

# EYE ON THE WORLD

## Reopening, recovery, and China

Monday, May 11

Equities supported as terrible incoming data no worse than expected, and with incremental reopening (5%) and activity recovery (22%) trend. **HOT TOPICS** focuses on this week's European-led lockdown reopening pick-up, trough April activity data, tracking China's recovery trend, and the likely start of Fed' crucial high-yield bond market purchases.

S&P500 rallied Friday as jobs report was within expectations. Asia and European markets higher today, along with US futures. We think markets are **better supported than feared**. We are focused on 'quality growth' IT/Healthcare, and select cyclicals in real estate, small caps, and European financials.

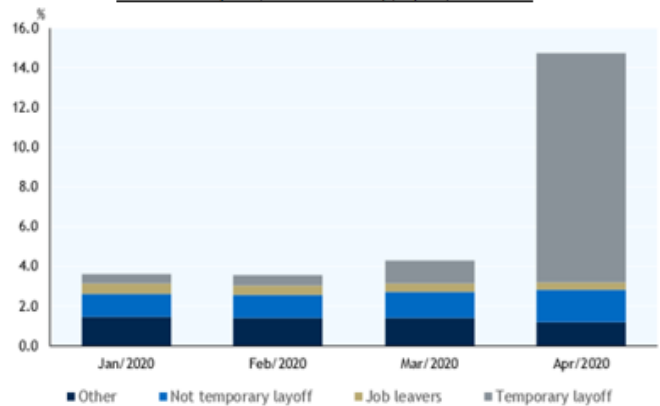
**US labor market.** Friday April US payrolls data unprecedented, but in-line with expectations and most job losses currently classified as 'temporary' (see chart). Historic 20.5m jobs lost in April and the unemployment rate soared to a still likely under-counted 14.7%, with job losses across the board, but led by hospitality sectors and lower wage earners. Labor participation rate fell to 60%.

### Key Markets Performance Table

Index	Level	1D	1W	YTD
S&P500	2881.2	1.7%	3.5%	-9.3%
ACWI xUS	39.6	1.7%	3.0%	-18.1%
DXY USD	99.7	-0.2%	0.7%	3.5%
US 10Y YLD	0.68	7.9%	6.4%	-64.3%
Brent Spot	21.5	0.0%	47.8%	-68.1%
Gold Spot	1700.7	-1.0%	0.1%	12.1%

**Europe's lockdown loosening.** We see further national lockdown loosening, led by hard-hit Europe. France begins to re-open today after 8-week lockdown, whilst Spain progresses to next

US unemployment rate (%) by reason



Source: BLS, THR

### HIGHLIGHTS FROM REST OF DOC

- **Hot Topics** on [Week Ahead](#) focuses on lockdown reopening acceleration, trough April activity data, tracking China's recovery trend, and Fed' crucial high-yield bond market intervention.
- **What to watch:** With tail-end of US earnings season, with 14% S&P500 still to report
- **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	2881.2	1.7%	3.5%	-9.3%
NASDAQ	9220.4	1.6%	6.0%	1.7%
Russell 2000	1329.6	3.6%	5.5%	-20.3%
US IT	346.3	1.4%	6.9%	4.4%
US Healthcare	347.5	0.7%	2.5%	-1.4%
US Financials	142.1	2.4%	1.3%	-27.3%

Stage that see's restrictions eased on half of population. UK announced first lockdown easing step. Elsewhere Japan to consider ending state of emergency in some areas this month.

**Reinfection spotlight.** Reopening risks a focus. South Korea saw new cases at one month high, whilst China locked down a north east city on a resurgence in cases. Germany announced that its national reinfection rate had risen above 1 again, a week after beginning to reopen. Whilst outbreaks are small and localized, they are threat to the reopening pace and consumer confidence.

**China recovery tracker.** Chinese central bank (PBoC) said it would step up counter-cyclical support to the economy and make monetary policy more flexible, after Q1 6.8% GDP contraction, and with April data due end this week (see [HOT TOPICS](#)). PBoC already eased bank reserve requirements and cut interest rates, but much less than other countries. China April vehicle sales rose 4.4% yoy to 2.1m, after a March 43% plunge, in further consumer recovery evidence. China is 'first out' of global COVID crisis and its trajectory a key lead.

## FX, Fixed Income, Commodities

Index	Level	1D	1W	YTD
DXY USD Index	99.7	-0.2%	0.7%	3.5%
EUR/USD	1.08	0.1%	-1.3%	-3.3%
US 10Y YLD	0.68	7.9%	6.4%	-64.3%
US 10-2 BOND	0.53	-7.6%	32.6%	26.1%
CBOE VIX Index	31.4	-11.0%	-25%	103%
CRB Index	2341.1	2.3%	3.3%	-24.1%

## Events to Watch

Indicator	Period	Forecast	Last
Social Financing, China	Apr	2.4 T	5.2 T
M2 Supply YY, China	Apr	10.15	10.10
Outstanding Loans YY, China	Apr	12.87	12.70
Unemployment Trend, US	Apr	N/A	60.39

**Bitcoin 'halving'.** The largest cryptocurrency has rallied 40% YTD, significantly outpacing the 3.5% rise in US Dollar Index (DXY) and 12% of Gold. Part of this strength due to the imminent 'halving' of bitcoin supply, with a planned reduction to 6.25 bitcoins per block mined, from prior 12.5 in only it's third supply cut since founding 11 years ago. Prior supply 'halvings' in 2012 and 2016 precipitated significant price rallies, despite being well anticipated.

## Sector View

Energy (+4.5%) and communications (+3.1%) outperformed the US market Friday, while tech (+1.4%) and health care (+0.6%) lagged. **Small cap outperformed large cap** near 2pp, though still lag by 11pp YTD. We recently upgraded our energy weight to neutral, on supply/demand rebalancing and valuation. See *Less bearish energy*.

The 738-store discount department chain Stage Stores became the latest to seek bankruptcy protection, after J Crew and Neiman Marcus filed last week. See *The Consumer Apocalypse*.

## What to Watch

Friday's weekly Baker Hughes US oil rig count fell by 33 to decade low 292, down over 60% yoy, as **oil market supply continues to rebalance**. This week the US is set to see April retail sales, industrial production, and inflation data, following Friday's jobs report, and the tail-end of US earnings season, with 14% companies still to report. See [HOT TOPICS](#) for full details.

