

## Market Outlook Election Special

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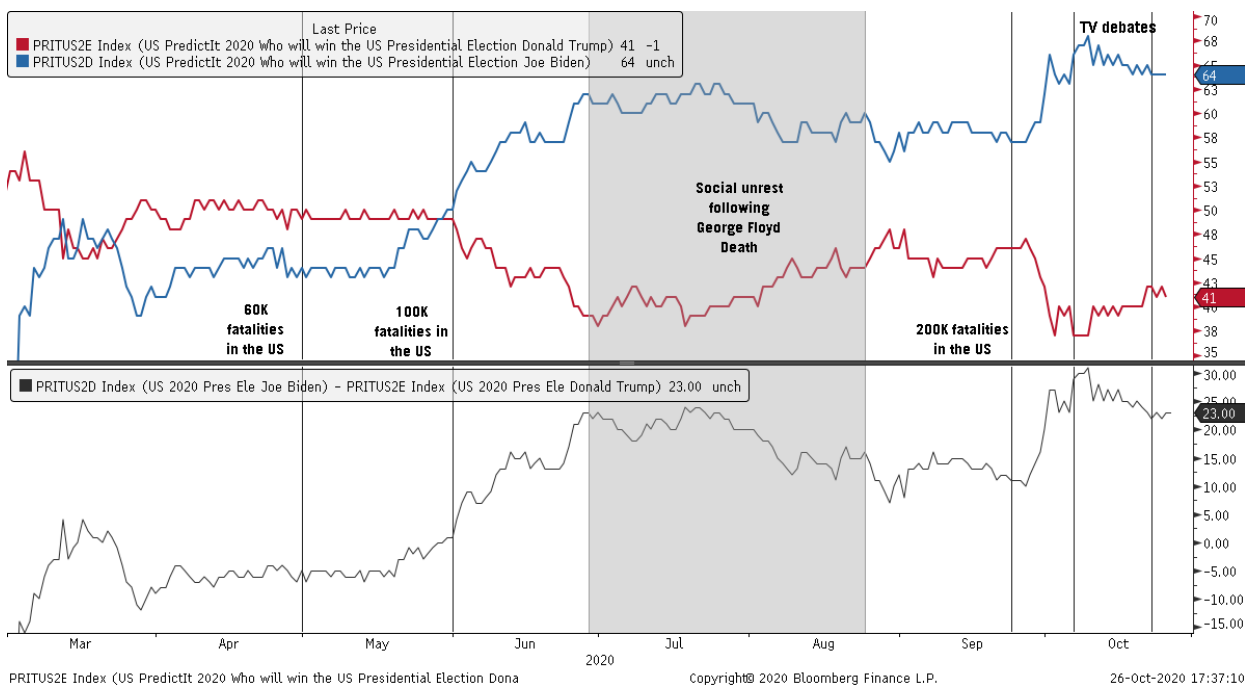
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# The race for the White House: the final straight!



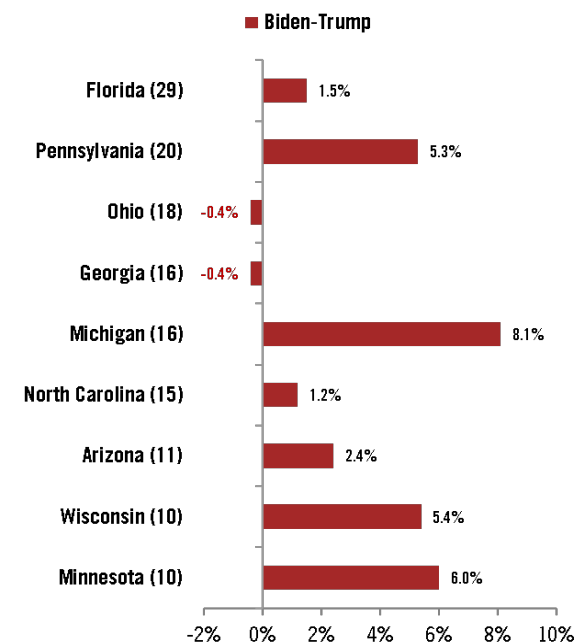
## US presidential election polls Trump (red), Biden (blue) and spread (black):



PRITUS2E Index (US PredictIt 2020 who will win the US Presidential Election Dona Copyright© 2020 Bloomberg Finance L.P. 26-Oct-2020 17:37:10

Source: Bloomberg Finance L.P.; Pictet; as of 26/10/2020

## Main swing states (number of electoral votes) and current average polls spread Biden-Trump:



Source: Bloomberg Finance L.P.; Pictet; as of 26/10/2020

- Joe Biden continues to lead the polls - both nationally and across many swing states;
- The polling spread has recently narrowed, but Biden commands a solid lead in several key states. Florida and Pennsylvania are likely to be crucial;
- The management of the pandemic and economic consequences could prove tricky hurdles for Donald Trump to overcome: economic strength has been key to Trump's messaging throughout his term;

