

# EYE ON THE WORLD

## Taking the growth pulse Monday, February 15

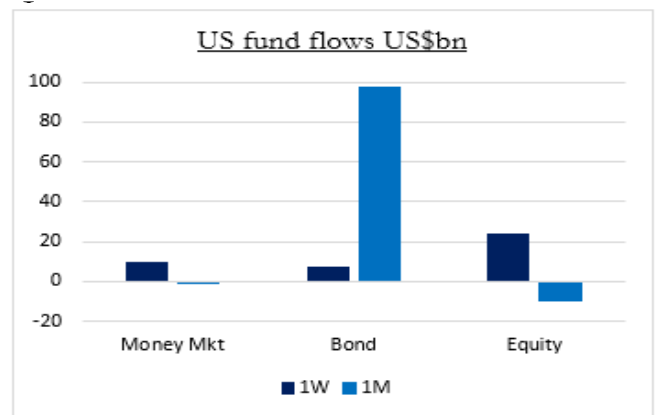
Global markets at new highs with reflation trade driven by vaccine progress, stimulus outlook, strong Q4 earnings. We remain optimistic a rare third year of 10%+ overall equity gains, focused on cyclicals and IT sector barbell. **HOT TOPICS** shortened week ahead, with US\$1.9trn stimulus bill in c'mtee, hearings on GameStop, FOMC minutes focus on tapering and upcoming CPI 'spike', US Q4 EPS wind down with strong +17pp 'beats', and flash Feb. PMI to show EU/UK stable at contraction level and US still strong 58.

Markets hit new all-time highs last week, with S&P 500 now +5% YTD, NASDAQ twice that, and small cap 3x. **Global reflation trade** led by commodities, EM, small cap, with US 10yr-2yr yield curve at 109bps, greatest in 4-yrs. Drivers triumvirate of lower virus cases and vaccine rollout, additional US fiscal stimulus, near-record quarterly earnings beat. We are optimistic a rare third year of 10%+ overall equity gains, focused on cyclicals and IT barbell. Asia markets stronger – but China closed until Weds. – with Europe up, and US closed for Presidents Day.

### Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3916.4	0.5%	1.2%	4.8%
ACWI xUS	56.5	0.4%	2.4%	6.9%
DXY USD	90.4	0.1%	-0.6%	0.6%
US 10Y YLD	1.20	3.6%	2.6%	31.6%
Brent Spot	62.4	0.0%	1.6%	20.4%
Gold Spot	1823.5	-0.1%	0.7%	-3.9%

**Euphoria risks return.** Equities (US ETF + mutual fund) inflows surged to cUS\$24bn last week, per Lipper, vs only US\$9bn to safer-haven money markets, and US\$7bn to bond funds (see chart). Pct. investors 'bullish' in wkly. American Association Individual



Source: Lipper, THR. \* Fund flows by domicile. ETF+Mutual Fund

### HIGHLIGHTS FROM REST OF DOC

- Hot Topics on [Week Ahead](#). US\$1.9trn stimulus bill in c'mtee, hearings on GameStop, FOMC minutes, Q4 EPS wind down, Feb. PMI w/ EU/UK stable at contraction level and US strong.
- [What to watch](#): US Presidents Day, China lunar NY holidays. Q4 EPS and US stimulus outlook
- [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	3916.4	0.5%	1.2%	4.8%
NASDAQ	13734.3	0.5%	1.7%	9.4%
Russell 2000	2289.4	0.2%	2.5%	15.9%
US IT	520.0	0.4%	2.1%	7.9%
US Healthcare	435.0	0.7%	1.5%	5.8%
US Financials	213.8	0.8%	2.0%	8.1%

Investor ([AAII](#)) survey also rebounded sharply to 45.5%, above 38% historic average, whilst VIX volatility index fell below 20 for first time in year.

**Is a clear market risk after dramatic Q4 jump,** and with our sentiment index near contrarian 'sell' level. Jan. 20<sup>th</sup> *Investor sentiment tightrope.*

**After impeachment?** Senate acquitted Pres. Trump in 57-43 trial vote, ten short of needed for impeachment. Allows immediate refocusing of legislative attention and time on US\$1.9trn fiscal stimulus 'reconciliation' process, set for possible committee passage this week and full vote as early as next. Similarly, other elements of Biden economic agenda, such as cUS\$2trn infrastructure plan could also now see more focus. **Pro-growth plan to drive US economic and earnings surprise this year.** See Feb. 10<sup>th</sup>, *US upside surprise.*

**Next stress test.** Fed [announced](#) annual 2021 stress test parameters for 19 major banks. Last year banks faced two tough stress tests given covid-recession, along with buyback and dividend curbs. Fed proposed 'severely-adverse' scenario incl. a 4% GDP recession, 4% additional unemployment rate, and 55% equity market fall. Results released by June 30<sup>th</sup>. and likely see further loosening of div.

## FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	90.4	0.1%	-0.6%	0.6%
EUR/USD	1.21	-0.1%	0.6%	-0.8%
US 10Y YLD	1.20	3.6%	2.6%	31.6%
US 10-2 BOND	1.09	3.6%	-1.2%	39.8%
CBOE VIX Index	21.3	-6.0%	-4%	-12%
CRB Index	3392.0	0.7%	2.7%	10.3%

## Events to Watch

Indicator	Period	Forecast	Last
Industrial Output MM, EU	Dec	-1.01	2.50
Industrial Output YY, EU	Dec	-0.30	-0.60

and buyback rules. **We are neutral financials, seeing more upside in other cyclicals.**

## Sector Views

S&P 500 led up Friday by energy (+1.6%), and materials (+1.0%), whilst utilities (-0.8%) and real estate (-0.1%) lagged. **US earnings homestretch.** 51 S&P 500 co's reporting this week, with 81% beating expectations so far. Week focused on 're-openers' such as Royal Caribbean, Norwegian, Hilton, Marriot, as well as Walmart. **Cyclical momentum.** Korea Feb. 1-10 exports surged 69.1% y/y on strong global for semiconductor chips (+58%), autos (+102%), and mobile phones (+88%), and led by growth in EU and US shipments.

