

# Capital Markets Strategy

Essential insights for the C-Suite



## The First 100 Days

Expectations for policy, the economy  
and global markets in 2021



JAN 2021



In memory of the

**2 MILLION**

COVID-19 fatalities.

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# The First 100 Days & Beyond

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# The 2021 Outlook

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# 1 Introduction

“Often when you think you are at the end of something, you are at the beginning of something else.”

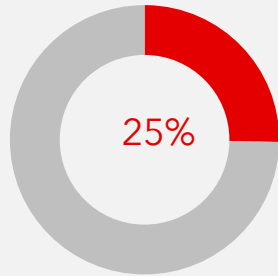
Fred Rogers, American TV personality and creator of Mr. Rogers' Neighborhood (1928 - 2003)

# 2020: Creating the Backdrop for 2021

The significant and unexpected events of 2020 have created much of the backdrop that will shape the year ahead

## Global rates shock

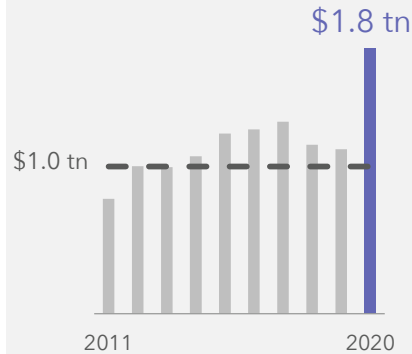
Global agg negative yielding debt



\$17 tn of global negative yielding debt

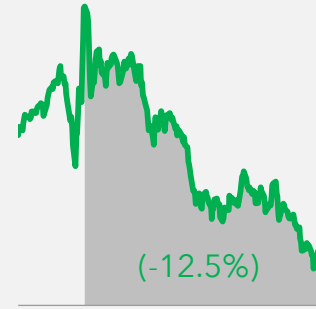
## Record US IG issuance

New IG issuance, USD tn



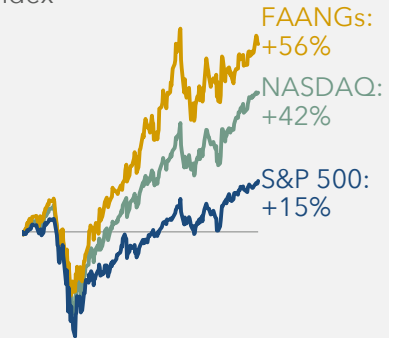
## US Dollar depreciation

USD index



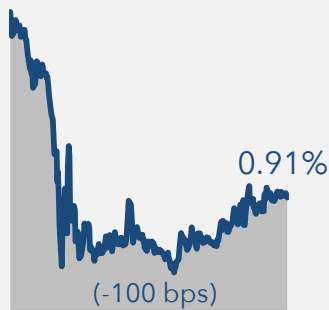
## New highs for US equities

NASDAQ, S&P 500 & FAANGs index



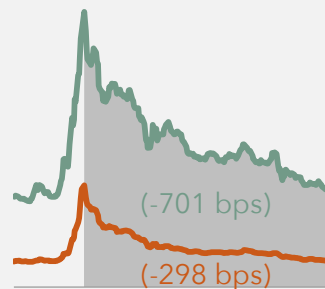
## Rates at multi-century lows

10 year UST



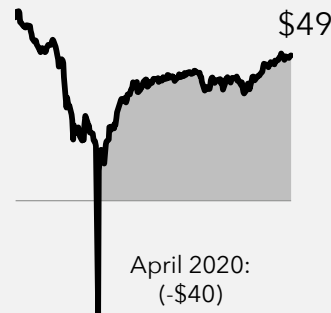
## Credit spread tightening

IG & HY OAS



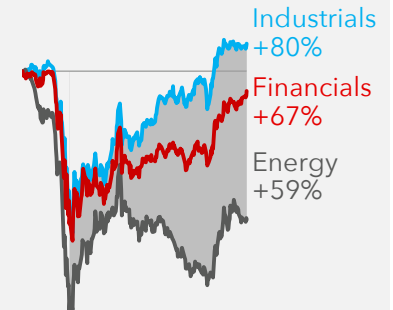
## Oil's collapse & recovery

WTI



## Cyclicals bounce back

S&P sector indices

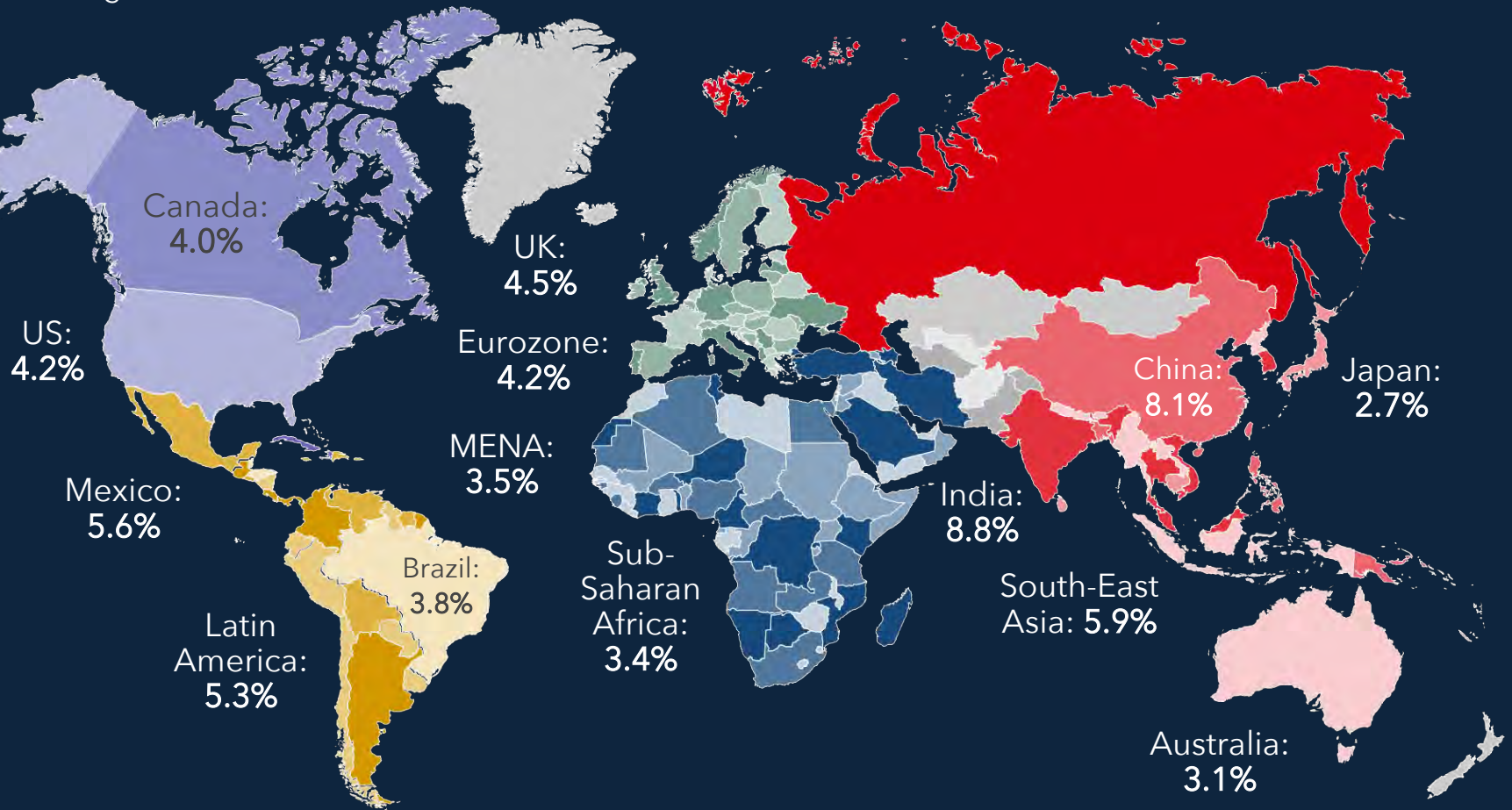


Source: (1, 3-5, 7, 8) Bloomberg. Data as of December 31, 2020. (2) MUFG Syndicate. 2020 Data through December 31, 2020. WTI April 2020 is intraday low. (6) FRED. ICE BofA OAS indices.

# The Global Economy in 2021

Although virus resurgence is expected to weigh heavily on Q1 data, economists are expecting "above trend" GDP growth for the full year 2021

2021E GDP growth rates



Source: Oxford Economics (January 2021)

# Key Risks to Monitor in 2021



## PUBLIC POLICY & HEALTH



1. Vaccine implementation delays and shortfalls
2. COVID-19 mutates into more lethal or vaccine-resistant strain
3. Climate change and environmental sustainability
4. EU tech sector regulation & digital taxation
5. Rebalancing of monetary-fiscal-regulatory-structural policy mix

## ECONOMY



1. Slower than anticipated economic recovery
2. Rising inflation and stagflation risk
3. Crisis from the bottom (i.e., small business) worsens; zombie economy
4. Rising government debt burdens; upward pressure on tax rates
5. Smaller fiscal and monetary policy toolkit for growth shocks

## BUSINESS & STRATEGY



1. IT governance and cyber-security risks
2. Supply chain security, bottlenecks and vulnerabilities
3. Reintegration of remote work forces, corporate culture impact
4. Under-preparedness for ESG's transformation of global finance
5. "Life after COVID" (consumer behavior changes, technology acceleration & innovation)

# Key Risks to Monitor in 2021



## MARKETS



1. Liquidity driven market distortions and valuations
2. Impact of rising rates on risk asset prices
3. Default and downgrade acceleration (cyclicals, leisure, travel)
4. Rapid US Dollar depreciation requiring policy response
5. LIBOR-to-SOFR transition disruption from mid-2021 onward

## POLITICS & FOREIGN POLICY



1. Domestic, social and civil unrest
2. US-China rivalry and policy escalation (tech, trade, financial, Taiwan)
3. Socio-political feedback loops from rising inequality; rising populism
4. Biden "green" agenda, larger and sooner than anticipated
5. Breakdown in OPEC policy coordination and discipline



TOKYO 2020



JULY 23 – AUGUST 8, 2021



# 2 The First 100 Days & Beyond

# A. Power & Process

"Georgia, oh Georgia  
No, no peace I find  
Just an old sweet song  
Keeps Georgia on my mind."

Opening lyrics to "Georgia on My Mind,"  
recorded by Ray Charles in 1960, and  
Hoagy Carmichael in 1930

# 1. Political Earthquake in Georgia

A 50-50 tie in the Senate has only happened on three prior occasions in US history - 1881, 1953 and 2001. On January 5th, Raphael Warnock and Jon Ossoff became the first Black and Jewish men, respectively, ever elected to the US Senate from Georgia. As the first Democratic victory in a Georgia run-off election since the early 1990s, the win ensured Democratic control of the White House, US House and US Senate. A core group of centrist Senators on both sides of the aisle are likely to be a moderating force on legislation and the progressive agenda until the 2022 midterms.

## Notable Democratic Moderates

*On fiscal issues:*

Joe Manchin (D-WV)  
Jon Tester (D-MT)

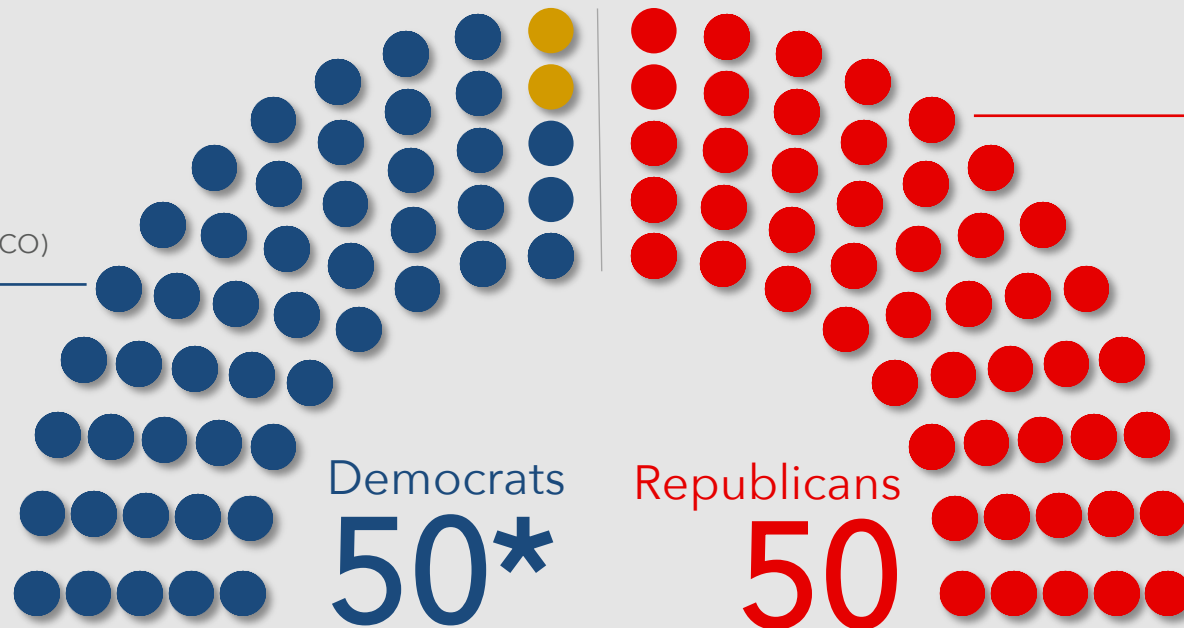
*Other Moderates:*

Angus King (I-ME)  
Chris Coons (D-DE)  
Kyrsten Sinema (D-AZ)  
Mark Kelly (D-AZ)  
John Hickenlooper (D-CO)

Independents caucus  
with democrats

## Notable GOP Moderates

Lisa Murkowski (R-AK)  
Susan Collins (R-ME)  
Mitt Romney (R-UT)  
*Additional names  
issue-dependent*



Source: (1) MUFU Head of Government Affairs (Roger Hollingsworth), PIMCO Head of Government Affairs (Libby Cantrill), Bloomberg Government. AP data as of January 18, 2021. \*Includes independents who caucus with democrats.



## 2. Structural Shift in Washington

Control of the US Senate, even with a “soft” majority of one, dramatically expands the policy toolkit for President Biden to implement his agenda. At the same time, it will also be significantly more challenging for Democrats to manage their Caucus. With only one vote needed to block the policy agenda, balancing the ideological (progressives vs. moderates), geographical (urban vs. rural), and other differences within the Party will remain a complex task.

### The Georgia Senate races precipitated a significant power shift

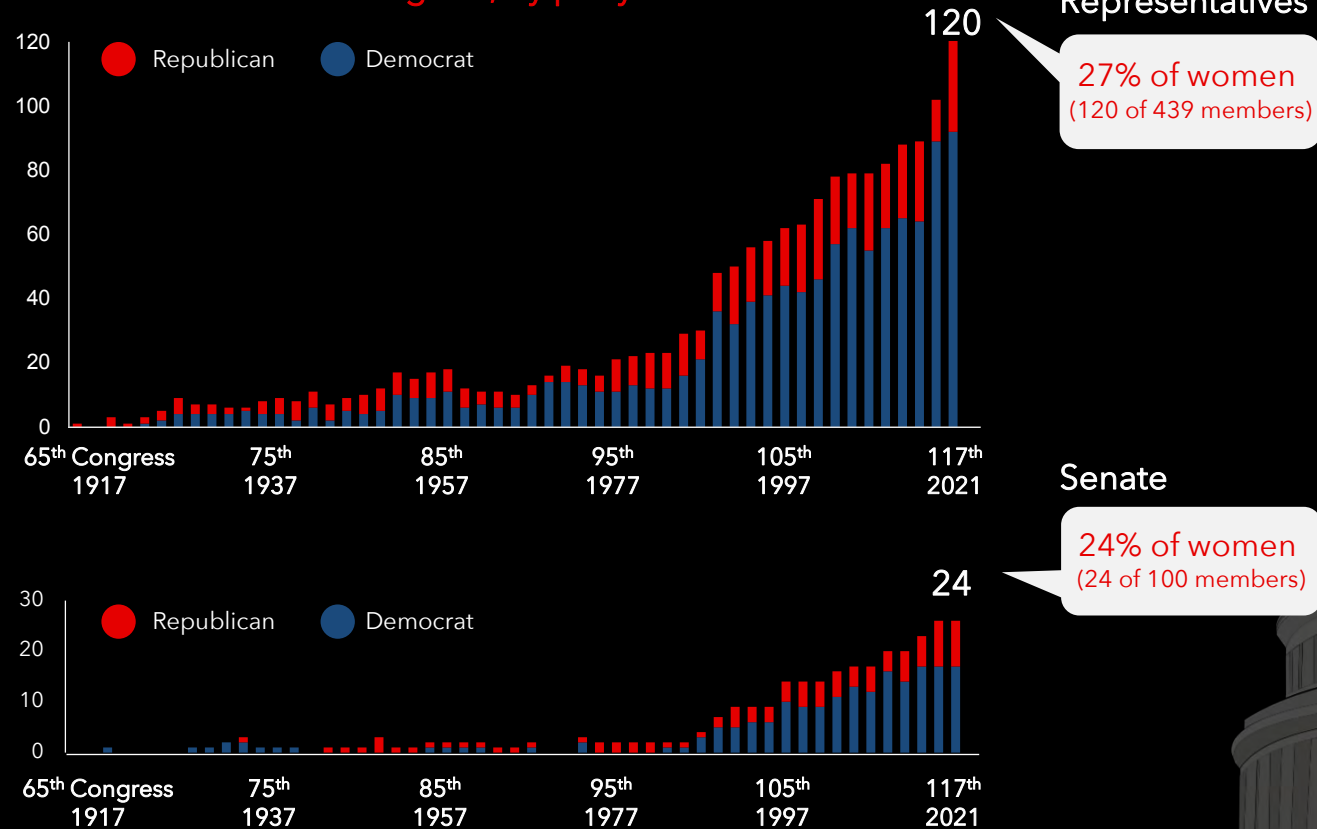
1. Control of the US Senate
2. Approval of Cabinet and ~ 1,250 Senate confirmed appointments (faster, more likely)
3. Senate committee and sub-committee chairs
4. Control of policy agenda (set by leaders)
5. Filling vacant Fed Board seat
6. Fed Chair Powell term expiry in 2022
7. Subpoena power
8. Judicial nominees (only 51 votes)
9. Congressional Review Act, to unwind Trump EOs and regs (only 51 votes)
10. Budget Reconciliation, to pass budgetary and funding priorities (only 51 votes)

**Important Note:** With only a one person majority in the US Senate, moderate Democratic centrists such as Senator Joe Manchin (D-WV) have clearly indicated that they would be opposed to eliminating the 60 person filibuster threshold for non-budget related legislation.

# Women in Washington

Women make up more than 25% of all members of the 117th US Congress (27% of the US House, 24% of the US Senate), the highest percentage in US history, and more than 50% higher than just a decade ago

## Women members of Congress, by party



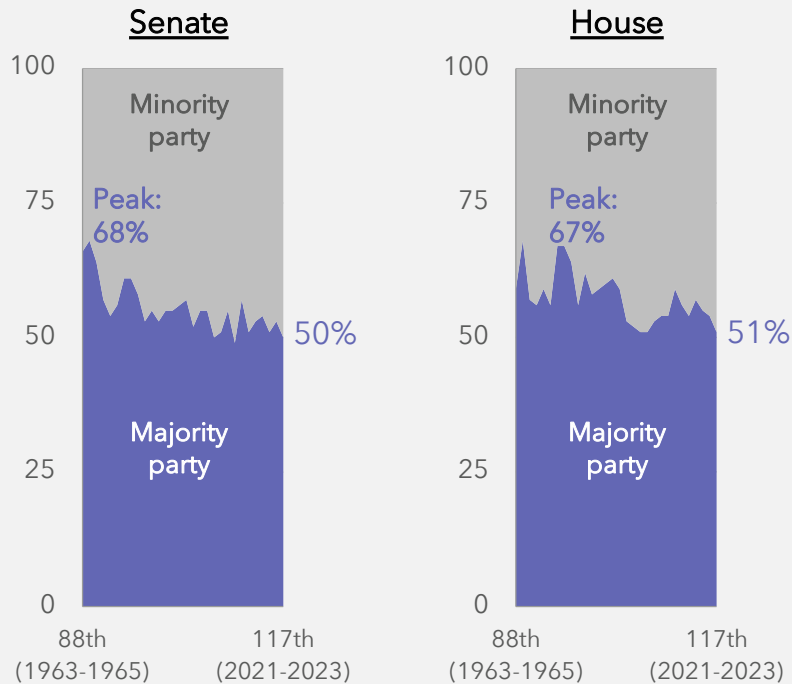
Source: (1-2) US Senate. US House of Representatives. Pew Research "A Record Number of Women are Serving in the 117th Congress." 439 members includes voting and non-voting members but excludes two house seats that were vacant as of early January. Kamala Harris is excluded from the Senate count as she has resigned her seat to fulfill her role as Vice President.

# 3. Narrow Majorities

Georgia's run-off elections in January set up the Senate for the tightest majority possible, a 50-50 split with Vice President Kamala Harris casting the tiebreaking vote. Further, with Biden unlikely to seek re-election, and Pelosi (D-CA) in her last term as Speaker, maintaining Party discipline may add another layer of complexity and challenge.

## Narrow majorities in the US House and Senate have become increasingly common

% of seats held by majority / minority party, by Congress



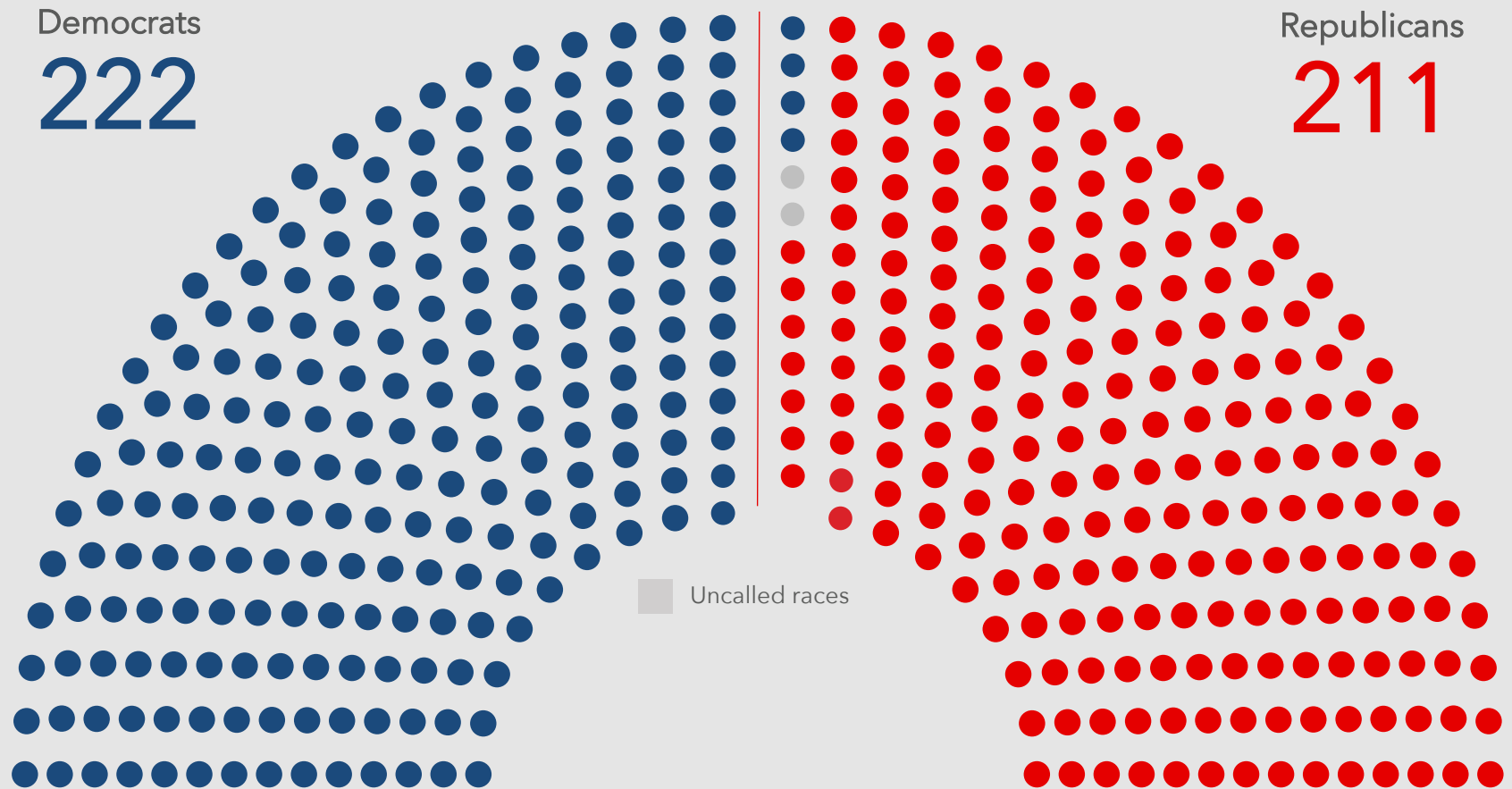
## Number of tiebreaking votes cast by vice president



Source: (1-2) Pew Research Center. "Slim majorities have become more common in the U.S. Senate and House." The data for which party held a majority in Congress is from the beginning of each session, it does not take into account shifts during that session. US House of Representative and US Senate historical records.

# Narrow Majority in the House

The Democratic House majority, at only 4 seats, is the tightest since World War II. Speaker Nancy Pelosi will need to manage the disparate views from party centrists and progressives in order to maintain her coalition.



Source: Wall Street Journal, Natalie Andrews. (1) Bloomberg Government. US House of Representatives. Data as of January 18, 2021.

## 4. Power Sharing Agreement

With a 50-50 tie in the US Senate, and VP Kamala Harris casting the tie vote, Senate Majority Leader Chuck Schumer (D-NY) and Minority Leader Mitch McConnell (R-KY) could look to the 2001 agreement by then-Senate Republican Leader Trent Lott (R-MS) and then-Democratic Leader Tom Daschle (D-SD) to split power and resources in the US Senate. Any agreement would take place after certification of the Georgia Senate race, the swearing in of new Senators, and when VP Harris presides over the Senate.

### Details of the 2001 US Senate Power Sharing Agreement

- Allocation of power and resources according to 50-50 Republican-Democratic split
- Per the Constitution, Vice President Dick Cheney would cast tie vote
- Majority Leader enabled to bring legislation to vote on Senate floor even if a tie
- All Senate Committee Chairmanships would go to Republicans (given that Republicans controlled the Presidency)
- Committee memberships would be split 50-50 between Republicans and Democrats
- Committee resources, including # of coveted staffers, would be split 50-50 between Republicans and Democrats

# 5. Legislative Avenues

President Joe Biden is likely to maximize efforts to pursue a large “bipartisan” piece of legislation in Q1 to pass some large portion of his announced \$1.9 trillion stimulus plan. To the extent he is not successful, look for him to utilize FY 2021 budget reconciliation (only 51 votes) in the Spring to achieve his objectives. Either way, look for President Biden to use FY 2022 budget reconciliation in late 2021 - early 2022 to pass large complex legislation (infrastructure, green, tax rebalancing) important to his agenda.

## Legislative avenues available to the Biden administration:

February - March 2021	April 2021	Q4 2021 - Q1 2022
<b>Bipartisan Legislation</b> <ul style="list-style-type: none"><li>• COVID-19 relief for individuals</li><li>• Vaccine implementation spending</li><li>• State and local government aid</li><li>• Minimum wage increase</li></ul>	<b>Budget Reconciliation #1</b> <ul style="list-style-type: none"><li>• COVID-19 relief for individuals</li><li>• Vaccine implementation spending</li><li>• State and local government aid</li><li>• Additional Democratic priorities</li></ul>	<b>Budget Reconciliation #2</b> <ul style="list-style-type: none"><li>• Infrastructure spending</li><li>• Tax increases (2022 effectiveness)</li><li>• Healthcare and education spending</li><li>• Permissible green agenda funding</li></ul>

### Opportunity & Limits of Budget Reconciliation:

- **Frequency:** Only once per fiscal year
- **Procedural:** Circumvents filibuster
- **Passage:** Simple 51 votes required
- **Scope:** For budget, tax and debt limit related items only
- **Byrd Rule:** Revenue neutral after year 10

# 6. Tone from the Top

A change in tone, both domestically and internationally, will be a defining feature of President Biden's policy approach. While we are not assigning a "value judgment" to the likely effectiveness (or not) of this policy approach, we do believe that the change in tone will be substantive, and will have implications for markets - generally facilitating a smoother global (China, EM, Europe) and manufacturing-industrial recovery cycle.

