



WINTHROP PARTNERS

Wealth Planning & Investment Management

2021 Market and Economic Outlook

Doylestown, PA | Pittsburgh, PA | Buffalo, NY



Overview

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Preface

The world is united in its expectations for a much-improved 2021.

Most Impactful Business Trends Of 2021

Each year Winthrop Partners provides its clients with an annual review of a handful of trends and their impact upon the various sectors of the economy.

- **China Relations:** The Trump administration took a stringent, unilateral stance on China. Biden promises continued vigilance and will try to enlist multilateral support, but he may be hampered by his family's financial transactions with the Chinese Communist Party ("CCP").
- **The Specter of Inflation:** Inflation is out there, but it's easy to ignore right now. However, if excess currency creates inflation, the fact that one out of every five dollars in circulation today were created in 2020 should give you pause.
- **Increased Government Regulation:** During his first 100 Days, President-Elect Biden has pledged to re-regulate America. The Biden administration will focus on eight general sectors and will attempt to re-regulate 21 key areas.
- **Infrastructure Projects – Leaning Green:** Biden Proposes a \$2 Trillion "Build Back Better" infrastructure, emphasizing climate change and green projects over traditional infrastructure like roads, bridges, and electric grids.
- **Energy Storage:** Green liquid hydrogen and solid-state batteries are emerging as two answers to the problem of storing excess green energy and powering large-scale mobility (e.g., trucks, buses, ships, airplanes).
- **Synthetic Messenger RNA:** Synthetic mRNA technology has produced our COVID-19 vaccines and holds promise in the search for cures for cancer, malaria, MS, and many autoimmune diseases, but could it also create long term side effects?
- **Tech Acceleration:** Analysts have said that in 2020 the world has undergone five years of technology transformation in 6 months, but will all the changes continue after the vaccine?

Trend: China Relations

Overview: Today, the Chinese and the US are each other's largest trading partners, but we also consider the Chinese to be our largest and best-equipped military adversary, our most constant cyber-foe and habitual intellectual property thief. Mistakenly the US operated under the principle that promoting economic growth would cause the Chinese to abandon Communism and adopt Capitalism.

Discussion: After offering decades of unfettered access to the US Economy while simultaneously turning a blind-eye towards Chinese market manipulations, espionage, intellectual property theft, and more, Republicans and Democrats during the Trump Administration began to change the course of the Sino-US relationship. Biden has promised to continue this harder-line approach by demanding that the US government purchase US-produced goods. Biden also promises that the US will build broad-based coalitions with European and Asian countries to counteract Chinese adventurism; however, the Chinese are already launching a counter-offensive with the various EU nations by offering them bilateral sweetheart deals if they decline to band together and with the EU and US in unilateral trade policies that would negatively impact China. The novel coronavirus, COVID-19, has exacerbated fears about the US's dependence on China for the supply of numerous drugs and their respective base chemicals. Many have questioned the level of candor that China has exhibited regarding the origins of the virus and the data about its spread.

- TRENDS -

The Chinese Communist Party ("CCP") expects a much more favorable relationship with Biden. However, the financial relations between the emissaries of the Communist Party and the Biden Family could have the opposite effect now that certain financial details are emerging. The extensive cash payments to the Biden family from the CCP and its state-owned emissaries, combined with videos of high-ranking Chinese Communist officials revealing the payments were a deliberate attempt to influence the Biden presidency, indicates that China policies will need to be thoroughly vetted.

China's attempt to influence Biden's presidency may undermine his ability to redirect US Policy. If Biden cannot modify US Policy, this could provoke the Chinese President, Xi Jinping, into taking incendiary action against the US or its allies, such as annexing disputed geography, instigating additional human rights abuses, or launching military, cyber, or espionage attacks. US-China relations impact every sector of the economy.

Trend: The Specter of Inflation

Overview: Inflation is out there, it's easy to ignore now, but perhaps its unwise to do so. If you believe that excess currency creates inflation then, the facts that: one out of every five dollars in circulation today were created in 2020, M1 has increased 69% this year and depository accounts have increased 85% in 2020 to \$4.6 trillion should give you pause. Across sectors such as consumer defensive and durables, commodities and housing prices are increasing as are the costs of wages and services. Until recently these increases have been tempered by declines in COVID-19 impacted sectors like energy, travel, entertainment, and finance. However, the declining sectors have likely reached their nadirs and are also beginning to rise.