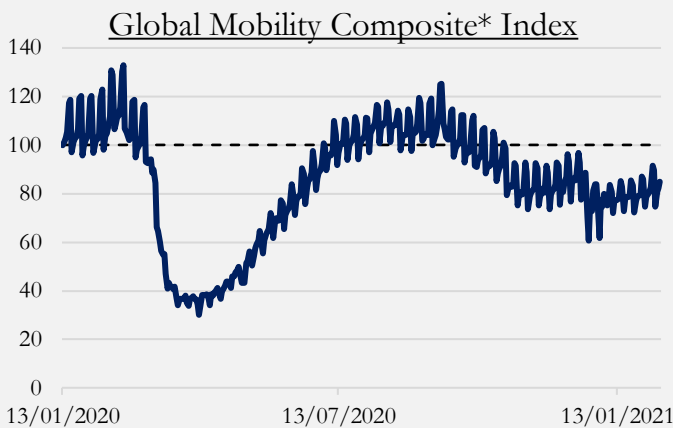
## What to Watch

Friday **unexpected fall in US consumer sentiment** with Univ. Michigan flash Feb. index down to 76.2, driven by lower-income consumers, and with inflation expectations highest since 2014, supporting need for fiscal stimulus. **Japan Q4 GDP upside surprise.** World's no.3 economy grew annualised 12.7%, above expectations and ahead of US and EU pace, led by exports and capex. **New Italian gov.** Ex-ECB Pres. Draghi took office as PM, with a balanced political and technocratic cabinet, and to unveil agenda and face parliamentary confidence votes this week. Stabilizes EU political outlook and avoids disruptive new elections.

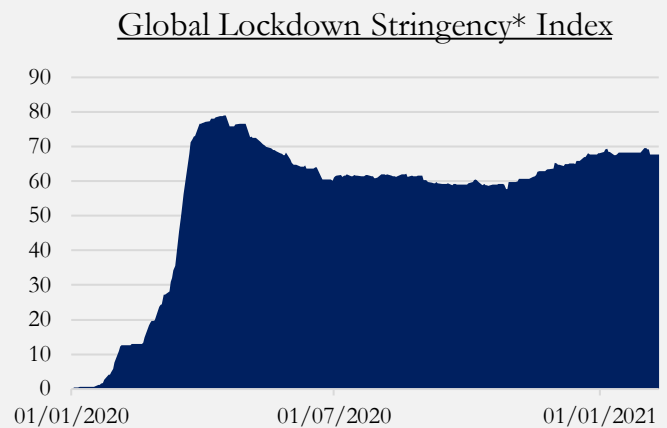
# HOT TOPICS

## TAKING THE GROWTH PULSE

Shortened global week with US President' Day and China NY holiday. Focus on US\$1.9trn stimulus bill in c'mtee this week and likely going to full vote week after. Also, Congress hearings on GameStop and retail investing boom, and FOMC minutes focus on tapering and upcoming headline CPI 'spike' commentary. US Q4 EPS winding down with 25% co's left and near-historic +17pp beats. Flash Feb. PMI to show EU/UK stable at contractionary level and US at still-strong 58. Falling global virus cases opening up room for lockdown ease.



Source: Apple, THR. \* Top-15 economies. Driving, Walking, Mass Transit



Source: Oxford Gov. Response Tracker, THR. \*Top-15 economies

### Global activity proxy rise continues

Our global activity 'proxy' rose 4.9% WoW vs prior +2.5% change. By contrast, US decelerated with 0.9% rise, following 4.0% increase prior week. Index combines Apple driving, walking, mass transit mobility data in top 15 economies, with the driving segment showing 14 of 15 with 2-week rises.

#### Driving Index

Countries	vs 13th Jan	at trough	vs trough	vs 2Wks
Australia	11.7%	-73.1%	314.5%	2.9%
Brazil	2.4%	-72.4%	271.4%	1.6%
Canada	-14.0%	-64.8%	144.4%	2.8%
France	-16.1%	-84.7%	447.6%	-0.5%
Germany	-26.7%	-62.1%	93.3%	0.2%
India	40.9%	-83.7%	764.5%	1.5%
Indonesia	-11.1%	-63.5%	143.8%	13.3%
Italy	-17.7%	-87.3%	550.2%	15.1%
Japan	17.2%	-35.3%	81.1%	24.5%
Mexico	-12.9%	-67.8%	170.7%	7.1%
Korea	-21.1%	-52.5%	65.9%	40.3%
Russia	12.0%	-54.0%	143.5%	4.9%
Spain	-33.0%	-89.1%	512.6%	7.4%
UK	-30.4%	-75.5%	184.5%	0.4%
US	3.7%	-62.6%	177.0%	4.8%
<b>Average</b>	<b>-6.3%</b>	<b>-68.6%</b>	<b>271.0%</b>	<b>8.4%</b>

Source: Apple Mobility Trends, THR

### Global restrictions set to ease

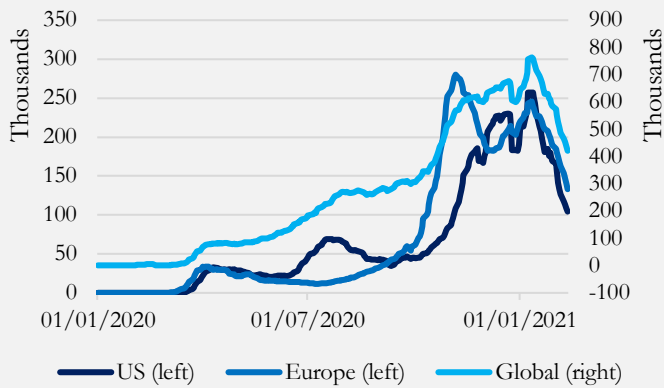
The global lockdown restrictions index of top 15 economies fell 2.1% last week to an average of 68, and likely accelerates as global new cases continue to fall sharply and vaccination rollout continues. US and Russia only other economies seeing changes in last 2-weeks, both with declines, 5% and 9% respectively.

