

EYE ON THE WORLD

The global earnings gap

Tuesday, July 21

Tech rebounded strongly as sentiment boosted by triple-result vaccine progress and EU recovery fund deal. US fiscal cliff negotiations next catalyst. **HOT TOPICS** highlights huge global earnings gap into Q2. North Asia/US among least bad and revisions turned positive, whilst Europe/LatAm lagging and revisions still negative. Sector dispersion dramatic, with cyclicals (1/3 index) EPS halving vs quality growth (c2/3 index) <15%. We are overweight US/China and Quality Growth focused.

Global equities surged, with NASDAQ hitting new record, as three vaccine candidates posted encouraging results, the since-announced EU fiscal deal negotiations progressed, and with 77% of US earnings beating consensus so far with IBM and Halliburton the latest yesterday. Focus now on US **'Phase 5' US\$1trn+ stimulus negotiations** to avert month-end 'fiscal cliff', with Treasury Sec Mnuchin saying will focus on reopening schools, improving hiring, and funding vaccines. Asia rose overnight, and Europe and US futures up today.

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3224.7	0.8%	3.1%	0.7%
ACWI xUS	45.7	0.7%	2.4%	-7.0%
DXY USD	95.8	-0.1%	-0.7%	-0.6%
US 10Y YLD	0.62	-1.3%	-3.1%	-67.5%
Brent Spot	43.6	-1.6%	-1.3%	-36.8%
Gold Spot	1815.4	0.4%	0.7%	19.7%

Historic EU deal: 27 European Union leaders reached "historic" deal on €750bn recovery stimulus plan after marathon five-day meeting. Compromise that €390bn to be distributed as

COVID Vaccine Clinical Trials

FARTHEST ALONG*	CLINICAL PHASE
Univ. of Oxford/AstraZeneca	III
Wuhan Inst./Sinopharm	III
Sinovac/Instituto Butantan	II
Moderna	II
CanSino Biologics	II
Beijing Inst./Sinopharm	II
Inst. of Medical Biology	II
BioNTech/Fosun/Pfizer	I/II
Imperial College London	I/II
Novavax	I/II

Source: Milken Institute, THR

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on [Global Earnings](#). North Asia/US among least bad and revisions turned positive, whilst Europe/LatAm lagging and revisions still negative. Sector dispersion is dramatic.
- **What to watch:** Five top vaccine makers testifying to Congress. US Q2 with 77% beats so far
- **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	3224.7	0.8%	3.1%	0.7%
NASDAQ	10952.1	2.5%	3.6%	20.0%
Russell 2000	1468.0	-0.4%	4.6%	-12.0%
US IT	398.5	2.7%	3.6%	21.7%
US Healthcare	376.9	0.1%	4.8%	6.4%
US Financials	154.9	-0.7%	1.2%	-23.2%

grants and €360bn in loans, with **1/3 earmarked for green projects**. ‘Frugal’ nation holdouts to get increased budget rebates. Is significant symbolic fiscal integration move, with funds raised against EU’s AAA credit rating. Deal needs approval by individual parliaments. We see as underpinning growth recovery and supporting peripheral bond spreads, and **our European Financials overweight**, but Euro already at 4-month high. See July 15th *Europe Hamilton moment*.

Triple vaccine progress: Positive early trial data from three leading potential vaccines released yesterday: Oxford/Astra Zeneca, CanSino Biologics, and BioNTech/Pfizer. All generated immune responses and considered safe to use. Focus now shifts to larger and later-stage trials, with first candidate ready for mass production as early as September. Followed last week positive Moderna trial result. Four are among ten most advanced (see front chart) of 23 vaccine trials underway, and broader **197 in development globally. Results a key market catalyst**.

Mixed US cases: US reported 60k new virus cases yesterday, 26% of 229k global new cases.

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	95.8	-0.1%	-0.7%	-0.6%
EUR/USD	1.14	0.2%	0.9%	2.1%
US 10Y YLD	0.62	-1.3%	-3.1%	-67.5%
US 10-2 BOND	0.47	-2.6%	3.2%	22.9%
CBOE VIX Index	24.5	-4.8%	-24%	78%
CRB Index	2553.0	-0.5%	3.0%	-17.2%

Events to Watch

Indicator	Period	Forecast	Last
CPI YY, Japan	July	-0.11	-0.20
PSNB, UK	June	41.17B	54.50B

Florida saw over 10k new cases for sixth day in row and remains focus. California saw some improvement, with cases and hospitalizations beginning to stabilize. Chicago tightened restrictions and LA threatened to, whilst NY stepped up enforcement. President Trump to resume regular COVID-19 news briefings.

Sector View

S&P 500 led by discretionary (+3.1%) and tech (+2.6%), while energy (-1.7%) and utilities (-1.4%) lagged. Microsoft rallied 4%, Amazon 8%, and Tesla 10%. We are **positive FAANGMs and tech**. See June 29th *NASDAQ twenty years on*.

Alibaba fintech unicorn Ant Group planning US\$200bn market cap dual listing IPO in Hong Kong and Shanghai Star Market ‘NASDAQ’. EBay selling online classifieds business to Norway’s Adevinta for US\$9.2bn. Chevron to buy Noble for US\$5bn, in biggest post-pandemic oil M&A, **adding 18% to proved reserves**, as Majors begin to take-advantage of crisis.

What to Watch

Five companies (Merck, Moderna, Pfizer, AstraZeneca, and J&J) developing coronavirus **vaccines to testify in Congress** today: and Johnson & Johnson are expected to testify.

Q2 today: Coke (Q2e US\$0.40, -36% yoy) on consumer trends, defence contractor Lockheed (\$5.72, +14%), United Airlines (-\$9.02, -314%).

