Market review April 2021

Equity markets continued to progress in March. We saw an outperformance of European equities, such as the Eurostoxx600, which gained more than 6%. This was mainly due to the increase in cyclical stocks. They are still highly sought in view of a gradual reopening of the economy by this summer. Growth stocks also progressed, but to a lesser extent. On the other hand, after months of underperformance due to a general lack of interest, "Value" stocks such as Staples had a strong performance in March (+6.5%). It is difficult to say whether this recovery will last, but it will be worth watching.

The dollar strengthened against most currencies, while gold continued its bearish trend that has taken hold since summer 2020. For bonds, long term yields continued to rise as the US 10-year yield passed the 1.75% level during the month, despite the fact that the Fed repeated several times that inflation will remain contained in the coming months. As we have said on numerous occasions, the situation is not quite the same for European yields. Investors do not expect a recovery as strong as in the US, and this keeps long-term interest rates at considerably lower levels. The German 10-year yield even declined in March and is therefore still negative (-0.32%). The announcement of the increase in weekly bond purchases from EUR 15 to 21 billion at the last ECB meeting probably also prevented any increase in the German 10-year. As for credit spreads, they remained stable and this should continue to be the case as long as central banks maintain their ultra-accommodating monetary policies.

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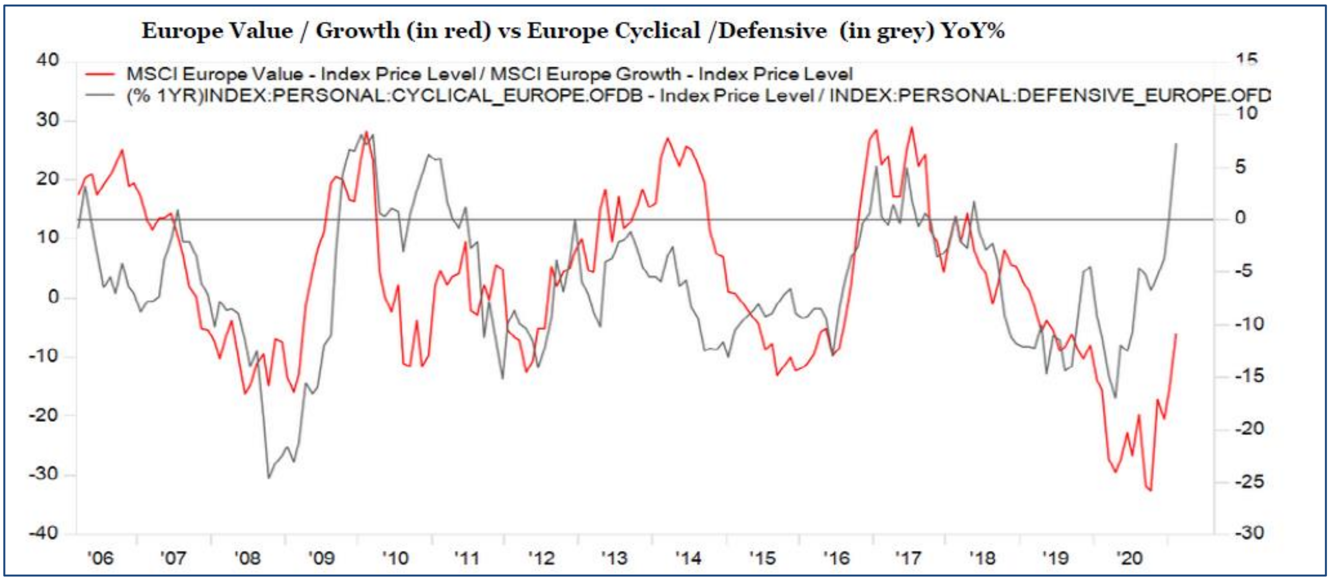

Source: Pictet.

