

EYE ON THE WORLD

Outperformance of 'Digital gold' and Gold Friday May 15

Markets resilient yesterday with weak economic data and US-China sentiment, and facing heavy US data today. **HOT TOPICS** looks at two of best performing alternatives YTD, Gold and Bitcoin, as both benefit from low equity correlations, inflation hedging, and institutionalization, and highlight ways to gain equity exposure. Gold bests BTC as liquid, less volatile, diversifier with correlation history, but cannot match Bitcoin's 37x 5-year return.

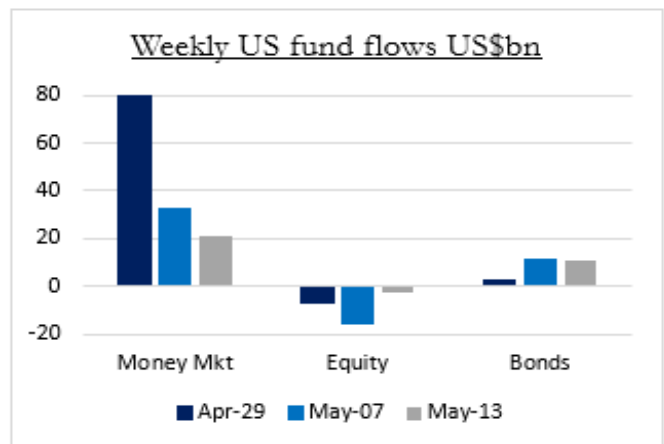
S&P 500 recovered with US administration comments on further stimulus, after sharp initial fall on anti China rhetoric and worse-than-feared jobs report. Asia weakened, but Europe and US futures stronger. Latest fund flows show continued risk-aversion – a contrarian positive - with money market inflows, and equity outflows (see chart).

Mixed US jobless claims. Weekly claims of 2.9m more than expected, though inflated by Connecticut reporting errors, and stoked fear of broader 'second wave' of layoffs, and took claims

Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	2820.0	1.2%	-1.0%	-11.7%
ACWI xUS	39.4	-0.4%	-0.7%	-20.1%
DXY USD	100.5	0.2%	0.6%	4.2%
US 10Y YLD	0.62	-4.9%	-1.9%	-67.6%
Brent Spot	28.6	1.4%	30.0%	-58.6%
Gold Spot	1729.3	0.8%	0.7%	14.0%

to 36.5m since mid-March. However 6th weekly easing, and more representative continuing claims data, reported with 1-wk lag, rose only 0.5m to 22.8m, as new hires near offset layoffs.



Source: Lipper, THR. * US domiciled fund flows. ETF+Mutual Fund

HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on ['Gold' alternatives](#) as Gold and Bitcoin benefit from low equity correlations, inflation hedging, and institutionalization. We also highlight ways to gain equity exposure.
- **What to watch:** April US retail sales and industrial production, and May consumer confidence.
- **Country and Sector 'Eye':** We favor US and select EM's, and US Consumer and IT sectors
- **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	2820.0	1.2%	-1.0%	-11.7%
NASDAQ	9094.4	0.9%	-0.4%	-0.3%
Russell 2000	1237.6	0.3%	-3.5%	-25.8%
US IT	340.5	1.1%	-0.6%	2.4%
US Healthcare	346.8	1.0%	0.7%	-1.3%
US Financials	133.4	2.1%	-4.1%	-32.0%

Fed help slowing. Balance sheet growth slowed significantly, with total rising to US\$6.9trn, as program demand eased with markets normalizing. Data showed Fed bought only US\$305m of corporate bonds in initial days of inaugural program. Fed's discount window borrowing by banks halved from March peak.

China two-speed recovery. China 'first in, first out' global COVID recovery template closely watched. April data dump shows industry leading versus only gradual consumer recovery. Industrial output rose an above expectation 3.9% yoy, vs 1.1% in March, whilst fixed asset investment fell 10.3% yoy, as expected. Retail sales fell 7.5%, below consensus, as official unemployment rate increased to 6%.

US-Sino fractured relations. President Trump said 'could cut off the whole relationship' with China, and had no interest speaking to President Xi right now, in escalation of anti-China rhetoric, and following moves to limit China portfolio investment, and Senate bill potentially punishing China for COVID outbreak. Whilst unhelpful, markets may have to get used to it

FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	100.5	0.2%	0.6%	4.2%
EUR/USD	1.08	-0.1%	-0.3%	-3.6%
US 10Y YLD	0.62	-4.9%	-1.9%	-67.6%
US 10-2 BOND	0.47	2.5%	-17.4%	22.9%
CBOE VIX Index	32.6	-7.6%	4%	137%
CRB Index	2223.2	-0.1%	-2.9%	-27.9%

Events to Watch

Indicator	Period	Forecast	Last
Industrial Output YY, China	Apr	1.47	-1.10
GDP YY, Germany	Q1	1.78	0.30
GDP YY, Euro	Q1	-3.32	-3.30
Retail Sales MM, US	Apr	-12.04	-8.70
Sentiment Index, US	May	68.22	71.80

given it's current bi-partisan US political support and looming November presidential election.

Sector View

US equities were led higher by financials (+2.6%) and discretionary (+1.3%), whilst staples (-0.3%) and real estate (+0.1%) lagged the market.

Taiwan's TSMC, world's largest contract chipmaker, said to build US\$12bn plant in US. Singapore wealth fund Temasek joined Facebook led Libra 'stablecoin' consortium (see [HOT TOPICS](#)). Office Depot (ODP) announced restructuring plan, closing distribution facilities, retail stores and planning to cut 13k employees by end 2013, as retail sector continues to retrench. See *The Consumer Apocalypse*.

What to Watch

Lot of US data today, with retail sales, consumer sentiment, industrial production, and oil rig counts. US April retail sales forecast to fall record 12% yoy, with core sales (ex autos) -4.6%. University of Michigan US consumer sentiment survey forecast for May expected to fall to 68.0.

US industrial production forecast -11.5% yoy in April, after -5.4% in March, with much capacity shuttered. The Baker Hughes **US oil rig count** expected to fall further, as oil market supply/demand rebalances. Last week saw fall to 292 operating rigs, down over 60% yoy.

