

A BRAVE NEW WORLD

ECONOMIC OUTLOOK 2021
INVESTMENT STRATEGY 2021

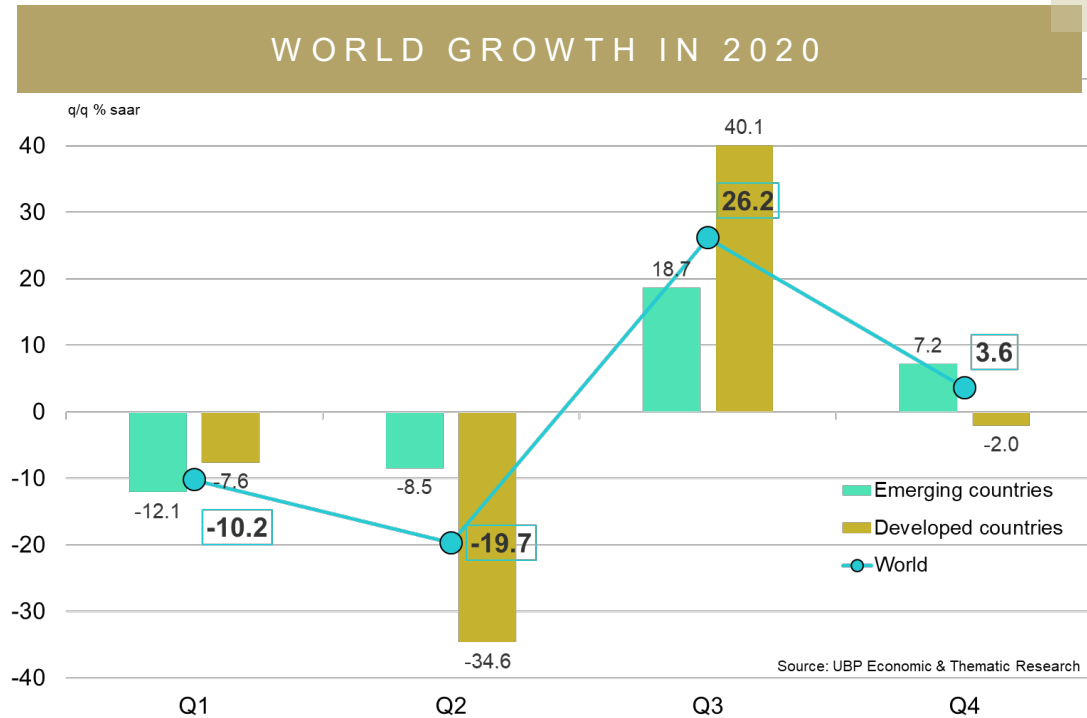
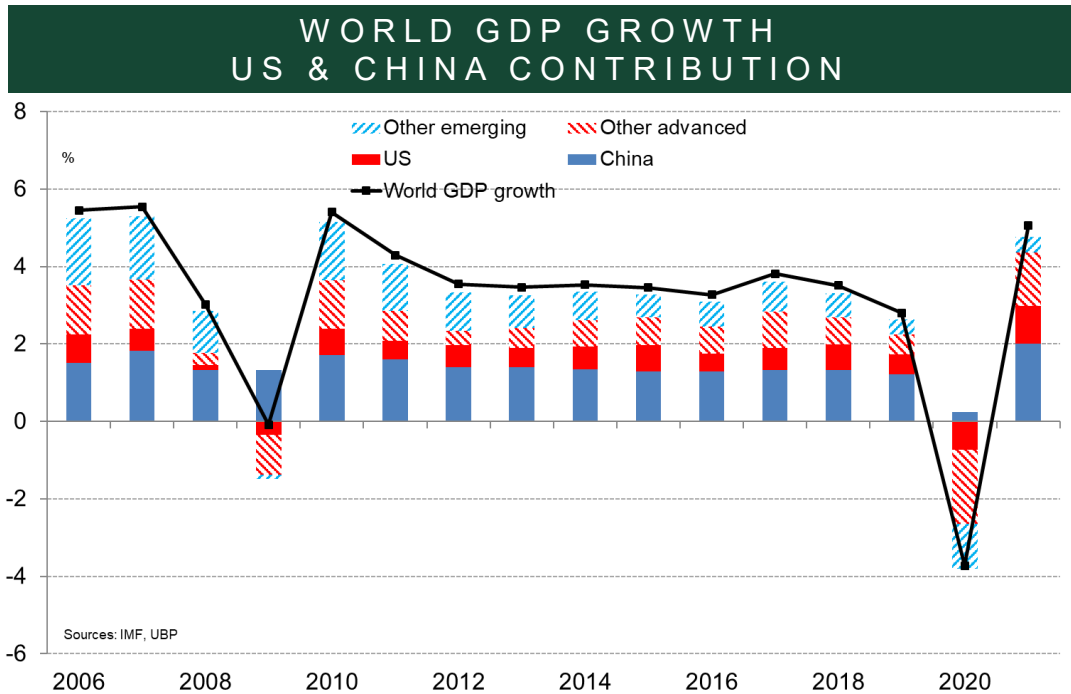


Patrice Gautry
Chief Economist



A BUMPY RECOVERY IN 2021

- **Unbalanced recovery** across sectors and countries
- **3 countries** should lead the recovery