Discussion: Tremendous amounts of stimulus, most notably: the Cares Act, direct stimulus payments, the Paycheck Protection Program, Fed rate cuts, Fed direct-loans, and bond buybacks along with various IRS deferrals, have created huge pools of liquid capital. These pools of liquidity combined with constrained production of material goods, limited outlets for spending (restaurants, travel, entertainment, and personal service business are operating at 25% or less capacity) are igniting inflation in many sectors and creating bubbles in the capital markets. The combination of constrained production and the rapid rise of liquidity is likely to cause stagflation and the Fed has signaled that it will tolerate higher inflation when announced that it intends to overshoot its 2% inflation target.

- TRENDS -

Ten factors are feeding stagflation:

- 1) Supply is unable keep up with demand.
- 2) The Fed's shift to 2%+ floor on inflation puts a floor on inflation.
- 3) Consumers have been saving during the pandemic (\$4.3T in bank accounts) and are set to spend thus increasing money velocity.
- 4) Supply chains remain disrupted and key inventory shortages exist.
- 5) The anchors offsetting inflation: air travel, hotels, apparel, commuting, and energy expenses reached their nadir in July and will not continue to offset rising costs in other sectors.
- 6) Commodity prices for lumber, metals and oil have all increased.
- 7) USD weakened 7% since March.
- 8) Labor costs are rising and there is a potential for a \$15/hr. Federal minimum wage next year.
- 9) Corporations are experiencing pricing power and are easily passing on price increases to consumers.
- 10) Housing cost are increasing.

Trend: Increased Government Regulation

Overview: During his first 100 Days, Biden has pledged to re-regulate America. Biden's purported regulatory focus will be on eight sectors and 21 key areas: The Pandemic, Economy (taxes unionization, buy American), Civil Rights (Equality Act, Diversity and Inclusion, gun control), Immigration (pathway to immigration, DACA, halt deportations), International Relations (rejoin WHO, The Paris Climate Accord, and Joint Comprehensive Plan of Action, aka the Iran nuclear deal) Environment (Create Dept. of Climate Justice, increased regulations on all fossil fuels, ban on coal and natural gas), and Consumer Protections (revive the CPB and crack down on financial firms).

Discussion:

PANDEMIC: Biden's number one regulatory focus is on getting the coronavirus under control.

- 1) He will push for masks to be worn nationwide, but his legal authority to enforce such a mandate is unclear.
- 2) He promises a new public-private partnership called a "pandemic testing board" that would be responsible for boosting production of COVID tests and supplies as well as access to these goods.

ECONOMY:

- 3) Biden promised to undo many of Trump's tax cuts for

corporations and wealthy individuals as soon as he takes office – though the changes require congressional approval.

- 4) He vowed to increase enforcement of tax policies already on the books and bolster workers' unionization rights.
- 5) Biden plans to force government agencies to buy U.S.-made goods and services.

CIVIL RIGHTS:

- 6) Within Biden's first 100 days, he pledged to work on getting the Equality Act passed – a bill adding vast new anti-discrimination protections based on sexual and gender identity.
- 7) Biden is expected to issue an executive order promoting diversity and inclusion in the federal government and create a new White House Council on Gender Equality to coordinate policies relating to women.
- 8) Biden has promised to use his powers "to ban the importation of assault weapons."

IMMIGRATION:

- 9) Biden will send an immigration bill to Congress that includes a pathway to citizenship for the 11 million illegal people.
- 10) Biden will reinstate the DACA program, granting deportation relief and work permits to 644,000 people.

- TRENDS -

Trend: Increased Government Regulation (Cont.)

Discussion (Cont.):

IMMIGRATION (CONT.):

- 9) Biden also promised to halt deportations.
- 10) He will create a task force to reunite more than 500 border detained children with their families.
- 11) Biden will rescind Trump's travel bans on travelers from 13 countries.

INTERNATIONAL RELATIONS:

- 14) Biden will rescind Trump's decision to abandon the W.H.O.
- 15) He will rejoin the Paris Climate Accord
- 16) Biden will re-enter the Iran nuclear deal.
- 17) Biden plans to extend the U.S.-Russia strategic nuclear arms reduction treaty.
- 18) Biden would also consult with America's main allies before deciding on U.S. tariffs and other policies toward China.

