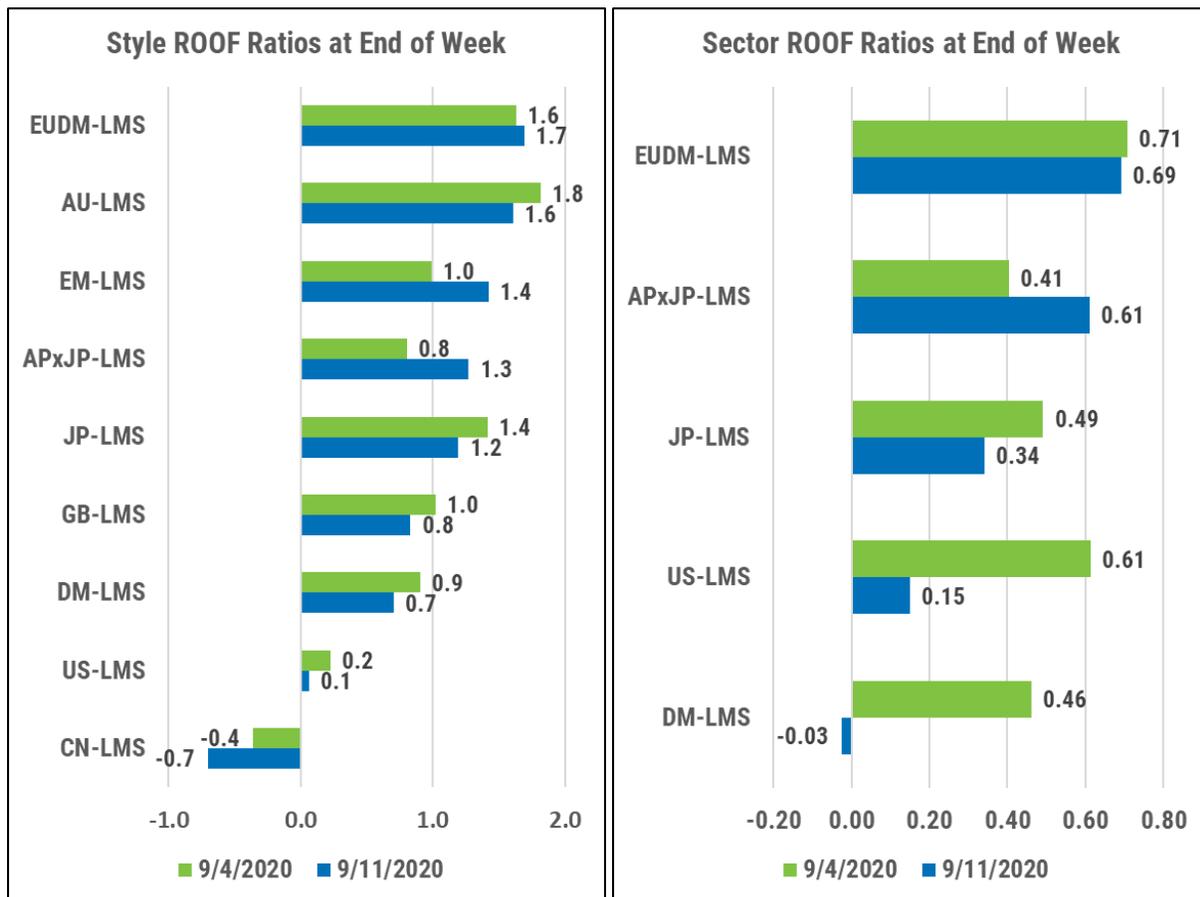
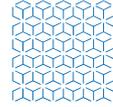


Qontigo ROOF™ Score Highlights: Week of September 14, 2020

Potential triggers this week: In the US, the Fed's monetary policy meeting, industrial production, retail sales, building permits, and housing starts. Elsewhere, BoE and the BoJ will announce their interest rate decision, China will release industrial production, retail sales, and fixed investment figures, and the ruling Liberal Democratic Party in Japan will hold its leadership election.

