

U.S. Equity Strategy Navigator

September 2021

Strategy | Economics and Strategy

S&P 500 to 5000 by Year-End 2022

Last month, we initiated our 2022 S&P 500 price target of 5000, representing 10.6% upside from current levels. We also raised our 2021-22 EPS estimates to \$210 from \$200 and \$230 from \$215. Our 2022 EPS estimate assumes \$10 of tax drag.

Market Continues to Hit New Highs

The S&P 500 is up 29% over the past year (31% including dividends), on pace for a record 80 all-time highs. Leadership has been less steady; however, with Growth, TECH+ and Non-Cyclicals rotating into favor at the expense of Value, Small-Caps and Cyclicals. Despite these stellar returns, P/E multiples continue to contract, as stock prices lag very strong EPS growth.

Cyclicals Experiencing Strongest Revisions and Are Most Attractively Valued

Earnings estimates continue to improve for all styles and sectors, with Cyclicals experiencing the largest revenue and margin revisions for both 2021-22. Financials, the second strongest group in 2021, are expected to experience the greatest deterioration in profit growth in 2022. While TECH+ appears expensive, Cyclicals, Non-Cyclicals and Financials are more attractively valued.

Economic Forecasts Shrink, Earnings Forecasts Improve

Since June, real GDP forecasts have fallen, and inflation expectations have risen, by 0.6-0.8% for each of the next 3 quarters. By contrast, over the past 3 months, EPS forecasts have broadly improved, highlighting the benefits from greater pricing power.

Returns by Size, Style, Sector

By Size and Style				By Sector			
4Q20	1Q21	2Q21	QTD	4Q20	1Q21	2Q21	QTD
Small-Caps 31.3	Small-Caps 18.4	Growth 11.9	Growth 8.1	Financials 23.2	Financials 16.0	TECH+ 12.3	TECH+ 7.8
Value 14.6	Value 10.7	S&P 500 8.5	S&P 500 5.5	Cyclicals 15.7	Cyclicals 11.6	Financials 8.4	Non-Cyclicals 6.0
S&P 500 12.3	S&P 500 6.2	Value 5.0	Value 2.5	TECH+ 11.1	Non-Cyclicals 3.2	Non-Cyclicals 5.9	Financials 4.7
Growth 10.8	Growth 2.1	Small-Caps 4.5	Small-Caps -0.4	Non-Cyclicals 8.2	TECH+ 2.8	Cyclicals 5.5	Cyclicals 1.2

Note: Total returns

Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

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Inside this Navigator

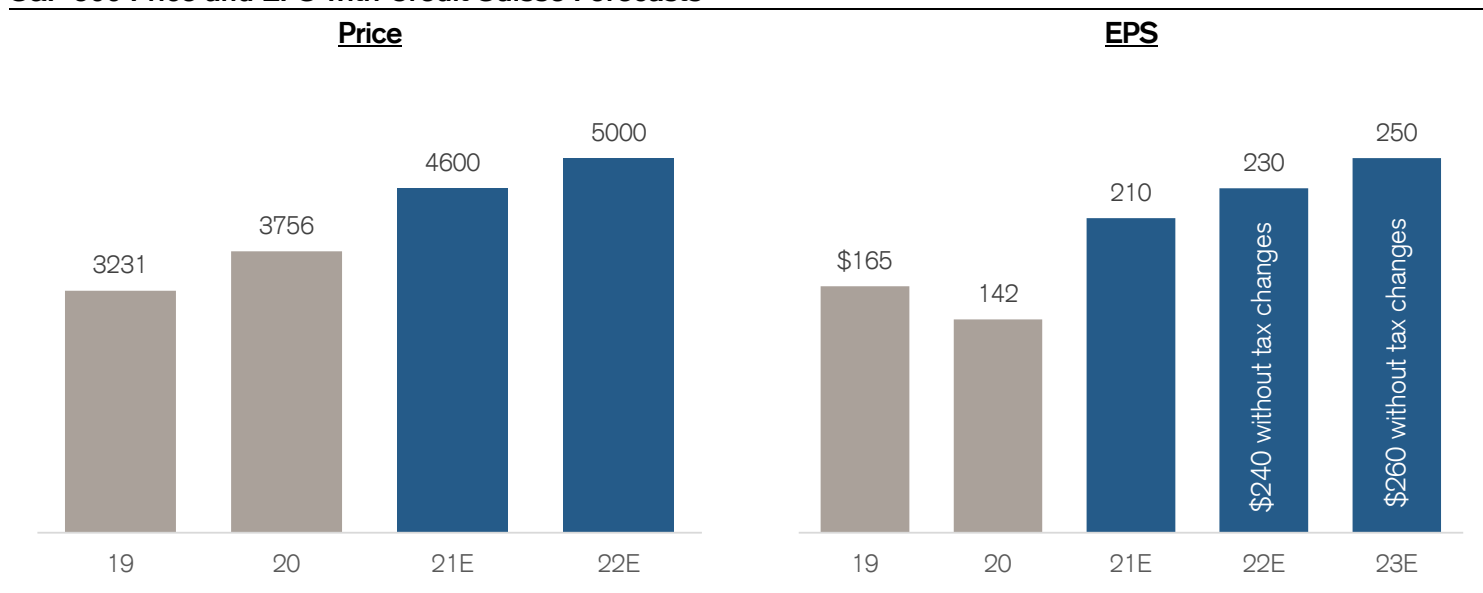
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Throughout this report: Non-Cyclicals are Health Care, Staples, Utilities, REITs, and Telecom. Cyclicals are Energy, Materials, Industrials, and Discretionary ex-Internet Retail. TECH+ is the Technology Sector; Internet Retail within Discretionary; and Interactive Media & Services, Interactive Home Entertainment, and NFLX from Movies & Entertainment within Communication Services.

All data and prices as of August 31, 2021 unless otherwise noted.

Credit Suisse Estimates

S&P 500 Price and EPS with Credit Suisse Forecasts



Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Credit Suisse Forecasts: New vs. Previous

S&P 500 Price Level	New		Prior	
	Price	% Change	Price	% Change
Current (as of 08/31/2021)	4,523		4,523	
2021 Year-End Target Price	4,600	1.7%	4,600	1.7%
2022 Year-End Target Price	5,000	8.7%	--	--
Operating Earnings	EPS	% Change	EPS	% Change
2019 Actual	\$164.58	1.0%	\$164.58	1.0%
2020 Actual	\$142.38	-13.5%	\$142.38	-13.5%
2021 Estimate	\$210.00	47.5%	\$200.00	40.5%
2022 Estimate	\$230.00	9.5%	\$215.00	7.5%
2023 Estimate	\$250.00	8.7%	--	--
P/E on Credit Suisse Est.	P/E	Change	P/E	Change
Current on NTM EPS Est.	20.3x		22.1x	
Year-end 2021 on 2022 EPS	20.0x	-0.3x	21.4x	-0.7x
Year-end 2022 on 2023 EPS	20.0x	0.0x	--	--

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

We are calling for 1.7% returns through year-end 2021 and an additional 8.7% in 2022

Current Environment

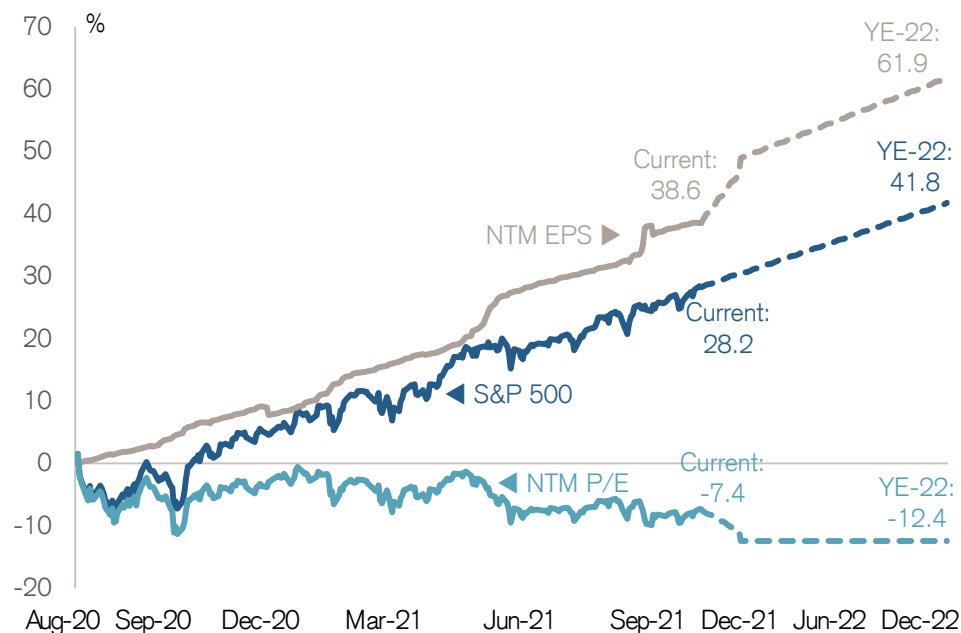
Market Backdrop — Today vs. Prior Periods

	Aug 31, 2021	Dec 31, 2020	Dec 31, 2019	
S&P 500 Level	4,523	3,756	3,231	Valuations and the VIX have declined YTD
Consensus EPS (\$)				
Next 12 Mos. (NTM) EPS	213.90	167.24	177.26	
P/E (x)				The cost of capital is substantially lower than pre-pandemic levels, and valuations are higher
NTM P/E	21.1	22.5	18.2	
EPS Growth (%)				
NTM EPS Growth	22.6	27.6	6.9	
Yields (%)				
Fed Funds	0.1	0.1	1.6	
10-Year Treasury	1.3	0.9	1.9	
Barclays US Aggregate Corp Yield	2.2	1.9	2.9	
(Investment Grade Spread)	0.9	1.0	0.9	
Barclays US Corp High Yield Yield	4.3	4.5	5.3	
(High Yield Spread)	3.0	3.6	3.4	
Commodities & Currency				
Oil	68.5	48.5	61.1	
Gold	1804.0	1899.0	1523.0	
US\$	87.3	85.0	89.6	
Economics				
VIX Level	16.5	22.8	13.8	
ISM Level	59.9	60.5	47.7	
Unemployment Rate	5.4	6.7	3.6	
Debt/GDP	98.3	100.8	79.2	
Fed Balance Sheet as a % of GDP	37.5	35.0	19.3	

Source: Standard & Poor's, FactSet, The BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, ISM, Federal Reserve, BLS, CBOE, Credit Suisse

Current Environment

Percent Change in S&P 500 Index, EPS and P/E



Our 5000 year-end 2022 target is forecasted to be the result of strong earnings growth combined with slightly lower P/E multiples

Note: Both PE and EPS are on NTM basis

Source: Standard & Poor's, Refinitiv, FactSet and Credit Suisse

S&P 500 NTM P/E

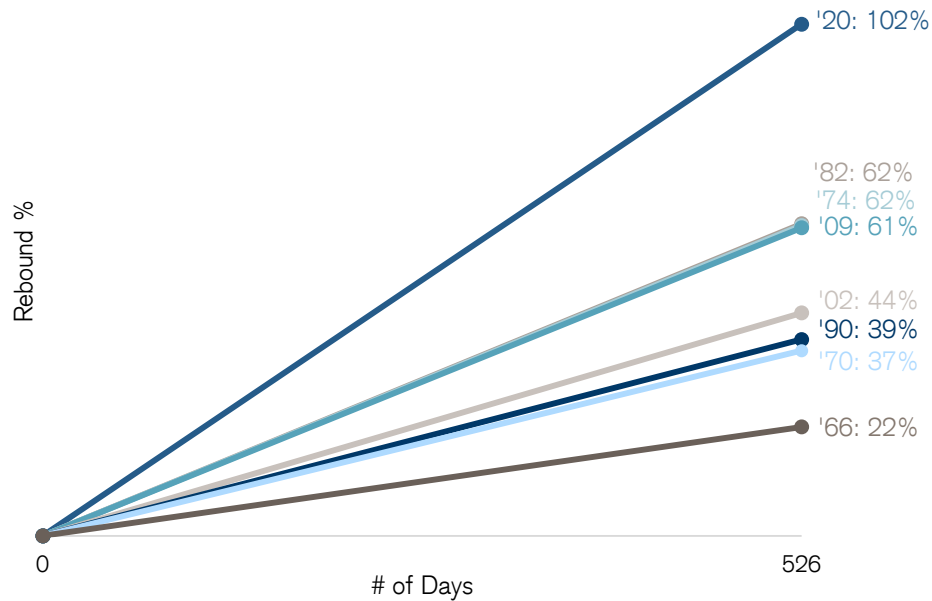


P/E multiples peaked at 23.2x last August, and are at 21.1x today

Source: Standard & Poor's, Refinitiv, FactSet and Credit Suisse

Market Returns

Market Rebound 526 Days post Recessionary Trough



The market's post-trough rebound is substantially outpacing all similar recovery periods

Note: Price return

Source: Standard & Poor's, Haver Analytics®, Credit Suisse

All-Time Highs

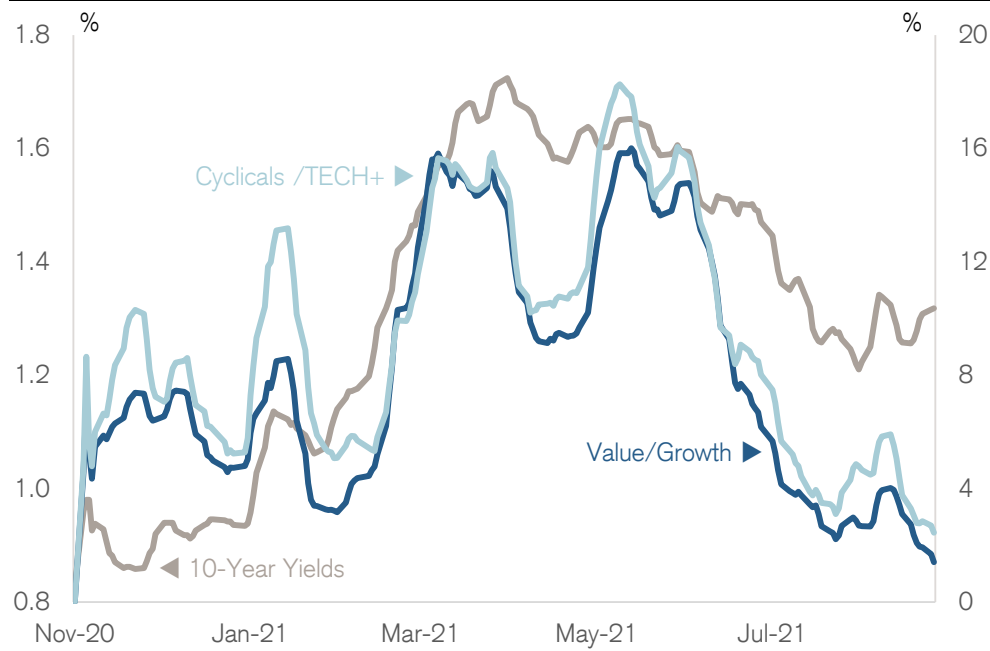
Year	All-Time Highs	Year	All-Time Highs	Year	All-Time Highs	Year	All-Time Highs
1951	31	1969	0	1987	47	2005	0
1952	34	1970	0	1988	0	2006	0
1953	1	1971	0	1989	13	2007	9
1954	77	1972	32	1990	6	2008	0
1955	46	1973	3	1991	22	2009	0
1956	14	1974	0	1992	18	2010	0
1957	0	1975	0	1993	16	2011	0
1958	24	1976	0	1994	5	2012	0
1959	27	1977	0	1995	77	2013	45
1960	0	1978	0	1996	39	2014	53
1961	54	1979	0	1997	45	2015	10
1962	0	1980	24	1998	47	2016	18
1963	11	1981	0	1999	35	2017	62
1964	52	1982	2	2000	4	2018	19
1965	37	1983	29	2001	0	2019	35
1966	9	1984	0	2002	0	2020	33
1967	14	1985	43	2003	0	2021 YTD	53
1968	33	1986	31	2004	0	2021 Ann.	80

At the current pace, we will achieve 80 all-time highs in 2021, surpassing the previous record of 77

Source: Standard & Poor's, Haver Analytics®, Credit Suisse

Market Returns

Relative Style and Sector Returns vs. Treasury Yields

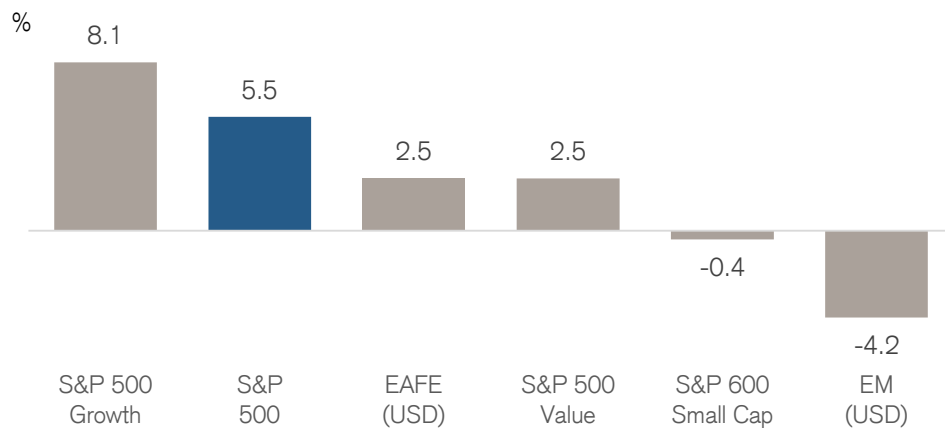


While Value and Cyclical have led since November's vaccine news, this outperformance has waned more recently

Source: Standard & Poor's, FRB, FactSet, Credit Suisse

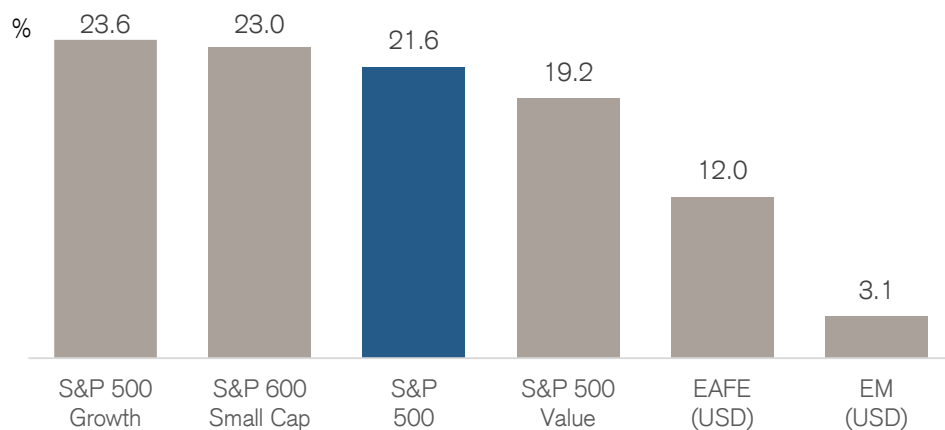
Market Returns

Total Return – QTD



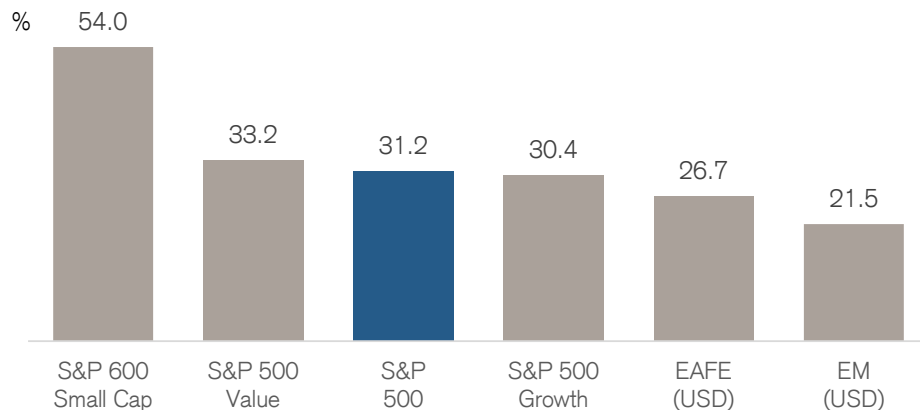
Source: Standard and Poor's, Russell, MSCI, FactSet, Credit Suisse

Total Return – YTD



Source: Standard and Poor's, Russell, MSCI, FactSet, Credit Suisse

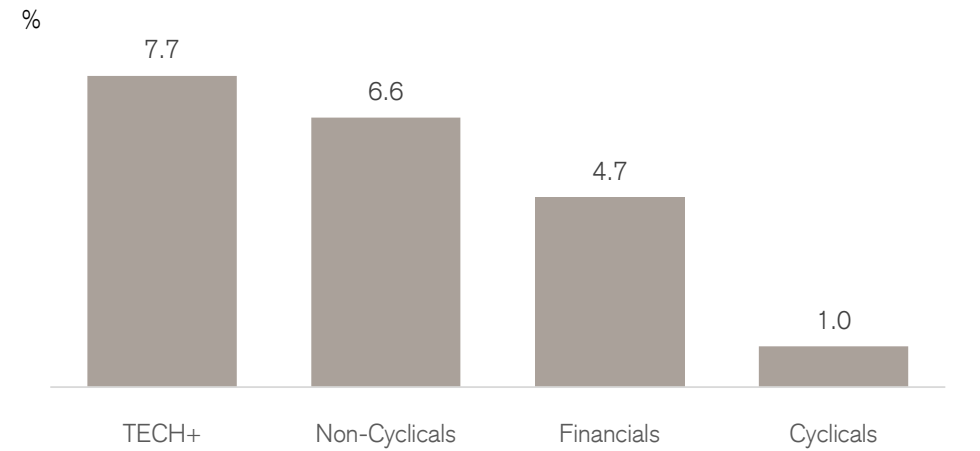
Total Return – 1 Year



Source: Standard and Poor's, Russell, MSCI, FactSet, Credit Suisse

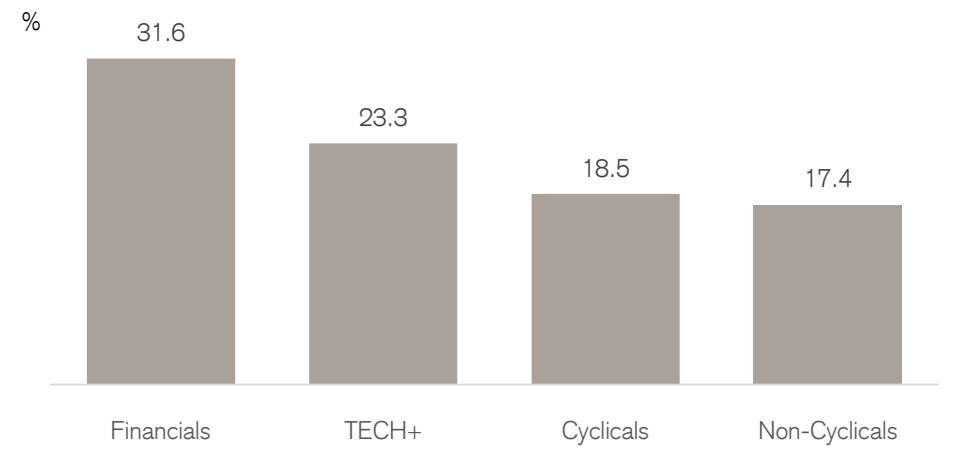
Market Returns

Total Return – QTD



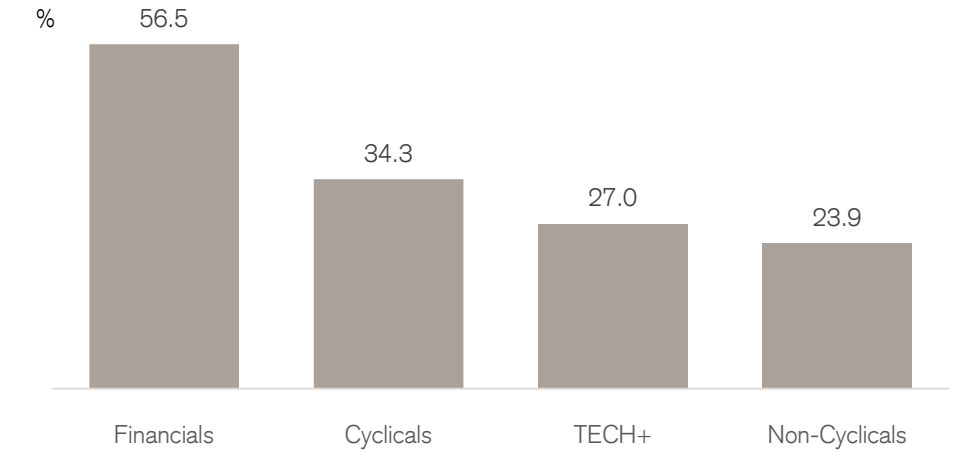
Source: Standard and Poor's, FactSet, Credit Suisse

Total Return – YTD



Source: Standard and Poor's, FactSet, Credit Suisse

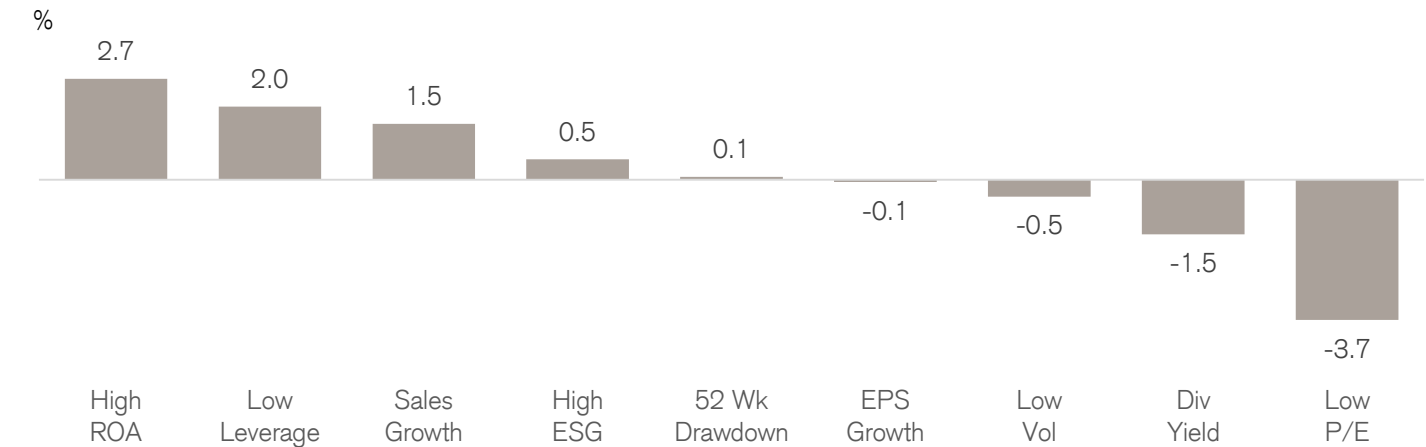
Total Return – 1 Year



Source: Standard and Poor's, FactSet, Credit Suisse

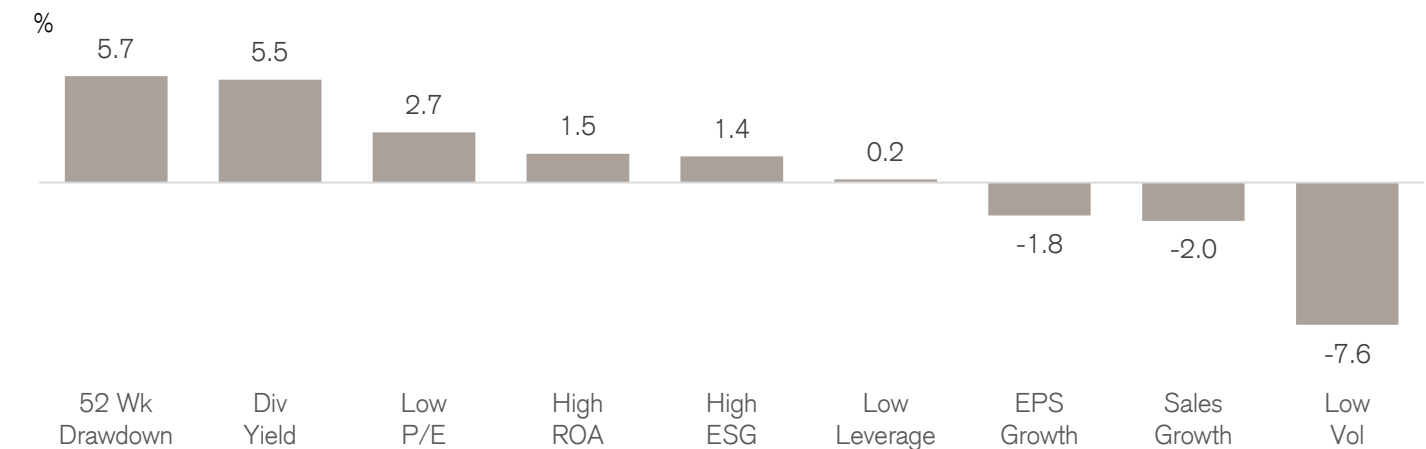
Market Returns

Factor Return – QTD



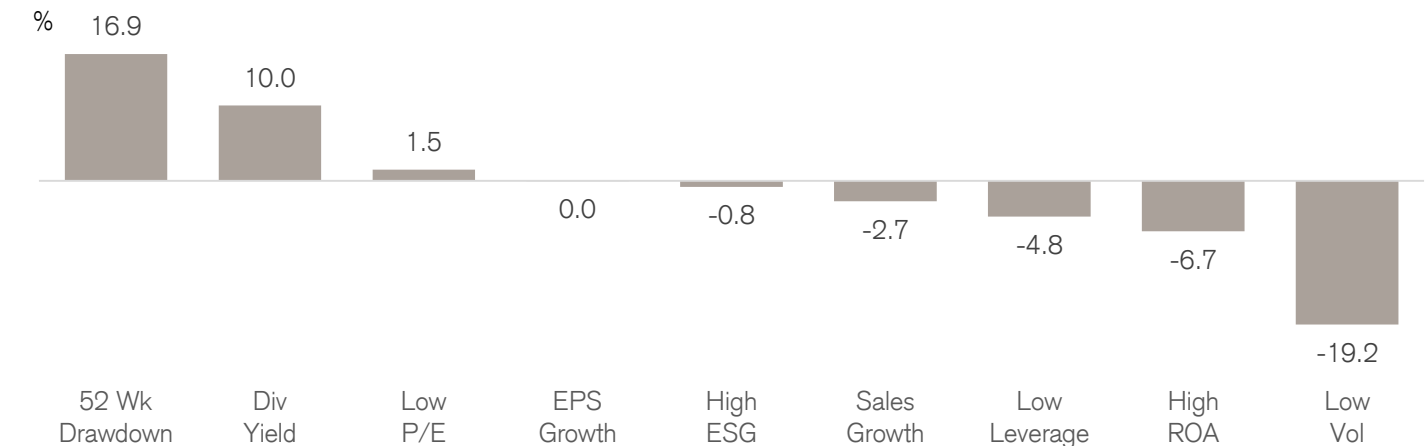
Source: Standard and Poor's, Refinitiv, FactSet, Credit Suisse

Factor Return – YTD



Source: Standard and Poor's, Refinitiv, FactSet, Credit Suisse

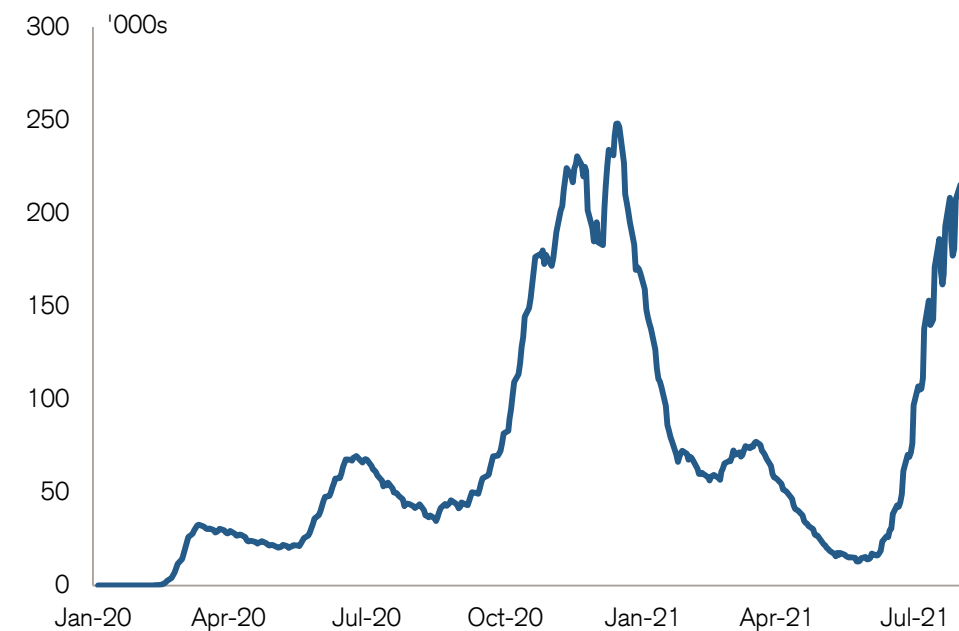
Factor Return – 1 Year



Source: Standard and Poor's, Refinitiv, FactSet, Credit Suisse

Covid

Daily COVID-19 Cases – U.S.

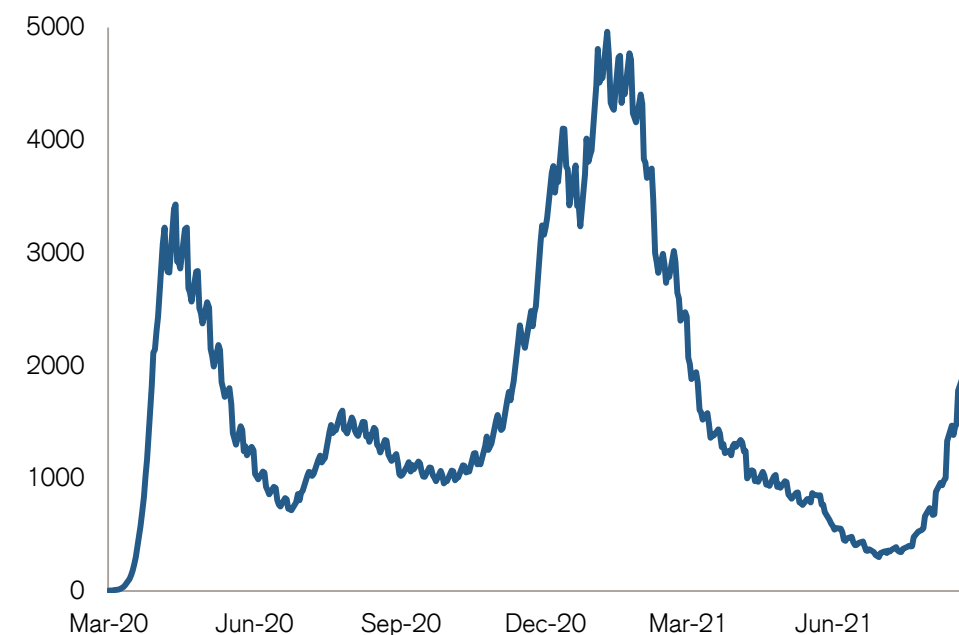


Covid cases and deaths have spiked recently

Note: 7-day moving average, last data point actual

Source: Johns Hopkins University, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Daily COVID-19 Deaths – U.S.

