

EYE ON THE WORLD

A rebound roadmap Monday, August 03

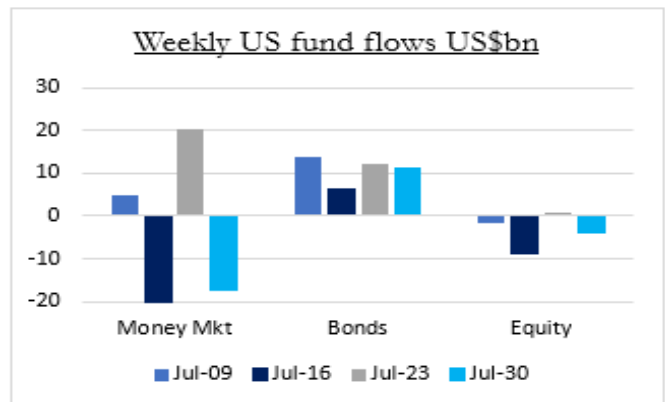
US equities saw strong July gains, whilst the USD saw weakest performance in a decade. August is a seasonally low volume and weak month, but we believe equities remain well supported with upside risks. **HOT TOPICS** shows our global activity proxy resilient to the recent rise in new virus cases and the flatlining restrictions index. Additionally, US new cases are now starting to ease, we see room for an upside surprise in this week' fiscal stimulus talks, and Q2 earnings are underpinning the expectations upturn.

S&P 500 +5.5% in July and NASDAQ 6.8%, boosted by tech earnings and new virus case resilience, even as bond yields fell to March lows. The USD saw largest monthly fall in decade, and outlook hurt by [Fitch](#) cutting US AAA credit view to negative on eroding credit strength and ballooning deficit. Expect more **gradual USD weakness** ([Page 10](#)) as consensus strongly adjusted with net short CFTC positioning at US\$25bn, highest since 2011, and weakness becoming headwind to Europe and Japan's globalised and lower margin corporates, and further boost to US tech. Asia

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3246.2	0.8%	1.7%	1.2%
ACWI xUS	45.7	-1.7%	-0.9%	-8.4%
DXY USD	93.0	0.4%	-1.1%	-3.2%
US 10Y YLD	0.54	-0.9%	-9.0%	-71.9%
Brent Spot	0.6	-98.6%	-98.6%	-99.1%
Gold Spot	1974.7	0.8%	3.9%	30.2%

markets mixed overnight but China boosted by robust local Caixin manufacturing PMI data, as was Europe with final July manufacturing PMI revised up to 55.3, whilst US futures flat.



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](#).** Our global activity proxy resilient to virus cases and restrictions index. Room for fiscal stimulus talks upside surprise. See ISM, employment report, CB meetings
- **[What to watch](#):** US manufacturing ISM PMI to rise further to 53.3, following global peers
- **[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	3246.2	0.8%	1.7%	1.2%
NASDAQ	10715.5	1.5%	3.7%	19.8%
Russell 2000	1480.4	-1.0%	0.9%	-11.3%
US IT	401.9	2.1%	4.7%	22.1%
US Healthcare	376.5	-0.7%	0.3%	5.4%
US Financials	157.1	-0.1%	0.3%	-21.6%

TikTok retaliation risk? US given short-video app TikTok owner ByteDance 45 days to sell US ops, on national security concerns, with co in negotiations with Microsoft. China Daily called it a US 'witch hunt'. Negotiations will be overseen by US Committee on Foreign Investment (CFIUS), which earlier this year ordered Beijing Kunlun to sell Grindr, and in 2018 Ant Financial to end plans to buy MoneyGram. Further deterioration in US-China relations a negative, if inevitable into election, and could see **retaliation vs US companies with China ops** and support for local tech, though likely stop short of breakdown of Phase 1 trade deal. See June 05, *US tech vs China tech*.

Fiscal cliff costs. Friday saw US June consumer spending rise better-than-expected 5.6% mom, led by durables, after record 8.5% May jump, as more businesses reopened, and income supported by fiscal programs and 19% savings rate. US\$600 weekly extra unemployment insurance incl. in CARES Act expired Friday and Congress negotiations for extension at a lower level 'have a long way to go' according to White House. We expect overall

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	93.0	0.4%	-1.1%	-3.2%
EUR/USD	1.18	-0.6%	1.0%	5.0%
US 10Y YLD	0.54	-0.9%	-9.0%	-71.9%
US 10-2 BOND	0.43	7.3%	16.5%	21.0%
CBOE VIX Index	24.8	-1.2%	-5%	78%
CRB Index	2591.3	-1.0%	-1.1%	-16.8%

Events to Watch

Indicator	Period	Forecast	Last
Caixin Mfg PMI, China	July	51.27	51.20
Markit Mfg PMI, Euro	July	51.10	51.10
ISM Mfg PMI, US	July	53.65	52.60

larger-than-expected cUS\$2trn deal. Additional unemployment support accounts for a significant **6-7% of personal income**, or US\$75bn/month.

Sentiment support. Lipper US mutual and ETF flows last week (see front chart) shows sentiment cautious, with outflows from safer-haven money market funds but also equity outflows, with bond funds continued beneficiary as high yield and investment grade spreads hit new post-crisis lows. Also, latest American Association of Individual Investors ([AAII](#)) survey showed more caution, with 48% respondents bearish and only 20% bullish. Our overall composite Sentiment Index remains **close to contrarian buy levels**. See July 10, *Sentiment a contrarian support*.

Sector View

S&P 500 led up Friday by IT (+2.5%) and discretionary (+1.3%). Energy (-0.7%) and health care (-0.5%) fell. Apple +10% and Facebook +8%. **Cross-border M&A** picked up with Japan's Seven to buy Marathon's Speedway gas stations for US\$21bn, and Siemens Healthineers US\$16bn deal for US cancer care co. Varian. 'Retail apocalypse' continues with Lord & Taylor and menswear gp Tailored Brands bankruptcies.

