

EYE ON THE WORLD

Elusive Brexit rebound

Thursday, March 04

Markets down sharply, led by tech, as US 10-yr yields rose despite weak US services and jobs data yesterday. Focus Fed. Chair Powell bond commentary today. NASDAQ now down 8% from all-time high on rising yields. See a cyclicals catch-up not strong tech rotation. **HOT TOPICS** on UK lagging global equities on lite-Brexit impacts and strongest G10 FX. See lagging other cyclicals (EM, Canada, EU financials), but with significant catch-up opportunity in our cheaper/leveraged UK 'losers' basket.

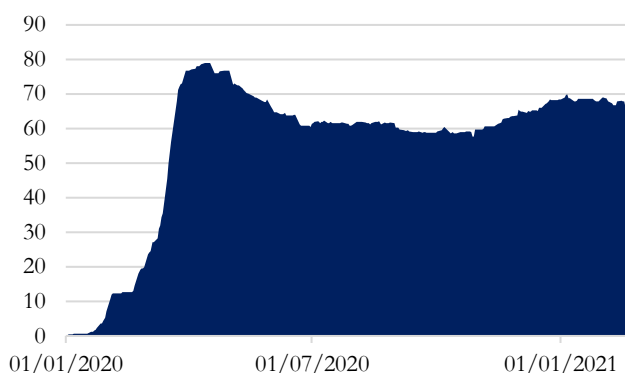
Markets down sharply, led by tech, and VIX +11%, as US 10-yr bond yields rose to 1.48%, despite weak US services and jobs data yesterday. Yields remain below 1.61% peak last week, with focus on Fed. Chair Powell commentary today (see below). NASDAQ now down 8% from mid-Feb. all-time high. We see markets better supported than feared, **with higher earnings to offset lower valuations. See cyclicals catch-up not big tech rotation**, given strong growth and balance-sheets. Asia markets fell sharply overnight, with Europe and US futures down today.

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3870.3	-1.3%	-2.7%	1.7%
ACWI xUS	55.1	-0.4%	-1.9%	3.8%
DXY USD	90.9	0.2%	0.9%	1.1%
US 10Y YLD	1.47	3.9%	5.8%	61.2%
Brent Spot	65.6	1.2%	-2.8%	28.9%
Gold Spot	1711.0	-1.6%	-5.2%	-9.8%

US reopening. Texas latest and biggest (8.5% GDP) state to allow businesses to reopen. Michigan, Mississippi, Louisiana also eased restrictions on bars, restaurants and businesses as has San Francisco. Oxford

Global Lockdown Stringency* Index



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

HIGHLIGHTS FROM REST OF DOC

- Hot Topics on [UK after Brexit](#). Lagging global equities on lite-Brexit impacts and strongest G10 FX, but with significant catch-up opportunity in our cheaper/leveraged UK 'losers' basket.
- [What to watch](#): Fed. Chair Powell speech, key focus on bond market views. Also, OPEC+ mtg.
- [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	3870.3	-1.3%	-2.7%	1.7%
NASDAQ	12683.3	-2.7%	-4.4%	0.8%
Russell 2000	2207.8	-1.1%	-3.4%	11.8%
US IT	498.5	-2.6%	-4.2%	0.3%
US Healthcare	418.8	-1.9%	-3.2%	-0.8%
US Financials	227.2	0.8%	-0.5%	14.8%

[Government Response Tracker](#) US lockdown stringency idx. 68 (0-100 scale), above average of major economies, but -10% from peak. Comes as US 7-day avg. new cases -c80% from peak and world-leading 79m vaccine doses administered. **Reopening to accelerate, driving 'reopener' stocks.** Feb. 23, *Reopeners way to go.*

Crypto positive. SEC Chair-designate Gensler promised more 'guidance and clarity' to crypto market during his Senate confirmation hearing. Previously taught a class on cryptocurrencies at MIT after stepping down as CFTC Chair. **Industry and ongoing institutionalization process to benefit from more certainty.** Comes as Coinbase digital currency exchange set to imminently direct list IPO, with up to US\$100bn valuation, making it by far the largest listed crypto 'pure-play'. See Aug. 19, *Exposure to the bitcoin rally.*

A Powell twist? Chair Powell speaks today, last before Mar. 17 Fed meeting, with focus if thinks bond yield spike needs response. Options from verbal intervention to version of Bernanke 2011 'Operation Twist' (10yr yield fell 240bps), increasing long-dated bond buying. Unlikely now with low absolute yield and little financial

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	90.9	0.2%	0.9%	1.1%
EUR/USD	1.21	-0.2%	-0.8%	-1.2%
US 10Y YLD	1.47	3.9%	5.8%	61.2%
US 10-2 BOND	1.33	-10.7%	-5.2%	44.7%
CBOE VIX Index	26.7	10.7%	25%	17%
CRB Index	3568.0	0.1%	-1.1%	15.2%