Most crypto currencies have continued their spectacular rise, with the main one, Bitcoin, up more than 30%. The latter is up more than 100% since the beginning of the year. Warning messages from authorities to slow down the infatuation are multiplying, but investors (and speculators) do not seem to be paying attention, at least for the moment.

Market trends at the end of March 2021

	Equities in Local Currencies							
End of March	**MSCI World**	**S&P 500**	**EuroStoxx**	**CAC**	**Spain**	**Switzerland**	**MSCI EM**	**CSI 300**
Perf 1 Month	3,11%	4,24%	7,78%	6,38%	4,32%	4,99%	-1,70%	-5,40%
Perf YTD	4,52%	5,77%	10,32%	9,29%	6,27%	3,21%	1,95%	-3,13%

	Commodities				Currencies vs EUR			
End of March	**WTI Oil**	**Brent Oil**	**Gold**	**Copper**	**USD**	**JPY**	**GBP**	**CHF**
Perf 1 Month	-3,80%	-3,92%	-1,52%	-3,21%	2,92%	-0,92%	1,82%	-0,89%
Perf YTD	21,93%	22,66%	-10,04%	13,13%	4,14%	-2,83%	5,05%	-2,33%

	Bloomberg Indices Bonds Total returns							
End of March	**Global Aggregate**	**US Aggregate**	**Euro Aggregate**	**US 10 Year Treasury**	**German 10 Year Bund**	**Global Credit**	**Global High Yield**	**Emerging Sovereign $**
Perf 1 Month	-1,92%	-1,25%	0,11%	-2,46%	-0,59%	-1,87%	-0,93%	-1,25%
Perf YTD	-4,46%	-3,37%	-1,90%	-5,82%	-6,35%	-4,17%	-0,95%	-3,48%

Source : Bloomberg 31/03/21.

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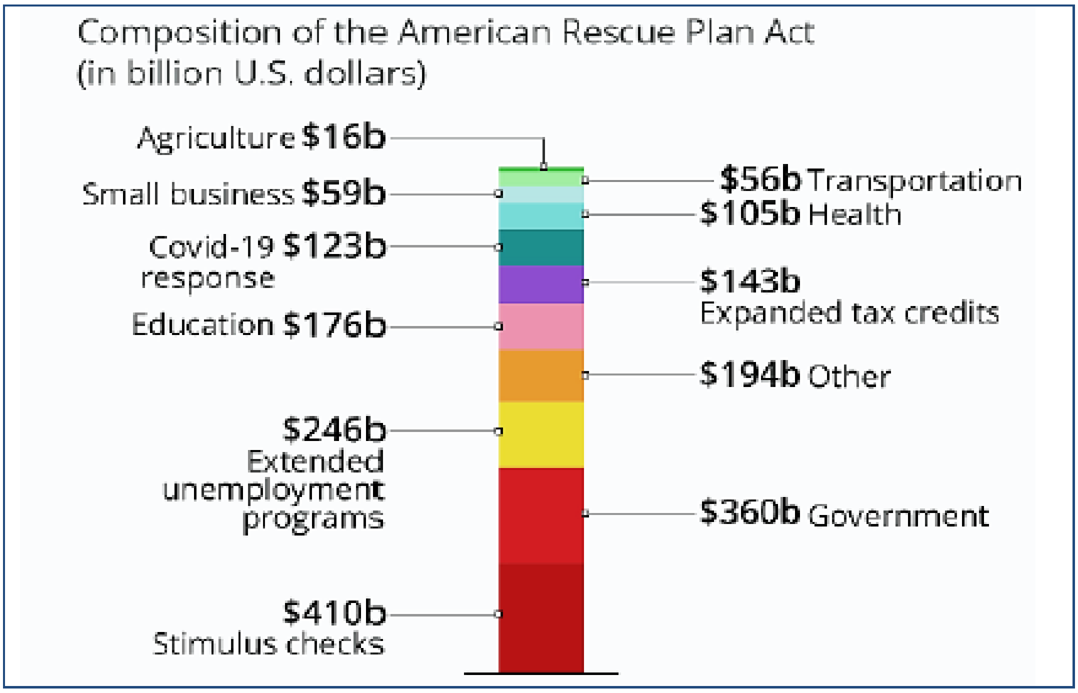
Among the highlights of the month was the "ease" with which President Biden's $1.9 trillion package passed. Although the terms had to be adjusted (such as the removal of the minimum wage increase to $15 per hour) to get the Senate to approve it, it shows that the balance of power is in the Democrats' favor. Of the 1.9 trillion dollars, 176 billion will go to education, 246 billion to employment and 123 billion to the companies most affected by the lockdown. In addition, Americans earning less than $75,000 per year will receive a $1,400 check. This represents the third "helicopter money" initiative since the beginning of the crisis.



