Market Focus

9 March 2021

Some like it hot

Vaccine optimism, stimulus talk and the global recovery narrative have been driving equity markets over the past several weeks. However, what was a straightforward reflation trade has now been joined by rising US Treasury yields and a steepening curve; recent moves in real yields also encouraging market participants to re-adjust expectations – on the dollar, commodities and equities.

With more stimulus now imminent in the US, the Fed has been putting out the message that it is prepared to let the economy run hot; Powell and others quick to snuff out any taper talk by focussing heavily on the employment side of the dual mandate (and despite the improved jobs data in February, US employment is still far from pre-crisis levels). However the market appears to be pricing well ahead of this goal, and we have seen sharp rises in real rates fuel a shift into the furthest corners of the inflation trades, including hitherto unloved lockdown laggards such as energy and financials, which at enticing valuations may indeed have room to run. However the risk lies in the extent to which the market is prepared to favour value at the expense of quality should for example utilities, healthcare and growth areas such as tech appear tarnished by the prospect of a higher-yield environment, and we have been watching the Nasdaq suffer on a relative basis accordingly, leading equity markets lower over recent weeks.

A US 10-year Treasury yield spiking above 1.5% on a transitory basis could indeed be accompanied by some more volatility under the surface. However, and should the Fed succeed in keeping near-term rates anchored (with the effective use of forward guidance and QE to prevent longer-term yields from rising too rapidly), in our view the cyclical rotation can continue to support equities over the medium-term.

How hot is too hot?

Global equity quantitative monitor

Europe's score in our equity regional matrix (the top-down indicator that gives us a regional view) remains in bullish territory (26%) with an improving sentiment score while the valuation grade remains extended (at -83%). Europe benefitted in February from the general risk-on environment driven by hopes of a synchronized recovery, and furthermore, recent concerns around inflation and rising yields have had less of an impact on European stocks (tech underperformance having less of impact than in the US markets). The value and cyclical rotation we have been discussing for several months now continues to fuel European equity markets even though the vaccine roll-out remains pretty slow there (ex. UK).

Our next technical target on the Euro Stoxx 50 remains at around 3,850 and we still favour the cyclical sectors such as materials and industrials. The reopening trend could also benefit the French equity market (it being more exposed to reopening than its German counterpart) and we still expect to see the Euro tactically higher (with 1.20 a solid accumulation point). European financials also continue their recovery and should benefit further from the global rise in yields.

The US' regional score has remained steady over the past month (now 26%). Its trend score remains strong at 76% while the valuation score remains very poor at -99%. While February remained a positive month for US equities, fears over rising yields and inflationary pressure have brought headwinds to the S&P 500, which posted negative weekly returns in the last two weeks of February led lower by tech stocks (the Nasdaq slightly negative over the month). While, the US 10-year Treasury Yield could continue to rise in the short-term (1.55% remains a key technical level), the upside should be capped as US authorities remain keen to keep yields under control given the massive fiscal stimulus coming down the pike. The recent pullback could present entry points and we remain positive about US cyclical and value themes including the US consumer, reopening stocks and infrastructure themes ('green theme'). Our medium-term technical targets on the S&P 500 are 4,000 then 4,200.

Japan's regional score in our matrix has continued to rise and it is now leading with a very bullish 42%. Japan has been relatively immune to the pandemic (with a very low rate of contamination) and is now geared towards recovery, especially due to its exposure to China and a robust manufacturing recovery. The Olympics could boost lagging domestic consumption and we continue to favour quality cyclicals in the region.

Emerging market equities are now also in very bullish territory their regional score having risen to 37% (from 20%); and still sporting a solid trend score which has also moved higher to 102% from 76% last month. The current environment favours emerging markets on economic recovery hopes, a lower US dollar and a rebound in commodity prices - especially industrial metals such as aluminium and copper for instance. In China, the manufacturing sector is now back to pre-crisis levels and domestic consumption should continue to lead the economic recovery over the coming months. We continue to like stocks exposed to manufacturing and consumer strength as well as our "Playing China" selection list (available on request)..

Figure 1: PTS Equity Regional Matrix*

MEDIUM TERM DIRECTION			BULLISH from 10 to 30%	BULLISH from 10 to 30%	Very BULLISH above 30%	Very BULLISH above 30%
Regional Grades (-100% to 100%)		29%	U.S.A. 26% ↓	EUROPE 25% ↓	EMERGING 37% ↑	JAPAN 42% ↑
		Weight				
Trend		40%	76% ↓	77% ↓	84% ↑	102% ↑
Overbought/Oversold			OB / OS 6% ↑	OB / OS 7% ↑	OB / OS 14% ↑	OB / OS 2% ↑
Valuation	P/E	20%	Exp. / Cheap -99% ↓	Exp. / Cheap -83% ↓	Exp. / Cheap -88% ↓	Exp. / Cheap -56% ↓
Liquidity		10%	Low / High 100% ↑	Low / High 50% ↑	Low / High 92% ↑	Low / High 100% ↑
Economics		10%	Growing Slower 83% ↑	Growing Faster 33% ↑	Contracting Slowe 46% ↑	Growing From contracting 17% ↑
Sentiment		20%	Neg. / Pos. -30% ↓	Neg. / Pos. -1% ↑	Neg. / Pos. 9% ↓	Neg. / Pos. -3% ↓

