

EYE ON THE WORLD

The new virus stand-off Monday, September 21

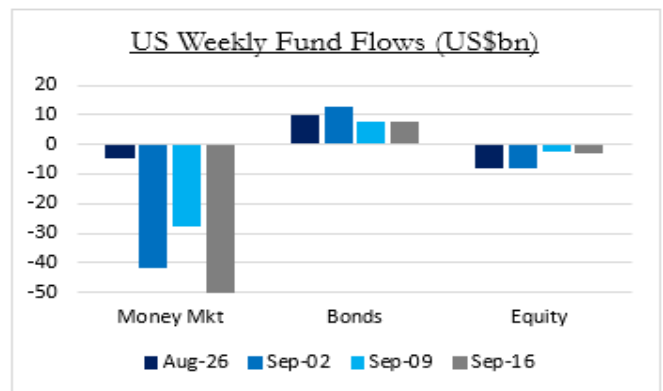
S&P 500 at six-week low on underlying healthy rotation from tech to cyclicals. See spike in US political uncertainty and financials headwinds today. Fundamentally view markets well-supported. HOT TOPICS focus on week ahead interplay between high new virus cases, stalled lockdown easing, and our still-resilient activity composite. G-4 PMI's to show easing recovery pace but consistent with modest GDP growth. Powell and Mnuchin testify to US Congress, with concerns on Fed further stimulus and fiscal stand-off. Tesla battery day much hyped but with potential cross-sector impacts.

Markets stabilised last week amid rotation from tech to cyclicals, as small caps, industrials, materials outperformed. S&P 500 -7% from Sept. 2nd high, a six-week low. Sudden US Supreme Court vacancy a new 'wild card' in presidential race, where Biden has solid if narrowed lead. See markets well-supported, with **healthy underlying rotation to cyclicals**, little contagion to other assets, investors cautious (below), and with IPO/M&A validation. We are

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3357.0	-1.1%	-0.6%	2.7%
ACWI xUS	47.2	-0.8%	0.6%	-4.7%
DXY USD	92.9	0.0%	-0.4%	-3.6%
US 10Y YLD	0.69	1.8%	4.0%	-63.7%
Brent Spot	42.0	0.1%	7.8%	-39.1%
Gold Spot	1949.7	0.4%	0.4%	28.5%

focused on a sector barbell of quality growth (tech, healthcare) and increased allocation to cyclicals (small cap, industrials, durables). Asia flat, but **Europe and US futures down sharply** on stepped up US political uncertainty and global banks money laundering reports.



Source: Lipper, THR. US domiciled fund flows. ETF+Mutual Fund.

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics on [Week Ahead](#).** G-4 PMI's to show easing recovery pace but consistent with return to modest GDP growth. Powell and Mnuchin testify to US Congress, Tesla battery day.
- **[What to watch](#):** US Supreme Ct opening polarization. Global bank illicit fund report fallout
- **[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	3357.0	-1.1%	-0.6%	2.7%
NASDAQ	10937.0	-1.1%	-0.6%	20.3%
Russell 2000	1536.8	-0.4%	2.6%	-7.9%
US IT	417.0	-1.5%	-1.6%	22.2%
US Healthcare	375.4	0.0%	1.8%	5.9%
US Financials	160.3	-0.8%	-0.2%	-20.6%

Europe virus surge. European cities announced new restrictions as cases +8% last week vs 3% global decline [according to WHO](#). UK considering new national lockdown, as health minister said infections at 'tipping point'. Europe looking to avoid Israel example, which entered second nationwide lockdown Friday. Is biggest threat to recovering EU economy, where GDP forecast -8% yoy this year, **most of all global regions**. We are neutral European equities, focused on domestic recovery cyclicals, such as out-of-favor financials.

US-China tech. Progress as President Trump supports Tik-Tok deal and judiciary halts WeChat ban, for now. Trump gave approval to Oracle bid for US operations of Bytedance' TikTok, and Commerce Department said was delaying order banning from US app stores. Meanwhile, US judge blocked Government banning Tencent owned messaging app WeChat from US app stores. **See modest two-sided US and China exposed stock risk and** are overweight US and China equities. See August 4th, *Tik Tok risks in perspective*.

Contrarian positive sentiment. Weekly Lipper fund flows (mutual fund and ETF) show strong

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	92.9	0.0%	-0.4%	-3.6%
EUR/USD	1.18	-0.1%	-0.1%	5.6%
US 10Y YLD	0.69	1.8%	4.0%	-63.7%
US 10-2 BOND	0.56	-2.8%	-3.7%	27.4%
CBOE VIX Index	25.8	-2.4%	-4%	87%
CRB Index	2692.3	-0.5%	1.0%	-12.7%

Events to Watch

Indicator	Period	Forecast	Last
National Activity Index, US	Aug	NA	1.18

outflows from safer-haven money mkt funds, but also outflows from equity funds, which **only seen inflows two weeks in last twenty**. Retail investor sentiment, according to [AAII](#) survey, improved to 40% 'bearish' but remains well below average 30%. Is consistent with our composite sentiment index near contrarian buy levels. See August 20, *Investor caution a bullish sign*.

Sector View.

S&P500 led by real estate (-1.9%) and utilities (-1.8%), while health care (-0.0%) and financials (-0.8%) outperformed. Game developer Unity raised US\$1.3bn in IPO, using modified **Dutch auction**, first since Google 16-years ago, in latest IPO trend. See Sept 1, *Re-equitizing the US*. **Financials under pressure** from publication of FinCEN docs reportedly showing banks moved illicit funds. Canada, China, UK among markets with heavy sector weights. We are underweight.