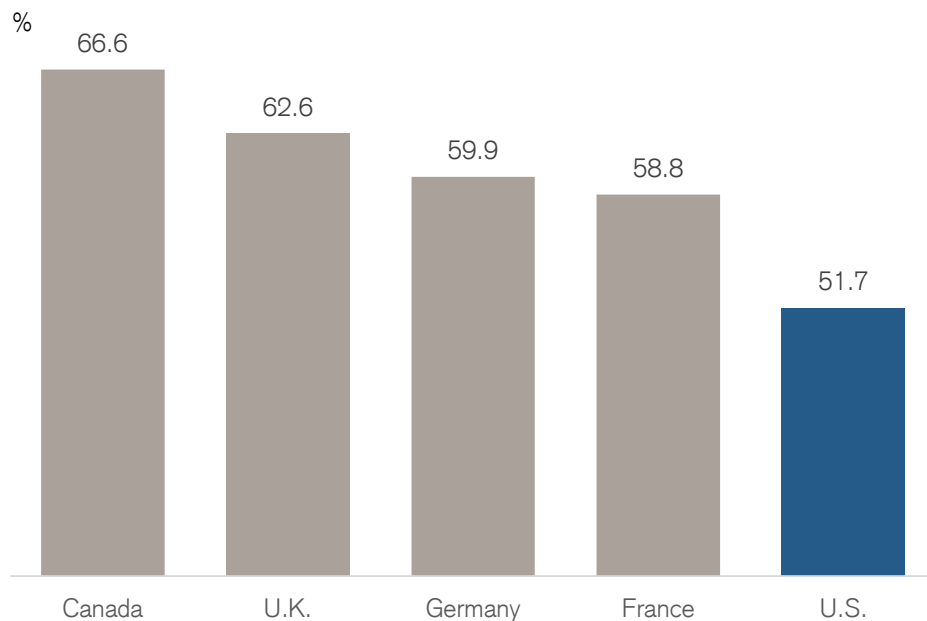


Note: 7-day moving average, last data point actual

Source: Johns Hopkins University, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Covid

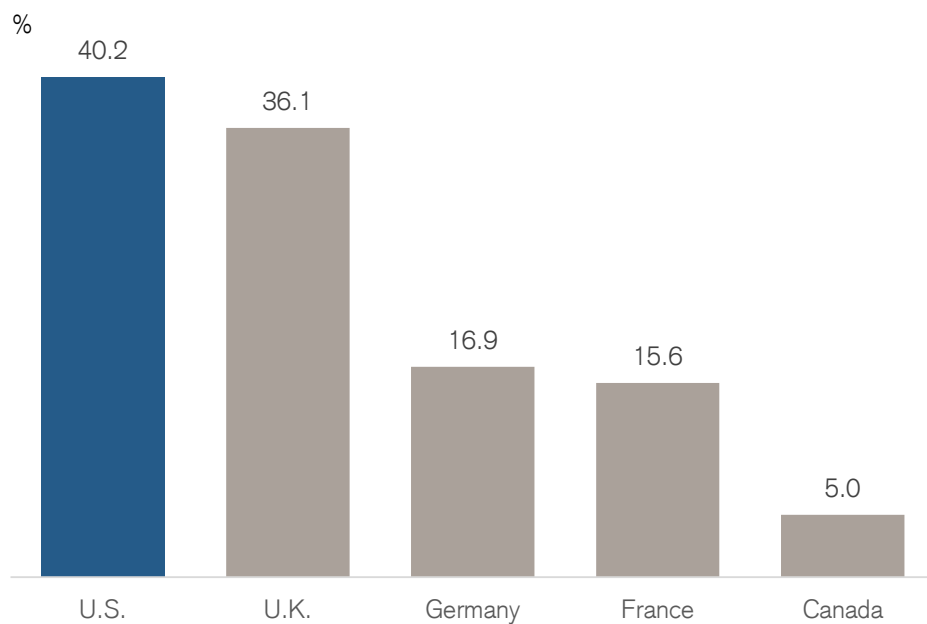
% of Population Fully Vaccinated – August 2021



U.S. vaccinations have trailed other developed countries in recent months

Source: CDC, The Wall Street Journal, Credit Suisse

% of Population Fully Vaccinated – May 2021



Source: CDC, The Wall Street Journal, Credit Suisse

Economic Backdrop

Economic Surprise

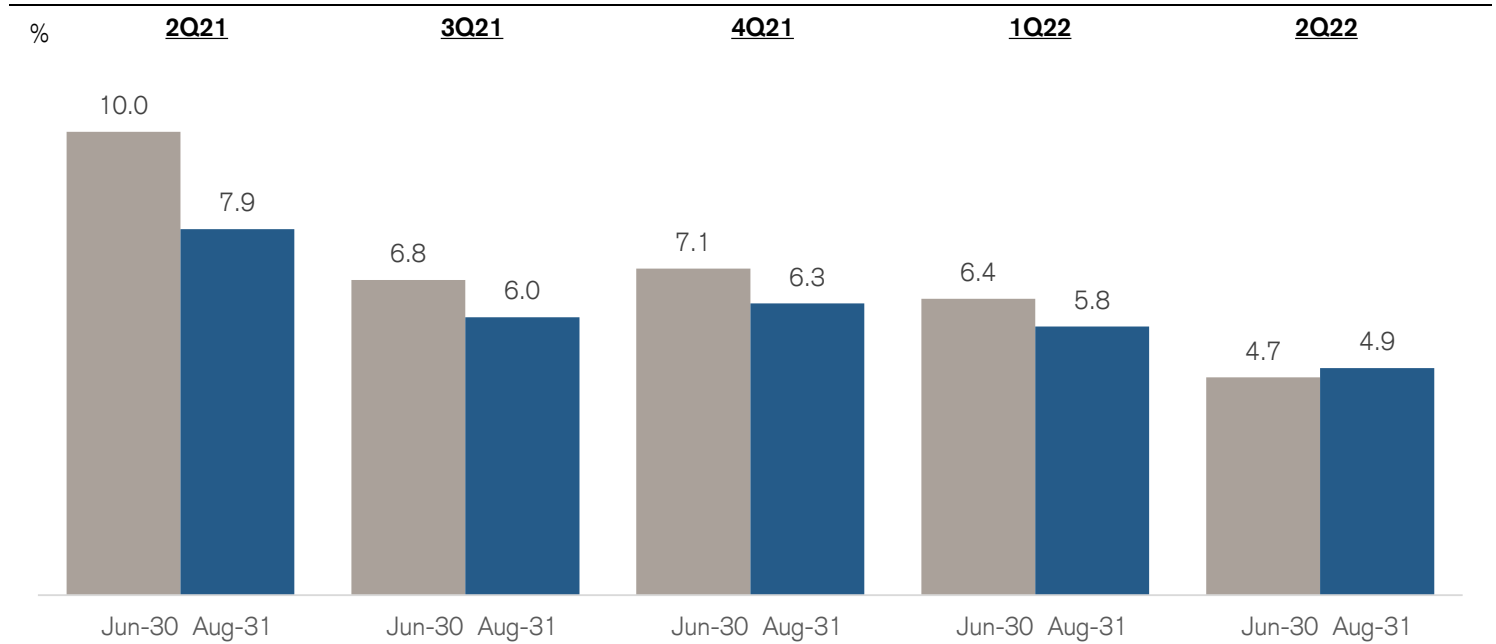


Economic surprises continue to deteriorate

Source: Citigroup, Haver Analytics®, Credit Suisse

Economic Backdrop

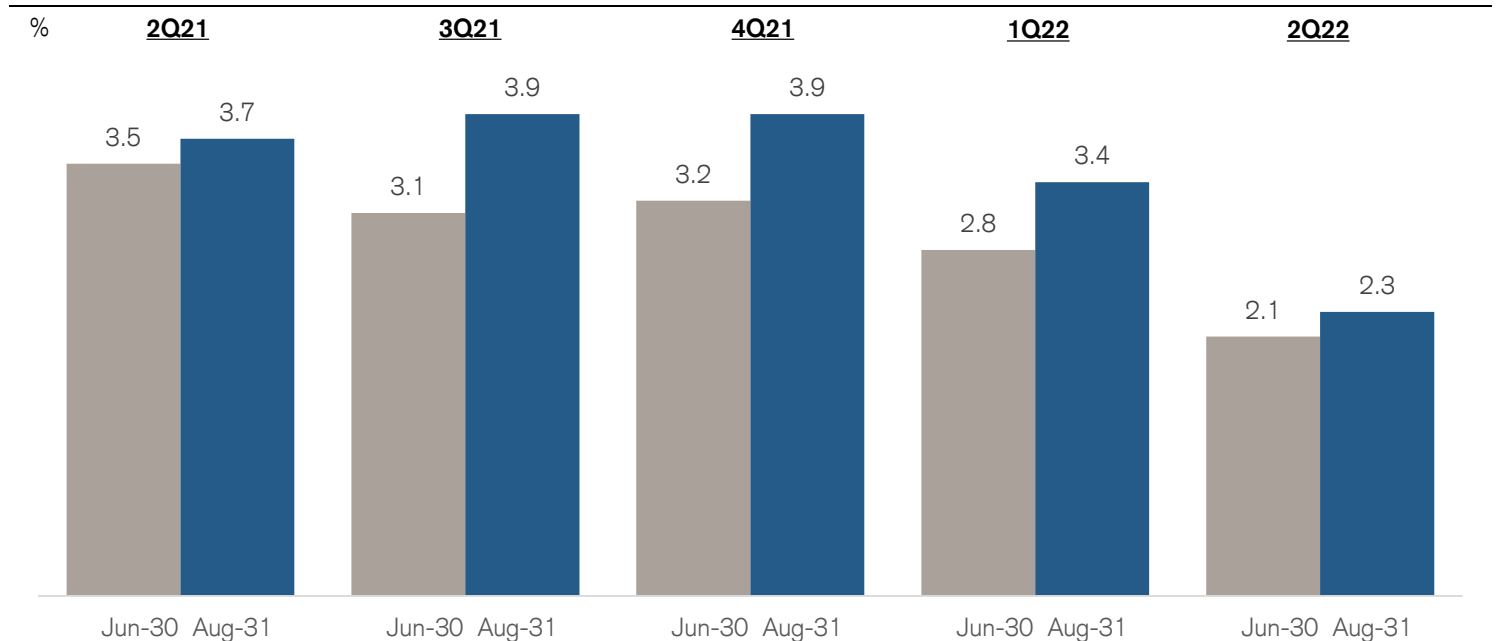
Real GDP Consensus Estimates – June 30 vs. Now



Note: GDP estimates are QoQ annualized

Source: BEA, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

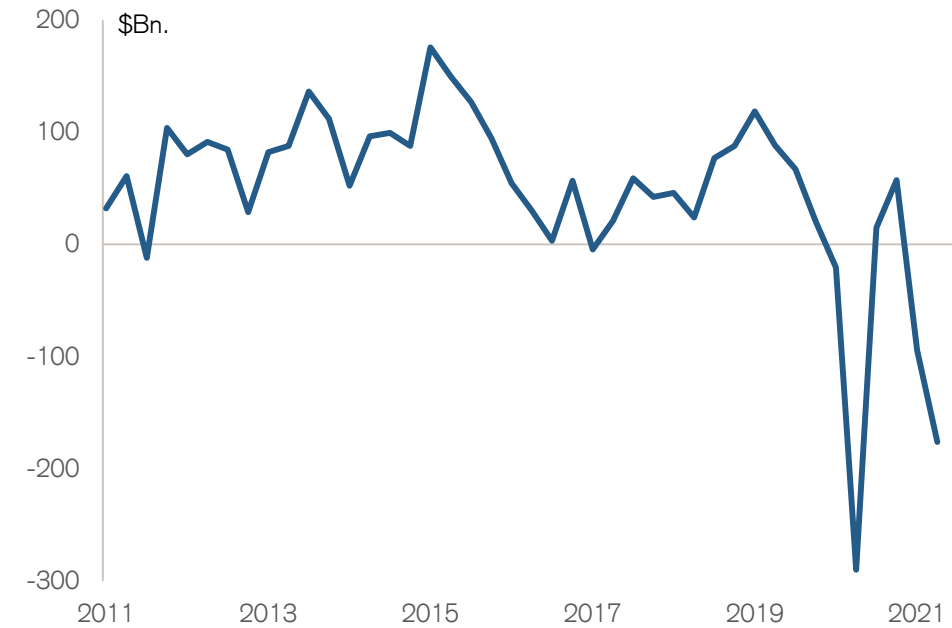
PCE Consensus Estimates – June 30 vs. Now



Source: BEA, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Economic Backdrop

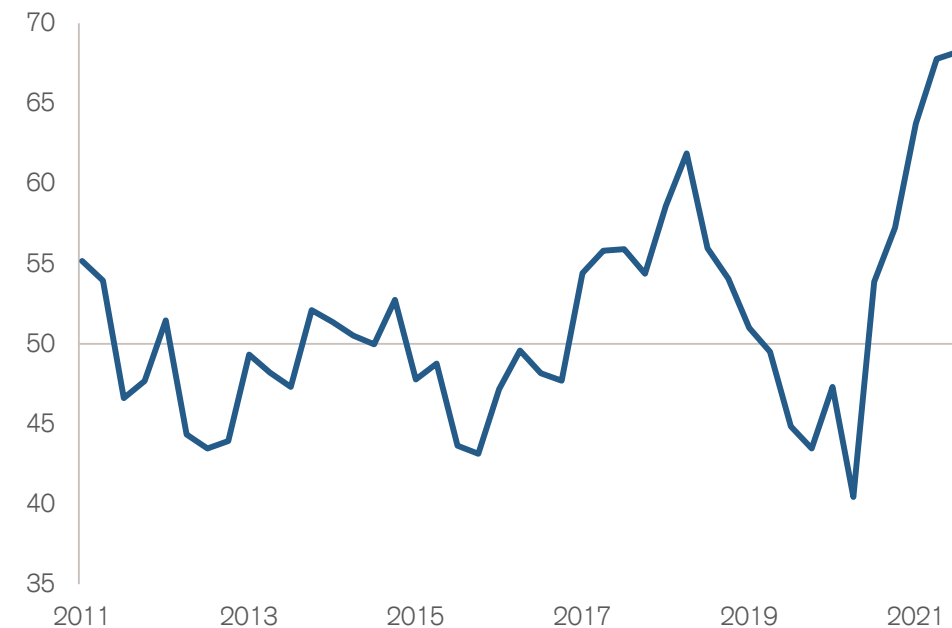
Change in Private Inventories



Inventories have destocked given ongoing supply chain disruptions and strong demand

Source: BEA, Haver Analytics®, Credit Suisse

ISM Manufacturing: Backlog of Orders Index

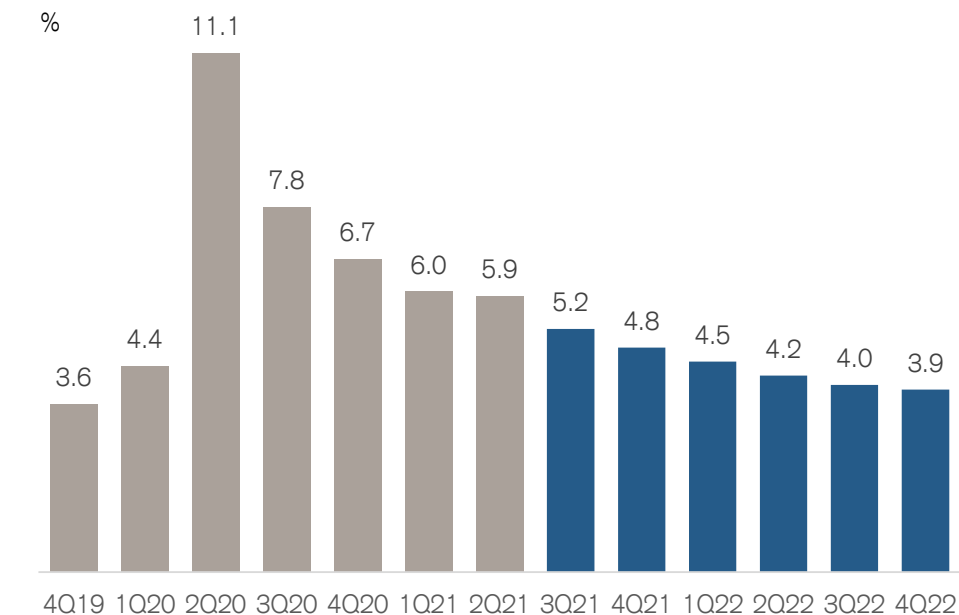


The current backlog of orders will take several quarters to satisfy, elongating the recovery and driving further upside to estimates

Source: ISM, Haver Analytics®, Credit Suisse

Economic Backdrop

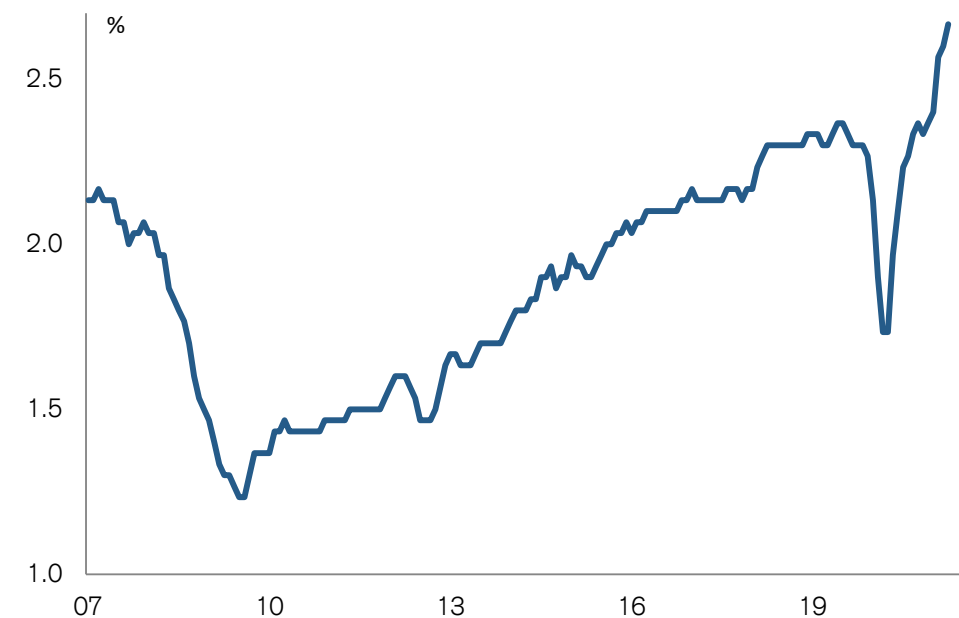
Unemployment Rate with Consensus Estimates



Unemployment is expected to hit 4% in 2H22

Source: BLS, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

QUITS Rate (JOLTS)

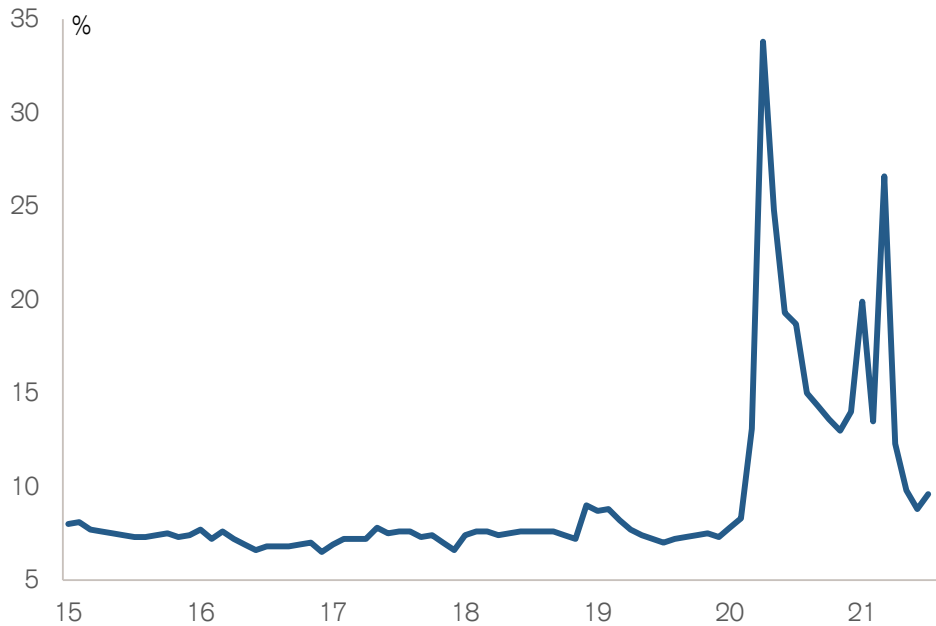


Voluntary departures are a sign of employee confidence which should support wage and spending upside

Source: Federal Reserve, Haver Analytics®, Credit Suisse

Economic Backdrop

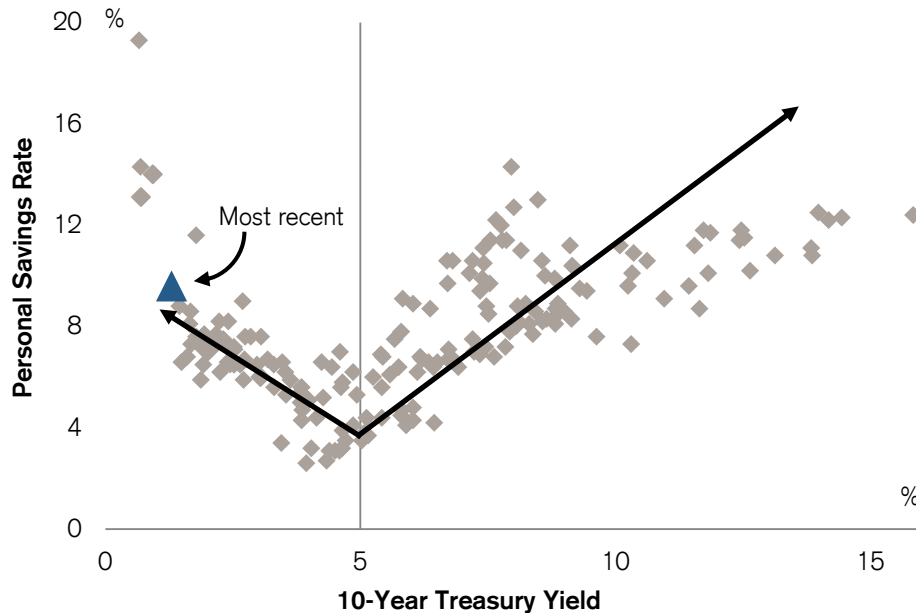
Savings Rate



The savings rate has been distorted by government transfer payments

Source: BEA, Haver Analytics®, Credit Suisse

Savings Rate vs. 10-Year Yield

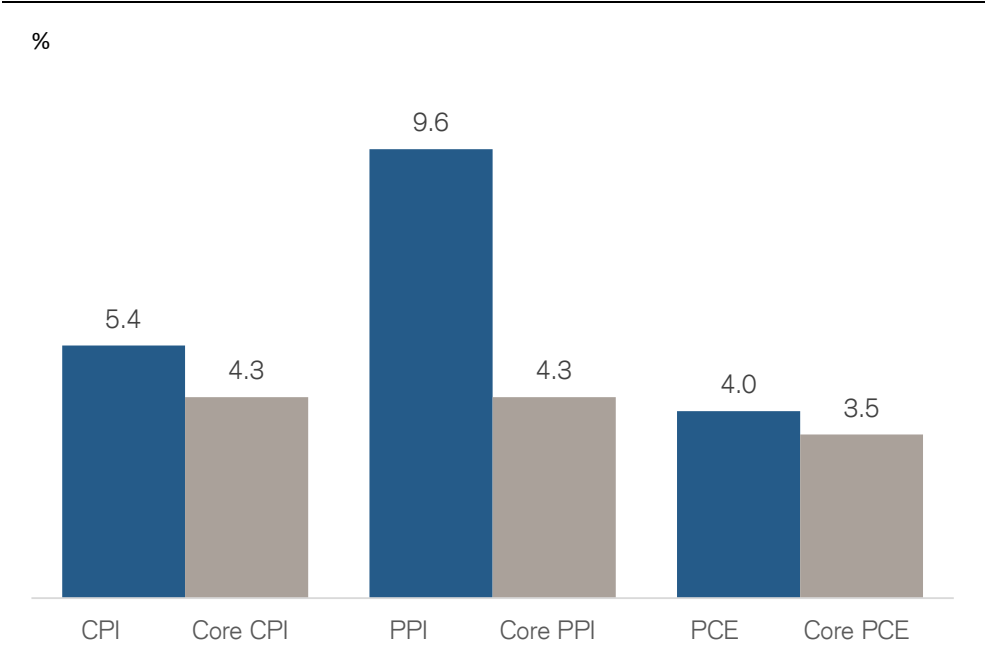


Note: 1975 to Present

Source: Federal Reserve, BEA, Haver Analytics®, Credit Suisse

Economic Backdrop

Inflation Readings YoY



The rise in inflation is driven by both base effects and sequential price increases

Source: BLS, Haver Analytics®, Credit Suisse

Economic Backdrop

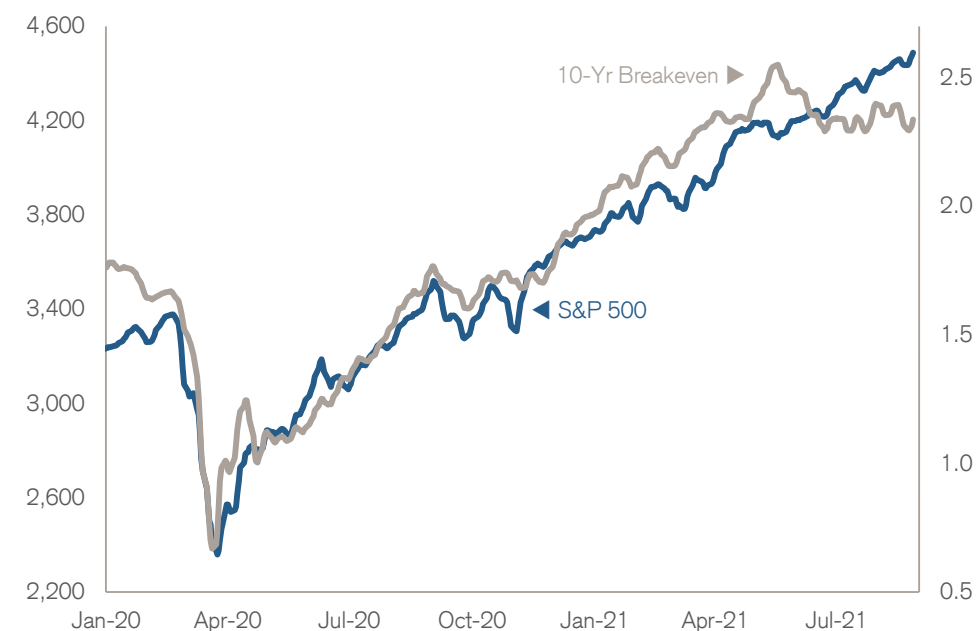
Inflation Expectations (TIPS Breakevens)



Near-term and longer-term inflation expectations have been moving in-tandem

Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

S&P 500 vs. Inflation Expectations (10-Year Breakeven)



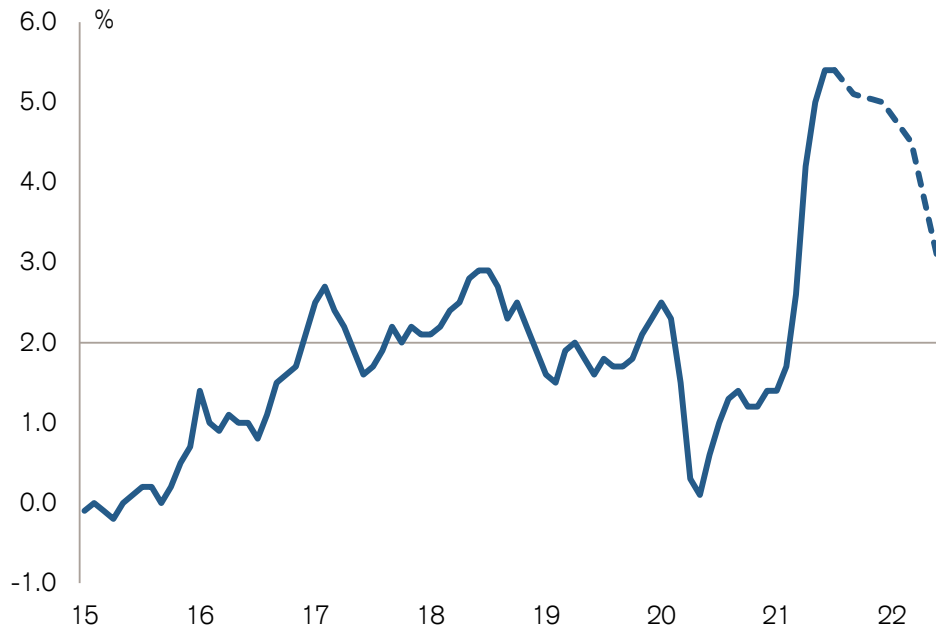
Stock prices have moved with inflation expectations over the past two years

Note: 5-Day Moving Average

Source: Standard & Poor's, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Economic Backdrop

CPI with Consensus Estimates (YoY Change)



Economist surveys point to a collapse in inflation readings over the next 18 months

Source: BLS, Haver Analytics®, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

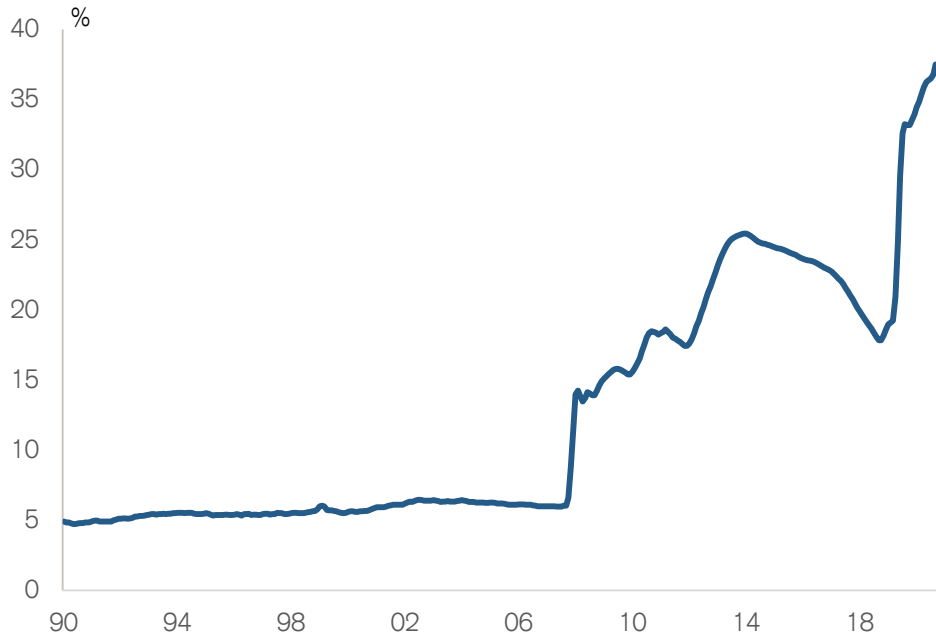
Core PCE with Consensus Estimates (YoY Change)



Source: BEA, Haver Analytics®, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Economic Backdrop

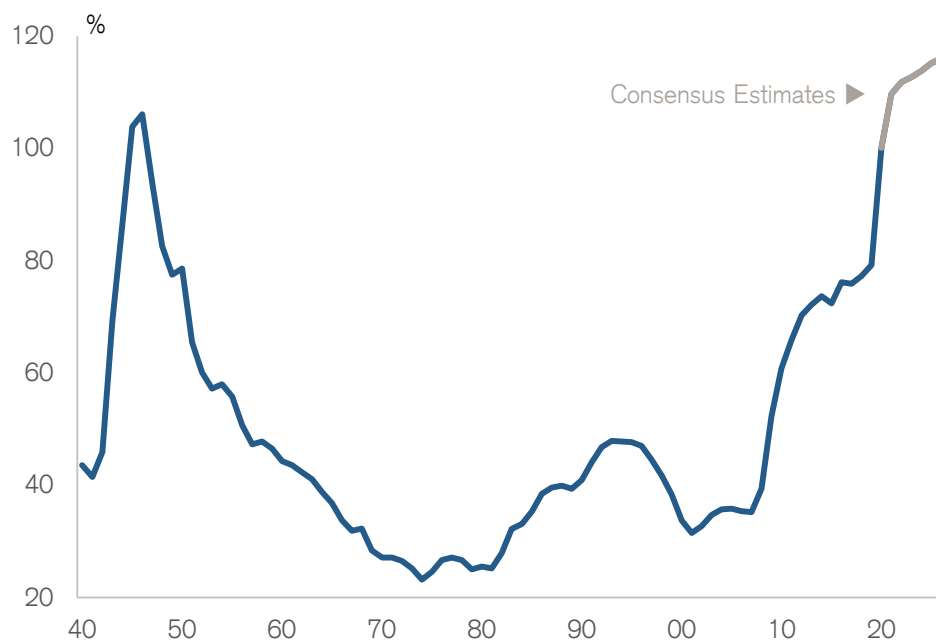
Federal Reserve Balance Sheet at a % of GDP



While deficit spending and Fed purchases might be helpful near term, they represent a future burden

Note: 3 month moving average with most recent data point being actual value. CS Economics team estimates
Source: Federal Reserve, BEA, The BLOOMBERG PROFESSIONAL™ service, Credit Suisse

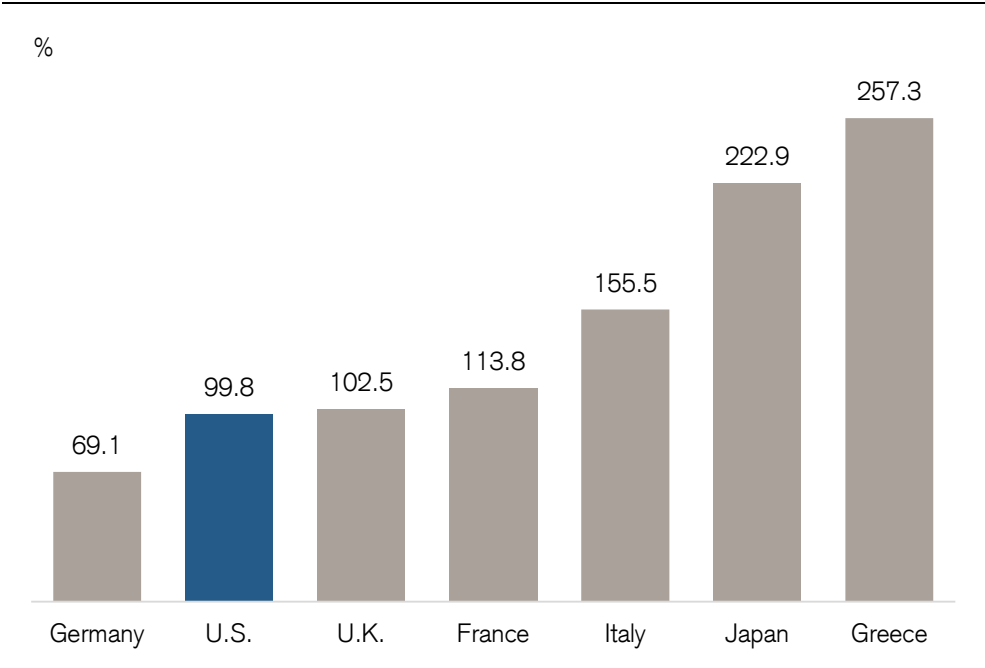
US Federal Debt Held by the Public as a % of GDP



