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1982 Deja Vu: Russia, Inflation & Midterm Elections

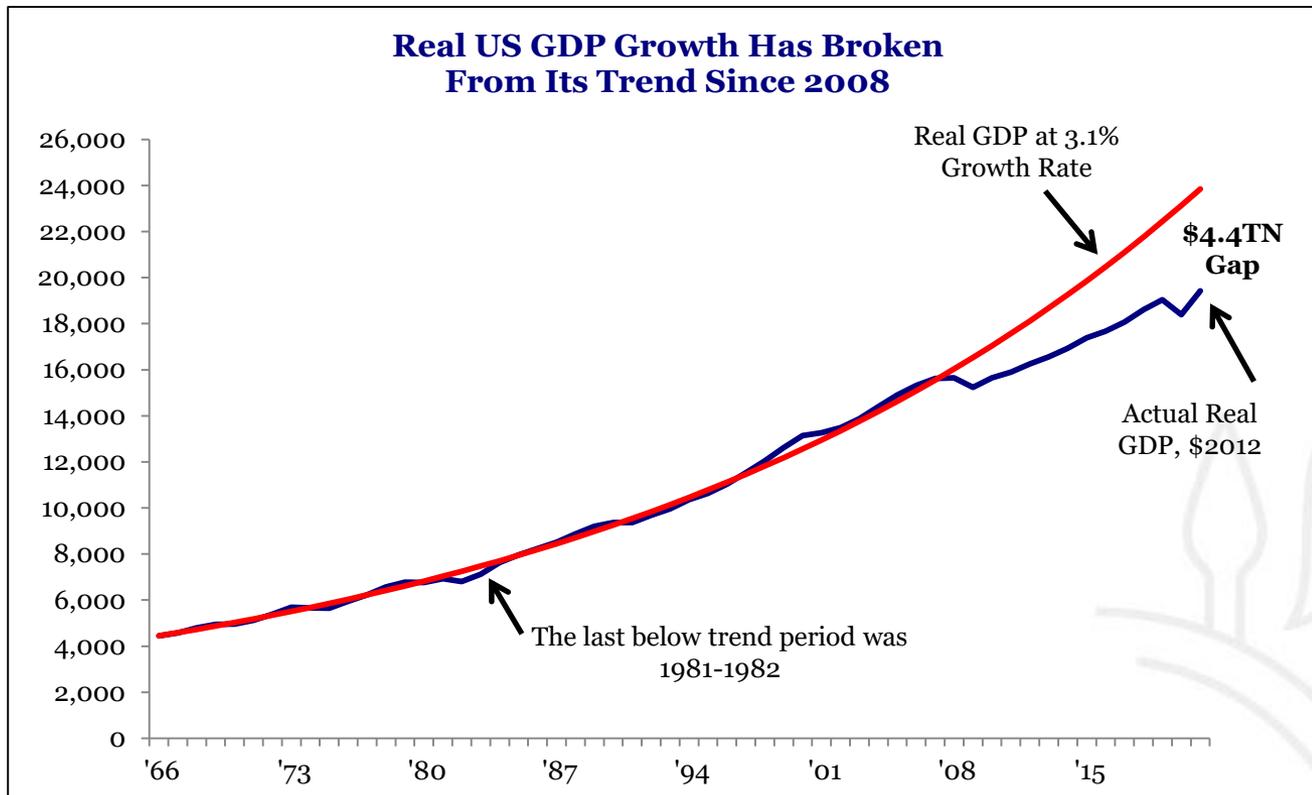
Macro Research

- Investment Strategy
- Economics
- Policy Research
- Quantitative Research
- Technical Research
- Fixed Income Research
- Industry Surveys
- Bespoke Research
- Conferences
- Sales & Trading





Economic Volatility Is Creating Political Volatility





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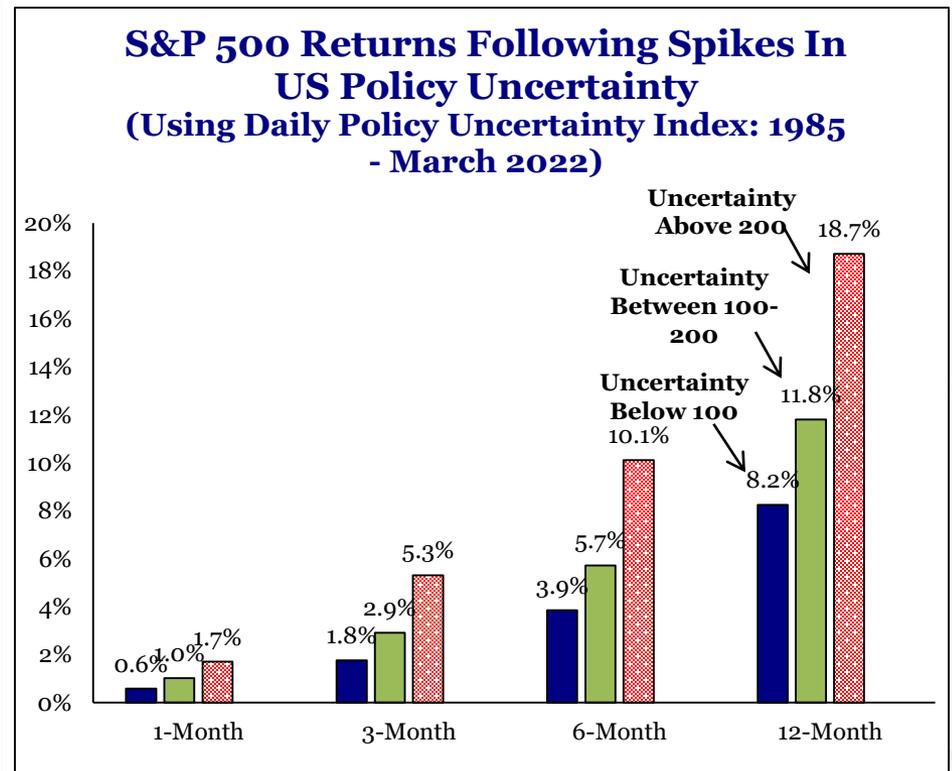
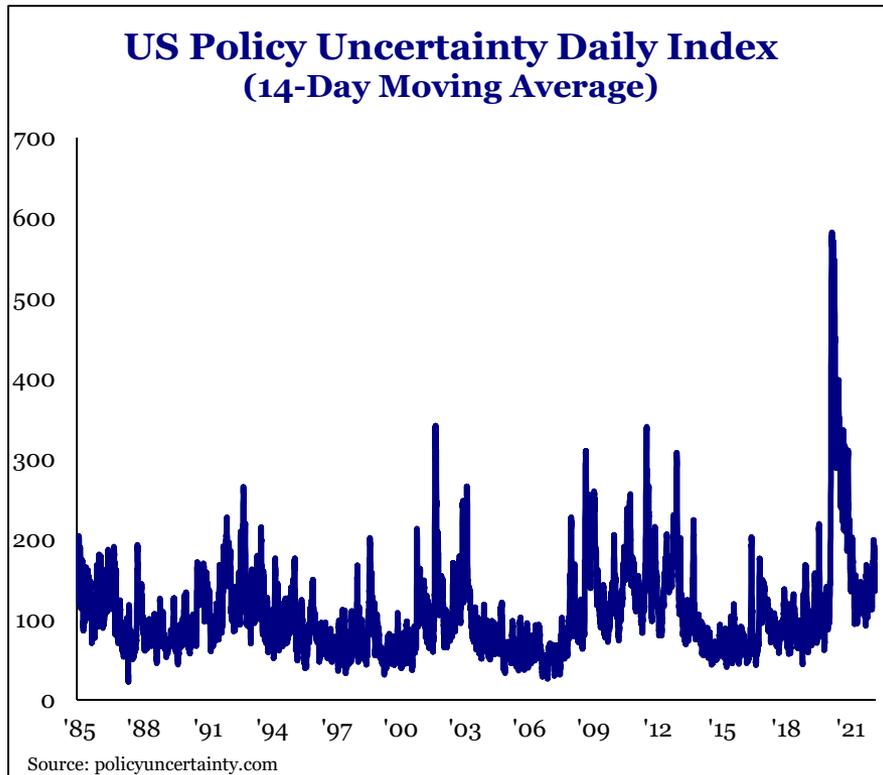
US Voters Have Removed The Party In Power In 7 Of The Past 8 Elections

Changing Government Dynamics





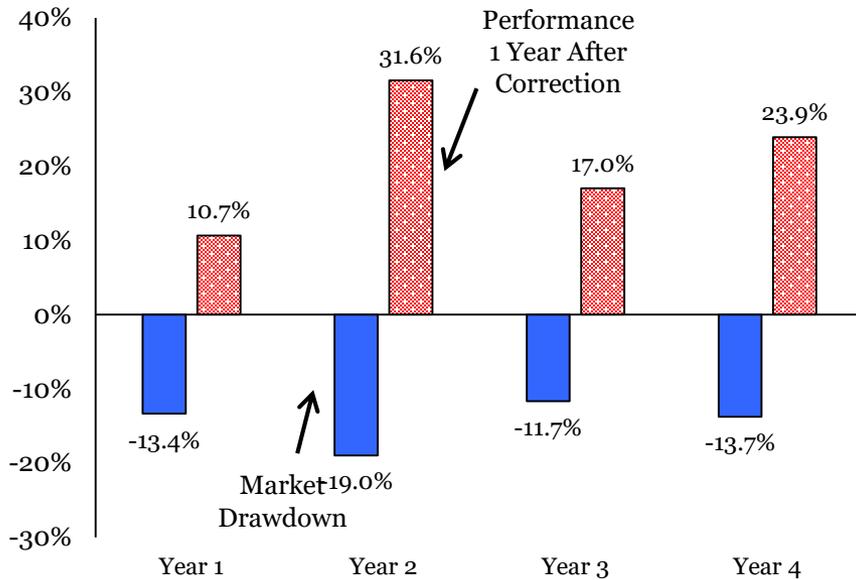
Increasing Political Volatility Is Increasing Policy Uncertainty