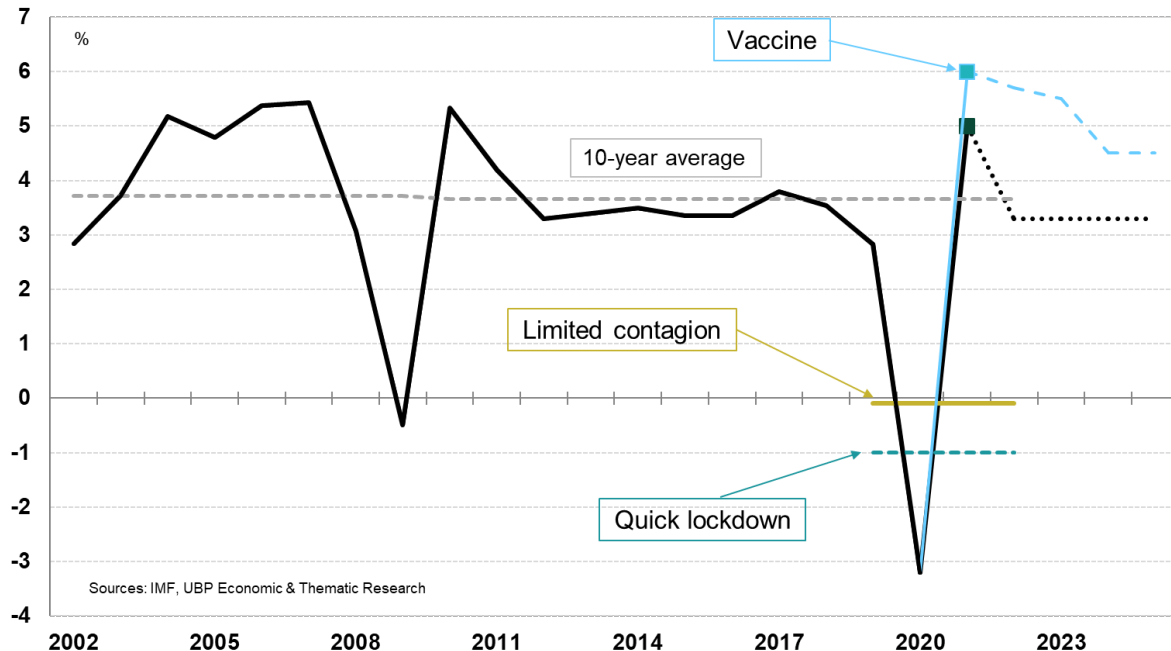


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FIRMER GROWTH EXPECTED WITH A VACCINE IN SIGHT

- More fiscal stimulus and the prospect of vaccines should boost the medium-term outlook

WORLD GDP GROWTH



IMPACT OF A VACCINE ON A FULL-YEAR'S GROWTH

GDP y/y %	2020	2021 Current Scenario	Vaccine Scenario
WORLD – MER – on PPP basis*	-4.2 -3.3	4.6 5.0	5.6 6.0
USA	-3.6	4.4	6.0
Japan	-5.1	2.5	3.5
Eurozone	-7.4	4.4	6.1
China	2.1	8.0	9.0
Developed countries	-5.5	4.2	5.6
Emerging countries	-2.0	5.5	6.2

Sources: UBP - Economic & Thematic Research, Bloomberg consensus
 MER: market exchange rates; PPP: purchasing power parity

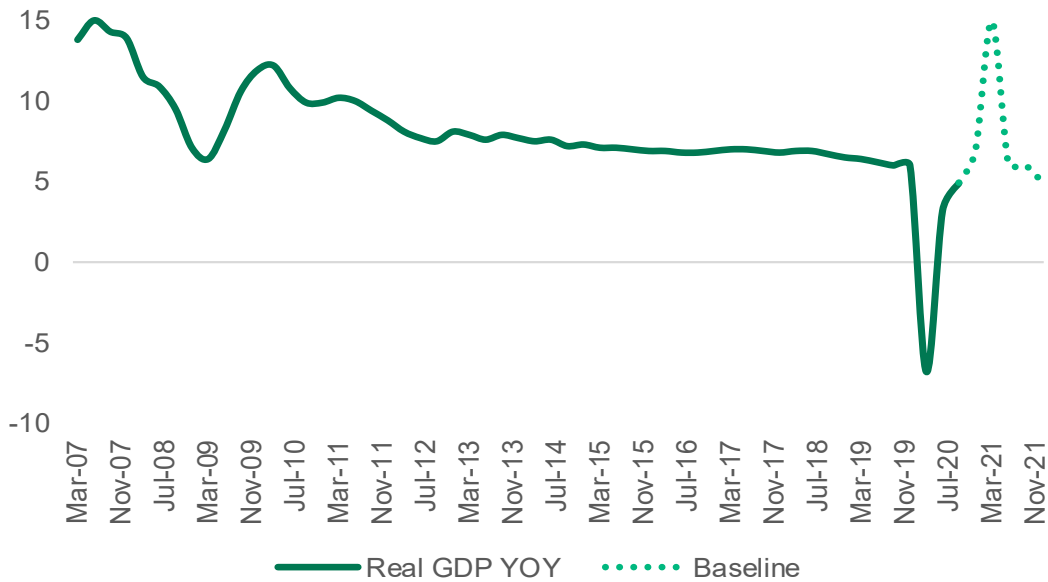
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US, China and Germany to lead the recovery

LEADERS AND LAGGARDS

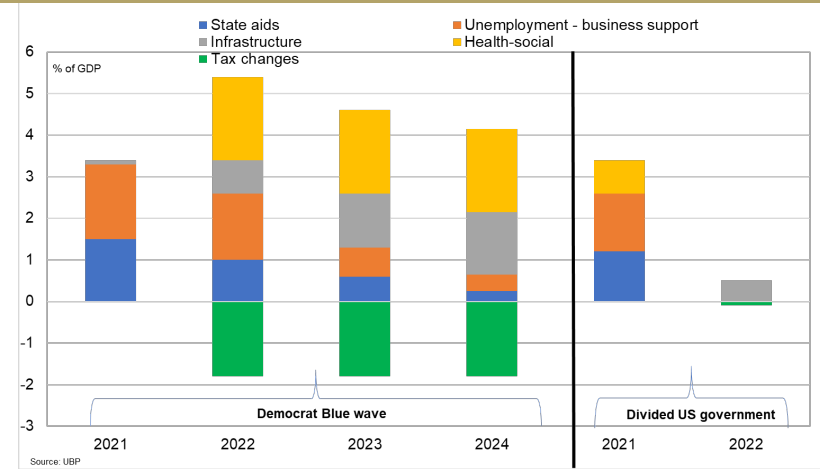
- **US:** towards new growth
- **China:** more centric growth
- **Germany:** still a mercantilist model