HOT TOPICS

FOCUS ON THE GLOBAL EARNINGS GAP

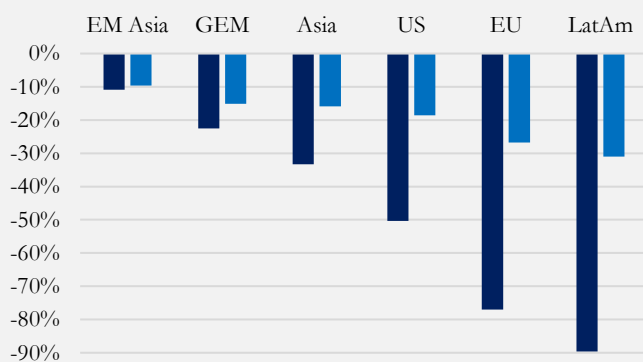
As enter Q2 global earnings season we see huge regional and sector earnings dispersion. North Asia and US seeing the least bad earnings and now positive upward revisions, whilst LatAm and Europe forecast to see worst declines, and revisions ratios still negative. Sector dispersion is dramatic, with 1/3 global index with EPS down over 45% yoy, and c2/3 index with EPS <15% yoy. Underpins our US/China and ‘quality growth’ allocation preferences.

North Asia leads the expectations pack

We put the Q2 recession EPS trough in global context, seeing huge regional and industry dispersion. We are positive both US and China, and ‘quality growth’ sectors, given both resilient earnings, and now positive revisions ratios.

All regions forecast to see revenue and earnings declines in Q2 results season. China, Taiwan, Korea anchor **EM Asia** as ‘least-worst’ and have a 65% weight in EM. All three, along with **Japan**, are among very few with FY positive EPS growth expectations. By contrast, **LatAm** is forecast to see a 30% revenue and 90% earnings fall yoy in Q2 and remains at the epicentre of virus outbreak. **Europe** is set to underperform the US, given its earlier crisis onset, lower margins, and more cyclical index composition. **US** earnings to trough in Q2, with sharp divergence between 2/3 of index in

REGIONS: Results Season Q220E YoY



Source: Refinitiv, THR

Earnings Revisions & Sentiment

	RCS Score	EPS Revision 60D	Est. FY EPS Surprise	Bulls/Bears
EM Asia	2.14	-2.8%	-1.4%	71%
GEM	2.20	-4.6%	-1.3%	71%
Asia	2.21	-7.0%	-1.7%	61%
US	2.29	3.8%	-0.2%	123%
EU	2.47	-7.5%	-3.8%	79%
LatAm	2.47	-17.4%	-16.0%	67%

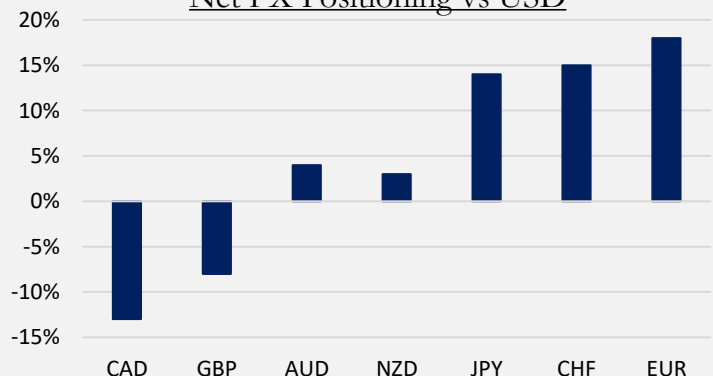
Source: Refinitiv, THR

quality growth sectors, with EPS <-20% yoy, and remainder cyclicals with EPS >-50% yoy. See July 7th *Most important earnings of the year*.

Weak sentiment in EU and LATAM

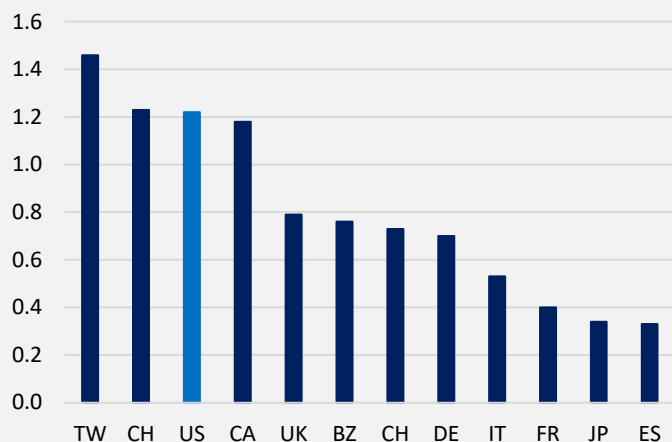
Sell-side **sentiment**, proxied by the RCS Score (1=Strong Buy, 5=Strong Sell) is strongest for EM Asia, and worst for LatAm and EU, in-line with forecast earnings ranking. We use this as a contrarian indicator in our ‘Eye’ allocation methodology (see [Page 5](#)). RCS ranking also

Net FX Positioning vs USD



Source: CFTC, Refinitiv, THR

Earnings Revisions Ratio* (2020)



Source: Refinitiv, THR

matches dispersion of **earnings revisions**. The US is the exception, with a middling RCS score, but robust positive revisions recently, alone of major regions, and with a 123% ratio of recent EPS upgrades/downgrades, vs net 60-80% downgrades for all other regions. Refinitiv ‘**smart estimates**’ (those with historic best estimating record) see’s broad but modest further downside to FY estimates, led by LatAm, with US expected to be essentially flat. The only major countries with 2020 earnings revisions ratio’s above break-even are north Asian markets, Australia, and the US, whilst Europe and Japan continue to see net downward revisions.

