EYE ON THE WORLD

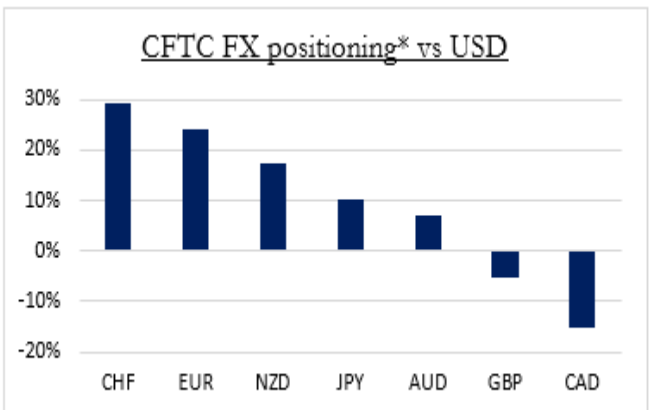## Election day scenarios
Tuesday, November 03

Markets moved higher yesterday anticipating eventual end to US election uncertainty as country goes to polls today and bolstered by further strong manufacturing data. HOT TOPICS see's US election as important 'clearing' event, allowing a refocus on strong 2021 growth recovery. 'Blue wave' Biden victory most bullish, with fiscal stimulus more than offsetting phased tax increases. Contested election most negative, though partly priced. Sector impacts should not be overdone – see energy and financials post 2016 - whilst International likely to benefit, led by EM.

Markets rose in anticipation of eventual end to US election uncertainty, though VIX still near 40, whilst ISM and global PMI showed further manufacturing momentum. We believe both support cyclical sectors and **look for a post-election repositioning rally** as investors focus on 2021 global 29% EPS and 5% GDP recovery. S&P 500 gained 55% since the last US election, best performance since 2nd Clinton term. We recap our views in HOT TOPICS. Asia markets rallied, and Europe up strong along with US futures.

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3270.0	1.2%	-2.7%	2.5%
ACWI xUS	45.6	1.2%	-2.0%	-7.1%
DXY USD	94.1	0.1%	1.2%	-2.3%
US 10Y YLD	0.85	-1.3%	5.6%	-55.6%
Brent Spot	35.8	0.1%	-6.9%	-48.1%
Gold Spot	1895.1	0.9%	-0.3%	24.9%

Final election status. Realclearpolitics national tracking poll been tightening but still gives Biden near 7pp lead, double Hilary Clinton in 2016, and enough to win more than needed 270 (of 538) electoral college votes.

CFTC FX positioning* vs USD

Source: CFTC, THR. * to October 27th

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics on Election Scenarios**. 'Blue wave' Biden most bullish, as stimulus offsets tax increases. Contested election negative, though part priced. Sector impacts not be overdone.

- **What to watch**: US election results. 24% S&P 500 reporting Q3 this week. China Svcs PMI.

- **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	3270.0	1.2%	-2.7%	2.5%
NASDAQ	11084.8	0.4%	-3.5%	22.1%
Russell 2000	1568.6	2.0%	-2.3%	-6.0%
US IT	415.7	0.3%	-3.6%	24.0%
US Healthcare	365.9	1.5%	-3.0%	4.7%
US Financials	158.4	2.1%	-1.5%	-19.2%

Events to Watch

Indicator	Period	Forecast	Last
Factory Orders MM, US	Sept	1.01	0.70

[PredictIt](#) betting site continues to give Democrats narrow 52% odds of a 'clean sweep' of Presidency, House, and Senate, with Biden victory picking up necessary extra 3 Senate seats to overturn Republican 53-47 majority. Voter turnout likely to be very high, with estimated 100m already voted, equivalent to 72% of 2016 total, but will lead to counting delays in key states. **Democrats 'clean sweep', the most positive election outcome, remains a narrow likelihood.**

Ignored earnings strength. 66% S&P 500 reported Q3 earnings so-far. 87% 'beaten' initial expectations by average massive 20%. Are some of largest numbers seen, even outpacing last quarter. Cyclicals, discretionary, energy, industrials, have led beats given depressed expectations and operating leverage. Overall [Q3 EPS](#) down 10% yoy and revs down 3%. Markets weakened since earnings began though, highlighting higher expectations and distraction of US election. This **overhang set to clear and is an upside catalyst for the market**.

Short USD consensus. USD DXY Index firmed recently as global risk-aversion has increased (see [Page 10](#)). Latest FX positioning shows lower USD

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	94.1	0.1%	1.2%	-2.3%
EUR/USD	1.16	-0.1%	-1.4%	3.8%
US 10Y YLD	0.85	-1.3%	5.6%	-55.6%
US 10-2 BOND	0.69	-5.2%	-0.4%	34.3%
CBOE VIX Index	37.1	-2.3%	14%	169%
CRB Index	2558.5	2.4%	-1.2%	-17.1%

short positioning, to 13% vs prior 18% of G10 positioning (front chart of net CFTC long positions vs USD). Leaves USD more vulnerable to Biden 'blue wave' scenario. **See modest USD weakness,** with lower-for-longer US rates helping EM, commodities, intl. US sectors (tech), but headwind to EU and Japan' globalised corporates.

Sector View

S&P rose, led by energy (+3.4%) and materials (+3.3%) while communications (0.0%) and discretionary (+0.7%) underperformed. **Small caps led large caps**, with Russell 2000 +2.0%. We expect this outperformance to continue as small cap EPS revisions lead, valuations remain discounted, and index composition is more cyclical. See Oct. 08, *Small caps just getting started.*

What to Watch

US ISM extends global manufacturing recovery. Oct. ISM PMI surged to 59.3, above expectations, with new orders component at 68. Meanwhile, Oct. [global manufacturing PMI](#) rose to 52.4 from prior 53.0, highest since May 2018, and consistent with global output rising 4.3% annualized. **Australia central bank (RBA) adds support**, cutting policy rate to 0.1% from 0.25%, as expected, along with target for 3-yr bond yield, and plans to buy A$100bn of government bonds. Private sector October Caixin **China Services PMI** forecast to ease to a still-expansionary 54 vs prior 54.8 and following Monday' report of manufacturing PMI acceleration to 53.6.

