

US Equity and Derivatives Strategy

Q1 Earnings: Will Better than Expected be Good Enough?

Equity Strategy

Americas

Depressed Expectations, Elevated Equities

S&P 500 consensus expectations call for -8.1% earnings growth in 1Q2016, the largest decline since the Financial Crisis. While results should beat as usual, YoY forecast declines for 7 of 10 sectors (not just Energy, Materials and Industrials which have explained most of the earnings weakness of the last 18 months) make it unlikely that positive price reactions to "better than expected" will be an upside catalyst for the broader market. This is all the more likely given the rally since February and the plunge in risk perception (VIX) against the backdrop of a forecast 2Q earnings decline.

Growth, Guidance, Valuation

What could outperform with such a defensive setup into earnings reporting season? With rates expected to move higher over the balance of 2016 (UBS forecasts 2 Rate hikes in 2016 and a year end 10 year yield of 2.0%), despite an acceleration in economic growth typical of the start of Fed rate hike cycles (Figure 1), the "demise of Growth (stocks)" has been exaggerated. Meaningful as well will be guidance; after a downbeat 4Q, optimism could be rewarded though likely more so for sectors such as Financials which have underperformed as opposed to Consumer Staples, defensives trading at premium valuations where a weaker dollar boost may be transitory.

GARP and Earnings Overachievers

The tale of 1Q2016 earnings season looks to be one of "What you see is what you get" with regard to the prospects for earnings growth. In this context, we screen for UBS covered stocks which have underperformed the S&P 500 by 5% or more YTD, have earnings growth forecast greater than 10% in 2016 with forward P/E below 20 or PEG less than one – Growth at a Reasonable Price, GARP. As well, we identify stocks in the UBS coverage universe which are expected to show YoY earnings declines in 2016 and have outperformed SPX by more than 5% YTD – Earnings Overachievers – details on pages 6-8. To position for prospective Financials outperformance through earnings season and beyond, investors could consider buying the XLF (Financial Select Sector SPDR) July 23 calls, whereas the view that good news is fully priced into Consumer Staples could be expressed by buying the XLP (Consumer Staples SPDR) June 52p/48p spread versus selling the June 54c – a put spread collar. Details on pages 8-10.

Julian Emanuel

Strategist

julian.emanuel@ubs.com

+1-212-713-3845

Omar Elangbawy

Strategist

omar.elangbawy@ubs.com

+1-212-713 3303

Sibi Gnanasundaram

Associate Strategist

sibi.gnanasundaram@ubs.com

+1-212-713 9458

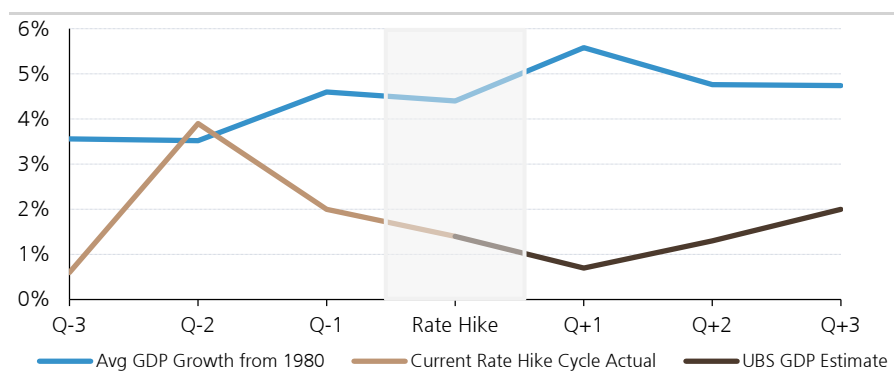
Patrick Buckley, PhD

Associate Analyst

patrick.buckley@ubs.com

+1-212-713 3496

Figure 1: A Rate Hike Cycle Unlike All the Rest



Source: Bloomberg, UBS

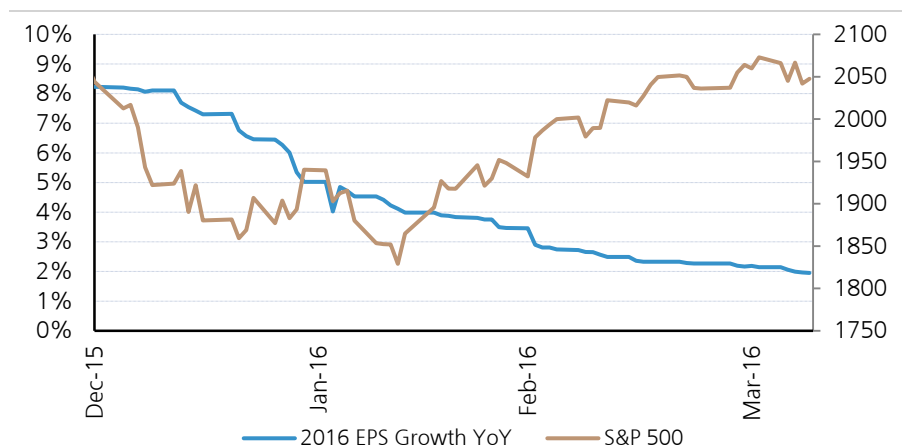
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Depressed Expectations, Elevated Equities

The bursting of a “negativity bubble” in early February, which was followed by upside economic data surprises and a substantial equity market rally, did not yield a noticeable uptick in consensus earnings expectations.