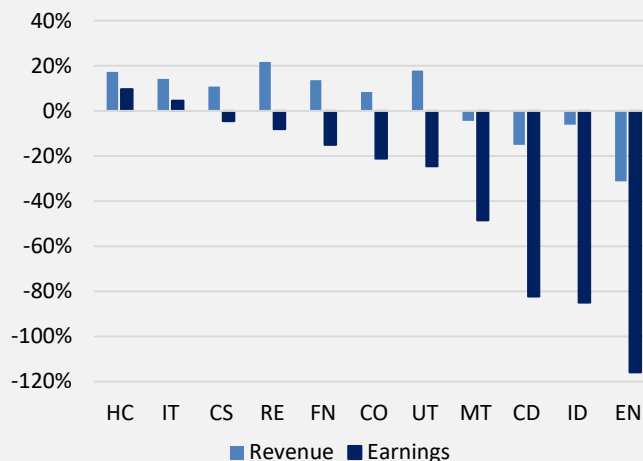
FX is coming back into the spotlight, given USD

SECTORS: Earnings Revisions & Sentiment

Sector	RCS Score	EPS Revision 60D	Est. FY EPS Surprise	Bulls/Bears
HC	2.07	-9.3%	0.6%	113%
IT	2.21	-8.8%	-0.2%	128%
CS	2.28	-10.2%	-0.9%	77%
CO	2.30	-9.3%	0.6%	83%
MT	2.31	-13.7%	-2.0%	104%
ID	2.32	-26.4%	-7.7%	81%
RE	2.35	-9.2%	-3.5%	59%
CD	2.35	-17.8%	-2.5%	77%
UT	2.38	-6.4%	-2.3%	67%
FN	2.41	-11.8%	-1.5%	84%
EN	2.41	133.3%	-0.1%	96%

Source: Refinitiv, THR

SECTORS: Q220E YoY



Source: Refinitiv, THR

weakness and positioning this will broadly continue (see chart), ex UK and Canada.

Sector dispersion huge

Global sector earnings dispersion is dramatic. Four worst performing sectors, all with earnings down >45% make up less than 1/3 of ACWI index vs five other sectors with earnings <15%, making near 60% of index. Energy, industrials, discretionary, materials are forecast to lead earnings declines in Q2, whilst healthcare and IT are forecast to see modest rises. More sectors are forecast to see higher yoy revenues than declines.

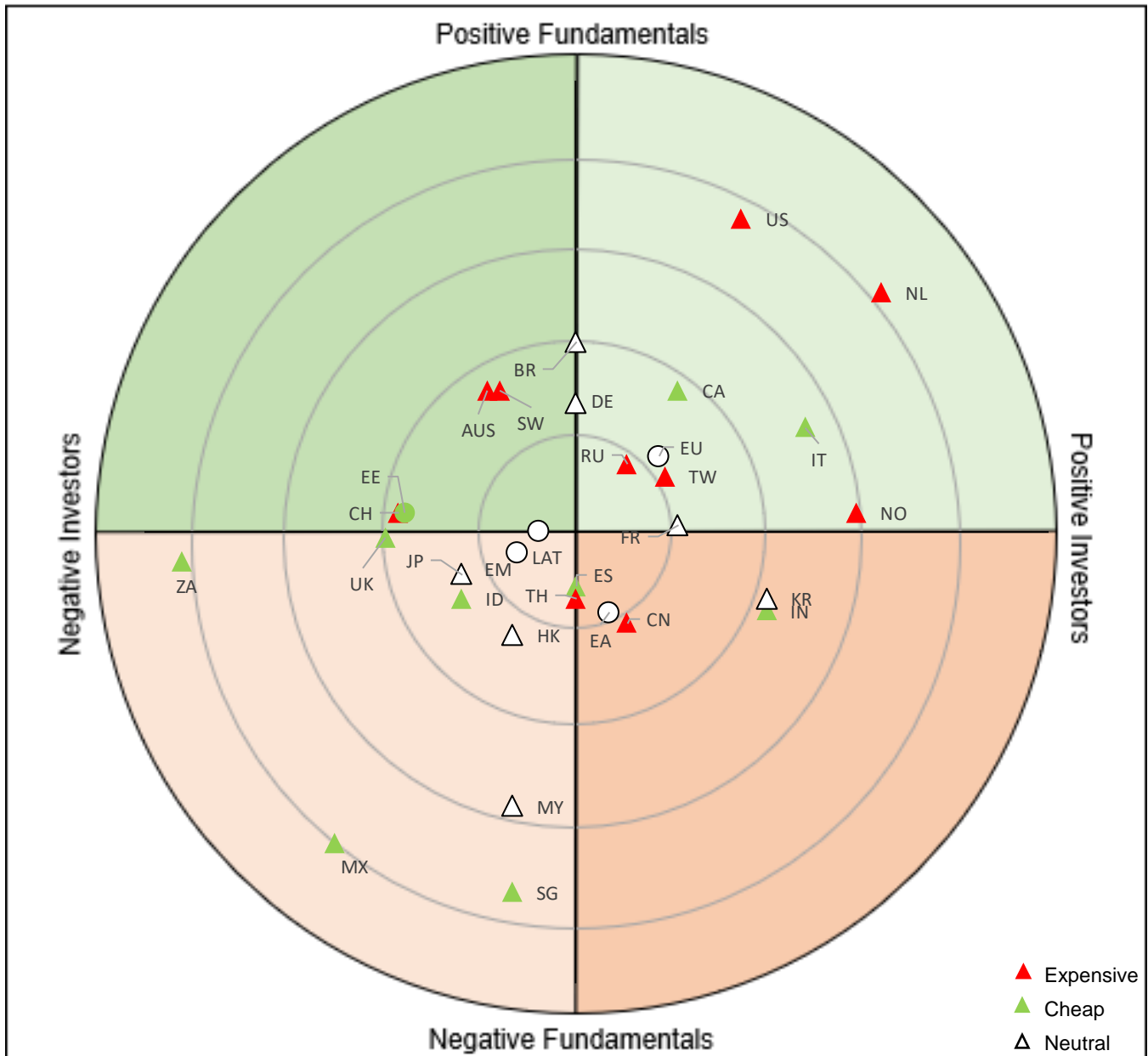
Healthcare and IT strongest sentiment

Unsurprisingly the global healthcare and IT sectors have strongest sell-side RCS score, whilst energy and financials have the poorest. Interestingly energy is only sector to have seen positive EPS revisions recently, as oil prices have rebounded, whilst industrials and discretionary have continued to see strong downgrades. However underlying upgrades/downgrades have remained the most positive for IT and healthcare. Refinitiv ‘**smart estimates**’ see’s modest FY earnings upside surprise for healthcare and communications, and a miss for industrials.

