

EYE ON THE WORLD

M&A activity support Wednesday, February 17

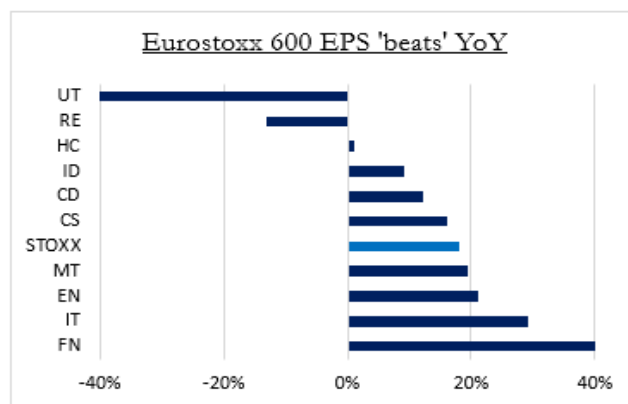
Equity rotation into cyclicals, with ‘bond-proxies’ falling as yields surged. Risks from investor euphoria and pace, not direction, of yield rise. We focus on cyclical and intl. catch-up themes, and see markets better supported than feared. **HOT TOPICS** shows M&A has rebounded strongly, in-line with public markets. As growth visibility improves, financing remains cheap, and SPAC and PE ‘dry powder’ unprecedented we see M&A gains helping underpin equity markets.

Flat markets masked big cyclicals rotation and ‘bond-proxies’ fall as 10-yr yields surged. Risks from signs of investor euphoria, with Bank of America Feb. fund manager survey showing investor cash at 2013 pre-taper-tantrum lows, and pace, not direction, of yield increase. Jan 22, *Impact of higher yields*. Positive virus news as J&J sent single-dose vaccine for EU Medicines Agency approval. **We focus on cyclical and intl. catch-up themes.** Asian markets were firm, with Europe and US futures flat this morning. See our latest [video catch-up](#) with research platform Nucleus 195, on **reflation trade and small caps**.

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3934.8	-0.1%	0.5%	4.7%
ACWI xUS	56.7	0.5%	1.7%	7.5%
DXY USD	90.5	0.0%	0.1%	0.6%
US 10Y YLD	1.20	9.2%	13.3%	43.7%
Brent Spot	64.7	-0.4%	6.5%	26.6%
Gold Spot	1794.3	-1.3%	-2.3%	-5.4%

EU earnings surprise. Near halfway for Q4 earnings, and 66% ‘beaten’ EPS forecasts by avg. 18%, down from early highs but still above normal. Top-line growth the gap, -10% yoy and Q4 ests. missing by avg. 2.2%. Financials, IT, energy, led beats, with



Source: Refinitiv, THR. *UT=-62%

HIGHLIGHTS FROM REST OF DOC

- Hot Topics on [M&A Support](#). As growth visibility improves, financing remains cheap, and SPAC and PE ‘dry powder’ unprecedented we see M&A gains helping underpin equity markets.
- [What to watch](#): Resilient Feb. US industrial production & retail sales. Dovish FOMC 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

*Sources if not stated are Refinitiv, THR

US & Sector Performance

Index	Level	1D	1W	YTD
S&P500	3934.8	-0.1%	0.5%	4.7%
NASDAQ	13807.7	-0.3%	0.3%	9.0%
Russell 2000	2289.4	-0.7%	-1.1%	15.1%
US IT	522.2	-0.2%	1.2%	7.7%
US Healthcare	437.8	-1.2%	-0.4%	4.5%
US Financials	215.6	1.7%	2.3%	9.9%

defensives. utilities, real estate only misses. [Consensus](#) for -20% yoy EPS (-15% ex energy). Germany +13% yoy leads majors, with UK lagging at -62%. Jan. 21, *Europe's earnings leverage*. Lags US performance, but Europe' macro headwinds greater, **leading to stronger 2021 rebound**.

Buffett's Berkshire bets. Latest [filing](#) shows cUS\$9bn new stakes in value stocks Verizon, largest US wireless carrier, and oil major Chevron, as of Dec. 31. Also trimmed healthcare, financials, and largest position Apple. Saw big gains on his surprise mid-2020 US\$6bn investment in Japanese trading houses. Berkshire stock has lagged S&P 500 8pp last 12-mths but has **cUS\$150bn cash and been accelerating share buybacks** to become one of US top 10, and trading at only 1.25x P/BV. See Jan. 29, *Biggest buyer coming back*.

Food price pressures. Kraft Heinz and Conagra said at Consumer Analyst Group of New York virtual annual conference they may raise prices as food input costs increase. US food prices have outpaced inflation, rising 3.5% yoy whilst UN food inflation [index](#) at c7-yr high, on increased demand and supply disruptions. Has driven a widening 35% 1-yr and 12% YTD divergence

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	90.5	0.0%	0.1%	0.6%
EUR/USD	1.21	-0.2%	-0.1%	-0.9%
US 10Y YLD	1.20	9.2%	13.3%	43.7%
US 10-2 BOND	1.09	-1.6%	8.2%	42.1%
CBOE VIX Index	20.0	7.5%	-1%	-6%
CRB Index	3440.5	1.0%	2.5%	12.2%

Events to Watch

Indicator	Period	Forecast	Last
Core CPI YY, UK	Jan	1.32	1.40
Retail Sales MM, US	Jan	1.34	-0.70
Industrial Production, US	Jan	0.47	1.60

between global ag. producers (Deere, ADM etc) and consumers (Nestle, Mondelez etc) index. See Sept. 18, *La Nina agricultural catalyst*.

Sector Views

Flat S&P 500 saw cyclicals energy (+2.3%) and financials (+1.8%) lead and 'bond proxies' utilities (-1.1%) and real estate (-1.1%) lag. **Shorts down not out.** Chinese drone manufacturer EHang Holdings (EH) plunged 62% after Wolfpack Research published 'short-report' questioning co's business. See Jan. 14, *Short sellers and activists*. **Nestle selling it's US water brands** to two private equity firms for US\$4.3bn, as the PE industry continues to leverage its huge US\$1.4trn 'dry powder, supporting M&A and valuations.

