

EYE ON THE WORLD

Don't blame the little guy
Wednesday, September 09

Bad news from all sides yesterday drove a more traditional risk-off move as tech declines met disappointing vaccine news, a skinny US stimulus plan, Brexit uncertainty, and lower oil. **HOT TOPICS** see's retail investors as a solution not source to the current sell-off. Their interest has surged, in US and globally, but focused on cyclicals not big tech, and their activity was easing as rally continued, whilst broad measures of retail sentiment are already cautious, and a source of potential market support.

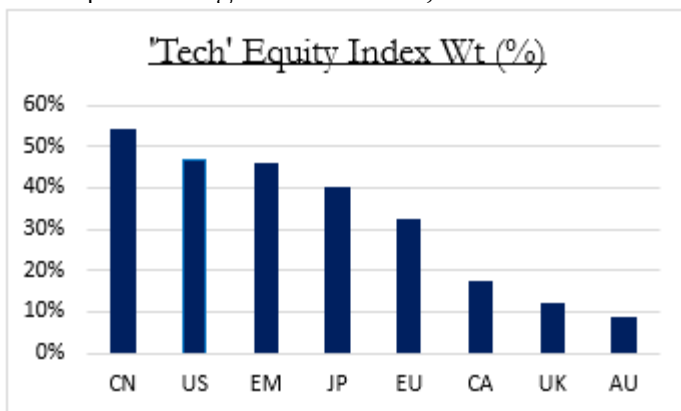
Market absorbed a rare wave of bad news, with tech and oil (-5%) pacing declines and driving a more-traditional risk-off move, benefitting bonds and USD, which rose to month high. Asia equities fell overnight, whilst Europe and US futures are flat. **Tech-heavy markets (see chart) vulnerable** to any further tech unwind. We see markets well-supported.

Tech correction perspective. Nasdaq in 'correction' territory, down 10% from recent high, but only back to early August levels, highlighting dramatic pace of rally. This left index short-term

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3427.0	-2.8%	-5.5%	3.1%
ACWI xUS	45.9	-1.4%	-2.8%	-6.6%
DXY USD	93.4	0.8%	1.2%	-3.1%
US 10Y YLD	0.68	-5.4%	1.9%	-64.2%
Brent Spot	38.0	-5.1%	-16.8%	-44.9%
Gold Spot	1930.9	0.1%	-2.0%	27.3%

vulnerable to 'healthy' pullback, with signs of some position crowding, but **we see supports**. Overall valuations are validated by the high RoE, net cash balance sheets, low bond yields, and premium growth outlook, which has been



Source: MSCI, Refinitiv, THR. *Tech' = IT + Communications + Discretionary

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on [Retail Investors](#). See as a solution not source to the current sell-off, with broad measures of retail investor sentiment low, and buying focused on cyclicals not big tech.
- **What to watch:** US job openings forecast to rise to 6m. Bank of Canada to keep rates at 0.25%.
- **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	3427.0	-2.8%	-5.5%	3.1%
NASDAQ	11068.3	-4.1%	-9.1%	20.9%
Russell 2000	1504.6	-2.0%	-4.7%	-9.8%
US IT	436.1	-4.3%	-10.3%	24.1%
US Healthcare	372.7	-1.6%	-3.4%	3.4%
US Financials	163.6	-2.4%	-1.6%	-20.2%

improving as crisis tech adoption has accelerated and earnings expectations been rising. The 'tech-bubble' comparison is overdone, and **sector relatively well positioned on our framework.**

US IT trading at 32x P/E (2020e), a 18% premium to market, with 3% forecast EPS growth vs market -17%. See June 30th *NASDAQ twenty years on.*

Only a skinny stimulus. Senate Republicans proposed a slimmed-down stimulus plan, with a US\$300 vs expired US\$600 federal unemployment benefit through December, US\$257bn in small-business aid, and no States assistance or second round US\$1,200 stimulus cheques. Is much smaller than even US\$1trn plan proposed by Senate leader McConnell and significantly less than Democrats most recent US\$2.2trn hope. They called it 'emaciated'. Whilst with little chance of passing, it indicates **stalled nature of talks and is negative.**

Vaccine setback. The most advanced virus vaccine candidate AstraZeneca/Oxford has suspended all vaccine trials after a participant's illness, to allow an independent committee to review safety data. Late-stage clinical trials were underway in the US, UK, Brazil and South Africa. Such reviews are not unusual, but it does

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	93.4	0.8%	1.2%	-3.1%
EUR/USD	1.18	-0.3%	-1.1%	5.1%
US 10Y YLD	0.68	-5.4%	1.9%	-64.2%
US 10-2 BOND	0.54	1.2%	-4.1%	26.8%
CBOE VIX Index	31.5	2.3%	20%	128%
CRB Index	2633.5	-1.8%	-2.8%	-14.6%

Events to Watch

Indicator	Period	Forecast	Last
CPI YY, China	Aug	2.38	2.70
Job Openings, US	July	5.86 M	5.89 M

potentially **delay results and boost uncertainty** around what has been a key market driver. See September 8th, *Stealth reopening rotation.*

Sector View

S&P 500 led down again by IT (-4.3%) and energy (-3.7%), while utilities (-0.6%) and real estate (-1.3%) outperformed. Small cap Russell 2000 (-2.0%) outperformed. VIX volatility index was restrained, up 2.3%. **Tesla** plunged 21%, exacerbated by news that not to be included in S&P 500 index. **General Motors** will pay US\$2bn for 11% stake in recently listed electric truck startup Nikola, in further sign of EV adoption. **Boeing** fell on 787 Dreamliner delays, undermining our reopening rotation thesis.