ENVIRONMENT:

- 19) Biden will set higher clean-energy targets, ban coal and natural gas leasing on federal lands, while curbing methane emissions from oil and gas production.
- 20) He would also establish an environmental and climate justice division within the U.S. Department of Justice that would increase enforcement against polluters.

CONSUMER PROTECTIONS:

- 21) Biden will replace the current CPB director and appoint a progressive director. With a new director, the CPB will crack down on payday lenders, debt collectors, banks, and mortgage firms through tougher supervision and stiffer penalties.

- TRENDS -

Trend: Infrastructure Projects - Leaning Green

Overview: Large-scale infrastructure spending has been considered for the last decade without much action. Traditional infrastructure including roads, bridges, railways, airports, public transportation, the power grid, pipelines, sanitary systems, and flood protection programs have all long suffered from underinvestment at the federal level and declining levels of state level investments, as many states elected to defer spending their own money as they expected a federal bail-out.

Discussion: Through its \$2 trillion “Build Back Better” proposal, the Biden administration appears to be focusing on greener aspects of infrastructure, including the production, storage, and distribution of green energy, environmentally retrofitting existing buildings, constructing new buildings to much higher environmental standards, providing broadband for all, as well as public works projects addressing rising sea levels and flood-prone areas. Traditional infrastructure upgrades appear to be taking a back seat to the green initiatives.

Like Biden’s tax proposals, the US Senate will be the key gating factor. If the Republicans maintain control of the Senate, the Build Back Better proposal will face stiff scrutiny, and many of its more controversial aspects may have to be scaled back. Should the Democrats take control of the Senate, or should a few key Republican Senators elect to defect from the caucus, an infrastructure bill that

more resembles “The Green New Deal”, is possible. In any event, government is going to be forced to address the nation’s aging infrastructure as failures become larger and more widespread. Perhaps the fact that 70% of voters support the repair of the nation’s infrastructure may prove to be a motivating factor for all parties.

- TRENDS -

Trend: Energy Storage – Hydrogen

Overview: Hydrogen, clean-burning and energy-dense, has always been the fuel of the future, but not the fuel of the present. This may change, as a series of innovations, government regulations, and tens of trillions of dollars in worldwide government spending are making hydrogen a real contender for both clean fuel and as method of energy storage.

Discussion: Presently, hydrogen gas production comes in four forms: brown, grey, blue, and green, from the most polluting to the least polluting. The most polluting, brown hydrogen, has been produced for a century by the gasification of coal, which also emits large amounts of CO₂ and other pollutants. Grey hydrogen is produced by extracting hydrogen from natural gas using a catalyst – still polluting. Blue hydrogen uses the same technique but seeks to sequester carbon underground. Green hydrogen is produced by separating water into hydrogen and oxygen using an electrolyzer powered by renewable energy. Currently most hydrogen is produced using natural gas as a feedstock, but the focus is now on green hydrogen.

Once hydrogen gas has been separated, it must be converted into liquid form to gain the requisite energy density. This process is energy intensive and requires highly specialized equipment to cool, compress, and transport liquid hydrogen at -253 degrees. It is estimated that world governments and industry will invest \$11 trillion in the hydrogen production and distribution projects by 2050,

at which point 22% of the world's fuel consumption may be supplied by hydrogen.

Today, hydrogen has many current uses as fuel for fuel cells in forklifts, standby electric generators, power and cooling sources for server farms, and as an additive to natural gas to fuel turbines. Its next area of adoption is in long-haul trucking, airplanes, and ships. Batteries sufficient to power these vehicles are too large and heavy to be practical. Automobiles are another vehicle that could see a benefit, as hydrogen would significantly extend their range and decrease refueling time to that of gasoline. Presently, Asia is in the forefront of hydrogen fuel cells for automobiles. The problem is there are only 66 hydrogen stations in the US, most of which are in California.

For hydrogen to be used for mobility, a significant corporate shift will need to occur, and this appears to already be underway. Vehicle manufacturers like Cummins, GM, Ford, Toyota, Hyundai, BMW, and Daimler; gas producers like Linde Gas; air products and green utilities like Next Era Energy; and fossil fuel producers like Exxon, Shell, and BP are investing in and making huge strides in production. Universities like Northwestern have also made huge contributions. Ammonia, which is a combination hydrogen and nitrogen, is stable at room temperature and can be transferred and stored using existing fossil fuel facilities. Northwestern researchers have found a way to efficiently separate the two elements while leaving the nitrogen by-product for fertilizer. With ammonia being separated closer to its end-use there will be a greatly reduced need to build expensive transmission and storage facilities.