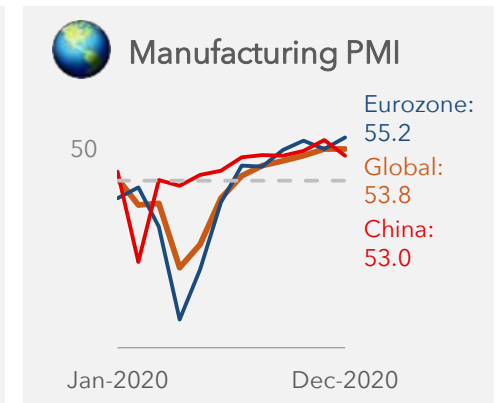
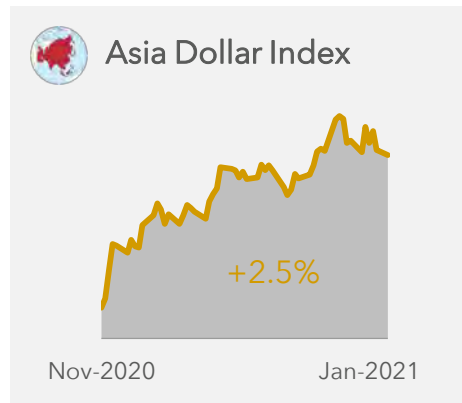
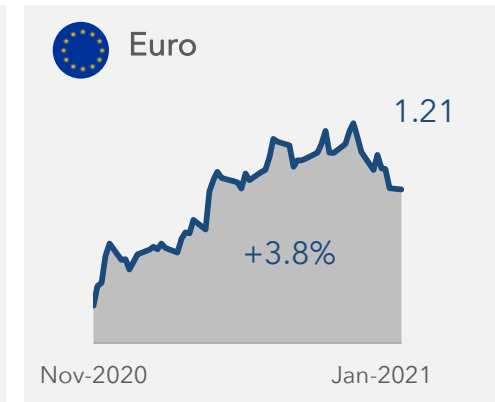
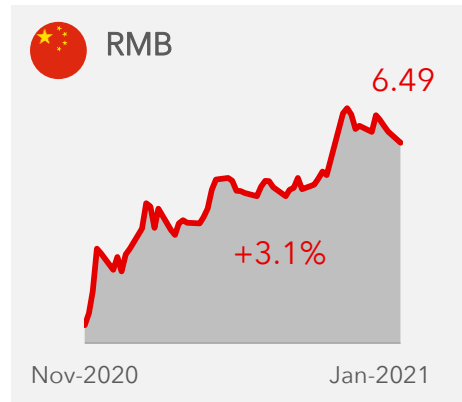
## Change in tone from the top

More measured, consistent

More rules-based, predictable

More consultative, soliciting cooperation with allies

More process-oriented, with inter-agency cooperation



Source: (1-4) Bloomberg. Data as of January 18, 2021. All currencies vs. USD. China manufacturing PMI is Caixin.

# 7. Multilateralism

An internationalist historically, look for President Biden to drive a strong return in US leadership with historic allies, multilateral institutions and agreements. While his domestic agenda will take priority in the first two years, we nonetheless expect substantive announcements and action in the early weeks and months, including a return to the Paris Climate Accord in week one of his Presidency.

## Re-engaging with multilateral organizations & agreements:



### Paris climate accord

- US expected to re-engage in the first week of Biden's Presidency after withdrawing from the accord under President Trump
- More than 185 countries are currently signatories to the 2016 accord with a goal of limiting global warming by achieving climate neutrality by 2050



### WTO

- Addressing WTO governance issues (resolving leadership vacuum and appellate function)
- Commence process of longer term WTO reform
- Developing global rules for digital services and technology



### WHO

- Reverse President Trump decision on US withdrawal from WHO
- Join developed nations globally in the WHO's COVAX initiative for vaccines in low-income countries

## Working with traditional allies:

### Strengthening transatlantic alliances

- Reinvigorating dialogue on China strategy, environmental standards, trade disputes & NATO

### Summit of the Americas

- US to host in 2021; strengthening relationships with Canada, Mexico and Central America

### Pivot to Asia

- Continuation of Obama Era strategy; cornerstone to China containment strategy

### Summit on Democracy

- Biden initiative; US expected to host in 2021; critical to China containment strategy

Source: Joe Biden's "Vision for America". WSJ. WHO. UN Paris Climate Accord.

# 7. Multilateralism *(continued)*

An internationalist historically, look for President Biden to drive a strong return in US leadership with historic allies, multilateral institutions and agreements. While his domestic agenda will take priority in the first two years, we nonetheless expect substantive announcements and action in the early weeks and months, including a return to the Paris Climate Accord in week one of his Presidency.



## **NATO**

- Reaffirming US commitment to NATO and the Trans-Atlantic alliance
  - Will push all members to “recommit to their responsibilities”
- 



## **UN**

- President Biden has restored the UN Ambassador position to his Cabinet after the position was demoted under President Trump
- 



## **Joint Comprehensive Plan of Action**

- Likely to work with other signatories (Europe, China, Russia, Iran, etc.) to re-commit Iran to nuclear non-proliferation
- 



## **New START Treaty**

- In a departure from Trump administration policy, President Biden’s announced Secretary of State appointee, Anthony Blinken, has committed to extending the New START Treaty with Russia

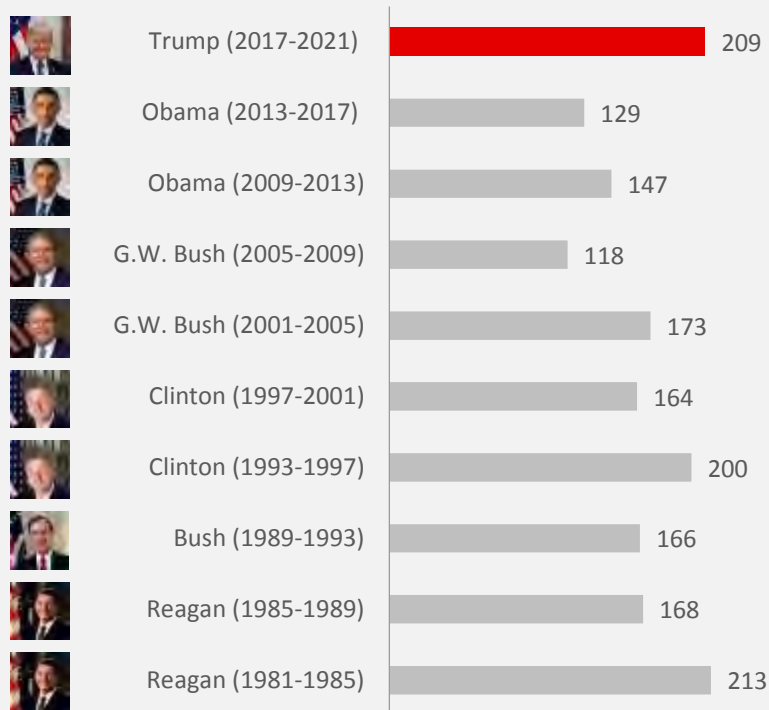
*Source: Joe Biden’s “Vision for America”. WSJ. WHO. UN Paris Climate Accord.*

# 8. EOs & Regulation

Executive orders (EOs) and regulatory influence have long been important tools of US Presidential authority. While EOs can be powerful tools in determining how, and to what extent laws and regulations are enforced, they are inherently temporary and can be overturned by future presidents.

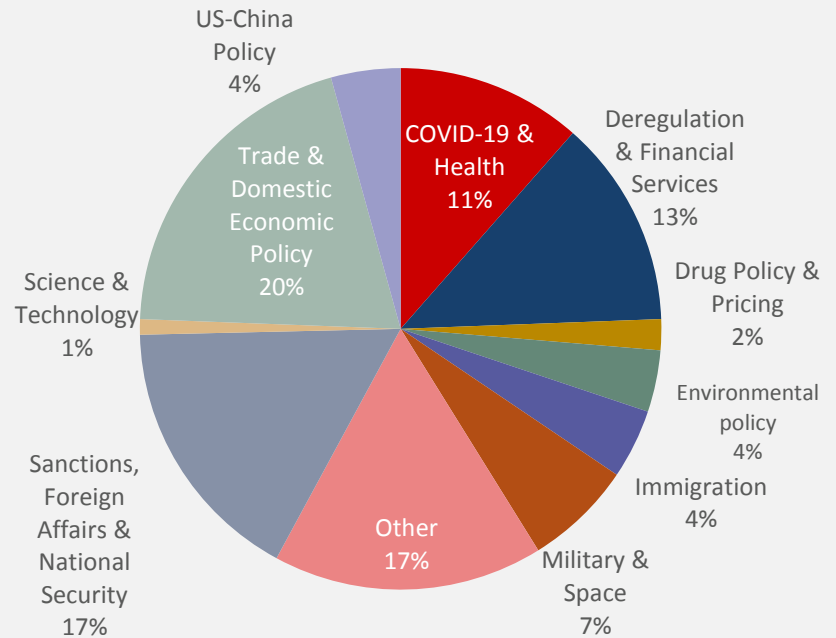
Though they have become more common in modern US history, nearly every President since George Washington has issued executive orders

Executive orders by President, by term



Look for Biden to unwind or alter many Trump-era EOs on energy policy, the environment, financial regulation and immigration

Breakdown of 209 President Trump executive orders, by category



Source: (1-2) The American Presidency Project. Federal Registrar National Archives. President Trump executive orders through January 18, 2021.

# 9. CRA Unwinds

With only 51 votes, the Congressional Review Act (CRA) allows Congress to review and overturn rules issued by federal agencies under the prior President over the past 60 legislative days (approximately 6-9 months). Signed into law by President Bill Clinton in 1996, the CRA has only been used to overturn rules 17 times, 16 of which were reviewed and overturned under President Donald Trump and the 115<sup>th</sup> Congress.



## OBSERVATIONS

- CRA allows for review of rules submitted in the past 60 legislative days
- Only a simple majority in both houses of Congress needed to pass disapproval legislation and send it to the President
- Fast Track provisions in the US Senate
  - May not be filibustered
  - No amendments may be added
  - Floor debate limited to 10 hours
  - Legislation passed with a simple majority (51 votes)
- A Presidential veto of disapproval legislation does require a 2/3 override

*Sources: The Congressional Research Service. National Conference of State Legislatures. George Washington University.*

# 10. 4,000 Presidential Appointees

Much of the power of the Presidency comes from the thousands of appointments that each new administration makes and their ability to influence federal rule making and enforcement. There are over 9,000 Legislative and Executive branch positions that may be subject to political appointment. However, the actual number of positions filled by a given US President is limited to approximately 4,000 by statutory limitations (~1,250 of which require Senate confirmation).

## Four types of Presidential appointment

	Appointment Requiring Senate Confirmation	Senate Confirmation Not Required	Non-Career Senior Executive Service	Confidential or Policymaking Positions
Senate approval required?	<ul style="list-style-type: none"> <li>• Yes</li> </ul>	<ul style="list-style-type: none"> <li>• No</li> </ul>	<ul style="list-style-type: none"> <li>• No</li> </ul>	<ul style="list-style-type: none"> <li>• No</li> </ul>
Position types	<ul style="list-style-type: none"> <li>• Top level senior positions</li> <li>• Cabinet secretaries &amp; heads of senior agencies</li> <li>• Deputy, under and assistant secretaries</li> <li>• Ambassadors</li> <li>• US Attorneys</li> </ul>	<ul style="list-style-type: none"> <li>• Senior White House aids and advisors</li> <li>• Key deputies and assistants</li> <li>• Positions in the Executive Office of the President</li> </ul>	<ul style="list-style-type: none"> <li>• Key positions just below top appointees</li> <li>• Senior managers of federal agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Policymaking positions</li> <li>• Often require close working relationship with key political officials</li> </ul>
	<b>TYPE 1</b>	<b>TYPE 2</b>	<b>TYPE 3</b>	<b>TYPE 4</b>

Source: American Constitution Society "Guide to Presidential Appointments"

## B. Policy Priorities

“There’s something about the operating environment into which we are now moving, which will turn lots of things exponential. The good stuff, the bad stuff, and the ugly stuff. We’ve removed a lot of the redundancies that would have given us the ability to ride out fundamental weaknesses in the way we put together our economies and operate them.”

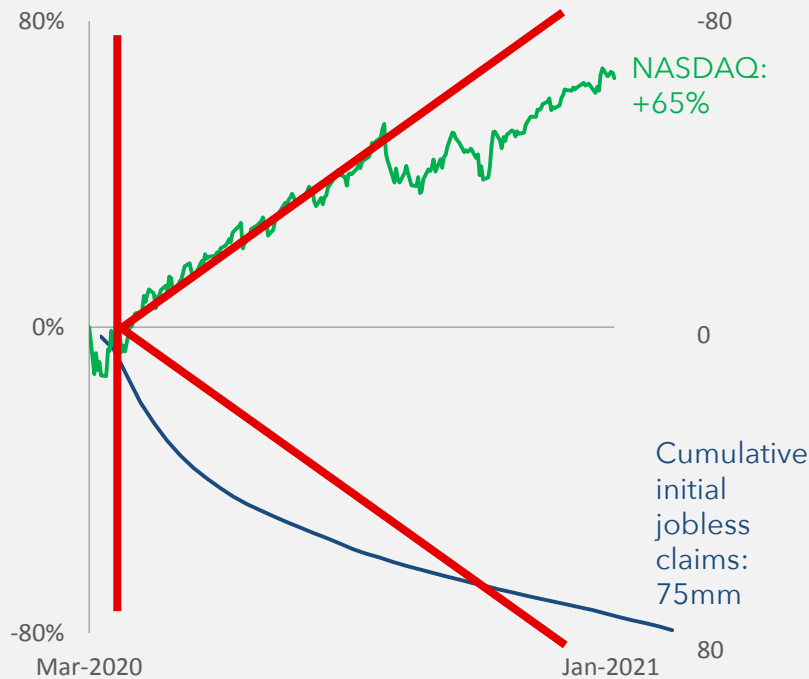
John Elkington, author of *Green Swans: The Coming Boom in Regenerative Capitalism* (2020)

# 11. "Bidenomics"

We expect the preponderance of focus in President Biden's first one to two years to be domestic policy, and in particular, the COVID-19 economic and public health recovery. While embracing multilateralism and re-engaging traditional allies will be important, domestic economic policy will be the primary focus.

## Moderating the K-shaped recovery

NASDAQ performance vs. cumulative initial jobless claims (mm)



Source: (1) Bloomberg. Data as of January 18, 2021.

## Policy priorities of Bidenomics

COVID-19 public health recovery

COVID-19 economic recovery

Tax code rebalancing

Infrastructure spending (high tech and traditional)

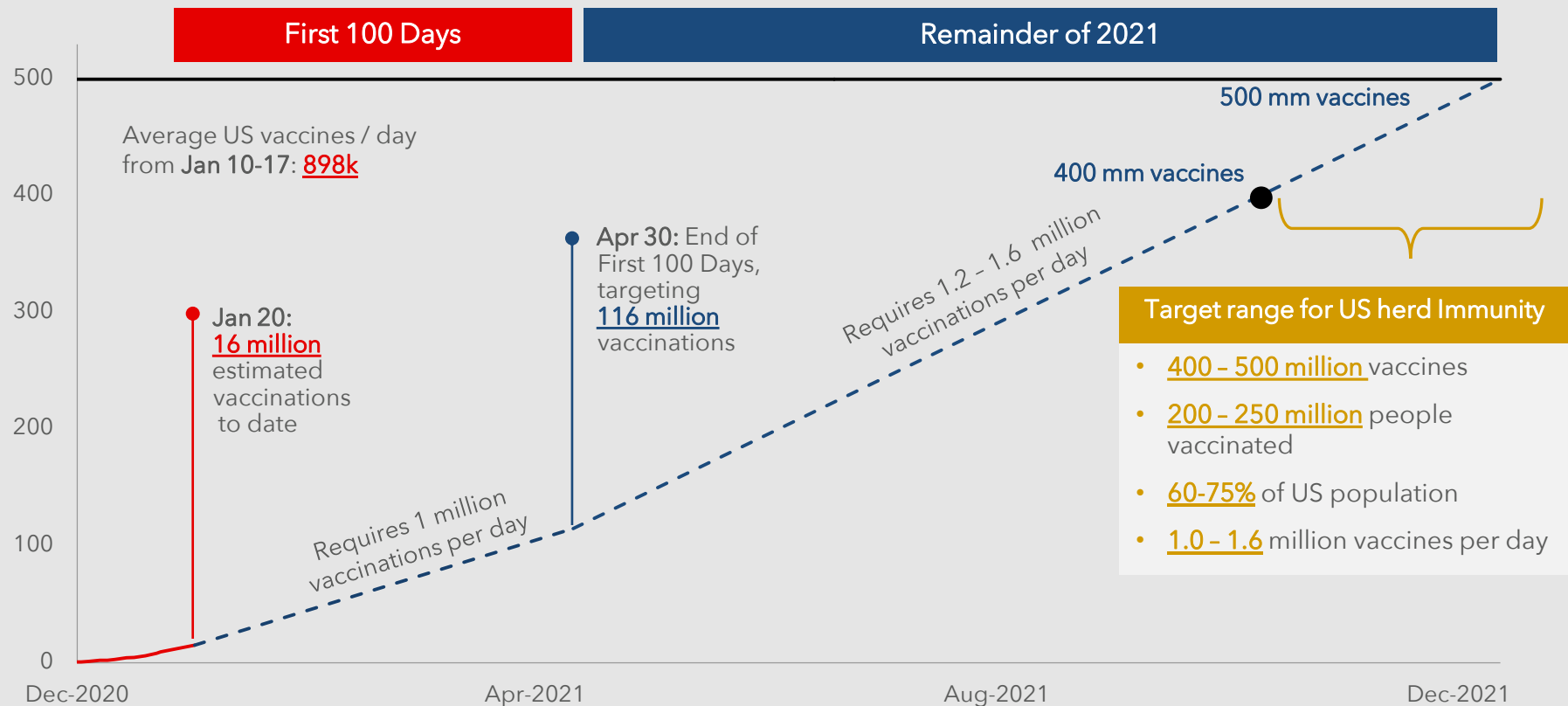
Pervasive green agenda (sustainable investment)

Shifting focus of China policy toward re-investing in US competitiveness

# 12. 100 Million Vaccines in 100 Days

As of mid-January, over 16 mm, or ~5% of the US population has been vaccinated. In the absence of effective virus containment, epidemiologists generally agree that approximately 60-75% of Americans (or 200-250 mm people) will need to be vaccinated (at 2 doses per person, equals 400-500 mm vaccines). While the speed of vaccine development was a remarkable scientific achievement, the US has not yet built a national strategy to address supply shortfalls, ill-equipped and underfunded states, and a lack of infrastructure in "the last mile."

Total number of COVID-19 vaccination doses administered, millions

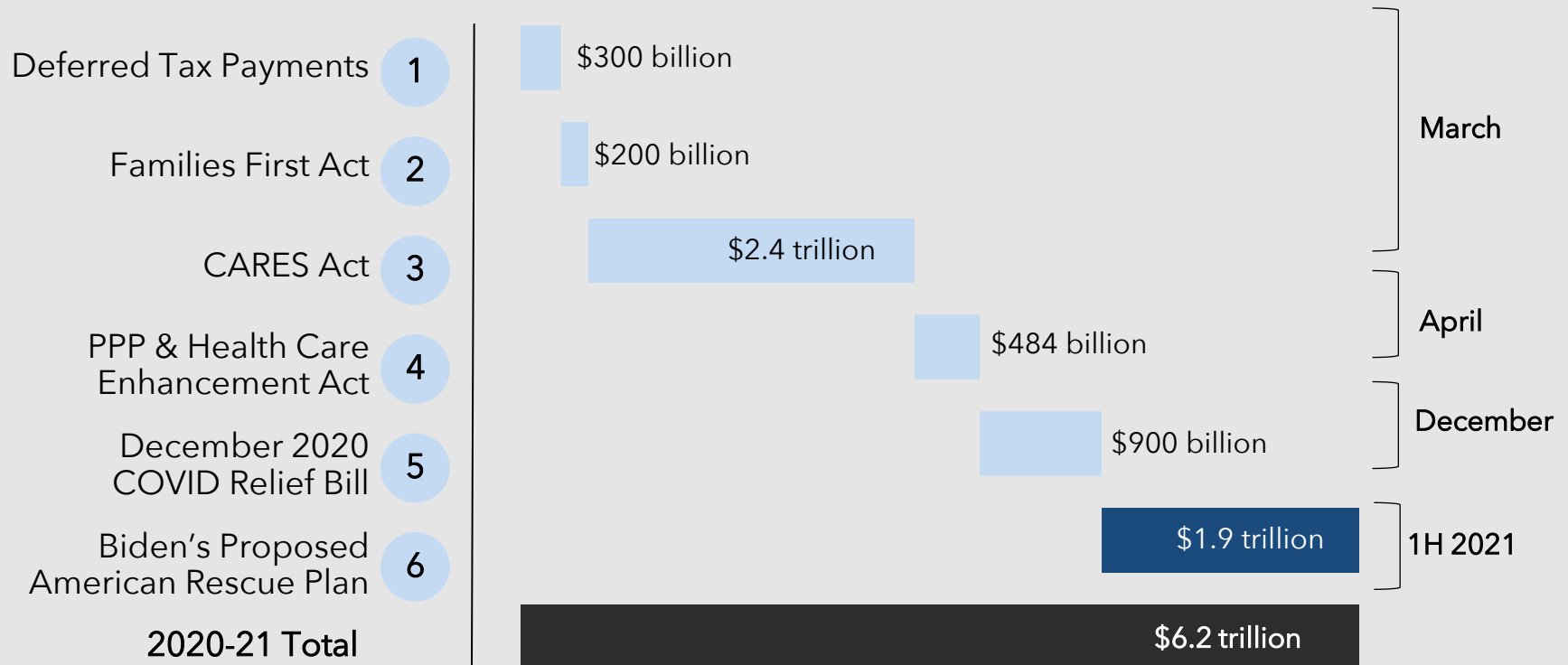


Source: Bloomberg COVID Vaccine Tracker. Our World in Data. Data through January 18, 2021. Total number of vaccination doses administered. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



# 13. \$1.9 Trillion Relief & Stimulus

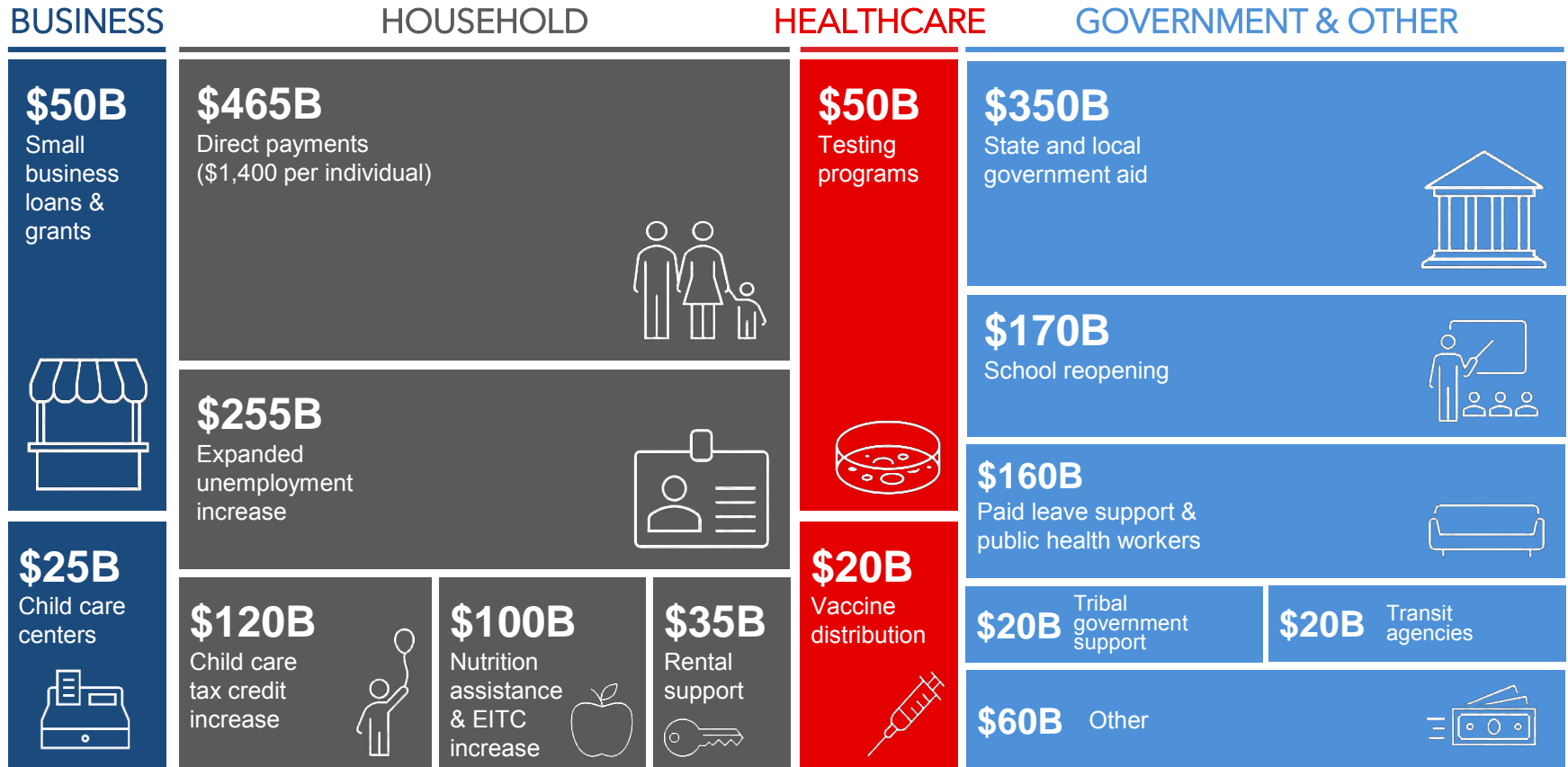
In 2020, the US Congress and Treasury Department facilitated \$4.3 trillion of COVID related fiscal stimulus, already the largest stimulus in history at close to 20% of GDP. President Biden has released a plan for an additional \$1.9 trillion of stimulus that he hopes to pass in the first half of 2021.



Source: (1) Committee for a Responsible Federal Budget. CBO. Note - bill size includes mandatory and discretionary outlays, loss of revenue and loan guarantees that are not expected to have a net effect on the budget. Families First Act includes \$8 bn from the Coronavirus Preparedness and Response Supplemental Appropriates Act. Deferred tax payments originated by Treasury Department not US Congress.

# \$1.9 Trillion American Rescue Plan

On Thursday, January 14, President Biden announced his \$1.9 trillion COVID-19 "American Rescue Plan" with additional assistance for individuals, small businesses and state and local governments. Look for President Biden to pass as much of this financial aid as possible through normal course legislation (i.e., bipartisan support, 60+ votes), with the remaining priorities to be passed later in Q2 via "budget reconciliation" (51 votes) if needed.



