

# Sarasin six minute strategy

*So what was behind last week's 'tech' correction and will it continue?*

11 September 2020

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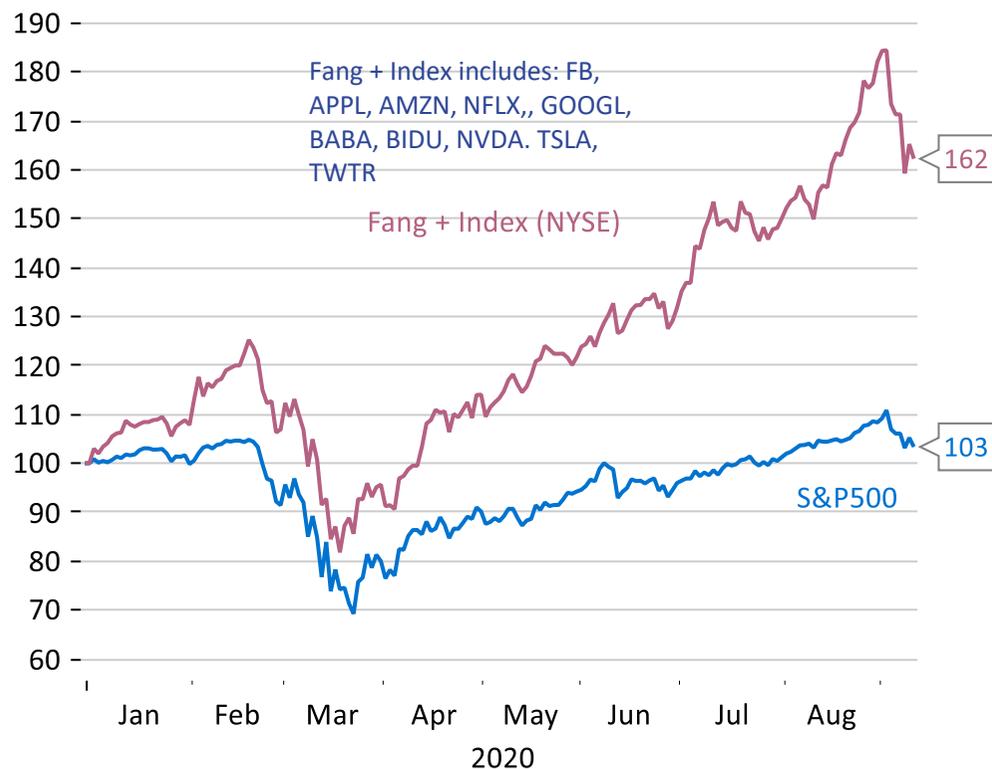


