

## **Sevens Report Alpha Webinar:**

**Sector Analysis, Trends and Performance Through Q3 2020**

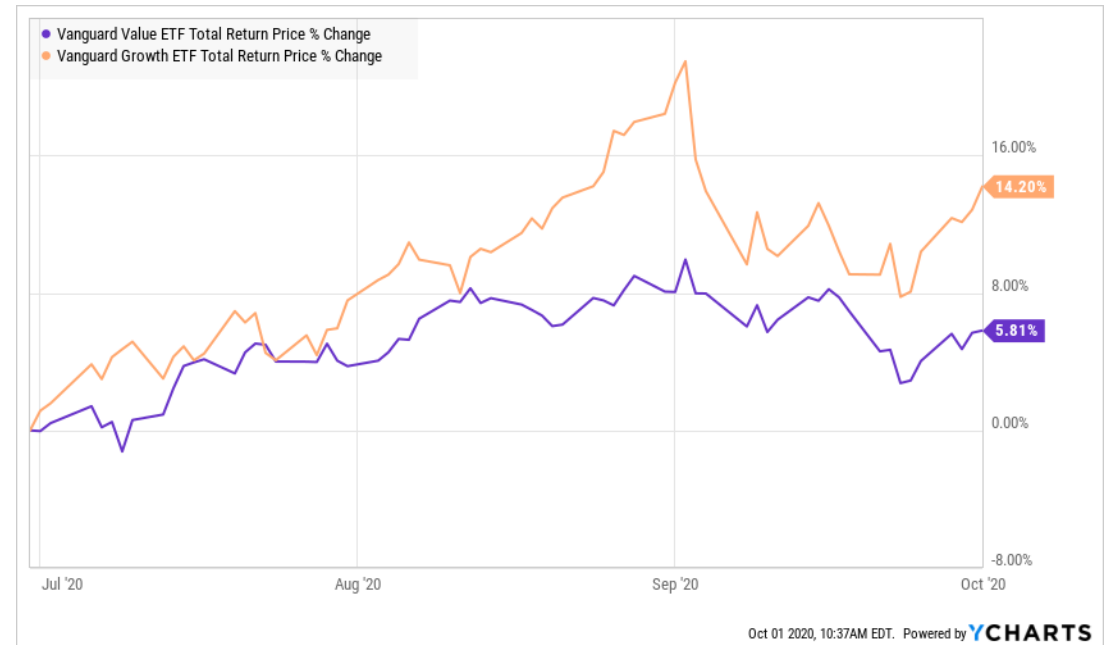
**Thursday, October 1<sup>st</sup>, 2020**

**Tom Essaye, President Sevens Report Research**

Lots of noise on various internal market themes:

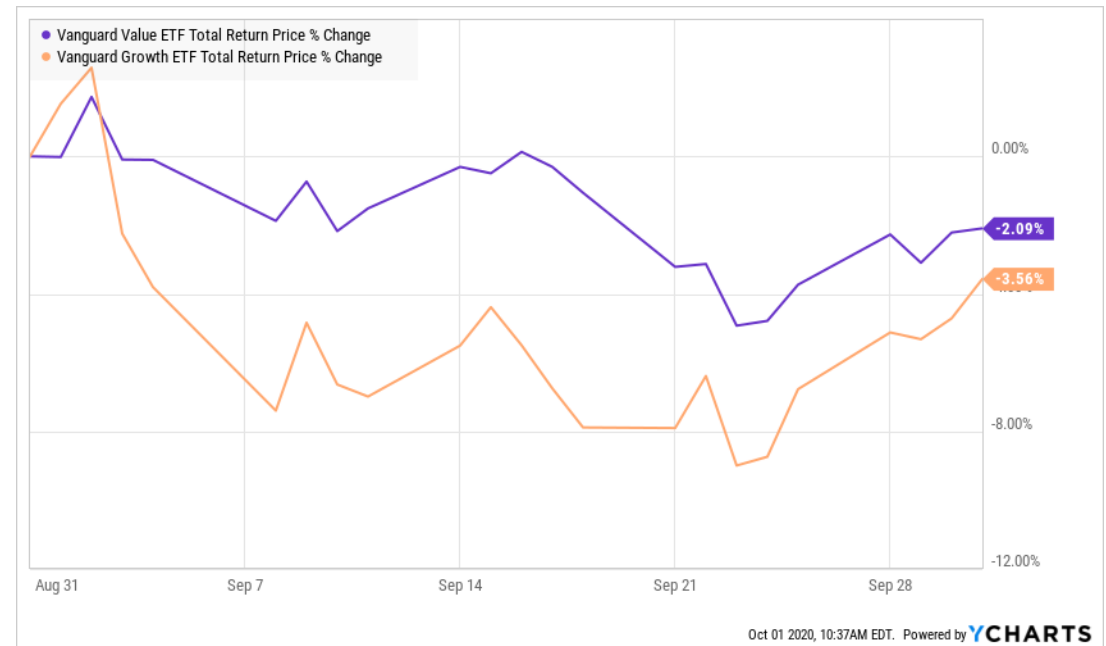
- Growth vs. value
- Tech vs. everything else
- “Go out and spend” vs. “Stay at home” stocks
- But, does any of this mean anything from a portfolio management standpoint? Do we need to rotate?