CHINA: GDP YOY AND GROWTH SCENARIO

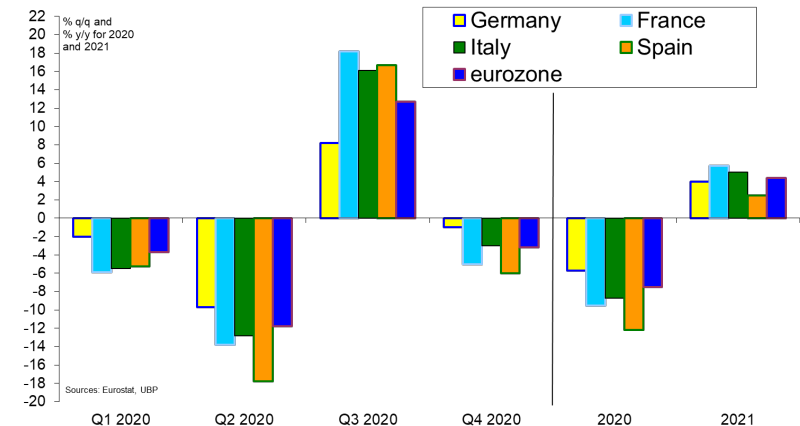


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BIDEN'S POTENTIAL MEASURES ON DIFFERENT SCENARIOS



EUROZONE GDP

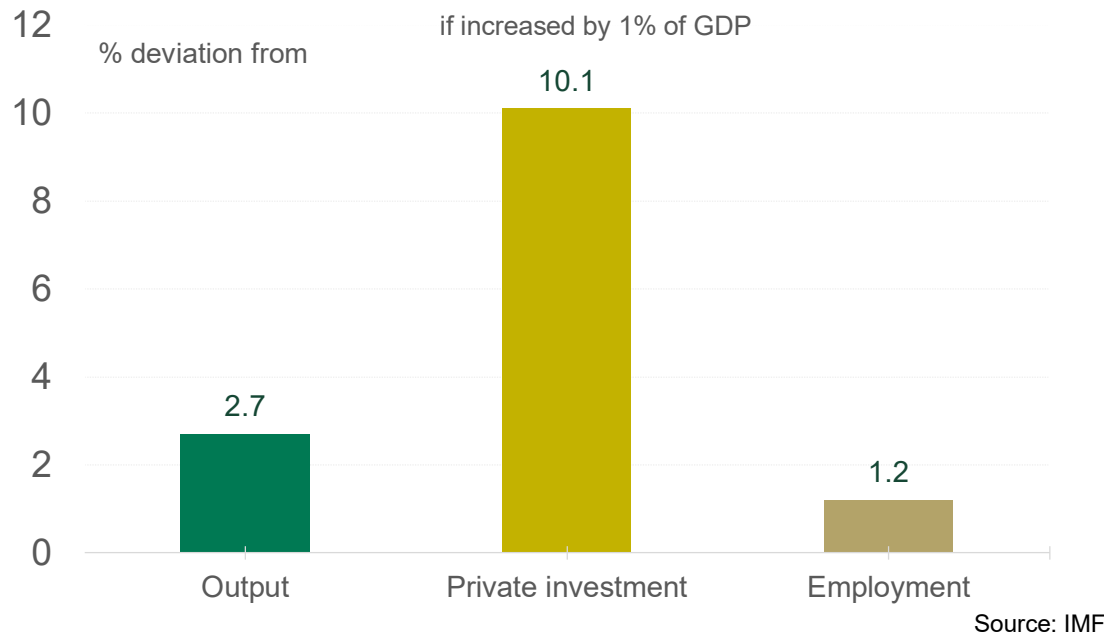


More support expected from fiscal policy

PUBLIC INVESTMENT TO TAKE THE LEAD

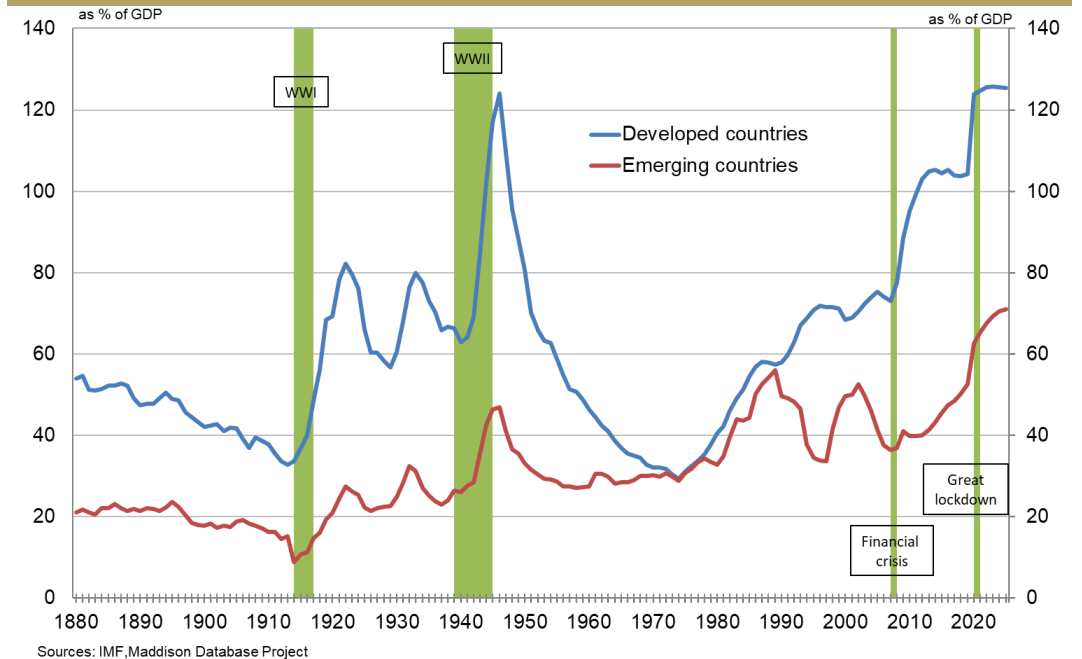
- **“Whatever it takes”** approach applied to fiscal policy
- Public investment to **lead recovery and rebound** in private investment
- **Public debt to settle above 110% of GDP**, and fiscal and debt consolidation postponed beyond 2025

MULTIPLIER EFFECTS OF PUBLIC INVESTMENT



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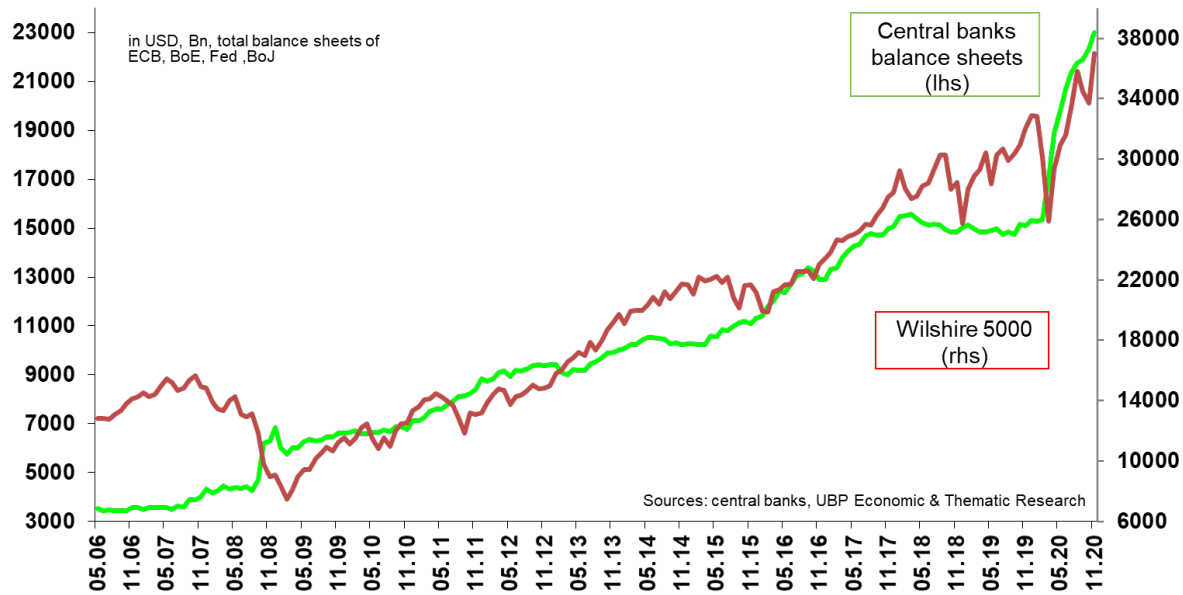
GOVERNMENT DEBT



