

Global Market Strategy Research

Regional and Sector Strategy: Monthly Update

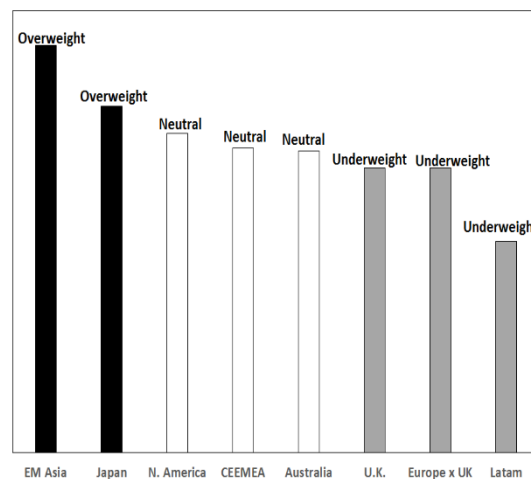


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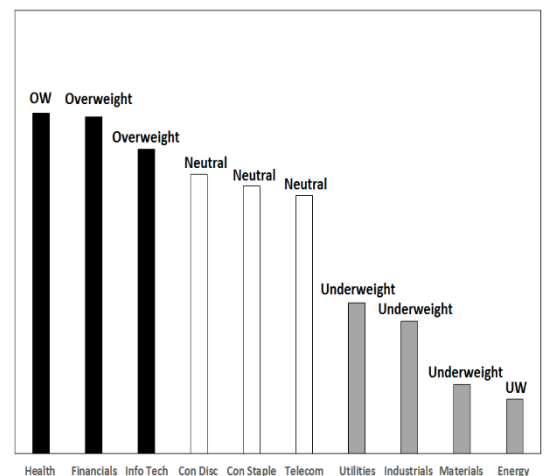
- **It's Still about Cyclicity** — We are now underweight the most cyclically sensitive sectors: Industrials, Materials, Energy. While we upgrade the CEEMEA region to Neutral from Underweight — in large part because of an improved earnings outlook — this likely reflects a modest rebound in oil prices, which remain 40% below year-ago levels.
- **Downgrade Industrials to Underweight from Neutral** — The earnings outlook for Industrials has weakened further, at the same time that the sector's relative valuation has become less attractive.
- **Upgrade the CEEMEA region to Neutral from Underweight** — Likely reflecting a modest rebound in oil prices, the earnings outlook of the CEEMEA region (26% Russia) has improved after over two years of deteriorating earnings momentum. Relative valuations have also become more attractive, likely reflecting an easing in geopolitical tensions. However, renewed weakness in the price of oil and/or a resumption in geopolitical tensions could quickly change the outlook for the region.

Figure 1: Regional Rankings



Source: Cornerstone Capital Group

Figure 2: Sector Rankings



Source: Cornerstone Capital Group

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