

EYE ON THE WORLD

Explaining the SPAC IPO boom

Thursday July 30

Markets up yesterday on dovish FOMC, and ahead of big-tech earnings. Headline grabbing -34% US GDP report and weekly jobless claims stall today to pressure Congress for stimulus deal. **HOT TOPICS** analyses boom in Special purpose acquisition companies (SPACs). Are 60% US IPO activity vs unknown few years ago, and brought Virgin Galactic, Draftkings, Nikola public in a quicker and cheaper alternative to traditional IPO. They have unique structures, which can be high cost, but also offer investor downside protections and tradability.

FOMC dovish outlook boosted markets, with tech rallying through top CEO's Congress testimony and ahead of earnings today. 40% S&P 500 now reported Q2, with average 13% 'beat' and 80% above expectations. US Q2 historic weak GDP report today combined with likely rise in weekly new jobless claims to increase pressure on Congress for stimulus deal. US **rolling-average new daily virus cases c20% below recent 70k peak**. Asian markets rose, but Europe lower on poor results and

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3218.4	1.2%	-0.5%	0.9%
ACWI xUS	45.7	1.2%	0.8%	-5.7%
DXY USD	93.5	-0.3%	-1.6%	-3.0%
US 10Y YLD	0.58	0.0%	-2.4%	-69.6%
Brent Spot	44.2	1.1%	1.2%	-35.9%
Gold Spot	1970.4	0.6%	5.3%	29.9%

lower-than-expected -10% Q2 German GDP, with US futures down. USD at two-year low.

Fed reassures but focus Congress. FOMC made no policy changes, as expected, but reiterated will use all available policy tools to

Big 4 US Tech Results today

Name	Idx Wt %	US\$ EPSe	YoY	% Chg
Alphabet	3.3%	8.21	14.21	-42%
Amazon	4.7%	1.46	5.22	-72%
Apple	5.7%	2.04	2.18	-6%
Facebook	2.1%	1.39	1.99	-30%
	15.8%			-38%

Source: Refinitiv, S&P, THR

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on [SPACs](#). Are now 60% US IPO activity and brought Virgin Galactic, Draftkings Nikola public in alternative to traditional IPO. But have unique structures, with pros and cons.
- **What to watch**: Big tech names report AMC. US Q2 GDPe -34% qoq. Jobless claims 1.45m
- **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	3218.4	1.2%	-0.5%	0.9%
NASDAQ	10663.0	1.4%	-1.5%	17.5%
Russell 2000	1500.6	2.1%	0.7%	-10.1%
US IT	393.5	1.6%	-1.9%	18.8%
US Healthcare	374.7	1.0%	-0.2%	6.7%
US Financials	156.3	2.0%	1.5%	-20.4%

support economy. Said recovery lost momentum and path tied to virus. Policy framework review, with yield curve control and average inflation target possibilities, coming in 'near future'. Focus remains on Phase 4 fiscal negotiations on US\$1trn republican proposal. Sec. Mnuchin said parties 'far apart', even with extra unemployment payments ending Friday. **Ultimately, expect a larger deal** given consensus on need and several of programs, along with election and Republican state virus impacts. Is one of our four upside catalysts for Q3. See July 1 *Upside risks for Q3*.

Q2 GDP headline-grabber and jobs stall. Q2 US GDP forecast contracting 34% annualized qoq, after 5% fall in Q1, and three times next largest fall of 10% in 1958, with consumer spending and business investment leading weakness. Weekly new jobless claims also due, seen rising to 1.45m from 1.4m last week, with continuing claims up to 16.2m, as jobs recovery shows further stalling. Both likely to **add to fiscal stimulus pressure on politicians**.

Tech earnings focus after Congress relief. FAANGM's rallied through Alphabet, Amazon,

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	93.5	-0.3%	-1.6%	-3.0%
EUR/USD	1.18	0.6%	1.9%	5.2%
US 10Y YLD	0.58	0.0%	-2.4%	-69.6%
US 10-2 BOND	0.45	9.8%	9.9%	22.2%
CBOE VIX Index	24.1	-5.3%	-1%	75%
CRB Index	2634.7	0.8%	1.5%	-14.6%

Events to Watch

Indicator	Period	Forecast	Last
Retail Sales YY, Japan	June	-5.71	-12.30
GDP YY, Germany	Q2	-10.85	-2.30
Consumer Confidence, Euro	July	-14.99	-15.00
Unemployment Rate, Euro	June	7.73	7.40
Initial Jobless Claims, US	w/e 25/06	1.45 M	1.42 M

Apple, Facebook CEO Congress 6-hr testimony, as were **relatively unscathed from questioning** focused on their use of market power. Committee to complete report on updating federal antitrust rules next month. Focus today on there Q2 reports, with these four 16% of S&P 500, main drivers of YTD outperformance, and average 38% yoy EPS fall forecast.

Sector View

S&P 500 led up by cyclicals, with energy (+2.1%) and financials (+2.0%), while defensives staples (+0.1%) and utilities (+0.4%) lagged. Small caps Russell 2000 outperformed, up 2.1%, and **we are positive**. See 14th July *The key small cap differences*.