#### Stringency Index

Countries	Current level	Peak	vs peak	vs 2Wks
Australia	53	76	-30%	2%
Brazil	73	81	-10%	0%
Canada	76	76	0%	0%
France	64	88	-27%	0%
Germany	83	85	-2%	0%
India	69	100	-31%	0%
Indonesia	64	80	-20%	0%
Italy	79	94	-16%	0%
Japan	53	53	0%	0%
Mexico	72	82	-13%	0%
Korea	64	82	-22%	0%
Russia	46	87	-47%	-9%
Spain	71	85	-16%	0%
UK	82	82	0%	0%
US	68	76	-10%	-5%
<b>Average</b>	<b>68</b>	<b>79</b>	<b>-14%</b>	<b>-1%</b>

Source: Oxford COVID-19 Government Response Tracker, THR

### New Daily COVID-19 Cases 7-day Av.



Source: John Hopkins, Refinitiv, THR

#### Global virus cases continue to fall fast

Global [new cases](#) rolling avg. now below 420k, -20% from last week and -44% from all time high 760k. Declines seen in both US and Europe, both (-21%), led by Spain (-33%) and UK (-24%). France and Italy also saw small falls.

#### Feb. US PMI strength vs Europe contraction

EU Markit composite flash February PMI est. at stable but contractionary 48.1 vs prior 47.8, led by services rise vs manufacturing fall. UK PMI seen steady at c42. Separately, EU Q4 GDP report expected -0.7% QoQ. By contrast, US composite PMI seen easing to a still very expansionary 58.

#### US Jan. retail and IP strength likely

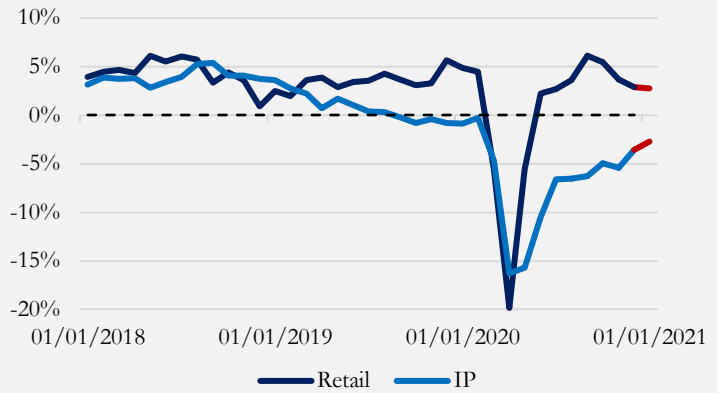
US Jan. retail sales and IP both likely to underpin relative economic momentum, est. +0.6% and 0.5% respectively vs prior month, boosted by latest December fiscal stimulus plan.

#### Events: The Week Ahead

Date	Country	Indicator	Period	Last	Forecast
14 February 2021	Japan	GDP QQ Annualised	Q4	22.90	9.46
16 February 2021	Euro Zone	GDP Flash Estimate YY	Q4	-5.10	-5.11
16 February 2021	Germany	ZEW Current Conditions	Feb	-66.40	-66.13
16 February 2021	Japan	Exports YY	Jan	2.00	5.61
17 February 2021	United States	Retail Sales MM	Jan	-0.70	0.61
18 February 2021	Euro Zone	Consumer Confid. Flash	Feb	-15.50	-14.89
18 February 2021	United States	Philly Fed Business Indx	Feb	26.50	21.18
19 February 2021	Euro Zone	Markit Comp Flash PMI	Feb	47.80	48.13
19 February 2021	Germany	Markit Service Flash PMI	Feb	46.70	46.41
19 February 2021	United Kingdom	Retail Sales MM	Jan	0.30	-3.29

Source: Refinitiv, THR

### US Retail Sales and IP YoY Growth



Source: Refinitiv, THR

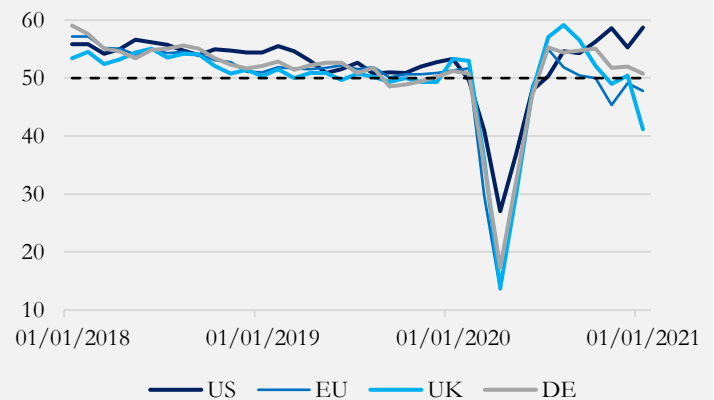
#### Fed FOMC minutes tapering and CPI focus

Expect continued dovish message with market focus on any stimulus withdrawal timing commentary, and inflation 'spike' outlook.

#### Q4 earnings wrapping up strong

Home-stretch on S&P 500 earnings with 25% left to report after surprisingly strong Q4 with 82% co's beating so-far by avg. 17% led by cyclicals discretionary, financials, and energy