# A correction in Growth and 'Fang +' stocks was overdue....



## Fang + returns unsustainable

### US S&P500 & Fang Indices

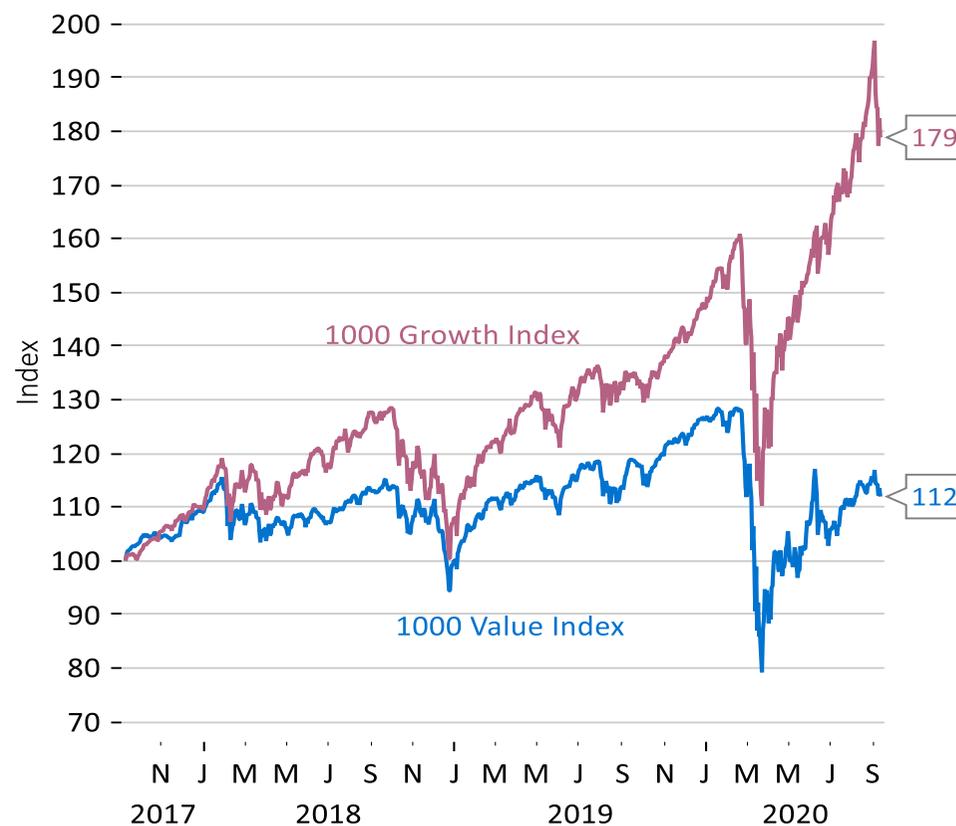


Source: Macrobond, 11.09.20



## Long-term Growth rally

### US Russell Equity Indices



Source: Macrobond, 11.09.20

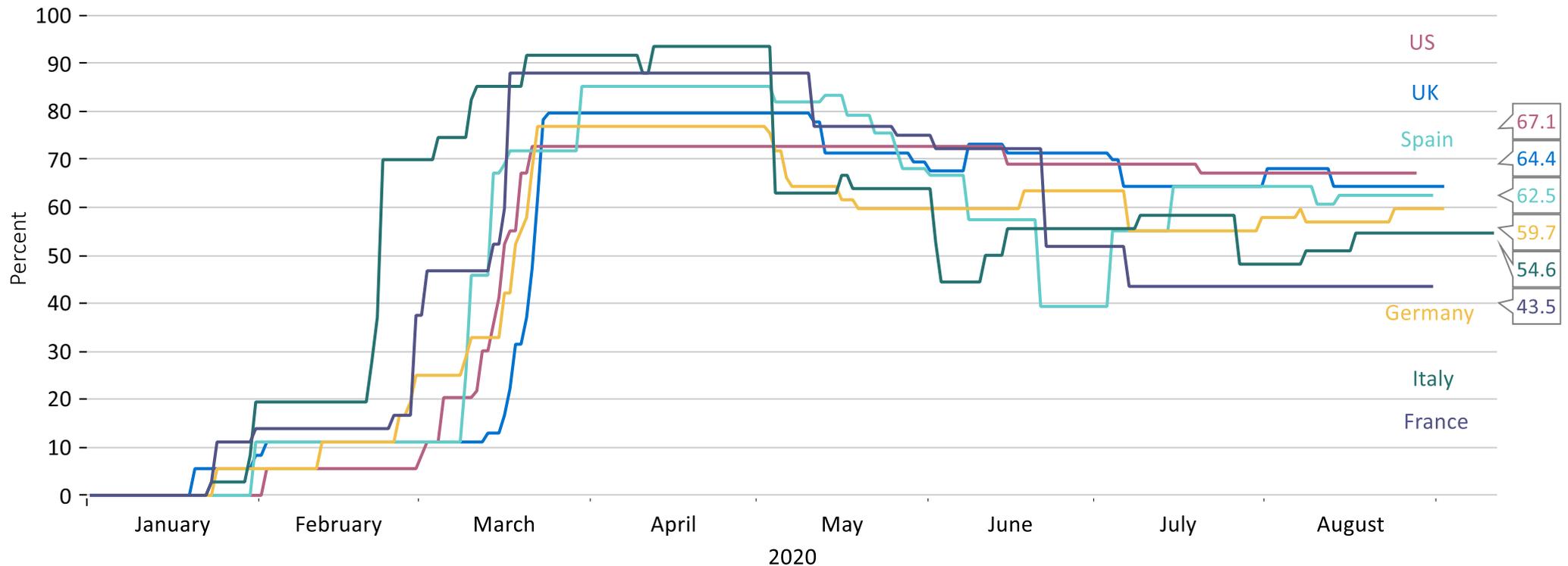
# Risk 1. COVID19 - Stubbornly high restrictions remain