What to Watch

Yesterday August **US Small Business Optimism** index (NFIB) surprisingly rebounded to over 100, with most components up, in encouraging sign of broadening recovery. In EM, **South Africa Q2 GDP** fell worse-than-expected 17.4% yoy, and first-time fell for four consecutive quarters as see' one of world's toughest lockdowns. August **China's producer prices** fell 2.0% yoy, the slowest annual pace in five months, as economy continues to recover.

Today **US Job Openings and Labor Turnover Survey** (JOLTS) likely to see openings rise for fourth month, to 5.9m vs pre-pandemic 7m level, as labor market improves. **Bank of Canada** is expected to leave benchmark interest rate unchanged at 0.25%.

HOT TOPIC

DON'T BLAME THE LITTLE GUY

Retail investors are seen as a driver of recent market strength and current volatility. We don't see it. Retail interest has surged, in US and globally, but is more focused on smaller caps and cyclicals rather than big tech, and this overall activity eased as the rally continued. Broader measures of US retail investor sentiment are also cautious, not bullish. This means retail could be a possible solution to this sell-off, rather than the source, if they re-engage.

Revisiting the impact of retail

Recent market commentary has focused on the growth of retail investor participation as a driver of 1) recent equity market strength, especially in tech, and 2) a source of recent equity market volatility. **We don't see it.**

Retail investor involvement has surged this year, both in the US and globally, but we continue to see overall retail sentiment as relatively depressed, and single-stock interest more focused on smaller and more cyclical stocks, rather than tech index heavy-weights that have driven the market. For background see July 19, *Retail investors are different.*

By contrast, retail investors could be part of the solution to the current tech sell-off, rather than the problem, if broader retail sentiment turns up from current depressed levels and buys the market, and specifically tech.

Owning different things

We delve into data from the 2nd largest US retail brokerage by accounts, Robinhood, and see three reasons not to pin the rally on them (in-line with [other research](#) on retail investor trading and ownership dynamics):

- 1) *Don't own big tech.* There remains a significant disparity between the most held stocks on the Robinhood platform and the largest S&P 500 constituents, with only Apple and Microsoft among the top-10 most widely held, and with a general focus on cyclicals (Ford, GE, Delta) and smaller caps (GoPro).
- 2) *Neither buying/selling recently.* The biggest holding increases/decreases in last month provides limited support to a big tech pick up. Apple, Tesla, and Microsoft are the only three large cap tech stocks in the top-10 list.
- 3) *Overall activity fallen.* The Robintrack [Retail Trading Barometer](#) shows a fall in trading as the S&P 500 continued rallying recently.

Robinhood*	Weight	S&P 500	Weight
Ford	7.0%	Apple	7.2%
GE	6.6%	Microsoft	5.9%
Apple	5.4%	Amazon.com	5.0%
Microsoft	5.0%	Facebook	2.5%
American Airlines	4.9%	Alphabet A	1.7%
Disney	4.6%	Alphabet C	1.7%
Delta Air lines	4.4%	Berkshire Hathaway B	1.5%
Tesla	4.2%	Johnson & Johnson	1.4%
Carnival	3.7%	Visa	1.2%
GoPro	3.7%	Procter & Gamble	1.2%

Source: RobinTrack, Refinitiv, THR. *Weight = Investors holding /Total investors

Robinhood Largest Hldg Chgs (30 Days)				
	Increases	Ticker	Decreases	Ticker
1	Apple	AAPL	TOP Ships	TOPS
2	Tesla	TSLA	Ford	F
3	Moderna	MRNA	Rocket Co's	RKT
4	Antero	AM	MGM Resorts	MGM
5	iBio	BIO	Callon Pet.	CPE
6	NIO	NIO	Disney	DIS
7	Microsoft	MSFT	Inovio	INO
8	Trevena	TRVN	Norwegian	NCLH
9	GrowGen.	GRWG	Delta Air	DAL
10	AMC Ent.	AMC	Aurora	ACB

Source: Robintrack, THR

Retail investor interest surged

Retail interest has grown, and accounts for more trading activity overall. An estimated 6m new US retail investor accounts were created in 1H 2020, over half on the Robinhood platform, driven by stimulus cheques, stay-at-home boredom, the spread of no-cost trading platforms, and strong market performance. Robinhood peers Schwab and Ameritrade also saw growth, with 1.6m and 0.66m new accounts respectively, +328% and 296% yoy. Similarly, 1H 2020 saw net E-trade retail assets and accounts more than double.

Retail investors are estimated to have [recently averaged](#) 20% of daily US market trading volume, even reaching 25% on some days. This is a significant pick up from the 10% estimated trading participation seen in 2019.

Not just the US

Anecdotal international evidence also supports the growth of retail investor interest globally. In the [UK](#), 74% of Millennials already have or would consider investing during or after COVID-19 pandemic. Australia has seen retail investors [buy](#) a net US\$9bn of equities vs US\$11bn by institutional investors between Feb-May, whilst the sharp pick up in retail trading activity has been noted from India to China.