HOT TOPICS

OUTPERFORMANCE OF 'DIGITAL GOLD' & GOLD

Look at strong-performing alternatives. Bitcoin +31% YTD, on gradual institutionalization, perceived inflation hedge, and 'halving' supply restraint. Gold is +14%, near all-time high, given safer-haven status and surging investment demand, but with USD headwinds. Gold bests BTC as liquid, less volatile, diversifier with correlation history, but cannot match Bitcoin's 37x 5-year return. Gold miners attractive at 20-yr average valuation with div. yield.

Bitcoin (BTC) crisis testing

Bitcoin performed better this crisis than 2018, though volatility has been high, in first crisis test in short history, boosting claim to be the 'digital gold'. It is gaining some institutional acceptance, being perceived as an inflation hedge, and benefitting from clear supply rules.

Largest cryptocurrency rallied 31% YTD (91% from March low), vs US Dollar Index +4% and Gold +14%. Part due to 'halving' of rate of bitcoin new supply, with May cut to 6.25 bitcoins per block mined, from 12.5, in only third reduction since founding 11yrs ago. Prior 2012 and 2016 'halvings' saw large rallies, despite being well flagged. Total BTC supply is capped at 21m vs current c18m. The top 100 currencies have US\$262bn market cap, 62% in

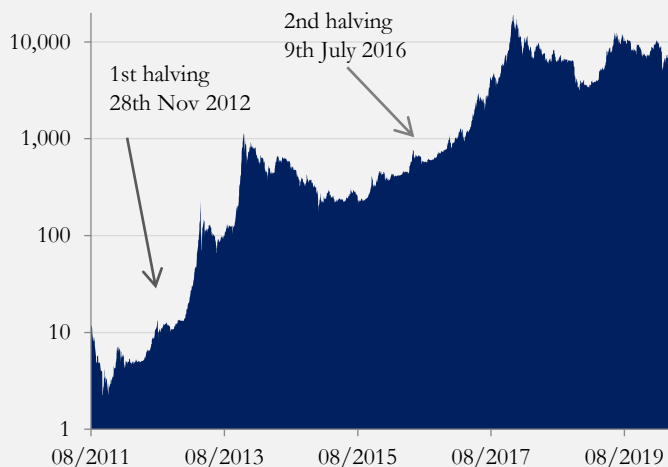
Bitcoin, with c5,000 universe. First launched in 2009, so little history, but seemingly low equity correlation, perceived negative inflation correlation, and with very high volatility.

Are now seeing 2nd generation currencies, such as Facebook-led Libra 'stablecoins', and central banks creating public digital currencies (called CB-DC, central bank digital currency).

Only part-meet three key currency functions: means of payment, unit of account, and store of value. They are not genuine money yet, undermined by high volatility, limited acceptance, and environmental drawbacks.

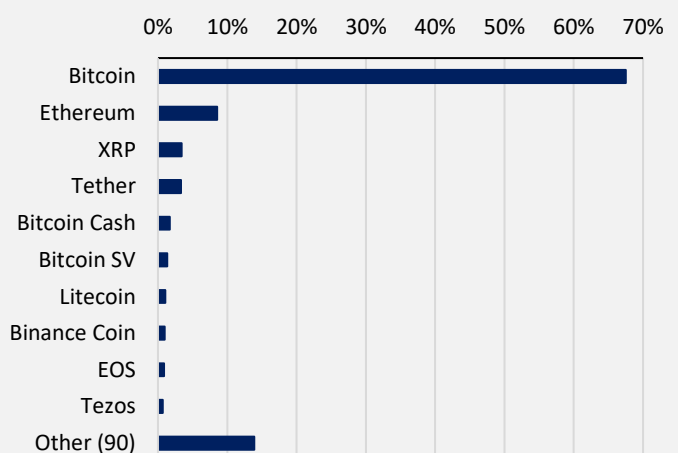
Indirect equity exposure via exchanges (CME), chipmakers (Nvidia), online (Square).

Bitcoin price (log scale)



Source: Refinitiv, THR

Top Cryptocurrencies (Mkt Cap.)



Source: CoinMarketCap, THR

Gold hedge for all seasons

Gold has historically been a hedge vs inflation, the US\$, a safer haven, and a tool to diversify, given low correlations to stocks, bonds and real estate. Spot gold is +13% YTD, at US\$1,700/oz, vs 2011 all-time high US\$1,900.

Safer-haven and Inflation drivers

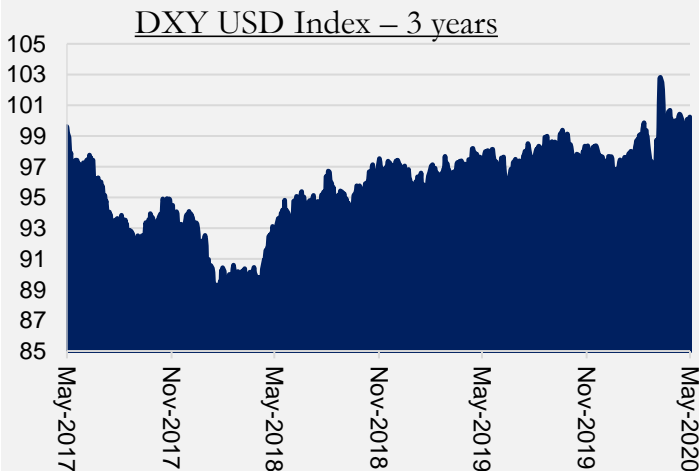
Global equity markets have been very volatile, and many EM's are under pressure (Lebanon, Argentina restructurings etc.) with EM FX very weak, boosting safer-haven gold demand. Huge fiscal and monetary stimulus globally is also boosting debt/GDP and increasing inflation tail-risks, even as inflation expectations hit new lows, as recessions deepen, and oil prices plunged. See *Looking at inflation hedges*.

