

EYE ON THE WORLD

Going with the flows
Wednesday, March 03

Markets eased after Monday strong rebound, whilst yields continue to stabilize, even with strong US ISM and reports all adults to have vaccine access by end May, 2-mths early. See strong cyclical catch-up, IT resilience, and markets well-supported. **HOT TOPICS** flows focus with US equity US\$35bn inflows YTD, turnaround from US\$300bn outflows last year and big inflows to cash and bonds. Sector trends show reflation leaders energy and financials flows lagging and are still under-owned.

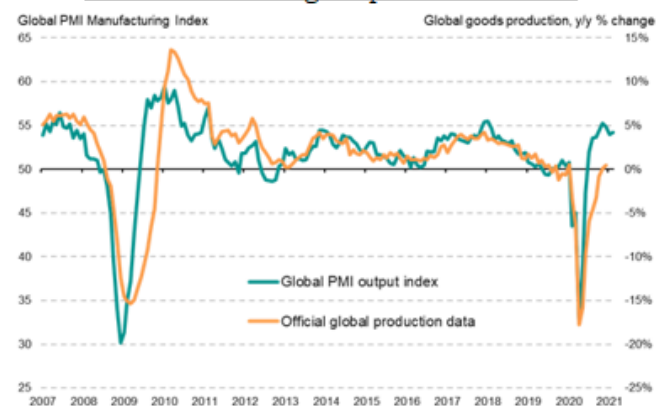
Markets consolidating after Monday dramatic rebound. 10-yr bond yields continued to stabilize, even with record US ISM report and more vaccine rollout good news, with reports all US adults to have access to vaccine by end May, two months ahead of schedule following J&J approval. **We see a strong cyclical catch-up, IT sector resilience, and markets well-supported**, leading to very rare third year of 10% gains. Asian markets rose, along with Europe and US futures. **See latest views on Monday' Bloomberg [The Close](#) (from '49:25).**

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	3901.8	-0.8%	-0.3%	3.0%
ACWI xUS	55.3	-0.3%	-1.5%	4.3%
DXY USD	90.8	-0.3%	0.7%	0.9%
US 10Y YLD	1.42	-2.1%	3.7%	55.2%
Brent Spot	64.8	-2.8%	-1.5%	27.5%
Gold Spot	1738.1	0.8%	-3.7%	-8.4%

Global manufacturing accelerates further. [IHS Markit](#) global mfg. PMI rose to 54.2, near decade highs. Strongest expansions were seen in India and Germany, though US continued to lead broader EU. Whilst relative

Global Manufacturing Output: PMI vs Actual



Source: JP Morgan, Markit, THR

HIGHLIGHTS FROM REST OF DOC

- Hot Topics on [Equity Flows](#). US equity US\$35bn inflows YTD vs US\$300bn outflows last yr and big inflows to cash/bonds. Reflation leaders energy/financials flows lag and under-owned.
- [What to watch](#): ADP payrolls est. +200k preview to Fri. jobs report. Svcs. ISM est. strong 58.
- [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	3901.8	-0.8%	-0.3%	3.0%
NASDAQ	13059.9	-1.7%	-0.8%	3.7%
Russell 2000	2231.5	-1.9%	0.0%	13.0%
US IT	506.8	-1.6%	-0.6%	3.0%
US Healthcare	421.5	-0.6%	-0.5%	1.2%
US Financials	228.2	-0.4%	0.7%	13.9%

weakness seen with China deceleration, partly on lunar new year and logistics issues, and further UK Brexit disruptions. Is **supportive of our cyclical sectors view, relative UK caution, and outlook for rotation from China** to more depressed markets into 2H. See Feb. 24, *EM Asia rotation*.

Largest CO2 decline in 75-yrs. IEA reported c6% fall in energy related carbon [emissions in 2020](#), given covid-crisis, particularly on transport, and equiv. to removing all EU emissions. Oil (-8.6%) and coal (-4%) biggest decliners, with no.1 emitter China only major country to increase, given swift covid recovery. Renewables production mostly unaffected, rising to all-time high 20% of mix. **2021 emissions bounce-back may be muted by accelerating gov. energy transitions** and rise of carbon taxes. Jan 27. *Real cost of carbon*.

Retail investing. BUZZ ETF to launch Thurs., [investing](#) in 75 US large caps with greatest social-media sentiment, tracking NextGen AI US Sentiment Leaders Index. Top-5 hldgs. reasonably mainstream (Twitter, Draftkings, Ford, Facebook, Amazon) and claims strong back-test performance. Retail rise part structural (easier and cheaper to trade) and part temp. (stimulus checks in bull

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	90.8	-0.3%	0.7%	0.9%
EUR/USD	1.21	0.3%	-0.5%	-1.0%
US 10Y YLD	1.42	-2.1%	3.7%	55.2%
US 10-2 BOND	1.29	-2.1%	2.9%	53.5%
CBOE VIX Index	24.1	3.2%	4%	6%
CRB Index	3564.3	0.0%	0.0%	15.1%

Events to Watch

Indicator	Period	Forecast	Last
Markit Services PMI, DE	Feb	45.89	45.90
Producer Prices MM, EU	Jan	1.36	0.80
ISM non-mfg PMI, US	Feb	58.69	58.70

market). **Participation may rise** on more stimulus (20% to 'discretionary' items) and young demographic. See Jan. 28th, *Rise of retail*.

