

EYE ON THE WORLD

The World's Biggest Laggard Tuesday, September 22

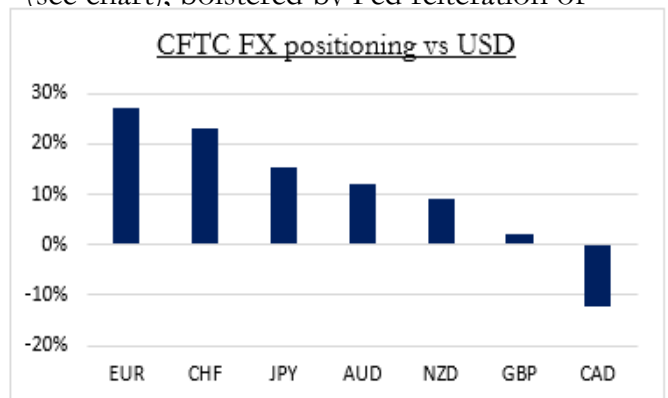
Growth worries spread on rising EU virus restrictions and fading US stimulus hope. Drove classic risk-off, with defensives and work-from-home outperforming. **HOT TOPICS** looks at laggards. Spain the worst performing major market YTD, with biggest GDP decline. COVID has hit hard, with cases high and GDP exposed to hardest hit sectors and fiscal response lagged. LatAm exposure and financials/utilities heavy index not helped, and EPS outlook still falling. Poorly placed on our framework but v sensitive to a virus turnaround.

Yesterday saw clear risk-off equity move as growth worries surged, and tech and WFH stocks outperformed, on renewed Europe lockdown fears, with EU equities seeing worst performance in 3 months, and dimming US fiscal stimulus prospects, as surprise Supreme Ct vacancy stoked divisions. **Oil prices fell sharply** as Libya resumed output and US Gulf of Mexico production back online post-hurricane. Asian equities fell, whilst Europe inched higher this morning, and US futures flat.

Key Markets Performance Table

| Index | Level | 1D | 1W | YTD |
|------------|--------|-------|-------|--------|
| S&P500 | 3319.5 | -1.2% | -3.0% | 1.6% |
| ACWI xUS | 46.8 | -1.9% | -2.2% | -6.5% |
| DXY USD | 93.7 | 0.8% | 0.6% | -2.8% |
| US 10Y YLD | 0.67 | -3.3% | 0.3% | -64.9% |
| Brent Spot | 39.7 | -5.4% | 3.4% | -42.4% |
| Gold Spot | 1912.6 | -1.9% | -2.2% | 26.1% |

USD bearishness spreads. USD DXY index rebounded to near a six-week high (see [Page 10](#)), whilst all but one G10 currencies reported by CFTC (Commodities Future Trading Commission) show net long positions vs USD (see chart), bolstered by Fed reiteration of



Source: CFTC, THR

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on [Spain laggard](#). COVID hit hard, GDP exposed to hardest hit sectors, and fiscal response lagged. LatAm and financials heavy index not helped. EPS continued to fall.
- **What to watch:** Congress Powell/Mnuchin testimony, Tesla Battery day, EU virus restrictions
- **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 | 3319.5 | -1.2% | -3.0% | 1.6% |
| NASDAQ | 10980.2 | -0.1% | -2.5% | 20.1% |
| Russell 2000 | 1485.3 | -3.4% | -3.4% | -11.0% |
| US IT | 410.8 | 0.5% | -2.6% | 22.8% |
| US Healthcare | 375.5 | -1.9% | -2.0% | 3.9% |
| US Financials | 159.0 | -2.9% | -4.6% | -22.9% |

lower-for-longer rates. EUR most overbought in G10, with impacts for EU's globally oriented and lower margin corporates. GBP shorts been building but still seems complacent to no-deal Brexit risk. We see **more modest USD depreciation**, supporting EM, commodities, and international US sectors (such as tech).

Healthcare political pressures. Sector fell yesterday, led by hospitals, on concerns could be loser from potential US Supreme Court changes, with court set to hear challenge to constitutionality of the Affordable Care Act (ACA), aka 'Obamacare', in November. Sector already been under pressure from Trump administration drug pricing threats. Is 2nd largest US equity sector (14% wt). **We are overweight**, with sector lagging last 3 months, at a big valuation discount to the overall market, but with significantly better EPS outlook. See [Page 9](#) and April 2, *The healthy option*.

China's 'unreliables list' focus. Signs that China considering toughening stance vs US even ahead of election, an **increasing dilemma for US multinationals operating in China** (Qualcomm

FX, Fixed Income, Commodities

| Index | Level | 1D | 1W | YTD |
|----------------|--------|-------|-------|--------|
| DXY USD Index | 93.7 | 0.8% | 0.6% | -2.8% |
| EUR/USD | 1.18 | -0.6% | -0.8% | 5.0% |
| US 10Y YLD | 0.67 | -3.3% | 0.3% | -64.9% |
| US 10-2 BOND | 0.53 | -1.9% | 0.3% | 26.4% |
| CBOE VIX Index | 27.8 | 7.5% | 7% | 102% |
| CRB Index | 2601.9 | -3.4% | -3.2% | -15.7% |

Events to Watch

| Indicator | Period | Forecast | Last |
|---------------------------|--------|----------|--------|
| Existing Home Sales, US | Aug | 6.02 M | 5.86 M |
| Consumer Confidence, Euro | Sept | -14.81 | -14.70 |
| CBI Trends-Orders, UK | Sept | -42.90 | -44.00 |

to Corning). See August 04, *TikTok risks in perspective*. State press reporting China unlikely to approve Oracle, Walmart's TikTok deal as configured, and could name first companies to 'unreliables list', that would face investment and staffing restrictions as outlined by Ministry of Communications last weekend. US press is reporting Cisco could be first to be named to list.

