

Market Focus

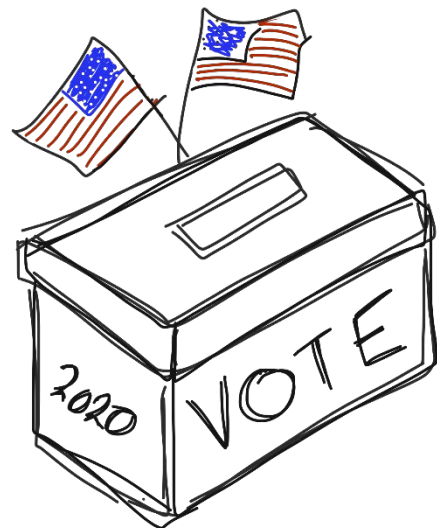
3 November 2020

Election time

With Jo Biden leading the polls (nationally and across several key states), as US election day dawns our central scenario remains a Democrat win. The coronavirus pandemic, surging again across Europe as well as in the US, is likely to prove a particularly tricky hurdle for incumbent president Donald Trump to overcome. That said, while the House of Representatives looks likely to remain under Democrat control (whomever wins the White House), the Senate could remain Republican (or see a very small Democrat majority);

We expect stimulus hopes to continue to drive the market in the short-term, and some life return to 10-Year yields. Infrastructure spending should find bi-partisan support in the current environment, yet the Fed remains THE big player, and any rise in yields is likely to be capped by Fed policy (our next technical target for the US 10-year Treasury yield is at around 1%). Tactically however, this could still be enough to breathe some more life into the cyclical trades or even encourage a short-term rebound in the US dollar;

A conclusive election result should also bring more visibility (the clear short-term risk being that the outcome is contested). But the health situation continues to be opaque and weigh heavy on sentiment: with Covid-19 on the rise again; any sustainable rotation into value requires better visibility on the pandemic - hopes pinned on a vaccine, treatments, and better testing.



"What lies within?"

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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 'very bearish' over the past month (now -26% from -17%), the trend score reflecting the latest market retracement (at -46% from 2% last month). The pandemic outlook has continued to deteriorate with major Eurozone economies now returning to partial lockdown, and given the negative news flow, it comes as little surprise that the Euro Stoxx 50 failed to break above its 200-DMA (and is now heading for a support zone in the 2950 region). We continue to favour our "core conviction" strategy (that combines growth and low volatility) in the current market environment; fiscal initiatives combined with more policy stimulus from the ECB (now expected in December) should also continue to support infrastructure plays with the green theme, 5G, and digitalization supported by the policy environment; See figure 4 for the latest iteration of our core conviction selection.

The US' regional score is now in 'bullish' territory at 29% (albeit little changed from 31% last month) as the trend score continues to be solid (at 94%), and in spite of the very negative valuation score of -85%. With the US election a day away and the number of reported Covid-19 cases rising, short-term volatility has picked up and this has sent the S&P500 lower: 3,230 is the next technical support. We expect the election to bring a bit more visibility in the very short-term (albeit we do not expect a disputed election and associated major hurdles as we write).

As in Europe, in the US we continue to favour our core conviction strategy that favours growth and quality names, as strong balance sheets continue to remain key to weathering this environment.

