

EYE ON THE WORLD

What ETF's are telling us Thursday, September 17

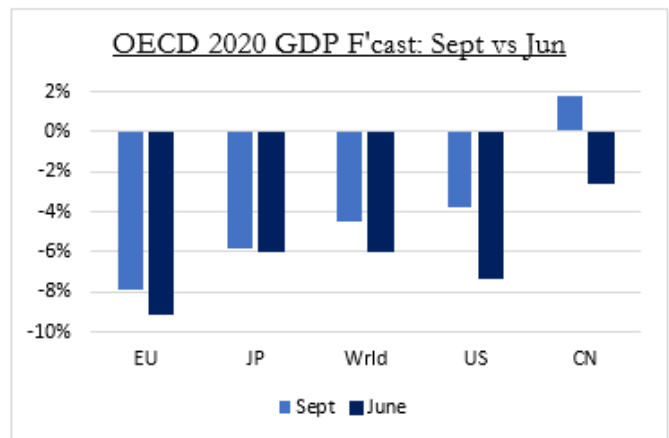
Markets weakened into close, led by tech, as Fed reinforced dovishness but stopped short of more stimulus. We see Fed move equity (and real asset) bullish, underpinning the better-than-expected growth recovery and inflation tolerance with lower-for-longer rates. **HOT TOPICS** examines recent ETF performance and flows as passive funds continue to grow dominant. See evidence of investor caution on markets (a contrarian positive), still bearish energy and EM (we see selective opportunities), and interest in laggard agricultural commodities (intriguing) and financials (we are cautious).

Markets eased yesterday, led by tech and NASDAQ, in late-day weakness as Fed disappointed some in stopping short of further stimulus measures. We see Fed policy underpinning a bullish outlook for real assets, such as equities. We also saw incremental movement in US fiscal policy stand-off, whilst OECD latest to raise GDP estimates, supporting EPS outlook. Asian markets fell overnight, and European markets and US futures are down sharply.

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3401.2	-0.4%	-0.3%	4.9%
ACWI xUS	47.3	-0.1%	1.1%	-3.9%
DXY USD	93.1	0.2%	0.0%	-3.3%
US 10Y YLD	0.68	2.4%	-1.1%	-63.6%
Brent Spot	39.0	3.8%	1.7%	-41.3%
Gold Spot	1955.5	0.1%	0.6%	29.1%

Fed divergence. Fed raised bar to rates boost and reinforced its dovish stance, vowing to keep rates low until inflation on track to exceed 2% (10Yr break even inflation currently 1.7%) and



Source: OECD, THR

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics on [ETF Insights](#).** Evidence of investor market caution (contrarian positive), bearish energy/EM (selective opportunities), interest in ag (intriguing) and financials (cautious).
- **[What to watch](#):** Weekly US new jobless claims (est. 0.8m) and OPEC+ monitoring c'mtee.
- **[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	3401.2	-0.4%	-0.3%	4.9%
NASDAQ	11438.9	-1.1%	-0.7%	23.3%
Russell 2000	1538.2	1.1%	1.8%	-6.8%
US IT	429.0	-1.2%	-1.3%	26.1%
US Healthcare	376.8	0.2%	1.2%	6.5%
US Financials	160.6	1.4%	1.1%	-18.7%

see evidence of tight labor market. Fed funds dot plot has rates unchanged until 2023. Despite new [Fed forecasts](#) of 3.7% GDP fall this year vs prior 6.5% Chair Powell said more fiscal support needed. Disappointed some leaving US\$120bn/m bond buying program unchanged. **We see as equity (and real asset) bullish**, underpinning better-than-expected growth recovery and greater inflation tolerance with lower-for-longer rates.

OECD less cautious. [Highlights](#) that global policymakers reacted swiftly and massively to buffer 2020 recession, but economic momentum now plateauing and confidence still weak. OECD forecast global GDP -4.5% this year (closer to IMF -4.9% f'cast), with a 5% rebound next year, significantly less bad than June f'cast, on China and US upgrades (see front chart). Highlights risk that fiscal stimulus could be withdrawn too early, and opportunity for green and digital stimulus. **GDP upgrades been driving EPS upgrades.** See September 16, *The broadening earnings recovery*.

US stimulus. President Trump urged Republicans to go higher on virus stimulus bill, same day cross-party group proposed US\$1.5trn compromise, and

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	93.1	0.2%	0.0%	-3.3%
EUR/USD	1.18	-0.4%	0.0%	5.3%
US 10Y YLD	0.68	2.4%	-1.1%	-63.6%
US 10-2 BOND	0.54	2.4%	3.0%	27.5%
CBOE VIX Index	25.6	1.3%	-10%	88%
CRB Index	2689.3	0.7%	1.3%	-12.2%

Events to Watch

Indicator	Period	Forecast	Last
HICP YY, Euro	Aug	-0.20	-0.20
BoE Rate Decision, UK	Sept	0.10	0.10
Phily Fed Business Index, US	Sept	15.17	17.20

Fed' Powell said more help needed. **We see fiscal stimulus as important market catalyst.** Weaker-than-expected August retail sales latest showing recovery losing momentum and boosting calls for fiscal help. Retail sales +0.6% mom, whilst July revised down. Core sales fell 0.1% mom, as prior highflyers saw payback with e-commerce flat and grocery down. However, still +4.7% vs Jan. level. Further insight today from weekly new jobless claims, forecast at 850k vs last week 884k, still well above the GFC peak.

Sector View

S&P 500 fall led by quality growth IT (-1.6%) and communications (-1.2%), with cyclicals energy (+4.0%) and financials (+1.1%) rising. Small cap Russell 2000 (+0.9%) outperformed. US cloud IPO **Snowflake** surged 110% in first day, giving mkt cap US\$70bn, whilst one of UK largest ever tech IPO' **Hut Group** +30%, in continued signs of underlying tech strength.

