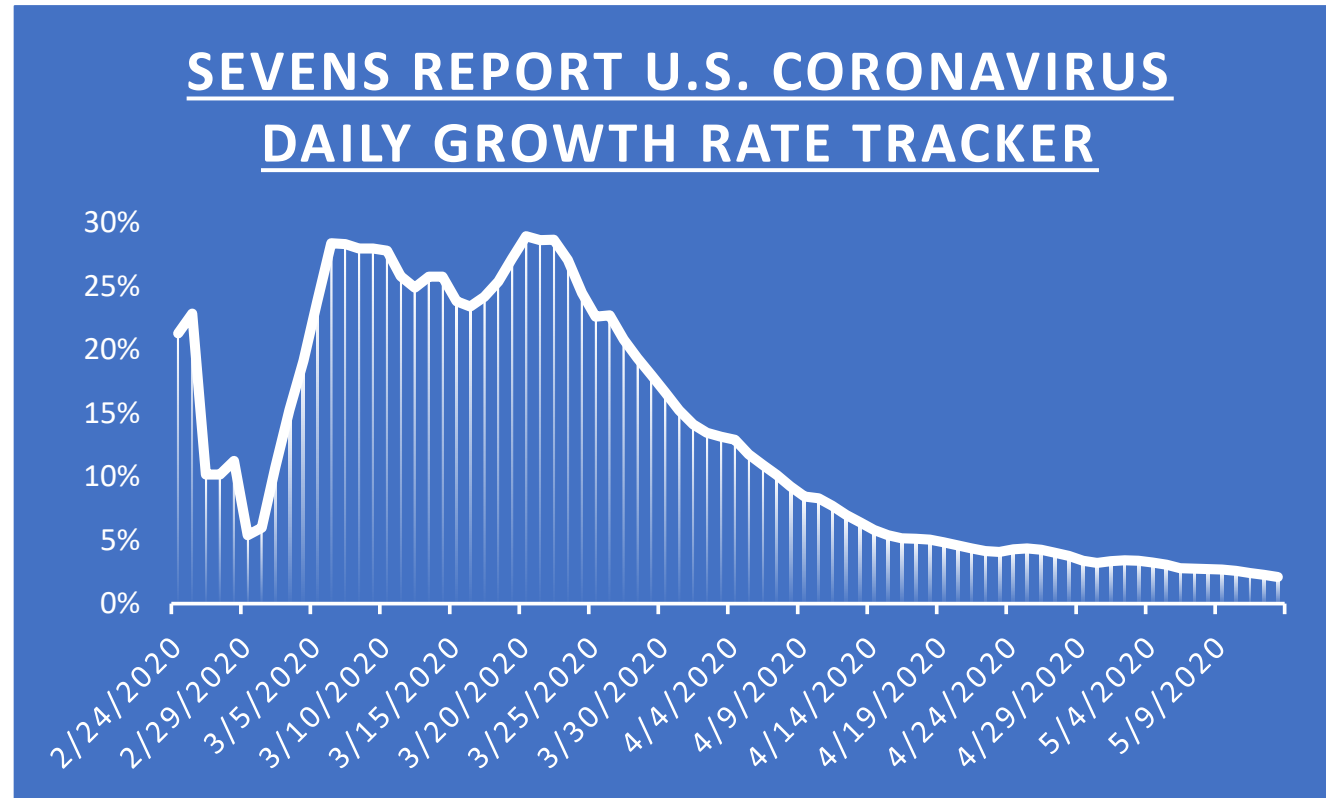


Sevens Report Alpha Webinar: **How Far Away is Economic "Normal"?**

Thursday, May 14th, 2020

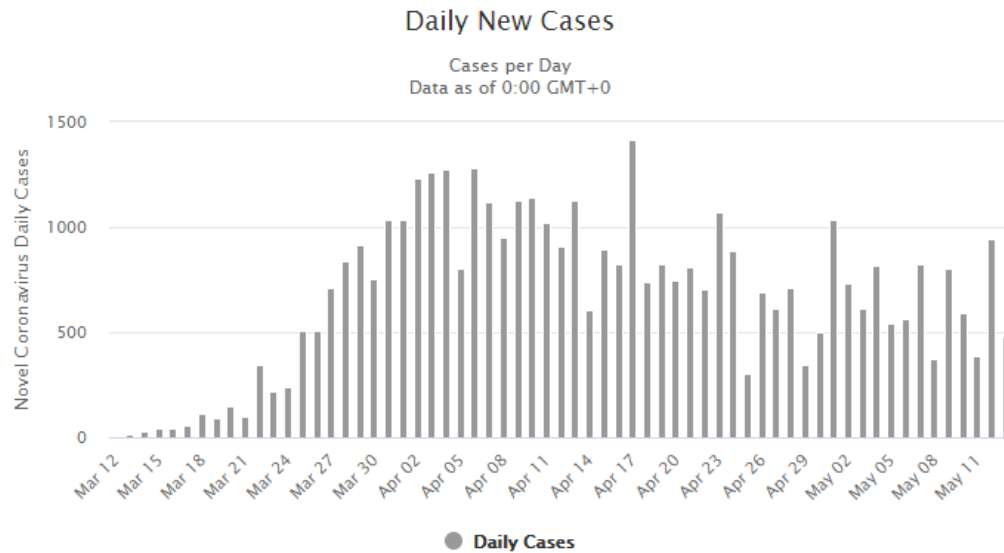
Tom Essaye, President Sevens Report Research

