

The 3 P's of investing in *this* market

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Road map

1

Politics

2

Pandemic

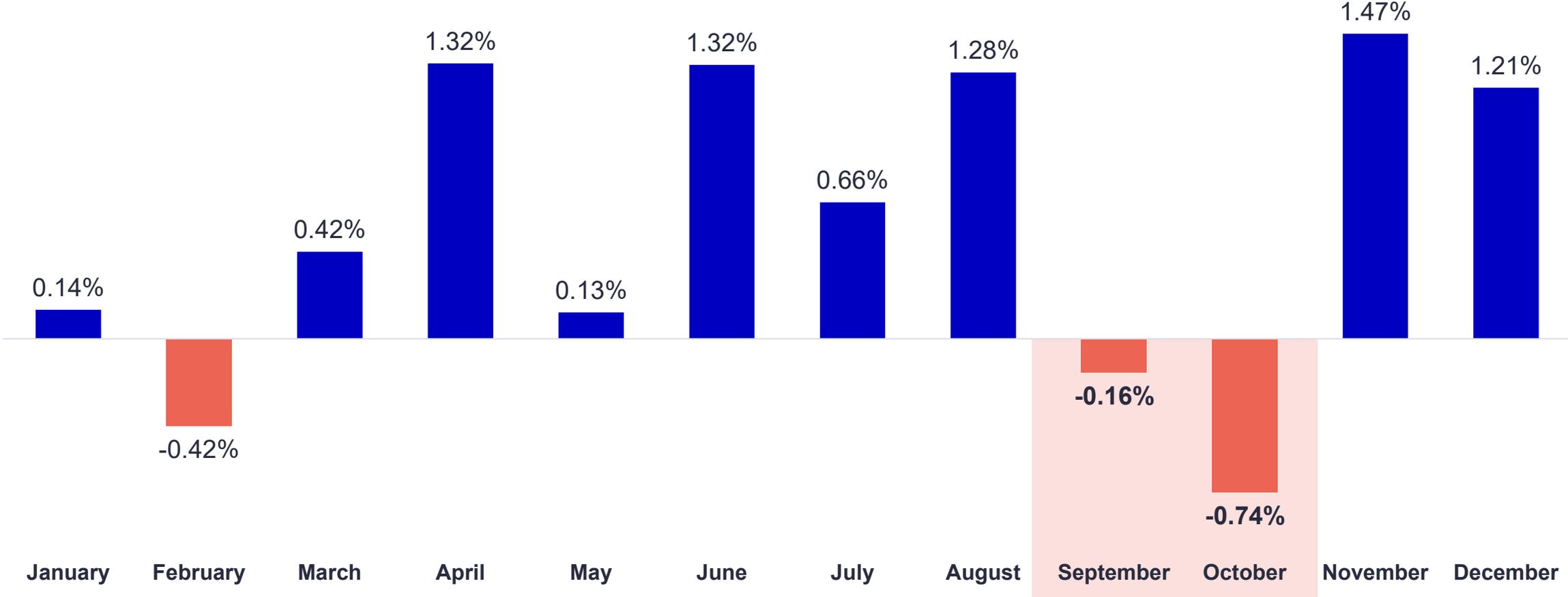
3

Profits

Politics

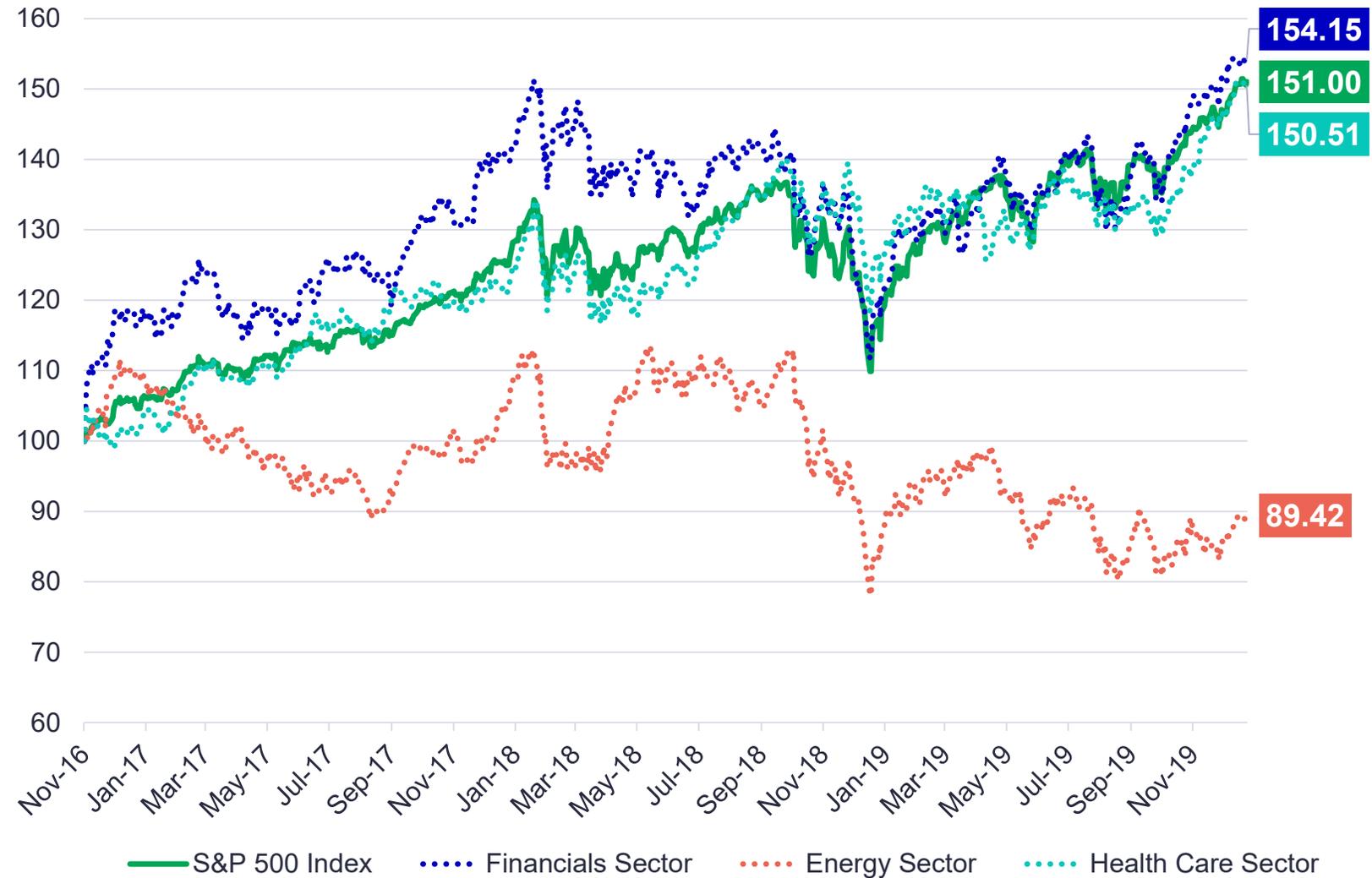
Weak and weakest months precede election month