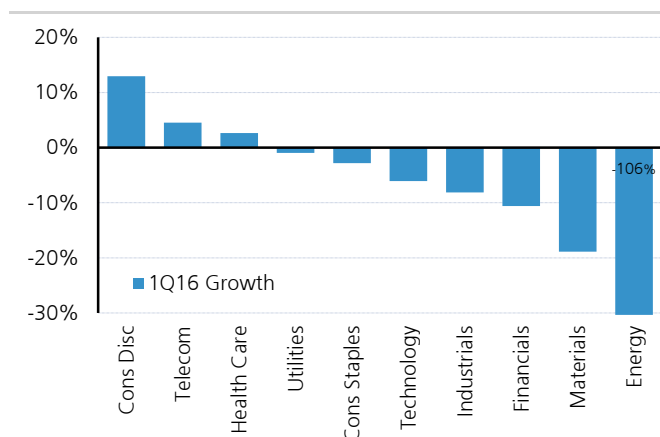
Figure 2: Declining Growth Expectations Despite an Equity Market Rally



Source: First Call, FactSet, Bloomberg, UBS
(Note: S&P 500 Consensus EPS Growth YoY)

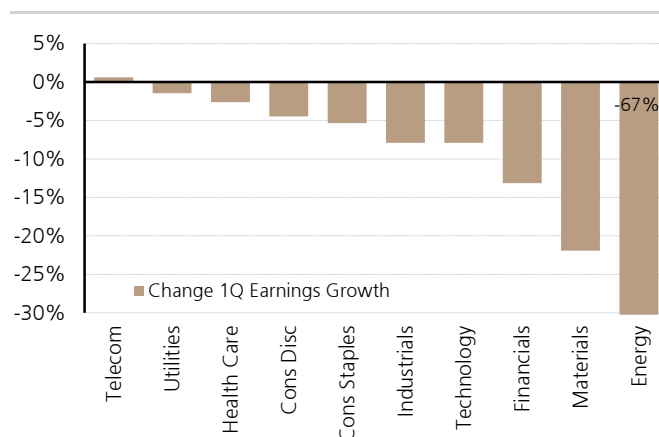
Consensus heading into the Q1 earnings reporting season, which unofficially began with Alcoa (AA) on the afternoon of 4/11, remains depressed. S&P 500 EPS is expected to fall 8.1% YoY, which would be the largest decline seen since the depths of the Financial Crisis. The headline weakness is fairly broad-based with 7 of the 10 sectors expected to report YoY declines (Figure 3) – meaning the story for Q1 is not purely isolated to the oil price headwinds which have prevailed since 2H2014 and have largely affected the Energy, Materials and Industrials sectors. Since the start of the year, we’ve seen notable decreases in the expected rate of growth in previous sectors of strength, notably Financials, Technology and Consumer Staples and Discretionary (Figure 4).

Figure 3: Current Expectations by Sector (Q1 YoY)



Source: First Call, FcstSet, UBS

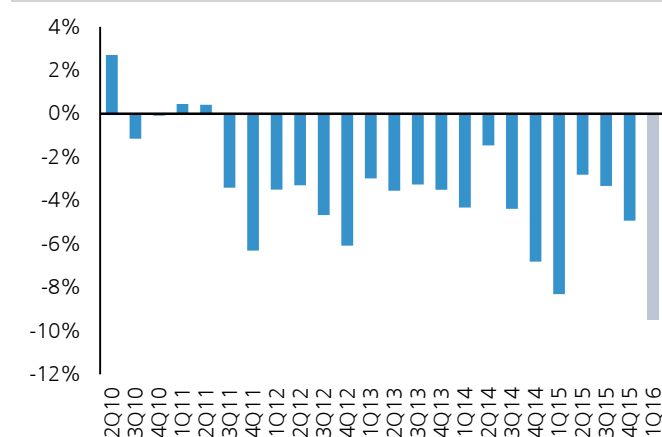
Figure 4: Change in Growth Expectations YTD



Source: First Call, FcstSet, UBS

While we expect earnings to surprise to the upside, as is customarily the case, we believe the broad-based weakness makes it less likely that positive price reactions to “better-than-expected” reports will provide an upside catalyst for the broader equity market.

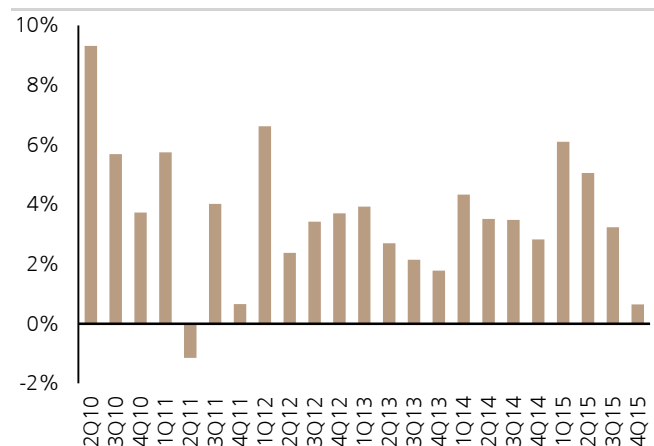
Figure 5: Expectations Typically Decline into the Quarter



