



LimmatWealth

MEMO

Financial Market Update

Developed Markets	2020 YTD	Since Feb 20th	Maximum Drawdown	Return since 2020 Low
Switzerland	-5.9%	-10.9%	-26.3%	21.0%
Germany	-16.4%	-19.7%	-38.8%	31.2%
Eurozone	-22.5%	-24.8%	-38.3%	21.8%
United Kingdom	-21.0%	-19.6%	-33.0%	20.0%
United States	-8.3%	-12.7%	-33.9%	32.1%
Japan	-13.8%	-12.9%	-29.3%	23.2%

Emerging Markets	2020 YTD	Since Feb 20th	Maximum Drawdown	Return since 2020 Low
Asia ex Japan	-14.9%	-14.6%	-27.2%	17.3%
China	-7.4%	-5.4%	-10.6%	5.8%

Source: Limmat Wealth, Bloomberg as of May 22, 2020

Concerns about a renewed US-China trade war are increasing and the dispute between the United States and China is again in the focus of investors. Investors fear that the war of words will not end, but that the trade conflict may escalate again with mutual punitive tariffs and other sanctions.

China's Foreign Minister Wang Yi warned of a new Cold War yesterday with sharp attacks on the United States, and with it a threat to world peace. "It's time for the United States to give up its wishful thinking of changing China and stopping 1.4 billion people in their historic march toward modernization." With this sentence, the Secretary of State reveals what China believes to be the real motive behind the policies of US President Donald Trump: The US only wants to prevent China from rising as a new power in the world. Relations between the two largest economies in the world are worse than ever and there are no signs of improvement. The list of disputes is growing steadily: the ongoing trade war, US sanctions against China's technology giants, the escalating conflict over Hong Kong, China's pressure on liberal Taiwan, the persecution of unwanted people (civil rights activists, Uighurs and Tibetans), and mutual expulsions by journalists, China's controversial territorial claims in the South China Sea, and the modernization of the Chinese armed forces, which the United States sees as a growing threat to its security interests. The confrontation is likely to escalate in the upcoming US election campaign, as China has become an enemy of Republicans and Democrats in the United States.

The recent developments have so far not held back equity markets. Investors remain positive and therefore the recovery from the lows in March continues. After the recent relaxation of measures in many countries around the world, we are now facing weeks of truth. A possible flare-up of infections or even a second wave is still floating around in the back of investors' minds.

There are now around 5.4 million reported COVID-19 cases and 345,000 deaths worldwide. The number of cured patients is now almost 2.2 million. The curves continue to flatten in Europe and the situation seems to be improving in the United States as well. Brazil is increasingly becoming the global COVID-19 hotspot. The situation seems to be out of control. Because of a lack of money, many young people in Brazil are forced to work despite the risk of infection, and as a consequence many become infected. The country has reported around 360,000 confirmed COVID-19 cases and almost 23,000 deaths. This makes them the country with the second most confirmed cases after the United States. However, experts consider those numbers under counts because of the widespread lack of testing.

Despite positive news from many 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 before, 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.

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.