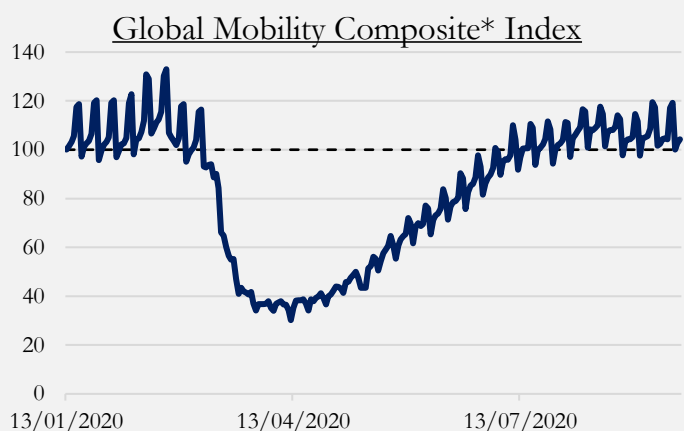
What to Watch

China kept benchmark loan prime rate steady for 5th month, at 3.85% for 1Yr, high by global standards, and supporting RMB, as economy recovers. **South Korea** 20-day exports +3.6% yoy, first in 6 months, on chip and car sales with robust growth from China, US, and EU, in sign of global recovery. **Thailand** protests challenging monarchy and demanding PM passed peacefully, boosting baht. **US rig counts** rose for second week in three, up one to 255, but still -71% yoy, as energy sector activity bottoms.

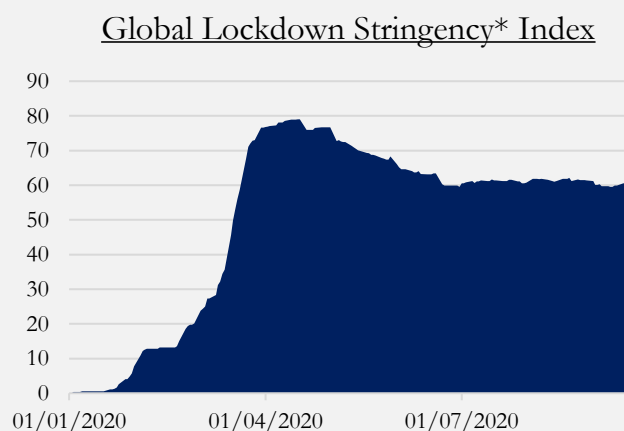
HOT TOPICS

THE NEW VIRUS STAND-OFF

Renewed focus on interplay between stubbornly high new virus cases, with strong Europe rebound, stalled lockdown easing, and our still-resilient activity composite. G-4 PMI's set to show an easing recovery pace but remain consistent with return to modest GDP growth. Powell and Mnuchin testify to US Congress, with market concerns on Fed further stimulus and fiscal stand-off. Tesla battery day much hyped but with potential cross-sector impacts.



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



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

Global activity proxy decline

Our global activity 'proxy' decline stabilized last week, -0.1% vs -0.6% the prior week. US activity fell by 0.6% but slowed vs a decrease of 2.7% the prior week. The index combines Apple mobility data on driving, walking, mass transit across top 15 economies globally. The driving sub-component shows that 10 of 15

economies are higher than January. Only 8 of 15 countries have seen higher driving levels compared with 2 weeks prior.

Global restrictions index stable

The global index of lockdown restrictions across the top 15 economies tightened 1.8% last week, vs a 0.9% fall the previous week.

Driving Index

Countries	vs 13th Jan	at trough	vs trough	vs 2Wks
Australia	-6.8%	-73.1%	245.8%	7.2%
Brazil	2.7%	-72.4%	272.3%	3.2%
Canada	35.6%	-64.8%	285.5%	-11.0%
France	37.0%	-84.7%	793.5%	-6.2%
Germany	44.8%	-62.1%	282.2%	4.4%
India	-10.2%	-83.7%	451.0%	4.6%
Indonesia	-23.9%	-63.5%	108.7%	-13.1%
Italy	43.9%	-87.3%	1036.5%	0.9%
Japan	23.9%	-35.3%	91.5%	11.6%
Mexico	-1.0%	-67.8%	207.5%	10.4%
Korea	-37.1%	-48.9%	23.0%	5.1%
Russia	51.4%	-54.0%	229.4%	-12.0%
Spain	20.2%	-89.1%	999.5%	-4.7%
UK	23.0%	-75.5%	402.8%	-2.8%
US	27.0%	-62.6%	239.3%	-2.0%
Average	15.4%	-68.3%	377.9%	-0.3%

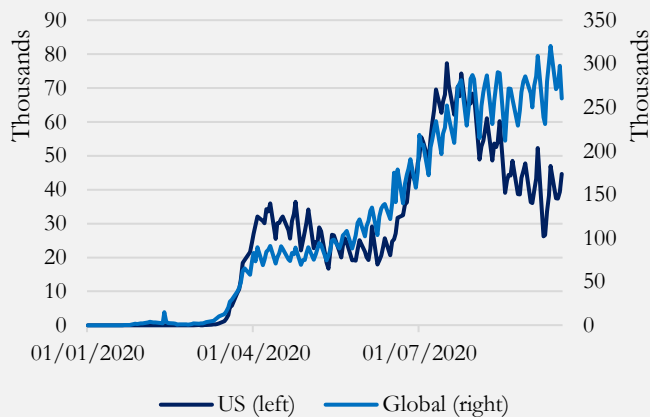
Source: Apple Mobility Trends, THR

Stringency Index

Countries	Current level	Peak	vs peak	vs 2Wks
Australia	76	79	-5%	0%
Brazil	73	81	-10%	0%
Canada	61	75	-19%	-6%
France	49	88	-45%	13%
Germany	50	77	-36%	-17%
India	81	100	-19%	0%
Indonesia	69	80	-14%	16%
Italy	55	94	-42%	0%
Japan	37	47	-22%	21%
Mexico	75	82	-10%	0%
Korea	54	82	-34%	0%
Russia	39	87	-55%	0%
Spain	63	85	-27%	0%
UK	63	80	-21%	0%
US	67	73	-8%	0%
Average	61	79	-23%	1%