Events to Watch

Indicator	Period	Forecast	Last
Retail Sales MM, EU	Jan	-1.39	2.00
Unemployment Rate, EU	Jan	8.31	8.30
Initial Jobless Claims, US	27/02 w/e	764k	730k

conditions contagion so-far, but all-time high debt makes Fed watchful. **Equities more hurt by speed (50bps/mth.),** but tipping point likely over 2%. Jan. 22, *Impact of higher yields.*

Sector Views

S&P 500 fell sharply led by long-duration IT (-2.5%) and discretionary (-2.4%), whilst cyclicals/value energy (+1.4%) and financials (+0.7%) outperformed. **Oil boost.** On expectations OPEC+ meeting today may decide to extend current cuts vs consensus expectations for overall 1.5mbps increase – unwind of Saudi 1.0mbpd voluntary cuts and 0.5mbps of OPEC+ 7.2mbpd cuts. We are neutral, focused on dividend-paying majors.

What to Watch

Yesterday saw **UK look to post-crisis taxes,** a playbook to be followed by many. Announced more fiscal support in annual budget, but also that personal and corporate taxes to rise starting 2023. Feb. **US services ISM surprisingly weak,** to 52.7 vs prior 55.2, in contrast to Mfg. ISM acceleration to 60. Similarly, **ADP private monthly payrolls rose only 117k,** half expectations, ahead of tomorrow employment report. Today wkly. **US initial jobless claims** forecast to ease to 715k vs prior 750k, still well-above GFC peak levels, a year after crisis started. **China 'two sessions' annual political meetings** start, outlining 2021 policy agenda but stopping short of setting GDP target.

HOT TOPICS

ELUSIVE BREXIT REBOUND

UK equities surprisingly lagged global equities after Brexit-deal and despite world-leading vaccine rollout. Impact of lite-Brexit to linger, and strongest G10 FX a headwind for international-focused UK large caps. EPS revisions lagged, even as fund flows returned. Is in unattractive framework positioning, and we see lagging other cyclicals (EM, Canada, EU financials). See significant catch-up opportunity in our cheaper/leveraged 'losers' basket.

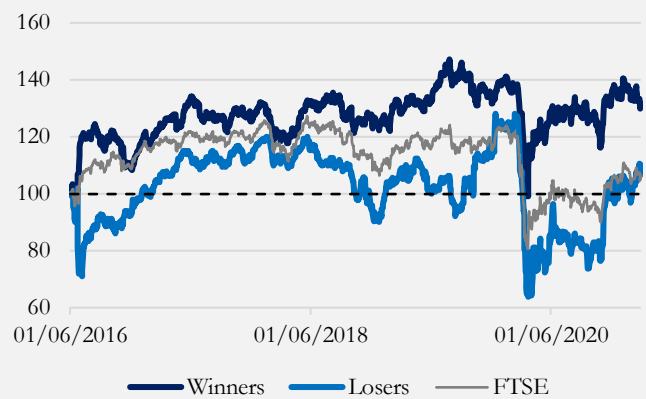
UK lagging despite....

UK equities continued to lag the global equity rebound, despite long-awaited Brexit deal and world-leading vaccine rollout. This is part driven by impact of strong GBP, and we see relative opportunities in our 'losers' basket. Expect UK to lag broader cyclical recovery, favoring EM/Canada/EU Financials, on Brexit-related drags. Market in unattractive 'sell' quadrant of our framework ([Page 5](#)), with average investor sentiment but poor relative fundamentals.

Our Brexit baskets

We calculated simple-weighted 15-stock FTSE 100 'winners' and 'losers' baskets to monitor Brexit impacts, based off stock price reactions to prior-Brexit related news-flow. See Nov. 20th, *Comparing Brexit baskets*. 'Winners' index seen long run outperformance with 22pp return

Brexit Baskets Price Performance



Source: Refinitiv, THR.

divergence since mid 2016 (+132% vs +110%). This has reversed recently given Brexit agreement, subsequent world-leading vaccine rollout, and continued fiscal support. The 'winners' basket is down 1.1% YTD vs 'losers' index +5.9% rebound.

