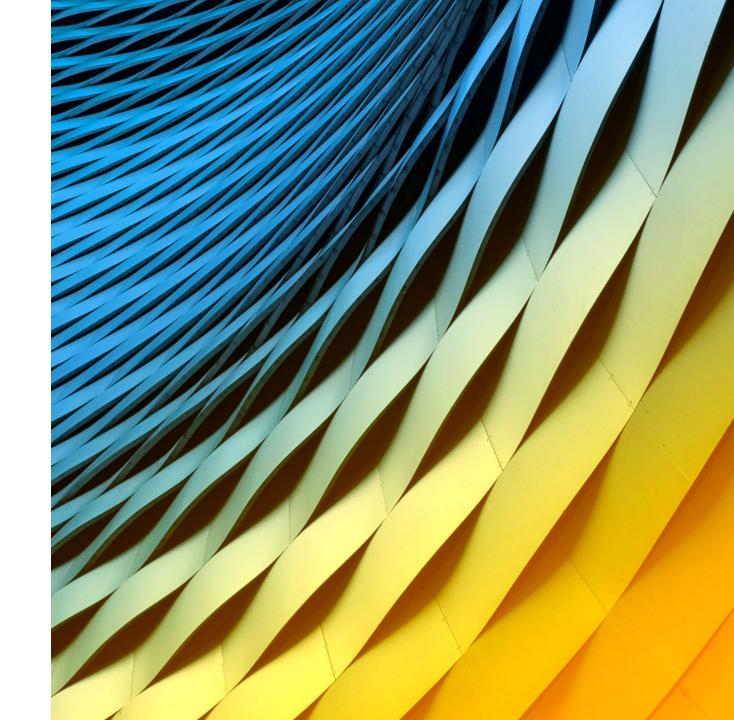
## WisdomTree – Five themes that could move markets this year

Pierre Debru, Director, Research Mobeen Tahir, CFA, Associate Director, Research WisdomTree

April 7, 2021



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# Five Themes that could move markets this year

April 2021



Five themes that could move markets this year



Source: WisdomTree

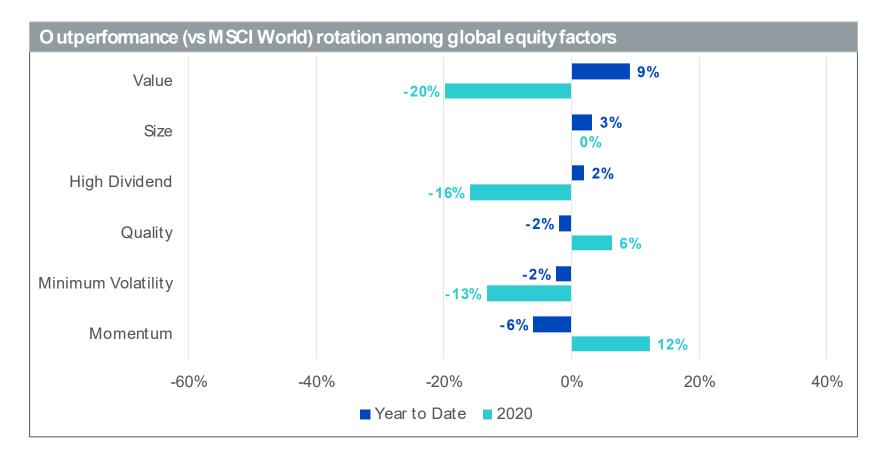


#### 2020 losers are turning into 2021 winners



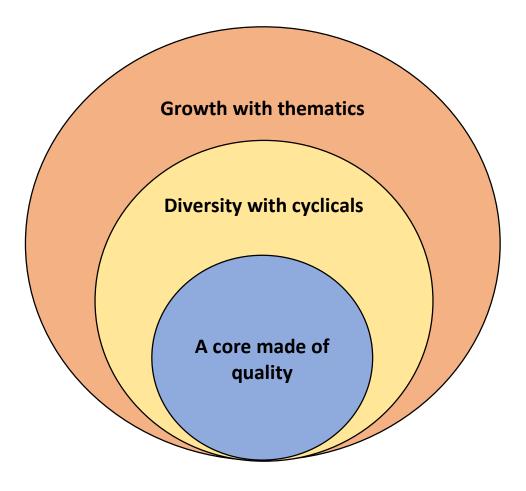
Source: WisdomTree, Bloomberg. From 31<sup>st</sup> December 2019 to 29<sup>th</sup> March 2021. in USD based on daily returns. For more information on the different sector and factor indices, please see the appendix. **Historical performance is not an indication of future performance and any investments may go down in value** 