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



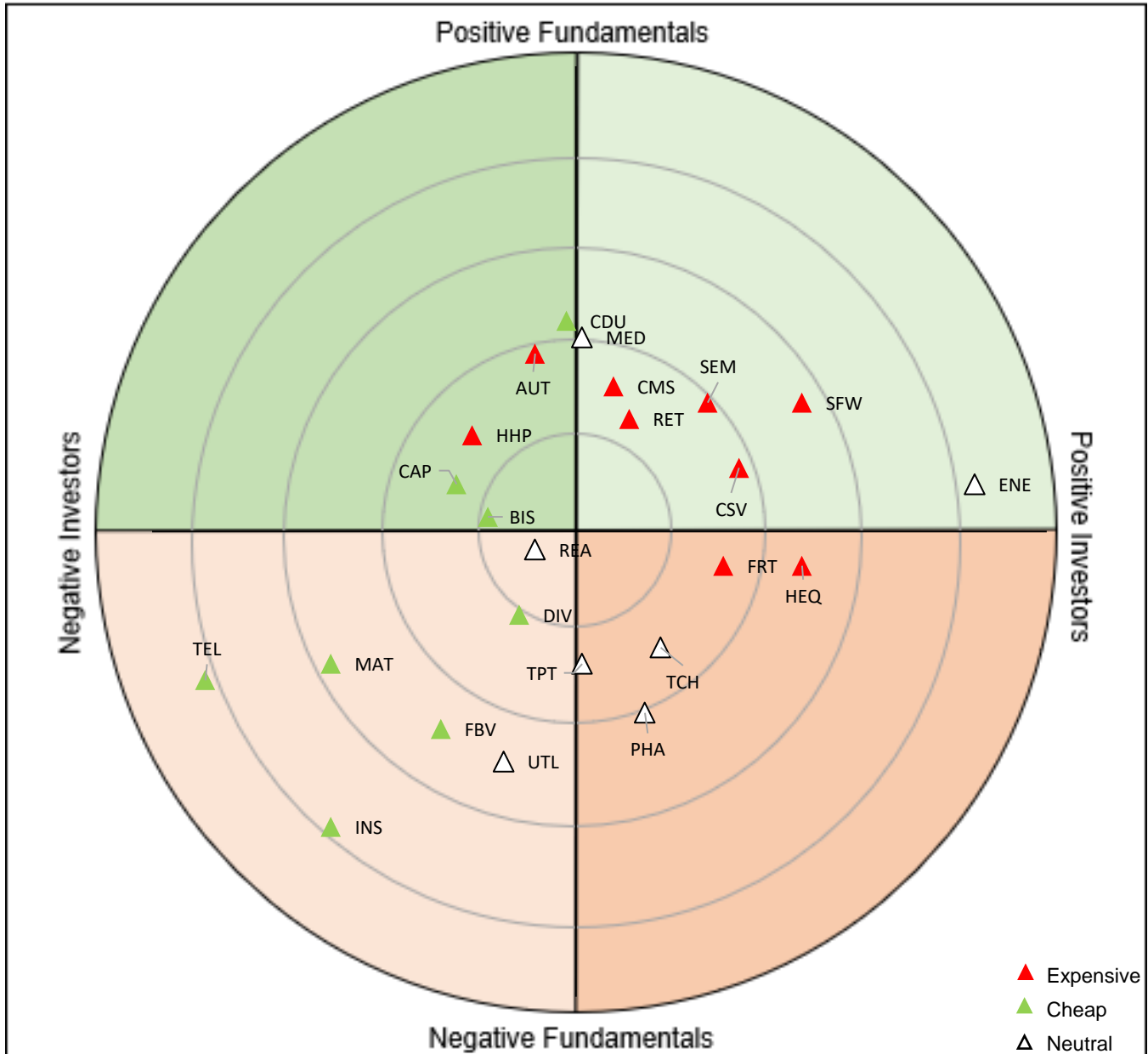
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

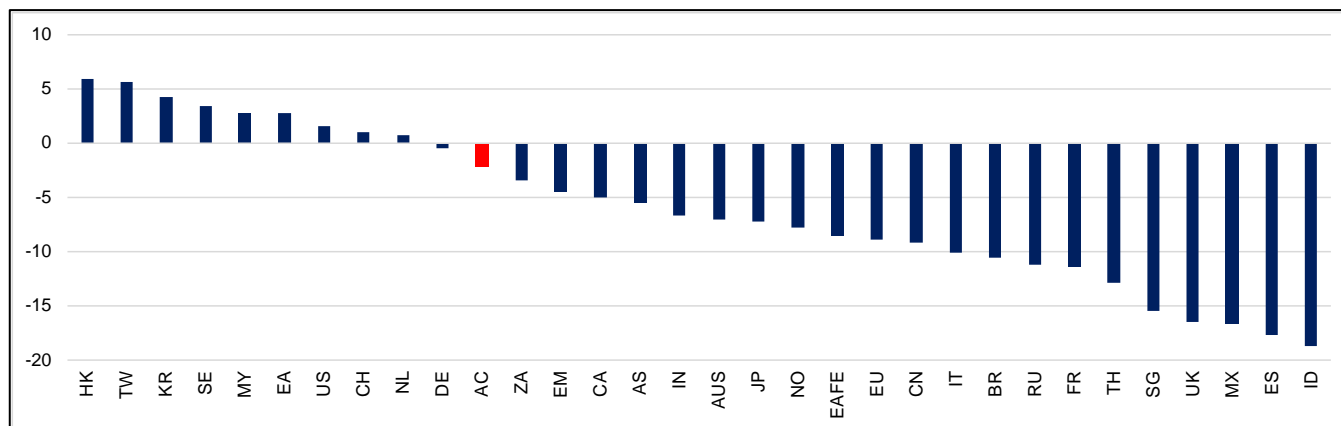
Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): Remains a global equity 'safer haven' despite currently centre of COVID outbreak. Has relatively closed economy and stock market, trend GDP growth into crisis, and seen unprecedented policy response, 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