Government restrictions easing only slowly - note tightening in Europe as hot spots emerge



## COVID-19 Government Response Tracker

COVID-19 Global Stringency Index



Source: Macrobond, 11.09.20

# COVID19

US Cases have peaked but are rising now in UK & Europe although hospitalisations are falling

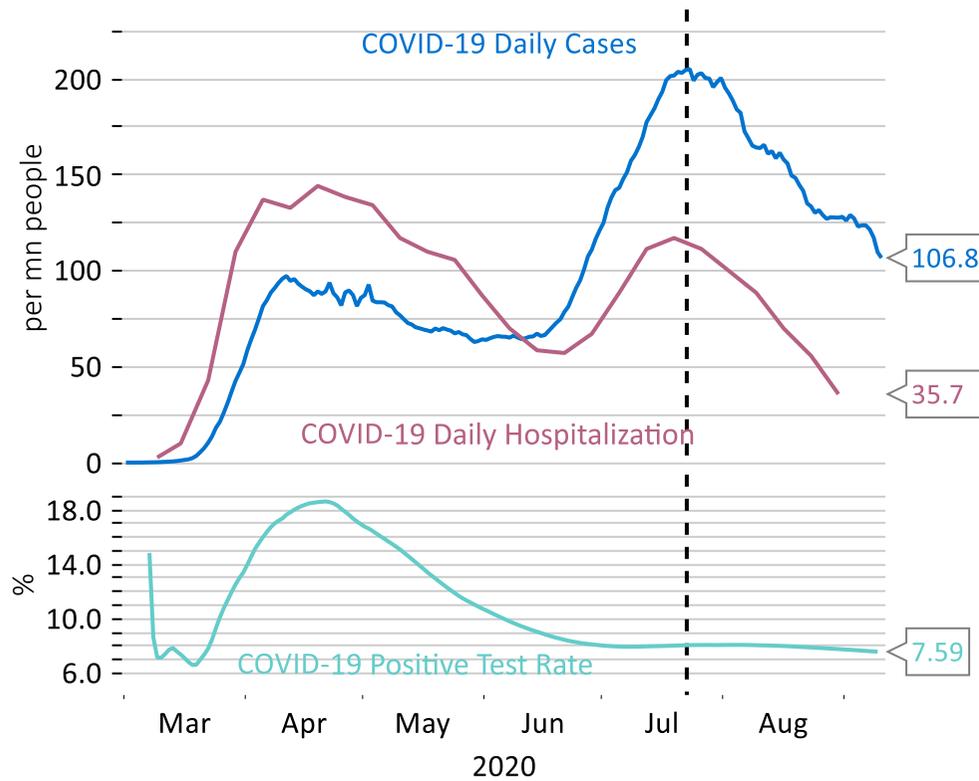


## US COVID19 Data



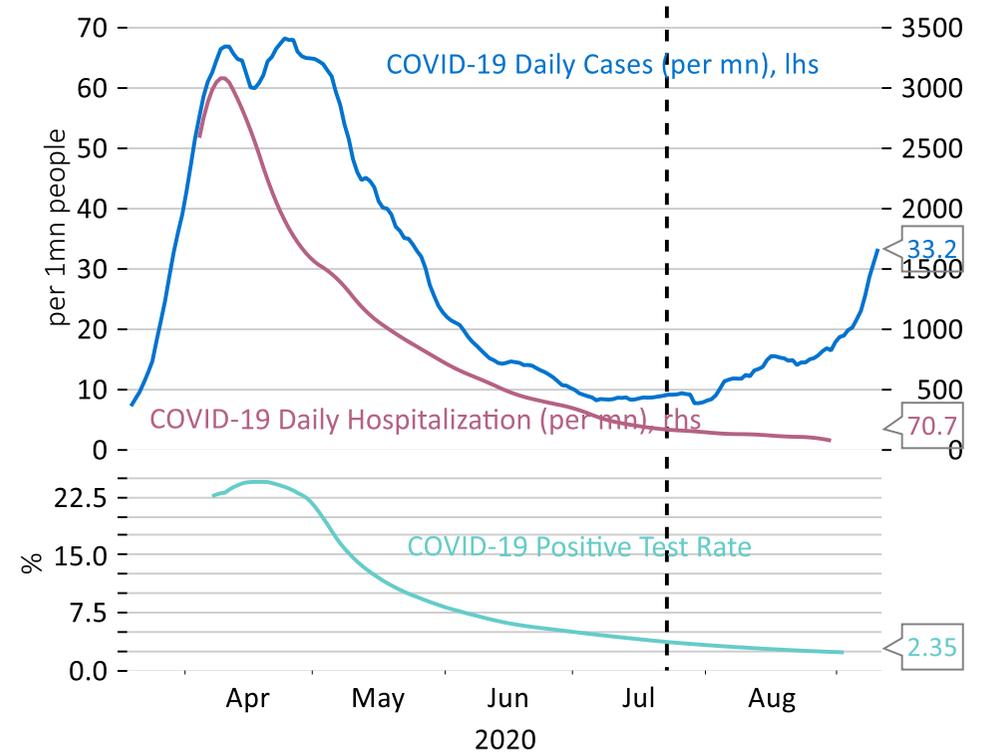