What to Watch

Housing resilience. National Association of Realtors said Pending Home Sales Index rose 16.6% in June, and now highest since 2006, in further evidence of housing resilience, on household deleveraging and historic low mortgage rates. See 17th June *No housing déjà vu*.

Big tech Q2 (see front table), after close: Apple forecast to be impacted by pullback in consumer spending and store closures. Amazon e-commerce revenue rise to be offset by cUS\$4bn extra virus costs. Alphabet and Facebook hit by weaker ad spending. Focus for all will be outlook for consumer and ad spending recovery, and further extra virus costs. **We are overweight** IT and Communications sectors. See [Page 6](#).

HOT TOPICS

EXPLAINING THE SPAC IPO BOOM

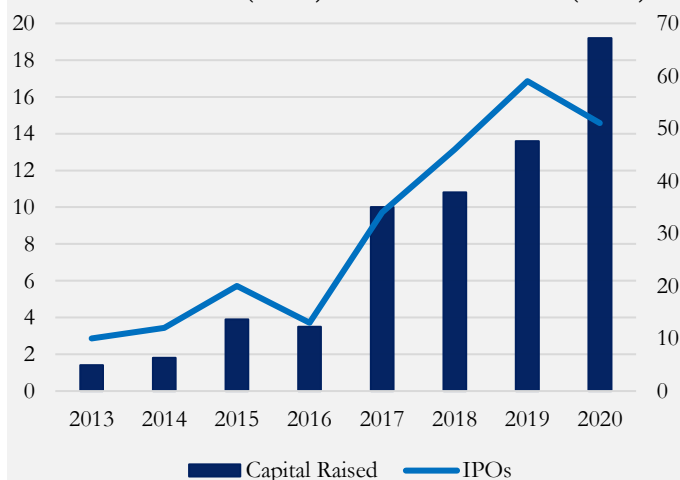
Special purpose acquisition companies (SPACs) have quickly moved from a near-unknown investment backwater to being 60% of US IPO's this year, with high quality sponsors, bigger offerings, and bringing co's such as Virgin Galactic, Draftkings and Nikola public in a potentially quicker and cheaper alternative to a traditional IPO. They have unique structures, which can be high cost, but also offer downside protections and tradability.

SPACs surge to 60% of US IPO market

SPACs (Special Purpose Acquisition Company's) interest is surging in US as both an investment and capital raising alternative. What used to be a financial backwater has become a legitimate alternative to a traditional IPO for many. 2019 was already a record year for SPAC issuance, but 2020 is set to be dramatically higher, with cUS\$19bn of capital raised so-far this year, and the number accounting for 60% of total US IPO activity YTD (see chart).

Recent SPAC's have been led by high profile sponsors such as Bill Ackman, Michael Klein, and Dan Loeb, and seen companies such as Draftkings, Virgin Galactic, Nikola, Fisker, and MultiPlan all come to the equity market.

US SPAC IPOs (RHS) & US\$bn Raised (LHS)



Source: SPAC Research, THR

The unique SPAC structure

Don't know the acquisition: Special purpose acquisition companies are investment vehicles that raise money through an IPO to specifically merge with another company. They are often referred to as “blank cheque” companies or “lucky dip” deals, as investors fund the SPACs without knowing the ultimate target.

Quicker and easier: SPACs IPOs have the advantage of being relatively quick and cheap to execute vs a traditional IPO, with a lower underwriting fee and quicker time-to-market. Investors get shares of common stock and of warrants, which trade separately in the market. IPO proceeds are held in trust, and management not allowed to use until they close a deal. Management are instead allocated founder shares, typically 20% of shares, after completion of the IPO.

Time-limit to find a deal: Management has a predetermined time after IPO, usually two years, to complete a transaction. If not successful, they return the cash to shareholders. Once an acquisition been announced, a shareholder vote or a tender offer process takes place and investors have the option to return their shares in exchange for an amount of cash that is typically equal to the IPO price. Post-deal merged company takes name of acquired.

Some Advantages

Alignment of interests: The SPAC structure aligns interests between management and investors, as the management pay off depends on successful closure of deal, while investors get option to participate in an acquisition. Investors get exposure to a private equity type strategy without some of its disadvantages, notably liquidity, long term commitment and fees.

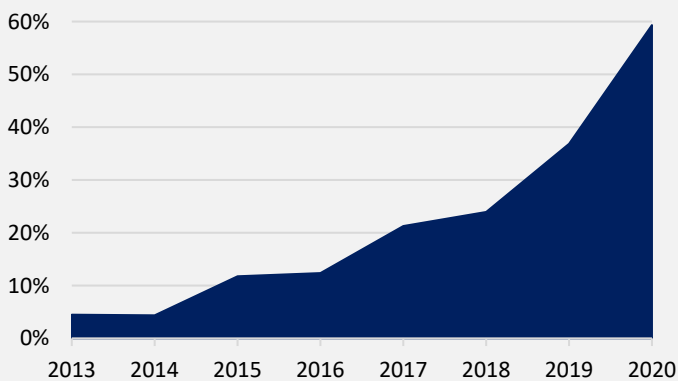
Advantages for targets: SPACs can be a less burdensome alternatives to a traditional IPO for an unlisted company. Once deal is closed, the SPAC takes the identity of acquired co.