Not all retail investors are bullish

We still see broad retail sentiment as cautious. Ameritrade's proprietary Investor Movement Index (IMX) tracks retail investor sentiment. It is currently at 4.6, lower than the five-year average of 5.4. Similarly, the long-running weekly American Association of Individual Investors (AAII) survey shows 41.8% of retail investors bearish, well above historic average of 30.5%. Similarly, only 30.8% are bullish, well below the historical average of 38%.

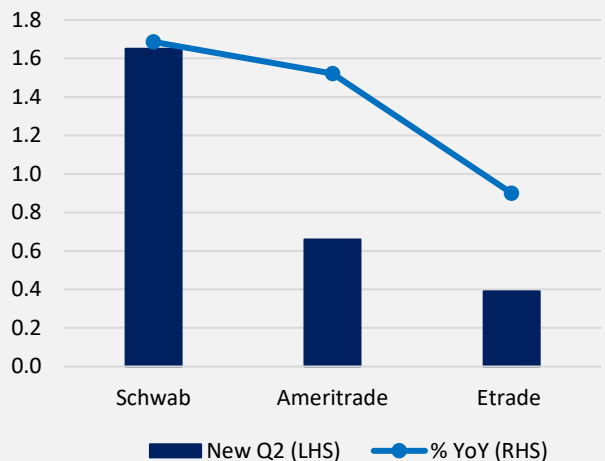
Retail across markets and generations

The level of retail ownership differs significantly across markets and age-groups.

US has one of lowest percentages of market cap held by 'Other free float' that includes retail investors. China, a market perceived dominated by individual investors also has a low level of ownership on this data, whilst European markets are higher than perceived.

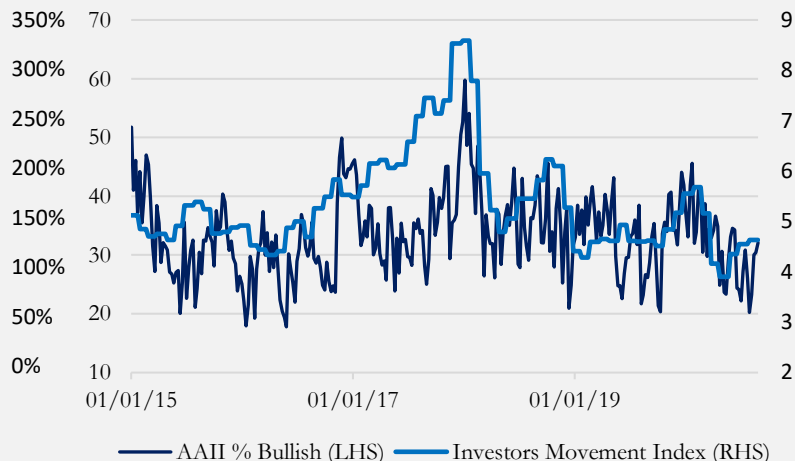
Ownership also differs by generation. Using US mutual fund ownership as a proxy, Gen X (39-54 years) have highest ownership, with 54%. 74 years+ are lowest (as into retirement) whilst Gen Z and Millennials (<38-yrs old) are lowest of earning generations at only 44%.