# HOT TOPICS

## REOPENING, RECOVERY, AND CHINA

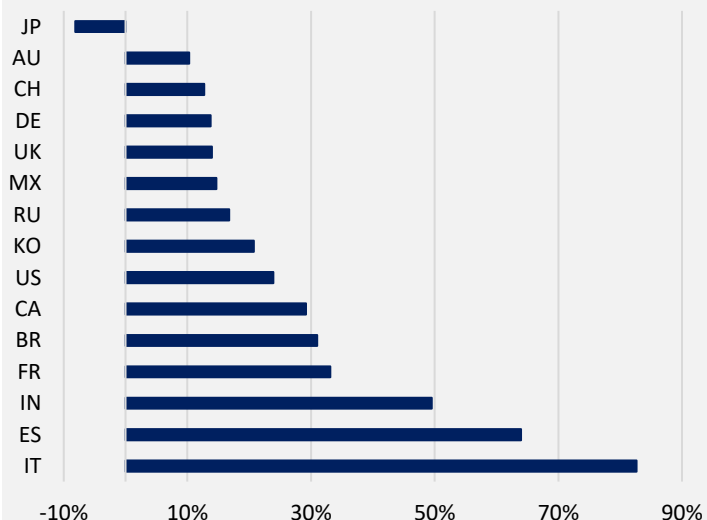
Focus this week tracking the loosening of global lockdown restrictions, and extent of activity recovery and reinfection risk. Top-15 economy restrictions loosened 6% and driving activity +22%. US April retail sales and industrial activity to be terrible, and the trough. China April data dump insight into speed of FIFO economic rebound. Also see end of better-than-feared US earnings, oil market rebalancing progress, and start Fed HY purchases.

### Reopening and Mobility recovery proxy

Focus on pace of European and US reopening, as restrictions remain tight – see Oxford restrictions Stringency Index, with an average reduction of only 6% for top 15 economies. Australia has seen greatest loosening (15%) in recent weeks, whilst India remains strictest on this composite. Reinfection risks real following new outbreaks in China, Korea, Germany.

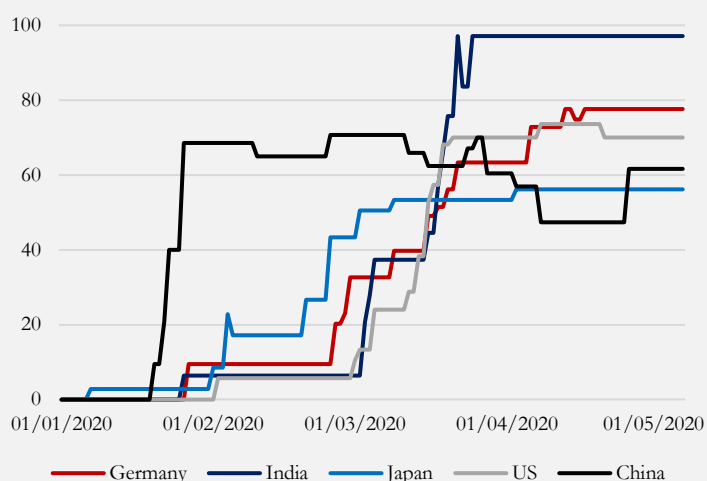
The activity recovery – proxied by Apple Mobility Trends report for Driving - has rebounded an average of 22% the last two weeks, led by hardest hit Spain and Italy. Only Japan of the 15 largest economies has seen a decrease in driving, whilst India most depressed of economies, -76% from early January levels.

2W % chg driving: Top 15 economies



Source: Refinitiv, THR

Stringency Index: Top 5 economies



Source: Oxford COVID-19 government Response Tracker, THR

### US Retail growth to touch bottom(Fri)

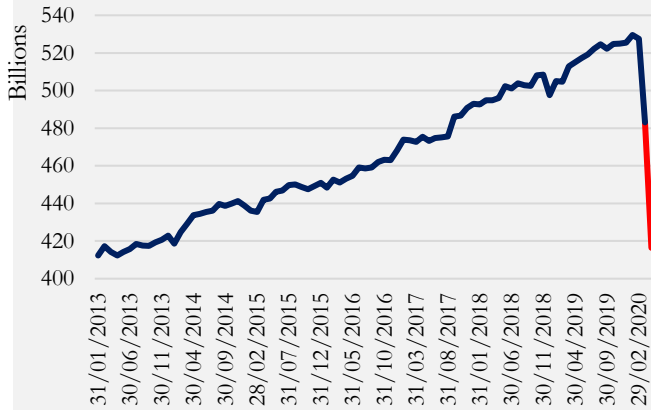
US retail sales fell 8.4% mom in March to US\$483bn, a 3-year low. A further 14% decline to US\$416bn is forecast for April, the first full month of US lockdown. This would represent a 19% yoy fall, and mark the likely trough, as gradual reopening's take hold going forward. These figures are heavily influenced by auto sales. Ex Autos, sales are forecast to 'only' fall 10% mom.

Friday also to see April industrial production, with a 12.3% mom fall forecast, after March - 5%, and likely marking the activity trough.

### China data dump (Fri) recovery shape

China set to report April retail sales, industrial

### Monthly US Retail Sales US\$bn



Source: Refinitiv, THR

Production, fixed asset investment, and jobless. IP is leading recovery, but retail sales closely watched for pace of consumption, with China first in and first out of crisis. We are overweight Chinese equities. See *US and China havens*.

January-February retail sales fell 20.5% yoy, before recovering to -16% last month, and a further recovery to -5% is forecast this month. Fixed Asset Investment and Industrial Production (IP) are also due, with consensus looking for 1.5% yoy IP growth vs -1.1% previously, as manufacturing leads reopening.

### Wrapping up US earnings

It's the final week of better-than-feared US Q1 earnings, with 86% reported so far. 64% have

reported above expectations, in line with long-term average. Most sectors beat expectations, with financials the sole significant outlier on downside. Q1 revenues were flat yoy and EPS down 12%. See *7 earnings season takeaways*.