#### Markit Composite PMI

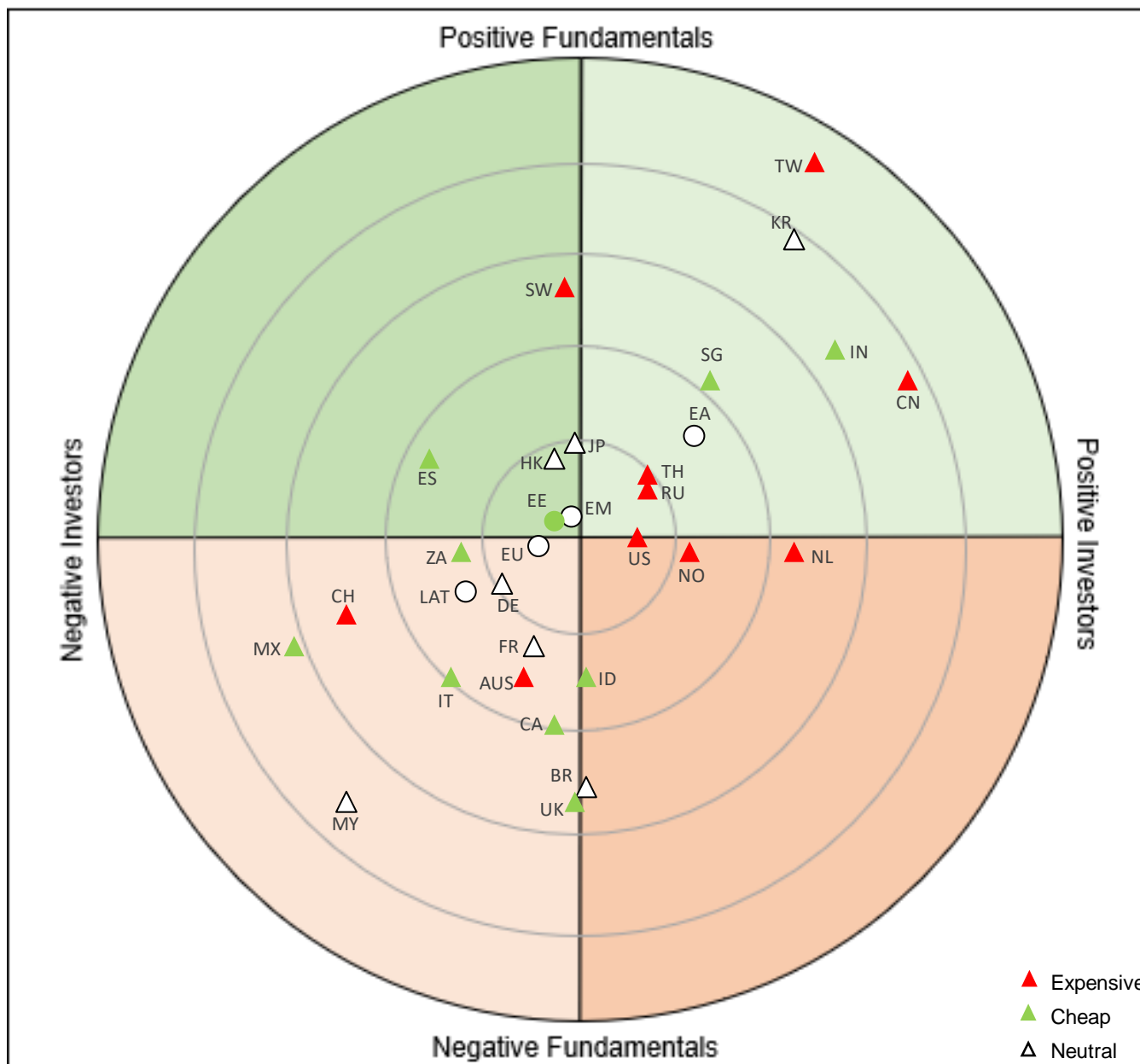


Source: Refinitiv, THR

# COUNTRY 'EYE' & ALLOCATIONS

## Country Allocation Views

Market	Main Index	THR View	Market	Main Index	THR View
US	S&P 500	Overweight	UK	FTSE 100	Underweight
EM	MSCI EM	Overweight	Canada	S&P/TSX	Overweight
Eurozone	EUROSTOXX	Neutral	Switzerland	SMI	Neutral
Japan	TOPIX	Underweight	Australia	S&P/ASX	Neutral



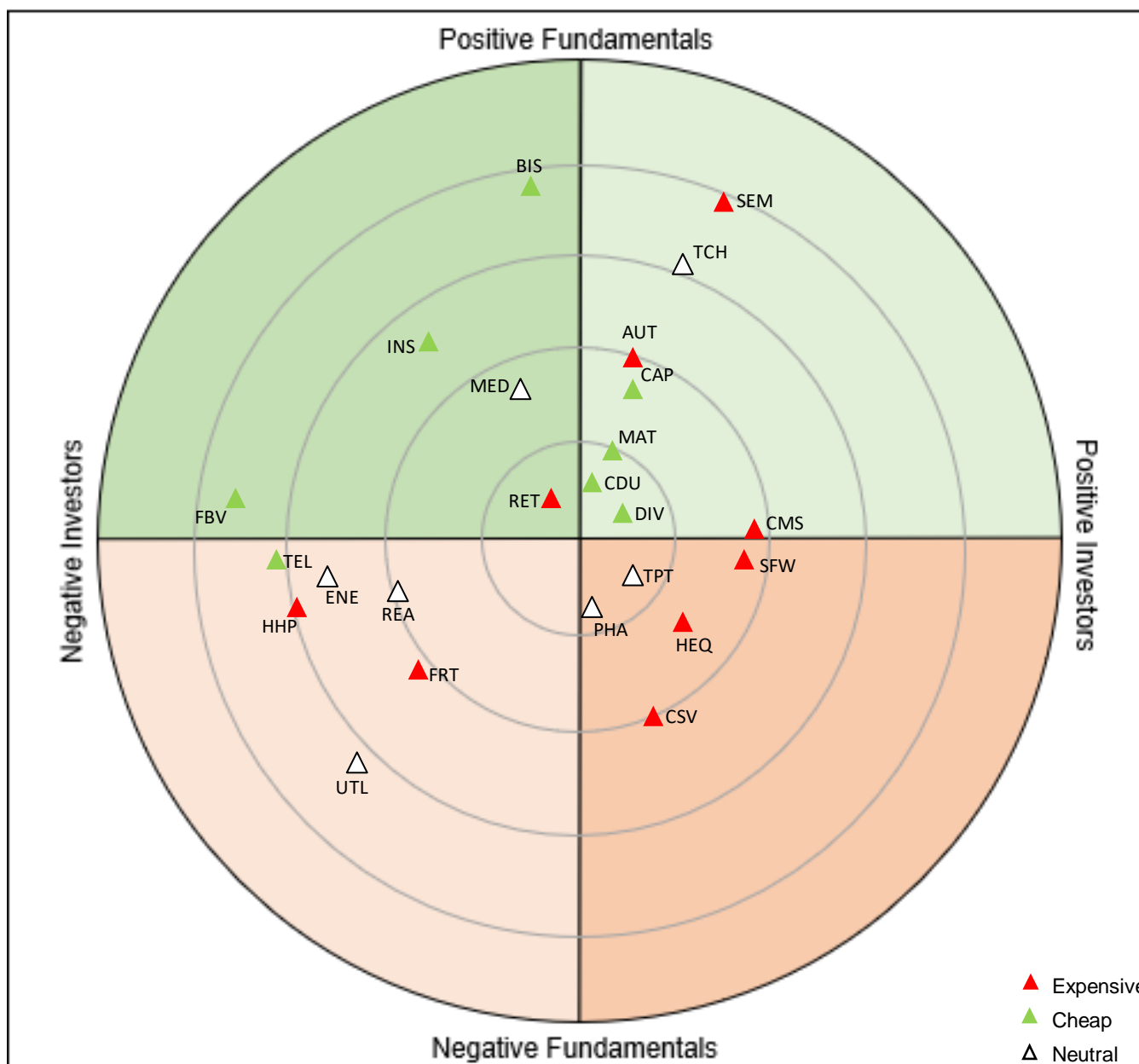
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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