HOT TOPIC

ELECTION DAY SCENARIOS

The US election is an important 'clearing' event, allowing investors to refocus on the 2021 growth recovery. A 'blue wave' Biden victory is most bullish, with fiscal stimulus offsetting phased tax increases. A contested election is most negative, though partly priced already. Sector impacts should not be overdone – see energy and financials performance post 2016. Weaker USD, stronger commodities, less trade tension would help international, led by EM.

Election a clearing event

A narrow consensus exists for a Biden 'clean sweep', the most bullish scenario for equities, with larger stimulus offsetting concerns on a likely gradual increase in corporate taxes. Markets have also part-discounted a contested or delayed result, after recent c7% S&P 500 sell-off and 40% VIX rise. We are positive markets, as **removal of election uncertainty is a key catalyst** for still-cautious investors to reposition for robust 2021 growth, powered by vaccine, fiscal stimulus, and depressed base effects. We have a structural overweight of quality growth tech and healthcare but expect cyclicals to benefit most on under-ownership and high operating leverage. We are overweight small caps, industrials, real estate and our 'reopening' basket. See Oct. 01, *Fourth quarter melt-up rally,* and July 02, *US election risks in focus.*
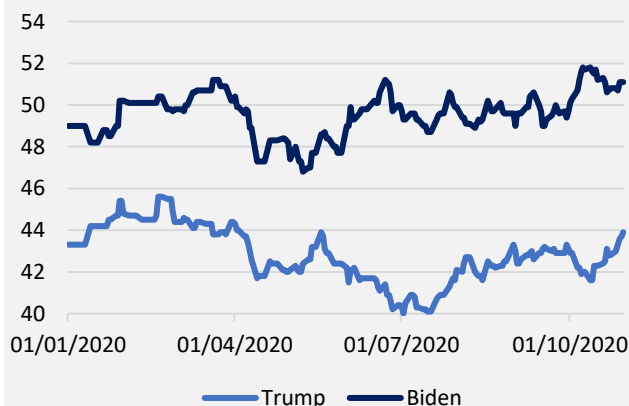
### Scenario's: Good to Ugly

'Blue Wave': Bullish, with US$2-3trn fiscal, plus infrastructure and green energy, stimulus, and calmer international relations offsetting gradual phased cUS$300bn pa tax increases, whilst a weaker USD would be especially positive for EM and for commodities.

Gridlock: Neutral. Biden wins but fails in Senate. Markets weaker on lower fiscal outlook, but limited tax rise outlook. USD modestly weaker on better intl. relations.

Trump surprise: Neutral. <US1trn stimulus with Congress divided, alongside trade concern. Stronger USD as positions unwind.

Contested election: Negative, though partly priced given weaker S&P 500 and 40% higher VIX, for risk assets. USD bullish. 2000 election saw c6% S&P 500 weakness.

National Tracking Poll (%)

Source: Realclearpolitics, THR.

US Electoral College Poll Split
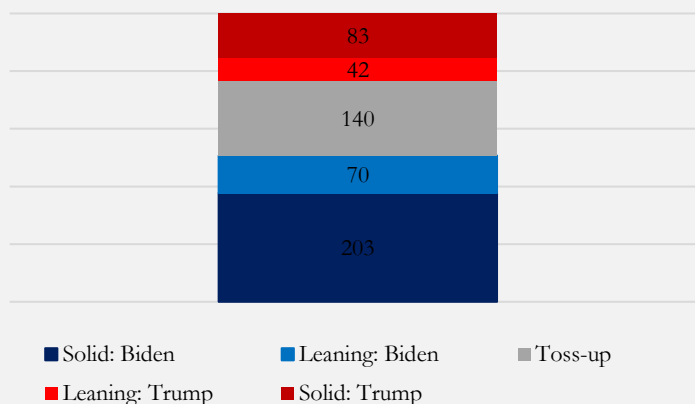
Source: Realclearpolitics, THR.

Do not overdo Sector implications

We caution that election implications are **often overwhelmed by broad macro factors**. Trump victory in 2016 saw perceived sector beneficiary's energy and banks overwhelmed by macro forces of low oil and low bond yields, and dramatically underperform tech.

Focus been on proposed 7pp partial rollback of Trump corporate tax cut, raising to 28%, alongside other corporate tax measures (table below). **Expect a gradual introduction** so as not to prejudice ongoing economic recovery.

On annual basis, aggregate impact would be to **cut S&P500 EPS by c10pp, equal to c1/3 of forecast 2021 growth**. Sector differences are significant, with those domestically focused or low margin/loss-making bearing brunt, led by energy and real estate, (and small caps), but also multinational IT. Sub-segments semis and biotech also to see above-average impacts. By contrast materials, financials, and consumer discretionary are relatively under-exposed.

Perceived **Biden winners** include green energy, infrastructure, cannabis, China-exposeds, and small caps. Whilst perceived **Trump winners** include banks, energy, defence, and broadly 'big' tech and pharma.

Biden Corp. Tax FY EPS Impact (%)
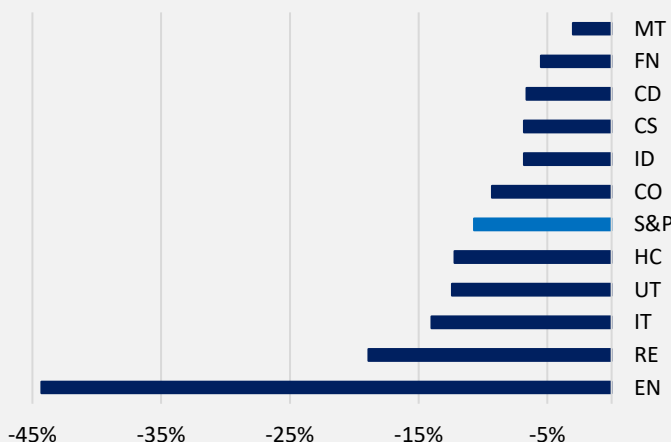
Source: Refinitiv, THR.