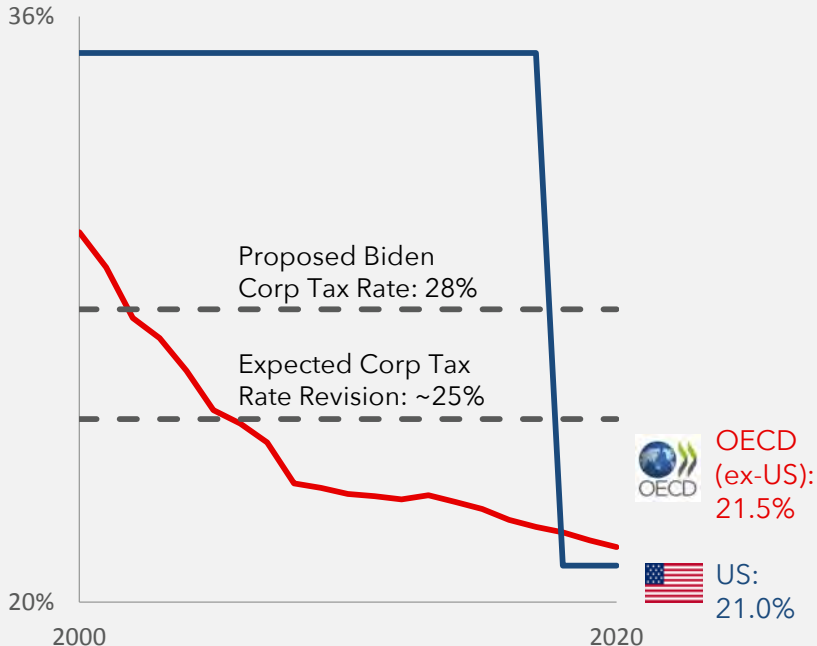
Source: Biden's "American Rescue Plan". Oxford Economics "Biden goes big with a near-\$2 tn American Rescue Plan". Bloomberg "Here are the major pieces of Biden's \$1.9 trillion stimulus plan". CNBC "Biden's \$1.9 trillion Covid relief plan calls for stimulus checks, unemployment support and more".



# 14. Tax Code Changes

Changes to the US tax code are complex, take significant time, and therefore are more likely to be part of a second budget reconciliation bill in Q4 2021 or Q1 2022. Look for the scope of tax code changes to land somewhere "in the middle" between the current tax code and the proposed changes by President Biden. In particular, we expect an increase of the corporate tax rate to 25% area, and a restoration of the higher individual tax rate for high earners, in the year 2022.

## OECD vs. US corporate tax rates



## Selected details of Biden's proposed tax plan

### Corporate

- Corporate tax rate increase to 28%
- 15% minimum tax on book income
- 21% minimum tax rate on all foreign earnings for US companies located overseas
- Tax penalties on companies offshoring jobs

### Individual

- Increase top individual income rate back to 39.6%
- Tax long-term capital gains and qualified dividends as ordinary income
- Increasing capital gains tax to 39.6% for those earning >\$1 million
- "Equalize" tax benefits for retirement plans across income brackets
- Refundable health premium tax credits for working families
- Increases to Child Care Tax Credit and EITC
- Up to \$15,000 advanceable homebuyers tax credit for first home purchases

Source: (1) OECD. Tax rates are Federal only. OECD average excludes the US. Deloitte (Jonathan Traub). Joe Biden's "A Tale of Two Tax Policies."

# 15. Pervasive Green Agenda

We expect President Biden to have a “light green” overlay throughout most of his policy agenda, including both foreign and domestic, as well as trade, tax, infrastructure, tech and China policy. Look for his administration to utilize a multi-channel approach for implementation, including: executive orders, regulatory statutes, the legislative process, as well as multilateral institutions and agreements.

## Selected Priorities in President Biden’s Green Agenda:

- 1 100% clean energy economy by 2050**  
Investment in clean energy and climate R&D; pollution limits for high carbon industries; gov’t procurement directed at clean products; public company disclosure requirements; land & water conservation efforts; legally binding & tangible enforcement goals
- 2 Clean city infrastructure**  
Federal infrastructure investment limited to projects that reduce climate pollution; clean energy fueled public transportation networks; clean water systems; urban planning; coastal restoration; high-speed clean energy train networks
- 3 Clean building infrastructure**  
Direct cash rebates & low-cost financing to upgrade / electrify home appliances; upgrade 4 million commercial buildings for energy efficiency; upgrade school infrastructure for environmental safety standards
- 4 US auto industry**  
Tax rebates for investment in zero-emission vehicle production; stimulate demand via consumer rebates for swaps to clean vehicles and limiting federal vehicle procurement to American-made & sourced clean vehicles (approximately \$500 bn of federal procurement annually)

# 15. Pervasive Green Agenda *(continued)*

We expect President Biden to have a “light green” overlay throughout most of his policy agenda, including both foreign and domestic, as well as trade, tax, infrastructure, tech and China policy. Look for his administration to utilize a multi-channel approach for implementation, including: executive orders, regulatory statutes, the legislative process, as well as multilateral institutions and agreements.

## Selected Priorities in President Biden’s Green Agenda:

### 5 Carbon free power sector by 2035

Clean energy technology investment; tax incentives for energy efficient upgrades; solar & wind investment; electric public transportation systems

### 6 Clean energy & technology investment

\$400 bn over 10 years in clean energy research; federal procurement of clean energy inputs (i.e., batteries, electric vehicle inputs); create the Advanced Research Projects Agency on Climate to research new technologies

### 7 Sustainable agriculture & conservation

Create the Civilian Climate Corps to oversee public land conservation efforts; wetland restoration; forest management to prevent wildfires; clean water protection; sustainable farming investments and tax incentives

### 8 Multilateralism

Paris climate accord; climate world summit; carbon adjustment fees & quotas in global trade; global phase out of fossil fuel subsidies

# 16. Infrastructure Investment

Infrastructure investment will be a priority of the new Biden administration, and represents a policy arena that is highly vulnerable to the political process, with members seeking to maximize advantages for their home states and districts. Given the size and complexity of “infrastructure,” we believe it is more likely to happen as part of a 2nd budget reconciliation bill in Q4 2021 - Q1 2022.

## #1: Traditional “shovel-ready” infrastructure

- Hudson River Tunnel
- Northeast corridor high speed trains
- California High Speed Rail project
- Coast to coast high speed rail system
- Truck and rail transit bridge between Oregon and Washington state
- Retrofitting airports

## #2: High Tech / Broadband Investment

- Universal broadband infrastructure & 5G
- Schools and education system technology upgrades
- High tech water quality monitoring systems
- R&D subsidies for battery technology to support clean cars

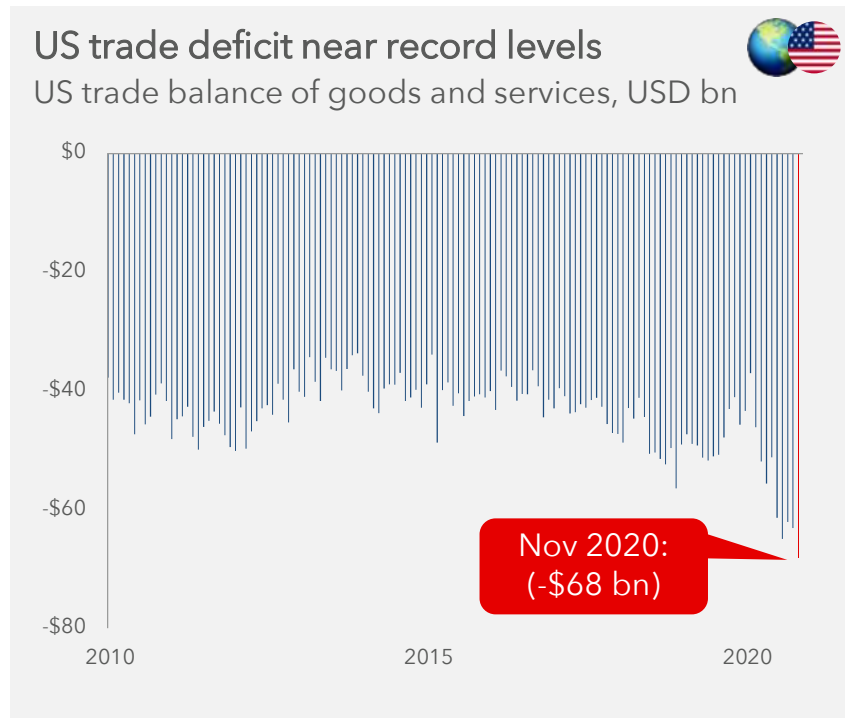
## #3: Environmental related infrastructure

- Clean power grid
- Tax credits for zero-emission auto manufacturing
- 500,000 electric vehicle charging stations across the country
- Zero-emission public transit systems
- Repair and retrofit water and sewer systems
- Converting “Brownfield properties” to green spaces and economic hubs

Source: (1) *The Biden Plan to Invest in Middle Class Competitiveness. The Biden Plan to Build a Modern Sustainable Infrastructure and an Equitable Clean Energy Future.*

# 17. Multilateralism on Trade

While the domestic agenda and COVID economic recovery will be the primary focus early, look for President Biden to adopt a more measured tone on trade, re-engage multilateralism, restore WTO functionality, avoid large multilateral trade agreements, consider smaller bilateral deals and maintain a tough approach to China (albeit with a pivot from tariff to non-tariff measures)



## Policy Priorities

### Change in Tone

- Rules-based, predictable
- Measured, consistent
- Consultative, process oriented

### Return to Multilateralism

- Strengthen economic ties with Canada-Mexico
- Resolve disputes with Europe (Boeing-Airbus)
- Re-engage Asian allies on China strategy
- Revisit steel & aluminum tariffs
- Build global consensus on data and tech services

### Address WTO Governance

- Resolve Director General void
- Restore functional appellate system
- Pursue modernization and reform

### Sidestep Large Multilateral Trade Agreements

- RCEP viewed as China led, less aligned with US interests
- CPTPP politically difficult from both Left & Right
- USMCA enforcement issues
- Pursue smaller, bilateral deals (i.e., Japan, UK)

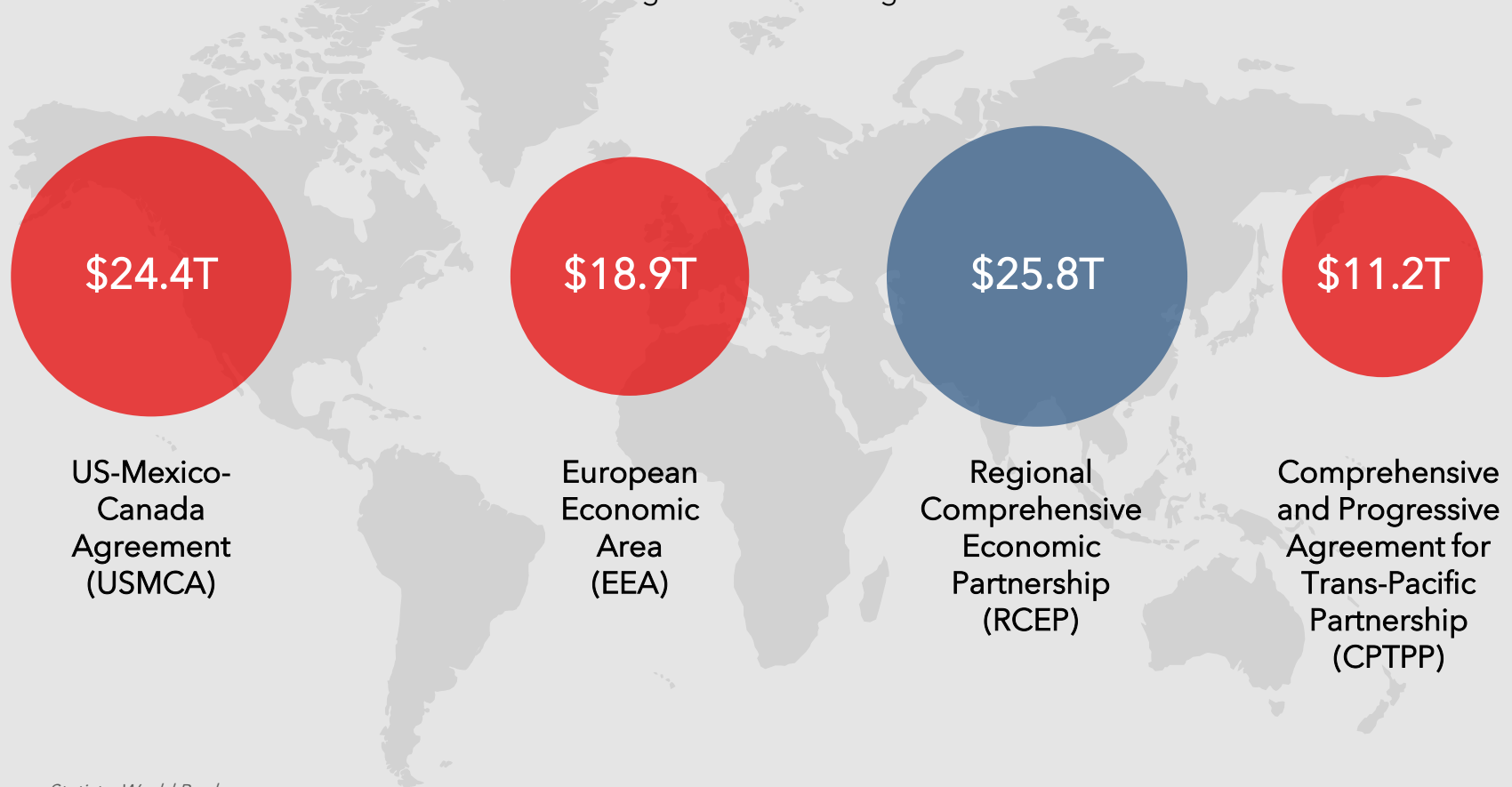
Working with the US Congress to renew Presidential Trade Promotion Authority (TPA), which expires on July 1, will be an important 2021 trade policy priority

Source: (1) Bloomberg. Data as of January 18, 2021. WTO, Sidley (Ted Murphy), WilmerHale (Lester Ross), Council of Foreign Relations, Bloomberg Government

# Asia-Pacific Forms World's Largest Trade Bloc

In the weeks following the November 2020 US election, 15 Asia-Pacific countries representing 30% of global GDP signed the world's largest free trade agreement, called RCEP. While the US is highly unlikely to join RCEP or the CPTPP, the Biden administration will have to consider the progress of other developed countries as the US focuses on domestic recovery and a more unilateral approach to trade.

Total 2019 GDP of member countries of selected regional free trade agreements



Source: Statista. World Bank

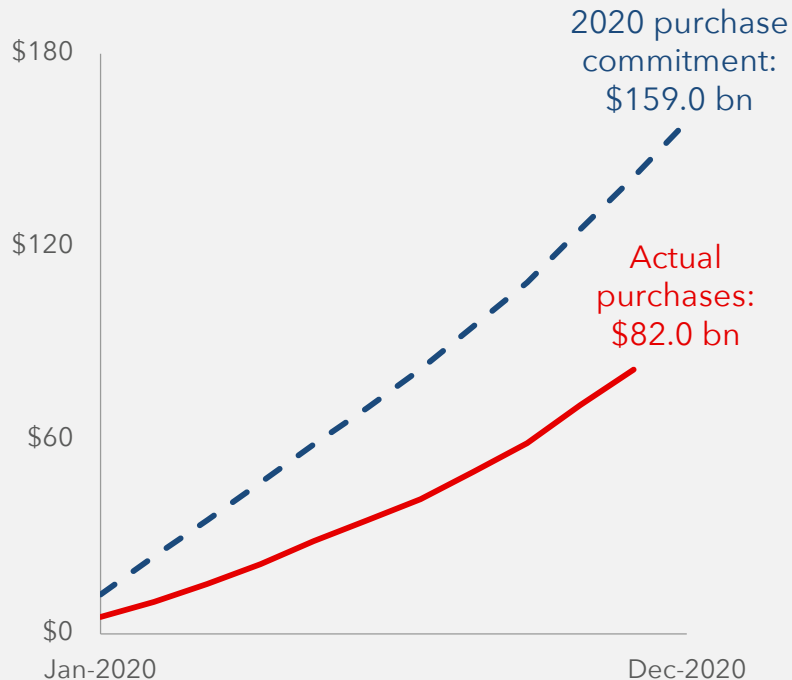


# 18. “Tough on China” Continuity

While President Biden is likely to make significant tactical pivots on China policy, we do not expect any meaningful improvements in US-China relations in the years ahead. Environmental policy stands out as an area for potentially significant bilateral focus and cooperation.

As we approach the one year anniversary of the US-China phase-one trade deal, Chinese purchases of US goods have fallen 50% short of initial commitments

China purchases of US goods in 2020, USD bn



## Policy Priorities

### Tactical Pivots in China Policy

- Re-engaging historic allies to coordinate China strategy
- Shift from tariff to non-tariff barriers (capital, tech)
- More focus on improving US competitiveness than confrontation

### “Tough on China” Continuity

- No meaningful tariff relief
- No relaxation on Huawei 5G expansion
- No rollback on other technology restrictions
- Continued scrutiny of dual-use technologies (i.e., defense)

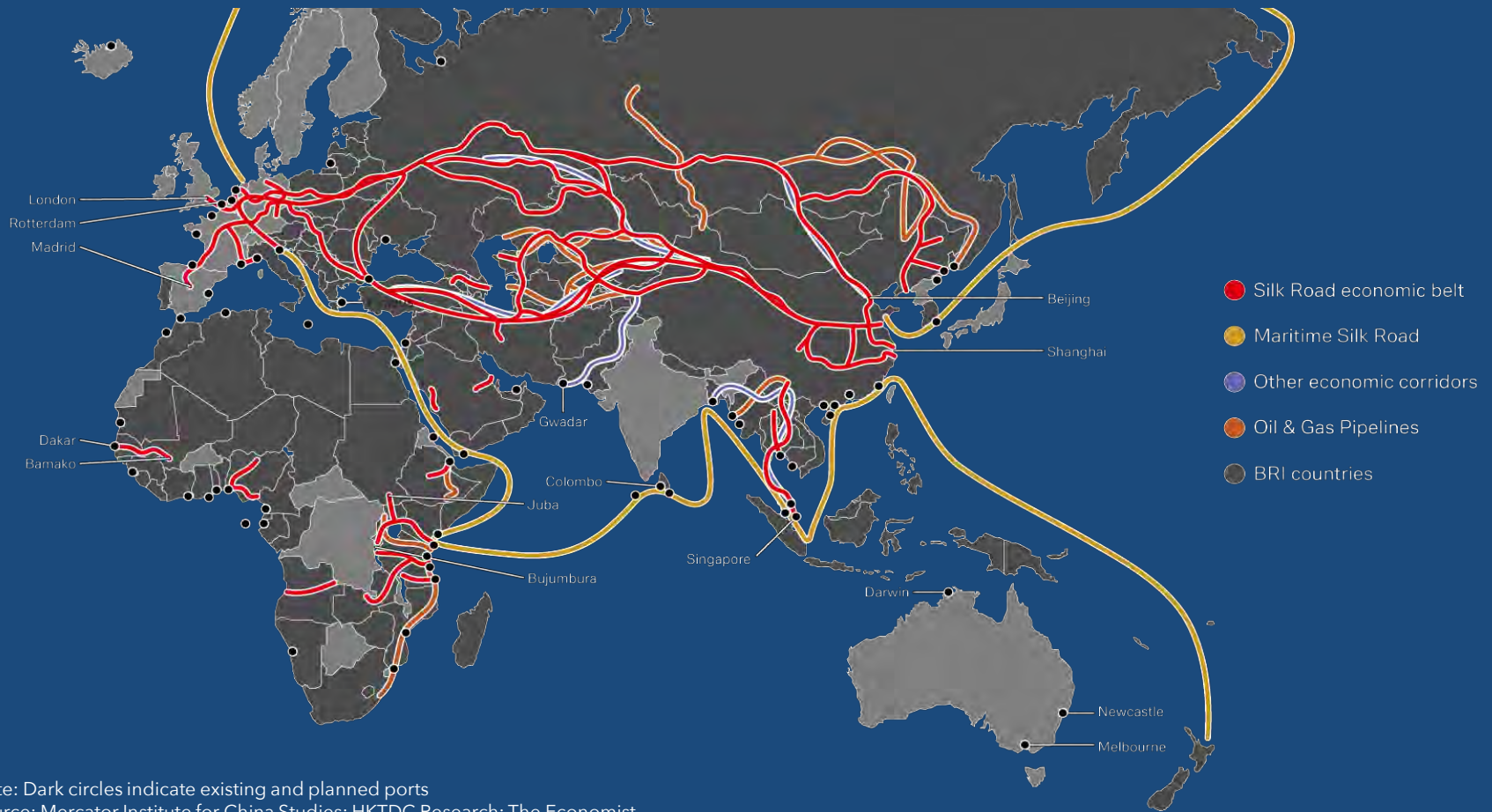
### Shift from Tariff to Non-Tariff Measures

- Technology restrictions & IP protection
- Capital access and transparency
- Human rights (Xinjiang)
- Taiwan and national security

Source: (1) Chad P. Bown. 2020. US-China Phase One Tracker: China's Import Purchases (Through November 2020). PIIE Chart, Peterson Institute for International Economics (December 23). Actual purchases based on latest data available through November 2020.

# China's Belt & Road Initiative (BRI)

President Biden will look to re-engage historic allies in Europe and Asia to develop a more coordinated China strategy. To this end, we are still at the very beginning of a new era of strategic and economic rivalry between the world's two largest economies and superpowers. In many arenas, in particular technology, countries and companies will be pressured to "choose" between an increasingly bifurcated global system.



Note: Dark circles indicate existing and planned ports  
Source: Mercator Institute for China Studies; HKTDC Research; The Economist

# 19. Technology Rivalry & Restrictions



Integrating China and technology policy will continue to be a high priority across the entire US Government



Department  
of Commerce

- Huawei, SMIC and hundreds of other Chinese companies added to US “Entity List”
- Foreign direct product rule forbidding foreign manufactures from using any “American design tools or software” in products sold to companies on entity list
- Assessing exports of emerging technologies for national security concerns



Congress

- Prohibiting US Gov’t agencies from using or purchasing Huawei technology
- Law keeping Huawei on Entity List until Congress certifies otherwise
- NDA Act to subsidize US semiconductor companies
- Subsidizing non-US countries on purchases from Huawei’s competitors



USTR

- Periodic reports on Chinese technology transfer and IP dealings (Section 301)
- Tariffs imposed on imports of Chinese semiconductors
- Phase One trade agreement provisions on IP and technology transfer



Department  
of Justice

- Indicted Huawei for financial fraud, money laundering, conspiracy to defraud the US, obstruction of justice and sanctions violations
- Investigations into IP protection, technology transfer and other issues
- Investigations of Chinese corporate espionage and cyber-security attacks



CFIUS

- FIRREA passed in US Congress to expand CFIUS jurisdiction
- Expanded review of non-controlling M&A in critical infrastructure, technology and data sectors



Department  
of State

- Tighter visa restrictions for students and scientific / engineering institutes in China

Source: Peterson Institute for International Economics “How the United States marched the semiconductor industry into its trade war with China”. Davis Polk “New CFIUS Legislation Enacted.” US Department of Justice. US Department of Commerce. Office of the US Trade Representative.

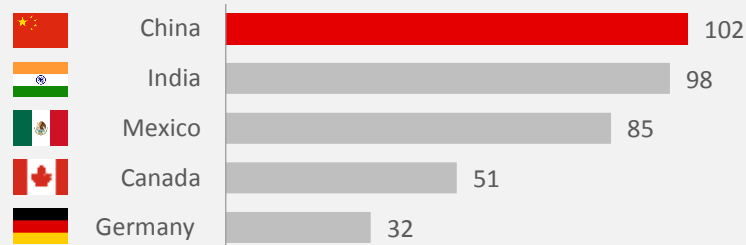


# 20. Health Security

The US relies heavily on foreign countries for its supply of pharmaceuticals and of medical equipment, including equipment necessary to treat and combat COVID-19. Look for the Biden administration to focus on reducing America's dependence on foreign suppliers as part of his "Made in America" plan.

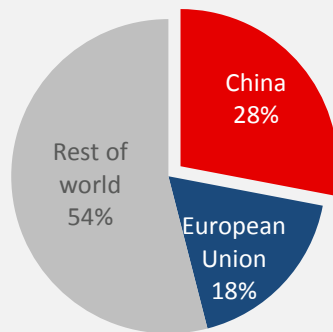
## US imports of pharmaceuticals: \$132 billion

Top 5 US suppliers, by volume, kg million, 2019



## US imports of medical equipment: \$29 billion

% country supplied, 2018



## Policy Priorities

- Closing COVID immunity gap by expediting vaccine adoption
- Develop system of immunity credentialization (i.e., immunity passports)
- Streamlining vaccine approval processes (Operation Warp Speed)
- Bolstering the Affordable Care Act (ACA)
- Reducing overseas & China supply dependencies on healthcare and pharmaceuticals
- Strengthening leadership on global health
- Re-engaging the World Health Organization (WHO)
- Addressing systemic inter-relationships between climate change, viruses and health

Source: (1) U.S. pharmaceutical import data sourced from the U.S. International Trade Commission. Pharmaceutical drugs are defined as HS 30. (2) St. Louis Federal Reserve. "How Much Does the US rely on Other Countries for Essential Medical Equipment."



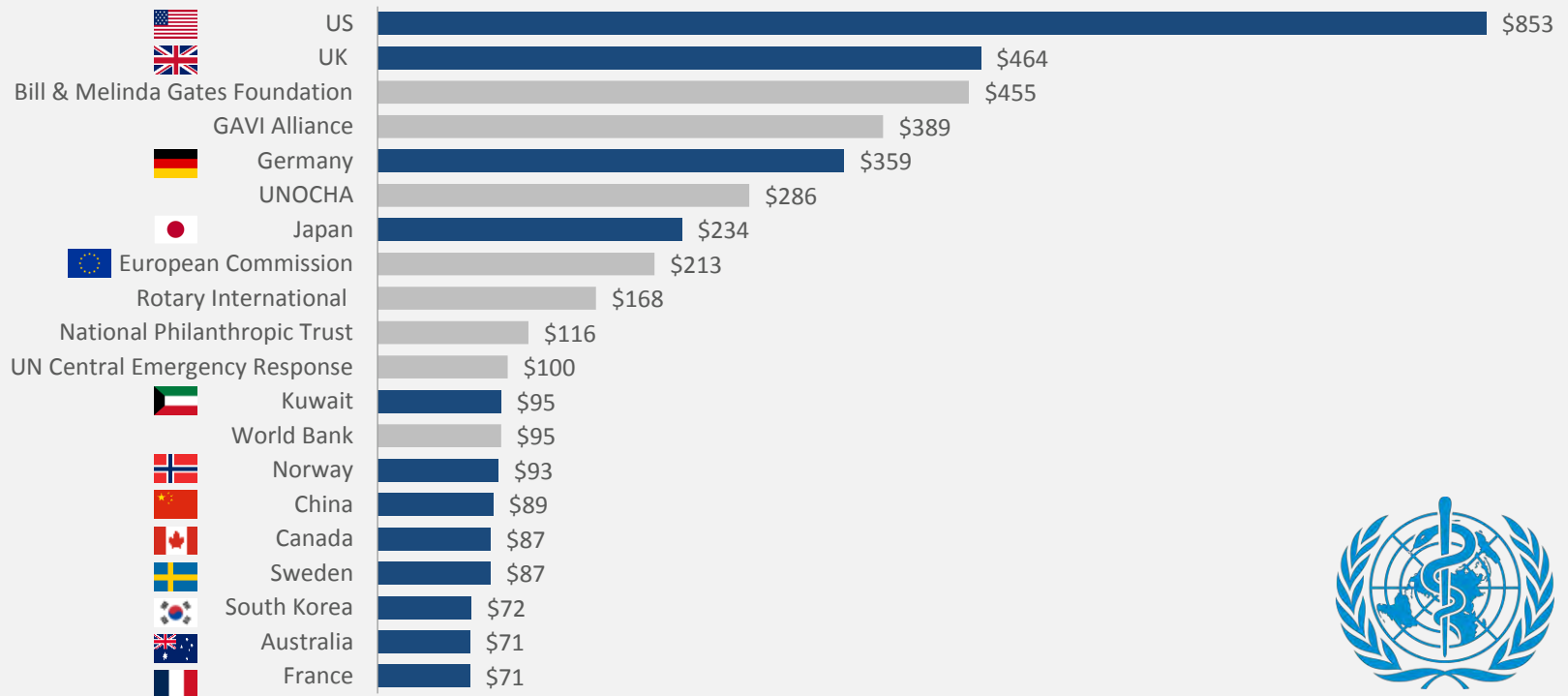
Vaccinated

# World Health Organization (WHO) Funding Sources

President Biden is expected to announce a return to the WHO as an early priority in his Presidency after President Trump formally announced US withdrawal in July 2020. This has important implications for: i) WHO funding; ii) global healthcare policy coordination; and iii) the resumption of US leadership on global health at a time of rising global health, virus and climate risk.

