

# EYE ON THE WORLD

## Biggest week for earnings

Monday July 27

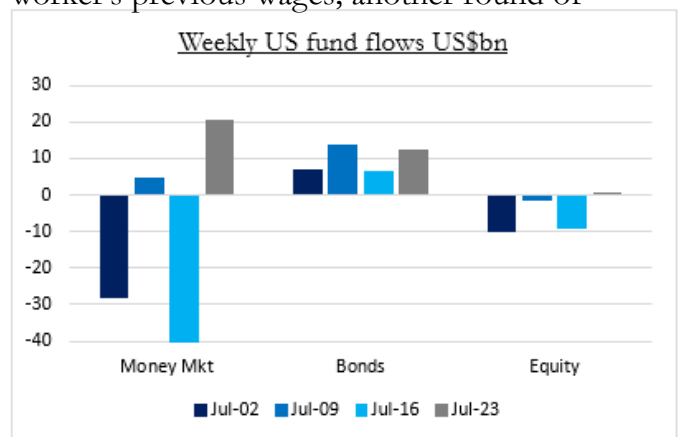
US markets eased last week led by high-flying tech but masking a value and international rotation on vaccine progress and G4 PMI's consistent with return to 2% growth. **HOT TOPICS** shows our global activity and lockdowns composites flattening, not declining, under virus case all-time highs. This week see dramatic US and EU Q2 GDP falls, a dovish FOMC meeting, US stimulus plan progress, and biggest earnings week with tech titans reporting and their CEO's in Congress.

US tech-led weakness last week masked a value and international rotation, supported by vaccine progress, July PMI's, 11% Q2 US earnings beat so far. US new case curve beginning to flatten, even as deaths rise above 1,000 daily, and new flare-ups in Hong Kong, Spain, Australia. Gold rose to record \$1,901/oz, above 2011 nominal peak, as USD DXY index fell to 2-yr low on China tension and ahead of dovish Fed meeting. Asia rose overnight led by tech, with Europe flat and US futures up. We are in market consolidation phase, with upside risks, better supported than feared.

### Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3235.7	-0.6%	-0.3%	-0.5%
ACWI xUS	45.6	-0.4%	0.0%	-7.6%
DXY USD	94.7	-0.3%	-1.6%	-2.0%
US 10Y YLD	0.59	1.2%	-6.2%	-69.2%
Brent Spot	43.7	-1.3%	-1.2%	-36.6%
Gold Spot	1901.0	0.7%	5.1%	25.3%

**US stimulus plan today:** Senate Republicans to outline 'Phase 4' proposal today. Likely to see extended unemployment benefits to replace 70% worker's previous wages; another round of



Source: Lipper, THR. US domiciled fund flows. ETF+Mutual Fund.  
July 16 -US\$90bn Money Mkt flows on tax deadline

### HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on [Week Ahead](#). See headline-grabbing US/EU Q2 GDP falls, dovish FOMC, US stimulus plan progress, biggest earnings week as tech titans report and their CEO's in Congress.
- **What to watch:** Senate Republican Phase 4 stimulus proposal. US durable goods +7.2%e mom
- **Country and Sector 'Eye':** We favor US and select EM's, and US Consumer and IT sectors
- **Data pages:** Performance, valuation, earnings, macro forecasts. See [Library](#) for prior dailies

\*Sources if not stated are Refinitiv, THR

## US & Sector Performance

Index	Level	1D	1W	YTD
S&P500	3235.7	-0.6%	-0.3%	-0.5%
NASDAQ	10580.6	-0.9%	-1.3%	15.5%
Russell 2000	1467.6	-1.5%	-0.4%	-12.0%
US IT	396.5	-1.1%	-1.6%	16.6%
US Healthcare	377.1	-1.2%	-1.1%	5.1%
US Financials	157.4	-0.6%	1.0%	-21.8%

US\$1,200 direct payments to individuals; and virus lawsuit liability protections. Negotiations with Democrats to focus on extent of unemployment support and the limited State and Local government aid. Ultimately, we expect a cUS\$2trn **upside-surprise** package to pass (see EOTW July 23<sup>rd</sup> edition), supporting markets.

**China growth recovery:** China's industrial firm profits rose for second month, +11.5% yoy in June, after +5.5% in May, led by tech (5G infrastructure) and steel (stimulus). Brought YTD profits to -8% yoy for private sector and -28% for state owned. China is only major country forecast to have positive earnings (1.1%e) and GDP growth (1.8%e) this year, on first-in/first-out virus status, policy response, and domestic focus. We are **overweight**. Chinese equities are in attractive 'momentum' quadrant of our allocation framework. See [Page 5](#).

**Investors cautious:** Weekly [Lipper](#) US fund flows (ETF and mutual fund) showed continued cautious sentiment, with inflows into safer-haven money market funds and little interest in either domestic or international equities (see front

## FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	94.7	-0.3%	-1.6%	-2.0%
EUR/USD	1.17	0.5%	2.0%	4.0%
US 10Y YLD	0.59	1.2%	-6.2%	-69.2%
US 10-2 BOND	0.44	1.2%	-7.6%	21.3%
CBOE VIX Index	26.1	-0.9%	1%	88%
CRB Index	2600.1	-0.2%	1.2%	-15.9%

## Events to Watch

Indicator	Period	Forecast	Last
Business Climate, Ger	July	89.79	86.20
Durable Goods MM, US	June	7.34	15.70

chart). The weekly individual investor survey (AAII) shows 47% bearish, well above 30% average. This is consistent with our composite investor sentiment index near **contrarian buy** levels. See July 10<sup>th</sup> *Sentiment a contrarian support*.

## Sector View

US markets led down Friday by tech (-1.2%), and health care (-1.2%) after President Trump announced executive orders on drug prices. While discretionary (+0.3%) and communications (-0.06%) outperformed. **Intel** -16.2% on it's next-gen chip delays, whilst Asia contract chip heavyweight TSMC +10% as possible beneficiary.

## What to Watch

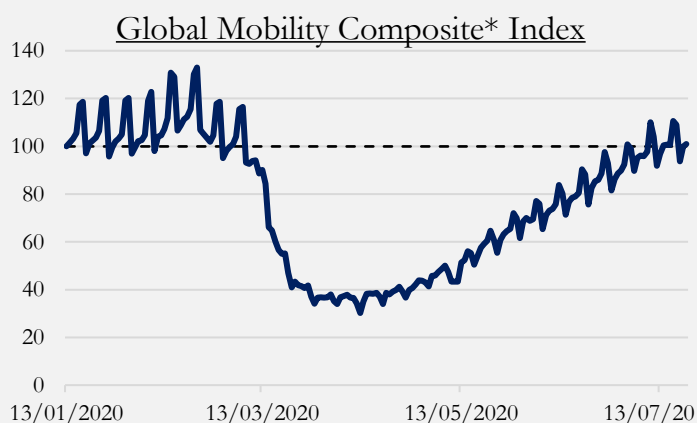
On Friday, IHS Markit **US composite July PMI** rose to 50 from 48 in June, held back by Services. The overall 'G4' (US, EU, Japan, UK) **PMI** rose to 51, led by Europe, consistent with 2% annualized GDP growth vs 0.1% last month. US **new home sales** rose 13.8% in June as housing continues to positively surprise. See June 17<sup>th</sup> *No housing déjà vu*. US weekly **oil and gas rig count** fell to all-time low 251, down 73% yoy, but oil rigs rose by one as market is bottoming after oil price rebound.

Today, US **durable goods** orders, a proxy for business investment, likely to rise 7.2% mom in June from 15.7% in the previous month, as investment recovery lags housing and the consumer. See June 18<sup>th</sup> *The changing nature of capex*. See [HOT TOPICS](#) for week ahead view.