Some Disadvantages

Idiosyncratic structures and potential expense: SPACs are often tailor-made, and terms differ. They might be set up so that managements can still profit even if proposed acquisition is not value enhancing. Managements typically pay only a nominal amount for the 20% founder stake, making it potentially expensive and dilutive. However, if investors think a deal is poor, they can redeem their shares. An [Oxford University study](#) highlighted that simply observing SPAC's market price action on day of acquisition announcement is helpful in avoiding bad deals.

Historically poor reputation: SPAC's had a bad reputation historically for high fees and steep dilution that has since improved given tighter

SPAC IPO's % of US Total



Source: SPAC Research, Renaissance, THR

SPAC's announced acquisition (ARR %)

Name	Symbol	IPO	ROI	ARR
B Riley Principal Mgr Corp II	BMRG	May-20	17.4%	13054%
Tortoise Acquisition Corp	SHLL	Mar-19	199.1%	139%
Landcadia Holdings II	LCA	May-19	57.7%	53%
Forum Merger II Corp	FMCI	Aug-18	112.9%	51%
Insurance Acquisition Corp	INSU	Mar-19	42.6%	34%

Source: SPAC Research, THR

SEC regulation and oversight and a greater institutionalization of both SPAC sponsors and IPO underwriters.

Drivers of target availability

The current environment is benefiting the growth of SPACs, given that:

- 1) Many target companies are facing increased difficulty in pursuing their own IPO's given tougher market conditions.
- 2) There is significant private company availability given the surge in private equity and venture capital funding's the last decade.
- 3) With potentially more realistic valuation objectives given market crash and recession and select 2019 tech IPO disappointments.

Drivers of investor demand

Investor interest has been driven by:

- 1) *Performance:* Select SPAC performance has been strong, both amongst those with an announced acquisition and even amongst those seeing targets (see tables), and this has helped spark investor interest in the segment.
- 2) *Downside protection:* Investors are also attracted by the unique SPAC investment structure, with cash support into a deal, the redemption option, and trading opportunities of the separate stock and warrant structure.

SPAC's seeking target (ARR %)

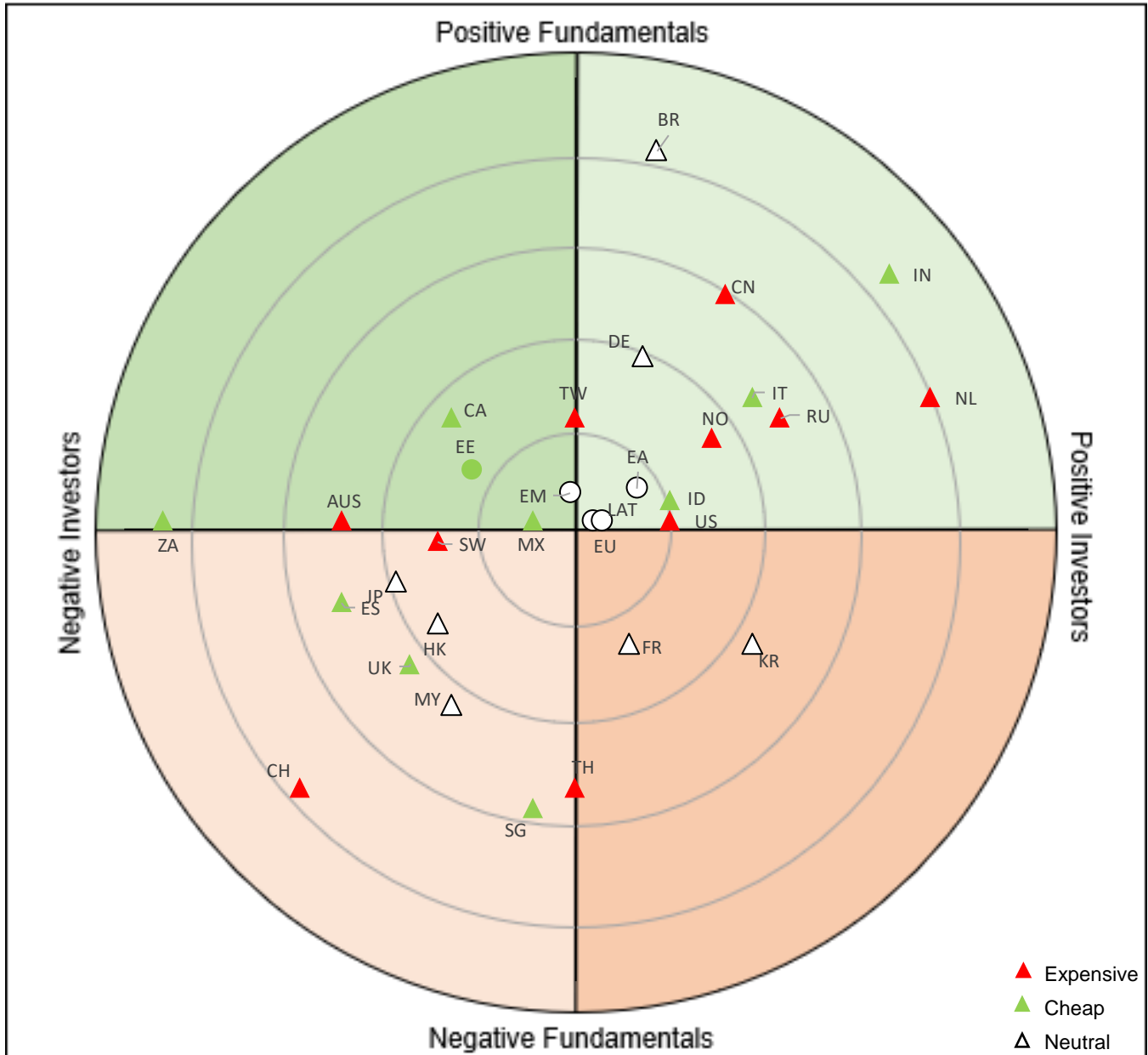
Name	Symbol	IPO	ROI	ARR
Social Cap Hedosophia II	IPOB	Apr-20	28.3%	1355%
Social Cap Hedosophia III	IPOC	Apr-20	19.5%	409%
Novus Capital Corp	NOVS	May-20	5.7%	229%
Flying Eagle Acquisition	FEAC	Apr-20	17.9%	99%
Chardan Healthcare Acq. 2	CHAQ	Apr-20	7.3%	98%

