

# Market Focus

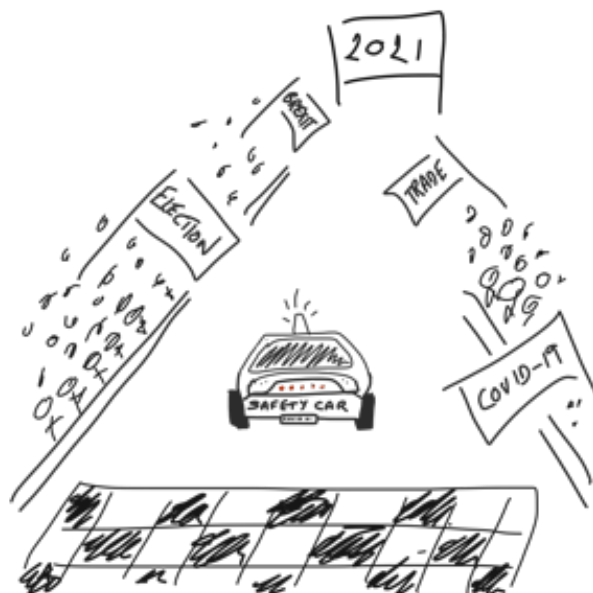
5 October 2020

## The race is (still) on

The race is on – for the US election, for stimulus, for a vaccine... and markets are following closely. They have been volatile since they came off their summer highs and indeed there are red flags everywhere: the resurgence of Covid-19 cases; stalling stimulus talks in Congress; the ongoing simmering US-China tensions; and Brexit - to name a few. And now the US President himself has been caught by the pandemic.

However, and while the 'safety car' may be back out on the track, several fundamental drivers remain in place, including the colossal central-bank and government support that has been helping the market through the debris of the crisis, together with the underlying optimism regarding vaccine hopes and the economic recovery that lies beyond. Furthermore, he may be leading in the polls, yet a Biden win in November may not present the risk it might have done were it not for the pandemic.

So, despite recent turbulence, the technicals are still positively oriented and in our view there remains plenty of opportunity for active investors to engage in this fast-moving market. In this month's *Market Focus*, as usual we bring you an update on what our quant indicators have been telling us, and present our market views for Q4 by way of our latest [Market Outlook](#).



*"...ah yes we've been seeing a pause and some volatility... but its not over yet! - the race is still on!"*

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# Global equity quantitative monitor

Europe's score in our equity regional matrix (the top-down indicator that gives us a regional view) has switched to 'bearish' over the past month (now -17% from -10%), with sentiment and valuation now very negative (at -36% and -84%). The number of reported Covid-19 cases has been rising in Europe with France, Spain and the UK leading the trend and adopting new containment measures. Still, with the ECB keeping an ultra-accommodative stance, we do not expect European indices to collapse. The Euro Stoxx 50 continues to face its 200-DMA at around 3,300 the upside target at 3,600 and the closest support at around 3,000. We continue to favour our core conviction strategy (that combines growth and low volatility) in the current market environment; Switzerland and European healthcare are also presenting opportunities; and the massive fiscal push announced by the EU bodes well for infrastructure renovation, the green themes, 5G and digitalization. See figure 4 for the latest iteration of our core conviction selection.

The US' regional score is now in 'very bullish' territory at 31% (up from 26% last month), the trend score now at a maximum 100% (from 83%) - and in spite of the a very negative valuation score of -81%. With the recent sell-off concentrated in tech names, risk might be normalizing and we maintain our bullish stance on equity markets for H2 2020. The US election is still front and centre with Biden now leading the polls (and considered less of a hurdle for financial markets), and we have been seeking out fiscal stimulus names that could benefit in the event of a Biden win. As we write, President Trump has tested positive for Covid-19 which could put his campaign at risk. However we maintain our positive outlook on the S&P 500 with 3,350 the next key level

with upside targets at 3,580 and then 3,750. The closest support is the 200-DMA at around 3,100.