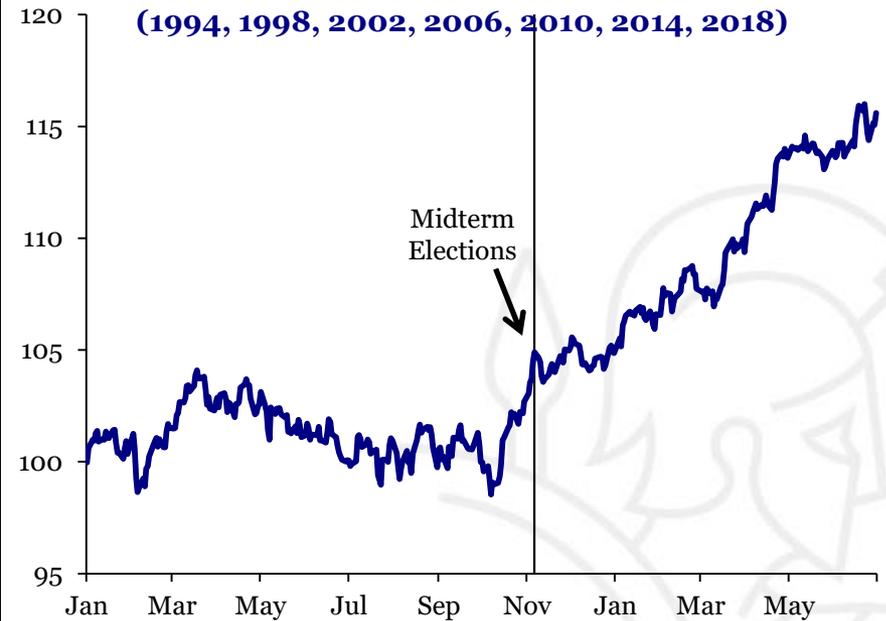


Midterm Election Years Have More Volatility, But Also Opportunity

S&P 500 Corrections & 1-Year Performance Following Correction By Presidential Cycle (1962-2020)

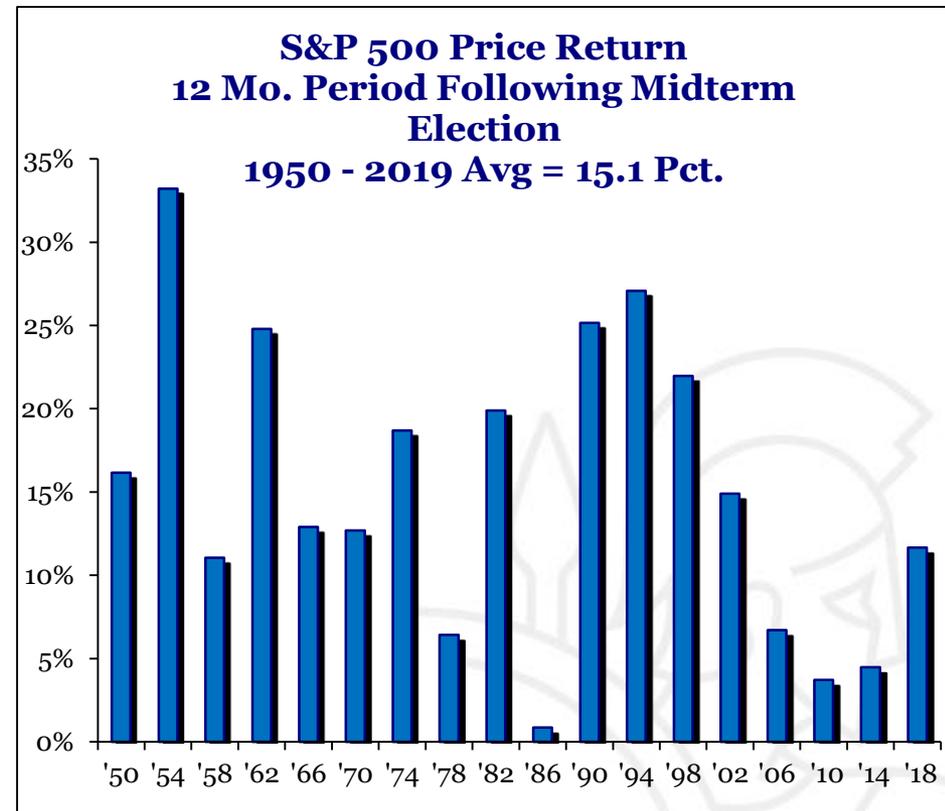
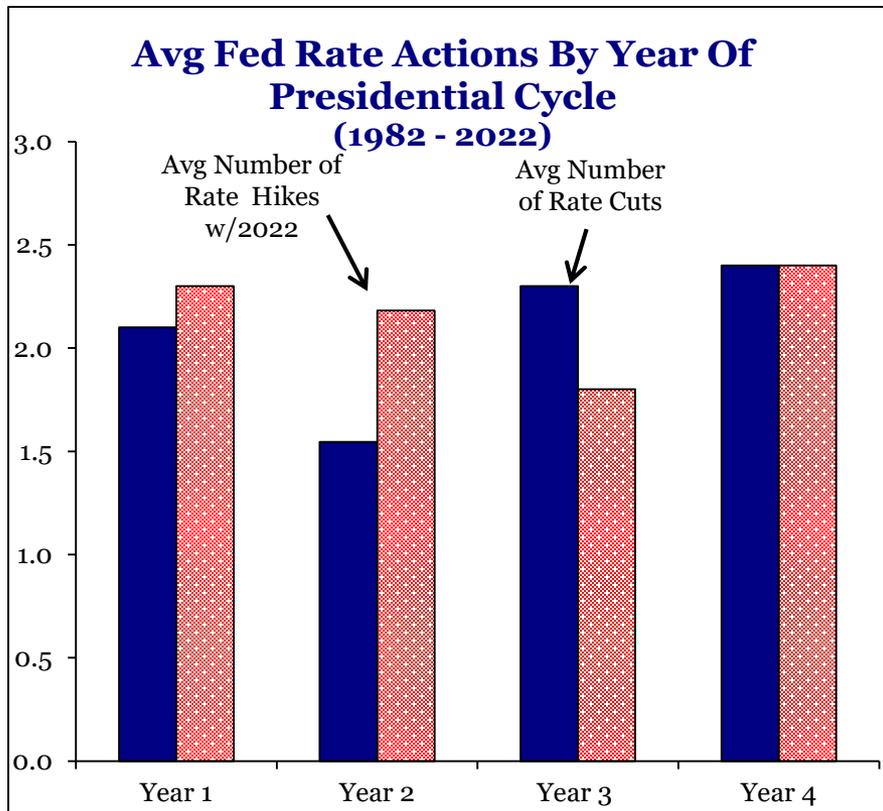


Average S&P 500 Performance Before & Following Midterm Elections (1994, 1998, 2002, 2006, 2010, 2014, 2018)