Source: SPAC Research, 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



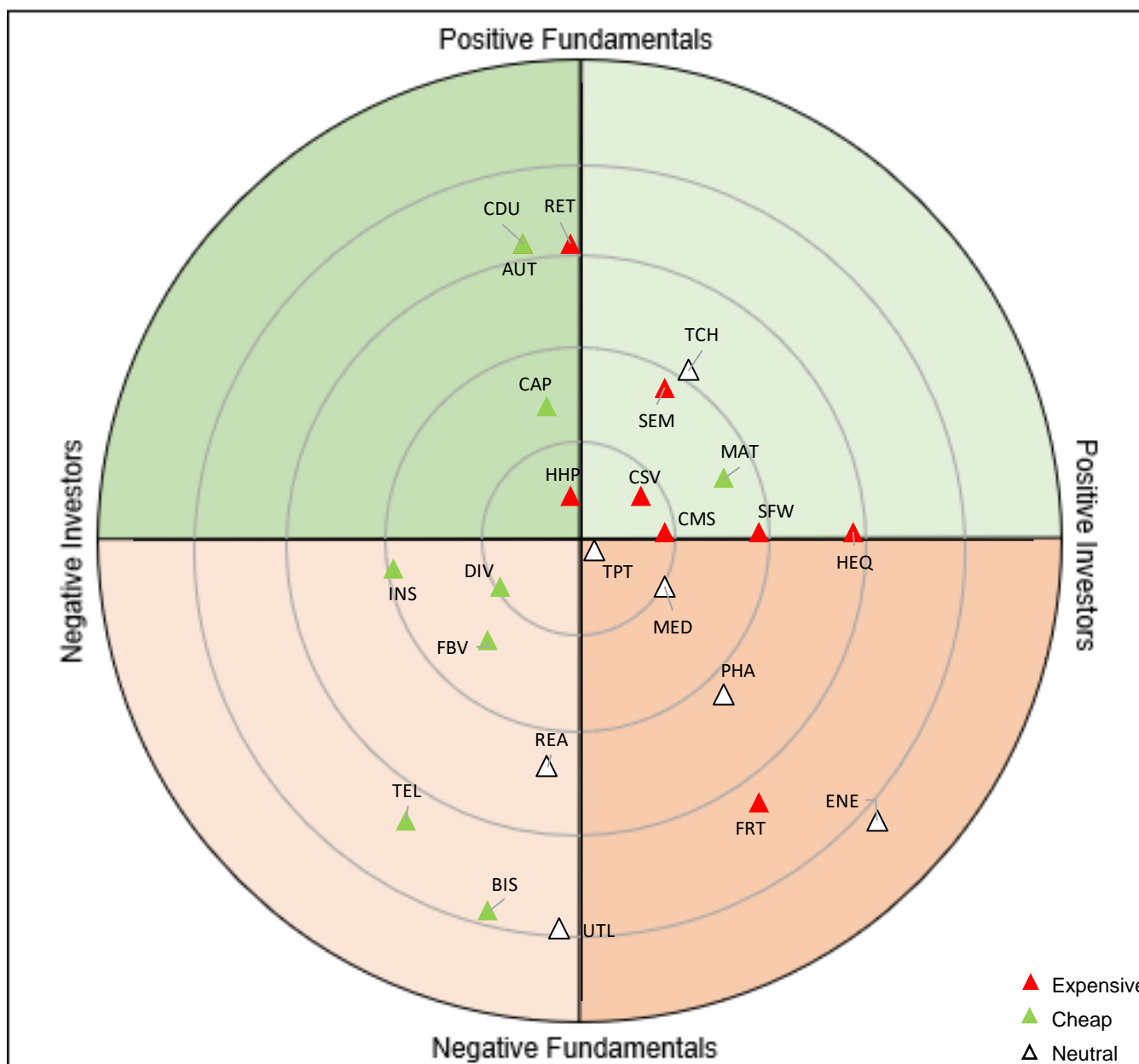
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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 Equipt. & Svcs, HHP=Household & Personal Products, INS=Insurance, MAT=Materials, MED=Media & Entertainment, PHA=Pharma, Bio & Life Svcs, REA=Real Estate, RET=Retailing, SEM=Semiconductors & Equipt, SFW=Software and Svcs, TCH=Technology Hardware & Equipt, TEL=Telecoms TPT=Transport, UTL=Utilities