# HOT TOPICS

## BIGGEST WEEK FOR EARNINGS

Our global activity proxy and lockdowns composite continue to flatten, not decline, as new virus cases hit all-time highs. Headlines this week to come from dramatic US and EU Q2 GDP falls, though both seen recoveries since, and dovish FOMC meeting, with no changes. More important will be US stimulus progress as extra unemployment help ends, and biggest US earnings week with most tech-titans reporting, and the CEO's appearing in Congress.



Source: Apple, THR. \* Top-15 economies. Driving, Walking, Mass Transit

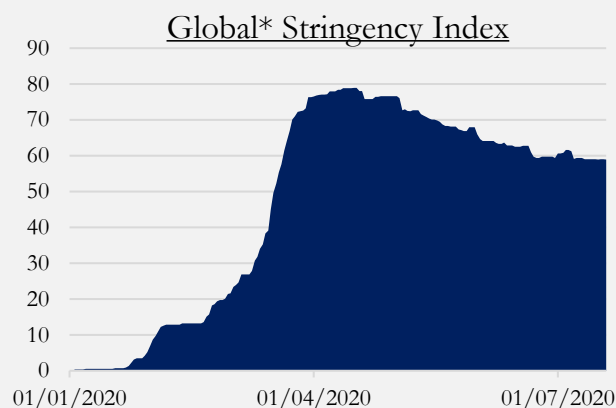
### Global rebound slows, as US mobility falls

Our global activity ‘proxy’ recovery slowed last week, +0.4% vs +4.5% prior, when reached non-seasonally adjusted pre-pandemic level. US fell 0.8%, after increasing 1.9% prior week, as US deaths rose to over 1k daily. The indicator combines Apple mobility data on driving, walking, mass transit across top 15 economies.

#### Driving Index

Countries	vs 13th Jan	at trough	vs trough	vs 2Wks
Australia	-7.7%	-73.1%	242.6%	-15.0%
Brazil	-12.1%	-72.4%	218.8%	5.6%
Canada	48.5%	-64.8%	321.9%	4.9%
France	65.9%	-84.7%	982.4%	7.9%
Germany	44.5%	-62.1%	281.4%	7.9%
India	-38.4%	-83.7%	277.7%	1.0%
Indonesia	-13.9%	-63.5%	136.3%	-5.6%
Italy	57.0%	-87.3%	1140.0%	16.7%
Japan	14.0%	-35.3%	76.1%	15.1%
Mexico	-11.4%	-67.8%	175.3%	-4.8%
Korea	-29.5%	-48.9%	37.9%	-1.2%
Russia	71.5%	-54.0%	272.9%	-3.9%
Spain	50.4%	-89.1%	1276.4%	11.6%
UK	15.6%	-75.5%	372.4%	16.1%
US	31.9%	-62.6%	252.6%	1.1%
Average	19.1%	-68.3%	404.3%	3.8%

Source: Apple Mobility Trends, THR



Source: Oxford Gov. Response Tracker, THR. \*Top-15 economies

Apple driving sub-component shows 9 of 15 top economies are higher than January levels. The most depressed are India and Korea.

### Restrictions loosening stalls

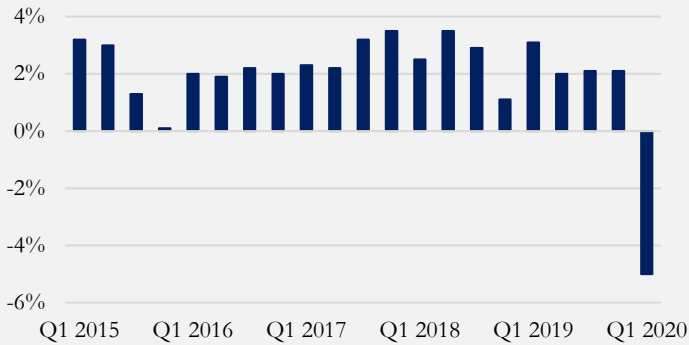
The global ‘Stringency Index’ of government lockdown restrictions in top 15 economies has seen the loosening trend stall as WHO

#### Stringency Index

Countries	Current level	Peak	vs peak	vs 2Wks
Australia	76	76	-1%	5%
Brazil	81	81	0%	0%
Canada	67	75	-10%	-3%
France	31	91	-66%	-36%
Germany	39	73	-46%	-29%
India	74	100	-26%	0%
Indonesia	54	80	-33%	0%
Italy	58	94	-38%	4%
Japan	28	47	-41%	0%
Mexico	71	82	-14%	0%
Korea	49	82	-41%	-10%
Russia	73	87	-16%	0%
Spain	50	85	-41%	1%
UK	64	76	-15%	-8%
US	69	73	-5%	0%
Average	59	80	-26.2%	-5.0%

Source: Oxford COVID-19 Government Response Tracker, THR

### US GDP QoQ Annualized Growth



Source: FRED, THR.

reported all time high 264k daily new cases last week. Spain increased last week, and Australia prior week. Most Europe and North Asia still easing. US no overall change for second week.

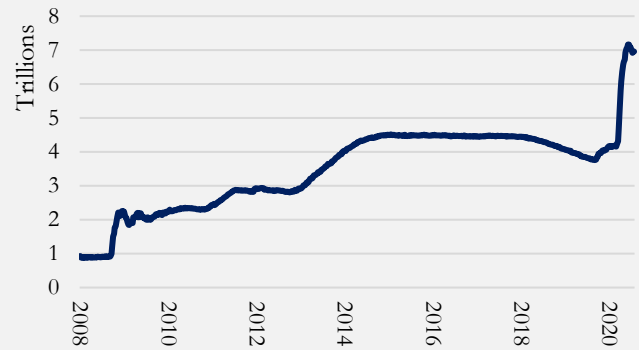
### US and Euro Q2 GDP historic falls

US Q2 GDP to fall for second successive quarter with *annualized QoQ* growth forecast down historic -33% vs -8.4% in Q108 and 10% in Q158. Euro area GDP expected to fall -13.4% yoy vs -3.1% in Q1. These numbers will make for big headlines, but are backward looking, and economies have since shown a rebound, and markets are forward looking. July 'G4' PMI consistent with 2% annual growth.

### A quiet US FOMC Meeting

Set to maintain cautious and dovish tone, willingness to do more to support recovery, and encourage Congress fiscal support. May start guiding to possible future yield curve control (YCC) and average inflation targeting changes.

### US Fed Total Assets (\$US)



Source: FRED, THR

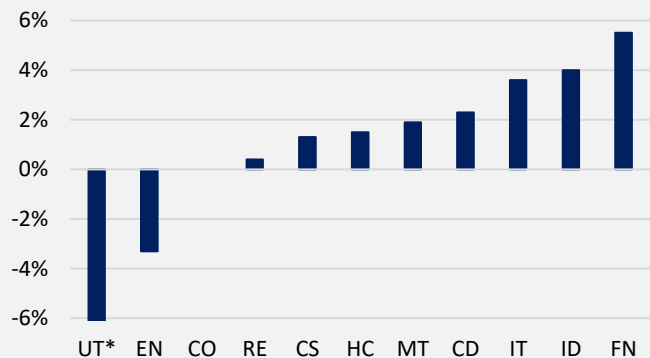
### US fiscal cliff and jobless claims focus

US\$600/wk unemployment support ends. Senate Republicans to unveil Phase 4 draft. We see room for a US\$2trn upside surprise. Weekly jobless claims forecast at 1.43m.

### Biggest Q2 earnings week + Tech CEO's

25% S&P 500 reported so far, with 9 of 11 sectors beating revenues and EPS, and overall 80% EPS beat. 38% co's reporting this week, incl. tech titans APPL, GOOG, AMZN, FB. These CEO's also to appear before Congress.