Investment demand offsetting consumer

Underlying physical demand (c50% market) has been hurt by consumer lockdowns, especially in China/India. Has been offset by strong investment demand, +250% yoy in Q1, with US gold ETF's seeing US\$1.3bn inflows. Central banks could drive gold demand, with many EM central banks with low % of reserves in gold vs DM central banks. If central banks increased holdings 10%, demand would double.

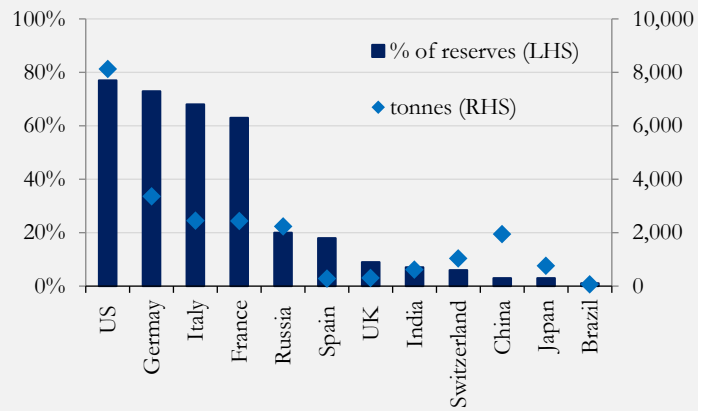
USD strength has been a headwind

95% gold consumer demand is ex US, making



Source: Refinitiv, THR,

Central bank holdings & reserve capacity



Source: World Gold Council, THR

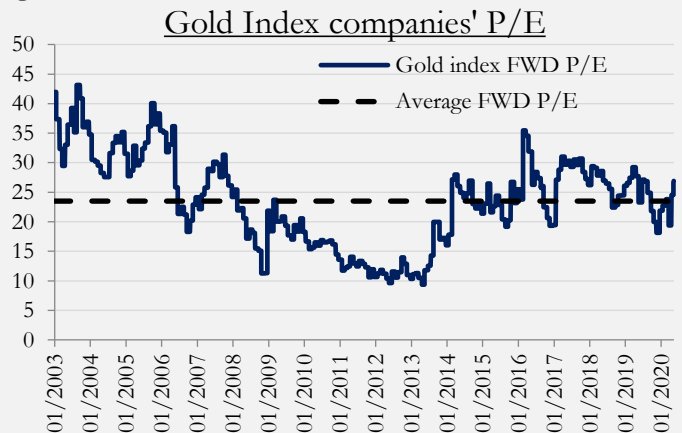
weaker USD supportive. USD Index (DXY) +13% from 2018 trough been a key headwind. DXY could be challenged if US policy rates go negative or ex-US markets lead recovery.

Gold vs Bitcoin: history vs performance

Gold is very different: it has a long track record (2,500yrs), is a less volatile, larger (cUS\$2.5trn), more liquid market, with an established regulatory framework. It is consistently inversely correlated to equities, and positively correlated with inflation. But has dramatically underperformed the 37x BTC rally last 5 years.

Gold stocks cheap, and have some income

Our 10-stock gold index near 20yr average P/E despite gold price 8% off all-time high. Stocks reflect more than just gold price, but cash usage and capital allocation have also improved. GDx gold ETF also offers a modest 0.6% dividend.

