

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

Kevin Headland, CIM
Senior Investment Strategist
Capital Markets Strategy Team





Road map

1

Politics

2

Pandemic

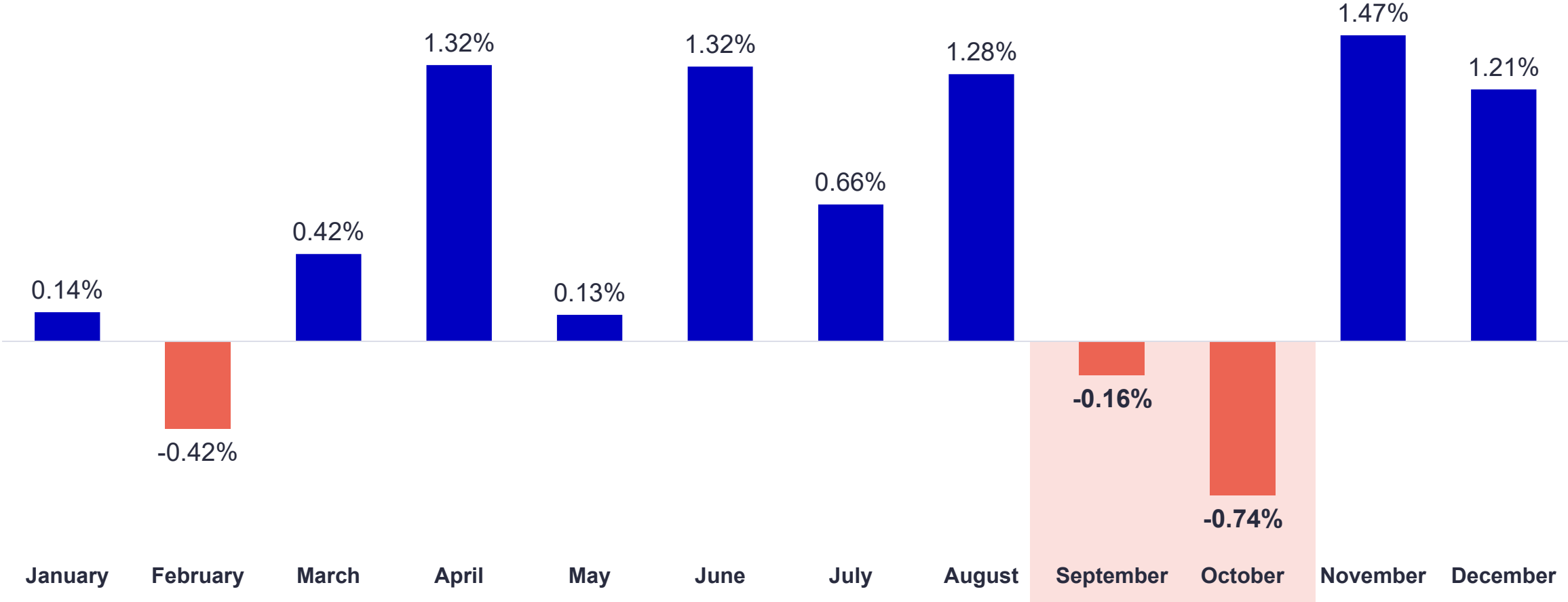
