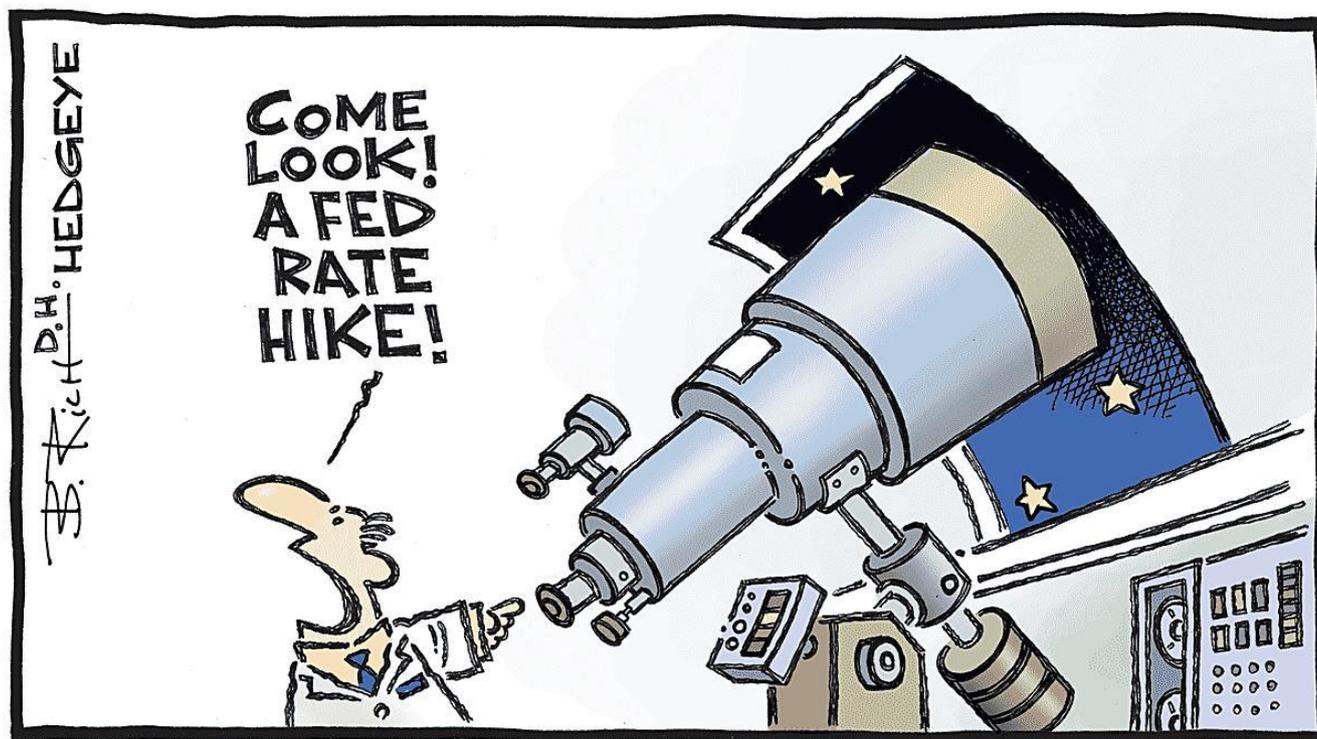


Market review February 2021



After a good start to the year, most equity indexes stalled in the last week of January and finally showed barely negative monthly returns. This slight profit-taking is not worrying and even rather legitimate after the year-end rally that risky assets experienced and which continued into early January.

Some segments such as semiconductors and leading companies in clean energy production (such as NextEra Energy or ITM Power) still ended up sharply. The first can be explained by sustained industrial demand and the second by the Democratic victory in the state of Georgia in the United States, which gave a majority to President Biden's political party. Even if the Democrats are not going to have the royal road (the Senate remains very divided), investors welcomed this victory by literally rushing to all companies that could benefit from the reforms that Mr. Biden promised to carry out during his presidential term. However, the rally that had started in early November 2020, just after the presidential election, was justified by the so-called ideal scenario of a Democratic President, a Democratic Congress and a Republican Senate (at least that is what the majority of specialists were predicting in November). The main argument was: "Mr. Biden's program will be positive for risky assets, but he will not have his hands completely free for his tax increase intentions..."