## Growth vs. Value



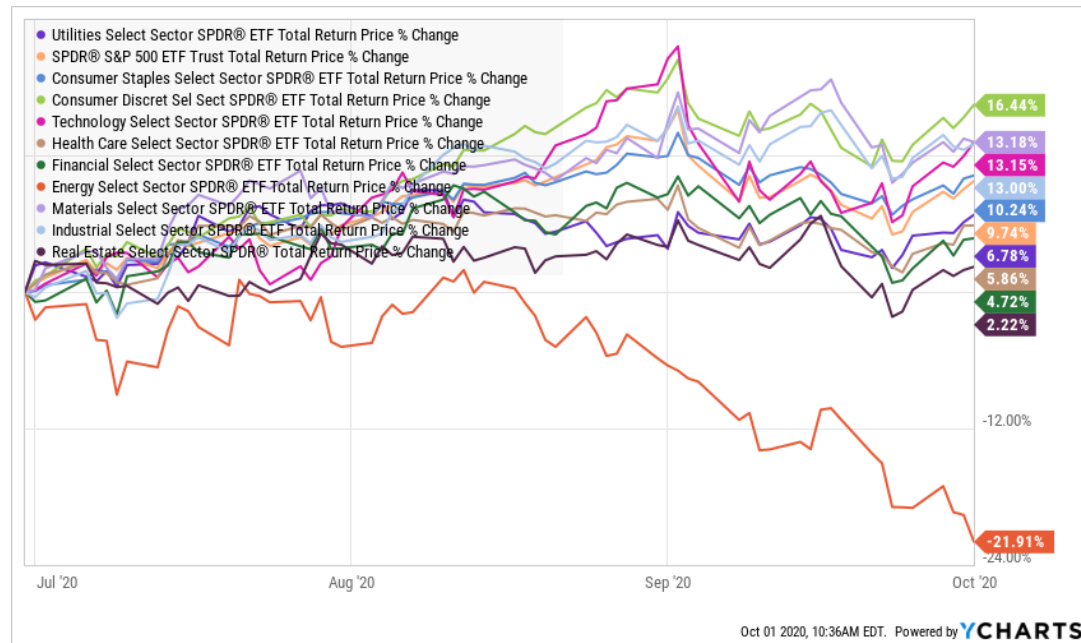
# Growth vs. Value

- Some conclusions:
  - There have been multiple head fakes on the long sought-after rotation from growth to value, but the numbers are consistent: Growth is still consistently outperforming.
  - Even during the tech drop in September, at the lows value only outperformed growth by about 400 basis points, which is nothing compared to the massive YTD outperformance from growth.
  - Point being: Stick with growth until we get a catalyst for financials, industrials, or energy.