Coronavirus Now

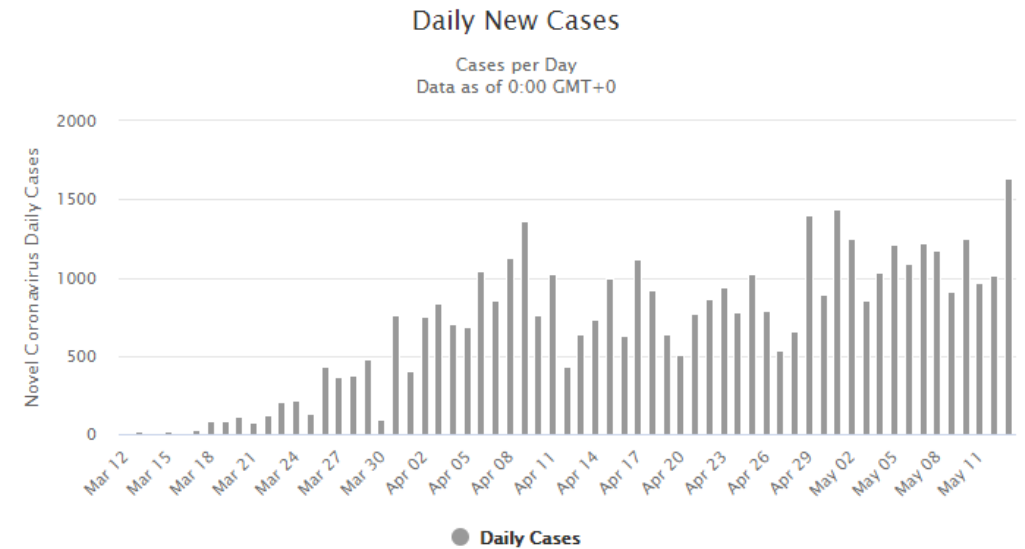


Coronavirus Trends: Watch Florida & Texas

Daily New Cases in Florida