What to Watch

Trio of bank decisions, with policy dovish but unchanged, highlighting increasing limits to central bank flexibility, and focus on fiscal. **Bank of Japan** kept -0.1% policy rate and 1% yield curve control but lifted GDP outlook implying no imminent increase in stimulus. **Bank of England** likely today to highlight plans for next stimulus push but to leave rates at 0.1% and bond-buying program cUS\$1trn. **Brazil** held rates at record 2%, after 9 cuts, and emphasized 'forward guidance' lower-for-longer stance.

HOT TOPIC

WHAT ETF'S ARE TELLING US

We examine ETF performance and flows for insight into investor sentiment and developing themes as passive funds continue to grow dominant. There is plenty of evidence of investor caution on markets (a contrarian positive for us) and continuing to sell energy and EM (we are more selective and see opportunities) and looking for laggard opportunities in agricultural commodities (intriguing) and financials (we are cautious).

ETF's in the driving seat

The global passive fund industry has quadrupled in the last decade, to an estimated US\$6.4trn and 8,000 funds, representing 20% of the fund market and most of the growth in the US, and is even higher in markets like Japan. See July 16, *Side effects of passive growth*. We examine both recent ETF performance and inflows and outflows for insight into investing trends and key emerging themes.

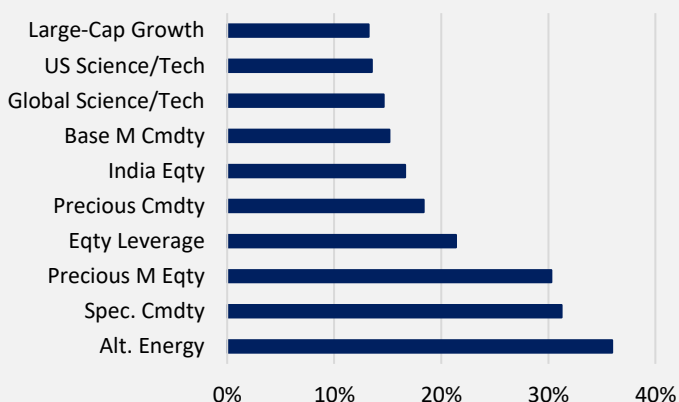
We see plenty of evidence of continued investor caution (precious metals, bonds, short biased inflows), that is one of the contrarian supports to our bullish market call. We also see bearish wagers continuing on beaten down assets such as Energy and EM. We are neutral both areas overall and see select opportunities (oil majors, north Asia EM). We also see contrarian flows into laggards such as ag commodities (interesting given La Nina) and financials, which we think lags a cyclical recovery on bond yield and capital constraints.

Best Performing ETFs: L3Mths

Fund	3m Return	TNA (\$m)	NAV (\$m)	Geo. Focus	Classification
ProShares Ultra Silver	111%	850	57.4	US	Commodities Specialty
Direxion Junior Gold Miners Idx Bull 2X Shs	66%	916	153.3	US	Equity Leverage
Direxion S&P Oil & Gas Exp & Prod Br 2X Shs	63%	51	60.0	US	Dedicated Short Bias
Direxion Gold Miners Index Bull 2X Shares	56%	1247	100.2	Global	Equity Leverage
Direxion Homebuilders & Supplies Bull 3X Shs	56%	476	47.2	US	Equity Leverage
Aberdeen Standard Physical Silver Shares ETF	54%	887	25.7	US	Commodities Precious Metals
iShares Silver Trust	53%	15694	24.7	Global	Commodities Precious Metals
Direxion Energy Bear 2x Shares	53%	27	58.3	US	Dedicated Short Bias Funds
ProShares UltraShort Oil & Gas	52%	18	48.2	US	Dedicated Short Bias Funds
Direxion MSCI India Bull 3X Shares	-4.2%	115	52.7	India	Equity Leverage Funds

Source: Refinitiv, THR.

Best Performing ETF Themes: L3Mths



Source: Refinitiv, THR.

Commodities, tech, growth lead

The best performing ETF segments in the last three months were alternative energy (solar, clean energy), specialty commodities, and precious metals, with India, tech, and large cap growth also represented. The top ten best absolute performers list is dominated by leveraged funds on commodities – long silver and gold miners, and short energy stocks – as well as homebuilders and India (see list below).

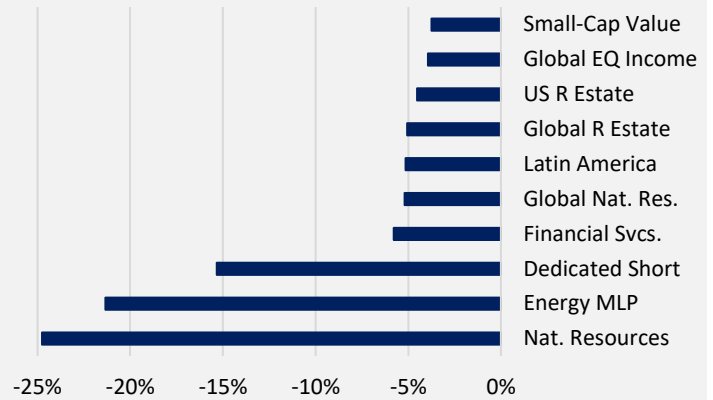
A look at the inflows – Ag, bonds, shorts

ETF inflows show some divergence with recent performance, focused on agricultural commodities, the laggard of the complex YTD, but seeing supply disruption and a La Nina weather phenomenon. Core bond funds also are seeing strong flows, benefitting from flows out of the zero yields of money market funds, but with investors still cautious the broader equity market. See August 20, *Cautious investors still a support*. Global financials are also seeing inflows, a contrarian allocation, as are short-biased funds, reflecting both the degree of the equity rally and emblematic of continued investor caution in our view.

Worst performers eclectic: LatAm, REstate

Worst performing themes were more varied than best performers. Energy ETF topped the list, with sector worst performer YTD. But followed by dedicated short funds, highlighting the dramatic five-month equity rally since March. Also well represented were financials, the 2nd worst performing equity sector YTD, and LatAm, the worst performing equity region. US and global real estate also listed with impact of lockdown on retail, hotel, and office properties more than offsetting resilience of industrial and e-commerce. Small cap value rounds out the top 10 laggards, with both small cap and value styles continuing to lag large-cap and growth this year.