## Top 20 global contributors to the WHO (2018 – 2019 biennium)

Funding received, USD million



Source: (1) World Health Organization.

# C. Leadership & Governance

“Character is built in the course of your inner confrontation. Character is a set of dispositions, desires and habits that are slowly engraved during the struggle against your own weakness.”

David Brooks in the *Road to Character* (2020)

# 21. The President's Cabinet



President Biden has nominated 23 people to serve in cabinet or cabinet-level positions under his administration. In an effort to fulfill his campaign pledge to select a cabinet that "looks like America" in terms of background and ideology, Biden's nominees include 11 women and 13 people of color. All 23 also have past government experience.



**Kamala Harris**  
Vice President



**Antony Blinken**  
Secretary of State



**Janet Yellen**  
Secretary of the Treasury



**Lloyd J. Austin III**  
Secretary of Defense



**Merrick Garland**  
Attorney General



**Debra Haaland**  
Secretary of the Interior



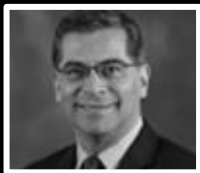
**Tom Vilsack**  
Secretary of Agriculture



**Gina Raimondo**  
Secretary of Commerce



**Marty Walsh**  
Secretary of Labor



**Xavier Becerra**  
Secretary of Health and Human Services



**Marcia Fudge**  
Secretary of Housing and Urban Dvlpmnt



**Pete Buttigieg**  
Secretary of Transportation



**Jennifer Granholm**  
Secretary of Energy



**Miguel Cardona**  
Secretary of Education



**Denis McDonough**  
Secretary of Veterans Affairs



**Alejandro Mayorkas**  
Secretary of Homeland Security



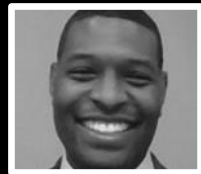
**Neera Tanden**  
Director Office of Management & Budget



**Katherine Tai**  
US Trade Representative



**Ron Klain**  
Chief of Staff



**Michael Regan**  
EPA Administrator



**Linda Thomas-Greenfield**  
US Ambassador to the United Nations



**Cecilia Rouse**  
Chair of Council of Economic Advisors



**Isabel Guzman**  
Chief of Small Business Administration

# 22. Foreign Policy Team



A return to multilateralism is expected to be a defining feature of the Biden Administration's foreign policy. Repairing historic US relationships with allies and institutions will be as much of a focus as new initiatives.



**Antony Blinken**  
Secretary of State



**Lloyd J. Austin III**  
Secretary of Defense



**Alejandro Mayorkas**  
Secretary of Homeland Security



**Jake Sullivan**  
National Security Advisor



**Avril Haines**  
Director of National Intelligence



**Wendy Sherman**  
Deputy Secretary of State



**Dr. Kathleen Hicks**  
Deputy Secretary of Defense



**Jon Finer**  
Deputy National Security Advisor



**William Burns**  
CIA Director



**Samantha Power**  
Head of US Agency for International Development



**Linda Thomas-Greenfield**  
US Ambassador to the United Nations



**Anne Neuberger**  
Deputy National Security Advisor for Cybersecurity



**Victoria Nuland**  
Undersecretary of State for Political Affairs



**Amanda Sloat**  
National Security Council Senior Director for European Affairs



**Nancy McEldowney**  
National Security Advisor to the Vice President



# 23. Economics Team



White House economic teams have historically been more effective when they are united in their focus on a short list of economic priorities. In a post financial crisis and COVID crisis world, government has continued to take a larger role in the economy.



**Janet Yellen**  
Secretary of the Treasury



**Brian Deese**  
Director of National Economic Council



**Gina Raimondo**  
Secretary of Commerce



**Marty Walsh**  
Secretary of Labor



**Jennifer Granholm**  
Secretary of Energy



**Neera Tanden**  
Director Office of Management & Budget



**Katherine Tai**  
US Trade Representative



**Wally Adeyemo**  
Deputy Secretary of the Treasury



**Isabel Guzman**  
Chief of Small Business Administration



**Cecilia Rouse**  
Chair Council of Economic Advisers



**Joelle Gamble**  
Special Assistant to the President for Economic Policy



**David Kamin**  
Deputy Director of National Economic Council



**Jared Bernstein**  
Member of Economic Advisers



**Heather Boushey**  
Member of Economic Advisers



**Gary Gensler**  
Chair of Securities & Exchange Commission

# 24. White House Advisory Team



**Ron Klain**  
Chief of Staff



**John Kerry**  
Special Presidential  
Envoy for Climate



**Mike Donilon**  
Senior Advisor to the  
President



**Cedric Richmond**  
Director of White House  
Office of Public Engagement



**Dana Remus**  
Counselor to the  
President



**Steve Ricchetti**  
Counselor to the  
President



**Jen O'Malley Dillon**  
Deputy Chief of Staff



**Julie Chavez Rodriguez**  
Director Office of  
Intergovernmental Affairs



**Louisa Terrell**  
Director Office of  
Legislative Affairs



**Annie Tornasini**  
Director of Oval Office  
Operations



**Cathy Russell**  
Director White House  
Office of Presidential  
Personnel



**Evan Ryan**  
White House Cabinet  
Secretary



**Anne Filipic**  
Director of  
Management &  
Administration

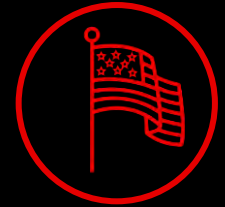


**Tina Flournoy**  
Chief of Staff for the VP



**Julissa Reynoso  
Pantaleón**  
Chief of Staff for the  
First Lady

# 25. Domestic Policy Team



**Merrick Garland**  
Attorney General



**Debra Haaland**  
Secretary of the Interior



**Marcia Fudge**  
Secretary of Housing and  
Urban Development



**Pete Buttigieg**  
Secretary of  
Transportation



**Rohit Chopra**  
Director of the  
Consumer Financial  
Protection Bureau



**Tom Vilsack**  
Secretary of Agriculture



**Denis McDonough**  
Secretary of Veterans  
Affairs



**Susan Rice**  
Director White House  
Domestic Policy Council



**John Kerry**  
Special Presidential  
Envoy for Climate



**Lisa Monaco**  
Deputy Attorney  
General



**Miguel Cardona**  
Secretary of Education



**Kristen Clarke**  
Assistant Attorney General  
for Civil Rights



**Louisa Terrell**  
Director of White House  
Office of Legislative  
Affairs



**Reema Dodin**  
Deputy Director of the  
White House Office of  
Legislative Affairs

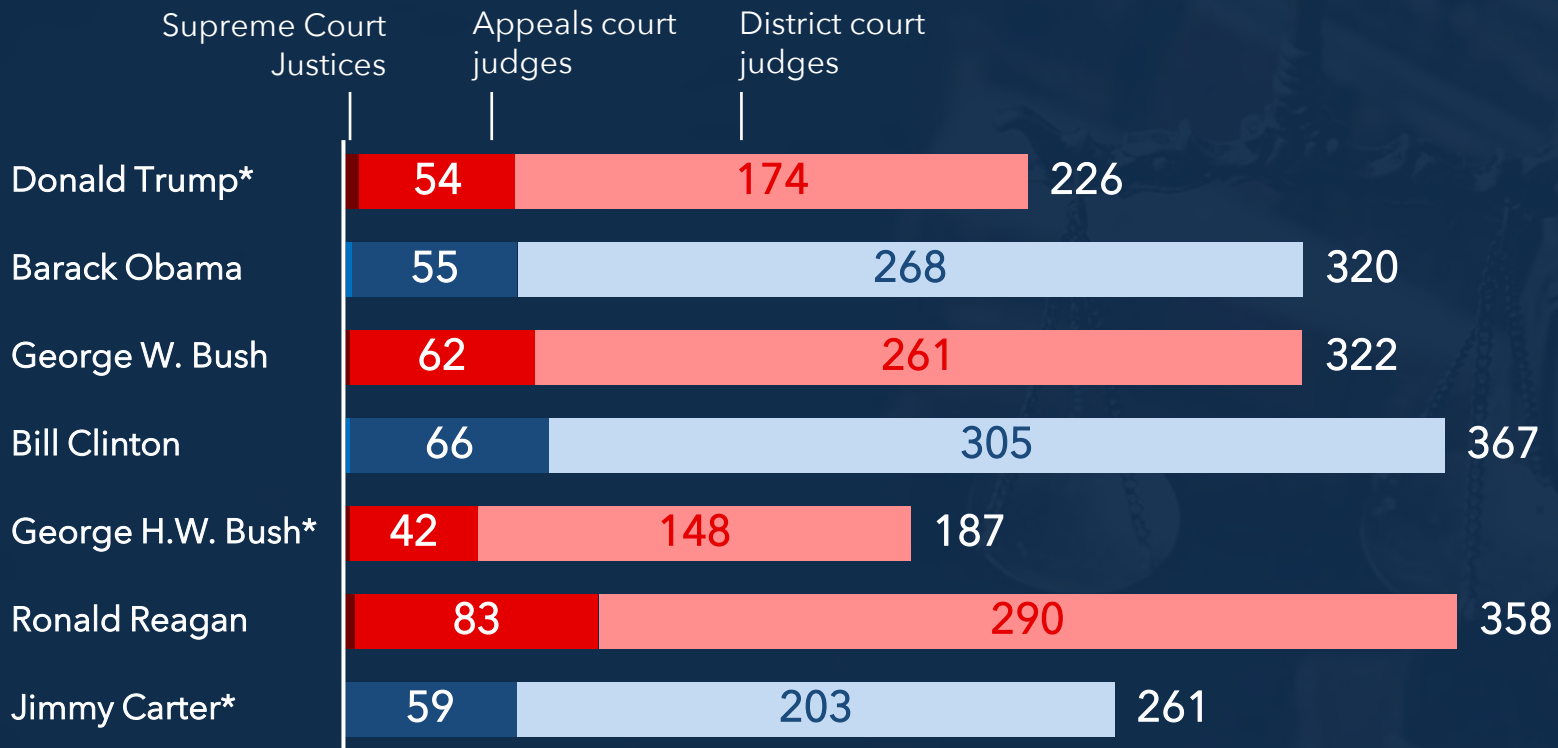


**Shuwanza Goff**  
Deputy Director of the  
White House Office of  
Legislative Affairs

# Judicial Nominees

With control of the US Senate, President Joe Biden will only need 51 votes to appoint dozens (if not hundreds) of judges to the US district court and appeals court system, and possibly even a Supreme Court judge. In just four years, President Trump appointed more than 225 judges, not far behind the number of judges that Presidents Obama and Bush each selected over eight years.

## Federal judges appointed by each president



\*Served one term. Note: Excludes judges confirmed to certain specialized or territorial courts. Judges confirmed to multiple positions, such as those first appointed to a district court and later elevated to an appeals court, are counted separately for each position, but only once in each president's total.  
 Source: Pew Research Center, "How Trump compares with other recent presidents in appointing federal judges", January 13, 2021

# 26. Health Policy Team



**Xavier Becerra**  
Secretary of Health and  
Human Services



**Dr. Vivek Murthy**  
Surgeon General, Co-Chair  
COVID-19 Advisory Board



**Dr. Rochelle Walensky**  
CDC Director



**Dr. Anthony Fauci**  
Director of the National  
Institute of Allergy and  
Infection Diseases



**Jeff Zients**  
White House COVID-19  
Coordinator



**Sonya Bernstein**  
COVID-19 Senior Policy  
Advisor



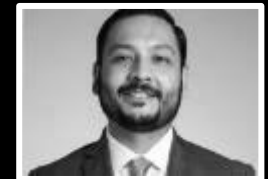
**David Kessler**  
Co-Chair COVID-19  
Advisory Board & Head of  
Operation Warp Speed



**Marcella Nunez Smith**  
Chair of COVID-19 Equity  
Task Force



**Osaremen Okolo**  
COVID-19 Policy Advisor



**Eduardo Cisneros**  
COVID-19  
Intergovernmental Affairs  
Director



**Bechara Chouair**  
COVID-19 Vaccinations  
Coordinator



**Carole Johnson**  
COVID-19 Testing  
Coordinator

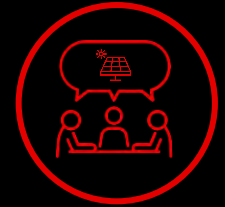


**Tim Manning**  
COVID-19 Supply  
Coordinator



**Eric Lander**  
Director of the Office of  
Science & Technology  
Policy

# 27. Environmental Policy Team



We expect President Biden to overlay a “light green” agenda on most aspects of domestic and foreign policy. Interestingly, Biden’s choice to Chair the White House National Economic Council, Brian Deese, previously served as a senior advisor to President Obama on climate and clean energy policy.



**Debra Haaland**  
Secretary of the Interior



**Jennifer Granholm**  
Secretary of Energy



**Michael Regan**  
Administrator, Environmental  
Protection Agency



**John Kerry**  
Special Presidential  
Envoy for Climate



**Brian Deese**  
Director of National  
Economic Council



**Gina McCarthy**  
National Climate  
Advisor



**Ali Zaidi**  
Deputy National  
Climate Advisor



**Brenda Mallory**  
Chair of Council on  
Environmental Quality



**Cecilia Martinez**  
Team Lead, Council on  
Environmental Quality



**Nikki Buffa**  
Council on Environmental  
Quality



**Horst Grezmiel**  
Council on  
Environmental Quality



**Shara Mohtadi**  
Council on  
Environmental Quality



# 28. Communications Team



**Kate Bedingfield**  
White House  
Communications  
Director



**Pili Tobar**  
Deputy White House  
Communications  
Director



**Jen Psaki**  
White House Press  
Secretary



**Karine Jean Pierre**  
Principal Deputy Press  
Secretary



**Sabrina Singh**  
White House Deputy  
Press Secretary



**Vinay Reddy**  
Director of Speechwriting



**Carlos Elizondo**  
White House Social  
Secretary



**Ashley Etienne**  
Communications  
Director for the VP



**Symone Sanders**  
VP Senior Advisor &  
Chief Spokesperson for  
the VP



**Elizabeth Alexander**  
Communications Director  
for the First Lady



# 29. US Senate Leadership



## US Senate Leadership



**Kamala Harris**  
(Vice President)  
President of the Senate



**Charles Schumer**  
(D-NY)  
Senate Majority Leader



**Patrick Leahy**  
(D-VT)  
President Pro Tempore



**Richard Durbin**  
(D-IL)  
Majority Whip



**Mitch McConnell**  
(R-KY)  
Senate Minority Leader



**John Thune**  
(R-SD)  
Senate Minority Whip

## Selected Committee Leadership



**Debbie Stabenow**  
(D-MI)  
Agriculture, Nutrition,  
and Forestry



**Patrick Leahy**  
(D-VT)  
Appropriations



**Sherrrod Brown**  
(D-OH)  
Banking, Housing and  
Urban Affairs



**Bernie Sanders**  
(I-VT)  
Budget



**Joe Manchin**  
(D-WV)  
Energy and Natural  
Resources



**Thomas Carper**  
(D-DE)  
Environment and  
Public Works



**Ron Wyden**  
(D-OR)  
Finance



**Bob Menendez**  
(D-NJ)  
Foreign Relations



**Patty Murray**  
(D-WA)  
Health, Education,  
Labor, and Pensions



**Martin Heinrich**  
(D-NM)  
Joint Economic  
Committee  
*Subject to change*

# 30. US House Leadership



## US House Leadership



**Nancy Pelosi**  
(D-CA, 12th)  
Speaker of the House



**Steny Hoyer**  
(D-MD, 5th)  
House Majority Leader



**James Clyburn**  
(D-SC, 6th)  
House Majority Whip



**Kevin McCarthy**  
(R-CA, 23rd)  
House Minority Leader



**Steve Scalise**  
(R-LA, 1st)  
House Minority Whip

## Selected Committee Leadership



**David Scott**  
(D - GA, 13th)  
Agriculture



**Rosa L. DeLauro**  
(D - CT, 3rd)  
Appropriations



**John Yarmuth**  
(D-KY, 3rd)  
Budget



**Frank Pallone Jr.**  
(D-NJ, 6th)  
Energy & Commerce



**Maxine Waters**  
(D-CA, 43rd)  
Financial Services



**Gregory Weldon Meeks**  
(D-NY, 5th)  
Foreign Affairs



**Eddie Bernice Johnson**  
(D-TX, 30th)  
Science, Space and  
Technology



**Richard Neal**  
(D-MA, 1st)  
Ways and Means



**Kathy Castor**  
(D-FL, 14th)  
Select Committee on  
the Climate Crisis



**Don Beyer**  
(D-VA, 8th)\*  
Joint Economic  
Committee

*\*Don Beyer is the Vice Chair, committee chaired by ranking Senate member*

# 3 The 2021 Outlook

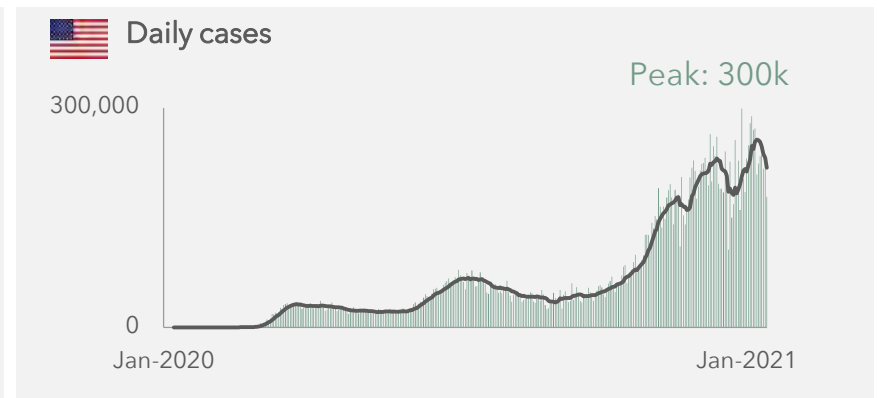
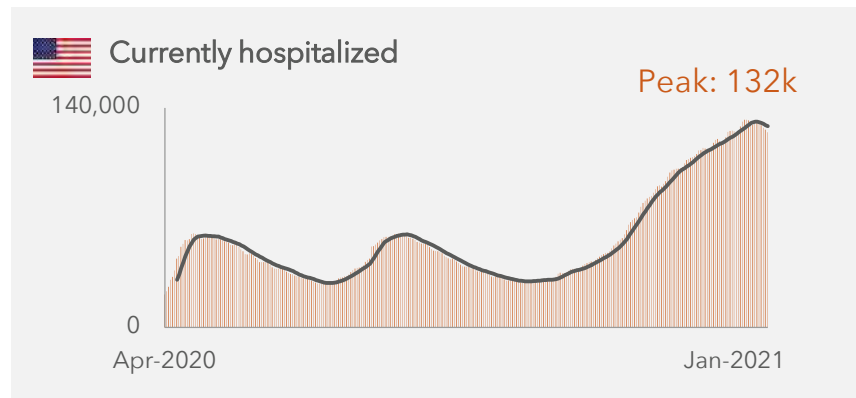
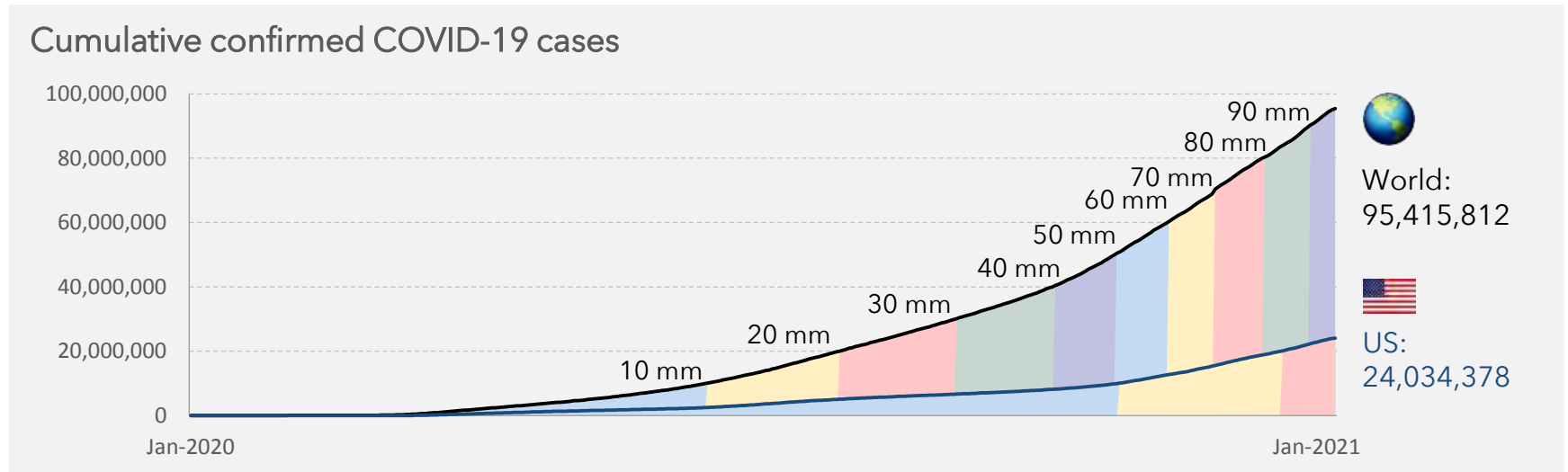
# A. 2021 Economic Outlook

“We are not going back to the same economy. We are recovering, but to a different economy, one that is leveraged more to technology.”

Jerome Powell, 16th Chair of the Federal Reserve (November, 2020)

# 31. Q1 Virus Resurgence

COVID-19's resurgence in the winter of 2020-2021 is expected to weigh heavily on Q1 economic activity. To this end, virus mutation risk poses one of the most significant public health and economic risks for the year ahead.

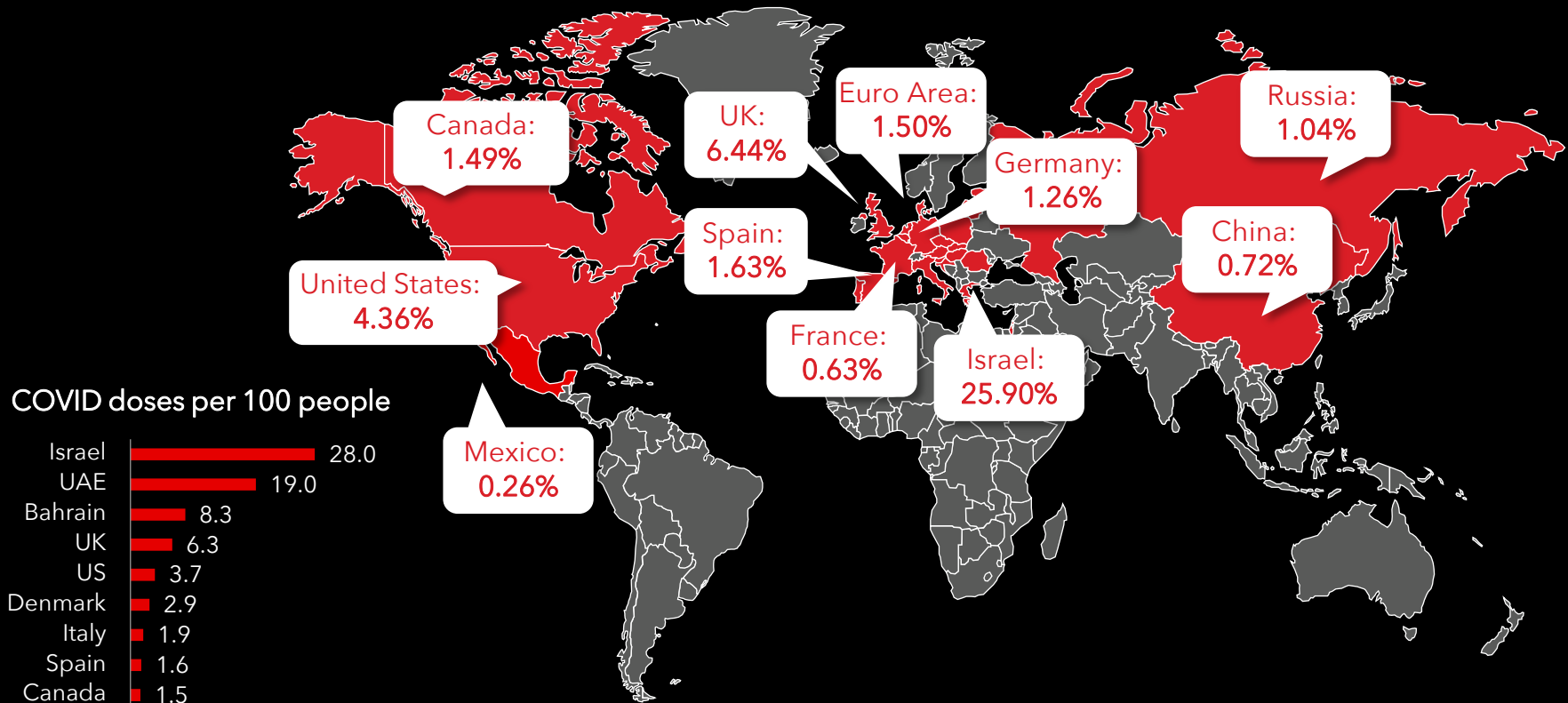


Source: (1, 3) Bloomberg. Data as of January 18, 2021. (2) COVID Tracking Project. Data as of January 18, 2021.

# 32. The End of the Beginning

Global herd immunity to COVID-19 is very unlikely in 2021. By mid January, over 45 million vaccines have been distributed in more than 50 countries (<1% of global population). With implementation proceeding slowly, delivering billions more in 2021 will be one of the greatest public health logistical challenges ever administered.

