



FISHER INVESTMENTS AUSTRALASIA®

COVID-19 RESEARCH CATEGORIES

GLOBAL EQUITY SCENARIOS

The swift equity market downturn has been large enough to be deemed a bear market. In our view, the downturn has some characteristics of a bear market (e.g. magnitude, likely recession) and some characteristics of a very large correction (e.g. speed and panic of the downturn). Recoveries from corrections and bear markets can behave very differently. Following bear markets, smaller, value-oriented, cyclical companies often lead early in the new bull. Size and style leadership changes following corrections are less consistent. Looking forward, we think there are three primary paths the market may take, which will dictate the proper portfolio positioning.

Scenario	Sector Views
Scenario 1 - If widespread shutdowns end relatively quickly: <ul style="list-style-type: none"> Activity resumes quickly Most or all negativity already reflected in prices Large but short-term economic contraction followed by a strong rebound Market acts like an outsized correction, major portfolio moves unlikely needed 	<ul style="list-style-type: none"> Current sector views and positioning remain relatively unchanged Growth oriented sectors and high quality categories regain leadership in the near term
Scenario 2 - If shutdowns and closures continue longer than expected: <ul style="list-style-type: none"> Longer recession likely, further volatility and possible downside in the short-term but priced in quickly Change portfolios to position for a traditional new bull market recovery 12 to 18 months in the future = prices higher 	<ul style="list-style-type: none"> Sector views may change in the months ahead as we get closer to the start of a new bull market cycle Possibly target exposure to smaller, value-oriented sectors, cyclicals and categories likely to bounce the most off the bottom
Scenario 3 - If shutdowns and closures continue indefinitely: <ul style="list-style-type: none"> A deep global recession Potentially take defensive action New bull market timing unknown 	<ul style="list-style-type: none"> Defensive sectors lead global markets longer than in the first two scenarios Possibly take defensive action including shifts to existing sector weights before repositioning for the start of a new bull market cycle

PRIMARY RESEARCH CATEGORIES

The environment resulting from COVID-19 is unprecedented in many ways. Not necessarily with the virus itself—unfortunately there are numerous examples of highly-contagious viruses exacting terrible human tolls. But the restrictions, swift economic impact, and speed of the market decline lack historical precedents. While historical analysis remains useful in this period, we have reorganised some of our research efforts into the categories below to assess development in this unique period.

Research Category		Key Data Examples
Virus Progression	Detailed analysis on COVID-19's progression worldwide in order to identify how global markets likely respond.	<ul style="list-style-type: none"> • New cases, active cases, % positive tests • Regional hospital capacity
Institutional Responses	Tracking governmental shutdowns and responses globally to help us better understand how markets will respond as economies start to reopen as well as scale the economic cost of these restrictions.	<ul style="list-style-type: none"> • Changes to virus containment policies • Fiscal and monetary policy measures
Equity Market Internals	The relative performance of different types of equities may provide signals about shifting investor sentiment.	<ul style="list-style-type: none"> • COVID-19 winners vs. losers • Bear market trough indicators
Non-Equity Capital Markets	Changes in these factors indicate not only if stress on the financial system is abating, but also the current risk level perceived by market participants.	<ul style="list-style-type: none"> • HY & IG spreads, commercial paper, LIBOR-OIS, CDs
Higher Frequency Economic Data	Daily available economic data can provide insight on how the economy is progressing towards "normalisation" and how COVID-19 concerns continue to weigh on the economy once restrictions are lifted.	<ul style="list-style-type: none"> • Traffic, consumer spending, restaurant reservations, hotel occupancy, air travel
Sentiment	Analyzing sentiment and changes in market expectations helps us evaluate how investors, consumers and corporations are pricing in news and developments related to COVID-19.	<ul style="list-style-type: none"> • Timing of corporate and economic forecasts • Consensus economic, EPS, market expectations

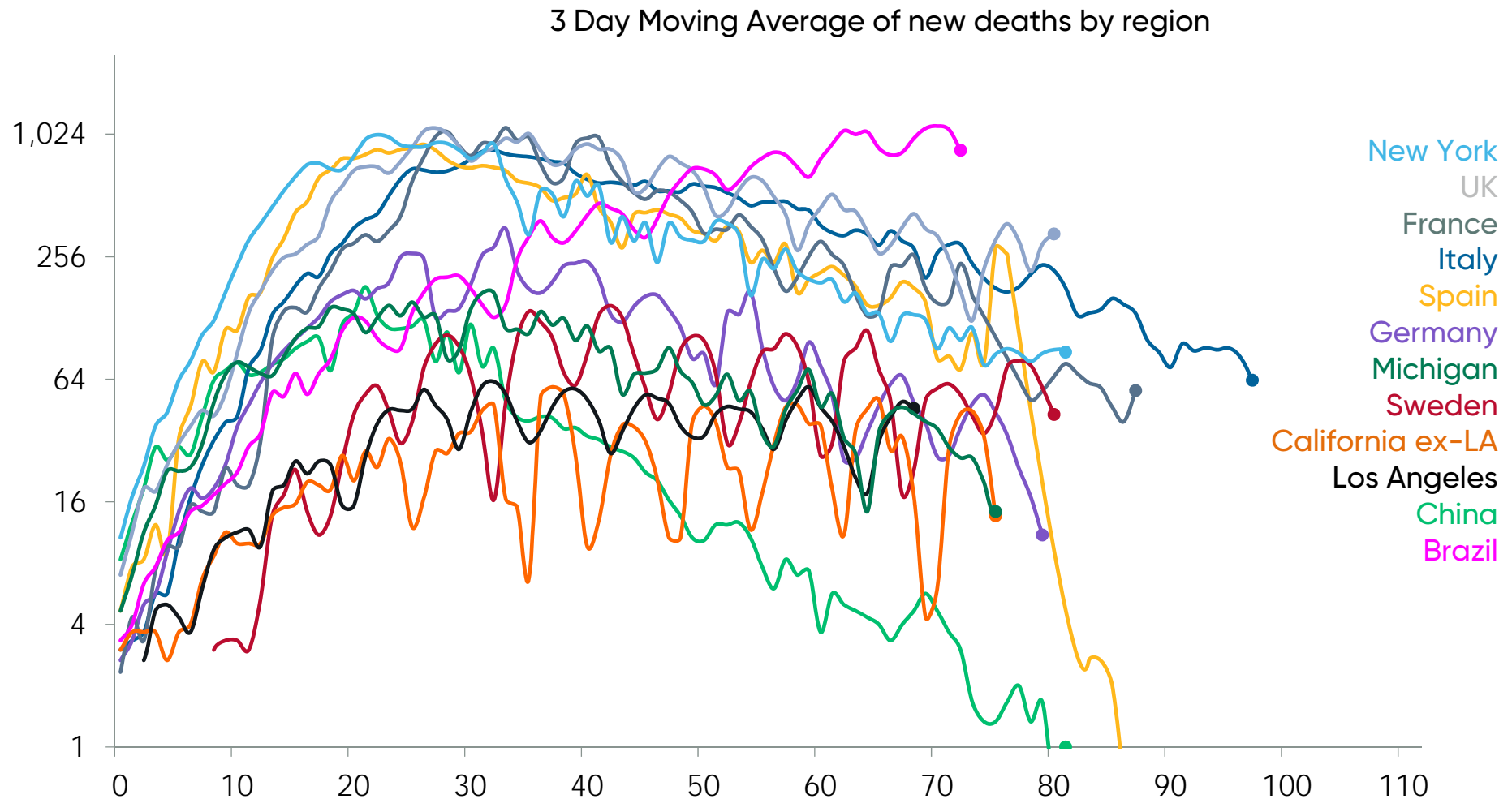
Source: Fisher Investments Research as of 31/05/2020.

VIRUS PROGRESSION INSIGHTS

- Developing a detailed analysis on COVID-19's progression worldwide in order to identify how global markets likely respond.
- Finding consistent trends in the shape of the new case curve matters.
- Hospital bed utilisation helps us understand the stress on health care industry.
- Comparing COVID-19 with the flu seasons pattern gives us insight on the trajectory of virus.
- Tracking the progress of drugs (vaccines, treatment and therapeutics) is also critical.

VIRUS PROGRESSION

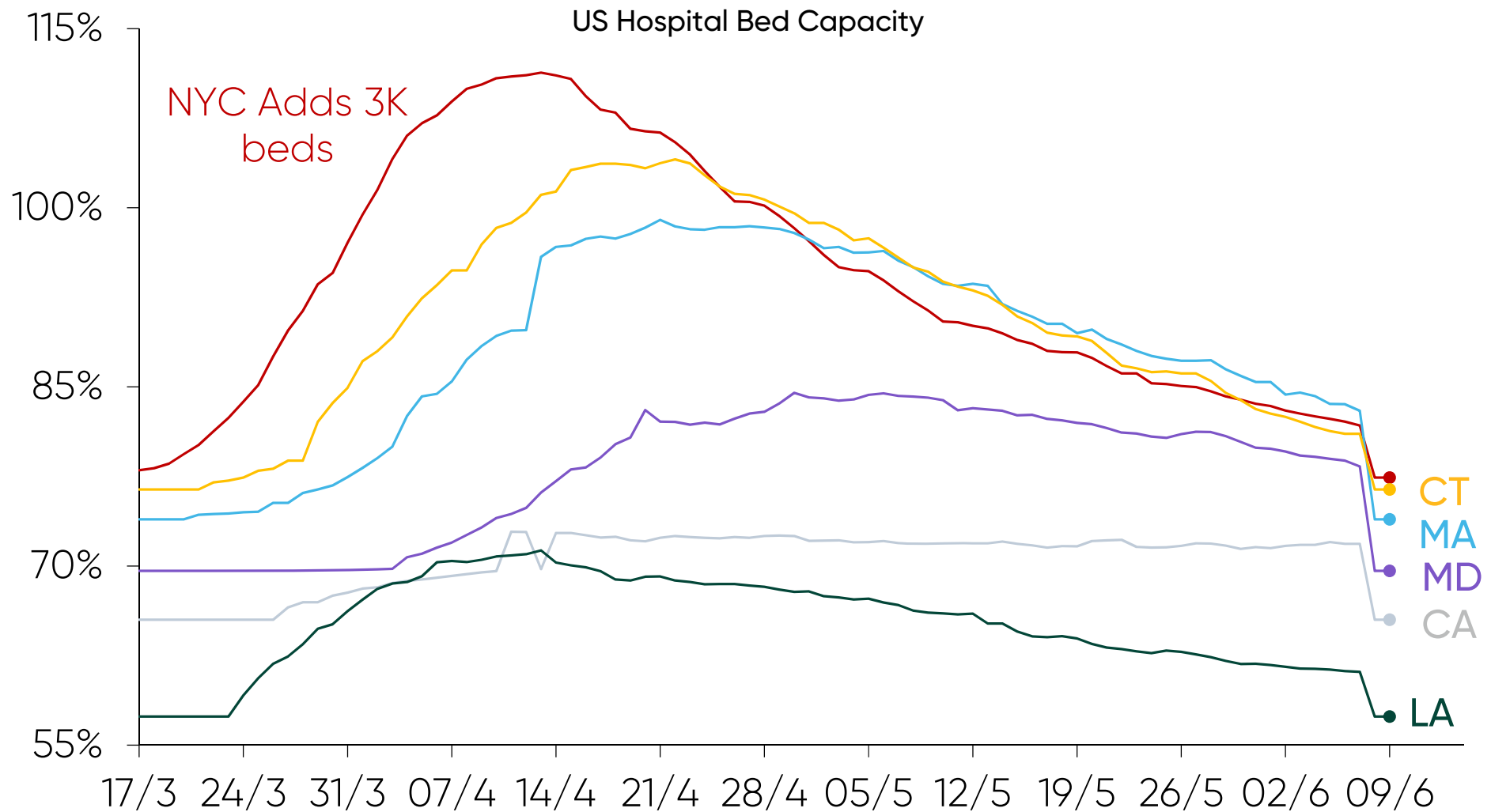
Most major regions of the Northern Hemisphere seem to have passed their peaks on new cases and deaths from COVID-19. This includes prior hot spots such as Wuhan, Italy, and New York.



Source: CDC, NCHS, & John Hopkins. Data as of 09/06/2020. Shows daily deaths due to COVID-19 per region, as a 3-day moving average from 29/02/2020 – 09/06/2020.

HOSPITALS STRAINED IN HOT SPOTS, LESS SO ELSEWHERE

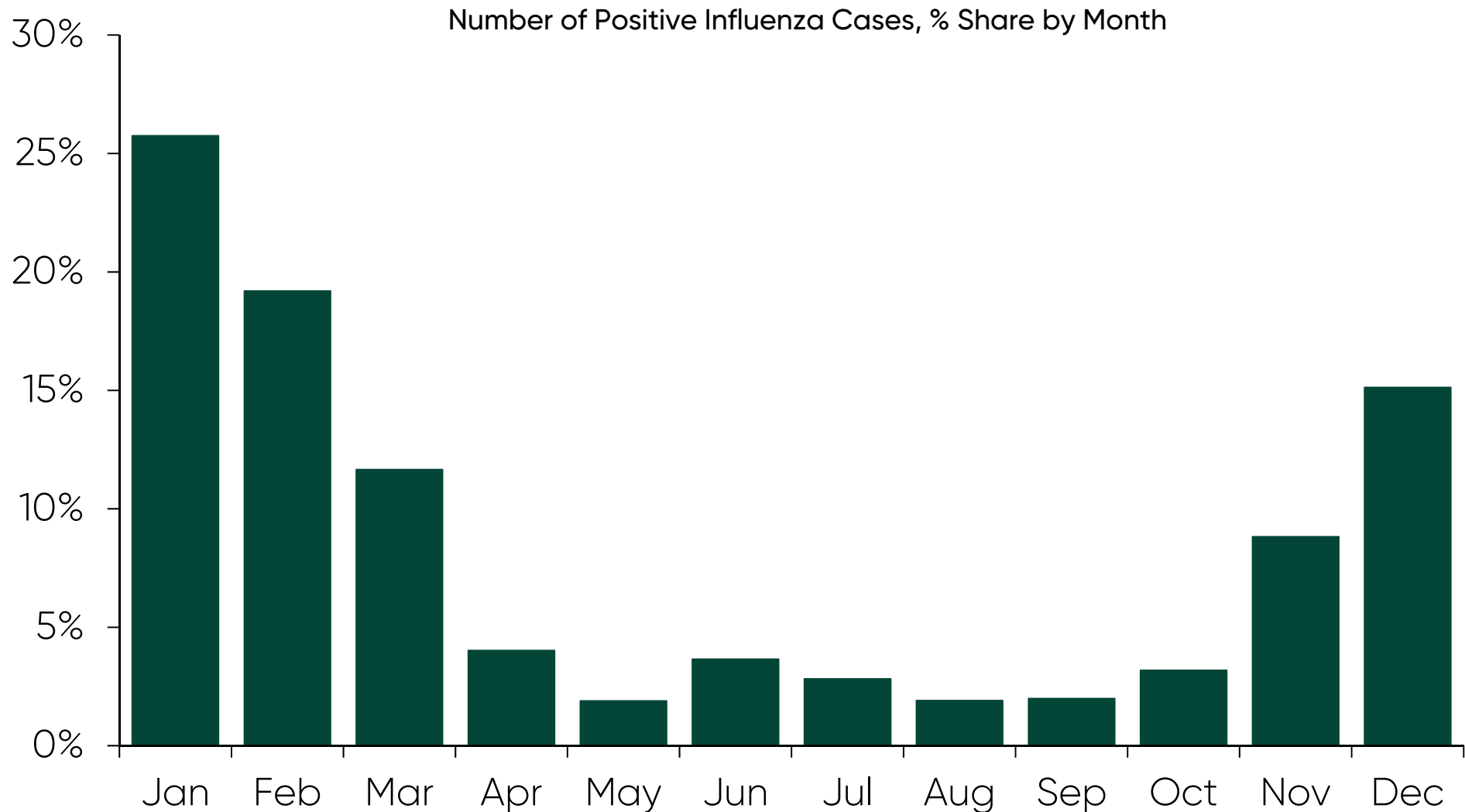
The main goal of flattening the curve is to prevent overwhelming hospital systems. Hot spots like Italy and New York have seen high hospitalisation levels. But the end of flu season, delayed non-essential procedures, and COVID-19 mitigation have left hospitals elsewhere with plenty of capacity.



Source: CDC, NCHS, & John Hopkins. Data as of 09/06/2020. Shown daily from 17/03/2020 to 09/06/2020.

THE END OF FLU SEASON IS APPROACHING

Flu season in the Northern Hemisphere most often peaks between December and February—decreasing as warmer weather approaches. Should COVID-19 follow a similar pattern, the higher temperatures could provide a dampening effect on the spread or at least free up hospital capacity.

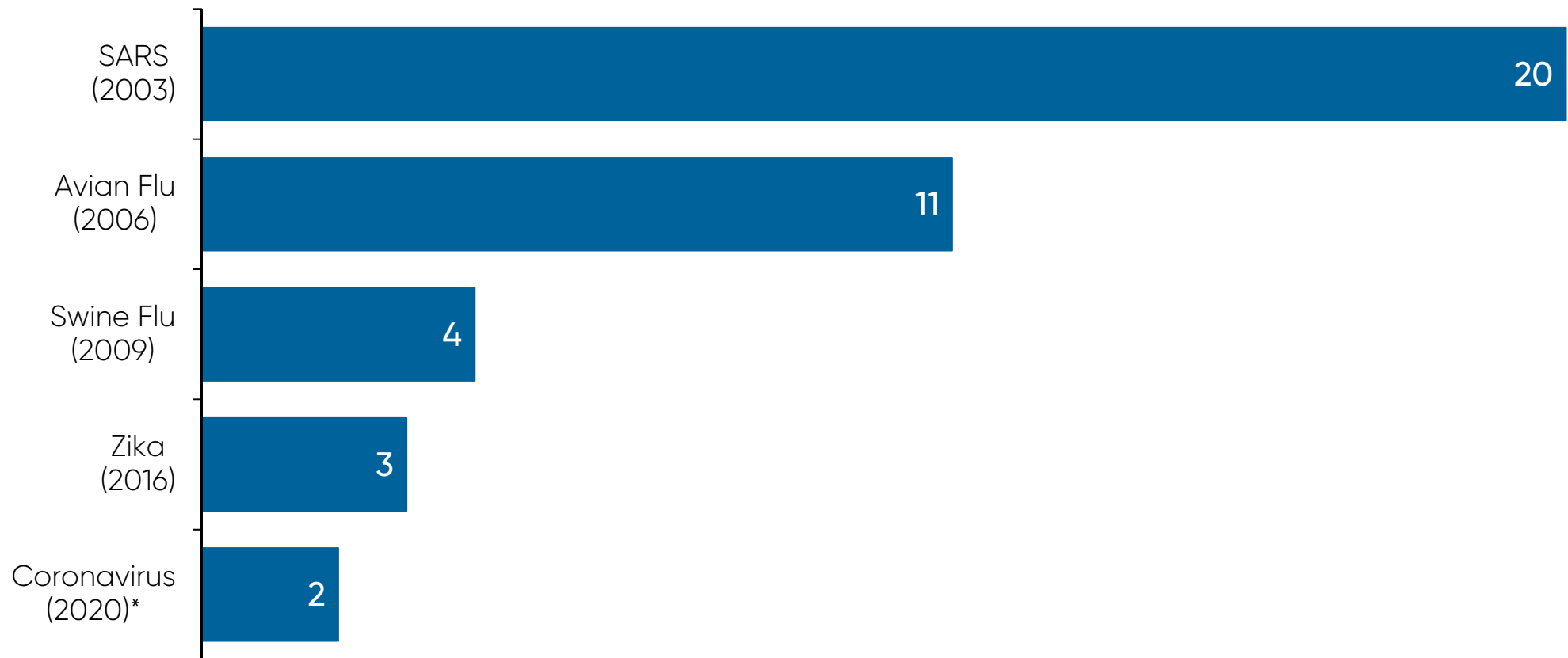


Source: Center for Disease Control, as of 29/04/2020. Total number of influenza positive specimens reported in the US, weekly, 01/10/1997 – 15/04/2020. Shows % of positive specimens reported per month.