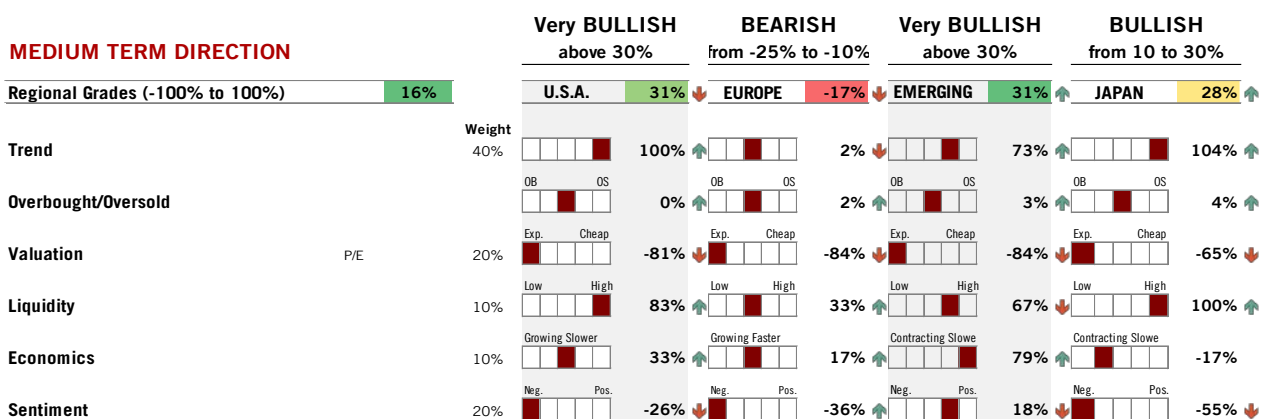
As in Europe, in the US we continue to favour our core conviction certificate favouring growth / quality names, as strong balance sheets continue to remain key to weathering this environment. We also like cyclical names with a strong growth profile and/or that are supported by fiscal stimulus themes such as infrastructure spending. See figure 5 for the latest iteration of our US core conviction selection, and figures 6,7 and 8 for a screened selection of names that could "benefit from Biden".

Japan's regional grade has remained stable in 'bullish' territory with a regional score of 28% (from 29% last month). While the country still lags on the soft data front, it could benefit from its exposure to China, where the pandemic appears contained and the macro recovery is gaining traction. Still, Japan remains very dependant on international trade as a whole and the global economic recovery will take time. Again we continue to favour quality names with strong balance sheets and solid earnings momentum and our 'best picks' in the region remain Eisai (4523 JP) and Chugai Pharmaceutical (4519 JP).

Emerging market equities remain in 'very bullish' territory with a regional score of 31% (stable from last month). While international tension could continue with Donald Trump's election campaign, we are still positive about China, particularly now that the pandemic there is considered largely under control. We remain focused on names and themes those that could benefit from digitalization, the new online economy and fiscal support, and our "Playing China" selection list is available on request.

*\*Our top down' Equity Regional Matrix gives us an overview of the prevailing market conditions in equity markets, drawing on macroeconomic data, trend analysis on leading indices, and sentiment. For further information on each parameter, see the endnotes.*

Figure 1: PTS Equity Regional Matrix\*



Source: Bloomberg Finance L.P. - Pictet Trading Strategy – as of 5.10.2020

The dollar has finally bounced back after a few weeks of equity markets retracing. However the upside potential for the greenback remains limited given the interest rate differential (especially with the Eurozone), a fundamental driver for a lower Dollar. The EUR failed to gain traction above the LT resistance at 1.19/1.20 and retraced towards 1.1610, a support of which it has the EUR has bounced back slightly. We expect the single currency to remain in a narrower range at least until the US election. Gold failed to play its safe haven role in the September sell-off and 1835 has been a key support. The yellow metal is now back towards \$1,900/oz and we have a positive medium-term outlook as fundamental catalysts remain (low yields, geopolitical uncertainty etc). The next technical targets are at 2,070 and then 2,250.