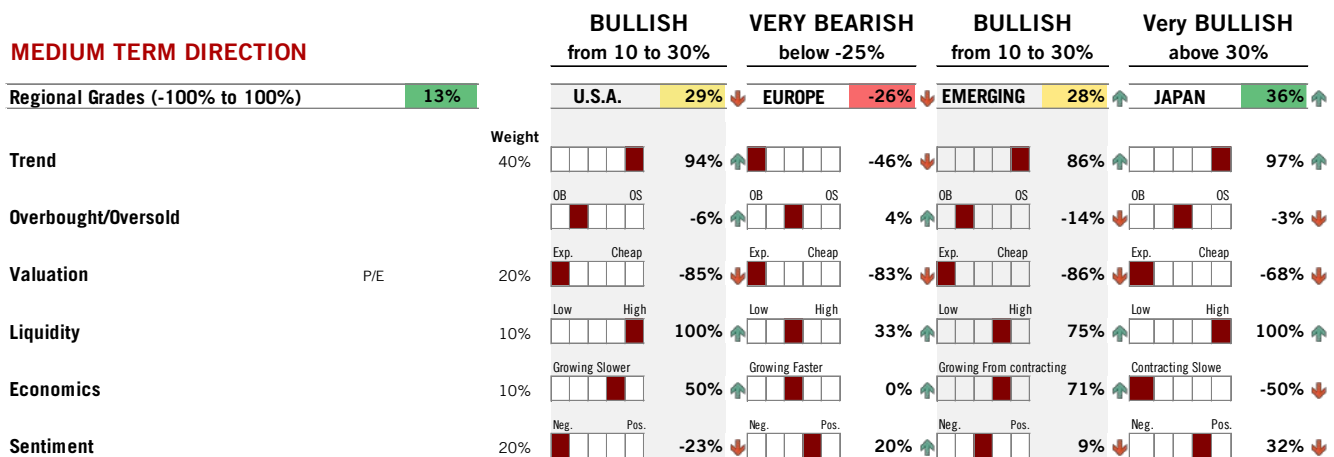
We also continue to like cyclical names with a strong growth profile and/or that are supported by fiscal stimulus themes such as infrastructure spending. See our [US election special presentation](#) here for our outlook and associated themes. See figure 5 for our latest US core convictions election, and figures 6, 7 and 8 for our 'Biden-themed' selection lists.

Japan's regional grade improved in October, sending it up into 'very bullish' territory with a regional score of 36% (from 28% last month), and putting it ahead of the rest. While it continues to lag on the soft data front, it could still benefit from its exposure to China, where the pandemic still appears contained and the macro recovery has been 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 are in 'bullish' territory with a regional score of 28% (from 31% last month). We remain positive on China and still think the country could continue to benefit from an early recovery as the pandemic seems to remain largely under control there. While a Biden presidency would not end the geopolitical friction between the two countries, it could help pare back some of the belligerent trade war rhetoric. We continue to watch those names 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 30.10.2020

On stimulus hopes the US 10Y yield has been showing signs of life recently, bouncing from its technical support at 0.5%. US yields have become correlated with pro-Biden/Democrat polling suggesting that a Biden win this week could sustain further rise; more so if we see a 'blue wave'. This would also likely trigger a rebound in the US dollar which is currently sitting in significant technical support zone (93 is a key long-term level – chart available on request). That said, and with no hawkish moves/rhetoric or rhetoric expected from the Fed (as more fiscal stimulus is also a synonym of massive fiscal deficit) any rise in rates is likely to be capped (our next technical target being at 1%).

By way of summary, see our Q4 core views table below at figure 3, after which you will find updated screenings of several of our preferred selection lists. [Click here for our latest market outlook presentation on the US election and our preferred themes in equity markets.](#)

Figure 2: The 10-Year US Treasury yield *



Source: FactSet - Pictet Trading Strategy – as of 26.10.20 *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
Equities	<p>*S&P500 next technical target at 3'580 and then 3'750. 3'230 a key support</p> <p>Drivers: "Fed put" / government support sentiment, political clarity in the US and recovery hopes, but headwinds as weak fundamentals and second wave</p>	<p>*Euro Stoxx50: 2950 as a support and next technical target on the 200 DMA</p> <p>Drivers: Dovish ECB and supportive government, but local lockdown and curfews does not help the slow macro recovery</p>	<p>*Nikkei Q3 range: 21,870 - 24,000</p> <p>Drivers: weak macro data and slow recovery but BoJ still accommodative</p>	<p>*HSCEI Q3 range 9,800 – 11,000</p> <p>Drivers for China: pandemic contained and economy restarting. But trade war come back could be a severe hurdle</p>
Equity themes	Growth themes remain valid (core conviction) but value tilt and cyclical growers to gain traction as visibility improves	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)
FX	Rebound under way. Yield pick up to enhance DXY tactically. Next technical level at around 96.5 (200 DMA)	*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)
FI	*Lower yields for longer: US 10-year yields likely to remain capped below 0.9% to 1.0%, with short-term pick as US political visibility improves	*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 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			
	<p>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</p>			

Source: FactSet; Pictet Trading Strategy; as of 29.10.2020. *The target price presented is upon chart analysis. This is not the product of any Pictet financial research unit.