US Broker Q2 Openings & YoY



Source: Company Reports, THR

US Retail Investor Sentiment is low

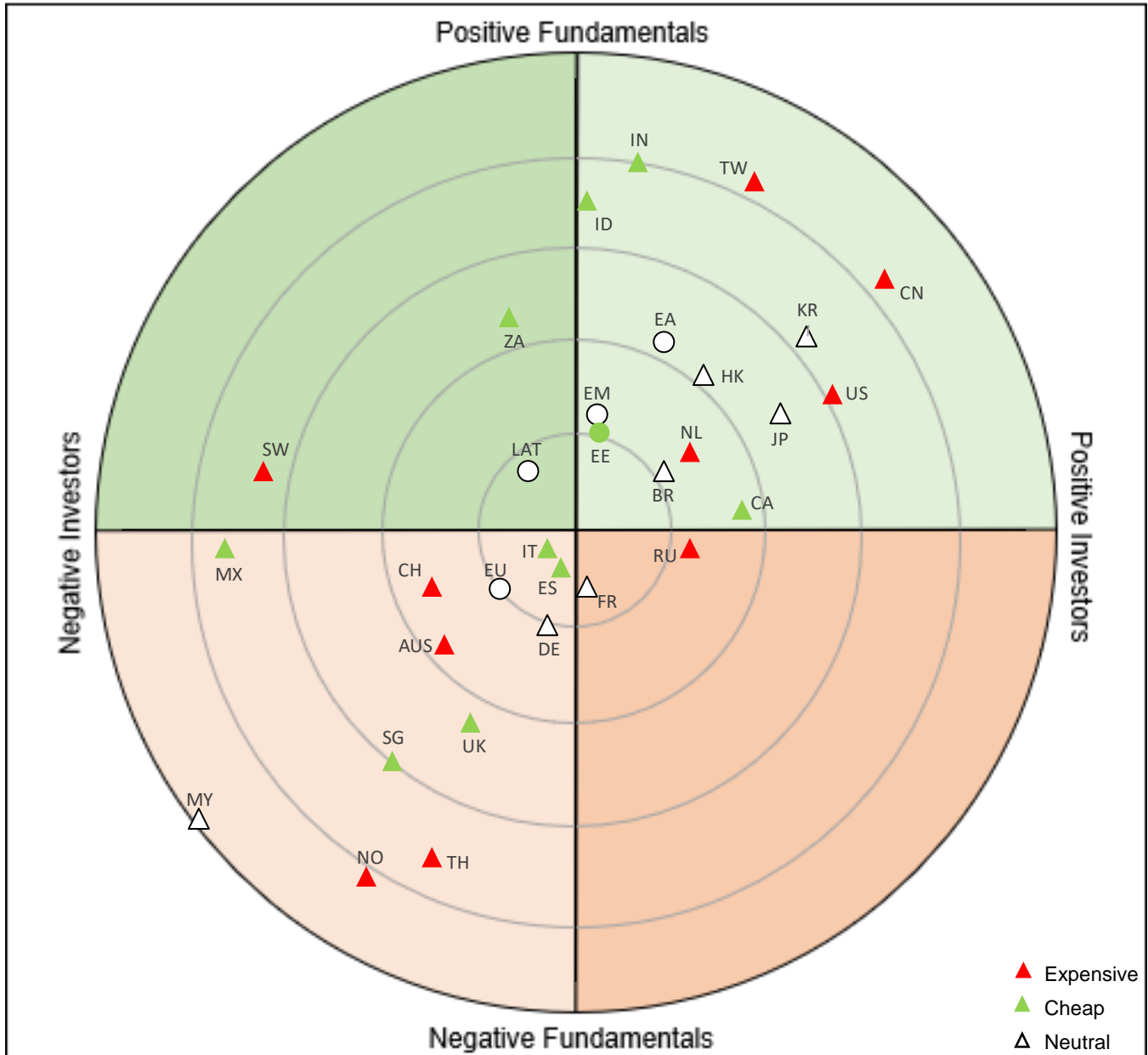


Source: AAIL, TD Ameritrade, THR

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



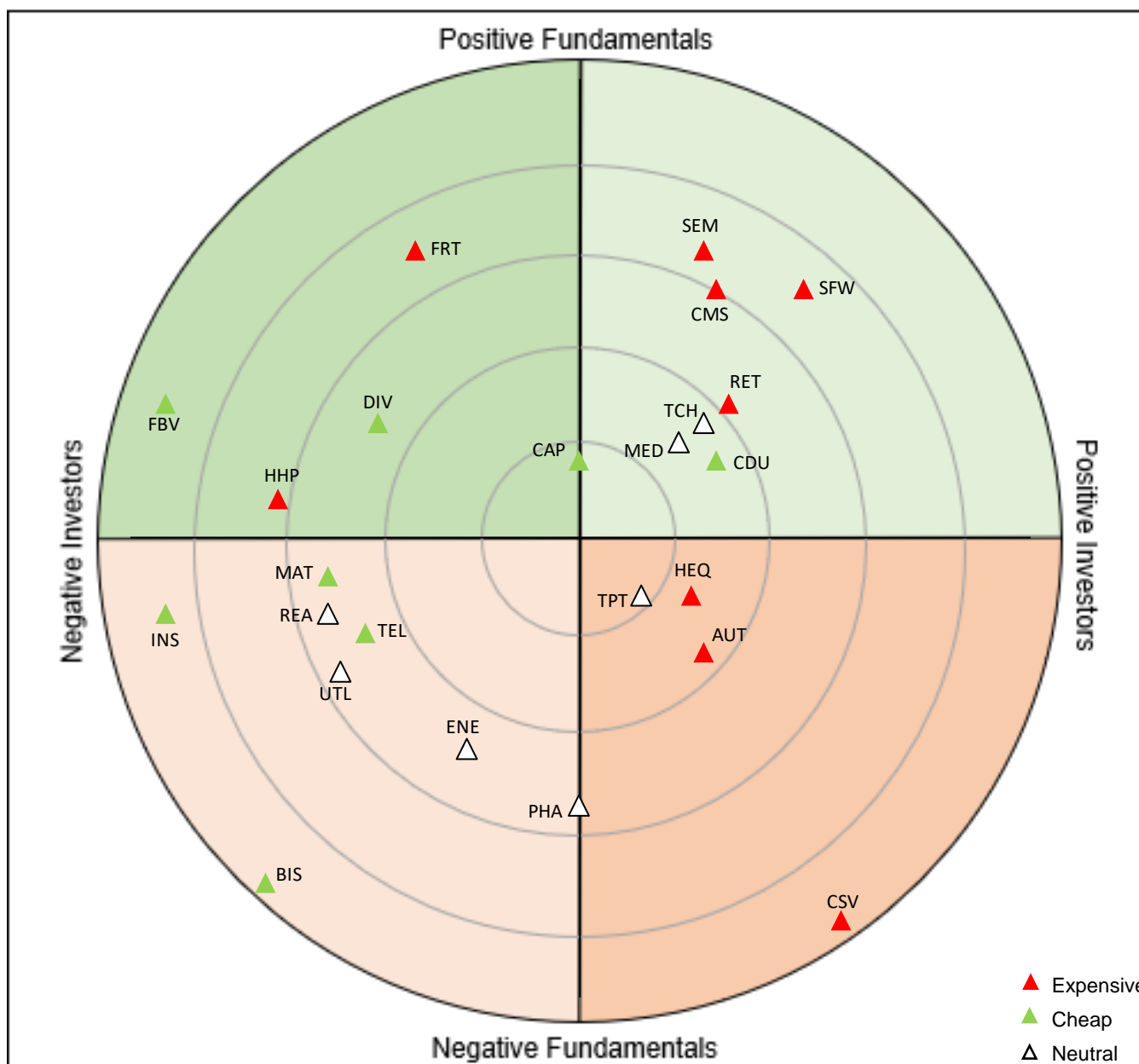
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