### US Inflation (Tue): Deflation trends

US April CPI forecast at 0.78%, down from March 1.5%, as lower commodity prices offset supply chain disruptions. Core CPI expected to fall to 1.74%, down from March 2.1%.

### US jobless claims (Thu): <3m

With investors watching for another consecutive easing in the pace of weekly jobless claims, from the 3.2m of last week, and peak over 6m. This remains the most timely and reliable data on magnitude of the US recession.

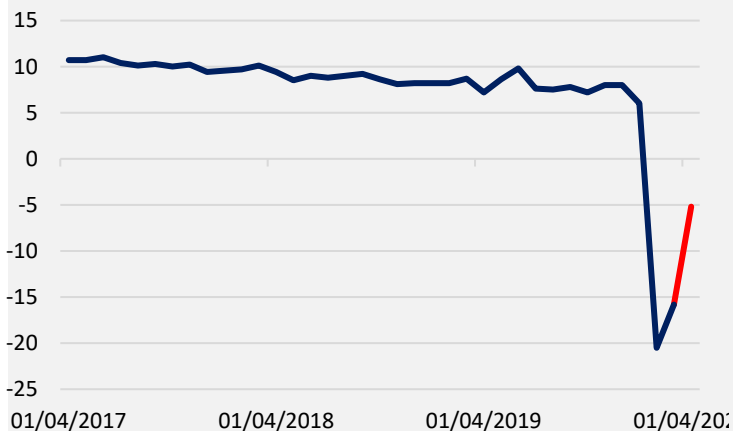
### IEA oil report (Thu) and US rig count (Fri)

International Energy Agency May report watched for supply/demand update, with IEA forecasting -6% 2020 demand. Also, weekly US Baker Hughes oil rig count, -62% yoy last week.

### Fed corporate bond buying starts

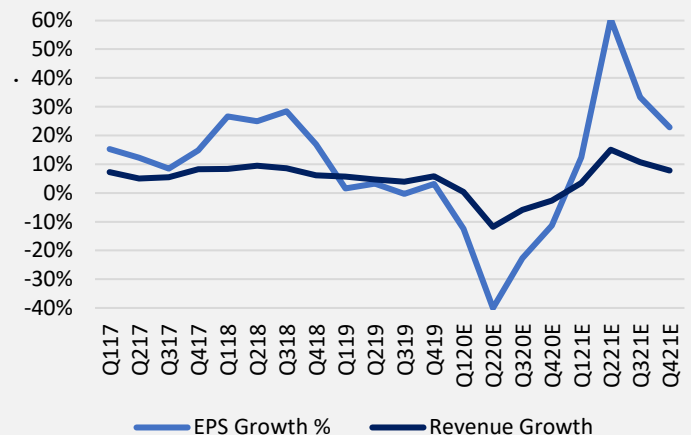
Fed to start US\$750bn support for new and already-issued US corporate bonds. IG and HY issuance activity been strong and spreads contained, with HY at 720bps and IG 220bps.