In the end, the Democrats will have a double majority, which caused a new bullish impulse in the stock markets. We leave it up to you to make your own opinion on the subject...

Market trends at the end of January 2021

Equities in Local Currencies								
End of December	MSCI World	S&P 500	EuroStoxx	CAC	Spain	Switzerland	MSCI EM	CSI 300
Perf 3 Month	16,08%	13,59%	17,69%	17,52%	20,23%	10,47%	20,49%	13,98%
Perf YTD	-1,05%	-1,11%	-2,00%	-2,74%	-3,92%	-1,05%	2,97%	2,70%

Commodities				Currencies vs EUR				
End of December	WTI Oil	Brent Oil	Gold	Copper	USD	JPY	GBP	CHF
Perf 3 Month	45,85%	49,17%	-1,66%	16,93%	-4,04%	4,26%	1,47%	1,21%
Perf YTD	7,58%	7,88%	-2,67%	1,16%	0,65%	-0,75%	0,91%	0,02%

Bloomberg Indices Bonds Total returns								
End of December	Global Aggregate	US Aggregate	Euro Aggregate	US 10 Year Treasury	German 10 Year Bund	Global Credit	Global High Yield	Emerging Sovereign \$
Perf 3 Month	3,28%	0,67%	1,26%	-1,32%	1,17%	4,03%	7,66%	4,50%
Perf YTD	9,20%	7,51%	4,05%	10,05%	8,60%	10,03%	7,03%	6,52%

Source : Bloomberg 31/01/21.

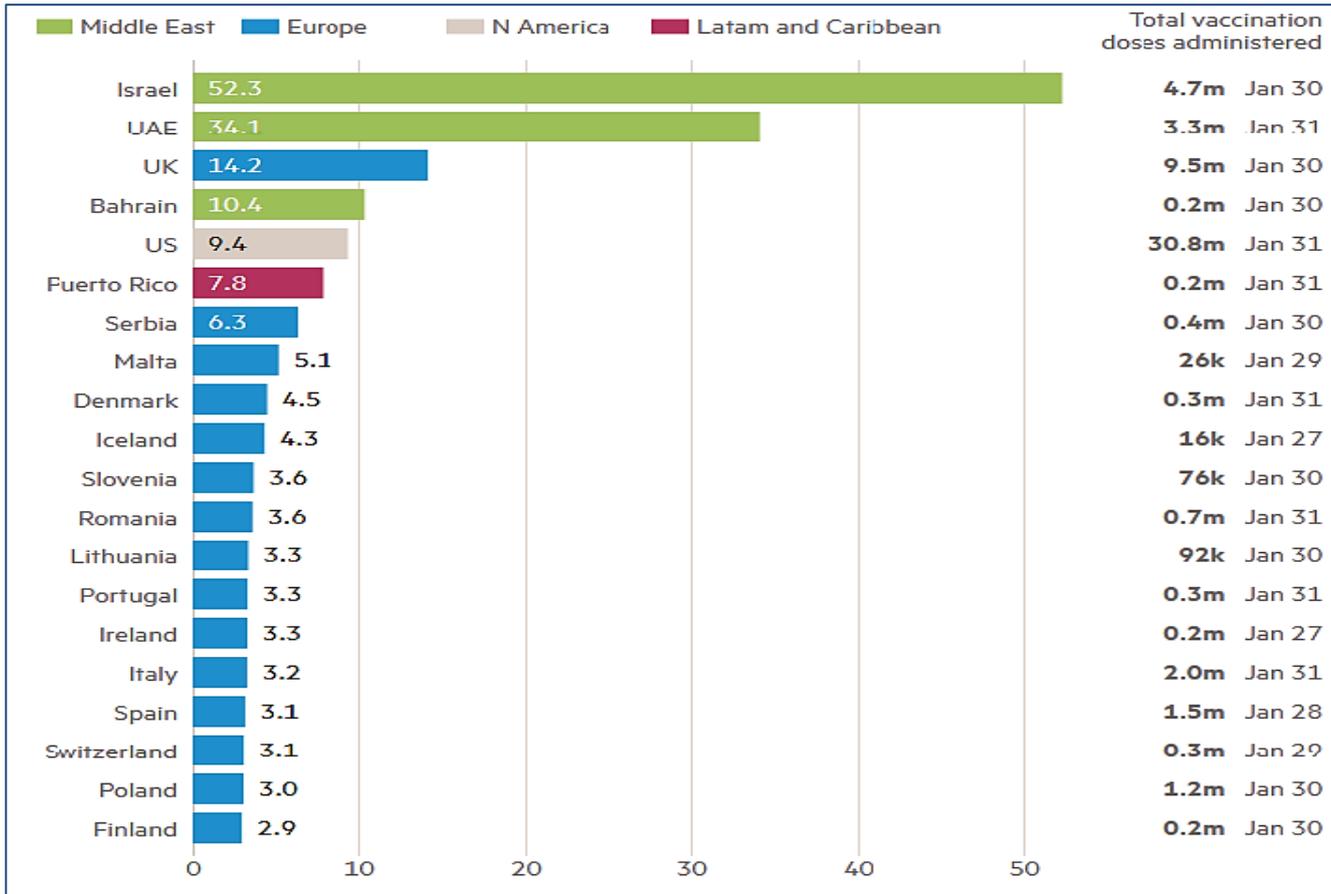
The investiture ceremony of the President finally went off without a hitch even though the worst could have been expected following the insurrection at the Capitol on January 6. The extraordinary security measures probably discouraged Trump's most fervent supporters, who still scream out for electoral fraud. After 4 years of controversy, Mr. Trump has left the White House through the back door, but we will certainly continue to hear from him. The fact that the U.S. Congress has validated a second impeachment trial against him (he is the only U.S. president to hold this sad record) should keep him in the spotlight. Whether or not the latter succeeds is not going to change the situation in the short term, except maybe for Mr. Trump's ego, but does he really care about it!? On the other hand, Democrats want this trial in order to minimize the risks that the real estate tycoon could run for the presidential elections of 2024.