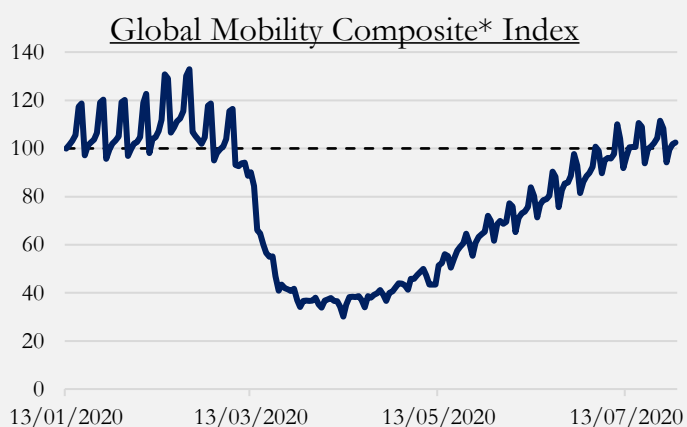
What to Watch

Friday **June core PCE** +0.9% yoy, under Fed 2% target and giving ongoing policy flexibility. Today see **US manufacturing ISM**, expected up at 53.3 from 52.6 mom. See [HOT TOPICS](#)

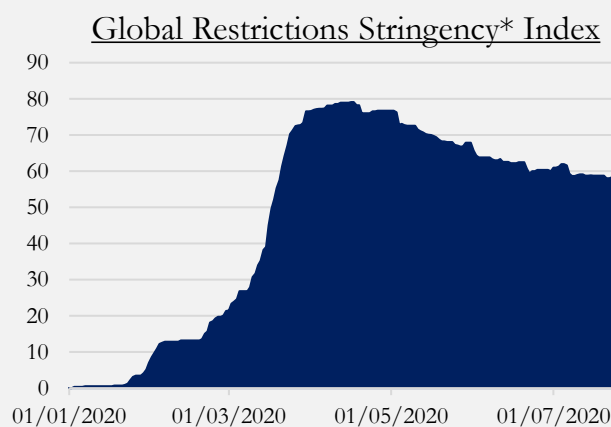
HOT TOPICS

A REBOUND ROADMAP

Our global activity proxies remain resilient to rise in new virus cases and restrictions index flatlining. See market support as US cases starting to ease, even as global continues to rise, and with room for upside surprise in this week's fiscal stimulus talks. Q2 earnings underpin expectations upturn, ISM PMI to show some manufacturing catch-up, but employment report a stalling labor recovery. BoE/RBA to consider negative rates, Brazil/India to cut



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



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

Global activity proxy resilient to virus cases

Our global activity 'proxy' recovery remains resilient to the continued rise in daily new virus cases. The index was +0.4% vs +1.5% prior week. The US index rose 3.4%, after falling 1.2% the prior week. The indicator combines Apple mobility data on driving, walking, mass transit across the top 15 economies globally.

Driving Index

Countries	vs 13th Jan	at trough	vs trough	vs 2Wks
Australia	-7.7%	-73.1%	242.6%	-7.4%
Brazil	-12.1%	-72.4%	218.8%	2.6%
Canada	48.5%	-64.8%	321.9%	1.8%
France	65.9%	-84.7%	982.4%	3.6%
Germany	44.5%	-62.1%	281.4%	7.4%
India	-38.4%	-83.7%	277.7%	11.1%
Indonesia	-13.9%	-63.5%	136.3%	-0.2%
Italy	57.0%	-87.3%	1140.0%	13.2%
Japan	14.0%	-35.3%	76.1%	-3.1%
Mexico	-11.4%	-67.8%	175.3%	-1.2%
Korea	-29.5%	-48.9%	37.9%	-5.1%
Russia	71.5%	-54.0%	272.9%	-4.2%
Spain	50.4%	-89.1%	1276.4%	3.9%
UK	15.6%	-75.5%	372.4%	14.0%
US	31.9%	-62.6%	252.6%	1.8%
Average	19.1%	-68.3%	404.3%	2.5%

Source: Apple Mobility Trends, THR

Apple driving sub-component shows 9 of 15 top economies are higher than January levels. Australia continue to show mobility declines.

Restrictions loosening stalls at high level

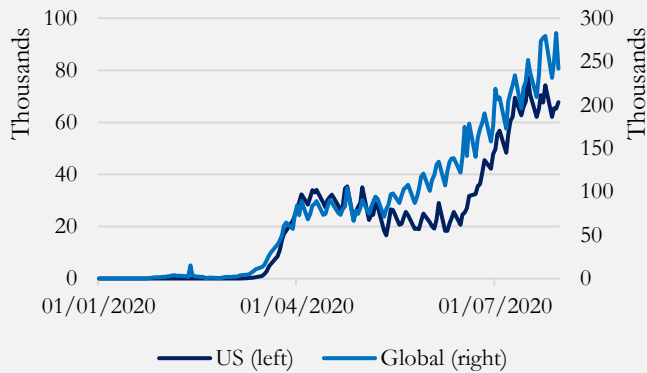
The global 'Stringency Index' of lockdown restrictions in top 15 economies stabilized at a high 59 in recent weeks as new virus cases

Stringency Index

Countries	Current level	Peak	vs peak	vs 2Wks
Australia	68	76	-10%	-1%
Brazil	81	81	0%	0%
Canada	67	75	-10%	0%
France	31	91	-65%	0%
Germany	38	77	-51%	0%
India	78	100	-22%	0%
Indonesia	63	80	-22%	0%
Italy	58	94	-38%	-1%
Japan	32	47	-31%	35%
Mexico	71	82	-14%	0%
Korea	49	82	-41%	0%
Russia	51	87	-41%	-28%
Spain	59	85	-31%	19%
UK	64	76	-16%	-1%
US	69	73	-5%	0%
Average	59	79	-26%	0%

Source: Oxford COVID-19 Government Response Tracker, THR

New Daily COVID-19 Cases



Source: Refinitiv, THR.

risen. Japan most affected with index up 34%. 9 of top 15 economies showed no change, including US which is unchanged last 3 weeks.

