

EYE ON THE WORLD

The international opportunities

Wednesday, January 06

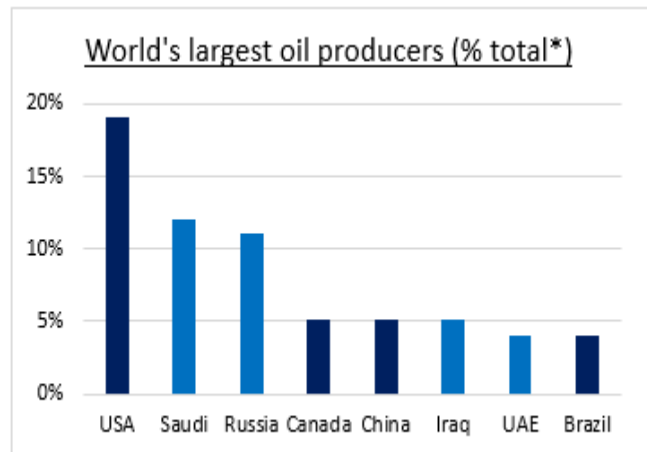
Markets bolstered by US manufacturing ISM and OPEC oil deal surprises, whilst 10-yr yields touched 1% on outlook for Democrat 'blue sweep'. Use any reflexive weakness here to position for cyclicals-led 2021 upside surprise, and with markets better-supported than feared. **HOT TOPICS** see reversal in Intl. equities decade-long 200% underperformance, with growth catch up, more cyclical markets, a weaker USD, cheaper valuations, and still lukewarm sentiment. **EM and proxies our Intl. focus, along with domestic Europe (led by Financials).**

Markets rallied yesterday on upside surprises from US manufacturing ISM at high for year, and OPEC+ increase in oil supply cuts. US 10-yr yields rose over 1% for first time since crisis on outlook for Democrat 'blue sweep', with results likely today. The **knee-jerk market reaction might be negative, but we see silver-linings (see below) and would add on any weakness.** Asia lower overnight, depressed by China services PMI, with Europe flat, and US futures lower, led by NASDAQ, on initial Georgia run-off reaction.

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3700.7	0.7%	0.0%	-0.8%
ACWI xUS	53.3	1.5%	2.0%	2.0%
DXY USD	89.9	-0.5%	-0.6%	-0.6%
US 10Y YLD	0.92	4.7%	2.7%	5.3%
Brent Spot	50.3	5.1%	4.5%	3.8%
Gold Spot	1949.4	0.4%	3.8%	2.8%

'Blue Sweep' focus. Democrat Warner winner of one seat, whilst fellow Democrat Ossoff holds slight lead in other, boosting outlook for Senate flip to 50-50 Democrat control. Would boost fiscal and infrastructure



Source: EIA, THR. *2019. OPEC+ members in light blue

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics on [International Opportunities](#).** Reversal in Intl. 10-yr 200% underperformance, with growth catch up, cyclical markets, a weaker USD, cheaper valuations, poor sentiment.
- **[What to watch](#):** Final Georgia Senate result, US election confirmation, Fed Dec. mtg. minutes
- **[Country and Sector 'Eye'](#):** Favor US and EM, and cyclicals/value and IT sector barbell.
- **[Data pages](#):** Performance, valuation, earnings, macro forecasts. See [Library](#) for prior dailies

US & Sector Performance

Index	Level	1D	1W	YTD
S&P500	3700.7	0.7%	0.0%	-0.8%
NASDAQ	12694.7	0.9%	-0.2%	-0.5%
Russell 2000	1945.9	1.7%	1.0%	0.2%
US IT	476.5	0.7%	-0.8%	-0.9%
US Healthcare	411.6	0.7%	1.0%	0.1%
US Financials	196.6	0.7%	0.9%	-0.8%

stimulus outlook, supporting USD and bond yields, but re-awakens tax hike and re-regulation fears. We see **only limited initial negative 'knee-jerk' equity reaction** as ultimately market to reward better near-term growth visibility, whilst still-weak economy and knife-edge Senate majority will drive policy compromise and delay tax hikes.

Saudi surprise. Deadlocked OPEC+ mtg saw positive surprise as swing producer Saudi Arabia voluntarily cut production 1mbpd next two mths, with 75kpd increase from Russia /Kazakhstan, but still raising net production cut to 8mbpd+ (c8% global demand) vs expectations of flat/higher. **Helps establish new, higher US\$50-60 Brent crude range as bridge gap to stronger 2H demand recovery.** We are neutral energy, focused on high-dividend majors, whilst supply cuts a headwind to refiners margins, the largest materials sector component, where we are underweight.

10-yr Yield near 1%. On view for higher growth, inflation, deficits under Democrat Congress (see above). We see upside to 12m 1.2% consensus expectations but ultimately contained by already large premium to G4 yields, still depressed inflation (1.6% core CPI vs Fed avg. 2% target),

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	89.9	-0.5%	-0.6%	-0.6%
EUR/USD	1.23	0.4%	0.4%	0.7%
US 10Y YLD	0.92	4.7%	2.7%	5.3%
US 10-2 BOND	0.80	-4.0%	4.2%	1.9%
CBOE VIX Index	27.0	-6.0%	10%	11%
CRB Index	3133.2	2.3%	4.1%	3.5%

Events to Watch

Indicator	Period	Forecast	Last
Markit Composite PMI, DE	Dec	52.42	52.50
Markit Composite PMI, EU	Dec	49.63	49.80
Producer Prices, EU	Nov	0.30	0.40
CPI YY, DE	Dec	0.29	0.30

record debt, and policy response (longer-dated Fed purchases or YCC) to greater steepening. **Supports our cyclicals/value 'catch-up', and not as great a headwind to growth as many fear.** See Sept. 4th, *Not just about bond yields.*

Sector View

S&P 500 led by energy (+4.5%) and materials (+2.3%), while real estate (-0.1%) and utilities (+0.0%) lagged. **Small Caps** +1.7%, helped by US ISM acceleration. We are overweight on sharp EPS pickup, cyclical composition, and attractive valuation. Dec. 17th, *Small Cap catch up.* **China tensions** continue with US to ban Alipay, whilst NYSE reversing course again on China telco listings. Biden admin. to only change tone not policy, a headwind to cross-border co's.