Worst Performing ETF Themes: L3Mths



Source: Refinitiv, THR.

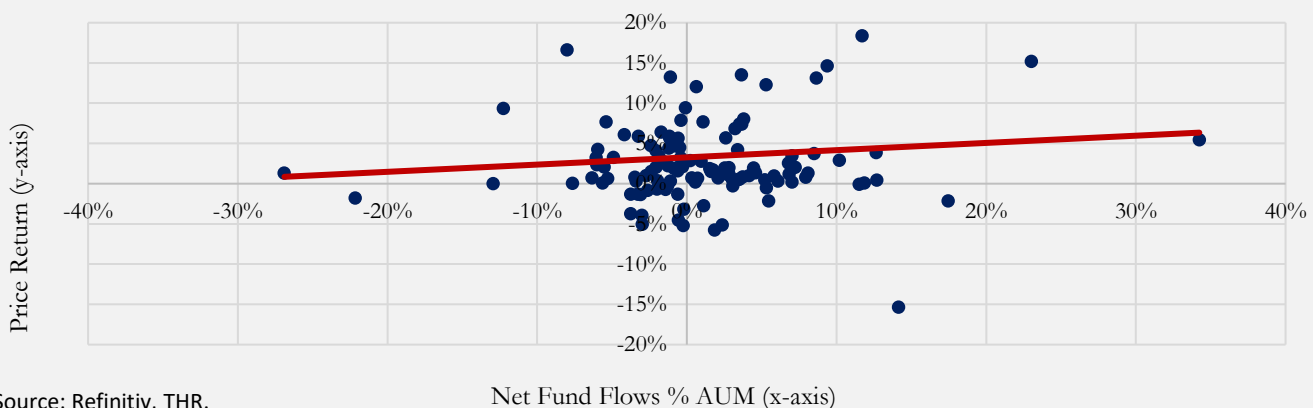
The biggest outflows: Energy, EM

Looking at the themes with the largest proportional (as % of AUM) outflows, the continued bearish view of energy is clear, along with EM, with EM local currency debt, frontier markets and India all represented among those seeing largest outflows. Short US Treasury funds are also prominent.

Flows can drive performance

We look at whether ETF fund flows can be a lead-indicator or driver of asset class performance. The relationship is weak, but positive. Over the past 3 month we found that, on average, +10% of AUM net fund flow resulted in a +0.67% price return. Biggest anomalies was Alternative currency strategy ETF's which saw outflows of 27% of AUM, but still saw a +1.3% return.

ETF Themes Fund Flows-Price Return Relation

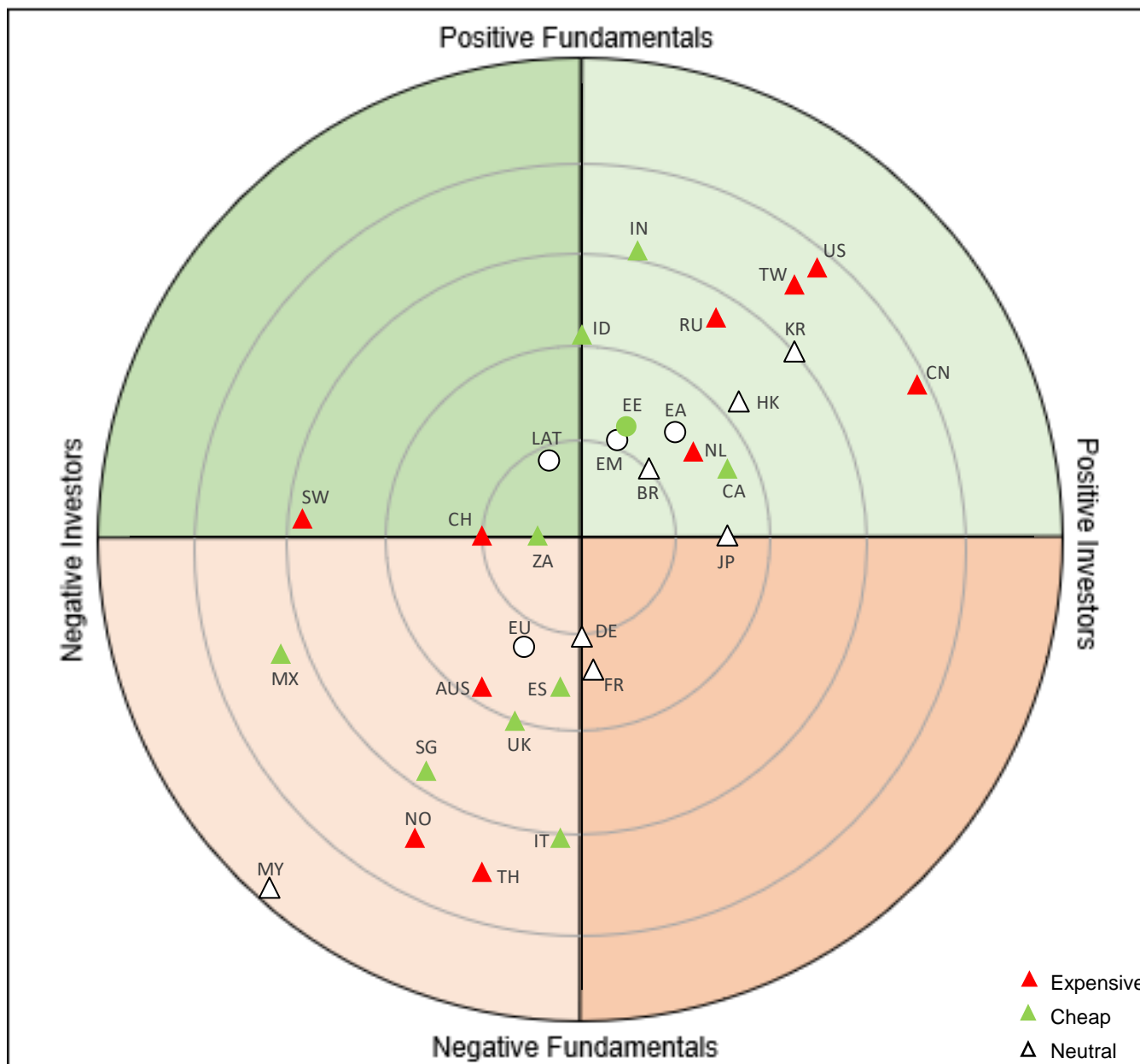


Source: Refinitiv, THR.