- TRENDS -

Trend: Energy Storage – Solid-State Batteries

Overview: The problem with green energy is the ability to store it. A myriad of techniques have been used over the years ranging from pumping water to uphill reservoirs while excess green energy is produced, to using molten salt, lithium-ion, and nickel-cobalt-aluminum batteries and hydrogen as storage mediums. A single dominant storage medium is unlikely to emerge as the various mediums are better suited for certain uses. For instance, batteries are presently better suited for cars as electricity is widely available, but hydrogen fuel cells are better for large trucks, airplanes, ships and forklifts where weight, energy density, refueling times and emissions are bigger issues than the number of filling stations.

Discussion: A new form of battery, a so-called solid-state battery, is being touted as the next big step in battery technology. However, there are several cost and production hurdles that will need to be addressed before these batteries are adopted. Solid-state batteries use solid electrodes and solid electrolytes instead of liquid or gel electrolytes found in today's lithium-ion or lithium polymer batteries.

Presently solid-state batteries have been deployed in trials of implantable electrical medical devices such as pacemakers, RFID sets, and a few wearable devices because they are believed to be more durable, contain greater power density and are safer than liquid batteries.

- TRENDS -

The benefits of solid-state batteries are impressive and include two and a half times more energy density than existing batteries, the ability to store much higher voltages, longer lifecycles, faster recharge rates, the batteries are non-flammable, and they do not contain the toxic materials that are used in today's batteries.

Although the batteries exist and are being deployed on an experimental basis, cost is a huge hurdle and the assembly technology so far has been difficult to scale because of some of the vacuum technologies required. Today batteries sufficient to power a mobile phone would cost about \$100,000, and batteries used to power a Tesla would cost from \$5,000,000 to \$8,000,000. In 5-10 years, it is expected that the cost of these batteries will become competitive with existing batteries and fuel cells since auto companies such as Toyota, Ford, BMW, Honda, Hyundai and Nissan are all developing the technology. Recently VW invested \$100MM in Stanford's QuantumScape solid-state battery startup.

Trend: Synthetic Messenger RNA Vaccines

Overview: Synthetic messenger RNA Vaccines (“mRNA”), are proving to be the game-changer in the fight against COVID-19 and possibly a myriad of other diseases. Unlike traditional vaccines which trigger an immune response by injecting dead viral remnants into a body, the mRNA vaccine injects synthetically re-programmed mRNA. In turn, the mRNA delivers a set of instructions to all cells, effectively reprogramming the cells and instructing them to fight off the disease.

Discussion: Messenger ribonucleic acid contains the instructions for creating and managing the processes of every cell in every living organism. Because of its unique role, mRNA is considered the “Software of Life”. Both the Pfizer and the Moderna vaccines use synthetic (man-made) mRNA to inoculate the population. It is the first time that the FDA has approved the application of this new technology.

The benefits of this technology are immediately evident and future applications are promising, but any long-term side effects may remain to be realized. Although panels have declared it to be safe and effective, sometimes it takes years or generations for the side effects of a new drug or technologies to emerge.

Although FDA testing protocols have vastly improved since the days of recalls of FDA approved drugs like Thalidomide, Bextra, Vioxx, and Baycol, synthetically reprogramming cells is a huge technological leap

forward and unintended consequences could emerge.

Messenger ribonucleic acid was discovered at Caltech in 1961. For many years, its role was poorly understood and was thought of as some sort of refuse from the unzipping of DNA. It took twenty years of study before its role was better understood, and it was not until relatively recently that a Hungarian refugee working at the University of Pennsylvania discovered a process that allowed mRNA instructions to be introduced into cells and not be blocked a body’s immune system.

In addition to its present COVID-19 fighting ability, scientist are presently using synthetic mRNA to rewrite genetic code to address many of the world’s intractable diseases and illnesses such as cancer, strokes, malaria, multiple sclerosis, and additional autoimmune diseases.

