

EYE ON THE WORLD

Asymmetric lockdown impacts

Tuesday, December 22

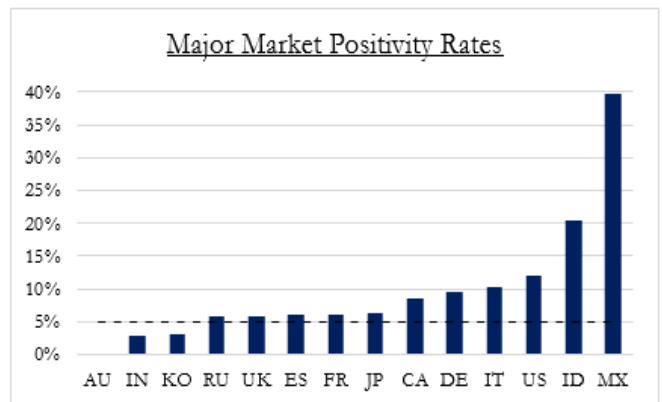
Markets resilient as UK mutant virus strain stokes fears of increased lockdowns, and offset US passage of US\$900bn fiscal stimulus and further vaccine progress. We remain focused on strong 2021 growth recovery, and cyclical rotation, with markets better supported than feared. **HOT TOPICS** focus on extent of tight country lockdowns, with our global composite at 66 vs all-time high 78. Market now more resilient to higher cases, with asymmetric upside to lower restrictions Q1 catalyst as vaccine rollout broadens/accelerates and seasonality improves.

Markets down on increased lockdown and growth fears, especially in Europe, with tighter travel restrictions on new UK virus variant. Safer-haven USD firmed whilst oil fall continued, on risk aversion and growth recovery fear. **We are focused on strong 2021 growth recovery, and cyclical rotation, with downside puts of increased policy support and accelerating vaccine rollout.** Asia markets saw 2nd day of losses, whilst Europe rose, and US futures flat. We see markets much better supported than feared.

Key Markets Performance Table

| Index | Level | 1D | 1W | YTD |
|------------|--------|-------|-------|--------|
| S&P500 | 3709.4 | -0.4% | 1.3% | 14.4% |
| ACWI xUS | 52.7 | -1.2% | 0.4% | 5.9% |
| DXY USD | 90.0 | 0.0% | -0.7% | -6.6% |
| US 10Y YLD | 0.95 | -1.2% | 5.1% | -51.0% |
| Brent Spot | 52.6 | -4.1% | 0.7% | -27.0% |
| Gold Spot | 1876.2 | -0.2% | 2.7% | 23.7% |

US Stimulus (and Budget) passed. Finally. US Congress overwhelmingly approved US\$892bn '5th' fiscal stimulus plan, first since April, along with US\$1.4trn FY 2021 federal budget, preventing government shutdown.



Source: John Hopkins, Refinitiv, THR

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics on [Lockdown context](#).** Our global lockdown idx. at tight 66 vs all-time high 78. Markets more resilient to new cases and less restrictions key Q1 catalyst on vaccine/seasonality.
- **[What to watch](#):** UK 'mutant' virus trend, US existing home sales and consumer confidence.
- **[Country and Sector 'Eye'](#):** Favor US and EM, and US cyclicals 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 | 3709.4 | -0.4% | 1.3% | 14.4% |
| NASDAQ | 12738.2 | -0.1% | 2.4% | 42.0% |
| Russell 2000 | 1970.0 | 0.0% | 3.0% | 18.1% |
| US IT | 479.8 | 0.0% | 2.4% | 42.7% |
| US Healthcare | 412.7 | -0.7% | 1.3% | 15.6% |
| US Financials | 192.8 | 1.2% | 2.7% | -2.5% |

[Stimulus](#) incl. US\$600 direct checks, adds US\$300 to weekly unemployment payments, excluded controversial company liability protections and state/local government aid. Fed not allowed to replicate identical emergency lending programs without congress approval but retains ability to set up similar programs. **Provides key economic bridge to widespread Q1 vaccine rollout.**

Mutant virus context. Virus variant B.1.1.7 discovered in UK said to be up to 70% more transmissible, making pandemic harder to control, and needing tighter and longer lockdowns. However, BioNtech CEO said vaccine likely as effective, whilst World Health Organization said normal part of pandemic evolution. At same time, European Medicines Agency (EMA) latest to approve Pfizer vaccine, for use on the 450m in 27 EU countries, and China's [Sinovac](#) vaccine stage III Brazil trials reportedly a success with official results soon. **Effective vaccine rollout one of our two key downside protections for markets.**

Blockbuster IPO year. This year saw 216 US IPO's, up 36% yoy, and raising total of US\$78bn. The Renaissance IPO index +119% YTD, eight times that of S&P 500. Year also saw huge 242

FX, Fixed Income, Commodities

| Index | Level | 1D | 1W | YTD |
|----------------|--------|-------|-------|--------|
| DXY USD Index | 90.0 | 0.0% | -0.7% | -6.6% |
| EUR/USD | 1.22 | -0.1% | 0.8% | 9.2% |
| US 10Y YLD | 0.95 | -1.2% | 5.1% | -51.0% |
| US 10-2 BOND | 0.83 | -2.9% | -1.8% | 41.0% |
| CBOE VIX Index | 21.6 | 16.6% | 2% | 83% |
| CRB Index | 3119.5 | -1.1% | 0.6% | 0.0% |

Events to Watch

| Indicator | Period | Forecast | Last |
|-------------------------|--------|----------|-------|
| Consumer Sentiment, DE | Jan | -8.82 | -6.70 |
| GDP YY, UK | Q3 | -9.60 | -9.60 |
| Consumer Confidence, UK | Dec | 97.34 | 96.10 |

SPAC's go public, with 12 last week alone. Brings total IPO activity to highest since 1999, with avg. 1-day 'pop' +35% also highest since 2000. Is reversing decade-long net delisting activity. See Sept. 01, *Re-equitizing the US*. But also **adds to signs investor sentiment nearing levels demanding some contrarian caution.**

Sector View

S&P 500 led lower by energy (-1.8%) and utilities (-1.3%), while financials (+1.2%) and IT (+0.0%) outperformed. VIX jumped 16.6% and is well-above long-term average 19. **Apple up on reports targeting consumer self-driving car production by 2024 and supported by 'next level' battery technology.** World's largest consumer durable stock, NIKE, rose **after stronger-than-expected results** led by digital and international and raised FY21 guidance. We are overweight the consumer durables industry.