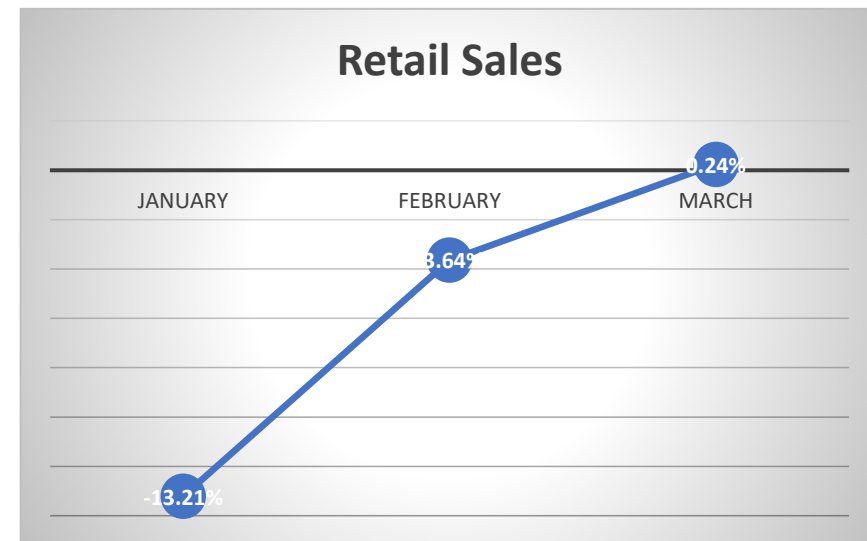
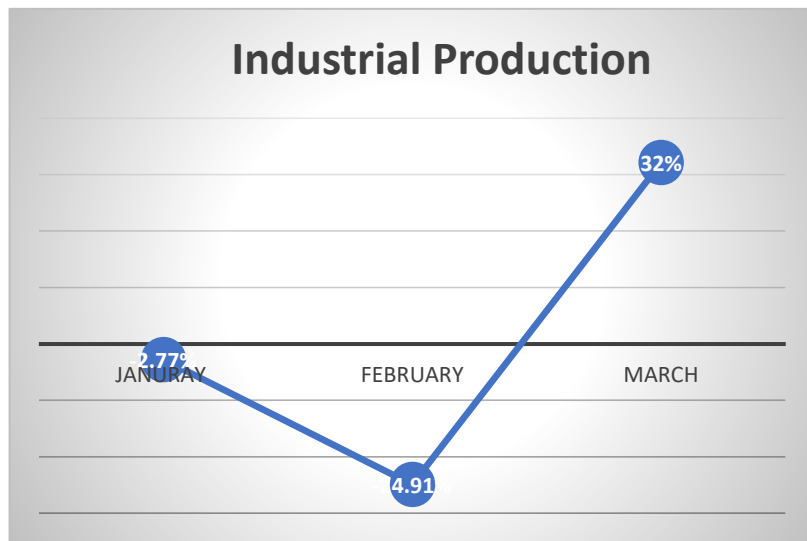
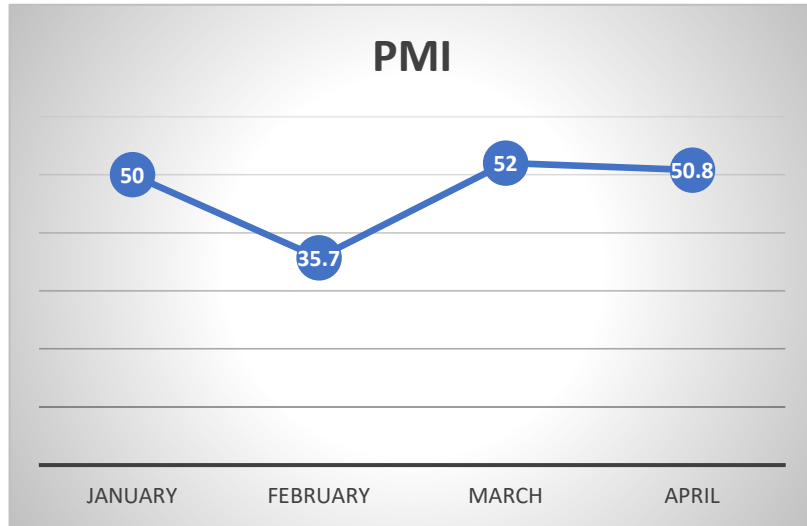
Daily New Cases in Texas