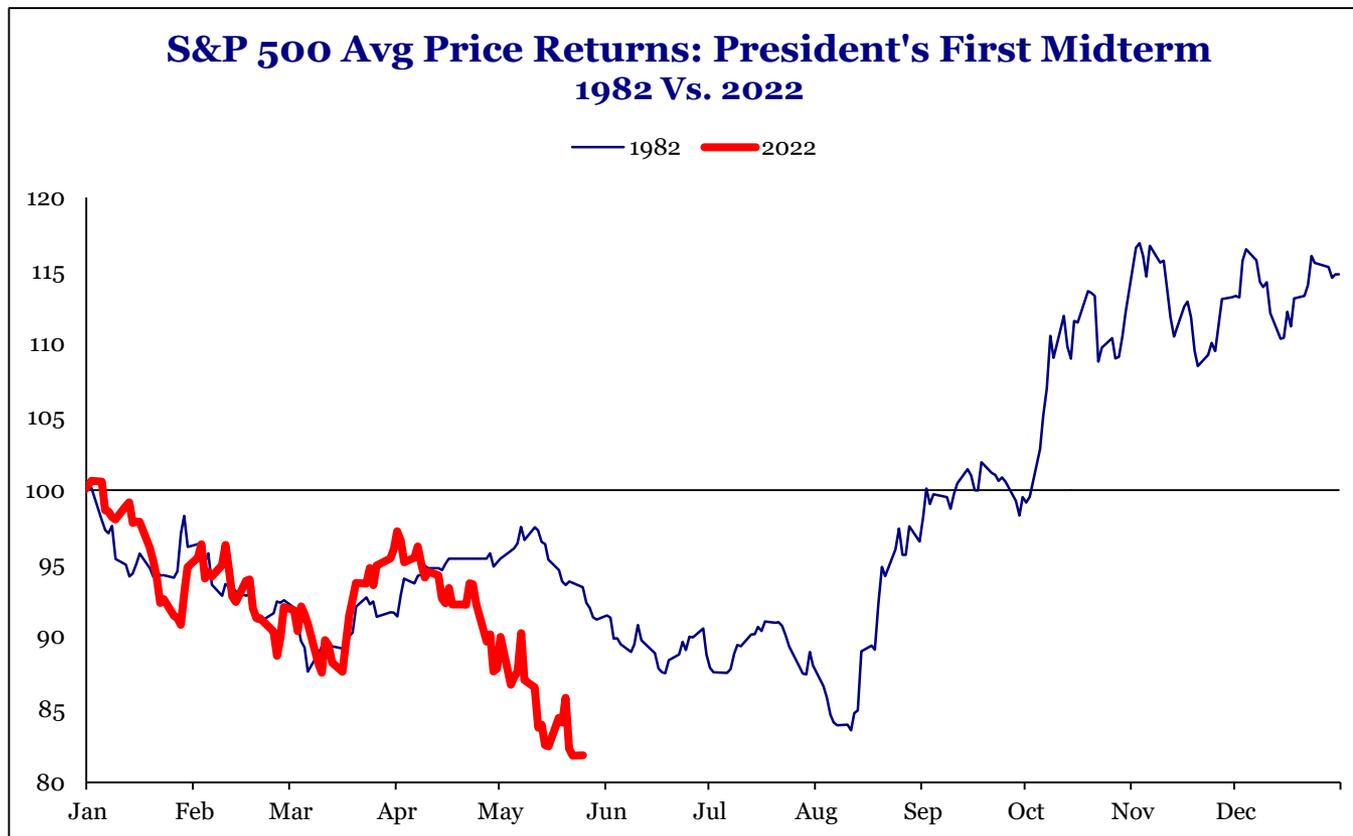


The S&P 500 Has Not Declined In Year After Midterm Election Since '46





1982 Déjà Vu: Russia, Inflation & Midterm Elections





1970 Déjà Vu? Post-Pandemic, Post-Recession, Inflation, War, Midterm



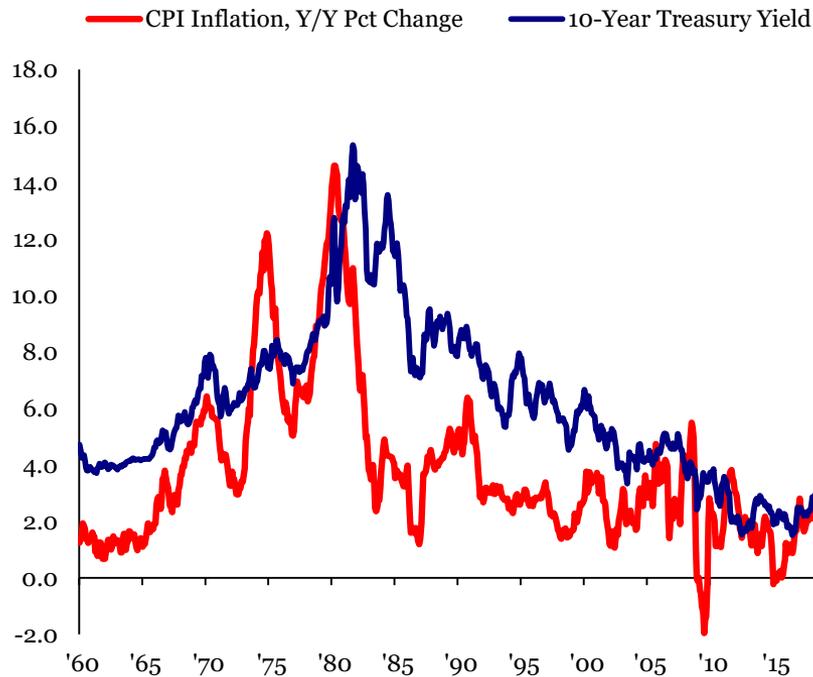
- ✓ Inflation
- ✓ War
- ✓ Wage/Price Controls
- ✓ End Bretton Woods
- ✓ OPEC Embargo
- ✓ Removal of Nixon



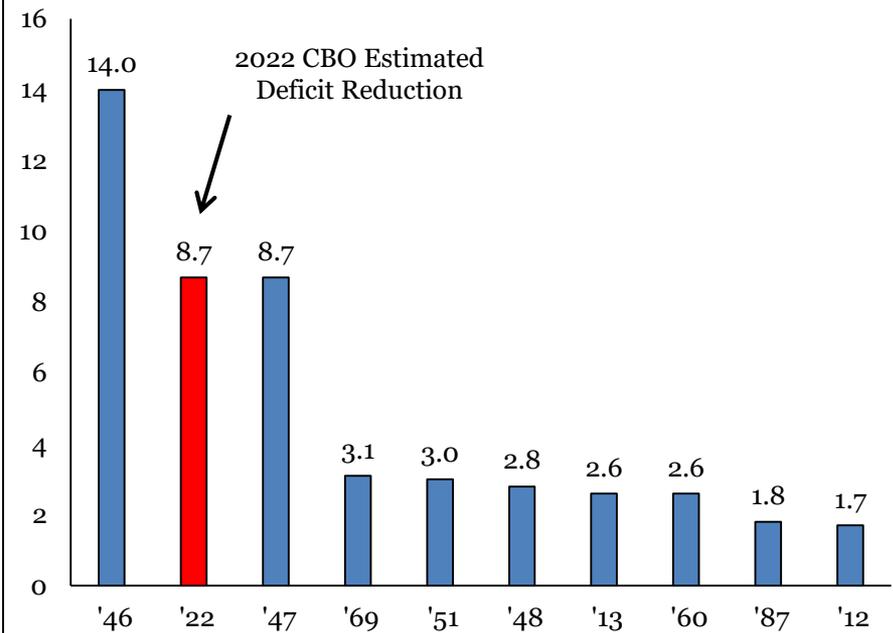


The Fiscal, Monetary & Geopolitical Frameworks Have All Shifted

Interest Rates Vs. Inflation (Fed, BLS)

