

Six minute strategy

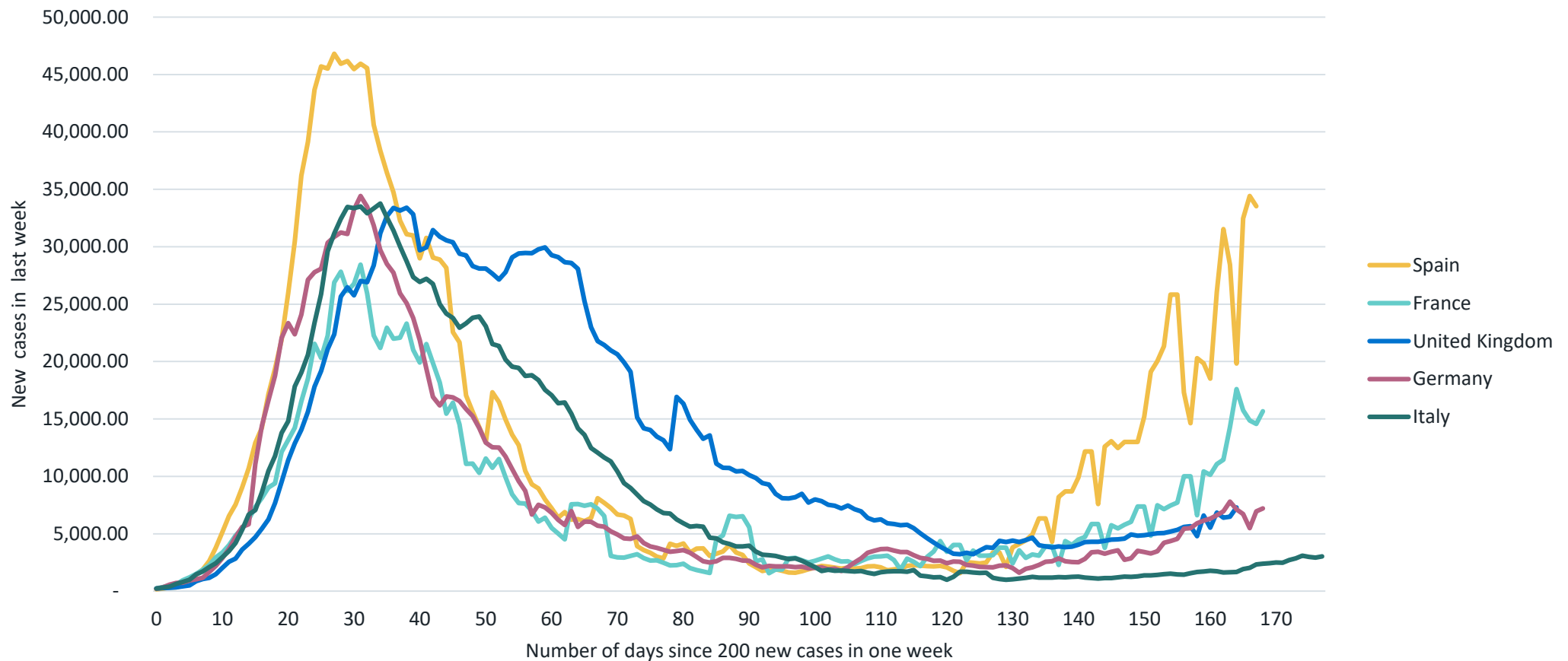
Can markets keep climbing into a second virus spike...?

21 August 2020



Virus caseload resurgence in Europe...global numbers stabilise

Rolling weekly new positive cases of Covid-19 in major European economies



Source: Macrobond, Sarasin

Economic decline unprecedented...recovery stumbles in euro area...