Source: First Call, FactSet, UBS

(Note: The chart highlights the difference – i.e. delta – in S&P 500 EPS growth expectations for the 3 months prior to the end of the calendar quarter)

Figure 6: ...Leading to Upside Earnings Surprises



Source: First Call, FactSet, UBS

(Note: The chart highlights the difference – i.e. delta – in S&P 500 EPS growth expectations after the end of the calendar quarter as companies announce results)

Despite an even lower hurdle to surprise to the upside, the lack of a broader catalyst from positive surprises is all the more likely given the rally since February and accompanying plunge in risk perception (Figure 7) against the backdrop of yet another, YoY forecast earnings decline in Q2 (-2.3% as of 4/8).

Figure 7: Uncertainty Abolished or VIX Mean (20) Reversion Ahead?



Source: Bloomberg, UBS

Furthermore, an uncertain political environment, subdued GDP expectations, and companies entering their self-imposed blackout period for share buybacks only serve to support our near term caution on US equities, albeit within the context of a year end 2,175 S&P 500 price target.

Growth, Guidance, Valuation

With weak earnings a baseline expectation in investors' minds, the focus for US companies during the Q1 reporting season, more so than usual, is likely to hinge on forward guidance and any insight into performance for the latter part of 2016 given the recent stabilization in the US dollar and oil prices. Unsurprisingly, the story is likely to vary by sector.

Figure 8: Consensus EPS Growth Expectations by Sector

	1Q16	2Q16	3Q16	4Q16	Q1 Top-down vs. Consensus
S&P 500	-8.1%	-2.3%	5.1%	10.1%	●
Cons Disc	13.4%	12.0%	12.2%	10.8%	●
Cons Staples	-2.7%	-2.3%	6.1%	8.8%	●
Energy	-106.9%	-74.8%	-57.7%	-2.5%	●
Financials	-10.9%	-1.0%	5.6%	19.7%	●
Health Care	2.6%	3.1%	7.5%	9.9%	●
Industrials	-8.2%	3.9%	11.6%	3.8%	●
Materials	-19.0%	-8.2%	10.7%	21.5%	●
Technology	-6.1%	0.9%	5.1%	6.7%	●
Telecom	4.5%	3.0%	-0.3%	-21.1%	●
Utilities	-1.0%	3.1%	3.9%	4.1%	●

Source: First Call, FcstSet, UBS

(Note: The last column highlights the difference, on a relative basis, between our top-down model and consensus expectations. We bucket them into 3 segments: 1) green = top down model above consensus; 2) yellow = top down model in-line with consensus; and 3) red = top down model below consensus)

On a pure results basis, our top-down model, which incorporates US economic data points and UBS Economist forecasts, projects better-than-expected "as reported" S&P 500 earnings led by positive surprises in Tech, Industrials, Financials, Energy and Consumer Staples. However, as we've discussed above, positive earnings surprises on their own are unlikely to provide an upside catalyst for equity prices. In other words, we believe the market is pricing in different expectations, particularly when factoring the relative outperformance of certain defensive sectors in recent months.

Key themes we expect to focus on during Q1:

- Further buyback announcements / M&A commentary
- The impact of recent depreciation in the US dollar (particularly for Staples and pockets of Discretionary)
- Any signs of wage pressure
- Commentary on the political landscape, particularly as it relates to the recent proposed Treasury regulations addressing "earnings stripping"

So which sectors could outperform in light of such a defensive setup into earnings reporting season?

With interest rates expected to move higher over the balance of 2016 (UBS forecasts 2 Rate hikes in 2016 and a year end 10 year yield of 2.0%) despite the absence of a meaningful acceleration in economic growth typical of the start of

Fed rate hike cycles (Figure 1), we believe the "demise of Growth (stocks)" has been greatly exaggerated (Figure 9).