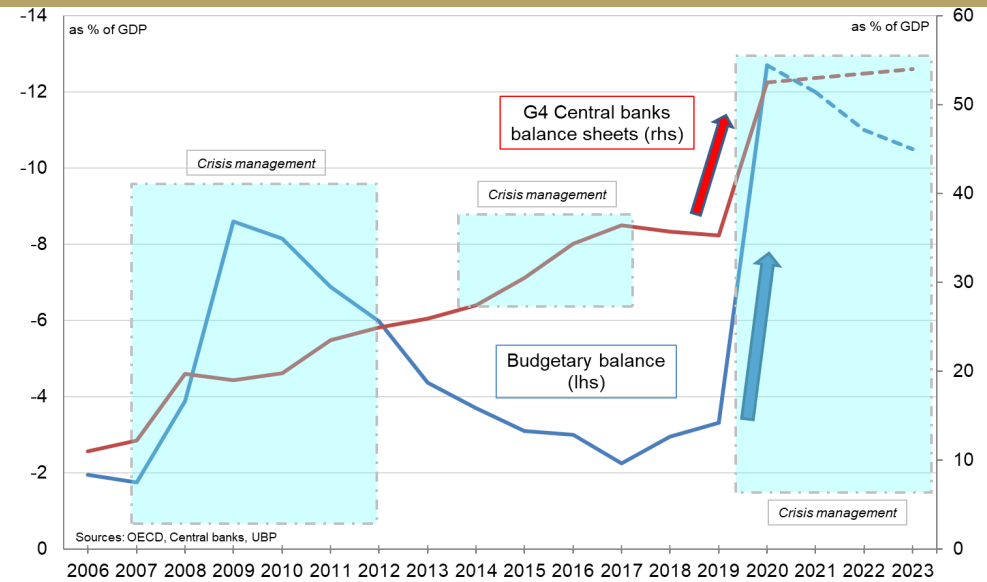
COORDINATED FISCAL AND MONETARY POLICY IN PLACE

- **Central banks** have adopted flexible policies
- **Tight coordination with fiscal (budgetary) policy** should remain in place
- Banks are ready to **increase their support** and to **redeploy existing measures**

CENTRAL BANKS BALANCE SHEETS AND STOCK MARKET



GLOBAL MONETARY AND BUDGETARY POLICY



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A BRAVE NEW WORLD

■ Global economy – Geopolitics

- 2021 should see a **recovery in global growth** as fiscal policy increasingly takes over the reins from monetary policy
- **Rising but volatile inflation** should characterise the global landscape
- A **global reshape of the post-WWII world order** continues as in the post-Donald Trump era

■ Equities

- Look for **earnings growth** to drive equities even at all-time high valuations but stock selection will be key
- Long-cycle **transformational opportunities** remain key: green tech, fintech, and domestic China should augment healthcare and online solutions
- Long/short equity strategies offer a way to cushion bouts of volatility, especially in high-volatility thematic
- **Quality cyclical positions** offer tactical opportunities in 2021 as sales growth recovers

■ Fixed income

- **Two-way interest rate** volatility remains as post-lockdown deflationary pressures battle against fiscal/monetary reflation efforts
- **Negative inflation-adjusted corporate bond yields** are a potential central bank policy response in 2021
- Key to even modest fixed income returns in 2021 will be to **look globally and at bottom-up credit selection**
- **Long/short credit** and **private market strategies** provide alternative options for fixed income investors

■ Foreign exchange – Precious metals

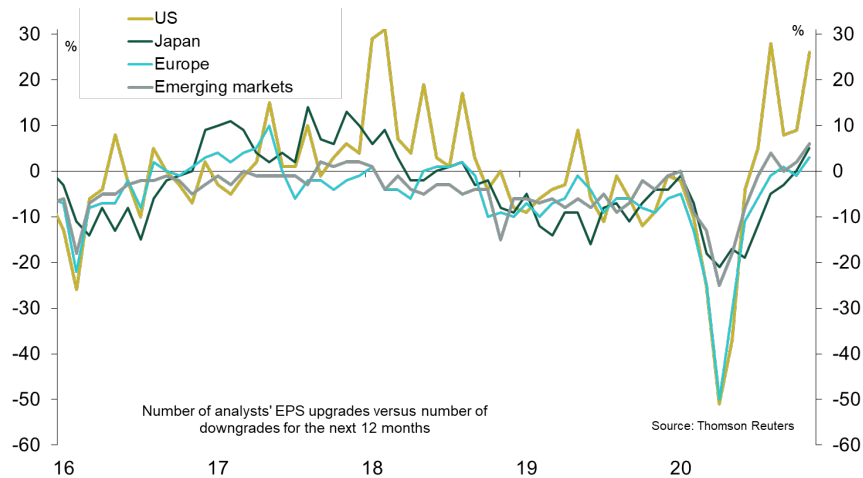
- The **USD bear market will continue** leaving **EUR, CHF, AUD, CAD,** and **NZD** as primary beneficiaries
- **Gold offers upside potential** as inflation trends higher
- **Silver and palladium** provide real-world exposure to climate change investments to come

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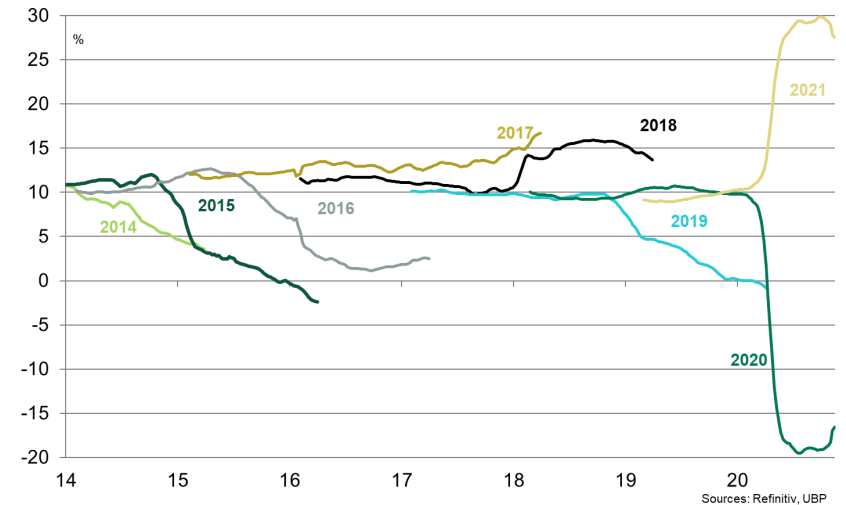
EARNINGS KEY TO RETURNS IN 2021