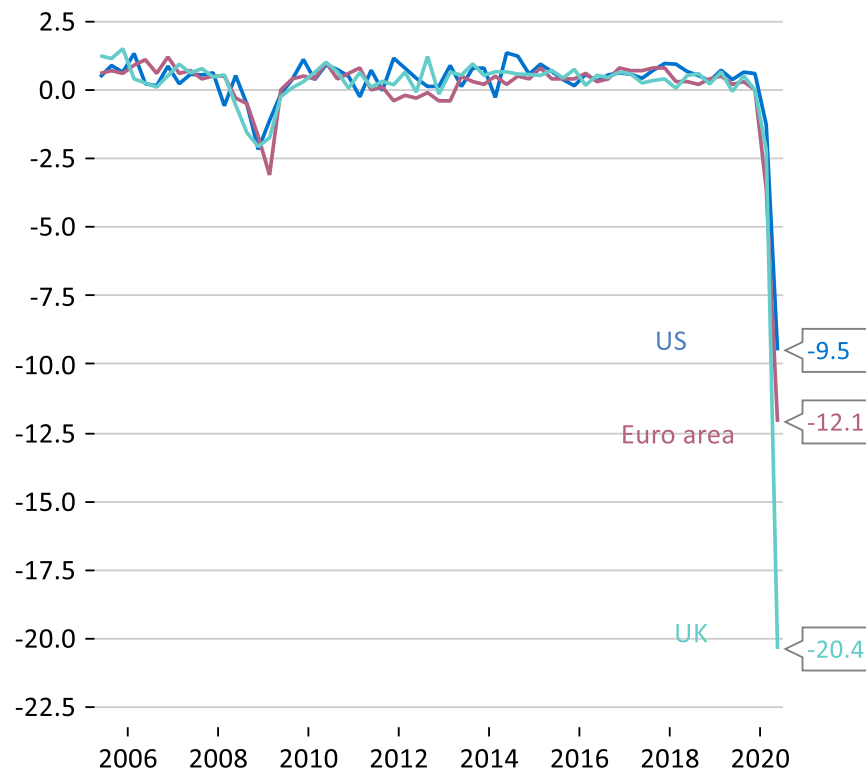


2nd Quarter GDP driven by timing of lockdowns...



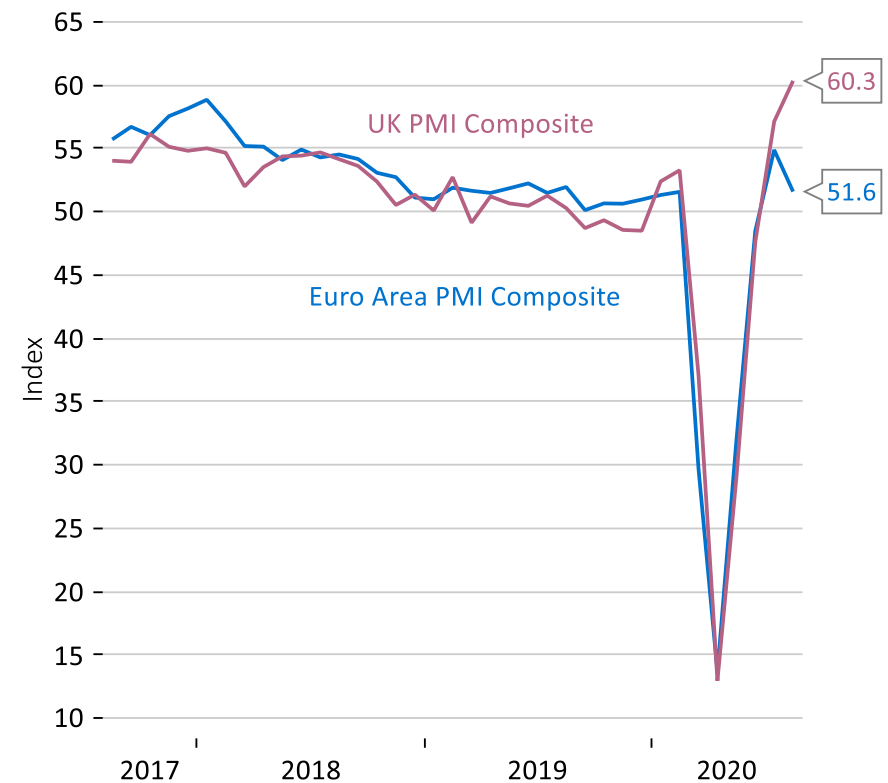
Euro area sentiment fades while UK exceeds estimates