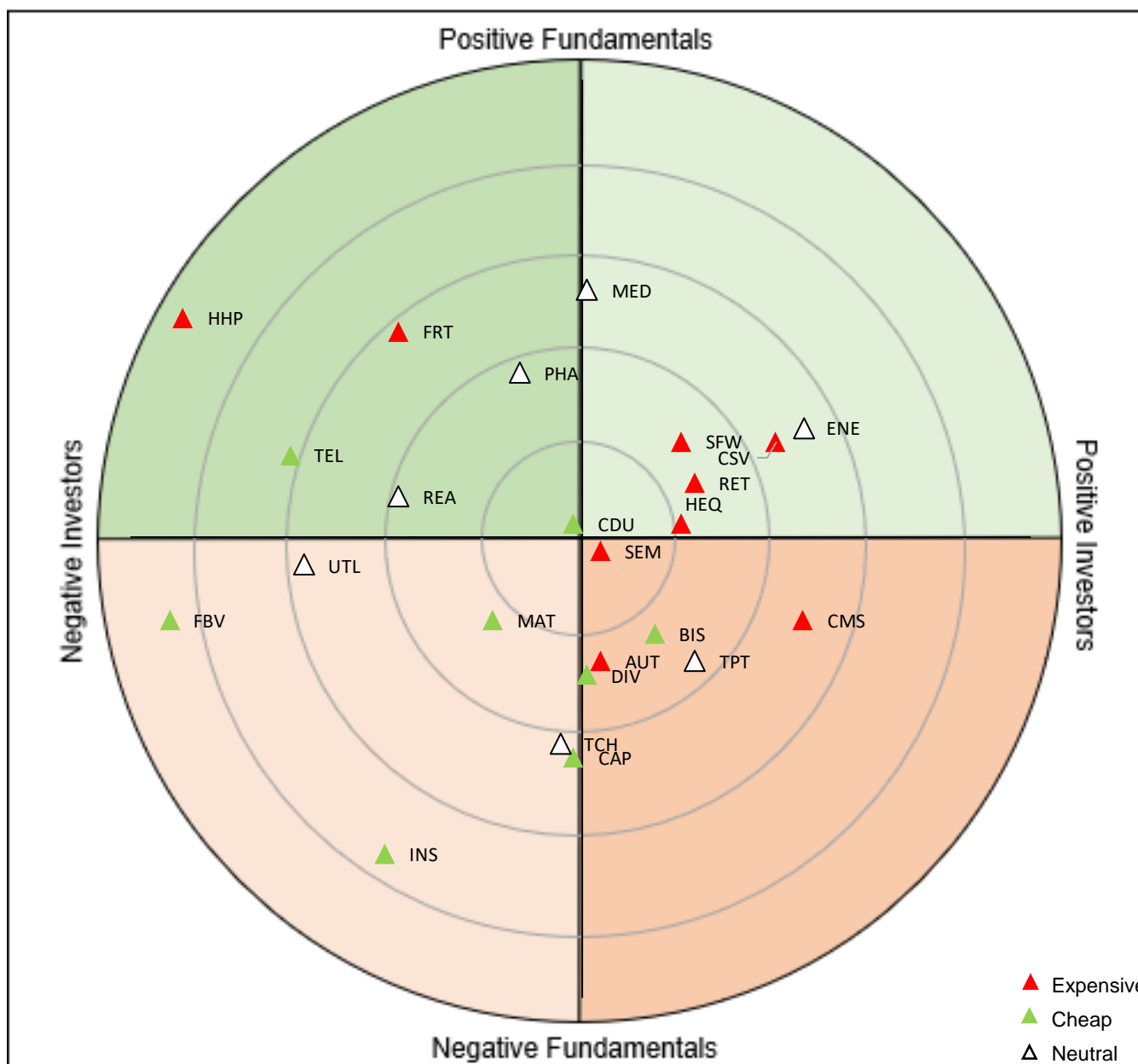


Source: Refinitiv, THR. Basket= Argonaut Gold, Alacer Gold, Coeur M Newmont, Aura Minerals, Royal Gold, Vista Gold

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	Overweight	Energy	XLE/VDE	Neutral
Financials	XLF/VFH	Underweight	Utilities	XLU/VPU	Overweight
Communications	XLC/VOX	Overweight	Real Estate	XLRE/VNQ	Overweight
Discretionary	XLY/VCR	Neutral	Materials	XLB/VAW	Underweight
Industrials	XLI/VIS	Neutral			








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

AUT=Auto & Auto parts, BIS=Banking & Investment, CAP=Capital Goods, CMS=Commercial & Prof Svcs, CDU=Consumer Durables & Apparel, CSV=Consumer Svcs, DIV=Diversified Financials, ENE=Energy, FRT=Food Staples & Retail, FBV=Food, Bev. & Tobacco, HEQ=Healthcare Equip. & Svcs, HHP=Household & Personal Products, INS=Insurance, MAT=Materials, MED=Media & Entertainment, PHA=Pharma, Bio & Life Svcs, REA=Real Estate, RET=Retailing, SEM=Semiconductors & Equip, SFW=Software and Svcs, TCH=Technology Hardware & Equip, TEL=Telecoms TPT=Transport, UTL=Utilities

'EYE' ALLOCATION BREAKDOWN

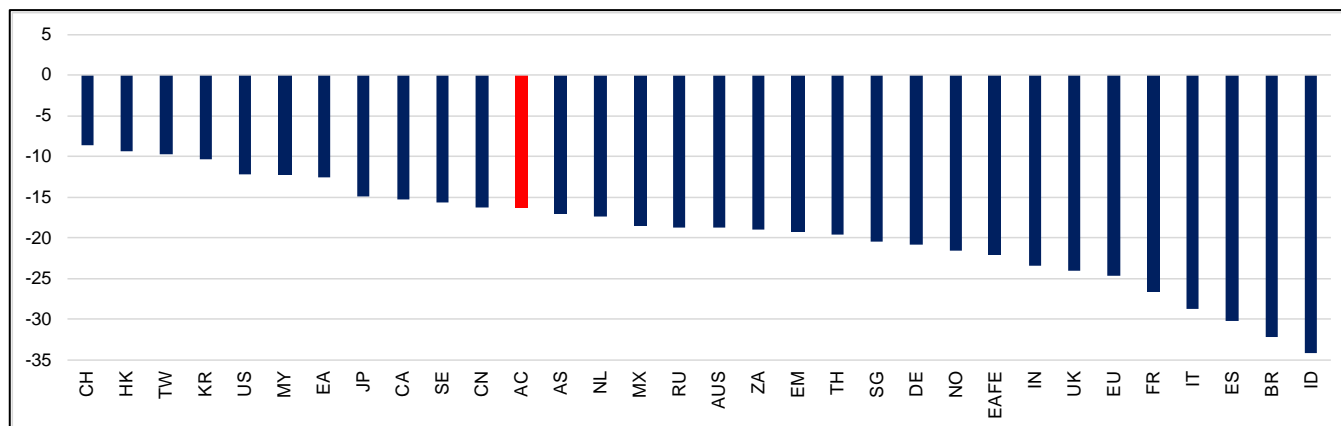
Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	United States (Overweight): Remains a global equity 'safer haven' despite currently centre of COVID outbreak. Has relatively closed economy and stock market, trend GDP growth into crisis, and seen unprecedented policy response, with unlimited QE and initial 14%/GDP fiscal stimulus. Valuations fundamentally supported by tech, tax, and UST. Earnings 'recession' was easing pre COVID-19. Is in the 'momentum' Eye quadrant, with some of world's strongest relative fundamentals, but also some of the most optimistic investors.	22.8	17.9	-20.1	27.2
	Emerging Markets (Neutral): Economic growth recovery vulnerable even before COVID outbreak. USD strength and plunging oil prices are additional broad headwinds for many. Much of the valuation discount structural. However, lower oil welcomed by many, and have some growth support, with +2% EM EPS growth. Favor China, EM's largest market, on combination of policy flexibility, FIFO on COVID cases, <10x P/E. Underweight rest of EM.	13.3	10.8	-0.2	22.8
	Eurozone (Neutral): To lead global GDP decline, whilst most of valuation discount vs US is just sector composition. Recession has triggered a broader fiscal policy response, whilst ECB help extended, and weak EUR is important support for Europe's globalised corporates. As COVID cases peak and countries look to restart economies is set to be the key beneficiary of cyclical economic and market upturn. Focus domestic cyclicals (Financials)	17.3	13.4	-24.2	28.8
	Japan (Underweight): Has 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 poorest globally. Domestic stocks significantly underperformed global-exposed peers.	14.0	11.9	7.9	17.5
	UK (Underweight): One of the poorest positioned of all major countries/regions on the 'Eye'. Relatively in-favour with investors, but with relatively weak fundamentals. Market more expensive than generally perceived (on P/E), and has above average cyclical equity exposure, making it vulnerable to a broader economic downturn (or lower oil prices). Weak GBP has been a key support to large caps, with c60% index revenues ex UK.	15.5	12.0	-30.9	29.4