Sector Views

S&P 500 laggards IT (-1.6%) and discretionary (-1.3%) while materials (+0.6%) and staples (-0.2%) outperformed. OPEC Sec. Gen. sees **more positive oil outlook**, despite continued downside risks. 2021 demand f'cast. to grow 5.8mbpd to 96mbpd. Ahead of Thurs. meeting expected to raise output by 0.5mbpd. We are neutral. UK focus today on annual budget, as **GBP best performing major FX this year** and traditional negative correlation with large cap stocks breaking down on vaccine rollout momentum. We are underweight UK equities.

What to Watch

Australia Q4 GDP +3.1% QoQ, only modest slowdown from Q3, and brings 2020 to -2.4%, one of world's best results. We are neutral. See Dec. 8th, *Canada and Australia proxies*. Feb. **China services PMI fell** to still-expansionary 51.5, the slowest rate in 10-mths, like Monday's mfg. report. The employment sub-index fell to a contractionary 47.9. We see greater recovery upside elsewhere. See Feb. 24, *EM Asia rotation*. Today in US see Feb. **services ISM**, forecast at a strong 58.8, like Jan two-year high, but slightly behind 60+ mfg. ISM peer. Also, **ADP private monthly payrolls**, est. at accelerating +230k, ahead of Friday' employment report.

HOT TOPICS

GOING WITH THE FLOWS

US equity funds seen US\$35bn inflows this year, bolstered by building reflation trade. This has further to go, lapping US\$300bn outflows last year and a decade of weakness. Rebuilding buybacks, historically biggest buyer, is a further market flows support. Equities also under-owned vs significant inflows into money markets and bonds. Sector funds analysis shows reflation leaders energy and financials continue to lag significantly, a further sign of attractive under-ownership. A tentative flows rotation to Intl. also further to go after decade-long lag.

Flows have further to go

US equities have seen inflows YTD, on building reflation trade, but are lapping a decade of outflows and versus strong bond and money market inflows. Current sector performance leaders, energy and financials AUM are depressed, in further sign of continued under-ownership. International equity markets have seen only a tentative flows rotation after multi-year underperformance, with further to go.

Strong inflows to start the year

US equity funds (mutual and ETF) saw over US\$300bn net outflows in 2020, equal to c4% of assets under management (AUM). This despite six of eleven sectors seeing inflows. Communications, industrials and materials all saw more than 20% of AUM inflows, whilst IT (US\$34bn) and healthcare (US\$11bn) biggest

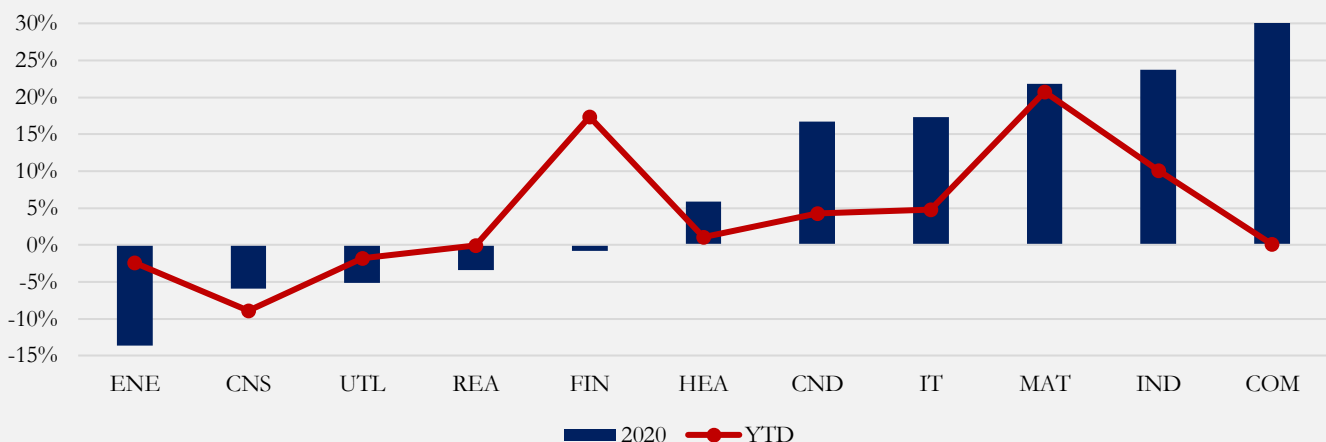
absolute inflows. By contrast, real estate saw biggest outflows, at over US\$6bn, but only equal to 3.4%/AUM, vs c15% seen by energy.

US equity fund flows have bounced back in 2021, seeing US\$35bn inflows YTD, led by a barbell of the IT (US\$16bn) and financials (US\$10bn) sectors. Materials lead relative flows +20%/AUM, on top of large 2020 inflows. Surprisingly Energy has seen YTD outflows, along with bond-proxies staples and utilities.

The bigger picture

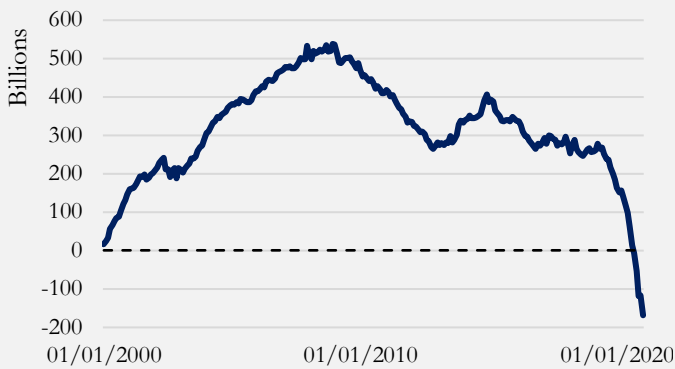
Last year's US\$300bn outflows were only the latest however, with US equities seeing consistent outflows for over a decade, and within that a sharp active shift to passive. See Jan 7th, *Growing ETF dominance*. This was also exacerbated by sharp decline in share buybacks,

Recent US Sector Fund Flows (% of AUM)



Source: Refinitiv, THR.