#### 2020 losers are turning into 2021 winners



Source: WisdomTree, Bloomberg. From 31<sup>st</sup> December 2019 to 29<sup>th</sup> March 2021. in USD based on daily returns. For more information on the different sector and factor indices, please see the appendix. **Historical performance is not an indication of future performance and any investments may go down in value** 

#### An equity framework for the year ahead



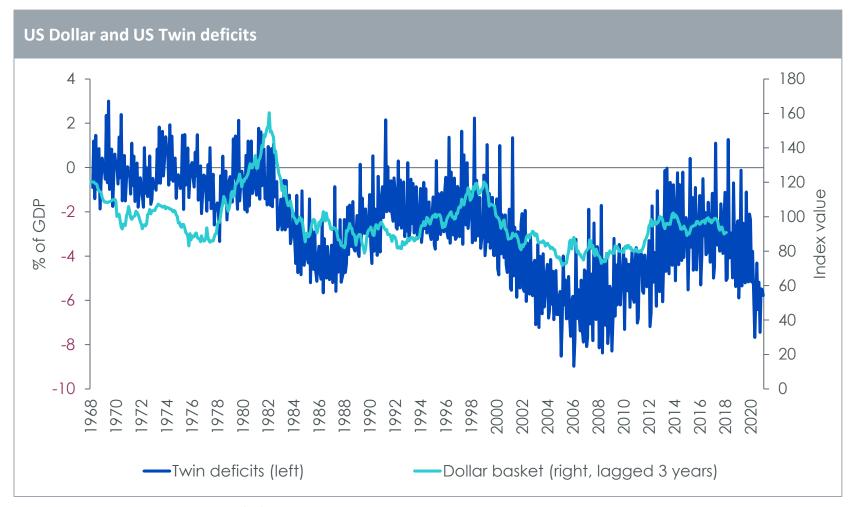
#### **Three core components**

- Quality stocks provide a balanced core exposure that can support or replace a market cap approach
- + Cyclicals which stand to benefit from an economic upswing provide diversification
- + Thematic equities add an exciting element of growth potential

Source: WisdomTree. For illustrative purposes only.