- **Q3 earnings surprised positively** thanks to cost cutting; that and resilient sales allowed companies to maintain or raise guidance
- **Earnings revision ratio** moved into positive territory in all regions, with US again well **above other markets**
- **Q4 earnings momentum** strongest for materials, industrials, consumer discretionary and financials (cyclical sectors)
- **Non-US markets** likely to benefit most while **revision ratio in US** may be at risk of peaking

EARNINGS REVISION RATIO:
US, EUROPE, JAPAN & EM



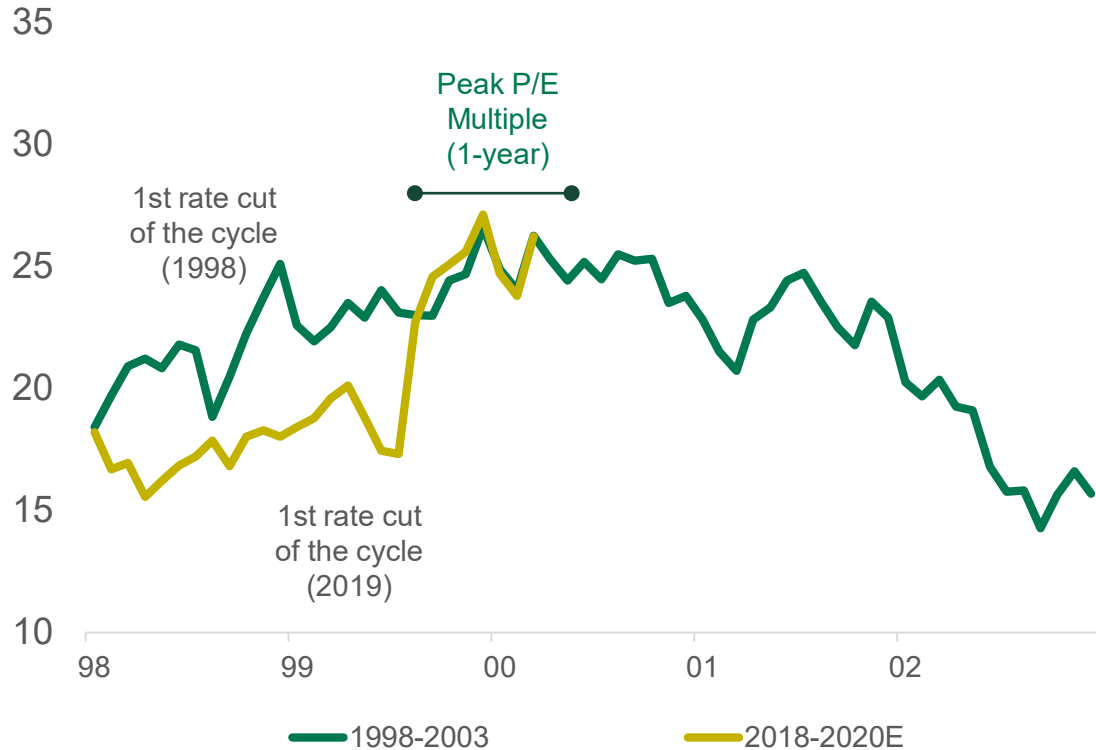
CONSENSUS EPS GROWTH EXPECTATIONS
FOR GLOBAL EQUITIES



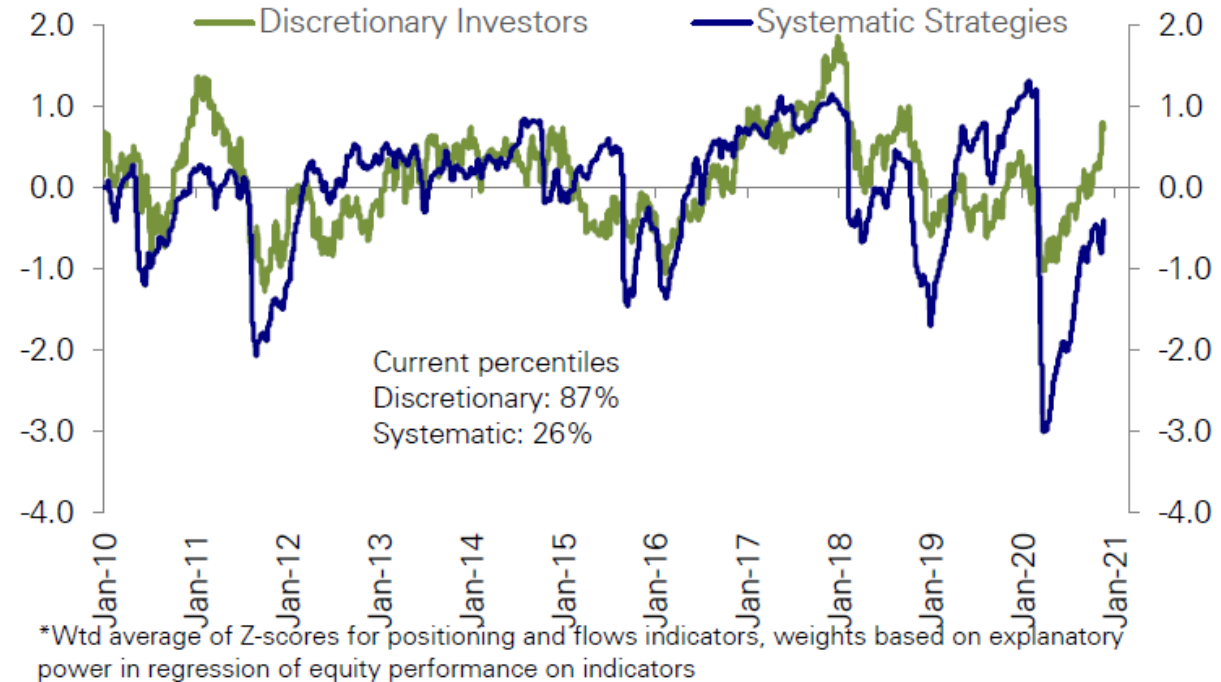
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VALUATIONS AND INVESTOR SENTIMENT ON WATCH

S&P 500 PRICE-EARNINGS (X)



DISCRETIONARY VS SYSTEMATIC EQUITY POSITIONING



*Wtd average of Z-scores for positioning and flows indicators, weights based on explanatory power in regression of equity performance on indicators

