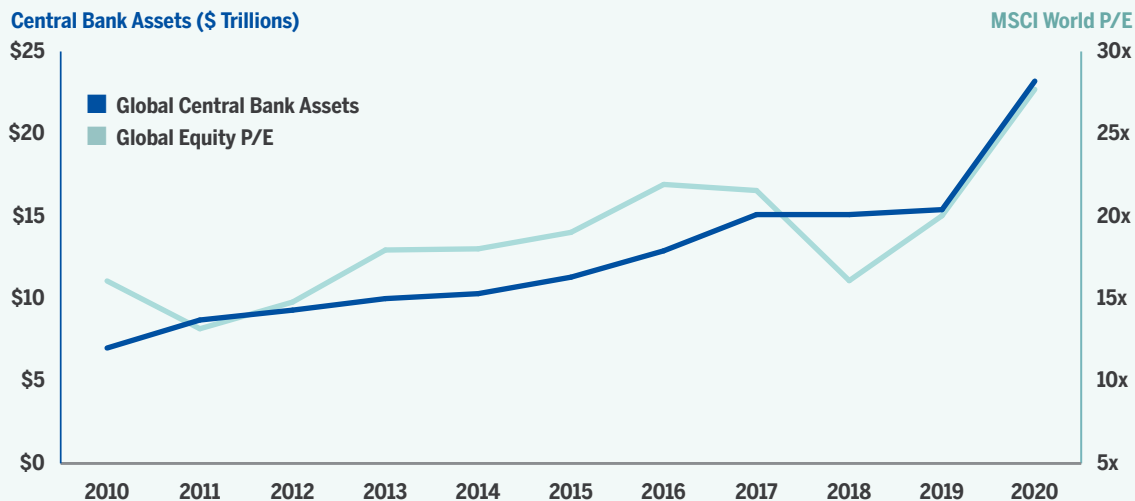


The Biggest Balance Sheets

Central bank balance sheet expansion has had huge effects on economies and markets. Will they swell or decline in coming years and what does that mean for investors?

Massive Monetary Expansion Supporting Valuations?



Source: FactSet, Alger.

Note: Global central bank assets are based on the aggregate of the Bank of Japan, European Central Bank, Federal Reserve and Bank of England. P/E is price-to-earnings, a ratio for valuing a company that measures its current share price relative to its earnings per share. Here it is based on the MSCI World Index trailing 12-month EPS. EPS is earnings per share, a company's net profit divided by the number of common shares it has outstanding.

- The balance sheets of the major developed central banks in the United States, European Union, Japan and England have swelled an unprecedented \$8 trillion over the past year. This dramatic flood of money makes the \$2 trillion expansion during the 2008 Global Financial Crisis look paltry.
- While we believe multiple factors have driven equity P/E expansion, central bank balance sheet growth and its impact on liquidity and interest rates has played a significant role, in our view.
- Fortunately for investors, central banks do not appear likely to tighten anytime soon, with Evercore ISI expecting a nearly \$3 trillion expansion in global central bank balance sheets over the next year. We believe keeping the spigot of liquidity on should help support equity valuations.



The MSCI World Index is a market cap weighted stock market index of 1,603 stocks from companies throughout the world.

The following positions represented percentages of assets under management as of 9/30/20: Evercore, Inc., 0%.

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