What to Watch

Dec. Eurozone consumer confidence improved more than expected, by 3.7pts mom to -13.9 from -17.6, despite rising virus cases and tighter lockdowns. Potential **Brexit progress** as UK reportedly delivered a major counteroffer on fishing access for EU fleets to break deadlock, raising hopes of imminent deal. Nov. **US existing home sales expected to ease** 1% mom, to 6.7m, after recent strength, whilst Conference Board Dec. consumer confidence expected to ease to 95.1 vs prior 96.1.

HOT TOPICS

ASYMMETRIC LOCKDOWN IMPACT

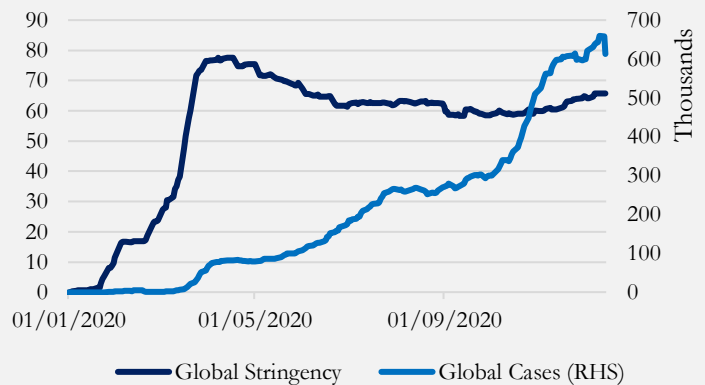
With markets focused on mutant B.1.1.7 scare and global new cases near historic highs there is little near-term room for easing still-tight global lockdowns, with our global composite at 66 vs all-time high 78. But markets now more resilient to higher cases, and lower restrictions a key Q1 catalyst as vaccine rollout broadens/accelerates and weather seasonality improves.

Easing lockdowns remains key catalyst

The degree of global government lockdown restrictions (measured by our 15-major country average) is high and up 8% in last month to tightest since June. Being driven by new global infections at 7-day avg. c610k near peak level; global reproduction rate over 1.0; avg. positivity rates in major markets 2x WHO benchmark 5% led by Mexico (40%) and Indonesia (20%); and now concerns on ‘mutant’ B.1.1.7 variant spread.

Few countries have room to ease restrictions given current case and ‘R’ rates, the northern hemisphere winter, and recent UK-variant risks. But we see room for an accelerated easing as vaccines approval and rollout spreads in Q1 and seasonality improves. Is one of key catalysts for equity markets, with asymmetric upside risk, and driver of rotation to cyclical and ‘reopening’ stocks. See December 10th *Reopeners rotation just started* and November 5th *Rotation down not out*.

Global Stringency Idx* and New Cases

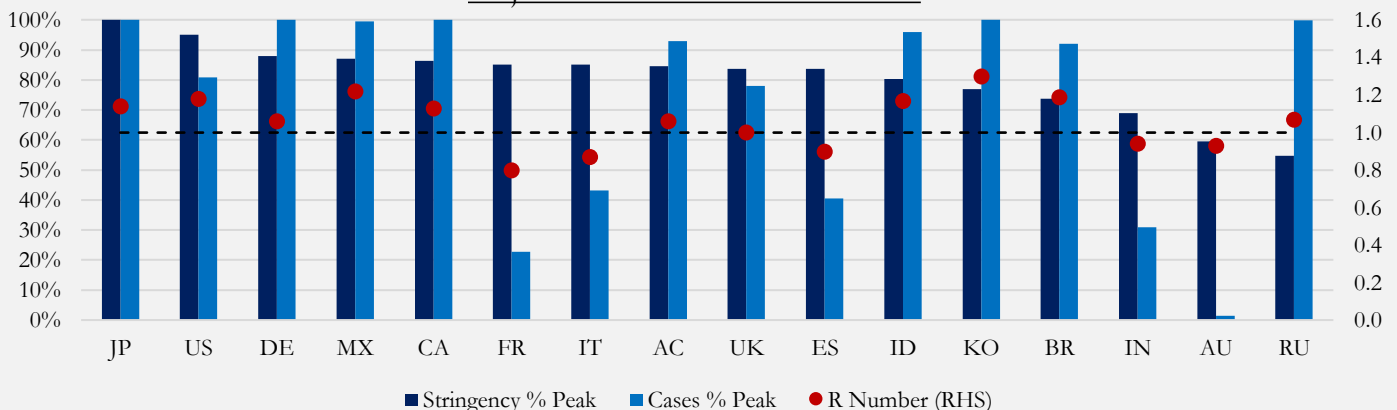


Source: Refinitiv, Blavatnik School of Government, THR. *15 Country Avg.

Reasons markets lockdown resilient

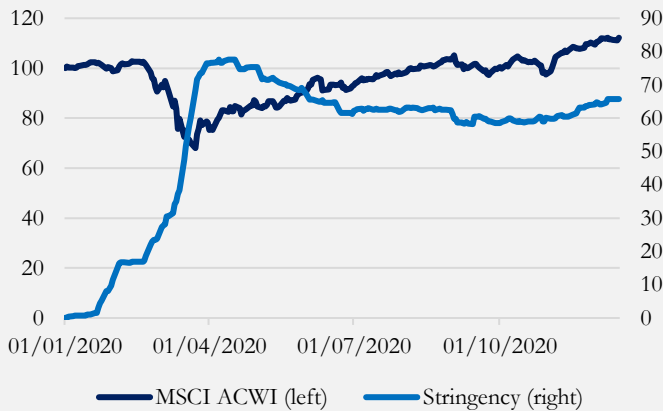
See 5 reasons markets and GDP forecasts been more resilient to spike in new virus cases – from lighter lockdowns, to lower death rates, and vaccine and policy outlook. Also, some key differences btw Europe and US – from lesser lockdowns, to more worker supports. See Nov. 11, *Explaining lower virus impacts*.

