**THE DAILY CHECK-IN WITH GOLDMAN SACHS**

**GUEST: OSCAR OSTLUND, HEAD OF CONTENT FOR MARQUEE, GLOBAL MARKETS DIVISION**
**HOST: LIZ BOWYER, GLOBAL HEAD OF BRAND AND CONTENT STRATEGY**

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**LIZ BOWYER:** Hi Oscar.

**OSCAR OSTLUND:** Hi Liz, how are you doing?

**LIZ BOWYER:** Good thank you. You're the head of content for Marquee, the digital platform for the firm's Global Markets Division. We've seen a lot of activity in the markets this week, following on the US elections and also some news in vaccine development. What are some of the key takeaways in markets right now?

**OSCAR OSTLUND:** First, we've had a very strong rally in equities. But when you look at the guts of the rally, it's been a significantly broader rally than what we've seen until now. Year to date, three quarters of the performance of the main index, the S & P, was driven by five tech stocks. This time around we're seeing so-called cyclical stocks that are significantly more sensitive to the economy drive the rally.

As a matter of fact, when we look at our thematic baskets such as the stay-at-home versus go-outside basket, we find a very strong uptick for the go-outside part of the economy; the economy that is sensitive to us resuming normal life. And so, I think this is a very positive sign that market operators are sending with respect to their expectations for the years to come.

The second thing is that we're seeing rates moving higher. And that move higher is, I think, increasing growth expectation and the ability for central banks, at some point, to move away from the zero lower bound. So, net-net, we're seeing a very positive rally, both in equities, but also a selloff in rates that is supported by increased growth expectations.

**LIZ BOWYER:** You run the Marquee quick poll, which is a monthly survey of our institutional investor clients. You've just completed the most recent one. What did you learn about our clients' perspectives on what's happening in the markets right now?

**OSCAR OSTLUND:** So, we focused the survey on the pillar of the current rally. And we found that this price action has been supported by three main elements. The first one is fiscal spending expectations. They continue to be relatively high in the grand scheme of things. Somewhere around $1 to $1.5 trillion fiscal package for next year. The second one is vaccine developments. Most market participants have integrated the relatively faster timeline to approval and ultimately distribution of vaccines in their expectations for 2021. And finally, we have central bank support which will stay for a longer period of time, even once we're out of the pandemic. And I think that means that we have now a rally that sits on three very strong pillars and makes me relatively confident going into year end.

**LIZ BOWYER:** So the survey from last month seemed to indicate that investors had low expectations when it comes to fiscal spending in the event of a split Congress. We won't know who controls the Senate until early next year. But given the very real scenario of a split Congress, why do you think investors are so optimistic about the prospect of a robust fiscal spending package?

**OSCAR OSTLUND:** Well, I start by noting that markets tend to dislike uncertainty and unpredictability. We're now left with only two potential paths for next year. One with a split Congress. And one with a unified Congress. And that makes market operators' jobs significantly easier in forecasting the outlook for 2021.

On top of that, with central banks still supportive and vaccine use being on the positive side, it actually reduces the binary nature of the outcome around fiscal spending and agreement in the US government.

Finally, I will say that when we look at our participants' expectations, 45 percent, the modal outcome, expect about $1 trillion, a number on the lower end and closer to the Senate's so-called skinny deal proposal from earlier in the fall. While only 29 percent expect $1.5 trillion, a number that is closer to House Democrats proposal at the same time. So I would say that the bar actually is not that high for the markets to actually feel vindicated in that deal.

**LIZ BOWYER:** So turning to the news around the vaccine clinical trials, the markets reacted very rapidly to this development. What does that signify?

**OSCAR OSTLUND:** I think that most investors were expecting vaccine trials to be made public at some point in fourth quarter of this year. But what surprised most market operators is the very high efficacy rate that were released on Monday. This significantly shortens time to return back to normal. And I think actually starts the countdown towards that time. I would almost go and say that we're finally over the hump. Until now, we were only able to count time from the beginning of the pandemic. But starting with an emergency use authorization, we'll be able to count towards the end of the pandemic.

There are, of course, still many challenges, including manufacturing and distributing the vaccine, including colder weather and the winter approaching in the northern hemisphere. But I think that we've removed a significant amount of uncertainty and can now start projecting ourselves out of the pandemic. It was interesting to note that 61 percent of our participants actually expect the first vaccine to get approved in 2020.

**LIZ BOWYER:** So finally Oscar, what are the risks to the market rally? There's been a lot of concern about markets being diverged from fundamentals. Do you think the markets are getting ahead of themselves?

**OSCAR OSTLUND:** Seeing a divergence between markets and the economy is normal. And we've seen that at different points throughout the year. It's important to remember that economic data is reflective of the recent past, while the markets are supposed to be forward-looking. I think that when we look at the the results of the survey, 40 percent of our participants picked developed market equities as their favorite long. And 29 percent picked developed market bonds as their favorite short. That means that they have very strong confidence that growth will look significantly better in 2021 and beyond. And I think is a vote of confidence for the path out of or for the economic outlook in the years to come.

**LIZ BOWYER:** Thanks Oscar.

**OSCAR OSTLUND:** Thanks Liz. It was great to see you.

**LIZ BOWYER:** You too.