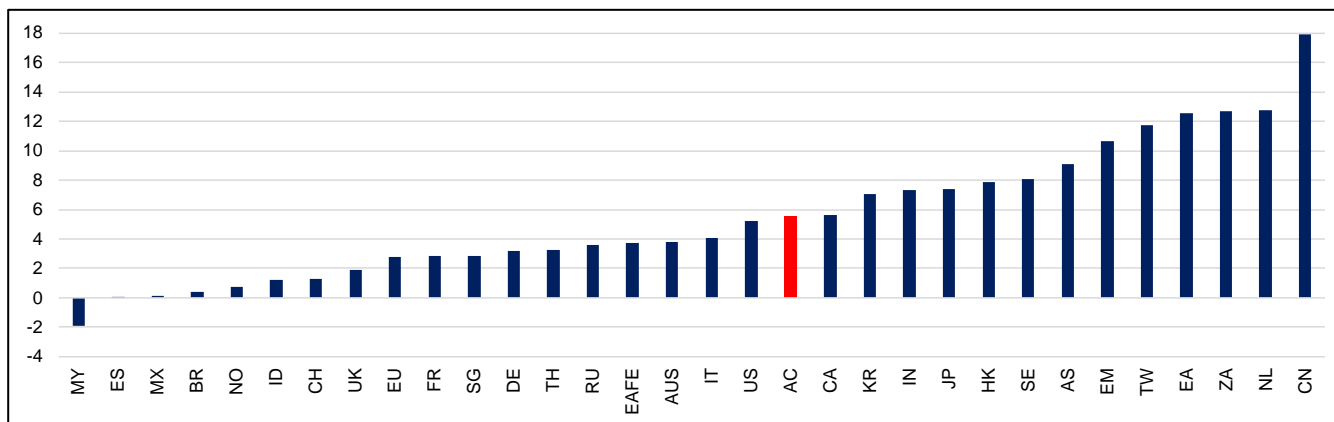
## 'EYE' ALLOCATION BREAKDOWN

Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>United States (Overweight):</b> 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
	<b>Emerging Markets (Overweight):</b> 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
	<b>Eurozone (Neutral):</b> 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
	<b>Japan (Underweight):</b> 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
	<b>UK (Underweight):</b> 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
	<b>Information Technology (Overweight):</b> 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
	<b>Healthcare (Neutral):</b> 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
	<b>Financials (Neutral):</b> 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
	<b>Communications (Overweight):</b> 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
	<b>Consumer Discretionary (Neutral):</b> 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



