

# ClearBridge

## Investments

### **The Anatomy of a Recession: What to Look for and Where We're Headed**

Past performance is no guarantee of future results. Financial term and index definitions are available in the appendix.

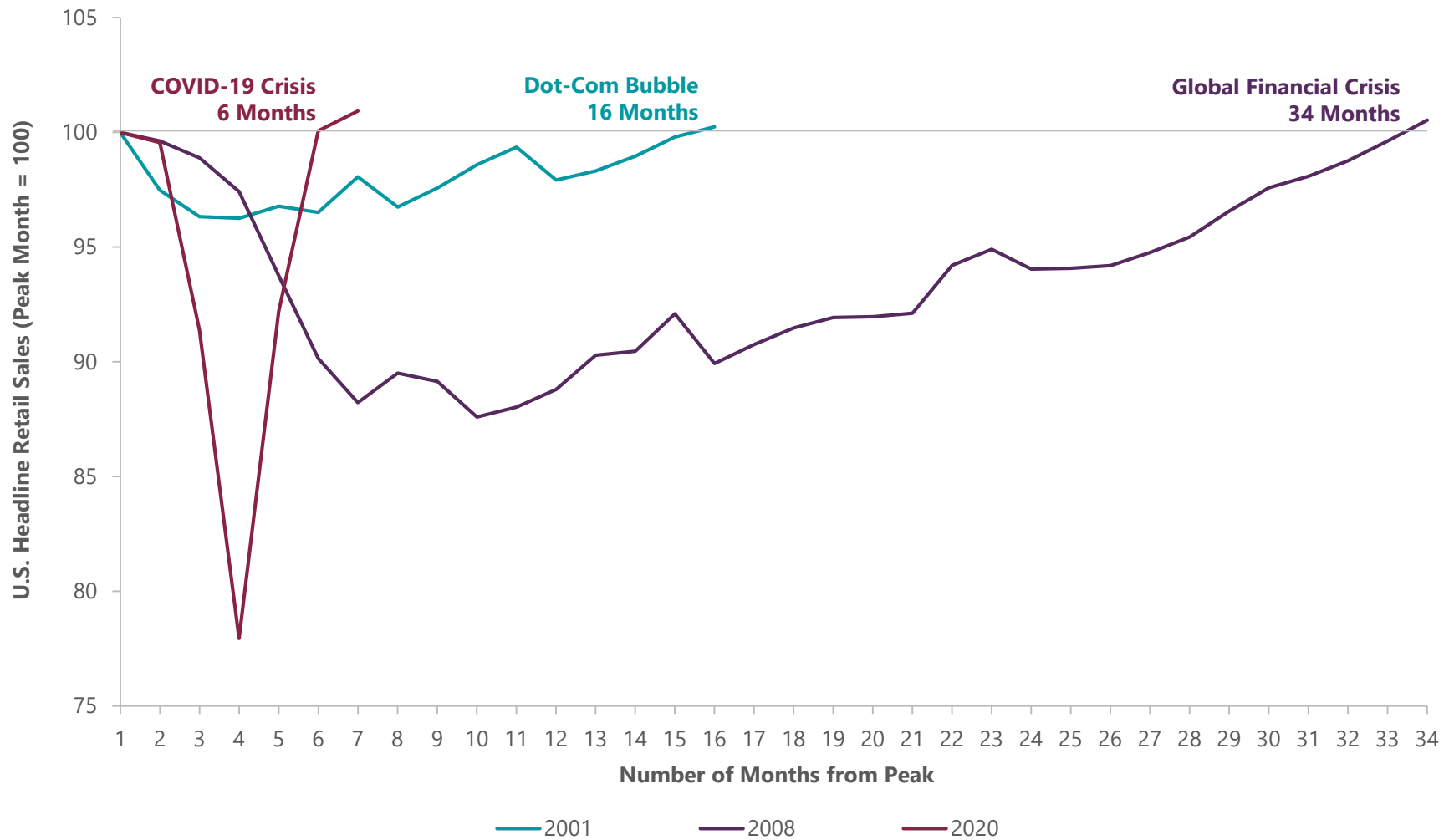
# U.S. Recession Recovery Dashboard

- 9 variables have historically foreshadowed a durable recovery
- The overall signal suggests the economy has started a new economic expansion