### China retail sales growth YoY%



Source: Refinitiv, THR

### S&P500 Revenue and EPS Growth YoY

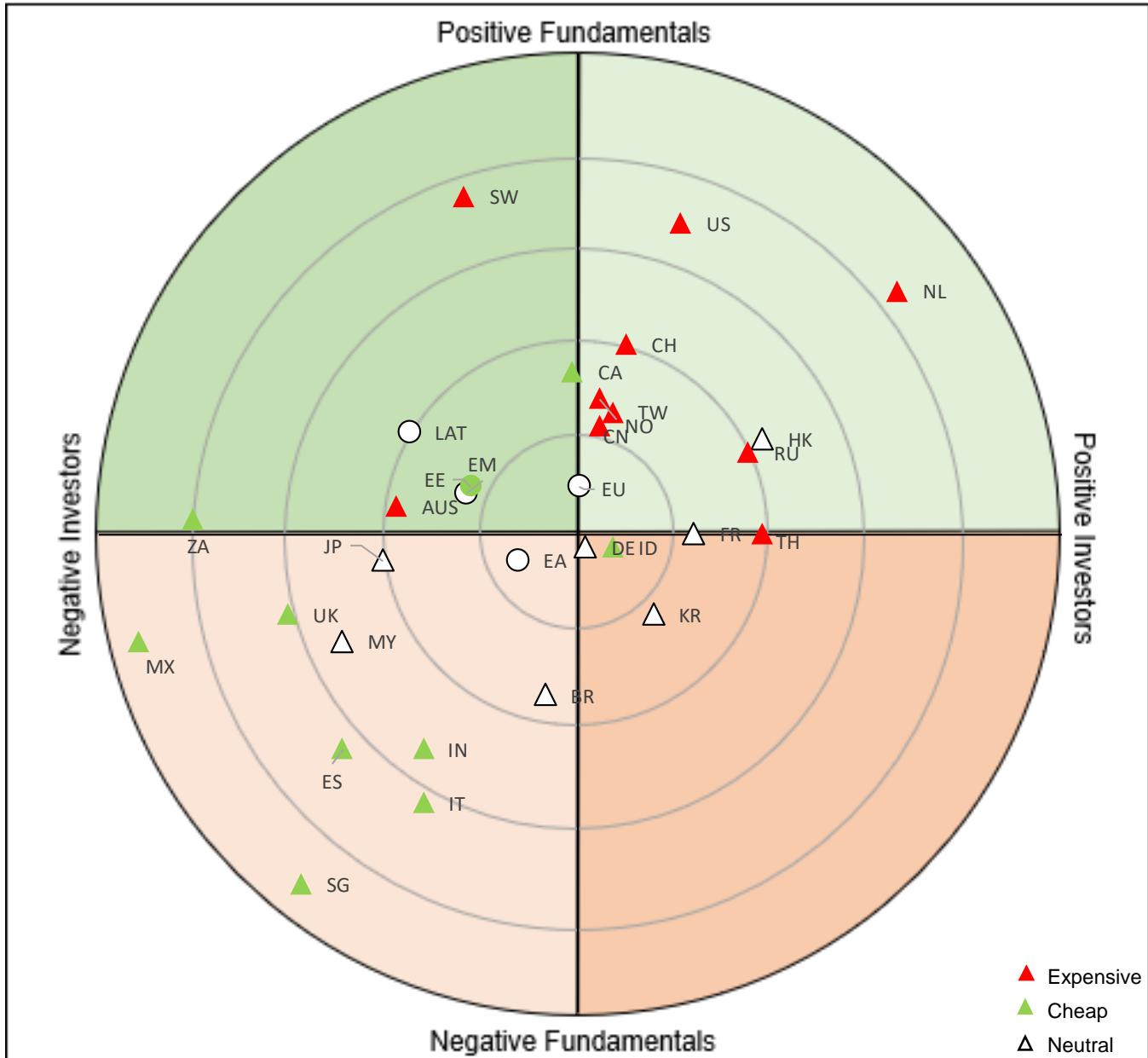


Source: Refinitiv, THR

# 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	Neutral	Canada	S&P/TSX	Overweight
Eurozone	EUROSTOXX	Neutral	Switzerland	SMI	Overweight
Japan	TOPIX	Underweight	Australia	S&P/ASX	Neutral



Source: Refinitiv, THR. SEE PAGE 12 FOR FULL METHODOLOGY

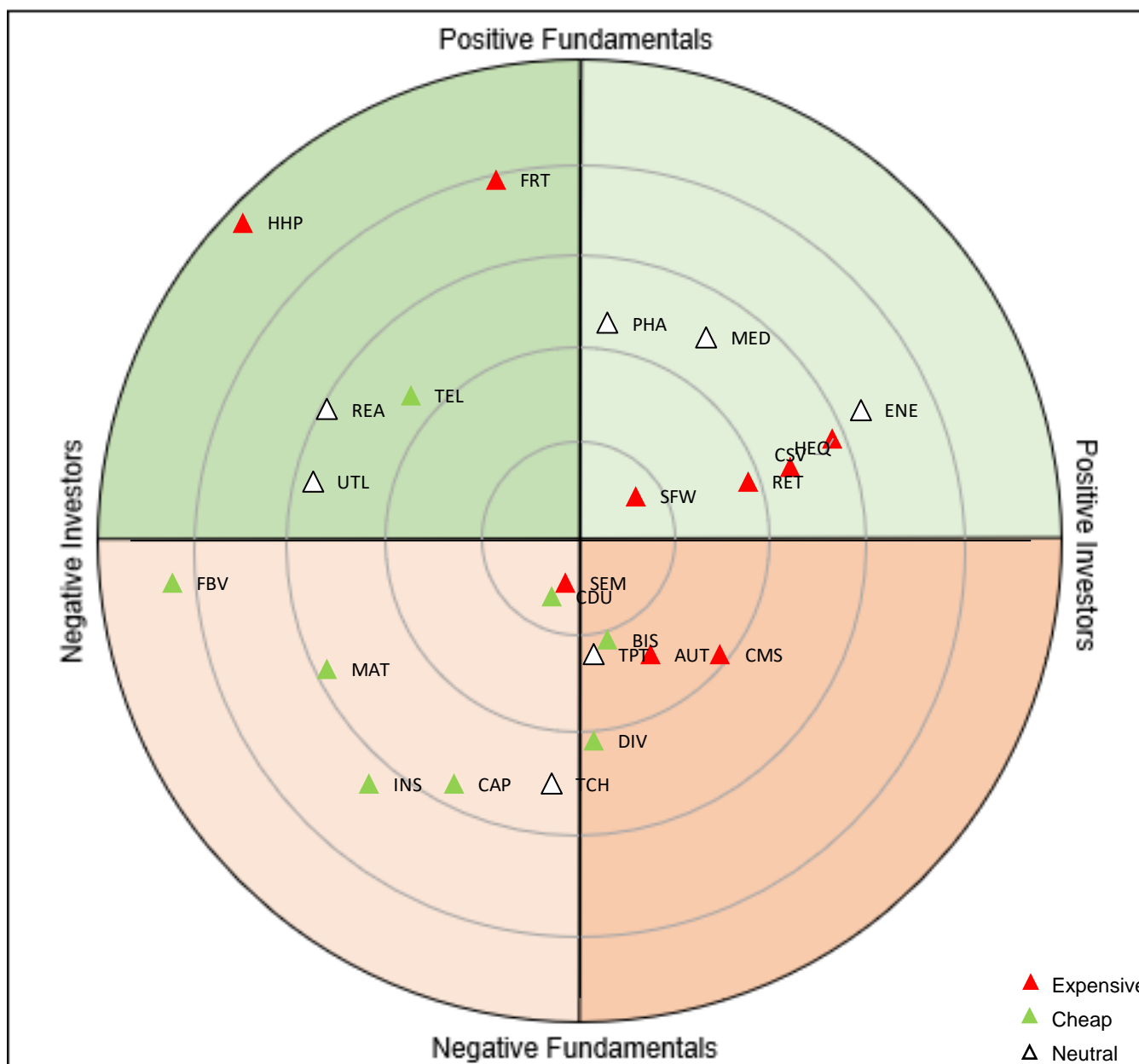
AUS=Australia, BR=Brazil, CA=Canada, CN=China, FR=France, DE=Germany, HK=Hong Kong, IN=India, ID=Indonesia, IT=Italy, JP=Japan, KR=Korea, MY=Malaysia, MX=Mexico, NL=Netherlands, NO=Norway, RU=Russia, SG=Singapore, ZA=South Africa, ES=Spain, SE=Sweden, CH=Switzerland, TW=Taiwan, TH=Thailand, UK=United 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	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 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