What to Watch

Dec. **US mfg. ISM dramatically surprised**, surging to 60.7, highest of year and vs est. easing to 56.4. Supports Dec. global PMI consistent with strong c5% growth recovery. Dec. Caixin **China services PMI eased** to still-strong 56.3, after earlier mfg. PMI moderation, as China growth consolidates. See **US Congress presidential result certification**, with c13 Republican Senators likely to vote against in significant party split. **Dec. FOMC minutes** to show appetite for expanding US\$120bn/m bond purchases until 'substantial further progress' on employment and inflation, and for raising longer-dated purchases to contain rising yields.

HOT TOPICS

THE INTERNATIONAL OPPORTUNITIES

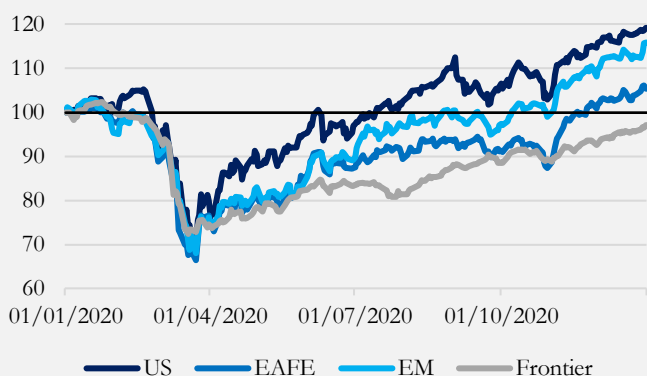
See some reversal in intl. equities decade long underperformance, on combo of growth catch up, more cyclical markets, a weaker USD, cheaper valuations, still lukewarm sentiment. EM and proxies our allocation focus, along with domestic Europe (led by Financials), whilst expect UK and Japan to lag given specific growth headwinds. Maintain ‘barbell’ approach, like sector view, with our US overweight as remains well-positioned on our framework.

Looking international for 1st time in decade

International equities lagged US again in 2020, taking decade-long underperformance to over 200%. We see a 2021 catch-up with combo of stronger growth recovery, more cyclical indices, a weaker USD/higher commodities, cheaper valuations, and significant investor under-ownership. We are overweight emerging markets (led by LatAm/CEEMEA) and related assets (Frontier/DM proxies Canada/Spain), and domestic-focused European sectors (led by Financials). We are more cautious UK and Japan, expecting them to lag cyclicals.

We retain a regional ‘barbell’ (like our sector positioning), still overweight US and focused on cyclical sectors. It still remains relatively well-positioned on our allocation framework, in the ‘momentum’ quadrant.

2020 Price Performance



Source: Refinitiv, THR

But not everything is rosy

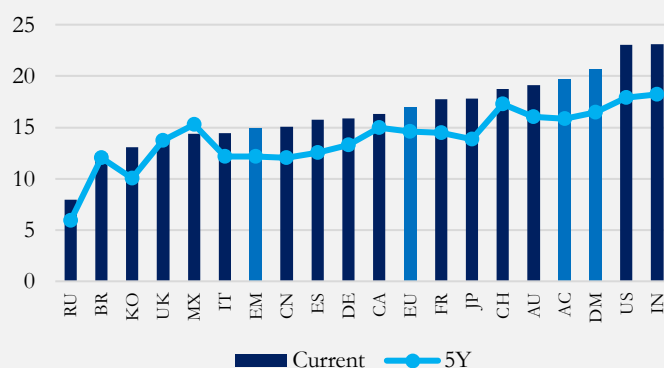
We see UK and Japan lagging on long-term growth headwinds, with Brexit drags on UK and rock-bottom ‘potential’ GDP in Japan, with neither market as un-loved as perceived.

Similarly, we see further EUR and JPY strength as an increasing headwind for there respective significant shares of global, low-margin, and heavily-indebted corporates.

More broadly, higher beta international assets are very sensitive to the sustained pace of the growth recovery, a function of vaccine rollout momentum and continued policy support. International valuations are much cheaper than US, but this narrows on a sector-adjusted basis.

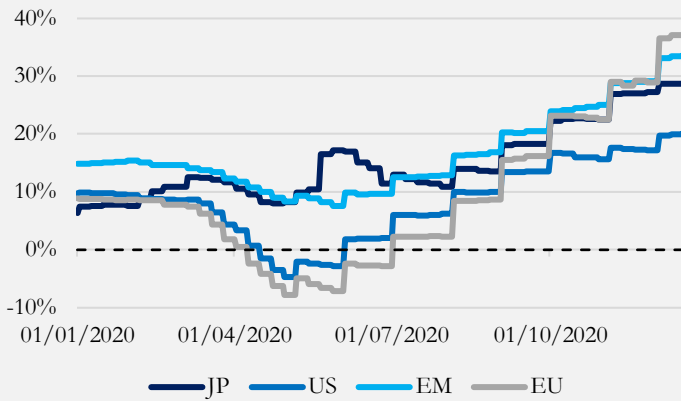
See our country allocations ([Page 5](#)) and framework ([Page 13](#)) for background.

