Charts for the beach

Because there is unprecedented use of the word "unprecedented," we thought it appropriate to expand our annual Charts for the Beach from 5 charts to 10 charts and tables this year. So, probably best to stay under the beach umbrella as you read our unprecedented extended edition.

Fade the Presidential Election

Although the Presidential election is bound to suck the airtime away from all other topics, investors should realize Presidential elections have not been as important to the stock market as people think.

The following two tables show S&P 500® performance and the best/worst S&P 500® sectors during each presidential term. Annualized returns have exceeded 10% during 7 of the 8 presidential terms during the past roughly 50 years.

We'd also suggest downplaying the analyses regarding which sectors will perform best under each candidate's administration. To that point, who would have thought that Technology would be the best performing sector while Donald Trump was president or that Energy would be the best performing sector under Joe Biden??

Richard Bernstein Advisors

Richard Bernstein Advisors LLC (RBA) is an investment manager focusing on longer-term investment strategies that combine top-down, macroeconomic analysis and quantitatively-driven portfolio construction. We strive to be the leading provider of innovative investment solutions for investors, and our competitive edge is our research-driven macro style of investing.

Our top-down macro approach differentiates our firm from the more common, traditional bottom-up approach of most asset managers. Our extensive array of macro indicators allows us to construct portfolios that are innovative, risk-controlled, and focused on overall portfolio construction instead of individual stock selection.

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TABLE 1:
S&P 500® Annualized Total Return by Presidential Term*

President	Return
Carter	12.0%
Reagan	15.1%
Bush 1	14.6%
Clinton	17.5%
Bush 2	-4.5%
Obama	16.3%
Trump	16.3%
Biden	12.7%

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.
*Presidential Term measured by Inauguration dates.

TABLE 2:
S&P 500® Best/Worst Sector by Presidential Term*

President	Best Sector	Worst Sector
Bush 1**	Con. Staples	Technology
Clinton	Technology	Materials
Bush 2	Energy	Financials
Obama	Con. Discretionary	Energy
Trump	Technology	Energy
Biden	Energy	Con. Discretionary

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.
*Presidential Term measured by Inauguration dates. **Sector performance available from 9/12/89 on.

Supply chains have NOT normalized

Although the Fed seems confident that supply chain issues have normalized, accelerating container rates seem to be suggesting supply chain have not healed.

When globalization was expanding the US "imported deflation" because import prices were generally rising more slowly than the overall CPI. However, today's combination of contracting globalization and the US's ongoing and enormous trade deficit means investors should now watch import prices closely for signs of "importing inflation" from abroad.

CHART 1:

Container Rates vs. US Import Prices ex Petroleum YoY

(Jun. 2014 – Jul. 25th, 2024)

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

Individual investors are massive risk takers

Individual investors have become massive risk takers. The two charts below (courtesy of Michael Harnett at BofA Securities***) show private client equity allocations and the beta of their top equity holdings. At the beginning of the bull market in 2009, individual investors' equity allocation was only 39% and their beta was a very conservative 0.75. Today, the allocation is 63% and the beta is a whopping 1.25.

We continue to believe there is a once-in-a-generation opportunity in the US and global equity markets well beyond the 7 stocks that have caught everyone's attention.

CHART 2:

BoA Private Client Equity Allocation

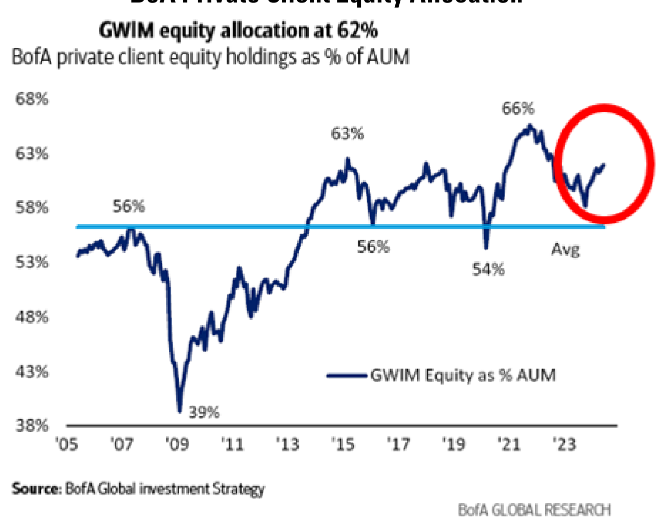

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CHART 3:
BoA Private Client Beta for Top 10 Stock Holdings