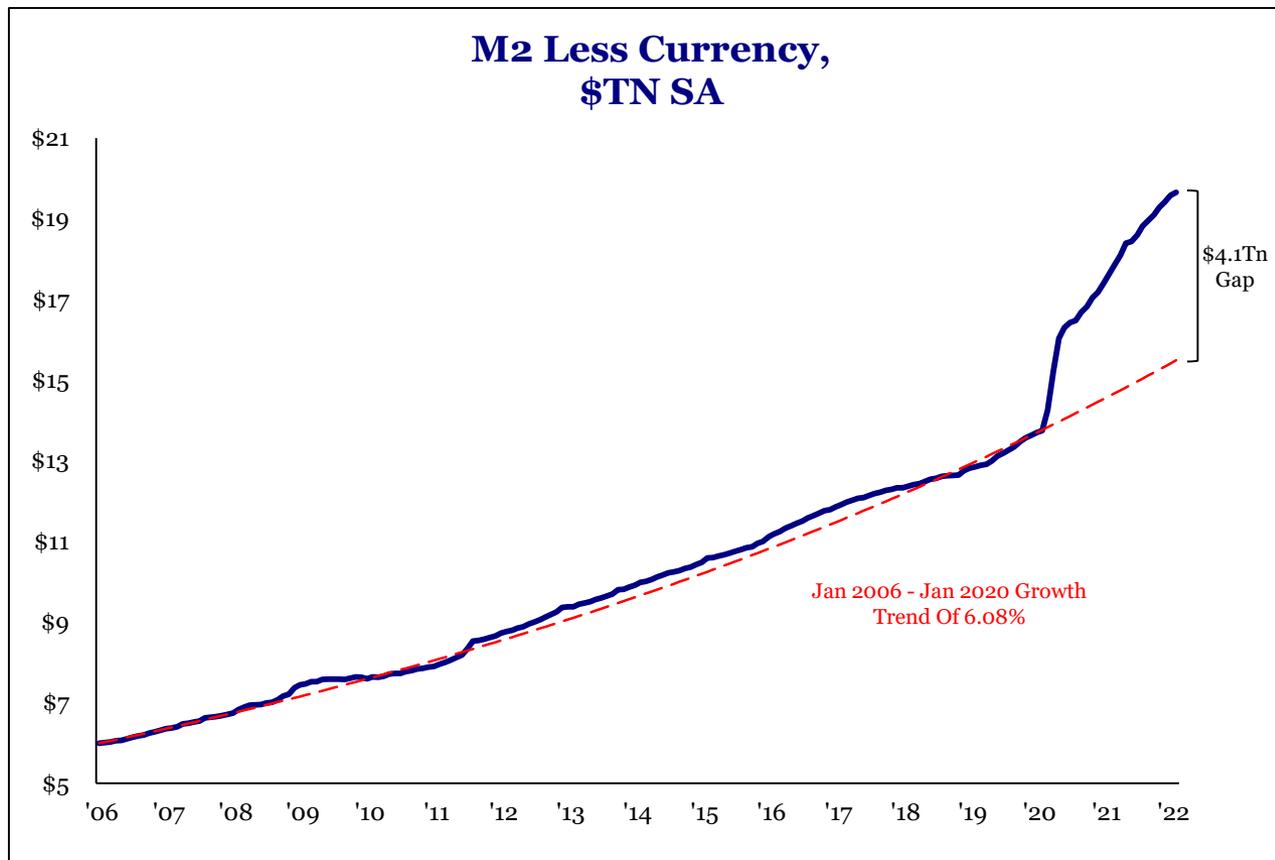


Largest Reduction In US Federal Budget Deficit Post-WWII, % Of GDP



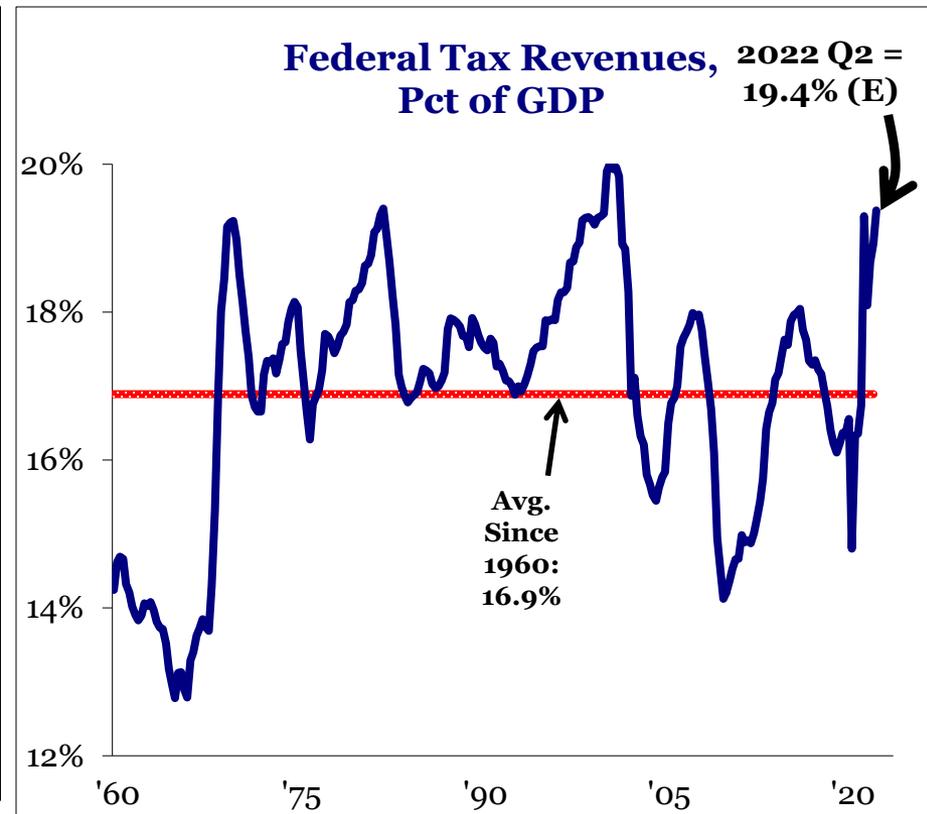
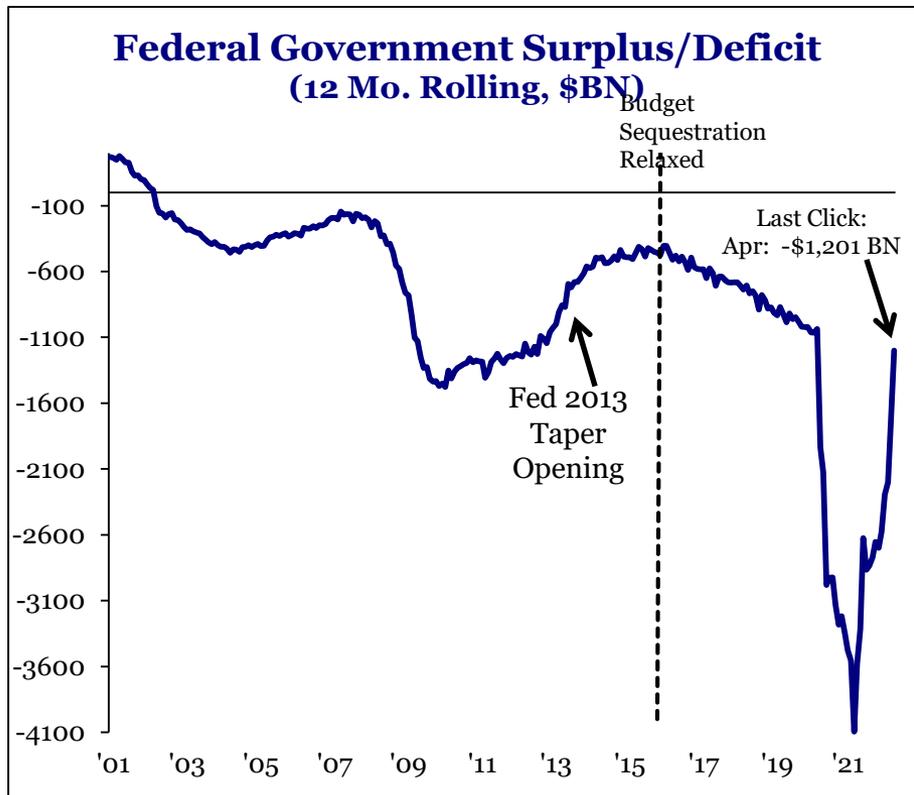


The Fed Has To Drain The Excess Liquidity In The System



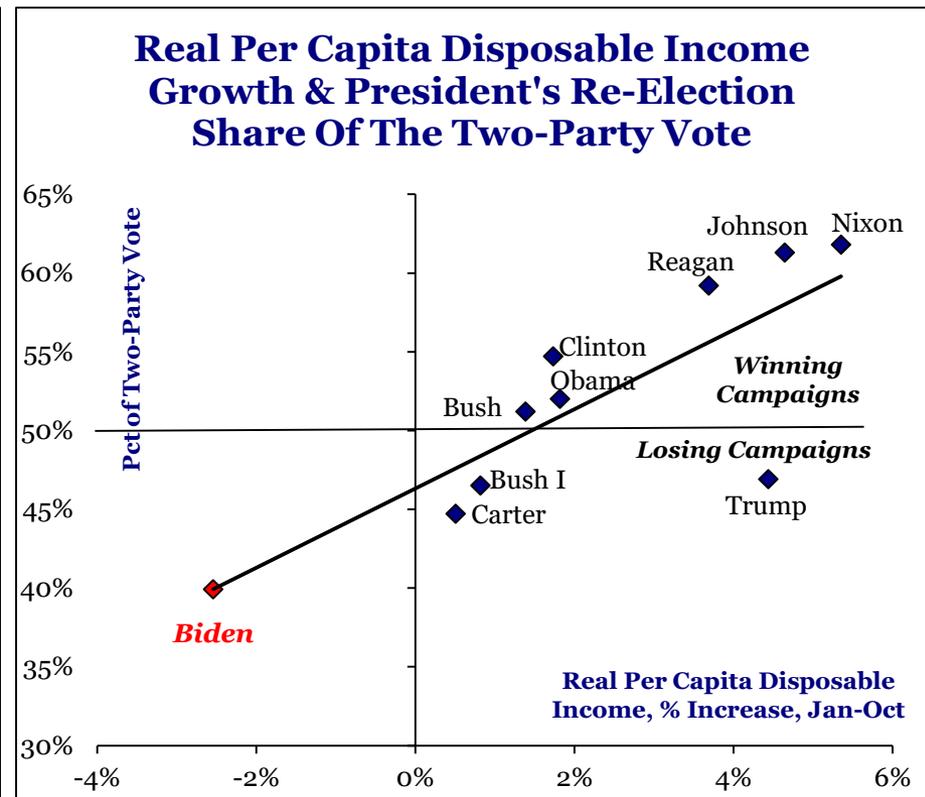
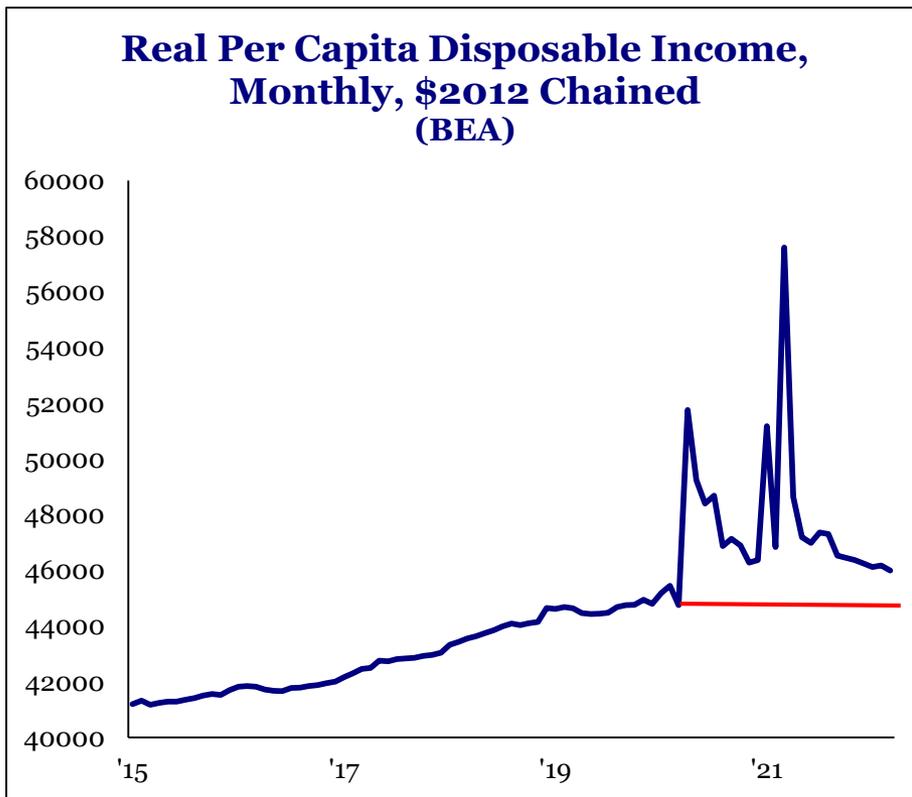