US Cumm. Fund Flows since Jan. 2000



Source: Refinitiv, THR

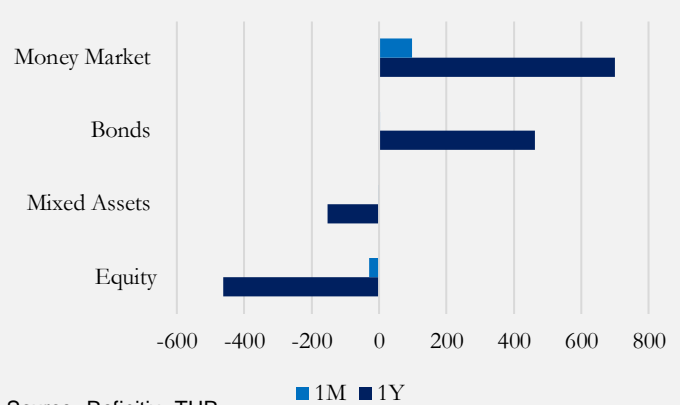
traditionally the largest US equity buyer, which we now see returning. See Jan. 29th, *The biggest buyer is coming back*. We also expect some firming in US equity flows (see chart below) with the average monthly 12m trailing flows currently at there 20-yr lows.

Energy and Financials under-owned

Six of eleven US sector equity total AUM are at all time highs, including the overall largest funds - IT (US\$340bn) and healthcare (US\$240bn). Staples, industrials, discretionary and comms. complete the list. By contrast, materials has the smallest AUM at US\$17bn, but just 5% from all time high. Real estate and utilities are both c90% of respective highs.

Potentially the two surprises are Energy, which has second lowest AUM (US\$21bn), but is down

North America Flows by Asset (US\$bn)



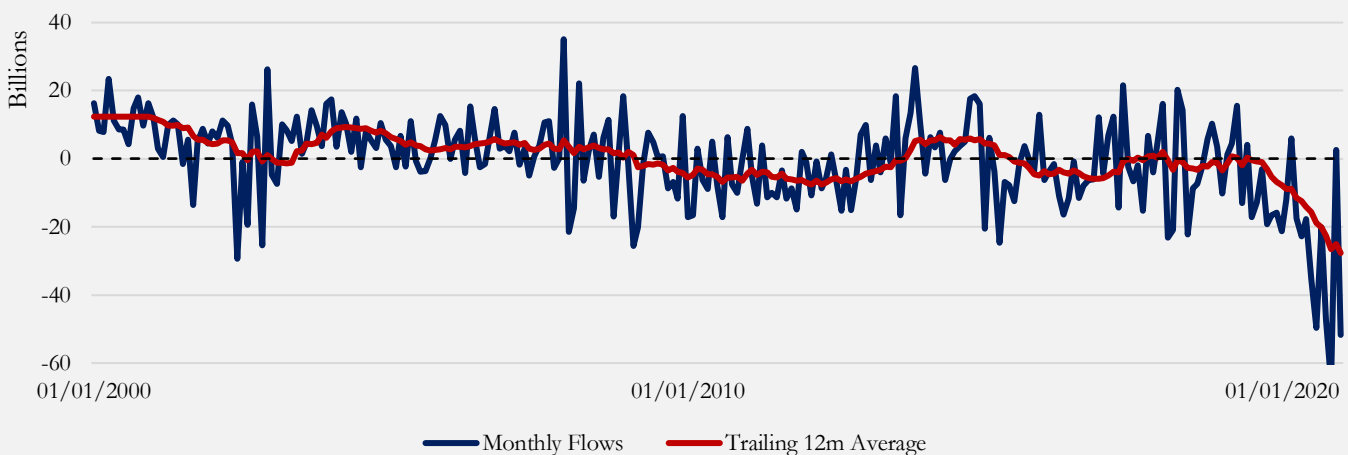
Source: Refinitiv, THR

40% from 2016 AUM high of US\$50bn after four successive years of outflows. Despite recent inflows Financial total AUM is only US\$57bn, vs 2017 high US\$80bn and we see as far from well-owned. See Feb. 26th, *More from Financials*.

Equities under-owned vs bonds and cash

Despite our investor sentiment indicator flashing orange, US equities are under-owned vs cash and bonds. See Feb. 19, *Tracking investor euphoria*. Last year saw US\$400bn outflows from US/Canada equities, whilst money markets and bonds saw US\$700bn and US\$450bn inflows respectively. Europe and Asian equities have seen some rotation with respective inflows of US\$84bn and US\$63bn in last year, but money markets seen greatest net inflows in both continents. One year bond flows are positive in Europe (+US\$40bn), but negative in Asia (-US\$26bn).