Note: 2020 and 2021 are consensus estimates
Source: OMB, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Economic Backdrop

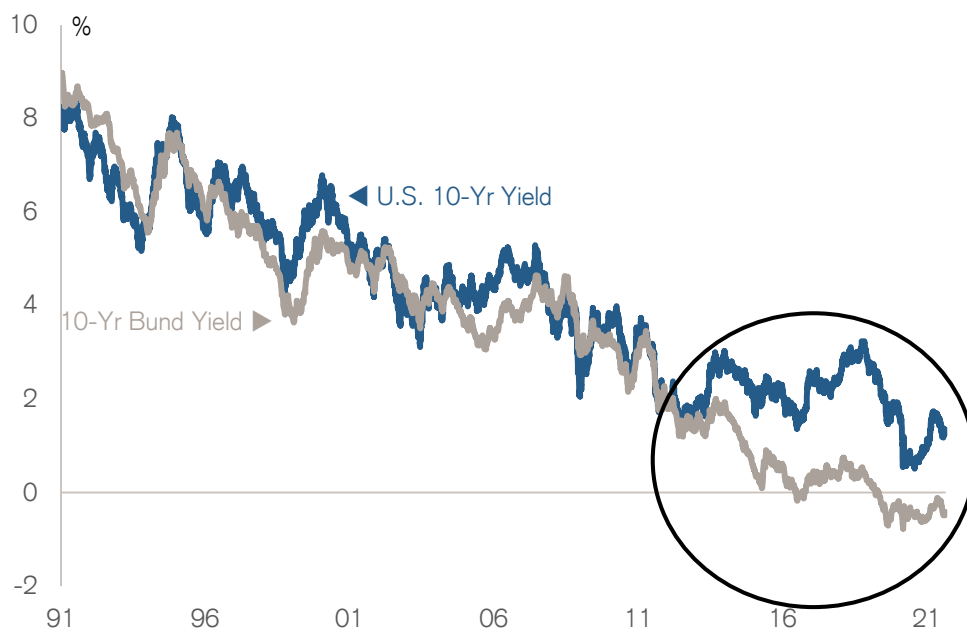
Debt to GDP



Note: Debt to GDP held by the public for the U.S.
Source: Federal Reserve, Office for National Statistics, Banque de France, Deutsche Bundesbank, Istituto Nazionale di Statistica, Bank of Japan, Ministerio de Economía y Producción, Haver Analytics®, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Rates, Spreads, Volatility & Commodities

10-Year Treasury vs. 10-Year Bund Yields



Treasury yields have continued to decline in recent years; however, they have not kept pace with the downward trend in global yields

Source: Federal Reserve, Deutsche Finanzagentur, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

10-Year Treasury vs. 10-Year Bund Yields

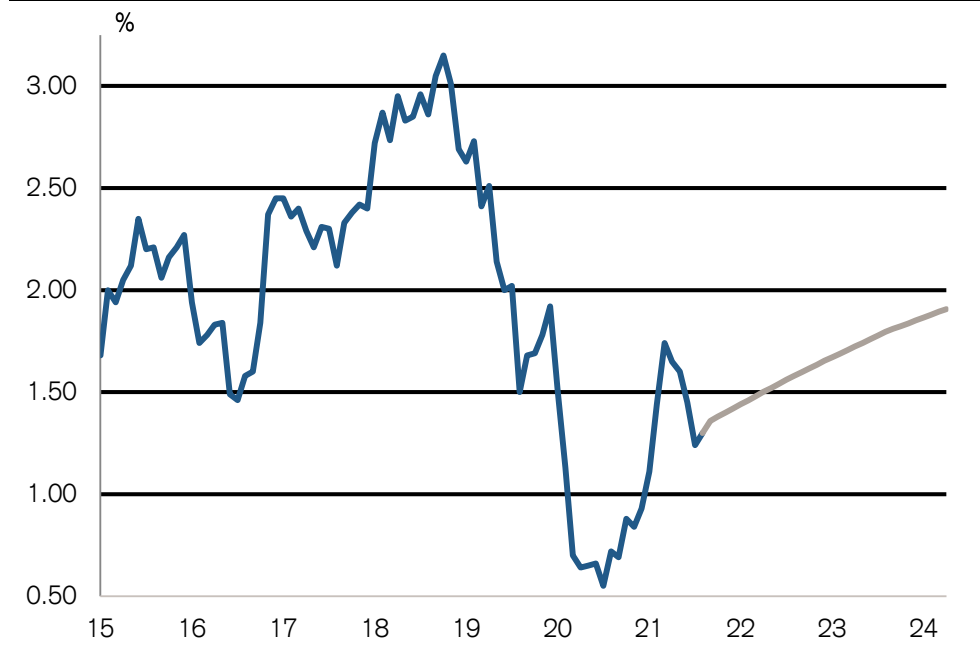


Over the past 4 years, Treasury yields have fallen back toward the Bund

Source: Federal Reserve, Deutsche Finanzagentur, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Rates, Spreads, Volatility & Commodities

10-Year Treasury Yields with Futures

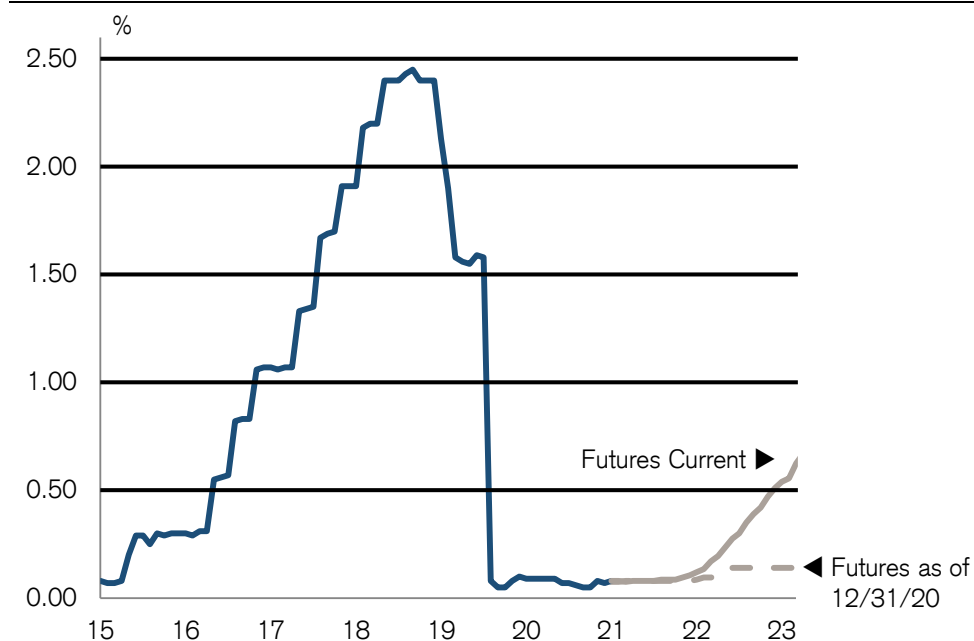


Futures are pointing to modestly higher Treasury yields

Source: FRB, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Rates, Spreads, Volatility & Commodities

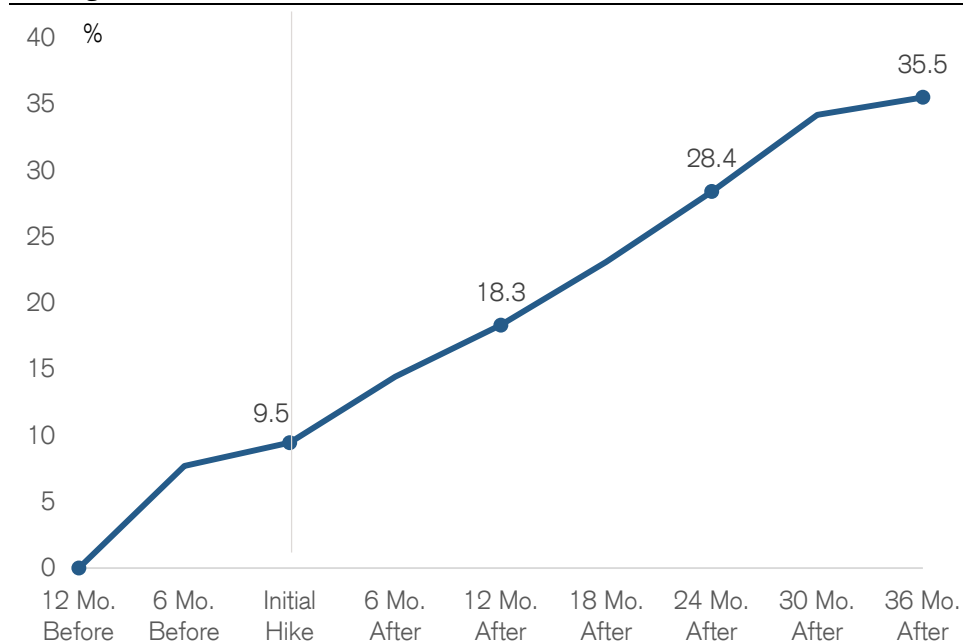
Federal Funds Target Rate with Futures



The futures market is pointing to a rate hike in late 2022

Source: FRB, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Average S&P 500 Returns Before and After Initial Rate Hike

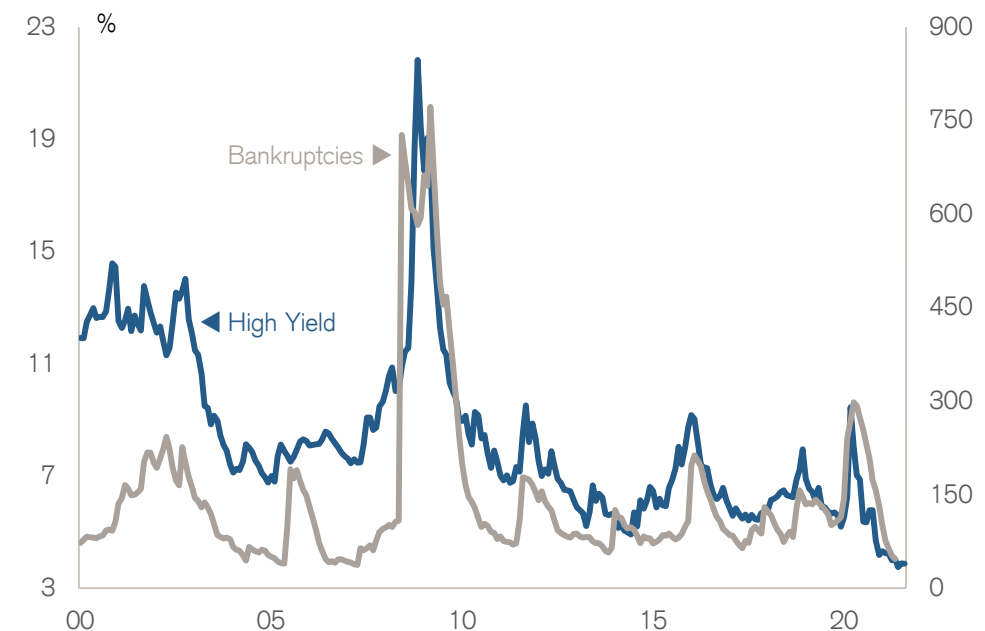


Over the past 4 rate hike cycles, the S&P 500 gained 9.5% in the twelve months prior to the first hike, and 26.0% over the subsequent 3 years

Note: Average returns based on rate hike cycles beginning in 1994, 1999, 2004, and 2015
Source: Standard & Poor's, FRB, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Rates, Spreads, Volatility & Commodities

High Yield Spread vs. Bankruptcies (3 Months Lagged)



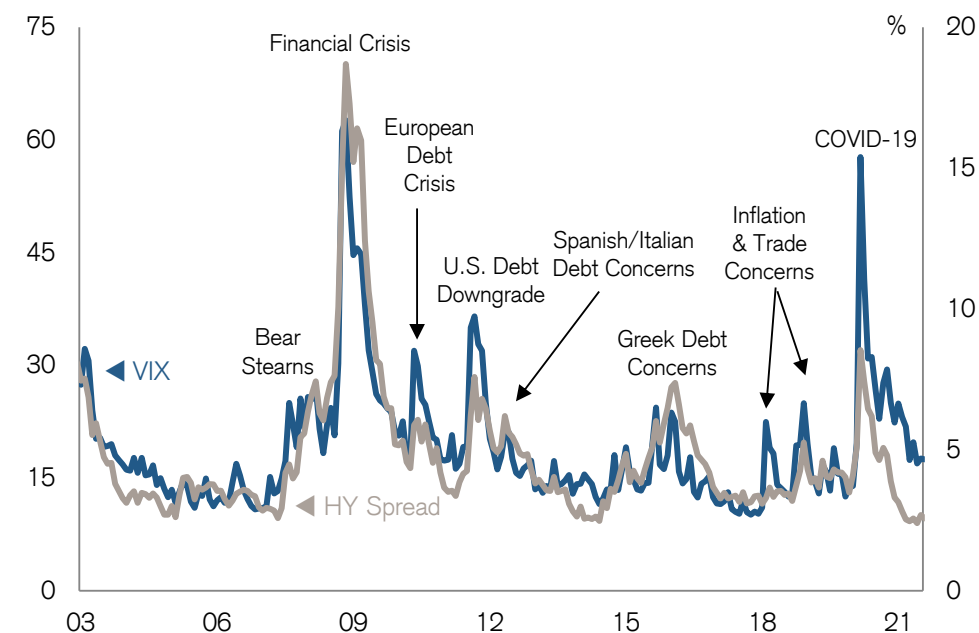
Tight spreads reflect low levels of bankruptcy filings

Note: Bankruptcies are 3-months lagged

Source: Barclays, The BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Rates, Spreads, Volatility & Commodities

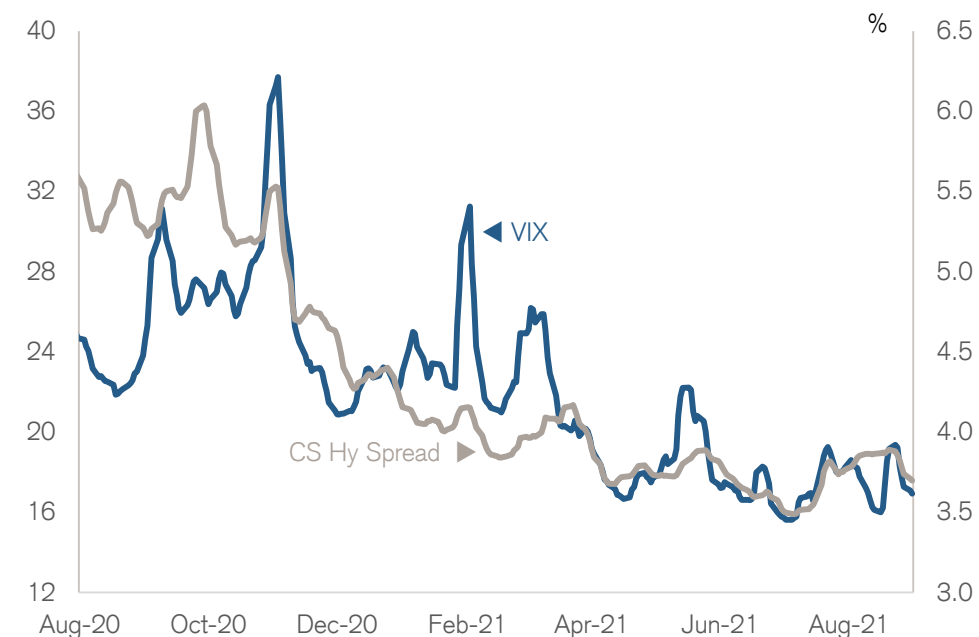
VIX vs. High Yield Spread



Volatility and spreads tend to move together

Source: CBOE, Federal Reserve, Bank of America Merrill Lynch, Haver Analytics®, Credit Suisse

VIX vs. High Yield Spreads



Volatility and credit spreads have fallen over the past year

Note: 5-Day Moving Average

Source: CBOE, the BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, Credit Suisse

Rates, Spreads, Volatility & Commodities

Stock Correlations with Treasury Yields and HY Spreads



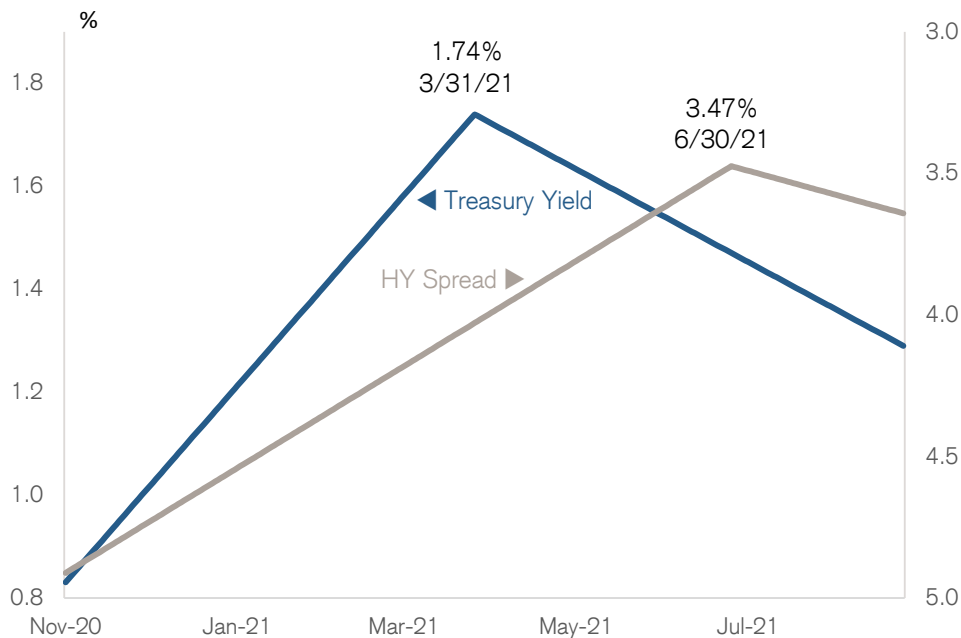
The correlation between stocks and interest rates has fallen over the past year

This relationship has been more stable for stocks and HY spreads

Note: 10-Year Treasury Yield; Positive correlation based on an inverse relationship with spreads and stocks

Source: Standard & Poor's, Haver Analytics®, FactSet, Credit Suisse

Treasury Yield and High-Yield Spreads (Scale Inverted)



The recent peak in treasury yields and trough in HY spreads have been out of sync

Note: 10-Year Treasury Yield, CS High-Yield Spreads

Source: Haver Analytics®, FactSet, Credit Suisse

Rates, Spreads, Volatility & Commodities

S&P 500 vs. Oil



Stock and commodity prices have moved in-tandem over the past two years

Note: 5-Day Moving Average

Source: Standard & Poor's, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

S&P 500 vs. Copper

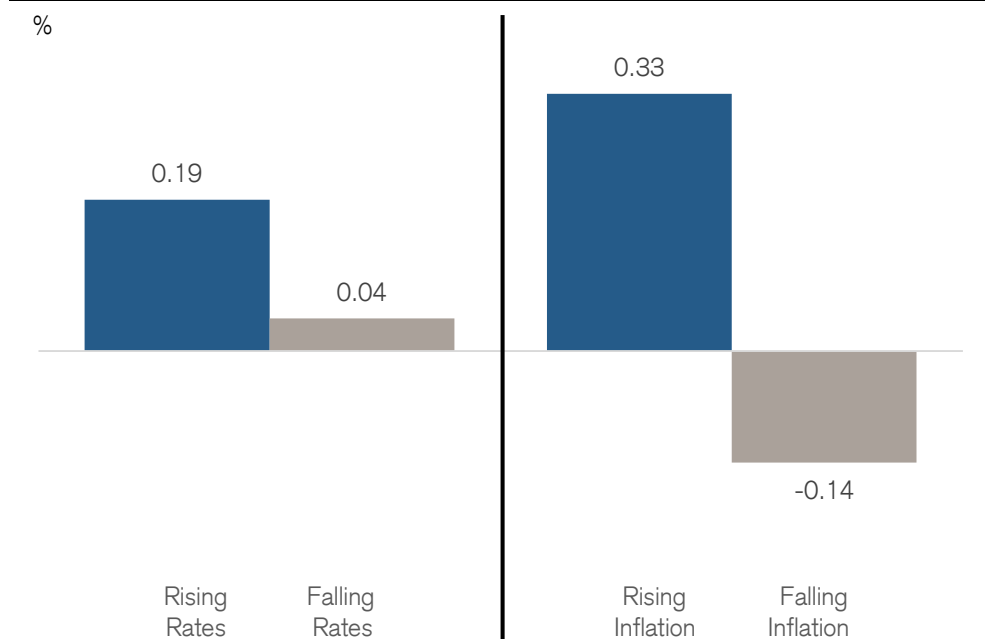


Note: 5-Day Moving Average

Source: Federal Reserve, Standard & Poor's, Haver Analytics®, Credit Suisse

Rates, Spreads, Volatility & Commodities

Average Daily Returns When Yields & Inflation Rise/Fall

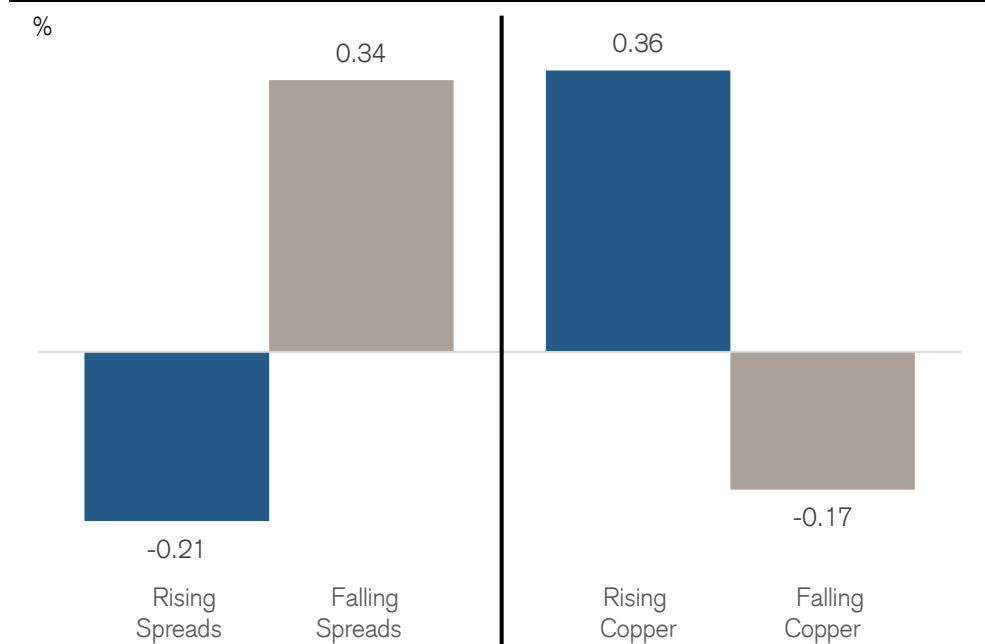


Stock prices tend to rise with rates and inflation

Note: Returns from 11/6/20 to 8/31/21

Source: Standard & Poor's, the BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, Credit Suisse

Average Daily Returns When HY Spreads & Copper Rise/Fall



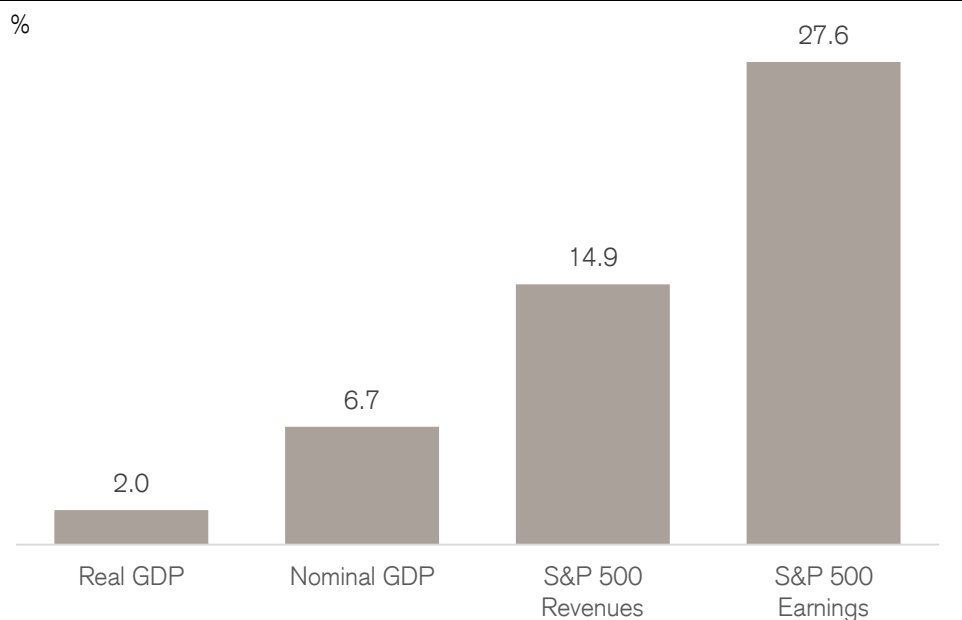
Stock prices move with commodity prices and opposite to credit spreads

Note: Returns from 11/6/20 to 8/31/21

Source: Standard & Poor's, the BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, Credit Suisse

Earnings – 2 Years Stacked

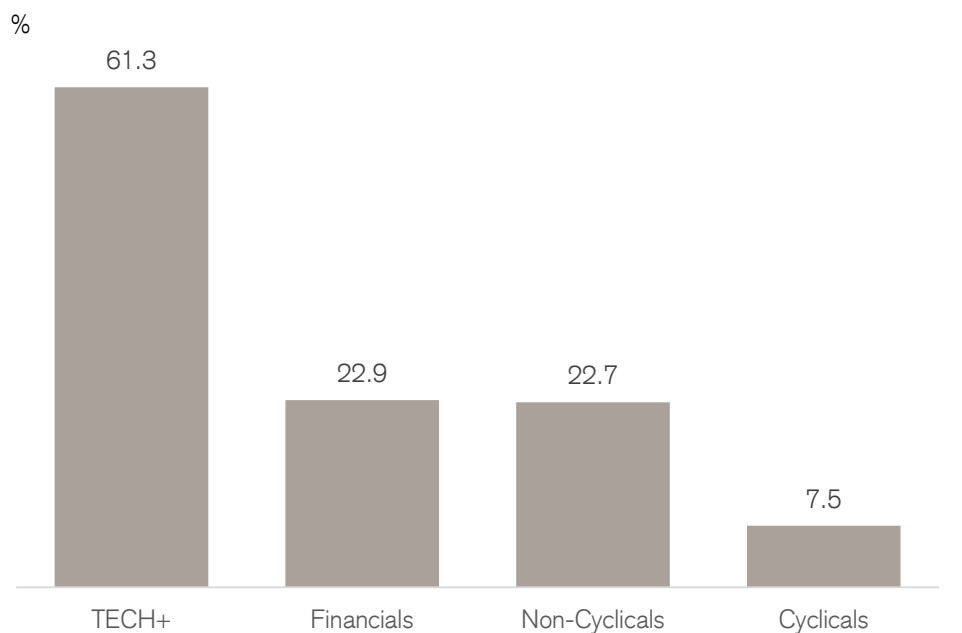
2Q19-2Q21 Cumulative Growth



Over the past 2 years, nominal GDP expanded 7% which fueled S&P 500 revenues of 15%, and earnings of 28%

Source: BEA, Standard & Poor's, Refinitiv, FactSet, Haver Analytics®, Credit Suisse

2Q19-2Q21 Cumulative Earnings Growth

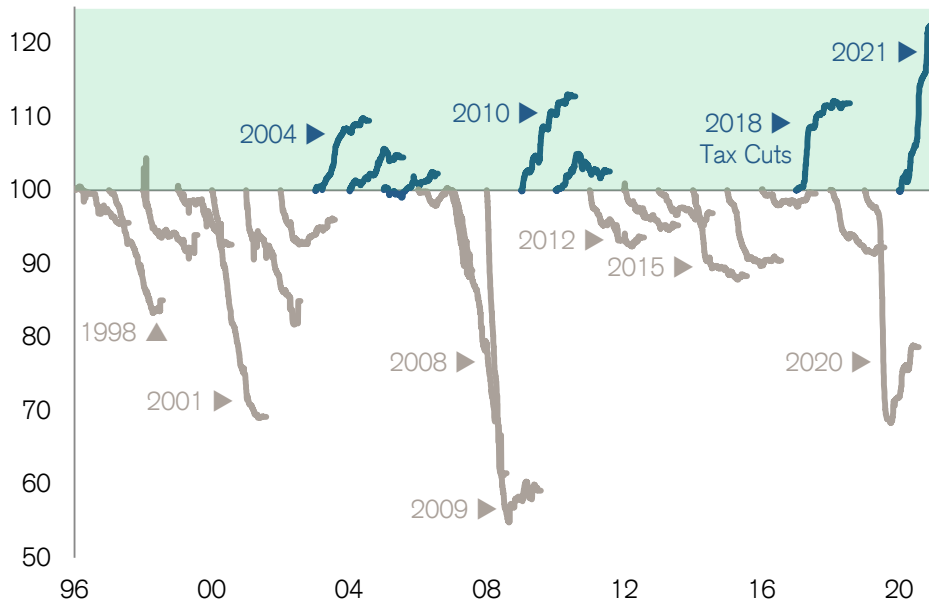


TECH+ and Non-Cyclicals—68% of the S&P 500's market cap—steadily grew earnings throughout the pandemic, and all major market groups have expanded earnings on a 2-year stacked basis

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Revisions

Historical Revision to Annual S&P 500 EPS Estimates



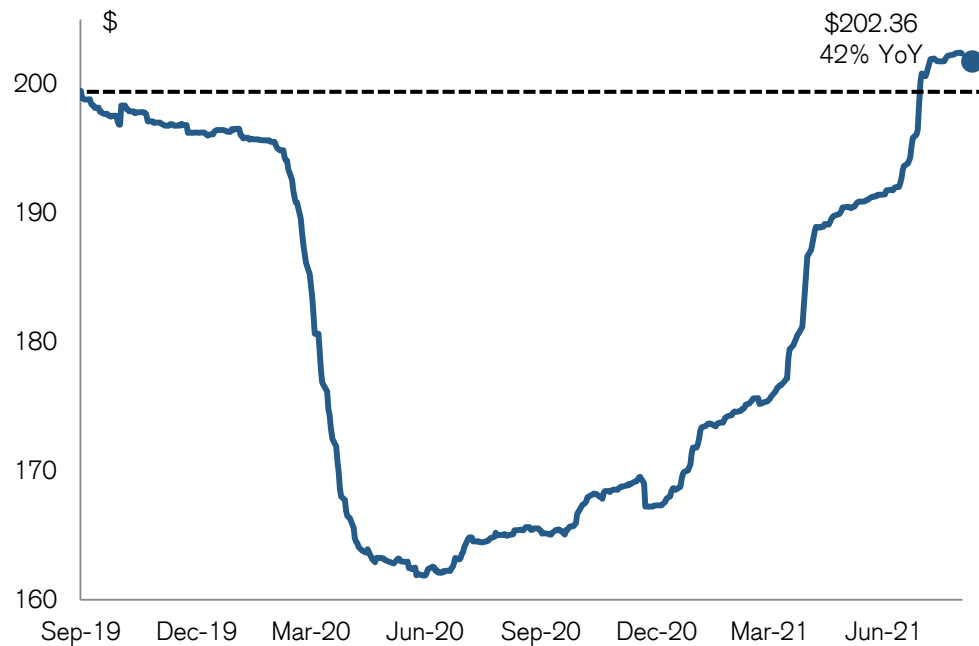
Note: EPS indexed at 100 on 9/30 of prior year

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Estimates tend to rise coming out of an economic downturn