			
Nominee for Treasury Secretary: Janet Yellen	Nominee for Secretary of State: Antony Blinken	National Security Adviser: Jake Sullivan	Special Envoy for Climate: John Kerry
<ul style="list-style-type: none"> ✓ First woman to chair the US Federal Reserve. ✓ One of Biden's most experienced cabinet picks. ✓ Responsible for helping Mr. Biden prepare the USD 1.9 trillion package he has proposed. 	<ul style="list-style-type: none"> ✓ Mr. Biden's national security adviser. ✓ A key player in the Obama administration's efforts to fight ISIS. ✓ Its appointment suggests a more constructive relationship with the EU and allies. 	<ul style="list-style-type: none"> ✓ Helped craft the Iran nuclear deal. ✓ Has already been vocal on China attacking freedom in Hong Kong, in a sign that the administration will take a critical stance towards Beijing over democracy. 	<ul style="list-style-type: none"> ✓ Former Obama-era secretary of state. ✓ Helped to orchestrate the 2015 Paris climate accord. ✓ Its appointment signals the issue will rise to the top of the US policy agenda.

Source : FT, BBC



Mr. Biden has been very busy since his arrival. After appointing a series of Secretaries of State (most of them were part of the Obama administration...), he has already signed about fifteen decrees, some of which, without surprise, totally invalidate decisions taken by his predecessor. He has also decided to reintegrate the Paris Agreements and the WHO. He also proposed to inject 1.9 trillion dollars to help households and certain industries to cope with the pandemic. This plan has very little chance to pass the chambers, but it has the merit of launching debates, especially at a time when it becomes urgent to take action. Mr. Biden seems willing to implement his campaign promises on renewables.