What to Watch

EU new car sales plunged 24% yoy in Jan., led down by Spain and Germany, as renewed lockdown measures drove double-dip recession but setting up for sharp 2H rebound. Today see **US Jan. retail and IP strength likely.** US Jan. retail sales and IP both likely to underpin relative economic momentum, est. +1.3% and 0.5% respectively vs prior month, boosted by latest December fiscal stimulus plan, incl. US\$600 individual cheques. Also Fed **FOMC Jan. meeting minutes.** Expect a continued dovish message with the market focus on any stimulus withdrawal timing commentary, and March/April inflation 'spike' outlook.

HOT TOPICS

M&A ACTIVITY SUPPORT

M&A has rebounded strongly, in-line with public markets. Whilst unsurprisingly tech-led it has broadened by sector and geography, with a noteworthy pick-up US-China activity despite the poor bilateral rhetoric. As growth visibility improves, financing remains cheap, and SPAC and PE ‘dry powder’ unprecedented we see M&A gains helping underpin equity

What M&A rebound tells us

M&A has rebounded sharply from Covid lows, in-line with public markets surge. Deal activity has continued to accelerate, and healthily broaden by sector and with a larger cross-border component. Tech unsurprisingly surpassed traditional healthcare, energy, financials sectors as main focus. SPAC and PE capital levels are unprecedented. See Oct. 30th, *M&A validation*.

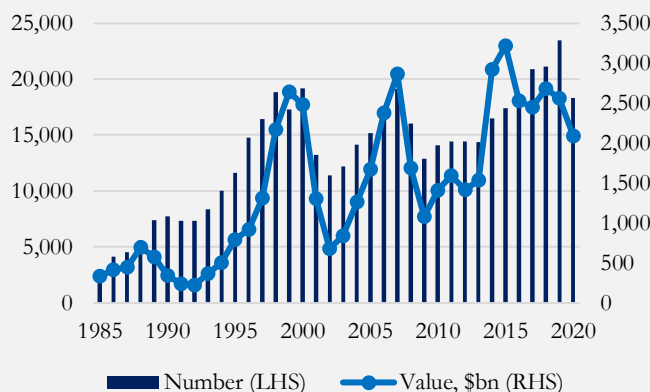
PE and SPAC’s significant M&A players

Both remain significant players in M&A surge, with currently 327 SPAC’s, with US\$103bn raised, looking for acquisitions. Whilst global PE ‘dry powder’ is near a record US\$1.4trn. See Feb. 11th, *Read-across from private equity*.

A bad year for M&A activity

US 2020 M&A activity saw the smallest deal value since 2013, with total reaching almost US\$2.1trn, a 18% decline vs 2019 and over 35%

US Annual M&A Activity



Source: IMAA, THR.

down from the 2015 record US\$3.2tn. Deal volumes saw a bigger 22% fall to 18k transactions, the lowest in five years.

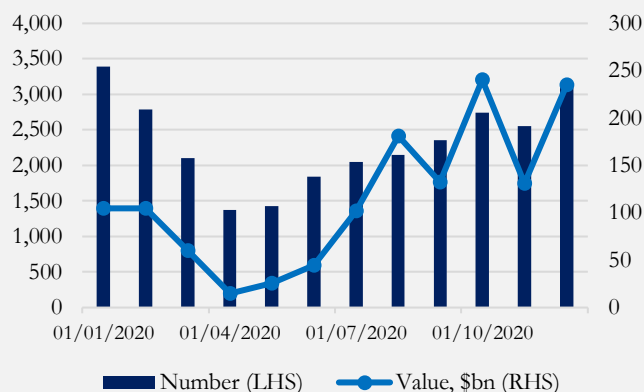
...but a sharp recovery from Q2 lows

COVID crisis unsurprisingly saw deals pulled, most notably in 1H, led by Xerox cUS\$35bn bid for HP. Activity recovered remarkably quickly from the April low though, mirroring the 100-day and +50% magnitude and speed of the S&P 500 recovery. April saw just US\$14bn and 1,400 M&A figures, but since then has strongly recovered (see chart below). The second half of 2020 saw 16% more transactions but over 3x greater deal value.

2020 M&A fall led by domestic deals

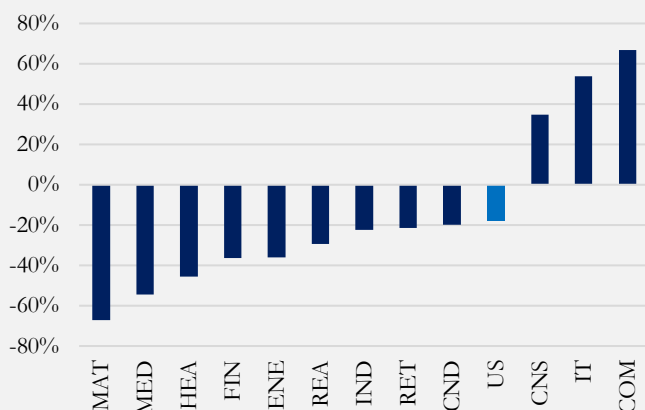
Domestic M&A deal value led the overall fall with a 40% decline in 2020. It’s overall share of total M&A fell to an all-time low 54%, vs 74% prior year. By contrast, cross border

US 2020 M&A Activity



Source: IMAA, THR.

2020 Annual M&A Deal Value Growth



Source: Refinitiv, THR.

M&A value saw a 43% increase to US\$950bn, led by outbound transactions whose value more than doubled yoy.

Pick up in cross-border led by China

A notable US cross border deal pick up was seen with China and HK, which saw total inbound M&A value rise near 6x to US\$29bn, and represented over 10% of total value, after four years of declines. Outbound deal volume also rose almost 3x to 330 transactions, despite continued high-level bilateral tensions.