Source: Oxford COVID-19 Government Response Tracker, THR

New Daily COVID-19 Cases



Source: Refinitiv, THR

US and global virus cases rise

US daily cases rose slightly last week, after consistent falls from 80k peak in July – with 7-day rolling avg. reaching 2 week high 42k. Global new cases also saw worrying increases, with 7-day average peaking at 290k. India saw strongest new case growth, (approaching 100k), as Brazil saw reduction to 35k. Spain leads Europe second wave fears, as cases rose to new peak of 12k.

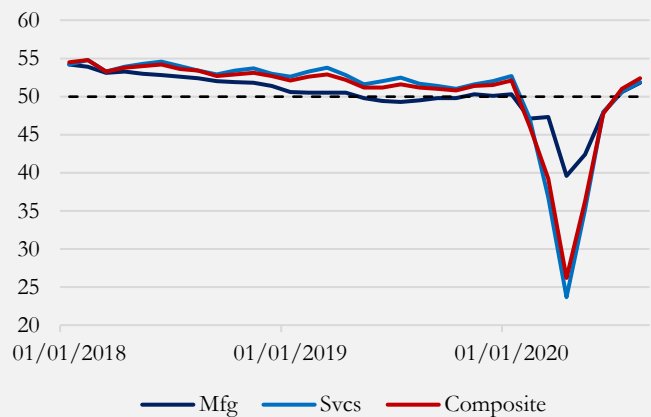
G-4 economies September PMI slowdown

G-4 September PMI's to show a growth moderation, and gap between easing services and manufacturing growth. August levels consistent with annualized GDP growth. Eurozone composite PMI forecast at 51.2, down vs August 51.9. US led in August with composite at 54.6, whilst Japan lagged, at contractionary 47.2.

PBOC to keep rates unchanged

China central bank kept 1-yr and 5-year prime

Global PMI



Source: Refinitiv, THR

loan rates at 3.8% and 4.6% respectively, as economy continues to recover. High rates vs global peers remains a key RMB support.

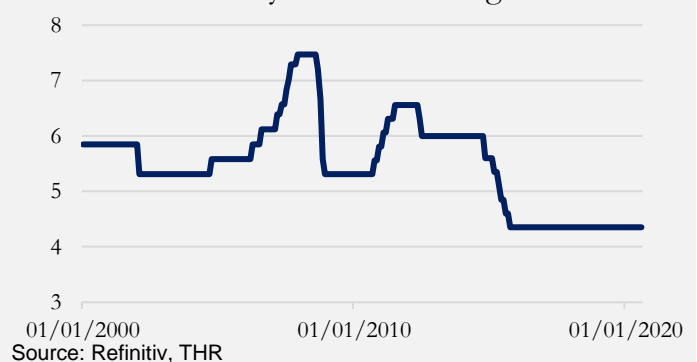
Powell and Mnuchin speak to Congress

With focus on Fed AIT and willingness to 'do more', and fiscal stimulus and Sept. 30 budget.

Tesla Battery Day wide impacts

Musk promises tech and cost developments to 'blow your mind' with consequences across auto, materials, and chemicals sectors.