Summary: Key markets of the US, Global Developed, and Japan have slipped into neutral territory this past week. In this state, the equilibrium between risk-tolerance and risk-aversion means that positive news will not act as a big buying trigger, and negative news will not be so easily ignored as in the recent past. In contrast, sentiment in Asia ex-Japan, global emerging, and European markets remained bullish and what is lacking in there is a strong positive news to trigger this risk-appetite into buying action. Higher volatility weighed on sentiment this past week and a return to lower levels may result in a return to bullish sentiment in the coming weeks as we saw in late June, but with a historically volatile month of October only two weeks away and the US Presidential election right behind it (7 weeks), time may not be on the side of risk-tolerance and favor risk-aversion until after the elections.





Both US ROOF Variants now firmly in Neutral territory.

Over the last week, the Sector ROOF Ratio has caught-up with its Style ROOF counterpart and both are now deep in neutral territory (top chart). The gap between the supply and demand for risk has now all but closed for both of our US ROOF variants indicating that risk appetite has reached an equilibrium in the short term (bottom chart). In this zone, given the lack of sentimental direction, we are likely to see profit-taking be countered by bargain-hunting.

Historically, when risk-tolerance and risk-aversion cognitive biases are evenly matched, markets tend to trade in a narrow range and become directionless until either a (much) better-than or worse-than news drives sentiment in one direction or the other. This week sees the Fed’s policy meeting which may provide direction with regards to further monetary stimulus measures as the fiscal stimulus is being held-up in Congress. We are now about seven weeks away from a Presidential election that remains too close to call and just two weeks away from the potential for an October surprise. Volatility has seen an up-tick and there will be no company-specific earnings news until the election which means macro and geopolitical news will dominate sentiment for the next could of weeks.

STOXX USA 900 CUMULATIVE RETURN (BLACK LINE), STYLE ROOF RATIO (BLUE LINE), SECTOR ROOF RATIO (GREEN LINE) FROM: 1/2/2020 TO: 9/11/2020



STOXX-USA-900 CUMULATIVE RETURN (BLACK LINE), RISK TOLERANCE (GREEN LINE), RISK AVERSION (RED LINE) FROM: 1/2/2020 TO: 9/11/2020
28-DAY MOVING AVERAGE APPLIED





Sentiment in Developed Europe remains unchanged and positive awaiting news of stimulus.

Sentiment in Developed Europe has now been in the bullish zone for a record 104 consecutive days. Both ROOF variants remained in their sideways trend started in early July and seem happy to remain hopeful of further stimulus announcements without buying the rumor (top chart).

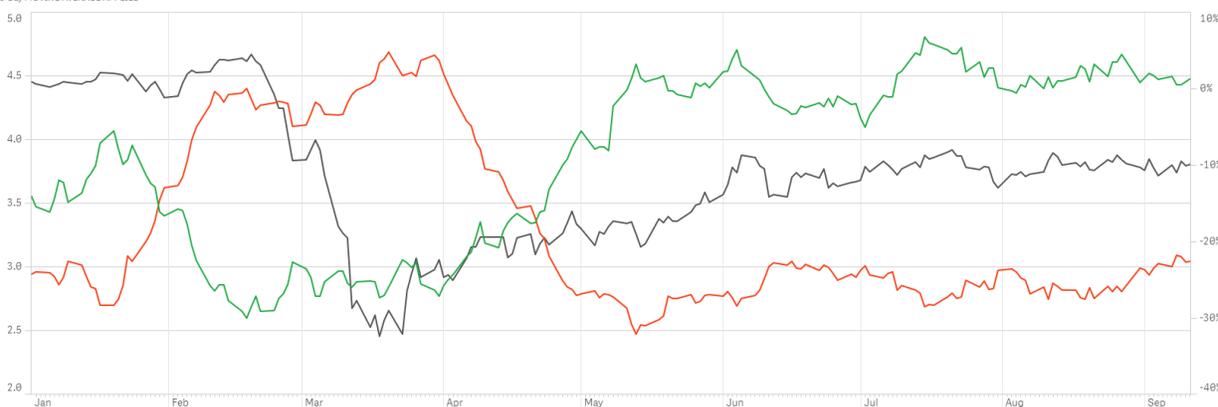
Risk-tolerance has remained high and risk-aversion low for three and a half months now (bottom chart). The imbalance in the supply and demand for risk has been in favor of risk-tolerance since late April, but investors do not seem ready to act on this risk appetite and the market has been trading sideways, as if sentiment was neutral, for the last two months. The STOXX Europe 600 index is still down about 10% YTD despite risk appetite being stronger than back in January of this year.