S&P 500 Index: average monthly return in election years
1952 to current



Given politics
and policy,
who would
have thought?

S&P 500 Index vs Energy, Healthcare and Financials sectors
November 8, 2016 to December 31, 2019



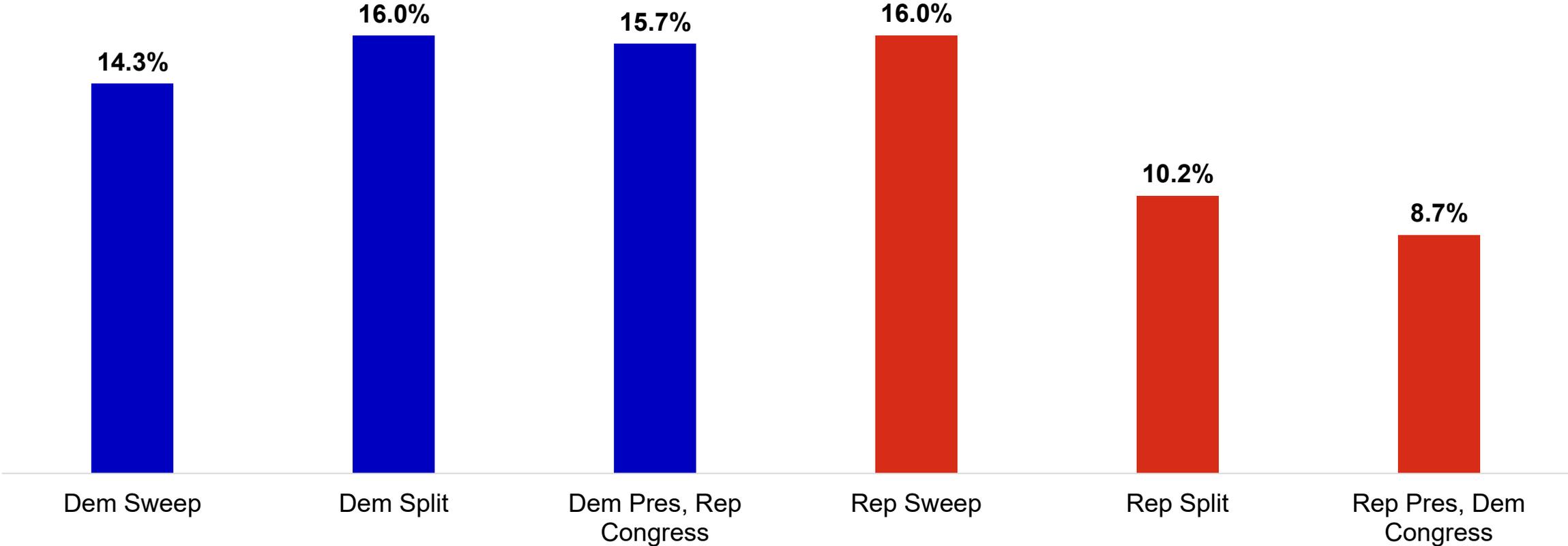
Stocks go down no matter who the President is