2018 was an exception due to tax changes

Path of Consensus 2021 EPS Estimates

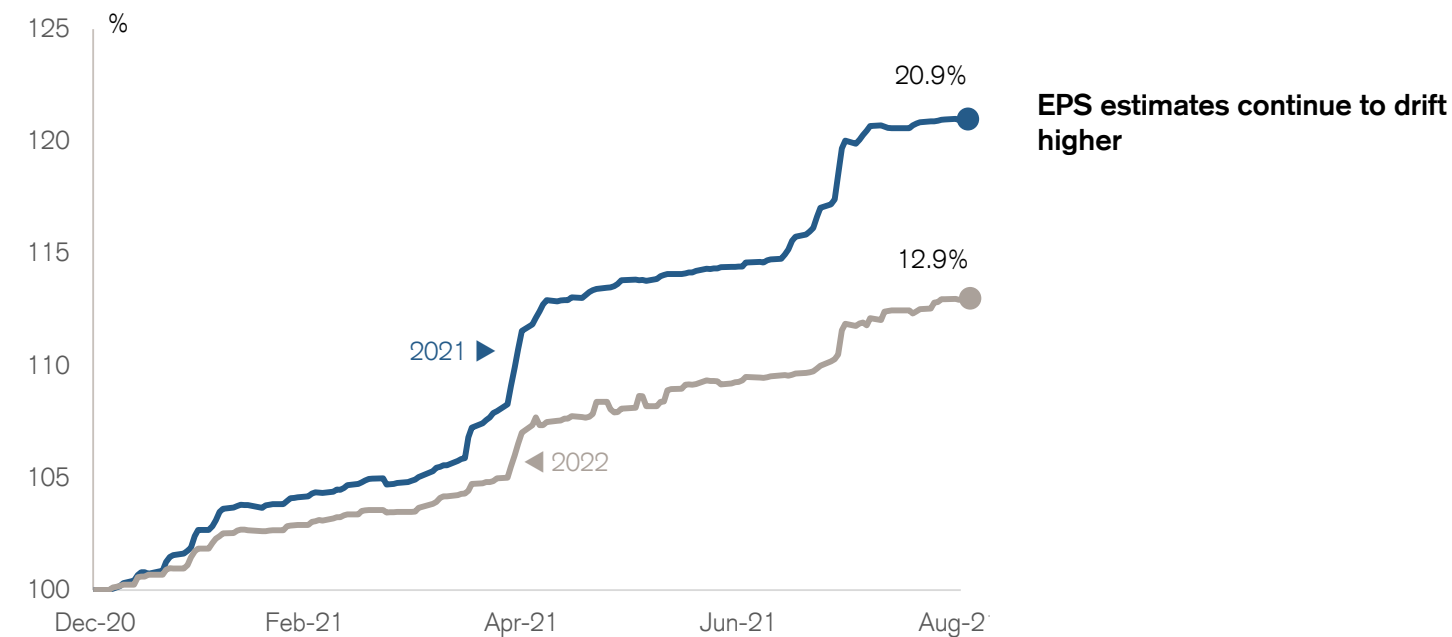


Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

2021 EPS is above the pre-pandemic forecast

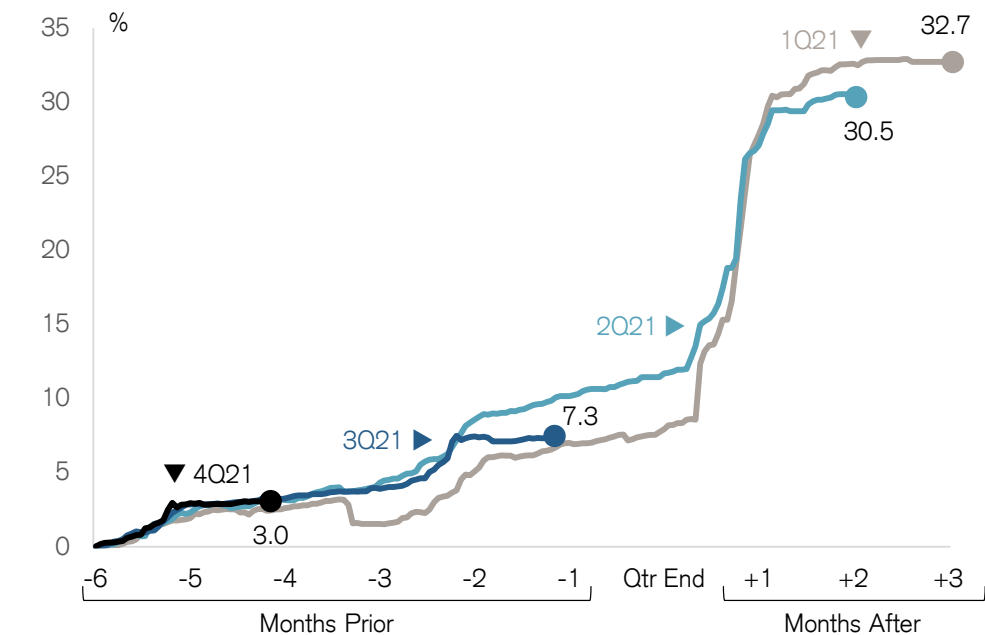
Earnings – Revisions

Path of 2021-22 Consensus EPS (Indexed to 100)



Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

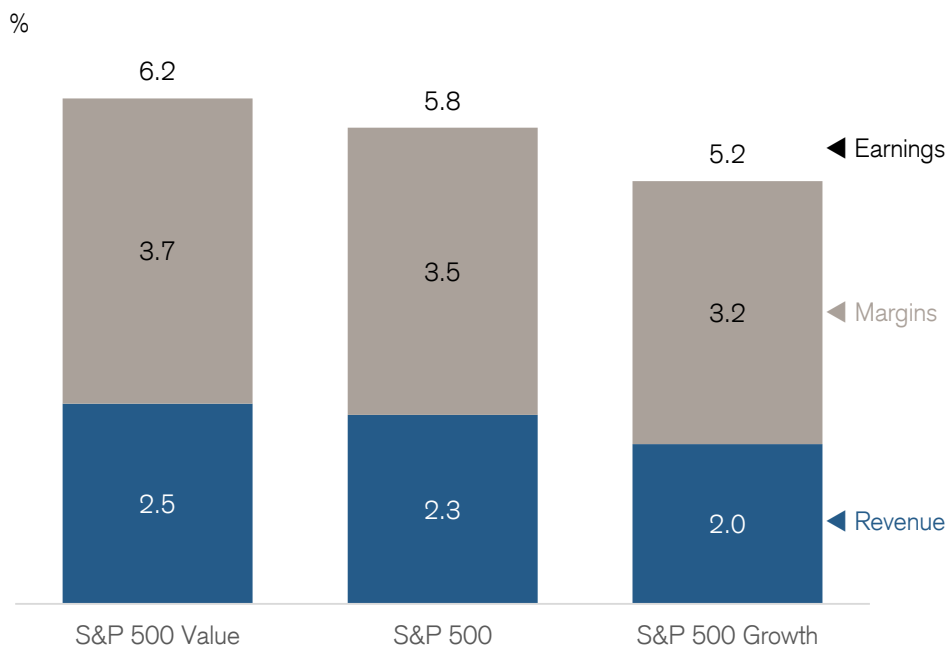
Change in Consensus EPS



Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Revisions

2021 Revisions by Style

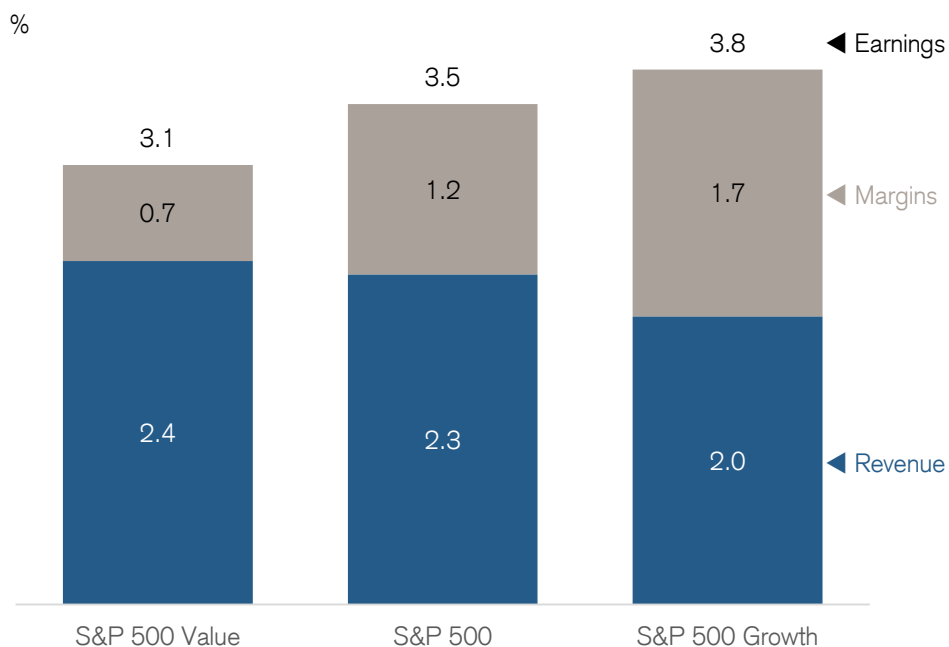


Analyst estimates for 2021 have improved more for Value stocks

Note: Revisions based on current estimates vs. 3 months ago

Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

2022 Revisions by Style



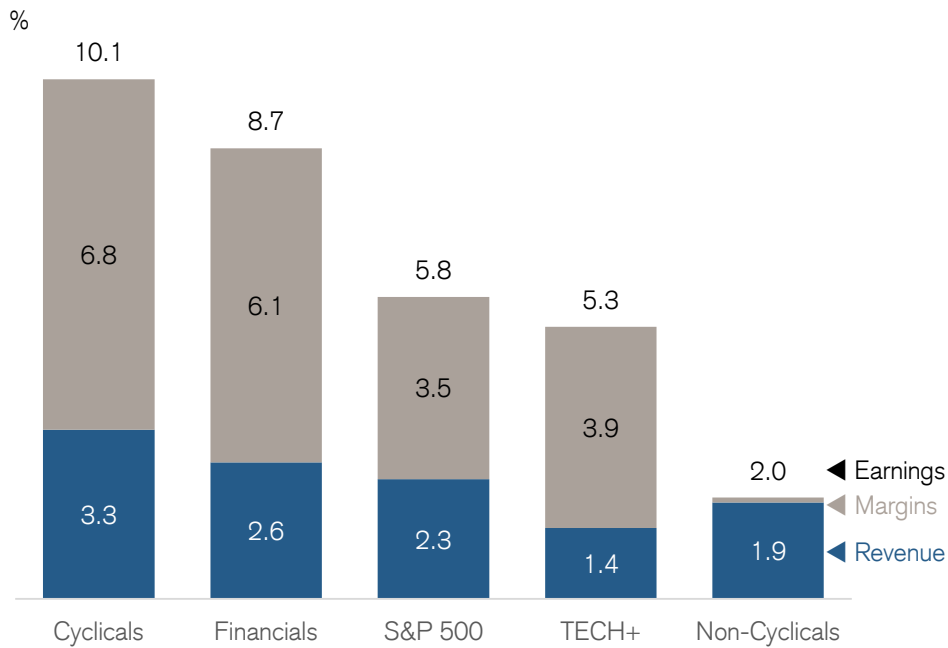
While revenue estimates have advanced more for Value stocks, margin estimates have risen more for Growth

Note: Revisions based on current estimates vs. 3 months ago

Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Earnings – Revisions

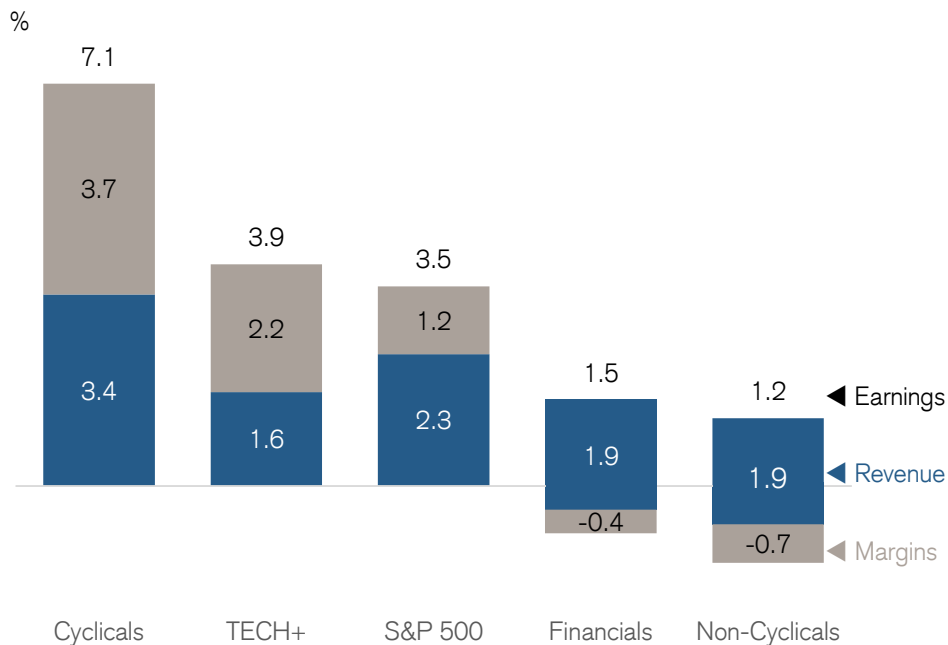
2021 Revisions by Sector



Revenue and margin estimates for Cyclicals have improved the most for both 2021 and 2022

Note: Revisions based on current estimates vs. 3 months ago
Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

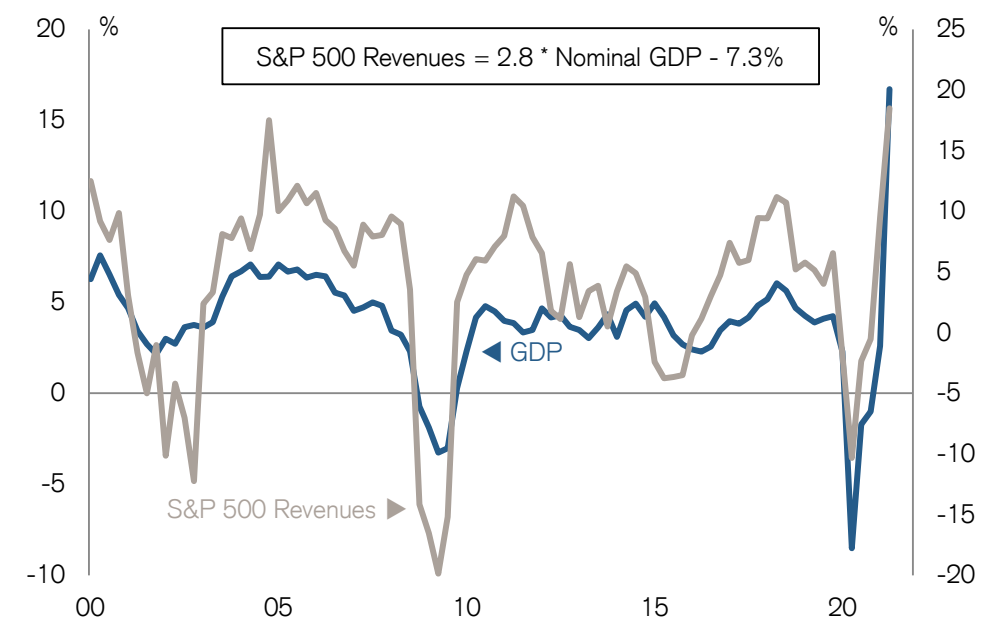
2022 Revisions by Sector



Note: Revisions based on current estimates vs. 3 months ago
Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Earnings – Revenues

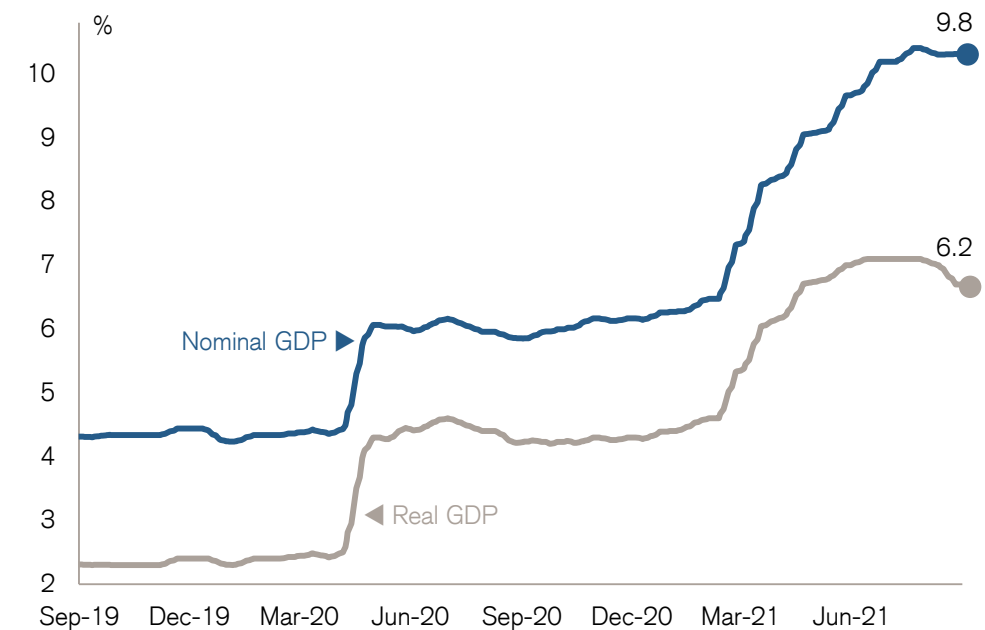
S&P 500 Revenues vs. Nominal GDP



Every 1% increase in nominal GDP drives 2½–3% increase in S&P 500 revenues

Source: Standard & Poor's, BEA, FactSet, Haver Analytics®, Credit Suisse

GDP Consensus Expectations - 2021



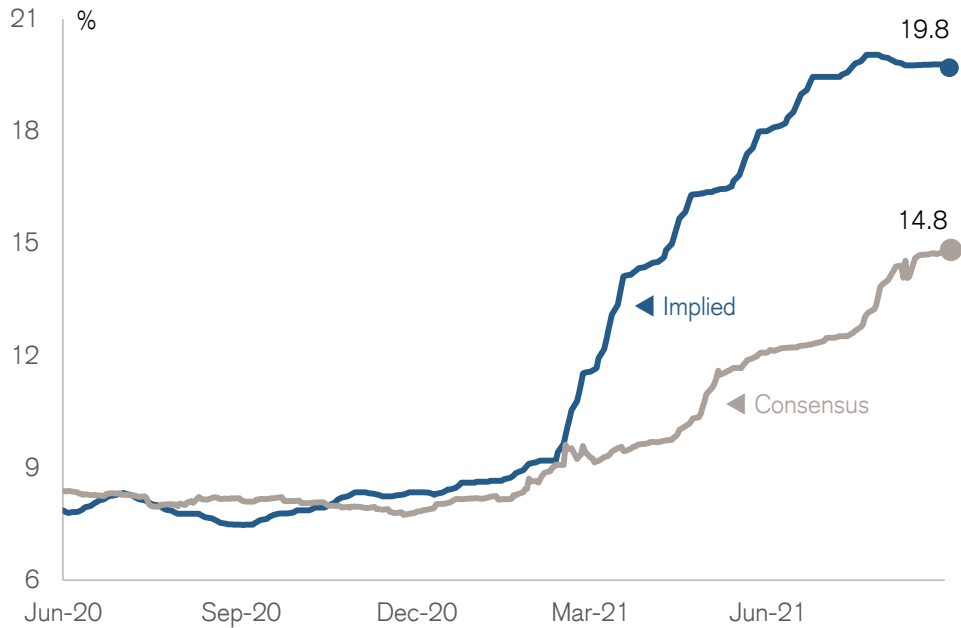
Nominal GDP is the key driver of S&P 500 revenues

Note: 5-day moving average, last data point actual

Source: BEA, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Earnings – Revenues

2021 Revenue Growth: Bottom-Up Consensus vs. Implied from GDP Estimates

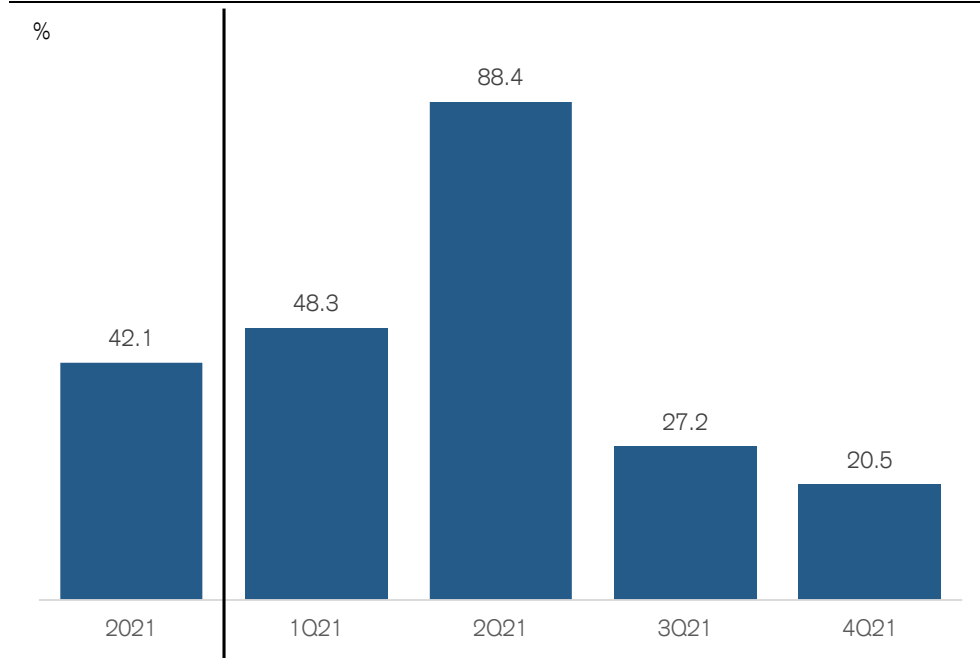


GDP forecasts imply much higher revenue growth than analyst forecasts

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Growth

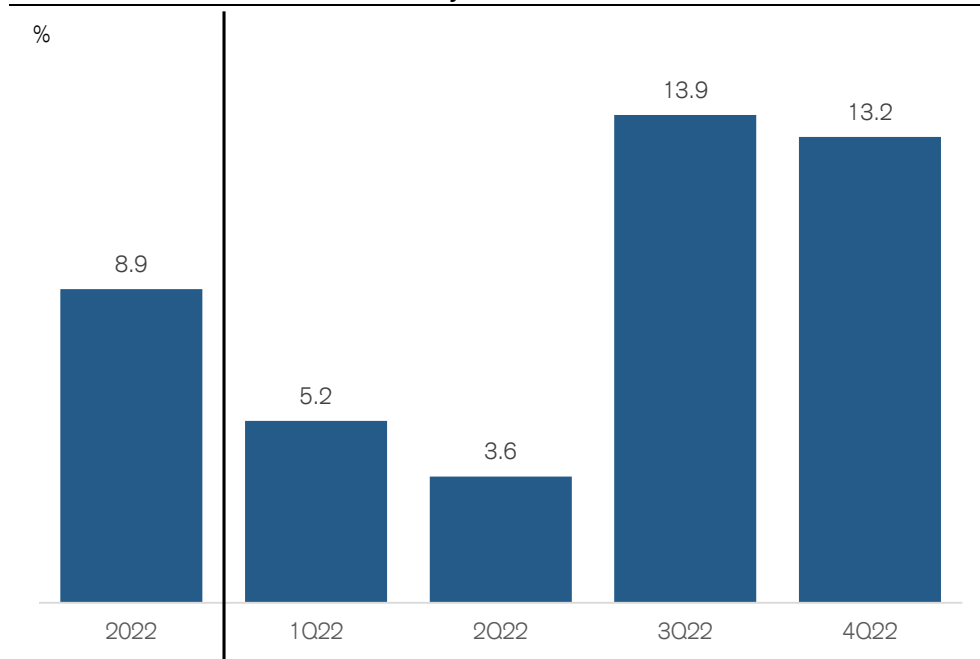
Consensus 2021 EPS Growth Projections



3Q-4Q21 should expand with earnings beats

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Consensus 2022 EPS Growth Projections

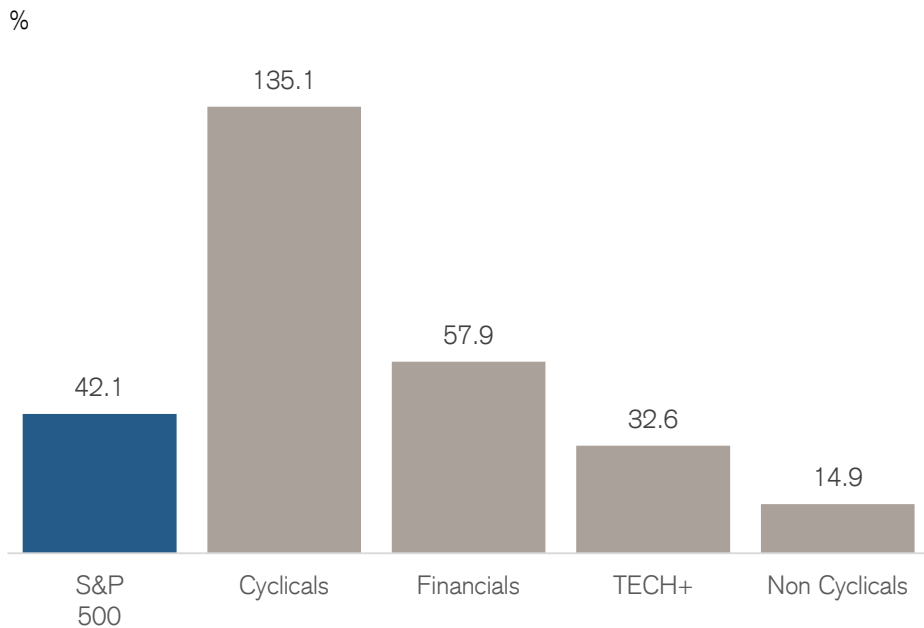


The dip in growth rate in 1Q-2Q22 is a results of tough comps

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Growth

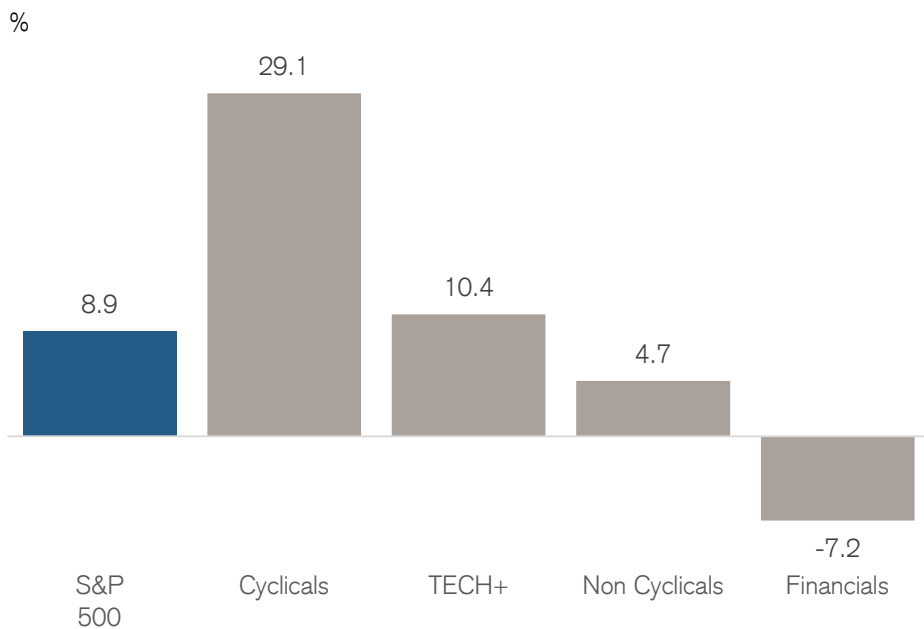
2021 Consensus EPS Growth



Cyclicals are expected to deliver the strongest growth in 2021-22

Source: Standard & Poor's, Refinitiv, FactSet and Credit Suisse

2022 Consensus EPS Growth

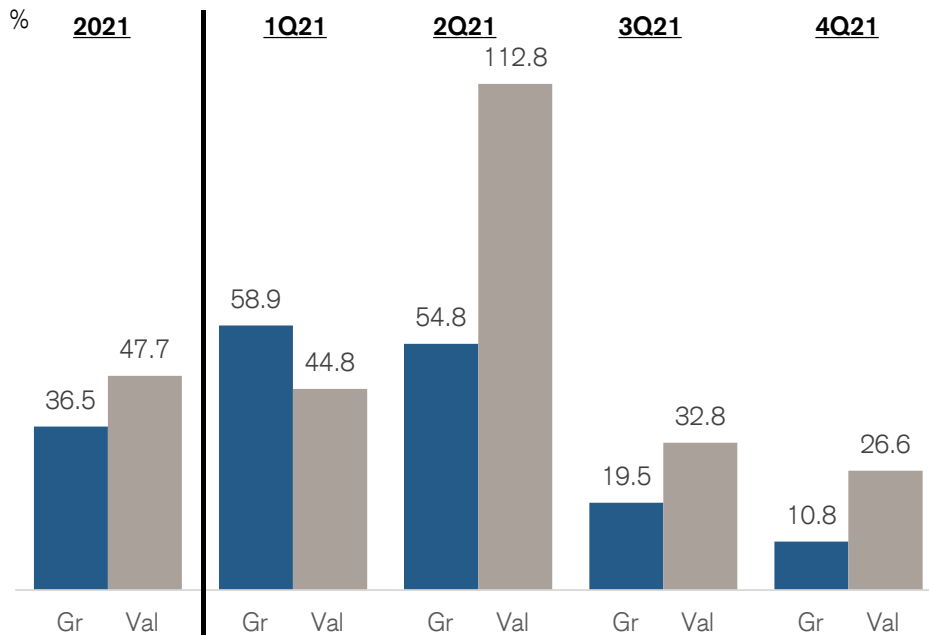


Growth rate for Financials are expected to deteriorate substantially between 2021-22

Source: Standard & Poor's, Refinitiv, FactSet and Credit Suisse

Earnings – Growth

Consensus 2021 EPS Growth: Value vs. Growth

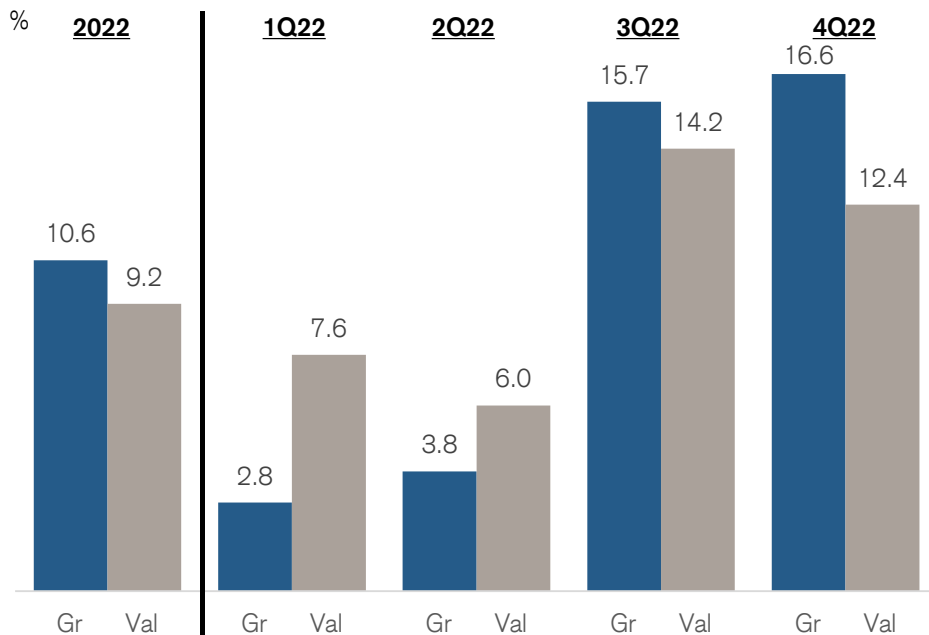


EPS growth is stronger for Value from 2Q21-2Q22

Note: Growth rates for S&P 500 Growth and Value benchmarks

Source: Russell, Refinitiv, FactSet and Credit Suisse

2022 EPS Growth: Value vs. Growth



Note: Growth rates for S&P 500 Growth and Value benchmarks

Source: Russell, Refinitiv, FactSet and Credit Suisse

Earnings – Growth

U.S. 2021 Consensus Growth Dashboard

	Weighted Growth YoY (%)				
	Revenue	Margins	Earnings	Buybacks	EPS
S&P 500	14.7	26.7	41.5	0.6	42.1
Energy	49.3	N.M.	N.M.	N.M.	N.M.
Materials	23.5	61.0	84.6	1.4	86.0
Industrials	15.8	97.5	113.2	7.3	120.5
Capital Goods	11.6	53.3	64.9	0.9	65.8
Business Services	13.3	1.6	14.9	0.5	15.4
Transportation	27.6	222.7	250.2	N.M.	230.5
Discretionary	17.9	53.6	71.5	2.5	73.9
Automobiles & Components	18.4	72.0	90.5	-1.4	89.1
Durables & Apparel	18.6	33.6	52.2	-0.1	52.1
Consumer Services	31.2	129.4	160.6	-3.9	156.8
Hardline Retail	11.2	16.3	27.5	2.0	29.5
Internet Retail	22.8	5.2	28.0	-2.1	26.0
Softline Retail	24.9	112.2	137.1	0.2	137.3
Technology	15.7	12.0	27.7	-0.4	27.3
Software & Services	12.0	5.5	17.5	0.8	18.3
Technology Hardware	17.2	24.6	41.7	-4.1	37.6
Semiconductors	20.1	7.7	27.8	1.9	29.7
Comm Svcs	16.3	17.5	33.7	1.0	34.7
Telecommunication Services	4.5	0.8	5.3	1.1	6.3
Internet Svcs & Home Ent	34.7	22.4	57.1	1.1	58.2
Media & Entertainment	10.7	14.0	24.7	0.5	25.2
Financials	5.1	50.9	56.0	2.0	57.9
Investment Banks	6.3	57.5	63.8	2.0	65.8
Regional Banks	4.5	91.2	95.8	2.6	98.3
Diversified Financials	9.0	45.1	54.1	-1.2	52.9
Insurance	4.3	19.2	23.5	2.2	25.7
Staples	5.9	3.1	9.0	0.5	9.5
Food & Staples Retailing	4.0	4.7	8.7	2.4	11.2
Food Beverage & Tobacco	9.5	1.3	10.8	-0.2	10.7
Household & Personal Products	5.9	-0.9	4.9	0.3	5.3
Health Care	12.1	9.3	21.4	0.4	21.8
HC Equipment & Services	9.4	7.9	17.3	0.5	17.8
Pharma, Biotech, & Life Sci	22.6	1.5	24.1	0.3	24.4
Utilities	8.3	-4.8	3.6	-1.7	1.8
REITs	11.3	3.4	14.6	-2.3	12.3

EPS is expected to grow 42% in 2021 led by Cyclical

Note: Blend of actuals where available and estimates

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Growth

U.S. 2Q21 Growth Dashboard

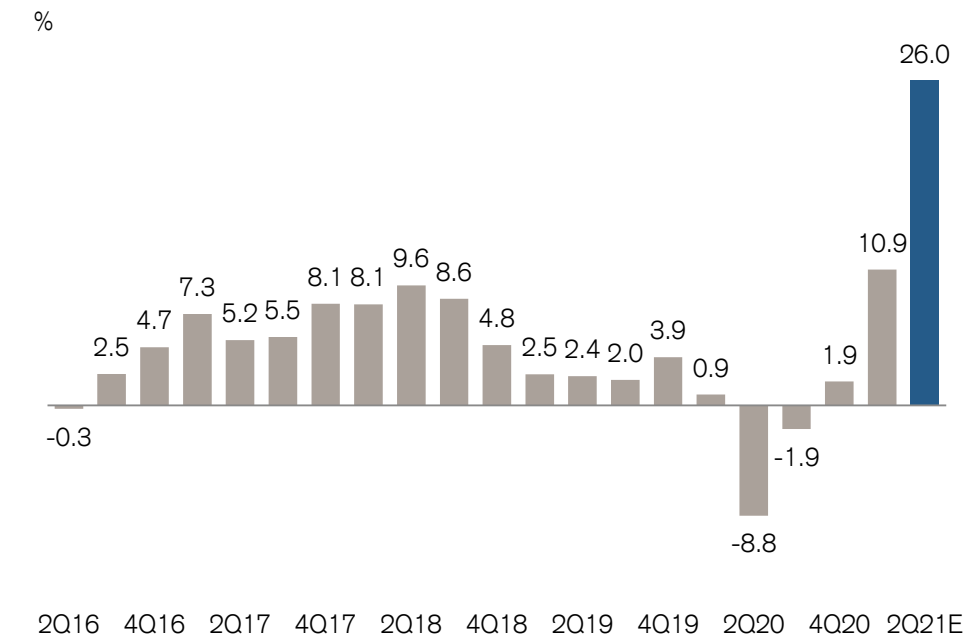
	Weighted Growth YoY (%)			EPS grew 88% in 2Q21
	Revenue	Margins	Earnings	
S&P 500	26.0	62.4	88.4	
Cyclicals				
Energy	115.0	n.m.	n.m.	
Materials	37.2	96.3	133.5	
Industrials	28.5	280.2	308.6	
<i>Industrials ex-Airlines</i>	<i>21.4</i>	<i>65.2</i>	<i>86.6</i>	
Financials	13.7	143.2	156.9	
Technology	22.2	25.3	47.5	
Comm Svcs	26.6	36.3	62.9	
Discretionary	35.4	222.4	257.9	
<i>Disc ex-Autos, Consumer</i>				
<i>Svcs & Softline Retail</i>	<i>18.7</i>	<i>13.7</i>	<i>32.4</i>	
Non-Cyclicals				
Staples	12.4	6.1	18.5	
Health Care	18.6	2.6	21.2	
Utilities	10.7	3.2	13.9	
REITs	18.8	13.2	32.0	