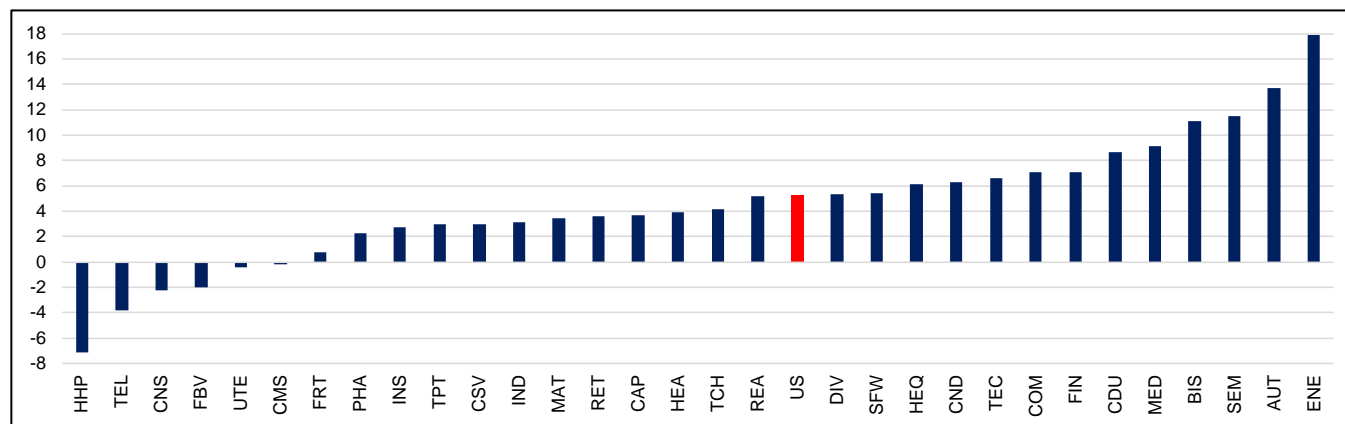
Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>World</b>	<b>AC</b>	<b>0.4</b>	<b>1.7</b>	<b>13.5</b>	<b>5.6</b>	<b>21.9</b>	<b>25.6</b>	<b>19.8</b>	<b>-14.6%</b>	<b>28.9%</b>
<b>EAFE</b>	<b>EAFE</b>	<b>0.3</b>	<b>2.1</b>	<b>11.3</b>	<b>3.7</b>	<b>18.0</b>	<b>24.0</b>	<b>17.5</b>	<b>-24.7%</b>	<b>37.0%</b>
<b>Europe</b>	<b>EU</b>	<b>0.6</b>	<b>1.9</b>	<b>10.1</b>	<b>2.7</b>	<b>16.6</b>	<b>23.7</b>	<b>17.2</b>	<b>-30.1%</b>	<b>37.7%</b>
<b>Asia</b>	<b>AS</b>	<b>-0.1</b>	<b>2.5</b>	<b>17.9</b>	<b>9.1</b>	<b>22.5</b>	<b>22.8</b>	<b>17.6</b>	<b>-1.2%</b>	<b>30.0%</b>
<b>Emerging Global Markets</b>	<b>EM</b>	<b>0.1</b>	<b>2.4</b>	<b>20.9</b>	<b>10.7</b>	<b>20.6</b>	<b>21.9</b>	<b>16.2</b>	<b>-6.0%</b>	<b>35.2%</b>
<b>Emerging Asia</b>	<b>EA</b>	<b>0.0</b>	<b>2.5</b>	<b>22.3</b>	<b>12.5</b>	<b>23.3</b>	<b>22.1</b>	<b>17.7</b>	<b>5.3%</b>	<b>25.3%</b>
Australia	AUS	-0.6	-0.4	6.9	3.8	23.9	21.3	18.8	12.4%	13.0%
Brazil	BR	0.1	-0.6	16.2	0.4	16.2	36.8	11.4	-56.0%	222.9%
Canada	CA	0.4	2.0	11.3	5.6	15.8	20.8	16.1	-24.1%	28.7%
China	CN	0.0	4.2	20.6	17.9	21.0	20.6	17.4	1.8%	18.4%
France	FR	0.5	0.6	6.2	2.8	16.3	29.4	17.9	-44.7%	64.0%
Germany	DE	0.0	0.2	9.4	3.2	17.7	22.9	16.3	-22.8%	40.5%
Hong Kong	HK	0.0	2.5	14.3	7.8	17.3	23.5	17.9	-26.4%	31.6%
India	IN	-0.1	2.2	18.1	7.3	30.4	30.2	22.3	0.6%	35.9%
Indonesia	ID	0.0	-0.1	6.7	1.2	17.3	23.0	17.4	-24.9%	32.1%
Italy	IT	0.4	1.0	11.4	4.1	11.5	21.0	13.6	-45.4%	55.1%
Japan	JP	0.2	2.5	13.1	7.4	23.0	23.9	17.5	-3.7%	36.8%
Korea	KR	0.0	-1.0	28.1	7.1	27.8	22.2	15.1	25.6%	46.3%
Malaysia	MY	0.0	1.1	-1.2	-1.9	18.0	22.5	13.5	-19.9%	66.4%
Mexico	MX	0.4	0.2	9.0	0.1	18.0	25.8	15.0	-30.3%	72.5%
Netherlands	NL	2.0	4.8	17.3	12.8	27.1	29.8	24.9	-9.2%	19.9%
Norway	NO	-0.4	-1.4	5.4	0.7	15.9	21.6	15.8	-26.1%	36.8%
Russia	RU	0.5	0.8	13.1	3.6	6.9	12.9	8.1	-46.4%	59.0%
Singapore	SG	0.0	1.5	8.1	2.9	13.2	21.3	14.6	-38.2%	46.6%
South Africa	ZA	0.7	3.1	14.1	12.7	17.5	17.2	11.2	1.8%	52.8%
Spain	ES	0.3	-1.9	5.3	0.0	12.0	21.4	15.6	-44.1%	37.0%
Sweden	SE	0.6	1.7	8.8	8.1	19.0	24.2	19.3	-21.2%	25.3%
Switzerland	CH	0.3	1.2	3.1	1.3	20.9	22.5	19.5	-7.1%	15.1%
Taiwan	TW	0.0	0.0	26.0	11.8	27.2	22.2	19.4	22.7%	14.6%
Thailand	TH	0.0	1.1	9.7	3.3	16.5	26.7	20.1	-38.2%	32.7%
United Kingdom	UK	1.0	1.6	3.5	1.9	12.9	20.9	14.1	-38.2%	48.0%
United States	US	0.5	1.4	12.7	5.2	25.2	27.9	22.8	-9.7%	22.5%