By way of summary, our core views table is below at figure 3, after which you will find updating screenings of several of our preferred selection lists, and [click here for our latest market outlook presentation and update on our preferred themes.](#)

Figure 2: EURUSD\*



Source: FactSet - Pictet Trading Strategy – as of 02.10.20 \*criteria are explained in the endnotes  
The target price presented in the chart is based upon chart analysis. This is not the product of any Pictet financial research unit

Figure 3: PTS Trading Strategy Q4 Core views\*

	US	Europe	Japan	EM
<b>Equities</b>	*S&P500 next target at 3'580 and then 3'750, 3'350 as the next technical level to watch <b>Drivers:</b> "Fed put" / government support sentiment on recovery hopes, but headwinds as fundamentals are disconnected	*Euro Stoxx 50 on its 200DMA at around 3'300. Next technical target above the 200DMA at 3'600 <b>Drivers:</b> Dovish EGB and supportive government, lockdown easing but slow macro recovery	*Nikkei Q3 range: 21'870 – 24'000 <b>Drivers:</b> weak macro data and slow recovery but BoJ still accommodative	*HSCEI Q3 range 9'800 – 11'000 <b>Drivers for China:</b> pandemic contained and economy restarting. But trade war come back could be a severe hurdle
<b>Equity themes</b>	A return towards growth/quality and defensive themes. Large-cap domestic stocks and our "Core Conviction" strategy	The green theme, digitalization and Switzerland. Uncertainty and a return to growth investing should favor our EUR "Core Conviction" strategy.	Stocks with solid earnings momentum.	Themes linked to supportive measures and the new economy (domestic consumption, e-commerce and internet stocks)
<b>FX</b>	Rebound under way, 94 reached, next technical level is the 200 DMA at around 96.	*EURUSD: fast upward move after EU recovery agreement and retracement. 1.1610 acting as a support. If broken 1.1470 is the next level.	USDJPY: rebound from local low at around 104.5. Limited upside, next resistance at 105.9 (50 DMA).	Cautious re currencies with high external vulnerabilities (TRY & ZAR)
<b>FI</b>	*Lower yields for longer: US 10-year yields likely to remain capped below 0.9% to 1.0%	*Lower yields for longer: GER 10-year yields should be capped at around -0.2%		
<b>WTI &amp; Gold</b>	*Crude oil → our medium-term target has been raised to USD 40 on recovery hopes			
	*Gold → Buy on weakness, next target at 2'065/2'070 and then 2'250. Gold miners as an alternative to direct exposure			
	Risks to our scenario: a return to severe and global lockdowns to manage subsequent waves of Covid-19, a lasting macroeconomic slump / trade war escalation / geopolitical risks / hard Brexit / central bank mistake / weaker-than-expected corporate earnings / US elections			

Source: FactSet; Pictet Trading Strategy; as of 02.10.2020. \*The target price presented is upon chart analysis. This is not the product of any Pictet financial research unit.

