

# EYE ON THE WORLD

## The broadening earnings recovery

Wednesday, September 16

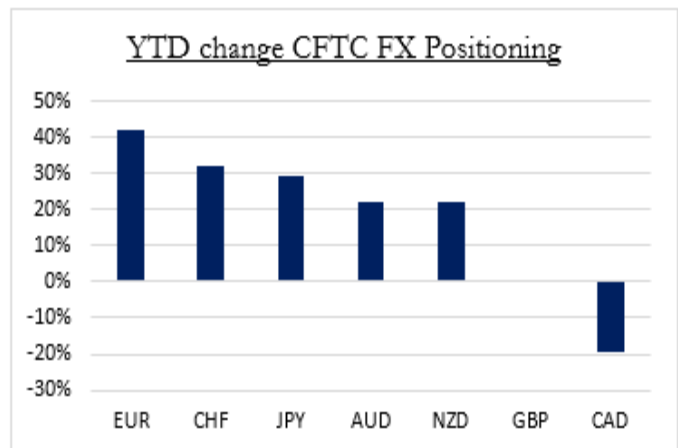
Equity markets firm, led by tech, ahead of FOMC decision today. Economic data rebound easing and fiscal talks deadlocked. **HOT TOPICS** highlights broadening global earnings recovery, led by US, Europe, EM, and supports our positive market view, and 'high' valuations. Earnings laggards are Japan, UK, Switzerland. ACWI 12m fwd EPS growth now 15% vs March low -5%. Cyclical lead the sector recovery, and we are overweight many of these themes.

Markets firm yesterday, led by further tech recovery, but awaiting **Fed decision today, with Chair Powell speaking at 2.30pm EST**. Fed expected to raise economic forecasts, and extend vow to keep rates low, after new average inflation target policy and with continued fiscal stimulus impasse. Senate moderates unveiled US\$1.5trn bipartisan plan attempt to break fiscal deadlock yesterday. Category 2 Hurricane Sally due to make landfall in Alabama/Florida this morning EST, threatening significant flooding. Asia markets higher overnight, whilst Europe flat and US futures higher.

### Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3383.5	0.5%	2.1%	5.3%
ACWI xUS	46.9	0.7%	3.0%	-3.8%
DXY USD	93.1	0.0%	-0.4%	-3.4%
US 10Y YLD	0.68	1.7%	-0.5%	-64.4%
Brent Spot	38.4	1.5%	2.6%	-43.5%
Gold Spot	1955.5	-0.1%	1.2%	28.8%

**Japan caution.** Suga formally voted in as new PM, first in eight years, and promising 'continuity cabinet', with first decision whether to hold early election before Oct. 2021 deadline.



Source: CFTC, THR

### HIGHLIGHTS FROM REST OF DOC

- **Hot Topics on [Broadening earnings](#)** recovery. Supports positive market view and 'high' valuations. 12m fwd ACWI growth now +15% vs March low -5%. Cyclical lead sector recovery.
- **[What to watch](#)**: Last FOMC statement before election. US retail sales decelerate to +1% mom.
- **[Country and Sector 'Eye'](#)**: We favor US and select EM's, and US cyclical and IT sector barbell.
- **[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	3383.5	0.5%	2.1%	5.3%
NASDAQ	11277.8	1.2%	3.2%	24.7%
Russell 2000	1537.0	0.1%	2.2%	-7.8%
US IT	424.0	1.2%	2.8%	27.6%
US Healthcare	375.8	0.3%	2.8%	6.3%
US Financials	161.9	-0.8%	0.6%	-19.8%

Expected to try and boost lagging reform process, third Abenomics 'arrow' alongside monetary and fiscal policy. **We are underweight Japan**, in borderline 'sell' quadrant of allocation framework. EPS recovery is lagging (see [HOT TOPICS](#)). Low margin/global corporate sector pressured by Yen.

**Financials pressure.** US financials cutting guidance on lower loan demand, as corporates raised cash from markets and consumers pay down balances, and margin pressure, on lower rates and loan demand. JPMorgan cut net interest income outlook but does not expect to add meaningfully to loan loss reserves and see' continued markets revenue strength. Bank of America cut Q3 net income outlook, and Citi see' decline in Q3 revenues. **We are underweight Financials**, expecting them to lag a cyclical recovery given unique bond yield and regulatory constraint headwinds. See August 12, *Adding to cyclical recovery*.

**Bearish USD bets.** USD has remained under pressure as Fed seen sticking to dovish stance, and positioning remains very bearish (see front chart). EUR strong despite ECB concerns it 'matters' and is tightening financial conditions, whilst JPY at

## FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	93.1	0.0%	-0.4%	-3.4%
EUR/USD	1.18	-0.2%	0.6%	5.7%
US 10Y YLD	0.68	1.7%	-0.5%	-64.4%
US 10-2 BOND	0.54	-1.2%	-0.5%	26.6%
CBOE VIX Index	25.9	-1.0%	-19%	86%
CRB Index	2686.9	0.1%	2.1%	-12.8%

## Events to Watch

Indicator	Period	Forecast	Last
Trade Balance Yen, Japan	Aug	-4.97 B	11.6 B
CPI YY, UK	Aug	0.06	1.00
Retail Sales MM, US	Aug	0.96	1.20

two-week high. RMB saw biggest percentage move since April as PBOC signalled tolerance for gains, with economy recovering and bond yields high by global standards. **Expect more modest USD weakness**, to support EM, commodities, US global sectors (such as IT) but headwind to global and low margin EU/JP co's.

## Sector View

US communications (+1.7%) and real estate (+1.4%) outperformed, while financials (-0.8%) and energy (-0.8%) lagged. VIX fell 1% to 26. **Apple** flat after launch day of new iWatch, iPad, Fitness+ service (impacting Peloton), and bundle of subscriptions, Apple One (impacting music streamers). US\$3.4bn IPO by cloud-based data co. **Snowflake** biggest of year in US. **FedEx** +8% yesterday and +77% on three months after beat estimates on e-commerce surge and higher prices. We are overweight Industrials. See September 03, *Insights from the trade rebound*.

## What to Watch

August **US factory output** rose 1.0% mom after 3.9% in July. In line with expectations, but noted slowing momentum, and is 7% below February level. Today, see August **US retail sales**, f'cast up 1% mom (+2.7% yoy) vs July 1.2%, with core sales +0.5%. **OECD** to update global economic outlook. Is amongst most bearish, forecasting -6% global GDP growth this year vs -4.9% for IMF. **Brazil central bank** likely to maintain interest rate at record low 2.0% at meeting today.