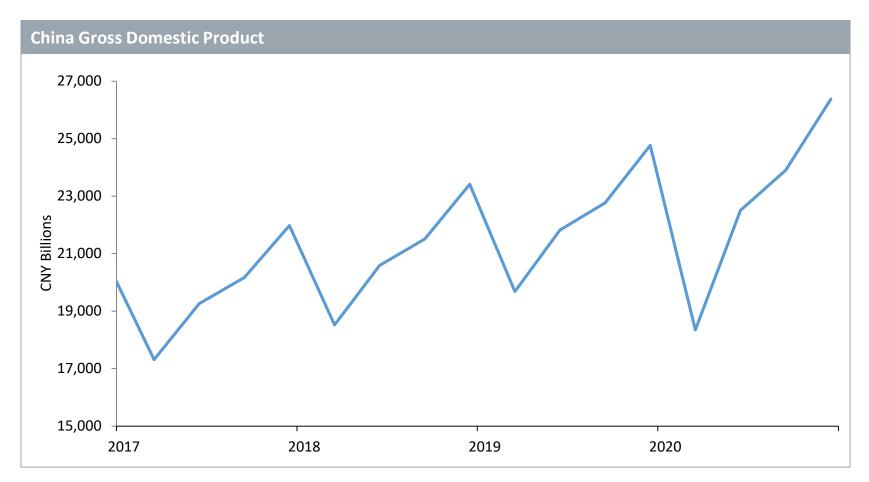


#### Dollar weakness puts the spotlight on emerging markets



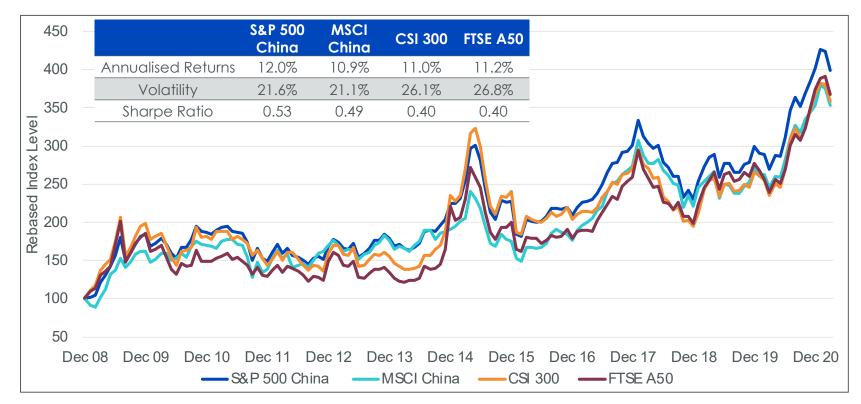
Source: WisdomTree, Bloomberg. Data as of 26/03/2021. Historical performance is not an indication of future performance and any investments may go down in value.

#### China was among the few major economies that grew last year



Source: WisdomTree, Bloomberg. Data as of 26/03/2021. Historical performance is not an indication of future performance and any investments may go down in value.

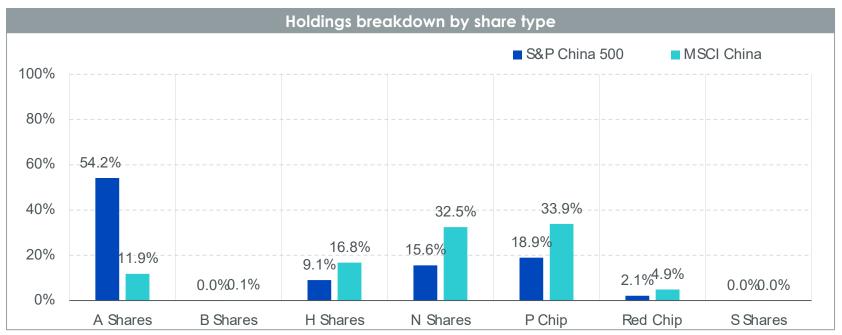
#### S&P China 500 strong performance since the great financial crisis



Source: WisdomTree, Bloomberg, data from 31 December 2008 to 31 March 2021. Please Note: The full name of the Indices used in the chart above are: S&P China 500 : ICBCCS S&P China 500 Index ; MSCI China : MSCI China Index ; FTSE A50 : FTSE China A50 Index ; CSI 300 : CSI 300 Index. The S&P China 500 was launched on August 28, 2015. All information for an index prior to its launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect on the launch date. **Historical performance is not an indication of future performance and any investments may go down in value** 

#### How is S&P China 500 a "Total China" Index?

- Covers the 500 largest and most liquid Chinese companies regardless of their listing venue
- Includes the entire universe of Chinese companies (A, B, H, Red Chip, P Chip and Chinese securities listed in the U.S. or any other overseas exchange.)



Source: WisdomTree, FactSet, 26 February 2021. Please refer to the appendix to obtain further details on the definition of all the Chinese share class. Historical performance is not an indication of future performance and any investments may go down in value

