LimmatWealth

MEMO

Financial Market Update

Developed Markets	2020 YTD	Since Feb 20th	Maximum Drawdown	Return since 2020 Low
Switzerland	-7.7%	-12.6%	-26.3%	18.6%
Germany	-21.0%	-24.1%	-38.8%	24.0%
Eurozone	-26.1%	-28.3%	-38.3%	16.1%
United Kingdom	-23.6%	-22.2%	-33.0%	16.1%
United States	-11.1%	-15.4%	-33.9%	28.0%
Japan	-15.3%	-14.4%	-29.3%	21.1%

Emerging Markets	2020 YTD	Since Feb 20th	Maximum Drawdown	Return since 2020 Low
Asia ex Japan	-13.6%	-13.2%	-27.2%	19.2%
China	-5.6%	-3.6%	-10.6%	7.8%

Source: Limmat Wealth, Bloomberg as of May 15, 2020

The gradual relaxing of measures and the return to everyday life are giving investors worldwide a sigh of relief. Experts believe that the economies of Europe and the United States reached their low point in April and are slowly starting to come back to life. However, data from many economies underline the depth of the economic downturn and increase the risks of longer-term effects that could undermine the recovery. The US central bank FED's chairman Jerome Powell was rather reserved this weekend. He fears that an economic recovery in the United States may drag on into the next year and that a full recovery may depend on a COVID-19 vaccine.

Investors are also worried by the latest data from Japan. The third largest economy in the world dipped into a recession in the first quarter. The pandemic has massively disrupted supply chains and businesses, particularly in trade-dependent countries like Japan and China. The trade tensions between the United States and China also add to the uncertainty. After a partial agreement was reached in January in the long-standing trade dispute between the two nations, the COVID-19 pandemic is again creating tensions between the two countries. The intensifying rhetoric on the part of US president Donald Trump plays an important role. He sees China as the culprit for the pandemic, on the one hand because the virus originated in China and on the other hand because China handled the crisis and its containment poorly. Donald Trump firmly believes that China has caused trillions of dollars of damage to the United States and that there should be some form of compensation payments. Last Friday, the dispute over the influence of the Chinese network supplier Huawei escalated. The US announced further restrictions on the company, while China threatened to take action against the US corporations Apple, Cisco, Qualcomm, and Boeing in return. It remains to be seen how the conflict will develop.

There are now around 4.7 million reported COVID-19 cases and 315,000 deaths worldwide. The number of cured patients is now over 1,700,000. While the curves flatten in Europe, they are still pointing steeply upwards in the United States and especially in Russia and Brazil. For the latter two countries, this has to do with the fact that they are only now testing more people. These countries have not yet peaked.

Despite positive news - especially from European countries - the pandemic is not over yet. Economic forecasts are bleak almost everywhere, but this difficult situation also offers opportunities to invest. As we have already mentioned several times, we are careful with (additional) purchases. After the strong recovery in recent weeks, some markets seem expensive to us and are also not well positioned for the coming recession. That is why we are currently focusing on selected sectors and topics. For us, three sectors are emerging as relative winners of this pandemic. These are the healthcare sector, technology and consumer staples.

- Healthcare: Pharmaceutical companies play a major role in this crisis. Thanks to the search for efficient test solutions, treatment options and vaccines for/against COVID-19, companies such as Gilead (treatment with the drug Remdesivir), Moderna (possible vaccine), and Roche (provider of test kits) are in the news everywhere.

- Technology: Subsectors such as e-commerce, video conferencing, streaming and gaming have of course benefited from the shift in consumption and entertainment from offline to online. For example, people have become accustomed to the simplicity and convenience of online shopping and working from home. Companies such as Amazon (online marketplace), JD.com (online marketplace), Deliveroo (meal delivery), and Zoom (video conferencing) are benefiting from this trend and are significantly expanding their capacities.

- Consumer staples: Consumer staples are everyday goods, such as food and beverages. These are often products that one cannot live without. Therefore, when people have to limit their spending, they do it in the consumer staples sector last and accordingly this sector tends to be more resilient. Companies like Procter & Gamble (brands like Gillette, Pampers, Oral-B, or Charmin), Walmart (supermarkets), and Coca-Cola (the world's largest beverage company) should therefore get through the recession relatively well.

The measures that Limmat Wealth took early in this crisis were target-aimed and effective. The safety and health of our customers and employees was guaranteed at all times and Limmat will therefore continue to operate this security system until further notice. We were able to keep our services for our customers fully functional at all times.

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

May 18, 2020
Limmat Wealth Ltd