International Implications

Biden victory would help international equities, benefitting from a weaker USD, lower growth risks, and more consistent trade and security policy, with select sector beneficiaries. **We are overweight North Asia and EU Financials.**

DM. Europe benefit from conciliatory trade stance, incl. potential tariff roll-back on steel /aluminium and select luxury goods, and lower threat against autos. Would increase pressure on UK for Brexit deal, and more co-ordination on OECD digital tax. Stronger EUR headwind for Europe's globalised corporate sector, with 50% revenues from abroad, though part offset by US growth outlook. JPY strength headwind for Japan's lower margin corporate sector.

EM would likely be broadly boosted by a Biden victory, helped by a weaker USD, higher commodity prices, and lower trade risks. Would expect to see a welcome shift in style, if less in substance, on **China**, supporting the US tech sector. A potential joining of Trans-Pacific Partnership could support **ASEAN**. **Russian** assets been seeing added sanctions-threat focus. **Mexico** Peso been gaining on outlook for lower trade risks. Bilateral **Brazil** relations could suffer under Bolsonaro, impacting an economy already under significant pressure.

Summary Biden Tax Plan Revenue

Top 5 proposals by revenue	2021	2022	2021-30
Corp. Tax rate to 28%	40.9	78.0	**1,050**
12.4% Payroll Tax >$400k	73.2	78.5	**820**
Cap. Gains Tax 39.6% > US$1m	14.2	27.1	**469**
Double GILTI global corp. tax	16.0	29.5	**290**
15% minimum corp. tax on BV	7.9	15.1	**203**
Net Total (15 Proposals)	**143**	**336**	**3,333**