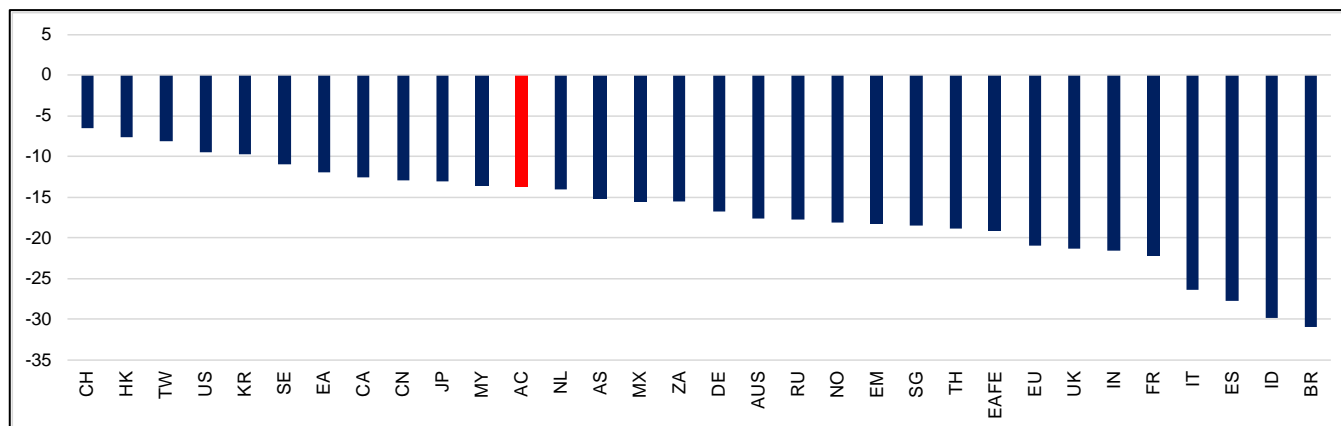
Country/ Region	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>United States (Overweight):</b> Remains a global equity 'safer haven' despite currently centre of COVID outbreak. Has relatively closed economy and stock market, trend GDP growth into crisis, and seen unprecedented policy response, with unlimited QE and initial 10%/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.	23.0	18.3	-18.5	26.0
	<b>Emerging Markets (Neutral):</b> 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 also have some growth support, with +8% EM EPS growth. Favor China on combo of policy flexibility, FIFO on COVID cases, <10x P/E. Brazil also well-placed on Eye framework.	13.2	10.9	1.6	21.6
	<b>Eurozone (Neutral):</b> 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)	17.1	13.5	-21.9	26.6
	<b>Japan (Underweight):</b> 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.	15.1	14.1	-18.3	7.1
	<b>UK (Underweight):</b> 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.	15.3	12.0	-28.8	27.3

US Sector	Rationale	P/E (x)		EPS Gr. (%)	
		2020e	2021e	2020e	2021e
	<b>Information Technology (Overweight):</b> 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.	22.5	19.3	1.9	16.7
	<b>Healthcare (Overweight):</b> 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.	16.9	14.8	2.2	14.3
	<b>Financials (Underweight):</b> All three sector components (Banks, Diversified, Insurance) in the bottom-left 'value trap' quadrant of the 'Eye'. All out of favour with market, with strong fund outflows and valuation derating, whilst fundamentals have also been 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 expensive.	13.5	10.5	-28.8	28.9
	<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..	19.7	16.8	-3.6	17.7
	<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.	31.0	21.9	-22.6	41.6