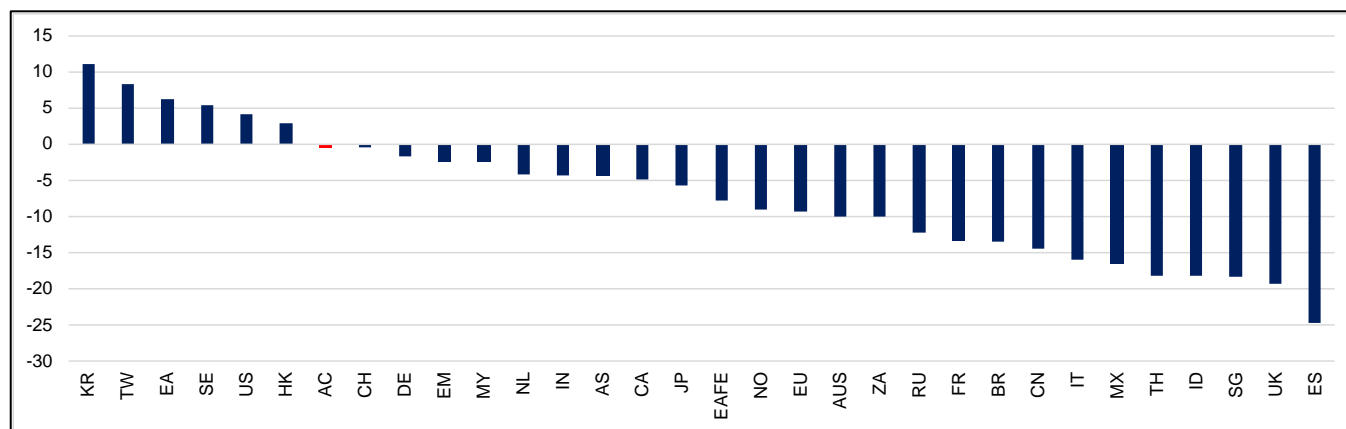
'EYE' ALLOCATION BREAKDOWN

Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	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.	26.6	21.4	-16.3	24.4
	Emerging Markets (Neutral): Economic growth vulnerable even before COVID outbreak. Additional 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 raised 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
	Eurozone (Neutral): Led global GDP and EPS decline, whilst much of valuation discount vs US is just sector composition. Recession has 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
	Japan (Underweight): 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
	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.	18.2	13.6	-37.6	33.7
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.	30.4	26.4	2.8	15.3
	Healthcare (Overweight): 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
	Financials (Underweight): 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 Cyclical 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
	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.	27.0	22.3	-12.2	20.9
	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.	56.8	33.8	-35.8	68.1