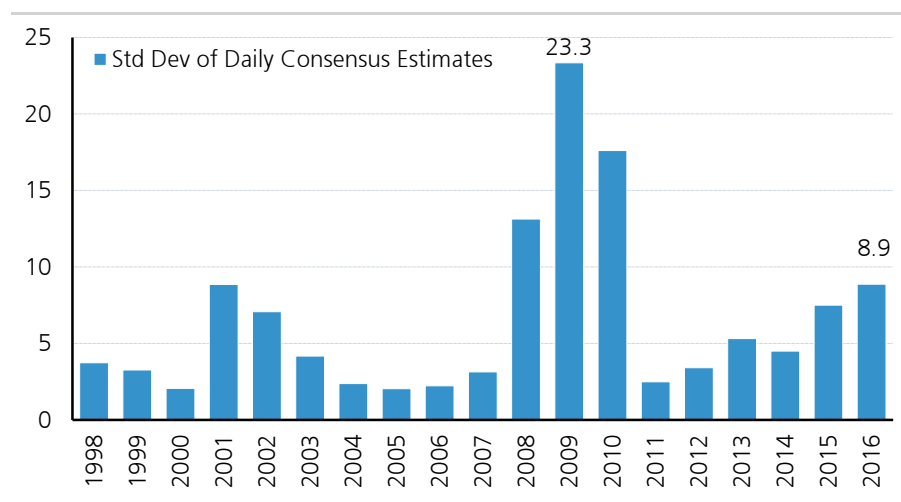
Figure 9: Forward PE Heatmap

	S&P 500	Tech	HealthCare	Industrials	Cons Disc	Staples	Financials*	Energy	Utilities	Telecom	Materials
1990	11.3	10.7	15.1	11.2	11.0	13.3	1.4	13.4	10.4	12.7	9.2
1991	13.6	12.4	17.9	12.9	16.5	15.3	1.5	13.4	11.1	13.1	13.3
1992	14.3	13.8	16.8	13.2	17.2	16.1	1.6	15.9	12.0	13.6	14.9
1993	14.6	16.8	13.5	14.5	16.0	14.8	1.8	16.7	13.7	16.1	16.3
1994	13.1	15.1	13.7	13.7	12.7	14.4	1.6	16.5	11.2	14.7	15.7
1995	13.2	14.4	16.7	13.8	12.2	16.0	1.8	15.7	11.8	14.7	10.2
1996	15.0	16.5	19.3	16.1	14.2	18.2	2.0	16.4	12.2	14.6	13.7
1997	17.5	20.5	23.0	18.1	15.0	21.5	2.7	18.3	12.4	16.7	16.0
1998	20.6	26.9	29.2	19.2	19.7	23.9	3.1	20.4	15.1	20.8	16.6
1999	23.3	37.6	28.7	21.7	22.8	22.6	3.4	26.0	14.6	23.5	18.4
2000	22.1	39.1	27.8	21.4	20.2	18.5	3.5	18.9	15.2	18.8	11.5
2001	20.2	31.8	25.7	20.3	23.2	19.3	3.0	15.9	13.8	19.3	17.2
2002	17.5	27.0	20.6	17.1	20.9	17.8	2.5	18.4	10.6	14.4	18.1
2003	16.5	25.3	18.0	17.2	19.1	17.1	2.1	15.4	12.1	14.1	18.0
2004	16.5	22.5	17.6	18.2	18.4	18.1	2.2	14.9	13.8	17.0	15.3
2005	15.1	19.6	17.3	16.5	17.7	17.4	2.0	11.9	15.0	14.6	13.1
2006	14.5	18.9	16.7	15.7	16.5	17.4	2.1	10.2	14.4	14.3	13.0
2007	14.7	19.4	16.0	15.8	16.8	17.4	1.9	11.8	16.0	15.4	14.7
2008	12.3	14.5	12.6	12.7	13.5	15.1	1.3	9.6	13.6	11.9	12.9
2009	13.0	14.9	10.9	13.5	14.2	13.1	1.0	13.0	11.2	12.1	16.8
2010	12.7	13.3	11.0	14.7	14.4	13.7	1.1	11.4	11.9	12.6	13.9
2011	12.2	12.3	11.4	13.4	14.1	14.2	1.0	11.0	13.5	14.0	12.0
2012	12.5	12.1	12.3	12.6	14.7	15.3	1.0	10.7	14.6	15.0	12.4
2013	14.1	13.0	15.0	14.7	16.8	16.5	1.2	12.2	15.3	15.1	14.4
2014	15.5	15.2	16.6	16.1	17.6	17.7	1.4	13.9	16.2	13.5	16.4
2015	16.3	15.7	16.7	15.5	18.3	19.3	1.4	22.1	15.9	12.9	15.8
2016	15.6	15.4	14.6	15.1	17.2	20.3	1.2	24.0	16.7	13.1	15.6
Current	16.0	15.9	14.9	15.7	17.3	20.7	1.3	26.6	17.3	13.3	16.8

Source: FactSet, UBS (*P/B used for Financials)

Following a quarter of downbeat guidance and a significant decline in consensus growth expectations on par with the earnings revision "volatility" seen during the recession following the Tech Bubble in 2001-02 (Figure 10), optimism could be rewarded though likely more so for stocks in sectors such as Financials which have underperformed and trade toward the lower end of their valuation range as opposed to Consumer Staples, rate sensitive defensives trading at premium valuations where the benefit from a weaker dollar may be viewed as transitory.

Figure 10: Volatility of Annual Consensus EPS Estimates



Source: First Call, FactSet, UBS

GARP and Earnings Overachievers

In a slow growth yet presumptively rising interest rate environment, we expect a renewed focus from investors on reasonably priced stocks expected to grow earnings in 2016. Stocks with earnings dependability, where "What you see is what you get", set against an uncertain macro backdrop are likely to, at a minimum, close their performance gap with both cyclicals and defensives into and beyond earnings season.

With this in mind, we screen for UBS covered stocks which have underperformed the S&P 500 by 5% or more YTD, have an earnings growth forecast greater than 10% in 2016 with forward P/E below 20 or PEG less than one. Below is a list of such UBS buy rated stocks believed to be prospective outperformers representing Growth at a Reasonable Price – "GARP."