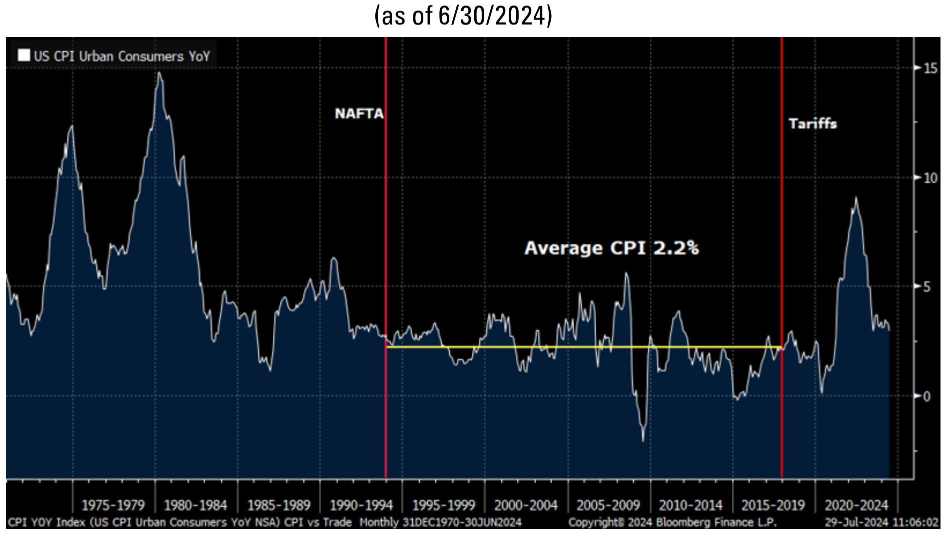
Deglobalization remains our primary long-term investment theme

Because long-term investment returns are largely a function of the abundance or scarcity of capital, the current flood of capital toward AI investments suggests better longer-term investment opportunities might be elsewhere.

Deglobalization and the dire need for the US economy to regain its independence seems a much more ignored and, therefore, attractive long-term theme. The US economy could be in the early stages of a 10- to 20-year metamorphosis.

The next chart highlights one reason why deglobalization likely means higher secular inflation. Tariffs can sometimes be a tool used to protect under-utilized domestic production, but the US lacks enough productive capacity to meet demand so tariffs have directly contributed to higher prices. If deglobalization does indeed continue, then secular disinflation seems behind us.

CHART 4:
Deglobalization: Tariffs vs. CPI
(as of 6/30/2024)



Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

Something's gotta give

Historically, there has been a tight correlation between high yield bonds ("junk bonds") and smaller capitalization stocks ("junk equity") because of the extreme economic sensitivity common to the two asset classes.

Chart 5 shows how the historical relationship broke down over the past year or so as large cap stocks outperformed smaller cap stocks despite that high yield bond spreads narrowed. More recently, it appears the stock market is re-evaluating the fundamentals and the valuations of larger cap stocks, so that the historical relationship between the junk stocks and junk bonds might come back in line.