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



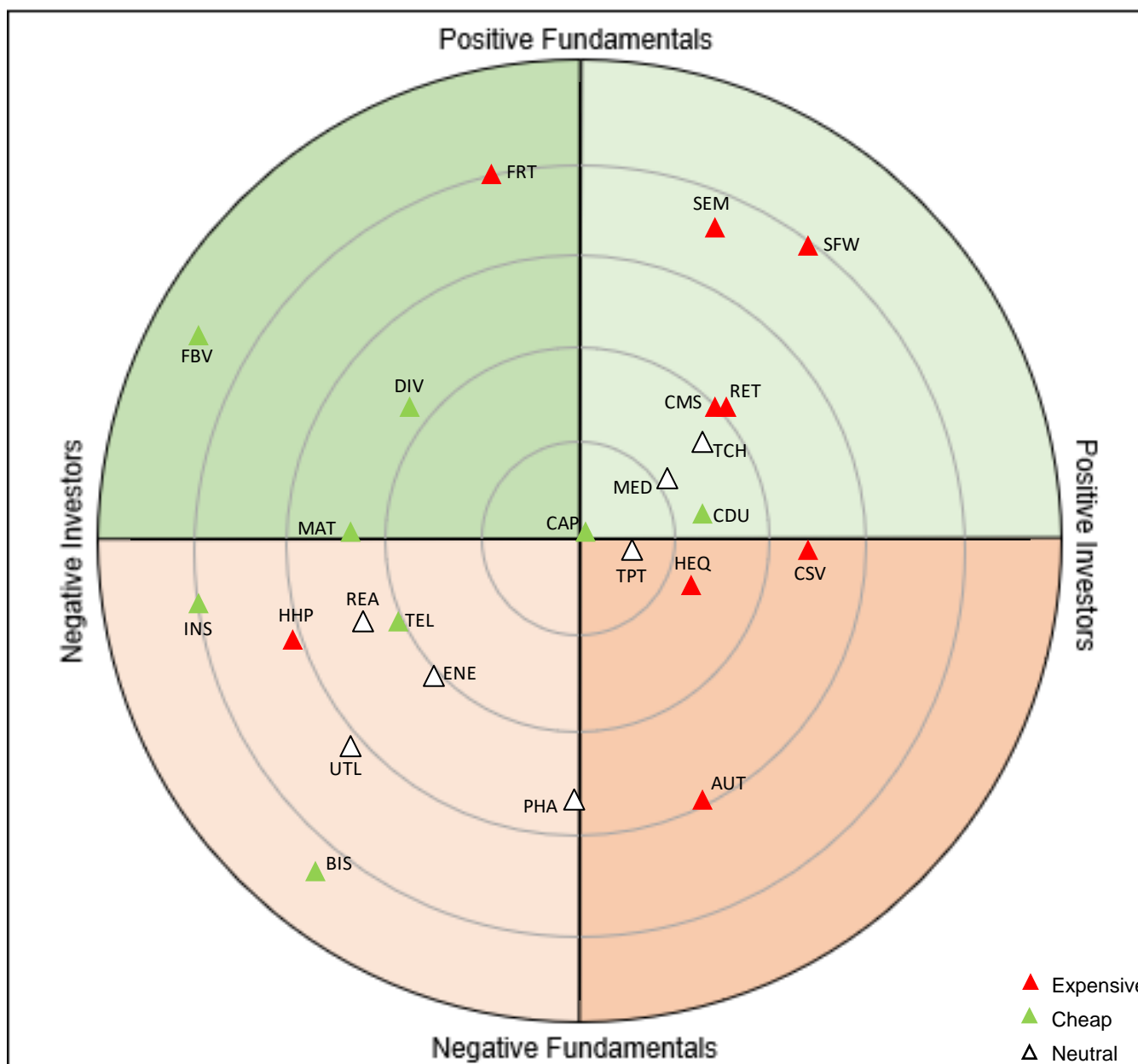
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

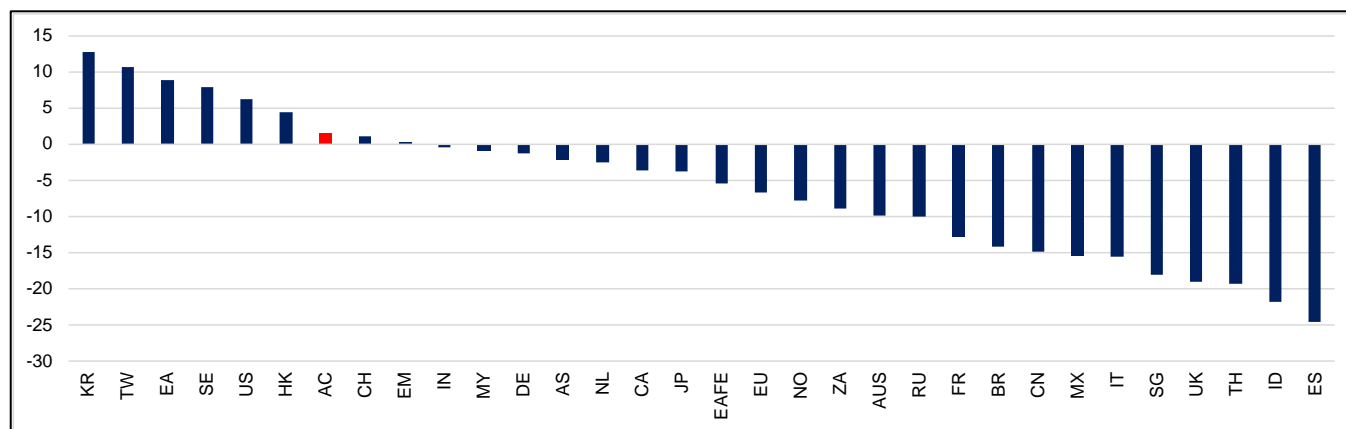
'EYE' ALLOCATION BREAKDOWN

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.	26.6	21.4	-16.3	24.4
	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.	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 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 cyclicality 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 Cyclicals in a recovery. Insurance offers the best value in our view, though none of the sector is optically expensive.	16.6	12.7	-32.7	30.4
	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