Sector View

S&P 500 led down yesterday by cyclicals, materials (-3.4%) and industrials (-3.4%), after recent outperformance, while defensives IT (+0.5%) and utilities (-0.6%) led outperformers. Small cap Russell 2000 slumped 3.3%, whilst VIX volatility index rose 7%. EV-truck maker **Nikola Corp** fell 19%, along with partners GM and CNH, after founder forced to step down after recent short-seller report allegations.

What to Watch

Today see **Fed Chair Powell and Treasury Sec. Mnuchin to testify** to Congress, with Powell to say committed to using all tools to help recovery, whilst outlook for more fiscal support dims. **UK becomes latest EU country to tighten lockdown restrictions** on entertainment and hospitality, and encourage work-from-home, as new virus cases surge. **Tesla 'Battery Day'**, with CEO Musk promising tech and cost developments to 'blow your mind' with likely auto, materials, chemicals sector impacts..

HOT TOPICS

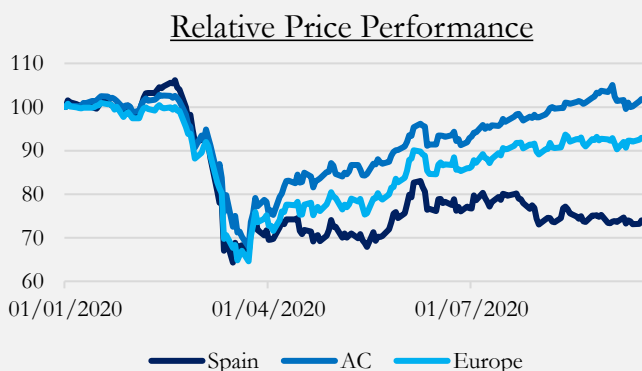
THE WORLD'S BIGGEST LAGGARD

We look for equity catch up opportunities in biggest laggards, such as Spain, the worst performing major market this year, and set to see biggest GDP decline. COVID hit hard, cases are high, GDP exposed to hardest hit sectors, and fiscal response lagging. Strong LatAm exposure and financials/utilities heavy index has not helped. Earnings expectations have continued to fall. Is poorly placed on our framework but very sensitive to lower cases.

Looking for opportunity among laggards

Global equities (ACWI) -1% YTD and +c45% from March low. We see more upside, believing markets well supported with catalysts, as policy support remains significant, bond yields low, earnings improving, and lockdowns ultimately to ease, with a vaccine coming.

We look for catch up opportunities. Spanish equities are by far worst performer of major markets, -28% YTD, and up <20% since March low, but remain in 'value trap' quadrant of our allocation framework – out of favor with investors, but with poor fundamentals. However, Spain remains uniquely sensitive to a decisive fall in virus cases, lower stringency index, and sharp economic and EPS rebound. Market has been hurt by a 'double' virus case exposure locally and in LatAm, with economy focused on hardest hit sectors, and a heavy financials and utilities index weight, alongside strong EM exposure as EUR has appreciated.



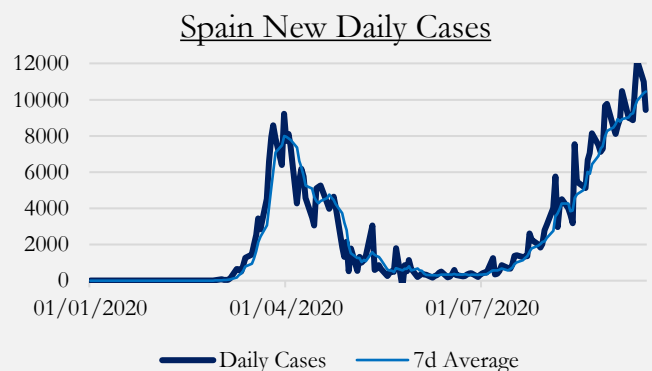
Source: Refinitiv, THR.

See our updated country ([Page 5](#)) and sector allocation ([Page 6](#)) frameworks for context.

Disproportionate virus macro impact

Spanish GDP fell 18.5% qoq in Q2 (vs Eurozone -12.1%) and is forecast to see the worst GDP fall this year of major economies, with GDP -12.8% (See [Page 11](#)), more than double world -4.9% decline estimated by IMF.

The country has seen the 3rd highest infections/million of any country. New virus cases have also rebounded strongest of any EU country. This has necessitated tighter lockdown restrictions being maintained for longer, with a Stringency Index above the global average (see September 14th, *Central Banks in focus*), dramatically impacting an economy overly exposed to tourism (c12% of GDP), and with estimated 18% employment in hardest hit hospitality and entertainment sectors. Spain also has important trade and



Source: Refinitiv, THR.

and corporate links to LatAm, a virus epicenter. Meanwhile the fiscal response has lagged other countries with estimated fiscal stimulus/GDP of 5% vs 14% in US and 8-9% for Germany and France. This will ultimately pick up somewhat as Spain disproportionately benefits from EUR750bn recovery fund, receiving EUR140bn, whose passage has already helped hold down peripheral bond spreads.

LatAm and non-EU exposure very high

Listed Spanish companies generate less than 30% of revenues domestically, with rest of Europe domestic sales equaling 24%, followed by LatAm at 18%. This c50% ‘overseas’ sales mix has made Spanish equities especially exposed to recent 6% EUR appreciation. But also to the ongoing underperformance of LatAm equity markets. Both Mexico and Brazil equities have been weak and are in unattractive quadrants of our allocation framework.

Sector exposure has also not helped

The Spanish equity market has also suffered from its high utilities and financials exposure, making up a combined 54% of the MSCI Spain index, compared to just 15% for the ACWI index. Financials has been the second worst performing global sector in 2020 behind energy, with utilities fourth worst. We are positive European financials, as a very cheap and unloved proxy for a domestic cyclical recovery. Unfortunately though both major

Spanish financials (SAN and BBVA) are much more global than average, and the domestic economic recovery is lagging so far. Finally, discretionary retailer Inditex is the 3rd largest stock and very exposed to reopening trends.