- TRENDS -

Trend: Technology Acceleration

Overview: Analysts have said that the world has undergone five years of technology transformation in 6 months due to COVID-19. Part of that transformation is due to the introduction of new technologies, but most of the transformation has been due to the rapid adoption of newer but existing technologies. Ultimately the use of these technologies might slightly abate as the virus comes under control and people revert to their pre-COVID habits, but COVID and new technologies have served to accelerate long-term shifts in retail, office, entertainment, medical, fitness, advertising/news reporting, and restaurant sectors.

Discussion: The Retail sector was already deep into a transformation as online retailers like Amazon and hybrid retailers like Walmart and Target took a significant market share from small, mid-sized, and underperforming larger retailers like department stores. COVID-19 related regulations have only accelerated this process.

The Office sector is being transformed by three trends – telecommuting, hoteling (your belongings are boxed and only brought to a desk on the days you are in an office), and technologies like Zoom, Slack, and DocuSign could easily reduce the need for office space by as much as 30-40% as 70% of workers prefer to alternate between home and office going forward, and only 4% said that they want to return full-time.

The Entertainment sector, particularly movie theaters and live events

such as sports and concerts, are transforming as at-home viewing options like Netflix, HBO Max, and other streaming services are creating content that rival movie studio productions.

Studios countered by creating their own streaming services like Peacock and Disney+, and now studios are considering the simultaneous release of movies online and in theatre. Live concerts and sporting events are virtually outlawed and will face long and problematic reintroductions, but new video technologies are making the home experience a lot more compelling and convenient.

Telemedicine, long discouraged by the AMA Telemedicine, is being used extensively during the COVID-19 crisis and its use has been aided by several medical devices and testing equipment that report real-time data to the physicians.

The Fitness sector is undergoing a similar transformation as companies like Peloton, Echelon, and Mirror offer instructor led groups to exercise together while in the comfort of their own home. The gym business has always been cyclical, seasonal, and capital intensive, and people who invested in expensive alternatives might not return in numbers sufficient to support the industry.

Advertising, Print and Broadcast Media has been at the forefront of digital transformation. In 2020, spending on digital media has surpassed all other types of media advertising combined. Young Americans most commonly cite YouTube, social media, and blogs (86%) as their most common news sources while they gather news from traditional TV, newspapers, and magazines 35% of the time.

- TRENDS -

Trend: Technology Acceleration (Cont.)

Discussion (Cont.):

Restaurants have been hit hard by the novel coronavirus, and delivery services such as DoorDash, Grubhub, and Uber Eats have tried to bridge the gap. Although surviving restaurants (perhaps 60% of the restaurants in existence pre-COVID), and bars will likely rebound post-COVID, relaxed alcohol delivery restrictions and the ability to access restaurant food at home will become significant revenue sources for restaurants.

- TRENDS -

Business Trends' Impact Upon Market Sectors

SECTOR	US-China Relations	Inflation	Government Regulation	Infrastructure "Build Back Better"	Hydrogen	Solid State Batteries	Synthetic messenger RNA Vaccines	Technology Acceleration
<i>(5 = High Impact 1 = Low Impact)</i>								
Consumer Discretionary	5	4	2	2	3	2	5	3
Consumer Staples	4	4	2	2	2	2	5	4
Energy	3	2	5	4	5	4	5	3
Financials	3	4	5	2	2	2	5	5
Health Care	4	3	5	2	2	4	5	5
Industrials	5	4	4	2	4	3	5	3
Information Technology	4	2	4	2	3	3	5	5
Basic Materials	2	4	3	2	4	2	5	2
Real Estate	2	4	4	3	3	2	5	5
Communication Services	3	3	3	3	2	2	5	5
Utilities	1	3	4	4	5	4	5	3

Business Trends 2021



Market and Sector Performance

- Historic Sector Performance
- Analysts' Projections of Market Performance

YTD Sector Performance (12-22-20)