MEDICAL TECHNOLOGY ADVANCING RAPIDLY

While COVID-19 vaccines are unlikely to be available in the very near term, gene sequencing and other medical advancements have cut development time massively.

Months from virus genetic sequence selection to first human study



Source: Wall Street Journal, The Journal of the American Medical Association (JAMA) and National Institute of Allergy and Infectious Diseases as of 25/02/2020
Development timeliness for first four DNA plasmid vaccines. *Timeline for coronavirus vaccine is projected.

COMPARISON OF THE RESPONSE TIMING AND VIRAL IMPACT

Throughout the COVID-19 outbreak, various governments have been criticised or praised for their containment response. The table below highlights three countries' responses:

- **Austria: A country that is being praised for their quick response.**
- **Italy: A country criticised for their late response.**
- **Sweden: A country that is being criticised for taking a limited response.**

While we are aware of the differences in demographics, strength of their hospital system, ability to work from home, etc. between these three countries, it still gives a measure on how to evaluate the results and provide a framework for how governments might response to future outbreaks or a resurgence.

Lockdown Example	Country	Date Hit 100 Cases	Lockdown Date	New Cases Peak	# of Days 100 Case to Lockdown	# of Days 100 Cases to Peak	COVID Cases per Million	COVID Deaths per Million
Early	Austria	9/3/2020	16/3/2020	26/3/2020	7	17	1,724	62.0
Late	Italy	23/2/2020	10/3/2020	23/3/2020	16	29	3,303	446.9
Limited Response	Sweden	6/3/2020		2/4/020	N/A	27	1,850	222.3

COMPARISON OF THE RESPONSE TIMING AND VIRAL IMPACT

Early Response (Austria): Austria reacted fairly quickly to the virus, implementing a stay at home order for the country a week after they hit their first 100 cases.

- Viral Impact: Austria experienced a lower reported rate of confirmed cases, fewer deaths per million, and reached the peak of new daily cases ahead of the global average (~25 days)

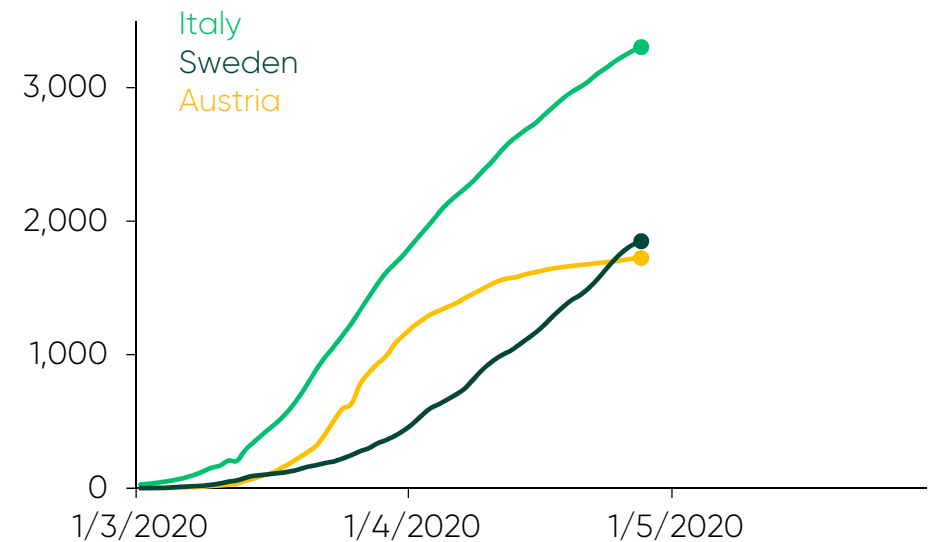
Late Response (Italy): Italy has been criticised for their slow reaction to the outbreak; as it took them over two weeks to announce a stay at home order after their first 100 cases.

- Viral Impact: The death rate, confirmed cases, and time to their new daily case peak were all above average versus global peers

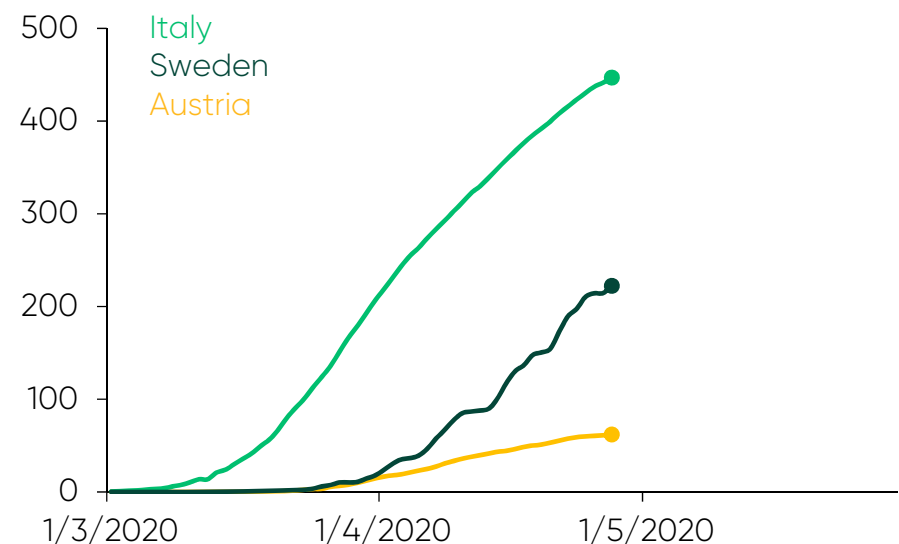
Limited Response (Sweden): Sweden never implemented a stay at home order (they indicated it was already too late) and only urged citizens to follow social distancing practices. They have indicated that they might reach herd immunity levels and have less of an impact if the virus resurges later this year.

- Viral Impact: The death rate is higher than Austria, but much lower than that of Italy. Confirmed cases are roughly in line with that of Austria, while the time to the peak of new daily cases is close to that of Italy.

COVID-19 Cases Per Million



COVID-19 Deaths Per Million



Source: John Hopkins; as of 28/4/2020.

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Source: Fisher Investments Research as of 31/05/2020.

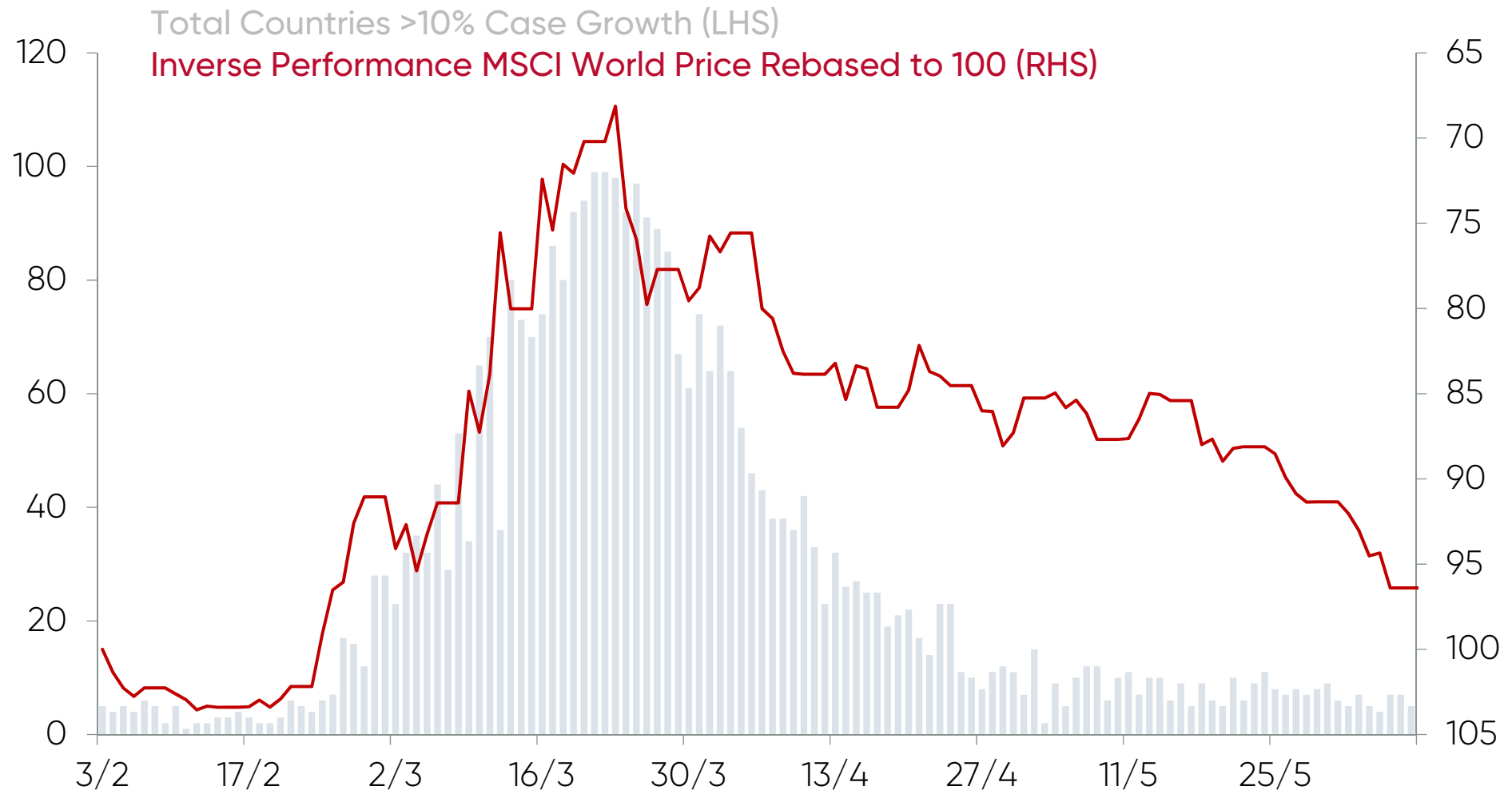
INSTITUTIONAL RESPONSE INSIGHTS

- We have been actively tracking governmental shutdowns and responses globally to help us better understand the economic costs of this shutdowns and their impact on equity markets, and how the process of reopening will progress.
- Monitoring if there are any developing patterns in institutional responses and what that could mean in regards to future outbreaks or a second wave of infection.
- Scaling the unprecedented fiscal and liquidity measures governments have taken to impact and limit the impact of COVID-19 on economies and capital markets.

EQUITIES TRACKING COVID-19

Global equities have tracked COVID-19, falling as intensity increased and rebounding as it decreased. More recently, the measures have diverged. Institutional restrictions followed the virus as it worsened but easing those restrictions has lagged improvement.

Country Case Growth Count vs. Equities

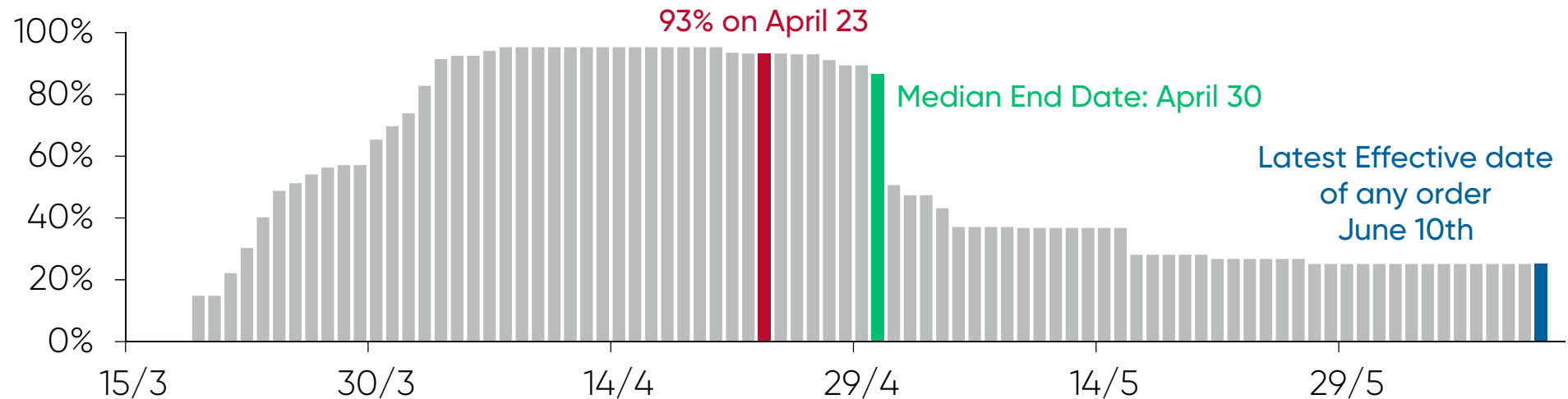


Source: FactSet, Johns Hopkins, Fisher Research as of 07/06/2020. Shows MSCI World returns from 03/02/2020 – 07/06/2020 against number of countries experiencing a growth of daily COVID-19 cases greater than 10%.

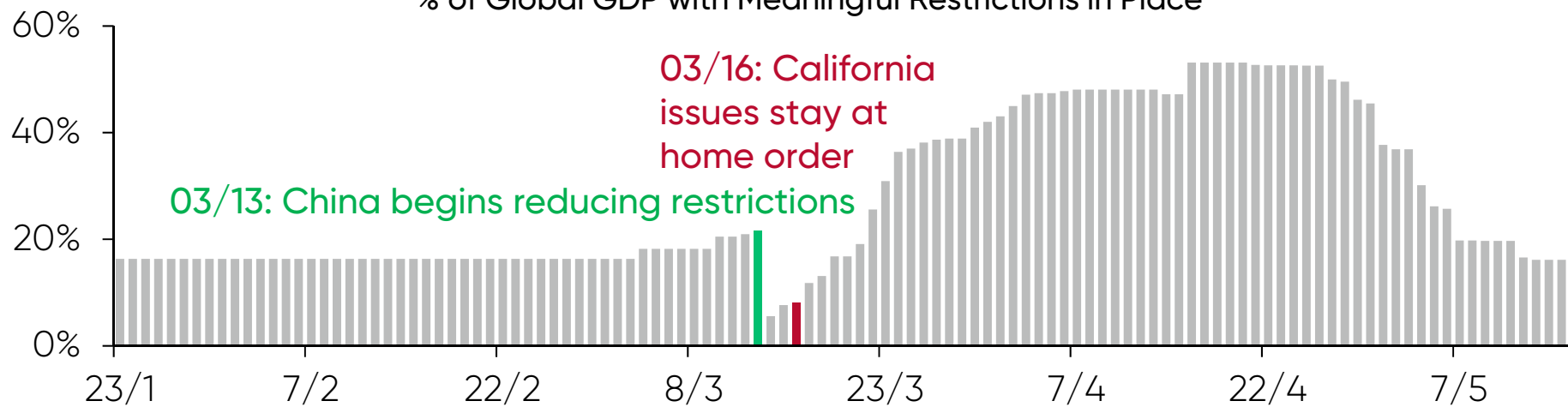
GLOBAL GDP LOCKDOWN

The speed by which restrictions are eased and economic activity resumes will likely be more important than the magnitude of the contraction.

% of US-GDP tied to States with "Stay at Home" Orders:



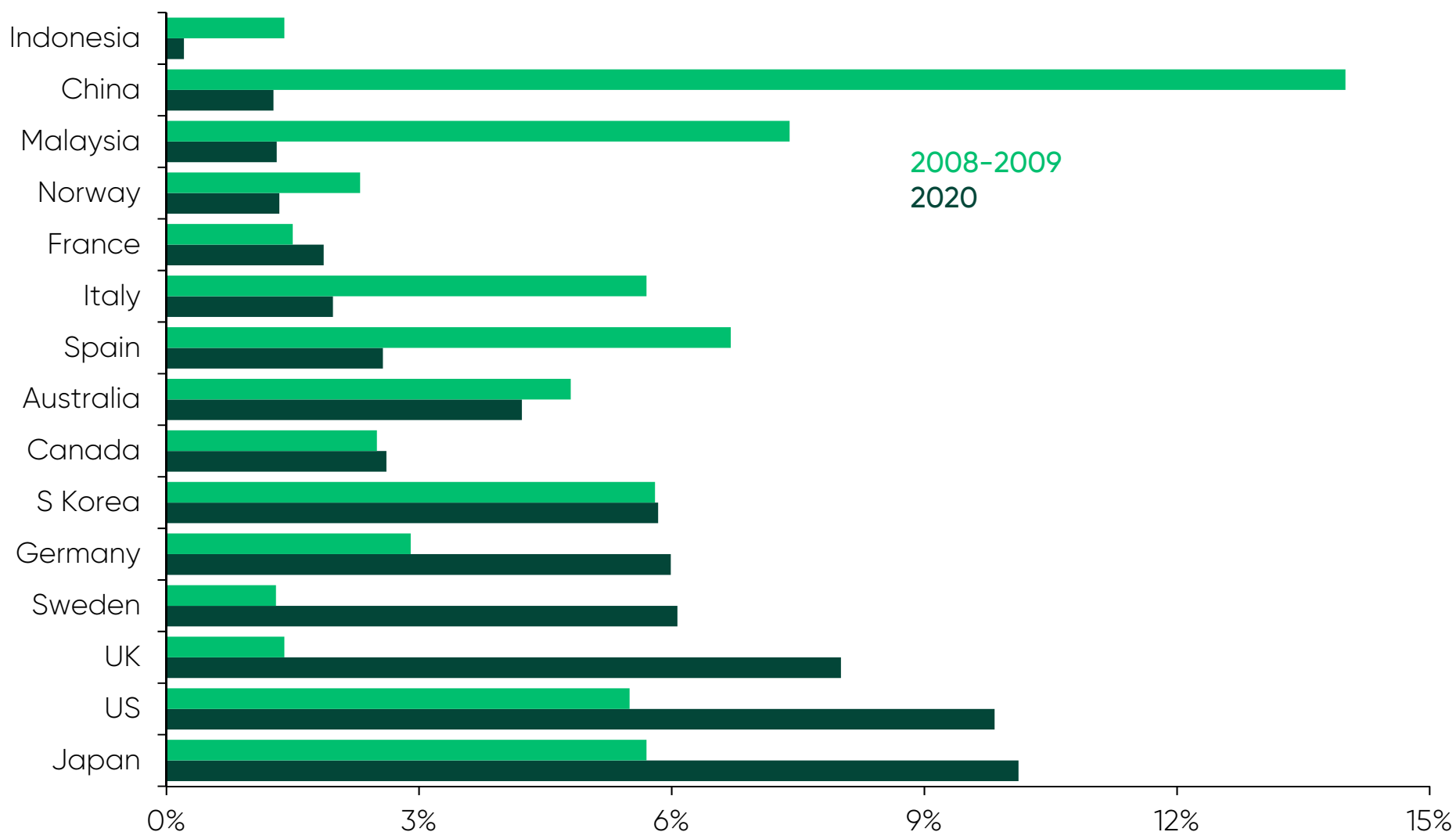
% of Global GDP with Meaningful Restrictions in Place



Source: IMF & John Hopkins as of 09/06/2020.

FISCAL STIMULUS IN PERSPECTIVE

Governments have taken significant efforts to cushion the economic impact of COVID-19. Comparing the total fiscal stimulus response from major economies against measures undertaken during the global financial crisis provides perspective.



Source: Fisher Investments Research, IMF & OECD, as of 27/04/2020.