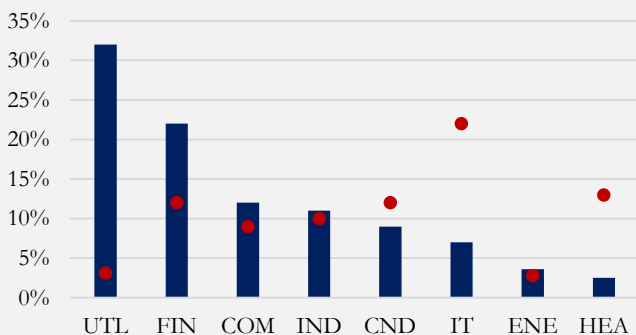
Valuation cheap but earnings risk still high

More positively, the market is cheap on our composite valuation framework, and on 13.0x 2021 P/E is at a c20% discount to the broader European average. However, earnings risk may be higher than average. Earnings have been disproportionately hit this year – estimated to fall 62%, near double the European average - but are forecast to more than double next year, the 3rd highest rebound globally after Brazil and Korea. But this is at risk, with Spain seeing negative (-7%) near term earnings changes, 2nd worst globally, and sitting out the broad upturn in forecasts, with only a 13% revisions ratio. See September 15th, *The broadening earnings recovery*.

Country out-of-favor, a contrarian positive

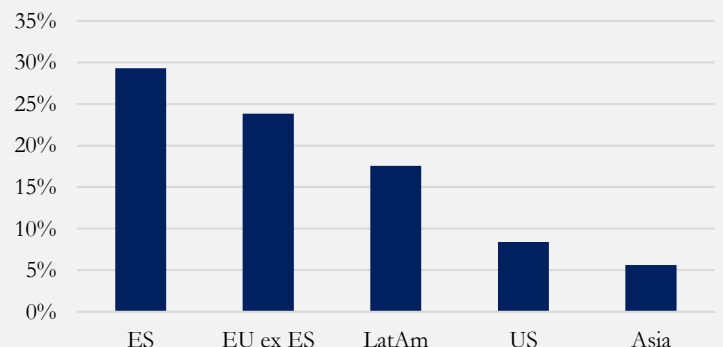
The country remains very out-of-favor with investors, a contrarian positive on our allocation framework. Spanish focused equity funds have seen outflows totaling over US\$1bn YTD, equivalent to 43% of AUM, and with outflows in 32 of the last 37 weeks. Additionally, the sell-side ratings recommendation consensus score (RCS) is currently 2.51, the most pessimistic among all major equity markets.

MSCI Sector Weights (%)