Scenarios For Return to Normalcy

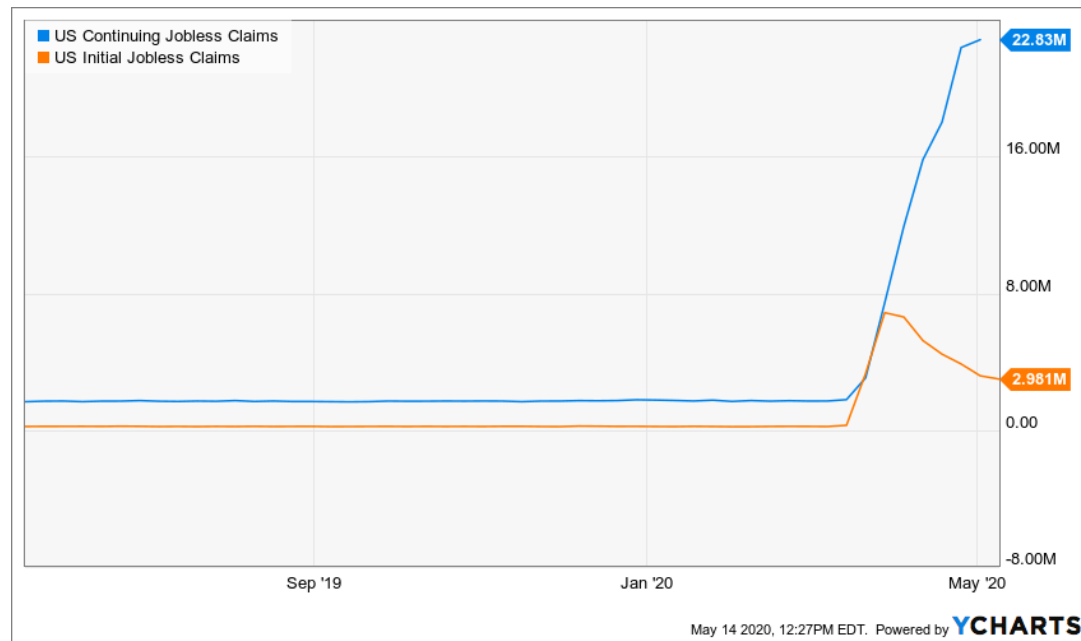
- Three Scenarios (again):
 - **Good:** Economy back to normal by the end of the summer (August).
 - Middle: 50% of people act “normal”/50% of people maintain social distancing practices.
 - **Ugly:** Economy “reopens” and we see another flare up of virus cases (this is easily the worst case scenario).