3

Profits

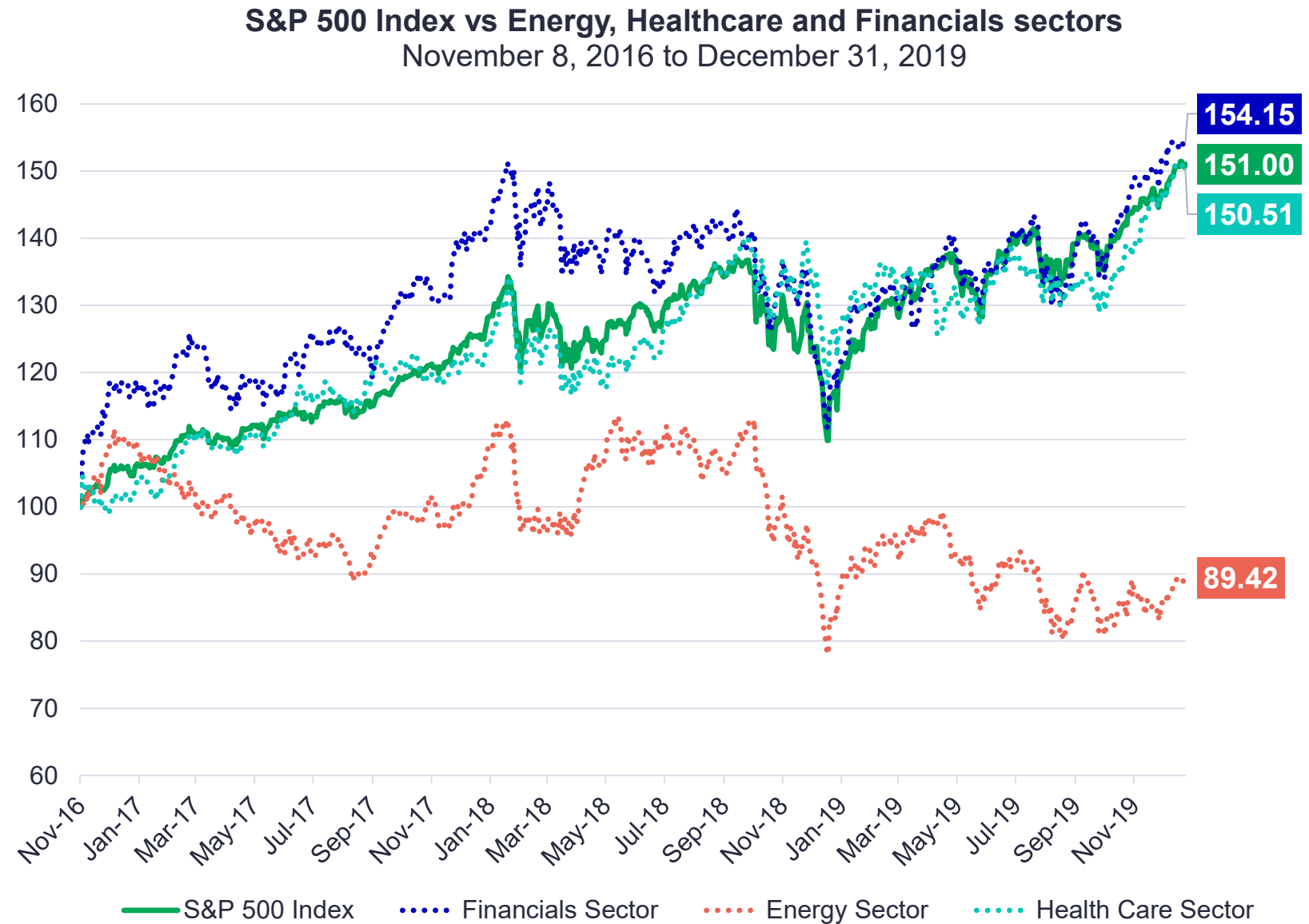
Politics

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?



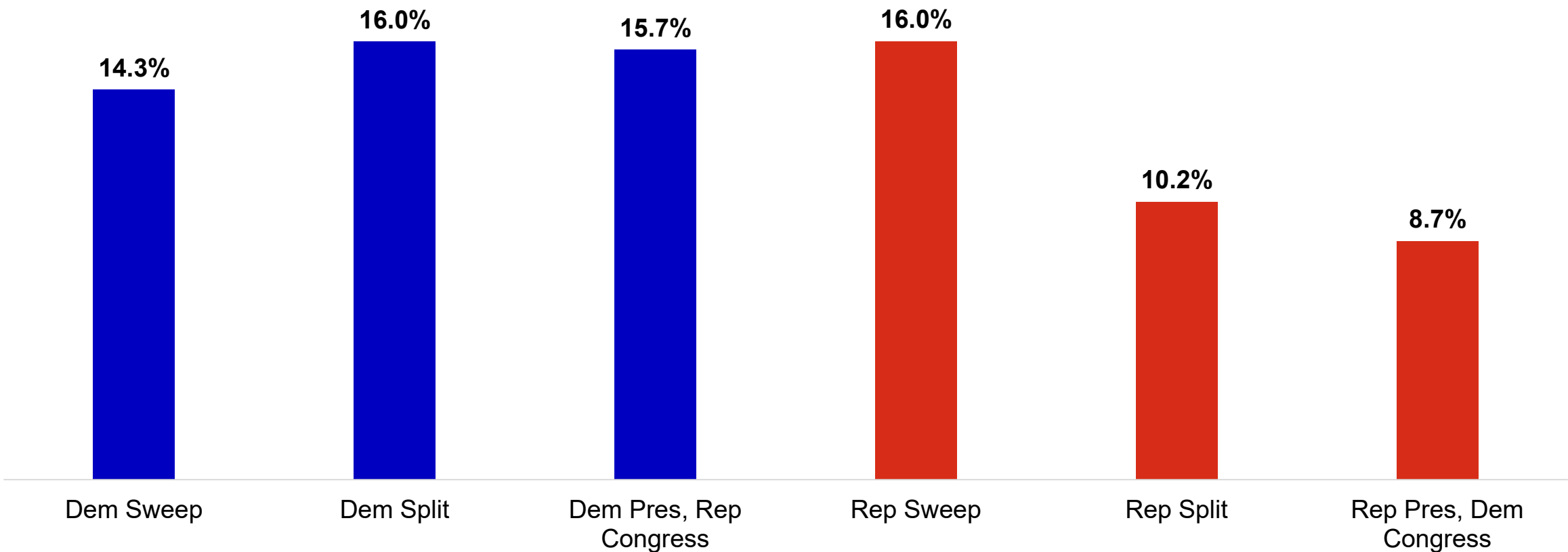
Stocks go down no matter who the President is