CHART 5:
Performance: Large vs Small vs High Yield Bond Spread
(Jun. 2014 – Jul. 26, 2014)

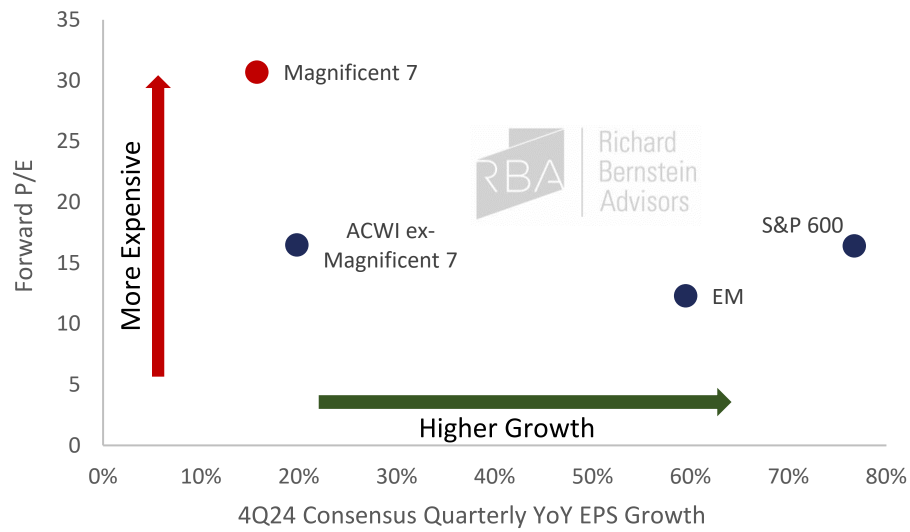
Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

Fundamentals suggest a broader market lies ahead

Historically, investors become comparative shoppers when profits cycles accelerate, and earnings growth becomes increasingly abundant. Markets seem to be following that historical precedent, and the historically narrow market of the past year or two seems to now be starting to broaden as the US and global profits cycles accelerate.

Chart 6 shows the valuation and 4th quarter earnings growth forecasts for the Magnificent 7 stocks versus that of the world excluding the Magnificent 7, US small caps, and Emerging Markets. Investors now can buy more growth than that offered by the Magnificent 7 for a much cheaper valuation.

CHART 6:
Forward P/E vs 4Q '24 EPS growth YoY**by Select Market Segments**



Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.
****Estimated consensus forecast for aggregated float-adjusted earnings growth for companies where sufficient earnings estimates are available.

Bitcoin = Speculation

There might be an argument for blockchain technologies' usefulness, but that really has little to do with the day-to-day price of Bitcoin. Bitcoin's price is more closely tied to the abundance or scarcity of speculative liquidity.

Chart 7 shows the relationship between Bitcoin's price and the Bloomberg Financial Conditions Index. Hopefully to no one's surprise, the primary factor influencing Bitcoin appears to be liquidity.

CHART 7:
Bitcoin vs The Bloomberg Financial Conditions Index

Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

The US has been penalized for fiscal imprudence for the past 13 years

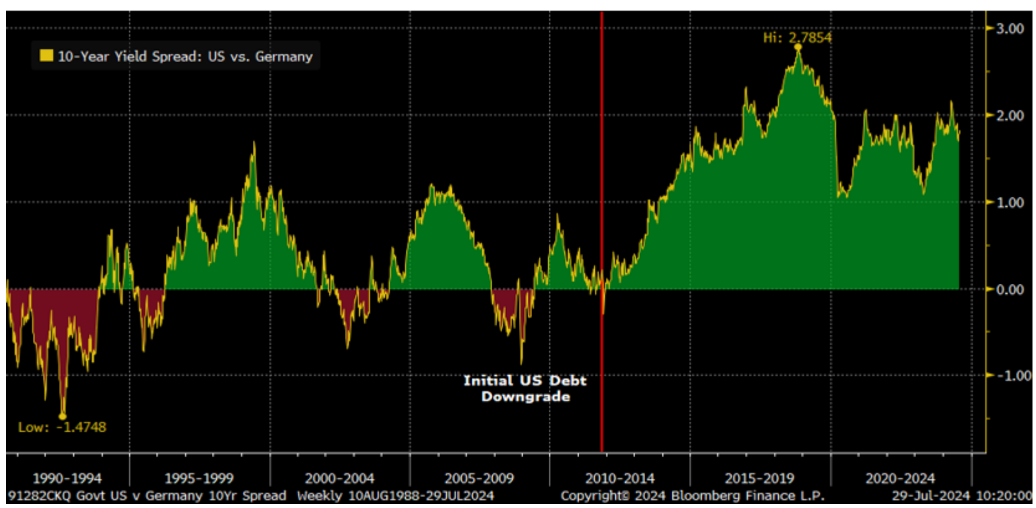
The cost of debt is higher for lower quality credits. Full stop.