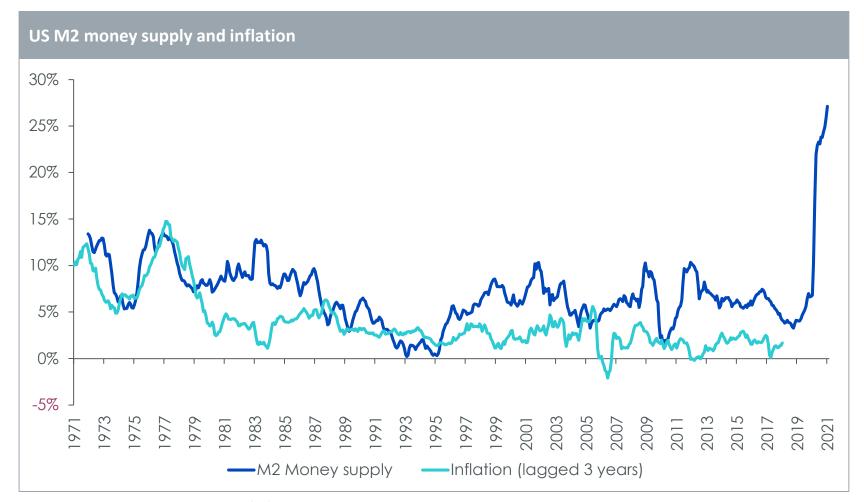


#### Markets' inflation expectations are on the rise

US breakeven inflation curve has risen above pre-pandemic levels 2.8 2.4 2.0 1.6 % 1.2 0.8 -US breakeven inflation curve as at 30/06/2020 0.4 0.0 2 5 10 20 1 3 4 6 7 8 9 30 Maturity (years)

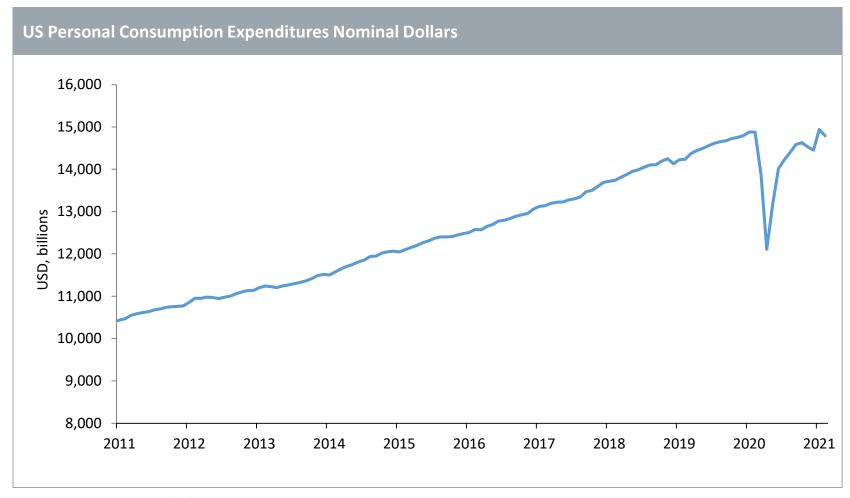
Source: WisdomTree, Bloomberg. Data as of 26/03/2021. Historical performance is not an indication of future performance and any investments may go down in value.

#### Monetary accommodation could unhinge inflation expectations



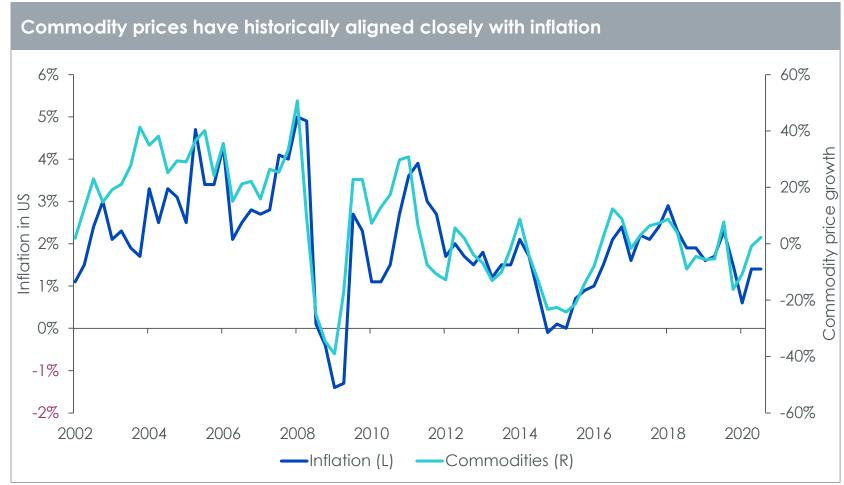
Source: WisdomTree, Bloomberg. Data as of 26/03/2021. Federal Reserve United States Money Supply (M2), US CPI inflation, Jan 1972 to Dec 2020. Historical performance is not an indication of future performance and any investments may go down in value.