% of population that has been vaccinated (based on limited disclosure to date)

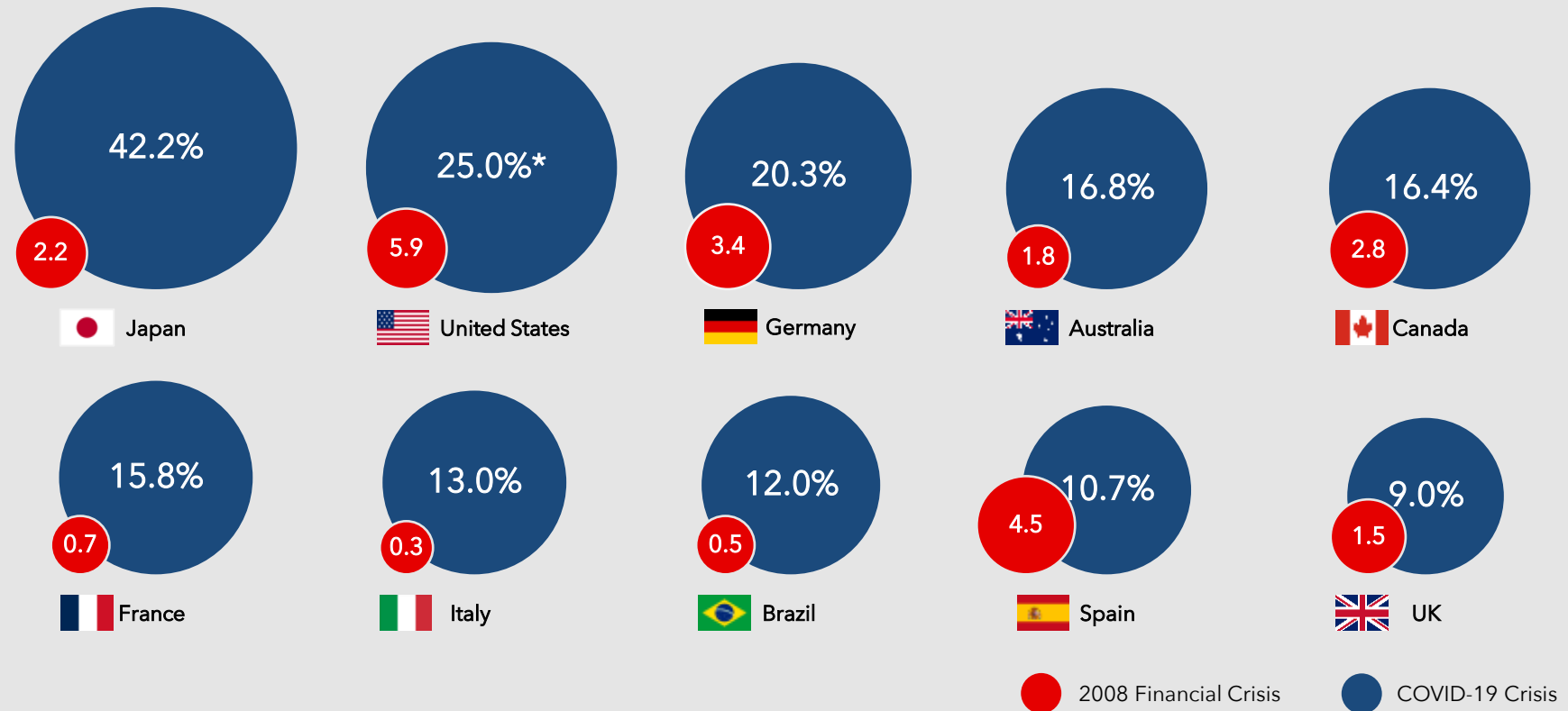


Source: Bloomberg. COVID-19 Vaccine Tracker. "Our World in Data." Data accessed January 18, 2021. Population data from World Bank. 2019 population.

# 33. Fiscal Bridges

Since the global financial crisis a decade ago, monetary policy has done the heavy lifting for the global economy. During the COVID crisis, the baton has now been passed to fiscal policy, and global leaders have responded with the largest fiscal relief and stimulus packages in decades.

Fiscal stimulus response, % of GDP



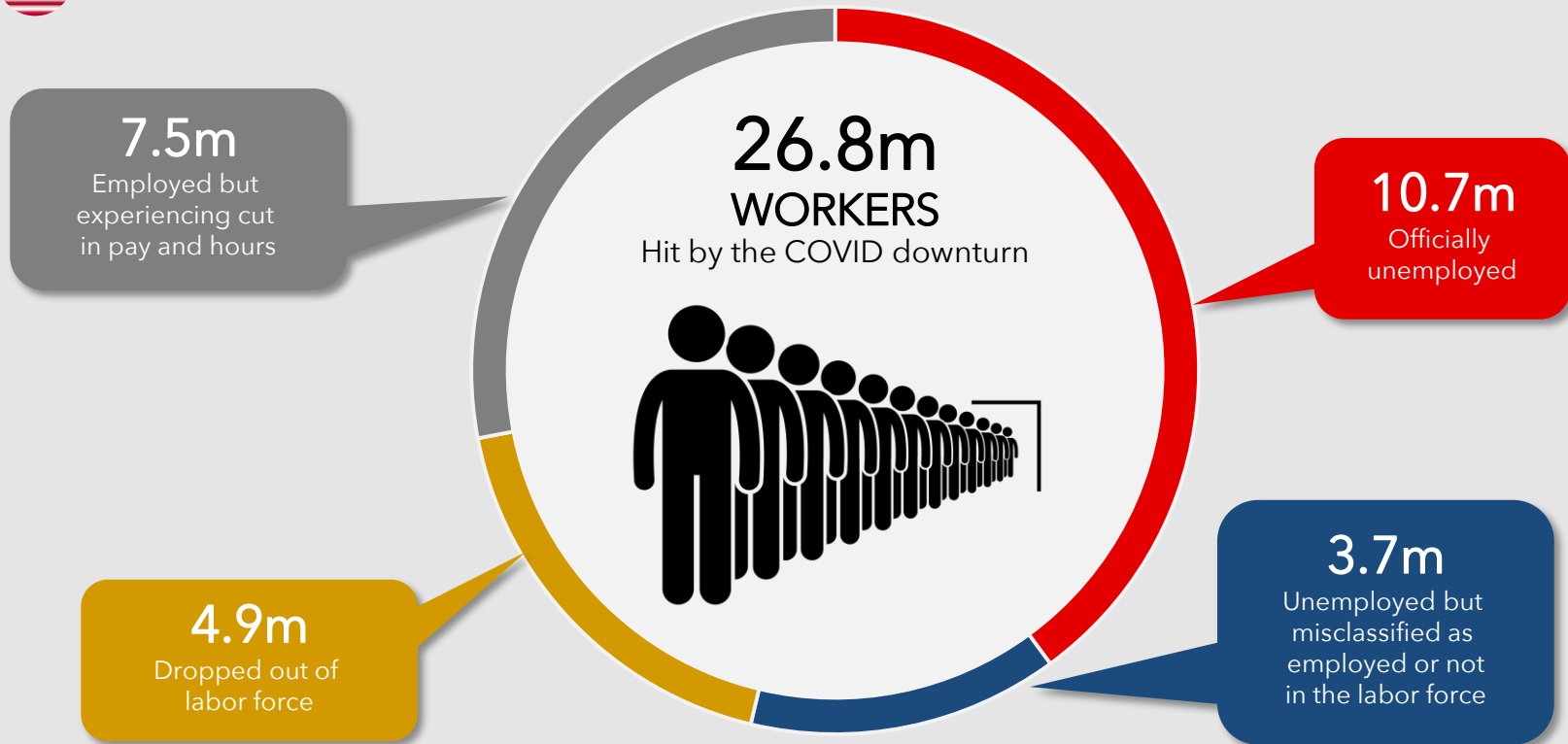
Source: Brookings Institute. 2008-2009 data from IMF, CIA, World Factbook. Based on 2008 GDP data. 2020 data from Ceyhun Elgin, Columbia University, Time Magazine. Fiscal measures only. Based on 2019 GDP data. \*Assumes approximately \$6 trillion of stimulus in total with a substantive amount of Biden's \$1.9 trillion proposal will be enacted through bipartisan legislation and / or budget reconciliation

# COVID-19's Impact on Labor Markets

A high percentage of global and US government fiscal "stimulus" may more accurately be described as fiscal "relief" to support near term labor market dislocations from COVID-19



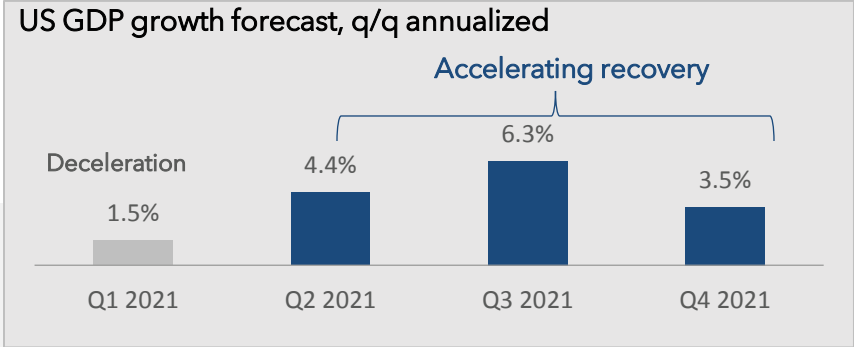
## US labor market



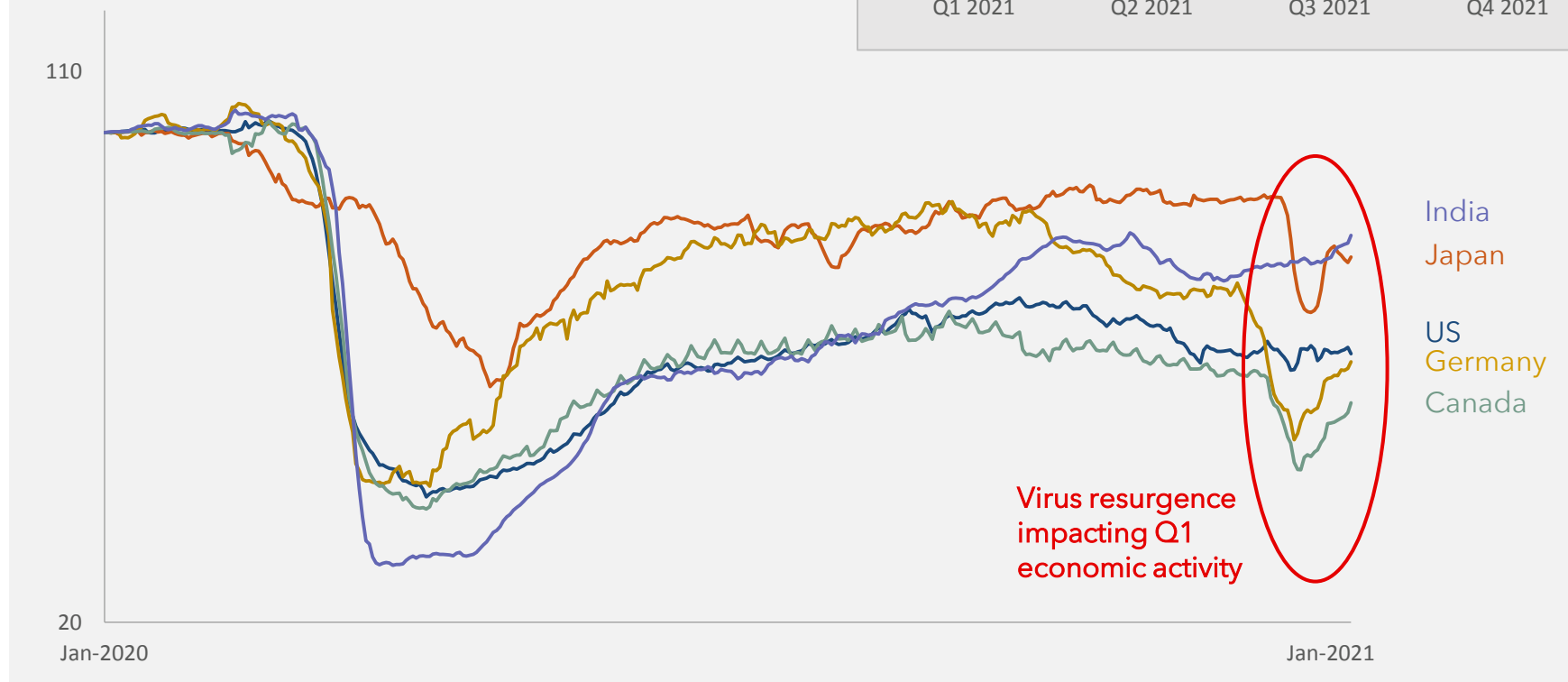
Source: Economic Policy Institute. EPI analysis of October Current Population Survey data from the Bureau of Labor Statistics.

# 34. 2021 Recovery in Two Stages

We share the consensus view that the 2021 recovery will proceed in two stages characterized by economic under-performance in the early months, followed by above-trend growth as the year progresses.



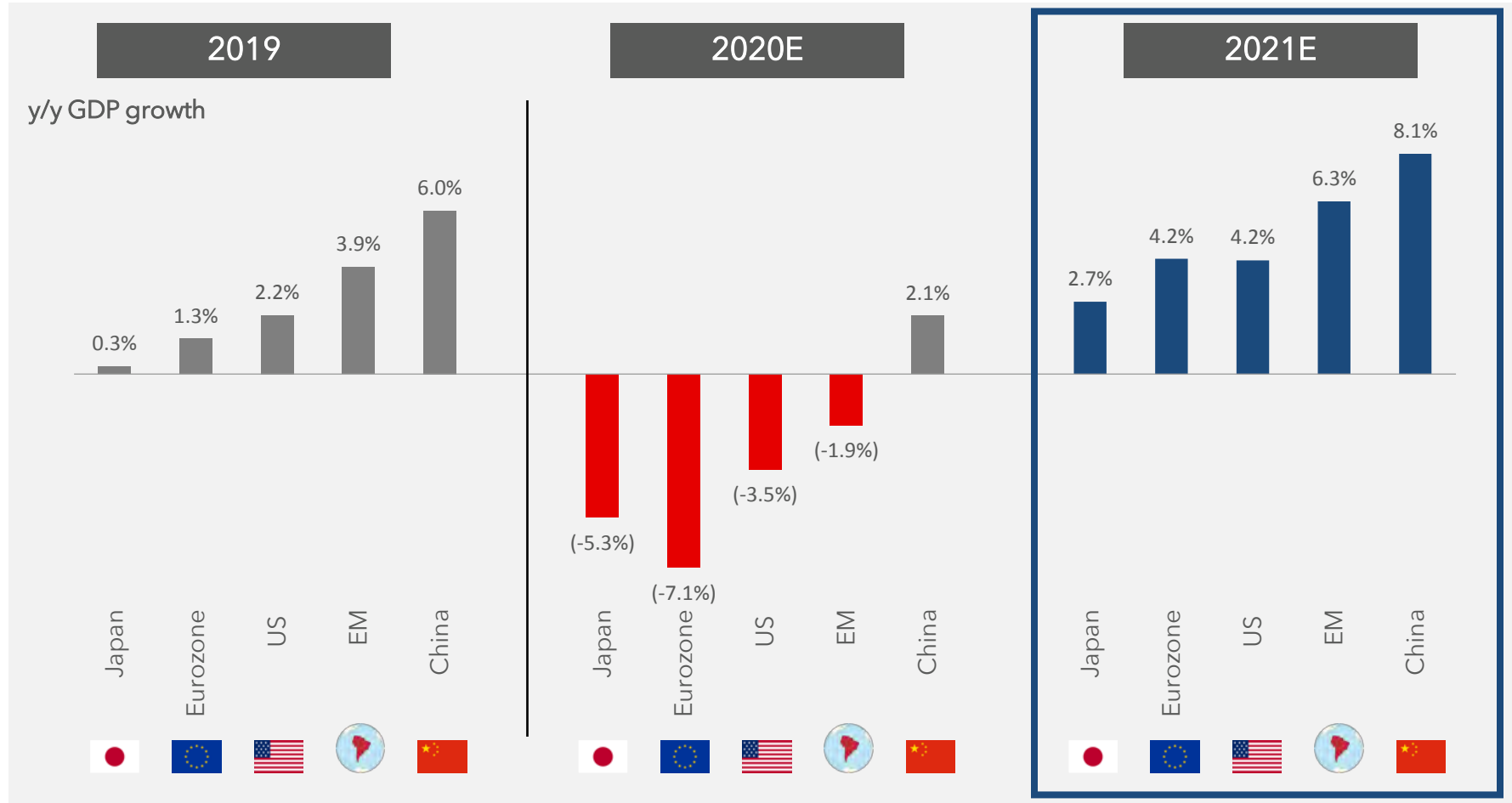
G7 high frequency economic data



Source: (1) Bloomberg high frequency economic data for G7 economies. Oxford Economics.

# 35. Synchronized, with Wide Dispersions

In contrast to the largest synchronized slowdown in a century during early 2020, we expect a strong synchronized global recovery in 2021, albeit with underperformance in early months and significant regional dispersions throughout the year



Source: (1) Oxford Economics. Data as of January 18, 2021.

# 2021 Global GDP Forecasts

Many of the full year 2021 GDP forecasts for major global economies are well above normal long term trend growth levels. Corporates, however, should be prepared for a range of economic scenarios in the high risk year ahead.

y/y GDP growth □ Denotes 10 largest economies in the world + Eurozone

	2020	2021E	Change
<b>The Americas</b>			
US	(-3.5%)	4.2%	↑
Canada	(-5.5%)	4.0%	↑
Mexico	(-8.7%)	5.6%	↑
Argentina	(-10.5%)	6.4%	↑
Brazil	(-4.7%)	3.8%	↑
Chile	(-6.2%)	4.8%	↑
Colombia	(-7.5%)	7.9%	↑
<b>Europe &amp; UK</b>			
Eurozone	(-7.1%)	4.2%	↑
UK	(-10.0%)	4.5%	↑
Germany	(-5.3%)	3.8%	↑
France	(-9.1%)	5.1%	↑
Italy	(-9.0%)	4.5%	↑
Spain	(-11.1%)	6.3%	↑
Netherlands	(-3.9%)	2.7%	↑
Austria	(-7.5%)	3.0%	↑
Ireland	(-2.4%)	3.1%	↑
Norway	(-1.6%)	2.2%	↑
Sweden	(-3.0%)	2.9%	↑
Switzerland	(-3.1%)	3.4%	↑
<b>Asia-Pacific &amp; the Middle East</b>			
China	2.1%	8.1%	↑
Japan	(-5.3%)	2.7%	↑
India	(-7.4%)	8.8%	↑
Indonesia	(-2.2%)	5.5%	↑
S. Korea	(-1.0%)	2.9%	↑
Singapore	(-5.8%)	5.6%	↑
Vietnam	2.9%	7.7%	↑
Australia	(-2.8%)	3.1%	↑
Saudi Arabia	(-4.0%)	1.9%	↑
South Africa	(-7.3%)	2.0%	↑
Turkey	1.3%	3.6%	↑
UAE	(-7.7%)	0.8%	↑

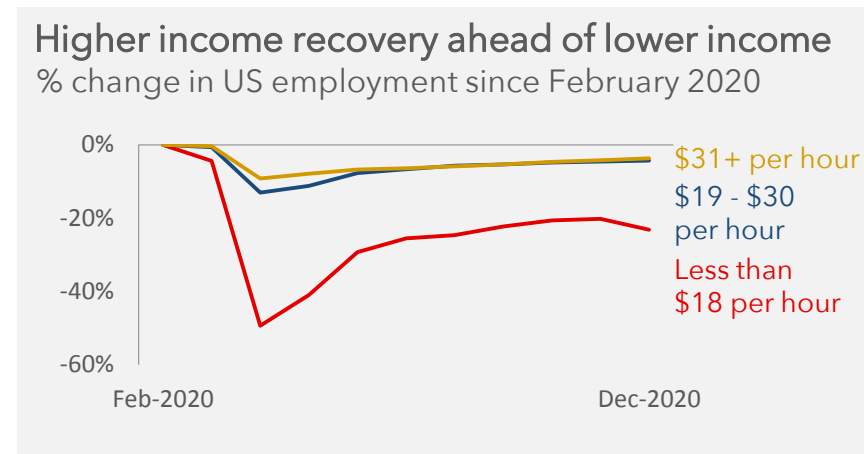
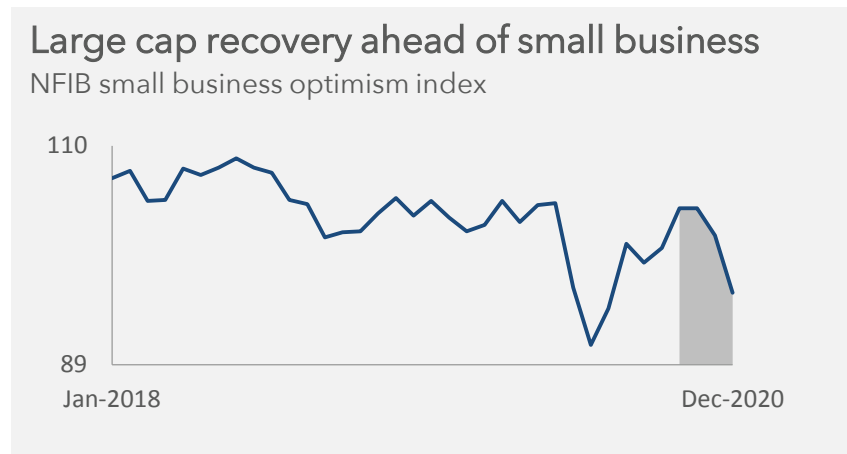
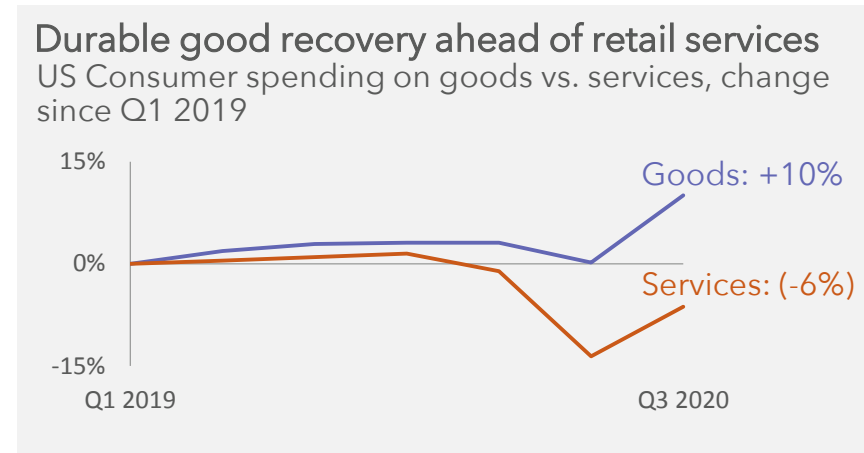
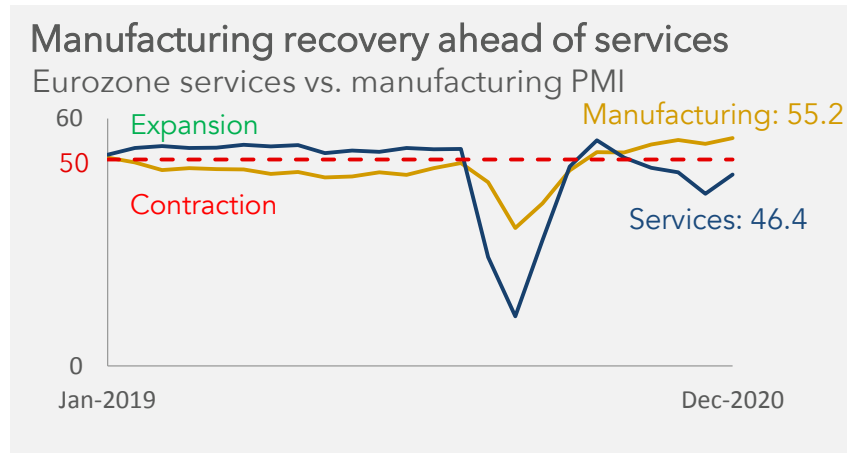
Source: (1) Oxford Economics (January 2021). 10 largest economies in the world based on 2020 IMF data. Ireland GDP data is Bloomberg median as of January 19, 2021.

A black and white photograph of a door with a sign. The door is dark with a grid of glass panes. The sign is hanging from the top of the right-hand pane. The sign has the text "Yes, we are" in a cursive font and "OPEN" in large, bold, outlined letters. The background is blurred, showing bokeh lights.

*Yes, we are*  
**OPEN**

# 36. The Uneven Recovery

Virus suppression and economic growth are positively correlated (i.e., it is very difficult to have one without the other). The 2021 recovery, however, will vary significantly by region, industry sector, business model and demographic group.



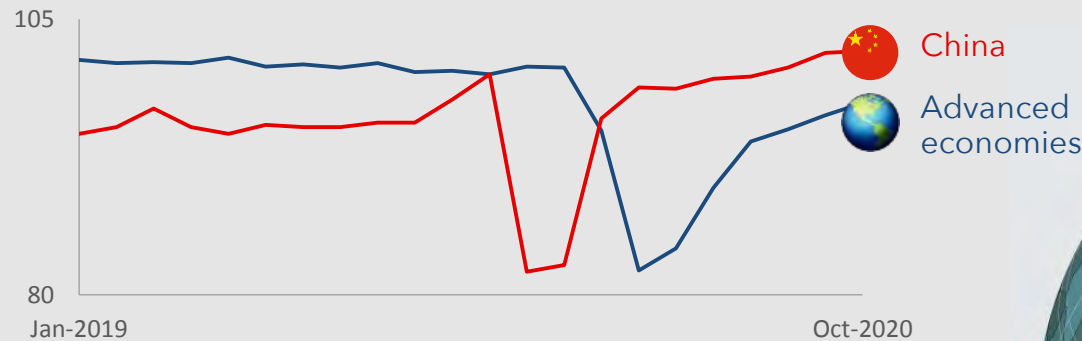
Source: (1,3) Bloomberg. Data as of January 18, 2021. (2) BEA. Real PCE SA. Data through November 30, 2020. (4) Oxford Economics. Data through December 31, 2020.

# 37. Asia-Pacific Outperformance

The success of China and other Pacific-Rim countries in suppressing the virus has allowed for a much faster rebound than other advanced economies. China is the only major global economy to record positive GDP growth in 2020, and to already return to its pre-COVID economic size. In aggregate, China and its Asia-Pacific peers account for 1/3 and 2/3 of global growth, respectively.

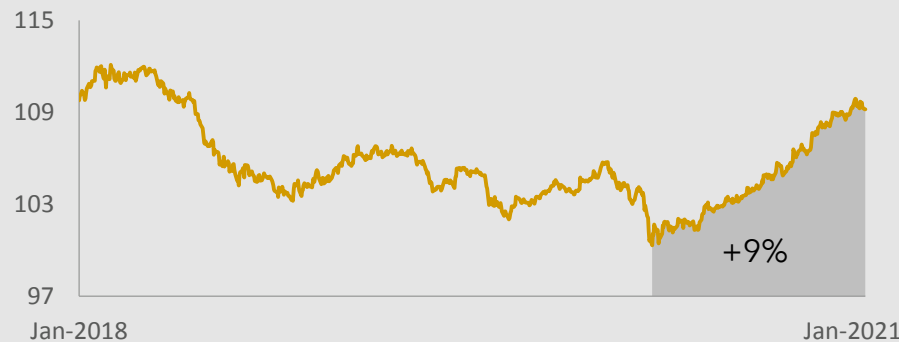
## China recovery ahead of advanced economy peers

CPB world industrial production, Dec 2019=100



## Asia-pacific rim recovery ahead of the west

JPM Asia Dollar index



Source: (1) Capital Economics. Global Economics Chart book. "Worse to come in Q4 despite vaccine hopes." CPB World Trade Monitor. (2) Bloomberg. Data as of January 18, 2021.

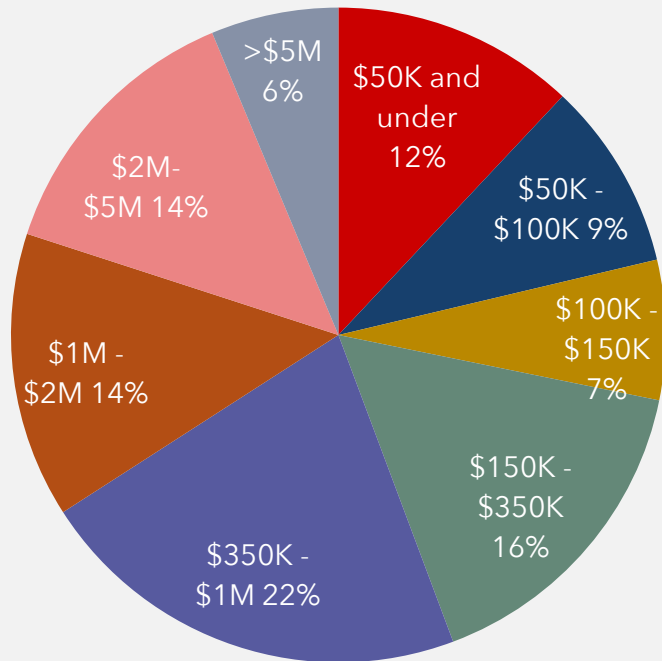


# 38. Crisis from the Bottom

COVID's resurgence poses existential risks to millions of small businesses, exposing the fragility and instability of this bedrock of labor markets and the economy. In addition to generally having less virus resilient business models, small companies are more reliant on banks and local lenders for funding, compared to large cap companies which have access to the deep liquidity of capital markets.