## UK COVID19 Data

### US COVID19 Cases, Hospitalisations and Tests



Source: Macrobond, 11.09.20

### UK COVID19 Cases, Hospitalisations and Tests

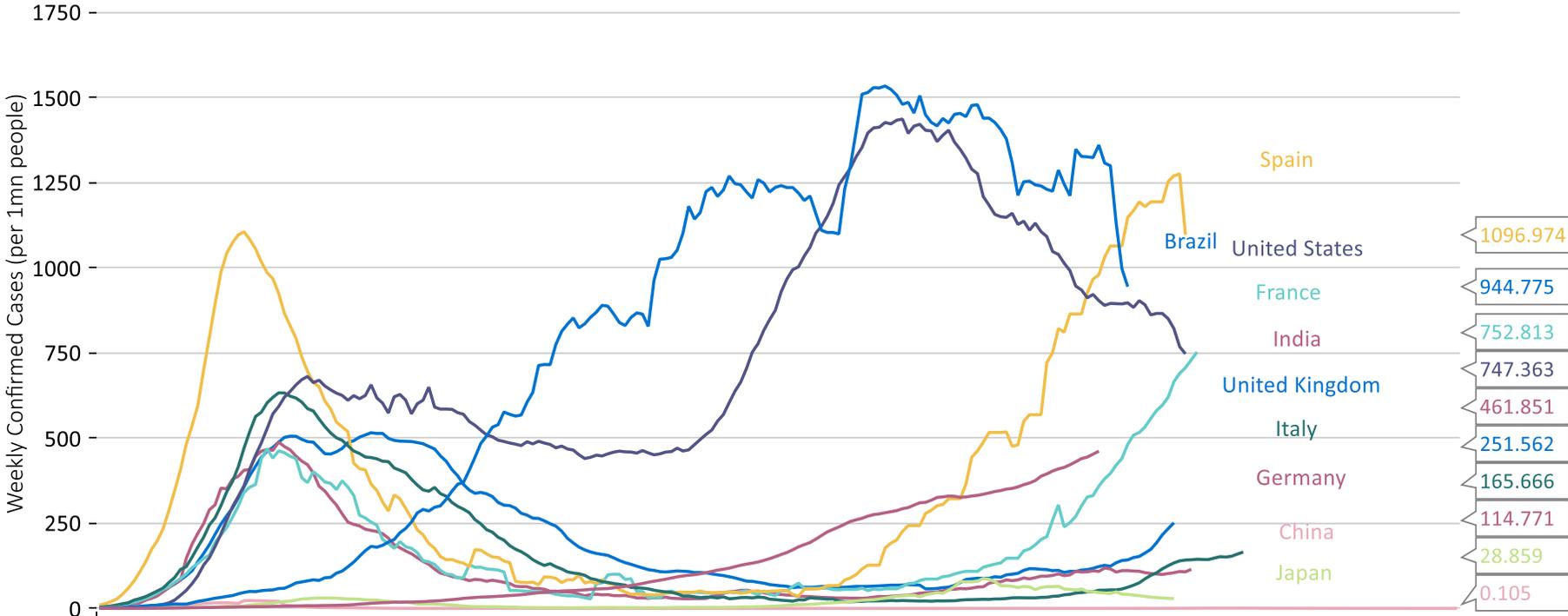


Source: Macrobond, 11.09.20

# COVID19 Infection rates falling in the Americas and rising in Europe...



Rolling Weekly Confirmed COVID-19 Cases (since 200 cases confirmed in one week) (per 1mn people)