Major Economies COVID Levels



Source: MSCI, Refinitiv, Blavatnik School of Government, THR

Global Stringency Idx. vs MSCI ACWI



Source: MSCI, Refinitiv, Blavatnik School of Government, THR

Current US restrictions unlikely to ease

US daily new cases are at 7-dy avg. c290k, tentatively -20% from peak, whilst restrictions index still 95% vs peak. However, 1.18 R number and 12% positivity rate are 4th and 3rd highest respectively of major economies and well above WHO minimum levels.

Markets with room for change

Select EU countries had room for restriction reductions given recent case falls vs recent 300k peak. France (-22%), Spain (-40%) and Italy (-41%) all well down from own daily highs, whilst all three countries' R no's below 1.0. However, Stringency Index still at least 80% vs peak levels for all three, with France and Italy at highest restriction level of major economies.

India and Australia also may have room to ease. Both have R no's lower than 1.0 and cases well off peaks (Australia almost 0%), with restriction levels only down 30-40%. However, Australia already has lowest restriction level of all major markets. Both positivity rates below 5% level.

Restrictions justified or need tightening

By contrast, Japan, Canada, Germany, Mexico among those with seemingly little room for lockdown easing with daily cases at peaks, and

Global Average Reproduction Rate



Source: John Hopkins, Refinitiv, THR

with high R numbers. Russia and Korea are at risk of tighter restrictions as both Stringency levels are below global averages and 45% and 23% down from respective peaks. Korea has highest 1.3 R number.

Asymmetric market reaction to easing?

Among possible markets with room to reduce restrictions, Spain has had highest equity sensitivity to new case figures, with -85% correlation, followed by France, Australia and Italy at -72%. India sensitivity less at -40%. All five currently sit within two quadrants in our allocation framework ([Page 5](#)) with European countries broadly in 'Value Trap' and India and Australia both in positive 'Momentum'. We see an asymmetric market reaction to lower lockdown restrictions, with high cases and tight lockdowns well discounted by investors.

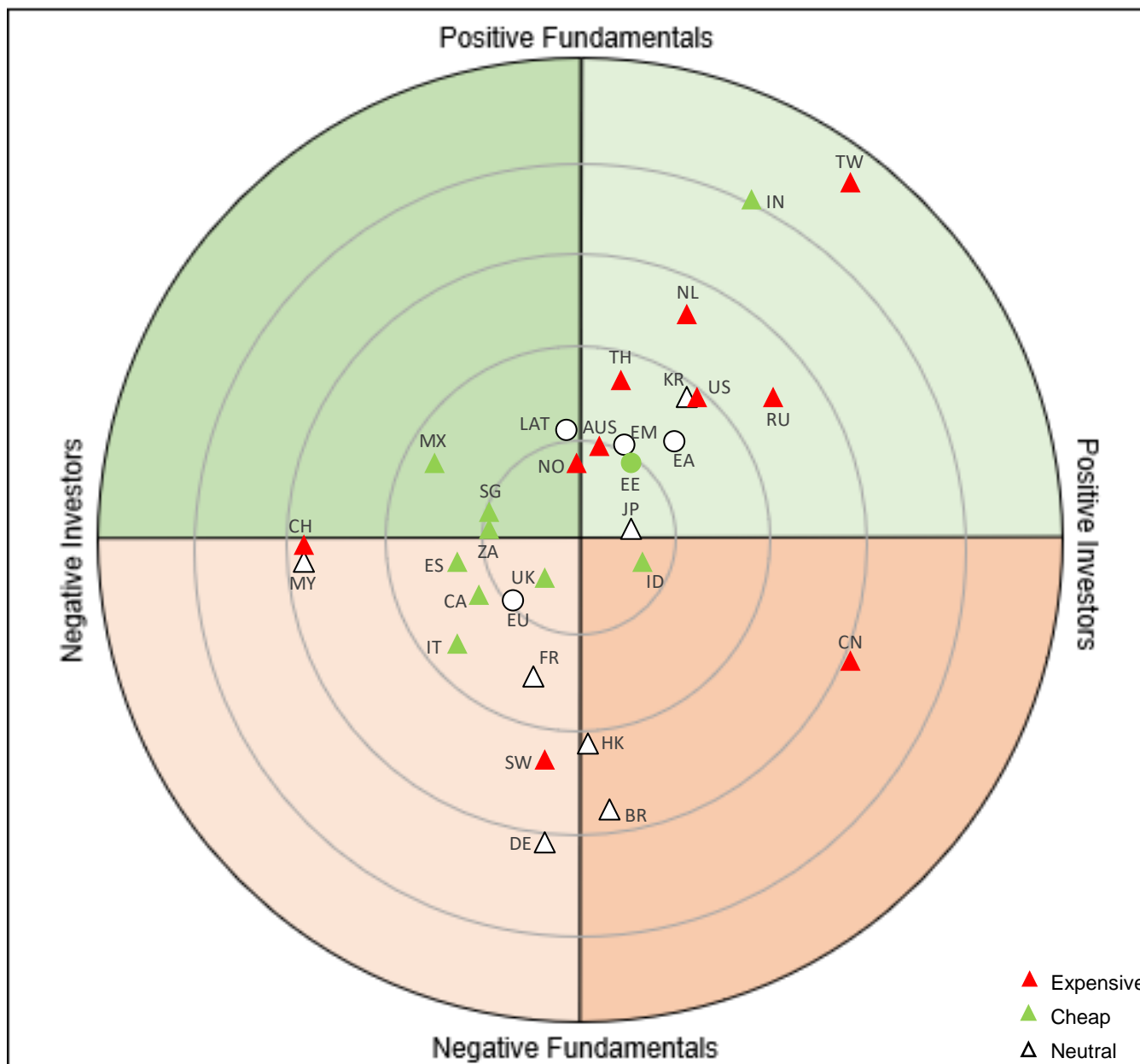
Oxford Government Response Tracker

We proxy lockdowns using the Blavatnik School of Government *Oxford Coronavirus Government Response Tracker*. This is a systematic way to track the stringency of government responses to COVID across countries and time. It tracks policy measures across 17 indicators including containment and closures, economic support and health system measures. For background see Sept 11, *Where lockdowns could be changed*.