# HOT TOPICS

## THE BROADENING EARNINGS RECOVERY

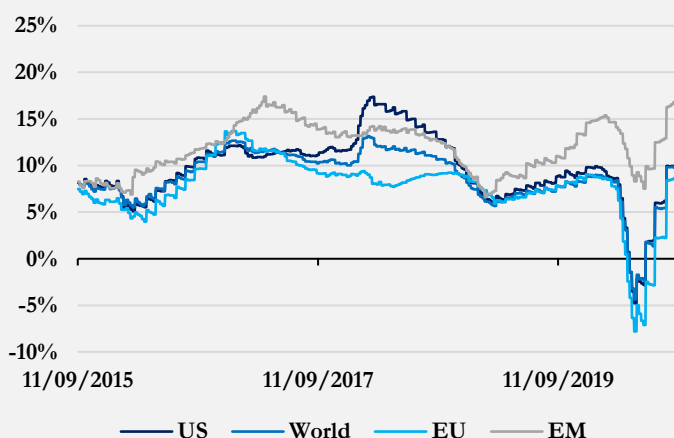
Global earnings recovery is broadening, led by US, Europe, EM, and supports our positive market view, and 'high' valuations. Earnings laggards are Japan, UK, Switzerland. ACWI 12m fwd EPS growth now 15% vs March low -5%. Cyclical lead the sector recovery, and we are overweight many these themes. Energy and autos EPS more than doubled last three months, but quality growth also seeing upgrades. Real Estate only sector with earnings cuts.

### The earnings recovery is broadening

Global ACWI forward earnings estimates have continued to turn up, +2% on one month and +6% on three. Upward revisions led by US, Europe, and EM (Brazil, Taiwan, South Africa, with Russia only major decline). Laggards included Japan, UK, Switzerland. **The recovery also broadening, with 17 of 25 largest markets we track seeing upgrades** vs only 10 last month. See August 21, *Who is leading the earnings recovery?* The strengthening and broadening EPS recovery is a key support to our positive equity view, and current 'full' valuations. See September 4th, *Not just about bond yields.* We are overweight US and select EM, and underweight Japan/UK. See [Page 5](#)

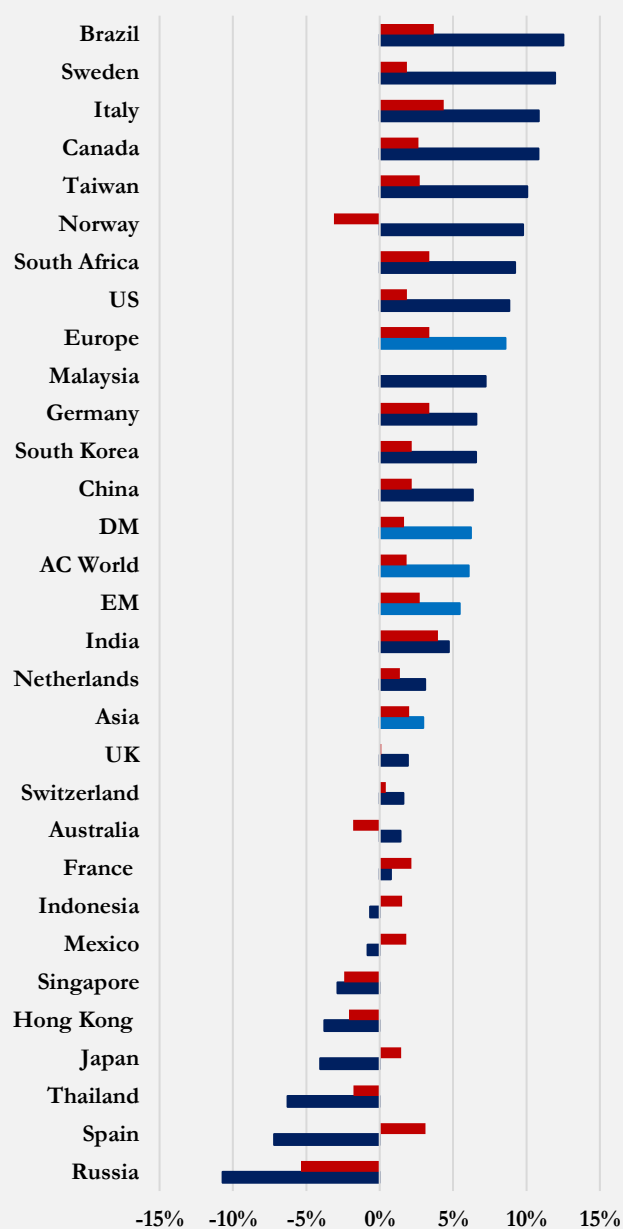
US saw 12m fwd EPS rise +9% the last three months and +2% last month, with stronger

### 12M Forward EPS Growth



Source: Refinitiv, THR

### 12M Forward EPS Change: -3M & -1M



Source: Refinitiv, THR

than expected Q2 results, and fwd EPS growth is now at 13.4%, with 66% of total estimate revisions up. By contrast, ACWI 12m fwd EPS growth is now up at 15%, vs a March low of -5%, and with 52% of revisions now positive.

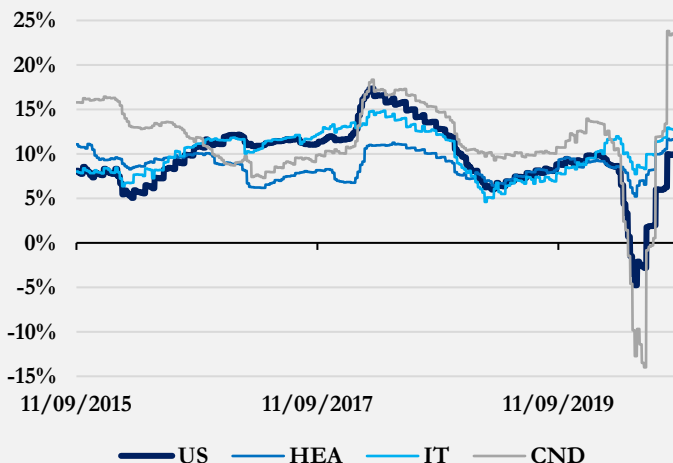
### Cyclicals lead US revisions higher

Cyclical sectors continue to lead US upgrades, given the economic rebound, depressed earnings, and high operating leverage. US energy and autos expectations have more than doubled the last three months, and lead over one month. Retail, transport, financials, and industrials also have above-average upward revisions. This is seen looking bottom-up, with US large caps seeing strongest upgrades at Under Armour, Schlumberger, Royal Caribbean, Marathon and EOG Resources. We are positive on select cyclical themes. See September 8<sup>th</sup>, *Stealth reopening rotation*.