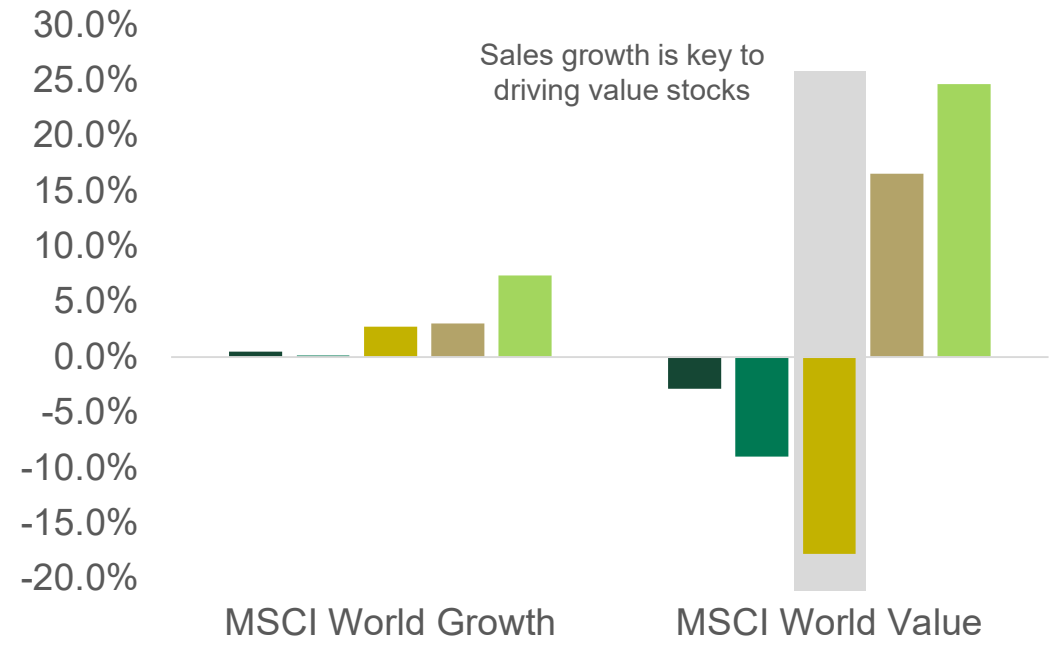
Source : EPFR, Bloomberg Finance LP, Haver, Deutsche Bank Asset Allocation

Sources: Standard & Poor's, Bloomberg Finance L.P. and UBP
2018-2020E data lagged 20 years

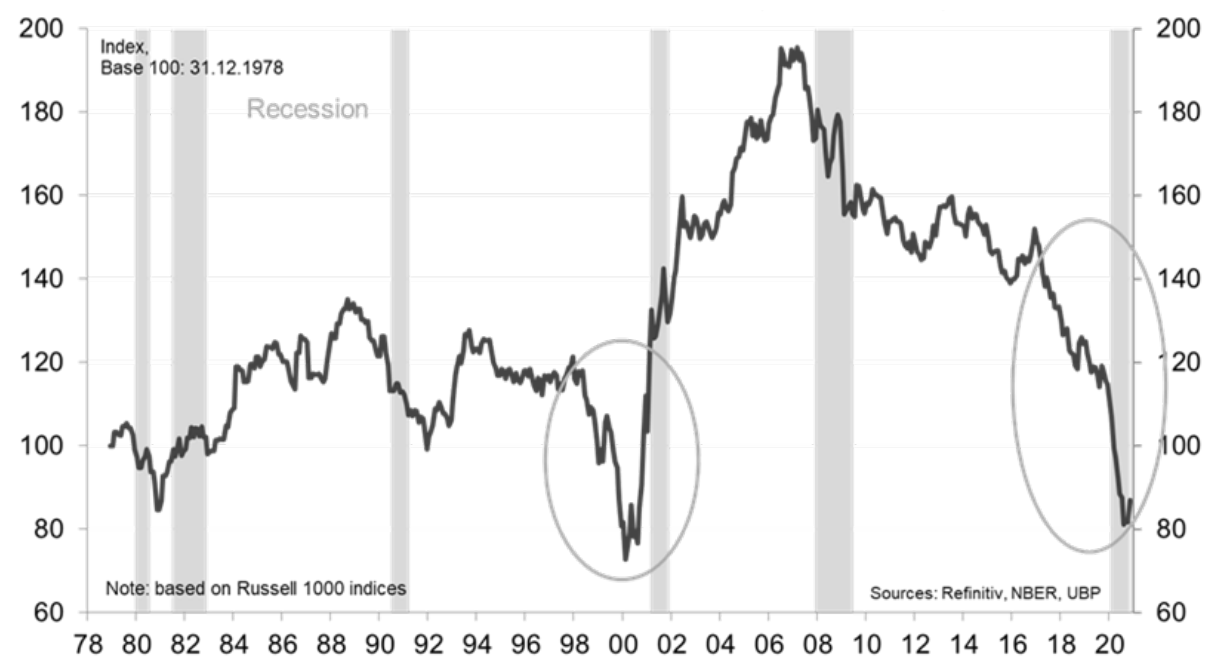
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CYCLICAL RECOVERY TO DRIVE SELECT VALUE STOCKS IN 2021

2020E YTD CHANGE



US VALUE RELATIVE TO GROWTH (TOTAL RETURN)



- EBITDA Margin
- Sales Growth
- Gearing
- Change in Pre-tax Margin
- Asset Growth