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 | Overweight | Canada | S&P/TSX | Overweight |
| Eurozone | EUROSTOXX | Neutral | Switzerland | SMI | Neutral |
| Japan | TOPIX | Underweight | Australia | S&P/ASX | Neutral |



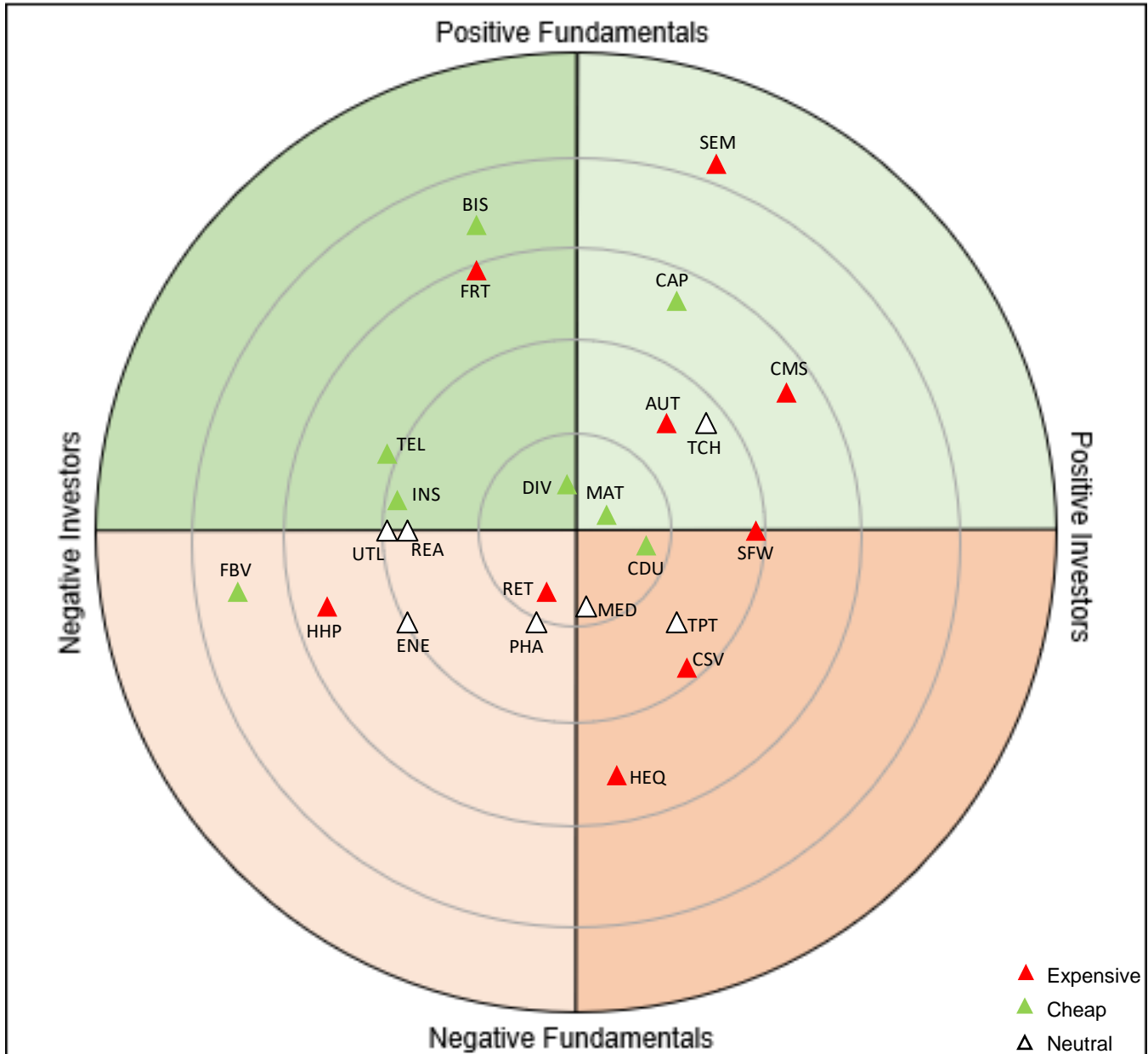
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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 | Neutral | Energy | XLE/VDE | Neutral |
| Financials | XLF/VFH | Neutral | 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