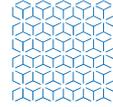
Given the still strong positive cognitive bias, negative news is being brushed aside but the lack of positive news is preventing demand for risk from being triggered into buying action. European investors seem to be looking for a reason to buy but are simply not being given one yet.

STOXX EUROPE 600 CUMULATIVE RETURN (BLACK LINE), SECTOR ROOF RATIO (GREEN LINE), STYLE ROOF RATIO (BLUE LINE) FROM: 1/2/2020 TO: 9/11/2020



STOXX EUROPE 600 CUMULATIVE RETURN (BLACK LINE), RISK TOLERANCE (GREEN LINE), RISK AVERSION (RED LINE) FROM: 1/2/2020 TO: 9/11/2020
28-Day MOVING AVERAGE APPLIED



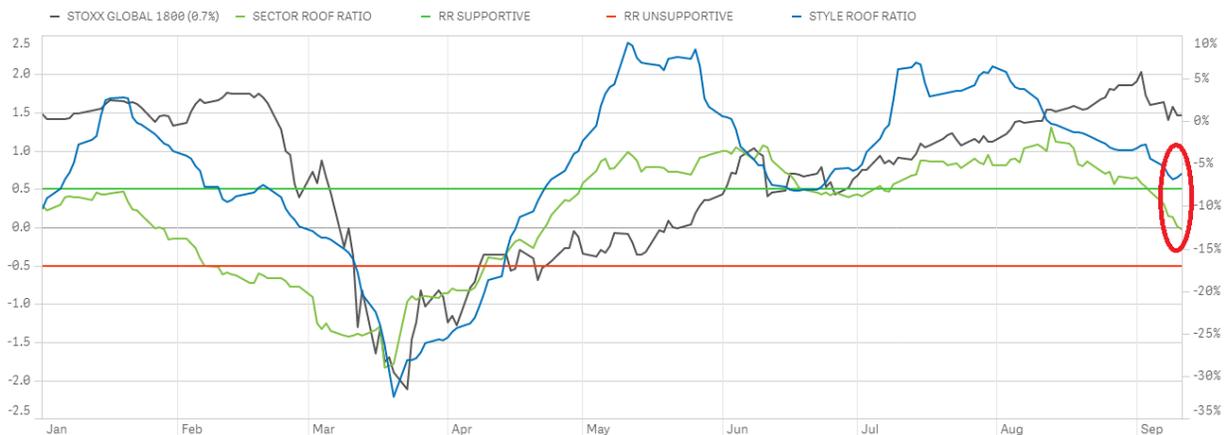


Sentiment drags market lower for global developed investors but rebounds for Asia ex-Japan.

Sentiment among global developed market investors has continued its downtrend with the Sector ROOF (green line) now firmly in neutral territory while the Style ROOF (blue line) paused its decent just above the border between bullish and neutral (top chart). This is reminiscent of what happened in late June where the rebound in the Style ROOF eventually spread to the Sector ROOF ratio which returned to the bullish zone and gave markets another boost for higher levels in July and August. If the volatility spike we saw in the last ten days goes back down, we may see a repeat of the June pattern over the next few weeks.

Unlike its peers, sentiment in Asia ex-Japan rebounded last week with both ROOF variants ending in bullish territory. The Style ROOF variant has now been bullish for 105 consecutive days (bottom chart). This prolonged positive risk appetite, however, has not translated in strong buying and the market remains some 8% down YTD. Like their European peers, it seems Asian investors are still waiting on a trigger to turn their positive risk appetite into stock purchases, and will require a positive news to put their risk-tolerance into motion.

STOXX GLOBAL 1800 CUMULATIVE RETURN (BLACK LINE), SECTOR ROOF RATIO (GREEN LINE), STYLE ROOF RATIO (BLUE LINE) FROM: 1/2/2020 TO: 9/11/2020



STOXX APxJP CUMULATIVE RETURN (BLACK LINE), STYLE ROOF RATIO (BLUE LINE), SECTOR ROOF RATIO (GREEN LINE) FROM: 1/2/2020 TO: 9/11/2020