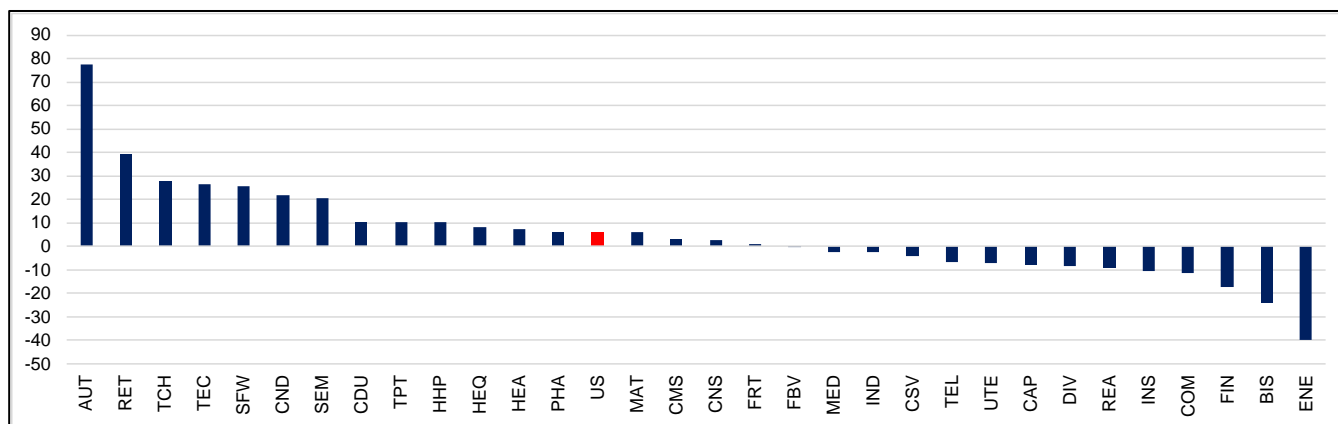


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-0.1	1.2	9.0	1.5	19.1	23.6	18.3	-19.1%	29.4%
EAFE	EAFE	0.5	1.5	6.7	-5.5	16.0	21.6	15.9	-26.2%	36.1%
Europe	EU	0.4	1.4	7.4	-6.7	14.9	22.0	15.9	-32.4%	38.1%
Asia	AS	0.6	1.1	7.3	-2.1	18.4	19.2	14.7	-3.8%	29.9%
Emerging Global Markets	EM	0.4	2.3	11.5	0.2	16.4	18.1	13.7	-9.2%	31.6%
Emerging Asia	EA	0.5	2.5	13.8	8.9	18.3	18.0	14.5	1.4%	24.6%
Australia	AUS	1.1	-0.4	0.7	-9.9	20.1	20.4	17.7	-1.2%	15.0%
Brazil	BR	-0.6	-1.8	4.0	-14.2	13.3	34.5	12.6	-61.5%	172.7%
Canada	CA	-0.7	-0.4	6.3	-3.6	14.8	21.8	15.8	-32.1%	37.7%
China	CN	0.1	0.2	-1.0	-14.8	17.0	16.7	14.0	1.9%	19.4%
France	FR	0.2	0.2	2.8	-12.8	14.3	25.6	15.8	-44.0%	61.7%
Germany	DE	0.4	-0.5	6.4	-1.2	16.3	23.0	15.2	-29.2%	51.3%
Hong Kong	HK	0.4	1.7	8.6	4.4	15.1	20.0	15.2	-24.4%	31.5%
India	IN	0.7	1.9	17.0	-0.4	24.5	27.6	19.4	-11.3%	42.4%
Indonesia	ID	-1.0	1.7	2.1	-21.8	15.2	20.5	15.7	-25.5%	30.3%
Italy	IT	-0.1	-0.7	1.8	-15.5	10.8	21.0	13.4	-48.6%	56.6%
Japan	JP	0.2	0.8	3.6	-3.8	19.8	21.0	15.2	-5.8%	38.5%
Korea	KR	-0.3	0.5	13.3	12.8	19.1	16.5	11.5	15.6%	43.2%
Malaysia	MY	0.0	3.2	4.1	-0.8	17.7	21.6	16.9	-18.3%	27.5%
Mexico	MX	0.0	1.2	-2.0	-15.4	15.3	22.1	13.4	-30.4%	65.0%
Netherlands	NL	0.5	0.6	2.0	-2.6	21.0	23.6	19.7	-10.9%	19.6%
Norway	NO	0.3	0.6	6.1	-7.8	13.8	19.6	14.7	-29.5%	33.6%
Russia	RU	-0.4	2.4	4.6	-10.1	5.8	12.0	7.5	-51.6%	59.2%
Singapore	SG	0.8	0.6	-4.0	-18.1	11.5	16.7	13.0	-31.5%	28.3%
South Africa	ZA	-0.3	-2.5	2.8	-8.9	15.2	15.4	10.7	-0.8%	43.7%
Spain	ES	0.8	0.3	-4.4	-24.5	10.5	27.6	13.1	-62.1%	110.9%
Sweden	SE	1.1	1.8	11.7	7.9	16.7	20.9	17.5	-20.3%	19.9%
Switzerland	CH	0.4	1.0	3.1	1.0	19.6	21.6	18.5	-9.4%	16.8%
Taiwan	TW	1.0	1.5	14.4	10.6	21.0	19.1	16.8	10.2%	13.6%
Thailand	TH	0.4	-1.2	-7.7	-19.3	14.8	22.6	17.3	-34.8%	30.4%
United Kingdom	UK	-0.4	0.3	-2.2	-19.1	11.4	18.2	13.6	-37.6%	33.7%
United States	US	-0.4	0.0	9.6	6.2	22.3	26.6	21.4	-16.3%	24.4%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