Figure 4: PTS selection list: EU Core Conviction – quantitative grades\*

Weight in Global Grade:	Short-term			Long-term			Technical Parameters			100%		
	25%	10%	10%	15%	10%	10%	10%	10%	RS			
Ticker	Name	Sector	Growth	EPS	Sales	Value	Quality	Credit	MF	Sent.	RS	Global
AD NA	KONINKLUKE AHOLD DE	Food & Staples Retailing	73	76	65	65	59	53	78	46	70	66
HER IM	HERA SPA	Multi-Utilities	62	54	70	56	43	45	78	58	40	59
AKZA NA	AKZO NOBEL N.V.	Chemicals	64	79	42	32	52	59	76	49	66	57
KESKOB FH	KESKO OYJB SHS	Food & Staples Retailing	70	70	40	45	67	38	48	44	91	55
IG IM	ITALGAS SPA	Gas Utilities	57	58	63	57	57	58	28	50	49	54
CPR IM	DAVIDE CAMPARI-MILAN	Beverages	58	54	56	19	55	57	80	62	72	54
DPW GY	DEUTSCHE POST AG-REI	Air Freight & Logistics	56	64	56	52	56	51	53	38	82	54
UN01 GY	UNIPER SE	Independent Power and Renew	57	72	36	57	56	52	30	57	51	53
TRN IM	TERNA SPA	Electric Utilities	59	61	49	41	55	36	60	58	61	53
QIA GY	QIAGEN N.V.	Life Sciences Tools & Services	63	76	66	20	48	51	39	60	93	53
SY1 GY	SYMRISE AG	Chemicals	63	62	56	22	52	49	46	53	85	51
REC IM	RECORDATI INDUSTRIA C	Pharmaceuticals	54	46	57	32	45	47	64	56	71	50
G24 GY	SCOUT24 AG	Interactive Media & Services	70	71	52	23	56	71	6	32	88	50
AI FP	AIR LIQUIDE SA	Chemicals	54	59	47	33	53	55	29	61	74	49
SOF BB	SOFINA	Diversified Financial Services	61	50	52	42	41	52	28	48	74	49
DSY FP	DASSAULT SYSTEMES S	Software	56	46	72	15	53	59	47	46	79	49
IBE SQ	IBERDROLA SA	Electric Utilities	57	54	43	43	46	44	41	48	70	48
TEG GY	TAG IMMOBILIEN AG	Real Estate Management & De	60	57	30	34	50	35	19	64	80	46
WKL NA	WOLTERS KLUWER	Professional Services	55	51	48	26	57	51	20	44	69	45
RACE IM	FERRARI NV	Automobiles	57	40	46	13	42	42	35	46	70	41

Source : FactSet, Markit, Copyright © 2020 S&P Global Market Intelligence - Pictet Trading Strategy – as of 02.10.20  
\*criteria explained in the endnotes

Figure 5: PTS selection list: US Core Conviction – quantitative grades\*

Weight in Global Grade:	Short-term			Long-term			Technical Parameters			100%		
	25%	10%	10%	15%	10%	10%	10%	10%	RS			
Ticker	Name	Sector	Growth	EPS	Sales	Value	Quality	Credit	MF	Sent.	RS	Global
HUM UN	HUMANA INC	Health Care Providers & Service	72	66	72	44	53	64	95	40	93	64
COST UW	COSTCO WHOLESALE CC	Food & Staples Retailing	69	68	72	32	58	72	75	32	80	60
DG UN	DOLLAR GENERAL CORP	Multiline Retail	76	77	77	28	64	45	65	28	84	59
TMO UN	THERMO FISHER SCIENT	Life Sciences Tools & Services	79	81	77	16	55	55	61	30	91	58
NDAQ UW	NASDAQ INC	Capital Markets	68	66	63	30	57	42	92	45	80	58
ABBV UN	ABBVIE INC	Biotechnology	63	61	74	57	52	34	73	40	75	58
DPZ UN	DOMINO'S PIZZA INC	Hotels, Restaurants & Leisure	80	76	80	30	64	54	21	37	95	58
HD UN	HOME DEPOT INC	Specialty Retail	65	61	70	34	73	70	46	42	78	58
AZO UN	AUTOZONE INC	Specialty Retail	72	73	75	39	55	54	30	46	69	57
MRK UN	MERCK & CO. INC.	Pharmaceuticals	63	68	59	42	58	63	69	28	58	57
ORLY UW	O'REILLY AUTOMOTIVE II	Specialty Retail	76	76	80	27	64	36	50	28	75	56
EXPD UW	EXPEDITORS INTL WASH	Air Freight & Logistics	70	70	60	34	73	68	25	40	79	56
ROP UN	ROPER TECHNOLOGIES	Industrial Conglomerates	69	63	71	24	57	55	67	36	70	56
CPRT UW	COPART INC	Commercial Services & Supplie	77	80	86	26	55	66	19	16	84	55
AJG UN	ARTHUR J GALLAGHER & Insurance		70	70	51	29	59	58	77	11	77	54
ZTS UN	ZOETIS INC	Pharmaceuticals	69	64	69	14	58	43	78	29	85	53
CHTR UW	CHARTER COMMUNICATI	Media	59	80	69	28	44	18	46	68	91	51
HSY UN	HERSHEY CO/THE	Food Products	61	61	44	34	63	53	40	49	52	51
MDLZ UW	MONDELEZ INTERNATIO	Food Products	60	61	47	34	53	43	78	28	64	51
ATO UN	ATMOS ENERGY CORP	Gas Utilities	59	62	35	37	39	52	5	56	40	45