The Largest Fiscal Tightening Since The End Of WWII In 1946





Inflation + Fiscal Tightening Are Eroding Real Incomes

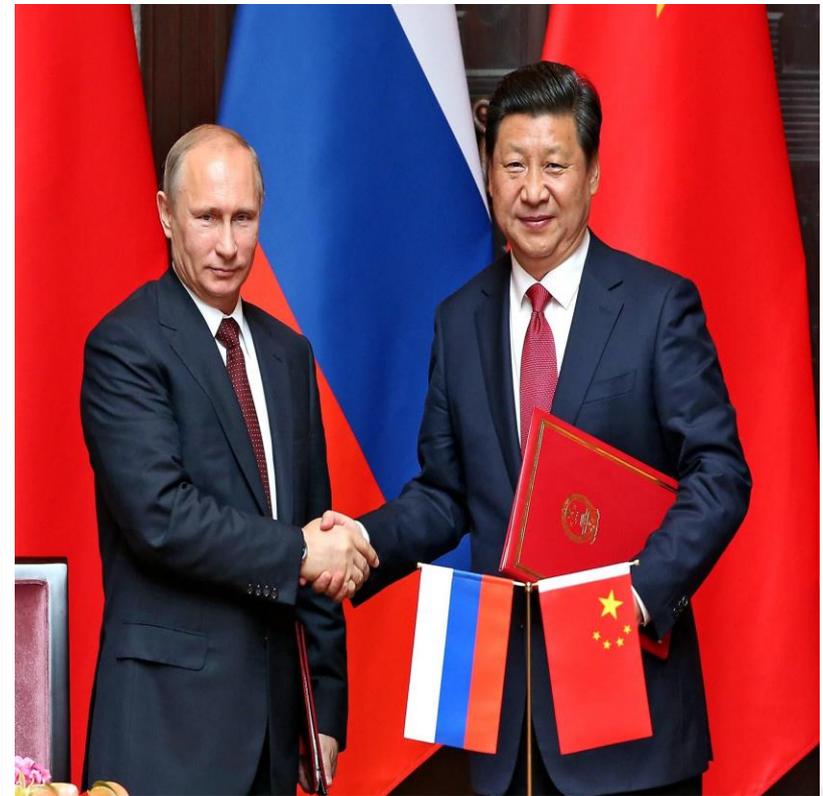
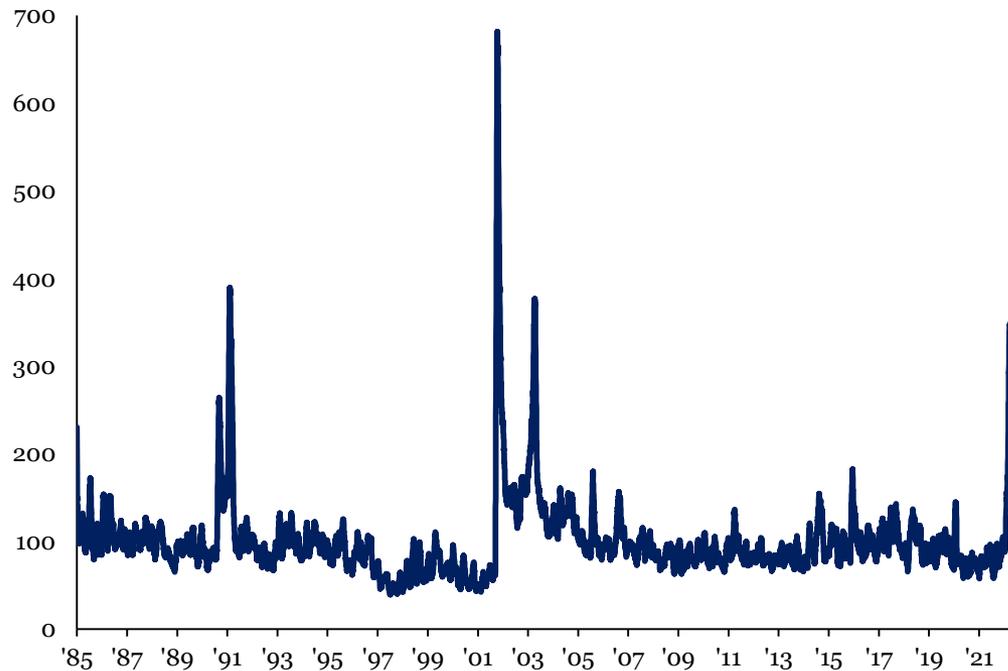




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Geopolitical Risk Is Growing As World Alliances Begin To Shift

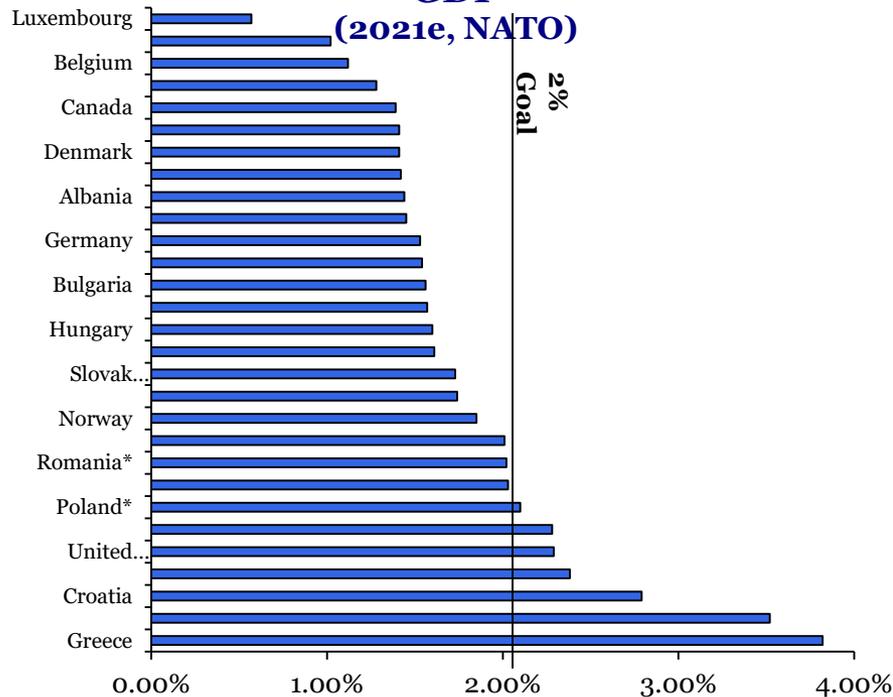
Geopolitical Risk Index
(Fed Board of Governors Working Paper)





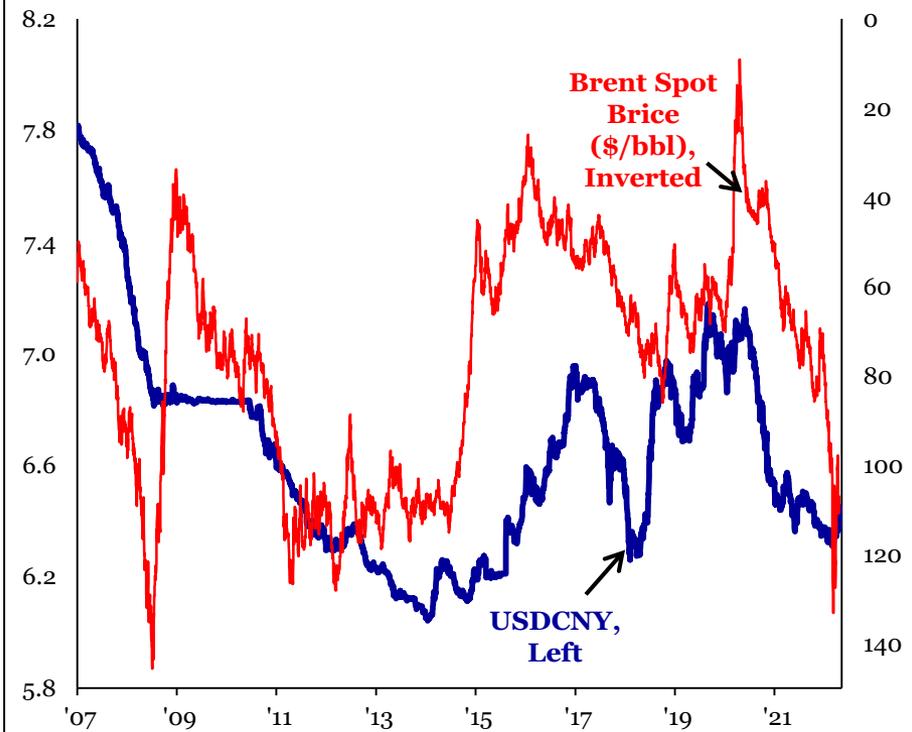
Shifting Alliance In Response To The Changing Geopolitical Framework

