



LimmatWealth

MEMO

Financial Market Update

The COVID-19 (Coronavirus) led investors to panic in late February, leading to a sell-off in European and US financial markets.

Developed Markets	2020 YTD	Since Feb 20th	Maximum Drawdown
Switzerland	-14.8%	-19.4%	-26.3%
Germany	-27.3%	-30.1%	-38.8%
Eurozone	-27.2%	-29.4%	-38.3%
United Kingdom	-27.4%	-26.1%	-33.0%
United States	-21.1%	-24.9%	-33.9%
Japan	-18.0%	-17.1%	-29.3%

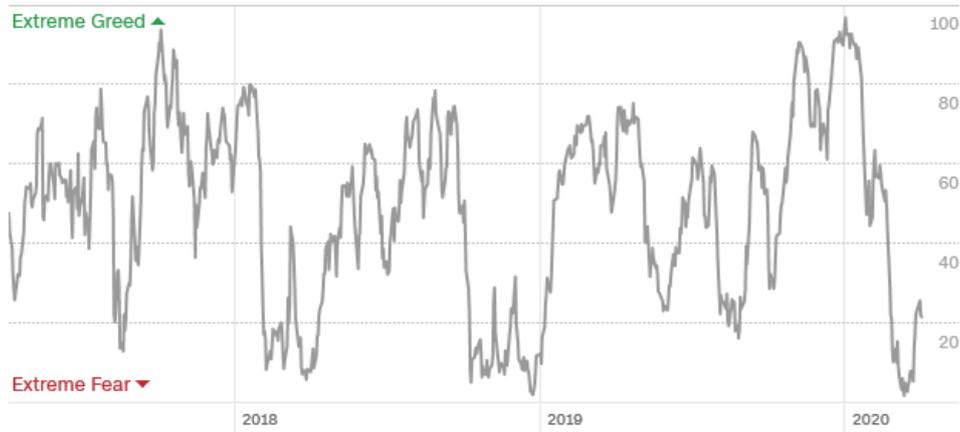
Emerging Markets	2020 YTD	Since Feb 20th	Maximum Drawdown
Asia ex Japan	-19.3%	-19.0%	-27.2%
China	-8.8%	-6.8%	-10.6%

Source: Limmat Wealth, Bloomberg as of April 3, 2020

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

COVID-19 will continue to have a firm grip on the markets in this short week before Easter. While normality is gradually returning to China and the number of new infections appears to be decreasing in Europe as well, the situation in the United States is deteriorating. This is unsettling investors and suggests that the heightened level of volatility will continue. Nobody can estimate the exact impact that the imposed measures and restrictions on social and business life have on the economy. Therefore, a new sell-off is still possible. Economic data will increasingly come into focus. On the corporate side, more profit warnings are expected, dividends are canceled, and share buyback programs suspended. The situation in equity markets has calmed down somewhat in the past two weeks, but volatility remains high. The Fear & Greed Index calculated by the financial news website CNN Business still signals extreme fear, but it has somewhat improved since mid-March. The worst seems to be behind us emotionally. However, more and more experts are now assuming that the global economic recovery will not proceed in a V-shape as initially hoped for, but rather more slowly, like a U.

Fear & Greed Over Time



Source: CNN Business as of April 3, 2020

There are currently about 1'300'000 reported COVID-19 cases and 69'500 fatalities worldwide. Almost 260'000 patients have recovered so far. The United States still has by far the largest number of reported cases (340'000). New York is the most affected city with almost 70'000 reported cases and 3'100 deaths. The US-government is now recommending the use of face masks as a measure to stop the spread of the virus. The Swiss government does not think this is necessary yet even though we have 20'000 infections and 650 deaths here as well. Infections continue to increase by about 1'000 per day. Various countries in Europe are using similar measures to slow the spread of the virus in order not to overburden their healthcare system. The peak does not seem to have been reached yet, therefore governments see no reason to soften the protective measures at the moment.

We maintain our long-term asset allocation and have started to bring the allocation back up to target levels. We will selectively add to our exposure and will initially focus on the healthcare sector. Unlike other sectors, companies in the healthcare sector are only marginally negatively affected by this pandemic. Patients need treatments and drugs whether the economy is doing well or not. Therefore, this industry tends to be more crisis-resistant than others. Today these companies can be bought on average around 15% cheaper than at the beginning of the year.

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.