12m forward P/E



Source: Refinitiv, THR

12m Forward EPS Growth



Source: Refinitiv, THR

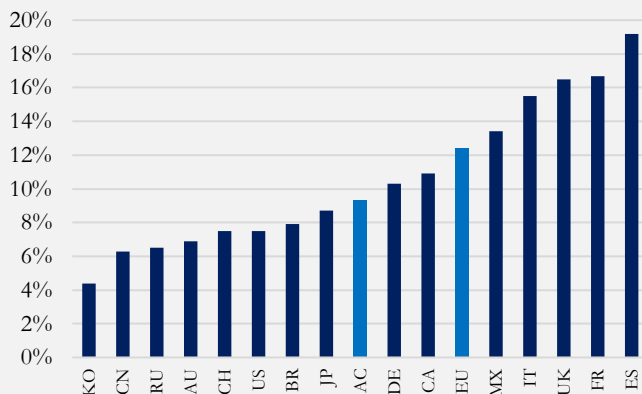
EPS growth Intl. led and likely understated

Global +26% 12m fwd EPS growth led by Europe (+37%) and EM (+34%). Whilst Brazil (+218%) and Mexico (+85%) lead major market rebounds, along with Spain (+77%) and France (+64%). All major markets growth seen positive after 15% 2020 ACWI fall, with relative laggards 'defensives' Switzerland (+16%), China (+18%), US (+20%). But we see overall estimates c10% too low on combo of recession rebound and stimulus. See Dec. 16, *Earnings upgrade anchor*.

GDP recovery driving earnings

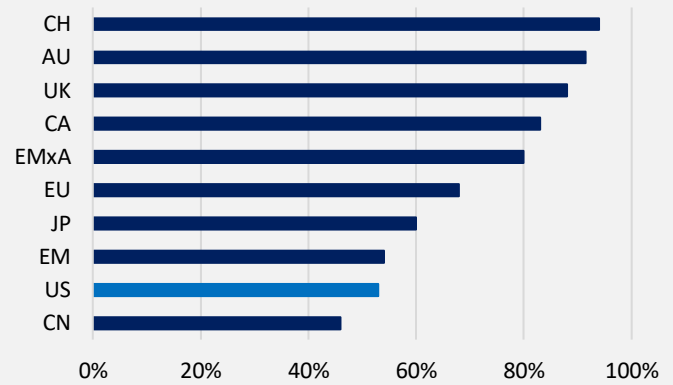
The dramatic forecast GDP recovery is main EPS driver, with big dispersion given depth of 2020 fall, degree of vaccine rollout, and policy support. Ex-Asia EM and Europe to lead the

The GDP Rebound 2021E - 2020E



Source: Refinitiv, THR

% Equity Index ex 'Tech'



Source: MSCI, THR *'Tech' = IT + Communications + Discretionary

GDP recovery, opposite of the 2020 recession (see chart). See Nov. 24, *Focus on GDP laggards*.

Further fuelled by more 'cyclical' indices

The earnings rebound is further fuelled by the generally more cyclical, or less 'tech'-heavy focus of most international indices, led by Europe and EM ex Asia. China has an even larger tech weight than the US, and one of the lowest GDP accelerations forecast for this year - though the highest absolute growth rate.

Cheaper international valuations

Global (ACWI) equities on c20x 12m fwd P/E, a 20%+ premium to 5-yr avg, with only UK, Brazil, Mexico below average. We see only a modest valuation derating, with somewhat higher bond yields, a near-term strong EPS recovery, and relatively unimpacted long-term growth rate. However most international markets have both lower absolute valuations, and lower premia vs history, even when sector-adjusted for differing index compositions.