Brexit Winners

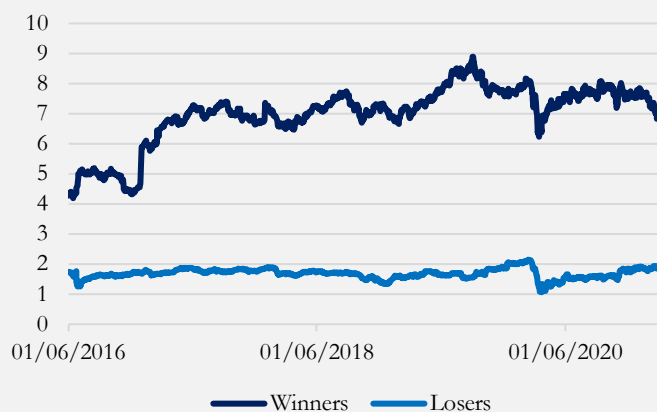
Company	Mcap US\$bn	Sector
UNILEVER (UK)	99.2	Consumer Staples
ASTRAZENECA	91.6	Healthcare
DIAGEO	67.2	Consumer Staples
BP	60.5	Energy
GLAXOSMITHKLINE	60.4	Healthcare
ROYAL DUTCH SHELL A(LON)	60.1	Energy
BRITISH AMERICAN TOBACCO	58.4	Consumer Staples
RECKITT BENCKISER GROUP	43.1	Consumer Staples
RELX	32.9	Industrials
COMPASS GROUP	26.8	Consumer Discretionary
ICTLHTLS.GP.	9.3	Consumer Discretionary
BURBERRY GROUP	7.4	Consumer Discretionary
POLYMETAL INTERNATIONAL	6.8	Basic Materials
FRESNILLO	6.7	Basic Materials
PEARSON	5.8	Consumer Discretionary

Brexit Losers

Company	Mcap US\$bn	Sector
BARCLAYS	28.0	Financials
LLOYDS BANKING GROUP	27.6	Financials
NATWEST GROUP	22.5	Financials
LEGAL & GENERAL	16.1	Financials
AVIVA	14.5	Financials
INTL.CONS.AIRL.GP.	10.2	Industrials
PERSIMMON	8.7	Consumer Discretionary
JD SPORTS FASHION	8.6	Consumer Discretionary
BARRATT DEVELOPMENTS	7.1	Consumer Discretionary
STANDARD LIFE ABERDEEN	6.9	Financials
ST.JAMES'S PLACE ORD	6.5	Financials
TAYLOR WIMPEY	6.1	Consumer Discretionary
BERKELEY GROUP HDG.	5.2	Consumer Discretionary
LAND SECURITIES GROUP	5.1	Real Estate
BRITISH LAND	4.6	Real Estate

Source: Refinitiv, THR.

Baskets 12m fwd P/BV



Source: Refinitiv, THR, .

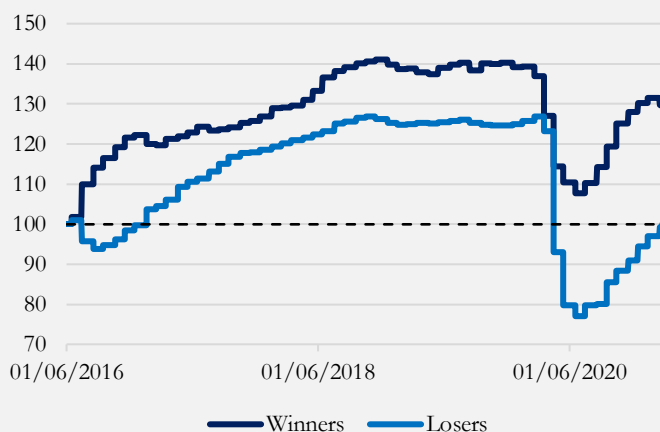
Explaining the differences

The winners basket is more **1) Overseas:** dominated by stocks with high proportion of overseas revenues (69% overall vs 25% for loser's index), **2) Bigger:** that tend to be much larger with average US\$42bn market cap (4x the losers index average), and **3) Sectors:** is dominated by healthcare, staples, discretionary, and energy sectors, whilst the losers basket is mainly financials, discretionary, and real estate.

Valuation gap stark. EPS catch up

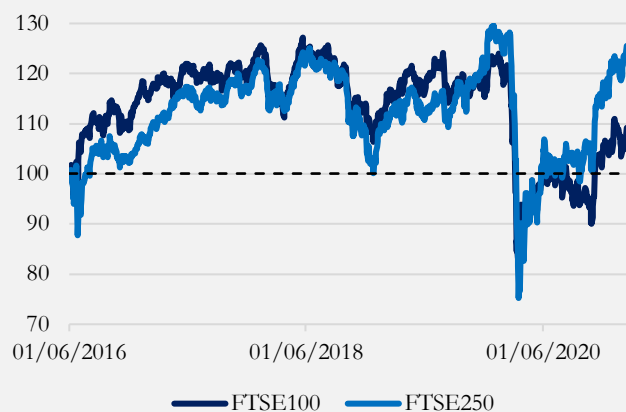
Valuation gulf is dramatic between two, driven by index composition. Winners fwd. P/BV at 6.5x, down from 8x but vs 2x for Loser's. Fwd. P/E similar with losers 12x vs winners 20x. Interestingly, sell-side more negative winners than losers, with RCS score of 2.5 vs 2.3. 12m fwd. earnings have increased 30% vs a 10% fall

Baskets 12m fwd EPS Index



Source: Refinitiv, THR.

FTSE Brexit Index Proxies



Source: Refinitiv, THR, .

for the Brexit losers since 2016. The current 12m fwd. EPS growth is +40% vs +23%, in winners favor.