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

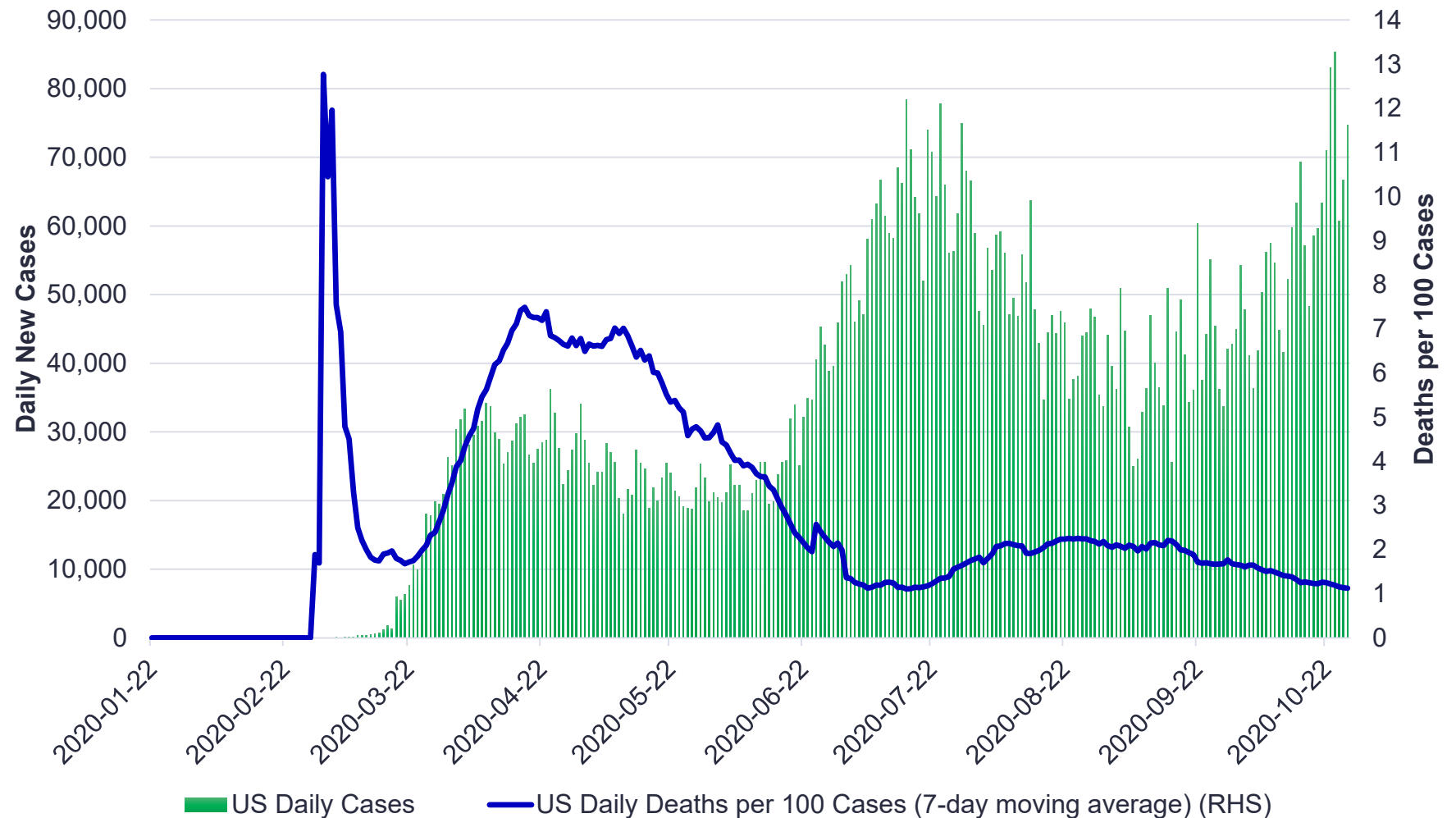


Pandemic

**Total cases
and deaths are