Source: Tax Foundation (www.taxfoundation.org), 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
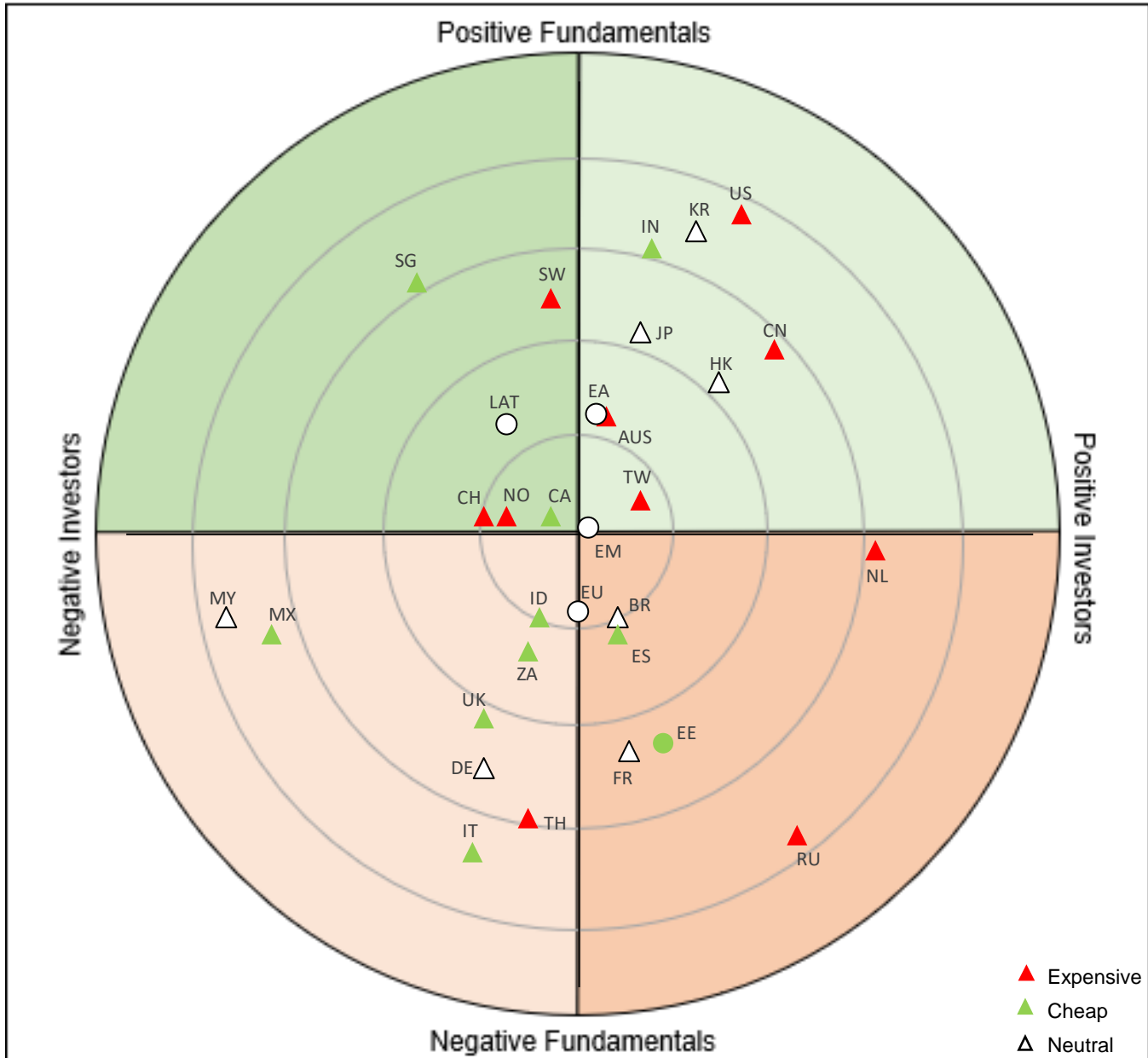
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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	**Utilties**	XLU/VPU	Underweight
Communications	XLC/VOX	Overweight	**Real Estate**	XLRE/VNQ	Overweight
Discretionary	XLY/VCR	Neutral	**Materials**	XLB/VAW	Underweight
Industrials	XLI/VIS	Overweight			
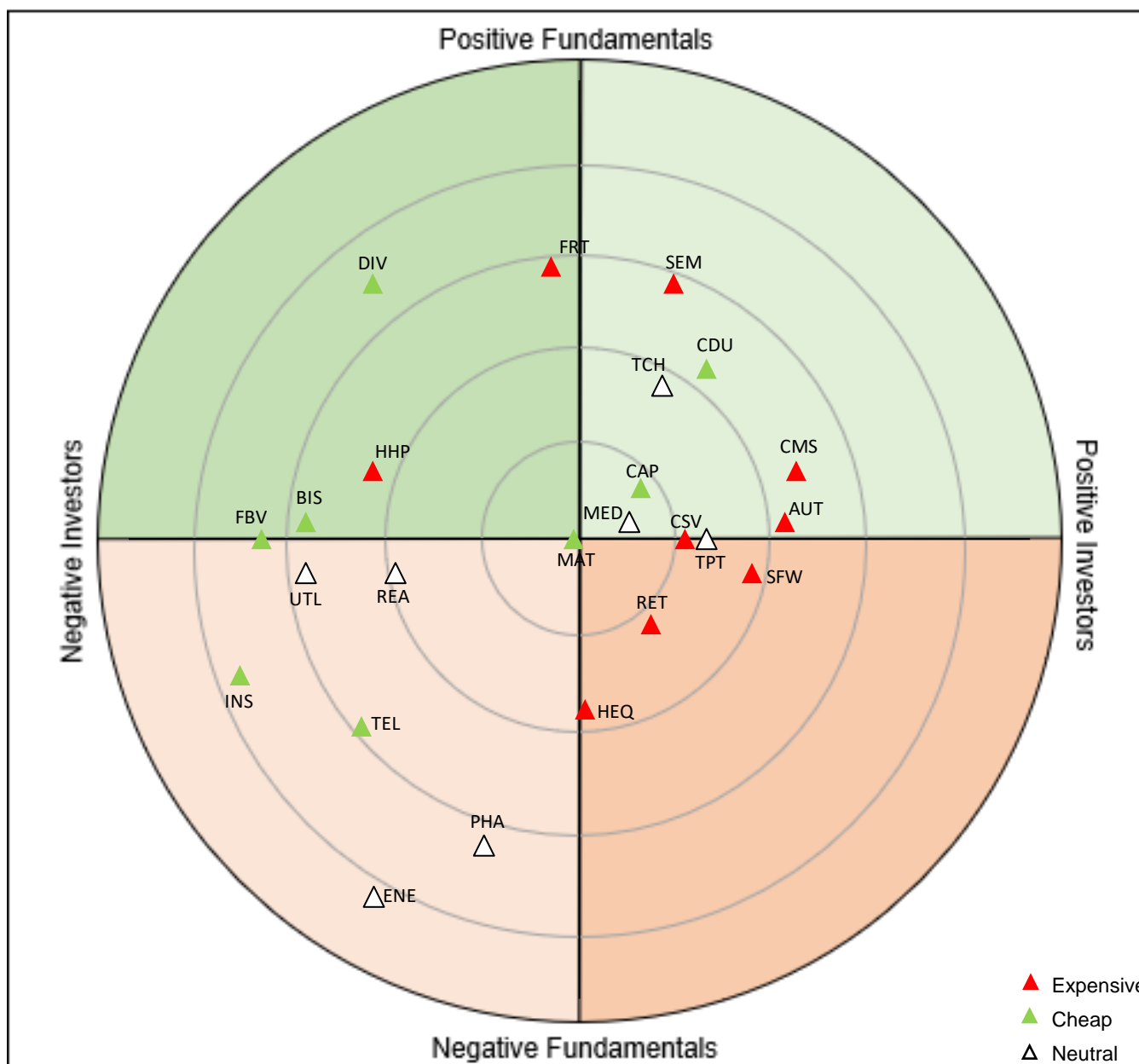
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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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.	27.2	22.2	-14.8	22.4
	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.	18.5	13.9	-9.0	32.8
	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.	22.5	16.1	-33.4	39.8
	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.	22.3	15.5	-9.7	43.8
	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	13.2	-39.3	38.5

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.	32.6	28.5	3.9	14.2
	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	16.4	5.5	15.0
	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.	15.6	12.7	-27.7	22.5
	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..	27.5	22.8	-11.9	20.8
	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.	58.5	35.6	-33.7	64.1