Focus on 'Losers' upside

We see UK continuing to lag broader cyclical recovery, given strong FX impact, 'only' 30% P/E valuation discount, and not as unloved as oft perceived. UK funds seen cUS\$2bn net inflows last 3 months, equal to 8% AUM, 4th highest inflow of major markets. Whilst 12m fwd. EPS revisions are the 3rd worst of major markets, with only a 49% revisions ratio. See Feb. 26th, *Antidote to lower valuations*.

But we see continued opportunity for the more cyclical 'losers' basket, given its very discounted valuations, and impact of world-leading vaccine rollout (20m doses or 30% of pop.) on an accelerated 2H GDP rebound. This is estimated at third largest in world ([Page 11](#) and to drive a big earnings recovery catch-up from most depressed stocks.

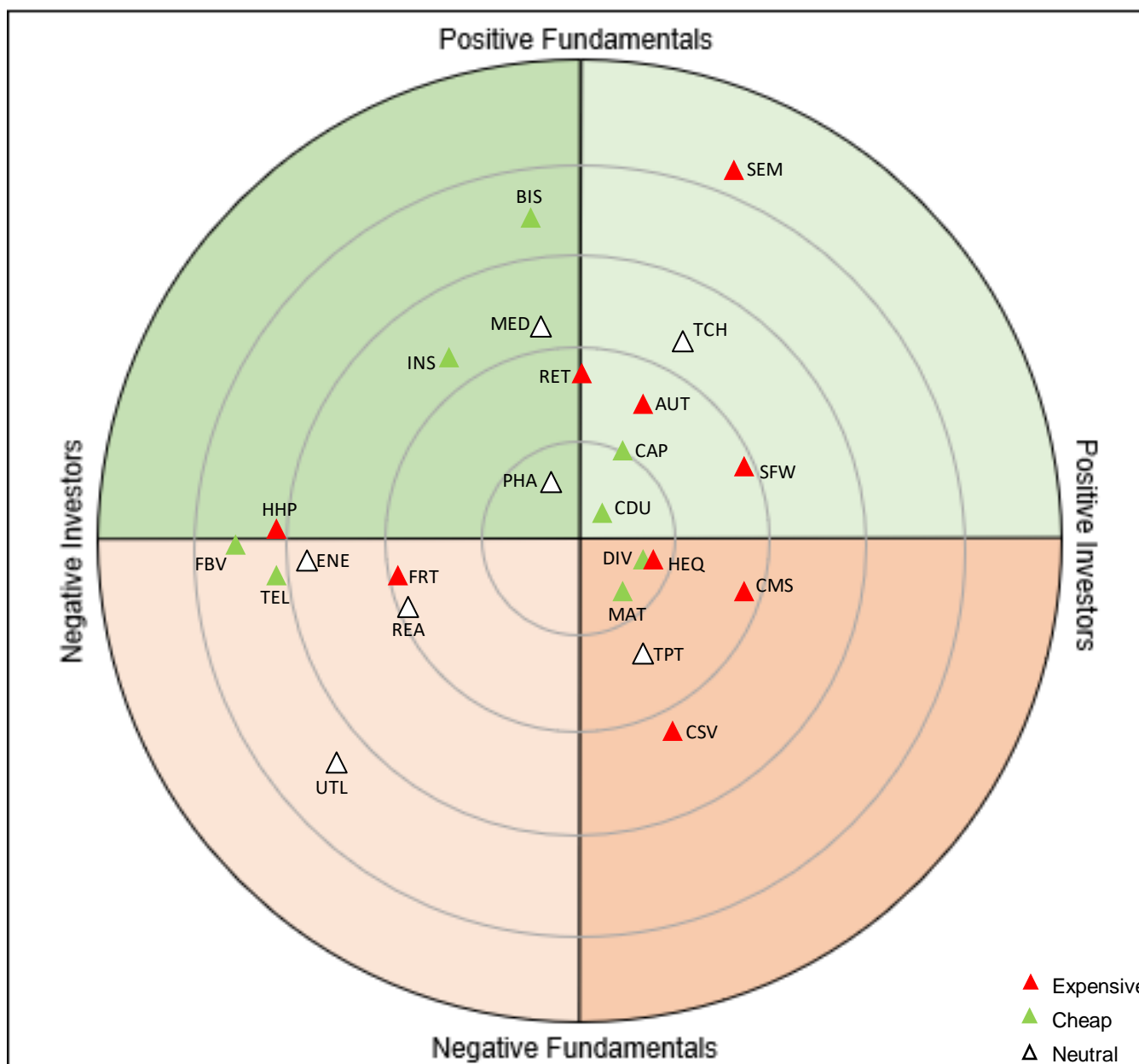
FTSE Brexit Indices

Our baskets offer an alternative to FTSE 100 (large cap, international focus) and FTSE 250 (mid-cap, domestic focus) commonly used by investors as Brexit proxies. FTSE 250 seen 18pp outperformance since mid 2016 and +3.6% YTD vs +2.0% for FTSE 100.