increasing.**

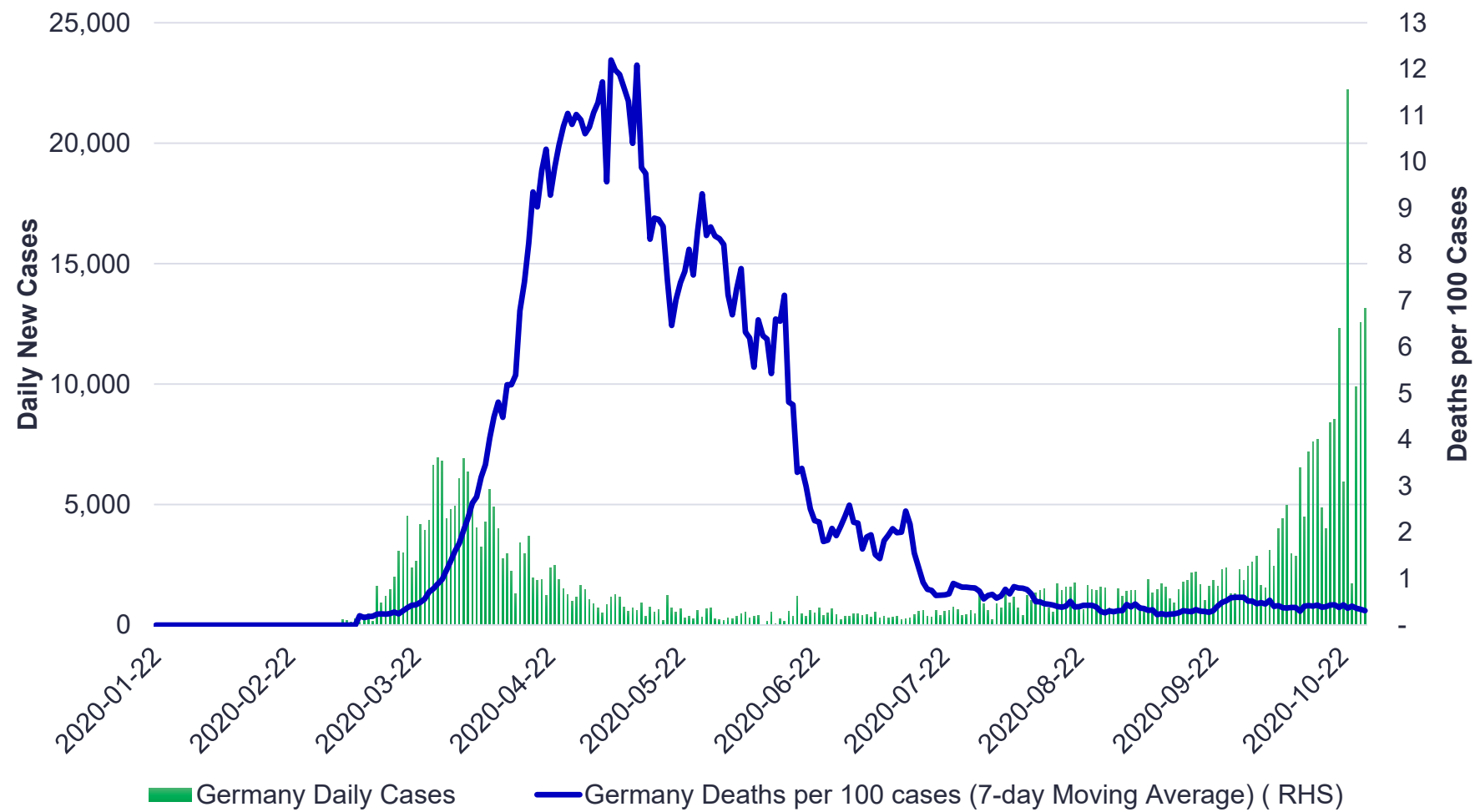
**Mortality rates
maintain level.**