Peak-to-trough drawdowns

President	Term		Worst drawdown	
Herbert Hoover	March 4, 1929	→	March 3, 1933	-86.19%
Franklin Roosevelt	March 4, 1933	→	April 11, 1945	-59.99%
Harry Truman	April 12, 1945	→	January 19, 1953	-29.61%
Dwight Eisenhower	January 20, 1953	→	January 19, 1961	-21.63%
John F. Kennedy	January 20, 1961	→	November 21, 1963	-27.97%
Lyndon Johnson	November 22, 1963	→	January 19, 1969	-22.18%
Richard Nixon	January 20, 1969	→	August 8, 1974	-34.73%
Gerald Ford	August 9, 1974	→	January 19, 1977	-23.65%
Jimmy Carter	January 20, 1977	→	January 19, 1981	-17.07%
Ronald Reagan	January 20, 1981	→	January 19, 1989	-33.51%
George H.W. Bush	January 20, 1989	→	January 19, 1993	-19.92%
Bill Clinton	January 20, 1993	→	January 19, 2001	-19.34%
George W. Bush	January 20, 2001	→	January 19, 2009	-51.93%
Barack Obama	January 20, 2009	→	January 19, 2017	-22.60%
Donald Trump	January 20, 2017	→	???	-33.92%

Markets are positive regardless of the makeup of the U.S. government

Average S&P 500 Calendar Year Returns since 1945

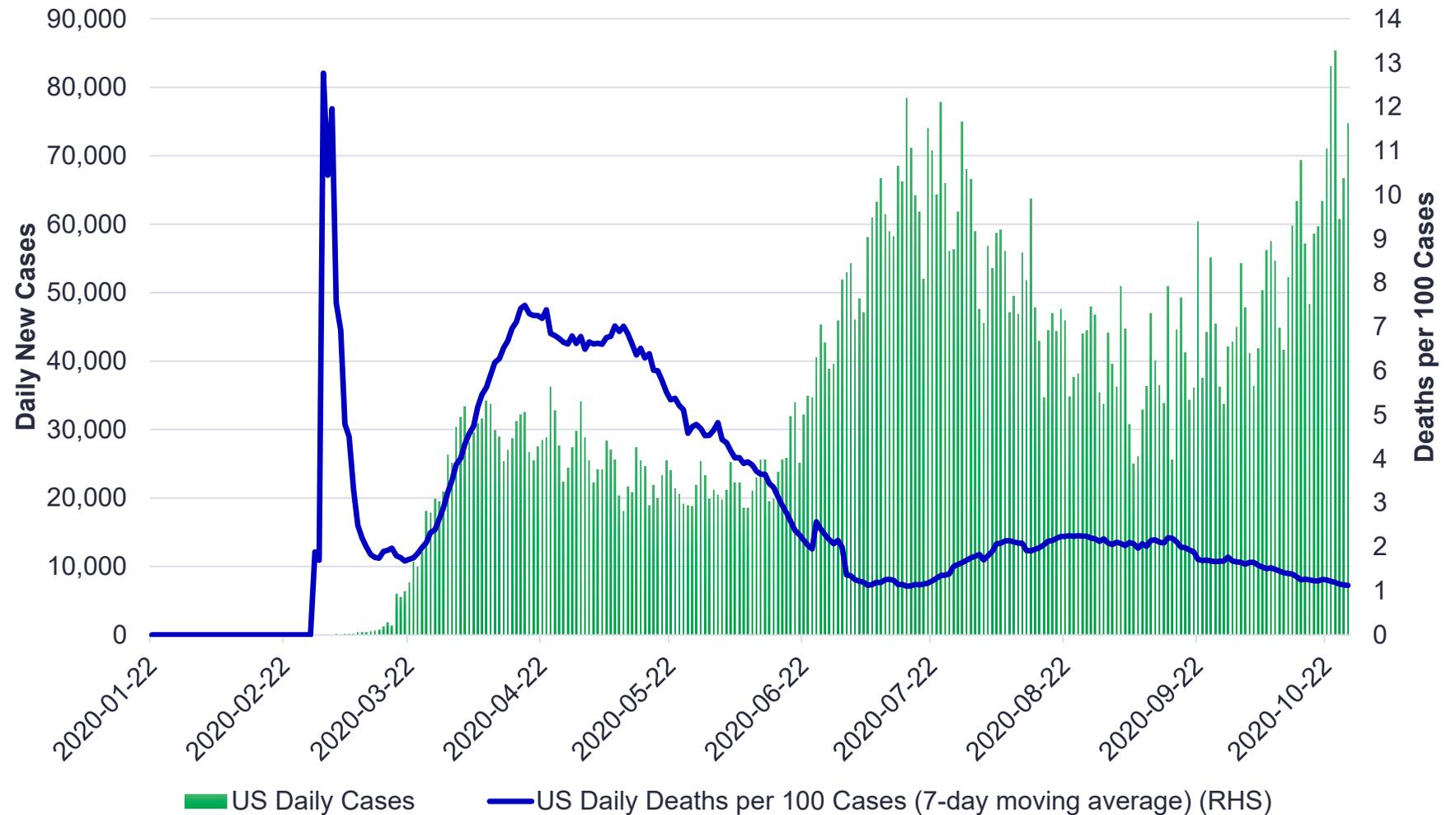


Pandemic

Total cases and deaths are increasing.

Mortality rates maintain level.