### S&P 500 Q2 Revenue 'beats' so far



Source: Refinitiv, THR

### Events: The Week Ahead

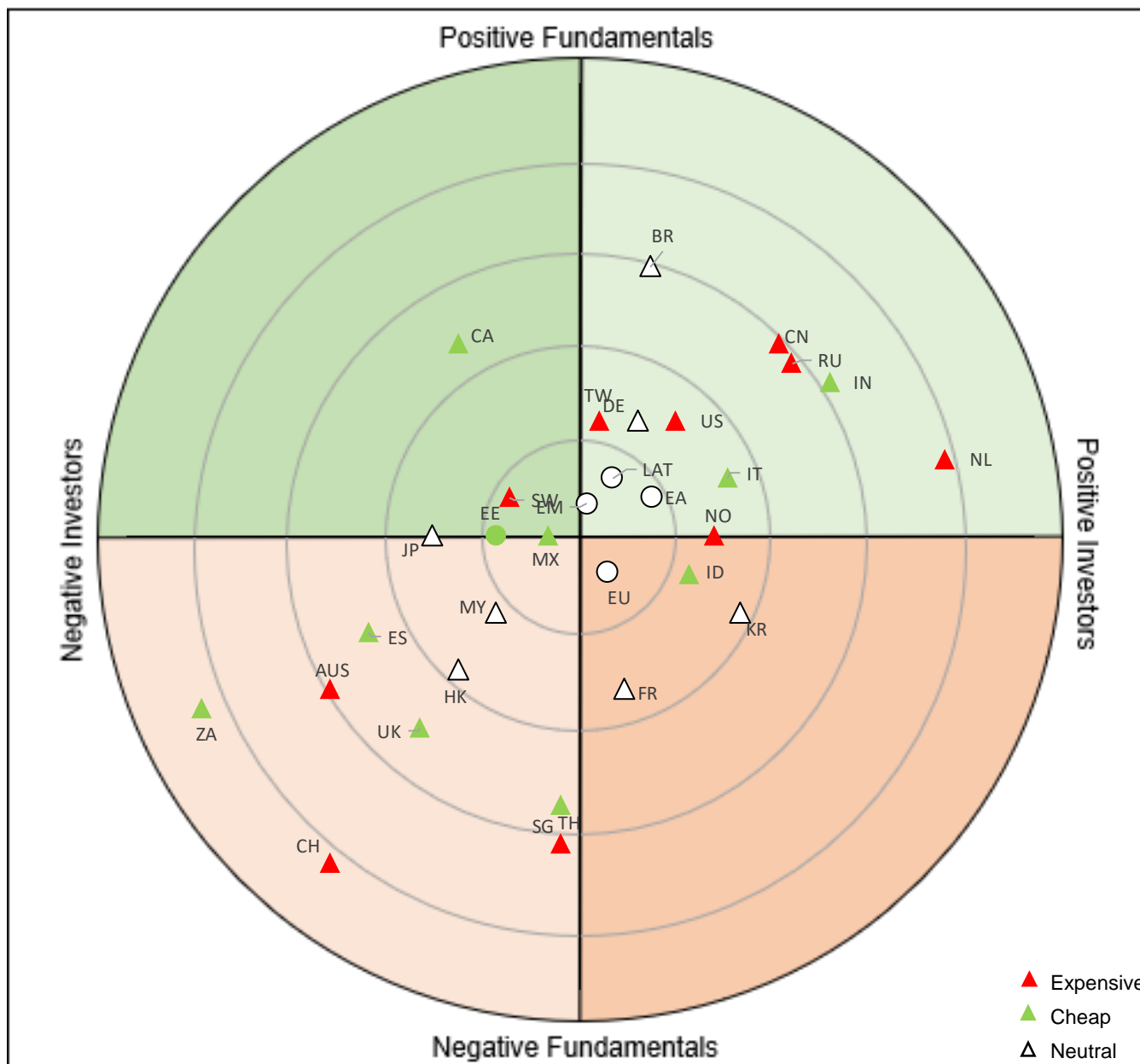
Date	Country	Indicator	Period	Last	Forecast
27 July 2020	Germany	Ifo Business Climate New	Jul	86.20	88.97
28 July 2020	United States	Consumer Confidence	Jul	98.10	96.71
30 July 2020	United States	GDP Advance	Q2	-5.00	-32.83
30 July 2020	Japan	Retail Sales YY	Jun	-12.30	-5.71
30 July 2020	Germany	CPI Prelim YY	Jul	0.90	0.38
30 July 2020	Euro Zone	Unemployment Rate	Jun	7.40	7.61
31 July 2020	Euro Zone	GDP Flash Prelim YY	Q2	-3.10	-13.84
31 July 2020	Japan	Unemployment Rate	Jun	2.90	3.07
31 July 2020	United States	Chicago PMI	Jul	36.60	43.00
31 July 2020	United States	U Mich Sentiment Final	Jul	73.20	75.74

Source: Refinitiv, THR

# COUNTRY 'EYE' & ALLOCATIONS

## Country Allocation Views

Market	Main Index	THR View	Market	Main Index	THR View
US	S&P 500	Overweight	UK	FTSE 100	Underweight
EM	MSCI EM	Neutral	Canada	S&P/TSX	Overweight
Eurozone	EUROSTOXX	Neutral	Switzerland	SMI	Overweight
Japan	TOPIX	Underweight	Australia	S&P/ASX	Neutral



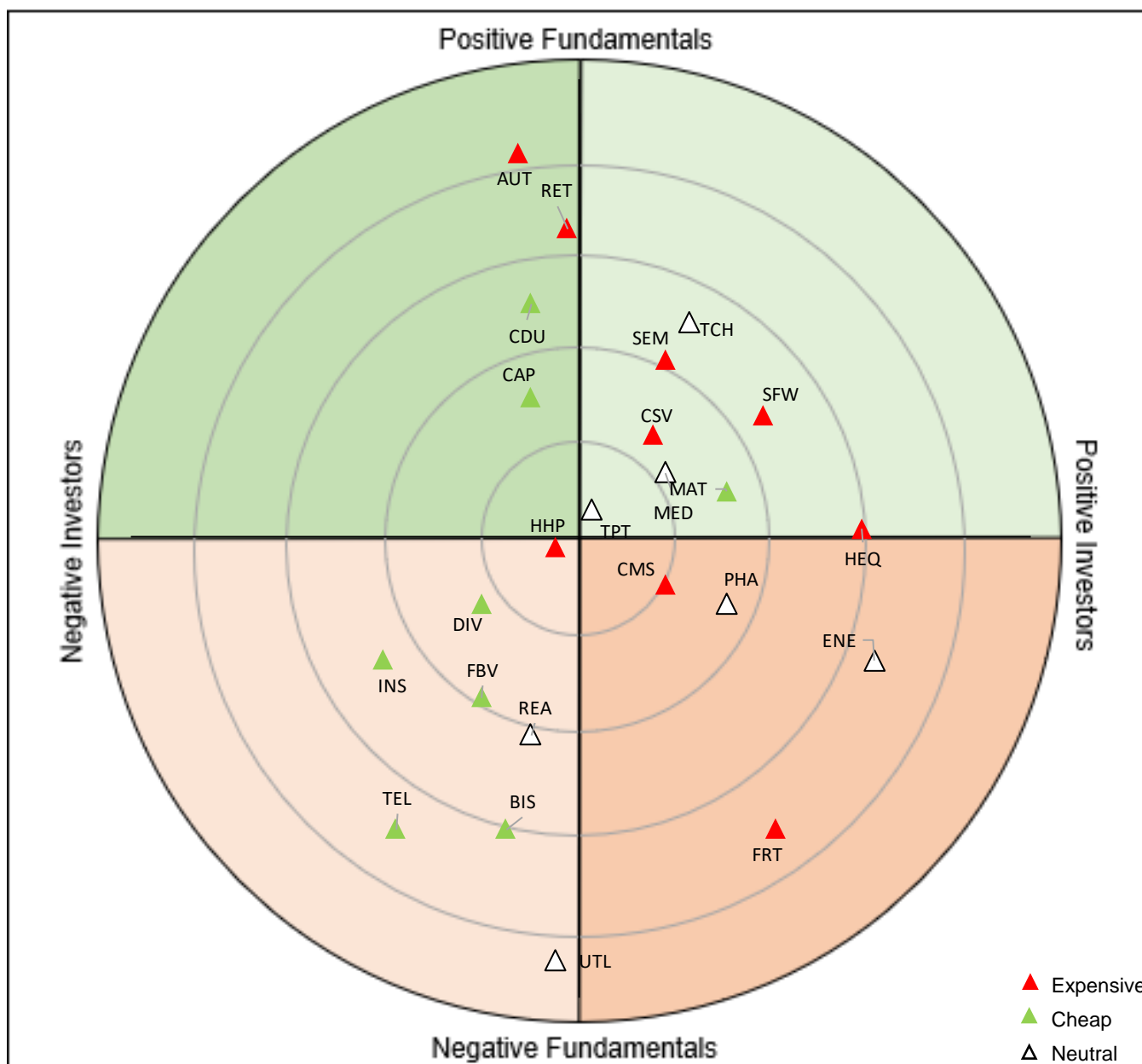
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