Note: Blend of actuals where available and estimates

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Growth

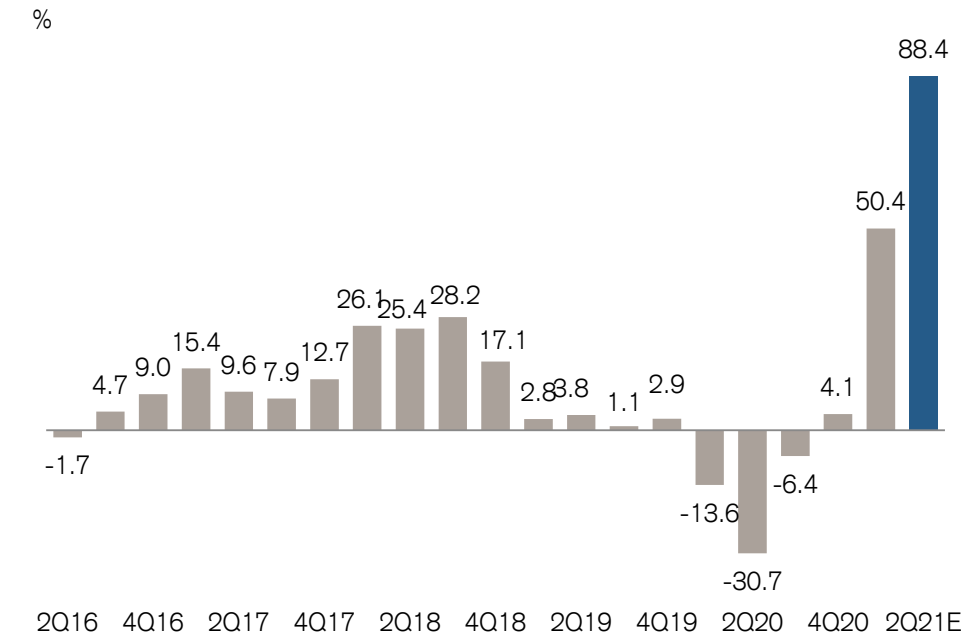
Historical Revenue Growth



Note: Estimates based on consensus estimates

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Historical EPS Growth

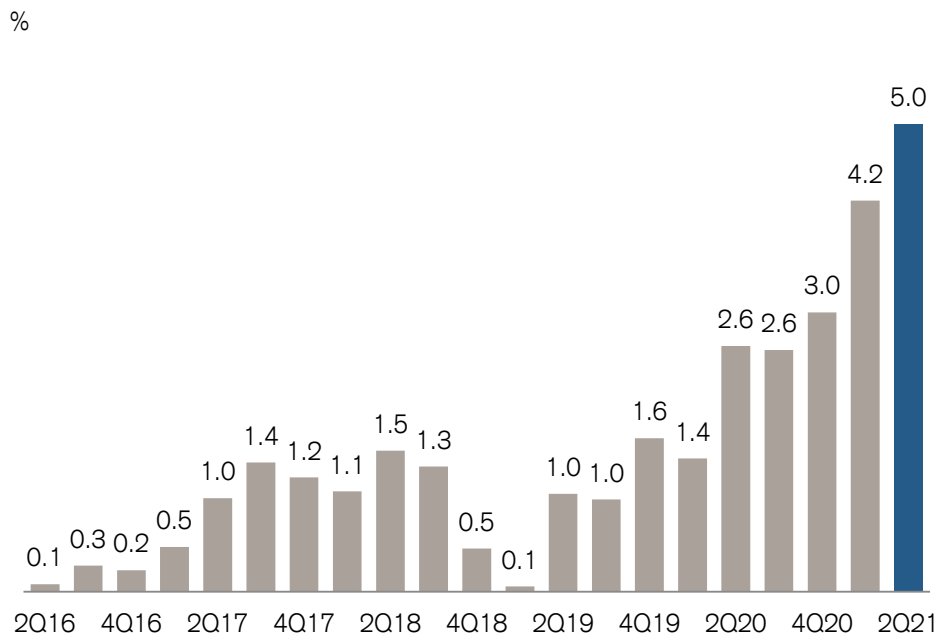


Note: Estimates based on consensus estimates

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

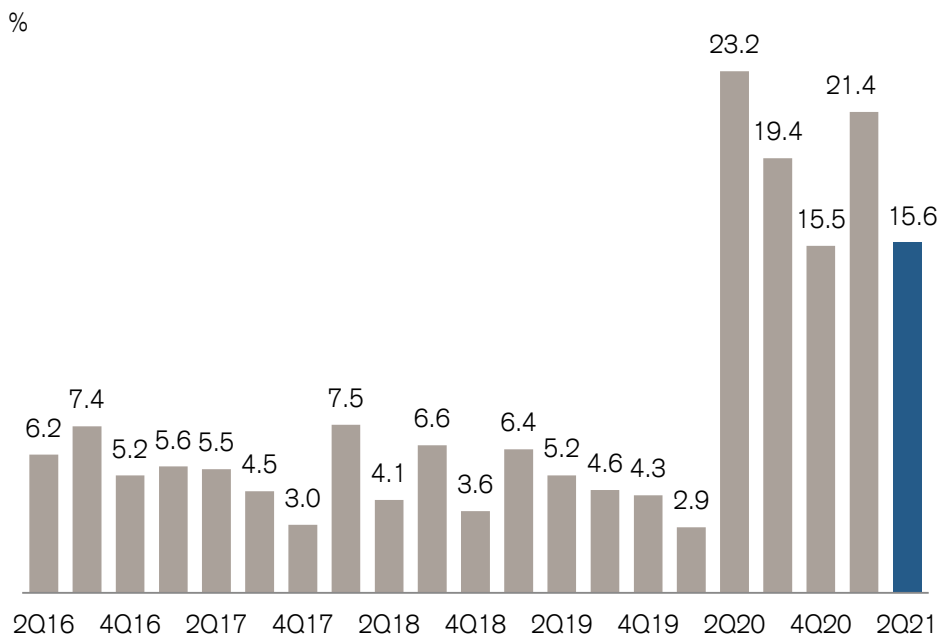
Earnings – Surprise

Historical Revenue Surprise



Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Historical EPS Surprise



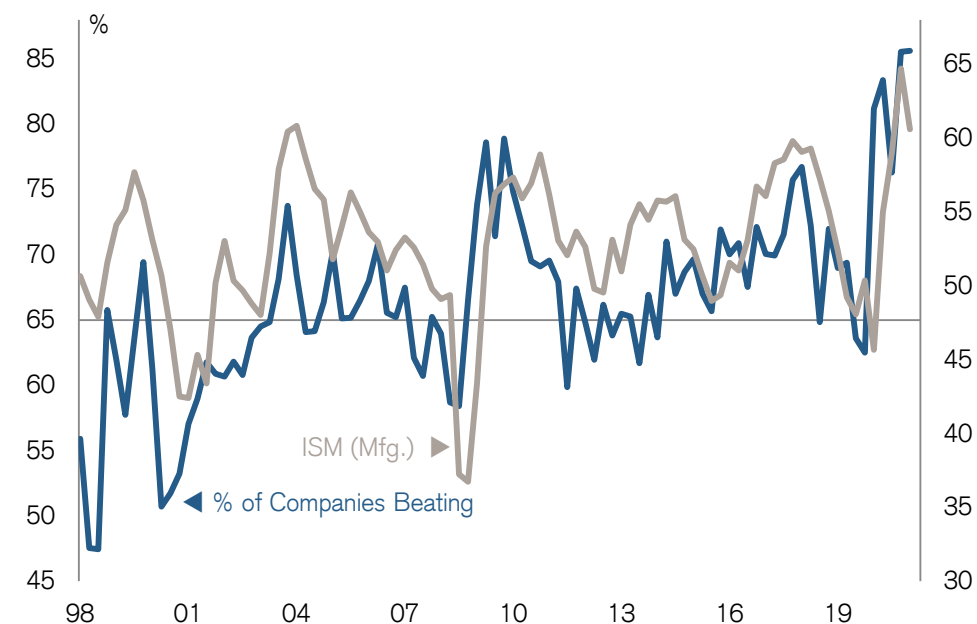
Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Companies have been delivering outsized surprises, a trend we believe will persist throughout 2021

Analysts are likely to continue to underestimate the path of earnings, especially on the margin line

Earnings – Surprise

ISM Manufacturing vs. % of Companies Beating Earnings

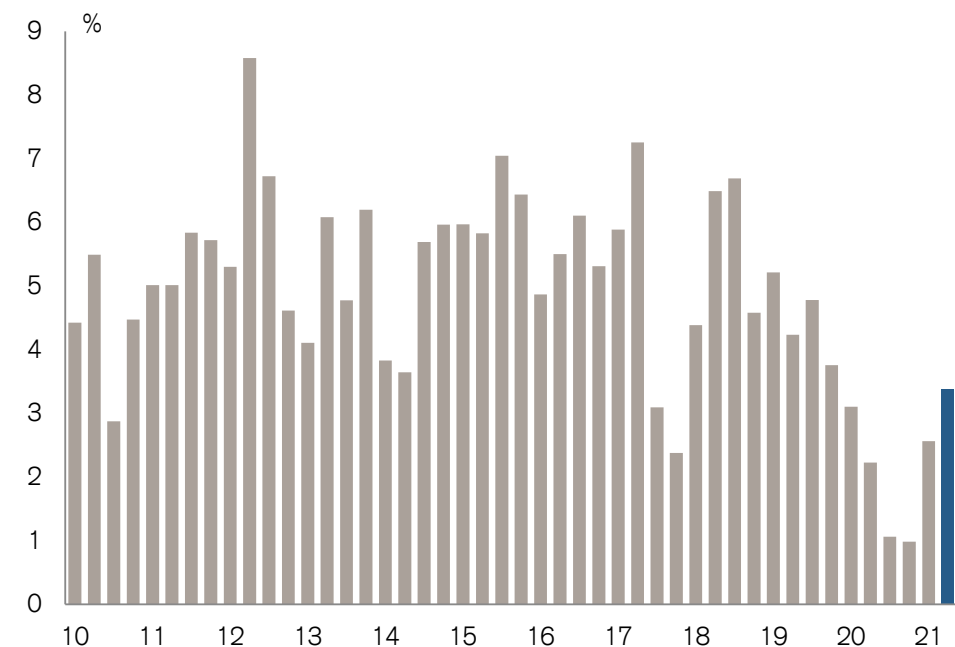


Earnings surprises trend with the level of the ISM, which is quite elevated

Note: ISM is 3-Month Moving Average with last data point actual

Source: Institute for Supply Management, Standard & Poor's, Refinitiv, Haver Analytics®, FactSet, Credit Suisse

Price Response Spread: Double Beats Less Double Misses



While the magnitude of surprises has been quite extreme, the price response to surprises has been more muted

Note: Double beats are companies surpassing both revenue and EPS estimates, double misses are companies missing both revenue and EPS estimates.

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Earnings – Margins

Interest as a % of Sales

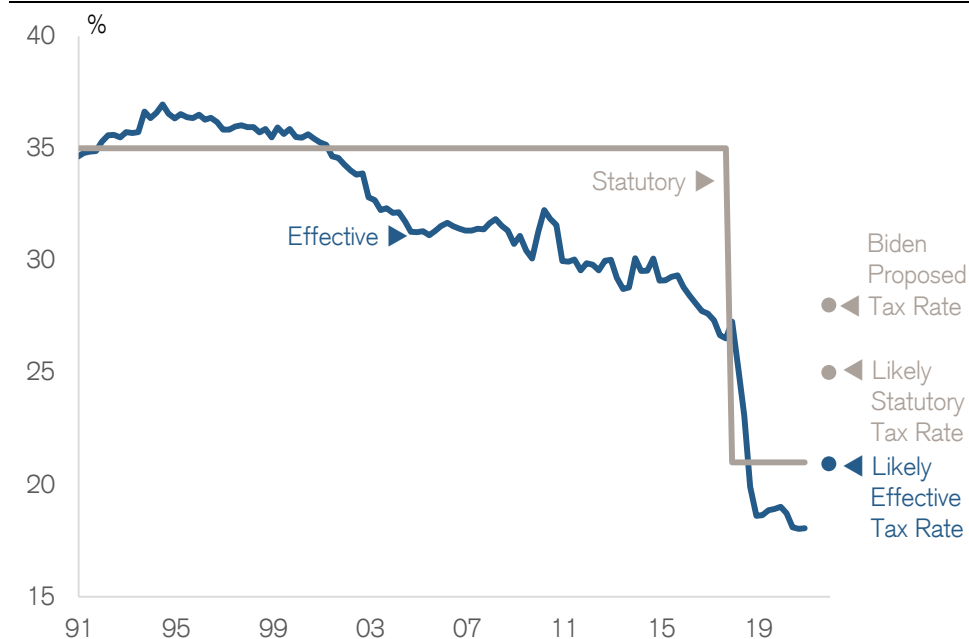


Lower interest and taxes have contributed positively to earnings growth

Note: S&P 500, trailing 4Q basis; 4Q moving average

Source: Standard & Poor's, FactSet, Credit Suisse

Tax Rate—Effective vs. Statutory



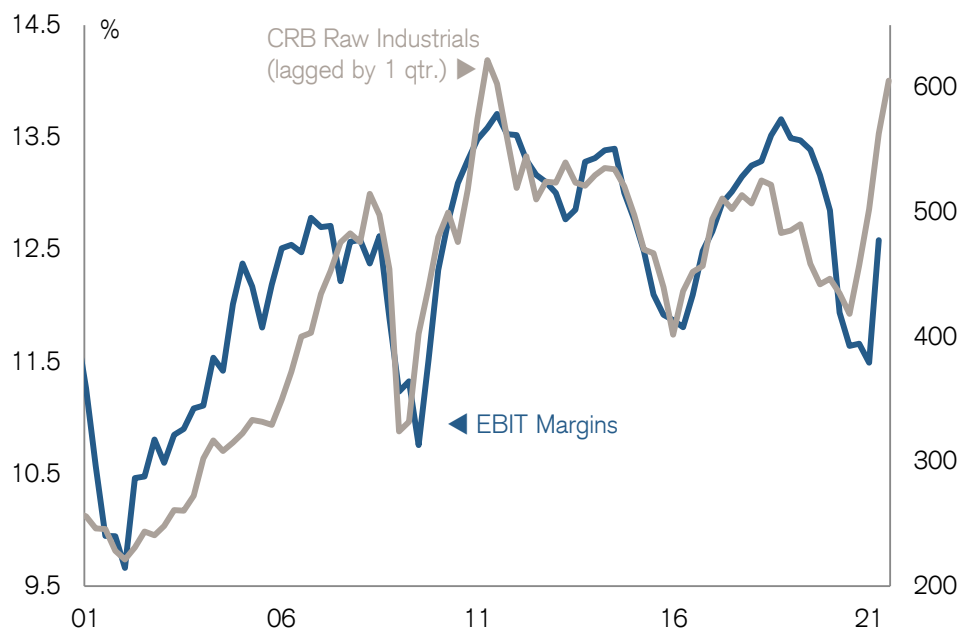
We expect the statutory tax rate to increase from 21% to 25%, and have adjusted our 2022 estimates to reflect this outcome

Note: LTM median tax rate for S&P 500 companies; Statutory Tax Rate is Federal rate only

Source: Standard & Poor's, IRS, FactSet, and Credit Suisse

Earnings – Margins

S&P 500 EBIT Margins vs. Industrial Commodity Prices

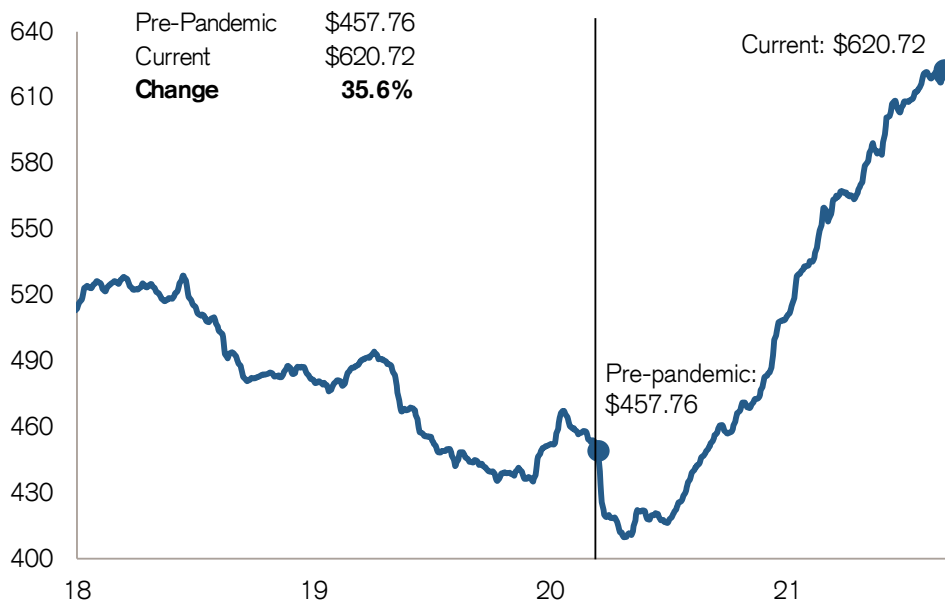


Commodity prices tend to lead margins by 1 quarter, and point to profit upside

Note: S&P 500 ex-Financials & REITs; CRB Raw Industrials Index is lagged by 1 quarter

Source: Standard & Poor's, Commodity Research Bureau, FactSet, Haver Analytics®, Credit Suisse

CRB Raw Materials

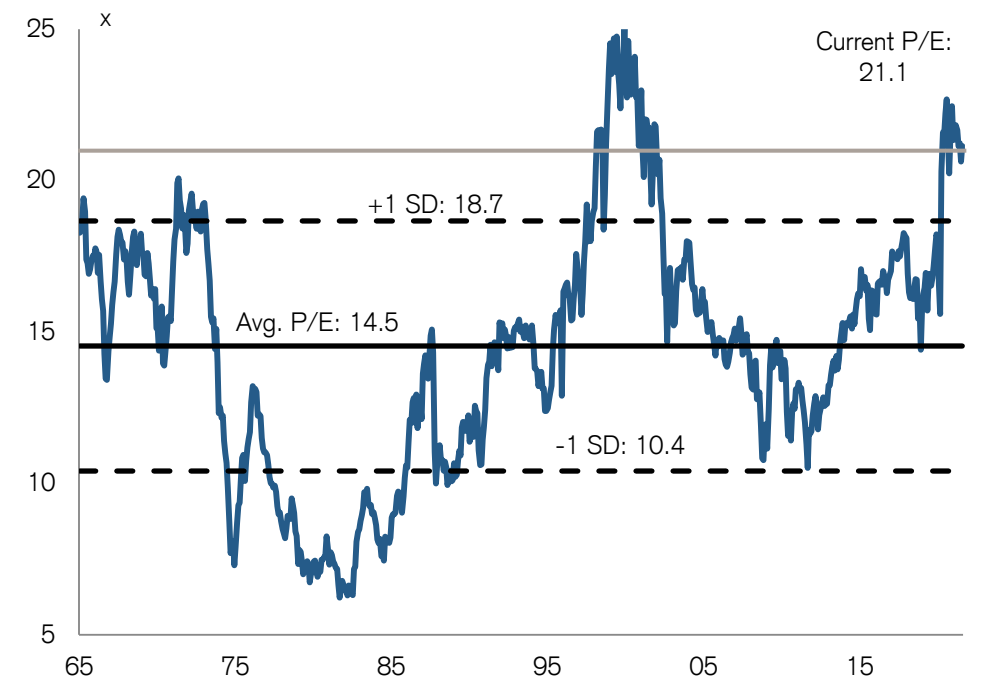


Note: 5-Day Moving Average with last data point actual; Pre-Pandemic denotes price as of 2/19/20

Source: CRB, Haver Analytics®, Credit Suisse

Valuations

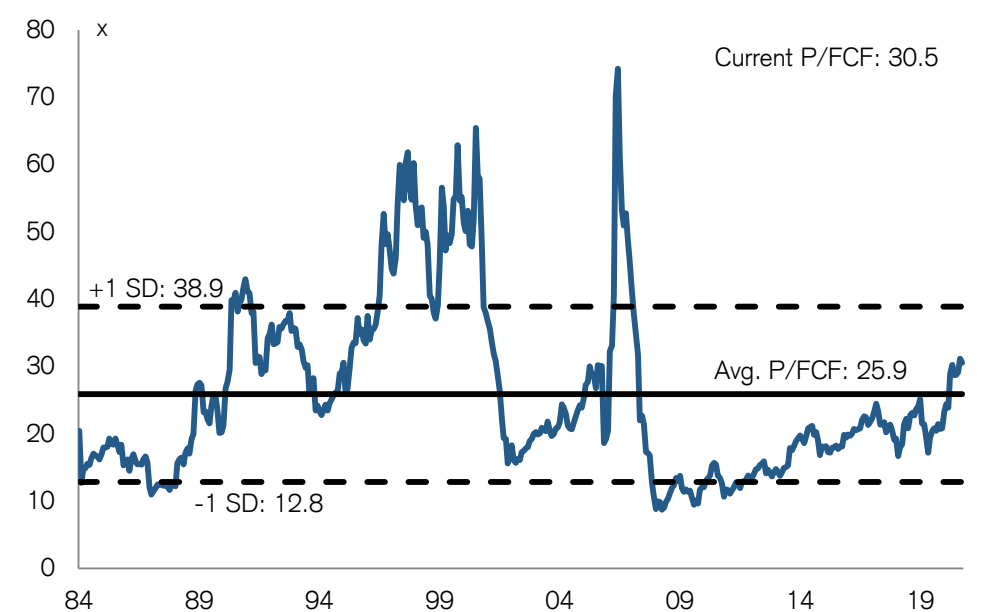
S&P 500 NTM P/E



While P/Es are quite elevated, they have come in recently

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

S&P 500 P/FCF



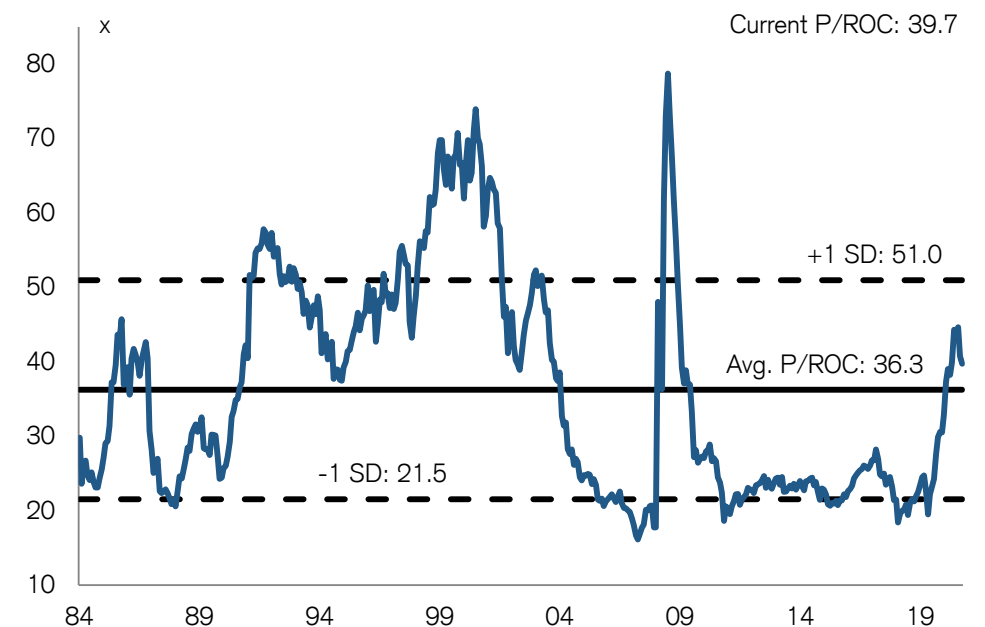
The market's P/FCF is less extreme than its P/E

P/FCF is measured on a trailing basis while P/E is on a forward basis

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Valuations

S&P 500 P/ROC (Dividends + Buybacks)

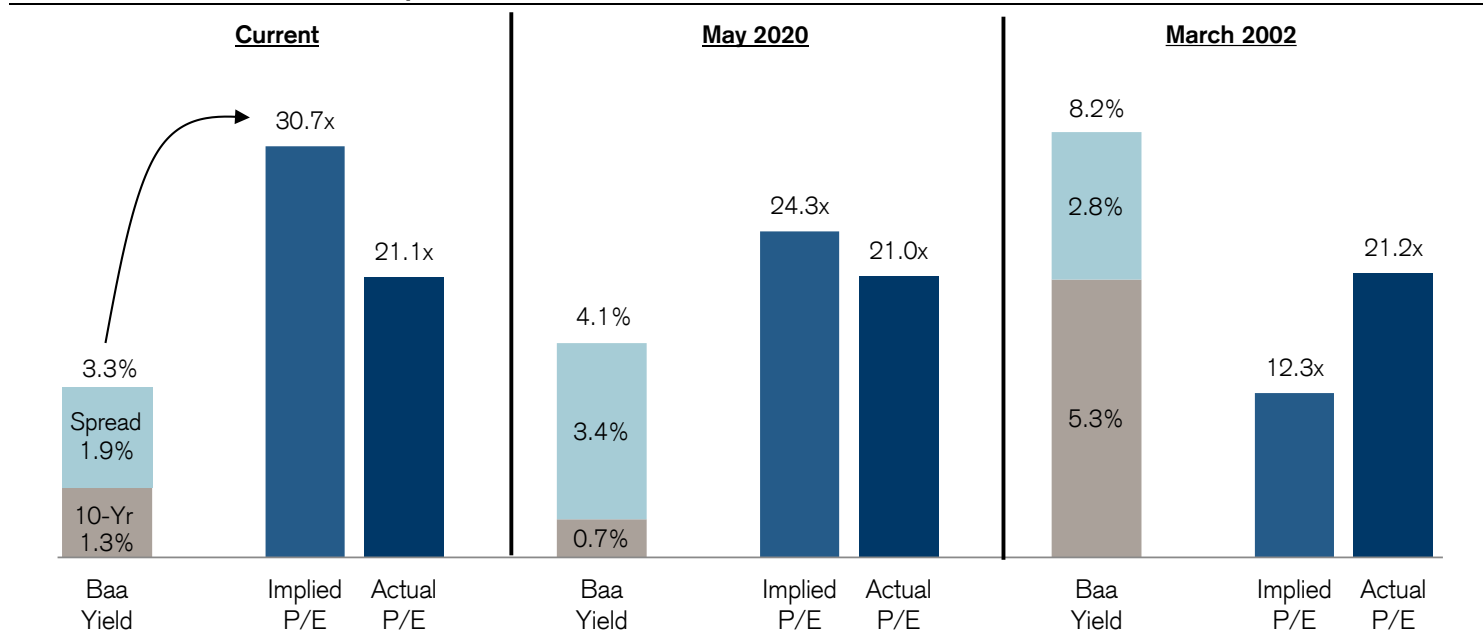


The price to return of capital has recently jumped as buybacks have fallen. This should quickly reverse

Note: Russell 1000 prior to 1990, S&P 500 after 1990.

Source: Standard & Poor's, Russell, Refinitiv, FactSet, Credit Suisse

Bond Yields vs. S&P 500 Multiples

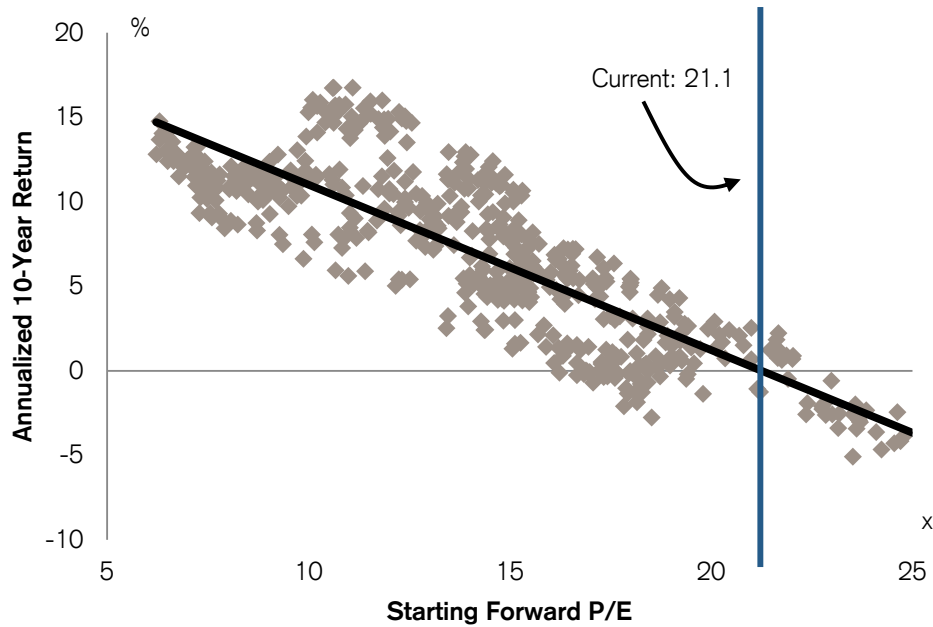


Note: Implied P/E based on the inverse of the Baa yield

Source: Standard and Poor's, Moody's, FactSet, Refinitiv, Credit Suisse

Valuations

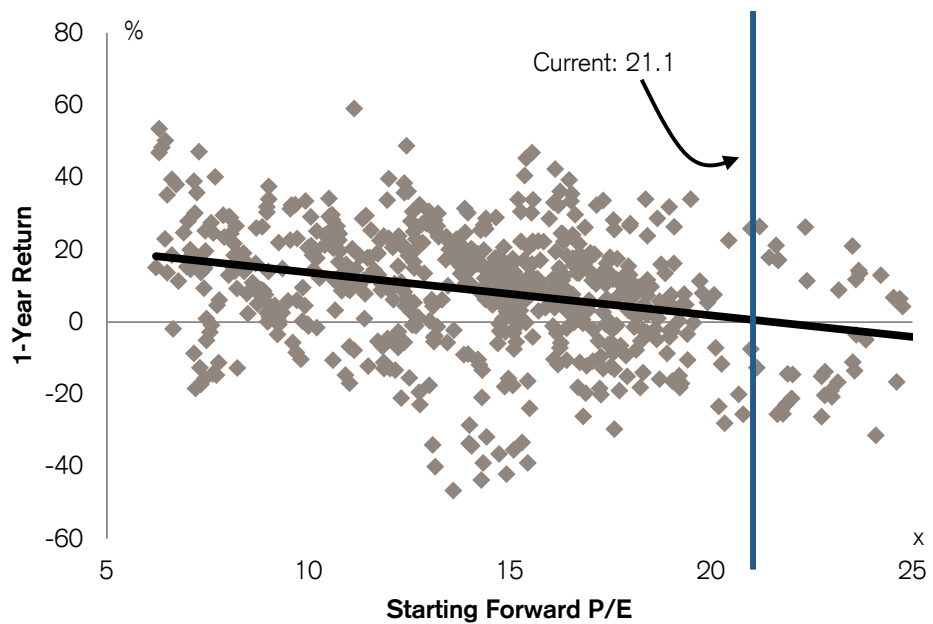
10 Year Annualized Stock Returns vs. Starting P/E Levels



Historically, future returns have been lower when multiples are elevated

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

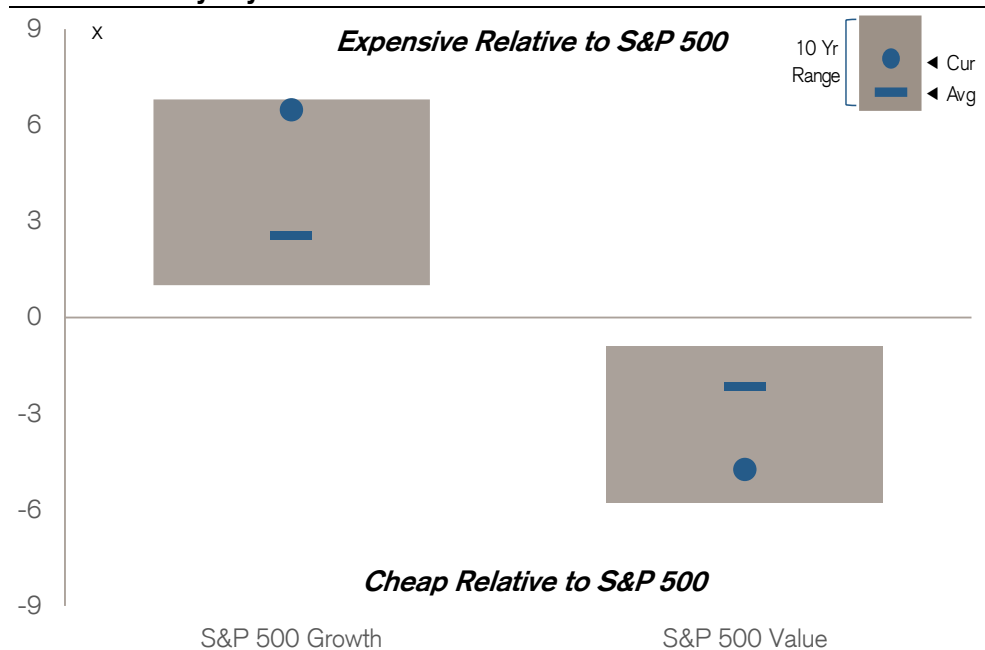
1 Year Annualized Stock Returns vs. Starting P/E Levels



Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Valuations

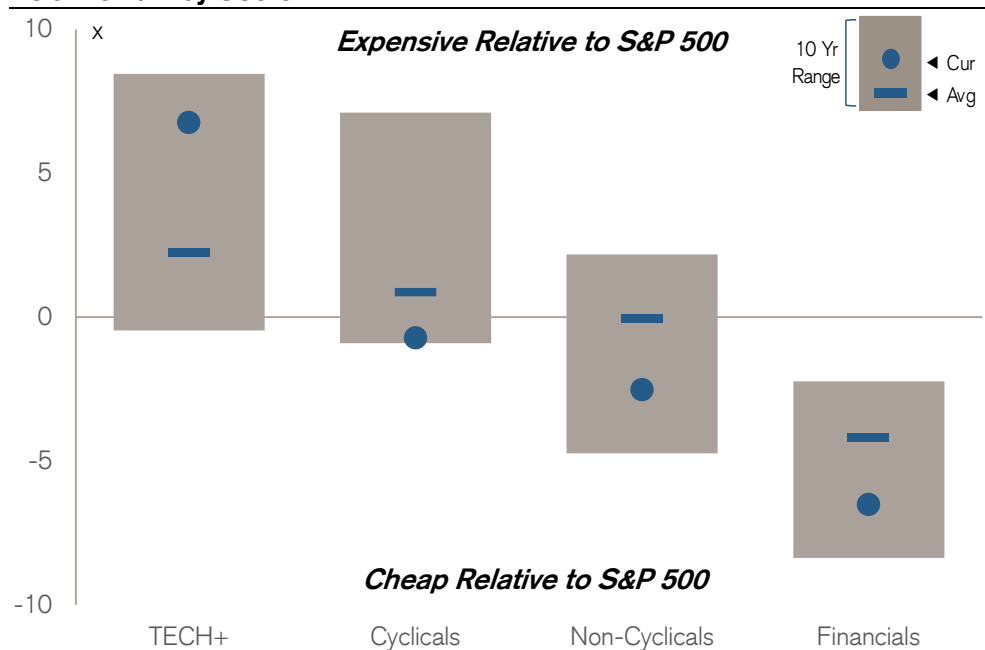
Relative P/E by Style



Historically, Growth has traded at a 2.6x multiple point premium to the market; today it trades at a 6.5x premium

Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Relative P/E by Sector



TECH+ typically trades at a 2.3x multiple point premium to the market; it is currently trading at a 6.8x premium

Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Market Composition

Market Weight (% of S&P 500)

Aug-92	Aug-02	Aug-09	Aug-11	Aug-13	Aug-15	Aug-17	Aug-19	Aug-20	Aug-21
Non-Cyclicals 42.7	Non-Cyclicals 35.1	Non-Cyclicals 35.7	Non-Cyclicals 34.9	Non-Cyclicals 34.6	Non-Cyclicals 36.1	Non-Cyclicals 34.5	Non-Cyclicals 32.9	TECH+ 41.3	TECH+ 40.0
Cyclicals 42.6	Cyclicals 29.7	Cyclicals 31.2	Cyclicals 32.9	Cyclicals 31.7	Cyclicals 28.0	TECH+ 26.2	TECH+ 31.4	Non-Cyclicals 30.3	Non-Cyclicals 27.7
Financials 9.7	Financials 20.7	TECH+ 18.8	TECH+ 19.7	TECH+ 19.3	TECH+ 21.9	Cyclicals 25.0	Cyclicals 22.9	Cyclicals 18.8	Cyclicals 21.1
TECH+ 5.2	TECH+ 14.8	Financials 14.3	Financials 12.4	Financials 14.4	Financials 14.1	Financials 14.2	Financials 12.8	Financials 9.6	Financials 11.2

Source: Standard & Poor's, FactSet, Credit Suisse

NTM P/E

Aug-92	Aug-02	Aug-09	Aug-11	Aug-13	Aug-15	Aug-17	Aug-19	Aug-20	Aug-21
Non-Cyclicals 14.8	TECH+ 23.2	TECH+ 17.2	Non-Cyclicals 12.7	Non-Cyclicals 15.3	Cyclicals 18.4	TECH+ 20.1	TECH+ 21.4	TECH+ 31.4	TECH+ 28.4
Cyclicals 14.4	Cyclicals 16.8	Financials 16.8	TECH+ 11.9	TECH+ 13.9	Non-Cyclicals 16.1	Non-Cyclicals 17.2	S&P 500 16.5	Cyclicals 26.1	S&P 500 21.2
S&P 500 13.8	S&P 500 15.9	Non-Cyclicals 12.4	Financials 8.7	S&P 500 11.6	TECH+ 16.0	S&P 500 15.9	Non-Cyclicals 16.3	S&P 500 22.7	Cyclicals 20.3
TECH+ 11.2	Non-Cyclicals 15.9	S&P 500 10.1	S&P 500 8.0	Financials 11.1	S&P 500 15.8	Financials 13.6	Cyclicals 15.7	Non-Cyclicals 17.8	Non-Cyclicals 18.6
Financials 9.9	Financials 12.2	Cyclicals 6.1	Cyclicals 4.9	Cyclicals 8.6	Financials 11.8	Cyclicals 13.1	Financials 11.6	Financials 14.3	Financials 14.3

Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Market Composition

Revenues (% of S&P 500)

Aug-92	Aug-02	Aug-09	Aug-11	Aug-13	Aug-15	Aug-17	Aug-19	Aug-20	Aug-21
Cyclicals 56.7	Cyclicals 44.7	Cyclicals 39.4	Cyclicals 37.7	Cyclicals 39.8	Non-Cyclicals 37.9	Non-Cyclicals 40.3	Non-Cyclicals 38.4	Non-Cyclicals 39.9	Non-Cyclicals 40.7
Non-Cyclicals 26.2	Non-Cyclicals 29.7	Non-Cyclicals 38.9	Non-Cyclicals 37.3	Non-Cyclicals 35.0	Cyclicals 37.2	Cyclicals 33.3	Cyclicals 33.5	Cyclicals 31.1	Cyclicals 27.9
Financials 11.9	Financials 16.8	Financials 12.1	Financials 14.0	Financials 13.5	Financials 13.1	Financials 13.6	TECH+ 14.3	TECH+ 15.4	TECH+ 17.6
TECH+ 5.3	TECH+ 8.7	TECH+ 9.5	TECH+ 11.0	TECH+ 11.7	TECH+ 11.7	TECH+ 12.7	Financials 13.8	Financials 13.6	Financials 13.8

Source: Standard & Poor's, FactSet, Credit Suisse

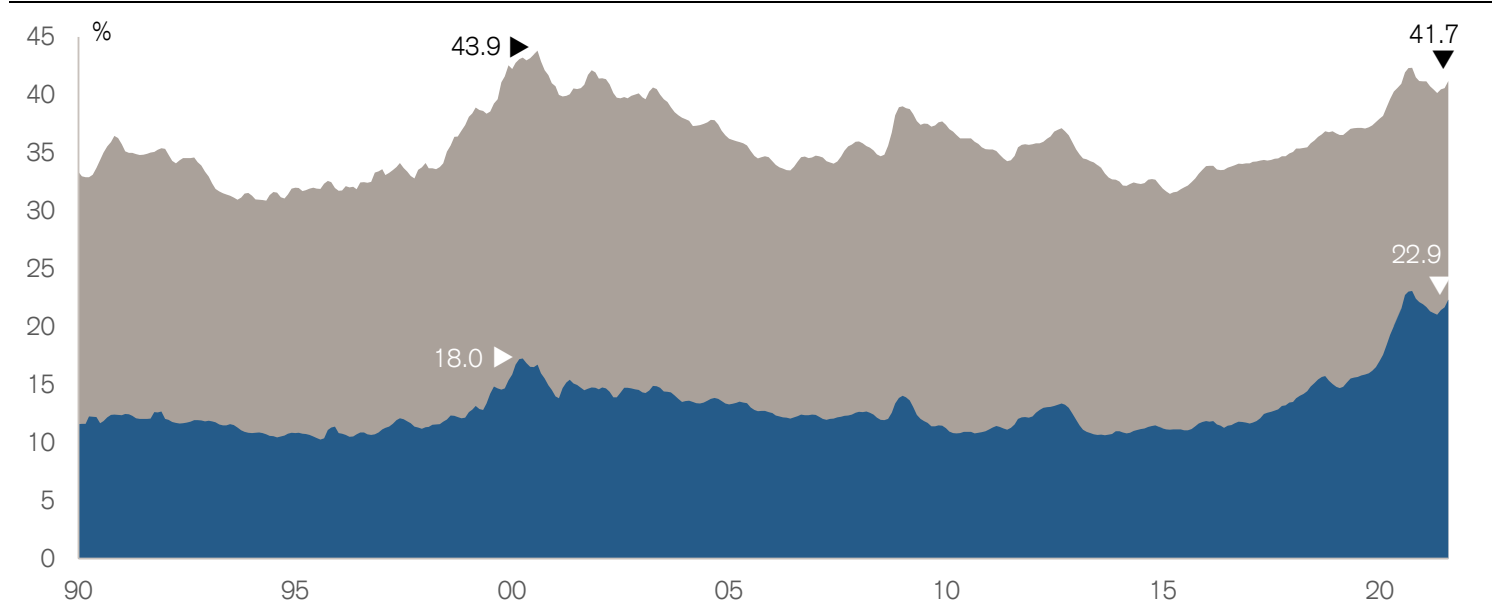
Earnings (% of S&P 500)

Aug-92	Aug-02	Aug-09	Aug-11	Aug-13	Aug-15	Aug-17	Aug-19	Aug-20	Aug-21
Non-Cyclicals 44.2	Non-Cyclicals 38.4	Non-Cyclicals 78.1	Non-Cyclicals 35.2	Cyclicals 31.6	Non-Cyclicals 33.2	Non-Cyclicals 36.9	Non-Cyclicals 33.5	Non-Cyclicals 38.8	Non-Cyclicals 35.3
Cyclicals 35.6	Cyclicals 28.1	Cyclicals 68.4	Cyclicals 32.4	Non-Cyclicals 31.2	Cyclicals 28.7	TECH+ 22.8	TECH+ 24.6	TECH+ 27.6	TECH+ 29.3
Financials 16.1	Financials 25.5	TECH+ 27.9	TECH+ 20.6	TECH+ 19.7	TECH+ 20.6	Cyclicals 21.8	Cyclicals 23.9	Cyclicals 17.3	Financials 20.8
TECH+ 4.0	TECH+ 8.0	Financials -74.4	Financials 11.8	Financials 17.4	Financials 17.5	Financials 18.6	Financials 18.1	Financials 16.3	Cyclicals 14.5

Source: Standard & Poor's, FactSet, Credit Suisse

Market Composition

% of Market Cap – Top 5 and top 25 Stocks



Source: Standard & Poor's, FactSet, Credit Suisse

Top 5 Companies

Current

Tickers	% of Total		NTM		
	Weight	Earnings	EPS Growth	P/E	PEG
AAPL	6.2	4.9	1.4	26.9	19.5
MSFT	5.9	3.8	10.4	33.2	3.2
GOOGL	4.4	3.4	15.8	27.9	1.8
AMZN	3.9	1.5	25.8	54.9	2.1
FB	2.4	2.0	18.7	24.6	1.3
Top 5 companies	22.9	15.5	10.7	31.0	2.9

March 2000

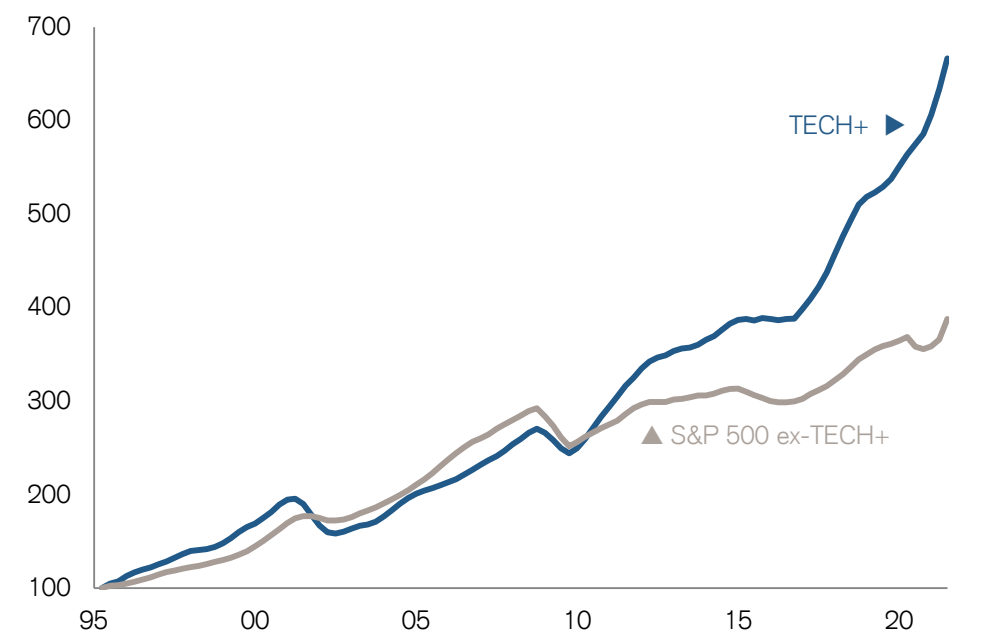
Tickers	% of Total		NTM		
	Weight	Earnings	EPS Growth	P/E	PEG
MSFT	4.3	1.9	16.5	56.7	3.4
CSCO	4.1	0.8	33.6	126.7	3.8
GE	4.0	2.4	14.6	40.5	2.8
INTC	3.4	1.9	22.9	43.5	1.9
XOM	2.1	2.3	35.8	21.7	0.6
Top 5 companies	18.0	9.3	23.0	46.9	2.0

Note: GOOGL represents total company

Source: Standard & Poor's, Thomson Financial, FactSet and Credit Suisse

The Long-Term Case for TECH+

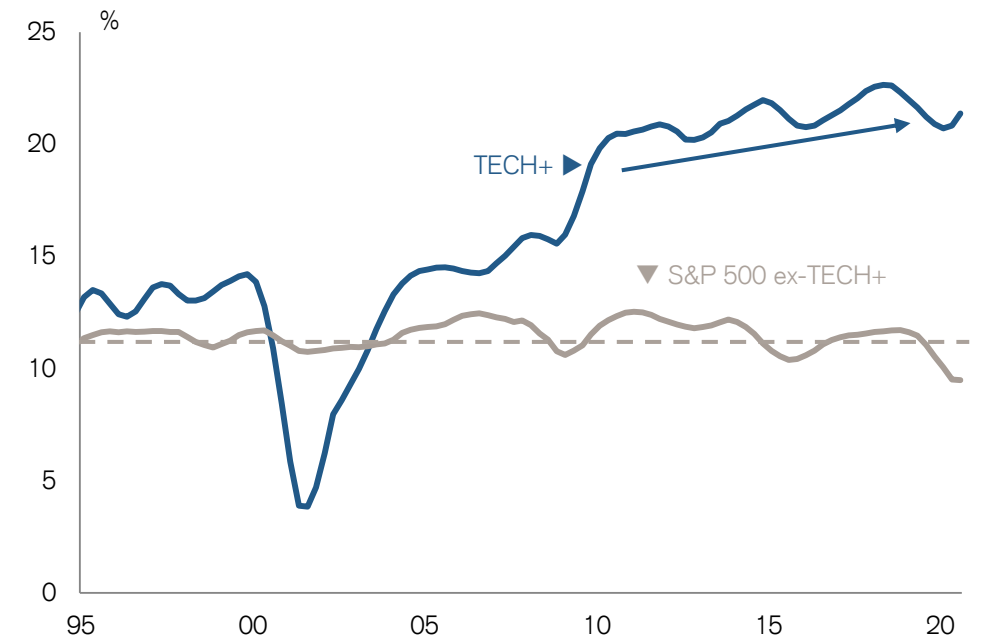
Revenue Growth (Indexed to 100)



Since 2009, TECH+ revenue growth has meaningfully exceeded the broad market

Note: 4-Quarter Moving Average;
Source: Standard & Poor's, FactSet, Credit Suisse

EBIT Margins

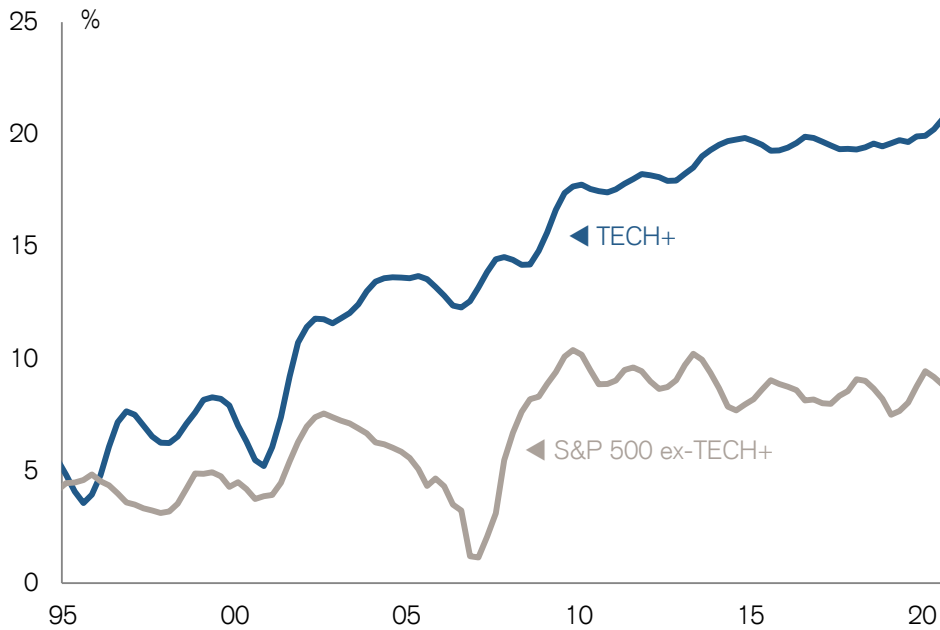


While margins have been stable for the broad market, they have been rising for TECH+

Note: S&P 500 ex-Financials; Trailing 12-Month EBIT Margin; 4-Quarter Moving Average
Source: Standard & Poor's, FactSet, Credit Suisse

The Long-Term Case for TECH+

FCF as a % of Sales – TECH+ vs. S&P 500 ex-TECH+



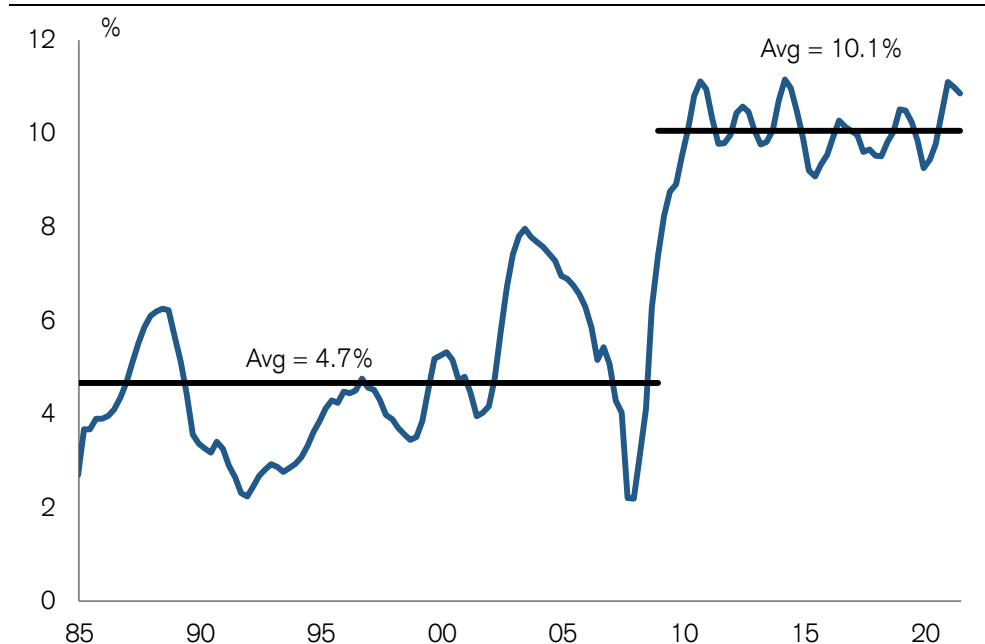
TECH+ companies generate twice as much FCF as other companies

Note: Trailing 12-months

Source: Standard & Poor's, FactSet, Credit Suisse

Sources & Uses of Cash

Free Cash Flow as a % of Sales

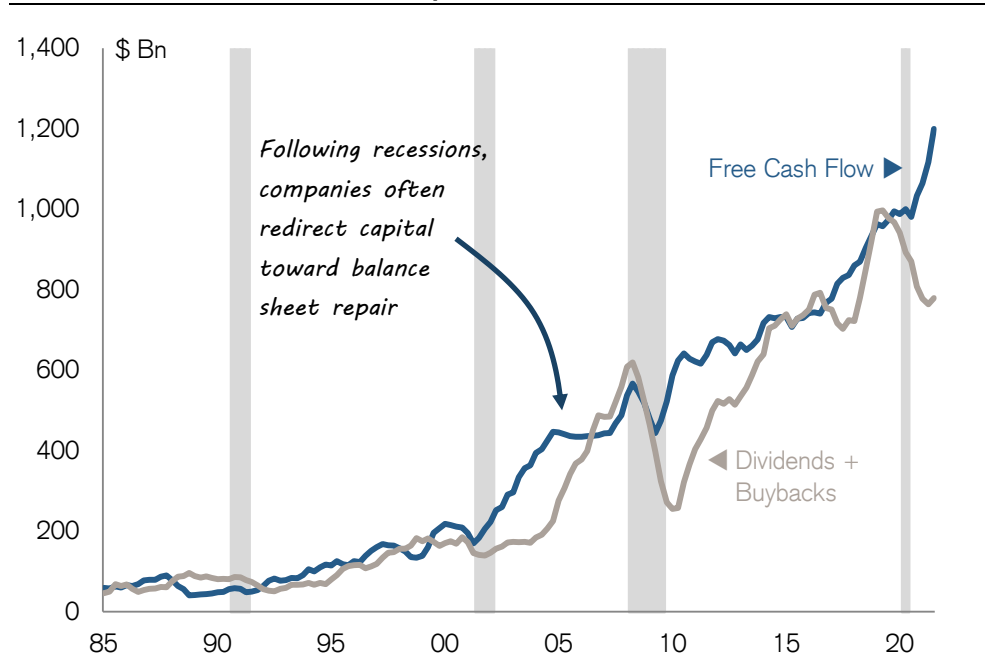


Companies have been more cash flow generative in recent years

Note: Russell 1000 prior to 1990, S&P 500 after 1990; Trailing 4Q basis; 4Q Moving Average

Source: Standard & Poor's, Russell, FactSet, Credit Suisse

Free Cash Flow vs. Return of Capital



Cash flows have been strong while dividends and buybacks have recently declined

Note: Shaded areas denote recession; Russell 1000 prior to 1990, S&P 500 after 1990; Ex-Financials & REITs; Trailing 4Q basis; 4Q Moving Average

Source: Standard & Poor's, Russell, NBER, FactSet, Credit Suisse

Sources & Uses of Cash

Dividend Payout Ratio

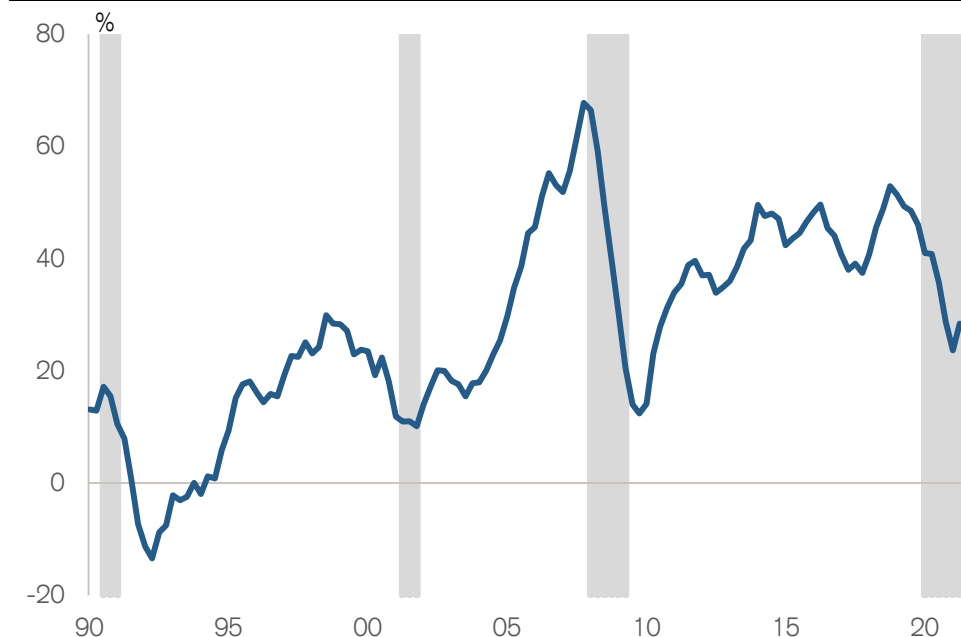


Earnings have recovered much faster than dividends, resulting in a decline in payout ratio

Note: S&P 500 index excluding Financials & REITs; Shaded area denotes recession

Source: Standard & Poor's, FactSet, Credit Suisse

Buyback Payout Ratio



Buyback payout ratios tend to fall during recessions as companies attempt to preserve capital

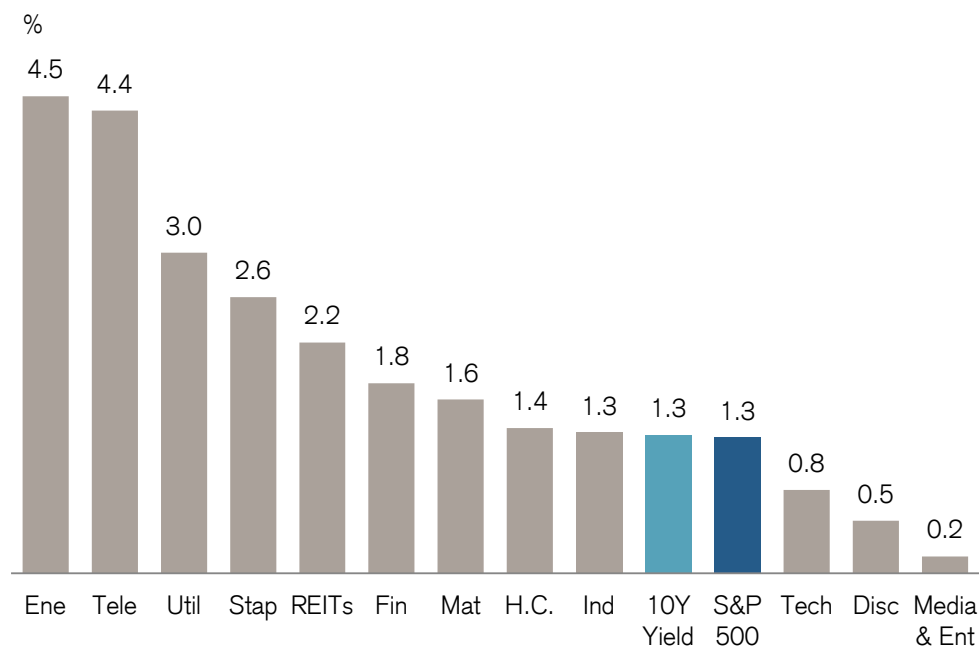
The recent decline in share repurchases should reverse sharply, adding to EPS growth

Note: S&P 500 index excluding Financials & REITs; Shaded area denotes recession

Source: Standard & Poor's, FactSet, Credit Suisse

Sources & Uses of Cash

S&P 500 Dividend Yield

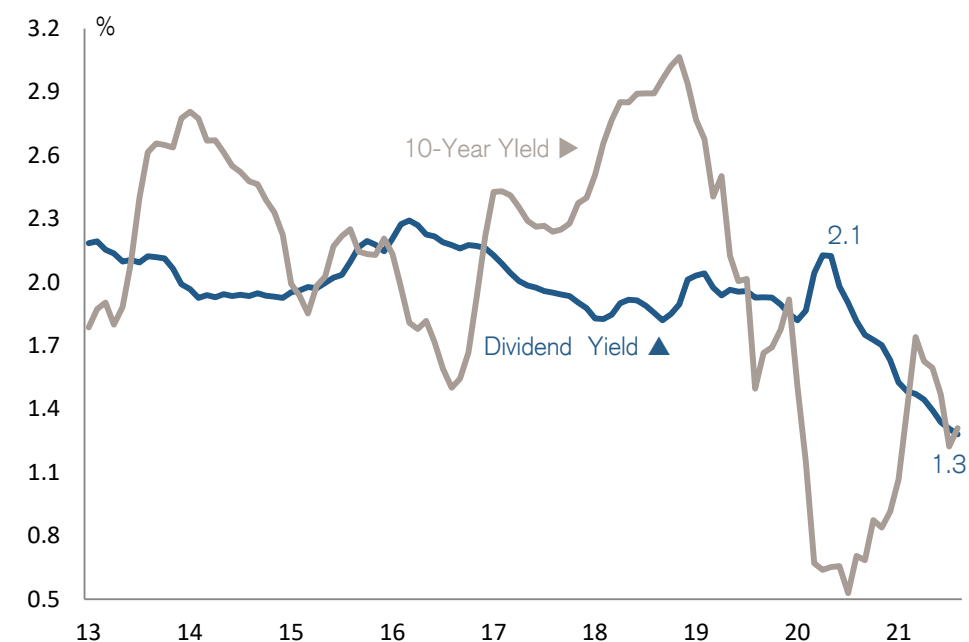


The dividend yield has fallen below the 10-Year Treasury yield, the result of modest dividend increases and rising stock prices

Note: GICS sectors except Communications, which is split between Telecom and Media/Entertainment

Source: Standard & Poor's, Federal Reserve, FactSet, Refinitiv, Credit Suisse

Dividend Yield vs. 10-Year Treasury Yield

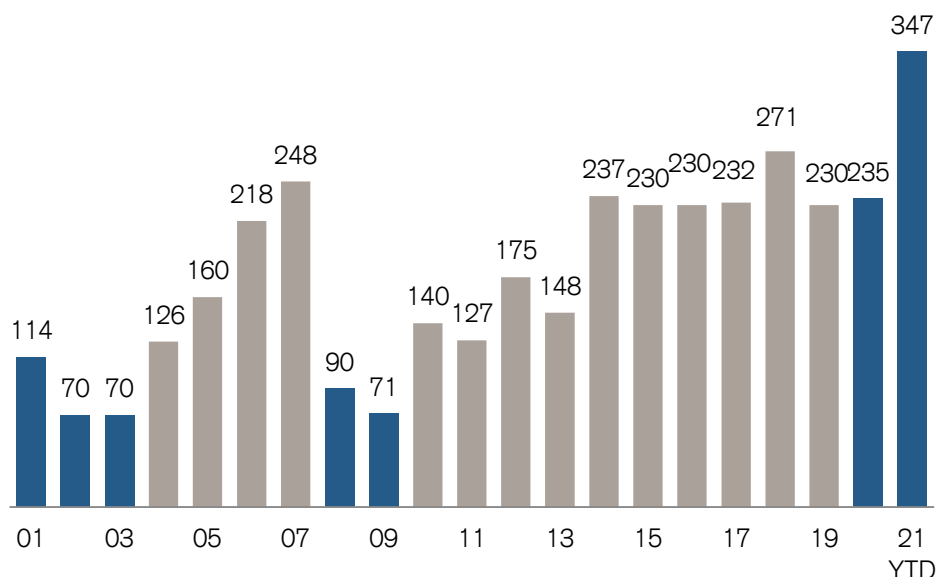


Note: 3-month moving average

Source: Standard & Poor's, Federal Reserve, FactSet, Credit Suisse

Sources & Uses of Cash

M&A Activity – Annual

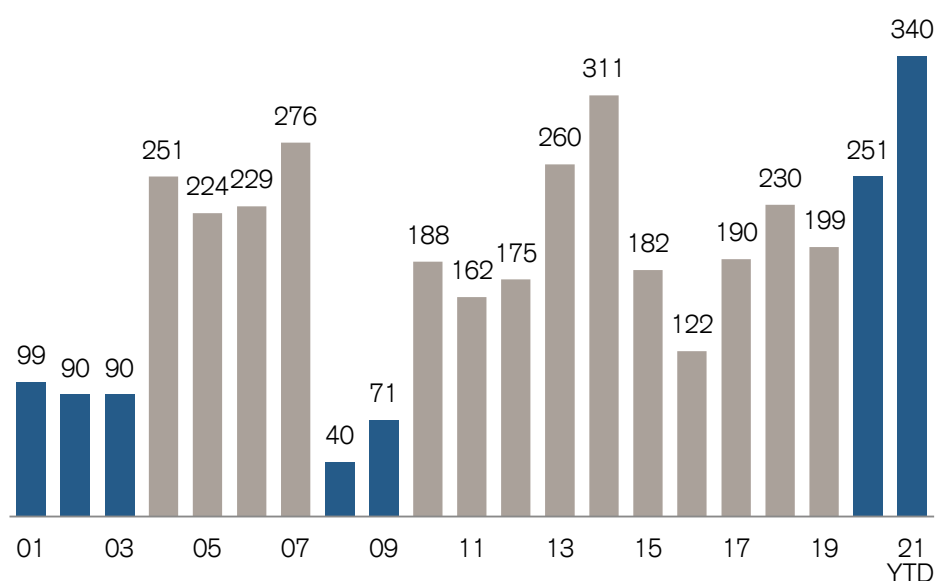


M&A activity is on pace for a record year (347 YTD, 521 annualized)

Note: Includes all transactions over US\$1 billion in North America

Source: MergerStat, FactSet, Credit Suisse

IPO Listings – Annual



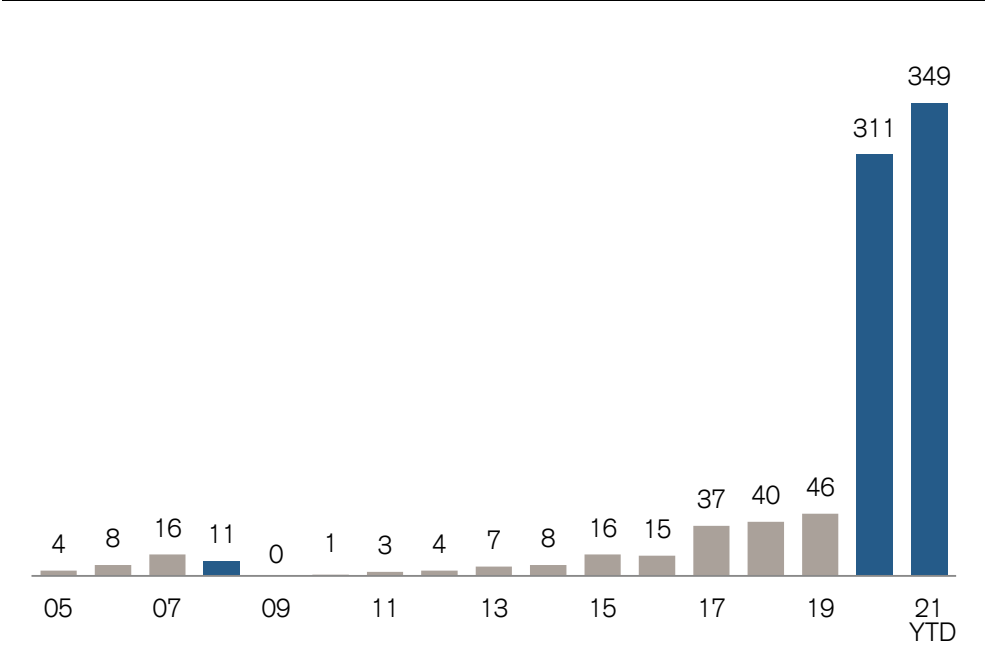
IPO volumes are on pace for a record year (340 YTD, 510 annualized)

Note: Includes all listings priced on U.S. exchanges. Special Purpose Acquisitions are excluded.