# Congress: a 'blue sweep' or a Republican Senate?



**Polls: probability of a Democrat (blue) or Republican (red) Senate, and the US 10Y Treasury yield (grey):**



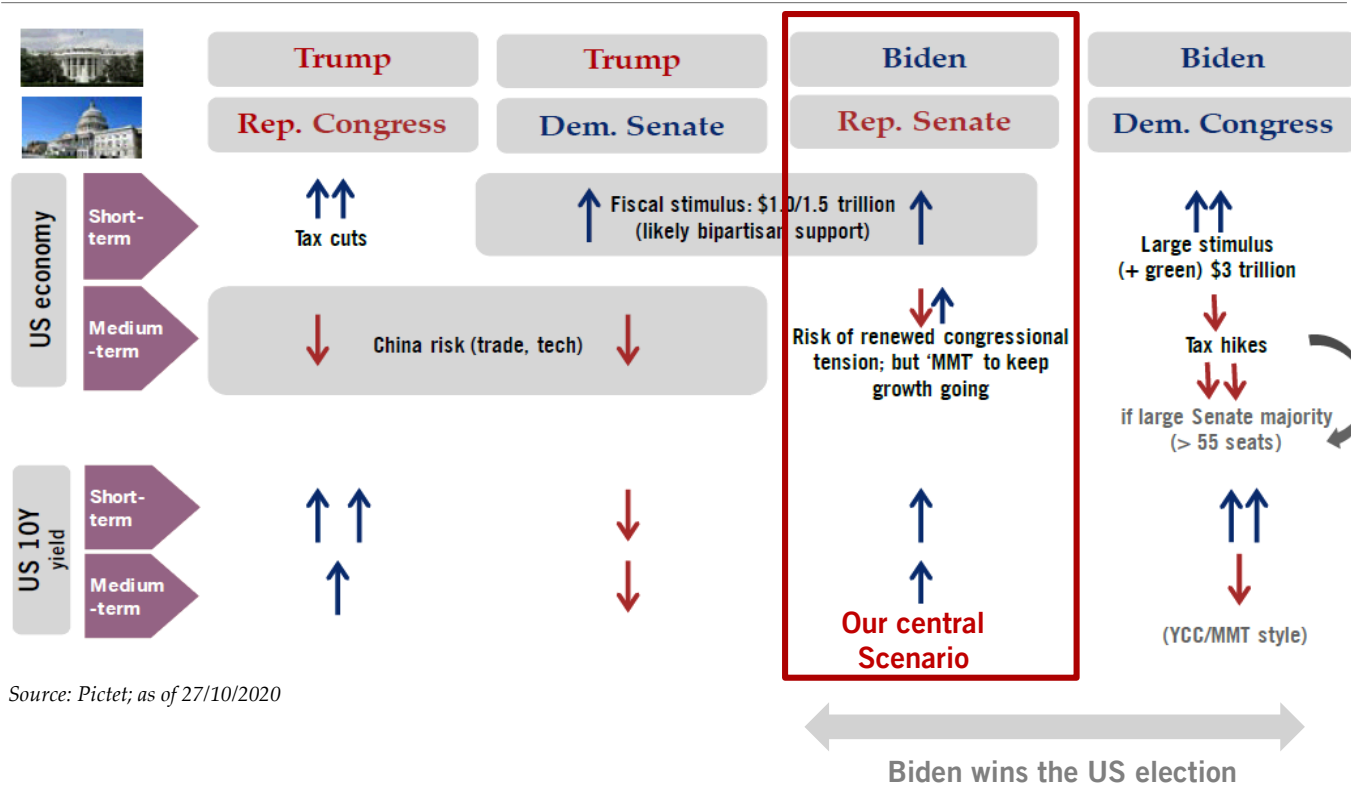
Source: Bloomberg Finance L.P; Pictet; as of 26/10/2020

- Our central scenario is a Biden victory. But while the House of Representatives is likely to remain under the control of the Democratic Party (even if Trump wins), the Senate could remain Republican;
- Recently however, the rising probability of a “blue wave” has triggered a rise in yields, even though the negative impact of resurgent virus fear has affected the correlation;
- Even if the Senate remains Republican, stimulus hopes could still continue to drive yields higher (albeit from a tactical point of view - Fed policy preventing any significant rise much higher – see next);

# Our central scenario - Biden wins, but Congress remains divided:



Potential Macro outcomes from the US election: short and medium-term: our scenarios:



Source: Pictet; as of 27/10/2020

- In our central scenario, fiscal stimulus should gain traction and a sizeable relief package should be forthcoming;
- This would further sustain the pick-up in yields (and potentially the bounce back in the US Dollar) from a tactical point of view;
- However such moves would likely be limited to the short-term, as the Fed is unlikely to let interest rates go significantly higher (or even let fly any hawkish comments). As we write the market is not expecting a rate hike before 2024;

# The US 10-Year yield – a contained rise:



## The US 10-Year US Treasury Yield – long and short-term technical charts\*:



Source: FactSet; Pictet Trading Strategy; as of 28/10/2020. \*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.

- The US 10-year yield has been in a downward multi-year trend (see the long-term picture and our latest technical update on request);
- The pandemic and consequential Fed rate cut has clearly accelerated this move;
- More recently however, the 10Y has been showing signs of life, rebounding from the 0.5% support zone;
- The next technical target stands at around 1%, a level that is likely to cap the rebound in the short term;
- A break of 1% would indeed brighten the technical outlook with 1.5% the next technical resistance (but unlikely given current monetary policy).

# The Dollar Index - towards a short-term rebound?



## The US Dollar Index (DXY) – long and short-term technical charts\*:



Source: FactSet; Pictet Trading Strategy; as of 28/10/2020. \*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.