Source : FactSet, Markit, Copyright © 2020 S&P Global Market Intelligence - Pictet Trading Strategy – as of 02.10.20  
\*criteria explained in the endnotes

Figure 6: PTS Biden theme 'Clean Energy' – quantitative grades\*

Weight in Global Grade:	Short-term			Long-term			Technical Parameters			100%		
	25%	10%	10%	15%	10%	10%	10%	10%	100%			
Ticker	Name	Sector	Growth	EPS	Sales	Value	Quality	Credit	MF	Sent.	RS	Global
SEDG US	SOLAREEDGE TECHNOLO	Semiconductors & Semiconduc	75	65	83	5	57	72	90	54	99	62
MTZ US	MASTEC INC	Construction & Engineering	64	52	50	58	62	41	79	73	18	60
FSLR US	FIRST SOLAR INC	Semiconductors & Semiconduc	70	82	40	29	35	68	99	52	74	59
PWR US	QUANTA SERVICES INC	Construction & Engineering	68	68	50	50	63	54	41	39	87	56
NRG US	NRG ENERGY INC	Electric Utilities	58	54	45	57	63	29	79	42	32	54
VSLR US	VVINT SOLAR INC	Electrical Equipment	50	70	77	35	23	33	97	50	100	53
HASI US	HANNON ARMSTRONG S	Mortgage Real Estate Investme	62	57	73	30	52	29	26	68	89	51
DUK US	DUKE ENERGY CORP	Electric Utilities	52	52	37	46	30	40	87	57	52	50
EME US	EMCOR GROUP INC	Construction & Engineering	62	50	54	49	64	59	19	18	33	49
NEE US	NEXTERA ENERGY INC	Electric Utilities	56	64	48	22	44	42	65	39	77	48
SO US	SOUTHERN CO/THE	Electric Utilities	51	52	36	45	38	36	67	46	45	47
ENPH US	ENPHASE ENERGY INC	Semiconductors & Semiconduc	68	71	55	16	47	57	1	44	100	47
ES UN	EVERSOURCE ENERGY	Electric Utilities	49	58	44	32	38	42	93	21	57	47
EIX US	EDISON INTERNATIONAL	Electric Utilities	37	45	40	58	31	28	97	45	20	47
AEE UN	AMEREN CORPORATION	Multi-Utilities	51	51	31	35	41	38	53	62	58	46
BEP US	BROOKFIELD RENEWABI	Independent Power and Renewa	35	45	60	37	42	36	62	50	93	44
ORA UN	ORMAT TECHNOLOGIES	Independent Power and Renewa	47	52	46	32	39	40	12	72	35	43
AES UN	AES CORP	Independent Power and Renewa	52	62	31	39	32	22	69	9	71	41
CWEN US	CLEARWAY ENERGY INC-	Independent Power and Renewa	41	46	65	29	43	18	46	28	90	39
NOVA US	SUNNOVA ENERGY INTE	Independent Power and Renewa	40	53	71	18	14	28	4	50	99	35
SPWR US	SUNPOWER CORP	Semiconductors & Semiconduc	27	40	20	34	39	36	10	50	95	31