		September 30, 2020	August 31, 2020	July 31, 2020
Confidence	Consumer Confidence	↑	↑	↑
	Business Confidence (ISM)	↑	↑	↑
	Investor Sentiment	×	×	×
Economic	Housing Starts	↑	↑	●
	Initial Jobless Claims	●	●	●
	Philly Fed	↑	↑	↑
Financial	Credit Spreads	↑	↑	●
	Fed Policy	↑	↑	↑
	Financial Conditions	↑	↑	↑
<b>Overall Signal</b>		↑	↑	↑

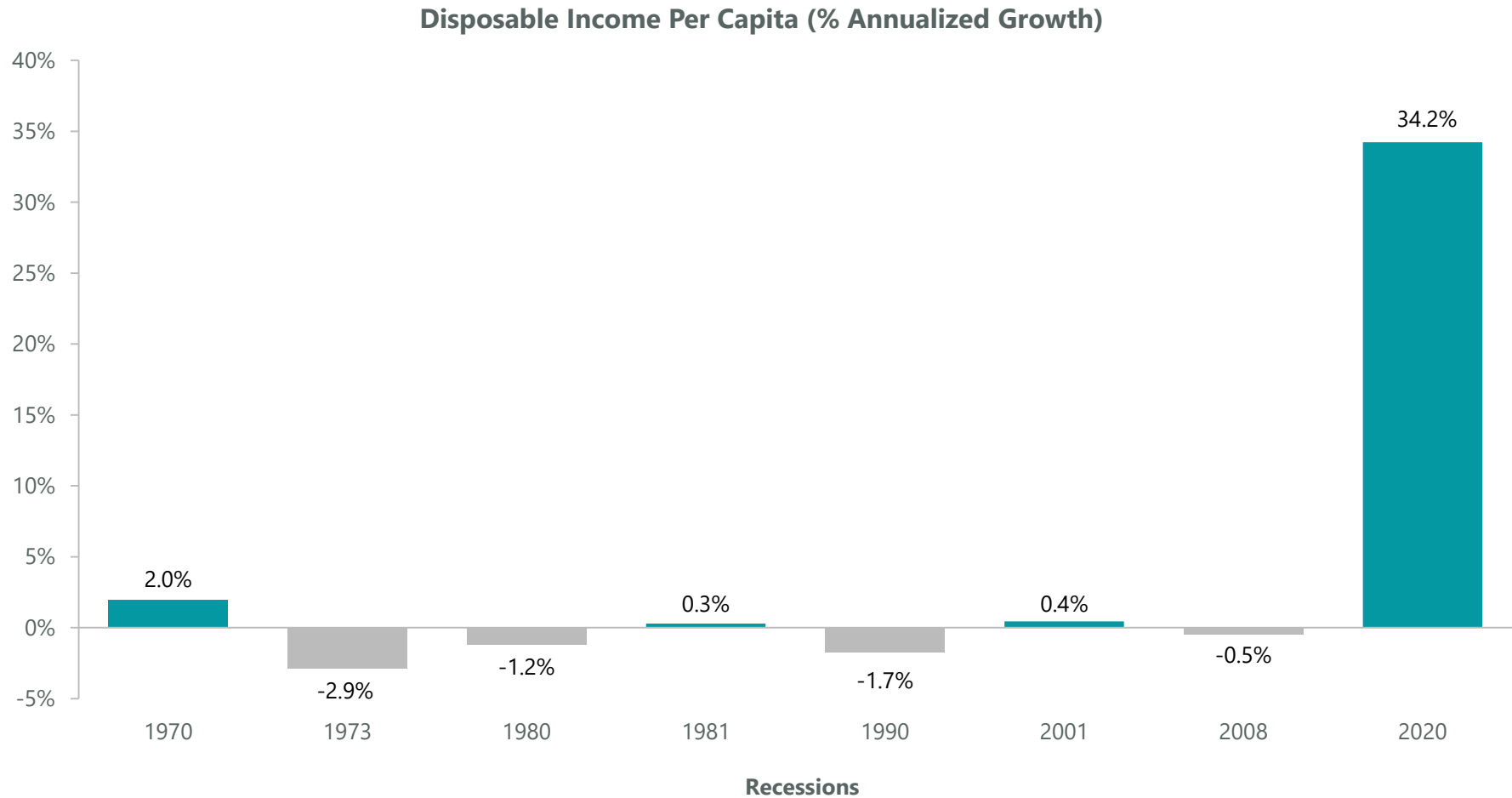
↑ Expansion    ● Improvement    × Recession

