

THE WEIGHT OF THE EVIDENCE: +0 (NEUTRAL)

EVIDENCE SUGGESTS “HEALTHY” CORRECTION ONGOING

BAIRD

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Please refer to Appendix – Important Disclosures.

Key Takeaway: Volatility has returned as stocks have pulled back from their recent highs but retreating investor optimism and resilient stock market breadth could keep this a “[healthy](#)” [correction](#) within a cyclical uptrend. The weight of the evidence remains neutral. Fed policy has benefited investors, but the Main Street recovery has been more uneven (and is becoming increasingly so).

MACRO FACTORS (WHAT COULD HAPPEN):

FED POLICY



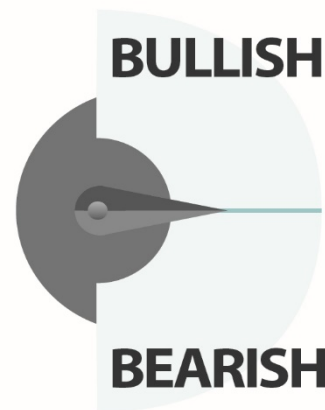
All the net gains in equities over the past 30 years have come when most global central banks were cutting rates.

ECONOMIC FUNDAMENTALS



Pace of economic recovery is slowing as virus uncertainty and lack of additional stimulus remain challenges.

VALUATIONS



Stocks are fairly valued relative to corporate bonds – though neither appear cheap at these levels.

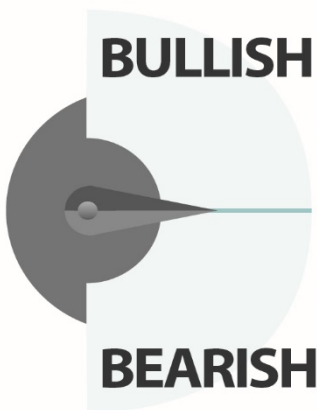
MARKET FACTORS (WHAT IS HAPPENING):

SENTIMENT



Excessive optimism is being unwound – for stocks this is the highest risk portion of the sentiment cycle.

SEASONAL PATTERNS AND TRENDS



The looming Presidential Election provides a unique set of risks and could contribute to near-term market noise.

BREADTH



Index-level volatility has challenged but not overwhelmed improving breadth trends.

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