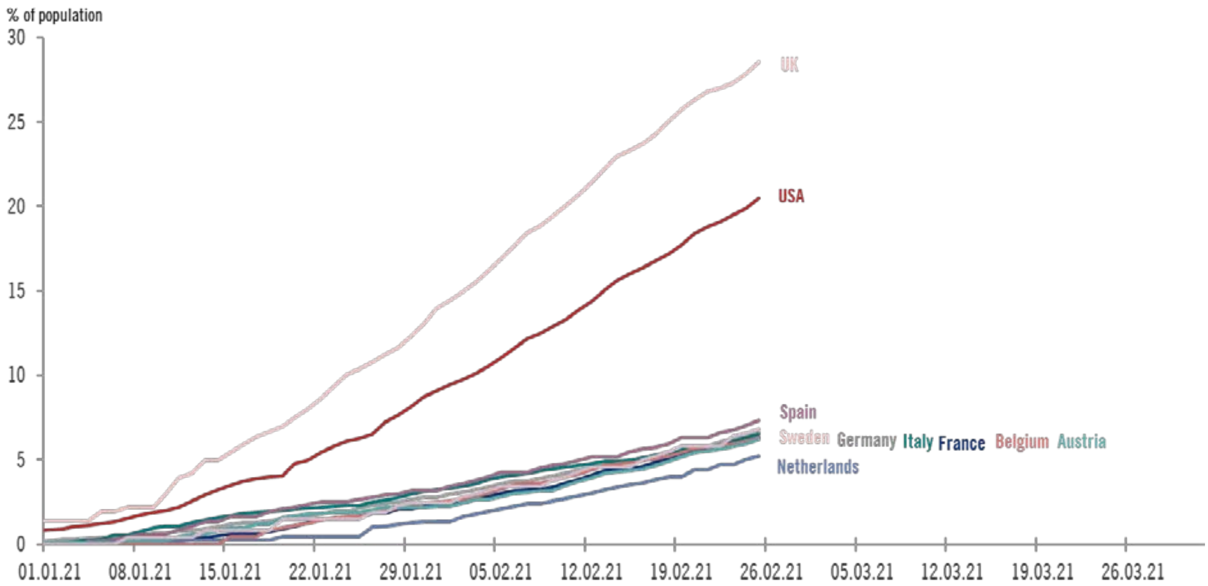
Source: Bloomberg Finance L.P. - Pictet Trading Strategy; as of 04/03/2021

**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.*

Market update

Permit us to quote Winston Churchill from his famous Mansion House speech of 10 November 1942: "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning". While the deployment of vaccination programmes has varied globally (the difference particularly marked between developed and emerging economies), the Covid-19 case data appears to be showing general improvement in terms of rates of contagion globally: The virus may not be beaten, but we have embarked on a new chapter in the global war against the pandemic. That said, many European countries remain under varying degrees of lockdown (Germany and France are still for instance still under quite strict social restrictions), while the disparities between the more efficient vaccine campaigns of countries such as the UK and even the US and the slower vaccine roll-outs across continental Europe and elsewhere is starting to reflect in the pandemic data. UK PM Boris Johnson has communicated a "roadmap" to re-opening the country (March/April) and there the economic recovery is gaining ground (GBPUSD broke above 1.40 for the first time in months in February): see our most recent update on the UK, "Brighter times for Blighty"). In the US we are also seeing the door open to the gradual easing of restrictive social measures while keeping a cautious approach (the country reached the sombre psychological milestone of 500,000 Covid-19-related deaths a few weeks ago. Europe continues to lag in terms of vaccination programmes with less than 10% of the population having received at least one shot of the vaccine in most countries there.

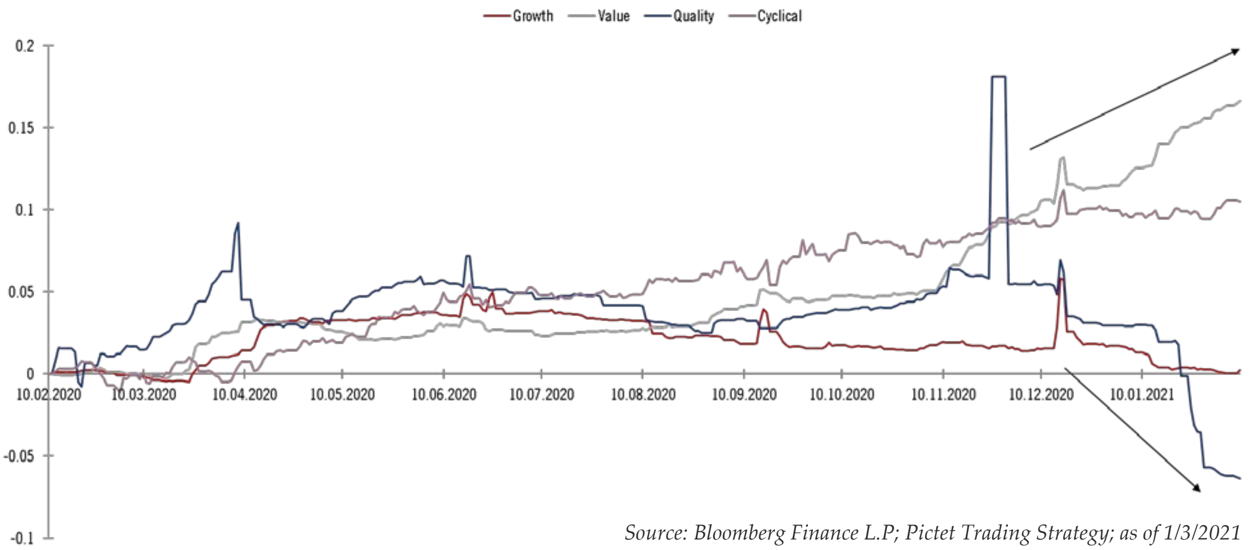
Figure 2: Covid-19 vaccination per country in % of total population