GDP Growth to Q2 2020
QoQ



Source: Macrobond

IHS Markit Purchasing Managers Index
Composite

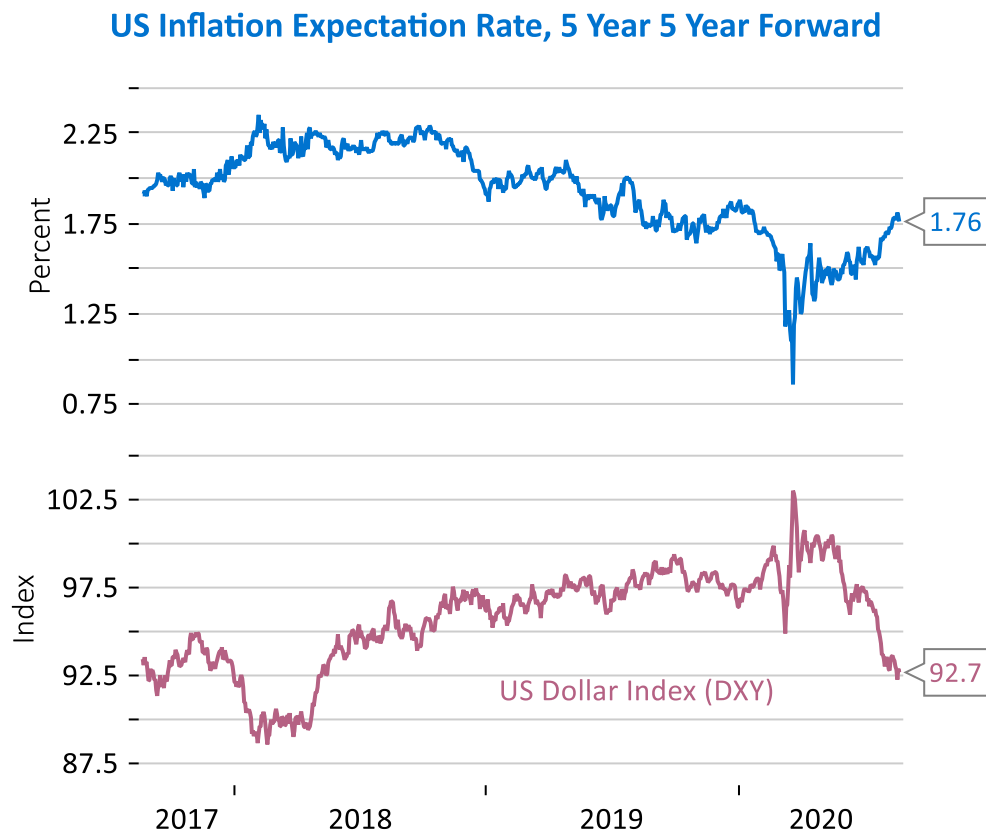


Source: Macrobond

Source: Macrobond, Sarasin & Partners

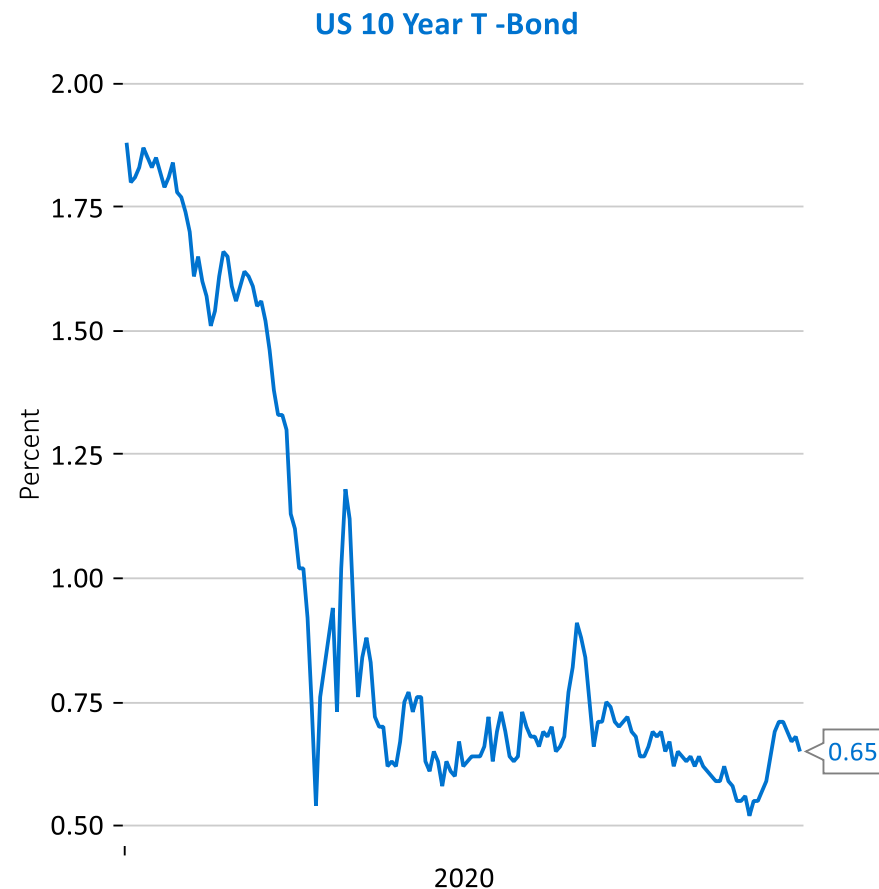
US inflation expectations slowly rising as dollar falls...