GLOBAL FISCAL MONETARY & EMERGENCY LIQUIDITY MEASURES HAVE BEEN ROBUST

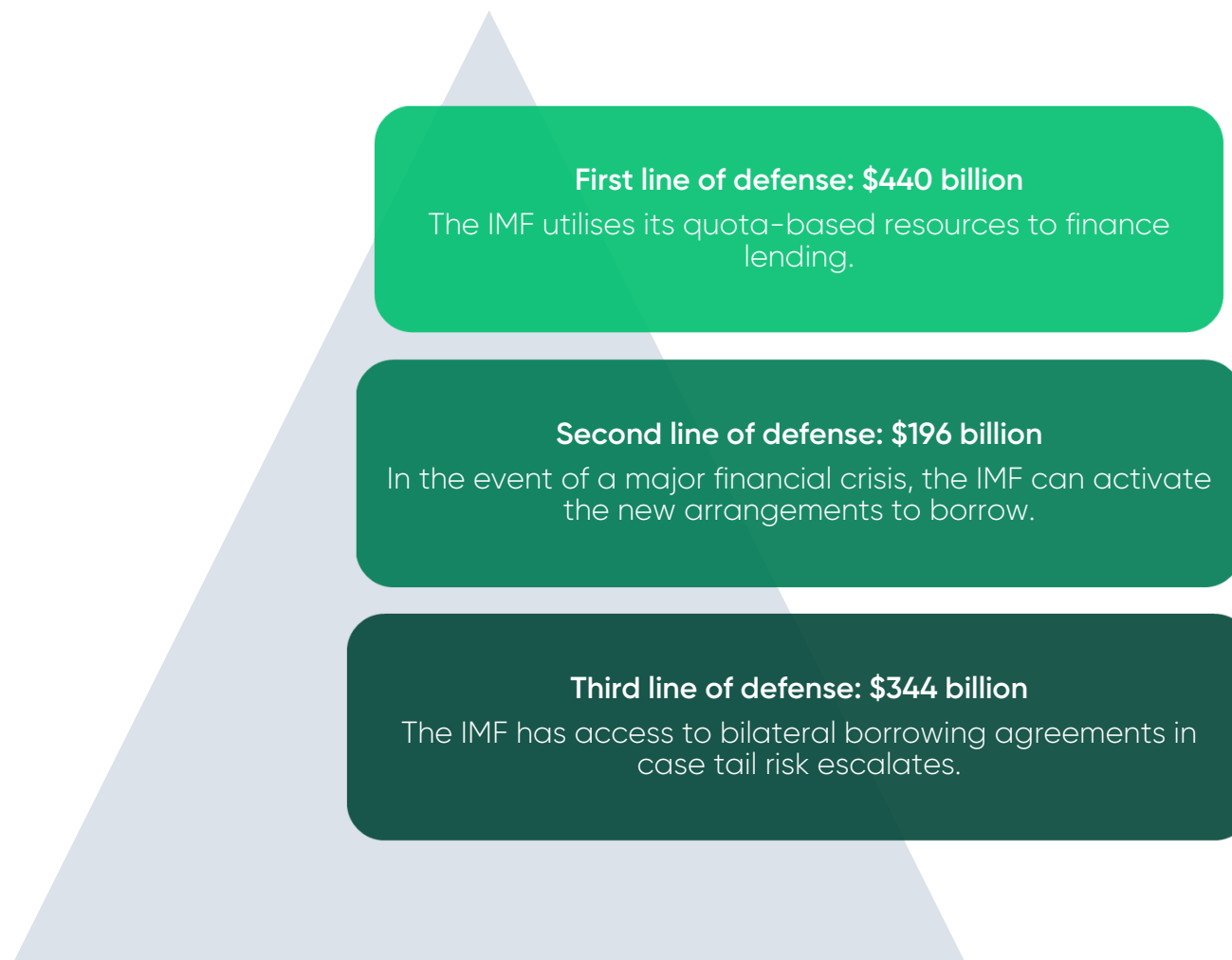
Monetary and fiscal measures implemented in response to the economic impacts of COVID-19 are not stimulus. They are mostly designed as a backstop to keep businesses and individuals afloat, and capital markets functioning until the global economy can normalize.

In Billions	Fiscal Stimulus			Monetary Policy						Emergency Liquidity Measures					Easing Standards	
Country	Local Cur Value Bil	US Dollar Value Bil	% Domestic GDP	Rates 2/3	Rates Now	RRR Cuts	QE \$ Increase	% Domestic GDP	% Central Bank Balance Sheet	Repo Avail	Repo Drawn	Direct CB Loans	USD Swaps	LTRO	Loan Guarantees	New Loan Capacity
US	\$2,600	\$2,600	12.1%	1.75	0.25	-10%	\$700	9%	42%	\$1,500	\$158	\$122	(\$446)	--	\$2,100	\$4,000
Canada	CAD 126	\$94	5.5%	1.75	0.25	--	CAD 50	12%	13%	--	CAD 209	CAD 10	\$0	--	--	--
Europe	€ 540	\$611	--	-0.50	-0.50	--	€ 1,470	15%	31%	--	--	--	\$143	€ 277	€ 1,140	€ 3,450
Germany	€ 336	\$380	9.8%												€ 400	--
France	€ 45	\$51	1.9%												€ 300	--
Italy	€ 90	\$102	5.1%												€ 340	--
Spain	€ 32	\$36	2.6%												€ 100	--
UK	£170	\$217	7.8%	0.75	0.10	--	£200	17%	28%	--	£107	£16	\$23	£28	£330	£1,500
Norway	49 kr	\$5	1.3%	1.50	0	--	--	0%	--	--	--	--	\$5	--	100 kr	--
Sweden	303 kr	\$33	6.1%	0.00	0.00	--	300 kr	6%	--	--	--	--	\$0	--	200 kr	--
Switzerland	CHF 20	\$21	2.8%	-0.75	-0.75	--	--	1%	--	--	--	--	\$10	--	CHF 20	--
Japan	¥59,121	\$539	10.6%	-0.10	-0.10	--	¥27,290	5%	4%	--	--	--	\$224	--	¥23,000	¥57,100
Australia	AUD 134	\$93	6.7%	0.75	0.25	--	AUD 15	6%	6%	--	AUD 9	AUD 90	\$1	--	AUD 40	--
S Korea	₩111,800	\$93	5.8%	1.25	0.5	--	KRW 3,000	2%	1%	KRW 7,000	--	--	\$19	₩24,100	₩15,900	--
Hong Kong	HK\$256	\$33	8.8%	2.75	0.55	50%	--	--	--	--	--	--	--	--	HK\$32	--
Singapore	SGD 73	\$52	14.6%	1.47	0.04	--	--	2%	--	--	--	--	\$10	--	SGD 20	--
China	CNY 4,500	\$635	4.7%	4.15	3.85	-1%	--	4%	1%	--	CNY 3,400	--	--	--	--	--
Brazil	R\$565	\$114	7.9%	4.50	3.00	-14%	--	1%	12%	BRL 50.0	--	--	\$0	--	R\$291	R\$650
India	₹ 2,844	\$38	1.4%	5.15	4.00	--	₹ 400	1%	1%	--	--	--	--	₹ 1,500	₹ 7,098	--
Mexico	--	--	--	7.25	5.50	--	--	--	--	--	--	--	--	--	--	--
Indonesia	Rp438,320	\$32	2.7%	5.00	4.50	2%	IDR 14,000	1%	10%	IDR 100,000	--	--	--	--	Rp150,000	--
Russia	2,320 P	\$34	2.1%	6.25	5.50	--	--	--	1%	--	--	--	--	--	880 P	--
S Africa	R300	\$18	5.9%	6.25	3.75	--	--	--	--	--	--	--	--	--	R200	--
Malaysia	RM200	\$47	13.1%	2.75	2.00	-1%	--	--	--	--	--	--	--	--	RM50	--
Thailand	฿1,517	\$48	9.0%	1.25	0.50	--	฿1,000	6%	1%	--	--	--	--	--	฿380	--
Philippines	₱595	\$12	3.2%	4.00	2.75	--	--	2%	--	PHP 300	--	--	--	--	--	--
Turkey	100 ₺	\$15	2.3%	11.25	8.25	--	--	--	--	--	--	--	--	--	500 ₺	--
Taiwan	NT\$1,050	\$35	5.8%	1.38	1.13	--	--	--	--	--	--	--	--	--	--	--

Source: Each central bank website, and central government most recent announcements and balance sheet value. GDP is in local currency and scaled vs 31/12/2019 via Factset. Updated on 4/6/2020.

INTERNATIONAL MONETARY FUND SUPPORT

The IMF has adequate capacity to assist vulnerable countries in response to COVID-19 with \$1 trillion dollars in financial capacity from three main sources. As of May 18th, \$21,629.59* million dollars has been committed. Among those that have received immediate debt service relief assistance are 25 countries that have been identified as the poorest and most vulnerable.



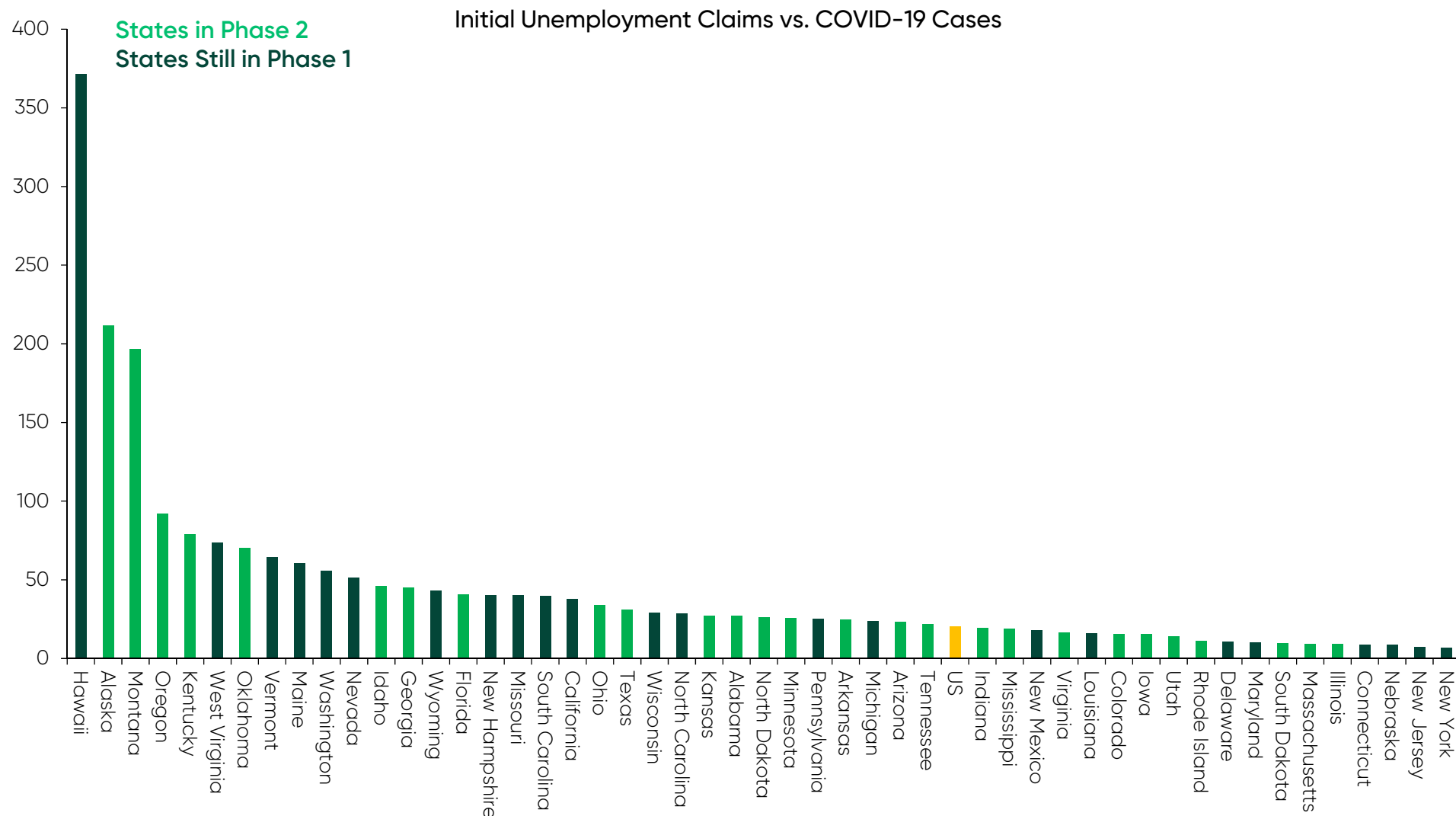
Source: International Monetary Fund, as of 18/5/2020. *Amounts calculated using the SDR/US\$ exchange rate of the day of approval.

US EASING RESTRICTION GUIDELINES

Phase	Individuals	Employers	Specific Types of Employers
Phase 1	<ul style="list-style-type: none"> All vulnerable individual continue to shelter in place Practice social distancing in public Avoid socializing in groups of 10 or more Minimize non-essential travel 	<ul style="list-style-type: none"> Encourage telework, whenever possible and feasible with business operations Return to work in Phases Close common areas where people are likely to interact and congregate Minimize non-essential travel Consider special accommodations for members of the vulnerable population 	<ul style="list-style-type: none"> Schools and organized youth activities should remain closed Visits to senior living facilities and hospitals should be prohibited Sit-down dining, theaters, sporting venues, places of worship can reopen under strict social distancing protocols Elective surgeries can resume on an outpatient basis Gyms can open with strict social distancing and sanitation protocols Bars should remain closed
Phase 2	<ul style="list-style-type: none"> All vulnerable individual continue to shelter in place Practice social distancing in public Avoid socializing in groups of 50 or more Non-essential travel can resume 	<ul style="list-style-type: none"> Encourage telework, whenever possible and feasible with business operations Close common areas where personnel are likely to interact and congregate Non-essential travel can resume Consider special accommodations for members of the vulnerable population 	<ul style="list-style-type: none"> Schools and organized youth activities can reopen Visits to senior living facilities and hospitals should be prohibited Sit-down dining, theaters, sporting venues, places of worship can reopen under moderate distancing protocols Elective surgeries can resume on an inpatient basis Gyms can open with strict social distancing and sanitation protocols Bars can operate at a diminished standing-room occupancy where appropriate
Phase 3	<ul style="list-style-type: none"> Vulnerable individuals continue resume public interactions Low-risk populations should minimize the time spent in crowded environments 	<ul style="list-style-type: none"> Resume unrestricted staffing of worksites 	<ul style="list-style-type: none"> Visits to senior living facilities and hospitals can resume Sit-down dining, theaters, sporting venues, places of worship can reopen under limited distancing protocols Gyms can operate under standard sanitation protocols Bars can operate with increased standing room

JOB LOSSES TRUMP THE VIRUS IN SOME STATES

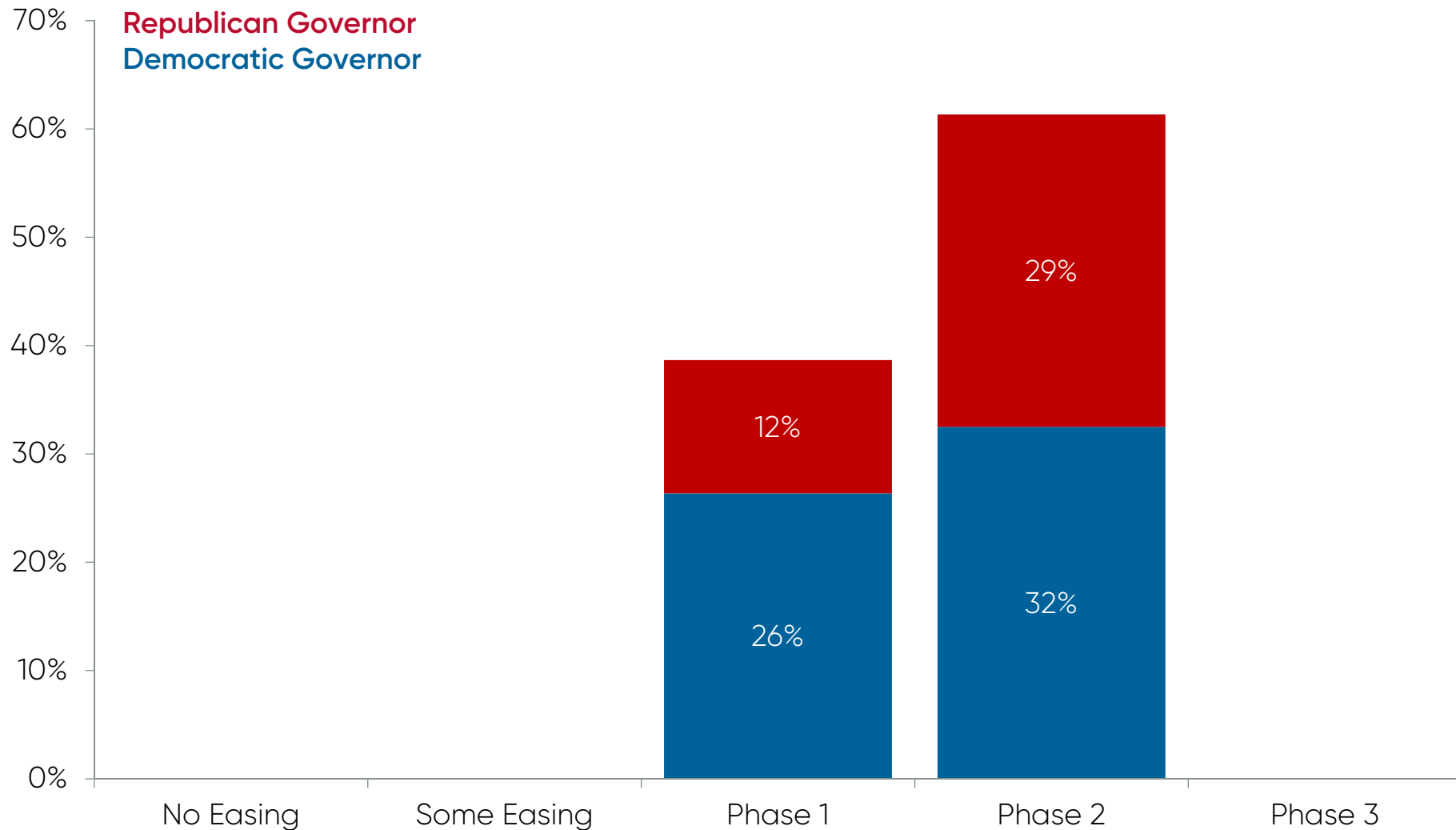
Looking at unemployment claims relative to COVID-19 reveals a large discrepancy among states. In many states, the economic impact seems far more severe than the virus, potentially increasing social pressure to re-open economies.



Source: John Hopkins, US Department of Labor, Fisher Investments Research as of 07/06/2020. New COVID-19 cases per state and stay-at-home orders per state as of 06/07/2020. Total unemployment claims from 03/14/2020 to 07/06/2020, shown against daily cases.

US EASING MEASURES

Most states have announced easing measures and only a dozen (most of which have Democratic governors) haven't eased enough to be quite at an equivalent to the White House's "Phase 1" guidelines. However, the majority of states that fall into the "some easing" category have announced various timelines or guidelines they need to meet to allow additional easing.

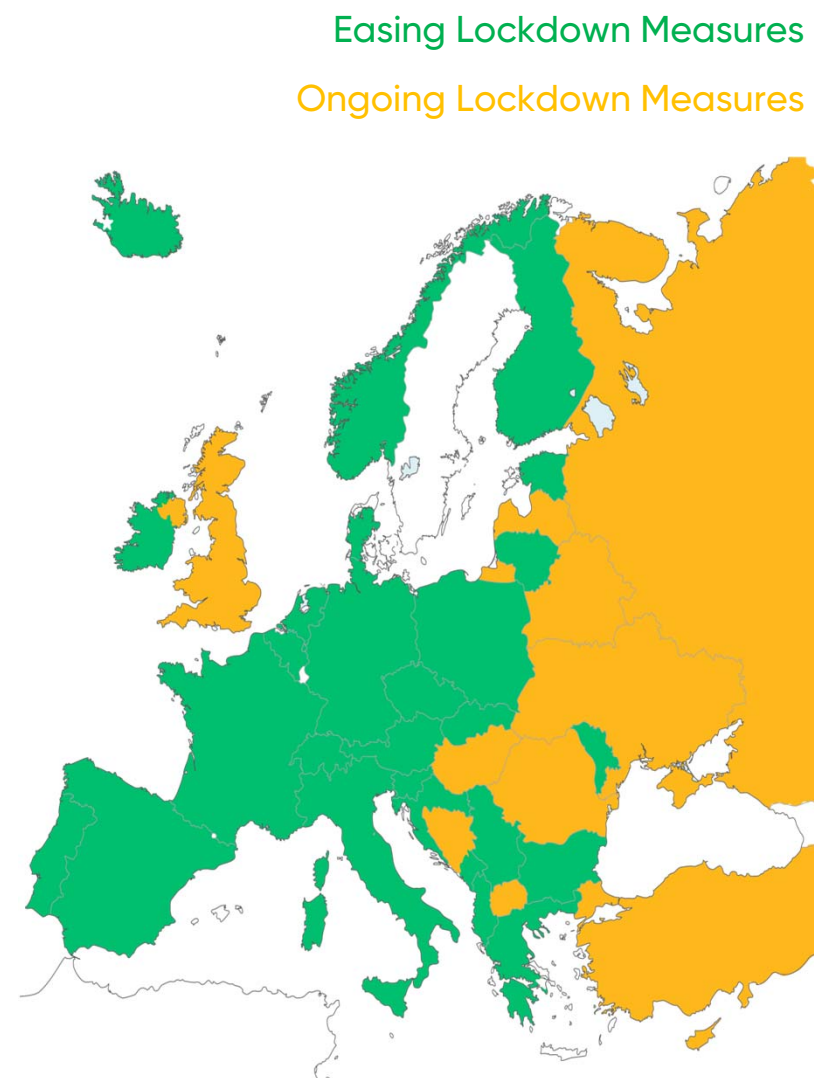


Source: National Governors Association, BEA & John Hopkins; as of 31/05/2020. Some easing are for states that has implemented easing measures that is neither Phase 1, 2 or 3 as per recommended by the White House.