'EYE' ALLOCATION BREAKDOWN

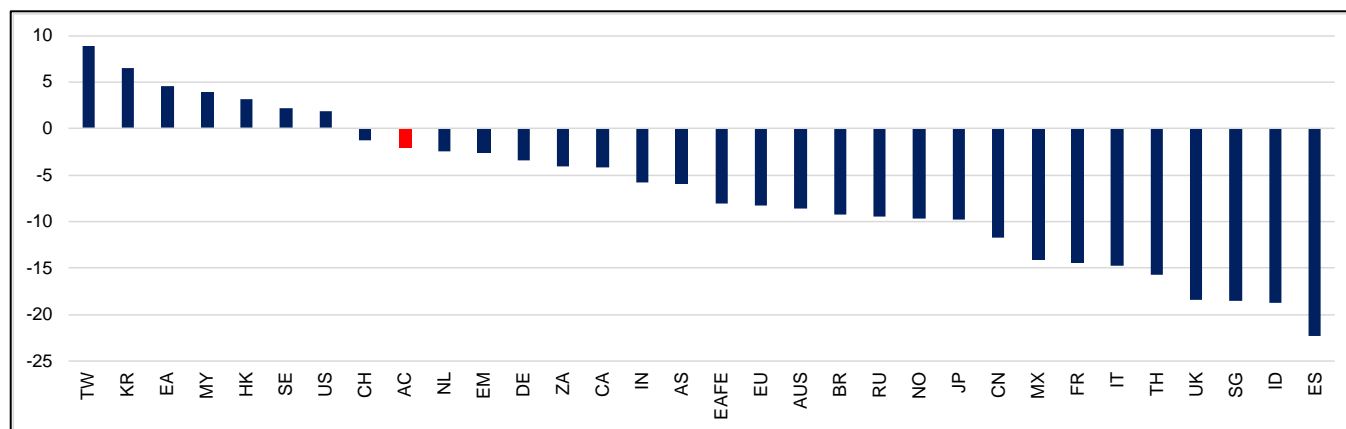
Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): Remains a global equity 'safer haven' despite currently centre of COVID outbreak. Has relatively closed economy and stock market, trend GDP growth into crisis, and seen unprecedented policy response, 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
	Emerging Markets (Neutral): 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
	Eurozone (Neutral): 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
	Japan (Underweight): 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
	UK (Underweight): 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
	Information Technology (Overweight): 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
	Healthcare (Overweight): 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
	Financials (Underweight): 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
	Communications (Overweight): 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
	Consumer Discretionary (Neutral): 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