### Real Estate only sector earnings decline

By contrast real estate is the only US sector to have seen earnings cut in recent months and is one of only a handful of more-defensive sub-industries seeing downgrades. Retail, hotel, and office real estate weakness has offset industrial and infrastructure earnings resilience. The individual real estate stocks seeing the largest recent downgrades include Unity, Paramount

**US 12M Forward EPS Growth**



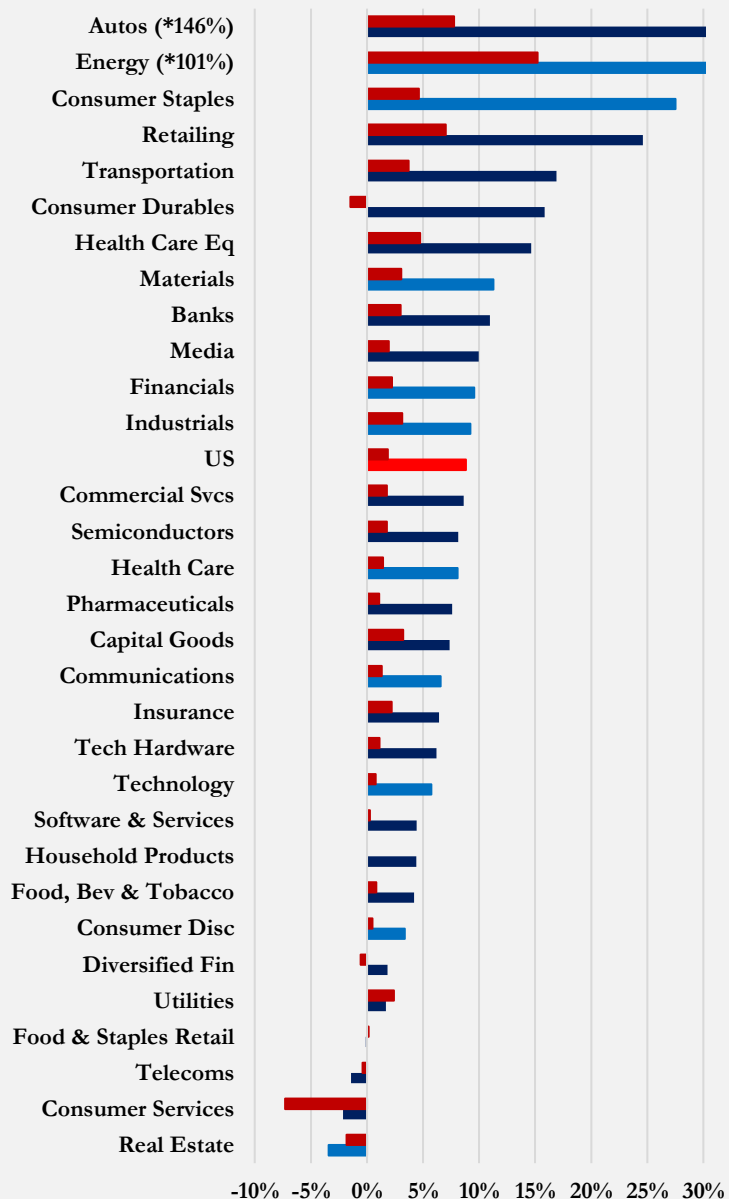
Source: Refinitiv, THR

and SL Green Realty. We are contrarian positive the sector, see July 21<sup>st</sup> *The case for REITS*.

### Quality growth still seeing upgrades

Tech and Healthcare continue to see a turn up in earnings expectations, although both below US average, and despite resilient earnings so-far and lower operating leverage. Positive revisions ratios are a high 68% and 67% respectively. Also, consumer staples has seen some of the strongest revisions in last three months. See September 10<sup>th</sup> *NASDAQ correction opportunities*.