 US Inflation climbing as dollar falls...



Source: Macrobond

 Modest rise in US bond yields this month...



Source: Macrobond

Asset performance 2020: Gold still leads global rally as volatility falls

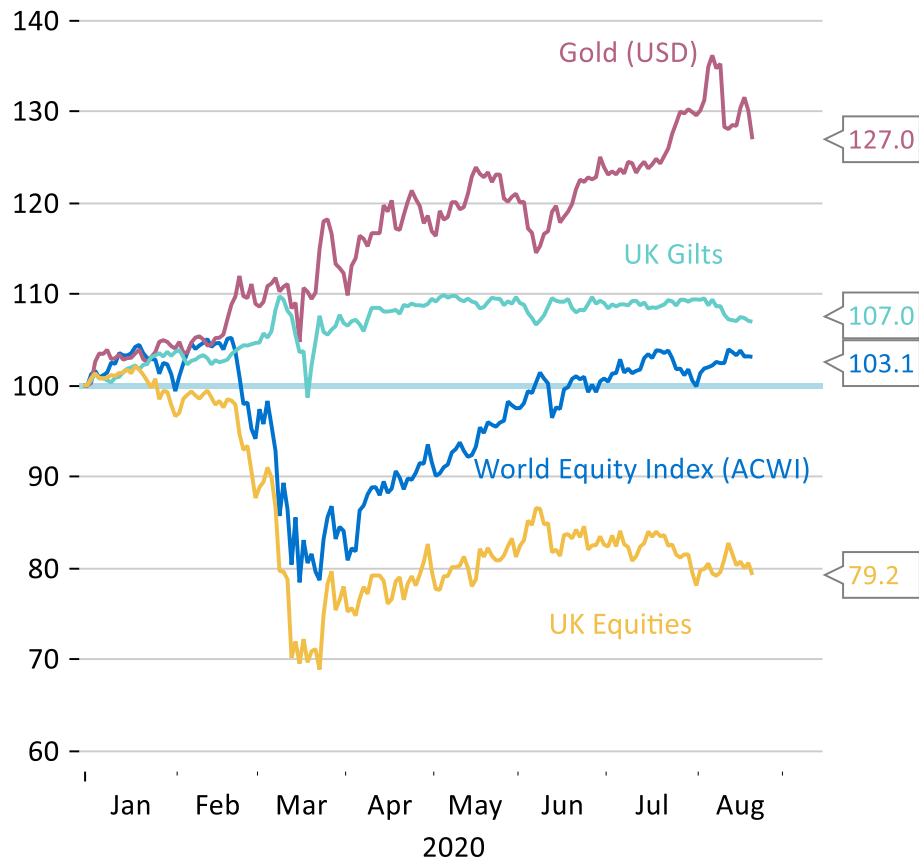


Equities reverses COVID losses for a sterling investor



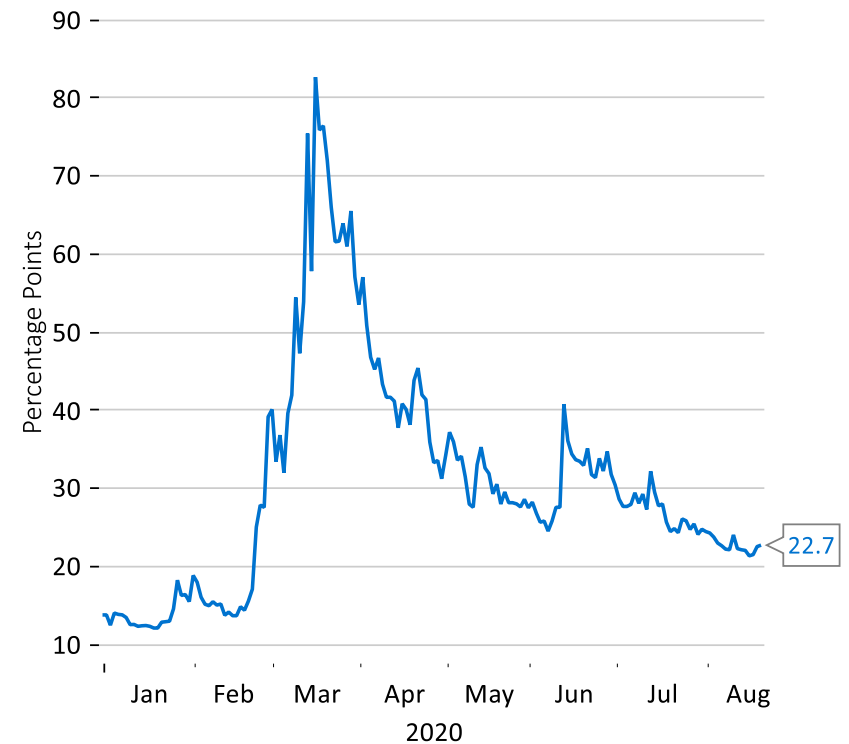
Volatility continues to decline

Global Asset Class Returns 2020 (GBP)



Source: Macrobond

US Equity Volatility Index (VIX)
2020 to date



Source: Macrobond

Fang leadership reasserted....