Figure 11: Growth at a Reasonable Price (GARP)

Ticker	Name	Sector	Analyst	UBS Rating	Rel Return YTD	2016 Cons Earnings Growth	Fwd PE
DIS	Walt Disney Co/The	Consumer Discretionary	Douglas D Mitchelson	Buy	-8.4%	13.2%	16.55
RCL	Royal Caribbean Cruises Ltd	Consumer Discretionary	Robin M Farley	Buy	-20.6%	26.1%	13.22
CCL	Carnival Corp	Consumer Discretionary	Robin M Farley	Buy	-6.0%	25.9%	14.59
XL	XL Group PLC	Financials	Brian Meredith	Buy	-9.5%	26.7%	11.76
HBI	Hanesbrands Inc	Consumer Discretionary	Michael Binetti	Buy	-5.2%	13.9%	14.41
PRGO	Perrigo Co PLC	Health Care	Marc Goodman	Buy	-9.1%	25.6%	13.48
LNC	Lincoln National Corp	Financials	Suneet Kamath	Buy	-25.5%	16.5%	5.92
MYL	Mylan NV	Health Care	Marc Goodman	Buy	-11.0%	15.3%	9.59
SCHW	Charles Schwab Corp/The	Financials	Alex Kramm	Buy	-19.8%	27.8%	21.47
CELG	Celgene Corp	Health Care	Matthew Roden	Buy	-10.5%	21.2%	20.10
HOLX	Hologic Inc	Health Care	Jonathan P Groberg	Buy	-8.8%	12.6%	18.39
CFG	Citizens Financial Group Inc	Financials	David Eads	Buy	-20.5%	16.1%	11.59
ATVI	Activision Blizzard Inc	Information Technology	Eric J Sheridan	Buy	-13.6%	35.6%	19.00
SIG	Signet Jewelers Ltd	Consumer Discretionary	Andrew Hughes	Buy	-6.1%	22.7%	13.51
EXPE	Expedia Inc	Consumer Discretionary	Eric J Sheridan	Buy	-16.6%	40.8%	19.92
DAL	Delta Air Lines Inc	Industrials	Darryl Genovesi	Buy	-9.5%	45.8%	6.86
CNC	Centene Corp	Health Care	A J Rice	Buy	-5.8%	39.3%	15.05
ENDP	Endo International PLC	Health Care	Marc Goodman	Buy	-52.4%	20.7%	4.88
DLPH	Delphi Automotive PLC	Consumer Discretionary	Colin Langan	Buy	-16.8%	15.7%	11.83
Average:					-14.5%	24.3%	13.80

Source: FactSet, Bloomberg, UBS

Conversely, we identify Neutral and Sell rated stocks in the UBS coverage universe which could be expected to underperform given they are likely to show YoY earnings declines in 2016 and have outperformed SPX by more than 5% YTD – Earnings Overachievers.

Figure 12: Earnings Overachievers

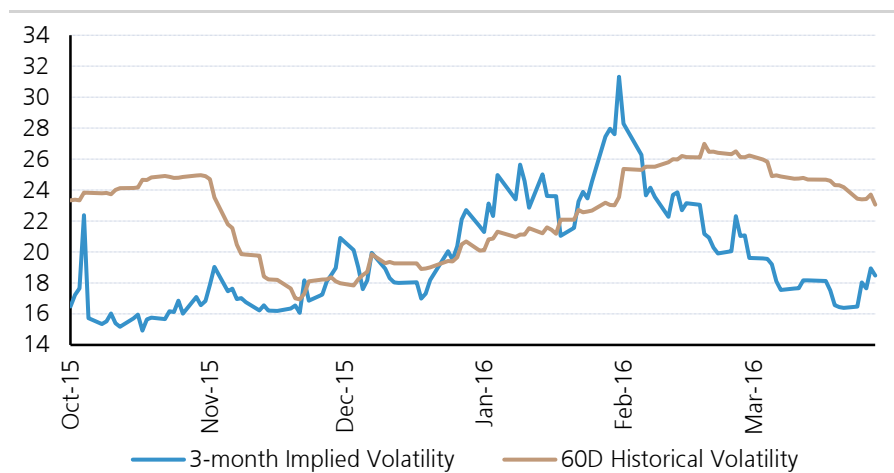
Ticker	Name	Sector	Analyst	UBS Rating	Rel Return	2016 Cons Earnings Growth	Fwd PE
CAT	Caterpillar Inc	Industrials	Steven Fisher	Neutral	9.2%	-21.8%	20.64
CVX	Chevron Corp	Energy	William A Featherston	Neutral	5.5%	-61.8%	76.73
XOM	Exxon Mobil Corp	Energy	William A Featherston	Neutral	5.8%	-38.4%	36.36
IBM	International Business Machine	Information Technology	Steven M Milunovich	Neutral	7.8%	-9.6%	11.10
CXO	Concho Resources Inc	Energy	William A Featherston	Neutral	11.2%	-150.5%	-
ADI	Analog Devices Inc	Information Technology	Stephen Chin	Neutral	5.6%	-11.0%	20.24
WMT	Wal-Mart Stores Inc	Consumer Staples	Michael Lasser	Neutral	11.4%	-9.4%	16.46
CL	Colgate-Palmolive Co	Consumer Staples	Stephen Powers	Neutral	6.1%	-1.8%	25.67
ED	Consolidated Edison Inc	Utilities	Julien Dumoulin-Smith	Sell	18.3%	-1.5%	18.95
CMI	Cummins Inc	Industrials	Steven Fisher	Neutral	19.5%	-12.3%	13.54
EMR	Emerson Electric Co	Industrials	Shannon O'Callaghan	Neutral	10.6%	-4.1%	17.44
ETR	Entergy Corp	Utilities	Julien Dumoulin-Smith	Sell	13.0%	-14.2%	14.74
GPS	Gap Inc/The	Consumer Discretionary	Michael Binetti	Sell	12.2%	-7.8%	10.84
GWW	WW Grainger Inc	Industrials	Shannon O'Callaghan	Neutral	13.6%	-1.5%	19.47
HOT	Starwood Hotels & Resorts World	Consumer Discretionary	Robin M Farley	Neutral	12.9%	-9.6%	27.60
NEM	Newmont Mining Corp	Materials	Matt Murphy	Neutral	55.5%	-18.4%	31.51
NOC	Northrop Grumman Corp	Industrials	David E Strauss	Neutral	6.3%	-1.5%	19.63
SO	Southern Co/The	Utilities	Julien Dumoulin-Smith	Sell	8.4%	-1.7%	17.87
SWN	Southwestern Energy Co	Energy	William A Featherston	Neutral	12.8%	-368.4%	-
TYC	Tyco International Plc	Industrials	Shannon O'Callaghan	Neutral	10.0%	-6.7%	16.66
AES	AES Corp/VA	Utilities	Julien Dumoulin-Smith	Neutral	13.6%	-15.6%	10.64
PCAR	PACCAR Inc	Industrials	Steven Fisher	Neutral	10.7%	-13.5%	13.46
RRC	Range Resources Corp	Energy	William A Featherston	Neutral	33.5%	-235.4%	-
AEE	Ameren Corp	Utilities	Julien Dumoulin-Smith	Neutral	13.8%	-1.2%	19.05
FLR	Fluor Corp	Industrials	Steven Fisher	Neutral	8.2%	-10.1%	14.04
				Average:	13.4%	-41.1%	21.48