**US 12M Fwd EPS Change: -3M & -1M**

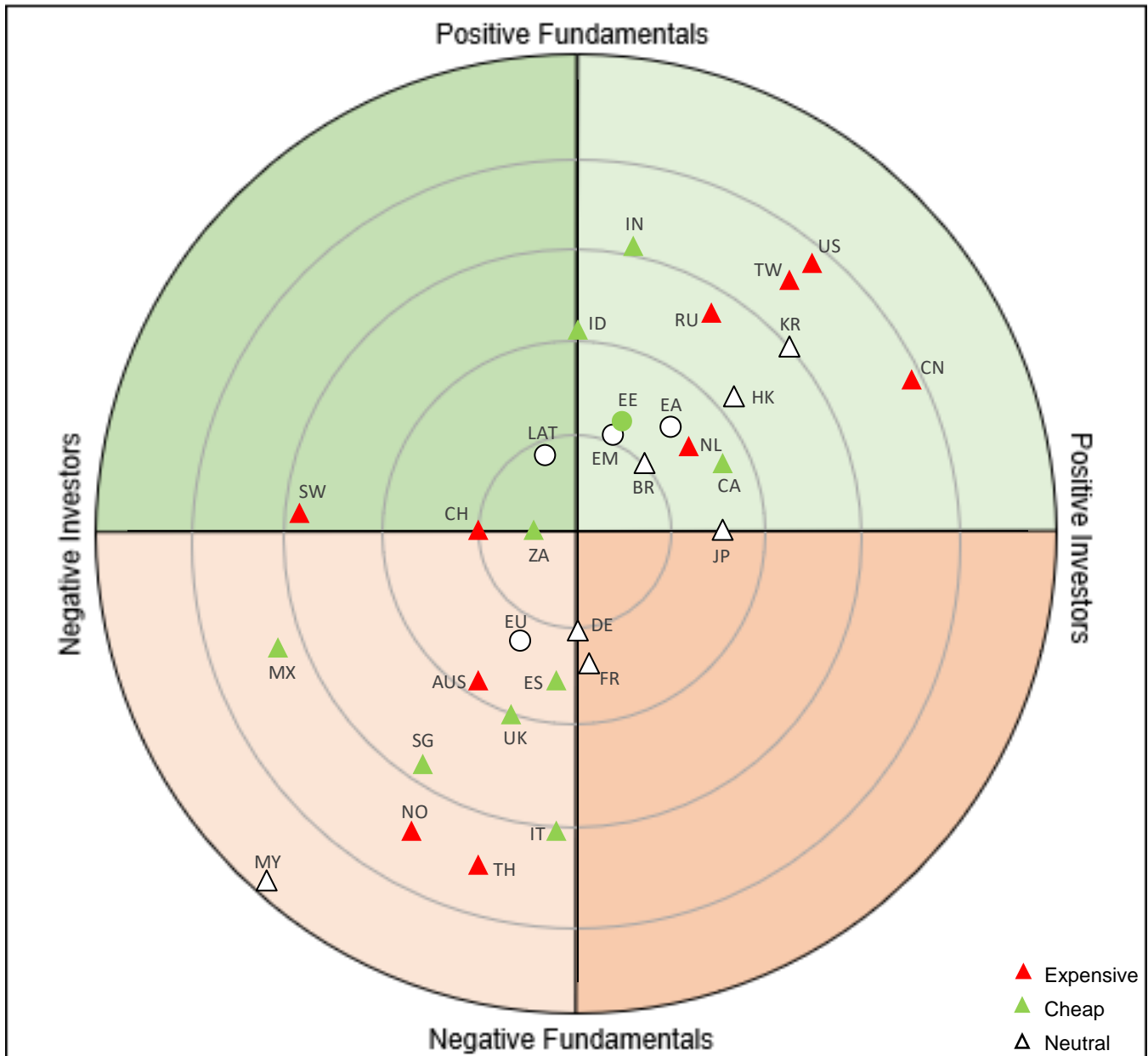


Source: Refinitiv, THR

# COUNTRY 'EYE' & ALLOCATIONS

## Country Allocation Views

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



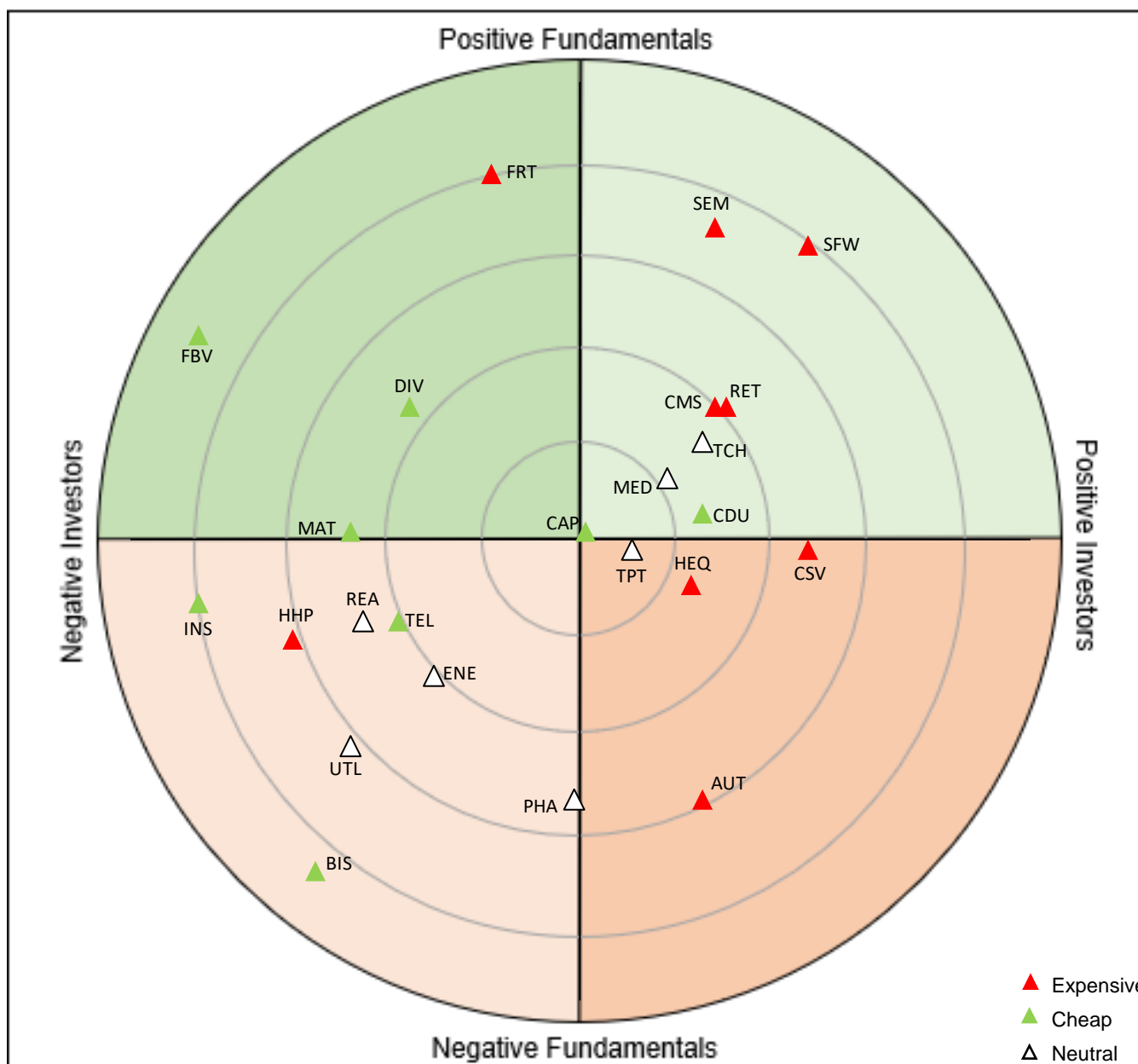
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