US virus cases stabilise, global still rising

Moving average US new daily cases tentatively stabilized under recent 70k peak, with decline in Texas, Florida, and Arizona, even as daily deaths has risen over 1,000. However, total global cases are continuing to rise, with a recent 280k daily all-time high, led by India and Brazil.

US Q2 Earnings surprise continued

62% of the S&P 500 has reported, with an average 22% beat, underpinning the trough quarter and turn up in the earnings revision's ratio, with over 70% of revisions up. 26% of S&P 500 are set to report this week. Q2 EPS is still down 44% yoy and revenues -10%.

US Employment report and ISM

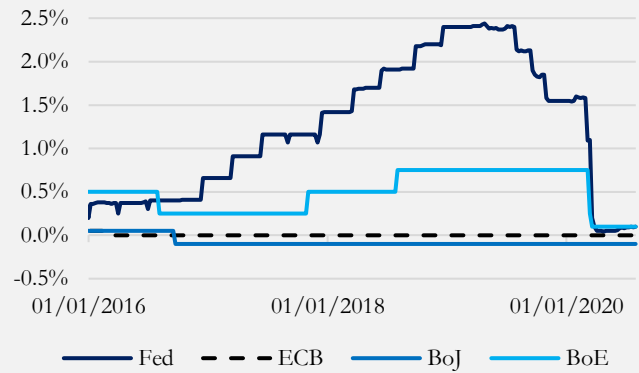
July US manufacturing **ISM** PMI forecast up

Events: The Week Ahead

Date	Country	Indicator	Period	Last	Forecast
03 August 2020	China (Mainland)	Caixin Mfg PMI Final	Jul	51.20	51.27
03 August 2020	United Kingdom	Markit/CIPS Mfg PMI Final	Jul	53.60	53.63
03 August 2020	United States	ISM Manufacturing PMI	Jul	52.60	53.35
04 August 2020	Japan	CPI Tokyo Ex fresh food YY	Jul	0.20	0.14
05 August 2020	Euro Zone	Markit Comp Final PMI	Jul	54.80	54.80
05 August 2020	United States	International Trade \$	Jun	-54.6B	-52.00B
06 August 2020	United Kingdom	BOE Bank Rate	Jul	0.10	0.10
07 August 2020	Germany	Industrial Output MM	Jun	7.80	7.98
07 August 2020	United States	Non-Farm Payrolls	Jul	4.80M	2.44M
07 August 2020	United States	Unemployment Rate	Jul	11.10	10.04

Source: Refinitiv, THR

Major Central Bank Policy Rates



Source: Refinitiv, THR

to 53.3 from 52.6 mom, as manufacturing catches up, whilst services PMI set to ease to still expansionary 55.8. July non-farm **payrolls** forecast to increase by lower 2.4m vs 4.8m last month, with **unemployment** rate down to 10.0%, whilst concerns grow on stalling recovery and pressure Congress.

Phase 4 US stimulus outlook

Negotiations continue and is a key catalyst. We expect an ultimate deal above consensus and nearer US\$2trn, on agreed need, upcoming election, and red-state impacts, as extra unemployment support ended last week.