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	Underweight	Energy	XLE/VDE	Neutral
Financials	XLF/VFH	Overweight	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

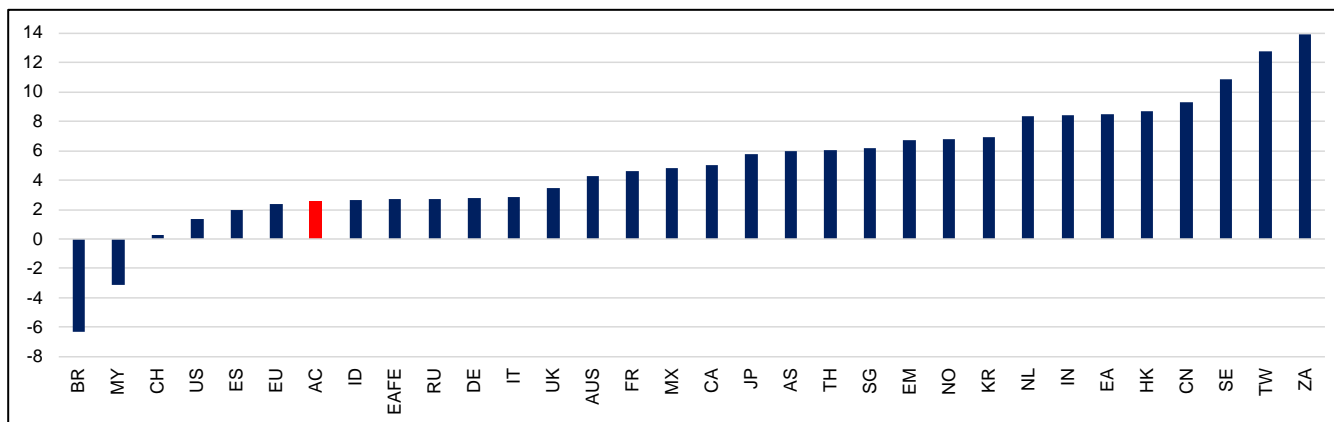
'EYE' ALLOCATION BREAKDOWN

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, 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