Source: FactSet, Bloomberg, UBS

Options for Potential Sector Rotation

With the prospect of the 1Q reporting season resulting in a rotation toward beaten down Financials in light of the Group's exceptionally depressed expectations while both the yield curve and the capital markets stabilize in the aftermath of the Q1 "negativity bubble burst" and accompanying healing in credit markets, investors could position for such prospective Financials outperformance through earnings season and beyond by buying the XLF (Financial Select Sector SPDR) July 23 calls – currently trading at the low end of their recent implied volatility range, and at a substantial discount to realized volatility (Figure 13).

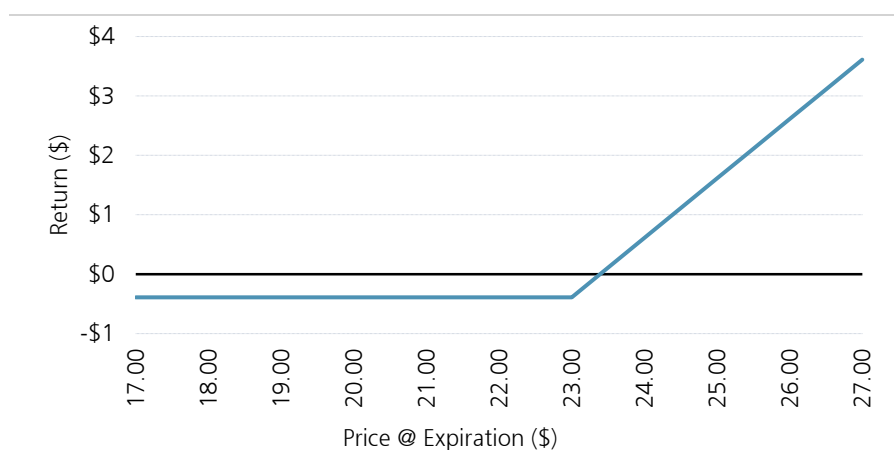
Figure 13: Financials Option Implied Volatility Discount to Realized



Source: Bloomberg, UBS

Using the 4/11 XLF close of \$22.14, the July 23 Calls could be bought for a cost of \$0.39, 16.5% volatility, ex. Fees and transaction costs. Payout profile of the XLF July 23 Call at expiration is shown below.