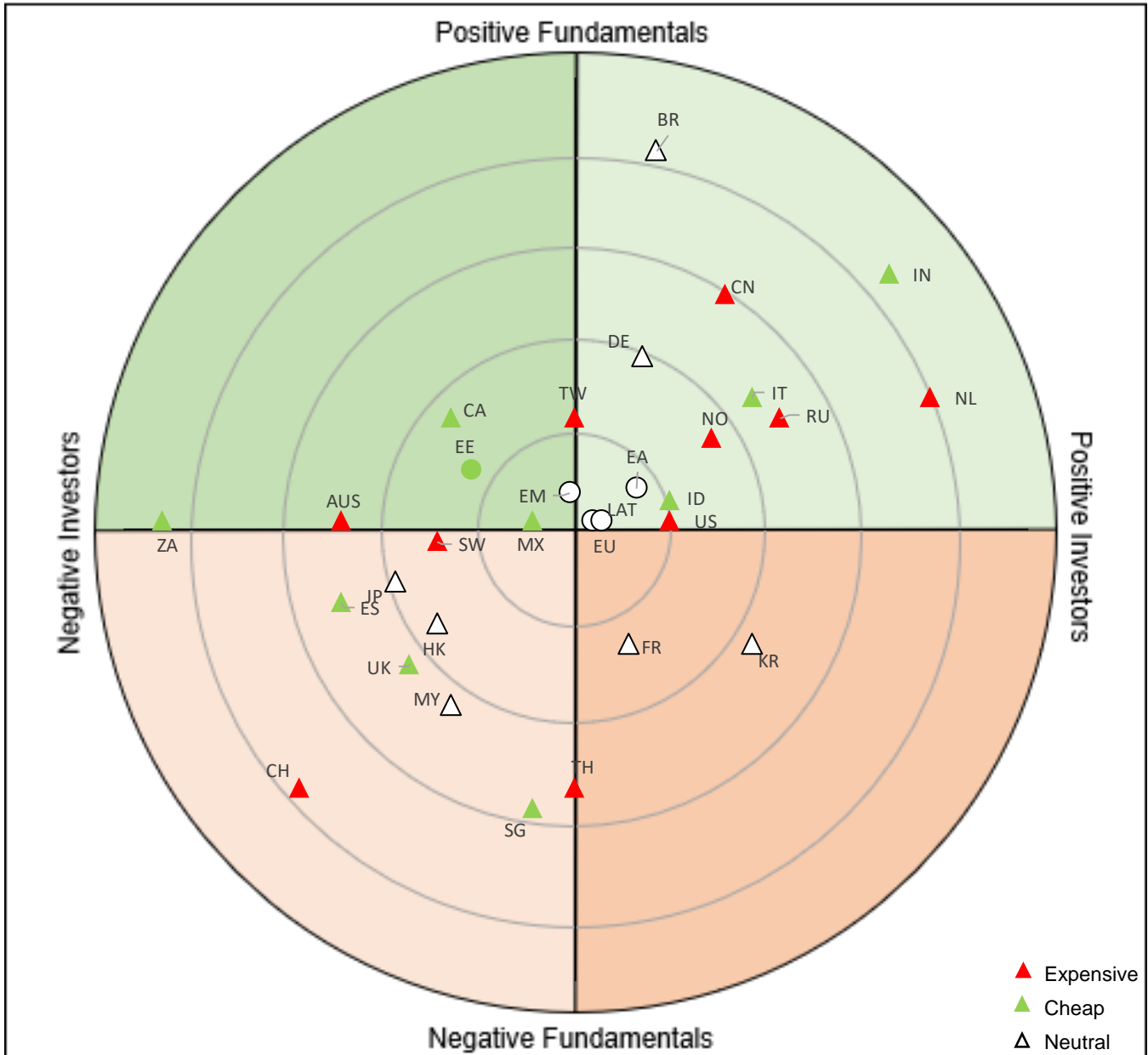
Rate decisions and more

BoE to leave rate stable at 0.1%, but negative rate policy (NIRP) under 'active review', likely waiting UK-EU deal outcome later in year, and increased asset purchase target to come. Bank of Australia also discussing, but likely stopping short of, negative rates. Brazil and Indian Central Banks set to cut rates again.

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



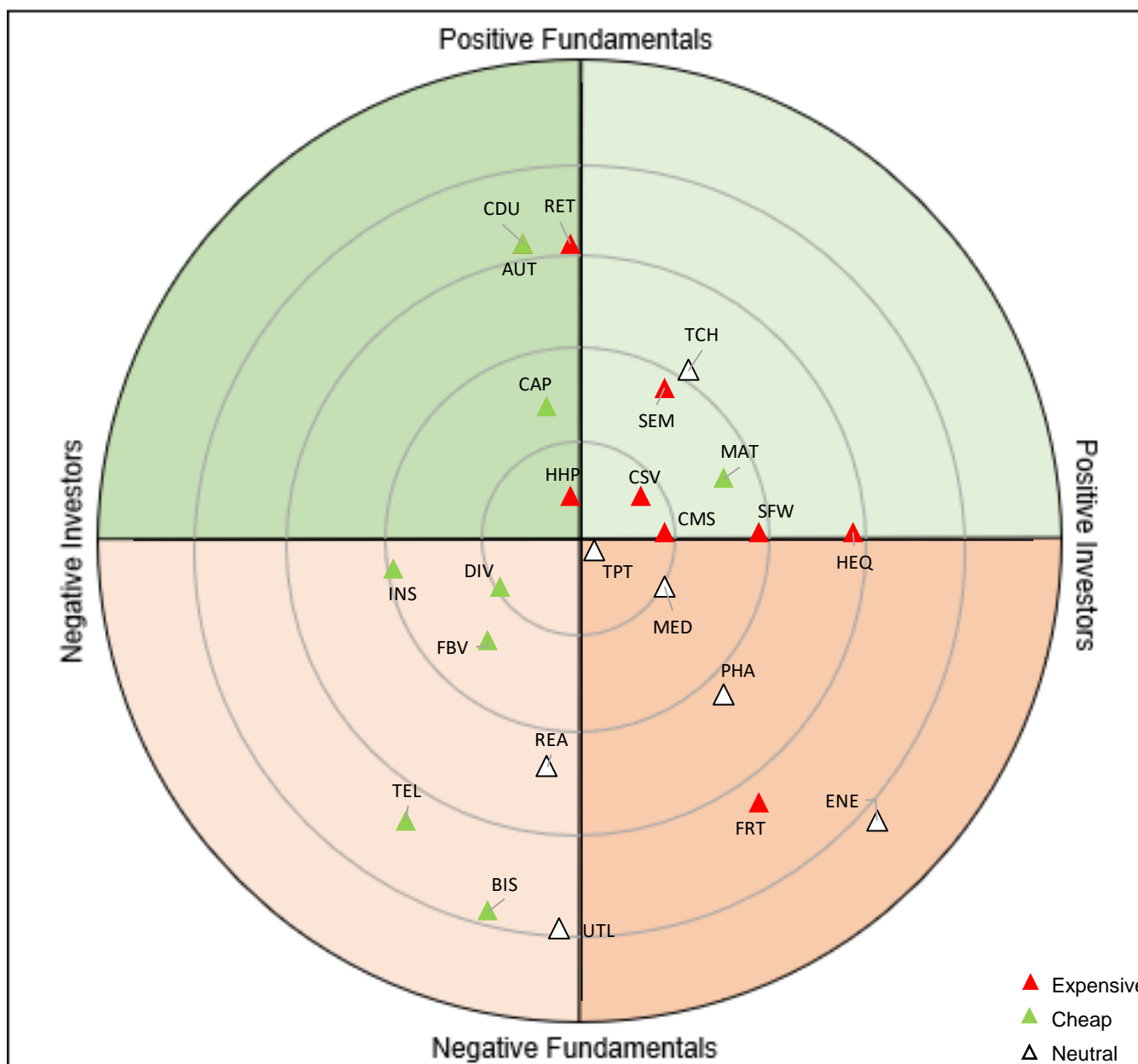
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