# US SECTOR 'EYE' & ALLOCATION

## US Sector Allocation Views











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



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

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

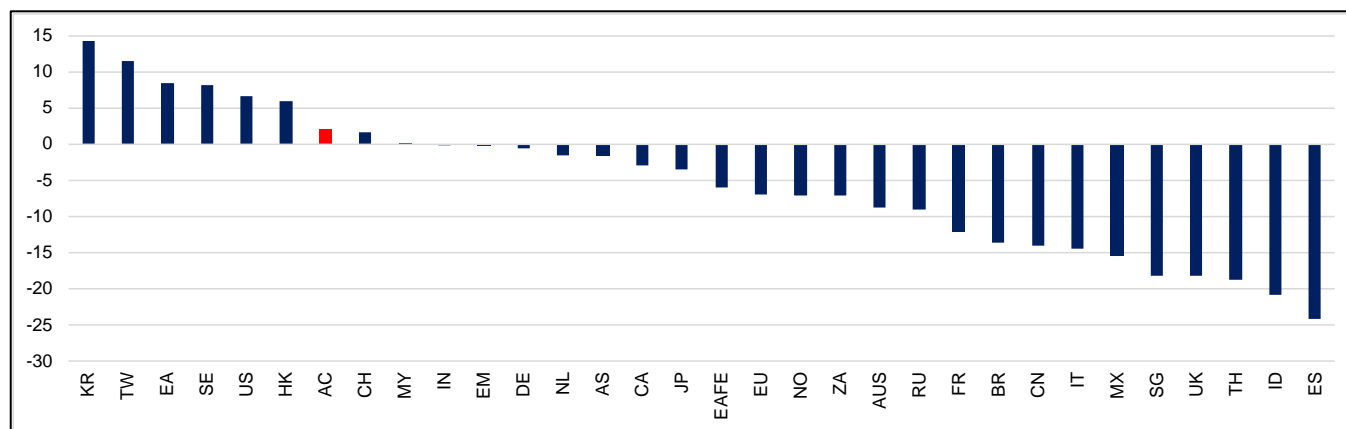
## 'EYE' ALLOCATION BREAKDOWN

Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>United States (Overweight):</b> Remains global equity 'safer haven' despite centre COVID outbreak and upcoming election. Has relatively closed economy and stock market, trend GDP growth into crisis, 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 'momentum' Eye quadrant, with some of world's strongest relative fundamentals, but also some of most optimistic investors.	26.6	21.4	-16.3	24.4
	<b>Emerging Markets (Neutral):</b> Economic growth vulnerable even before COVID outbreak. USD strength and low oil prices headwinds part reversed. Some of valuation discount structural (governance and cost-of-capital) but rising China and tech weights have boosted structural growth and fair-value. LatAm/CEEMEA now focus of virus, after north Asia (65% EM) control, and have cyclical upside to commodities, PMI, weaker USD. Favor China, EM's largest market, on policy flexibility, resilient GDP/EPS, FIFO on virus, 14x 2021e P/E.	18.1	13.7	-9.2	31.6
	<b>Eurozone (Neutral):</b> Led global GDP and EPS decline, whilst much of valuation discount vs US is just sector composition. Recession triggered a broader fiscal policy response, whilst ECB help extended. COVID easing and countries reopening, will see large cyclical economic and market upturn. Focus on cheap domestic cyclicals, such as Financials. Risk is impact of stronger EUR on region's globalised and low margin companies.	22.0	15.9	-32.4	38.1
	<b>Japan (Underweight):</b> 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 to stronger JPY. Domestic stocks underperformed global-exposed peers.	21.0	15.2	-5.8	38.5
	<b>UK (Underweight):</b> In value-trap framework quadrant. Exposed to twin-headwinds of above-average COVID impact (with high infections and relatively low fiscal response) and rising Brexit hard-exit risks (into Dec. 31 cliff edge), and market valuations at long-term average. Risk that lags our preferred recovery cyclicals (Canada, EU Financials, US small caps) despite 50%+ cyclical equity index composition and 60% overseas revenue exposure.	18.2	13.6	-37.6	33.7
US Sector	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>Information Technology (Overweight):</b> Software in attractive top-right 'momentum' quadrant of the Eye. Are quality growth and attractive at this stage of cycle, reflected in defensiveness vs previous corrections. Valuations average but supported by net-cash and high RoE, giving buyback and M&A flexibility. Tech Hardware (Neutral) less well positioned, with weaker fundamentals, but beneficiary of easing growth concerns.	30.4	26.4	2.8	15.3
	<b>Healthcare (Overweight):</b> Both Healthcare Equipment and Pharma have been slipping on our framework. Remain liked by the market (with multiple rerating and sell-side conviction), and we see 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.	18.8	16.3	4.8	15.4
	<b>Financials (Underweight):</b> Diversified and Insurance segments have been improving on allocation framework, whilst Banks remains in value trap quadrant. All are 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, regulatory buyback and dividend restrictions which likely combine to see lagging other Cyclicals in a recovery. Insurance offers the best value in our view, though none of the sector is optically expensive.	16.6	12.7	-32.7	30.4