Source: Bloomberg Finance L.P; Pictet Trading Strategy; as of 1/3/2021

Still, markets have continued to price a strong and synchronized economic recovery with most risk-on gauges on the green. Accordingly, the rotation in equities towards cyclical and value stocks has continued to gain traction while quality and growth themes have come under more pressure. As we discussed in our recent *Factory Daily Letter* 'The reopening rally holds", to date most periods of market retracement have been broadly considered opportunities to jump in, and and have not triggered excessive investor concern. As illustrated in the chart below, flows into a selection of ETFs (AUM > 100m) have continued to reflect strong demand for value since early November - while interest in growth and, most importantly quality, has been falling:

Figure 3: ETF flow evolution as % of AUM (in growth, value, quality and cyclical ETFs):

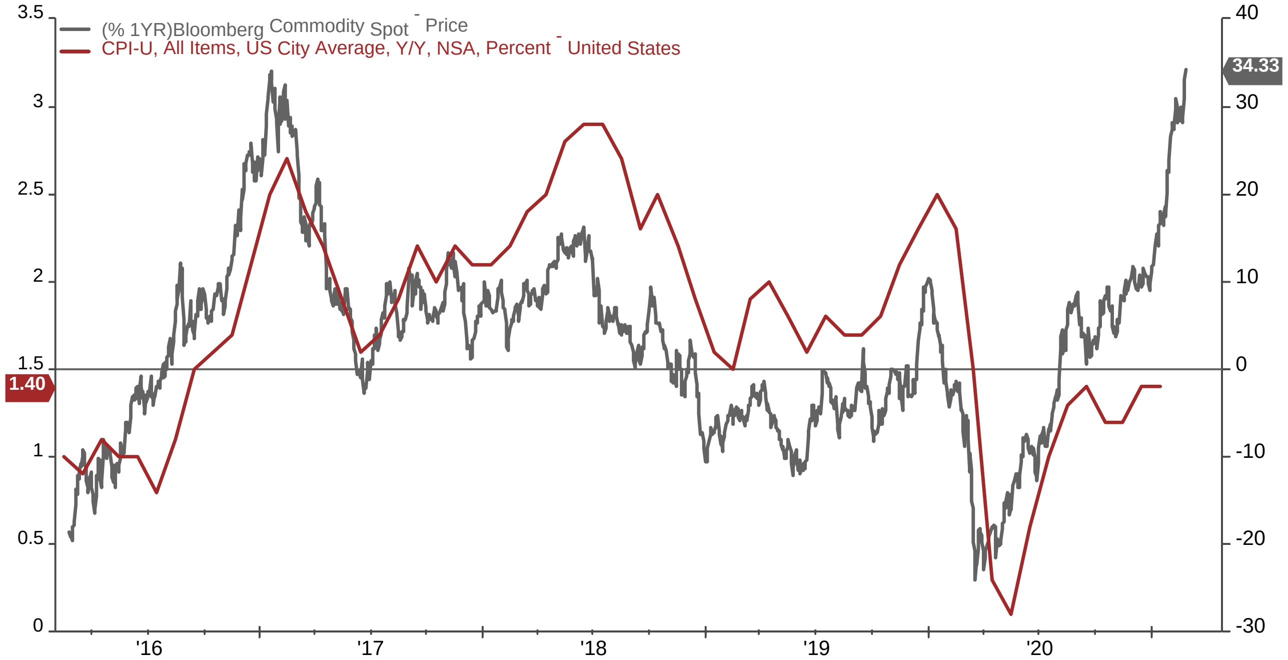


Source: Bloomberg Finance L.P; Pictet Trading Strategy; as of 1/3/2021

Rising yields

With the reflation trade now front and centre, yields have finally started to pop up, with the US 10-Year sharply accelerating after a muted period. Hopes of a steady and synchronized recovery combined with massive stimulus have brought inflation concerns back to the fore. As we write, actual inflation remains largely contained, and we expect this to be the case through 2021 (our inflation targets remain at 1.4% for the US and 1% for the Eurozone). But given the sharp moves in commodities (energy and industrial metals in particular - see our latest study on the subject here), and reopening gaining traction thanks to effective vaccination programmes, inflation expectations have been moving to the upside.