PBOC 5-yr Prime Lending Rate



Source: Refinitiv, THR

Events: The Week Ahead

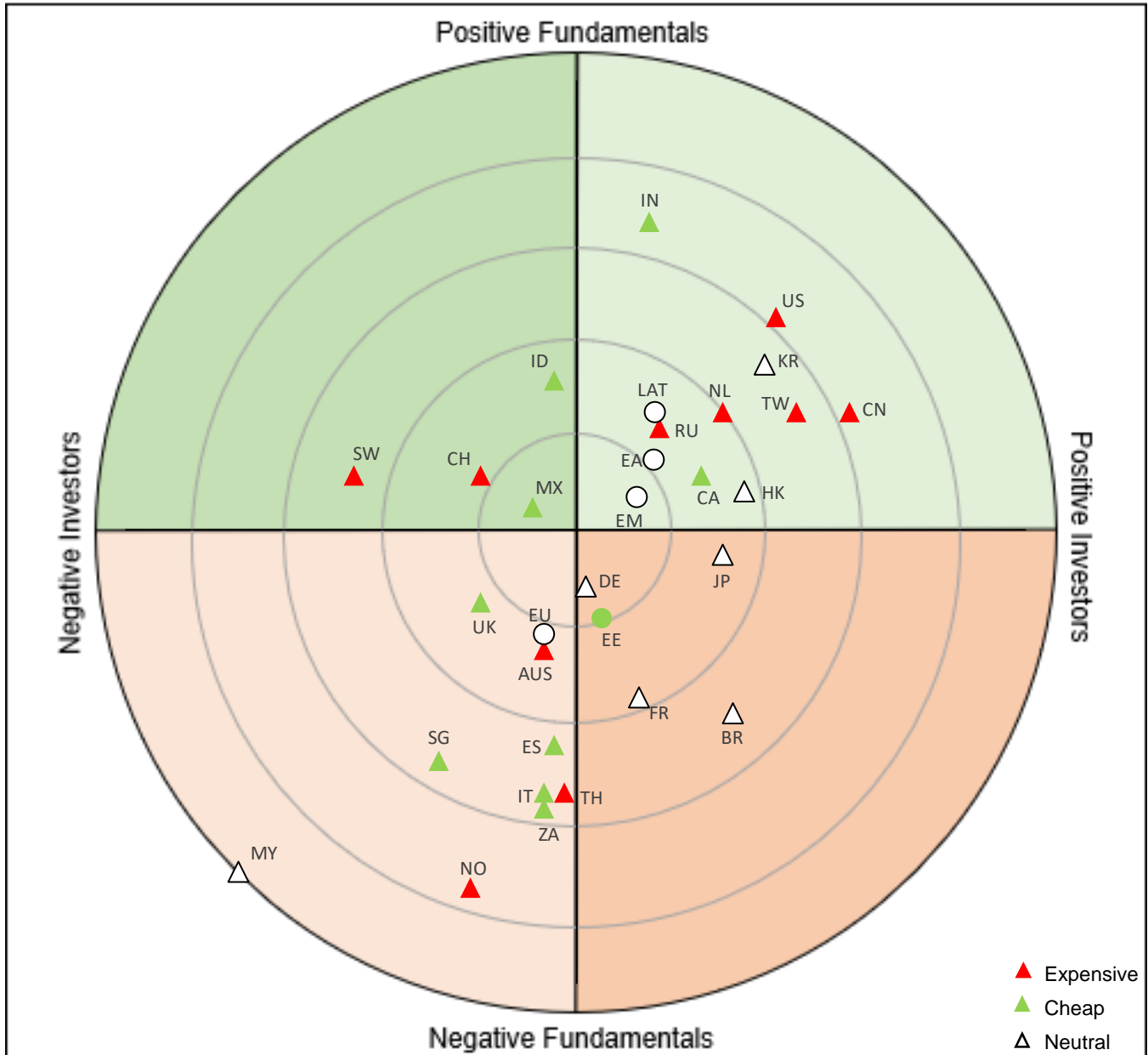
Date	Country	Indicator	Period	Last	Forecast
22 September 2020	Euro Zone	Consumer Confid. Flash	Sep	-14.70	-14.91
23 September 2020	Euro Zone	Markit Comp Flash PMI	Sep	51.90	51.23
23 September 2020	Germany	Markit Mfg Flash PMI	Sep	52.20	53.06
23 September 2020	United Kingdom	Flash Services PMI	Sep	58.80	56.29
24 September 2020	Germany	Ifo Business Climate New	Sep	92.60	93.91
24 September 2020	Germany	Ifo Expectations New	Sep	97.50	98.05
24 September 2020	United States	New Home Sales-Units	Aug	901 k	897 k
25 September 2020	Euro Zone	Money-M3 Annual Grwth	Aug	10.2	10.28
25 September 2020	United Kingdom	PSNB Ex Banks GBP	Aug	26.7 B	39.1 B
25 September 2020	United States	Durable Goods	Aug	11.40	1.16

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



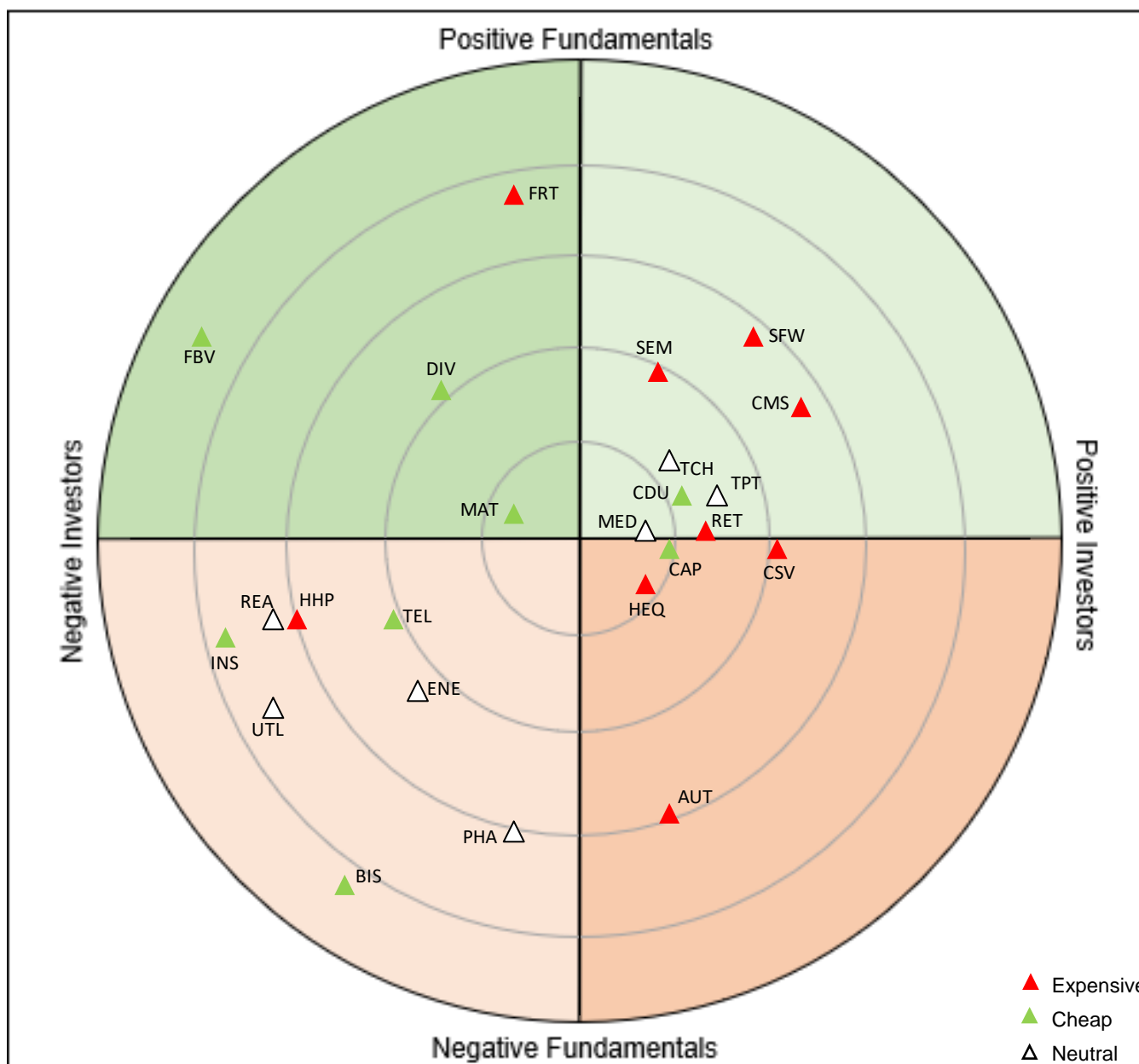
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