US Monthly Fund Flows

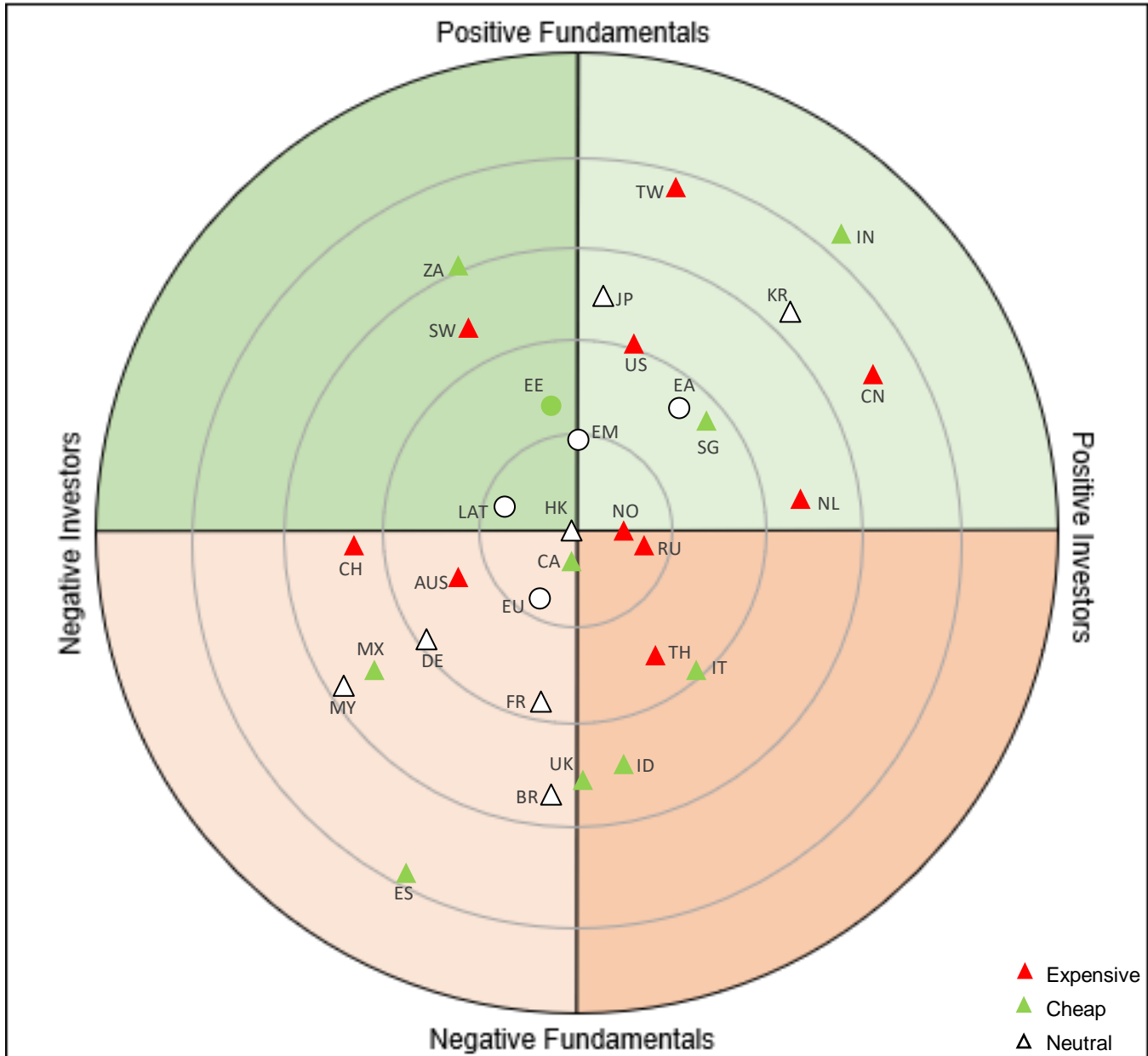


Source: Refinitiv, THR

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



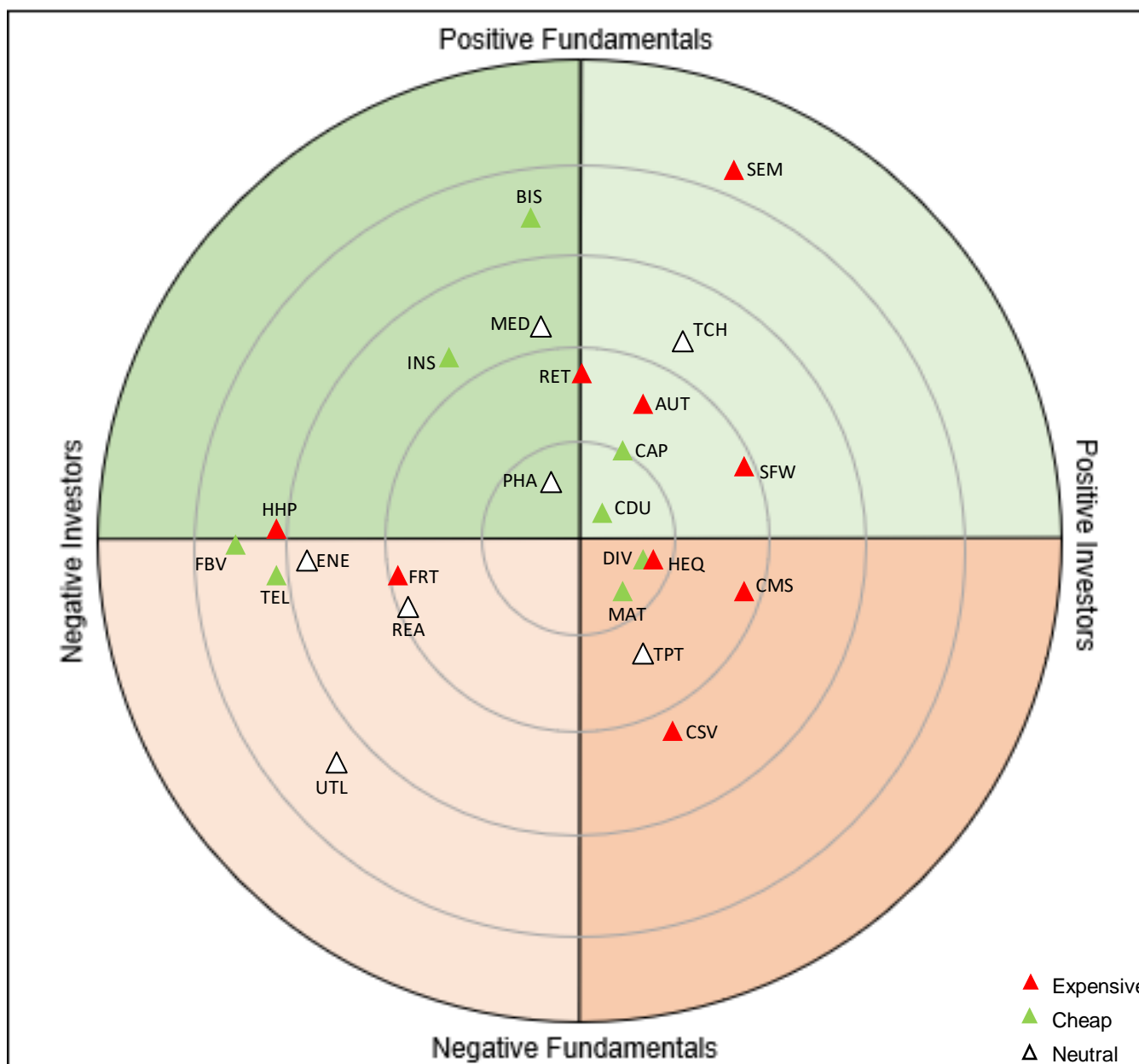
Source: Refinitiv, THR. SEE PAGE 13 FOR FULL METHODOLOGY

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	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