#### Drop in consumer spending could create 'pent-up' demand



Source: Bloomberg, data as of 26/03/2021. Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation. Historical performance is not an indication of future performance and any investments may go down in value.

#### Commodities are a potential hedge against inflation



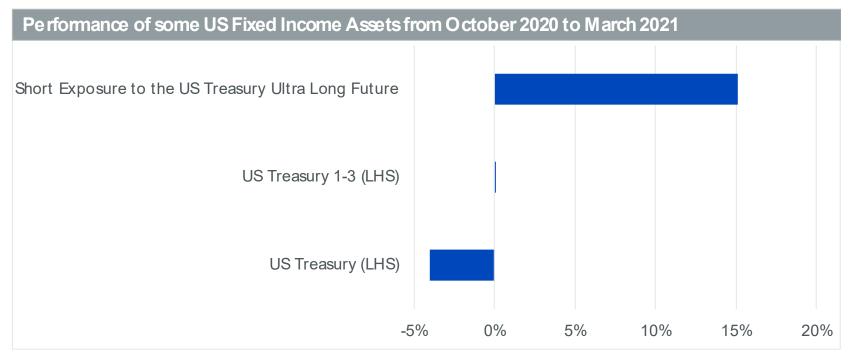
Source: WisdomTree, Bloomberg. Data as of 18/01/2021. Commodity price based on Optimized Roll Commodity Total Return (EBCIWTT Index), US CPI inflation, June 2002 to December 2020. Historical performance is not an indication of future performance and any investments may go down in value.

#### Commodity have the highest inflation beta

	Beta to US inflation	Performance over the full period	Performance in high inflation months	Difference
Bloomberg Commodity TR Index	4.2	-1.3%	9.5%	10.8%
LBMA Gold	1.4	2.7%	18.3%	15.6%
S&P 500 TR Index	0 5	7.8%	6.1%	-1.7%
Bloomberg Barclays US Treasury TR Index	-1.1	2.7%	1.3%	-1.4%
Bloomberg Barclays US Corporate TR Inde>	-0.8	4.0%	3.0%	-1.0%

Source: WisdomTree, Bloomberg. 31<sup>st</sup> December 1990 to 26<sup>th</sup> February 2021. Inflation is proxied by US CPI Urban Consumers Seasonally adjusted. High inflation month are defined as months with an annualised inflation above 3%. **Historical performance is not an indication of future performance and any investments may go down in value** 

## Using Negative Duration instruments to benefit from a rise in interest rates



- + Between October 2020 and end of March 2020, 10Y US Treasury yields went from 0.9% to 1.7%, gaining 0.8% very quickly
- + Fixed Income investments with long duration lost ground over that period.
- + In the same period, Fixed Income investment with negative duration gained value.

Source WisdomTree, Bloomberg. 30<sup>th</sup> October 2020 to 29<sup>th</sup> March 2021. Calculations are based on daily returns. All returns are in USD. US Treasury is proxied by the Bloomberg Barclays US Treasury 1-3 TR Index. US Treasury 1-3 is proxied by the Bloomberg Barclays US Treasury 1-3 TR Index **Historical performance is not an indication of future performance and any investments may go down in value.** For illustrative purposes only.



#### Policy is paving the way for industry to grow

# Biden returns US to Paris climate accord hours after becoming president

Biden administration rolls out a flurry of executive orders aimed at tackling climate crisis



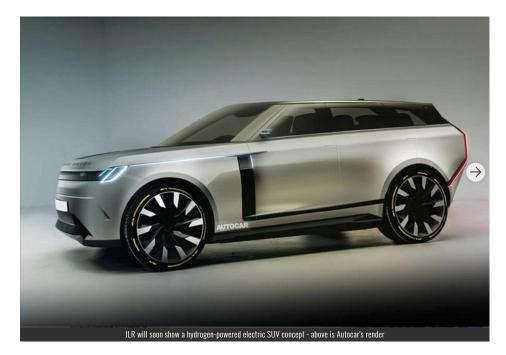
▲ Joe Biden kicks off his new administration with orders to restore the United States to the Paris climate accord. Photograph: Jim Watson/AFP/Getty Images

Source: The Guardian, Jan 2021.