Figure 14: Payoff Profile – Long XLF Call

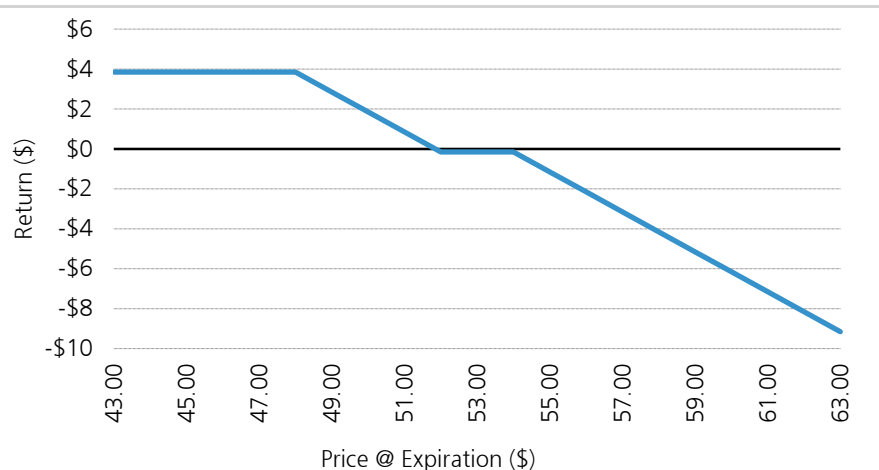


Source: Bloomberg, UBS

Even if the fully valued Consumer Staples sector surprises to the upside during earnings reporting season, the nature of such a beat may be considered transitory given the recent weakness of the US Dollar amid still tepid economic growth at home and abroad.

The potential for a "sell the news" type reaction in the Consumer Staples space could be expressed by buying the XLP (Consume Staples SPDR) June 52 Put (\$0.95, 14% volatility)/48 Put (\$0.21, 17.5% volatility) spread versus selling the June 54 Call (\$0.59, 11% volatility) – a put spread collar. The position could be initiated for a debit of \$0.15 based on the 4/11 close of \$53.03 in XLP. Payoff profile at expiration is shown below.

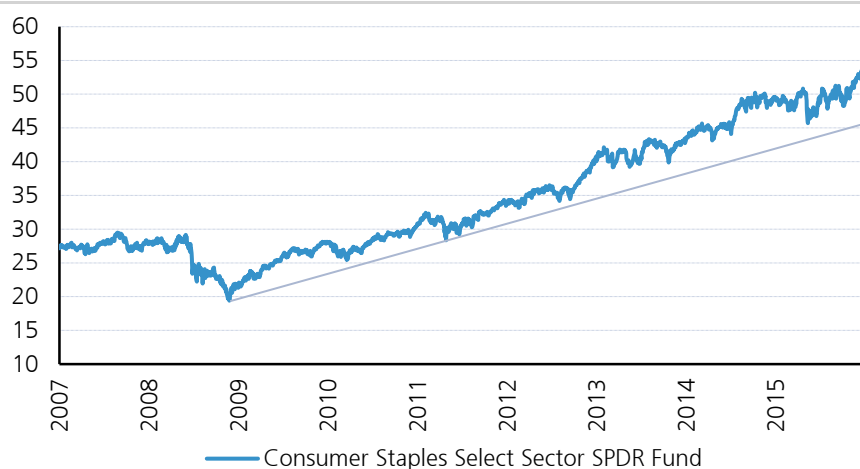
Figure 15: Payoff Profile – XLP Put Spread Collar



Source: Bloomberg, UBS

We believe the Put Spread collar structure is attractive because the short call strike of \$54 lies above the all-time high in XLP (Figure 16) and the potential risk (premium outlay of \$0.15) to reward (\$4 maximum payout) ratio of the position is substantial given the 5% YTD outperformance of the Consumer Staples Sector over the S&P 500.

Figure 16: Staples – A "Defensive Bubble" Forming?



Source: Bloomberg, UBS

The authors would like to thank Sauvik De, an employee of Cognizant Group, for his assistance in preparing this research report.

Valuation Method and Risk Statement

Investing in options involves numerous risks. Such risks include, but are not limited to, the following: a long option position is negatively impacted by a decrease in implied volatility, lack of movement in the underlying stock or Index and the passage of time. A short option investor is negatively impacted by an increase in implied volatility, a large directional movement in the underlying stock or Index and the lack of the passage of time. For options purchased the maximum loss is the premium. For an uncovered call sold the maximum loss is unlimited, while for an uncovered put sold the maximum loss is put strike minus premium. For uncovered options margin must be posted. Because uncovered option selling involves significant risks this strategy should be under taken only by sophisticated investors. Complex option strategies involve either the simultaneous purchase or sale of multiple options or the simultaneous purchase and sale of numerous options, such as spreads or collars. Their pay off profile and risks can be complicated, and should only be undertaken by sophisticated investors. Complex option strategies can often be broken down into individual component options, and their risks can be identified and analyzed. Complex strategies may have limited or unlimited loss potential, and in cases where uncovered options are sold margin is required to be posted.

Also see options risk disclosure within the Required Disclosures section of this document..

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	38%	26%
Sell	FSR is > 6% below the MRA.	14%	19%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2016.

1: Percentage of companies under coverage globally within the 12-month rating category.

2: Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3: Percentage of companies under coverage globally within the Short-Term rating category.