Chart 8 shows the spread between the US 10-Year T-Note and the 10-Year German Bund. Prior to the downgrade of US debt in 2011, Treasury and Bund yields traded within a range. However, the US 10-Year has sold at a consistent yield risk premium since the debt downgrade. At times, the US's risk premium exceeded 200bp!

Low absolute interest rates obscured the penalty Americans were paying when the US became a lower quality credit. However, if the US had been a higher quality credit, yields on government debt, municipal debt, mortgages, car loans, and credit cards would have been even lower.

Although some believe a day of debt reckoning looms for the US, the reality is debt crises are slow and insidious. To that point, the US economy has been over the past 13 years consistently penalized for our lack of budgetary prudence.

CHART 8:
US 10-Year T-Note and the 10-Year German Bund Yield Spread



Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.

INDEX DESCRIPTIONS:

The following descriptions, while believed to be accurate, are in some cases abbreviated versions of more detailed or comprehensive definitions available from the sponsors or originators of the respective indices. Anyone interested in such further details is free to consult each such sponsor's or originator's website.

The past performance of an index is not a guarantee of future results.

Each index reflects an unmanaged universe of securities without any deduction for advisory fees or other expenses that would reduce actual returns, as well as the reinvestment of all income and dividends. An actual investment in the securities included in the index would require an investor to incur transaction costs, which would lower the performance results. **Indices are not actively managed and investors cannot invest directly in the indices.**

S&P 500®: The S&P 500® Index is an unmanaged, capitalization-weighted index designed to measure the performance of the broad US market. The index includes 500 leading companies covering approximately 80% of available market capitalization.

Sector/Industries: Sector/industry references in this report are in accordance with the Global Industry Classification Standard (GICS®) developed by MSCI Barra and Standard & Poor's.

Magnificent 7: The Magnificent 7 are a group of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by the Global Industry Classification Standard (GICS®) developed by MSCI Barra and Standard & Poor's. These consist of AAPL, AMZN, GOOGL, META, MSFT, NVDA and TSLA.

Bloomberg Financial Conditions Index: The Bloomberg U.S. Financial Conditions Index: The Bloomberg U.S. Financial Conditions Index tracks the overall level of financial stress in the U.S. money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms.

Bitcoin: Bitcoin (XBT) USD Spot Rate (Price of 1 XBT in USD). Bitcoin was proposed in a white paper in 2008 by a pseudonymous software developer going by the name of Satoshi Nakamoto. It is a decentralized, fully independent, digital or virtual currency also known as a cryptocurrency. No institution controls the Bitcoin network and it is not tied to a country as transactions can be performed cryptographically.

About Richard Bernstein Advisors

Richard Bernstein Advisors LLC is an investment manager focusing on long-only, global equity and asset allocation investment strategies. RBA runs ETF asset allocation SMA portfolios at leading wirehouses, independent broker/dealers, TAMPS and on select RIA platforms. Additionally, RBA partners with several firms including Eaton Vance Corporation and First Trust Portfolios LP, and currently has $14.8 billion collectively under management and advisement as of June 30, 2024. RBA acts as sub-advisor for the Eaton Vance Richard Bernstein Equity Strategy Fund, the Eaton Vance Richard Bernstein All-Asset Strategy Fund and also offers income and unique theme-oriented unit trusts through First Trust. RBA is also the index provider for the First Trust RBA American Industrial Renaissance® ETF. RBA's investment insights as well as further information about the firm and products can be found at **www.RBAdvisors.com**.