Source: Refinitiv, THR, ■ Spain ● AC

Spain Revenue Exposure (%) by Region

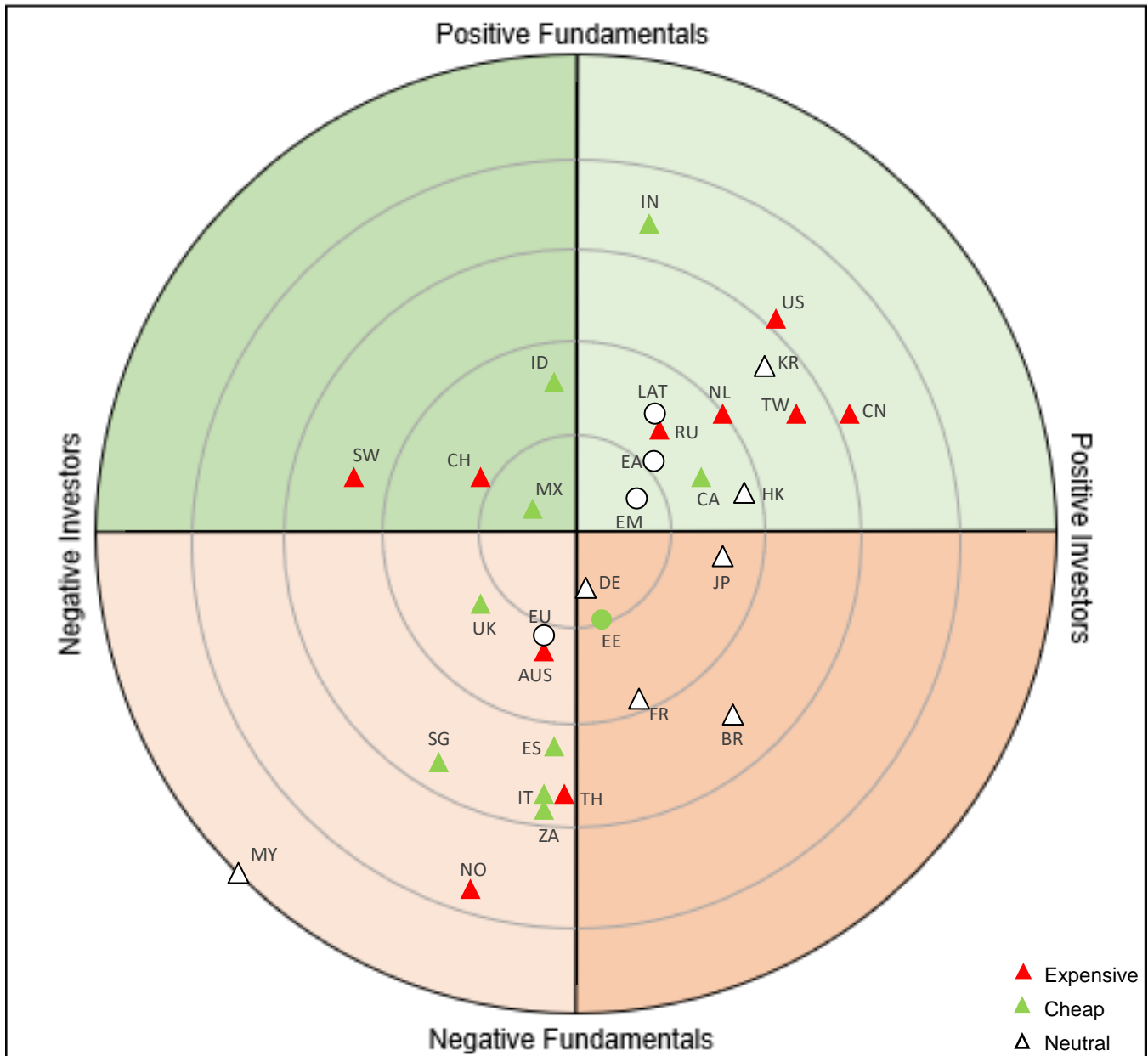


Source: Refinitiv, THR,

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 |



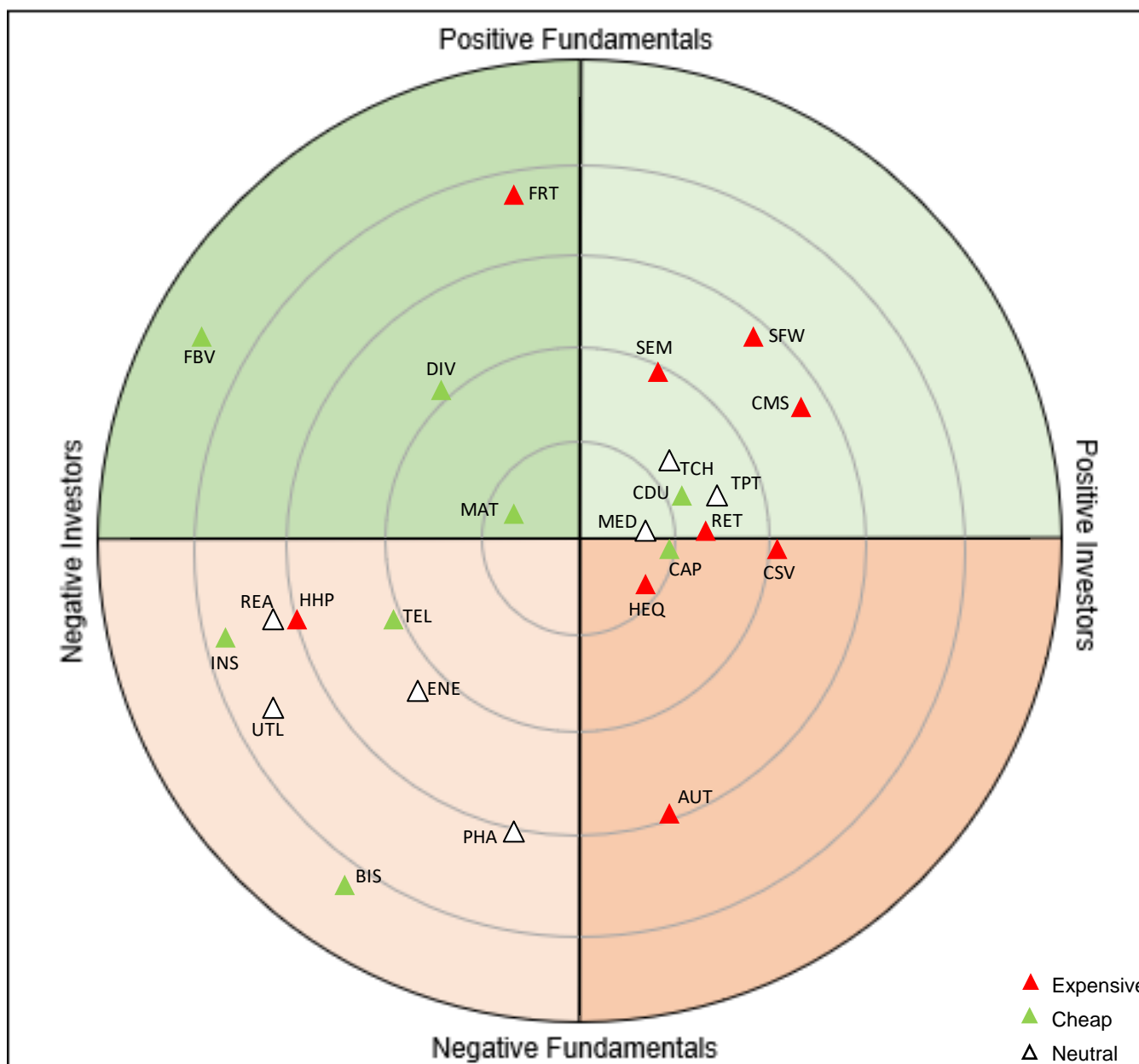
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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 Equipt. & Svcs, HHP=Household & Personal Products, INS=Insurance, MAT=Materials, MED=Media & Entertainment, PHA=Pharma, Bio & Life Svcs, REA=Real Estate, RET=Retailing, SEM=Semiconductors & Equipt, SFW=Software and Svcs, TCH=Technology Hardware & Equipt, TEL=Telecoms TPT=Transport, UTL=Utilities