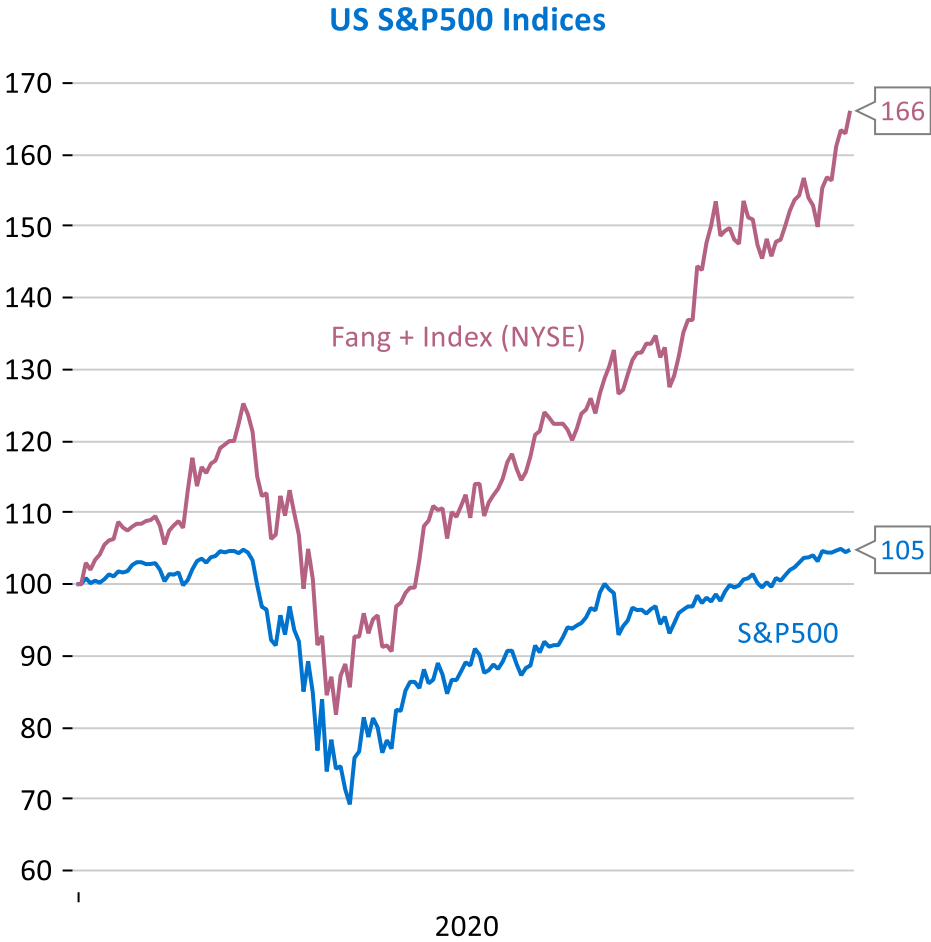
Market 'Heavyweights' dominate again



Source: Macrobond



Fangs surge on strong earnings & post COVID economy

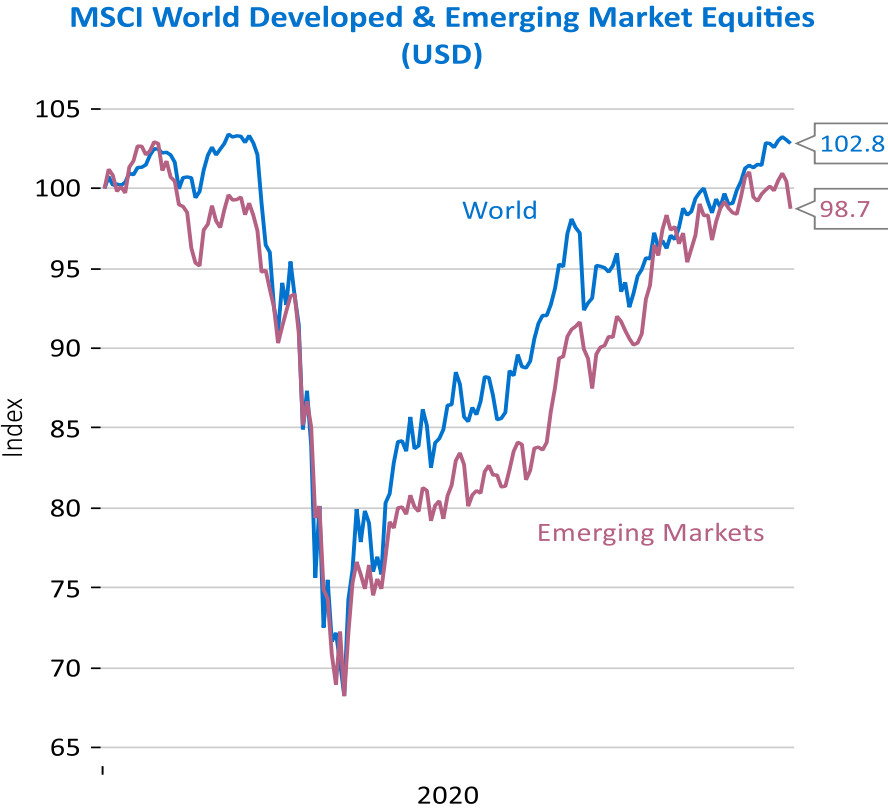


Source: Macrobond