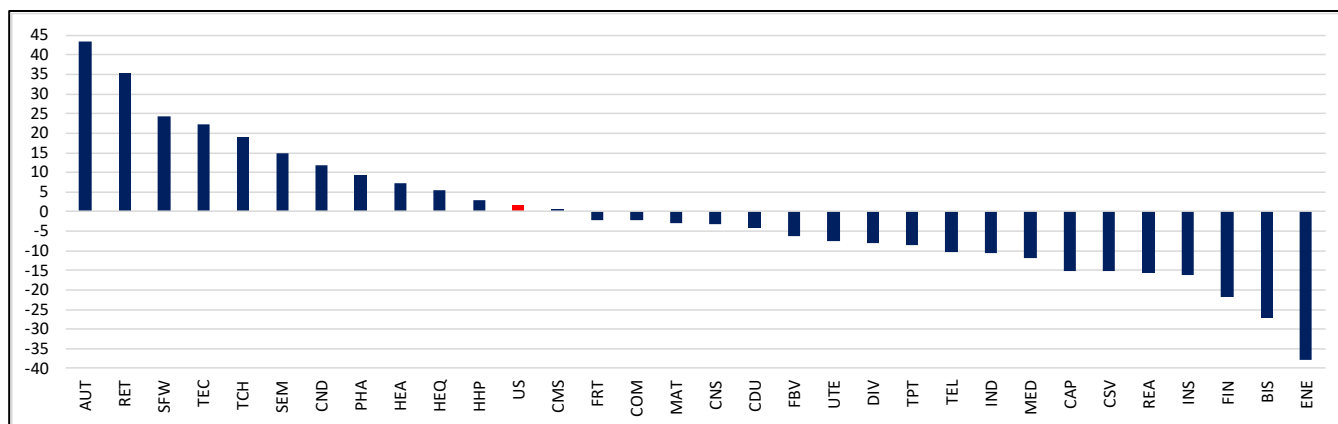


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	0.7	1.0	19.3	-2.2	17.8	21.7	17.0	-18.1%	27.8%
EAFE	EAFE	0.5	-0.1	17.4	-8.6	15.5	19.0	14.9	-18.4%	27.2%
Europe	EU	0.8	0.6	19.3	-8.9	14.4	19.9	15.1	-27.7%	31.6%
Asia	AS	0.3	0.6	17.4	-5.5	16.9	16.3	13.2	4.0%	23.4%
Emerging Global Markets	EM	0.9	-0.2	19.8	-4.5	14.5	15.3	12.1	-5.4%	26.9%
Emerging Asia	EA	0.9	-0.3	19.5	2.7	16.0	15.7	12.7	1.6%	24.0%
Australia	AUS	-0.5	3.6	18.8	-7.1	15.5	18.5	19.0	-16.0%	-2.6%
Brazil	BR	1.4	5.3	31.0	-10.5	12.0	20.8	11.6	-42.2%	78.7%
Canada	CA	0.3	3.4	13.1	-5.0	13.9	21.3	15.4	-34.9%	39.0%
China	CN	1.2	-1.8	7.9	-9.2	14.8	14.7	12.2	1.1%	19.9%
France	FR	0.5	2.8	20.1	-11.4	14.0	20.5	14.8	-31.8%	38.9%
Germany	DE	1.0	4.0	28.0	-0.5	15.4	20.3	14.1	-24.3%	43.9%
Hong Kong	HK	0.6	1.2	20.1	5.9	13.9	16.6	13.2	-16.5%	26.0%
India	IN	1.1	4.4	22.7	-6.7	20.8	21.6	16.3	-3.3%	32.0%
Indonesia	ID	-0.8	1.0	19.9	-18.8	13.6	15.7	13.2	-13.1%	19.3%
Italy	IT	1.1	5.9	28.1	-10.1	10.4	19.2	13.0	-46.0%	47.5%
Japan	JP	0.2	1.0	12.0	-7.3	19.4	17.0	13.9	14.1%	22.5%
Korea	KR	-0.1	2.1	19.7	4.3	16.8	14.3	10.0	18.1%	42.6%
Malaysia	MY	0.1	0.4	20.8	2.8	17.0	20.5	17.3	-16.8%	18.1%
Mexico	MX	0.1	0.1	7.3	-16.7	14.8	16.1	12.4	-8.5%	29.5%
Netherlands	NL	1.2	2.2	23.1	0.6	19.8	21.7	18.4	-8.9%	18.0%
Norway	NO	0.4	4.6	18.8	-8.0	13.0	21.6	14.5	-39.6%	48.7%
Russia	RU	0.8	3.8	14.8	-11.1	5.7	9.1	6.7	-36.7%	35.6%
Singapore	SG	-0.1	0.7	6.1	-15.4	11.7	15.1	12.8	-22.9%	18.3%
South Africa	ZA	0.7	4.2	23.2	-3.4	14.2	12.9	10.3	9.5%	25.4%
Spain	ES	0.5	3.4	17.0	-17.8	10.9	16.4	12.8	-33.7%	28.2%
Sweden	SE	1.0	3.0	23.0	3.4	15.6	22.1	16.8	-29.4%	32.0%
Switzerland	CH	0.5	2.4	10.4	1.1	18.9	20.4	17.6	-7.7%	15.7%
Taiwan	TW	-0.1	1.9	23.0	5.6	17.4	16.9	14.7	2.6%	15.5%
Thailand	TH	-0.3	2.6	10.2	-12.9	15.5	20.5	16.6	-24.5%	23.6%
United Kingdom	UK	-0.4	1.9	11.9	-16.5	11.5	17.8	13.4	-35.6%	32.7%
United States	US	0.9	3.3	17.5	1.5	20.4	25.7	20.1	-20.3%	27.8%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