	<u>Last % Change</u>	<u>1 Day</u>	<u>5 Day</u>	<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	
<u>S&P 500® Index (.SPX)</u>											12/21/2020
<u>Information Technology (.GSPT)</u>	0.63%	0.07%	2.85%	6.83%	14.79%	39.88%	41.12%	100.88%	217.32%	458.72%	
<u>Real Estate (.GSPRE)</u>	-0.01%	-0.79%	0.29%	-2.48%	1.25%	-7.27%	-6.32%	11.09%	--	--	
<u>Utilities (.GSPU)</u>	-0.03%	-1.26%	-0.66%	-3.49%	5.25%	-5.45%	-5.42%	15.24%	43.63%	95.38%	
<u>Health Care (.GSPA)</u>	-0.24%	-0.96%	0.91%	2.66%	6.01%	9.41%	9.20%	34.61%	59.38%	254.38%	
<u>Consumer Staples (.GSPS)</u>	-0.45%	-1.05%	0.12%	0.87%	5.85%	6.46%	6.13%	17.39%	35.70%	126.15%	
<u>Materials (.GSPM)</u>	-0.54%	-0.58%	2.69%	2.79%	9.25%	16.64%	17.80%	19.77%	68.65%	91.77%	
<u>Energy (.GSPE)</u>	-0.57%	-1.80%	-2.53%	7.79%	14.93%	-36.89%	-36.34%	-44.64%	-34.30%	-41.71%	
<u>Financials (.GSPF)</u>	-0.58%	1.24%	2.61%	6.04%	17.03%	-6.53%	-6.31%	3.09%	51.76%	128.15%	
<u>Industrials (.GSPI)</u>	-0.64%	-0.58%	0.78%	1.81%	12.12%	8.23%	8.17%	17.00%	64.51%	149.44%	
<u>Consumer Discretionary (.GSPD)</u>	-0.76%	-0.77%	1.07%	2.88%	9.42%	29.69%	30.86%	62.99%	107.96%	331.18%	
<u>Communication Services (.GSPL)</u>	-1.15%	-0.72%	-0.63%	3.50%	13.16%	20.35%	19.59%	32.26%	48.82%	72.14%	
S&P 500® Index (.SPX)	-0.25%	-0.39%	1.30%	3.86%	11.31%	14.37%	14.71%	37.91%	84.23%	196.29%	

Analysts' Outlook on the 2021 S&P 500 **

ANALYST	ORGANIZATION	S&P Target	Implied G (L) (3689 12/21/20)
Dubravko Lakos-Bujas	j.P.Morgan	4400	19.27%
David Kostin	Goldman Sachs	4300	16.56%
John Stolfus	Oppenhiemer	4300	16.56%
Craig Johnson*	Piper Sandler	4225	14.53%
Brian Belinski	BMO	4200	13.85%
Sean Darby	Jefferies	4200	13.85%
Keith Parker	UBS Group	4100	11.14%
Jonathan Golub	Credit Suisse	4050	9.79%
Binky Chadha	Deutsche Bank	3950	7.08%
Scott Wren	Wells Fargo Institute	3900	5.72%
Mike Wilson	Morgan Stanley	3900	5.72%
Ryan Detrick	LPL Financial	3900	5.72%
Savita Subramanian	Bank of America	3800	3.01%

* Analyst with closest 2020 Estimate @3600

**Winthrop Partners does not make market predictions and this poll does not necessarily reflect our outlook.



Sector Reviews

- ❑ Overviews of the 11 S&P Sectors
- ❑ Each Sector's Correlation to Economic Factors
- ❑ Analysts Predictions of Sector Performance

Sector Overviews



Sector	Communications Services		
Group	Sensitive	2021 Proj Earnings Growth*	13.70%
Most Impactful Trends:			
1	Synthetic mRNA Vaccines		
2	Technology Acceleration		
3	US China Relations		

Communication Services Sector of the S&P 500

From telephone access to high-speed internet, the Communication Services sector of the economy keeps us all connected. At present, the Communication Services sector is made up of five industries:

1. Diversified Telecommunication Services
2. Wireless Telecommunication Services
3. Entertainment
4. Media
5. Interactive Media & Services

As of January 25, 2019, the total value of all Communication Services stocks in the United States came to \$2.68 trillion, or 10.33% of the market. The communications industry includes stocks such as AT&T and Verizon.

Sector	Consumer Discretionary		
Group	Cyclical	2021 Proj Earnings Growth*	58.90%
Most Impactful Trends:			
1	US China Relations		
2	Synthetic mRNA Vaccines		
3	Inflation		

Consumer Discretionary Sector of the S&P 500

The Consumer Discretionary sector consists of businesses that have demands that rise or fall based on general economic conditions such as manufacturers of washers and dryers, sporting goods, cars, and engagement rings. At present, the Consumer Discretionary sector contains 11 industries.