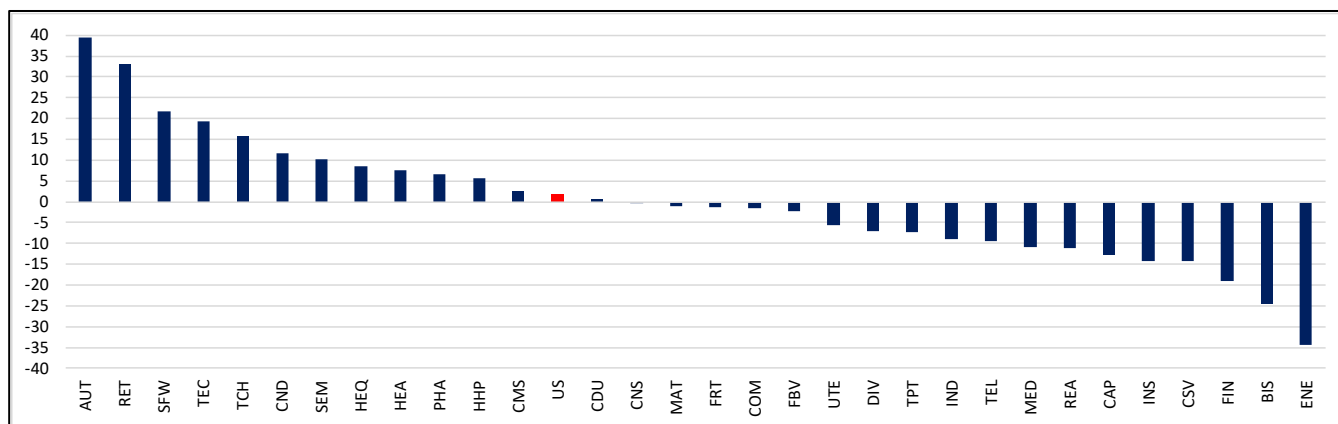


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	0.8	1.2	16.5	-2.0	17.8	21.7	17.0	-18.1%	27.8%
EAFE	EAFE	-0.1	0.7	14.5	-8.1	15.5	19.0	14.9	-18.4%	27.2%
Europe	EU	0.3	1.3	15.9	-8.3	14.4	19.9	15.1	-27.7%	31.6%
Asia	AS	-0.4	0.5	12.8	-5.9	16.9	16.3	13.2	4.0%	23.4%
Emerging Global Markets	EM	0.4	2.5	18.5	-2.5	14.5	15.3	12.1	-5.4%	26.9%
Emerging Asia	EA	0.4	2.5	18.1	4.5	16.0	15.7	12.7	1.6%	24.0%
Australia	AUS	-0.2	-0.7	10.3	-8.6	15.5	18.5	19.0	-16.0%	-2.6%
Brazil	BR	1.5	1.4	25.9	-9.2	12.0	20.8	11.6	-42.2%	78.7%
Canada	CA	1.0	0.7	7.5	-4.2	13.9	21.3	15.4	-34.9%	39.0%
China	CN	0.7	-1.4	0.6	-11.7	14.8	14.7	12.2	1.1%	19.9%
France	FR	0.6	-1.5	8.1	-14.4	14.0	20.5	14.8	-31.8%	38.9%
Germany	DE	0.1	-2.2	15.0	-3.5	15.4	20.3	14.1	-24.3%	43.9%
Hong Kong	HK	0.5	-1.6	12.6	3.2	13.9	16.6	13.2	-16.5%	26.0%
India	IN	-0.5	0.5	14.6	-5.8	20.8	21.6	16.3	-3.3%	32.0%
Indonesia	ID	-0.4	-0.5	13.2	-18.8	13.6	15.7	13.2	-13.1%	19.3%
Italy	IT	0.0	-3.2	12.2	-14.7	10.4	19.2	13.0	-46.0%	47.5%
Japan	JP	-1.3	-2.2	5.3	-9.8	19.4	17.0	13.9	14.1%	22.5%
Korea	KR	0.3	2.6	18.1	6.6	16.8	14.3	10.0	18.1%	42.6%
Malaysia	MY	0.0	0.1	19.4	3.9	17.0	20.5	17.3	-16.8%	18.1%
Mexico	MX	0.1	0.5	3.0	-14.1	14.8	16.1	12.4	-8.5%	29.5%
Netherlands	NL	-0.6	-1.5	13.0	-2.5	19.8	21.7	18.4	-8.9%	18.0%
Norway	NO	0.3	-0.9	10.0	-9.7	13.0	21.6	14.5	-39.6%	48.7%
Russia	RU	0.9	2.0	8.7	-9.5	5.7	9.1	6.7	-36.7%	35.6%
Singapore	SG	-0.2	-3.0	-0.6	-18.5	11.7	15.1	12.8	-22.9%	18.3%
South Africa	ZA	0.4	1.8	14.0	-4.1	14.2	12.9	10.3	9.5%	25.4%
Spain	ES	-0.7	-2.7	3.5	-22.3	10.9	16.4	12.8	-33.7%	28.2%
Sweden	SE	0.6	-1.2	13.3	2.2	15.6	22.1	16.8	-29.4%	32.0%
Switzerland	CH	0.0	-1.7	4.3	-1.3	18.9	20.4	17.6	-7.7%	15.7%
Taiwan	TW	-0.4	2.7	18.9	8.9	17.4	16.9	14.7	2.6%	15.5%
Thailand	TH	-0.3	-1.9	3.0	-15.7	15.5	20.5	16.6	-24.5%	23.6%
United Kingdom	UK	0.0	-1.2	0.5	-18.5	11.5	17.8	13.4	-35.6%	32.7%
United States	US	1.4	-0.4	12.3	1.9	20.4	25.7	20.1	-20.3%	27.8%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