Source: Refinitiv, THR

REGION/COUNTRY PERFORMANCE & VALUATION

Total Return YTD

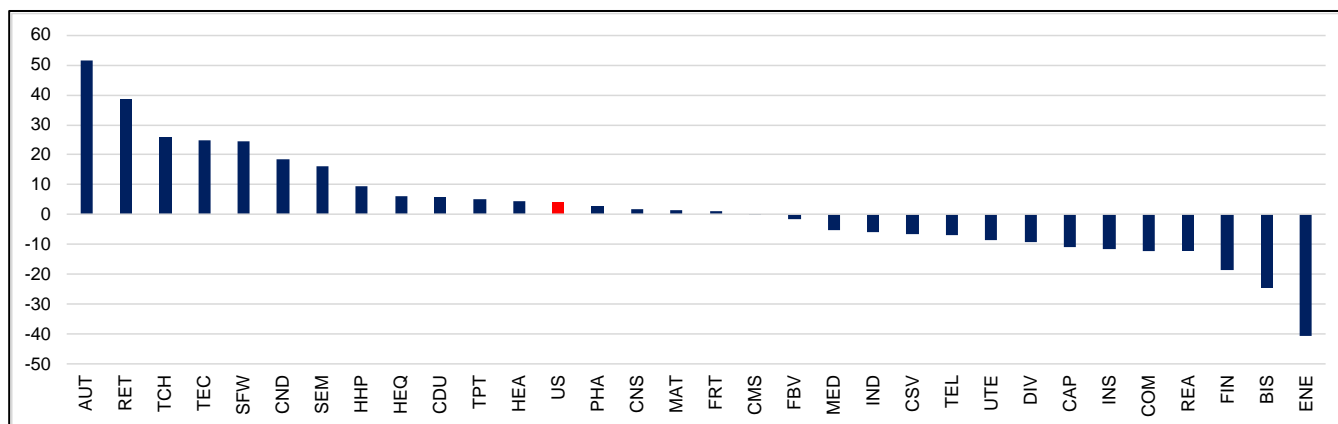


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-1.9	-2.8	9.5	-0.5	19.1	23.6	18.3	-19.1%	29.4%
EAFE	EAFE	-0.7	-1.1	5.0	-7.8	16.0	21.6	15.9	-26.2%	36.1%
Europe	EU	-1.4	-1.0	6.2	-9.3	14.9	22.0	15.9	-32.4%	38.1%
Asia	AS	0.3	-2.1	4.9	-4.3	18.4	19.2	14.7	-3.8%	29.9%
Emerging Global Markets	EM	-0.6	-1.9	9.5	-2.4	16.4	18.1	13.7	-9.2%	31.6%
Emerging Asia	EA	-0.4	-2.0	12.4	6.2	18.3	18.0	14.5	1.4%	24.6%
Australia	AUS	1.1	-2.8	-3.2	-10.0	20.1	20.4	17.7	-1.2%	15.0%
Brazil	BR	-1.1	-1.7	3.5	-13.5	13.3	34.5	12.6	-61.5%	172.7%
Canada	CA	-0.7	-3.1	2.1	-4.9	14.8	21.8	15.8	-32.1%	37.7%
China	CN	1.9	-0.5	-3.4	-14.5	17.0	16.7	14.0	1.9%	19.4%
France	FR	-1.6	-0.6	0.3	-13.4	14.3	25.6	15.8	-44.0%	61.7%
Germany	DE	-0.9	-1.2	4.1	-1.7	16.3	23.0	15.2	-29.2%	51.3%
Hong Kong	HK	-0.2	-4.3	6.5	2.8	15.1	20.0	15.2	-24.4%	31.5%
India	IN	-0.5	-2.8	12.4	-4.3	24.5	27.6	19.4	-11.3%	42.4%
Indonesia	ID	0.3	-4.1	6.8	-18.2	15.2	20.5	15.7	-25.5%	30.3%
Italy	IT	-1.6	-1.2	-0.3	-16.0	10.8	21.0	13.4	-48.6%	56.6%
Japan	JP	0.7	-1.0	-1.1	-5.7	19.8	21.0	15.2	-5.8%	38.5%
Korea	KR	0.8	0.2	8.2	11.1	19.1	16.5	11.5	15.6%	43.2%
Malaysia	MY	-0.5	-4.3	-2.4	-2.4	17.7	21.6	16.9	-18.3%	27.5%
Mexico	MX	-1.5	-3.5	-6.4	-16.6	15.3	22.1	13.4	-30.4%	65.0%
Netherlands	NL	-1.0	-3.0	1.5	-4.2	21.0	23.6	19.7	-10.9%	19.6%
Norway	NO	-1.4	-0.8	1.3	-9.0	13.8	19.6	14.7	-29.5%	33.6%
Russia	RU	-1.2	-2.1	-0.9	-12.3	5.8	12.0	7.5	-51.6%	59.2%
Singapore	SG	-0.3	-1.7	-8.3	-18.3	11.5	16.7	13.0	-31.5%	28.3%
South Africa	ZA	0.9	-0.8	2.3	-10.1	15.2	15.4	10.7	-0.8%	43.7%
Spain	ES	-1.7	0.3	-7.5	-24.8	10.5	27.6	13.1	-62.1%	110.9%
Sweden	SE	-0.9	0.0	8.5	5.4	16.7	20.9	17.5	-20.3%	19.9%
Switzerland	CH	-0.5	-0.9	2.2	-0.5	19.6	21.6	18.5	-9.4%	16.8%
Taiwan	TW	0.5	-0.7	10.7	8.2	21.0	19.1	16.8	10.2%	13.6%
Thailand	TH	-1.3	-1.8	-9.8	-18.2	14.8	22.6	17.3	-34.8%	30.4%
United Kingdom	UK	-0.1	0.9	-4.1	-19.4	11.4	18.2	13.6	-37.6%	33.7%
United States	US	-2.9	-5.8	4.3	4.1	22.3	26.6	21.4	-16.3%	24.4%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