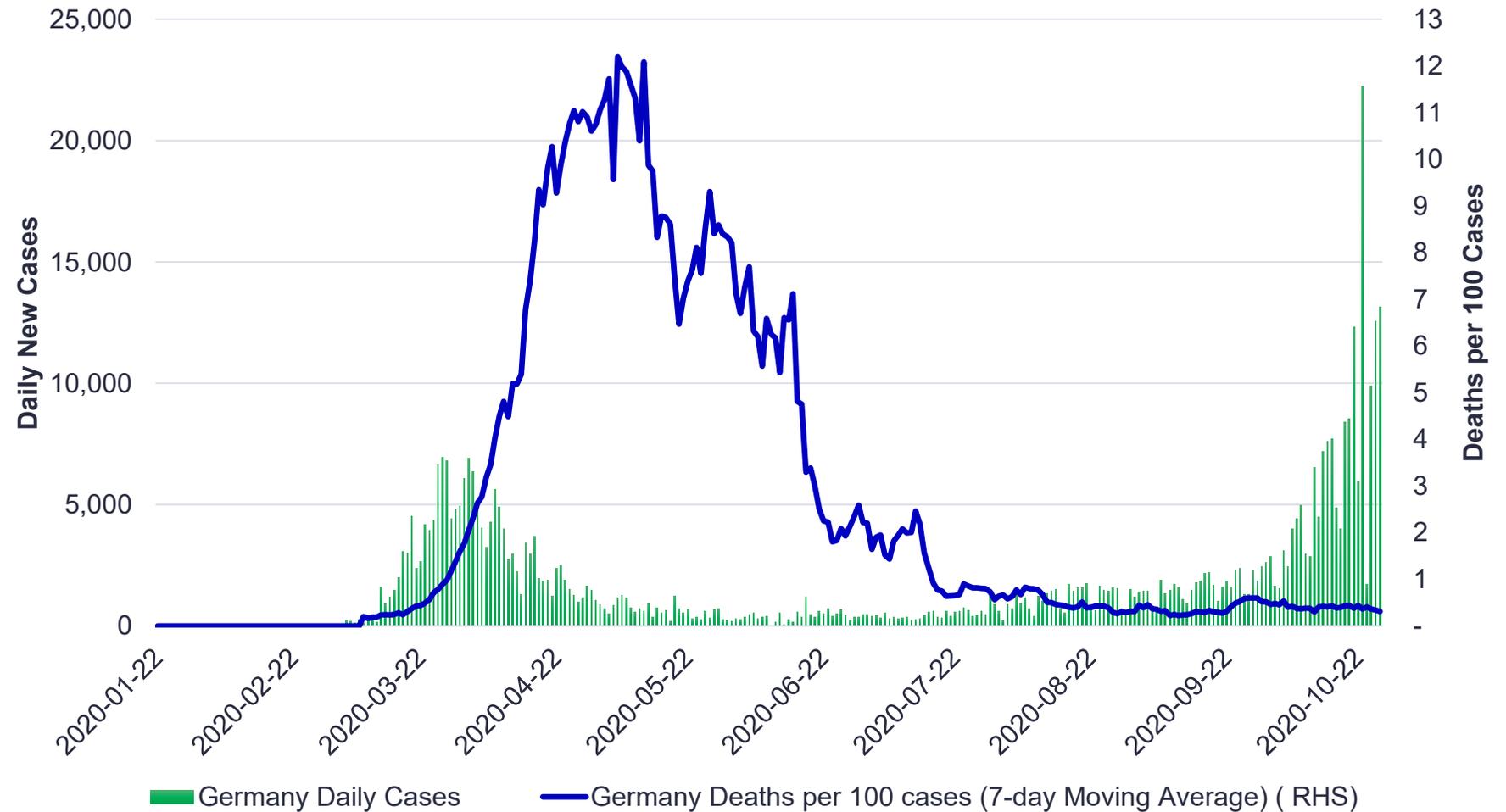
U.S. COVID daily cases vs mortality, year-to-date



Lockdowns may be less economically severe than Q1 and Q2.