Tech sectors unsurprisingly led growth

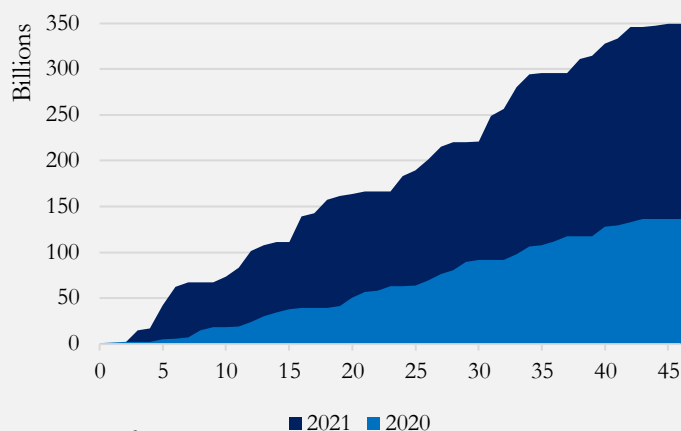
Only three US sectors saw positive yoy deal value growth in 2020, unsurprisingly led by communications and IT. Communications led domestic growth, seeing over double the deal value of 2019, whereas IT saw the biggest increase in cross border activity, again doubling

Biggest US M&A Deals YTD

Acquirer			Target			Deal Information			
Name	Nation	Sector	Name	Nation	Sector	Announced	Size (US\$bn)	Transaction	Status
Investor Group	US	FIN	Suez SA	FR	UTL	17/01/2021	28	Merger	Pending
UnitedHealth Group	US	HEA	Change Healthcare	US	HEA	06/01/2021	14	Merger	Pending
American Tower	US	REA	Telxius Telecomms	ES	COM	13/01/2021	9	Acquisition	Pending
Social Capital Hedosophia	US	FIN	Social Finance	US	FIN	07/01/2021	9	Merger	Pending
Teledyne Technologies	US	IT	FLIR Systems	US	IND	04/01/2021	8	Merger	Pending
Corelogic	US	FIN	Corelogic	US	FIN	04/02/2021	8	Merger	Pending
Foley Trasimene Acquisition	US	FIN	Alight Solutions	US	IT	25/01/2021	7	Merger	Pending
Peraton	US	IND	Perspecta	US	IT	27/01/2021	7	Merger	Pending
FAST Acquisition	US	FIN	Fertitta Entertainment	US	CND	01/02/2021	7	Merger	Pending
Dragonair Growth Opportunities	US	FIN	CCC Information Services	US	IT	03/02/2021	7	Merger	Pending

Source: Refinitiv, THR.

Cumm. M&A Deal Value x days into year



Source: Refinitiv, THR, .

in deal value from the prior year. This supplanted the traditional leadership of healthcare, energy, and financials.

US still dominates global deals

US involved M&A deals (inbound or outbound) made up half of global deal value and over 1/3 of overall volume last year and dominated in select sectors such as IT and healthcare, making up c75% of deal value. By contrast, US Financials made up c40% share of both global sector M&A value and volume.

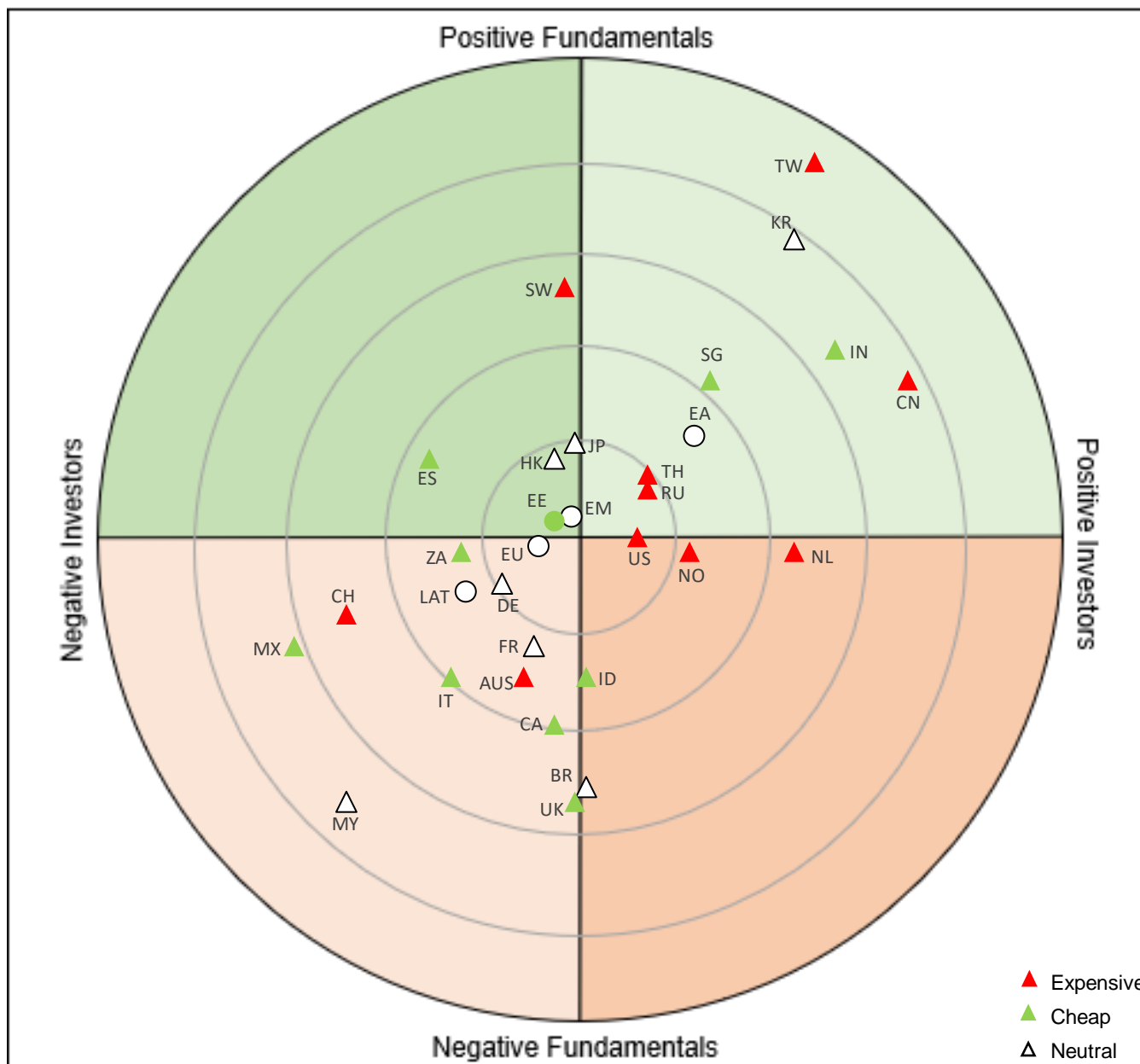
2021 starting stronger, with bigger deals