Source: MSCI, Refinitiv, THR



# US SECTOR PERFORMANCE & VALUATION

## Total Return YTD

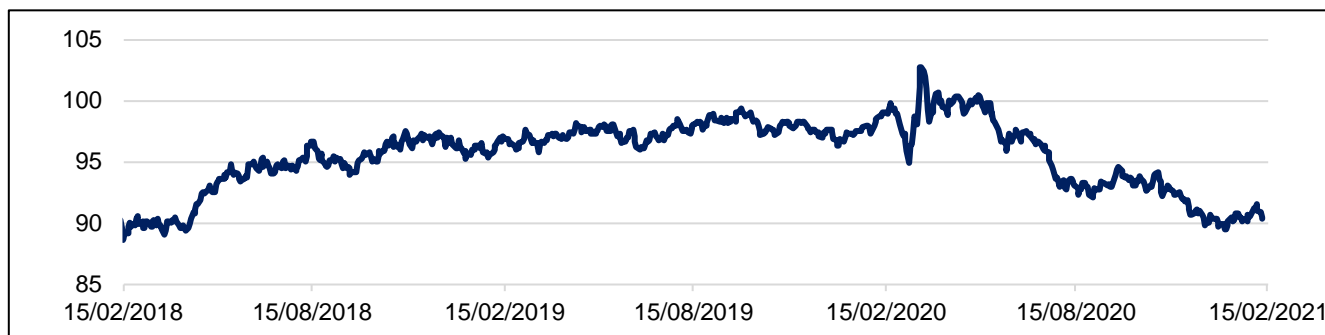


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>United States</b>	<b>US</b>	<b>0.5</b>	<b>1.4</b>	<b>12.7</b>	<b>5.2</b>	<b>25.2</b>	<b>27.9</b>	<b>22.8</b>	<b>-9.7%</b>	<b>22.5%</b>
<b>Communications</b>	<b>COM</b>	<b>0.1</b>	<b>1.3</b>	<b>13.1</b>	<b>7.1</b>	<b>26.9</b>	<b>27.6</b>	<b>24.4</b>	<b>-2.4%</b>	<b>12.9%</b>
Media & Entertainment	MED	0.1	1.8	16.6	9.2	35.6	36.1	30.4	-1.5%	18.9%
Telecommunication Svcs	TEL	-0.1	-1.3	-3.9	-3.8	11.2	11.7	11.4	-4.1%	2.0%
<b>Consumer Discretionary</b>	<b>CND</b>	<b>0.2</b>	<b>-1.0</b>	<b>13.6</b>	<b>6.3</b>	<b>43.1</b>	<b>56.7</b>	<b>37.3</b>	<b>-24.0%</b>	<b>51.9%</b>
Autos & Components	AUT	0.1	3.0	31.4	13.7	56.1	88.6	44.6	-36.7%	98.4%
Consumer Durables & App	CDU	-0.7	0.7	20.3	8.7	31.4	26.9	21.0	16.5%	28.4%
Consumer Svcs	CSV	0.3	0.0	13.4	3.0	24.3	NA	60.3	-114.6%	NA
Retailing	RET	0.2	-0.9	8.9	3.6	49.7	46.7	37.0	6.5%	26.1%
<b>Consumer Staples</b>	<b>CNS</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.3</b>	<b>-2.3</b>	<b>22.4</b>	<b>21.5</b>	<b>20.3</b>	<b>4.0%</b>	<b>6.1%</b>
Food & Staples Retailing	FRT	0.3	0.1	1.0	0.8	25.2	24.6	24.3	2.3%	1.3%
Food, Bev & Tobacco	FBV	0.3	0.4	2.2	-2.0	19.2	18.8	17.7	2.3%	6.4%
Household Products	HHP	-0.3	-1.3	-8.6	-7.1	27.7	24.6	22.6	12.6%	9.0%
<b>Energy</b>	<b>ENE</b>	<b>1.5</b>	<b>4.5</b>	<b>38.2</b>	<b>17.9</b>	<b>14.8</b>	<b>NA</b>	<b>25.8</b>	<b>-108.6%</b>	<b>NA</b>
<b>Financials</b>	<b>FIN</b>	<b>0.9</b>	<b>2.2</b>	<b>19.0</b>	<b>7.1</b>	<b>13.2</b>	<b>16.2</b>	<b>13.2</b>	<b>-18.5%</b>	<b>23.3%</b>
Banks	BIS	1.3	2.7	27.7	11.1	10.3	15.2	11.8	-32.3%	28.9%
Diversified Financials	DIV	0.9	2.0	15.6	5.4	17.5	18.6	15.6	-5.7%	19.2%
Insurance	INS	-0.3	1.3	9.6	2.7	12.8	14.0	11.5	-8.5%	21.2%
<b>Health Care</b>	<b>HEA</b>	<b>0.7</b>	<b>1.5</b>	<b>7.3</b>	<b>3.9</b>	<b>21.3</b>	<b>19.5</b>	<b>17.0</b>	<b>9.2%</b>	<b>14.5%</b>
Health Care Equipment	HEQ	1.0	2.7	10.0	6.1	35.7	36.2	27.5	-1.4%	31.4%
Pharmaceuticals	PHA	0.7	1.0	7.6	2.2	16.8	15.8	14.1	6.4%	12.1%
<b>Industrials</b>	<b>IND</b>	<b>0.6</b>	<b>1.7</b>	<b>9.9</b>	<b>3.1</b>	<b>23.2</b>	<b>30.2</b>	<b>23.1</b>	<b>-23.3%</b>	<b>31.0%</b>
Capital Goods	CAP	0.3	1.5	11.5	3.7	20.1	28.8	22.2	-30.2%	29.6%
Commercial & Prof Svcs	CMS	0.3	1.2	4.0	-0.2	35.1	34.3	31.0	2.5%	10.6%
Transportation	TPT	1.8	2.7	7.9	3.0	32.4	33.1	22.7	-1.9%	45.7%
<b>Information Technology</b>	<b>TEC</b>	<b>0.5</b>	<b>2.4</b>	<b>16.4</b>	<b>6.6</b>	<b>36.9</b>	<b>34.7</b>	<b>29.1</b>	<b>6.2%</b>	<b>19.5%</b>
Semiconductors	SEM	0.6	6.6	21.2	11.5	27.1	25.5	21.8	6.3%	17.0%
Software & Svcs	SFW	0.4	1.8	12.6	5.4	43.8	40.7	34.5	7.5%	17.9%
Technology Hardware	TCH	0.3	-0.1	17.0	4.2	35.3	33.8	27.3	4.4%	23.6%
<b>Materials</b>	<b>MAT</b>	<b>1.0</b>	<b>1.4</b>	<b>11.6</b>	<b>3.4</b>	<b>23.7</b>	<b>25.8</b>	<b>19.9</b>	<b>-8.2%</b>	<b>29.3%</b>
<b>Real Estate</b>	<b>REA</b>	<b>-0.1</b>	<b>1.5</b>	<b>7.6</b>	<b>5.2</b>	<b>35.7</b>	<b>50.7</b>	<b>49.3</b>	<b>-29.7%</b>	<b>2.9%</b>
<b>Utilities</b>	<b>UTE</b>	<b>-0.8</b>	<b>-1.6</b>	<b>-3.8</b>	<b>-0.4</b>	<b>17.7</b>	<b>18.5</b>	<b>18.0</b>	<b>-4.4%</b>	<b>2.8%</b>