# Retail Sales Suggest V-Shaped Recovery



► **Strong stimulus measures have supported a robust recovery in consumer spending.**

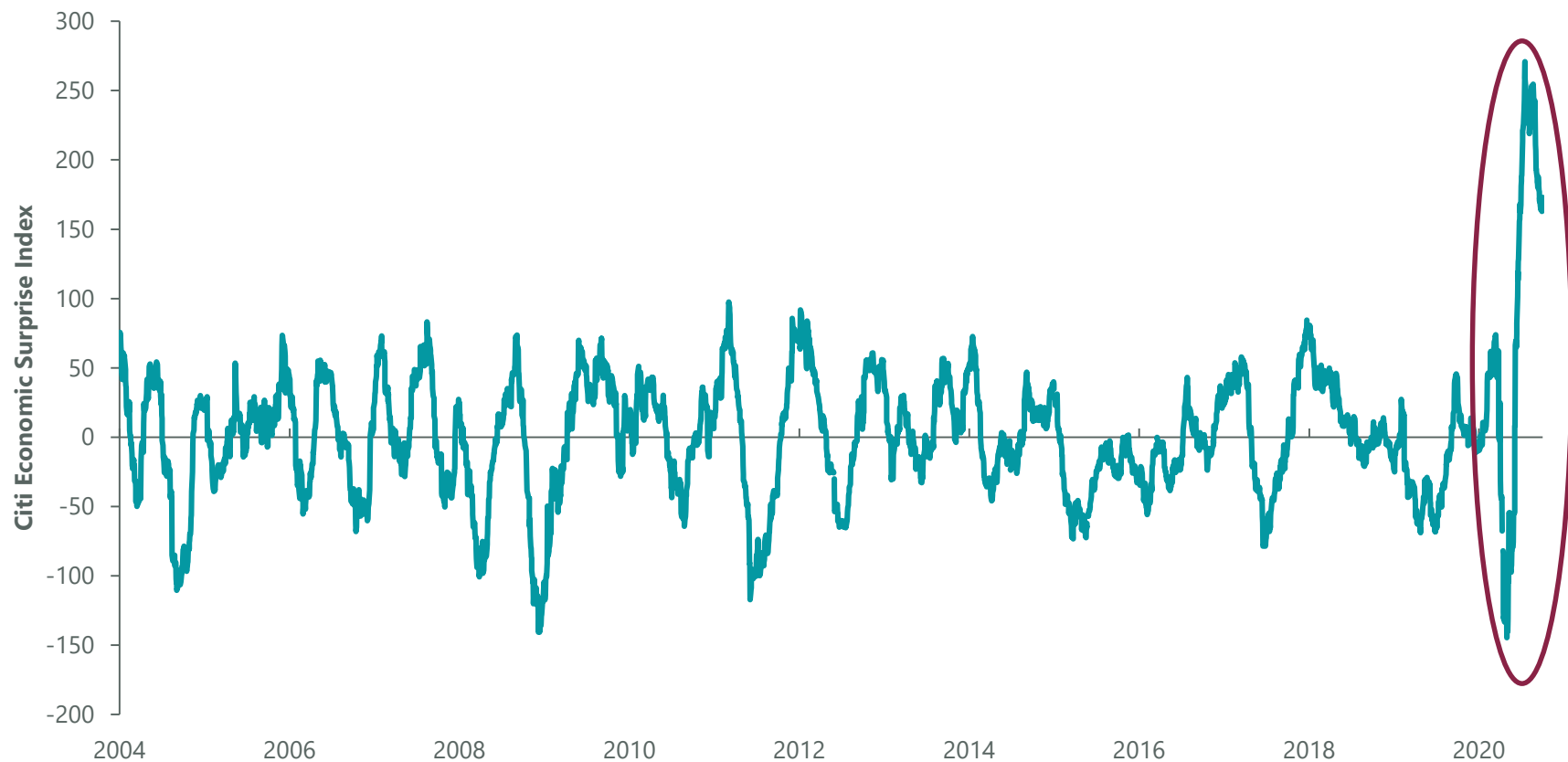
# Aren't Recessions Supposed to be Painful?