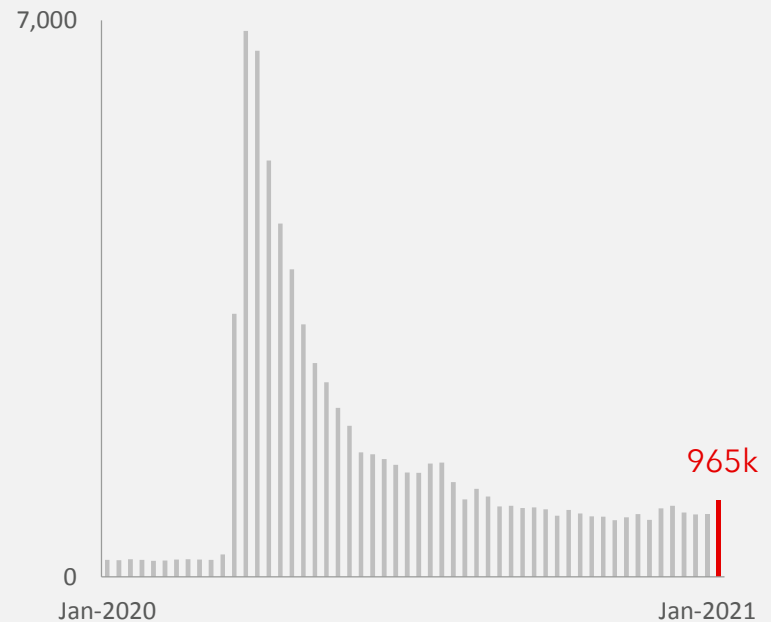
While \$525 bn of loans have been made to small US businesses through the PPP program to date, Congress has extended and increased its lending authority to a total of \$806 bn through March 31, 2021

PPP loan breakdown, by loan size



While initial jobless claims and unemployment have improved from Q2 peaks, 75 million claims in less than one year highlights an extraordinarily high level of business instability

Initial jobless claims, 000's



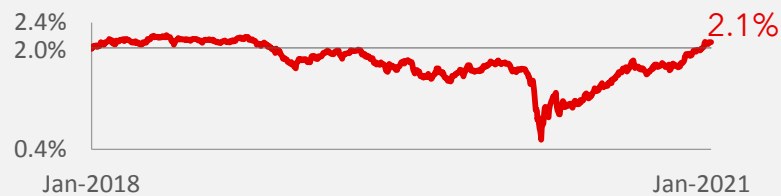
Source: (1) US SBA. Paycheck Protection Program (PPP) Report. Approvals through August 8, 2020. \$525 bn of loans made of the Congressionally allotted \$659 bn. (2) Bloomberg. Data as of January 18, 2020.

# 39. The Reflation Trade

The reflation trade, having strengthened since the vaccine breakthroughs of early November, has been reinvigorated by Democratic control of the US Congress, and expectations of larger fiscal stimulus with knock-on effects for consumption, labor markets and economic recovery. Cyclical sectors (industrials, materials, commodities) and inflation protected securities (TIPS) should outperform as historic policy stimulus and economic recovery take hold.

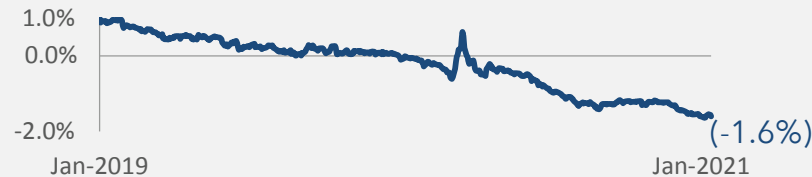
## US inflation break-evens have risen to their highest levels since 2018

10 year US breakeven inflation rate



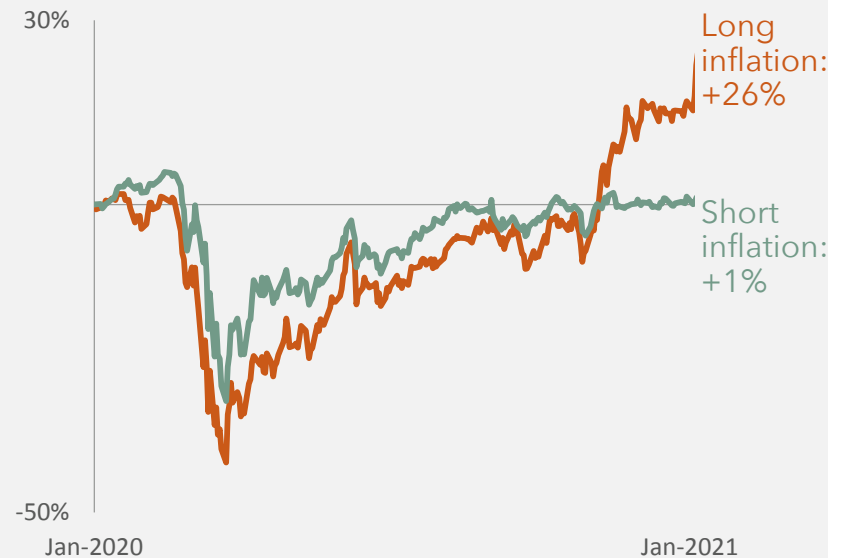
## US real rates have turned increasingly negative as inflation expectations rise

5 year TIPS yield



## US inflation expectations have increased dramatically following the US election

Citi short vs. long inflation index performance



Inflation readings in the 1H of 2021 will look artificially high due to Y/Y comparisons to early 2020. While inflation pressures are building near term through fiscal stimulus, supply chain disruptions and higher energy prices, we expect inflation to normalize to lower levels over the medium term due to pre-COVID structural headwinds as well as post-COVID economic scarring.

Source: (1-3) Bloomberg. Data as of January 18, 2021. FRED.

# 40. Reasons for Optimism

Political, economic and public health risk will remain high in 2021; however, there are numerous reasons for optimism related to upside surprises on growth, systemic stability and an acceleration of value-enhancing pre-COVID megatrends (i.e., digitization, ESG, etc.)



Multiple vaccines with > 90% efficacy



More stable outlook in global trade regime (comparatively)



Global manufacturing & industrial cycle momentum



Rapidly improving vaccine implementation rollout



Well capitalized US and global banking system



Acceleration in digitization & technology adoption



Significant global monetary and fiscal response



High US savings rate (nearly 2x avg)



Validation of more flexible & hybrid "work from home" models



Robust credit financing markets



Strong pent-up demand among consumers



Acceleration in global stakeholder capitalism (ESG)



Rates at multi-century lows



Global China & EM recovery cycle momentum



Weaker Dollar further eases financial conditions

## B. 2021 Market Outlook

"I'm sure partial to the evening. The evening and the morning. If we just didn't have to have the rest of the dern day I'd be a lot happier."

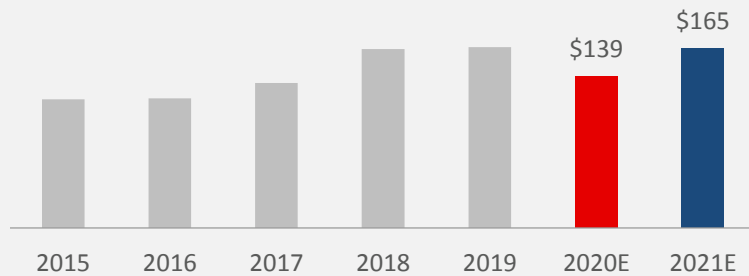
Larry McMurtry's iconic character Augustus, in his Pulitzer Prize winning western novel *Lonesome Dove* (1986)

# 41. New Market & Economic Cycle

Traditional economic and business cycle analysis must be adjusted for the systemic shock of COVID-19. Nonetheless, we are in the beginning of a new economic and market cycle, and markets will trade differently as a result (albeit with higher COVID-related uncertainty). Given elevated leverage, valuations and global risk, this new economic and market cycle may be shorter than recent expansions.

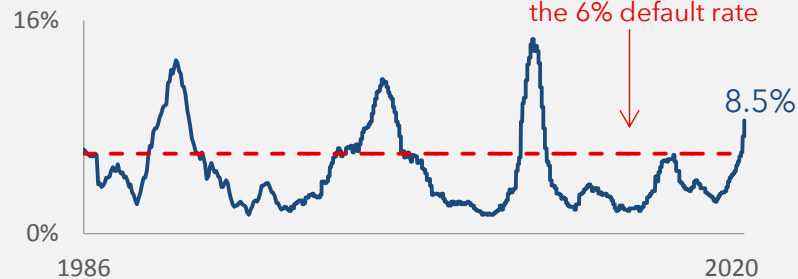
Operating profits and earnings grow rapidly at the beginning of a new market cycle

S&P 500 total EPS



Corporate default rates stabilize at the beginning of a new market and economic cycle

US speculative grade default rate



## Market attributes of current early cycle

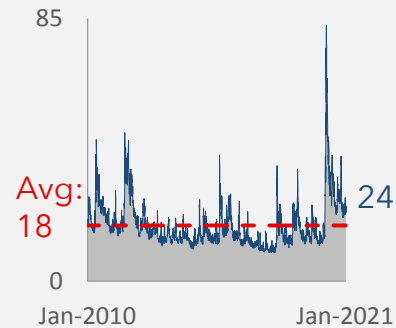
- Rising operating margins and profits
- More cyclical sectors outperform
- More cyclical equity markets outperform (Japan, EU, EM)
- (Selected) EM risk assets > DM (developed market) risk assets
- Global economic recovery > US "exceptionalism"
- Stronger value and Russell 2000 (small cap) performance
- Curve steepening
- Dollar weakening
- Credit default rates stabilizing

Source: (1) Bloomberg. (2) CreditSights (Reynolds). Trailing 12 month default rate. Data as of January 19, 2021.

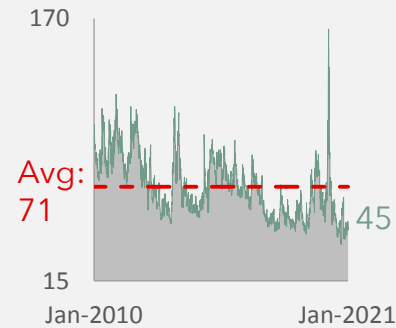
# Higher Volatility Expected in Current Cycle

We enter 2021 with elevated political, economic and public health risk. While the tailwinds are formidable (vaccine, fiscal stimulus), the year ahead will likely be characterized by higher volatility and more frequent market corrections, as increasingly evident in recent years.

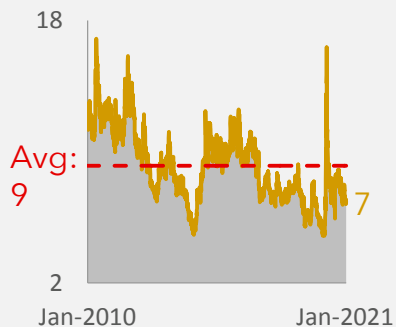
## Equity vol (VIX)



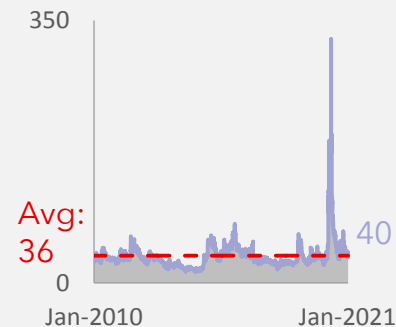
## Rates vol (MOVE)



## Currency vol (CVIX)



## Oil vol (OVX)



## Drivers of higher volatility in 2021

### Economic & Markets

- COVID economic & health recovery
- Higher sovereign & corporate leverage
- High valuations
- Rising inflation
- More frequent natural disasters (climate)

### Policy & Politics

- Declining monetary-fiscal policy toolkit
- US-China structural rivalry
- Heightened geopolitical tensions
- Political polarization; domestic unrest
- Rising populism

Source: (1-4) Bloomberg. Data as of January 18, 2021.



← 1-9  
**WALL ST**

← 60  
**BROADWAY**  
CANYON OF HEROES

# 42. Non-US Asset Outperformance

In a post-COVID recovery defined by shifting cyclical and structural tailwinds, look for non-US assets to generally outperform in the year ahead.

## The strategic case for non-US asset outperformance

- More effective virus suppression ex-US (i.e., Asia-Pacific)
- Widening valuation gap between US and non-US assets
- USD weakening eases global financial conditions
- Improved global trade regime benefitting Europe / EM
- Smoother China / EM / manufacturing / industrial cycle
- Slower pace of US buybacks expected
- Impact of expected modest increases in US corporate tax rates
- US risk assets more vulnerable to a discount rate shock



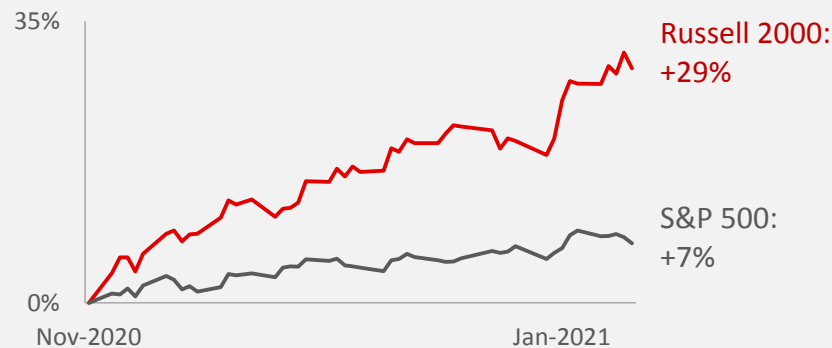
Source: (1) Source: Oxford Economics, Capital Economics, CreditSights, Deloitte, MUFG Global Markets Research.

# 43. Cyclical & Value Rotation

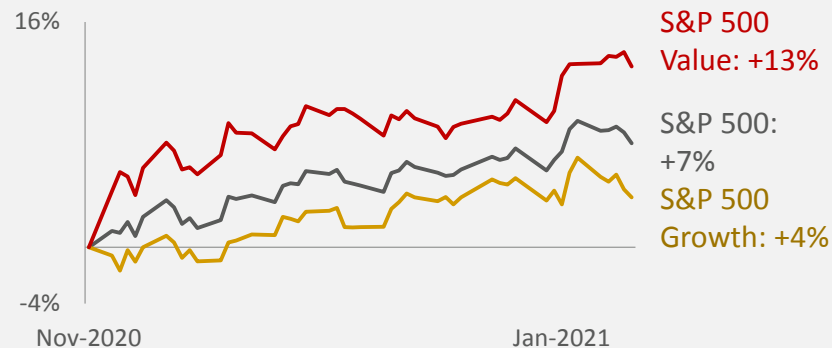
While the robust business and earnings model of big tech will remain a durable multi-year driver of market returns, the “normalization” of the economic recovery should favor continued strong performance from small caps, cyclical sectors and value stocks. While relative valuations in these sectors remain attractive, they also offer more growth (relatively) as consumers and business re-engage the economy.

## Small cap and value stocks benefiting from reflation trade

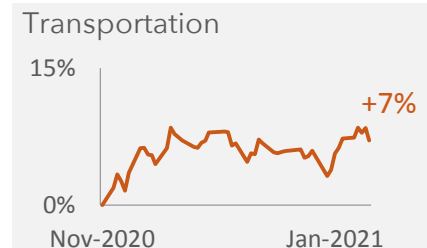
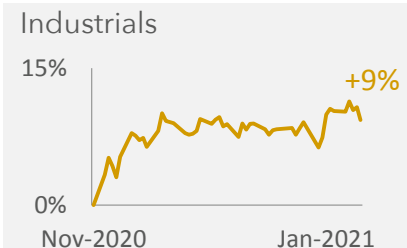
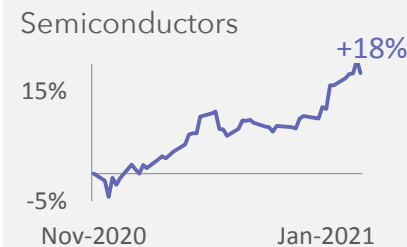
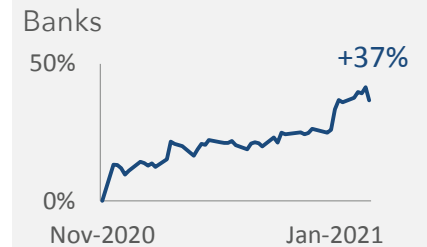
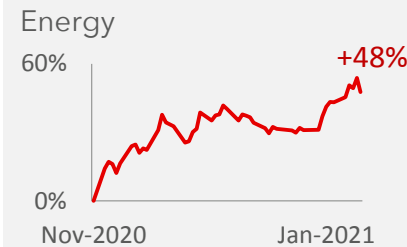
Russell 2000 vs. S&P 500 since November 9



S&P 500 Growth vs. Value since November 9



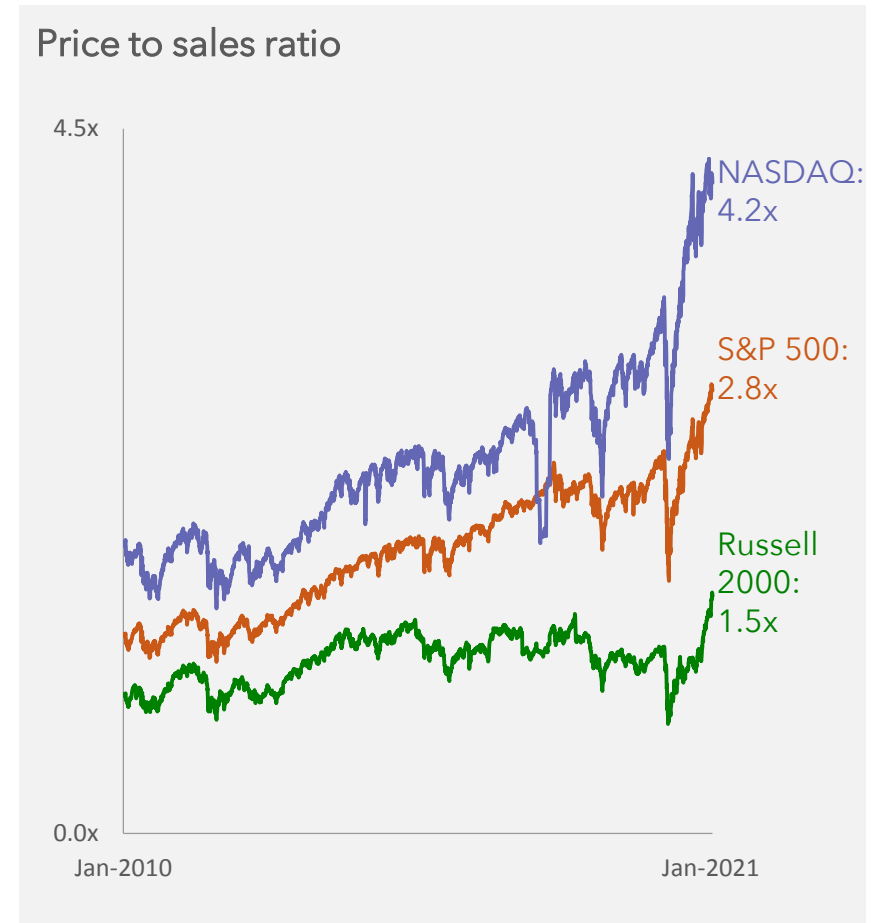
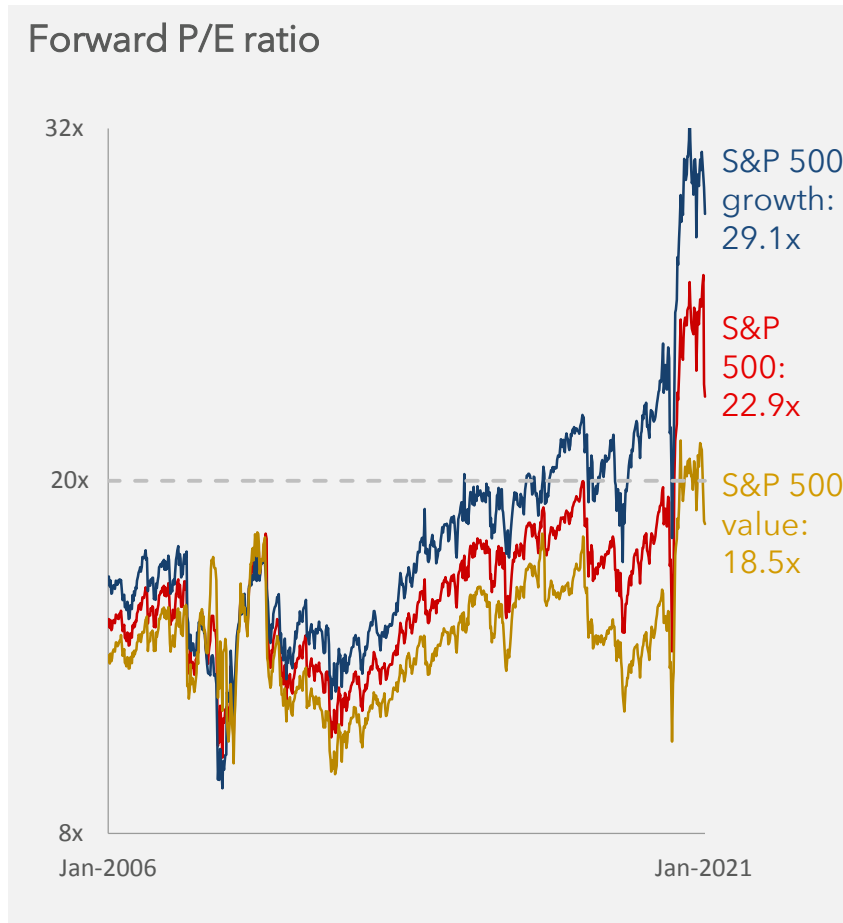
## Cyclicals have surged since November vaccine breakthroughs and the January GA Senate races



Source: (1-8) Bloomberg. Data as of January 18, 2021. All charts show change from market close on Friday, November 6, 2020.

# Attractive Relative Valuations

Having been beaten down for much of the COVID crisis, small cap, cyclical and value stocks still offer comparatively attractive valuations to higher growth and more virus resilient industries and business models



Source: (1-2) Bloomberg. Data as of January 18, 2021.



# 44. ESG's Acceleration

President Biden's election has opened up a new frontier for ESG, aligning government policy with powerful pre-existing support for ESG from companies, investors and public opinion. Look for increased focus on standardized measurement and disclosure of corporate ESG risks in the year ahead.

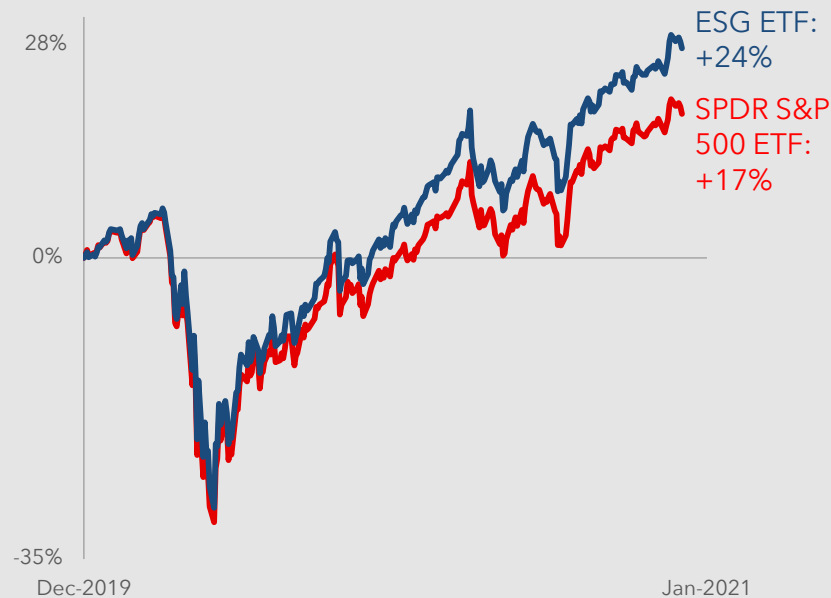


Source: Martin Whittaker, CEO of JUST Capital

# ESG's Acceleration

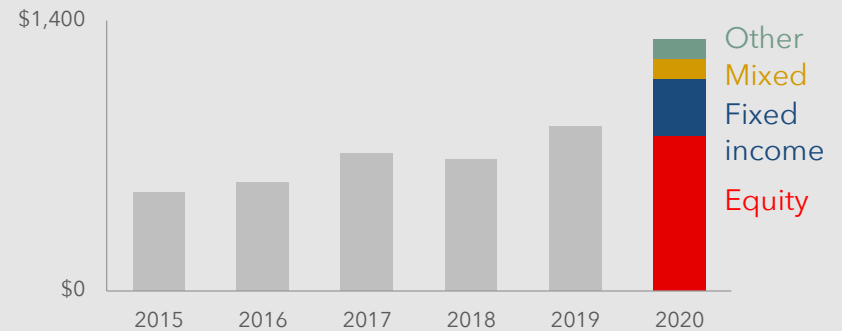
The COVID-19 crisis and recovery clearly demonstrated that ESG is not a bull market phenomenon, but rather, a long term secular growth trend with bear market resilience. Looking ahead, however, COVID-19 has also had a transformational impact on ESG and sustainability, accelerating its stronghold as a pervasive megatrend driving markets, public policy and business strategy in the years ahead.