Source: FactSet, Credit Suisse

Sources & Uses of Cash

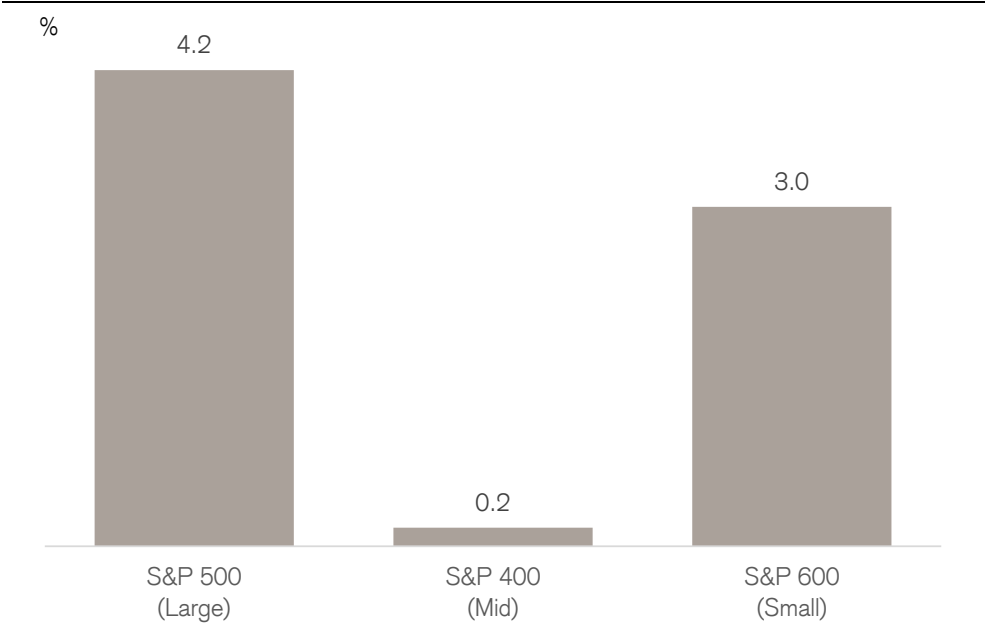
SPAC Listings – Annual



Note: Includes all listings priced on U.S. exchanges.
Source: MergerStat, FactSet, Credit Suisse

ESG

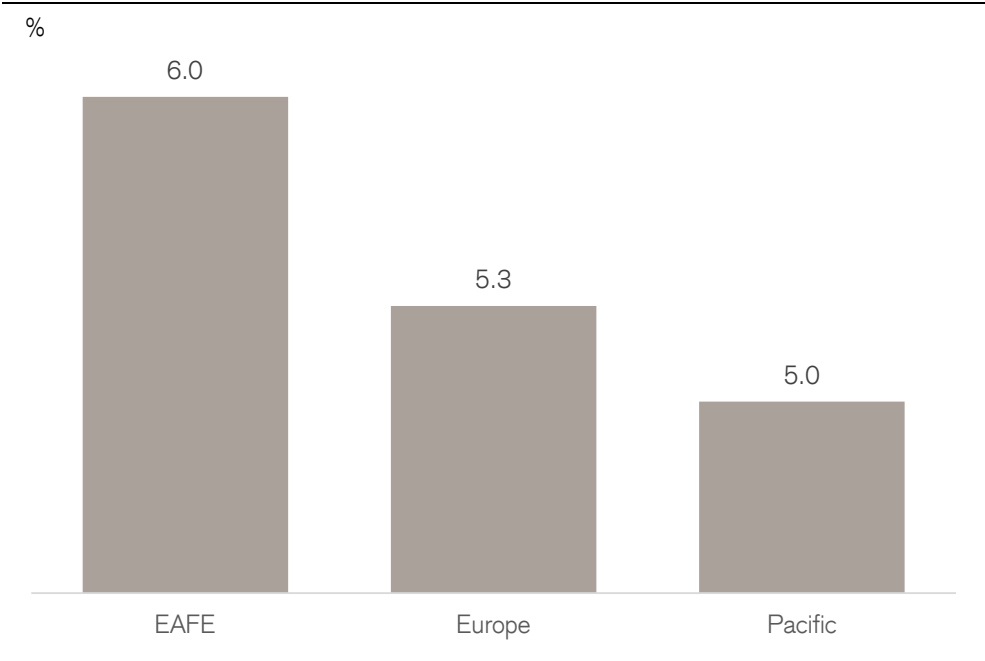
ESG Annualized Relative Returns Over Past 5 Years – U.S.



ESG has outperformed across regions, size, styles, and sectors, over the past 5 years

Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

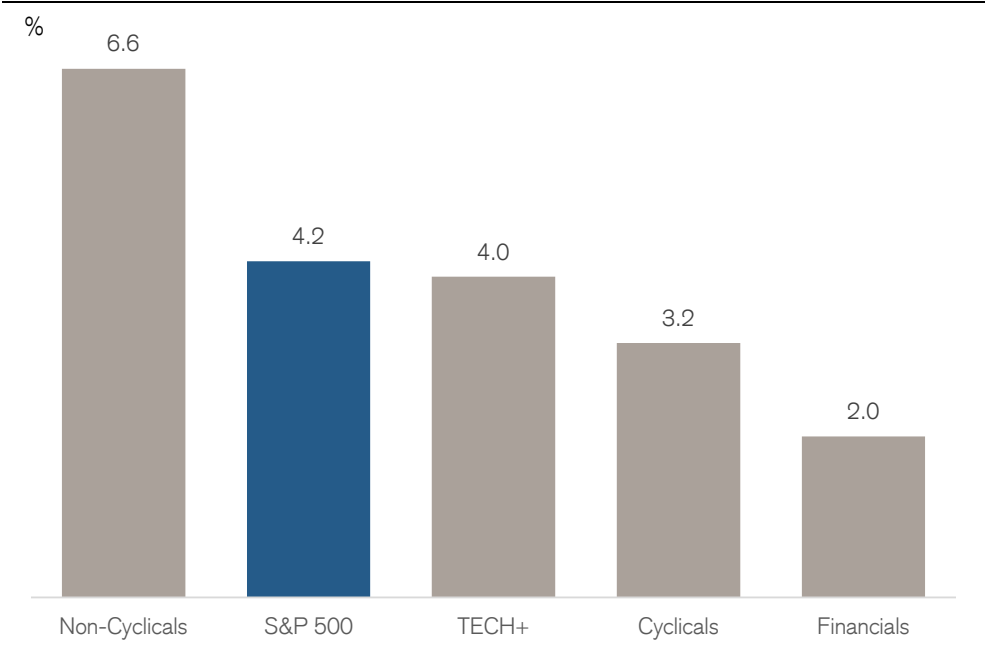
ESG Annualized Relative Returns Over Past 5 Years – Non-U.S.



Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

ESG

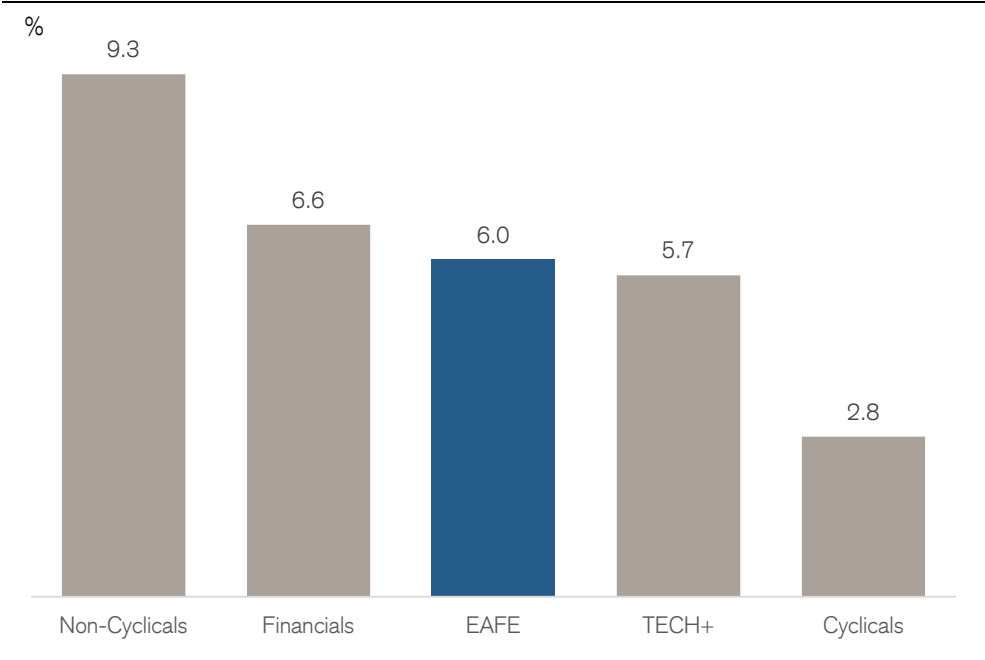
ESG Annualized Relative Returns 5 Years by Sector – S&P 500



Among sectors, ESG has benefitted Non-Cyclicals the most in both the U.S. and EAFE

Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

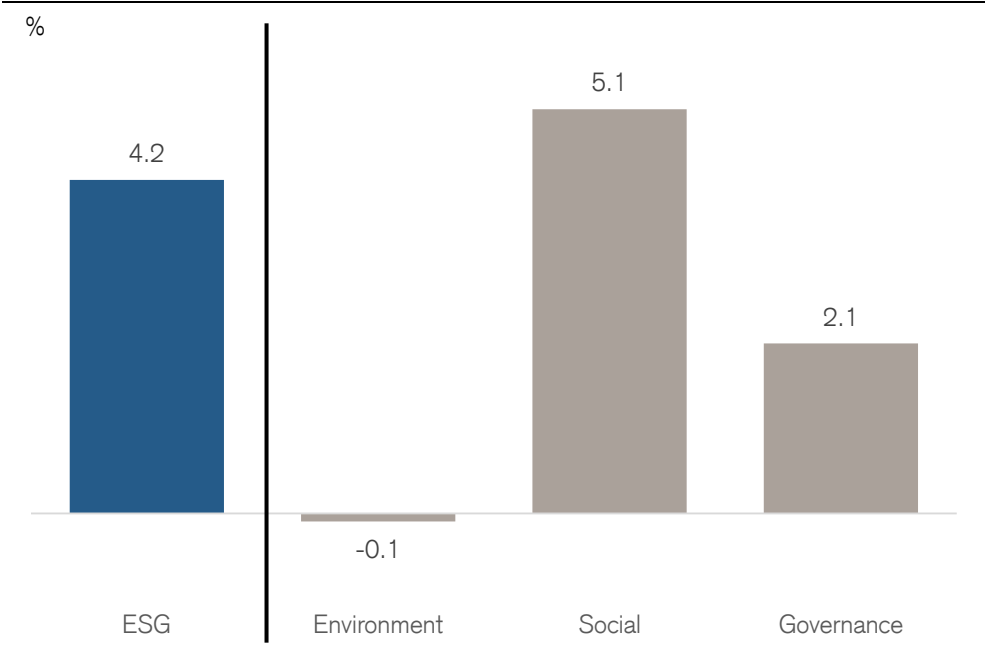
ESG Annualized Relative Returns 5 Years by Sector – EAFE



Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

ESG

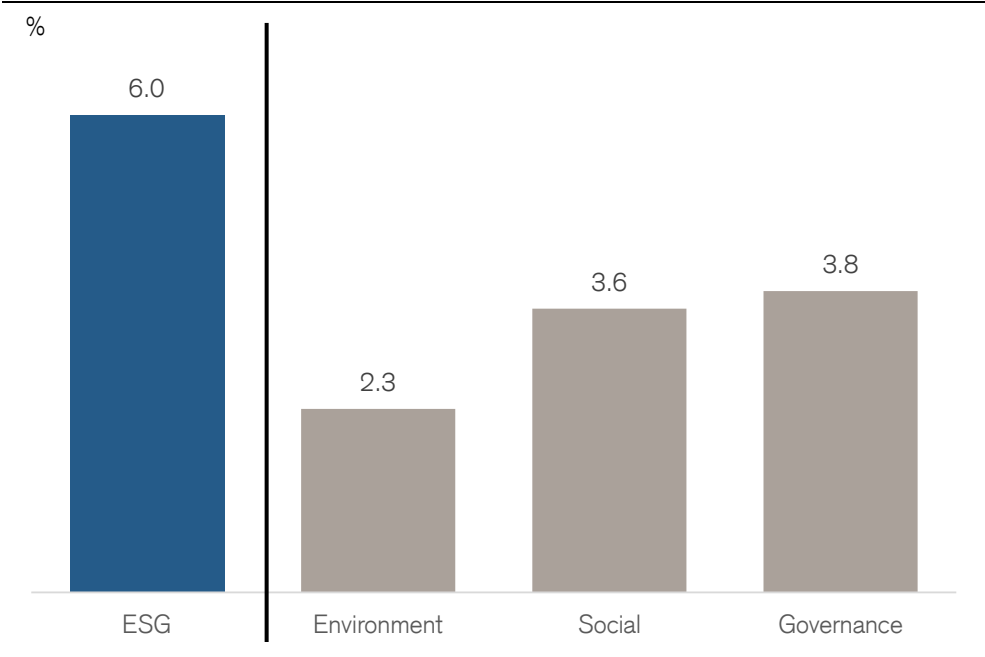
ESG Annualized Relative Returns 5 Yrs by Pillar—S&P 500



Social has been a standout in the S&P 500

Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

ESG Annualized Relative Returns 5 Yrs by Pillar—EAFE



Governance has topped other pillars in EAFE, albeit with a high degree of volatility

Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

ESG

ESG Relative Returns—S&P 500

2016	2017	2018	2019	2020	YTD
ESG 6.6	ESG 4.1	ESG 6.6	Social 5.1	Social 7.7	Social 5.3
Environment 4.5	Environment 3.4	Governance 6.6	ESG 0.7	ESG 5.3	Governance 2.3
Social 3.6	Governance 1.8	Social 4.6	Environment -1.1	Governance 0.0	ESG 1.4
Governance 0.0	Social 1.1	Environment 1.7	Governance -1.5	Environment -3.8	Environment -1.9

Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

Social leadership has been quite pronounced over the past 3 years within the S&P 500

ESG Relative Returns—EAFE

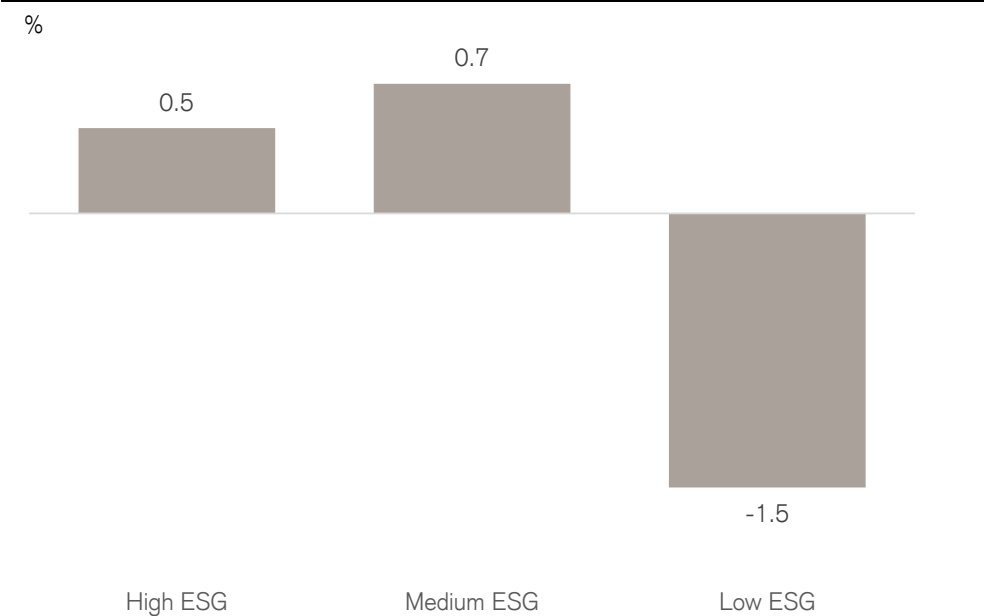
2016	2017	2018	2019	2020	YTD
Social 2.3	ESG 2.8	Social 2.3	Governance 13.7	ESG 9.7	ESG 5.9
ESG 1.8	Social 2.4	Governance 2.1	ESG 11.4	Social 6.7	Governance 4.7
Governance 1.5	Environment 2.0	ESG 2.0	Environment 6.1	Governance 3.7	Environment 4.3
Environment -1.5	Governance 0.2	Environment -1.6	Social 4.9	Environment 2.0	Social 0.4

Source: MSCI, Standard and Poor's, Refinitiv, FactSet, Credit Suisse

YTD, Governance has outpaced other pillars for EAFE

ESG

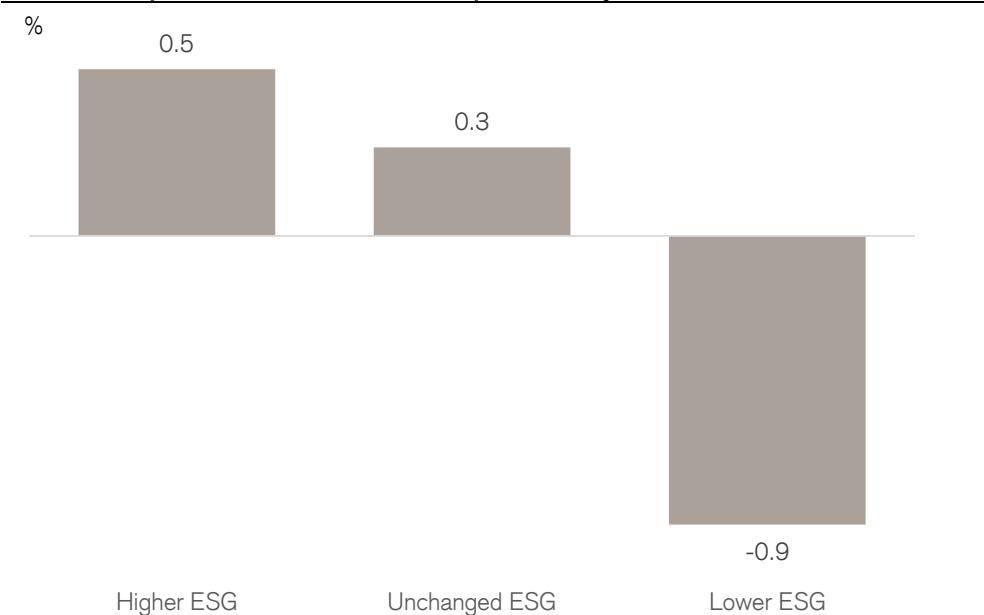
Relative Alpha Generation of Companies: By ESG RANKINGS



Investors would be best served by avoiding low ESG stocks

Note: Annualized relative returns to S&P 500 over past 5 years
Source: MSCI, Standard & Poor's, FactSet, Credit Suisse

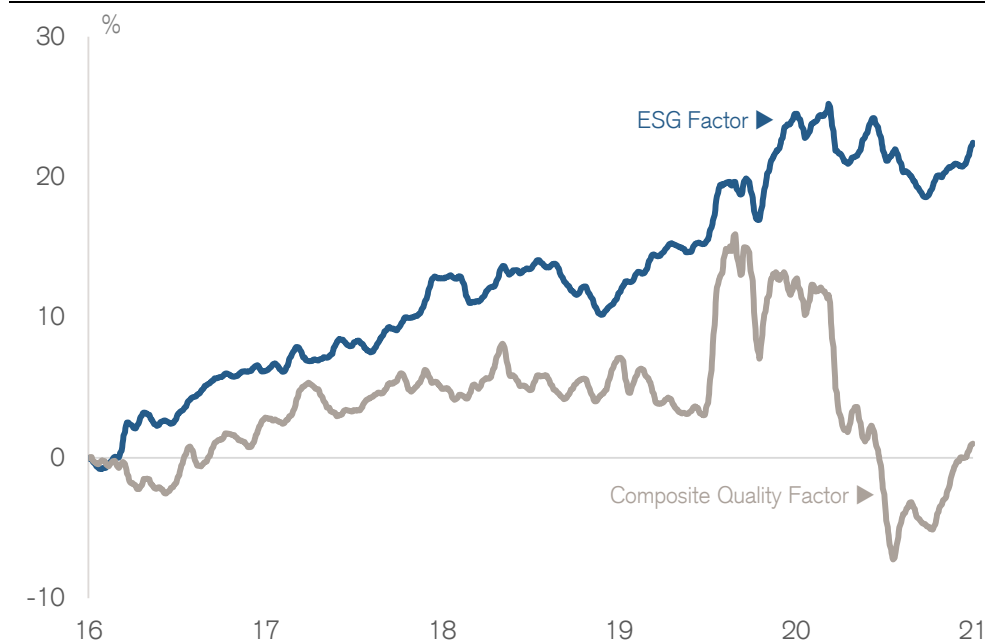
Relative Alpha Generation of Companies: By ESG CHANGE



Note: Annualized relative returns to S&P 500 over past 5 years; Change in ESG basket over subsequent 12 months
Source: MSCI, Standard & Poor's, FactSet, Credit Suisse

ESG & Factors

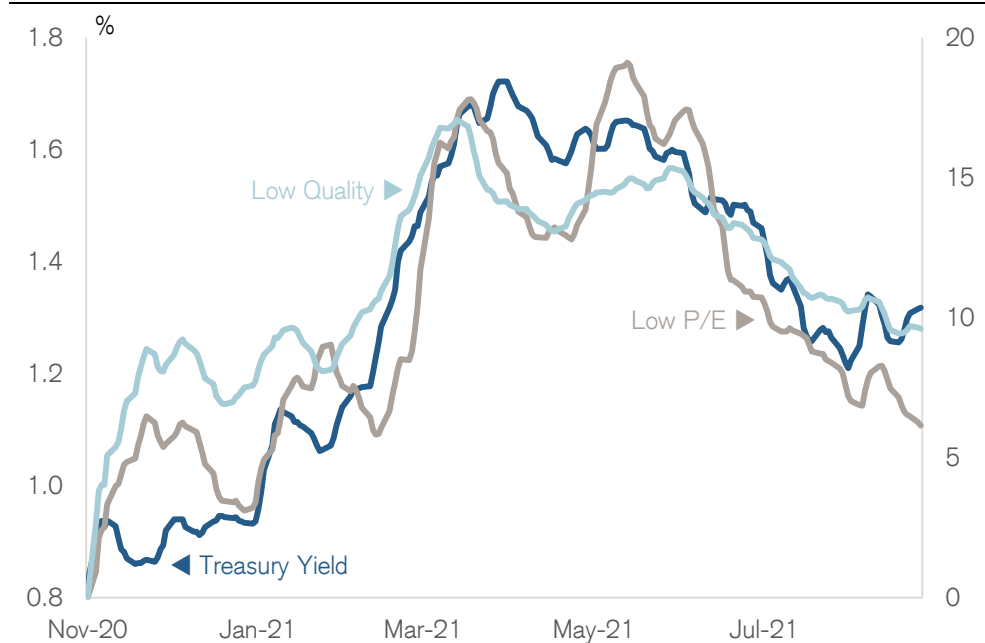
Factor Returns: ESG and Quality



While ESG portfolios have a tilt toward quality, the size of this bias appears to be too small to explain its return pattern

Note: S&P 500. Quality composite - Low ND/EBITDA, High ROA, and Low Vol factors
Source: MSCI, Standard & Poor's, FactSet, Credit Suisse

10-Year Treasury Yields vs. Quality and Value Factors

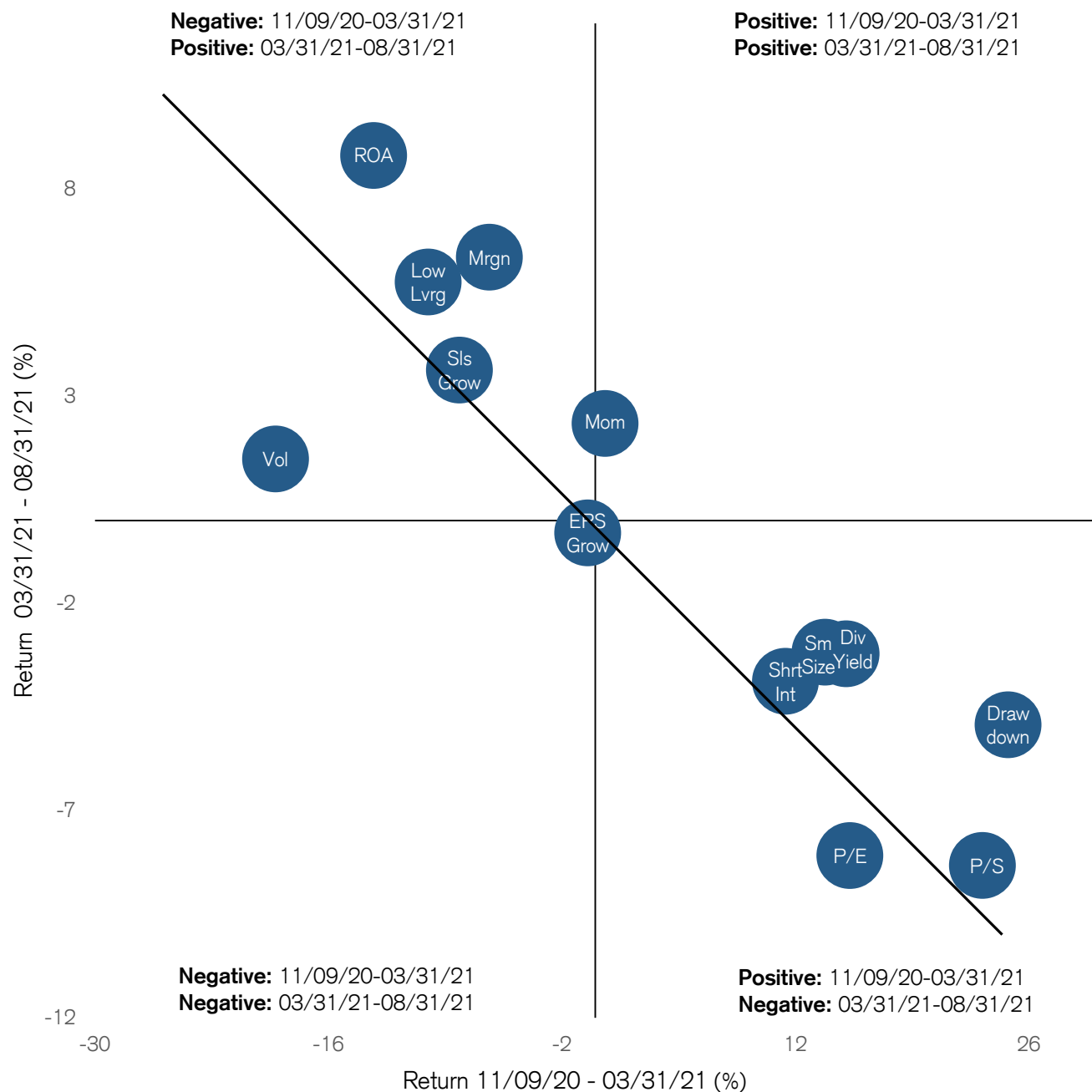


Low P/E and low quality tend to move with 10-year treasury yields but not ESG

Note: Quality factor includes Low Net Debt to EBITDA, Low Volatility, High ROA
Source: Standard & Poor's, Refinitiv, FRB, FactSet, Credit Suisse

Factors

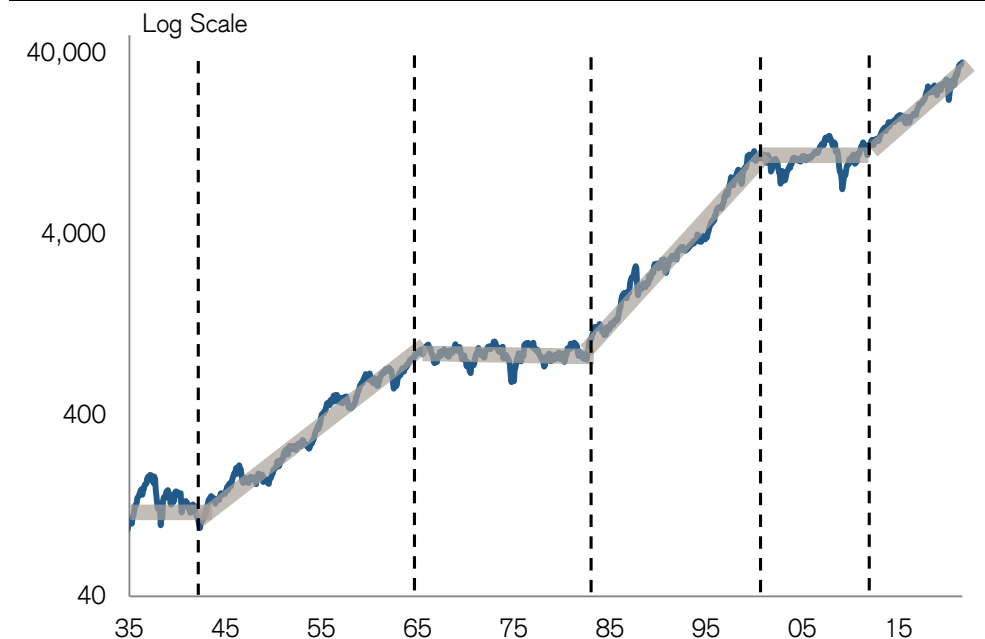
Factor Trends



Note: Universe S&P 500; see Appendix for methodology and characteristic definitions; Mom is 3 month Momentum
 Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Long-Term Trends

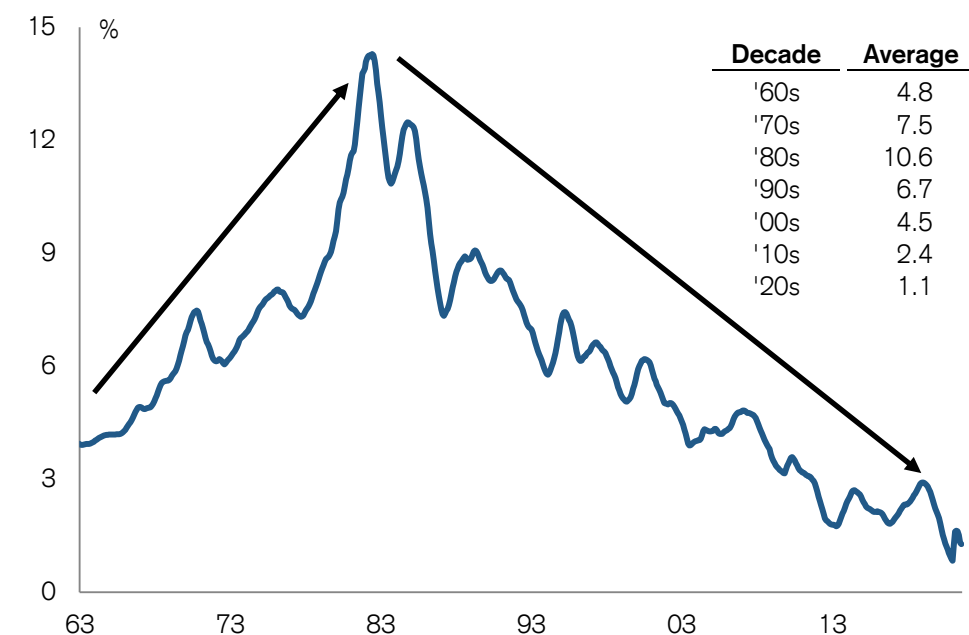
Dow Jones Industrial Average Super Cycle



Investor behavior tends to be regime-specific, with returns, rates and valuations moving in a specific pattern for extremely long (often multi-decade) periods

Source: Dow Jones, FactSet, Credit Suisse

10-Year Treasury Yield

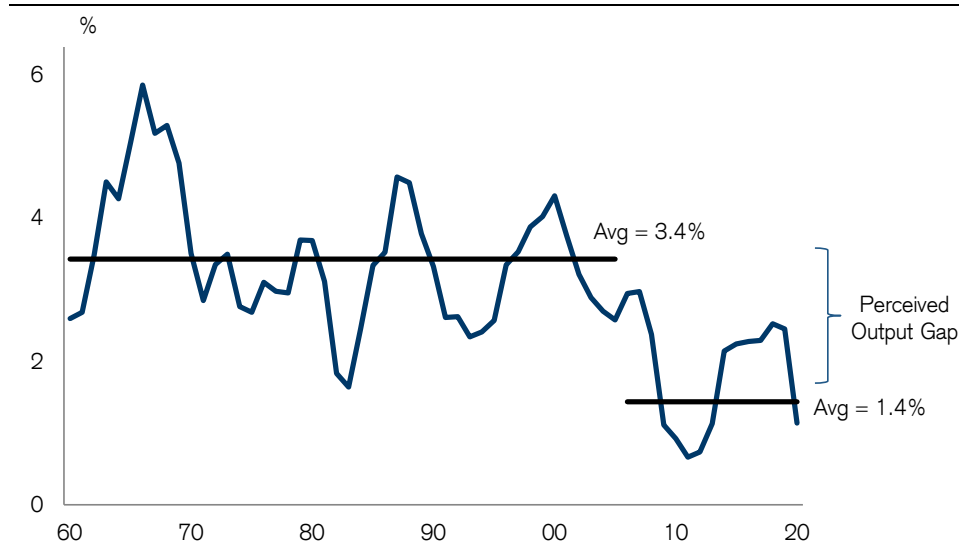


Note: 12-Month Moving Average. Most recent reading represents actual month-end value

Source: Federal Reserve, Haver Analytics®, Credit Suisse

Long-Term Trends

U.S. Historical GDP Growth



The U.S. and global economies have decelerated over the past decade

Note: Real GDP; 5-Year Moving Average

Source: BEA, Haver Analytics®, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

G7 ex-U.S. GDP Growth

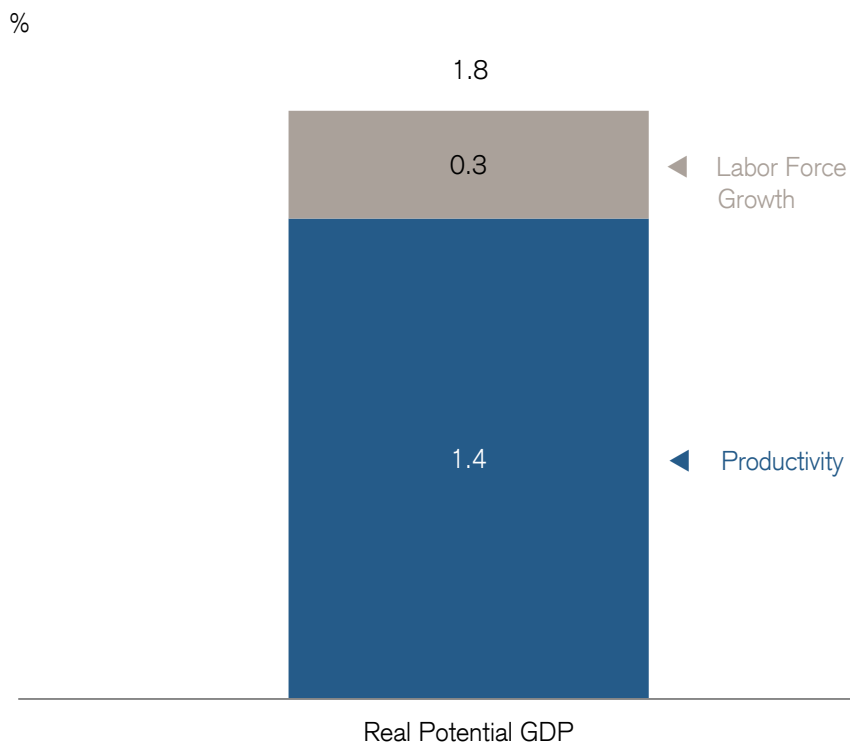


Note: Real GDP; 5-Year Moving Average

Source: BEA, World Bank, Deutsche Bundesbank, Institut National de la Statistique/Economique, Haver Analytics®, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Long-Term Trends