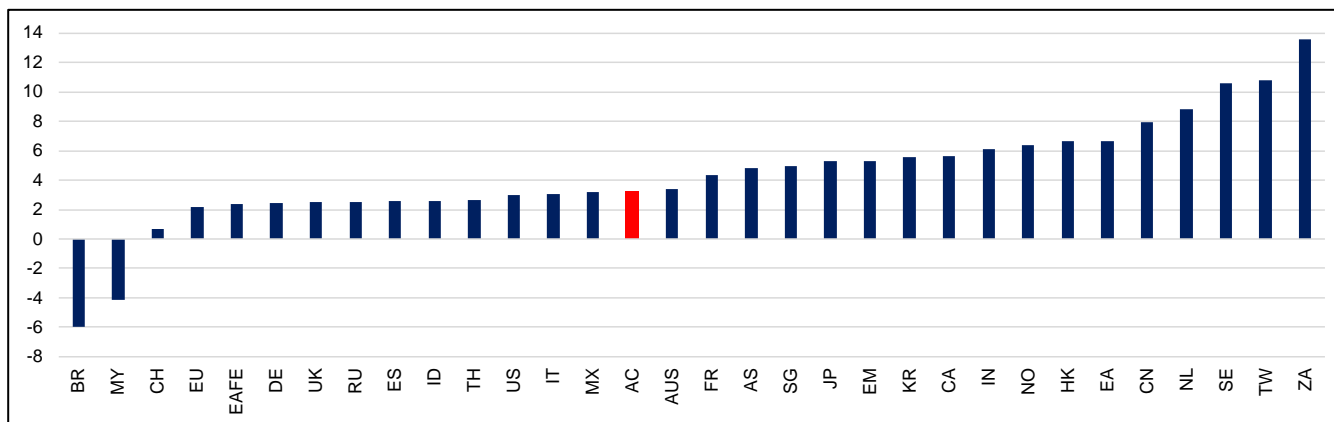
'EYE' ALLOCATION BREAKDOWN

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

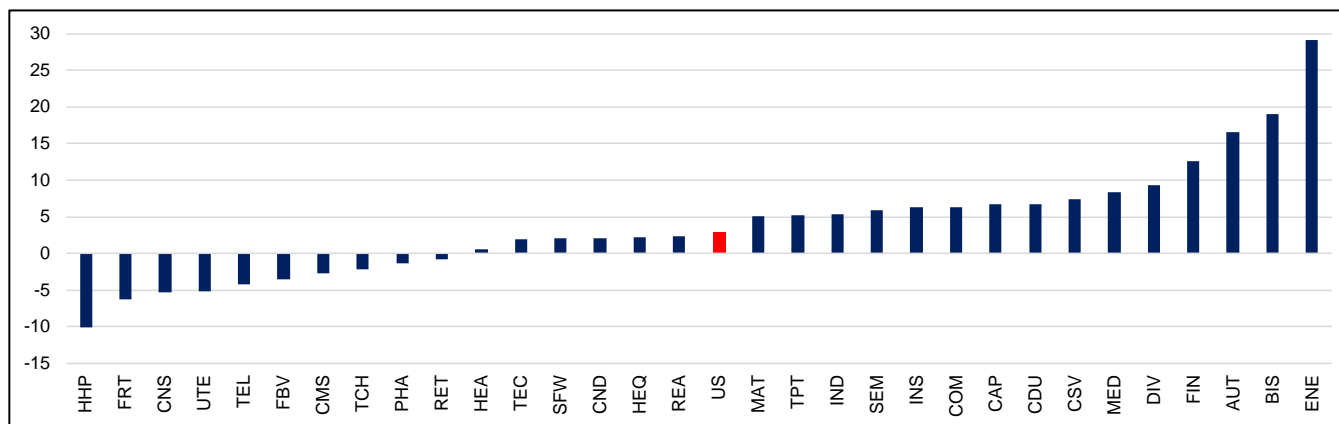


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-0.5	-1.0	7.9	3.2	21.9	25.6	19.8	-14.6%	28.9%
EAFE	EAFE	0.0	-1.6	7.1	2.4	18.0	24.0	17.5	-24.7%	37.0%
Europe	EU	0.3	-0.3	6.9	2.2	16.6	23.7	17.2	-30.1%	37.7%
Asia	AS	-0.4	-3.3	10.7	4.8	22.5	22.8	17.6	-1.2%	30.0%
Emerging Global Markets	EM	-0.2	-2.8	12.8	5.3	20.6	21.9	16.2	-6.0%	35.2%
Emerging Asia	EA	-0.3	-3.1	14.0	6.7	23.3	22.1	17.7	5.3%	25.3%
Australia	AUS	-0.4	-1.0	4.6	3.4	23.9	21.3	18.8	12.4%	13.0%
Brazil	BR	1.3	-2.9	2.7	-6.0	16.2	36.8	11.4	-56.0%	222.9%
Canada	CA	0.7	0.6	7.3	5.7	15.8	20.8	16.1	-24.1%	28.7%
China	CN	-1.5	-4.5	10.8	8.0	21.0	20.6	17.4	1.8%	18.4%
France	FR	0.3	0.4	4.8	4.3	16.3	29.4	17.9	-44.7%	64.0%
Germany	DE	0.1	1.2	6.2	2.5	17.7	22.9	16.3	-22.8%	40.5%
Hong Kong	HK	-1.2	-5.6	12.0	6.6	17.3	23.5	17.9	-26.4%	31.6%
India	IN	1.3	1.5	15.4	6.1	30.4	30.2	22.3	0.6%	35.9%
Indonesia	ID	0.0	1.1	7.7	2.6	17.3	23.0	17.4	-24.9%	32.1%
Italy	IT	-0.8	1.0	4.5	3.1	11.5	21.0	13.6	-45.4%	55.1%
Japan	JP	-0.4	-2.5	8.4	5.3	23.0	23.9	17.5	-3.7%	36.8%
Korea	KR	1.3	-0.1	19.8	5.6	27.8	22.2	15.1	25.6%	46.3%
Malaysia	MY	0.2	-0.1	-1.9	-4.2	18.0	22.5	13.5	-19.9%	66.4%
Mexico	MX	2.0	0.7	8.4	3.2	18.0	25.8	15.0	-30.3%	72.5%
Netherlands	NL	-0.7	-0.5	13.2	8.8	27.1	29.8	24.9	-9.2%	19.9%
Norway	NO	0.4	1.7	8.6	6.4	15.9	21.6	15.8	-26.1%	36.8%
Russia	RU	0.8	-0.4	9.2	2.5	6.9	12.9	8.1	-46.4%	59.0%
Singapore	SG	-0.3	2.8	6.3	4.9	13.2	21.3	14.6	-38.2%	46.6%
South Africa	ZA	1.5	3.6	18.2	13.5	17.5	17.2	11.2	1.8%	52.8%
Spain	ES	-0.3	0.8	2.9	2.6	12.0	21.4	15.6	-44.1%	37.0%
Sweden	SE	0.7	2.8	9.5	10.6	19.0	24.2	19.3	-21.2%	25.3%
Switzerland	CH	1.0	1.8	3.1	0.7	20.9	22.5	19.5	-7.1%	15.1%
Taiwan	TW	0.3	-3.7	20.4	10.8	27.2	22.2	19.4	22.7%	14.6%
Thailand	TH	-0.2	0.1	4.6	2.7	16.5	26.7	20.1	-38.2%	32.7%
United Kingdom	UK	0.4	-0.3	5.4	2.5	12.9	20.9	14.1	-38.2%	48.0%
United States	US	-0.9	-0.4	7.1	3.0	25.2	27.9	22.8	-9.7%	22.5%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