EUROPE EASING MEASURES

Country	Date	Easing Measures
Austria	1/5/2020	Larger shops, shopping centers, and hairdressers are due to open
	15/5/2020	Restaurants and hotels set to reopen
Italy	14/4/2020	Book, stationary, and children clothing stores reopened but with strict limits on customer count and hygiene
	4/5/2020	Manufacturing industry will start reopening and physical activity can resume outside homes
	11/5/2020	Reopening of shops and public places
	1/9/2020	Schools will reopen
Spain	14/4/2020	Construction and manufacturing workers to return to work
	11/5/2020	Gatherings of up to 10 people will be allowed. Bars/Restaurants (low capacity), museums, gyms and hotels will be allowed to reopen.
Denmark	14/4/2020	Reopened schools for younger children
Germany	20/4/2020	Retailers >800 sq. meters will be allowed to up on 5/4, along with auto & bike dealers, hairdressers, and bookstores (social distancing required).
	4/5/2020	Schools will begin reopening on 5/4 prioritising final-year students. Playgrounds, museums and churches can reopen.
Norway	20/4/2020	Kindergartens are scheduled to reopen
Luxembourg	20/4/2020	Construction sites will resume activity, home improvement, garden centers, and recycling centers will reopen and residents will be obliged to wear masks and observe social distancing
	25/5/2020	Gradual reopening of primary schools and after-school clubs over 2 weeks.
France	11/5/2020	Lockdown extended to 5/11, but schools and shops will then begin to reopen. Restaurants will remain closed
United Kingdom	13/5/2020	Individuals that cannot work from home can go back to work (mfg. and construction), but work environments need to be up to gov't standards
	1/6/2020	Reopen shops and schools
	1/7/2020	Pubs, restaurants, beauty salons, theatres, and places of worship may reopen

Source: IMF & John Hopkins as of 31/05/2020.



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Source: Fisher investments research as of 31/05/2020.

EQUITY MARKET INTERNALS

- The COVID-19 basket dispersion tracks the spread between custom baskets of US stocks that benefitted or suffered the most from COVID-19 panic and social distancing.
- If the relative performance of those parts of the market that were impacted the most improves, or deteriorates, that may provide signals about shifting investor sentiment and could foreshadow a reversal or further downturn.
- **Winners** include food/staples, shipping, stay-at-home entertainment, firearms and Amazon.
- **Losers** include travel, restaurants, retail, autos and live entertainment.

COVID IMPACT LOSERS & WINNERS

The relative performance of different types of equities may provide signals about shifting investor sentiment. For example, comparing the performance of perceived COVID-19 "losers" to "winners" may signal shifts in investor confidence.

Russell 3000 COVID IMPACT – "Winners"				
	YTD	Since Last Trough	Basket count	Largest Stock in Basket
"Winners" Categories	9.8%	28.2%	142	--
Firearms	61.4%	59.8%	3	Sturm Ruger
Amazon	40.8%	36.7%	1	Amazon.com
Stay-Home Entertainment	26.0%	25.5%	10	Netflix
Shipping	-0.5%	30.3%	30	United Parcel Service
Food & Staples	-2.3%	24.5%	98	Walmart

Source: Fisher Investments Research, FactSet as of 09/06/2020. Shows performance of custom baskets of COVID impacted equities for the Russell 3000 index. Last trough refers to March 23rd 2020.

COVID IMPACT LOSERS & WINNERS

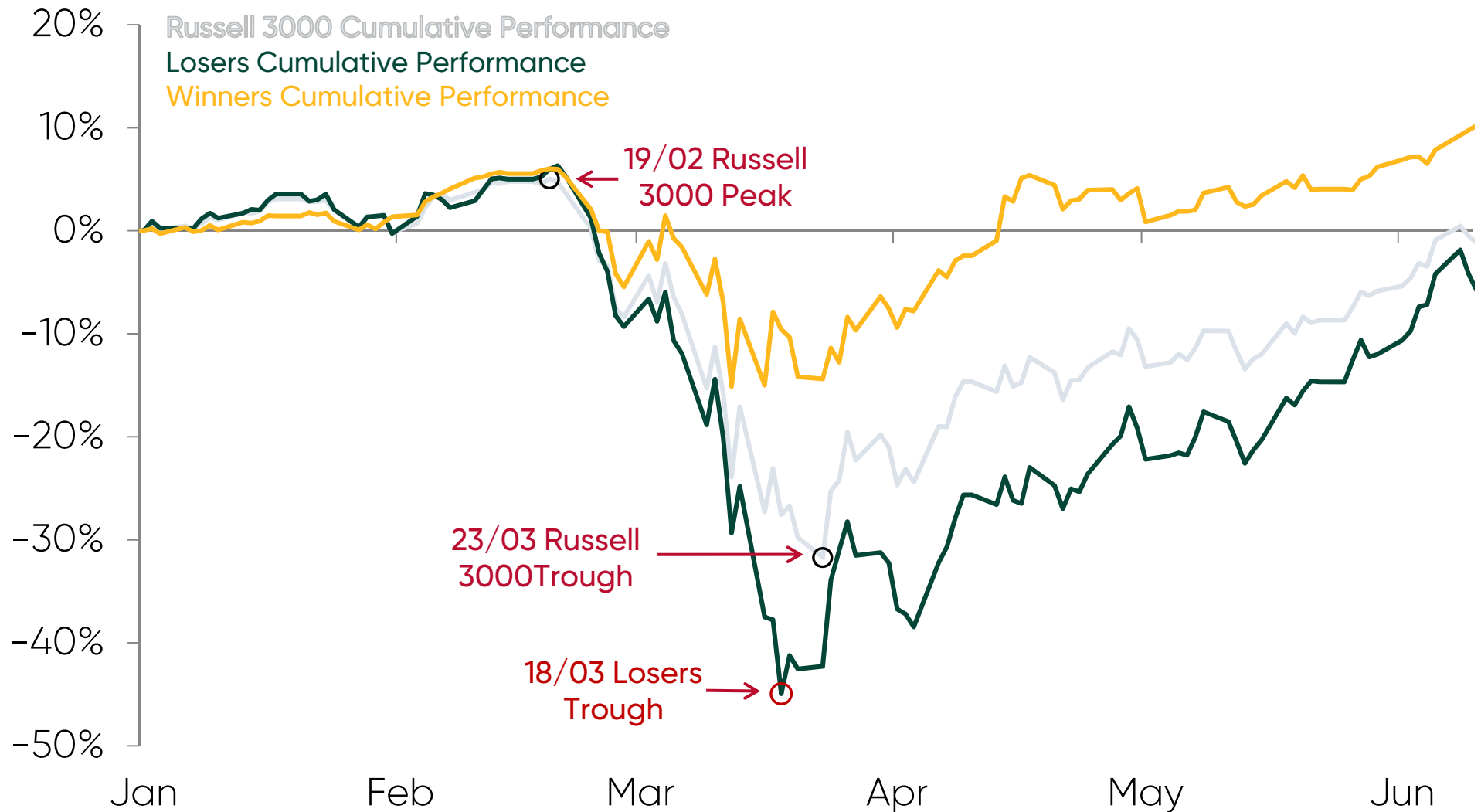
The relative performance of different types of equities may provide signals about shifting investor sentiment. For example, comparing the performance of perceived COVID-19 "losers" to "winners" may signal shifts in investor confidence.

Russell 3000 COVID IMPACT – "Losers"				
	YTD	Since Last Trough	Basket count	Largest Stock in Basket
"Losers" Categories	-4.2%	66.0%	237	--
Automobiles	14.2%	87.2%	42	Tesla
Retail	4.9%	67.0%	79	Home Depot
Restaurants	-4.9%	52.8%	42	McDonald's
Travel	-25.2%	62.9%	57	Booking Holdings
Live Entertainment	-25.7%	51.7%	17	Liberty Media

Source: Fisher Investments Research, FactSet as of 09/06/2020. Shows performance of custom baskets of COVID impacted equities for the Russell 3000 index. Last trough refers to March 23rd 2020.

COVID IMPACT BASKETS – YTD CUMULATIVE PERFORMANCE

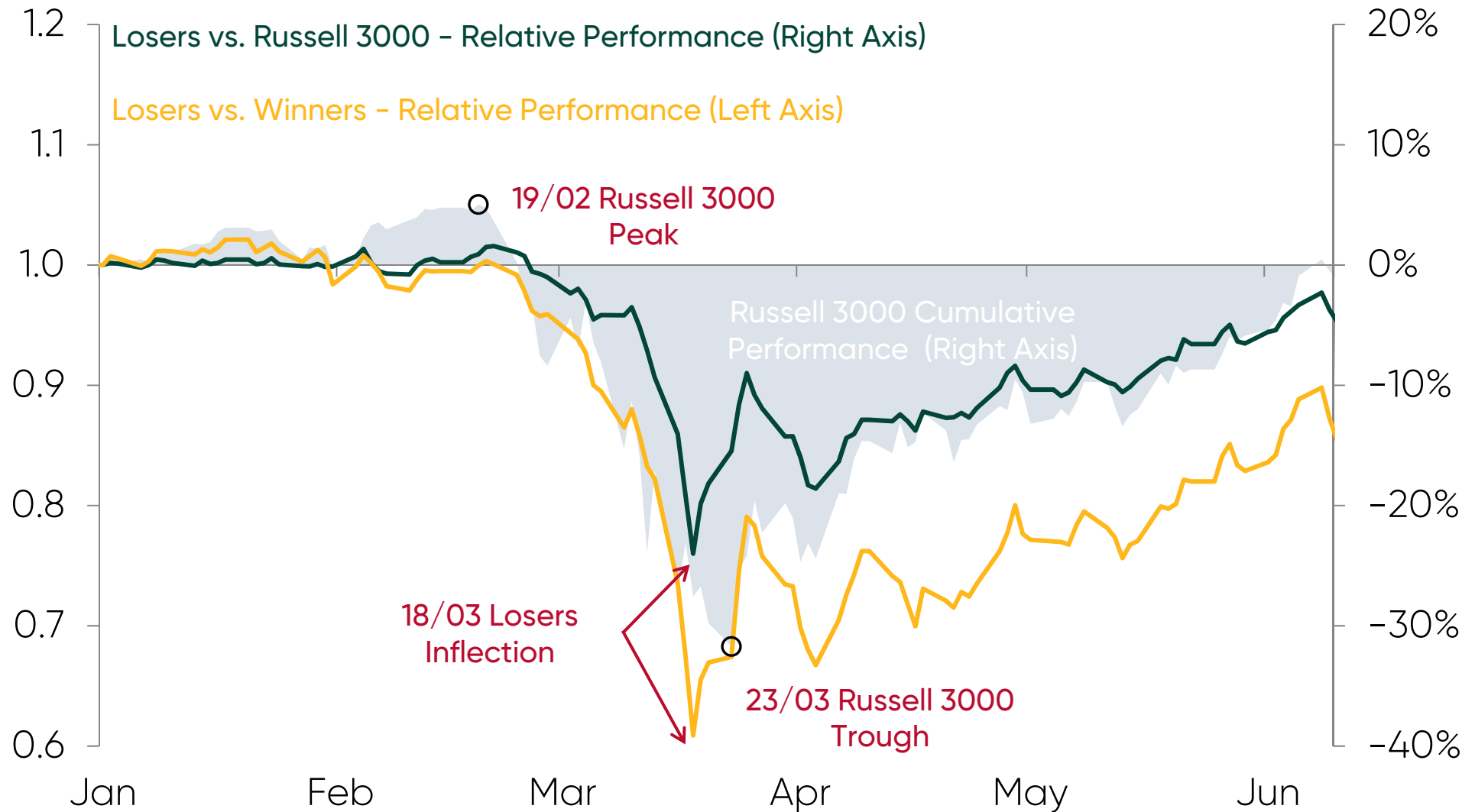
The “loser” basket bottomed on March 18th, three trading days before the broader market troughed on March 23rd. Since March 23rd, the “losers” have outperformed “winners” by +37.8%.



Source: Fisher Investments Research & FactSet as of 09/06/2020. Shows cumulative performance for the custom winners & losers baskets, as well as for the Russell 3000 index from 01/01/2020 to 09/06/2020.

COVID IMPACT BASKETS – YTD RELATIVE PERFORMANCE

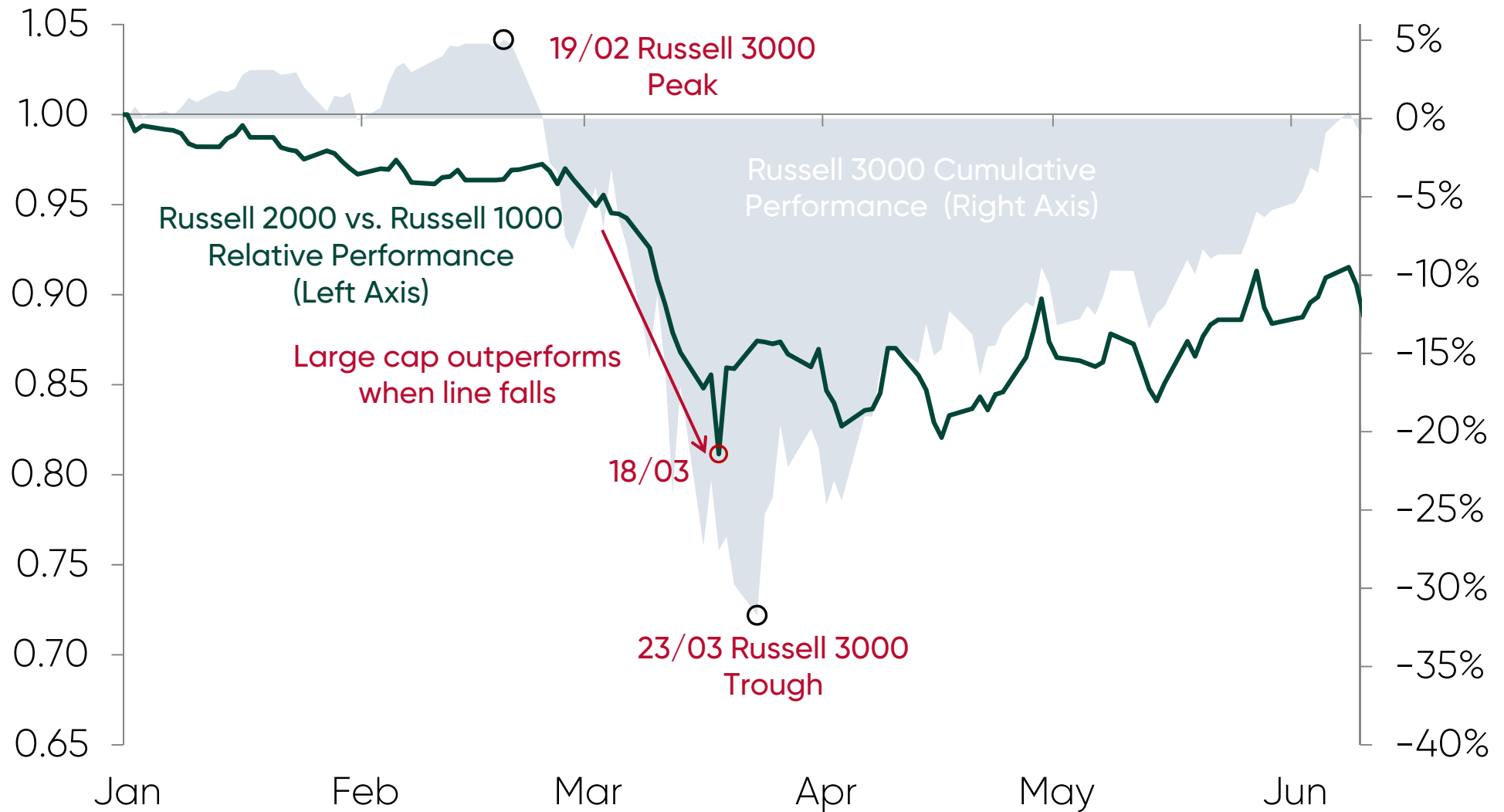
The COVID impact “losers” have outperformed “winners” by +52.6% (+74.0% vs +21.4%) since the “losers” trough on March 18th, though the bounce remains inconsistent.



Source: Fisher Investments Research & FactSet as of 09/06/2020. Shows cumulative performance for the custom winners & losers baskets, as well as for the Russell 3000 index from 01/01/2020 to 09/06/2020.

COVID IMPACT SIZE SPREADS

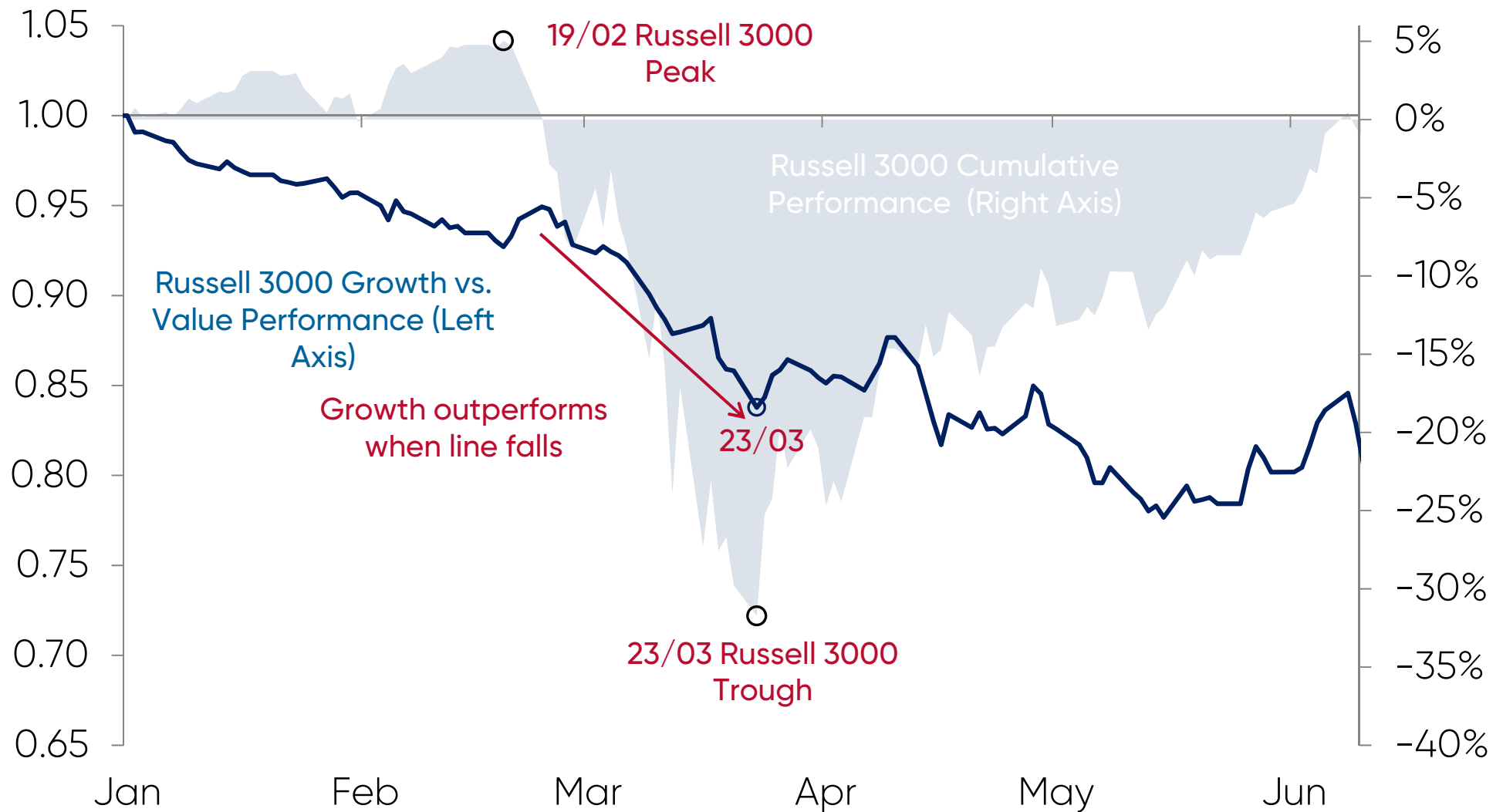
Large cap led the way through the downturn, but style leadership has remained inconsistent since. Since the March 23rd trough, the Russell 2000 has outperformed the Russell 1000 by 5.2%.