- The Dollar index slipped over the summer (especially in July) with the value rotation and the equity market rally;
- The key fundamental catalyst remains the interest rate differential (especially with the Eurozone) which favours a lower greenback;
- However and from a tactical point of view, the Dollar should benefit from a rebounding 10-year yield;
- Technically, 92.5 / 93 is a major support off which the DXY could bounce towards its 200-DMA at around 96.5;
- As we expect the rebound in the 10-year yield to be capped, the Dollar rebound may be short-term while the fundamental drivers mentioned above are likely to prevail on the longer-term;



# Our central scenario – (1) “Biden opportunities”:



## BIDEN OPPORTUNITIES

|                            | Themes   | Catalyst   | Equity play   | Potential risk   |
|----------------------------|--|--|---|--|
| <b>Biden Opportunities</b> | <b>Green New Deal</b><br>-Clean energy<br>-Utilities and network upgrade<br>-Recycling | -Fiscal push<br>-Economic recovery<br>-Biden green new deal<br>-Need for US job creation<br>-Secular thematic                            | -See our <a href="#">“Betting on Biden” letter</a><br>Solar & wind energy producers<br>Engineering<br>Waste management & utilities<br>Low emission transportations<br>-Thematic funds & ETFs (iShares Global Clean Energy, ICLN US)                                 | -Oil & gas lobby<br>-US consumer habits<br>-Republican opposition<br>-Size of needed funding<br>-“Political” argument                                  |
|                            | <b>International relations</b><br>-Mexico and Canada<br>-Europe                        | -Diplomacy improvement with close neighbours<br>-Trade zone over multilateralism   | -Canadian/Mexican stocks exposed to the US<br>-iShares North America<br>-US freight stocks with interconnected networks (KSU, UNP & CSX US)<br>-European sectors threatened by Trump (Auto makers...)<br>-iShares Global Timber & Forestry ETF (WOOD US)            | -Foreign policy focused on China and not on EU/North America<br>-“America First” still a valuable political motto<br>-Pandemic spread in EU and Mexico |
|                            | <b>Heath care</b><br>-Managed care & hospitals   | -Assistance to lower & middle class...<br>-... but no full public insurance system by lack of political consensus<br>-Pandemic awareness | -US managed care (UNH, ANTM, CNC, CVS, HUM)<br>-Healthcare technology & innovation (MDT US, BSX US, iShares Innovation HEAL LN)<br>-Medical equipment & devices (ABT, TMO, MDT), iShares US medical devices (IHI US)<br>-Healthcare facilities/hospitals (HCA, THC) | -“Blue wave” and leftist influence (managed care)<br>-Political consensus hard to find   |

Source: PTS Trading Strategy; Pictet; as of 27/10/2020

- Our full equity scenario is available [here](#);
- A “Biden opportunities” selection list is shown on the appendices;



# Our central scenario – (2) “cyclical growers”:



## CYCLICAL GROWERS

|                         | Themes   | Catalyst  | Equity play   | Potential risk   |
|-------------------------|--|---|---|--|
| <b>Cyclical Growers</b> | <b>Infrastructure push</b><br>-Housing and urban renovation<br>-Transportation modernization<br>-Heavy infrastructure projects | -Fiscal push<br>-Economic recovery<br>-Outdated US infrastructure<br>-Potential bipartisan<br>-Secular thematic | -Machinery (CAT, HON)<br>-Construction materials (MOS, VMC)<br>-Household durables (DHI, LEN, PHM)<br>-US & Global infrastructure ETFs (IFRA US & IGF US)   | -Limited fiscal push<br>-Public deficit<br>-States support needed                |
|                         | <b>Hardware and semiconductors</b>   | -Green technology needs<br>-Improved relations with China<br>-Economic recovery<br>-Cyclical rotation           | -Quality semi conductors (TXN, AMAT, MCHP), iShares PHLX Semiconductor (SOXX US)<br>-Electronic equipment & digitalization (GLW, CSCO)<br>-Hardware stocks  | -Pandemic hampering economic recovery<br>-China/US relationship does not improve |
|                         | <b>The US consumer</b>   | -Economic recovery<br>-Support to households<br>-Lower and middle class<br>-Fiscal push                         | -US based retailers (DG, COST)<br>-Auto parts and retailers (AZO, ORLY)<br>-Retail ETFs: Solactive-Proshares Bricks & Mortar Retail store Index (SOEMTYPT US)<br>-Home improvement (HD, LOW)<br>-Global US consumer ETFs (XLY, XRT US, IYK US...) | -Slower recovery<br>-Republican opposition<br>-Pandemic deterioration            |

Source: PTS Trading Strategy; Pictet; as of 27/10/2020

- Our full equity scenario is available [here](#);
- “Cyclical growers” full selection list is shown on the appendices

# Our central scenario – (3) “tactical value”:



## TACTICAL VALUE

|                       | Themes                          | Catalyst  | Equity play  | Potential risk   |
|-----------------------|---------------------------------|---|--|--|
| <b>Tactical value</b> | <b>Small-cap outperformance</b> | <ul style="list-style-type: none"> <li>-Fiscal stimulus</li> <li>-Domestic focused incentive</li> <li>-Value rotation &amp; large cap tech underperforming</li> </ul>           | <ul style="list-style-type: none"> <li>-Russel 2000</li> <li>-Outperformance RTY US vs OEX</li> <li>-US-domestic-focused ETFs</li> </ul> | <ul style="list-style-type: none"> <li>-Risk-off mood triggered by political turmoil or pandemic acceleration</li> <li>-Curtailed fiscal stimulus</li> </ul> |
|                       | <b>Banks</b>                    | <ul style="list-style-type: none"> <li>-Value rotation</li> <li>-Short-term yield pick up</li> <li>-Earnings season</li> <li>-Focus on un-regulated financial entity</li> </ul> | <ul style="list-style-type: none"> <li>-Regulated banks with solid balance sheet and earnings momentum (CFG, USB, BAC)</li> </ul>        | <ul style="list-style-type: none"> <li>-“Blue wave” and leftist influence</li> <li>-Capital Gain &amp; wealth tax</li> </ul>                                 |
|                       | <b>Reopening stocks</b>         | <ul style="list-style-type: none"> <li>-Vaccine or medical solution</li> <li>-High yield spread</li> <li>-Value rotation</li> </ul>   | <ul style="list-style-type: none"> <li>-Reopening stocks</li> <li>-S&amp;P Value ETFs (IVE US, SPYV US...)</li> </ul>                    | <ul style="list-style-type: none"> <li>-Pandemic acceleration</li> <li>-No medical solution found in the short-term</li> </ul>                               |

Source: PTS Trading Strategy; Pictet; as of 27/10/2020

- Our full equity scenario is available [here](#);
- Our “Tactical Value” selection list is our riskiest list - it being made up of names to consider if the outlook on the pandemic is improving significantly (i.e. vaccine adoption);
- See the full selection in the appendices.