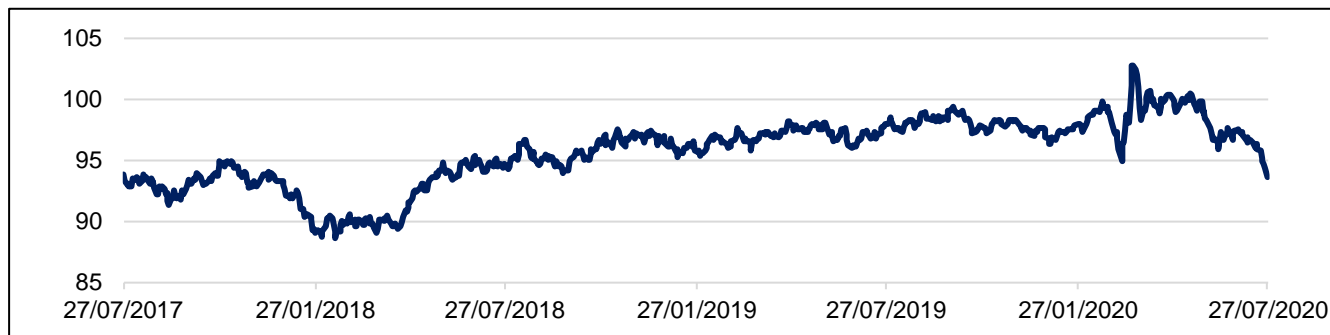


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	1.4	-0.4	12.3	1.9	20.9	26.1	20.5	-20.0%	27.6%
Communications	COM	1.4	0.0	7.8	-1.5	22.5	26.8	21.4	-15.9%	25.1%
Media & Entertainment	MED	0.6	0.0	8.3	-10.9	28.7	36.3	26.2	-21.0%	38.7%
Telecommunication Svcs	TEL	0.0	0.7	-0.7	-9.4	11.1	11.9	11.4	-6.4%	3.8%
Consumer Discretionary	CND	1.3	-0.6	19.4	11.6	32.8	64.4	32.7	-49.1%	97.1%
Autos & Components	AUT	1.2	-2.3	46.4	39.4	20.8	NA	26.4	-112.8%	712.6%
Consumer Durables & App	CDU	2.2	2.0	24.2	0.6	23.8	26.4	20.9	-9.8%	26.6%
Consumer Svcs	CSV	1.2	-0.4	7.0	-14.2	19.9	351.1	30.3	-94.3%	1058.5%
Retailing	RET	1.1	-1.0	22.9	33.1	43.2	56.1	37.1	-23.0%	51.5%
Consumer Staples	CNS	0.3	1.3	7.3	0.0	20.4	20.8	19.2	-2.1%	8.4%
Food & Staples Retailing	FRT	-0.1	-0.9	4.3	-1.4	21.5	22.1	20.7	-2.6%	6.8%
Food, Bev & Tobacco	FBV	0.4	1.5	6.5	-2.3	17.6	18.6	16.9	-5.0%	10.0%
Household Products	HHP	0.4	2.1	10.8	5.5	26.8	24.7	23.5	8.4%	4.9%
Energy	ENE	2.1	0.7	0.4	-34.4	13.3	NA	31.5	-101.7%	2638.9%
Financials	FIN	2.0	1.5	5.2	-19.0	10.6	16.7	12.1	-36.7%	38.8%
Banks	BIS	2.3	1.0	2.5	-24.6	7.7	17.3	10.4	-55.2%	66.7%
Diversified Financials	DIV	1.5	0.3	9.6	-7.0	14.4	19.1	15.0	-24.9%	27.8%
Insurance	INS	1.4	0.6	7.6	-14.2	10.9	12.6	10.4	-13.1%	20.7%
Health Care	HEA	1.0	-0.2	8.3	7.6	18.9	18.9	16.0	-0.2%	18.1%
Health Care Equipment	HEQ	2.3	1.3	11.8	8.6	29.6	35.4	25.8	-16.5%	37.1%
Pharmaceuticals	PHA	-0.4	-1.8	4.8	6.6	15.5	15.3	13.3	1.2%	14.9%
Industrials	IND	1.7	0.2	11.0	-8.9	18.5	26.2	19.2	-29.1%	35.9%
Capital Goods	CAP	1.2	-0.1	10.6	-12.9	16.1	23.7	18.0	-32.3%	32.0%
Commercial & Prof Svcs	CMS	2.7	0.8	12.8	2.4	29.7	33.0	28.4	-10.1%	16.2%
Transportation	TPT	2.2	0.7	14.2	-7.2	25.1	32.9	20.0	-23.8%	65.0%
Information Technology	TEC	1.6	-1.9	18.5	19.4	29.4	29.4	25.3	0.0%	16.3%
Semiconductors	SEM	1.7	-3.4	10.1	10.3	20.3	21.6	18.2	-6.0%	18.8%
Software & Svcs	SFW	1.4	-1.6	18.0	21.6	38.3	36.4	31.9	5.0%	14.3%
Technology Hardware	TCH	1.8	-2.3	19.6	15.6	24.7	25.2	21.4	-2.0%	17.4%
Materials	MAT	1.1	-0.1	16.4	-1.1	19.2	24.3	18.8	-21.1%	29.3%
Real Estate	REA	1.9	3.4	8.2	-11.2	33.4	46.5	41.8	-28.0%	11.0%
Utilities	UTE	0.5	0.1	3.7	-5.5	18.2	18.1	17.1	0.1%	6.1%

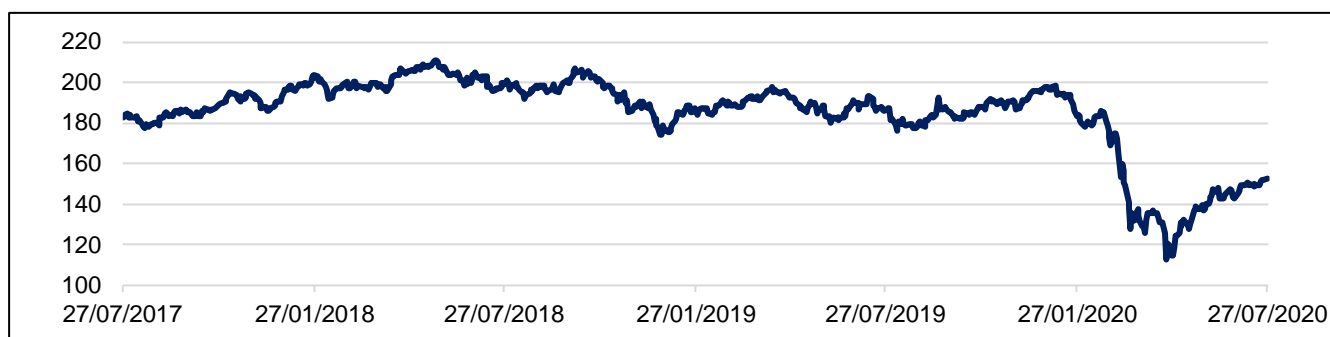
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