Thematic review

Figure 4: PTS selection list: EU Core Conviction – 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
VOE AV	VOESTALPINE AG	Metals & Mining	71	92	41	69	46	42	43	90	69	64
DPW GY	DEUTSCHE POST AG-REG	Air Freight & Logistics	59	71	56	52	55	51	92	56	81	61
AD NA	KONINKLIJKE AHOLD DELHAIZE N	Food & Staples Retailing	63	64	64	67	58	53	19	66	67	58
CA FP	CARREFOUR SA	Food & Staples Retailing	57	58	36	76	48	43	76	64	44	58
HER IM	HERA SPA	Multi-Utilities	60	50	65	60	43	45	91	40	28	57
ILD FP	ILIAD SA	Diversified Telecommunication	65	57	70	59	54	33	44	58	95	57
A2A IM	A2A SPA	Multi-Utilities	59	50	62	72	41	39	29	76	20	55
QIA GY	QIAGEN N.V.	Life Sciences Tools & Services	62	76	69	26	34	49	80	44	95	55
SU FP	SCHNEIDER ELECTRIC SE	Electrical Equipment	57	56	46	33	50	66	67	66	83	54
KESKOB FH	KESKO OYJ-B SHS	Food & Staples Retailing	69	68	36	45	66	38	41	38	90	53
IG IM	ITALGAS SPA	Gas Utilities	58	60	51	58	53	35	24	70	46	53
TEP FP	TELEPERFORMANCE	Professional Services	64	55	78	24	51	38	48	52	83	52
SOF BB	SOFINA	Diversified Financial Services	58	46	52	46	41	52	44	68	75	52
AKZA NA	AKZO NOBEL N.V.	Chemicals	60	72	40	33	52	59	12	78	64	51
G24 GY	SCOUT24 AG	Interactive Media & Services	62	57	43	24	56	71	36	50	85	50
CPR IM	DAVIDE CAMPARI-MILANO NV	Beverages	60	57	61	19	48	53	18	86	74	50
REC IM	RECORDATI INDUSTRIA CHIMICA	Pharmaceuticals	58	48	54	29	45	47	74	36	84	49
CRBN NA	CORBION NV	Chemicals	56	77	43	28	52	51	46	16	91	47
WKL NA	WOLTERS KLUWER	Professional Services	55	52	44	27	57	50	29	40	72	45
TEG GY	TAG IMMOBILIEN AG	Real Estate Management & De	57	52	36	35	50	35	10	51	78	43

Source : FactSet, Markit, Copyright © 2020 S&P Global Market Intelligence - Pictet Trading Strategy – as of 02.11.20
*criteria explained in the endnotes

Figure 5: PTS selection list: US Core Conviction – 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
TMO UN	THERMO FISHER SCIENTIFIC INC	Life Sciences Tools & Services	81	84	78	20	58	57	88	42	94	64
HD UN	HOME DEPOT INC	Specialty Retail	67	64	72	35	72	70	76	44	78	62
PGR UN	PROGRESSIVE CORP	Insurance	72	72	78	51	55	62	37	38	86	60
ORLY UW	O'REILLY AUTOMOTIVE INC	Specialty Retail	75	75	79	28	63	36	45	48	64	58
COST UW	COSTCO WHOLESALE CORP	Food & Staples Retailing	65	62	70	29	57	73	69	38	82	58
AJG UN	ARTHUR J GALLAGHER & CO	Insurance	70	69	55	29	59	58	92	16	78	57
STE UN	STERIS PLC	Health Care Equipment & Supp	69	65	63	31	50	58	75	30	86	56
HSY UN	HERSHEY CO/THE	Food Products	61	61	51	35	63	52	78	45	60	56
DG UN	DOLLAR GENERAL CORP	Multiline Retail	73	72	76	28	64	45	31	27	85	54
ZTS UN	ZOETIS INC	Pharmaceuticals	66	59	67	15	58	43	85	40	84	54
AZO UN	AUTOZONE INC	Specialty Retail	69	66	71	41	67	53	4	43	61	54
MRK UN	MERCK & CO. INC.	Pharmaceuticals	64	69	58	45	57	66	35	24	55	54
PG UN	PROCTER & GAMBLE CO/THE	Household Products	61	69	53	30	67	69	53	26	76	53
CPRT UW	COPART INC	Commercial Services & Supplie	66	61	72	25	55	66	49	20	86	53
DHR UN	DANAHER CORP	Health Care Equipment & Supp	64	82	62	12	52	56	60	33	95	52
MCD UN	MCDONALD'S CORP	Hotels, Restaurants & Leisure	57	51	50	28	51	45	76	37	76	49
SHW UN	SHERWIN-WILLIAMS CO/THE	Chemicals	65	70	65	25	71	32	14	42	77	49
ABBV UN	ABBVIE INC	Biotechnology	59	53	71	58	52	33	14	36	70	49
RSG UN	REPUBLIC SERVICES INC	Commercial Services & Supplie	62	58	55	33	46	41	35	50	65	49
INFO UN	IHS MARKIT LTD	Professional Services	63	59	59	21	49	38	45	32	77	47