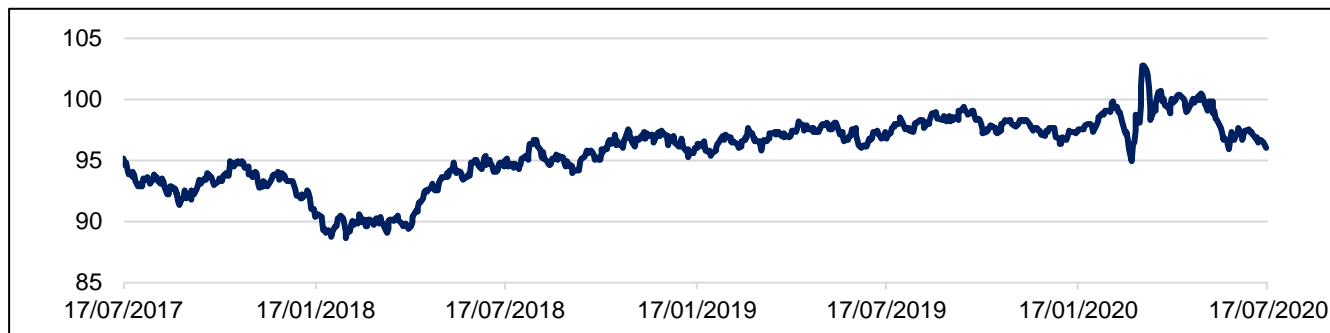


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	0.9	3.3	17.5	1.5	20.9	26.1	20.5	-20.0%	27.6%
Communications	COM	0.4	3.4	10.0	-2.2	22.5	26.8	21.4	-15.9%	25.1%
Media & Entertainment	MED	-0.7	3.0	14.8	-11.9	28.7	36.3	26.2	-21.0%	38.7%
Telecommunication Svcs	TEL	-0.8	1.6	-0.6	-10.2	11.1	11.9	11.4	-6.4%	3.8%
Consumer Discretionary	CND	2.4	3.7	26.6	11.9	32.8	64.4	32.7	-49.1%	97.1%
Autos & Components	AUT	4.4	7.8	67.0	43.4	20.8	NA	26.4	-112.8%	712.6%
Consumer Durables & App	CDU	-0.2	4.4	31.4	-4.3	23.8	26.4	20.9	-9.8%	26.6%
Consumer Svcs	CSV	-0.6	3.1	14.3	-15.2	19.9	351.1	30.3	-94.3%	1058.5%
Retailing	RET	4.3	3.3	28.4	35.3	43.2	56.1	37.1	-23.0%	51.5%
Consumer Staples	CNS	-1.1	1.5	4.2	-3.1	20.4	20.8	19.2	-2.1%	8.4%
Food & Staples Retailing	FRT	-0.6	2.3	3.4	-2.2	21.5	22.1	20.7	-2.6%	6.8%
Food, Bev & Tobacco	FBV	-1.5	1.3	3.2	-6.3	17.6	18.6	16.9	-5.0%	10.0%
Household Products	HHP	-0.6	1.5	6.7	2.8	26.8	24.7	23.5	8.4%	4.9%
Energy	ENE	-1.6	2.2	11.8	-37.8	13.3	NA	31.5	-101.7%	2638.9%
Financials	FIN	-0.7	1.2	8.7	-21.9	10.6	16.7	12.1	-36.7%	38.8%
Banks	BIS	-0.5	-0.2	9.3	-27.1	7.7	17.3	10.4	-55.2%	66.7%
Diversified Financials	DIV	-0.8	0.5	17.6	-8.1	14.4	19.1	15.0	-24.9%	27.8%
Insurance	INS	-0.6	4.2	7.6	-16.2	10.9	12.6	10.4	-13.1%	20.7%
Health Care	HEA	0.1	4.9	8.8	7.3	18.9	18.9	16.0	-0.2%	18.1%
Health Care Equipment	HEQ	-0.2	5.6	10.4	5.5	29.6	35.4	25.8	-16.5%	37.1%
Pharmaceuticals	PHA	0.4	4.3	7.3	9.2	15.5	15.3	13.3	1.2%	14.9%
Industrials	IND	-0.9	4.4	17.0	-10.7	18.5	26.2	19.2	-29.1%	35.9%
Capital Goods	CAP	-0.9	4.3	14.8	-15.2	16.1	23.7	18.0	-32.3%	32.0%
Commercial & Prof Svcs	CMS	-0.1	4.7	20.8	0.6	29.7	33.0	28.4	-10.1%	16.2%
Transportation	TPT	-1.4	4.5	21.7	-8.6	25.1	32.9	20.0	-23.8%	65.0%
Information Technology	TEC	2.7	3.6	27.5	22.3	29.4	29.4	25.3	0.0%	16.3%
Semiconductors	SEM	2.1	4.1	22.2	14.8	20.3	21.6	18.2	-6.0%	18.8%
Software & Svcs	SFW	3.2	3.5	26.2	24.2	38.3	36.4	31.9	5.0%	14.3%
Technology Hardware	TCH	1.9	3.7	29.9	19.0	24.7	25.2	21.4	-2.0%	17.4%
Materials	MAT	-0.8	4.8	25.8	-3.0	19.2	24.3	18.8	-21.1%	29.3%
Real Estate	REA	-1.2	1.0	8.3	-15.7	33.4	46.5	41.8	-28.0%	11.0%
Utilities	UTE	-1.4	2.6	2.6	-7.6	18.2	18.1	17.1	0.1%	6.1%