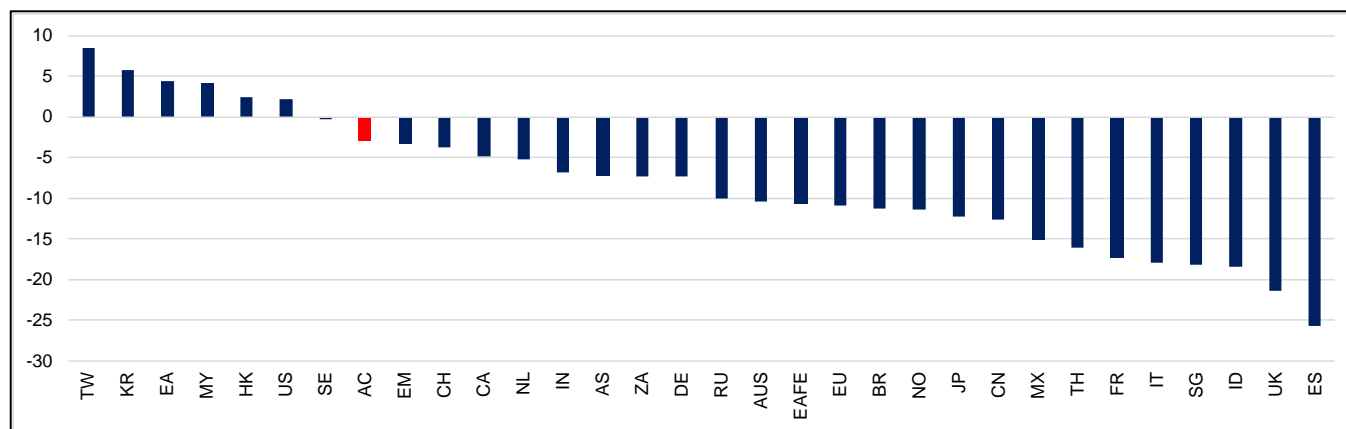
Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): Remains a global equity 'safer haven' despite currently centre of COVID outbreak. Has relatively closed economy and stock market, trend GDP growth into crisis, and seen unprecedented policy response,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

