LimmatWealth

MEMO

Financial Market Update

Developed Markets	2020 YTD	Since Feb 20th	Maximum Drawdown
Switzerland	-7.3%	-12.2%	-26.3%
Germany	-22.0%	-25.0%	-38.8%
Eurozone	-25.1%	-27.3%	-38.3%
United Kingdom	-24.2%	-22.9%	-33.0%
United States	-11.9%	-16.2%	-33.9%
Japan	-18.6%	-17.7%	-29.3%

Emerging Markets	2020 YTD	Since Feb 20th	Maximum Drawdown
Asia ex Japan	-15.5%	-15.2%	-27.2%
China	-7.6%	-5.6%	-10.6%

Source: Limmat Wealth, Bloomberg as of April 24, 2020

The spread of COVID-19 and its economic consequences have led to worldwide turmoil since the end of February.

Market participants can expect another week with mixed emotions. Besides the COVID-19 pandemic and the oil price, the earnings reporting season is also important for investor sentiment. Analysts are currently expecting an 18% year-over-year decline in earnings for American and 16% for European companies. Last week, global stocks lost 1.5%, but they are still trading 24% above the March 23 lows. The fear of the economic consequences of the COVID-19 pandemic had pushed the index to its lowest level since late 2016. However, investors should not be blinded by the strong price recovery. The initial shock of the economic lockdown may have been dealt with, but what the probably longer-term standstill of social and economic life is causing is now only gradually coming to the attention of investors due to the oil price crash (see below) and poor quarterly earnings results of companies.

Due to the collapsing demand and the increased supply, the price for West Texas Intermediate crude oil (WTI) slipped into negative territory for the first time in its history last week. WTI for May delivery closed Monday at USD -37.63 per barrel. That means traders were willing to offer buyers money to take them out of their positions. In addition to the pandemic, the background to this is that May forward contracts could only be sold until Tuesday, but the oil inventories were filled to the brim. That is why there are almost no buyers at the moment. The WTI oil price had already slipped in the past few weeks due to COVID-19, as can be seen in the chart below.

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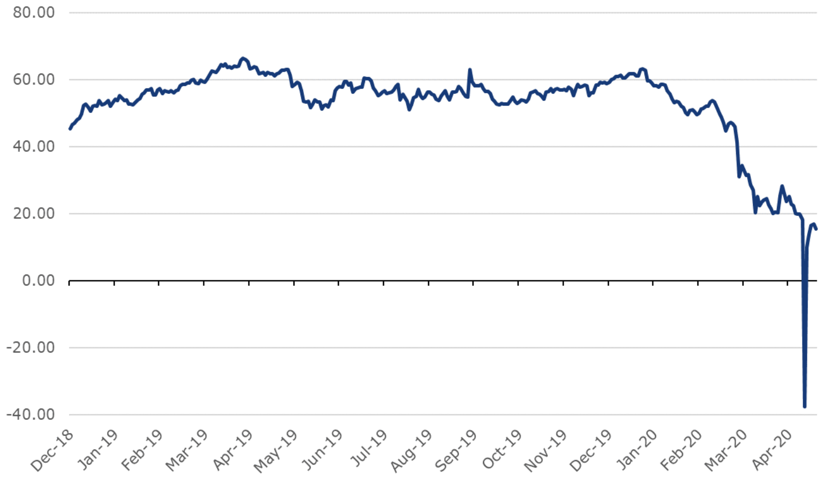

Source: Limmat Wealth, Bloomberg

There are currently about 3.0 million COVID-19 cases and 206’000 fatalities worldwide. Almost 865’000 patients have recovered so far. The number of reported cases continues to rise globally and this will probably continue as long as there is no vaccine available.

We maintain our long-term asset allocation and have taken the first step to bring the allocation back up to target levels. Portfolios should be set up for the post-crisis period today. However, we are cautious as some markets seem expensive to us after the strong rebound. It therefore makes sense to focus on securities of companies whose business is not suffering as badly from the crisis or which recover quickly after the crisis has ended. We currently find these companies primarily in the healthcare, consumer and technology sectors.

At Limmat Wealth our focus will be on keeping our service to clients fully functioning, and then seeking to grasp any new investment opportunities which are unearthed by the turmoil whilst ensuring that our colleagues, families, friends, and anyone else we can reach receives any help they need and that we can provide.

Please do not hesitate to contact us if you have any questions.

April 27, 2020
Limmat Wealth Ltd