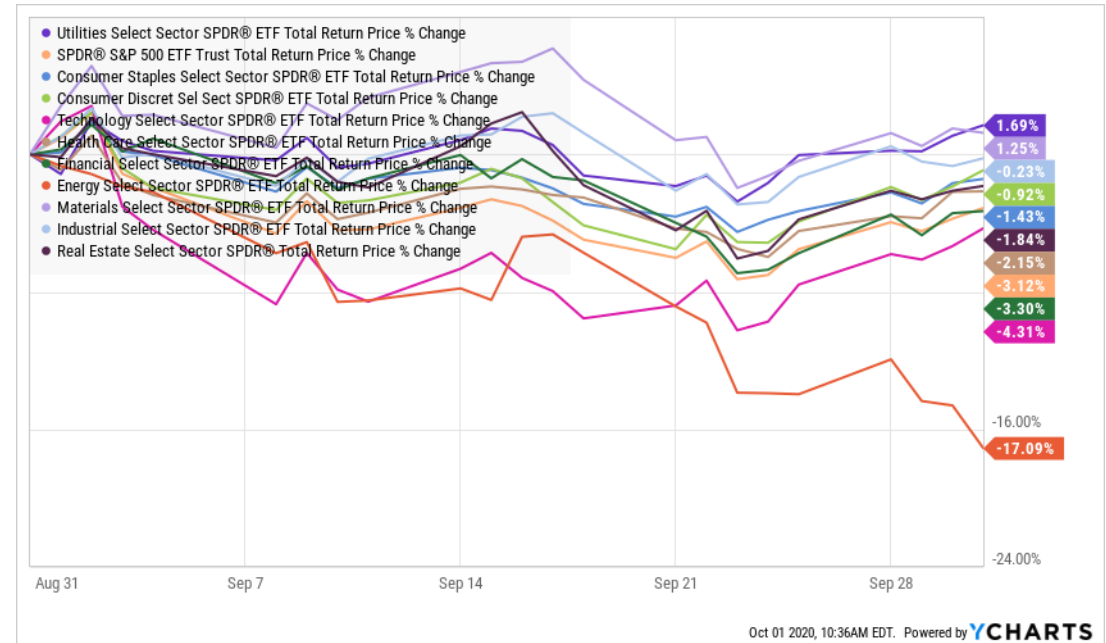


## Sector SPDRs

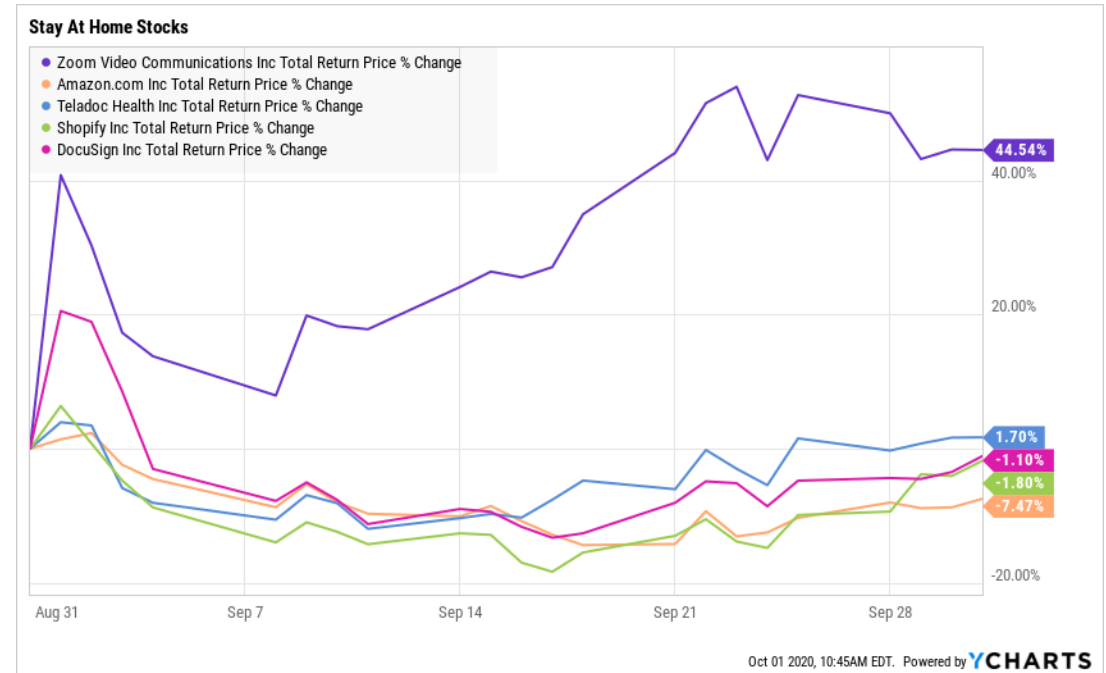
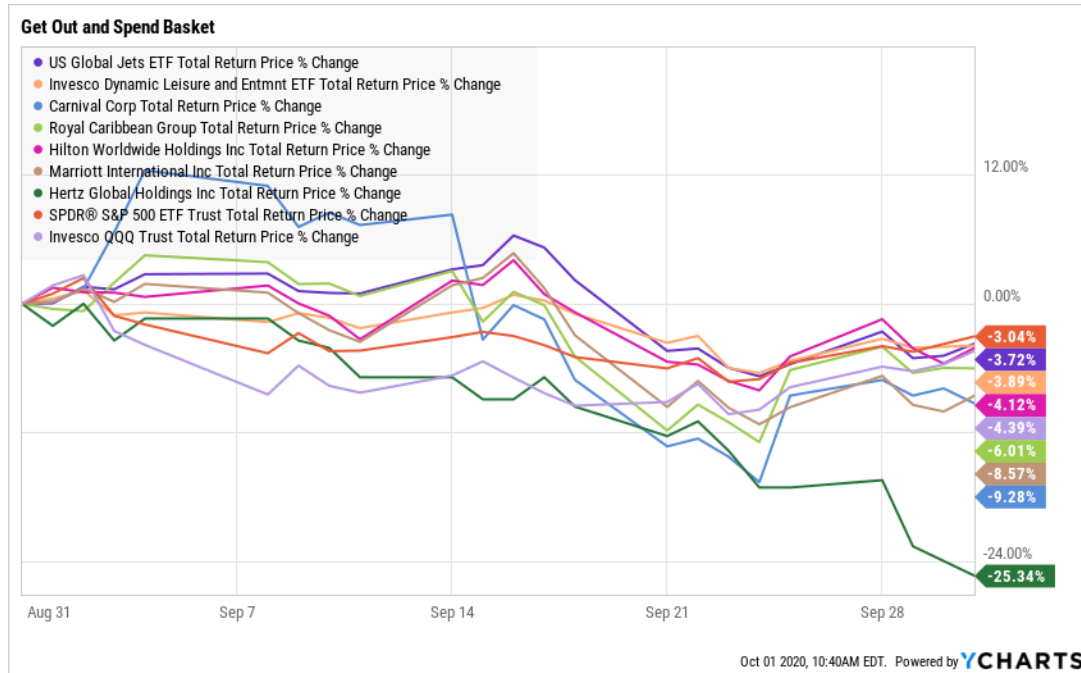
- **Cyclicals have outperformed over the past three months (discretionary/materials) on hopes of stimulus/better data. But that's not value.**