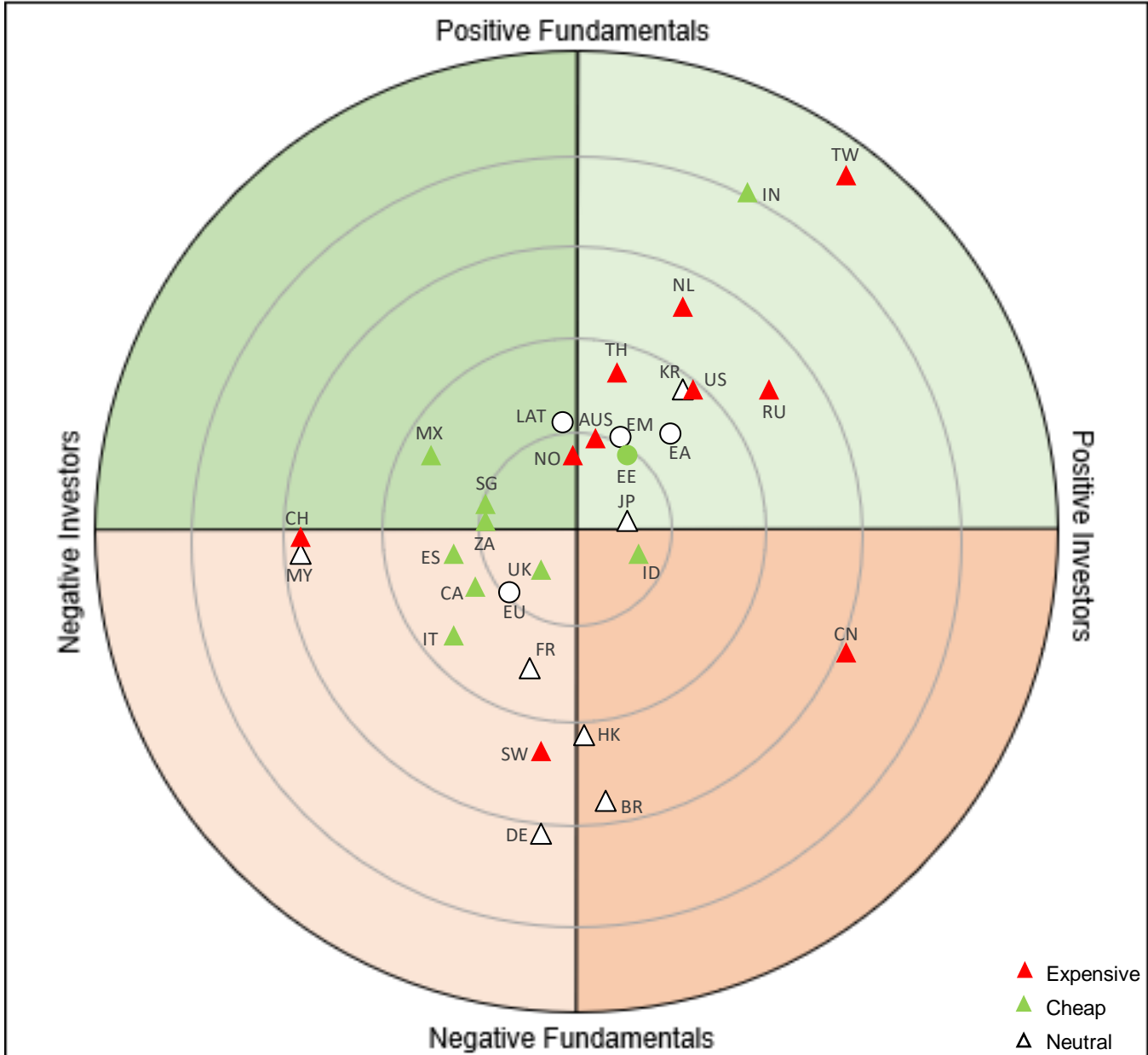
Poor sentiment provides some protection

Underlying sentiment on intl. assets, from analyst ratings to fund flows, is still not high, unsurprising after a decade underperformance, and provides some downside protection.

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



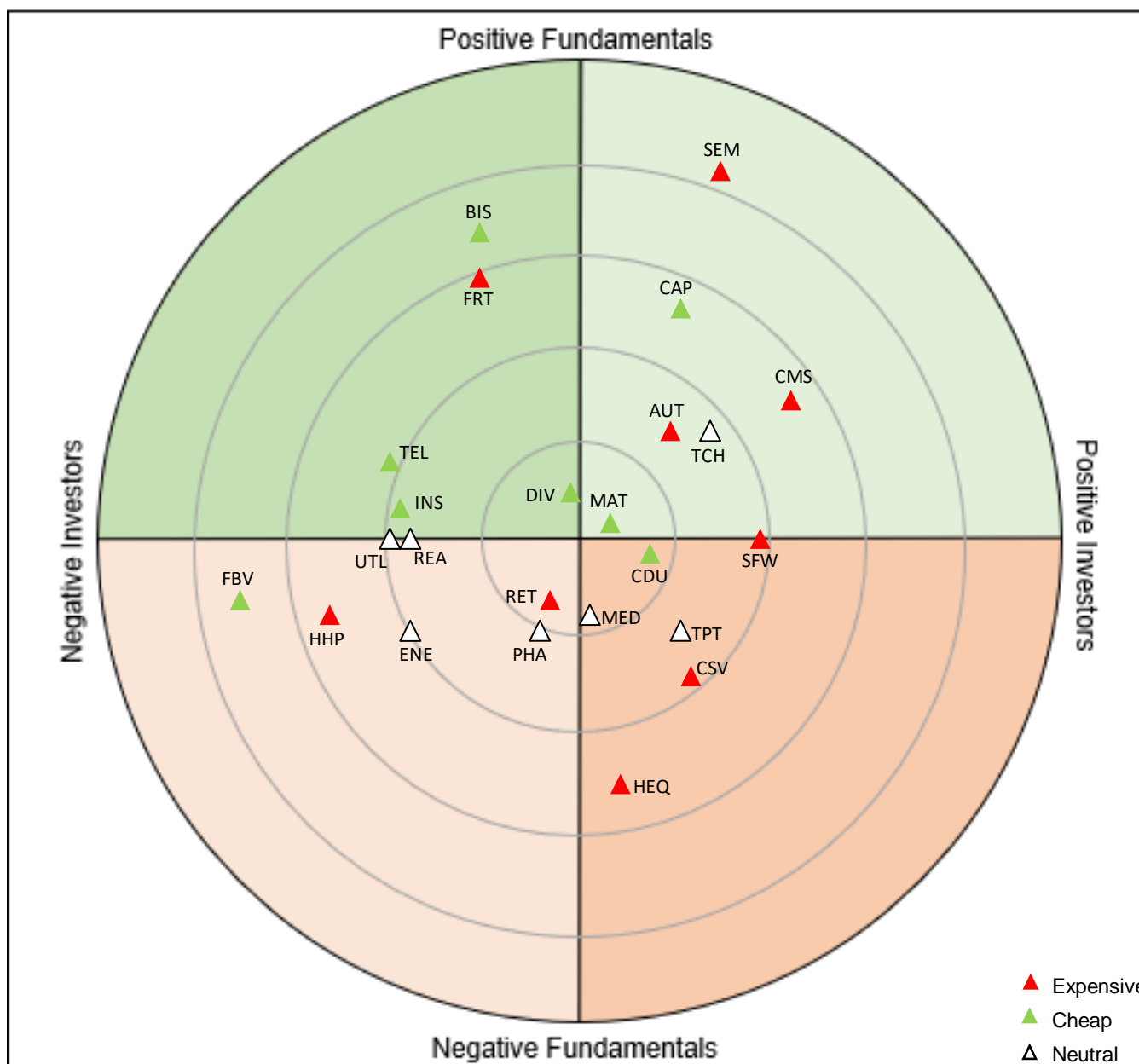
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