AUS=Australia, BR=Brazil, CA=Canada, CN=China, FR=France, DE=Germany, HK=Hong Kong, IN=India, ID=Indonesia, IT=Italy, JP=Japan, KR=Korea, MY=Malaysia, MX=Mexico, NL=Netherlands, NO=Norway, RU=Russia, SG=Singapore, ZA=South Africa, ES=Spain, SE=Sweden, CH=Switzerland, TW=Taiwan, TH=Thailand, UK=United Kingdom, US=United States, EU=Europe, LAT=Latin America, EM=Emerging Markets, EE=Emerging Europe, EA=Emerging Asia.

# US SECTOR 'EYE' & ALLOCATION

## US Sector Allocation Views






Market	Main ETFs	THR View	Market	Main ETFs	THR View
IT	XLK/VGT	Overweight	Staples	XLP/VDC	Overweight
Healthcare	XLV/VHT	Overweight	Energy	XLE/VDE	Neutral
Financials	XLF/VFH	Underweight	Utilities	XLU/VPU	Overweight
Communications	XLC/VOX	Overweight	Real Estate	XLRE/VNQ	Overweight
Discretionary	XLY/VCR	Neutral	Materials	XLB/VAW	Underweight
Industrials	XLI/VIS	Neutral			








Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

AUT=Auto & Auto parts, BIS=Banking & Investment, CAP=Capital Goods, CMS=Commercial & Prof Svcs, CDU=Consumer Durables & Apparel, CSV=Consumer Svcs, DIV=Diversified Financials, ENE=Energy, FRT=Food Staples & Retail, FBV=Food, Bev. & Tobacco, HEQ=Healthcare Equip. & Svcs, HHP=Household & Personal Products, INS=Insurance, MAT=Materials, MED=Media & Entertainment, PHA=Pharma, Bio & Life Svcs, REA=Real Estate, RET=Retailing, SEM=Semiconductors & Equip, SFW=Software and Svcs, TCH=Technology Hardware & Equip, TEL=Telecoms TPT=Transport, UTL=Utilities

## 'EYE' ALLOCATION BREAKDOWN

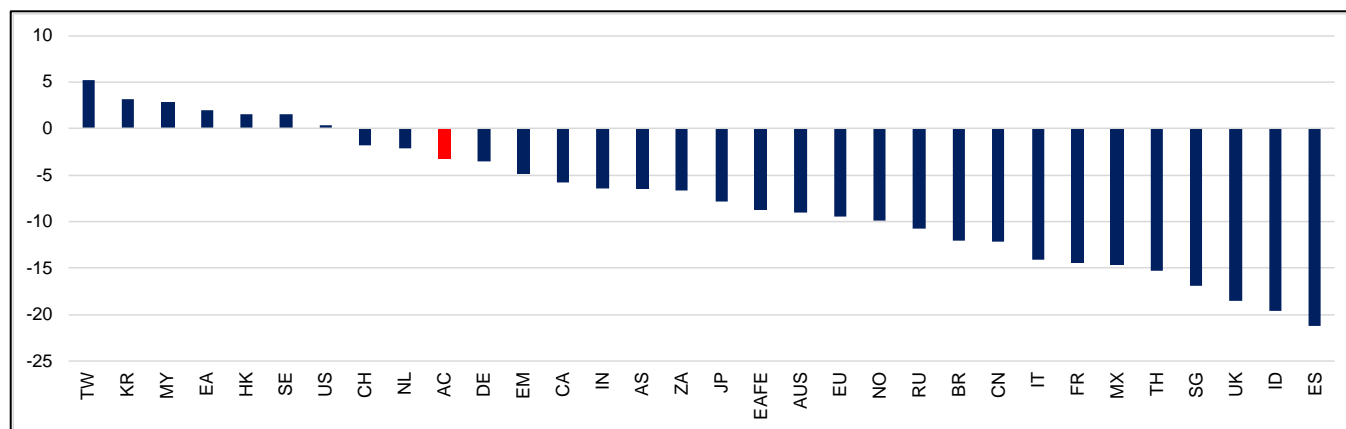
Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>United States (Overweight):</b> Remains a global equity 'safer haven' despite currently centre of COVID outbreak. Has relatively closed economy and stock market, trend GDP growth into crisis, and seen unprecedented policy response, with unlimited QE and initial 14%/GDP fiscal stimulus. Valuations fundamentally supported by tech, tax, and UST. Earnings expectations very quickly adjusted. Is in the 'momentum' Eye quadrant, with some of world's strongest relative fundamentals, but also some of the most optimistic investors.	26.1	20.5	-20.0	27.6
	<b>Emerging Markets (Neutral):</b> Economic growth vulnerable even before COVID outbreak. USD strength and low oil prices have been additional broad headwinds for many. Much of the valuation discount structural and overstated. LatAm and CEEMEA now centre of virus outbreak, after north Asia (60% EM) control. Favor China, EM's largest market, on policy flexibility, resilient GDP/EPS, FIFO on COVID cases, 12x P/E. Underweight rest of EM.	17.2	13.3	-8.0	29.3
	<b>Eurozone (Neutral):</b> To lead global GDP and EPS decline, whilst most of valuation discount vs US is just sector composition. Recession has triggered a broader fiscal policy response, whilst ECB help extended, and weak EUR been support for Europe's globalised corporates. As COVID cases ease and countries reopen, set to be the key beneficiary of cyclical economic and market upturn. Focus on cheap domestic cyclicals, such as Financials.	21.0	15.7	-29.5	33.6
	<b>Japan (Underweight):</b> Has been moving out of the value-trap 'Eye' quadrant, but has significant fundamental headwinds on growth, trade, policy flexibility, and longer-term structural issues (demographics, debt). Valuation is attractive vs history, but EPS outlook overstated and vulnerable. Domestic stocks underperformed global-exposed peers.	19.3	14.5	0.3	32.8
	<b>UK (Underweight):</b> In value-trap framework quadrant. Exposed to twin-headwinds of above-average COVID impact (with high infections and relatively low fiscal response) and rising Brexit hard-exit risks (into Dec. 31 cliff edge), and market valuations at long-term average. Risk that lags our preferred recovery cyclicals (Canada, EU Financials, US small caps) despite 50%+ cyclical equity index composition and 60% overseas revenue exposure.	17.7	13.4	-35.7	32.1