Source: Congressional Budget Office, The WSJ.

Some have suggested that this plan will benefit China more than the United States, as beneficiaries of the checks will rush to buy consumer goods, with some of them produced in China... in the end, it doesn't matter, the positive point to remember is that American households have been given a breath of fresh air during a difficult period and that the country's economic statistics should continue to improve.

As soon as the bailout was approved, President Biden was already talking about a new package for infrastructure improvements. This new plan was presented on the last day of March and named "Build Back Better". This time, the amount is 2.25 trillion dollars and will have to be invested over 10 years to renovate bridges, highways, ports, airports but also to improve home care and internet access...

In short, it is a general "lifting" of the country's infrastructure. The announced plan is already a good start, but it would obviously not be enough, because according to some estimates, the amount needed would be 4 trillion dollars. But let us not get carried away too quickly, because the Congress and the Senate still have their say. The president's proposals could be modified or even rejected by the chambers. In the best-case scenario, if it were to be validated, the first investments should take place at the end of 2021.

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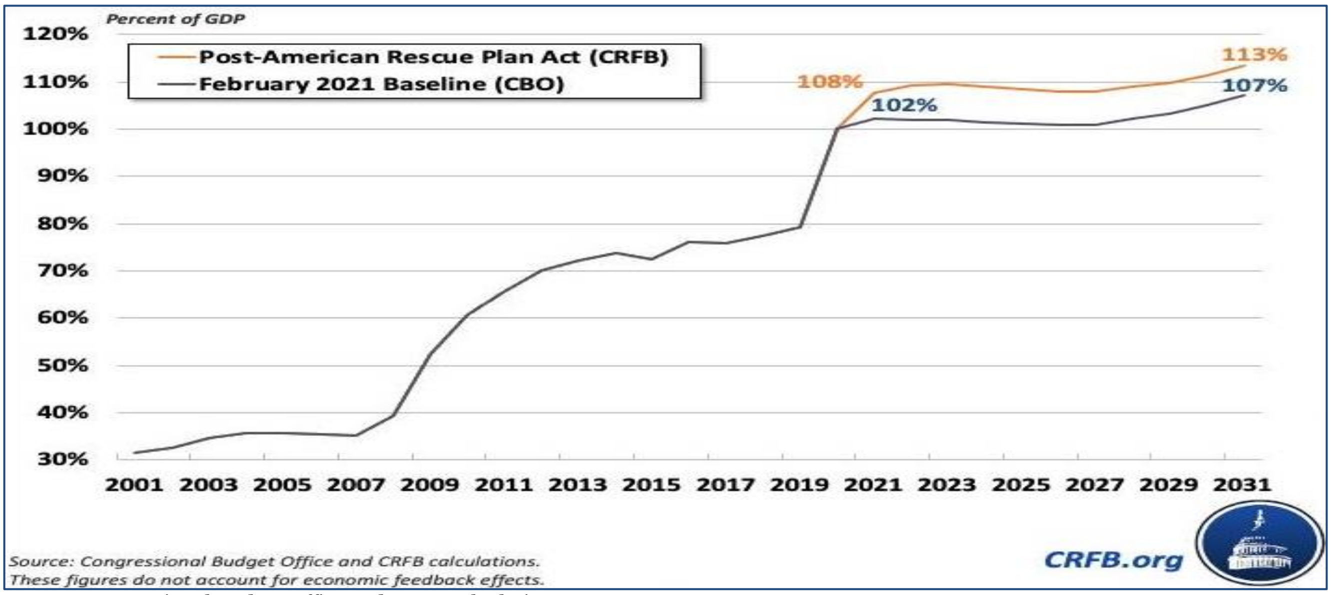
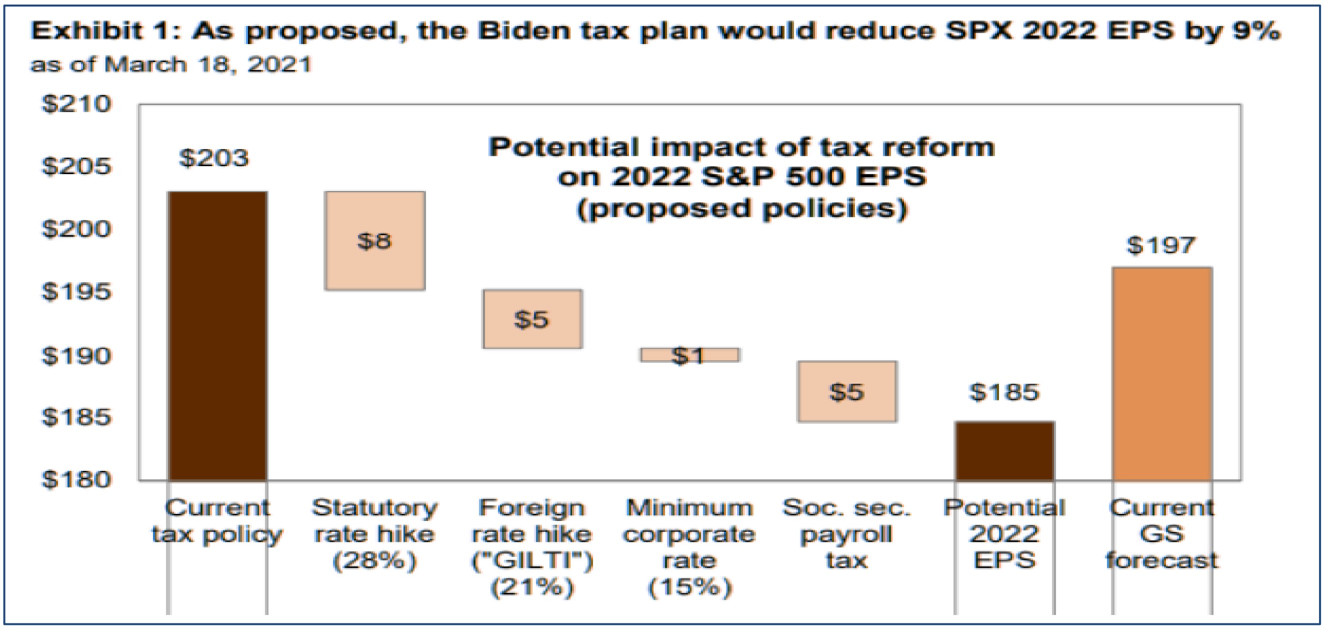
In conclusion, these recovery plans should have a positive impact on the US (and on the world) economy, but we can also conclude that the US budget deficit (which is already worrying at its current level) is not ready to tighten.



Source: Congressional Budget Office and CRFB calculations.

To compensate for this massive outflow of money, Mr. Biden is proposing a tax increase for American companies. If the plan is accepted, they would see their tax rate rise from 21 to 28%. That would mean a decrease in earnings per share of about 9% for the year 2022.
This is not surprising, as this argument was part of President Biden's presidential campaign, but he wasted no time in putting the issue on the table. The White House suggested that this increase will not be isolated and that the wealthiest will also be taxed. Households earning less than $400,000 per year should not be impacted. To be continued...