#### Industrial innovation is accelerating

### Jaguar Land Rover to test fuel cell powertrains within the year

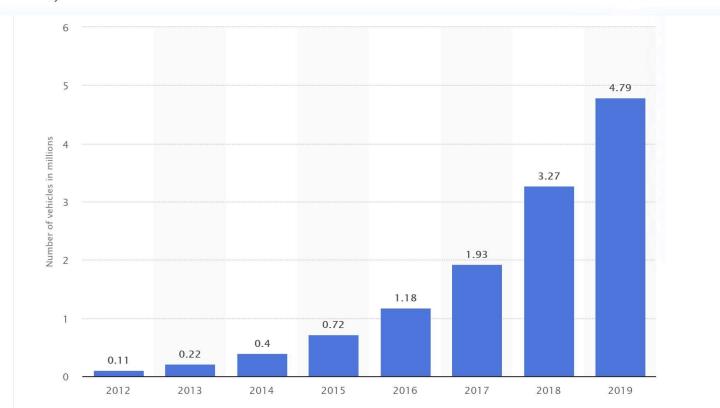
New Reimagine strategy reinforces company commitment to hydrogen; fuel-cell Range Rover could launch later this decade



Source: Autocar.

#### Consumers are responding positively

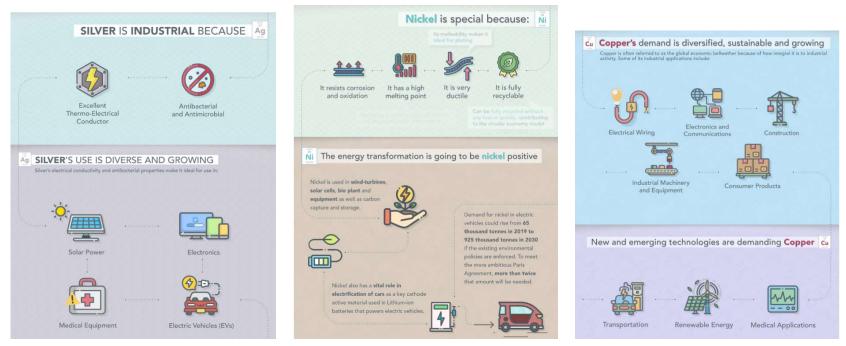
### Worldwide number of battery electric vehicles in use from 2012 to 2019 *(in millions)*



Source: Statista, as of February 2021 . Historical performance is not an indication of future performance and any investments may go down in value.

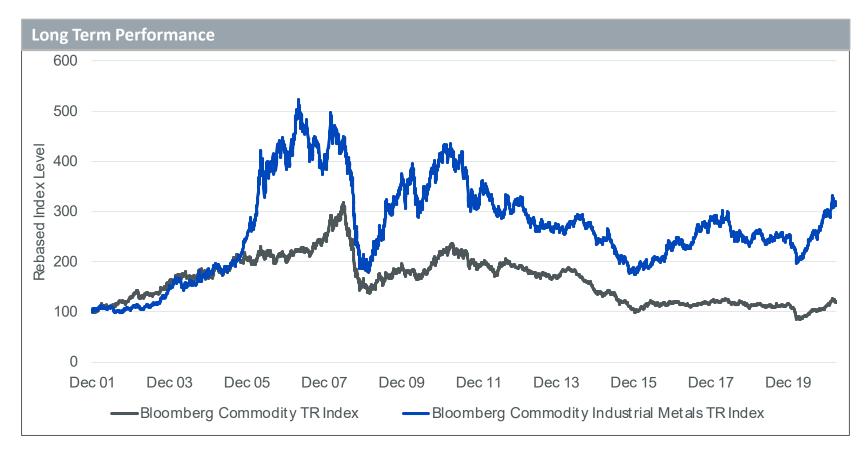
#### To fight climate change, the world needs more metals

+ Industrial Metals use is poised for growth across the electric vehicle and clean energy environment