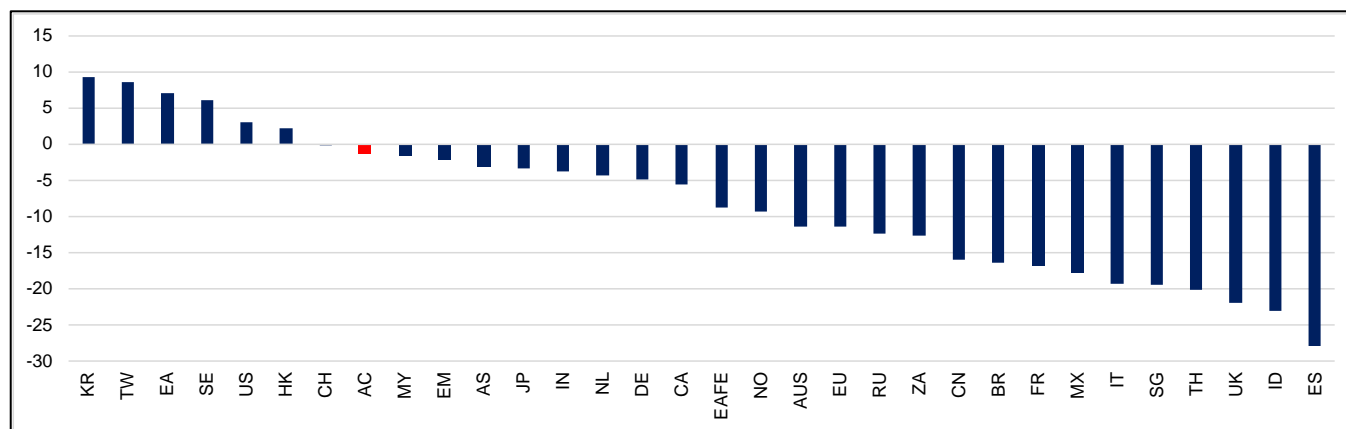
'EYE' ALLOCATION BREAKDOWN

| Country/ Region | Rationale | P/E (x) | | EPS Gr. (%) | |
|---|---|---------|-------|-------------|-------|
| | | 2020e | 2021e | 2020e | 2021e |
|  | United States (Overweight): Remains 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 cyclicity 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