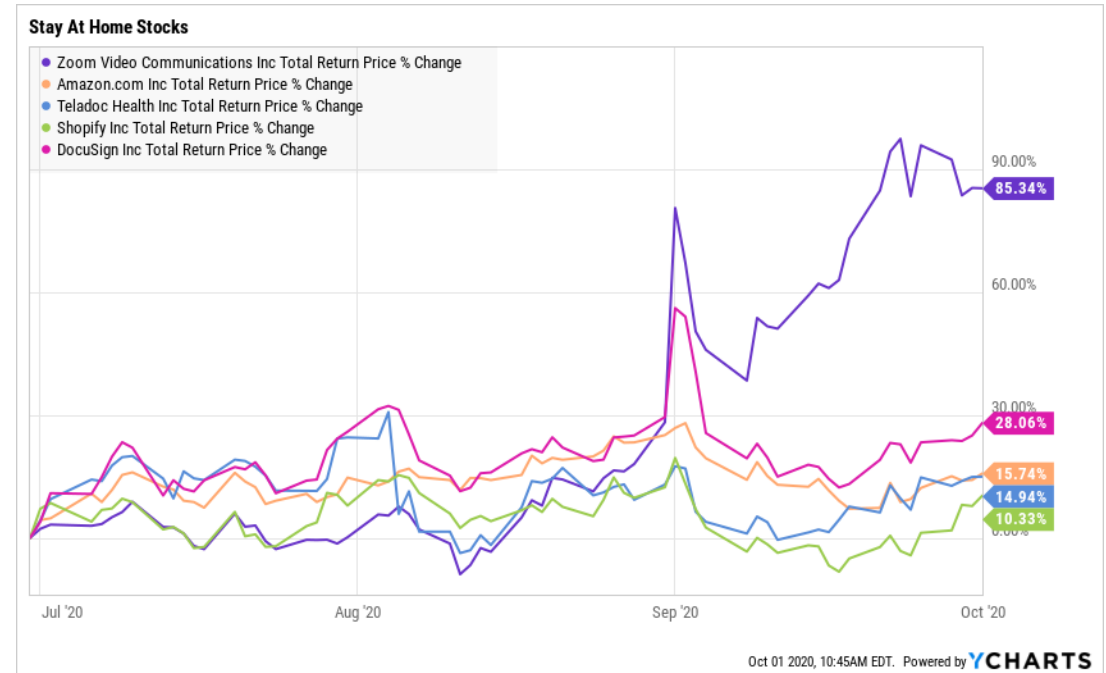
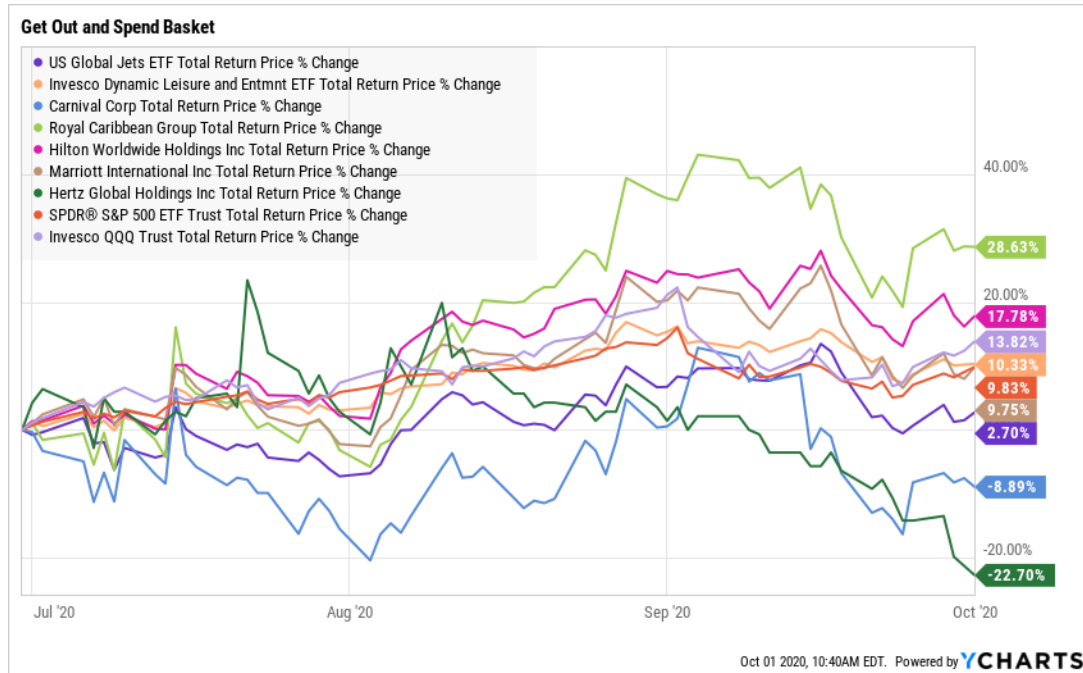
- **Cyclicals have even held up well through the pullback, as materials, industrials, and consumer discretionary have outperformed.**