Source: Refinitiv, THR
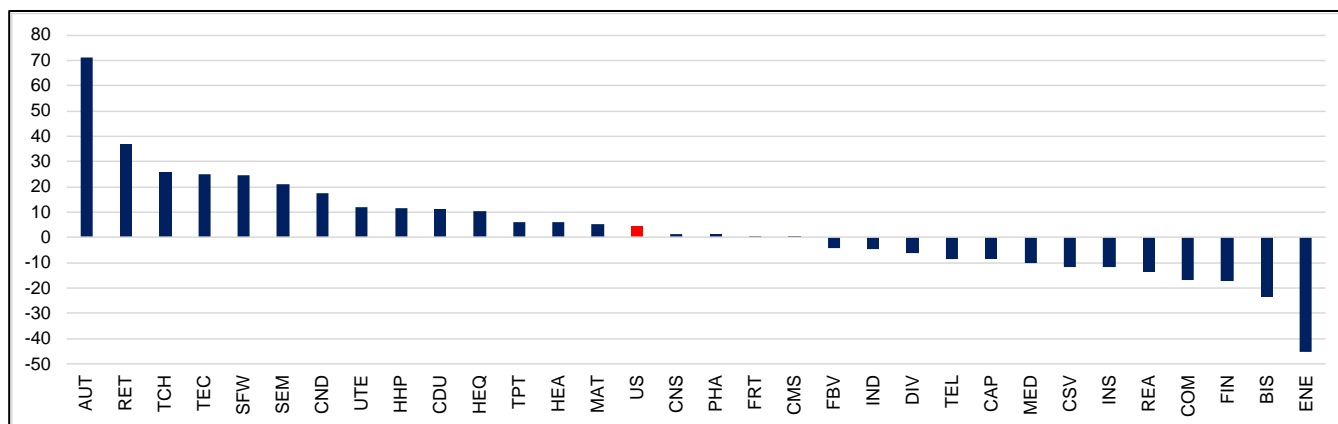
REGION/COUNTRY PERFORMANCE & VALUATION
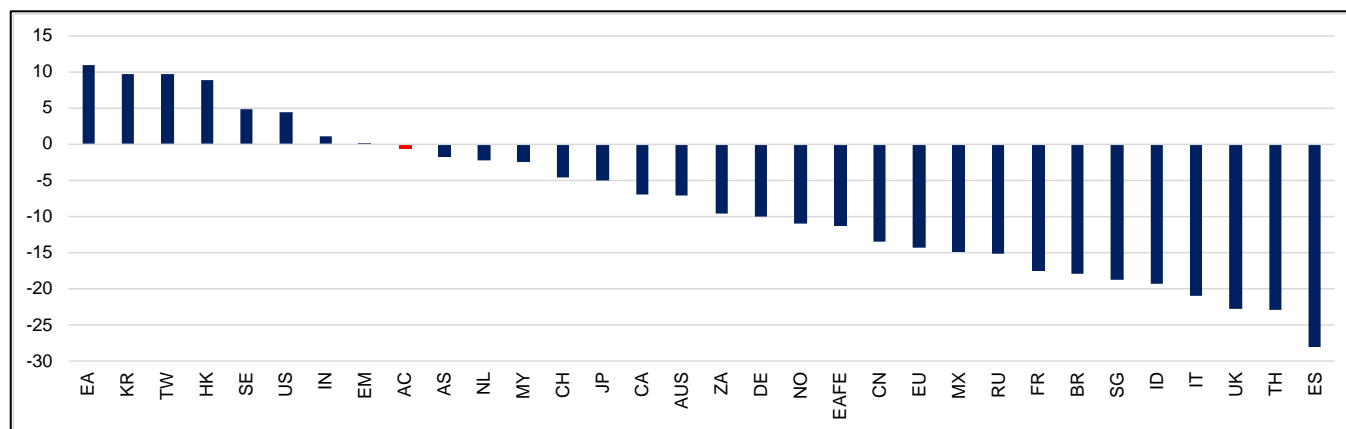
Total Return YTD

Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	**AC**	**1.2**	**0.9**	**-0.1**	**-0.6**	**19.7**	**24.2**	**18.7**	**-18.7%**	**29.2%**
EAFE	**EAFE**	**1.5**	**0.0**	**-3.7**	**-11.3**	**16.1**	**22.4**	**16.1**	**-27.9%**	**39.0%**
Europe	**EU**	**1.5**	**0.7**	**-6.7**	**-14.4**	**15.0**	**22.5**	**16.1**	**-33.4%**	**39.8%**
Asia	**AS**	**1.0**	**-0.2**	**3.4**	**-1.7**	**18.8**	**19.9**	**15.1**	**-5.5%**	**32.0%**
Emerging Global Markets	**EM**	**1.0**	**-0.5**	**1.1**	**0.0**	**16.8**	**18.5**	**13.9**	**-9.0%**	**32.8%**
Emerging Asia	**EA**	**1.1**	**-0.5**	**3.5**	**10.9**	**18.8**	**18.5**	**14.8**	**1.4%**	**24.9%**
Australia	AUS	0.3	0.2	1.7	-7.1	20.1	19.8	17.4	1.8%	13.2%
Brazil	BR	0.0	-7.1	-7.1	-17.9	13.2	31.5	11.4	-58.0%	176.8%
Canada	CA	0.8	-2.2	-2.2	-7.0	14.7	20.8	15.6	-29.2%	33.2%
China	CN	2.3	-0.1	-2.8	-13.4	17.5	17.6	14.7	-0.2%	19.7%
France	FR	2.0	0.3	-2.2	-17.5	14.4	27.1	16.2	-46.8%	67.3%
Germany	DE	1.7	-1.5	-5.0	-10.0	16.5	23.5	15.4	-29.9%	52.2%
Hong Kong	HK	1.4	1.0	3.6	8.9	15.2	21.2	15.6	-27.9%	35.5%
India	IN	0.1	-0.4	8.0	1.1	25.8	28.4	19.9	-9.1%	42.3%
Indonesia	ID	-0.3	0.5	0.5	-19.3	14.1	19.5	14.6	-27.7%	33.2%
Italy	IT	2.5	-0.3	-6.3	-21.0	10.6	20.8	13.1	-49.3%	58.9%
Japan	JP	1.8	-0.6	4.1	-5.0	20.1	22.3	15.5	-9.7%	43.8%
Korea	KR	1.4	0.9	2.2	9.8	19.7	16.2	11.6	21.6%	40.1%
Malaysia	MY	-0.7	-3.0	-5.9	-2.5	17.9	22.4	15.2	-20.1%	47.4%
Mexico	MX	0.0	-3.3	-1.0	-14.8	15.0	20.9	12.9	-28.6%	62.2%
Netherlands	NL	1.6	-0.4	0.9	-2.3	22.1	24.2	20.8	-8.7%	16.4%
Norway	NO	1.5	0.9	-2.1	-11.0	14.0	19.9	14.9	-29.5%	33.2%
Russia	RU	1.8	0.5	-6.1	-15.2	5.6	11.6	7.1	-51.4%	62.8%
Singapore	SG	0.6	-0.8	-0.6	-18.8	11.4	17.8	13.1	-35.6%	35.4%
South Africa	ZA	2.2	-1.6	-2.2	-9.6	15.2	15.4	10.3	-1.5%	49.2%
Spain	ES	2.1	0.1	-5.1	-28.0	10.2	28.0	13.3	-63.5%	110.3%
Sweden	SE	1.5	0.1	3.4	4.8	17.3	21.3	17.9	-18.9%	19.3%
Switzerland	CH	1.9	-0.3	-2.4	-4.6	19.9	22.1	18.8	-9.8%	17.2%
Taiwan	TW	0.2	-1.1	0.5	9.6	21.5	19.0	16.7	12.7%	13.9%
Thailand	TH	0.7	0.9	-8.4	-23.0	13.5	21.9	16.4	-38.4%	33.7%
United Kingdom	UK	1.2	-0.1	-4.0	-22.8	11.1	18.2	13.2	-39.3%	38.5%
United States	US	1.2	-2.8	1.3	4.4	23.1	27.2	22.2	-14.8%	22.4%