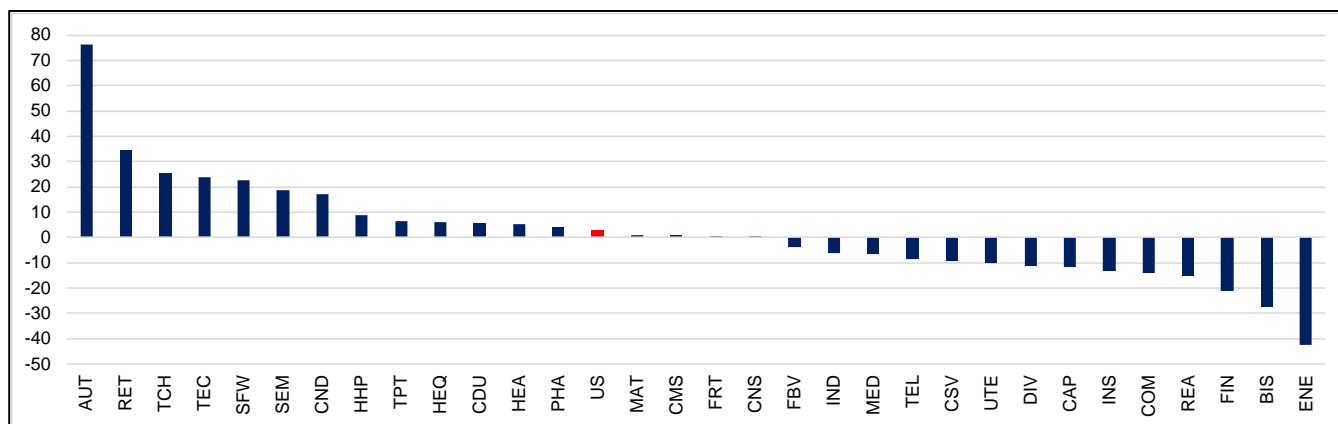


| Index | Abbreviation | Price Performance | | | | PE | | | EPS Growth | |
|--------------------------------|--------------|-------------------|--------|-------|---------|-------|-------|-------|------------|--------|
| | | 1D (%) | 1W (%) | 3M(%) | YTD (%) | 2019A | 2020E | 2021E | 2020E | 2021E |
| World | AC | -1.7 | -3.0 | 7.3 | -1.3 | 19.1 | 23.7 | 18.3 | -19.3% | 29.7% |
| EAFE | EAFE | -2.9 | -3.5 | 3.8 | -8.8 | 15.9 | 21.8 | 15.8 | -27.3% | 38.3% |
| Europe | EU | -4.1 | -5.1 | 3.5 | -11.4 | 14.7 | 22.0 | 15.8 | -33.1% | 39.5% |
| Asia | AS | -0.7 | -1.7 | 5.6 | -3.0 | 18.4 | 19.4 | 14.7 | -5.3% | 31.6% |
| Emerging Global Markets | EM | -1.6 | -2.4 | 7.9 | -2.2 | 16.3 | 17.9 | 13.6 | -9.3% | 31.7% |
| Emerging Asia | EA | -1.1 | -1.6 | 10.6 | 7.1 | 18.1 | 18.0 | 14.4 | 0.7% | 24.8% |
| Australia | AUS | -0.7 | -1.8 | -1.4 | -11.4 | 19.6 | 19.9 | 17.3 | -1.2% | 14.9% |
| Brazil | BR | -1.2 | -3.2 | 1.4 | -16.4 | 13.3 | 27.8 | 12.0 | -52.2% | 131.3% |
| Canada | CA | -1.5 | -2.4 | 3.6 | -5.6 | 14.7 | 20.9 | 15.8 | -29.6% | 32.3% |
| China | CN | -1.6 | -2.0 | -3.0 | -16.1 | 16.8 | 16.7 | 14.0 | 0.3% | 19.4% |
| France | FR | -3.7 | -5.3 | -3.0 | -16.9 | 14.4 | 26.2 | 15.9 | -45.1% | 64.4% |
| Germany | DE | -4.2 | -4.2 | 0.8 | -4.9 | 16.4 | 23.0 | 15.2 | -29.0% | 51.3% |
| Hong Kong | HK | -1.8 | -3.0 | 3.7 | 2.2 | 15.3 | 20.8 | 15.5 | -26.4% | 34.1% |
| India | IN | -2.5 | -3.3 | 8.7 | -3.8 | 24.3 | 27.1 | 19.0 | -10.2% | 42.7% |
| Indonesia | ID | -1.5 | -3.9 | 1.1 | -23.1 | 15.0 | 20.4 | 15.5 | -26.5% | 31.7% |
| Italy | IT | -3.5 | -5.5 | -4.8 | -19.3 | 10.5 | 20.6 | 13.1 | -49.0% | 58.0% |
| Japan | JP | 0.0 | 0.3 | 3.8 | -3.4 | 19.9 | 21.7 | 15.2 | -8.3% | 42.9% |
| Korea | KR | -1.0 | -4.7 | 9.4 | 9.2 | 19.5 | 16.7 | 11.7 | 17.0% | 42.4% |
| Malaysia | MY | -0.6 | -1.6 | 3.3 | -1.5 | 17.6 | 22.3 | 16.3 | -21.2% | 37.1% |
| Mexico | MX | -1.2 | -3.1 | -5.3 | -17.8 | 14.1 | 21.2 | 12.7 | -33.3% | 67.3% |
| Netherlands | NL | -2.5 | -2.5 | -1.6 | -4.4 | 20.4 | 22.8 | 19.0 | -10.4% | 19.8% |
| Norway | NO | -3.6 | -1.9 | 4.4 | -9.3 | 13.9 | 19.7 | 14.6 | -29.5% | 34.7% |
| Russia | RU | -3.2 | -3.7 | -0.3 | -12.4 | 5.9 | 11.5 | 7.4 | -49.0% | 56.5% |
| Singapore | SG | -0.6 | -1.0 | -4.6 | -19.5 | 11.2 | 16.9 | 12.8 | -33.8% | 32.1% |
| South Africa | ZA | -3.1 | -6.0 | -4.2 | -12.7 | 14.7 | 15.2 | 10.1 | -3.3% | 50.9% |
| Spain | ES | -3.3 | -4.7 | -9.4 | -27.9 | 10.3 | 28.0 | 13.0 | -63.1% | 115.9% |
| Sweden | SE | -3.3 | -1.1 | 9.3 | 6.1 | 16.7 | 21.0 | 17.5 | -20.3% | 19.9% |
| Switzerland | CH | -2.0 | -1.3 | 1.5 | 0.0 | 19.6 | 21.6 | 18.5 | -9.6% | 17.0% |
| Taiwan | TW | -0.7 | -1.6 | 11.6 | 8.6 | 20.7 | 18.7 | 16.4 | 10.5% | 14.0% |
| Thailand | TH | -1.2 | -1.7 | -7.0 | -20.2 | 14.1 | 22.2 | 16.9 | -36.8% | 31.9% |
| United Kingdom | UK | -3.5 | -4.8 | -7.1 | -22.0 | 11.1 | 18.2 | 13.3 | -39.4% | 37.2% |
| United States | US | -1.2 | -2.9 | 6.0 | 3.0 | 22.4 | 26.7 | 21.6 | -16.2% | 24.1% |