Source: Macrobond, 11.09.20

Note: Sarasin/Macrobond calculations

# Risk 2. US Election

Trump vote inching higher increasing risk of a contested outcome

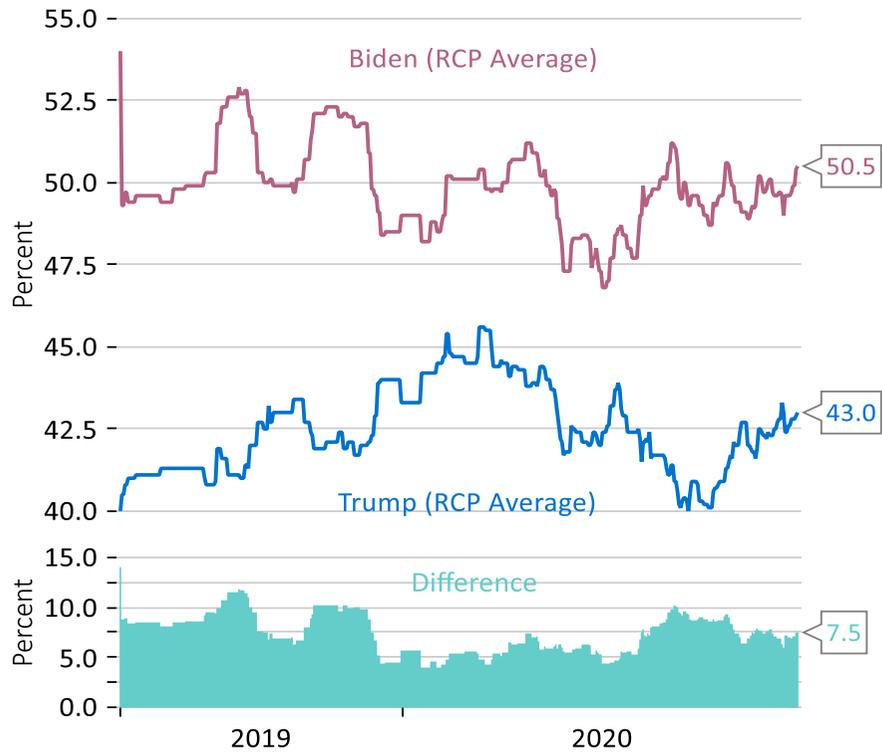


Real Clear Politics (RCP) Average Presidential Poll



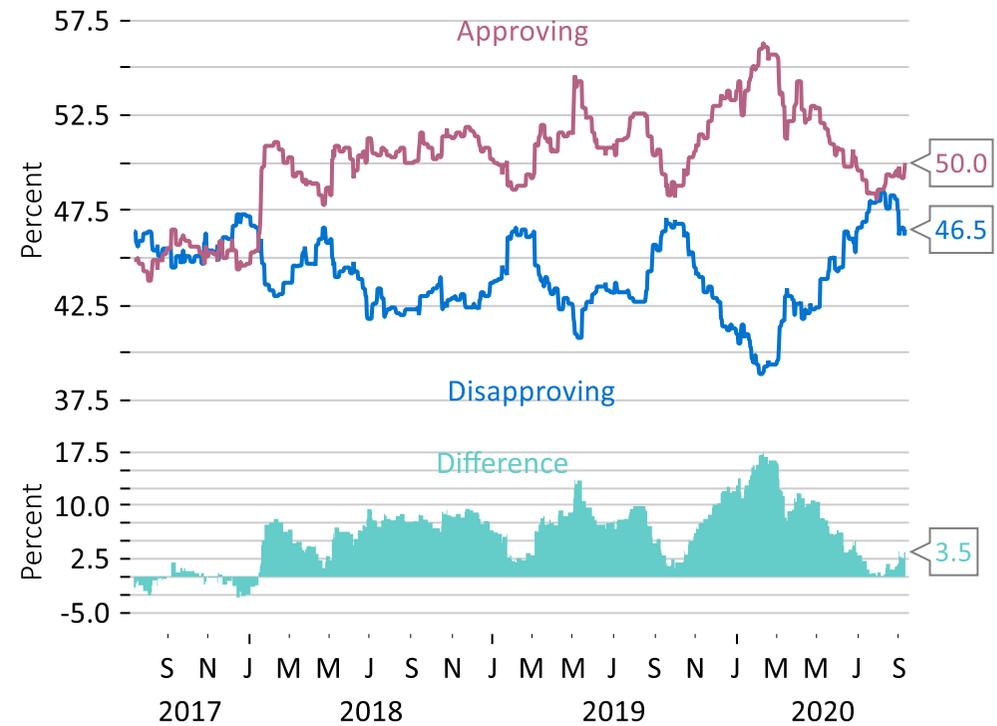
RCP Presidential Approval on ECONOMY

US Polls for 2020 Presidential Elections - RealClearPolitics (RCP)