Source : FactSet, Markit, Copyright © 2020 S&P Global Market Intelligence - Pictet Trading Strategy – as of 02.10.20

\*criteria explained in the endnotes

Our long-only selection lists are updated on a weekly basis and are available on request



Figure 7: PTS Biden theme 'Housing , urban renovation and global infrastructure' – quantitative grades\*

			Short-term			Long-term			Technical Parameters			
Weight in Global Grade:			25%	10%	10%	15%	10%	10%	10%	10%		100%
Ticker	Name	Sector	Growth	EPS	Sales	Value	Quality	Credit	MF	Sent.	RS	Global
DHI US	DR HORTON INC	Household Durables	83	83	85	41	59	67	94	28	89	69
MTH US	MERITAGE HOMES CORP	Household Durables	83	87	85	38	67	51	43	44	92	64
LEN US	LENNAR CORP-A	Household Durables	77	84	78	50	54	52	31	47	89	61
AOS US	SMITH (A.O.) CORP	Building Products	53	50	51	36	71	67	98	60	70	58
PHM US	PULTEGROUP INC	Household Durables	78	79	74	53	68	54	4	28	82	58
DY US	DYCOM INDUSTRIES INC	Construction & Engineering	58	83	49	46	61	38	57	70	63	57
MLM UN	MARTIN MARIETTA MATE	Construction Materials	56	52	64	39	52	49	89	59	42	56
SHW US	SHERWIN-WILLIAMS CO/	Chemicals	67	73	66	24	65	30	88	32	82	56
EMR US	EMERSON ELECTRIC CO	Electrical Equipment	51	54	38	44	60	63	87	41	58	54
EXP US	EAGLE MATERIALS INC	Construction Materials	50	67	73	50	57	38	5	79	56	52
URI US	UNITED RENTALS INC	Trading Companies & Distribut	57	49	51	49	47	15	70	67	87	52
J US	JACOBS ENGINEERING C	Construction & Engineering	54	63	49	40	55	55	35	60	61	51
AWK US	AMERICAN WATER WORK	Water Utilities	56	59	63	20	40	44	70	39	76	49
CAT US	CATERPILLAR INC	Machinery	44	45	35	44	48	52	67	48	77	47
HON US	HONEYWELL INTERNATK	Industrial Conglomerates	41	39	26	32	62	63	93	36	57	47
ACM US	AECOM	Construction & Engineering	37	42	32	38	53	40	16	12	71	34

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\*criteria explained in the endnotes

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Figure 8: PTS Biden theme 'Transportation modernization' – quantitative grades\*

			Short-term			Long-term			Technical Parameters			
Weight in Global Grade:			25%	10%	10%	15%	10%	10%	10%	10%		100%
Ticker	Name	Sector	Growth	EPS	Sales	Value	Quality	Credit	MF	Sent.	RS	Global
GVA UN	GRANITE CONSTRUCTIO	Construction & Engineering	50	70	58	65	51	53	61	86	9	60
TSLA US	TESLA INC	Automobiles	66	75	85	16	45	30	72	48	100	54
TXN US	TEXAS INSTRUMENTS IN	Semiconductors & Semiconduc	60	53	45	22	70	70	81	38	70	54
JCI US	JOHNSON CONTROLS IN	Building Products	56	64	45	48	40	50	76	39	52	53
VMC US	VULCAN MATERIALS CO	Construction Materials	63	58	57	40	52	53	43	44	48	52
ADI US	ANALOG DEVICES INC	Semiconductors & Semiconduc	60	59	58	28	59	51	42	62	64	52
CMI US	CUMMINS INC	Machinery	54	55	47	39	56	75	43	49	84	52
ENR US	ENERGIZER HOLDINGS I	Household Products	36	51	68	62	52	18	98	48	48	52
SUM US	SUMMIT MATERIALS INC	Construction Materials	58	61	66	55	49	40	16	54	28	51
WAB US	WABTEC CORP	Machinery	37	46	49	56	46	41	87	60	43	51
ALB US	ALBEMARLE CORP	Chemicals	45	45	46	46	38	40	85	68	83	50
BWA US	BORGWARNER INC	Auto Components	54	48	47	56	42	53	4	68	66	48
CSX US	CSX CORP	Road & Rail	57	54	39	28	52	45	47	39	72	46
UNP US	UNION PACIFIC CORP	Road & Rail	57	59	37	24	53	46	41	31	79	45
KSU US	KANSAS CITY SOUTHERN	Road & Rail	57	64	50	22	49	45	16	31	86	43
APTIV US	APTIV PLC	Auto Components	31	32	30	31	38	49	66	63	65	40
GNTX US	GENTEX CORP	Auto Components	46	35	44	31	49	74	6	24	53	39

