: Cycling into tough compares and mean reversion
    - Negative bias remains in 1H under performance and 2H compares
    - Equity Risk Premium really low as cyclical GCP improves and is looking like it will lower the premium which is an offset until it isn't
    - EPS yields suggest high expectations and the price limiting the incremental beat and rise
    - De-rating of the tech multiple is likely to happen as the fed balance pass their Y/Y peak
    - ECON sees a hand off from COVID beneficiaries a like TECH
    - STRAT thinks it is too early for growth, big cap skewed tech sector
    - Tech bottomed early 2019, soar through 2020, making it hard for compares in the back half of 2021

- Revert could be incoming as TECH pulled forward after an aberrational upside demand shock in 2020
- Underappreciated risk:
  - China's inward pivot
  - Inflationary cost of compute
  - Supply Chain decentralization
- Bullish bias for: GOOGL, FB, INTC, IGV > SMH

<u>Carter Worth (Technicals):</u>

- Technical Analysis:
  - Favor Growth vs. Value
  - Favor large vs Small cap
  - Favor “rested Champions vs. startups and has beens
  - 10 yields at the right level or “where it belongs
  - US dollar judged to be just about “where it belongs
  - Gold judge to be an important hedge for all portfolios
  - Overall equity market “good/intact’ only so long as Tech, Growth & large Cap stocks are good and intact.

<u>Danny Kirsch & George Lam (Options):</u>

- Options Strategy & Trading Outlook
  - Option ideas for2H 2021:
    - Upside: SPX Ratio Risky
    - Tapering trade: Sell TLT call to buy put spread
    - Hedges: EEM, EWT, SMH, and LQD put Spreads
    - Trading Meme Stonks (dodge coin, gamestop, AMC, etc.)
    - Positioning for lower volatility:
      1. Overwrite large caps stocks
      2. VIX puts
  - Record Option Volumes:
    - Single stock options listing at highs
    - Record open interest
    - Shift to short-dated expires
    - Rise of retail options trading (GME and AMC eps.)
  - S&P 500 by year-end: what's priced in?
    - Street estimates range from -12% to +7% (kantro is at 4500, +4.7%)
  - Take Advantage of high spx skew
    - High skew means far OTM put implied vols are high relative to nearer to the money puts and calls
    - Current environment of low vol and high skew = cheap SPX put spreads
    - 5% OTM put implied vols are high relative to 5% OTM implied vols
    - Currently, you can sell one SPX 2M 5% OTM put to fund ~5x 5% OTM calls
  - Fading memes:
    - Buy inexpensive ratio put spreads to fade the stocks and elevated volatility of crowded short

- AMC:
    1. Buy 1x August 20 puts
    2. Sell 3x August 13 puts
    3. Even money, (ref 46.19)
- As stocks corrects, we would expect implied volatility to drop towards the lows
- Can do similar trades at times when stocks rally a lot and put little change in price

Andy Laperriere & Don Schneider (US policy):

- Difficult Path Forward For The Biden Agenda
    - The outlook is murky because Biden failed to meet the Congresses slim margins
    - The bipartisan deal and then the reconciliation package passed down the road
    - 1.5 trillion in spending over 10 years and 1 trillion in new taxes if the reconciliation bill becomes law. Around November
    - Two tracks was not Biden plan, forced on him:
        - Biden did not propose a bipartisan econ agenda, and He walked away from those negotiations
        - Manchin and Sinema are driving the bus, the best plan forward seems for him to Approve BIF first, then work towards his agenda.