US M&A activity in 2021 has started strongly, with US\$350bn deal value announced so far, over double the US\$140bn seen at this pre-pandemic stage of 2020, and with a significantly larger average deal size. Additionally, two of the three largest announced deals have been cross-border.

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



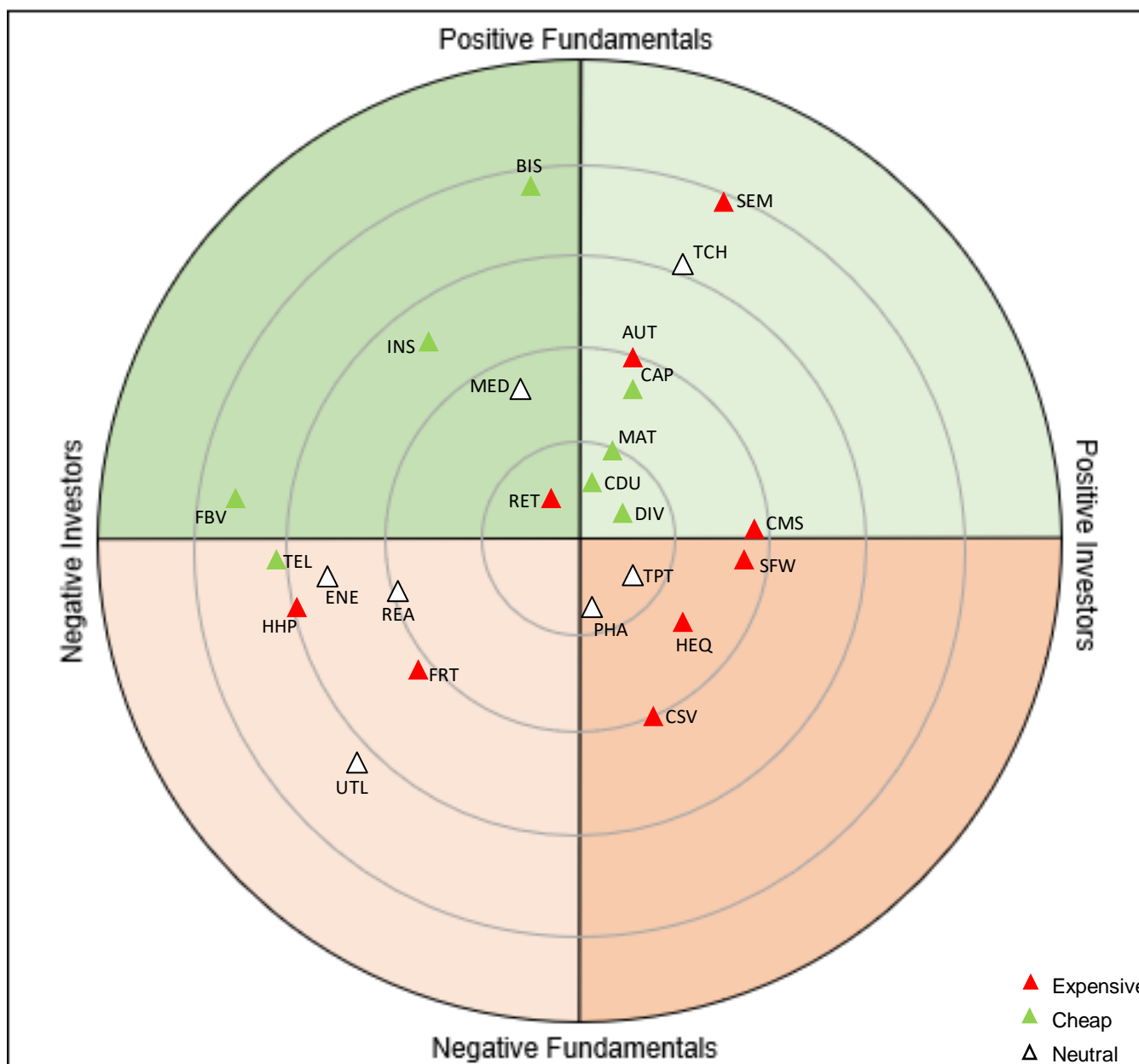
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