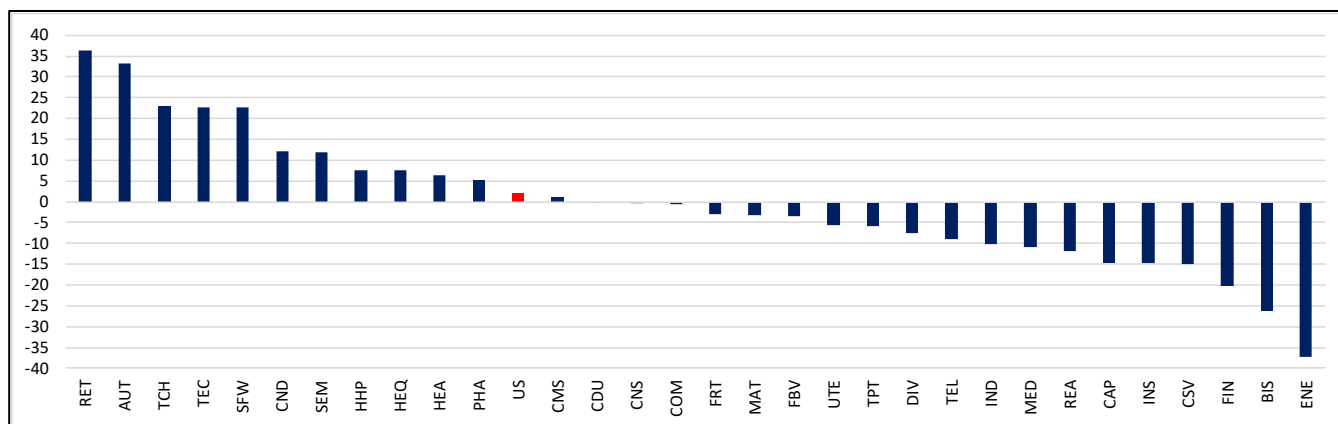


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-0.3	-0.1	15.3	-2.8	17.8	21.7	17.0	-18.1%	27.8%
EAFE	EAFE	-1.4	-2.9	12.5	-10.6	15.5	19.0	14.9	-18.4%	27.2%
Europe	EU	-0.8	-2.4	14.9	-10.9	14.4	19.9	15.1	-27.7%	31.6%
Asia	AS	-1.2	-1.8	12.7	-7.2	16.9	16.3	13.2	4.0%	23.4%
Emerging Global Markets	EM	-0.3	0.5	21.5	-3.2	14.5	15.3	12.1	-5.4%	26.9%
Emerging Asia	EA	-0.1	0.2	21.2	4.4	16.0	15.7	12.7	1.6%	24.0%
Australia	AUS	-2.0	-1.8	12.3	-10.4	15.5	18.5	19.0	-16.0%	-2.6%
Brazil	BR	-1.9	-1.2	29.9	-11.3	12.0	20.8	11.6	-42.2%	78.7%
Canada	CA	-0.8	0.0	10.3	-4.9	13.9	21.3	15.4	-34.9%	39.0%
China	CN	-0.6	-0.6	4.0	-12.6	14.8	14.7	12.2	1.1%	19.9%
France	FR	-1.3	-3.0	10.8	-17.3	14.0	20.5	14.8	-31.8%	38.9%
Germany	DE	-0.6	-4.0	16.7	-7.3	15.4	20.3	14.1	-24.3%	43.9%
Hong Kong	HK	-0.2	1.5	16.5	2.5	13.9	16.6	13.2	-16.5%	26.0%
India	IN	0.0	0.2	19.4	-6.9	20.8	21.6	16.3	-3.3%	32.0%
Indonesia	ID	0.0	0.5	17.2	-18.4	13.6	15.7	13.2	-13.1%	19.3%
Italy	IT	-0.6	-4.0	13.9	-17.9	10.4	19.2	13.0	-46.0%	47.5%
Japan	JP	-2.7	-5.0	4.8	-12.3	19.4	17.0	13.9	14.1%	22.5%
Korea	KR	-0.7	1.8	20.3	5.8	16.8	14.3	10.0	18.1%	42.6%
Malaysia	MY	0.0	0.8	21.7	4.1	17.0	20.5	17.3	-16.8%	18.1%
Mexico	MX	0.1	-1.2	4.0	-15.1	14.8	16.1	12.4	-8.5%	29.5%
Netherlands	NL	-0.6	-3.3	14.7	-5.3	19.8	21.7	18.4	-8.9%	18.0%
Norway	NO	0.8	-1.6	11.0	-11.3	13.0	21.6	14.5	-39.6%	48.7%
Russia	RU	0.7	0.5	9.8	-10.1	5.7	9.1	6.7	-36.7%	35.6%
Singapore	SG	0.0	-1.3	2.1	-18.2	11.7	15.1	12.8	-22.9%	18.3%
South Africa	ZA	-1.1	-2.4	12.8	-7.3	14.2	12.9	10.3	9.5%	25.4%
Spain	ES	-1.6	-4.1	4.3	-25.7	10.9	16.4	12.8	-33.7%	28.2%
Sweden	SE	-0.3	-2.4	17.1	-0.3	15.6	22.1	16.8	-29.4%	32.0%
Switzerland	CH	-0.9	-2.4	6.3	-3.7	18.9	20.4	17.6	-7.7%	15.7%
Taiwan	TW	-0.4	0.7	21.4	8.5	17.4	16.9	14.7	2.6%	15.5%
Thailand	TH	1.0	-1.0	2.5	-16.1	15.5	20.5	16.6	-24.5%	23.6%
United Kingdom	UK	-1.4	-3.2	2.9	-21.4	11.5	17.8	13.4	-35.6%	32.7%
United States	US	0.6	0.9	16.8	2.2	20.4	25.7	20.1	-20.3%	27.8%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

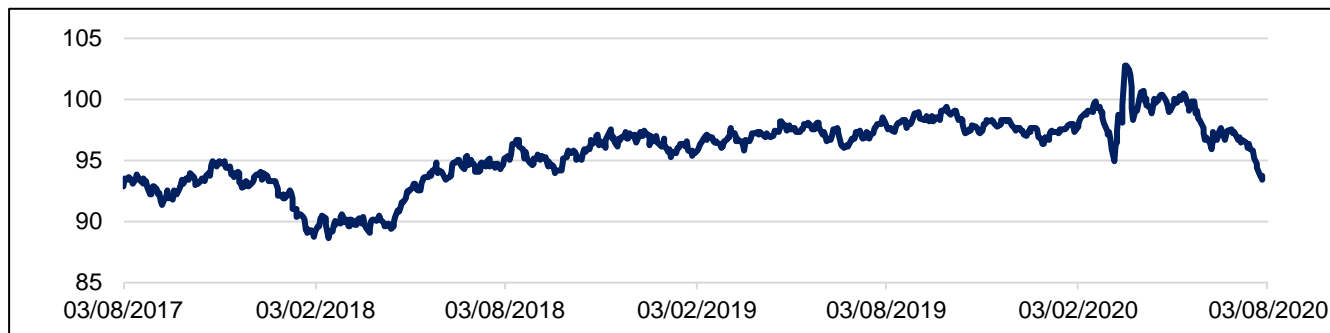


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	0.6	0.9	16.8	2.2	20.9	26.1	20.5	-20.0%	27.6%
Communications	COM	1.2	0.3	14.5	-0.7	22.5	26.8	21.4	-15.9%	25.1%
Media & Entertainment	MED	0.3	0.2	14.6	-10.9	28.7	36.3	26.2	-21.0%	38.7%
Telecommunication Svcs	TEL	0.4	1.3	4.4	-9.1	11.1	11.9	11.4	-6.4%	3.8%
Consumer Discretionary	CND	0.6	0.6	25.2	12.2	32.8	64.4	32.7	-49.1%	97.1%
Autos & Components	AUT	-2.8	-5.2	50.8	33.2	20.8	NA	26.4	-112.8%	712.6%
Consumer Durables & App	CDU	-0.3	-0.3	30.5	-0.3	23.8	26.4	20.9	-9.8%	26.6%
Consumer Svcs	CSV	-0.4	-0.6	12.6	-15.1	19.9	351.1	30.3	-94.3%	1058.5%
Retailing	RET	2.0	2.3	28.9	36.3	43.2	56.1	37.1	-23.0%	51.5%
Consumer Staples	CNS	-0.2	0.2	10.0	-0.4	20.4	20.8	19.2	-2.1%	8.4%
Food & Staples Retailing	FRT	-0.7	-1.4	4.9	-2.9	21.5	22.1	20.7	-2.6%	6.8%
Food, Bev & Tobacco	FBV	-0.4	-1.0	9.5	-3.4	17.6	18.6	16.9	-5.0%	10.0%
Household Products	HHP	0.4	3.5	14.0	7.6	26.8	24.7	23.5	8.4%	4.9%
Energy	ENE	-0.6	-4.1	0.7	-37.3	13.3	NA	31.5	-101.7%	2638.9%
Financials	FIN	-0.1	0.8	10.9	-20.2	10.6	16.7	12.1	-36.7%	38.8%
Banks	BIS	-0.2	-0.2	8.4	-26.2	7.7	17.3	10.4	-55.2%	66.7%
Diversified Financials	DIV	0.7	0.2	15.7	-7.5	14.4	19.1	15.0	-24.9%	27.8%
Insurance	INS	0.5	0.8	14.0	-14.8	10.9	12.6	10.4	-13.1%	20.7%
Health Care	HEA	-0.7	-0.5	9.7	6.5	18.9	18.9	16.0	-0.2%	18.1%
Health Care Equipment	HEQ	-0.5	0.6	14.3	7.5	29.6	35.4	25.8	-16.5%	37.1%
Pharmaceuticals	PHA	-0.9	-1.6	5.1	5.3	15.5	15.3	13.3	1.2%	14.9%
Industrials	IND	-0.4	-0.7	16.8	-10.2	18.5	26.2	19.2	-29.1%	35.9%
Capital Goods	CAP	-0.8	-1.5	16.6	-14.7	16.1	23.7	18.0	-32.3%	32.0%
Commercial & Prof Svcs	CMS	-0.2	0.2	16.5	1.1	29.7	33.0	28.4	-10.1%	16.2%
Transportation	TPT	0.5	2.5	24.6	-5.8	25.1	32.9	20.0	-23.8%	65.0%
Information Technology	TEC	2.1	2.9	23.6	22.7	29.4	29.4	25.3	0.0%	16.3%
Semiconductors	SEM	-0.5	1.5	18.8	12.0	20.3	21.6	18.2	-6.0%	18.8%
Software & Svcs	SFW	0.6	1.1	19.6	22.6	38.3	36.4	31.9	5.0%	14.3%
Technology Hardware	TCH	4.8	6.3	31.3	22.9	24.7	25.2	21.4	-2.0%	17.4%
Materials	MAT	0.0	-3.1	20.1	-3.1	19.2	24.3	18.8	-21.1%	29.3%
Real Estate	REA	-0.2	3.0	12.9	-11.9	33.4	46.5	41.8	-28.0%	11.0%
Utilities	UTE	0.1	2.0	8.3	-5.5	18.2	18.1	17.1	0.1%	6.1%