US Sector	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	Information Technology (Overweight): Software and Semiconductors in attractive top-right 'momentum' quadrant of the Eye. Are quality growth and attractive at this stage of cycle, reflected in defensiveness vs previous corrections. Valuations average but supported by net-cash and high RoE, giving buyback and M&A flexibility. Tech Hardware (Neutral) less well positioned, with weaker fundamentals, but beneficiary of easing growth concerns.	24.4	20.9	-0.4	16.8
	Healthcare (Overweight): Both Healthcare Equipment and Pharma are in the top-right 'momentum' quadrant, well liked by the market (with multiple rerating and sell-side conviction), but with good fundamental momentum as quality growth attractive at this stage, with defensive cash flows, less EPS cyclical and a domestic revenue focus. US election risks easing as Biden rises in primary polls and seeing Federal support to combat COVID.	17.9	15.3	-0.4	16.6
	Financials (Underweight): All three sector components (Banks, Diversified, Insurance) in the negative bottom quadrants of the 'Eye'. Modestly out of favour with market, with strong fund outflows and valuation derating, whilst fundamentals remain under pressure from ever lower US bond yields, flat yield curve, and GDP growth collapse, despite stronger capital buffers. Insurance offers the best value, though none of the sector is optically expensive.	15.0	10.8	-36.5	38.7
	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..	23.0	18.7	-13.2	22.6
	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.	46.1	25.3	-45.4	82.0

Source: Refinitiv, THR

REGION/COUNTRY PERFORMANCE & VALUATION

Total Return YTD

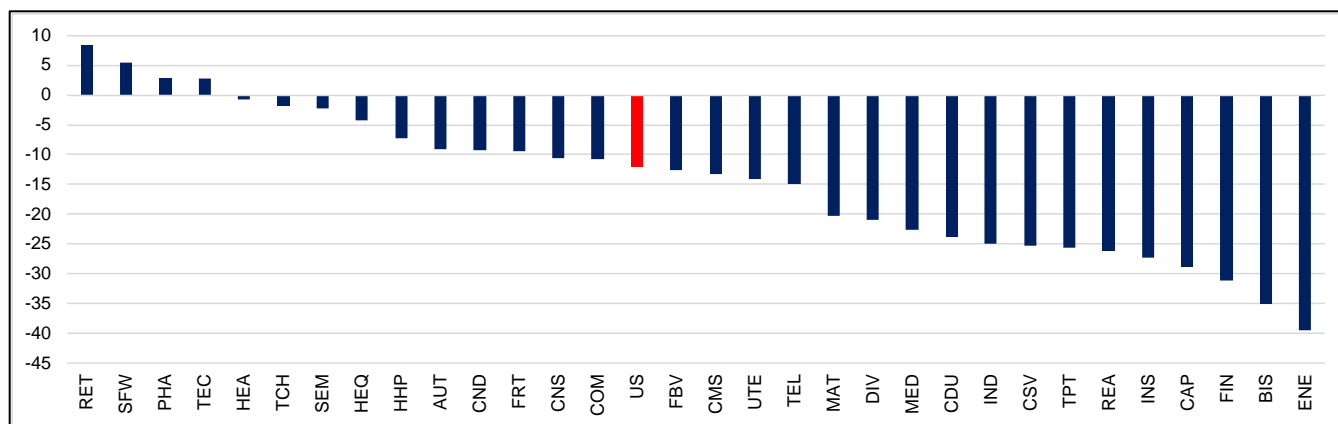


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
World	AC	-0.1	-2.8	-18.2	-16.3	15.9	19.0	15.1	-16.2%	25.5%
EAFE	EAFE	-2.2	-3.3	-21.6	-22.0	13.7	16.2	13.1	-15.9%	23.8%
Europe	EU	-2.4	-3.9	-24.6	-24.7	13.1	17.3	13.4	-24.2%	28.8%
Asia	AS	-1.8	-1.8	-15.9	-17.0	14.6	14.0	11.7	4.4%	20.1%
Emerging Global Markets	EM	-0.9	-1.6	-18.7	-19.2	13.3	13.3	10.8	-0.2%	22.8%
Emerging Asia	EA	-1.0	-1.5	-13.3	-12.6	14.5	13.8	11.4	5.0%	21.9%
Australia	AUS	-1.7	0.2	-23.8	-18.7	13.7	16.4	16.9	-16.0%	-3.1%
Brazil	BR	1.6	0.9	-32.2	-32.2	10.7	14.3	10.2	-25.1%	41.1%
Canada	CA	0.2	-2.2	-18.7	-15.3	13.1	18.0	13.8	-27.0%	30.7%
China	CN	-1.6	-2.5	-12.5	-16.2	13.2	12.9	10.9	2.7%	18.1%
France	FR	-1.8	-4.5	-28.6	-26.7	12.8	17.7	13.1	-27.7%	34.6%
Germany	DE	-2.0	-3.6	-23.3	-20.8	13.5	17.3	12.1	-22.1%	42.9%
Hong Kong	HK	-1.0	-0.6	-9.4	-9.4	13.9	15.9	12.9	-12.8%	23.4%
India	IN	-2.0	-1.2	-24.6	-23.4	19.2	17.8	14.1	7.8%	26.1%
Indonesia	ID	-2.0	-5.2	-29.8	-34.2	12.2	12.8	11.2	-4.0%	13.4%
Italy	IT	-1.8	-2.0	-32.2	-28.7	9.1	13.6	10.6	-33.3%	28.1%
Japan	JP	-1.9	-0.4	-14.0	-14.9	15.1	14.0	11.9	7.9%	17.5%
Korea	KR	-0.7	-0.8	-13.5	-10.3	15.4	12.6	8.9	22.6%	40.5%
Malaysia	MY	-0.1	1.5	-10.1	-12.2	15.6	17.0	14.9	-8.4%	14.3%
Mexico	MX	-0.6	-1.3	-21.1	-18.4	13.9	14.4	11.7	-3.7%	23.8%
Netherlands	NL	-2.1	-3.3	-21.5	-17.4	17.4	19.4	16.2	-10.1%	19.6%
Norway	NO	-2.7	-2.7	-20.8	-21.6	12.2	19.5	13.0	-37.6%	50.6%
Russia	RU	0.2	-1.0	-18.5	-18.7	5.3	7.5	6.0	-29.8%	25.2%
Singapore	SG	-1.8	-1.8	-20.7	-20.4	11.0	12.9	11.4	-15.0%	13.3%
South Africa	ZA	-2.5	-2.2	-18.4	-18.9	13.0	11.4	9.4	14.3%	21.2%
Spain	ES	-1.1	-2.6	-32.9	-30.2	9.8	13.2	10.9	-25.9%	21.0%
Sweden	SE	-2.9	-3.7	-21.0	-15.7	13.6	19.3	14.7	-29.5%	31.7%
Switzerland	CH	-2.0	-1.8	-12.3	-8.6	17.7	19.1	16.6	-7.3%	15.2%
Taiwan	TW	-1.4	-0.7	-8.6	-9.8	16.8	16.1	14.0	4.1%	14.6%
Thailand	TH	-1.1	1.2	-16.3	-19.6	14.8	17.7	14.6	-16.4%	21.1%
United Kingdom	UK	-2.7	-3.5	-23.2	-24.0	10.7	15.5	12.0	-30.9%	29.4%
United States	US	1.2	-1.2	-16.1	-12.1	18.2	22.8	17.9	-20.1%	27.2%