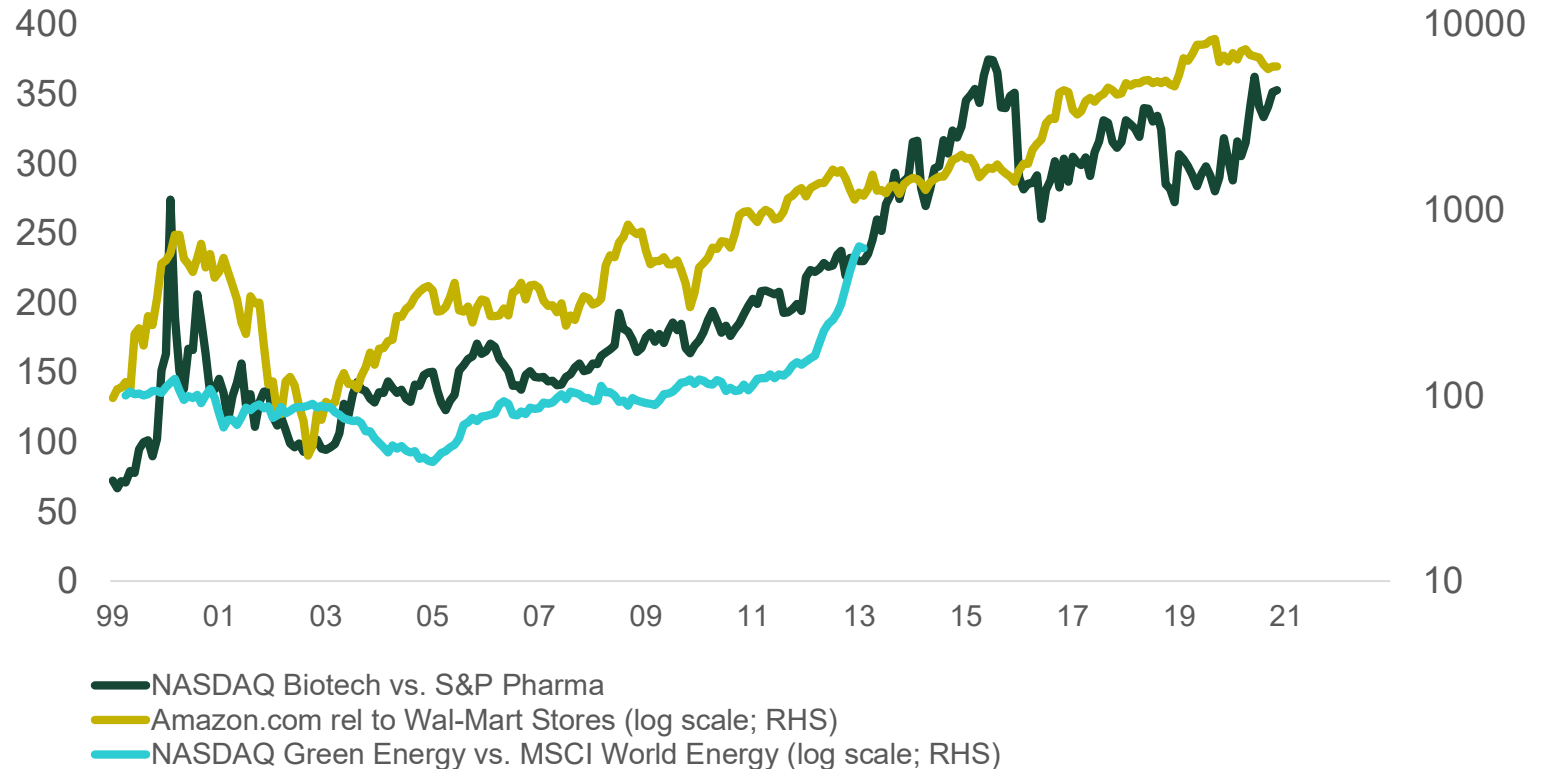
Sources: MSCI, Bloomberg Finance L.P. and UBP

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DON'T GIVE UP PREMATURELY ON SECULAR GROWTH OPPORTUNITIES

KEY TRANSFORMATION THEMES

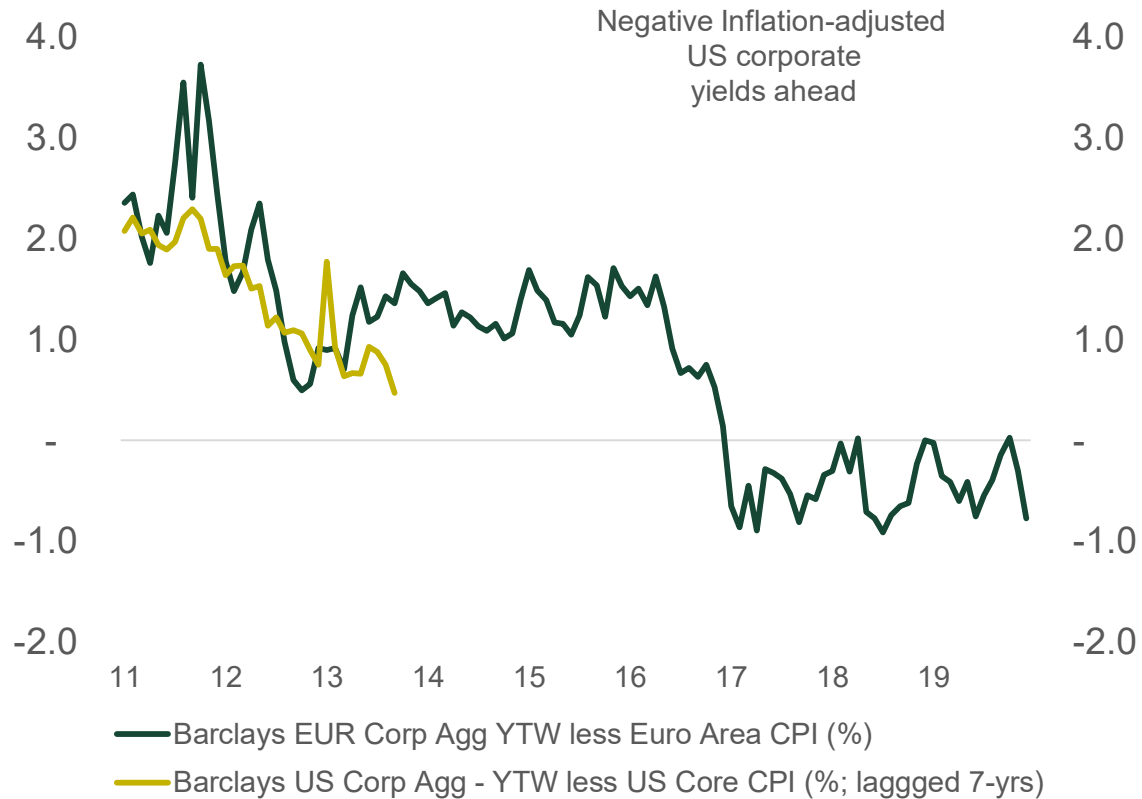
- Artificial intelligence
- Software as a service
- Climate change / ESG
- Telehealth
- Fintech
- Domestic China



Sources: NASDAQ, Standard & Poor's, Bloomberg Finance L.P. and UBP
Amazon.com rel. to Walmart stores forward 12 months; NASDAQ Green Energy vs. MSCI World Energy lagged 13 years

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GENERATING INCOME IN A NO-/LOW-YIELD WORLD