THE BIDEN AGENDA: POTENTIAL OUTCOMES AND IMPLICATIONS

Potential Outcome	Description	Investment Implications	Odds
Full Biden Agenda	Biden has proposed $4.4 trillion in new spending and $3.6 trillion in new revenues. Under this scenario, Biden's agenda largely passes as proposed.	Big shift in resources from private sector to government. Very large tax hike and higher deficits. Higher bond yields. Negative for stocks generally; positive for infrastructure and green stocks.	0%
Biden Agenda Cut In Half, Passed Under Reconciliation	Under this scenario, Biden's tax hikes are pared back to around $1.5 trillion and the spending increases total around $2-$2.5 trillion. This bill would pass on a party-line vote under reconciliation.	Higher taxes, higher spending, bigger deficits. Positive for infrastructure and green stocks, slight negative for stocks generally. Slight upward pressure on yields.	20%
Bipartisan Infrastructure Deal	Enough Republicans in the Senate join Democrats to pass a bipartisan plan focused on traditional infrastructure spending that would likely total up to $1 trillion in new money over the next decade.	No tax hikes, so positive for stocks. Better for infrastructure than green stocks. Slight downward pressure on yields.	25%
Bipartisan Infrastructure Deal And Democratic Reconciliation Bill	Under this scenario, a bipartisan infrastructure bill (like the one described in the row above) passes and Democrats are able to pass another major spending bill financed with tax hikes.	Similar to second scenario (Biden agenda cut in half).	35%
Nothing Passes	Under this scenario, a bipartisan deal falls through and Democrats are unable to get moderate Democrats and progressives to agree on a Democratic compromise, so nothing consequential becomes law.	Neutral for stocks overall; negative for infrastructure and green stocks. Downward pressure on yields.	20%

- Other things to worry about:
    - Prescription Drugs / Health Care
    - Labor
    - Antitrust

Jan Stuart, Thomas Marchetti & Chris Kettenmann (Energy):

- Investing Across the Spectrum of Energy:
    - Decarbonizing the Power Sector: Will we still need fossil fuels?
        - Seems like Power generation Industry is the furthest ahead in decarbonization
        - Wind and Solar fill the gap in a 'no new gas' scenario

- Emission targets are achievable, but the reliability of the grid requires dispatchable sources (gas/nuclear)
- pace of us renewables build out is accelerating:
  - Renewable Developments ‘on Pace’
  - Policy Support Should Accelerate Adoption and Reduce Costs, while reliability challenges in intermittency and seasonality remain
  - Investments in energy storage still need exploration
- The Road to Electrification: How fast are EV’s ‘electrifying’ transportation?
  - Major auto firms commit to 100% Electrification, will consumers?
  - Faster EV Adoption Rates in Major Auto Regions could leave smaller economies in the dust
- Decarbonizing Fossil Fuels: Really?
  - Commitment to Mitigation and Abatement
  - Disinvestment isn't the way to solve Economy Wide Problems, it requires economic wide solutions
- Investing: How to think about returns on investments through the Energy Transition … … in the second half of this year, opportunities in oil and gas should emerge as well
  - Modeling more demand growth than others, and seeking global demand in the next decade or so
  - Oil demand is north of 100 mb/d, making the Opec management unpredictable
  - Energy transition is not going at the speed needed to phase out oil or gas yet
  - Short-cycle investments will be needed to grow the shale et al. by >1 mb/d per annum through at least 2025

Roberto Perli & Benson Durham (global policy):

- Treasury Yields In The Second Half: Torn Between Fed Policy Expectations And Sound Fundamental;
  - A lower expected neutral rate
    - Neutral rate sets an effective limit on how much the Fed can hike without harming the economy.
    - All of that decline is in the nominal (inflation expectations) component.
  - Lower Inflation Expectations
    - Market inflation rose all the way back to pre-Covid levels, as the market started to believe in the feds new framework
  - Lowering long rates and a flatter yield curve
    - Higher expected fed funds rates in the near term pushed up the short end of the curve; lower expected funds rates thereafter held down the long end. Result: Flatter curve.
  - Fed leadership will push back against the market interpretation

Michael Kantrowitz (strategy):

- A Balanced Approach In The Second Half
  - Well past the best days for high beta and low quality
  - Moving past the prime period for value

- Less alpha in factors when in the middle of a cycle
- Growth Unlikely to sustain out performance in H2
- It is way too early for defense
    - The spike inflation also not likely to weigh on the cycle until 2022