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

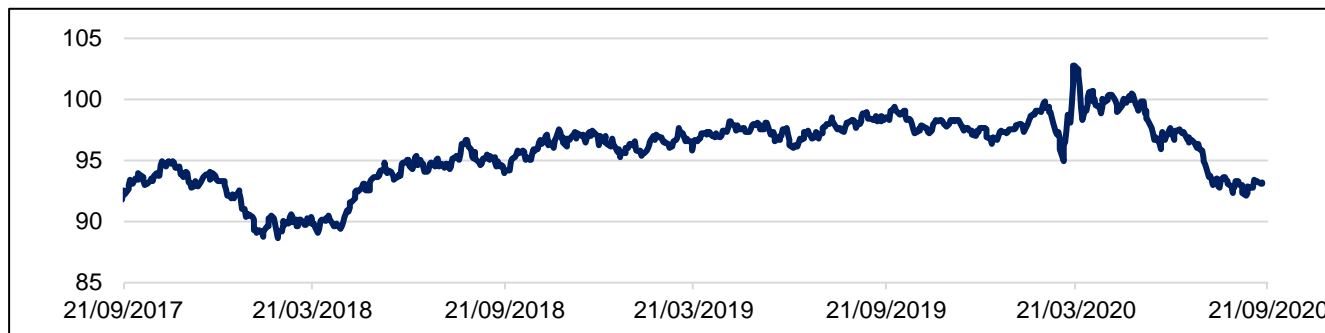


| Index | Abbreviation | Price Performance | | | | PE | | | EPS Growth | |
|-------------------------------|--------------|-------------------|-------------|--------------|--------------|-------------|-------------|-------------|----------------|----------------|
| | | 1D (%) | 1W (%) | 3M(%) | YTD (%) | 2019A | 2020E | 2021E | 2020E | 2021E |
| United States | US | -1.2 | -2.9 | 6.0 | 3.0 | 22.4 | 26.7 | 21.6 | -16.2% | 24.1% |
| Communications | COM | -1.9 | -3.4 | -9.0 | -14.3 | 24.1 | 27.4 | 22.6 | -12.2% | 20.9% |
| Media & Entertainment | MED | -1.9 | -2.5 | 10.3 | -6.8 | 31.0 | 36.7 | 27.8 | -15.5% | 32.2% |
| Telecommunication Svcs | TEL | -1.2 | -1.6 | 2.7 | -8.6 | 11.4 | 12.1 | 11.8 | -6.1% | 2.5% |
| Consumer Discretionary | CND | -1.1 | -3.1 | 14.2 | 17.2 | 36.8 | 57.3 | 34.3 | -35.9% | 67.3% |
| Autos & Components | AUT | -1.0 | 1.6 | 59.8 | 76.3 | 26.9 | 137.3 | 28.4 | -80.4% | 384.3% |
| Consumer Durables & App | CDU | -1.7 | -4.1 | 13.7 | 5.6 | 27.2 | 28.5 | 22.2 | -4.6% | 28.0% |
| Consumer Svcs | CSV | -2.3 | -3.7 | 10.2 | -9.3 | 23.1 | NA | 43.2 | -108.7% | 712.0% |
| Retailing | RET | -0.3 | -3.4 | 10.5 | 34.6 | 47.2 | 48.3 | 36.8 | -2.4% | 31.3% |
| Consumer Staples | CNS | -0.9 | -2.9 | 6.6 | 0.3 | 22.2 | 22.2 | 20.7 | -0.1% | 7.2% |
| Food & Staples Retailing | FRT | -0.5 | -0.2 | 7.2 | 0.6 | 23.5 | 24.1 | 23.1 | -2.3% | 4.0% |
| Food, Bev & Tobacco | FBV | -1.3 | -4.1 | 4.2 | -3.9 | 19.0 | 19.6 | 18.0 | -2.7% | 8.9% |
| Household Products | HHP | -0.6 | -2.1 | 11.0 | 8.9 | 29.4 | 26.3 | 25.0 | 12.1% | 5.0% |
| Energy | ENE | -3.1 | -1.1 | -14.1 | -42.4 | 12.3 | NA | 25.9 | -100.5% | 8872.4% |
| Financials | FIN | -2.9 | -4.6 | 0.1 | -21.3 | 11.3 | 16.8 | 12.8 | -33.2% | 31.4% |
| Banks | BIS | -3.2 | -4.9 | -3.1 | -27.4 | 8.2 | 16.8 | 11.3 | -51.0% | 48.3% |
| Diversified Financials | DIV | -2.7 | -2.4 | -3.1 | -11.4 | 15.2 | 19.6 | 15.6 | -22.2% | 25.6% |
| Insurance | INS | -2.2 | -3.4 | 7.9 | -13.3 | 11.7 | 13.0 | 11.0 | -9.5% | 18.0% |
| Health Care | HEA | -1.9 | -2.0 | 4.0 | 5.1 | 19.5 | 18.6 | 16.1 | 5.1% | 15.5% |
| Health Care Equipment | HEQ | -1.7 | -2.5 | 7.1 | 5.9 | 32.8 | 36.4 | 27.4 | -10.0% | 32.8% |
| Pharmaceuticals | PHA | -2.1 | -1.4 | 0.8 | 4.2 | 16.1 | 15.4 | 13.5 | 4.5% | 14.2% |
| Industrials | IND | -3.1 | -2.8 | 8.3 | -6.1 | 20.8 | 29.2 | 21.2 | -28.6% | 37.4% |
| Capital Goods | CAP | -3.6 | -3.8 | 5.5 | -11.9 | 17.6 | 26.5 | 19.6 | -33.5% | 35.4% |
| Commercial & Prof Svcs | CMS | -1.8 | -1.4 | 4.0 | 0.7 | 32.4 | 33.7 | 29.9 | -3.9% | 12.7% |
| Transportation | TPT | -2.5 | -2.3 | 23.9 | 6.4 | 30.5 | 37.2 | 23.2 | -18.1% | 60.3% |
| Information Technology | TEC | 0.5 | -2.6 | 7.2 | 23.6 | 32.0 | 30.8 | 26.9 | 3.7% | 14.8% |
| Semiconductors | SEM | 0.2 | -1.4 | 8.9 | 18.8 | 21.6 | 21.8 | 18.7 | -0.7% | 16.5% |
| Software & Svcs | SFW | 0.1 | -2.3 | 4.2 | 22.7 | 40.2 | 37.4 | 32.9 | 7.4% | 13.9% |
| Technology Hardware | TCH | 1.3 | -3.1 | 12.7 | 25.3 | 29.0 | 28.4 | 24.8 | 2.2% | 14.6% |
| Materials | MAT | -3.7 | -4.3 | 12.4 | 1.0 | 21.6 | 26.1 | 20.3 | -17.3% | 28.6% |
| Real Estate | REA | -3.0 | -5.2 | -1.1 | -15.3 | 34.7 | 49.1 | 46.2 | -29.3% | 6.2% |
| Utilities | UTE | -0.6 | -2.6 | 0.2 | -10.0 | 17.4 | 18.1 | 17.4 | -4.1% | 4.0% |

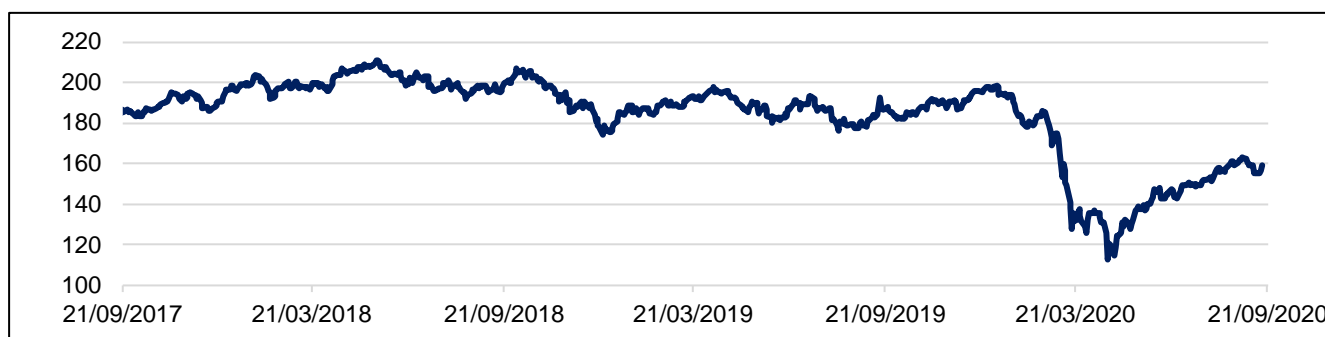
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