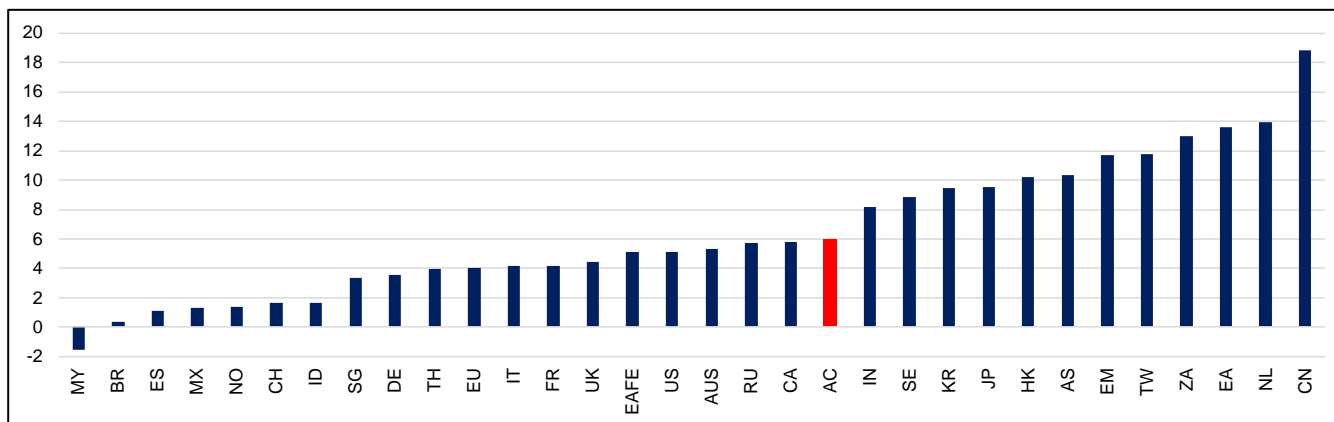
'EYE' ALLOCATION BREAKDOWN

Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): Remains global equity 'safer haven' despite centre COVID outbreak. Has relatively closed economy and stock market, growth and 'tech'-focused equity market, unprecedented policy response with unlimited QE and initial 15%/GDP fiscal stimulus. Valuations fundamentally supported by tech, tax, and UST. Earnings expectations well-supported. Is in 'momentum' Eye quadrant, with some of world's strongest relative fundamentals, but also some of most optimistic investors.	27.9	22.8	-9.7	22.5
	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.	21.9	16.2	-6.0	35.2
	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.	23.7	17.2	-30.1	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.	23.9	17.5	-3.7	36.8
	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 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.	20.9	14.1	-38.2	48.0
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.	34.7	29.1	6.2	19.5
	Healthcare (Neutral): Both Healthcare Equipment and Pharma have been slipping on our framework, and sector remain liked by the market (with multiple rerating and sell-side conviction). We see quality growth vulnerable at this stage, with market less rewarding of defensive cash flows, less EPS cyclical and domestic revenue focus. Seeing Federal support to combat COVID. Similar to Tech, seeing accelerated adoption drivers.	19.5	17.0	9.2	14.5
	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 high 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.	16.2	13.2	-18.5	23.3
	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..	27.6	24.4	-2.4	12.9
	Consumer Discretionary (Neutral): Consumer Services and Retail (Amazon largest stock) best placed of Discretionary sectors, both in top-right quadrant. Services defensive to cycle and seeing positive EPS revisions. Autos poorest placed, in bottom-left quadrant. Whilst the least-in-favour, has some of worst fundamentals and more expensive than perceived. Leisure discretionary industries very COVID exposed.	56.7	37.3	-24.0	51.9