Source: Macrobond

US Polls 2020 Job Approval for President on the Economy (RCP)



Source: Macrobond, 11.09.20

# US Election:

## Equity and bond yields compared across three US elections



Dip into the last 60 days to election matches 2016



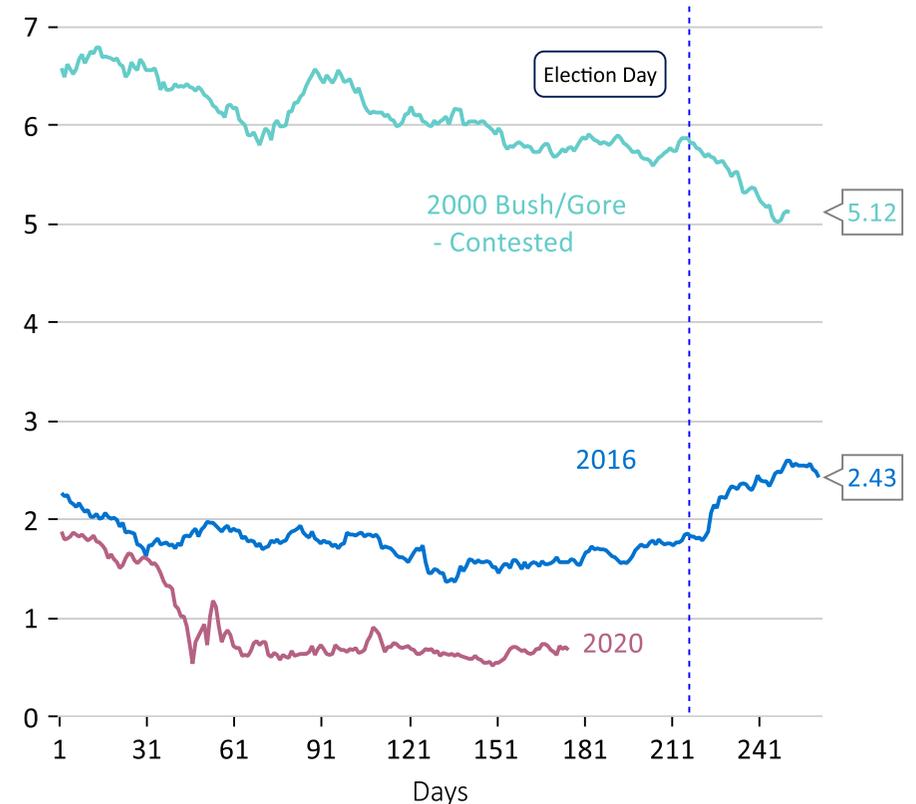
Sharp fall in bond yields on 2000 contested election