Source : FactSet, Markit, Copyright © 2020 S&P Global Market Intelligence - Pictet Trading Strategy – as of 02.11.20
*criteria explained in the endnotes

Figure 6: PTS Biden theme 'Clean Energy' – 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
FSLR US	FIRST SOLAR INC	Semiconductors & Semiconduc	69	80	52	25	53	69	99	50	92	61
PWR US	QUANTA SERVICES INC	Construction & Engineering	66	63	50	46	62	54	85	28	90	58
MTZ US	MASTEC INC	Construction & Engineering	65	52	54	55	62	40	27	87	26	57
HASI US	HANNON ARMSTRONG SUSTAINABLE	Mortgage Real Estate Investme	65	62	61	29	52	29	94	48	90	55
VSLR US	VIVINT SOLAR INC	Electrical Equipment	50	71	78	36	23	33	100	50	100	53
SEDG US	SOLAREEDGE TECHNOLOGIES INC	Semiconductors & Semiconduc	71	58	76	4	57	72	24	59	99	53
NRG US	NRG ENERGY INC	Electric Utilities	65	65	43	57	63	28	37	42	37	53
ENPH US	ENPHASE ENERGY INC	Semiconductors & Semiconduc	72	70	55	12	62	60	22	52	100	52
AEE UN	AMEREN CORPORATION	Multi-Utilities	53	54	32	32	40	38	92	74	72	51
EME US	EMCOR GROUP INC	Construction & Engineering	63	55	56	49	65	60	8	22	29	50
ES UN	EVERSOURCE ENERGY	Electric Utilities	47	56	50	31	37	42	96	38	70	48
DUK US	DUKE ENERGY CORP	Electric Utilities	48	46	35	44	30	40	70	61	58	47
NEE US	NEXTERA ENERGY INC	Electric Utilities	54	61	35	20	44	43	79	36	83	46
SO US	SOUTHERN CO/THE	Electric Utilities	53	56	32	42	37	36	64	34	59	45
BEP US	BROOKFIELD RENEWABLE PARTNER	Independent Power and Renewa	36	47	52	36	42	36	66	50	93	44
CWEN US	CLEARWAY ENERGY INC-C	Independent Power and Renewa	46	54	53	27	43	18	84	26	90	43
EIX US	EDISON INTERNATIONAL	Electric Utilities	35	42	42	51	26	29	96	33	46	43
AES UN	AES CORP	Independent Power and Renewa	46	51	29	36	32	22	83	26	79	41
NOVA US	SUNNOVA ENERGY INTERNATIONAL	Independent Power and Renewa	50	71	59	19	14	28	0	74	99	40
ORA UN	ORMAT TECHNOLOGIES INC	Independent Power and Renewa	43	45	55	27	39	40	1	58	53	39
SPWR US	SUNPOWER CORP	Semiconductors & Semiconduc	29	44	20	29	38	36	8	57	99	32

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*criteria explained in the endnotes