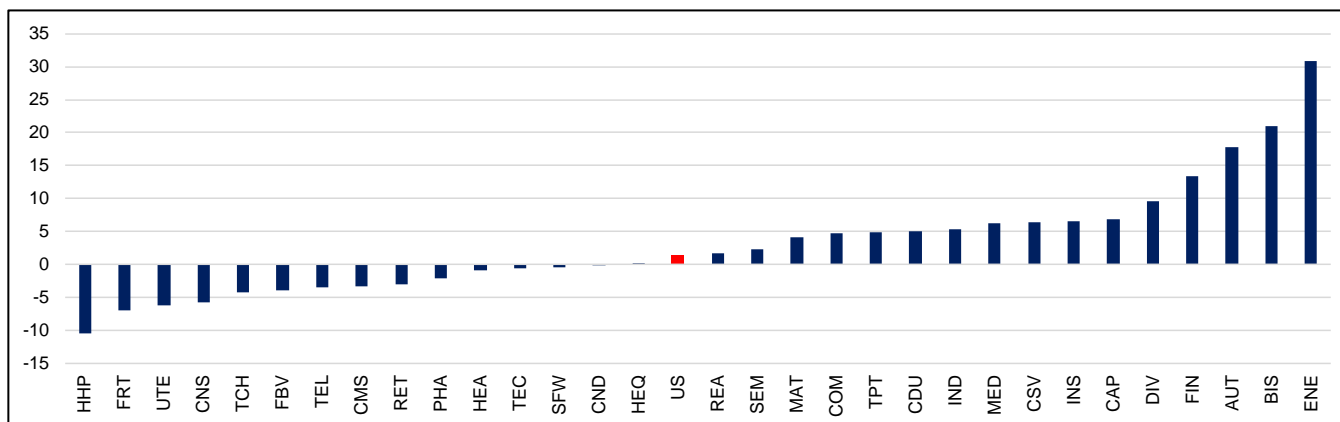


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-0.6	-1.9	6.1	2.6	21.9	25.6	19.8	-14.6%	28.9%
EAFE	EAFE	0.3	-0.6	6.3	2.7	18.0	24.0	17.5	-24.7%	37.0%
Europe	EU	0.2	-0.3	5.8	2.4	16.6	23.7	17.2	-30.1%	37.7%
Asia	AS	1.1	-0.2	10.9	6.0	22.5	22.8	17.6	-1.2%	30.0%
Emerging Global Markets	EM	1.4	0.1	12.6	6.7	20.6	21.9	16.2	-6.0%	35.2%
Emerging Asia	EA	1.7	0.4	14.4	8.5	23.3	22.1	17.7	5.3%	25.3%
Australia	AUS	0.9	0.8	4.4	4.3	23.9	21.3	18.8	12.4%	13.0%
Brazil	BR	-0.3	-3.5	0.1	-6.3	16.2	36.8	11.4	-56.0%	222.9%
Canada	CA	-0.6	-0.8	5.9	5.0	15.8	20.8	16.1	-24.1%	28.7%
China	CN	1.2	-0.6	11.2	9.3	21.0	20.6	17.4	1.8%	18.4%
France	FR	0.3	0.5	4.0	4.6	16.3	29.4	17.9	-44.7%	64.0%
Germany	DE	0.3	0.9	6.0	2.8	17.7	22.9	16.3	-22.8%	40.5%
Hong Kong	HK	1.9	-1.0	12.8	8.7	17.3	23.5	17.9	-26.4%	31.6%
India	IN	2.2	2.4	16.3	8.4	30.4	30.2	22.3	0.6%	35.9%
Indonesia	ID	0.1	2.2	5.1	2.7	17.3	23.0	17.4	-24.9%	32.1%
Italy	IT	-0.2	0.1	4.5	2.9	11.5	21.0	13.6	-45.4%	55.1%
Japan	JP	0.5	-0.1	8.1	5.7	23.0	23.9	17.5	-3.7%	36.8%
Korea	KR	1.3	3.1	19.0	6.9	27.8	22.2	15.1	25.6%	46.3%
Malaysia	MY	1.1	1.5	-2.7	-3.1	18.0	22.5	13.5	-19.9%	66.4%
Mexico	MX	1.6	2.7	7.5	4.8	18.0	25.8	15.0	-30.3%	72.5%
Netherlands	NL	-0.4	-0.7	11.2	8.3	27.1	29.8	24.9	-9.2%	19.9%
Norway	NO	0.4	2.1	8.5	6.8	15.9	21.6	15.8	-26.1%	36.8%
Russia	RU	0.2	0.8	7.8	2.7	6.9	12.9	8.1	-46.4%	59.0%
Singapore	SG	1.2	2.9	7.6	6.1	13.2	21.3	14.6	-38.2%	46.6%
South Africa	ZA	0.3	4.1	17.1	13.9	17.5	17.2	11.2	1.8%	52.8%
Spain	ES	-0.6	0.0	1.5	2.0	12.0	21.4	15.6	-44.1%	37.0%
Sweden	SE	0.2	2.0	9.5	10.9	19.0	24.2	19.3	-21.2%	25.3%
Switzerland	CH	-0.4	0.3	2.9	0.3	20.9	22.5	19.5	-7.1%	15.1%
Taiwan	TW	1.8	-0.3	20.7	12.8	27.2	22.2	19.4	22.7%	14.6%
Thailand	TH	3.3	4.0	6.8	6.0	16.5	26.7	20.1	-38.2%	32.7%
United Kingdom	UK	0.9	0.2	4.4	3.4	12.9	20.9	14.1	-38.2%	48.0%
United States	US	-1.5	-2.9	4.3	1.4	25.2	27.9	22.8	-9.7%	22.5%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