Figure 4: Bloomberg commodity spot index Y/Y % change has been positively correlated with US CPI Y/Y change*



*Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 26/11/2020. *Criteria are explained in the endnotes..*

Despite the mechanical increase in the headline figure, core inflation is expected to remain contained – which in turn helps central bankers hold their policy line. Accordingly, during his recent semi-annual testimony to Congress J. Powell maintained his dovish tone referring to the risk of rising inflation as largely under control ("It would be temporary - not large or persistent") while reassuring the market that any tightening would be communicated long in advance ("lots of additional warning"); he also reiterating that rates will remain low until there was marked improvement in the labour market - and again that any temporary increase in inflation above 2% would be tolerated (signaling that the Fed is willing to allow the economy to run 'hot' to achieve this aim).

In this regard, we continue to expect the 10-year Treasury yield to remain capped in the medium-term. Even if we cannot exclude some episodes of overshooting, the recent move has already steadied, and a pause could also occur. From a technical point of view, 10-year yield is currently slightly above a strong resistance at around 1.55% from which it could pause over the short-term.

Figure 5: The 10-Year US Treasury yield – long-term technical chart*

*Source: FactSet; Pictet Trading Strategy; as of 8/3/2021. *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 6: The 10-Year US Treasury yield – short-term technical chart*

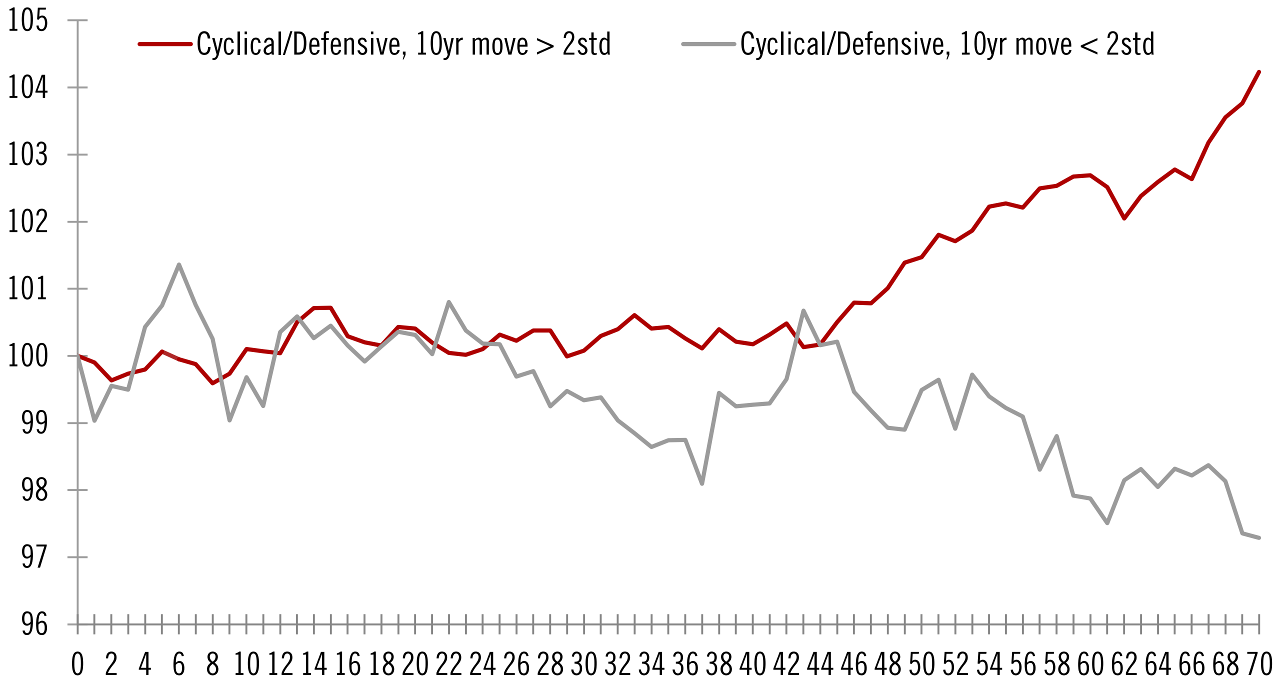
*Source: FactSet; Pictet Trading Strategy; as of 8/3/2021. *Criteria are explained in the endnotes. The target price presented in the chart is based upon chart analysis. This is not the product of any Pictet financial research unit.*

Equity markets are still in rally mode: favour cyclicals

Fears of higher yields triggered a slight retracement in global equity markets at the end of February. Theoretically, a rise in rates should reflect a better or improving economic cycle, and it follows that any consequent rise in stock valuations should be compensated by a rise in earnings accordingly. Furthermore, a moderate rise in interest rates - especially from low levels - is additional catalyst for a rotation towards those securities that are more sensitive to the economic cycle (i.e. cyclical stocks) to the detriment of growth-oriented sectors, such as technology.