Germany

COVID daily cases vs mortality, year-to-date

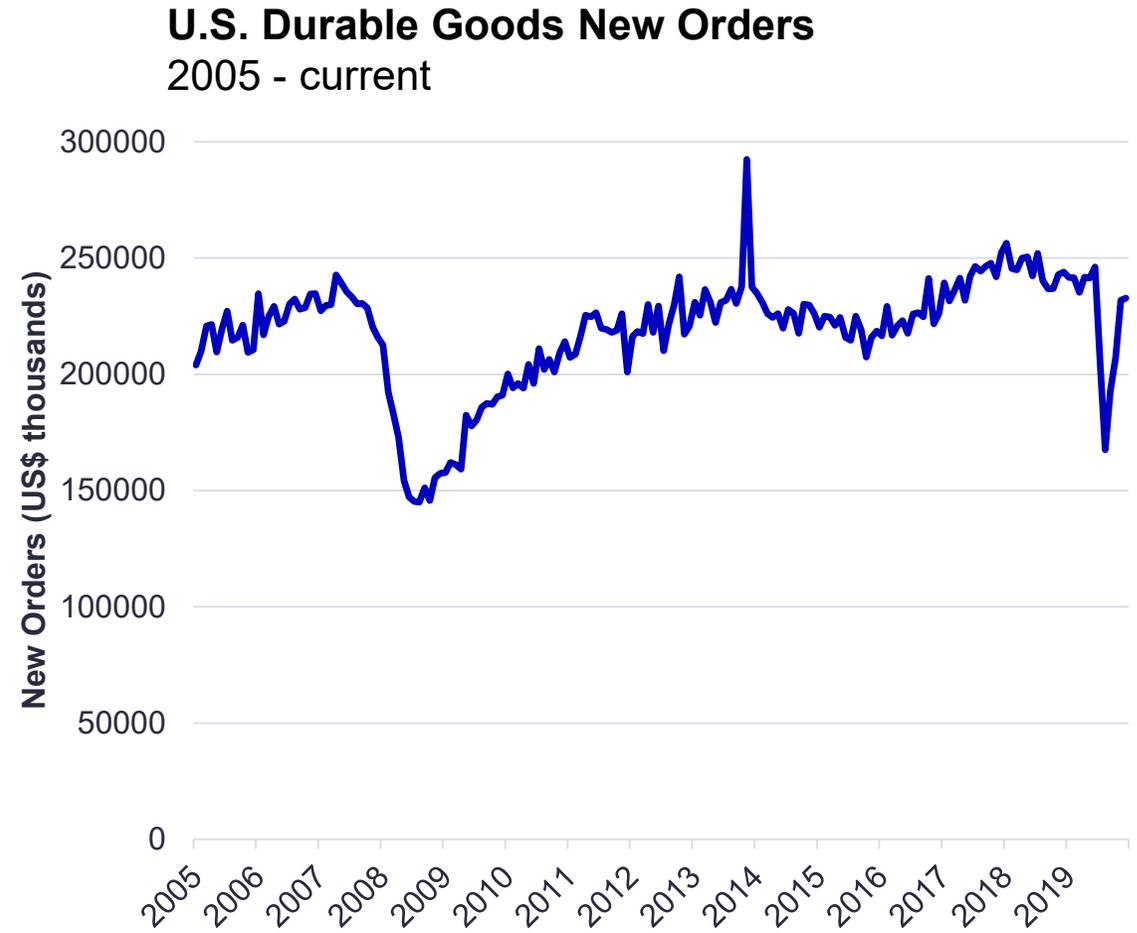
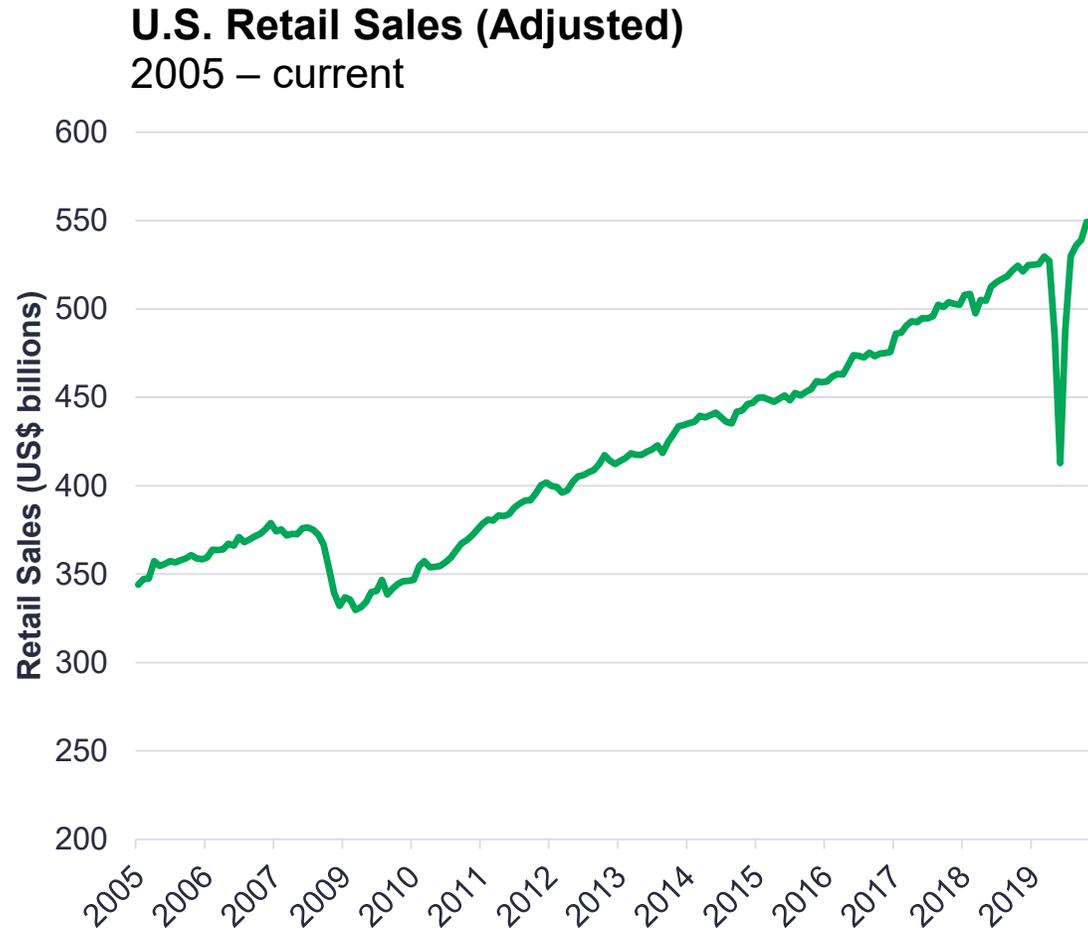