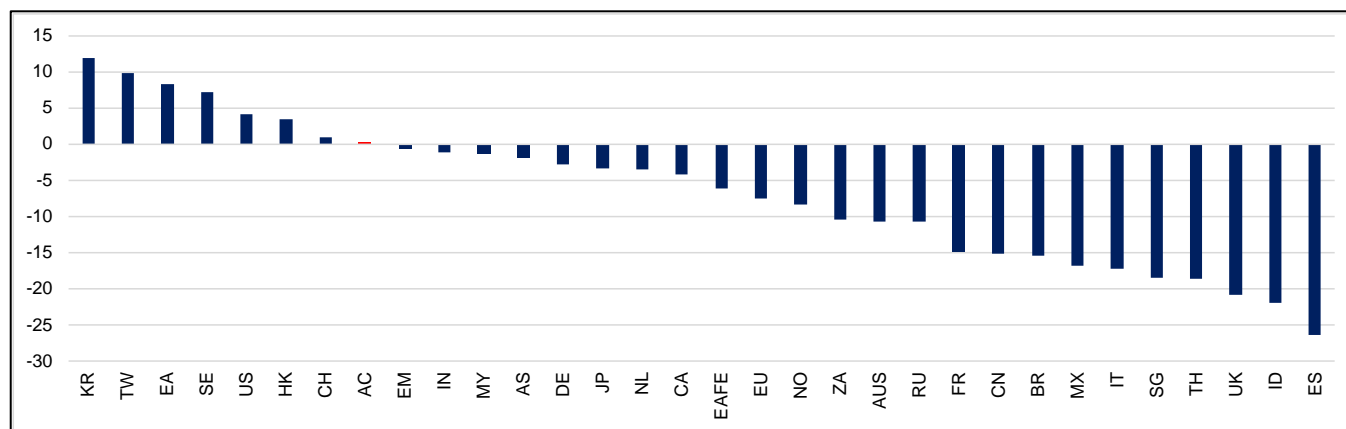
'EYE' ALLOCATION BREAKDOWN

Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): 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.	26.7	21.6	-16.2	24.1
	Emerging Markets (Neutral): 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.	17.9	13.6	-9.3	31.7
	Eurozone (Neutral): 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	15.8	-33.1	39.5
	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.	21.7	15.2	-8.3	42.9
	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	13.3	-39.4	37.2
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.	30.8	26.9	3.7	14.8
	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 cyclicality and a domestic revenue focus. Seeing Federal support to combat COVID. Similar to Tech, set to come out of crisis more dominant.	18.6	16.1	5.1	15.5
	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 Cyclicals in a recovery. Insurance offers the best value in our view, though none of the sector is optically expensive.	16.8	12.8	-33.2	31.4
	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..	27.4	22.6	-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.	57.3	34.3	-35.9	67.3