	<b>Communications (Overweight):</b> Telecoms (AT&T largest sector weight) in most-attractive top-left quadrant, and Media (Facebook, Alphabet largest) in attractive top-right. Both seeing above average fundamentals, with Media led by EPS revisions, and Telecoms by price momentum. Telecoms has average valuation vs history, has derated, and sell-side sentiment especially poor. Media better liked by the market..	27.0	22.3	-12.2	20.9
	<b>Consumer Discretionary (Neutral):</b> Consumer Services and Retail (Amazon largest stock) best placed of Discretionary sectors, both in top-right quadrant. Services defensive to cycle and seeing positive EPS revisions. Autos poorest placed, in bottom-left quadrant. Whilst the least-in-favour, has some of worst fundamentals and more expensive than perceived. Leisure discretionary industries very COVID exposed.	56.8	33.8	-35.8	68.1

Source: Refinitiv, THR

# REGION/COUNTRY PERFORMANCE & VALUATION

## Total Return YTD



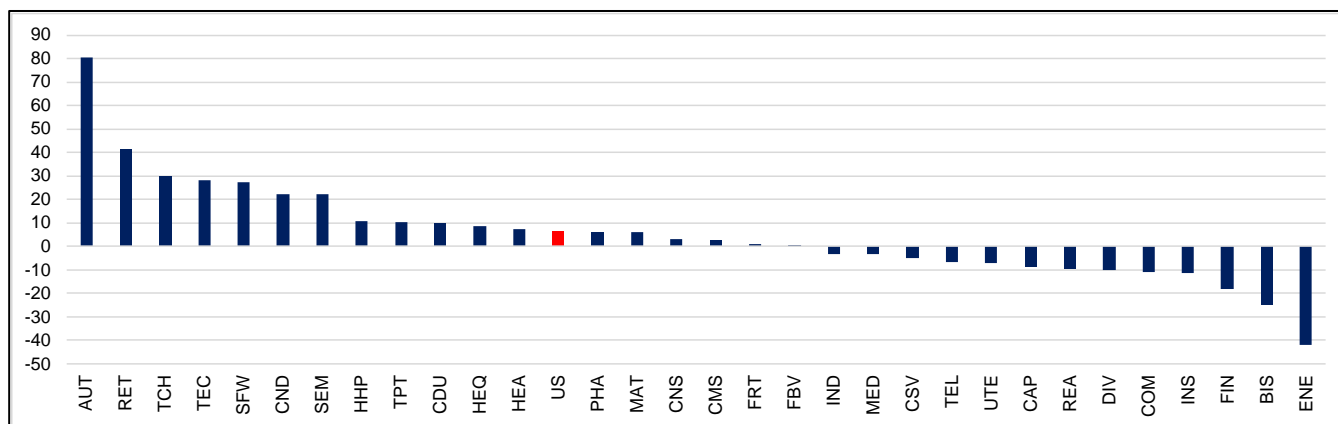
Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>World</b>	<b>AC</b>	<b>0.5</b>	<b>2.0</b>	<b>9.5</b>	<b>2.0</b>	<b>19.1</b>	<b>23.6</b>	<b>18.3</b>	<b>-19.1%</b>	<b>29.4%</b>
<b>EAFE</b>	<b>EAFE</b>	<b>0.2</b>	<b>0.9</b>	<b>6.3</b>	<b>-6.0</b>	<b>16.0</b>	<b>21.6</b>	<b>15.9</b>	<b>-26.2%</b>	<b>36.1%</b>
<b>Europe</b>	<b>EU</b>	<b>0.5</b>	<b>0.8</b>	<b>7.3</b>	<b>-7.0</b>	<b>14.9</b>	<b>22.0</b>	<b>15.9</b>	<b>-32.4%</b>	<b>38.1%</b>
<b>Asia</b>	<b>AS</b>	<b>0.3</b>	<b>2.1</b>	<b>8.3</b>	<b>-1.5</b>	<b>18.4</b>	<b>19.2</b>	<b>14.7</b>	<b>-3.8%</b>	<b>29.9%</b>
<b>Emerging Global Markets</b>	<b>EM</b>	<b>0.8</b>	<b>2.5</b>	<b>11.8</b>	<b>-0.2</b>	<b>16.4</b>	<b>18.1</b>	<b>13.7</b>	<b>-9.2%</b>	<b>31.6%</b>
<b>Emerging Asia</b>	<b>EA</b>	<b>0.8</b>	<b>2.7</b>	<b>13.9</b>	<b>8.4</b>	<b>18.3</b>	<b>18.0</b>	<b>14.5</b>	<b>1.4%</b>	<b>24.6%</b>
Australia	AUS	-0.1	1.4	1.0	-8.8	20.1	20.4	17.7	-1.2%	15.0%
Brazil	BR	0.0	-0.2	7.0	-13.7	13.3	34.5	12.6	-61.5%	172.7%
Canada	CA	0.4	2.1	6.4	-2.9	14.8	21.8	15.8	-32.1%	37.7%
China	CN	0.6	0.3	-0.3	-14.1	17.0	16.7	14.0	1.9%	19.4%
France	FR	0.2	0.7	3.0	-12.1	14.3	25.6	15.8	-44.0%	61.7%
Germany	DE	0.1	-0.1	6.4	-0.6	16.3	23.0	15.2	-29.2%	51.3%
Hong Kong	HK	0.6	3.0	10.8	6.0	15.1	20.0	15.2	-24.4%	31.5%
India	IN	0.9	3.7	19.4	-0.1	24.5	27.6	19.4	-11.3%	42.4%
Indonesia	ID	-1.8	-3.1	1.7	-20.9	15.2	20.5	15.7	-25.5%	30.3%
Italy	IT	0.7	0.6	2.5	-14.5	10.8	21.0	13.4	-48.6%	56.6%
Japan	JP	-0.6	2.4	3.7	-3.5	19.8	21.0	15.2	-5.8%	38.5%
Korea	KR	0.7	2.8	14.3	14.2	19.1	16.5	11.5	15.6%	43.2%
Malaysia	MY	1.0	2.8	3.6	0.1	17.7	21.6	16.9	-18.3%	27.5%
Mexico	MX	-0.3	1.4	-1.9	-15.4	15.3	22.1	13.4	-30.4%	65.0%
Netherlands	NL	0.5	1.7	2.5	-1.5	21.0	23.6	19.7	-10.9%	19.6%
Norway	NO	0.9	1.1	6.0	-7.2	13.8	19.6	14.7	-29.5%	33.6%
Russia	RU	2.0	4.0	5.0	-9.1	5.8	12.0	7.5	-51.6%	59.2%
Singapore	SG	0.2	0.1	-4.2	-18.1	11.5	16.7	13.0	-31.5%	28.3%
South Africa	ZA	-0.5	1.2	4.2	-7.1	15.2	15.4	10.7	-0.8%	43.7%
Spain	ES	1.1	0.4	-4.9	-24.1	10.5	27.6	13.1	-62.1%	110.9%
Sweden	SE	0.8	1.6	11.8	8.2	16.7	20.9	17.5	-20.3%	19.9%
Switzerland	CH	0.6	1.4	3.6	1.7	19.6	21.6	18.5	-9.4%	16.8%
Taiwan	TW	0.4	2.9	15.6	11.4	21.0	19.1	16.8	10.2%	13.6%
Thailand	TH	1.0	-0.8	-7.3	-18.8	14.8	22.6	17.3	-34.8%	30.4%
United Kingdom	UK	1.2	1.2	-1.6	-18.2	11.4	18.2	13.6	-37.6%	33.7%
United States	US	0.5	2.4	9.5	6.6	22.3	26.6	21.4	-16.3%	24.4%