Source: Fisher Investments Research & FactSet as of 09/06/2020. Shows cumulative performance for the Russell 1000 vs. Russell 2000 index, and Russell 3000 index from 01/01/2020 to 09/06/2020.

COVID IMPACT STYLE SPREADS

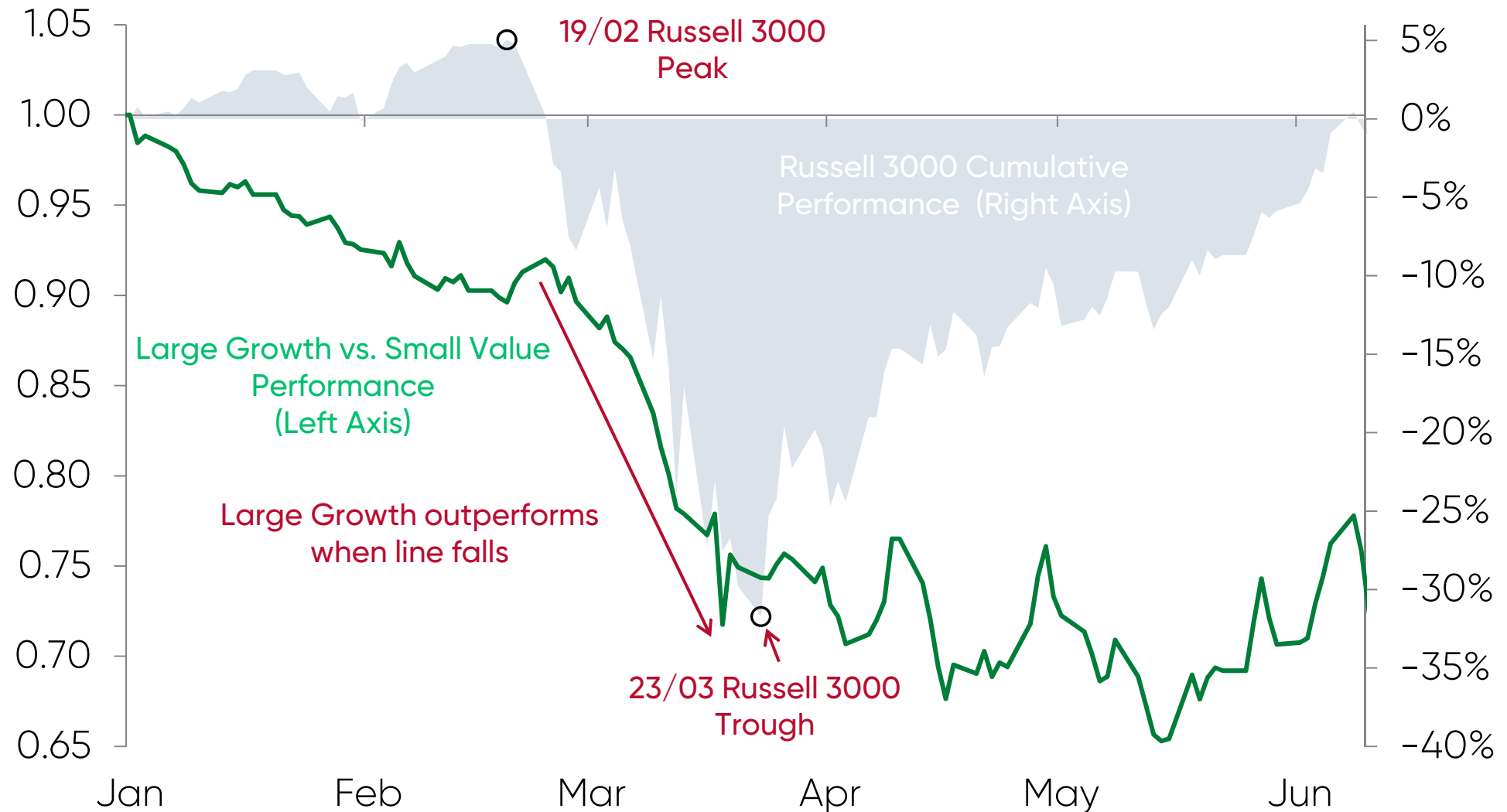
Growth leadership has been more prominent than size leadership. While there has been some counter trend rallies, growth has consistently led over this period through the downturn, as well as most of the recovery.



Source: Fisher Investments Research & FactSet as of 09/06/2020. Shows cumulative performance for the Russell 3000 Growth vs. Russell 3000 Value, and Russell 3000 index from 01/01/2020 to 09/06/2020.

COVID IMPACT SIZE & STYLE SPREADS

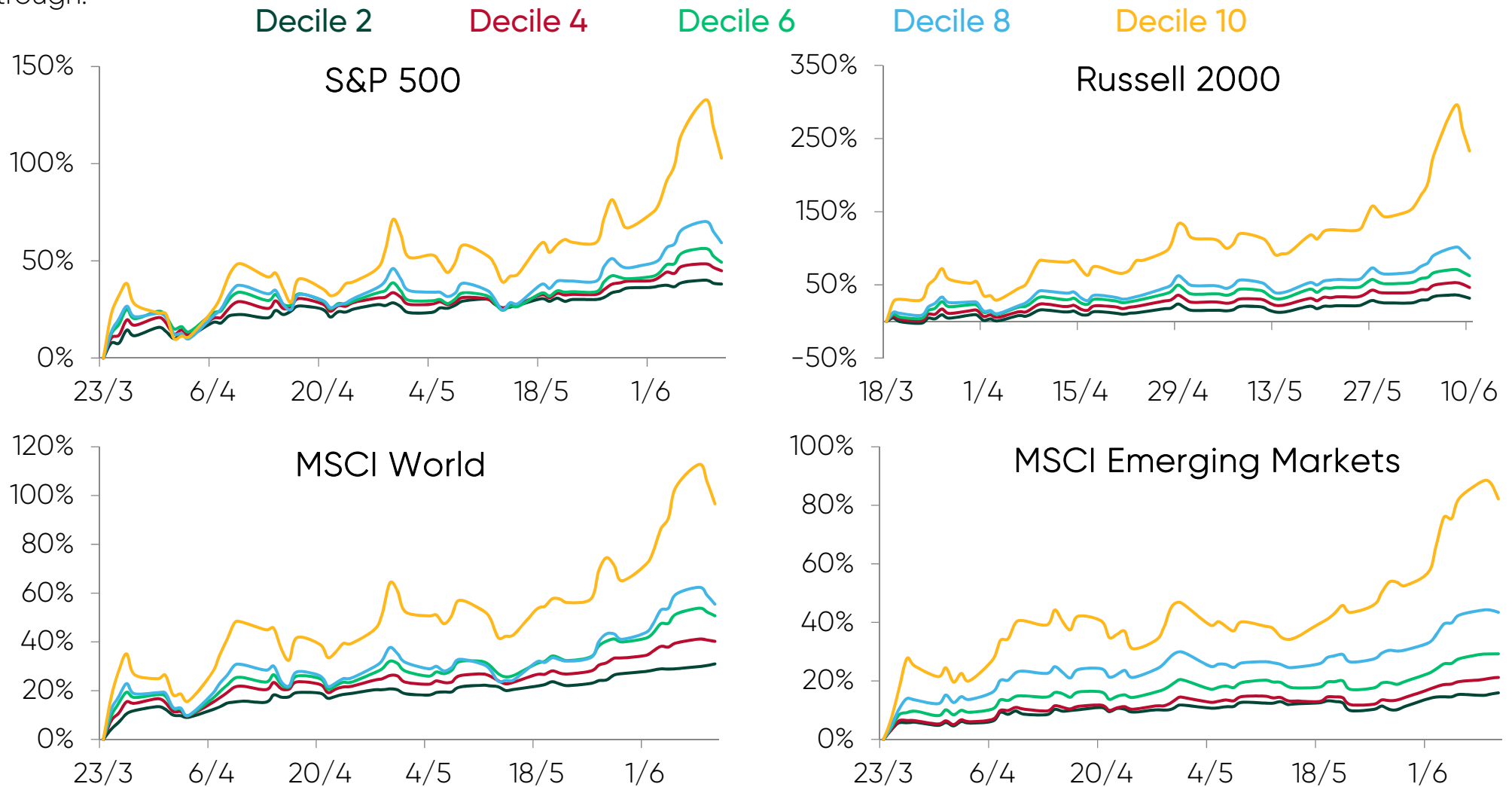
A closer look at a combination of size and style factors reveals the widest performance spread between the observed categories. While large growth has outperformed through the downturn and most of the recovery, this has remained inconsistent, with bouts of small cap value outperformance.



Source: Fisher Investments Research & FactSet as of 09/06/2020. Shows cumulative performance for the Russell 1000 Growth vs. Russell 2000 Value, and Russell 3000 index from 01/01/2020 to 09/06/2020.

BOUNCE EFFECT ALIVE & WELL

While outperformance across style & size spreads remains inconsistent, a broad bounce effect seeing the worst performers of the downturn outperform in the recovery is apparent. The charts below categorize equities in deciles relative to their performance from the last index high to peak, and plot their performance from the last market trough.



Source: Fisher Investments Research & FactSet as of 10/06/2020. Shows cumulative performance of equities for shown indices by decile, based on performance from relevant previous market high to trough, with charts showing cumulative performance for those deciles from the last index trough to 10/06/2020.

PRIMARY RESEARCH CATEGORIES

The environment resulting from COVID-19 is unprecedented in many ways. Not necessarily with the virus itself—unfortunately there are numerous examples of highly-contagious viruses exacting terrible human tolls. But the restrictions, swift economic impact, and speed of the market decline lack historical precedents. While historical analysis remains useful in this period, we have reorganized some of our research efforts into the categories below to assess development in this unique period.

Research Category		Key Data Examples
Virus Progression	Detailed analysis on COVID-19's progression worldwide in order to identify how global markets likely respond.	<ul style="list-style-type: none"> • New cases, active cases, % positive tests • Regional hospital capacity
Institutional Responses	Tracking governmental shutdowns and responses globally to help us better understand how markets will respond as economies start to reopen as well as scale the economic cost of these restrictions.	<ul style="list-style-type: none"> • Changes to virus containment policies • Fiscal and monetary policy measures
Equity Market Internals	The relative performance of different types of equities may provide signals about shifting investor sentiment.	<ul style="list-style-type: none"> • COVID-19 winners vs. losers • Bear market trough indicators
Non-Equity Capital Markets	Changes in these factors indicate not only if stress on the financial system is abating, but also the current risk level perceived by market participants.	<ul style="list-style-type: none"> • HY & IG spreads, commercial paper, LIBOR-OIS, CDS
Higher Frequency Economic Data	Daily available economic data can provide insight on how the economy is progressing towards "normalization" and how COVID-19 concerns continue to weigh on the economy once restrictions are lifted.	<ul style="list-style-type: none"> • Traffic, consumer spending, restaurant reservations, hotel occupancy, air travel
Sentiment	Analyzing sentiment and changes in market expectations helps us evaluate how investors, consumers and corporations are pricing in news and developments related to COVID-19.	<ul style="list-style-type: none"> • Timing of corporate and economic forecasts • Consensus economic, EPS, market expectations

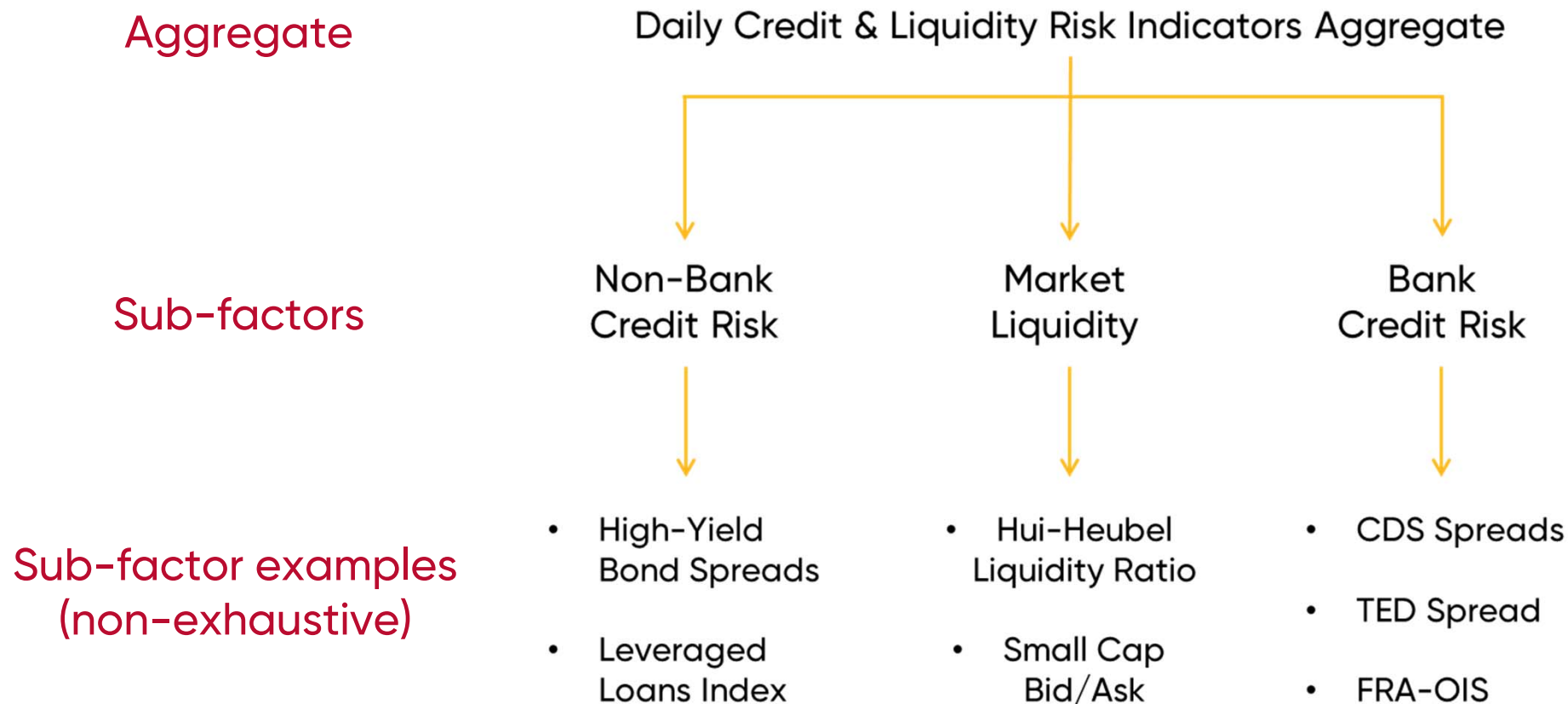
Source: Fisher investments research as of 31/05/2020.

NON-EQUITY CAPITAL MARKETS

- Non-equity capital market indicators show the perceived level of risk by market participants and whether stress on the financial system is abating.
- This is tracked through aggregating daily indicators focusing on short-term credit risk, non-bank credit risk and market liquidity.
- While the downturn did not originate within the economy, non-equity capital market indicators are paramount to measure the impact the crisis has had on the financial system.
- Overall, where the Federal Reserve has established backstops, liquidity has normalized, and short-term credit spreads continue to improve gradually. High yield spreads remain stubbornly high, however, more recently spreads have begun to show more robust improvement.

NON-EQUITY CAPITAL MARKETS – BROAD OVERVIEW

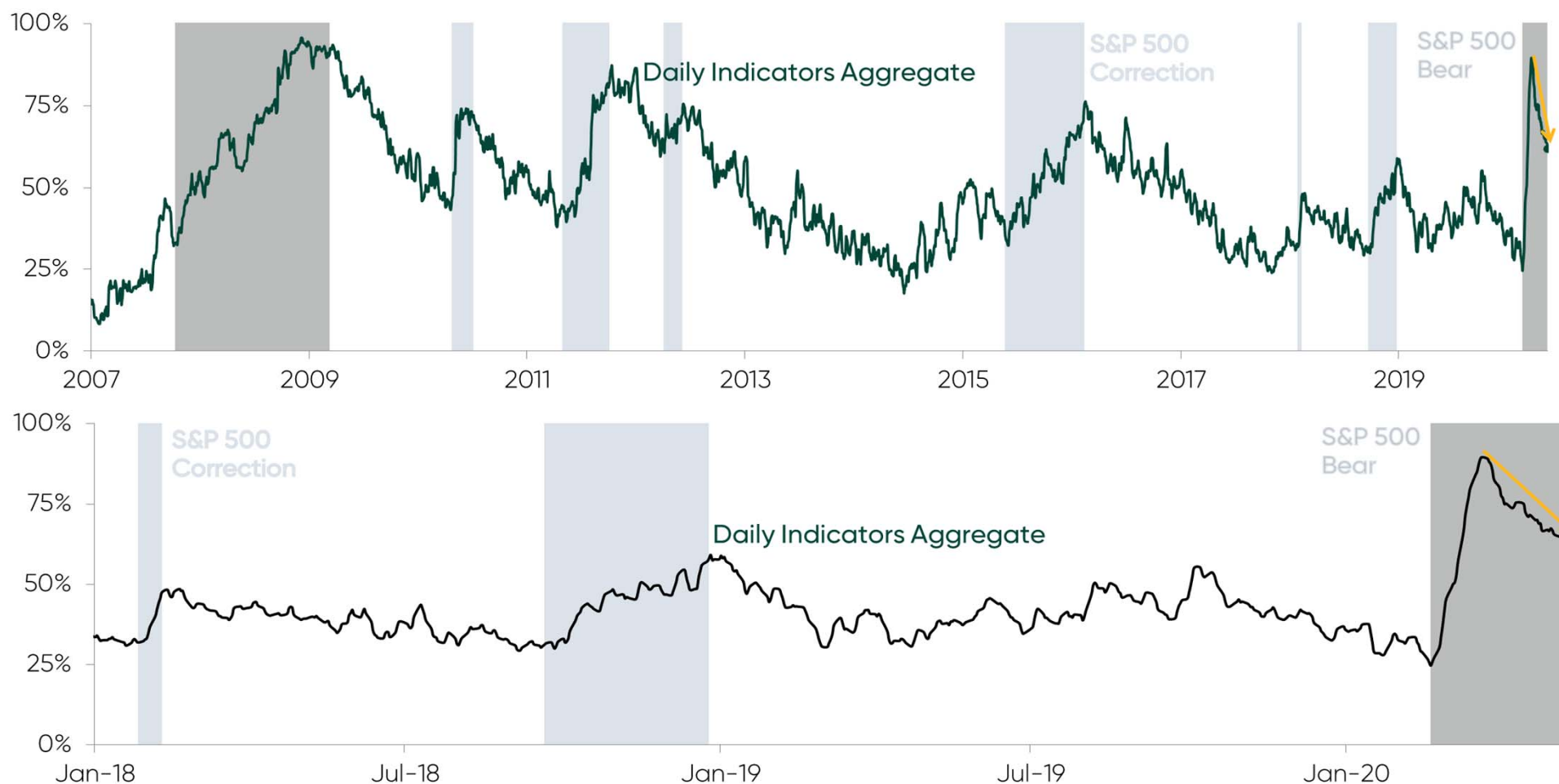
How we track daily credit and liquidity risk through custom aggregates of various types of indicators. The below sub-factor examples are not exhaustive for each sub-factor category.