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

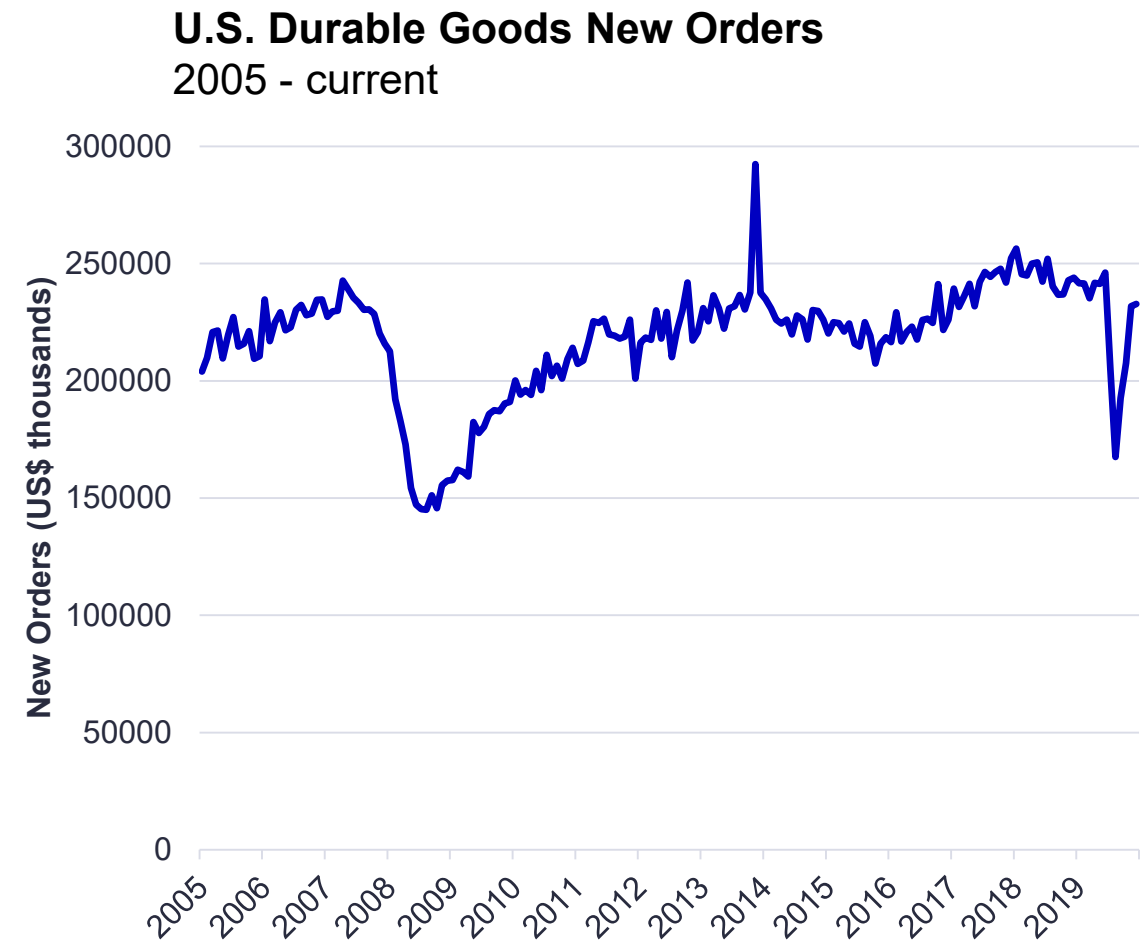
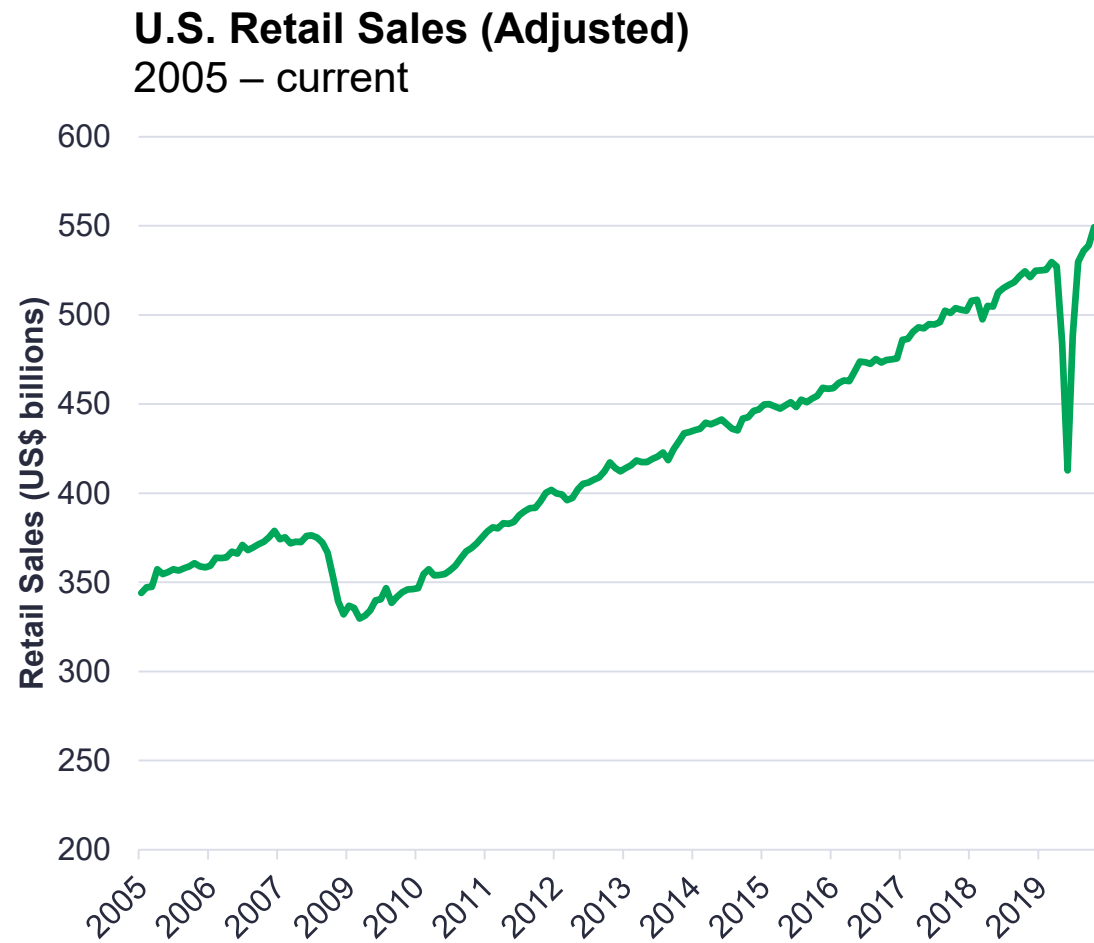