Source: MSCI, Refinitiv, THR

US SECTOR PERFORMANCE & VALUATION

Total Return YTD

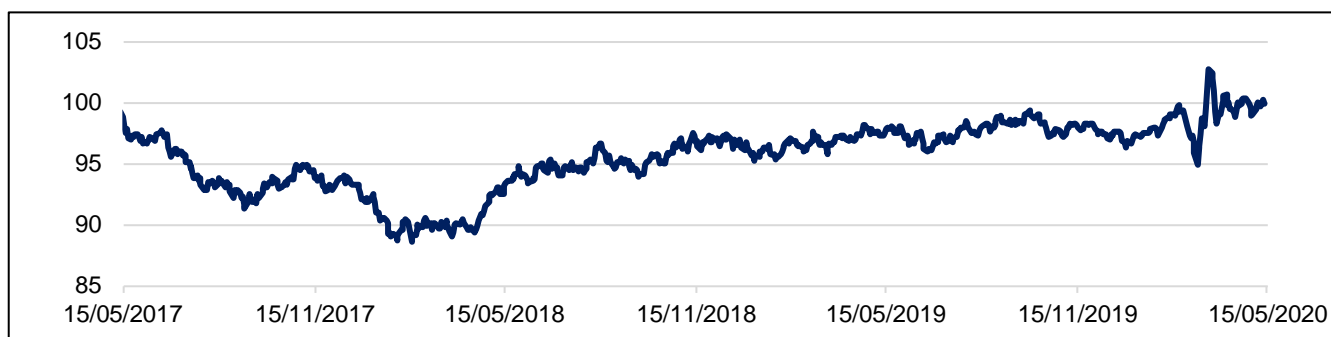


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United States	US	1.2	-1.2	-16.1	-12.1	18.2	22.8	17.9	-20.1%	27.2%
Communications	COM	2.7	2.3	-12.2	-10.7	19.9	23.0	18.7	-13.2%	22.6%
Media & Entertainment	MED	2.1	-0.9	-23.6	-22.7	25.6	30.7	22.7	-16.5%	34.9%
Telecommunication Svcs	TEL	0.9	-1.2	-14.9	-14.9	9.9	10.7	10.4	-7.3%	3.2%
Consumer Discretionary	CND	1.4	-0.6	-14.3	-9.3	25.2	46.1	25.3	-45.4%	82.0%
Autos & Components	AUT	2.7	0.5	-19.7	-9.1	12.9	NA	16.4	-111.8%	767.2%
Consumer Durables & App	CDU	1.7	-2.5	-25.6	-23.8	16.2	21.1	16.3	-23.2%	29.1%
Consumer Svcs	CSV	2.0	-1.9	-26.5	-25.3	18.0	79.8	23.9	-77.5%	233.9%
Retailing	RET	0.9	0.4	-0.8	8.5	34.1	43.3	29.7	-21.4%	45.9%
Consumer Staples	CNS	-0.3	-0.2	-12.8	-10.6	19.5	19.8	18.3	-1.9%	8.2%
Food & Staples Retailing	FRT	-0.1	-0.9	-8.7	-9.5	21.2	21.4	20.2	-1.3%	6.2%
Food, Bev & Tobacco	FBV	-0.3	-0.1	-15.4	-12.5	17.0	17.9	16.3	-4.9%	9.8%
Household Products	HHP	-0.3	0.0	-9.8	-7.2	24.6	22.7	21.6	8.3%	4.9%
Energy	ENE	0.9	-2.7	-33.4	-39.6	13.5	NA	36.5	-108.9%	514.6%
Financials	FIN	2.1	-4.1	-32.8	-31.2	9.5	15.0	10.8	-36.5%	38.7%
Banks	BIS	3.3	-4.1	-35.0	-35.1	7.4	16.6	9.6	-55.6%	73.2%
Diversified Financials	DIV	2.5	-2.3	-23.9	-21.0	12.6	17.2	13.4	-26.9%	28.3%
Insurance	INS	1.2	-2.5	-29.9	-27.4	9.6	10.2	9.1	-6.5%	12.8%
Health Care	HEA	1.0	0.8	-2.8	-0.7	17.8	17.9	15.3	-0.4%	16.6%
Health Care Equipment	HEQ	1.2	-0.7	-7.1	-4.3	28.0	31.7	24.3	-11.8%	30.6%
Pharmaceuticals	PHA	0.7	2.3	1.8	3.0	15.4	15.2	13.3	0.7%	14.7%
Industrials	IND	1.1	-3.2	-27.7	-24.9	15.6	22.7	16.5	-31.2%	37.7%
Capital Goods	CAP	0.9	-3.2	-31.2	-28.8	14.3	20.7	15.7	-31.1%	31.9%
Commercial & Prof Svcs	CMS	1.7	-3.0	-18.9	-13.2	25.7	29.3	25.1	-12.3%	16.7%
Transportation	TPT	0.5	-2.5	-27.2	-25.7	16.6	27.7	15.7	-39.9%	76.3%
Information Technology	TEC	1.1	-0.5	-7.1	2.8	24.3	24.4	20.9	-0.4%	16.8%
Semiconductors	SEM	2.3	0.4	-9.2	-2.2	17.3	18.5	15.5	-6.5%	19.0%
Software & Svcs	SFW	0.8	-1.5	-6.1	5.4	31.4	30.1	26.2	4.4%	14.7%
Technology Hardware	TCH	1.7	1.4	-9.0	-1.9	20.0	20.5	17.4	-2.3%	18.1%
Materials	MAT	1.5	-1.7	-18.4	-20.3	16.8	20.8	16.3	-19.2%	27.5%
Real Estate	REA	0.5	-5.6	-30.6	-26.2	30.2	40.9	35.6	-26.2%	14.9%
Utilities	UTE	1.0	0.6	-20.4	-14.0	17.3	16.9	16.0	2.4%	5.9%