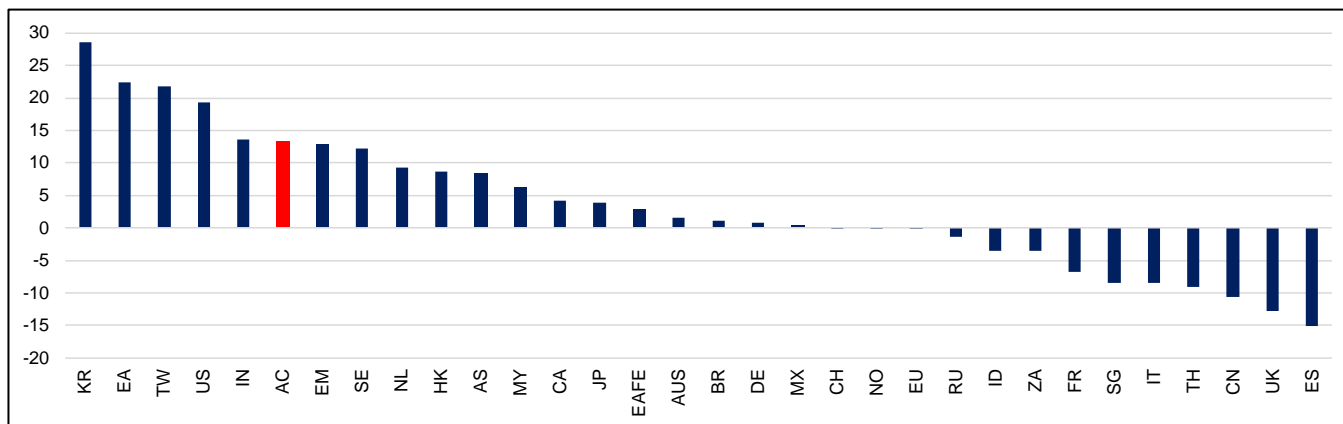
‘EYE’ ALLOCATION BREAKDOWN

| 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. | 27.7 | 23.1 | -11.2 | 19.9 |
|  | Emerging Markets (Overweight): 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, after north Asia (65% EM) control, and have strong cyclical upside to commodities, PMI, weaker USD. Favor China, EM's largest market, on policy flexibility, resilient GDP/EPS, FIFO on virus. | 19.5 | 14.6 | -4.8 | 33.4 |
|  | 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. | 23.4 | 17.1 | -31.5 | 37.1 |
|  | 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. | 23.3 | 16.9 | -6.0 | 38.0 |
|  | 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. | 19.9 | 14.2 | -38.3 | 39.7 |
| 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. | 33.3 | 28.8 | 5.0 | 15.6 |
|  | Healthcare (Neutral): 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. | 19.0 | 16.9 | 8.5 | 12.5 |
|  | Financials (Neutral): 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. | 17.3 | 14.3 | -24.6 | 21.5 |
|  | 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.. | 28.2 | 24.7 | -4.2 | 13.9 |
|  | 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. | 53.4 | 35.5 | -24.4 | 50.2 |