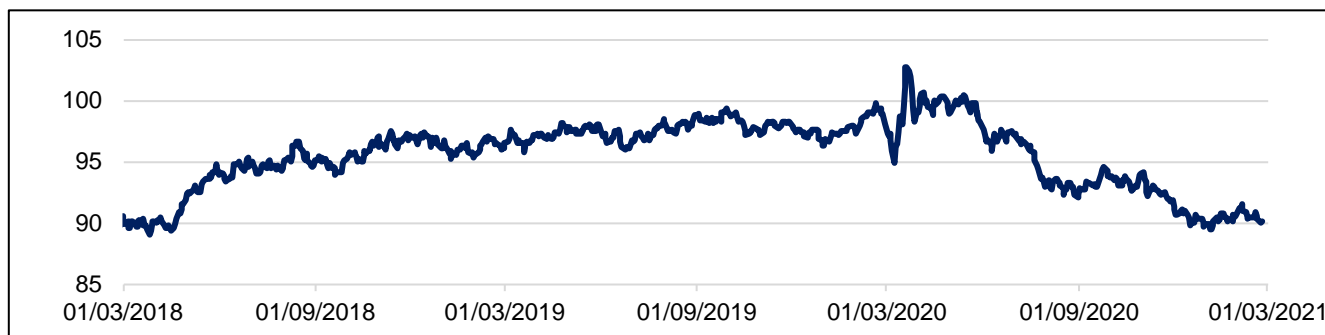


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
United States	US	-0.9	-0.4	7.1	3.0	25.2	27.9	22.8	-9.7%	22.5%
Communications	COM	-0.7	-0.5	9.7	6.4	26.9	27.6	24.4	-2.4%	12.9%
Media & Entertainment	MED	-0.8	-0.2	12.7	8.4	35.6	36.1	30.4	-1.5%	18.9%
Telecommunication Svcs	TEL	-0.3	-2.4	-5.2	-4.2	11.2	11.7	11.4	-4.1%	2.0%
Consumer Discretionary	CND	-1.3	-1.1	5.0	2.1	43.1	56.7	37.3	-24.0%	51.9%
Autos & Components	AUT	-0.5	0.8	25.1	16.6	56.1	88.6	44.6	-36.7%	98.4%
Consumer Durables & App	CDU	0.0	0.8	10.5	6.7	31.4	26.9	21.0	16.5%	28.4%
Consumer Svcs	CSV	0.2	1.7	12.4	7.4	24.3	NA	60.3	-114.6%	NA
Retailing	RET	-1.5	-2.6	1.4	-0.8	49.7	46.7	37.0	6.5%	26.1%
Consumer Staples	CNS	-0.2	-1.9	-3.8	-5.3	22.4	21.5	20.3	4.0%	6.1%
Food & Staples Retailing	FRT	-1.0	-3.2	-8.6	-6.2	25.2	24.6	24.3	2.3%	1.3%
Food, Bev & Tobacco	FBV	0.2	-1.0	0.3	-3.5	19.2	18.8	17.7	2.3%	6.4%
Household Products	HHP	-0.2	-2.8	-10.3	-10.1	27.7	24.6	22.6	12.6%	9.0%
Energy	ENE	-0.7	1.4	35.0	29.1	14.8	NA	25.8	-108.6%	NA
Financials	FIN	-0.4	0.9	19.6	12.6	13.2	16.2	13.2	-18.5%	23.3%
Banks	BIS	-0.7	0.0	29.3	19.1	10.3	15.2	11.8	-32.3%	28.9%
Diversified Financials	DIV	-0.2	2.1	14.8	9.4	17.5	18.6	15.6	-5.7%	19.2%
Insurance	INS	-0.2	0.3	11.2	6.3	12.8	14.0	11.5	-8.5%	21.2%
Health Care	HEA	-0.4	-0.2	4.6	0.5	21.3	19.5	17.0	9.2%	14.5%
Health Care Equipment	HEQ	-0.4	0.2	7.0	2.2	35.7	36.2	27.5	-1.4%	31.4%
Pharmaceuticals	PHA	-0.4	-0.8	3.2	-1.3	16.8	15.8	14.1	6.4%	12.1%
Industrials	IND	-0.5	1.0	7.2	5.4	23.2	30.2	23.1	-23.3%	31.0%
Capital Goods	CAP	-0.5	1.3	8.9	6.7	20.1	28.8	22.2	-30.2%	29.6%
Commercial & Prof Svcs	CMS	-0.8	-1.3	-0.2	-2.7	35.1	34.3	31.0	2.5%	10.6%
Transportation	TPT	-0.2	1.2	5.2	5.3	32.4	33.1	22.7	-1.9%	45.7%
Information Technology	TEC	-1.7	0.0	8.0	1.9	36.9	34.7	29.1	6.2%	19.5%
Semiconductors	SEM	-2.6	-0.9	9.2	5.8	27.1	25.5	21.8	6.3%	17.0%
Software & Svcs	SFW	-1.0	0.3	6.5	2.0	43.8	40.7	34.5	7.5%	17.9%
Technology Hardware	TCH	-1.9	-0.1	7.8	-2.2	35.3	33.8	27.3	4.4%	23.6%
Materials	MAT	0.4	0.2	8.4	5.1	23.7	25.8	19.9	-8.2%	29.3%
Real Estate	REA	-0.9	-3.2	4.0	2.3	35.7	50.7	49.3	-29.7%	2.9%
Utilities	UTE	-0.3	-2.1	-4.7	-5.2	17.7	18.5	18.0	-4.4%	2.8%