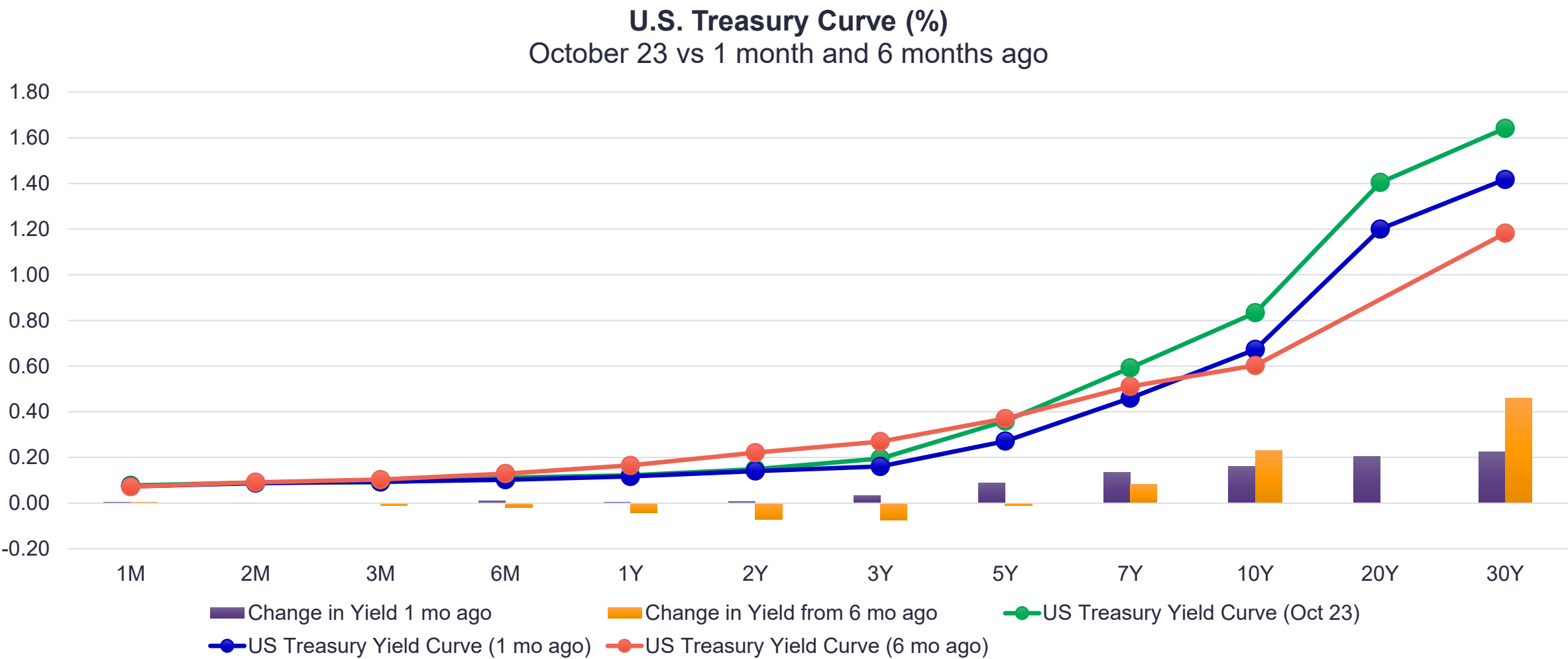
Typical signs of a recession are not present

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

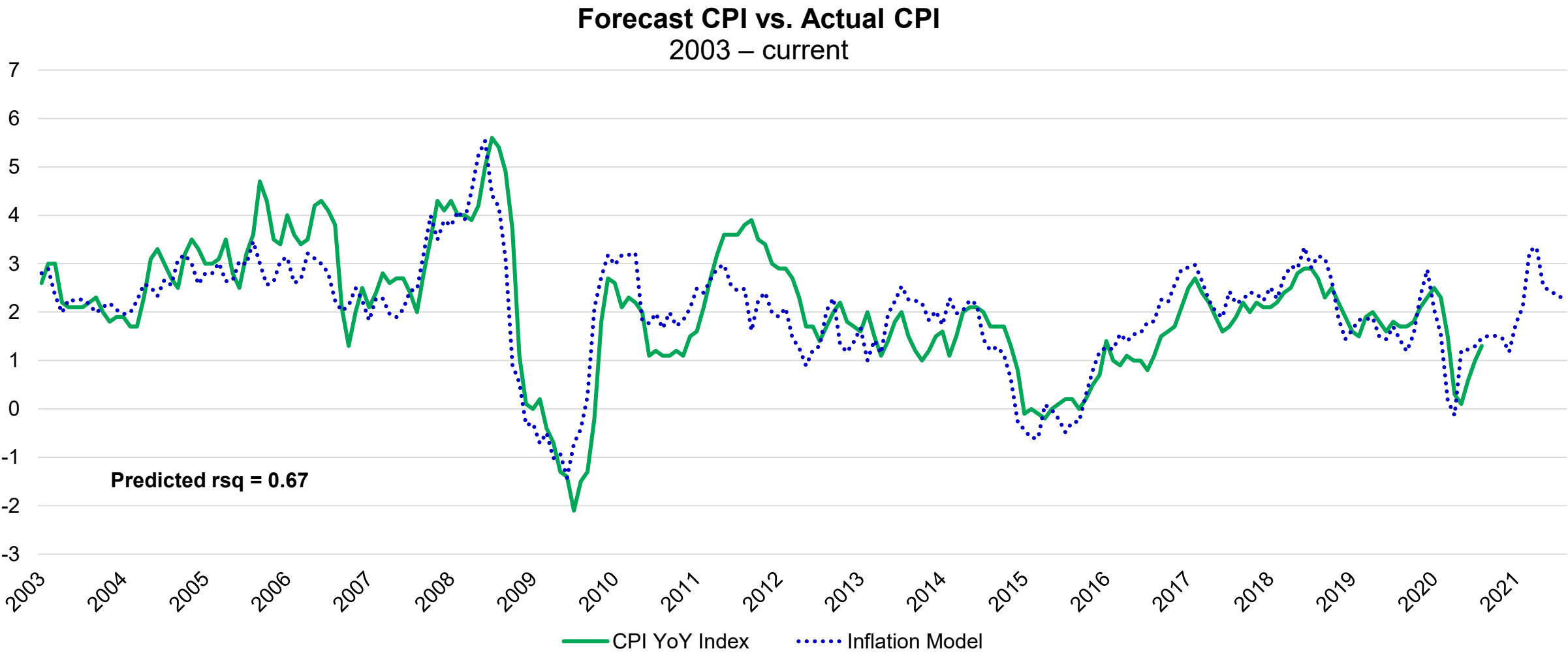


U.S. Treasury Yield Curve continues to steepen against the recovery and rising inflation expectations