- ▶ **While 2020 was not the first recession where consumers made more, the current increase drove a much more rapid recovery than anticipated.**

# Historic Economic Surprise

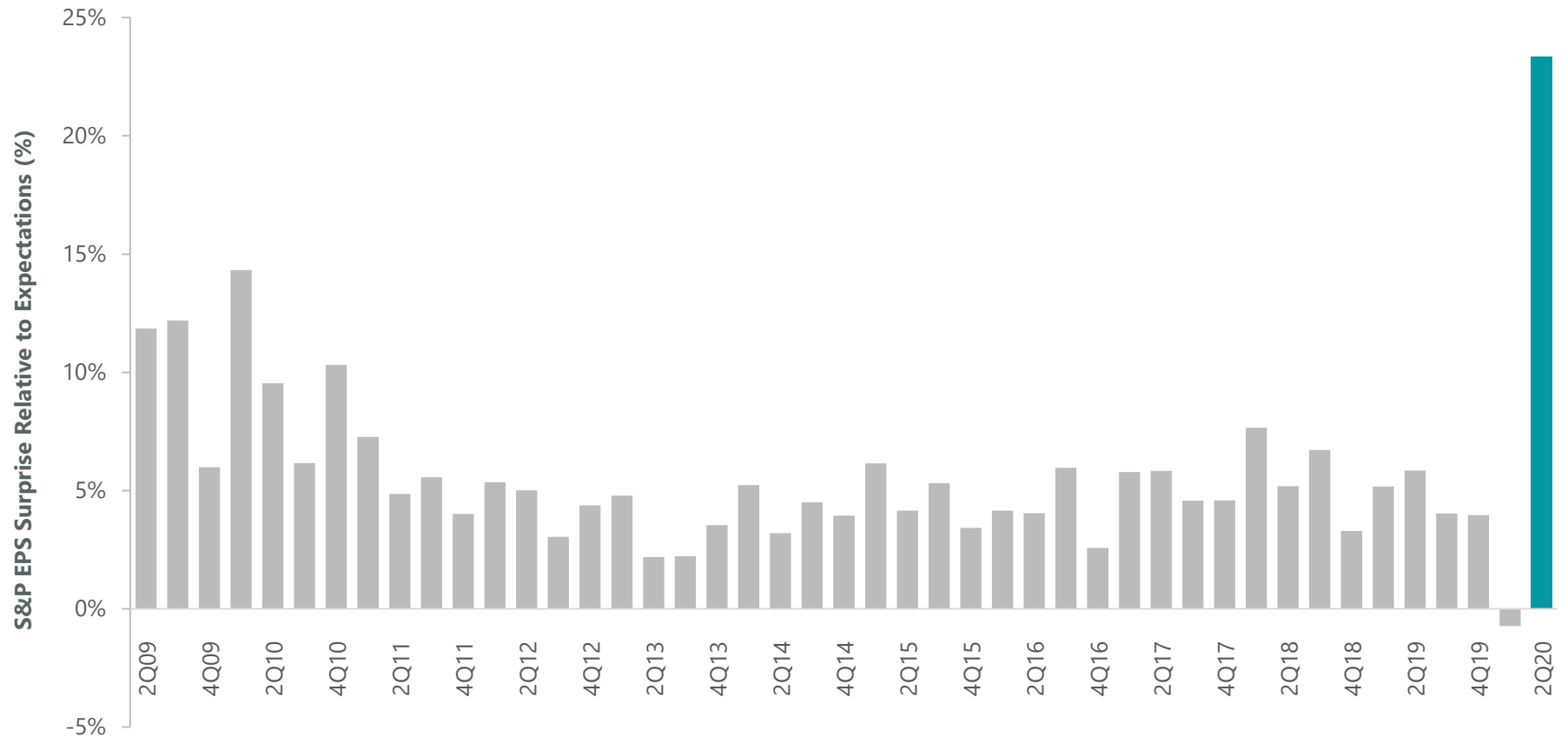
Citi Economic Surprise Index (CESI) Set New Record Highs



- ▶ **Coming off the lows, the breadth of economic strength was historically strong and well ahead of expectations.**
- ▶ **We believe this dynamic has been one of the key drivers for the equity rally.**