1. Automobile Components Industry
2. Automobile Industry
3. Distributors Industry
4. Diversified Consumer Services Industry
5. Hotels, Restaurants & Leisure Industry
6. Household Durables Industry
7. Leisure Products Industry
8. Multiline Retail Industry
9. Specialty Retail Industry
10. Textile, Apparel & Luxury Goods Industry
11. Internet & Direct Marketing

At 1-25-9, the total value of all Consumer Discretionary stocks in the U.S. was \$2.62 trillion, or 10.11% of the market.

Examples of CD stocks include Apple, Disney, and Starbucks.

Sector	Consumer Staples		
Group	Defensive	2021 Proj Earnings Growth*	6.10%
Most Impactful Trends:			
1	Synthetic mRNA Vaccines		
2	Technology Acceleration		
3	Inflation		

Consumer Staples Sector of the S&P 500

The Consumer Staples sector consists of businesses that sell the necessities of life, ranging from bleach and laundry detergent to toothpaste and packaged food. At present, the Consumer Staples sector contains six industries.

1. Beverages Industry
2. Food & Staples Retailing Industry
3. Food Products Industry
4. Household Products Industry
5. Personal Products Industry
6. Tobacco Industry

As of January 25, 2019, the total value of all Consumer Staples stocks in the United States came to \$1.86 trillion, or about 7.18% of the market. Companies include Procter & Gamble and Kroger.

Sector Overviews



Sector	Energy		
Group	Sensitive	2021 Proj Earnings Growth*	loss in 2019 to \$24 B in 2020
Most Impactful Trends:			
1	Government Regulation		
2	Hydrogen		
3	Synthetic mRNA Vaccines		

Sector	Financials		
Group	Cyclical	2021 Proj Earnings Growth*	20.90%
Most Impactful Trends:			
1	Government Regulation		
2	Synthetic mRNA Vaccines		
3	Technology Acceleration		

Sector	Health Care		
Group	Defensive	2021 Proj Earnings Growth*	10.70%
Most Impactful Trends:			
1	Government Regulation		
2	Synthetic mRNA Vaccines		
3	Technology Acceleration		

Energy Sector of the S&P 500

The Energy Sector consists of businesses that source, drill, extract, and refine the raw commodities we need to keep the country going, such as oil and gas. At present, the energy sector contains two industries.

1. Energy Equipment & Services Industry
2. Oil, Gas & Consumable Fuels Industry

As of January 25, 2019, the total value of all energy stocks in the United States came to \$1.43 trillion, or about 5.51% of the market. Falling energy prices have made energy stocks a declining part of the S&P 500 in recent years. Major energy stocks include Exxon Mobil, Chevron, and Halliburton.

Financials Sector of the S&P 500

The Financial Sector consists of banks, insurance companies, credit card issuers, and a host of other money-centric enterprises that keep the debits and credits of the economy flowing. At present, the Financial Sector contains seven industries.

1. Banking Industry
2. Capital Markets Industry
3. Consumer Finance Industry
4. Diversified Financial Services Industry
5. Insurance Industry
6. Mortgage Real Estate Investment Trusts (REITs) Industry
7. Thrifts & Mortgage Finance Industry

As of 1-25-19, the total value of all financial stocks in the U.S. came to \$3.54 trillion, or about 13.63% of the market. JP Morgan Chase, Goldman Sachs, and Bank of America are all examples of financial stocks.

Health Care Sector of the S&P 500

The Health Care sector consists of drug companies, medical supply companies, and other scientific-based operations that are concerned with improving and healing human life. At present, the Health Care sector contains six industries.

1. Biotechnology Industry
2. Health Care Equipment & Supplies Industry
3. Health Care Providers & Services Industry
4. Health Care Technology Industry
5. Life Sciences Tools & Services Industry
6. Pharmaceuticals Industry

As of January 25, 2019, the total value of all Health Care stocks in the United States came to \$3.95 trillion, or about 15.21% of the market. Examples of health care stocks include Johnson & Johnson, Gilead, and Pfizer.

Sector Overviews



Sector	Industrials		
Group	Sensitive	2021 Proj Earnings Growth*	78%
Most Impactful Trends:			
1	US -China Relations		
2	Synthetic mRNA Vaccines		
3	Inflation		

Industrials Sector of the S&P 500

The Industrial Sector comprises railroads and airlines to military weapons and industrial conglomerates. At present, the industrial sector contains fourteen industries.