Source: Refinitiv, THR

REGION/COUNTRY PERFORMANCE & VALUATION

Total Return YTD

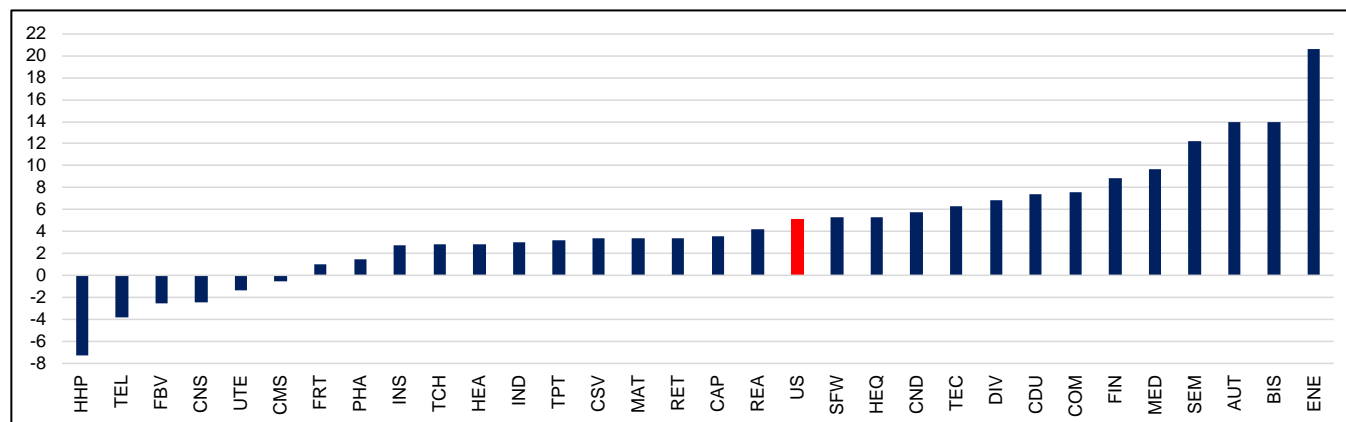


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	0.0	1.2	11.6	6.0	21.9	25.6	19.8	-14.6%	28.9%
EAFE	EAFE	0.1	2.1	11.3	5.1	18.0	24.0	17.5	-24.7%	37.0%
Europe	EU	-0.2	2.3	9.9	4.1	16.6	23.7	17.2	-30.1%	37.7%
Asia	AS	0.5	2.1	17.6	10.4	22.5	22.8	17.6	-1.2%	30.0%
Emerging Global Markets	EM	0.3	2.3	19.9	11.7	20.6	21.9	16.2	-6.0%	35.2%
Emerging Asia	EA	0.5	2.5	21.4	13.6	23.3	22.1	17.7	5.3%	25.3%
Australia	AUS	0.7	1.4	7.3	5.3	23.9	21.3	18.8	12.4%	13.0%
Brazil	BR	0.0	0.0	12.1	0.4	16.2	36.8	11.4	-56.0%	222.9%
Canada	CA	0.2	0.8	9.4	5.8	15.8	20.8	16.1	-24.1%	28.7%
China	CN	0.8	3.1	20.6	18.8	21.0	20.6	17.4	1.8%	18.4%
France	FR	0.0	1.5	5.3	4.2	16.3	29.4	17.9	-44.7%	64.0%
Germany	DE	-0.1	0.9	8.9	3.5	17.7	22.9	16.3	-22.8%	40.5%
Hong Kong	HK	2.2	4.0	14.7	10.2	17.3	23.5	17.9	-26.4%	31.6%
India	IN	-0.1	1.7	18.0	8.1	30.4	30.2	22.3	0.6%	35.9%
Indonesia	ID	0.2	0.6	6.8	1.6	17.3	23.0	17.4	-24.9%	32.1%
Italy	IT	-0.7	0.5	9.2	4.2	11.5	21.0	13.6	-45.4%	55.1%
Japan	JP	0.7	2.5	14.8	9.5	23.0	23.9	17.5	-3.7%	36.8%
Korea	KR	0.4	2.6	26.5	9.4	27.8	22.2	15.1	25.6%	46.3%
Malaysia	MY	0.0	1.2	-1.0	-1.5	18.0	22.5	13.5	-19.9%	66.4%
Mexico	MX	1.3	-0.7	9.0	1.3	18.0	25.8	15.0	-30.3%	72.5%
Netherlands	NL	0.3	5.0	18.7	13.9	27.1	29.8	24.9	-9.2%	19.9%
Norway	NO	0.1	-0.2	4.0	1.4	15.9	21.6	15.8	-26.1%	36.8%
Russia	RU	0.2	2.1	13.3	5.7	6.9	12.9	8.1	-46.4%	59.0%
Singapore	SG	0.2	0.3	7.1	3.3	13.2	21.3	14.6	-38.2%	46.6%
South Africa	ZA	-0.8	2.5	14.5	13.0	17.5	17.2	11.2	1.8%	52.8%
Spain	ES	-0.7	0.7	2.9	1.1	12.0	21.4	15.6	-44.1%	37.0%
Sweden	SE	0.0	1.9	8.2	8.8	19.0	24.2	19.3	-21.2%	25.3%
Switzerland	CH	-0.2	1.0	2.7	1.6	20.9	22.5	19.5	-7.1%	15.1%
Taiwan	TW	0.0	0.0	21.9	11.8	27.2	22.2	19.4	22.7%	14.6%
Thailand	TH	0.2	0.0	9.4	4.0	16.5	26.7	20.1	-38.2%	32.7%
United Kingdom	UK	-0.1	3.4	4.7	4.4	12.9	20.9	14.1	-38.2%	48.0%
United States	US	-0.1	0.6	9.9	5.1	25.2	27.9	22.8	-9.7%	22.5%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