Source: MSCI, Refinitiv, THR



# US SECTOR PERFORMANCE & VALUATION

## Total Return YTD

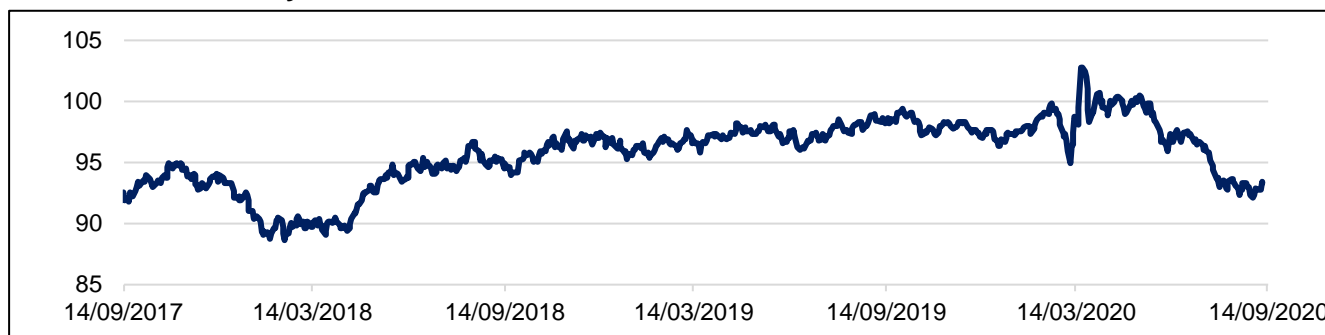


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>United States</b>	<b>US</b>	<b>0.5</b>	<b>2.4</b>	<b>9.5</b>	<b>6.6</b>	<b>23.0</b>	<b>27.4</b>	<b>22.0</b>	<b>-16.0%</b>	<b>24.2%</b>
<b>Communications</b>	<b>COM</b>	<b>0.5</b>	<b>1.4</b>	<b>-7.9</b>	<b>-10.9</b>	<b>25.3</b>	<b>28.8</b>	<b>23.8</b>	<b>-12.1%</b>	<b>21.1%</b>
Media & Entertainment	MED	1.1	2.0	12.0	-3.3	32.7	38.7	29.3	-15.5%	32.2%
Telecommunication Svcs	TEL	0.5	0.3	3.1	-6.7	11.5	12.2	12.0	-6.0%	2.4%
<b>Consumer Discretionary</b>	<b>CND</b>	<b>1.3</b>	<b>3.5</b>	<b>19.2</b>	<b>22.5</b>	<b>38.2</b>	<b>58.8</b>	<b>35.3</b>	<b>-35.1%</b>	<b>66.8%</b>
Autos & Components	AUT	4.0	19.1	62.5	80.4	29.9	152.1	31.7	-80.4%	-379.8%
Consumer Durables & App	CDU	-0.3	3.7	16.4	9.8	27.6	27.3	21.4	1.0%	27.3%
Consumer Svcs	CSV	0.8	1.6	12.4	-5.0	22.6	NA	39.6	-107.1%	-899.0%
Retailing	RET	1.4	2.0	18.1	41.3	49.1	50.4	38.4	-2.7%	31.2%
<b>Consumer Staples</b>	<b>CNS</b>	<b>-0.1</b>	<b>1.3</b>	<b>9.1</b>	<b>3.2</b>	<b>22.1</b>	<b>22.2</b>	<b>20.6</b>	<b>-0.3%</b>	<b>7.4%</b>
Food & Staples Retailing	FRT	0.1	-0.2	8.0	1.0	22.8	23.4	22.4	-2.6%	4.6%
Food, Bev & Tobacco	FBV	0.0	1.9	7.6	0.3	19.0	19.6	18.0	-3.0%	9.0%
Household Products	HHP	-0.3	1.1	12.6	10.8	29.6	26.4	25.2	12.1%	5.0%
<b>Energy</b>	<b>ENE</b>	<b>-0.6</b>	<b>-2.3</b>	<b>-16.5</b>	<b>-42.1</b>	<b>12.8</b>	<b>NA</b>	<b>26.5</b>	<b>-101.6%</b>	<b>3068.4%</b>
<b>Financials</b>	<b>FIN</b>	<b>-0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>-18.1</b>	<b>11.3</b>	<b>16.7</b>	<b>12.8</b>	<b>-32.5%</b>	<b>30.0%</b>
Banks	BIS	-1.7	-0.4	-3.3	-24.9	8.2	16.6	11.2	-50.8%	47.9%
Diversified Financials	DIV	-1.1	-1.3	-2.7	-10.3	15.4	19.3	15.7	-20.3%	22.4%
Insurance	INS	-1.0	0.4	8.8	-11.1	11.6	12.9	10.9	-9.6%	18.1%
<b>Health Care</b>	<b>HEA</b>	<b>0.3</b>	<b>2.9</b>	<b>7.0</b>	<b>7.5</b>	<b>19.7</b>	<b>18.8</b>	<b>16.3</b>	<b>5.1%</b>	<b>15.3%</b>
Health Care Equipment	HEQ	0.0	2.4	10.0	8.7	32.6	36.3	27.4	-10.2%	32.4%
Pharmaceuticals	PHA	0.5	3.4	4.1	6.2	16.4	15.7	13.8	4.5%	14.1%
<b>Industrials</b>	<b>IND</b>	<b>0.2</b>	<b>3.0</b>	<b>9.5</b>	<b>-3.2</b>	<b>20.9</b>	<b>29.3</b>	<b>21.3</b>	<b>-28.7%</b>	<b>37.5%</b>
Capital Goods	CAP	-0.4	2.4	6.6	-8.7	17.8	26.7	19.7	-33.4%	35.4%
Commercial & Prof Svcs	CMS	0.6	3.0	5.2	2.8	32.6	34.4	30.4	-5.0%	12.9%
Transportation	TPT	1.2	4.8	25.9	10.2	30.0	36.8	23.0	-18.5%	60.2%
<b>Information Technology</b>	<b>TEC</b>	<b>1.2</b>	<b>2.8</b>	<b>13.4</b>	<b>28.4</b>	<b>33.2</b>	<b>32.2</b>	<b>28.0</b>	<b>3.3%</b>	<b>14.8%</b>
Semiconductors	SEM	1.3	5.1	12.8	22.1	22.1	22.4	19.3	-1.1%	16.1%
Software & Svcs	SFW	1.5	2.5	10.8	27.5	41.3	38.6	33.9	6.9%	14.0%
Technology Hardware	TCH	0.6	3.3	18.2	30.1	31.0	30.4	26.4	2.0%	15.0%
<b>Materials</b>	<b>MAT</b>	<b>0.3</b>	<b>4.6</b>	<b>16.7</b>	<b>5.9</b>	<b>21.2</b>	<b>25.6</b>	<b>20.0</b>	<b>-17.3%</b>	<b>28.2%</b>
<b>Real Estate</b>	<b>REA</b>	<b>1.2</b>	<b>3.1</b>	<b>1.3</b>	<b>-9.6</b>	<b>34.2</b>	<b>48.6</b>	<b>45.0</b>	<b>-29.7%</b>	<b>7.9%</b>
<b>Utilities</b>	<b>UTE</b>	<b>0.6</b>	<b>1.6</b>	<b>1.2</b>	<b>-7.1</b>	<b>18.5</b>	<b>18.4</b>	<b>17.4</b>	<b>0.5%</b>	<b>5.5%</b>