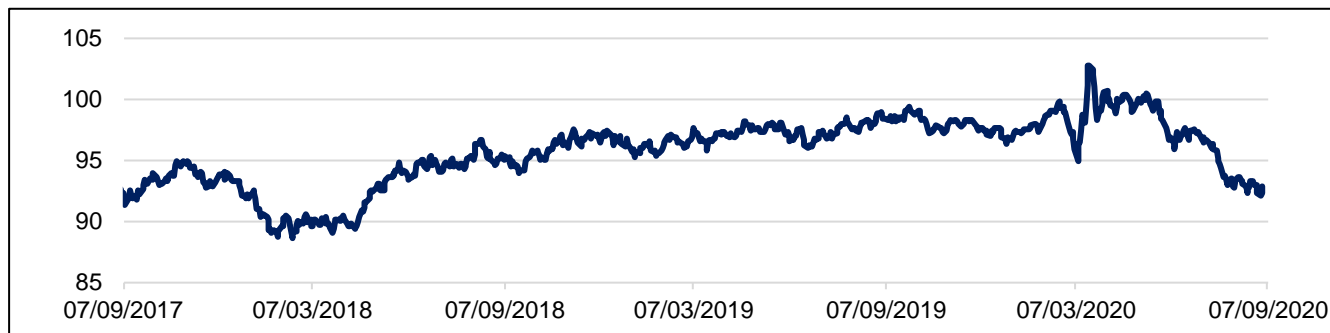


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	-2.9	-5.8	4.3	4.1	23.0	27.4	22.0	-16.0%	24.2%
Communications	COM	-1.9	-5.8	-12.3	-12.1	25.3	28.8	23.8	-12.1%	21.1%
Media & Entertainment	MED	-0.2	-1.5	5.3	-5.1	32.7	38.7	29.3	-15.5%	32.2%
Telecommunication Svcs	TEL	-0.6	0.0	-0.7	-7.0	11.5	12.2	12.0	-6.0%	2.4%
Consumer Discretionary	CND	-2.7	-6.4	12.8	18.4	38.2	58.8	35.3	-35.1%	66.8%
Autos & Components	AUT	-11.7	-18.2	33.7	51.4	29.9	152.1	31.7	-80.4%	-379.8%
Consumer Durables & App	CDU	-0.5	-4.4	10.0	5.9	27.6	27.3	21.4	1.0%	27.3%
Consumer Svcs	CSV	-0.4	-1.3	5.1	-6.5	22.6	NA	39.6	-107.1%	-899.0%
Retailing	RET	-2.9	-7.5	15.5	38.6	49.1	50.4	38.4	-2.7%	31.2%
Consumer Staples	CNS	-2.0	-2.1	5.8	1.9	22.1	22.2	20.6	-0.3%	7.4%
Food & Staples Retailing	FRT	-2.6	-4.3	4.7	1.2	22.8	23.4	22.4	-2.6%	4.6%
Food, Bev & Tobacco	FBV	-2.2	-1.3	3.5	-1.6	19.0	19.6	18.0	-3.0%	9.0%
Household Products	HHP	-1.4	-2.3	11.0	9.6	29.6	26.4	25.2	12.1%	5.0%
Energy	ENE	-3.7	-5.8	-22.0	-40.8	12.8	NA	26.5	-101.6%	3068.4%
Financials	FIN	-2.4	-1.5	-5.5	-18.7	11.3	16.7	12.8	-32.5%	30.0%
Banks	BIS	-3.4	-1.8	-9.4	-24.6	8.2	16.6	11.2	-50.8%	47.9%
Diversified Financials	DIV	-3.3	-5.1	-5.6	-9.1	15.4	19.3	15.7	-20.3%	22.4%
Insurance	INS	-1.6	-1.3	1.6	-11.5	11.6	12.9	10.9	-9.6%	18.1%
Health Care	HEA	-1.6	-3.4	1.8	4.5	19.7	18.8	16.3	5.1%	15.3%
Health Care Equipment	HEQ	-1.5	-3.6	4.5	6.1	32.6	36.3	27.4	-10.2%	32.4%
Pharmaceuticals	PHA	-1.8	-3.2	-0.9	2.8	16.4	15.7	13.8	4.5%	14.1%
Industrials	IND	-2.0	-3.6	1.5	-6.0	20.9	29.3	21.3	-28.7%	37.5%
Capital Goods	CAP	-2.3	-3.4	-1.1	-10.9	17.8	26.7	19.7	-33.4%	35.4%
Commercial & Prof Svcs	CMS	-2.1	-5.3	-0.8	-0.2	32.6	34.4	30.4	-5.0%	12.9%
Transportation	TPT	-1.3	-2.5	14.4	5.2	30.0	36.8	23.0	-18.5%	60.2%
Information Technology	TEC	-4.3	-10.3	10.2	24.9	33.2	32.2	28.0	3.3%	14.8%
Semiconductors	SEM	-4.1	-8.3	4.8	16.2	22.1	22.4	19.3	-1.1%	16.1%
Software & Svcs	SFW	-3.7	-9.2	8.2	24.3	41.3	38.6	33.9	6.9%	14.0%
Technology Hardware	TCH	-5.4	-12.1	14.0	25.9	31.0	30.4	26.4	2.0%	15.0%
Materials	MAT	-2.2	-2.7	6.9	1.3	21.2	25.6	20.0	-17.3%	28.2%
Real Estate	REA	-1.3	-1.2	-4.1	-12.3	34.2	48.6	45.0	-29.7%	7.9%
Utilities	UTE	-0.7	0.5	-4.2	-8.5	18.5	18.4	17.4	0.5%	5.5%

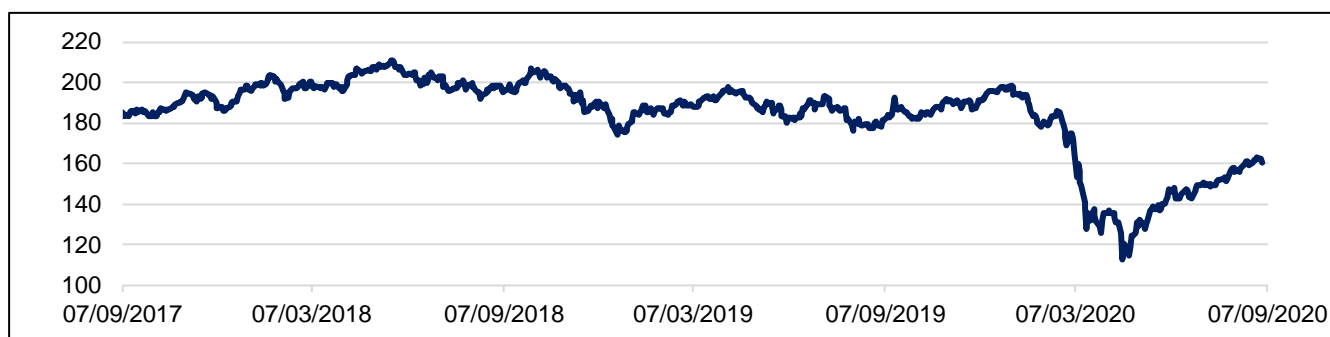
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