Source: Refinitiv, THR

REGION/COUNTRY PERFORMANCE & VALUATION

Total Return YTD

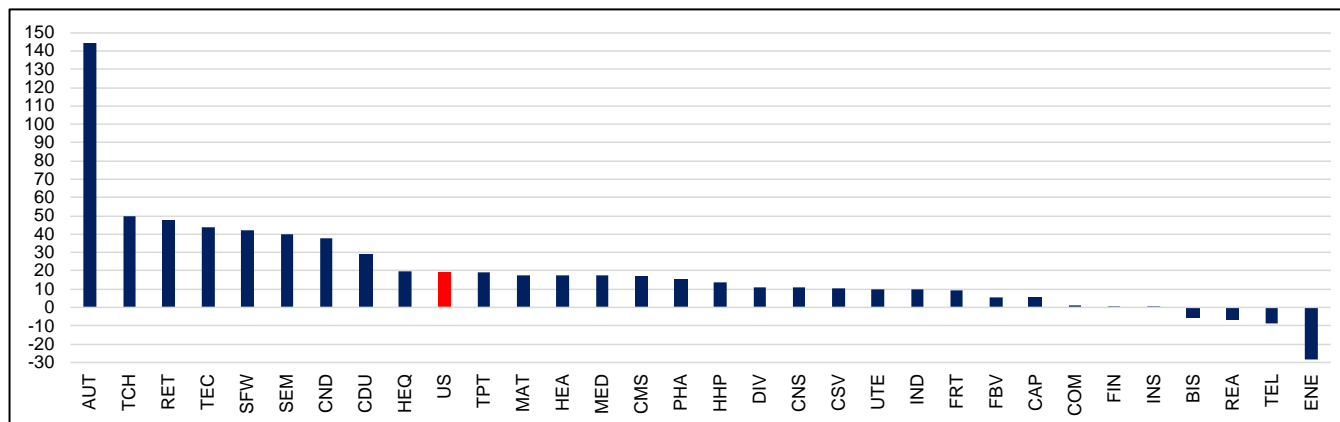


| Index | Abbreviation | Price Performance | | | | PE | | | EPS Growth | |
|--------------------------------|--------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|--------------|
| | | 1D (%) | 1W (%) | 3M(%) | YTD (%) | 2019A | 2020E | 2021E | 2020E | 2021E |
| World | AC | -0.8 | -0.6 | 16.1 | 13.3 | 21.0 | 24.9 | 19.6 | -15.5% | 27.0% |
| EAFE | EAFE | -1.8 | -1.4 | 12.9 | 2.8 | 17.3 | 23.4 | 17.2 | -26.1% | 36.3% |
| Europe | EU | -2.5 | -2.2 | 12.5 | -0.1 | 16.0 | 23.4 | 17.1 | -31.5% | 37.1% |
| Asia | AS | -0.9 | -1.7 | 12.1 | 8.4 | 20.6 | 20.8 | 16.0 | -0.6% | 29.6% |
| Emerging Global Markets | EM | -0.9 | -0.5 | 16.6 | 12.8 | 18.6 | 19.5 | 14.6 | -4.8% | 33.4% |
| Emerging Asia | EA | -0.4 | -0.3 | 15.7 | 22.4 | 20.8 | 19.3 | 15.5 | 7.9% | 24.2% |
| Australia | AUS | -0.1 | -0.3 | 14.7 | 1.6 | 22.5 | 21.0 | 18.7 | 7.4% | 11.8% |
| Brazil | BR | -1.7 | 1.1 | 20.9 | 1.1 | 15.7 | 35.2 | 11.8 | -55.3% | 198.3% |
| Canada | CA | -0.2 | 0.6 | 10.4 | 4.3 | 15.8 | 20.5 | 16.3 | -23.2% | 25.7% |
| China | CN | -0.5 | -0.7 | 6.4 | -10.6 | 18.1 | 17.8 | 15.1 | 1.5% | 18.3% |
| France | FR | -2.4 | -2.3 | 12.3 | -6.7 | 16.2 | 30.0 | 18.2 | -46.0% | 65.2% |
| Germany | DE | -2.6 | 0.6 | 6.6 | 0.8 | 16.9 | 22.4 | 15.9 | -24.6% | 41.4% |
| Hong Kong | HK | -0.7 | 0.5 | 6.3 | 8.7 | 15.8 | 21.6 | 16.4 | -26.9% | 31.9% |
| India | IN | -3.4 | -2.6 | 18.5 | 13.6 | 49.9 | 29.0 | 21.0 | 72.3% | 37.9% |
| Indonesia | ID | 1.2 | -0.1 | 26.1 | -3.5 | 16.4 | 22.5 | 16.9 | -27.3% | 32.8% |
| Italy | IT | -2.4 | -1.6 | 13.4 | -8.5 | 12.3 | 23.0 | 14.6 | -46.3% | 56.9% |
| Japan | JP | -0.3 | -1.2 | 7.6 | 3.9 | 21.9 | 23.3 | 16.9 | -6.0% | 38.0% |
| Korea | KR | 0.3 | -0.9 | 17.6 | 28.5 | 22.5 | 17.9 | 12.7 | 25.5% | 41.3% |
| Malaysia | MY | -0.3 | -2.2 | 7.6 | 6.2 | 18.5 | 23.1 | 14.4 | -20.0% | 60.3% |
| Mexico | MX | -1.3 | -0.7 | 21.9 | 0.3 | 17.2 | 27.6 | 14.5 | -37.7% | 91.0% |
| Netherlands | NL | -2.0 | 0.5 | 15.0 | 9.3 | 24.7 | 27.5 | 22.6 | -10.3% | 21.4% |
| Norway | NO | -2.2 | -0.4 | 11.6 | -0.1 | 15.5 | 20.8 | 16.1 | -25.6% | 29.1% |
| Russia | RU | -2.8 | -2.0 | 12.9 | -1.3 | 6.4 | 12.5 | 8.0 | -49.1% | 57.0% |
| Singapore | SG | -0.2 | -1.2 | 13.6 | -8.5 | 12.6 | 20.0 | 14.0 | -36.8% | 43.0% |
| South Africa | ZA | -2.3 | -1.0 | 10.1 | -3.5 | 15.8 | 15.8 | 10.6 | 0.0% | 48.6% |
| Spain | ES | -2.9 | -4.0 | 17.9 | -15.1 | 12.2 | 28.3 | 16.1 | -56.9% | 75.4% |
| Sweden | SE | -1.9 | -1.3 | 6.7 | 12.2 | 18.1 | 22.3 | 18.4 | -18.8% | 21.4% |
| Switzerland | CH | -1.9 | -0.4 | 0.3 | -0.1 | 19.9 | 21.6 | 18.6 | -8.2% | 16.2% |
| Taiwan | TW | 0.9 | 0.8 | 12.2 | 21.8 | 23.0 | 19.4 | 17.2 | 18.5% | 13.2% |
| Thailand | TH | -5.6 | -4.1 | 14.1 | -9.1 | 15.8 | 26.1 | 19.5 | -39.6% | 34.1% |
| United Kingdom | UK | -1.8 | -1.4 | 12.2 | -12.7 | 12.3 | 19.9 | 14.2 | -38.3% | 39.7% |
| United States | US | -0.3 | 1.7 | 15.9 | 19.4 | 24.6 | 27.7 | 23.1 | -11.2% | 19.9% |