Source: Refinitiv, THR

REGION/COUNTRY PERFORMANCE & VALUATION

Total Return YTD

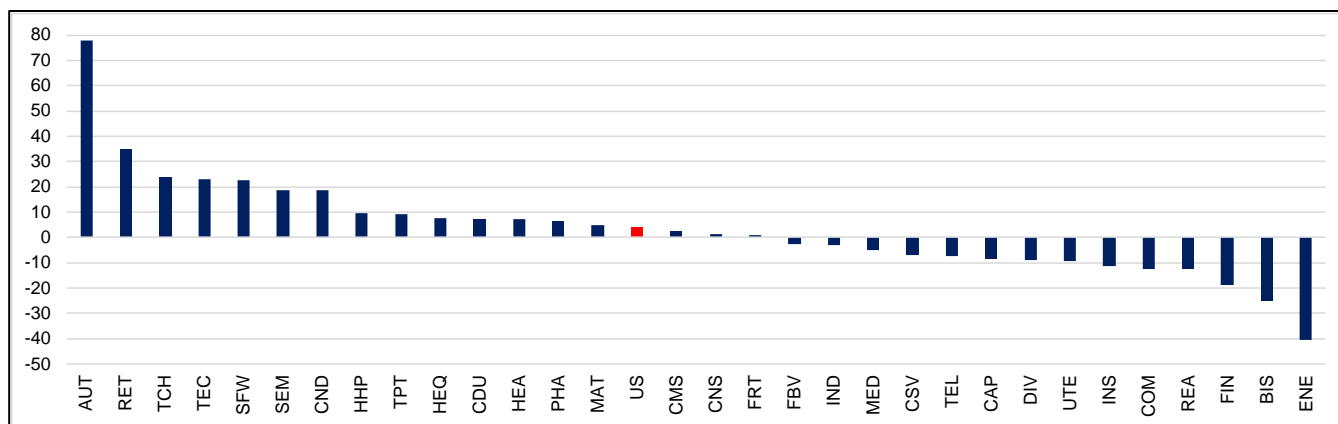


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-0.7	-1.5	9.0	0.3	19.1	23.7	18.3	-19.3%	29.7%
EAFE	EAFE	0.0	-0.2	4.4	-6.1	15.9	21.8	15.8	-27.3%	38.3%
Europe	EU	-0.2	-1.0	8.0	-7.6	14.7	22.0	15.8	-33.1%	39.5%
Asia	AS	0.5	-0.5	6.9	-1.8	18.4	19.4	14.7	-5.3%	31.6%
Emerging Global Markets	EM	0.2	-0.8	9.7	-0.5	16.3	17.9	13.6	-9.3%	31.7%
Emerging Asia	EA	0.5	-0.1	11.8	8.3	18.1	18.0	14.4	0.7%	24.8%
Australia	AUS	-0.3	-1.2	-0.5	-10.7	19.6	19.9	17.3	-1.2%	14.9%
Brazil	BR	-1.8	-0.1	1.4	-15.4	13.3	27.8	12.0	-52.2%	131.3%
Canada	CA	-0.4	-0.1	5.4	-4.2	14.7	20.9	15.8	-29.6%	32.3%
China	CN	0.9	-0.4	-1.2	-15.1	16.8	16.7	14.0	0.3%	19.4%
France	FR	-1.2	-2.8	0.7	-14.9	14.4	26.2	15.9	-45.1%	64.4%
Germany	DE	-0.7	-1.9	5.0	-2.8	16.4	23.0	15.2	-29.0%	51.3%
Hong Kong	HK	0.6	-1.3	6.8	3.4	15.3	20.8	15.5	-26.4%	34.1%
India	IN	-0.1	0.3	13.4	-1.1	24.3	27.1	19.0	-10.2%	42.7%
Indonesia	ID	0.3	-4.2	2.0	-21.9	15.0	20.4	15.5	-26.5%	31.7%
Italy	IT	-1.1	-2.4	-0.6	-17.3	10.5	20.6	13.1	-49.0%	58.0%
Japan	JP	0.4	-0.3	4.4	-3.4	19.9	21.7	15.2	-8.3%	42.9%
Korea	KR	0.3	-1.6	12.3	11.9	19.5	16.7	11.7	17.0%	42.4%
Malaysia	MY	-0.1	-0.3	3.3	-1.2	17.6	22.3	16.3	-21.2%	37.1%
Mexico	MX	-0.4	-0.8	-4.6	-16.8	14.1	21.2	12.7	-33.3%	67.3%
Netherlands	NL	-0.1	-1.2	0.7	-3.6	20.4	22.8	19.0	-10.4%	19.8%
Norway	NO	0.1	0.0	6.4	-8.4	13.9	19.7	14.6	-29.5%	34.7%
Russia	RU	-0.8	0.2	2.4	-10.8	5.9	11.5	7.4	-49.0%	56.5%
Singapore	SG	-0.2	0.5	-3.2	-18.4	11.2	16.9	12.8	-33.8%	32.1%
South Africa	ZA	-1.0	-4.1	0.1	-10.4	14.7	15.2	10.1	-3.3%	50.9%
Spain	ES	-2.0	-1.6	-6.0	-26.4	10.3	28.0	13.0	-63.1%	115.9%
Sweden	SE	0.3	0.8	12.0	7.2	16.7	21.0	17.5	-20.3%	19.9%
Switzerland	CH	0.3	0.3	3.3	1.0	19.6	21.6	18.5	-9.6%	17.0%
Taiwan	TW	0.0	0.0	13.3	9.8	20.7	18.7	16.4	10.5%	14.0%
Thailand	TH	0.4	1.2	-4.9	-18.7	14.1	22.2	16.9	-36.8%	31.9%
United Kingdom	UK	-0.8	-2.3	-4.6	-20.8	11.1	18.2	13.3	-39.4%	37.2%
United States	US	-1.0	-1.7	7.3	4.2	22.4	26.7	21.6	-16.2%	24.1%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