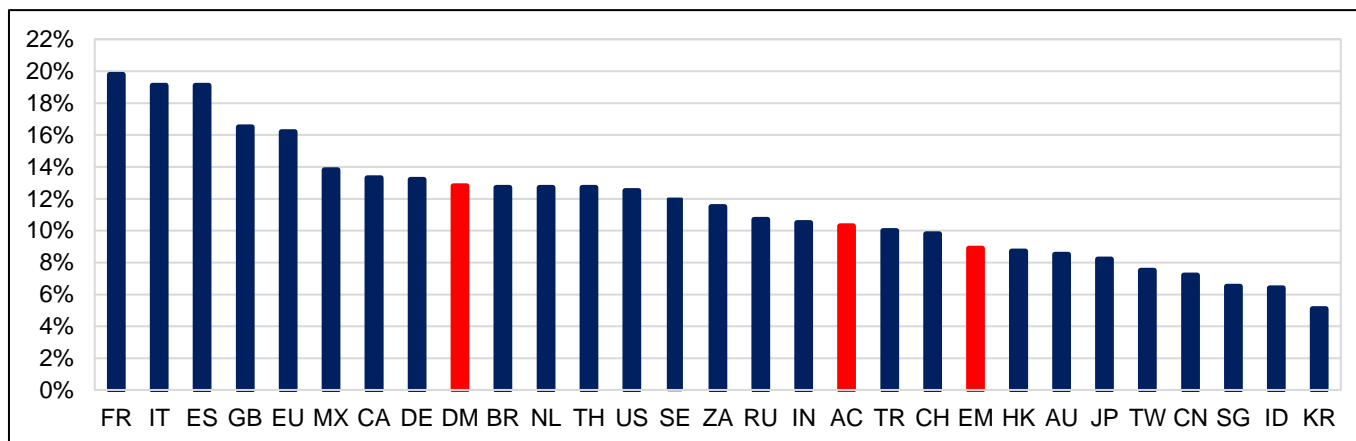


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2633.52	-1.8%	-2.8%	-1.0%	-2.1%	-8.1%	-2.2%	7.1%	-14.6%
Gold Spot	USD	1930.93	0.1%	-2.0%	-5.1%	13.9%	28.2%	-2.0%	8.4%	27.3%
Copper Spot	USD	3.01	-1.1%	0.1%	8.0%	17.2%	15.2%	-0.9%	11.0%	7.8%
Brent Crude Spot	USD	37.99	-5.1%	-16.8%	-14.7%	-5.7%	-38.3%	-17.3%	-10.6%	-44.9%
CRB Agricultural Index	USD	5242.08	-1.6%	-2.1%	1.2%	4.2%	-2.9%	-1.1%	12.5%	-8.6%
Currencies										
DXY USD Index	USD	93.45	0.8%	1.2%	0.0%	-3.3%	-5.0%	1.4%	-4.1%	-3.1%
EUR/USD	USD	1.18	-0.3%	-1.1%	-0.1%	4.3%	6.8%	-1.3%	4.9%	5.1%
USD/JPY	JPY	106.01	-0.2%	0.1%	0.1%	-2.2%	-0.8%	0.1%	-1.8%	-2.4%
GBP/USD	USD	1.30	-1.4%	-2.9%	-0.5%	2.1%	5.7%	-2.9%	4.7%	-2.1%
USD/CNY	CNY	6.84	0.2%	0.2%	-1.8%	-3.2%	-3.8%	-0.1%	-3.1%	-1.7%
Bond Yields										
DE 10Y BUND	EUR	-0.50	7.6%	19.0%	-2.4%	56.2%	-21.8%	25.0%	7.6%	164.7%
GB 10Y GILT	GBP	0.19	-24.4%	-36.1%	35.0%	-43.4%	-62.6%	-39.6%	9.9%	-77.1%
JP 10Y JGB	JPY	0.03	-18.6%	-22.2%	218.2%	-16.7%	-114.3%	-25.5%	29.6%	-259.1%
US 10Y BILL	USD	0.68	-5.4%	1.9%	21.7%	-22.6%	-55.9%	-1.3%	4.7%	-64.2%
US 30Y BOND	USD	1.42	-3.3%	-0.1%	15.8%	-14.2%	-29.6%	-2.0%	0.9%	-40.1%
US 10-2 BOND	-	0.54	1.2%	-4.1%	10.7%	16.1%	34.9%	-8.9%	13.2%	26.8%
Volatility										
CBOE VIX Index	USD	31.46	0.02	0.20	0.42	0.22	1.10	0.19	0.03	1.28

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	
Americas													
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	
Europe													
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	
Asia													
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	
Other													
South Africa	0.4	0.2	-8.0	3.5	4.1	2.4	3.2	-6.3	-14.8	-11.0	60	68	
World													
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
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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