Typical signs of a recession are not present

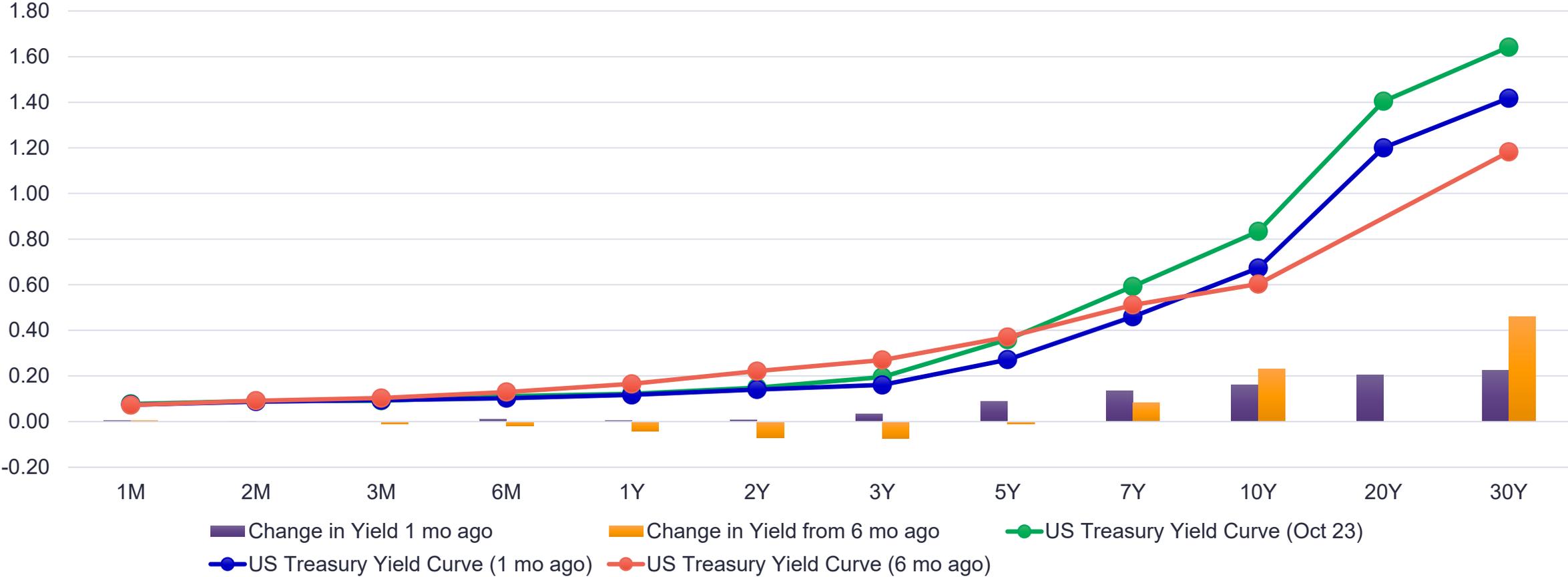
Sign of recession	Present today?
Inverted Yield Curve	X
ISM Manufacturing PMI Below 45	X
Positive Inflationary Trends	
Capacity Utilization above 80% and peaking	X
Housing Starts Declining	X
Labor Market Weakening	X
Leading Economic Indicators Negative	
Credit Conditions Negative	X

It's a "V" shaped recovery where it matters for equity markets

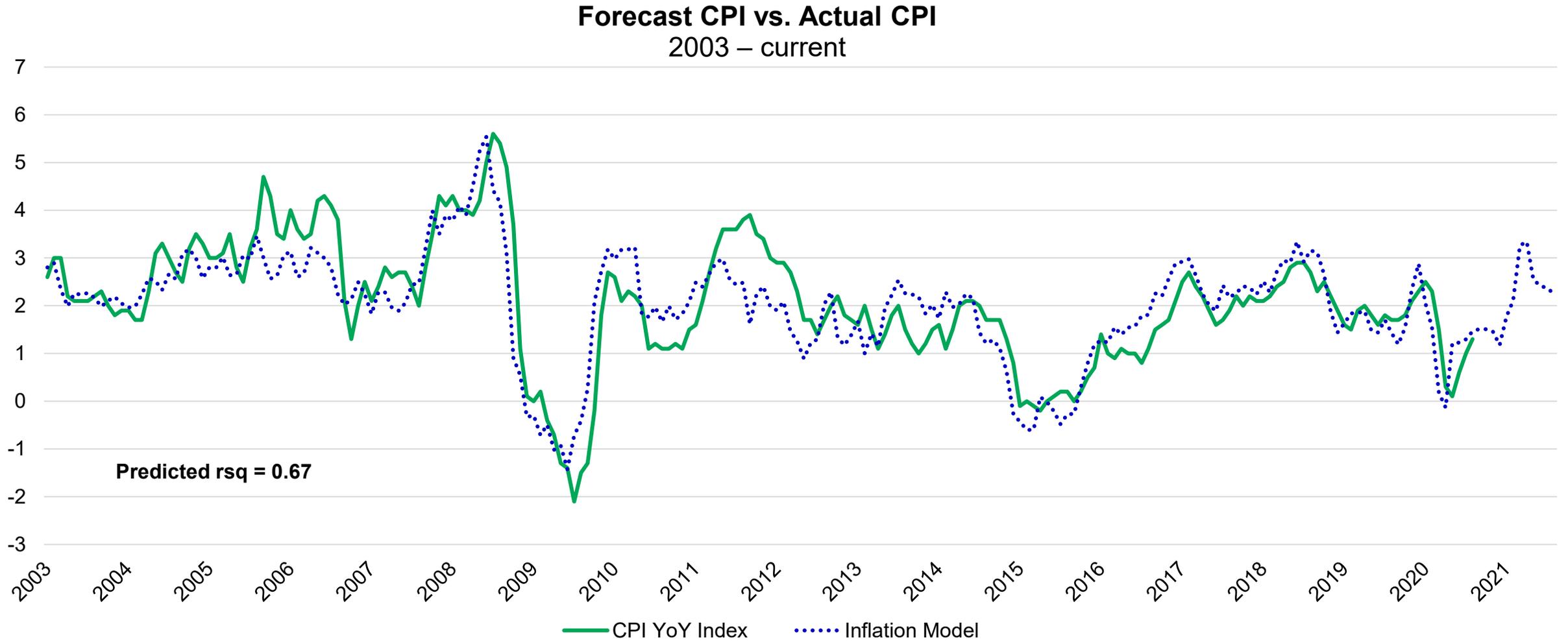


U.S. Treasury Yield Curve continues to steepen against the recovery and rising inflation expectations