Defense Expenditures As A Pct. Of GDP



* These Allies have national laws and political agreements which call for 2% of GDP to be spent on defence annually, consequently estimates are expected to change accordingly. For the past years, Allies' defence spending was based on the

Chinese Renminbi Per USD & Brent Spot Price (Inverted)





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Investment Implications: The New “ESG”

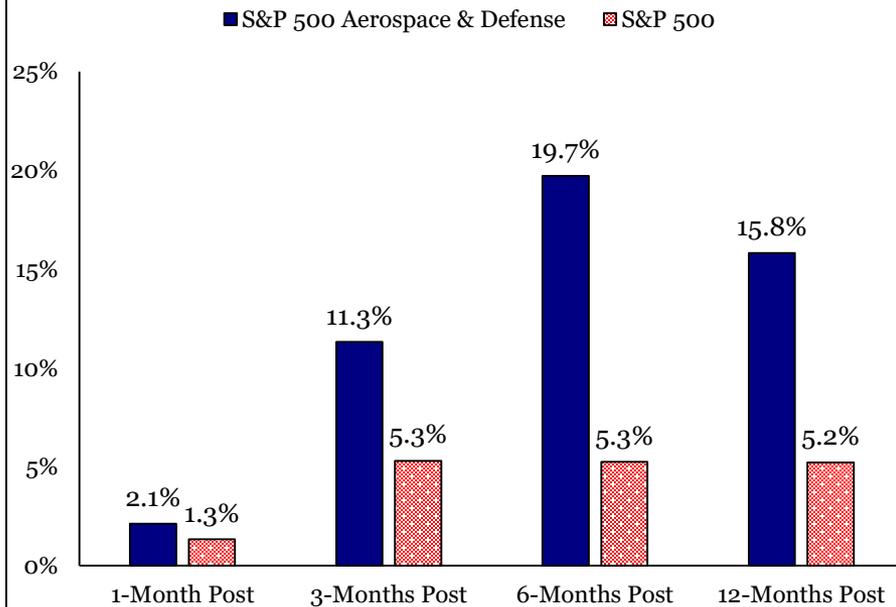
Energy + Security + Governance



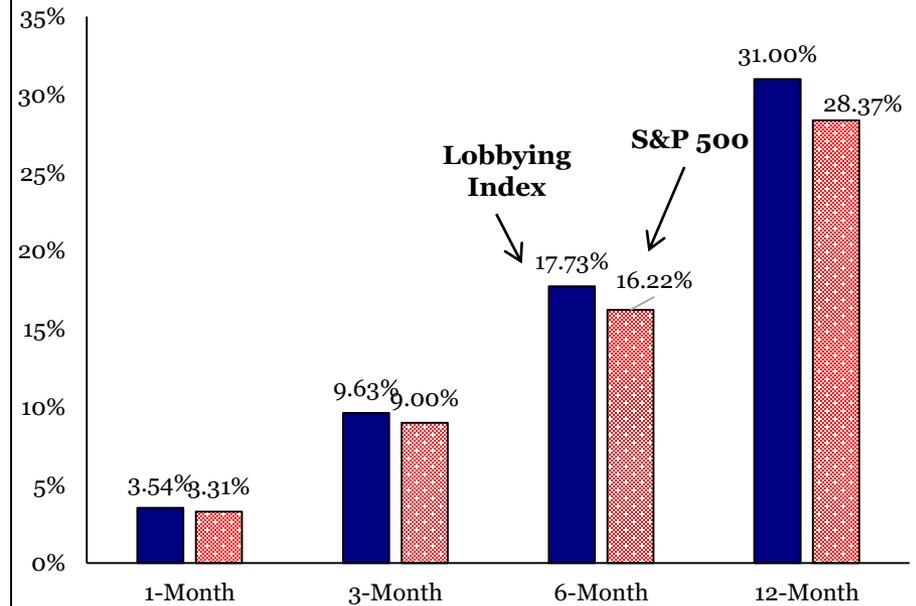


Lobbying & Defense Outperform During Periods Of Higher Uncertainty

S&P 500 & S&P 500 Aerospace & Defense SubIndustry Price Returns Following Geopolitical Risk Index Levels Above 175 (Return Measurements Start 12/30/1994)



Strategas Lobbying Index Returns Following Uncertainty Above 200 (Feb 2009 - Present)

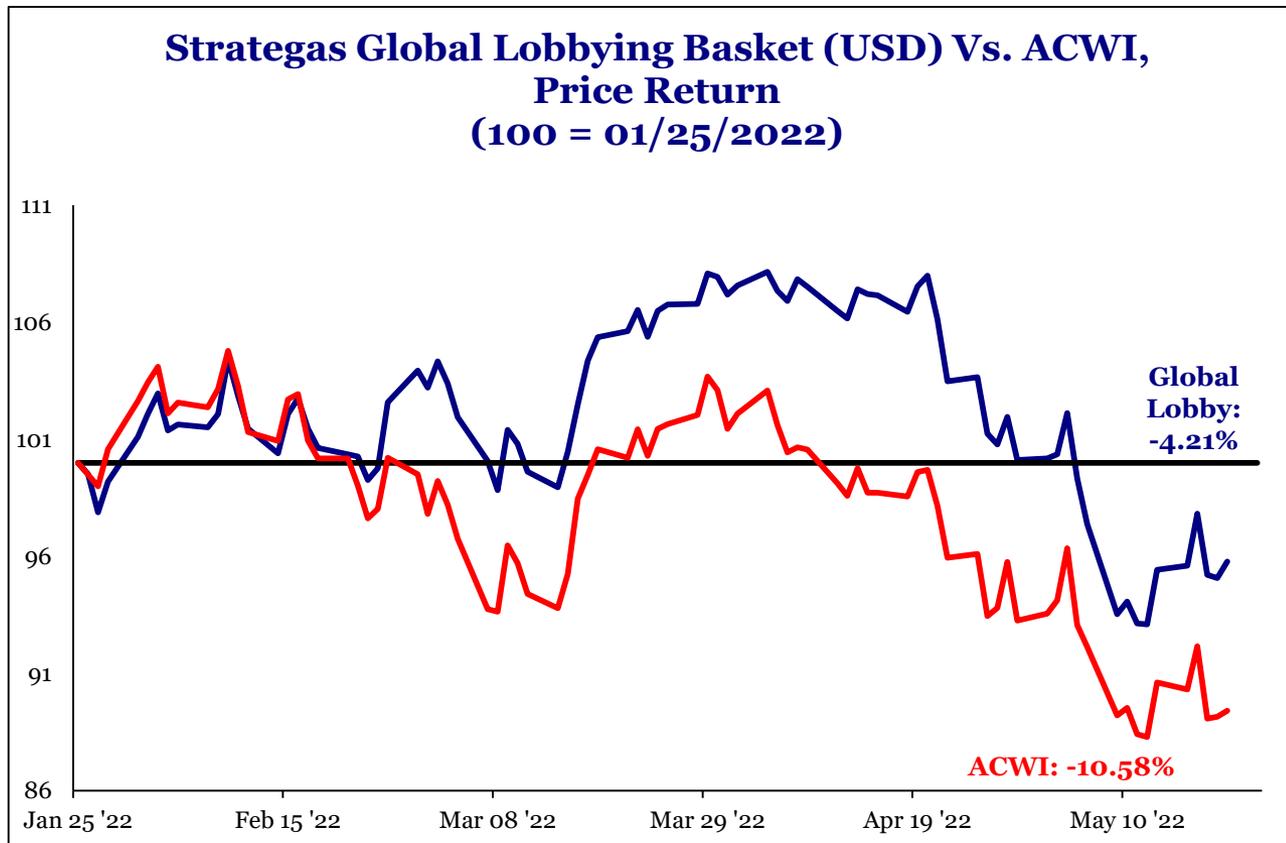


Source: Policy uncertainty data sourced from



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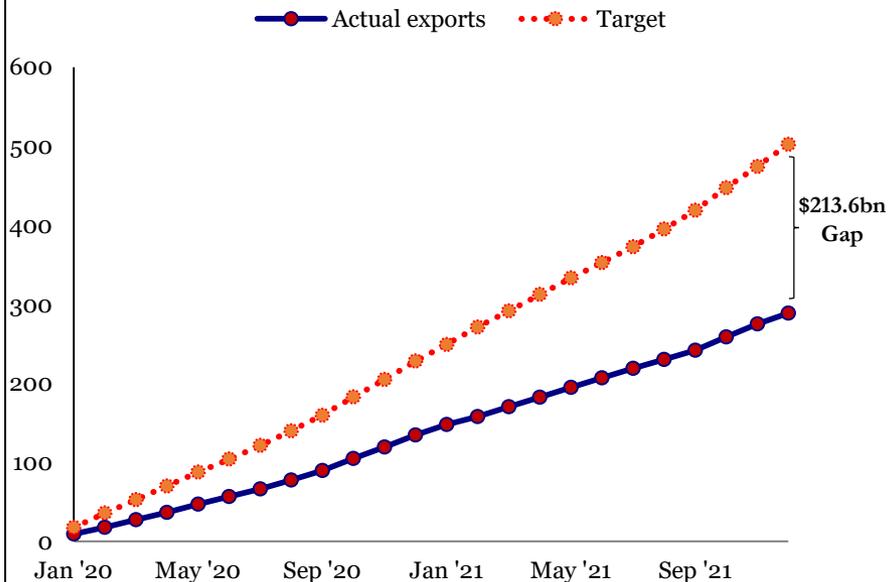
Strategas Global Lobbying Portfolio Is Built For This Uncertainty