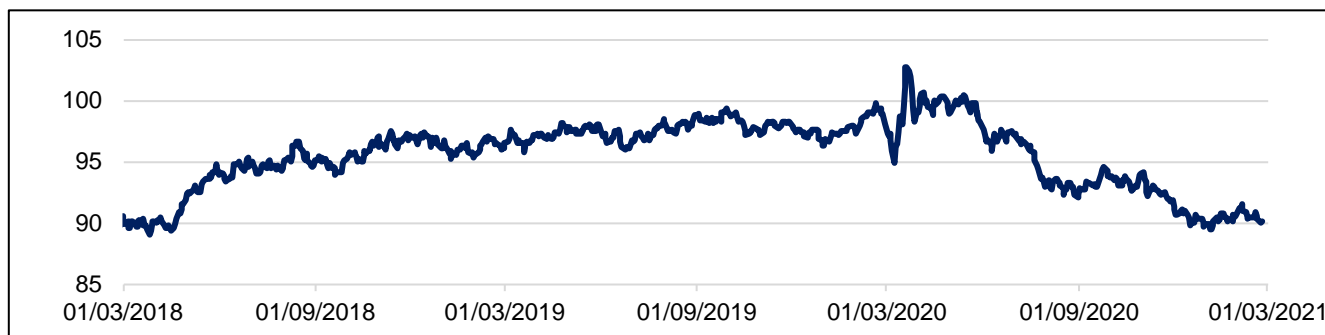


Index	Abbreviation	Price Performance				PE			EPS Growth	
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United States	US	-1.5	-2.9	4.3	1.4	25.2	27.9	22.8	-9.7%	22.5%
Communications	COM	-1.6	-2.5	5.9	4.7	26.9	27.6	24.4	-2.4%	12.9%
Media & Entertainment	MED	-2.0	-2.6	8.1	6.3	35.6	36.1	30.4	-1.5%	18.9%
Telecommunication Svcs	TEL	0.7	-2.1	-4.9	-3.5	11.2	11.7	11.4	-4.1%	2.0%
Consumer Discretionary	CND	-2.2	-4.2	1.7	-0.1	43.1	56.7	37.3	-24.0%	51.9%
Autos & Components	AUT	1.0	-0.1	23.3	17.8	56.1	88.6	44.6	-36.7%	98.4%
Consumer Durables & App	CDU	-1.6	-1.7	8.5	5.0	31.4	26.9	21.0	16.5%	28.4%
Consumer Svcs	CSV	-0.9	-1.4	10.6	6.4	24.3	NA	60.3	-114.6%	NA
Retailing	RET	-2.2	-4.0	-2.0	-3.0	49.7	46.7	37.0	6.5%	26.1%
Consumer Staples	CNS	-0.5	-2.5	-5.2	-5.8	22.4	21.5	20.3	4.0%	6.1%
Food & Staples Retailing	FRT	-0.9	-3.6	-10.2	-7.0	25.2	24.6	24.3	2.3%	1.3%
Food, Bev & Tobacco	FBV	-0.5	-1.9	-1.3	-4.0	19.2	18.8	17.7	2.3%	6.4%
Household Products	HHP	-0.4	-2.9	-11.1	-10.5	27.7	24.6	22.6	12.6%	9.0%
Energy	ENE	1.4	-0.9	36.3	30.9	14.8	NA	25.8	-108.6%	NA
Financials	FIN	0.8	-0.4	18.6	13.5	13.2	16.2	13.2	-18.5%	23.3%
Banks	BIS	1.6	-0.9	28.8	20.9	10.3	15.2	11.8	-32.3%	28.9%
Diversified Financials	DIV	0.3	0.5	13.9	9.7	17.5	18.6	15.6	-5.7%	19.2%
Insurance	INS	0.2	-1.0	9.0	6.5	12.8	14.0	11.5	-8.5%	21.2%
Health Care	HEA	-1.4	-2.4	2.3	-0.9	21.3	19.5	17.0	9.2%	14.5%
Health Care Equipment	HEQ	-2.0	-2.5	4.8	0.1	35.7	36.2	27.5	-1.4%	31.4%
Pharmaceuticals	PHA	-0.8	-2.6	0.9	-2.1	16.8	15.8	14.1	6.4%	12.1%
Industrials	IND	0.0	-0.9	7.2	5.4	23.2	30.2	23.1	-23.3%	31.0%
Capital Goods	CAP	0.2	-0.7	9.2	6.9	20.1	28.8	22.2	-30.2%	29.6%
Commercial & Prof Svcs	CMS	-0.6	-1.8	-0.7	-3.3	35.1	34.3	31.0	2.5%	10.6%
Transportation	TPT	-0.3	-0.9	4.8	4.9	32.4	33.1	22.7	-1.9%	45.7%
Information Technology	TEC	-2.5	-4.0	3.9	-0.6	36.9	34.7	29.1	6.2%	19.5%
Semiconductors	SEM	-3.3	-6.9	4.2	2.3	27.1	25.5	21.8	6.3%	17.0%
Software & Svcs	SFW	-2.4	-3.7	3.3	-0.4	43.8	40.7	34.5	7.5%	17.9%
Technology Hardware	TCH	-2.1	-2.5	2.8	-4.3	35.3	33.8	27.3	4.4%	23.6%
Materials	MAT	-0.9	-1.7	6.2	4.2	23.7	25.8	19.9	-8.2%	29.3%
Real Estate	REA	-0.6	-4.5	2.0	1.6	35.7	50.7	49.3	-29.7%	2.9%
Utilities	UTE	-1.0	-2.1	-6.4	-6.2	17.7	18.5	18.0	-4.4%	2.8%

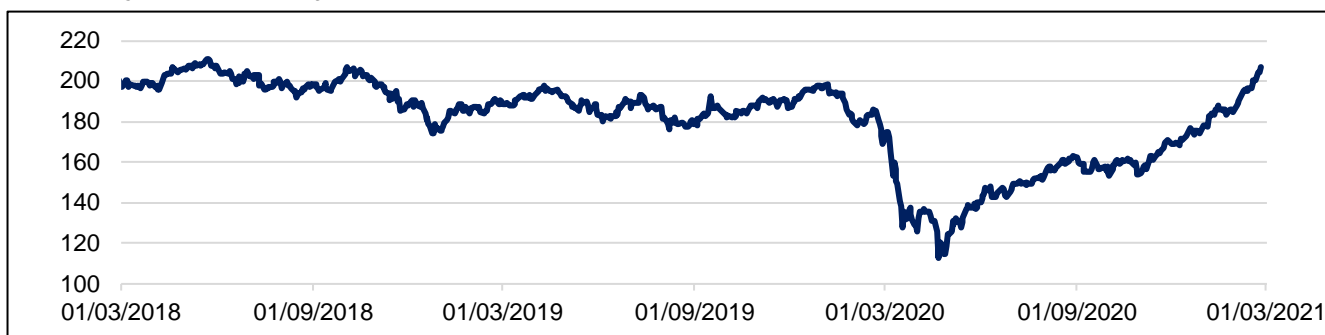
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