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

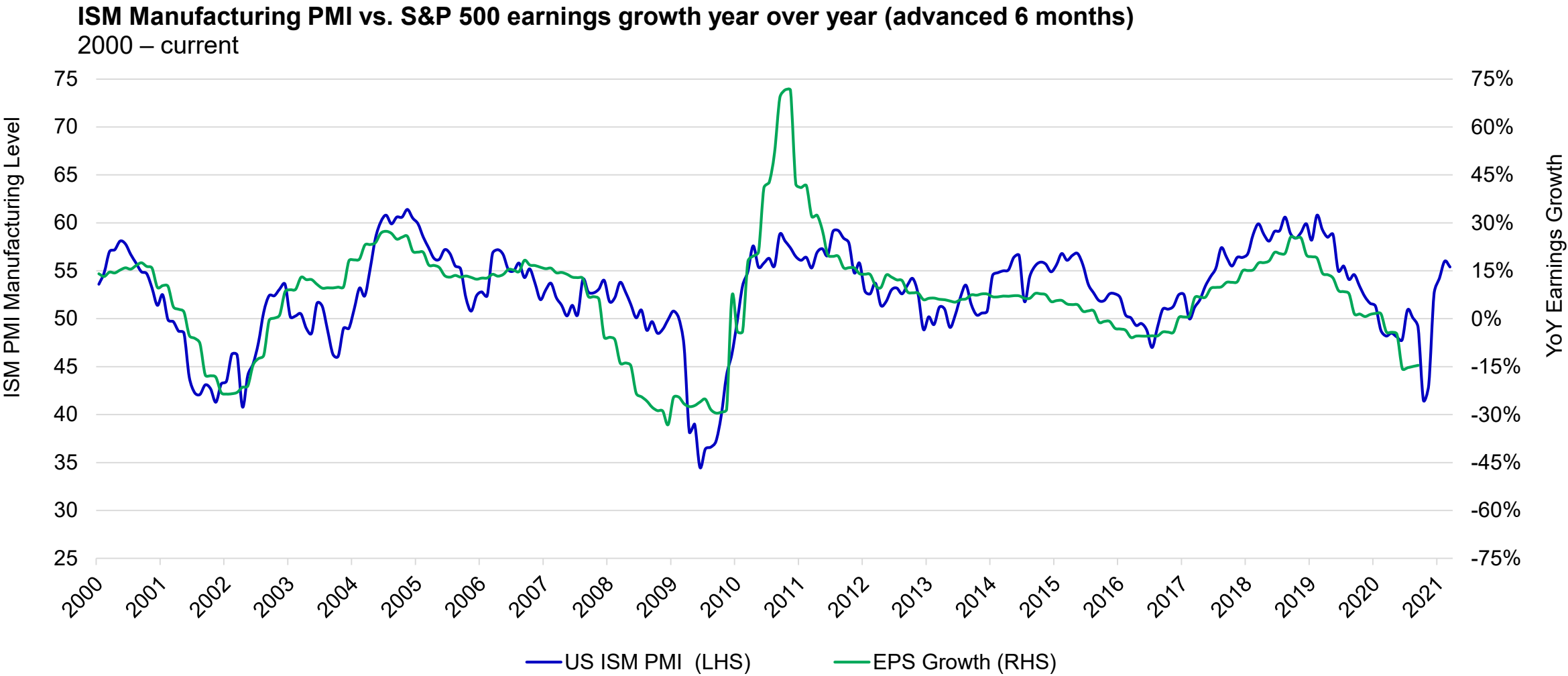


Profits and probabilities

(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**

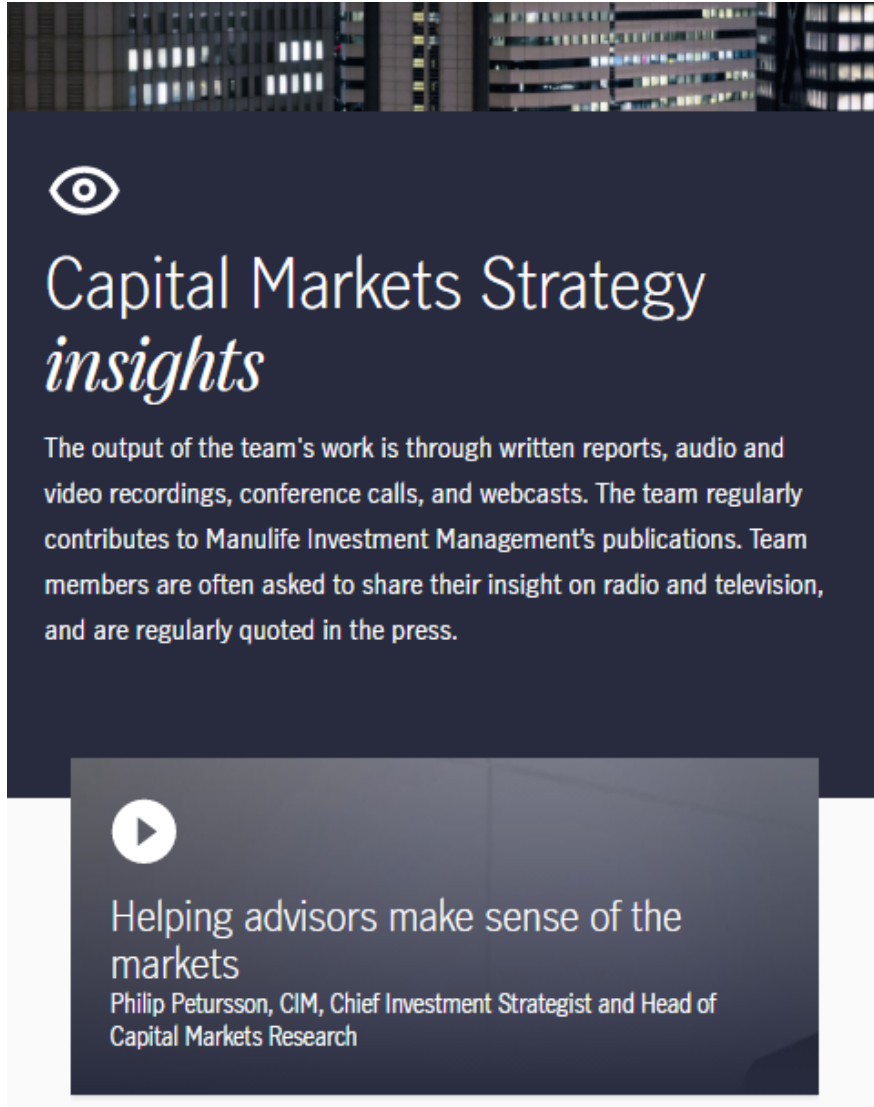
2

**Equities
weak but
positive
returns**


3

**Bonds
weaker
returns than
last 20yrs**

Find us at manulifeim.ca/cms




The graphic features a dark blue background with a city skyline at night at the top. Below the skyline is a white eye icon. The text 'Capital Markets Strategy' is in a large, white, sans-serif font, and 'insights' is in a smaller, italicized, white font. Below this, a paragraph of white text describes the team's output. At the bottom, there is a white play button icon, followed by the text 'Helping advisors make sense of the markets' and 'Philip Petursson, CIM, Chief Investment Strategist and Head of Capital Markets Research'.



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

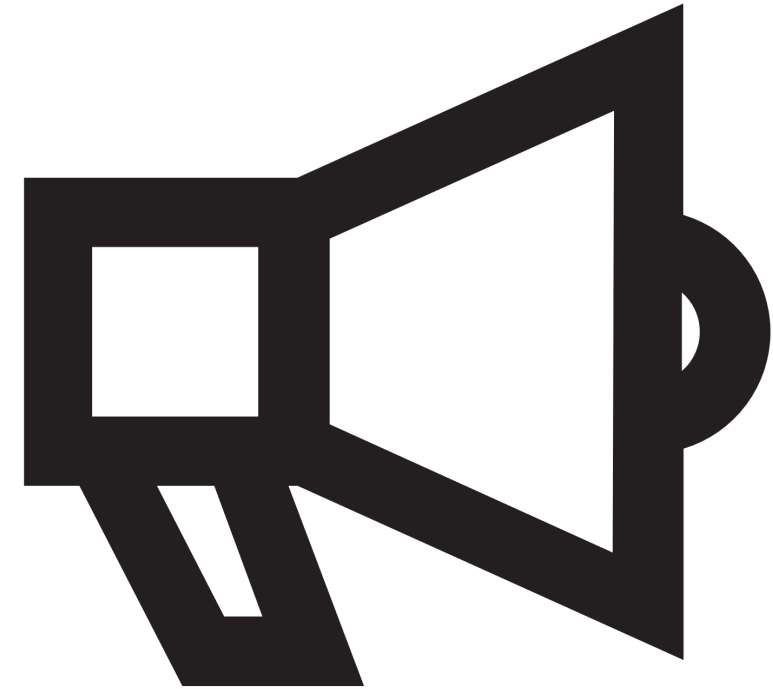
Recent Capital Markets Strategy team publications

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,
- distributed, copied, reproduced or used (in whole or in part) for any purpose or sent to any person or company without the express written consent of Manulife Investment Management Limited.

The opinions expressed are those of Manulife Investment Management. The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but Manulife Investment Management does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. Manulife Investment Management disclaims any responsibility to update such information. Neither Manulife Investment Management or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife, Manulife Investment Management Limited, Manulife Investment Management, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife Investment Management to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife Investment Management. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Unless otherwise specified, all data is sourced from Manulife Investment Management.

Manulife, Manulife Investment Management, the Stylized M Design, and Manulife Investment Management & Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

 **Manulife** Investment Management