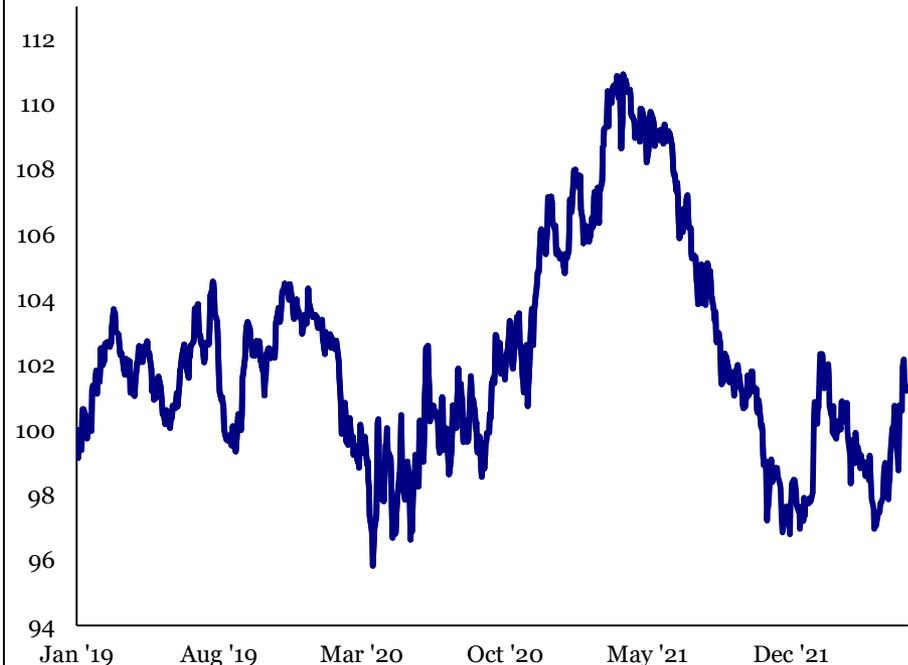


Removal of China Tariffs Difficult, Exemptions Are Easier

**US Exports To China, All Covered Goods & Services Phase One Trade Deal, \$Bn
(Peterson Institute)**



Strategas' China Trade Deal Basket Rel S&P 500





What A Revised Build Back Smaller Plan Could Look Like

Offset Area	Possible Tax/Spending Change	10-Year Savings	Notes About Policy Change
Corporate Tax Changes	15% Minimum Corporate Tax	\$300	House plan with more carveouts
	15% GILTI Tax	\$280	Likely Delay In Timing, Need EU
	1% Buyback Tax	\$115	
Individual	5%/8% Surtax On Income over \$10mm	\$180	Possible Exemption for Small Business Income
Small Business	3.8% Tax On Investments	\$250	Could be a target for Sinema to axe
	Excessive Business Loss Limit	\$160	
SALT	State/Local Tax Deduction	(\$4)	\$80k Deduction, \$750k of Income
Tax Gap	Increase IRS Funding	\$125	
Drug Pricing	Reduced version of House plan	\$250	Slightly less aggressive than House plan
		\$1,656	
Spending	Possible Spending Change	10-Year Cost	Notes About Policy Change
Climate	Tax credits for renewables	\$500	Include nuclear, no EV labor credit
ACA	Enhanced ACA Subsidies	\$220	COVID Subsidies Permanent
Medicaid	Medicaid	\$180	Non-Medicaid Exp States Eligible
		\$900	



Financial Markets Are Assigning A Low Probability Of A Fiscal Deal

Betting Odds: Will the Senate Pass a Bill via Reconciliation by September 2?
(PredictIt)



Lobbying Index Corporate Tax Names Relative S&P 500, TR



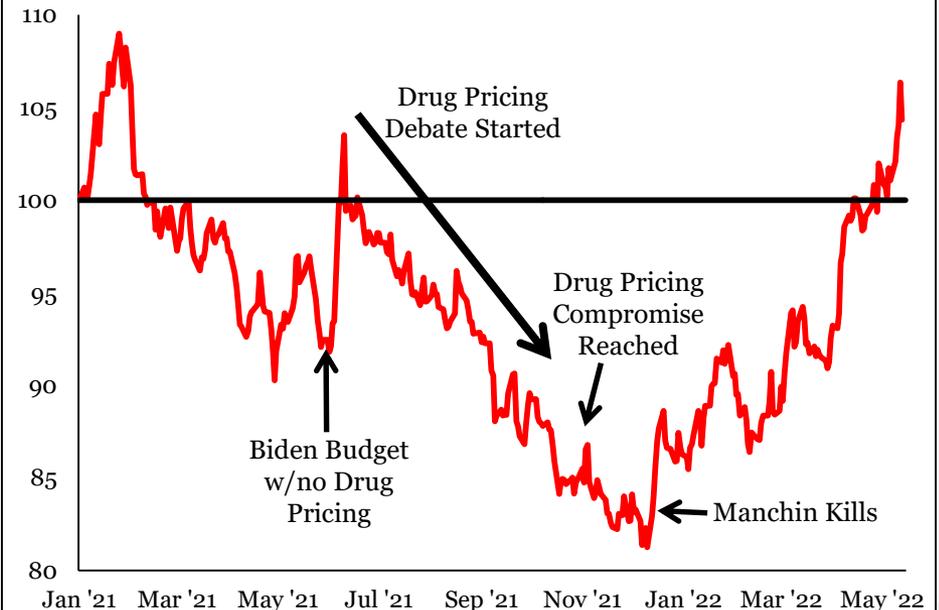


Democrats May Shift To A Health Care Only Bill: ACA + Drug Pricing

**S&P 500 Managed Health Care
Relative to the S&P 500
(100 = 02/28/2018)**



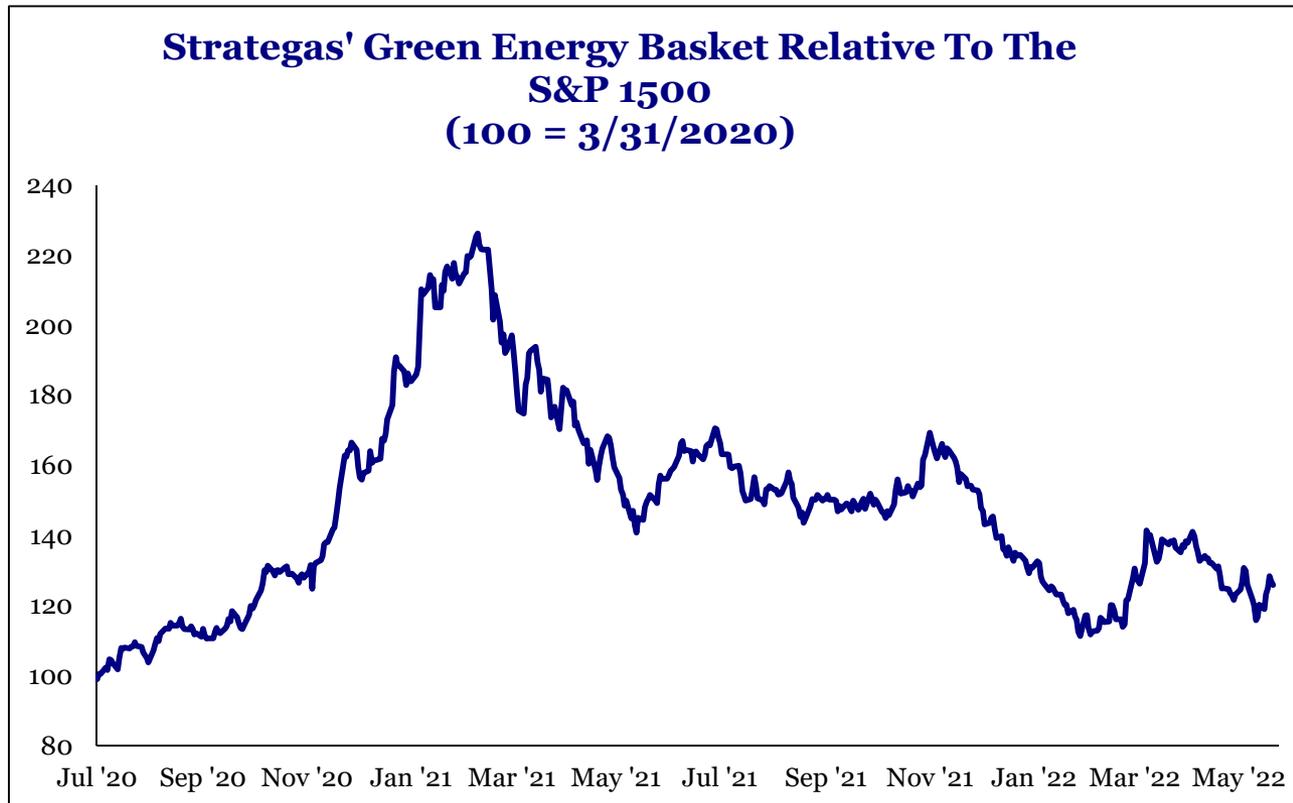
**Lobbying Basket Companies
Impacted By Drug Pricing Relative
S&P 500, TR**