NON-EQUITY MARKET INDICATORS AGGREGATE

Aggregating non-equity market indicators gives an indication of how readings on different factors such as market liquidity, bank credit risk and non-bank credit risk are changing. Changes in these factors indicate not only if stress on the financial system is abating, but also the current risk level perceived by market participants. At a general level, credit and liquidity measures have seen significant improvement since the latest peak strain on March 19th.

Daily Credit & Liquidity Risk Indicators
Aggregate values shown as % rank of historical range

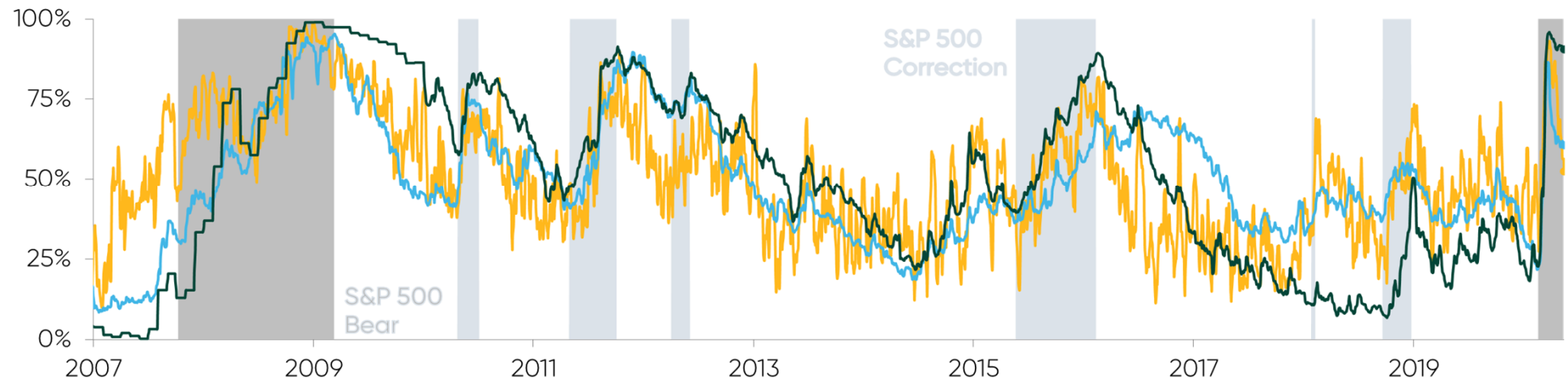


Source: Fisher Investments Research. Shows aggregated daily credit & liquidity indicators as a 3-day moving average of their percentage rank of historical range from 01/01/2007 to 13/05/2020.

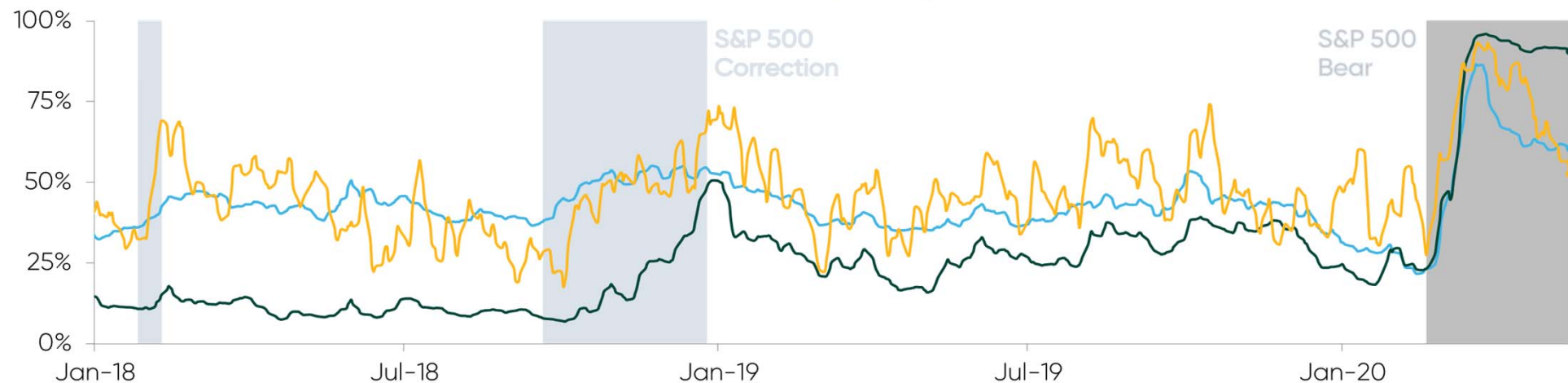
NON-EQUITY MARKET INDICATORS AGGREGATE SUB-FACTORS

A closer look at the general factors that make up the broad aggregate reveals that all have improved, save for high yield (HY) non-bank credit risk, which has remained flat. No indicators have materially deteriorated, and liquidity has improved at the fastest pace. The slides that follow highlight examples of measures which make up the sub-factors below. Note these are non-exhaustive, and merely representational of the type of measure observed.

Daily Credit & Liquidity Risk Sub-factors
Aggregate values shown as % rank of historical range



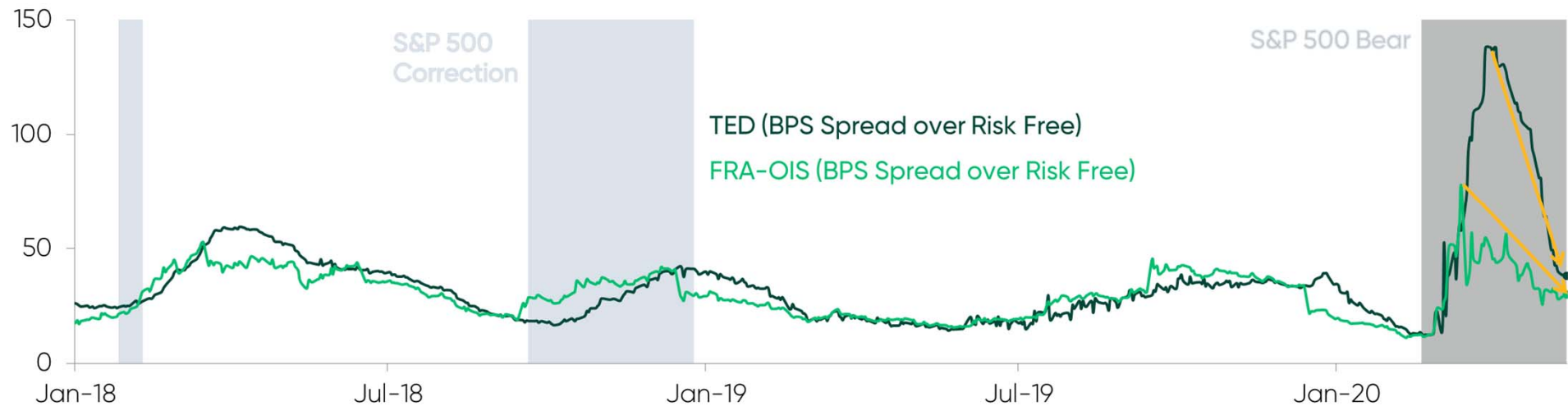
Non-Bank Credit Risk **Market Liquidity** **Bank Credit Risk**



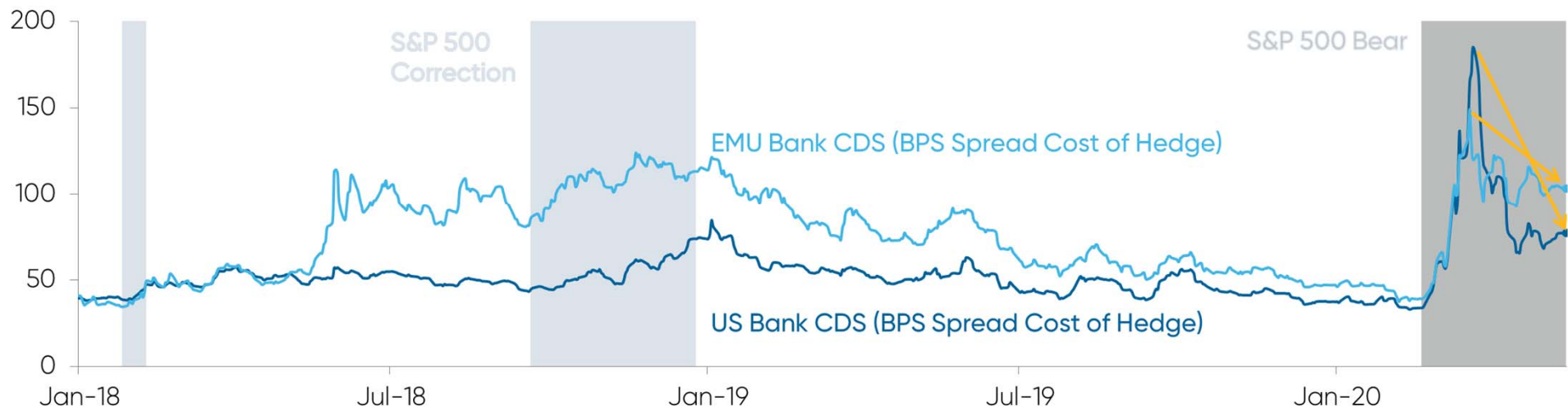
Source: Fisher Investments Research. Shows aggregated daily credit & liquidity indicators as a 3-day moving average of their percentage rank of historical range from 01/01/2007 to 13/05/2020.

SUB FACTOR EXAMPLE: MEASURING BANK CREDIT RISK

TED Spread & FRA-OIS Ratio. TED spreads give an indication of perceived credit risk, based on the difference between short term US treasuries and the interest on interbank loans. The FRA-OIS ratio is seen as the markets' measure of how expensive or cheap it will be for banks to borrow in the future, relative to the risk-free rate.



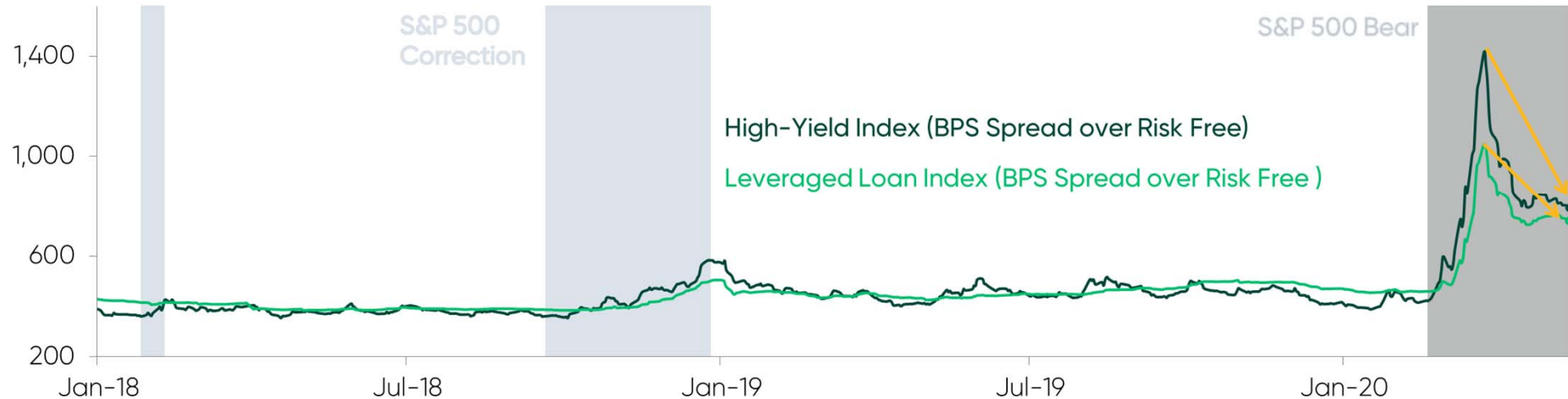
Credit Default Swaps (CDS), meanwhile, give an idea of perceived risk through the cost of insuring against non-repayment of debt.



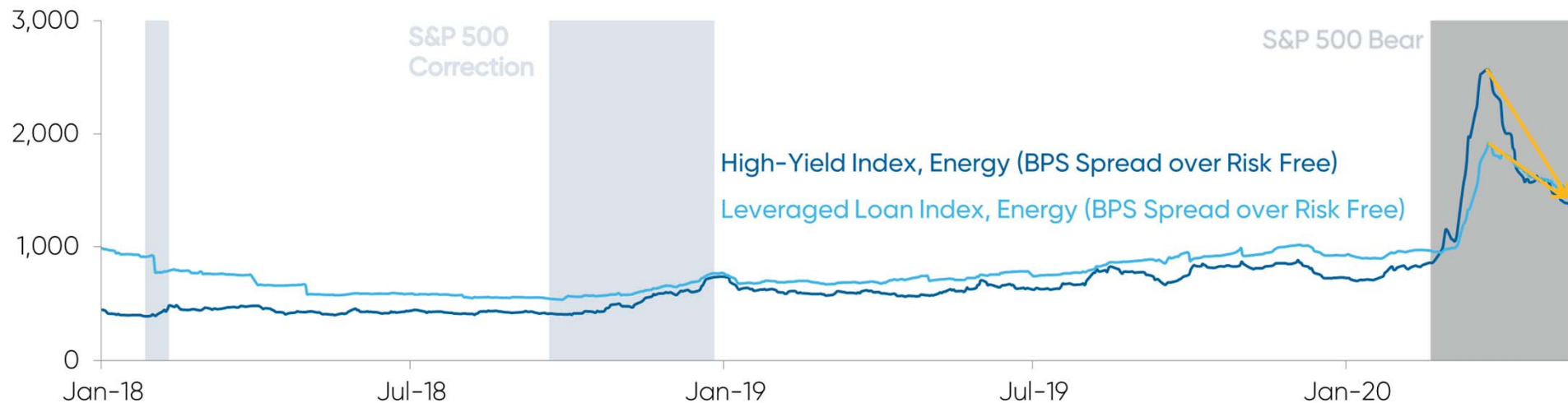
Source: Bloomberg. Shows basis point TED & FRA-OIS spread over the risk-free rate from 01/01/2018 to 13/05/2020. Credit Default Swaps for US & EMU banks shown as basis point spread cost of hedge.

SUB FACTOR EXAMPLE: MEASURING NON-BANK CREDIT RISK

High-Yield (HY) Bond Spreads. The HY spread shows the difference in yield received for HY corporate debt, against the risk-free rate, where rising spreads are taken to show weakening economic conditions tied to elevated levels of perceived risk.



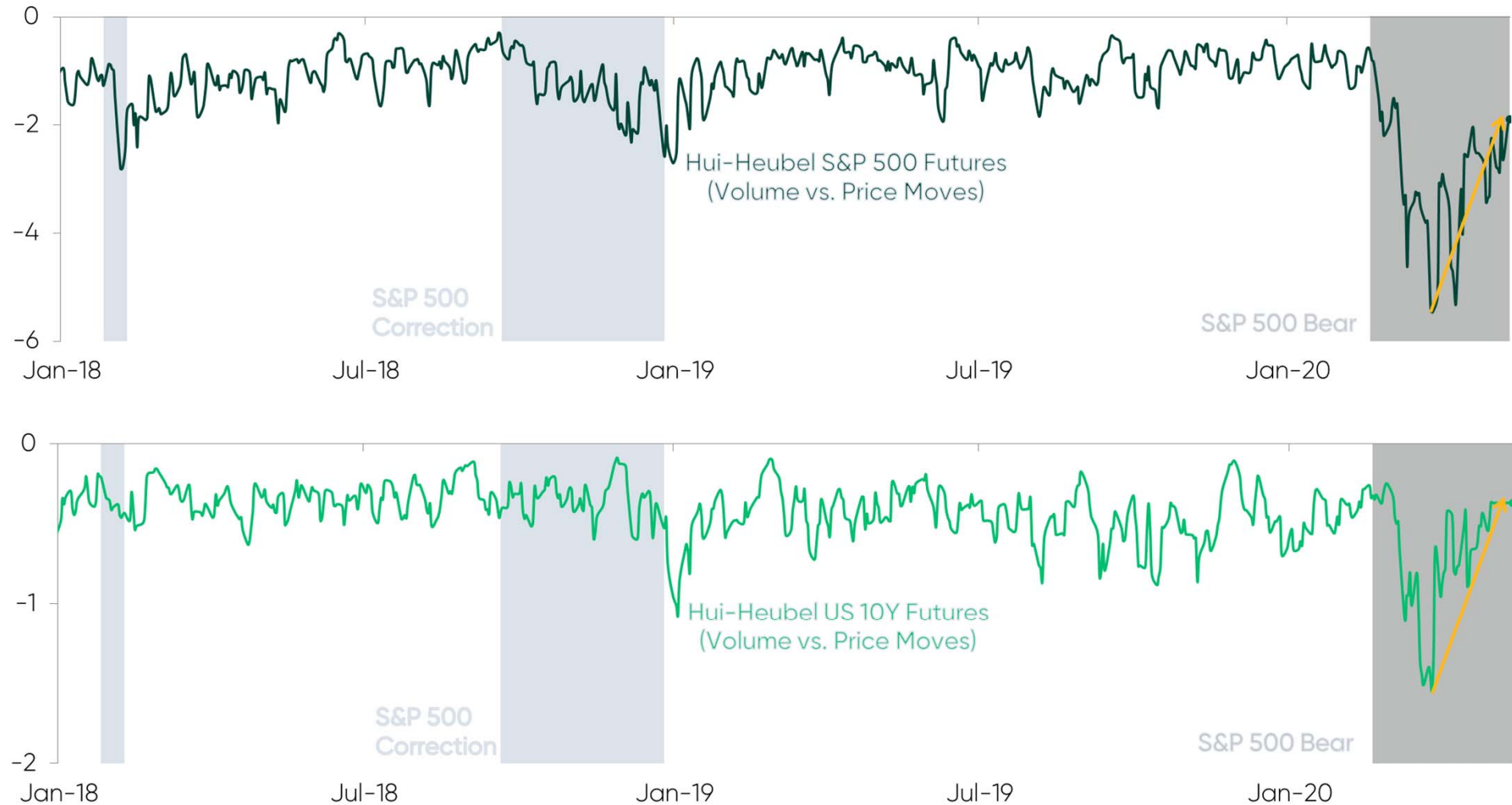
The Leveraged Loan Index (LL) index tracks the price of non-investment grade corporate leveraged loans against the risk-free rate. These loans are mostly traded on the secondary market, an elevated spread is seen to be indicative of a higher risk of missed payments or defaults.



Source: Credit Suisse. Shows basis point high-yield and leveraged loan index spread over the risk-free rate from 01/01/2018 to 13/05/2020.

SUB FACTOR EXAMPLE: MEASURING MARKET LIQUIDITY

Hui-Heubel (HH) Liquidity Ratio. The ratio relates the volume of trades, as a proportion of outstanding shares, to its impact on prices. The larger the volume of trades relative to the price changes, the deeper and more resilient the market is seen to be. For both S&P 500 and US 10Y Futures, readings have markedly improved.



Source: FactSet. Shows Hui-Heubel ratio for S&P 500 futures and US 10-Year futures from 01/01/2018 to 13/05/2020.