Emerging Markets almost match developed, while commodity prices surge



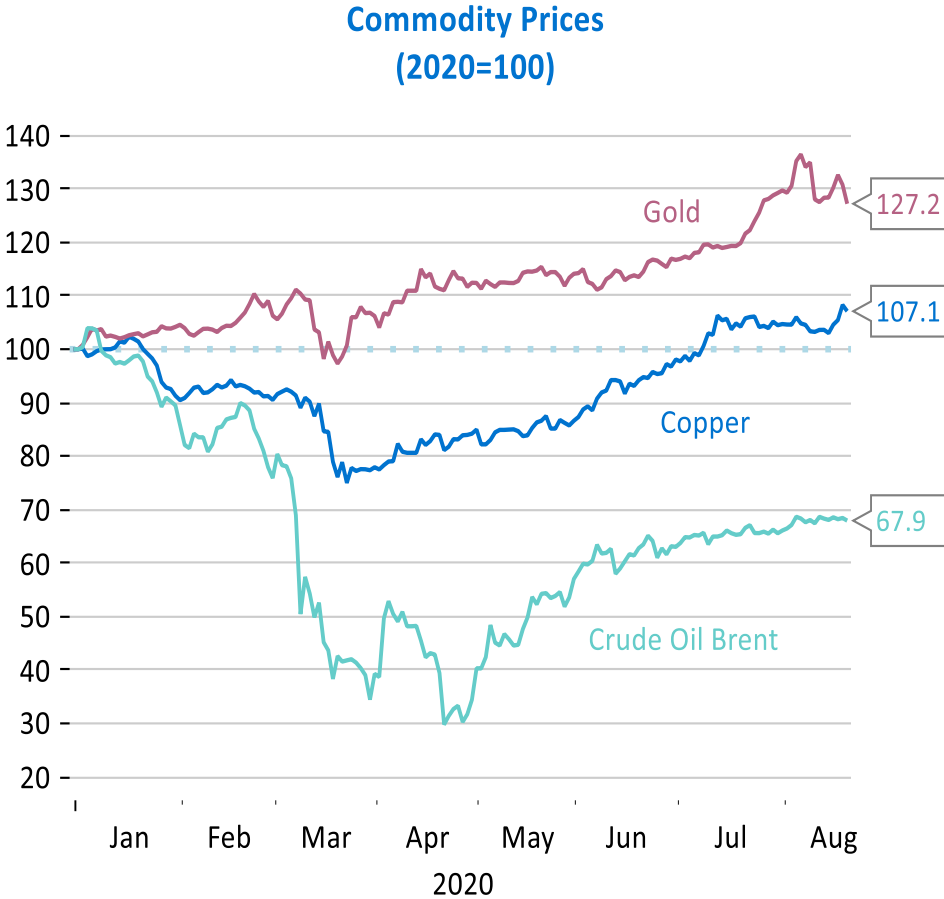
EM and DM markets rise together despite COVID19...



Source: Macrobond



Commodities climb as US currency weakens