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

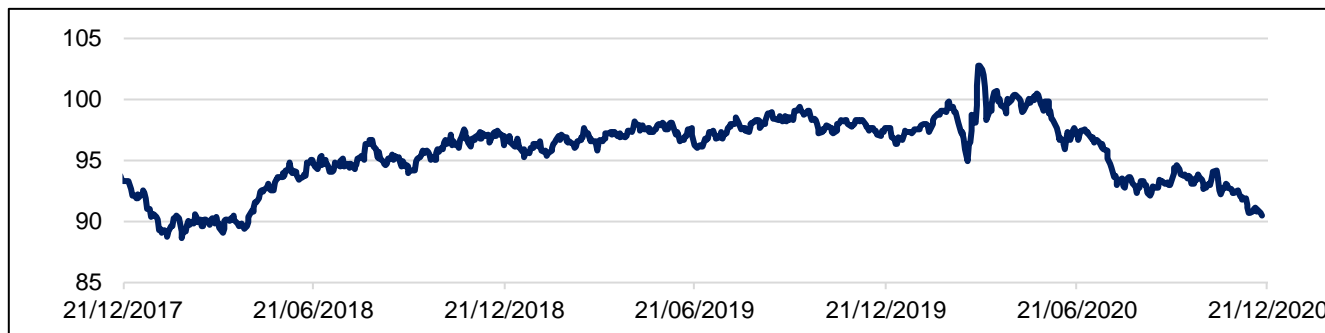


| Index | Abbreviation | Price Performance | | | | PE | | | EPS Growth | |
|-------------------------------|--------------|-------------------|-------------|-------------|--------------|-------------|-------------|-------------|----------------|--------------|
| | | 1D (%) | 1W (%) | 3M(%) | YTD (%) | 2019A | 2020E | 2021E | 2020E | 2021E |
| United States | US | -0.3 | 1.7 | 15.9 | 19.4 | 24.6 | 27.7 | 23.1 | -11.2% | 19.9% |
| Communications | COM | -1.3 | 1.5 | 17.8 | 1.0 | 27.0 | 28.2 | 24.7 | -4.2% | 13.9% |
| Media & Entertainment | MED | -0.9 | -0.2 | 25.9 | 17.3 | 35.4 | 36.8 | 30.7 | -4.0% | 20.0% |
| Telecommunication Svcs | TEL | 0.0 | 0.0 | 0.0 | -8.6 | 11.7 | 12.3 | 11.9 | -4.8% | 3.2% |
| Consumer Discretionary | CND | -0.7 | 1.8 | 17.4 | 37.6 | 40.4 | 53.4 | 35.5 | -24.4% | 50.2% |
| Autos & Components | AUT | -4.5 | 1.3 | 38.5 | 144.2 | 39.8 | 63.2 | 32.2 | -37.1% | 96.7% |
| Consumer Durables & App | CDU | 1.3 | 5.2 | 22.0 | 28.9 | 31.3 | 27.4 | 22.0 | 14.4% | 24.5% |
| Consumer Svcs | CSV | -1.0 | 0.5 | 21.7 | 10.5 | 25.0 | NA | 60.2 | -112.7% | NA |
| Retailing | RET | 0.2 | 1.9 | 9.6 | 47.6 | 48.7 | 46.2 | 36.8 | 5.5% | 25.6% |
| Consumer Staples | CNS | -0.7 | 0.5 | 10.4 | 10.8 | 23.0 | 22.3 | 21.1 | 3.3% | 5.7% |
| Food & Staples Retailing | FRT | -0.2 | -0.1 | 8.8 | 9.4 | 25.6 | 25.1 | 24.8 | 2.1% | 1.3% |
| Food, Bev & Tobacco | FBV | -1.2 | 0.3 | 9.9 | 5.6 | 19.6 | 19.3 | 18.2 | 1.5% | 6.4% |
| Household Products | HHP | -1.1 | 1.1 | 4.4 | 13.7 | 29.4 | 26.1 | 24.3 | 12.4% | 7.4% |
| Energy | ENE | -1.3 | -0.9 | 24.7 | -28.2 | 14.0 | NA | 33.0 | -106.1% | NA |
| Financials | FIN | 1.2 | 2.8 | 27.4 | 0.3 | 13.1 | 17.3 | 14.3 | -24.6% | 21.5% |
| Banks | BIS | 1.6 | 3.3 | 29.9 | -5.7 | 9.9 | 16.4 | 13.3 | -39.7% | 23.3% |
| Diversified Financials | DIV | -0.2 | 1.7 | 25.1 | 10.8 | 17.3 | 20.0 | 16.7 | -13.2% | 19.9% |
| Insurance | INS | -0.3 | 1.2 | 15.6 | 0.3 | 13.0 | 14.4 | 11.9 | -9.5% | 21.3% |
| Health Care | HEA | -0.6 | 1.3 | 11.7 | 17.4 | 20.7 | 19.0 | 16.9 | 8.5% | 12.5% |
| Health Care Equipment | HEQ | -0.7 | 1.5 | 12.9 | 19.6 | 35.0 | 35.9 | 27.7 | -2.7% | 29.6% |
| Pharmaceuticals | PHA | -0.5 | 1.0 | 10.5 | 15.1 | 15.9 | 15.0 | 13.8 | 6.1% | 8.6% |
| Industrials | IND | -0.6 | 1.2 | 16.8 | 9.6 | 23.7 | 30.7 | 23.6 | -22.6% | 30.1% |
| Capital Goods | CAP | -0.4 | 0.8 | 19.6 | 5.4 | 20.3 | 28.4 | 22.3 | -28.4% | 27.2% |
| Commercial & Prof Svcs | CMS | -0.8 | 1.9 | 16.4 | 17.2 | 36.7 | 36.4 | 32.5 | 0.9% | 11.9% |
| Transportation | TPT | -0.9 | 1.0 | 11.8 | 18.9 | 34.5 | 36.5 | 24.3 | -5.6% | 50.1% |
| Information Technology | TEC | 0.0 | 2.4 | 16.4 | 43.9 | 35.0 | 33.3 | 28.8 | 5.0% | 15.6% |
| Semiconductors | SEM | -0.8 | -0.3 | 17.8 | 40.0 | 26.2 | 25.5 | 22.0 | 2.9% | 15.9% |
| Software & Svcs | SFW | 0.0 | 2.8 | 15.7 | 42.0 | 43.1 | 40.3 | 34.9 | 6.8% | 15.5% |
| Technology Hardware | TCH | 0.2 | 2.5 | 19.4 | 49.5 | 31.1 | 29.8 | 25.7 | 4.4% | 15.7% |
| Materials | MAT | -0.4 | 2.8 | 16.2 | 17.4 | 23.6 | 26.3 | 20.6 | -10.1% | 27.6% |
| Real Estate | REA | -0.6 | 0.6 | 10.2 | -6.6 | 36.1 | 51.2 | 50.2 | -29.6% | 1.9% |
| Utilities | UTE | -1.3 | -0.6 | 22.0 | 9.8 | 18.2 | 18.9 | 18.4 | -3.8% | 2.3% |

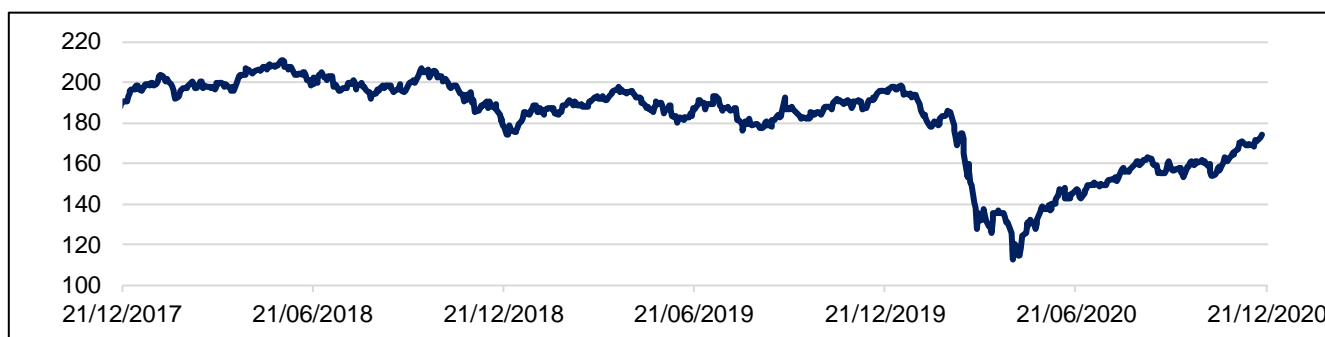
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

