

## US Strategy Comment

### We Will Know When We Know

#### This Too Shall Pass; Trust the Process; Avoid Brash or Binary Portfolio Decisions

An historic night in US politics has limped into the next day, with the 2020 US presidential election still undecided. While we will gladly allow political strategists and pundits to debate the efficacy, let alone usefulness, of pre-election day polls going forward, as investment strategists we prefer to focus on what we know about the fundamental condition of the US stock market and what could occur as the election drama unfolds. That being said, “the next several days or even weeks” will not materially change our view, as we are investors and thus avoid the emotion and rhetoric that define short-term directional calls. As such, from our lens economic data is largely improving, a majority of companies exceeded their recent quarterly earnings estimates and are providing 2021 guidance at an increasing rate, and interest rates remain at, or near, all-time lows – all of which are positive for equities, in our view. Undoubtedly there will be heightened periods of volatility, emotion and rhetoric as this election moves closer to a final decision. In the meantime, we urge investors to be patient, disciplined and process-driven instead of reactive. There will be plenty of time to properly position US portfolios for what is to come. Afterall, Yogi Berra said it best, “It ain’t over ‘til it’s over.”

#### Main Points:

- **Duration and Clarity are Keys to Provide Much Needed Confidence**
  - ✓ Goes without saying, the faster the resolution the better
  - ✓ If pre-election polls taught us anything - avoid the noise and rhetoric – this process will likely take time and needs to be clean and clear to provide confidence
- **Not Time to Make Sector or Market Assumptions**
  - ✓ Focus on quality, thematic and stock picking tactics versus making brash sector, size, or style conclusions

**Please Note:** We will provide additional updates when applicable - especially as the final election results are conclusive. In addition, we will be publishing our 2021 Year Ahead report for the US and Canada soon after the 2020 presidential election has officially declared a conclusive victor. The report will include our official market and sector opinions for 2021.

#### Investment Strategy

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#### US Strategy – S&P 500 Targets

Price	
2020 Calendar Year End	3,650
Next 12-Months	3,850
Earnings	
2020 Calendar Year End	\$130
Next 12-Months	\$160

Source: BMO Capital Markets Investment Strategy.

#### US Strategy – Recommended S&P 500 Sector Weightings

Sector	Opinion	Tgt. Wgt.
Communication Services	OW	12%
Consumer Discretionary	OW	12%
Consumer Staples	MW	7%
Energy	UW	2%
Financials	MW	10%
Health Care	MW	14%
Industrials	UW	7%
Information Technology	OW	28%
Materials	MW	2.6%
Real Estate	MW	2.7%
Utilities	MW	2.7%

Source: BMO Capital Markets Investment Strategy.

OW: Overweight  
MW: Market Weight  
UW: Underweight

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Hold	Market Perform	50.2 %	21.5 %	43.1 %	48.4 %	41.7 %	37.5%
Sell	Underperform	2.3 %	25.0 %	2.3 %	2.3 %	1.4 %	4.8%

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~ As of April 1, 2019.

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