Source: Macrobond

Risk: Equity valuations lifted by excess liquidity & low yields



Money market funds may be leaking into equities



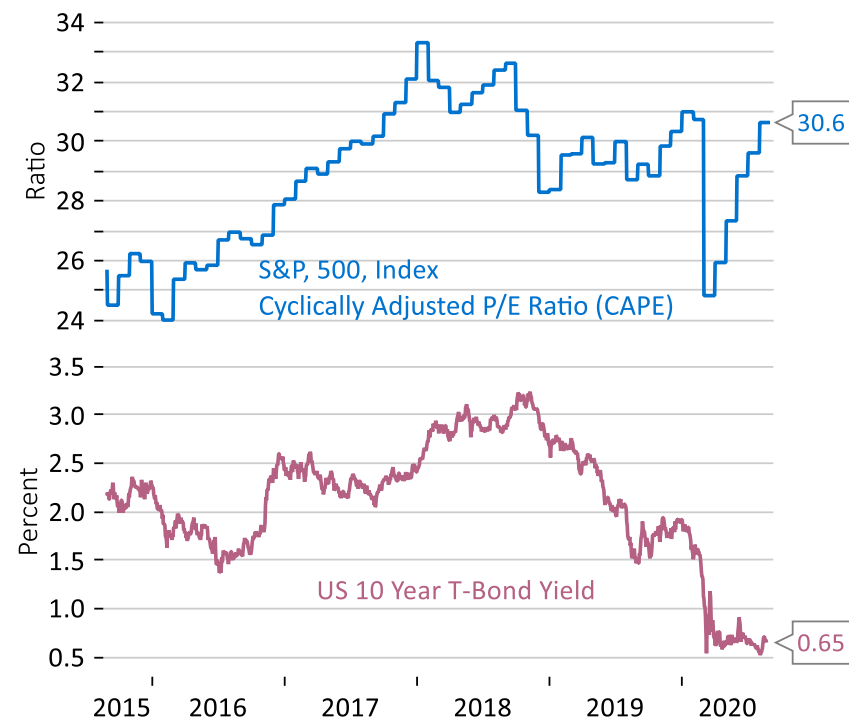
Equities still look very 'cheap' Vs. Bonds

