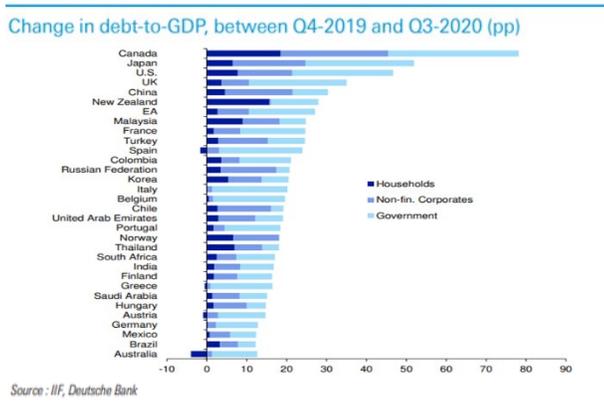


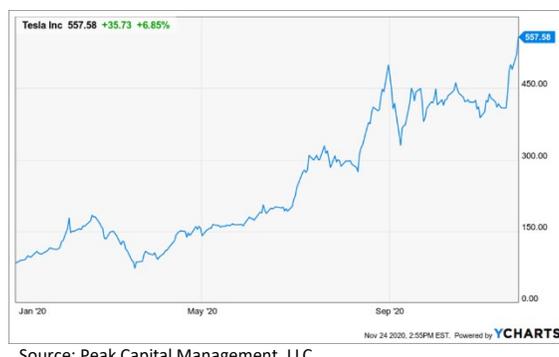
Macro View – A Slave to Debt

While division in the U.S. and globally has been well documented, it appears there is agreement that debt over austerity is part of the cure to the pain caused by Covid-19. This is true among nations across the government, households, and non-financial companies. The Deutsche Bank chart below shows the change in debt to GDP between Q4 2019 and Q3 2020. The Institute for International Finance suggests global debt will increase by 365%, reaching \$277 trillion, by the end of 2020. This is an increase of \$20 trillion over the course of 2020. Canada is leading the charge with an increase of nearly 90% over the time period. Australia demonstrated the greatest restraint with a change of just over 10% of households showing savings over the time period. The rate of change in debt to GDP coupled with the level of debt are likely to provide meaningful headwinds to growth.



Taking Stock – Joining the S&P 500

It was announced that Tesla (TSLA) will be added to the S&P 500 index on December 21st, according to S&P Dow Jones Indices. As of November 19th, Tesla had a market cap of just over \$420bb. Following the announcement of being added to the index, Tesla's market cap increased approximately 10%. The S&P 500 is a market cap weighted index. Based on Tesla's market cap, one can calculate that Tesla will make up about 1% of the index and 10% of the consumer discretionary sector (Silverblatt). Following the announcement, TSLA increased in value by about 22% in two days in anticipation of Tesla's inclusion in approximately \$11trillion dedicated to investments dedicated to S&P 500 access (WSJ). While the stock price has made a rapid rise in 2020, exceeding 550% as of November 24th, the price to earnings ratio is noted as 1,079.65 (CNBC).



Source: Peak Capital Management, LLC