## ESG index outperforming S&P 500

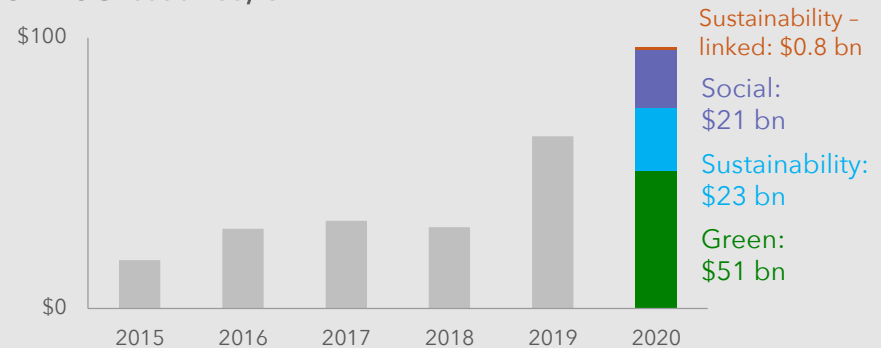


**ESG factors will play a critical role in rebuilding the post-COVID global economy**

## Global ESG AUM, USD bn



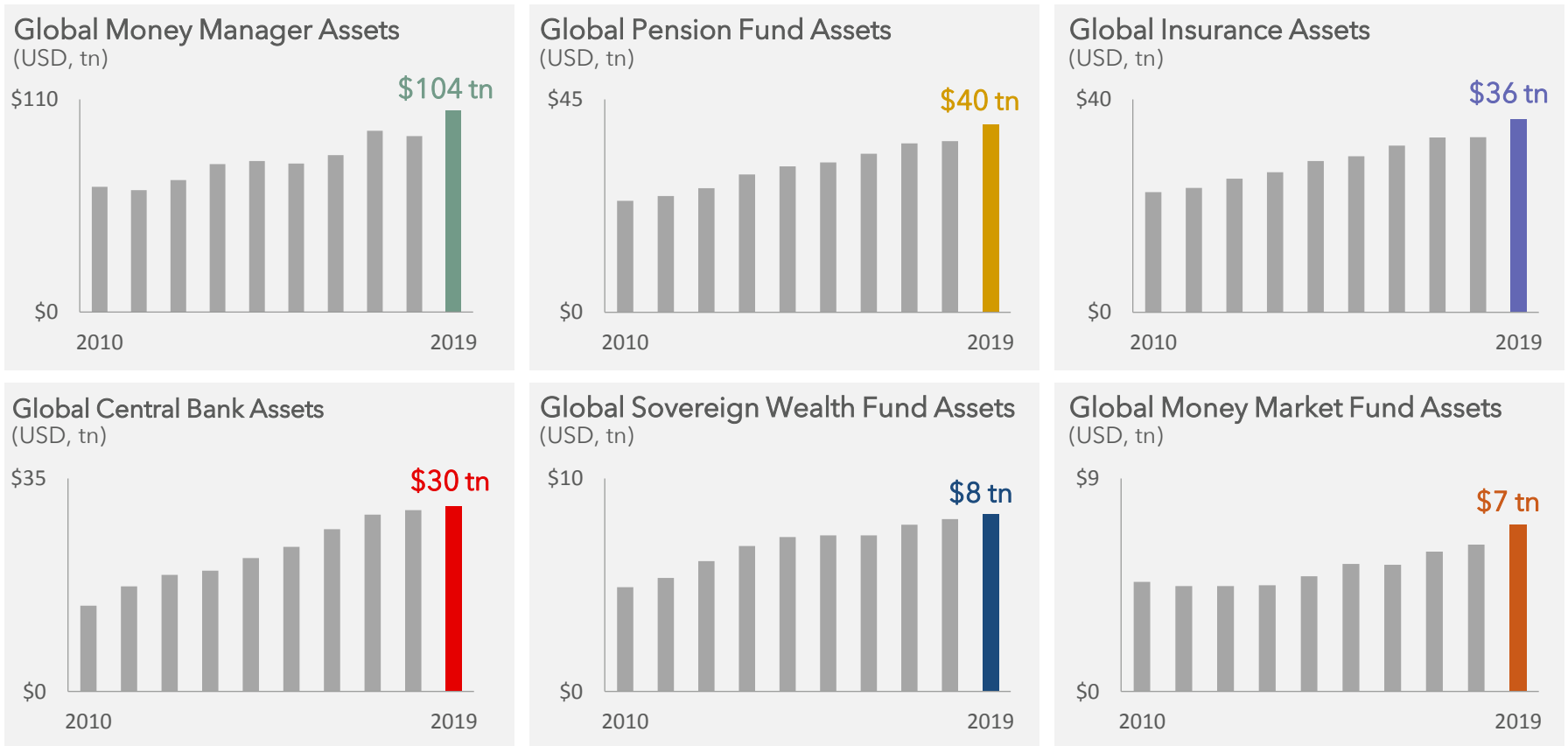
## USD ESG issuance, bn



Source: (1) Bloomberg. Data as of January 18, 2021. ESG is iShares MSCI US ESG ETF. (2) IIF. (3) MUFG Capital Markets, Sustainability & Securitized Products Group. Bloomberg. Data through November 10, 2020.

# 45. World Awash in Liquidity

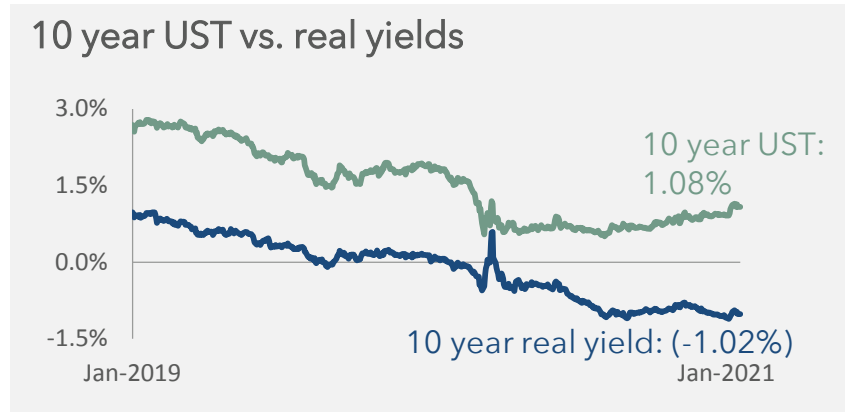
In examining the largest 500 global asset managers and the Financial Stability Board's universe of developed market economies, there are over \$200 trillion of global funds identifiable and theoretically available for investment in the financial markets. The growth of this global asset pool has built over decades of global population growth, aging demographics and a rising (and wealthier) global middle class. More recently, the extraordinary monetary easing and fiscal stimulus post the financial crisis and COVID-19 have accelerated this dynamic.



Source: (1) Willis Towers Watson. Thinking Ahead Institute. AUM for the world's 500 largest asset managers. Data as of October 2020. (2-4, 6) Financial Stability Board. Global Monitoring Report. G21 +Euro Area. National sector balance sheets, FSB calculations. (5) Statista. IE Center for governance and Change. Sovereign Wealth Funds 2019. Sovereign Wealth Funds 2020. 2019 Data as of September 2019.

# 46. Technical Bid for Yield

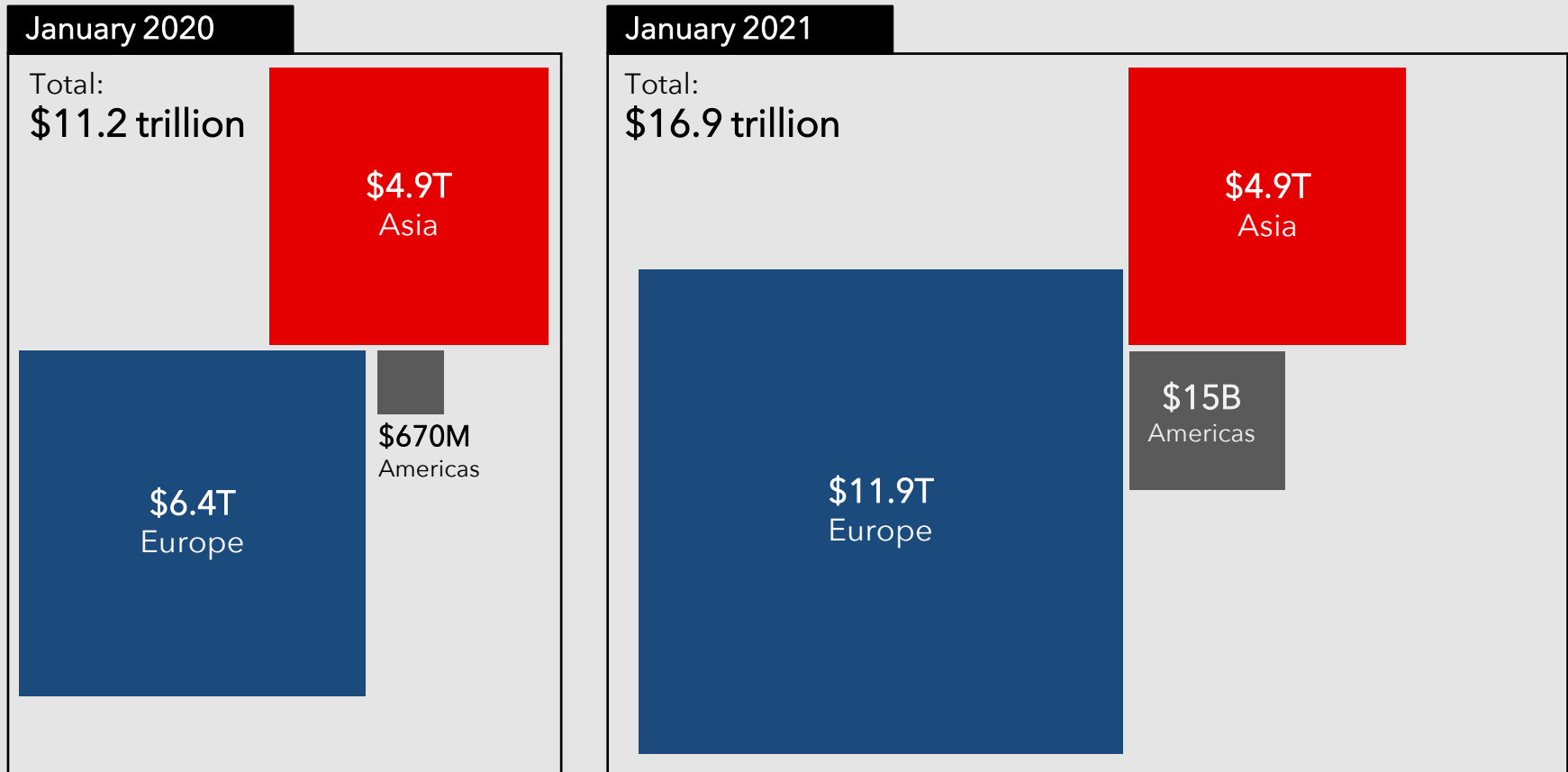
As with other key global trends, COVID-19 (and related policy response) has accelerated the global technical bid for yield, while simultaneously increasing inflation expectations. Notably, real yields in UST markets have declined precipitously to negative 1% area, and average USD IG bond yields have dropped below inflation expectations for the first time ever.



Source: (1-3) Bloomberg. Data as of January 18, 2021.

# Negative Yielding Securities

Global government and corporate negative yielding debt outstanding is now nearly \$17 trillion, surpassing prior record levels reached in 2019. Government debt is negative out the entire curve in Germany, Switzerland, the Netherlands, Denmark and Finland. With benchmark policy rates expected to remain in negative territory, the global search for yield theme of the last decade has become even more pronounced.

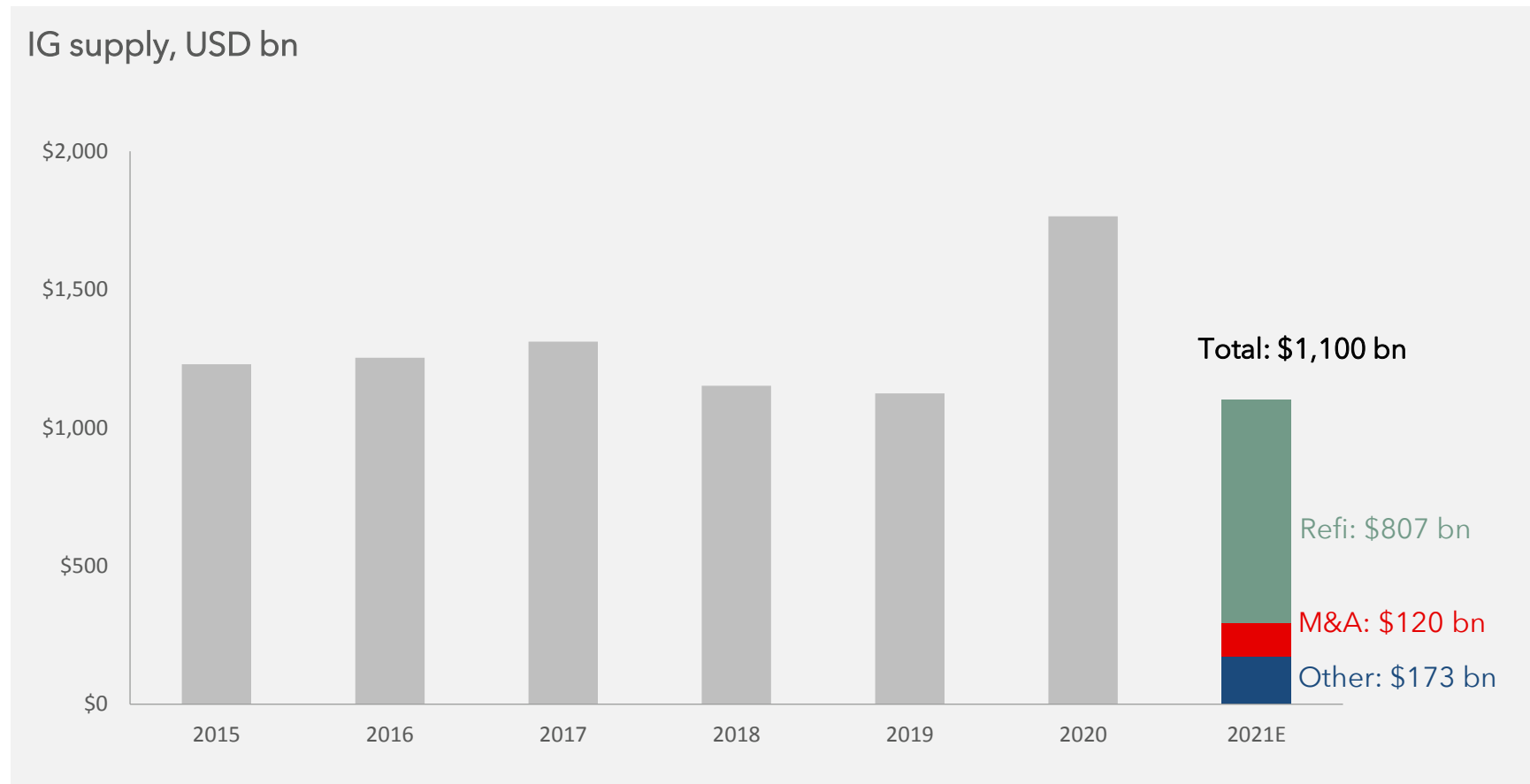


Source: (1) Bloomberg. Data as of January 18, 2021. Negative yielding securities is from members of the Bloomberg Barclays Global Aggregate Negative Yielding Debt index.



# 47. Robust USD Credit Markets

After a record \$1.8 trillion of USD investment grade credit issuance in 2020, MUFG's IG DCM team expects 2021 supply to return to the more normalized levels of 2018 and 2019. Of the expected \$1.1 trillion of issuance forecasted for the year, approximately \$800 bn is expected to be driven by corporate refinancing leaving overall supply-demand dynamic in favor of issuers.

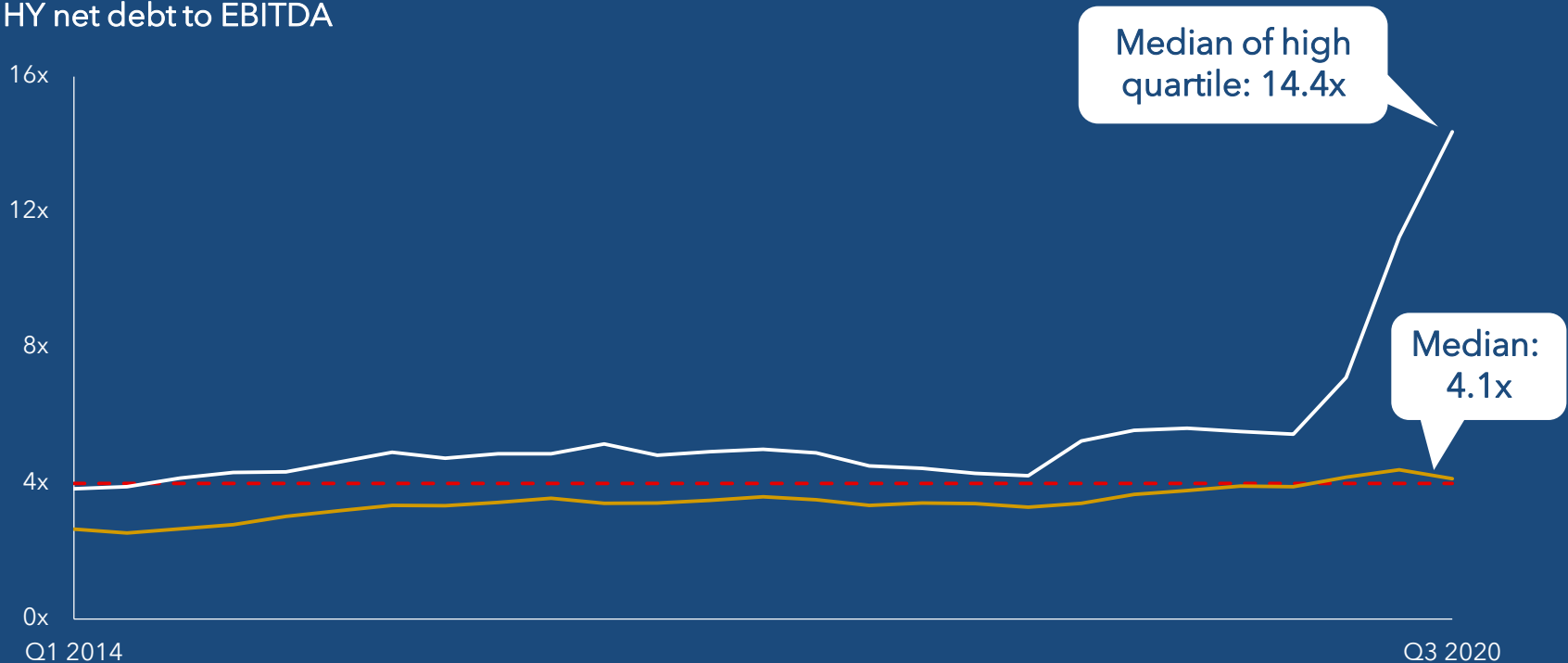


Source: (1) MUFG, Bloomberg (USD Investment Grade rated maturities, excludes Sovereigns, Government Agencies / Regionals, Supranational, Government Development Banks, Winding Up Agencies, Central and Local Government), CreditSights (Reynolds).

# Fundamentals Remain Solid Despite COVID Challenges

COVID-19 and coinciding restrictions have placed enormous top line pressure on certain segments of the market causing leverage in these areas (leisure, retail, energy, restaurants) to dramatically increase over the course of 2020. However, leverage levels for the overall HY and IG markets remains manageable, particularly with funding rates still at historically low levels. While corporate default rates have risen to 8.5% and some parts of the market will see continued pressure in 2021, overall fundamentals for the market remain quite strong.

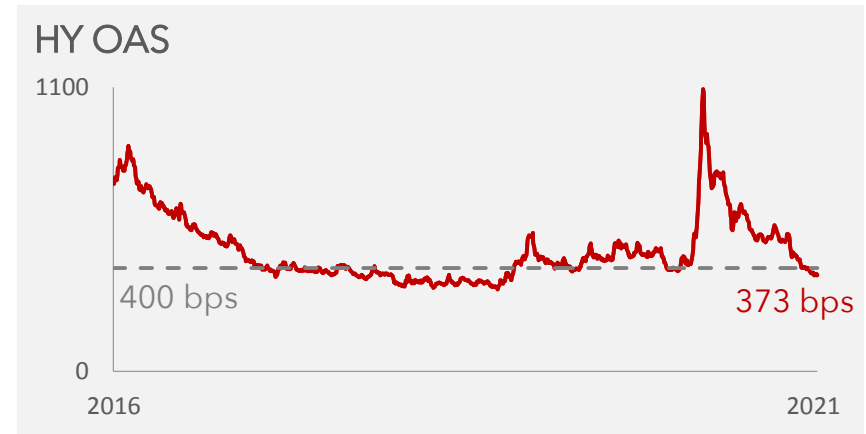
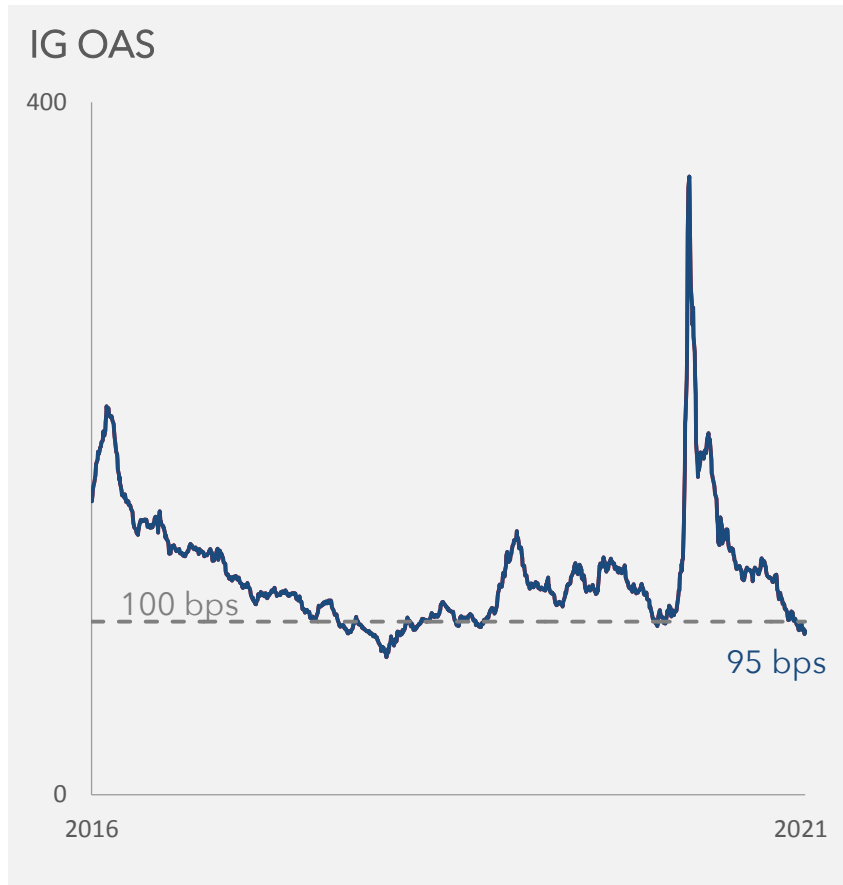
## HY net debt to EBITDA



Source: (1-2) CreditSights, (Reynolds, Chun. Data as of January 19, 2021.

# Further USD Credit Spread Compression

Even with spreads back to historically tight levels, a very strong fundamental and technical backdrop (vaccine, fiscal stimulus) could drive USD credit spreads even tighter as the year progresses. While HY spreads will be more vulnerable to episodic volatility in the months ahead, look for HY to outperform IG in the latter half of the year as economic normalization advances.



Source: (1-3) Bloomberg. Data as of January 18, 2021. CreditSights (Reynolds).

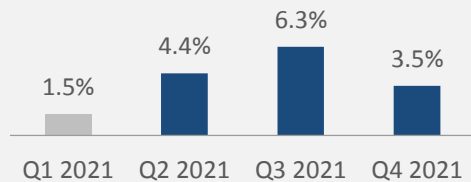
# 48. Yield Curve Steepening

MUFG's US rates strategist, John Herrmann, expects 10yr UST yields to rise as much as 58 bps in 2021 as a result of rising inflation, a strong economic recovery in the back half of 2021 and a desire for market participants to get ahead of potentially sooner than expected QE taper announcements. With the front end anchored by Fed Funds at 0%, MUFG expects the 2s-30s curve to steepen to over 200bps.

## Economic Factors Impacting Curve Steepening:

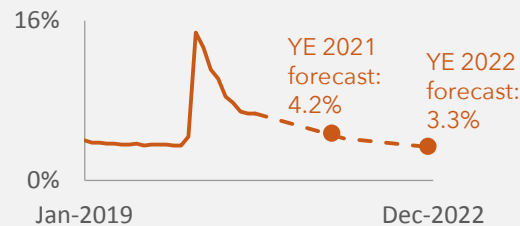
US economy may fully recover by end of 2021

US GDP growth forecast, q/q annualized



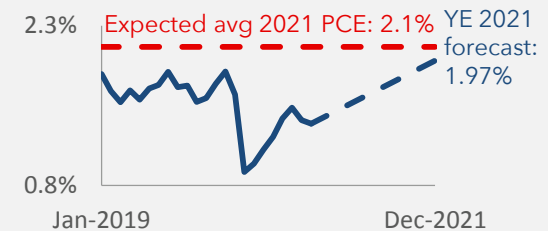
Unemployment rate expected to decline with 2H economic recovery

U3 unemployment rate



Inflation expected to rise as vaccine distribution increases

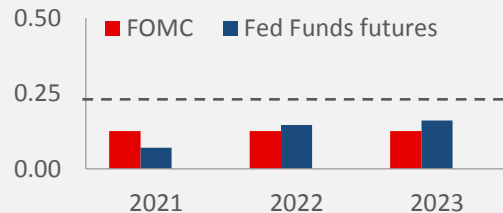
Core PCE



## Technical Factors Impacting Curve Steepening:

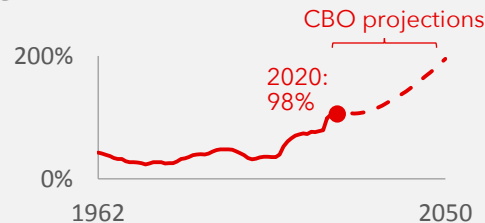
Front end anchored with fed funds rate at 0

Fed Funds rates expectations, bps



Long end rising with deficits and UST supply

US federal debt held by the public, % GDP



Potentially sooner than expected taper announcement

10 year UST

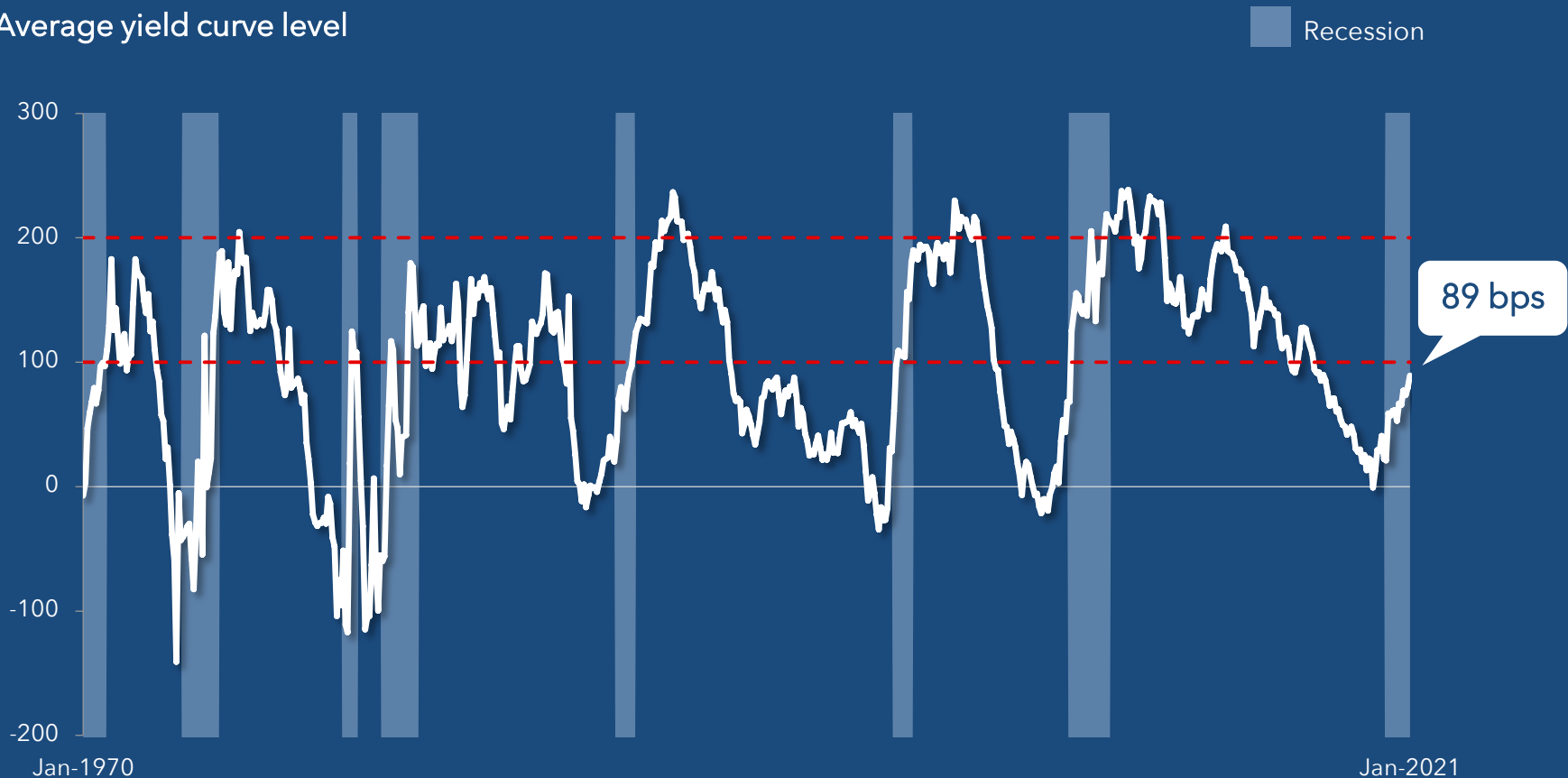


Source: (1) Oxford Economics. (2-4,6) Bloomberg. Data as of January 18, 2021. (5) CBO. Budget Projections. September 2020.