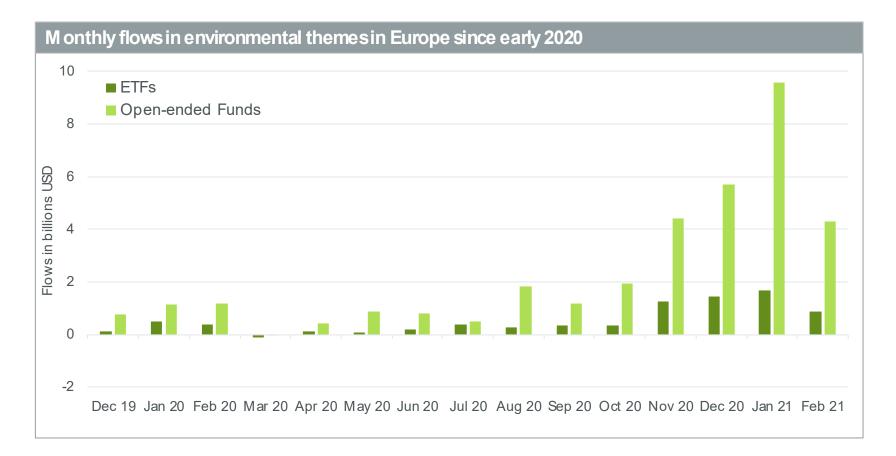
Source: WisdomTree, Bloomberg. March 2021.

#### To fight climate change, the world needs more metals



Source: WisdomTree, Bloomberg. 31<sup>st</sup> December 2001 to 31<sup>st</sup> March 2021. Calculations are based on daily returns in USD. You can not invest in an index. Illustrative Only. Historical performance is not an indication of future performance and any investments may go down in value.

# Thematic investments focus on Climate Change and Sustainability have gathered large flows recently



Source WisdomTree, Morningstar, Bloomberg. 31<sup>st</sup> December 2019to 26<sup>th</sup> February 2021. Calculations are based on monthly returns. Based on the WisdomTree Thematic Classification. **Historical performance is not an indication of future performance and any investments may go down in value.** 