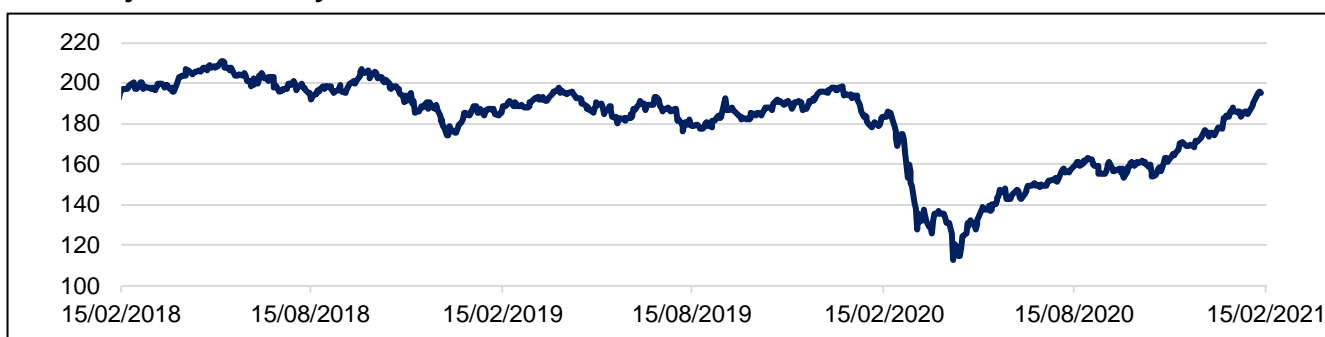
Source: MSCI, Refinitiv, THR

# GLOBAL FX, BONDS AND COMMODITIES

## DXY USD Index - 3 years



## CRB Major Commodity Index\* - 3 Years

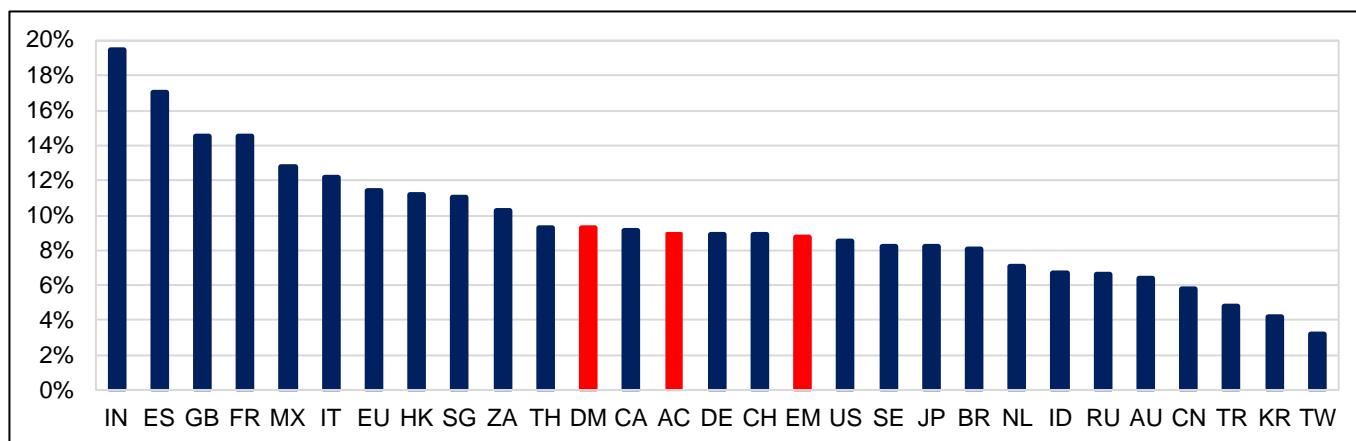


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
<b>Commodities</b>		-								
CRB Commodity Index	USD	3391.95	0.7%	2.7%	1.0%	24.3%	16.4%	8.2%	10.3%	10.3%
Gold Spot	USD	1823.46	-0.1%	0.7%	-1.7%	-2.8%	16.5%	-1.2%	-3.9%	-3.9%
Copper Spot	USD	3.79	0.4%	4.5%	5.5%	21.0%	45.9%	6.4%	8.2%	8.2%
Brent Crude Spot	USD	62.41	0.0%	1.6%	9.6%	45.5%	9.1%	10.5%	20.4%	20.4%
CRB Agricultural Index	USD	6925.23	0.9%	2.7%	3.8%	25.1%	26.5%	8.7%	12.2%	12.2%
<b>Currencies</b>		-								
DXY USD Index	USD	90.42	0.1%	-0.6%	0.4%	-2.7%	-8.7%	-0.1%	0.6%	0.6%
EUR/USD	USD	1.21	-0.1%	0.6%	-0.7%	2.7%	11.5%	-0.1%	-0.8%	-0.8%
USD/JPY	JPY	104.93	0.2%	-0.4%	1.1%	-0.2%	-4.7%	0.2%	1.6%	1.6%
GBP/USD	USD	1.38	0.2%	0.8%	1.3%	5.6%	6.8%	1.0%	1.3%	1.3%
USD/CNY	CNY	6.45	0.0%	-0.2%	-0.1%	-2.4%	-7.4%	0.5%	-1.1%	-1.1%
<b>Bond Yields</b>		-								
DE 10Y BUND	EUR	-0.43	-6.1%	-2.9%	-8.3%	-19.6%	14.7%	-17.3%	-25.2%	-25.2%
GB 10Y GILT	GBP	0.52	10.4%	7.5%	46.2%	48.3%	-15.3%	58.7%	164.8%	164.8%
JP 10Y JGB	JPY	0.07	-14.5%	3.2%	109.7%	116.7%	-266.7%	27.5%	209.5%	209.5%
US 10Y BILL	USD	1.20	3.6%	2.6%	5.4%	35.4%	-26.4%	9.7%	31.6%	31.6%
US 30Y BOND	USD	2.00	3.0%	1.5%	6.3%	21.3%	-4.2%	7.9%	22.0%	22.0%
US 10-2 BOND	-	1.09	3.6%	-1.2%	29.9%	72.7%	65.9%	14.8%	39.8%	39.8%
<b>Volatility</b>		-								
CBOE VIX Index	USD	21.25	-0.06	-0.04	-0.14	-0.21	0.45	-0.40	-0.12	-0.12

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
<b>Americas</b>												
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
<b>Europe</b>												
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
<b>Asia</b>												
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
<b>Other</b>												
South Africa	0.4	0.2	-7.5	2.8	4.1	3.3	3.9	-6.3	-14.0	-11.1	62	79
<b>World</b>												
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
<b>Production</b>												
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
<b>Labour Markets and Income</b>												
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
<b>Prices</b>												
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
<b>Government</b>												
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
<b>Production</b>												
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
<b>Labour Markets and Income</b>												
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
<b>Prices</b>												
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
<b>Government</b>												
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
<b>Production</b>												
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
<b>Prices</b>												
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
<b>Government</b>												
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 2<sup>nd</sup> 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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