US Sector	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>Information Technology (Overweight):</b> Software in attractive top-right 'momentum' quadrant of the Eye. Are quality growth and attractive at this stage of cycle, reflected in defensiveness vs previous corrections. Valuations average but supported by net-cash and high RoE, giving buyback and M&A flexibility. Tech Hardware (Neutral) less well positioned, with weaker fundamentals, but beneficiary of easing growth concerns.	29.4	25.3	0.0	16.3
	<b>Healthcare (Overweight):</b> Both Healthcare Equipment and Pharma are close to the top-right 'momentum' quadrant, liked by the market (with multiple rerating and sell-side conviction), but with good fundamental momentum as quality growth attractive at this stage, with defensive cash flows, less EPS cyclicality and a domestic revenue focus. Seeing Federal support to combat COVID. Similar to Tech, set to come out of crisis more dominant.	18.5	16.0	-0.2	18.1
	<b>Financials (Underweight):</b> All three sector components (Banks, Diversified, Insurance) in the negative bottom left 'value trap' quadrant of the 'Eye'. Out of favour with market, with strong fund outflows and valuation derating, but fundamentals remain under pressure from low US bond yields, flat yield curve, and GDP growth collapse, despite stronger capital buffers. Insurance offers the best value, though none of the sector is optically expensive.	16.7	12.1	-36.7	38.8
	<b>Communications (Overweight):</b> Telecoms (AT&T largest sector weight) in most-attractive top-left quadrant, and Media (Facebook, Alphabet largest) in attractive top-right. Both seeing above average fundamentals, with Media led by EPS revisions, and Telecoms by price momentum. Telecoms has average valuation vs history, has derated, and sell-side sentiment especially poor. Media better liked by the market..	26.8	21.4	-15.9	25.1
	<b>Consumer Discretionary (Neutral):</b> Consumer Services and Retail (Amazon largest stock) best placed of Discretionary sectors, both in top-right quadrant. Services defensive to cycle and seeing positive EPS revisions. Autos poorest placed, in bottom-left quadrant. Whilst the least-in-favour, has some of worst fundamentals and more expensive than perceived. Leisure discretionary industries very COVID exposed.	64.4	32.7	-49.1	97.1

Source: Refinitiv, THR

# REGION/COUNTRY PERFORMANCE & VALUATION

## Total Return YTD



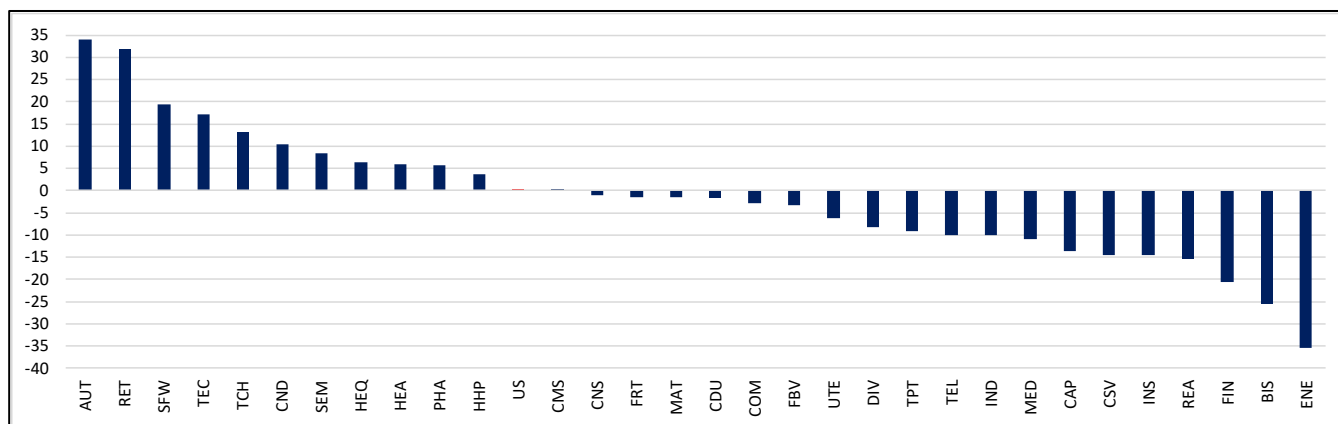
Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>World</b>	<b>AC</b>	<b>-0.7</b>	<b>-1.3</b>	<b>14.4</b>	<b>-3.2</b>	<b>17.8</b>	<b>21.7</b>	<b>17.0</b>	<b>-18.1%</b>	<b>27.8%</b>
<b>EAFE</b>	<b>EAFE</b>	<b>-0.8</b>	<b>-0.1</b>	<b>14.6</b>	<b>-8.7</b>	<b>15.5</b>	<b>19.0</b>	<b>14.9</b>	<b>-18.4%</b>	<b>27.2%</b>
<b>Europe</b>	<b>EU</b>	<b>-1.4</b>	<b>-0.7</b>	<b>16.5</b>	<b>-9.5</b>	<b>14.4</b>	<b>19.9</b>	<b>15.1</b>	<b>-27.7%</b>	<b>31.6%</b>
<b>Asia</b>	<b>AS</b>	<b>-0.6</b>	<b>-1.1</b>	<b>12.7</b>	<b>-6.4</b>	<b>16.9</b>	<b>16.3</b>	<b>13.2</b>	<b>4.0%</b>	<b>23.4%</b>
<b>Emerging Global Markets</b>	<b>EM</b>	<b>-1.6</b>	<b>-0.4</b>	<b>18.4</b>	<b>-4.9</b>	<b>14.5</b>	<b>15.3</b>	<b>12.1</b>	<b>-5.4%</b>	<b>26.9%</b>
<b>Emerging Asia</b>	<b>EA</b>	<b>-1.9</b>	<b>-2.7</b>	<b>17.1</b>	<b>2.0</b>	<b>16.0</b>	<b>15.7</b>	<b>12.7</b>	<b>1.6%</b>	<b>24.0%</b>
Australia	AUS	-1.1	-0.1	15.7	-9.0	15.5	18.5	19.0	-16.0%	-2.6%
Brazil	BR	0.0	-1.7	30.1	-12.0	12.0	20.8	11.6	-42.2%	78.7%
Canada	CA	-0.1	-0.8	10.1	-5.8	13.9	21.3	15.4	-34.9%	39.0%
China	CN	-1.9	-2.0	4.5	-12.1	14.8	14.7	12.2	1.1%	19.9%
France	FR	-1.5	-1.9	14.9	-14.4	14.0	20.5	14.8	-31.8%	38.9%
Germany	DE	-2.2	-1.6	19.7	-3.5	15.4	20.3	14.1	-24.3%	43.9%
Hong Kong	HK	-3.2	-0.8	14.8	1.6	13.9	16.6	13.2	-16.5%	26.0%
India	IN	-0.2	2.3	21.3	-6.4	20.8	21.6	16.3	-3.3%	32.0%
Indonesia	ID	-1.4	0.3	19.6	-19.6	13.6	15.7	13.2	-13.1%	19.3%
Italy	IT	-1.8	-2.5	17.2	-14.1	10.4	19.2	13.0	-46.0%	47.5%
Japan	JP	0.0	-0.1	10.9	-7.8	19.4	17.0	13.9	14.1%	22.5%
Korea	KR	-0.7	0.2	18.0	3.1	16.8	14.3	10.0	18.1%	42.6%
Malaysia	MY	-0.9	0.2	21.2	2.8	17.0	20.5	17.3	-16.8%	18.1%
Mexico	MX	-0.2	2.4	8.4	-14.7	14.8	16.1	12.4	-8.5%	29.5%
Netherlands	NL	-2.2	-2.0	16.3	-2.1	19.8	21.7	18.4	-8.9%	18.0%
Norway	NO	-0.4	-0.6	13.7	-9.9	13.0	21.6	14.5	-39.6%	48.7%
Russia	RU	0.4	1.5	11.6	-10.8	5.7	9.1	6.7	-36.7%	35.6%
Singapore	SG	-1.2	-1.1	5.5	-17.0	11.7	15.1	12.8	-22.9%	18.3%
South Africa	ZA	-0.8	-1.1	13.2	-6.6	14.2	12.9	10.3	9.5%	25.4%
Spain	ES	-1.2	-2.6	10.1	-21.2	10.9	16.4	12.8	-33.7%	28.2%
Sweden	SE	-1.9	-1.9	16.9	1.5	15.6	22.1	16.8	-29.4%	32.0%
Switzerland	CH	-1.8	-2.5	4.4	-1.8	18.9	20.4	17.6	-7.7%	15.7%
Taiwan	TW	-0.9	1.4	21.9	5.2	17.4	16.9	14.7	2.6%	15.5%
Thailand	TH	-1.4	-1.7	7.2	-15.2	15.5	20.5	16.6	-24.5%	23.6%
United Kingdom	UK	-1.3	-1.9	5.2	-18.5	11.5	17.8	13.4	-35.6%	32.7%
United States	US	-0.7	-1.1	13.5	0.4	20.4	25.7	20.1	-20.3%	27.8%