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# And what if Trump wins?

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**Should Trump be re-elected, there remains the likelihood of a divided (or even Democrat) Congress. We could see:**

- Concerns over resurgent international tension (China, Europe) weigh on the 10Y (potential rise of Gold);
- Tech, semiconductors and China-linked stocks come under pressure;
- Lower yields impact banks in the short-term (favour “unregulated financials” considered more at risk under Biden), yet longer-term hopes of further deregulation remain a catalyst;
- Green stocks and renewable energy companies retrace after a period of significant outperformance on Biden hopes;
- Energy stocks, fossil fuel and other more polluting industries benefit from a “relief” rally. Over the longer-term, energy stocks remain dependent on crude oil prices and economic recovery;
- Defense stocks outperform;
- A relief rally in stocks that benefited from Trump’s tax cuts (see our daily factory on the subject [here](#)), and in others considered “at-risk” under a Biden presidency;
- Large pharma stocks come under pressure as margin threat gains traction (it being the most likely “affordable” healthcare policy under the Trump administration). On the other hand, medical insurers could benefit;
- An infrastructure push / relief bill still get through with bipartisan support (companies in this field might benefit from either candidate). However, on a Trump mandate, a focus on heavy infrastructure vs low-energy-consumption stocks is more probable;
- US domestic stocks favored vs exporters (caution those stocks hoping for an improvement in Canada/USA/Mexico trade relations);
- Possible “reopening” stock outperformance - as Biden is generally considered more cautious regarding the pandemic: we consider our “reopening stock list” in the Biden election scenario only if the visibility on the health outlook improves, yet such stocks might benefit sooner in the case of a Trump victory;

All in all, a Trump victory could trigger some short-term uncertainty (as the market is now pricing a Biden win), but it would still remain bullish for equity markets (see our ‘Trump selection list’ in the appendices). **The major risk for equity markets lies in a disputed election** with no clear winner (which in our view is more of an outlier scenario).

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# Appendix

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# (1) “Biden opportunities” selection list – quantitative grades\*:



| Weight in Global Grade: | Short-term                   |                                |        | Long-term |       |       | Technical Parameters |        |     | 100%  |    |        |
|-------------------------|------------------------------|--------------------------------|--------|-----------|-------|-------|----------------------|--------|-----|-------|----|--------|
|                         | 25%                          | 10%                            | 10%    | 15%       | 10%   | 10%   | 10%                  | 10%    | 10% |       |    |        |
| Ticker                  | Name                         | Sector                         | Growth | EPS       | Sales | Value | Quality              | Credit | MF  | Sent. | RS | Global |
| ANTM US                 | ANTHEM INC                   | Health Care Providers & Servic | 69     | 63        | 72    | 51    | 52                   | 62     | 79  | 56    | 75 | 63     |
| TMO US                  | THERMO FISHER SCIENTIFIC INC | Life Sciences Tools & Services | 81     | 84        | 78    | 21    | 58                   | 57     | 85  | 32    | 93 | 63     |
| HUM US                  | HUMANA INC                   | Health Care Providers & Servic | 67     | 59        | 65    | 44    | 53                   | 64     | 94  | 44    | 90 | 61     |
| CNC US                  | CENTENE CORP                 | Health Care Providers & Servic | 64     | 56        | 78    | 48    | 49                   | 47     | 90  | 37    | 88 | 59     |
| ABT US                  | ABBOTT LABORATORIES          | Health Care Equipment & Supp   | 67     | 73        | 68    | 28    | 55                   | 58     | 90  | 30    | 82 | 58     |
| FSLR US                 | FIRST SOLAR INC              | Semiconductors & Semiconduc    | 58     | 63        | 49    | 24    | 35                   | 68     | 100 | 43    | 88 | 54     |
| BWA US                  | BORGWARNER INC               | Auto Components                | 61     | 59        | 55    | 54    | 42                   | 53     | 33  | 63    | 60 | 54     |
| HCA US                  | HCA HEALTHCARE INC           | Health Care Providers & Servic | 62     | 57        | 70    | 45    | 59                   | 40     | 31  | 41    | 68 | 52     |
| AEE US                  | AMEREN CORPORATION           | Multi-Utilities                | 53     | 55        | 32    | 34    | 41                   | 38     | 87  | 74    | 66 | 51     |
| J US                    | JACOBS ENGINEERING GROUP INC | Construction & Engineering     | 52     | 60        | 48    | 38    | 55                   | 55     | 50  | 51    | 64 | 51     |
| CVS US                  | CVS HEALTH CORP              | Health Care Providers & Servic | 44     | 51        | 66    | 74    | 61                   | 42     | 30  | 27    | 47 | 50     |
| DUK UN                  | DUKE ENERGY CORP             | Electric Utilities             | 49     | 47        | 36    | 45    | 30                   | 40     | 90  | 62    | 55 | 50     |
| CSX US                  | CSX CORP                     | Road & Rail                    | 58     | 56        | 39    | 28    | 53                   | 45     | 69  | 41    | 70 | 49     |
| UNP US                  | UNION PACIFIC CORP           | Road & Rail                    | 60     | 62        | 37    | 24    | 54                   | 45     | 62  | 32    | 76 | 48     |
| MDT US                  | MEDTRONIC PLC                | Health Care Equipment & Supp   | 50     | 51        | 52    | 29    | 51                   | 65     | 61  | 29    | 61 | 48     |
| APTV US                 | APTIV PLC                    | Auto Components                | 44     | 50        | 43    | 30    | 38                   | 49     | 79  | 60    | 69 | 47     |
| KSU US                  | KANSAS CITY SOUTHERN         | Road & Rail                    | 59     | 68        | 39    | 22    | 54                   | 46     | 41  | 42    | 79 | 47     |
| NSC US                  | NORFOLK SOUTHERN CORP        | Road & Rail                    | 59     | 60        | 40    | 27    | 50                   | 47     | 45  | 39    | 73 | 47     |
| BSX US                  | BOSTON SCIENTIFIC CORP       | Health Care Equipment & Supp   | 56     | 41        | 59    | 31    | 34                   | 44     | 45  | 54    | 54 | 46     |
| THC US                  | TENET HEALTHCARE CORP        | Health Care Providers & Servic | 47     | 70        | 43    | 51    | 54                   | 32     | 20  | 46    | 74 | 46     |
| NEE US                  | NEXTERA ENERGY INC           | Electric Utilities             | 48     | 51        | 36    | 26    | 44                   | 43     | 79  | 38    | 82 | 45     |
| BEP US                  | BROOKFIELD RENEWABLE PARTNER | Independent Power and Renewa   | 35     | 44        | 50    | 37    | 42                   | 36     | 65  | 50    | 91 | 43     |
| AES US                  | AES CORP                     | Independent Power and Renewa   | 46     | 52        | 29    | 37    | 32                   | 22     | 85  | 26    | 79 | 42     |

Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 27/10/2020.

\*Criteria are explained in the endnotes.



## (2) “cyclical growers” selection list – quantitative grades\*:



| Weight in Global Grade: |                             |                               | Short-term |     |       | Long-term |         |        | Technical Parameters |       |    |        |
|-------------------------|-----------------------------|-------------------------------|------------|-----|-------|-----------|---------|--------|----------------------|-------|----|--------|
| Ticker                  | Name                        | Sector                        | 25%        | 10% | 10%   | 15%       | 10%     | 10%    | 10%                  | 10%   | RS | 100%   |
|                         |                             |                               | Growth     | EPS | Sales | Value     | Quality | Credit | MF                   | Sent. |    | Global |
| DHI US                  | DR HORTON INC               | Household Durables            | 82         | 81  | 84    | 43        | 59      | 67     | 94                   | 35    | 86 | 69     |
| AMAT US                 | APPLIED MATERIALS INC       | Semiconductors & Semiconduc   | 70         | 62  | 64    | 35        | 69      | 69     | 91                   | 53    | 75 | 64     |
| HD US                   | HOME DEPOT INC              | Specialty Retail              | 68         | 65  | 72    | 35        | 73      | 70     | 86                   | 45    | 77 | 63     |
| LEN US                  | LENNAR CORP-A               | Household Durables            | 73         | 79  | 74    | 51        | 65      | 51     | 36                   | 54    | 83 | 62     |
| NEM US                  | NEWMONT CORP                | Metals & Mining               | 78         | 85  | 61    | 35        | 50      | 67     | 59                   | 33    | 93 | 60     |
| PHM US                  | PULTEGROUP INC              | Household Durables            | 80         | 82  | 76    | 55        | 68      | 55     | 8                    | 28    | 76 | 60     |
| NVR US                  | NVR INC                     | Household Durables            | 79         | 77  | 78    | 34        | 64      | 66     | 25                   | 34    | 69 | 59     |
| COST US                 | COSTCO WHOLESALE CORP       | Food & Staples Retailing      | 68         | 66  | 71    | 29        | 57      | 73     | 62                   | 42    | 80 | 58     |
| TSCO US                 | TRACTOR SUPPLY COMPANY      | Specialty Retail              | 73         | 72  | 78    | 37        | 69      | 47     | 23                   | 48    | 92 | 58     |
| ROP US                  | ROPER TECHNOLOGIES INC      | Industrial Conglomerates      | 67         | 60  | 70    | 23        | 57      | 55     | 90                   | 39    | 80 | 57     |
| FCX US                  | FREEPORT-MCMORAN INC        | Metals & Mining               | 81         | 93  | 38    | 36        | 35      | 35     | 71                   | 42    | 95 | 57     |
| ORLY US                 | O'REILLY AUTOMOTIVE INC     | Specialty Retail              | 76         | 76  | 79    | 28        | 64      | 36     | 50                   | 29    | 74 | 57     |
| DG US                   | DOLLAR GENERAL CORP         | Multiline Retail              | 74         | 74  | 77    | 28        | 64      | 45     | 35                   | 35    | 84 | 56     |
| CTAS US                 | CINTAS CORP                 | Commercial Services & Supplie | 72         | 70  | 70    | 20        | 64      | 58     | 32                   | 50    | 80 | 55     |
| KMX US                  | CARMAX INC                  | Specialty Retail              | 71         | 68  | 71    | 33        | 51      | 37     | 24                   | 74    | 51 | 55     |
| FAST US                 | FASTENAL CO                 | Trading Companies & Distribut | 61         | 54  | 55    | 28        | 65      | 68     | 42                   | 71    | 76 | 55     |
| CHRW US                 | C.H. ROBINSON WORLDWIDE INC | Air Freight & Logistics       | 59         | 65  | 55    | 41        | 68      | 57     | 32                   | 63    | 74 | 55     |
| PPG US                  | PPG INDUSTRIES INC          | Chemicals                     | 61         | 66  | 42    | 34        | 68      | 53     | 59                   | 55    | 66 | 55     |
| TXN US                  | TEXAS INSTRUMENTS INC       | Semiconductors & Semiconduc   | 70         | 72  | 57    | 22        | 72      | 71     | 25                   | 38    | 70 | 54     |
| VMC US                  | VULCAN MATERIALS CO         | Construction Materials        | 60         | 53  | 62    | 38        | 52      | 53     | 72                   | 38    | 57 | 54     |
| PH US                   | PARKER HANNIFIN CORP        | Machinery                     | 68         | 73  | 48    | 36        | 52      | 45     | 61                   | 32    | 78 | 54     |
| JBHT US                 | HUNT (JB) TRANSPRT SVCS INC | Road & Rail                   | 51         | 52  | 74    | 44        | 56      | 62     | 60                   | 31    | 67 | 53     |
| AZO US                  | AUTOZONE INC                | Specialty Retail              | 69         | 67  | 72    | 40        | 55      | 54     | 2                    | 46    | 65 | 53     |
| MCHP US                 | MICROCHIP TECHNOLOGY INC    | Semiconductors & Semiconduc   | 63         | 64  | 67    | 38        | 54      | 20     | 39                   | 69    | 72 | 53     |
| ADP US                  | AUTOMATIC DATA PROCESSING   | IT Services                   | 58         | 49  | 53    | 36        | 62      | 73     | 41                   | 40    | 47 | 52     |
| AVGO US                 | BROADCOM INC                | Semiconductors & Semiconduc   | 59         | 62  | 75    | 35        | 58      | 32     | 33                   | 51    | 82 | 51     |
| MOS US                  | MOSAIC CO/THE               | Chemicals                     | 72         | 86  | 34    | 60        | 47      | 41     | 4                    | 27    | 55 | 51     |
| AMD US                  | ADVANCED MICRO DEVICES      | Semiconductors & Semiconduc   | 71         | 74  | 60    | 19        | 63      | 59     | 4                    | 39    | 99 | 51     |
| CSCO US                 | CISCO SYSTEMS INC           | Communications Equipment      | 42         | 43  | 37    | 51        | 78      | 79     | 43                   | 39    | 36 | 50     |
| PCAR US                 | PACCAR INC                  | Machinery                     | 63         | 58  | 53    | 38        | 52      | 66     | 13                   | 33    | 80 | 49     |
| RSG US                  | REPUBLIC SERVICES INC       | Commercial Services & Supplie | 63         | 60  | 55    | 33        | 46      | 41     | 30                   | 33    | 63 | 47     |
| CAT US                  | CATERPILLAR INC             | Machinery                     | 46         | 49  | 31    | 41        | 48      | 52     | 42                   | 54    | 81 | 45     |
| HON US                  | HONEYWELL INTERNATIONAL INC | Industrial Conglomerates      | 45         | 47  | 32    | 32        | 62      | 63     | 29                   | 35    | 61 | 43     |

