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**Global Investment Outlook & Strategy Update**  
**Executive Summary**  
July 9, 2021

U.S. real GDP is on pace to expand +6.5 percent in 2021, its highest annual growth rate since 1984, as the economy rebounds and achieves new heights. We estimate real GDP will increase +10 percent in the June quarter but moderate in subsequent quarters as comparisons become more challenging. We believe above-trendline growth will persist through at least 2022, supported by pent-up demand, employment gains, inventory restocking, fixed investment, and favorable government policies.

The S&P 500 Index posted its second best first-half gain since 1998, producing a total return of +15.3 percent for the first six months of 2021 (vs +18.5 percent in 2019 and +17.7 percent in 1998). Against a stable price-to-earnings multiple, rising earnings projections drove all the S&P 500's first-half performance. Over 85 percent of S&P 500 constituents beat the consensus EPS expectation for the March quarter, the largest percentage in at least the past two decades.

The U.S. economy is booming, confidence is rebounding, government policies are stimulating, leading indicators are rising, and interest rates are near record lows – can it get much better? Probably not. At least not from a rate of change perspective. The economic expansion may be far from over, but momentum is probably peaking, at least for perhaps the next 12-24 months (depending on when the next economic catalysts emerge). Even though decelerating economic growth does not signal an end to the equity bull market, it typically denotes an inflection point in sector and style performance.

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