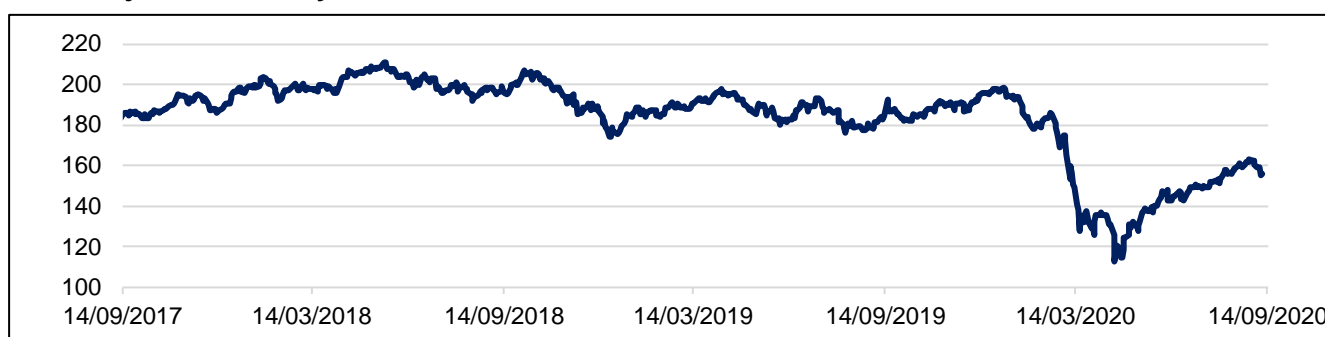
Source: MSCI, Refinitiv, THR

# GLOBAL FX, BONDS AND COMMODITIES

## DXY USD Index - 3 years



## CRB Major Commodity Index\* - 3 Years

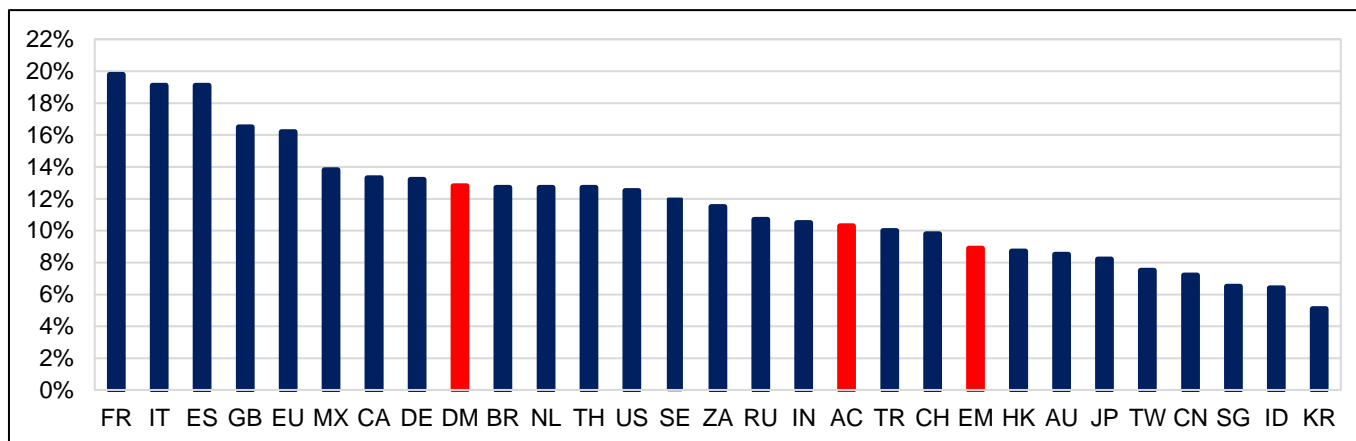


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
<b>Commodities</b>										
CRB Commodity Index	USD	2686.89	0.1%	2.1%	-0.7%	8.8%	-9.0%	-0.2%	9.4%	-12.8%
Gold Spot	USD	1955.52	-0.1%	1.2%	0.5%	13.3%	31.3%	-0.8%	9.8%	28.8%
Copper Spot	USD	3.06	-0.1%	1.7%	7.2%	19.3%	14.2%	0.7%	12.9%	9.6%
Brent Crude Spot	USD	38.42	1.5%	2.6%	-14.4%	-0.4%	-37.3%	-15.2%	-8.3%	-43.5%
CRB Agricultural Index	USD	5371.41	0.0%	2.4%	0.8%	14.6%	-4.3%	1.3%	15.2%	-6.4%
<b>Currencies</b>										
DXY USD Index	USD	93.05	0.0%	-0.4%	0.0%	-3.8%	-5.3%	1.0%	-4.4%	-3.4%
EUR/USD	USD	1.18	-0.2%	0.6%	0.1%	4.7%	7.0%	-0.7%	5.5%	5.7%
USD/JPY	JPY	105.43	-0.3%	-0.6%	-1.1%	-1.8%	-2.5%	-0.5%	-2.3%	-3.0%
GBP/USD	USD	1.29	0.4%	-0.8%	-1.5%	2.3%	3.1%	-3.6%	4.0%	-2.8%
USD/CNY	CNY	6.78	-0.4%	-0.9%	-2.4%	-4.4%	-4.2%	-1.0%	-4.0%	-2.6%
<b>Bond Yields</b>										
DE 10Y BUND	EUR	-0.48	0.8%	-2.8%	14.3%	9.6%	6.2%	21.5%	4.6%	157.2%
GB 10Y GILT	GBP	0.22	11.7%	15.9%	-10.2%	7.4%	-71.2%	-30.0%	27.3%	-73.5%
JP 10Y JGB	JPY	0.02	-10.0%	-48.6%	-60.9%	260.0%	-111.6%	-61.7%	-33.3%	-181.8%
US 10Y BILL	USD	0.68	1.7%	-0.5%	-4.0%	-3.1%	-64.2%	-1.8%	4.2%	-64.4%
US 30Y BOND	USD	1.43	1.9%	0.8%	-0.5%	-1.0%	-39.6%	-1.2%	1.7%	-39.7%
US 10-2 BOND	-	0.54	-1.2%	-0.5%	1.3%	22.3%	28.0%	-9.4%	12.7%	26.6%
<b>Volatility</b>										
CBOE VIX Index	USD	25.85	-0.01	-0.19	0.16	-0.26	0.86	-0.03	-0.16	0.86

Source: Refinitiv, THR

# MACRO INDICATORS: HISTORIC AND FORECASTS

## Forecast Real GDP Growth 'Delta' (2021E % Growth – 2020E)



Codes	Nominal GDP 2019 US\$trn	Real GDP (%)			Inflation (%)			Fiscal Balance (% GDP)			Gov Debt (% GDP)		
		2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	
<b>Americas</b>													
US	21.4	2.3	-8.0	4.5	1.8	0.6	2.2	-6.3	-23.8	-12.4	106	110	
Canada	1.7	1.7	-8.4	4.9	1.9	0.6	1.3	-0.3	-12.6	-5.8	88	83	
Brazil	1.9	1.1	-9.1	3.6	3.7	3.6	3.3	-6.0	-16.0	-5.9	92	95	
Mexico	1.3	-0.3	-10.5	3.3	3.6	2.7	2.8	-2.3	-6.0	-4.0	54	55	
<b>Europe</b>													
Eurozone	18.3	1.3	-10.2	6.0	1.4	0.6	1.2	-0.6	-11.7	-5.3	80	78	
Germany	3.9	0.6	-7.8	5.4	1.3	0.3	1.2	1.5	-10.7	-3.1	59	53	
UK	2.7	1.4	-10.2	6.3	1.8	1.2	1.5	-2.1	-12.7	-6.7	86	85	
France	2.7	1.5	-12.5	7.3	1.3	0.3	0.7	-3.0	-13.6	-7.1	99	99	
Italy	2.0	0.3	-12.8	6.3	0.6	0.2	0.7	-1.6	-12.7	-7.0	133	134	
Spain	1.4	2.0	-12.8	6.3	0.7	-0.3	0.7	-2.8	-13.9	-8.3	96	94	
Netherlands	0.9	1.8	-7.7	5.0	2.7	0.5	1.2	1.6	-6.2	-2.1	49	46	
Switzerland	0.7	0.9	-6.0	3.8	0.4	-0.4	0.6	0.9	-5.1	-1.9	39	36	
Sweden	0.5	1.2	-6.8	5.2	1.7	0.5	1.5	0.4	-5.3	-1.6	37	34	
Russia	1.6	1.3	-6.6	4.1	4.5	3.1	3.0	1.9	-5.5	-3.9	17	18	
Turkey	0.7	0.9	-5.0	5.0	15.2	12.0	12.0	-5.3	-8.4	-7.5	30	32	
<b>Asia</b>													
China	14.1	6.1	1.0	8.2	2.9	3.0	2.6	-6.3	-12.1	-10.7	56	65	
Hong Kong	0.4	-1.2	-4.8	3.9	2.9	2.0	2.5	-1.4	-7.0	0.0	0	0	
Japan	5.2	0.7	-5.8	2.4	0.5	0.2	0.4	-2.8	-7.1	-2.1	238	238	
India	2.9	4.2	-4.5	6.0	4.5	3.3	3.6	-7.9	-12.1	-9.4	69	68	
Korea	1.6	2.0	-2.1	3.0	0.4	0.3	0.4	0.4	-3.6	-2.4	40	46	
Australia	1.4	1.8	-4.5	4.0	1.6	1.4	1.8	-3.9	-8.6	-8.4	42	41	
Indonesia	1.1	5.0	-0.3	6.1	2.8	2.9	2.9	-2.2	-6.3	-5.0	30	30	
Taiwan	0.6	2.7	-4.0	3.5	0.5	0.5	1.5	NA	NA	NA	34	31	
Thailand	0.5	2.4	-7.7	5.0	0.7	-1.1	0.6	-0.8	-3.5	-1.7	42	44	
Singapore	0.4	0.7	-3.5	3.0	0.6	-0.2	0.5	3.8	-3.5	1.8	114	115	
<b>Other</b>													
South Africa	0.4	0.2	-8.0	3.5	4.1	2.4	3.2	-6.3	-14.8	-11.0	60	68	
<b>World</b>													
Developed Markets	DM	51.7	1.7	-8.0	4.8	1.4	0.5	1.5	-3.3	-16.6	-8.3	103	104
Emerging Markets	EM	34.9	3.7	-3.0	5.9	3.2	3.0	2.9	-4.9	-10.6	-8.5	53	58
World	AC	86.6	2.9	-4.9	5.4	3.6	3.0	3.3					

Source: IMF, THR

# GLOBAL MACRO & FORECAST TABLES

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

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

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

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

Source: Refinitiv, THR

## TOWER HUDSON ‘EYE’: HOW IT WORKS

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

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

### How to read the quadrants

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

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

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

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

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

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

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



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