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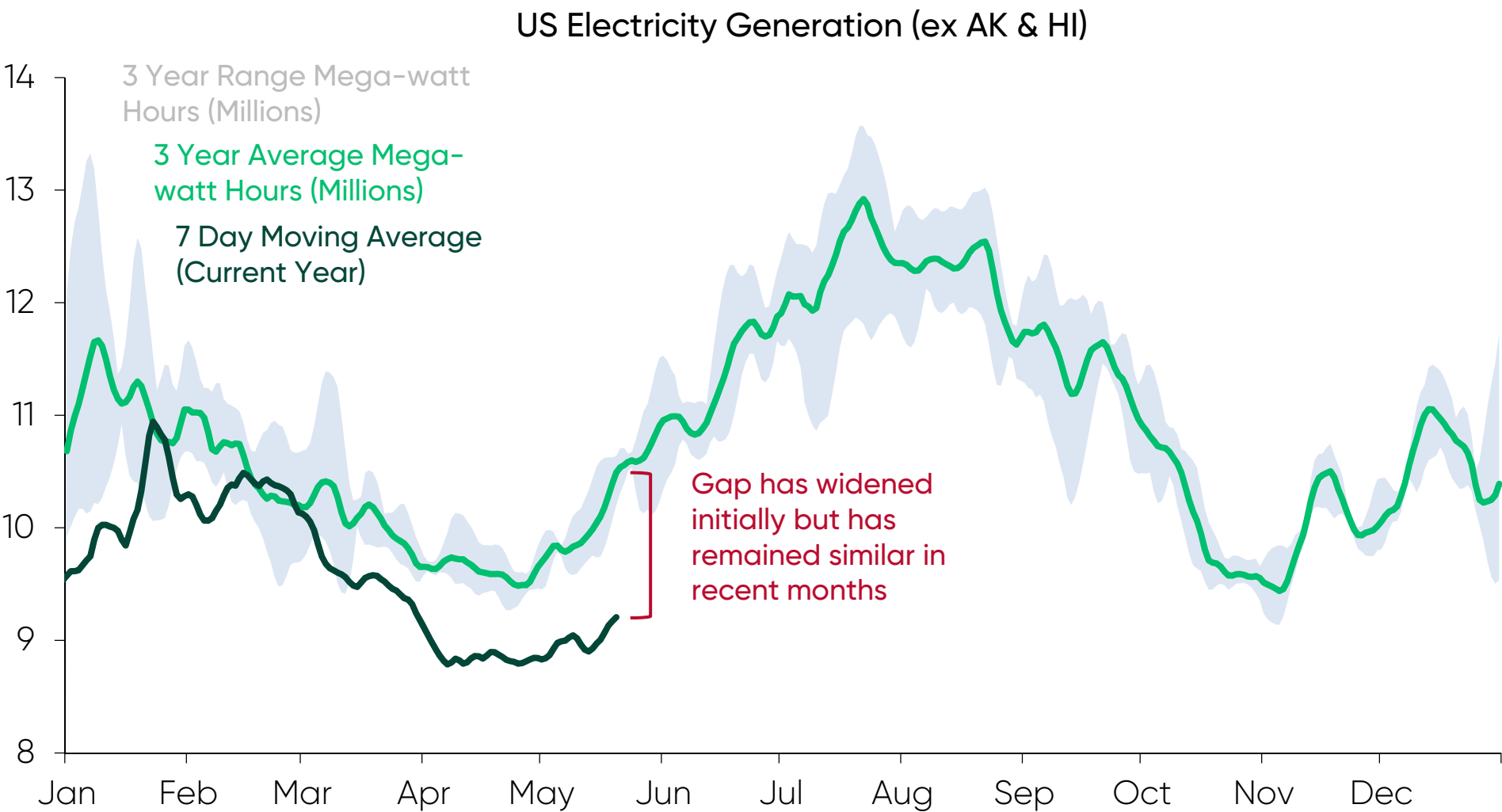
Source: Fisher investments research as of 31/05/2020.

HIGHER FREQUENCY ECONOMIC DATA

- In the midst of rapid changes and high volatility, traditional economic releases may prove too lagged to be useful. Examining high-frequency economic data in a period like this is more likely to provide insights.
- Most indicators covering the US and Europe have either bottomed or are improving.
- Easing areas are showing greater improvement in mobility, restaurant visits and consumer spending, potentially indicating how the rest of the world will fare as more regions are starting to ease restrictions.
- US mortgage loan forbearance is an exception as it continues to rise, albeit flattening in recent weeks.

US ELECTRICITY GENERATION

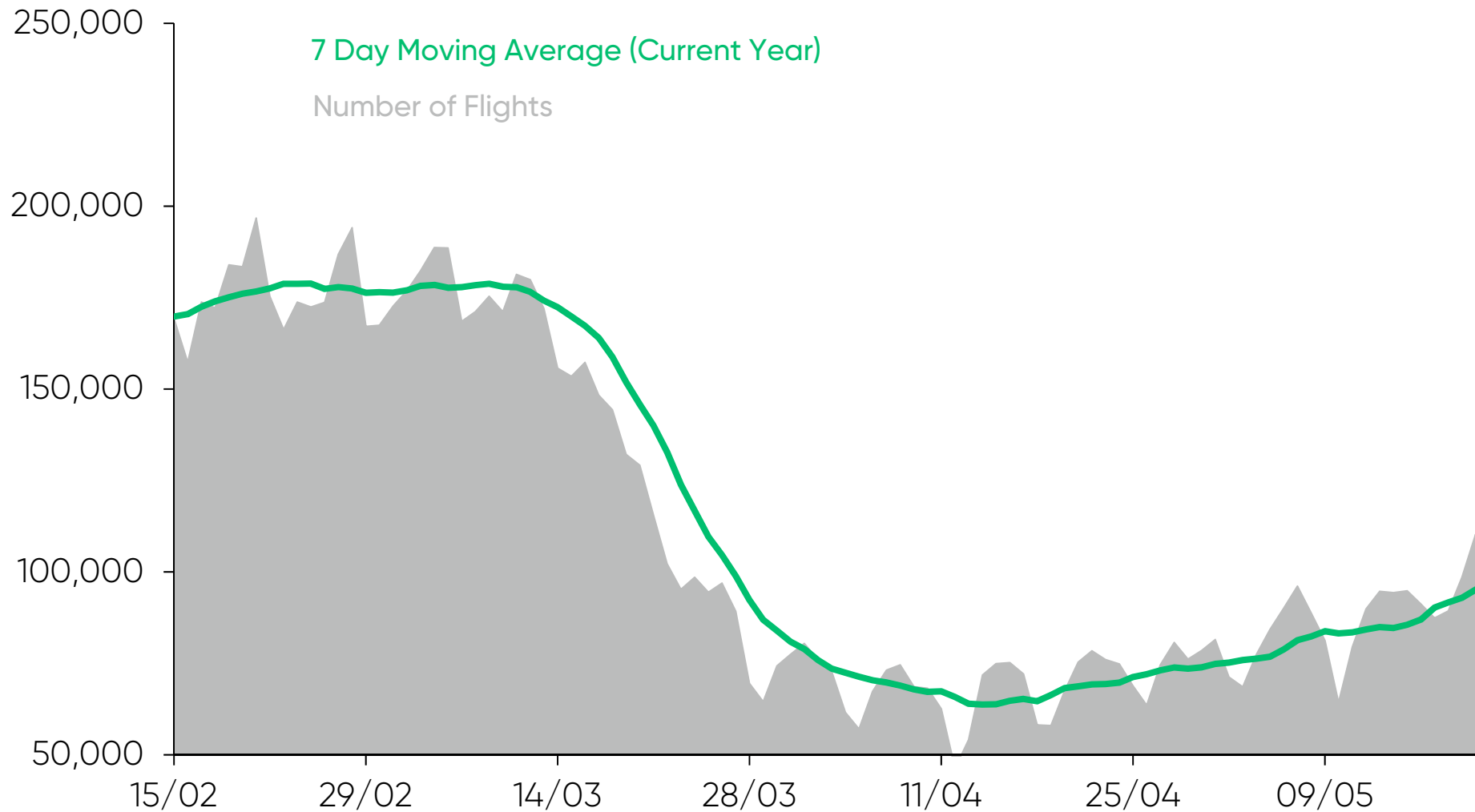
US electric generation remains in significant decline; however, the gap has been mostly consistent since its largest drop in April.



Source: Energy Information Administration. Data as of 20/05/2020.

TOTAL NUMBER OF FLIGHTS, PER DAY, LAST 90 DAYS

Global flights continue to improve at a fairly consistent pace but remain down -44% from their YTD peak. Flights were down over -60% at their current bottom in mid-April.

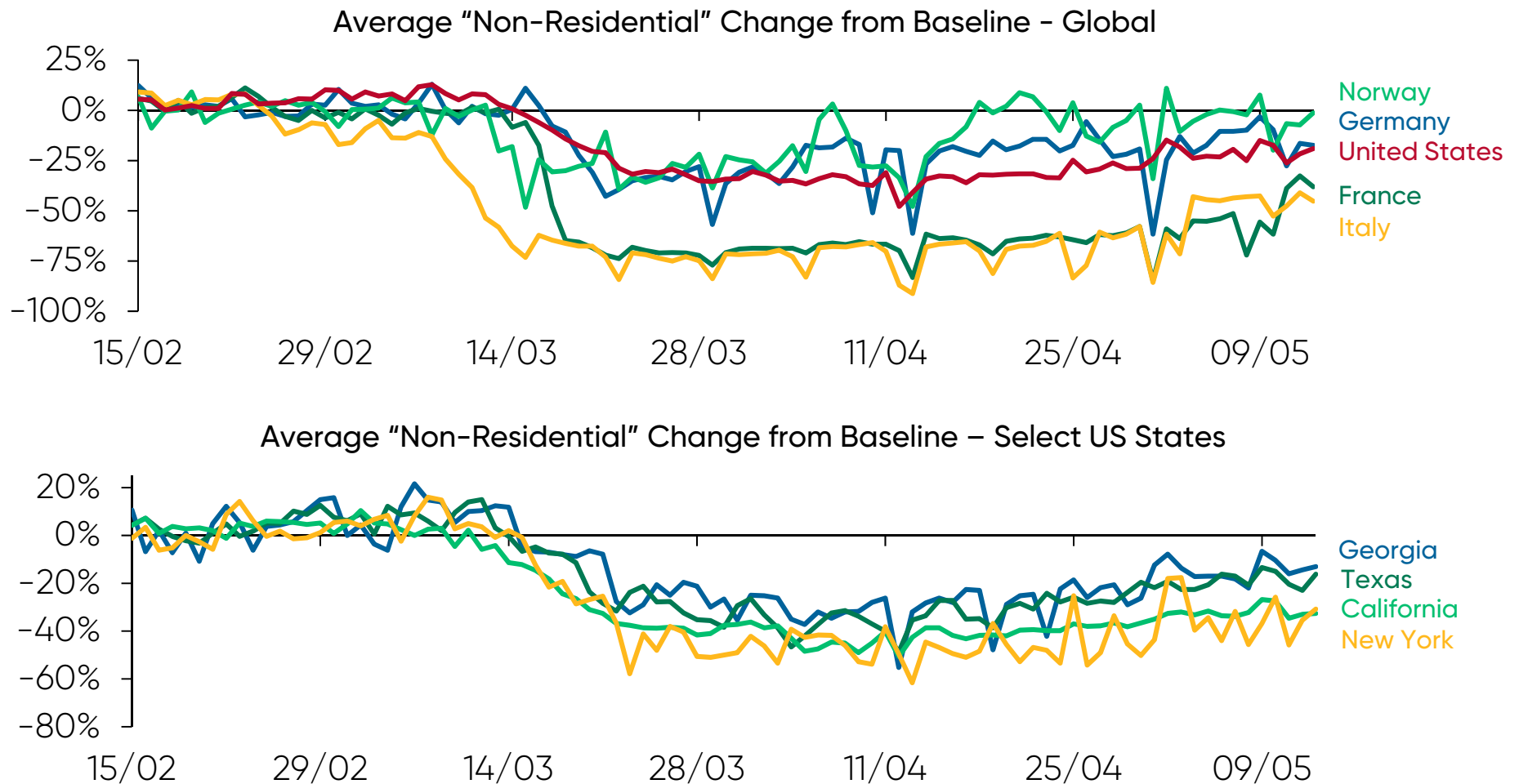


Source: Flightradar 24. Data as of 20/05/2020,

GOOGLE MOBILITY DATA

This data shows visits and length of stays at different places compared to the baseline. The baseline is the median value, for the corresponding day of the week, during the 5-week pre COVID timeframe of 3 January to 6 February 2020.

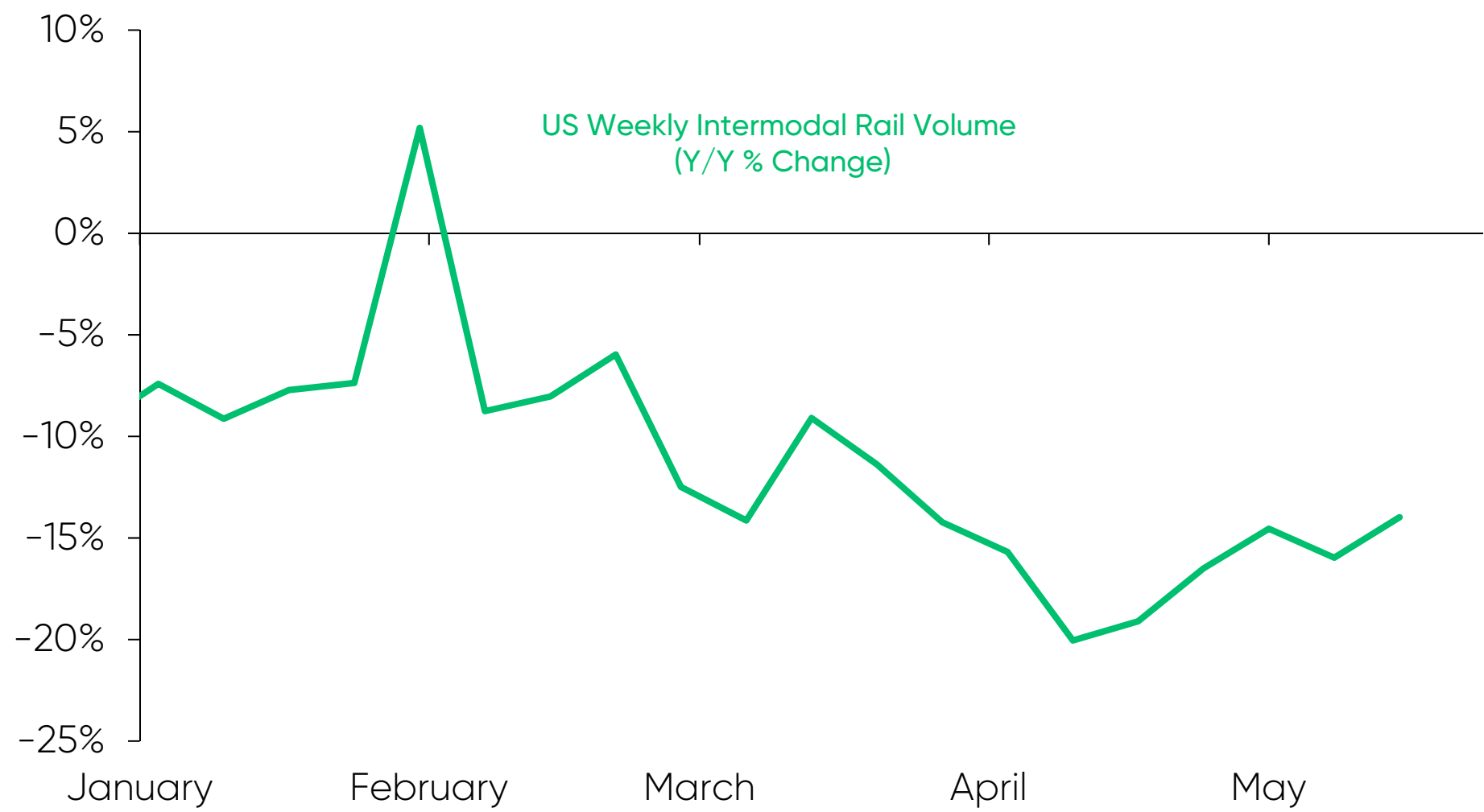
Easing EU countries continue to show improvement in mobility vs their restricted counterparts with Germany and Norway hovering around their pre-restriction levels. The gap between US easing vs non-easing states is slowly widening as well, with Georgia close to pre-restriction levels.



Source: Google Mobility Report, as of 13/05/2020. The baseline is the median value, for the corresponding day of the week, during the 5-week pre COVID timeframe of 03/01/2020-06/02/2020. "Non-Residential" represents any time away from home.

US INTERMODAL RAIL VOLUME

While intermodal rail volume is a very volatile metric, it seems to be improving since its bottom in April.

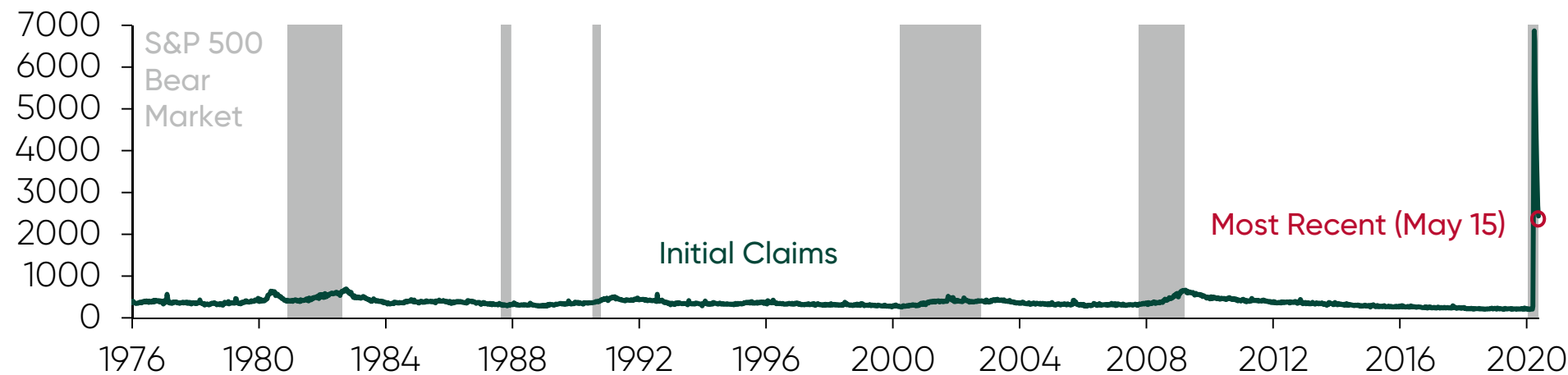


Source: Association of American Railroads. As of 15/05/2020.

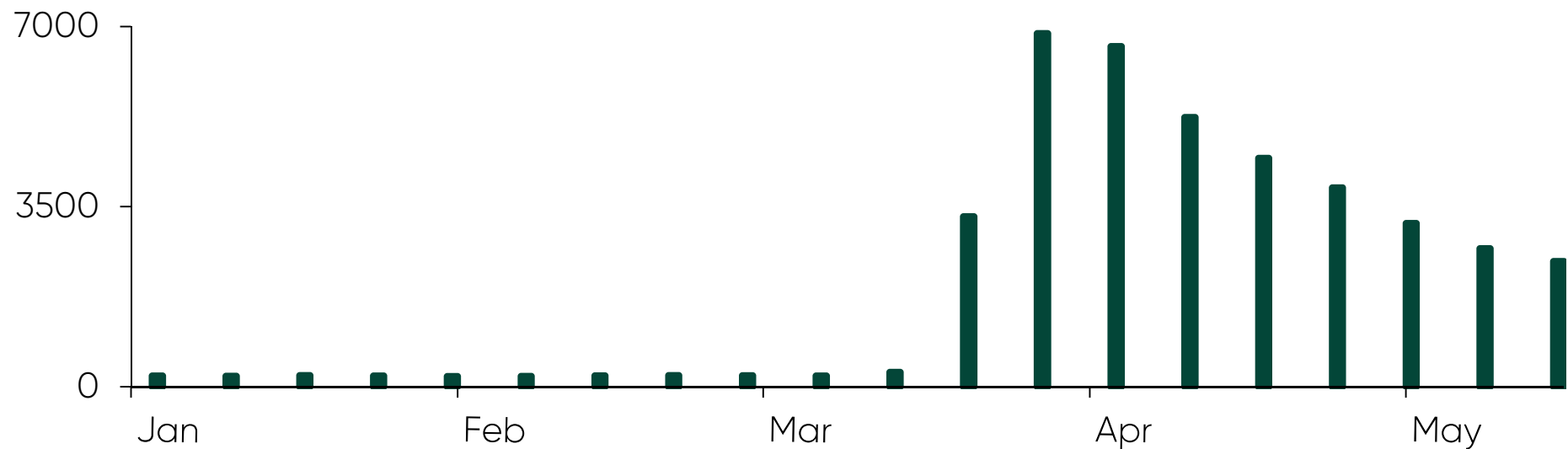
US INITIAL JOBLESS CLAIMS

While initial jobless claims in the US have surged compared to prior recessions, claims have declined steadily since peaking on March 27.