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**	**-2.8**	**1.3**	**4.4**	**23.1**	**27.2**	**22.2**	**-14.8%**	**22.4%**
Communications	**COM**	**1.0**	**-3.5**	**-17.4**	**-16.8**	**24.2**	**27.5**	**22.8**	**-11.9%**	**20.8%**
Media & Entertainment	MED	-0.5	-3.3	0.2	-10.2	31.5	37.1	28.1	-15.2%	32.1%
Telecommunication Svcs	TEL	0.0	0.0	0.5	-8.6	11.0	11.7	11.4	-6.1%	2.5%
Consumer Discretionary	**CND**	**0.6**	**-4.2**	**4.8**	**17.7**	**38.8**	**58.5**	**35.6**	**-33.7%**	**64.1%**
Autos & Components	AUT	2.5	-3.7	25.1	71.4	32.0	135.9	32.0	-76.5%	325.2%
Consumer Durables & App	CDU	2.4	-2.7	10.0	11.2	29.9	29.4	23.1	1.6%	27.1%
Consumer Svcs	CSV	-0.2	-4.2	4.0	-11.5	23.4	NA	45.9	-107.8%	758.7%
Retailing	RET	0.2	-4.6	1.0	36.8	48.8	49.5	37.9	-1.3%	30.5%
Consumer Staples	**CNS**	**1.8**	**-1.7**	**2.0**	**1.5**	**22.7**	**22.5**	**21.1**	**0.9%**	**6.4%**
Food & Staples Retailing	FRT	1.8	-2.2	2.8	0.6	24.7	24.7	24.3	-0.1%	1.6%
Food, Bev & Tobacco	FBV	1.7	-2.3	-0.2	-4.0	19.1	19.4	17.9	-1.8%	8.3%
Household Products	HHP	1.3	-1.5	3.9	11.6	30.4	27.1	25.8	12.1%	5.1%
Energy	**ENE**	**3.6**	**1.0**	**-13.5**	**-45.4**	**11.3**	**NA**	**25.3**	**-106.2%**	**819.8%**
Financials	**FIN**	**2.1**	**-1.4**	**3.9**	**-17.2**	**11.3**	**15.6**	**12.7**	**-27.7%**	**22.5%**
Banks	BIS	2.1	-1.3	3.4	-23.6	8.0	13.7	11.1	-41.6%	24.0%
Diversified Financials	DIV	2.1	-3.7	0.7	-6.2	15.6	19.0	15.6	-17.8%	21.8%
Insurance	INS	2.4	-1.4	2.9	-11.8	11.7	13.2	10.9	-11.4%	21.1%
Health Care	**HEA**	**1.5**	**-3.0**	**-1.5**	**6.1**	**19.9**	**18.8**	**16.4**	**5.5%**	**15.0%**
Health Care Equipment	HEQ	1.7	-3.5	2.1	10.5	33.9	37.6	28.2	-9.6%	33.2%
Pharmaceuticals	PHA	1.3	-2.5	-5.3	1.4	16.0	15.3	13.5	4.8%	13.0%
Industrials	**IND**	**2.4**	**-2.0**	**5.5**	**-4.7**	**21.8**	**29.9**	**22.0**	**-27.3%**	**36.1%**
Capital Goods	CAP	3.1	-1.6	6.0	-8.7	18.3	27.5	20.4	-33.3%	34.9%
Commercial & Prof Svcs	CMS	2.1	-2.1	-1.3	0.5	33.7	34.7	30.9	-2.9%	12.3%
Transportation	TPT	1.4	-3.0	12.8	6.1	32.5	36.5	23.7	-10.8%	53.7%
Information Technology	**TEC**	**0.3**	**-3.6**	**-0.2**	**24.9**	**33.8**	**32.6**	**28.5**	**3.9%**	**14.2%**
Semiconductors	SEM	0.2	-3.3	5.9	21.0	23.9	24.0	20.9	-0.2%	14.5%
Software & Svcs	SFW	0.2	-3.5	-0.2	24.6	42.4	39.5	34.7	7.4%	13.8%
Technology Hardware	TCH	0.3	-4.2	0.3	25.9	30.0	29.3	25.6	2.3%	14.6%
Materials	**MAT**	**3.4**	**1.3**	**8.9**	**5.3**	**22.1**	**25.7**	**19.9**	**-14.2%**	**28.8%**
Real Estate	**REA**	**2.5**	**-0.8**	**-1.0**	**-13.8**	**34.6**	**48.8**	**46.9**	**-29.1%**	**4.1%**
Utilities	**UTE**	**2.2**	**11.1**	**19.8**	**11.9**	**18.5**	**19.3**	**18.5**	**-4.0%**	**4.0%**