A look at the performance of the cyclical/defensive ratio following a rapid rise (over one month) in 10-year rates illustrates how the ratio tends to rise following period of rapid rises in the 10-year yield (while it tends to move lower in the opposite case):

Figure 7: Sector sensitivity to a 1-month change in 10-year Treasury yield*



*Source: Bloomberg Finance L.P; Pictet Trading Strategy; as of 2/3/2021. *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.*

Accordingly, we continue to hold our positive view on equity markets with any dip offering, potentially, an entry point. As long as yields remain in a capped rise with no massive acceleration (as is our base scenario), the investing environment should continue to favour a bullish set up for equity markets led by risky assets while we still anticipate growth and defensive themes to underperform on the short-term.

Technically, as shown for the S&P 500 chart below, the 50-day moving average has been offering a significant support over time and the 3,800 region has brought key support over the past several weeks. On the Euro Stoxx 50, our next technical target is in the 3,850 region.

Figure 8: S&P500 – Technical chart*

*Source: FactSet; Pictet Trading Strategy; as of 08/3/2021. *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.*

Turning to currencies, with rising US yields, we could have seen a noticeable rise in the US dollar, which did not occur. Indeed, since the end of 2020 and especially since the cyclical/value equity rotation began, the focus has been on risk perception more than on interest rate differentials. As we discussed in our recent letter "An enticing Euro zone", inflation expectations and a risk-on environment have fuelled cyclical currencies (among them the Euro), and further upside on risky assets should prevail over rising yields in the US.

Additionally, the European Union has shown its capacity to move towards fiscal integration in this crisis and while political issues are likely to remain on the longer-run, the current perception of the single currency has improved (as underlined by the level of Italian CDS for instance, at historical lows).

From a technical perspective, 1.20 has acted as a significant technical support for EURUSD over the medium-term, and with 1.1850 in sight, we expect those levels to continue to hold. The next resistance stands in the 1.25/1.26 region.

Figure 9: EUR/USD*

*Source: FactSet; Pictet Trading Strategy; as of 8/3/2021. *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..*

To conclude

We continue to favour cyclical assets as in our view the market rotation towards risky themes continues to show potential. Outside Europe and the US, we also favour Japanese exporters as the country remains well-positioned to benefit from China's economic recovery. Emerging markets (as well as their currencies) should benefit from a relatively low Dollar, higher commodity prices and a risk-on environment. The table below presents a summary of our view with our short-term technical targets for most asset classes:

Figure 10: PTS short-term core views March 2021*

	US	Europe	Japan	EM
Equities	*S&P500: next technical target at 4'000 then 4'200. 3'800 acting as a good support. **Drivers: Vaccine ,"Fed put", political clarity in the US and recovery hopes, but Covid-19 remains a headwind**	*Euro Stoxx 50: Next technical target at 3,850. Closest support at 3'500. **Drivers: value and cyclical rotation, ECB and govt support, but ongoing lockdowns do not help the slow macro recovery**	*Nikkei 30'000 as a psychological level, next resistance at 31'500 **Drivers: weak virus second wave, exposure to China, Olympcis and BoJ still accommodative**	*Positive EM globally with rising commodity prices, a weak US dollar and hopes of a synchronized economic recovery **Drivers for China: pandemic contained and economy restarting**
Equity themes	Cyclical value themes. Reopening stocks. Green New Deal and infrastructure themes.	Green stocks, value themes and EU cyclical growers. Fiscal stimulus and recovery plans to support infrastructure sectors. Reopening stocks.	Stocks with solid earnings momentum, quality exporters and manufacturers.	Themes linked to the global economic recovery. Consumer, but also manufacturing themes.
FX	Rebound within a bearish trend. Short-term target at 92 but upside capped.	*EURUSD: 1.20 has became a support; the next resistance at around 1.25.	USDJPY: In a trading range with 100 acting as a support and 108 the resistance.	Favouring cyclical and commodity-driven currencies over more defensive ones
FI	*Lower yields for longer: US 10-year above 1% on fiscal hopes and economic recovery. Upside capped, 1.55% is the next resistance.	*Lower yields for longer: GER 10-year yields should be capped at around -0.2%.		
WTI & Gold	*Crude oil → our medium-term target has been raised to USD 60 on recovery hopes.			
	*Gold → Next support at 1'700. Next technical levels at 1850 and then 2050.			

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 / central bank mistake / weaker-than-expected corporate earnings

*Source: FactSet; Pictet Trading Strategy; as of 22/01/2021 *The target price presented is upon chart analysis. This is not the product of any Pictet financial research unit.*