# Historic Earnings Surprise

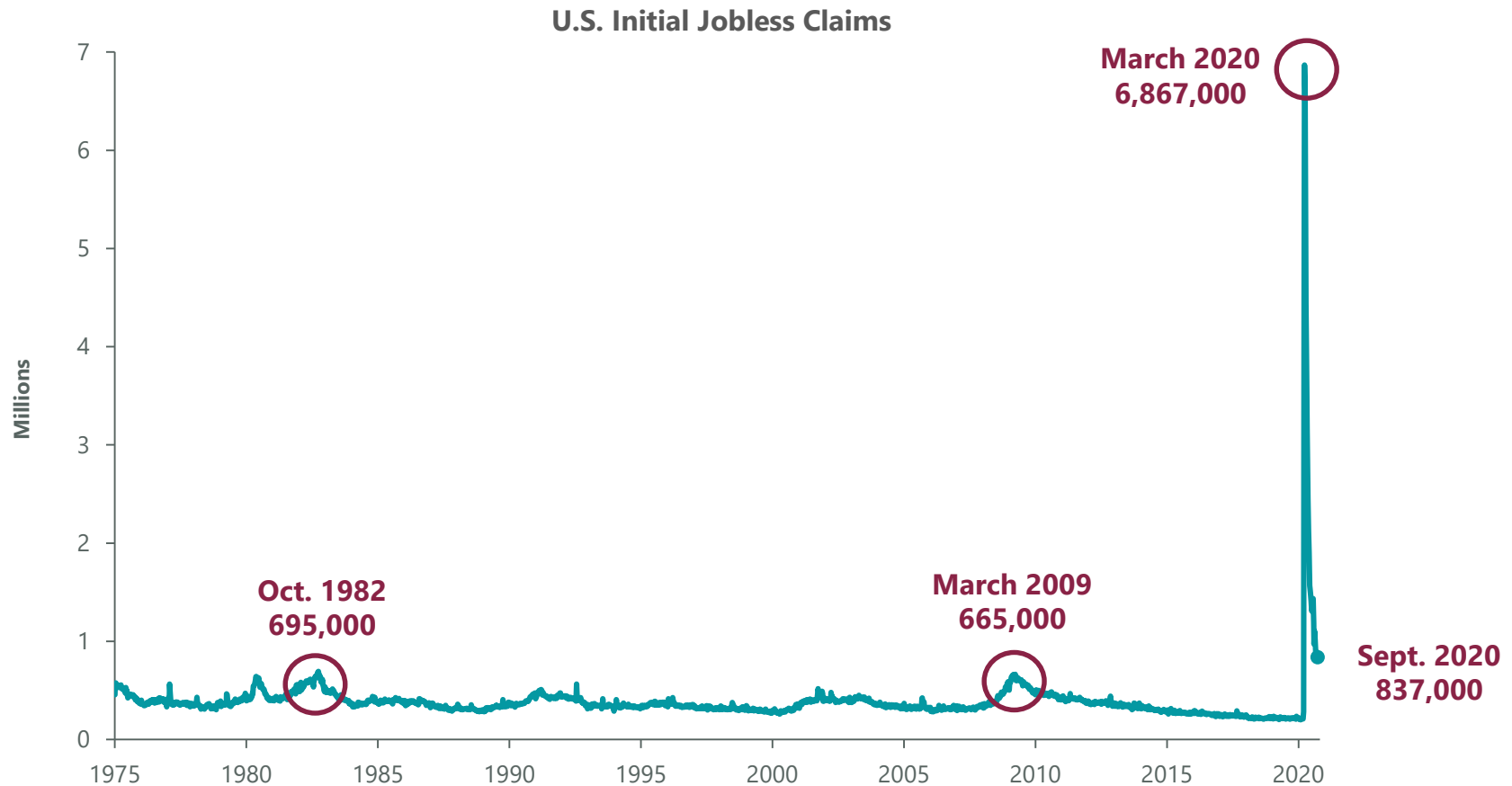
Earnings Beats in 2Q20 Were Much Stronger than the Last Recovery



► Earnings coming in well ahead of expectations have also helped power the market's run to new highs.