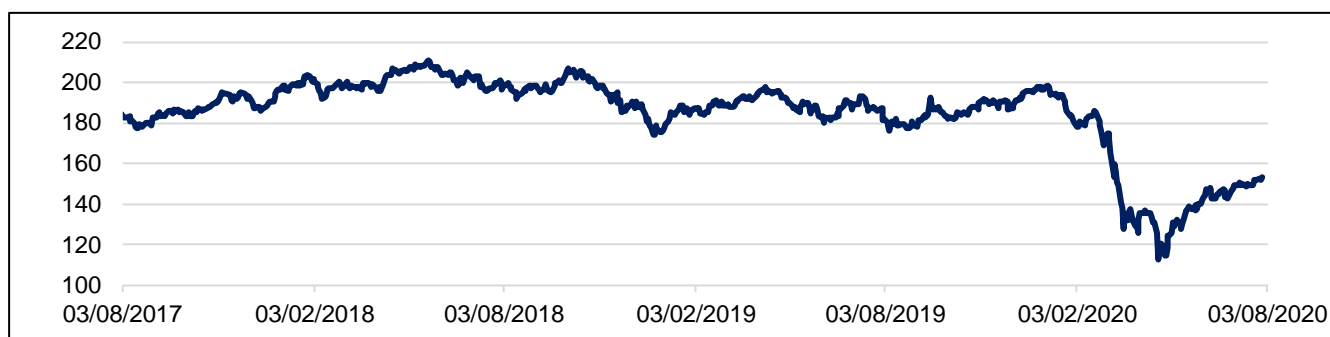
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