Source: Refinitiv, THR

# REGION/COUNTRY PERFORMANCE & VALUATION

## Total Return YTD



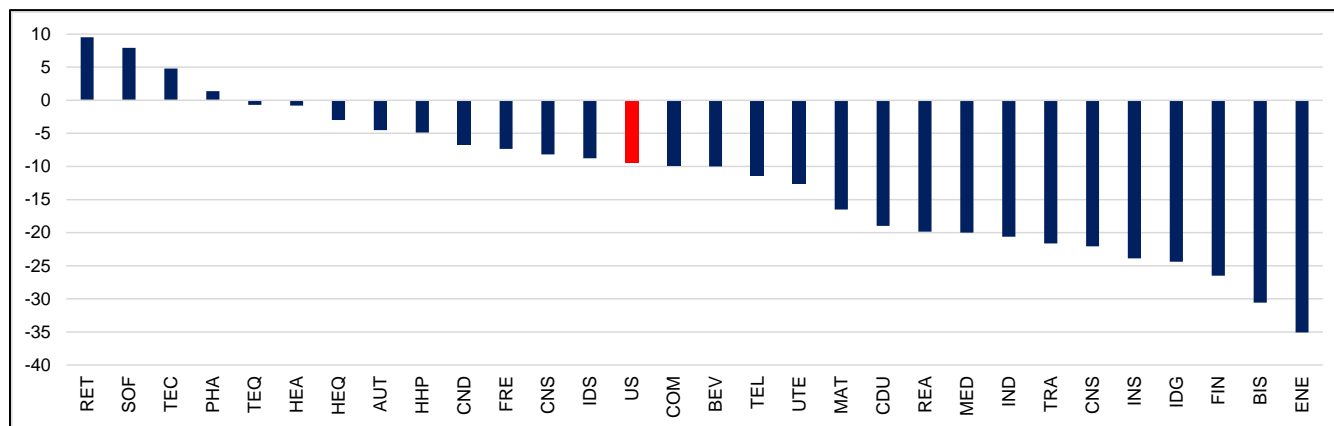
Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M (%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>World</b>	<b>AC</b>	<b>1.6</b>	<b>2.5</b>	<b>-15.3</b>	<b>-13.6</b>	<b>16.3</b>	<b>19.0</b>	<b>15.3</b>	<b>-14.6%</b>	<b>24.2%</b>
<b>EAFE</b>	<b>EAFE</b>	<b>1.9</b>	<b>2.2</b>	<b>-19.3</b>	<b>-19.1</b>	<b>13.8</b>	<b>16.1</b>	<b>13.2</b>	<b>-14.4%</b>	<b>22.3%</b>
<b>Europe</b>	<b>EU</b>	<b>1.8</b>	<b>1.8</b>	<b>-21.0</b>	<b>-21.0</b>	<b>13.4</b>	<b>17.1</b>	<b>13.5</b>	<b>-21.9%</b>	<b>26.6%</b>
<b>Asia</b>	<b>AS</b>	<b>1.7</b>	<b>2.5</b>	<b>-14.5</b>	<b>-15.1</b>	<b>14.8</b>	<b>14.1</b>	<b>11.8</b>	<b>5.0%</b>	<b>19.4%</b>
<b>Emerging Global Markets</b>	<b>EM</b>	<b>1.6</b>	<b>1.4</b>	<b>-17.8</b>	<b>-18.2</b>	<b>13.4</b>	<b>13.2</b>	<b>10.9</b>	<b>1.6%</b>	<b>21.6%</b>
<b>Emerging Asia</b>	<b>EA</b>	<b>1.4</b>	<b>2.2</b>	<b>-11.7</b>	<b>-12.0</b>	<b>14.8</b>	<b>13.9</b>	<b>11.5</b>	<b>6.4%</b>	<b>21.3%</b>
Australia	AUS	0.6	3.1	-21.4	-17.7	13.6	15.9	16.5	-14.6%	-3.3%
Brazil	BR	2.8	-0.9	-29.8	-30.9	11.1	13.7	9.9	-19.3%	38.6%
Canada	CA	0.9	2.1	-15.4	-12.6	13.5	18.1	14.0	-25.2%	29.1%
China	CN	1.0	3.6	-7.8	-12.9	13.6	13.2	11.2	3.2%	18.0%
France	FR	1.3	0.3	-23.4	-22.2	13.0	17.4	13.2	-25.3%	31.9%
Germany	DE	1.3	1.2	-18.0	-16.8	13.6	16.6	12.1	-18.2%	37.5%
Hong Kong	HK	1.6	5.0	-5.4	-7.6	14.3	15.9	13.2	-10.1%	20.3%
India	IN	0.4	0.5	-22.7	-21.6	19.4	17.5	14.1	10.8%	24.1%
Indonesia	ID	-0.3	0.8	-26.2	-29.8	11.8	12.1	10.7	-2.6%	13.2%
Italy	IT	1.2	-1.4	-29.0	-26.4	9.1	13.1	10.4	-30.2%	26.0%
Japan	JP	2.3	3.8	-13.1	-13.1	12.3	15.1	14.1	-18.3%	7.1%
Korea	KR	1.0	2.7	-10.9	-9.7	15.7	12.5	9.0	26.4%	38.1%
Malaysia	MY	0.5	1.0	-10.8	-13.5	15.4	16.6	14.6	-7.6%	13.8%
Mexico	MX	2.2	3.4	-16.7	-15.5	13.5	13.7	11.2	-0.9%	21.5%
Netherlands	NL	0.6	0.9	-16.4	-14.0	17.8	19.6	16.3	-9.4%	19.9%
Norway	NO	1.6	-0.6	-17.0	-18.1	12.2	17.1	12.6	-28.9%	35.7%
Russia	RU	0.2	-0.5	-16.6	-17.7	5.0	7.0	5.8	-27.6%	20.4%
Singapore	SG	0.1	1.7	-17.3	-18.5	10.9	12.6	11.0	-14.1%	14.9%
South Africa	ZA	1.8	0.8	-14.3	-15.6	12.9	10.9	9.3	17.7%	17.2%
Spain	ES	0.7	-2.0	-29.8	-27.8	9.9	12.9	10.8	-23.3%	19.1%
Sweden	SE	1.7	-0.1	-14.5	-10.9	13.9	19.4	14.8	-28.2%	30.4%
Switzerland	CH	0.5	1.0	-9.6	-6.5	18.4	19.7	17.2	-6.6%	14.7%
Taiwan	TW	0.5	2.8	-5.0	-8.2	16.6	15.8	13.8	4.9%	14.2%
Thailand	TH	0.6	-0.9	-16.2	-18.9	14.8	17.3	14.4	-14.9%	20.3%
United Kingdom	UK	0.0	2.8	-20.3	-21.3	10.9	15.3	12.0	-28.8%	27.3%
United States	US	1.9	4.0	-12.2	-9.4	18.8	23.0	18.3	-18.5%	26.0%