US Total Money Market Fund Assets, USD



Source: Macrobond

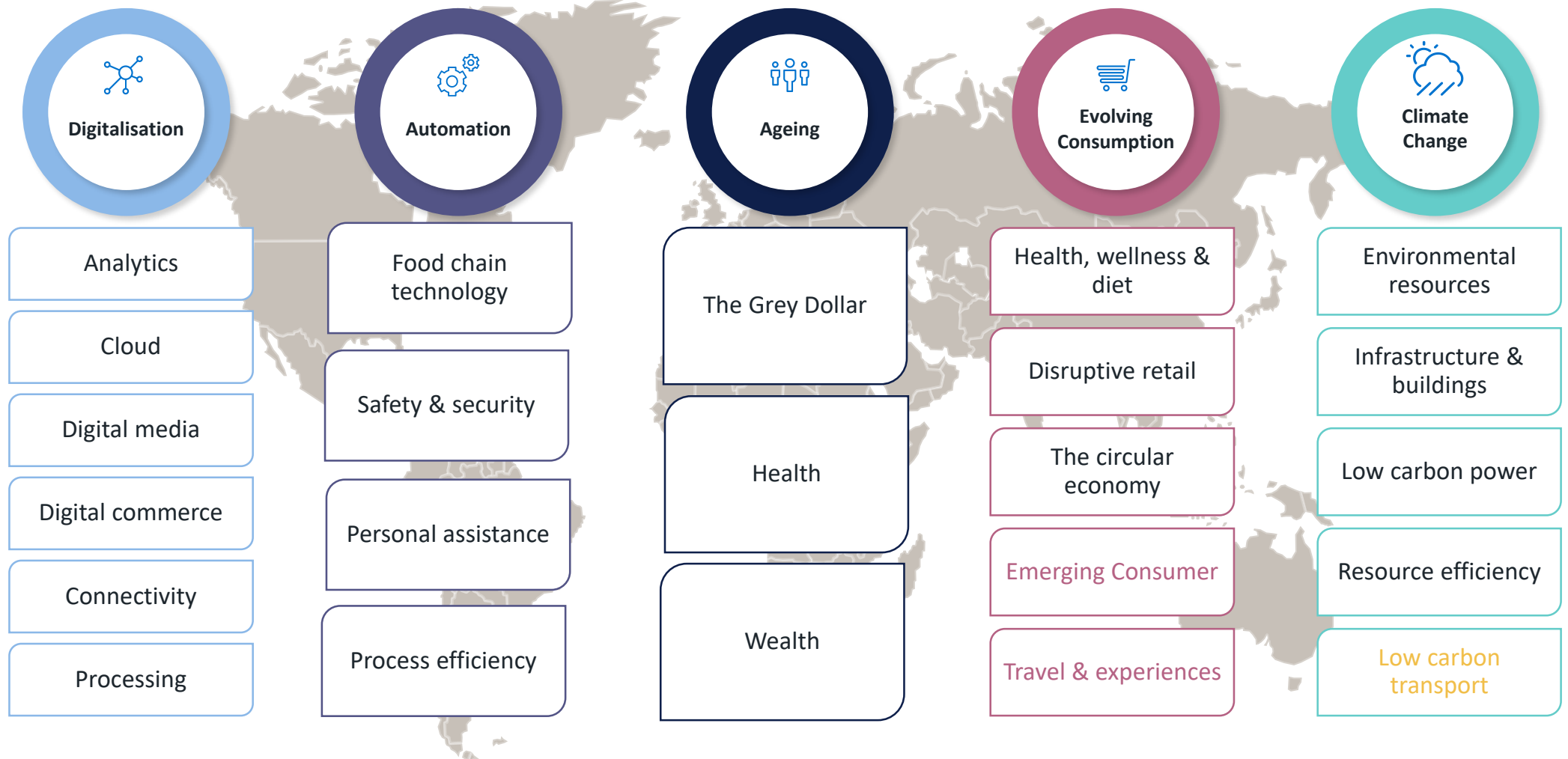
Price Earnings of US equities (CAPE)
& US T-Bond Yield



Source: Macrobond

Five secular mega-themes remain resilient long-term

20-30 sub-themes – some emphasis may change



Red type – Under review

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