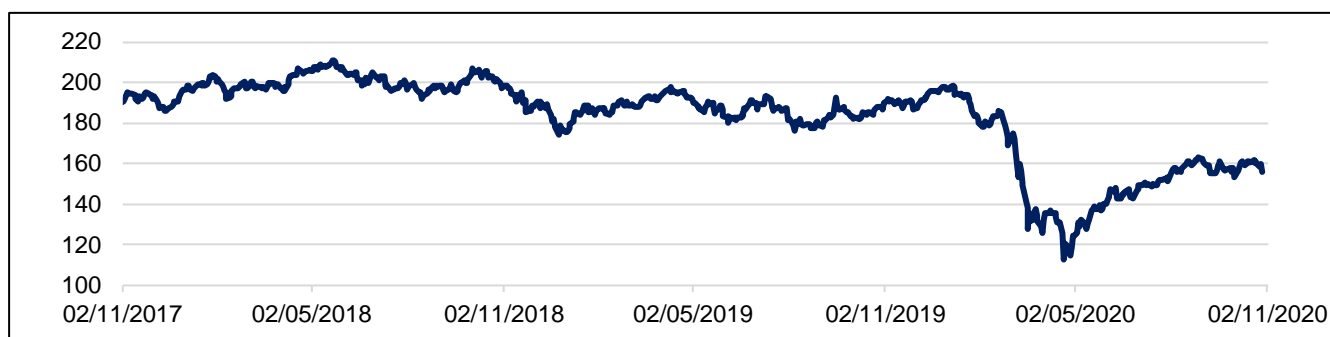Source: MSCI, Refinitiv, THR

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GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years
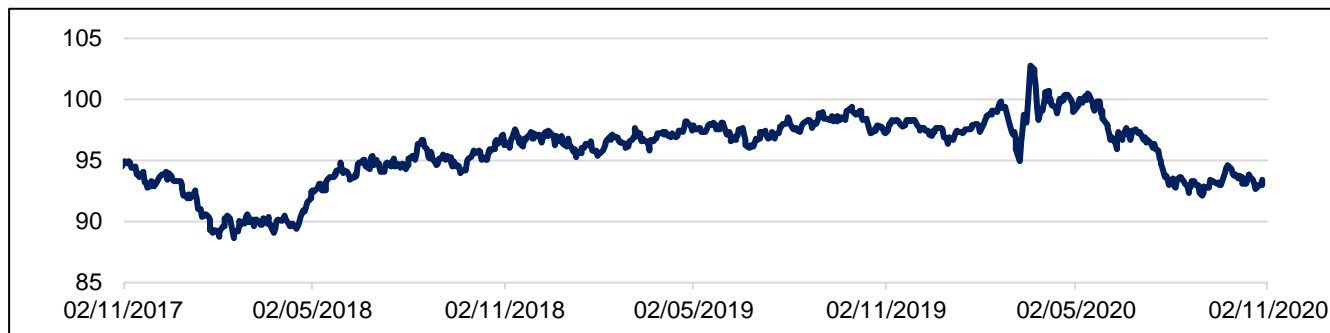
CRB Major Commodity Index* - 3 Years

Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodoties	-									
CRB Commodity Index	USD	2558.51	2.4%	-1.2%	0.7%	-0.3%	-13.6%	2.4%	0.0%	-17.1%
Gold Spot	USD	1895.10	0.9%	-0.3%	-0.2%	-4.0%	25.2%	0.9%	0.5%	24.9%
Copper Spot	USD	3.07	1.0%	-0.5%	3.2%	7.5%	15.9%	1.0%	1.5%	10.0%
Brent Crude Spot	USD	35.79	0.1%	-6.9%	-7.0%	-18.3%	-40.7%	0.1%	-10.9%	-48.1%
CRB Agricultural Index	USD	5304.64	2.1%	-1.0%	1.1%	7.2%	-4.5%	2.1%	1.0%	-7.5%
Currencies	-									
DXY USD Index	USD	94.13	0.1%	1.2%	0.3%	0.8%	-3.2%	0.1%	0.3%	-2.3%
EUR/USD	USD	1.16	-0.1%	-1.4%	-0.6%	-1.1%	4.3%	-0.1%	-0.7%	3.8%
USD/JPY	JPY	104.71	0.1%	-0.1%	-0.6%	-1.1%	-3.2%	0.1%	-0.7%	-3.6%
GBP/USD	USD	1.29	-0.2%	-0.9%	-0.1%	-1.3%	-0.2%	-0.2%	0.0%	-2.6%
USD/CNY	CNY	6.69	0.0%	-0.3%	-1.5%	-4.1%	-4.9%	0.0%	-1.5%	-3.9%
Bond Yields	-									
DE 10Y BUND	EUR	-0.64	2.2%	11.5%	18.8%	19.7%	69.2%	2.2%	22.7%	241.2%
GB 10Y GILT	GBP	0.22	-16.3%	-20.6%	-10.6%	107.5%	-66.9%	-16.3%	-4.8%	-73.3%
JP 10Y JGB	JPY	0.05	9.8%	45.2%	136.8%	181.3%	-125.0%	9.8%	181.3%	-304.5%
US 10Y BILL	USD	0.85	-1.3%	5.6%	22.2%	58.2%	-50.9%	-1.3%	25.3%	-55.6%
US 30Y BOND	USD	1.62	-0.8%	1.8%	9.7%	35.6%	-26.6%	-0.8%	11.8%	-31.7%
US 10-2 BOND	-	0.69	-5.2%	-0.4%	3.4%	15.9%	39.0%	-5.2%	-1.1%	34.3%
Volatility	-									
CBOE VIX Index	USD	37.13	-0.02	0.14	0.34	0.52	2.02	-0.02	0.41	1.69

Source: Refinitiv, THR

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MACRO INDICATORS: HISTORIC AND FORECASTS