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Clean Energy Stocks Are Struggling With Little Certainty On BBS



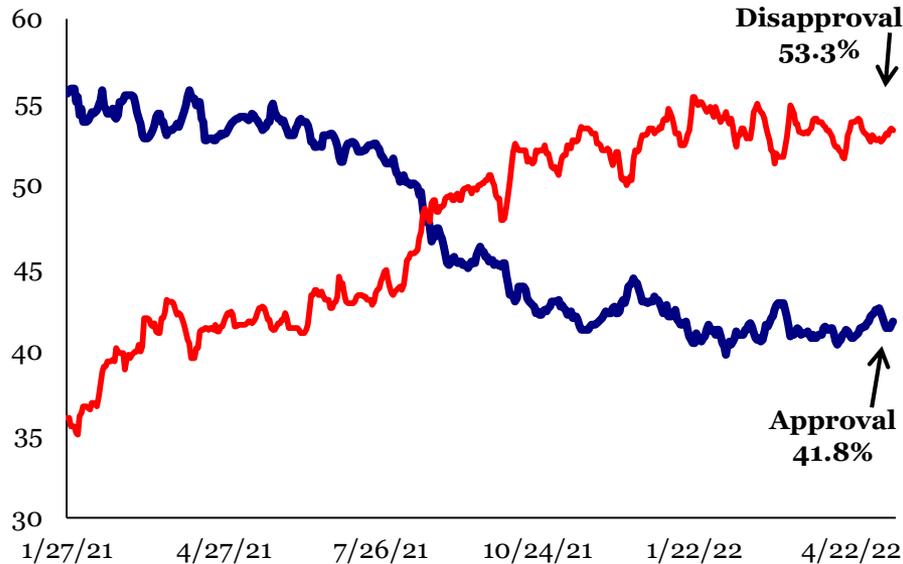


President Biden's Political Capital Is Drained Ahead of the Midterms

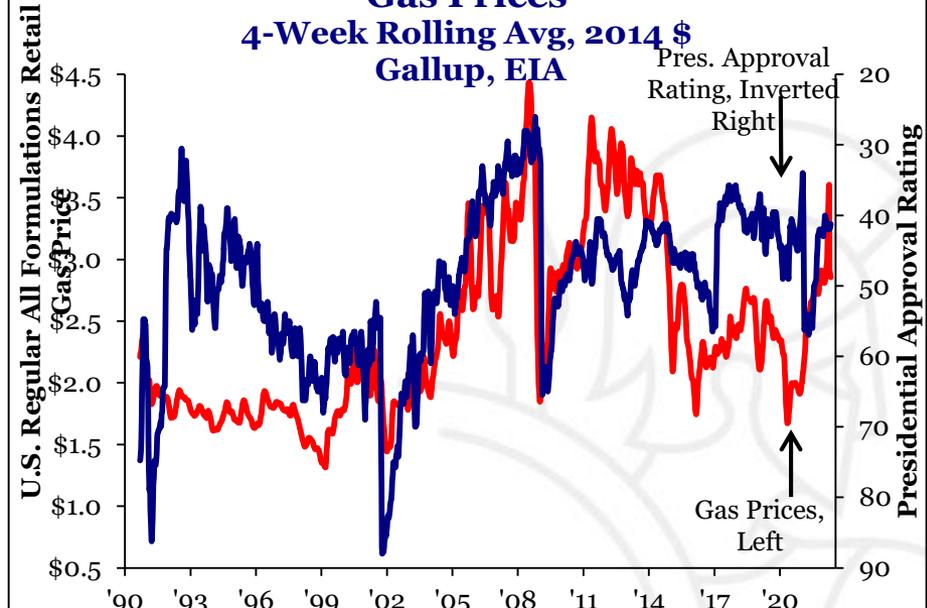
Midterm Elections Are Referendums On Presidents

Presidential Approval Is Driven By Gasoline & Inflation

President Biden's Approval Rating (Real Clear Politics Average)



President Approval Rating & Real Gas Prices 4-Week Rolling Avg, 2014 \$ Gallup, EIA

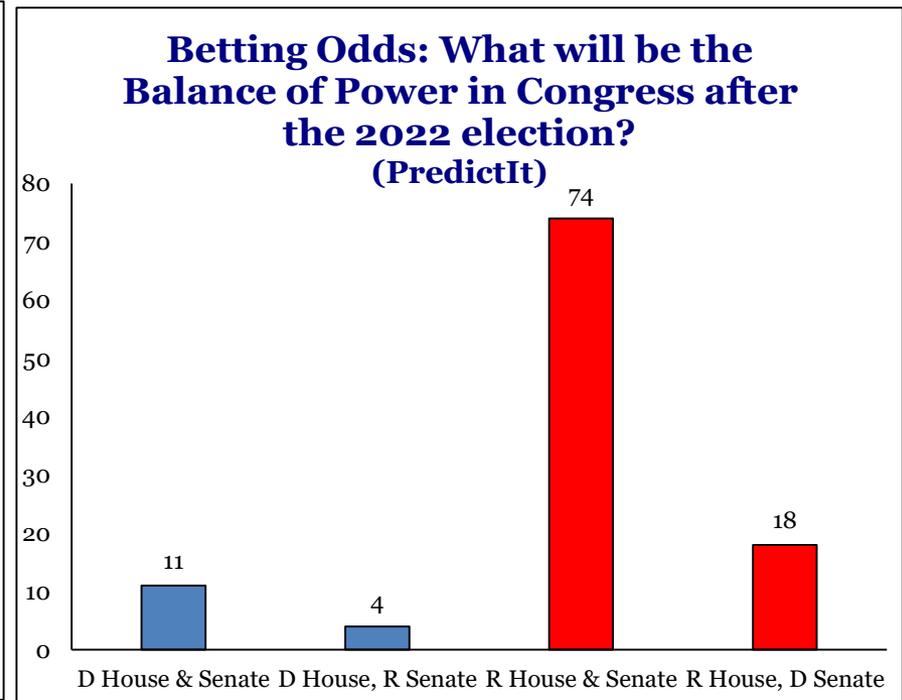
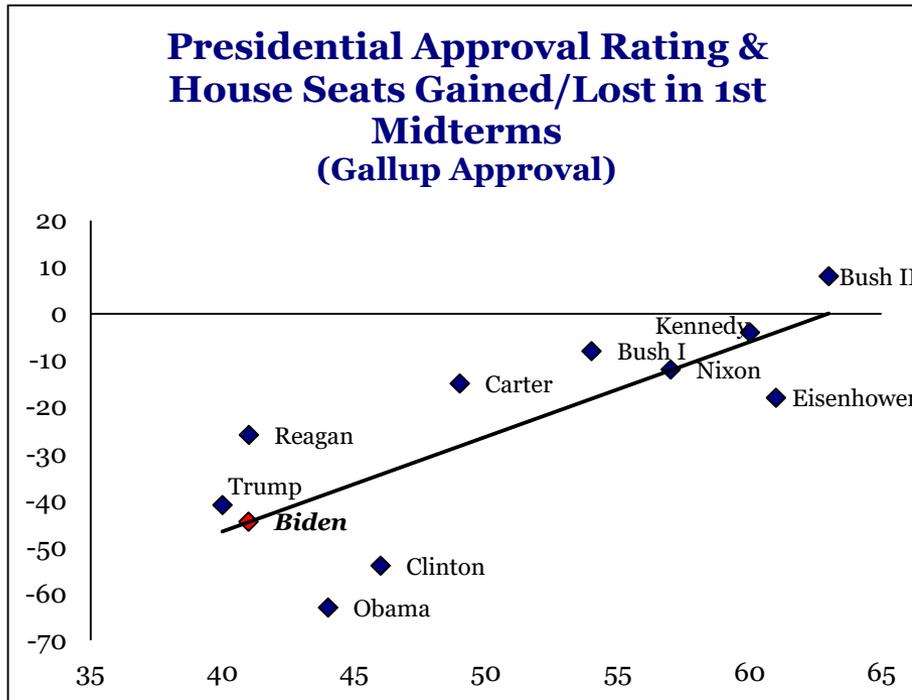




Democrats Are Looking For A Fiscal Policy Victory Pre-Midterm Election

Democrats Are On Pace To Lose 40 Seats In The House

The Probability Of A Republican House & Senate in 2023 = 75%





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Appendix: Important Disclosures

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