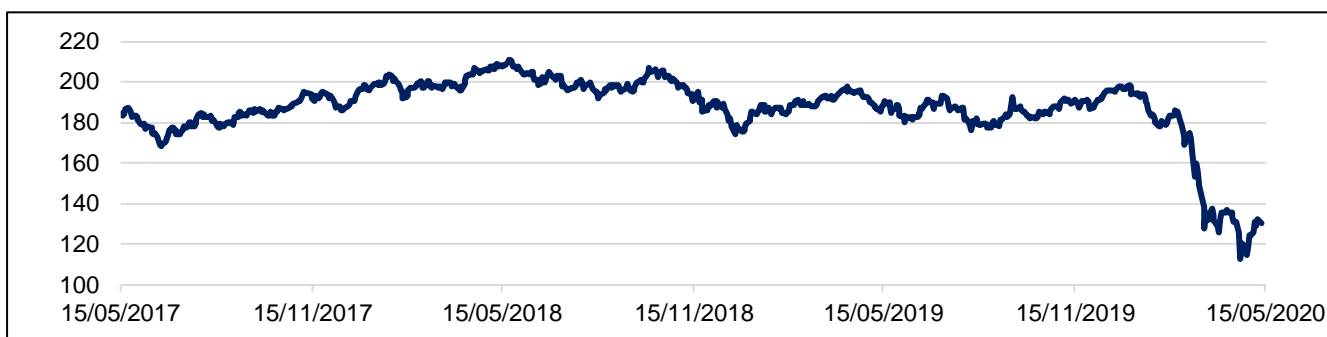
Source: MSCI, Refinitiv, THR

GLOBAL FX, BONDS AND COMMODITIES

DXY USD Index - 3 years



CRB Major Commodity Index* - 3 Years

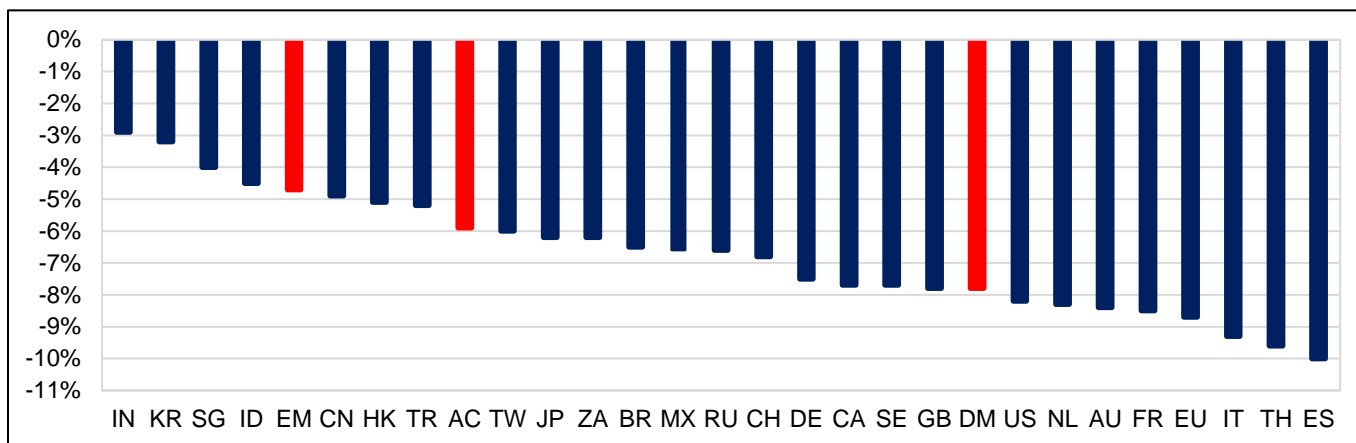


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
Commodities										
CRB Commodity Index	USD	2223.22	0.2%	-4.8%	2.6%	-22.9%	-22.1%	-4.7%	7.2%	-27.8%
Gold Spot	USD	1729.27	0.3%	2.0%	1.1%	9.5%	33.8%	3.3%	10.4%	14.3%
Copper Spot	USD	2.35	0.0%	-2.4%	1.7%	-9.8%	-14.6%	-0.1%	5.0%	-15.9%
Brent Crude Spot	USD	28.56	0.0%	30.0%	81.0%	-50.7%	-61.5%	92.6%	84.1%	-58.6%
CRB Agricultural Index	USD	4195.45	-0.1%	-5.0%	-1.1%	-22.5%	-21.2%	-5.9%	0.8%	-26.9%
Currencies										
DXY USD Index	USD	100.47	-0.1%	0.6%	0.9%	1.2%	2.8%	1.3%	1.3%	4.1%
EUR/USD	USD	1.08	-0.1%	-0.4%	-1.0%	-0.3%	-3.6%	-1.5%	-2.1%	-3.7%
USD/JPY	JPY	107.24	-0.1%	0.5%	-0.3%	-2.3%	-2.2%	0.0%	-0.3%	-1.3%
GBP/USD	USD	1.22	-0.3%	-1.7%	-2.6%	-6.5%	-5.1%	-3.2%	-1.8%	-8.0%
USD/CNY	CNY	7.09	0.1%	0.4%	0.5%	1.6%	3.3%	0.6%	0.3%	2.0%
Bond Yields										
DE 10Y BUND	EUR	-0.54	1.5%	2.6%	17.7%	36.5%	468.8%	-6.8%	19.5%	192.0%
GB 10Y GILT	GBP	0.20	2.0%	-11.9%	-31.1%	-66.9%	-80.5%	-10.0%	-41.4%	-74.8%
JP 10Y JGB	JPY	0.00	0.0%		-111.8%	-93.1%	-96.0%	-94.7%	-111.8%	-90.9%
US 10Y BILL	USD	0.62	-1.4%	-10.4%	-4.8%	-61.6%	-74.3%	-2.3%	-12.7%	-68.0%
US 30Y BOND	USD	1.30	-1.7%	-7.9%	-0.1%	-37.6%	-54.9%	0.2%	-6.0%	-46.4%
US 10-2 BOND	-	0.47	-4.1%	-13.1%	20.6%	27.7%	18.6%	16.2%	20.2%	22.2%
Volatility										
CBOE VIX Index	USD	32.61	0.00	0.17	-0.20	1.38	0.98	-0.05	-0.39	1.37

Source: MSCI, Refinitiv, THR

MACRO INDICATORS: HISTORIC AND FORECASTS

Forecast Real GDP Growth 'Delta' (2020E % Growth – 2019)



Codes	Nominal GDP 2019 US\$trn	Real GDP (%)			Inflation (%)			Current Account (% GDP)			Gov Debt (% GDP)		
		2018	2019	2020E	2018	2019	2020E	2018	2019	2020E	2019	2020E	
Americas													
US	21.4	2.9	2.3	-5.9	2.4	1.8	0.6	-2.4	-2.5	-2.6	106	110	
Canada	1.7	1.9	1.5	-6.2	2.2	2.0	0.6	-2.6	-1.9	-3.7	88	83	
Brazil	1.9	1.1	1.2	-5.3	3.7	3.8	3.6	-0.8	-1.2	-1.8	92	95	