Chinese Economic Data January-April



Indicators to Watch Going Forward

U.S. Employment

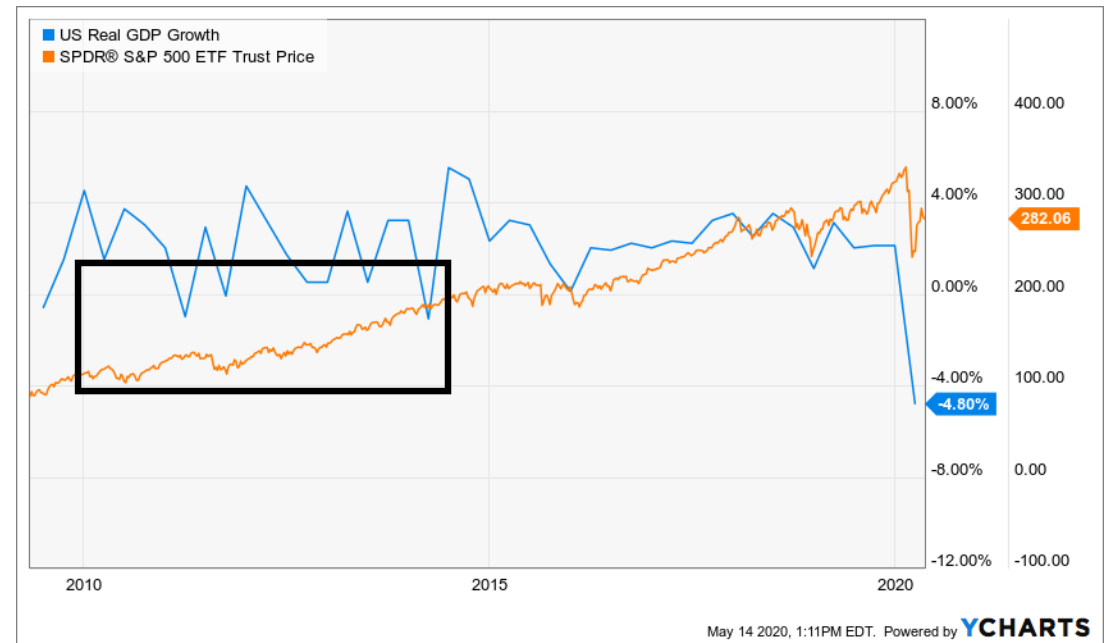


German PMI



Important Point:

- For the market to rally substantially, amidst all this accommodation, the market just needs proof the economy will return to normal soon. It does not need the economy to return to normal to rally.



Market Outlook

A Game of Multiples (Updated 5/4/2020)			
Market Influence	Current Situation	Things Get Better If...	Things Get Worse If...
Coronavirus	The coronavirus growth rate peaked in early-mid April, and state economies are gradually starting to reopen. Expectations are rising that the economy is mostly back to normal by the end of the summer (Aug/Sept)	The economy is virtually back to normal by July/August.	The "reopening" of the U.S. and global economy lasts months, with the economy only fully reopening in late summer/early fall, making a return to economic normal a 2021 issue.
Global Economic Data	Global economic data is revealing the full damage from the coronavirus shutdown, and it's substantial. Not even the manufacturing sector has been able to hold up.	Global economic data bounces back handily in May, and by the August data has recouped virtually all of the February/March declines.	The global economy has a very slow rebound, and investors begin to doubt that major indicators (jobless claims/PMIs) will recover the Feb/March losses in 2020.
Oil Price	OPEC+ and Russia agreed to a 10 million barrel production cut, which has helped oil stabilize, although at very low prices.	Global demand begins to increase in May/June/July and oil moves steadily higher and trades back into the \$30/bbl range.	Global demand remains subdued, and as such oil is stuck in the low-to-high teens/low \$20s for the remainder of the year, signaling a slow economic recovery.
Expected 2021 S&P 500 EPS	\$165	\$175	\$155
Multiple	17X-18X	18X-19X	16X-17X
S&P 500 Range	2805-2970	3150-3325	2480-2635
S&P 500 Target (Midpoint)	2888	3238	2558
Change from today	2.4%	15%	-9.0%



Alpha Strategies Post Coronavirus

- Sector Opportunities from the coronavirus decline
 - **Tech:** Technology Select Sector SPDR (XLK), VanEck Vectors Semiconductor ETF (SMH), iShares Expanded Tech Software ETF (IGV)
 - **Financials:** Financials Select Sector SPDR (XLF), ETFMG Prime Mobile Payments ETF (IPAY), SPDR S&P Bank ETF (KBE)
 - **Energy:** Energy Select SPDR (XLE), MLPA (Global X MLP ETF)
- Longer Term Industry Opportunities from the coronavirus
 - Health and Wellness, Mobility as a service (**IBUY: Amplify Online Retail ETF**)
 - Cord Cutting (**JHCS: John Hancock Multifactor Media and Communications**)
 - Stay at Home (**XITK: SPDR FactSet Innovative Technology ETF**)
- Three industries that will benefit from changes in corporate behavior
 - Cloud Computing (**SKYY: First Trust Cloud Computing ETF**)
 - Ecommerce (**SHOP: Shopify** and **GDDY: GoDaddy**)
 - Online Payment Processing (**IPAY: ETFMG Prime Mobile Payments ETF**)