# Fly in the Ointment

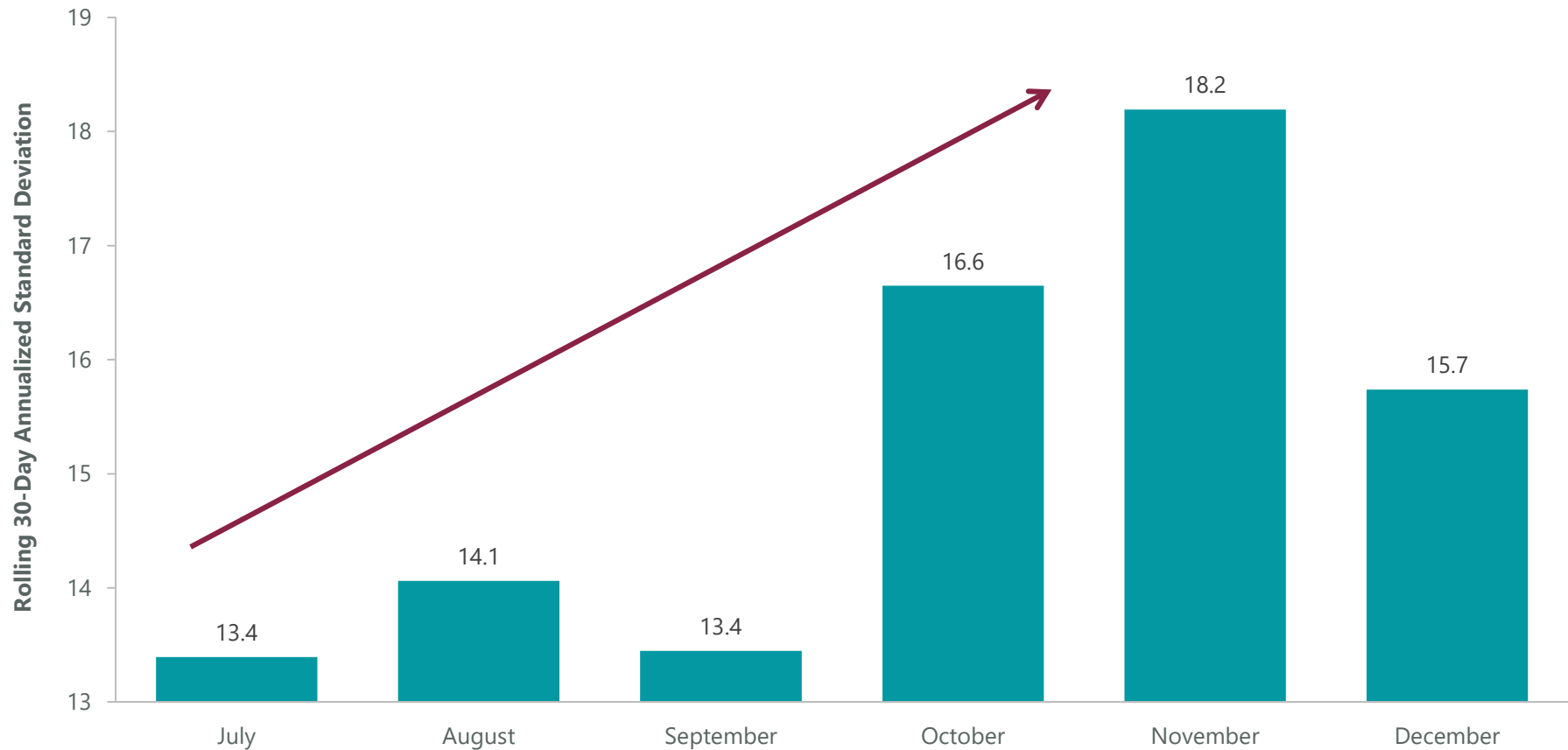
Jobless Claims Remain Historically High



- ▶ **Although claims are well below the COVID-19 peak, they remain well above prior periods of stress.**

# Elections Spark Higher Volatility

Average Monthly S&P 500 Volatility During Election Years (Since 1928)



- ▶ **Historically, volatility increases prior to presidential elections as participants price the potential impact of a new administration.**