Source: FactSet; Markit, Bloomberg Finance L.P.; Copyright © 2020 S&P Global Market Intelligence; Pictet Trading Strategy; as of 27/10/2020.

\*Criteria are explained in the endnotes.

### (3) “Tactical Value” selection list – 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 |
| <b>CFG US</b>           | CITIZENS FINANCIAL GROUP     | Banks                          | 59         | 56  | 73    | 63        | 55      | 46     | 88                   | 31    | 30 | 59     |
| <b>USB US</b>           | US BANCORP                   | Banks                          | 57         | 58  | 65    | 57        | 57      | 80     | 60                   | 28    | 20 | 58     |
| <b>CAKE US</b>          | CHEESECAKE FACTORY INC/THE   | Hotels, Restaurants & Leisure  | 44         | 49  | 47    | 51        | 44      | 31     | 92                   | 79    | 34 | 53     |
| <b>DRI US</b>           | DARDEN RESTAURANTS INC       | Hotels, Restaurants & Leisure  | 73         | 89  | 38    | 43        | 46      | 28     | 29                   | 50    | 44 | 53     |
| <b>BAC US</b>           | BANK OF AMERICA CORP         | Banks                          | 56         | 45  | 40    | 53        | 57      | 73     | 41                   | 35    | 30 | 51     |
| <b>SPG US</b>           | SIMON PROPERTY GROUP INC     | Equity Real Estate Investment  | 37         | 28  | 29    | 60        | 55      | 39     | 98                   | 64    | 4  | 50     |
| <b>BKNG US</b>          | BOOKING HOLDINGS INC         | Internet & Direct Marketing Re | 50         | 29  | 49    | 20        | 66      | 46     | 92                   | 42    | 38 | 48     |
| <b>DIN US</b>           | DINE BRANDS GLOBAL INC       | Hotels, Restaurants & Leisure  | 41         | 51  | 51    | 52        | 41      | 46     | 24                   | 73    | 31 | 47     |
| <b>KIM US</b>           | KIMCO REALTY CORP            | Equity Real Estate Investment  | 30         | 30  | 45    | 57        | 48      | 45     | 99                   | 38    | 7  | 47     |
| <b>AA US</b>            | ALCOA CORP                   | Metals & Mining                | 28         | 34  | 29    | 72        | 51      | 45     | 76                   | 45    | 16 | 46     |
| <b>JWN US</b>           | NORDSTROM INC                | Multiline Retail               | 31         | 22  | 40    | 61        | 35      | 19     | 100                  | 68    | 2  | 45     |
| <b>HOG US</b>           | HARLEY-DAVIDSON INC          | Automobiles                    | 27         | 29  | 33    | 41        | 46      | 30     | 99                   | 84    | 31 | 45     |
| <b>ROST US</b>          | ROSS STORES INC              | Specialty Retail               | 51         | 37  | 54    | 21        | 49      | 46     | 65                   | 39    | 37 | 45     |
| <b>PLNT US</b>          | PLANET FITNESS INC - CL A    | Hotels, Restaurants & Leisure  | 50         | 30  | 43    | 10        | 31      | 49     | 98                   | 55    | 66 | 45     |
| <b>REG US</b>           | REGENCY CENTERS CORP         | Equity Real Estate Investment  | 46         | 30  | 36    | 54        | 45      | 43     | 30                   | 38    | 8  | 42     |
| <b>SEAS US</b>          | SEAWORLD ENTERTAINMENT INC   | Hotels, Restaurants & Leisure  | 35         | 33  | 26    | 22        | 31      | 27     | 99                   | 62    | 35 | 40     |
| <b>CNK US</b>           | CINEMARK HOLDINGS INC        | Entertainment                  | 23         | 21  | 32    | 58        | 31      | 13     | 100                  | 47    | 1  | 39     |
| <b>RCL US</b>           | ROYAL CARIBBEAN CRUISES LTD  | Hotels, Restaurants & Leisure  | 41         | 22  | 40    | 46        | 25      | 13     | 49                   | 58    | 8  | 38     |
| <b>M US</b>             | MACY'S INC                   | Multiline Retail               | 26         | 29  | 29    | 76        | 52      | 16     | 1                    | 69    | 4  | 38     |
| <b>DAL US</b>           | DELTA AIR LINES INC          | Airlines                       | 29         | 18  | 34    | 44        | 28      | 22     | 99                   | 34    | 10 | 37     |
| <b>TRIP US</b>          | TRIPADVISOR INC              | Interactive Media & Services   | 28         | 29  | 39    | 46        | 29      | 36     | 41                   | 60    | 7  | 37     |
| <b>MAR US</b>           | MARRIOTT INTERNATIONAL -CL A | Hotels, Restaurants & Leisure  | 31         | 21  | 32    | 20        | 49      | 39     | 89                   | 33    | 29 | 37     |
| <b>LVS US</b>           | LAS VEGAS SANDS CORP         | Hotels, Restaurants & Leisure  | 28         | 20  | 17    | 26        | 26      | 26     | 97                   | 33    | 32 | 33     |
| <b>EXPE US</b>          | EXPEDIA GROUP INC            | Internet & Direct Marketing Re | 31         | 15  | 42    | 37        | 22      | 25     | 21                   | 36    | 19 | 29     |