Source: MSCI, Refinitiv, THR



# US SECTOR PERFORMANCE & VALUATION

## Total Return YTD

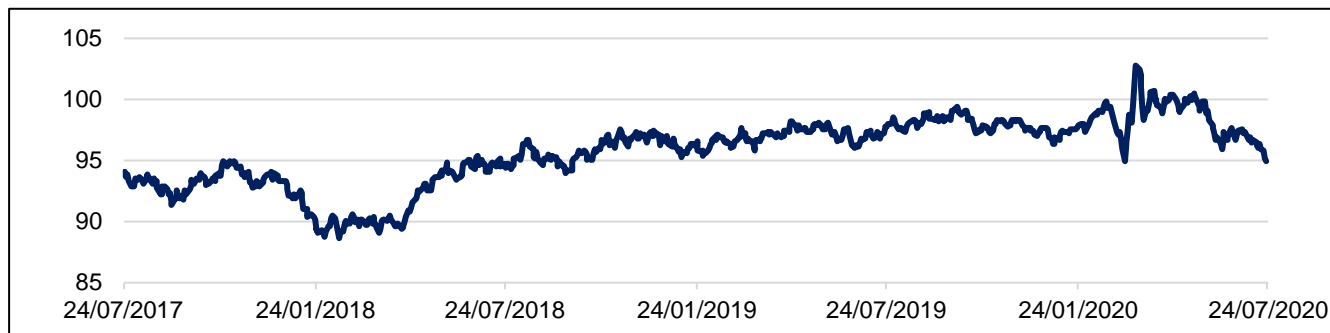


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>United States</b>	<b>US</b>	<b>-0.7</b>	<b>-1.1</b>	<b>13.5</b>	<b>0.4</b>	<b>20.9</b>	<b>26.1</b>	<b>20.5</b>	<b>-20.0%</b>	<b>27.6%</b>
<b>Communications</b>	<b>COM</b>	<b>-1.9</b>	<b>-0.5</b>	<b>7.4</b>	<b>-2.7</b>	<b>22.5</b>	<b>26.8</b>	<b>21.4</b>	<b>-15.9%</b>	<b>25.1%</b>
Media & Entertainment	MED	0.5	1.1	12.2	-10.9	28.7	36.3	26.2	-21.0%	38.7%
Telecommunication Svcs	TEL	0.3	0.3	0.2	-9.9	11.1	11.9	11.4	-6.4%	3.8%
<b>Consumer Discretionary</b>	<b>CND</b>	<b>0.0</b>	<b>-1.3</b>	<b>21.3</b>	<b>10.4</b>	<b>32.8</b>	<b>64.4</b>	<b>32.7</b>	<b>-49.1%</b>	<b>97.1%</b>
Autos & Components	AUT	-3.8	-6.4	46.9	34.1	20.8	NA	26.4	-112.8%	712.6%
Consumer Durables & App	CDU	0.0	2.7	27.4	-1.7	23.8	26.4	20.9	-9.8%	26.6%
Consumer Svcs	CSV	0.3	0.9	10.9	-14.5	19.9	351.1	30.3	-94.3%	1058.5%
Retailing	RET	0.4	-2.5	23.3	31.9	43.2	56.1	37.1	-23.0%	51.5%
<b>Consumer Staples</b>	<b>CNS</b>	<b>-0.2</b>	<b>2.1</b>	<b>6.6</b>	<b>-1.1</b>	<b>20.4</b>	<b>20.8</b>	<b>19.2</b>	<b>-2.1%</b>	<b>8.4%</b>
Food & Staples Retailing	FRT	-0.4	0.8	2.6	-1.4	21.5	22.1	20.7	-2.6%	6.8%
Food, Bev & Tobacco	FBV	0.0	3.1	6.6	-3.3	17.6	18.6	16.9	-5.0%	10.0%
Household Products	HHP	-0.3	0.8	9.0	3.6	26.8	24.7	23.5	8.4%	4.9%
<b>Energy</b>	<b>ENE</b>	<b>-0.7</b>	<b>3.9</b>	<b>8.1</b>	<b>-35.3</b>	<b>13.3</b>	<b>NA</b>	<b>31.5</b>	<b>-101.7%</b>	<b>2638.9%</b>
<b>Financials</b>	<b>FIN</b>	<b>-0.6</b>	<b>1.7</b>	<b>7.7</b>	<b>-20.5</b>	<b>10.6</b>	<b>16.7</b>	<b>12.1</b>	<b>-36.7%</b>	<b>38.8%</b>
Banks	BIS	-0.7	2.3	7.3	-25.4	7.7	17.3	10.4	-55.2%	66.7%
Diversified Financials	DIV	-0.8	-0.1	13.2	-8.3	14.4	19.1	15.0	-24.9%	27.8%
Insurance	INS	-0.1	1.9	10.2	-14.6	10.9	12.6	10.4	-13.1%	20.7%
<b>Health Care</b>	<b>HEA</b>	<b>-1.2</b>	<b>-1.2</b>	<b>5.4</b>	<b>6.0</b>	<b>18.9</b>	<b>18.9</b>	<b>16.0</b>	<b>-0.2%</b>	<b>18.1%</b>
Health Care Equipment	HEQ	-0.7	0.7	8.6	6.3	29.6	35.4	25.8	-16.5%	37.1%
Pharmaceuticals	PHA	-1.6	-3.2	2.1	5.7	15.5	15.3	13.3	1.2%	14.9%
<b>Industrials</b>	<b>IND</b>	<b>-0.8</b>	<b>0.7</b>	<b>14.2</b>	<b>-10.0</b>	<b>18.5</b>	<b>26.2</b>	<b>19.2</b>	<b>-29.1%</b>	<b>35.9%</b>
Capital Goods	CAP	-0.9	1.8	15.0	-13.6	16.1	23.7	18.0	-32.3%	32.0%
Commercial & Prof Svcs	CMS	-0.8	-0.2	15.1	0.4	29.7	33.0	28.4	-10.1%	16.2%
Transportation	TPT	-0.3	-0.5	15.6	-9.0	25.1	32.9	20.0	-23.8%	65.0%
<b>Information Technology</b>	<b>TEC</b>	<b>-1.1</b>	<b>-4.2</b>	<b>19.7</b>	<b>17.2</b>	<b>29.4</b>	<b>29.4</b>	<b>25.3</b>	<b>0.0%</b>	<b>16.3%</b>
Semiconductors	SEM	-3.2	-5.5	12.0	8.5	20.3	21.6	18.2	-6.0%	18.8%
Software & Svcs	SFW	-0.7	-3.8	19.4	19.5	38.3	36.4	31.9	5.0%	14.3%
Technology Hardware	TCH	-1.8	-4.9	20.4	13.2	24.7	25.2	21.4	-2.0%	17.4%
<b>Materials</b>	<b>MAT</b>	<b>-0.3</b>	<b>1.5</b>	<b>21.8</b>	<b>-1.5</b>	<b>19.2</b>	<b>24.3</b>	<b>18.8</b>	<b>-21.1%</b>	<b>29.3%</b>
<b>Real Estate</b>	<b>REA</b>	<b>-0.8</b>	<b>0.5</b>	<b>5.9</b>	<b>-15.3</b>	<b>33.4</b>	<b>46.5</b>	<b>41.8</b>	<b>-28.0%</b>	<b>11.0%</b>
<b>Utilities</b>	<b>UTE</b>	<b>-0.7</b>	<b>1.5</b>	<b>2.7</b>	<b>-6.2</b>	<b>18.2</b>	<b>18.1</b>	<b>17.1</b>	<b>0.1%</b>	<b>6.1%</b>