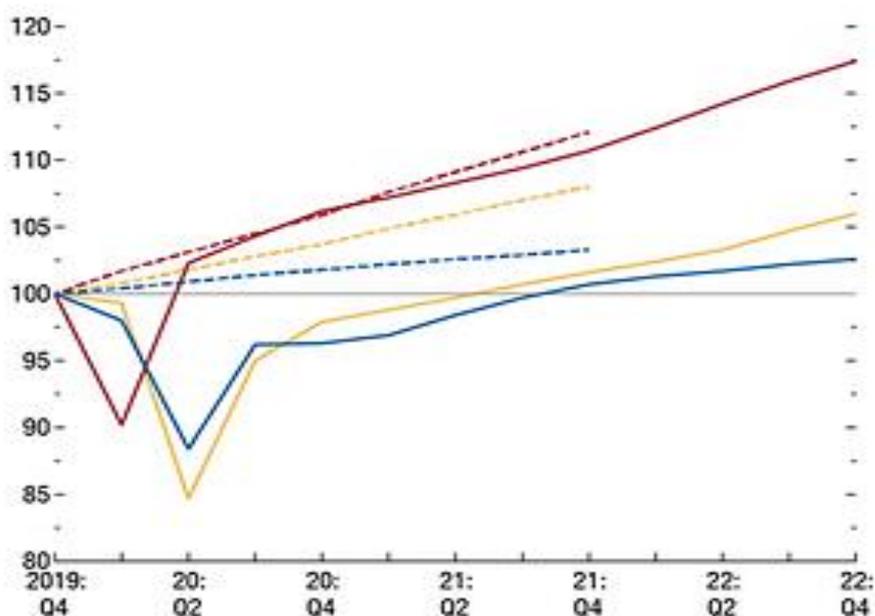
Source: Financial Times, Our World in Data, national sources.

Regarding the pandemic, after having welcomed cheerfully the news of the arrival of several vaccines, the operational reality is less rosy. As expected, most producers are not in a position to deliver promised jobs. Some governments, such as Italy, are openly expressing their dissatisfaction and are even considering legal action against the laboratories involved. Even if cases of new contaminations are currently decreasing, due to the more or less strict lockdown measures in different countries, this naturally postpones the lifting of restrictions and thus the economic recovery. In addition, new variants, that are more contagious, are more and more present in the statistics and even if, for the moment, the vaccines on the market seem to be efficient for these variants, we are not immune to the fact that this may not be the case in the future. At this point, most economists expect a strong recovery as early as the 3rd quarter 2021. Disappointments at this level could make investors more nervous and lead to higher profit taking.

Figure 1. Divergent Recoveries: WEO Forecast for Advanced Economies and Emerging Market and Developing Economies

(Index, 2019:Q4 = 100)

— China (Jan. 2021 WEO Update) - - - China (Jan. 2020 WEO Update)
 — AEs (Jan. 2021 WEO Update) - - - AEs (Jan. 2020 WEO Update)
 — EMDEs excluding China (Jan. 2021 WEO Update) - - - EMDEs excluding China (Jan. 2020 WEO Update)



Source: IMF staff estimates.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; WEO = World Economic Outlook.

Let's take a few minutes to talk about the "Reddit saga". It is nothing else than a social network (like Instagram for example) on which young non-professional investors (speculators) exchange "investment" ideas. Most of these new investors on the market use low-cost trading platforms that offer opportunities to deal with leverage, such as the Robinhood's platform, which was already in the spotlight last year during the Tesla stock surge, or even Hertz, the latter being on the edge of bankruptcy. We are talking about this because in January, these budding traders invited themselves to the table with Wall Street's elite. Their challenge may have seemed crazy and lost in advance in front of the seasoned hedge fund managers. The "Reddit community" spread the word to massively buy securities of companies on which these hedge funds had huge short positions... The objective: to make these funds crack by forcing them to cover their "shorts" positions much higher. Prices of shares in Gamestop for example (a company that sells video games in stores and has faced financial difficulties since the arrival of "streaming" games) or AMC Entertainment literally skyrocketed by more than 1000 (thousand!)% for one and 350% for the other in just a few days.



On the other hand, we may wonder about the real efficiency of markets if these “traders” decide to target other segments of the stock market. A thought also for the Robinhood trading platform, which had to urgently raise capital because their equity was no longer sufficient to support the huge positions of their clients. This platform has, moreover, introduced a ban on trading in certain securities causing an outcry. The SEC (the regulator of American financial markets) has announced that it will take up the matter and will decide whether these new activists have manipulated the markets or not. We look forward to their findings.

In the meantime, we wish you a beautiful month of February and hope that you will be able to take some altitude on the alpine runs.



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