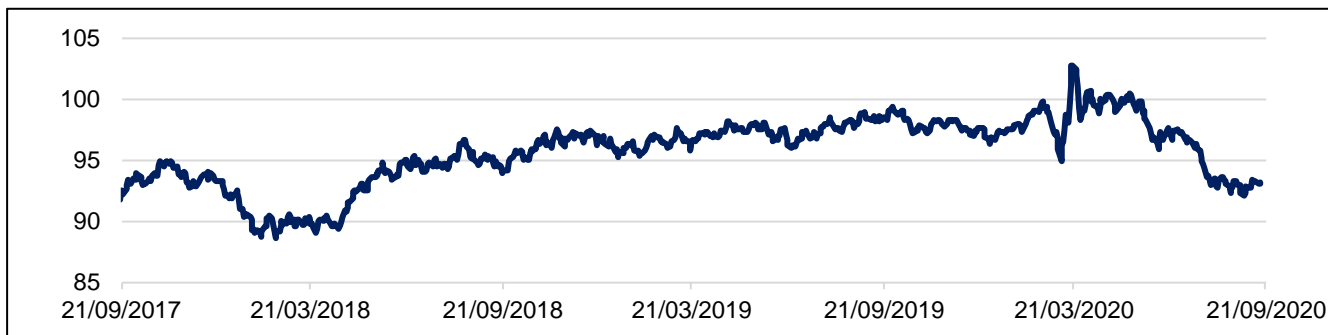


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	-1.0	-1.7	7.3	4.2	22.4	26.7	21.6	-16.2%	24.1%
Communications	COM	-1.2	-0.3	-7.3	-12.6	24.1	27.4	22.6	-12.2%	20.9%
Media & Entertainment	MED	-0.9	0.4	12.0	-5.0	31.0	36.7	27.8	-15.5%	32.2%
Telecommunication Svcs	TEL	-0.5	-0.4	3.9	-7.6	11.4	12.1	11.8	-6.1%	2.5%
Consumer Discretionary	CND	-1.0	-2.0	15.5	18.5	36.8	57.3	34.3	-35.9%	67.3%
Autos & Components	AUT	2.5	10.5	60.9	78.0	26.9	137.3	28.4	-80.4%	384.3%
Consumer Durables & App	CDU	-1.5	-0.7	17.7	7.4	27.2	28.5	22.2	-4.6%	28.0%
Consumer Svcs	CSV	-1.4	-0.1	12.6	-7.1	23.1	NA	43.2	-108.7%	712.0%
Retailing	RET	-1.3	-2.6	12.2	35.1	47.2	48.3	36.8	-2.4%	31.3%
Consumer Staples	CNS	-0.9	-2.0	7.6	1.3	22.2	22.2	20.7	-0.1%	7.2%
Food & Staples Retailing	FRT	-0.6	0.5	8.3	1.1	23.5	24.1	23.1	-2.3%	4.0%
Food, Bev & Tobacco	FBV	-1.3	-2.2	5.2	-2.7	19.0	19.6	18.0	-2.7%	8.9%
Household Products	HHP	-0.5	-1.0	10.9	9.5	29.4	26.3	25.0	12.1%	5.0%
Energy	ENE	-1.0	2.1	-11.3	-40.6	12.3	NA	25.9	-100.5%	8872.4%
Financials	FIN	-0.8	-1.8	3.0	-18.9	11.3	16.8	12.8	-33.2%	31.4%
Banks	BIS	-0.5	-0.3	-0.6	-25.0	8.2	16.8	11.3	-51.0%	48.3%
Diversified Financials	DIV	0.2	1.1	-1.5	-9.0	15.2	19.6	15.6	-22.2%	25.6%
Insurance	INS	-0.2	-0.2	10.4	-11.3	11.7	13.0	11.0	-9.5%	18.0%
Health Care	HEA	0.0	-0.1	6.0	7.1	19.5	18.6	16.1	5.1%	15.5%
Health Care Equipment	HEQ	-0.3	0.7	8.9	7.7	32.8	36.4	27.4	-10.0%	32.8%
Pharmaceuticals	PHA	0.3	3.1	2.8	6.4	16.1	15.4	13.5	4.5%	14.2%
Industrials	IND	-1.0	0.3	11.7	-3.2	20.8	29.2	21.2	-28.6%	37.4%
Capital Goods	CAP	-1.2	1.0	9.6	-8.6	17.6	26.5	19.6	-33.5%	35.4%
Commercial & Prof Svcs	CMS	-0.6	2.2	6.8	2.5	32.4	33.7	29.9	-3.9%	12.7%
Transportation	TPT	-0.9	1.3	26.8	9.1	30.5	37.2	23.2	-18.1%	60.3%
Information Technology	TEC	-1.5	-3.1	6.6	23.0	32.0	30.8	26.9	3.7%	14.8%
Semiconductors	SEM	-1.7	0.7	10.0	18.6	21.6	21.8	18.7	-0.7%	16.5%
Software & Svcs	SFW	-1.0	-1.4	6.0	22.6	40.2	37.4	32.9	7.4%	13.9%
Technology Hardware	TCH	-2.3	-1.9	13.1	23.7	29.0	28.4	24.8	2.2%	14.6%
Materials	MAT	-1.7	-0.6	16.7	4.9	21.6	26.1	20.3	-17.3%	28.6%
Real Estate	REA	-2.1	0.3	1.7	-12.6	34.7	49.1	46.2	-29.3%	6.2%
Utilities	UTE	-1.7	-0.7	2.0	-9.5	17.4	18.1	17.4	-4.1%	4.0%