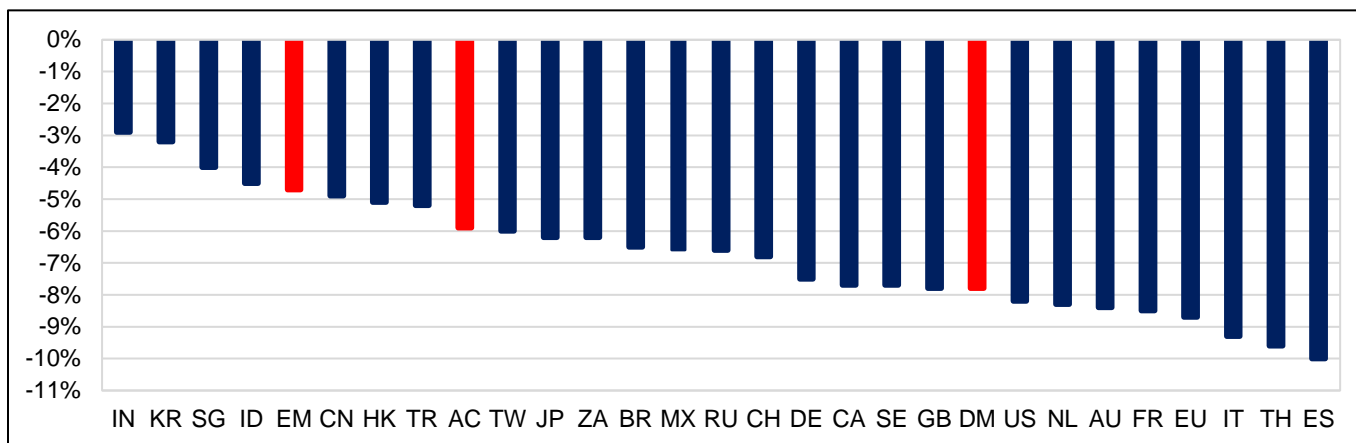


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2591.30	-1.0%	-1.1%	4.4%	9.8%	-13.8%	4.4%	4.4%	-16.8%
Gold Spot	USD	1974.69	0.8%	3.9%	10.9%	17.5%	39.7%	10.9%	10.9%	30.2%
Copper Spot	USD	2.90	-1.6%	-0.8%	5.4%	21.5%	7.6%	5.4%	5.4%	2.3%
Brent Crude Spot	USD	0.62	-98.6%	-98.6%	-98.5%	-95.8%	-99.0%	-98.5%	-98.5%	-99.1%
CRB Agricultural Index	USD	5007.56	-1.1%	-0.3%	6.2%	11.1%	-11.4%	6.2%	6.2%	-13.7%
Currencies										
DXY USD Index	USD	93.02	0.4%	-1.1%	-4.2%	-5.7%	-5.2%	-4.2%	-4.2%	-3.2%
EUR/USD	USD	1.18	-0.6%	1.0%	4.8%	7.5%	6.3%	4.8%	4.8%	5.0%
USD/JPY	JPY	105.88	1.1%	-0.2%	-1.9%	-1.2%	-2.6%	-1.9%	-1.9%	-2.5%
GBP/USD	USD	1.31	0.0%	2.3%	5.6%	3.9%	7.7%	5.6%	5.6%	-1.3%
USD/CNY	CNY	6.97	-0.5%	-0.6%	-1.3%	-1.2%	1.3%	-1.3%	-1.3%	0.2%
Bond Yields										
DE 10Y BUND	EUR	-0.53	-2.6%	20.0%	15.9%	-9.0%	22.2%	15.9%	15.9%	185.0%
GB 10Y GILT	GBP	0.11	17.8%	-26.9%	-38.4%	-54.1%	-82.6%	-38.4%	-38.4%	-87.2%
JP 10Y JGB	JPY	0.02	-23.8%	0.0%	-40.7%	-142.1%	-110.3%	-40.7%	-40.7%	-172.7%
US 10Y BILL	USD	0.54	-0.9%	-9.0%	-17.9%	-14.2%	-73.5%	-17.9%	-17.9%	-71.9%
US 30Y BOND	USD	1.20	0.0%	-3.4%	-15.2%	-5.8%	-52.6%	-15.2%	-15.2%	-49.6%
US 10-2 BOND	-	0.43	7.3%	16.5%	10.0%	26.7%	20.6%	10.0%	10.0%	21.0%
Volatility										
CBOE VIX Index	USD	24.76	-0.01	-0.05	-0.20	-0.28	0.52	-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	US	21.4	2.9	2.3	-5.9	2.4	1.8	0.6	-2.4	-2.5	-2.6	106	110
Canada	CA	1.7	1.9	1.5	-6.2	2.2	2.0	0.6	-2.6	-1.9	-3.7	88	83
Brazil	BR	1.9	1.1	1.2	-5.3	3.7	3.8	3.6	-0.8	-1.2	-1.8	92	95
Mexico	MX	1.3	2.0	0.0	-6.6	4.9	3.8	2.7	-1.8	-1.2	-0.3	54	55
Europe													
Eurozone	EU	18.3	2.2	1.2	-7.5	1.9	1.5	2.0	2.0	2.0	1.6	80	78
Germany	DE	3.9	1.5	0.5	-7.0	1.9	1.5	0.3	7.3	7.0	6.6	59	53
UK	GB	2.7	1.4	1.3	-6.5	2.5	1.8	1.2	-3.9	-3.5	-4.4	86	85
France	FR	2.7	1.7	1.3	-7.2	2.1	1.2	0.3	-0.6	-0.5	10.4	99	99
Italy	IT	2.0	0.9	0.2	-9.1	1.2	0.7	0.2	2.5	2.9	3.2	133	134
Spain	ES	1.4	2.6	2.0	-8.0	1.7	0.7	-0.3	0.9	0.9	2.2	96	94
Netherlands	NL	0.9	2.6	1.8	-6.5	1.6	2.5	0.5	10.9	9.8	9.0	49	46
Switzerland	CH	0.7	2.8	0.8	-6.0	0.9	0.6	-0.4	10.2	9.6	7.2	39	36
Sweden	SE	0.5	2.3	0.9	-6.8	2.0	1.7	0.5	1.7	2.9	2.2	37	34
Russia	RU	1.6	2.3	1.1	-5.5	2.9	4.7	3.1	6.8	5.7	0.7	17	18
Turkey	TR	0.7	2.8	0.2	-5.0	16.3	15.7	12.0	-3.5	-0.6	0.4	30	32
Asia													
China	CN	14.1	6.6	6.1	1.2	2.1	2.3	3.0	0.4	1.0	0.5	56	65
Hong Kong	HK	0.4	3.0	0.3	-4.8	2.4	3.0	2.0	4.3	5.5	6.0	0	0
Japan	JP	5.2	0.8	1.0	-5.2	1.0	1.0	0.2	3.5	3.3	1.7	238	238
India	IN	2.9	6.8	4.8	1.9	3.4	3.4	3.3	-2.1	-2.0	-0.6	69	68
Korea	KR	1.6	2.7	2.0	-1.2	1.5	0.5	0.3	4.4	3.2	4.9	40	46
Australia	AU	1.4	2.7	1.7	-6.7	2.0	1.6	1.4	-2.1	-0.3	-0.6	42	41
Indonesia	ID	1.1	5.2	5.0	0.5	3.2	3.2	2.9	-3.0	-2.9	-3.2	30	30
Taiwan	TW	0.6	2.6	2.0	-4.0	1.5	0.8	0.5	12.2	11.4	8.2	34	31
Thailand	TH	0.5	4.1	2.9	-6.7	1.1	0.9	-1.1	6.4	6.0	5.2	42	44
Singapore	SG	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	ZA	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	DM	51.7	2.3	1.7	-6.1	2.0	1.5	0.5	0.7	0.6	0.1	103	104
Emerging Markets	EM	34.9	4.5	3.7	-1.0	4.8	4.7	4.6	0.0	0.0	-0.9	53	58
World	AC	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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