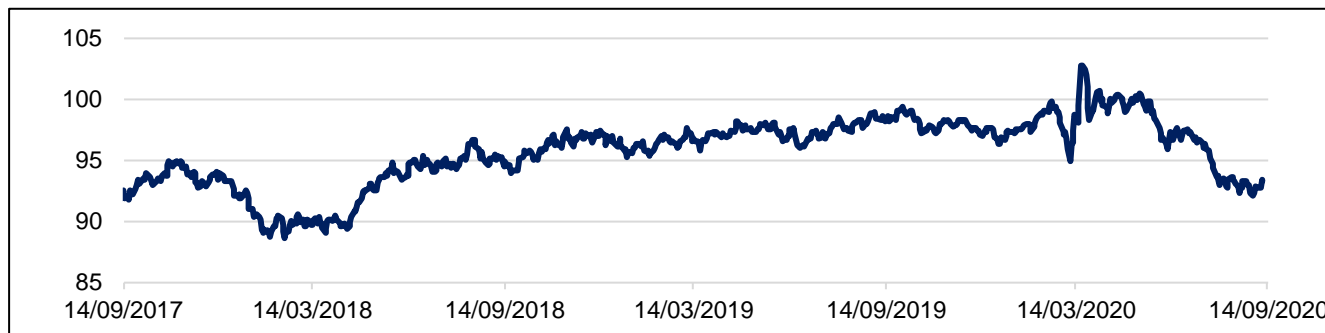


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	-0.4	0.0	9.6	6.2	23.0	27.4	22.0	-16.0%	24.2%
Communications	COM	-0.6	0.3	-7.6	-11.4	25.3	28.8	23.8	-12.1%	21.1%
Media & Entertainment	MED	1.0	2.1	14.0	-2.3	32.7	38.7	29.3	-15.5%	32.2%
Telecommunication Svcs	TEL	-0.1	0.1	4.2	-6.8	11.5	12.2	12.0	-6.0%	2.4%
Consumer Discretionary	CND	-0.6	0.5	18.7	21.7	38.2	58.8	35.3	-35.1%	66.8%
Autos & Components	AUT	-1.5	10.7	61.0	77.8	29.9	152.1	31.7	-80.4%	-379.8%
Consumer Durables & App	CDU	0.7	3.2	18.0	10.5	27.6	27.3	21.4	1.0%	27.3%
Consumer Svcs	CSV	0.8	1.8	14.4	-4.3	22.6	NA	39.6	-107.1%	-899.0%
Retailing	RET	-1.5	-2.5	15.7	39.2	49.1	50.4	38.4	-2.7%	31.2%
Consumer Staples	CNS	-0.4	-0.5	8.9	2.8	22.1	22.2	20.6	-0.3%	7.4%
Food & Staples Retailing	FRT	0.2	-1.1	9.2	1.2	22.8	23.4	22.4	-2.6%	4.6%
Food, Bev & Tobacco	FBV	-0.7	-0.1	7.0	-0.4	19.0	19.6	18.0	-3.0%	9.0%
Household Products	HHP	-0.4	-0.9	12.3	10.4	29.6	26.4	25.2	12.1%	5.0%
Energy	ENE	3.9	0.8	-10.3	-39.9	12.8	NA	26.5	-101.6%	3068.4%
Financials	FIN	1.0	0.8	3.3	-17.3	11.3	16.7	12.8	-32.5%	30.0%
Banks	BIS	1.4	0.5	0.1	-23.9	8.2	16.6	11.2	-50.8%	47.9%
Diversified Financials	DIV	2.2	0.3	-0.2	-8.3	15.4	19.3	15.7	-20.3%	22.4%
Insurance	INS	0.6	-0.3	10.2	-10.6	11.6	12.9	10.9	-9.6%	18.1%
Health Care	HEA	-0.1	0.9	7.0	7.4	19.7	18.8	16.3	5.1%	15.3%
Health Care Equipment	HEQ	-0.2	0.2	9.6	8.4	32.6	36.3	27.4	-10.2%	32.4%
Pharmaceuticals	PHA	0.0	1.7	4.3	6.2	16.4	15.7	13.8	4.5%	14.1%
Industrials	IND	0.9	2.3	11.2	-2.3	20.9	29.3	21.3	-28.7%	37.5%
Capital Goods	CAP	1.1	2.0	8.8	-7.7	17.8	26.7	19.7	-33.4%	35.4%
Commercial & Prof Svcs	CMS	0.5	1.4	6.3	3.3	32.6	34.4	30.4	-5.0%	12.9%
Transportation	TPT	0.2	3.3	26.3	10.5	30.0	36.8	23.0	-18.5%	60.2%
Information Technology	TEC	-1.6	-1.7	11.3	26.3	33.2	32.2	28.0	3.3%	14.8%
Semiconductors	SEM	-1.1	0.4	10.9	20.7	22.1	22.4	19.3	-1.1%	16.1%
Software & Svcs	SFW	-1.5	-1.6	8.8	25.6	41.3	38.6	33.9	6.9%	14.0%
Technology Hardware	TCH	-1.9	-1.9	15.8	27.6	31.0	30.4	26.4	2.0%	15.0%
Materials	MAT	0.1	2.1	17.8	6.0	21.2	25.6	20.0	-17.3%	28.2%
Real Estate	REA	0.5	2.5	3.3	-9.1	34.2	48.6	45.0	-29.7%	7.9%
Utilities	UTE	-0.1	0.3	1.5	-7.2	18.5	18.4	17.4	0.5%	5.5%