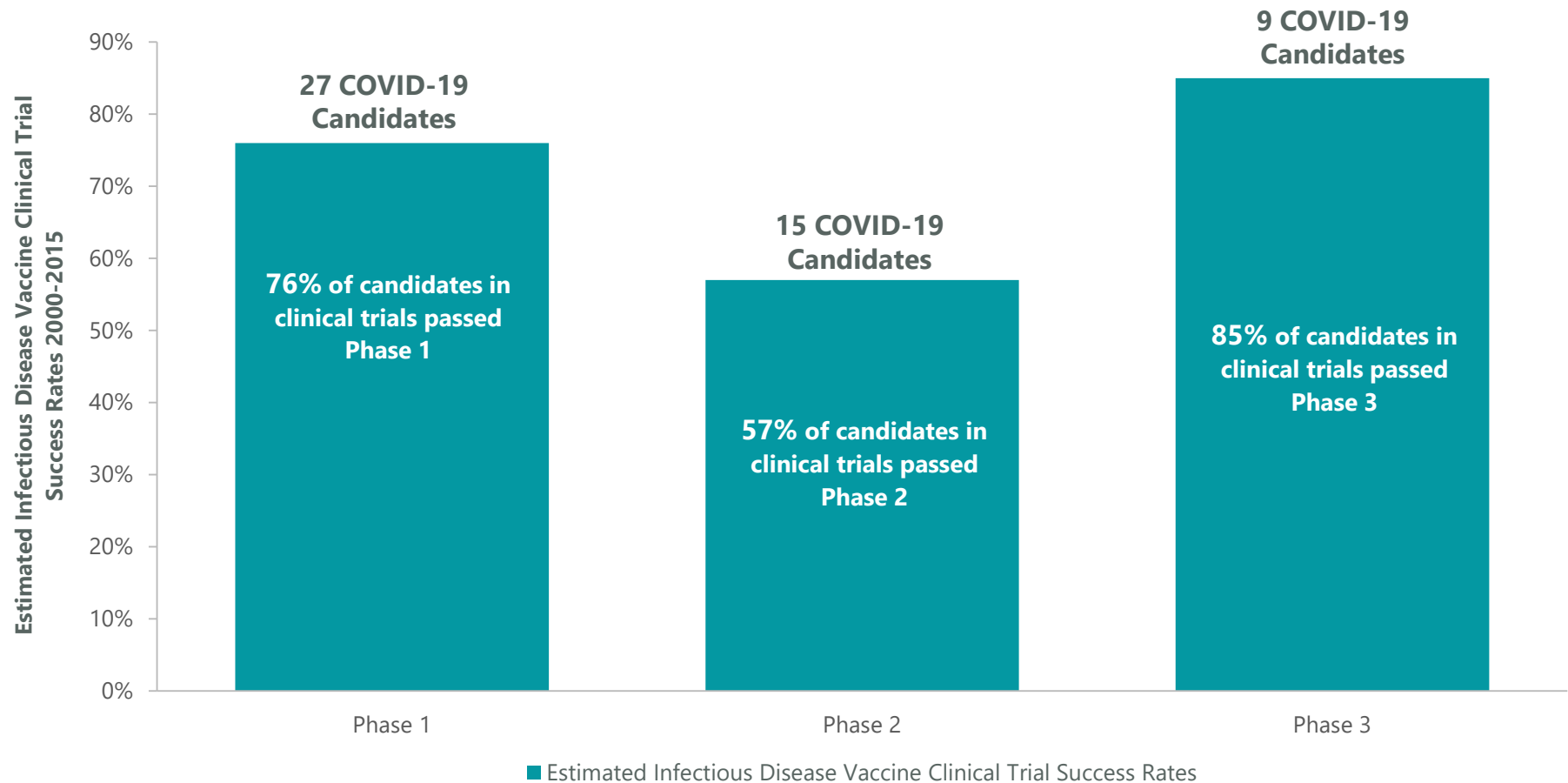
# Strongest 50-Day Rallies in History

## Largest 50-Day Gains Ever (Greater than 20%)

Date	50-Day % Change	S&P 500 Index Return		
		3 Months	6 Months	12 Months
March 6, 1975	26.9%	10.5%	2.3%	18.4%
Oct. 22, 1982	35.6%	3.6%	15.6%	19.5%
March 26, 1991	20.4%	-1.3%	2.7%	8.4%
June 24, 1997	20.5%	5.4%	4.1%	26.4%
Dec. 18, 1998	23.8%	10.8%	13.0%	19.6%
May 19, 2009	34.2%	9.7%	20.6%	22.8%
Sept. 16, 2009	21.3%	3.8%	8.5%	5.2%
June 3, 2020	39.6%	10.6%	?	?
<b>Average</b>		<b>6.6%</b>	<b>9.5%</b>	<b>17.2%</b>
<b>% Positive</b>		<b>87.5%</b>	<b>100.0%</b>	<b>100.0%</b>