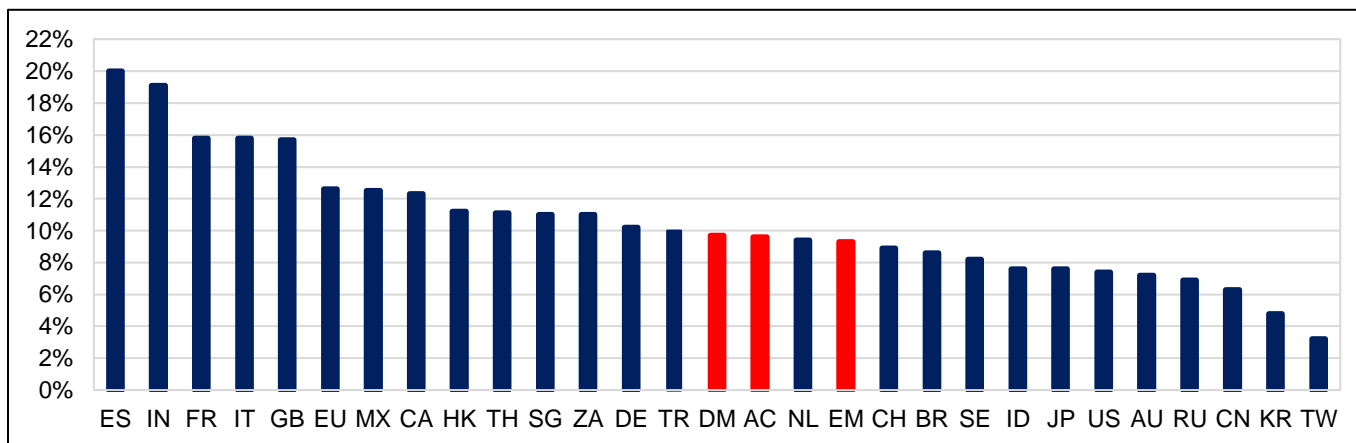


| Name | Currency | Close Price | 1 Day | 1 Week | 1 Month | 3 Months | 1 Year | MTD | QTD | YTD |
|------------------------|----------|-------------|--------|--------|---------|----------|--------|--------|--------|---------|
| Commodities | | | | | | | | | | |
| CRB Commodity Index | USD | 3119.49 | -1.1% | 0.6% | 7.9% | 18.6% | 0.9% | 5.0% | 20.6% | 0.0% |
| Gold Spot | USD | 1876.21 | -0.2% | 2.7% | 0.3% | -1.9% | 27.0% | 5.6% | -0.5% | 23.7% |
| Copper Spot | USD | 3.63 | -1.5% | 1.4% | 8.5% | 17.9% | 27.1% | 4.5% | 18.0% | 27.9% |
| Brent Crude Spot | USD | 52.55 | -4.1% | 0.7% | 17.6% | 26.8% | -28.6% | 10.0% | 25.3% | -27.0% |
| CRB Agricultural Index | USD | 6176.37 | -0.5% | 1.3% | 5.8% | 17.7% | 7.4% | 2.9% | 17.0% | 7.1% |
| Currencies | | | | | | | | | | |
| DXY USD Index | USD | 90.02 | 0.0% | -0.7% | -2.5% | -3.9% | -7.8% | -2.0% | -4.1% | -6.6% |
| EUR/USD | USD | 1.22 | -0.2% | 0.7% | 3.2% | 3.9% | 10.4% | 2.6% | 4.4% | 9.1% |
| USD/JPY | JPY | 103.30 | 0.0% | -0.7% | -0.5% | -1.3% | -5.6% | -0.9% | -2.0% | -4.9% |
| GBP/USD | USD | 1.35 | -0.4% | 1.1% | 1.4% | 5.1% | 3.5% | 1.1% | 4.2% | 1.5% |
| USD/CNY | CNY | 6.55 | 0.2% | 0.0% | -0.2% | -3.8% | -6.6% | -0.4% | -3.6% | -6.0% |
| Bond Yields | | | | | | | | | | |
| DE 10Y BUND | EUR | -0.58 | 2.1% | -5.7% | -0.2% | 10.4% | 137.0% | 1.9% | 12.1% | 211.8% |
| GB 10Y GILT | GBP | 0.21 | -17.2% | -7.6% | -31.7% | 31.0% | -73.6% | -32.6% | -10.4% | -74.9% |
| JP 10Y JGB | JPY | 0.01 | 10.0% | 10.0% | 10.0% | -15.4% | 37.5% | -64.5% | -31.3% | -150.0% |
| US 10Y BILL | USD | 0.95 | -1.1% | 5.3% | 13.1% | 39.8% | -51.1% | 11.4% | 38.5% | -50.9% |
| US 30Y BOND | USD | 1.70 | -1.3% | 3.0% | 9.6% | 17.7% | -28.5% | 6.8% | 15.6% | -29.4% |
| US 10-2 BOND | - | 0.83 | -1.1% | 0.1% | 37.7% | 50.0% | 41.4% | 27.7% | 40.1% | 41.2% |
| Volatility | | | | | | | | | | |
| CBOE VIX Index | USD | 21.57 | 0.17 | 0.02 | 0.06 | -0.09 | 1.01 | 0.22 | -0.05 | 0.83 |

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 | 2.2 | -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

TOWER HUDSON ‘EYE’: HOW IT WORKS

The ‘eye’ methodology helps identify relative buy and sell signals for countries, regions and US sectors, by comparing market sentiment vs fundamentals, with a valuation overlay. The more out-of-favor, with better relative fundamentals the better.

We compare: 1) **sentiment**: to understand whether markets are optimistic or pessimistic, and 2) **fundamentals**: focusing on earnings and business cycle fundamentals and price momentum. The output is also color-coded with a valuation overlay. This combines to give a relative allocation view

How to read the quadrants

Top left – Pessimistic sentiment/Positive fundamentals: The best place to be. Market expectations are low, but fundamentals are relatively good. As sentiment catches up to the better fundamentals, assets may outperform.

Top right – Optimistic sentiment/Positive fundamentals: The 2nd best place to be. The fundamentals are good, but so is market sentiment. This is a momentum quadrant that may deliver outperformance, but investors must be sensitive to relative fundamentals easing.

Bottom right – Optimistic sentiment/Negative fundamentals: Worst place to be. Fundamentals are poor but sentiment still positive. As sentiment catches up, assets may underperform.

Bottom left – Negative sentiment/Negative fundamentals: The second worst place to be. Can be a ‘value trap’. Fundamentals are weak but sentiment is equally subdued. Investors need to be sensitive to any improvement in relative fundamentals, that can lead to a move up and rerating.

| Sentiment | Indicator |
|---------------------|--|
| Buy-side | Net ETF and Mutual Fund Flows vs average |
| Sell-side | Sell-side recommendation consensus score (RCS) |
| Re-rating/De-rating | Trailing P/E ratio vs average |

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

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



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