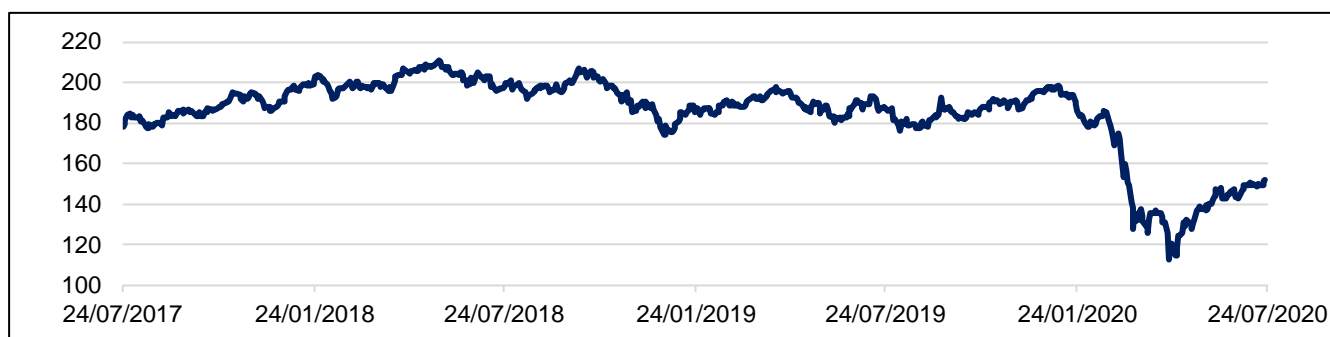
Source: MSCI, Refinitiv, THR

# GLOBAL FX, BONDS AND COMMODITIES

## DXY USD Index - 3 years



## CRB Major Commodity Index\* - 3 Years

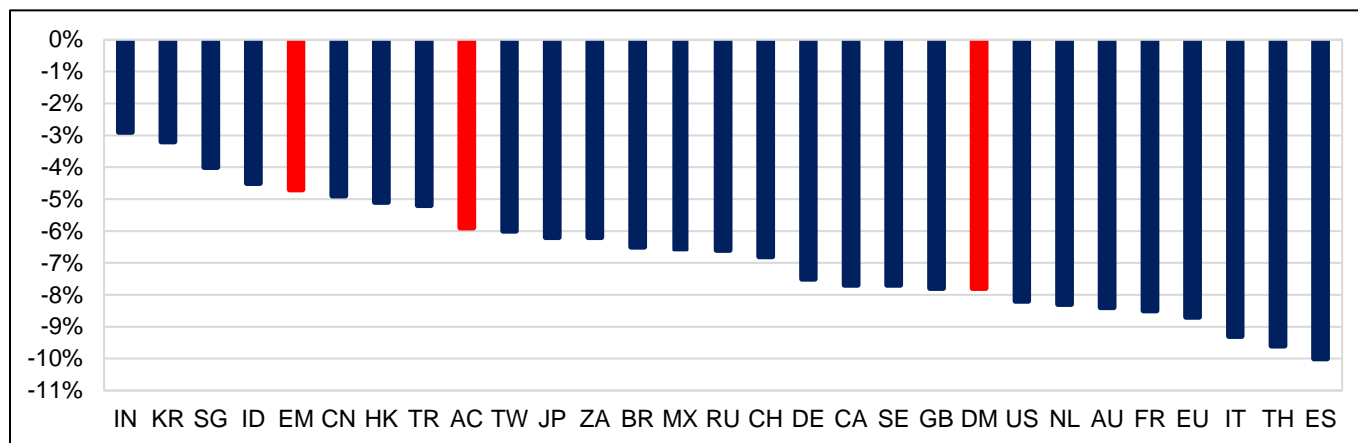


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
<b>Commodities</b>										
CRB Commodity Index	USD	2600.14	-0.2%	1.2%	6.4%	15.8%	-13.9%	5.5%	5.5%	-15.9%
Gold Spot	USD	1900.98	0.7%	5.1%	7.9%	10.0%	33.3%	6.8%	6.8%	25.3%
Copper Spot	USD	2.88	-1.5%	-0.2%	8.7%	22.7%	6.6%	6.2%	6.2%	3.1%
Brent Crude Spot	USD	43.73	-1.3%	-1.2%	5.3%	255.5%	-31.7%	2.9%	2.9%	-36.6%
CRB Agricultural Index	USD	4976.62	-0.2%	0.8%	6.8%	15.1%	-11.3%	6.5%	6.5%	-13.4%
<b>Currencies</b>										
DXY USD Index	USD	94.69	-0.3%	-1.6%	-2.8%	-5.9%	-3.4%	-3.0%	-3.0%	-2.0%
EUR/USD	USD	1.17	0.5%	2.0%	3.6%	7.7%	4.6%	3.8%	3.8%	4.0%
USD/JPY	JPY	106.12	-0.7%	-0.8%	-0.8%	-1.3%	-1.9%	-1.7%	-1.7%	-2.3%
GBP/USD	USD	1.28	0.4%	1.8%	3.0%	3.4%	2.5%	3.1%	3.1%	-3.5%
USD/CNY	CNY	7.01	0.2%	0.3%	-0.9%	-1.0%	2.1%	-0.7%	-0.7%	0.7%
<b>Bond Yields</b>										
DE 10Y BUND	EUR	-0.44	-7.9%	-1.8%	2.3%	-5.5%	17.2%	-3.5%	-3.5%	137.4%
GB 10Y GILT	GBP	0.15	16.9%	-11.6%	-22.9%	-50.3%	-78.6%	-15.7%	-15.7%	-82.4%
JP 10Y JGB	JPY	0.02	0.0%	14.3%	33.3%	-184.2%	-110.8%	-40.7%	-40.7%	-172.7%
US 10Y BILL	USD	0.59	1.2%	-6.2%	-13.9%	-1.2%	-71.3%	-9.8%	-9.8%	-69.2%
US 30Y BOND	USD	1.24	-0.9%	-6.8%	-14.3%	5.1%	-51.9%	-12.2%	-12.2%	-47.9%
US 10-2 BOND	-	0.44	1.2%	-7.6%	6.9%	29.8%	20.6%	-6.6%	-6.6%	21.3%
<b>Volatility</b>										
CBOE VIX Index	USD	26.08	-0.01	0.01	-0.24	-0.28	1.14	-0.15	-0.15	0.88