Source: MSCI, Refinitiv, THR



# US SECTOR PERFORMANCE & VALUATION

## Total Return YTD

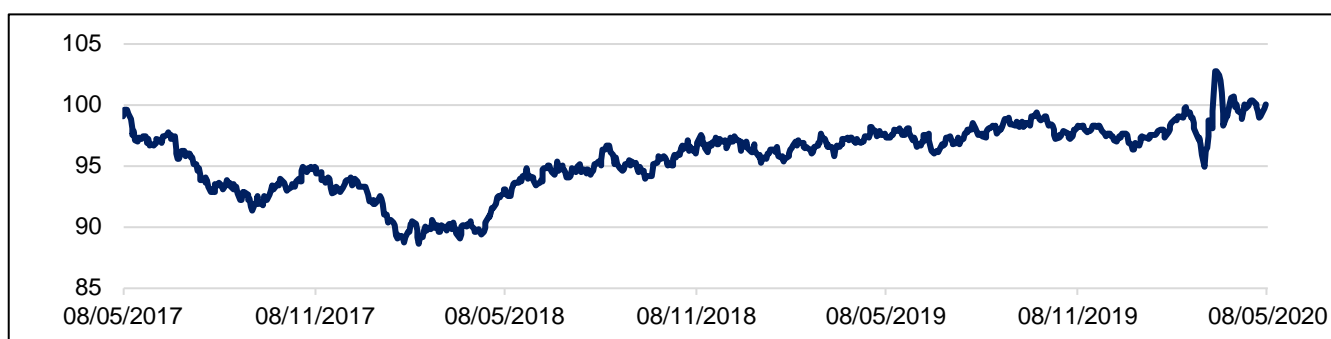


Index	Abbreviation	Price Performance				PE			EPS Growth	
		1D (%)	1W (%)	3M(%)	YTD (%)	2019A	2020E	2021E	2020E	2021E
<b>United States</b>	<b>US</b>	<b>1.9</b>	<b>4.0</b>	<b>-12.2</b>	<b>-9.4</b>	<b>18.8</b>	<b>23.0</b>	<b>18.3</b>	<b>-18.5%</b>	<b>26.0%</b>
<b>Communications</b>	<b>COM</b>	<b>3.1</b>	<b>4.6</b>	<b>-11.1</b>	<b>-10.0</b>	<b>20.1</b>	<b>22.5</b>	<b>18.6</b>	<b>-10.7%</b>	<b>21.1%</b>
Media and Entertainment	MED	2.6	1.7	-19.5	-20.0	25.5	29.3	22.2	-12.9%	32.0%
Telecommunication Svcs	TEL	2.9	0.9	-11.4	-11.4	10.6	11.4	11.0	-6.8%	3.2%
<b>Consumer Discretionary</b>	<b>CND</b>	<b>2.1</b>	<b>4.6</b>	<b>-9.6</b>	<b>-6.8</b>	<b>25.8</b>	<b>40.5</b>	<b>25.1</b>	<b>-36.3%</b>	<b>61.6%</b>
Autos & Components	AUT	5.5	10.8	-11.8	-4.5	13.6	NA	16.7	-100.7%	12209.8%
Consumer Svcs	CNS	2.3	2.3	-21.4	-22.1	19.4	60.2	23.7	-67.7%	153.6%
Consumer Durables & App Retailing	CDU	3.7	6.1	-19.3	-19.0	17.0	20.7	16.6	-17.6%	24.7%
Retailing	RET	1.3	4.9	2.9	9.5	34.4	39.0	29.2	-11.9%	33.3%
<b>Consumer Staples</b>	<b>CNS</b>	<b>2.5</b>	<b>1.3</b>	<b>-9.8</b>	<b>-8.2</b>	<b>20.1</b>	<b>20.3</b>	<b>18.8</b>	<b>-0.8%</b>	<b>7.8%</b>
Food & Staples Retailing	FRE	1.5	1.1	-5.0	-7.3	21.4	21.4	20.1	-0.1%	6.6%
Food, Bev & Tobacco	BEV	2.8	1.8	-12.3	-10.0	17.8	18.4	16.9	-3.5%	9.1%
Household Products	HHP	2.5	0.7	-7.6	-4.9	25.5	24.1	22.7	6.1%	5.7%
<b>Energy</b>	<b>ENE</b>	<b>4.5</b>	<b>8.0</b>	<b>-27.4</b>	<b>-35.1</b>	<b>14.5</b>	<b>NA</b>	<b>40.3</b>	<b>-112.4%</b>	<b>389.2%</b>
<b>Financials</b>	<b>FIN</b>	<b>2.5</b>	<b>1.4</b>	<b>-27.2</b>	<b>-26.5</b>	<b>10.4</b>	<b>16.2</b>	<b>11.7</b>	<b>-35.5%</b>	<b>38.1%</b>
Banks	BIS	2.6	1.2	-29.8	-30.6	8.3	18.8	10.7	-55.7%	76.0%
Insurance	INS	2.2	0.7	-26.2	-23.9	10.5	10.7	9.7	-2.6%	10.3%
<b>Health Care</b>	<b>HEA</b>	<b>0.6</b>	<b>2.5</b>	<b>-1.9</b>	<b>-0.8</b>	<b>18.0</b>	<b>18.0</b>	<b>15.5</b>	<b>0.0%</b>	<b>15.9%</b>
Health Care Equipment	HEQ	0.6	3.3	-3.5	-3.0	27.9	31.0	24.4	-10.0%	27.3%
Pharmaceuticals	PHA	0.7	1.9	-0.4	1.4	16.6	16.3	14.4	1.9%	13.3%
<b>Industrial</b>	<b>IND</b>	<b>2.3</b>	<b>2.2</b>	<b>-22.5</b>	<b>-20.6</b>	<b>16.7</b>	<b>23.3</b>	<b>17.2</b>	<b>-28.2%</b>	<b>35.7%</b>
Capital Goods	IDG	2.8	1.9	-26.1	-24.4	15.4	21.2	16.4	-27.2%	29.4%
Commercial & Prof Svcs	IDS	0.8	4.5	-13.6	-8.8	26.4	29.9	25.8	-11.7%	16.3%
Transport	TRA	2.9	1.8	-22.0	-21.6	17.8	29.2	16.5	-39.3%	77.5%
<b>Information Technology</b>	<b>TEC</b>	<b>1.4</b>	<b>7.0</b>	<b>-3.5</b>	<b>4.8</b>	<b>24.3</b>	<b>24.3</b>	<b>20.8</b>	<b>-0.2%</b>	<b>17.1%</b>
Software & Svcs	SOF	0.8	6.9	-2.5	7.9	31.1	29.6	25.8	5.1%	14.7%
Technology Hardware	TEQ	2.6	7.2	-5.4	-0.7	19.7	20.3	17.0	-2.7%	19.2%
Semiconductors	SEM	2.2	6.8	-3.7	-0.5	18.0	19.3	16.2	-6.4%	19.0%
<b>Materials</b>	<b>MAT</b>	<b>3.0</b>	<b>3.8</b>	<b>-13.7</b>	<b>-16.5</b>	<b>17.9</b>	<b>21.3</b>	<b>16.9</b>	<b>-16.1%</b>	<b>25.8%</b>
<b>Real Estate</b>	<b>REA</b>	<b>2.5</b>	<b>2.4</b>	<b>-22.3</b>	<b>-19.9</b>	<b>31.9</b>	<b>41.5</b>	<b>36.9</b>	<b>-23.2%</b>	<b>12.4%</b>
<b>Utilities</b>	<b>UTE</b>	<b>2.2</b>	<b>0.9</b>	<b>-17.6</b>	<b>-12.6</b>	<b>18.6</b>	<b>18.1</b>	<b>17.1</b>	<b>2.4%</b>	<b>6.0%</b>