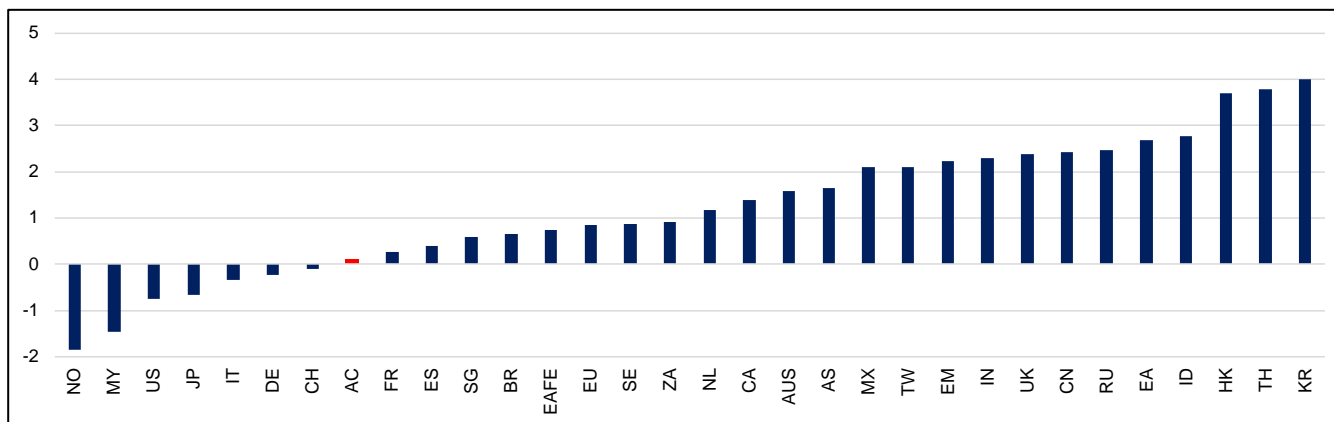
'EYE' ALLOCATION BREAKDOWN

Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): Remains global equity 'safer haven' despite centre COVID outbreak. 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.	28.0	23.2	-11.0	20.5
	Emerging Markets (Overweight): We are focused on cyclical components, such as LatAm/CEEMEA, alongside more 'structural' north Asia overweight. Recent outperformance has a lot further to go after decade of under-performance, with GDP, earnings, valuations, currencies, and ownership all depressed, with room for a sharp 2021 recovery as gain vaccine-led growth visibility. Frontier and EM proxies (such as Canada/Spain) also attractive. Key is accelerating earnings turn-around, which is currently weak.	19.8	14.8	-4.5	34.0
	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.	23.3	16.9	-31.2	37.7
	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.	23.0	16.7	-5.0	37.5
	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 Brexit impacts (after 'lite' goods-focused Brexit deal), 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.	20.0	14.0	-38.2	42.6
US Sector	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	Information Technology (Overweight): See resilient to cyclicals catch up (not rotation) given still strong long-term growth and financial flexibility and still relatively well positioned on allocation framework. Software in attractive 'momentum' quadrant. Valuations average but supported by net-cash and high RoE, giving buyback and M&A flexibility. Tech Hardware (Neutral) less well positioned, but beneficiary of easing growth concerns.	33.4	29.7	5.2	15.8
	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 vulnerable to cyclical catch up and higher bond yields at this stage, but with defensive cash flows, less EPS cyclical and a domestic revenue focus. Seeing Federal support to combat COVID. Similar to Tech, set to come out of crisis more dominant.	19.1	16.9	8.7	13.0
	Financials (Neutral): All segments been improving on allocation framework, and remain out of favour with market, with strong fund outflows and valuation derating. Fundamental outlook improving with higher bond yields, GDP recovery, and less regulatory capital restrictions. However, likely 'caps' on how higher bond yields can go and less EPS operating leverage than cyclicals are constraints.. Insurance offers the best value in our view, though none of the sector is optically expensive.	17.5	14.3	-24.1	22.3
	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..	27.9	24.6	-4.3	13.5
	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.	54.7	36.2	-24.4	51.0