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	80	79	84	44	58	67	94	30	84	68
MTH US	MERITAGE HOMES CORP	Household Durables	84	88	83	45	68	53	18	55	81	64
PHM US	PULTEGROUP INC	Household Durables	83	86	79	58	72	56	6	39	63	63
LEN US	LENNAR CORP-A	Household Durables	72	77	74	54	65	51	14	63	77	61
AOS US	SMITH (A.O.) CORP	Building Products	56	55	53	36	70	67	92	60	65	59
URI US	UNITED RENTALS INC	Trading Companies & Distribut	62	56	61	49	46	15	87	70	84	56
EMR US	EMERSON ELECTRIC CO	Electrical Equipment	50	52	35	43	59	63	88	41	55	53
J US	JACOBS ENGINEERING GROUP INC	Construction & Engineering	51	59	48	39	55	55	49	60	63	51
EXP US	EAGLE MATERIALS INC	Construction Materials	53	73	74	50	57	38	3	57	52	51
MLM UN	MARTIN MARIETTA MATERIALS	Construction Materials	57	53	58	35	52	49	17	80	56	50
SHW US	SHERWIN-WILLIAMS CO/THE	Chemicals	65	70	65	25	71	32	14	42	77	49
AWK US	AMERICAN WATER WORKS CO INC	Water Utilities	54	56	62	19	39	44	90	31	83	49
DY US	DYCOM INDUSTRIES INC	Construction & Engineering	48	65	54	43	61	38	13	65	87	48
CAT US	CATERPILLAR INC	Machinery	47	50	35	42	47	52	36	50	74	45
HON US	HONEYWELL INTERNATIONAL INC	Industrial Conglomerates	44	45	31	32	62	63	18	32	58	41
ACM US	AECOM	Construction & Engineering	38	35	31	37	53	40	16	18	72	34

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

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
TESLA US	TESLA INC	Automobiles	77	92	86	16	48	41	74	68	100	63
BWA US	BORGWARNER INC	Auto Components	63	61	64	56	42	52	77	58	55	60
CMI US	CUMMINS INC	Machinery	58	64	52	39	61	74	87	44	81	59
SUM US	SUMMIT MATERIALS INC -CL A	Construction Materials	58	61	57	52	49	41	89	36	38	56
TXN US	TEXAS INSTRUMENTS INC	Semiconductors & Semiconduc	69	70	56	22	71	71	30	47	80	55
ADI US	ANALOG DEVICES INC	Semiconductors & Semiconduc	53	47	52	27	59	51	89	72	74	54
GVA UN	GRANITE CONSTRUCTION INC	Construction & Engineering	38	50	54	57	51	53	65	87	25	54
VMC US	VULCAN MATERIALS CO	Construction Materials	60	52	68	39	52	52	60	46	57	54
JCI US	JOHNSON CONTROLS INTERNATION	Building Products	58	67	45	48	40	50	81	33	60	53
ENR US	ENERGIZER HOLDINGS INC	Household Products	30	42	65	62	52	18	92	51	53	49
UNP US	UNION PACIFIC CORP	Road & Rail	57	56	38	26	55	46	71	35	66	48
CSX US	CSX CORP	Road & Rail	60	57	34	27	52	46	65	37	70	48
GNTX US	GENTEX CORP	Auto Components	64	64	62	33	57	56	8	12	63	47
ALB US	ALBEMARLE CORP	Chemicals	44	44	38	44	38	40	60	68	91	46
APTIV US	APTIV PLC	Auto Components	46	53	43	30	37	49	65	55	69	46
KSU US	KANSAS CITY SOUTHERN	Road & Rail	59	66	39	23	54	45	11	52	80	45
WAB US	WABTEC CORP	Machinery	38	47	47	58	46	41	15	71	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

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.

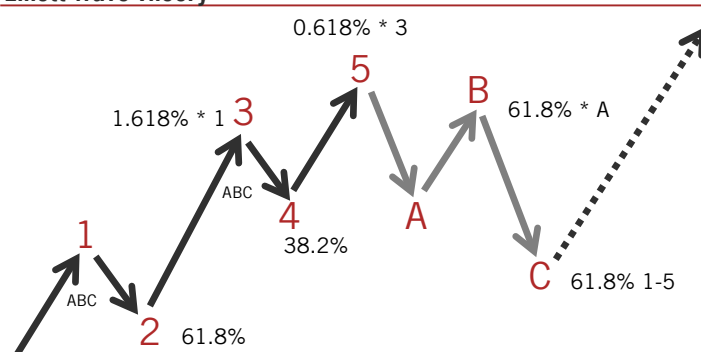
Sell/Short: Stock is expected to underperform the relevant market index over the next 3 to 6 months.

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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