1. Aerospace & Defense Industry
2. Air Freight & Logistics Industry
3. Airlines Industry
4. Building Products Industry
5. Commercial Services & Supplies Industry
6. Construction & Engineering Industry
7. Electrical Equipment Industry
8. Industrial Conglomerates Industry
9. Machinery Industry
10. Marine Industry
11. Professional Services Industry
12. Road & Rail Industry
13. Trading Companies & Distributors Industry
14. Transportation Infrastructure Industry

As of 1/25/19, the value of all Industrial Stocks in the United States came to \$2.42 trillion, or about 9.33% of the market. Major industrial stocks include Lockheed Martin and CSX.

Sector	Information Technology		
Group	Sensitive	2021 Proj Earnings Growth*	14.50%
Most Impactful Trends:			
1	Synthetic mRNA Vaccines		
2	US China Relations		
3	Government Regulation		

Information Technology Sector of the S&P 500

The Information Technology (IT) sector is home to the hardware, software, computer equipment, and IT services operations. From microprocessors to printers, operating systems to cell phone handsets, recent advances in technology have turned IT into a giant part of the domestic and global economies. At present, the Information Technology sector contains six industries.

1. Communications Equipment Industry
2. Electronic Equipment, Instruments & Components Industry
3. IT Services Industry
4. Semiconductors & Semiconductor Equipment Industry
5. Software Industry
6. Technology Hardware, Storage & Peripherals Industry

As of January 25, 2019, the total value of all Information Technology stocks in the United States came to \$5.15 trillion, or about 19.85% of the market. It is the largest sector in the S&P 500. Top IT stocks include Microsoft and Alphabet.

Sector	Materials		
Group	Cyclical	2021 Proj Earnings Growth*	29.60%
Most Impactful Trends:			
1	Synthetic mRNA Vaccines		
2	Inflation		
3	Hydrogen		

Materials Sector of the S&P 500

The building blocks that supply the other sectors with the raw materials it needs to conduct business, the material sector manufacturers, logs, and mines everything from precious metals, paper, and chemicals to shipping containers, wood pulp, and industrial ore. At present, the Material Sector contains five industries.

1. Chemicals Industry
2. Construction Materials Industry
3. Containers & Packaging Industry
4. Metals & Mining Industry
5. Paper & Forest Products Industry

As of January 25, 2019, the total value of all Materials stocks in the United States came to \$703 Billion, or about 2.71% of the market. Major materials stocks include Dupont, Ecolab, and International Paper.

Sector Overviews



Sector	Real Estate		
Group	Cyclical	2021 Proj Earnings Growth*	4.60%
Most Impactful Trends:			
1	Synthetic m RNA Vaccines		
2	Inflation		
3	Government Regulation		

Sector	Utilities		
Group	Defensive	2021 Proj Earnings Growth*	4.00%
Most Impactful Trends:			
1	Hydrogen		
2	Synthetic m RNA Vaccines		
3	Infrastructure		

Real Estate Sector of the S&P 500

The Real Estate sector includes all Real Estate Investment Trusts (REITs) with the exception of Mortgage REITs which are housed under the financial sector. The sector also includes companies that manage and develop properties. At present, the Real Estate sector is made up of two industries:

1. Equity Real Estate Investment Trusts
2. Real Estate Management & Development

As of January 25, 2019, the total value of all Real Estate stocks in the United States came to \$768 Billion, or 2.96% of the market. The real estate industry includes stocks such as American Tower, Simon Property Group and Prologis.

Utilities Sector of the S&P 500

The Utilities Sector of the economy is home to Electric, Gas and Water utilities. At present, the utilities sector is made up of five industries.

1. Electric Utilities Industry
2. Gas Utilities Industry
3. Independent Power and Renewable Electricity Producers Industry
4. Multi-Utilities Industry
5. Water Utilities Industry

As of January 25, 2019, the total value of all Utilities stocks in the United States came to \$825 Billion, or about 3.18% of the market. Utilities stocks include many local electricity and water companies including Exelon and Dominion Resources.

Notes:

*2021 Sector Performance statistics provided by a FactSet. Winthrop Partners does not make market predictions and this poll does not necessarily reflect our outlook.

Sector descriptions provided by About.com's Dash Group

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