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The month was also marked by the blocking of the Suez Canal after a 400-meter long, 59-meter wide container ship (Ever Given) got in the way of the canal, bringing traffic to a standstill for almost a week. Apart from the direct cost, which according to some estimates could amount to $9 billion per day, the medium-term consequences could be more significant. This will reinforce the theme of de-globalization, which is already a recurring theme since the beginning of the pandemic.

More serious and much more worrying is the liquidation of Archegos Capital Management. This family office manages the fortune of the sulfurous Bill Hwang, a Korean billionaire who had already made the headlines for insider trading a few years ago. This hedge fund, which had nearly $4 billion in assets under management at the beginning of the year, managed its holdings with a more than significant leverage (between 4 and 5 times its assets). Some banks, such as Credit Suisse and Nomura, were also lenders for Archegos. The scandal occurred when the fund was no longer able to meet its margin calls following the sharp decline in one of its main positions, ViacomCBS. The result was a fast liquidation of positions and an estimated loss of nearly $8 billion (the exact amount will not be known for a few weeks/months).

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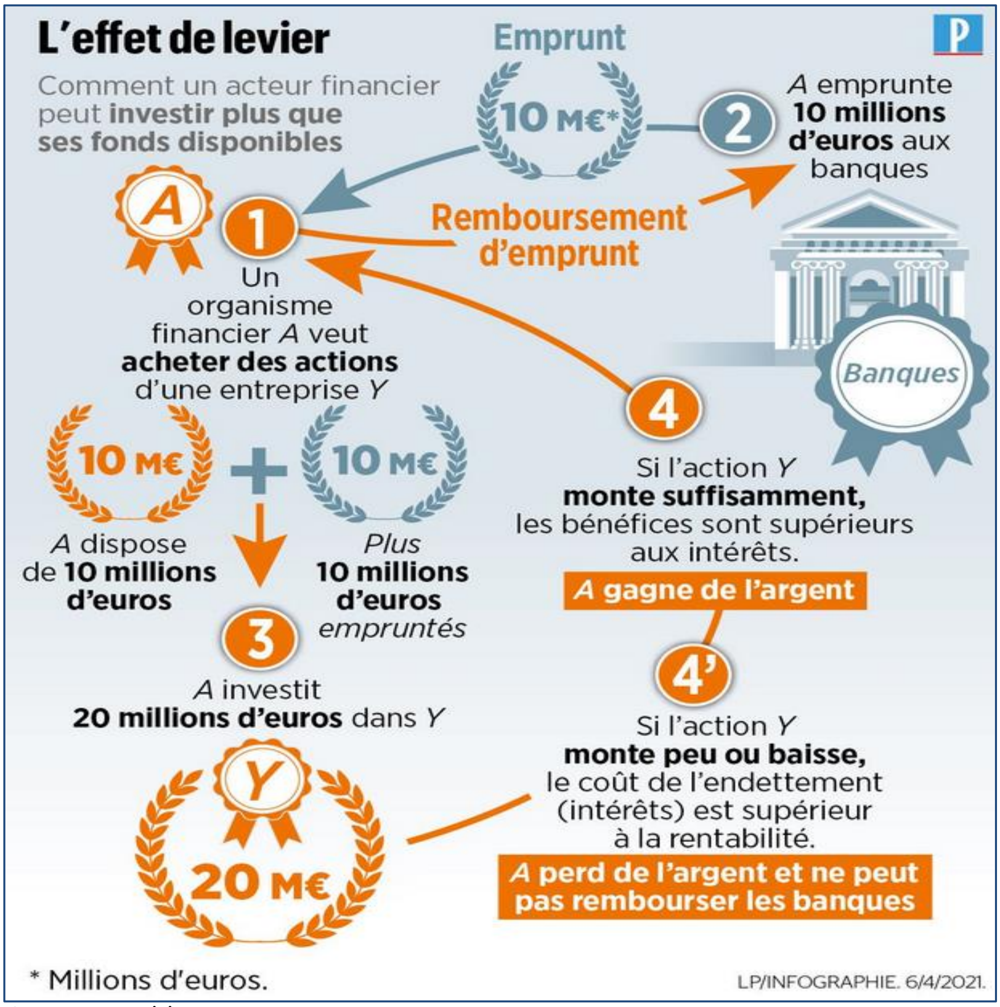