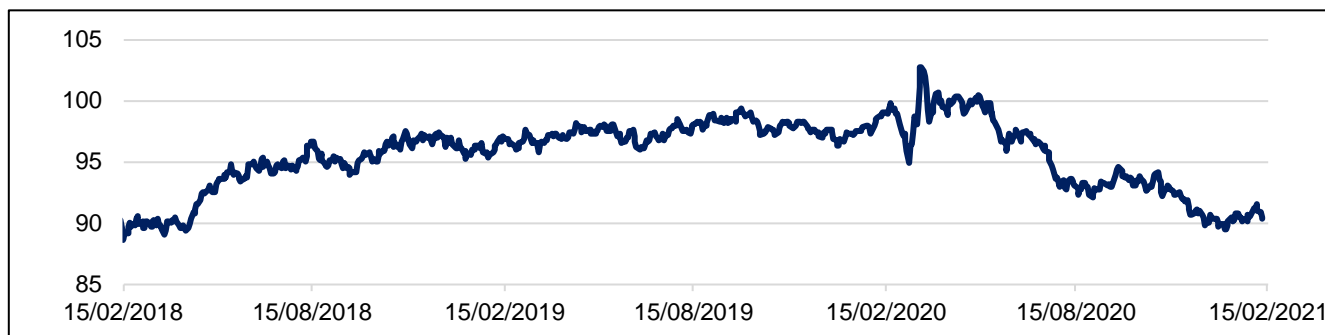


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	-0.1	0.6	9.9	5.1	25.2	27.9	22.8	-9.7%	22.5%
Communications	COM	0.4	1.1	11.4	7.5	26.9	27.6	24.4	-2.4%	12.9%
Media & Entertainment	MED	0.5	1.4	14.7	9.7	35.6	36.1	30.4	-1.5%	18.9%
Telecommunication Svcs	TEL	0.0	-0.6	-4.9	-3.8	11.2	11.7	11.4	-4.1%	2.0%
Consumer Discretionary	CND	-0.5	-1.4	10.1	5.7	43.1	56.7	37.3	-24.0%	51.9%
Autos & Components	AUT	0.2	1.6	25.1	13.9	56.1	88.6	44.6	-36.7%	98.4%
Consumer Durables & App	CDU	-1.2	-0.9	13.9	7.4	31.4	26.9	21.0	16.5%	28.4%
Consumer Svcs	CSV	0.3	0.3	9.3	3.3	24.3	NA	60.3	-114.6%	NA
Retailing	RET	-0.2	-0.8	6.8	3.4	49.7	46.7	37.0	6.5%	26.1%
Consumer Staples	CNS	-0.2	-0.6	-2.7	-2.5	22.4	21.5	20.3	4.0%	6.1%
Food & Staples Retailing	FRT	0.2	-0.6	-1.6	1.0	25.2	24.6	24.3	2.3%	1.3%
Food, Bev & Tobacco	FBV	-0.5	-0.8	-1.0	-2.5	19.2	18.8	17.7	2.3%	6.4%
Household Products	HHP	-0.2	-0.8	-9.4	-7.3	27.7	24.6	22.6	12.6%	9.0%
Energy	ENE	2.3	4.1	28.1	20.6	14.8	NA	25.8	-108.6%	NA
Financials	FIN	1.7	2.3	16.1	8.9	13.2	16.2	13.2	-18.5%	23.3%
Banks	BIS	2.6	3.4	25.0	14.0	10.3	15.2	11.8	-32.3%	28.9%
Diversified Financials	DIV	1.4	2.1	13.2	6.9	17.5	18.6	15.6	-5.7%	19.2%
Insurance	INS	0.1	0.0	5.2	2.8	12.8	14.0	11.5	-8.5%	21.2%
Health Care	HEA	-1.0	0.0	5.0	2.9	21.3	19.5	17.0	9.2%	14.5%
Health Care Equipment	HEQ	-0.7	1.5	7.6	5.3	35.7	36.2	27.5	-1.4%	31.4%
Pharmaceuticals	PHA	-0.7	0.0	5.8	1.5	16.8	15.8	14.1	6.4%	12.1%
Industrials	IND	-0.1	0.3	4.9	3.0	23.2	30.2	23.1	-23.3%	31.0%
Capital Goods	CAP	-0.2	0.1	6.0	3.5	20.1	28.8	22.2	-30.2%	29.6%
Commercial & Prof Svcs	CMS	-0.4	-0.9	0.7	-0.5	35.1	34.3	31.0	2.5%	10.6%
Transportation	TPT	0.2	1.6	3.4	3.2	32.4	33.1	22.7	-1.9%	45.7%
Information Technology	TEC	-0.3	1.1	13.8	6.3	36.9	34.7	29.1	6.2%	19.5%
Semiconductors	SEM	0.6	4.6	19.0	12.2	27.1	25.5	21.8	6.3%	17.0%
Software & Svcs	SFW	-0.1	0.9	10.9	5.3	43.8	40.7	34.5	7.5%	17.9%
Technology Hardware	TCH	-1.3	-1.4	13.1	2.8	35.3	33.8	27.3	4.4%	23.6%
Materials	MAT	-0.1	0.9	7.3	3.3	23.7	25.8	19.9	-8.2%	29.3%
Real Estate	REA	-0.9	-0.2	2.9	4.2	35.7	50.7	49.3	-29.7%	2.9%
Utilities	UTE	-1.0	-2.0	-6.7	-1.4	17.7	18.5	18.0	-4.4%	2.8%

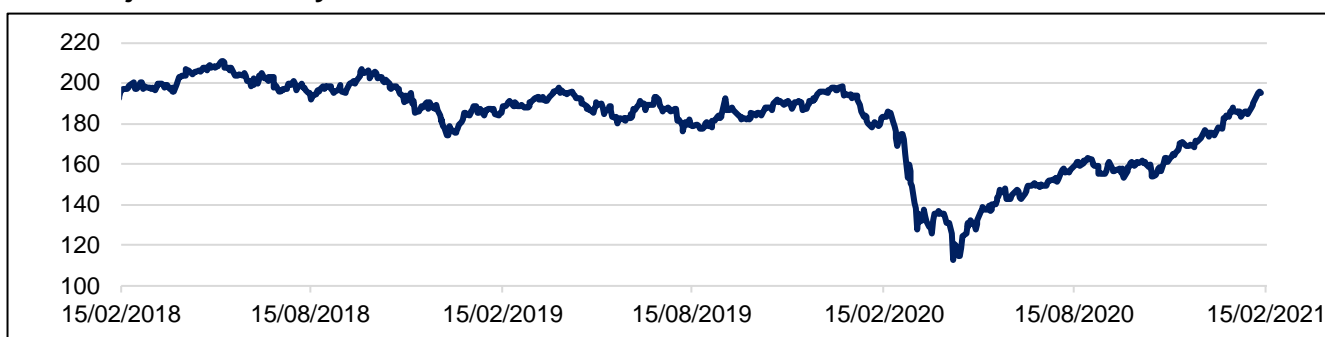
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