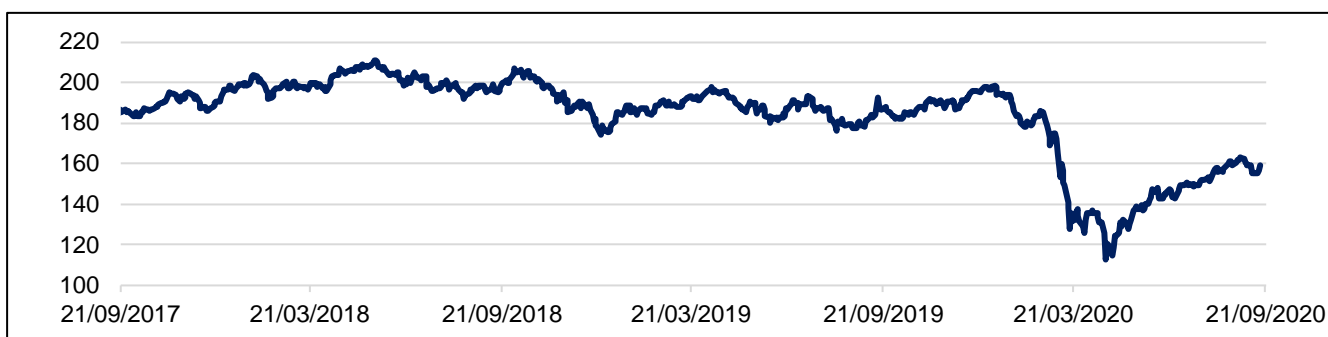
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

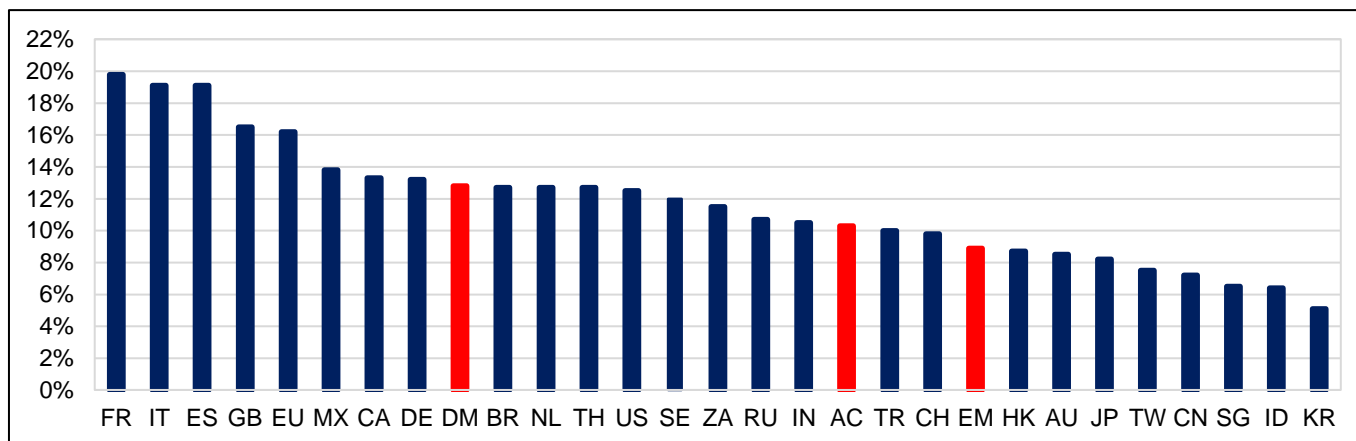


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2692.26	-0.5%	1.0%	-1.1%	8.2%	-9.2%	0.0%	9.5%	-12.7%
Gold Spot	USD	1949.69	0.4%	0.4%	-2.6%	13.2%	30.5%	-1.0%	9.5%	28.5%
Copper Spot	USD	3.11	1.5%	2.6%	4.8%	20.2%	20.0%	2.4%	14.7%	11.4%
Brent Crude Spot	USD	41.98	0.1%	7.8%	-8.6%	-0.6%	-35.6%	-8.7%	-1.2%	-39.1%
CRB Agricultural Index	USD	5396.33	-0.4%	1.2%	0.9%	13.5%	-3.5%	1.8%	15.8%	-5.9%
Currencies										
DXY USD Index	USD	92.93	0.0%	-0.4%	0.7%	-4.6%	-5.7%	0.8%	-4.6%	-3.6%
EUR/USD	USD	1.18	-0.1%	-0.1%	-0.8%	5.7%	7.3%	-0.8%	5.4%	5.6%
USD/JPY	JPY	104.55	-0.2%	-1.5%	-0.8%	-2.3%	-3.6%	-1.3%	-3.1%	-3.7%
GBP/USD	USD	1.29	-0.4%	1.0%	-2.4%	4.0%	3.6%	-3.4%	4.2%	-2.6%
USD/CNY	CNY	6.77	0.1%	-1.0%	-2.2%	-4.5%	-4.5%	-1.2%	-4.2%	-2.8%
Bond Yields										
DE 10Y BUND	EUR	-0.48	-1.4%	0.0%	5.7%	9.0%	-5.5%	22.0%	5.0%	158.3%
GB 10Y GILT	GBP	0.19	-1.6%	0.5%	-15.9%	-18.1%	-71.2%	-40.9%	7.6%	-77.6%
JP 10Y JGB	JPY	0.01	0.0%	-48.0%	-62.9%	18.2%	-107.3%	-72.3%	-51.9%	-159.1%
US 10Y BILL	USD	0.69	1.8%	4.0%	3.7%	0.0%	-61.1%	0.1%	6.3%	-63.7%
US 30Y BOND	USD	1.45	1.8%	2.5%	3.8%	-0.6%	-35.1%	0.0%	2.9%	-38.9%
US 10-2 BOND	-	0.56	-2.8%	-3.7%	7.9%	28.7%	30.9%	-6.0%	16.0%	27.4%
Volatility										
CBOE VIX Index	USD	25.83	-0.02	-0.04	0.20	-0.22	0.85	-0.02	-0.15	0.87

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

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