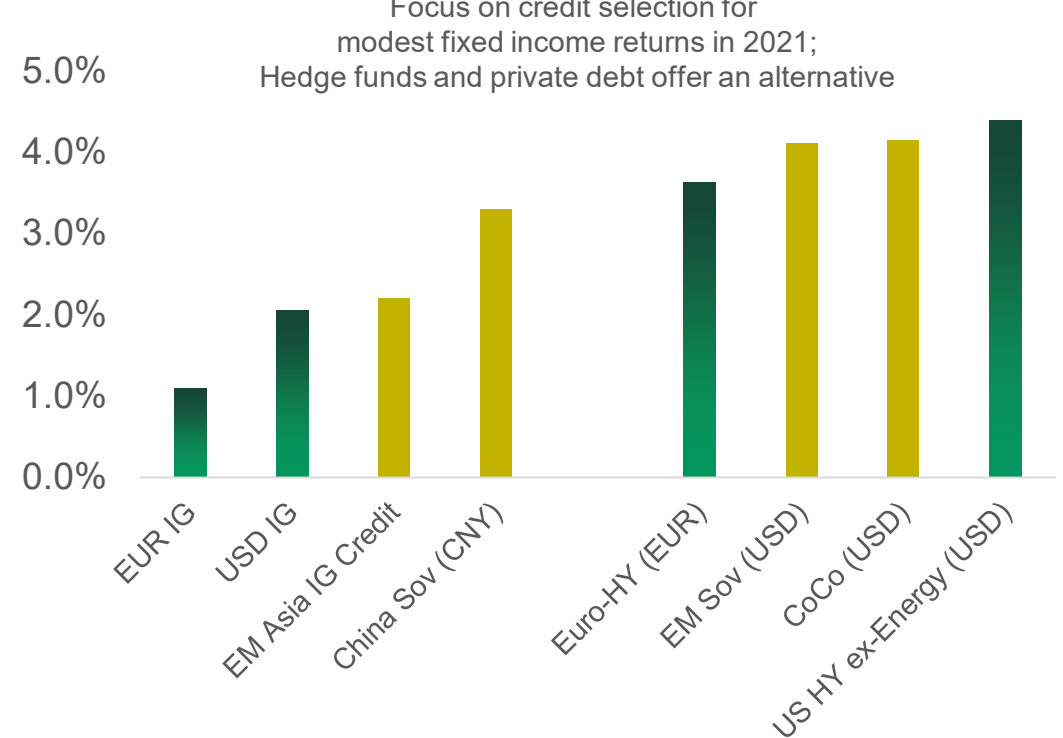


Sources: Barclays, Bloomberg Finance L.P. and UBP

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YIELD TO WORST

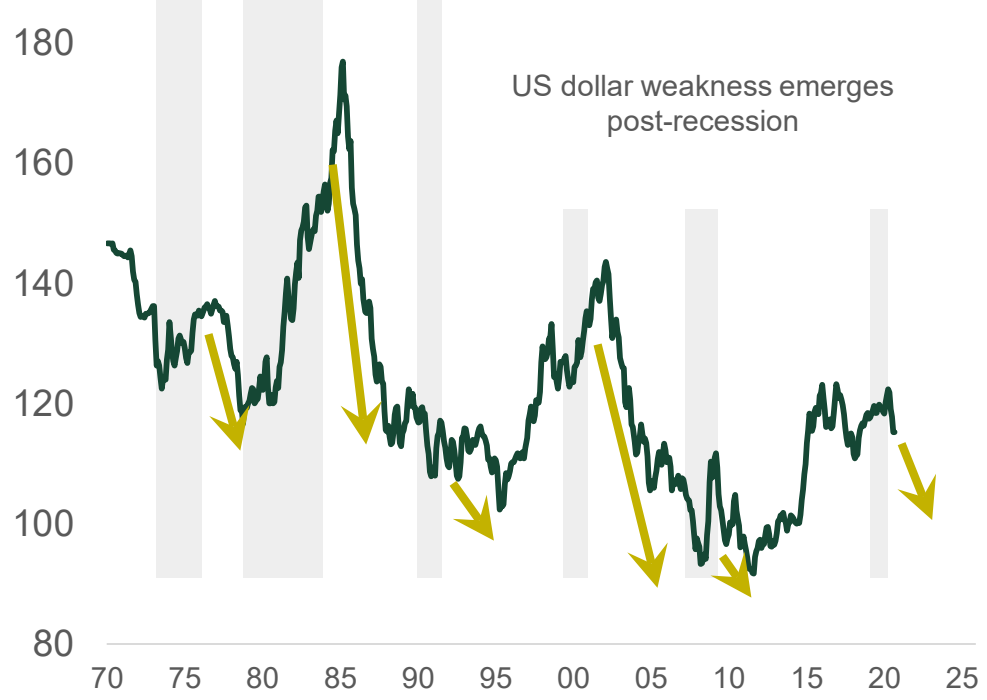
Focus on credit selection for modest fixed income returns in 2021;
 Hedge funds and private debt offer an alternative



Sources: Bloomberg Finance L.P. and UBP

VALUATIONS AND INVESTOR SENTIMENT ON WATCH

BANK OF INTERNATIONAL SETTLEMENTS - US DOLLAR NOMINAL EFFECTIVE EXCHANGE RATE (NARROW)



Sources: Bank of International Settlements and UBP
Shaded areas represent US recessions

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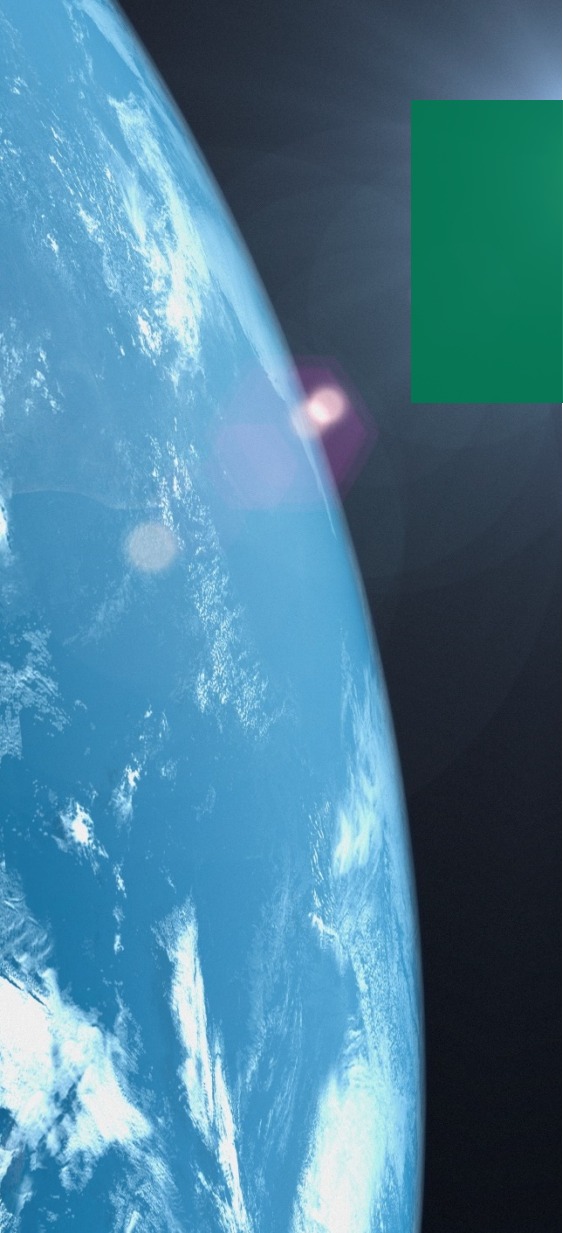


Sources: Bloomberg Finance L.P. and UBP



Q & A SESSION





THANK YOU FOR JOINING OUR WEBINAR

We hope you found the presentation useful.

If you have any questions, please do not hesitate to contact us.



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our key convictions
for the year to come on
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