Forecast Real GDP Growth 'Delta' (2021E % Growth – 2020E)
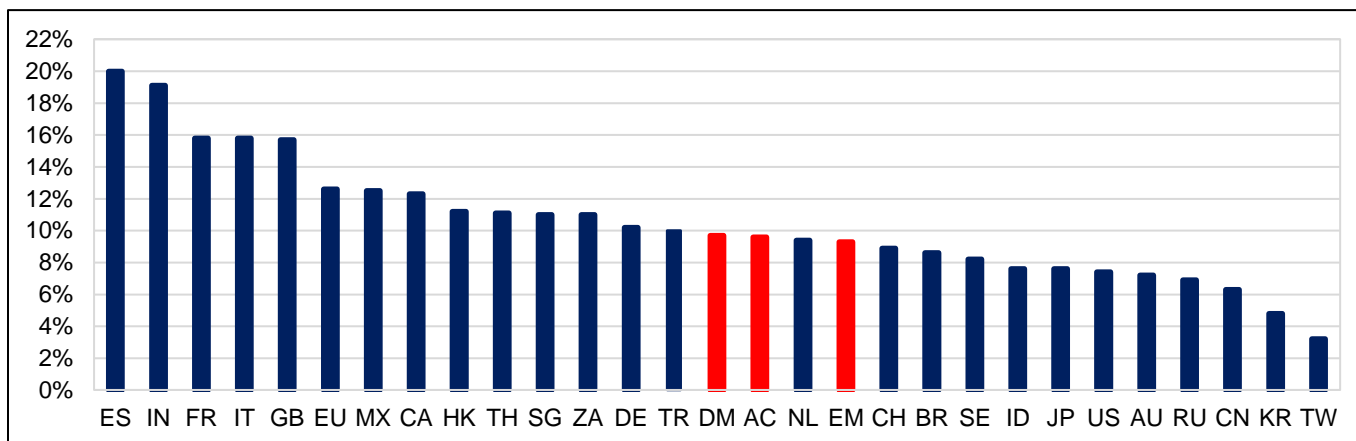
	Codes	Nominal GDP 2019 US$trn	Real GDP (%)			Inflation (%)			Fiscal Balance (% GDP)			Gov Debt (% GDP)	
			2019	2020E	2021E	2019	2020E	2021E	2019	2020E	2021E	2019	2020E
Americas													
US	US	21.4	2.2	-4.3	3.1	1.8	1.5	2.8	-6.3	-18.7	-8.7	109	131
Canada	CA	1.7	1.7	-7.1	5.2	1.9	0.6	1.3	-0.3	-19.9	-8.7	89	115
Brazil	BR	1.9	1.1	-5.8	2.8	3.7	2.7	2.9	-6.0	-16.8	-6.5	90	101
Mexico	MX	1.3	-0.3	-9.0	3.5	3.6	3.4	3.3	-2.3	-5.8	-3.4	54	66
Europe													
Eurozone	EU	18.3	1.7	-7.6	5.0	1.4	0.8	1.2	-0.6	-9.7	-4.8	79	95
Germany	DE	3.9	0.6	-6.0	4.2	1.3	0.5	1.1	1.5	-8.2	-3.2	60	73
UK	GB	2.7	1.5	-9.8	5.9	1.8	0.8	1.2	-2.2	-16.5	-9.2	85	108
France	FR	2.7	1.5	-9.8	6.0	1.3	0.5	0.6	-3.0	-10.8	-6.5	98	119
Italy	IT	2.0	0.3	-10.6	5.2	0.6	0.1	0.6	-1.6	-13.0	-6.2	135	162
Spain	ES	1.4	2.0	-12.8	7.2	0.7	-0.2	0.8	-2.8	-14.1	-7.5	96	123
Netherlands	NL	0.9	1.7	-5.4	4.0	2.7	1.2	1.5	1.7	-8.8	-4.9	48	59
Switzerland	CH	0.7	1.2	-5.3	3.6	0.4	-0.8	0.0	1.5	-4.2	-1.4	42	49
Sweden	SE	0.5	1.3	-4.7	3.5	1.6	0.8	1.4	0.4	-5.9	-2.0	35	42
Russia	RU	1.6	1.3	-4.1	2.8	4.5	3.2	3.2	1.9	-5.3	-2.6	14	19
Turkey	TR	0.7	0.9	-5.0	5.0	15.2	11.9	11.9	-5.6	-7.9	-7.9	33	42
Asia													
China	CN	14.1	6.1	1.9	8.2	2.9	2.9	2.7	-6.3	-11.9	-11.8	53	62
Hong Kong	HK	0.4	-1.2	-7.5	3.7	2.9	0.3	2.4	-1.5	-11.8	-6.6	0	0
Japan	JP	5.2	0.7	-5.3	2.3	0.5	-0.1	0.3	-3.3	-14.2	-6.4	238	266
India	IN	2.9	4.2	-10.3	8.8	4.8	4.9	3.7	-8.2	-13.1	-10.9	72	89
Korea	KR	1.6	2.0	-1.9	2.9	0.4	0.5	0.9	0.4	-3.2	-2.3	42	48
Australia	AU	1.4	1.8	-4.2	3.0	1.6	0.7	1.3	-3.9	-10.1	-10.5	46	60
Indonesia	ID	1.1	5.0	-1.5	6.1	2.8	2.1	1.6	-2.2	-6.3	-5.5	31	39
Taiwan	TW	0.6	2.7	0.0	3.2	0.5	-0.1	1.0	-1.8	-4.7	-3.2	33	36
Thailand	TH	0.5	2.4	-7.1	4.0	0.7	-0.4	1.8	-0.8	-5.2	-4.9	41	50
Singapore	SG	0.4	0.7	-6.0	5.0	0.6	-0.4	0.3	3.8	-10.8	1.2	130	131
Other													
South Africa	ZA	0.4	0.2	-8.0	3.0	4.1	3.3	3.9	-6.3	-14.0	-11.1	62	79
World													
Developed Markets	DM	51.7	1.7	-5.8	3.9	1.4	0.8	1.6	-3.3	-14.2	-6.8	104	124
Emerging Markets	EM	34.9	3.7	-3.3	6.0	5.1	5.0	4.7	-4.8	-10.4	-8.8	52	61
World	AC	86.6	2.8	-4.4	5.2	3.5	3.2	3.4					

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

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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	Trailling P/E ratio vs average

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

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

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