Source: Refinitiv, THR

REGION/COUNTRY PERFORMANCE & VALUATION

Total Return YTD

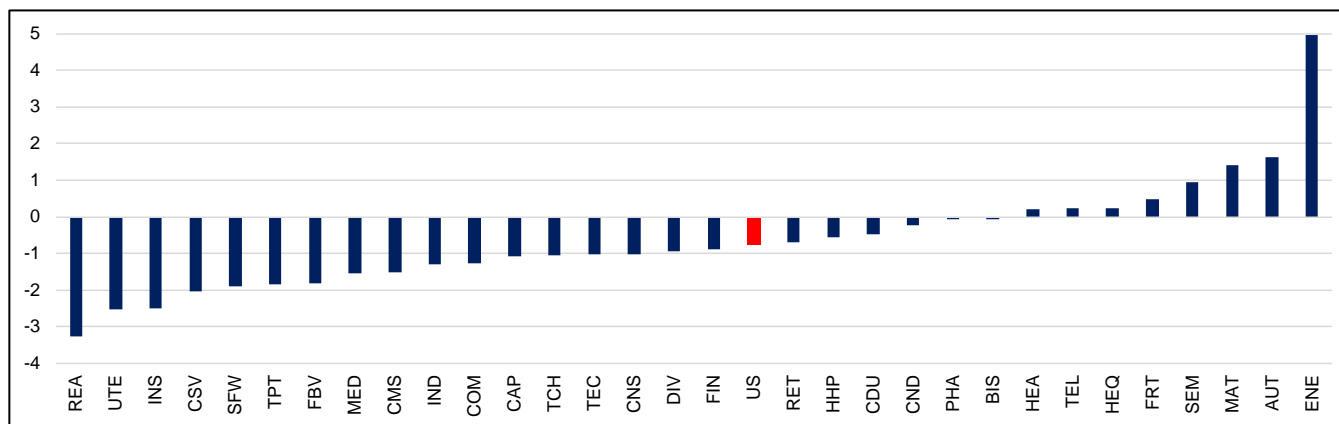


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	0.6	0.6	12.8	0.1	21.2	25.1	19.6	-15.3%	27.6%
EAFE	EAFE	0.1	0.2	14.8	0.7	17.3	23.3	17.0	-25.7%	37.0%
Europe	EU	-0.1	0.2	14.2	0.9	16.0	23.3	16.9	-31.2%	37.7%
Asia	AS	1.0	2.8	18.4	1.7	20.8	20.8	16.1	-0.1%	29.7%
Emerging Global Markets	EM	1.2	4.2	20.9	2.2	18.9	19.8	14.8	-4.5%	34.0%
Emerging Asia	EA	1.6	5.2	20.7	2.7	21.1	19.5	15.7	8.3%	24.6%
Australia	AUS	0.0	-0.3	13.1	1.6	22.8	20.8	18.4	10.0%	12.9%
Brazil	BR	0.6	0.3	24.6	0.7	16.5	39.4	12.4	-58.0%	216.3%
Canada	CA	1.0	0.6	7.6	1.4	16.0	20.8	16.5	-23.2%	26.6%
China	CN	2.2	5.8	13.1	2.4	18.1	17.8	15.0	1.8%	18.4%
France	FR	-0.4	-0.8	13.8	0.3	15.9	29.1	17.8	-45.4%	63.8%
Germany	DE	-0.4	-0.6	5.6	-0.2	17.1	22.5	16.0	-23.9%	40.5%
Hong Kong	HK	1.3	4.8	17.2	3.7	15.7	21.5	16.3	-26.9%	31.7%
India	IN	0.7	2.8	20.0	2.3	51.7	29.7	21.5	74.3%	37.8%
Indonesia	ID	0.6	1.8	24.4	2.8	16.8	23.0	17.4	-27.0%	32.7%
Italy	IT	-0.6	-0.6	15.8	-0.3	12.3	23.0	14.5	-46.3%	58.9%
Japan	JP	-0.2	-1.4	11.1	-0.7	21.9	23.0	16.7	-5.0%	37.5%
Korea	KR	1.5	6.1	30.8	4.0	23.5	18.6	13.1	25.8%	42.4%
Malaysia	MY	0.4	-1.9	3.0	-1.5	18.6	23.4	14.2	-20.4%	64.8%
Mexico	MX	0.5	0.5	22.3	2.1	17.0	26.2	14.4	-35.2%	82.7%
Netherlands	NL	-0.2	0.7	12.4	1.2	25.1	28.0	22.9	-10.3%	22.0%
Norway	NO	-0.4	-1.7	4.6	-1.9	15.3	20.5	15.6	-25.3%	31.3%
Russia	RU	0.4	2.6	18.3	2.5	6.6	12.6	8.0	-47.8%	58.5%
Singapore	SG	-0.2	0.4	12.9	0.6	12.7	20.9	14.1	-39.1%	48.6%
South Africa	ZA	0.0	2.3	7.5	0.9	16.1	16.1	10.7	0.5%	50.2%
Spain	ES	-0.2	-0.9	20.3	0.4	11.9	28.2	15.7	-57.9%	79.5%
Sweden	SE	-0.2	-0.1	4.6	0.9	17.7	21.8	18.0	-18.4%	20.9%
Switzerland	CH	-0.4	0.0	2.8	-0.1	20.0	21.8	18.7	-8.0%	16.2%
Taiwan	TW	0.9	4.2	21.8	2.1	23.7	19.9	17.6	19.2%	13.3%
Thailand	TH	2.5	2.7	22.6	3.8	15.7	26.3	19.3	-40.2%	36.2%
United Kingdom	UK	0.7	0.1	11.1	2.4	12.3	20.0	14.0	-38.2%	42.6%
United States	US	0.7	0.0	10.2	-0.7	24.9	28.0	23.2	-11.0%	20.5%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