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\*Criteria are explained in the endnotes.



## (4) “Trump” selection list – quantitative grades\*:



| Ticker  | Name                        | Sector                           | Short-term              |     |       | Long-term |         |        | Technical Parameters |       |    | Global |
|---------|-----------------------------|----------------------------------|-------------------------|-----|-------|-----------|---------|--------|----------------------|-------|----|--------|
|         |                             |                                  | Weight in Global Grade: |     |       | 15%       | 10%     | 10%    | 10%                  | 10%   | RS |        |
|         |                             |                                  | Growth                  | EPS | Sales | Value     | Quality | Credit | MF                   | Sent. |    |        |
| STT US  | STATE STREET CORP           | Capital Markets                  | 59                      | 66  | 50    | 61        | 56      | 74     | 99                   | 45    | 56 | 63     |
| REGN US | REGENERON PHARMACEUTICALS   | Biotechnology                    | 73                      | 67  | 78    | 40        | 62      | 69     | 67                   | 41    | 96 | 63     |
| SWBI US | SMITH & WESSON BRANDS INC   | Leisure Products                 | 64                      | 70  | 66    | 67        | 78      | 67     | 10                   | 56    | 99 | 61     |
| HRB US  | H&R BLOCK INC               | Diversified Consumer Services    | 54                      | 66  | 45    | 70        | 75      | 38     | 68                   | 66    | 28 | 60     |
| RJF US  | RAYMOND JAMES FINANCIAL INC | Capital Markets                  | 61                      | 54  | 69    | 50        | 51      | 46     | 87                   | 46    | 51 | 58     |
| UNH US  | UNITEDHEALTH GROUP INC      | Health Care Providers & Services | 68                      | 60  | 72    | 42        | 50      | 64     | 70                   | 29    | 84 | 58     |
| CI US   | CIGNA CORP                  | Health Care Providers & Services | 65                      | 60  | 68    | 67        | 50      | 53     | 37                   | 28    | 63 | 56     |
| GD US   | GENERAL DYNAMICS CORP       | Aerospace & Defense              | 48                      | 41  | 49    | 63        | 54      | 57     | 88                   | 38    | 30 | 54     |
| LMT US  | LOCKHEED MARTIN CORP        | Aerospace & Defense              | 57                      | 57  | 70    | 54        | 62      | 57     | 37                   | 32    | 56 | 54     |
| DFS UN  | DISCOVER FINANCIAL SERVICES | Consumer Finance                 | 57                      | 54  | 55    | 49        | 44      | 23     | 94                   | 52    | 27 | 54     |
| VMC US  | VULCAN MATERIALS CO         | Construction Materials           | 60                      | 53  | 62    | 38        | 52      | 53     | 72                   | 38    | 57 | 54     |
| BKR US  | BAKER HUGHES CO             | Energy Equipment & Services      | 39                      | 45  | 35    | 74        | 50      | 58     | 92                   | 46    | 15 | 53     |
| AMP UN  | AMERIPRISE FINANCIAL INC    | Capital Markets                  | 55                      | 46  | 52    | 58        | 64      | 63     | 17                   | 64    | 74 | 53     |
| SLB US  | SCHLUMBERGER LTD            | Energy Equipment & Services      | 54                      | 57  | 16    | 72        | 46      | 46     | 91                   | 29    | 5  | 53     |
| MSCI UN | MSCI INC                    | Capital Markets                  | 70                      | 63  | 79    | 18        | 70      | 30     | 53                   | 30    | 91 | 53     |
| ABBV US | ABBVIE INC                  | Biotechnology                    | 60                      | 54  | 71    | 59        | 53      | 34     | 28                   | 40    | 66 | 52     |
| HAL US  | HALLIBURTON CO              | Energy Equipment & Services      | 51                      | 56  | 22    | 67        | 49      | 42     | 50                   | 62    | 16 | 51     |