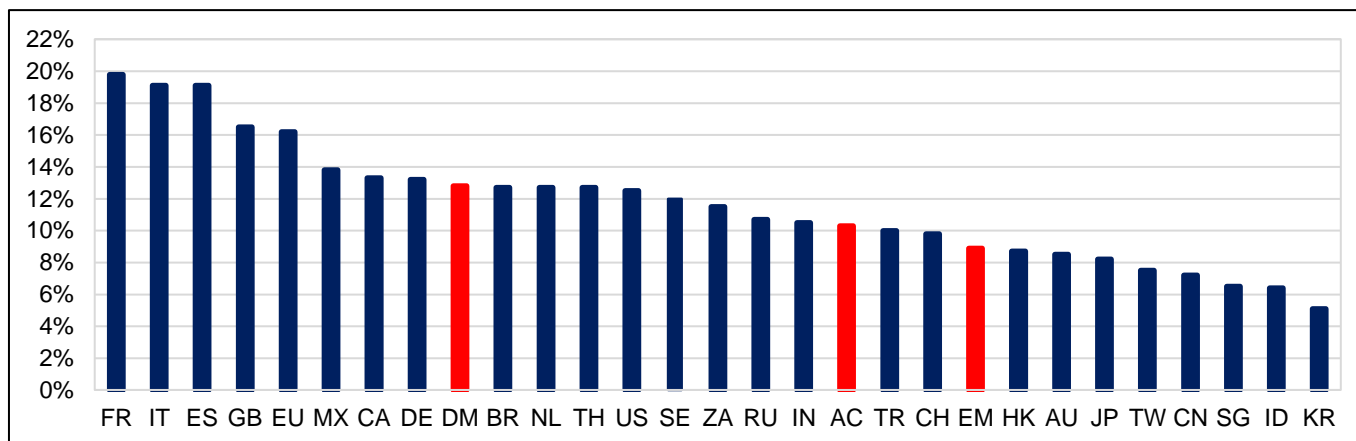


| Name | Currency | Close Price | 1 Day | 1 Week | 1 Month | 3 Months | 1 Year | MTD | QTD | YTD |
|------------------------|----------|-------------|--------|--------|---------|----------|---------|--------|--------|---------|
| Commodities | | | | | | | | | | |
| CRB Commodity Index | USD | 2601.85 | -3.4% | -3.2% | -2.4% | 4.9% | -11.9% | -3.4% | 5.8% | -15.7% |
| Gold Spot | USD | 1912.57 | -1.9% | -2.2% | -1.4% | 9.7% | 26.1% | -2.9% | 7.4% | 26.1% |
| Copper Spot | USD | 3.03 | -2.7% | -1.2% | 4.0% | 15.9% | 17.0% | -0.4% | 11.6% | 8.4% |
| Brent Crude Spot | USD | 39.73 | -5.4% | 3.4% | -10.0% | -8.6% | -39.9% | -13.6% | -6.5% | -42.4% |
| CRB Agricultural Index | USD | 5221.11 | -3.2% | -2.8% | -0.7% | 10.0% | -5.4% | -1.5% | 12.0% | -9.0% |
| Currencies | | | | | | | | | | |
| DXY USD Index | USD | 93.66 | 0.8% | 0.6% | 0.4% | -4.1% | -4.9% | 1.6% | -3.8% | -2.8% |
| EUR/USD | USD | 1.18 | -0.6% | -0.8% | -0.2% | 5.3% | 6.8% | -1.4% | 4.8% | 5.0% |
| USD/JPY | JPY | 104.64 | 0.1% | -1.0% | -1.1% | -2.1% | -2.7% | -1.2% | -3.0% | -3.7% |
| GBP/USD | USD | 1.28 | -0.8% | -0.2% | -2.1% | 3.7% | 2.7% | -4.2% | 3.3% | -3.4% |
| USD/CNY | CNY | 6.80 | 0.5% | -0.1% | -1.6% | -3.8% | -4.0% | -0.6% | -3.7% | -2.3% |
| Bond Yields | | | | | | | | | | |
| DE 10Y BUND | EUR | -0.53 | 9.3% | 10.7% | 4.1% | 26.9% | 1.5% | 33.3% | 14.8% | 182.4% |
| GB 10Y GILT | GBP | 0.16 | -14.6% | -19.4% | -23.7% | -33.3% | -74.8% | -49.5% | -8.1% | -80.8% |
| JP 10Y JGB | JPY | 0.01 | 0.0% | -35.0% | -58.1% | 8.3% | -106.1% | -72.3% | -51.9% | -159.1% |
| US 10Y BILL | USD | 0.67 | -3.3% | 0.3% | 4.8% | -4.0% | -61.7% | -3.2% | 2.8% | -64.9% |
| US 30Y BOND | USD | 1.43 | -1.8% | 1.3% | 5.4% | -3.0% | -35.1% | -1.8% | 1.1% | -40.0% |
| US 10-2 BOND | - | 0.53 | -1.9% | 0.3% | 11.6% | 23.1% | 30.3% | -7.8% | 13.8% | 26.4% |
| Volatility | | | | | | | | | | |
| CBOE VIX Index | USD | 27.78 | 0.08 | 0.07 | 0.23 | -0.21 | 0.81 | 0.05 | -0.09 | 1.02 |

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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