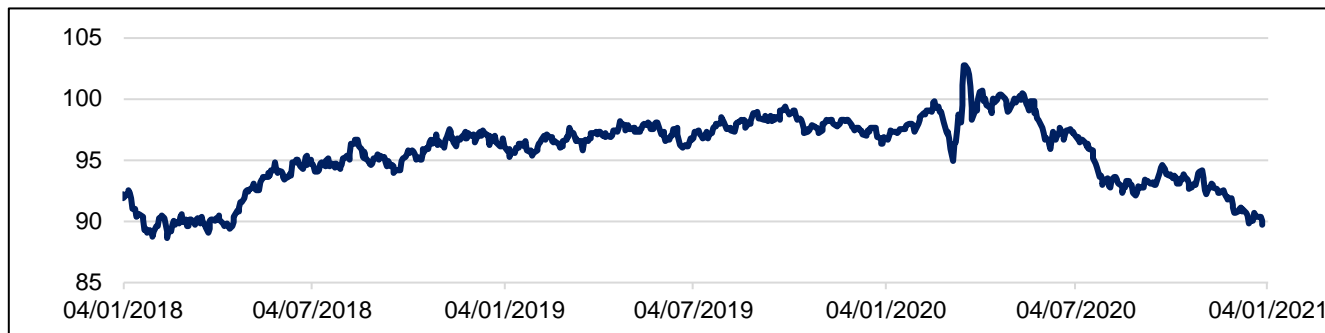


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	0.7	0.0	10.2	-0.7	24.9	28.0	23.2	-11.0%	20.5%
Communications	COM	0.3	-1.0	11.2	-1.3	26.7	27.9	24.6	-4.3%	13.5%
Media & Entertainment	MED	0.4	-1.4	13.1	-1.5	35.1	36.5	30.6	-4.0%	19.3%
Telecommunication Svcs	TEL	-0.4	0.7	2.1	0.2	11.4	12.0	11.7	-5.0%	3.2%
Consumer Discretionary	CND	1.0	0.0	6.7	-0.2	41.4	54.7	36.2	-24.4%	51.0%
Autos & Components	AUT	3.0	2.9	28.0	1.6	43.8	69.1	35.7	-36.7%	93.6%
Consumer Durables & App	CDU	0.6	-0.8	9.4	-0.5	32.2	28.1	22.4	14.8%	25.5%
Consumer Svcs	CSV	1.4	-1.1	11.3	-2.0	25.5	NA	61.8	-114.5%	NA
Retailing	RET	0.9	-1.6	2.8	-0.7	49.2	46.5	36.8	5.7%	26.3%
Consumer Staples	CNS	0.1	-0.4	4.1	-1.0	22.9	22.1	20.9	3.5%	5.9%
Food & Staples Retailing	FRT	-0.6	1.1	5.1	0.5	24.5	24.0	23.6	2.3%	1.4%
Food, Bev & Tobacco	FBV	0.1	-1.1	5.3	-1.8	19.8	19.5	18.3	1.6%	6.6%
Household Products	HHP	0.4	-0.1	-0.6	-0.6	28.9	25.7	23.9	12.4%	7.5%
Energy	ENE	4.7	5.9	31.6	5.0	14.2	NA	30.3	-105.9%	NA
Financials	FIN	0.5	0.8	19.0	-0.9	13.3	17.5	14.3	-24.1%	22.3%
Banks	BIS	0.9	1.5	27.9	-0.1	10.2	16.8	13.4	-39.1%	25.5%
Diversified Financials	DIV	0.2	0.7	15.2	-0.9	17.5	20.0	16.6	-12.7%	20.1%
Insurance	INS	0.0	-0.8	10.8	-2.5	13.1	14.4	11.9	-9.3%	21.2%
Health Care	HEA	0.7	1.3	7.8	0.2	20.7	19.1	16.9	8.7%	13.0%
Health Care Equipment	HEQ	1.3	1.2	8.3	0.2	35.6	36.7	28.4	-2.8%	29.3%
Pharmaceuticals	PHA	0.7	1.1	5.9	-0.1	16.0	15.0	13.8	6.4%	9.1%
Industrials	IND	1.2	-0.1	11.9	-1.3	23.9	30.7	23.6	-22.2%	30.1%
Capital Goods	CAP	1.4	0.3	14.1	-1.1	20.5	28.6	22.4	-28.5%	27.6%
Commercial & Prof Svcs	CMS	0.7	-0.3	10.9	-1.5	37.2	36.5	32.8	1.9%	11.3%
Transportation	TPT	0.7	-1.2	5.6	-1.9	34.3	35.5	23.9	-3.5%	48.8%
Information Technology	TEC	0.7	-0.7	10.6	-1.0	36.2	34.4	29.7	5.2%	15.8%
Semiconductors	SEM	1.8	2.9	12.6	0.9	26.0	25.2	21.7	3.0%	16.4%
Software & Svcs	SFW	0.0	-1.4	6.1	-1.9	44.7	41.7	36.2	7.2%	15.3%
Technology Hardware	TCH	1.2	-1.9	14.6	-1.1	32.8	31.4	27.1	4.4%	15.9%
Materials	MAT	2.4	3.2	15.4	1.4	23.8	26.4	20.4	-9.9%	29.5%
Real Estate	REA	0.1	-1.9	-0.2	-3.3	35.6	50.1	49.3	-28.9%	1.6%
Utilities	UTE	0.0	-0.5	0.2	-2.5	17.4	18.2	17.8	-4.3%	2.5%