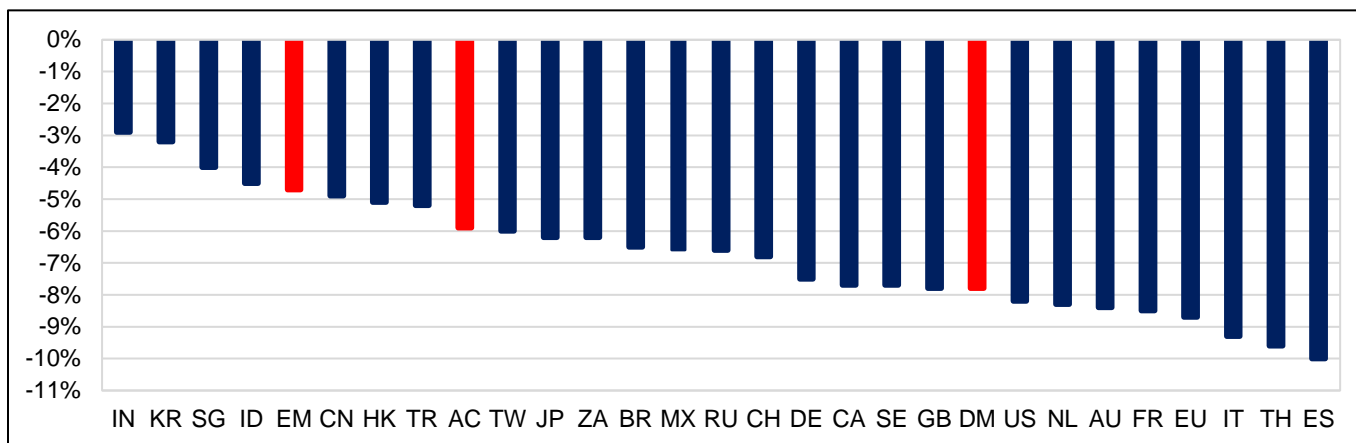


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2634.68	0.8%	1.5%	8.3%	10.4%	-11.5%	7.2%	7.2%	-14.6%
Gold Spot	USD	1970.37	0.6%	5.3%	11.2%	15.1%	38.1%	10.7%	10.7%	29.9%
Copper Spot	USD	2.91	0.0%	-0.1%	8.4%	22.4%	7.2%	7.1%	7.1%	4.0%
Brent Crude Spot	USD	44.21	1.1%	1.2%	5.0%	212.9%	-28.2%	4.0%	4.0%	-35.9%
CRB Agricultural Index	USD	5038.40	1.2%	2.0%	8.9%	11.7%	-9.2%	8.1%	8.1%	-12.1%
Currencies										
DXY USD Index	USD	93.45	-0.3%	-1.6%	-4.2%	-6.1%	-4.7%	-4.0%	-4.0%	-3.0%
EUR/USD	USD	1.18	0.6%	1.9%	4.9%	8.4%	5.8%	5.0%	5.0%	5.2%
USD/JPY	JPY	104.91	-0.2%	-2.1%	-2.5%	-1.7%	-3.5%	-2.8%	-2.8%	-3.4%
GBP/USD	USD	1.30	0.5%	2.1%	5.7%	4.3%	6.4%	4.8%	4.8%	-2.0%
USD/CNY	CNY	7.00	0.0%	0.0%	-1.1%	-1.0%	1.6%	-0.9%	-0.9%	0.6%
Bond Yields										
DE 10Y BUND	EUR	-0.50	-2.3%	1.2%	5.9%	3.1%	27.6%	8.5%	8.5%	166.8%
GB 10Y GILT	GBP	0.12	9.1%	-1.6%	-26.4%	-57.9%	-81.6%	-30.2%	-30.2%	-85.5%
JP 10Y JGB	JPY	0.02	-9.5%	18.8%	72.7%	-145.2%	-113.2%	-29.6%	-29.6%	-186.4%
US 10Y BILL	USD	0.58	0.0%	-2.4%	-8.6%	-7.3%	-71.7%	-11.0%	-11.0%	-69.6%
US 30Y BOND	USD	1.24	1.7%	-3.6%	-10.5%	0.1%	-51.8%	-11.8%	-11.8%	-47.7%
US 10-2 BOND	-	0.45	9.8%	9.9%	10.7%	27.8%	21.3%	5.2%	5.2%	22.2%
Volatility										
CBOE VIX Index	USD	24.10	-0.05	-0.01	-0.24	-0.23	0.88	-0.21	-0.21	0.75

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	
Americas													
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	
Europe													
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	
Asia													
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	
Other													
South Africa	0.4	0.8	0.4	-5.8	4.6	4.4	2.4	-3.5	-3.1	0.2	60	68	
World													
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
Production												
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
Labour Markets and Income												
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
Prices												
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
Government												
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
Production												
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
Labour Markets and Income												
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
Prices												
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
Government												
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
Production												
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
Prices												
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
Government												
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 2nd 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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