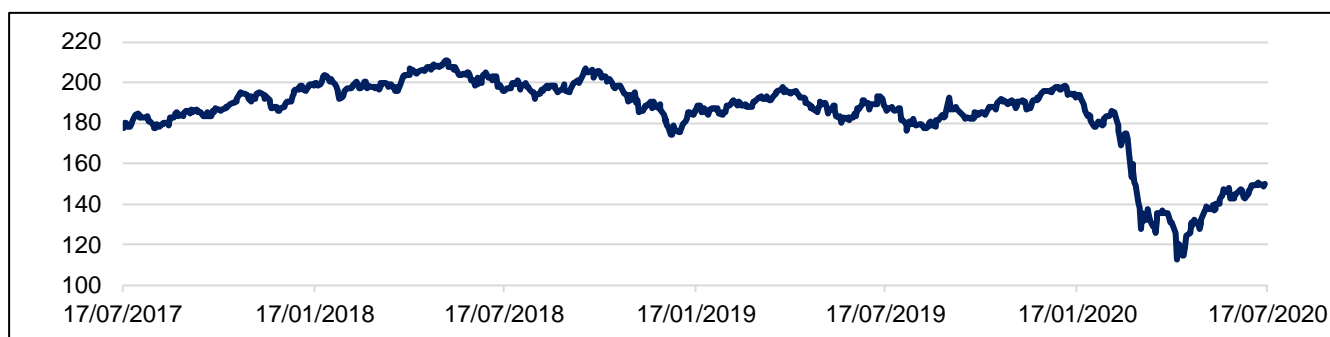
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

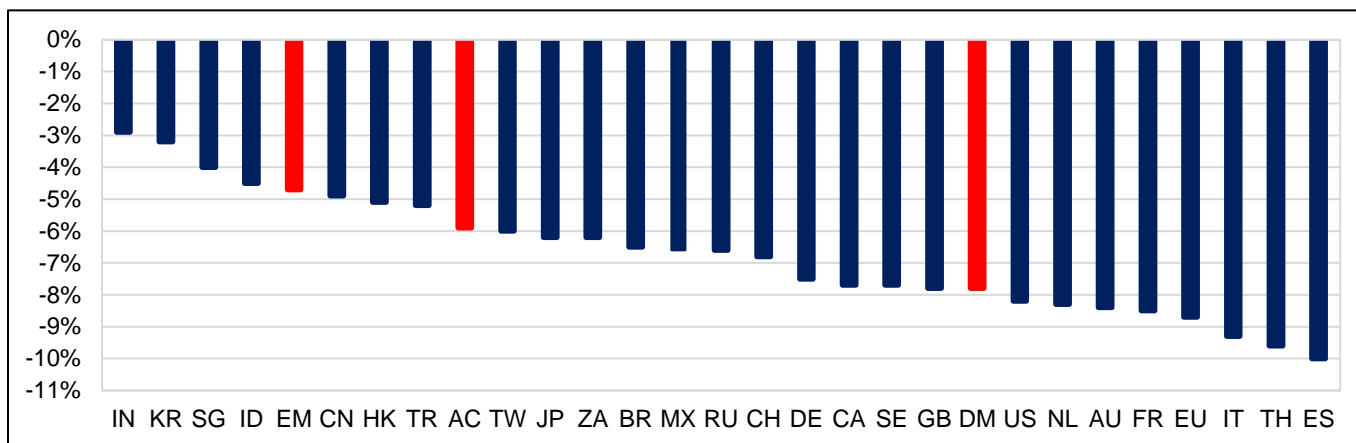


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2553.02	-0.5%	3.0%	2.9%	15.7%	-14.9%	3.8%	3.8%	-17.2%
Gold Spot	USD	1815.40	0.4%	0.7%	4.2%	7.2%	27.4%	2.0%	2.0%	19.7%
Copper Spot	USD	2.90	0.4%	-1.5%	10.8%	24.2%	5.6%	6.8%	6.8%	3.7%
Brent Crude Spot	USD	43.56	-1.6%	-1.3%	0.2%	203.1%	-28.8%	2.5%	2.5%	-36.8%
CRB Agricultural Index	USD	4890.53	-0.7%	2.8%	3.0%	13.3%	-11.7%	4.9%	4.9%	-14.7%
Currencies										
DXY USD Index	USD	95.83	-0.1%	-0.7%	-1.8%	-4.1%	-1.4%	-1.6%	-1.6%	-0.6%
EUR/USD	USD	1.14	0.2%	0.9%	2.4%	5.4%	2.0%	1.9%	1.9%	2.1%
USD/JPY	JPY	107.24	0.2%	0.0%	0.3%	-0.3%	-0.4%	-0.6%	-0.6%	-1.3%
GBP/USD	USD	1.27	0.8%	0.9%	2.5%	1.8%	1.3%	2.1%	2.1%	-4.5%
USD/CNY	CNY	6.98	-0.1%	-0.2%	-1.2%	-1.3%	1.5%	-1.2%	-1.2%	0.3%
Bond Yields										
DE 10Y BUND	EUR	-0.46	2.4%	13.8%	11.3%	3.8%	43.8%	0.7%	0.7%	147.6%
GB 10Y GILT	GBP	0.15	-6.7%	-17.7%	-35.4%	-54.5%	-79.2%	-11.0%	-11.0%	-81.5%
JP 10Y JGB	JPY	0.01	50.0%	-32.3%	75.0%	40.0%	-115.7%	-22.2%	-22.2%	-195.5%
US 10Y BILL	USD	0.62	-1.3%	-3.1%	-11.3%	-1.0%	-69.8%	-5.1%	-5.1%	-67.5%
US 30Y BOND	USD	1.32	-0.8%	-1.4%	-10.3%	6.7%	-48.9%	-6.6%	-6.6%	-44.6%
US 10-2 BOND	-	0.47	-2.6%	3.2%	9.4%	25.3%	22.0%	-1.8%	-1.8%	22.9%
Volatility										
CBOE VIX Index	USD	24.46	-0.05	-0.24	-0.30	-0.44	0.69	-0.20	-0.20	0.78