Mexico	1.3	2.0	0.0	-6.6	4.9	3.8	2.7	-1.8	-1.2	-0.3	54	55	
Europe													
Eurozone	18.3	2.2	1.2	-7.5	1.9	1.5	2.0	2.0	2.0	1.6	80	78	
Germany	3.9	1.5	0.5	-7.0	1.9	1.5	0.3	7.3	7.0	6.6	59	53	
UK	2.7	1.4	1.3	-6.5	2.5	1.8	1.2	-3.9	-3.5	-4.4	86	85	
France	2.7	1.7	1.3	-7.2	2.1	1.2	0.3	-0.6	-0.5	10.4	99	99	
Italy	2.0	0.9	0.2	-9.1	1.2	0.7	0.2	2.5	2.9	3.2	133	134	
Spain	1.4	2.6	2.0	-8.0	1.7	0.7	-0.3	0.9	0.9	2.2	96	94	
Netherlands	0.9	2.6	1.8	-6.5	1.6	2.5	0.5	10.9	9.8	9.0	49	46	
Switzerland	0.7	2.8	0.8	-6.0	0.9	0.6	-0.4	10.2	9.6	7.2	39	36	
Sweden	0.5	2.3	0.9	-6.8	2.0	1.7	0.5	1.7	2.9	2.2	37	34	
Russia	1.6	2.3	1.1	-5.5	2.9	4.7	3.1	6.8	5.7	0.7	17	18	
Turkey	0.7	2.8	0.2	-5.0	16.3	15.7	12.0	-3.5	-0.6	0.4	30	32	
Asia													
China	14.1	6.6	6.1	1.2	2.1	2.3	3.0	0.4	1.0	0.5	56	65	
Hong Kong	0.4	3.0	0.3	-4.8	2.4	3.0	2.0	4.3	5.5	6.0	0	0	
Japan	5.2	0.8	1.0	-5.2	1.0	1.0	0.2	3.5	3.3	1.7	238	238	
India	2.9	6.8	4.8	1.9	3.4	3.4	3.3	-2.1	-2.0	-0.6	69	68	
Korea	1.6	2.7	2.0	-1.2	1.5	0.5	0.3	4.4	3.2	4.9	40	46	
Australia	1.4	2.7	1.7	-6.7	2.0	1.6	1.4	-2.1	-0.3	-0.6	42	41	
Indonesia	1.1	5.2	5.0	0.5	3.2	3.2	2.9	-3.0	-2.9	-3.2	30	30	
Taiwan	0.6	2.6	2.0	-4.0	1.5	0.8	0.5	12.2	11.4	8.2	34	31	
Thailand	0.5	4.1	2.9	-6.7	1.1	0.9	-1.1	6.4	6.0	5.2	42	44	
Singapore	0.4	3.1	0.5	-3.5	0.4	0.7	-0.2	17.9	16.5	14.8	114	115	
Other													
South Africa	0.4	0.8	0.4	-5.8	4.6	4.4	2.4	-3.5	-3.1	0.2	60	68	
World													
Developed Markets	51.7	2.3	1.7	-6.1	2.0	1.5	0.5	0.7	0.6	0.1	103	104	
Emerging Markets	34.9	4.5	3.7	-1.0	4.8	4.7	4.6	0.0	0.0	-0.9	53	58	
World	86.6	3.6	2.9	-3.0	3.6	3.4	3.0						

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	-4.1	3.8
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	9.5	7.0
Average Earnings, Growth	1.9	2.0	1.9	2.1	2.1	2.2	2.6	2.6	3.0	3.3	2.6	2.5
Prices												
CPI	1.6	3.2	2.1	1.5	1.6	0.1	1.3	2.1	2.4	1.8	1.0	1.8
PCE, excluding energy	1.4	1.6	1.9	1.5	1.6	1.2	1.6	1.6	1.9	1.6	1.4	1.5
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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