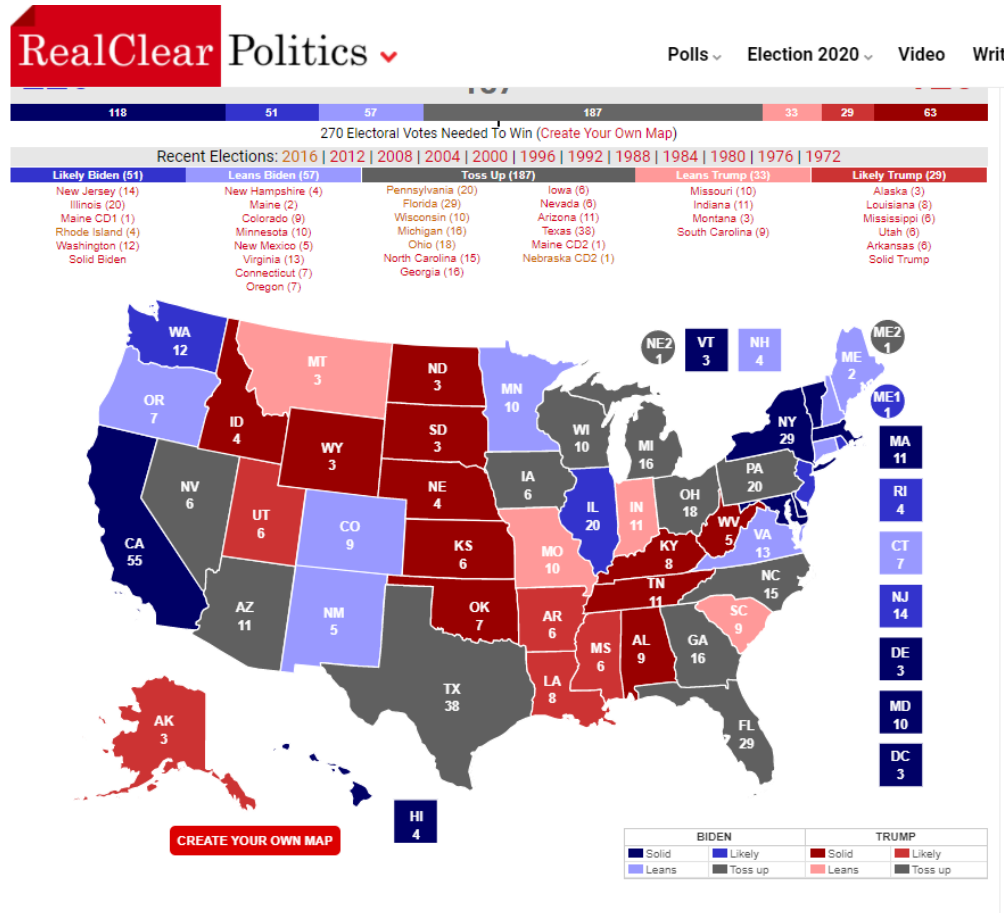
## Get Out and Spend vs. Stay At Home (One Month)