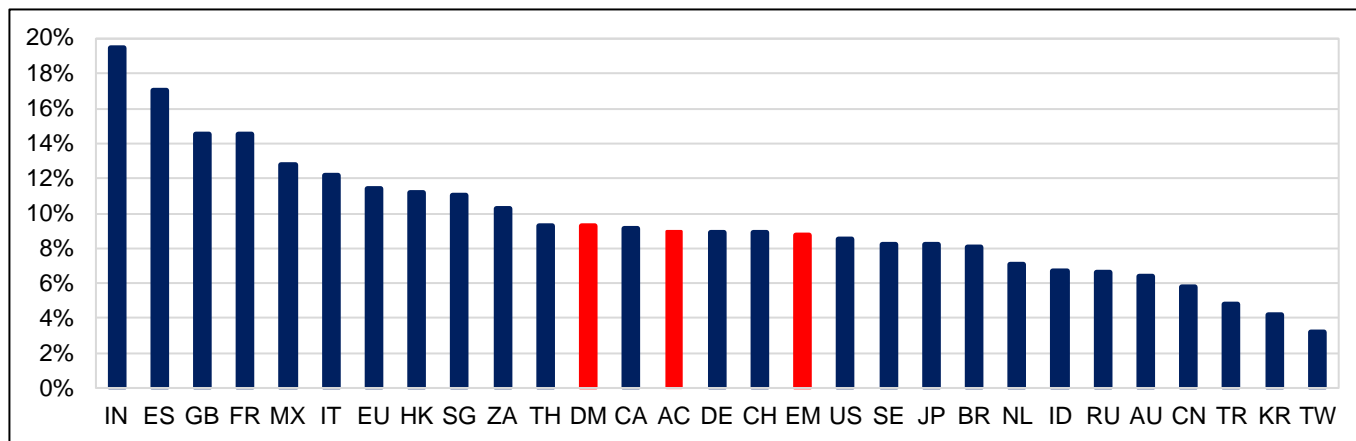


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities		-								
CRB Commodity Index	USD	3475.23	1.0%	2.5%	3.8%	20.8%	20.3%	10.1%	12.2%	12.2%
Gold Spot	USD	1794.31	-1.3%	-2.3%	-1.8%	-5.0%	13.3%	-2.8%	-5.4%	-5.4%
Copper Spot	USD	3.85	1.2%	3.1%	6.8%	19.5%	47.7%	7.7%	9.5%	9.5%
Brent Crude Spot	USD	64.39	-0.4%	6.5%	18.1%	50.4%	11.1%	16.2%	26.6%	26.6%
CRB Agricultural Index	USD	7051.38	0.7%	1.7%	5.1%	21.1%	30.3%	9.7%	13.3%	13.3%
Currencies		-								
DXY USD Index	USD	90.51	0.0%	0.1%	-0.3%	-2.3%	-8.7%	-0.1%	0.6%	0.6%
EUR/USD	USD	1.21	-0.2%	-0.1%	0.2%	2.1%	11.8%	-0.3%	-0.9%	-0.9%
USD/JPY	JPY	106.04	0.6%	1.4%	2.1%	1.4%	-3.4%	1.3%	2.7%	2.7%
GBP/USD	USD	1.39	0.0%	0.6%	2.3%	5.4%	6.6%	1.5%	1.7%	1.7%
USD/CNY	CNY	6.45	0.0%	0.3%	-0.4%	-2.0%	-7.6%	0.5%	-1.1%	-1.1%
Bond Yields		-								
DE 10Y BUND	EUR	-0.35	-9.1%	-22.1%	-35.6%	-36.0%	-13.0%	-32.9%	-39.3%	-39.3%
GB 10Y GILT	GBP	0.62	8.6%	33.8%	115.6%	76.9%	-1.3%	89.9%	216.8%	216.8%
JP 10Y JGB	JPY	0.10	5.3%	14.3%	158.1%	281.0%	-375.9%	56.9%	281.0%	281.0%
US 10Y BILL	USD	1.30	8.3%	12.3%	18.4%	43.4%	-18.2%	18.7%	42.4%	42.4%
US 30Y BOND	USD	2.09	4.3%	7.3%	12.9%	26.0%	2.3%	12.5%	27.3%	27.3%
US 10-2 BOND	-	1.18	-2.6%	7.1%	28.6%	74.7%	73.2%	13.6%	40.8%	40.8%
Volatility		-								
CBOE VIX Index	USD	21.46	0.07	-0.01	-0.12	-0.04	0.57	-0.35	-0.06	-0.06

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	-3.4	5.1	1.8	1.5	2.8	-6.3	-18.7	-8.7	109	131
Canada	1.7	1.7	-5.5	3.6	1.9	0.6	1.3	-0.3	-19.9	-8.7	89	115
Brazil	1.9	1.1	-4.5	3.6	3.7	2.7	2.9	-6.0	-16.8	-6.5	90	101
Mexico	1.3	-0.3	-8.5	4.3	3.6	3.4	3.3	-2.3	-5.8	-3.4	54	66
Europe												
Eurozone	18.3	1.7	-7.2	4.2	1.4	0.8	1.2	-0.6	-9.7	-4.8	79	95
Germany	3.9	0.6	-5.4	3.5	1.3	0.5	1.1	1.5	-8.2	-3.2	60	73
UK	2.7	1.5	-10.0	4.5	1.8	0.8	1.2	-2.2	-16.5	-9.2	85	108
France	2.7	1.5	-9.0	5.5	1.3	0.5	0.6	-3.0	-10.8	-6.5	98	119
Italy	2.0	0.3	-9.2	3.0	0.6	0.1	0.6	-1.6	-13.0	-6.2	135	162
Spain	1.4	2.0	-11.1	5.9	0.7	-0.2	0.8	-2.8	-14.1	-7.5	96	123
Netherlands	0.9	1.7	-4.1	3.0	2.7	1.2	1.5	1.7	-8.8	-4.9	48	59
Switzerland	0.7	1.2	-5.3	3.6	0.4	-0.8	0.0	1.5	-4.2	-1.4	42	49
Sweden	0.5	1.3	-4.7	3.5	1.6	0.8	1.4	0.4	-5.9	-2.0	35	42
Russia	1.6	1.3	-3.6	3.0	4.5	3.2	3.2	1.9	-5.3	-2.6	14	19
Turkey	0.7	0.9	1.2	6.0	15.2	11.9	11.9	-5.6	-7.9	-7.9	33	42
Asia												
China	14.1	6.1	2.3	8.1	2.9	2.9	2.7	-6.3	-11.9	-11.8	53	62
Hong Kong	0.4	-1.2	-7.5	3.7	2.9	0.3	2.4	-1.5	-11.8	-6.6	0	0
Japan	5.2	0.7	-5.1	3.1	0.5	-0.1	0.3	-3.3	-14.2	-6.4	238	266
India	2.9	4.2	-8.0	11.5	4.8	4.9	3.7	-8.2	-13.1	-10.9	72	89
Korea	1.6	2.0	-1.1	3.1	0.4	0.5	0.9	0.4	-3.2	-2.3	42	48
Australia	1.4	1.8	-2.9	3.5	1.6	0.7	1.3	-3.9	-10.1	-10.5	46	60
Indonesia	1.1	5.0	-1.9	4.8	2.8	2.1	1.6	-2.2	-6.3	-5.5	31	39
Taiwan	0.6	2.7	0.0	3.2	0.5	-0.1	1.0	-1.8	-4.7	-3.2	33	36
Thailand	0.5	2.4	-6.6	2.7	0.7	-0.4	1.8	-0.8	-5.2	-4.9	41	50
Singapore	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	0.4	0.2	-7.5	2.8	4.1	3.3	3.9	-6.3	-14.0	-11.1	62	79
World												
Developed Markets	51.7	1.7	-4.9	4.3	1.4	0.8	1.6	-3.3	-14.2	-6.8	104	124
Emerging Markets	34.9	3.7	-2.4	6.3	5.1	5.0	4.7	-4.8	-10.4	-8.8	52	61
World	86.6	2.8	-3.5	5.5	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	Indicator
Earnings revisions	Rolling earnings revisions ratio
Price momentum	Change in trailing P/E ratio
Business cycle	Correlation to this business cycle stage (rising, neutral, falling)

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



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