Source : Le Parisien

The regulators may be splitting hairs, but they still sometimes don't see an elephant in the studio! This event may result in new and stricter rules for the industry and therefore higher costs... but will this prevent this kind of incident from happening in the future, and will investors really be more secure? We doubt it.

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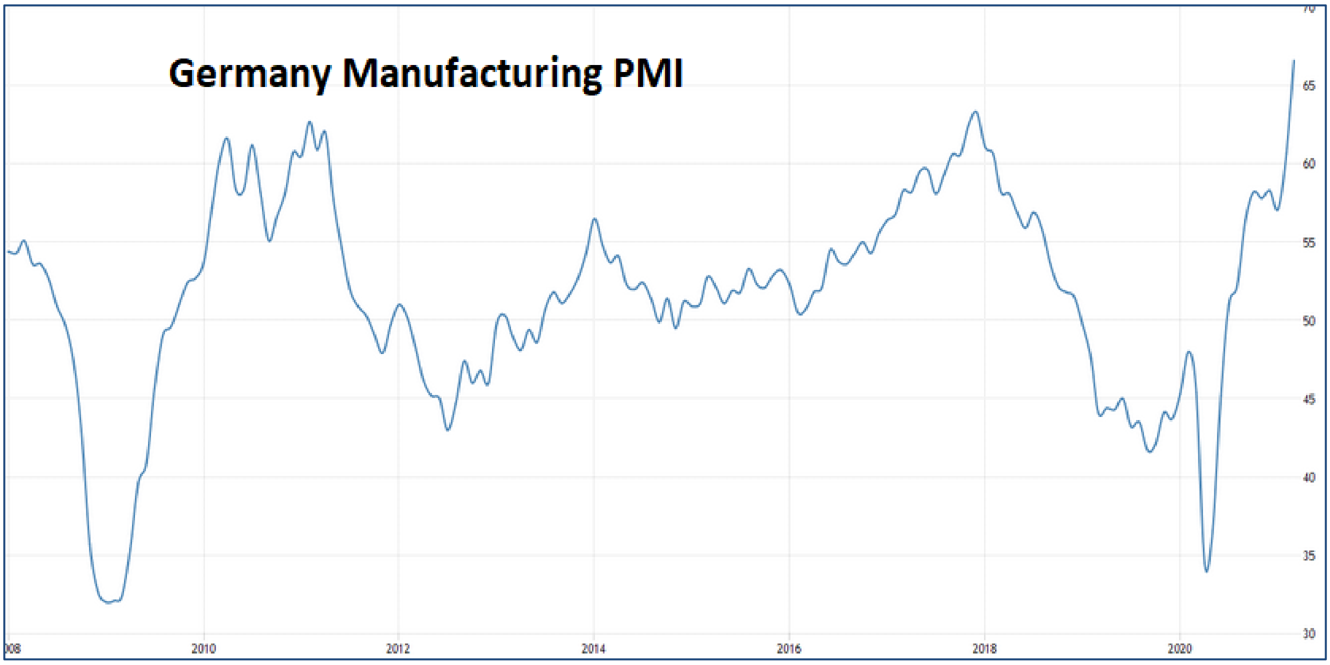
We remain optimistic about risky assets for the reasons we have already mentioned. The historic liquidity injections of the last 12 months should continue to provide support for risky assets. This is starting to be reflected in economic data. The German PMI for March is at the highest level since 2017. This confirms that the recovery is on its way.
We wish you a great month of April.



Source : Bloomberg

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