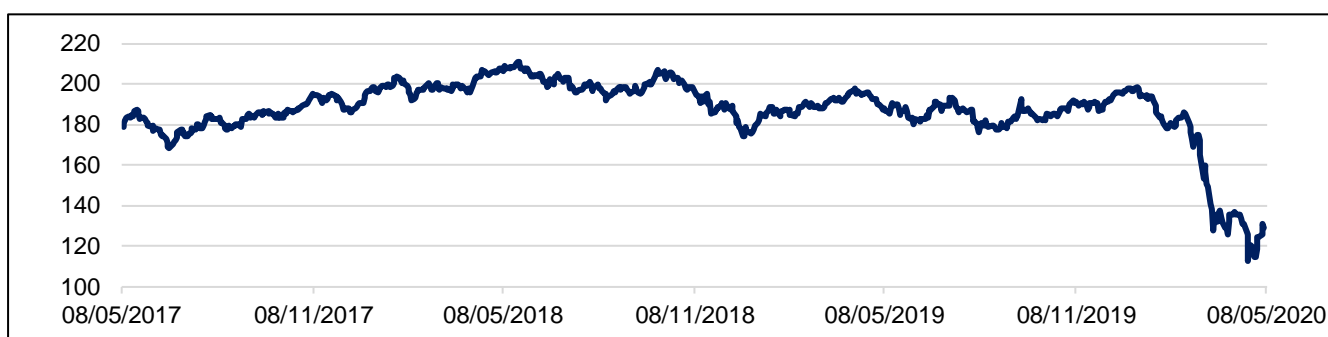
Source: MSCI, Refinitiv, THR

# GLOBAL FX, BONDS AND COMMODITIES

## DXY USD Index - 3 years



## CRB Major Commodity Index\* - 3 Years

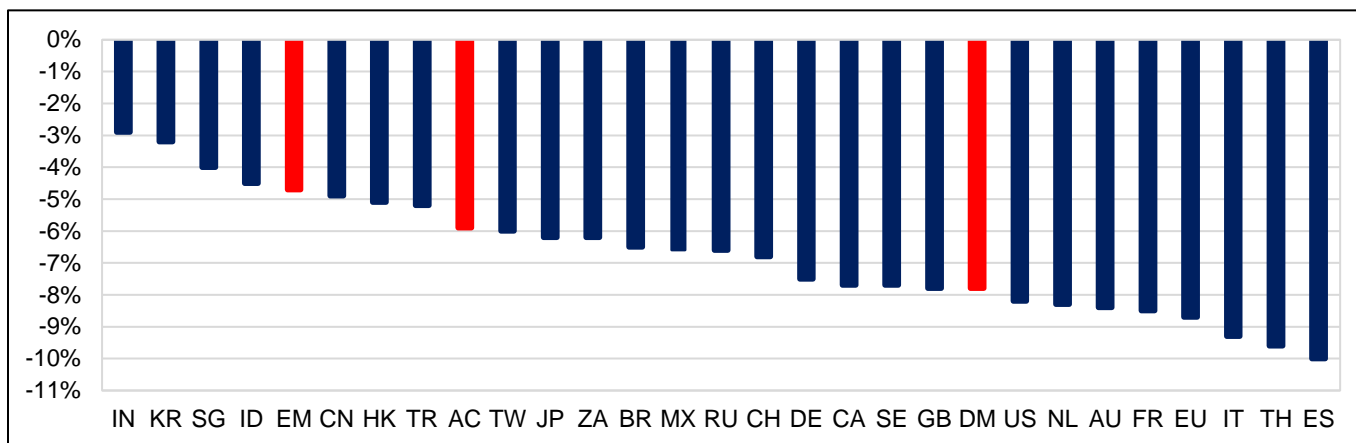


Name	Currency	Close Price	1 Day	1 Week	1 Month	3 Months	1 Year	MTD	QTD	YTD
<b>Commodities</b>										
CRB Commodity Index	USD	2341.14	0.3%	4.3%	3.8%	-19.4%	-18.7%	0.4%	13.0%	-23.9%
Gold Spot	USD	1700.65	0.3%	0.2%	1.0%	8.8%	32.7%	1.5%	8.6%	12.4%
Copper Spot	USD	2.41	0.8%	4.5%	6.6%	-6.2%	-12.8%	3.1%	8.4%	-13.1%
Brent Crude Spot	USD	21.46	-2.3%	36.3%	14.6%	-60.7%	-70.2%	44.7%	38.4%	-68.9%
CRB Agricultural Index	USD	4415.39	0.3%	3.9%	0.2%	-19.5%	-18.0%	-0.7%	6.5%	-22.8%
<b>Currencies</b>										
DXY USD Index	USD	99.73	0.0%	0.3%	0.2%	1.0%	2.5%	0.7%	0.7%	3.5%
EUR/USD	USD	1.08	0.0%	-0.6%	-0.8%	-0.7%	-3.5%	-1.0%	-1.7%	-3.3%
USD/JPY	JPY	106.65	0.3%	0.2%	-1.4%	-2.6%	-2.7%	-0.2%	-0.6%	-1.6%
GBP/USD	USD	1.24	0.1%	-0.2%	-0.3%	-4.1%	-4.5%	-1.4%	0.0%	-6.3%
USD/CNY	CNY	7.07	0.1%	0.3%	0.7%	1.6%	3.8%	0.3%	0.0%	1.7%
<b>Bond Yields</b>										
DE 10Y BUND	EUR	-0.53	0.9%	-4.1%	57.0%	37.3%	1018.8%	-8.4%	17.5%	187.2%
GB 10Y GILT	GBP	0.24	0.4%	2.6%	-22.3%	-58.4%	-79.1%	2.6%	-33.2%	-71.3%
JP 10Y JGB	JPY	0.00		-130.8%	700.0%	-113.8%	-116.7%	-121.1%	-52.9%	-136.4%
US 10Y BILL	USD	0.68	1.4%	8.4%	-4.3%	-56.6%	-71.9%	10.5%	-1.2%	-63.8%
US 30Y BOND	USD	1.38	1.4%	8.1%	4.0%	-31.7%	-51.2%	10.3%	3.5%	-41.0%
US 10-2 BOND	-	0.53	-5.1%	21.2%	25.1%	32.2%	21.1%	26.1%	29.2%	26.0%
<b>Volatility</b>										
CBOE VIX Index	USD	31.44	0.00	-0.22	-0.33	0.84	0.74	-0.18	-0.48	1.03

Source: 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	
<b>Americas</b>													
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	
<b>Europe</b>													
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	
<b>Asia</b>													
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	
<b>Other</b>													
South Africa	ZA	0.4	0.8	0.4	-5.8	4.6	4.4	2.4	-3.5	-3.1	0.2	60	68
<b>World</b>													
Developed Markets	DM	51.7	2.3	1.7	-6.1	2.0	1.5	0.5	0.7	0.6	0.1	103	104
Emerging Markets	EM	34.9	4.5	3.7	-1.0	4.8	4.7	4.6	0.0	0.0	-0.9	53	58
World	AC	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
<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	-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
<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	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
<b>Prices</b>												
CPI	1.6	3.2	2.1	1.5	1.6	0.1	1.3	2.1	2.4	1.8	1.0	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
<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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