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

LIBRARY

RECENT 'EYE ON THE WORLD' DAILIES

These reports available to **DAILY subscribers-only** through our website Library

Please let us know if you need help accessing

[JULY 20: VIRUS AND VACCINES](#)

[JULY 17: ALL TIME HIGH CORPORATE DEBT](#)

[JULY 16: SIDE EFFECTS OF PASSIVE GROWTH](#)

[JULY 15: EUROPE'S HAMILTON MOMENT](#)

[JULY 14: THE KEY SMALL CAP DIFFERENCES](#)

[JULY 13: IMPACT OF SURGING NEW CASES](#)

[JULY 10: SENTIMENT A CONTRARIAN SUPPORT](#)

[JULY 09: UNDERSTANDING WHO OWNS WHAT](#)

[JULY 08: THE DIVIDEND COMEBACK](#)

[JUNE 07: MOST IMPORTANT EARNINGS OF THE YEAR](#)

[JULY 6: FOCUS ON THE DEATH RATE](#)

[JULY 2: US ELECTION RISKS IN FOCUS](#)

[JULY 1: UPSIDE RISKS FOR Q3](#)

[JUNE 30: NASDAQ TWENTY YEARS ON](#)

[JUNE 29: REBOUND AND RELAXATION RESILIENCE](#)

Subscriptions can be made, and example Daily issues seen, at www.towerhudson.com



ABOUT US

‘EYE ON THE WORLD’ DAILY

One idea or insight a year, or a client relationship gained or maintained, or an hour of your time saved daily. These can individually be worth many times the subscription price

US and Global investment trends and actionable views in your inbox at 7 am ET daily

Each day we include:

- Multi-asset market recap
- What to watch for outlook
- Hot topic analysis and view
- 31 Countries & Regions allocation model
- 24 US sector industries allocation model
- Our key country and sector investment views
- Data on market performance, earnings, valuation, and macro-economics

Subscription also includes:

- **Weekly** conference call and Q&A, as well as audio replay
- **Quarterly** market recap and performance data, for client reporting
- **Open line** email and Q&A for us to answer your key questions
- **Access** to back catalogue of hot topic reports and weekly call audio

Subscriptions can be made, and example Daily issues seen, at www.towerhudson.com

TOWER HUDSON RESEARCH

Tower Hudson Research Ltd is an UK FCA registered firm providing investment strategy research globally. Our multi-disciplinary team of financial and investment strategy analysts provides an in-depth and global perspective and capability.

Visit us at www.towerhudson.com or contact us at directly ben@towerhudson.com or on (US) +1 917 539 0541 or (UK +44 (0) 7444 392506, with any questions.



Important Disclosure Statement from Tower Hudson Research Ltd

This document is issued by Tower Hudson Research Ltd solely for its clients. It **may not be reproduced, redistributed or passed to any other person** in whole or in part without written consent of Tower Hudson Research Ltd. This material is not directed at you if Tower Hudson is prohibited or restricted by any legislation in any jurisdiction from making it available to you.

This document is **provided for information purposes only** and should not be regarded as an offer, solicitation, invitation, inducement or recommendation relating to any security or other financial instrument. This document does not constitute, and should not be interpreted as, investment advice. You should seek independent advice from a suitably qualified professional advisor before taking any decisions in relation to the investments detailed herein. All expressions of opinions and estimates constitute a judgement and are those of the author and Tower Hudson Research Ltd only and are subject to change without notice. Tower Hudson is under no obligation to update information contained. Whilst we have taken all reasonable care to ensure information is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness.

This document is **not guaranteed to be a complete statement** or summary of any securities, markets, or developments referred to herein. No representation or warranty is made, nor responsibility of any kind is accepted, by Tower Hudson Research Ltd either as to the accuracy or completeness of any information contained in this document. No liability whatsoever is accepted by Tower Hudson Research Ltd for any loss, whether direct or consequential, arising whether directly or indirectly as a result of the recipient acting on the content of this document, including, without limitation, lost profits arising from the use of this document or any of its contents.

This document is provided with the understanding that Tower Hudson Research Ltd is **not acting in a fiduciary capacity** and it is not a personal recommendation to you. Investing in securities entails risks. The value of and the income produced by products may fluctuate, so that an investor may get back less than he invested. Investments referred to are not suitable for all investors and this document should not be relied upon in substitution for the exercise of independent judgment. The stated price of any securities mentioned herein will generally be the closing price at the end of any of the three business days immediately prior to the publication date on this document.

Tower Hudson Research Ltd and respective analysts are remunerated for providing investment research to professional investors, corporations, other research institutions and consultancy houses. **Our analysts are not censored in any way** and are free to express their personal opinions. We may have issued other documents inconsistent with conclusions from the information contained here. Those reflect different assumptions, views and analytical methods of authors at the time.

Tower Hudson Research Ltd is an **appointed representative of Messels Ltd., authorised and regulated by the Financial Conduct Authority** for the provision of investment advice. Residents of the UK should seek specific professional financial and investment advice from a professional adviser authorised pursuant to the Financial Services and Markets Act 2000. This report is intended only for investors who are 'professional clients' as defined by the FCA, and may not, therefore, be redistributed to other classes of investors.

Analysts' Certification

The analysts involved in the production of this document certify that the views expressed accurately reflect their personal views about the securities mentioned. The analysts may buy, sell or already have taken positions in the securities, and related financial instruments, mentioned.