Figure 11: PTS selection list: EU "Long-only"– 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
FP FP	TOTAL SE	Oil, Gas & Consumable F	71	83	46	65	41	61	78	73	30	66
STM FP	STMICROELECTRONICS NV	Semiconductors & Semic	75	73	75	31	57	66	53	62	69	62
LUNE SS	LUNDIN ENERGY AB	Oil, Gas & Consumable F	70	73	65	71	39	42	39	56	36	60
SIKA SW	SIKA AG-REG	Chemicals	64	60	60	23	57	57	72	74	77	57
TEMN SW	TEMENOS AG - REG	Software	60	53	80	25	54	31	95	71	16	57
HEI GY	HEIDELBERGCEMENT AG	Construction Materials	64	61	47	73	50	49	25	62	59	56
ERICB SS	ERICSSON LM-B SHS	Communications Equipm	51	61	40	51	67	57	82	51	69	56
PST IM	POSTE ITALIANE SPA	Insurance	69	67	48	71	37	20	70	41	28	56
AMUN FP	AMUNDI SA	Capital Markets	59	56	56	56	59	69	57	27	23	56
DG FP	VINCI SA	Construction & Engineeri	49	64	55	56	49	66	60	53	23	55
VONN SW	VONTOBEL HOLDING AG-REG	Capital Markets	52	54	71	52	54	62	46	54	42	55
SIE GY	SIEMENS AG-REG	Industrial Conglomerates	57	72	38	40	55	56	70	47	82	54
MAERSKB DC	AP MOLLER-MAERSK A/S-B	Marine	50	62	35	68	41	57	50	58	92	53
ISP IM	INTESA SANPAOLO	Banks	44	55	51	59	42	35	90	51	25	52
PUM GY	PUMA SE	Textiles, Apparel & Luxury	68	56	65	26	57	55	28	46	59	52
VOW3 GY	VOLKSWAGEN AG-PREF	Automobiles	54	54	49	70	41	46	45	41	54	52
BNP FP	BNP PARIBAS	Banks	50	61	38	59	53	65	22	62	38	51
DPW GY	DEUTSCHE POST AG-REG	Air Freight & Logistics	55	60	51	56	57	49	38	38	79	51
AIR FP	AIRBUS SE	Aerospace & Defense	54	53	39	35	43	53	88	41	16	50
FGR FP	EIFFAGE	Construction & Engineeri	61	62	57	64	38	31	22	38	14	50
ROG SW	ROCHE HOLDING AG-GENUSSCHEIN	Pharmaceuticals	41	26	38	46	51	76	58	67	27	49
AZN LN	ASTRAZENECA PLC	Pharmaceuticals	50	51	69	42	53	47	29	48	35	49
BN FP	DANONE	Food Products	32	36	35	56	51	53	76	66	21	48
ENGI FP	ENGIE	Multi-Utilities	39	30	33	66	45	48	65	61	12	48
CS FP	AXA SA	Insurance	27	35	32	69	46	52	70	72	22	48
GALE SW	GALENICA AG	Health Care Providers &	43	42	50	51	45	51	66	32	21	47
STLA IM	STELLANTIS NV	Automobiles	38	24	54	66	53	50	44	50	78	47
CARLB DC	CARLSBERG AS-B	Beverages	62	55	31	41	52	44	25	36	45	46
RWE GY	RWE AG	Multi-Utilities	36	38	49	56	46	62	20	62	32	45
VNA GY	VONOVIA SE	Real Estate Managemen	41	33	58	39	48	41	60	46	41	45
KER FP	KERING	Textiles, Apparel & Luxury	51	47	42	33	54	60	6	50	39	44
VIV FP	VIVENDI	Entertainment	40	36	55	48	48	52	5	60	63	43
LHN SW	LAFARGEHOLCIM LTD-REG	Construction Materials	40	36	30	61	50	48	32	34	62	42
LONN SW	LONZA GROUP AG-REG	Life Sciences Tools & Se	37	23	20	20	56	56	84	45	82	41
NESN SW	NESTLE SA-REG	Food Products	43	32	27	38	52	64	8	58	28	41
ENEL IM	ENEL SPA	Electric Utilities	33	38	32	53	40	42	27	59	39	40
AD NA	KONINKLIJKE AHOLD DELHAIZE N	Food & Staples Retailing	24	21	44	70	55	45	2	55	36	39

Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 3/3/2021.
**Criteria are explained in the endnotes.*