U.S. Treasury Curve (%)
October 23 vs 1 month and 6 months ago



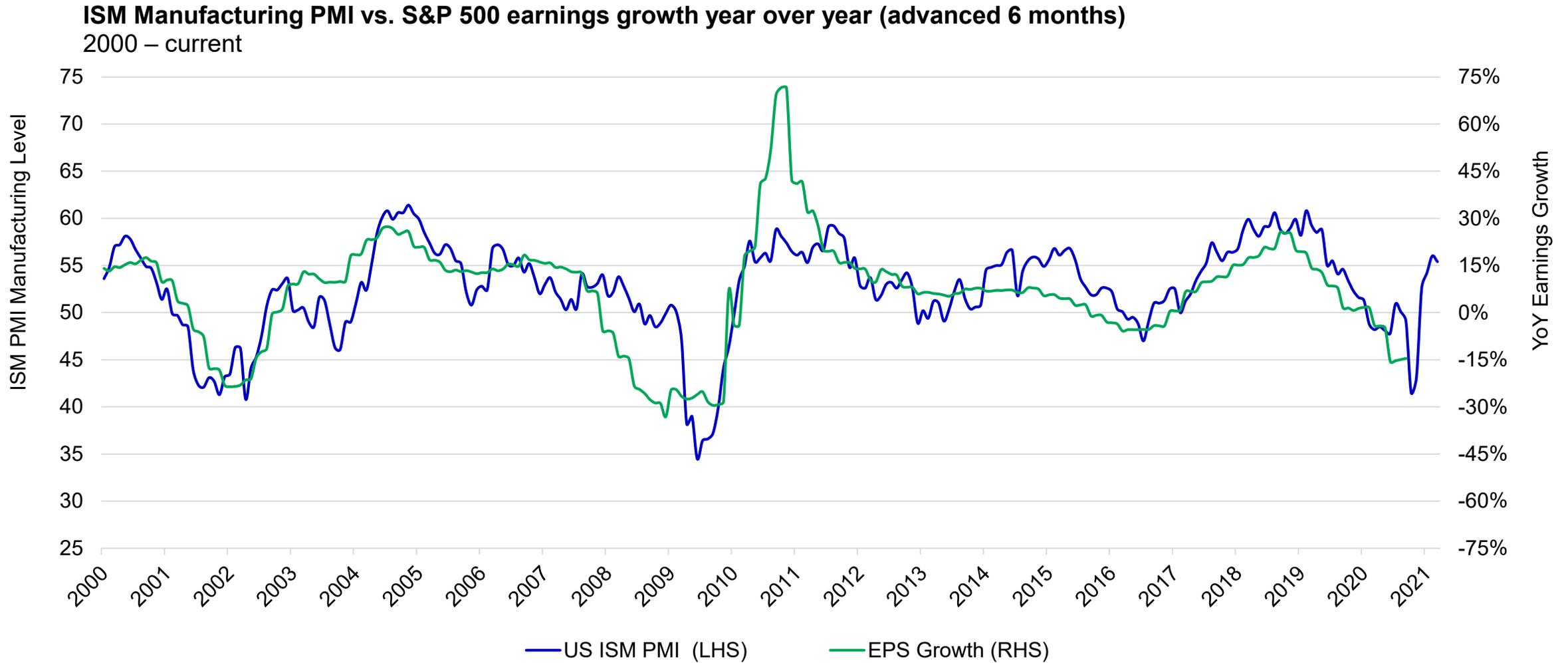
Our inflation model suggests inflation not deflation over next 6-12 months



Profits and probabilities

(a fourth P)

Our key earnings indicators would suggest a strong recovery into 2021



Let's explore the probabilities

Positive return on the S&P 500 Index over 12 months since 1929 68%

Positive return excluding recessions 78%

Negative return worse than -20% over 12 months since 1929
(ex-recessions) 1.8%

Negative return between -10% and -20%
(ex-recessions) 8%

Negative return between 0% and -10%
(ex-recessions) 11.7%



What should we expect over the next 12-24 months?