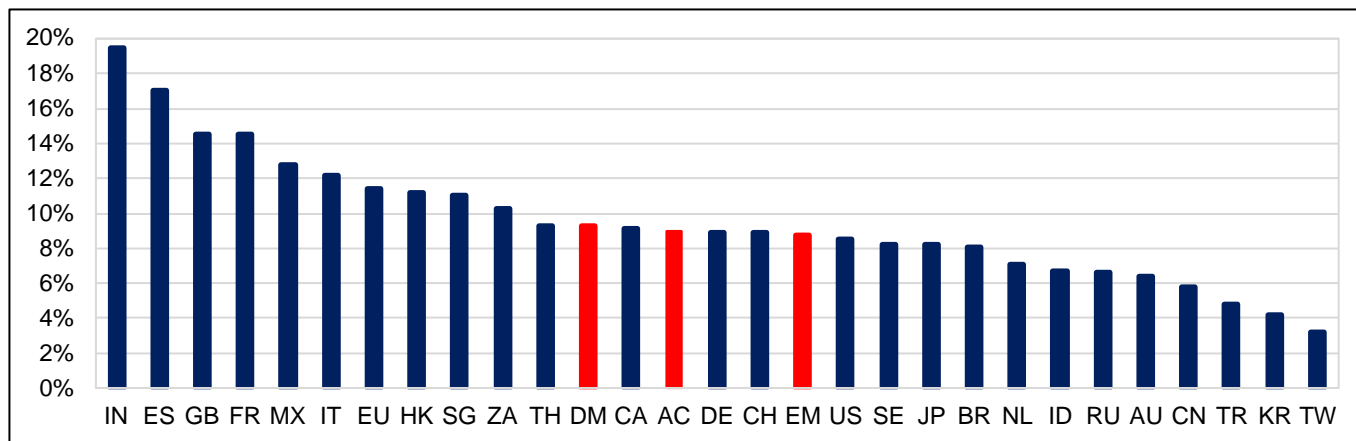


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities		-								
CRB Commodity Index	USD	3567.98	0.1%	-1.1%	9.3%	17.6%	37.0%	2.2%	15.2%	15.2%
Gold Spot	USD	1710.95	-1.6%	-5.2%	-6.7%	-7.0%	4.4%	-1.3%	-9.8%	-9.8%
Copper Spot	USD	4.15	-1.9%	-3.4%	16.1%	19.4%	61.0%	1.4%	18.2%	18.2%
Brent Crude Spot	USD	65.59	1.2%	-2.8%	10.9%	36.0%	25.2%	-1.8%	28.9%	28.9%
CRB Agricultural Index	USD	7084.24	-0.6%	-1.1%	6.0%	17.4%	42.9%	1.3%	13.8%	13.8%
Currencies		-								
DXY USD Index	USD	90.95	0.2%	0.9%	-0.2%	0.3%	-6.4%	0.1%	1.1%	1.1%
EUR/USD	USD	1.21	-0.2%	-0.8%	0.2%	-0.6%	8.0%	-0.1%	-1.2%	-1.2%
USD/JPY	JPY	106.99	0.3%	1.1%	1.9%	3.0%	-0.1%	0.4%	3.6%	3.6%
GBP/USD	USD	1.40	0.0%	-1.3%	2.3%	3.7%	8.9%	0.2%	2.0%	2.0%
USD/CNY	CNY	6.47	0.0%	0.2%	0.1%	-1.1%	-7.0%	-0.1%	-0.9%	-0.9%
Bond Yields		-								
DE 10Y BUND	EUR	-0.29	-14.7%	-2.3%	-36.4%	-45.8%	-52.6%	15.6%	-48.3%	-48.3%
GB 10Y GILT	GBP	0.78	13.1%	6.3%	109.4%	140.4%	99.7%	-5.5%	297.4%	297.4%
JP 10Y JGB	JPY	0.14	-5.6%	-0.8%	116.4%	376.0%	-206.3%	-27.9%	466.7%	466.7%
US 10Y BILL	USD	1.47	3.9%	5.8%	30.0%	59.6%	44.5%	1.0%	61.2%	61.2%
US 30Y BOND	USD	2.25	1.6%	0.4%	17.7%	34.9%	38.0%	3.2%	37.1%	37.1%
US 10-2 BOND	-	1.33	-10.7%	-5.2%	9.5%	68.6%	125.2%	3.7%	44.7%	44.7%
Volatility		-								
CBOE VIX Index	USD	26.67	0.11	0.25	0.16	0.25	-0.28	-0.05	0.17	0.17

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	
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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