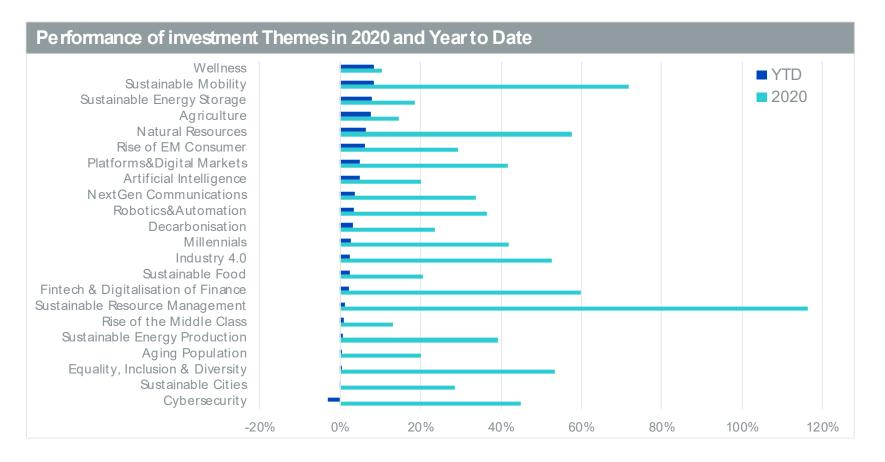


#### Has growth reached the end of the line?



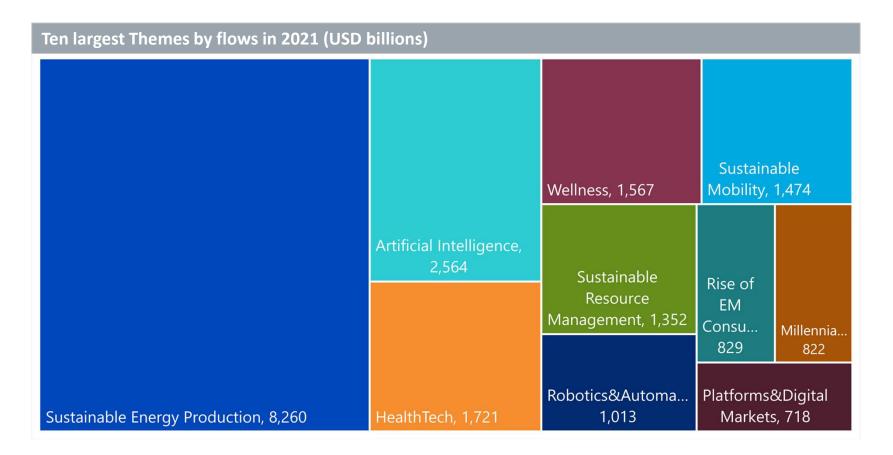
Source: Bloomberg. Data from 31/12/2019 to 31/12/2020. WTDDGTR Index is the WisdomTree Global Developed Quality Dividend Growth Total Return Index. M1WO000V Index is the MSCI World Net Total Return Index. Historical performance is not an indication of future performance and any investments may go down in value.

#### Thematic investments have continued to perform well in 2021



Source WisdomTree, Morningstar, Bloomberg. 31<sup>st</sup> December 2019to 26<sup>th</sup> February 2021. Calculations are based on monthly returns. Based on the WisdomTree Thematic Classification. **Historical performance is not an indication of future performance and any investments may go down in value.** 

#### Some Themes have continued to gather significant flows



Source WisdomTree, Morningstar, Bloomberg. 31<sup>st</sup> December 2019to 26<sup>th</sup> February 2021. Calculations are based on monthly returns. Based on the WisdomTree Thematic Classification. **Historical performance is not an indication of future performance and any investments may go down in value.** 

# Questions For more information and insight please visit:

# wisdomtree.eu





#### Appendix

Name	Index Name	Name	Index Name
Minimum Volatility	MSCI World Min Volatility net TR Index	Communication Services	MSCI World Communication Services net TR Index
Quality	MSCI World Quality net TR Index	Energy	MSCI World Energy net TR Index
Size	MSCI World Small Cap net TR Index	Financials	MSCI World Financials net TR Index
High Dividend	MSCI World high Dividend net TR Index	Industrials	MSCI World Industrials net TR Index
Value	MSCI World Enhanced Value net TR Index	Materials	MSCI World Materials net TR Index
Momentum	MSCI World Momentum net TR Index	Utility	MSCI World Utility net TR Index
		Information Technology	MSCI World Information Technology net TR Index
		Health Care	MSCI World Healthcare net TR Index
		Consumer Discretionnary	MSCI World Consumer Discretionnary net TR Index
		Consumer Staples	MSCI World Consumer Staples net TR Index
		Real Estate	MSCI World Real Estate net TR Index

Source: WisdomTree.

#### Appendix

**A-Shares** are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are traded in Renminbi (Chinese Yuan). They can only be traded by residents of the People's Republic of China or under the Qualified Foreign Investor (QFII), the Renminbi Qualified Foreign Institutional Investor (RQFII) rules, or via the Stock Connect programs.

**B** shares are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are traded in US dollars on the Shanghai Stock Exchange and Hong Kong dollars on the Shenzhen Stock Exchange. They can be traded by non-residents of the People's Republic of China and also residents of the People's Republic of China with appropriate foreign currency dealing accounts.

**H** shares are securities of companies incorporated in the People's Republic of China that trade on the Hong Kong Stock Exchange. They are traded in Hong Kong dollars. Like other securities trading on the Hong Kong Stock Exchange, there are no restrictions on who can trade H shares.

A **Red Chip** is a company incorporated outside the People's Republic of China (PRC) that trades on the Hong Kong Stock Exchange and is substantially owned, directly or indirectly, by Mainland China state entities with the majority of its revenue or assets derived from Mainland China.

A **P Chip** is a company controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in Mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the Hong Kong Stock Exchange with a majority of its revenue or assets derived from Mainland China.

An **S Chip** is a company controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the Singapore Stock Exchange with a majority of its revenue or assets derived from Mainland China.

**N** Shares are companies controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in Mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American with a majority of its revenue or assets derived from Mainland.

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