Election Years 2000, 2016 & 2020  
S&P 500 (rebased 100)



Source: Macrobond, 11.09.20

Election Years 2000, 2016 & 2020  
10 Year US Treasury



Source: Macrobond, 11.09.20

The Nov 7<sup>th</sup> 2000 US election with candidates George Bush and Al Gore was one of the closest in history. The result was contested in Florida and a month long series of legal battles was ended with a 5-4 decision of the Supreme Court which finally ended the recount in Bush's favour.

# Risk 3 :

Could US inflation expectations lift bond yields – a risk to highly valued equities?



US inflation expectations climbing as dollar falls...

US Inflation Expectation Rate, 5 Year 5 Year Forward

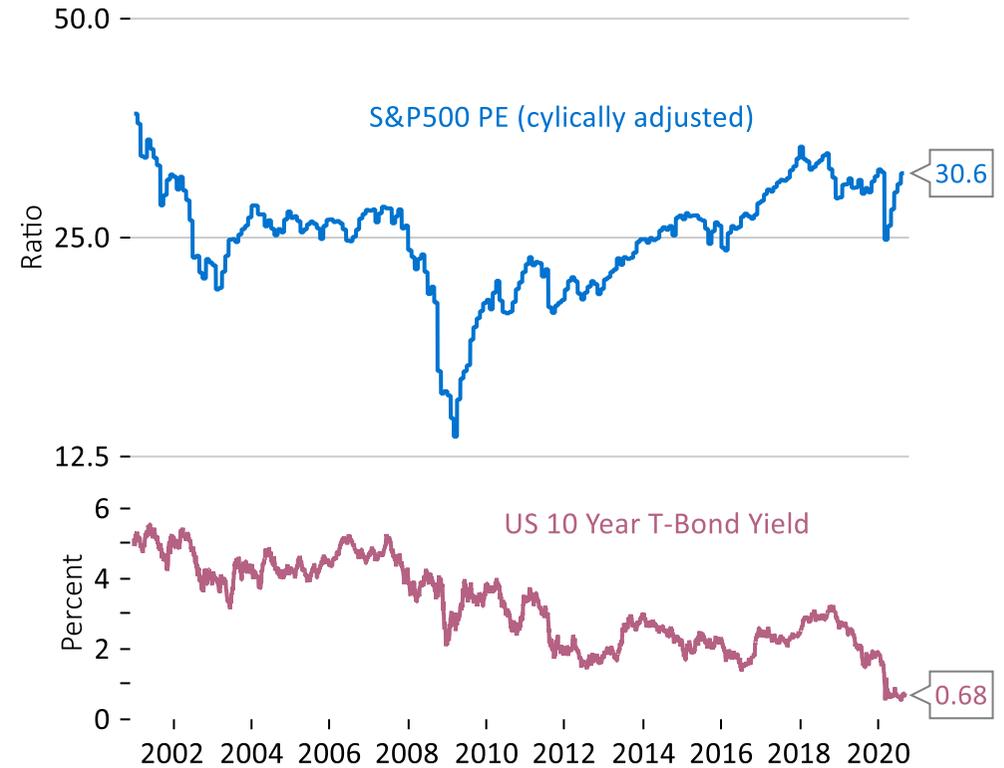


Source: Macrobond, 11.09.20



US equity valuations inflated by low bond yields

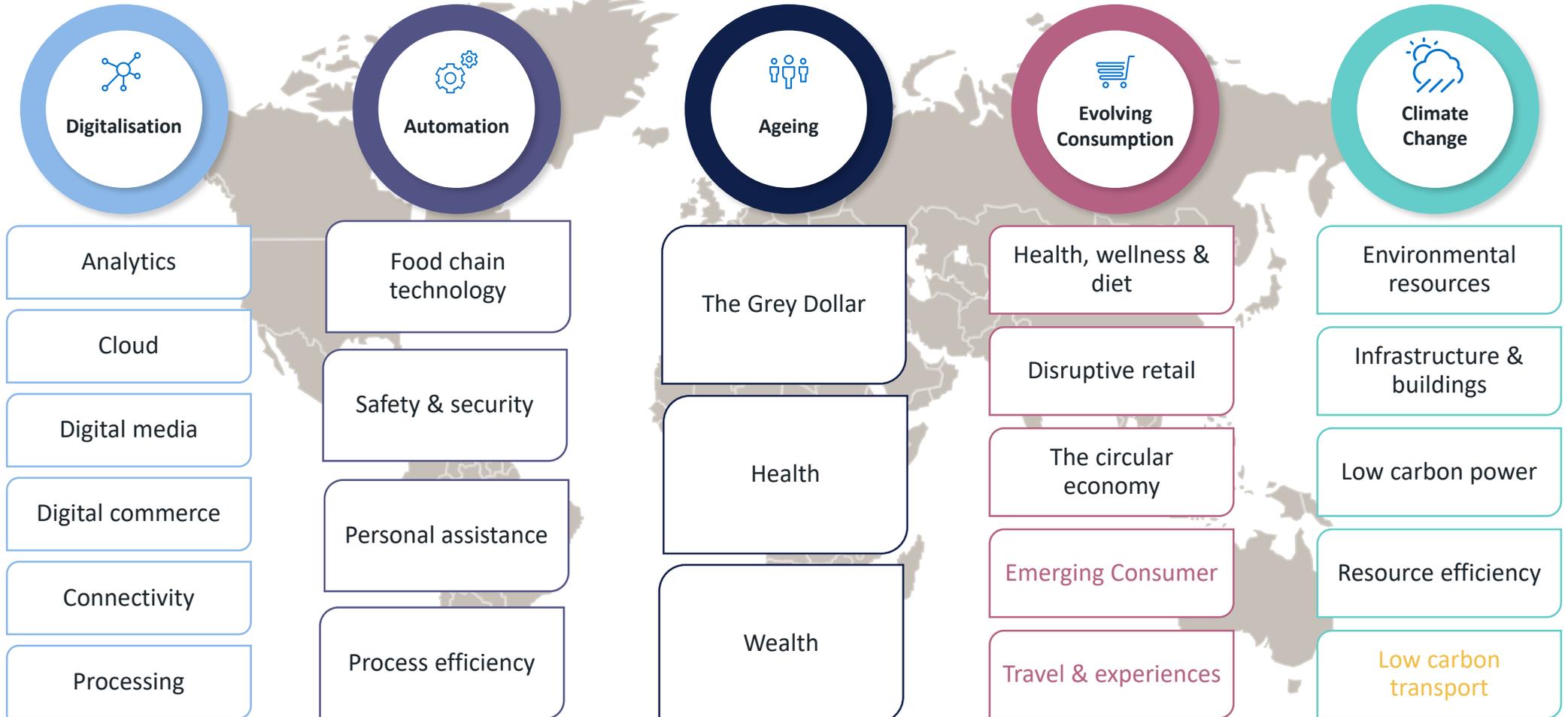
US Equity Valuation and Bond Yields



Source: Macrobond, 11.09.20

# Five secular mega-themes remain resilient long-term

20-30 sub-themes – some emphasis may change



Red type – Under review

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