4: Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Julian Emanuel; Omar Elangbawy; Sibi Gnanasundaram; Patrick Buckley, PhD.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Activision Blizzard ¹⁶	ATVI.O	Buy	N/A	US\$33.41	11 Apr 2016
AES Corporation ¹⁶	AES.N	Neutral	N/A	US\$11.02	11 Apr 2016
Ameren Corp. ¹⁶	AEE.N	Neutral	N/A	US\$48.68	11 Apr 2016
Analog Devices Inc. ¹⁶	ADI.O	Neutral	N/A	US\$58.60	11 Apr 2016
Carnival Corp. ^{2, 4, 5, 6a, 7, 14, 16}	CCL.N	Buy	N/A	US\$50.80	11 Apr 2016
Caterpillar Inc. ^{6b, 7, 8, 16, 18a}	CAT.N	Neutral	N/A	US\$74.63	11 Apr 2016
Celgene Corporation ^{6b, 6c, 7, 16}	CELG.O	Buy	N/A	US\$103.81	11 Apr 2016
Centene Corporation ¹⁶	CNC.N	Buy	N/A	US\$59.43	11 Apr 2016
Charles Schwab Corp. ^{2, 4, 5, 6a, 6b, 6c, 7, 16}	SCHW.N	Buy	N/A	US\$27.04	11 Apr 2016
Chevron Corp. ^{6b, 7, 16}	CVX.N	Neutral	N/A	US\$95.24	11 Apr 2016
Citizens Financial Group ^{2, 4, 6a, 6b, 7, 16}	CFG.N	Buy	N/A	US\$21.04	11 Apr 2016
Colgate-Palmolive ^{13, 16}	CL.N	Neutral	N/A	US\$70.94	11 Apr 2016
Concho Resources ¹⁶	CXO.N	Neutral	N/A	US\$104.71	11 Apr 2016
Consolidated Edison ^{2, 4, 5, 6a, 16}	ED.N	Sell	N/A	US\$75.58	11 Apr 2016
Cummins Inc. ¹⁶	CMI.N	Neutral	N/A	US\$106.26	11 Apr 2016
Delphi Automotive Plc ¹⁶	DLPH.N	Buy	N/A	US\$72.62	11 Apr 2016
Delta Air Lines ^{4, 5, 6a, 6c, 7, 16}	DAL.N	Buy	N/A	US\$46.55	11 Apr 2016
Emerson Electric Co ^{6c, 7, 16}	EMR.N	Neutral	N/A	US\$53.78	11 Apr 2016
Endo International ¹⁶	ENDP.O	Buy	N/A	US\$26.03	11 Apr 2016
Entergy Corp. ¹⁶	ETR.N	Sell	N/A	US\$76.82	11 Apr 2016
Expedia ¹⁶	EXPE.O	Buy	N/A	US\$101.96	11 Apr 2016
ExxonMobil Corp. ^{6b, 7, 16, 22}	XOM.N	Neutral	N/A	US\$83.32	11 Apr 2016
Fluor Corporation ^{12, 16, 18b}	FLR.N	Neutral	N/A	US\$51.39	11 Apr 2016
Gap Inc. ¹⁶	GPS.N	Sell	N/A	US\$23.98	11 Apr 2016
Hanesbrands Inc ¹⁶	HBI.N	Buy	N/A	US\$27.03	11 Apr 2016
Hologic Inc ^{2, 16}	HOLX.O	Buy	N/A	US\$35.02	11 Apr 2016
International Business Machines Corp. ^{4, 5, 6c, 7, 16}	IBM.N	Neutral	N/A	US\$149.25	11 Apr 2016
Lincoln National Corp. ^{6c, 7, 16}	LNC.N	Buy	N/A	US\$38.26	11 Apr 2016
Mylan Inc. ¹⁶	MYL.O	Buy	N/A	US\$45.56	11 Apr 2016
Newmont Mining Corp. ^{4, 5, 6c, 7, 16, 20}	NEM.N	Neutral (CBE)	N/A	US\$31.11	11 Apr 2016
Northrop Grumman Corp. ¹⁶	NOC.N	Neutral	N/A	US\$199.51	11 Apr 2016
PACCAR Inc ¹⁶	PCAR.O	Neutral	N/A	US\$52.72	11 Apr 2016
Perrigo ¹⁶	PRGO.N	Buy	N/A	US\$127.23	11 Apr 2016
Range Resources Corp. ¹⁶	RRC.N	Neutral	N/A	US\$34.80	11 Apr 2016
Royal Caribbean ¹⁶	RCL.N	Buy	N/A	US\$79.53	11 Apr 2016
Signet Group ¹⁶	SIG.N	Buy	N/A	US\$116.07	11 Apr 2016
Southern Company ^{2, 4, 5, 6a, 6c, 7, 16}	SO.N	Sell	N/A	US\$50.47	11 Apr 2016
Southwestern Energy Company ^{13, 16}	SWN.N	Neutral	N/A	US\$9.13	11 Apr 2016
Starwood Hotels & Resorts Worldwide, Inc ¹⁶	HOT.N	Neutral	N/A	US\$79.48	11 Apr 2016
Tyco International PLC ^{6a, 6b, 6c, 7, 16, 18c}	TYC.N	Neutral	N/A	US\$35.64	11 Apr 2016
W.W. Grainger Inc ¹⁶	GWW.N	Neutral	N/A	US\$232.41	11 Apr 2016

Company Name	Reuters 12-month rating	Short-term rating	Price	Price date
Wal-Mart Stores ^{16, 18d}	WMT.N	Neutral	N/A US\$67.40	11 Apr 2016
Walt Disney Co ^{7, 16, 18e}	DIS.N	Buy	N/A US\$96.27	11 Apr 2016
XL Group plc ^{2, 4, 16}	XL.N	Buy	N/A US\$35.86	11 Apr 2016

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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