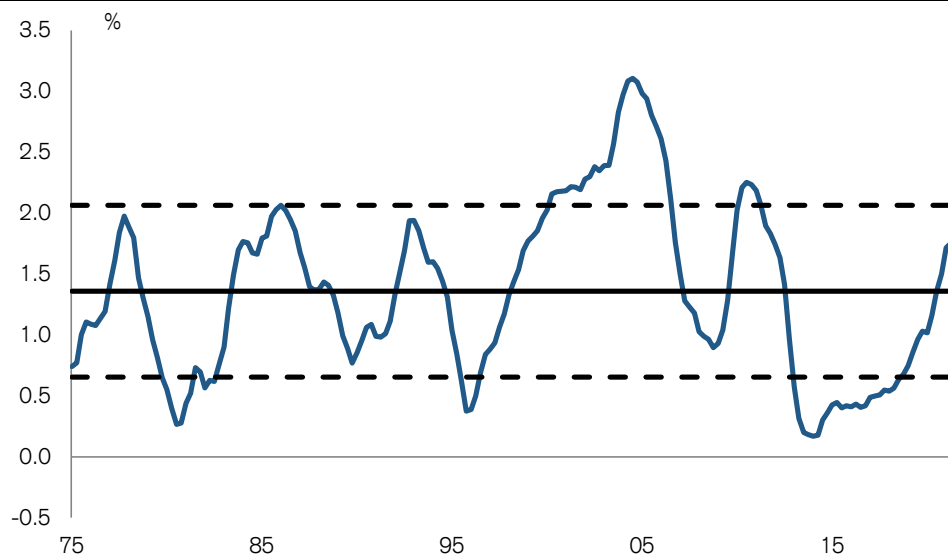
U.S. Potential GDP Growth



According to the CBO, 1.4% of potential GDP will come from productivity, 0.3% from labor force growth

Source: Congressional Budget Office, Credit Suisse

U.S. Productivity

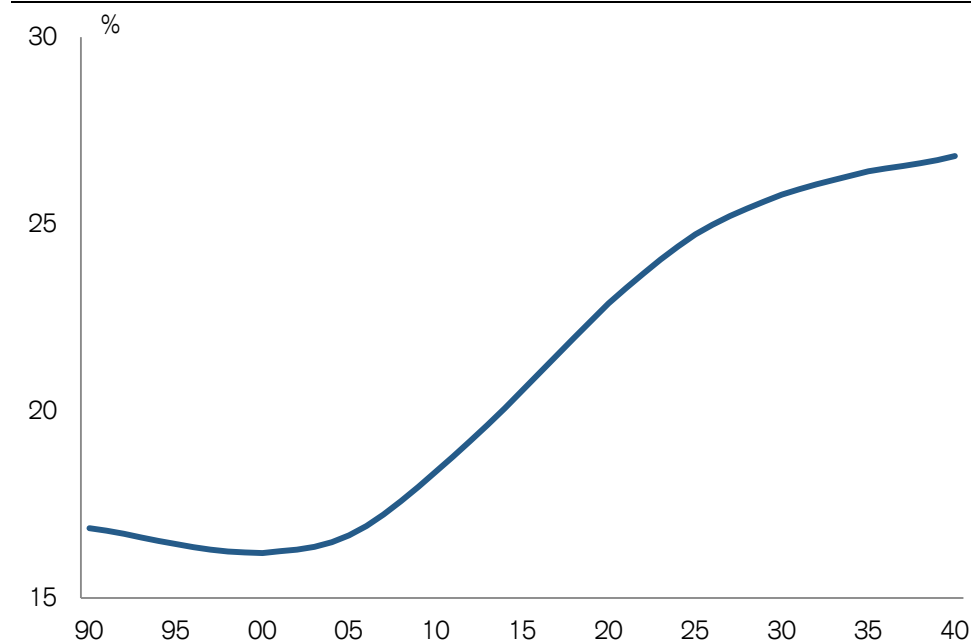


Productivity has improved over the past several years

Note: 3-Year Moving Average of YoY change in real GDP divided by aggregate hours; +/- 1 standard deviation
Source: BLS, BEA, Haver Analytics®, Credit Suisse

Long-Term Trends

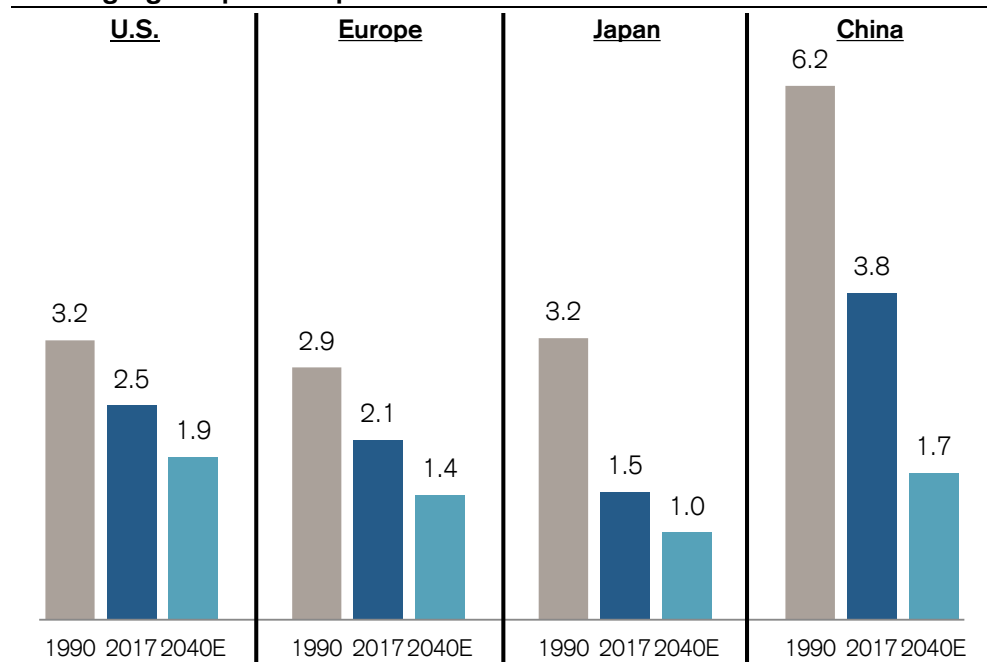
U.S. Retirees as a Percent of Total Population



Aging population is a natural headwind for economic growth

Source: United Nations, Haver Analytics®, Credit Suisse

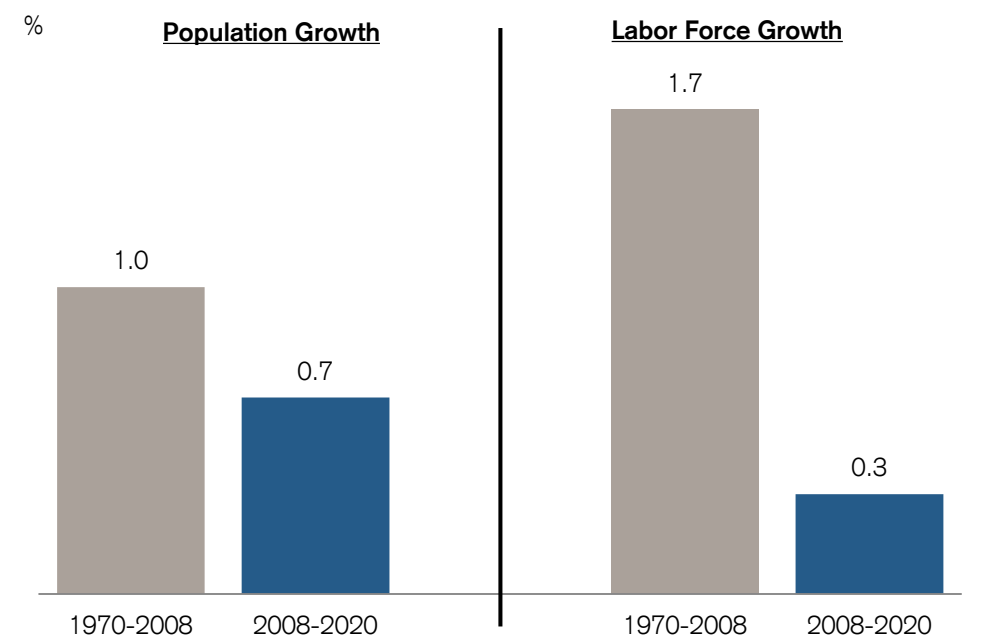
Working Age Population per Retiree



Source: United Nations, Haver Analytics®, Credit Suisse

Long-Term Trends

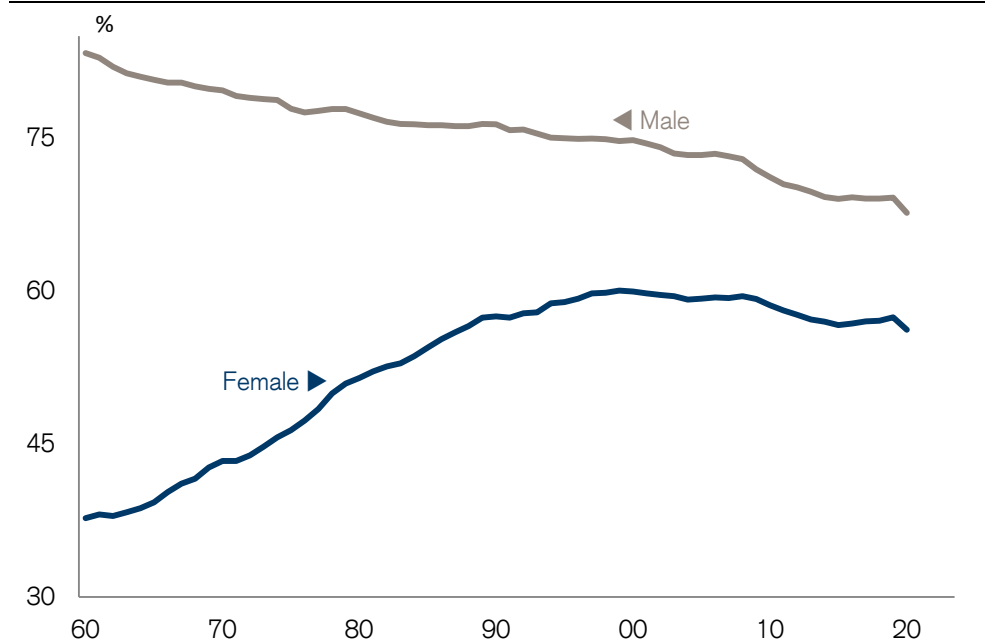
Population vs. Labor Force Growth



Labor force growth is substantially lagging population growth, the result of demographic forces

Note: Annualized growth rates
Source: BLS, Haver Analytics®, Credit Suisse

U.S. Labor Force Participation — Male vs. Female

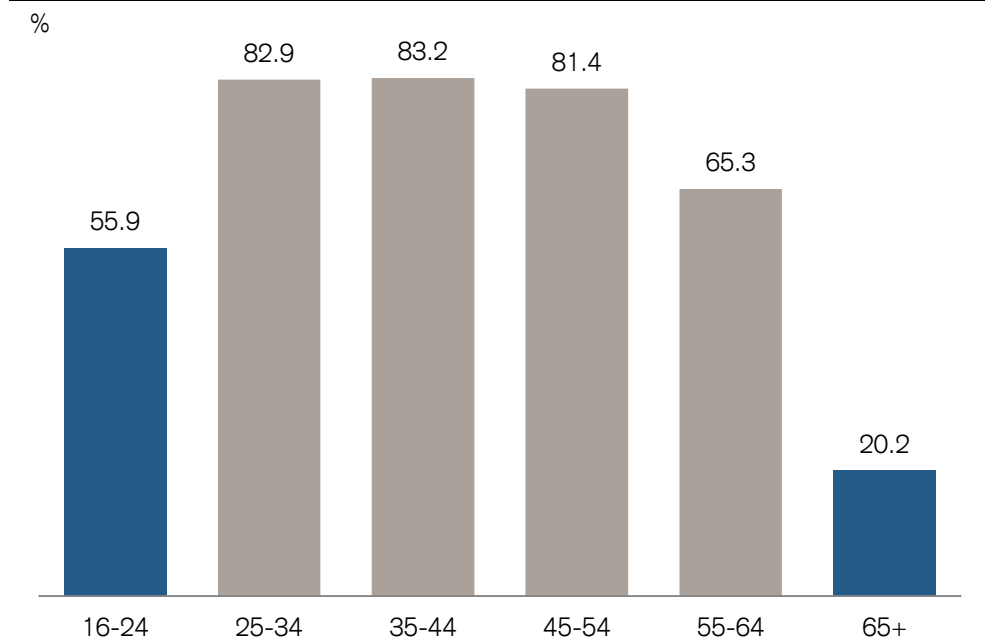


Male and female labor force participation are both in decline

Source: OECD, Haver Analytics®, Credit Suisse

Long-Term Trends

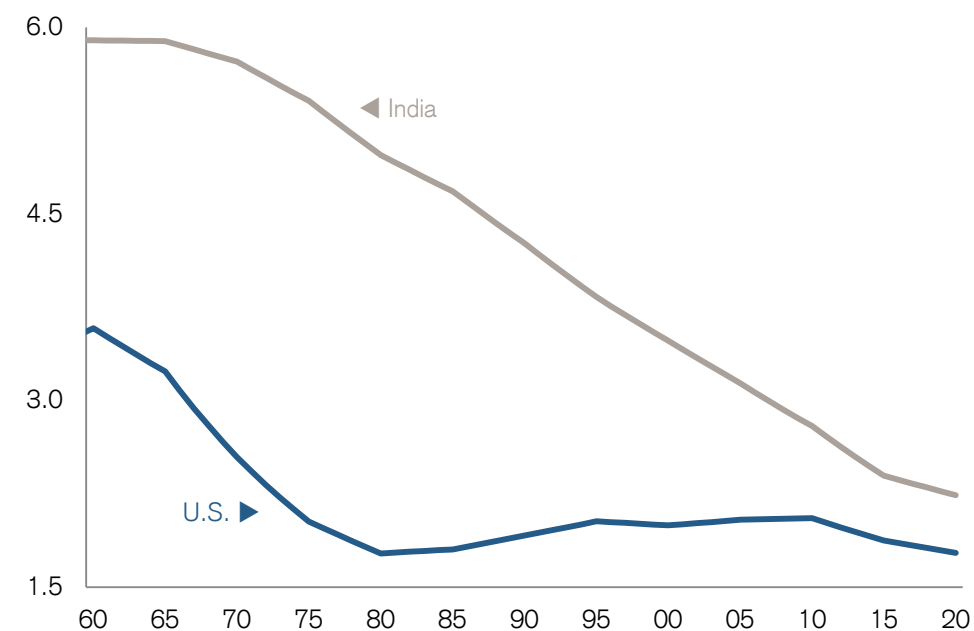
U.S. Labor Force Participation by Age Group



Labor force participation fades as the population ages

Source: BLS, Haver Analytics®, Credit Suisse

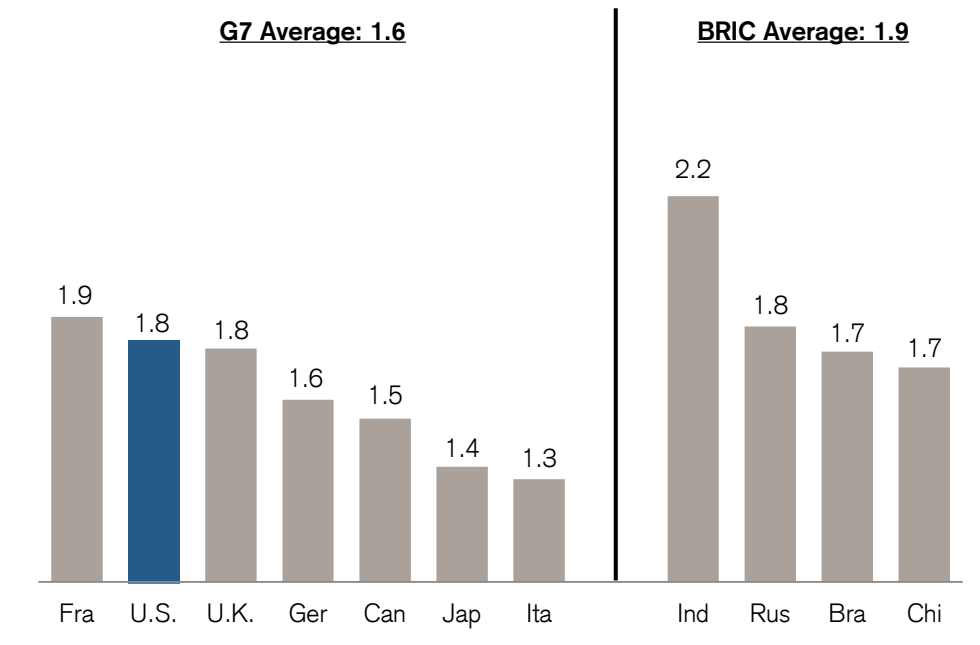
Fertility – U.S. vs. India



Source: United Nations, Haver Analytics®, Credit Suisse

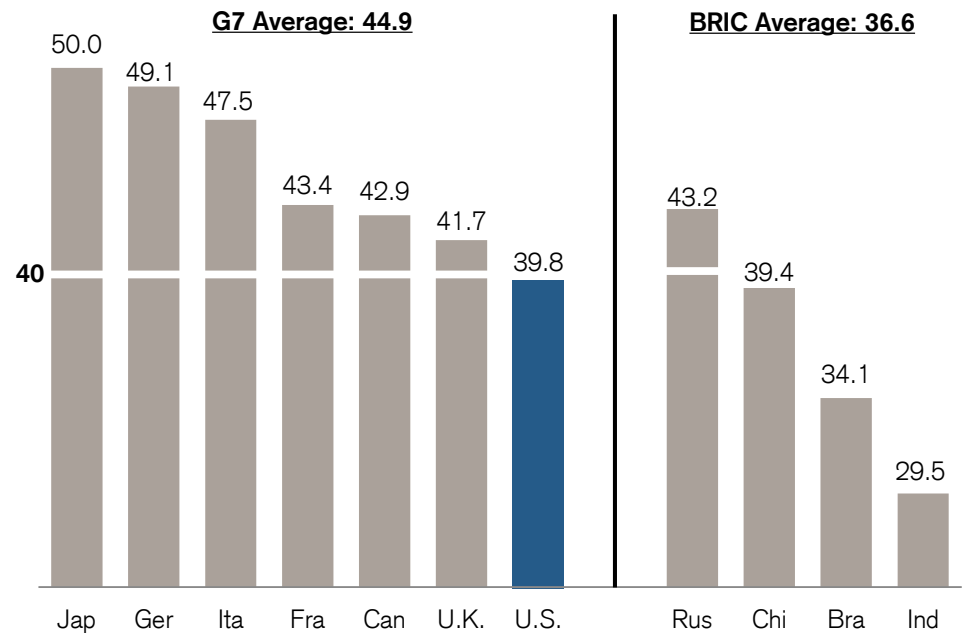
Long-Term Trends

Fertility Rate



Source: United Nations, Haver Analytics®, Credit Suisse

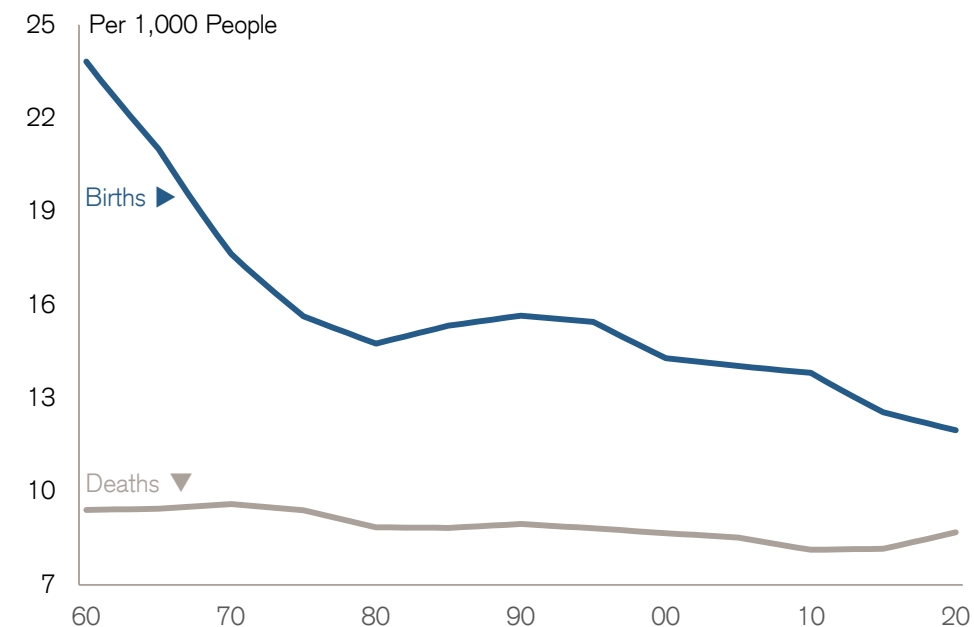
Median Female Age



Source: United Nations, Haver Analytics®, Credit Suisse

Long-Term Trends

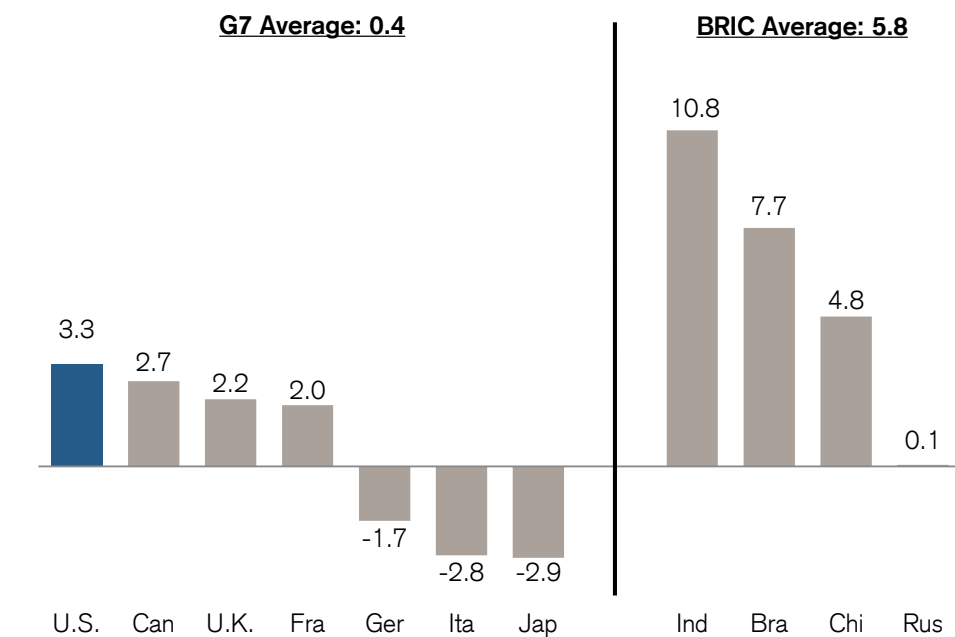
U.S. Birth and Death Rates



Births declined and deaths rose during the pandemic

Source: United Nations, Haver Analytics®, Credit Suisse

Births Minus Deaths by Country



The U.S. has much more favorable demographics than other G7 economies

Source: United Nations, Haver Analytics®, Credit Suisse

Market Returns

U.S. Equity Returns Including Dividends (%)

Index	Fr. Feb 20 Peak (Cum)	Fr. Mar 20 Low (Cum)	Aug-21	YTD	1 Yr	5 Yr	10 Yr
Broad Indices							
Dow	20.5	90.2	1.2	15.5	24.4	13.9	11.3
S&P 500	37.0	106.9	3.0	21.6	31.2	18.1	15.7
S&P 500 Equal Weight	36.0	122.7	2.4	23.6	42.7	15.6	14.6
S&P 100 (OEX)	40.4	104.7	3.5	22.0	28.8	19.1	16.1
Nasdaq	55.4	122.4	4.0	18.4	29.6	24.2	18.7
Large Cap Style							
Growth	51.7	120.9	4.2	23.6	30.4	22.6	18.3
Value	19.7	89.4	1.7	19.2	33.2	12.5	12.5
Mid Cap							
S&P 400	34.2	130.6	1.9	20.3	44.8	13.9	13.1
Growth	35.8	122.8	1.4	15.0	35.9	14.8	13.3
Value	30.8	137.4	2.4	25.7	54.7	12.4	12.6
Small Cap							
S&P 600	37.4	134.0	2.0	23.0	54.0	14.6	13.8
Growth	38.5	128.8	2.1	18.8	47.8	16.2	14.6
Value	35.2	138.3	1.9	27.3	60.3	12.7	12.9
Index	Value	2020	2019	2017	2016	2015	2014
Broad Indices							
Dow	35,361	7.2	22.3	25.1	13.4	-2.2	7.5
S&P 500	4,523	18.4	31.5	21.8	12.0	1.4	13.7
S&P 500 Equal Weight	6,336	12.8	29.2	18.9	14.8	-2.2	14.5
S&P 100 (OEX)	2,079	21.5	32.2	22.0	11.4	2.6	12.7
Nasdaq	15,259	43.6	35.2	28.2	7.5	5.7	13.4
Large Cap Style							
Growth	3,169	33.5	31.1	27.4	6.9	5.5	14.9
Value	1,489	1.4	31.9	15.4	17.4	-3.1	12.4
Mid Cap							
S&P 400	2,753	13.7	26.2	16.2	20.7	-2.2	9.8
Growth	1,344	22.8	26.3	19.9	14.8	2.0	7.6
Value	861	3.7	26.1	12.3	26.5	-6.7	12.1
Small Cap							
S&P 600	1,367	11.3	22.8	13.2	26.6	-2.0	5.8
Growth	1,105	19.6	21.1	14.8	22.2	2.8	3.9
Value	822	2.5	24.5	11.5	31.3	-6.7	7.5

Note: All returns include dividends except the Dow and NASDAQ; Five-, and ten-year returns are annualized returns. Peak is Feb 19, 2020 and Trough is March 23, 2020.
Source: Dow Jones, NASD, Standard & Poor's, FactSet, Credit Suisse

Market Returns

U.S. Equity Returns Including Dividends (%)

Sector	Fr. Feb 20 Peak (Cum)	Fr. Mar 20 Low (Cum)	Aug-21	Since 1Q21	YTD	1 Yr	5 Yr	10 Yr
S&P 500	37.0	106.9	3.0	14.5	21.6	31.2	18.0	16.3
Cyclicals								
Energy	-4.7	116.2	-2.0	0.0	30.9	42.9	-2.7	-0.1
Materials	45.9	128.3	1.9	9.2	19.1	38.1	14.4	11.7
Industrials	27.8	119.1	1.1	6.6	18.8	36.4	13.9	14.6
Discretionary	41.8	107.7	2.1	9.8	13.2	17.8	19.5	19.0
Financials	27.9	124.1	5.1	13.4	31.6	56.5	16.4	15.8
Technology	57.1	128.2	3.6	20.0	22.4	29.5	30.6	23.4
Comm. Svcs	51.1	111.5	5.0	20.4	30.2	37.0	19.1	19.5
Non-Cyclicals								
Staples	17.9	55.2	1.4	8.0	9.2	14.4	9.2	12.0
Health Care	33.5	85.1	2.4	16.4	20.1	27.0	15.4	17.2
Utilities	2.8	59.7	4.0	8.0	11.1	19.7	10.6	11.3
REITs	21.7	95.4	2.8	21.7	32.6	36.4	11.3	12.4
Sector	Weight	2020	2019	2018	2017	2016	2015	2014
S&P 500	100.0	18.4	31.5	-4.4	21.8	12.0	1.4	13.7
Cyclicals								
Energy	2.4	-33.7	11.8	-18.1	-1.0	27.4	-21.1	-7.8
Materials	2.6	20.7	24.6	-14.7	23.8	16.7	-8.4	6.9
Industrials	8.3	11.1	29.4	-13.3	21.0	18.9	-2.5	9.8
Discretionary	11.9	33.3	27.9	0.8	23.0	6.0	10.1	9.7
Financials	11.2	-1.7	32.1	-13.0	22.2	22.8	-1.5	15.2
Technology	28.1	43.9	50.3	-0.3	38.8	13.8	5.9	20.1
Comm. Services	11.4	23.6	32.7	-7.7	20.1	12.1	14.3	7.4
Non-Cyclicals								
Staples	5.7	10.7	27.6	-8.4	13.5	5.4	6.6	16.0
Health Care	13.4	13.4	20.8	6.5	22.1	-2.7	6.9	25.3
Utilities	2.5	0.5	26.3	4.1	12.1	16.3	-4.8	29.0
REITs	2.6	-2.2	29.0	-2.2	10.8	3.4	4.7	30.2

Note: All returns include dividends; Five-, and ten-year returns are annualized returns; Financials excludes REITs. Peak is Feb 19, 2020 and Trough is March 23, 2020.

Source: Standard & Poor's, FactSet, Credit Suisse

Market Returns

Global Equity Returns Including Dividends (%)

Country	Currency	Fr. Feb 20	Fr. Mar 20	Aug-21	Since 1Q21	YTD	1 Yr	5 Yr	10 Yr
		Peak (Cum)	Low (Cum)						
TSX	US\$	26.1	120.3	0.4	0.4	21.1	32.2	11.2	5.0
	Local	20.4	91.5	1.6	2.4	20.2	28.2	10.5	8.0
EAFE	US\$	22.2	81.4	1.8	2.5	12.0	26.7	10.3	6.8
	Local	15.1	65.3	2.3	2.7	16.1	28.1	10.1	9.3
Euro ex-UK	US\$	28.3	93.0	1.7	3.9	16.5	30.5	12.6	8.0
	Local	17.6	75.5	2.3	4.1	20.9	32.2	11.5	10.2
UK	US\$	6.0	76.5	0.9	1.8	14.5	27.3	5.6	3.9
	Local	-0.2	47.3	1.9	2.2	13.8	23.8	4.8	5.8
Pac ex-Japan	US\$	15.5	84.4	0.7	-0.8	8.8	22.8	8.9	5.6
	Local	9.0	59.5	1.0	0.9	12.8	23.6	9.4	8.4
Japan	US\$	23.6	61.8	3.1	1.8	3.2	20.4	9.6	7.3
	Local	22.4	59.6	3.2	0.7	9.9	24.7	11.1	11.1
EME	US\$	23.5	79.3	2.6	-4.2	3.1	21.5	11.3	4.2
	Local	23.3	70.1	2.3	-3.9	3.9	18.6	12.1	7.7
S&P 500		37.0	106.9	3.0	5.5	21.6	31.2	18.1	15.7

Country	Currency	2020	2019	2018	2017	2016	2015	2014	2013
TSX	US\$	7.5	29.4	-16.4	29.4	25.4	-23.6	1.4	5.9
	Local	5.6	22.9	-8.9	22.9	21.1	-8.3	10.6	13.0
EAFE	US\$	8.3	22.7	-13.4	22.7	1.5	-0.4	-4.5	23.3
	Local	1.3	22.3	-10.5	22.3	5.9	5.8	6.4	27.5
Euro ex-UK	US\$	11.6	25.9	-14.4	25.9	0.3	0.1	-5.8	28.7
	Local	2.1	27.5	-10.6	27.5	3.2	9.1	7.4	24.2
UK	US\$	-10.4	21.1	-14.1	21.1	0.0	-7.5	-5.4	20.7
	Local	-13.2	16.5	-8.8	16.5	19.2	-2.2	0.5	18.5
Pac ex-Japan	US\$	6.6	18.5	-10.2	18.5	8.0	-8.4	-0.3	5.6
	Local	0.4	18.2	-4.4	18.2	8.5	-0.8	5.8	16.5
Japan	US\$	14.9	20.1	-12.6	20.1	2.7	9.9	-3.7	27.3
	Local	9.2	18.9	-14.9	18.9	-0.4	10.3	9.8	54.8
EME	US\$	18.7	18.9	-14.2	18.9	11.6	-14.6	-1.8	-2.3
	Local	19.5	18.5	-9.7	18.5	10.1	-5.4	5.6	3.8
S&P 500		18.4	31.5	-4.4	21.8	12.0	1.4	13.7	32.4

Note: All returns include dividends; Five-, and ten-year returns are annualized returns. Peak is Feb 19, 2020 and Trough is March 23, 2020.

Source: Standard & Poor's, MSCI, FactSet, Credit Suisse

Credit Suisse Targets & Recommendations

EPS Estimate Detail

	2019	2020	2021E	2022E
Dollars (\$bn)				
Sales	11,752	11,337	13,121	13,954
EBIT	1,868	1,587	2,330	2,615
Interest Expense	244	220	190	183
EBT	1,624	1,367	2,140	2,432
Taxes	257	181	368	515
Net Income	1,367	1,185	1,772	1,916
Per Share (\$)				
Sales/Share	1415.20	1362.39	1555.00	1675.00
EPS/Share	164.58	142.38	210.00	230.00
Contribution to Growth (%)				
Sales	3.5	-3.5	15.7	6.3
Operating Margins	-3.4	-11.5	31.1	5.9
Int & Tax	-0.9	1.8	2.7	-4.1
Share Count	1.8	-0.2	-2.0	1.4
Chg in EPS	1.0	-13.5	47.5	9.5

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse estimates

Quarterly EPS and Revenue Estimates (\$)

	Operating EPS	Sales/share
2019	164.58	1,415.20
1Q	33.13	332.59
2Q	27.98	315.61
3Q	38.69	346.71
4Q	42.58	367.48
2020	142.38	1,362.39
1Q	49.13	364.05
2QE	52.73	374.03
3QE	54.00	400.00
4QE	54.14	416.92
2021E	210.00	1,555.00
1QE	55.00	405.00
2QE	58.00	410.00
3QE	59.00	425.00
4QE	58.00	435.00
2022E	230.00	1,675.00
2023E	250.00	1,775.00

Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse estimates

Credit Suisse Targets & Recommendations

Sector Recommendations

Overweight	Market Weight	Underweight
Discretionary ex-Int. Retail	Technology	REITs
Industrials	Communication Svcs	Staples
Materials	Internet Retail	Utilities
Energy		
Health Care		
Financials		

Source: Credit Suisse

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