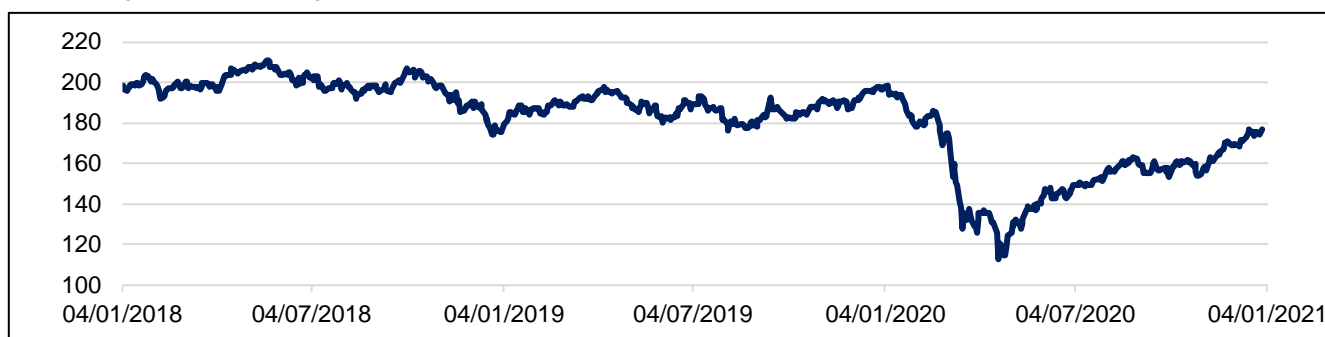
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

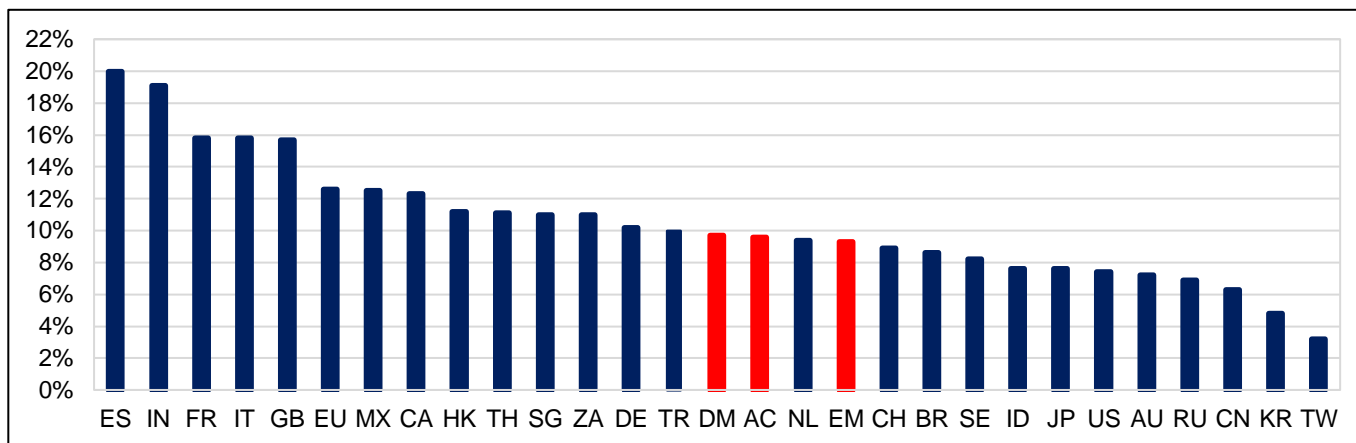


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities		-								
CRB Commodity Index	USD	3133.21	2.3%	4.1%	3.4%	23.4%	3.8%	3.5%	3.5%	3.5%
Gold Spot	USD	1949.35	0.4%	3.8%	6.1%	1.9%	25.6%	2.8%	2.8%	2.8%
Copper Spot	USD	3.55	2.5%	2.5%	3.6%	22.8%	30.1%	3.6%	3.6%	3.6%
Brent Crude Spot	USD	50.27	5.1%	4.5%	7.2%	32.0%	-24.9%	3.8%	3.8%	3.8%
CRB Agricultural Index	USD	6245.82	1.8%	3.3%	3.7%	18.2%	11.2%	2.1%	2.1%	2.1%
Currencies		-								
DXY USD Index	USD	89.87	-0.5%	-0.6%	-1.4%	-4.4%	-7.6%	-0.6%	-0.6%	-0.6%
EUR/USD	USD	1.23	0.4%	0.4%	1.5%	4.4%	10.2%	0.7%	0.7%	0.7%
USD/JPY	JPY	102.72	-0.4%	-0.8%	-1.4%	-2.9%	-5.0%	-0.5%	-0.5%	-0.5%
GBP/USD	USD	1.36	0.4%	0.9%	1.3%	4.9%	4.1%	-0.4%	-0.4%	-0.4%
USD/CNY	CNY	6.46	-0.1%	-1.1%	-1.2%	-4.9%	-7.3%	-1.1%	-1.1%	-1.1%
Bond Yields		-								
DE 10Y BUND	EUR	-0.58	-2.8%	1.0%	7.6%	13.7%	105.7%	1.2%	1.2%	1.2%
GB 10Y GILT	GBP	0.21	21.1%	0.0%	-39.8%	-26.9%	-71.4%	8.2%	8.2%	8.2%
JP 10Y JGB	JPY	0.01	-47.6%	-45.0%	-47.6%	-56.0%	-150.0%	-47.6%	-47.6%	-47.6%
US 10Y BILL	USD	0.92	4.1%	2.1%	-1.5%	25.3%	-46.6%	4.7%	4.7%	4.7%
US 30Y BOND	USD	1.66	2.9%	1.8%	-1.6%	8.7%	-24.3%	3.8%	3.8%	3.8%
US 10-2 BOND	-	0.80	-2.8%	5.3%	18.2%	40.5%	45.3%	3.1%	3.1%	3.1%
Volatility		-								
CBOE VIX Index	USD	26.97	-0.06	0.10	0.22	-0.09	0.81	0.11	0.11	0.11

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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