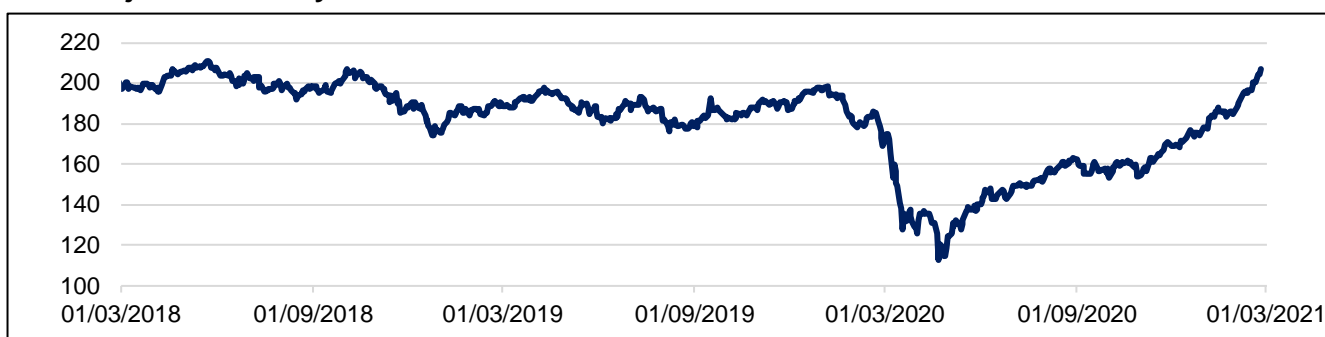
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

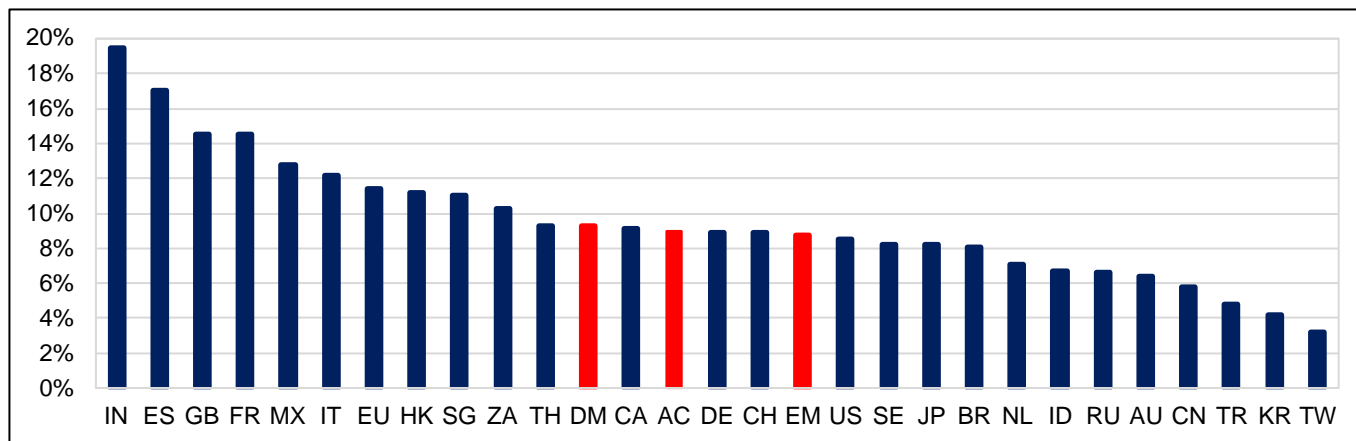


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities		-								
CRB Commodity Index	USD	3564.29	0.0%	0.0%	10.5%	18.5%	36.2%	2.1%	15.1%	15.1%
Gold Spot	USD	1738.09	0.8%	-3.7%	-5.4%	-5.1%	9.3%	0.3%	-8.4%	-8.4%
Copper Spot	USD	4.23	2.7%	1.1%	19.6%	21.8%	62.7%	3.3%	20.4%	20.4%
Brent Crude Spot	USD	64.84	-2.8%	-1.5%	11.1%	35.6%	23.2%	-3.0%	27.5%	27.5%
CRB Agricultural Index	USD	7130.23	-0.2%	0.5%	7.9%	18.9%	42.4%	1.9%	14.6%	14.6%
Currencies		-								
DXY USD Index	USD	90.79	-0.3%	0.7%	-0.5%	-0.4%	-6.8%	-0.1%	0.9%	0.9%
EUR/USD	USD	1.21	0.3%	-0.5%	0.4%	-0.2%	8.6%	0.1%	-1.0%	-1.0%
USD/JPY	JPY	106.67	-0.1%	1.4%	1.6%	2.2%	-1.5%	0.1%	3.3%	3.3%
GBP/USD	USD	1.40	0.2%	-1.1%	2.1%	4.4%	9.4%	0.2%	2.0%	2.0%
USD/CNY	CNY	6.47	0.1%	0.1%	0.2%	-1.4%	-7.0%	0.0%	-0.8%	-0.8%
Bond Yields		-								
DE 10Y BUND	EUR	-0.35	4.5%	9.1%	-28.7%	-33.2%	-44.0%	35.4%	-39.5%	-39.5%
GB 10Y GILT	GBP	0.69	-9.2%	-4.2%	96.9%	94.1%	69.3%	-16.4%	251.5%	251.5%
JP 10Y JGB	JPY	0.12	-15.4%	8.6%	147.1%	404.0%	-193.3%	-23.6%	500.0%	500.0%
US 10Y BILL	USD	1.42	-2.1%	3.7%	27.8%	49.6%	30.1%	-2.8%	55.2%	55.2%
US 30Y BOND	USD	2.22	-0.3%	0.7%	17.9%	30.0%	34.7%	1.5%	34.9%	34.9%
US 10-2 BOND	-	1.29	-2.1%	2.9%	22.7%	74.6%	115.2%	12.4%	53.5%	53.5%
Volatility		-								
CBOE VIX Index	USD	24.10	0.03	0.04	-0.06	0.14	-0.28	-0.14	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	
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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