Source: Refinitiv, THR

# MACRO INDICATORS: HISTORIC AND FORECASTS

## Forecast Real GDP Growth 'Delta' (2020E % Growth – 2019)



Codes	Nominal GDP 2019 US\$trn	Real GDP (%)			Inflation (%)			Current Account (% GDP)			Gov Debt (% GDP)		
		2018	2019	2020E	2018	2019	2020E	2018	2019	2020E	2019	2020E	
<b>Americas</b>													
US	21.4	2.9	2.3	-5.9	2.4	1.8	0.6	-2.4	-2.5	-2.6	106	110	
Canada	1.7	1.9	1.5	-6.2	2.2	2.0	0.6	-2.6	-1.9	-3.7	88	83	
Brazil	1.9	1.1	1.2	-5.3	3.7	3.8	3.6	-0.8	-1.2	-1.8	92	95	
Mexico	1.3	2.0	0.0	-6.6	4.9	3.8	2.7	-1.8	-1.2	-0.3	54	55	
<b>Europe</b>													
Eurozone	18.3	2.2	1.2	-7.5	1.9	1.5	2.0	2.0	2.0	1.6	80	78	
Germany	3.9	1.5	0.5	-7.0	1.9	1.5	0.3	7.3	7.0	6.6	59	53	
UK	2.7	1.4	1.3	-6.5	2.5	1.8	1.2	-3.9	-3.5	-4.4	86	85	
France	2.7	1.7	1.3	-7.2	2.1	1.2	0.3	-0.6	-0.5	10.4	99	99	
Italy	2.0	0.9	0.2	-9.1	1.2	0.7	0.2	2.5	2.9	3.2	133	134	
Spain	1.4	2.6	2.0	-8.0	1.7	0.7	-0.3	0.9	0.9	2.2	96	94	
Netherlands	0.9	2.6	1.8	-6.5	1.6	2.5	0.5	10.9	9.8	9.0	49	46	
Switzerland	0.7	2.8	0.8	-6.0	0.9	0.6	-0.4	10.2	9.6	7.2	39	36	
Sweden	0.5	2.3	0.9	-6.8	2.0	1.7	0.5	1.7	2.9	2.2	37	34	
Russia	1.6	2.3	1.1	-5.5	2.9	4.7	3.1	6.8	5.7	0.7	17	18	
Turkey	0.7	2.8	0.2	-5.0	16.3	15.7	12.0	-3.5	-0.6	0.4	30	32	
<b>Asia</b>													
China	14.1	6.6	6.1	1.2	2.1	2.3	3.0	0.4	1.0	0.5	56	65	
Hong Kong	0.4	3.0	0.3	-4.8	2.4	3.0	2.0	4.3	5.5	6.0	0	0	
Japan	5.2	0.8	1.0	-5.2	1.0	1.0	0.2	3.5	3.3	1.7	238	238	
India	2.9	6.8	4.8	1.9	3.4	3.4	3.3	-2.1	-2.0	-0.6	69	68	
Korea	1.6	2.7	2.0	-1.2	1.5	0.5	0.3	4.4	3.2	4.9	40	46	
Australia	1.4	2.7	1.7	-6.7	2.0	1.6	1.4	-2.1	-0.3	-0.6	42	41	
Indonesia	1.1	5.2	5.0	0.5	3.2	3.2	2.9	-3.0	-2.9	-3.2	30	30	
Taiwan	0.6	2.6	2.0	-4.0	1.5	0.8	0.5	12.2	11.4	8.2	34	31	
Thailand	0.5	4.1	2.9	-6.7	1.1	0.9	-1.1	6.4	6.0	5.2	42	44	
Singapore	0.4	3.1	0.5	-3.5	0.4	0.7	-0.2	17.9	16.5	14.8	114	115	
<b>Other</b>													
South Africa	0.4	0.8	0.4	-5.8	4.6	4.4	2.4	-3.5	-3.1	0.2	60	68	
<b>World</b>													
Developed Markets	51.7	2.3	1.7	-6.1	2.0	1.5	0.5	0.7	0.6	0.1	103	104	
Emerging Markets	34.9	4.5	3.7	-1.0	4.8	4.7	4.6	0.0	0.0	-0.9	53	58	
World	86.6	3.6	2.9	-3.0	3.6	3.4	3.0						

Source: IMF, THR

# GLOBAL MACRO & FORECAST TABLES

Provides historic data, and consensus forecasts, for key macro-economic indicators in the major economies of US, Germany, and China. Forecasts highlighted in green and red indicate whether the latest change in the consensus forecast was an increase or decrease.

United States	Historic										Forecasts	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
<b>Production</b>												
Real GDP, Growth	2.6	1.6	2.2	1.8	2.5	2.9	1.6	2.4	2.9	2.3	-5.7	4.0
Industrial Production, Growth	5.5	3.1	3.0	2.0	3.1	-1.0	-1.9	2.3	3.9	0.8	-9.1	2.6
<b>Labour Markets and Income</b>												
Unemployment Rate	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.3	3.9	3.7	10.5	8.0
Average Earnings, Growth	1.9	2.0	1.9	2.1	2.1	2.2	2.6	2.6	3.0	3.3	2.8	2.4
<b>Prices</b>												
CPI	1.6	3.2	2.1	1.5	1.6	0.1	1.3	2.1	2.4	1.8	1.6	1.6
PCE, excluding energy	1.4	1.6	1.9	1.5	1.6	1.2	1.6	1.6	1.9	1.6	1.3	1.4
<b>Government</b>												
Budget Balance, Growth	-0.2	-0.2	0.0	-0.9	-0.2	0.0	0.2	0.1	0.2	0.1	0.6	-0.4
Current Account, % of GDP	-2.9	-2.9	-2.6	-2.1	-2.1	-2.2	-2.3	-2.3	-2.4	-2.5	-2.2	-2.4

Germany	Historic										Forecasts	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
<b>Production</b>												
Real GDP, Growth	4.2	3.9	0.4	0.4	2.2	1.7	2.2	2.5	1.5	0.6	-5.3	4.4
Industrial Production, Growth	11.6	8.8	-0.6	0.3	1.9	0.4	1.4	3.6	1.2	-4.5	-7.0	5.9
<b>Labour Markets and Income</b>												
Unemployment Rate	7.6	7.1	6.8	6.9	6.7	6.4	6.1	5.7	5.2	5.0	5.4	5.2
<b>Prices</b>												
CPI	1.1	2.1	2.0	1.5	1.0	0.2	0.4	1.7	2.0	1.4	0.8	1.4
<b>Government</b>												
Current Account, % of GDP	5.7	6.2	7.1	6.6	7.2	8.6	8.5	8.1	7.3	7.0	6.5	6.4

China	Historic										Forecasts	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
<b>Production</b>												
Real GDP, Growth	9.9	8.8	8.1	7.7	7.3	6.9	6.9	6.8	6.5	6.0	1.8	8.2
<b>Prices</b>												
CPI	3.5	5.5	2.6	2.7	2.0	1.4	2.0	1.5	2.1	2.8	3.3	2.3
<b>Government</b>												
Current Account, % of GDP	3.9	1.8	2.5	1.5	2.2	2.7	1.8	1.6	0.4	1.0	0.5	0.8

Source: Refinitiv, THR

## TOWER HUDSON ‘EYE’: HOW IT WORKS

The ‘eye’ methodology helps identify relative buy and sell signals for countries, regions and US sectors, by comparing market sentiment vs fundamentals, with a valuation overlay. The more out-of-favor, with better relative fundamentals the better.

We compare: 1) **sentiment**: to understand whether markets are optimistic or pessimistic, and 2) **fundamentals**: focusing on earnings and business cycle fundamentals and price momentum. The output is also color-coded with a valuation overlay. This combines to give a relative allocation view

### How to read the quadrants

**Top left – Pessimistic sentiment/Positive fundamentals:** The best place to be. Market expectations are low, but fundamentals are relatively good. As sentiment catches up to the better fundamentals, assets may outperform.

**Top right – Optimistic sentiment/Positive fundamentals:** The 2<sup>nd</sup> best place to be. The fundamentals are good, but so is market sentiment. This is a momentum quadrant that may deliver outperformance, but investors must be sensitive to relative fundamentals easing.

**Bottom right – Optimistic sentiment/Negative fundamentals:** Worst place to be. Fundamentals are poor but sentiment still positive. As sentiment catches up, assets may underperform.

**Bottom left – Negative sentiment/Negative fundamentals:** The second worst place to be. Can be a ‘value trap’. Fundamentals are weak but sentiment is equally subdued. Investors need to be sensitive to any improvement in relative fundamentals, that can lead to a move up and rerating.

Sentiment	Indicator
Buy-side	Net ETF and Mutual Fund Flows vs average
Sell-side	Sell-side recommendation consensus score (RCS)
Re-rating/De-rating	Trailing P/E ratio vs average

Fundamentals	
Earnings revisions	Rolling earnings revisions ratio
Price momentum	Change in trailing P/E ratio
Business cycle	Correlation to this business cycle stage (rising, neutral, falling)

Overlay	
Valuation	Average of P/E, P/BV, and P/CF vs history



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