## Get Out and Spend vs. Stay At Home (Three Month)



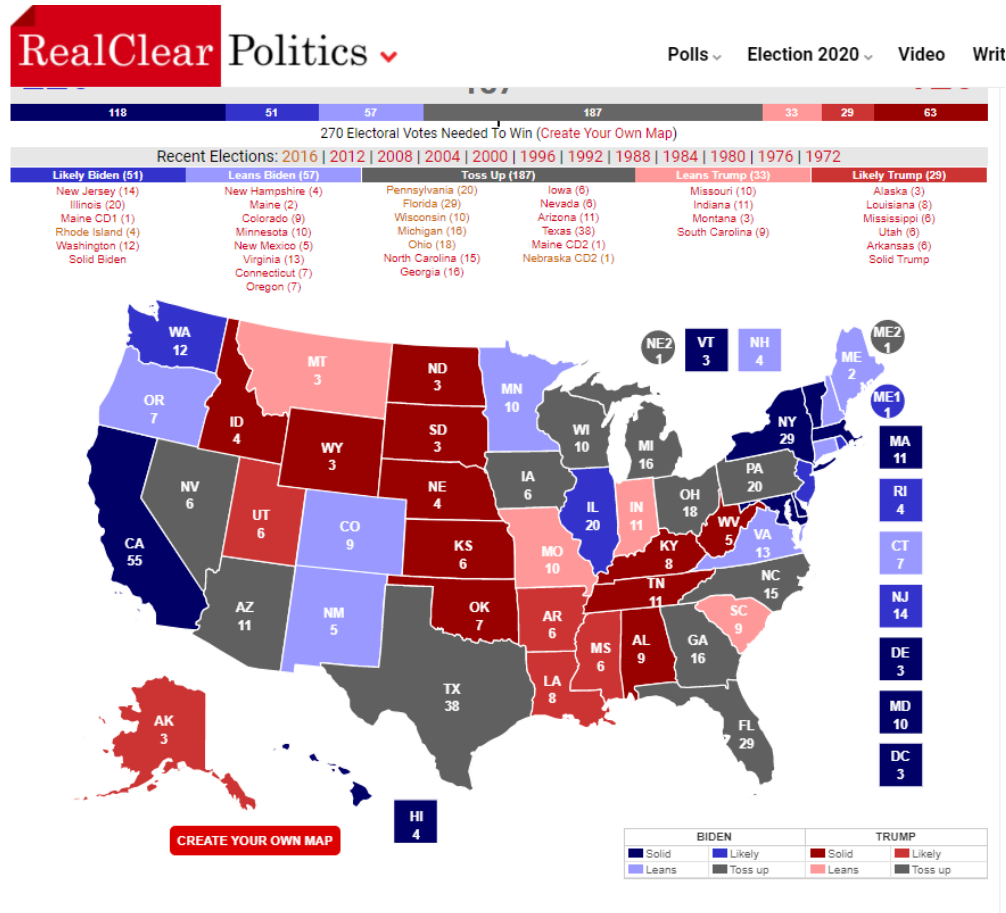
## How Trump Wins



- Trump currently has 125 “safe” electoral votes.
- That does not count Texas (38) and Georgia (16), which are currently classified as toss-ups. **If he loses either, it’s probably over.**
- Adding those in, Trump has 179 “safe” electoral votes.
- He must then win: Ohio (18), Florida (29) North Carolina (15) and Iowa (6). **If he doesn’t win all these, it’s probably over.**
- At that point, there are five remaining states (NV/AZ/WI/MI/PA).
- He then needs to win Pennsylvania or Michigan and just one of the other four.
- If he just wins Wisconsin, he’s got to win both Arizona and Nevada.



## How Biden Wins



- Biden currently has 226 “safe” electoral votes.
- If he wins Texas then he just has to win one other toss-up state and he’s in.
- If he wins Florida, then he just needs any one of: Georgia, North Carolina, Pennsylvania, Ohio, or Michigan.
- If he does not win Florida or Texas, he needs to win three out of five. (GA/NC/OH/PA/MI).
- If that doesn’t happen, Biden can still win, but we’re likely in for a long night (or few weeks) because the election will be very, very close.

## Could the Polls Be Wrong Again?

RCP Average of the Key Swing States		
<u>Swing State</u>	<u>Leader</u>	<u>Margin</u>
Florida	Biden	1.1%
North Carolina	Biden	5.5%
Michigan	Biden	5.2%
Pennsylvania	Biden	5.7%
Wisconsin	Biden	5.5%

Trafalgar Group Polls		
<u>Swing State</u>	<u>Leader</u>	<u>Margin</u>
Florida	Trump	3.1%
North Carolina	Trump	1.7%
Michigan	Trump	0.7%
Pennsylvania	Biden	2.4%
Wisconsin	Biden	2.8%