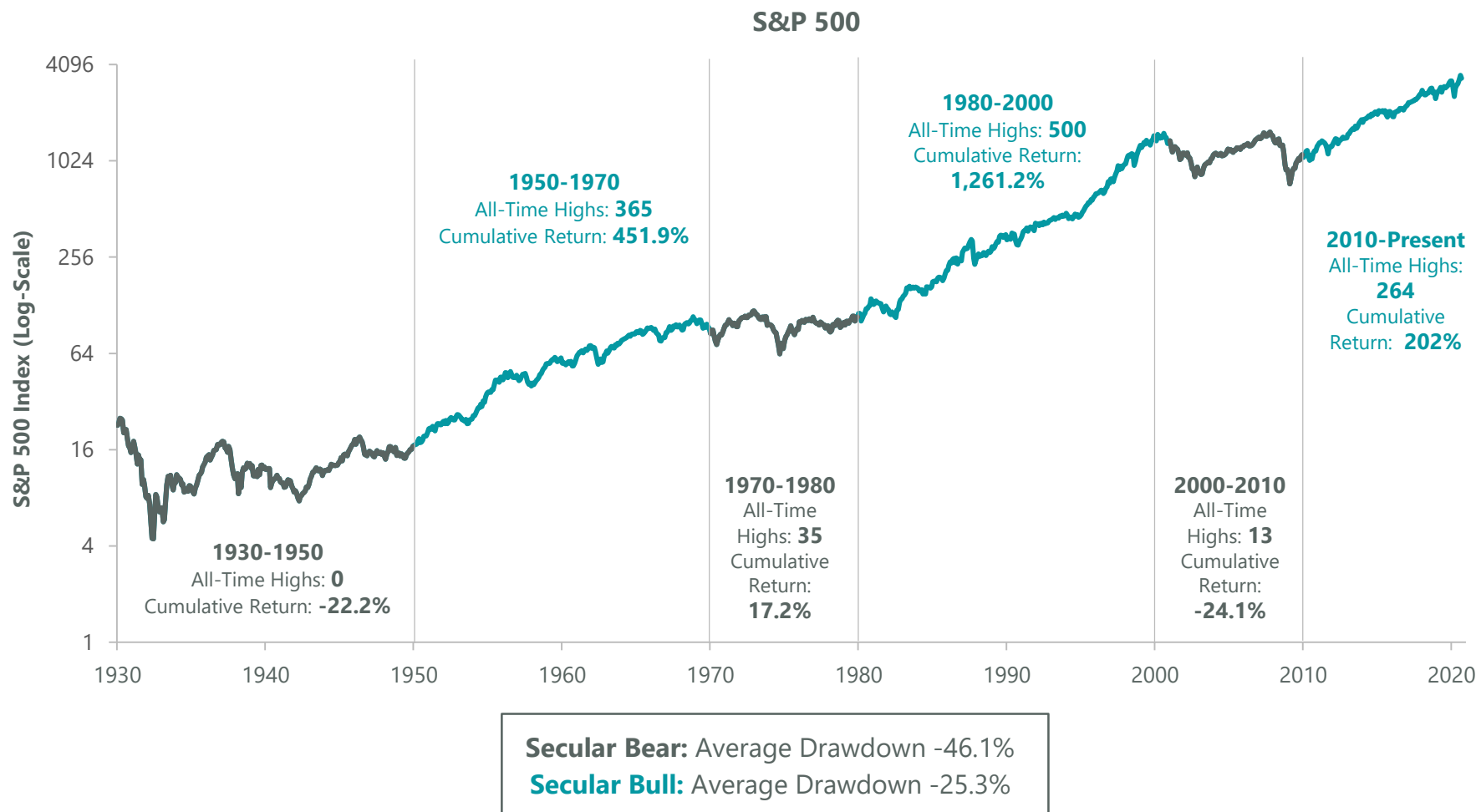
► **Equities have historically continued to do well following the strongest market runs.**

# Lots of Shots on Vaccine Goal



- ▶ **From over 200 candidates, nine drugs have already reached Phase 3 clinical trials. 141 remain in pre-clinical development.**
- ▶ **Historically, the success rate at this stage has been over 85%. The odds point to at least one vaccine being approved.**


# New Secular Bull Market?



- ▶ **In the 12 months following an All-Time High, stocks have historically been up 8.5% on average with positive returns 72% of the time.**

# Biography

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Name and Position	Industry Experience	ClearBridge Tenure	Education, Experience and Professional Designations
 <b>Jeffrey Schulze CFA</b> Director, Investment Strategist	15 years	• Joined ClearBridge in 2014	• Member of the CFA Institute • Lord Abbett & Co., LLC – Portfolio Specialist • BS in Finance from Rutgers University

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# Additional Important Information

Past performance is no guarantee of future results.

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