Source : FactSet, Markit, Copyright © 2020 S&P Global Market Intelligence - Pictet Trading Strategy – as of 02.10.20  
\*criteria explained in the endnotes

Our long-only selection lists are updated on a weekly basis and are available on request

## Endnotes: References for publications of Banque Pictet & Cie SA – Trading Strategy

**Model performance data is not a reliable indicator of future returns.** Model performance calculation has a number of limitations and the results do not represent the results of actual trading using client assets. The data provided is gross of fees and other commissions. Fees and charges will apply and will reduce the final return. No representation is being made that the model portfolios illustrated will or are likely to achieve results similar to those shown and there are often sharp differences between model performance results and actual results achieved.

### The Equity quantitative grades

**Growth Grade:** The Growth Grade is a proprietary formula made up of earnings revisions momentum, past earnings growth, earnings stability, and current and long-term earnings growth. A grade above 55 is considered bullish on a 3-month basis, bearish below 45 and neutral between 55 and 45.

**EPS Grade:** The EPS Grade is a proprietary formula consisting of current and forward EPS growth, change and surprise data. An EPS grade above 60 or below 40 is considered predictive for future out/under performance.

**Sales Grade:** The Sales Grade is a proprietary formula made up of current and next year's sales momentum, past sales growth, sales stability, and current and long-term sales growth. A grade above 55 is considered bullish on a 3-month basis, bearish below 45, and neutral between 55 and 45.

**Value Grade:** The Value Grade is a proprietary formula made up of estimated P/E, P/B, P/S and P/CF ratios. 40% of the grade is based on historical values and 60% on current market data. A grade above 55 suggests a stock is cheap, below 45 expensive, and neutral between 55 and 45.

**Quality Grade:** The Quality Gating is a proprietary formula that focuses on the balance sheet (i.e. change in accruals, change in free cash flows and profitability). A grade above 55 suggests a stock with a good balance sheet.

**Credit Grade:** The Credit Grade focusses on the passive side of the balance sheet. It is divided into three sub-components to assess both short and long-term solvency. A grade above 55 suggests a strong capital structure, while a grade below 45 suggests a weak one.

**Money Flow Grade:** The Money Flow Grade is a proprietary formula that gives the accumulation/distribution based on the volume flows of a stock. A grade above 55 indicates good money flow and a grade below 45 suggests weak money flow.

**Smart Sentiment Grade:** The Smart Sentiment grade is a contrarian indicator based on investor positioning measures such as the days to cover ratio, the put call ratio, and the short interest ratio. A weak grade suggests 'too much' optimism.

**Relative Strength (RS) Grade:** The RS grade measures the price momentum of a stock over its 1-year price performance.

**Global Grade:** The Global Grade is a weighted average of the Growth, EPS Sales, Value, Quality, Credit, Money Flow and Smart Sentiment Grades.

### The Regional MATRIX grades

The Regional Matrix grades range from -100% to +100%. We consider a grade above 50% to be very bullish, a grade above 25% to be bullish, and a grade between 0% and 25% to be neutral. A grade between 0% and -45% we consider bearish and a grade below -45% very bearish.