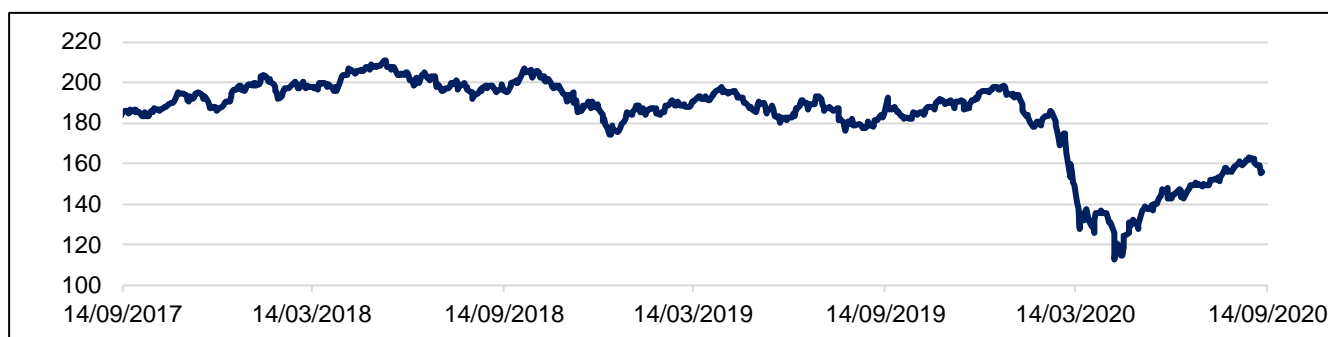
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

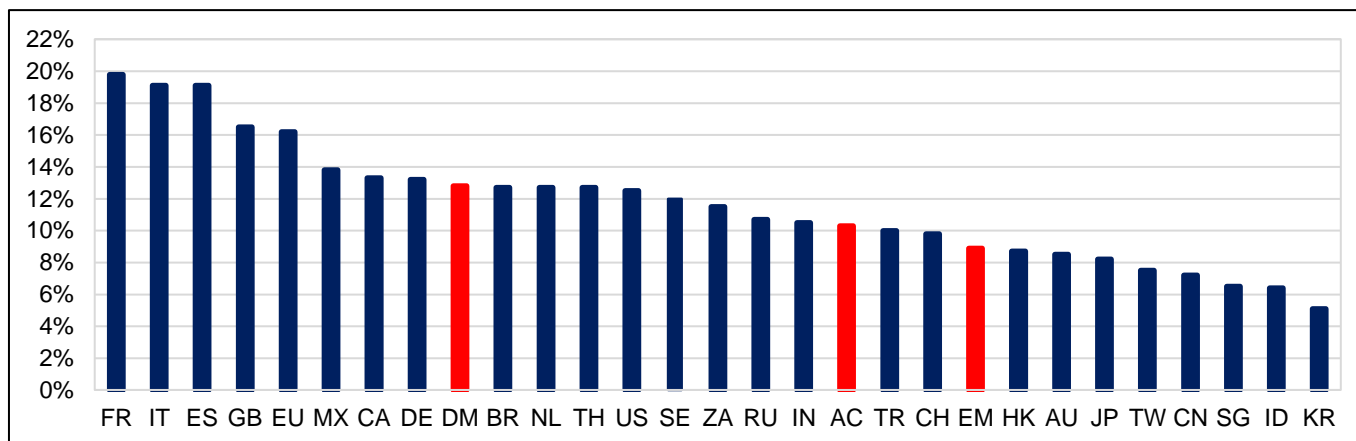


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2689.27	0.8%	1.4%	0.0%	7.2%	-9.1%	0.6%	10.2%	-12.1%
Gold Spot	USD	1955.52	0.1%	0.5%	0.7%	13.3%	30.7%	-0.6%	9.9%	29.0%
Copper Spot	USD	3.06	-0.2%	0.6%	7.1%	19.2%	16.7%	0.6%	12.7%	9.4%
Brent Crude Spot	USD	38.99	3.8%	1.7%	-11.2%	-0.5%	-41.6%	-11.9%	-4.8%	-41.3%
CRB Agricultural Index	USD	5370.11	0.4%	1.5%	1.2%	12.2%	-4.2%	1.7%	15.7%	-5.9%
Currencies										
DXY USD Index	USD	93.05	0.2%	0.0%	0.2%	-3.8%	-5.4%	1.2%	-4.3%	-3.3%
EUR/USD	USD	1.18	-0.4%	-0.1%	-0.4%	4.7%	7.2%	-1.2%	5.0%	5.2%
USD/JPY	JPY	105.43	-0.4%	-1.1%	-1.5%	-2.2%	-2.9%	-0.8%	-2.7%	-3.3%
GBP/USD	USD	1.29	0.4%	-0.4%	-1.1%	2.9%	4.1%	-3.2%	4.4%	-2.4%
USD/CNY	CNY	6.78	-0.4%	-1.1%	-2.8%	-4.7%	-4.4%	-1.4%	-4.4%	-3.0%
Bond Yields										
DE 10Y BUND	EUR	-0.48	-0.4%	3.9%	13.8%	13.5%	1.1%	21.0%	4.1%	156.1%
GB 10Y GILT	GBP	0.21	-2.7%	-10.5%	-12.7%	2.4%	-69.2%	-31.9%	23.8%	-74.2%
JP 10Y JGB	JPY	0.02	11.1%	-33.3%	-56.5%	-4.8%	-112.9%	-57.4%	-25.9%	-190.9%
US 10Y BILL	USD	0.68	1.7%	-1.8%	-2.6%	-8.4%	-62.5%	-0.4%	5.7%	-63.9%
US 30Y BOND	USD	1.43	1.5%	-0.6%	0.7%	-5.6%	-37.2%	-0.1%	2.8%	-38.9%
US 10-2 BOND	-	0.54	1.7%	2.3%	4.1%	23.1%	29.6%	-6.5%	15.5%	27.2%
Volatility										
CBOE VIX Index	USD	25.59	0.00	-0.11	0.16	-0.24	0.75	-0.03	-0.16	0.86