US Initial Unemployment Claims (thousands, SA) – since 1976



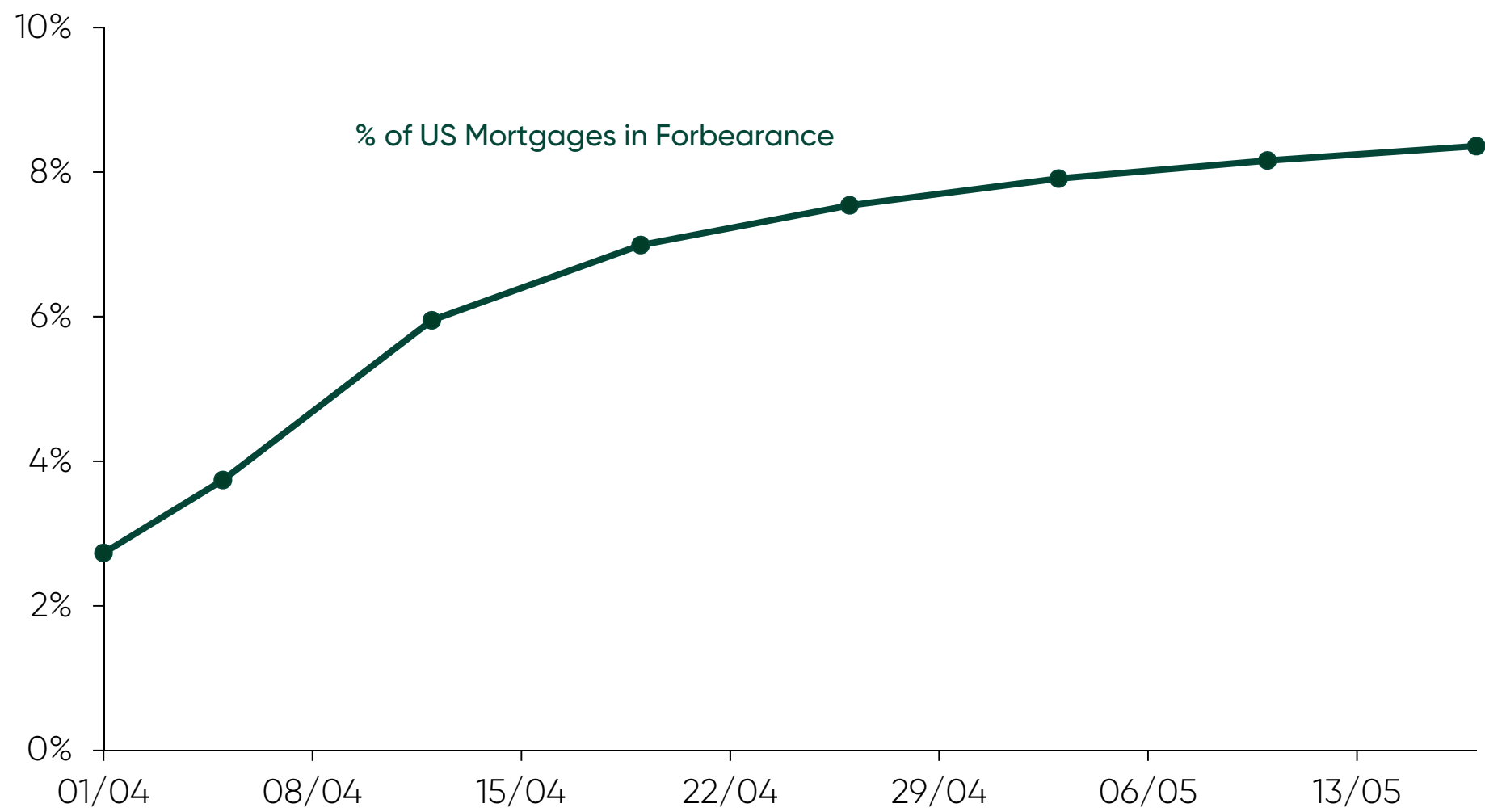
US Initial Unemployment Claims (thousands, SA) – 2020 Year-to-date



Source: FactSet. Data as of 15/05/2020.

US MORTGAGES IN FORBEARANCE

The percent of US mortgages in forbearance has increased 3.1 times since the beginning of April but seems to be leveling off around 8%.



Source: US Mortgage Banker Association. Data as of 10/05/2020.

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Source: Fisher investments research as of 31/05/2020.

SENTIMENT

- Analysing changes in GDP forecasts over time helps gauge how forecasters view the impact of COVID-19 on the global economy.
- Guidance and buyback suspensions serves as an indicator for corporate sentiment and how publicly listed firms are processing new developments and news.
- Similarly, tracking changes in earnings and labour market expectations can serve as a real time indicator of economic sentiment and how it has changed over time.

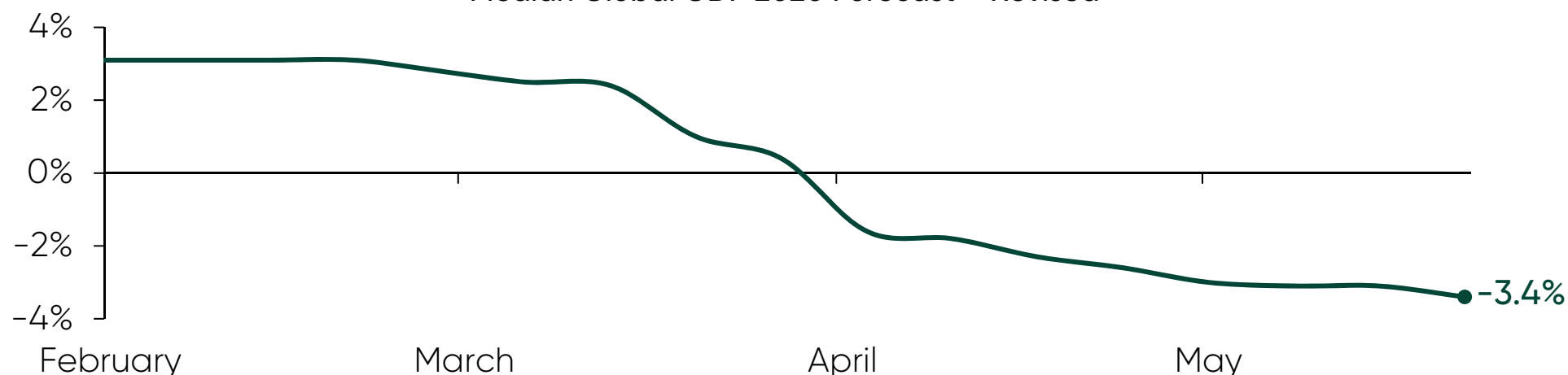
CHANGES IN GLOBAL GDP FORECASTS

While GDP forecasts were still positive until late March, estimates continue to trend down in recent weeks, with the median forecasts currently anticipating a -3.4% drop in global GDP in 2020.

Global GDP 2020 Forecast – Revised Weekly

Firms	31/1	07/2	14/2	21/2	28/2	06/3	13/3	20/3	27/3	03/4	10/4	17/4	24/4	01/5	08/5	15/5	22/5
Credit Suisse	2.6%	2.7%	2.7%	2.7%	2.2%	2.2%	2.2%	1.0%	1.0%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%
Goldman Sachs	3.4%	3.4%	3.4%	3.4%	3.1%	2.0%	2.0%	1.3%	-1.2%	-1.8%	-1.8%	-2.5%	-2.7%	-2.7%	-3.1%	-3.5%	-4.1%
JP Morgan	2.4%	2.4%	2.3%	2.3%	2.2%	2.1%	1.5%	-1.1%	-2.4%	-2.8%	-3.6%	-5.0%	-4.8%	-4.5%	-4.6%	-4.6%	-4.7%
Citigroup	2.7%	2.7%	2.7%	2.7%	2.5%	2.5%	2.5%	1.3%	1.3%	-1.6%	-1.6%	-2.3%	-3.1%	-3.1%	-3.1%	-3.1%	-3.6%
Bank of America	3.1%	3.1%	3.1%	3.1%	2.8%	2.8%	2.2%	0.3%	0.3%	-2.7%	-2.7%	-2.8%	-2.9%	-3.0%	-3.1%	-3.1%	-4.2%
Barclays	3.3%	3.2%	3.2%	3.1%	3.0%	2.7%	1.8%	0.4%	0.4%	-0.3%	-1.6%	-2.3%	-2.6%	-3.3%	-3.5%	-3.5%	-3.6%
Deutsche Bank	3.3%	3.3%	3.3%	3.3%	3.1%	3.1%	3.1%	2.4%	2.4%	-1.7%	-1.8%	-2.3%	-2.3%	-2.3%	-2.3%	-2.3%	-2.3%
UBS	3.1%	3.1%	3.1%	3.1%	2.8%	2.8%	2.8%	1.0%	-0.6%	-1.5%	-1.6%	-1.7%	-1.7%	-3.0%	-3.1%	-3.1%	-3.3%
Morgan Stanley	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	0.9%	0.3%	-1.9%	-2.0%	-2.0%	-2.2%	-3.1%	-3.2%	-3.2%	-3.4%
IMF	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
OECD	2.9%	2.9%	2.9%	2.9%	2.4%	2.4%	2.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
I.H.S	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	0.9%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Wells Fargo	3.0%	3.0%	2.9%	2.9%	2.9%	1.9%	1.2%	1.0%	-2.6%	-2.6%	-2.7%	-2.7%	-2.7%	-2.9%	-2.9%	-2.9%	-3.8%
Max	3.4%	3.4%	3.4%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Average	3.0%	3.0%	3.0%	3.0%	2.8%	2.6%	2.4%	1.1%	0.3%	-1.0%	-1.7%	-2.0%	-2.1%	-2.3%	-2.4%	-2.4%	-2.7%
Median	3.1%	3.1%	3.1%	3.1%	2.8%	2.5%	2.4%	1.0%	0.4%	-1.6%	-1.8%	-2.3%	-2.6%	-3.0%	-3.1%	-3.1%	-3.4%

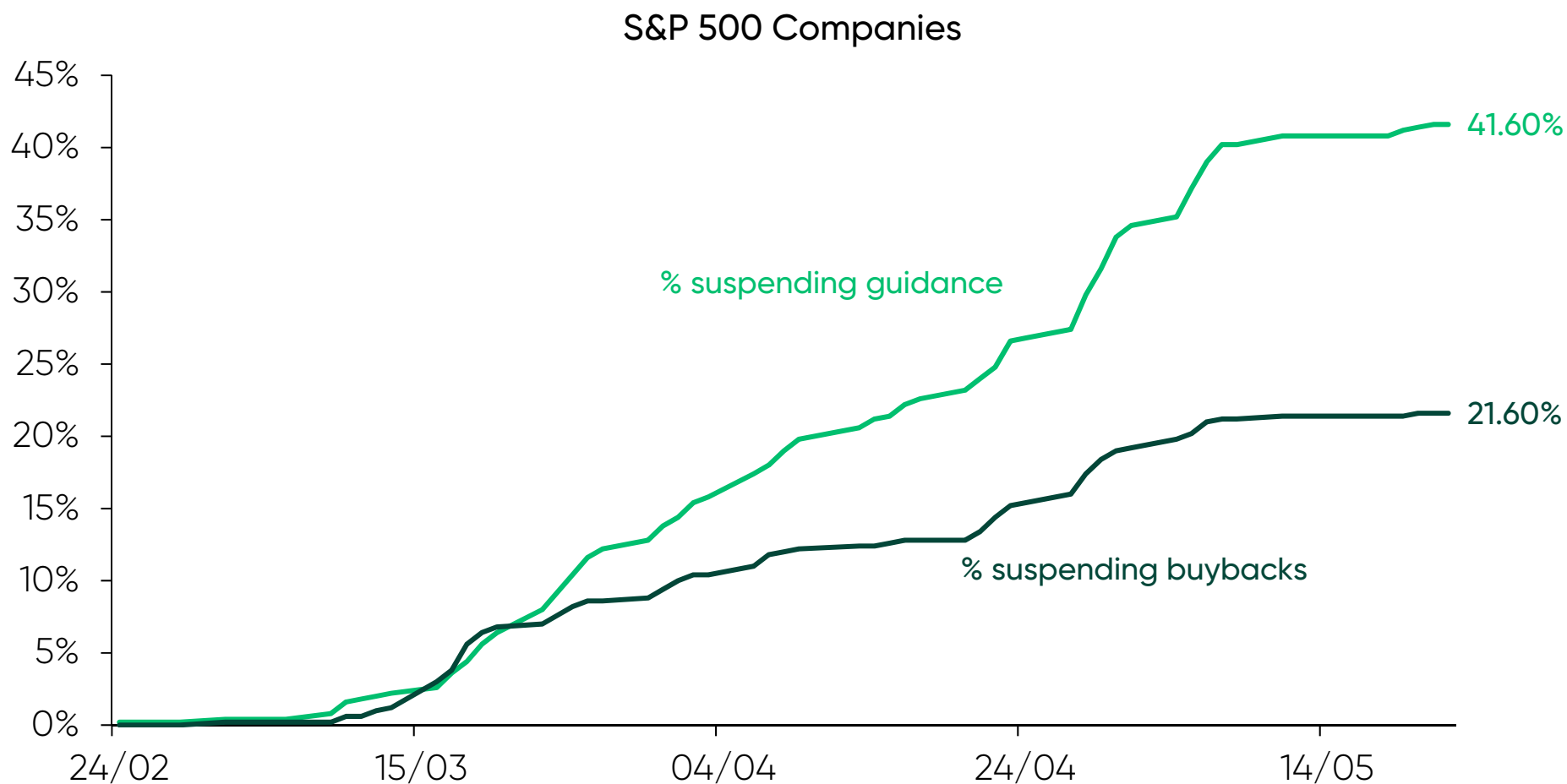
Median Global GDP 2020 Forecast – Revised



Sources: Credit Suisse, Goldman Sachs, JP Morgan, Citigroup, Bank of America, Barclays, Deutsche Bank, UBS, Morgan Stanley, IMF, OECD, I.H.S and Wells Fargo.
Data as of 22/05/2020.

GUIDANCE AND BUYBACK SUSPENSIONS

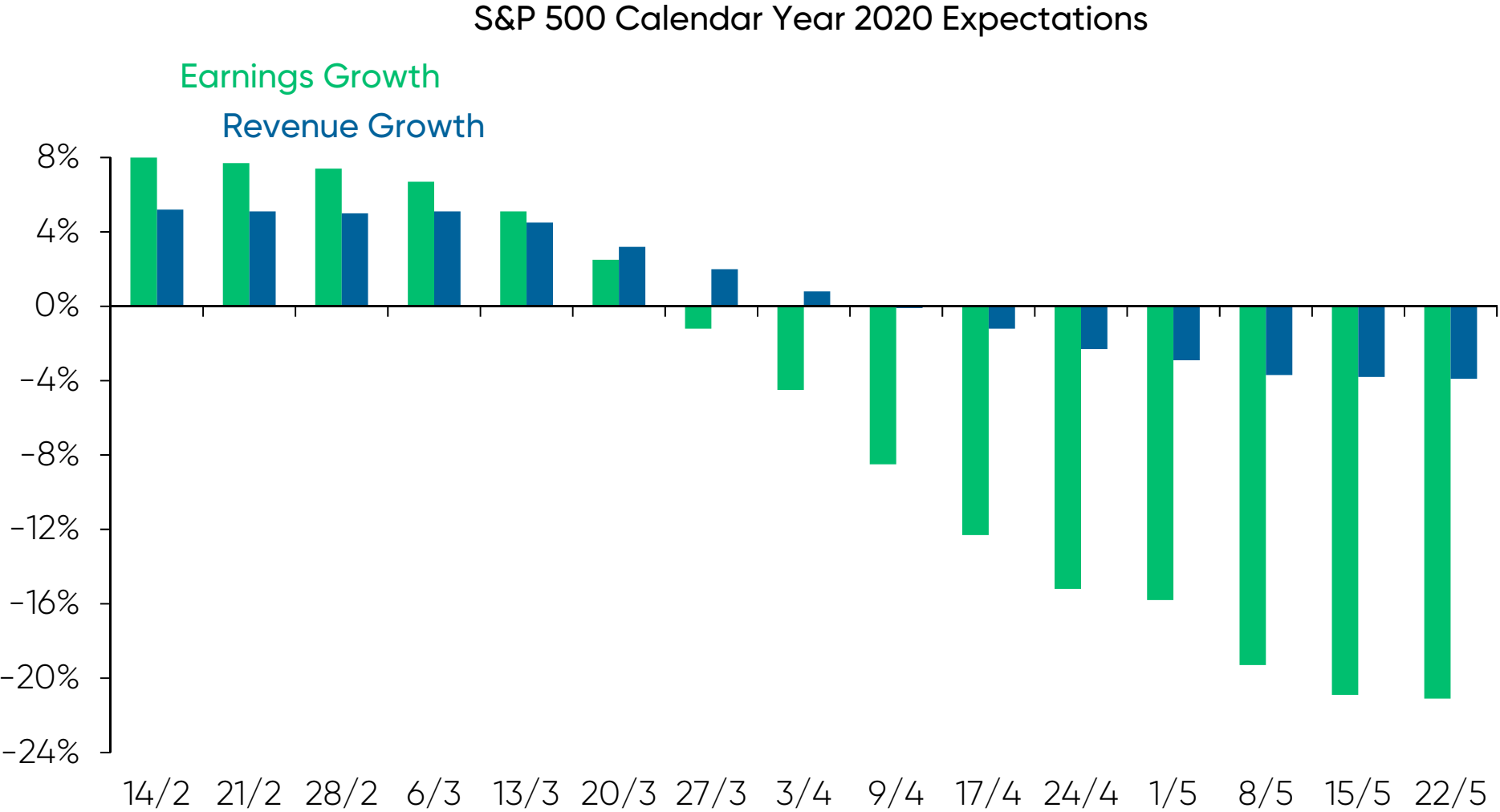
42% of S&P 500 companies have withdrawn guidance and 22% suspended buybacks. With the end of earnings season, the number of S&P 500 companies suspending guidance, buybacks and dividends decreased significantly. The key item to track going forward is the number of companies reinstating guidance and buybacks.



Source: FactSet as of 22/05/2020.

EARNINGS EXPECTATIONS CHANGES

Calendar year 2020 earnings and revenue expectations continue to be revised to the downside in most sectors. However, the rate of change is slowing down significantly and earnings as well as revenue estimates for some sectors are flat or higher versus the prior week.



Source: FactSet Earnings Insight as of 22/05/2020.

LABOUR MARKET SENTIMENT

The majority of April estimate revisions called for higher absolute figures in 2020 unemployment numbers, but the weekly increases in May estimates have been leveling off, and even improving, in most countries.

Weekly Change in 2020 Unemployment Estimates (%)												
Country	6/3/2020	13/3/2020	20/3/2020	27/3/2020	3/4/2020	9/4/2020	17/4/2020	24/4/2020	1/5/2020	8/5/2020	15/5/2020	22/5/2020
United States	0.00%	-0.02%	0.81%	1.87%	0.98%	0.38%	0.77%	0.42%	-0.05%	0.01%	0.33%	0.09%
United Kingdom	-0.01%	0.02%	0.01%	0.26%	0.27%	0.00%	0.19%	0.09%	0.82%	0.24%	0.00%	0.06%
Canada	0.01%	0.06%	0.40%	0.85%	0.00%	0.66%	0.90%	0.04%	0.10%	0.06%	0.00%	0.00%
Germany	0.01%	-0.01%	0.04%	0.00%	0.02%	0.06%	0.01%	0.00%	0.05%	-0.01%	0.12%	0.03%
Italy	0.01%	0.11%	0.22%	0.10%	-0.09%	0.00%	0.00%	0.00%	0.48%	0.21%	0.02%	0.00%
Japan	0.01%	0.03%	0.05%	0.05%	0.01%	0.07%	0.04%	0.07%	0.20%	0.09%	0.00%	0.03%
China	0.01%	0.08%	0.00%	0.00%	0.07%	0.00%	0.20%	0.00%	0.00%	0.26%	-0.21%	0.00%

Source: FactSet as of 22/05/2020.

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