# Yield Curve Steepening Tends to Last

Historically, the yield curve tends to move 100 – 200 bps during a typical steepening cycle, implying more room to run in the current steepening trend

## Average yield curve level



Source: (1) Bloomberg. Data as of January 18, 2021. Scotiabank GBM Portfolio Strategy. NBER. Federal Reserve. Yield curve average is looking at all yield curve combinations between 3M, 2yr, 5yr, 10yr and 30yr UST yields.

# 2021 US Rates Forecasts

John Herrmann, MUFG's US rates strategist, recently revised his longer term (10 and 30 year) UST yield forecasts higher on the back of a stronger US economic recovery than previously anticipated

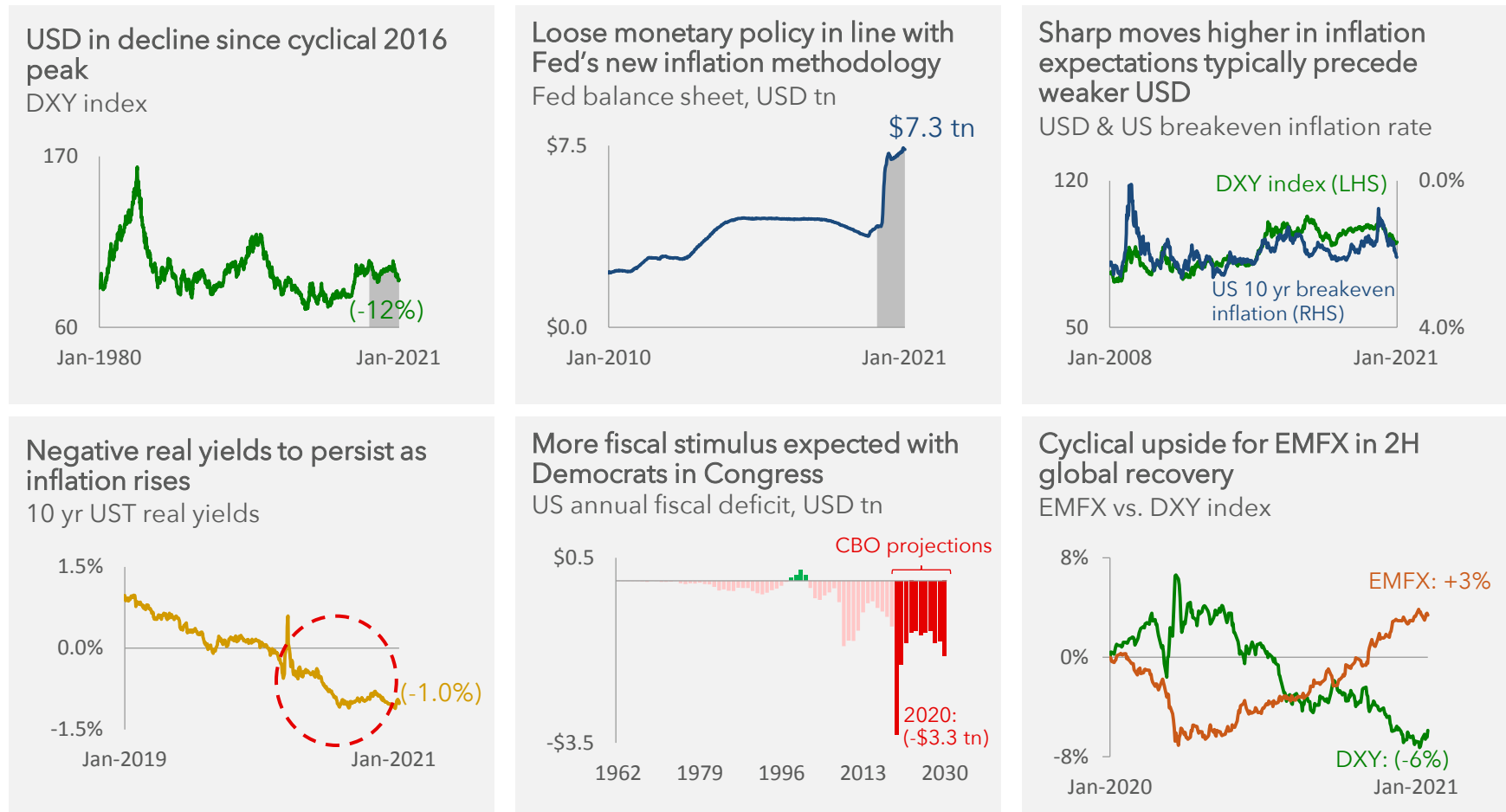
## US Rates Forecast

	Spot (1/18)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
1 year UST	0.10%	0.12%	0.16%	0.20%	0.23%
2 year UST	0.13%	0.18%	0.23%	0.29%	0.34%
3 year UST	0.20%	0.28%	0.37%	0.46%	0.53%
5 year UST	0.45%	0.55%	0.67%	0.83%	0.94%
10 year UST	1.08%	1.22%	1.39%	1.64%	1.80%
30 year UST	1.83%	1.94%	2.12%	2.29%	2.40%

Source: (1) MUFG Rates Strategy "2021 Year Ahead Outlook - Summary" (John Herrmann). January 14, 2021.

# 49. Dollar Depreciation

Derek Halpenny, MUFG's Head of Global Markets Research, expects further depreciation of the US dollar in 2021, though at a more moderate pace than the 6.7% decline in 2020 (i.e., 4-5% decline)



Source: (1-4, 6) Bloomberg. Data as of January 18, 2021. (5) CBO. Budget Projections. September 2020.

# 2021 Currency Forecasts

Derek Halpenny, MUFG's Head of Global Markets Research, is forecasting US Dollar depreciation against most major currency pairs in the year ahead

## FX Forecasts

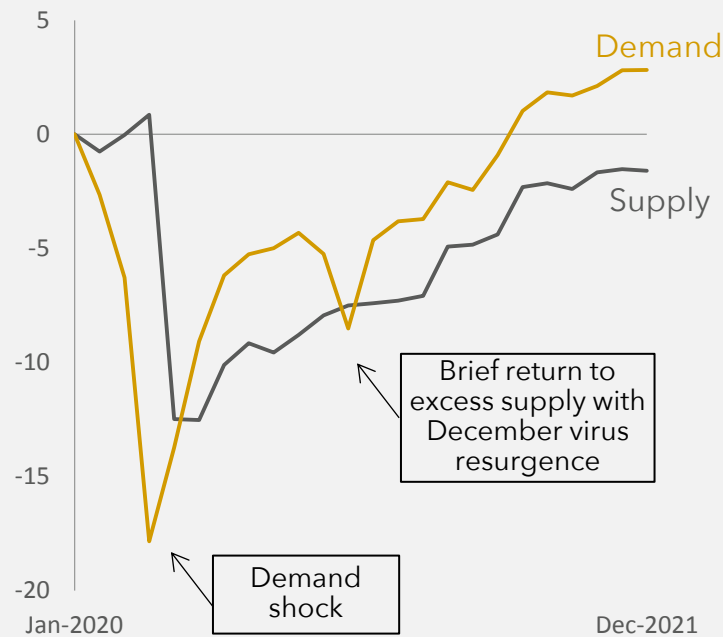
Currency pair	Spot (1/18)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
EUR / USD	1.21	1.23	1.24	1.26	1.28
GBP / USD	1.36	1.34	1.35	1.38	1.40
USD / JPY	104	102	101	100	98
USD / CNY	6.49	6.40	6.35	6.30	6.25
AUD / USD	0.77	0.78	0.79	0.80	0.81
NZD / USD	0.71	0.73	0.74	0.75	0.76
USD / CAD	1.28	1.27	1.26	1.25	1.24
USD / NOK	8.60	8.42	8.27	8.06	7.85
USD / SEK	8.39	8.13	8.02	7.86	7.70
USD / CHF	0.89	0.88	0.88	0.87	0.86
USD / MXN	19.73	19.75	19.65	19.50	19.45
USD / BRL	5.24	5.40	5.30	5.22	5.10

Source: (1) MUFG Foreign Exchange Outlook. January 2021.

# 50. Higher Equilibrium for Oil

MUFG's Head of EM Research & Strategy, Ehsan Khoman, maintains an above consensus outlook for 2021 oil prices on a markedly improved macro backdrop driven by supply-demand rebalancing (COVID recovery), dollar weakness and a more predictable global trade regime. Similar to other markets, however, near and medium term risks to this view remain elevated.

Global oil demand & supply change since Jan 2020, million B/D



## Key Drivers of Higher Equilibrium

- Rebalancing fundamentals (demand recovery, inventory declines)
- Backwardation signaling supply tightness
- Improved global trade regime (Biden "tone shift")
- US Dollar depreciation (Biden policy reinforces)
- January 2021 Saudi production cut
- US shale production discipline (low investment in long lead-time projects)

## Key Risks to Monitor

- Unilateral Saudi cuts point to limited OPEC cohesion
- Spot prices moving ahead of fundamentals; positioning very long
- COVID risk (vaccine rollout, mutation risk)
- US shale and non-OPEC production as prices rise
- Iranian supply if Biden re-engagement proceeds rapidly

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
<b>Brent</b>	\$51	\$57	\$59	\$64
<b>WTI</b>	\$47	\$54	\$56	\$61

Source: (1) Source: Bloomberg. Data as of January 18, 2021. EIA, IEA, OPEC, MUFG Research (Ehsan Khoman). Deep Basin Capital (Kobi Platt, Jeremy Saunders). Oil forecast are for quarter end.

Appendix:  
2020: In Memoriam

# 2020: In Memoriam

"Fight for the things that you care about,  
but do it in a way that will lead others to join you."

Justice Ruth Bader Ginsburg, Supreme Court Associate Justice (1933-2020)

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## Alex Trebek

Longtime host of "Jeopardy!" (1940-2020)

## Little Richard

Musician & "architect of rock and roll" (1932-2020)

## Lisel Mueller

Award winning poet (1924-2020)

## John Lewis

US Congressman & civil rights leader (1940-2020)

## Regis Philbin

American TV personality (1931-2020)

## Joe Coulombe

Trader Joe's founder (1930-2020)

## Kobe Bryant

NBA Hall of Fame basketball player (1978-2020)

## Mary Higgins Clark

American bestselling author (1927-2020)

## Mickey Wright

Hall of Fame female golfer (1935-2020)

## Chadwick Boseman

American actor (1976-2020)

## Jerry Stiller

American comedian, actor and author (1927-2020)

## Zoe Caldwell

Tony award winning actor (1933-2020)

## Kirk Douglas

3x Academy Award nominated actor (1916-2020)

## David Stern

Transformative NBA commissioner (1942-2020)

## Sy Sperling

Founder, Hair Club for Men (1941-2020)

## Katherine Johnson

NASA mathematician (1918-2020)

## Nick Cordero

Tony award winning Broadway actor (1978-2020)

## Charles Portis

"True Grit" author (1933-2020)

---

"Sometimes a week might go by when I don't think about the (perfect) game,  
but I don't remember when it happened last."

Don Larsen, MLB Hall of Fame Pitcher (1929-2020)

# 2020: In Memoriam

"There's always a germ of truth  
in just about everything."

**Jim Lehrer, Longtime PBS Anchor (1934-2020)**

---

"The funny thing about history is that we  
imagine that people didn't laugh in the old  
days, but of course they did, at stupid things."

**Terry Jones, Monty Python Founding Comedian  
(1942-2020)**

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"Playing a three-hour Rush show is like running  
a marathon while solving equations."

**Neil Peart, Canadian Musician, Rush Band Member (1952-2020)**

---

"Life is not fair, so why should I  
make a course that is fair."

**Pete Dye, Acclaimed Golf Course Designer (1925-2020)**

**Katsuya Nomura**

Japanese Hall of Fame baseball player (1935-2020)

**Stanley Cohen**

Nobel Prize-winning biochemist (1922-2020)

**Deborah Batts**

First openly gay US federal judge (1947-2020)

**Daniel arap Moi**

Former Kenyan President (1924-2020)

**Joseph E. Lowery**

American civil rights leader (1921-2020)

**John Sears**

American attorney and Republican political strategist  
(1940-2020)

**Richard Reeves**

American Presidential author and columnist  
(1936-2020)

**Fred "Curly" Neal**

Acclaimed Harlem Globetrotter (1942-2020)

**Kenny Rogers**

Country Music Hall of Fame musician (1938-2020)

**Betsy Byars**

Award-winning American children's author  
(1928-2020)

# 2020: In Memoriam

“Language can only deal meaningfully with a special, restricted segment of reality. The rest, and it is presumably the much larger part, is silence.”

George Steiner, Prodigious Franco-American literary critic (1929-2020)

“We need real leadership, Democrat, Republican and independent to stand up and say, we have to live within our means.”

Tom Coburn, Former US Senator (R-OK) (1948-2020)

## Ernesto Cardenal

Nicaraguan priest, poet and revolutionary  
(1925-2020)

## Nina Balducci

Founder, Balducci's gourmet grocery store  
(1928-2020)

## Willie Davis

Green Bay Packers Hall of Famer (1934-2020)

## Bill Withers

Grammy award winning US musician (1938-2020)

## Margaret Maughan

Gold medalist Paralympic athlete (1928-2020)

“Willingness to change is a strength, even if it means plunging part of the company into total confusion for a while.”

Jack Welch, Former General Electric CEO (1935-2020)

## Stanley Ho

Hong Kong-Macau billionaire casino businessman  
(1921-2020)

## Bob Watson

2nd African American MLB GM, first to win a World Series (1946-2020)

## Fred Willard

Emmy-winning comic (1933-2020)

## Roy Horn

Siegfried & Roy co-founder (1944-2020)

## Denis Goldberg

South African anti-apartheid activist (1933-2020)

# 2020: In Memoriam

"If everything is under control you are just not driving fast enough."

**Stirling Moss, Hall of Fame British Formula One Racecar Driver (1929-2020)**

---

"In my prime I could have handled Michael Jordan. Of course, he would be only 12 years old."

**Jerry Sloan, Hall of fame NBA Player and Coach (1942-2020)**

---

"An idea can be as flawless as can be, but its execution will always be full of mistakes."

**Brent Scowcroft, American statesman & 2-time US National Security Advisor (1925-2020)**

## Satish Gujral

Acclaimed Indian artist (1925-2020)

## Don Shula

Winningest NFL coach (1930-2020)

## Takuo Aoyagi

Inventor of the pulse oximeter (1936-2020)

## Carl Reiner

American actor (1922-2020)

## Li Zhenheng

Photographed China's Cultural Revolution (1940-2020)

## Herman Cain

Former CEO and US Presidential candidate (1945-2020)

## Olivia de Havilland

Star of "Gone With the Wind" (1916-2020)

## Charles Evers

American civil rights leader (1922-2020)

## Kelly Preston

American actress (1962-2020)

## Jack Charlton

English soccer star, coach and World Cup winner (1935-2020)

## Hugh Downs

Acclaimed American TV broadcaster (1921-2020)

## Sumner Redstone

American billionaire businessman and media magnate (1923-2020)

## Florence Howe

Leader of the contemporary feminist movement (1929-2020)

## Lillian Brown

Makeup artist to nine presidents (1914-2020)

## Winston Groom

Author of "Forrest Gump" (1943-2020)

## Gale Sayers

Hall of Fame NFL running back (1943-2020)

## George Bizos

Mandela anti-apartheid lawyer (1927-2020)

## Sean Connery

Academy Award winning Scottish actor (1930-2020)

## David N. Dinkins

New York's first African American Mayor (1927-2020)

# 2020: In Memoriam

"A desk is a dangerous place from which to view the world."

John le Carré, Former British Intelligence Turned Espionage Writer (1931-2020)

---

## Li Wenliang

Chinese doctor, early COVID-19 whistleblower  
(1986-2020)

## Chuck Yeager

Pilot, first to break the sound barrier in level flight  
(1923-2020)

## David Prowse

Original Darth Vader in the Star Wars trilogy  
(1935-2020)

## Diego Maradona

Legendary Argentine soccer star (1960-2020)

## Pat Quinn

ALS hero and philanthropist (1983-2020)

## Ronald "Khalis" Bell

Kool & the Gang co-founder (1951-2020)

## Konrad Steffen

Glaciologist who sounded the alarm on climate  
change (1952-2020)

## Kansai Yamamoto

Acclaimed Japanese fashion designer (1944-2020)

## Astrid Kirchherr

Acclaimed Beatle's photographer (1938-2020)

## Matty Simmons

American film producer & former CEO of 21st  
Century Communications (1926-2020)

## Lee Hyo-jae

Women's rights champion in South Korea  
(1924-2020)

## Phil Niekro

Hall of Fame MLB Pitcher (1939-2020)

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"Rock stars come and go. Musicians play until they die."

Eddie Van Halen, Acclaimed Guitarist, Van Halen Co-founder (1955-2020)

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"The issue of poverty is not a statistical issue. It is a human issue."

James Wolfensohn, Two Term World Bank President (1933-2020)

# Appendix: 2021: Key Dates to Watch

# Key Dates in 2021



January 3	US 117 <sup>th</sup> Congress Convenes
January 5	Georgia Runoff Election
January 6	Certification of the 2020 US Electoral College results
January 20	US Presidential Inauguration
January 25-29	Virtual Davos Economic Forum
February 2021	President Biden's first State of the Union address (date TBD)
February 1	Statutory deadline for president to submit budget proposal to Congress
February 12	Chinese New Year (Year of the Ox)
April 9-11	IMF / World Bank Annual Spring Meeting in Washington, D.C.
April 29 - May 5	Japan's Golden Week
May 17-30	UN Convention on Biological Diversity COP <sub>15</sub> in Kunming, China
May 21	G20 Global Health Summit in Italy
May 25-28	2021 World Economic Forum Special Annual Meeting, Singapore
TBD	WTO 12 <sup>th</sup> Ministerial Conference in Nur-Sultan, Kazakhstan

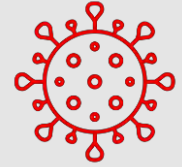
Summer	G7 Summit in the UK (date TBD)
July 23 - August 8	2020 Summer Olympics in Tokyo Japan
August	Non-Proliferation of Nuclear Weapons Treaty (NPT) Review Conference in New York (date TBD)
August 1	US debt limit comes back into effect
September 14-30	UN General Assembly in New York
October 1	US Government fiscal 2022 year begins (new budget reconciliation bill)
October 2021 - March 2022	Expo 2020 in Dubai
October 15-17	IMF / World Bank Annual Meeting in Washington, D.C.
October 30-31	G20 Summit in Rome, Italy
November 1-12	UN Climate Change Conference in Glasgow, Scotland
TBD	NATO Leaders Summit in Brussels
TBD	US-EU Summit in Brussels
TBD	Summit for Democracy in Wash., D.C.
TBD	WTO 12 <sup>th</sup> Ministerial Conference in Nur-Sultan, Kazakhstan

# Notable Elections in 2021



Jan 10	Kyrgyzstan Presidential election	Apr 09	Samoa General election	Sep 05	Hong Kong Legislative election
Jan 10	Kazakhstan Parliamentary election	Apr 10	Chad Presidential election	Sep 13	Norway Parliamentary election
Jan 14	Uganda Presidential & Parliamentary elections	Apr 11	Peru Presidential & Congressional elections	Sep 19	Russia Legislative election
Jan 24	Portugal Presidential election	Apr 18	Finland Municipal election	Sep 26	Germany Federal election (First in 15 years without Chancellor Angela Merkel)
Feb 07	Ecuador Presidential & Parliamentary elections	Apr 25	Albania Parliamentary election	Oct 20	Bulgaria Presidential election
Feb 08	Somalia Presidential election	May 06	Wales Parliamentary election	Oct 22	Japan House of Representatives election
Feb 21	Niger Presidential election	May 06	Scotland Parliamentary election	Oct 23	Chad Legislative election
Feb 28	El Salvador Legislative & Municipal elections	Jun 05	Ethiopia General election	Nov TBD	Chile Presidential & Congressional elections
Mar 17	Netherlands General election	Jun 06	Iraq Parliamentary election	Nov TBD	Honduras Presidential & Parliamentary elections
Mar 23	Israel Knesset election	Jun 06	Mexico Gubernatorial & Legislative elections	Nov 07	Nicaragua Presidential & Parliamentary elections
Mar 28	Bulgaria Parliamentary election	Jun 18	Iran Presidential election	Dec 04	The Gambia Presidential election
Apr TBD	Kosovo Presidential election	Jun 18	Israel Presidential election		

# Key 2021 Deadlines in US COVID Relief Programs



Jan 8	Expiration of Fed's Main Street Lending Program
Jan 9	Unused ESF funds in Fed programs rescinded
Jan 31	Extended eviction moratorium deadline
Jan 31	Student loan repayment and interest accrual suspension expires
Mar 14	Extended deadline for emergency unemployment benefits
Mar 31	Extended deadline for Paycheck Protection Program (PPP) loans
Mar 31	Expiration of extended credits for paid sick and family leave
Mar 31	Expiration of suspended automatic Medicare payment cuts to hospitals and doctors
Mar 31	Airlines accepting COVID-19 relief funds cannot reduce pay rates or benefits or furlough employees through this date
Jun 30	Expiration of expanded SNAP benefits
Jul 1	Employee retention tax credit expires
Sep 30	Deadline for expanded guarantees on SBA 7(a) loans
Dec 31	Expiration of expanded SBA Economic Injury Disaster Loan (EIDL) program
Dec 31	Extended deadline for deferred payroll taxes
Dec 31	Deadline for covered expenses under the initial grants for live venues
Dec 31	Deadline for claims on unbudgeted COVID-19 emergency expenses by state and local governments

Source: (1) Amended HR 133. Bloomberg Government "Coronavirus Aid Package in Amended H.R. 133".

# MUFG Acknowledgements



## Government & Regulatory Affairs

Roger Blissett, Head of Government & Regulatory Affairs for the Americas

Roger Hollingsworth, Head of US Government Affairs

## Global Markets Research

Derek Halpenny, Head of Research, Global Markets EMEA & International Securities

John Herrmann, Rates Strategist

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## Strategy, Corporate Communications & Brand Management

Naomi Saffra, Strategy & Business Operations

Lee Linderman, Corporate Meetings & Events, Corporate Communications

Louis Mitchell, Senior Marketing Strategist, Corporate Marketing

Gail Ives, TBA Sales Enablement

Yuiko Tanaka Cervantes, Brand Management

# External Expertise

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Tom Joyce is a Managing Director and Capital Markets Strategist within MUFG's global capital markets and investment banking business. Based in New York, Tom heads a team that creates customized analytical content for multi-national US corporates and Fortune 500 companies. His team provides in depth analysis on the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Tom has 25 years of Investment Banking experience in New York, London, Hong Kong, and San Francisco. Over the last 15 years, Tom created and built the Capital Markets Strategy role, the only position of its kind on Wall Street.

Tom's educational background includes a year of study at Oxford University from 1991 - 1992, a Bachelor of Arts in Political Science from Holy Cross College in 1993, and a MBA from Kellogg Business School, Northwestern University in 2000.

Tom resides in New Canaan, CT with his wife and four sons, where he serves on the Board of Trustees of the New Canaan Library, and the Board of the New Canaan Football (Soccer) Club. He also coaches youth soccer, basketball and lacrosse.

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Hailey has nearly a decade of Wall Street experience, including three years as a Consumer Sector Specialist in Equity Sales and seven years as a Capital Markets Strategist. Hailey is also a member of MUFG's Inclusion & Diversity Council and has devoted years to participating in and developing Wall Street recruiting programs.

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# Recent Publications

December 2020



November 2020



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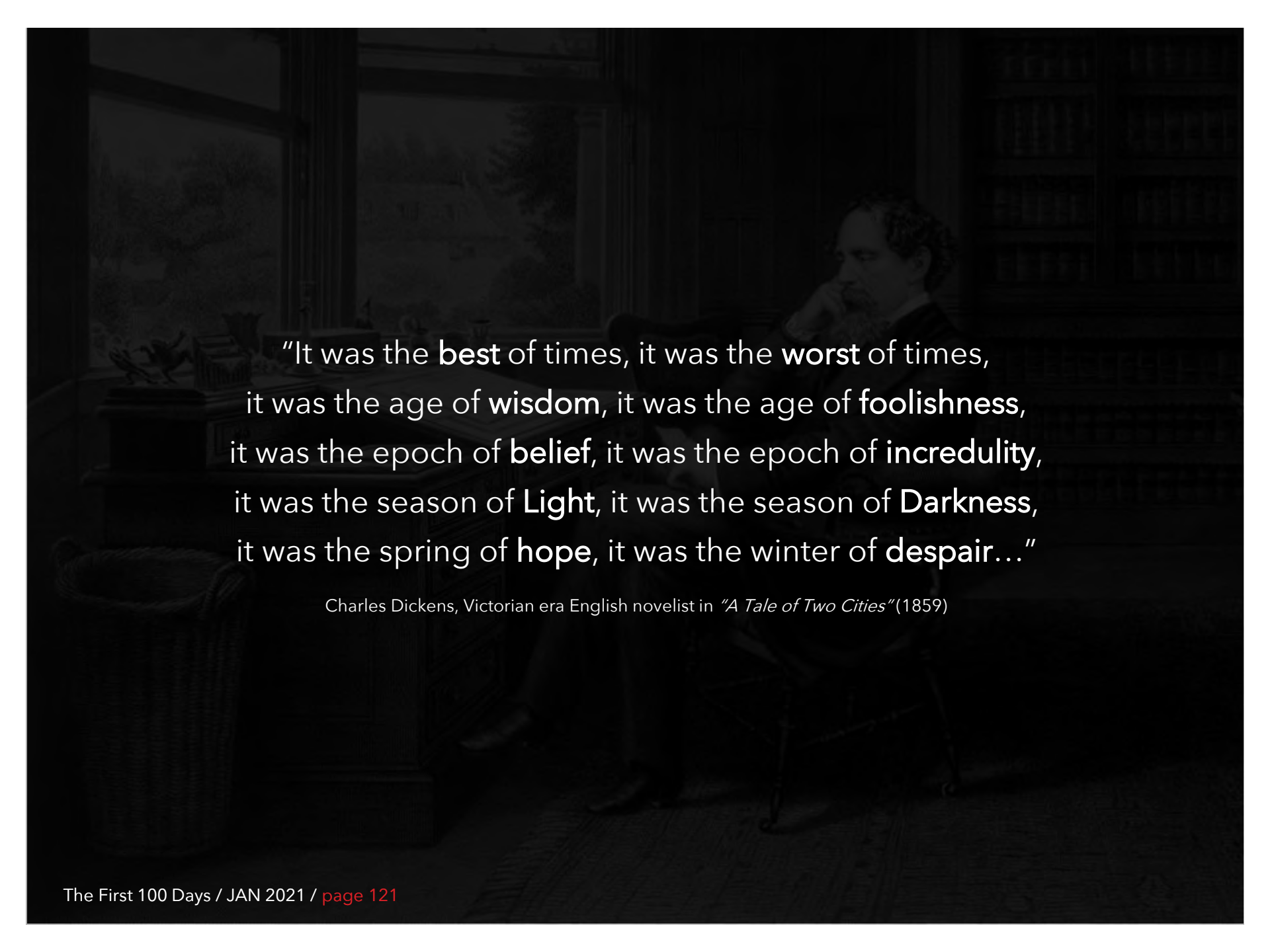
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A dark, atmospheric photograph of a man sitting at a desk in a study, with a bookshelf in the background. The man is looking down, and the scene is dimly lit, creating a somber and reflective mood.

"It was the **best** of times, it was the **worst** of times,  
it was the age of **wisdom**, it was the age of **foolishness**,  
it was the epoch of **belief**, it was the epoch of **incredulity**,  
it was the season of **Light**, it was the season of **Darkness**,  
it was the spring of **hope**, it was the winter of **despair**..."

Charles Dickens, Victorian era English novelist in "*A Tale of Two Cities*" (1859)