Source: Refinitiv, THR

MACRO INDICATORS: HISTORIC AND FORECASTS

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



Codes	Nominal GDP 2019 US\$trn	Real GDP (%)			Inflation (%)			Fiscal Balance (% GDP)			Gov Debt (% GDP)		
		2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E	
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

LIBRARY

RECENT 'EYE ON THE WORLD' DAILIES

These reports available to **DAILY subscribers-only** through our website Library

Please let us know if you need help accessing

[SEPTEMBER 16: THE BROADENING EARNINGS RECOVERY](#)

[SEPTEMBER 15: THE DIVIDEND RECOVERY](#)

[SEPTEMBER 14: CENTRAL BANKS IN FOCUS](#)

[SEPTEMBER 11: WHERE LOCKDOWNS COULD BE CHANGED](#)

[SEPTEMBER 10: NASDAQ CORRECTION OPPORTUNITIES](#)

[SEPTEMBER 09: DON'T BLAME THE LITTLE GUY](#)

[SEPTEMBER 08: STEALTH REOPENING ROTATION](#)

[SEPTEMBER 07: INTERNATIONAL IN THE SPOTLIGHT](#)

[SEPTEMBER 04: NOT JUST ABOUT BOND YIELDS](#)

[SEPTEMBER 03: INSIGHTS FROM THE TRADE REBOUND](#)

[SEPTEMBER 02: INVESTING IN EM THRU DM](#)

[SEPTEMBER 01: CAPITAL MARKETS RENAISSANCE](#)

[AUGUST 31: ACTIVITY RESILIENT TO STALLED LOCKDOWN](#)

[AUGUST 21: WHO IS LEADING THE EARNINGS RECOVERY](#)

[AUGUST 20: INVESTOR CAUTION STILL BULLISH SIGN](#)

Subscriptions can be made, and example Daily issues seen, at www.towerhudson.com



ABOUT US

‘EYE ON THE WORLD’ DAILY

One idea or insight a year, or a client relationship gained or maintained, or an hour of your time saved daily. These can individually be worth many times the subscription price

US and Global investment trends and actionable views in your inbox at 7 am ET daily

Each day we include:

- Multi-asset market recap
- What to watch for outlook
- Hot topic analysis and view
- 31 Countries & Regions allocation model
- 24 US sector industries allocation model
- Our key country and sector investment views
- Data on market performance, earnings, valuation, and macro-economics

Subscription also includes:

- **Weekly** conference call and Q&A, as well as audio replay
- **Quarterly** market recap and performance data, for client reporting
- **Open line** email and Q&A for us to answer your key questions
- **Access** to back catalogue of hot topic reports and weekly call audio

Subscriptions can be made, and example Daily issues seen, at www.towerhudson.com

TOWER HUDSON RESEARCH

Tower Hudson Research Ltd is an UK FCA registered firm providing investment strategy research globally. Our multi-disciplinary team of financial and investment strategy analysts provides an in-depth and global perspective and capability.

Visit us at www.towerhudson.com or contact us at directly ben@towerhudson.com or on (US) +1 917 539 0541 or (UK +44 (0) 7444 392506, with any questions.



Important Disclosure Statement from Tower Hudson Research Ltd

This document is issued by Tower Hudson Research Ltd solely for its clients. It **may not be reproduced, redistributed or passed to any other person** in whole or in part without written consent of Tower Hudson Research Ltd. This material is not directed at you if Tower Hudson is prohibited or restricted by any legislation in any jurisdiction from making it available to you.

This document is **provided for information purposes only** and should not be regarded as an offer, solicitation, invitation, inducement or recommendation relating to any security or other financial instrument. This document does not constitute, and should not be interpreted as, investment advice. You should seek independent advice from a suitably qualified professional advisor before taking any decisions in relation to the investments detailed herein. All expressions of opinions and estimates constitute a judgement and are those of the author and Tower Hudson Research Ltd only and are subject to change without notice. Tower Hudson is under no obligation to update information contained. Whilst we have taken all reasonable care to ensure information is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness.

This document is **not guaranteed to be a complete statement** or summary of any securities, markets, or developments referred to herein. No representation or warranty is made, nor responsibility of any kind is accepted, by Tower Hudson Research Ltd either as to the accuracy or completeness of any information contained in this document. No liability whatsoever is accepted by Tower Hudson Research Ltd for any loss, whether direct or consequential, arising whether directly or indirectly as a result of the recipient acting on the content of this document, including, without limitation, lost profits arising from the use of this document or any of its contents.

This document is provided with the understanding that Tower Hudson Research Ltd is **not acting in a fiduciary capacity** and it is not a personal recommendation to you. Investing in securities entails risks. The value of and the income produced by products may fluctuate, so that an investor may get back less than he invested. Investments referred to are not suitable for all investors and this document should not be relied upon in substitution for the exercise of independent judgment. The stated price of any securities mentioned herein will generally be the closing price at the end of any of the three business days immediately prior to the publication date on this document.

Tower Hudson Research Ltd and respective analysts are remunerated for providing investment research to professional investors, corporations, other research institutions and consultancy houses. **Our analysts are not censored in any way** and are free to express their personal opinions. We may have issued other documents inconsistent with conclusions from the information contained here. Those reflect different assumptions, views and analytical methods of authors at the time.

Tower Hudson Research Ltd is an **appointed representative of Messels Ltd., authorised and regulated by the Financial Conduct Authority** for the provision of investment advice. Residents of the UK should seek specific professional financial and investment advice from a professional adviser authorised pursuant to the Financial Services and Markets Act 2000. This report is intended only for investors who are 'professional clients' as defined by the FCA, and may not, therefore, be redistributed to other classes of investors.

Analysts' Certification

The analysts involved in the production of this document certify that the views expressed accurately reflect their personal views about the securities mentioned. The analysts may buy, sell or already have taken positions in the securities, and related financial instruments, mentioned.