**Regional Grade:** The Regional Grade (-100 to +100) is an indicator of a structural bull market or not. It is calculated by combining and applying weight to each of the other grades that make up the Regional Matrix (Trend, Overbought/Oversold, Valuation, Liquidity, Economics, and Sentiment). If we believe equities to be in a structural bull market, we use 15 years of data to assess Valuation.

**Trend Grade:** The Trend Grade (-100% to +100%) is based on a moving averages model adjusted according to the overbought/oversold conditions of the region's main indices.

**Valuation Grade:** The Valuation Grade (-100% to 100%) is based on the percentile rank of the regional Index stocks' P/E ratios since 1995 (current year estimated).

**Economics Grade:** The Economics Grade (-100% to 100%) is based on a combination of manufacturing and non-manufacturing PMIs and the **Citigroup Surprise Indices**. The Citigroup Economic Surprise Indices are an objective and quantitative measure of economic news and are defined as weighted historical standard deviations of data surprises (actual releases vs. Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance beaten the consensus.

**Sentiment Grade:** The Sentiment Grade (-100% to 100%) is based on various contrarian and non-contrarian indicators.

**Reversal date in the Trend:** If the trend has reversed, we give the reversal date and indicate the direction of the reversal.

**Factor trends:** We look at the performance of 5 theoretical long-short selections, each built around one of our quantitative grades (i.e. growth (EPS momentum), price momentum (RS), quality, sentiment and value), and each long the top decile and short the bottom decile of stocks within the respective region in our equity universe in terms of exposure to each specific score.

**Model Long Only & Absolute return regional Allocation:** The Regional Allocation shows the advised net exposure in total and per region. It is calculated by multiplying the MSCI regional weight by the Regional Grade (we use the structural bull market regional grade).

**Trading Strategy Exposure:** The Trading Strategy Exposure shows the actual net exposure in total and per region, based on our trades.

Short-Term: 1 to 4 weeks / Medium Term: 1 to 3 months / Long Term: more than 3 months.

**PTS:** Pictet Trading Strategy.

Buy/Long: Stock is expected to achieve a total return that exceeds the relevant market index over the next 3 to 6 months.

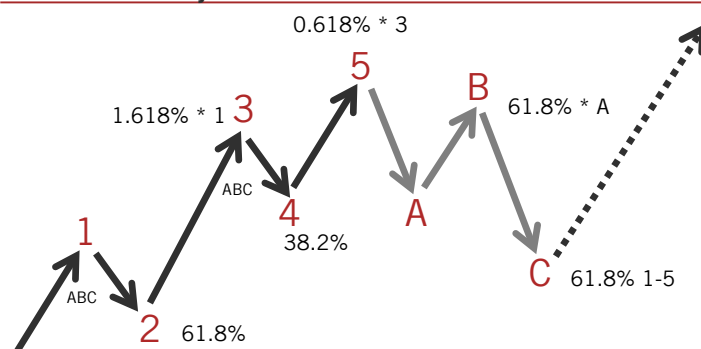
Sell/Short: Stock is expected to underperform the relevant market index over the next 3 to 6 months.

Hold/Neutral: Stock is expected to be in line with total return of the relevant market index over the next 3 to 6 months.

**Technical Analysis:** The technical analysis used in this presentation combines traditional technical tools: graphical analysis (trend lines, support lines, continuation and reversal patterns) which determines the tendency, mathematical indicators (moving averages, RSI, MACD) used as numeric filters and Elliott wave theory which allows us to build a scenario with target levels and invalidation points.

**Elliott Wave Theory:** According to Elliott Wave Theory, markets move in impulse waves – with five sub-waves (numbered 1-5 or I-V) following the direction of the main trend, followed by three corrective sub-waves (A-B-C) (example to the right). These waves follow a set of specific rules and are linked to each other by target and retracement ratios based on the Fibonacci sequence, and the characteristics of each wave form an integral part of the reflection of the mass psychology it embodies.

### Elliott Wave Theory



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