| NOC US  | NORTHROP GRUMMAN CORP       | Aerospace & Defense              | 56                      | 53  | 68    | 51        | 62      | 42     | 40                   | 27    | 43 | 51     |
| COF UN  | CAPITAL ONE FINANCIAL CORP  | Consumer Finance                 | 47                      | 48  | 53    | 57        | 44      | 54     | 45                   | 50    | 34 | 50     |
| DE US   | DEERE & CO                  | Machinery                        | 61                      | 62  | 49    | 34        | 49      | 44     | 40                   | 46    | 85 | 49     |
| GEO US  | GEO GROUP INC/THE           | Equity Real Estate Investment    | 33                      | 34  | 52    | 63        | 46      | 16     | 99                   | 66    | 16 | 49     |
| MSI US  | MOTOROLA SOLUTIONS INC      | Communications Equipment         | 49                      | 50  | 53    | 32        | 64      | 46     | 52                   | 50    | 55 | 49     |
| F US    | FORD MOTOR CO               | Automobiles                      | 36                      | 56  | 38    | 68        | 46      | 24     | 72                   | 26    | 42 | 45     |
| CAT US  | CATERPILLAR INC             | Machinery                        | 46                      | 49  | 31    | 41        | 48      | 52     | 42                   | 54    | 81 | 45     |
| TWTR US | TWITTER INC                 | Interactive Media & Services     | 43                      | 29  | 68    | 23        | 38      | 45     | 87                   | 37    | 80 | 45     |
| DVN UN  | DEVON ENERGY CORP           | Oil, Gas & Consumable Fuels      | 48                      | 50  | 33    | 75        | 29      | 33     | 4                    | 51    | 4  | 43     |
| LUV US  | SOUTHWEST AIRLINES CO       | Airlines                         | 30                      | 22  | 39    | 36        | 54      | 48     | 91                   | 42    | 27 | 43     |
| KMI UN  | KINDER MORGAN INC           | Oil, Gas & Consumable Fuels      | 45                      | 36  | 16    | 57        | 37      | 30     | 64                   | 36    | 14 | 42     |
| COP UN  | CONOCOPHILLIPS              | Oil, Gas & Consumable Fuels      | 32                      | 32  | 22    | 64        | 46      | 66     | 27                   | 41    | 8  | 41     |
| XOM US  | EXXON MOBIL CORP            | Oil, Gas & Consumable Fuels      | 34                      | 25  | 15    | 71        | 34      | 65     | 40                   | 36    | 6  | 41     |
| CVX US  | CHEVRON CORP                | Oil, Gas & Consumable Fuels      | 21                      | 17  | 25    | 65        | 38      | 67     | 72                   | 33    | 13 | 40     |
| GE US   | GENERAL ELECTRIC CO         | Industrial Conglomerates         | 23                      | 22  | 29    | 60        | 41      | 37     | 91                   | 25    | 37 | 39     |
| AAL UW  | AMERICAN AIRLINES GROUP INC | Airlines                         | 18                      | 18  | 37    | 57        | 28      | 29     | 0                    | 81    | 5  | 32     |

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\*Criteria are explained in the endnotes.



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## Endnotes: References for Trading Strategy publications (1/2)

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### 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 Grade 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.



## Endnotes: References for Trading Strategy publications (2/2)

**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.

### Time Horizon

Short-Term: 1 to 4 weeks

Medium Term: 1 to 3 months

Long Term: more than 3 months

PTS: Pictet Trading Strategy

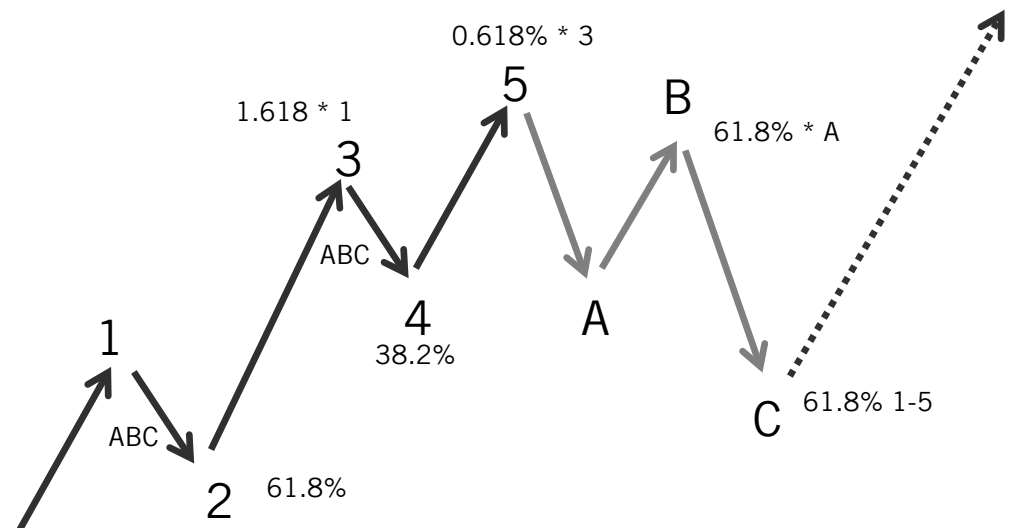
### Technical Analysis

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 below). 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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# Disclosure Information (1/3)

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