Figure 12: PTS selection list: US "Long-only" – 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
LNG US	CHENIERE ENERGY INC	Oil, Gas & Consumable F	78	87	88	53	26	35	84	60	77	65
MOS US	MOSAIC CO/THE	Chemicals	76	90	58	58	50	43	92	26	90	64
GOOGL US	ALPHABET INC-CL A	Interactive Media & Serv	75	73	84	23	61	88	59	42	83	63
LRCX US	LAM RESEARCH CORP	Semiconductors & Semic	75	73	79	17	72	65	50	41	95	59
ABT US	ABBOTT LABORATORIES	Health Care Equipment &	70	67	72	28	57	61	72	42	82	59
AMZN US	AMAZON.COM INC	Internet & Direct Marketi	77	66	85	27	57	68	36	42	87	59
AAPL US	APPLE INC	Technology Hardware, St	70	70	71	16	70	64	65	29	90	57
FB US	FACEBOOK INC-CLASS A	Interactive Media & Serv	73	65	86	34	56	69	17	35	75	56
BAC US	BANK OF AMERICA CORP	Banks	64	64	40	49	57	70	55	33	56	55
JNJ US	JOHNSON & JOHNSON	Pharmaceuticals	57	57	60	43	56	70	70	32	56	55
FCX US	FREEPORT-MCMORAN INC	Metals & Mining	62	85	54	28	50	41	92	32	99	55
MSFT US	MICROSOFT CORP	Software	70	64	74	19	62	75	43	27	79	55
PYPL US	PAYPAL HOLDINGS INC	IT Services	68	56	82	9	65	65	66	29	97	55
C US	CITIGROUP INC	Banks	55	65	35	58	56	58	54	48	33	54
PGR US	PROGRESSIVE CORP	Insurance	46	38	62	56	54	66	81	40	52	54
ADBE US	ADOBE INC	Software	65	51	77	14	69	73	37	40	76	53
BLK US	BLACKROCK INC	Capital Markets	52	50	68	40	57	73	37	55	77	53
V US	VISA INC-CLASS A SHARES	IT Services	62	52	63	17	60	70	30	74	55	53
ZTS US	ZOETIS INC	Pharmaceuticals	68	59	76	21	55	43	52	39	60	53
PH US	PARKER HANNIFIN CORP	Machinery	72	76	55	33	65	48	7	30	83	51
AZO US	AUTOZONE INC	Specialty Retail	58	50	63	44	63	52	13	56	57	51
BMY US	BRISTOL-MYERS SQUIBB CO	Pharmaceuticals	48	54	69	68	53	48	29	25	38	50
KO US	COCA-COLA CO/THE	Beverages	58	56	37	38	58	49	70	24	22	50
EQIX US	EQUINIX INC	Equity Real Estate Invest	53	50	71	25	32	32	90	47	40	49
AVGO US	BROADCOM INC	Semiconductors & Semic	54	53	70	33	57	32	36	53	89	49
CMCSA US	COMCAST CORP-CLASS A	Media	41	48	61	43	48	45	61	47	65	48
JCI US	JOHNSON CONTROLS INTERNATION	Building Products	49	59	38	47	51	49	41	42	77	47
BSX US	BOSTON SCIENTIFIC CORP	Health Care Equipment &	49	46	48	34	49	48	56	51	36	47
ROST US	ROSS STORES INC	Specialty Retail	52	38	58	19	59	48	67	33	44	46
CLH US	CLEAN HARBORS INC	Commercial Services & S	51	54	35	34	48	36	61	24	49	44
MDLZ US	MONDELEZ INTERNATIONAL INC-A	Food Products	50	50	49	44	54	43	17	29	33	43
WMT US	WALMART INC	Food & Staples Retailing	36	25	47	46	56	66	33	29	59	42
WDC US	WESTERN DIGITAL CORP	Technology Hardware, St	51	60	42	36	36	34	22	32	56	41
LVS UN	LAS VEGAS SANDS CORP	Hotels, Restaurants & Le	43	55	32	30	22	24	67	41	47	39
FIS US	FIDELITY NATIONAL INFO SERV	IT Services	34	42	44	31	41	50	36	36	30	38

Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 3/3/2021.
**Criteria are explained in the endnotes.*

Figure 13: EU Green theme (extract) - 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
ERICB SS	ERICSSON LM-B SHS	Communications Equipm	51	61	40	51	67	57	82	51	69	56
UMI BB	UMICORE	Chemicals	47	65	66	40	43	52	88	70	61	56
HER IM	HERA SPA	Multi-Utilities	53	42	58	64	40	41	79	58	7	55
WCH GY	WACKER CHEMIE AG	Chemicals	63	88	41	52	45	48	59	28	85	54
ADYEN NA	ADYEN NV	IT Services	78	70	69	12	52	67	22	50	97	54
BNR GY	BRENNTAG SE	Trading Companies & Dis	49	44	40	53	61	53	82	58	80	54
ORA FP	ORANGE	Diversified Telecommuni	38	24	37	84	57	41	86	67	8	53
JMAT LN	JOHNSON MATTHEY PLC	Chemicals	37	41	53	55	42	52	96	72	67	53
ALFA SS	ALFA LAVAL AB	Machinery	57	58	32	44	54	62	46	65	58	53
VOD LN	VODAFONE GROUP PLC	Wireless Telecommunica	59	61	49	77	48	37	23	41	17	52
ZAL GY	ZALANDO SE	Internet & Direct Marketi	59	66	81	24	53	55	32	51	94	52
ANDR AV	ANDRITZ AG	Machinery	37	50	47	65	61	49	53	68	69	52
ILD FP	ILIAD SA	Diversified Telecommuni	54	42	66	65	52	32	55	35	55	51
NOKIA FH	NOKIA OYJ	Communications Equipm	32	25	32	69	52	50	99	63	24	50
DSY FP	DASSAULT SYSTEMES SE	Software	47	51	55	20	58	59	76	53	61	50
HLMA LN	HALMA PLC	Electronic Equipment, In	51	37	58	21	49	58	69	62	55	49
ANA SM	ACCIONA SA	Electric Utilities	46	36	54	43	46	34	70	64	65	48
PRY IM	PRYSMIAN SPA	Electrical Equipment	41	38	44	51	54	39	87	42	66	48
LAND SW	LANDIS+GYR GROUP AG	Electronic Equipment, In	32	17	39	50	42	60	90	70	5	47
AGK LN	AGGREKO PLC	Commercial Services & S	44	44	31	61	45	49	41	60	56	47
ATE FP	ALTEN SA	IT Services	45	67	59	49	47	50	21	41	15	47
CRDA LN	CRODA INTERNATIONAL PLC	Chemicals	41	35	48	27	52	49	78	62	72	47
WKL NA	WOLTERS KLUWER	Professional Services	45	30	49	35	56	50	60	56	32	47