1

**Economy
continued
recovery**

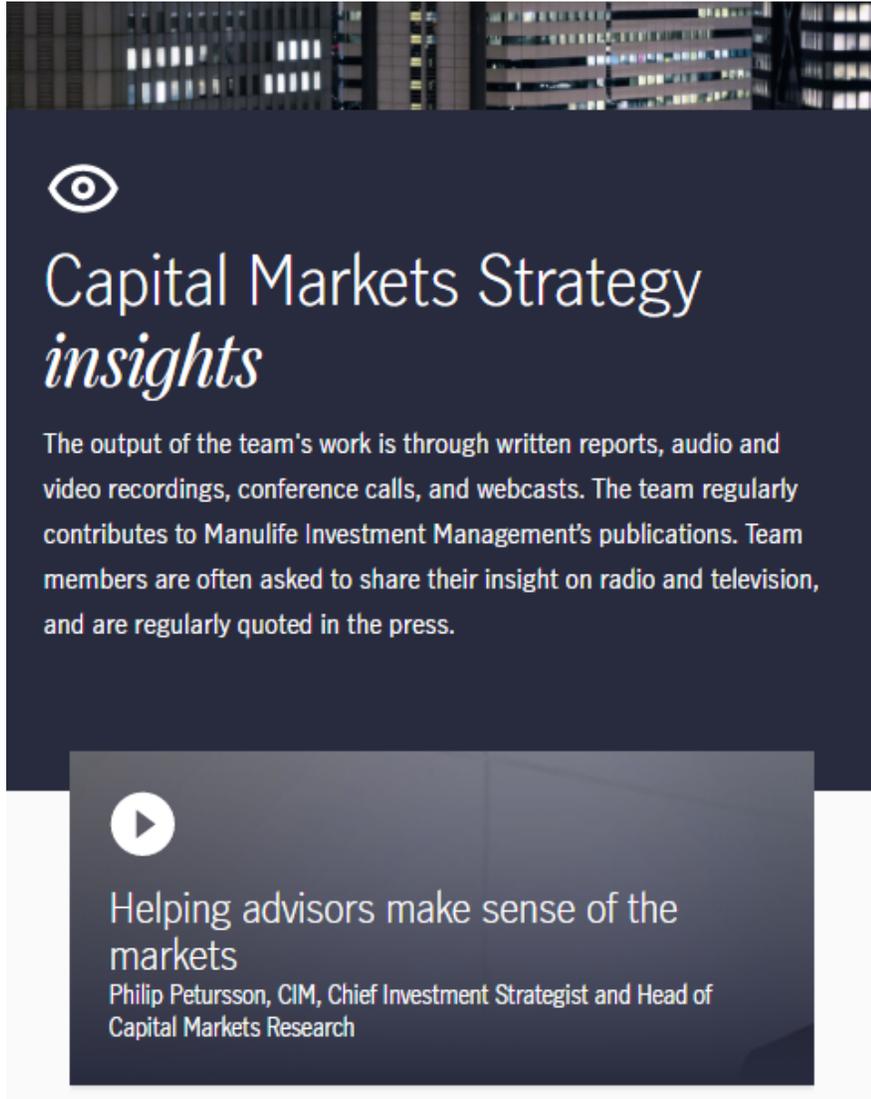
2

**Equities
weak but
positive
returns**

3

**Bonds
weaker
returns than
last 20yrs**

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Capital Markets Strategy *insights*

The output of the team's work is through written reports, audio and video recordings, conference calls, and webcasts. The team regularly contributes to Manulife Investment Management's publications. Team members are often asked to share their insight on radio and television, and are regularly quoted in the press.



Helping advisors make sense of the markets
Philip Petursson, CIM, Chief Investment Strategist and Head of Capital Markets Research

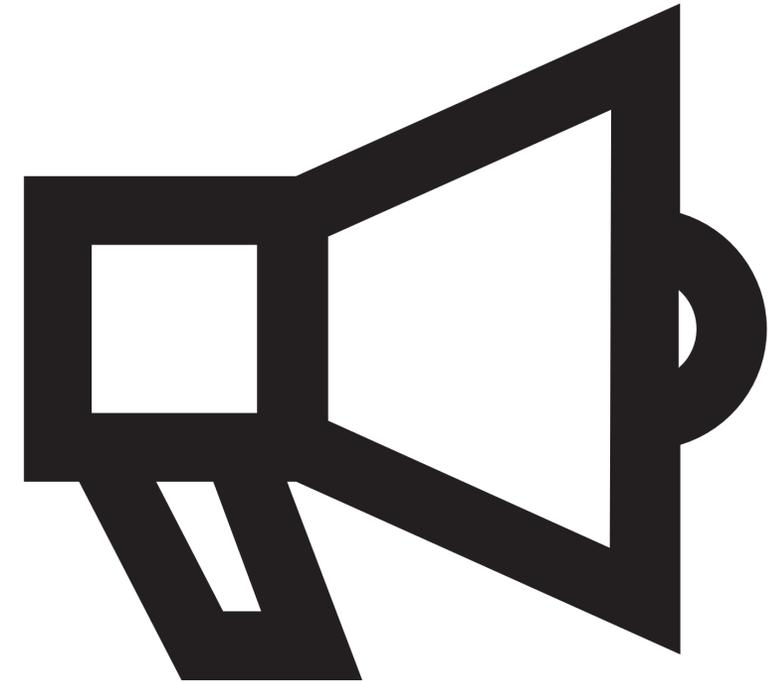
Recent Capital Markets Strategy team publications

Q4 2020 Market Intelligence

Promises, promises: the market, the economy and the U.S. president

To paraphrase James Carville, it's the equity-centric economy, stupid!

in-vest-ments Unplugged podcast



Coming in November 2020

Manulife Smart ETFs

A lineup of active fixed income and dividend ETFs

- A preliminary prospectus relating to the Manulife ETFs has been filed with certain Canadian securities commissions and regulatory authorities. The prospectus is still subject to completion or amendment. An investor cannot buy units
- of the Manulife ETFs until the relevant securities commissions issue a receipt for the prospectus of the Manulife ETFs and no marketing to investors should occur until such receipt has been issued. This document may not be disclosed,
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