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**Criteria are explained in the endnotes.*

Figure 14: Global Reopening (extract) – 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
UHR SW	SWATCH GROUP AG/THE-BR	Textiles, Apparel & Luxury	63	82	36	52	52	76	92	68	60	64
DE US	DEERE & CO	Machinery	80	86	70	39	54	45	80	44	95	64
RAND NA	RANDSTAD NV	Professional Services	65	69	61	61	65	64	82	36	56	63
CNHI IM	CNH INDUSTRIAL NV	Machinery	70	91	52	61	54	34	88	34	86	62
VOE AV	VOESTALPINE AG	Metals & Mining	65	81	28	66	55	46	85	57	87	61
M US	MACY'S INC	Multiline Retail	69	89	48	58	49	19	91	54	40	61
BKNG US	BOOKING HOLDINGS INC	Internet & Direct Marketi	75	75	79	13	67	49	84	39	78	60
RXL FP	REXEL SA	Trading Companies & Dis	69	82	42	68	52	37	62	44	72	59
MONC IM	MONCLER SPA	Textiles, Apparel & Luxury	64	66	73	26	57	50	86	58	83	59
CAT US	CATERPILLAR INC	Machinery	77	73	46	33	46	52	70	49	90	58
VOLVB SS	VOLVO AB-B SHS	Machinery	65	79	49	48	53	63	46	50	78	57
MLM US	MARTIN MARIETTA MATERIALS	Construction Materials	54	57	69	32	51	57	96	54	79	57
HEI GY	HEIDELBERGCEMENT AG	Construction Materials	64	61	47	73	50	49	25	62	59	56
CMI US	CUMMINS INC	Machinery	56	49	58	38	63	74	85	36	88	56
TJX US	TJX COMPANIES INC	Specialty Retail	65	54	71	28	71	56	77	28	58	56
PCAR US	PACCAR INC	Machinery	58	68	54	43	46	64	76	40	74	56
DG FP	VINCI SA	Construction & Engineeri	49	64	55	56	49	66	60	53	23	55
EO FP	FAURECIA	Auto Components	58	82	50	69	45	41	32	44	44	54
LOW US	LOWE'S COS INC	Specialty Retail	61	57	56	45	60	46	68	29	75	54
AA US	ALCOA CORP	Metals & Mining	57	78	35	57	47	44	64	39	92	54
FL US	FOOT LOCKER INC	Specialty Retail	46	55	57	62	68	43	13	83	84	53
ORLY US	O'REILLY AUTOMOTIVE INC	Specialty Retail	60	47	61	37	65	34	81	28	63	52
SBUX US	STARBUCKS CORP	Hotels, Restaurants & Le	52	69	59	28	53	50	81	36	68	52
IHG LN	INTERCONTINENTAL HOTELS GROU	Hotels, Restaurants & Le	62	58	51	26	44	41	53	74	53	52
URI US	UNITED RENTALS INC	Trading Companies & Dis	54	64	65	33	47	16	68	66	96	51
SECUB SS	SECURITAS AB-B SHS	Commercial Services & S	32	34	41	69	60	48	74	70	30	51
AZO US	AUTOZONE INC	Specialty Retail	58	50	63	44	63	52	13	56	57	51
HMB SS	HENNES & MAURITZ AB-B SHS	Specialty Retail	40	62	38	49	51	44	66	73	46	51
LI FP	KLEPIERRE	Equity Real Estate Invest	35	31	29	68	42	45	97	74	3	51
KNX US	KNIGHT-SWIFT TRANSPORTATION	Road & Rail	42	48	53	61	50	60	39	58	60	50
AC FP	ACCOR SA	Hotels, Restaurants & Le	57	64	44	39	42	36	62	51	36	50
PNDORA DC	PANDORA A/S	Textiles, Apparel & Luxury	47	68	51	42	69	58	26	47	95	50

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**Criteria are explained in the endnotes.*

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.

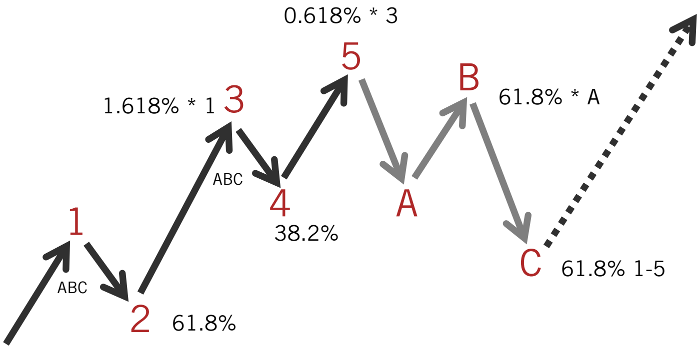
The Regional MATRIX grades

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 Elliot 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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